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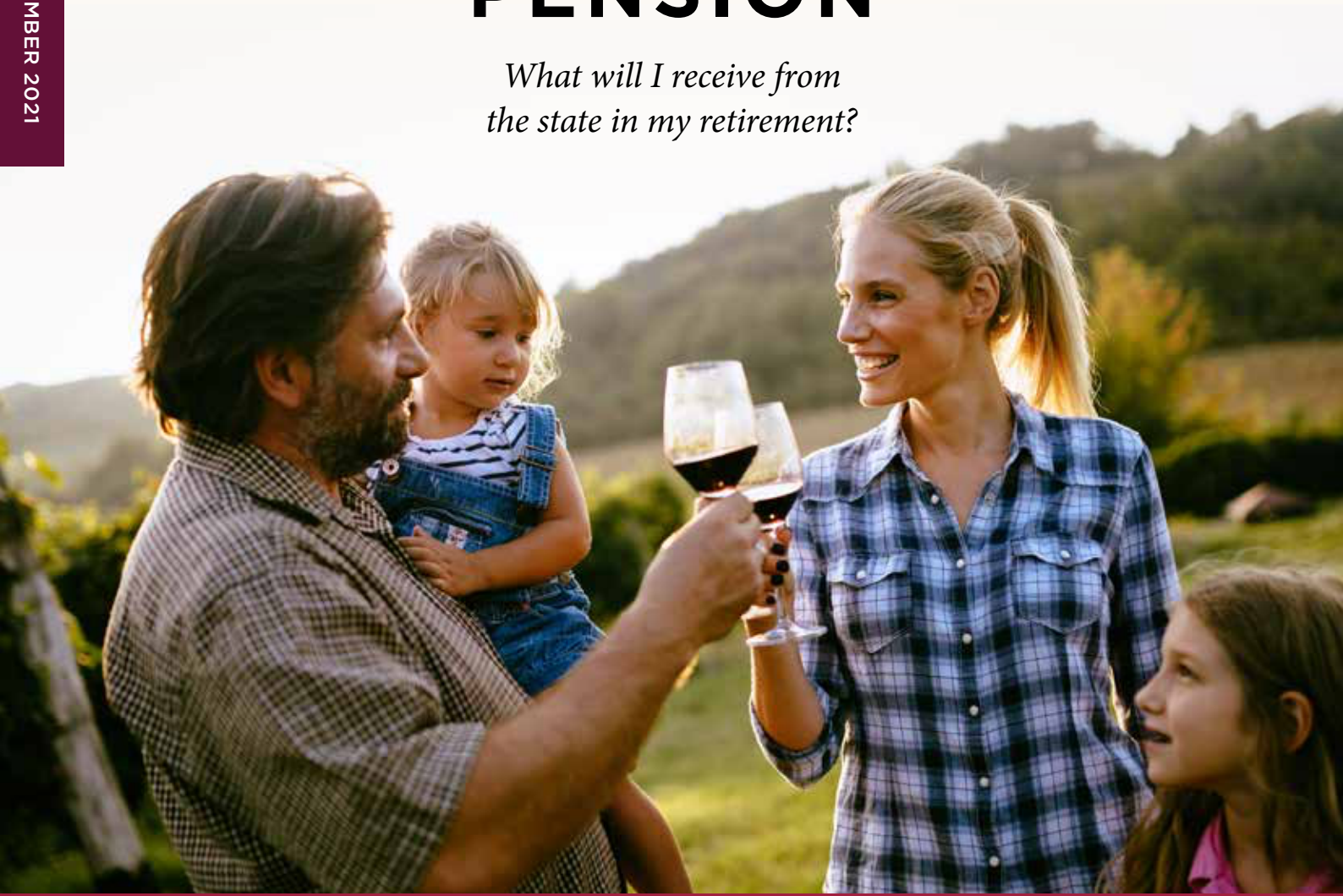
MONEY MATTERS

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GUIDE TO

THE STATE PENSION

What will I receive from the state in my retirement?



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GUIDE TO

THE STATE PENSION

What will I receive from the state in my retirement?

The State Pension is a vital source of income for millions of retired people across Britain. However, the system can be complex and it's important that you know how it works. If you're looking to maximise your income in retirement, a good place to start is with your State Pension.

If you're not receiving the full amount or are not on track for it, then it's worth considering topping up. The cost of doing this is effectively subsidised by the government, which means it can be very good value for money. The amount of State Pension you get is based on your record of National Insurance Contributions (NICs).

If you haven't made sufficient contributions then you will not receive a full State Pension. But you may be able to pay voluntary contributions to boost the amount you receive, even if you've already retired.

What are the basic rules?

