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Do Pension Savings Pay?

Assessing the Interaction Between Housing Benefit and Private Pension Savings for Older Renters

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A research output by the UK's leading independent authority on pensions and retirement policy.

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The PPI does not make recommendations as to the appropriate direction of future policy. Instead, our work provides independent evidence to allow policy development to be well informed.

About this research

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Background

This project considers the interaction between modest private pension savings, high rental housing costs, and Housing Benefit entitlement for older renters. Some people reaching retirement with small amounts of private pension wealth may still require means-tested support to meet housing costs, particularly where rent absorbs a significant share of income. The modelling presented here is intended to explore how different levels and uses of private pension savings affect Housing Benefit eligibility and overall financial outcomes in retirement. This can inform assessment of the extent to which pension saving improves living standards for this group.

Research Questions

Specifically, the research will address the following questions:

1) **What is the size of the population affected?** How many older renters currently experience interactions between private pension savings and Housing Benefit that result in limited gains from saving?;

2) **At what range and level of pension savings is the interaction between pension savings and housing benefit most acute?** Is there evidence of a "cliff edge" in pension pot values where increases in savings lead to little or no improvement in disposable income after housing costs?;

3) **To what extent could adjustments to the Housing Benefit means test** — such as introducing a disregard for pension savings (similar to cash savings thresholds) — affect incentives and income adequacy?

4) **How do these dynamics affect individuals of different profiles?** Using illustrative case studies (PPI modelling), how will individuals be impacted?

Housing Benefit Support for Renters Over State Pension Age

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Introduction

Housing Benefit helps low-income older renters with their rent.
People over State Pension age can still receive Housing Benefit, while working-age renters usually claim housing support through Universal Credit.[1]

Entitlement depends on rent charges, income, savings (both pension and other general savings) and household circumstances.
For social renters, the calculation is broadly based on eligible rent.
For private renters, the rent used in the calculation can be limited by Local Housing Allowance, so Housing Benefit may not cover the full rent.

Housing Benefit is means-tested. Pension income, including state and private pension income, is counted. Income over the Housing Benefit personal allowance reduces the entitled level of HB. In some cases, private pension income reduces the amount of Housing Benefit received up to the point of removing entitlement altogether.

1. https://www.gov.uk/housing-benefit

Modelling Housing Benefit support

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Modelling Approach

- Quantified the size and characteristics of the population affected by the interaction between pension savings and Housing Benefit, using The Family Resources Survey, tables from the English Housing Survey and the FCA Financial Lives Survey.
- Assessed levels of pension wealth, income and housing tenure among affected groups.
- Developed a set of illustrative case study profiles.
- Modelled disposable income after housing costs under current Housing Benefit rules.
- Assessed the impact of alternative Housing Benefit means-test approaches and produced indicative estimates of policy costs.
- Examined the implications of changing housing tenure using a reweighting approach developed by the PPI for the 2023 Pensions Framework report.
- Housing Benefit is paid on a household basis, and a household could consist of a single pensioner, or a couple who are considered together when assigning a benefit entitlement. The analysis in this paper refers to “benefit units” and may therefore refer to either a single person or a couple.

Housing Benefit Recipients Above State Pension Age

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Analysis of the Family Resources Survey shows approximately how much housing benefit is being paid

There are currently around 8.6 million pensioner benefit units (this means either a single pensioner or a couple that are considered together for benefit purposes) of these currently 1.8 million are renters, of which 1.1 million are in receipt of housing benefit. The majority of renters in retirement rent through social housing (e.g., councils and housing associations). This leads to a public expenditure on housing benefit of around £6.3 billion.

Table 1[2]

Housing situation	Number (millions)	In receipt of housing benefit (millions)	Amount of housing benefit paid (£bn)
Owners	6.7	0	0
Social renters	1.3	0.9	4.9
Private renters	0.5	0.2	1.4
Total pensioner benefit units	8.6	1.1	6.3

2. PPI analysis of Family Resources Survey 2024/25

Private pension income reduces Housing Benefit in the data

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Housing benefit thresholds and eligibility

Private pension can reduce entitlement to housing benefit in retirement. Ignoring private pension around 1.5 million pensioner benefit units would be entitled to housing benefit. After taking into account private pension income, around 100,000 benefit units are no longer eligible, and 230,000 benefit units have a reduced entitlement.

Table 2[3]

Rental sector	**Benefit units entitled to HB ignoring private pension (millions of benefit units)**	**Private pension reduces entitlement (millions of benefit units)**	**Private pension removes entitlement (millions of benefit units)**	**Benefit units entitled to HB allowing for private pension (millions of benefit units)**	**Average weekly reduction among affected as a result of private pension (£ a week)**
Social renters	1.19	0.18	0.07	1.12	52.65
Private renters	0.31	0.05	0.03	0.27	57.43
Total	1.5	0.23	0.1	1.39	53.8

3. PPI analysis of Family Resources Survey 2024/25

Does the means test dis-incentivise private pension saving?

