Pensions Policy Institute

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Property or Pensions?

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A Discussion Paper by Chris Curry

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Introduction

Analysis of retirement income tends to focus on the two current major sources – state and private pensions. However, as the state system will deliver relatively lower pensions in future, there are no signs that private pension provision is increasing to fill the gap. Is property a viable alternative source of retirement income?

The first chapter of this report briefly revisits why there is concern about the amount that people are currently saving for their retirement.

The second chapter compares the relative amounts saved in property and pensions in total. The chapter also investigates how many people plan to use property as a source of retirement income.

The third chapter highlights the different ways that property can be used to fund retirement, and the contribution they could make to retirement income.

The final chapter quantifies how many people are likely to be able to use property in each of these ways, and how much of a contribution property could make to the retirement incomes of future pensioners.

Summary of conclusions

The current level of private pension contributions – employer and individual - is not enough to provide most future pensioners with the levels of retirement income achieved by today's pensioners. Other sources of private income will be needed to fill the gap left by the relative decline in state pension income.

More money is invested in housing than is invested in private pensions, as house prices have recently increased by more than pension fund values. However, more people say they are not saving for retirement at all than say they are saving in property.

Property can help to fund retirement in three ways:
- Owning your own home can reduce day-to-day living costs in retirement
- Equity released by homeowners can be used to provide extra income
- Property can be used as part of an investment portfolio generating retirement income

More than half of people aged over 35 have property <u>and</u> pensions, but wealth (including housing wealth) is not evenly spread among everyone.

Most people have low levels of private pension saving and relatively small amounts of housing equity. For these people, the predominant benefit of home ownership will be to reduce living costs, rather than to provide a significant amount of income throughout retirement.

A minority of people will have sufficient housing equity to provide a reasonable stream of retirement income. These people are also likely to have private pension provision.

Very few people will have enough wealth to invest sufficient amounts in property to allow them to use investment income from property instead of private pension provision.

Rather than choosing property or pensions, most people will need both. Saving in property can supplement private pension saving, but by itself will not increase future retirement incomes up to the level of income enjoyed by people retiring today. For the vast majority of people, property will be at most a complement to private pension saving, rather than a substitute.

Why is property being considered as an alternative to pensions?

The current level of private pension contributions – employer and individual - is not enough to provide most future pensioners with the levels of retirement income achieved by today's pensioners. Other sources of private income will be needed to fill the gap left by the relative decline in state pension income.

For future pensioners to reach the same standard of living as current pensioners, they will need to provide more of their retirement income from private sources. This is because:

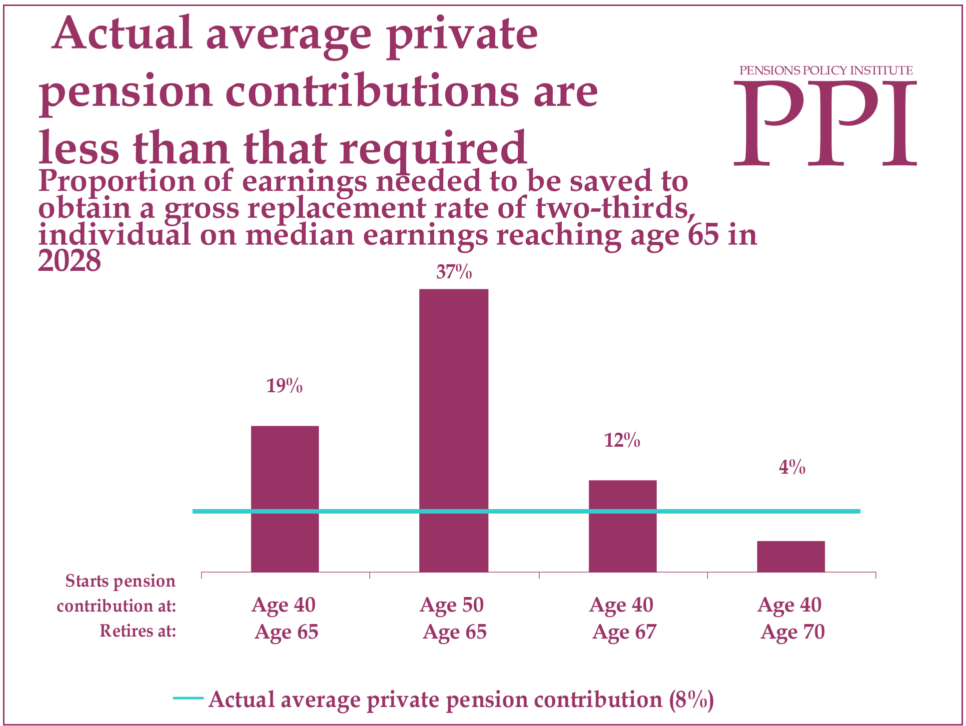
- People are living longer[1]. Pension provision costs more when pensions have to be paid for longer.
- Long term rates of return are expected to be lower in future than they have been in the recent past[2]. This means that more has to be saved to provide the same level of pension income.
- State support for pensioners will be lower in future than it is today, although it will still be the main source of income for most future pensioners[3].

Pensioners retiring today have an average gross replacement rate of two-thirds[4]. That is, their income when they retire is two-thirds of their earnings in the year before they retired.

Current contribution levels to private pensions are not enough to allow many future pensioners to achieve this level of income from state and private pensions alone (Chart 1).

[1] O'Connell (2003)
[2] FSA (2003)
[3] O'Connell (2004)
[4] DWP (2002 GP)

Chart 1[5]



For example, someone starting to make pension contributions at age 40 and retiring at age 65 would need to make private pension contributions of 19% of salary each year to achieve a replacement rate of two-thirds. Delaying starting contributions increases the size of the contribution required, while working longer reduces the required contribution. The actual average contribution to private pensions is less than 8%, suggesting that many people are not saving enough in private pensions to achieve the two-thirds replacement rate achieved at state pension age by those people retiring today.

Therefore, with current levels of private pension saving future pensioners will be less well off in retirement than today's unless they retire later, or use other sources of private retirement income. These could be:

- Earnings (particularly for younger pensioners)
- Investments or savings other than private pensions
- Investments in property

[5] PPI calculations based on an individual on age-specific median earnings. The gross replacement rate is the ratio of pre-retirement earnings to retirement income. Retiring in this context is the point at which an individual stops work and first draws state pension benefits. The average pension contribution has been calculated using ONS statistics on pension contributions. These statistics are currently under review, and likely to be revised downwards. Therefore, the actual average private pension contribution is likely to be less than 8%, strengthening the point being made here. See PPI Briefing Note number 9 *Why is it so difficult to save for retirement?* for further details.

