



Institute  
and Faculty  
of Actuaries

# LTC: Which Products do Advisers and Customers Want?

Jessica Moran, Which  
Jane Finnerty, SOLLA  
Jules Constantinou, Gen Re

# Quick potted history

- Fairer Funding for All: 4 July 2011

# Dilnot recommendations 4/7/2011:

- Introduction of consistent **national assessment** criteria
- Better **information** and **advice** to be made available
- A major campaign promoting **awareness** of the system
- A cap of £35,000 total **contribution** from the **individual** (25K to 50K) – cost of £1.7bn



Institute  
and Faculty  
of Actuaries

# Quick potted history

- Fairer Funding for All: 4 July 2011
- Jeremy Hunt announcement: 11 February 2013
  - “expects the financial services industry to work creatively to **amend existing products and develop new products** that support people in making choices about how to plan for their care costs.”

*Jeremy Hunt, Secretary of State for Health, 11/02/2013*



Institute  
and Faculty  
of Actuaries

# What the Government has delivered

- **National eligibility** criteria and **portable assessments**
- Local authorities to have the obligation to provide individuals with **independent advice**
- A major campaign promoting **awareness** of the system (Aug 2015)
- A cap of £72,000 **(2016)** total **contribution** from the **individual** – cost £1bn by the end of next Parliament
- **Universal Deferred Payment Scheme (2015)**



Institute  
and Faculty  
of Actuaries

# Quick potted history

- Fairer Funding for All: 4 July 2011
- Jeremy Hunt announcement: 11 February 2013
  - “expects the financial services industry to work creatively to **amend existing products and develop new products** that support people in making choices about how to plan for their care costs.”

*Jeremy Hunt, Secretary of State for Health, 11/02/2013*

- FS Steering Committee: Rapid Review: July 2013



Institute  
and Faculty  
of Actuaries

# Pensions: Existing products

- Immediate needs annuities
- Deferred needs annuities



Institute  
and Faculty  
of Actuaries

# Additions to existing products: pensions

- Capped drawdown: using a table for life expectancy that allows for disability
- Flexible drawdown: lower limit to be dropped to £12,000
- Change annuity value protection option: access tax free on care
- Ring fence part of the pension pot in decumulation phase



Institute  
and Faculty  
of Actuaries



# Additions to existing products: other

- Whole of life: paying on earlier of death or requiring care
- Joint life / intergenerational
- Life insurance paying off UDPS debt
- Whole of life critical illness



Institute  
and Faculty  
of Actuaries

# Return of products

- Whole of life income protection with definition change at retirement: [distribution issues]
- Disability linked annuity: [taxation issues]
  - People seek to maximise immediate income and discount future needs. This is unsurprising given that the median post-tax free cash pension pot is £20,000 and the mean is £33,400
  - Only 7% of retirees take up index-linked annuities, which reduce initial retirement income in a similar way to a disability-linked annuity. This is despite the significant risks to peoples' living standards arising from even moderate levels of future inflation.



Institute  
and Faculty  
of Actuaries

# Quick potted history

- Fairer Funding for All: 4 July 2011
- Jeremy Hunt announcement: 11 February 2013
  - “expects the financial services industry to work creatively to **amend existing products and develop new products** that support people in making choices about how to plan for their care costs.”

*Jeremy Hunt, Secretary of State for Health, 11/02/2013*

- FS Steering Committee: Rapid Review: July 2013
- Joint Statement of Intent: 21 January 2014



Institute  
and Faculty  
of Actuaries

# Quick potted history

- Fairer Funding for All: 4 July 2011
- Jeremy Hunt announcement: 11 February 2013
  - “expects the financial services industry to work creatively to **amend existing products and develop new products** that support people in making choices about how to plan for their care costs.”

*Jeremy Hunt, Secretary of State for Health, 11/02/2013*

- FS Steering Committee: Rapid Review: July 2013
- Joint Statement of Intent: 21 January 2014
- IFoA: Pensions and LTC WP: 7 May 2014



Institute  
and Faculty  
of Actuaries



Institute  
and Faculty  
of Actuaries

# How pensions can help meet consumer needs under the new Social Care regime

An Overview

By the Products Research Group of the  
Pensions and Long Term Care Working Party

7 May 2014



Institute  
and Faculty  
of Actuaries

# Quick potted history

- Fairer Funding for All: 4 July 2011
- Jeremy Hunt announcement: 11 February 2013
  - “expects the financial services industry to work creatively to **amend existing products and develop new products** that support people in making choices about how to plan for their care costs.”

