PENSIONS POLICY INSTITUTE

PPI

# Pensions Adequacy: Housing, Households and Auto-Enrolment

Registered Company Number: 04145584. Charity Number: 1087856 (England & Wales)

# About the Pensions Policy Institute

**We are the UK's leading independent authority on pensions and retirement policy. We are a registered charity funded through a mixture of Supporter subscriptions, donations, grants, and income from research fees.**

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 bodies 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.

By supporting the PPI, you are aligning yourself with our vision to **drive better informed policies and decisions that improve later life outcomes** and strengthening your commitment to better outcomes for all.

## Further information on Supporting the PPI

Pensions affect everyone, yet the decisions shaping retirement security are complex and far-reaching. For a quarter of a century, the PPI has brought clarity, balance and robust evidence to those decisions, supporting policymakers, industry leaders and wider society to navigate trade-offs with confidence.

Our independence is made possible by our Supporters. Their backing enables us to ask difficult questions, undertake rigorous analysis and contribute impartial insight to national debate. In return, Supporters engage directly with our research, modelling and thought leadership and with the community shaping the future of retirement.

## A Partnership with Purpose

Each Supporter relationship is unique. What unites them is a shared commitment to improving retirement outcomes. We are grateful to all our Supporters for their continued commitment.

If you would like to join our network of Supporters and play a role in strengthening evidence-based pensions policy, we would welcome a conversation. By partnering with the PPI, you help sustain independent research and broaden the informed dialogue that underpins better retirement outcomes.

**Supporter Enquiries**

To discuss Supporter engagement with the PPI, please contact:

Danielle Elliott, Head of External Relations
**e:** danielle@pensionspolicyinstitute.org.uk
**m:** 07714 250 910

Pensions Adequacy: Housing, Households and Auto-Enrolment

# This report is authored by:

**Dr Priya Khambhaita**
Head of Research

**Tim Pike**
Head of Modelling

**Mariana García Requejo**
Senior Policy Researcher

**John Adams**
Senior Policy Analyst

**John Upton**
Policy Analyst

**Shantel Okello**
Policy Researcher

**Lauren Wilkinson**
Senior Policy Researcher


## A research report by the UK's leading independent authority on pensions and retirement policy

PENSIONS POLICY INSTITUTE

PPI

Kindly sponsored by:

The ABI


This research was commissioned by the Association of British Insurers (ABI) following a competitive tender process, which the Pensions Policy Institute (PPI) was successful in securing. Funding from the ABI supported the delivery of this research but does not imply agreement with, or endorsement of, the analysis, findings or conclusions presented in this report.


The PPI is an independent research institute and does not make recommendations on the direction of future policy. Instead, our work provides an evidence base to support informed policy development and debate.


Published by the Pensions Policy Institute



© July 2026



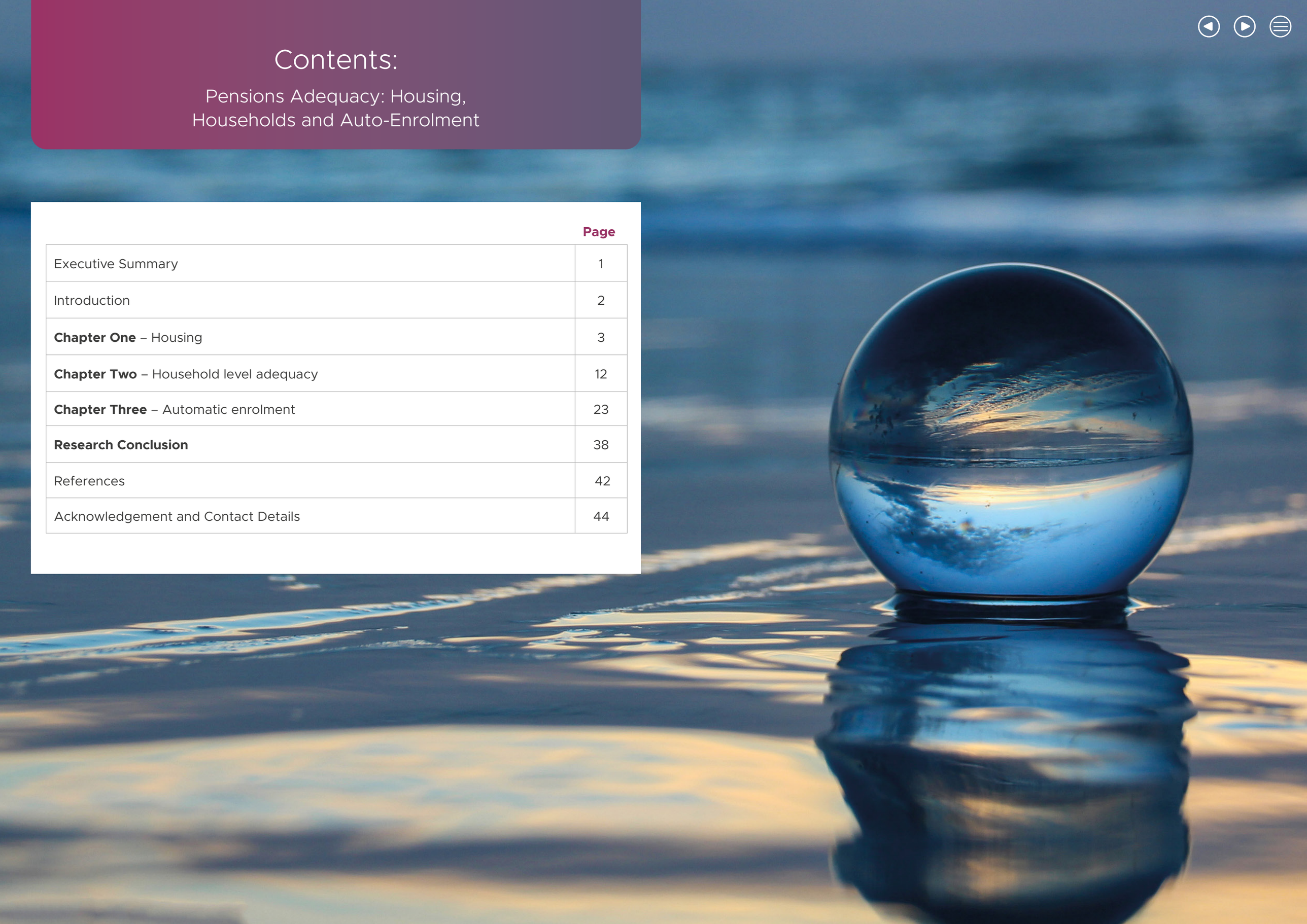
ISBN: 978-1-914468-35-3

**www.pensionspolicyinstitute.org.uk**

# Contents:

## Pensions Adequacy: Housing, Households and Auto-Enrolment


| | Page |
|---|---|
| Executive Summary | 1 |
| Introduction | 2 |
| **Chapter One** – Housing | 3 |
| **Chapter Two** – Household level adequacy | 12 |
| **Chapter Three** – Automatic enrolment | 23 |
| **Research Conclusion** | 38 |
| References | 42 |
| Acknowledgement and Contact Details | 44 |

# Executive Summary

**At a glance:**

- Almost 2 million more pensioner households are projected to be renting by 2044. This would be a threefold increase in private renters, with the greatest growth concentrated among lower-income couples, who face both the highest housing costs and the greatest barriers to making contributions.
- Housing costs in retirement are not adequately reflected in current pension saving norms: the cost of renting a two-bedroom property throughout retirement ranges from £200,000 to £400,000 depending on location, well above the median private pension wealth of those approaching retirement.
- Household composition fundamentally shapes retirement adequacy in ways individual-level measures obscure: single pensioners, mixed-age couples, and multi-adult and multi-generational households all face additional financial burdens and risks that may not always be apparent.
- Automatic Enrolment (AE) has transformed pension participation, but current minimum contribution rates are insufficient to deliver adequate retirement outcomes, particularly for lower earners, carers, women, and those in non-standard employment.
- PPI modelling shows that the strongest lever for improving adequacy varies by income level. For those earning above £18,700 a year, a higher contribution rate of 12% has the largest impact on outcomes. For lower earners and those close to the current AE thresholds, removing the earnings trigger and Lower Earnings Limit (LEL) is likely to have the greatest effect.
- A set of targeted reforms is required, including higher contributions, means-tested benefits that account for household circumstances, and housing policy updates. Closing the gap between what renters have saved, and what they need for secure housing in retirement, requires policy levers that address both housing costs and the pension pot sizes needed to fund them. For many, this will also include additional state support through housing benefit. No single lever is sufficient.

The findings in this report build on and extend the evidence presented in the Pensions Commission's Interim Report (2026). The Commission has identified retirement adequacy as one of the defining challenges facing the UK pensions system, highlighting the growing importance of housing costs, inequalities in pension accumulation, and the limitations of current AE design. This report provides further evidence on these issues by examining how housing tenure, household composition and pension saving interact to shape retirement outcomes. By bringing together new modelling and analysis of retirement adequacy, housing costs and AE, the report adds to the evidence base on where current policy may be falling short and where targeted reforms could have the greatest impact.

Retirement adequacy in the UK is being shaped by three interconnected drivers: the growing burden of housing costs for those entering retirement without outright homeownership, the ways in which household structure both obscures and amplifies financial vulnerability in later life, and the structural limitations of AE in its current form. Together, these create compounding disadvantage, particularly for lower-income renters, that pension saving rates alone cannot address.

**Housing costs are becoming a core adequacy problem.** In 2044, almost 2 million more pensioner households are projected to be in rented accommodation than today. The potential rise in private renters is anticipated to be greatest amongst couples in the lower half of the income distribution. Renting in later life leaves pensioners with higher and more unstable housing costs than homeowners. While a significant intergenerational wealth transfer is underway, inheritance and gifting as routes into homeownership – and subsequently more secure retirement - are unreliable, unpredictable, and inequitable. The timing of inheritances is uncertain, the amounts received vary, and wealth can be shared between beneficiaries, significantly diluting its impact. These transfers will therefore not likely reverse the trend of older renters. Most homeowners that could release equity to support their own adequacy and share wealth with generations do not take this option – meaning many people are unsure if or when they will receive anything at all.

**Current pension saving norms were established at a time when outright homeownership in retirement was the dominant assumption.** This is no longer the case. To rent a two-bedroom home throughout retirement may typically cost between £200,000 and £400,000 depending on location, yet median private pension wealth at ages 60-64 is around £154,000 for the population as a whole, and around £105,000 for women. Combining State pension with private pension improves this outlook, however, even accounting for the State Pension, many renters would still experience significant decline in retirement living standards compared to retirees who own their home. This reflects a structural mismatch between retirement savings and expected retirement expenditure.

**Household composition shapes retirement outcomes in ways that standard measures miss.** Around 70% of people retire within a two-person household, yet retirement income policy remains predominantly individual in design. Assessing adequacy at the household level reveals both hidden resilience and hidden vulnerability. Single pensioners, particularly renters, face the sharpest adequacy risks, and are approximately twice as likely as couples to fall below minimum Retirement Living Standards. Multigenerational households can appear adequate in aggregate while masking pension shortfalls for individual members, particularly women who have taken on caring roles. Life events, like divorce and bereavement, can rapidly transform an apparently secure household into a vulnerable one. Clean-break divorce settlements that trade pension entitlement against housing assets leave one partner, most often a woman, exposed to lasting retirement insecurity. The benefits system, as currently designed, does not adequately reflect the diversity of household composition or how resources are shared, creating cliff-edges and arbitrary exclusions that undermine adequacy for some of the most at-risk groups.

**Automatic Enrolment has transformed participation but is not yet set to deliver adequate outcomes.** Although around 4 in 10 employers calculate contributions from the first pound of earnings, statutory minimum contributions apply only to qualifying earnings rather than total pay. For workers close to the £10,000 earnings trigger who receive minimum contributions on qualifying earnings, PPI modelling shows that the headline 8% minimum contribution rate can translate into an effective contribution rate of slightly above 3% of total pay.[1] AE therefore works best for those with stable, full-time employee careers, while lower earners, carers, younger workers and the self-employed remain significantly underserved.[2] Self-employed workers are excluded from AE altogether, caring interruptions generate large and lasting pension penalties, and delayed participation becomes exponentially more expensive. To restore adequacy later in working life, required contributions rates are very high and not affordable or deliverable for most workers and employers. This illustrates how difficult it becomes to close pension gaps once saving shortfalls have accumulated over time.

**Only a package of reforms will address all of AE's weaknesses.** (1) Higher contributions and first-pound saving most effectively improve adequacy, (2) carer credits and reform of AE thresholds better address fairness, (3) phased approaches to increased contributions favour sustainability. Targeted solutions are especially critical for those facing the largest adequacy challenges: groups that are persistently under-pensioned, face pronounced housing inequalities, and have none to minimal intergenerational wealth transfer, yet face substantial financial commitments within, and possibly beyond, the household.

**Delivering adequate retirement outcomes will require reform that reaches beyond the pensions system.** Means-tested benefits need to better reflect modern household structures and shared financial lives, with eligibility criteria that account more flexibly for household size and composition, replacing cliff-edge thresholds that currently penalise households pooling resources out of necessity. More structured support in decumulation could also improve outcomes, with guided retirement pathways that incorporate housing tenure, household composition, and accommodation costs into how people plan to draw down their savings. Policy reform has the clearest opportunity to reach low-income groups. Yet those from families that have rented for generations, with limited financial resilience and no prospect of inherited wealth, are among the hardest to reach through pension policy alone and are therefore more likely to require cross-cutting solutions from policy areas beyond pensions such as housing and welfare support.

The stark gap between median private pension wealth and the savings required to sustain later life renting makes clear that pension policy levers alone are insufficient. The central question is not only how much saving should increase, but who most needs support, and how pension policy must interact with housing, social care, and the wider welfare system to deliver adequate retirement outcomes for all.

[1] Effective contribution rates measure pension contributions as a proportion of total earnings, rather than as a proportion of qualifying earnings. This provides a clearer way to compare reforms that affect the earnings base on which contributions are paid.
[2] The Second Pensions Commission (2026)

# Introduction

The UK faces a once in a generation opportunity to reform the pensions system and improve retirement outcomes for savers. Against a backdrop of demographic change, rising longevity, shifting labour markets and persistent inequalities in health, wealth, and income, long-term questions around pensions adequacy have become increasingly critical. The Second Pensions Commission provides an important moment to review how well the system is working and to consider what suite of reforms may be needed to ensure future retirees can achieve an adequate standard of living in retirement.

The Commission are exploring long-term issues of adequacy and retirement outcomes, building on the findings of the Pensions Investment Review and the measures set out in the Pension Schemes Act.[3] The Commission's focus is on the three key pillars of adequacy, sustainability, and fairness. These are also understood as over-arching, pensions system-level goals. Robust evidence and analytical insight will be critical to supporting this work. This report has been commissioned by the ABI and is designed to strengthen the evidence base available to the Pensions Commission. It presents detailed modelling and policy analysis focused on pensions adequacy, with particular attention to the interdependencies and complexities that shape outcomes in retirement.

Adequacy is influenced by pension saving, housing tenure, household composition, and the design and performance of AE. Gaps in understanding remain in how these factors interact, and how risks and resources are distributed across individuals and households. Cross-cutting themes are equity and intergenerational wealth transfer.

The research and analysis presented in this report aims to illuminate critical drivers of adequacy, identify important trade-offs, and support evidence-based decision making. The report is structured as follows: Chapter 1 examines the role of housing in retirement adequacy; Chapter 2 focuses on household composition and which household types might be missing out on adequacy; and Chapter 3 presents PPI illustrative modelling output where a range of AE policy options have been tested. A final concluding chapter draws together the findings and highlights their implications for policymakers and for the ongoing work of The Pensions Commission.

[3] Department for Work and Pensions (DWP) (2025)

# CHAPTER ONE:

# HOUSING

**This chapter examines how changing housing patterns are reshaping pension adequacy in the UK. As homeownership declines and more people approach retirement with ongoing housing costs through renting and mortgages, the chapter explores the implications for retirement incomes, savings adequacy, and financial security in later life. It highlights how rising housing costs, unequal access to housing wealth, and intergenerational inequalities are increasing the risk of under-saving, particularly among renters and lower-income groups. This chapter also considers the role of intergenerational wealth transfers, equity release, and later life lending in shaping retirement outcomes, alongside regional and generational inequalities emerging across the housing market.**

# Introduction

The UK's pension system has historically benefited from most people entering retirement with low and stable housing costs, often supported by outright homeownership. Adequacy frameworks such as the Retirement Living Standards have been able to operate on this basis, treating limited housing expenditure as a background condition, rather than a variable requiring explicit provision. That assumption is increasingly uncertain. Declining homeownership, delayed access to the property ladder, rising private renting, and higher housing costs mean a growing proportion of future retirees are likely to enter later life with ongoing mortgage or rental commitments.

This has significant implications for pension adequacy. Housing tenure increasingly determines the level of retirement income required to maintain living standards, financial resilience, and independence in later life. Pension savings that may appear sufficient for outright homeowners can become inadequate when sustained rental or mortgage costs are factored in. Housing affordability is therefore no longer a peripheral issue – it is a core determinant of retirement adequacy, intergenerational fairness, and exposure to poverty in later life. For pensions policy, this shift raises fundamental questions about the adequacy of retirement incomes, the effectiveness of current saving patterns, and the equity of outcomes across different groups.

This chapter examines how changing housing tenure patterns, unequal access to housing wealth, and regional affordability pressures interact with pension saving behaviour, adequacy risks, and wider policy choices. It highlights the interdependence between pension policy, housing policy, and welfare support in shaping future retirement adequacy.

This chapter addresses the following research questions:

- Will future retirees face increased housing costs, requiring increased savings to maintain adequacy?
- What are the comparative costs of renting vs paying off a mortgage vs being a homeowner in retirement?
- Are people saving enough for retirement based on current home ownership projections?
- If under-saving, which groups are most likely to be under-saving for retirement based on their prospects of owning a home outright by the time they reach the decumulation phase of the pension journey?
- How will intergenerational wealth transfers, mainly generated by housing, impact future generations retirement adequacy?
- Given the unequal nature of current home ownership and home value, what does this mean for fairness in achieving retirement adequacy? How do housing, pensions, and other savings interact?
- What are the policy options for managing the conflicts between housing costs and pension saving? What are their prospects for success?

[4] Brain, A. (PPI) (2023)
[5] Department for Work and Pensions (2025)
[6] Gregg & Kanabar (2022)
[7] Gregg & Kanabar (2025)
[8] Adams, J. (PPI) (2025)
[9] Adams, J. (PPI) (2025)
[10] Ministry of Housing, Communities & Local Government (2025a)
[11] Brain, A., et al. (2026)

# Trends in housing tenure in retirement have changed

## Homeownership among future retirees is falling sharply

Only 65% of households aged 45–65 are owner-occupiers today, around 15 percentage points fewer than 20 years ago. Falling homeownership rates and a projected rise in private renting among future retirees leave a growing share of the population exposed to ongoing (and rising) housing expenses, including increases in rent and service charge costs. This shift materially changes the adequacy challenge. Pension savings that may appear adequate when housing costs are excluded may become inadequate once long-term rental or mortgage costs are factored into retirement income needs. This increases the risk of reduced living standards, higher exposure to poverty, and greater dependence on means-tested support such as Housing Benefit and Pension Credit.[4] The interaction between pension income and means-tested benefits exposes a policy disconnect, as additional pension income can reduce Housing Benefit entitlement, limiting recipients' net financial gain and weakening the adequacy benefits of pension provision.[5]

Homeownership has decreased consistently across individuals from all levels of parental wealth.[6] By age 35, homeownership rates are three times higher for those whose parents are highly educated homeowners, highlighting the strong and continued influence of family background on housing outcomes.[7] While older generations had higher ownership rates and subsequent lower housing costs in retirement, successive working-age cohorts have experienced sustained declines in ownership, driven by a long-term decline in affordability and delayed entry onto the housing ladder. Even with some recent improvement in affordability ratios post-pandemic, ownership levels among individuals aged 45-65 remain far below their peak observed in 2003 (68% vs 81%), and are lower than the currently observed rates for those aged over 65 years old (82%).[8]

This represents a shift in future retirement risk. More people are likely to reach later life still paying rent or mortgages, eroding disposable income and increasing pressure on both pension adequacy and the benefits system. This creates a clear generational divide: today's retirees experience higher levels of housing security while future cohorts are more exposed to housing related financial risks. Without significant improvements in affordability and or ownership rates, a growing share of people will enter retirement with persistent housing costs, weakening their retirement adequacy.[9]

The average age of first-time buyers in England has risen from 32 to 34, and from 33 to 35 in London over just five years (between 2019-20 and 2024-25), reflecting later entry into homeownership.[10] For private renters, the implications are stark: those aged 35–44 need to purchase soon if they are to repay a mortgage before retirement, while those aged 45 and over may struggle to access standard mortgages at all. As a result, private renters aged 45–64 face a heightened risk of retirement income being insufficient given the need to pay rent during retirement.[11]

## Those approaching retirement display a more mixed tenure profile than older cohorts

Analysis of the 2003–04 and 2023–24 Financial Resource Survey (FRS) datasets, along with evidence from the English Housing Survey (EHS), shows clear shifts in the distribution of housing tenure before and after retirement. Owner occupation remains dominant among households aged 65+, while renting – both private and social – is more prevalent among households aged 45–64, particularly in lower- and middle-income deciles. These differences are visible for both single-adult and multi-adult households, with renting consistently more common among single-adult households. Overall, tenure patterns are becoming more diverse among those approaching retirement, reinforcing the need to incorporate housing tenure into assessments of future retirement adequacy.

## Rates of renting in retirement are set to keep accelerating

Looking 20 years ahead (2024 - 2044), PPI projections show a substantial shift away from owner-occupation among pensioner households and a significant rise in renting. Owner-occupier pensioner households decline from 79% to 64%, while private renting sees the largest increase, rising from 6% to 18% of pensioner households. Social renting is also expected to grow, from 15% to 18%. Overall, a much larger proportion of pensioners will be renting – particularly in the private sector – compared to today. This shift has important implications for retirement adequacy, as a greater share of retirees will face ongoing housing costs throughout later life.

**Figure 1.1**

| Housing tenure | Current pensioner households | Scenario pensioner households | Change |
|---|---|---|---|
| Owner-occupier | 6,771,000 | 6,568,600 | -202,400 |
| Private renters | 511,500 | 1,864,200 | +1,352,700 |
| Social renters | 1,307,500 | 1,858,900 | +551,400 |

The projected rise in renting is important because it fundamentally changes the assumptions underpinning adequacy. Where previous cohorts often entered retirement with low or no housing costs, future retirees may need to sustain pension income for both core living costs and ongoing housing expenditure throughout later life. This raises the level of pension wealth required for adequacy and increases the importance of adequate contributions and welfare support.

## Intergenerational housing wealth transfers are unevenly distributed across the population, reinforcing inequalities in housing access and retirement adequacy

Property based intergenerational wealth transfers raise important questions of fairness, as they amplify advantage, and entrench tenure-based inequalities. A projected £5.5 trillion is expected to be transferred between generations between 2017 and 2055, with property the largest.[12] Those positioned to receive property or support for a home deposit benefit twice: first through earlier entry to ownership via larger deposits and lower loan-to-value ratios that reduce repayment burdens, and later through inheritances that further consolidate wealth.[14] Approximately 45% of first-time buyers in their twenties receive financial support to access the property ladder, with the average contribution amounting to roughly[13] £25,000. Earlier access to homeownership delivers enduring advantages through leveraged house price growth, lower housing costs over the mortgage term, and a greater likelihood of entering retirement with outright ownership or lower debt exposure. For retirement adequacy, these advantages are significant, as housing wealth may reduce expenditure needs in later life while simultaneously strengthening access to financial flexibility through downsizing, equity release, or inherited assets.

