

Lifetime Care Plan case study



This case study looks at how a Lifetime Care Plan can help Livia fund her care.

Livia, 87, widowed

Livia would like:

- To move into a care home so she has more support and to improve her social life.
- To secure the majority of her care costs so they are guaranteed to be paid for the rest of her life and for this monthly payment to increase over time to help pay for any increase in care costs.
- To be able to leave an inheritance for her children and grandchildren.
- To mitigate the risk of ongoing care home fees eroding her assets.

Livia is 87, widowed and lives in London. She has become concerned about her ability to continue living in her home without assistance.

She now struggles to manage the stairs in her house and finds it hard to get up in the morning. She has difficulty getting out and about to see her friends as much as she used to, and she misses the company of others.

She has three children who take it in turns to provide care at home, but they find it difficult to juggle with their young families and work.

Livia is not eligible for any assistance from the state and will have to pay for her own care.



This case study is not a real customer example and is for illustration purposes only. For Advisers only.

Financial costs

Livia's assets:



Current house value
£1,100,000



Investments
£250,000



Savings
£50,000



Annual pension income
£40,000

Expected outgoings:



£80,496
Livia has found a care home that she likes near to her family that costs £80,496 a year.



£40.00 per week
Livia will keep a weekly allowance of £40.00 to pay for treats and expenses.

Livia will keep **£40.00** a week from her annual pension income and use the remaining **£37,920** to pay the first part of her care home costs.

Livia could fund the **Lifetime Care Plan** from her savings and investments, or from the proceeds from selling her house, should she decide to sell it.

Livia decides to sell her house and use **£195,360** to buy a Lifetime Care Plan to **receive £42,576** a year to be paid to the care home for the rest of her life, increasing each year by 5%.

Buying a Lifetime Care Plan is a once and for all decision. Your client can buy one with us or another provider and by shopping around they may be able to get a better deal.

Suggested action



After deduction of her weekly allowance, Livia's annual pension income pays
£37,920



Year 1 care home costs
£80,496



This leaves a shortfall of
£42,576
which can be made up by her Lifetime Care Plan payments



Happy that the majority of her care home costs are guaranteed for life. Livia leaves the rest of her assets
£1,204,640
with her adviser to invest for the purpose of leaving to her children and grandchildren as inheritance

Benefits for Livia

Under current tax rules, the cost of her Lifetime Care Plan may reduce the future value of Livia’s estate, which could have an impact on inheritance tax depending on her individual circumstances. Any death benefits are expected to be paid out as part of the estate.

For someone of her age, the average life expectancy, according to the Office for National Statistics longevity calculator, is 93 years old, six years from now. It will take her just over four years to have recouped the initial amount she paid for her Lifetime Care Plan.

Under current tax legislation, no income tax should be due where payments are made directly to a UK-registered care provider. Tax treatment depends on individual circumstances and may change.

Because Livia has selected to have the Lifetime Care Plan payments increase by 5% a year, this may go some way to helping pay for any future increases in the care home costs.

Livia and her adviser choose to place the remaining assets in suitable investments as she is reassured there is an amount of money already ringfenced towards paying for her care costs.

As part of her Lifetime Care Plan, Livia automatically has Guaranteed Premium Protection for the first six months of the plan. So a proportion of the original payment would be returned to her estate in the event of premature death in the first six months, less any payments we’ve already made:

Premature death in month	% of premium returned (less any payments made to date)	Monetary amount (less care costs to date)
1	100%	£195,360
2 to 3	50%	£97,680
4 to 6	25%	£48,840

Actual payments from the Guaranteed Premium Protection will depend on individual circumstances. Any amount paid to a client’s estate may be subject to inheritance tax.

Risks

When meeting a financial adviser they would tell Livia and her family about the risks involved with the product:

- If the cost of care is higher than the monthly payment or it increases more than the fixed 5% that has been agreed, Livia and her family will need to cover any additional costs from other sources.
- If Livia dies after the first six months then her estate won’t get any money back. Livia could have chosen to protect a percentage of her original premium for more than the first six months of her plan by selecting Additional Premium Protection.
- If Livia no longer requires care or becomes eligible for state benefits the plan can’t be cancelled but payments will continue to Livia as she has an income for life.
- Directly receiving payments from the plan may affect Livia’s ability to claim for means-tested benefits.
- While no income tax should be due on payments to Livia’s care provider under current UK tax legislation, the rules governing tax may change in the future and affect Livia’s income. In addition, any payments we make directly to her or anyone other than a UK-registered care provider or local authority will be subject to income tax.
- Livia’s care provider may continue to charge costs even after she dies, but the payments from us would stop from the date of Livia’s death.
- The total amount of monthly payments we make, plus any payment from the Guaranteed Premium Protection, may be less than the premium Livia paid for the plan.
- As Livia wants to invest the remaining assets, her adviser makes her aware that the investments are not guaranteed and can go down as well as up.

Get a quote today

To find out how to get a quote for our Lifetime Care Plan use the link below

legalandgeneral.com/adviser/annuities/products/lifetime-care-plan/getting-a-quote/

 Call
0345 070 2459

 Email
lcp@landg.com

 Visit
legalandgeneral.com/adviser/lcp

Call charges will vary. Calls may be recorded and monitored. Lines open Monday to Friday, 9am to 5pm.

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