Farm Finance

Advice
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Cause for concern: Nursing home care can be costly — at least €1,000 per week — and it can present a serious problem as most farmers are cash poor and asset rich — and it is the assets such as farmland that can exclude them from support

Worried sick? The looming spectre of nursing care costs

The Fair Deal Scheme is loaded against farmers. Families are having to sell farms to pay for their elderly to be looked after — and the government needs to do something fast

Traditionally, very few farmers have ended up in nursing care, but unfortunately, the days are all but gone where ageing farmers can rest comfortably in the knowledge that their family will take care of them in their autumn years, if needs be.

These days, the spectre of nursing home care and its cost keeps cropping up when I talk to farmers.

These concerns were somewhat allayed three years ago when the government announced a proposal to place a three-year cap on including active family farms in the financial assessment for eligibility for support under the Fair Deal Scheme.

That meant that where the farm was being farmed by a family member, the means assessment for eligibility for support would only include the farm for the first three years.

Unfortunately, the cap still has not been implemented and the proposal is beginning to look more like an idle promise. It reminds me of the sign I recently saw on the back of a slurry tanker stating "this tank is full of election promises".

Financing the cost of care

Nursing home care can be costly — at least €1,000 per week — and it can present a serious problem as most farmers are cash poor and asset rich — and it is the assets such as farmland that can exclude them from support.

So where will the money come from? Thankfully, there is a temporary solution in the form of the Nursing Home Loan, which effectively means that the cost of care will not have to be met until the person dies.

Sadly, this places the family in a horrible position in that the longer the care recipient survives, the bigger the debt becomes. This is an inhumane situation.

The promised three-year cap will have to be top of the list of whatever form of government gets into power.

The not so Fair Deal Scheme

In addition to including the value of the family farm in the means assessment, there are other scheme conditions that could not be said to represent a Fair Deal such as:

- The five-year rule — transfers of farms in the previous five years are treated as if they never happened. This is grossly unfair where the transferee is the natural and obvious successor. Such irrevocable transfers are in keeping with national taxation policy inducements to encourage farm succession and should also be acknowledged for this purpose.
- The 7.5pc deemed income-based on farm value bears no relationship to reality. In the past 20 years the average return on investment from farming has been in the region of 2.5pc in terms of income and has been close to zero in the same period in terms of capital appreciation.
- Where the farm is rented or leased out, both the rent and the 7.5% of farm value is assessed. This is double counting.
- The assessment of savings and investments includes not only the interest and dividends but also 7.5pc of the capital value of those savings or investments. This is also double counting.

To demonstrate the penal nature of the assessment process, I have set out a case study which deals with a modest farming operation that can ill afford to bear the cost of three years' nursing home care, not to mention an indefinite term that could run into hundreds of thousands.

Case study — what nursing care might cost a farmer

Joe is a 72-year-old drystock farmer who owns 80 acres valued at €800,000.

His dwelling is valued at €140,000. Joe has savings to a value of €50,000 and he and his wife have State pensions worth €26,394 per year in total. Joe has been suffering from dementia for some time and now needs nursing home care.

Joe's son John, 33, is now farming the land and also needs the support of off-farm employment to sustain his young family.

While Joe had always intended to transfer the farm to John before he was 35, he was not to know that his health would fail prematurely and so the urgency of a transfer could not have been foreseen.

Assessment of Assets	**€**
Land	800,000
House	140,000
Cash & Shares	50,000
Total Assets	990,000
Less Exempted Amount	72,000
Assessable Assets	918,000
Notional Yield (@7.5%)	68,850
Income	
Pensions	26,394
Share dividends	1,300
Assessed Income (80%)	22,155
Combined asset & income assessment	91,055
Joe's assessed income	45,502

Summary

The assessed income for Joe is €45,502, which will be his contribution towards care. So, if the nursing home is costing €56,000 per year the HSE will only contribute €10,498.

The value of the dwelling will not be included in the means test after three years, which will reduce the family's contribution by €5,250.

If the promised three-year cap on the farm is finally introduced the family's contribution will drop to €11,078 after three years, which can be met from Joe's pension.

The family will be left in a very difficult situation as the savings will run out by the end of the first year and they will not be able to afford €38,617 per year thereafter.

They can apply for the Nursing Home Loan Scheme from the HSE, but who knows how long Joe will live?

And each year he does survive will increase the debt that will have to be repaid when Joe dies.

The sad irony is that the longer Joe lives, the greater the likelihood is that the farm will have to be sold.