

Thinking of retiring overseas?

Understanding the impact of a frozen State Pension on your retirement income

Retiring abroad may appear to be a dream come true, but for some British pensioners, it could carry a hidden financial cost. If you move to certain countries outside the UK after retirement, your State Pension could be 'frozen'. This means you will not receive the usual annual increases granted under the triple lock system.

The triple lock was introduced in 2010 to ensure that the State Pension keeps pace with the cost of living by increasing it each year by the highest of three measures: 2.5%, inflation or average earnings growth. However, British expatriates in countries without a reciprocal social security agreement with the UK effectively have their pensions fixed at the rate at which they were initially paid.

COST OF EXPAT RETIREMENT

The financial impact of a frozen pension can be significant. For a retiree whose pension was frozen 15 years ago, the loss amounts to nearly £26,000. Over a 20-year retirement, that figure could rise to an eye-watering £70,000. These figures highlight the gap between pensioners who remain in the UK and those living abroad in countries where pensions are frozen.

To provide context, a UK retiree who moved overseas before 2011, when the triple lock came into effect, misses out on annual increases that could have significantly boosted their income. Over time, the financial gap widens as inflation and living costs rise, while a frozen pension remains stagnant. For example, according to recent analysis, those who moved abroad just five years ago are already £7,391 worse off, experiencing a real terms reduction^[1].

WHERE ARE PENSIONS FROZEN?

Whether your State Pension is frozen depends on your choice of retirement location. Fortunately, if you relocate to a country within the European Economic Area (EEA), Switzerland, Gibraltar or a nation with a reciprocal social security agreement with the UK, your pension will continue to increase annually under the triple lock.

However, this is not the case for popular expat destinations such as Canada, Australia or New Zealand. For retirees in these countries, pensions remain frozen at the rate they were when payments commenced.

LONG-TERM FINANCIAL IMPLICATIONS

Being locked out of the triple lock uprating is not solely about missed income; it concerns long-term financial security. Over the decades, inflation diminishes the value of a static pension, leaving retirees struggling to keep up with basic living costs. Paying for utilities, medical expenses and everyday items becomes increasingly challenging.

For instance, the analysis highlights that a pensioner who first began receiving their basic pension in 2000 would still be getting £67.50 per week if they relocated to a country without an indexation agreement, compared to the full rate of the new State Pension, £230.25 a week, offered to those in the UK today.

YOUR RETIREMENT PLAN MATTERS

Planning for retirement abroad involves more than simply selecting a location. It is essential to grasp the financial implications, including the restrictions imposed by the UK's frozen pension policy. Whether you are contemplating relocation to Australia, Canada or even further afield, you should balance the potential losses against the lifestyle advantages of moving. ■

Source data:

[1] Interactive Investor 04/06/25 – This estimate assumes full State Pension payments are uprated by 3.7% in 2025 (the Office for Budget Responsibility's inflation forecast for September 2025), and by 2.5% per year thereafter in line with the triple lock.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE. THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

HOW CAN I GET ADVICE ON MY RETIREMENT PLANS?

Don't jeopardise your financial future by neglecting the impact of frozen pensions. Contact us now to discuss your requirements or explore your options.

