



THREE COUNTIES

Financial Management Services Limited

CLIENT BRIEFING September 2006

Buying a Home

Getting a mortgage for the first time can be daunting but here is some practical information you need to know.

Typically a lender will base their lending on affordability and will treat every case on its' merits.

It may be tempting to borrow as much as possible when the initial cost is manageable, but you could get into difficulties if your circumstances change or if interest rates rise.

There are two types of mortgage - 'repayment' and 'interest only'.

■ **Repayment mortgage** (also called a *capital and interest loan*)

Your monthly repayments gradually repay the amount you have borrowed as well as the *interest* charged on the loan. Provided you make all the agreed payments, the loan will be fully repaid by the end of the mortgage term.

Could this be right for you? Consider whether you want the security that, provided you keep up with the payments, your mortgage will be repaid at the end of the mortgage term.

■ **Interest-only mortgage**

With this type of mortgage your monthly payments cover only the *interest* on the loan. They **do not** repay any of the money you have borrowed (the *capital*). You will need to arrange another way to repay the *capital* at the end of the mortgage term, for example by paying money into a savings or investment plan.

CAUTION!

It is your responsibility to arrange a savings or investment plan to repay the mortgage. It's important to review your savings or investment plan to make sure you have enough money to repay the mortgage at the end of the term, otherwise you could lose your home.

Could this be right for you? Consider whether you're comfortable with the risk that you may not be able to repay the full loan at the end of the mortgage term.

If you have dependants who would need to carry on living in your home should you die or lose your job before you have repaid your mortgage, you should think about protecting your mortgage payments.

CAUTION!

Your home is at risk if you do not keep up repayments.

- **Don't overstretch yourself** - think about how you would cope if interest rates go up in the future.
- **Read the *keyfacts* documents** - they give you information about the firm you're using, the mortgage on offer, the overall cost of the mortgage and what happens if you don't want it any more.

Our business grows by word of mouth. If you are pleased with the service - please tell a friend.

Long Term Nursing

State benefits

There are state benefits for people that require assistance on a daily basis - Disability Living Allowance (DLA), Mobility Allowance (MA) and Attendance Allowance (AA). The DLA and MA can be claimed by people that need help looking after themselves and people that find it difficult to walk and get around. The DLA is paid at three different rates depending on the help required, lower rate (£15.55 per week) middle rate (£39.35 per week) and higher rate (£58.80 per week). The MA is paid at two different rates depending on the nature and severity of the mobility condition, lower rate (£15.55 per week) and higher rate (£41.05 per week).

Anyone over the age of 65 is eligible to claim for Attendance Allowance if they are either ill or disabled or requires help with a number of activities such as washing, eating or mobility. The benefit is not means tested and is paid to anyone irrespective of personal wealth and assets. The applicant needs to explain the type of help they require, when they need this help, details of their medical conditions and other less serious problems they may have as well as the medication they are taking. There are two rates for AA depending on the amount of help required, lower rate (£39.35 per week) and higher rate (£58.80 per week).

Means testing

Where an individual is applying for long term care support either, residential care or nursing home care, from either NHS funding or Local Authority, there are a number of limits relating to their personal capital. Capital is defined as including savings, investments and property.

Under section 47 of the NHS Community Care Act 1990, the Social Services must assess each applicant in relation to their needs for residential care or nursing home care. This assessment will determine how much the applicant can afford to pay after taking into account any state benefits they are entitled to claim and any other income they receive less any personal expenses.

If the individual has capital of more than £20,000 in England, there would be no assistance from full NHS funding or the Local Authority. To cover the long term care costs, full assistance from the Local Authority is provided if the assets are less than £12,250 in England. There is a sliding scale of support where the assets fall between these levels, for example in England between £12,250 and £20,000. There a number of factors that can be taken into account to discard the applicant's property from the means test as follows:

- Where a spouse or unmarried partner lives in the house;
- If a relative aged over 60 lives in the house;
- If a relative is aged under 60 but is incapacitated;
- Where a child aged under 16 lives in the house and this house is their main home;
- If the property is the sole residence of the former carer of the individual now in care, and this carer gave up their own home in order to look after this individual.

There is also a 3 month property disregard rule. This allows an applicant to access residential care or nursing home care for 3 months and have their property disregarded for means testing. Therefore the value of other assets such as savings and investments must be less than £20,000 in England to have part of the long term care costs paid by NHS funding or the Local Authority or maximum funding towards long term care if below £12,250 in England. Once the 3 month period is over, the property will then be included for means testing.

