Professionally Connected Financial Planning

Will you be affected by social care? It is a much talked-about topic.

The Adviser Summer 2017

There has been much in the press recently about social care. Chancellor Philip Hammond's Autumn Statement promised £2 billion towards social care and this year's Conservative proposal for social care reform was labelled a "dementia tax" by critics. Covering against long-term care is becoming a topic of interest for many.

Inside this issue

Welcome to the summer edition of our quarterly client newsletter, which provides topical financial articles.

Please let us know if you'd like to discuss your financial situation or would like to find out more about our services.

Whatever your financial need, we are always pleased to speak with you.

Health care demands

Health care demands

The “funding of social care” was discussed in the Conservative Social Care policy during the recent election. There is universal acknowledgement that the system was overdue for reform, as social services in England can no longer finance rising demand.

People who have assets of more than £23,250 have to pay for all their care, those with assets of between £14,250 and £23,250 would get some help and below that all care is funded.

It’s worth looking at how you might fund long-term care should the need arise.

An “immediate care plan” known as an “immediate needs annuity” is an insurance policy that works in the same way as annuities in retirement. In return for a set premium, the policy undertakes to pay a regular income towards a person’s care costs for the rest of their lives. The level of premium will depend on things such as a person’s age, health and choice of care home.

The minimum age for an immediate needs annuity is usually around 60.

It’s always best to start planning early, follow good advice and invest wisely.

Covering against serious illness

Some people need extra care or support, practical or emotional, to lead an active life and do the everyday things that many of us take for granted. The government is working to provide a social care system that provides care for those who need it, and which enables people to retain their independence and dignity.

Critical illness cover is a form of insurance which pays out a tax-free lump sum in the event that you are diagnosed with a specified illness or medical condition during the term of the policy. The money from a critical illness claim can be used to pay for treatment, make adjustments to your lifestyle or help to cover lost income while you recover.

Critical illness insurance will pay out if you get one of the specific medical conditions or injuries listed in the policy.

But not all conditions are covered and the policy will also state how serious the condition must be. Examples of critical illnesses that may be covered are: stroke, heart attack, some types of cancer, multiple sclerosis.

Most policies will also consider permanent disabilities as a result of injury or illness.

It only pays out once and then the policy ends.

Some policies will make a smaller payment for less severe conditions, or if one of your children has one of the specified conditions.

Critical illness is usually added to life insurance, and the cost will depend on your age and medical history.

We never think a critical illness is going to happen to us, especially when we feel fit and healthy, but it can and does.

People often have to make quick and difficult decisions about their own or a loved one’s care needs. Thinking about the options in advance will help in the long run.

Permanent Health Insurance (PHI) and paying for care

Basics of Permanent Health Insurance

Whether you are single or you have a small army of dependents, if you are suddenly unable to work, your income could disappear. However, while many of us cover our lives to protect our families, very few bother to protect our health.

Permanent Health Insurance (PHI) is less well known than life insurance but potentially has many more applications. It will pay between 50% and 70% of your salary (depending on the insurer) if you are unable to work, minus any sick pay that you may be entitled to. Although it can appear expensive, it is available with a choice of deferment periods and extending this can reduce the cost of cover. The more savings you have, the longer you can fund yourself before a claim needs to start paying out, and therefore the cheaper the policy will be.

Depending on your policy's terms, income under a claim will be paid until retirement age, until you are able to return to work or until the end of the policy term (or indeed, on death), whichever is the earlier. Therefore, while you are rehabilitating or coming to terms with the changes to your life, it stabilises your financial position, ensuring you can pay your bills. Such cover can be of particular benefit to single people and for the self-employed, as a lack of sick pay or financial support from a partner makes you even more vulnerable to a break in your income.

Paying your residential care or nursing home fees

The local Health and Social Care (HSC) Trust works out how much you need to pay for your residential care or nursing home fees.

Before you move into a home, the Trust assesses your finances. They look at your income and capital to calculate how much you must pay.

If you have over £23,250 in capital, the Trust assesses you as able to pay for all your care.

Residence nil rate band, you can make a saving!

Residence nil rate band (RNRB)

Residence nil rate band, it can save you £40,000!
The inheritance tax (IHT) residence nil rate band is now available (from April 6th 2017), potentially cutting the IHT bill on your estate by £40,000.

This new relief could be valuable for many families, especially as the general nil rate band (NRB) has been frozen until at least April 2021.

The measure was announced in the 2015 Budget to reduce the burden of IHT for most families by making it easier to pass on the family home to direct descendants without a tax charge.

You can claim residence nil rate band (RNRB) against the estate of someone who has died providing you meet the following conditions:

- the deceased died on or after 6 April 2017
- the estate includes a residence owned by the deceased
- the residence in the estate is inherited by the direct descendants of the deceased.

RNRB can also apply if the deceased either downsized to a less valuable residence, sold or gave away a residence on or after 8 July 2015.

