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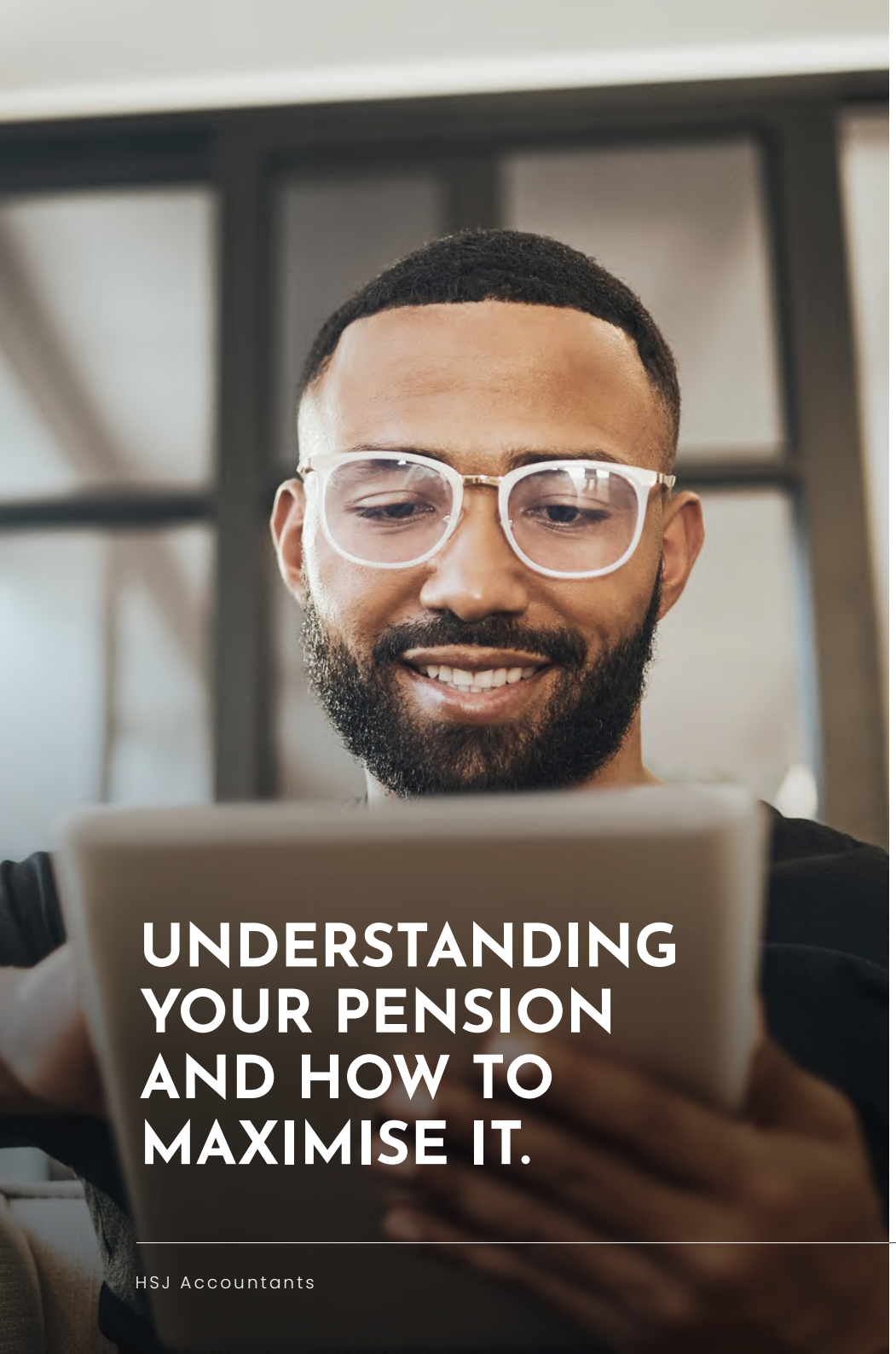
SPOTLIGHT ON:

The State Pension changes in 2025: What they mean for you

hsj accountants
business & tax advisors

WWW.HSJACCOUNTANTS.CO.UK
HELP@HSJ.UK.COM
01633 815800



UNDERSTANDING YOUR PENSION AND HOW TO MAXIMISE IT.

The State Pension remains a foundation of retirement income for millions across the UK. Although private pensions and other investments often play a significant part in retirement plans, the State Pension provides a consistent baseline of support. Many people seek clear guidance on what to expect from the State Pension, especially when government policies evolve. Changes set for the 2025/26 tax year have prompted questions about how much pensioners will receive, how the system affects those who are planning to retire soon, and what individuals can do to stay informed. This guide addresses these questions and offers an overview of the updated State Pension system.

