



# Approaching Retirement?

CONSUMER CREDIT *Counselling Service*

A Registered Charity

**CCCS is the UK's leading money advice and debt management charity providing free, confidential advice and support to help thousands of people each year take control of their finances**

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## **Introduction**      **How this guide will help you**

We realise that when you are coming up to retirement or have recently retired, there are some big decisions you have to face that will affect you for the rest of your life.

This booklet provides you with information to help you plan ahead and to deal with some of the financial decisions you will need to make. It will help you take a look at your future income and expenditure to see whether you:

- can afford to retire at your normal state pension age, or
- will need to continue working to repay or maintain your current financial commitments.

If you have recently retired, this booklet will help you review your finances to see if you can make any changes to improve your lifestyle, provide you with practical advice and give you further sources of help and support.

## Section 1 Planning your retirement

When you are only a few years away from retirement it is always good to plan what your financial situation might look like when you are no longer working.

The information in this section provides you with:

- details of where your retirement income is likely to come from
- ways to find out how much you will receive, and
- some ideas on how to increase your income.

It will also help you decide if you can afford to retire or whether you need to continue working.

### What income you can expect to receive from a Basic State Pension

Most people are entitled to claim the Basic State Pension when they reach state pension age.

State pension age is the earliest date you are able to claim the Basic State Pension. It varies slightly depending on when you were born and whether you are a man or a woman. From April 2010, there are gradual changes planned to the age when you will be able to take your State Pension. To find out when you will be able to claim yours, check the information on [www.directgov.uk](http://www.directgov.uk)

The Basic State Pension provides you with a regular allowance to meet your basic living needs. The amount you receive depends on how many qualifying years of National Insurance (NI) contributions you have built up. Your contributions are normally paid through payments deducted directly by your employer, shown on your salary slip.

When you reach state pension age you will need 30 qualifying years to be entitled to a full Basic State Pension. So, if you have not been working and there are gaps in your NI contributions, your entitlement to a full Basic State Pension is affected. (See the next page for more details about how to deal with these gaps.)

To find out how many qualifying years you have already built up and how much income you will be entitled to, you can get a State Pension forecast. Either telephone The Pension Service's State Pension Forecasting Team on **0845 300 0168** (text phone 0845 300 0169) or apply online at [www.directgov.uk](http://www.directgov.uk)

## Section 1 Planning your retirement

### Extra income from Additional State Pension

As well as the Basic State Pension, you may also be entitled to an Additional State Pension. This used to be known as SERPS (the State Earnings-Related Pension Scheme) but it is now known as the State Second Pension Scheme.

If you are employed and a member of an occupational pension scheme, you will have been given the choice to 'opt in' or 'opt out' of the State Second Pension Scheme. When you opt in, this means that you or your employer has contributed to the 'additional' State Pension. This entitles you to claim an additional amount when you reach state pension age.

### How to claim your State Pension

The Pension Service will normally send you a claim pack a few months before you reach state pension age. This information provides you with details of how much State and Additional State Pension income you are likely to receive. It will also help you decide when to retire.

### How to boost your National Insurance credits to increase the income from your State Pension

If you have identified gaps in your NI contributions, this will result in a reduction in your income provided by State Pension and you may not be able to maintain a reasonable standard of living. To prevent this, there are a few steps you can consider taking:

### Making voluntary contributions

If you can afford to, you may be able to plug the gaps in your NI contributions by making small additional voluntary payments. This can improve the number of qualifying years you build up before you reach state pension age and increase the amount you can claim. There are time limits for making voluntary contributions. Normally you can only fill gaps within the last 6 tax years. To make additional contributions you will need to contact your current employer or contact the HMRC National Insurance Enquiry Helpline on **0845 915 5996**.

### Claiming through your husband, wife or civil partner

If you are married or are in a civil partnership and you do not qualify for a full Basic State Pension, you may be able to make a claim because your husband, wife or civil partner has made full contributions. For more information to see if you are able to make a claim contact the Department of Works and Pension (DWP) or visit **[www.direct.gov.uk](http://www.direct.gov.uk)**

## Section 1 Planning your retirement

### Claiming NI contributions when you are in receipt of Carer's Credit

If you have been unable to make sufficient NI contributions, you may get NI credited to you by the Government. For example:

If you are a parent with a child under 12 or an approved foster parent, you will be eligible for Carer's Credit to help you build up your entitlement to a Basic State Pension. As a foster parent, because you don't receive Child Benefit, you will need to apply for Carer's Credit as it is not automatically provided. Please visit [www.direct.gov.uk](http://www.direct.gov.uk).

