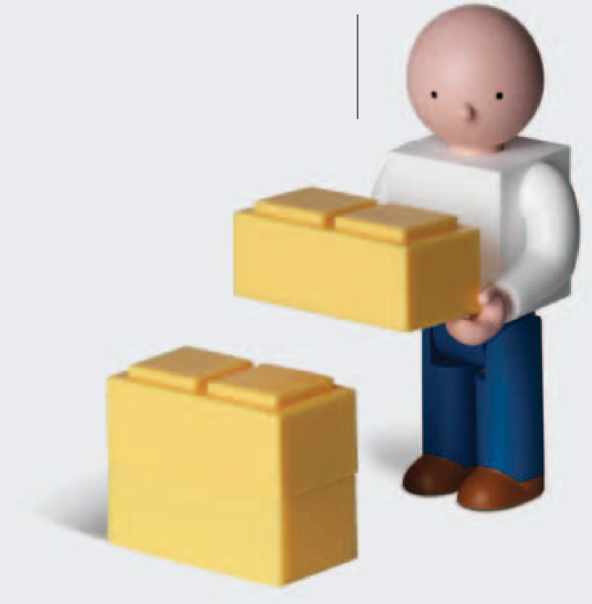
Build a better future

Helping you think about planning for retirement



www.direct.gov.uk/betterfuture

DWP Department for Work and Pensions

Contents

For more about any of the topics covered in this leaflet go to **www.direct.gov.uk/betterfuture** or call **0800 678 1132**. Lines are open 8am to 8pm Monday to Friday.

First steps to build a better future

We're all living longer which is good news. To make the most of it, you need to think about how you will fund your retirement. The best time to start preparing is today.

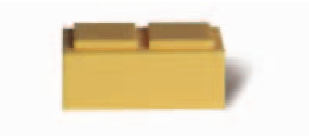
This leaflet will take you through some simple steps to help you understand your options and start planning for later life.

Changes to the State Pension

The State Pension changed on 6 April 2010. From that date, more people qualify for a full basic State Pension. If you're over 55, approaching retirement or recently retired, or if you care for someone, go to **www.direct.gov.uk/betterfuture** and use the State Pension profiler to find out what this means for you. Or call **0800 678 1132**.

The best time
to start
preparing is today

Three simple steps to get you started



1 What am I entitled to from the State?

In 2010-11 the full basic State Pension for a single person is £97.65 a week. You may also get an additional State Pension. Find out how much basic State Pension you could get by using the State Pension profiler at **www.direct.gov.uk/betterfuture** or call **0800 678 1132**. You may already be entitled to more than you think.

To find out more see Step 1 on pages 6–11 of this leaflet.

2 What if this isn't enough – how can I start saving?

There's no perfect way to save for retirement but there are plenty of options. To work out whether you'll have enough, you need to think about how much you spend today and how this will change in later life. To get information on your savings options and how to fund your retirement go to **www.direct.gov.uk/betterfuture** or call **0800 678 1132**.

For some ideas see Step 2 on pages 12–21 of this leaflet.

You'll probably have 20 years of retirement, so you might want to start building towards it now

3 I'm nearing retirement – what are my options?

Different people retire at different ages. State Pension age is the earliest age when you can claim your State Pension. But you may be able to boost your retirement income by working beyond this age, or by putting off claiming your State Pension, or both. To find out more about your options go to **www.direct.gov.uk/betterfuture** or call **0800 678 1132**.

To find out more see Step 3 on pages 22–25 of this leaflet.

1 What am I entitled to from the State?

What is the State Pension?

The State Pension is a regular payment people can claim when they get to State Pension age. Most people build up some State Pension, but not everybody gets the same amount.

When can I get it?

You can claim your State Pension once you reach your State Pension age. You don't have to claim it straight away, and you can increase the amount you get if you put off claiming. Today, the State Pension age for men is 65 but this will rise in the future. Starting on 6 April 2010, the State Pension age for women began to change, gradually rising from 60 until it reaches 65 in 2020. This will affect women born after 5 April 1950. State Pension age will rise gradually again for men and women from 65 to 68 between 2024 and 2046. This will affect you if you were born after 5 April 1959.

Find out when you can claim your State Pension by using the State Pension age calculator at **www.direct.gov.uk/spacalculator** or by calling **0800 678 1132**.

