
Factsheet 53 • April 2010

Capital, income and means-tested benefits

About this factsheet

This factsheet explains how capital and income are treated when calculating Pension Credit, Housing Benefit and Council Tax Benefit (means-tested benefits) for people who are aged 60 years and over. It also covers Pension Credit 'appropriate amounts' and the treatment of income and capital from equity release schemes. Please read it alongside the factsheets on the benefits you are interested in.

If you are under 60 years old, please contact your local Age UK or Citizens Advice Bureau for information. You can also see further information on www.direct.gov.uk

The information in this factsheet is correct for the period April 2010 – March 2011. Benefit rates and other figures are expected to increase again in April 2011 but rules and figures sometimes change during the year.

The information given in this factsheet is applicable in England and Wales. Different rules may apply in Northern Ireland and Scotland. Readers in these nations should contact their respective national Age UK organisations for information specific to where they live – see section 11 for details.

For details of how to order other factsheets and information materials mentioned inside go to section 11.

Note: Many local Age Concerns are changing their name to Age UK.

Inside this factsheet

1	Recent developments	3
2	Capital	3
	2.1 Capital and means-tested benefits	3
	2.2 Valuation of capital	4
	2.3 Capital taken into account	5
	2.4 Capital that is not counted	5
3	Deprivation of capital (notional capital)	6
4	Income	7
	4.1 Income that is taken into account	7
	4.2 Income that is fully disregarded	8
	4.3 Income that is partly disregarded	8
	4.4 Income rules for HB and CTB	9
5	'Qualifying income' for PC Savings Credit	9
6	Deprivation of income (notional income)	10
7	The Pension Credit 'appropriate amount'	10
8	Equity Release	11
	8.1 Types of equity release scheme	12
	8.2 The benefit position	12
9	Treatment of income and capital from equity release schemes	12
10	Useful organisations	13
11	Further information from Age UK	14

1 Recent developments

- On 2 November 2009 the lower capital limit for Pension Credit, Housing Benefit (HB) and Council Tax Benefit (CTB) for people over 60 was increased to £10,000.
- Since April 2009, new claimants aged 75 or over who apply for Pension Credit (PC) have usually been given an assessed income period (AIP) that lasts indefinitely, and those whose assessed income period runs out after they reach 80 have not usually needed to be reassessed. The indefinite AIP will not apply to anyone aged 75 and over who is given a shorter AIP. Even if you are aged 80 or over there are still some changes that will bring an assessed income period to an end. For more information on this subject, please see Factsheet 48, *Pension Credit*.
- From 6 April 2010, the State Pension age for women born after 5 April 1950 will start to gradually increase from 60 to 65, so that by 2020 it will be the same as for men. This will mean an increase to the earliest age that people can get Pension Credit, and Housing and Council Tax Benefits for pensioners. For information on other changes as a result of the increase in the State Pension age, contact Age UK Advice on 0800 169 65 65.

2 Capital

The term 'capital' is used here to refer to all forms of savings (including savings from benefits), some lump-sum payments, investments, land and property. Some forms of capital (including your home) are not counted, as explained in section 6.

2.1 Capital and means-tested benefits

The amount of capital you have can affect your eligibility for means-tested benefits. The same limit applies for both single people and couples.

For Pension Credit there is no upper limit of capital above which you cannot claim the benefit. Savings or capital up to £10,000, and any income generated by those savings, are ignored. You will be treated as having 'assumed income' of £1 for every £500 (or part of £500) of capital you have above £10,000.

The lower capital limit for Housing Benefit and Council Tax Benefit is £10,000. If you have savings or capital of up to £10,000 these, and any income you receive from these savings, are ignored. You will be treated as having assumed income on capital above £10,000 as set out above.

Unlike Pension Credit, HB and CTB have an upper capital limit, which is £16,000. If you have more than this capital limit you will not be entitled to any HB or CTB, unless you qualify for PC Guarantee Credit.

Examples

- If you have £11,200 savings, this will be counted as an assumed (deemed) income of £3 a week and added to your other income.
- If you have £15,600 savings this will be counted as an assumed (deemed) income of £12 a week and added to your other income.
- If you have £18,800 savings, this will be counted as an assumed (deemed) income of £18 for Pension Credit, and you will not be able to claim HB or CTB unless you qualify for Pension Credit Guarantee Credit.

2.2 Valuation of capital

Your capital is generally assessed at its present-day value. If there would be expenses involved in selling your capital, 10% of its value will be deducted.

Any capital you own jointly with other people (besides your spouse, civil partner or partner) will normally be divided equally between the joint owners. This could be, for example, if you jointly own a property with a family member. Seek further advice if there is any reason why the property should not be valued on a proportionate, equal share basis.

