



The pension timebomb

Pensions: The rise and fall of the world equity markets

Narrator

The next wave of pension misery came about not through fraud or regulatory interference, but by something that no government can control – the decline and crash of the world's equity markets.

News Archive “In London, there was the biggest 1 day fall for 10 years, at one stage wiping £38 billion off the value of Britain's leading firms.....”

Narrator

UK households now have indirect equity holdings of over £2 trillion through pension funds and investments such as life insurance.

Their financial well-being is affected by what happens in international stock markets, meaning economic downturns have a direct impact on the pensions of ordinary people.

David Blake

“With investment risk, if the stock market falls, you will be a victim. And since you are close to retirement, you don't have enough time for the stock market to recover.”

Narrator

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David Blake

“The annuity will be low and you will be permanently locked in to a low amount of pension entitlement, so that's a double whammy.”

Ros Altman

Panorama – Save the Savers People had lulled themselves into a false sense of security which sort of thought well it will all be alright and the markets will do ok. And if I save a bit more I'll be fine. And that's all be taken away because even those who did save and even those who thought they had good pension funds are finding that they're struggling.

Narrator

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Jonquil Lowe

“Increasing longevity, more regulation, volatility, the impacts on the company's accounts – all these things are conspiring to make pension schemes expensive.”

Charles Ryan

"One word answer as to why there has been a demise of Final Salary Pension Schemes is cost.

They simply can't afford to run them any more."

Narrator

During the boom of the 1980's, many company schemes grew so fast that firms chose not to invest as much as was prudent, or, dipped into their funds to take short-term profit.

Now, after a decade of low returns, they have become 'too expensive to run'.

Narrator

Meanwhile, the State sector pension has fared equally poorly.

The Labour Government introduced means-testing to target those most in need, though this has become a disincentive for many to save on their own.

Dot Gibson

"It has lifted a lot of people out of poverty.

From that point of view it has benefited a great many people, me included.

But it is a very unfair system, because the people who have paid in for a pension and get a sum of money per week which, added to their state pension, lifts them above the £130, have to pay all sorts of things themselves, like their rent and their council tax and spectacles.

Whereas the people who are on means-tested benefit get those things free.

So it becomes completely mad. It's upside down."

News Archive "The people here who have paid all their lives in for a pension, if they haven't got a private pension or matching savings, they have to be means tested to be able to live. I think that's a national disgrace..."

Dot Gibson

"This means testing should go.

If they've saved, then good, they've got that on top.

But basically, everybody should have a decent state pension and shouldn't be means tested."

News Archive "I think when you're old and you've worked hard, we all certainly have, you're entitled to a decent standard of living and you don't get that on the British pension...."