*Jeremy Hunt, Secretary of State for Health, 11/02/2013*

- FS Steering Committee: Rapid Review: July 2013
- Joint Statement of Intent: 21 January 2014
- IFoA: Pensions and LTC WP: 7 May 2014
- Care Act 2014: 14 May 2014



Institute  
and Faculty  
of Actuaries

**Which?**

# Paying for care: the consumer perspective

IFOA conference  
11<sup>th</sup> November 2014  
Jessica Moran

**Which?**

**Which? works  
for you**

# Introduction

## About Which?

- Which? is an independent social enterprise representing consumers
  - 800,000 members
  - All profits from Which?'s business goes to fund our charitable mission
  - Policy and campaigns work, free information tools

## Our research

- Policy research project looking at:
  - The experiences of current consumers in paying for care - both at point of immediate need and further ahead.
  - How the care funding reforms may affect consumer experiences and behaviour
  - Intention to influence delivery of capped cost reforms and provide real consumer perspective on wider debate

Today we will be sharing:

- Findings from our primary research with consumers on paying for care



Institute  
and Faculty  
of Actuaries



# Methodology

- Fieldwork was conducted in July 2014.
- Mix of deliberative workshops and depth interviews (50 people in total).
- Research with people who are jointly or solely responsible for making decisions about care financing on behalf of someone else and people recently retired.

## CARE FINANCERS

(People making care financing decisions  
on behalf of parent or partner)

Pilot group,  
Central London  
(1.5 hours, 6 people)

Deliberative workshop, Croydon  
(3 hours, 16 people)

10 household depth interviews, London &  
Newcastle  
(1 hour, 11 people)

## RECENT RETIREES

Mix of DB and DC pensions

Deliberative workshop, Newcastle  
(3 hours, 17 people)

*Deliberative workshops chosen to  
provide opportunity for briefing and  
informed consideration of reforms*

*Depth interviews designed for exploration  
of personal circumstances and to gauge  
more unprimed reactions to changes*



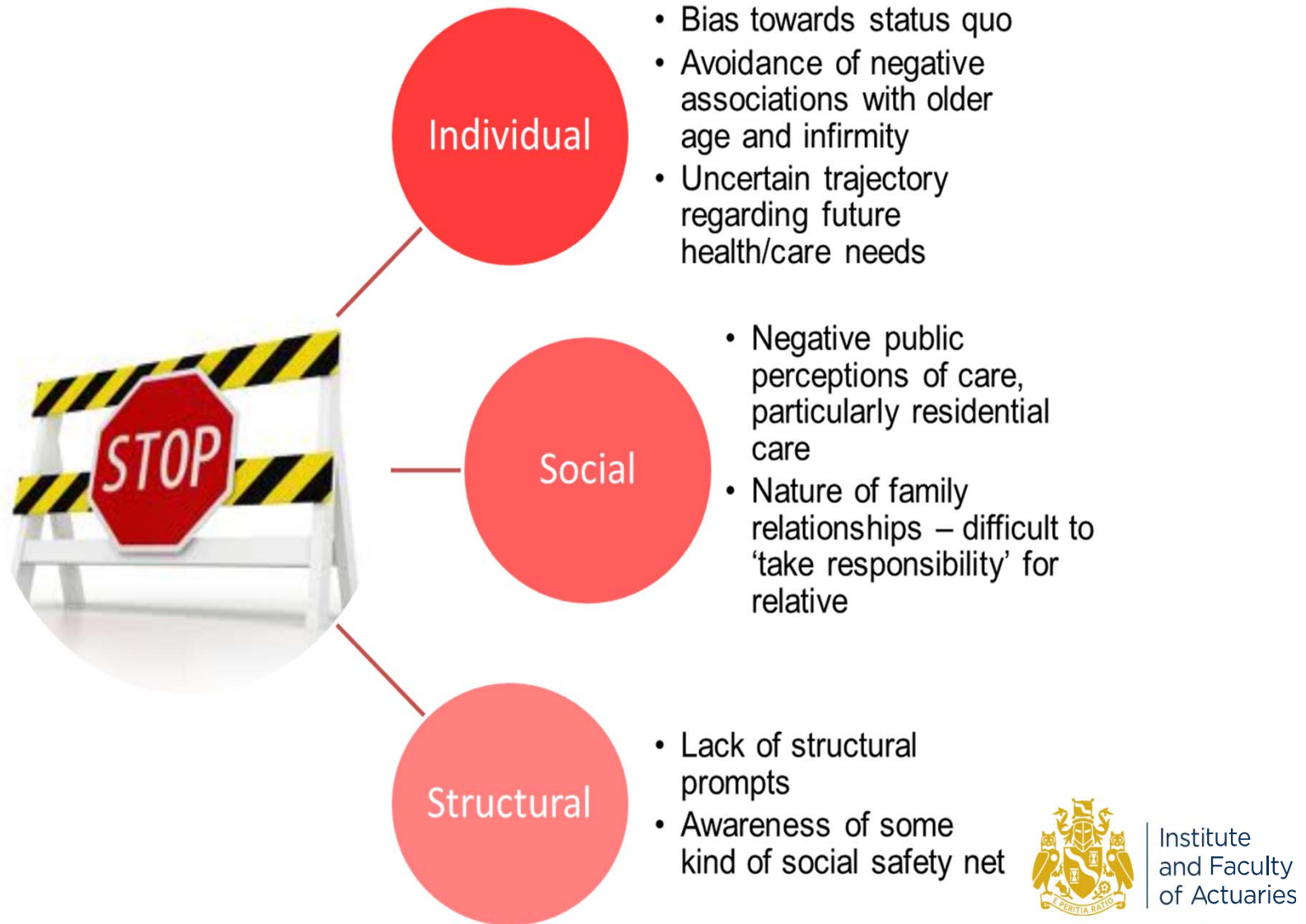
# Consumers in their own words - current experiences