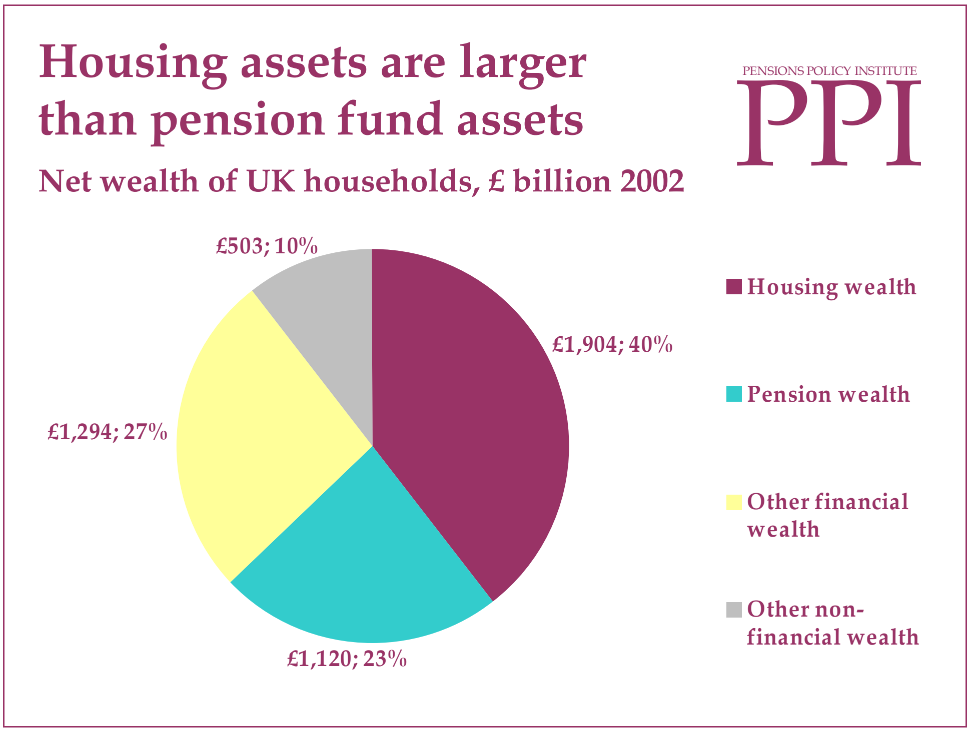
How much is saved in property and pensions?

More money is invested in housing than is invested in private pensions, as house prices have recently increased by more than pension fund values. However, more people say they are not saving for retirement at all than say they are saving in property.

More money is invested in housing than in private pensions

Total net household wealth in the UK in 2002 was over £4,800bn[6]. More than £1,900bn of this was net housing wealth in residential property (Chart 2). Around £1,120bn was held in pension assets, with most of the remainder in other financial assets.

Chart 2[7]



In 2003, net housing wealth increased to £2,200bn[8].

[6] ONS (2003 BB), and Stears (2004). These figures show the combined holdings of households and non-profit making institutions. Figures for households are not collected separately by ONS. Other non-financial wealth includes agricultural and commercial assets and property, and vehicles.
[7] PPI calculation based on data from ONS (2003 BB) and Halifax Building Society (2004)
[8] Vass & Pannell (2004)

Since 1998, the proportion of net wealth in housing has increased from less than 30% to 40%[9]. This has been caused by recent increases in house prices (increasing the value of housing assets), and by falls in the value of pension funds and financial assets, largely driven by poor stock market returns.

Most housing wealth is different from other forms of wealth, as there is a cost in releasing it (the rent that would have to be paid to provide accommodation). This means that not all of the housing wealth identified is actually available to use in other ways. But housing assets remain large compared to pension and financial wealth.

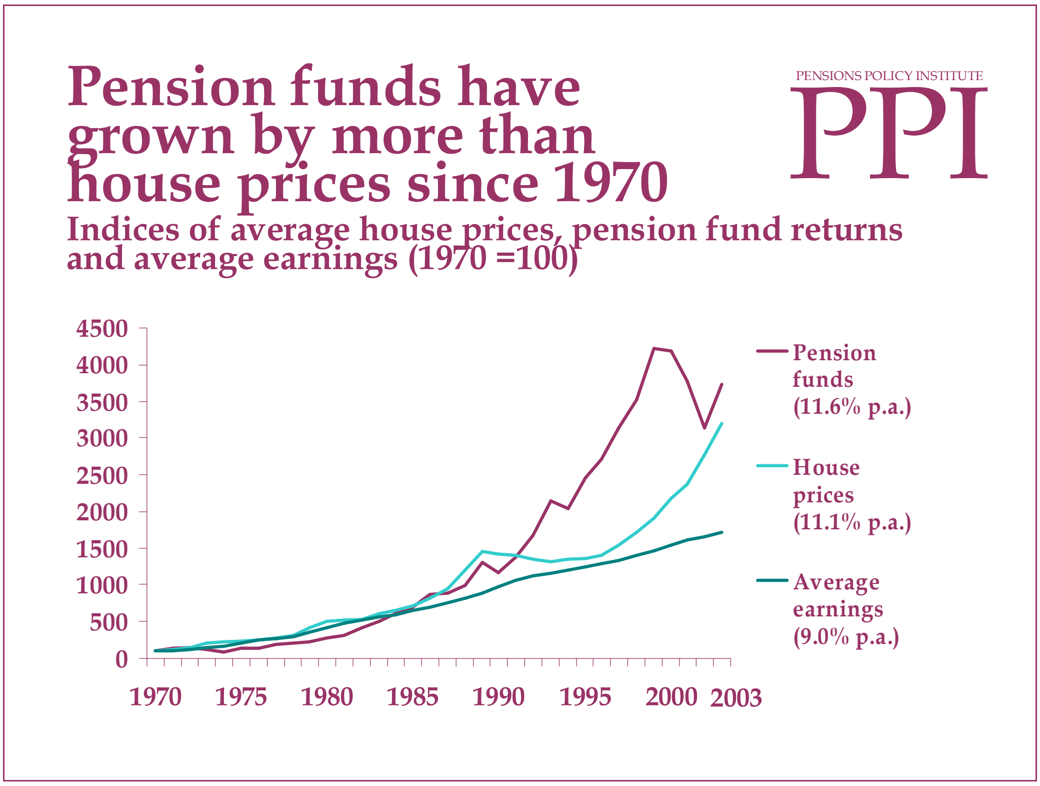
Increasingly, housing wealth is being accessed before retirement through higher borrowing[10]. People increase their level of borrowing against the value of their house, and use their higher income to increase expenditure. This has consequences for retirement income:

- Higher mortgage repayments when working can reduce the amount of money available to save for retirement in pensions and other forms of saving
- The length of time spent 'buying' a house (the length of a mortgage) can increase, possibly beyond the end of the working life and into retirement[11]. This reduces the scope for equity release during retirement.

[9] PPI calculations based on data from ONS (2003 BB) and Halifax Building Society (2004)
[10] Bank of England estimates that mortgage equity withdrawal has been increasing since 1998, and was over £16bn in Q4 2003, the highest ever quarterly figure - www.bankofengland.co.uk/mfsd/mew/040401.xls
[11] For example, Prudential market research suggests that as many as one-in-four households may still be paying a mortgage in retirement – Prudential news release 22 April 2004

Rising house prices have increased housing wealth relative to pension wealth
In recent years house prices have risen strongly. This has coincided with a decline in the value of pension funds (Chart 3). Over a longer period of time, pension funds have increased by an average of 11.6% a year since 1970. Despite recent annual house price increases of more than 15% a year, this is a faster long-term rate of growth than in average house prices, which have grown by 11.1% a year over the same period of time. Both pension fund returns and average house prices have grown faster than average earnings, which have grown by 9.0% a year since 1970.

Chart 3[12]



The value, and composition, of net wealth varies as asset prices change. Although in recent years housing has been increasing as a proportion of net wealth, it fell in importance throughout the 1980s and early 1990s as financial wealth increased[13].

[12] Pension fund data supplied by Watson Wyatt (www.watsonwyatt.com/europe/pubs/longtermstats), average house prices based on a mix-adjusted index from ODPM (www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_604086.xls), average earnings from ONS (series LNMQ)
[13] Davey (2001)

There is no consensus as to whether house prices will continue to rise, or will fall in the near future. The most optimistic short-term projections suggest continued growth in house prices throughout 2004, though moderating by the end of the year (Table 1). The Bank of England expects house price growth to reduce to zero in the next 2 years. However, a number of analysts have predicted a real fall in house prices (that is, relative to general price changes) of between 15% and 30% over the next 3 years. More long-term forecasts suggest a return to house price increases in line with earnings growth[14]. If the growth in house prices slows, or pension fund returns pick up, or both, housing will start to decline again as a proportion of net wealth.

Table 1: Alternative projections of house price growth

	Scenario	**Outcomes**
Optimistic	Strong short-term growth	15% for 2004 overall, though slowing towards the end of the year (Nationwide) 8% growth in 2004 (Halifax, Council of Mortgage Lenders)
Neutral	Prices remain stable	Rate of growth falling to zero in the next 2 years (Bank of England) Long-term growth in line with average earnings, though slightly higher for the next few years due to a shortage in supply (Centre for Economics and Business Research)
Pessimistic	Large short-term falls in house prices	15% fall in the next two years (Goldman Sachs, Durlacher) 30% fall in two to three years (Capital Economics)

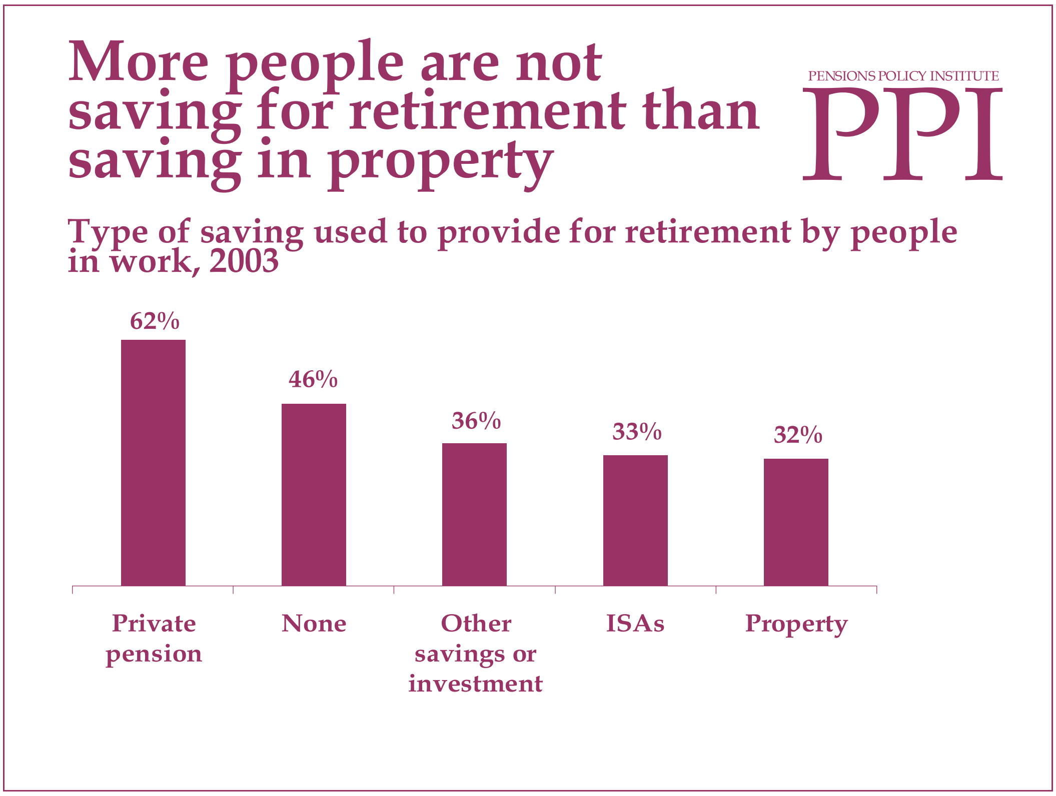
[14] CEBR (2004)

More people say they are not saving for retirement at all than say they are saving in property

An increasing number of people appear to be aware that their home is a potential source of retirement income, but it is still less popular than saving in financial assets. While a private pension is still the most common way of saving for retirement, one-third of people in work say they are saving in property to provide retirement income (Chart 4).

