To Buy or not to Buy: the Changing Landscape of Housing in Retirement

Please note that the research underpinning the report was conducted before the Covid-19 pandemic.

Launch write up

The Pensions Policy Institute (PPI) held a policy seminar on 27th May 2020 to launch **To Buy or not to Buy: the Changing Landscape of Housing in Retirement** sponsored by Scottish Widows. The event took place virtually.

The housing market has become more difficult for first-time buyers with house prices continuing to increase. More people are entering retirement renting privately or still with some degree of mortgage debt, and this is likely to remain a growing trend. Achieving a balance between the choice of saving for a mortgage deposit, making additional workplace pension contributions and everyday expenditure can be difficult and people will need appropriate support and guidance if they are to have an adequate standard of living in retirement.

There is no one-size-fits-all approach to helping people achieve a higher standard of living. Homeowners could benefit from advice on increased additional pension savings, others could make use of flexible financial products that allow them to save for a mortgage at the same time as saving into a workplace pension, while lifetime renters could benefit from increased social housing and changes to the benefits system.

Over 40 people representing a broad range of interests within Government, the investment industry, the pensions industry and the third sector attended the seminar.

Jane Vass, PPI Governor, chaired the event.

Mark Baker, Senior Policy Researcher, PPI, presented the findings of the research, reflecting on the rise of the numbers of people in the private rental sector as they enter retirement and the balance between saving for a mortgage and saving for retirement. He also examined the range and sources of support available to people in different economic positions.

Peter Glancy, Head of Policy, Pensions and Investments, Lloyds Banking Group, gave a response to the research. He stressed the lack of support available for younger people making hugely consequential decisions. Industry, Government and MaPS all have a role to play in promoting engagement and interconnected and customer-focused services.

Panel responses to the research

Lord David Willetts, President, Resolution Foundation Advisory Council: The younger generation face problems in the future, and more could be done to enable home ownership for younger people. Some reform is needed to avoid further rises to the Housing Benefit bill. The relaxation of planning regulations and changes to mortgage regulation are both policies that might help, as is a cash transfer to people allowing them to invest in pensions or property. There is also room for greater flexibility in the automatic enrolment arena.

Laura Webster, Chief Economist and Lead Analyst for Private Pensions, DWP: The original vision for automatic enrolment was for higher contributions to workplace pensions over time. There's a need to engage with people to encourage additional contributions, and to provide support to people looking to achieve an adequate retirement income. There is also a debate to be had about automatic escalation and higher employer contributions, though the current pandemic is likely to introduce a hiatus.

Jackie Spencer, Senior Policy and Propositions Manager, MaPS: There is a need to understand people's financial lives holistically. Home ownership is still a cultural goal for many people in the UK, but currently this may not be achievable. There needs to be greater consistency in messages and guidance across housing, savings, pensions and the benefits system.

Panel discussion and Q&A

The following points were raised during the panel discussion and Q&A, held under the Chatham House Rule. They do not necessarily reflect the views of the Pensions Policy Institute or all panelists.

Housing Benefit

- Housing Benefit has always been problematic, and means testing will always be an element.
- The projections of future claims and a rising Housing Benefit and Universal Credit bill will mean that current provision will have to looked at.
- Doubt as to whether Housing Benefit acts as a disincentive to pension saving.

Guidance for younger people

- Money habits are formed at an early age, so early intervention is important.

- Guidance needs to be flexible and responsive, and more needs to be done to understand the key engagement points in people's lives, with entering the workplace being a key time.
- Guidance must be holistic and break down the artificial silos between savings, housing and pensions.
- There could be room for a directed default savings programme that could assist younger people to build up financial resilience.
- Pensions dashboards could be a useful tool in generating a holistic approach to finances.
- Something like the New Zealand Kiwi Saver that brings different financial resources under one roof could increase engagement.

Support for those who are unlikely to ever buy their own home

- People on very low incomes who are automatically enrolled are having to make difficult decisions about their day-to-day expenditure and savings. These people could benefit from additional financial support.
- Rented accommodation should be more secure and affordable.

Intergenerational inequality

- People who are approaching retirement as owner-occupiers, and those who are automatically enrolled into workplace pensions may have the opportunity of improved retirement outcomes. There is a middle group that will not own property, and will not have benefited as much from automatic enrolment.
- There is a sense that those in the middle of income distribution are starting to identify more with those with lower incomes than those more affluent. This represents a public policy and political challenge.
- Pensions freedoms may provide some assistance for people looking to buy their own home.