Myth: I've heard they're going to scrap the State Pension. There'll be nothing by the time I retire.

Fact: There are no plans to scrap the State Pension. In fact, it's changed so that more people get more State Pension.

How much will I get?

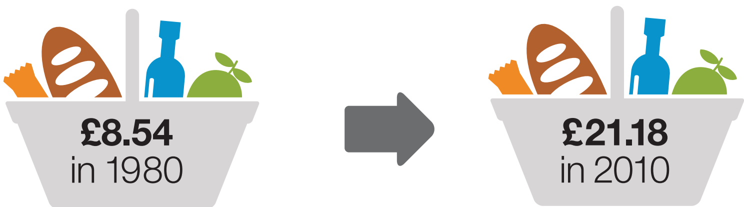
In 2010-11 the full basic State Pension for a single person is £97.65 a week. Some people get more than this, because they also get an additional State Pension.

You can find out how much basic State Pension you may have built up so far by using the State Pension profiler at **www.direct.gov.uk/betterfuture** or by calling **0800 678 1132**.

If you live in the UK or in certain other countries, the State Pension normally increases each year. If you live abroad, go to **www.direct.gov.uk/pensionsabroad** for more information.

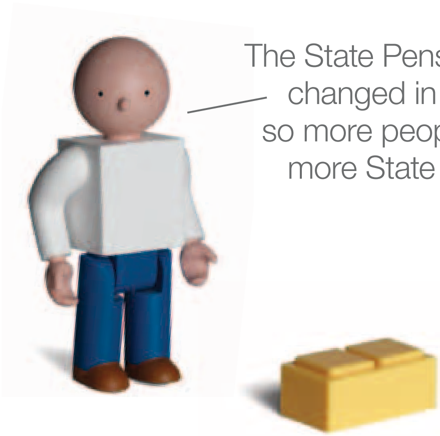
If you are married or in a civil partnership, you and your spouse or civil partner can each build up the same amount of basic State Pension as a single person. But if you are not entitled to a full basic State Pension, there may be a way to boost it. See page 9.

The State Pension will buy roughly the same in the future as it does now



1980 weekly State Pension	2010 weekly State Pension
£27.15	£97.65

The value of the State Pension is protected, which means it will buy roughly the same in the future as it does now. Although the prices of things like groceries and bills go up over time, the amount of State Pension people get normally also goes up each year. This is usually in line with the cost of living.



The State Pension changed in April 2010 so more people get more State Pension

How is the State Pension worked out?

The amount of State Pension you get depends on how many qualifying years of National Insurance you have built up.

There are a number of different ways you can now build up qualifying years. For example:

- being employed in paid work
- being self-employed and paying National Insurance contributions
- caring for one or more people for 20 hours a week or more
- getting Child Benefit for a child under 12
- receiving certain benefits
- being on a full-time training course for 12 months or less
- being an approved foster carer.

Up to 5 April 2010 many people who cared for others were eligible for Home Responsibilities Protection (HRP). HRP helped protect your State Pension entitlement for years when you were not working or your earnings were low. If you reach State Pension age after 5 April 2010, HRP has been replaced by new credits.

These activities mean you either pay National Insurance, you are treated as paying National Insurance, or the government gives you a National Insurance credit.

For more on qualifying years go to **www.direct.gov.uk/statepension** and click on 'State Pensions – an introduction' or call **0800 678 1132**.

Are the rules the same for everyone?

To receive the full basic State Pension, most people need to have built up 30 qualifying years. But if you are a man born before 6 April 1945 or a woman born before 6 April 1950, the rules are different. You need more than 30 qualifying years to get a full basic State Pension. Go to **www.direct.gov.uk/statepension** to find out what this means for you or call **0800 678 1132**.

What else can I get from the State?

On top of the basic State Pension, some people also get additional State Pension. You may build up entitlement to additional State Pension if you are employed in paid work, looking after children under 12 and claiming Child Benefit, receiving certain other benefits due to illness or disability, or caring for one or more people for 20 hours a week or more.

You can keep contributing to the additional State Pension until you reach State Pension age, and every year you contribute means that you get more when you claim. However, not everyone in paid work builds up additional State Pension, and people may get different amounts.

What do married people and civil partners get?

