

Policy briefing

The impact of early access to the State Pension for people with terminal illness – updated analysis



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Policy interventions to alleviate poverty at the end of life: 2024/25 update

1 Introduction

This report updates analysis first reported in 2023, which aimed to estimate the potential impact of giving early access to the State Pension for people of working age with a terminal illness.¹

The 2023 report indicated that giving working age people with terminal illness access to the State Pension could be a highly effective policy to reduce the risk of poverty among these individuals and their households. Thousands of people could be lifted out of poverty at the end of life, with a relatively minimal cost to the state in the context of the welfare budget. Moreover, most of those potentially impacted by such a policy had already accrued substantial National Insurance Contributions (NICs), with one in four contributing the full 35 years required to receive full access to the State Pension.

In the previous report, these findings were based on our initial work estimating that approximately 90,000 people were dying in poverty each year.² These calculations have now been updated, and in 2024, an estimated 103,000 people a year experienced poverty during the last year of their lives, using the Social Metrics Commission's definition of poverty, including 23,000 people of working age.³ The value of the State Pension has increased, but so has the age at which people are eligible to receive it. The findings in this report therefore update the initial estimates of the impact and cost of giving people of working age early access to their pension with this in mind.

¹ Stone, J. (2023) *Policy interventions to alleviate poverty at the end of life*. London: Marie Curie
<https://www.mariecurie.org.uk/document/policy-interventions-to-alleviate-poverty-at-the-end-of-life-2022>

² Stone, J. and Hirsch, D. (2022) *Poverty at the end of life in the UK*. London: Marie Curie
<https://www.mariecurie.org.uk/globalassets/media/documents/policy/dying-in-poverty/h420-poverty-at-the-end-of-life-in-the-uk-2nd-pp.pdf>

³ Stone, J. and Robinson, E. (2025) *Poverty at the end of life in 2024*. London: Marie Curie
<https://www.mariecurie.org.uk/document/crsp-poverty-at-the-end-of-life-2024>

2 Analytical approach

In our initial report, we presented a number of different options for a policy to provide working-age people with a terminal illness access to the State Pension, including assuming universal eligibility. However, in this update we only present a means-tested approach, as this provided the most benefit in terms of reducing poverty, balanced against the cost to the State. We show the results for those who died at working age (20-64 years), limited to those with a sub-set of health conditions most aligned to terminal illness.⁴

The analysis is primarily based on the UK Household Longitudinal Survey (Understanding Society), including the employment histories that indicate how many years of NICs respondents are likely to have accrued.⁵ We use this information to estimate the value of the State Pension that they would receive if they were at statutory retirement age.

In the proposed policy, we assume that people of working with terminal illness would be able to claim the New State Pension to the amount indicated by their NICs. If after receiving this additional income, if their household income still fell below Pension Credit level, it would be topped up to meet this level. We also include the Severe Disability element (single people) or the carers element (couples) of Pension Credit.⁶ We then create a new poverty indicator based on this adjusted household income. Further details on the analysis are provided in the technical appendix to the original 2023 report.⁷

The Understanding Society data run from 2010/11 to 2022/23, therefore the benefit levels used to adjust income are specific to each year in the initial analysis and are updated to 2024/25 prices for final calculations of cost to state.

The analysis addresses two key questions:

- How many people are lifted out of poverty by the policy?
- How much would it cost the state if this policy were implemented?

⁴ In the population-level mortality statistics, causes of death that are unlikely to be linked to terminal illness are excluded – these include accidents, deaths due to pregnancy/childbirth, certain infectious diseases, and other external causes of death. In the Understanding Society data, the analysis is restricted to those who are in the last 12 months of life and also report that they are affected by a health condition.

⁵ Construction of the employment histories was aided by code kindly made available by Dr. Liam Wright. See: Wright, L. (2021, August 27). Producing Working-Life Histories in the UKHLS and BHPS. <https://doi.org/10.31235/osf.io/g6exr>

⁶ We assume that households will continue to receive any additional elements of Universal Credit to which they are entitled (over and above the standard allowance).

