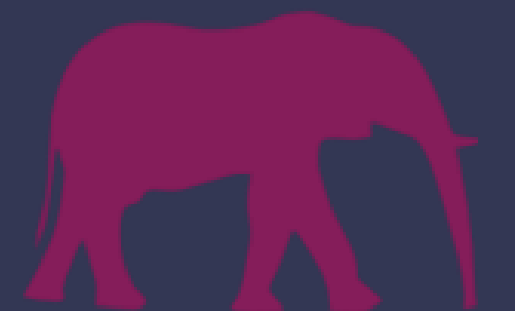


# NIGEL SLOAM & CO

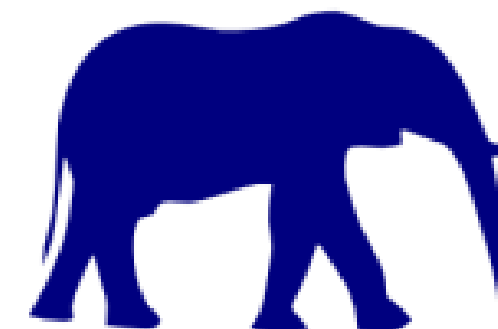
*Difficulties of retirement income provision  
– particularly for 'people on the move'*

**NIGEL SLOAM**



# “A CRISIS OF LONGER LIFE”

- Longevity has been improving consistently over the last 20 years.
- Over 29% of the projected UK population (21 million people) will be aged over 60
- The proportion aged 85+ will have almost doubled from 2.5% to 4.8%!
- **There will be about half a working person less to support each person of pensionable age.**
- The State Pension Age will be 67 (68 from 2044).
- Basic State Pension will be £7,865.00 p.a. in today's terms
- Similar trends worldwide, with people living longer and pension age generally increasing from 65 to 67.



# EVERYTHING HAS CHANGED

- In developed and developing economies working patterns have changed
- No one employer can expect to be relied on to fund retirement income

Faced with five perils it is harder to make pension savings:

- A longer than expected lifetime
- Difficulties or impossibility of saving
- Lower, volatile and unpredictable investment returns
- Perceived need to help children
- Spiralling costs of long term care



# WHAT IS A PENSION?



**New Definition:** “Variable income to support lifestyle when working income dries up or reduces”

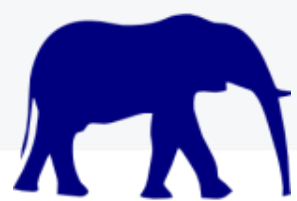
This raises questions

- When will this commence and how will it vary from time to time?
- How will it be sourced?
- What happens if and when nursing care is needed?
- Can advance provision be lost? (divorce, poor investment performance, ill health etc.)

# HOW MUCH IS NEEDED?

Contributions starting from	Pension commencing from		
	Age 65	Age 70	Age 75
Age 25	31.8%	23.2%	16.5%
Age 35	48.7%	34.3%	23.8%
Age 45	83.4%	55.0%	36.4%
Age 55	189.6%	104.4%	62.3%

