



UK Pensions Reform

Standard Life

Fringe Event at Labour Party Conference

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Current Situation

- State pensions
- 5-6% of GDP, despite 40% rise in numbers by 2040
- Private pensions
- 40/60 -> 60/40
- Policies to address pensioner poverty



Is Government Policy Heading In The Right Direction?

- NO!
- Stakeholder and Sandler won't work – 1% no chance
- Supply side policies – informed choice, caveat emptor
- What about demand?
- Policy on pensioner poverty undermines future pensions



Problems with Current Policy

- Too many disincentives – especially pension credit
- Not enough incentives – tax relief, big deal!
- Low charges and simple products not enough
- Target group locked out of advice
- Compulsion?



Mis-Buying, Mis-Selling and Means-Testing

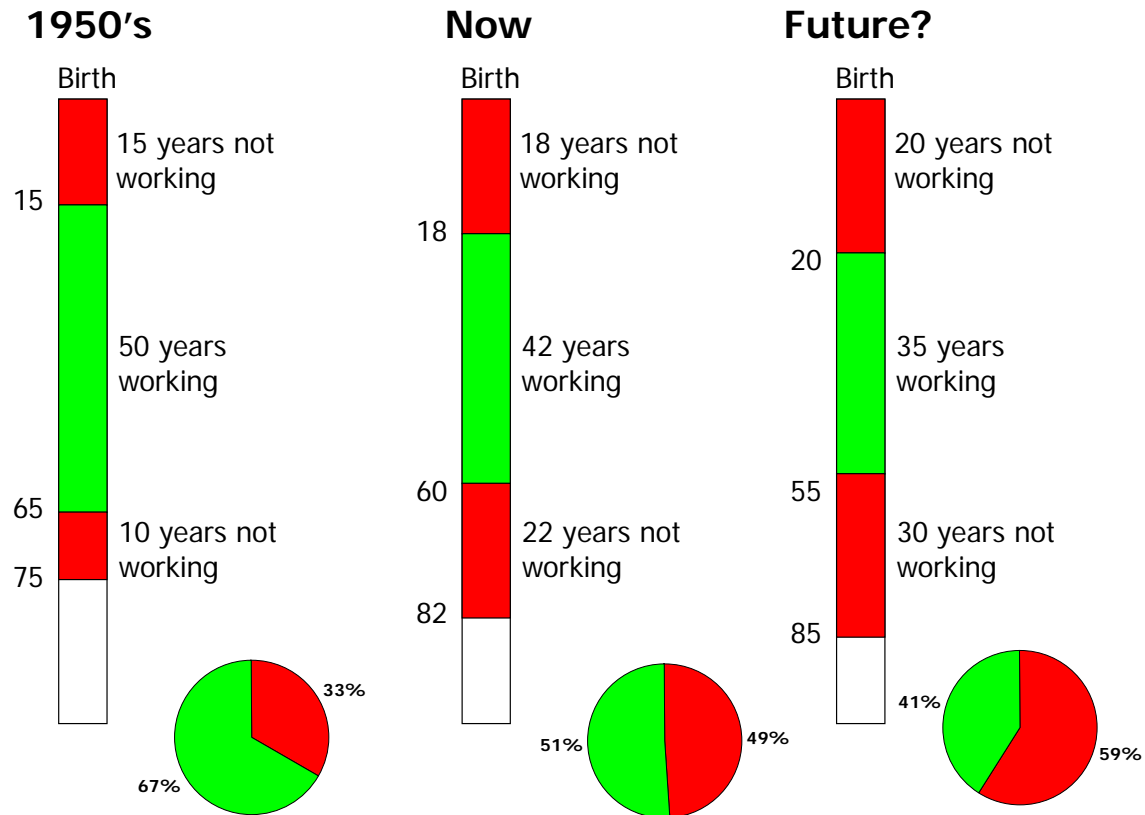
- Suitability crucial for long term success – debt, MTB
- Majority of population need advice, but don't get it
 - Should I save?
 - How much should I save?
- Sandler solution worse – no advice, 'simple' products
- Proposed products are not 'safe'
- Will go from mis-selling to mis-buying, no comeback
- What can we do?



Radical Rethink

- Pensions can't last 30+ years
- Gradual retirement – a 'process' not an 'event'
- Work sharing, mentoring, retraining
- Second careers
- Whole new phase of life

Working Lives Shortened





Government Can Do More

- Begin debate on new work/lifestyle phases
- Clarify and reform State pension
- Remove disincentives - means testing
- Improve incentives – higher rate relief for all, lottery
- Improve advice process – FSA approve specialist advice
- Encourage pooling – economies of scale to reduce costs



Conclusions

- Stakeholder won't work – may be dangerous
- Pooling – of products, of consumers, of advice
- Remove disincentives, improve incentives
- Make advice process cheaper for mass market – specialists, workplace, pooling
- Rethink standard approach to work and savings
- Government must listen and learn



Thank you for listening

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