In contrast, groups less likely to inherit or to have homeowner parents — disproportionately private renters, lower wealth households, and some minority communities — must manage unstable rent payments, higher cost mortgages, or delayed access to homeownership while simultaneously saving for retirement, increasing the risk of undersaving and persistent disadvantage.[14] These inequalities increasingly shape retirement adequacy: prolonged renting or delayed ownership leaves households more exposed to persistent housing costs and weaker financial resilience in later life.

The timing of inheritance can further compound inequality. The average inheritance age for Millennials is around 61, meaning wealth transfers often occur too late to materially improve housing access earlier in adulthood, when home purchase decisions and mortgage affordability are most consequential. Moreover, the largest inheritances tend to go to existing homeowners, reinforcing differences in lifetime asset accumulation rather than reducing them.[11, 12] That only 2% of first time buyers in the UK were aged 65+ between 2023–24 reflects the limited extent to which later life inheritance can significantly alter tenure outcomes.[14] Unequal and culturally patterned transfer behaviours,including, in some cases, transnational and/or gendered patterns (e.g., property to sons; liquid assets to daughters), may also shape who receives appreciating assets such as property, compared with liquid or non-appreciating wealth.[2] As a result, housing wealth transfers may often reinforce existing ownership patterns rather than substantially reducing the projected rise in later life renting.

By contrast, renters receive fewer and smaller transfers, face higher ongoing housing costs, and enter retirement without housing assets. This may leave many entering retirement still exposed to rent inflation, housing insecurity, and greater reliance on means-tested support. These disadvantages are hard to reverse even within the context of what has been described as the "great wealth transfer."[13, 14] The net effect is that housing-based transfers disproportionately benefit those already advantaged, provide limited support to households most likely to remain renters, and are unlikely to stem the projected rise in older renters. This raises wider concerns about intergenerational fairness, unequal retirement resilience, and the persistence of tenure-based inequalities in future retirement adequacy.[14]

# Changing housing tenure trends present significant challenges for retirement adequacy

## Regional differences mean that later life housing pressures and associated adequacy challenges vary significantly

Projected regional variation in housing costs in later life reflects inequalities that emerge much earlier in the life course. Homeownership pessimism (the belief that purchasing a home is unattainable or financially impractical) remains high among groups more likely to enter retirement as renters, particularly women (22% vs 17% of men) and residents in Yorkshire & the Humber and the South East (27%). By contrast, residents in the North East report much lower pessimism (11%), highlighting widening regional differences in exposure to housing insecurity and rental pressures in later life.[15] These differences suggest that retirement adequacy may increasingly be shaped not only by pension saving behaviour, but also by where individuals live, and whether they are able to access stable homeownership earlier in adulthood.

These patterns align with strong intergenerational inequalities in housing outcomes. Children of homeowners are around 27% more likely to own a home in mid-life, and parental region explains a substantial share of home value persistence — especially where children remain in the same region.[16] This indicates that regional housing inequalities may persist across generations, reinforcing differences in both housing security and long-term retirement resilience.

Later-life options for managing housing risk are further constrained by limited specialist housing supply. There are acute shortages of affordable extra-care and retirement housing for those aged 75+, particularly in the North and Midlands, alongside a mismatch between housing provision and need in areas with higher levels of illness and disability. Together, these factors may increase exposure to higher housing costs, reduced housing flexibility, and greater financial vulnerability among older people in already disadvantaged regions.[17, 18]

## Housing affordability challenges could contribute to wider demographic pressures

These housing trends may also have implications beyond individual retirement adequacy. Delayed access to owner-occupation increasingly affects not only the age at which people purchase their first home, but also the age at which they secure housing suitable for family formation and child-rearing. Within the context of increasing longevity and falling birth rates, this may reinforce broader ageing population pressures by contributing to delayed family formation, a weaker dependency ratio between working age adults and retirees, and wider fiscal pressure on the pension system and other means-tested benefits. Housing affordability may therefore influence pension sustainability through both adequacy and demographic change.

[12] King's Court Trust (2017)
[13] Gregg, P. and Kanabar, R. (2022)
[14] Ministry of Housing, Communities & Local Government (2025b)
[15] Legal & General (2025)
[16] Bedük, S., & Harkness, S. (2024)
[17] Archer, T. et al. (2024)
[18] Boileau, B. and Sturrock, D. (2023)

## Changing housing tenure trends present significant challenges for retirement adequacy cont.

### To rent a two-bedroom home through retirement may typically cost between £200,000 and £400,000 depending on location

**Figure 1.2: Amount needed to cover the cost of private rent in retirement for a two-bedroom property**

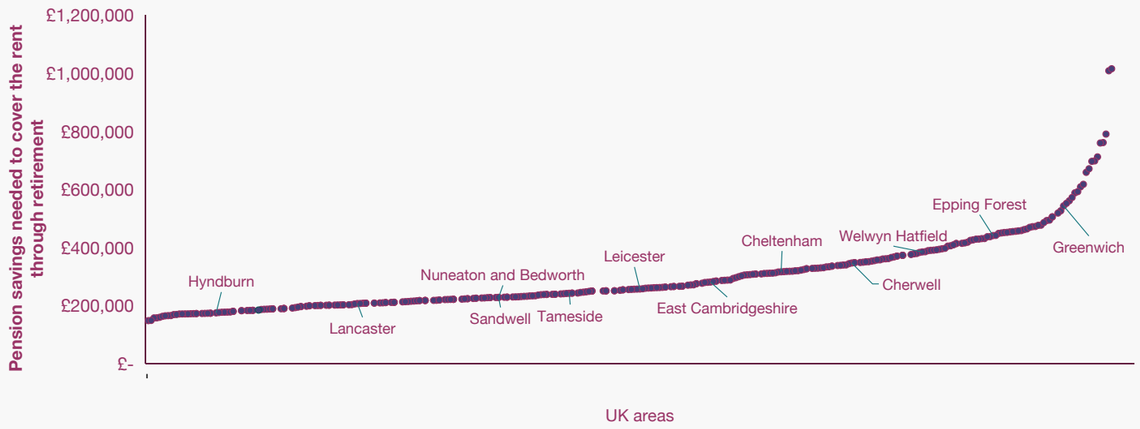



**Figure 1.3: Projected rental costs into retirement**

| Percentile | Regional monthly rent | Pension saving to cover this (Single, Couple) | | Where? |
|---|---|---|---|---|
| 25th | £700 | £173,500 | £211,000 | Great Yarmouth |
| 50th | £850 | £210,000 | £255,400 | Somerset |
| 75th | £1,170 | £288,600 | £351,000 | Chichester |

As the proportion of older people renting is projected to rise further over time, the challenge of funding retirement without the security of homeownership may become increasingly acute. Unlike owner-occupiers, renters face ongoing housing costs that must be met from pension income and savings throughout later life, leaving them exposed to rent volatility, inflation, and long-term affordability risks. This raises important questions about how far pension adequacy can be achieved where housing costs remain persistent into later life. This section explores what rising levels of later-life renting imply for the scale of pension savings required to achieve adequacy, particularly given increasing longevity and the likelihood that housing costs may need to be met by a single surviving partner. The level of assets required to meet ongoing housing costs in retirement is substantial (see Figure 1.3 above). There is also a great deal of regional variation with a wide estimated range of £200,000–£400,000 for a two bedroom property. The exact figure needed on an individual basis will also depend on household composition, with single retirees likely to face higher per person housing costs than couples.

PPI Underpensioned series analysis 2026 shows that median private pension wealth at ages 60–64 is around £154,000 for the population as a whole, rising to around £286,000 when considering only those with any.[19] A requirement of £200,000–£400,000 to meet rental costs alone would therefore sit well above the position of the median retiree and, at the upper end of this range, would likely correspond to pension wealth levels held by only a minority of people approaching retirement. However, when private pension savings are combined with State Pension income, the additional support helps to offset some of these financial pressures. When represented in lump sum terms, based on full entitlement and average life expectancy, the amount that will be provided by the State Pension over the course of retirement increases overall pension wealth by around £280,000 for someone aged 22 in 2026.[20] This means that a greater proportion of future retirees will have enough to fund rental costs but still see a significant decline in retirement living standards compared to retirees that own their home outright who are also in receipt of the State Pension.

The additional contribution required to achieve pot sizes able to accommodate the cost of renting in retirement varies depending on gender and current age (Figure 1.4). The £400,000 target is likely to be necessary in higher cost regions, such as London and the South East. However, even the additional contributions required to achieve an additional £200,000 of private pension savings represent a significant increase compared to current contribution rates. This places the level of savings required closer to the upper quartile of outcomes rather than something likely to be achieved by a typical saver.

### The level of additional contribution required to generate pot sizes sufficient to cover the cost of renting in retirement while maintaining living standards is likely to be unfeasible, even where additional saving begins from early ages

**Figure 1.4: The level of additional contribution required for median earners to achieve pension pot sizes capable of funding the cost of long-term renting in retirement, by gender and current age (2026 earnings terms).**

[19] John, A. (PPI) (2026)

[20] Presentation of State Pension income as an equivalent lump-sum value is purely illustrative and intended to aid comparison with private pension savings. In practice, the State Pension is paid as a regular income and cannot be accessed as a lump sum. Future entitlement levels are also not guaranteed and may be subject to changes in policy, eligibility rules, uprating mechanisms, or the State Pension age. The conversion factor used for this calculation uses current market annuity rates, with an adjustment to allow for triple lock indexation.

## Changing housing tenure trends present significant challenges for retirement adequacy cont.

The gap is particularly stark for groups identified as underpensioned and more likely to rent in later life, including women, disabled adults, and single mothers. For example, median private pension wealth at ages 60–64 is around £105,000 for women overall. Even when State Pension is considered, a rental costs-only savings requirement of £200,000–£400,000 would be unattainable for a large share of those most exposed to renting in retirement. This reinforces concerns that housing affordability is becoming a central determinant of retirement adequacy, particularly for groups with lower pension accumulation and weaker access to housing wealth. These concerns are amplified further by consumer evidence suggesting that current renters often underestimate the level of savings needed to achieve an adequate retirement.[21]

The most recent pensioner poverty statistics indicate that pensioners who rent—particularly in the private sector—face significantly higher risks of poverty than homeowners. Around 35% of private renters and 34% of social renters are in poverty, compared to just 12% of owner-occupiers. Even when receiving the full new State Pension (nSP), single pensioners in rented accommodation may still struggle to meet basic living costs. The financial burden of rent substantially reduces disposable income and pushes many renters into income inadequacy in retirement.[22] These pressures are compounded by rent volatility and long-term growth of housing costs, which tend to outpace pension income uprating, creating increasing affordability pressures over time.

## Welfare support may partially offset housing pressures, but may not fully address retirement adequacy risks

For pensioners with limited retirement resources, the benefits system can play an important role in reducing immediate housing affordability pressures. The growth in later life renting also increases the importance of welfare support in shaping retirement outcomes for lower-income households. Housing Benefit may help eligible renters meet some or all of their housing costs, while Pension Credit can supplement low retirement incomes and act as a gateway to additional support such as Council Tax relief or related entitlements.

For some households, this support may reduce exposure to severe hardship and improve short-term income adequacy. In particular, means-tested support can partially offset the financial burden created by ongoing housing costs that persist into retirement. Owner-occupiers are not without cost once mortgages are repaid, but the financial exposure of renters is structurally greater. However, welfare support is unlikely to remove the wider structural pressures associated with renting in retirement.

As eligibility is means-tested, support is concentrated among lower-income households and will provide limited assistance to retirees whose income or savings sit just above qualifying thresholds. The high rental costs they face may make them worse off than an owner-occupier with comparable or even lower levels of income or savings. This challenge may be more pronounced in higher-cost private rental markets, where means-tested benefits may not always keep pace with local rents, leaving later life renters exposed to affordability gaps that must still be met through pension income or savings.

The effectiveness of support policies may be further reduced by low take-up. Where eligible pensioners do not claim Pension Credit or related benefits, some households may remain in avoidable financial hardship, despite assistance being available. Evidence suggests that a substantial proportion of entitled pensioners do not receive available support. Less than two thirds (62%) of those entitled to Pension Credit claimed the benefit in the 2023/24 financial year, indicating that a significant minority of those eligible are missing out on support, estimated to be around 910,000 households missing out on an average of £2,600 per year. However, 71% of the total amount of Pension Credit that could have been claimed was claimed, suggesting that those most in need with the highest entitlement are more likely, on average, to take up the benefit, as the proportion of money claimed exceeds the proportion of eligible claims taken up. However, this data represents averages across the population rather than individual circumstances, so there may still be some individuals eligible for significant levels of Pension Credit who do not take it up. Take-up of Housing Benefit among pensioners is substantially higher, with around 85% of eligible pensioners estimated to receive it. However, there were around 230,000 pensioner households that did not take up Housing Benefit they were entitled to, amounting to an average of around £4,600 per year.[23]

High dependency on income-related benefits among single pensioners, low levels of take up among all groups, and falling adequacy of benefit income compared to Minimum Income Standards suggests that means-tested benefits provide poor support for adequacy.[24, 25] Lower take-up of Pension Credit in particular may weaken the effectiveness of the welfare system in reducing later life poverty and housing insecurity, especially as Pension Credit can act as a gateway to additional support.

Reliance on welfare support may also reflect weaker retirement resilience. Retirees who depend on Housing Benefit or Pension Credit to meet essential housing costs may have limited financial flexibility to absorb rent increases, health-related expenditure, or longer periods of longevity in retirement. As the number of renters in later life rises, this may increase pressure not only on private pension saving, but also on the welfare system itself. A growing share of retirees facing persistent housing costs could increase long-term demand for means-tested support, particularly where rental inflation continues to outpace pension income growth.

The growing number of retirees renting in retirement, together with the expanding eligibility for the new State Pension, is also expected to affect the future of means-tested benefits for older people. As increasing numbers qualify for the new State Pension, the number of Pension Credit claimants is forecast to keep falling. This change points towards a system that is increasingly focused on helping with particular expenses, including housing and disability-related costs, with Housing Benefit claims predicted to exceed Pension Credit claims within the next five years.[26] This pressure is not limited to renters: older owner-occupiers also face significant costs in maintaining and adapting their homes to meet changing health and mobility needs in later life, placing additional demands on disability-related entitlements and the benefits system more broadly.[27]

Welfare support may reduce immediate affordability risks for some pensioners, but it is unlikely to fully address the broader adequacy challenge created by prolonged renting in retirement. This reinforces the wider finding of this chapter that housing affordability is becoming increasingly central to both retirement adequacy and the sustainability of public support systems.

## A growing number of homeowners with mortgages continuing into retirement may need to consider alternative strategies for managing housing costs, including later life lending products

A growing number of homeowners are entering later life with outstanding mortgage debt, creating additional pressures on retirement adequacy. A survey of 2,000 individuals aged over 50 found that while around two-thirds own their homes, nearly a quarter of these homeowners are still repaying a mortgage. Although the majority (87%) of those with outstanding loans remain in employment, a proportion (13%) have already retired.[28] More households approaching retirement with inadequate savings are also adopting alternative strategies to manage housing costs. For example, there has been a 38% rise in over-65s letting out rooms over the past two years.[29] These trends suggest that for some households, retirement is increasingly characterised not by low housing costs and outright ownership, but by the continued need to actively manage housing affordability.

Later-life lending products may provide additional flexibility for households seeking to manage housing costs in retirement by reducing, restructuring, or deferring repayments.[30] However, in doing so, housing wealth increasingly functions as a financial buffer that is gradually depleted rather than a source of long-term security. This is reflected in the growth of 1) retirement interest-only (RIO) mortgages, which allow borrowers to continue making interest payments into retirement without repaying the capital balance, and 2) equity-release or later-life mortgage products, which enable homeowners to access housing wealth while remaining in their homes. These products may help households manage affordability pressures in the short-to-medium term, but they also reflect a broader shift away from the traditional expectation that mortgages will be fully repaid before retirement.

[21] Legal & General (2025).
[22] House of Commons Work and Pensions Committee (2025).
[23] DWP (2025b).
[24] PPI (2025).
[25] See PPI Pensions Framework report: Indicator appendix (2025) - Indicator A2.4 Means-Tested Benefits.
[26] The Second Pensions Commission (2026)
[27] Age UK (2026a)
[28] Lontayao, R. (2024)
[29] SpareRoom (2026)
[30] ILC UK (2012)

## Changing housing tenure trends present significant challenges for retirement adequacy cont.

In terms of trends over time, 388 RIO mortgages were advanced in Q4 2025, representing a 13.1% increase year-on-year, with lending values reaching £36 million, up 2.9% compared with Q4 the previous year.[31] These product types can help reduce immediate monthly affordability pressures and support refinancing of mortgage debt in later life. However, they also indicate a growing reliance on housing wealth to compensate for weaker retirement income adequacy. Rather than housing functioning solely as a debt-free asset in retirement, housing wealth increasingly appears to operate as a contingent financial resource that may need to be accessed in order to sustain living standards. As access to housing wealth is unevenly distributed across the population, this shift may further widen differences in retirement outcomes between homeowners with substantial property assets and those with limited housing wealth or no access to owner-occupation altogether.

## Generation X who extract money from their home equity

**Figure 1.5: Proportion of people who may attain retirement income thresholds**

Equity release allows individuals aged 55+ to access housing wealth tied up in their homes without having to make any monthly repayments. Homeowners may draw either a lump sum, or smaller regular amounts, while continuing to live in the property.[32] The two types of equity release – Lifetime Mortgages and Home Reversion plans – are regulated by the Financial Conduct Authority.

Equity release may provide additional financial flexibility in retirement by allowing homeowners to supplement income, manage expenditure pressures, or respond to unexpected costs while remaining in their home until death or entry into permanent residential care. With lifetime mortgages, individuals retain ownership of their property and may still benefit from any future house price growth, while some products also permit movement to another suitable property with the provider's approval.

However, there are also important trade-offs to consider. Equity release reduces the value of the estate passed on to beneficiaries and, under home reversion plans, can involve giving up full or partial ownership of the home. Accessing housing wealth may also affect entitlement to means-tested benefits and increase future liability for council-funded social care costs. As a result, equity release may improve short-term financial flexibility and adequacy, but may simultaneously weaken long-term financial resilience and limit future choices.[33]

Homeowners may therefore be able to draw on housing wealth to support retirement income adequacy, but access to this flexibility is uneven, and unavailable to renters altogether. Projected attainment of a Moderate Retirement Living Standard (RLS) through equity release or downsizing show clear income-based differences among Gen X (see figure 1.5 above). Individuals in middle- and higher-income quintiles are substantially more likely to achieve Moderate RLS than those in the bottom quintile. Among those projected to reach Moderate RLS, middle- and higher-income groups are also more likely to do so through equity release than lower-income groups. This suggests that the ability to use housing wealth to support adequacy may reinforce wider inequalities, as those with higher-value housing assets and stronger financial positions are better placed to benefit from later life lending flexibility.

Household composition also affects projected outcomes. Couples are more likely than single individuals to achieve Moderate RLS without releasing housing equity, potentially reflecting pooled financial resources and shared living costs. Across all income and employment categories, however, the projected share attaining Moderate RLS through equity release or downsizing remains below 22%, suggesting relatively limited expected take-up. This indicates that while housing wealth may support adequacy for some households, it is unlikely to provide a comprehensive solution to wider retirement adequacy pressures.

Wider evidence suggests that many people remain reluctant to access housing equity in later life. Contributing factors include perceived social stigma, limited supply of suitable and desirable retirement housing, and the financial costs of downsizing, including transaction costs and stamp duty. Together, these factors may reduce the attractiveness of using housing wealth as part of later-life financial planning.[34] Furthermore, perceptions around inheritance tax and uncertainty about future care funding needs may shape gifting and asset-retention behaviours.[35] Collectively, these pressures may delay or limit the extent to which older households feel willing or able to access or transfer housing wealth.

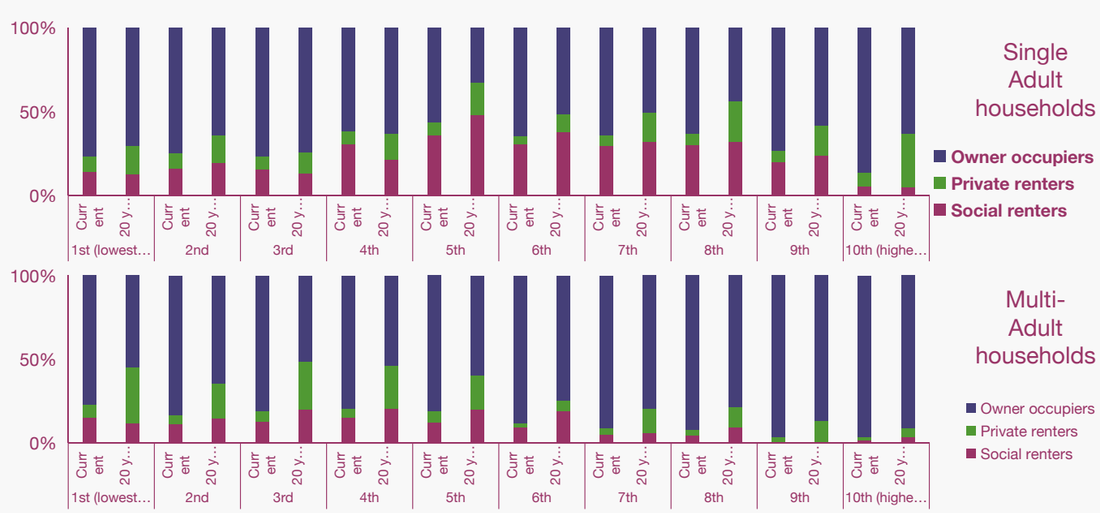
Potential policy responses may focus both on expanding consumer choice and reducing barriers to using housing wealth more effectively in later life. Increasing the supply of high-quality, age-appropriate, and desirable retirement properties could make downsizing a more attractive and feasible option. Financial barriers could also be reduced by lowering or reforming stamp duty for people later in life. In addition, embedding housing wealth more explicitly within later-life financial advice and guidance could help individuals better understand how their housing assets interact with pensions, savings, care costs, and retirement spending needs. Integrating housing wealth into financial planning could give consumers a more holistic view of their overall financial position and the range of options available to them. More integrated financial planning is likely to become increasingly important as housing wealth plays a larger role in supporting retirement adequacy for some cohorts.[36]

Overall, these trends suggest that homeownership may continue to provide an important source of financial flexibility in retirement, but increasingly through the active use of housing wealth rather than through debt-free housing security alone. While some homeowners may be able to use later life lending or downsizing to manage adequacy pressures, access to these options remains uneven and unaffordable to renters, reinforcing wider inequalities in retirement adequacy.

