

Future for the post-retirement market

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Outline

- Post-retirement and pensions crisis
- Demographics and disaster
- Radical rethinking
- Role of state, industry – and advisers

Today's post-retirement market

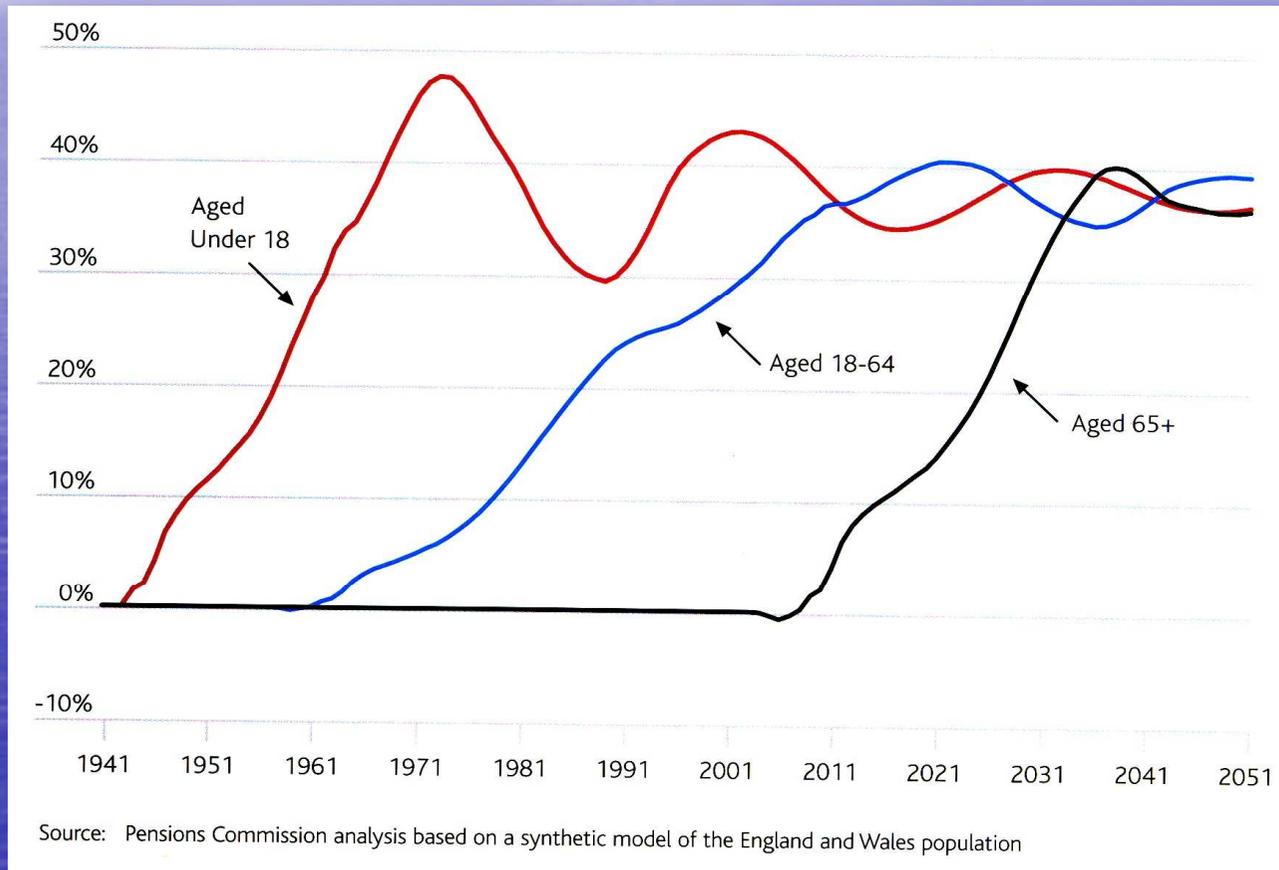
- Differences between expectation and reality
- Vast variation among groups in old age
- Mass market left out
- Pensions lasting too long
- Confusion and complexity as more options on offer
- Budget changes herald fundamental shifts over time

Pensions crisis

- Pensions Commission: no pensions crisis, maybe in future
- Wrong! Pensions are in crisis
- Credit crunch has made it even worse
- Pensions in crisis now, **pensioners** in crisis soon
 - Economic decline, social unrest?
- Post 'retirement' market will definitely change
- Just look at the demographics

Demographic disaster

% change in UK population size



Demography and pension history

- Millions of baby boomers reaching pension age 2010
 - What will they live on?
- Pensions two roles: 1. social welfare 2. long-term savings
- Employer final salary schemes did both
- State pension been cut, employers pulling out
- Pension funds shrinking, annuity costs and longevity rising
- As pensions evaporate, what about retirement?

