



counsel + care   
for older people, their families and carers

guide

Information from Counsel and Care: 2

# Pension Credit

Pension Credit is a means-tested benefit managed by the Pension Service (which is part of the Department for Work and Pensions) and is paid to people over 60 whose weekly income is below £132.60 or £202.40 for couples.

Pension Credit is made up of a **Pension Guarantee Credit** that will work in a similar way to Income Support (paid to people under 60) and a **Pension Savings Credit** for people aged 65 and over to reward them for some of their savings and income.

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Your donations, legacies and payroll giving enable Counsel and Care to get the best care and support for older people, their families and carers

Counsel and Care is a national charity; however the creation of the Scottish Parliament, and the Welsh and Northern Ireland Assemblies means there are differences in the ways each region cares for and supports older people. The information in this guide applies essentially to England although there may be similarities with Scotland, Wales and Northern Ireland.

We also produce five separate guides for both Scotland and Wales covering the community care assessment of need process; paying care home fees and making a formal complaint which are the key areas where the policy and legislation differ significantly to England. All of the guides we publish can be downloaded from [www.counselandcare.org.uk/helping-you/guides](http://www.counselandcare.org.uk/helping-you/guides) or posted to you by calling our guide orderline on 020 7241 8522.

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# 1 Introducing Pension Credit

Pension Credit is a means-tested benefit. It has two parts – a **Pension Guarantee Credit** and a **Pension Savings Credit**.

The **Pension Guarantee Credit** is available for people aged 60 and over. It tops-up your weekly income to meet a minimum level set by the Government.

The **Pension Savings Credit** is paid to some people aged 65 and over to **reward** them for making extra provision for their old age by having other savings and income.

**You can receive either, or both of these Credits** depending on your age and the savings and income you have.

It is important to note that from 2010 the age from which new applicants can apply for Pension Credit will gradually increase. This will be in line with the state pension age becoming 65 for women as well as men by 2020.

## 2 Pension Guarantee Credit

To claim Pension Guarantee Credit, you must be:

- At least 60 years old – it does not matter if your partner is younger; and
- A UK citizen, or living in the UK and satisfying the habitual residency test; and
- Your income must be lower than the appropriate amount (the minimum amount the Government says you need to live on according to your circumstances).

The habitual residence test establishes whether a welfare benefit claimant who has recently returned to the UK has settled in this country. It looks at the length and continuity of residence, employment or prospects of work, family ties, history and the applicant's long-term intentions as demonstrated by their actions. If the applicant is not thought to be habitually resident in the UK, they will not be eligible for assistance.

### 2.1 Your Qualifying Income for Pension Guarantee Credit

The Government calls the actual weekly income that you receive *before* payment of Pension Guarantee Credit, your **Qualifying Income**.

The main sources of income are:

- State Retirement pension

- Private or Occupational pension
- War Disablement Pension and War Widow(er)s' Pension (the first £10 is disregarded)
- Assumed income from savings (£1 for every £500 above £10,000)
- Earnings
- Certain social security benefits.
- Regular payments from an equity release scheme

Income that is ignored or partially ignored:

- Attendance Allowance or Disability Living Allowance
- Housing Benefit and Council Tax Benefit
- Social Fund payments
- Voluntary and charitable payments
- War Widow's and Widower's Supplementary pension of £77.32 for 'pre-1973' widows (in addition to the £10)
- The first £5 of your weekly earnings or £10 of your partner's weekly earnings
- The first £20 if you or your partner are disabled or are a carer
- The first £10 of income from your war widow's or widower's pension
- The first £10 income from your War Disablement Pension
- The first £20 income from a tenant
- Direct Payments from social services for your personal care.

Savings that are ignored:

- The value of your home that you own and are living in

- Savings of up to £10,000<sup>1</sup>
- Value of a pre-paid funeral plan
- Arrears of certain benefits for example, Attendance Allowance
- Personal belongings
- £10,000 ex-gratia payment for Far Eastern Prisoners of War or their widow/widower.

## **2.2 Your 'Appropriate Amount'**

This is a term used for the minimum amount of money the Government says you and your partner need to live on each week, taking account of your specific circumstances.

