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GRAYSIDE
FINANCIAL SERVICES

FACTSHEET

What you need to know

Winners and losers under the new State Pension

The number of people qualifying for the full new State Pension following its introduction in April 2016 reveal almost two in five pensioners (365,290 people, or 38% of claimants) receive less than £150 a week, while a further 62% receive more than £150 a week – of these, 282,447 are receiving a new State Pension[1].

The new State Pension is a regular payment from the Government that most people can claim in later life. You can claim the new State Pension at State Pension age if you have at least ten years' National Insurance contributions and are a man born on or after 6 April 1951, or a woman born on or after 6 April 1953. The earliest you can receive the basic State Pension is when you reach State Pension age.

BENEFITS BUILT UP OVER THE OLD AND NEW SYSTEMS

The full amount you can get under the new State Pension is £168.60 per week (in 2019/20), but this depends on your National Insurance (NI) record. If you have 35 years or more of NI contributions, you will get the full amount; between 10 and 34 years of contributions, you will receive a proportion of the pension; and less than ten years of NI contributions, you aren't eligible for the new State Pension.

The data also shows 282,447 pensioners (29% of claimants) are receiving a new State Pension from April 2016 with a 'protected payment', which essentially means they receive more than the new full State Pension, as benefits built up over the old and new systems are worth more than the new flat rate.

FOUNDATION OF MOST PEOPLE'S RETIREMENT PLANS

People can receive less than the full flat rate State Pension when their NI record is incomplete or have paid less than the 35 qualifying years required under the new rules (usually through periods of contracting out). The State Pension is the foundation of most people's retirement plans and yet this data shows more than half of those eligible to claim the State Pension under the new flat rate system receive less than the full amount. Given the various changes that have been introduced over the years, it's not surprising people find the whole system difficult to understand.

STATE PENSION TIPS

- Go online or contact DWP for an up-to-date State Pension forecast. DWP will use your NI record under old and new State Pension rules to calculate your State Pension
- Your 'starting amount' can be less than, more than or equal to the new full State Pension
- Consider paying voluntary NI contributions if there are gaps in your records (you can only usually go back six years)
- There is no benefit in paying voluntary NI contributions if you've built up 30 years under the old system before April 2016
- Ensure you've claimed credits for periods where you've not worked, for example, when unemployed or looking after children. This should happen automatically, but mistakes can and do happen, especially if you are self-employed
- You can claim for NI credits if you are caring for parents or grandchildren
- If you've been contracted out for any period before April 2016, you will have paid lower NI and therefore receive a smaller State Pension. Your private pension will have an element of 'Contracted Out Pension Equivalent', or COPE, which will allow for this
- Consider deferring your State Pension (although this is less financially generous than previously)

SPEND THE LONGEST TIME ON PREPARING FOR RETIREMENT

The State Pension can be a minefield. And remember, it is only really there to provide a basic standard of living when you retire. Of all the life events to plan for, you should spend the longest time on preparing for retirement.

If you're in your 50s or early 60s, you may increasingly be thinking more about retirement and how to plan for it. One of the most common dilemmas for people of this age is how to best fund their lifestyle once they've stopped work and maintain their pre-retirement standard of living. ■

MEETING YOUR CHANGING NEEDS

It's never too late to start planning for your future, so it's good to know you'll have our support. We'll help you put a plan in place for the future you want – and as time rolls by, you'll keep receiving professional advice and solutions to meet your changing needs. To find out more, please contact us.

Source data:
[1] Freedom of Information request, Canada Life – 6 June 2019