OVERVIEW OF THE NEW STATE PENSIONS

The UK introduced the "new State Pension" for people who reach State Pension age on or after 6 April 2016. This new system replaced the old basic State Pension and additional State Pension (sometimes called SERPs or S2P). Its goal was to simplify retirement benefits and make them more transparent, but several changes have occurred over the years.

Under the new State Pension, you need at least ten "qualifying years" of National Insurance (NI) contributions to receive anything. You typically need 35 qualifying years to receive the full new State Pension. These are broad guidelines; some people who paid or received NI credits under the old system may have special situations, so it's worth checking your own NI record to confirm your status.

From April 2025, the UK government will continue to determine State Pension amounts according to policies in place at that time. Although the official weekly figure for 2025/26 will depend on economic factors like inflation, average wage growth, and policy decisions, the triple lock (discussed in the next section) means that the new State Pension is expected to rise in line with either average earnings, inflation, or a minimum rate (2.5%), whichever is highest.

From April 2025, the full rate of the new State Pension will be £230.25 per week, while the old basic State Pension will be £176.45 per week.

Key takeaways:

- If you reach State Pension age on or after 6 April 2016, you fall under the new State Pension rules.
- You need at least ten qualifying years of NI contributions to receive any State Pension.
- You typically need 35 qualifying years to receive the full new State Pension.

RECENT INCREASES AND THE TRIPLE LOCK

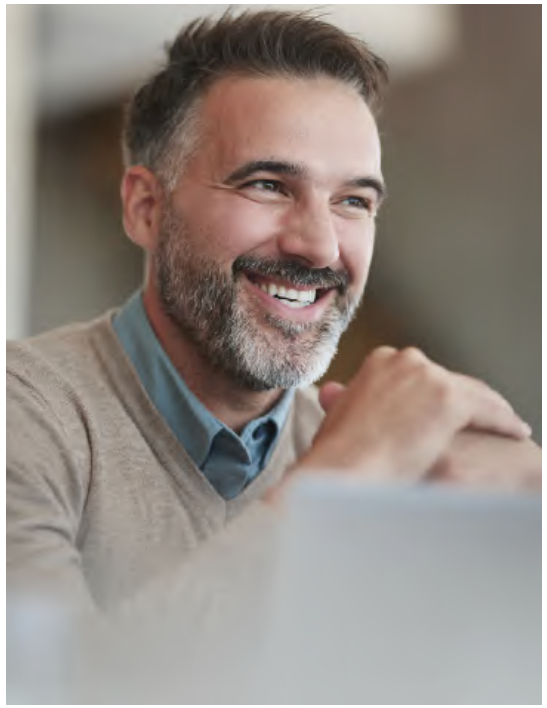
The triple lock has been a cornerstone of the government's approach to State Pension increases. It ensures that each year, the new State Pension rises by the highest of three measures:

1. Average earnings growth
2. Inflation (usually measured by the Consumer Prices Index, or CPI)
3. A flat 2.5%

Because of this policy, the new State Pension has risen significantly in some years, especially when inflation or wage growth has been higher. According to the UK Parliament's data in recent years, pensioners often rely on the State Pension for more than half of their income. This underscores why each annual increase remains so important for retirees, especially during times of rising living costs.

STATE PENSION AGE CHANGES

The government has gradually increased the State Pension age over the past decade. This process affects both men and women. It is already 66 for most individuals, and it is set to become 67 between 2026 and 2028. The government has also explored raising the State Pension age to 68 earlier than planned, but those proposals usually require further parliamentary debate and public consultation.



For 2025, the State Pension age remains 66 for most people, though those who were born in specific years may face a shift to 67 if their birthday falls within the transition period. It's wise to check the government website or use the official "Check your State Pension age" tool to see your personal pension age.

NATIONAL INSURANCE CONTRIBUTION REQUIREMENTS

Your NI record is the foundation of your State Pension entitlement. Each tax year in which you pay or are credited with sufficient National Insurance contributions counts as one "qualifying year." You need at least ten qualifying years to receive any portion of the State Pension, and around 35 qualifying years to receive the full new State Pension.