The table on page 9 is a quick guide to the Appropriate Amounts depending on particular circumstances. Where Attendance Allowance is mentioned, this is treated in the same way as the middle or higher rate of the care component of Disability Living Allowance. Please note that Attendance Allowance and Disability Living Allowance are paid in addition to the figures in the table. Both of these benefits are ignored when working out how much your Qualifying Income is.

## **2.3 Severe Disability Premium (SDP)**

Severe Disability Premium (SDP) is paid when either one person living alone, or a couple, are in receipt of either Attendance Allowance or Disability Living Allowance, and no-one is receiving Carer's Allowance to look after them. This Severe Disability

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<sup>1</sup> The savings level increased from £6,000 to £10,000 from 2 November 2009.

Premium is added to the Pension Guarantee Credit entitlement which will increase the total Appropriate Amount you should be paid.

In 2010-11, the amounts for Severe Disability Premium are as follows (per week):

Severe Disability Premium (single person)	£53.65
Severe Disability Premium (couple – lower rate)	£53.65
Severe Disability Premium (couple – higher rate)	£107.30

If you are caring for someone with a disability, but do not qualify for Carer's Allowance because you are in receipt of benefits over £53.90, you may still qualify for a Carer's Premium of £30.05.

Attendance Allowance is paid either at the higher rate (£71.40 per week) or lower rate (£47.80 per week) and is a non means-tested benefit paid on top of the figures shown in the table on page 9.

A quick guide to Appropriate Amounts (each week)		
	Single person	Couple
<b>Aged 60 or over</b>	£132.60	£202.40
You live alone and are receiving Attendance Allowance. No one is receiving Carer's Allowance for looking after you.	£132.60 Plus £53.65 (Severe Disability Premium - SDP)	Does not apply
You live with your partner – one of you is receiving Attendance Allowance and the other is receiving (or is entitled to) Carer's Allowance.	Does not apply	£202.40 Plus £30.05 (Carer Premium)
You live with your partner – <u>both</u> of you are receiving Attendance Allowance and someone is receiving Carer's Allowance for looking after <u>one</u> of you.	Does not apply	£202.40 Plus £53.65 (SDP for the partner who does not have a carer)
You live with your partner – <u>both</u> of you are receiving Attendance Allowance and someone is receiving Carer's Allowance for looking after <u>both</u> of you.	Does not apply	£202.40 (Both lose SDP)
You live with your partner – <u>both</u> of you are receiving Attendance Allowance and <u>no one</u> is receiving Carer's Allowance for looking after either of you.	Does not apply	£202.40 (Plus £107.30 SDP)
You live with your partner – one of you is receiving Attendance Allowance and no one is receiving Carer's Allowance for looking after either of you.	Does not apply	£202.40 (No-one receives SDP unless the partner is registered blind)

## 2.4 How to work out Pension Guarantee Credit

To work out how much Pension Guarantee Credit you should receive, you need to take away your **Qualifying Income** figure from the **Appropriate Amount**.

### Example

Mr Smith has a state pension of **£97.65** a week and an occupational pension of **£25** a week.

Mr Smith's **Qualifying Income** is as follows:

State Retirement pension	£97.65 a week
Occupational pension	£25.00 a week
<b>Qualifying Income</b>	<b>£122.65 a week</b>

As a single person with no entitlement to disability or carer's benefits, the Government says Mr Smith should have £132.60 a week to live on as his Appropriate Amount. Mr Smith's Pension Guarantee Credit would be the **difference** between his Qualifying Income and his Appropriate Amount.

Mr Smith's Qualifying Income	£122.65 a week
Mr Smith's Pension Guarantee Credit	£9.95 a week
<b>Mr Smith's total income</b>	<b>£132.60 a week</b>

## 3 Pension Savings Credit

The Pension Savings Credit is a modest reward for some people aged 65 and over for making savings and investments for their retirement. Only a person's **Qualifying Income** is rewarded.

If you have income from your state retirement and private pensions, or from your savings, of between £98.40 and around £183.40 a week as a single person or between £157.25 and £269.88 as a couple and you are over 65, you will be entitled to Pension Savings Credit. The maximum Savings Credit an individual can receive is £20.52 and the maximum Savings Credit for a couple is £27.09.

