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# Tapping the potential of pensions for home ownership

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**Can pension savings do more to help people live well in retirement? We think they can, if the industry thinks boldly. We propose using pensions to help even low earners get on the property ladder without sacrificing saving for retirement. That way, pensioners aren't forced to rent, and everyone can have financial freedom in later life.**

Like the government, and the rest of the pensions industry, we want retired people to have financial security and dignity. Last year we explored ways to achieve that by [tapping the potential of pensions](#).

Now we have the Second Pensions Commission looking to recommend ways to achieve a fairer, adequate and sustainable pensions system. As the commission recognises in its interim report, one of the main barriers to an adequate retirement is a lack of home ownership. It cites the English Housing Survey's figures that 71% people in England aged 55 to 64 own a home, down from 82% in 2003–04.<sup>1</sup>

According to [Age UK](#)<sup>2</sup>, only 14% of pensioners who own their home outright are in poverty, compared with 38% of private tenants and 36% of social tenants. [Living Wage Foundation research](#)<sup>3</sup> from last year shows that 43% of renters are in debt, compared with 23% of homeowners; 31% of renters say they can't meet a £200 unexpected cost (compared with only 15% of homeowners). The [FCA's Financial Lives 2024 survey](#)<sup>4</sup> found that half of pensioners renting aren't coping financially, compared with 11% who own their home.

We estimate that covering the costs of renting in retirement needs around 8% of someone's salary from the age of 22. This is the current statutory minimum contribution under automatic enrolment.

It's a big problem, and it's likely to get bigger if we don't do anything about it. [PMI's Lifetime Savings Initiative](#) estimates that rising levels of renting in retirement could cost the Treasury around £15.4bn by 2035.<sup>5</sup>

Half of the problem is the supply of affordable housing, but solving that half alone won't stop some low earners having to choose between pensions and a home of their own. Let's design pensions to dovetail with the government's commitment to increasing housing supply, while opening up new ways to buy homes. The lead time on change calls for boldness. We must design pensions for the 2030s, otherwise we won't achieve adequacy for all.

In a [recent paper](#), we looked at how contribution design can help a professional worker. Here we look at how pensions can be linked to property for the benefit of low earners.

We find that paths to pensions and property ownership all broadly double a low earner's wealth at retirement. Tapping this potential would be transformational.

## Encouraging pensions engagement

Alongside affordability, there are behavioural challenges to saving. Many people don't engage generally with savings and their pension. The [Money & Pensions Service](#) found that around two-thirds of people are disengaged or confused about pensions.<sup>6</sup>

Disengagement isn't always a result of affordability. Rather, when retirement is so far away, it's not a priority.

It seems impractical for pensions to directly meet the needs of renters in retirement. If they had to, it would be too expensive for employers and the government. So we need to find a way to reduce the number of retired renters, by getting more pensioners into home ownership. Pensions can play a role in home ownership without diminishing their role as an income for life. As a bonus, they'd also become much more meaningful and engaging in early working life.



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The UK pensions system is inflexible compared with many countries, and we'd love to explore ways to make pensions go further and be more relevant to people's lives. Some countries already take this approach. For example, Singapore and New Zealand let scheme members use pension savings towards housing costs (subject to certain conditions); South Africa allows pension savings to be used as collateral for housing loans.

The current auto-enrolment minimum in effect puts 8% of someone's salary into a pension pot: 4% from the employee, 1% from the government and 3% from the employer. This is unlikely to give enough for an adequate retirement. All the more reason to ask if we can make it work harder by introducing new designs.

Research from [Nest Insight](#) shows the opportunity and trade-offs involved in linking pensions and housing. Nest's evidence shows that such a link is likely to have a targeted impact. Around 55,000 households that can't currently access home ownership would be able to do so using pension savings.<sup>7</sup>

This figure reflects that pension savings are still maturing. For many, defined contribution (DC) pots are not yet large enough to make a material difference. This position will change as automatic enrolment matures and savings build. We expect the role pensions could play in supporting home ownership to grow significantly. Against this backdrop, our analysis explores how design can help home ownership while mitigating impacts on retirement adequacy.

