



advice and support for older age

**Independent
Age**

Factsheet

Pension Credit

About four million older people are entitled to receive Pension Credit to top up their retirement income, yet just under half of those eligible are not claiming it, or are not claiming the right amount.

If you think you might be missing out, this factsheet explains how Pension Credit is worked out and how to make a claim.

Last reviewed: April 2016

Next review date: April 2017

Independent Age provides advice to help people claim benefits, access social care and stay independent at home. Our local volunteers provide friendship visits and calls for lonely older people. To find out how Independent Age can help you, call us FREE on **0800 319 6789** or visit **independentage.org**



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1. Introducing Pension Credit

Pension Credit is a means-tested benefit paid by the Pension Service (which is part of the Department for Work and Pensions or DWP). It tops up your weekly income to meet a minimum level set by the government.

Pension Credit has two parts: Pension Guarantee Credit and a Pension Savings Credit.

- Guarantee Credit is extra money to make up your weekly income to a minimum level decided by the government and is available for people who have reached Pension Credit age. The age at which you qualify is changing and depends on your date of birth. Use the online State Pension age calculator at gov.uk/calculate-state-pension or call the Pension Service on 0800 99 1234 to find out more.
- Savings Credit is paid to eligible people aged 65 and over to reward them for making modest provision for their retirement by having other savings and/or income. However, the Savings Credit part of Pension Credit has been limited for new claimants. You may not be eligible for Savings Credit if you reach State Pension age on or after 6 April 2016.

You may be able to claim Pension Credit whether or not you are still working, although any earnings you have will be taken into account. You don't need to have paid any National Insurance contributions.

There are some gradual changes taking place to Pension Credit as a result of the Welfare Reform Act 2012. These changes will be highlighted where relevant throughout this factsheet.

2. Guarantee Credit

To claim Guarantee Credit:

- you must be of qualifying age. What age you qualify is changing and depends on your date of birth. Visit the online State Pension age calculator at gov.uk/calculate-state-pension or call the Pension Service on 0800 99 1234 to find out
- your income must be lower than the 'appropriate amount'.

Your 'appropriate amount'

Your appropriate amount is the minimum amount of money the government says you need to live on each week. The table in section 4 gives a quick guide to appropriate amounts. For example, the standard appropriate amount for a single person is £155.60 and for a couple is £237.55 a week.

Income taken into account for Guarantee Credit includes your State Retirement Pension, occupational and private pensions, other benefit income, earnings and assumed income from savings. Some types of income are disregarded in full or partially disregarded.

There isn't currently a savings limit for Pension Credit. However, any savings or investments you have over £10,000 will affect how much you can receive. For every £500 you have over £10,000, an extra £1 is added to your weekly income.

3. Calculating your Guarantee Credit

To work out how much Guarantee Credit you should receive, you need to take away your income figure from your appropriate amount.

Example:

Mr Smith is single and has a state pension of £110.15 a week and an occupational pension of £25 a week. He also has savings of £15,000. The first £10,000 are ignored, and an extra £1 of income is counted for every £500 above this. This means he has an assumed income from savings of £10 a week.

$£110.15 + £25.00 + £10.00 = £145.15 = \text{Mr Smith's}$

Qualifying Income

$£155.60 = \text{Mr Smith's Appropriate Amount}$

$£155.60 - £145.15 = £10.45$

$£10.45 = \text{Mr Smith's Pension Guarantee Credit}$

Severe Disability

A Severe Disability Addition is included in the Pension Credit calculation when either one single person, or both people in a couple:

- are getting either Attendance Allowance, the daily living component of Personal Independence Payment, the middle or high rate care components of Disability Living Allowance or Armed Forces Independence Payment
- don't have anyone else living with them
- don't have anyone receiving Carer's Allowance for looking after them
- if one person receives any of the above disability benefits and their partner doesn't, but is certified as severely sight impaired or blind.

The Severe Disability Addition is added to your appropriate amount. This could make you eligible to claim Guarantee Credit if you were not eligible before, or give you a higher amount if you are already receiving Guarantee Credit.

