What happens to State Pension when someone dies? These are the rules

In addition, there are things to bear in mind for private pensions when you die

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At the moment, all eyes are on what might happen to the value of the State Pension in 2022.

The State Pension goes up every year according to the triple-lock policy but the rules could be bent by the Government to stop it from getting a huge rise next year.

Under the terms of the triple lock, the Treasury must agree to increase pension payments to match the highest of these three things: average earnings, inflation or 2.5% every year.

And with average earnings shooting up as the economy gets going again after lockdown, that could mean an 8 per cent rise in the payout next spring.

The annual rise is good news for pensioners but, looking beyond that and into future years, what happens to all that pension money when you die?

Many people aren't aware of the rules that apply and it's important to bear these in mind especially if you have a spouse or civil partner who may struggle to manage financially on their own when you're not around.

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What happens to a basic State Pension when you die?

If your spouse or civil partner reached State Pension age BEFORE April 6, 2016, when you die they should contact the Government's Pension Service to see what they can claim.

They may be able to boost their basic State Pension by using the deceased's qualifying years if they don't already get the full amount.

Should they have reached State Pension age on or after April 6, 2016, or be under State Pension age when their spouse or civil partner dies, then they can use the State Pension inheritance calculator on the UK Government website to check what they may be entitled to.

Other circumstances to take into account are as follows:

You're single or divorced

If you're single, divorced or your civil partnership was dissolved and you die after you've reached State Pension age, your estate can claim up to three months of your basic State Pension - as long as you had not already claimed it.

Extra money from deferring your State Pension

If you decided to defer your State Pension and built up an extra amount, your spouse or civil partner can either claim the extra State Pension or get a lump sum.

If you deferred for less than 12 months your spouse or civil partner can only get extra State Pension, not a lump sum.

If you deferred for 12 months or more they can choose to get extra State Pension or a lump sum payment. Provided they have not remarried or formed a new civil partnership since your death they can get this when they reach State Pension age.

State Pension top-up

If you topped up your State Pension, your spouse or civil partner may be able to inherit some or all of your top-up.

What happens to a new State Pension when you die?

You might be able to inherit an extra payment on top of your new State Pension if you're widowed.

But you will not be able to inherit anything if you remarry or enter a new civil partnership before you reach State Pension age.

Other circumstances to take into account are as follows:

Inheriting Additional State Pension

You might inherit part of your deceased partner's Additional State Pension if your marriage or civil partnership with them began before April 6, 2016, and one of the following applies:

- your partner reached State Pension age before April 6, 2016
- they died before April 6, 2016 but would have reached State Pension age on or after that date

It will be paid with your State Pension.

Inheriting a protected payment

You'll inherit half of your partner's protected payment if your marriage or civil partnership with them began before April 6, 2016 and:

- their State Pension age is on or after April 6, 2016
- they died on or after April 6, 2016

It will be paid with your State Pension.

Inheriting extra State Pension or a lump sum

You may inherit part of or all of your partner's extra State Pension or lump sum if:

- they died while they were deferring their State Pension (before claiming) or they had started claiming it after deferring
- they reached State Pension age before April 6, 2016
- you were married or in the civil partnership when they died

Your partner's National Insurance record and your State Pension

The new State Pension is based on your own National Insurance record.

If you paid married women's or widows' reduced rate National Insurance, you might be able to increase your new State Pension if you're eligible.

If you get divorced or dissolve your civil partnership

The courts can make a 'pension sharing order' if you get divorced or dissolve your civil partnership.

You'll get an extra payment on top of your State Pension if your ex-partner is ordered to share their Additional State Pension or protected payment with you.

Your State Pension will be reduced if you are ordered to share your Additional State Pension or protected payment with your partner.

What about private pensions?

There are essentially two types of private pension - final salary or defined benefit schemes, and defined contribution schemes.

With all private pensions - including workplace schemes - you can name a beneficiary to get the money after you pass away, using an expression-of-wish form.

If you don't name a beneficiary, the pension provider will try to find the next of kin and then give the money to them. So it's best to name the person you would prefer to benefit from your pension cash.

Check with your provider to find out about naming a beneficiary and exactly what they would receive.

With final salary pensions, most schemes will pay out a lump sum to a beneficiary (typically your spouse) of a multiple of salary (for instance, two times basic salary).

If you die before the age of 75 this is paid tax-free, as long as the scheme pays the money out within two years.

This type of pension will also pay your beneficiary an income, usually around 50 per cent. This is taxed as income and stops when the spouse or inheriting dependent dies. If you're not married it's worth checking if your scheme will pay to a cohabitee. Most will do this but some schemes will still only pay to a legal spouse or civil partner.

The defined contribution pension is where you have your own pot of money which is paid to family following death. However, some employers may still offer a multiple of salary like a final salary pension, in addition.

The pot can be inherited tax-free and cascaded down generations, sometimes free of both income and inheritance tax charges.

More information can be obtained from PensionWise, a Government service from MoneyHelper that offers free, impartial guidance.

- **Check your State Pension to calculate how much money you will get on the GOV.UK website here.**
- **Get the latest politics and benefits news direct to your inbox through our daily newsletter**