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FINANCIAL SERVICES

Your guide to planning **later-life care**

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Thinking about life after you finish work usually involves planning for your retirement. This means considering how to enjoy your hard-earned wealth, perhaps by travelling, spending time with friends and family, or treating yourself to something you've always dreamt of having, such as a new car or the holiday of a lifetime.

However, there is another aspect of later-life planning to think about sooner rather than later: the possibility of funding care, should you need it.

While it's impossible to know what life has in store, longer life expectancies and rising expenses mean care costs now form an essential area of financial planning.

This guide explores:

- What your care options might be
- The potential costs you could expect
- Funding options
- The role your family plays
- How we can help build later-life care into your financial plan.

As life expectancies continue to rise, planning for care is essential

The good news is that life expectancies are continuing to grow in the UK. According to the latest data from the Office for National Statistics (ONS) (10 December 2025), in 2022 to 2024, women could expect to live to the age of 83, with men slightly lower at 79.1 years.

Rewinding just over half a century to 1970, life expectancy for women was 75.2 years and 68.9 years for men, according to CountryEconomy data (5 May 2025). The latest data highlights a significant shift, with the population now expected to live for over a decade longer.

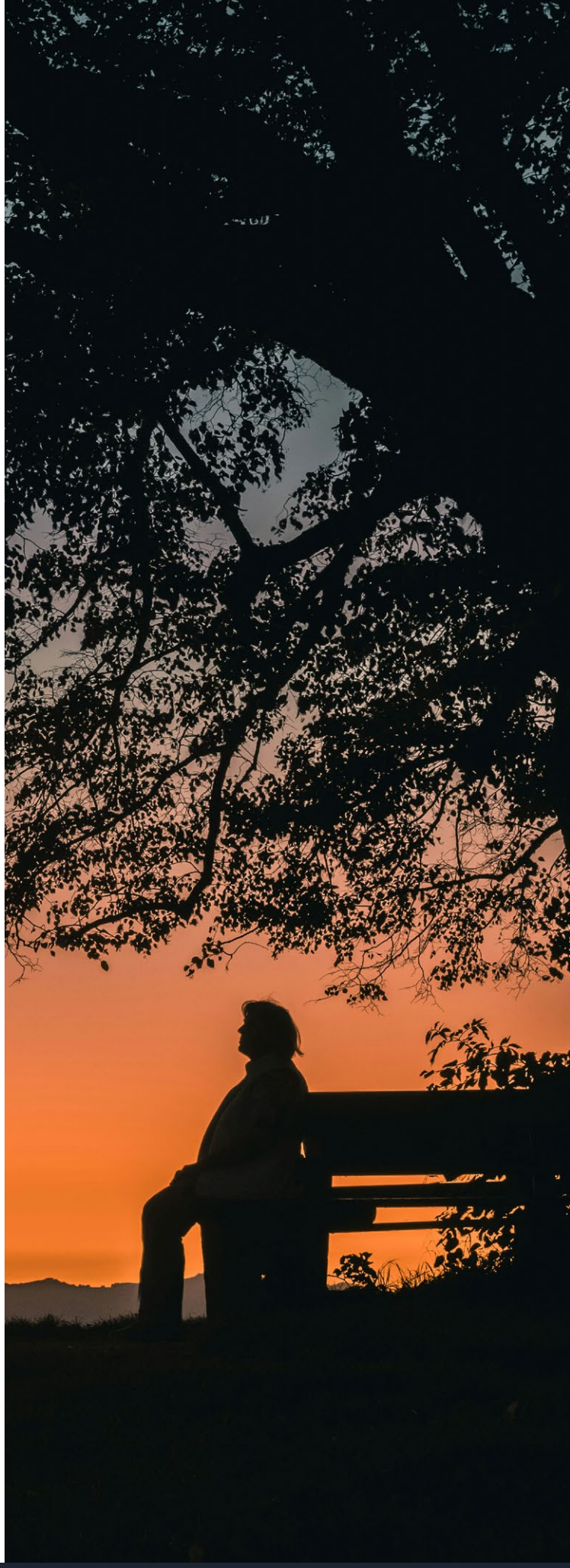
While this is positive, it could lead to you needing care in your later years. Living longer doesn't automatically equate to living healthily, which could mean there will be some years you need support with daily activities, or in a care home.