If you care for a sick or disabled person for 20 hours a week or more you may be able to claim Carer's Credit. In order to claim, the person you look after must be getting a benefit such as Attendance Allowance, or be certified as needing care. For more information visit [www.direct.gov.uk](http://www.direct.gov.uk).

### Other ways to buy more qualifying years

When you reach state pension age you no longer pay NI contributions, even if you continue working. You cannot build up any more qualifying years towards your pension through your work. But there are ways of paying small amounts to increase your entitlement, even if you have recently retired. For more information on this, contact, HMRC National Insurance Enquiry Helpline on **0845 915 5996**.

### Get more help from us to assist with your retirement planning

You may still have difficulty in working out what your financial position will be when you retire. If this is the case, try using our financial planning service **CCCS Money Matters**.

Once you have received your State Pension forecast, it will help you understand how much income you can expect when you reach state pension age. This will help you decide whether you can afford to retire or if you will need to stay on at work for longer.

If you are an existing client or you are struggling with debt and need further help with this, you can use our own Welfare Benefits Team. Please call us on **0800 138 1111** and we can provide you with further information.

## Section 2 Personal pensions

In addition to the Basic State Pension, some people are able to claim extra income through a personal pension. To qualify, you or your employer will have paid into a personal pension policy at some time during your working life. This may mean that you have extra income to boost your financial situation.

To find out if you have an old personal pension contact The Pension Tracing Service. They will help you track it down to see how much it is worth. You can call them on **0845 600 2537** or visit **[www.direct.gov.uk](http://www.direct.gov.uk)**

If you have a personal pension, the following information will take you through some of the considerations you will need to think about as you approach retirement.

### **Making a decision about when to take money from your personal pension**

You can choose to take out your personal pension benefits anytime between the age of 55 or 75. You can do this and continue to work if your finances won't allow you to fully retire.

If you decide not to claim the benefits from your personal pension, you can carry on working and still take your Basic State Pension. You can continue paying into a personal pension up to the age of 75 and then use the extra money in this fund when you decide to retire.

### **What to do as you approach retirement age**

Each year you will receive a statement from your personal pension provider. This will provide you with details of what your fund value might be at the normal state pension age. It will give you an indication of what amount of gross annual income you might expect to receive. This will help you decide if you can afford to retire at your normal retirement age or whether you need to continue working.

The closer you get to your normal retirement age it is advisable to seek independent advice to review the funds where your pension is invested to ensure that any risks are minimised. You should always get reliable and regular financial advice to help plan for a realistic retirement income. But be careful to check any charges you may have to pay for the advice you receive.

## Section 2 Personal pensions

### What decisions you need to take when you have chosen to retire

When you want to release your personal pension funds, there are a number of decisions you will have to make:

- To release a tax-free lump sum, normally up to 25% of the fund you have built up.
- When and how to exercise your income option. (You can do this by using either an 'annuity' or 'income drawdown' option.)

An 'annuity' is a regular income which is payable for life. When you retire, you can use the pension fund you have been paying into to buy an annuity from a life insurance company. This provides you with a regular income that is paid to you for the rest of your life. The life insurance company simply spreads the total value of the pension fund you have been paying into over the term of your life expectancy. If you take the annuity option, you always have to take your tax-free lump sum at the same time.

Under the 'income drawdown' option, you have control of the amount of income you wish to take at any time. You are not obliged to take the whole amount at the same time. Using income drawdown, you can take your tax-free lump sum but defer receiving your other income anytime up to age 75.

### Further help and information

General information is available about personal pensions from any one of the following:

- The Pension Advisory Service on **0845 601 2923** or visit [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk).
- The Pension Service on **0845 606 0265** or visit [www.direct.gov.uk](http://www.direct.gov.uk).
- The Financial Services Authority on **0300 500 5000** or visit [www.fsa.gov.uk](http://www.fsa.gov.uk).

For more individual advice, speak to an independent, authorised financial adviser or your Human Resource or Pension department.

We have an established arrangement with two trusted financial service brokers, who will provide you with free advice. Please call

- J F Financial Associates on **0845 508 8588** or email [enquiries@jffinancial.co.uk](mailto:enquiries@jffinancial.co.uk), or
- Compass Mortgages Ltd on **01903 815 444** or email [help@compass-mortgages.co.uk](mailto:help@compass-mortgages.co.uk)

Alternatively, you may decide that you wish to choose your own preferred representative to provide a similar review.

