

# How will fostering affect my finances?

Your guide to fostering with Fostering People, from foster carer pay, tax, benefits and working alongside fostering.



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# Fostering as a career

**Foster care is a great direction to take in your life. Our foster carers see it as a rewarding career that allows them to help young people develop and grow, while earning a generous allowance.**

Finance isn't the reason people foster, our foster carers come to the role because they really want to make a difference to the lives of children. But we know how important money is to almost every aspect of our lives. It's important to consider how fostering will affect your finances to understand if fostering can work for you.

We also understand that many people find it hard to talk about money, or ask direct questions, especially when it involves children, so this guide provides you with all the information you need to make an informed decision financially about fostering.

Stable family homes are what our children need most of all, so we believe in being open and upfront about our allowances so you know how our allowances work and how much you are likely to receive, so you can see from the outset if you'll be better off fostering full time, or in your current employment. We'll also discuss working alongside fostering and how this can work for some people depending on their role.

## **In this guide we'll discuss:**

- Our fostering allowance and how this compares to local authorities
- Tax and National Insurance
- How fostering will affect any state benefits you receive
- Working alongside fostering
- Retirement and pensions

As comprehensive as we have tried to within this guide, there will be circumstances that we haven't covered, do give us a call to discuss if you have any further questions. Your call will be treated in the strictest confidence and asking about potential fostering finances and how this might impact on you, will not impact on any decision on your suitability to foster.

**Call 01382 787480**





## Our Fostering Allowance

At Fostering People, we believe our allowance is one of the most competitive available. We pay a weekly allowance whenever a child is placed with you and our fee is paid, per child.

### **The fostering fee comprises of two elements:**

- The child allowance – to cover all the expenditure a child in your care needs.
- The foster carer fee – a reward payment for undertaking the fostering task.

At Fostering People, we don't break this down, as some weeks children cost more than others, for example when new clothes or shoes are needed. There are set things we ask all our foster carers to provide. This includes pocket money and a saving account, the amounts you will contribute will be agreed, when a child comes to live with you, in consultation with the child's social worker. You'll also need to transport children out of your fostering allowance, to school, activities and to see their birth family.

The number of miles included will be discussed with you during the matching process, any mileage incurred above this can be claimed additionally.

We pay our foster carers every two weeks via BACS payment directly into your bank account. Foster carers don't receive a fostering income when they don't have a child living with them. This is an important thing to consider, in terms of how you will manage financially without a fostering income, but also when choosing who to foster with.

At Fostering People, we are preferred providers to all the local authorities in the regions we cover, as such we receive a lot more referrals than we have foster carers with vacancies. So, our foster carers don't usually wait long to find an appropriate match. Every family is different, so if we believe your circumstances or matching requirements may mean you'll wait a little longer to be matched to a child, we'll let you know, early in the application process so you'll be able to decide if you are happy to proceed or not.



# The difference between fostering with Fostering People and the local authority

The Scottish Government set a minimum fostering weekly allowance each year, many local authorities use this to set their basic fostering payments.

Ages 0 - 4	Ages 5 - 10	Ages 11-15	Ages 16+
£168.31	£195.81	£195.81	£268.41

This is our basic weekly fostering rate, so the minimum fee you would receive with ourselves. If you fostered 2 or more children, this rate would be doubled or tripled.