The amounts for a Severe Disability Addition per week are:

- single person - £61.85
- couple (one qualifies) - £61.85
- couple (both qualify) - £123.70

If someone receives Carer's Allowance for looking after you, you won't be entitled to receive this increase in the Pension Credit calculation. Sometimes someone is entitled to Carer's Allowance for looking after you but can't be paid it because they receive another benefit that overlaps with it (overlapping benefit rules prevent some benefits from being paid together). This is called having an 'underlying entitlement' to carers allowance and, if this is the case, you can still receive a Severe Disability Addition as part of your Pension Credit calculation.

If someone is about to claim Carer's Allowance for looking after you, it may affect your Pension Credit, so it is advisable to get advice before they go ahead with a claim. You may want to contact Independent Age (0800 319 6789, independentage.org), your local Citizens Advice (08444 111 444, citizensadvice.org.uk) or Age UK (0800 169 6565, ageuk.org.uk) for more information.

Carer's Addition

A Carer's Addition of £34.60 a week is added to the appropriate amount in your Pension Credit calculation if you or your partner are paid, or have an underlying entitlement (i.e. you are entitled but don't actually receive it due to the overlapping benefit rules – see explanation above) to Carer's Allowance. This could make you eligible for Guarantee Credit if you were not eligible before, or give you a higher amount if you are already receiving Guarantee Credit. If both you and your

partner either receive (or have an underlying entitlement to) Carer's Allowance, two £34.60 Carer's Additions will be included in your Pension Credit calculation.

4. A quick guide to appropriate amounts (each week)

| Your circumstances | Single person | Couple |
|---|---|--|
| Over Pension Credit qualifying age | £155.60 | £237.55 |
| You live alone and receive Attendance Allowance. No one is receiving Carer's Allowance for looking after you. | £155.60 plus £61.85 Severe Disability Premium (SDP) | Does not apply |
| You live with your partner and receive Attendance Allowance. Your partner receives Carer's Allowance. | Does not apply | £237.55 plus £34.60 (Carer's Addition) |
| You live with your partner and both of you receive Attendance Allowance. Someone else receives Carer's Allowance for looking after one of you. | Does not apply | £237.55 plus £61.85 Severe Disability Addition (for the partner who does not have a carer) |
| You live with your partner and both of you receive Attendance Allowance. You have separate carers who receive Carer's Allowance for looking after you | Does not apply | £237.55 |
| You live with your partner and both of you receive Attendance Allowance. No one receives Carer's Allowance for looking after either of you. | Does not apply | £237.55 plus £123.70 (2 Severe Disability Additions) |

| | | |
|--|-----------------------|--|
| <p>You live with your partner and both of you receive Attendance Allowance. Both of you have underlying entitlement to Carer's Allowance for looking after each other.</p> | <p>Does not apply</p> | <p>£237.55 plus £123.70 (2 Severe Disability Additions) and £69.20 (2 Carer's Additions)</p> |
| <p>You live with your partner – one of you is receiving Attendance Allowance and no one is receiving Carer's Allowance for looking after either of you</p> | <p>Does not apply</p> | <p>£237.55</p> |

Note: Where Attendance Allowance is mentioned, this applies in the same way as the middle or higher rate care components of Disability Living Allowance, the standard or enhanced rates of Personal Independence Payment, and Armed Forces Independence Payment.

5. Savings Credit

Savings Credit is extra money for people aged 65 and over who have made modest provision for their retirement. However, the government has brought in changes to limit new claims for Savings Credit. How you're affected depends on whether you're single or a couple, and how old you are. If you're already getting Savings Credit, this won't affect you – you'll continue to get it while you remain eligible.

