



**WE NEED
TO TALK
ABOUT CARE**



Property and paying for care

JUST.

Social care funding is spread increasingly thinly

£2.3
BILLION

Adult social care
Local Government
in England funding gap
by 2019/2020¹

36.9%

Council's total budgets in
England accounted for by
Adult Social Care in 2017/2018¹

£16.8
BILLION

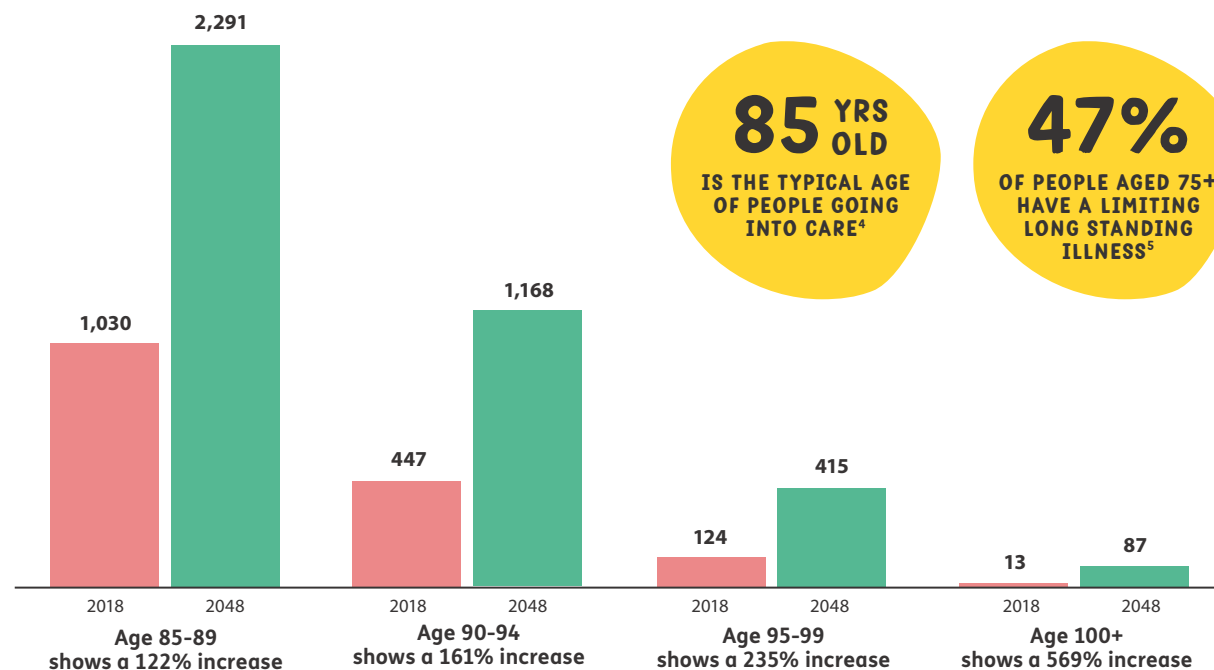
Local Authority spending
in 2015/2016 in England
on adult care services²

8%

Fall in Local Authority
spending on adult social
care in England in real
terms between 2009-10
and 2016-17²

Yet demand for social care is set to rise³

UK over 85 population (in thousands)



Meeting the shortfall



More over-45s expect to sell their house
to pay for care (33%) than think the State
would pay (28%)⁶

69% of people think it's fair that if someone
owns a house worth £500k but has no other
assets, then the cost of care should be
taken from their house after they die⁶

Opening the piggy bank



Over 50s hold 75% of housing wealth -
£2.8 trillion (£2,800,000,000)⁷

88% of couple households over the State
Pension age are owner occupiers with
median property values of £230,000⁸

FOREWORD

Later life care is high on the political agenda with the government due to release a green paper in the autumn that promises to contain proposals to ensure that the care and support system in England and Wales "is sustainable in the long term".

One of the fundamental issues it will address is the question of who pays for later life care and what the right balance is between State – in other words, taxpayer – subsidy and how much we as individuals are expected to contribute out of our own pockets.

