KELLANDS

CHARTERED FINANCIAL PLANNERS

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Everything **you need to know** about the State Pension

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Having a stable income when you retire could give you the independence to enjoy a meaningful and fulfilling life after work. Indeed, a July 2023 survey by Legal & General found that 94% of UK adults said that financial security was their most important retirement dream.

Your State Pension, along with other savings and investments, could provide the stability you need to support the retirement lifestyle you want.

However, there is a worrying lack of understanding about the State Pension among UK adults.

The Retirement Voice report published in April 2025 by Standard Life revealed that:

- 50% of UK adults don't know how much they'll receive in their State Pension
- 32% are unaware of their State Pension Age.

If you're not sure how the State Pension works or what it could mean for your retirement, read on to find out everything you need to know.

Remember that while you may have other sources of retirement income, your State Pension could be a valuable part of your long-term financial plan.

A brief history of the modern State Pension

1908 The Old Age Pensions Act introduced the first State Pension. This was a means-tested, non-contributory scheme, primarily for the lowest earners.

1925 The first contributory State Pension came into effect. However, it was not available to everyone.

1948 In a landmark development, the basic State Pension was established as a universal, contributory scheme based on National Insurance contributions (NICs).

2016 The Conservative-Liberal coalition government introduced the new State Pension to simplify the system.

How the UK State Pension works

If you're eligible for some or all of the State Pension, you'll receive a regular payment from the government when you reach State Pension Age.

There are two main types of State Pension:

> **The basic State Pension** – For those who reached State Pension Age before 6 April 2016
>
> **The new State Pension** – For those who reached State Pension Age on or after 6 April 2016.

Your eligibility depends on how many "qualifying years" of NICs you have. You'll usually need:

> **The full basic State Pension** – Typically, 30 qualifying years. However, men born before 1945 usually need 44 qualifying years, while women born before 1950 usually need 39 qualifying years.
>
> **The full new State Pension** – 35 qualifying years.

If you have fewer qualifying years than are necessary for the full entitlement, you may be able to claim a reduced pension.

Even one qualifying year could give you a small basic State Pension. However, you'll need at least 10 years of qualifying NICs to claim any new State Pension at all.

WHAT IS A QUALIFYING YEAR?

A qualifying year is one in which you were:

- Working and made NICs
- Receiving National Insurance (NI) credits, for example if you were a parent or carer
- Paying voluntary NICs.

How much is the State Pension?

The amount you'll receive depends on your NI record.

In 2025/26, the full State Pension amounts are:

> **Basic State Pension** – £176.45 a week, equivalent to £9,175 a year
>
> **New State Pension** – £230.25 a week, equivalent to £11,973 a year.

You might be entitled to more than this if you defer your payments, or if you receive the basic State Pension and built up an entitlement to the Additional State Pension (your "protected amount") under the pre-2016 system.

In contrast, if you were "contracted out" of the Additional State Pension before this option was removed in April 2016, your State Pension entitlement might be lower than you expect.

You can check your State Pension forecast on the government website, provided that you've not delayed claiming it and you're not already receiving payments.

When reviewing your State Pension entitlement, it's important to note that this income is taxable and counts towards your Personal Allowance (the amount you can earn before paying tax).

THE TRIPLE LOCK SEES THE STATE PENSION INCREASE EACH YEAR

In 2010, the Conservative-Liberal Democrat coalition government introduced the State Pension triple lock, which took effect from 2011/12.

It was designed to keep the State Pension in line with the rising cost of living and salaries of working people.

Subsequent governments have upheld the triple lock, and the current chancellor, Rachel Reeves, has confirmed her ongoing commitment to this arrangement. Under the triple lock, the State Pension is increased each tax year, based on the highest of:

- Average earnings growth
- Inflation, as measured by the Consumer Prices Index (CPI)
- 2.5%.

In April 2026, the State Pension is set to rise 4.7% in line with the rise in average earnings. The new amounts will be:

- **The full new State Pension** – £241.05 a week.
- **The full basic State Pension** – £184.75 a week.

How contracting out could affect your State Pension entitlement

Before April 2016, you or your workplace or private pension scheme could choose to "contract out" of the Additional State Pension (also known as "State Second Pension" or "SERPS") from the government. Instead, you would have received a smaller portion of your NICs (or an equivalent sum) as a direct investment in a workplace or private pension.

