Institute and Faculty of Actuaries

Independent thinking from the IFoA

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think

The Citizens Advance

by **Jamie Gollings**

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Part of the IFoA's purpose is to promote debate within and beyond the profession, and to position our members as leading voices on the biggest public policy challenges of our time.

We aim to showcase the diverse range of expertise and critical thinking both within and outside the profession.

Our 'think' series seeks to promote debate on topics across the spectrum of actuarial work, providing a platform for members and stakeholders alike and sharing views that may differ from the IFoA's house view. In doing this, we hope to challenge the status quo, question the orthodoxy, and shine a light on complex or under-examined issues, thereby stimulating discussion and dialogue to help tackle issues in a different way.

Jamie Gollings

Jamie is Director of Development and Deputy Research Director at the Social Market Foundation (SMF). He has worked on a variety of research projects across the SMF policy areas, including gambling, pensions, and education and skills. He has a particular interest in the policy drivers of populism, authoring first-of-its kind analysis on the topic.

Prior to undertaking this role, Jamie was the Head of Research and Policy at Our Scottish Future. His work there included research on improving policy implementation, boosting innovation in Scotland, and forecasting the impact of the cost-of-living crisis on households. Jamie's research has been covered in publications including The Guardian, The Times, and The Herald.

He has also worked for OC&C Strategy Consultants in their London and Istanbul offices, leading teams advising firms in sectors ranging from tech to retail. During the pandemic, he led on the development of the 'UK Year of Service' youth employment programme on behalf of UK Year CIC and in partnership with NCS Trust. Jamie studied Physics with Theoretical Physics at Imperial College London.

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The rise of the 'Bank of Mum and Dad'

Wealth inequality was one of the long-running themes in the run-up to the Budget this year and **calls for wealth taxes** were louder than in previous years. In response to some of this, the Chancellor included a 'mansion tax' in her Budget, although the measure is less far-ranging than the levies that some proposed.

Personal and family wealth levels can alter the course of people's lives. Children of wealthier parents are **more likely to go to university**, even when controlling for a range of personal characteristics. Inheritance is becoming an increasingly important driver of wealth inequality. Three-quarters (75%) of those born in the 1970s expect to receive, or have already received, an inheritance. The equivalent figures are 68% for those born in the 1960s, 61% for those born in the 1950s, and 55% for those born in the 1940s. The scale of inheritance received also varies widely, with the top quintile receiving on average four times as much as the bottom quintile (£100,000 vs £25,000).[1]

One of the areas that wealth inequality is felt most strongly by the public is in property. The 'Bank of Mum and Dad' is one of the UK's biggest sources of property finance, as parents and other family members help their relatives get onto the property ladder. In total, the 'Bank of Mum and Dad' distributed **nearly £10 billion** in 2024, more than **Yorkshire Building Society** across its residential loans. One in two first-time buyers (52%) in 2024 benefited from financial help from family members, with a contribution of £55,572 on average.[2]

The Social Market Foundation is examining how to help address this wealth inequality, through an idea it calls the 'Citizens Advance'.

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Introducing the 'Citizens Advance'

The 'Citizens Advance' was first proposed by **Andrew Lewin**, the Member of Parliament for Welwyn Hatfield since 2024. Lewin came to the Social Market Foundation with the idea, and we secured a grant to conduct research into the feasibility and possible parameters of the policy initiative.

At its core, the idea proposes that a person would receive a lump sum of money now, in exchange for postponing the point at which they receive their State Pension. The simplest version of the proposal is to push back the pension age by one year in exchange for one year of the full state pension now, worth around £12,000 in 2025/26. Notionally, the state is providing the cashflow to enable citizens to borrow from their future state pension income. For a couple purchasing a home, a joint deposit of £24,000 would be enough to secure a property in most parts of the UK.

On first glance, the policy is fiscally neutral in the long run, although there are some complications. If people were likely to rely on other forms of state support as they approached their retirement age, then the state may just pay another year of those benefits rather than the state pension - meaning little or nothing is saved. Similarly, a recipient of the Citizens Advance may die before the point at which they would have passed the pension age. On the other side of the ledger, postponing the state pension age by a year might encourage many to work a year longer, making additional tax contributions.

