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HUSBANDS AND WIVES SHOULD DO A FLIT MORE OFTEN SAYS IPW

The Institute of Professional Willwriters is urging married couples in the West Country to do a flit more often.

A FLIT is a Flexible Life Interest Trust created in a Will. A FLIT would benefit thousands of families nation-wide, according to this highly respected Willwriting organisation. It stresses that having a FLIT in place can be the difference between continued financial and emotional security and the financial ruin and stress that can result from the cost of long-term required required to cope with poor health and old age.

Current long-term care legislation could easily remove a homeowner of both home ownership and residency. Since 1993, long-term care has been the responsibility of local authorities in England and Wales. The care is paid for on the basis of a means test, which assesses the assets actually owned by the patient, to determine whether the care can be offered free, or whether the patient can pay for some or all of their own care.

The IPW (0845 644 2042) says consumers are typically horrified to find they must personally fund the cost of their long-term care, if they have savings or capital exceeding £22,250. For many, this can mean having to sell their home, rather than leaving it, as intended, to children or other beneficiaries. This is because the cost of even just a four-year stay in a care home is around £112,312 and set to double in the next 20 years.

A FLIT is a type of Trust allowing surviving spouses to maintain residency in the family home and have the use of savings and investments after the death of their partner, without actually owning all of them outright. A share of the assets is held by the FLIT, which is managed by Trustees, who are appointed in the Will. These could be the surviving spouse and the children. However, the surviving spouse has the right to enjoy the use of the assets held in the FLIT.

The value of the assets held in the FLIT cannot be assessed by the Local Authority should the surviving spouse require a stay in a care home. Therefore, with a FLIT, a share of the family home and savings can be sheltered from the local authority means test, through informed Trust planning.

Whilst many advisers are not up-to-speed with this type of Trust, IPW members have been fully briefed on FLITs and are able to offer professional advice and expertise to help couples put the best arrangements in place to suit their circumstances.

There is potentially further good news relating to FLIT. If the trustees decide they don't want to sell their share of the family home, the Local Authority is required to assess the open market value of the share of the home that is outside of the trust. People may not be prepared to pay very much for a share of a house where the owners of the other share don't want to sell. There may not be anyone willing to pay for a share at all, which could result in the assessable value of the family being nil where a share of it has been left in a FLIT.

Chairman of the IPW, Paul Sharpe, says: "A FLIT can shelter your assets from the impact of a spouse entering long-term care. Given the dramatic increase in cases of dementia and Alzheimers, it makes sense for married couples, unmarried couples and Civil Partnership couples to discuss their options.

"Few advisers are up-to-speed with this type of Will, but our highly trained and qualified IPW members are in a position to lend considered and professional advice in this field of Trust planning."

The IPW has already gained Stage One approval of a Code of Practice from the Office of Fair Trading and is due to gain full ratification of its Code later this year. This means you can trust the IPW to have a member who is fully qualified to write Wills and up-to-speed with all current legislation, thanks to a rigorous programme of continuous professional development.

Leaving it until you or your partner are diagnosed with a long-term care problem is leaving it too late. If you wish to be prudent and have protection in place, contact the IPW on 08456 442042, or visit www.ipw.org.uk to learn more about the Willwriting services the members of this organisation can provide. ENDS

Press calls: Jane Hunt, Catapult PR, 01253 595558 – jane@catapultpr.co.uk

Notes to Editors

The chance of having to receive long-term care in a residential nursing home, care home or hospital is increasing. Around 700,000 people in the UK have dementia. This number is forecast to double within a generation and a new case is diagnosed in England and Wales every 3.2 minutes.

Alzheimer's Disease accounts for around two-thirds of dementia cases and there is a new case diagnosed in England and Wales every 14 minutes.

The cost of a four-year stay in a care home currently costs an average of £112,312. In the next 20 years this is expected to increase to £223,476. Few people can manage to find such sums without selling property to raise the cash. A FLIT is a means to potentially avoid having to do so.

If chronic ill-health strikes and a person needs long-term care, the local authority will assess their situation. If they own a home that is vacant as a result of entering into care, the local authority will assess the full value of the property and, in most cases, expect the patient to pay for their own care.

If the homeowner lives with a child over 60, or under 16, dependent on the resident or incapacitated, the local authority cannot assess the value of the property. In all other cases, it will assess the value of the property as if the child or other party did not live there, either taking a charge on the property which can be realised when it comes up for sale, or refusing to pay towards care costs.

If the home is owned jointly, the local authority will allocate a value to the share belonging to the care home resident. If the joint owner lives at the property, the share of the patient may be deemed to have a nil value, if the local authority follows the ruling of Chief Adjudication Officer v Palfrey.

If the joint owner does not live there, having inherited their share, the patient could be deemed to own 50 per cent of the open market value of the property. This follows the ruling of Chief Adjudication Officer v Wilkinson.

There is no time limit to the local authority's means test, so even if there is a current resident at the property, the whole value of the home could be assessed later on, if that person passes away.

With a FLIT there is a way around this for married, unmarried, or civil partners. A FLIT is a Trust created on the death of the first spouse. The capital assets of the deceased are held in a Trust that pays any income generated to the surviving spouse for their lifetime. As this is treated as an outright gift to the surviving spouse, it does not create a tax charge and does not use any of the IHT allowance

of the deceased spouse. This allowance is preserved for later use, on the death of the surviving spouse.

If the surviving spouse needs to end their days in a care home, the capital cannot be assessed, because it belongs to the Trust and not to them. When the surviving spouse passes away, the Trust capital is passed to the nominated beneficiaries, such as children.

The Trustees can lend Trust capital to the surviving spouse during their lifetime and the capital in the Trust could be paid to nominated beneficiaries, if they themselves did not need it, because they are in a care home. If IHT laws change, the Trust can even be changed into another type of Trust.