



PRESS RELEASE: Embargoed until 00:01 Friday 12th February

Pensions are 5th or 6th choice when saving for retirement, says new think tank

A new, apolitical and reformist think tank called the Centre for Retirement Reform (CRR) launches today with the revelation that for many people in the UK, a pension can be fifth or even sixth in the list of best ways to save for retirement. This fact highlights just one of the many problems facing people in Britain when trying to plan for their retirement and reflects the major reform that is required if the UK is to solve its impending retirement crisis.

The CRR points out that the current product and tax rules mean that for many people looking to save for retirement, well ahead of a pension is*:

1. An Individual Savings Account (ISA)
2. A 'qualifying' life insurance plan called a "maximum investment plan"
3. Investment in mutual funds or even direct share holdings to make full use of the Capital Gains Tax allowances
4. An investment bond with its 5% tax free income allowance
5. For those with a higher risk appetite, keen on its substantial tax reliefs, a Venture Capital Trust

Whilst each individual's personal circumstances will of course have a bearing on this list, the reality is that for many people some or all of this unexpected set of priorities will hold true. Even before exploring the complexities of choice available within the pension product category, many people would be better off with some or all of this widely unknown set of alternatives to a pension .

Malcolm Small, Director General of the CRR said, *"This complex and confusing picture makes retirement savings decisions even harder for people than they think it is – and they already find it daunting and unappealing. The pension savings route is increasingly rejected, despite it supposedly being designed for the job. The truth is that the existing pension framework - a set of overly complex, confusing and restrictive tax rules - is no longer fit for purpose. We need a fresh start. The UK needs a far better, more suitable and more attractive long term savings vehicle if private savings really are going to help solve the impending retirement crisis."*

The CRR's first major initiative is going to be an extensive consumer research project to identify the key attributes that a new vehicle and its tax context should have. The findings from this in-depth study of consumer views, attitudes and circumstances will provide pivotal input to the CRR's work in designing this new arrangement and subsequent campaigning for its serious consideration by the Government.

The CRR believes equally strongly that fundamental reform is also required in two other areas; the level and structure of state pension benefits and the speed and extent of increases to the age at which these benefits are paid:

A more generous state pension for everyone...

The CRR believes the existing state pension benefits system should be replaced with a simple, universal state pension at or above the current means tested level. Contrary to opinions expressed by the Government up to now, this change could be self-funding.

Crucially, this would sweep aside the impenetrable complexity and unknowns of the current system – the most complex of any state pension system on the planet – and replace it with a straightforward, universal and crystal-clear state pension that everyone could see and understand.

Importantly this would lead directly to people being motivated to save if they wanted a higher income in retirement, and in stark contrast to the current system, every penny they saved would count towards making them better off in retirement.

...paid from the later age of 70

Although politicians of all colours now acknowledge the need and sense in increasing the age at which state pensions become payable owing to the extent to which we are all living longer, talk up to now has been of only slight increases and over very extended periods of time. Given the radical increases in longevity that have taken place over many years, an equivalent state retirement age for men now, compared to when state pensions were introduced in 1948, would be more than 77 years old.

Clearly a step too far, the CRR advocates instead a shift to age 70 as soon as practically possible and with supporting changes to wider law and employment practices to assist people in working for longer, as well as protecting those unable to carry on in employment at an earlier age.

This shift would not only reflect the realities of modern lifespan, it will also make a significant and essential difference to the ability of both the individual and the state to afford to provide a secure if not comfortable retirement.

Malcolm Small said, *“From the years of ongoing debate in and around the retirement planning arena, we believe these three reforms are nothing less than essential measures; anything less is simply more fiddling while the crisis burns. The CRR’s mission is to give a home and focal point for what has been a growing consensus outside of Government, well supported and well founded in hard facts and analysis by retirement experts across the field. We look forward to playing a key role in ensuring that the retirement reform debate is moved on substantially and swiftly. Quite simply the UK can’t afford to wait any longer.”*

- ENDS -

For further information please contact Martin Campbell, Director of External Affairs on telephone number + 44 (0)7802 634 695 or email Martin.Campbell@RetirementReform.org.uk

Notes for Editors

*** a full explanation of the tax and product rules that lead to this conclusion is available from CRR on request .** (Please phone or email Martin Campbell as detailed above).

The Centre for Retirement Reform (CRR) is a new think tank and lobbying body set up to help bring about the reform necessary to produce better retirement outcomes for the people of Britain. Although the pensions arena continues to go through change and restructuring, to date this has fallen well short of the root and branch reform required to address the biggest issues affecting retirement now and into the future.

The CRR believes three fundamental changes are necessary:

1. State retirement age needs to be raised to 70 as soon as practicable; sensible transitional arrangements are perfectly possible.
2. The existing state pension benefits system should be replaced with a simple, universal state pension at or above the current means tested level – a change that *can* be self-funding.
3. A new long term savings product structure must be developed to replace the current private pension model as it is no longer fit for purpose.

These crucial changes are the essential first steps required in a holistic programme of reform; work which will also address the challenges of an older workforce, healthy ageing, long term care and improving longevity.

The CRR will carry out a programme of research, stakeholder engagement and lobbying to champion this fundamental rethink and overhaul of the UK retirement scene. We invite all like-minded people and organisations to join us in this vital campaign.

The CRR's structure is made up of a Management Board comprising the founding Board Directors and a representative from each of the major sponsoring organisations, supported by the CRR's executive team.

The founding Board Directors are:

- Malcolm Small, Director General
- Alan Pickering, CBE
- Margaret Snowden, OBE
- John Jory
- Martin Campbell, Director of External Affairs
- Jonathan Gunby, Director of Research

The CRR is funded by membership fees and donations from bodies with an interest in the evolving retirement reform agenda. Full details of the membership fee structure are available on the CRR's website and anyone can register their interest by emailing enquiries@retirementreform.org.uk.

Further information and contact details can be found on the CRR's website at: www.RetirementReform.org.uk