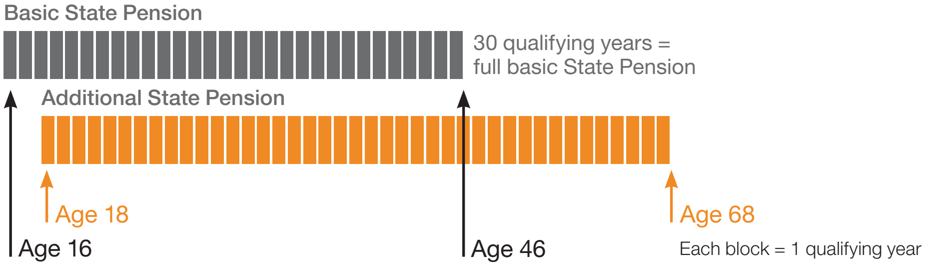
If you are married or in a civil partnership, and you have not built up entitlement to a full basic State Pension, you may be able to get a basic State Pension based on your spouse's or civil partner's National Insurance record. This may also apply if you are bereaved, divorced, or your civil partnership has ended. Go to **www.direct.gov.uk/betterfuture** and use the State Pension profiler to find out what this means for you or call **0800 678 1132**.

Building up the basic and additional State Pension – an example

Dan starts building up qualifying years at 16, while he is in training. He starts work at 18 and is employed full-time until he reaches State Pension age, which for him is 68. He pays National Insurance for each year he is working and also earns entitlement to the additional State Pension for each of these years. This means that:

- when Dan turns 46, he has built up 30 qualifying years, so he has already built up a full basic State Pension
- he continues to pay National Insurance until he reaches his State Pension age of 68 – this goes towards his additional State Pension
- when he claims his State Pension, Dan gets a full basic State Pension and an additional State Pension based on his contributions from age 18 to age 68.

The timeline shows the years when Dan builds up entitlement to the basic and additional State Pension



What happens when I get to State Pension age?

When you get to State Pension age, the government looks at your personal record. If you have not built up enough qualifying years, you will get less than the full amount of basic State Pension. If you think you might not be on course to get a full basic State Pension by the time you reach State Pension age, you might want to look into paying voluntary National Insurance contributions. These can improve the basic State Pension you get but you need to check whether they are worthwhile for you. Visit **www.direct.gov.uk/topupni** to find out more.

You also need to be aware that when you reach State Pension age you no longer pay National Insurance contributions but you don't automatically stop paying tax. If your taxable income – including your State Pension – is more than your tax-free allowances you'll still pay tax. Visit **www.hmrc.gov.uk** to find out more.

Take action

Go to **www.direct.gov.uk/betterfuture** or call **0800 678 1132** and use the State Pension profiler to:

1. Check your State Pension age.
2. Find out how much basic State Pension you could get.

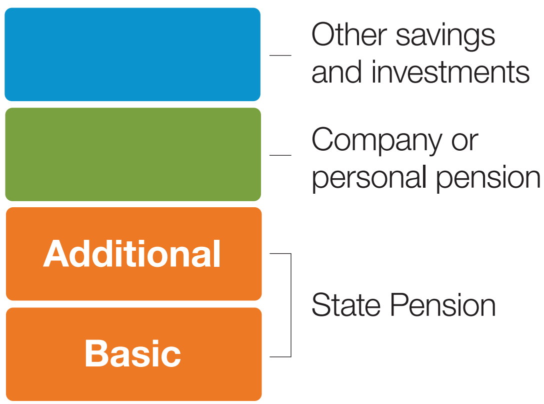
2 What if this isn't enough – how can I start saving?

The State Pension is a good foundation but you may want to think about adding to it.

There's no perfect answer for where to put your money for later life. There are many different options. Each type of saving and investment works differently and has its own pros and cons. For most people, having their own company or personal pension is a good thing to think about, although it may not be the only thing worth considering.

There are many other ways to build up money for the long term, including savings accounts, ISAs and a range of other types of investments. Many people choose to invest in property. If you would like to explore your options, Moneymadeclear from the Financial Services Authority (FSA) will provide you with impartial information and tools to help you. Visit **www.moneymadeclear.org.uk** or call **0300 500 5000**.

Building up your pension



How do company and personal pension schemes work?

Many people choose to take out their own pension because:

- they get money back in tax relief
- they may get additional contributions from their employer
- they can lock away their money until they retire.

