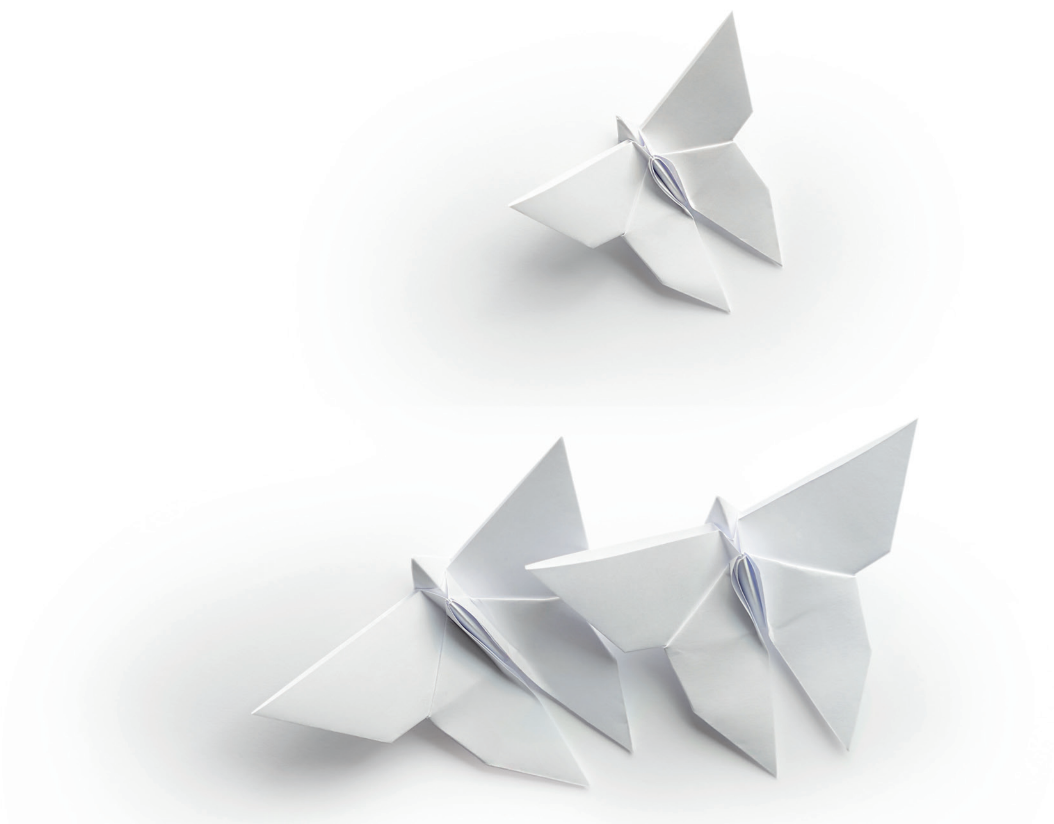
JUST.

A GUIDE TO PAYING FOR LONG-TERM CARE



WHO ARE WE?

We are Just. We help people achieve a better later life.

We're one of the UK's leading providers of insurance products to fund care fees - whether in a care home, or at home with a registered carer. As everyone's needs are different, we offer tailor-made care plans to suit each one of our customers. We also look at your health and then adjust the amount needed to pay for your care accordingly.

THE REALITY OF FUNDING CARE

Thanks to advances in medicine and a better overall quality of life, people are now living longer than ever before.

The downside of this is that more people experience serious illness and disability in later life. This can make simple tasks such as washing, moving about the house and preparing meals more difficult. In many cases, professional care can be the only solution.

CONTENTS

You must speak with a financial adviser before taking out a care plan with us. For more information about our care plans please refer to our Care Plan Key Features document.

THE MAIN TYPES OF CARE

Care at home

More of us may want to receive care at home – and we're encouraged to do so. However, it has become much more difficult to get help from the government, with only the most in need getting financial assistance.

The cost of home care is around £18.88[1] per hour. On the basis of just two hours per day, the cost could be over £13,780 a year. This doesn't include higher rates charged for weekends and bank holidays.

If you need 24-hour care, costs can rise significantly. In these circumstances, residential care is usually a more cost-effective option.

There are two main types of care provided at home.

Domiciliary care (sometimes called community care) is usually needed in cases where individuals can't care for themselves and when the care given by carers, such as relatives/friends, is no longer sufficient.

Intermediate care is provided by the NHS for patients who need a relatively short burst of intensive medical care. It's usually provided in the individual's home, but can also be provided in a care home. This is usually only available for up to six weeks.

Residential care

Currently, the average cost of a **residential** care home is £800 per week. This rises to an average of £1,078 if **nursing** is needed[1]. Some care homes may charge considerably more than this, depending on where they are and the facilities available.