- If you're single and reached State Pension Age before 6 April 2016, you can still get Savings Credit once you reach aged 65, regardless of when you apply, if you qualify for it.
- If you're single and only reach State Pension Age after 6 April 2016, you can't claim Savings Credit.
- If you're a couple where one of you reached State Pension age on or after 6 April 2016, and the other before 6 April 2016, the rules are more complicated. You can only get Savings Credit if one of you is aged 65 or over and was already getting Savings Credit before 6 April, and has been entitled to it at all times since 6 April.
- If you're a couple and both of you reached State Pension Age before 6 April 2016, you can get Savings Credit when the eldest reaches age 65 if you qualify.

If you're still eligible to make a claim for Savings Credit, you may qualify if your qualifying income is over £133.82 a week as a single person or over £212.97 a week as a couple. If your qualifying income is too high you may be above the level for Savings Credit. Contact the Pension Service (0800 99 1234, textphone 0800 169 0133) with details of your income to find out if you qualify.

6. What counts as your Qualifying Income for Savings Credit?

Qualifying Income includes:

- State pension
- Occupational/work pension
- Private pension
- Income from annuities
- Earnings
- Assumed income from savings

Income not counted includes:

- Attendance Allowance
- Disability Living Allowance
- Personal Independence Payment
- Working Tax Credit
- Incapacity Benefit
- Jobseeker's Allowance (contribution based)
- Employment and Support Allowance (contribution based)
- Maternity Allowance
- Maintenance from a spouse or former partner
- Severe Disablement Allowance

7. How does Savings Credit work?

Savings Credit rewards you with 60p for every £1 of Qualifying Income that is above the Pension Savings Credit starting point.

The starting points are as follows:

- Single person £133.82 a week
- Couple £212.97 a week

If you have Qualifying Income above these weekly starting points, you will be rewarded with 60p for every pound until you reach the maximum amount of Savings Credit allowed.

The maximum amount of Savings Credit that can be awarded is:

- Single person £13.07 a week or
- Couple £14.75 a week

Calculating your Pension Savings Credit

Example 1:

Mr Smith, referred to earlier, has a state pension, occupational pension and savings giving him a Qualifying Income of £145.15 a week. This entitles him to a Guarantee Credit of £10.45 a week. Mr Smith's Savings Credit can be worked out as follows:

| | | |
|-------|-----------------------------------|-----------------|
| | Qualifying Income | £145.15 a week |
| minus | Starting point for Savings Credit | £133.82 a week |
| | | = £11.33 a week |

Mr Smith's Qualifying Income is higher than the Savings Credit starting point so he is rewarded by 60p for every £1 of his Qualifying Income:

$\pounds 11.33 \times 0.60p = \pounds 6.80$ a week Savings Credit, so Mr Smith's total Pension Credit is:

Guarantee Credit $\pounds 10.45$ plus Savings Credit $\pounds 6.80$

Total Pension Credit = $\pounds 17.25$

Example 2:

Mrs Patel is an 85-year-old widow who lives alone. She receives a State Pension of $\pounds 102.15$ a week and an occupational pension of $\pounds 45.56$. She receives the higher rate of Attendance Allowance of $\pounds 82.30$ a week.

A- Mrs Patel's Qualifying Income

State Retirement Pension $\pounds 102.15$ a week plus occupational pension $\pounds 45.56$ a week.

Attendance Allowance is Ignored.

Total Qualifying Income $\pounds 147.71$ a week.

B- Mrs Patel's Appropriate

Amount Single person's Appropriate Amount $\pounds 155.60$ a week

As Mrs Patel receives Attendance Allowance (no one receives carer's allowance for looking after her and she lives alone), she is also entitled to a Severe Disability Addition of $\pounds 61.85$ a week included in her Pension Credit calculation.

Total Appropriate Amount $\pounds 217.45$ a week

C- Mrs Patel's Guarantee Credit

| | | |
|-------|--------------------|-------------------------|
| | Appropriate Amount | $\pounds 217.45$ a week |
| minus | Income | $\pounds 147.71$ a week |
| | Guarantee Credit | $\pounds 69.74$ a week |

D- Mrs Patel's Savings Credit

Mrs Patel's Savings Credit can be worked out as follows:

Qualifying Income £147.71 a week

minus Starting point for Savings Credit £133.82 a week =
£13.89 a week

Mrs Patel's Qualifying Income is higher than the Savings Credit starting point so she is rewarded by 60p for every £1 of her Qualifying Income.

