Martin Lewis' state pension tip could see you turn £800 into £5,500

Martin Lewis, the founder of Money Saving Expert, offered valuable tips to Britons nearing state pension age about how they may be able to boost their income for retirement.

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He continued: “For those who are already at state pension age, go and check your National Insurance record, which will tell you how many years of full contributions you have and whether, crucially, you have any gaps in your contribution record.”

The NI record will also break down year by year when and where the person may be missing out.

Mr Lewis said: “This is the crucial bit as to why timing is so important right now. Until April 2023, you can buy back NI years dating all the way back to 2006. After April 2023, you'll only be able to go back six years. As you can see, that's a substantial number of years. If you're missing them, you'll only have a short window left to buy them.

"Those people who are nearer state pension age, the easier it is to see whether it is going to be worth you buying back extra years or not. The younger you are, the more time you have to plug any gaps, which is why I started this by saying this is for people aged 45 to 70. Although in truth, I think 45 is pretty young - I think 55 is a better age."

However, the money saving expert noted that before anyone dives into paying for missed years, it's key to check whether they're due any free NI credits. People can do this through the Gov.UK website.

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Mr Lewis said: "During the period that you were missing years, you may not have got the National Insurance credits that you were entitled to, and you may be able to get them for free, which can substantially boost your state pension."

Before delving into the numbers, Mr Lewis noted: "I need to give you a really important red flag warning. I am giving you a call to arms about whether you should be checking if this is worth doing but I cannot, in this podcast, give you an absolute guarantee that in your specific circumstance it is worth doing."

He told listeners that if it looks like it might benefit them, to contact the Government's future pension centre and get a bespoke calculation. As well as doing the future pension calculation, try and work out if it will make the person fall short with other benefit entitlements.

For example, if a person is entitled to Pension Credit and paying for this would diminish it, it may not be worth it, or buying the extra units might push the person into a higher tax bracket, which could limit the returns they'll get on the money.

However, he said: "In general, most people are better off doing this... but you need to check it out in your own specific circumstance and while the future pension centre won't be able to go through everything with you, it will at least be able to give you a bespoke calculation for the basic circumstances."

Speaking on why this is such an important analysis to carry out, Mr Lewis said: "A voluntary National Insurance year costs about £800, but it adds £275 a year to your state pension. This means, the break-even point, is if you live just three years after the state pension age.

"Or if you're already at the state pension age, if you live just three years after buying the extra year, you're even."

Mr Lewis provided two examples to substantiate the claim. Looking at life mortality spans, a man who reaches age 66 would typically live 19 more years. If that were to happen, each £800 paid would be £5,300 extra on their state pension.