Ways to build your NI record:

- **Pay NI contributions through employment:** If you are employed and earn above a certain threshold, you automatically pay NI contributions.
- **Pay NI contributions if self-employed:** If you are self-employed, you pay Class 2 and/or Class 4 contributions depending on your profits.
- **NI credits:** If you receive certain state benefits (for example, Child Benefit for a child under 12), you may receive NI credits. These credits can fill in gaps for years when you are not working.
- **Voluntary contributions (Class 3):** If you have gaps in your record, you can pay voluntary contributions to top up certain years. You usually have up to six years to fill past gaps, but from time to time, the government extends these deadlines.

Special note for 2025/26

If you discover missing years in your NI record when you check in 2025, you may still be able to buy back some prior years – if the deadlines allow. Keep in mind that voluntary contributions might not always boost your State Pension if you already qualify for the full amount, so you should confirm before making payments.

DEFERRING THE STATE PENSION

You do not have to start claiming your State Pension as soon as you reach State Pension age. If you choose to defer, the amount you eventually receive will increase. The government calculates deferral increases daily, and you usually need to defer for a minimum period before seeing a rise in your weekly pension.

For the new State Pension, the deferral rate for each year you delay is roughly just under 5.8% extra per year (the precise rate can vary). This means that if you have other sources of income and do not need the State Pension right away, you might consider deferring. However, it can take several years of receiving a higher pension to offset the time you spent without payments. So you should review your personal circumstances and consider factors such as health, life expectancy, and current financial needs.

POSSIBLE IMPACT ON YOUR PERSONAL FINANCES

The changes in 2025/26 may influence your financial planning, especially if you are close to retiring or already in retirement. Here are some points to consider:

- **Inflation and cost of living:** If inflation remains high, an increase in the State Pension could help you keep pace with rising prices. At the same time, costs for essentials such as energy bills or groceries could offset some of the benefit of a pension increase.
- **Other benefits and allowances:** People who receive the State Pension may also qualify for other benefits, such as Pension Credit or Housing Benefit, depending on their income and circumstances. If the State Pension rises, it could affect how much help you get from these benefits.
- **Interaction with private pensions:** If you have a defined benefit or defined contribution pension, you may want to look at how your total retirement income will stack up. The State Pension can serve as a safety net, but it might not be enough on its own for your financial goals.
- **Tax considerations:** The State Pension counts towards your taxable income. If a rise in the State Pension pushes you into a higher tax bracket, you could end up paying more in income tax.

Stay aware of how the annual changes in State Pension rates could influence your tax situation. Many people in retirement find themselves with multiple sources of income – part-time work, private pensions, savings, or investments – so it can be helpful to forecast how an increase in the State Pension might affect your taxable income.

HOW TO CHECK AND BOOST YOUR STATE PENSION

A few straightforward steps can help you understand your entitlements and increase your State Pension if you have gaps:

1. **Check your State Pension forecast:** The government's website (gov.uk) offers a service where you can see your forecast based on your NI record. It will show you how many years you have, how many you need for the full amount, and any shortfalls.
2. **Review your NI record:** You can check your NI record online to see if there are any gaps. This information is crucial when deciding if voluntary contributions make sense for you.
3. **Consider voluntary NI contributions:** If you have empty or partially empty years in your record, think about paying voluntary Class 3 contributions to help you qualify for a higher State Pension. Ensure you seek guidance – sometimes from a professional adviser – before paying, because it might not always boost your pension.
4. **Understand credits for carers:** People who take time off work to raise children or look after someone with a disability may receive NI credits that count towards the State Pension. It's important to confirm that you have received all the credits you are entitled to.
5. **Stay up to date on government announcements:** The government may extend deadlines or offer temporary concessions, such as the chance to buy back older missing years, which can help you fill longer-standing gaps.