⁷ Stone, J. (2023) *Policy interventions to alleviate poverty at the end of life*. London: Marie Curie <https://www.mariecurie.org.uk/document/policy-interventions-to-alleviate-poverty-at-the-end-of-life-2022>

Table 2.1 shows the 2024/25 values for the full New State Pension, Pension Credit, and the Severe Disability and Carers elements of Pension Credit, and the standard Universal Credit amount. These were used to calculate the estimated entitlements, and the corresponding cost to the state.

Table 2.1 **Weekly values of key benefits, 2024/25**

Benefit type	2024/25 values (weekly)
Pension credit (single)	£ 218.15
Pension credit (couple)	£332.95
Pension credit – severe disability element	£81.50
Pension credit – carers element	£45.60
New State Pension	£221.20
Universal credit (standard allowance)	£90.45

3 Results

Key findings

- Under a means-tested approach, topping up the income of working age people in the last 12 months of life, to Pension Credit level, could lift more than 9,000 people out of poverty
- The estimated cost to the state using a means-tested approach would be £2.7 million per week – a fraction of the more than £2 billion weekly expenditure on the State Pension.
- Over 90% of people of working age, in the last 12 months of life, have made contributions to the National Insurance system, with more than one in four having contributed the full 35 years required to be eligible for the full State Pension.

As outlined in the previous section, the means tested approach is based on people being entitled to both their State Pension, based on accrued National Insurance payments, and a top-up to Pension Credit level if required. Table 3.1 show the extent to which these interventions could lift people out of poverty in the last 12 months of life, and how much this would cost the state on a weekly basis. Giving people additional income based on a combination of the State Pension and Pension Credit, plus the severe disability and carers elements of Pension Credit, would lift 9,100 people out of poverty and reduce the poverty rate from 25.8% to 13.7%, costing the state around £2.7 million per week.

Table 3.1 Cost/benefit analysis for people aged 20-64 who are last 12 months of life, restricted to subset of causes of death: means-tested approach⁸

<i>Age group</i>	No intervention			With State Pension top-up, including severe disability/carers element		
	<i>20-44</i>	<i>45-64</i>	<i>Total</i>	<i>20-44</i>	<i>45-64</i>	<i>Total</i>
Poverty rate for those in last 12 months of life (%)	26.5%	25.7%	25.8%	16.3%	13.3%	13.7%
Number in poverty (<i>thousands</i>)	2,500	17,000	19,500	1,500	8,800	10,300
Number lifted out of poverty (<i>thousands</i>)	-	-	-	900	8,200	9,100
Weekly cost to the state (<i>£millions</i>)	-	-	-	£0.4	£2.3	£2.7

⁸ The baseline rates shown in Table 3.1 differ slightly from those presented in the main ‘Dying in Poverty’ analysis, due to the slightly different population on which the estimates are based, with the policy analysis based on a more restricted subset of causes of death.

Breakdown of costs

In this section we break down the total cost to the state into the different elements included in the proposed policy. The first element is the State Pension, based on accrued NICs. Table 3.2 shows the average years of NICs for working aged people who are in the last 12 months of life. Overall, only 6% of people aged 20-64 have not made any contributions, and more than a quarter have contributed the 35 years necessary to be eligible for the full State Pension. On average, they have accrued 23 years of NICs by the time they reach the last 12 months of life.

Table 3.2 Average years of National Insurance Contributions (NICs) among people of working age who are in the last 12 months of life

Years of NICs	Age group		
	20-44	45-64	Total 20-64
No NICs	7.8%	5.7%	6.0%
<5 years	11.8%	11.0%	11.1%
5-9 year	30.1%	10.5%	12.7%
10-19 years	30.6%	14.3%	16.1%
20-29 years	17.1%	16.5%	16.5%
30-35 years	2.7%	10.1%	9.3%
>35 years	0.0%	31.9%	28.4%
<i>Overall mean years' NICs</i>	<i>11.5</i>	<i>24.5</i>	<i>23.1</i>

Table 3.3 shows how these average contributions translate into pension entitlement, and how this contributes to the overall amount people would be eligible to receive under the means-tested system, broken down by age group. Those aged 20-44 need more additional income, on average, than the older group, with a shortfall of £130 and £102, respectively. For those aged 45-64, who have had more time to accrue NICs, their existing State Pension entitlement would, on average, fully cover this additional amount⁹, while for the those aged 20-44, their State Pension entitlement would account for around 60% of the requirement top-up. The additional amount added for the severe disability or carers elements of Pension Credit would on average add around £73 to the top-up,¹⁰ giving a total of around £178 overall.

