

News Release

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Long Term Care – Budget Measure Protects Older People From Taxation of Immediate Care Plan Income

For some time now the Inland Revenue have questioned the legality of the tax-free treatment of income paid from Immediate Need Care Fee Payment Plans (ICPs). Now, a measure hidden in the 2004 Budget to introduce legislation will ensure that individuals who take out immediate needs annuities to fund long term care will continue to receive exemption to tax on the income.

The operative date for this measure and new legislation is 1st October 2004 and will apply to existing policies as well as new policies. Consequential changes to the tax rules applying to the insurance companies that provide these annuities will also be made.

In principal, for the outlay of a capital sum usually only a part of one's property proceeds, these plans can provide an income to meet high long-term care costs far in excess of that which can be achieved through traditional investments or annuities. The reasons being that they take into account the older person's life impairment as well as their age.

Immediate need plans are subject to medical underwriting and consequently, their price can vary subject to each company's actuarial view of life impairment. Unlike any other form of life and health insurance, the more impaired the client's life the lower the cost.

Sample Immediate Need Care Fee Payment Plan Prices

Gender (M or F)	M	F	F	F
Date of Birth dd/mm/yy	17/2/21	27/1/10	24/7/15	14/4/08
Plan Income PCM (£) escalating by 5% pa	1189	1500	1700	953
Health Impairment & ADL Failures	Dementia & Stroke	Dementia & Heart Disease	Dementia	Dementia & Stroke
Dressing	✓	✓	✓	✓
Bathing	✓	✓	✓	✓
Feeding			✓	
Toileting	✓	✓	✓	✓
Mobility		✓	✓	✓
Cognitive impairment	✓	✓	✓	✓
Company Offers (£)				
PPP	66,070	64,427	85,535	42,412
NU/AGE CONCERN	110,209	79,414	59,234	43,955
PAFS	53,436	76,489	67,294	47,154
GE LIFE	98,591	64,548	99,000	33,452

Source NHFA Care Fees Advice 0800 99 88 33 www.nhfa.co.uk

The NHFA uses a single common application form and health declaration, submitted to **all** companies to obtain the most competitive price for clients.

Immediate Need Plans can pay far greater income than can be achieved from traditional annuities but the importance and the sensitivity of judging when and where they are suitable cannot be over estimated. Families must consider the peace-of-mind factor coupled with the possible short-term loss of capital against the longer-term benefits should their relatives survive in care. In essence, therefore, ICPs can be viewed as an insurance against longevity in care. Consequently, unlike many older people today it is possible that the longer a person remains in the care home the more money they will be able to leave to their children.

Purchasing immediate need plans through the NHFA enables clients and their representatives to use the free NHFA advisory and information services encompassing monitoring of care plans, entitlement to DWP benefits, local authority charging procedures, health authority responsibilities, and guidance on relevant legal and tax matters.

NHFA Care Fee Advisory Services are free and available to all regardless of means and can be accessed through a *freephone* **Care Advice Line 0800 99 88 33**, web site www.nhfa.co.uk

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Notes for Editors:

Case studies available on request

Inland Revenue Statement: <http://www.inlandrevenue.gov.uk/budget2004/revbn02.htm>

NHFA Ltd independent of all care providers, financial institutions and authorities provides free advice and information on obtaining and paying for long term care. NHFA advice is available to all regardless of means and encompasses the many financial and legal issues older people and their families should consider when the need for care arises.

Combines specialist financial advice with the complexities of our care system including local authority assessment and charging procedures, health authority responsibilities, DWP benefits and legal matters i.e. enduring power of attorney.

Free Publications include Long Term Care Guides and an extensive range of 'Infosheets' on common problems including 'Treatment of Couples', 'Treatment of Property', 'Deprivation of Assets', 'The Legal Framework', 'Local Authority Charging Procedures', 'NHS Nursing Care Contribution', 'Immediate Need Care Fee Payment Plans' and 'Issues Surrounding Choice'.

The aim of the NHFA is to enable older people meet the cost of chosen care for life whilst also preserving their original capital and with that their independence, dignity and right of choice.

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