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The interaction between housing benefit and private pension saving

Housing Benefit compares income with the Housing benefit personal allowance (£238.00 a week for new single retirees), income over that threshold causes a reduction in housing benefit. For newer single pensioners, the full new State Pension is already slightly above the HB personal allowance at £241.30 a week.[4]

That means even modest private pension income can fall into the part of income assessed by the HB means test. Where an older renter remains entitled to HB, some private pension income may therefore be offset by lower HB. This could disincentivise pension saving for people who will be renters in retirement if the net effect of an additional £1 of private pensions income is to reduce housing benefit by 65p, leaving only 35p improvement to their disposable income.[5]

For pensioner couples, two instances of the state pension is a combined state pension income of £482.60, this is £119.35 above the couple's personal allowance of £363.25 a week. Therefore, the housing benefit could be already significantly reduced by £77.58 before any private pension is considered.

4. DWP (2026) Benefits and pension rates 2026 to 2027
5. SI 2006 No. 213 The Housing Benefit Regulations 2006 (Regulation 71)

Does the means test dis-incentivise private pension saving?

Table 3[6]

Resource	How it is treated in HB means test
Income, including state pension and regular private pension income	Income over the personal allowance can reduce HB entitlement through the income means test by a tapered amount of 65p for every £1 of income.
Unused pension pot after State Pension age	If the private pension income is below an implied reasonable rate then a higher, “notional income”, rate of income may be assumed,. This is true even if the person does not actually draw any pension from it.
Pension lump sum already withdrawn	Treated as capital/savings, not pension income.
Capital savings	Savings below the lower threshold (£10,000) are ignored, above that, assumed tariff income is added. Above the upper limit (£16,000), HB is usually not payable unless the person receives Pension Credit Guarantee Credit.

6. SI 2006 No. 213 The Housing Benefit Regulations 2006

Reading the charts

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The interaction between housing benefit and private pension saving

The charts in the following three slides demonstrate the way the current Housing Benefit system works as pension income or savings increase and how housing benefit changes as a result. Most of the rules in the housing benefit system are linear (as some input value changes, increases housing benefit entitlement is affected at a given rate) .

The charts show the level of housing benefit in pounds per week on the vertical, and the private pension income in pounds per week on the horizontal. Each line represents a particular scenario to show how people in different positions are affected, and how much housing benefit income someone will be eligible for while having a given level of private pension income, in addition to State Pension income.

Full state pension is above the HB personal allowance

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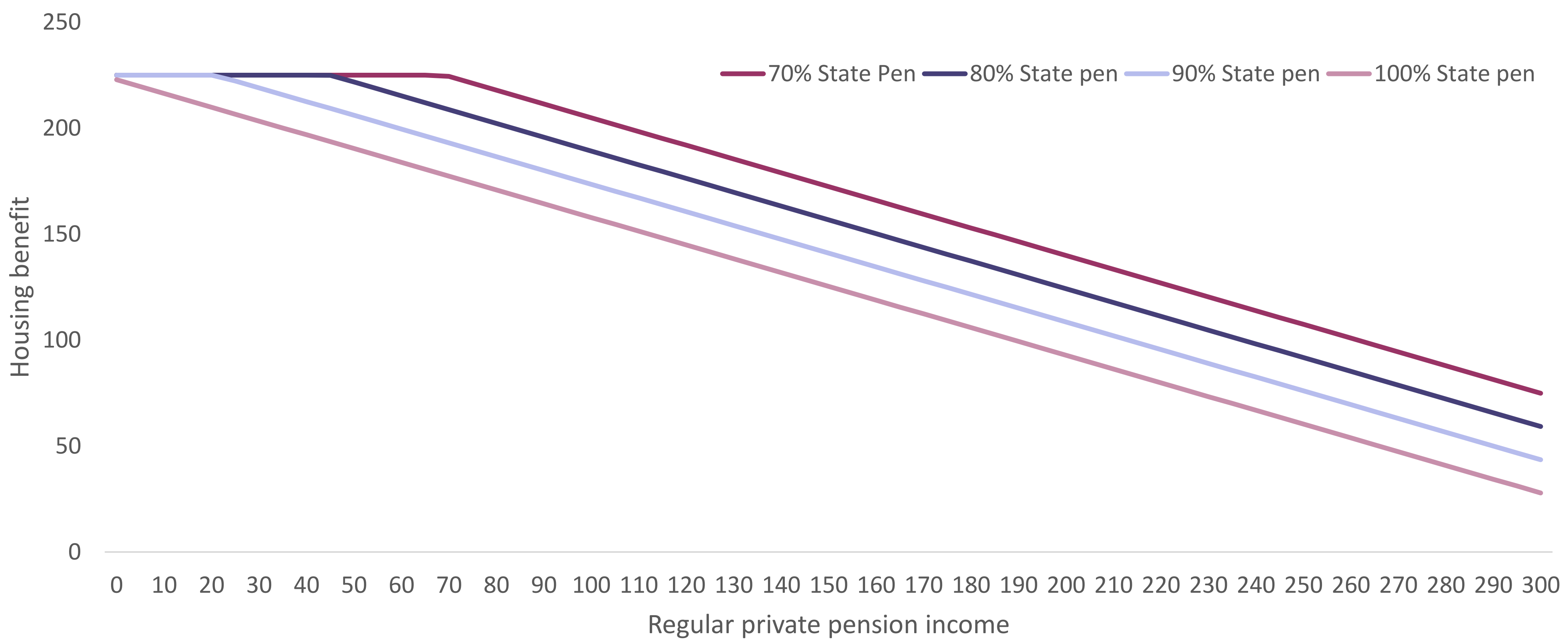
Housing benefit for a private renter paying median rent (£225) under various State Pension scenarios[7]



7. PPI modelling – assumes single pensioner with no capital savings, £225 rent is not limited by Local Housing Allowance limit, under scenarios of receiving given percentage of full state pension of £241.30, for example, 70% State Pension would be 0.7 * 241.3 = £168.91 a week in state pension. Private pension is in addition to the State Pension received.