## Section 3 Additional state benefit

There are times when you may feel unable to cope with your limited finances. If this is the case, you may be able to make a claim for extra income from state benefit. All claims are subject to a short assessment but if you are successful, the extra money you receive can make a huge difference to you and your family. Remember that you do not need to repay your state benefit, even when your situation improves.

**Take a look at the short summary of benefits below to see if you are entitled to make a claim to improve your income:**

### Pension Credit

Pension credit is a means tested benefit that is paid, free of tax. (Means tested is where the Pension Service takes into account all your current income to see if you qualify.) You do not need to have made any NI contributions to qualify for it. There are two elements that make up Pension Credit:

- **Guaranteed credit.** If your income is below a certain level, an amount is paid to top up your weekly income to a guaranteed minimum amount.
- **Savings credit.** Can be paid to provide extra money for you even if you have already built up some savings for your retirement.

Even if you own your own home, or live with family, you may still be eligible for Pension Credit. The Guaranteed Credit may also entitle you to help towards paying for your housing costs (such as rent, mortgage or service charges) and council tax charges. If you receive Pension Credits you will also qualify for a **Christmas bonus** and **cold weather payments**. Cold weather payments are only made when the average temperature where you live is recorded as, or forecast to be, zero degrees Celsius or below over 7 consecutive days during the period from 1 November to 31 March.

To apply for Pension Credit you can telephone The Pension Service on **0800 991 234** or text phone 0800 169 0133. An adviser will help you with the claim form and will also check your entitlement to Housing and Council Tax Benefit.

### Winter Fuel Payment

Winter fuel payments are paid to help meet the extra cost of heating in winter. To apply, call The Winter Fuel Payment Helpline on **0845 915 1515** or get a claim form online at **www.direct.gov.uk**. You only need to make one claim and then in each of the following years the payment is paid automatically.

## Section 3 Additional state benefit

### Attendance Allowance

If you are 65 or over and have a disability or long-term illness you may be able to claim Attendance Allowance. This is a non-means tested and non-taxable benefit to help you meet the extra living costs because of your disability or illness. Non-means tested means that the assessment has nothing to do with your income. You may be able to get Attendance Allowance if you have needed help with your personal care for at least 6 months. Even if you have not actually received any help over this period.

### Disability Living Allowance (DLA)

If you are under 65 and have a disability or long-term illness you may be able to claim DLA. This is a non-means tested and non-taxable benefit to help you meet the extra living costs because of your disability or illness. You may get DLA if you need help with your personal care or you have difficulty walking. You must have needed this help for at least 3 months and will continue to need it for at least the next 6 months. Even if you have not actually received any help over this period.

### Carer's Allowance

If you look after someone who has a disability or long-term illness for at least 35 hours a week you may be able to claim Carer's Allowance. The person you look after must be getting either:

- Attendance Allowance or DLA at the middle or higher rate, or
- Constant Attendance Allowance paid with the Industrial Injuries or War Pensions schemes.

Carer's Allowance is a non-means tested benefit and does not depend on your NI contributions. However, it is taxable and is counted as income for any other means tested benefits you receive. There may also be implications on the benefit entitlement for the person you look after. For this reason it is recommended that you always seek advice before making a claim. We can provide you with any advice you need.

### Get more help from us to review your entitlement

If you are unsure whether you are entitled to any of the benefits mentioned here and need more information, you can speak to your local benefits office or use an online benefits calculator by visiting [www.entitled.co.uk](http://www.entitled.co.uk). If you are an existing client or are struggling with debts and need further advice on benefits please call us on **0800 138 1111**. We have our own Welfare Benefits Team who can help you. One of our specialist advisors will be able to check what you are entitled to.

## Section 4 Reviewing your insurance

Over the years, you may have taken out a number of different insurances. It is likely that your situation has changed since first taking out the insurance and you would benefit from a short review to see if you can save money.

A review will identify if you are paying for insurance you no longer require or where perhaps you have several insurances that overlap and you are now 'over insured'. You may also be paying more than you need to for your insurance, so shopping around for a better deal may save you money. Several comparison websites are available to give you an idea of the money you might save. Be careful to make sure that the cover and benefits you will receive, if you make a claim, are the same as you have now.

**Take a look at some of the areas you may be insured for and consider if you still need it:**

### Life Insurance and Critical Illness Insurance

Life insurance or life assurance will provide a lump sum cash payment if you pass away. Critical illness insurance will provide a lump sum cash payment if you are diagnosed with one of the critical illnesses listed in your insurance policy.