The purpose of this approach was to provide employees with a pension that was equivalent to or better than the State Pension entitlement they gave up, depending on investment performance.

However, if you were contracted out, this could reduce the amount of State Pension you receive because your NICs were either:

- Lower than those made by people who were not contracted out; or
- Paid into another pension, such as a workplace scheme.

How this affects your State Pension entitlement depends on your State Pension Age:

If you reached State Pension Age before 6 April 2016 - You will still be entitled to the basic State Pension, but you may not receive any Additional State Pension from the point at which you were contracted out.

If you reached State Pension Age on or after 6 April 2016 – You might not get the full new State Pension.

You might be able to increase your entitlement by adding qualifying years to your NI record (more on this later).

When can you claim your State Pension?

Knowing when you can claim your State Pension could help you plan your retirement timeline and finances.

The State Pension Age is the earliest age you can start claiming your State Pension. You can check your State Pension Age quickly and easily online.

The current State Pension Age is 66 for both men and women. This is set to increase to 67 between 2026 and 2028 and to 68 between 2044 and 2046.

However, the Pensions Act 2014 requires the government to review the State Pension Age every six years. The latest (third) review was launched in July 2025 and is due to conclude in 2029.

While there are no plans to change the increase from 66 to 67, the timetable for increasing the State Pension Age from 67 to 68 could change as a result of the review. However, the government must give at least 10 years' notice before amending the State Pension Age, so the earliest any changes could take effect is 2039.

How to claim your State Pension in 3 easy steps

Here's how the process works:

1. Receive an invitation letter

You should receive a letter from the Department for Work and Pensions (DWP) about four months before you reach your State Pension Age.

The letter includes a unique invitation code. If you don't receive it or lose it, and you're within three months of State Pension Age, you can request a code online.

2. Gather relevant information

To start a claim, you will need:

- Your NI number
- Your bank or building society details
- The unique invitation code from your letter
- The dates of any time spent living or working abroad
- The date of your most recent marriage, civil partnership, or divorce
- Any supporting documents, such as proof of marriage.

3. Complete and submit your application

You can claim in three ways:

- **Online** – Using the government website is the quickest way to claim.
- **By phone** – Call the relevant Pension Service number for your area and requirements.
- **By post** – Contact the Pension Service to request a form that you can complete and send back to them.

After you submit your claim, the DWP will send a letter to confirm they have received it and let you know when you can expect your first payment – usually within five weeks of your chosen start date. Your State Pension will then be paid every four weeks.

If you submit a claim after you reach your State Pension Age, you can ask for payments to be backdated by up to 12 months. However, your entitlement can't be backdated to a date before you reached State Pension Age.

You won't receive your State Pension automatically; you need to claim it when you reach State Pension Age.

Deferring your State Pension

You can choose to delay receiving your State Pension, for example, if you're still working or have other income.

For every nine weeks you defer, your State Pension increases by 1%, provided you defer for at least nine weeks. This adds up to around 5.8% a year.

So, if you qualify for the full new State Pension of £230.25 a week (2025/26), deferring for a year would give you an extra £13.35 a week, equivalent to around £694 a year, paid for life.

Any extra entitlement you accrue by delaying your claim will be paid with your regular State Pension payments when you start claiming.

If you reached State Pension Age before 6 April 2016, you may be able to take the extra money as a lump sum if you defer for at least 12 months. This will be taxable at your marginal rate. Monthly payments are usually the only option for those born later, unless you're claiming for backdated payments.

You don't need to apply to defer – it happens automatically if you don't submit a claim when invited. You can then claim in the usual way at any time.

