

## **MONEY AND BENEFITS**

### **Introduction**

Understanding the effect of paid employment on any benefits that you – or the person that you look after - receive is essential if you are to make an informed decision on matters such as wages and hours of work. A lot of carers dislike being dependent on benefits and will work for little, or no, financial gain. But for others this is simply not an option.

As everyone's individual and family circumstances are different, and because benefit rates and eligibility criteria change frequently, the guidance offered in this section is extremely general. For more specific advice you will need to contact an organisation – for example, the Citizens Advice Service, or Wigan Independent Advice Service – which has the expertise to provide you with detailed, accurate and up-to-date information relevant to your particular circumstances. Details of who to contact are given at the end of this section. Organisations that specialise in providing benefits advice can help you to assess beforehand how earnings from employment will affect your financial situation and any benefits that you, or the person you are looking after, receive. You can also get a free benefits check to ensure that you and the person you are caring for are getting everything you are entitled to. Unfortunately some people are not aware of the benefits they can claim at the time they become entitled and it may be months, or even years, before they find out. It is worthwhile having a benefits check even if you think you are getting everything you should be as it is usually very difficult (and sometimes impossible) to get benefits backdated.

### **Views and suggestions from local carers**

There are a number of ways in which carers may feel that they have been unfairly penalised by the benefits system:

- Many non-working carers find themselves effectively caught in a 'benefits trap'. They want to work, but cannot afford to risk losing the benefits that they are entitled to.
- The benefits available to carers, such as Carer's Allowance, are regarded as inadequate and insufficient, particularly when there is more than caring responsibility involved.

- The financial difficulties increase for many carers as they approach retirement age. This applies particularly to long-term carers who have been unable to make any savings or contribute towards a pension. The Government recently introduced a 'carer's credit' which should help protect the basic pension rights of many carers. However the new scheme only applies to people reaching State Pension age on or after 6 April 2010 and will not benefit those who retired before this date.
- The bureaucracy and difficulties involved in applying for benefits is off-putting for carers and many feel stigmatised having to claim benefits, even though they know they are entitled to them.
- The lack of flexibility around benefit entitlements is also frustrating to carers. They particularly resent having to re-apply for benefits like Carers Allowance if they start work, but are then forced to give it up either because the job doesn't work out, or they only have a short term contract.
- Some full-time carers argue that they should not be receiving benefits at all. They see their caring role as the equivalent of a skilled job and think that they should be paid accordingly.

## **Will working affect the benefits I receive?**

This is one of the questions most frequently asked by carers thinking about returning to work. Although not all carers are in receipt of welfare benefits, there are many who depend on them to supplement the family income and to help with the financial costs of caring. Carers with the lowest incomes tend to be the most reliant on benefits and any difference in the amount of money coming in can have a significant impact on their household budgets. Some carers find themselves caught in a 'benefits trap' whereby they would be worse off in a job than staying on benefits.

Many carers also worry about what would happen if they found a job and then had to give it up again for some reason. Unfortunately, at the present time there is little or no flexibility around carers benefits and you will not be able to automatically reclaim the same benefits that you were on before if your employment ends. Instead you will have to apply again for these benefits, a process that can take several weeks.

Although not all benefits are affected by your employment status or financial circumstances, it is important to be aware of those that are. Below you will find some general information and guidance that you may find useful. As previously stated, however, everyone's circumstances are different and it is important to seek further help from an agency specialising in benefits advice, if you are thinking of returning to work.

## Carer's Allowance (formerly known as Invalid Care Allowance)

In April 2003, Invalid Care Allowance was renamed Carer's Allowance, a change designed to emphasise the fact that this is a benefit for the carer rather than the cared for.

Carer's Allowance is the main benefit which carers who do not work, receive. It is classified as an 'earnings replacement' benefit and is taken into account in full when assessing entitlement to other, means-tested, benefits. Carer's Allowance is intended to provide a measure of support to carers aged 16 or above who care for a relative or friend with a long term illness or disability for at least 35 hours a week. You can only get one award of Carer's Allowance, even if you care for more than one person, and you cannot 'add' the time that you spend caring for different people together in order to reach the 35 hour total. The rules also state that where there are two (or more) people caring for a single individual only one award of Carers Allowance can be made, regardless of how many qualify. Carer's Allowance is not means-tested and it does not depend on national insurance contributions. This means that even a carer who has never worked can claim it. However Carer's Allowance does have certain qualifying criteria:

- You must be providing 'regular and substantial care' for the person you are looking after for at least 35 hours a week;
- You must be aged 16 or over;
- The person you care for must receive a qualifying disability benefit, i.e. Disability Living Allowance care component at the middle or highest rate, or Attendance Allowance, or Constant Attendance Allowance paid with the Industrial Injuries or War Pensions schemes;
- If you work, you must not earn more than a certain amount;
- You must not be in full-time education. Full-time education is defined as a course of study involving more than 21 hours of supervised study a week;
- You must be living in England, Northern Ireland, Scotland or Wales when you claim Carer's Allowance and have the right to live in the UK.