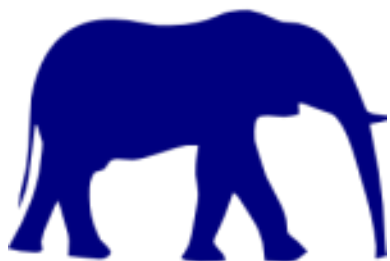
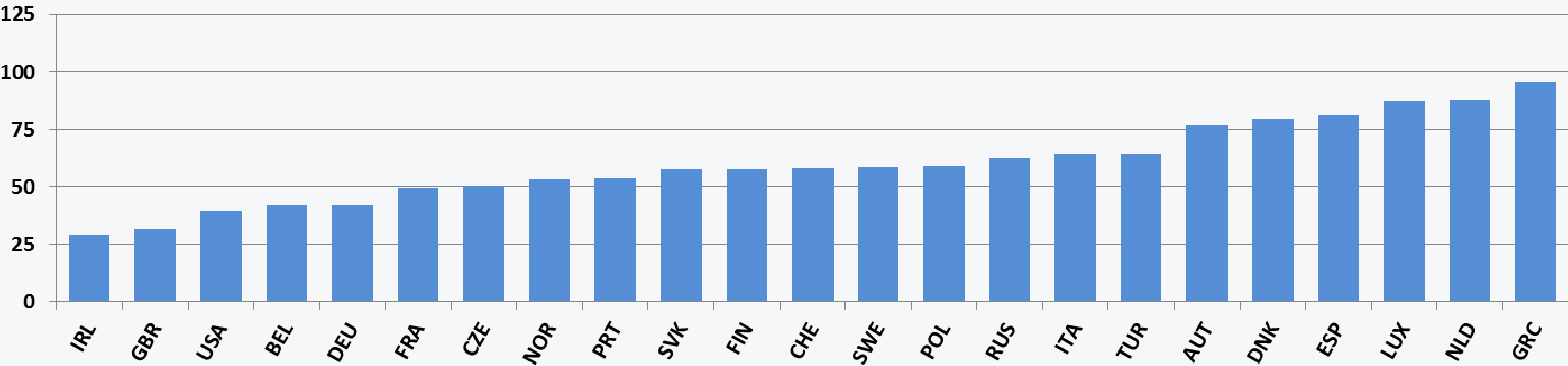
Table above shows contributions required as a percentage of salary to fund for post-retirement income





# WHAT OTHER COUNTRIES DO

Gross replacement rates of average earners per country at retirement – from all pension sources including state pension



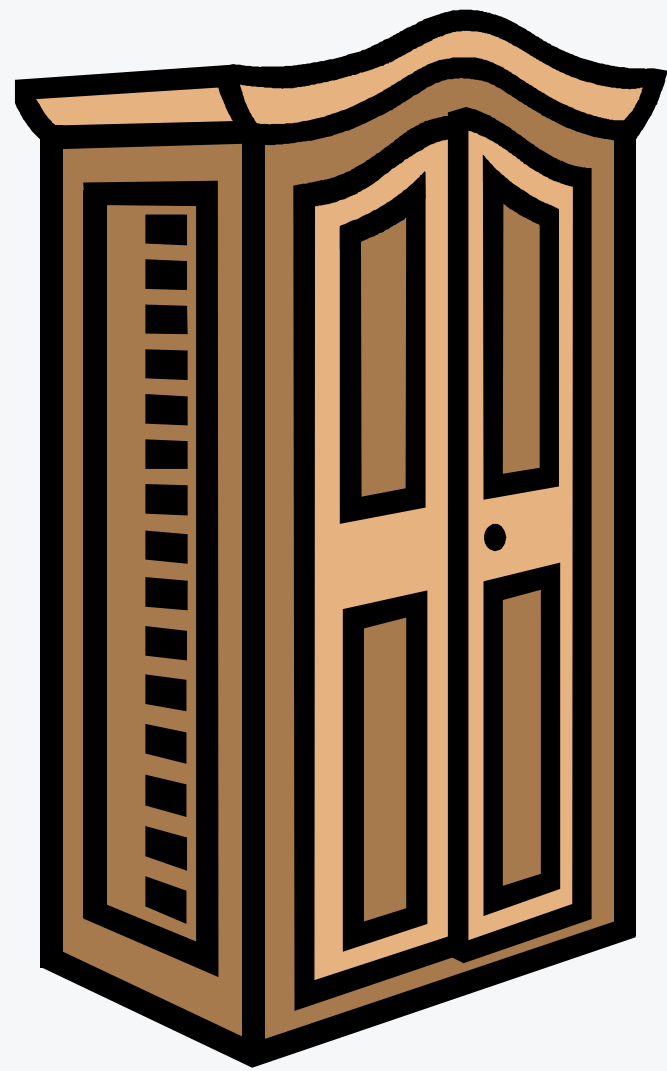
# UK TAX RELIEFS AND SAVINGS LIMITS

- £1 million Standard Lifetime Allowance currently
- Annual limit £40,000 currently – but tapered to a maximum £10,000 for high earners
- **As tax reliefs reduce then pensions savings will reduce - at a time when higher savings are needed!**
- Without meaningful tax reliefs people won't bother with pensions.