### 3.1 What counts as your Qualifying Income for Pension Savings Credit?

<b>Qualifying Income counted</b>	<b>Income ignored</b>
State Retirement pension	Working Tax Credit
Private pension	Incapacity Benefit
Bereavement allowance	Jobseeker's Allowance
Income from assumed savings	Severe Disability Allowance
Earnings	Maternity Allowance
Income from annuities	Maintenance for your husband or wife
	Attendance Allowance or Disability Living Allowance

### 3.2 How does Pension Savings Credit work?

The **Pension Savings Credit** rewards you with 60 pence for every £1 of your **Qualifying Income** that is above the **Pension Savings Credit** starting point, up to and including your **Appropriate Amount**.

The starting points are as follows:

Single person	£98.40 a week
Couple	£157.25 a week

If you receive **Qualifying Income** above these weekly starting points, you will be rewarded with 60 pence for every pound until you reach the maximum amount allowed.

The maximum **Pension Savings Credit** that can be awarded is as follows:

Single person	£20.52 a week
Couple	£27.09 a week

### 3.3 How to work out a person's Pension Savings Credit

Mr Smith, who we discussed earlier, had a state retirement pension of £97.65 a week and an occupational pension of £25.00 a week. We have already worked out that he is entitled to a **Pension Guarantee Credit** of £9.95 a week.

Mr Smith's **Pension Savings Credit** can be worked out as follows:

Qualifying Income	£122.65 a week
Minus the starting point for Savings Credit	£98.40 a week
Difference	<b>£24.25 a week</b>

So, we work out Mr Smith's **Pension Savings Credit** as follows:

**£24.25** multiplied by 60p = **£14.55** a week

Mr Smith's total Pension Credit =

	Guarantee Credit	£9.95
Plus	Savings Credit	£14.55
<b>Total</b>	<b>Pension Credit</b>	<b>£24.50</b>

So, Mr Smith's total weekly income =

	Income	£122.65
Plus	Pension Credit	£24.50
<b>Total weekly income</b>		<b>£147.15</b>

### **An example of an older person who receives Disability Benefits**

Mrs Patel is an 85-year-old widow who lives alone. Mrs Patel receives a state retirement pension of **£97.65** a week and an occupational pension of **£50.06**. Mrs Patel receives the higher rate of Attendance Allowance of **£71.40** a week.

#### **A) Mrs Patel's Appropriate Amount**

Single person's Appropriate Amount                      £132.60 a week

As Mrs Patel receives Attendance Allowance, she is entitled to an extra amount of **£53.65** a week on her Pension Credit rate.

Mrs Patel's total Appropriate Amount                      £186.25 a week

**B) Mrs Patel's Qualifying Income**

Mrs Patel's state retirement pension	£97.65 a week
Mrs Patel's occupational pension	£50.06 a week
Mrs Patel's Attendance Allowance	£ Ignored
<b>Total Qualifying Income</b>	<b>£147.71 a week</b>

**C) Mrs Patel's Pension Guarantee Credit**

Mrs Patel's Appropriate Amount	£186.25 a week
Minus Mrs Patel's Qualifying Income	£147.71 a week
<b>Pension Guarantee Credit</b>	<b>£38.54 a week</b>

**D) Mrs Patel's Pension Savings Credit**

Mrs Patel's Appropriate Amount	£186.25 a week
Mrs Patel's Qualifying Income	£147.71 a week

As Mrs Patel's Qualifying Income is £147.71 which is above the Savings Credit threshold of £98.40 she will be rewarded for this.

$$£147.71 - £98.40 = £49.31$$

$$£49.31 \times 0.60p = £29.58$$

However, the maximum Savings Credit that a single person can receive is £20.52 per week.

**E) Mrs Patel's total Pension Credit**

Guarantee Credit	£38.54
(plus) Savings Credit	£20.52
<b>Total Pension Credit amount</b>	<b>£59.06 a week</b>

She will also continue to receive her disregarded Attendance Allowance of £71.40 per week, so her total weekly income is:

Income	£147.71
Attendance Allowance	£71.40
Pension Credit	£59.06
<b>Mrs Patel's total weekly income</b>	<b>£278.17</b>

### **3.4 Pension Savings Credit reduction**

If your **Qualifying Income** is more than your **Appropriate Amount** (this figure depends on your personal circumstances), you may still be eligible for Savings Credit. However, the Maximum Savings Credit can be reduced by **40 pence for every pound** that your Qualifying Income is above your Appropriate Amount. Therefore, if your qualifying income is considerably higher than your appropriate amount, then the reduction may cancel out any reward you might get.