$£13.89 \times 0.60p = £8.33$ a week Savings Credit. So, Mrs Patel receives:

| | |
|----------------------|--------|
| Savings Credit | £8.33 |
| Guarantee Credit | £69.74 |
| Total Pension Credit | £78.07 |

Mrs Patel will receive £78.07 a week Pension Credit, on top of her State Pension, occupational pension and Attendance Allowance of £82.30. This gives her a new total income of £308.08 a week.

Pension Savings Credit reduction

If your Qualifying Income is more than your Appropriate Amount (this figure depends on your personal circumstances), you may still be eligible for Savings Credit. However, the maximum Savings Credit you can receive is reduced by 40p for every pound that your Qualifying Income is above your Appropriate Amount. Therefore, if your Qualifying Income is considerably higher than your Appropriate Amount, the reduction may cancel out any Pension Credit you might get.

As the calculations are complicated, it's best to check your likely entitlement before taking time to complete the application form. You can either do this by contacting the Pension Credit helpline (0800 99 1234) or by using the Pension

Credit calculator online at gov.uk/pension-credit-calculator. Or you can contact Independent Age (0800 319 6789) for advice.

8. Housing Benefit and Council Tax Support

If you receive Guarantee Credit, you may qualify for full Housing Benefit.

However, a deduction to your Housing Benefit may be made if:

- there are other adults living with you (apart from your partner, carer in certain circumstances, landlord or lodger)
- the rent for your property is higher than the council would normally pay for someone in your circumstances.

If you only receive Savings Credit, you will need to make a separate claim for Housing Benefit and Council Tax Support. To qualify, you must have no more than £16,000 in savings and/or investments.

As part of the Welfare Reform, Pension Credit will eventually include a housing credit to help with rent payments (instead of the current help from Housing Benefit). It is expected that this housing credit will apply to new Pension Credit claimants. However, if you are already receiving Housing Benefit, plus Pension Credit, you won't be transferred over to the new Housing Credit until 2017-2018 at the earliest.

For further information, please see our factsheet: **Council Tax Support and Housing Benefit** (0800 319 6789, independentage.org).

9. Entitlement in a care home

If you live in a care home, your entitlement to Pension Credit is calculated in the same way as if you lived at home; the first £10,000 of your savings and investments will be ignored.

The local council must use the Pension Service assessment of your income when they work out how much you need to contribute towards your care home fees. The council should seek your permission to contact the Pension Service for this information or will ask to see evidence of this information sent to you by the Pension Service.

Savings Disregard

If you're living in a care home and receive Savings Credit, the local council should apply a savings disregard during the financial assessment. It is worth up to a maximum of £5.75 a week for a single person and £8.60 for couples. This is paid in addition to your Personal Expenses Allowance of £24.90 (England), £25.80 (Scotland) or £26.50 Minimum Income Amount (Wales) a week.

10. Other entitlements if you get Pension Credit

Healthcare

If you receive Guarantee Credit, you are entitled to claim other benefits including:

- free NHS dental treatment including check-ups
- free sight tests
- vouchers towards the cost of glasses or contact lenses
- travel costs to and from hospital for NHS treatment.

If you are not receiving Guarantee Credit, you could apply for full or partial help under the Low Income Scheme. To apply, you will need to fill in a HC1 form. This is available from your local GP surgery, pharmacists or opticians or by calling the NHS Business Services Authority on 0300 330 1343.

Your home

If you get Pension Guarantee Credit and own your own home, you may be able to get an extra amount of Guarantee Credit to help cover the interest on your mortgage, or help with some service charges. You may want to contact your local Citizens Advice or Age UK.

If you are receiving either type of Pension Credit, you may also be eligible for grants to help with insulation and energy efficiency. Contact your energy providers to see if they offer such a scheme and what the criteria is.

