



Saga

What is auto-enrolment all about?

Challenges of an ageing population

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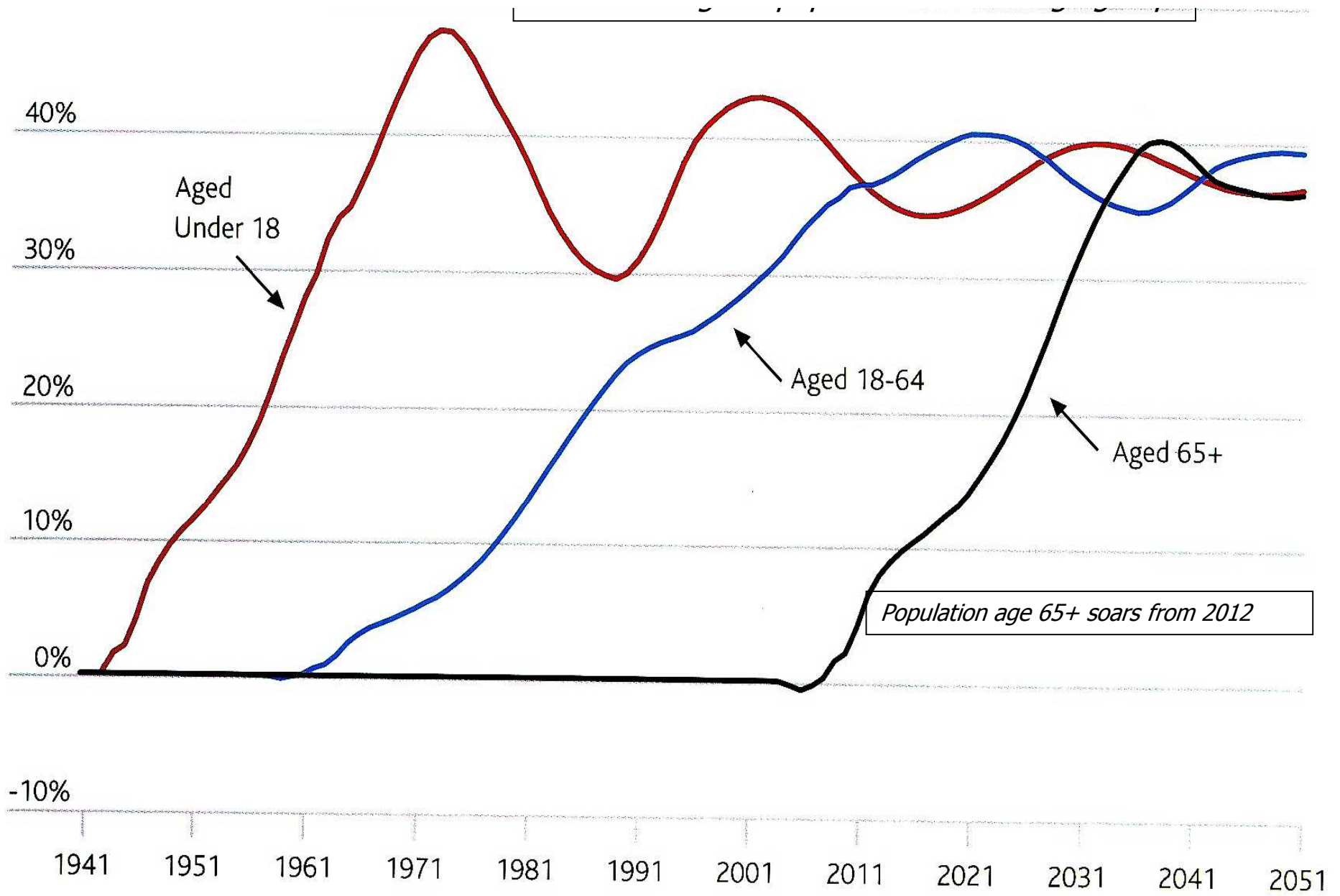
Pensions crisis stems from great news

- We're living longer healthier lives and longer retirement
- Retirement income can come from
 - Government (i.e. taxpayers)
 - Our employers
 - Ourselves (or our families)
- All three sources under pressure
 - State pension too low, too complex, too much means-testing
 - Employers cutting back DB -> DC
 - Private pensions under pressure – investment, charges, annuities, QE
 - Pray-as-you-go approach
- Individuals not prepared

What is a pension...

1. Social welfare: state support?
2. Long-term savings: private sector?

- Final salary pensions did both
- State shifted social welfare burdens onto employer schemes
- Workers relied on state and employer – or private pensions
- Pension provision falling - loss of confidence?
- Auto-enrolment increases ageing population's pension saving



Source: Pensions Commission analysis based on a synthetic model of the England and Wales population

What is auto-enrolment all about?

- Getting far more people contributing to pensions locked box
- Overcoming inertia of potential pension savers
- Mandating employer pension contributions if workers stay in
- Helping provide adequate pensions for ageing population
- Mitigating demographic dangers of inadequate pensions
- So, it's about solving the pensions crisis

Will auto-enrolment work?

- Auto-enrolment is only about getting money in
- What will workers get out? Annuity risks?
- Adequacy of 8%? Suitability?
- But pensions alone won't solve old age income crisis
- Later life income is about more than just one product
 - Care needs could be much larger than pension needs

More reforms on the cards

- Currently state pension penalises private pension or earnings
- Radical change to state pensions
 - Simple, flat-rate £140pw state pension, end mass means-testing
- But still won't be enough to solve the crisis in old age funding
- Abolish the word 'pension'
- Lifetime savings for older age
 - Factor in care costs

Future changes to auto-enrolment

- More flexibility to encourage long-term saving
- Allow some access – lifetime savings accounts
- Auto-enrolment into ISAs **or** pensions **or** debt repayments
- Keep employer contribution and tax relief locked
- Help restore confidence in workplace saving

Challenges of an ageing population

- Baby boomers living longer is a success but needs new thinking
- Keep planning flexible – ongoing review, lifetime savings
- Just putting money in is only a start
- Incentives for care saving and maybe equity release
- Cap care costs so people won't lose everything – Dilnot
- Consider how much saving can help

It's not just about saving more...

- Where will later life income come from?
 - State Pension – only a low base
 - Another Pension (employer or private)
 - ISA
 - Care saving plans
 - House – equity release
 - Business
 - **Working longer – most can and most will**
- No fixed future – reassess regularly
- No magic age

Rethinking Retirement

- Retirement to become a 'process' not an 'event'
- Must have proper planning for later life
- Individuals must take responsibility and get advice
- Social revolution with a whole new phase of life
- Cut down gradually, work part-time
 - 2-3 days work, 4-5 days off, more money
- 'Bonus Years'

Conclusions

- Ageing population is great news
- Auto-enrolment should encompass more than one product
 - Allow for debt repayments as part of saving?
- No guarantees, we're on our own – planning for our future
 - Diversification, flexible plans for pensions and other savings income
- But saving is only one part of the solution
- Rethink retirement – bonus years
- Understand reality and embrace new opportunities