Example: If you and your son have a joint bank account of £10,000, you would normally be assessed as each owning £5,000.

2.3 Capital taken into account

Capital counted in full includes:

- cash
- money in bank or building society accounts, including current accounts that do not pay interest
- National Savings accounts and certificates (there are special rules for valuing these)
- income bonds
- stocks and shares
- property (other than your own home)
- Premium Bonds
- a share of any savings you own jointly with other people.

Note: Any actual income these assets generate is ignored.

2.4 Capital that is not counted

Types of capital that are ignored include:

- the value of the home where you live if you own it
- the value of a property you own that is not your home in certain specific circumstances – for example, if you are taking steps to sell it or a close relative aged 60 or over lives there (get advice about when, and for how long, a property that is not your home can be ignored)
- rent from a property other than your home – instead the value of the property (if it cannot be disregarded) is treated as producing an assumed income
- the surrender value of any life insurance policies (although if a policy is cashed in the money you receive will normally be counted as part of your savings)
- the value of a pre-paid funeral plan

- arrears of certain benefits including Attendance Allowance, Disability Living Allowance and Income Support – these will be disregarded for one year after payment. Pension Credit arrears will be disregarded for the assessed income period, if there is one. If these amount to £5,000 or more, and are as a result of an official error, they will be ignored for the length of your Pension Credit award
- personal possessions such as jewellery, furniture or a car
- compensation payments paid under an insurance policy for damage to or loss of your personal possessions, which is ignored for a year from the date you are paid it. It is ignored until the end of the assessed income period for Pension Credit
- the £10,000 ex gratia payment for Far Eastern Prisoners of War which was announced in November 2000
- joint capital with other people (except married couples, those living together as husband and wife or in a same sex relationship (registered or otherwise)).

Note: A dependant child's capital will not affect your Pension Credit, HB or CTB claim.

3 Deprivation of capital (notional capital)

If you deprive yourself of capital in order to get Pension Credit or increase the amount of benefit you get, the Pension Service can treat you as still having that capital (they call this 'notional capital'). This might occur if you give money away to members of your family or buy expensive items in order to reduce your capital.

You will not be considered to have deprived yourself of capital if you have paid off debts or used money on 'reasonable' spending on goods and services. If you are refused benefit because of this you should seek advice and consider appealing against the decision.

4 Income

Income includes most regular payments you receive. This section describes how income is taken into account or disregarded for PC Guarantee Credit. The rules are largely the same for PC Savings Credit, Housing Benefit and Council Tax Benefit. Where rules differ between benefits this is pointed out.

All income is assessed after deductions for tax and National Insurance contributions and half of any contribution to an occupational or personal pension scheme. If you receive income without tax deducted, but are due to pay tax on this later, get advice from one of the agencies mentioned at the end of this factsheet.

Note: Income and capital belonging to a married couple, those living together as husband and wife, or in a same sex relationship (registered or otherwise) will be added together when calculating entitlement.

4.1 Income that is taken into account

Most income is taken into account when working out your entitlement to PC Guarantee Credit, including:

- pensions
- earnings
- income from annuities
- most social security benefits
- Working Tax Credit
- assumed income from savings
- income from boarders or sub-tenants
- maintenance payments from a spouse or ex-spouse.

The treatment of capital and income from home equity release schemes is complex. For more information about this, please see section 8.

4.2 Income that is fully disregarded

Income disregarded (ignored) altogether includes:

- Attendance Allowance and Constant Attendance Allowance
- Disability Living Allowance
- Social Fund payments
- voluntary or charitable payments (for example, payments from a friend or relative)
- actual income from savings (only the assumed income is counted as described in section 3 but interest that has been paid into an account is counted as part of your savings)
- the special War Widow/Widower's Pension of £73.64 introduced in April 1990 for 'pre-1973 widows' (in addition to the £10 disregard for war widows and widowers)
- the £10,000 ex-gratia payments made to Far Eastern Prisoners of War.

4.3 Income that is partly disregarded

Some parts of weekly income that are disregarded include:

- £5 of earnings from work if you are single
- if you have a partner, a total of £10 of your earnings and/or your partner's earnings from work
- £20 of earnings in special circumstances, for example if you or your partner are a carer or receive certain disability or incapacity benefits, or are registered blind/severely sight impaired (instead of the £5 or £10 outlined above)
- £10 War Widow's or Widower's Pension or a War Disablement Pension
- £20 of any payment from a sub-tenant or boarder (lodger) and in the case of a boarder (lodger), half of any payment made above £20
- any income of a dependant child.

