THE SOCIETY OF PENSION PROFESSIONALS
making pensions work

Home Truths:

Rethinking Retirement Wealth

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Foreword

The UK pensions system has made significant progress in expanding participation, but with 15m people under saving for their retirement[1], the focus is now firmly on adequacy. This paper contributes to that debate by examining the potential role of housing in retirement planning and how pensions and housing wealth may become more closely aligned in the future.

Pensions and housing are closely linked in practice yet are often treated separately in policy and decision-making. Together they shape financial outcomes in later life, drawing on the same household resources. Current retirees often benefit from accumulated housing wealth, while future cohorts are likely to face lower rates of home ownership and higher housing costs, placing greater pressure on pension provision.

Housing wealth absolutely cannot be relied upon as a substitute for adequate pension saving. Access to that wealth is uneven and constrained, while an increasing number of individuals may reach retirement without any housing wealth at all. At the same time, the current landscape - including fragmented advice, differing regulatory frameworks and policy distortions - does not support joined-up decision-making.

This paper sets out a range of areas for further consideration, including better integration of housing into retirement planning, improvements to guidance and advice, and the role of pension capital in boosting housing supply. It also underscores the need to reflect the diversity of saver circumstances.

The SPP does not advocate a single solution. Rather, this paper aims to support informed discussion across industry, government and regulators on how best to improve retirement outcomes in an ever-evolving context.

Amanda Cooke
Chair, SPP Financial Services Regulation Committee

Summary of Recommendations

To address the growing retirement adequacy crisis, the SPP believes that the UK can no longer treat housing and pensions as separate policy challenges. This paper contains a range of recommendations to help tackle the problem.

The following key recommendations outline a coordinated approach to break down regulatory silos, remove tax distortions, and utilise pension capital to boost housing supply, ensuring both systems work together to deliver secure retirement outcomes.

> **Unify Housing and Pension Guidance:** Merge property wealth into mainstream later-life advice on platforms like MoneyHelper and Pension Wise, breaking down the regulatory silos between mortgage advice, equity release, and financial advice.

> **Update Financial Benchmarks:** Revise Retirement Living Standards and Value for Money (VfM) metrics to explicitly factor in rental and mortgage costs, ensuring clearer planning for lifetime renters.

> **Remove Downsizing Barriers:** Explore the pros and cons of introducing a one-off stamp duty relief for older downsizers and significantly expand the supply of age-appropriate retirement housing to free up under-occupied family homes.

> **Unlock Institutional Pension Capital:** Build a stronger pipeline of investable residential housing projects by improving planning certainty and creating standardised housing investment vehicles.

> **Consider Flexible Saving Structures:** Explore opportunities to restructure employer matching contributions so younger savers can accumulate home deposits without raiding their core pension pots.

> **Recycle Care-Funding Assets:** Explore long-term mechanisms to channel family homes liquidated for social care into public ownership, potentially using pension capital to fund their retrofit as social housing.

Retirement Shortfalls for the Over-55s with Property

Are retirees truly "asset-rich but income-poor," and how does housing compare with pension wealth?

Retirees are often described as “asset-rich but income-poor” which is borne out by statistics showing that, in the UK, housing accounts for 40% of total wealth[2]. This compares with 35% for pensions[3]. UK retirees hold an estimated £3.84 trillion in housing wealth[4], yet face an aggregate annual retirement income deficit of more than £48 billion against moderate living standards[5]. The distribution is uneven with housing representing more than half of total wealth in London, but under a third in the North-East.[6] This is at the same time that pension adequacy is worsening with 31% of future retirees expected to fall below the Pensions UK minimum standard[7] and with a gender pension gap of 36.5%.[8] The result is a structural mismatch with substantial illiquid property wealth which does not necessarily translate into the income needed to sustain retirement living standards.

Does housing substitute for income or obscure underlying adequacy issues?

Housing wealth can help bridge retirement income gaps, but it is not a cure for inadequate pension saving. The move from defined benefit (DB) to defined contribution (DC) pensions has left many people under-saving, and younger cohorts are likely to rely more heavily on non-pension assets. Office for National Statistics (ONS) data show that homeownership rates have declined from around 71% in the early 2000s to about 65% in 2024-25.[9]

Later life lending, including equity release may currently operate as a last-resort top-up once pension income and savings are depleted, rather than contributing to a long-term adequate retirement income, but equity release could play a bigger role in the pensions adequacy crisis. Even then, some households will still be unable to sustain desired living standards once accessible equity is exhausted. Traditional retirement portfolios are already failing some households, leaving housing wealth to compensate for systemic shortfalls rather than providing genuine supplementary income.