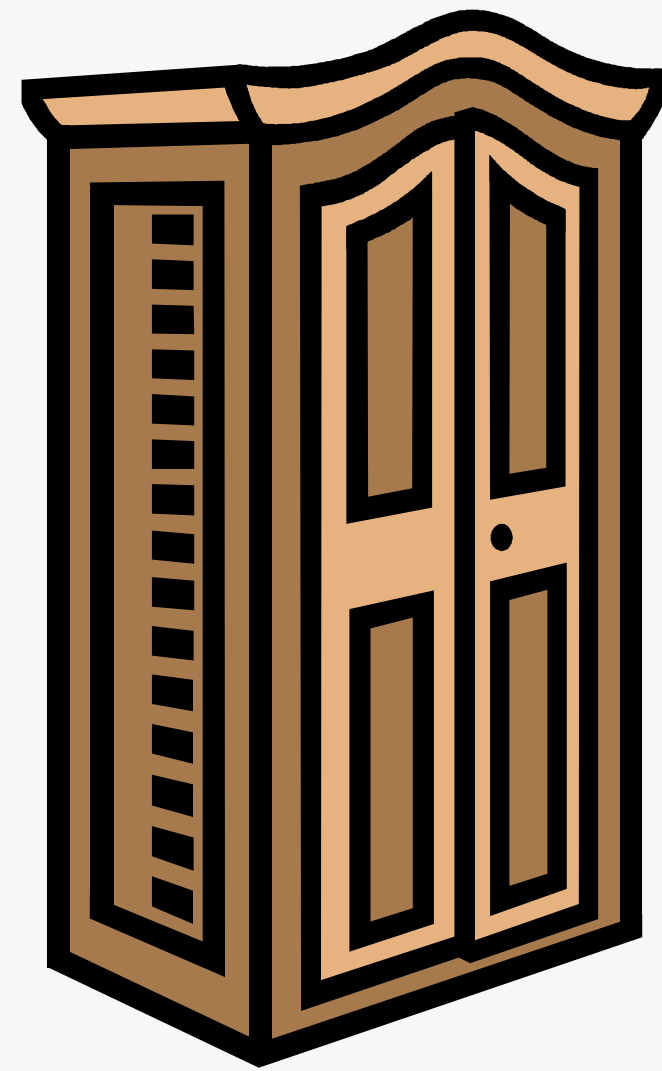


# CUPBOARDS OF WEALTH

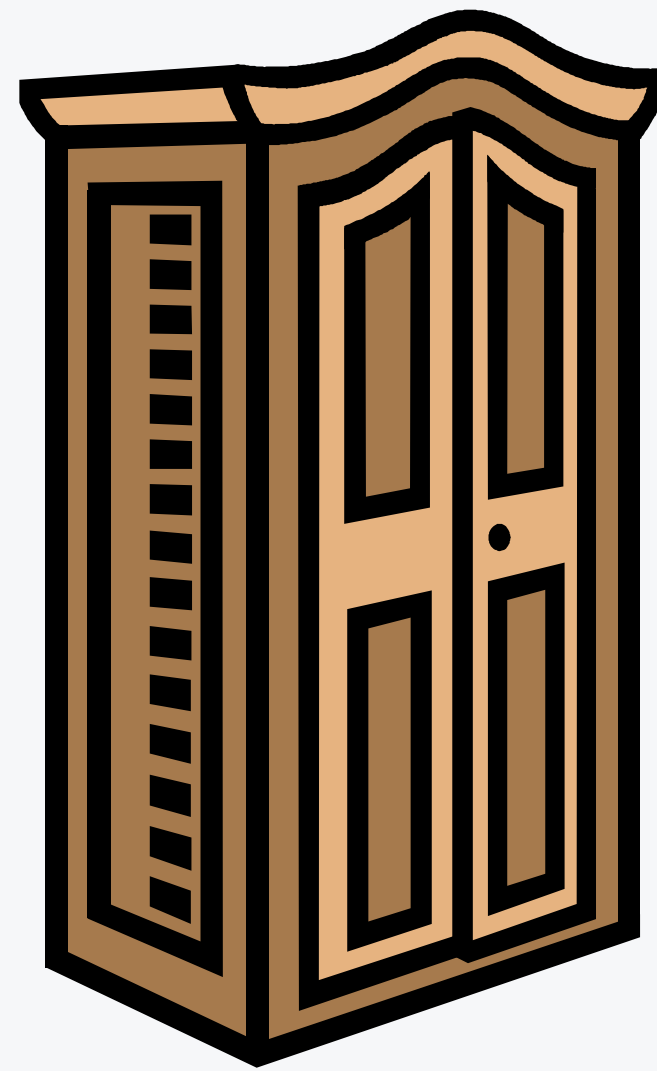
Will need to utilise all cupboards to make it last a lifetime