NHS funding

The NHS is legally obliged to provide long term care funding where an individual requires specialist supervision or equipment. If an individual does not meet the NHS funding criteria funding will not be provided on an health care basis and is deemed social care which would be provided by the Local Authority subject to means testing.

Care

The local primary care trust (PCT) is responsible for providing local health services and they determine an individual meets the criteria for NHS funding of long term care.

Nursing care bands

Partial NHS funding is possible for those individuals that do not qualify for full long term care from the NHS. Subsequent to a Royal Commission in 1999 that recommended all health care and personal care to be provided free, changes were introduced in England to provide extra funding but only for health care and not personal care where the care is provided by a registered nurse and only up to certain limits.

This change means that anyone paying their own nursing home care fees will have a fixed weekly contribution paid by the Department of Health directly to the nursing home care provider. In England the PCT determines if an individual is entitled to a registered nursing care contribution and which of the following funding level bands would apply:

- Highest band of £125.00 per week;
- Middle band of £77.50 per week;
- Lowest band of £40.00 per week.

The definition of the type of long term care provided by the bands is that the lower band requires minimal registered nursing care input, say bi-weekly wound care. The middle band requires registered nursing on at least a daily basis and the highest band requires frequent intervention from a registered nurse throughout a 24 hour period because their condition is unstable or unpredictable.

Service Programmes

In May of this year we introduced our three programmes (Gold, Silver and Bronze) which are available for clients each providing different levels of service depending on individual needs. It is our intention to contact all our clients by the end of April 2007 and we are making good progress to date.

You may be interested to know that the majority of clients who have been spoken to so far have opted for the Silver Programme.

An Opportunity to Have Your Say

We are always keen to learn what our clients think of us and as you may remember we conducted a survey in February of this year asking a series of questions relating to the service we provide. That particular survey was internet based which meant that some of you were unable to take part. We have therefore included with this Client Briefing a paper based questionnaire.

Please take a few minutes to complete the form and return it to us using the following address (no stamp is required) -

Three Counties Financial Management
Services Limited
FREEPOST NT1749
Newcastle upon Tyne
NE1 6AB

Your comments are always welcome and we endeavor to make changes, in response to suggestions, whenever possible.

Accumulation and Maintenance Trusts

All relevant professional bodies are agreed that lifetime inheritance tax planning via trusts is now a poor alternative to making outright gifts. Unconditional gifts are still classified as potentially exempt transfers (PETs). One problem is that few donors are happy to make outright gifts in favour of beneficiaries at age 18, preferring to restrict access to a more acceptable age. The historical success of Accumulation and maintenance Settlements is testament to this. Access to income and/or capital through A & M Settlements was usually restricted to age 25.

HMRC believe that over 50,000 A & M Settlements are valued in excess of the inheritance tax nil rate band. As gifts into such trusts are now chargeable lifetime transfers for IHT purposes, the market for an alternative vehicle (using a PET) is clear.

The Lombard International Accumulation & Maintenance Plan

The intention is to allow PETs via assignment of life policies, while restricting access to surrender proceeds for a pre-determined period. This should meet the requirement of many donors who insist that beneficiaries are denied access to capital before reaching an acceptable age.

The Plan works by writing a special provisions into the policy schedule relating to the surrender value and tax deferred withdrawal facility.

The Plan involves a PET when the policy is assigned to the donee. The value of the PET is the higher of the premiums paid or the market value of the policy. On the death of the donee or beneficiary, the policy will form part of his estate for inheritance tax purposes.

Full details of this Plan can be provided to you on request.

Retirement Income Service

Deciding when to retire is all too often linked with deciding whether you can afford to retire and just how and when you should take your pension savings as income. With the introduction of pension simplification you don't even need to stop working to take some of your retirement benefits and instead can start to wind down into retirement on your own terms.

We can provide an overview of all of your existing pension savings and the benefits you can now take; including a review of the options of lifetime annuities, short term annuities, income withdrawal and your pension commencement lump sum.

Purpose - To assess what retirement income you can expect now and the alternative income structures available to you.

Benefits - Knowing exactly what you have and your options puts you in control of your retirement. You may want the security of a set income for the rest of your life or the flexibility to take just a small part of your pension income now and continue working.

For further information please contact:-

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You should be aware that investment in securities involves risk. The value can fall as well as rise and you may not get back the full amount invested, particularly in the earlier years.

Taxation: All statements relating to taxation are based upon our understanding of the law and Inland Revenue practice in force at the date of this report. There can be no guarantee that the tax position or proposed tax position at the time of investment will endure indefinitely.

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