Lifetime Mortgage and Lifetime Care Plan

Case Study – Helping Catherine fund her care using a Lifetime Mortgage and Lifetime Care Plan

Catherine is 88. She is a widow and lives alone in her family home of over 50 years.

Her goal: to remain in her home for as long as is practical and affordable.



Meet Catherine

Catherine has dementia and requires 24/7 care, and doesn't have capacity to make her own decisions. Before she lost capacity, she appointed her son and daughter as her attorneys under a Lasting Power of Attorney that covers both Health and Welfare, and Property and Financial Affairs. This took effect when Catherine lost capacity. It gives the attorneys the authority to make decisions for the benefit of Catherine (the donor), such as releasing equity and funding care.

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Catherine has income from a state pension and private pension; however, this is used to cover her household bills and personal expenses. Catherine also has **£60,000** in assessable savings so she wouldn't be eligible for local authority care funding. Catherine also doesn't currently qualify for NHS funding for her care. Catherine's attorneys would like to keep her £60,000 savings aside for any necessary expenditure.

Catherine's care costs **£75,000** per year which is likely to increase by about 5% annually. Catherine doesn't have the income or capital to be able to afford the level of care she requires in her own home. Catherine also needs to have adaptations made to her house including a downstairs bedroom and downstairs accessible bathroom totalling **£20,000**.

Using the equity in her home to fund her care

Catherine's home is worth **£600,000**. Catherine's attorneys speak with a financial adviser who explains that, to fund care in her own home, equity could be released from her property. Catherine's adviser gets quotes from various lenders and explains that L&G can loan up to a maximum of **£316,410** against her property on an Interest Roll-up Lifetime Mortgage. The chosen loan amount, including any drawdown facility, will impact the rate offered.

Care fees funding solution

Catherine's attorneys could borrow the maximum loan amount of **£316,410** and pay for her care directly from this. In time, Catherine would run out of money, at which point her care needs would be overseen by her local authority who will look at the most cost-effective way to meet her care needs, which could result in Catherine being relocated to a care home.

However, Catherine's financial adviser explains that she could buy a Lifetime Care Plan (an immediate needs annuity) which, in exchange for an upfront lump sum, will provide Catherine with a guaranteed income for the rest of her life, paid directly to her care provider to cover her care costs.

Catherine's financial adviser gets quotes for an immediate needs annuity that would provide **£75,000** to her care provider in the first year, and that increases by 5% each year. Catherine's adviser ensures the quote includes a 50% premium protection benefit. This means that if Catherine dies earlier than expected, a lump sum may be payable to her estate*. L&G quote a total of **£258,800** for this plan.

* For more information on how Lifetime Care Plan death benefits work, see the **Key Features** and **Terms and Conditions**.

Catherine's finances at a glance



House value

£600,000



Savings

£60,000



Annual care costs

£75,000



House adaptation costs

£20,000



Benefits

Catherine will:

- Be able to continue living in her own home as per her wishes.
- Be able to afford to pay for her care needs, even as her fees increase each year.
- Be able to make the home improvements necessary for her to comfortably remain in her home.
- Have the security of £40,000 remaining in savings, which she can use if needed.
- Have a death benefit that ensures that she will always get 50% of her original immediate needs annuity premium back in the event of early death.
- Be able to have the immediate needs annuity income paid to a different UK regulator registered care provider if her provider changes or she eventually moves into a care home.
- Have no income tax liability, as long as the care provider is a UK regulator registered care provider.

Lifetime Mortgage Risks

- A lifetime mortgage is a loan secured against your client's home.
- There may be cheaper ways to borrow money.
- A lifetime mortgage could impact entitlement to means-tested state benefits.
- There may be an Early Repayment Charge if they choose to repay.
- A lifetime mortgage will reduce how much can be left as an inheritance.
- When meeting a financial adviser they would tell Catherine and her family about the risks involved with the product.
- Interest on a Lifetime Mortgage is charged on a compounding basis, which means interest is charged on the loan plus any interest already added.

Lifetime Care Plan Risks

- If the cost of care is higher than the monthly payment or it increases more than the fixed 5% that has been agreed, Catherine and her family will need to cover any additional costs from other sources.
- If Catherine no longer requires care or becomes eligible for state benefits, the plan can't be cancelled but payments will continue to Catherine as she has an income for life.
- Directly receiving payments from the plan may affect Catherine's ability to claim for means-tested benefits.
- While no income tax should be due on payments to Catherine's care provider under current law (2026), the rules governing tax may change in the future and affect Catherine's income. In addition, any payments we make directly to her or anyone other than a UK regulator registered care provider or local authority will be subject to income tax.
- Catherine's care provider may continue to charge costs even after she dies, but the payments from us would stop from the date of Catherine's death.
- The total amount of monthly payments we make, plus any payment from the Guaranteed Premium Protection, may be less than the premium Catherine paid for the plan.

Important: If your client intends to fund a Lifetime Care Plan purchase through another financial product such as equity release, you should consider any rates and charges across **both** products to determine whether the solution is right for your client.

Lifetime Mortgage

To find out more or speak to your dedicated account manager:

Call: **03330 048 444**

Lines are open Monday to Friday, 8.30am to 5.30pm. Call charges will vary. Calls may be recorded and monitored.

Contact us: **legalandgeneral.com/adviser/over-50s-mortgages/contact-us/**

Visit: **legalandgeneral.com/adviser/over-50s-mortgages/apply-now/**

Lifetime Care Plan

To find out more or speak to your dedicated account manager:

Call: **0345 070 2459**

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

Email: **lcp@landg.com**

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Free telephone guidance to help L&G customers and their families understand, find and fund later life care.

Read more at:
https://www.legalandgeneral.com/adviser/over-50s-mortgages/products/care-concierge/

Please note, this team do not give financial advice.

This is a case study and is for example use only. The actual rates for a lifetime mortgage and an immediate needs annuity will depend on the individual customer's circumstances. As the financial adviser, you should consider the interest rate applied to the lifetime mortgage in accordance with the income received under the immediate needs annuity, alongside the customer's wishes, to determine if funding an immediate needs annuity through a lifetime mortgage provides a good customer outcome.

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