To receive the basic State Pension you must have paid or been credited with National Insurance contributions. You can claim the basic State Pension if you're a man born before 6 April 1951 or a woman born before 6 April 1953. If you were born later, you'll need to claim the New State Pension instead.

You'll usually need at least ten qualifying years on your National Insurance record to receive any State Pension, but they do not have to be ten consecutive years to qualify. The minimum of ten years National Insurance contributions only applies under the New State Pension but not the old which would be on a proportionate basis.

This means for ten years at least one or more of the following must apply to you: you were working and paid National Insurance contributions; you were receiving National Insurance credits, for example, if you were unemployed, ill or a parent or carer; or, you were paying voluntary National Insurance contributions.

You might also qualify if you've paid married women's or widow's reduced rate contributions.



> The earliest you can start receiving the New State Pension is when you reach the State Pension age.



Once you reach the State Pension age, you do not need to stop working but you'll no longer have to pay National Insurance.

How much is the full Basic State Pension worth?

Currently, in the 2021/22 tax year, the full Basic State Pension is £137.60 per week.

You may be able to increase your Basic State Pension through your spouse or registered civil partner or inherit some of your spouse's or registered civil partner's State Pension when they die.

If you are married or in a registered civil partnership, you might be able to receive up to £82.45 per week if either you're not receiving a Basic State Pension or you're not receiving the full amount (£82.45 per week).

What is the New State Pension?

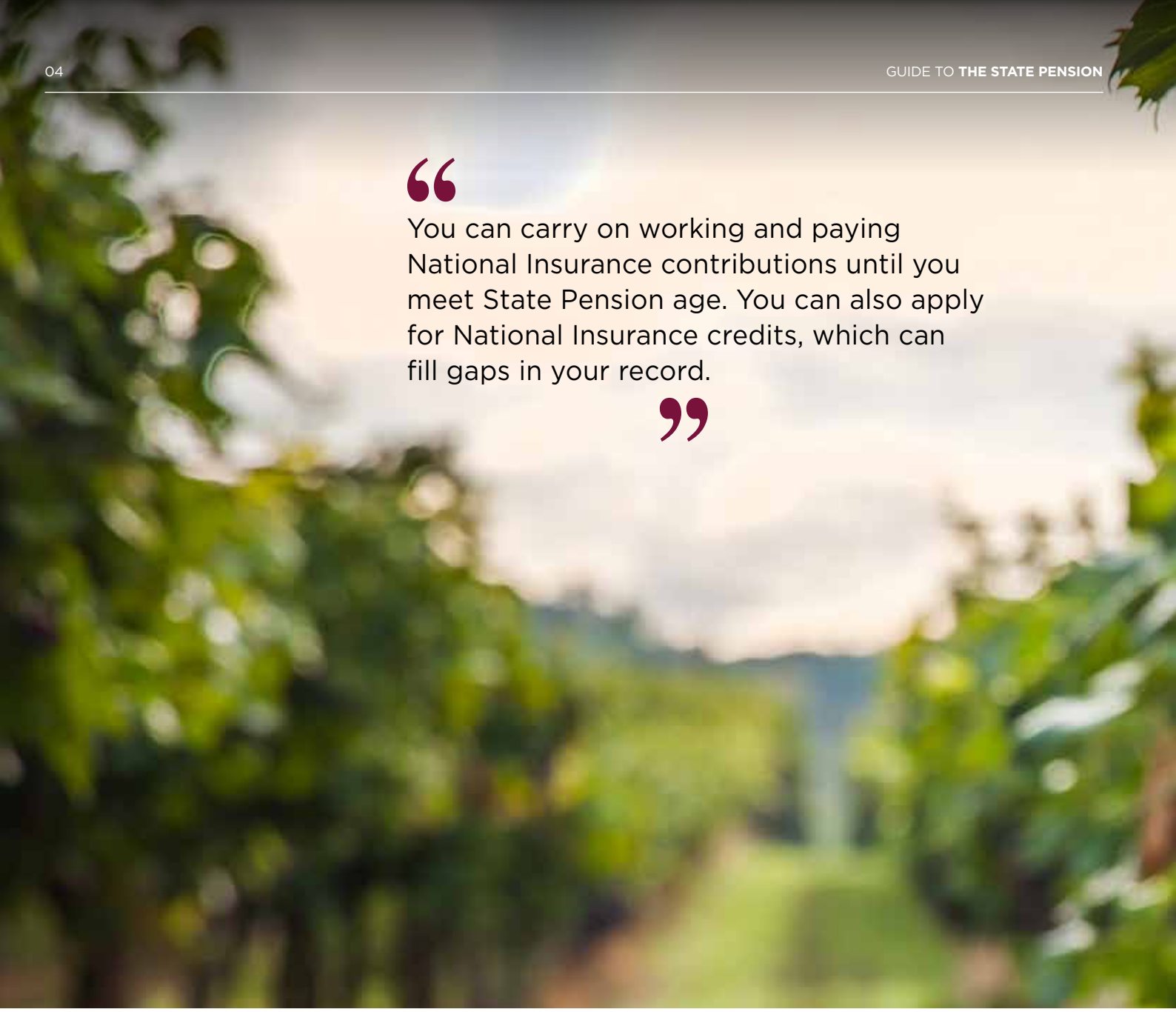
The New State Pension replaces the old system of Basic State Pension and Second State Pension. You'll be able to claim the New State Pension if you are a man born on or after 6 April 1951 or a woman born on or after 6 April 1953.

