



**Market Comment Sept 23
& Preparing for Long-term care**

As you can't necessarily predict your future health or life expectancy, it's very difficult to accurately plan for these costs

Sept 23 - Historical UK & US Commentary

UK

[Bank of England keeps interest rates steady in September.](#)

21 Sept 2023 - The Bank of England has, off the back of the surprise reduction in UK inflation, decided to not raise rates in the UK at their September meeting. The market was largely expecting the central bank to raise rates by another 0.25% to take the rate to 5.5%. This move has been taken as a sign the UK is at or near the top of its interest rate hiking cycle which will come as a relief to many. The market battle will now be to gauge how long the rate stays this high before they start to come back down again.

[UK inflation falls more than expected in August](#)

20 Sep 2023 - UK inflation falls more than expected in August UK inflation dropped more than expected on Wednesday which will come as a welcome surprise to market participants and UK citizens. Core inflation which excludes volatile components like food and energy fell to 6.7% from 6.8% in July and certainly in contrast to what investors were predicting for August which was a rise up to 7%. This positive move back towards the central banks 2% target is welcome and should prompt the Bank of England on Thursday to hold rates steady at 5.25% rather than raising rates again to 5.5% - This they did.

US

[US posts record job numbers in September](#)

6 Oct 2023, US job creation surged in September by 336,000 jobs being created against an expectation of just 170,000. Again, this is a positive for the US economy which continues to grow with more and more people employed. On the flip side this spells bad news for those waiting for a bond market rally and interest rate cuts as a stronger economy suggests a more stubborn inflation picture for a longer period of time. The odds for another US rate hike in 2023 once again moved higher as US bonds and equities sold off.

August 2023 - Stability in the US Jobs Market the US job market remains steady despite record-high interest rates, with 187,000 jobs added in August, matching July's numbers. President Biden praised the strong job growth, surpassing economist expectations of 170,000 new jobs. The Federal Reserve closely watches the labour market and inflation. Interest rates have been raised 11 times in under two years, reaching 5.25% to 5.5%, impacting mortgage and loan costs. Certain industries like healthcare and hospitality continue to grow, while transportation and warehousing suffered job losses due to Yellow trucking company's bankruptcy. Recent data suggests a slowing labour market, with fewer job openings and private sector job growth decline. Layoff announcements reached their highest level since 2020. The Fed aims to lower inflation from its peak of 9.1% to a 2% target without harming



employment. Jerome Powell affirmed their commitment to this, despite uncertainties due to high interest rates and varying consumer spending patterns.

I'm inspired to commence an article on the topic of care and support for elderly individuals by real-life situations that have underscored the pressing need for such assistance. The challenges faced by families tasked with orchestrating the intricate web of support services can be challenging. These scenarios have also illuminated the striking variations in cultural approaches to this issue. However, at its core, the challenge lies in ensuring that families are well-informed about the potential needs and timing of such support, and then skillfully leveraging all the available resources at their disposal.

Planning for Care – Are Your Finances Ready?

From a UK perspective.

The UK has an ageing population, which means that a significant number of people require care as they get older. This can range from daily help with household tasks to 24-hour nursing care.

There is some provision to help pay for this, but if you have income, property, or savings, you will be expected to cover some (or all) of the cost yourself. This means that it is not just the affordability of care that is an issue, but also the possibility of eroding the assets that you have built up during your lifetime.

In this guide, we explain how care funding works and offer some suggestions for planning your finances.

The Cost of Long-Term Care

The cost of care will depend on:

- The level of support required.
- Whether care is provided at home or in a residential setting.
- Where you are in the UK.
- How long care is required for.

As you can't necessarily predict your future health or life expectancy, it's very difficult to accurately plan for these costs. According to [Age UK](#), a care home place typically costs around £800 per week, while a nursing home stay costs, on average, £1,078 per week. Individual homes may cost more or less than this, with significant regional variation.

Care at home may offer another solution for people with lower to moderate support needs. The cost of this is generally around £15 per hour. This means that 8 hours of care per day will cost approximately £840 per week. However, household bills and living costs will be payable on top of this, while care home fees are generally all inclusive.

The average stay in a care home is 30 months, although, of course, this can vary. A reasonable planning assumption would be 3 years of care at £1,000 per week, which takes the total estimated cost to £156,000. You might want to assume more or less than this as a starting point.



What Help is Available?

The amount that you need to pay for care is subject to means testing.

If you have an income, for example, from a pension, you will be expected to contribute to the cost of your care. If you are not taking an income from your pension, the local authority will make assumptions about the notional amount available from your pot and build this in.

Any deduction from your income should leave you with a personal expense allowance of no less than £25.65 per week. Certain disability benefits are excluded from the assessment. It's important to make sure you are receiving all benefits you are [entitled to](#) as the local authority will assume this in the means test.

In terms of assets, if you have over £23,250 in property, savings, or investments, you will need to cover the costs of care yourself. This may require the sale of your home if you are moving into residential care. This will not apply if your stay is likely to be temporary or if you live in the property with someone else (unless they are an adult under the age of 60 who is not your partner and is not disabled). The value of your home is disregarded for the first 12 weeks and you could receive additional help if your other assets are valued under £23,250.

It may also be possible to arrange a deferred payment agreement with the local authority. This means that you don't need to sell your home, but the council will recoup any costs from your estate when you die.

If you have between £14,250 and £23,250 in capital, you will need to pay a contribution towards your care costs on a sliding scale. Assets of under £14,250 mean that your capital is not taken into account, although you may still need to make a contribution from income.

Depending on where you live in the UK, the rules could vary slightly or there may be additional support available. It's worth checking with your local authority directly.

Deliberate Deprivation of Assets

A question that comes up frequently is whether someone can pass the family home (or other assets) on to their children to avoid having it taken into account in the means test.

Unfortunately, the answer is no, as this is considered to be deliberate deprivation of assets. The property will be taken into account in the same way as if you still owned it.

However, if you have an Inheritance Tax (IHT) liability, aiming to reduce the value of your estate through gifting is a legitimate planning tactic. The key is to plan ahead and make your intentions clear long before you are likely to require care.

Planning for Care

It's a good idea to build in potential care costs to your financial plan. While many of the specialist products for this are no longer on the market, there are still some options available:

- You can pay the costs directly using cash or investments. It's worth noting that investment bonds are not included in the means test calculation as they include an element of life insurance. However, setting up a bond for this purpose would be considered deliberate deprivation.
- You can use a lump sum to buy an immediate needs annuity, which will provide you with a monthly guaranteed income for life. You can build in options such as inflation protection. No tax is payable if the income is paid directly to a care provider.



- You can invest a lump sum in a loan trust, which can help with care costs and estate planning. The loan element can be repaid to you as required, for example, if you need to pay for care. The growth accumulates outside your estate and is earmarked for your beneficiaries.
- You may want to consider a lifetime mortgage or equity release product. This allows you to use some of the value in your home to pay the costs without the need to sell it. Specialist advice is recommended.
- If your priority is to preserve an inheritance for your family, another option is to set up a whole of life insurance policy in trust. This will ensure your beneficiaries receive a lump sum regardless of the value of your personal assets.

Please don't hesitate to contact me if you have any comments or questions.

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