

## Deferring your State Pension



### Background

You cannot start taking your state pension before your state pension age but you can delay when you start receiving it. Doing so could result in you receiving a higher weekly state pension or a lump sum payment.

You can defer your pension for as long as you want, but you must defer the entire pension including any additional state pension you've built up.

You can start deferring your pension even if you've already started drawing it, in order to earn extra money from it.

You don't have to do anything to defer your State Pension - it will automatically be deferred until you claim it.

### Rate on Deferral

If you want to try and boost your state pension by delaying when you receive it, you'll have to put off claiming it for at least five weeks.

For every five weeks you defer, you'll get a pension increase of 1%. This currently works out at 10.4% for every full year. The extra amount will be taxed in the same way as the rest of your state pension.

For people qualifying for the state pension after April 2016, the rate of annual increase will fall from 10.4% to 5.8%, making the offer less attractive. These people will have to live for around 19 years to benefit from the decision to defer for one year, compared to an extra 10 years at the current rate of interest.

### Claiming the extra money as a lump sum

Currently the law states that if you put off claiming your State Pension for at least 12 months in a row, you may choose to take a lump sum payment instead of extra pension. This will include interest of 2% above a rate set by the Bank of England. **The lump sum when paid, is added to the rest of your taxable income in the tax-year in which you take it when determining any income tax liability.**

### Category B Pensions

A Category B pension (sometimes referred in the past as the married person's pension) is paid based on your spouse's or civil partner's qualifying years and earnings. The amount works out as roughly 60% of your partner's basic State Pension (there is a small bit of rounding) and is paid once both partners have reached state pension age. You can put off your Category B pension and this decision can be made independently of any decision your partner makes.

### How to Claim a State Pension after Deferral

If you have decided to defer your state pension, when you decide you want your State Pension to begin, you need to submit a **BR1** claim form to the Pension Service.

### Deferring a State Pension already in Payment

You can still decide to give up your pension for a period. However, you can only give up your State Pension once and you should normally be living in the UK. You can only do this to earn an extra State Pension (or, under current law, lump sum) if you're living in one of the following countries:

Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Hungary, Iceland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Northern Ireland, Norway, Poland, Portugal, Republic of Ireland, Slovakia, Slovenia, Spain, Sweden and Switzerland.

Please note that this document does not constitute financial advice.

For further information or to discuss your requirements, please contact us:

[www.loughtons.co.uk](http://www.loughtons.co.uk)

[advice4u@loughtons.co.uk](mailto:advice4u@loughtons.co.uk)

T 01626 833225