



## Pension Credit - questions and answers (April 2006)

Ref IS/14

This information sheet refers to the situation in England. If you live in Scotland, Wales or Northern Ireland you may wish to contact:

Age Concern Scotland, Causewayside House, 160 Causewayside, Edinburgh EH9 1PR, tel: 0845 125 9732 (local call rate), website: [www.ageconcernscotland.org.uk](http://www.ageconcernscotland.org.uk);

Age Concern Cymru, Ty John Pathy, Units 13 & 14 Neptune Court, Vanguard Way, Cardiff CF24 5PJ, tel: 029 2043 1555 (national call rate); website: [www.accymru.org.uk](http://www.accymru.org.uk);

Age Concern Northern Ireland, 3 Lower Crescent, Belfast BT7 1NR, tel: 028 9032 5055 (national call rate) Monday to Friday 9.30am - 1pm.

This paper summarises the main features of Pension Credit.

### What is Pension Credit?

Pension Credit provides older people with a minimum level of income and gives extra cash to people with modest incomes who have made savings for their retirement. Pension Credit has two parts: the '**guarantee credit**' and the '**savings credit**'. Some people will get both the guarantee and the savings parts while others will receive either one or the other. Both parts are based on people's income and other circumstances.

## How does the guarantee credit work?

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 2006 it is £114.05 a week for a single person and £174.05 for a couple. The amounts are higher for some disabled people, carers and homeowners with certain housing costs.

### Example

Sandra Wood's only income is her state pension of £84.25 a week and she has no savings. She gets £29.80 Pension Credit to bring her income up to the guarantee level of £114.05.

## What about the savings credit?

The savings credit is available to people who have reached the age of 65. The maximum amount is £17.88 a week for a single person and £23.58 for a couple.

### You could be entitled to some savings credit if you:

- are single and your income is more than £84.25 but less than around £158.75 a week **or**
- are one of a couple and your joint income is more than £134.75 but less than around £233 a week
- if you are disabled, a carer, or a homeowner with certain housing costs you may still get some savings credit even if your income is above these levels.

Brief information is given here about calculating the savings credit - it aims to give you an idea of the calculation but does not cover all circumstances. The savings credit is based on what is called 'qualifying income' which includes the main types of income that pensioners have. But if your income includes any 'non-qualifying income' the way that savings credit is calculated will be different to the information given below. See later in this paper to find out more about how income and savings are assessed.

### Single people

**If your income is more than £84.25 a week but less than £114.05** you are likely to be entitled to savings credit. You will normally receive 60p savings credit for every £1 of income you have over £84.25.

## Example

Christine Smith has a state pension of £84.25 a week and an occupational pension of £10 a week. She will receive £19.80 guarantee credit to bring her pension income of £94.25 up to £114.05. She will also receive £6.00 savings credit (60p for every £1 of the £10 pension income over £84.25) making her total income £120.05.

**If your income is exactly £114.05** you will normally receive the maximum savings credit for a single person of £17.88.

**If your income is more than £114.05 but less than around £158.75** the maximum savings credit of £17.88 is reduced by 40p for every £1 of income you have over £114.05.

## Example

James Brown has an income of £134.05 from his state and private pensions. This is £20 more than the guarantee level of £114.05 so the maximum savings credit of £17.88 is reduced by £8 (40p for every £1 of the £20). He will receive savings credit of £9.88.

## Couples

**If your income is more than £134.75 a week but less than £174.05** you are likely to be entitled to savings credit. You will normally receive 60p savings credit for every £1 of income you have over £134.75.

## Example

Naresh and Mira Gupta have state and occupational pensions totalling £154.75 a week. They will receive £19.30 guarantee credit to bring their pension income up to £174.05. They will also receive £12.00 savings credit (60p for every £1 of the £20 pension income over £134.75) making their total income £186.05.

**If your income is exactly £174.05** you will normally receive the maximum savings credit for a couple of £23.58.

**If your income is more than £174.05 but less than around £233** the maximum savings credit of £23.58 is reduced by 40p for every £1 that your income is over £174.05.