Pensions and post-'retirement'

- The new realities – tremendous potential for advisers
- Individuals on their own with inadequate resources
- Facing new risks they do not recognise
- Need help and advice to plan properly
- New concept of 'retirement'
- More than just pensions!

Post-'retirement' concept to change

Later life income

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graph TD; A[Later life income] --> B[Private income]; A --> C[State pension]; B --> D[Earnings]; B --> E[Employer or Private 'pension']; B --> F[Other sources of income]; C --> G[Means Tested Benefits]; C --> H[Basic State Pension]; C --> I[SERPS/S2P];
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Private income

Earnings

Employer
or Private
'pension'

Other sources
of income

State pension

Means Tested
Benefits

Basic
State
Pension

SERPS/
S2P

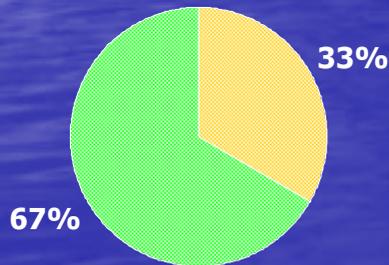
Private pensions abolished!

- State pays the 'pension'
- Private savings called something else
- Later life savings, not 'pension fund'
- Giant gamble on stock market may not work – then what?
- Also earnings, equity release, ISA, business, inheritance...

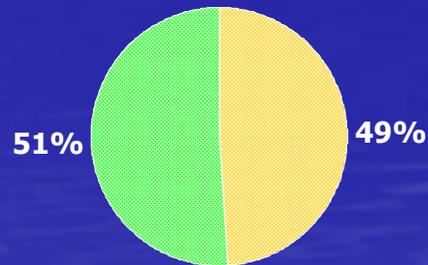
Future post-'retirement'

- Journey not destination – 'bonus years'
- Need advice to help plan the journey
- Unprotected drawdown only if can afford to lose
- Annuities must be more flexible:
- Fixed, inflation-linked, investment-linked, temporary, ill-health
- Guarantees – insurance and costs

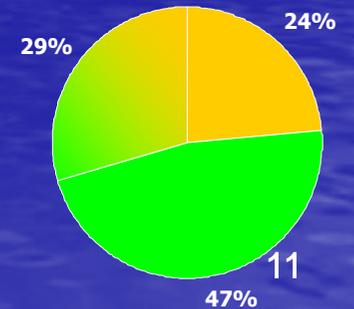
1950's



Now



Future



How to manage income in later life

- Is pension income enough – security vs. returns
- Must plan combination of work income, savings income and capital withdrawal?
- Equity release or downsizing
- What kind of annuities – combination of security and growth?
- Minimum guarantees – insurance
- Plan for care costs?

Radical new future? Role of the state

- State pays £150pw, social welfare, no means test
- From age 75 and rising
- Stable base for planning
- Lifetime savings accounts, with incentives to manage savings over life-cycle
- Government issue mortality/longevity bonds
- Advisers can help plan temporary income before 75

Role of the industry

- Don't make choices too confusing!
- Temporary annuities
- Guarantees and insurance
- Minimum security
- Flexibility for those who can handle it
- Investment opportunities for those who can afford it

Role of the adviser

- Advice is essential, not an optional extra
- Budget changes will herald new approach for top earners
- Mass market vs. top earners – dilemma, explain risks
- Know what state will give
- Plan combination of work, pension, other income
- Monitor over time

Conclusions

- Post-'retirement' has to change
- Advice is essential for all – will they get it?
- Radical rethinking of pensions and retirement
- Combination of sources of income
- Planning carefully and monitor over time
- New thinking for new reality

Thank you for listening

Any questions?

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