For many people, however, it is not a choice between a property or a pension. Only one-quarter of those without a pension said they were saving in property. And almost one-half of people said they were not making any private provision for retirement income in property, pensions, or any other way[15].

Chart 4[16]



Most people saving in property saw it as an additional, rather than main, source of retirement income. But one-in-eight of all working people expect property to be the main source of retirement income[17].

15 ABI (2003)
16 ABI (2003)
17 ABI (2003)

How can property fund retirement?

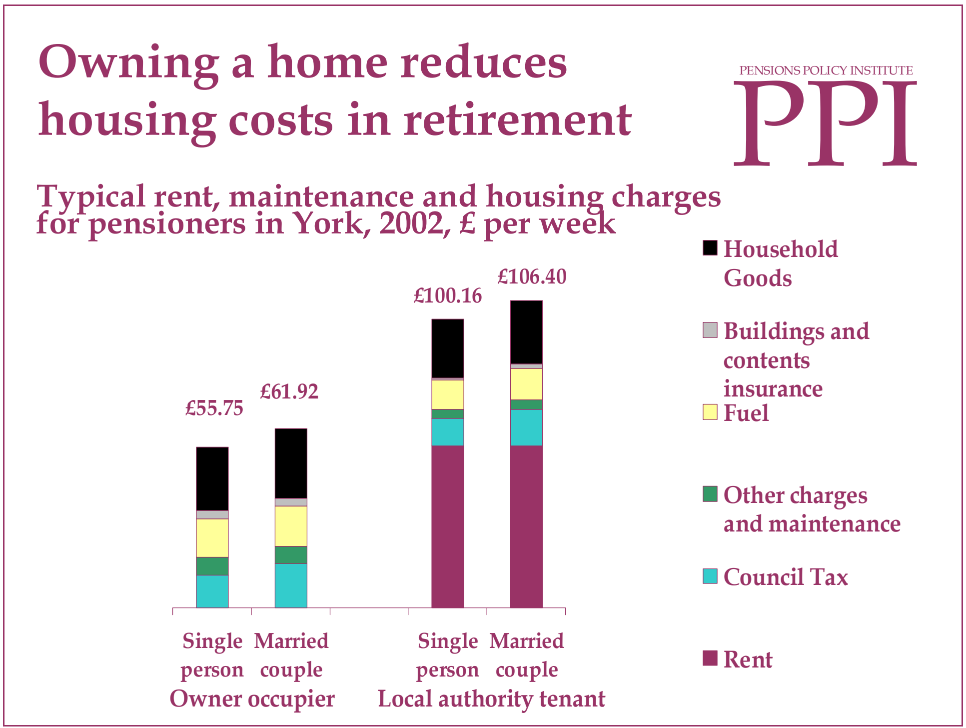
Property can help to fund retirement in three ways;

- Owning your own home can reduce day-to-day living costs in retirement
- Equity released by homeowners can be used to provide extra income
- Property can be used as part of an investment portfolio generating retirement income

Housing can reduce living costs

Owning your own home in retirement reduces living costs relative to paying rent by up to 45% (Chart 5).

Chart 5[18]



Even though owner occupation brings some increased costs, such as buildings insurance and maintenance, a large saving is made through not having to pay rent. This means that owner-occupiers may need a lower retirement income to provide a similar standard of living to tenants. Rather than increasing retirement income, home ownership can improve the standard of living in retirement by reducing costs.

[18] Parker (2002)

This difference may not arise for low income pensioners, where any rent is likely to be paid for by Housing Benefit (HB). Net housing costs after HB are almost as low for pensioners in rented accommodation as for owner occupiers[19]. However, much of this is likely to reflect that lower income pensioners, who are more likely to qualify for income related benefits such as HB, are more likely to rent and less likely to own their own property. Many owner-occupiers may not qualify for HB if they sold their homes and rented instead.

Homeowners may also face large one-off expenditures, for maintenance or improvements to maintain the quality of their housing, on top of a low level of on-going maintenance. This may result in a need to set aside a lump-sum, or save throughout retirement in order to meet these costs. An alternative is to use equity release.

Some – but not all - housing equity can be released

If pensioners want to release equity in their home, there are a number of different ways of doing so.

Selling the house would immediately release all of the equity available in the property. However, this equity would be reduced by the purchase of another property to live in, or living costs increase by the rental cost of alternative accommodation.

Equity can also be released using financial products, commonly called equity release products. There are currently two main types of equity release product[20].

- Equity can be released by taking out a lifetime mortgage. This is a loan which is secured against the property. The loan is normally repaid when the house is sold, or on the death of the pensioner. The interest accruing can be repaid on a monthly basis, or rolled-up and added to the original amount borrowed, and repaid at the end of the loan period.

