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SURPRISING

Gov't considering 'Care ISA' to solve crisis, but would it work?

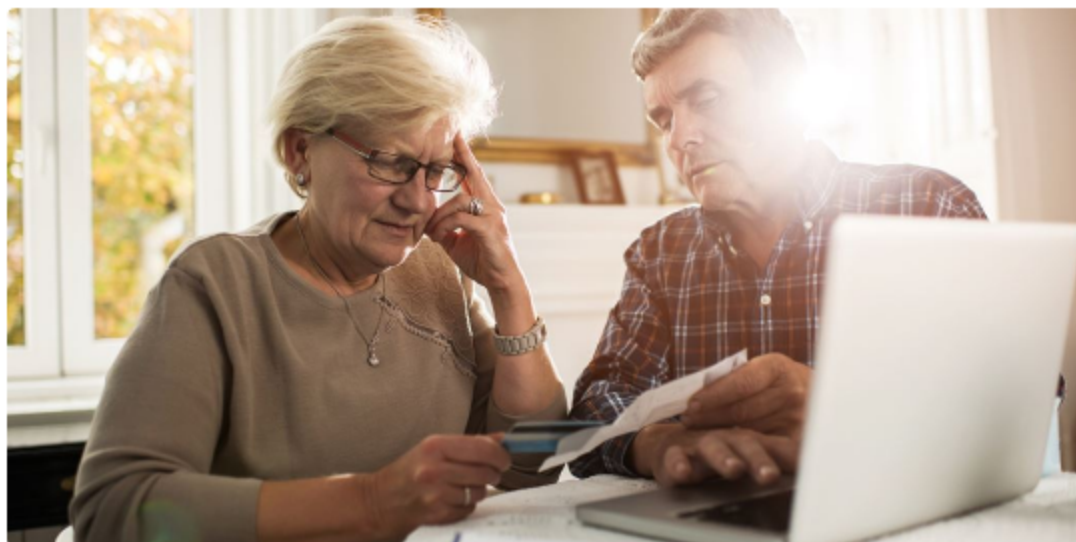
A Care ISA that is exempt from inheritance tax (IHT) is being actively considered by the government, *The Sunday Telegraph* has revealed, but the proposals have been criticised by figures from the pensions industry.

By **William Robins**

20 Aug, 2018



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Could a new ISA solve a looming long-term care funding crisis? A Care ISA that is exempt from inheritance tax (IHT) is being actively considered by the government, [The Sunday Telegraph](#) has revealed, but the proposals have been criticised by figures from the pensions industry.

According to official figures obtained by former pensions minister Ros Altmann, over 60s hold over £300 billion in ISA savings.

Funds held in ISAs are subject to IHT on death, meaning they will count towards a person's IHT nil-rate band of £325,000, unless they are being passed on to a spouse in which case no tax is paid. The surviving spouse benefits from an additional ISA allowance up to the value of the deceased's savings.

Pension funds can be passed on tax free if the holder

Pension funds can be passed on tax-free if the holder dies before their 75th birthday, otherwise the beneficiaries will pay tax at their marginal rate.

So what would the Care ISA do?



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The Care ISA would have its own allowance, capped at an amount that would reflect [care costs](#). This whole pot would be exempt from IHT regardless of who it is passed on to.

The idea is that people do not lock away savings to pay for possible future care costs because they are worried that funds they do not use would be taxed.

According to the website [Payingforcare.org](https://payingforcare.org), the average cost of residential care in the UK is £31,200 per year, rising to £43,732 if nursing care is necessary.

In support of the proposal, Altmann said: 'At last, people may set money aside, in advance, to cover future care costs (currently they do not think about it), rather than suddenly having to find money at the very time they are most vulnerable. Older people's ISAs may otherwise be spent well before they need care, and they may regret this later but it would be too late.'