Video clip



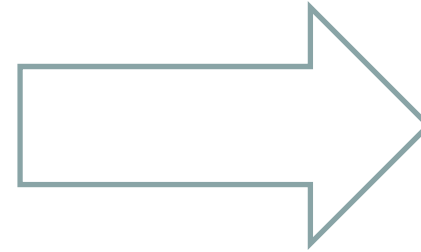
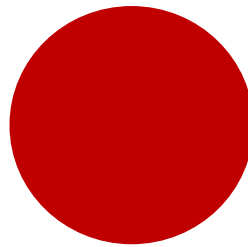
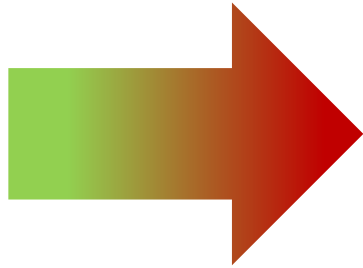
Institute  
and Faculty  
of Actuaries

# Behavioural barriers to advance planning for care



# Current experiences of paying for care

- Experiences of arranging care are often a series of events rather than a journey.



- Reluctance to engage with possibility of care
- Lack of awareness of costs of care
- At point of need, financing care becomes a 'means to an end'
- Feel have a lack of options, sometimes feel dictated to by LA
- Even at point of immediate need, reluctance to think ahead about future need
- Looking back, feeling that financial decisions sub-optimal, retrospective notion of 'loopholes' not exploited



Institute  
and Faculty  
of Actuaries

# Priorities in paying for care

Main priorities

Most  
suitable care  
option

Good quality  
of care

Circumstantial  
factors

Staying in  
home

Passing on  
inheritance

Lower  
order/retrospecti  
ve  
considerations

Maximising  
state  
funding

Ensuring  
money  
doesn't run  
out



Institute  
and Faculty  
of Actuaries

# Current experiences of the system

- Care arrangers commented on the complexity of the current system and being unable to access or decipher information.
- People often assumed they would not be eligible for anything, and may have an initial reluctance to engage with the local authority.
- Once they got to the point of financial assessment, people left it to the local authority to deal with the calculations, and didn't really understand/engage with it themselves.
- Overall perception is that the current system is unfair - thresholds too low and particular resentment of having to sell the home to fund care.

