PRESS RELEASE

FOR IMMEDIATE RELEASE - 0900 WEDNESDAY, 29 JULY 2026

PENSIONS POLICY INSTITUTE

PPI

PPI: Housing Benefit rules offer weak pension saving incentive as renting in retirement grows

- **Current system reduces or removes Housing Benefit entitlement for 330k otherwise eligible pensioners with private pension income, at an average £50 weekly reduction.**
- **Housing Benefit spending may increase by £3.4bn by 2044 reflecting a 14% fall in home ownership rates.**

The Pensions Policy Institute (PPI), the UK's leading independent authority on pensions and retirement policy, has published new research today finding that the current Housing Benefit (HB) system lacks incentive for pension saving.

The analysis, '**Do Pension Savings Pay? Assessing the Interaction Between Housing Benefit and Private Pension Savings for Older Renters',** sponsored by Independent Age, highlights that the means test of private pension savings used to calculate the amount of HB a pensioner (or pensioner household) receives could dissuade private pension saving.

The assessment highlights how current HB rules lack incentive for pension saving, due to the net impact of every £1 of private pension income reducing HB entitlement by 65p, leaving an only 35p improvement to a person's disposable income. The analysis explains how this impact is created by modest private pension income currently immediately forming part of the income assessed by the HB means test, reducing the overall HB entitlement. The examination also shows how the form in which pension wealth is held can matter as much as the amount.

The research also reveals that HB spending may increase by £3.4bn by 2044 despite the assessed eligibility rules.(1) This reflects the growing pensioner population, and a 14% fall in home ownership rates, which will see one in three pensioner households expected to be renting by 2044.(2)

A total of 330k otherwise eligible pensioners with private pension income currently see their HB entitlement either reduced or removed entirely, at an average £50 weekly reduction, the investigation finds. This comes at a time when renters in retirement face growing cost of living overheads.

Addressing the highlighted risk of HB eligible retirees lacking incentive to save into their private pension, the study explores an alternative policy option, which would disregard part of private pension income in the HB calculation. It would disregard the first part of a person's private pension income, so that it would not reduce their HB at the taper rate of 65%, which is applied to private pension income or on notional income arising from private pension savings where no, or low amounts of income are being drawn.

For example, for someone with a full State Pension and a private pension income of £100 a week, a £25 a week disregard would effectively increase disposable income by £16.25 per week due to the increase in HB eligibility. A £25 disregard on pension saving would lift approximately 20,000 people into HB eligibility, costing the government approximately £100m, according to the research.(3)

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John Adams, PPI Senior Policy Analyst and lead author of the research, commented:

"The interaction between Housing Benefit rules and private pension income is working against eligible retirees, at a time when more pensioners facing spiralling retirement rental costs. With housing costs in retirement set to look markedly different to the last generation, policymakers will need consider how they reach the right balance to ensure Housing Benefit support works as intended."

Independent Age Chief Executive Joanna Elson, CBE, said:

"As this important research shows, the Housing Benefit system isn't working for older renters on low incomes, especially those with small pensions. Reducing the already inadequate rental support they receive is a disproportionate response to the tiny amounts of income the pensions provide.

"To prevent more older renters on low incomes being dragged deeper into financial hardship, we're urging the Pensions Commission to recommend changing the eligibility criteria for Housing Benefit, so small amounts of private pension income are disregarded. It's also vital the Government unfreezes Local Housing Allowance rates and ensure they keep pace with the rising costs of renting.

"The growing number of older private renters, one third of whom are in poverty after housing costs, really do need these changes."

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Note to Editors

1. PPI used Family Resources Survey 2024-25 to model the entitlement and expenditure on housing benefit. Increase in housing rental scenario used a method of adjusting the weighting of the data such that the resulting homeownership and rentals matches the levels of people aged 45-64. The full methodology is set out in PPI (2023) The UK Pensions Framework: Renting in Retirement - The Fault Line Below the UK Pension System.

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

   The PPI analysis of the Family Resources Survey 2024-25 found the approximate current public expenditure on Housing Benefit to be £6.3 billion.

2. Pensions Policy Institute, Pensions Adequacy: Housing, Households and Auto-Enrolment, 09/07/26

3. To model the effect of a disregard the entitlement to housing benefit was calculated using Family Resources Survey 2024-25 data using current rules, then recalculated with adjusted rules under which private pension income was disregarded at the appropriate level. The difference in outcomes for the population was calculated.

About The Pensions Policy Institute (PPI)

The Pensions Policy Institute (PPI) is the UK's leading independent authority on pensions and retirement policy. We conduct rigorous, impartial research to inform major policy decisions affecting millions of people's retirement security. Our evidence-based analysis is used by government and across Westminster – as well as industry and consumer groups - with extensive media coverage bolstering understanding of complex pension issues. Our work ensures that policymakers have the unbiased analysis needed to deliver better outcomes for those they serve.

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