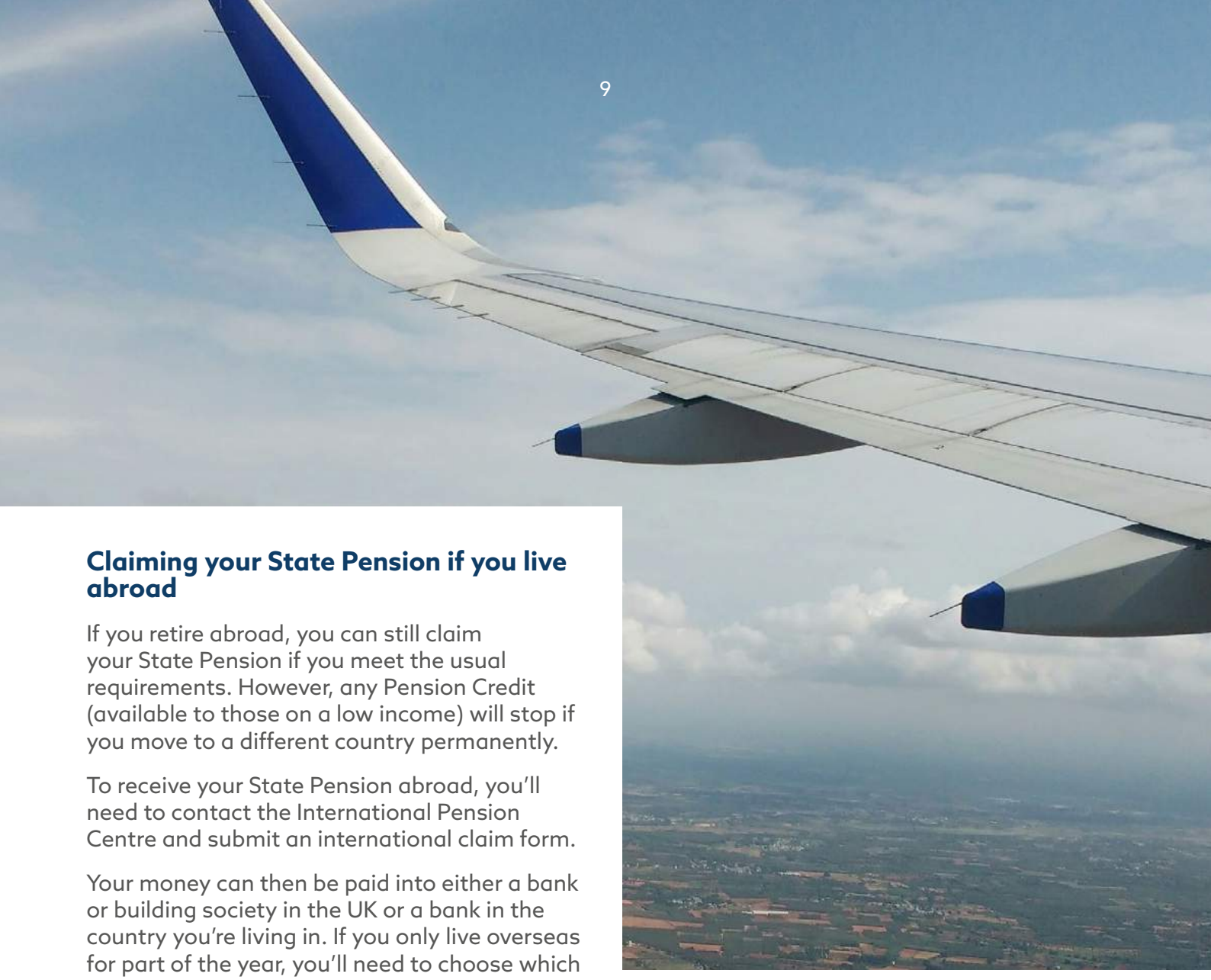
There are several potential pros and cons to consider when deciding whether to defer your State Pension.

Pros of deferring	Cons of deferring
You could potentially receive higher weekly pension payments for the rest of your life.	You'll miss out on extra income during the deferral period, and it could take many years to recoup the equivalent amount.
Having the flexibility to draw your State Pension when it suits you could help you plan your retirement in line with your goals.	You cannot claim extra State Pension if you receive certain means-tested benefits. Deferring could also affect your entitlement to certain benefits, such as the Winter Fuel Payment.
If you have other earnings, deferring could reduce your taxable income.	Your higher pension payments may be taxable, which could push you into a higher Income Tax bracket.

As you can see, there are plenty of factors to consider, and you may benefit from seeking financial advice before deciding.

Whether deferring your State Pension is right for you will depend on your personal circumstances and retirement plans.

For instance, if you expect a long life and your earnings (and Income Tax band) are likely to fall after you retire, deferring might seem attractive. However, if you need income early in your retirement or expect a shorter-than-average life span, delaying may not be beneficial.



Claiming your State Pension if you live abroad

If you retire abroad, you can still claim your State Pension if you meet the usual requirements. However, any Pension Credit (available to those on a low income) will stop if you move to a different country permanently.

