

# Are your pensions...

## ...in Crisis?

**I**t looks as if you are in good company if they are! It was late 2002 when Tony Blair took note of the country's impending pensions crisis, and asked someone else, Lord Turner, to worry about it.

No doubt, you've read articles in the media about Lord Turner's recommendations, and Gordon Brown's lack of enthusiasm for the financial implications.

It's not surprising that the Chancellor is less than happy with the figures - in the UK we've been living beyond our means for many years now. All those juicy public sector final salary schemes, propped up by taxation, have increasing numbers of retirees, and a lower proportion of employees to provide the funds to pay the benefits. Whilst the Government has done its bit to support these schemes (the bulk of all new employment has been public sector), the crisis has a wider impact - the State pension apparatus is struggling to support the level of benefits in payment.

No doubt there will be plenty of claim and counter-claim amongst politicians - so what can we conclude of a practical nature, to help us in the meantime?

### Conclusion (1)

The provision of a reasonable income in retirement is far too important an issue for us to leave to governments to solve. After all, when it comes to difficult (ie. financially costly) decisions, these are unlikely to win elections. More importantly, the standard of living of those in retirement can all hinge on the decisions made by politicians decades before. Ask yourself the question: is that a risk that any rational person would want to take? Our conclusion is that it is essential for us to take control of our own retirement provision.

### Conclusion (2)

The Turner Report makes many suggestions, some of which are attractive, some of which are impractical or unaffordable. Whatever they are, we should not expect immediate improvements - normally changes to retire-

ment age are phased in, so there are those of us who may not benefit. The various 'tweaks' made by the Treasury to contracting-out rebates during the 1990's have made little improvement to investors circumstances, for instance.

Our conclusion is that it is futile to wait upon governmental deliberations - you should seek to take control now of your retirement provision, not wait for the outcome of any consultation.

### Conclusion (3)

A State pension might be £100 per week, but its real value (its purchasing power) is at the mercy of wage and price inflation. Pensioners have, since 1980, been cut off from the benefits of economic growth, when Margaret Thatcher broke the link between State pensions and earnings. Yes, such pensions are 'inflation-linked', but the headline rate of inflation has been redefined so many times, one is left wondering what the real impact has been on fixed incomes.

Our conclusion: any significant dependence on the State pension leaves us in a position of real financial weakness. We should take our own steps, and do so now.

### So what to do?

Protecting our standard of living in retirement involves tying our wealth up in real assets. Owning one's own home is a starting point. Owning shares, or carefully-managed funds investing in utilities, or national resources, or assets which include inflation-protection should form a core part of your strategy.

Make sure that your income is not left behind by inflation - and use tax-protected wrappers such as SIPPs and ISAs.

And, finally...

**Make sure you talk to our team of independent financial advisers, as we can guide you through all the relevant options within the context of whole market advice.**



**01843  
221449**

## Lakin Clark Financial Planning Ltd

1 Union Crescent | Margate | Kent | CT9 1NR  
Tel. 01843 221449 | Fax. 01843 224656 | Email. [cjj@lakin-clark.co.uk](mailto:cjj@lakin-clark.co.uk)