These types of insurance policies are generally taken out over a defined period, normally until your mortgage is repaid, up to your retirement age and to make sufficient provision for dependants or family who survive you.

### Family Income Benefit and Long-Term Income Protection

Family income benefit insurance will maintain your family's income if you die while the policy is in force. Income protection insurance (formerly known as permanent health insurance) will provide payment to you if you are incapacitated and unable to work due to illness or accident. These types of policy are generally taken out over a defined period of time, normally to cover a mortgage term, up to your retirement age or until your dependants reach a certain age.

### Accident, Sickness and Unemployment Insurance

Accident, sickness and unemployment insurance will provide a short-term payment (usually for no more than 12 or 24 months) if you are incapacitated and unable to work due to illness or accident or if you are made redundant. This type of insurance does not have a specific term and is available up to retirement age.

## Section 4 Reviewing your insurance

You will have or need this type of insurance in place if you have:

- a mortgage or rented accommodation
- dependants
- limited sick pay from your employer, or
- certain bills you wish to protect.

### Buildings and Contents Insurance

Buildings and contents insurance will provide you with full protection for your property and possessions in the event of problems either within or outside your home. You will need to maintain this insurance if you:

- Own a property and have a mortgage on it. It is a requirement within the terms and conditions of your mortgage contract to insure the 'building'. 'Contents' insurance is optional.
- Rent. You only need to take out contents insurance, as your landlord will usually insure the building.

### Get more help from us to review your insurance

We have an established arrangement with two trusted financial service brokers, who will provide you with free advice.

You can contact them to arrange a review of your insurance arrangements with a view to saving money, or to discuss any insurance query you have. Please call:

- J F Financial Associates on **0845 508 8588** or email [enquiries@jffinancial.co.uk](mailto:enquiries@jffinancial.co.uk), or
- Compass Mortgages Ltd on **01903 815 444** or email [help@compass-mortgages.co.uk](mailto:help@compass-mortgages.co.uk)

Alternatively, you may decide that you wish to select your own preferred representative to provide a similar review.

## Section 5 Equity Release

Equity Release is only available to homeowners and is a way of freeing up the equity tied up in your home.

The money you free up has to repay any outstanding mortgage you have on your home. So immediately, there is one less expense to pay out of your budget. The remaining surplus cash can then be used to repay any other outstanding commitments you may have. So potentially, this means that you are able to reduce your monthly household costs and repay your debt.

The Equity Release loan does not require you to make monthly repayments and is paid off in full, often after your death, from the proceeds of the sale of your home.

There are two types of Equity Release called a Lifetime Mortgage and a Home Reversion plan. Each of these options need to be considered carefully before you decide to proceed:

### Lifetime Mortgages

A lifetime mortgage allows you use the equity in your property to:

- release a cash lump sum
- have a flexible borrowing facility you can draw money from, or
- allow you a regular income.

### Home Reversion Plans

Home reversion allows you to sell either all or part of your home to an equity release provider, or a third party. You can choose to have the sale proceeds as a cash lump sum, a regular income or both. You retain the right to carry on living in your home rent-free for the rest of your life.

### Get more help from us to discuss Equity Release

We have our own Equity Release Team who can help you.

If you are an existing client or you are struggling with debt and you want to know if Equity Release is a suitable option to help you, please call us on **0800 138 1111**. Alternatively, you can use our online debt counselling service **CCCS Debt Remedy**.

However, you may decide that you wish to select your own preferred representative to provide a similar service.

## Section 6 Help from other charities

Many other charities throughout the UK provide a free service and can advise you on some of the things we are unable to help with.

The following summary provides you with a brief outline of those trusted organisations that will also provide support to you as you reach retirement. They may also give you ideas to help you reduce some of your costs and provide you with ideas for a better lifestyle.

### TaxHelp for Older People

TaxHelp for Older People (TOP) is a national charity that can help you if you are experiencing tax problems and can save money if you have overpaid tax. They provide free, confidential and professional advice on personal tax to older people who are on a sole or joint income of less than £17,000 a year.

If you care for an older person who is eligible to use TOP you can request help on that person's behalf, even if you do not have Power of Attorney.

TaxHelp for Older People can be contacted on **0845 601 3321** or visit their website at **[www.taxvol.org.uk](http://www.taxvol.org.uk)**. Before calling please make sure you have payslips, P60s, P45s and state pension details to hand.

### Age UK

Age Concern and Help the Aged have joined together. The new organisation is called Age UK and is the UK's largest charity for older people. Information guides, leaflets, books and factsheets are available aimed at older people and the carers who look after them. They provide simple, expert information to help you make the right choices during your retirement.