To receive your State Pension abroad, you'll need to contact the International Pension Centre and submit an international claim form.

Your money can then be paid into either a bank or building society in the UK or a bank in the country you're living in. If you only live overseas for part of the year, you'll need to choose which country you want your pension to be paid in.

Remember that State Pension income is taxable. If you live abroad but are classed as a UK resident for tax purposes, you may have to pay UK tax on your State Pension.

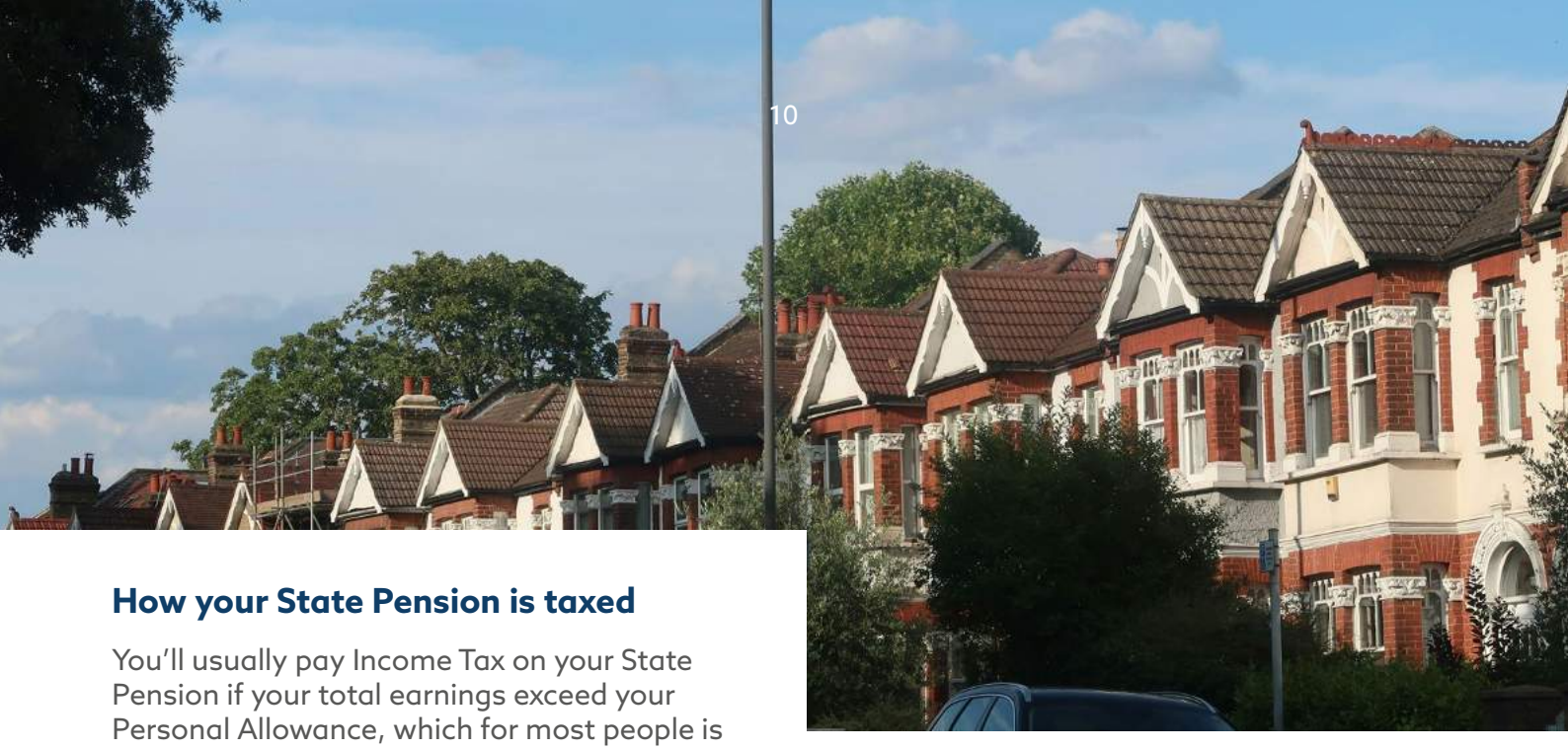
Countries that don't have a "double taxation agreement" with the UK may also tax your pension income. However, if you're taxed both in the UK and abroad, you can usually claim tax relief to get some or all of these payments back by submitting a form to HMRC.

