

## What you need to know about...

# THE STATE PENSION

We all expect to receive a pension from the state when we retire. However, this may be significantly less than you would expect. This leaflet aims to explain how the state pension scheme works, and what you should expect to receive when you retire. The state pension is paid to all eligible people who claim their benefits when they retire. Benefits are accumulated from your National Insurance contributions.

### What is the state pension age?

The state pension age is currently 65 for men, and between 60 and 65 for women. From 2010, the state pension age for women will increase gradually until it reaches 65 for everyone by 2020.

However, this is subject to change so that between 2024 and 2046 the state pension age will rise gradually to 68.

### Confused?

Go to:  
<http://www.thepensionsservice.gov.uk/resourcecentre/statepensioncalc.asp> and input your date of birth to find out your state pension age.

### Qualifying for the basic state pension

You will qualify for a pension once you reach your retirement age. This will be based on your contributions over your working lifetime.

To get the full basic state pension a man needs to contribute for 49 years, and a woman 44 years. This will increase for women as the state pension age increases.

### Second state pension

There is also a top-up pension based on earnings, for employed people. This is based on additional contributions to National Insurance between bands of earnings. This is a complicated issue, and is the subject of an additional factsheet.

In the past, many people have chosen to opt out of this second state pension (or SERPS as it used to be called). If this is the case, you will have a separate personal pension, into which would have gone all your contributions for this scheme.

You are not entitled to receive the second state pension for periods of self employment, since you pay reduced National Insurance when you are self employed.

### How much is the basic state pension?

The basic amount (assuming full contributions) is £90.70 per week for an individual, and this is taxable.

If you are married couple, and each have a full contributions record of your own, you will each receive this amount, making a total of £181.40 per week.

If one spouse does not have a full contributions record and relies on their partner, the married couple gets £145.05 per week.

### Is this enough to live on?

You should examine your situation, and what you plan to live on when you retire. In most cases, the above amounts will be significantly less than you currently earn.

Recent research by the London School of Hygiene

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and Tropical Medicine has estimated that the average pensioner needs £130 a week to survive, with a couple requiring £208. Obviously, this is significantly more than the State will provide for you. With this in mind, you should start saving now for your retirement.

### **How do you find out what you are entitled to receive in retirement?**

The easiest way is to get the National Insurance Contributions office to produce a state pensions forecast.

You can obtain this by calling them (on 0845 3000168). However, the department recently announced that they will be suspending this service for those who retire before April 2010. This is because they plan to put in place a new computer system. They aim to have the system back in place from October 2008...

### **Delaying receipt of the state pension scheme**

You can choose not to receive your state pension when you reach retirement age. If you do this, you will boost the amount you eventually receive when you do decide to retire.

You get around 10.4% extra for each year that you put off receiving your state pension scheme. Alternatively, you could choose to receive a one-off lump sum benefit equivalent to what you would have received during the time you put off receiving the pension, plus interest.

### **What if the state pension is not enough?**

You can apply for an extra means tested benefit, called Pension Credit, which will top up your state pension if you do not have other income to live on. This is in recognition of the fact that

some people cannot manage to live on the basic pension provision.

If you are over 60, you could qualify for extra payments if your income is less than £124.05 per week (£189.35 for a couple), as long as your savings are not more than £6,000.

### **How to avoid poverty in retirement.**

Clearly, most people currently in work would find the income provided by the state pension scheme to be low compared to their current earnings.

It is true that you may have reduced outgoings when you retire. However, this is balanced by the fact that you will also have increased leisure time, which will cost you money.

We can help you to prepare for retirement by advising you on the best ways to save for the long term. We do this by helping you to set goals and then preparing a financial plan to get you on track to achieve your goals.

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