

legal & business matters

Can you avoid care home fees?

A place in a care home costs an average of £1,200 per week, and nursing homes are even more expensive, averaging £1,400 per week. With most people spending several years in care homes or nursing homes, it is no surprise that many of us need a little help covering these costs.

Before Local Authorities provide funding, they will conduct a means tested assessment and you must prove you do not have an income high enough to cover your care costs or more than £23,250 in capital, including savings, investments, or property.

Unsurprisingly, people often want to ringfence these assets for their loved ones and start researching ways to protect them. One simple solution often promoted by unregulated 'advisors' is a lifetime property trust, but can you avoid care home fees with this trust?

Unfortunately, it is not that simple. Whilst plenty of these unregulated 'advisors' claim these lifetime property trusts can protect assets from care home fees, they rarely live up to this promise and will leave you thousands of pounds out of pocket.

What is a lifetime property trust?

A lifetime property trust is a legal arrangement for managing property on behalf of

beneficiaries. It can be an effective tool for protecting and managing property. It should not be confused with a trust that can be created by your Will.

Qualified and regulated solicitors may suggest this trust based on your circumstances however they will make you aware that they are not a miracle fix for avoiding care fees. Trusts are complex, they need to be carefully prepared and administered and they cannot be easily undone.

Putting a house in a lifetime property trust to avoid care fees

Putting your home in a lifetime property trust does not guarantee you will avoid care fees. During your means test, your Local Authority does not only consider assets you currently own. It also takes into account assets that you have owned in the past. In most cases, Local Authorities will ask applicants whether they have ever owned property during their assessment. If they find out you

have put your home into trust or given it away, they will challenge this under the 'Deprivation of Assets Rules'.

There is no fixed period for guaranteeing your property and other assets are safe from these rules should you gift them away or place them into trust. Many people make the mistake of assuming the inheritance tax 'seven year rule' applies to means testing for care funding, but that is incorrect and your local authority can, and probably will, look back much further.

Should your local authority decide you have deliberately deprived yourself of assets to avoid paying for your care, you will be treated as if you still own these assets when they carry out their means test.

In addition to the deliberate deprivation rules, adverse tax consequences can also arise through this arrangement. If the value of the property being transferred into this trust exceeds the current inheritance tax allowance of £325,000 known as the Nil Rate Band, inheritance tax will be immediately payable on the part exceeding at the lifetime inheritance tax rate of 20%. You must also cease to have any benefit from the property placed into this trust and failure to do so will mean the value of that property will still remain in your estate for inheritance tax purposes which is known as the 'Gift of Reservation

of Benefit Rules'. This highlights the importance of taking advice from a regulated solicitor in order to have a comprehensive understanding of this arrangement before proceeding.

Can you avoid care home fees with a lifetime property trust?

In conclusion, many unregulated 'advisors' recommend these lifetime property trusts however there are no guarantees it will work and we advise you to be very wary of anyone promising you this miracle fix.

Like all aspects of estate planning, your best option is to consult a qualified and regulated solicitor. They will be able to lay out all the options available to you, explain the pros and cons of each, and help you make the best and most informed decision for you and your loved ones.

At Scott Bailey, our expert private client team can assist you with all aspects of estate planning. To find out how you can protect your assets, contact us today.



Visit scottbailey.co.uk or call Rebecca Hatton on 01590 676933



Putting your affairs in order

Do you have a Will? Two thirds of adults in the UK don't.

In the event of your death, the current UK rules do not naturally favour the people you care for most.

It is never too early or too late to consider making a Will and you should review such matters regularly.

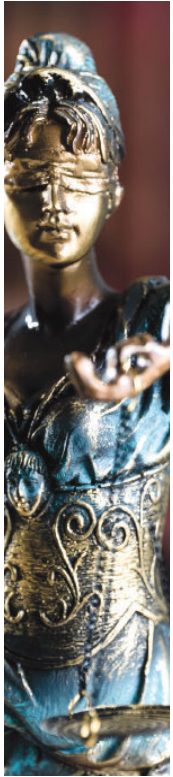
We can help you have better understanding of why you need a Will, and how having one will make your family's life less difficult when you are no longer there to support them.

If you have a Will do you need to ensure that it still fulfils your wishes?

Are you more worried about the here and now?

If you have any questions, please speak to one of **Heppenstalls** private client team on **01425 610078** (New Milton), **01590 689500** (Lymington), or via email enquiries@heppenstalls.co.uk

We can help you with buying and selling your home or business, preparing your Will, tax planning, managing your tax affairs during your life and after death



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Our Lymington Office are celebrating by moving back into the town centre.

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