Home truths: Is property really the best pension?

Callum Conway dives into the age-old debate of property vs pensions, and how the argument has shifted in 2025

Summary

- Long-run price rises, and the buy-to-let boom turned homes into genuine investments, but price patterns have been shifting for some time.
- Pensions continue to face challenges around perception and engagement.
- There are several barriers that stop housing being part of the mainstream retirement planning conversation.
- The two assets should be integrated into a holistic retirement strategy.

Forget tea versus coffee or Messi versus Ronaldo. For millions of Brits, a crucial debate is whether to pour spare cash into a property or a pension pot.

Both routes can offer long-term financial benefits, but they differ in fundamental ways. At the heart of the debate is a striking contrast in perception: Property can feel familiar and straightforward, while pensions can often be seen as complex and distant.

"People value the tangible nature of a home, and generations of would-be homeowners have passed that aspiration down," explains Broadstone head of policy, David Brooks.

"Property ownership creates security in retirement, as downsizing or equity release can unlock capital later on."

"However," he adds, "renting can be a dramatic drain on income."

Worryingly, Hymans Robertson head of DC corporate consulting, Hannah English, suggests the proportion of pensioners who rent could triple over the next 20 years.

"Pensioners who rent need an extra £5,200 a year for life to cover the cost of renting – the equivalent to a pension contribution of around 9 per cent of pay from the age of 22," she notes.

Meanwhile, owning a house is not necessarily the retirement asset it once was.

Long-run price rises, and the buy-to-let boom turned homes into genuine investments earlier this century, but price patterns have been shifting for some time.

Research from Rathbones shows that UK house prices have barely kept pace with inflation since 2016, while London homes have underperformed inflation by 2.2 per cent a year.

Cartwright Pension Trusts senior advisor, Ian McKnight, warns that today's buyers pay "five to 12 times average earnings – twice the level of 50 years ago", adding that corrections can leave borrowers in negative equity just as retirement looms.

The Pensions Management Institute chief strategy officer, Helen Forrest Hall, echoes this warning.

"Property is illiquid, unevenly distributed, and doesn't generate income unless sold or let," she argues.

"In today's economic climate – with rising interest rates, volatile house prices, and longer retirements – relying solely on property is increasingly irrational and exposes individuals to significant financial vulnerability."

Despite property's flaws as a retirement asset, pensions continue to face challenges around perception and engagement.

They're predominantly managed by others, tied up in industry jargon, and inaccessible until later in life. Unlike the step-by-step journey of saving a deposit and securing a mortgage, building a pension can involve navigating tax reliefs, contribution limits, investment options, and ever-evolving rules around access and withdrawal.

However, the long-awaited arrival pensions dashboards – finally promising a single view of all pots – could be a watershed moment for the industry, with many believing it could offer the solution to a lack of pensions engagement.

Meanwhile, since the 2015 pension freedoms, savers can blend annuities, drawdown and lump sums to suit changing needs, while the Financial Services Compensation Scheme and rigorous oversight offer protections absent from the buy-to-let market.

LCP partner, David Fairs, says pensions can have "significant advantages over property".

"There is often a contribution from the employer, there is a generous tax benefit, and it is now possible to access retirement funds on an as-needed basis," he continues.

"It is possible to diversify investments to reduce the impact that one poorly performing investment or sector might have."

Indeed, research from the Institute for Fiscal Studies shows private pension wealth today accounts for approximately 42 per cent of UK household wealth, underlining how significant pension funds are compared to other assets.

While both pensions and property have their pros and cons, some experts argue they should be better integrated into a more holistic retirement strategy.

Fairer Finance's 2025 report reveals a stark mismatch: Nearly four in 10 (38 per cent) future retirees are on track to fall below the recommended minimum income standard – despite the average household holding more wealth in property than in pensions.

Therefore, the report suggests that normalising the use of housing wealth, whether through downsizing or more flexible equity-release products, could inject some £21 billion a year into the UK economy by 2040.

Its five policy recommendations range from stamp-duty cuts for downsizers to a "single financial view" combining pension and property data.

Fairer Finance managing director, James Daley, says we need to facilitate more people to use their housing wealth in retirement, as pensions are merely a 'tax wrapper'.

"Unlocking housing wealth isn't as easy as it should be. Suitable retirement homes are thin on the ground, and borrowing against property can be expensive. Higher interest rates and a concerted effort to boost housing supply may also mean future price growth is nothing like the past 30 years," he adds.

Brooks, though, urges caution on combining the two assets: "The pension system's purpose is to provide income when people can no longer work. Bolting property wealth onto it risks complexity and cost. We should tackle high house prices at source, not via pensions".

"The narrative that 'my home is my pension' needs to be challenged," he warns, arguing that "a home should first and foremost be…a home".

Meanwhile, other industry figures suggest that pension funds should be used to help young people onto the housing ladder and subsequently avoid the rental trap in later life.

Hymans Robertson's policy paper, *The untapped potential of pensions*, proposes allowing pension saving to be used as collateral for mortgages for first-time buyers.

This arrangement, the firm claims, would enable people to get on the housing ladder without a deposit and benefit from lower interest rates as lenders take on less risk of negative equity.

English says: "It would be great to see pensions being able to support people getting on the housing ladder. However, this proposal needs to be balanced with money not being diverted away and avoiding the result where someone has no pension pot in retirement."

Echoing this, Forrest Hall states that there is a case for greater integration between housing and pensions.

"The Lifetime Savings Initiative proposes allowing limited early access to pension savings for first-time home purchases – mirroring international models like Canada's Home Buyers' Plan," she explains.

"This could help younger savers build long-term financial resilience without undermining retirement adequacy, provided it's carefully designed with guardrails and contribution thresholds."

Indeed, the majority (88 per cent) of potential buyers already prioritise saving for a house deposit over saving for a pension, a survey from Share to Buy revealed.

Fairs, though, suggests a slightly different approach.

"There is a general shortage of housing supply, so permitting investment in residential property could be a good investment for a pension scheme, provided that ownership could be established on a fractional basis or through a unitised investment vehicle," Fairs says.

Regardless of potential tweaks to the system, one thing is clear – both property and pensions are crucial elements of a successful retirement strategy.

"Most people won't choose between property or pensions," says Daley.

"They'll need a blend: Housing for shelter and maybe flexibility later on; pensions for reliable, scalable income."

Indeed, Britain's love affair with homeownership is unlikely to fade – nor should it. A paid-off home removes a major cost in retirement and handled wisely, can provide a financial buffer.

However, as Daley states, there are a number of social, economic and regulatory barriers that stop housing being part of the mainstream retirement planning conversation.

"If we're to head off a later life funding crisis, policymakers need to start taking action to bring down these barriers now," he warns.

The industry's task? To reframe the debate. A home and a pension are two sides of the same coin – complements, not competitors. It should not have to be a choice between one or the other for savers.

As the old saying goes, own the roof over your head – but make sure there's money under it when the rain comes!

Written by Callum Conway