Although Carer's Allowance is primarily paid to carers who are not employed, or have left employment because of their caring responsibilities, it **is** possible to work **and** receive Carer's Allowance as long as you do not earn more than a certain amount each week.

The current earnings limit is £100 per week after deductions for allowable expenses. Allowable expenses include: income tax, national insurance and half of any contribution towards an occupational or personal pension. If you pay someone other than a close relative (i.e. parent, son, daughter, brother, sister or partner) to look after the person you care for, those care costs can also be deducted up to a maximum of half of your net earnings. However, if you do earn even slightly more than £100 per week after allowable deductions you will lose all of your entitlement to Carer's Allowance.

The more money you earn per hour, the less hours you can work and still retain an entitlement to Carer's Allowance. Finding a part-time job with few enough

hours is therefore a real problem for many carers. Even if you do find something suitable there is always the possibility that pay increases will push your earnings above the limit for Carers Allowance. Some employers are sympathetic and will reduce the hours that you work, if necessary, to make sure that you do not lose your entitlement to benefit. However, these tend to be the exception rather than the rule.

Even if your income from work does not exceed the earnings limit for Carers Allowance, there could well be a reduction in any means-tested benefits that you receive (Income Support, Housing Benefit and Council Tax Benefit, for example). As mentioned above this kind of 'benefits trap' can act as a powerful disincentive for many carers who are otherwise very keen to work. It is also worth noting that some disabled people receive a 'severe disability premium' with certain benefits which is intended to help towards the cost of their care. If you, as their carer, are paid Carer's Allowance, they will lose the premium.

If you are entitled to Carer's Allowance you may also get extra money through the 'carer premium' with any of the following benefits:

- Income Support
- Income-Based Jobseeker's Allowance
- Income-Related Employment and Support allowance
- Council Tax Benefit
- Housing Benefit
- Pension Credit (Guarantee Credit)

### **Overlapping Benefits**

The overlapping benefits rule means that you cannot be paid Carers Allowance if you are receiving the same amount or more from:

- State Pension;
- Maternity Allowance;
- Incapacity Benefit or Unemployability Supplement;
- Contributory Employment and Support Allowance;
- Contribution-Based Jobseekers Allowance;
- Widows' benefits and bereavement benefits;
- A state training allowance.

However, it may still be worth claiming Carer's Allowance because even having an 'underlying entitlement' gives you access to the carer premium and this may lead to an increase in other benefits (see above).

### **Income Support**

Income Support is a means-tested benefit for people aged between 16 and 60 who are not required to sign on for work. It is intended to provide for basic living expenses for you and your family if you are on a low income.

For people aged 60 and over the equivalent benefit to Income Support is Guarantee Credit. Although there are many similarities between the two, Guarantee Credit is a relatively more 'generous' benefit than Income Support and there are no restrictions on the amount of savings or capital that you can have.

As a carer, you are eligible to apply for Income Support if you get Carer's Allowance or are 'regularly and substantially engaged in caring for a disabled person' who gets Attendance Allowance or Disability Living Allowance care component at the middle or higher rate. It can be paid on its own if you and your partner (if you have one) have no other income, or it can top up your Carer's Allowance or other income. You cannot get Income Support if you have capital over £16,000 or if you have a partner who works for 24 or more hours a week.

Being in receipt of Income Support could entitle you to a rebate on your rent and/or council tax and to other types of assistance such as free prescriptions, dental treatment and help with the cost of hospital fares. You will also be eligible for a range of grants and loans from the Social Fund.

If you are in receipt of Income Support because of your caring responsibilities, there is no limit on the number of hours that you are allowed to work. However, you can only keep £20 of your net earnings (or of your joint earnings if you have a working partner). Any amounts that you earn above this after allowable deductions (tax, National Insurance contributions and 50 per cent of any occupational or personal pension contributions) will reduce your benefit pound for pound.

You can do any amount of voluntary work without your Income Support being affected as long as it is unpaid, or the only payment you receive is for reasonable expenses (for example, travel costs). If you are paid anything else, even if it is below the earnings disregard, then all the hours that you do voluntary work for will be taken into consideration.

If you are claiming Income Support (or income related Employment and Support Allowance – see below) because you are incapable of work, any part-time work you do must be 'permitted work'. Otherwise you will be found capable of work and your benefit will stop.

