The Budget - What's in it for the Elderly Client?

Is this a budget for the elderly, or one that penalises them? Jennifer Margrave, Vice-Chair of Solicitors for the Elderly (SFE), highlights what the budget has in store for the elderly client.

As the chancellor warned, it was a budget that had to take into account the huge deficit in the country's finances, so there was pain for all; mainly the increase in VAT that will be introduced in January 2011, which will impact on all goods and services. So, what to do as an elderly person (or indeed anyone)? Firstly, make sure that if there are any purchases or services that can be made before the deadline, that these are done as soon as possible.

Encourage your clients to review wills, think about powers of attorney, advance medical decisions; not just for themselves but also for their relatives – it is usually the younger generation who will have to sort out problems, so a valid and registered lasting power in place will help considerably.

High cost items such as new televisions ought to be purchased – not forgetting that television signals in many parts of the country will be digital next year so that old televisions may not work – before the VAT deadline.

There was a big fear that the government would increase capital gains tax to 40%. In the event, it was increased to 28% for higher tax payers and everyone breathed a sigh of relief. But it should be appreciated that the tax is largely a voluntary tax, as it is only paid when a sale takes place and a gain is made on that sale. If a husband and wife own shares or other assets which they consider to be joint but are held in one name only, those assets should be transferred so they are held between them. When they are eventually sold, there are two personal allowances – at £10,100 per person (2010-2011), that is not to be disregarded. If a property is inherited by one spouse and it is decided to keep it for some time as an investment, it too should be put into joint names so that, if and when it is sold, again there are two allowances to be used.

However, if there is a family settlement, the capital gains tax situation should be considered carefully because trustees only get half of the personal allowance which, if gains are made, is not very much at £5,050.

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Turning to those benefits which relate specifically to the elderly, it has been generally welcomed that the coalition government plan to end the existing rules that create an effective obligation to purchase an annuity by age 75 but at present have increased the age to 77, so that it gives people another two years to take advantage of market conditions.

In addition, the retirement age has been raised, which will give older people the opportunity to work longer to increase their pensions, although the downside to this is that they won't be able to draw their state pensions until a year later.

The proposal to link the basic state pension to earnings from April 2011 will benefit pensioners in real terms. This may however be offset against the government's proposal to cap housing and incapacity benefit. It is envisaged that much more stringent criteria will apply, so that those who receive these benefits, because they are incapacitated, might find it even harder to apply and be successful. Even now, applicants have to be persistent and it takes some time for an application to be processed. It is not known yet how the government will reduce these benefits but it is suggested that those who receive them may find that they are not increased in the future. It is hoped that attendance allowance, which is strictly for those who need help with their daily living activities, or are

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terminally ill, over the age of 65 will not be affected.

The government have stated that they are committed to making no change to winter fuel payments, free off-peak bus travel, eye tests and prescriptions for those aged over the State Pension Age, and free television licences for those aged over 75. It is suggested that although these are of great help to the elderly, it is not a huge slice of the country's finances to continue them.

There is a huge issue surrounding the cost of long term funding, and the budget did not make much of this except to announce a commission to investigate further. Paul Burstow, the Secretary of State for Health, has informed me that the commission will consider a range of ideas, including both a voluntary insurance scheme to protect the assets of those who go into residential care, and a partnership scheme as proposed by Sir Derek Wanless in his report, Securing Good Care for Older People. The basic premise is that people are living longer and there is a perceived cost of this, which any government needs to address, despite the fact that the longer-living are living healthier and more active lives.

The government is well aware that the population of over sixties is increasing and is likely to be 40% of the voting population, if it is not already, so the small concessions to the elderly as set out above, may be their way of recognising the voting power of this group.

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