For example, data from the ONS (19 February 2026) shows that men could expect to spend 60.7 years of life in "good" general health, with women only slightly different at 60.9 years.

At the same time, the cost of care continues to rise, and this is compounded by a complex funding system, which can often be something of a postcode lottery.

The absence of any certainty over whether and when you might need it, and in what capacity, can make it a challenging part of your financial planning.

However, your financial planner can work with you to look at a number of different permutations, helping to make sure that you're prepared financially for care in whatever format it may take.



Types of care in the UK

DOMICILIARY

Professional carers visiting you at home to assist with tasks like washing and cooking, as well as personal care in some cases. If you need round-the-clock support, then it could extend to live-in care, with a carer(s) staying with you 24/7.

RETIREMENT HOUSING

This can take on several formats, from small, sheltered accommodation through to high-end luxury living. But most have access to on-site care, wardens, or emergency alarm systems.

RESIDENTIAL CARE HOME

These live-in facilities provide accommodation, meals, and personal care, usually delivered by trained carers.

NURSING HOMES

For residents with specific medical needs. A nursing home is staffed by trained nurses who can deliver care for more complex needs.

SPECIALIST CARE HOMES

These are designed for the specific care of people with Alzheimer's or other forms of dementia.

"Care" might not be one single event, so you could need to consider a range of scenarios. For example, having someone helping you out at home initially could turn into a requirement for a full-time live-in carer, or necessitate a move to a care home, as you get older.

You could also become ill for a short period, require care, and recover. We all have preconceptions about what care looks like, but in fact, there is a vast range of possibilities for when and how you may need to be cared for.

The structure of care fees is complex, and rules can differ in different parts of the UK

England

Care funding is usually means-tested. However, under some circumstances, you could get your care paid for via NHS continuing healthcare (CHC). You could be eligible if:

> You have ongoing, significant physical or mental health needs
>
> The main aspects of your care needs are based primarily on your health requirements.

However, the criteria are strict and this type of funding is extremely difficult to come by, so it's not a good idea to rely on receiving this.

Otherwise, the help you receive will likely be based on the assets you hold. If they are valued at:

> Above £23,250, you will usually pay the full cost of your care
>
> Between £14,250 and £23,250, you may receive partial support from your local authority
>
> Below £14,250, you may receive more support from your local authority.

Scotland

> Personal and nursing care is free if you're over 65, subject to an assessment, either in your own home or in a care home.
>
> You may need to pay for accommodation if you're in a care home.
>
> Other elements of care are subject to means testing.

Wales

If your assets are:

> Above £50,000, you will need to pay for your care
>
> Below £50,000, you could be eligible for local authority support.

Northern Ireland

> This is very similar to the framework in England, but you may receive some free domiciliary care.
>
> Health and social care services are more integrated, so you may receive more services through the health system.