Although the aim is to put in place long-term solutions, the reality is that our ageing society is in urgent need of some quick fixes to see us through the coming years and perhaps decades.

It is a fact that billions of pounds are needed to pay for care. It is also a fact that retired people have billions tied up in the value of their homes, usually far more than in their pensions or other assets. That puts property wealth at the centre of the debate about what can be done in the short-term.

Although selling a home to pay for care is common today, there have been mixed messages about whether the home is a store of value to be used to subsidise later life costs or a protected asset that can be passed down through the generations.

In this report, 'Property and paying for care', based on the findings of our sixth Care Report, we highlight the attitudes of over-45's in England and Northern Ireland towards the role they think property wealth should play in a fair care funding system. This is an emotive subject but the research shows a healthy realism that should help inform the green paper debate.

Taking 'the pledge'

People will only start making financial plans for care when they are clear about their obligations. At the end of this paper we outline one innovative suggestion for how people heading into retirement could be incentivised by government to make those plans, using the value tied up in their homes rather than tapping into current income or savings. We have called this 'the pledge'.

By bridging the immediate care funding gap we can unlock a brighter care funding system in the future.

Stephen Lowe
Group Communications Director
Just Group plc



ATTITUDES TOWARDS PAYING FOR CARE

Around 44% of the nearly 400,000 over-65s in care homes are completely self-funded and another 12% pay some of their costs⁹. In many cases they rely on the value of their former home which has been sold, rented out or used as the security for a loan. The value of the home is included in the means-test unless it is still occupied by, for example, a partner or elderly relative.

Home or away?

When asked about how they would like to receive long-term care, most people aged over-45 say they don't want to go into a care home, and the proportion rises with age.

However, they are positive about receiving care in their own home if needed.

	Age			
	45-54	55-64	65-74	75+
I do not want to go into a residential care home - Agree	60%	64%	68%	76%
I will have carers come into my home to help me if needed - Agree	73%	76%	81%	80%

Property, cash or something else?

When asked how people might pay for residential care, selling the house was the most common answer with one-third of over-45s choosing it. Slightly more people chose 'selling my house' than 'the State would pay', suggesting that people might be more attuned to the need to put their property to use when paying for care than is generally assumed.

If you went into residential care at some point in the future, how do you think you are likely to pay for it?	
Selling my house	33%
My savings	31%
Pension income	28%
The State would pay	28%
Income from savings and investments	16%
Renting my house out	7%
Loan from local authority or State	5%
Lump sum from my pension	5%
An insurance policy or long-term care policy	3%
Don't know	21%

The research for this report

This report looks at the attitudes of people aged 40 and older towards using property to pay for long term care. Unless a footnote references an external source, the data we use in this report is taken from our own online consumer research conducted each year from 2012 to 2017. Where we have used our own research data from 2012-2016 we mark which year's data we reference. If no specific year or external source is listed, the data comes from our own 2017 research data.

Our 2017 research was conducted online by Opinion Matters between 30.08.2017 to 04.09.2017 with a sample of 1,088 adults aged 45 years and older from England and Northern Ireland. Further details of the 2012-2016 surveys/research can be found on the back cover, along with the external sources referenced by the footnotes.

Paying the bill: the house or the State?