Private renters being limited by the LHA has a large impact on HB

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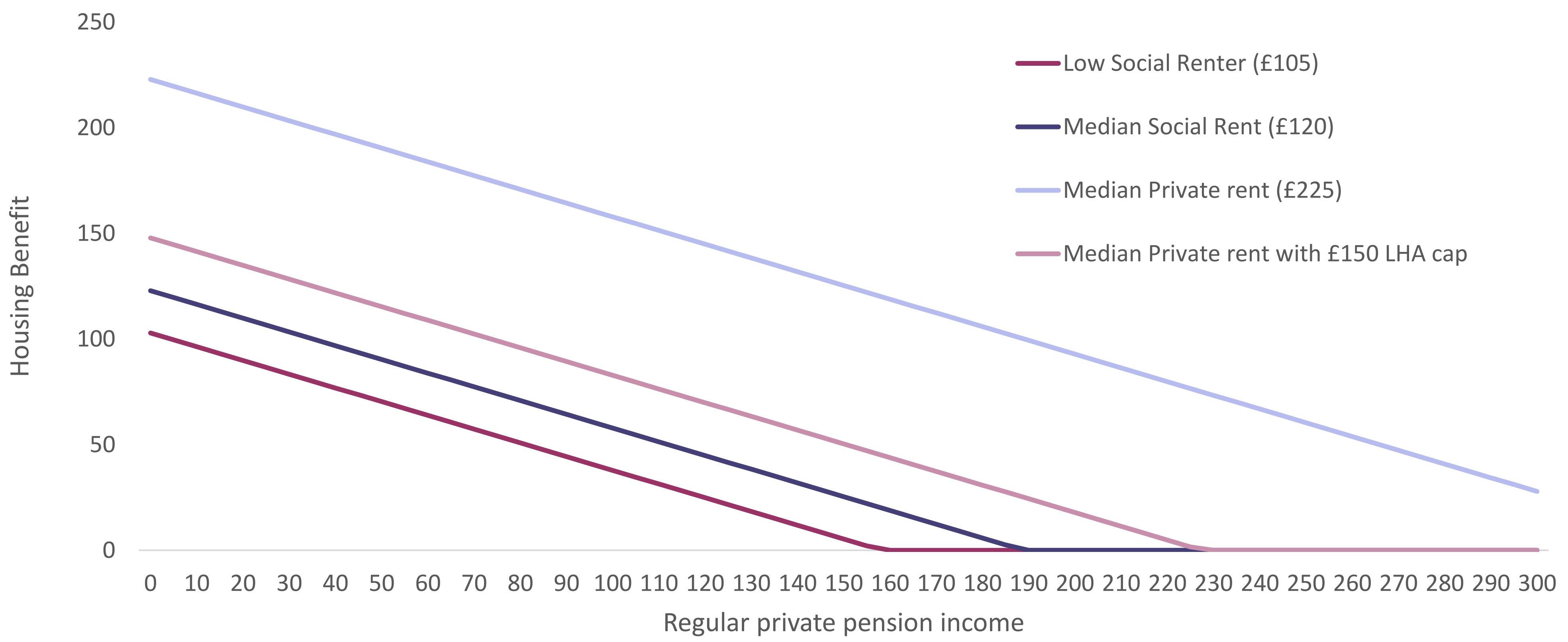
Housing benefit payable as private pension income rises (weekly)[8]



8. PPI modelling – assumes single pensioner with full state pension, no capital savings, under scenarios of various rent levels

