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State pension warning as triple lock 'cannot last forever' – what follows will be worse

The state pension triple lock remains under constant threat as politicians claim we can't afford it in the longer run. Worryingly, the alternatives simply aren't as good.

By HARVEY JONES

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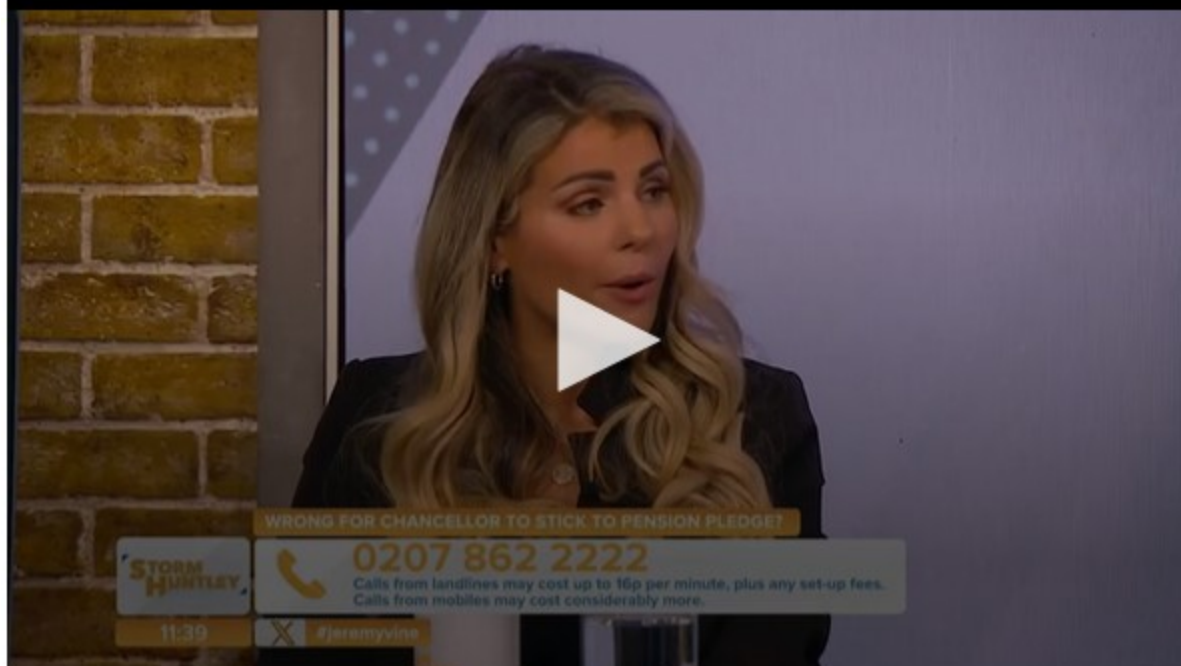


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Guests discuss why the Triple Lock is unfair on Jeremy Vine On 5



The **triple lock** increases the **state pension** each year either by inflation, earnings or 2.5 percent, whichever is highest. It has greatly reduced pensioner poverty since being introduced in 2011.

The mechanism also helped maintain the real terms value of the **state pension** throughout the recent inflationary surge, handing pensioners a 10.1 percent pay rise in April last year, with another 8.5 percent due in April.

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No wonder pensioners love the **triple lock** and would be furious to see it axed.

Yet that's what could happen.

Tom Selby, director of public policy at AJ Bell, said with CPI inflation falling to 3.9 percent in November and likely to continue falling into 2024, this April's hike should provide a real terms boost to pensioner living standards.

He also issued a word of warning.

Selby said: "The **triple lock** is popular, particularly among older generations who directly benefit from it, but it cannot continue forever. If it did, the **state pension** would eventually be worth more than average earnings and become unsustainable."



Some have suggested linking the state pension only to earnings (Image: Getty)

Is the triple lock on pensions sustainable?

- Yes
- No
- Don't know

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That would happen if the **triple lock**'s inflation element or 2.5 percent repeatedly outstripped earnings.



Totally Life

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by Taboola

The Institute for Fiscal Studies recently suggested doing away with the **triple lock** and setting the **state pension** as a **proportion of average earnings instead**. "This would provide some certainty over what people can expect to receive."

If this happened, it would entail abandoning the inflation and 2.5 percent elements of the **triple lock** altogether.

The IFS claimed this would help ensure the **state pension** has a sustainable long-term future.

The **state pension** currently stands at 30 percent of median full-time earnings, its highest share since at least 1968.

Having set an earnings-linked target, the Government should then legislate a pathway to meet it with a specific timetable, the IFS argued.

Pensioners will be worried and rightly so.

The **triple lock** isn't perfect. As with any form of public spending, the government has to consider the trade-off between a higher income for pensioners and the cost to the public finances.

Yet it has come under attack because it helps wealthy pensioners as well as the poorest.

Another criticism is that it has no ultimate target. If it cannot run forever, as Selby says, when do we say job done?