## Example

Freda and William Jones have state pensions of £130.00, an occupational pension of £46.05 and £20,000 savings (assumed to produce an income of £28 as explained below) making a total of £204.05 a week. This is £30 more than the guarantee level of £174.05 so the maximum savings credit of £23.58 is reduced by £12 (40p for every £1 of the £30). They will therefore receive savings credit of £11.58.

**If you are disabled, a carer or a homeowner with certain housing costs** the maximum levels of savings credit are the same but you may still get some savings credit even if your income is more than £158.75 as a single person or £233 as a couple.

For more information about who counts as being disabled or a carer for these purposes, or if you are a homeowner, see Age Concern's more detailed factsheet on Pension Credit referred to at the end of this paper.

## How are savings and income assessed?

Pension Credit is based on an assessment of your income and savings and some of the main points of the assessment are given here. For couples the income and savings of you and your partner are added together to work out your entitlement to Pension Credit.

For Pension Credit £6,000 savings is ignored and there is no upper limit. Savings over £6,000 are assumed to produce an income of £1 for every £500 over £6,000. For example, someone with £10,000 savings is assessed as having an income of £8 a week from those savings while someone with £20,000 is assessed as having an income of £28 a week. (The limits for people living in care homes are different and not covered here).

Some types of savings and capital are ignored, including the value of your home. Similarly, some types of income are completely ignored or partly ignored - for example Attendance Allowance or Disability Living Allowance are not taken into account.

The calculation for savings credit is based on 'qualifying income'. For most people 'qualifying income' will be the same as the income used to work out their guarantee credit. But Incapacity Benefit, Severe Disablement Allowance, contribution based Jobseeker's Allowance and maintenance

payments are not 'qualifying income' and will not count towards the savings credit. If you have any of these types of income the rules for working out your savings credit will be different to those explained earlier and you will need more information to find out about your own position.

### **What if my circumstances change?**

Most people over the age of 65 will receive a Pension Credit award lasting for up to 5 years. During this period you will not need to report changes in your savings or pension income to the Pension Service, and your Pension Credit will be automatically uprated every year. The Pension Service will automatically increase the amount they take into account from your state and private pensions.

If your income goes down during this time you can ask for your benefit to be reassessed. During this period there will still be some changes that you will need to report such as: a change of address, becoming widowed or going to live in a care home.

### **How do I make a claim?**

You can make a claim over the phone or ask for a claim form to be sent to you (see the phone number at the end of this information sheet). You could also ask for a form in person from your local Pension Service or advice agency. Sometimes the Pension Service or an advice agency may help you fill in the form.

Pension Credit can be backdated for up to a year.

### **Will the Pension Credit affect my Housing Benefit or Council Tax Benefit?**

If you are awarded guarantee credit you will also receive the maximum allowable Housing and Council Tax Benefit (for more information about Housing Benefit and Council Tax Benefit see Age Concern Factsheet 17).

If you receive savings credit only you should check with your local authority to see if you also qualify for some Housing or Council Tax Benefit (HB/CTB). If you are already receiving HB or CTB when you are awarded savings credit, the amount of HB/CTB you receive will be reduced **(but you will still be better off overall after claiming savings credit)**.

Your ongoing entitlement to HB and CTB will only be reduced from the date when your local authority are informed of the award of savings credit, and will not affect the HB and CTB you have already been paid.

### **Where do I get more information?**

For an application form, ring the Pension Credit Information Line on 0800 99 1234, Monday to Friday, 8am - 8pm, Saturday 9am - 1pm.

This information sheet gives a brief overview of how the Pension Credit will work. A more detailed Age Concern Factsheet 48, *Pension Credit* is available from Age Concern's Information Line.

Further copies of this paper are available from the Age Concern Information Line on 0800 00 99 66, 7 days a week, 8am-7pm.

If you would like to receive this information in large print phone 0800 00 99 66 (free call) or write to Age Concern FREEPOST (SWB 30375), Ashburton, Devon TQ13 7ZZ.

Find out more about Age Concern England online at [www.ageconcern.org.uk](http://www.ageconcern.org.uk)

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