

# Links between Long-term Care and Retirement Incomes and Assets

---



**Ruth Hancock,**  
Faculty of Health  
University of East Anglia

PPI Policy Seminar, 11th February 2010

- ✦ **Modelling Ageing Populations to 2030**
- ✦ **Research Council Funded under the New Dynamics of Ageing programme**
- ✦ **Modelling Pensions and LTC**
- ✦ **Final Conference in June 2010**
- ✦ **Meanwhile a few thoughts .....**

# Why link retirement incomes/assets and LTC funding?

---



- ✦ **At the macroeconomic level both are affected by:**
  - ✦ **Population ageing**
  - ✦ **Fiscal constraints and credit crunches**

# Why link retirement incomes/assets and LTC funding (cont.)?

---

- ✦ **At the micro level:**
  - ✦ **Care costs are potentially a large financial need in retirement**
  - ✦ **What the state pays towards them affects financial needs in retirement**
  - ✦ **Assets used to fund care cannot be used to fund other things**
  - ✦ **Extra income and assets result in reduced entitlement to state help with care costs**
- ✦ **Potential for products which provide retirement income and cover for care costs??**

# The Green Paper on Social Care

---

- ✦ **‘Partnership’ option**
- ✦ **Everyone in need of care would get a % paid by the state (e.g. 33%)**
- ✦ **Some would get more (based on some kind of means test)**
- ✦ **Two issues:**
  - ✦ **33% of what (how much care, what quality of care)? Some will want more/better care.**
  - ✦ **How will the means test work?**

# Means testing in LTC and retirement incomes compared

---

- ✦ LTC still has an upper capital threshold
  - ✦ above that, individual currently pays all care costs whereas Pension Credit is withdrawn gradually as assets increase
- ✦ For LTC assumed income from assets between the lower and upper threshold is higher than for retirement income
  - ✦ £1 pw for each £250 of assets compared with £1 per £500 for Pension Credit
- ✦ LTC still has 100% marginal withdrawal rate on income
  - ✦ Each extra £1 of income reduces what state pays towards LTC by £1
  - ✦ Pension Credit withdrawal rate is 40p per £1
- ✦ LTC could be more like Pension Credit

# Barriers to combining pensions and LTC insurance

---

## Requires:

- ✦ appropriate treatment of both in relevant means tests
- ✦ onset of care needs to reduce life expectancy
  - ✦ unlikely to be true in all cases
  - ✦ evidence is lacking
- ✦ known and stable state systems for both
  - ✦ nearer that for pensions than LTC

## Other issues

---

- ✦ **Disability benefits for older people (AA/DLA)**
- ✦ **Appropriate treatment of income and assets (including housing wealth)**
- ✦ **The role of equity release (and its treatment in means tests)**
- ✦ **Care at home versus care in a home**