The Universal Credit taper rate reduces benefit more gradually

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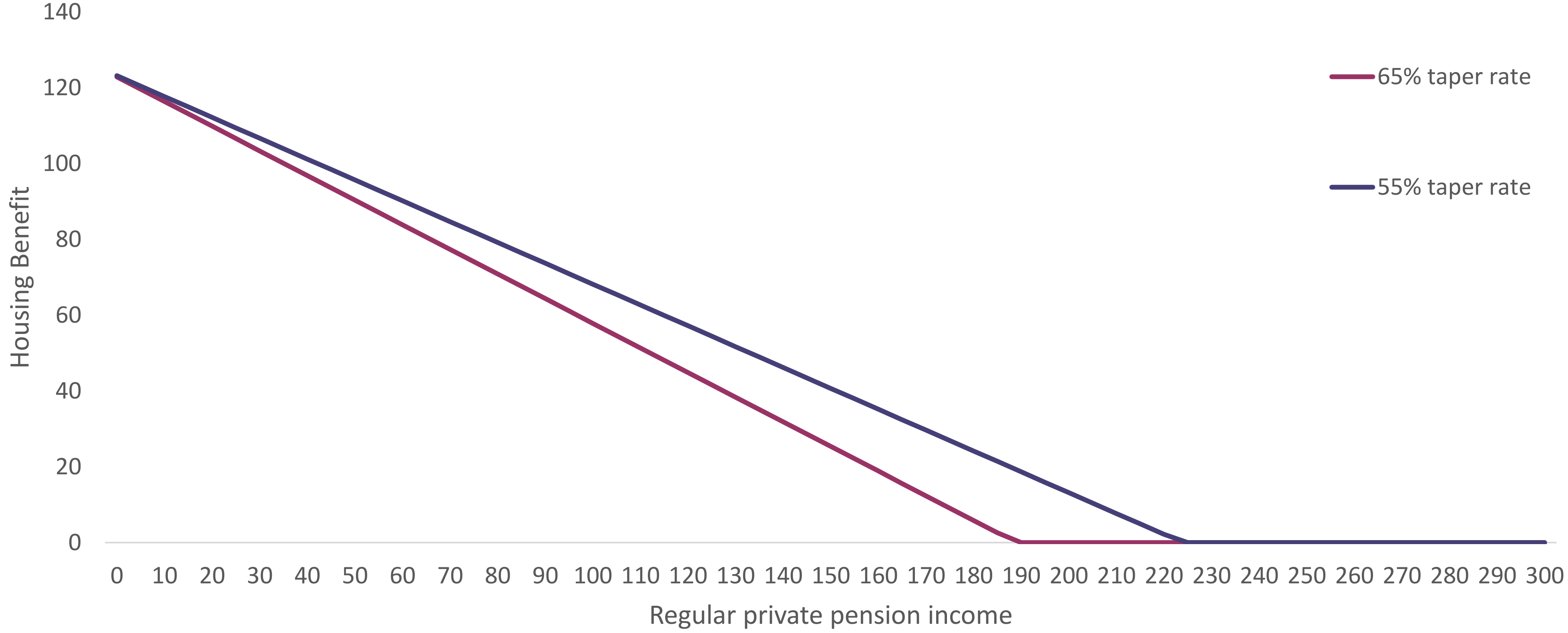
A 55% taper such as is used for Universal Credit, would reduce the withdrawal of Housing Benefit[9]



9. PPI modelling – assumes single pensioner with full state pension, no capital savings, under scenarios of various rent levels

What if more pensioners were to become renter?

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People approaching State Pension age have lower rates of home ownership than current pensioners

The current pensioner population has relatively high levels of home ownership (78%) but younger cohorts approaching retirement are finding it much more difficult to get into home ownership and are characterised by much higher levels of renting.

To explore what this could mean to housing benefit, we reweight today's pensioner benefit units to reflect an alternative tenure composition, based on the rental and home ownership rates of the generation below retirement. This creates a counterfactual cohort: not a forecast, but an illustrative scenario showing how Housing Benefit exposure changes if more of the current pensioners had reached State Pension age as renters.[10]

The analysis keeps the Housing Benefit rules, private pension income, and rent modelling consistent.

10. PPI analysis of multiple years of the English Housing Survey

Future tenure rates increase spend on housing benefit

Adjusting the current pensioner population to match tenure of the next generation increases HB

The “cohort adjustment” reduces home ownership rates from 78% to 64%. For renters, social housing numbers are assumed to stay the same, to reflect an assumption that in this scenario social housing stock has not increased. Additional renters are assumed to be renting in the private rental market.

Table 4 (millions of benefit units)[11]

Housing situation	Current benefit unit population	Cohort adjusted population
Owners	6.7	5.5
Social renters	1.3	1.3
Private renters	0.5	1.6
Other housing situation	0.1	0.1
Total pensioner benefit units	8.6	8.5

Table 5 [12]

	Current pensioners			Cohort adjusted pensioners			
Rental sector	Number of benefit units (millions)	Benefit units receiving housing benefit (millions)	Spend on housing benefit (£bn)	Number of benefit units (millions)	Benefit units receiving housing benefit (millions)	Spend on housing benefit (£bn)	Change in spend (£bn)
Social	1.3	0.9	4.9	1.3	0.9	4.9	0
Private	0.5	0.2	1.4	1.6	0.7	4.8	3.4
Total renters	1.8	1.1	6.3	3.0	1.5	9.7	3.4

11. PPI analysis of Family Resources Survey 2024/25
12. PPI analysis of Family Resources Survey 2024/25

A pensions disregard could reduce disincentive to save

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Taking some private pension saving out of the calculation for Housing Benefit would mean that people find more value in private pension saving

Under the current Housing Benefit means test, private pension income is counted as income. For people who are renting in retirement, this can reduce HB entitlement, and in some cases remove entitlement altogether, acting as a disincentive to save for a private pension.

One policy option is to disregard part of private pension income in the HB calculation. This would mean that the first part of a person’s private pension income would not reduce their Housing Benefit. This would be on actual private pension income or on notional income arising from private pension savings where no, or low amounts of income are being drawn.

A potential pensions income disregard was considered at three levels:

- £25 a week,
- £50 a week, and
- £75 a week.

