

What pension will I get from the State?

Moving on now from sorting out your expenses, I'm going to look at the income side of retirement. In this article I'm looking at what the State provides. There is not enough space here to go into all the detail but Age Concern and Help the Aged have both got useful information on their websites.

Pensions from the state can be made up of the following elements:

Basic State Pension
State Earnings Related Pension/ State Second Pension
Graduated Pension

Basic State Pension

The full basic state pension in the 2008/9 tax year (i.e. from 6th April 2008 to 5th April 2009) is £90.70 per week for a single person and £145.05 for a couple. Equivalent to £4,716 and £7,542 respectively. There are conditions in order to qualify for the full amount of basic state pension. Broadly for a man to have paid National Insurance Contributions for 44 years and for a woman 39 years. This is changing to 30 years from 5th April 2010.

State Earnings Related Pension/ State Second Pension

As seems to be the way with pensions, these are a bit complicated to explain but are broadly pensions over and above the basic state pension based on earnings. The State Earnings Related Pension applied from April 1978 to April 2002 and was then replaced by the State Second Pension (S2P) from 2002.

Graduated Pension

The Graduated Pension (also called Graduated Retirement Benefit) is based on graduated contributions paid on earnings between 1961 and 1975. You will receive it when you claim your Basic Pension but it can also be paid at pension age even if you don't qualify for a Basic Pension. The amount depends on your earnings and is usually quite small.

All of these benefits are payable from state pension age. Currently state pension age is quite simple – 60 for women and 65 for men. However, from 2010 it starts to get more complicated as the age gradually rises to 65 for women by 2020 and to 68 for men and women by 2046. Remember 75 is the new 65 – you heard it in the Easingwold Advertiser first!

Pension Credit

In addition to the state pension benefits outlined above, there is also a Pension Credit which provides people with a minimum level of income and gives extra cash to people with modest incomes who have made savings for their retirement. There are two elements, the "guarantee credit" and the "savings credit".

The guarantee credit is available to people aged 60 or over. It tops up someone's income to a set level. The guarantee credit is set at standard amounts; from April 2008 it is £124.05 a week for a single person and £189.35 for a couple. The amounts are higher for some disabled people, carers and homeowners with certain housing costs.

The savings credit is available to people who have reached the age of 65. The maximum amount is £19.71 a week for a single person and £26.13 for a couple. The actual amount paid is based on both the income being received and the income deemed to be received on savings above £6,000. Of course it's a bit more complicated than this.

By this time you are probably in one of two camps:

A) I knew all this anyway – in which case good luck and please share the benefit of your wisdom with your friends and neighbours who could do with a bit of help.

B) What does it mean?

In this case there is some help at hand.....

Speak to a knowledgeable friend or relation and then use the following contacts:

How much will my state pension be?

Ring up or go online to the Pensions Forecasting team:

State Pension Forecasting team

Telephone 0845 3000 168

Textphone 0845 3000 169

www.thepensionsservice.gov.uk

They will be able to give you a forecast of your state pension.

Should I make up any missing contributions?

Estimates are that 90% of men and 35% of women are entitled to the full basic state pension.

If you don't have the full basic state pension, there is the option to top up your qualifying years to increase it. For some time it has been possible to make up the shortfall within six years from the end of the tax year for which contributions were due. However, from 5th April 2009, it will be possible to make up to an additional 6 years of missing payments. This is an area that is definitely worth consideration as it can be very good value. Note that if you are likely to get Pension Credit this would be reduced if your state pension goes up. If you're unsure whether it's worth topping up or not, it's possible to get advice from the likes of Citizen's Advice Bureau as well as from financial advisers.

If you need more help in terms of whether to make up any missing contributions to top up your basic state pension, the following contact should be of use:

Hambleton Citizen's Advice Bureau

0845 122 8689 - Advice Line

Am I entitled to a Pension Credit?

Department of Work and Pensions help with Pension credits

Pension Credit helpline on 0800 99 1234 or textphone 0800 169 0133

And finally both Age Concern and Help the Aged have some useful information on state pension and benefits.

Age Concern

<http://www.ageconcern.org.uk>

Freephone Information Line: 0800 00 99 66

Help the Aged

<http://www.helptheaged.org.uk/>

Freephone Senior Line: 0808 800 6565

Will