For the PC Guarantee Credit all your weekly income after any disregarded amounts is added together. But there are a few types of income that do not count as 'qualifying income' for the PC Savings Credit (as outlined below).

4.4 Income rules for HB and CTB

If you are getting PC Guarantee Credit you will be entitled to maximum Housing Benefit and Council Tax Benefit (subject to deductions for non-dependants living in your household, if applicable) and your income will not be examined any further.

For other claimants, your income for Housing Benefit and Council Tax Benefit is treated in the same way as for PC Guarantee Credit, but note the following differences:

- any PC Savings Credit that you receive is taken into account
- the council has discretion to ignore more than the £10 disregard for War Pensions, and War Widows' and Widowers' pensions.

Note: Seek advice from a local agency if you work as different rules may apply regarding the amount of earnings to be disregarded.

5 'Qualifying income' for PC Savings Credit

To work out any entitlement to Savings Credit you need to know both your 'income' and what is known as your 'qualifying income'. 'Income' is the income used to calculate the Guarantee Credit – namely your total income including any assumed income from savings over £10,000 but not including amounts that are disregarded such as Attendance Allowance.

Your 'qualifying income' is your income minus any of the following: Incapacity Benefit, Severe Disablement Allowance, contributory Employment and Support Allowance, Working Tax Credit, contribution-based Jobseeker's Allowance, maternity allowance and maintenance payments.

Most pensioners do not have these types of income, which means that their 'income' and 'qualifying income' are the same. But if you or your partner does have non-qualifying income the calculation is a little different as this does not count towards the Savings Credit. The Pension Service sometimes refers to qualifying income as 'rewardable income' and non-qualifying income as 'non-rewardable income'.

6 Deprivation of income (notional income)

In certain circumstances you may be regarded as having income that you may not possess – if, for example, you fail to apply for income or have it paid to someone else on your behalf. This 'notional income' can be taken into account and reduce the amount of benefit you receive. You should seek advice if this is applied to you.

7 The Pension Credit 'appropriate amount'

This is the minimum weekly amount intended for your day-to-day living expenses. It is officially called the 'appropriate minimum guarantee' but it will normally be described as the 'appropriate amount' in letters you receive from the Pension Service so this is the term used here and in Factsheet 48, *Pension Credit*.

If your income is below this amount you will receive Guarantee Credit to bring your income up to this level. For most people a 'standard amount' will apply (officially called the 'standard minimum guarantee') but the appropriate amount will be higher for some disabled people, carers and homeowners with certain housing costs.

Pension Credit does not include any extra amounts for families with children – instead support comes from tax credits. We do not cover benefits for children at Age UK.

Note: If you need more information about benefits for children contact Her Majesty's Revenue and Customs or a local advice agency (see section 16).

The rates for Guarantee Credit are below:

Standard minimum guarantee for 2010/2011:	
single people	£132.60
couples	£202.40
Additional amount for severe disability:	
single people	£53.65
couple where one person qualifies	£53.65
couple where both people qualify	£107.30

As a single claimant you will receive this addition if:

- you receive Attendance Allowance or the middle or higher rate of the care component of Disability Living Allowance
- you live 'alone' (but there are certain groups of people that you can live with and still receive the premium)
- no one receives Carer's Allowance for looking after you.

If you are a carer you get an extra £30.05. This is available to carers who:

- receive Carer's Allowance
- are entitled to Carer's Allowance but cannot receive it because they receive another benefit instead (eg carers of pension age may be entitled to Carer's Allowance but won't actually receive it if their State Pension is the same as, or more than, the amount for Carer's Allowance).

Please see Factsheet 48, *Pension Credit*, Factsheet 17, *Housing Benefit and Council Tax Benefit* for example calculations.

8 Equity Release

Equity release is the term used to cover the various ways that older homeowners can use their homes to generate income or capital lump sums while continuing to live there. There are a range of issues that people need to take into account when considering equity release – one of these being the impact on any benefits received. This section looks at the position for Pension Credit and Council Tax Benefit (CTB) for people aged 60 or over. It is mainly aimed at advisers or others who are already familiar with the benefit systems. This section describes our understanding of the position at the time of writing. But benefit rules and other circumstances change so please check that you have up to date information before going ahead with any scheme.

For more detailed information about equity release schemes see Factsheet 65, *Equity release*. Age UK recommends that people take legal and financial advice if they are considering taking out a scheme. The benefit position is only one factor that needs to be taken into account.

8.1 Types of equity release scheme

There are two main types of equity release scheme – Home Reversion Schemes and Lifetime Mortgages. With a Home Reversion Scheme someone sells their home or part of their home to a private reversion company or an individual, and receives income and/or capital but continues to have the right to live there for their lifetime. With a Lifetime Mortgage (which includes home income plans and roll up loans) someone takes out a mortgage loan but retains the full ownership of the property. Schemes can provide a cash lump sum and/or a regular income. Schemes operate in different ways and in order to consider the impact of income or capital raised it is important to know how a particular scheme works.

