

Income in retirement - a beginners guide

A self training module



Commissioned by



Written by



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About this training module

This self training module is for people who offer general information and advice to older people, eg. community advice agency volunteers and staff. It is also for older people and those approaching retirement.

It will help you to develop your knowledge and skills by increasing your understanding of

- *the main sources of income & financial help in retirement*
- *basic income maximisation check, including website resources*
- *sources of more specialist information and advice about money*

The training does NOT claim to cover every aspect of retirement finances in detail, but it does provide links if you wish to find out more.

The approach taken in the training is based on

- *knowing where to look for information when you need it, rather than memorising facts*
- *understanding your limitations and knowing when to refer someone on to more specialist advice.*

Some of the information applies only to England - there may be different arrangements in Scotland, Wales & Northern Ireland.

The module has been commissioned by **EAC FirstStop Advice**, an independent, free service providing advice and information for older people, their families and carers about care and housing choices in later life EAC FirstStop www.firststopadvice.org.uk Advice Line: 0800 377 70 70

The module has been produced by **Care & Repair England**, an independent charitable organisation which aims to improve older people's housing conditions. www.careandrepair-england.org.uk.

Disclaimer

Every effort has been made to ensure that the information in this module is accurate. However, Care & Repair England and EACFirstStop do not accept any responsibility for errors or omissions. This is a fast moving field – contacts, policy and practice are constantly changing. We would welcome any feedback about content, eg. broken weblinks, organisational changes. Please email these to info@careandrepair-england.org.uk.

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What does this training module cover?

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Part 1

Income in retirement - an overview



Do you know...?

Task 1

Write down every source of *regular income* (ie. paid weekly/monthly) that a person might receive.

Where does the money come from?

Main sources of regular income in retirement

State Pension

State pension is paid by the government to people over retirement age who have paid enough National Insurance (NI) Contributions during their working life.

When they are not in paid employment people may get National Insurance Credits which count towards their state pension eg. when looking after children.

To get a full basic state pension people have to have 30 qualifying years of Contributions/Credits.

- *Retirement age for state pension is changing. It used to be 60 for women and 65 for men but increase in pension age is being phased in - see below to find out more*
- *State pension is not means tested, ie it does not matter how much other income or savings people have*
- *People can claim state pension and carry on working; they can also defer state pension ie. not claim until after retirement age in order to get a higher pension*

How to find out more

For all information about State Pensions see www.gov.uk/browse/working/state-pension

People can fill in an online questionnaire to get a State Pension Statement which tells them how much state pension they might be entitled to, find out at what age they can claim pension, claim their pension on line and much more.

Additional State Pension

This is also known as Second State Pension and SERPS.

If people have paid extra national insurance contributions during their working life they may get a higher state pension. People often describe this as being 'contracted in' or, where they have opted out of these extra payments and paid into a workplace pension, 'contracted out'.

People may also have built up contributions for additional state pension if they were in receipt of certain benefits eg. claiming child benefit and looking after children under 12, caring for someone and claiming Carers Allowance, on certain disability benefits.

- *Second State Pension is changing. A new flat rate State Pension will be introduced in 2016 which will require 35 qualifying years of contributions/credits. There will be special rules for those that have built up Additional State Pension in excess of this flat rate.*

Workplace Pension

During a person's working life they may pay into a pension scheme which is operated by their employer, with contributions to this scheme deducted directly from wages. The employer may also make a contribution to the pension scheme.

Automatic enrolment into a workplace pension is gradually being introduced.

Occupational pension schemes are set up by employers to provide pensions for their employees.

Where does the money come from?

Main sources of regular income in retirement

It may be;

- **a final salary scheme** - the amount of pension paid on retirement will depend upon the number of years a person contributed and the salary at the time of retiring.
- **a money purchase scheme** - money paid into the scheme is invested and the resulting pension is based on the amount of money paid in and how the investments have performed.

Group personal pensions/stakeholder pensions are where the pension provider is chosen by the employer but the contract is between the individual and the provider ie works in a similar way to a private pension. The money is usually* invested in a fund to provide a pension on retirement.

Personal or Private Pension

A personal pension is a way of saving for retirement. During working life people may pay into a pension fund. From April 2015 people over 55 are now able to access their entire pension pot, with 25% being tax free. For those who have delayed taking their pension, or do not reach at least 55 until after April 2015, they will be offered free, impartial advice and information on their options when they begin to draw on their pension.