### **Job Grant**

A job grant is a one off payment which is designed to ease the transition between leaving benefit and starting full-time work (at least 16 hours a week). In order to claim it you must have been receiving Income Support, Job Seekers Allowance, Employment and Support Allowance, Incapacity Benefit or Severe Disablement Allowance for at least 26 weeks before taking up your new job. The amount of the grant is £100, or £250 if you have children.

## Employment and Support Allowance

In October 2008 Incapacity Benefit and Income Support for people too sick to work was replaced by a new benefit: Employment and Support Allowance (ESA). There are two types of ESA: 'contributory' which, as with Incapacity Benefit, depends upon national insurance contributions and 'income related' which, like Income Support, is means tested.

People who were already in receipt of Incapacity Benefit and Income Support before the changes were introduced will continue to receive them as long as they meet the basic conditions of entitlement.

## Incapacity and Work

If you receive ESA, Incapacity Benefit or Income Support because of sickness or disability, you should seek advice before doing any kind of remunerative work. This is because you are paid benefit on the basis of being **incapable of work** and any work that you undertake – unless it qualifies as 'permitted work' – could result in benefit being withdrawn. If you would like more information about this ask at your local Jobcentre or Citizens Advice Bureau.

There are no limits on the amount of voluntary work that you are allowed to do as long as this is for someone other than a close relative and the only payment you receive is 'reasonably incurred' expenses.

## Benefit protection if you return to work

There are certain 'linking rules' which apply only to incapacity-related benefits. For example, if you qualify as a 'welfare to work beneficiary' there is a 104 week linking rule which allows you to return to your incapacity-related benefit at the same rate as before if you become incapable of work again. The protection applies to any number of repeat claims made during the 104 week linking period, so you could try a number of different jobs (or move from training into work) and your benefit is protected each time you claim.

## Child Tax Credit and Working Tax Credit

In April 2003 two new tax credits, Child Tax Credit and Working Tax Credit, were introduced to replace Working Families' Tax Credit, Disabled Person's Tax Credit and the Children's Tax Credit. Both of these credits are administered by, and claimed from, HM Revenue and Customs (HMRC).

- **Child Tax credit.** If you are aged 16 or over, your income does not exceed a set limit (determined by your family circumstances) and you are responsible for at least one child you will normally get some family credit. Additional amounts are paid where a child is disabled (registered blind or getting Disability Living Allowance) and severely disabled (in receipt of the highest rate care component of DLA).

- **Working Tax Credit.** If you are responsible for a dependent child or young person and either you or your partner works for 16 hours or more a week you may be entitled to Working Tax Credit. You can also claim if you are a disabled person working at least 16 hours a week. Working Tax Credit is a means tested benefit so only those on the lowest incomes will qualify. It includes an element that is designed to help with the cost of child care.

## **State Retirement Pension**

Many carers are concerned about how they will manage financially when they reach retirement age, especially as the government tries to prepare people for a future in which everyone is expected to make their own pension provision. A large proportion of carers are not in paid employment and are not part of a company superannuation scheme. Neither can they afford to contribute to a private pension scheme.

To get State Pension you must usually have paid contributions or had National Insurance credits which add up to a minimum amount over a number of years. People in receipt of certain benefits, including Carers Allowance have long been entitled to National Insurance credits but for other carers the situation has generally been less clear. Most have had to rely on the system of 'Home Responsibilities Protection', which effectively reduces the number of qualifying years that a person must have in order to receive a full pension.

In April 2010 the Government introduced a new weekly 'carer's credit', which is mainly designed to help carers who fall within this second group. Under the new rules you will get a credit for each week in which any of the following apply:

- you are caring for at least 20 hours a week for someone who gets Attendance Allowance or the middle-rate or highest-rate care component of Disability Living Allowance, or the need for care has been certified
- you get Child Benefit for children aged under 12
- you are an approved foster carer

If you would like to know more about state pensions, and the way in which the new rules are likely to affect you, Carers UK publish a basic guide: 'Caring About Your Pension – a carer's guide to pensions'. Call 0808 808 7777 to obtain your free copy or visit the website: [www.carersuk.org](http://www.carersuk.org)

## **Stakeholder Pension**

Stakeholder pensions are available to almost everyone, whether employed or not, for a minimum investment of only £20 per month. Everyone who contributes to a pension receives a tax rebate of 25p for every pound invested and charges have been capped to a 1.5% handling fee (reducing to 1% after the first 10

years). You can also choose whether you want to save regularly or occasionally and you will not be penalised if you take a payment break.