The earliest you can start receiving the New State Pension is when you reach the State Pension age. If you reached State Pension age before 6 April 2016, you will receive the State Pension under the old rules instead.

The full New State Pension in the 2021/22 tax year is £179.60 per week, which produces an annual income of £9,339.20. The actual amount you receive will depend on your National Insurance record. The only reasons the amount can be higher are if you have over a certain amount of additional State Pension or you defer by delaying taking your State Pension.

Can I receive both the Basic State Pension and New State Pension?

People who reached the State Pension age on 6 April 2016 can receive both their accrued basic and second pension entitlements under



> You can carry on working and paying National Insurance contributions until you meet State Pension age. You can also apply for National Insurance credits, which can fill gaps in your record.

the old rules as well as their New State Pension entitlement under the new system.

An individual will either claim under the old State Pension rules or the New State Pension rules and are unable to claim under both – if your State Pension age is prior to 6 April 2016 it will be based on the old rules and if after 5 April 2016 it will be based on the new rules.

Is the earnings benchmark of the State Pension triple lock being temporarily set aside?

The earnings benchmark of the State Pension triple lock will be temporarily set aside for next year. The Department for Work and Pensions (DWP) confirmed on 7 September that the State Pension triple lock rule will not be applied for the 2022/23 financial year over concerns of the potential costs involved.

It comes after the Office for Budget Responsibility (OBR) said in July that pensioners could see their payments rise by as much as 8% due to the guarantee. The triple-lock guarantees that pensions grow in line with whichever is highest out of earnings, inflation or 2.5%.

Many pensioners will be deeply disappointed that the triple lock has been scrapped for next year, as the State Pension is still the bedrock of many pensioners' retirement income. Women and those who are self-employed are among those who will be particularly affected by the temporary scrapping of the triple lock, as they are more likely to rely on the State Pension in retirement.

However, it is encouraging that the government hasn't abandoned its longer-term commitment. The 2.5% minimum rate has been used on a number of occasions, and is having the effect of slowly increasing what people receive in real terms. The long-term trajectory of the State Pension will also be more important to younger people, more than a one-off hike in line with earnings this year.

Do I have the option to defer the New State Pension?

You're eligible to collect your New State Pension the week you reach State Pension age, but you don't have to. You can defer the payment of your New State Pension but should only consider doing this if you are in good health, and do not need the money from the State Pension now. It is more appropriate to defer for those people who are still working or who have retirement income from a company or private pension which means the State Pension would take them into a higher tax band.



How can I check my State Pension entitlement?

As well as checking your State Pension age, you can check your entitlement by obtaining a State Pension forecast. A State Pension forecast can tell you: how much State Pension you could receive, when you can start receiving it and how to increase it, if you can, by adding to your National Insurance record.

You can carry on working and paying National Insurance contributions until you meet State Pension age. You can also apply for National Insurance credits, which can fill gaps in your record. You can also do this by paying voluntary contributions.

The amount you are forecast to receive assumes you make, or are credited with, the maximum number of National Insurance credits in the years up to your State Pension age.You can check the level of your State Pension entitlement online, using a Government Gateway account, by completing form BR19 that can be obtained from the GOV.UK website. ■

WHAT CAN I DO TO MAKE SURE THAT I HAVE ENOUGH MONEY WHEN I RETIRE?

If you feel that the State Pension and your other retirement savings might not be enough for you, you might still have time to top up your pension plan or save in other ways. It's a good idea to regularly review your retirement planning to make sure you're on track. To review your plans, or to find out more, please get in touch with us for further information.

IS MY STATE PENSION LIKELY TO BE ENOUGH?

Many people may be looking to rely on the State Pension to provide them with income in retirement. However, the amount received is not generous by any standard and as a result the onus is on individuals to take personal responsibility to save for retirement.

If you would like to start a conversation about your retirement options, please contact us for further information – we look forward to hearing from you.

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