

The New State Pension: What you need to know

February 2017

The new flat rate State Pension came into effect from 6 April 2016 and it applies to men born on or after 6 April 1951, and women born on or after 6 April 1953. It's important to be aware of the changes to the State Pension to ensure you don't miss out on valuable benefits when you reach State Pension age.

The new flat rate pension is £155.65 per week (2016/17) and replaces the former basic State Pension and additional State Pensions (Graduated, SERPS and SSP) under the old rules. For those who have accrued benefits under the old system, and if these benefits are superior to the current rules, protection is in place to secure the higher amount. However, no further benefits will be accrued post 6 April 2016.

Previously, it was possible to receive a full basic State Pension if you have paid national insurance contributions (NICs) for at least 30 years. The rules under the new flat rate scheme require contributions to be paid for 35 years to secure the full flat rate amount. Therefore, it is worth obtaining an up to date State Pension summary to see what level of state pension benefits you are now entitled to. This information can be obtained online at www.gov.uk/check-state-pension. You will need an individual government gateway account in order to access this information and you can apply for this here [Government Gateway Account](#).

If you haven't accrued maximum State Pension benefits, and are no longer working and paying NICs, it is possible to increase the number of qualifying years you have by paying class 3 NICs. It is possible to go back up to ten years and make up any gaps in your NIC record and this is often really worth doing. The following illustrates why:

In the 2016/17 tax year, a further year's NIC will add £4.45 per week/ £231.40 per annum to someone's State Pension income, which will rise in line with inflation when in payment. The cost of class 3 NICs in the 2016/17 tax year is £733.20. Therefore, for an outlay of £733.20, an individual would receive an additional annual income of £231.40. This is the equivalent of a 31.5% annuity rate with indexation!

So the first step is to obtain a State Pension forecast online to see what benefits have been accrued to date, and from there determine if you are eligible or should pay class 3 NICs. As usual, if you have any questions, please let us know by contacting Martin Ruskin or Michelle Meredith on 01803 618310 or mruskin@wmfp.co.uk.