[31] UK Finance (2026)
[32] Equity Release Council (2026)
[33] Age UK (2026b)
[34] ILC UK (2012)
[35] Leslie, J. & Shah, K. (2022)
[36] ILC UK (2012)

## Rising levels of renting in retirement are likely to present the greatest adequacy challenges for lower-income households

**Figure 1.6: The distribution of housing tenure across pensioner households now and 20 years into the future**




The projected increase in private renting in retirement is concentrated among couples in the lower half of the income distribution. The largest growth is seen at the lowest income decile, with significant increases also expected across the bottom half of the distribution for couples. This suggests that future growth in renting in retirement is likely to be concentrated not among higher-income households with substantial financial assets, but among groups already more likely to be underpensioned and more exposed to financial vulnerability. As a result, persistent housing costs in retirement may increasingly interact with lower levels of pension wealth, creating heightened risks of income inadequacy among lower-income renters. These projections reinforce the importance of considering housing tenure and costs directly within assessments of retirement adequacy, particularly as current minimum contribution structures were largely developed within a policy context where outright homeownership in retirement was more common.

## Using access to pension savings to support homeownership may reduce some later life housing risks, but could also weaken long-term retirement adequacy

Allowing individuals to access pension savings in order to support homeownership has been proposed as a potential policy response to the projected increase in renting in later life and the associated risks to retirement adequacy. In principle, enabling earlier access to homeownership could reduce exposure to persistent rental costs in retirement, and potentially improve long-term financial security for some households. However, such an approach raises important concerns around longterm pension adequacy, housing affordability, and wider systemic stability.

Recent research suggests that the potential benefits of this policy may be concentrated among a relatively small group of households who may otherwise never achieve homeownership. For these households, using pension savings towards a deposit could increase the likelihood of entering owner-occupation, resulting in lower housing costs and greater housing security in later life. However, the research also suggests that a much larger group of households might use pension savings, not because they would otherwise be unable to purchase a home, but because doing so could accelerate entry onto the housing ladder or allow access to lower mortgage rates through larger deposits. In these cases, pension access may change the timing of terms of homeownership rather than fundamentally altering tenure outcomes.[37]

The adequacy risks associated with early pension access could be substantial. The average price of a first time home purchase is around £250,000. Assuming a typical 10% deposit requirement, a first-time buyer would need around £25,000 before accounting for additional costs such as legal fees, surveys, or moving expenses. Average pension wealth for those aged 25-34 was estimated to be £18,800 in 2022.[38] This means that for many young savers pension wealth would not, on its own, be sufficient to fund a typical house deposit, particularly in higher-cost regions such as London and the South East where required deposits are substantially larger. As a result, access to pension savings may only improve access to homeownership for a relatively limited group unless combined with other forms of savings or lower deposit requirements. In practice, policy reform allowing pension access would not necessarily allow for full withdrawal and would be more likely to limit withdrawals to a smaller proportion of the total pot (for example, 25%), further reducing the number of people for whom pension access could generate enough to cover a house deposit.

Even where pension wealth is sufficient to support access to homeownership, the implications for retirement adequacy could be significant. A withdrawal of £18,800 in an individual's late twenties or early thirties would remove not only the accumulated savings themselves, but also decades of potential compound interest growth. Assuming annual investment growth of 4%, £18,800 withdrawn at age 30 could otherwise have grown to approximately £83,400 by age 68. Individuals using pension savings to support a house purchase would therefore need to contribute substantially more later in working life in order to restore retirement outcomes to their previous trajectory. Without higher subsequent contributions, earlier pension access would materially reduce retirement income adequacy, particularly for lower- and middle-income households already at greater risk of undersaving.

If a substantial proportion of this pot were withdrawn to fund a housing deposit, the individual could effectively restart pension saving from a much lower base at an older age, reducing the benefits of compound investment growth over the remainder of their working life. This trade-off is particularly important given existing concerns around minimum contribution levels. While earlier homeownership may reduce housing costs later in life, early pension access would therefore improve housing adequacy at the expense of pension adequacy, unless contribution levels subsequently increase sufficiently to offset withdrawn savings.

There are also wider systemic considerations. Increased demand for housing without corresponding increases in supply could place additional upward pressure on house prices, potentially reducing affordability for future cohorts. There may also be implications for pension schemes if providers are required to maintain higher levels of liquidity to accommodate earlier withdrawals.[39]

These findings suggest that while pension-supported homeownership may improve financial outcomes for some households, the broader trade-offs are substantial. The evidence does not point to a simple solution to rising levels of renting in retirement and instead highlights the increasingly close relationship between housing affordability and pension adequacy.

More broadly, these pressures strengthen the case for considering pensions policy, housing policy, and welfare support together when assessing future adequacy challenges. While pension access schemes might assist some households at particular points in the lifecourse, they are not a substitute for sufficient pension contribution levels, and wider improvements in housing affordability and retirement saving adequacy remain central to improving long-term financial resilience.

[37] Brain, A., et al. (2026)
[38] ONS (2025)
[39] Brain, A., et al. (2026)

## International experience may offer lessons for the UK but further research is needed to assess the implications for retirement adequacy

Older private renters are a rapidly expanding group who face disproportionately high risks of poverty and financial insecurity in later life. As the number of retirees renting privately continues to rise, international experience may offer insights into how housing and pension systems can better accommodate longer-term renting in older age.

Comparative analysis suggests that the UK provides relatively limited security for older renters compared with several other countries with larger long-term rental sectors. International evidence indicates that countries such as Portugal, Germany, and the United States have adopted a range of policies intended to improve housing stability, affordability, and tenant protection for renters across the lifecourse. These approaches include stronger tenancy protections, longer default tenancy agreements, and greater alignment between housing support and retirement income systems.[40] In some countries, renting is more commonly treated as a long-term housing tenure rather than a transitional stage before owner-occupation, resulting in policy frameworks that provide greater predictability and stability for tenants entering later life. For example, Germany's rental market is characterised by relatively strong tenant protections and longer-term rental security, which may reduce exposure to involuntary moves and sudden rent increases among older renters.[41, 42] In Portugal, reforms have included protections aimed at limiting sharp rental increases for older tenants and improving affordability protections in some circumstances.[43] Some jurisdictions within the US have implemented local rent stabilisation policies targeted at reducing affordability pressures in high-cost rental markets.[44]

International experience also suggests that greater integration between housing policy, welfare support, and pension systems may help reduce some of the risks associated with renting in retirement. In countries with larger long-term rental sectors, housing support is often more explicitly recognised as part of retirement income adequacy, rather than treated separately from pension policy. However, international comparisons must also account for the complexity of transferring policies between countries with different housing markets, welfare systems, and patterns of homeownership. Policies designed to improve rental affordability or security may involve trade-offs relating to housing supply, fiscal costs, labour mobility, and investment incentives within the private rented sector. There is therefore a need for further research to assess how far international approaches could improve retirement adequacy outcomes within the UK context. This could involve modelling how some of these international policies might alter the level of pension wealth required to meet rental costs and the level of contributions required over the lifecourse to meet these.

Recent reforms within the UK indicate movement towards stronger protections for renters. The Renters' Rights Act 2026 aims to strengthen security of tenure within the private rented-sector through measures including the abolition of 'no-fault' evictions, limits on repeated fixed-term insecurity, and stronger rights for tenants to challenge unreasonable rent increases. These reforms may improve housing stability for some renters approaching retirement and reduce exposure to involuntary displacement in later life. However, while stronger tenancy protections may improve housing security, they are unlikely on their own to address the wider affordability pressures associated with long-term renting into retirement, particularly in higher-cost regions where rental cost growth continues to outpace pension income growth. The extent to which such reforms may improve retirement adequacy outcomes therefore remains uncertain and depends on how housing affordability, welfare support, and pension savings interact over time.

[40] Independent Age (2024)
[41] Davies, B., Snelling, C., Turner, E., and Marquardt, S. (2017)
[42] Reuter, I., and Battefeld, C. (2026)
[43] Independent Age (2024)
[44] California Department of Justice, Office of the Attorney General (2026)

# Conclusions

- **Housing is becoming an increasingly important determinant of retirement adequacy**. Rising housing costs, declining rates of outright homeownership, and increasing levels of renting in later life could significantly increase the level of retirement resources required to maintain living standards in retirement. This raises questions about whether current saving patterns and minimum contribution structures remain sufficient in the context of persistent housing costs.
- **Housing inequalities emerge across the life course and are often reinforced through intergenerational wealth transfers which further widen differences in housing security and retirement outcomes.** Understanding better how they interact could present opportunities for targeted policy interventions aimed at reducing cumulative disadvantage.
- **Housing wealth may increasingly function as a resource used to supplement retirement income through downsizing, equity release, or later life lending products.** However, access to housing wealth remains highly unequal and may further widen differences in retirement outcomes.
- **There is a clear intersection between pensions policy and housing and welfare policy.** These policy domains increasingly interact to shape financial security in later life. Decisions in one domain inevitably influence outcomes in the others and will need to be considered more holistically in future policy development to address adequacy challenges.
- **Reforms to housing policy and welfare support may improve housing security and affordability for some households, but are unlikely to fully resolve future retirement adequacy challenges on their own.** They are not a substitute for sufficient long-term pension saving and adequate contribution levels.

# CHAPTER TWO:

# HOUSEHOLD-LEVEL ADEQUACY

**This chapter examines how household structure shapes retirement adequacy, with retirement outcomes dependent not only on individual pension savings, but also on how resources are shared within households. It explores how couples, mixed-age households, single pensioners, and multigenerational living arrangements influence financial security in later life, highlighting how household-level measures can both improve and obscure the picture of adequacy, particularly for women and lower earners.**

**The chapter also examines how events such as divorce, bereavement, and caring responsibilities can expose hidden financial vulnerabilities within households. It considers how changing household structures and housing pressures interact with the pensions and benefits systems, raising wider questions about fairness and financial independence.**

# Introduction

Around 70% of people retire as part of a two-person household, and the financial reality of retirement is shaped as much by who someone lives with and how resources are shared, as by what they have saved individually.[45] This chapter shifts the lens to the household. It does so using two complementary frames of analysis. The first examines the stock: the situation different household types find themselves in at a point in time – who has what, how wealth is distributed within the household, and where mismatches between individual and household-level adequacy arise. The second examines the flow: what happens when life events disrupt existing household dynamics. Divorce, bereavement, an adult child returning home, or a change in housing tenure can each rapidly unsettle assumptions about shared resources and transform an apparently adequate household into a vulnerable one. Both angles are necessary to understand household level adequacy. A household that looks secure at a point in time may be one life event away from inadequacy, and conversely, an individual whose pension looks insufficient may be part of a household whose combined resources provide genuine security.

The case for taking a household perspective throughout this chapter rests on a straightforward principle: people living together pool resources. Couples share living costs, benefit from economies of scale, and often rely (whether explicitly or implicitly) on a partner's income or pension wealth to meet needs in retirement. When retirement resources are assumed to be shared equally within couples, the adequacy picture improves considerably, particularly for women. Research finds that among those aged 35-59, the proportion of women on track for at least a minimum retirement income rises from 57% to 82% when a partner's resources are factored in.[46, 47]

However, the household perspective carries its own risks. Adequacy at the household level can mask deep inequalities within it. Intra-household income sharing is rarely guaranteed, and life events can rapidly destabilise assumptions about pooled resources. A woman who has spent years out of the labour market caring for children or older relatives may appear adequately provided for within a couple household, yet hold little independent pension entitlement on her own. If that relationship breaks down, so may her financial security. Gender is therefore a central consideration in this chapter.

Household structures are also becoming more varied and complex. The proportion of UK households that are single-person has remained broadly stable over the past decade, sitting at around 28-30%, which represents 8.6 million people living alone. The share of those living alone who are aged 65 or over has also grown, rising from 46.9% to 49.6% between 2015 and 2025, meaning older people now account for nearly half of all solo households. At the same time, multigenerational living is increasing, driven in part by housing affordability pressures. Older people are also more likely to share their homes in other ways, with flat sharing rising fastest among those aged over 55, (over the last five years, the proportion of renters aged 55 to 64 has doubled, while the proportion aged over 65 has tripled), and a 38% increase in over-65s taking in lodgers.[48, 49] These shifts matter because retirement income policy, from pension auto-enrolment thresholds to means-tested benefits, was largely designed around more conventional household arrangements, and does not always account for the diversity of experiences and living situations.

Against this backdrop, the chapter is structured around three core questions:

1. At a household level, which types of household composition are most at risk of inadequate retirement income? This includes households with mixed-age couples, single pensioners (including those widowed), and those with adult children or unpaid carers at home.
2. Where do mismatches arise between individual and household-level adequacy? What are the characteristics of households where an individual pension appears inadequate, but household income is not, and, conversely, where a seemingly adequate individual pension masks household-level shortfalls?
3. Which life events have the greatest impact on household retirement income, and to what extent do these risks stem from the design of the pensions system itself? This includes events such as divorce, widowhood, and changes in housing tenure, as well as the cliff edges and benefit rules that can disproportionately affect certain household types.

# The Stock: Household Wealth and its Distribution

The sections that follow examine the retirement position of different household types at a point in time, mapping where adequacy risks are concentrated, where they are concealed by household-level aggregation, and which groups are more structurally exposed. Four household types are examined in turn: mixed-income couples, mixed-age couples, multi-adult households, and single-person households. Together, these groups account for the majority of retirement experiences in the UK, yet standard individual-level adequacy metrics struggle to capture the risks specific to each.

## Intra-household Inequality: Overall household wealth can mask individual risk within a household

A household-level view of retirement adequacy is a useful complement to purely individual assessments. However, it is important to acknowledge its blind spots. Aggregating wealth (particularly pension wealth) at the household level can obscure significant inequality within that household, particularly where one partner earns substantially more than the other. The first part of this section examines what available data reveals about how earnings and age dynamics within couples shape the distribution of pension wealth, financial security, and ultimately, adequacy in retirement.

## Mixed-Income Couples

Mixed-income couples illustrate one of the central challenges of adopting a household perspective on retirement adequacy. On paper, these households can appear relatively secure because resources are assessed collectively. Yet the distribution of those resources within the household may be highly unequal. Where one partner dominates earnings, the household's total pension wealth may look healthy in aggregate, but that figure can mask a significant imbalance in individual entitlements and financial independence. This imbalance is particularly significant for women, who are disproportionately likely to be the lower earner in breadwinner couples, and who therefore face greater exposure to individual pension inadequacy. Understanding the distinction between household wealth and individual financial security is therefore critical.

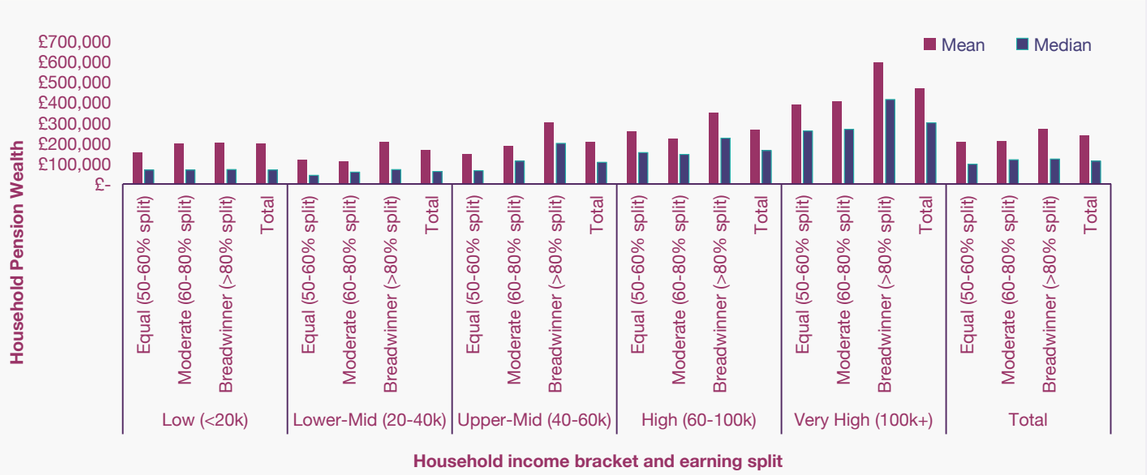
An in-depth analysis of Wealth and Assets survey data suggests that households with more unequal earnings distributions tend to hold higher levels of pension wealth overall. Across every household income bracket, couples where one parter contributes more than 80% of household earnings hold greater household pension wealth than couples with a more equal earnings split. This relationship becomes more pronounced at higher income levels. Among households with annual incomes over £100,000, median household pension wealth reaches over £600,000 in breadwinner households, compared to around £400,000 among equal-earner couples. A similar pattern is evident across mid and upper income-band households. Median combined pension wealth stands at around £280,000 in breadwinner couples, compared with £200,000 where partners earn roughly equally (50%-60% split).

This finding may initially appear counterintuitive. Greater equality in earnings does not necessarily translate into greater pension wealth accumulation at the household level. Instead, households with a dominant earner may benefit from more consistent full-time employment histories, greater access to more generous workplace pension arrangements, and a higher proportion of household income subject to employer contributions. However, household-level wealth measures conceal how retirement resources are distributed within the household. A larger aggregate pension pot does not imply that both partners enjoy the same level of retirement security. The partner who earns less, and consequently contributes less to their pension, holds considerably lower individual pension wealth, and has less financial autonomy. This risk is compounded in the event of relationship breakdown, where pension wealth imbalances between partners become most consequential, and where the lower-earning partner, most often a woman, may face a sharp deterioration in retirement security. Understanding who owns that pension wealth is critical when assessing adequacy.

[45] Pensions UK (2026)
[46] Cribb, J., O'Brien, L. and Sturrock, D. (2024)
[47] Unless otherwise stated, references to couples throughout this chapter include both married couples and those in civil partnerships.
[48] ONS (2026)
[49] SpareRoom (2026)

## Couples where one partner earns significantly more than the other have more household pension wealth

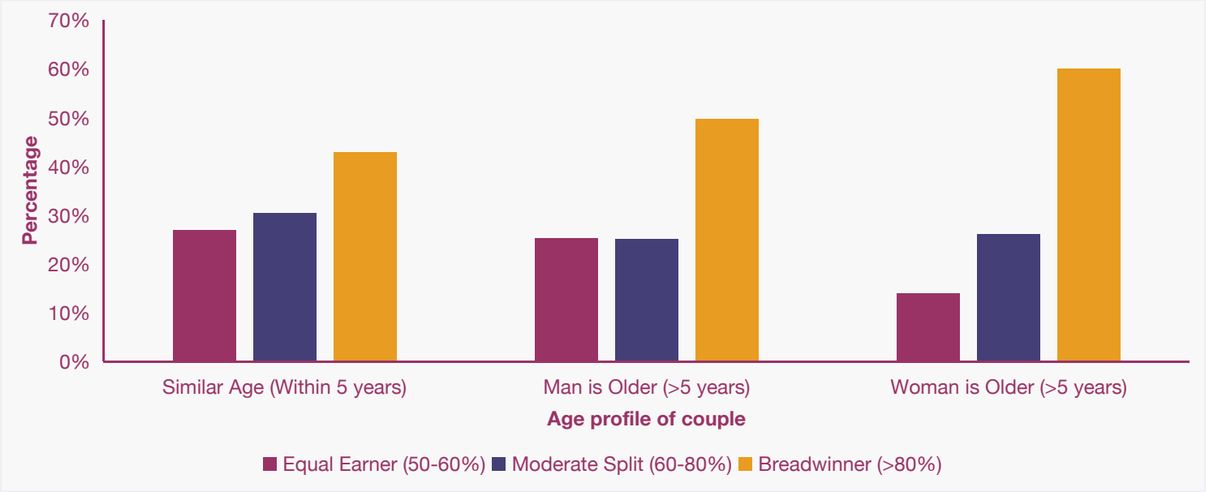
**Figure 2.1: Household pension wealth, within each household income bracket, by ratio of income contributed by each partner**




This effect is not simply a result of age differences or other demographic characteristics between partners. One might expect breadwinner households to have higher pension wealth because the dominant earner is older and has had more time to accumulate savings, or because unequal earnings reflect well-documented structural factors including the gender pay gap, occupational segregation, and the disproportionate caring responsibilities borne by women. Although these factors are all relevant to understanding why earnings inequality within couples is so prevalent, they do not fully explain the pension wealth premium observed here. Although mixed-age couples are somewhat more likely to exhibit unequal earnings patterns, breadwinner arrangements are the most common earnings dynamic across all age profiles. Around 43% of couples of a similar age fall into the breadwinner category, rising to approximately half of couples where the man is more than five years older, and around 60% where the woman is more than five years older. This suggests that unequal earnings distributions cannot be explained solely by age differences between partners, and that the concentration of pension wealth in breadwinner households reflects broader and more structural labour market and accumulation dynamics.

## While mixed age couples are more likely to have unequal earning splits, mixed income couples are the most common dynamic regardless of age differences

**Figure 2.2: Distribution of ratio of income contributed by each partner, by age dynamic of couples**

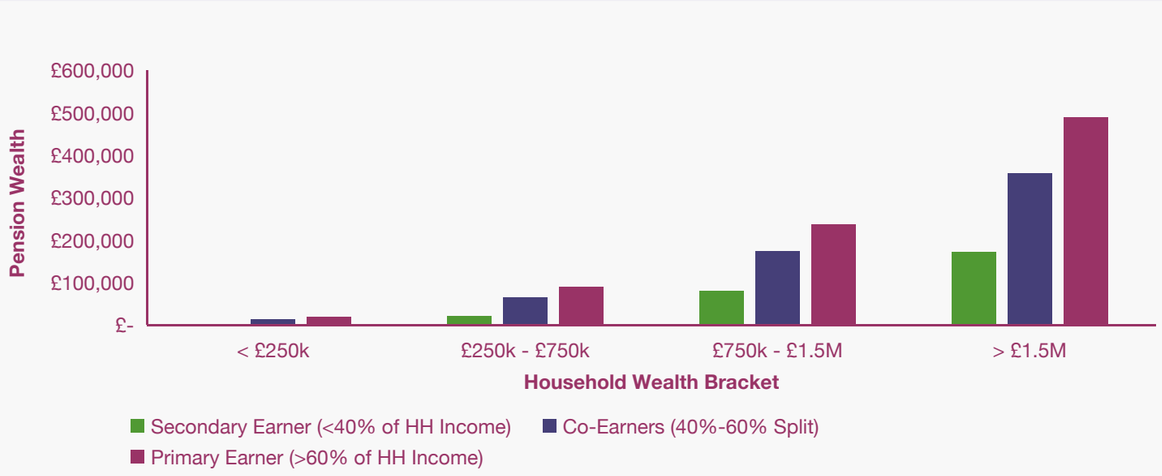



The household-level picture presented in Figure 2.1 conceals an important distributional question: who actually owns that pension wealth? While breadwinner households tend to accumulate larger pension pots overall, the benefits of that accumulation are not distributed evenly between partners. Figure 2.3 shows median individual pension wealth by earnings role within the household. Across every household wealth bracket, secondary earners hold substantially less pension wealth than both co-earners and primary earners. The gap widens as household wealth increases. Among wealthy households (in the £750,000 to £1.5 million bracket, median private pension wealth is approximately £80,000 for secondary earners, compared to around £170,000 for co-earners and over £230,000 for primary earners. Among households with pension wealth exceeding £1.5, million, median private pension wealth for secondary earners remains below £200,000, while primary earners hold almost £500,000.

This demonstrates that higher household wealth does not eliminate intra-household pension inequalities. In fact, the absolute gap between partners becomes larger as households become wealthier. A secondary earner may appear financially secure when assessed through a household lens, while possessing considerably weaker independent retirement resources than their partner. These differences matter because pension wealth is ultimately held individually rather than jointly. Household adequacy measures implicitly assume that resources are shared, but this assumption may not hold in practice, particularly following divorce, separation or bereavement. A household that appears comfortably provided for in aggregate may therefore contain an individual whose personal retirement provision is considerably weaker than headline household figures suggest.