You can call The Age UK Information Line on **0800 009 966** or visit their website at **[www.ageuk.org.uk](http://www.ageuk.org.uk)**. If you live in Wales, please contact your local Age Concern or visit **[www.accymru.org.uk](http://www.accymru.org.uk)**.

### The Cinnamon Trust

The Cinnamon Trust is a nationwide charity for elderly and disabled people with pets. They have volunteers who can help you with caring for your pet if you are no longer able to do so yourself. For example, they can walk your dog for you if you are housebound or take care of your pet if you are due to go into hospital. This can save you money, time and give you peace of mind.

You can telephone The Cinnamon Trust on **01736 757 900** or visit their website at **[www.cinnamon.org.uk](http://www.cinnamon.org.uk)**

## Section 7 Other free services

You may be paying for things that you no longer need to pay for. Have a look at the following areas to see what you can get free. This will help save you more money.

### Health Costs

Once you have reached state pension age you automatically become eligible for free National Health Service (NHS) prescriptions and eyesight tests.

You can claim your transport costs back for frequent visits to hospital from the NHS. For more information visit [www.nhsbsa.nhs.uk](http://www.nhsbsa.nhs.uk)

### Bus Travel

If you are at state pension age, or are an eligible disabled person, and you live in **England** you are entitled to a free annual bus pass. The pass gives you free off-peak travel on local buses in England. Some local authorities offer more benefits to residents in their local area, so it is worth contacting your local authority to find out.

If you are aged 60 or over and you live in **Scotland** you are entitled to a National Entitlement Card. The card gives you free travel on local bus and scheduled long-distance coach services within Scotland at any time of the day. The scheme is run by Transport Scotland and you need to apply for a National Entitlement Card. For more information visit [www.transportScotland.gov.uk](http://www.transportScotland.gov.uk) or telephone **0141 272 7100**.

If you are aged 60 or over and you live in **Wales** you are entitled to a free bus pass from your local authority. The pass gives you free travel on all local bus services in Wales at any time of the day. It can also be used on some long-distance services.

If you are aged 65 or over and you live in **Northern Ireland** you are entitled to a Senior SmartPass. The pass gives you unlimited free travel on buses and trains. Application forms are available from Translink bus and rail stations. To request an application form, telephone **0845 600 0049**.

### Other

When you reach the age of 75 you qualify for a free **TV licence**. At 80, you are entitled to a free **passport**.

## Summary of useful contacts

### **The Pension Service State Pension Forecasting Team**

0845 300 0168 [www.direct.gov.uk](http://www.direct.gov.uk)

### **The Pension Tracing Service**

0845 600 2537 [www.direct.gov.uk](http://www.direct.gov.uk)

### **HMRC National Insurance Enquiry Helpline**

0845 915 5996 [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### **The Pension Advisory Service**

0845 601 2923 [www.pensionadvisoryservice.org.uk](http://www.pensionadvisoryservice.org.uk)

### **Tax Help For Older People**

0845 601 3321 [www.taxvol.org.uk](http://www.taxvol.org.uk)

### **Age UK**

0800 009 966 [www.ageuk.org.uk](http://www.ageuk.org.uk)

### **Age Cymru**

0800 169 6565 [www.accymru.org.uk](http://www.accymru.org.uk)

### **The Cinnamon Trust**

01736 757 900 [www.cinnamon.org.uk](http://www.cinnamon.org.uk)

### **National Health Service**

0845 850 1166 [www.nhsbsa.uk](http://www.nhsbsa.uk)

### **TV Licensing**

0300 790 6131 [www.tvlicensing.co.uk](http://www.tvlicensing.co.uk)

## Notes

**CCCS is trusted as an independent, fair and expert advisor by consumers and the credit industry alike**

**If you have a relative or friend who would also benefit from our advice then ask them to call us on 0800 138 1111 or TypeTalk 0800 294 0090 \***

**\*Calls may be monitored for quality and training purposes**

## Our code of ethics.

We are dedicated to providing confidential, professional counselling and money-management assistance to financially distressed families and individuals, regardless of race, creed, colour, sex, social position or financial status. We also aim to foster education on money management and the wise use of credit by consumers.

### Foundation for Credit Counselling

Registered Office - Wade House,  
Merrion Centre, Leeds, LS2 8NG

Registered in England No 2757055

Registered Charity No 1016630

Community  
Legal Service



CONSUMER CREDIT *Counselling Service*