A lack of timely, holistic planning does not produce optimal outcomes. Indeed, the immediate pressure of these systemic shortfalls is already driving visible shifts in the market, with the PPI reporting that the proportion of flat-sharers aged 65 or older has tripled over the last decade, alongside a 38% increase in over-65s taking in lodgers to bridge the gap[10].

However, a greater challenge is to come, as home-ownership declines, housing equity will no longer be available to help bridge the gap in retirement savings. The housing wealth of current retirees partially masks the urgency of improving pension adequacy for the generations of renters who will succeed them.

How is housing actually accessed (downsizing, equity release, transfers), and are pathways designed accordingly?

Housing wealth is mainly accessed through downsizing or later life lending, particularly lifetime mortgages that allow people to borrow against their home while remaining in it.

These routes can be combined, but each has limitations. Downsizing often releases less value than expected once stamp duty, legal fees, estate agency fees, and removal costs are deducted.

It is also constrained by the shortage of suitable retirement housing to buy; with around 7,000 retirement homes built annually against a recommended target of 50,000.[11]

Access pathways are also poorly integrated into mainstream retirement planning. Mortgage brokers, equity release advisers, and financial advisers operate under separate qualification and conduct regimes, making holistic advice less likely. Government-backed guidance services such as MoneyHelper and Pension Wise do not consistently present housing wealth alongside pensions; later life lending sits under "Home" guidance rather than retirement planning. As a result, the consumer's route often depends on which adviser they approach first, rather than a joined-up assessment of all retirement assets.

Do tax and policy settings distort decisions between housing and pensions?

Tax and policy settings distort decisions between housing and pension wealth. Stamp duty reduces the financial benefit of downsizing by absorbing part of the equity released. The additional inheritance tax nil rate band available to homeowners leaving their residence to direct descendants can also encourage consumers to preserve the home as a bequest rather than use it to fund everyday living. Yet this habit of passing on the family home is increasingly out of step with how housing, mobility, and wealth work in the UK today. In principle, a retiree might use equity release alongside pension drawdown to reduce taxable pension withdrawals, but advice silos make co-ordinated recommendations difficult.

Different qualification requirements, conduct rules and remuneration structures prevent consumers from comparing options on a level footing. The Financial Conduct Authority (FCA) has noted that pensions, savings, mortgages, and housing wealth each sit "on their own line, with their own ticketing system, timetable, and rules."[12] The cumulative effect is to steer consumers towards preserving housing wealth, while making access to it costly and fragmented.

Possible solutions

Integrate housing into retirement pathways

It is well recognised that most targets for retirement living standards, are predicated on the assumption of mortgage-free home ownership in retirement. These targets are increasingly unrealistic as an increasing proportion of people will be renting throughout retirement.

It is estimated that a lifetime renter requires an additional £269,000 on average in pension saving to finance rent[13]. This financial mountain is further highlighted by PPI data showing that privately renting a two-bedroom home costs between £200,000 and £400,000 across a typical retirement, yet the average individual Defined Contribution (DC) pot stands at just £154,000, dropping even lower to £105,000 for women[13]. It is essential that this differential is acknowledged when setting targets, so that people have clear information and the ability to plan for the reality and not the dream.[15]

Even then, simply acknowledging the problem does not equip people to plan adequately for their retirement. Early and comprehensive financial education in schools is desperately needed to give future generations the skills they need to maximise their financial well-being. For adults, access to financial MOTs, online or preferably with a human adviser, would likely benefit individuals and the wider economy.

Housing wealth could be embedded into mainstream retirement planning at key life stages. Once pension dashboards are complete, housing wealth could be incorporated to give consumers a combined view of their later-life resources and options. Mortgage advice from age 50 onwards could also include retirement planning and later life lending considerations. Combined pension-plus-housing modelling, including at-retirement communications, would help overcome the tendency to treat property and pension wealth as separate entities.