⁹ Where State Pension entitlement exceeds the amount required to reach Pension Credit level, we assume that the excess will be deducted from Universal Credit entitlement, so the additional income received will still only be at Pension Credit level.

¹⁰ The value is lower for the younger age group because they are more likely to be partnered, and will therefore receive the carers element, which is of lower value than the severe disability element.

Table 3.3 Breakdown of estimated entitlements and additions for working age people in the last 12 months of life

Average weekly values	Age group		
	20-44	45-64	Total 20-64
Amount required to reach Pension Credit level			
State pension entitlement	£130.34	£102.49	£105.45
Severe disability/carers element	£78.90	£145.95	£138.89
Total weekly addition	£64.31	£73.70	£72.70
	£194.65	£176.19	£178.15

4 Country/region breakdown

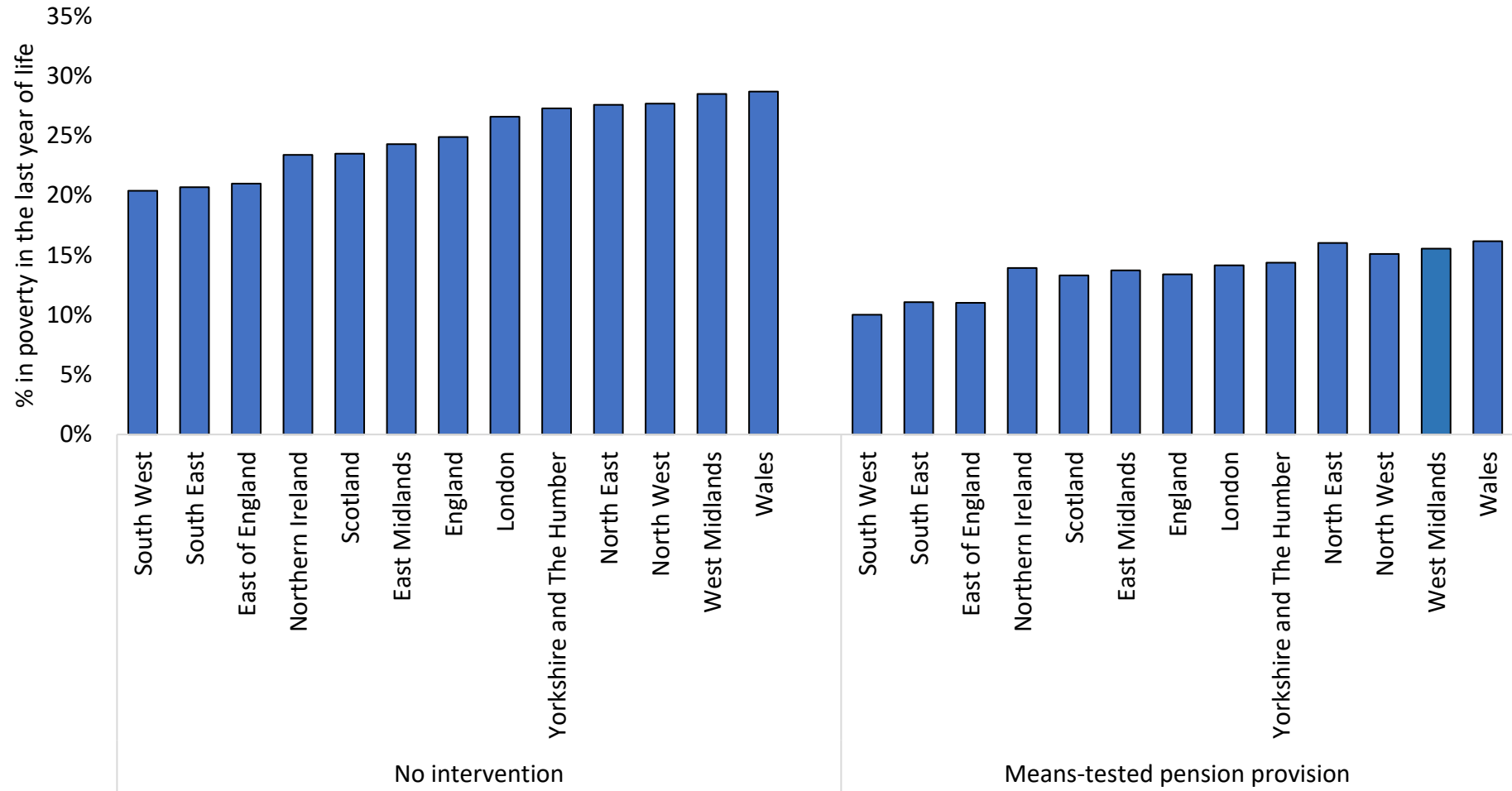
Table 4.1 shows how the means-tested policy to provide people in the last 12 months of life, with the State Pension, would look for the different regions and countries of the UK.