A pensions income disregard could reduce the disincentive to save

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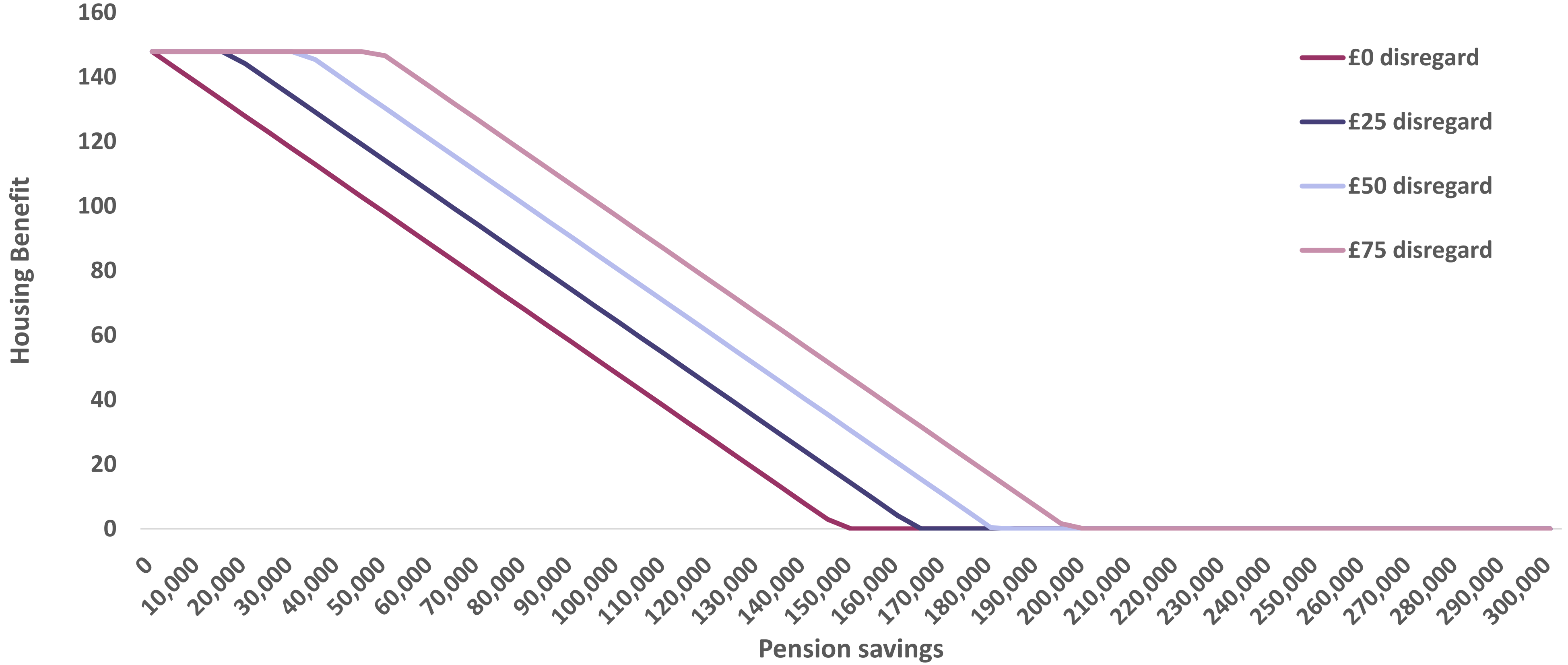
Effect of a weekly pension disregard on HB by pension pot for a private renter paying median rent (£225) limited by a £150 LHA[13]



13. PPI modelling – assumes single pensioner with full state pension, no capital savings, £225 rent is limited by Local Housing Allowance limit, under scenarios of any pension saving notional income being disregarded at a given weekly level

The effect of housing benefit disregards on benefit recipients

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How the private pension disregard affects Housing Benefit entitlement and pension pots

A £25 disregard does not increase disposable income by £25 a week

For someone with a full State Pension, and a private pension income of £100, the £25 a week disregard would mean that only £75 of their private pension would count against their HB calculation at the 65% taper rate rather than the full £100 counting against HB. This means that without the disregard there is an HB reduction of £65.00 (£100*65%) arising from private pension, compared to a smaller reduction of £48.75 (£75*65%) with the disregard. This improves their disposable income by £16.25, not the full £25. Similarly, for a £50 disregard the improvement in disposable income is £32.50 and for a £75 disregard there is a £48.75 improvement in disposable income.

For people with private pension of lower than the level of the disregard, the effect will be further limited, as they are unable to take full advantage of the disregard.

Table 6[14]

Weekly income	Equivalent pension pot[15]
£25	£16,250
£50	£32,500
£75	£48,750

What size pension pot is £25 a week?

Pension pots are converted into a notional weekly amount of income when calculating the housing benefit entitlement. Using the methodology to calculate the notional income, it is possible to calculate what level of pension pot equates to a £25, £50, or £75 a week income.

14. PPI modelling
15. Uses GAD rate, for a 67-year-old and a gilt yield of 5.47% as at June 15 2026

A pensions disregard could increase eligibility for HB

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Disregards can increase eligibility for housing benefit

A disregard could make more benefit units eligible for housing benefit. A disregard on the first £25 of pension saving would mean that around 20,000 more benefit units would become eligible for housing benefit but is likely to have a greater impact on existing recipients.