Pension Wise is a free and impartial government service about your defined contribution pensions options. <https://www.pensionwise.gov.uk/>

The amount of income depends on how much is paid in, how well investments do & what charges are payable to the fund manager.

How to find out more

The Citizens Advice Bureau's self help Adviceguide has a detailed explanation of all aspects of retirement pensions

www.adviceguide.org.uk/england/debt_e/debt_pensions_e.htm

Pension Credit

Pension credit is a means tested welfare benefit for older people. Entitlement to pension credit depends upon a person's other sources of income and savings. It is not dependent upon whether or not someone has paid any national insurance contributions.

- **Guarantee credit** tops up an older person's weekly income to a minimum level.
- **Savings credit** is for people who have a small amount of other income or savings.
- People may be entitled to both types of credit.

Because it is a means tested welfare benefit, in the case of a couple all income/savings available to both individuals are taken into account in assessment to entitlement.

Pension credit is administered by the Pensions Service.

Where does the money come from?

Main sources of regular income in retirement



How to find out more

The rules about pension credit are quite complex. For a detailed explanation see Citizens Advice [Adviceguide](#)

To get an idea of how much a person might be entitled to there is a pension credit calculator at www.gov.uk/pension-credit-calculator.

For free, impartial information & advice contact EAC FirstStop national telephone Advice Line on 0800 377 70 70

Changes ahead

Significant changes to welfare benefits are being phased in.

- *Introduction of Universal Credit – some older couple households are affected by this eg. if one person is under Pension Credit age and the other person is above this age.*
- *Introduction of a savings limit for Pension Credit – details not yet known.*
- *When Housing Benefit (see next section) is abolished a new housing credit will be added to Pension Credit – possibly from 2017.*

Where does the money come from?

Main sources of regular income in retirement

Task 2

Using the websites and links above try to answer the following questions:

- 1 What is the current maximum amount of State Pension a person will receive if they meet the full contributions conditions?
- 2 Mrs Smith is 60 on 3rd February 2016. At what age could she claim her State Pension? (assume adequate contributions).
- 3 Mr & Mrs Jones are 72 and 75. They have no savings and their combined weekly income is £185. Does this indicate that they are likely to be entitled to Guarantee Pension Credit?
- 4 What is a defined benefit pension scheme?

Part 2

Other financial help in retirement



Other financial help in retirement

Do you know...?

Task 3

Write down every source of other financial help that a person might receive when they have retired.

Other financial help in retirement



Housing Benefit

Housing Benefit is a means tested payment to help low income people of all ages, including pensioners, pay their rent. Housing Benefit can meet up to 100% of the cost of the 'eligible' rent.

The amount of help towards the cost of the rent will depend upon:

- Savings & capital
- Income
- The level of rent
- Other occupants

If an older person is in receipt of pension credit and guarantee credit (whether on its own or with the savings credit), they should automatically get the maximum amount of Housing Benefit. If only in receipt of savings credit they may qualify for Housing Benefit but the amount will depend on income and savings/capital. **See page 8 about changes to welfare benefits.**

The local housing authority administers Housing Benefit and they will use the Pension Service figures for income and savings to assess entitlement.

Note

- *Only the person who is responsible for paying the rent can claim housing benefit, only one member of a couple who live together can claim and the person must live in the accommodation for which they are claiming Housing Benefit.*

Whilst these rules sound obvious, with growing numbers of multi-generation households the situation may not be clear cut for all older occupants. Advisers need to be careful not to make assumptions eg. who is the legal tenant, the financial relationship with other occupants etc.

People under retirement age receive a reduced amount of Housing Benefit if they are deemed to be 'under-occupying' (the 'bedroom tax' or 'spare room subsidy'). This does not apply to people over retirement age.

How to find out more

The Citizens Advice Bureau's self help [Adviceguide](#) has a detailed explanation of all aspects of Housing Benefit

For free, impartial information & advice contact EAC FirstStop national telephone Advice Line on 0800 377 70 70

Council Tax Reduction

Council Tax Reduction (also known as Council Tax Support) is means tested help with paying council tax bills. Since 1 April 2013 local housing authorities in England are responsible for running their own local schemes, replacing the previous national Council Tax Benefit scheme.

Local councils are obliged to give pensioners the same level of Council Tax Reduction as they would have done under Council Tax Benefit.

Other financial help in retirement

If people get the guarantee credit part of Pension Credit, their income and capital are ignored and they should get full Council Tax Reduction. For those on the savings element of pension credit a more detailed calculation is carried out.

