PAYING FOR CARE AND REDUCING THE COST

Paying for care from savings and property: a family guide

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IN BRIEF

In England, people with savings above £23,250 usually pay for their own care, but the home they live in is never counted for care at home, so nobody has to sell their home to pay for care in it. The home can count after a permanent move into a care home, where a deferred payment agreement can delay a sale. Money given away to avoid care charges can be treated as if it were still owned.



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Many families pay for care from savings, pensions or the value of a home. The rules on what counts, and when, are different for care at home and for a care home, and getting them right can make a large difference. This guide explains the rules in England for 2026/27. It is information, not financial advice: decisions about property, investments and gifts need a regulated adviser or a solicitor.

Self-funding care at home: help you can still get

Paying for your own care does not mean going without help. A self-funder can still:

- have a free **care needs assessment** and a care and support plan from the council, which must arrange care at home if asked (it may charge a fee covering its costs);
- claim **Attendance Allowance** or **PIP**, which are not means-tested;
- ask for an **NHS Continuing Healthcare** Checklist if health needs are significant;
- get **free reablement** for up to six weeks, and free community equipment and minor adaptations;
- apply for **council tax discounts**.

See How to reduce the cost of care.

Planning a care budget

A simple plan helps you see how long savings will last and when to contact the council.

1. **Weekly cost of care:** from written quotes.
2. **Weekly income:** State Pension, other pensions, Attendance Allowance or PIP, and any other income.
3. **The weekly gap:** cost minus income. This is what comes out of savings.
4. **The runway:** savings above £23,250, divided by the weekly gap, gives roughly the number of weeks before the council may start to contribute.
5. **Add a margin:** household bills, equipment, fee increases and changing needs.
6. **Review every three months**, and contact the council a few months before savings are expected to reach £23,250.

Example: Margaret has £120,000 in savings and £350 a week of income including Attendance Allowance. If her live-in care costs £1,550 a week, the gap is £1,200 a week. (£120,000 − £23,250) ÷ £1,200 = about 81 weeks, or around 19 months, before household bills and any fee changes.

Email to the council when savings are running down: "I am writing about [full name, date of birth, address]. [He/She] pays privately for care at home, and [his/her] savings are expected to fall to £23,250 by [month]. Please arrange a care needs assessment (if one is needed) and a financial assessment so that council support can start from the right date. I enclose recent statements and details of [his/her] income and care costs."

Your home: care at home versus a care home

Care at home. The value of the home the person lives in is not counted, however much it is worth. Other property, such as a second home or a buy-to-let, does count as capital.

A permanent move into a care home. The home is usually counted, unless it is still lived in by:

- the person's partner, former partner or civil partner (unless estranged); or
- a relative who is aged 60 or over, or incapacitated, or a child of theirs under 18, who has lived there since before the move.

The home is also ignored for a temporary stay if the person intends to return, and for the first **12 weeks** after a permanent move (the "12-week property disregard"). Councils can choose to ignore it in other cases, for example where a carer gave up their own home to live there.

For a homeowner, this means that staying at home with care keeps the home out of the means test entirely, while a permanent care home move may bring it in. A care home can still be the right choice; see Live-in care vs a care home.

Deferred payment agreements (care homes only)



A deferred payment agreement (DPA) lets someone delay selling their home to pay care home fees. The council pays the fees, or lends the money, and the debt is secured with a legal charge on the home. It is repaid later, when the home is sold, from the estate after death, or earlier if the person chooses. The fees are delayed, not written off.

Who must be offered one. The council must offer a DPA if the person:

- needs care in a care home;
- has £23,250 or less in savings and other assets, not counting the home;
- has a home that is not disregarded; and
- can give the council a first legal charge on the property.

Councils may offer DPAs more widely, including for some supported living, but **a DPA is not used for care in your own home**: the home is not counted for care at home, so there is nothing to defer.

What it costs. The council can charge interest, up to a national maximum rate that changes every 1 January and 1 July, plus administration fees. The amount that can be deferred is limited by the value of the home, and the council should review the arrangement when about 70% has been used. The person keeps a weekly "disposable income allowance" and must keep the home insured and maintained.

How to apply. Ask the council for its deferred payment information and application form, ideally early in the 12-week disregard; councils should aim to have the agreement in place by the end of it. Have the title details, a recent valuation if you have one, buildings insurance and Lasting Power of Attorney papers ready. Before stopping further deferrals, the council should normally give at least 30 days' notice.

Equity release (signpost only)

Equity release lets homeowners, usually aged 55 or over, take money from their home while living in it. There are two types: a **lifetime mortgage**, a loan secured on the home where interest usually rolls up and is repaid when the person dies or moves into long-term care; and **home reversion**, selling all or part of the home in return for a lump sum or income and the right to stay. Members of the Equity Release Council must offer the right to live in the home for life, a "no negative equity" guarantee and independent legal advice. Rolled-up interest grows quickly and reduces what is left to inherit. Consider equity release only after checking every other option, and only with a regulated adviser.