When modelling the potential fiscal impact of the Citizens Advance, our research project will take account of these factors. It will also model the expected take-up and the positive economic effects of the proposal. The research project will model the expected take up and positive economic benefits of the proposal, as well as the budgetary implications. The amount of the advance, the pension forsaken, eligibility, and the freedom to spend it may all have to be adjusted to fit within the UK's fiscal framework.

There is a contributory principle at the heart of the Citizens Advance. The model we are building assumes that Brits would be eligible to receive the payment only when they have made at least 10 years of National Insurance contributions. In effect, this means that people could start drawing on a Citizens Advance from the age of 28. An age cap of 40 is currently envisaged in order to limit the potential fiscal outlay. National Insurance credits would also be considered to ensure that those out of work due to sickness or disability are not excluded from the Citizens Advance.

The policy would be available to all UK citizens who meet the contributory criteria. Alternatively, it could be means-tested in some way, but the potential for intergenerational transfers complicates matters. Would we want to limit the policy to those who have a low income, some of whom may have access to family wealth? Would we want to exclude moderate or high earners who would have to save every penny themselves, with no access to the 'bank of mum and dad'? A typical means test would be based upon the recipient's income or possibly their wealth, and it does not seem feasible to base eligibility upon a means test of all family members who could possibly support the recipient. Narrowing the recipient pool in this way is also likely to reduce political support, as we see when moving away from universal benefits (such as the Winter Fuel Allowance).

The policy's original conception allows recipients to spend the Advance as they wish. If the total number of Citizens Advances given needs to be limited, one option would be to restrict eligible uses: for example, to spending likely to have a long-term economic benefit. One of the most popular expected use cases for the Advance is on housing deposits, and previous policies such as the **Help to Buy ISA** demonstrate that this mechanism exists to restrict usage through the house-buying process. Paying for training and education is another potentially beneficial use case, which could be administered through the **lifelong learning entitlement system**.

Another possible feature for the Citizens Advance is to make it repayable, such that people could buy back that year of State Pension at a later date. The pricing would be complex, although the state may benefit from repayment occurring after individuals have reaped the benefits, and years in advance of retirement.

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International examples

Historically or internationally, we've seen nothing quite like the Citizens Advance. However, some analogous schemes, which currently operate overseas, have been recommended in the UK previously.

The Citizens Advance focuses on State rather than private pensions. The rationale for this is that the funds are more widely available. Some groups, such as the self-employed, tend to have limited private pensions savings, whilst private pension savings pots correspond to income and wealth levels. A State Pension-based mechanism is therefore more universal, although it comes with its own fiscal impact challenges. The Resolution Foundation's 2024 report, which examined financial resilience in the population, recommended allowing families to "borrow the lesser of £15,000 or 20 per cent of their pension pot value".[3]

New Zealand's KiwiSaver is a voluntary savings scheme, primarily designed for retirement. It sits alongside the country's state pension, and can typically be drawn from age 65. Early withdrawals are possible for a first home purchase, with **35,700 people** taking advantage of this in 2024 at an average amount of $34,718 (around £15,000).[4] With **125,000 property transfers** in New Zealand in the year to June 2024[5], and first-time buyers making up around **a quarter** of total purchases[6], it seems that the vast majority take advantage of the KiwiSaver early withdrawal.

The First Home Super Saver scheme sits within the Australian superannuation system, the country's main pensions vehicle. People can make voluntary contributions, alongside their superannuation payments, to a first home savings fund, while benefiting from the same tax benefits as other contributions. There were 18,300 release requests for funds in 2024/25, worth on average $20,000 (around £10,000).[7] There is limited data on the number of first-time buyers in Australia, but compared to Kiwisaver, half as many people took part in this scheme, despite Australia's population being five times as large. This would imply around 10% take-up among first-time buyers if they represent a similar share among Australians.