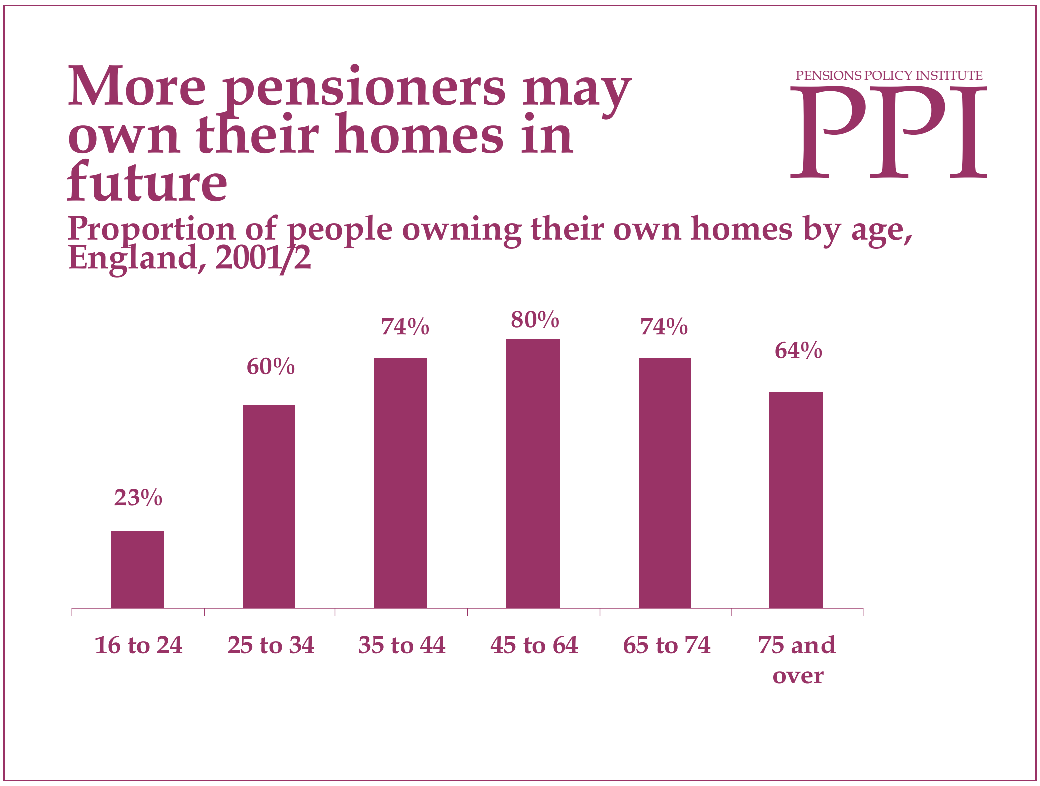
- Alternatively equity can be released through a home reversion scheme. All, or part, of the property is sold to a reversion company, who then own that proportion of the property. The pensioner lives rent-free in the property, until death.

[19] Hancock et al (1999)
[20] CML (2003), Age Concern (2003)

At the end of 2003 there were almost 70,000 lifetime mortgages outstanding, worth £2,867 million[21]. Additionally up to £250 million is released each year through home reversions[22]. However, as people over 65 held between £400 and £460 billion in unmortgaged housing equity in 2001[23], this represents less than 0.1% of pensioner housing wealth

The equity release market is expected to grow further, as the number of older households and the proportion of pensioners with housing equity increases (Chart 6). Changing attitudes to equity release (for example, the fact that one-third of people plan to use property to provide retirement income (Chart 4)) also suggests further growth in the market.

Chart 6[24]



[21] CML statistics www.cml.org.uk/servlet/dycon/zt-cml/cml/live/en/cml/xls_pub_misc_Equity-release-summary.xls. Figures refer to the end of 2003.
[22] SHIP press release referenced in CML (2004 HMT)
[23] CML (2004 HMT)
[24] Mew et al (2003)

The growth of the equity release market is constrained, as not all of the equity in housing can be released. Most products will only release a portion of the equity, to ensure that the interest can be repaid by the value of the house when it is sold. The amount of equity that can be released depends on the age at which it is taken. Taking equity earlier reduces the amount that can be taken, as the interest is expected to accrue over a longer period of time. For example:

- Most lifetime mortgage lenders will offer equity release of between 15% and 20% of the value of the property to someone aged 65. By age 75, this often increases to 30%. The maximum that most lenders will offer is 50% of the property value, for those aged in their 90s[25].
- Alternatively, equity can be released in the form of an income stream. The maximum size of the income stream available is also age-related. For example, a 65-year-old could obtain a monthly income of around 0.13% of their property value (£130 a month for a house worth £100,000), while a 90 year-old could secure a monthly income of 1.2% of their property value[26].
- Although home reversion schemes offer to buy all of a property, the amount received for the property is considerably lower than the full market value. At best, a 65-year-old could expect 35% of the market value, and the maximum amount paid to older pensioners is around 60% of the market value[27].

[25] PPI internet search
[26] PPI internet search. Assumes no lump sum is taken.
[27] Age Concern (2003 a)

There are also a number of reasons why pensioners may choose not to move house or use equity release products:

- Many pensioners have an emotional attachment to their home, and are reluctant to sell it in order to 'trade-down' to a smaller property.
- The home is still often considered to be a family asset, than will be passed down to children or grandchildren. Some pensioners are reluctant to spend what they see as their children's inheritance[28]. There is no evidence that today's elderly population are changing their attitudes towards inheritance[29].
- There also has to be somewhere to trade down to – the increase in value of the pensioner's house is likely to have been matched by increases in the value of other houses, meaning that significant equity can only be released by moving to a smaller property, or to a less expensive area.
- It can be difficult to move house under equity release plans, if for example one partner in a couple dies and the remaining partner wishes to move to a new house of lower value, part of the loan may need to be repaid.
- Equity release products still have an image problem after mis-selling and bad product design in the late 1980s that left many pensioners in debt. This should be helped by the regulation of lifetime mortgages by the FSA from 31 October 2004. Home reversion schemes will also be regulated by the FSA in the near future[30].
- The interest rates charged by equity release providers often appear high, relative to other mortgage products. This is because providers have to cover both the longevity risk of a homeowner living for a long period of time, and the investment risk that the property will be worth less than the outstanding loan when the homeowner dies. Interest rates are set at higher levels to cover these uncertainties, and to compensate for the fact that the provider does not receive any payments for a long time after making the loan. These higher interest rates can make equity release products unattractive.
- Any money that is released from housing could reduce entitlement to the Pension Credit (PC) and Council Tax Benefit (CTB). If any equity is released, it could increase the amount of income and/or capital taken account for benefits[31]. It is not counted as capital or income if it is not released. This will become an increasing problem as the proportion of pensioners entitled to PC and CTB increases from around one-half today to two-thirds in the next 20 years[32].

[28] Gay (2004)
[29] Hancock et al (2002)
[30] HM Treasury press release 10 May 2004
[31] Entitlement is not affected during an 'assessed income period', where changes to income or capital need not be reported. See Age Concern (2003 b) for further details.
[32] Curry and O'Connell (2003)

Even if equity is released from the home, it may be used for a range of purposes other than increasing retirement income:

- The equity can be used to pay for home repairs and improvements.
- Housing equity is often seen as a way of paying for long-term care needs. If someone needs to go into a care home, it may be possible to cover the costs by selling the house. Many people in this situation may prefer to use equity release, rather than selling the home outright, if they think that they may one day return home. If care can be given in the home, equity release products may also seem attractive.
- Equity release may be used as a way of passing money to younger generations before death. For example, an equity release product could be used to help pay tuition fees for a child or grandchild.

