

End of pensions? I don't think so

Despite the press stories, saving for a pension is the best way for clients to protect their future options



Steve Bee

At this point in 2012 we probably stand at the beginning of perhaps the most momentous year our pensions system in the UK has seen in a generation. But by reading the newspapers even the casual reader could easily draw the conclusion that our pension system in this country is in danger of imminent collapse. For someone like me (and you, for all I know), working in the pensions industry and sitting in between momentous reform and impending doom, everything seems more than a bit on the weird side.

Doom

On the doom and gloom side of the pensions equation we have the almost daily diet of press stories about public sector pension strikes because benefits are starting to be cut back; private sector pension strikes because schemes that have already had their benefits cut back and then closed to new employees are now being closed for existing employees as well (it seems to take a bit more to get private sector employees wound up about pensions).

Stories about annuity rates going to hell in a handcart because we are all going to be unlucky enough to live longer than any other human society on the planet since the year dot; stories about investment returns on pensions being outdone by people keeping their savings in a biscuit tin under their bed.

You have read the stories the same as I have. Newspaper stories about pensions have become almost as predictable as newspaper stories about A-levels. You know without reading the papers at results time that two twins will get identical grades and one will go to Oxford and the other to Cambridge; that a five year-old schooled by their odd-looking Dad will get an A+ at maths; and that a

whole class from a state-school that a politician's son or daughter attends will all get top grades. The stories are the same every year; it is just the pictures and the names that change. Pension stories are getting a bit like that too, if you ask me.

If you read enough of these sorts of stories you could end up thinking that pensions are not worth saving for and that spending all your hard-earned cash the minute it hits your bank account is the way to live your life. But it is not really, is it?

When it comes down to it, it is all about income streams. When we are very young and have yet to have our generation's shot at getting our names in the papers at A-level time we are completely dependent on others (either our families or the state) to support us. Once we hit the end of our second decade on the planet, though, we are pretty much left on our own, income stream-

wise. If we do not have a regular supply of money we struggle a bit with the whole concept of living in this thing we call society.

The best way to get an income stream is to sell your time to someone or something. I am selling my time while I write this, you are probably taking a break from selling your time while you are reading it (you may even have convinced yourself that you are selling your time while you are reading it; who knows?).

It is normal to sell your time in return for an income stream; we call the process "going to work" for short. The people who get better grades at school might call it "having a career", but it amounts to the same thing; you give up your time, you get money in return.

As we get older some of us might like to take things a bit easier and maybe going to work every day might get harder and harder too. If we have been sensible enough to stash some of the cash we have earned over decades of time-selling we have the chance of drawing on that and maybe easing off on the selling our time scenario.

Ageist

In a world that is becoming ageist I suppose it is not quite so worrying to hear the latest news from the DWP that only 38 per cent of the workforce are currently saving for a pension and that pension saving is not only generally in decline, but almost non-existent among the under-40s. The bad news is not many people will have high levels of pension saving in the future, but the good news is that old people will still be able to sell their time as employers will not be able to put them on the scrapheap because of their age.

In an anti-ageist society we will now have a simple choice. Do we want to work till we drop, or do we want to get into the habit of putting a little bit of money aside while we are working so we will have choices when we are older? Surely that is not a hard decision to make. The end of pensions? I do not think so.

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