

Can pension scheme design help younger members onto the housing ladder?

Many young employees are trying to balance three competing priorities: saving enough for retirement, getting onto the housing ladder and managing day-to-day affordability. Improving one often means compromising on another. It's a financial trilemma that pension scheme design can either reinforce or help to ease.

Getting a foot on the first rung of the housing ladder is tough:

- The average graduate in England enters the workforce with **£53,000 of student debt**.
- Housing costs have risen sharply. In 2000, the average house cost around four times median earnings. Today, it's **closer to eight**.
- And outside the public sector, individuals starting work today are **highly unlikely to join a DB pension scheme**. That means many young people need to start setting aside enough money for DC pension contributions to ensure an adequate retirement income.
- At the same time, the cost-of-living crisis has made everyday living costs such as food and energy more expensive, while around **one in three** employees has taken time off work due to financial stress.

SO WHERE SHOULD THE NEXT POUND OF EARNINGS GO?

How might someone navigate these challenges and strike the best balance between home ownership and setting aside money for retirement? And how might employers structure their employee benefits to better support members in achieving their goals?

To help answer those questions, let's consider an example:

Niamh's a 25-year-old young professional entering the workforce today, with a level of student debt that's common for graduates. She's earning £30k pa and has an ambition to buy her first home. She knows saving for retirement is important and, fortunately, her employer offers a DC scheme with generous terms:

EMPLOYEE CONTRIBUTION RATE	EMPLOYER CONTRIBUTION RATE	TOTAL
4% minimum	4%	8%
5%	5%	10%
6%	6%	12%
7%	7%	14%
8%+	8% maximum	16%+

If Niamh pays 4%, her employer will match it. However, if she's willing to pay more, so will her employer, up to a maximum matching contribution of 8%.

If Niamh chooses to contribute at the maximum match level, she can get on the property ladder after about 14 years and her total wealth, defined as Mortgage equity + Pension savings – Debt, is £163k.

CONTRIBUTIONS	TIME TO PROPERTY DEPOSIT	TOTAL WEALTH (£000)	PENSION (£000)	MORTGAGE EQUITY (£000)	STUDENT LOAN (£000)
8% + 8%	14yrs	163	185	52	74

But 14 years is a long time, and Niamh might be willing to prioritise saving for a property deposit. If she were to reduce her pension contribution to 4% and divert the remaining money to saving for a deposit, she could get on the property ladder 5 years sooner:

CONTRIBUTIONS	TIME TO PROPERTY DEPOSIT	TOTAL WEALTH (£000)	PENSION (£000)	MORTGAGE EQUITY (£000)	STUDENT LOAN (£000)
4% + 4%	9yrs	211	136	148	73

After 15 years, her pension pot would be smaller than in the first scenario, but she'd have built up more mortgage equity, and her total wealth would be higher.

HOW COULD NIAMH IMPROVE HER OUTCOMES?

Suppose her employer offered a fixed pension contribution regardless of employee rate. In the next example, we've assumed that Niamh's employer budgets for all employees contributing at the maximum match level and so we've set the fixed employer rate at 8%.

Not all employers budget for pension contributions in this way and other scenarios based on different affordability constraints may be more appropriate. However, this example starts to illustrate how employers might support employees with flexibility as well as pension saving.

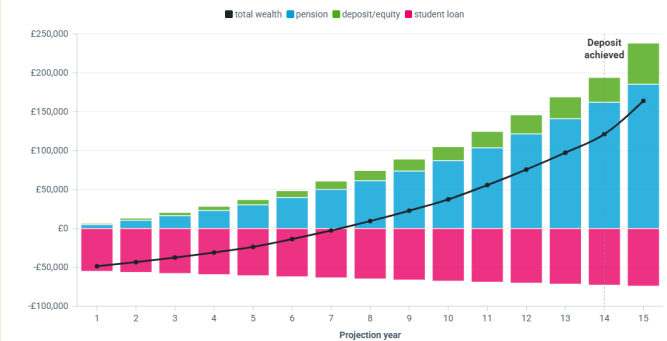
Under this scenario, Niamh has enough money for a deposit after 7 years and, after 15 years, her total wealth is higher than in previous scenarios.