Strengthen advice and targeted support

The advice landscape could be more holistic and joined up. MoneyHelper and Pension Wise could include housing wealth as part of later-life guidance, rather than placing later life lending in a separate "Home" section. The MoneyHelper "Money Midlife MOT" also separates "Your home" from "Retirement planning," which may reinforce the silos rather than helping to break them down. Advisers could be required to consider the potential role of housing wealth in funding retirement, while preserving equity release as an advised sale.

Regulatory boundaries between mortgage, equity release and financial advice could also be reviewed e.g. it is currently difficult for a mortgage adviser to recommend lifelong borrowing where the client has investment assets. Targeted support could also help.

This is particularly important for women, who are less likely to receive financial advice generally and less likely to have spoken to an independent financial adviser before considering equity release.[16]

Improve liquidity and risk management

Later life lending needs greater product diversity and better risk management. The UK equity release market is dominated by insurers matching lifetime mortgage assets against annuity liabilities, which limits variation in product design. Broader funding models could support products such as automated income lifetime mortgages, lifetime mortgage-funded annuities, short-term equity release, and home equity lines of credit. Longevity and care-cost risks also remain under-insured, with care shocks often driving housing wealth drawdown. The FCA could use the Consumer Duty to encourage competition and reduce product bias, while insurance solutions linked to housing wealth could help retirees manage tail risks more effectively. Reforming demand-side barriers and distribution channels would also support commercial viability for new products.

Reform tax distortions

Stamp duty remains a significant barrier to downsizing, often consuming a material share of the equity released. More neutral taxation of retirement and housing wealth would help level the playing field between downsizing, equity release and retaining housing wealth. Reform would need careful calibration to protect lower-wealth households, but the current system could do more to improve retirement outcomes.

Housing Constraints and Pension Saving for Younger Generations

Housing affordability is reshaping retirement accumulation. High costs can suppress pension saving, reinforce under-saving, and deepen the divide between renters and homeowners, with long-term consequences for retirement adequacy. These pressures rarely act alone; they compound, so that those carrying several at once - the single, female, lifelong renter being the clearest case - face the steepest disadvantage of all.

Context

Housing costs today are significantly higher than for previous generations. Larger mortgages, higher rents, and bigger deposits mean housing absorbs a growing share of income. To put the scale of change in context, the average home in England cost around four times median earnings in the mid-1990s; by the 2021 peak that had roughly doubled to more than eight times, and it stands at about 7.6 times today, with wide regional variation — from roughly five to six times earnings across much of the North and Wales to around eleven times in London.[17] A deposit and mortgage are now set against a multiple of earnings the generation now retiring never faced. Home ownership can complement retirement provision, both as an asset and by reducing housing costs in later life; but for those still working, it increasingly competes with saving for retirement.

This obviously creates a tension. The widely shared goal of expanding both the coverage and adequacy of pension saving sits uncomfortably with rising housing costs and saving pressures.

The pressure is particularly acute for low-income households, which spend a greater proportion of their income on housing[18] and are most likely to rent for life.

These pressures rarely act in isolation. Much as comorbidities compound risk to life expectancy, disadvantages in saving for a home and for retirement tend to overlap and reinforce one another.

A single person has housing and living costs that the system increasingly assumes will be shared across two incomes, the so-called "single tax". The scale of this vulnerability is significant, given that approximately 30% of UK households are now single-person households[19], meaning nearly a third of the population is navigating these financial burdens entirely alone.

A woman is likely to carry the existing gender pension and pay gaps into that position; and a lifelong renter faces housing costs in retirement that the pensions system was never designed to absorb. Each is a headwind on its own.

Stacked together, as they often are for the same person, they do not simply add but multiply. This matters for design: policy built around a single "average" saver will tend to miss those who need the most support.

For many, housing will never play that complementary role at all. By 2040, although there will be 12.9 million people aged 65+ who are owner-occupiers there will also be 2.2 million who are private tenants, and 1.8 million who are social tenants[20], stretching pension incomes further than the UK's system has been designed to bear. The Pensions Commission's Interim Report[21] makes the same point: The First Pensions Commission was developed in a period of high homeownership and implicitly assumed low housing costs in retirement. That assumption is now at odds with the reality facing a significant and growing proportion of future pensioners.

