

## Pensioners' credit

Cuts for people who go abroad for over a month

People who go abroad for over a month will no longer be eligible for pensioners' credit. At present, housing benefit and pension credit recipients can go abroad for up to 13 weeks while continuing to receive payouts.

The spending review says: 'The benefit system should not subsidise those on benefits to go abroad for extended periods. This reform will ensure the benefit system is not paying the rent of people who go abroad for more than four weeks at a time.'

### **BASIC STATE PENSION INCREASE RISING IN LINE WITH THE HIGHEST OUT OF CPI INFLATION, RPI INFLATION OR BANK RATE**

The basic State Pension will increase next year by £3.35 to £119.30 per week. Chancellor George Osborne claims this will make pensioners £1,125 a year better off.

Meanwhile, the 'triple lock', which ensures the State Pension rises in line with whichever is highest out of CPI inflation, RPI inflation or Bank rate, will be maintained.

### **NEW STATE PENSION RATE HIGHER RATE MEANS TESTED BENEFITS FOR THE LOWEST EARNERS IN SOCIETY**

The full rate for people collecting the new State Pension from 6 April 2016 will be set at £155.65. Chancellor George Osborne says this is a higher rate than means tested benefits for the lowest earners in society.

People who contracted out of the top-up S2P and Serps schemes over the years will get less than this.

### **STATE PENSION – WHAT YOU NEED TO KNOW**

The basic State Pension is currently £115.95 a week, and it will rise to £119.30 from next April. It is currently topped up by additional State Pension entitlements – S2P and Serps – accrued during working years.

This two-tier system will change from 6 April 2016 and be entirely replaced for those retiring after April 2021 by a 'flat rate' pension. George Osborne has announced that the starting rate will be £155.65 a week.

Workers need to have 30 years of qualifying National Insurance contributions to get the current full State Pension, but will need 35 years of contributions to get the full flat rate State Pension in future.

Even if you paid in full for a whole 35 years, if you contracted out for some years on top of that, it might still reduce what you get.

Rises in the State Pension are presently calculated on the basis of something called the 'triple lock'. This means that payouts always increase by whatever is the highest of inflation, average earnings or 2.5%.



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## ANNUITIES

### SETTING UP A SECOND-HAND MARKET

The Government has been investigating the possibility of setting up a second-hand market in annuities.

In the Spending Review and Autumn Statement 2015, the Treasury said: 'The Government will remove the barriers to creating a secondary market for annuities, allowing individuals to sell their annuity income stream.'

The Government will set out further details on this measure, including the framework for the consumer protection package, in its consultation response this December.'

## INCOME DRAWDOWN

### NO INHERITANCE TAX LEVY ON CASH LEFT IN SAVERS' PENSION POTS

The Government has confirmed that it won't levy Inheritance Tax on cash left in savers' income drawdown pension pots when they die.

The Spending Review and Autumn Statement 2015 said: 'The Government will legislate to ensure a charge to Inheritance Tax will not arise when a pension scheme member designates funds for drawdown but does not draw all of the funds before death.'

This will be backdated to apply to deaths on or after 6 April 2011.'

## ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER THE SPENDING REVIEW AND AUTUMN STATEMENT 2015?

There were some positive announcements for individuals and businesses, but it's clear that raising tax revenue is very much on the Chancellor's agenda to help balance the UK's books. To review what action you may need to take to keep your plans on track, please contact us.

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