## Secondary earners have less pension wealth than co-earners within the same household wealth bracket

**Figure 2.3: Median individual pension wealth, by household wealth bracket and earnings as a proportion of total household earning**

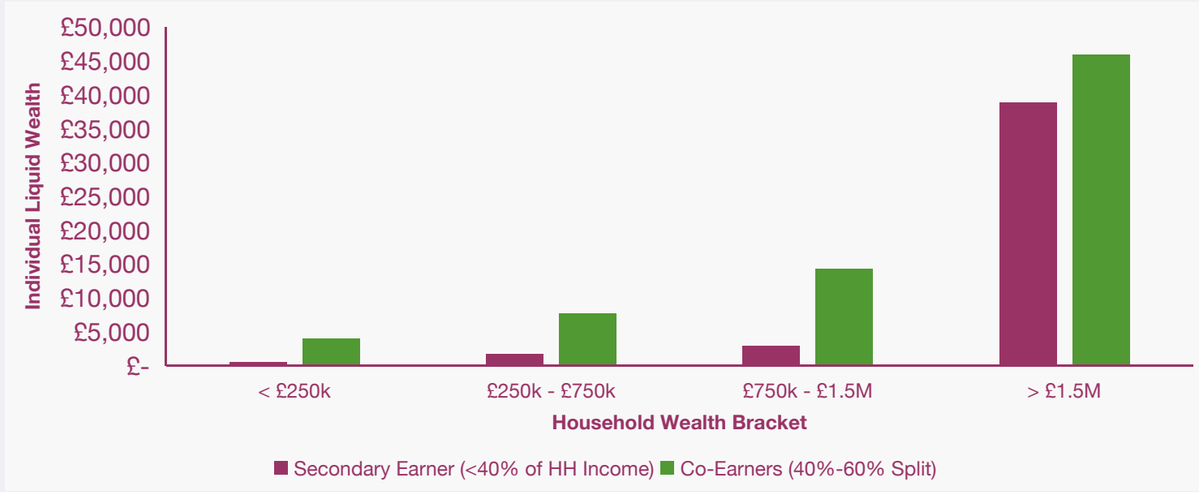



The disparity extends beyond pension wealth. Secondary earners also hold lower levels of personal liquid wealth (current accounts, ISAs and similar) than co-earners within the same household wealth bracket (Figure 2.4). Financial dependency in breadwinner arrangements, in other words, extends beyond pensions. It shapes day-to-day resilience as well as long-term retirement security.

[50] The Second Pensions Commission (2026)
[51] DWP (2019)
[52] Age UK (2019)
[53] DWP (2019)

## Secondary earners have less pension wealth than co-earners within the same household wealth bracket

**Figure 2.4: Median individual pension wealth, by household wealth bracket and earnings as a proportion of total household earning**




Taken together, these findings highlight an important limitation of household-level measures of retirement adequacy. Households where one partner is the dominant earner often accumulate greater pension wealth overall, yet that wealth is distributed unevenly between partners. Secondary earners hold substantially lower levels of both pension wealth and liquid savings, even within affluent households. As a result, a household that appears financially secure in aggregate may still contain an individual whose independent retirement resources are comparatively limited. Since women remain disproportionately represented among secondary earners.[50] Even accounting for this, the data points to significant individual-level gender inequality that household aggregation can obscure.

## Mixed-Age Couples

The dynamics observed in mixed-income couples become sharper, and in some respects more consequential, when there is also a significant age gap between partners. Mixed-age couples, where one partner is above State Pension Age (SPa) and the other is not, face a distinct set of timing risks that are largely invisible in aggregate adequacy assessments. The younger partner, who is disproportionately likely to be a woman, may face a longer retirement horizon, periods of unpaid caring, and most critically, a gap in benefit entitlement that the current system does little to address.

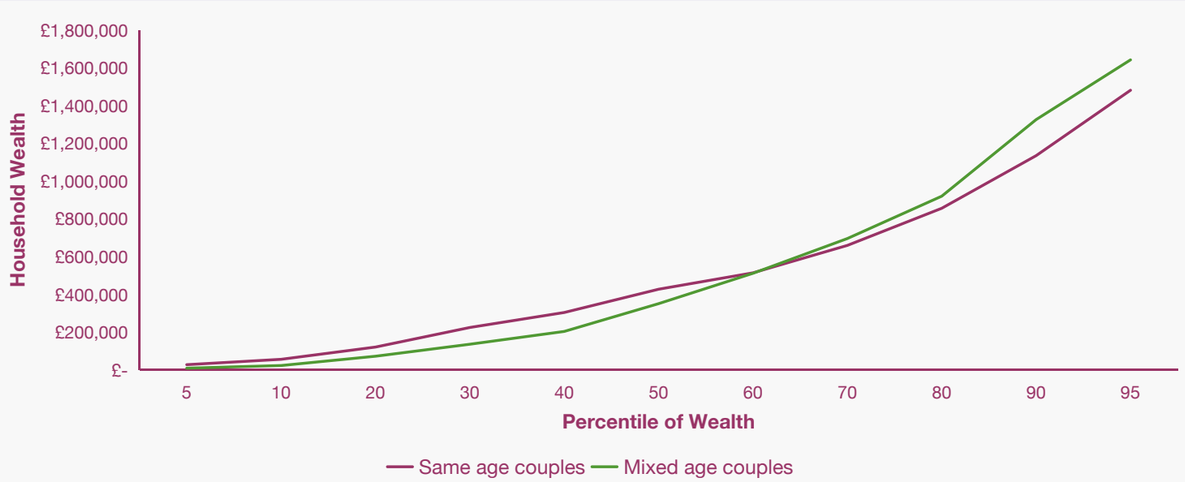
Since May 2019, pre-SPa/post-SPa couples have been treated as working-age for the purposes of means-tested benefits. This means they cannot claim Pension Credit (a more generous pension-age benefit) until both partners reach SPa, and must instead rely on Universal Credit, which provides considerably lower support.[51] Research has shown that affected couples can be up to £7,000 worse off per year as a result.[52] The 2019 reform also introduced a permanent cliff edge for those already in receipt of Pension Credit: once a mixed-age couple's Pension Credit claim ends (for any reason, including a brief change of circumstances) it cannot be reinstated, and the couple must fall back on the less generous Universal Credit system.[53] This creates a gap in policy that disproportionately affects lower-income mixed-age households.

At first glance, mixed-age couples do not appear obviously worse off than similar-age couples in terms of overall household wealth. Across much of the wealth distribution, the two groups follow a similar trajectory. However, Figure 2.5 suggests that wealth is distributed more unevenly among mixed-age couples. While the lower and middle portions of the distribution look broadly comparable, mixed-age couples become increasingly overrepresented at the very top end of the wealth spectrum. By the 90th and 95th percentiles, household wealth among mixed-age couples exceeds that of similar-age couples by a considerable margin.

This finding presents an apparent contradiction. If mixed-age couples are often at least as wealthy as similar-age couples, and in some cases substantially wealthier, why might they face greater adequacy risks? As in the previous section, the answer lies in the distinction between household resources and individually held resources. Household wealth can indicate that a couple is financially secure overall, while revealing little about how much financial autonomy each partner has within that household. The younger partner may live in a wealthy household without holding significant assets in their own name.

## Mixed age couples have a more unequal distribution of wealth compared to same age couples

**Figure 2.5: Percentiles of household wealth among same age couples and mixed age couples**




To explore this further, Figure 2.7 compares the personal liquid wealth held by younger partners in mixed-age couples with that held by secondary earners in similar-age households. The relationship is not entirely straightforward. Across much of the wealth distribution, levels of liquid wealth are broadly comparable. However, a notable divergence emerges among the wealthiest households. While personal liquid wealth rises sharply for secondary earners in similar-age couples at the top of the distribution, the liquid wealth held by younger partners in mixed-age relationships remains comparatively modest. This suggests that increasing household wealth does not necessarily translate into increasing personal financial autonomy for the younger partner.

**Figure 2.6: Why might the personal wealth gap widen at the top of the wealth distribution?**

The finding that the personal liquid wealth gap between same-age and mixed-age partners is largest among wealthier households is striking, and likely reflects several reinforcing dynamics.

**Wealth accumulation over time:** In similar-age couples, both partners have had a broadly equivalent time to build individual savings. In mixed-age couples, the younger partner may not yet have reached the income level or career stage at which significant personal wealth accumulates independently. This gap becomes more visible in higher-wealth households where the older partner has had decades to build-up assets.

**Asset concentration and financial control:** In higher-wealth households, financial assets may be more deliberately structured (through estate planning, trust arrangements, or investment portfolios) in ways that concentrate ownership with the older partner. Informal patterns of financial decision-making within the relationship may reinforce this over time.

**The care penalty:** Younger partners in mixed-age couples are more likely to have reduced or left paid employment to provide care as their older partner's health declines. This curtails not only current earnings but also the capacity to build personal savings, an effect that compounds the longer the age gap and the greater the household wealth.

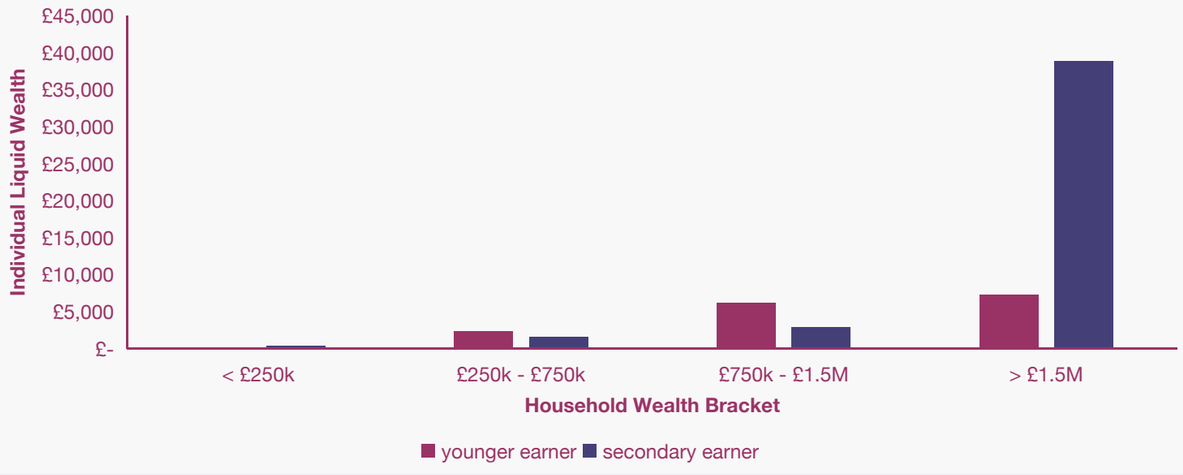
**Inheritance and intergenerational transfers:** Wealthier same-age couples are more likely to have received inheritances held individually. In mixed-age couples, there is a possibility that such transfers may flow primarily to or through the older partner, leaving the younger partner's personal wealth relatively limited even within an asset-rich household.

These dynamics are difficult to disentangle from available data. What data does highlight, is that high household wealth does not protect the younger partner from personal financial dependency, and may in some cases entrench it.

The pattern shown in Figure 2.7 reinforces an important theme running throughout this chapter. The benefits associated with household wealth are not always experienced equally by everyone within the household. In mixed-age couples, the younger partner may have access to a comfortable standard of living while the relationship remains intact, but still possess relatively limited financial resources in their own name. This distinction becomes particularly important when household circumstances change.

## Younger partners in mixed age couples have a ceiling to their individual liquid wealth

**Figure 2.7: Liquid wealth owned by younger earners in mixed age couples, and secondary earners in same age, mixed income couples, by wealth bracket, at the ages of 30-39**




The implications play out differently depending on where a household sits in the wealth distribution, but the underlying vulnerability is present across the board. At the lower end, younger partners in mixed-age couples face a compounding of disadvantages: limited personal savings, ineligibility for Pension Credit, a potentially longer period before their own State Pension age, and a higher likelihood of having to take on unpaid caring responsibilities as their older partner's health declines. The benefit changes introduced in 2019 bear particularly heavily on this group, removing access to more generous support precisely when household needs may be highest.

At the higher end, the picture is different, but the vulnerability is no less of a reality. Younger partners in wealthy mixed-age households may hold more pension wealth in absolute terms than lower-wealth counterparts (partly reflecting the fact that their older partner is approaching or already in retirement) but their personal entitlement may still fall short on a standalone basis. More significantly, their financial dependency creates acute risks in the event of relationship breakdown. Even where a younger partner is theoretically entitled to a share of their older partner's substantially larger pension, they may lack the personal resources to pursue a guaranteed arrangement. Hiring a lawyer and obtaining an actuarial assessment for a pension sharing order carries costs to which limited personal savings may not stretch.

Taken together, the evidence on mixed-age couples reinforces a central theme of this chapter: household-level wealth can obscure individual vulnerability, and the risks of not reaching adequacy in retirement carried by the younger or lower-earning partner only become visible (often too late), when that household arrangement changes.

## Multi-adult Households: when additional members change the picture

The previous sections demonstrated that household-level adequacy can conceal important differences in how resources are distributed between partners. However, retirement adequacy is not only shaped by relationships within couples. Increasingly, retirement-age households include other adults whose presence can materially alter both financial security and financial risk. In these households, the challenge is not simply understanding how resources are shared between two partners, but how resources flow across generations. Adult children return home due to rising housing costs or job insecurity, grandparents move in to provide childcare, older relatives are taken in as care needs increase. These arrangements are becoming increasingly common, and their implications for retirement adequacy are understudied. The financial consequences run in both directions: an additional household member can be either a source of support or a source of strain, depending on the circumstances.

The number of young adults aged 20 to 34 living with parents rose from 3.3 million in 2014 to 3.6 million in 2024.[54] This is driven in part by affordability pressures. Housing pressures are also reshaping living arrangements at the other end of the age spectrum. Flat sharing among over 65s has tripled over the past decade, and the number of over 65s taking in lodgers has risen by 38% in the past two years alone.[55] As with couples, the key question is whether household-level measures accurately reflect the financial position of the individuals within them. A parent may appear adequately provided for because an adult child contributes to household finances. Equally, a parent with apparently adequate retirement savings may be sacrificing contributions or drawing down assets to support other household members. Looking only at household resources can therefore conceal very different adequacy risks.

## Four household archetypes

Not all multi-adult households are alike, and the data points to four distinct profiles, each with a different adequacy risk, depending on the income levels of both the parent and the adult child.

Figure 2.8 maps this heterogeneity directly, plotting parent and adult child income against median household pension wealth. The bubble size reflects the number of households in each group, and the colour indicates median private pension wealth. The picture that emerges points to two important observations. First, pension wealth does not rise uniformly with parent income when an adult child is present, and the child's own earnings matter considerably to the overall household picture. Second, many of these households have low parental incomes, which challenges the stereotype of adult children living at home primarily to benefit financially from wealthier parents. This heterogeneity is pronounced enough that treating multi-adult households as a single category risks producing misleading adequacy assessments.

[54] ONS (2025)
[55] SpareRoom (2026)

## Households with adult children may have varying levels of earnings from parents or adult children

**Figure 2.8: Clusters of households with adult children with bubble size representing number of households and darker colour representing higher parental pension wealth.**

For illustrative purposes only. Generated using a K-means clustering algorithm with K=18.

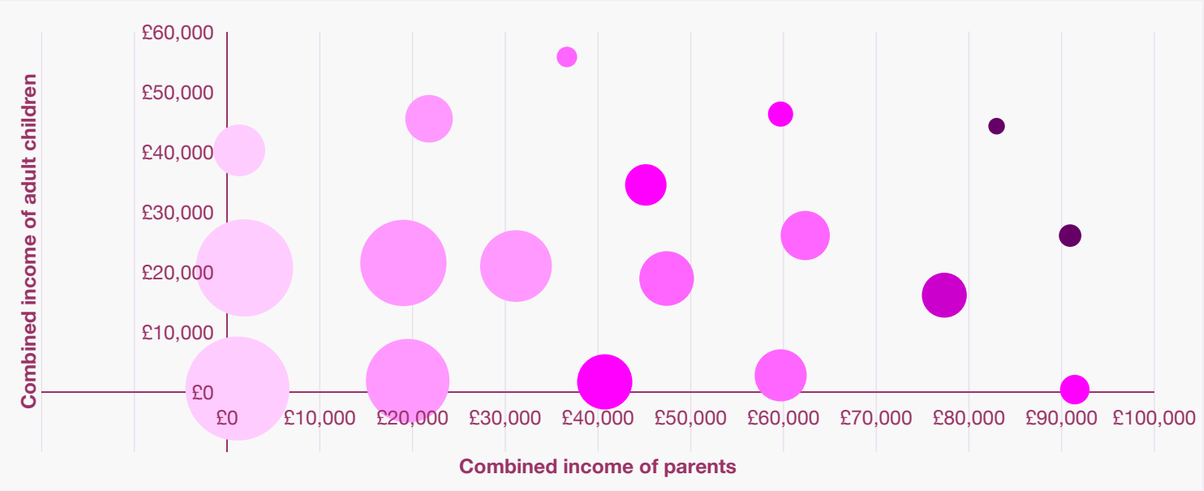



Figure 2.9 separates these groups into four archetypes, each capturing a different combination of parent and child income:

**Figure 2.9**

**The Powerhouse** (high earning parent, high earning adult child) – with a median private pension wealth of close to £500,000 parents in this group are well-positioned for retirement. The adult child's presence is unlikely to represent a financial burden and may reflect other factors such as housing market conditions in high-cost areas. Adequacy risk is low for this group.

**The Bank of Mum and Dad** (high earning parent, low earning adult child) – parents in this group have substantial pension wealth but are likely providing ongoing financial support to an adult child who cannot yet stand alone. The retirement risk for this group is not immediate inadequacy, but the slow erosion of savings, and the suppression of final years of pension contributions as parents absorb costs.

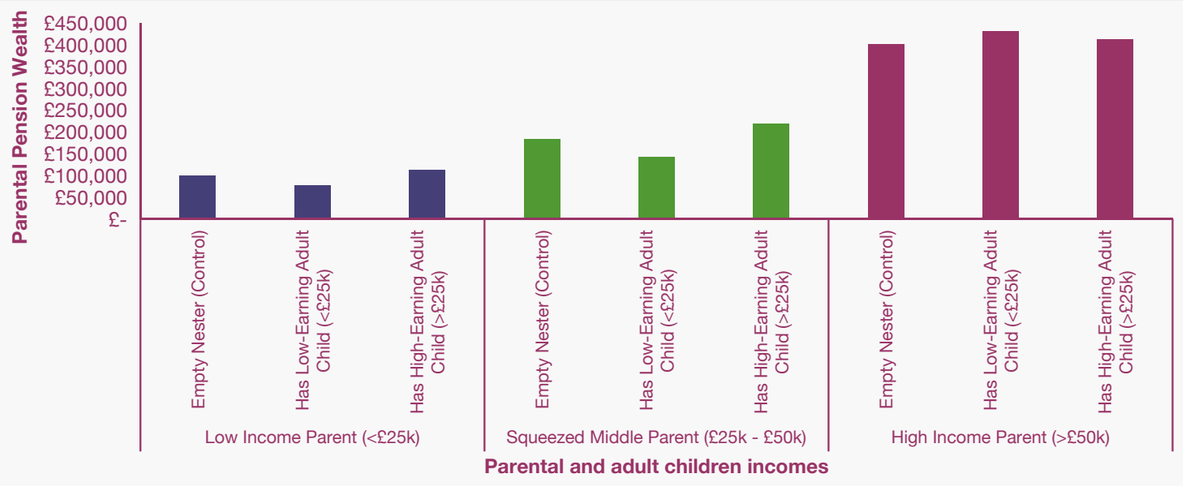
**The Survival Nest** (low earning parent, high earning adult child) – for this group, the dynamics are reversed, with the adult child's income providing a degree of support to parents with more limited pension wealth. Co-residence in these households may function as an informal safety net, with the adult child contributing to shared costs. The adequacy risk for this group lies in the fragility of the arrangement. If the adult child moves out or their circumstances change, the parent household loses a significant financial buffer.

**Double Deprivation** (low earning parent, low earning adult child) – in this group, both generations face financial pressures simultaneously, with median parent pension wealth of around £200,000 (the lowest of the four archetypes). These households are most likely to be living together out of economic necessity rather than choice, and least likely to have the resources to weather a financial shock. Retirement adequacy for the parent generation is at serious risk.

The modelling also points to a particularly important middle ground. As Figure 2.10 shows, for parents earning between £25,000 and £50,000 (the squeezed middle), the adult child's earnings make a significant difference. For this group, median private pension wealth is 7% higher where the adult child earns above £25,000, compared to households where they earn less. For higher earning parents, this effect is not significant (just 1%). This suggests that middle-income parents sit on a boundary position where the adult child can tip the household either toward or away from adequate retirement saving. This vulnerability does not show up in either individual or simple household-level assessments.

## The impact of adult children living at home on parents' pensions is greatest when parents have moderate income

**Figure 2.10: Median parental pension wealth, by total income of adult children and total income of parents**




Taken together, the evidence suggests that the presence of an additional adult in the household can either strengthen or weaken retirement adequacy, depending on the direction of financial support. Unlike the mixed-income and mixed-age couples examined previously, where vulnerability often stemmed from unequal ownership of resources, the key issue in multi-adult households is the extent to which retirement security becomes dependent on the circumstances of another generation. Household adequacy is therefore not only a question of how much wealth exists within a household, but also who relies on whom.

This creates a particular challenge for adequacy assessment. At the household level, the presence of a higher-earning adult child can make a low-pension parent appear adequately supported. Conversely, a parent with individually adequate pension saving may be running down savings or reducing contributions to support an adult child, creating financial pressures that neither individual-level nor simple household-level measures fully capture. These are not marginal cases. With 3.6 million adults aged 20 to 34 living with parents, and housing pressures showing no sign of easing, multi-generational households are an increasingly common feature of the retirement landscape. Their growing prevalence highlights the need for adequacy measures that account not only for the resources available within a household, but also for the dependencies and obligations that shape how those resources are used.

The next section turns to single-person households, where adequacy depends entirely on an individual's own resources, and where the absence of a household safety net can expose different forms of vulnerability.

## Single-person Households: adequacy without a safety net

Around 28–30% of UK households are single-person, representing 8.6 million people living alone. Nearly half of all people living alone are aged 65 or over, and this share has grown steadily over the past decade. The Retirement Living Standards treat single and couple households as distinct categories precisely because the financial reality of retirement differs fundamentally between the two.[56]

A single person needs around £14,400 per year to meet a minimum standard of living in retirement, and £31,300 for a moderate standard. A couple needs £22,400 and £43,100 respectively, roughly £11,200 and £21,550 per person. The single person's minimum standard therefore costs around 28% more per head than the equivalent for someone in a couple. This reflects genuine economies of scale in shared living: fixed costs such as housing, utilities, and insurance are divided between two people in a couple household, while a single person bears them entirely alone. The share of pensioners living alone rather than in a couple is projected to rise further, which will negatively impact living standards as these economies of scale become less accessible to a growing proportion of retirees.[57]

These cost pressures are considerably amplified for single people who rent. As set out in Chapter One, around 35% of private renters and 34% of social renters are already in poverty in retirement, compared with just 12% of owner-occupiers, and even receipt of the full new State Pension may not be sufficient to meet basic living costs for single pensioners in rented accommodation. For a single pensioner, covering the cost of private renting throughout retirement can easily require between £173,500 and £288,600 depending on region, based on PPI analysis of projected rental costs.[58, 59] This threshold sits well above median private pension wealth for women at ages 60 to 64, which stands at around £105,000. Without a partner's income or pension to draw on, the full weight of rental costs falls on a single pot that must simultaneously cover all other living expenses. For single renters in higher-cost regions, where monthly rents at the 75th percentile reach around £1,170, the savings required to sustain housing costs alone through retirement approach £289,000, a level of pension wealth held by only a minority of people approaching retirement.