## How to get there

Oli is 22 years old and works 40 hours a week on minimum wage, earning £26,437 a year. Oli may be locked out of property ownership. Paying 4% into a pension scheme leaves him without enough to save for a deposit, so he forgoes buying a home. Come retirement he's renting, and having to pay that rent from an income that barely covers it.

[Click here for a detailed look at each scenario](#)

### Scenario 1

#### Oli saves for a pension but not towards a home

- ▶ Time to home deposit: **N/A**
- ▶ Total wealth at state pension age (pension pot): **£229,934**
- ▶ Annual pension: **£10,452**
- ▶ Annual rent: **£10,246**
- ▶ Total income (including state pension) minus rent: **£12,753**

All figures are in today's money

**Without home ownership, Oli has to rent in retirement, and rent absorbs nearly all of his occupational pension. A lifetime of saving into pensions to pay for rent in later life isn't a great outcome.**

Oli might choose to save towards both a pension and a home deposit, which would need lifestyle changes to reduce day-to-day spending. Once the mortgage is repaid, some of these housing costs can be redirected into pension savings. Realistically, this is very unlikely to be affordable. Oli would struggle to save for both, but we've illustrated what this outcome could look like.

### Scenario 2

#### Oli saves into a pension and towards a home

- ▶ Time to home deposit: **13 years**
- ▶ Total wealth at state pension age (pension pot and home equity): **£490,075**
- ▶ Annual pension: **£11,414**
- ▶ Annual rent: **£0**
- ▶ Total income (including state pension): **£23,962**

All figures are in today's money

**Oli owns his home by the time he retires, so avoids rental costs. After the mortgage is paid off, pension savings improve income in later life. This improvement comes from cutting back on other spending earlier.**

The auto-enrolment minimum isn't enough for a low earner to buy a home without making other lifestyle changes. Oli might be tempted to opt out of a pension initially so he can save up for a deposit, as he can't do both.

### Scenario 3

#### Oli focuses on a home deposit

- ▶ Time to home deposit: **7 years**
- ▶ Total wealth at state pension age (pension pot and home equity): **£459,223**
- ▶ Annual pension: **£10,012**
- ▶ Annual rent: **£0**
- ▶ Total income (including state pension): **£22,559**

All figures are in today's money

**Oli owns a home, but has a lower pension income than if he'd saved from the start. How could we help him get the home without giving up some retirement income?**

Getting onto the property ladder materially improves retirement outcomes even if it means reducing or delaying saving into pension. This is arguably not great news for pension saving.

Can we design a system so that every full-time worker can afford both a pension and a home? One way could be to put all the burden on the employer, so they pay the full 8% and the employee contributes nothing. That way, the employee can save up for a deposit and still gets a pension. But that would take a long time, and this proposal is unlikely to be popular when employers are still dealing with National Insurance increases.

Even employers that say they care about employees' financial wellbeing might find this arrangement too costly, especially in an age where defined benefit (DB) pensions have fallen out of favour. And a self-employed worker would have to save more than twice as much to get the benefit – which would harm affordability. Only **4% of people with income purely from self-employment participate in a pension** at any point.<sup>8</sup>

If the current accumulation design is retained, we'd need to make changes elsewhere. One direction to take is making access to savings more flexible. For example, letting savers withdraw money from their pension savings specifically to use as a deposit on a house. That way, the employer doesn't have to pay more. However, this arrangement reduces the value of the pension.

## Using pension savings as a deposit

Could a first-time buyer access their pensions more flexibly, to increase their deposit savings and make a home purchase more accessible? For example, allowing a saver access to 50% of their pension savings could help them secure a larger deposit or get onto the property ladder sooner. Once the mortgage is repaid, some of these housing costs can be redirected into pension savings.

In general, the smaller the loan-to-value ratio, the more options the borrower has available and the better the repayment rate. In our examples, we assume a 10% deposit. Although not all lenders offer 90% mortgages, we see policy developments as moving towards supporting, rather than restricting, mortgages with a higher loan-to-value ratio.

