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A G E N C Y

## Pension flexibilities and social security benefits

This factsheet gives general information only and should not be treated as a complete and authoritative statement of the law.

If you are aged at least 55 you now have more flexibility about what you do with your “defined contribution” pension. This is where you build up a pot of money rather than the right to a pension. For example, you (or your partner) might choose to:

- take the whole amount as a lump sum
- take a number of lump sums out
- arrange “flexible drawdowns”, where lump sums or regular payments can be drawn down, or
- buy an annuity

There are rules around how your pension, and any money you take from it, will be treated in the calculation of your entitlement to the following income-related benefits:

- Employment and Support Allowance (income-related)
- Housing Benefit
- Income Support
- Jobseeker’s Allowance (income-based)
- Pension Credit

How your pension pot (or your partner’s pension pot) is treated depends on whether you or your partner have reached the qualifying age for Pension Credit. You can find out your qualifying age for Pension Credit by using the GOV.UK State Pension calculator at [www.nidirect.gov.uk/state-pension-calculator](http://www.nidirect.gov.uk/state-pension-calculator)

The way in which you use the new pension flexibilities could affect any future entitlement to benefits. This is explained below.

### **If you (or your partner) are under the qualifying age for Pension Credit**

If you (or your partner) are under the qualifying age for Pension Credit, and you do not take any money from your pension pot, then it will not be taken into account when your benefit entitlement is worked out. If you or your partner do take money from your pension pot, it will be treated as either income or capital, depending on, for example, how regularly you withdraw it.

**It is your responsibility to tell the Social Security Agency if you or your partner take any money from your pension pot.**

### **If you (or your partner) are over the qualifying age for Pension Credit**

Once you (or your partner) reach the qualifying age for Pension Credit, you are expected to use your pension(s) to help support yourself. If you choose not to buy an annuity after reaching the qualifying age for Pension Credit, an amount of “notional” income will be taken into account when your benefit is worked out. “Notional” income (in this case) is an amount equivalent to the income you would have received if you had bought an annuity.

If you take an income from your pension pot, the amount which will be taken into account when assessing your benefit will be the higher of the actual income or notional income. If you take a cash lump sum, this will be taken into account as capital.

**It is your responsibility to tell the Social Security Agency if you or your partner take any money from your pension pot.**

### **Deprivation rule**

If you spend, transfer or give away any money that you take from your pension pot, the Social Security Agency (SSA) will consider whether you have deliberately deprived yourself of that money in order to secure (or increase) your entitlement to benefits. If it is decided that you have deliberately deprived yourself, you will be treated as still having that money and it will be taken into account as income or capital when your benefit entitlement is worked out.

## **Contributory benefits**

Pension income over a certain level can affect your entitlement to contributory benefits.

- For Employment and Support Allowance (contribution based), half of your pension income over £85 per week will be taken into account.
- For Jobseeker's Allowance (contribution based), all of your pension income over £50 per week will be taken into account.

If you do not take your pension, it will not be taken into account when your entitlement to contributory benefits is worked out. Any cash lump sum you take that is deemed to be capital will not affect entitlement to a contributory benefit.

## **Further guidance**

SSA staff can explain the rules around the treatment of income and capital, but this will not be a guarantee of your entitlement to benefits - each case is decided on its own individual circumstances.

Guidance to help you consider the options open to you can be found on the "Pension Wise" website [www.pensionwise.gov.uk](http://www.pensionwise.gov.uk)

Guidance is also available over the phone from The Pensions Advisory Service and face-to-face from some Citizens Advice Bureau offices.