The cost of residential care also comes with the uncertainty of not knowing how long it'll be needed for.

If care costs are funded by savings or investments - or families – there's a possibility of running out of money. This is particularly the case if the person needs care for much longer than expected.

[1]Laing and Buisson Care Homes for Older People, UK Market Report, March 2023

HOW TO PAY FOR CARE

There are six main ways care can be paid for. Depending on circumstances, any property owned may need to be sold to release funds.

1. Cash in the bank

If possible, money in the bank (including any private or state pensions) can be used to contribute towards care costs. An advantage of this option is that on death any leftover funds fall to the estate. However, as the time spent in care increases, so does the chance of running out of funds.

2. Investments

Another option is to put money into investments, such as stocks and shares and ISAs. The money in these investments will have to provide a better return than it would have done if left in a savings account. However, as investments can go down as well as up, should the markets fall, this could lead to problems paying for your care.

3. Immediate Care Plans (ICP)

These ICP plans pay your care fees for the rest of your life. How it works is that you make a one-off policy payment and in return your registered care provider will be paid an agreed tax-free[2] amount regularly (for example monthly).

How much you pay for the plan will depend upon your age and state of health, and also whether or not you want the amount paid to your carer to increase as and when their fees do.

This type of policy will ensure that your money doesn't run out before your death, which is often the biggest worry when it comes to paying for care.

4. Deferred Payment Agreement (DPA)

A deferred payment agreement is when your local authority agrees to help pay for your care costs, but uses your home as collateral. The money owed to them is repaid (plus interest) after your home is sold. In order to follow this option, you must meet certain criteria.

This option is worth considering, even though the local authority charges interest on this 'loan'. However, in the long-term a DPA can result in a significant loss in value to your property. Also, a DPA can simply delay the unavoidable need to sell the property to a later date, when the value of the estate may be worth less, after the loan has been repaid (along with the interest already paid).

5. Letting the property out

If someone wants to keep a property while they are in care, renting it out is a good way of contributing an income towards care costs. This could be done as a standalone option or in addition to a deferred payment agreement.

However, there's no guarantee that the rental income will be enough to pay the cost of care. Rental expenses such as tax, insurance, management fees and repairs will all have to be paid first.

6. Equity Release

Equity release is a way to fund care costs by borrowing money against the value of your home.

Lenders will typically require repayment of the loan when the last borrower moves into care (or dies). This means that equity release is usually only available for domiciliary care or if one partner remains at home while the other is in care. As with the Deferred Payment Agreement, it can lessen the value of the estate in the long-term.

[2]Taxation will depend on individual circumstances

CASE STUDY

JENNIFER'S STORY

When Jennifer Smith's mother, aged 87, broke her hip and could no longer manage on her own, she knew the family would have to consider permanent care. Finding the right place was hard enough but then they were hit by the cost.

Despite the fact that Jennifer's mother lived alone and only had a modest income, she had to pay for all her own care. Local Authority funding is only available to those with assets less than £23,250[3]. As Jennifer's mother's house was worth £150,000 she was ineligible for help and so funding fell entirely to her. She explored two of the options that were available to her:

Option A

She could sell her home

That would unlock £150k which could be used to pay her care fees

Potentially, Jennifer's mother could find herself in a situation where she uses up the £150k and would still need to find a way to pay her care fees. This could also have an impact on any inheritance/legacy left

Option B

She could sell her home then speak to a qualified care adviser who would assess her financial situation

The adviser may recommend an Immediate Care Plan which is guaranteed to pay a known amount towards Jennifer's mother's care fees for the rest of her life. This could be used in conjunction with an investment strategy to both safeguard her care and provide an inheritance/legacy

Jennifer and her mother can rest knowing that a regular income to help cover care fees will be paid for the rest of Jennifer's mother's life

How can we help?

We offer a variety of care-fees payment solutions. These can guarantee a regular income for the rest of your life and can provide more certainty that you'll be able to pay for your care – however long that may be.

We can help, whether you:

- need care payments to start immediately, or
- want to pay for your own care at first and delay your income payments until you need them.

OUR CARE PLANS

We're dedicated to providing clear and straightforward solutions for your care needs. We understand the importance of choosing the best funding option for you.

When working out the amount of income we provide, and the cost of the plan, we take into account:

- your age
- your health, and
- your ability to perform basic daily tasks.

This helps us to predict how long you may need care for.

01

IMMEDIATE CARE PLAN

A guaranteed regular income to help pay care fees

Our Immediate Care Plan could be right for you if you:

- are aged 60 or over
- need funding for care to start immediately
- have access to the total amount of money needed to buy the care plan, and
- want the certainty of regular, guaranteed income for the rest of your life.