Pension schemes work differently from savings accounts. With a savings account the growth of your money is normally set at an interest rate. With personal pensions the growth could be much higher, but growth may not be guaranteed. This also applies to some types of company pensions (called money purchase schemes).

There are different types of pension, and different ways to get one. With money purchase company pensions and personal pensions, your pension pot is invested in stocks and shares or other types of investment. There is risk involved, but this generally means your pot will grow over time. So you are likely to get a bigger pension in the long term than if you had invested in a savings account. It's a good idea to be aware of the benefits and risks of a pension.

You may want to add to the State Pension with one of your own

How do I start a pension?

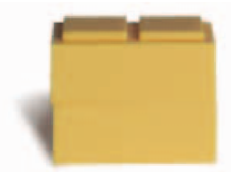
It's never too early to get into the saving habit. Even if it's only a small amount, the money you put away early in life can build up a tidy sum over time. And the sooner you start, the more you are likely to get.

There are two main ways of starting a pension: getting one through your job (company pension) or setting up your own (personal pension). Company and personal pensions are designed as a way of saving money for retirement. Some company and personal pensions work like this:

Contributing

You put money in, usually while you are working and earning. You start building up your own fund of money as soon as you or your employer starts paying into a pension. And you get money added to your contribution through tax relief.

Start saving now to build up your pension pot over time



Building up your fund

You can't touch your fund until you start claiming your pension. It is invested for you, the aim being to build up the biggest possible pension pot over time.

Deciding to take your money

When you do decide to start claiming your pension, you can convert your pot into a regular income for the rest of your life. You may also be able to take some of your money straight away, as a tax-free lump sum.

Company pensions that work like this are called money purchase schemes. Other company pensions are salary-related schemes and work differently.

It's never too early to get into the saving habit

How do I get my own pension?

You don't need to have just one type of pension – you can have both a pension from work and a personal pension.

1. Getting a pension through your job

Many employers have a company pension scheme, which they have set up for their employees to join. Many company pensions are called money purchase schemes. With these schemes:

- you put part of your salary into your own pension pot and you get money added to your contribution through tax relief
- your employer may make a contribution as well. This might mean they match your contribution, or put in a different amount
- you may not need to put anything in yourself to get the employer contribution.

Other company pensions are salary-based and work differently. You may or may not need to contribute to a salary-based scheme. If your employer offers a company pension, they will be able to tell you what type of scheme you have.

Key fact

Starting in 2012, there will be a new way of saving at work. Everyone who is employed and earning more than about £5,000 a year will be eligible. In the new system your employer will automatically enrol you into a pension unless you are already in a suitable scheme. On top of any contributions you make, your employer will pay in as well, and the government will contribute through tax relief. Enrolment will be easy and you will be able to opt out if you want.

2. Setting up your own personal pension

You can set up a personal pension at any time independently – whether you are employed, self-employed or not working. They are available from banks, building societies and life insurance companies. Once you have set one up, you can control how much money you pay into it.

You can save as much as you like into a personal pension. It won't affect your entitlement to the basic State Pension but it may reduce the amount of additional State Pension you build up. On top of any contributions you make, the government will contribute through tax relief up to an annual limit.

Stakeholder pensions are a special type of personal pension. To find out more, contact The Pensions Advisory Service. Visit **www.pensionsadvisoryservice.org.uk** or call **0845 601 2923**.

Company and personal pensions – your concerns answered

Question: A friend of my dad lost all his pension money. Could that happen to me?

Answer: No financial products, including pensions, are ever risk-free. However, the government has put an increasing number of controls in place which are designed to minimise the risks. The rules are complicated and differ depending on the type of pension and who runs it.

- The Financial Services Authority (FSA) regulates the providers of personal pensions.
- The Pensions Regulator regulates company pensions.

Myth: You have to put in at least £100. Otherwise it's not worth it.

Fact: There is often no minimum amount you can put into a company or personal pension – or the minimum may be as low as £20 a month. Even if it's only a small amount, the money you put away can build up a healthy nest-egg over time.

There is often no minimum amount you can put into a company or personal pension

Myth: There's no point starting a pension now. It's too late.

