GUIDE TO

LATER LIFE CARE

When you think about your future, how far ahead do you plan?

JULY 2024

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Welcome to our *'Guide to Later Life Care'.*

Have you ever considered how far ahead you plan when you think about your future? Perhaps you've considered what your life will look like in 10 years, but have you considered your later years?

While retirement planning is common, people often focus on the early retirement years. However, your needs and lifestyle wishes can change drastically over retirement and could last decades.

It's just as important to think about how you'll spend your later years as those first years when you are still celebrating retirement. Planning for later-life financial security means being proactive. The decisions you make in early retirement, and even before that, can profoundly impact your later years.

Building long-lasting financial security

Considering what's important to you and what you want your later years to look like sooner rather than later can help you build long-lasting financial security. Life expectancy has increased significantly, meaning many individuals could spend 20 or even 30 years in retirement.

This extended period requires careful financial planning to ensure high quality of life. As people age, more are likely to need some level of care, which can be an additional financial burden if not planned for adequately.

Proactive decisions for peace of mind

Being proactive about your later-life finances can provide peace of mind. Early decisions, such as investing in long-term care insurance or establishing trust, can alleviate future stress. Reviewing and adjusting your financial plan regularly, considering changes in health, inflation, and personal circumstances, is essential.

Moreover, having a comprehensive plan can help you maintain independence for longer. This planning should include healthcare, living arrangements, and lifestyle choices contributing to your overall well-being.

Confidence in your future

With retirement lasting longer for many people, effectively managing finances to reflect this becomes crucial. You will have a more extended period where you are not earning money but need to rely on the assets you built up during your working life. For many, this starts with a pension.

Your pension is a tax-efficient way to save for retirement, so it makes sense that pensions are at the centre of retirement planning. Pension Freedoms have given retirees more choice, but one of the challenges they now face is ensuring their pension lasts throughout retirement. Ultimately, having confidence in your future comes from knowing that you have planned thoroughly.

Ensuring the longevity of your pension

If your plan sets out your retirement lasting for 20 years, but you lived for a further 10, how would you continue to maintain your lifestyle? Many retirees are concerned about running out of money in later years. So, how do you ensure that your pension will last for the rest of your life?

When planning for retirement, the first thing to do is consider life expectancy. How you factor this into your finances will depend on how you decide to access your pension.

Accessing your pension

There are various ways to access your pension, such as annuities, income drawdown, or taking lump sums. Each option has its benefits and drawbacks.

Annuities provide a guaranteed income for life but may offer lower returns, whereas income drawdown allows for more flexibility but comes with the risk of depleting your funds prematurely. Taking lump sums can benefit specific needs but requires careful management to avoid running out of money.

Understanding the current state pension

The current full state pension amount is £221.20 a week for the 2024/2025 tax year, totalling £11,502.40 for the year, an increase of 8.5% from the previous tax year. Remember that the amount you will receive depends on your National Insurance record and how many qualifying years you have.

You usually need at least ten qualifying years on your National Insurance record to get any state pension. You will need 35 qualifying years to get the new full state pension if you do not have a National Insurance record before 6 April 2016. In some circumstances, it is possible to top up your National Insurance record, and your state pension forecast will highlight when this is an option.

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Exploring pension credit eligibility

If you have reached state pension age and are on a low income, it is worth checking if you are eligible for pension credit. This 2024/25 tax year, pension credit usually tops up your weekly income to £218.15 if you are single or your joint weekly income to £332.95 if you have a partner.

Accurate information about your state pension is essential for effective retirement planning. Understanding how your National Insurance contributions affect your entitlement can help you make informed decisions about topping up your record or exploring additional retirement savings options.

Creating a comprehensive retirement plan

Creating a comprehensive retirement plan involves assessing your income sources, including pensions, investments, and potential part-time work. It is also essential to consider your expected expenses, healthcare costs, and any planned major expenditures.

Regularly reviewing and adjusting your plan will help you stay on track to meet your retirement goals. Seeking professional financial advice is essential to ensure you receive advice specific to your unique requirements and maximise your pension and other assets.