While a desire to preserve a family home as an asset to be passed on to future generations may limit the scope for equity release for the current generation of retired homeowners, it may increase the potential for equity release for future generations. But the impact of inherited housing wealth will depend on a number of different factors:

- If inherited property is retained, the number of people with more than one property would increase.
- If inherited property is sold, and the proceeds re-invested in a family house, there may be more equity in the new family home, but similar reasons to today not to release it.
- If property is inherited by people who do not already own their own home, inheritance could become a more common way of getting on to the housing ladder. Recent trends suggest that increased prices have made it difficult for first-time buyers to enter the market, and the average age of first-time buyers has been increasing.

It is likely that there will be some combination of these different outcomes, leaving the overall impact uncertain.

Property other than the home can be used as an investment
As well as using their home to provide retirement income, people can also obtain retirement income through investing in other properties. This could mean buying a holiday home, or one or more properties to rent out (also known as buy-to-let). At retirement, these properties can be sold to release equity, or retained and rented out to provide an income stream. Providing retirement income is often reported a major motivation of part-time buy-to-let landlords[33].

15% of all people in work say they plan to use income from properties *other than their home* as retirement income[34]. However, despite the plans made by many, buying property other than a home is currently actually used as an investment vehicle by relatively few people. Only 2%, or 750,000, of all non–retired people report owning more than one property[35]. Despite growth in buy-to-let mortgages in recent years, there are only around 400,000 outstanding[36].

From April 2006 it will be possible to purchase individual residential property (such as buy-to-let) within a pension, such as a Self-Invested Personal pension (SIPP)[37]. This may encourage further use of buy-to-let as a way of funding retirement.

Using buy-to-let, and in particular a single buy-to-let property as the main source of retirement income can be a high-risk strategy, similar to relying on investing in one company on the stock market. The value of the property may fall, or rental income may be lower than expected, or even zero. An alternative is to invest in a property fund, which owns a large number of properties.

While this is currently possible for large investors, such as pension schemes, to make use of such funds, there is little option for individual investors to use such a scheme. However, if Real Estate Investment Trust (REITS, also known as Property Investment Funds, or PIFs)[38] are introduced, smaller investments to have access to a more diversified property asset. The Government initiated a consultation on PIFs in the 2004 Budget[39].

33 Bevan and Rhodes (2003)
34 NOP (2003), compared to the figures in Chart 3 where the 32% planning to use property included those using their own home
35 PPI analysis of the Family Resources Survey 2002/3
36 CML statistics www.cml.org.uk/servlet/dycon/zt-cml/cml/live/en/cml/xls_pub_misc_btl-summary.xls
37 HMT (2004 Budget)
38 See BPF (2004) for a fuller description
39 Barker (2004)

Who will rely on property or pensions?

Most people have property and pensions, but neither type of wealth is spread evenly among everyone.

Most people have low levels of private pension saving and relatively small amounts of housing equity. For these people, the predominant benefit of home ownership will be to reduce living costs, rather than to provide a significant amount of income throughout retirement.

A minority of people will have sufficient housing equity to provide a reasonable stream of retirement income. These people are also likely to have private pension provision.

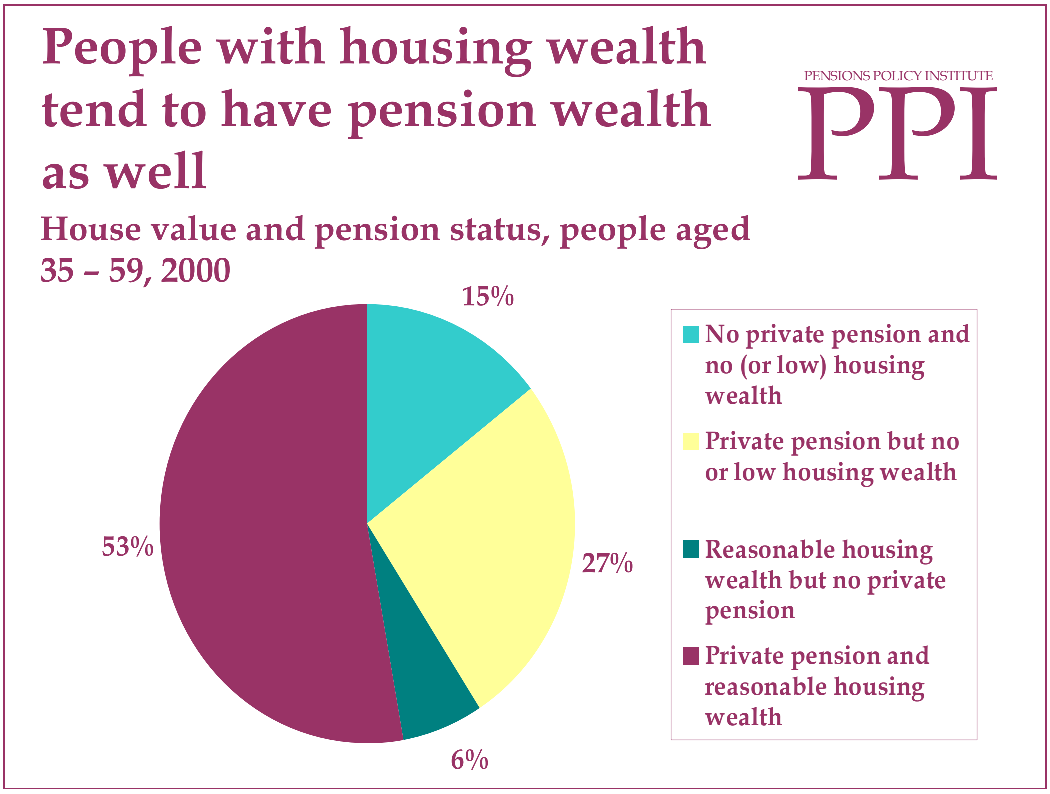
Very few people will have sufficient amounts invested in property to allow them to use investment income from property instead of private pension provision.

Saving in property can supplement private pension saving, but by itself will not increase retirement incomes to adequate levels. Property should be seen as a complement to private pension saving, rather than a substitute.