Fact: The sooner you start putting money in, the more time you (and possibly your employer) have to build up contributions. And you are likely to see more growth in your money over a longer period. However, if you're close to retirement and would prefer not to put money into a pension, there may be other ways to boost your income.

Myth: I'm not sure it's worth getting a company pension because the State will always help me out. When my mum retired, they topped up her State Pension with Pension Credit.

Fact: Pension Credit is designed to give help to people living on a low income with little or no savings. It is not given to everyone – it depends on their individual circumstances. You may still get some Pension Credit when you have a company or personal pension or have some savings. It's worthwhile for everyone to think about how to save for their own retirement.

To find out more about Pension Credit go to **www.direct.gov.uk/pensioncredit**

I think I have a pension but I can't remember. What should I do?

If you think you may have an old company or personal pension but can't remember the details, you can contact the Pension Tracing Service on **0845 6002 537** or visit **www.direct.gov.uk/pensiontracing** They can tell you who to contact to find your pension.

At what age can I draw my pension and what happens?

Different pension schemes allow you to draw your pension from different ages. Check with your scheme administrator for details.

Once you decide to take your money, some pensions also give you the option of taking a tax free lump sum. Depending on the scheme, this could be an amount related to your salary, or part of the fund you've built up at the point you retire. Because this means taking some of your fund as a lump sum, you would get a lower amount of regular income.

It's easy to find a lost pension – call the Pension Tracing Service

Take action

1. It's a good idea to get advice before you take out a personal pension. Moneymadeclear from the Financial Services Authority (FSA) will provide you with impartial information and tools to help you. Visit **www.moneymadeclear.org.uk** or call **0300 500 5000**.

   Or ask an independent financial adviser (they may charge a fee or commission).
2. Speak to your pension scheme administrator for details about your pension.
3. Contact the Pension Tracing Service to find any lost pensions. Visit **www.direct.gov.uk/pensiontracing** or call **0845 6002 537**.

3 I'm nearing retirement – what are my options?

By putting off claiming your State Pension you could get a lump sum later

When should I retire?

Different people retire at different ages. State Pension age is the earliest age when you can claim your State Pension. But reaching this age does not mean you have to claim your State Pension or retire – you have lots of options. You can keep working and claim your State Pension at the same time. Or you can put off claiming your State Pension and get a boost to your retirement income when you do claim. And there can be benefits to putting off taking a company or personal pension.

More and more people stop work gradually, for example by working part-time or changing the type and amount of work they do. You have the right to ask your employer whether you can carry on working or change your hours to make them more flexible. You may choose to do this because you prefer to work a bit longer, or because you want to increase your retirement income. If you work past State Pension age, you don't pay National Insurance. And if you work past 65, you get an increased personal tax allowance.

Putting off (deferring) your State Pension

If you put off claiming your State Pension you may be able to claim a lump sum, or an increased State Pension, at a later date. For more information about working longer or putting off claiming your State Pension go to **www.direct.gov.uk/betterfuture** and click on 'When can I retire?'

Case study: **John**

'When I got into my 60s, I realised that the State Pension plus my company pension weren't going to be quite enough. I wish I'd thought about pensions earlier.

I spoke to my employer and looked on the internet. I found out I could make my situation better. My employer agreed I could carry on working a bit past 65.

I didn't exactly plan to carry on working, but there are benefits. I take home more wages for the same hours, because I pay less tax and I don't have to pay National Insurance any more. And when I do claim my pension I'll get more. Or if I put off claiming it for at least a year I could choose a lump sum instead.

That could help me pay off the last bit of the mortgage.'

"I didn't plan to carry on working, but there are benefits I didn't know about before."

Case study: **Ada**

‘When I got to 60, I didn’t feel ready to retire! I still felt active, and liked meeting new people. I dreaded the idea of giving it up. So I decided to carry on working.

I was finding it harder to lift things, which was a big part of my old job in the supermarket. So I switched jobs. Now I work in the bar of my local football club a couple of days a week. They liked the fact I had experience.

It’s great to get extra money on top of my State Pension, especially as I’ve not had to pay National Insurance since I got to State Pension age. But it’s really about meeting people and having a routine.’

“I dreaded the idea of giving up, so I decided to carry on working.”

I'm not going to get the full basic State Pension – what can I do?

