

# Pensions - the hot potato no-one wants to handle

Pensions are a mystery that no-one seems capable of unravelling, believes **DICK LUMSDEN**

If there is one subject, more than any other, which is as misunderstood as pensions, then I have yet to discover it.

And yet, as a subject, it is probably getting as much editorial coverage at the moment as Hillary Clinton and Donald Trump put together, and eats up an annual advertising budget in the hundreds of millions.

Government campaigns encourage us to seek help and advice; financial providers tempt us with glossy ads showing how we can spend our pensions; and an ever-growing army of conmen are trying to cheat us out of them.

But the simple, inescapable fact is that no-one has a handle on the full picture, and probably never will.

As of right now, there are around 2.5 million people in the UK above the state pension age of 65 – and about 1.4 million of them live in Suffolk, Norfolk and Essex. That national total is rising by about 800 every single day.

And the number is set to rise disproportionately over the next 20 years as the population lives longer, meaning that, inexorably, more people will be taking money out of the kitty rather than putting money in. That probably isn't a good thing for the economy.

Paying state pensions is the Government's second biggest liability each year – after paying for the NHS – but if any of you have been unfortunate enough to visit a hospital or a GP surgery recently, you will know that the overwhelming number of people needing treatment are in their later years. So the aging population is a double whammy for the country's economy.

When you are young you never think about a pension. Old age is an alien concept, and understanding how you survive financially in your later years is not on the agenda of the young.

In middle age, you might start to think about what is going to happen when you retire, but even then, how many of us really understood how much money we would need to live a comfortable life – and how many of us had planned to make sure we could?

Only when you approach state retirement age do you really get involved in understanding what you



■ Instead of spending millions on an advertising campaign featuring a giant fluffy creature named 'Workie', the Government would be better off telling young people the hard facts about saving for their retirement.

Photo:

“The state pension is around £6,000 a year. The current average wage in the UK is around £28,000. Do the maths

is around £6,000 a year. The current average wage in the UK is around £28,000. Do the maths. If you want to keep your head above water when you stop working, you need to have something else.

For many people in the “baby boomer” generation, those born between 1946 and 1964, there was the benefit of pension contributions from their employers. These pensions paid a percentage of your final salary over and above your state pension.

In recent years however, hundreds and hundreds of these schemes have closed because companies can no longer afford to keep topping up the funds. The current fiasco

promised. The Pension Protection Fund, set up back in 2005, has taken over responsibility for well over 1,000 pension funds where companies have gone bust, or they can't afford to keep them going.

Final salary pensions though, are only enjoyed by the minority of workers. Of the rest, more than half have made absolutely no provision at all, but some have saved into their own personal fund. Even then, according to the Association of British Insurers, the average fund at retirement is only around £33,000.

At current rates of interest, that £33,000 would only give you an income of around £1,600 per year. Added to a state pension, that would give a total monthly income of just £630.

Unfortunately, there is no magic wand. The brutal truth is that for people to get more pension in retirement, the working population needs to pay more in taxes. That is an unelectable position for a political party to take, so it will never happen.

The alternative is for the working population to start saving earlier, and for longer, to provide their own

generate a meaningful income when you retire.

Instead of spending millions on an advertising campaign featuring a ridiculous fluffy giant animal representing the newly-introduced workplace pensions, the Government should be telling young people in plain language what and how they should be planning for their long-term futures.

Bizarrely, there is another way of stretching the state pension fund. You are not entitled to the pension if you are in prison. Far and away the fastest rising prison age group are men over 50 – of which a big percentage are either already pensioners or are approaching pension age.

Maybe the Government should be working on a plan to release all young offenders and put them to work (paying tax)... and filling the cells with ageing shoplifters, grumpy old men and dangerous drivers.

It's as good a solution as anything else I've heard.

■ Dick Lumsden is managing director of Owl Marketing Solutions