The income picture reinforces this. Poverty rates among single pensioners stood at 21% in 2023 to 2024, compared with an average of 16% across all pensioner households, and singles are projected to make up an even larger share of pensioners in poverty in future.[60] For the full rate new State Pension, the position of couples and singles diverges sharply: for couples, the combination of two State Pensions sits above the relative poverty line, while for single retirees with no other income, it may fall just below.[61] Around 1 in 5 single pensioners has no income other than the State Pension and entitlements, leaving them heavily reliant on a system that does not always provide sufficient support.[62] Even among those receiving Pension Credit, a large proportion remain in poverty, underscoring that means-tested support, while important, cannot fully compensate for the structural cost disadvantage single people face, particularly where high rental costs push housing expenditure beyond what benefit entitlements cover.

As Chapter One sets out, less than two thirds of those entitled to Pension Credit claimed the benefit in 2023 to 2024, with around 910,000 households missing out on an average of £2,600 per year. For single pensioners, who are both more likely to be eligible and more likely to face the full weight of housing and living costs alone, low take-up of Pension Credit represents a particular failure of the system to reach those who need it most. High dependency on income-related benefits among single pensioners, combined with falling adequacy of benefit income relative to Minimum Income Standards, suggests that the current safety net provides inadequate support for this group.

This leads to the question: Who are the single people most at risk? The picture is not uniform. Some single retirees have planned financially for solo living throughout their working lives. Others arrive at single-person retirement through divorce or bereavement (transitions which are examined further on in this chapter) and may have had their financial position materially altered by those events. A third group are people who have spent extended periods living alone during working life, often in private rented accommodation, without access to the wealth accumulation that homeownership and long-term partnership tend to provide. It is this last group, long-term solo renters,

[56] Pensions UK(2026)
[57] The Second Pensions Commission (2026)
[58] Refer to Figure 1.3 for more information.
[59] The Second Pensions Commission (2026)
[60] The Second Pensions Commission (2026)
[61] The Second Pensions Commission (2026)
[62] Independent Age (2025)
[63] Hitchings, E., et al. (2023)
[64] Hitchings, E., et al. (2023)
[65] ONS (2024)
[66] Hitchings, E., et al. (2023)
[67] ONS (2025)
[68] A clean break arrangement severs all financial ties between divorcing spouses, with each retaining specified assets and neither retaining any future claim on the other's finances.

## The Flow: How Life Events Reshape the Picture

### When the Household Breaks Down

The sections above have shown how intra-household inequality can leave individual partners, particularly women, financially exposed even within a partnership. When relationships end, these once hidden vulnerabilities become impossible to ignore. Divorce, separation, and bereavement are not just deep personal changes, they are financial shocks that can permanently reshape retirement prospects, and the current pensions and legal system offers limited protection against negative outcomes.

### Divorce and pension wealth: a neglected asset

Pensions are frequently among the most valuable assets a couple holds, yet they remain poorly understood, poorly disclosed, and often inadequately accounted for in divorce settlements. Research finds that over a third of divorcees did not know the value of their own pension at the point of separation, let alone their partner's, and nearly a quarter were unaware of what type of pension scheme they were enrolled in.[63] This knowledge gap has direct consequences: only 11% of divorcees with a pension yet to be drawn made any arrangement for pension sharing.[64]

Divorce remains a widespread life event in England and Wales, with ONS cohort analysis consistently showing that a substantial proportion of marriages end before couples reach later life, though rates vary considerably depending on when couples married and have declined among more recent cohorts.[65] Nevertheless, the financial consequences of divorce for retirement adequacy are poorly understood and merit greater policy attention than they currently receive.

Women entering divorce are more likely to have accumulated lower pension wealth, having been more likely to work part-time or take career breaks during the marriage, and more likely to be primarily responsible for the care of children afterwards. These twin disadvantages compound: lower individual pension entitlement, combined with reduced post-divorce earning capacity (and for many, limited time to build-up savings), creates a long-term adequacy risk that a divorce settlement focused on immediate financial needs may do little to address.[66]

The position of cohabiting couples who separate is more precarious still. Unlike married couples and civil partners, cohabitees have no automatic legal claims on one another's finances or assets, including pension wealth, on separation. There is no equivalent of a pension sharing order available to cohabiting couples, meaning that even where one partner has accumulated substantially more pension wealth than the other, the lower-earning partner has no legal entitlement to any share of it. Given that cohabiting couples make up around 18% of all families in the UK, and that cohabitation is increasingly common among younger cohorts who are also more likely to rent and to have lower pension wealth, this represents a significant and growing gap in the protection available to people approaching retirement.[67]

### The clean break problem

When a couple divorces, pensions are rarely the first asset that comes to mind. Property (if available) tends to dominate negotiations, partly because it is tangible and immediately understood, and partly because housing security feels more pressing than retirement income that may be decades away. Where feasible, a common way of resolving the competing claims on both assets is through offsetting: one partner keeps the family home, and the other retains their pension, with the two treated as roughly equivalent in value. This avoids the complexity, and cost, or a formal pension sharing order. The legal framework actively favours this outcome, encouraging "clean break arrangements", with limited systematic requirement to ensure both parties understand the long-term retirement consequences of the trade they are making.[68]

In principle, offsetting offers a pragmatic solution. In practice, data suggests "clean breaks" are only mathematically viable for a minority of couples, and their apparent simplicity may come at a significant long-term cost. An analysis of Wealth and Assets survey data points to the fact that around half of currently married couples hold more property wealth than pension wealth, meaning they cannot use pension wealth to "buy out" their partner's share of the home even if they wanted to. Figure 2.11 sets this out clearly: for 47.7% of married couples, a clean break via offsetting is simply impossible because house equity exceeds 50% of total wealth. Only 25.6% of couples are in a position where pension wealth equals or exceeds house equity, making a clean break mathematically feasible.

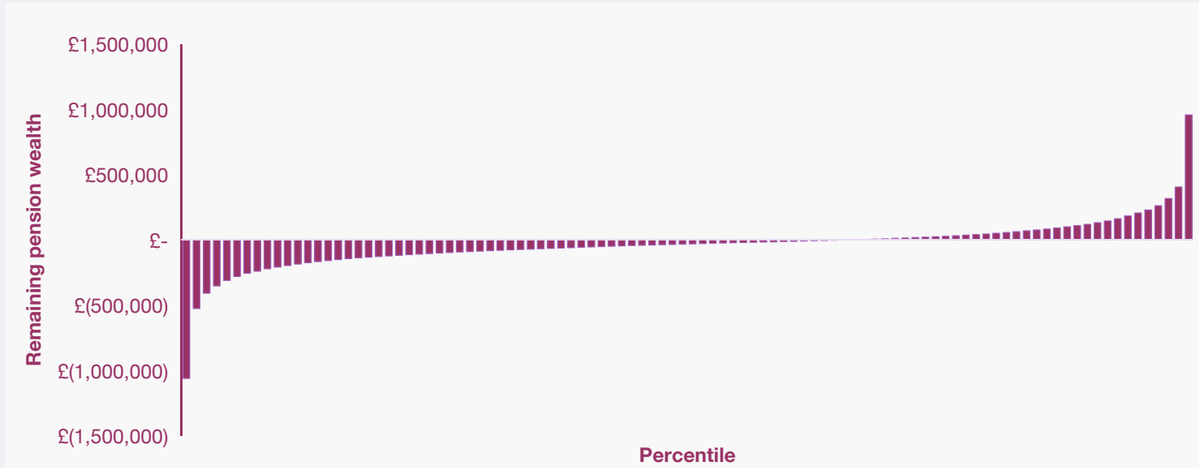
**Figure 2.11: Potential for clean break divorce for currently married couples**

| Is a clean break via offsetting mathematically possible? | |
|---|---|
| N/A (renting, etc.) | 26.7% |
| Impossible (house equity exceeds 50% of total wealth) | 47.7% |
| Possible (pension wealth equals or exceeds house equity) | 25.6% |

Figure 2.12 illustrates the scale of this problem across the wealth distribution. It plots the clean break surplus or deficit for households ranked from most to least constrained. The majority of households sit at or below zero, meaning they do not have sufficient pension wealth to offset property equity. Only those in the upper percentiles of the distribution move into surplus. For most couples, a clean break is not a choice, it is simply not an option.

## Most couples cannot afford to use pension wealth to offset property in a divorce

**Figure 2.12: Proportion of pension wealth that would be left over if it were used to offset half of property wealth in a £1 for £1 manner to facilitate a clean-break divorce, by percentiles of remaining pension wealth**

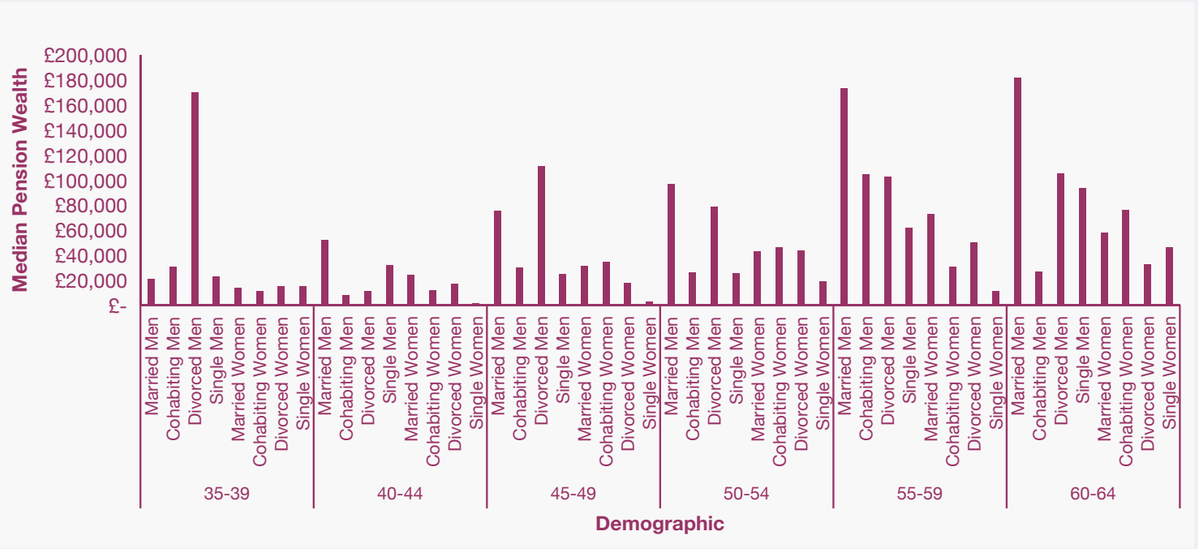



Divorce settlements may also fail to account for the fundamentally different nature of property and pension assets. A pound-for-pound trade may not be appropriate. Property and pension wealth serve different purposes and carry different risks, and an exchange that looks balanced on paper may leave one partner without adequate retirement income for decades to come. Compounding this is a growing lack of visibility into how divorces are actually settled. No-fault "DIY" divorces mean there is little data on how pension and property wealth are divided in practice, and fewer opportunities for the system to identify or correct outcomes that may prove harmful in the long run.

The consequences of these decisions becomes visible when we examine pension wealth after divorce. Figure 2.13 shows median individual pension wealth by age, gender, and marital status. Across all age groups, divorced individuals tend to hold less pension wealth than their married counterparts, but the pattern is not uniform and several features of the data deserve closer attention.

## Divorce reduces pension wealth for both genders, with divorced women having particularly low pension wealth

**Figure 2.13: Median individual pension wealth, by age band, gender and marital status**




Among men, divorced individuals aged 45 to 49 hold notably higher pension wealth than their married counterparts.[69] This is counterintuitive at first glance, but may reflect two reinforcing dynamics. First, it could be a direct consequence of the offsetting arrangements discussed above: men who retain their pension pot in exchange for their partner keeping the family home may, in the short term, appear better positioned in pension wealth terms than married men whose pension wealth is effectively shared within the household. Second, it may reflect a selection effect, whereby the divorced population skews towards those who were wealthier to begin with, given the legal costs and administrative complexity involved in formal divorce proceedings. Lower-income couples who separate may do so without legally divorcing, meaning the divorced population skews towards those who were wealthier to begin with.

Among women, a different and revealing pattern emerges at ages 50 to 54, where married and divorced women hold broadly similar levels of pension wealth. This convergence is likely to reflect the sustained impact of the motherhood penalty on married women up to this point. Married women who took career breaks or worked reduced hours during child-rearing years may not have had the opportunity to rebuild pension savings by their early fifties. After this age, the trajectories diverge: married women appear better placed to return to full-time work and rebuild savings, while divorced women face greater difficulty doing so, likely reflecting differences in financial security, housing stability, and caring responsibilities following relationship breakdown.

One of the most significant features of the data is the decline in pension wealth among divorced women between ages 55 to 59 and 60 to 64. Rather than continuing to accumulate, median private pension wealth for this group falls over this period, suggesting that many divorced women in this age range are drawing on their pension pot before reaching State Pension age. This points to a pattern of financial stress in the years immediately preceding retirement, where inadequate income from other sources forces early access to pension savings, further weakening long-term retirement security.

The gendered dimension of divorce is particularly pronounced in later life. While married women aged 55 to 59 hold median private pension wealth of around £75,000, divorced women in the same age group hold closer to £50,000. By ages 60 to 64, this gap widens further: divorced women hold median private pension wealth of around £35,000, compared with almost £60,000 among married women. This gap reflects not just the immediate shock of relationship breakdown, but the cumulative effect of lower earnings, greater caring responsibilities, and weaker pension accumulation during the marriage itself.

[69] Throughout this report, when considering marriage and divorce, all same-sex and opposite-sex marriages and civil partnerships, divorces and dissolutions are considered unless otherwise stated.

Differences that emerged during working life persist, and in some cases intensify, following divorce, meaning that by the point of approaching retirement, many divorced women find themselves with pension wealth that falls well short of what is needed to sustain an adequate income in later life. The contrast with divorced men is stark. Among those aged 60 to 64, divorced men hold median private pension wealth in excess of £100,000, compared with approximately £35,000 among divorced women of the same age, a gap of more than £65,000 at the point of approaching retirement.

These findings suggest that relationship breakdown should be recognised as a material retirement adequacy risk, and one that falls disproportionately on women. Greater awareness of pension wealth during divorce proceedings, alongside stronger engagement with pension sharing and retirement planning, may help reduce the long-term adequacy consequences associated with divorce. The data also points to the importance of earlier intervention: the pension disadvantages that make divorce so financially damaging for women are largely established during the marriage itself, through earnings gaps, career breaks, and caring responsibilities. Addressing intra-household inequality during working life, through more equal pension accumulation, better support for carers, and stronger financial awareness within couples, therefore offers one of the most effective routes to improving retirement outcomes for women who experience relationship breakdown later in life.

The Money and Pensions Service offers specialist MoneyHelper appointments for people going through divorce, but awareness of this provision remains low, with just four in ten people aware that pensions can be part of a divorce settlement.[70] There is a case for making signposting to specialist pension and financial guidance a standard part of the divorce process, rather than leaving it to individuals to seek out. The Law Commission's 2024 report on financial remedies on divorce concluded that the current law requires reform, finding that it does not provide a cohesive framework in which divorcing couples can expect fair and sufficiently certain outcomes, and that pension division in particular is frequently overlooked when assets are divided.[71] This represents a significant body of analysis with direct relevance to retirement adequacy. Engaging with the Law Commission's findings offers an opportunity to ensure that pension division becomes easier for divorcing couples to understand and act on, with DWP well placed to consider how this intersects with wider retirement adequacy objectives.

## Bereavement and pension wealth

Widowhood represents a different but related risk. The transition from a couple to a single-person household is one of the most significant financial shocks a retiree can face. Women are more likely to experience this transition, and suffer its impacts, both because they tend to outlive their partners, and because they are more likely to be the younger partner in a couple. Single pensioner households face a poverty rate of 22%, compared with 16% across all household types, and both single women and those aged 85 and over face rates of 23%.[72] Those living alone in retirement are significantly less likely to achieve even a minimum retirement income (projected at 59%, compared with 93% for those in couples).[73]

Part of the risk stems from how retirement income is structured. Annuities purchased from Defined Contribution (DC) pensions are frequently not bought on a joint-life basis, meaning income ceases on (or shortly after) the death of the policyholder. Where assets or income are shared across a couple, the surviving partner, who faces the same or proportionally higher fixed costs in a single-person household, may find that their income falls sharply at precisely the point their needs are greatest. Survivor benefits are not automatically secured in a predominantly DC world in the way they were under Defined Benefit (DB) schemes. They require an active decision at the point of retirement, typically through the purchase of a joint-life annuity. Data shows annuity sales reached a ten year high in 2024, with total sales of around £7 billion, with an increased proportion of life annuities being sold.[74] However, annuities (and joint life annuities) remain one product among many retirement income options. Those who do not take financial advice, or who prioritise higher initial income over survivor provisions, may leave a dependent partner inadequately protected.

Modelling the precise financial impact of bereavement is difficult in practice. The transition from a couple to a single household is rarely captured cleanly in longitudinal data. Income streams, asset ownership, and pension entitlements are often recorded at the household rather than individual level, making it harder to isolate the shock to the surviving partner's finances. For this reason, the analysis in this chapter does not attempt to quantify the income drop associated with widowhood, and this remains an important gap in the evidence base on retirement adequacy.

While the direct impact of bereavement is difficult to observe, Figure 2.14 provides some insight into how pension wealth differs by marital status in retirement. Among women, widowed individuals hold higher levels of individual pension wealth than their married counterparts in both early and later retirement. This may appear surprising given the financial challenges often associated with bereavement. However, it likely reflects the fact that pension wealth previously held within a household becomes concentrated in the surviving partner's name, either through survivor benefits, or the transfer of assets following a partner's death.

It is important to note, however, that higher levels of individual pension wealth do not necessarily imply greater financial security. Bereavement often coincides with the loss of a partner's income, the transition from a two-person to a one-person household, and the loss of informal support and care. The surviving partner may therefore appear financially better provided for on the basis of pension wealth alone while simultaneously facing a reduction in overall household resources and greater financial vulnerability.

The chart also highlights notable differences between widowhood and divorce. While widowed women hold substantially more pension wealth than divorced women, divorced women remain one of the groups with the lowest levels of pension wealth across both age bands. This suggests that relationship breakdown and bereavement can have very different implications for retirement adequacy, even though both involve the transition from a couple to a single-person household.

## Marital status affects individual pension wealth in retirement

**Figure 2.14: Median individual pension wealth, by age band, gender and marital status**

[70] MaPS (2026)
[71] Law Commission (2024)
[72] Work and Pensions Committee (2025)
[73] Cribb, J. et al. (2024)
[74] Association of British Insurers (2025)

# Conclusions

- **Household structure is a significant determinant of retirement adequacy.** Different household types face distinct risks, and household-level measures can mask significant inequalities in individual pension wealth and financial autonomy. Measures of retirement adequacy should therefore consider both current household resources and resilience to life events such as divorce, bereavement, and changes in living arrangements.
- **The interaction between household circumstances and policy design can create additional adequacy risks.** Mixed-age couples are particularly disadvantaged by current benefit rules, with some households significantly worse off due to reliance on Universal Credit rather than Pension Credit. This highlights the need to review eligibility rules, which as currently designed leave mixed-age couples materially worse off, and warrants explicit policy attention.
- **Single people face structurally higher retirement costs and weaker safety nets.** Single renters are especially exposed, facing higher per-person living costs, alongside ongoing rental costs and often lower pension wealth. Existing contribution structures, welfare support systems, and retirement planning guidance do not consistently account for these additional pressures.
- **Multi-generational living arrangements are becoming increasingly important in the context of housing affordability pressures and changing family structures**. While these arrangements can improve short-term financial resilience through shared costs and support, they may also create new financial dependencies that affect retirement saving and spending decisions.
- **Divorce is a material retirement adequacy risk that the current system does little to mitigate.** Pension wealth is often not adequately considered during divorce settlements, leaving many individuals, often women, with substantially weaker retirement outcomes. The Law Commission's 2024 report on financial remedies on divorce sets out a clear case for reform, and there is scope for DWP to engage with its recommendations. More immediately, signposting to specialist guidance, including MoneyHelper's divorce appointments, could ensure that more couples engage with pension wealth before settlements are reached. Improving pension sharing arrangements and encouraging more equal pension accumulation during relationships could help reduce these risks.
- **Bereavement, creates significant adequacy risks that the shift to Defined Contribution pensions has made harder to manage**. In a predominantly DC world, survivor benefits are not automatic. Individuals who prioritise higher retirement income without considering dependent partners may unintentionally leave surviving partners vulnerable to adequacy pressures. Stronger guidance default options around survivor protection could improve financial resilience following bereavement.

## CHAPTER THREE:

# AUTOMATIC ENROLMENT

**This chapter examines where the UK's automatic enrolment (AE) system succeeds and where it leaves people behind in building sufficient pension savings. It identifies the groups currently excluded or underserved by AE (for example, low earners, multiple-job holders, carers, and the self-employed), and evaluates potential reforms (such as removing the earnings trigger, introducing carers' credits, changing tax relief, and raising contribution rates) that aim to close those gaps. Illustrative vignettes of different worker profiles (young, mid-life, older) are used to show how these changes could affect retirement incomes for various groups over time.**

# Introduction

Since its introduction, automatic enrolment has significantly increased workplace pension participation. However, while participation has widened considerably, important questions remain about whether current contribution levels are sufficient to deliver adequate retirement incomes, whether AE  is designed in the most effective way to support savers to achieve adequacy, and whether its benefits are experienced equally across the population. These are issues also considered by the Second Pensions Commission in its interim report.[75]

This chapter explores the strengths and limitations of automatic enrolment through the lens of retirement adequacy and inequality. It addresses the following research questions:

- Where does the Automatic Enrolment system disadvantage people in specific situations?
- Which groups are currently not well served or excluded by the existing Automatic Enrolment system?
- What are the options to improve the system to better serve these groups?
- What are their pros, cons, and prospects for success?

[75] The Second Pensions Commission (2026)
[76] DWP (2025c)
[77] DWP (2025e)
[78] DWP (2025c)
[79] DWP (2025e)

# Current automatic enrolment coverage and participation

## Automatic enrolment (AE) has significantly increased pension participation among eligible employees

Since its introduction in 2012, AE has transformed participation in workplace pension saving across the UK. The policy was designed to address historically low levels of private pension saving by using inertia to encourage participation, requiring employers to automatically enrol eligible workers into a pension scheme, while also allowing employees to opt out. This contrasts with previous arrangements where employees had to make an active choice to opt into pension saving and many employers did not offer workplace provision.

