Aspect8

# The impact of raising the State pension age

**New research shows how the most recent increase in state pension age has hit those affected.**

The last change in State pension age (SPA) was phased in between December 2018 and October 2020. Over that period, the SPA for both men and women increased from 65 to 66. The move was controversial, not least because it followed immediately after the previous increase of women's SPA from 60 to 65, which started in 2010.

The financial impact of the SPA increase to 66 has recently been examined by the Institute for Fiscal Studies (IFS), which found:

- Predictably, the greatest impact was that, on average, 65-year-olds lost state pension income worth around £142 per week in 2020/21. Only around 9% of 65-year-olds delayed retirement – and thus maintained earnings – until they reached 66.
- Once all sources of income (including State pensions and investment income) were considered, the move to 66 pushed down the average net income of 65-year-olds by £108 per week.
- The reduction in household income had the most significant effect on lower-income households and caused marked increases in income poverty rates among 65-year-olds. The IFS estimates that the reform caused absolute income poverty rates (after accounting for housing costs) among 65-year-olds to climb to 24%, whereas it would have been about 10%, had SPA been unchanged.
- While 65-year-olds suffered losses, HM Treasury made gains. The combination of reduced payments of State pensions and the higher direct tax payments from those continuing in work boosted the public finances by nearly £5 billion per year. Viewed another way, that is equivalent to almost 5% of public spending on State pensions.

The IFS paper is not just of academic interest, as another change to SPA is imminent. Between April 2026 and April 2028, SPA will gradually rise by another year to age 67. If you were born after 5 April 1960, you will be affected. This time around, the amount of pension loss and Treasury gain will be greater, thanks to the surge in inflation.

In June, the Chief Secretary to the Treasury confirmed, in answer to a written question, that for April 2023 "the Triple Lock will apply for the State pension." Nevertheless, your retirement plans may need a review if you have not allowed for rising SPA (and there is yet another year's increase to come, to 68, currently scheduled for 2037/39).

*The value of pensions and investments and the income they produce can fall as well as rise. You may get back less than you invested.*

*Past performance is not a reliable indicator of future performance.*

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