8.2 The benefit position

Pension Credit and CTB are based in income and savings so taking out an equity release product may potentially affect entitlement or possible future entitlement. However this will not always be the case. Some general points are:

- around a third of pensioners receive an income-related benefit and many more are entitled but not claiming so many people will need to look at their benefit position if they are considering equity release;
- however while additional income or savings may reduce benefits, people may still be better off overall – see the benefit factsheets for more information about how entitlement is assessed.

9 Treatment of income and capital from equity release schemes

Most of the same rules apply for the treatment of equity release schemes as any other capital and income to Pension Credit, Housing and Council Tax Benefit entitlement assessments.

For further information on how an equity release scheme would affect your Pension Credit assessed income period see Factsheet 48, *Pension Credit*.

This factsheet sets out our understanding of the general position in relation to benefits and equity release in April 2010. It will not cover all circumstances and as explained at the beginning does not cover all aspects of equity release schemes or the benefit systems. Therefore anyone considering taking out an equity release scheme may need to take further advice about the potential impact on benefits. A local advice agency may be able to help or the Pension Service may be able to give more information about individual cases or how income or savings from a particular scheme will be treated.

10 Useful organisations

Citizens Advice Bureau

National network of free advice centres. Depending on available resources may offer benefits check and help filling forms.

Tel: 020 7833 2181 (for local contact details only – not telephone advice)

Website: www.adviceguide.org.uk

Direct Gov

The official government website for citizens with easy access to and information about public services including money, tax and benefits and a specific section for the over-50s. It also offers information about pensions and retirement planning (see specific link under Pension Service).

Website: www.direct.gov.uk

HM Revenue and Customs (HMRC)

Contact HMRC for more information about taxes. You should find your local Tax Enquiry Centre in your local phone book.

Website: www.hmrc.gov.uk

Pension Service (The)

For details of state pensions, including forecasts and how to claim your pension.

Tel: 0845 60 60 265

Textphone: 0845 60 60 285

Website: www.direct.gov.uk/en/Pensionsandretirementplanning/index.htm

Please note: there is no longer a Pension Service website. Information about pensions and retirement planning has moved to Direct Gov.

11 Further information from Age UK

Visit the Age UK website, www.ageuk.org.uk, or call Age UK Advice free on 0800 169 65 65 if you would like:

- to order copies of any of our information materials mentioned in this factsheet
- to request information in large print and audio
- further information about our full range of information products
- contact details for your nearest local Age UK/Age Concern.

Books from Age UK

We publish a wide range of books for older people and those who care for and work with them. The following title may be of particular interest:

Your rights to money benefits 2010–2011

All you need to know about the full range of benefits for the over 60s.
£5.99

To order this book visit www.ageuk.org.uk/bookshop or to request a free books catalogue please call our book order line 0870 44 22 120 (lo-call rate).

Age UK

Age UK is the new force combining Age Concern and Help the Aged. We provide advice and information for people in later life through our publications, online or by calling Age UK Advice.

Age UK Advice: 0800 169 65 65

Website: www.ageuk.org.uk

In Wales, contact:

Age Cymru: 0800 169 65 65

Website: www.agecymru.org.uk

In Scotland, contact:

Age Scotland: 0845 125 9732

Website: www.agescotland.org.uk

In Northern Ireland, contact:

Age NI: 0808 808 7575

Website: www.ageni.org.uk

Support our work

Age UK is the largest provider of services to older people in the UK after the NHS. We make a difference to the lives of thousands of older people through local resources such as our befriending schemes, day centres and lunch clubs; by distributing free information materials; and through calls to Age UK Advice on 0800 169 65 65.

If you would like to support our work by making a donation please call Supporter Services on 0800 169 80 80 (8.30 am–5.30 pm) or visit www.ageuk.org.uk/donate

Legal statement

Age UK is a registered charity (number 1128267) and company limited by guarantee (number 6825798). The registered address is 207–221 Pentonville Road, London, N1 9UZ. VAT number: 564559800. Age Concern England (charity number 261794) and Help the Aged (charity number 272786) and their trading and other associated companies merged on 1 April 2009.

Together they have formed Age UK, a single charity dedicated to improving the lives of people in later life. Age Concern and Help the Aged are brands of Age UK. The three national Age Concerns in Scotland, Northern Ireland and Wales have also merged with Help the Aged in these nations to form three registered charities: Age Scotland, Age Northern Ireland, Age Cymru.

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