



Why a new parent should claim child benefit...even when they're not entitled: It may sound crazy, but you could risk a pension worth thousands less

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More than £500 million has been lost from the future State pension income of tens of thousands of stay-at-home parents because of flaws in the system for claiming child benefit.

Parents who started a family since 2013 are potentially impacted and many are unaware of the permanent damage being done to their pensions. The problem affects mothers and some fathers – and arises when one parent takes a career break to care for young children.

If the stay-at-home mother or father fails to claim child benefit – even if they are not entitled to it – they harm their future retirement income. This is because they do not accumulate National Insurance ‘credits’ which count towards their State pension.

Some parents will be able to recover losses if they work enough years to plug the gaps, but others may not realise what has happened until they claim their pensions.

This is Money's **child benefit campaign** has revealed a string of stories of those who have been hit by this - and we are calling for action to help parents.



Fact: If the stay-at-home mother or father fails to claim child benefit – even if they are not entitled to it – they harm their future retirement income

Financial expert and former Pensions Minister Ros Altmann is alarmed by the situation. She says: 'It really is worrying that women who know they are not entitled to child benefit still have to claim it, otherwise they lose credit towards their State pension.'

She adds that the situation is made worse by the fact that even when people discover they should have claimed child benefit, they can only backdate three months of National Insurance credits. This results in the irrecoverable loss of future State pension.

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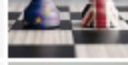
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Steve Webb, also a previous Pensions Minister and now director of policy at financial mutual Royal London, shares her concerns. He says: 'The risk is that many stay-at-home mothers and fathers will reach State pension age and receive much reduced pensions.'

Child benefit is a weekly tax-free payment aimed at helping parents cope with the cost of looking after children. It was previously available to all families, regardless of income.

But the rules changed in January 2013, allowing the Government to reduce it when one parent earned more than £50,000 a year – through something called the high income child benefit charge.

For couples where a parent earns more than £60,000, they are not entitled to benefit – or they have to repay it in full if they do claim. It is these complicated rule changes that have triggered all the problems – with many high-earning parents not bothering to claim child benefit, unaware of the huge impact it could have on one partner's future State pension.

Only one parent can claim child benefit, worth £20.70 a week for one child and £13.70 for any others. It is paid until a child turns 16 or 20 if they are in eligible full-time education.

It makes sense for the person who is not in full-time employment to make the claim, as they are the one in need of the National Insurance credits that will keep their State pension building. Families safe from the child benefit 'trap' are those where both parents are in full-time employment and therefore paying National Insurance

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If this has happened to you, contact tanya.jefferies@thisismoney.co.uk and tell us your story.



parents are in full-time employment and therefore paying National Insurance contributions.

A 35-year National Insurance contribution record is required for a worker to retire on a full State pension, currently £164.35 a week. But a fraction of the pension is lost for every year's shortfall, equating to around £244 a year.