

Deadline looms for voluntary National Insurance contributions

Do you have missing years in your National Insurance history? This could be as a result of you taking a career break or working abroad.

If so, then you may not be eligible for the full State Pension. The current rules on the State Pension are that if you are a man born on or after 6 April 1951, or a woman born on or after 6 April 1953, to qualify for the new State Pension, you need a minimum of 10 qualifying years on your National Insurance (NI) record to receive any State Pension. To get the full State Pension, you need to have paid NI for 35 years.

If you don't have the full 35 years NI history, then the good news is that you can make a contribution now to make up for those missing years. This contribution has been commonly known as NI Stamp.

Normally the Department of Work & Pensions (DWP) will only allow individuals to make contributions in respect of missing NI history in the last six tax years. But until April 2025, men born after 5 April 1951 and women born after 5 April 1953 have the option to go much further back, making up any missing years since 6 April 2006.

Working people typically pay class 3 NI contributions, although there are exceptions: self-employed people who make less than £6,725 a year in profits can make cheaper class 2 NI contributions, for example.

If you pay Class 3 NI contributions, for missing years until April 2023 it will cost you £15.85 per missing week, which equates to £824.20 a year for a full year. Considering that each extra qualifying year is worth about £328.64 more in State Pension per year (based on the current State Pension amount), and that the value of the State Pension goes up every year according to the triple lock (this clearly could be rescinded at anytime), this could represent good value for money.

Please bear in mind that making voluntary contributions is not automatically the best choice for everyone. Firstly, if you have gaps in your record but are still several years away from retirement, you might work long enough to reach the full 35 years anyway, without paying extra for the gap years.

Also, people who are in poor health may also want to consider the chances that they live until the State Pension Age and several years after. For them, it might be preferable to invest their monies in investments which are more immediately accessible.

Finally, there may be alternatives to paying NI Stamp, such as claiming free NI credits due to you being an unpaid carer or looking for work.

If you want to explore this in more detail, the first thing you need to do is check your State Pension forecast at www.gov.uk/check-state-pension. It will give a good idea of how many years you are missing. Factoring in when you intend to retire, you can work out whether you are likely to hit the full 35 years or not.

For more information on this, please go to <https://www.moneyhelper.org.uk/en/pensions-and-retirement/state-pension/voluntary-national-insurance-contributions-and-the-state-pension> where it will provide guidance on this topic and help you decide whether paying for those missed years will be beneficial for you.

IMPORTANT:

This is not a recommendation, and you should only pay missing years NI contributions if you feel it is appropriate for your circumstances.

The information contained within this article is based on our understanding of legislation, whether proposed or in force, and market practice at the time of writing.

The value of your investments can go down as well as up, so you could get back less than you invested.