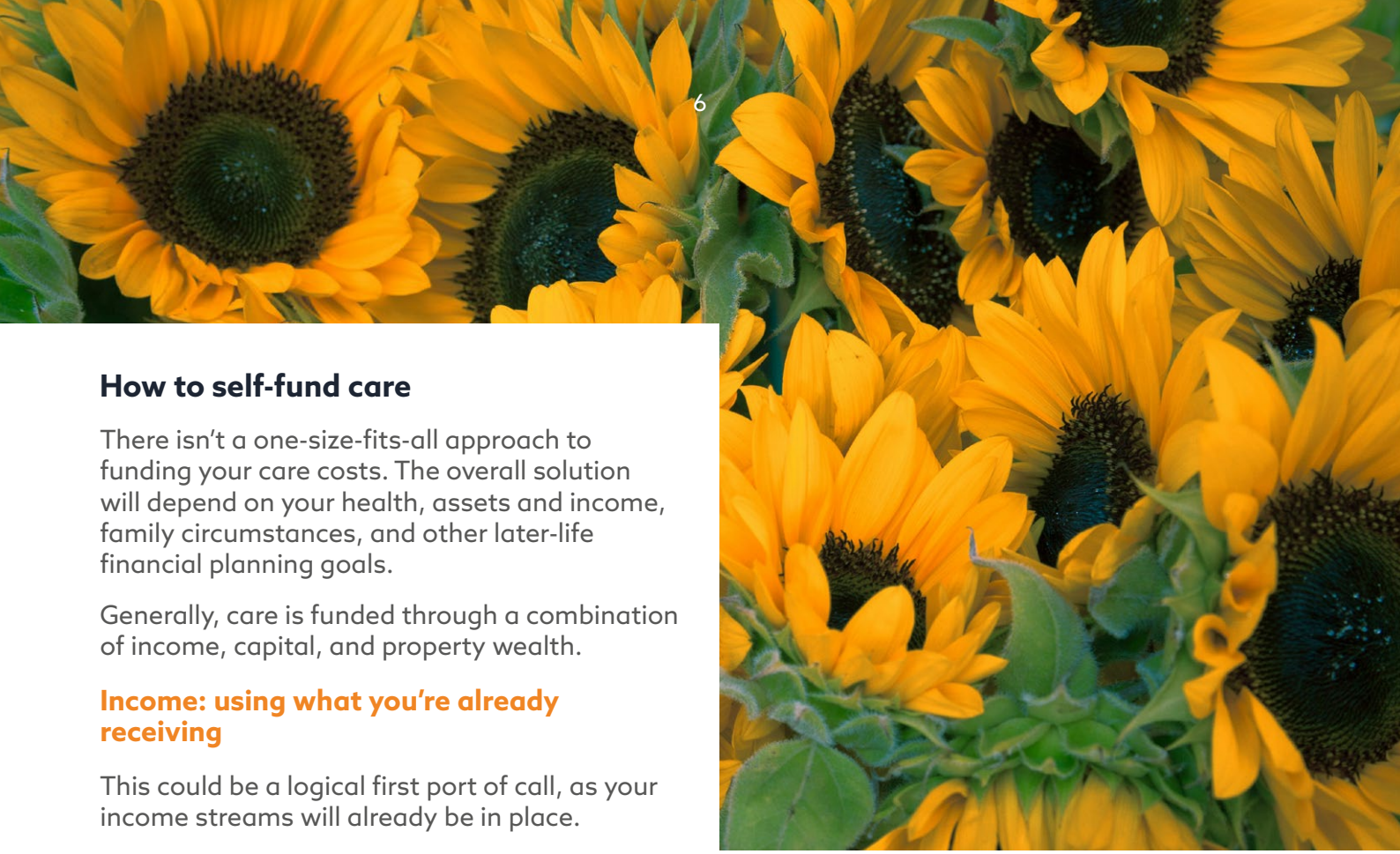
SOME OF THE TYPICAL COSTS YOU COULD EXPECT TO PAY:

The NHS (17 April 2026) suggests a typical hourly rate for a carer at home is around £20.
This could rise to between £800 and £1,600 weekly for a live-in carer, depending on the complexity of your needs.

Meanwhile, according to carehome.co.uk (28 April 2026), the average weekly costs are:

- Care home – £1,298
- Nursing home – £1,535
- Dementia care in a nursing home – £1,564

These are typical fees and could vary based on your location.



How to self-fund care

There isn't a one-size-fits-all approach to funding your care costs. The overall solution will depend on your health, assets and income, family circumstances, and other later-life financial planning goals.

Generally, care is funded through a combination of income, capital, and property wealth.

Income: using what you're already receiving

This could be a logical first port of call, as your income streams will already be in place.