The generation now reaching retirement, discussed above, was not asked to set earnings through automatic enrolment, nor did most begin working life carrying student debt; today's graduates in England typically start with around £53,000 of it[22], repaid at 9% of everything earned above the threshold, on top of income tax and National Insurance. The squeeze on younger savers is therefore not simply a feature of the housing market.

This is yet another reason to design housing and pension policy together rather than in isolation, and to be honest that we are asking more of this cohort, earlier, than we asked of the last.

Underlying all of this is a hard arithmetic. For most households, and especially those on low-to-middle incomes, a pound directed to a deposit is a pound not going into a pension, and vice versa; the same money cannot do both jobs. In an economy that has delivered weak real earnings growth for much of the period since the 2008 financial crisis, there is little slack to ease that trade-off. For many this is close to a zero-sum game with their personal finances: the competing claims of housing, retirement and day-to-day living cannot all be met from a pay packet that has grown little in real terms. Acknowledging this sets a limit on how far exhortations to "save more", for either a home or a pension, can realistically take us. It also frames the solutions that follow: the aim is less to ask people to find money they do not have, and more to help the money they do have work harder across competing goals.

Housing cohorts

Before turning to solutions, it is useful to segment UK savers into three broad groups, according to their prospects of owning a home.

1) Lifetime renters, who are unlikely to ever own a home;

2) Those who could own, perhaps with the right support, but struggle to save adequately for a pension and a home at the same time;

3) Those who can afford to save for both, whether comfortably, or by making manageable sacrifices during their working lives.

Government policy can influence the size of each group, but we expect all three to remain substantial. Our focus here is on the first two, and on pension-related responses rather than housing policy itself.

It is worth noting that this is a different lens from the one Nest Insight applied in its recent research in this area[23], which segments people by their relationship to a pension-access scheme specifically: those who would need it to buy, those who might use it but could buy anyway, and those it could not help.

The distinction matters most within our second cohort, where, as Nest Insight finds, the same compounding disadvantages that make saving hard also determine whether access would be decisive or merely incidental.

Possible Solutions

The SPP recognises that no single measure will resolve this, and so a wide range of options deserves exploration by the industry, the Pensions Commission and government. We have set out some potential solutions below, grouped by the cohort they would most help. Several carry real trade-offs that need testing before a clearer case for or against can be made. Consistent with the arithmetic set out above, the aim is less to ask people to save money they do not have, and more to make better, more joined-up use of the money, and the policy levers, we already have.

1) Lifetime renters

> Update benchmarks to reflect housing costs in retirement. Both replacement ratios and the Retirement Living Standards are widely used by policymakers and in member communications to help people gauge the income (and therefore the saving) they will need. Both traditionally assume home ownership in retirement and so ignore both rent and mortgage payments carried into later life. Reflecting housing costs is not an argument that lifetime renters should simply save more; as set out above, the same households are least able to find the money and could not realistically meet the £269,000 of additional pension that renting in retirement is estimated to require.[24] But it would make for more clear-eyed planning by individuals and policymakers alike.

> Provide clarity on the long-term provision of benefits, including housing benefit. The New State Pension was designed so that private saving would not be offset by means-tested support. Rising demand for housing benefit among pensioners would re-introduce exactly that risk. Government should set out the long-term future of these benefits and should consider tapers rather than cliff-edges, so as not to undermine the incentive to save through automatic enrolment. This matters too for the sustainability of the welfare state: much has been made of the growing cost of the State Pension, but far less of other pensioner benefits.

2) Those who struggle to balance saving for a home and saving for retirement

> Holistic policymaking and industry propositions. As discussed above, housing and pension outcomes are shaped by the same policy choices and drawn from the same household budget; they should be designed together, not in separate silos. Pensions are one piece of a wider personal-finance puzzle and good lifetime outcomes depend on better use of saving, investing, and borrowing in combination, supported by guidance that can cut across product silos.

