

WR / MS / TF  
Don't Effort.

16th May 1983

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PRIME MINISTER

YOURS MAGAZINE (Help the Aged)

Attached is the final draft of an article which you yourself rewrote after a number of abortive drafts.

Although the request came long before the announcement of the Election, are you content for it to be sent to YOURS for publication? Tim Flesher tells me that it has been checked for accuracy and approved by Norman Fowler.

Derek

Derek

Not WR.  
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May I begin by stressing the great regard in which we hold today's pensioners. You have played your part in one - perhaps two - World Wars to preserve the freedom and justice we take for granted today. You have worked hard all your lives to pass on to your children and grandchildren a better life than you enjoyed. We have still much to learn from you, especially from your experience of human nature and how to cope with the many problems that life brings.

We now have over nine million pensioners and the number has been increasing. But despite the worst recession the world has faced since the War, we have ensured that retirement pensions have risen more than prices.

In fact, you can buy a little more with your weekly pension today than you could in May 1979, when this Government was elected. And pensions will be going up again in November. This has been achieved through the weekly contributions of our working population to the National Insurance Fund, out of which retirement pensions are paid.

As prices go up, the value of your hard-earned savings goes down. Indeed, a person who put by £100 in 1963 has seen it fall to £16.50 in terms of what it would buy in 1983. So we have worked hard to stop prices from rising as fast as they did a few years ago. Now they go up only by about 5p in the pound a year, and in our view that is too much. Inflation really does plunder the savings of the thrifty. It is our aim to achieve stable prices.

Now may I have a word about how we decide on the amount by which the pension goes up? In 1975 we used to see exactly how much prices had risen to the latest available date, and fix the next increase accordingly. The Labour Government then changed to a system of relying on forecasts of price rises to decide how much to increase the pension.

Alas, in five of the last seven years, those forecasts have turned out to be wrong. That is why we have changed the system. In future, pensions will be related to actual and not estimated prices increases. Whatever is the percentage increase in prices up to May that is the figure by which pensions will increase in November.

We have to take the figure for May, to give us time to complete the enormous task <sup>of</sup> changing the nine million pensions by November. The process will be the same from year to year. there will be no guesswork but an actual figure, based on the rise in prices from the previous May.

There are many special difficulties which pensioners have to face. The Government has done its best to help you to cope.

Those of you who have the smallest incomes are no longer paying tax, because the starting point below which you pay no tax has been raised.

The special bereavement allowance for widows of £1010 has been extended so that it lasts for an extra year.

If you are on supplementary benefit, we have increased the amount of savings you may have and still get benefit. The top limit used to be £2,500. Now it is £3,000, so a nest-egg of that amount will not prevent you from getting your benefits.

From the end of May, those men who are over 60 years of age and drawing on supplementary benefit will get the higher rate, which will be worth up to £10.60 extra every week for married couples on supplementary benefit.

Heating costs are a special worry for pensioners. So we have put up the amounts you can get to meet your fuel bills. If you are over 70 and on supplementary pension, you will get these extra amounts without even having to ask. We have also made sure that the fixed charges you pay for gas and electricity will not be more than half your bill. Indeed, the amount spent on heating allowances is at an all time record - £325 million in 1982/83.

I saw the Pensioners' Convention recently. They said the Government should be doing more to help old people. I agree. We should all like to do more, but we cannot make promises without deciding how they will be paid for. The much higher benefits we should all like to see have to be met out of today's earnings in industry and commerce.

To make promises without telling the working population how much extra contributions they would have to pay each week is wrong.

The Conservative Government will go on managing Britain's budget as carefully as you have to manage your budget. It will go on paying its bills just as you have to pay your bills. And because we have been as careful and sensible in spending the taxpayer's money - your money - there are signs that there are better times ahead. But before more can be paid out, more has to be earned. And I hope that we shall be able to have honest money - that is, money that keeps its value over the years. That would benefit everyone, most of all those for whom thrift and savings were a way of life.

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Margaret Thatcher

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