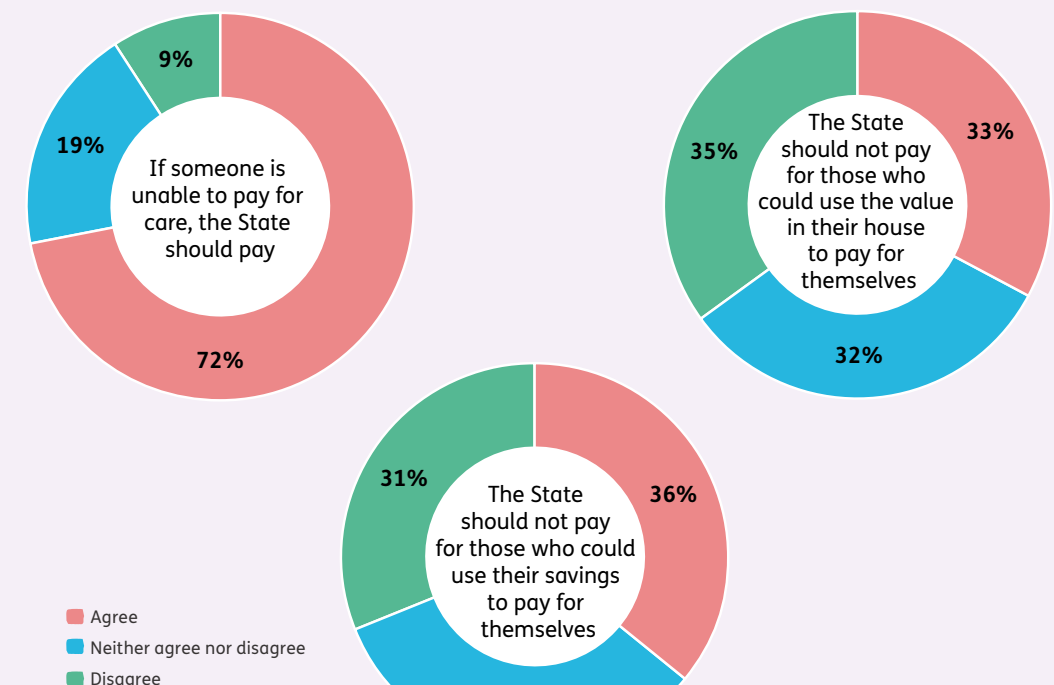
Since we started the Care Report six years ago, our research suggests there's been a steadily growing realisation, or acceptance, that the State won't pay for all an individual's care costs. Generally, though, the attitude to using property has hovered around the 32% mark.

If you went into residential care at some point in the future, how do you think you are likely to pay for it?

Year	Sell property	State pays
2011-2012	32%	51%
2012-2013	41%	35%
2013-2014	35%	33%
2014-2015	31%	30%
2015-2016	20%	16%
2016-2017	33%	28%

Who should pay?

While nearly three-quarters (72%) of over-45s agree that the State should pay if someone is unable to pay for care, there are mixed attitudes towards whether the State should pay when someone could cover care costs by selling a property.