The results show that if the means-tested policy is applied, in absolute terms, the greatest gains from providing working age people at the end of life with pension-age benefits tend to be observed in the areas with the highest poverty rates without the intervention. The estimated percentage of people in poverty at the end of life falls by around 13 percentage points in the West Midlands, from 28.5% to 15.6%, and similar reductions are seen in other areas with high baseline poverty rates such as London, Wales, and the North West of England, with the estimated percentage of people in poverty falling by 13.2 percentage points compared with no intervention. The gap between the highest and lowest regional poverty rates (in Wales and the South West, respectively) also narrows from 8.3 percentage points with no intervention, to 6.2 percentage points. Figure 4.1 demonstrates this narrowing in inequality, with the clear gradient in poverty rates seen without intervention becoming much less pronounced when rates are adjusted for the proposed policy intervention.

Table 4.1 Estimated number and proportion of people in poverty in the last 12 months of life in countries/regions of the UK in 2024

Country/region	No intervention		Means-tested pension provision	
	Number	%	Number	%
England	15,900	24.9%	8,400	13.4%
<i>North East</i>	1,100	27.6%	600	16.0%
<i>North West</i>	2,800	27.7%	1,500	15.1%
<i>Yorkshire and The Humber</i>	1,900	27.3%	1,000	14.4%
<i>East Midlands</i>	1,400	24.3%	800	13.7%
<i>West Midlands</i>	2,100	28.5%	1,100	15.6%
<i>East of England</i>	1,400	21.0%	700	11.0%
<i>London</i>	2,100	26.6%	1,100	14.1%
<i>South East</i>	1,900	20.7%	1,000	11.1%
<i>South West</i>	1,200	20.4%	600	10.0%
Wales	1,300	28.7%	700	16.2%
Scotland	1,400	23.5%	800	13.3%
Northern Ireland	900	23.4%	500	13.9%

Figure 4.1 Estimated proportion of working age people in poverty in the last 12 months of life in countries/regions of the UK in 2024, with and without proposed policy intervention



5 Summary

This updated analysis confirms the finding from our original report, demonstrating that providing early access to the State Pension for terminally ill working-age people is highly effective, targeted, and low-cost.

The policy could significantly reduce the risk of poverty at the end of life, lifting thousands of people of working age out of financial hardship at a vulnerable time. The findings reiterate that the vast majority of eligible individuals have already made substantial contributions to their State Pension via National Insurance, with more than a quarter having made the full 35 years of contributions. For many individuals, the policy is therefore simply shifting the timing of State expenditure, rather than adding to it.

Analysis of regional variation further shows that these interventions would be particularly beneficial in geographical areas where poverty rates are high at a population level. Overall, the policy represents a cost-effective and compassionate approach to alleviating financial hardship during a period of extreme vulnerability.