### Scenario 4

#### Oli uses pension savings towards a home deposit

- ▶ Time to home deposit: **7 years**
- ▶ Total wealth at state pension age (pension pot and home equity): **£478,528**
- ▶ Annual pension: **£10,889**
- ▶ Annual rent: **£0**
- ▶ Total income (including state pension): **£23,437**

All figures are in today's money

**Oli gets on the property ladder sooner or with a larger deposit. He has a higher income in retirement, as he hasn't opted out of pension savings early on. He still gets the employer's contribution and government tax relief. Additional pension saving after the mortgage is paid off improves income in later life.**

**What about if it went a step further, and Oli could retain the value of his pension pot while making a home purchase accessible?** We propose letting first-time buyers use pension savings as a condition for a loan to be used as a deposit to get onto the property ladder.

## Pensions to release a home deposit loan

Here's one way it could work. A saver borrows from a non-commercial provider, such as their pension fund or the government, for the specific purpose of putting a deposit on a home. The loan available would be a set proportion of the value of their pension pot when they take out the loan (for example, 50%). The eligibility criteria could be set to target first-time buyers. Beyond that, means testing could focus on people likely to otherwise be reliant on housing benefit in later life.

Repayments would be deducted automatically from income above a set threshold, and pension savings would be untouched. With the deposit in place, the saver could take out a smaller mortgage in the same way as they do today, as a separate loan with all the usual affordability and risk assessment.

At retirement, if the deposit loan isn't paid off, the borrower would have the option of paying it off in one payment from the pension pot's tax-free cash, or carry on taking it in instalments from retirement income. If the saver doesn't have enough in their pension or enough wealth elsewhere (for example, if their home was repossessed), the loan would be written off. If the loan is from the government, any write-off might just replace what's being spent on housing benefit for pensioners.

### Scenario 5

#### Oli uses pension savings to release a loan towards a home deposit

- ▶ Time to home deposit: **7 years**
- ▶ Total wealth at state pension age (pension pot and home equity): **£510,807**
- ▶ Annual pension: **£12,356**
- ▶ Annual rent: **£0**
- ▶ Total income (including state pension): **£24,904**

All figures are in today's money

**Oli gets on the property ladder sooner or with a larger deposit, and receives a higher income in retirement as he hasn't opted out of pension savings early on. His pension pot hasn't had a deposit amount taken out of it. Additional pension saving after the mortgage is paid off improves income in later life.**

## Helping both savings and home ownership

This arrangement would help more people achieve home ownership without undermining their financial security. It would eliminate the need to choose between property and pension, or other lifestyle changes. It would benefit the government too. Designed well, this arrangement should reduced means-tested housing benefits in later life.

There are less tangible benefits as well. If pension savings were a condition of getting a loan for a home, more people would probably be encouraged to save into their pension and engage with it. They would make more deliberate decisions, and would be more likely to end up with an adequate retirement.

The simple message is that **for every pound you save in to a pension, you free up a pound towards a deposit on your first home.**

There are of course separate challenges on the supply of affordable housing, which our proposal doesn't look to solve. [Nest Insight](#) has looked at how pension fund investment can play a role in increasing the supply of affordable housing. The challenge of supply must also be resolved in parallel, so that house prices are managed sustainably for generations to come.<sup>9</sup>