While on the surface stakeholder pensions seem a very good idea, they will only produce a worthwhile retirement income if the plan is started early in life and monthly payments are kept at a reasonably high level. If you are older and can only afford a payment of £20 per month, the amount of retirement income is likely to be very disappointing. For example, someone starting their plan at 55 and making only the minimum investment, will receive an estimated income at time of retirement of just £11 per month (for a man) or £4 per month (for a woman).

The Financial Services Authority (FSA) has published a guide called: 'Stakeholder Pensions and Decision Trees' which explains the things you need to think about before joining a stakeholder pension scheme. To obtain a free copy contact the Moneymadeclear helpline on 0300 500 5000 (typetalk 18001 0300 500 5000) or download it from the website: [www.moneymadeclear.fsa.gov.uk](http://www.moneymadeclear.fsa.gov.uk)

### **Where to go for expert advice**

Financial issues can be very complicated and benefit rates and rules are subject to frequent change. As stated above, the information included in this section is only intended as general guidance and does not cover all of the benefits that carers and their families may be entitled to receive. If you would like more detailed advice, tailored to your own particular situation, you should contact a specialist agency, such as those listed below:

- **Citizens Advice Service in the Borough of Wigan**

☎ 0844 826 9713 (Telephone Advice Line) 01942 267963 (Office)

Leigh Bureau: 6 The Avenue, Leigh, WN7 1ES

Wigan Bureau: Gerrard Winstanley House, Crawford Street, Wigan WN1 1NA

The Citizens Advice Service offers free, impartial and confidential advice on a range of issues, including: debt, welfare benefits, housing, consumer, employment, asylum and immigration and family and personal issues.

Drop in sessions are provided at the two town centre bureaux. There is also a telephone advice line and an outreach service which takes place 1 day per week at Ashton-in-Makerfield and Atherton. Phone 01942 241113 (Ashton) or 01942 267963 (Atherton) for an appointment.

Home visits are by arrangement only.

- **Wigan Independent Advice Centre (WIAC)**

☎ 01942 324851 (Advice Line)

WIAC provides free, independent welfare rights advice. This is available through the telephone helpline and at surgeries held during the week at various locations in the borough. Home visits can also be arranged for the housebound.

- **Wigan and Leigh Carers Helpline**

☎ 01942 606086 (9.30am – 8pm)

Wigan and Leigh Carers Helpline can give you information on a range of issues affecting carers, including benefits.

- **Benefit Enquiry Line**

☎ 0800 882200 (8.30am – 6.30pm Mon to Fri, 9am to 1pm Sat)

The Benefit Enquiry Line (BEL) is a benefits help line for people with disabilities, carers and representatives.

- **HM Revenue and Customs (HMRC)**

HMRC is a new department which has taken over the business of the former Inland Revenue and HM Customs and Excise.

Depending upon your query there are a number of specialist help lines which you can contact. For example:

Child Benefit ☎ 0845 302 1444 (8am – 8pm seven days a week)

National Insurance Contributions Office ☎ 0845 302 1479 (8am - 8pm Mon to Fri)

Tax Credit and Child Tax Credit ☎ 0845 300 3900 (8am – 8pm seven days a week)

Self Assessment ☎ 0845 900 0444 (8am – 8pm seven days a week)

Customs duties, excise and VAT ☎ 0845 010 9000 (8am – 8pm Mon to Fri)

Another option, especially if you would prefer to speak to somebody in person, is to visit an HMRC Enquiry Centre. There are two such centres in the borough, located in Leigh and Wigan.

Leigh: 60 Leigh Road, Leigh, Lancs, WN7 1NH

Wigan: Bridgeman House, Bridgeman Terrace, Wigan, WN1 1TR

- **Carer's Allowance Unit**

☎ 0845 608 4321 (8.30am – 5pm Mon to Thurs, 8.30am – 4.30pm Fri)

Text phone: 0845 604 5312

Address: Palatine House, Lancaster Road, Preston, PR1 1HB

Email: [cau.customer-services@dwp.gsi.gov.uk](mailto:cau.customer-services@dwp.gsi.gov.uk)

The Carer's Allowance Unit provides information regarding Carer's Allowance, the main state benefit for carers, including eligibility and how to make a claim.

You can get more information about benefits from the following leaflets, available in Jobcentre Plus offices, post offices and Citizens Advice Bureaux:

DWP1026 'Help if you are Ill or Disabled'

A guide to benefits for people of all ages with a physical or mental illness or disability – and for people who look after them.

CAA5DCS 'Carer's Allowance'

A basic guide to the benefits which you may be able to get if you are looking after someone who is ill or disabled.

Another useful source of information is 'Looking After Someone – a guide to carers' rights and benefits' published by Carers UK. Call 0808 808 7777 to obtain your free copy or visit the website: [www.carersuk.org](http://www.carersuk.org)