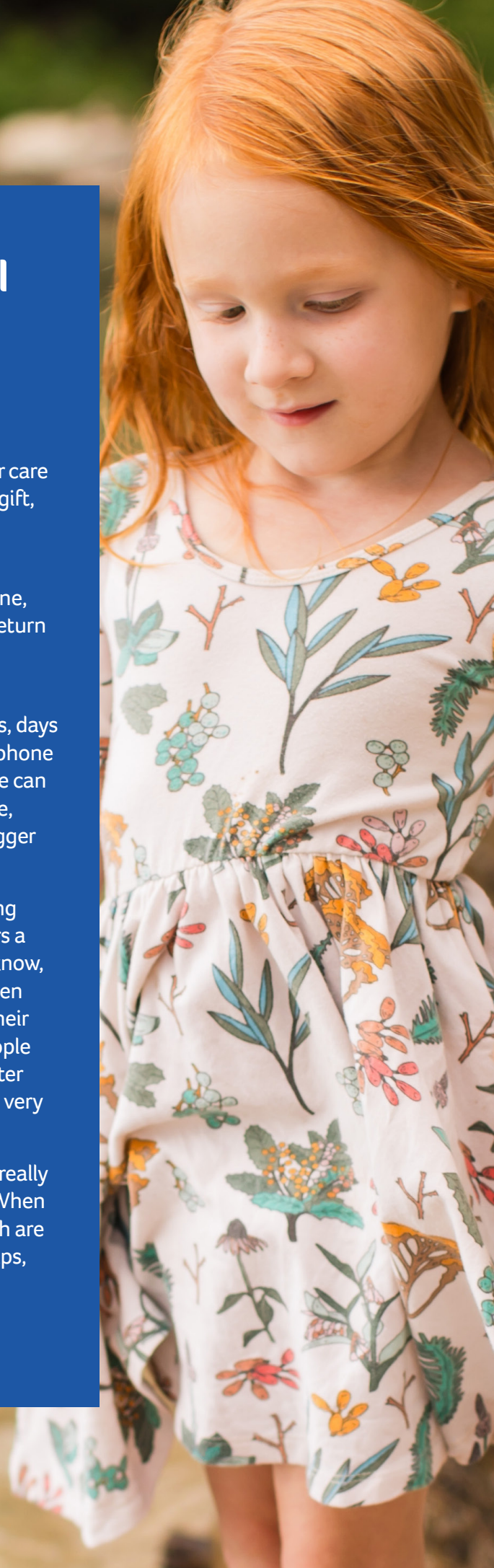
## Pay Rates

0-4 Years	5-10 Years	11-15 Years	16+ Years
£454.51	£483.63	£486.60	£488.60



## Other perks and benefits you'll receive as a Fostering People foster carer

- You will receive an additional payment for every child in your care to contribute towards their Birthday and a religious holiday gift, such as Christmas or Eid, this is currently £70 towards each.
- We will cover the cost of your FosterTalk membership, which offers you a range of services include an independent helpline, discounted insurance, financial advice and discounted tax return service.
- Foster Parents Discount Scheme - you'll receive 1000s of discounts on high street names, online stores, supermarkets, days out, holidays and more. All accessible from an app on your phone for instance savings even when you are in store. Our scheme can also be used in conjunction with the Blue Light Card Scheme, which foster carers are eligible to apply for, offering even bigger discounts – meaning you needn't pay full price again.
- Refer-a-Friend bonus scheme – our foster carers are amazing advocates for fostering. That's why we offer our foster carers a thank you payment when they recommend someone they know, to foster with us. We offer two thank you payments, one when someone you have referred is approved and another after their first year of fostering. There is no limit to the number of people you can recommend, so by working with us to find more foster carers to meet the needs of vulnerable children, can make a very big difference to your annual income.
- Paid for Activities – At Fostering People, coming together is really important to us and one of the things that we enjoy most. When you foster with us, you'll be invited to attend activities, which are completely free to you and your family, from summer day trips, activity days, Christmas meals and Pantos.



# Tax Matters

We all hate thinking about tax, and working it out is even worse, but here's the good news, our foster carers pay no tax at all on their fostering income, so you would keep every penny of your fostering allowance when you foster with Fostering People.

## When we say tax free, what do we mean and how does this work?

Fostering Tax Exemption has two parts, the first is called Qualifying Care Relief (QCR) and means each fostering household can earn £19,360 per year without paying tax. But there's more, on top of this, foster carers also receive a weekly tax relief for each week they have a child in their care. The amount of weekly tax relief is different depending on a child's age.

<b>Children 10 years and younger</b>	£405 per week
<b>Children 11 years and older</b>	£485 per week

<b>WTA</b>	Weekly Tax Allowance for fostering
<b>QCR</b>	Qualifying Care Relief
<b>PTA</b>	Personal Tax Allowance

To show you how this relief works in practice here are a few examples:

### Example 1 – Susan

Susan fostered full time and is a single foster carer. She is caring for a 15 year old girl, long term, so has cared for her for a full tax year. Susan's income from fostering is lower than her tax threshold, so her income is completely tax free.

If Susan earned the same in paid employment, she would have had to pay £2,348 in tax, meaning her income is the equivalent of earning over £26,657 in paid employment.

Child's age	Length of stay	Fostering Income	Tax Allowance Threshold
Over 10	52 weeks	£25,303.20	£25,200 WTR
			£19,360 QCR
			£12,570 PTA
<b>Total</b>			
		£25,303.20	£57,130
<b>Amount of Tax payable on income</b>		<b>£0</b>	



## Example 2 – Stephen and Bethan

Stephen is a full-time foster carer; his wife Bethan works in a local school as a Teaching Assistant alongside fostering. Within the tax year they have fostered 2 teenage boys for a full year, but have also fostered a 10-year-old alongside, for 16 weeks.

Their fostering income is below the threshold for tax; however, Bethan will need to pay tax on her salary. Because Stephen has not used his personal tax allowance, the couple are entitled to claim the marriage tax allowance, reducing the amount of tax Bethan pays on her salary by £252 a year.