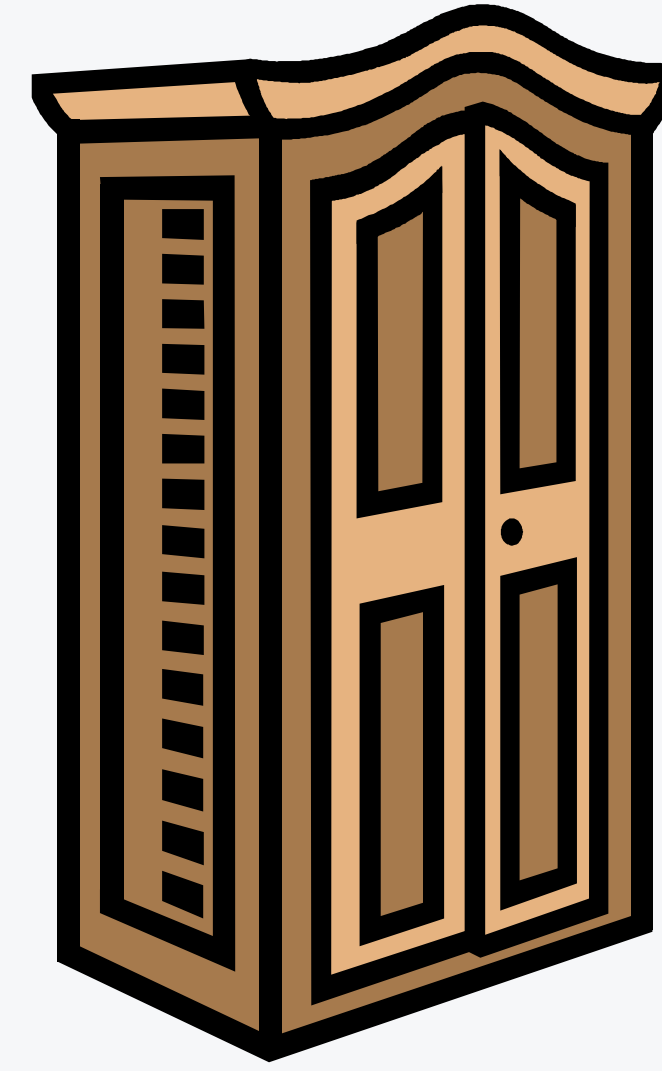
Home



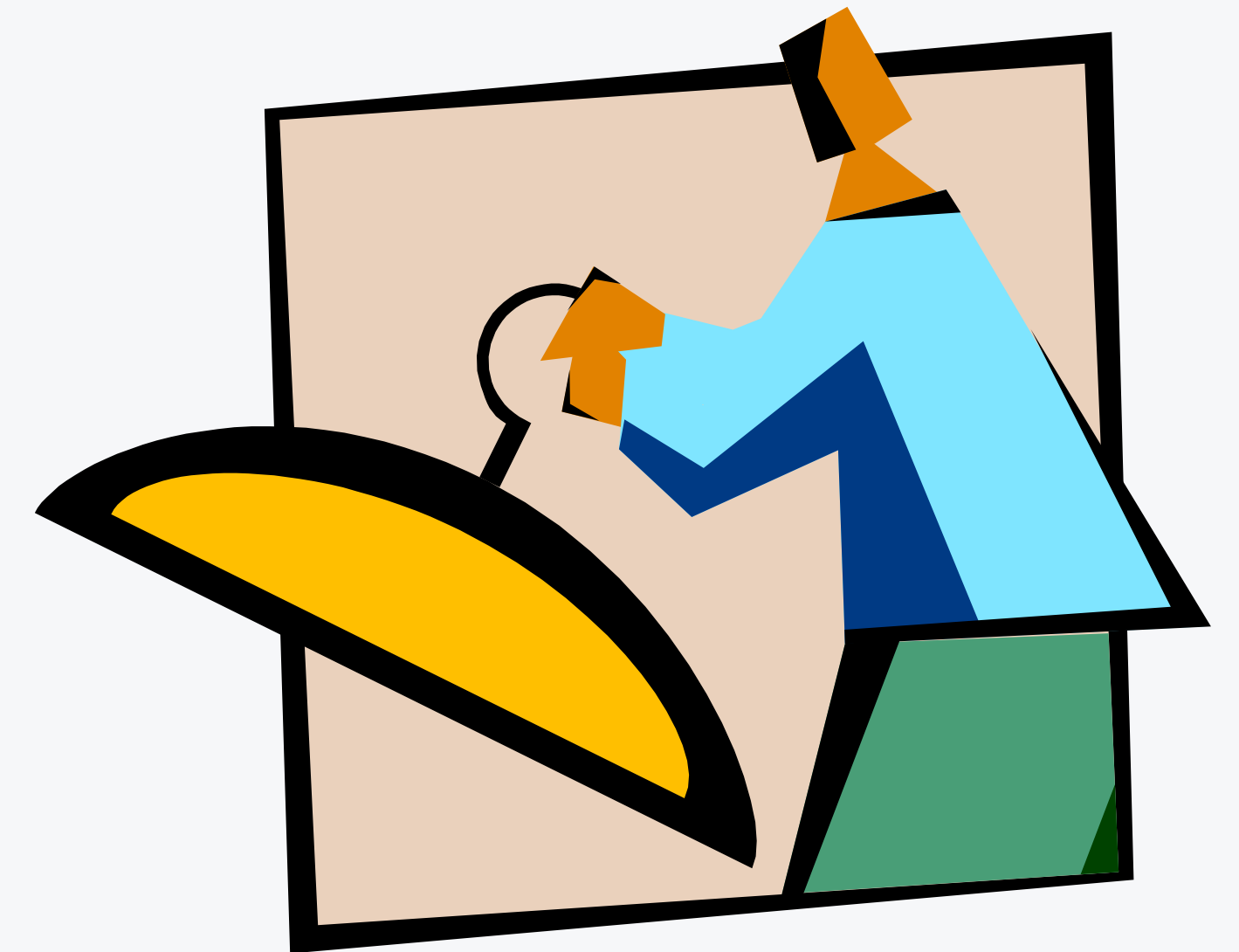
Work



Pensions



Savings





# ARE PENSIONS ACTUARIES STILL REQUIRED?

- **In a money purchase world people do need advice.**
- Dealing with small rather than large groups demands new actuarial techniques and solutions which permit pooling of longevity and investment risks
- **Actuarial pensions advice should not be restricted to pension schemes**
- We need to solve and devise ... but we only can do what we are trained for!





# WHAT DO WE NEED TO LEARN?

**We have unique skills relating to planning for uncertain events with uncertain costs - but pension actuaries now need to know about**

- Quantifying and planning for individuals rather than groups
- Pooling risk options for individuals
- Longevity risk insurance (deferred annuities)
- Practical investment planning
- All potential pension sourcing structures
- Tax – UK and International

# PEOPLE ON THE MOVE

People move around for:

- Work
- Weather
- Family, and
- Taxation and other reasons

- But there are barriers to transfer pension savings and unintended tax consequences





# THE SAD PICTURE



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# WHAT CAN WE DO?

- Scream out the truth!
- Develop new pension models
- Train a new breed of actuaries capable of advising individuals
- Recognise the requirement for an integrated approach to resources
- Break down barriers to international and internal portability
- Raise awareness of need to fund for long term care
- Carry on working!