This could take the form of your State Pension, defined benefit (DB) pension, which offers you a guaranteed income for life, or a defined contribution (DC) pension such as a SIPP or workplace pension pot, which enables you to make flexible withdrawals in line with your income needs. However, DC pensions can be used to provide an income for life but flexible withdrawals will be made from a finite amount of capital, so you need to plan and manage any withdrawals carefully to avoid running out of funds.

If you have any rental properties, these could also be considered as potential income for care costs. You will need to factor in periods when your properties may be tenant-free (and therefore not producing an income), as well as maintenance costs and taxes, before you consider using this revenue.

It is also prudent to consider whether rental properties will still be manageable as you get older.

Investment dividends and interest payments may also provide a healthy income stream. Working with a financial planner to create a robust, well-diversified portfolio early on could help to support you in later life.

Capital and investments

These can be another part of your care funding plan. If you have any Cash ISAs or Stocks and Shares ISAs, you can usually make unlimited withdrawals without being liable for Income Tax or Capital Gains Tax (CGT).

You could also draw from any General Investment Account (GIA), but be aware that income from these could be liable for CGT or Dividend Tax.

Cash reserves

Cash savings can be a convenient way to cover immediate or short-term care costs, as they are instantly accessible. Using cash also means you can be more prudent about when to sell investments, rather than being compelled to sell at an unfavourable time simply to release funds.

Keeping too much of your capital in cash reserves, however, can reduce your opportunities to grow your wealth. Rising inflation rates mean your cash will have lower purchasing power over the years, and interest rates are unlikely to keep pace.

Property

Your property is likely to represent a significant proportion of your wealth, and could be a key aspect of your care funding.

This could be in the form of:

1. Downsizing

Moving to a smaller property in line with your changing needs can help to make your later years more manageable, as well as releasing capital for potential future care.

For example, if you start to find stairs difficult to navigate, then moving to a bungalow could be a sensible option, helping you to remain independent for longer.

In turn, downsizing can reduce household bills and maintenance costs, freeing up further funds for the future.

2. Selling

If you need to move into residential care and you own your property, you may need to sell it to release funds. Timing is critical in terms of a property sale, as selling under pressure could mean you accept a lower offer than the property is worth, or be forced to sell when the housing market is weak.

With this in mind, having more immediate options to fund short-term care could allow you to sell your property under more favourable conditions.

In some cases, you may be able to access a Deferred Payment Agreement (DPA), under which the local authority allows care home fees to be paid using the value of your property, without an immediate sale.

Costs are then usually recovered from your estate. However, you may be charged interest. This is only generally an option if your property is your biggest asset and you don't have access to further savings or income.

CARE ANNUITIES

Alternatively, you may choose a tailored financial product or arrangement designed specifically for care. A care annuity is a type of guaranteed income to help cover your care fees, and can be either:

- Immediate needs annuity
- Deferred needs annuity

In both cases, you take out an insurance policy that pays out an income to fund care fees as long as you need.

IMMEDIATE NEEDS ANNUITY

This policy is purchased with a single lump sum payment, with the cost determined by factors such as your age, health, and expected care fees.

This could be a good option if you:

- Are already receiving care
- Know you're about to start needing care

It may be less suitable if you're only likely to need care for a short time, or you want more flexibility over accessing your wealth in the future.

DEFERRED ANNUITY

As the name suggests, the income from this policy is deferred for a number of years of your choosing.

This could be a good option if:

- You don't think you'll need care funding in the immediate future
- You're looking for a lower-cost option (the longer the deferral, the lower the cost of the plan usually is)

However, you'll need to be prepared and able to fund any necessary care before the end of the deferral period.

3. Renting

This could be feasible if you're moving into temporary care and have either a trusted family member or a letting agent to manage the property. However, rental income tends to be lower than care home fees, so it is likely to only give you a partial funding option if you don't have a large property portfolio.

Renting also comes with responsibilities such as maintenance and tenant turnover. Furthermore, rental income is subject to Income Tax, which may push you into a higher tax band or affect means-tested benefits or funding, which may reduce or even negate any benefits from renting.