*I didn't really understand at what stage you get the help because there's a threshold of £23,500 (sic) in savings but is that assets as well? They say no but because you're getting the pension they take that into account. So I was totally lost and, at the end of the day, I was so fed up I just said 'you know what, just leave it'.*

**Care arranger, London**

*It's a minefield. There's a lot of paperwork. There's a lot of going back and forth waiting for certain things.*

**Care arranger, Newcastle**



Institute  
and Faculty  
of Actuaries

# Perceptions of paying for care at retirement

- Misunderstanding of nature of retirement spending
  - People planning immediate post-retirement spending, after which anticipate gradual decline in expenditure thereafter
  - Lack of awareness of potential U-shaped curve if have care needs
- People have great difficulty visualising their future selves more than 5 years ahead, compounded by unpalatability of care needs.
- When prompted with figures about likelihood of needing care and likely costs, people had a fatalistic attitude -costs seen as too large to plan for.

*You can't worry about it – if you've got the money you'll pay for it and if you run out, then the government will have to pay for it.*

**Recent retiree, Newcastle**



Institute  
and Faculty  
of Actuaries

# Consumers in their own words - the new system

Video clip



Institute  
and Faculty  
of Actuaries



# The new system

- Low prior awareness of any changes
- Think that new system is fairer as it offers financial support to more people
- But, often not able to identify how it would have made a difference to their own situation
- High potential for misunderstandings:
  - Some struggled with concept of a cap
  - Assumption that cap applies to full costs of residential care
- Detail of the operation of the system very confusing, led people to mentally disengage
- Concern about the system operating differently because of differences in LA rates
- Some cynicism/distrust of the reforms and lack of confidence that system will still be in place in future

*It's slightly better that the thresholds are up... But the devil's in the detail and they have tried to make it as complicated as possible.*

**Recent retiree, Newcastle**



Institute  
and Faculty  
of Actuaries

# The new system

## Consumer behaviour under the new system

- The behavioural barriers that operate in relation to advance planning for paying for care are strong, and largely unrelated to the system of state funding for social care.
- The capped cost system by itself does little to address these fundamental barriers, costs are still seen as too uncertain to plan for.
- High potential for misunderstandings.

## Information and advice

- Challenge for communications, to ensure people get accurate information and do not disengage because of the complexity.
- Desire for maximum *information* to be provided by LAs -care statements/predictions of when reach the cap etc.
- General financial planning often not recognised as a need by consumers, think more about 'entitlements'. Some mistrust of financial advisors.



Institute  
and Faculty  
of Actuaries

# Conclusions & implications

- Strong behavioural barriers to engaging with the issue of care financing before the point of immediate need, particularly at point of retirement.
- 'Means to an end' attitude and uncertainty of care needs trajectory means consumers often adopt a 'do-it-yourself' approach to care financing.
- Distrust of financial advisors and financial services industry.
- Communications could emphasise positive benefits of advance planning on:
  - Greater quality & choice of care options
  - Peace of mind, particularly for family members
- Problem of making any LTC insurance products 'dovetail' with capped cost system, due to complexity
  - How can products sit alongside state funding system without causing confusion for consumers?
- Will the retirement income reforms announced in the budget have an impact on consumer behaviour?
  - Later annuitisation could provide structural prompts to think about care closer to having an immediate need





**Peace of Mind  
for You and  
Your Family**



# **The Society of Later Life Advisers**

**Linking Consumers and their Families with  
Accredited and Regulated Later Life Advice**

**Jane Finnerty - Joint Chairman**

# What does SOLLA do?

Primary aim is to link the consumer with specialist  
accredited financial  
advice

‘The right advice at the right time’

- Not for profit consumer facing organisation established in 2008
- Maintains and develops standards in later life financial advice
- Offers specialist training to financial advisers and other professionals



Institute  
and Faculty  
of Actuaries

# SOLLA works through signposting from many trusted consumer organisations

- Local Authorities
- NS&I
- Charities
- Local Age UK organisations
- Which?
- Third sector and other professionals



T. O. P.

**SOLICITORS**  
FOR THE ELDERLY



# Why do organisations refer to SOLLA Members?

- Members are recognised specialists in advising older people on financial matters
- Achieved the Later Life Adviser Accreditation (LLAA) which is independently audited and endorsed by Government Body, the Financial Skills Partnership (FSP) and are all regulated by the FCA
- Members must follow a strict code of conduct and have good soft skills and additional client care procedures in place



