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Mail Finance
EQUITY RELEASE

Let hard-up pensioners keep Winter Fuel Payments, says ROS ALTMANN

By [ROS ALTMANN](#)

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Ros Altmann is a former Pensions Minister who now sits in the House of Lords.

The furore about the sudden **scrapping of pensioner Winter Fuel Payments** is not over.

The shock announcement that these payments will be suddenly withdrawn, just a few weeks before millions of pensioners were expecting to receive the money, seems like a serious error of judgment.

There are much fairer, better ways to save some money, without causing the hardship this will create.

The decision could be delayed and Winter Fuel Payments maintained at least for this year to give pensioners time to prepare, and pending a more careful consideration of the impact.

The Government could make the payments taxable to recoup some of the cost, as it was never sensible to give the money tax-free.

Below, I outline three alternative ways to address the need for cost savings and still protect pensioners.

Let's hope the Government is willing to listen when it has made a mistake.



Lady Altmann: The Government could make Winter Fuel Payments taxable to recoup some of the cost

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1. Roll the Winter Fuel Payment into the state pension and tax it

A much better way to save some money, without causing such hardship, would be to announce a rise in state pensions that equates to the lost winter fuel money.

This would amalgamate winter fuel payments into the state pension itself.

The benefit of this would be that the payments would no longer be tax-free, so they would be taxed like the state pension, thereby recouping some of the cost from better-off pensioners.

That would be fairer than taking it away altogether.

Paying it as part of the state pension would also mean that pensioners choose how to spend their own money, rather than feeling it should be earmarked just for heating bills.

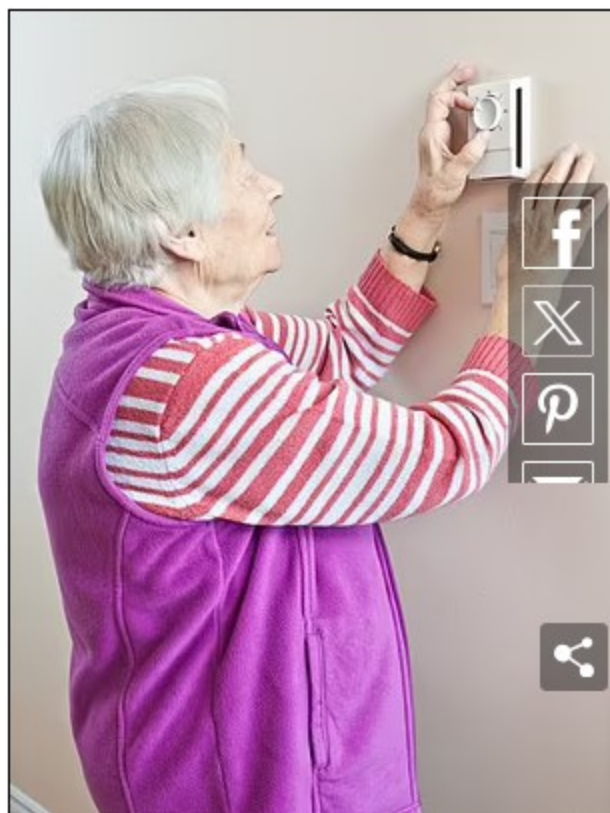
2. Increase the £13 a year over-80s age addition to £313 a year and recoup some in tax

At the very least, the Winter Fuel Payment could be kept for the oldest pensioners.

Currently, there is an insulting 25p a week 'age addition' topping up the state pension for the over-80s.

This princely sum of £13 a year could be raised to £313.

It would be a meaningful increase, keep the cash from the Winter Fuel Payout at



least for the very elderly, and still recoup some in tax from those with high incomes.

3. Only take Winter Fuel Payments away from higher-rate tax pensioners

In the case of child benefit, the Government withdraws the payment from higher earners.

The same principle could be applied to Winter Fuel Payments, so they would only be available to people earning below the higher-rate tax threshold.

This, too, would protect those paying basic rate tax (although I still believe it should be taxable), without creating the hardship for those earning only a little above the means-test threshold.

Axing the Winter Fuel Payments is worse than dropping 2.5% minimum triple lock

The Government has made a mockery of its pledge to protect the triple lock in last month's general election.

One of its first announcements has been to cut the money received by millions of pensioners, with over-80s at risk of losing the most..

The impact of removing Winter Fuel Payments is a serious reduction in the money paid to pensioners.



Every little helps: A few hundred pounds is not trivial, but is a significant sum for many pensioners struggling to make ends meet, says Ros Altmann

For the oldest pensioners, this is equivalent to a 3.3 per cent cut in their pensions - worse than dropping the triple lock.

This means instead of a minimum increase of 2.5 per cent in the basic state pension payments from next April, pensioners have an immediate reduction.

Since 1997, pensioners have received their Winter Fuel Payments on top of their state pension.

Taking away £300 from the over-80s, with no warning, suggests the Government sees pensioners as an easy target to raid.

It maybe does not realise that a few hundred pounds is not trivial, but is a significant sum for many pensioners already struggling to make ends meet.

The new announcement is on top of the hundreds of pounds pensioners were already losing this year, as the cost-of-living payments last year and the year before have been withdrawn.

But pensioners knew about this and expected it, while the latest decision is a real shock, especially as **energy bills are expected to go up again** this autumn.

Meanwhile, means-testing the Winter Fuel Payment by giving it only to those on benefits like pension credit is not enough.

Firstly, an estimated 800,000 who are eligible **do not claim pension credit**.

Secondly, millions are only a small amount above the threshold and will actually have to live on even less than those considered to need pension credit and all its add-on benefits.

The impact of losing Winter Fuel Payment

Over-80s face a 3.3 per cent cut, and under-80s on basic state pension will see a 2.2 per cent fall in the money paid, *writes Lady Altmann*.

Basic state pension is £8814 a year. On top of that, pensioners were supposed to receive £300 if over 80 and £200 if younger.

So total payments to over-80s should have been **£9114** (£8814 + £300).

Taking away £300 from £9914 is losing 3.3 per cent

For under 80s, taking away £200 when they should have received **£9104** (£8814 + £200) this year is a sudden cut of 2.2 per cent



This cliff-edge is one of the big problems with relying on 'targeting' help at particular groups.

Trying to focus help only on the poorest pensioners in the early 2000s led to a collapse in private provision for retirement, as those on low or moderate earnings decided it was not worth bothering to save for their future,

They feared they could end up worse off by losing the benefits paid to the poorest.

I do hope the Government will rapidly reconsider and at least keep the Winter Fuel Payments for this November.

By delaying the decision, pensioners would have a fairer chance to plan their bills, and making the payments taxable would be fairer than axing it completely.