As care requirements tend to be more permanent, renting is often a short-term solution, as it can be impractical for more long-term needs.

4. Equity release

This enables you to release some of the wealth from your property without having to sell. This can be as a:

- Lifetime mortgage, in which you borrow money against your home, usually paid off after you die or if you move permanently into long-term care
- Home reversion plan, where you sell a portion of your home to a provider, in exchange for a lump sum.

However, interest can quickly accrue, and this could affect the value of your estate. It's advisable to speak to a financial planner before you consider this option.

Please note: Do not act based on anything you might read in this article. All contents are based on our understanding of HMRC legislation, which is subject to change.

Equity release will reduce the value of your estate and can affect your eligibility for means-tested benefits.

A lifetime mortgage is a loan secured against your home. To understand the features and risks, ask for a personalised illustration.

Registering a Lasting Power of Attorney can let your loved ones make decisions on your behalf

Depending on the nature of care you need, there's a chance that your spouse or adult children may have to become involved in helping to manage and coordinate your care.

Setting up a Lasting Power of Attorney (LPA) means that you can delegate crucial decisions about your health, welfare, and finances to your chosen representatives. If you ever lose the capacity to make your own decisions, they can step in.

There are two types of personal LPA:

Health and welfare

If you lose mental capacity due to an illness or injury, your appointed attorney – a family member, close friend, or trusted professional of your choice – will be able to make decisions on your behalf about your medical care and everyday needs, as well as choosing an appropriate location if you ever need residential care.

You can also decide if you want them to be able to make decisions about life-sustaining treatment.

Without this type of LPA in place, doctors and local council services may have to step in to make these decisions for you, which may not align with your own wishes. Your family can choose to apply to the Court of Protection to become your "deputy", but this can be a long process, sometimes as much as 12 months, and can also be costly.

Property and financial affairs

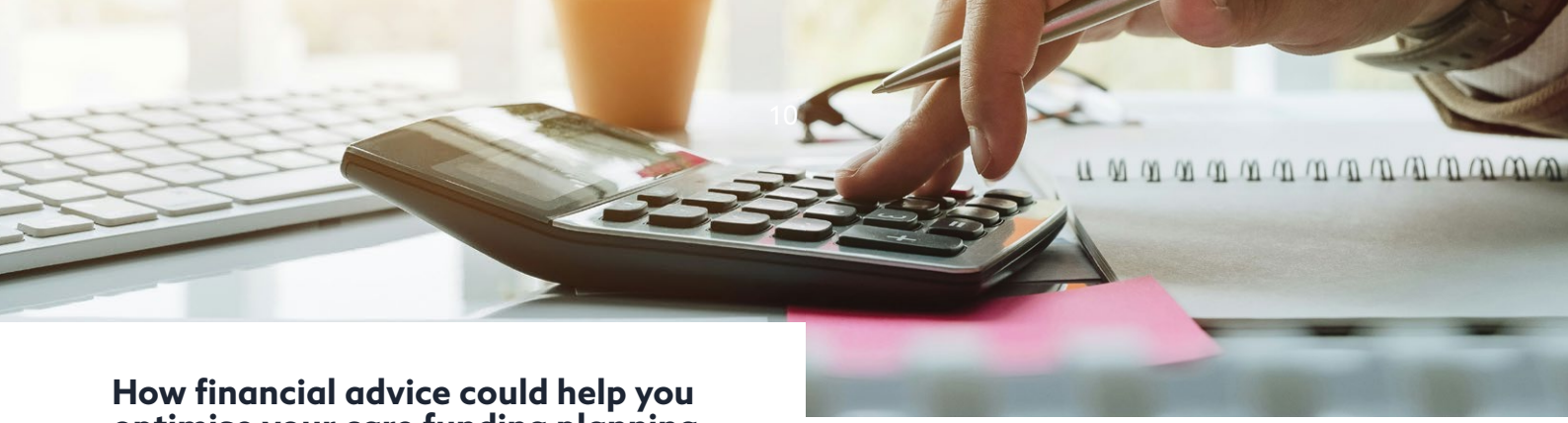
Your chosen attorney can be different from, or the same as, your health and welfare LPA. They can make decisions about your bank accounts and household bills, as well as manage mortgage payments if applicable.

