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# Why long-term care should factor in your clients' financial plans

by **William Robins** on Jun 03, 2010 at 12:00


**Planning for the worst does not just mean thinking about what might happen if a client has an accident or severe illness, or markets go into free fall, but should include accounting for long-term care, according to Paul Etheridge.**

Etheridge (pictured), director of **Prestwood Financial Planning**, says increased longevity means advisers must face up to the prospect of their clients spending much of their later life in care.

Etheridge created cashflow modelling software **Truth**, which uses a set of assumptions about the client's circumstances to generate possible outcomes. Among these are catastrophic events that could derail financial progress and stability.

'I certainly would classify going into care as a catastrophic event,' he says. 'Even if people are very well off they would have to find very large amounts of money to fund care.

'Take a couple who are otherwise reasonably OK financially and one goes into care; that's the worst thing that could happen because the partner could have to sell or rent out their house.'

**Not just a concern for the elderly**

Advisers should also consider the potential impact of long-term care for younger clients, says Etheridge. 'While I am glad a debate has begun over the last few years, it has centred exclusively around the elderly. But there are care implications for younger people as well,' he says.

Andrew Dixson-Smith (above), a board member at the **Society of Later Life Advisers**, says advisers have a duty to flag up long-term care to their clients, even if they do not hold specific care qualifications.

'Every IFA has a responsibility to make sure clients' affairs are in order, including wills, power of attorney and any entitlements they may deserve,' he says.

Peter Chadborn, director of **CBK Colchester**, believes clients should be encouraged to think about possible catastrophic events even if it is uncomfortable. 'Advisers have to have these reality check conversations with their clients,' he says.

'People want to talk about wealth creation but aren't so keen to talk about disaster. I don't believe you can have one without the other. Many people don't consider the implications of long-term care. Unless you have someone like us sitting there like the grim reaper saying "what if, what if", they might not take the precautions they need.'

However, Chadborn (above) stresses there is a limit to what good planning can achieve.

'Normally there comes a point where the numbers don't stack up. With something like care, the impact on people's finances is dramatic. But if they create a retirement plan with everything built on, they won't be able to afford to live now.'