

Future Retirement Standards at Risk as Government Warns of Pension Shortfall

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A major review from the Institute for Fiscal Studies (IFS) has issued a stark warning: future pensioners in the United Kingdom are on course to face significantly lower living standards in retirement unless urgent reforms are undertaken.

The decline of defined benefit pensions, salary-linked schemes once standard in the private sector, has left most working-age Britons reliant on defined contribution pensions, where investment risk and adequacy fall entirely on the individual. Worryingly, 60 per cent of middle-income private sector workers contribute less than 8 per cent of their salary to their pension pots, well below the 12 to 15 per cent range recommended by the Turner Pensions Commission. Among the self-employed, fewer than 20 per cent contribute to any pension at all.

Rising housing costs are compounding the challenge. A substantial proportion of future retirees are likely to remain in the private rental market, particularly in London and the South East, where rents could consume over 60 per cent of retirement income. With declining homeownership among those born after the 1960s, many individuals will lack the housing security older generations enjoyed, placing further pressure on personal finances and the welfare system.

The continued rise in the state pension age adds further strain. As people are expected to work beyond 66, many in physically demanding roles or with long-term health conditions may struggle to remain in employment. Evidence already suggests that poverty rates among 65-year-olds doubled following the last increase in pension age.

Fiscal pressures are intensifying. The Office for Budget Responsibility has projected that, if the triple lock remains in place, state pension spending could reach nearly 9 per cent of Gross Domestic Product by the early 2070s. Such growth is seen by many as fiscally unsustainable.

Policy experts and centre-right commentators alike have called for a review of the triple lock. Suggestions include linking state pension

increases to earnings growth alone, raising minimum employer contributions, and improving pension access for the self-employed. Some advocate a targeted approach, protecting the most vulnerable while encouraging greater private saving through tax incentives and auto-enrolment reforms.

Maintaining dignity in retirement must remain a priority. But that goal cannot come at the cost of national economic stability or intergenerational fairness. Without urgent, considered reform, millions of future pensioners could face a sharp decline in living standards. The warning has been sounded; what matters now is how policymakers respond.