Crucially, your property and financial affairs attorney can help you, if you wish, even if you still retain mental capacity. For example, if your mobility became limited, they could make bank withdrawals on your behalf.

In contrast, your health and welfare LPA only comes into relevance if you are unable to make decisions for yourself.

The key thing to remember with both types of LPA is that they must be set up while you have full mental capacity, and registered with the Office of the Public Guardian. Once this is in place, the LPA will be ready to use.

Please note: The Financial Conduct Authority does not regulate Lasting Power of Attorney.



How financial advice could help you optimise your care funding planning

Thinking about care costs is never going to be as fun or pleasurable as planning holidays or buying a new car. But this is a key consideration for your later years, and some thought upfront means you can relax and focus on the more enjoyable aspects of your retirement.

According to FTAdviser (16 February 2026), 93% of people over 75 haven't given any thought to how they would fund potential care costs. And just 11% of those under 45 were supported by a financial adviser when planning care for an elderly relative.

The complexities of the care system mean that, under these circumstances, you could be unable to access the care you would choose.

A financial adviser can work with you on integrating possible care costs into your overarching financial strategy.

They can ensure your plan is designed to work optimally in key areas, including:

Tax planning

Establishing the most tax-efficient ways and times to withdraw funds can help to minimise Income Tax and CGT. A financial planner can help make sure you're making full use of appropriate tax breaks each year, tactically structuring withdrawals to help retain more of your wealth.

Investments

Creating a well-diversified portfolio of investments that aligns with your approach to risk could help to generate a long-term source of income.

Your financial planner will look at when you could potentially need to access funds and adjust your portfolio to create more stability as long-term care starts to become likely.

CASHFLOW MODELLING

Cashflow modelling may help you explore a range of different scenarios and how your finances could look in each.

Financial planners use software to model how your wealth could look if you need:

- No care at all
- Moderate care at home
- Residential care for several years
- Long-term nursing or specialist dementia care.

This can help you establish if your plan is on course, should you incur care costs, how different funding requirements could affect your long-term wealth, and any impacts on your estate.

Cashflow modelling is an effective way of helping you make informed decisions about how to structure your finances to account for any potential care costs.

Please note: The value of your investments (and any income from them) can go down as well as up and you may not get back the full amount you invested.

The Financial Conduct Authority does not regulate tax planning or cashflow modelling.

Estate planning

Balancing your need to potentially fund care from your estate with your desire to pass on wealth to your family can be challenging.

A financial planner can explore a range of strategies, such as lifetime gifting, to ensure that you're able to fund care, as well as leave bequests to your loved ones.

Care funding strategy

Earlier, this guide outlined the ways you could fund care, such as through income and assets. Your financial planner will look at your bespoke portfolio of savings and investments, identifying a suitable hierarchy for care funding, should you need it.

Regular, ongoing reviews are important to take into account any new circumstances, such as changes in health. Your financial planner can then rebalance your portfolio in line with these, making sure that you're on track at all times and in all eventualities.

Please note: The Financial Conduct Authority does not regulate estate planning.

Get in touch

Early planning for care funding can help you and your family feel reassured that if you do need some support in later life, then you are sufficiently able to meet these costs.

Please get in touch to find out how we could help.

0115 993 6000

enquiries@pkfs.co.uk

Please note: This article is for general information only and does not constitute advice. The information is aimed at retail clients only.

All information is correct at the time of writing and is subject to change in the future.

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A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future performance.

The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates, and tax legislation may change in subsequent Finance Acts.

The value of your investments (and any income from them) can go down as well as up, and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

The Financial Conduct Authority does not regulate estate planning, cashflow planning, tax planning, or Lasting Powers of Attorney.

Equity release will reduce the value of your estate and can affect your eligibility for means-tested benefits.

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