A residence is any property that the deceased lived in as their home while it was included in their estate. It doesn't have to be their main home, or have been lived in or owned for a minimum period. A property that the deceased owned, but never lived in, such as a buy-to-let property, is not a residence and is not eligible for the RNRB.

You can find more information about claiming RNRB at

http://www.gov.uk/guidance/inheritance-tax-residence-nil-rate-band

Residence nil rate band measures:

£100,000 in 2017 to 2018
£125,000 in 2018 to 2019
£150,000 in 2019 to 2020

£175,000 in 2020 to 2021

Then increasing in line with CPI annually thereafter.

Pension Triple Lock

Triple Lock Pension, it's safe for the time being.

The coalition government began the triple lock in 2010, the triple lock pension was to stay in place until at least 2020.

What is the 'triple lock'?

The triple lock was introduced in 2010, by the Conservative-Liberal Democrat coalition government. It was a guarantee to increase the state pension every year by the higher of inflation, increase in average earnings or 2.5%.

It does seem generous in the recent climate of low interest rates; when pensioners are guaranteed a 2.5% rise this year.

The idea behind it was to protect pensioners from meaningless increases in the state pension, such as the 75p a week rise in 2000, and to make sure their income was not eroded by the gradual increase in the cost of living.

How does it affect my state pension?

The triple lock was put in place to allow your state pension to keep growing at a rate that allows you to purchase the same amount of goods as last year.

If the triple lock is replaced with a link to increase in average earnings and inflation is higher than the increase in average earnings then the value of pension income will be eroded, meaning pensioners will be able to buy less with their money.

The fact is the UK is an aging society and with a lot more people living into their eighties and nineties, the government has to pay the state pension for much longer than originally envisaged. In short, it can't afford the triple lock.

It was in the Tory manifesto to reduce it to a double lock by removing the minimum 2.5% rise. But with a decreased majority from the recent election in June, it looks like it's here to stay for the time being.

The new welfare and pensions secretary David Gauke believes the government will have to reform the triple lock on pensions within his lifetime as it's unaffordable.

David Gauke had said the triple lock would remain until 2020, but would then be "reflected" on.

Highlights from the Queen's Speech

Delivering Brexit
A bill will be introduced to repeal the European Communities Act and provide certainty for individuals and businesses.

Building a stronger economy
Automated and Electric Bill to put the UK at the forefront of automated vehicle ownership and use and maintain our position as one of the best places to research and develop modern transport technologies.

A space industry bill, the main benefits would be to use commercial space flight to support the Modern Industrial Strategy to deliver a stronger economy by generating jobs and putting British business, engineering and science at the forefront of this technology.

A smart meter bill to allow the Government to continue to support the effective and efficient completion of the smart meter rollout and to oversee implementation and ensure the successful realisation of the £5.7 billion of net benefits delivered by smart meters.

A national insurance contributions bill to legislate for the National Insurance contribution (NICs) changes announced in the 2016 Budget and the 2016 Autumn Statement (not relating to the discussion of Class 4 contributions at the time of the Spring Budget 2017).

Making our country fairer
A travel protection bill to update the ATOL scheme and align it with enhancements to the EU and UK package travel regulations that predate people booking their holidays on the Internet.

A draft tenant's fees bill is being introduced to ban unfair tenant fees, promote fairness and transparency in the housing market. The main benefits would be to increase competition in the private rental sector, resulting in lower costs overall and a higher quality of service for renters.

A draft domestic violence bill to transform our approach to domestic violence and abuse to ensure that victims have the confidence to come forward and report their experiences, safe in the knowledge that the state and justice system will do everything it can to both support them and their children, and pursue their abuser.

A civil liability bill to ensure there is a fair, transparent and proportionate system of compensation in place for damages paid to genuinely injured personal injury claimants.

Courts bill to reform our courts and tribunal system to improve access to justice, making better use of technology and modernising working practices.

Financial guidance & claims bill to strengthen the regulation of Claims Management Companies by transferring the regulatory responsibility to the Financial Conduct Authority.

Making our country safer
Armed forces bill to support recruitment and retention in the Armed Forces by enabling flexible working arrangements for regular Service personnel.

Data protection bill to make our data protection framework suitable for our new digital age, allowing citizens to better control their data.

Draft patient safety bill to improve how the NHS investigates and learns from mistakes by establishing an independent Health Service Safety Investigation Body.

Other measures
Other measures included a counter terrorism review, a public inquiry into the Grenfell tower fire, mental health reform, social care, digital charter, public finances, investment in the armed forces, addressing climate change, the housing shortage and extremism.

Mention was also made to working with Northern Ireland to support the return of devolved government.

You can find out more about the Queen's speech: https://www.gov.uk/government/speeches/queens-speech-2017

Delivering Brexit
Building a stronger economy
Making our country fairer
Making our country safer
Other Measures

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The value of your investments can go down as well as up, so
you could get back less than you invested.

Tax advice which contains no investment element is not regulated
by the Financial Conduct Authority.
It is important to note that tax advice which **does** contain an investment element
may not be regulated either.

Past performance is not a reliable indicator of future performance.

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