Child's age	Length of stay	Bethan's Salary	Fostering Income	Tax Allowance Threshold
Over 10	52 weeks	£18,500	£25,303	£25,220 WTA
Over 10	52 weeks		£25,303	£25,220 WTA
10 Years	16 weeks		£7,738	£7,760 WTA
				£19,360 QCR
				£25,140 PTA
<b>Total</b>				
		£18,500	£58,344	£102,700
Amount of Tax payable on income		£934	£0	
Family Income after tax	£75,910			



### Example 3 – Ray and Claire

Ray and Claire are full time, short-term foster carers and have cared for 6 children in the tax year for different lengths of time. 3 of whom were under 10 and 3 were over.

Child's age	Length of stay	Fostering Income	Tax Allowance Threshold	
Under 5	10 weeks	£4,545	£4,050	WTA
Under 10	10 weeks	£4,836	£4,050	WTA
Over 10	48 weeks	£23,357	£23,280	WTA
Under 10	32 weeks	£15,476	£12,960	WTA
Over 10	18 weeks	£8,759	£8,730	WTA
Over 10	6 weeks	£2,902	£2,910	WTA
			£19,360	QCR
			£25,140	PTA
<b>Total</b>				
		<b>£59,875</b>	<b>£100,480</b>	
<b>Amount of Tax payable on income</b>		<b>£0</b>		

### Your employment status as a foster carer

All foster carers are classed as self-employed, regardless of the length of time you foster, either full time, or as a respite or short break foster carer. So, you'll need to register with HMRC as a foster carer once you are approved and then complete a 'Self-Assessment' tax return each year no later than the 31st January (online), or you could be fined.

Completing a tax return can be done by post or online. If filling out forms isn't for you, there is no need to worry. We give all our foster carers free membership of FosterTalk. This gives you access to accountants who specialise in fostering, they can offer all the support and guidance you need, or at a reduced fee will even submit your return on your behalf, and this doesn't need to be solely for fostering. If you have other income that requires you to complete a self-assessment form, you can use their accountancy service at their reduced rate.



## How much National Insurance will I need to pay?

National Insurance contributions only affect people below the state pension age of 66.

There are two types of National Insurance that affect foster carers as self-employed individuals.

### The first is Class 2 NICs.

This is a voluntary payment of £3.45 per week, but highly advisable to contribute, as without it you wouldn't be able to claim certain benefits if you need them, including your basic state pension.

Other benefits include Contributory Employment Support Allowance (ESA) – commonly known as Sickness Benefit, Maternity allowance or

Bereavement benefit. Because you are only receiving a fostering income when you are fostering, these benefits may help you if you are unable to foster in these circumstances.

### The second is Class 4 NICs

This is a compulsory payment to all individuals that earn above the threshold. For fostering, Class 4 is payable if your taxable income from fostering (i.e. the amount above your Qualifying Care Relief) is over £12,570.

Your membership of FosterTalk will help you to understand how much National Insurance you'll need to pay depending on your circumstances.



# Claiming benefits whilst fostering

When it comes to claiming benefits it really depends on the type of benefit you are currently receiving. Many benefits are means-tested, meaning you have to be earning under a certain threshold to be entitled to claim.

Your fostering income, isn't classed as income when establishing your entitlement to claim. So, if you are entitled to claim prior to fostering, it is likely that you'll still be able to claim them whilst fostering, as long as none of your other circumstances change.

## **These benefits include:**

- Carers Allowance
- Disability Living Allowance
- Income support
- Working Tax Credit
- Child Tax Credit
- Universal Credit
- Jobseeker's Allowance (although you will need to make yourself available to work a minimum of 16 hours a week alongside fostering).
- Housing and council tax benefit
- Child Benefit (you can only claim child benefit for your own children, you are not able to claim Child Benefit for children you foster as you are paid a fostering allowance instead.)





## Can I work and foster at the same time?

This is a question we get asked a lot, after all it has the biggest impact on your household income, so let's explore the realities of fostering with a full or part time job.

At Fostering People, children come first. So, one of the first questions you need to ask yourself in relation to working alongside fostering is; "if something happened which meant a child in my care needed me immediately, do I have the flexibility to drop everything and be there for them?" If the answer is no, then it means that fostering might not work alongside your current employment.

That said, we have a lot of foster carers that work very successfully alongside fostering, and this provides children with really positive role models and helps children form positive aspirations for themselves.





Many people have flexibility in their working role, because they are self-employed, work from home and can fit childcare arrangements around their working hours, or work different hours to a partner they foster with. Some people work for fostering friendly employers – those companies who have policies in place to help staff members meet the demands of fostering alongside their paid employment. If this is you, then fostering can work successfully alongside.

Some people work part time, when children are most likely at school. This equally can work, as long as you have contingencies in place if a child is not in school for any given reason. Some of our foster carers have family members registered with us, to provide care in the event of an emergency.

