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Delay your state pension – as long as you live to 81

By Jessica Beard

THOUSANDS of older workers are cutting their tax bills by taking their state pension later – but today's retirees have to live until at least 81 to recoup the loss.

More people are working beyond retirement age, when they can start receiving the state pension. Taking it at a later date lowers taxable income and boosts the amount pensioners receive through "enhanced" payments when they decide to draw benefits.

But analysis by pension provider NFU Mutual, seen by Telegraph Money, showed you might have to wait until your 80s before reaping the rewards. The state pension age will rise to 66 by October, and retirees who qualify for a full pension can expect £9,109.12 a year.

'Deferring the state pension is essentially a gamble on your own life expectancy'

After delaying the pension, the value of enhanced payments depends on when the individual reached state pension age. Those reaching it before April 6 2016 get a weekly payment that is enhanced by 10.4pc for each year of suspension. The terms are less generous for those reaching pension age after 2016, with a rise of 5.8pc.

The state pension rises by at least 2.5pc per year, so those who opt to delay could be waiting well into their 80s before they gain an advantage.

By forgoing the £9,109.12 payout for a year, it would take another 14 years from the date at which the delayed pension is taken until the enhanced payments are worth more than the initial sum that was passed up, the research showed.

Martin Ansell, of NFU Mutual, said: "Deferring the state pension is essentially a gamble on your own life expectancy."

He said it would be better to take the state pension when it is due and invest it. A £9,109.12 investment in the FTSE All-Share, 15 years ago, would now be worth £26,719. Many people defer pensions for tax reasons. For savers with private income, starting to receive the state pension could push them into a higher tax bracket.