> Radical reform of the supply side. There is no sustainable solution to the housing challenge without a substantial increase in the supply of homes available for purchase. Expanding housing demand without addressing supply constraints would risk further inflating prices and could have serious consequences for pension affordability and long-term financial security. A comprehensive review of land availability is therefore essential, including a careful but ambitious reassessment of green belt policy

> Better contribution design. Before reaching for access to pension savings, there is room to ease the trade-off through design alone. The structure of employer contributions, for instance whether matching is the only route to the maximum employer payment, can materially affect how quickly a younger member reaches a deposit while still building an adequate pension, without anyone touching their pot early. This is a lever wholly within the gift of employers and schemes, and modelling suggests its effect can be significant.[25]

A simple withdrawal is easiest to deliver but permanently reduces the pension pot and invites present bias, with people drawing more than they need; a loan model mitigates this but is hard to enforce across job moves; and a pledging model preserves the pot but is more complex and raises questions, considered elsewhere in this paper, about liquidity and who bears the risk of default.

> Sidecar savings. Measures such as sidecar savings arrangements and other approaches that strengthen financial resilience may ultimately support higher levels of long-term pension saving by reducing the likelihood that individuals opt out of pension saving when faced with financial pressures. Nest Insight's recent report, 'Balancing today and tomorrow,'[26] provides clear evidence for this. Their real-world testing of sidecar savings shows that when people have a dedicated space to build savings alongside their pension, instead of competing with pension saving, this cash cushion actually protects it.

A Supply-Side Opportunity: Pension Capital and Housing

Integrating Housing and Retirement Policy

The UK's housing challenge and its retirement adequacy challenge are typically addressed in isolation – a separation that is increasingly artificial.

Housing costs are now a central determinant of retirement outcomes. While pension savings are, for many households, the largest store of long term wealth. It is becoming more apparent that financial security must be assessed through a whole of life lens, integrating housing, pensions, and other savings rather than treating them separately.

This changes the policy question. The issue is not simply whether pension savings are adequate, or whether housing is affordable, but how the interaction between the two shapes financial outcomes.

On that basis, housing need and retirement saving can be recognised as a joint opportunity. Pension schemes are uniquely positioned as both long term institutional investors and stewards of individual savings. The question is how far that opportunity can be realised in practice at both a system level (through investment) and an individual level (through access to savings).

The policy objective should therefore not be to substitute pensions for housing finance, but to align pension capital, both institutional and individual, within a system that delivers housing and sustainable retirement outcomes together.

The wider market: how existing policy and products shape supply

The UK has both a housing shortage and a high degree of under-occupation. In other words, many people live in homes that are "too large" for their household, while many others struggle to find suitably sized homes. Indeed, around 40% of households in England are considered under-occupied.[27]

Housing stock is heavily concentrated among older owners. On industry estimates, more than half (55%) of UK housing wealth is held by the over-60s[28], much of it in homes larger than their occupants need. Yet little encourages that stock to circulate. Transaction taxes are part of the problem: stamp duty is levied on the buyer at every move, discouraging older homeowners from downsizing to smaller properties and so blocking supply for younger families. One industry survey found over a fifth of over-55s intend to never downsize[29], with around a quarter citing the cost of moving, including stamp duty, as a deterrent.

Proposals for a one-off stamp-duty relief for downsizers, a "last-time buyer" relief[30] to mirror the first time-buyer one, follow directly from this and may be worthy of exploration.

The supply benefit should not be overstated. Downsizing largely brings forward moves that would happen anyway; the lasting flow of larger homes onto the market is set by demographics, not tax, and freeing a family home only helps if there is suitable, age-appropriate housing for the downsizer to move to, which in many areas there is not. The lesson is that transaction taxes and the shortage of later-living housing need to be tackled together, not separately.

Equity release illustrates the same tension from the other side. Lifetime mortgages let older owners draw on housing wealth without moving, often the right answer for those who wish to stay put, but by design they keep under-occupied homes off the market. Downsizing releases both the equity and the home. Neither route is inherently preferable; but a system that taxes the move while the market actively promotes the product that avoids it is quietly tilting the balance towards lower turnover. If the goal is a more liquid market that makes better use of existing stock, then that balance deserves examination.

Framed this way, the supply challenge is not purely a building challenge. It is also one of liquidity and utilisation, in which tax design, product design and the availability of suitable downsizing options all play a part.

Can schemes scale investment in housing, and what barriers exist?

The position in law and principle

There is no legal prohibition on pension schemes investing in residential assets. Trustees' fiduciary duties, prudence, diversification and acting in members' best financial interests, are asset class neutral.

In principle, housing assets can satisfy those duties. Build to rent, later living and affordable housing investments can offer long duration, inflation linked income streams aligned with pension liabilities.