Note

- *There are detailed rules related to the way that income and capital is treated, non-dependent deductions, temporary absence etc. Either refer to the sources of information noted below or refer people to specialist advisers.*
- *Irrespective of income and capital, people living alone get a 25% reduction in their Council Tax bill. There are other exemptions eg. for disabled people, students etc.*

How to find out more

For an explanation of all aspects of council tax see www.gov.uk/council-tax

See Citizens Advice [Adviceguide](#) for detailed explanation of Council Tax Reduction

For free, impartial information & advice contact EAC FirstStop national telephone Advice Line on 0800 377 70 70

Mortgage interest payments

Whilst many older home owners will have paid for their home and now own it outright, some may still be have an outstanding mortgage.

People over 60 in receipt of pension credit can claim help with mortgage interest payments (not towards paying off any of the capital). The amount of interest payable is calculated using a standard rate of interest, regardless of the rate of interest a person is actually paying.

Help with interest payments is also available for loans taken out to pay for certain repairs or home improvements.

See *Who can help* for more information.

Leaseholder Service Charges & miscellaneous housing costs

Means tested help for those on Pension Credit may be available in limited circumstances.

See *Who can help* and *Finding Solutions* section for more information.

For a summary of Help with Housing Costs see Table at Appendix B.

Attendance Allowance

People who are 65 or over who are physically and/or mentally disabled may be entitled to a non-means tested benefit called Attendance Allowance.

Other financial help in retirement

Attendance Allowance is payable to those who are assessed as having care needs (and have had those needs for at least 6 months, unless they are terminally ill), whether or not those needs are currently being met. Care needs include help with 'bodily functions', for example, washing, getting dressed and going to the toilet, or to stop a person from being a danger to themselves or others eg. people with dementia.

Dependent upon the level of disability people may get a

- *lower rate payment (2015-16 £55.10 per week) where frequent care is needed during the day OR the night*
- *higher rate (2015-16 £82.30 per week) where frequent care is needed during the day AND the night*

Attendance Allowance is not payable to anyone living permanently in hospital or special accommodation funded by a local authority, for example, a care home.

If a person gets attendance allowance this can result in an increase in other welfare benefits eg. Pension credit, housing benefit and council tax reduction.

People claim Attendance Allowance by phoning the Attendance Allowance Service Centre 0845 605 6055. The helpline will send out a claim pack or can arrange help completing a claim form over the phone.

Disability and Carers Benefits

There are complex rules related to carers benefits and the transition between disability benefits for people below retirement age and reaching retirement. These are outside the scope of this module. See *Who can help?* sections and *Sources of Help* in Part 3.

Note: Payment of Carers Allowance may result in entitlement to other benefits and help for both the older person and the carer.

Disability benefits and other rights

The Disability Rights Handbook is a comprehensive guide to money and other rights for disabled people. Your library may have a copy or it can be obtained from Disability Rights UK <http://www.disabilityrightsuk.org/disability-rights-handbook-40th-edition>.

Other financial help & related schemes

Most of these schemes are currently not means tested and entitlement is based on age, but this may change.

Winter fuel payment

This is a tax free payment (which does not affect other means tested benefits) of between £100 and £300 to help pay heating bills.

Women get a Winter Fuel Payment at state pension age. Men get a Winter Fuel Payment when they reach the state pension age of a woman born on the

Other financial help in retirement

same day. Most payments are made automatically (between November and December) to the recipients of State Pension. If people qualify but don't get paid automatically, they need to make a claim. See www.gov.uk/winter-fuel-payment for full details.

Health costs help

People of 60yrs and over get

- Free prescriptions in England (free to everyone in other UK countries)
- Free eye tests (*help with cost of glasses/contact lenses is dependent upon receipt of pension credit guarantee credit*)
- Free NHS dental care is also linked to pension credit guarantee credit.

Travel concessions

In England, women are entitled to free bus travel when they reach state pension age, and for men when they reach the state pension age of a woman born on the same day.

Some local authorities have more generous age conditions eg. London offers a Freedom pass or 60+ London Oyster Photocard which cover most public transport for those 60+.

Help with care costs

This is outside the scope of this module - see 'Interested in Finding out more?' on the next page.

Interested in finding out more

Interested in finding out more?

