FACTSHEET
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Your State Pension: what is it worth?

A hundred or so years ago, if you made it to 70 years-old, you might have received a pension of roughly 25p per week, the equivalent of about £21 today[1]. Since then the UK State Pension has come a long way, and for many people it is a vital part of their annual income. This is why changes to the system, the biggest in almost a century, have got so many people talking.

This guide is a quick and easy overview of the facts you need to know. It also covers what the changes could mean for you, and asks if your State Pension will be enough to live on.

In numbers: the State Pension (at November 2018)

- **£164.35:** your maximum allowance per week.
- **35:** the number of qualifying years you need, to claim the full allowance.
- **1953:** the year women need to be born in, on or after 6 April, to be eligible.
- **1951:** the year men need to be born in, on or after 6 April, to be eligible.
- **2.5%:** the least your allowance will increase per year.
- **2018:** the year when the State Pension age becomes the same for both men and women.

What changed in 2016?

Before 6th April 2016 there were different tiers to the State Pension, there is now just one tier. In theory this should make it simpler for all of us to understand how much we will get.

[1]UK inflation calculator: moneysorter.co.uk

So, how much will you get?

The full State Pension in 2018 is £164.35 per week. To receive this amount, you must have clocked up 35 qualifying years; If you have 34 then you will get 34/35ths of the full allowance, 33 means 33/35ths…and so on. To receive any State Pension you must have at least 10 qualifying years. If you have less than this amount, all is not lost: you may be able to claim pension credit, topping your weekly income up to a set, minimum amount.

What is a qualifying year?

A qualifying year is linked to the amount of National Insurance (NI) contributions you have made in any given year. If you have made full contributions for at least 35 years, and these don't have to be consecutive years, then you should be able to claim the full State Pension. If you contracted out or made reduced NI contributions, for whatever reasons, this could affect the amount of qualifying years you have clocked up.

How to check your qualifying years: Go to gov.uk/new-state-pension: if you are 50 years-old or over you can find out how much State Pension you might get and apply for a NI record, to see if there are any gaps in your qualifying years and when they occurred. Topping up: If there are gaps in your record you may be able to pay voluntary contributions to fill these gaps. Go to gov.uk/new-state-pension to find out if you are eligible.

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Will your State Pension be enough?

How much money will you need when the time comes to wave goodbye to work colleagues? This is a big question and different people will have different answers. One recent study asked people across the UK what retirement income they expect. The average response was £17,700 per person, per year*. Let's say you are eligible for the 2018 full annual State Pension of £8,546.20; would your savings pot cover the extra £10,000 you might need each year?

Adding more to your pension now could make a difference to how much money you have in the future.

** Prudential: Class of 2016 Expected Retirement Income (15th January, 2013.)*

When can you start to claim your State Pension?

If you are a man and born on or after 6 April 1951, or a woman born on or after 6 April 1953, you will be a part of the new State Pension scheme. You can start claiming your allowance once you reach a certain age:

- The State Pension age for men and women is 65.
- The State Pension age for both men and women will rise to 66 by October 2020.
- From this point the State Pension age for men and women will rise together. It is expected to hit 67 between 2026 and 2028 and 68 sometime between 2037 and 2039.

Are you a fan of free money?

When you put money into your private pension the government gives you tax relief. Not only is this a rare moment when you get something back from the government coffers, it's effectively free money.

This is why it makes sense to invest what you can in your pension each month. Even if it's just a few pounds extra, the tax relief and compound interest can make a big difference over a number of years.

Maybe you've had a pay rise, or a recent windfall? Whatever the reason, if you have a bit of spare cash and think that using some of it for your future might be a good idea give us a call on 0800 304 7600.

**Tax relief depends on your particular circumstance and is liable to change. There are limits to how much you can contribute to your pension each year and still receive tax relief.*

Do you have to claim your State Pension as soon as you are eligible?

You might reach your State Pension age and find that you don't need to claim your allowance just yet. That's fine, you can put off claiming it until you are ready. And the amount of State Pension you receive could go up by 1% for every 9 weeks you defer claiming it.

Find out if your personal pension is up to the task:

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