The question is therefore not whether schemes can invest, but whether they can do so at scale.

Structural barriers to scale

The evidence suggests that the principal barriers to greater pension investment in housing are structural rather than legal.

The first is a limited pipeline of investable housing projects with sufficient scale, planning certainty and appropriate risk allocation. The second is fragmented delivery, with weak coordination between local authorities, developers, housing associations and investors. The third is liquidity and portfolio constraints, particularly for DC schemes, although vehicles such as the Long-Term Asset Fund may help address these. Finally, policy and regulatory uncertainty, especially around planning and affordable housing, reduces investor confidence.

The constraint is therefore not a lack of capital, nor a fiduciary prohibition, but a shortage of investable opportunities.

The policy implication is clear - increasing pension investment depends less on changing fiduciary duties than on improving the supply of investable housing assets. This requires a stronger pipeline of projects, greater planning certainty, more consistent investment structures and better coordination across the housing sector. Stable policy is also essential, as long-term investors place significant value on regulatory predictability.

Pension capital cannot substitute for effective housing policy. Unless the supply of investable opportunities expands, further encouragement of pension investment is unlikely to generate a material increase in capital flows into residential development.

Individual access to pension savings: a demand-side lever with supply-side consequences

Alongside institutional investment, much of the current debate concerns whether individuals should be able to use their own pension savings through early withdrawal, pension-backed lending or pledging to help them buy a home, as explored previously. In summary, the evidence suggests it is a targeted and conditional tool: it could make a decisive difference for a relatively small group otherwise excluded from ownership, but it carries real trade-offs for the individual and cannot, on its own, address structural shortages or systemic affordability.

Every model of individual access works by adding to housing demand. Without a matching increase in supply, that additional demand is capitalised into prices, leaving buyers no better off, and potentially worse, while diverting savings out of the retirement system. Domestic and international experience with demand-side housing interventions bears this out. This is the central reason why any serious discussion of mobilising pension savings for housing must begin, not end, with supply: the demand-side lever is safe to pull only to the extent the supply-side response can absorb it.

How can individuals access pension savings in relation to housing and what are the limits?

Alongside institutional investment, a parallel policy question concerns the role of individuals' own pension savings in supporting housing access.

Internationally, a range of early withdrawal models exist e.g. pension backed lending, and systems where pension savings can be pledged as collateral. These approaches reflect the common premise that pension savings represent a significant store of capital that can be mobilised earlier in life to address housing constraints.

> *Pension capital cannot substitute for effective housing policy.*

Potential benefits

There is some evidence to suggest that, in certain circumstances, enabling access to pension savings can improve lifetime financial outcomes[31]. Facilitating earlier home ownership can reduce lifetime housing costs and, in turn, improve retirement living standards. This effect may be particularly pronounced for households otherwise excluded from ownership.

For example, single income households or those without access to intergenerational wealth. In such cases, pension enabled access may convert an unsustainable rental trajectory into an ownership pathway, with consequential long term benefits.

However, evidence[32] also makes clear that such interventions are inherently limited:

> they have a constrained reach: only a relatively small cohort would be able to access home ownership solely by drawing on pension savings;

> they create trade offs. Early access reduces pension balances and may weaken retirement adequacy unless offset by higher contributions or favourable housing outcomes;

> they introduce behavioural and system risks. Individuals may over withdraw or prioritise short term objectives, while at a system level, increased demand without corresponding supply risks putting upward pressure on house prices;

> such models raise legal and policy considerations, including the preservation of pension savings, interaction with insolvency protections, and the extent to which pensions should remain "ringfenced" for retirement purposes.

Individual access to pension savings is best understood as a targeted and conditional tool. It can support certain groups and specific life stage transitions but cannot address structural housing shortages or systemic affordability challenges.

An alternative to early access may be to consider policies that complement pension saving rather than compete with these objectives. Measures such as sidecar savings arrangements and other approaches that strengthen financial resilience may ultimately support higher levels of long-term pension saving by reducing the likelihood that individuals opt out of pension saving when faced with financial pressures. Nest Insight's recent report, 'Balancing today and tomorrow,'[33] provides clear evidence for this. Their real-world testing of sidecar savings shows that when people have a dedicated space to build short-term emergency cash alongside their pension, it creates a vital safety net. Instead of competing with pension saving, having this liquid cash cushion actually protects it. It means when an unexpected bill hits, savers do not have to choose between immediate financial survival and their retirement future, which dramatically reduces the risk of them opting out of pension saving entirely.