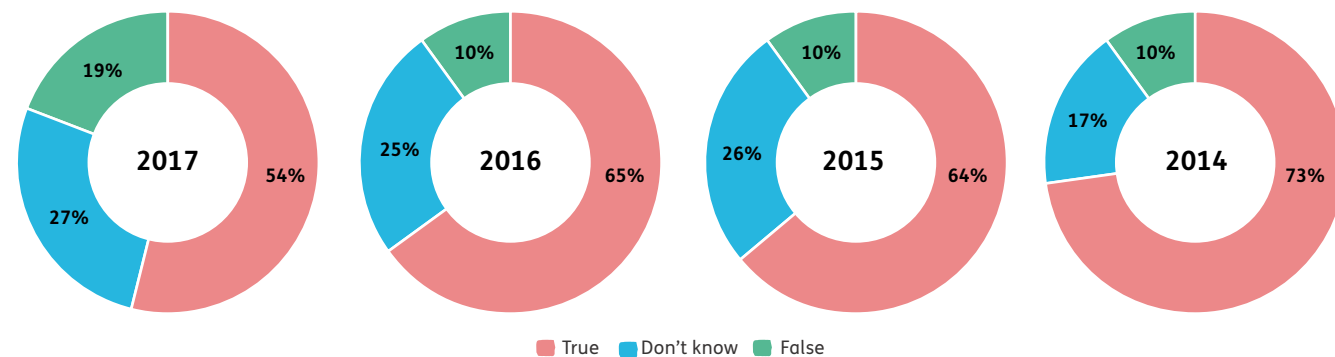
CLEARING UP THE CONFUSION AROUND PAYING FOR CARE

The guessing game

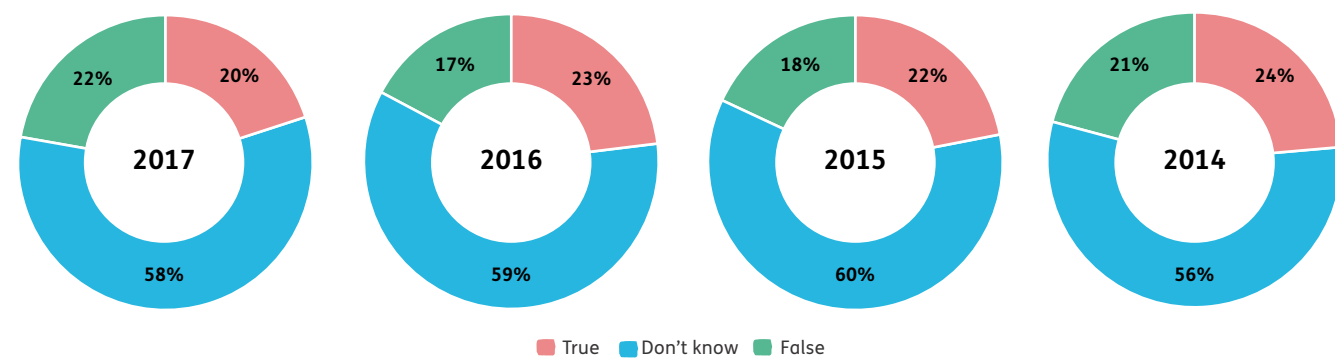
Overall our research suggests increasing misunderstandings and uncertainty about the current system. Fewer people than in previous years think that they could be forced to sell their home to pay for care.

It also points to confusion around the existence of a £72,000 cap on care costs – proposed in the Dilnot Report of 2012 but never implemented and now dropped entirely.

True or false – you can be forced to sell your home to pay for care



You will only have to pay up to £72k for care in old age as above this threshold the rest will be paid by the State



Possible, probable but not certain

People are aware that care costs can eat up the entire value of a home under the current system. But they have to balance the unknown of how much care they will need against whether the current care system will give them adequate support, or if the government decides to move the goalposts or do nothing.

Yet an ageing population points to increasing numbers needing professional care in later life and the likelihood they will be required to pay some or all the cost themselves.

For wider society, care costs are a certainty. But for an individual, care costs are a possibility and a probability but not a certainty. Around one in four will spend nothing, or negligible amounts, on care while more

than half will spend more than £20,000 and one in 10 more than £100,000¹⁰. It is a conundrum – how can you encourage people to make provision for care costs when a) they may never need to pay and b) if they do need to pay, the cost could far outstrip any reasonable savings?

Few people specifically plan to pay care costs, with the result most have to deal with the cost at the point of need which is often sudden and unexpected. Property wealth has helped underpin funding for care with the number of self-funders needing to sell family homes in order to pay for care estimated in the tens of thousands each year.



HOUSEKEEPING

Presented with a hypothetical situation where someone has a home worth £500k but no other savings or investments, the over-45s were supportive of care costs being reclaimed from the value of the house. Respondents to the survey were supportive of the idea of a cap on the amount reclaimed with 73% suggesting it should be less than half of the value of the home.

Do you think it's fair that if someone owns a house worth £500k, but has no other savings or investments, the cost of care they receive is repaid from the sale of the house after they die?

56%

Yes, but only up to a certain amount

13%

Yes, as much as it costs even if it leaves no value left in the property

30%

No, they shouldn't have to use up the value in their property to pay for care.

And for those answering "up to a certain amount", what value should be taken?

35%

1 - 25% of the value of the property

38%

26 - 50% of the value of the property

12%

51 - 75% of the value of the property

1%

76 - 99% of the value of the property

12%

Don't know what value of the property should be taken

FINDING A WAY FORWARD: TAKING THE PLEDGE

Just the start

We believe it is possible to use the value stored in property as an incentive to encourage people to plan for care. This idea becomes more compelling when you consider that over 50s hold 75% of the UK's £2.8 trillion housing wealth⁷, in 2015-2016 local authorities in England spent £16.8 billion on adult care services², and with our research indicating around one in three people expect to use property to pay for care⁶. So we have developed the idea of 'the pledge' to bring these three things together, endeavouring to find a solution to the thorny issue of paying for care.