Table 7 (millions of benefit units)[16]

	Existing eligible	New eligible	Final eligible	Current taking up	Existing recipients with increase	Estimated new take-up	Final estimated take-up
Current rules	1.39	0.00	1.39	1.05	0.00	0.00	1.05
£25 disregard	1.39	0.02	1.42	1.05	0.13	0.02	1.07
£50 disregard	1.39	0.04	1.44	1.05	0.13	0.04	1.09
£75 disregard	1.39	0.06	1.45	1.05	0.13	0.05	1.10

A disregard reduces the assessed income and would therefore also increase the disposable incomes of people with pension savings who are already eligible for Housing Benefit (see Case Study 2: Roy)

16. PPI analysis of Family Resources Survey 2024/25

Pensions disregard would increase spend on housing benefit

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With higher entitlement there would be a higher spend on housing benefit

A disregard would have cost implications, increasing the spend on both existing and newly eligible HB recipients

Table 8 (£billons)[17]

Policy option	Current Housing Benefit spend	Extra spend on existing recipients	Extra spend on new recipients	Final Housing Benefit spend	Increase in calculated spend
Current rules	6.27	0.00	0.00	6.27	0.00
£25 disregard	6.27	0.09	0.01	6.37	0.10
£50 disregard	6.27	0.16	0.03	6.46	0.19
£75 disregard	6.27	0.20	0.06	6.54	0.27

Although average private pension income among HB-eligible older renters can be sizeable, the cost of a private pension disregard is limited because the disregard only affects the portion of income counted in the HB taper, and only up to the capped disregard amount. The maximum gain is 65p for each £1 disregarded, and many benefit units receive less than the maximum because of low pension income, rent limits, capital rules, existing maximum HB entitlement, or non-take-up among newly eligible cases.

17 PPI analysis of Family Resources Survey 2024/25

Pensions disregard would increase spend on housing benefit

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Single pensioners would receive most of the benefit of a disregard

Single pensioners account for most of the additional spend under each option, although the share going to couples rises as the disregard increases

Table 9 (£billons)[18]

Policy option	Family type	Current calculated HB spend	Increase in calculated HB spend	Total calculated HB spend after the change	Proportion of additional spend
Current rules	Pensioner couples	0.75	0	0.75	n/a
	Single pensioners	5.52	0	5.52	n/a
	Total	6.27	0	6.27	n/a
£25 disregard	Pensioner couples	0.75	0.01	0.77	15%
	Single pensioners	5.52	0.09	5.6	85%
	Total	6.27	0.1	6.37	100%
£50 disregard	Pensioner couples	0.75	0.03	0.79	18%
	Single pensioners	5.52	0.16	5.67	82%
	Total	6.27	0.19	6.46	100%
£75 disregard	Pensioner couples	0.75	0.05	0.8	19%
	Single pensioners	5.52	0.22	5.73	81%
	Total	6.27	0.27	6.54	100%

18. PPI analysis of Family Resources Survey 2024/25

Housing benefit disregards cost to implement

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How the private pension disregard affects Housing Benefit entitlement and expenditure

The disregard only helps current recipients whose private pension income is reducing their Housing Benefit. It has no effect where someone has no private pension, where their income is already low enough for full Housing Benefit, where they are already receiving the maximum amount allowed, or where other rules mean the pension income does not change the award. This is why many people with private pensions do not gain.

Only a relatively small number of benefit units become newly entitled because the policy mainly helps those who are just above the current eligibility limit. Ignoring some pension income may move them from no entitlement to a small award, but it will not usually help people whose income is much further above the limit. Capital rules and rent limits also continue to apply.

The increase in spending is limited for the same reasons. Housing Benefit rises by up to 65p for each £1 of pension income ignored, and the amount ignored cannot be more than the pension income received. Existing recipients therefore tend to receive modest increases, while newly entitled benefit units usually receive small awards because they have only just crossed into entitlement. Together, these effects produce an annual cost of around £0.10 billion to £0.27 billion.

Case study 1: Amina

How does increase in pension income affect housing benefit and disposable income

Amina is a 67-year-old single pensioner living alone in a social rented home. Her weekly rent is £105 and she receives the full new State Pension of £241.30 per week. She also has a small private pension of £37 per week. At this level of private pension income, Amina receives £78.80 per week in Housing Benefit, covering around 75% of her rent. After paying rent, her disposable income is £252.11 per week.

If Amina's private pension were £87 per week instead of £37, her private pension income would be £50 higher. However, her disposable income after rent would rise by only £17.50, from £252.11 to £269.61. This means she would retain only 35p of each additional £1 of private pension income.

If her private pension were £185 per week, her private pension income would be £148 higher than in the core scenario. Her disposable income after rent would rise by £69.19, from £252.11 to £321.30. She would retain around 47p of each additional £1 of private pension income.

The reason is that Housing Benefit is withdrawn as private pension income rises. Amina's Housing Benefit falls from £78.80 to £46.30 when her private pension increases to £87, and to £0 when her private pension reaches £185. The additional pension income still improves her living standard, but a substantial share is offset through lower means-tested support.

Amina results table

Pensions Policy Institute PPI

Output results for Amina[19]

	£37 a week pension	£87 a week pension	£185 a week pension
Weekly housing benefit	78.81	46.31	0.00
Housing benefit reduction due to private pension	24.05	56.55	102.86
Rent	105.00	105.00	105.00
Proportion of rent covered by Housing Benefit	75%	44%	0%
Disposable Income after rent	252.11	269.61	321.30

19. PPI modelling

Case study 2: Roy

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How does a pensions disregard affect the outcomes for a current housing benefit recipient

Roy is a single pensioner renting a social home for £125 a week. He receives the full new State Pension of £241.30 a week and a private pension of £87 a week.

Under the current rules, all of Roy's private pension is counted in the Housing Benefit means test. He receives £66.30 a week in Housing Benefit, covering 53% of his rent. His disposable income after rent is £269.61 a week.