How should "Value for Money" reflect cost of living impacts like housing?

VfM assessments are currently focused on internal scheme metrics such as net investment returns, costs and service quality. While this framework provides a coherent basis for assessing pension scheme performance, it remains incomplete because it evaluates outcomes within the pension rather than the wider financial outcomes experienced by members.

As the recent Society of Pension Professionals (SPP) paper, Helping Pension Savers Choose: Value for Money in Action[34], argues, the next phase of the VfM framework should move beyond being primarily a governance tool for trustees and regulators and evolve into a framework that helps savers make better decisions and improves real retirement outcomes.

Evidence already shows that housing costs are a major determinant of retirement adequacy. NEST Insight's modelling demonstrates that home ownership can significantly improve retirement outcomes relative to lifelong renting, primarily because housing costs fall substantially in later life. Conversely, growing numbers of retirees are expected to enter retirement with ongoing rental costs, reducing the income available to support living standards[35].

This creates a structural issue: two members with identical pension pots may experience materially different standards of living in retirement depending on their housing tenure.

If the objective of the evolving VfM framework is to improve member outcomes rather than simply measure pension scheme efficiency, then assessing value solely through pension accumulation may be too narrow. A broader perspective that considers retirement living standards, potentially including the impact of housing costs, would better reflect the outcomes that ultimately matter to savers.

This raises an important policy question for trustees and policymakers: should VfM be assessed solely by reference to pension accumulation, or by reference to members' real spending power and living standards after housing costs? Decisions that improve housing security, whether through investment strategy, product design or supporting access to home ownership, may enhance retirement outcomes even where they marginally reduce nominal pension balances. There is therefore a credible case for housing costs to be recognised, directly or indirectly, within the future evolution of the VfM framework.

A longer-term opportunity: ageing, care and the recycling of housing stock

Looking further ahead, demographic change may reshape the housing supply question in ways the pensions and housing systems have barely begun to consider.

An ageing population will increase demand for social care just as many people reach later life without the liquid wealth or pension income to pay for it. In England, anyone with assessable capital above £23,250 (a threshold frozen since 2010) must fund their own care[36]. For those in permanent residential care, the value of their home also counts unless a spouse or qualifying relative still lives there. With the planned £86,000 lifetime cap on care costs scrapped in 2024[37], a growing number of homes are effectively liquidated to fund care, either through sale or deferred payment agreements settled after death[38].

While this primarily affects individuals needing care, it also has wider implications for housing wealth as a source of retirement security and intergenerational transfer. It also presents an opportunity. Rather than allowing homes released to fund care to disperse through the open market, some could be acquired into public or social ownership, retrofitted, and returned as affordable housing. Reusing existing homes would be faster than new construction, avoid much of the planning friction discussed above, and carry a far lower carbon cost because the most emissions-intensive stage (the original build) has already occurred.

There are significant challenges, including how to establish a fair acquisition price, whether this offers advantages over purchasing on the open market, the politics of state acquisition of family homes, geographic mismatches between released homes and housing need, retrofit costs, and the interaction with inheritance and wider care-funding reform.

Yet as pension capital seeks long-term, socially useful investments and care funding rises up the policy agenda, using housing wealth consumed by care to help rebuild the social housing stock is the kind of joined-up thinking that deserves serious exploration.

> *"...demographic change may reshape the housing supply question in ways the pensions and housing systems have barely begun to consider."*

Possible solutions

The supply challenge has two dimensions: building more homes and making better use of the homes we already have. Pension capital is central to the first and has a role in the second, but neither is constrained primarily by law. Both are constrained by fractured policy design. The task is therefore to create the conditions in which pension capital, stock and incentives are aligned to improve real-world outcomes.

The following measures, taken together, would support that objective.

1. Unlock pension capital

A primary constraint on pension investment in housing is not the availability of capital, but the availability of opportunities that meet institutional requirements. Pension schemes require assets that are scalable, deliverable, and capable of being assessed within conventional risk frameworks.

