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Ros Altmann

Pensions experts are split over a suggestion by Housing Minister James Brokenshire MP that could see pensions 'unlocked' early to allow young people to buy their first home.

Adam Tavener, chairman of Clifton Asset Management, backed the plan conditionally if SIPP providers were allowed to administer a scheme to allow young people to use pension pots to finance their first property.

He said: "We're delighted that the Housing Minister has picked up on the detailed proposals that we put to HM Treasury last year – to help first time buyers get on the housing ladder.

"For many young people, buying their own home and regularly saving into a pension from their take home salary, is unrealistic and therefore the deposit savings tend to take priority, leading to significantly diminished pension prospects in later life.

ter life.

"But, if this approach became policy, and young people were allowed to save for a deposit through their pension, they could also benefit from the generous tax reliefs and employer contributions that can accompany such arrangements.

"As Clifton research has shown, this would mean that in many cases, a realistic deposit can be accumulated twice as fast as saving outside of the pension regime."



He added: "We have also proposed that a scheme of this type should be administered by HM Treasury and designated SIPP providers who can demonstrate that they have the back-office capabilities and team experience to manage an extensive loan book."

But former Pensions Minister and Tory peer, Baroness Ros Altmann, was sceptical about 'muddling' pensions with house-buying.

She told Financial Planning Today: "Policy proposals suggesting people should be allowed to use their pension money to buy a first home are understandable, but misguided.

"The purpose of private pensions is to ensure people have later life income to supplement the UK's exceptionally low State Pension.

"If people are encouraged to spend their pension money while still young, there is an increased risk of old-age poverty."

She added: "Saving for a house deposit is usually in cash, but cash pension saving will result in lower pensions.

"It is vital to separate the funds saved for house deposits from the money set aside for retirement.

"When saving for a deposit on a first home, most people would be best advised to have low-risk or cash savings, so that the money will be readily realisable at relatively short notice.

"Once you find a home to buy, you would not want to have to wait until any illiquid investments are sold, or until markets recover from a downturn.

"With pensions, however, all studies show that the best long-term returns are obtained by investing in higher-risk assets such as equities and holdings such as private equity, real estate or infrastructure. Those who hold their pensions in cash are likely to end up with much less in later life."

Baroness Altmann pointed to other initiatives such as Help To Buy, which she said "may have boosted prices without improving affordability".