Most people have property and pensions
Most homeowners also have a private pension (either an occupational or personal pension). Of the people who have a house worth enough for it to have the potential to provide even a small amount of retirement income (59% of people), 90% have a pension as well. By the same token, around one-third of people aged over 35 without a house or with low housing wealth do not have a private pension (Chart 7). Almost one–in–six people have no significant housing assets or private pension.

This means that the people most likely to be able to use property as a retirement asset will do so on top of – not instead of – a private pension.

Chart 7[40]



Wealth – including housing wealth – is unevenly spread

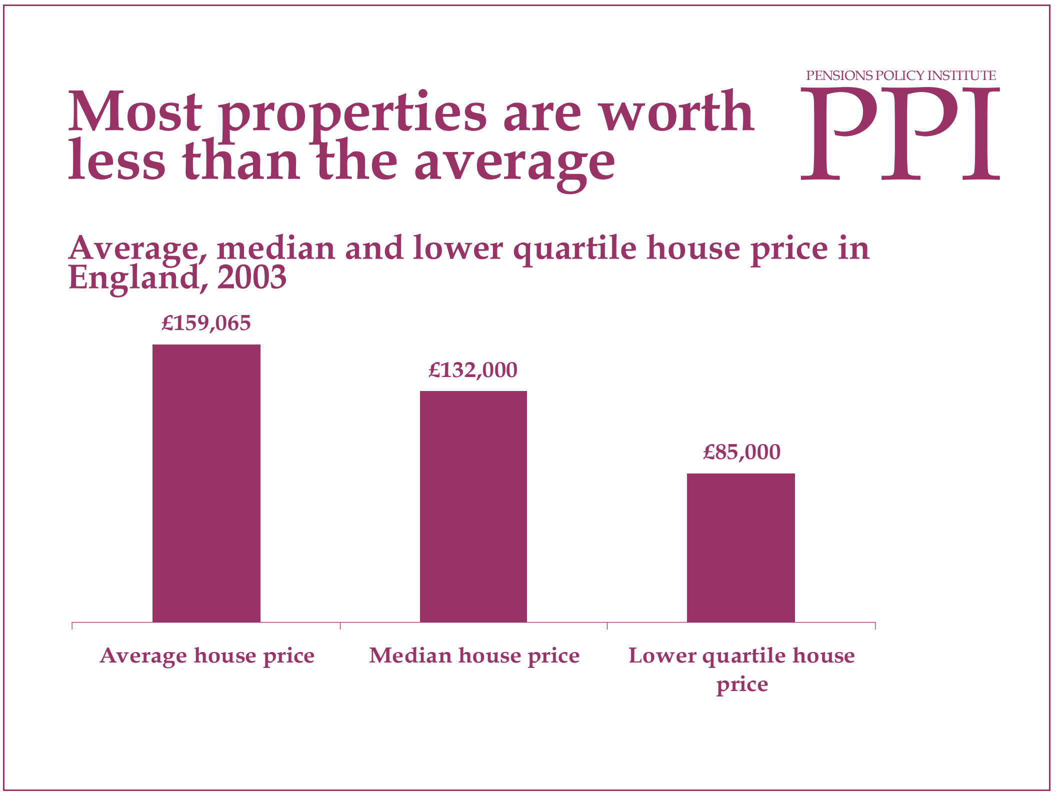
Wealth in the UK is very unevenly distributed among households. 1% of the population owns almost one-quarter of household wealth, and 5% own almost half of it. The poorest half of the population has just 5% of the wealth[41].

Considering average amounts of wealth can therefore be misleading. Although the average wealth (excluding pensions) of people aged 55 to 64 is £130,000, over one-third of people in this age group have assets of less than £25,000[42].

[40] Banks et al (2002). Reasonable means worth more than £100,000.
[41] Blaxall (2004)
[42] ILCUK (2003)

The same can be said for house values. The average house price in England in 2003 was almost £160,000 (Chart 8). However, the median – or middle – house price was £20,000 lower. A quarter of all houses were worth less than £85,000.

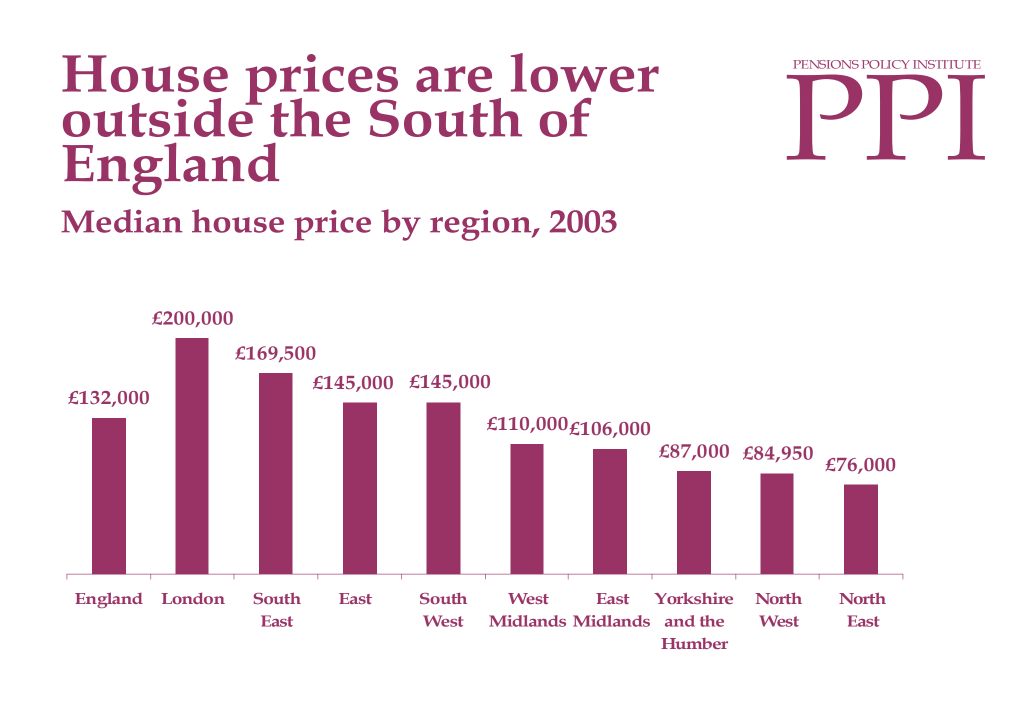
Chart 8[43]



[43] ODPM figures based on Land Registry data www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=1537&l=1

There is also significant variation in house prices by region. While the median house price in London is £200,000, the average house price in the North East of England is only just above £75,000 (Chart 9).

