



MGP (Employee Benefits) Limited
16 The Courtyard, Common Lane,
Culcheth, Warrington WA3 4HA
Tel: 01925 765821
Fax: 01925 764871
Web: www.mgpeb.co.uk
Email: enquiries@mgpeb.co.uk

Caring for grandchildren

How it can help you boost your State Pension

Around one in five grandparents over the age of 50 in the UK provide childcare help for their grandchildren, but thousands may be missing out on a valuable scheme that could increase their State Pension entitlement^[1]. Soaring childcare costs mean many parents turn to grandparents to look after their children when they return to work.

This helps them and has important financial benefits for grandparents, even if they aren't paid for the childcare they provide. Grandparents who care for grandchildren may be able to claim National Insurance (NI) credits to potentially increase their State Pension by thousands of pounds over the course of retirement.

The charity Age UK has highlighted around five million people currently provide regular care for their grandchildren. According to the latest figures from HM Revenue & Customs revealed by a Freedom of Information request, around 21,000 people applied for Specified Adult Childcare credits last year, and 17,000 qualified.

HOW TO APPLY FOR SPECIFIED ADULT CHILDCARE CREDITS

The process of claiming these credits involves transferring them from the child's parent to the grandparent providing the care. This can ensure that grandparents do not miss out on valuable State Pension entitlements.

It's essential for grandparents to be aware of this opportunity and to take the necessary steps to apply for these credits. The application process is straightforward but requires understanding the specific eligibility criteria and documentation needed.

POTENTIAL IMPACT ON RETIREMENT INCOME

By claiming these NI credits, grandparents can see a significant boost in their State Pension over time, which can provide greater financial security in retirement. The increase in pension can make a substantial difference, especially given the

rising cost of living and other financial pressures retirees face.

Understanding the long-term benefits and taking action to claim these credits can ensure that grandparents are adequately compensated for the vital support they provide to their families.

CLAIMING SPECIFIED ADULT CHILDCARE CREDITS

Grandparents or relatives who assist with childcare must complete a form to claim Specified Adult Childcare credits. The child's parent must also sign the document to confirm that you provided care during a specific period and agree to transfer their credits to you.

Please note that only one credit can be claimed per household. Therefore, you can only claim once if you care for two children in the same household. However, if you look after children from different families, you can make multiple claims.

HOW THE SCHEME WORKS

Once you have completed the relevant form, the Specified Adult Childcare scheme transfers NI credits from a parent who does not need them to a grandparent or family member providing the care. These credits can help fill gaps in your NI records. However, it's important to note that this scheme cannot be used if you are over State Pension age.

If you are a working grandparent, you will not require NI credits as you should already receive 'qualifying years' on your NI record, which is subject to earnings. Additionally, there is no minimum number of hours you need to have looked after your grandchildren to be eligible for credits. You

could benefit from the scheme if you cared for them all week or just one day a week.

During the coronavirus lockdowns, if you cared for your grandchildren via video or telephone, you can still apply for credits for the tax years 2019/20 and 2020/21 despite being unable to do so in person due to government restrictions.. ■

LOOKING FOR FINANCIAL PLANNING FOR THE LIFE YOU WANT TO LIVE?

If you require further information, we'll help you put the right pieces together for your future. Please contact us for more detailed guidance.

Source data:

[1] Age UK 08/05/24.

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