Institute  
and Faculty  
of Actuaries





## Ruth Dolan

Tarvos Wealth

Kent

☎ 01227 863151

☎ 07855354289

🌐 <http://www.tarvoswealth.co.uk>

✉ [rd@tarvoswealth.co.uk](mailto:rd@tarvoswealth.co.uk)

### A bit more about me

I have worked in the Financial Services industry since 1996. I qualified as a Chartered Financial Planner in 2009, and have been providing independent financial advice since 2004.

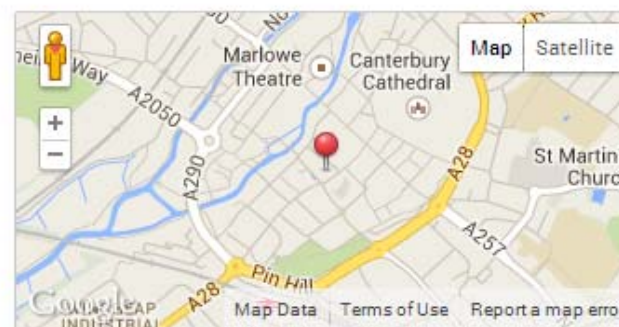
I advise clients on a range of areas including investment planning, retirement planning, estate planning and protection planning.

I specialise in advising clients in later life with all aspects of retirement finances including funding care fees.

I became an accredited Later Life Adviser after achieving membership of the Society of Later Life Advisers (SOLLA) in October 2010. I also sit on the SOLLA Advisory Board.

### Connect with Ruth

 [Website](http://www.tarvoswealth.co.uk)



40 St Margaret's Street, Canterbury, Kent, CT1 2TX, 01227 863151

[Get Directions](#)

### FCA Number

**RTD01016 (personal)**

**445614 (company)**

### Adviser Type ?

☒ Independent Financial Adviser

### Method of Advice

☒ Face to face

☒ Home visit

☒ Telephone

### Advice types

☒ Paying for Care

☒ Equity Release

☒ IHT Planning

☒ Pensions

☒ Savings and Investments

☒ Financial Advice for Disabled Adults & Parents of Children with Disabilities

### Qualifications

★ Advanced Financial Planning Certificate

★ CFP® Later Life Care Planning



# National Coverage

 Welcome to SOLLA Search

[How does it work?](#)

Location 

Using your current location

Distance

Within 100 miles

Adviser Type

?