Under current rules, individuals are eligible for AE if they:

- are aged between 22 and State Pension age
- earn at least £10,000 per year with a single employer

Minimum contributions are set at 8% of qualifying earnings (between £6,240 and £50,270) which includes a minimum employer contribution of 3%.[76]

Pension participation among eligible employees has increased substantially since AE was introduced. By 2024, around 89% of eligible employees were participating in a workplace pension, totalling 21.7 million individuals.[77] Since 2012, automatic enrolment has brought over 10 million additional workers into workplace pension saving, who were not previously participating.[78] This represents a major structural shift in pension saving behaviour, particularly among groups that historically had low participation rates, including younger workers and lower earners (although these groups are more likely to be ineligible due to age or earnings).

## Participation gains have stabilised, with most eligible employees remaining enrolled

While AE has successfully increased participation, recent evidence suggests that participation rates have now stabilised. The majority of eligible employees remain enrolled, and opt-out rates have remained consistently low, typically around 8–10%.[79] Low opt-out rates reflect the behavioural design of AE. Behavioural tendencies towards inertia mean that individuals are more likely to take the path of least resistance and less likely to make an active choice. AE leverages this inertia by changing the choice architecture of joining a workplace pension scheme. Individuals are more likely to remain in a pension scheme once automatically enrolled than actively opt out, where previously they would have had to make an active choice to opt in.

However, participation varies across the labour market. Employees working for smaller employers and those with lower earnings are more likely to opt out or cease saving after the opt out window has passed. Affordability concerns, competing financial pressures, and limited awareness of pension benefits can all influence participation decisions, particularly for lower-income households.

## Current automatic enrolment coverage and participation cont.

### Eligibility criteria create clear boundaries for who is included in AE

Despite high participation among those eligible, AE is not universal. Its design creates clear eligibility thresholds that exclude certain groups from AE.

The most significant of these is the £10,000 earnings trigger, which applies per job rather than across total income. As a result:

- Around 3.2 million workers earning below this threshold are not automatically enrolled.[80]
- Many of these individuals are in part-time or low-paid work.
- A large proportion are women.

Workers below the earnings trigger can opt in voluntarily, but take-up remains low, meaning many do not benefit from employer contributions.

In addition, individuals with multiple low-paid jobs may earn above £10,000 in total, but fall below the threshold in each individual job. This means they are not automatically enrolled in any pension scheme, despite having aggregate earnings that would otherwise qualify them. If income from multiple jobs was assessed on a total rather than 'per job' basis, an additional 8% (80,000) of multiple jobholders would become eligible for AE. This change in eligibility criteria would affect more women with multiple jobs than men with multiple jobs, bringing in an additional 14% of women with multiple jobs into pension saving.[81]

## AE eligibility has expanded substantially but persistent structural gaps continue to exclude specific groups from full pension participation

### The proportion of employees who are eligible for auto-enrolment has risen consistently across all demographic groups since 2012, but eligibility gaps between groups remain substantial, and in some cases, have structural causes that fall outside the current legislative framework

Analysis of the Labour Force Survey (LFS) from October to December 2012 through to the equivalent quarter in 2025 provides a detailed picture of how auto-enrolment eligibility has evolved across gender, age, disability status, caring responsibilities, multiple job-holding, and self-employment.[82]

### Automatic enrolment eligibility has risen significantly for both men and women, but earnings thresholds continue to leave women disproportionately excluded

Across all employees, the share who are AE-eligible rose from 78% in 2012 to 89% in 2025. The gender gap in eligibility, which is one of the more persistent structural features of the system, narrowed considerably over this period. In 2012, 86.6% of male employees were eligible compared to 68.4% of women. By 2025, those figures had risen to 91.5% for men and 86.7% for women. The gap narrowed from 19 percentage points to five. This reflects a combination of rising female labour force participation, longer hours of work, and increases in real earnings that have brought more women above the earnings trigger.

Ineligibility among women is driven primarily by earnings rather than age. In 2025, earnings-related ineligibility accounted for the overwhelming majority of the female ineligible population. If policymakers want to expand eligibility for women, they would need to consider either lowering or removing the earnings trigger, which remains fixed at £10,000 per year in nominal terms and therefore erodes relative to median earnings over time.

### Automatic enrolment eligibility remains structurally constrained for younger workers, while older age groups have seen substantial expansion in coverage

Workers aged 16 to 21 are excluded from auto-enrolment by the age eligibility criterion. This means that the 16–19 age group has a zero-eligibility rate by design, and a proportion of the 20–24 cohort also falls outside the qualifying age band (roughly half being below age 22). For all age groups between 25 and 64, eligibility rates are high and rose consistently over the analysis period.

The 20–24 group has seen notable improvement in eligibility, driven by earnings growth among younger workers. In 2012, around 51% of 20–24 year-old employees were AE-eligible overall; by 2025, that had risen to 60%. The gap between men and women in this cohort remained wider than in older groups, reflecting the greater concentration of young women in part-time and lower-paid roles.

At the older end of the distribution, workers aged 60–64 reached eligibility rates of around 93% for men and 86% for women by 2025, compared to 86% and 60% respectively in 2012. This improvement may partly reflect broader changes in retirement behaviour, alongside policy changes such as the removal of the upper age limit for AE eligibility. However, the drivers are likely to be mixed, with some higher earners remaining in work longer while some lower earners may also delay retirement due to financial necessity.

[80] PPI (2023)
[81] Adams, J. (PPI) (2025)
[82] This section is based on PPI modelling (2026)

AE eligibility has expanded substantially but persistent structural gaps continue to exclude specific groups from full pension participation cont.

## Disabled workers remain less likely to qualify for automatic enrolment, with earnings inequality continuing to drive persistent eligibility gaps, particularly for disabled women

Using the Equality Act definition of disability (not available in 2012 and applied from 2013 onwards), disabled employees have consistently lower AE eligibility rates than non-disabled employees, though the gap has narrowed. In 2013, around 73% of disabled employees were AE-eligible overall, compared to 78% of non-disabled employees. By 2025, those figures had risen to approximately 86% and 90% respectively. The gap of around four percentage points reflects both lower average earnings among disabled workers and greater rates of part-time working.

The pattern differs by sex. Disabled women have lower eligibility rates than disabled men throughout the series, and in 2025 approximately 82% of disabled female employees were eligible, compared to 93% of disabled male employees. If policymakers want to improve pension saving outcomes for disabled employees, reforms to the earnings trigger are likely to be more effective than age-based changes, given that earnings ineligibility is the dominant driver.

## Ethnic minority groups face persistent pension inequalities, although automatic enrolment eligibility gaps vary significantly across communities, and are shaped by broader labour market disparities

Ethnic minority workers have historically experienced lower private pension participation and are disproportionately represented among groups at greater risk of being underpensioned. PPI's Underpensioned Index highlights that several ethnic minority communities continue to face elevated risks of poorer retirement outcomes, driven by a combination of lower average earnings, higher rates of insecure or part-time work, self-employment, and wider structural inequalities across the labour market. In 2024, the average private pension income for individuals from ethnic minority groups was approximately £5,300, compared to the population average of £8,500, illustrating the scale of existing pension wealth disparities.[83]

Some ethnic minority groups may have eligibility rates approaching or comparable to the wider population, while others remain more likely to fall below earnings thresholds or work in employment structures less effectively captured by AE. These differences often reflect wider variations in earnings levels, rates of self-employment and multiple job-holding.

This means that pension disadvantage among ethnic minority groups may not always arise solely from AE eligibility rules themselves, but from broader structural labour market inequalities that influence who is most likely to meet existing age and earnings criteria.

## Carers appear substantially underserved by automatic enrolment, though current data limitations likely understate the full scale of pension exclusion among those balancing work and unpaid care

This analysis uses Carer's Allowance receipt as a proxy for caring responsibilities. This is an imperfect measure: Carer's Allowance is only payable to those providing at least 35 hours of care per week and earning below a threshold that by design makes simultaneous employment difficult. A large proportion of employees in receipt of Carer's Allowance are classified as ineligible for AE, although the figures fluctuate considerably year-on-year given the relatively small sample sizes involved.

With that caveat in mind, female carers substantially outnumber male carers in the data throughout the series: in 2025, around 83,000 female employees were in receipt of Carer's Allowance, compared to approximately 14,000 male employees. AE eligibility rates among carers are lower than average and volatile, and the carer proxy is unlikely to capture the broader population of informal carers who combine employment and caring at levels that fall below the Carer's Allowance threshold. A more granular measure of caring would be needed to assess the full extent of the savings gap for this group.

## Current per-job earnings rules leave tens of thousands of multiple job-holders, disproportionately women, excluded from automatic enrolment despite sufficient aggregate earnings

Workers holding two or more employee jobs numbered 615,196 in 2025, with women making up approximately 59% of this group. AE eligibility among multiple job-holders is assessed on a per-job basis under current rules, meaning that workers whose earnings fall below the trigger in each individual role, but would exceed it in aggregate, are not automatically enrolled.

Under the standard per-job assessment, around 83% of multiple job-holders were AE-eligible in 2025, compared to 89% of the overall employed population. If policymakers want to extend coverage to these workers, they would need to address how earnings are aggregated across multiple employments for AE purposes, a question that raises practical challenges around employer responsibilities and payroll administration.

## Self-employed workers remain one of the largest groups structurally excluded from automatic enrolment, with no equivalent default pension saving mechanism currently in place

Self-employed workers fall outside the auto-enrolment framework entirely. In 2025, approximately 4.7 million people were wholly self-employed, with men representing 60% of that total. A further 541,757 individuals had both an employment and a self-employment. Among the latter group, AE eligibility in the employed job was around 84.8% in 2025 for the combined male and female total, suggesting that most of those holding a combination of employment and self-employment are captured by AE in their employee role.

The self-employed-only population faces no equivalent mechanism. Their pension saving outcomes are not captured by the LFS data in this analysis, but wider evidence indicates that self-employed workers have substantially lower pension participation rates than employees. The average private pension income of someone who is self-employed was £4,550 compared to the population average of £8,500 in 2024.[84] The growth of self-employment between 2012 and 2019, from around 4.8 million to 5.3 million, followed by a partial decline thereafter, has altered the size and composition of the population operating outside traditional employee pension structures. Since AE applies only to employees, fluctuations in self-employment levels affect the scale of workers excluded from default workplace pension saving, highlighting a structural gap that current AE policy cannot address without legislative reform or the development of equivalent mechanisms for the self-employed.

[83] Adams, J. (PPI) (2025)
[84] Adams, J. (PPI) (2025)

## Minimum contribution rates have successfully expanded pension participation, but current saving levels may remain insufficient to deliver adequate retirement outcomes for many workers

Automatic enrolment has transformed workplace pension participation, but participation alone does not guarantee adequate retirement saving. The Second Pensions Commission's interim report highlights the risk that the current system has normalised pension saving at levels that may be too low for many workers, particularly where contributions are made only on qualifying earnings rather than on full salary.

Since April 2019, minimum total contributions under AE have been set at 8% of qualifying earnings, including a minimum 3% employer contribution, with contributions calculated only on earnings between the Lower Earnings Limit (LEL) of £6,240 and £50,270 rather than full salary. This means that many workers, particularly lower earners, save less than 8% of their total pay in practice.

While this structure has established widespread pension saving, contribution adequacy remains a growing policy concern. DWP analysis shows that around 3 in 10 private sector DC savers contribute only at the AE minimum level, while approximately half save at or below 8% of total pay.[85]

This reflects one of AE's core design trade-offs. The policy has prioritised broad participation and affordability, helping to normalise pension saving without creating excessive immediate financial pressure on employers or employees. However, the relatively modest minimum contribution framework means that many savers, particularly those with interrupted careers, low earnings, or late entry into saving, may still accumulate pension wealth insufficient to meet desired retirement living standards.

As a result, AE has been highly effective as an inclusion mechanism, but less successful as a standalone adequacy solution. If policymakers wish to improve retirement outcomes more substantially, future reform may need to consider not only who is included in pension saving, but also whether minimum contribution levels and qualifying earnings structures are sufficient to generate adequate retirement incomes over the long-term. This creates an important distinction between expanding coverage, and improving adequacy, both of which are central to the future evolution of automatic enrolment policy.

[85] DWP (2025c)

## Illustrative vignettes show that automatic enrolment works best for steady employee careers and least well for low, interrupted, and non-employee earnings

### The most informative case studies sit at the boundaries of AE design

To assess how current structures and proposed reforms operate in practice, this section models a series of illustrative worker vignettes representing individuals whose earnings, age, employment patterns, or caring responsibilities make them particularly sensitive to policy design.

By focusing on workers excluded by the earnings trigger, those with interrupted contribution histories, the self-employed, and individuals beginning pension saving later in life, the modelling highlights where AE currently performs strongly and where significant structural limitations remain. These scenarios also provide a practical basis for testing how specific reforms may improve adequacy for different underserved groups.

The section centres on the following profiles:

- **Jasmine**, a young low-paid part-time worker below the AE trigger, illustrating exclusion from pension saving
- **Leanne**, a young low-paid full-time worker above the trigger, illustrating inadequate pension accumulation despite enrolment
- **Kwame**, a comparable low-paid male worker, used to assess gendered differences in outcomes
- **Sadia**, a mid-life carer whose pension saving is interrupted by unpaid caring responsibilities
- **Andre**, a self-employed median earner excluded from employee-based AE structures
- **Naomi** and **Ravi**, median-earning basic-rate taxpayers used to assess the relative impact of tax-relief reform and contribution increases on pension adequacy
- **Cynthia** and **Alan**, older savers modelling the challenges of improving adequacy later in working life

These profiles demonstrate that AE remains most effective for workers with stable full-time employee careers, while outcomes are often weaker for those with persistently low earnings, fragmented employment, interrupted careers, or self-employment. The case studies also capture both structural and distributional weaknesses within the system. Comparisons between male and female low earners help illustrate how reforms such as first-pound contributions may affect groups differently, while later life saving scenarios demonstrate how delayed pension participation can sharply increase the cost and difficulty of achieving adequacy. Collectively, these examples provide a clearer framework for assessing whether layered reforms can strengthen pension outcomes across increasingly diverse working lives.

### Core modelling assumptions underpinning the vignette analysis

The vignette modelling uses age-specific and gender-specific earnings trajectories derived from Labour Force Survey percentile earnings data, projected forward using OBR earnings growth assumptions. This allows each hypothetical profile to reflect realistic earnings patterns over a working life, rather than static salary assumptions.

Key assumptions include:

- Policy reforms are modelled from 2026 onwards, rather than retrospectively across the whole working career
- Retirement income is modelled using drawdown rather than annuitisation
- Pension drawdown occurs at 5% annually, uprated by CPI
- The State Pension triple lock remains in place throughout the modelling horizon
- Contribution reforms alter future saving behaviour only
- Carer top-ups are modelled as government-funded contributions equivalent to employer minimum contributions on National Living Wage-equivalent earnings

## Illustrative vignettes show that automatic enrolment works best for steady employee careers and least well for low, interrupted, and non-employee earnings cont.

These assumptions are significant because they increase the relative role of State Pension income over time, particularly for younger workers, and mean that replacement rates should not be interpreted in isolation. In many cases, high replacement rates may reflect relatively low pre-retirement earnings combined with State Pension generosity, rather than strong private pension wealth.

In practical terms, this means pension wealth, cash retirement income and replacement rates should all be considered together when assessing adequacy.[86]

### Vignettes are illustrative mechanisms rather than forecasts

These case studies are not intended to predict retirement outcomes for specific individuals. Rather, they serve as analytical tools that demonstrate:

- Where AE disadvantages particular groups
- Which reforms improve outcomes
- How reforms affect adequacy, inclusion and fairness differently
- What trade-offs emerge between pension adequacy, affordability and implementation complexity

They do not model wider fiscal costs, employer behavioural responses, labour market adjustments, or opt-out behaviour. Their value lies in showing how policy architecture interacts with different lifecourse experiences.

This approach is consistent with the wider research questions of the chapter, which seek to identify where AE works well, where it leaves people behind, and which reforms may improve outcomes for groups currently underserved.

## Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform

### Improving AE outcomes may require both wider inclusion and stronger contributions

AE has substantially expanded workplace pension participation, but existing eligibility rules and minimum contribution structures continue to leave significant groups outside the system or saving at levels unlikely to deliver adequate retirement incomes. While AE has proven highly effective for standard employees with stable earnings, its current design means that younger workers, low earners, carers, and the self-employed often remain underserved.

Recent legislation through the Pensions (Extension of Automatic Enrolment) Act 2023 has created powers to lower the minimum enrolment age from 22 to 18 and remove the Lower Earnings Limit (LEL), which would enable pension contributions from the first pound earned. However, these reforms have not yet been implemented. Following the 2024 election, the Labour government stated in November 2024 that it would consider "if and when to make changes" to AE, balancing the objective of improving retirement outcomes against potential impacts on employers and business costs.[87] This suggests that while the legislative framework for reform now exists, implementation remains subject to wider economic and political considerations.

This section assesses the main AE reform options, focusing on how each may affect coverage, adequacy, fairness and affordability.

### Removing the earnings trigger could substantially widen pension coverage, particularly for low-paid and part-time workers

Under current AE rules, employees must earn at least £10,000 annually from a single job to qualify for AE. This threshold excludes around 3 million workers, with disproportionate effects on women, part-time workers, younger employees, and individuals holding multiple low-paid jobs, many of whom remain outside pension saving despite regular labour market participation.

Eliminating the earnings trigger would automatically enrol all eligible employees regardless of earnings level, broadening coverage among groups currently underrepresented in workplace pension saving. Earlier and more consistent participation could improve long-term pension accumulation, particularly for workers with fragmented or low-paid employment patterns.

However, there are trade-offs associated with achieving wider inclusion in this way. For very low earners, mandatory minimum pension contributions may place additional pressure on already constrained household finances, which could lead some newly enrolled workers to opt out if pension saving is viewed as unaffordable in the short term. There are also concerns that some workers with persistently low lifetime earnings may contribute to private pensions at the expense of more immediate financial priorities, despite being likely to rely heavily on State Pension and means-tested support in retirement. In this context, "over-saving" refers to the risk that pension saving could reduce current living standards without improving retirement outcomes for some lower-income households. Employers, particularly those operating in low-wage sectors, could also face increased pension costs.

[86] Further technical detail on modelling assumptions can be found in the appendix.
[87] Mirza-Davies, J. & Cunningham, S. (2026)

## Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform cont.

**Case Study: Jasmine, a young part-time worker, demonstrates how current earnings thresholds can exclude workers from building meaningful private pension wealth**

**Jasmine**, a hypothetical very low-paid part-time worker whose earnings remain below the £10,000 AE trigger throughout her working life, illustrates how current eligibility rules can exclude workers from private pension saving.

Under current baseline rules, Jasmine is excluded from automatic enrolment entirely. As a result:

- She accumulates no private pension pot
- She receives no employer pension contributions
- Her retirement income is derived almost exclusively from the State Pension
- In this baseline scenario, Jasmine reaches retirement with:
- Private pension wealth: £0
- Pre-tax retirement income: £16,056 per year[88]
- Gross replacement rate: 169%

Although this replacement rate appears high, it reflects Jasmine's low pre-retirement earnings and reliance on the State Pension, rather than strong private pension provision.

### Removing the earnings trigger alone improves inclusion but has a limited adequacy effect

When the AE earnings trigger is removed, but contributions remain based on qualifying earnings bands, Jasmine begins to accumulate some private pension wealth.

Under this reform:

**Figure 3.1:**

| Outcome | Current AE qualifying earnings model | Remove earnings trigger |
|---|---|---|
| Private pension pot at retirement | £0 | £14,915 |
| Annual private pension income | £0 | £559 |
| Gross replacement rate | 169% | 174.9% |

While this improves inclusion, the adequacy effect remains limited because contributions are still calculated only on band earnings above the lower qualifying earnings threshold.

Removing the Lower Earnings Limit would increase contributions for many already enrolled workers

Removing the Lower Earnings Limit (LEL), often described as introducing "first-pound contributions," would mean that pension contributions apply from the first pound earned. This would increase the proportion of earnings accruing pension contributions, particularly for lower earners, and could strengthen pension adequacy without necessarily changing headline contribution percentages.

The effect of removing the LEL is best understood through effective contribution rates, which show pension contributions as a proportion of total earnings rather than qualifying earnings. This distinction matters because the headline AE minimum contribution rate can overstate how much many workers are actually saving relative to their full pay.

**Figure 3.2:**

Potential levers to increase savings in automatic enrolment include lowering the age threshold, removing the lower earnings limit, and increasing minimum contribution rates

Effective contribution rates measure pension contributions as a proportion of total earnings, rather than as a proportion of qualifying earnings. This provides a clearer way to compare reforms that affect the earnings base on which contributions are paid.

Under the current AE system, the headline minimum contribution rate of 8% does not mean that 8% of total pay is saved. Contributions are only paid on qualifying earnings, so workers close to the earnings trigger contribute on only part of their income. For example, for workers earning just above the £10,000 earnings trigger, 8% of band earnings is equivalent to an effective contribution rate of just over 3% of total earnings. The highest effective contribution rate under the current system occurs at the upper qualifying earnings threshold of £50,270, where contributions are equivalent to around 7% of total earnings.

Removing the Lower Earnings Limit would mean contributions are paid from the first pound of earnings. For workers earning below the upper qualifying earnings threshold, this would make pensionable earnings equal to actual earnings, increasing the effective contribution rate to 8%. This has the greatest effect for lower earners, because the current LEL excludes a larger share of their income from pension contributions.

By contrast, increasing minimum contributions from 8% to 12% while retaining the LEL would raise the rate applied to the existing qualifying earnings band. This would have a greater effect for higher earners, because more of their income already falls within the qualifying band.

Figure 3.3 shows that below around £18,700, removing the LEL produces a higher effective contribution rate than increasing minimum contributions to 12% while retaining the current band earnings structure. Above that point, increasing minimum contributions to 12% has the larger effect.

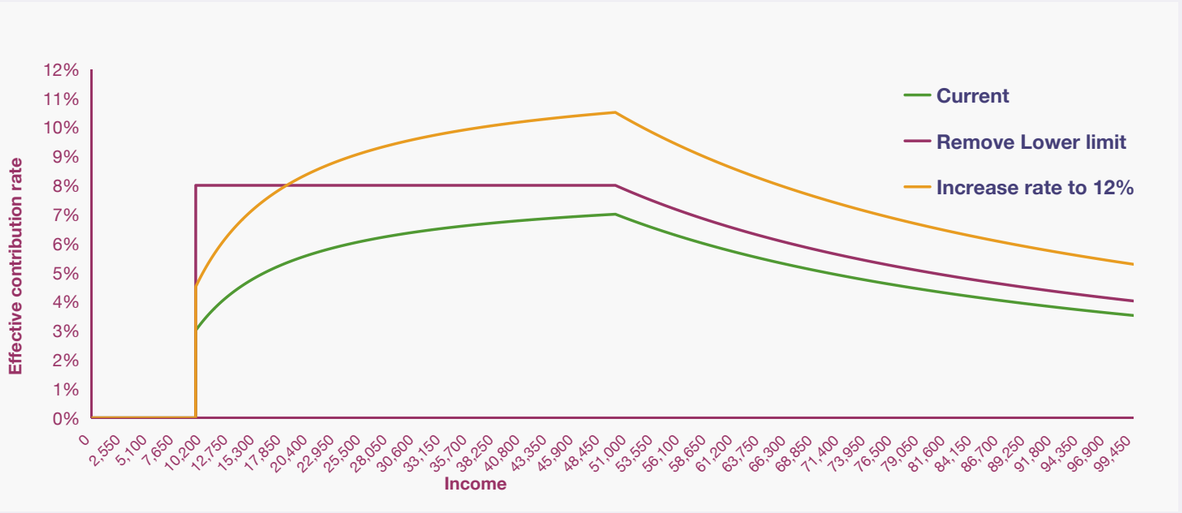
For a median earner, increasing the contribution rate from 8% to 12% results in a higher pot at retirement than removing the lower earnings threshold.