If you find that you will not receive a full basic State Pension when you retire, you may be able to buy extra years of National Insurance. For more information on voluntary National Insurance contributions go to **www.direct.gov.uk/topupni**

Claiming your State Pension

You don't get your State Pension automatically – you need to claim it. The Pension Service should send you a letter with details about what you need to do when you are within four months of State Pension age. If you don't receive this when you are within two months of State Pension age, contact your local Pension Centre – you can find your local centre by entering your postcode at **www.direct.gov.uk/pensions** and click on 'Who to contact at the Pension Service.'

Take action

Go to www.direct.gov.uk/betterfuture – or call 0800 678 1132 and:

1. Check whether the changes to the State Pension affect you.
2. Use the State Pension profiler for an estimate of your basic State Pension. Or if you want a full State Pension forecast, go to **www.direct.gov.uk/pensionforecast** to find out more. If you think you won't receive the full basic State Pension you may want to consider buying voluntary National Insurance contributions.
3. Find lost pensions – visit **www.direct.gov.uk/pensiontracing** or call the Pension Tracing Service on **0845 6002 537.**
4. Talk to your employer about options for working longer.

Useful contacts

For information on planning and saving for later life, including State and company pensions and your options for working longer:

Department for Work and Pensions
www.direct.gov.uk/betterfuture
Tel: **0800 678 1132**
Textphone: **0845 3000 169**

To help find a lost pension:

The Pension Tracing Service
www.direct.gov.uk/pensiontracing
Tel: **0845 6002 537**

For advice about tax and National Insurance contributions:

HM Revenue & Customs
www.hmrc.gov.uk
National Insurance deficiency notice helpline (if you've received a letter saying there may be a shortfall in your National Insurance contributions):
Tel: **0845 915 5996**

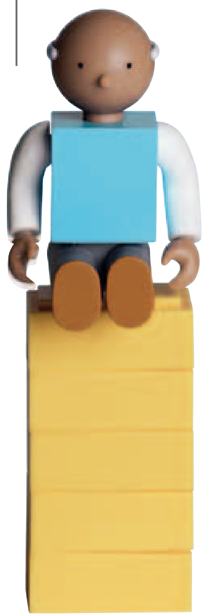
For independent advice and guidance on all pension areas including company pensions:

The Pensions Advisory Service
www.pensionsadvisoryservice.org.uk
Email: **enquiries@pensionsadvisoryservice.org.uk**
Pensions helpline: **0845 601 2923**
Helpline for women: **0845 600 0806**
Helpline for self employed:
0845 602 7021

For impartial information about pensions and financial planning:

The Financial Services Authority
www.moneymadeclear.org.uk
Tel: **0300 500 5000**

The best time
to start preparing
is today



For other information and help deciding whether to pay voluntary National Insurance contributions:

Citizens Advice Bureau
www.adviceguide.org.uk
Enter your postcode to find your local bureau

To find an Independent Financial Adviser:

The Professional Advice Website
www.unbiased.co.uk

What if I don't have internet access?

In England there are UK online centres in your community – perhaps a local internet café, or a public library, a college or community centre. For your nearest UK online centre, call **0800 77 1234**. In Scotland and Wales learndirect can help you get online.

Important information about this leaflet. This leaflet is only a guide and does not cover every circumstance. We have done our best to make sure the leaflet is correct as of **April 2010**. Some of the information may be oversimplified or may become inaccurate over time, for example because of changes to the law. We recommend that you get independent advice before making financial decisions based on this leaflet. **This leaflet is available in Welsh and other formats.** Phone **0845 731 32 33** to find out more. If you can't speak or hear clearly, you can order our leaflets from our textphone service on **0845 604 0210**. You can also see this leaflet on the internet, at **www.direct.gov.uk/tpsleaflets**
Important information about calling. Call charges. Calls to **0800** numbers are free from BT land lines, but you may have to pay if you use another phone company, a mobile phone, or if you are calling from abroad. Calls from mobile phones can cost up to 40p a minute, so check the cost of calls with your service provider. **Charges were correct as of April 2010. Textphones – if you have speech or hearing difficulties.** Our textphone numbers are for people who cannot speak or hear clearly. If you don't have a textphone, you could check if your local library or Citizens Advice Bureau has one. Textphones don't receive text messages from mobile phones. **Other languages.** If English is not your first language, you can use your own interpreter or one we provide. We can usually arrange a phone interpreter straight away.

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