Missing NI contributions – Check and top up your state pension whilst you still can – deadline April 2023

*For men born after 5 April 1951 and women born after 5 April 1953. If that's you, then read on. If you were born before this, then you are on the older system.

What's this all about?

The new flat rate of state pension started on the 6th April 2016 and the amount you get depends on how many qualifying years you have. On the old system which consisted of a basic state pension and a top up dependent on things such as SERPs and contracting out, you needed to have 30 qualifying years and the level of pension in some cases was dependent on levels of earnings in the past. On the new system, everyone can get a flat rate of state pension but as a starting point you need to have 35 qualifying years as a minimum.

Now for those who started their NI record before 2016, it's not as simple as some of your record is based on the old system and some on the new system.

For anyone in this position, there are transitional arrangements in place. These mean you can pay to 'plug the gaps' for any gaps in your record as far back as 2006. ***However, this arrangement finishes in April 2023 and after that you can only fill gaps within the last 6 years.***

What can you do and what do you need to know?

1. Check your current record.

The first step is to check how much state pension you'll get based on your current record and how much you will get if you continue to work to state pension age. You can do this on the government's website, but you'll need to register for a gateway ID.

https://www.gov.uk/check-state-pension

If you haven't already got full entitlement or are not on track for the full state pension before you finish work (currently £185.15pw) then you need to check the gaps in your record and there should be a link in your forecast to do so. That will then show you how many years since 2006 are incomplete and it may be worthwhile paying to fill these years to get a higher state pension (see below for things to consider). Remember, post April 2023 you will only be able to go back 6 years so any older years need completing now if you intend to do so.

For anyone that was previously 'contracted out', it is even more difficult to work out and a call to the Department for work and pensions would be your best option. Most people in a public sector or final salary scheme were contracted out at some point in the past.

2. Make sure you have claimed any free national insurance credits.

There are certain other times in your life when you could have been awarded NI credits when you pay not have been and you need to claim manually. For example, statutory maternity, caring for relatives or a spouse of the armed forces. The full list of what you can claim for and how to manually apply is detailed here https://www.gov.uk/national-insurance-credits/eligibility

These may not have been automatically added to your record.

You should automatically have been applied NI credits in all of the following scenarios:

- Employed and earning at least £6,396 a year
- Self-employed with profits of at least £6,725 a year ('small profits threshold'
- Claiming universal credit
- On jobseeker's allowance and not in education/working for 16 hours or more every week
- On maternity allowance
- On income support and providing 'regular and substantial care'
- In a couple and both getting working tax credits (only one of you will get NI credits)
- On carer's allowance
- A parent registered for child benefit for a child under 12
- On employment and support allowance, or 'unemployability supplement' or allowance
- Over 18 and Jobcentre Plus sent you on a Government-approved training course lasting up to a year

3. Should you pay to boost your state pension?

Now there is the question. You have a window of opportunity until April 2023 to boost your state pension and then the gaps you can go back and top up will reduce to 6 years.

However, it is not always a simple decision.

If you are close to state pension age, are no longer working and therefore cannot get 35 qualifying years anywhere else plus you have less time to wait until the pension payments start then it could be a no brainer.

If you are younger, then it’s a tougher decision. You may work and complete the required years before retirement anyway and therefore you will have paid for no reason. You may die before your state pension and not see the benefit of it. The younger you are, the more likely you will work the required amount but what the future holds is something no one knows so it has to be personal decision. Anyone under 45 for example should have enough time to top up unless you are sure you won’t make them up, for example if you move abroad or stop work early and are not entitled to any of the other credits.

Buying national insurance years can vary in costs depending on whether it’s a full year you are topping up, you’re self employed or it’s the previous two years but as a guideline it costs

£824. However it adds an extra (upto) £275pa which means as long as you live at least 3 years of receiving the increased income, you'd be in a profit.

You could look at life expectancy projections to see if you think it's going to be worth it but it has to be a personal decision and take your own health and future plans into account. You also must be aware that not everyone would get this full benefit, if you are a higher rate taxpayer there will be tax on the additional income elsewhere from the state pension using more of your personal allowance and low earners might be better with pension credit. Make sure you do your research for your own circumstances before making a decision.

This is an overview of the changes that are coming but you need to make sure to speak to the Pension services available to get an accurate picture for you personally.

If you are not at state pension age, call the Future Pension Centre – 0800 731 0175
If you are already at state pension age, call the Pension Service – 0800 731 0469.

If you have decided to buy extra years, which you can do in one go or over time then you will need an 18 digit reference number from HMRC which you can get over the phone. You then need to pay through your bank to HMRC or by cheque. This process can take a few weeks so don't leave it until the last minute to action. Also, please note is that if you are already receiving a state pension, they will only increase the payments from the date you made the payment not the date you started receiving the state pension.

This is an overview to give you the information necessary to help you make the right decision for your circumstances. We cannot advise you on state pension matters and you need to speak to the relevant departments but for any other financial planning needs that we do advise on (https://kbafinancial.com/who-we-work-with/), please do get in touch.

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