Chart 9[44]



[44] ODPM figures based on Land Registry data www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=1537&l=1

This variation in house values leads to wide variations in the amount of equity that can be released (Table 2).

Table 2: Maximum equity release at age 65 for median regional house values

Region	Value	Maximum lump sum	Maximum monthly income
London	£200,000	£40,000	£260
South East	£169,500	£33,900	£220
East	£145,000	£29,000	£189
South West	£145,000	£29,000	£189
West Midlands	£110,000	£22,000	£143
East Midlands	£106,000	£21,200	£138
Yorks and Humber	£87,000	£17,400	£113
North West	£84,950	£16,990	£110
North East	£76,000	£15,200	£99
England	£132,000	£26,400	£172

Applying the maximum proportion of house value that can be released as equity at age 65 (20%) to the median house price in England of £132,000 gives an income stream of £172 a month. Half of all homeowners can release less than this, and a quarter could release less than £110 a month[45]. A house value of one-third of a million pounds is required to get equity release to provide a reasonable income of £100 a week[46]. Fewer than 10% of houses are currently worth this much.[47]

This analysis implies that most people have low levels of private pension saving and relatively small amounts of housing equity. For these people, the predominant benefit of home ownership will be to reduce living costs, rather than to provide a significant amount of income throughout retirement.

A minority of people will have sufficient housing equity to provide a reasonable stream of retirement income. These people are also likely to have private pension provision.

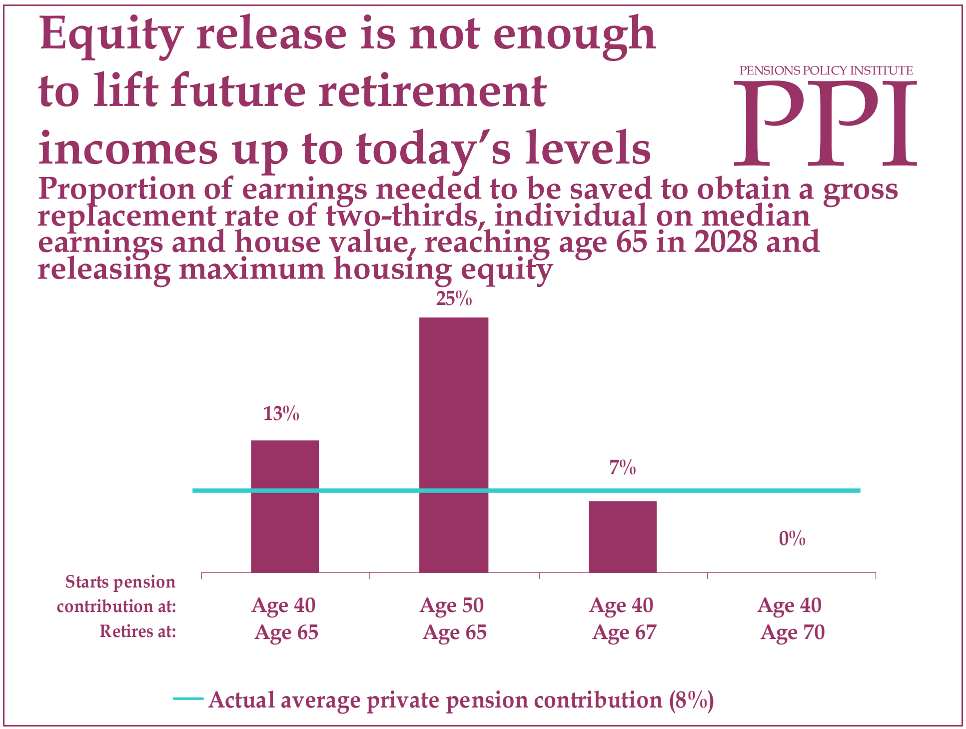
Very few people will have enough wealth to invest sufficient amounts in property to allow them to use investment income from property instead of private pension provision.

[45] Based on the lower quartile house value of £85,000
[46] PPI calculation
[47] PPI calculation based on Table 7 Land Registry (2004), (2003 a), (2003 b) (2003 c)

Property should be seen as a complement to private pension saving, rather than a substitute

The level of equity available from most houses, while not insignificant, is still not enough in itself to bring retirement income for future pensioners up to the levels enjoyed by those retiring today (Chart 10). Half of all homeowners in England, and more in parts of the country where housing is less expensive, would not be able to release even this amount of equity.

Chart 10[48]



However, a combination of current levels of private pension saving, equity release and working longer may provide a solution for some. For example, someone starting pension contributions today at age 40 and retiring at age 65 would need to save 19% of salary each year to achieve a replacement rate of two-thirds through the state pension system[49] and private saving alone (Chart 1). After taking account of possible equity release, the required contribution rate falls to 13% of salary each year (Chart 10).

On the same basis, the median house in London (worth £200,000 today) could release enough equity to be able to reduce pension contributions still further, to 10% of salary each year. Three–quarters of houses in England are worth less than this amount[50].

[48] PPI calculations based on an individual on age-specific median earnings. Assumes that the maximum amount of equity (20%) is released as a lump sum, based on the median house price in England assuming house prices grow in line with average earnings as in CEBR (2004) and is then converted to a single life male annuity. See footnote to Chart 1 for further definitions.
[49] Including the basic state pension, SERPS/S2P and contracted-out equivalents, and the Pension Credit
[50] PPI calculation based on Table 7 Land Registry (2004), (2003 a), (2003 b) (2003 c)

For someone planning to rely on property alone, he or she would have to work until age 70 with equity released from the median value house in England, or age 68 for the median value house in London.

The average pension contributor of between 7% and 8% of salary from age 40, could reach a replacement rate of two-thirds through a combination of pension contributions, equity release, and working until age 67.

Rather than choosing property or pensions, most people – even in high value property areas - will need both. Saving in property can supplement private pension saving, but by itself will not increase future retirement incomes up to the level of income enjoyed by people retiring today. For the vast majority of people, property will be at most a complement to private pension saving, rather than a substitute.

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