

REVIEW OF CARE PRODUCTS – KEY MESSAGES – ANNEX PACK

Annex A – Consumers and Marketplace Working Group – Age Segmentation

The public information initiative should have an overarching message focussed on planning for long-term care. To be most effective, messages will need to be tailored to different customer segments (working, retiring, needing care) and provide actionable information. The following table sets out an initial scoping of the target groups and messages. This would need consumer testing.

Working age
<p>Population Age: 40-64 Population: 17.3m Male/Female split: 49/51% % homeowners: 74%</p>
<p>Key message – <i>have a retirement plan</i></p> <ul style="list-style-type: none"> • Encourage realistic expectations about pensions and wider retirement needs (including care) • Establish understanding of options
<p>Financial options</p> <ul style="list-style-type: none"> • Increase pensions / ISA savings • Pay off mortgage / debt • Defer / phase retirement • Use home as an income generating asset • Equity release
<p>Potential messengers</p> <ul style="list-style-type: none"> • Central and Local Government • Employers • Financial Services industry
<p>Key opportunities</p> <ul style="list-style-type: none"> • Establish new social norms for people to save and pay off as much debt as they can • Build on auto-enrolment (save 'adequately', not the minimum) • Parents needing care – an opportunity to signpost children • Allow conversion options on insurance products (or accelerated death benefits)

Imminent retirement
<p>Population Age: 65 Population: 554,000 (2016) Male/Female split: 48/52% % homeowners: 79%</p>
<p>Key message – <i>understand and prepare for the choices ahead</i></p> <ul style="list-style-type: none"> • Focus on options in detail and what these mean – especially in later retirement (and for a partner) • Have realistic expectations about retirement (life expectancy) and care (likelihood and cost)
<p>Financial options</p> <ul style="list-style-type: none"> • Tax-free cash and pensions • Utilise flexibility of income drawdown • Defer / phase retirement • Property choices (downsize, move, equity release)
<p>Potential messengers</p> <ul style="list-style-type: none"> • Government • Employers • Financial Services industry • Family
<p>Key opportunities</p> <ul style="list-style-type: none"> • Employer-led retirement help (with Financial Services industry support) • Entitlement to State Pension as an information point • Healthy & wealthy (maybe self-funders - £200k + surplus pension income) – DLAs

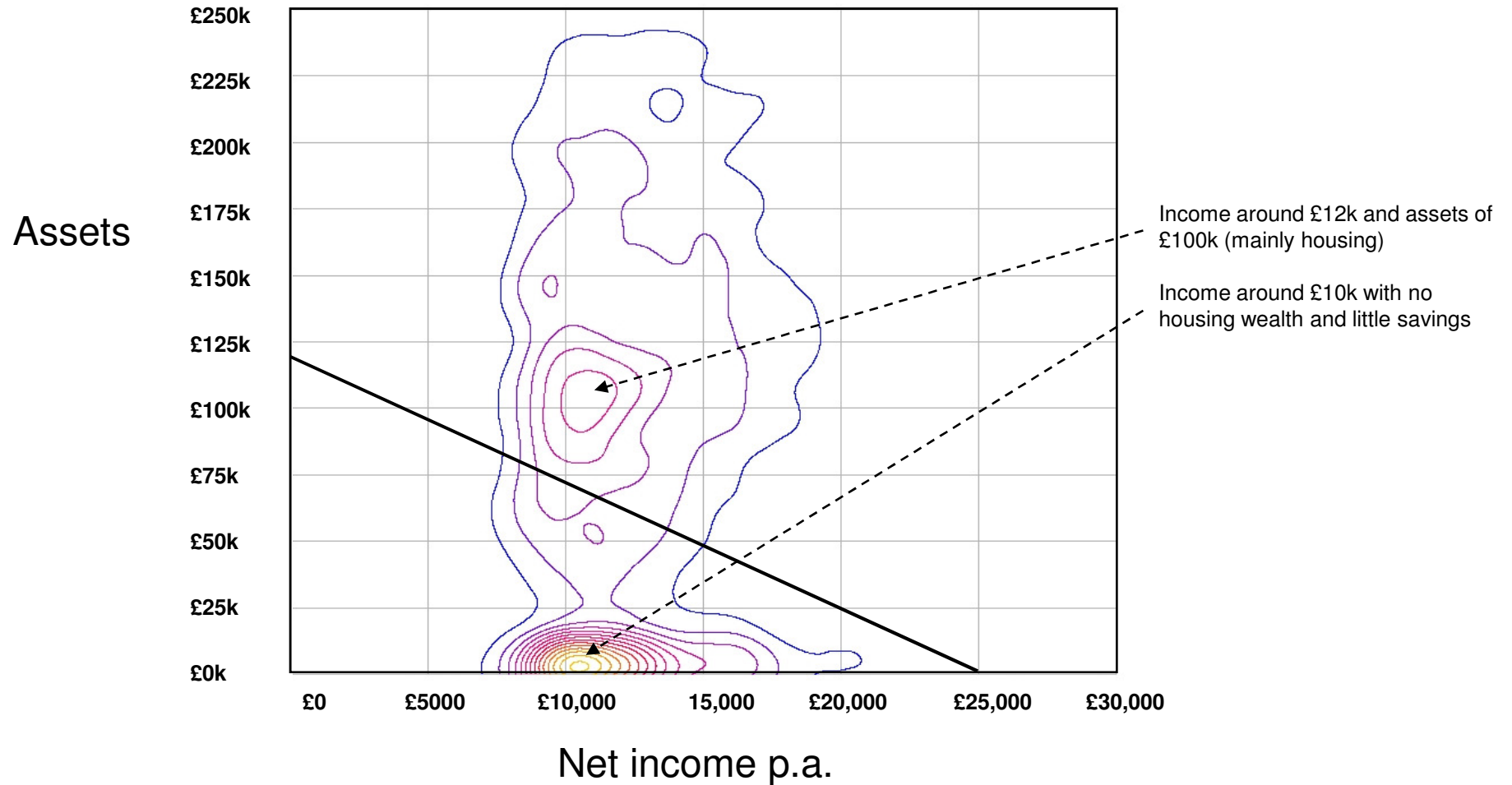
Annex A – Consumers and Marketplace Working Group – Age Segmentation