Under current rules, his private pension reduces Housing Benefit by £56.55, so he keeps only £30.45 of the £87 pension after the benefit offset. That is around 35p of each £1.

If the first £25 of Roy's private pension were disregarded, his Housing Benefit would rise from £66.30 to £82.55 a week and he would keep £46.70 of the £87 pension after the benefit offset. With a £50 disregard, he would keep £62.95. With a £75 disregard, he would keep £79.20, or around 91p of each £1.

Roy results table

Pensions Policy Institute

Output results for Roy[20]

	No disregard	£25 disregard	£50 disregard	£75 disregard
Weekly housing benefit	66.31	82.56	98.81	115.06
Housing benefit reduction due to private pension	56.55	40.30	24.05	7.80
Rent	125.00	125.00	125.00	125.00
Proportion of rent covered by Housing Benefit	53%	66%	79%	92%
Disposable Income after rent	269.61	285.86	302.11	318.36

20. PPI modelling

Case study 3: Helen, Ravi and Anita

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How does the extra state pension of a couple affect housing benefit compared to a single person when both have the same private pension

Helen is a single pensioner renting in the private rented sector. Ravi and Anita are a pensioner couple, also renting privately. Both households pay a market rent of £225 a week and have private pension income of £185 a week.

Housing Benefit is not calculated on the full £225 rent. The eligible rent is capped at the Local Housing Allowance level of £150 a week. This leaves a £75 a week shortfall between the rent they pay, and the rent recognised in the Housing Benefit calculation, even before the income means test is applied.

With a private pension income of £185 a week, Helen receives £27.60 a week in Housing Benefit. This covers 12% of her actual rent and 18% of the eligible rent. Her disposable income after rent is £228.90 a week.

Ravi and Anita have the same combined level of private pension income at £185 a week, however, they are not eligible to receive Housing Benefit. Although a couple has a higher applicable amount of £363.25 compared to £238 for Helen as a single pensioner, Ravi and Anita also have two State Pensions. Their combined state pension of £482.60 reduces their housing benefit entitlement by £77.58 a week, before considering private pension income. Their higher household income means their Housing Benefit entitlement is reduced to zero. Their whole-household disposable income after rent is £442.60 a week.

Case study 3: Helen, Ravi and Anita

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If private pension income were lower, at £87 a week, Helen would receive £91.30 a week in Housing Benefit, while Ravi and Anita would receive £15.87. If private pension income were higher, at £250 a week, neither household would receive Housing Benefit.

There are two constraints for Ravi and Anita. As a privately renting couple, the LHA cap means Housing Benefit can only be assessed against their local cap of £150 a week instead of the full £225 rent. Second, at the same private pension level, Ravi and Anita receive less Housing Benefit than Helen because their combined State Pension income is higher in comparison to the housing benefit personal allowance.

Helen, Ravi and Anita results table

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Output results for Helen, Ravi and Anita[21]

	Ravi and Anita £185 private pension	Helen £185 private pension	Ravi and Anita £87 private pension	Helen £87 private pension	Ravi and Anit £250 private pension	Helen £250 private pension
Weekly housing benefit	0.00	27.61	15.87	91.31	0.00	0.00
Housing benefit reduction due to private pension	72.42	120.25	56.55	56.55	72.42	147.86
Rent	225.00	225.00	225.00	225.00	225.00	225.00
Proportion of rent covered by Housing Benefit	0%	12%	7%	41%	0%	0%
Disposable Income after rent	442.60	228.91	360.47	194.61	507.60	266.30

21. PPI modelling

Case study 4: Patricia

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How unused private pension pot reduces housing benefit

Patricia is a single pensioner living in a social rented home with a rent of £125 a week. She receives the full new State Pension of £241.30 a week. She does not receive a regular private pension but she has a defined contribution pension pot of £87,500. She has an assessed notional income from private pension of £134.62 a week. This gives her an assessed income of £375.92 a week, which makes her eligible for Housing Benefit of £35.36 a week, covering 28% of her rent. Her disposable income after rent is £151.66 a week.

If Patricia's pension pot were £25,000 rather than £87,500, her notional income from private pension would be £38.46 a week, giving her a Housing Benefit entitlement of £97.85 a week. That is £62.50 a week higher than in her current position, and her disposable income after rent would rise to £214.15 a week.

If her pension pot were £162,500, her notional income from private pension would be £250 and she would receive no Housing Benefit. Her disposable income after rent would fall to £116.30 a week.

For Patricia, her pension pot affects Housing Benefit through the income it is assumed to generate. A larger pot can therefore reduce weekly support even where the claimant is not receiving a regular private pension payment.

Patricia results table

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Output results for Patricia[22]

	87,500 pot	25,000 pot	162,500 pot
Weekly housing benefit	35.36	97.86	0.00
Housing benefit reduction due to private pension	87.50	25.00	122.86
Rent	125.00	125.00	125.00
Proportion of rent covered by Housing Benefit	28%	78%	0%
Disposable Income after rent	151.66	214.16	116.30

22. PPI modelling

Case study 5: Michael

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How unused pension pot reduces housing benefit, specifically with a 25%, 50%, and 75% reduction

Michael is a single pensioner living in a social rented home with a rent of £125 a week. He receives the full new State Pension of £241.30 a week. He does not receive a regular private pension, but he has a defined contribution pension pot of £29,105. He has an assessed notional income from private pension of £44.78 a week and he is eligible for Housing Benefit of £93.75 a week. Michael's Housing Benefit is 25% lower than the amount of the full £125 a week rent. His disposable income after rent is £210.05 a week.