[85] In today's terms

## Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform cont.

## For incomes over £18,700 increasing minimum contributions is more impactful than removal of the lower limit

**Figure 3.3: Effective contribution rate of the current system compared with removing the lower earnings limit on contributions, and increasing contributions from 8% to 12% of band earnings**




For a median earning man, increasing the contributions from 8% to 12% could increase their pot from around £184,000 to £276,000, whereas removing the lower band increases their pot at retirement to £217,000.[89] For the median earner the contribution increases the pension pot by 50%, whereas the removal of the lower threshold increases the pot by 18%.

However, as figure 3.3 shows, the most effective reform depends on the income group policymakers are seeking to support. Removing the LEL primarily increases pensionable pay for lower earners, while higher contribution rates increase saving on earnings that are already pensionable.

This distinction has important implications for reform design. Removing the LEL could increase pots and therefore improve adequacy for lower earners, including many part-time workers, while also making the contribution structure easier to understand. However, it would also increase contribution costs for both employees and employers. For workers with constrained household budgets, higher pension contributions may create affordability concerns, while employers in lower-wage sectors could face additional cost pressures.

At the other end of the income spectrum, the presence of the Upper Earnings Limit restricts the band salary, causing effective contribution rates to decrease as income exceeds £50,270.

## First-pound contributions strengthen retirement outcomes for workers closest to AE thresholds

A larger improvement occurs when both the earnings trigger and lower earnings limit are removed, allowing contributions from the first pound of earnings.

Under this reform scenario:

- Jasmine's pension pot rises to approximately £50,398
- Private pension income increases to around £1,890 annually
- Gross replacement rate rises to 188.9%

## Removing AE earnings thresholds improves private pension outcomes for low-paid workers, though State Pension remains the primary source of retirement income

**Figure 3.4: Illustrative case study of projected retirement outcomes under current and reformed AE scenarios for a persistently low-paid worker**

This demonstrates that combining wider eligibility with first-pound contributions produces larger adequacy gains than trigger removal alone, because it increases the share of low earners' total pay on which pension contributions are made.

[89] PPI Individual modelling, assumes an individual earning at median age related and sex related income levels throughout their working life. Pension pot is in 2026 earnings terms.

## Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform cont.

**Case Study: Leanne and Kwame show that first-pound contributions improve outcomes for low-paid workers already enrolled in AE**

While Jasmine illustrates how current AE rules can exclude very low earners entirely, the paired low-earner vignettes of **Leanne** and **Kwame** demonstrate a separate but equally important issue: even workers who are already enrolled may still accumulate significantly less pension wealth under current banded contribution rules than under a first-pound system.

**Leanne**, modelled as a female worker at the 10th earnings percentile whose earnings are above the AE trigger, provides a clear example of how contribution design can weaken pension adequacy even where coverage is already in place.

**Figure 3.5**

| Outcome | Current AE qualifying earnings model | First-pound contribution model |
|---|---|---|
| Effective contribution rate | 5.8% | 8% |
| Pension pot at retirement | £87,400 | £120,552 |
| Gross replacement rate | 92.7% | 98.6% |

This represents a substantial improvement in retirement adequacy, despite no change in employment status, or earnings trajectory.

For **Kwame**, a comparable low-earning male worker:

**Figure 3.6**

| Outcome | Current AE qualifying earnings model | First-pound contribution model |
|---|---|---|
| Effective contribution rate | 6% | 8% |
| Pension pot at retirement | £99,921 | £133,024 |
| Gross replacement rate | 85.7% | 91.1% |

The **Leanne** and **Kwame** case studies demonstrate how the effective contribution rate mechanism operates in practice: first-pound contributions have the largest effect for workers whose total earnings are most affected by the current band earnings structure.

Leanne and Kwame also illustrate the difference between outcomes, between men and women. They both earn at the 10th percentile of earnings for their gender, but because the earnings distribution for men is higher than that for women Kwame has a higher pension pot at retirement than Leanne. Both receive the same State Pension at retirement, which is the largest part of their pension income. In total Kwame has a higher income in retirement.

However, the replacement rate at retirement for Leanne is higher. This may seem counter intuitive, but it is because the replacement rate is not a measure if the income level but is a comparison of post-retirement income to pre-retirement income. Leanne has lower earnings just before retirement, so her replacement rate can be higher, even though she the monetary amount of her pension income is lower than Kwame. The particular reason here is that the State Pension is higher as a proportion of pre-retirement income for Leanne than it is for Kwame.

### Lowering the age threshold would allow younger workers to benefit more fully from compound pension growth

Current AE rules begin at age 22, meaning many younger workers are excluded from default pension participation during the early stages of their working lives. The age threshold can delay pension saving during years when even relatively small contributions may generate substantial long-term returns through compound investment growth.

The Pensions (Extension of Automatic Enrolment) Act 2023 provides legislative powers to reduce the minimum enrolment age from 22 to 18, potentially extending pension participation to millions of younger workers. Earlier entry into pension saving could meaningfully strengthen retirement outcomes by increasing total contribution years and allowing more time for investment growth. The Second Pensions Commission can consider how these existing powers could be used as part of its wider assessment of AE eligibility, thresholds and minimum contribution levels.

However, there are also trade-offs to consider around this reform. Younger workers often face immediate financial pressures, including housing costs, education-related debt, and lower starting wages, which may make pension contributions feel less affordable.[90] This could increase opt-out rates among younger cohorts if pension saving is viewed as competing with more urgent short-term financial priorities. Employers would also face additional administrative and contribution costs associated with wider enrolment.

### Extending pension saving to the self-employed would address one of AE's largest structural exclusions

AE currently applies only to employee earnings, meaning self-employed income is not covered by automatic pension saving structures. While some individuals combine self-employment with employee work and may therefore be enrolled through their employee role, those relying solely on self-employment have no equivalent default mechanism for workplace pension saving. This leaves many self-employed workers outside the behavioural and contribution advantages that AE provides to employees. Private pension participation among the self-employed has fallen substantially over time and remains far below employee participation rates, with only around 17% currently contributing to a private pension.[91] As self-employment continues to form an important part of the UK labour market, this exclusion represents a growing adequacy challenge.

Potential approaches include linking pension contributions to National Insurance payments, incorporating default pension saving options into self-assessment tax returns, developing government-matched savings products, or introducing hybrid models that replicate Automatic Enrolment principles while preserving some flexibility. Each approach seeks to introduce stronger defaults into a segment of the workforce where voluntary pension participation has historically been weak.

However, implementation challenges are considerably more complex than for employee-based reforms. Self-employed incomes are often variable and unpredictable, making regular contribution structures more difficult to design and administer. Administrative systems would likely require substantial adaptation, and questions of fairness may arise given the absence of employer contributions that underpin AE for employees. Rather than mandating pension saving outright, most proposed reforms would likely seek to reshape choice architecture through default enrolment or facilitated saving mechanisms, while preserving opt-out flexibility. Even so, there may still be political and behavioural resistance among some self-employed workers who place particular value on income flexibility and financial autonomy.

[90] Okello, S. (PPI) (2025)
[91] DWP (2025f)

# Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform cont.

**Case Study: Andre shows how self-employment creates a structural gap in AE**

Unlike low-paid employees who may be excluded through earnings thresholds, self-employed workers are largely excluded from AE entirely because the framework is built around employer-based pension participation. This means that, regardless of earnings level, self-employed individuals do not benefit from 1) automatic pension enrolment, 2) employer pension contributions, 3) payroll deduction mechanisms, or 4) behavioural inertia that supports regular pension saving.

As a result, pension adequacy for self-employed workers depends much more heavily on voluntary saving behaviour.

## Under current structures, self-employed workers can face significantly weaker private pension outcomes

In **Andre's** baseline scenario, he remains self-employed throughout working life, and makes no private pension contributions.

Under this no-saving scenario, Andre reaches retirement with:

- Private pension pot: £0
- Annual private pension income: £0
- Gross replacement rate: 54.3%

In this case, retirement income is derived almost entirely from the State Pension. This illustrates the adequacy penalty associated with remaining outside AE structures.

## Regular saving improves outcomes, but voluntary saving alone may still leave self-employed workers behind employees

When Andre is modelled as saving 5% and 8% of all earnings independently we see the following results:

**Figure 3.7**

| Outcome | Current AE qualifying earnings model | Saving 5% of earnings | Saving 8% of earnings |
|---|---|---|---|
| Pension pot at retirement | £0 | £44,037 | £70,459 |
| Annual private pension income | £0 | £1,651 | £2,642 |
| Total pre-tax retirement income | £14,947 | £16,598 | £17,589 |
| Private pension replacement rate | 0% | 6% | 9.6% |
| State Pension replacement rate | 54.3% | 54.3% | 54.3% |
| Gross replacement rate | 54.3% | 60.3% | 63.9% |

However, even under the stronger 8% saving scenario, Andre's replacement rate remains below that achieved by many comparable employee profiles benefiting from AE participation.

This suggests that, while self-employed workers can improve retirement outcomes through consistent saving, exclusion from employer-backed pension structures may still leave them systematically disadvantaged.

## This vignette models adequacy potential, not implementation feasibility

It is important to note that Andre's case does not model a fully operational self-employed AE system. Rather, it provides a stylised comparison of what different regular saving rates could achieve, if contributions were made consistently.

This means the modelling does not directly address:

- How contributions would be collected
- How participation could be maintained with variable earnings
- Whether equivalent employer-style support would exist
- Administrative or enforcement challenges

## Supporting carers through pension credits or contribution top-ups could help reduce gendered pension inequalities

Caring responsibilities continue to interrupt pension saving patterns disproportionately for women, contributing significantly to persistent gender pension gaps. Periods spent out of paid employment or working reduced hours to provide childcare or unpaid care can substantially weaken long-term pension accumulation. As a result, pension inequalities are often shaped not only by earnings differences, but also by structural interruptions linked to caregiving.

Potential approaches include state-funded private pension contributions during unpaid caring periods, targeted pension top-ups linked to recognised caring responsibilities, or employer-supported pension continuity during extended leave. These mechanisms would seek to preserve pension accumulation during periods when individuals are contributing socially valuable but unpaid labour.

However, implementation would present important challenges. State-funded contributions or pension credits would carry fiscal costs, while defining eligibility for carer-related pension support could prove administratively complex. Coordination between welfare systems, pension providers, and employers would also be necessary to ensure consistent delivery. Policymakers would need to balance fairness, cost, and practical administration when designing support structures.

# Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform cont.

**Case study: Sadia shows how caring interruptions weaken private pension accumulation**

The vignette of **Sadia**, a median-earning woman whose working life is interrupted by unpaid caring responsibilities, illustrates how extended career breaks can significantly weaken private pension accumulation under current AE structures, even where headline retirement income measures may initially appear relatively strong.

Under the baseline scenario, Sadia leaves paid employment entirely between ages 26 and 41 to undertake unpaid care, before returning to work on a part-time basis (50% hours) from age 42 until retirement.

Under current AE rules, Sadia reaches retirement with:

- Private pension pot: £41,868
- Annual private pension income: £1,570
- Total pre-tax retirement income: £17,626
- Gross replacement rate: 128.1%

Although Sadia's gross replacement rate appears relatively high, only 11.4 percentage points comes from private pension income, with the majority supported by State Pension provision.

## Caring breaks create long-term pension penalties by reducing both contribution years and compounding potential

Sadia's lower pension wealth reflects several interacting disadvantages:

- Years spent entirely outside pension saving without pension contributions during full-time care
- Reduced pension accumulation following part-time return
- Lower lifetime earnings
- Reduced long-term compounding of missed contributions

Together, these factors weaken private pension adequacy.

## Carers' pension top-ups can improve adequacy, but modest credits narrow rather than eliminate the pension gap

Under the carers-uplift reform scenario, Sadia receives a government-funded private pension contribution during periods of unpaid care. This is designed to partially compensate for forgone pension saving by broadly replicating the employer contribution that would otherwise have been received under AE.

**Figure 3.8**

| Outcome | Current AE qualifying earnings model | Carers uplift reform |
|---|---|---|
| Pension pot at retirement | £41,868 | £64,730 |
| Annual private pension income | £1,570 | £2,427 |
| Total pre-tax retirement income | £17,626 | £18,484 |
| Private pension replacement rate | 11.4% | 17.6% |
| State Pension replacement rate | 116.7% | 116.7% |
| Gross replacement rate | 128.1% | 134.3% |

The carers' uplift improves Sadia's retirement outcomes, increasing both pension wealth and private pension replacement. However, it does not fully eliminate the adequacy gap created by prolonged time out of paid work.

## Reform design matters significantly to projected outcomes

The carers' uplift modelled here is deliberately modest:

- Government contribution rate: 3%
- Equivalent to current AE minimum employer contribution
- Based on National Living Wage-equivalent earnings
- Calculated using band earnings rather than full earnings
- Applied during full-time care and part-time care periods

As the lower qualifying earnings threshold continues to apply, this reform only partially replaces missed pension saving.

This conservative design improves policy realism by illustrating the likely impact of a targeted but fiscally constrained intervention, rather than overstating the potential adequacy gains of more generous support mechanisms.

## Sadia's case highlights the limits of AE for workers with interrupted careers

The modelling suggests that carers' top-ups can improve retirement outcomes for individuals with interrupted careers, although relatively modest credits only partially offset the pension penalties associated with prolonged periods of unpaid care. Sadia's experience highlights the extent to which private pension accumulation remains dependent on continuous labour market participation under current AE structures.[92]

## Increasing minimum contribution rates would likely improve retirement adequacy but could test affordability

As discussed in Figure 3.2, increasing minimum contribution rates has a different distributional effect from removing the LEL. While first-pound contributions have the strongest effect for lower earners, higher headline contribution rates tend to have a larger effect for workers with more earnings already falling within the qualifying band.

[92] Sadia's vignette should be interpreted as an illustrative case study of how interrupted contribution histories and unpaid caring responsibilities can affect pension adequacy, rather than as a direct estimate of retirement outcomes for all carers. The accompanying modelling note advises caution when interpreting broader carers data, as Labour Force Survey indicators may primarily capture recipients of Carer's Allowance rather than the wider unpaid carer population. As such, this vignette is best understood as a demonstration of structural pension disadvantage and a test case for targeted reform design, rather than a population-wide estimate.

## Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform cont.

Current AE minimum total contributions stand at 8% of qualifying earnings, including both employer and employee contributions. While this structure has successfully established widespread pension participation, many adequacy studies suggest that current minimum rates are unlikely to deliver sufficient retirement outcomes for a large proportion of workers, particularly those on median incomes or with career interruptions.

As a result, there has been increasing debate around raising minimum contribution levels, with common proposals modelling increases to 12% or 14% of qualifying earnings, and in some cases higher rates for specific groups. Increasing contribution rates would directly strengthen pension accumulation by boosting the volume of savings invested over working life, potentially resulting in significantly larger pension pots, improved replacement rates, and greater long-term retirement security.

Higher contribution rates could improve retirement adequacy where current saving trajectories are unlikely to maintain living standards in later life. However, higher employee contributions may reduce disposable income in the short term and could increase opt-out risks if pension saving is viewed as unaffordable. Employers would also face higher contribution obligations, which may be more challenging for smaller businesses or sectors with narrow margins.

If policymakers seek to increase contribution rates, the timing and pace of implementation would be central to balancing adequacy gains against affordability pressures for workers and employers.

**Case study: Sadia shows how caring interruptions weaken private pension accumulation cont.**

Current AE minimum total contributions stand at 8% of qualifying earnings, including both employer and employee contributions. While this structure has successfully established widespread pension participation, many adequacy studies suggest that current minimum rates are unlikely to deliver sufficient retirement outcomes for a large proportion of workers, particularly those on median incomes or with career interruptions.

As a result, there has been increasing debate around raising minimum contribution levels, with common proposals modelling increases to 12% or 14% of qualifying earnings,[93] and in some cases higher rates for specific groups. Increasing contribution rates would directly strengthen pension accumulation by boosting the volume of savings invested over working life, potentially resulting in significantly larger pension pots, improved replacement rates, and greater long-term retirement security.

Higher contribution rates could improve retirement adequacy where current saving trajectories are unlikely to maintain living standards in later life. However, higher employee contributions may reduce disposable income in the short term and could increase opt-out risks if pension saving is viewed as unaffordable. Employers would also face higher contribution obligations, which may be more challenging for smaller businesses or sectors with narrow margins.

If policymakers seek to increase contribution rates, the timing and pace of implementation would be central to balancing adequacy gains against affordability pressures for workers and employers.

[93] Oxford Economics (2026)

### Ravi shows that higher contributions can produce larger retirement gains

The vignette of **Ravi**, a median-earning man, demonstrates the stronger adequacy effects of higher pension contributions.

When Ravi's total pension contributions rise from 8.0% to approximately 9.1% from 2026:

- Pension pot increases from approximately £184,227 to £209,319
- Gross replacement rate rises from 64.4% to 67.0%, this is his target, to meet his desired replacement rate

Ravi's results suggest that relatively modest contribution increases can generate meaningful adequacy gains for workers already participating in AE.

### Cynthia and Alan show that delayed adequacy reform becomes increasingly expensive

**Cynthia** and **Alan's** Gen X cohort scenarios show how sharply the cost of improving adequacy rises when contribution increases begin closer to retirement.

### Later life catch-up remains possible, but contribution requirements rise dramatically

For Cynthia, a 55-year-old median-earning woman:

- Baseline gross replacement rate: approximately 54.0%
- To reach a replacement rate of 67.0%, total pension contributions must rise to approximately 38.9%

For Alan, a comparable 55-year-old median-earning man:

- Baseline gross replacement rate is similarly below adequacy benchmarks
- To achieve a 67.0% replacement rate, total pension contributions must rise to approximately 62.1%

Under Alan's calibrated higher-contribution scenario:

- Pension pot rises from £66,107 under baseline scenario to £294,470 under significantly elevated contribution assumptions

These results suggest that later life catch-up remains technically possible, but the contribution rates required are likely to be unrealistic for many workers and employers.

### Cynthia and Alan's scenarios function best as adequacy stress tests rather than realistic policy pathways

The extreme contribution rates modelled for later life savers should not be interpreted as practical policy prescriptions.

Rather, these scenarios are most useful as stress tests that demonstrate:

- The scale of pension shortfalls facing late savers
- The importance of sustained early pension participation
- The affordability limits of delayed contribution reform
- The practical challenges of relying on late-stage catch-up alone

This distinction is important because it highlights the broader policy lesson that AE's greatest effectiveness lies in establishing pension saving early, before adequacy gaps become expensive to close.

Overall, the contribution-rate case studies show that higher saving can improve adequacy, but timing matters: the later reform begins, the higher the required saving rates become.

## Reforming pension tax relief could redistribute support more progressively toward lower earners

Current pension tax relief structures provide support based largely on an individual's marginal income tax rate, meaning higher earners typically receive proportionally greater financial benefit from pension contributions than lower earners. Reforming pension tax relief could offer a more progressive method of supporting pension adequacy, particularly for lower and moderate earners who may currently receive comparatively limited incentives. Alternative policy approaches include introducing a flat-rate system of pension tax relief, government matching contributions, tapered support structures, or more targeted subsidies aimed specifically at lower-income groups. These options seek to rebalance pension incentives so that public financial support is more evenly distributed or potentially weighted toward those at greater risk of under-saving.

However, tax relief reform would involve significant trade-offs. Reducing incentives for higher earners could alter pension saving behaviours among this group, while major structural reform would require considerable administrative adjustment across employers, pension providers, and tax systems. Political complexity is also a risk, particularly where reforms are perceived as redistributive or as reducing benefits for more affluent savers. Behavioural responses are difficult to predict, creating uncertainty around how reforms would ultimately affect contribution patterns.[94]

## Naomi shows that modest tax-relief reform improves outcomes, but has limited adequacy effects

The vignette of **Naomi**, a median-earning woman and basic-rate taxpayer, demonstrates the impact of enhanced tax-relief support.

Under the current tax-relief framework, Naomi reaches retirement with:

- Pension pot at retirement: approximately £150,919
- Gross replacement rate: 78.9%

Under an enhanced tax-relief scenario at a flat rate of 30%:

- Pension pot rises to approximately £164,394
- Gross replacement rate increases to 80.8%

This represents around £13,500 in additional pension wealth and a 1.8 percentage point increase in gross replacement rate.

These gains improve Naomi's outcome, but remain modest compared with reforms that directly increase pension contributions.

Naomi's results suggest that tax relief reform can improve outcomes for basic-rate savers, but may have a limited effect on adequacy where contribution levels remain unchanged. Compared with Ravi's contribution-rate scenario, this suggests that tax-relief reform may be more relevant to distributional fairness than to large-scale adequacy improvement.

## No single reform fully resolves AE's adequacy limitations, suggesting layered policy approaches may be required

The evidence suggests that different reforms address different weaknesses within the AE system:

**Figure 3.9**

| Reform | Primary goal | Main beneficiaries | Key challenge |
|---|---|---|---|
| Remove earnings trigger | Expand coverage | Low earners, part-time workers | Affordability |
| Include self-employed | Expand coverage | Self-employed workers | Delivery complexity |
| Lower age threshold | Earlier saving | Younger workers | Affordability |
| Carer support | Equity | Carers, women | Fiscal cost |
| First-pound contributions | Improved adequacy | Low earners | Affordability |
| Raise contribution rates | Improved adequacy | Broad workforce | Affordability / Opt-out risk |
| Tax relief reform | Redistribution | Lower earners | Incentive redesign |

The reform options address different weaknesses in AE, meaning future policy choices are likely to depend on whether the priority is coverage, adequacy, fairness or affordability.

[94] See this report for more information on tax including treatment of DB contributions: **A blueprint for a better tax treatment of pensions**

# Expanding AE coverage and strengthening contribution adequacy will likely require coordinated structural reform cont.

## Replacement rates should not be interpreted in isolation

Across the vignette analysis, higher replacement rates do not necessarily indicate stronger retirement outcomes. For lower earners or carers, high replacement rates may reflect low pre-retirement earnings and greater State Pension dependence rather than strong private pension accumulation. Pension wealth, cash retirement income, and replacement rates therefore need to be considered together.

## Prioritising adequacy, sustainability or fairness is likely to produce different reform pathways

The wider policy implication is that future AE reform is unlikely to be defined by a single optimal solution. Outcomes will depend heavily on which objectives policymakers prioritise. Three objectives are adequacy, sustainability, and fairness, which were established by the PPI's Pensions Framework, and have been adopted by the Pensions Commission, to evaluate pensions policy in a holistic way.

- Prioritising adequacy may favour higher contribution rates, first-pound saving, and earlier saving expansion
- Prioritising fairness may place greater emphasis on carers' credits, trigger reform, and support for excluded groups
- Prioritising sustainability and affordability may favour more incremental reforms that minimise immediate cost pressures on workers, employers, and the public finances

These objectives are not always fully aligned. Reforms that maximise adequacy may increase affordability pressures. Reforms that improve fairness may raise fiscal costs or administrative burdens. Reforms that prioritise sustainability may leave some structural inequalities less fully addressed.