As the calculations are complex you may wish to check your likely entitlement before taking time to complete the application form. You can either do this by contacting the Pensions Service on 0800 99 1234 or use the Pension Credit calculator online at:

<http://pensions.direct.gov.uk/en/pension-credit-calculator/calculate.asp>

## 4 Housing Benefit and Council Tax Benefit

If you receive Pension Guarantee Credit, you should receive full Housing Benefit and Council Tax Benefit.

If you receive Pension Savings Credit only, you may be eligible to receive Housing Benefit and Council Tax Benefit, where some but not all of your housing costs will be met. Your Pension Savings Credit will be taken into account as income.

The upper limit for receiving Housing Benefit and Council Tax Benefit has been increased by the maximum Pension Savings Credit amount (£20.52 for a single person and £27.09 for a couple). You will, therefore, not see any gains through Pension Guarantee Credit reduced by applying for Pension Savings Credit. Please see guide **22: Council Tax Benefit and Housing Benefit** for further details.

## 5 Entitlement in a care home

If you live in a care home, your Qualifying Income is assessed in the same way. The first £10,000 of your cash savings will be ignored in the same way as it should be if you live at home.

The local council must use the Pension Service assessment of your income when they work out how much you need to contribute towards your care home fees. The council should seek your permission to contact the Pension Service for this information or will ask to see evidence of this information sent to you by the Pension Service (general enquiries line: 0845 60 60 265; new claims: 0800 99 1234).

## 6 Savings Disregard

The Department of Health has introduced a 'savings disregard' into the financial assessment that the council will carry out when people aged 65 and over move into a care home permanently. This is similar to the Pension Savings Credit that you would receive if you lived in your own home. The Savings Disregard will be paid to a single resident up to a maximum of **£5.75** a week and **£8.60** for couples. This is paid as well as the resident's Personal Expenses Allowance of **£22.30** a week. The actual savings disregard given will be either 60 pence for every pound above the starting point or the current Savings Disregard of **£5.75**, whichever is less.

A Savings Disregard of **up to £5.75** a week will be paid to residents with a Qualifying Income of between **£98.40** and **£132.40** a week.

A flat-rate Savings Disregard of **£5.75** will be paid to those residents who have a Qualifying Income of over **£132.40** a week.

### Example of a resident with a low Qualifying Income

Mrs Jones has a Qualifying Income of	<b>£89.00</b>
Her Pension Savings Credit starting point is	<b>£98.40</b>
Difference	<b>£9.40</b>
Savings Disregard = £9.40 x 60p	<b>£5.64</b>

Mrs Jones will receive a weekly income of:

Personal Expenses Allowance	£22.30
plus Savings Disregard	£5.64
<b>Total weekly income</b>	<b>£27.94</b>

### **Example of a resident who has a moderate Qualifying Income**

Mrs Smith has a Qualifying Income of	£108.55
Her Pension Credit starting point is	£98.40
Difference	£10.15
Savings Disregard = £10.15 x 60p	<b>£6.09</b>

Mrs Smith's Savings Disregard will be limited to £5.75. So, she will receive a weekly income made up of the following:

Personal Expenses Allowance	£22.30
Plus Savings Disregard	£5.75
<b>Total weekly income</b>	<b>£28.05</b>

All residents supported by local councils with a Qualifying Income of more than £132.40 week will receive a **set** savings disregard of **£5.75**.

### **Example of a supported resident with a high weekly income**

Mr Wright has a Qualifying Income of £150 a week. If Mr Wright lived in his own home, he would not have been eligible to receive any Pension Savings Credit, as the deduction would have cancelled out all of the £20.40 credit. As Mr Wright lives in a care home and is supported by the local council, he will receive a Savings Disregard of £5.75 a week.

