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# Generation Clash: Children Face Economic Standoff with Grandparents Over Pension Crisis

Generation Alpha confronts a future burdened by funding state pensions amid demographic shifts, highlighting the need for pension system reform.

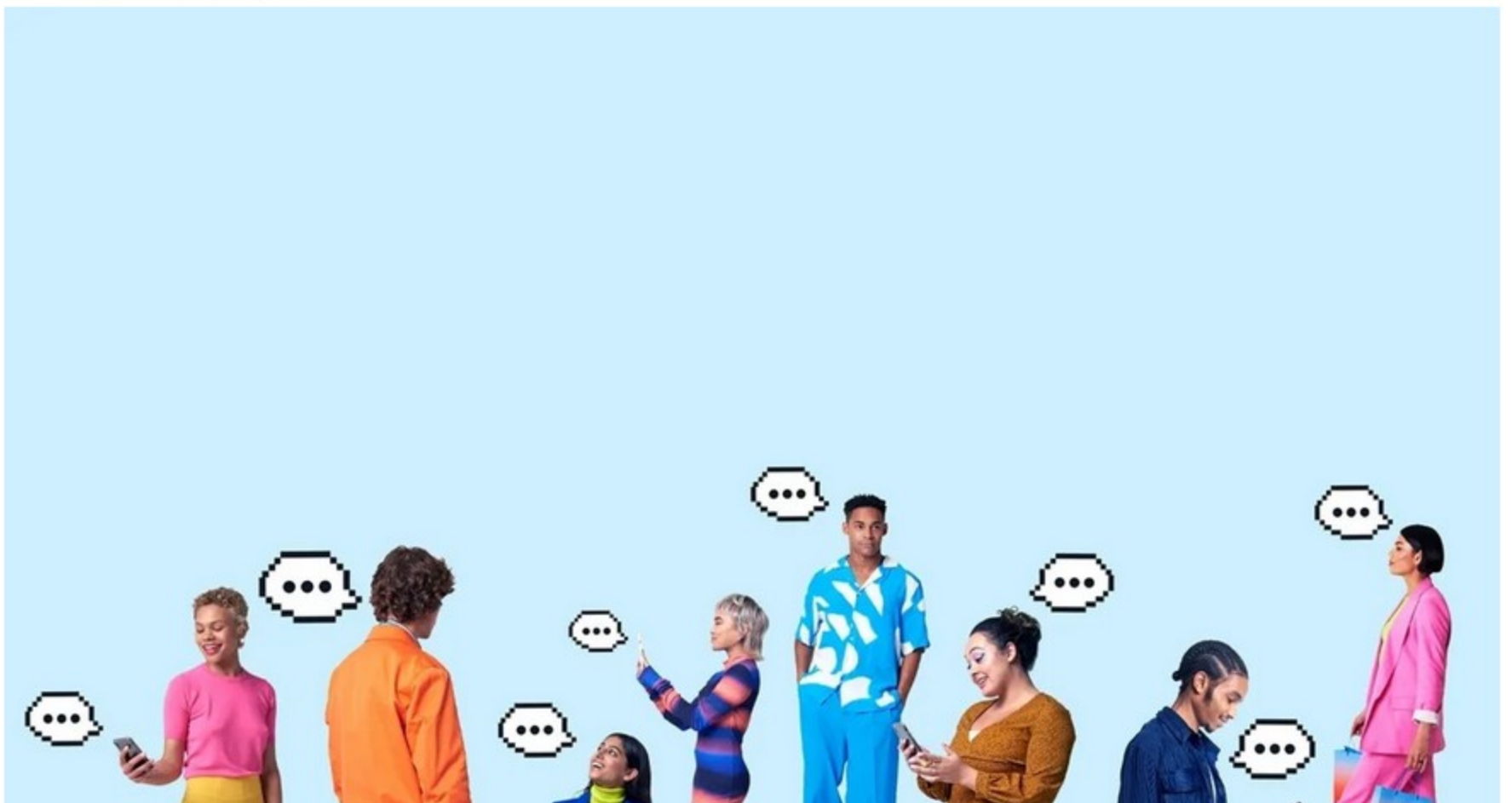


Aqsa Younas Rana

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Today's generation of children might not know it, but they are already in an economic standoff with their grandparents. Generation Alpha, those born between 2010 and 2024, are growing up during the biggest drop in living standards since the Second World War, with their education significantly impacted by the pandemic. They face a future burdened with funding the state pension for older generations, amidst a system strained by demographic changes and an ageing population.

## Demographic Pressures and Pension Sustainability

Michael McMahon, professor of economics at the University of Oxford, highlights the unsustainable nature of the current pension system, given the demographic shift towards an older population and fewer working individuals. The challenge is to reform the system without overburdening the younger generation or risking the future viability of state pensions. Jamie Fiveash, chief executive of Smart Pension, points to falling homeownership and increasing longevity as factors exacerbating the situation. With a predicted tripling in the percentage of pensioners renting in retirement by 2042, financial pressures on future generations are set to increase.

## Health Challenges and Economic Implications

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The health of younger generations is another concern, with an increase in disabilities, particularly mental health issues, following the pandemic. This trend could compromise their earning potential and ability to save for retirement, according to Pete Glancy from Lloyds. Additionally, Jonathan Cribb from the Institute for Fiscal Studies warns of the double whammy effect of longer lifespans coupled with poorer health, further straining retirement finances.

## Political and Policy Responses

Reforming the pension system is a political minefield, yet necessary to alleviate future economic burdens. Suggestions include raising the state pension age, increasing National Insurance contribution years, and scrapping certain benefits deemed political gimmicks. Baroness Ros Altmann advocates for a balanced approach that encourages longer working lives. Meanwhile, the private sector's role in pension

provision is emphasized, with auto-enrolment seen as a step in the right direction but requiring further enhancement to meet future needs.

The debate over pension reform continues behind closed doors, with policymakers grappling with the challenge of ensuring economic sustainability for future generations. As discussions unfold, the importance of a comprehensive and fair solution becomes ever more apparent, highlighting the need for strategic planning and innovative thinking to navigate the complexities of demographic change and economic pressures.