11. How to claim Pension Credit

You can telephone the Pension Service free (0800 99 1234, textphone 0800 169 0133) where staff will take all of the relevant information for your claim. If English isn't your first language, the Pension Service can arrange an interpreter.

You will need to have all the following information to hand:

- your National Insurance number
- details of all income
- details of all savings and investments
- your bank account details

The application form will be sent to you to check, sign and return. Alternatively, you can download or complete a form online on the Pension Service website at gov.uk/pension-credit.

The Pension Service can help you apply for Housing Benefit and Council Tax Support at the same time as you make a claim for Pension Credit.

Backdating

Claims for Pension Credit can be backdated by up to three months if you met the conditions for the whole of that period.

12. Change of circumstances

From April 2016, no new Assessed Income Periods (AIPs) will be set. AIPs are a period of time when you won't be reassessed for your claim for Pension Credit and you don't have to tell the Department for Work and Pensions (DWP) about any changes to your pensions, savings or investments.

How this change affects you depends on the sort of AIP you have. Check the letter you got about your Pension Credit to find this out. It will have a paragraph about your AIP.

- If you have an AIP which is set to end before 31 March 2019, it will end either on the original date or earlier if your circumstances change (for example, if you move into a care home).
- If you have an AIP which is set to end after 31 March 2019, it will end sooner and you won't be given a new AIP. You'll be told when it will end, six months in advance.
- If you have an AIP with no end date, it will remain in place until your circumstances change.

New claims for Pension Credit won't have an AIP. This means you'll have to inform the Pension Service of any changes to your circumstances, such as changes to your income, savings or marital status.

Call Independent Age on 0800 319 6789 if you have any questions or concerns about your Pension Credit claim.

13. Receiving the payments

The Pension Service will pay your Pension Credit directly into your chosen account. You can use a bank, building society or post office account.

When the Pension Service first processes your claim, you will receive a written statement that will tell you how they have calculated your Pension Credit, when you will receive it and how much you should receive. Keep this statement in a safe place, as the Pension Service only send a new statement when your payments change, or when you request a replacement.

14. Future changes

Couples

Universal Credit is a benefit that is replacing means-tested benefits for people of working age. At present, mixed-age couples (where one person is over State Pension age and the other person is under) who need to claim means-tested benefits can claim Pension Credit. When Universal Credit is rolled out, the person under State Pension age will have to claim Universal Credit instead, which will be paid at a significantly lower rate than Pension Credit. This person is likely to have to meet work-related requirements in order to claim Universal Credit. This is not expected to affect mixed-age couples until 2018.

If you are a mixed-age couple already getting Pension Credit at the changeover date, your position will be protected and you will be allowed to carry on claiming it. Mixed-age couples who are eligible for Pension Credit, but not currently claiming it, should therefore consider whether to claim it now. Mixed-age couples who break their claim to Pension Credit after the changeover date will lose their protection and will be required to claim Universal Credit on the next occasion.

If you are a single person getting Pension Credit and you become part of a mixed-age couple after the introduction of Universal Credit, you will lose your entitlement to Pension Credit and will have to claim Universal Credit as a couple instead.

If you have responsibility for children Child

Tax Credit is to be replaced with the introduction of Universal Credit, and additional amounts for dependent children will also be introduced as part of Pension Credit. At present, you still make a claim for Child Tax Credit if you've reached the qualifying age for Pension Credit.

Pension age rise

Pension Credit age simply means the age at which you are eligible to claim it. From December 2018, state pension age for both men and women will increase from 65 until it reaches 68, depending on when you were born. Further details can be found on the government website (gov.uk) or by calling the Pension Service (0800 99 1234).

You can also contact Independent Age (0800 319 6789, independentage.org) for advice and information.

This factsheet has been put together by Independent Age's expert advisers. It is not a full explanation of the law and is aimed at people aged over 60.

If you need this information in an alternative format (such as large-print or audio cd), call us on 0800 319 6789 or email advice@independentage.org.

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