02

DEFERRED CARE PLAN

A guaranteed regular income to help pay care fees in the future

Our Deferred Care Plan could be right for you if you:

- are aged 60 or over
- have funding for the short-term but need security against care costs for the rest of your life
- are looking for a lower-cost option than the Immediate Care Plan, and
- want the certainty of regular, guaranteed income starting after a deferred period, then continuing for the rest of your life.

How our Immediate Care Plan works

Our Immediate Care Plan is an annuity that pays a regular, tax-free income to your registered care provider. This starts immediately and carries on for the rest of your life. The income is guaranteed and doesn't depend on how well investments perform. Rules governing tax can be reviewed and may change.

If you leave care at any point (except in the case of death), for whatever reason, the income will be paid direct to you instead of your registered care provider but it will lose its tax-free status. However, it can be converted back to being tax-free if:

- you need care again in the future, and
- it's paid to a registered care provider.

Optional benefits you can include

You have the option to:

- help protect yourself against rising costs by using one of our escalation options, and
- protect a percentage of the amount you paid for the plan by using capital protection.

How our Deferred Care Plan works

Our Deferred Care Plan is an annuity that pays a regular, tax-free income to your registered care provider. The income is guaranteed and doesn't depend on how well investments perform. Rules governing tax can be reviewed and may change.

You choose how long you want to defer the care payments for – anything from one to five years. The longer the deferment period, the lower the cost of the care plan.

When deciding whether or not to choose deferment, you should consider what will happen if you die early. If you die within the first six months of the commencement date of your plan (or within 12 months if COVID-19 is recorded on your death certificate as a contributory cause of death), a proportion of the money will be refunded. If you die outside of these timescales, no money will be refunded. This means your estate won't be reimbursed with any of the money you paid for your plan.

If, once the payments have started, you leave care at any point, the income will be paid direct to you, but it will lose its tax-free status. However, it can be converted back to being tax-free if:

- you need care again in the future, and
- it's paid to a registered care provider.

Optional benefits you can include

You have the option to help protect yourself against rising costs by using one of our escalation options.

PROTECTING YOUR CARE PLAN

We understand concerns about getting value for money if you die in the early stages of your Immediate Care Plan. That's why we offer various levels of protection with our care plans.

01

Money Back Guarantee - as standard

We offer a Money Back Guarantee (MBG) as standard on all our care plans. If you die in the first six months of taking out your care plan (or within 12 months if COVID-19 is recorded on the death certificate as a contributory cause of death), we'll repay a percentage of the capital invested to your estate/beneficiaries, less any income already paid.

Month	1	100%
Months	2 to 3	50%
Months	4 to 6	25%

If death occurs within the first 12 months and COVID-19 is recorded on the death certificate as a contributory cause of death, the Month 1 Money Back Guarantee will apply, less any income already paid.

For more protection of the amount you paid for the plan, you can buy capital protection with your Immediate Care Plan.

02

Capital protection

Capital protection allows you to protect up to 75% of the amount you paid for the plan for a given period. It will pay out if you die within this period.

The amount protected reduces over time, in line with the amount of income payments made. Once the total payments made equal the total amount protected, your estate won't receive any benefits when you die.

Paying for capital protection

You can buy capital protection for a single, one-off payment. You can do this at the same time as you pay for your Immediate Care Plan.

The cost depends on the amount you want to protect.

Capital protection isn't available with our Deferred Care Plan.

03

Protection against inflation

If you want to protect your benefit payments against the effects of inflation you can consider the following:

Escalating benefits

When you buy the plan, you can choose to increase the income over time. You can pick a rate of between 1% and 8% a year. You can choose to have the income increase on either the first anniversary of the commencement date of your plan or in a certain month.

Alternatively, you can link your income in line with changes to the Retail Price Index (RPI). This means payments will increase or decrease depending on the change in RPI. Any adjustments will come in to effect on the anniversary date. Please note that RPI escalation is only available on the Immediate Care Plan and can't be selected alongside Capital Protection.

Your income will reduce if the RPI goes down.

BUYING YOUR CARE PLAN

You can buy an Immediate or Deferred Care Plan with a single one-off lump sum

The cost of the plan will be based on:

- the monthly care fees amount you require
- whether you choose to select an escalating option or choose capital protection (capital protection is available with an Immediate Care Plan only), and
- your age and state of health at the time you apply.

All applications are fully underwritten – this means your medical history may also affect the premium.

You can find more information about this in our Care Plan Key Features document.

You must speak with a financial adviser before taking out a care plan with us. For more information about our care plans please refer to our Care Plan Key Features document.

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FOR MORE INFORMATION

Call: **0333 043 7040**
Lines are open Monday to Friday, 8.30am to 5.30pm

Email: **ltc@wearejust.co.uk**

Or visit our website for further information: **wearejust.co.uk**

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FT ADVISER

Financial Adviser SERVICE AWARDS 2022