Taking 'the pledge'

Sustainable care funding depends on encouraging people to plan in advance for the "what if..." of later life care. Rather than expecting people to divert income into saving years before the money might be needed, an alternative could be to pledge assets early in retirement that would be called upon if care is required down the line.

The mechanics

- The pledge could be a formal agreement between an individual, or couple, with the State. The agreement would earmark cash or part of the value of a home towards potential future care costs, perhaps up to a cap.
- The government would incentivise the pledging of assets in different ways. For example, matching funds, offering a more generous means test or cap, or increasing inheritance tax advantages.

The benefits

- It would offer peace of mind and encourage financial planning. Retirees and their families would know in advance how much would be available to pay for care and plan accordingly.
- The pledge would not affect consumption during retirement as it could be flexible. For example, if someone wanted to make an equivalent pledge in cash, without having to pledge any part of the value of the home, that could be accommodated.
- Where pledged resources are never needed to pay for care, they would revert back to the estate and could be passed on to future generations.
- The government has the benefit of knowing it has resources to cover some of the costs of care.



CONCLUSION

This report, ‘Property and paying for care’, reveals a widespread expectation that people will need to use at least some of the value tied up in their home if they need to pay for later life care.

At present, most people ignore making plans to fund long-term care right up to the point it impacts them directly, at which stage their lack of financial planning can severely limit their choices. In many cases, family members are left with no option but to become forced sellers of the home in order to meet the costs. Wouldn’t people prefer to earmark a portion of their property value to be used for care fees if it allows the rest to be protected?

The green paper creates the opportunity to hold a national conversation about this important issue and to discuss the role that property wealth should have. Equally important is the need for this conversation to consider the role of incentives in motivating people to engage with financial planning for care earlier in life.

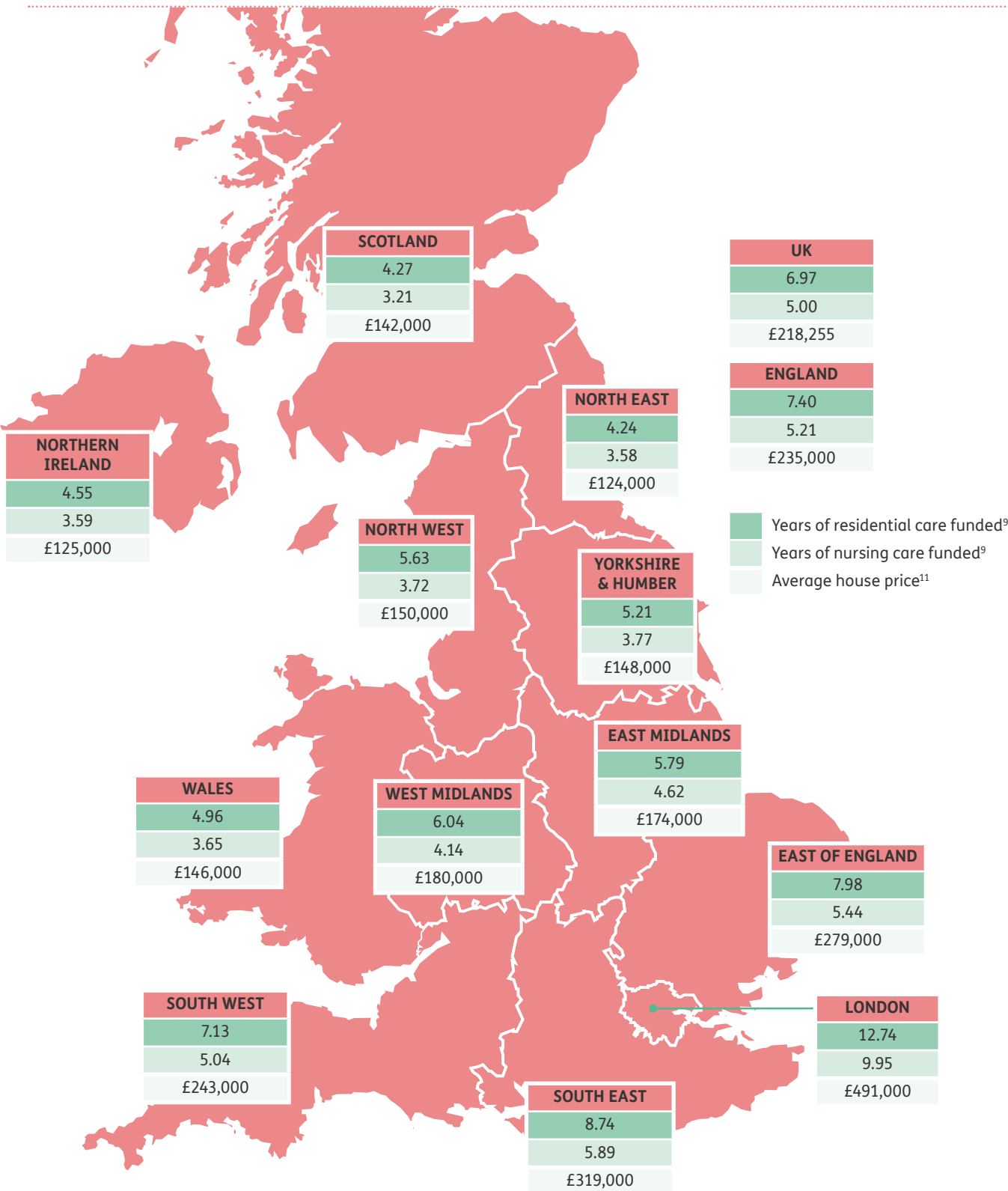
The best long-term answer, however, may not be the same for all age cohorts. Those now approaching retirement, a group with high levels of home ownership, may need a different solution to those in future generations who may find home ownership remains out of reach or get onto the housing ladder later in life.