## A transformational change

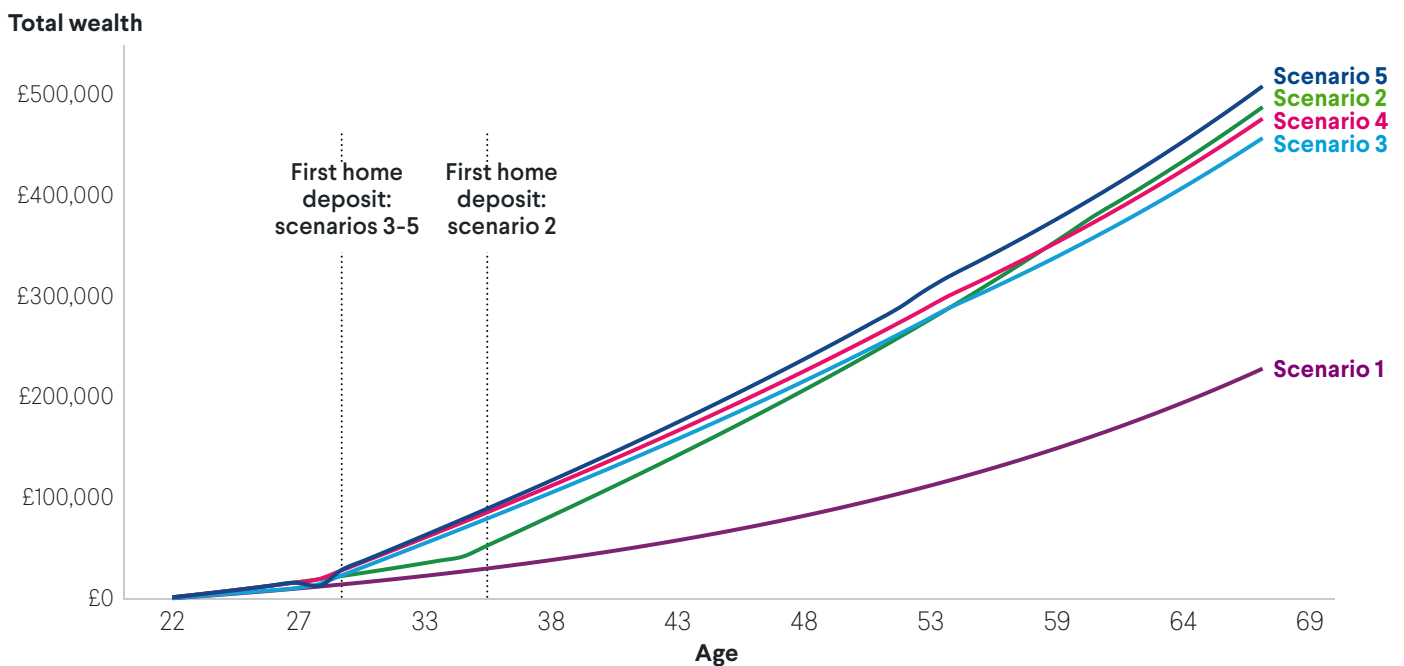
The pensions industry, financial sector and government would have a lot to do to make this kind of proposal work. But it's worth considering even in the spirit of finding a better way.

Now is the time to be bold. Doing nothing to alleviate rental-based poverty in retirement could be disastrous for people and for pensions if they're not part of the solution. Our proposal is about financial independence and a home of your own for as long as you live.

Making this proposal work would be transformational. Someone who owns their own home has around twice the wealth at retirement, as our modelling shows. This chart shows how the scenarios summarised in this paper could develop for a 22-year-old full-time minimum wage earner, starting in 2026 and projecting to when the worker approached state pension age.

### Growth of wealth for a low earner under our five scenarios

Visit our [online version](#) for more detail.



Source: Hymans Robertson modelling  
All figures are in today's money.

If you'd like to explore our proposal in more detail, or discuss how we can make pensions work harder for everyone, please get in touch.



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# Appendix

## The scenarios compared

	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Employer/employee contribution	3%/5%	3%/5%	0%/0%	3%/5%	3%/5%
Total wealth at state pension age (pension pot and home equity)	£229,934	£490,075	£459,223	£478,528	£510,807
Annual pension in today's money	£10,452	£11,414	£10,012	£10,889	£12,356
Rent in today's money	£10,246	£0	£0	£0	£0
Total income (including state pension)	£12,753	£23,962	£22,559	£23,437	£24,904
Time to home deposit	N/A	13 years	7 years	7 years	7 years

## Methodology and assumptions

The example is based on a 22-year-old earning £26,437 a year (40 hours a week at the April 2026 hourly rate of £12.71). We have ignored benefits in work or in retirement like housing benefit and pension credit.

Earnings are assumed to increase by CPI + 1% a year, where CPI is based on the projected rate of CPI from our proprietary stochastic model (which is 2.3% a year at end-December 2025).

The state pension is assumed to increase by CPI inflation of 2.3% a year over the long term. This increase implicitly assumes the removal of the triple lock. For simplicity, we've assumed retirement at age 67. In reality, the state pension age for someone who's 22 today may be later than 67.

