

## DEFERRING STATE PENSION



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For those who reached state pension age after 6 April 2016, where someone defers taking their state pension and then dies before making a claim, the most that falls due to their estate is three months of ‘backdated’ state pension.

Even if they did have a spouse, there is no general entitlement to ‘inherit’ the pension payments that were never paid.

Before April 2016 there were two options given regarding deferring state pension:

To take a pension later and draw a permanently increased weekly rate.

To build up a taxable lump sum, equal to all the missed pension payments plus interest.

Under these rules, if someone had decided to defer taking a pension and had opted to build up a lump sum, their heirs and successors could receive that lump sum. This is explained in a Department for Work and Pensions leaflet [HERE](#).

But under the new system, changed from April 2016, the ability to opt for a lump sum disappears. Those who defer are simply opting to have a higher state pension when they eventually draw it – an increase of 5.8 per cent for each year of deferral.

If they die before claiming a state pension there is no lump sum alternative.

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Currently there is no reference on the gov.uk website in regards to what happens if you die before claiming your pension under these new rules.

The state pension is not like a savings pot. It is a weekly pension which you receive in any given week based on the rules at the time. So, for example, if someone lives for a long time they will end up getting a lot more state pension in total than someone who dies earlier in retirement. That is how the system works.

With regard to deferral, some people opt to defer their state pension because they want to carry on working. Including a state pension along with their wages might mean they end up paying more tax. For those in good health, deferral in these circumstances can make financial sense.

## How We Can Help

If you would like to discuss any of the issues raised in this Broadcast, please contact a member of our dedicated team on **01753 888211** or email **info@nhllp.com**

Visit our website for more details **[www.nhllp.com](http://www.nhllp.com)**