There are EAC FirstStop self training modules following a similar format to this one including:

- *Advising older people about their housing choices in later life*
- *Advising older people about their care choices in later life*
- *Enabling older people to live safely & well at home*

There is an online tool (HOOP) based on a series of questions that an older person can work through. 'HOOP' is designed to help older people think about their home, how well it works for them, how to tackle any problems and whether also to consider moving home.

In the *Online HOOP*, suggestions are made automatically in response to any problems HOOP users identify. If these aren't enough, users can ask for further suggestions from an EAC FirstStop Advisor.

Who can help to advise older people about housing, care and related finance in later life?

FirstStop Advice is an independent, free service provided by the national charity Elderly Accommodation Counsel (EAC) in partnership with other local and national organisations.

The service is for older people, their families, carers and professionals who are working with them. It aims to help people get the help or care they need to live as independently and comfortably as possible.

You can access FirstStop Advice through:

- the website www.firststopadvice.org.uk
- via the national telephone Advice Line 0800 377 70 70 or
- through one of their local partner organisations, some of which can visit the older person to talk through their options and help them implement their choice.

Part 3

Finding solutions



Finding solutions

Information into Action

Now that you have worked through this self trainer, practice using what you have learnt by applying it to a case study based upon a real scenario.

Task 4

Mrs Jones Story

Mrs Jones is 78 years old and lives alone in a Victorian terraced house, which she owns. She has angina and arthritis, which makes it difficult for her to get around easily. She also seems to have a persistent cough.

She is feeling a bit vulnerable at the moment as she tripped and fell outside the back door last week and was there for several hours until a neighbour saw her.

When you visit her at home you see that she is finding it increasingly difficult to get up and down the stairs to the bathroom. She is also worried about the damp in her bedroom, which is causing a nasty smell and the wallpaper to peel. Her gutters are blocked but she cannot find anyone to clear them for her.

She has a gas fire in her living room and you notice sooty marks and yellow flames. She is using a calor gas fire when it is cold in her bedroom and a small electric fire in her kitchen.

Although she has almost £6,000 of savings she doesn't want to spend too much of it because she only receives a retirement pension and during the conversation complains about the rise in the council tax bill.

What springs to mind about financial help that might help to improve her situation?

See Appendix C for answers.

Finding solutions

A-Z of Sources of help



Home Repairs & Adaptations

Home Improvement Agencies (HIAs) wwwFOUNDATIONS.uk.com 0845 864 5210

HIAs offer help to organise & carry out home repairs, adaptations and related practical work eg. home safety, handyvan.

Foundations can put you in touch with your local HIA.

Disabled Living Foundation www.dlf.org.uk 0300 999 0004

Advice about equipment, adaptations & services to make living independently at home safer.

Which? www.which.co.uk Run a Trusted Trader scheme.

TrustMark www.trustmark.org.uk is a government endorsed Trusted Trader scheme.

Your local Trading Standards/HIA or AgeUK may also run a Trusted Trader scheme.

Energy Advice

The Energy Saving Trust 0300 123 1234 or 0800 512 012

Provides advice and information on energy efficiency programmes and financial support.

Neighbourhood Energy Action www.nea.org.uk/advice

Aims to eradicate fuel poverty. Range of practical information available on website.

General Advice for Older People

AgeUK www.ageuk.org.uk Advice Line: 0800 169 6565

Wide range of free information - Tel advice, website, factsheets and via local AgeUK groups.

Independent Age www.independentage.org.uk Advice Line: 0800 319 6789

Free tel advice, factsheets & website on home care, care homes and many related matters.

Turn2Us www.turn2us.org.uk Advice Line: 0808 802 2000

Help to access welfare benefits, charitable grants & financial help online, by phone via partners.

Citizens Advice (CAB) On-line Advice Guide: www.adviceguide.org.uk/

Local CAB provide free advice on a wide range of subjects via website and local bureau.

The Money Advice Service www.moneyadvice.service.org.uk

The Money Advice Service is a free, independent service. Their website has useful information about pensions including comparison tables for choosing a personal pension provider and a pension calculator for working out how much pension people need to live on. There's also a range of leaflets to help answer pensions and retirement questions.

Housing & Care Options Advice

EAC FirstStop www.firststopadvice.org.uk Advice Line: 0800 377 70 70

Free advice & information about all aspects of accommodation, care & support via tel advice, factsheets, website and personalised housing & care options reports.

Appendix A

Answers to task 2

Note - Pension amounts change each year in April and rules are subject to change by government. Therefore we have provided the weblink to the source of the answer as well current amounts of money/details as during financial year 2015-16

- 1 What is the current maximum amount of State Pension a person will receive if they meet the full contributions conditions?