> improve planning certainty and reduce delivery friction;

> develop standardised, investable housing vehicles;

> enhance pipeline visibility.

2. Make better use of the existing stock

Supply is also a question of how efficiently existing homes are used, and here tax and product design often work against circulation rather than for it.

> introduce a one-off stamp-duty relief for downsizers, paired with expanded later-living and age-appropriate housing supply, so that those who move have somewhere suitable to move to;

> review how the tax and regulatory treatment of equity release and downsizing together affect turnover, so the system does not inadvertently favour keeping under-occupied homes off the market;

> treat transaction friction and the shortage of later-living homes as a single problem rather than two separate ones.

“The task is therefore to create the conditions in which pension capital, stock and incentives are aligned to improve real-world outcomes.”

3. Align VfM and investment with member outcomes

The integration of housing into pension investment requires a corresponding change in how outcomes are defined and assessed. VFM frameworks currently focus on in-scheme metrics. However, as the evidence suggests, housing costs are one of the primary determinants of retirement adequacy.

> incorporate housing costs into VFM assessments;

> recognise tenure as a driver of retirement outcomes;

> articulate links between housing investment and financial benefit.

4. Link accumulation, decumulation and housing

A more integrated system should explicitly connect pension saving and housing outcomes, so that the two are designed together rather than in separate silos.

> products supporting deposit formation alongside pension saving;

> shared ownership or partnership models;

> decumulation strategies that reflect housing tenure.

5. Explore recycling care-released homes into social stock (longer term)

A more structural, longer-term opportunity arises from the homes liquidated each year to fund social care.

> explore mechanisms to channel a share of care-released homes, whether sold to meet care costs or charged under deferred-payment agreements, into public or social ownership;

> assess the case for retrofitting and recycling such homes into social and affordable stock, as a faster and lower-carbon alternative to building from scratch;

> consider the role pension capital could play in funding acquisition and retrofit at scale.

Across all of these, one principle holds. Measures that expand access to housing finance, whether through pension savings or any other route, will reinforce affordability pressures rather than relieve them unless they are matched by genuine increases in supply, both new-build and the better use of existing stock. Finance-side reform and supply-side reform are not alternatives. They must move together.

Conclusion

The UK can no longer treat housing and pensions as separate policy challenges. They draw on the same household resources, shape the same retirement outcomes, and increasingly succeed or fail together.

For many of today's retirees, accumulated housing wealth has helped compensate for shortcomings in pension provision. But that wealth is unevenly distributed, difficult to access, and poorly integrated into retirement planning. For tomorrow's retirees, the challenge is greater still. Lower homeownership, higher housing costs, and longer periods of renting mean that housing will be less able to cushion inadequate pension saving, while placing greater pressure on retirement incomes.

This paper does not argue for a single solution. Rather, it shows that many of the assumptions underpinning the current system, particularly that most people will retire mortgage-free into owner-occupation, no longer reflect the reality facing a growing share of the population. Continuing to design housing policy and pensions policy in isolation will increasingly produce sub-optimal outcomes.

A more integrated approach is needed, one that helps people make joined-up financial decisions throughout their lives. This requires a coordinated strategy across several fronts:

- Unifying Guidance: Breaking down regulatory silos by merging property wealth into mainstream later-life advice on platforms like MoneyHelper and Pension Wise.
- Updating Benchmarks: Revising Retirement Living Standards and VfM metrics to explicitly factor in rental and mortgage costs for clearer lifetime planning.
- Removing Downsizing Barriers: Introducing targeted interventions, e.g. exploring the benefits of a one-off stamp duty relief for older downsizers and expanding the supply of age-appropriate retirement housing.
- Mobilising Pension Capital: Unlocking institutional pension capital to boost housing supply by improving planning certainty and creating standardized housing investment vehicles, while exploring innovative long-term mechanisms to recycle care-funded assets into retrofitted social housing.
- Supporting Younger Savers: Restructuring employer matching contributions so the next generation can accumulate home deposits without raiding their core pension pots.

None of these measures will solve the challenge on their own. However, together, they can break down historical policy silos and create a system that is better aligned with the way people actually live, save, and retire.

These home truths are becoming harder to ignore. Retirement security is no longer just about the pension someone builds or the home they own. It depends on how the two work together. Future policy must be designed on that basis.

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