Some countries in Latin America allowed early withdrawals from individual pension accounts during the pandemic. In Chile, there were three periods of fund withdrawals in 2020 and 2021. This left **total savings balances** 24.3% lower in men's accounts and 33.3% lower in women's.[8] In Peru, **65% of members** of pensions scheme made withdrawals from their accounts in the early years of the pandemic.[9]

None of these examples are similar enough to the Citizens Advance to draw conclusions about what take-up might be, but they do demonstrate that households are keen to draw down their retirement savings early when given the chance.

Focus group response

The first step in testing the Citizens Advance was to run three focus groups. These took place in August 2025, and each included 7-8 participants from across the UK. The groups were divided by age band: 25-30, 30-35, and 35-40-year-olds.

The conversations began with a focus on the participants' financial situations. The cost-of -living crisis was hitting the three groups, with one participant feeling like their "whole salary goes on food". Some participants found that the pandemic gave them a chance to save Many did not expect a good quality of life in retirement and anticipated that the retirement age would continue to rise. One thought that the "state pension age will be in the 70s by the time we retire…It will probably be worth less".

When the Citizens Advance was introduced to the groups, some participants were very keen, with one participant reflecting that "a year isn't that long. If it was going to help with, say, a deposit on a house, then this would be entirely worth it."

Initial responses to the Citizens Advance idea often seemed to map to their level of trust in politics. Those who were more sceptical of politicians were more likely to worry about the 'small print' of the policy idea, or that it "almost feels too good to be true", as one participant said. There were concerns about what would happen if someone died before the state pension age, what would happen if the government changed its mind, and how they would feel if the state pension age kept increasing anyway. Such concerns demonstrate the importance of foreseeing and communicating answers to these questions if such a policy were introduced.

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Next steps

These focus groups are just one part of the Citizens Advance research project. We are launching a survey of 2,000 25-40-year-olds that will test people's views of the policy and how this relates to their saving goals and financial position, as well as demographics and how they would plan to use the Advance. The survey includes conjoint analysis used to estimate possible take-up, and how this would be affected by the value of the lump sum, the length of time that the State Pension is postponed, whether there are restrictions on how the Advance is spent and whether it can be repaid.

Alongside this, we are using AI-chatbots to facilitate qualitative interviews at scale. A representative population of 25-40-year-olds will be interviewed by an AI moderator from Focaldata, pre-briefed by the SMF on the project context and research aims. SMF has previously used this method successfully in a project that was highly commended in the Innovation Award category at the **2025 Smart Thinking Think Tank Awards.**

Modelling is also underway to understand the policy's fiscal impact. This will examine different take-up scenarios, incorporate discount rates, and consider factors such as mortality and tax contributions from longer working lives. We are also investigating how the Citizens Advance would be treated by the Treasury, and whether the student loan book could be used a model. The Citizens Advance could also be financed privately, with investors providing the lump sum in exchange for future pension payments.

We are grateful to the IFoA for providing the opportunity to introduce this idea to the actuarial community, especially given its expertise on long-term planning, policymaking, and intergenerational fairness. We would welcome any thoughts and suggestions. Input would be especially valuable on:

- Examples of policies that are similar to the Citizens Advance, either from the UK or abroad
- Perspectives on how the Citizens Advance could be funded, and whether private financing (in full or partially) may be feasible
- Understanding the risks associated with postponing the retirement age for those who opt in to the Citizens Advance

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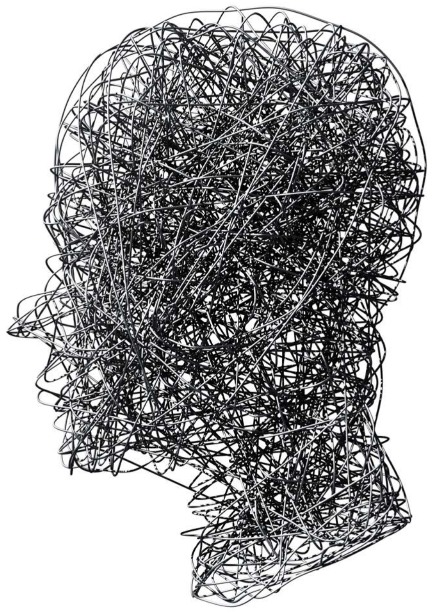

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