Annuity: A path to long-term security

An annuity is one of the simplest ways to create long-term security. If you have a defined contribution pension, it is one of the only ways to create a regular income that will last for the rest of your life. An annuity is a product you purchase with a lump sum, usually from your pension, which provides an income for the rest of your life.

You can opt for an annuity where the income is linked to inflation. This ensures that your purchasing power remains relatively stable despite rising living costs. An inflation-linked annuity can be particularly beneficial in maintaining your financial stability throughout retirement.

Flexible-Access Drawdown: Flexibility and growth

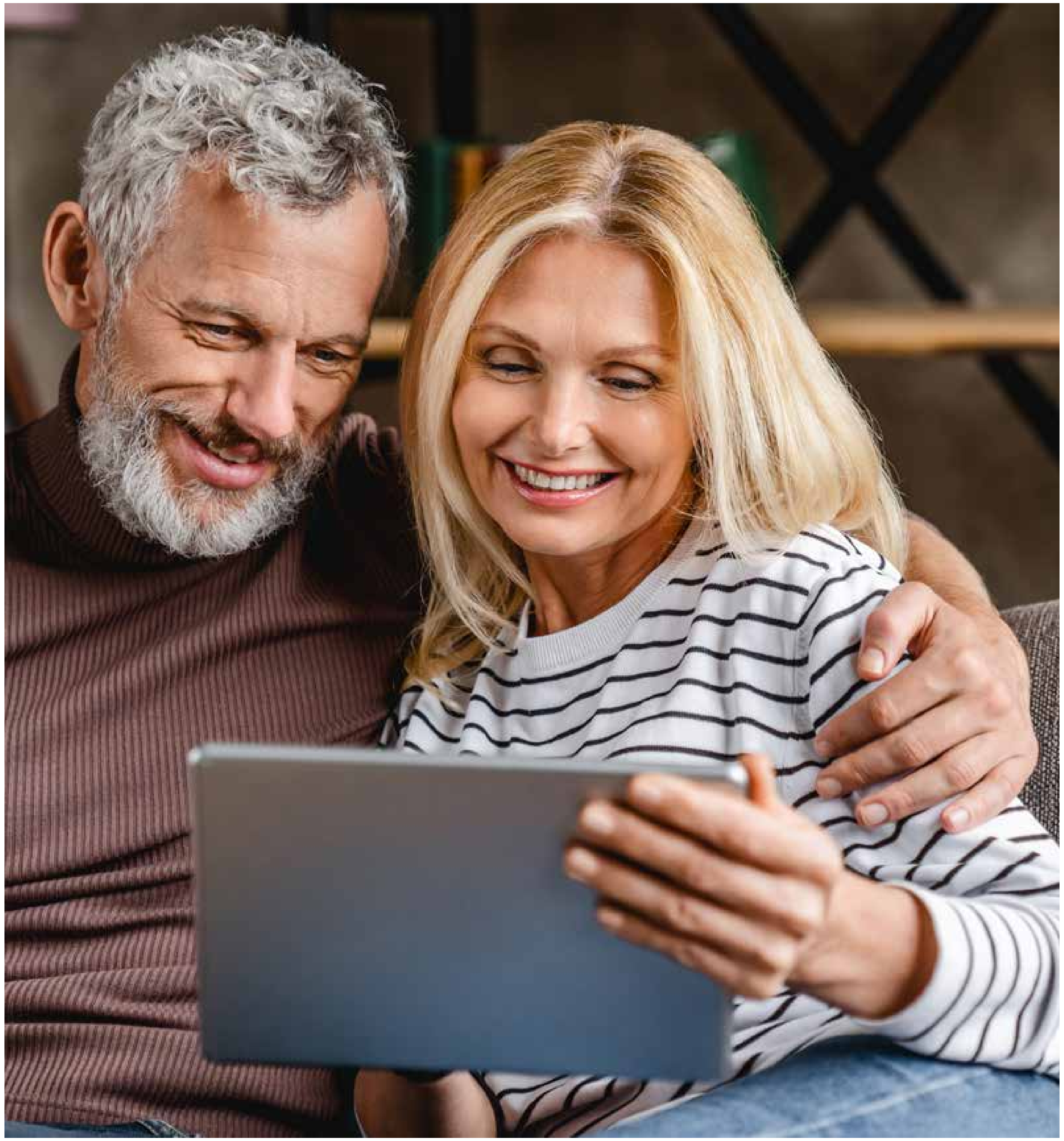
With flexible-access drawdown, you take a flexible income from your pension while the remainder is usually invested. This allows your pension savings to continue growing even in retirement. Investment returns can help your pension go further.