Equity release safeguards to check

- **Regulated advice.** Advice on lifetime mortgages is regulated by the Financial Conduct Authority. Check the adviser and the lender on the Financial Services Register, and expect the adviser to look at the alternatives too: benefits, council and NHS help, downsizing or using other savings.
- **The Equity Release Council's product standards.** For a lifetime mortgage from a Council member, the interest rate must be fixed, or variable with a fixed cap, for the life of the loan. The person must have the right to live in the home for life (while it stays their main home and the terms are kept), the chance to move to a suitable alternative home (subject to the lender's criteria), a "no negative equity" guarantee, and the ability to make repayments without charges (subject to the lender's criteria). If the person moves permanently into long-term care, including care from relatives, any early repayment charge is waived once the lender receives a doctor's certificate.
- **Your own solicitor.** Everyone taking out equity release must get independent legal advice before signing.
- **The real cost in writing.** Ask how much could be owed after 10 and 15 years, and what the plan means for benefits and for any future council financial assessment.
- **Family involvement.** If the person is happy for them to be involved, invite family to the meetings, so that everyone understands what has been agreed.
- **If something goes wrong,** complain to the firm first, then to the Financial Ombudsman Service, which is free: 0800 023 4567, Monday to Friday 8am to 5pm.

Immediate needs annuities (signpost only)

An immediate needs annuity is bought with a lump sum and pays a guaranteed income towards care for life. Payments made directly to a registered care provider are tax-free. It can be used for care at home or in a care home. The cost depends on age and health, and if the person dies soon after buying one, much of the money may be lost unless capital protection is added. Take advice from a regulated adviser who specialises in long-term care.

The tax rule in detail. Under section 725 of the Income Tax (Trading and Other Income) Act 2005, payments from an immediate needs annuity are free of income tax when they are paid straight to a care provider or a local authority for the person's care. Two conditions matter:

- **Who receives the money.** In England, the care provider must be registered with CQC, so payments to a registered home care, live-in care or care home provider qualify. Payments made to the person themselves, or to a self-employed carer found through an introductory agency, do not get this exemption.
- **Why the annuity was bought.** The annuity must be bought to protect someone who, when it is taken out, cannot live independently without help because of a condition that is expected to be permanent.

Questions to ask before buying:

- Will the payments go directly to our care provider, and what happens if we change provider?
- Does the income rise each year, and by how much? Care fees usually go up.
- What capital protection is available, and what does it cost?
- How will the annuity affect any council financial assessment if savings later run low?

Gifts and "deprivation of assets"

People are free to spend their money as they wish, including giving gifts. But if someone deliberately reduces their savings or income to avoid care charges, the council can treat them as still having it. The council considers whether avoiding care charges was a significant reason for the timing, and whether the person could reasonably have expected to need care and to pay towards it.

Things a council may look at include large gifts, transferring a home, sudden spending out of character, and turning savings into something that is ignored in the means test, such as some investment bonds with life insurance. Repaying a genuine debt is not deprivation, and neither is a gift made when someone was fit and well with no foreseeable need for care. If an asset was given to someone else to avoid charges, the council can ask that person to pay what it lost, up to the value they received.

There is no fixed time limit. The "seven-year rule" belongs to inheritance tax, not to care funding.

Keep evidence:

- [ ] Deeds of gift, with dates and the reason
- [ ] Receipts for large purchases and home repairs
- [ ] Proof that debts were repaid
- [ ] A short note of the person's health at the time of any large gift

Where to get regulated advice

- **MoneyHelper:** free, government-backed guidance on paying for care, equity release and annuities, at moneyhelper.org.uk.
- **Society of Later Life Advisers (SOLLA):** a "find an adviser" search for accredited later-life advisers; 0333 2020 454.
- **Financial Conduct Authority:** check that any adviser or firm is authorised on the Financial Services Register (register.fca.org.uk), or call the consumer helpline on 0800 111 6768 (Monday, Tuesday, Wednesday and Friday 8am to 5pm; Thursday 8am to 9am and 10am to 5pm).
- **A solicitor** for gifts, trusts, property and Lasting Power of Attorney.
- **Free advice lines:** Independent Age, 0800 319 6789 (Monday to Friday 8.30am to 5.30pm); Citizens Advice Adviceline (England), 0800 144 8848 (usually Monday to Friday 9am to 5pm).

Questions to ask an adviser:

- Are you regulated by the FCA, and accredited by SOLLA?
- How do you charge: a fee, commission, or both?

