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PENSIONS

Inflation-busting pay rise good news for pensioners

By Laura Miller

Retirees will enjoy a £220 boost next year, more than the increase in the cost of living, thanks to the “triple lock” protection on their state pension.

The state pension is expected to rise by 2.6pc from April next year, below the 3pc increase enjoyed in 2017-18. But with inflation coming in at 2.4pc in September, the increase is still more than the rising cost of living. This is because of the triple lock protection that means the state pension will rise every year by the higher of earnings, prices or 2.5pc.

Wages have begun to rise after stagnating for a decade, with average earnings growth at 2.6pc in July. It is that figure which is expected to be used to boost the full flat-rate state pension by £221 to £8,767.20 a year, a weekly increase from £164.35 to £168.60.

Those on the much lower old basic state pension will see a rise from £125.95 per week to at least £129.10, an annual rise of £163 per year.

Tom McPhail, of fund shop Hargreaves Lansdown, said: “One of the most brutal lessons of the last election campaign for the Tories was not to take their core constituency for granted: don’t upset pensioners.

“It was no surprise then last week to see the Government reiterate its commitment to the triple lock for the remainder of this parliament.

“At some point in the future, a government, presumably not this one, is likely to have to grasp the nettle and move away from the triple lock. If this doesn’t happen then the state pension will inexorably increase relative to earnings and inflation.

“In the meantime, the state pension is a vital bedrock income to cover much of pensioners’ essential expenditure in retirement.”

September’s 2.4pc inflation figure also influences the lifetime allowance, the limit which restricts how much people can put into their retirement savings without paying a tax charge.

It will mean an increase to the lifetime allowance in 2019-20 from £1,030,000 to £1,054,800. Any pension savings above this are taxed punitively on withdrawal, by 55pc or 25pc.