However, you must be mindful that your pension value may fall or rise depending on performance. Managing investment risk is crucial in ensuring your pension lasts throughout your retirement years.

Taking Lump Sums: A flexible approach

You can also withdraw lump sums from your pension as and when you choose to. Much like flexi-access drawdown, the remainder will usually be invested. If appropriate, this approach allows you to access larger amounts of money for significant expenses or investments without committing to a fixed income stream.

Taking lump sums provides flexibility but requires careful planning to avoid quickly depleting your funds. You must also consider tax implications and ensure that your remaining pension can support your long-term needs.



> "Money placed in Cash Individual Savings Accounts (ISAs) or other savings accounts can give you more confidence in your retirement plan and help ensure you're financially secure in your later years."

Weighing your options: What suits your needs?

When choosing between an annuity, flexible-access drawdown, or taking lump sums, it's crucial to consider your personal circumstances. Each option offers distinct benefits and potential drawbacks.

Key factors like your health, expected lifespan, financial needs, and risk tolerance should guide your decision. Conducting a thorough analysis of your situation and crafting a comprehensive strategy that aligns with your goals is essential for making an informed choice.

Ensuring financial stability in retirement

Achieving financial stability in retirement involves more than choosing how to access your pension. It requires a holistic approach that includes budgeting, managing investments, and planning for unexpected costs. Reviewing your financial plan can help you stay on track and adjust to changes in your circumstances or market conditions.

Using your other assets to create income security in retirement

While pensions are essential for retirement planning, you may also have other assets you want to use when retirement planning or to have as a safety net if needed. These may include:

Savings: A vital component of financial security

After a lifetime of saving, switching your mindset to start depleting your savings can be difficult. However, money placed in Cash Individual Savings Accounts (ISAs) or other savings accounts can give you more confidence in your retirement plan and help ensure you're financially secure in your later years.

Utilising savings effectively provides a stable financial foundation. Maintaining an emergency fund that can cover unforeseen expenses is advisable, safeguarding your peace of mind during retirement.

Investments: Generating returns from your portfolio

If you have an investment portfolio outside of your pension, this can also be used to provide an income. You can start depleting your investments or build a portfolio to deliver an income. Remember that you can't guarantee an income from investments, and market volatility can mean values rise and fall.

A diversified portfolio might include stocks, bonds and other investment vehicles. Regularly reviewing and adjusting your investment strategy will help counteract market fluctuations and achieve steady income growth.

Property: Unlocking the value of your home

Due to property price rises, property is often one of a retiree's largest assets. It's an asset you can also include in your retirement plan. Traditionally, retirees would downsize to release some equity from their homes. However, there are other alternatives, including equity release, that you may want to explore.

Equity release schemes, such as lifetime mortgages or home reversion plans, allow you to access the cash tied up in your property without the need to move. This can supplement your retirement income while enabling you to stay in familiar surroundings.

Using equity in your home will affect the amount you can leave as an inheritance. Any means-tested state benefits (both current and future) may be affected by any equity released. This is a lifetime mortgage. To understand the features and risks, ask for a personalised illustration.

Balancing multiple income streams

For many, pension planning means pulling together different income sources to create security in retirement. A financial plan can help you understand how your assets can work together to offer you peace of mind. You can develop a resilient retirement income strategy by strategically combining pensions, savings, investments, and property.

The cost of long-term care

The cost of long-term care is becoming an increasingly important consideration for many families across the UK. Anyone may need long-term care at any age, but it's most often necessary in later life. If you or a family member requires this kind of support or wants to be prepared, you want to know what kind of care is most appropriate and how to pay for it.

