UK Pensions Crisis

- When did you see your last valuation?
- When can you access your pension?
- Where is your pension currently invested?
- How are the investments performing?
- When was the last time you changed your funds?
- Are you even allowed to change your funds?
- What are the charges of the pension?
- In the event of your death what happens to the pension?
- What about taxation on the pension?
- How do you feel about the current historically low annuity rates?

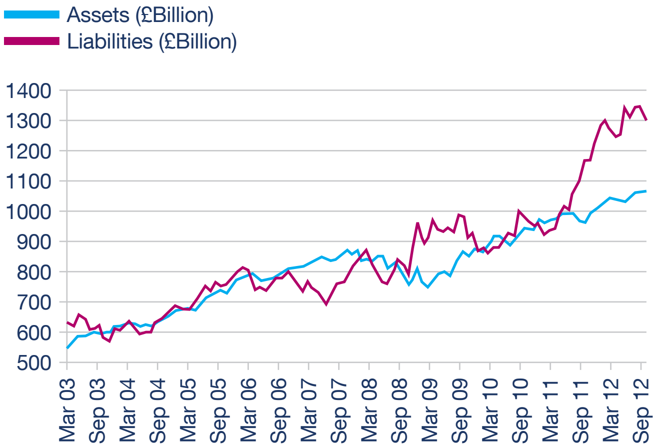
Here are some FACTS for you:

80% of company schemes are now seriously in deficit. As a result the amount of pension you actually receive in retirement could be significantly less than you are expecting.

The UK has 7,800 pension schemes, and 1,184 have gone bust due to company failure or unsustainable funding ratios.

7 FTSE companies have pensions liabilities that are in excess of its market capital. BA, BT, BAE Systems, RBS, RSA Aviva, Lloyds TSB, GKN, M&S, Barclays, ITV and Sainsbury's. BA's Liabilities are 5 times the value of the company. Many schemes are simply unsustainable and represent a serious risk to the future survival of the company.

Since the financial crash 5 years ago the gap between liabilities and assets is getting bigger and bigger with no policies being put in place to reduce deficits and secure pension incomes.

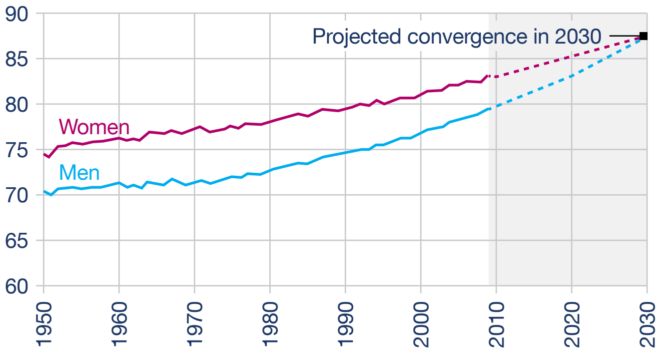


So why is there a crisis?

In 2007 the world suffered the largest financial meltdown of our generation, and while this was a key catalyst in today's pension crisis, it is not the sole issue. This, coupled with a rise in life expectancy, has now caused a major problem for anyone with a UK pension and for anyone to receive an income in retirement. When UK Retirement age was set at 65 in 1948, the average life expectancy for a male was 66.8. Nowadays life expectancy is in the late 80's and rising. Pensions were designed to fund short retirements and not retirements of 20-30 years.

Rising male life expectancy

Life expectancy at 30*



*England and Wales
Source: Les Mayhew

But won't the value of my pension recover?

Unlikely...

- 60% of UK pension money is now invested in bonds and not equities. Growth is limited to say the least. This is the lowest level since the 1950 "great equity sell off" meaning that when markets do rise, schemes will not take advantage and increase their asset base.
- It is a myth that final salary schemes are guaranteed, they are not.
- Companies are now increasing retirement age such as Tesco which has increased the age to 67.

On average, 15 schemes a month are falling within PPF (Pension Protection Fund) and so within 7 years 25% of all Final Salary schemes will fall within the PPF

- PPF is not guaranteed by the government.
- The level of benefits payable by the PPF are greatly reduced from what you hope to get from your company scheme.
- It is the responsibility of companies to fund the PPF which puts more pressure on their own scheme.

What is the UK government doing?

- Since 1997 there have been over 20 pension ministers.
- Pensions are due for a big shake up which will affect your benefits, and also the solutions available to you. Make sure you're not one of them.

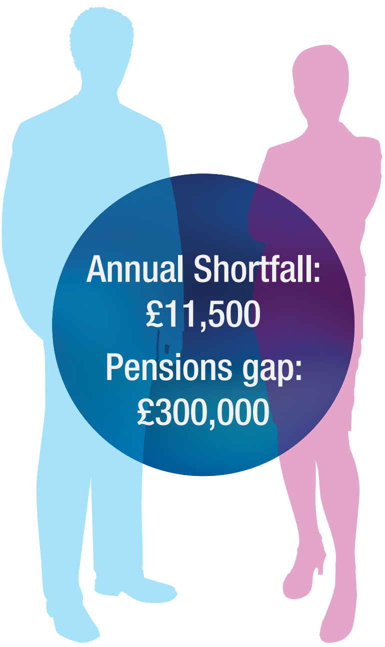
The reality

Annual pension income (including state pension):

£13,000

Total pension pot for the average saver:

£150,000



The expectation

Amount people think they need annually for retirement

£24,500

The size of pension pot needed to achieve this annual income:

£450,000