There are some key criteria that need to be met for any proposals to be successful.

- People need help to recognise the scale of the care funding challenge – an awareness campaign will be needed to explain the need for change.
- People will need to understand any proposed solutions – there needs to be honesty, clarity and transparency how they work and who they benefit.
- People will need to know how to access the solutions that are right for them – that will require opening up access to retirement guidance and advice.

Improving social care is not an insurmountable problem but the longer we leave it the worse it’s going to get. Yes, it calls for some tough decisions but together we can solve it if we address the issue with candour and boldness.

HOW MUCH CARE DOES THE AVERAGE PROPERTY PAY FOR?





FURTHER INFORMATION

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About our own research data

In 2017 we conducted research online from 30.08.2017 to 04.09.2017 with a sample of 1,088 adults aged 45 years and older in England and Northern Ireland. The research was conducted for us by Opinion Matters. We conducted research in previous years as follows.

2016 – online survey among 1,005 adults aged 40 years and older in England and Northern Ireland, conducted April 2016 by Opinion Matters.

2015 – online survey among 1,592 adults aged 40 years and older in England and Northern Ireland conducted, December 2014 by Opinion Matters.

2014 – online survey among 1,005 adults aged 40 years and older.

2013 – online survey among 841 adults aged 45 years and older.

2012 – online survey among 894 adults aged 40 years and older.

- 1 [LGA, Adult Social Care Funding, October 2017](#)
- 2 [IFS, Public spending on adult social care in England, IFS Briefing Note BN200](#)
- 3 [ONS, UK population in age groups, Table A2-1 2016](#)
- 4 [Institute and Faculty of Actuaries, 'How financial products can work alongside the Care Act 2014 to help people pay for care' December 2015](#)
- 5 [Age UK, Later Life in the United Kingdom, April 2018](#)
- 6 [Just Care Report 2017](#)
- 7 [Savills News, April 2018](#)
- 8 [ONS Wealth and Assets Survey 2012-2014, Chapter 3: Property wealth, Wealth in Great Britain](#)
- 9 [LangBuisson Market Report 28th Edition, weekly figures grossed up to annual figures. For-profit care homes for older people 2016/17 \(public and private payers combined\).](#)
- 10 ['Fairer Care Funding', The Report of the Commission on Funding of Care and Support Dilnot, July 2011.](#)
- 11 [ONS House Price Index January 2017](#)

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