CONTRIBUTIONS	TIME TO PROPERTY DEPOSIT	TOTAL WEALTH (£000)	PENSION (£000)	MORTGAGE EQUITY (£000)	STUDENT LOAN (£000)
8% + 0%	7yrs	259	156	176	73

The following chart shows the results of our Guided Outcomes modelling, which estimates Niamh's financial position after 15 years under different pension contribution scenarios, including an option not currently offered by her employer:

Projected wealth under different pension contribution scenarios

Contribution structure: **8% employer, 8% employee** | 4% employer, 4% employee | 8% employer, 0% employee



Source: Hymans Robertson

HYMANS ROBERTSON

[VIEW INTERACTIVE CHART](#)

Getting on the housing ladder earlier leads to higher mortgage equity and means deposit savings are diverted to pension savings sooner. We assume that Niamh begins paying the maximum match level of pension contributions once she saves the property deposit.

The example above highlights the real trade-offs younger members face when balancing pension saving, housing ambitions and day-to-day affordability. Scheme design alone won't remove those tensions, but it can play a meaningful role in shaping how manageable they feel and how well members' long-term outcomes stack up.

EMPLOYERS CAN SUPPORT THESE MEMBERS BY:

- ✓ **Using scheme design effectively** - contribution structures can materially influence how quickly younger members get onto the housing ladder, while still enabling them to build adequate retirement savings.
- ✓ **Using modelling to support decision making** - modelling different contribution approaches helps employers understand how design choices affect member outcomes in practice. Our Guided Outcomes technology supports this kind of evidence-based analysis.
- ✓ **Supporting members beyond the scheme** - access to financial guidance can help members make more confident choices. **Hymans Robertson Personal Wealth** can provide valuable support in improving members' overall financial wellbeing.



If you'd like to explore how pension scheme design could better support younger members with competing priorities like housing and retirement saving, please **get in touch**.

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Methodology and assumptions

The example is based on a 25yr old young professional, earning £30k pa.

Earnings are assumed to increase by CPI+1%, where CPI is based on the projected rate of CPI from our proprietary stochastic model (which is 2.3% pa as at end Dec 2025).

In years 5 and 10 of the projection, we assume there are instead salary increases of 25% (to reflect attainment of professional qualification) and 20% (to reflect promotion to a senior position) respectively.

House prices are assumed to increase by CPI+1.5%.

The member is assumed to purchase a property valued at 75% of the UK average (for all properties) and in Council Tax English band D, with a mortgage based on 10% deposit, a 25-year term and interest rate 0.25% above the BoE base rate.

We assume council tax bands increase in line with CPI inflation plus 1% pa.

We assume living expenses are 80% of net pay less rent and council tax; the member sets aside 10% for property savings and a further 10% as a contingency fund for unexpected expenditure.

We assume Income Tax bands are frozen until 2030/31, in line with current expectations; after that, we assume the bands increase by 1% pa.

We assume the member has no non-property or non-pension savings.

We assume pension contributions are made on a non-salary sacrifice basis.

In scenarios where the member is paying less than the maximum match level of pension contributions, we assume they switch to the maximum match level once they have saved their required property deposit.

We assume the member starts work at 25 years old with a student loan of £53k and makes the minimum required repayment throughout the term of the projection.

This analysis is based on deterministic assumptions about future increase rates in variables such as salaries, council tax bands, Income Tax bands, and house prices. It does not consider the potential variability in those increase rates.

The results we have presented are based on modelling and sensitive to the methodology and assumptions. Please reach out if you'd like to understand more about our analysis and the methodology and assumptions underlying it.