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Govt mulls IHT-exempt ‘Care Isa’

By **Katie Marriner** | 20th August 2018 8:47 am

The government is considering bringing in a “Care Isa” that would be exempt from inheritance tax as a way to combat the UK’s social care crisis.



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According to [The Telegraph](#), the Treasury is considering proposals to include a new Care Isa in the social care green paper, which is expected to be published later this year.

The report says Care Isas would be capped to reflect the cost of care and any money leftover could be passed on to the Isa-holder's family when they die.

Under current rules, Isas are taxed at death, which means savers have an incentive to spend the money rather than use it for end of life care.

Former pensions minister and Royal London policy director Steve Webb says it is difficult to see how a Care Isa would make a “meaningful contribution” to tackling the social care funding crisis.

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Webb says: “Care costs can vary hugely between those who run up six-figure bills after extensive residential care and those who face negligible costs. It would be impossible to know in advance how much to save into a Care Isa, with most people saving too much, and some people saving far too little.”

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Webb adds: “There would also be issues about whether people whose needs changed could get money out of a Care Isa without penalty, and rules would be needed to stop people shovelling money into a Care Isa very late in life purely as a form of inheritance tax planning.”

Former pensions minister Ros Altmann is supportive of the idea saying Care Isas could be one of several measures to solve the care crisis.

Altmann says: “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.”

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