All

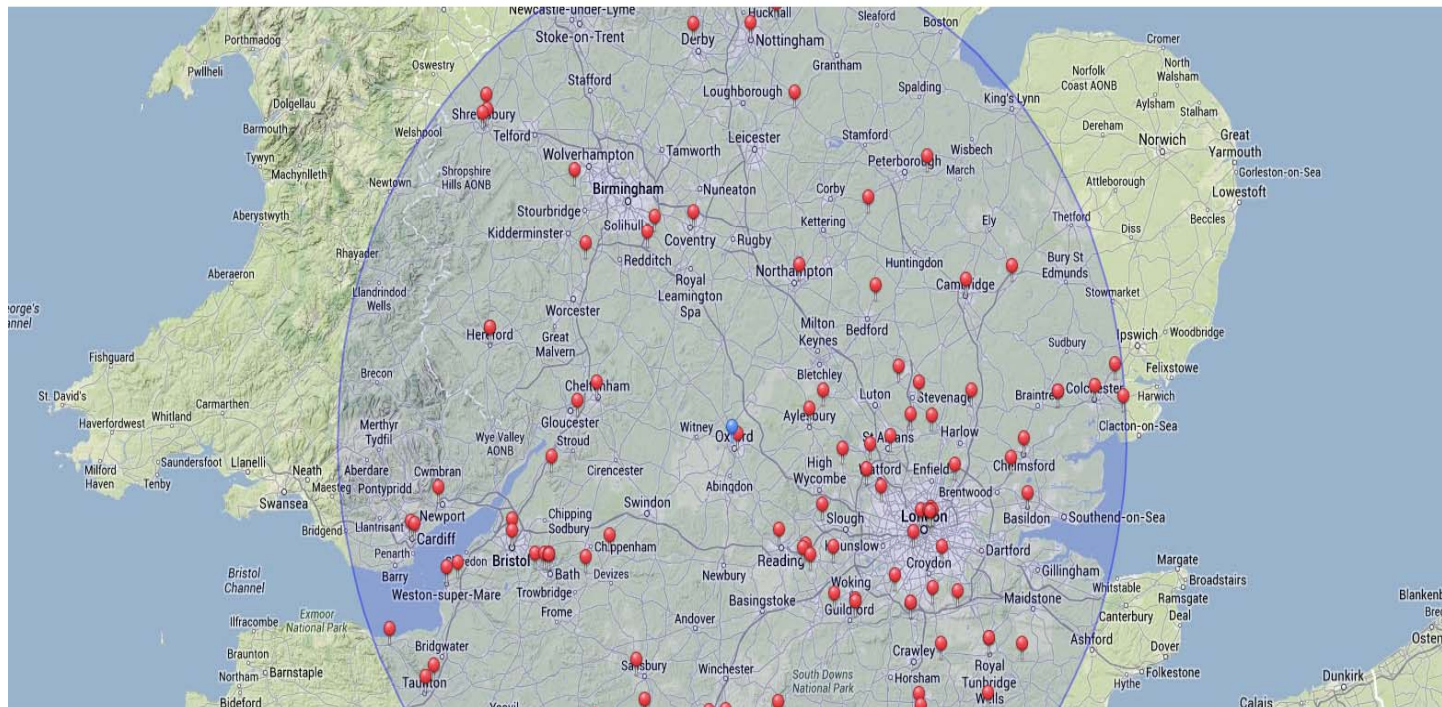
[Advanced search](#)

**Search Now**

 List view

 Map view

[Clear Search](#)



Institute  
and Faculty  
of Actuaries



Why doesn't  
everyone get good  
advice?



# Changing approach to advice

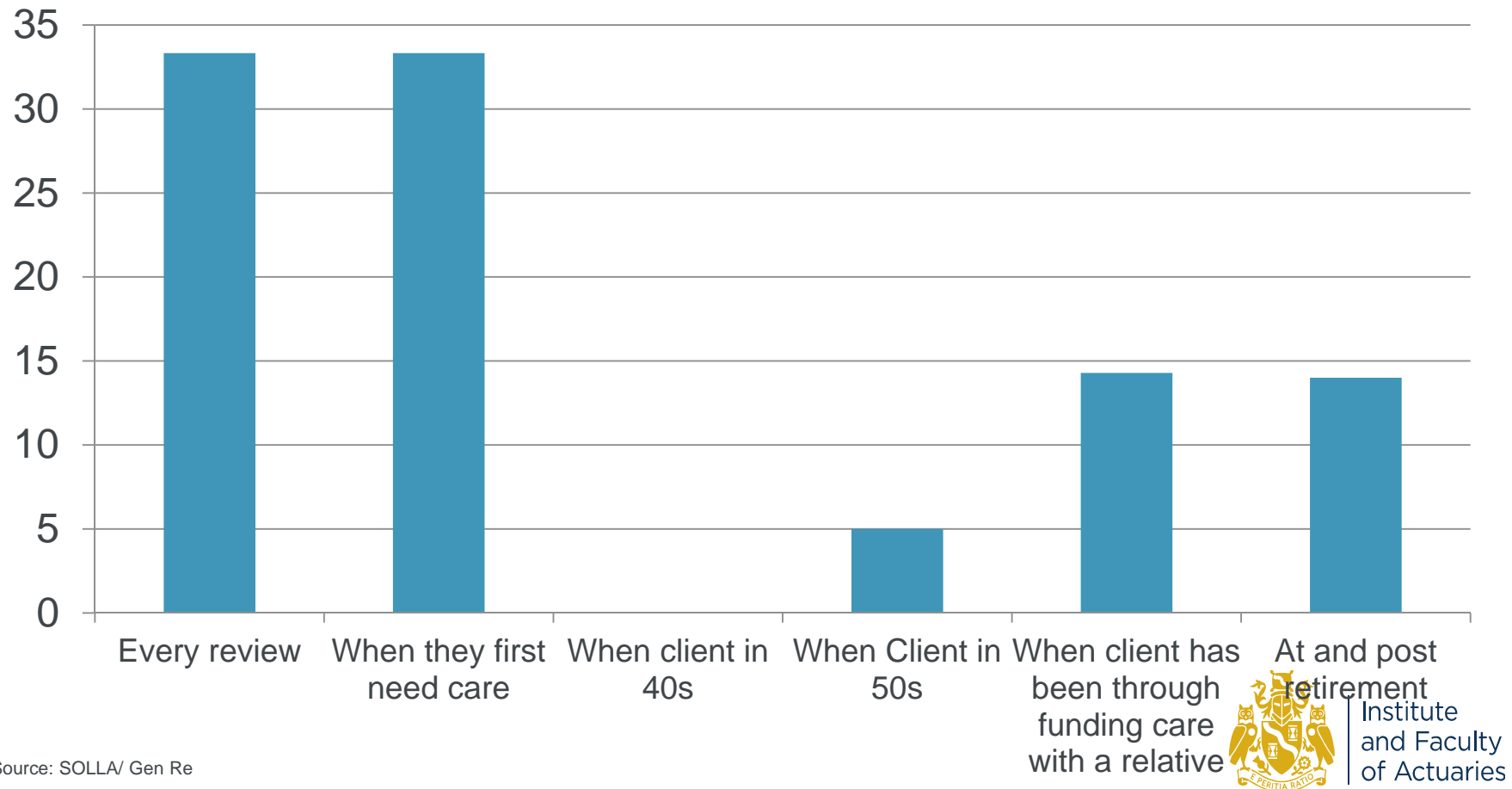
- Traditionally product based
- Managing risk of early death or illness
- Aspirational planning
- Wealth Distribution shifting
- Holistic later life (post retirement) planning is a relatively new advice area
- Engaging in the right conversations at the right time is key