If you've lived or worked overseas for some time, it's worth checking whether you're entitled to any State Pension in that country. You may be able to claim a foreign pension before you reach your UK State Pension Age.

It's important to be aware that you won't benefit from annual increases under the triple lock unless you live in:

- A European Economic Area (EEA) country, Gibraltar, or Switzerland; or
- Any other country that has agreed to pass on cost of living increases.

The government website has a full list of countries that have such an agreement.



How your State Pension is taxed

You'll usually pay Income Tax on your State Pension if your total earnings exceed your Personal Allowance, which for most people is £12,570 for the 2025/26 tax year. Your Personal Allowance may be less than this if your income exceeds certain thresholds.

However, the State Pension is paid gross (before tax). Instead, any tax you owe will be collected in one of several ways, depending on your circumstances:

If you receive a private pension – Your private pension provider will deduct any tax you owe, including that due on your State Pension.

If you work while claiming – Your employer will usually deduct any tax owed on your State Pension via the PAYE system. If self-employed, you must declare pension income on your self-assessment return.

If you have other income – You'll need to inform HMRC of any other earnings, such as rental yield or self-employed income, and you may need to fill in a self-assessment tax return.

If the State Pension is your only income – If your earnings exceed the Personal Allowance, HMRC will send you a Simple Assessment tax bill showing what you owe.

In 2025/26, earning just £597 above the full new State Pension would push you over the Personal Allowance and into the basic-rate Income Tax bracket.

This is because the Personal Allowance has been frozen at its current amount since 2021/22, while the State Pension has risen each year under the triple lock. Moreover, the chancellor has extended the Personal Allowance freeze until 2028.

As such, annual increases could potentially push the State Pension beyond the Personal Allowance in the near future.

WHAT HAPPENS TO YOUR STATE PENSION WHEN YOU PASS AWAY?

Your State Pension payments will usually stop when you die, but your spouse or civil partner may inherit some of your entitlement.

This depends on:

- The number of NICs you both made; and
- When you both reached, or will reach, State Pension Age.

You can check what you or your partner would inherit on the government website.

Taking control of your State Pension: 4 useful steps to take now

To understand your State Pension entitlement and make the most of this valuable source of retirement income, there are four useful steps you could take now:

1. Check your State Pension forecast

Use the government website to find out how much you could receive, when you can claim, and how to increase the amount if you're eligible.

This could help you make informed decisions about managing your State Pension and allow you to plan financially for your retirement.

2. Consider filling gaps in your National Insurance record

If your State Pension forecast is lower than expected, review your NI record through your HMRC personal tax account or the HMRC app to see your NICs.

It may be that you don't have enough qualifying years to receive the full State Pension. However, you might be eligible to claim free NI credits to plug any gaps in your record, for example, if you were an unpaid carer or out of work due to illness.

If not, you might want to consider paying voluntary NICs to increase your entitlement. Bear in mind that not everyone is eligible to do so, and you can only pay for gaps in the last six tax years. You'll also need to calculate whether voluntary contributions are worth the cost, as it could take many years to recover the value.

3. Stay informed about changes to the State Pension

Keeping up to date with annual increases, rule changes, and eligibility requirements could ensure that you make the most of your State Pension.

Understanding how much you'll receive and when could allow you to manage your finances tax-efficiently and plan for the retirement lifestyle you want.

4. Seek professional advice

A financial planner can help you understand and stay updated on the complex rules and tax regulations around retirement planning.

They can explain how any changes might affect your State Pension entitlement and help you avoid costly mistakes or missed opportunities to maximise your retirement wealth.

By seeking financial advice, you'll have access to holistic support and guidance that integrates your State Pension into your broader retirement plan, allowing you to prepare for the future you desire.

Get in touch

Making the most of your State Pension is just one part of effective retirement planning. We can provide a comprehensive overview of your finances and help you build wealth for the future you want.

To find out more, please get in touch:

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Please note: This article is for general information only and does not constitute advice. The information is aimed at retail clients only.

All information is correct at the time of writing (September 2025) and is subject to change in the future.

Please do not act based on anything you might read in this article. All contents are based on our understanding of HMRC legislation, which is subject to change.

The Financial Conduct Authority does not regulate tax planning,

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future performance.

The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates, and tax legislation may change in subsequent Finance Acts.

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