Understanding long-term care

What is long-term care? 'Care' is a very broad term. It can mean support with everyday tasks that an able-bodied person could reasonably be expected to do for themselves or medical services to treat ongoing conditions, including the general effects of old age.

Care can mean anything from someone visiting a few times a week to offering assistance to receiving 24-hour care in a residential home. This spectrum of services means that understanding your specific needs or those of a loved one is crucial in planning effectively.

Assessing your needs

What kind of care may you need? Whether you are looking for care for a family member or yourself, the first step is finding out precisely what services are available. By contacting your local adult social services department, they can fully assess your needs, called a means test.

The means test

The means test will also determine what support (if any) will be available via your local authority and how much you may have to fund for yourself. Even if you qualify for some support, you may decide to pay for a higher level of care to ensure the best possible quality of life.

Financing long-term care

Financing long-term care can be challenging. Various options include utilising personal savings, tapping into pension funds, or selling property to cover costs. Long-term care insurance is another option; it can help mitigate the financial burden by covering some or all of the expenses associated with long-term care services.

Planning ahead

Planning ahead is crucial to ensure that you and your loved ones are prepared for the potential need for long-term care. This includes having open conversations about preferences and expectations and understanding long-term care's legal and financial implications.

Legal considerations

Creating a lasting Power of Attorney can be a crucial step in ensuring that decisions about care and finances are made according to your wishes should you become unable to make those decisions yourself. This legal preparation is vital for safeguarding your interests.

Making informed choices

Navigating the complexities of long-term care requires careful consideration and informed decision-making. Researching different care providers, understanding the costs involved, and knowing your funding options will help you make the best choice for your situation.

The importance of research

Taking proactive steps now can help ensure that you and your family are prepared for the future, reducing stress and uncertainty when care becomes necessary. Thorough research and planning can significantly impact your quality of life in the years to come.

How much does care cost?

The exact cost of your care will depend on various factors, such as the type of care you receive, how many hours per week you need it, where in the UK you live, and your care provider. These variables mean that costs can vary widely from one individual to another. Understanding these nuances is crucial when planning for long-term care.

Options for paying for long-term care

There are many ways to pay for care, including:

- Using your pension income
- Savings and investments
- An immediate care plan
- Drawing on your capital

Using the proceeds from selling your home

Care is usually costly, and full-time care is often very expensive. If you need help meeting this challenge, your first port of call should be your local council to ask if any care can be funded. Resources and support systems are often in place that might alleviate some of the financial burdens.

Managing finances with health conditions

Conditions like dementia, or simply the effects of old age, can make it hard or impossible for a person to manage their finances. This can happen to anyone, so you should set up a Lasting Power of Attorney while you are fully competent.

In doing this, you choose a person or persons (usually family members) who can act on your behalf during your lifetime. This preemptive measure ensures that your financial matters are handled according to your wishes, even if you cannot manage them yourself. It's a vital step in safeguarding your financial well-being. It's never too soon to arrange it, and it can be just as vital as making a Will. Plan for care now and ring-fence your inheritance.

Financial planning strategies

Good financial planning means planning care without fully depleting assets and effectively ring-fencing an inheritance for future generations is possible. By drawing on cash savings, investing money for income, or purchasing an immediate care annuity, a care funding strategy can be tailored to suit individual needs. ■

READY TO DISCUSS HOW TO FUND YOUR LATER LIFE CARE?

If you're concerned about funding your later life care or a family member's, the first step is to discuss this with us and obtain professional financial advice. Remember that funding arrangements may take time to implement, so the sooner you act, the better. **To discuss your concerns, please contact us.**

THIS GUIDE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

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READY TO DISCUSS PLANNING FOR FINANCIAL SECURITY AND PEACE OF MIND IN LATER LIFE?

Making informed choices today will significantly impact your financial security and peace of mind in later life.

Please contact us today to discuss your options.

Published by Goldmine Media Limited, 124 City Road, London EC1V 2NX.

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