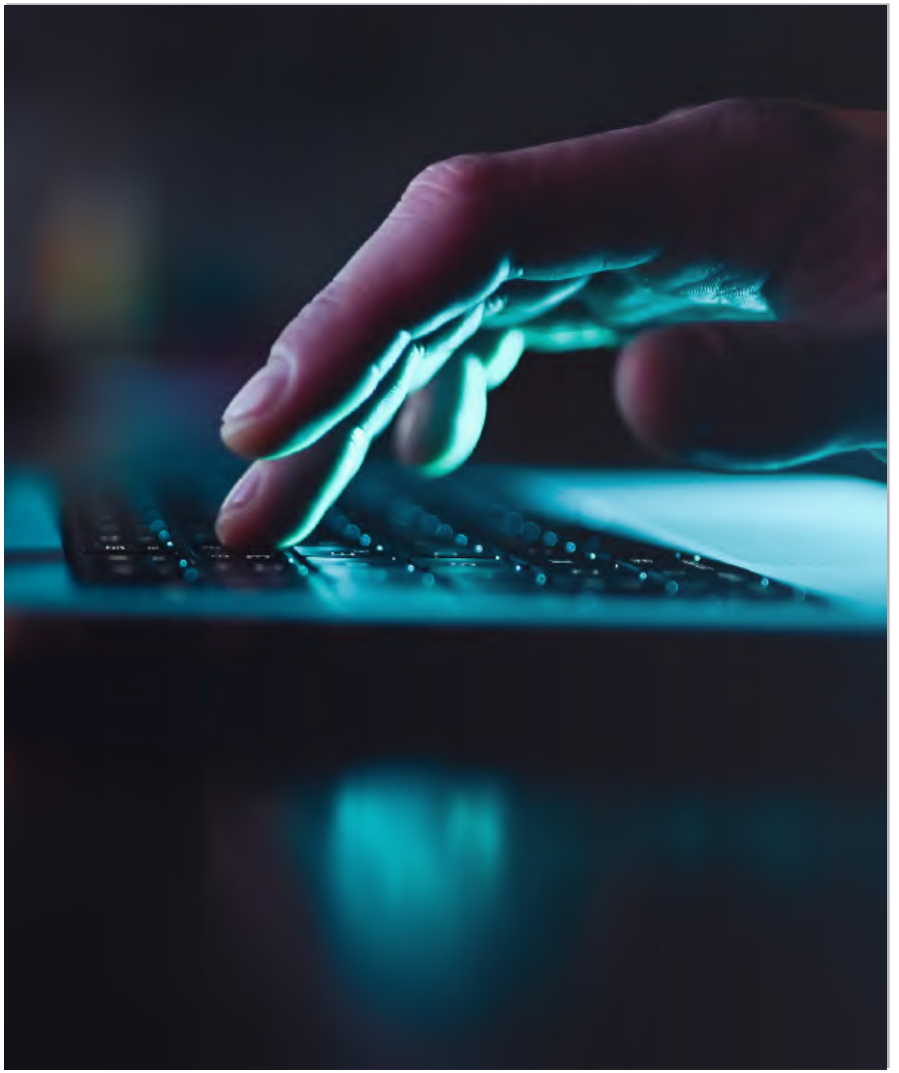
THE IMPORTANCE OF STAYING INFORMED

With each financial year, the State Pension rules can shift through legislative changes or new government initiatives. You might see proposals to adjust the triple lock, alter the State Pension age schedule, or change the contributions system. While not all proposals become law, it helps to stay aware of discussions in Parliament.

Reliable sources for up-to-date information include:

- **Gov.uk** (official government site with detailed explanations, calculators, and eligibility checkers).
- **UK Parliament website** (for legislative updates).
- **Advisory services** such as Citizens Advice or Pension Wise (for free guidance on retirement options).

Statistics from the Office for National Statistics (ONS) often offer insights into trends such as pensioner incomes, average lifespans, and employment patterns among older workers. These data points can give you a sense of where retirement planning stands on a national level.



FINAL THOUGHTS

The State Pension remains an important building block of retirement security. Although private pensions, savings, and investments can be significant, many retirees rely on the State Pension for a sizeable part of their income. The updates expected in 2025/26 will likely continue the pattern of annual increases, but you should monitor official sources for the precise figures.

Paying attention to your National Insurance record and considering whether voluntary contributions could help you top up your future pension are good steps if you suspect shortfalls in your NI history. If you plan to retire around 2025 or slightly later, you should look at your anticipated State Pension age to see if you might be affected by any forthcoming age changes.

It can also help to reflect on how the new State Pension interlocks with your other sources of income. If the State Pension pushes your total earnings in retirement above certain tax thresholds, you should plan for that possibility. Meanwhile, if you have a smaller income, you should see whether you qualify for benefits such as Pension Credit. These decisions can benefit from professional advice, and many accountants, financial advisers, and charity services can guide you based on your individual circumstances.

The steps you take to check your forecast and NI record can make a difference. Accessing government services online and reading official guidance can confirm that you are on track to get the maximum amount for which you qualify. If you have a gap in your record, paying voluntary contributions might mean the difference between missing out on a higher payment or receiving a boost that could last the rest of your life.

Staying aware of potential changes is worthwhile, especially if you intend to retire in the near future. Even though the State Pension is only one part of your income in retirement, it can provide a dependable foundation. If you keep up with announcements and take a proactive approach to your NI record, you'll be in a better position to ensure your State Pension meets your expectations.

Have any questions about your State Pension?
Get in touch – we're here to help.

hsj accountants
business & tax advisors

Severn House, Hazell Drive, Newport, Gwent, NP10 8FY