Answer to Q1:

Currently £115.95 per week (2015-16)

- 2 Mrs Smith is 60 on 3rd February 2016. At what age could she claim her State Pension? (assume adequate contributions)

Answer to Q2:

weblink to answer www.gov.uk/calculate-state-pension/y

Currently 66

- 3 Mr & Mrs Jones are 72 and 75. They have no savings and their combined weekly income is £185. Does this indicate that they are likely to be entitled to Guarantee Pension Credit?

Answer to Q3:

weblink to answer www.gov.uk/pension-credit

Yes

Currently (2015-16) Guarantee Credit tops up older people's weekly income if it's below £151.20 (for single people) or £230.85 (for couples).

- 4 What is a defined benefit pension scheme?

Answer to Q4:

weblink to answer

www.adviceguide.org.uk/england/debt_e/debt_pensions_e/debt_types_of_pension_e/workplace_pensions.htm

Defined benefit scheme is another name for final salary pension schemes as described above. The amount of pension is based on level of salary and the number of years contributing to the scheme so the amount of pension is defined or fixed by these factors ie. doesn't depend on the performance of the stock market or other investments.

Appendix B

Summary of potential financial help with housing related costs for older people.

Housing type	Tenure	Ongoing housing costs/charges	Potential financial help (means tested unless otherwise indicated)	Who funds
General	Owner occupier	Mortgage interest payments	Means tested help in specific circumstances	Pension Service
		Council Tax (1)	Council Tax Reduction	Local housing authority
		Repairs	Possibly grants or loans (only in limited cases)	Local housing authority
		Urgent small repair	Charity	Benevolent/Charity Fund
		Cost of loan for repairs & improvements	Possibility of using equity release/ loan and claiming help with interest through Pension Credit	Pension Service In some areas there may be a local authority loan scheme
General	Private tenant	Rent & Council Tax (1)	Housing Benefit/Council Tax Reduction	Local housing authority
		Repairs		Landlord's responsibility
General	Social tenant	Rent & Council Tax (1)	Housing Benefit/Council Tax Reduction	Local housing authority
		Repairs	-----	Landlord's responsibility
General	Leaseholder	Council Tax (1)	Council Tax Reduction	Local housing authority
		Mortgage interest	Pension Credit in specific circumstances	Pension Service
		Service Charges	Pension Credit in some circumstances	Pension Service
		Loan/mortgage taken out to meet cost of repairs	Pension Credit meets interest in limited circumstances	In some areas there may be a local authority subsidised loan scheme
Sheltered or retirement or extra care	Rented	Rent Council Tax (1)	Housing Benefit Council Tax Reduction	Local housing authority Local housing authority
Sheltered or retirement or extra care	Leasehold/Shared ownership (ie. part buy/part rent)	Council Tax (1) Rent (on shared ownership)	Council Tax Reduction Housing Benefit	Local housing authority Local housing authority
		Service charges, property management charges)	Pension Credit in very limited circumstances	Pension Service
Residential care	n/a	Total accommodation and support package	Social Services (2)	Social Services
All housing types	all	Care and support services that are not housing related	Social Services (2)	Social Services

Appendix C

Answers to Task 4

Increasing Mrs Jones' weekly income

As she has a low level of savings and only a basic State Pension and so from the information we have here, she should be entitled to Pension Credit Guarantee Credit.

As a home owner with no mortgage her main regular housing expenditure is Council Tax. She should be entitled to a single occupier discount and Council Tax Reduction.

From the information available it would be well worth her while applying for Attendance Allowance.

Check that she is receiving her winter fuel payment.

If she is paid Pension Credit this will 'passport' her to help with dental and optical charges.

Other help for her situation

She could probably benefit from equipment and home adaptations to enable her to look after herself more easily eg. stairlift, toilet & bathroom adaptations.

Equipment and minor adaptations are free and not means tested for items up to £1,000 delivered through Integrated Community Equipment services (provided jointly by Social Services and Health).

Means tested help with larger adaptations can be provided through a Disabled Facilities Grant. These are usually managed by the local housing authority.

Care services would also make a difference to her life. She is entitled to an assessment by Adult Social

Care - how much help they will pay for will be a matter for local determination, but the increase in income and Attendance Allowance may help to pay for some services eg. meals on wheels, a pendant alarm, occasional visits by carers.

Contact *Who can help?* sources for more information.