# Conclusions

- **Automatic Enrolment has successfully expanded pension participation, but important adequacy gaps remain.** AE works best for workers with stable, full-time employee careers, while low earners, part-time workers, carers, younger workers, multiple-job holders and the self-employed remain less well served.
- **Current contribution structures can weaken outcomes even for enrolled workers**. The headline 8% minimum contribution rate does not mean that 8% of total pay is saved, because contributions are calculated on qualifying earnings. For workers just above the £10,000 trigger, this can mean an effective contribution rate of just over 3% of total earnings. Removing the Lower Earnings Limit would have the greatest proportional effect for lower earners.
- **The modelling shows that first-pound contributions could significantly improve outcomes for low earners**. Jasmine's pension pot increases from £0 to around £50,400 under combined trigger removal and first-pound reforms, while Leanne's and Kwame's pots increase by around 38% and 33% respectively.
- **Increasing the contribution rate to 12% is more effective in many cases**. For people earning over £18,700 an increase in the contribution rate from 8% to 12% is a larger increase in the money going into their pension pot than contributions from the first pound. For example, if a median earner increases their contributions from 8% to 12% of band salary, then the pension pot increases by 50%, whereas the removal of the lower threshold increases the pot by 18%.
- **Self-employment remains one of AE's clearest structural exclusions.** Andre accumulates no private pension wealth under current structures, and even saving 8% independently results in a pot of around £70,500, leaving him disadvantaged relative to employees who benefit from AE defaults, employer contributions and payroll-based saving.
- **Caring interruptions continue to generate pension penalties, particularly for women.** Sadia's pension pot rises from around £41,900 to £64,700 under a carers' top-up reform, improving outcomes, but not fully closing the gap created by prolonged time out of paid work.
- **Early intervention is significantly more efficient than later life correction.** Older savers may need contribution rates of around 39% to 62% to restore adequacy, illustrating the high cost of addressing pension shortfalls later in working life.
- **No single reform fully addresses AE's weaknesses**. First-pound contributions and higher minimum contributions may improve adequacy, carer credits and trigger reform may improve fairness, and phased implementation may help manage affordability and employer cost pressures. Overall, AE may require a layered approach rather than a single reform. Future policy choices will depend on which trade-offs policymakers are willing to accept between stronger retirement outcomes, broader inclusion, affordability and long-term system sustainability.
- **Measures designed to enhance fairness are especially important.** The groups in question are consistently under-provided for in retirement, experience significant disparities in housing access, receive little to no intergenerational wealth, and often carry considerable financial responsibilities both within the household and potentially extending beyond it.

# RESEARCH CONCLUSION

**This concluding chapter synthesises findings from across the report, and directly addresses the primary research questions examined in each substantive chapter, spanning three distinct yet closely interrelated aspects of the Pensions Commission's remit. The evidence and analyses presented in this report highlight important interdependencies between coverage, adequacy, and fairness across different parts of the pension system.**

# Research Conclusion

## 1. Will future retirees face increased housing costs, requiring increased savings to maintain adequacy?

### Housing is becoming an increasingly important determinant of retirement adequacy.

The evidence set out in Chapter One demonstrates that the long-standing assumption underpinning the UK pension system, that most people will enter retirement with low or no housing costs, is becoming progressively less realistic. Declining rates of outright homeownership, delayed entry onto the housing ladder, and the projected rise in renting among pensioner households mean that a growing proportion of future retirees are likely to face ongoing housing costs throughout later life. This materially changes the level of retirement resources required to maintain living standards in retirement. Pension wealth that may appear adequate for outright homeowners can become insufficient once persistent rental or mortgage costs are incorporated into expenditure needs. In many cases, the level of pension savings required to meet rental costs alone significantly exceeds the pension wealth held by the median individual approaching retirement, particularly for groups already identified as underpensioned. Although the State Pension provides important mitigation against some of these pressures, renters are still likely to experience substantially weaker retirement outcomes than owner-occupiers. These trends raise important questions about whether current AE minimum contribution structures, adequacy benchmarks, and retirement planning assumptions remain appropriate in a context where housing costs increasingly persist into retirement.

### Housing inequalities emerge across the lifecourse, and are often reinforced through intergenerational wealth transfers, further widening differences in housing security and retirement outcomes.

Access to homeownership is increasingly shaped not only by earnings and saving behaviour, but also by family wealth, parental homeownership, and the timing and scale of intergenerational wealth transfers. Earlier access to homeownership supported by family assistance can generate compounding advantages over the lifecourse. By contrast, households without access to financial support are more likely to experience delayed homeownership, prolonged renting, higher housing expenditure, and lower capacity to save for retirement. These disadvantages often accumulate over time, reinforcing tenure-based inequalities in retirement adequacy. These patterns are unevenly distributed across income groups, regions, genders, and family backgrounds, creating widening disparities in financial resilience in later life. The timing of inheritances also limits their equalising potential, as transfers often occur too late in life to materially improve earlier housing access or reduce long-term exposure to renting. Understanding how these inequalities emerge and interact across the lifecourse may provide opportunities for earlier and more targeted policy interventions aimed at reducing cumulative disadvantage before retirement risks become entrenched.

### Housing wealth may increasingly function as a resource used to supplement retirement income.

Homeownership increasingly provides not only lower housing costs in retirement, but also access to financial flexibility that renters do not possess. Access to housing wealth could supplement retirement income, ease affordability pressures, and accommodate unexpected expenditure in later life. However, access to this flexibility is concentrated among middle- and higher-income households with stronger housing wealth positions, while lower-income households and renters remain substantially more exposed to housing affordability pressures. Housing wealth risks becoming an increasingly important source of retirement resilience for some groups while simultaneously reinforcing inequalities between those with substantial property assets and those without access to owner-occupation. Reliance on housing wealth changes the role of housing in retirement from a source of debt-free security towards an actively managed financial asset, potentially reducing future inheritance and creating trade-offs between short-term adequacy and long-term financial resilience.

### There is a clear intersection between pensions policy, housing policy, and welfare policy.

These policy domains increasingly interact to shape financial security in later life, and decisions in one area inevitably influence outcomes in the others. In the context of increasingly diverse housing tenure in retirement, adequacy can no longer be assessed through pension income alone without accounting for housing tenure, affordability pressures, and wider support systems. Housing costs directly affect the level of retirement income required to maintain living standards, while welfare support influences the extent to which lower-income households can manage ongoing rental expenditure. At the same time, housing wealth increasingly interacts with decisions around social care funding, inheritance planning, and later life financial flexibility. Demographic pressures associated with declining affordability, delayed family formation, and population ageing may have wider implications for the sustainability of pension and welfare systems over time. International evidence indicates that countries with larger long-term rental sectors often integrate housing and retirement policy more explicitly than the UK currently does. These findings point towards the need for a more holistic and integrated approach to policy development that recognises the interconnected nature of pensions, housing affordability, welfare support, and later life care needs in shaping future retirement outcomes.

### Reforms to housing policy and welfare support may improve housing security and affordability for some households, but are unlikely to fully resolve future retirement adequacy challenges on their own.

There are a range of policy responses that may help reduce exposure to housing insecurity in later life, but these interventions are unlikely to eliminate the broader adequacy challenge created by long-term renting in retirement. Housing policy reforms alone cannot compensate for insufficient pension accumulation over the lifecourse. Persistent housing costs in retirement strengthen the case for higher pension contribution levels, broader pension coverage, and adequacy frameworks that better reflect the realities of ongoing housing expenditure. Housing policy and welfare support may alleviate some adequacy pressures, but they are not substitutes for sufficient long-term pension saving and sustainable retirement income provision.

# Research Conclusion cont.

## 2. At a household view, who is missing out on adequacy?

### Household structure is a significant determinant of retirement adequacy.

Mixed-income couples, mixed-age couples, multi-adult households and single-person households each face distinct adequacy risks that are not always visible through conventional individual-level assessments. As household arrangements become more diverse, understanding how resources are shared, and who ultimately has access to them, becomes increasingly important. Household-level measures of adequacy provide valuable insight into the benefits of resource pooling and economies of scale, but they can also mask substantial inequalities within households. Throughout this chapter, individuals who appeared adequately provided for when assessed as part of a household often held considerably lower pension wealth, savings, or financial autonomy in their own right. This raises questions about how adequacy should be assessed, and whether greater emphasis should be placed on balancing household-level and individual-level perspectives. Life events such as divorce, bereavement, and changes in living arrangements can fundamentally alter retirement prospects by exposing dependencies that were previously hidden within household-level measures. The evidence suggests that retirement adequacy should be considered not only in terms of current resources, but also in terms of resilience to household transitions and financial shocks.

### The interaction between household circumstances and policy design can create additional adequacy risks.

Mixed-age couples face a specific and currently unaddressed adequacy gap. The 2019 benefits reforms left couples where one partner is above State Pension age and one is not significantly worse off, by up to £7,000 per year, through their forced reliance on Universal Credit rather than Pension Credit. This cliff edge falls hardest on lower-income households. The design of current eligibility rules for means-tested pension-age benefits mean that mixed-age couples are systematically disadvantaged and may face greater adequacy pressures than couples in which both partners are above SPa.

Single people face structurally higher retirement costs and weaker safety nets. The Retirement Living Standards already recognise that single people need around 28% more per head than couples to achieve the same living standard. Yet pension contribution frameworks, means-tested benefit thresholds, and retirement planning guidance are not consistently designed to reflect this. Single renters in particular face a compounding of risks: higher per-head costs, full exposure to rental costs without a partner's income to share them, and pension wealth that falls well short of what is required to sustain housing costs in retirement.

Multi-generational living arrangements are becoming increasingly important in the context of housing affordability pressures and changing family structures. While these arrangements can provide valuable financial support, they can also create new dependencies and obligations that influence retirement saving and spending decisions.

Divorce is a material retirement adequacy risk that the current system does little to mitigate. Only 11% of divorcees with a pension yet to be drawn make any arrangement for pension sharing, and clean break offsetting is mathematically impossible for nearly half of married couples. Stronger requirements to disclose and consider pension wealth during divorce proceedings, alongside reform of the legal framework to reduce reliance on offsetting, could substantially improve outcomes. Earlier intervention, through more equal pension accumulation during the marriage itself, offers the most effective long-term route to reducing the adequacy consequences of relationship breakdown.

Bereavement, while difficult to quantify precisely, creates significant adequacy risks that the shift to Defined Contribution pensions has made harder to manage. In a predominantly DC world, survivor benefits are not automatic. They require an active decision at retirement, and those who do not take financial advice or who prioritise higher initial income may leave a dependent partner inadequately protected. Stronger guidance and default options around joint-life provision at the point of retirement could reduce this risk, particularly for couples where one partner holds significantly more pension wealth than the other.

## 3. Where does the Automatic Enrolment system disadvantage people in specific situations?

### Automatic Enrolment has transformed pension participation, but its design still leaves important adequacy gaps.

Automatic Enrolment has fundamentally reshaped workplace pension saving in the UK, bringing millions of additional employees into pension saving for the first time. It has been particularly effective at increasing participation among workers with stable, full-time careers. Low opt-out rates and sustained participation levels demonstrate the strength of default-based behavioural policy design. However, participation alone does not guarantee retirement adequacy. Important structural weaknesses remain within the current framework, particularly for workers whose employment patterns fall outside the norms embedded within AE's design. Low earners, part-time workers, carers, younger workers, multiple jobholders, and the self-employed continue to experience weaker pension outcomes or remain excluded from the system altogether. In many cases, these groups are not only saving less, but are systematically disadvantaged by the interaction between earnings thresholds, qualifying earnings rules and fragmented working patterns.

### AE currently functions more effectively as a participation mechanism than as a comprehensive adequacy solution.

While many workers are now saving, average contribution levels remain too low to generate sufficient private pension wealth to maintain living standards in retirement, particularly for individuals with interrupted careers or lower lifetime earnings. Building on the success of AE to overcome future adequacy challenges requires a focus not only on expanding inclusion but also on whether the current structure generates adequate retirement outcomes over the long-term.

### Contribution design matters as much as participation, particularly for lower earners.

The structure of contributions matters significantly for retirement outcomes, particularly for lower and moderate earners. The current headline minimum contribution rate of 8% can obscure the fact that many workers save substantially less in practice because contributions are only calculated on qualifying earnings rather than total pay. For workers near the earnings trigger, effective contribution rates can fall to little more than 3% of total earnings, substantially weakening long-term pension accumulation. Reforms focused on first-pound contributions can produce significant adequacy improvements for workers currently most disadvantaged by the qualifying earnings structure and may, for some groups, be more effective than increasing minimum contribution rates.

At the same time, no single contribution reform fully resolves adequacy challenges across the workforce. Higher contribution rates may produce larger gains for median and higher earners, while first-pound contributions primarily benefit lower earners for whom a significant proportion of income currently falls outside pensionable pay bands. Any reform to AE's design will require a layered approach that balances adequacy, affordability and distributional fairness across different groups of savers.

### Structural inequalities continue to shape retirement adequacy.

Retirement adequacy cannot be understood solely through contribution rates and pension participation. Wider labour market inequalities and unpaid caring responsibilities continue to shape pension outcomes in ways that the current AE framework only partially addresses. Caring interruptions, self-employment, and fragmented working patterns all weaken pension accumulation by reducing contribution continuity and limiting access to employer-backed pension saving structures.

# Research Conclusion cont.

Future policy seeking to address adequacy pressures may increasingly need to move beyond a narrow employee-centred model of pension saving. Improving retirement outcomes for underpensioned groups is likely to require a broader policy framework that recognises diverse working lives, interrupted careers and the growing prevalence of non-standard employment.

## Summary and policy implications

The findings presented across this report provide additional evidence to inform the work of the Second Pensions Commission. While the Commission's Interim Report identifies retirement adequacy, fairness and long-term sustainability as the central challenges facing the UK pensions system, this report demonstrates how these objectives are increasingly interconnected through the interaction of housing tenure, household circumstances and the design of AE. The evidence shows that adequacy can no longer be understood solely in terms of pension saving or replacement rates. Retirement outcomes are shaped by the cumulative effects of housing affordability, labour market experiences, caring responsibilities, and family circumstances across the life course. By bringing together new analysis across these interrelated themes, the report extends the Commission's evidence base and highlights where current policy assumptions no longer reflect the realities facing future retirees. It also reinforces the importance of considering pensions policy alongside broader policy areas, including housing and welfare support, if future reforms are to improve retirement outcomes while balancing adequacy, fairness and sustainability.

Retirement adequacy in the UK is becoming increasingly shaped by housing costs, labour market fragmentation, and changing household structures. Future generations are likely to face greater pressure to accumulate higher levels of private pension savings in order to maintain adequate living standards in retirement, especially where housing costs remain high into later life.

While some potential policy solutions perform well against particular objectives, outcomes vary significantly depending on which pension system goal is prioritised, and which sub-groups are the focus of support. There is no single solution that optimally addresses all challenges simultaneously. Policies that strengthen outcomes for stable employee careers may do little for carers, low earners, younger workers, or the self-employed, while policies that improve fairness for underpensioned groups are likely to carry additional fiscal costs. More incremental reforms may improve sustainability, but risk leaving existing inequalities only partially addressed.

These trade-offs align closely with the three core pension system objectives that underpin the remit of the Commission. Where adequacy is prioritised, reforms such as higher minimum contribution rates and extending first pound saving offer the greatest potential to raise retirement incomes, particularly for those with lower lifetime earnings. A sharper focus on fairness points towards measures such as carer credits and earnings trigger reform, which directly address structural disadvantages arising from caring responsibilities, and low or intermittent pay. An emphasis on sustainability favours more incremental or phased reforms, designed to improve outcomes gradually while balancing affordability, employer costs, and stakeholder buy-in. Future AE reform will depend heavily on how the Pensions Commission balances adequacy, fairness, and sustainability.

The evidence set out in this report highlights the growing interaction between pension adequacy and housing inequality. There is a rare opportunity for future reform to support progress on social inequality if policy explicitly recognises the position of lower-income households who have rented across generations, accumulated limited wealth, and may enter retirement with little financial resilience and no prospect of inheritance. The stark gap between median private pension wealth and the pension pot sizes required to sustain later life renting demonstrates that pension policy levers alone are insufficient to close existing adequacy gaps. The central policy challenge is therefore not simply how to increase pension saving overall, but how to target support most effectively towards those facing the greatest structural disadvantages. Adequate retirement outcomes will increasingly depend on how pensions policy interacts with housing policy, social care provision, labour market participation, and the wider welfare system. Future retirement adequacy is likely to require a more integrated policy approach that recognises the interdependence between pensions, housing security, and financial resilience across the life course.

# References


ABI (2025) Another post-pension freedoms record for annuity sales

Adams, J. (PPI) (2026) Underpensioned: Analysis of Pensions Wealth data

Adams, J. (PPI) (2025) The Underpensioned Index

Adams, J. (PPI) (2025) UK Pensions Framework 2025: Indicator Appendix

Age UK (2026a) Factsheet 67: Home improvements and repairs

Age UK (2026b) What is equity release and how does it work?

Age UK (2019) Age UK warns of devastating impact of policy announcement that will leave pensioners thousands of pounds worse off

Archer, T. et al. (2024) A rapid evidence assessment on what older people want, and can afford, when it comes to their housing choices when looking to move

Bedük, S., & Harkness, S. (2024) What explains intergenerational associations in home ownership and value in the UK? Investigating the transmission mechanisms

Boileau, B. & Sturrock, D. (2023) Help onto the housing ladder: the role of intergenerational transfers

Brain, A., et al. (2026) Using pension savings to support home ownership

Brain, A. (PPI) (2023a) UK Pensions Framework: Renting in retirement - The fault line below the UK pension system

California Department of Justice, Office of the Attorney General (2026) Landlord-Tenant Issues: Statewide Rent Caps and Eviction Protections

Cribb, J. et al. (2024) Adequacy of future retirement incomes: new evidence for private sector employees

Davies, B., et al. (2017) Lessons from Germany: Tenant power in the rental market

DWP (2025a) Pensions Commission: Terms of Reference

DWP (2025b) Income-related benefits: estimates of take-up: financial year ending 2024

DWP (2025c) Analysis of Automatic Enrolment saving levels

DWP (2025e) Workplace pension participation and savings trends of eligible employees: 2009 to 2024

DWP (2025f) Analysis of Future Pension Incomes 2025

DWP (2019) A3/2019 Mixed age couples: changes to entitlement conditions from 15 May 2019

Equity Release Council (2026) What is equity release?

Gregg, P. and Kanabar, R. (2022) Intergenerational wealth transmission and mobility in Great Britain: what components of wealth matter?

Gregg, P. & Kanabar, R. (2025) Parental homeownership and education: the implications for offspring wealth inequality in Great Britain

Hitchings, E. et al. (2023) Fair Shares? Sorting out money and property on divorce

House of Commons Work and Pensions Committee (2025) Pensioner Poverty: challenges and mitigations

ILC UK (2012) How can housing wealth bridge the later life funding gap?

Independent Age (2025) Too little, too late: Experiences of income adequacy in later life

Independent Age (2024) Paving the way: How England can learn from other nations about supporting older private renters

King's Court Trust (2017) Wealth transfer in the UK: The continuing story of the inheritance economy

Law Commission (2024) Financial Remedies on Divorce

Legal & General (2025) Savings to shelter: Pensions' role in addressing the UK housing crisis

Leslie, J. & Shah, K. (2022) Intergenerational rapport fair?: Intergenerational wealth transfers and the effect on UK families

Lontayao, R. (2024) How many UK retirees are still paying off mortgages?

MaPS (2026) Just four in ten aware that pensions can be part of a divorce settlement

Ministry of Housing, Communities & Local Government (2025a) Chapters for English Housing Survey 2024 to 2025: Headline findings on demographics and household resilience – Chapter 3: Housing history and future housing

Ministry of Housing, Communities & Local Government (2025b) English Housing Survey 2023 to 2024: experiences of the 'housing crisis'

Mirza-Davies, J. & Cunningham, S. (2026) Pensions: Automatic enrolment – current issues

Okello, S. (PPI) (2025) The Concerns of Gen Z

ONS (2026) Families and Households in the UK: 2025

ONS (2025) Pension Wealth: wealth in Great Britain

ONS (2025) Families and households in the UK: 2024

ONS (2024) Divorces and dissolutions in England and Wales: 2023

Oxford Economics (2026) Higher auto-enrolment contributions, pension adequacy and economic outcomes

Pensions UK (2026) Retirement Living Standards

PLSA (2023) Uncovering the profile of low earners in the UK and the potential for pension saving through auto-enrolment

Reuter, I. & Battefeld, C. (2026) Tenancy law reform 2026 sets tighter framework conditions for landlords

SpareRoom (2026) Flatsharers are getting older

The Second Pensions Commission (2026) Pensions 2050: Evidence and Future Priorities. Interim Report

UK Finance (2026) Later life mortgage lending update

Work and Pensions Committee (2025) Pensioner Poverty: challenges and mitigations

# SPONSORING PPI RESEARCH

**If you are interested in supporting high-quality, independent research that shapes the future of UK pensions policy, we welcome conversations with organisations who share our commitment to evidence-based decision making.**

Sponsoring PPI research enables you to contribute to rigorous, impartial analysis that informs policymakers, industry and the wider public.

To discuss opportunities to sponsor future projects, please contact Dr Suzy Morrissey, Deputy Director, at **suzy@pensionspolicyinstitute.org.uk**

**The PPI is grateful to our Supporters for their continuing support:**

## Platinum Supporters

AVIVA

JUST.

The Pensions Regulator

## Gold Supporters

The ABI
Canada Life UK
Capita Pension Solutions
Department for Work & Pensions
Hymans Robertson LLP
Legal & General
Money & Pensions Service
Nest
now:pensions
(Part of Mercer, a Marsh Business)
People's Partnership
Railpen
Scottish Widows
Standard Life
T. Rowe Price

## Silver Supporters

Aon
Barnett Waddingham
Chartered Insurance Institute (CII)
Exxon Mobil
LCP
Pensions UK
Royal London
Shell
Smart Pension
University Superannuation Scheme

# Acknowledgement & Contact Details

The Pensions Policy Institute is grateful for the input from many people in support of this paper, including:

Dr Yvonne Braun OBE
Jenny Clark
Chris Curry
Danielle Elliott
Andrew Harrop
Ben Infield
Jamie Jenkins
Dr Suzy Morrissey FCA
Richard Mosley
Rita Patel
Dr Fiona Rasanga
Morgan Vine
Justin Wray
Fuzzmedia

We extend our thanks to the many stakeholders who kindly contributed their time by participating in interviews for this research project.

Editing decisions remained with the author who takes responsibility for any remaining errors or omissions.

© Pensions Policy Institute, 2026

Contact: Chris Curry, Director
Telephone: 07718 647 567
Email: info@pensionspolicyinstitute.org.uk

Pensions Policy Institute
Thanet House
231-232 Strand
Temple
London WC2R 1DA

PENSIONS POLICY INSTITUTE

# PPI

All enquiries regarding the Pensions Policy Institute's activities should be addressed to Chris Curry, Director at:
Pensions Policy Institute, Thanet House, 231-232 Strand, Temple, London, WC2R 1DA

t: 07718 647 567
e: info@pensionspolicyinstitute.org.uk
w: www.pensionspolicyinstitute.org.uk

ISBN: 978-1-914468-35-3

Registered Company Number: 04145584. Charity Number: 1087856 (England & Wales)