

Long-term care – how to plan for your future

Securing your financial wellbeing in later life starts with early preparation

Thinking about care in your later years may seem premature, especially if you are currently fit and healthy. However, with average life expectancy in the UK continuing to rise, the likelihood of needing some form of care support increases significantly. It is estimated that one in four of us will need long-term care at some point, making early financial planning not just sensible but essential.

Some people may assume the state will automatically cover these costs. While local authorities provide support, it is strictly means-tested. If your assets, including your property, exceed the £23,250 threshold in England, you will likely have to fund your own care.

GROWING FINANCIAL BURDEN

Care home fees have spiralled over the past two years for people needing a bed in a residential or nursing home. Some individuals paid up to 20% more in 2023/24 than in 2021/22, according to a report^[1]. This sharp increase highlights the growing financial burden on those funding their own later-life care.

The average weekly fee for a residential care home has now reached £949, a 19% increase since 2021/22. For those requiring nursing care, the average weekly cost is £1,267, marking an 18% rise over the same period. These significant increases are largely driven by wider inflationary pressures, including surging energy prices and successive increases in the National Living Wage, which heavily affect provider operating costs.

A TALE OF TWO PRICES

A significant disparity exists between what local authorities pay for care and the fees charged to private individuals. This gap suggests that self-funded residents are subsidising the cost of care for those funded by the state. Councils, with their substantial bargaining power, can negotiate lower rates. For nursing care, private-pay clients are charged an average of £1,409 per week, £263 more than local authorities pay.

This financial imbalance is even more pronounced in residential care, where the difference is £308

per week. This two-tier system adds to concerns that individuals and their families are bearing the brunt of a strained social care system. As political parties appear hesitant to tackle social care reform, it seems likely that self-funders will continue to face rising costs.

POSTCODE LOTTERY OF COSTS

Care home fees also vary significantly across the country. Residents in the North and the Midlands generally pay substantially less than those in the South. For example, the North East has the lowest average weekly nursing care fee at £1,073, while the South East is the most expensive region, with average nursing care fees of £1,457 per week.

This regional variation is not just due to property prices and pay rates. Analysis shows that costs across the board, including food and staffing levels, are higher in more affluent areas. Providers in these regions appear to flex their costs upwards to meet the expectations of a client base dominated by private payers, while those in less affluent areas must keep costs down to remain viable.

EXPLORING FUNDING SOLUTIONS

Fortunately, there are several ways to prepare. Immediate needs annuities are a popular choice for those already receiving care, providing a guaranteed income for life in exchange for a lump sum. For those planning ahead, specific insurance policies or dedicated investment strategies can build a fund earmarked for future health needs.

Equity release is another option some homeowners consider, unlocking the value tied up in their property to pay for domiciliary care while staying at home. Each option carries specific tax implications and risks, so professional advice is

crucial to ensure you choose the option that best suits your family's circumstances. ■

NEED MORE INFORMATION ON PLANNING FOR CARE COSTS?

If you are unsure about how to fund potential care costs or want to protect your estate for future generations, we are here to help. Contact us today to arrange a comprehensive review of your long-term care plans.

Source data:

[1] LaingBuisson's *Care Homes for Older People UK Market Report (The thirty-fifth edition)*, published: 27 February 2025.

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