One important element to remember when fostering, is foster children have often missed out on a lot of careral time, and as such it's your role as a foster carer to provide that time. It's common for carers to place children in after school clubs or other childcare arrangements whilst they are working, but this is not appropriate when you are fostering. This means that foster carers have a lot less flexibility to work than carers or adopters and the main reason we make our fostering allowance as generous as possible.

If you are not sure if your current employment will work alongside fostering, do talk to us and we can advise you. Many of our foster carers that don't work, have left careers which paid less than they earn as a foster carer, so full time fostering could well be for you.

Others have given up employment to foster, but returned to work alongside fostering, after they have been fostering the same young person for some time and the young person is very settled.

It's important to remember that you only receive a fostering income when fostering, so if fostering is likely to be your only income, you need to know how you would manage during periods when one foster child has moved on, but you have not yet been matched with another.

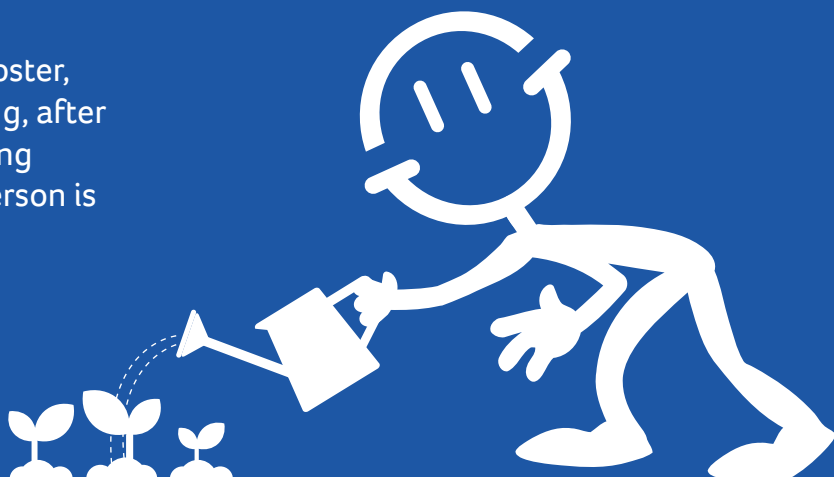
At Fostering People, our foster carers don't have to wait long, usually no more than a couple of weeks to find an appropriate match, but there are factors which can make the wait longer.

**These includes:**

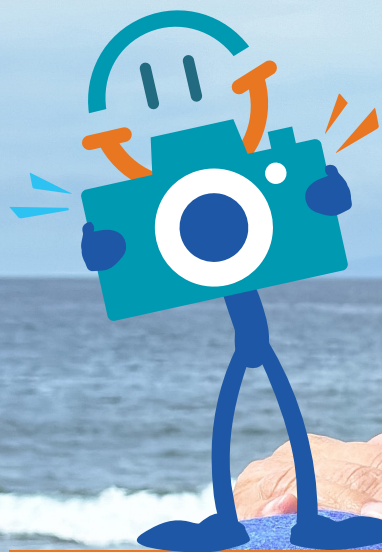
- Being very restricted in the ages of children you are willing to consider
- Matching alongside other children
- Living in a very rural location
- Not being able to drive

Some foster carers are able to work on a temporary basis when they are between foster children, others earn enough to save a little to cover the periods when they are not fostering.

However you think this could work for you, we are always happy to provide advice around your own circumstances. Just give us a call and we'll be happy to discuss this with you **01382 787480**.







## Fostering and retirement

Many people only consider fostering when they have less commitments in their lives, this can often be during retirement, when your own children have left home and you no longer have the responsibilities of work.

There is no upper age limit when you foster, as long as you are fit and healthy enough to take on the demands of caring for children and young people.

Fostering can be very rewarding for those who are not ready to retire fully or those looking to take early retirement from work and do something completely different.

Financially fostering in retirement can help significantly with day-to-day living costs when faced with living on a reduced retirement income.

If you've recently retired and the idea of giving something back or making a difference is the direction you'd like to take your life in, do give us a call. 0800 077 8159.

It is very common, due to the high cost of childcare, for retired people to help care for grandchildren, this won't stop you from fostering, but your grandchildren will be considered as members of your household, and their needs will be given the highest considered when matching a child in need of foster care alongside.





## Fostering and Pensions

As a foster carer you are self-employed, and as such need to plan for your retirement. To qualify for a full state pension, you need to have made or been credited with 35 qualifying years to receive a full state pension, but you'll qualify for some state pension if you meet the minimum of 10 years qualifying period, but you will receive less. So, it's important to keep up your National Insurance contributions whilst being self-employed as a foster carer.

You also have the option of contributing to your own private pension if you wish to make your retirement more comfortable financially.

Your membership of FosterTalk can provide help and guidance in this regard, but other help is available to, such as Pension Wise, which is backed by the government and provides impartial guidance to people over the age of 50.



## contact us

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