If Michael's pension pot were around £60,355, he would have an assessed notional income from private pension of £92.85 a week. His Housing Benefit would be reduced by 50%, leaving him with £62.50 a week in Housing Benefit. If his pension pot were around £91,605, he would have £140.93 a week of notional income, his Housing Benefit would be reduced by 75%, leaving £31.25 a week. At a pension pot of £122,855, Michael would no longer receive Housing Benefit. His disposable income after rent would be £116.30 a week.

Michael shows the scale of pension wealth at which Housing Benefit is progressively withdrawn. Even relatively small pension pots such as under £30,000 can have significant effects in reducing housing benefit support.

Michael results table

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Output results for Michael[23]

Reduction in full housing benefit	25%	50%	75%	100%
Pot size that gives the reduction	29,105	60,355	91,605	122,855
Weekly housing benefit (rent is £125 a week)	93.75	62.50	31.25	0.00
Housing benefit reduction due to private pension	29.11	60.35	91.60	122.86
Rent	125.00	125.00	125.00	125.00
Proportion of rent covered by Housing Benefit	75%	50%	25%	0%
Disposable Income after rent	210.05	178.80	147.55	116.30

23. PPI modelling

Case study 6: Mei

Taking money from a pension pot into capital savings and the effect on housing benefit

Mei is a single pensioner with a defined contribution pension pot of £87,500. She receives the full new State Pension of £241.30 a week and has a rent of £125 a week in social housing. She has started moving money out of her pension pot and into ordinary savings. Before moving money out of her pension, she has no savings. With this pension pot, she is eligible for £35.36 a week in Housing Benefit.

Mei then begins moving money out of her pension pot and into ordinary savings. If she moved £10,000 into savings, her remaining pension pot would fall to £77,500. In doing this, her assessed income would fall, because all of the pension pot is treated as producing notional income, but savings up to the lower capital limit of £10,000 are not subject to a tariff income. Her Housing Benefit would rise from £35.36 to £45.35 a week.

This means that moving £10,000 into savings would increase Mei’s Housing Benefit by £9.99 a week, even though her overall resources have not increased. The same money is treated differently depending on whether it remains in the pension pot or is held as ordinary savings below the lower capital limit.

Case study 6: Mei

If Mei transferred £13,000 into her savings, her remaining pension pot would fall to £74,500 and her Housing Benefit would be £44.46 a week. If she transferred £15,999, her remaining pension pot would be £71,501 and her Housing Benefit would be £43.55 a week. These amounts are still higher than the £35.36 she receives with the full £87,500 left in the pension pot, but lower than the £10,000 transfer scenario because savings above the lower capital limit begin to generate tariff income.

The cliff edge comes at £16,000. If Mei transferred £16,000 into savings, she would reach the upper capital limit and lose Housing Benefit altogether. Housing Benefit would fall from £43.55 a week at £15,999 of savings to £0 at £16,000.

Mei’s position shows that the form in which pension wealth is held can matter as much as the amount. Moving pension wealth into savings up to the lower capital limit can increase Housing Benefit but that gain is reduced once tariff income applies and then entitlement is removed altogether at the upper capital limit.

Mei results table

Pensions Policy Institute

Output results for Mei[24]

Amount transferred from pension to savings	£0	£10,000	£13,000	£15,999	£16,000
Amount remaining in pension pot	87,500	77,500	74,500	71,501	71,500
Weekly housing benefit	35.36	45.36	44.46	43.55	0.00
Housing benefit reduction due to private pension	87.50	77.50	74.50	71.50	0.00
Rent	125.00	125.00	125.00	125.00	225.00
Proportion of rent covered by Housing Benefit	28%	36%	36%	35%	0%
Disposable Income after rent	151.66	161.66	160.76	159.85	16.30

24. PPI modelling

Conclusions

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Housing Benefit and private pension income can interact to the detriment of older renters

- Housing Benefit (HB) supports around **1.1 million** pensioner benefit units, with annual public spending of around **£6.3 billion (2024/25)**.
- Private pension income affects entitlement for some older renters. Around **230,000** benefit units have lower Housing Benefit because of private pension income, and around **100,000** are no longer entitled once private pension income is counted.
- As the next generation retires there are likely to be more renters in retirement as home ownership levels are lower at around **64%** home ownership compared to **78%** home ownership of current pensioners.[25]
- HB interaction charts reflect the structure of the HB means test. Income above the HB personal allowance reduces entitlement by **65p for each £1**.

25. See Khambhaita et al, PPI (2026) Pensions Adequacy: Housing, Households and Auto Enrolment for more info

Conclusions

Pensions Policy Institute
PPI

Housing Benefit and private pension income can interact to the detriment of older renters

- For private renters, eligible rent may be capped below actual rent, leading to significant gaps between rent due and HB. This could become an even bigger issue as more pensioners may be renting in retirement in the future.

- A private pension income disregard would reduce the amount of pension income counted in the HB calculation. This would increase Housing Benefit for some affected renters and increase overall HB spending.