House prices are assumed to increase by CPI + 1.5%.

For scenarios 2 to 5, and to ensure that the modelled mortgage satisfies realistic affordability requirements, the saver is assumed to purchase a property valued at 46.5% of the UK average (for all properties) and in English council tax band D, with a mortgage based on a 10% deposit, a 25-year term and an interest rate 0.25 percentage points above the Bank of England base rate.

We assume council tax bands increase in line with CPI inflation plus 1% a year, and the member is entitled to the 25% single person discount.

For scenarios 2 to 5, we assume living expenses are 80% of net pay, minus rent and council tax. The saver sets aside 10% for property savings and a further 10% as a contingency fund for unexpected expenditure.

We assume income tax bands are frozen until 2030/31, in line with current expectations. After that, we assume the bands increase in line with CPI inflation.

We assume the saver has no non-property or non-pension savings.

We assume pension contributions are made on a non-salary-sacrifice basis. Where applicable, the saver pays 5% of qualifying earnings and the employer pays 3%.

The initial qualifying earnings limits of £6,240 and £50,270 increase annually in line with CPI inflation.

In scenarios where the saver is paying no pension contributions, we assume they switch to the 5% of qualifying earnings once they have saved their required property deposit.

We assume the saver starts work at 22 years old with no student loan.

This analysis is based on deterministic assumptions about future increase rates in variables such as salaries, council tax bands, income tax bands and house prices. It doesn't consider the potential variability in those increase rates.

The results we present are based on modelling, and sensitive to the methodology and assumptions. Please reach out if you'd like to understand more about our analysis and the methodology and assumptions underlying it.

<sup>1</sup>The Second Pensions Commission (2026) Pensions 2050: evidence and future priorities – interim report. London: The Stationery Office. Available at: <https://www.gov.uk/government/publications/pensions-2050-evidence-and-future-priorities-interim-report> (Accessed: 15 June 2026).

<sup>2</sup>Age UK (2022) Poverty in later life. London: Age UK. Available at: <https://www.ageuk.org.uk/siteassets/documents/reports-and-publications/reports-and-briefings/money-matters/poverty-in-later-life-briefing-january-2022-.pdf> (Accessed: 15 June 2026).

<sup>3</sup>Living Wage Foundation (2025) Life on a low pension. Available at: <https://www.livingwage.org.uk/sites/default/files/2025-09/LWF%202025%20Life%20on%20a%20low%20pension%20%281%29.pdf> (Accessed: 15 June 2026).

<sup>4</sup>Financial Conduct Authority (2025) Financial Lives 2024 survey: Key findings from the FCA's Financial Lives May 2024 survey. Available at: <https://www.fca.org.uk/publication/financial-lives/financial-lives-survey-2024-key-findings.pdf> (Accessed: 15 June 2026)

<sup>5</sup>Pensions Management Institute (2024) Lifetime Savings Initiative. Available at: <https://www.pensions-pmi.org.uk/global-innovation-centre-gic/the-lifetime-savings-initiative/> (Accessed: 15 June 2026)

<sup>6</sup>Money & Pensions Service (2026) MoneyView 2026. Available at: <https://maps.org.uk/en/publications/moneyview> (Accessed: 15 June 2026)

<sup>7</sup>Nest Insight (2026) Using pension savings to support home ownership. Available at: <https://www.nestinsight.org.uk/wp-content/uploads/2026/01/Using-pension-savings-to-support-home-ownership.pdf> (Accessed: 15 June 2026)

<sup>8</sup>The Second Pensions Commission (2026) Pensions 2050: evidence and future priorities – interim report. London: The Stationery Office. Available at: <https://www.gov.uk/government/publications/pensions-2050-evidence-and-future-priorities-interim-report> (Accessed: 15 June 2026).

<sup>9</sup>Nest Insight (2026) Using pension savings to support home ownership. Available at: <https://www.nestinsight.org.uk/wp-content/uploads/2026/01/Using-pension-savings-to-support-home-ownership.pdf> (Accessed: 15 June 2026)



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