How to boost your retirement income

If you've not yet started to draw your State Pension, you may find that buying extra National Insurance years can boost your income. The deadline has been extended to 31 July 2023 to give people more time to fill any gaps before the 2016/17 tax year.

In order to be eligible for a full State Pension, you'll need 35 full qualifying National Insurance (NI) years of contributions. You can pay to plug gaps in your NI record dating back to 2006. However, this arrangement now ends on 31 July 2023, after which you can only fill gaps going back six tax years. So the clock is ticking on how long you have left.

What can I do?

You can check your State Pension entitlement, National Insurance record and State Pension age by visiting www.gov.uk/check-state-pension and www.gov.uk/check-national-insurance-record or by calling the Future Pension Centre on 0800 731 0175.

To fill in any missing years on your National Insurance Contribution (NIC) record, you can pay lump sums for the weeks or years you wish to claim. You can make these payments over the phone or online at www.gov.uk/pay-voluntary-class-3-national-insurance

You may be entitled to NI credits for periods you were not paying NI – for example, if you have cared for children or claimed benefits because you were ill or unemployed. You can check your eligibility and how to claim at www.gov.uk/national-insurance-credits/eligibility

Is it worth it financially?

Each year you want to add costs around £800 (the range is £760 to £825, depending on the missing years). Each additional year can provide around £300 gross of extra annual income.

Depending on your tax rate, the period to break even is three to five years after your State Pension has started to be paid. Therefore, you're likely to be better off financially by the time you're 73 if you top up any NIC gaps.

What else do I need to consider?

- These rules cover the new State Pension, so it only concerns you if you've reached State Pension age after April 2016 or have yet to do so.
- You'll require a minimum of 10 qualifying years to be eligible for any State Pension entitlement.
- The maximum new State Pension entitlement is based on 35 qualifying years; anything over 35 years provides no added benefit.
- If you were living abroad for a missing year, you can still make voluntary contributions for that year.
- For 2022/23, the full new State Pension is £9,627.80 gross per year, increasing to £10,600.20 gross per year in 2023/24.

What are the risks?

Legislation could change. While the State Pension is available to all at the moment, a future government could introduce means testing or some other way of calculating individual entitlements.

You cannot reclaim any lump sum contributions leading up to your State Pension Age. So there's a risk you may not receive any financial benefit if you die before this point or just a few years afterwards. Any additional entitlement is not transferable to your surviving partner or spouse.

If you're many years away from the State Pension age, it may be better to fund future years with voluntary contributions each year, rather than looking to fill past years.

Retirement planning can be complex and we always recommend you seek professional advice before making any decisions. If you have any questions about whether topping up your NI contributions makes financial sense for you, then please reach out to your usual Rathbones contact.