Institute  
and Faculty  
of Actuaries

# At what stage typically is funding social care costs discussed?

%



# Consumer low awareness of a very real risk



The idea of 'it won't happen to me' remains as we age – we are all forever young

It won't be us who gets ill, needs care or will be unable to look after our own financial affairs one day.



Institute  
and Faculty  
of Actuaries

**Most people underestimate how long they will  
live**



Source [www.death-clock.org](http://www.death-clock.org)



Institute  
and Faculty  
of Actuaries

# Current lack of 'nudge' factors

- Many consumers are still unaware of what's available
- Signposting is still poor with many organisations that could refer still establishing what 'good' looks like
- Reluctance of organisations to refer to paid for services
- Information and guidance 'at retirement' and when someone is going through the care funding journey with an older relative is needed
- Earlier engagement is key to nudge consumers into thinking about the best way to plan for a great later life



Institute  
and Faculty  
of Actuaries

# Product solutions

- Some Later Life clients may not need any
- Advice is a primary product offering
- Products – Insure against living too long and or running out of money
- RDR impact of fees



Institute  
and Faculty  
of Actuaries



## Would seek professional financial advice to help with plans to cover the costs of care?

- Yes, I definitely would 27%
- Yes, I probably would 36%
- No, I probably wouldn't 11%
- No, I definitely wouldn't 7%
- Don't know 18%



Source YouGov and Just Retirement 2014



Institute  
and Faculty  
of Actuaries



# A changing landscape

- More advisers actively moving into the market  
10 a week on average for later life accreditation accreditation
- Govt awareness campaign in New Year
- Care Act 2014
- Pension reform and Guaranteed Guidance
- Increase in signposting and the numbers of regulated advisers in this area = market growth and motivation for development of later life products



Department  
of Health

## Care and Support Statutory Guidance

Issued under the Care Act 2014

Department of Health

Care and support statutory guidance  
3.51

*“Appropriate qualifications and accreditation”*



Institute  
and Faculty  
of Actuaries

## 2 New Advice Standards

Helping consumers to engage earlier with the need to plan for care



Institute  
and Faculty  
of Actuaries

# Research - Innovation Day

- SOLLA advisers and GenRe
- What are the issues and concerns to develop the insurance and advice market
- Products



Institute  
and Faculty  
of Actuaries

# Questions

# Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



Institute  
and Faculty  
of Actuaries