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| *Title* | **Personal Care Savings Bonds - a new way of saving towards social care in later life** |
| *Excerpt* | The development of a whole new financial savings product called Personal Care Savings Bonds (PCSBs) could help ease the social care funding crisis facing the UK. |
| *Body copy* | Similar to the Premium Bond, PCSBs could be bought by any adult at a nominal value of £1. Unlike premiums bonds they would accumulate interest as well as pay monthly prizes. However, PCSBs could only be cashable when the owner passes a social care assessment or upon death.The concept of PCSBs will be presented in a launch event at the House of Lords on Thursday 13 June. The proposal for the new bond is contained in a discussion paper co-authored by Professor Les Mayhew and Dr David Smith of Cass Business School, part of City University London, in partnership with the International Longevity Centre - UK (ILC-UK).**Professor Mayhew** has been researching the problems posed by ageing population on health and social care for 15 years. He says:*“Paying for social care is a long term issue and pressures on services will increase throughout the century as people live longer and the population ages. The funding crisis will continue for the foreseeable future unless long term solutions are developed.**“Whilst the Dilnot capped cost model has gone some way to address the potentially catastrophic costs of social care to some individuals, the fact remains that insufficient funds are being injected into the system.**“PCSBs could provide the basis for a new way of approaching funding care, in which responsibility is shared by the individual and the state. PCSBs provide an opportunity for individuals from all economic backgrounds to have a stake in their future social care funding needs.*”Chief Executive of the International Longevity Centre UK, **Baroness Sally Greengross** welcomes the report saying:*“If people are to save for their future, especially people who are on lower incomes or are less wealthy, it is essential that they have opportunities to do so in a way that is simple, engaging, and safe. Equally, they must not be penalised for having done so through means tested support systems.**“For these reasons, I welcome this paper. It is an important and timely contribution to stimulating the debate on how we can bring more money into the social care system. It proposes a way to help people, especially less wealthy people, to save for their future and have more choices about when they receive care, the type of care and support they would like, and how it is provided.”***How PCSBs work*** Each bond has a nominal value assumed to be £1 and is entered into a monthly prize draw; prize winners are individual bond holders who can elect to receive the money or re-invest it in more bonds thus increasing their personal fund.
* Bond values, both the prize element and accumulated value, will be tax free. PCSBs will normally be purchased out of taxed income, unlike personal pensions, though similar to Premium Bonds and lottery tickets. They would be purchasable over the internet, by standing order, and from local post offices and/or shops.
* Cash can only be withdrawn from deposits on being assessed as needing social care or on death. This means that the chance of winning a prize would increase with age as long as their fund accumulated in line with the total fund, and would reach a maximum value at the point of needing care or at the point of death.
* It follows that the longer a person lives without triggering social care, the larger the fund will be when it is required. For example a person aged 90 would be up to 162 times more likely to win a prize than an 18 year old (assuming they saved regularly).
* For those who die before triggering a social care assessment, the value of the accumulated fund would transfer to a person’s estate to be inherited by persons or others of the deceased person’s choice. This addresses one of the perceived problems of insurance for long-term care in which prospective policyholders may be concerned that they will not receive a benefit due to small print in the policy. With PCSBs, even if they do not receive a payment for care, their estate will get the benefit.
* In some cases bond values on death could be used to pay funeral costs replacing some public expenditure that would have been incurred under the Social Fund. This would represent a small but useful saving on welfare expenditure and would provide cheap form of funeral insurance for people who would not usually buy these products.
* The research shows that once fully mature the fund could be worth as much as £80bn and make and annual contribution to the UK care economy of over £2.5bn annually. Annual prize money would be worth around £700m.

This paper was launched at an event in the House of Lords on 13th June 2013. Professor Mayhew's presentation slides can be viewed on the [event page](http://www.ilcuk.org.uk/index.php/events/personal_care_savings_bonds_could_they_be_a_new_way_for_less_well_off_peopl). |
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