

## State Benefits and Equity Release

Some benefits may be affected by the decision to release equity from the home as they are subject to means-testing. They are Pension Credit, Council Tax Benefit and Health Benefits.

Between 06/04/10 and 05/04/20 the State Pension Age for women will rise gradually from 60 to 65. The age at which men and women can get Pension Credit will rise in line with this. To estimate the amount of Pension Credit which your client could be entitled to, visit: [www.direct.gov.uk/pccalculator](http://www.direct.gov.uk/pccalculator)

### Pension Credit

Pension Credit is intended to bring a person's income up to a minimum level and is paid in two parts:

**Guarantee Credit** tops up the Basic State Pension from £97.65 to £132.60 per week if somebody does not have any other income to bring them up to this level.

**Savings Credit** is awarded if somebody has a minimal level of private income.

Basic State Pension (£)	Occupational Pension Income or State Second Pension (£)	Guarantee Pension Credit (£)	Savings Pension Credit (£)	Total Income (£)
97.65	0	34.95	0.00	132.60
97.65	10.00	24.95	5.55	138.15
97.65	20.00	14.95	11.55	144.15
97.65	30.00	4.95	17.55	150.15
97.65	40.00	0.00	18.50	156.15
97.65	50.00	0.00	14.50	162.15
97.65	60.00	0.00	10.50	168.15
97.65	70.00	0.00	6.50	174.15
97.65	80.00	0.00	2.50	180.15
97.65	90.00	0.00	0.00	187.65

Figures are presented for a single person on a weekly basis for the tax year 2010/11.

The table demonstrates that if someone has £90 per week private income (i.e. anything over and above the Basic State Pension, such as the State Second Pension or occupational pension income) they will not be eligible for Pension Credit. In the same way, if they decide to use an equity release plan to top up their income and this causes them to receive £90 per week in addition to the State Pension, they will lose any Pension Credit they are entitled to.

They may also lose entitlement to Pension Credit if they release sufficient capital because any capital in excess of £10,000 is assumed to give rise to a weekly income of £1 per £500 capital (or part thereof) when calculating private income.

A person's income is usually assessed every five years for Pension Credit, unless there is any uncertainty as to what "retirement provision" they are expecting to receive over that period. This is known as an "Assessed Income Period" and during this period the individual does not need to report any changes in their retirement provision as they are only assessed on what they are receiving or are expecting to receive at the time of assessment. Since 6/4/09 an 'Assessed Income Period' may run for an indefinite period where the client is aged 75 or over on the day that the relevant decision takes effect.

## Council Tax Benefit

Once a person's income has been calculated, they will be eligible for Council Tax Benefit if their income is less than £153.15 per week for a single person or £229.50 per week for a couple. These figures are based on a client aged 65 or over, the figures for those aged 60 to 64 are £132.60 per week and £202.40 per week respectively.

This means that for people with income below these amounts, some or all of their Council Tax Benefit may be lost if they choose to use equity release to increase it.

Will you receive full Council Tax Benefit	YES	NO
Receive Guarantee Credit	✓	
Does not receive Guarantee Credit	✓	
	Depending on an assessment of levels of personal income and capital	
No capital	✓	
	Could use equity release to generate a lump sum of £10,000 without reducing entitlement to Council Tax Benefit.	
Less than £10,000 capital	✓	
	The first £10,000 of capital is ignored and any capital above this lower limit will be assumed to give rise to £1 of income per week per £500 capital (or part thereof)	
Between £10,000 and £16,000 capital		✓
	Reduced entitlement or even none at all, if amount of capital is increased through equity release.	
Over £16,000 capital		✓

## Health Benefits

People who receive the Guarantee Credit part of Pension Credit will automatically receive Health Benefits.

This means free prescriptions, dental check ups and treatment, sight tests and vouchers towards the cost of glasses or contact lenses and repayment of reasonable travels costs to hospital and back for NHS treatment.

People who receive only the Savings Credit part of Pension Credit may still be able to apply for Health Benefits if they have a "low" income (assessed individually based on income and expenditure) and savings of £16,000 or less.

If somebody receives Guarantee Credit or is on a "low" income and through using an equity release plan tops up their income or their capital to more than their threshold, they will lose any Health Benefits they are entitled to.

## For Further Information

Guide to Pension Credit (PC1L leaflet) –

[http://www.direct.gov.uk/prod\\_consum\\_dg/groups/dg\\_digitalassets/@dg/@en/@over50/documents/digitalasset/dg\\_180224.pdf](http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/@over50/documents/digitalasset/dg_180224.pdf)

Guide to Help with Health Costs (HC11 leaflet) –

<http://www.nhsbsa.nhs.uk/HealthCosts/Documents/HealthCosts/HC11.pdf>

**For more information on the above please contact your Financial Adviser.**

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