Mr Wright will receive a weekly income of:

Personal Expenses Allowance	£22.30
Set Savings Disregard	£5.75
Total	£28.05

## 7 Other entitlements

If you receive Pension Guarantee Credit, you are entitled to claim other benefits including:

- Free NHS dental treatment including check-ups
- Sight test
- Vouchers towards the cost of glasses or contact lenses
- Travel costs to and from hospital for NHS treatment under the care of a consultant
- Full Housing Benefit
- Full Council Tax Benefit.

If you receive Pension Guarantee Credit, you will also be able to apply for financial help from the Social Fund. If you are in receipt of means-tested benefits, such as Pension Guarantee Credit, you may also be eligible for grants to help with insulation and energy efficiency, and subsidised services such as BT Basic, a new subsidised telephone service to help people on a lower income.

If you receive Pensions Savings Credit but **not** Pension Guarantee Credit, you will not be entitled to some of the same benefits.

But at the same time you will be eligible to claim:

- Standard Housing Benefit
- Standard Council Tax Benefit.

See section 4 of this guide and guide **4: Grants and loans from the state for people on a low income (the Social Fund)** for more information.

## 8 Change of circumstances

If you are over 65, an Assessed Income Period will be set by the Pension Service. The Pension Service decides the period of up to five years based on your personal circumstances. This will mean that during this set period you will not need to tell the Pension Service if your Qualifying Income changes – unless your circumstances change unexpectedly.

During this period, you must tell the Pension Service if you:

- Get married
- Become a widow or widower
- Start to receive a new benefit.

The Assessed Income Period will not be set if you are under 65. So you will have to tell the Pension Service of **any** change in your circumstances. An Assessed Income Period may be set at a later date.

## 9 How to claim

You can phone the Pension Service free on **0800 99 1234** from 8am to 8pm, Monday to Friday, and Saturdays between 9am and 1pm, where staff will take all of the relevant information for your claim. You will need to have ready all the information to work out your Appropriate Amount and Qualifying Income. The form will be sent to you for you to check, and if all the information is correct, you should sign it and return it to the Pension Service.

If you use a textphone, you should phone **0800 169 0133**.

You will need:

- Your National Insurance number;
- Details of any income; and
- Details of any savings and investments.

If English is not your first language, you can phone the Pension Service free on 0800 99 1234 and they will arrange for an interpreter to help you with the security questions.

Alternatively you can download or complete a form online on the Pension Service website at:

[www.direct.gov.uk/en/Pensionsandretirementplanning/PensionCredit/DG\\_10018692](http://www.direct.gov.uk/en/Pensionsandretirementplanning/PensionCredit/DG_10018692)

The Pension Service can now help you apply for Housing Benefit and Council Tax Benefit at the same time as you make a claim for Pension Credit. (See guide **22: Housing and Council Tax Benefit** for details.)

## **9.1 Backdating**

Claims for Pension Credit made since 6<sup>th</sup> October 2008 can now only be backdated for payment by up to 3 months, as long as you meet the conditions for the whole of that period.

## 10 Receiving the payments

The Pension Service will pay Pension Credit directly into a named account by direct debit. This is the safest way to pay you and lets you choose how and when to use your money. You can use a bank, building society, or the post office, and you will be able to withdraw cash from across the counter, cash machines, or use your debit card to purchase goods and services. There are arrangements for some banks and building societies to let you collect cash over the counter at post offices. You can also set up standing orders from your account to pay regular bills such as your gas and electricity, and many utility services will give you a discount if you pay using this method.

When the Pension Service first process your claim you will receive a written statement that will tell you how they have calculated your benefits, when the payments will be paid into your account, and how much you should receive. It is important to keep this statement in a safe place for your records, as the Pension Service only send a new statement when your payments change, or when you request a replacement.

If you find it difficult to manage your own money and would like someone else to manage your affairs, now or in the future, please refer to our guide **33: Money and welfare – managing my affairs if I become ill.**

Our advice workers can advise on a wide range of issues affecting older people, their relatives and carers. Counsel and Care produce a range of guides which can be downloaded from our website [www.counselandcare.org.uk](http://www.counselandcare.org.uk), or requested by calling our guide orderline on 020 7241 8522.

This guide is not a full explanation of the law and is aimed at people over 60.

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