In retirement
<p>Population Age: Over 65-84 Population: 9.08m Male/Female split: 47 % / 53% % homeowners: 75%</p>
<p>Key message - <i>have a care plan</i></p> <ul style="list-style-type: none"> • Understand and prepare for care and associated financial choices ahead (domiciliary and residential) • Understand how you would meet the cost of care from your existing pension income and assets • Ensure a trusted third party understands your wishes and has the authority to act on them
<p>Plan elements</p> <ul style="list-style-type: none"> • Know how much you will need to pay for care and how much of this can be met out of income • Decide which assets to use to meet any remaining balance (cash, property, other investments) • How would you use your home (sell, UDPS, private finance scheme) • How would you close any remaining gap (insurance) • Involve the family (establish LPA and living will)
<p>Potential messengers</p> <ul style="list-style-type: none"> • Government • Financial Services industry • GPs
<p>Key opportunities</p> <ul style="list-style-type: none"> • Care-planning tools (MAS) • Utilise visits to GPs and applications for Attendance Allowance as touch points for establishing Power of Attorney

At the point of needing care
<p>Population Age: 87 on average Population: yearly admissions c80k domestic and 55k residential Male/Female split: 38% / 62% % homeowners: 60-70%</p>
<p>Key message – <i>focus on key care and financial choices ahead</i></p> <ul style="list-style-type: none"> • Ensure understanding that entry point is via Local Authority • Local Authority gives information to everyone about how to get help, advice about care needs, and basic financial help • All self-funders (including everyone considering the UDPS) are referred to regulated financial advice (information alone does not overcome ‘decision inertia’ – referral process needs to be very strong)
<p>Plan elements</p> <ul style="list-style-type: none"> • Maximise income (claim all allowances & use first for accommodation and care costs) • Decide which assessable assets to use to meet any balance (property, cash, and investments) • If assessable and required, decide how to use your home (sell, UDPS, private finance scheme) • How best to invest (e.g. proceeds from a home sale) with regulated financial advice (e.g. an immediate needs annuity)
<p>Messengers Central and Local Government, FS industry, voluntary sector, MAS</p>
<p>Opportunities</p> <ul style="list-style-type: none"> • Use the national assessment requirement to create a well understood care pathway • Encourage care recipient’s children to make their own care plan

Annex A – Consumers and Marketplace Working Group – Age Segmentation

This chart is an Asset and Income map of the 65+ population. Contours show two main concentrations of people – these are outlined below.



Annex B – Insurance, Pensions, Housing Equity and Local Authority services

<p>Insurance products which already exist</p>	<p>Immediate needs annuities – covers all or some care costs as currently provided</p> <p>Deferred care annuity (stop loss) – no benefits for first X years of care, then covers all costs</p>
<p>Insurance products which add flexibility to existing products</p>	<p>Disability linked annuity - subject to taking a lower starting income, income increases at failing Activities of Daily Living</p> <p>Alteration to annuity value protection option - exercise option to commute annuity</p> <p>Capped or flexible drawdown - to cover the general living expenses, or the capped amount</p> <p>Life insurance - joint life; whole of life triggering on death or care; life insurance linked to deferred payment scheme loan</p> <p>Illness specific product – covering extended age illnesses</p> <p>Ring-fenced pension pot – allow a portion of the pension pot to be ring-fenced at decumulation</p>
<p>Previously available insurance products</p>	<p>Optional conversion on protection products – an income protection policy switching to care insurance at retirement</p> <p>Hybrid protection product - care insurance an additional option on a protection policy or on a pension plan</p>

Annex B – Insurance, Pensions, Housing Equity and Local Authority services

<p>Housing equity products</p>	<p>Lump sum lifetime mortgages – a one-off lump sum, with no repayments required until the client dies or moves into residential care</p> <p>Flexible lifetime mortgages – the provision of an initial lump sum payment and access to a reserve (remaining ‘loan to value’) on demand. Repayments required when the client dies or moves into residential care</p> <p>Home reversion – products where a portion of the home is actually purchased</p> <p>Care Plan Payment Option – enables individual to purchase an annuity to pay for the cost of care prior to property sale</p>
<p>Government schemes</p>	<p>Universal Deferred Payments Scheme – provides individuals with an opportunity to defer paying care fees, with the Local Authority securing the loan against the individual’s home</p>
<p>Property management services</p>	<p>Homeowner support to manage their property (adaptations, maintenance, rental or sale – depending on circumstance). These services already exist, but may be inaccessible or inappropriately tailored to people in care. There is an opportunity for improved coordination, as these services are embryonic</p> <p>Gifted housing service – individuals donate their property to a charity, and receive comprehensive property maintenance and contributions towards their care costs.</p>