

Press release

22 October 24

Generation Rent face 'ticking time bomb' in retirement

A new report by the International Longevity Centre (ILC) on "*The future of ageing in an uncertain world*", commissioned by Brightwell, a provider of services to defined benefit pension schemes, has found that generation rent is facing a ticking time bomb in later life.

Faced with unaffordable rents and inadequate pensions in later life, older people could be squeezed out of our towns and cities and away from access to essential services.

In 2007, 62% of people aged 35 to 44 had a mortgage; by 2017, this had fallen to 50%. Owning a home outright by retirement requires taking out a mortgage by mid-life, assuming a consistent income.

As a result, the proportion of people aged 65 and over living in the private rented sector is predicted to double to 13% by 2040.

The full state pension of £11,500 would barely cover the average total rent for a two-bedroom property in England which was £11,200 per year in 2023. While someone expecting to live off the full state pension would need double that in London where the average rent in 2023 was £22,300.

Across England someone still renting through 20 years of retirement could expect to need an additional £317,000 on average but the costs of renting in London would demand at least £633,220 to cover their rent over the next two decades

The average pension pot for somebody aged 45-54 is £40,300 and for somebody aged 55-64 is £102,300 leaving a significant shortfall.

The ILC report notes that in 2023, there were 14 million people saving into defined contribution (DC) workplace pension schemes. Just 736,500 people were enrolled in more generous defined benefit (DB) or 'final salary' pension schemes. The number in DB schemes will continue to decline as only 6% of private sector DB schemes are still open to new members.

Currently, the average number of years in work between the ages of 15 to 65 is 31, but the report predicts that in the future, a greater proportion of people will need to work in later life due to longer life expectancy and a need to supplement their retirement income.

What next?

The report makes several recommendations for the Government including:

- Set out a plan for increasing default contribution rates into workplace pensions, including a clear roadmap for when and how contribution rates will be increased, and widen access to those not covered by the current arrangements, such as the self-employed.
- Review building regulations and requirements to ensure that they support the development of affordable, functional homes that help people live well at different life stages including legal structures to better facilitate sharing or communal living,

David Sinclair, ILC's Chief Executive said:

"Future generations of pensioners are more likely to be renters than homeowners. At the same time, more of us will be living alone and poverty in old age is likely to increase.

Towns and cities are ideal places for us as we grow older, with access to a whole range of services but older renters won't be able to afford to live in towns and cities, where the facilities they need will be."

Morten Nilsson, CEO, Brightwell said:

"There's a growing inequality in retirement. Homeowners with final salary pension schemes will fare much better than renters with DC only savings, or no pension savings at all, who face a ticking time bomb.

"It's important that this inequality is acknowledged, and that pension policy reflects this changing reality. The government is looking at pension adequacy as part of its Pensions Review which is critical for future generations. The previous government also consulted on proposals to allow surpluses built up in DB schemes to be returned to sponsors and potentially re-distributed to DC savers. Initiatives like that could be helpful but aren't a silver bullet.

"Product providers and pension schemes also think about ways to build more flexibility into the products they offer to make it easier for people to both work for longer and work when they are accessing their pension."

Dr Vivien Burrows, ILC's Senior Research Fellow and report author urged

"We don't have a crystal ball (yet), but we can clearly see the increasing risk of wealth inequalities ahead. We know more people will be renting later in life, and these figures illustrate the burden this will place on their finances. The people more likely to be renting after retirement are those on lower incomes, who are already more exposed to the risk of financial hardship in later life. We've made significant gains in tackling pensioner poverty over the last 20 years, but we now risk reversing this progress."

"The mood music around the Renters' Rights Bill and the Pensions Review point in the right direction but there's a danger the government machine remains in siloes. We can no longer look at issues in isolation but need a holistic approach to housing, financial security, healthcare and work. If we start now, we can turn the challenges of ageing into opportunities for a healthier, more connected, and fulfilled future."

The full report "The future of ageing in an uncertain world" can be downloaded here: https://ilcuk.org.uk/wp-content/uploads/2024/10/The-Future-of-Ageing-in-an-Uncertain-World_final.pdf

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Notes

Generation Rent is used to describe young adults, typically aged 18 to 40 who have been priced out of the housing market and are unable to buy homes and are forced to pay a high proportion of their income on rent. However, as more and more older people are similarly unable to afford to buy their own homes this age bracket is expanding. According to the 2021 Census, 6.8% of people over 65 were still renting.

Research conducted by the UK Collaborative Centre for Housing Evidence (CaCHE) predicted that the proportion of over 65s living in the private rented sector would increase from 4% in 2022 to 13% in 2040. [Keys to the future | Independent Age](#)

For the rent figures: Average (mean) monthly rent for a two-bedroom property from the ONS Private Rental Market Statistics for 2023. Projected total rental costs assume an annual rent increase of 2.9% over a 20-year period.
<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/privaterentalmarketsummarystatisticsinengland>

For the pension pot figures: Average (median) individual private pension wealth from the ONS Wealth and Assets Survey Round 7 (2018-2020)

The full report "The future of ageing in an uncertain world" can be downloaded here: https://ilcuk.org.uk/wp-content/uploads/2024/10/The-Future-of-Ageing-in-an-Uncertain-World_final.pdf

Accompanying the report is a short guide for service providers which can be downloaded here: https://ilcuk.org.uk/wp-content/uploads/2024/09/ILC-FOA-Service-provider-guide_final.pdf

About Brightwell

Brightwell offers a comprehensive service to UK defined benefit pension schemes across funding and fiduciary, member administration and advisory services. Brightwell's approach focusses on collectively owning problems, sharing solutions and collaborating for the long-term.

Brightwell won the Pensions Administrator award at the Pensions Age awards 2024. The Brightwell Pensions Academy won Training Scheme of the Year at the Professional Pensions Rising Star Awards 2023 and the Development and Talent Retention Award at the Pensions Management Institute's Pinnacle Awards 2023.

About ILC

ILC is the UK's leading authority on the impact of longevity on society. We combine evidence, solutions and networks to make change happen.

We help governments, policymakers, businesses and employers develop and implement solutions to ensure we all live happier, healthier and more fulfilling lives.

We want a society where we all live happier, healthier and more fulfilling lives, where tomorrow is better than today and where future generations are better off. ILC wants to help forge a new vision for the 100-year life where everyone has the opportunity to learn across our lives and where new technology helps us contribute more to society.

