How to dodge the care trap: It can cost families their homes and land loved ones with huge bills... So what can you do to prepare for late-life healthcare?

- **Some 10% of over 65s are expected to pay more than £100k on healthcare**
- **Just three in ten people have set aside cash or have a plan to fund later-life care**
- **Two thirds of Britons are not factoring healthcare into their retirement savings**

By BEN WILKINSON FOR THE DAILY MAIL
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The cost of care in old age is soaring and the Government is no closer to fixing the funding crisis, leaving families to find billions of pounds in the meantime.

Financial advisers have told Money Mail that clients are increasingly concerned about how they may be able to pay for their care.

And adviser trade body the Personal Financial Society (PFS) found that just three in ten people had set aside any cash or had a plan in place to fund later-life care.

Care costs: Research found two thirds of Britons were not factoring healthcare into their retirement savings

'Sadly, it is usually only at the point when people have retired and care is needed that they look at their finances and are forced to make difficult decisions about where the cash will come from,' says Matthew Connell, PFS director of policy and public affairs.

Pension and investment firm Aegon also found that two thirds of Britons were not factoring healthcare into their retirement savings, while just one in 100 viewed care costs as their biggest financial priority.

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Pensions director Steven Cameron adds: 'Many people face significant and at times catastrophic costs, wiping out their life savings, if they need to go into a care home.

'When the Government does set out its new deal, it will be vital to incentivise people to plan ahead and save for their possible long-term care in older age.'

Here, Money Mail talks you through what you need to do to protect your home and fortune from being lost to care fees.

What is it likely to set me back?

The Dilnot Commission report on social care in 2011 estimated that 50 per cent of those aged 65 and over would spend £20,000 on care costs, and 10 per cent would have to pay more than £100,000.

Expense: A 2010 report into social care estimated that 50 per cent of those aged 65 and over would spend £20,000 on care costs

Former pensions minister Baroness Ros Altmann, a campaigner for the elderly, says: 'The first thing is to realise you are going to need some money if you end up needing care in later life. A lot of people have no idea and assume the NHS will pay — which it won't.

'You cannot be sure whether you will need care, and that's the nub of the issue. If you haven't prepared for it, then you are at the mercy of whatever your local authority will provide for you.'

Under current rules, pensioners in England must fund their own care down to their last £23,250, and only then will the local authority step in. This means homeowners can be sure they will have to pay up.

Could I qualify for any help?

NHS Continuing Healthcare covers the full costs of residential care if your needs are deemed to be ongoing, severe and complex.

However, critics say the funding is not consistent and families who qualify are often denied it.

But there are other avenues. The attendance allowance benefit is a payment of either £60 or £89.60 a week available to pensioners who need help day or night (£60), or both (£89.60).

People with severe cognitive impairments, such as dementia, who are living alone are also exempt from council tax. If they live with someone else, they will receive a 25 per cent discount.

Those in care can continue to claim the state pension of £179.60 a week, along with extra Pension Credit, if eligible.

Will I have to sell my home?

You will not have to sell your home to receive care, but it could be used as collateral to pay for the fees after you die.

The local authority means test will not include your property if you or your partner is still living there.

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You could rent out your home to provide an income if it is in a good condition. Another option is to downsize and use the excess capital to fund your care.

You could also consider an equity release deal that allows you to draw out enough to cover the fees every month.

Compound interest will apply to the loan, so it's important not to take out more than you need — otherwise your inheritance could be eaten away by charges.

Is there a best way to save?

A cash or stocks and shares individual savings account (Isa) allows you to save up to £20,000 a year tax-free. Any money you save into your pension benefits from tax relief of either 20 per cent or 40 per cent.

Baroness Altmann suggests savers could put aside money in an Isa to cover the cost, or perhaps earmark their tax-free pension lump sum.

By saving into an Isa, any gains you make will be tax-free, as will withdrawals. With a pension, however, you could face income tax on money you withdraw to pay for care charges.

Carla Morris, financial planner at wealth manager Brewin Dolphin, says those in care could arrange their investments to provide an income to cover fees every month.

But, she says: 'Rather than specifically save for care, we want people to plan to be financially secure whatever their health and financial circumstances.'

Should I buy insurance?

Pensioners in need of care can use a lump sum to buy what's called an immediate needs annuity to help cover fees until they die.

The insurance payments, if made directly to the care home, will be tax-free. Advice site UK Care Guide says a care home annuity paying £10,000 a year would cost a 70-year-old £135,000 or an 85-year-old £55,000.

Mrs Morris says: 'In some cases, this can work for people who are about to move into, or are already in, a care home and have a shortfall in income, and it can provide peace of mind knowing you will have a regular income for life. Although you will not be able to take your money out again once it is set up.'

Baroness Altmann adds that it is important to put in place a power of attorney to handle your finances for you, should you suddenly become ill and need care.

A list of accredited care fees specialists can be found at societyoflaterlifeadvisers.co.uk

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