- Will you look at all the options, including council support, benefits and NHS funding, not just products?
- How would your recommendation affect benefits, council funding and inheritance?

What to do next

1. Work out the weekly gap and the savings runway using the steps above.
2. Claim Attendance Allowance or PIP, and ask for a care needs assessment.
3. Put a reminder in the diary to contact the council a few months before savings reach £23,250.
4. If a care home move is being considered, ask the council about the 12-week disregard and deferred payments early.
5. Talk to a SOLLA-accredited adviser before releasing equity, buying an annuity or making large gifts.
6. Make sure a Lasting Power of Attorney for property and financial affairs is in place.

How we can help

Day and Nightcare is a CQC-registered home care provider, rated Good, supporting people at home since 2008. We provide care funded privately, by councils (including direct payments) and by NHS Continuing Healthcare. Our fully managed live-in care is available anywhere in England from £1,550 a week, with a written quote after a free initial assessment, which can help you plan a budget. Call 01865 715780 or contact us.

Common questions

When should we contact the council if savings are running down?
A few months before savings are expected to fall to £23,250. Assessments take time, and the statutory guidance asks councils to plan ahead for people approaching the limit. Ask for a care needs assessment if there has not been one, and a financial assessment to start from the right date. Below £23,250, tariff income applies: £1 a week for every £250 between £14,250 and £23,250. Keep paying for care until the council confirms its arrangements in writing.

Will putting the house in trust protect it from care fees?

Not reliably. Transferring a home or putting assets into a trust that cannot be revoked are examples the statutory guidance gives of ways a council may find someone has deliberately deprived themselves of assets. If avoiding care charges was a significant reason for the timing, the council can treat the person as still owning the home. Trusts can have tax and legal consequences of their own, so take advice from a solicitor before acting.

Does equity release affect benefits or council funding?

It can. Money released from the home counts as savings or income once it is in the person's hands, so it can reduce or stop means-tested help such as Pension Credit and Council Tax Reduction, and it counts in a council financial assessment for care. Releasing more than is needed straight away can make this worse. A regulated adviser should work out the effect on benefits before any plan is taken out.

Do we have to tell the council about gifts made in the past?

Yes, answer the financial assessment honestly. There is no fixed look-back period: the council considers whether avoiding care charges was a significant reason for the gift, and whether the person could reasonably have expected to need care at the time. Gifts made while someone was fit and well, with no foreseeable need, should not count as deprivation. Keep evidence such as deeds of gift, receipts and proof that debts were repaid.

If one of a couple needs care, is the other's money at risk?

The partner's own money is not. Only the person receiving care is financially assessed, and the council cannot assess a couple's joint resources. Savings held jointly are normally treated as split equally, so half of a joint account counts for the person needing care. For care at home the home is not counted at all, and if one partner moves into a care home, the home is ignored while the other partner lives there.

Sources and further information

- GOV.UK: Care and support statutory guidance (chapter 9, annexes B and E)
- GOV.UK: Social care charging for care and support 2026 to 2027 (local authority circular)
- MoneyHelper: Immediate needs annuity

- Society of Later Life Advisers (SOLLA)
- Financial Conduct Authority: contact us and the Financial Services Register
- legislation.gov.uk: Income Tax (Trading and Other Income) Act 2005, section 725 (immediate needs annuities)
- Equity Release Council: Our standards

Read next

PAYING FOR CARE AND REDUCING THE COST

How to reduce the cost of care: a guide for families in England

The main legitimate ways to reduce what you pay for care at home in England in 2026/27: NHS Continuing Healthcare, council funding and the means test, benefits, Pension Credit, council tax discounts, free reablement and equipment, grants, carers' support and direct payments.

Read the guide →

PAYING FOR CARE AND REDUCING THE COST

Council funding for care: assessments, means test and charges

How council funding for care works in England in 2026/27: the free care needs assessment, who is eligible, the financial assessment for care at home (£23,250 and £14,250 limits, minimum income guarantee, disability-related expenditure), what is ignored, top-ups and how to challenge.

Read the guide →

LEGAL MATTERS AND PLANNING AHEAD

Lasting Power of Attorney: a guide for families

How Lasting Power of Attorney works in England and Wales: the two types, why to make one early, how to make and register it online or on paper, the £92 registration fee, the certificate provider, and what happens without one (deputyship and the Court of Protection).

Read the guide →

All guides in the information centre **Check what help you could get**

Talk to our care team: 01865 715780
enquiries@dayandnightcare.co.uk · Out of hours: 07775 686272
Day and Nightcare Live In Limited, 9 Hollow Way, Cowley, Oxford OX4 2NA
CQC overall rating: Good (report published 20 April 2018)

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Information, not advice: please check anything important with the organisation named.