

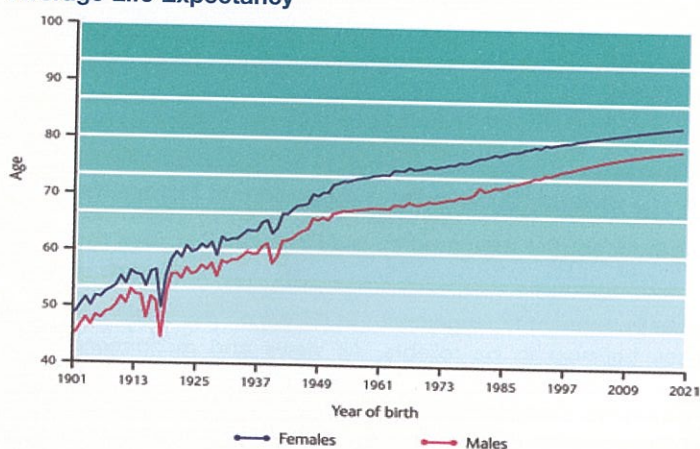
A PENSIONS PERSPECTIVE

Having been involved in pensions for over thirty years I have observed significant shifts in attitudes towards retirement provision. Initially my chosen profession was regarded as deathly boring – definitely to be avoided in dinner party conversations; then followed a period when it was presumed that I was trying to sell something; there now appears to be a growing realisation that we should all be doing something about it. And so we should; relying solely on the State to provide for one's retirement is a certain road to penury.

We all need to save for our retirement, and we need to save more because we are living longer – only in the arcane world of pensions could that be regarded as bad news – and because of changes in investment markets and tax.

A major reason for mortality improvement is clearly the advance of medical science. We might reasonably expect that to continue, and perhaps even to accelerate as various cancer cures are developed (one hopes). But other reasons include unrepeatable one-off events. Most adults have stopped smoking; that won't recur. The past fifty years have seen the almost complete eradication of contagious diseases; they won't need eradicating again. And much as we may criticise the NHS, it is far better than nothing; today's retirees represent the first generation to have lived their entire lives with access to free healthcare.

Average Life Expectancy



The contra argument is that many more people are becoming obese. Within forty years it is expected that the majority of us will be clinically obese – clearly not conducive to a long or healthy retirement.

So whilst we can hope for medical science to provide us with continuing improvements in life expectancy, we can be fairly certain that recent trends, based in great part on non-recurring factors, will not continue. On balance, however, we must assume that we will live longer than our forebears.

Those fortunate to be members of a final salary pension scheme should have adequate provision (depending on salary and length of service). Unfortunately, most such schemes in the private sector are now closed, either completely or to new entrants. They are perceived as too expensive, and these schemes are now almost exclusively the preserve of public sector employees.

Providing for a decent income in retirement by whatever means is expensive, not just final salary schemes. Everyone is living longer, not just those in pension schemes, and it is not just pensioners that are suffering lower investment returns.

Changes in taxation haven't helped either. In Gordon Brown's 1997 budget he introduced one of his many 'stealth taxes' with the justification that "many pension funds are in substantial surplus and at present many companies are enjoying pension holidays" (Hansard vol. 297). Pension surpluses – those were the days.

In a recent survey, 90% of respondents criticised the State pension which was labelled "a national disgrace" by one pensions expert.

Whether we save for retirement through pension schemes, securities investments, property, works of art or whatever is a matter of personal choice and circumstances. But the message is clear; we need to provide for ourselves, the State will not do it for us.

**From Clive Gilchrist:
Managing Director of BesTrustees plc.**