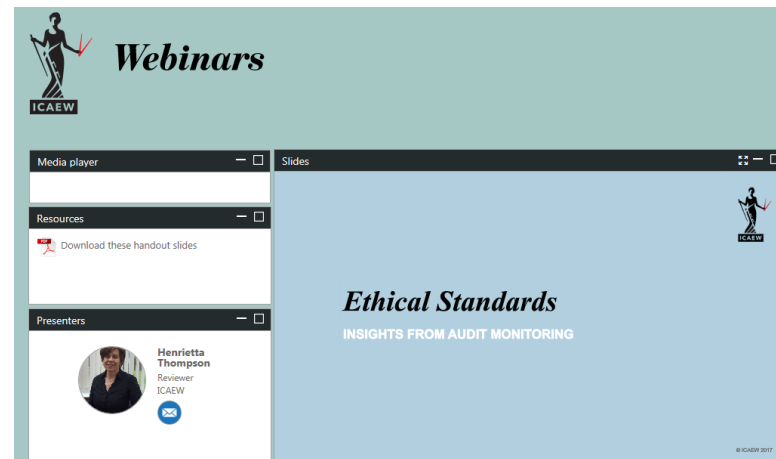


- Thank you for joining this webinar - we will begin shortly.
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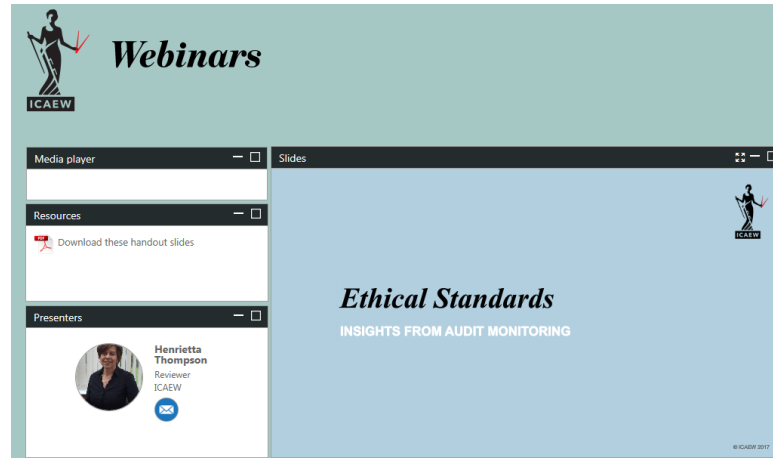


# *Too poor to retire: will the next generation be able to afford to retire?*

IN ASSOCIATION WITH RATHBONES

FACILITATED BY JOHN GASKELL,  
HEAD OF PERSONAL FINANCIAL PLANNING,  
ICAEW

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## *Today's speaker*



**EDWARD SMITH CFA,  
HEAD OF ASSET ALLOCATION RESEARCH,  
RATHBONE INVESTMENT MANAGEMENT**

Rathbones Asset Allocation Research

*Placeholder for polling slide 1*

***What is your age?***

***[18-30***

***31-45***

***46-60***

***61+]***



# Too poor to retire

Why younger generations will have to work more, save more or spend less

Edward Smith CFA, Head of Asset Allocation Research

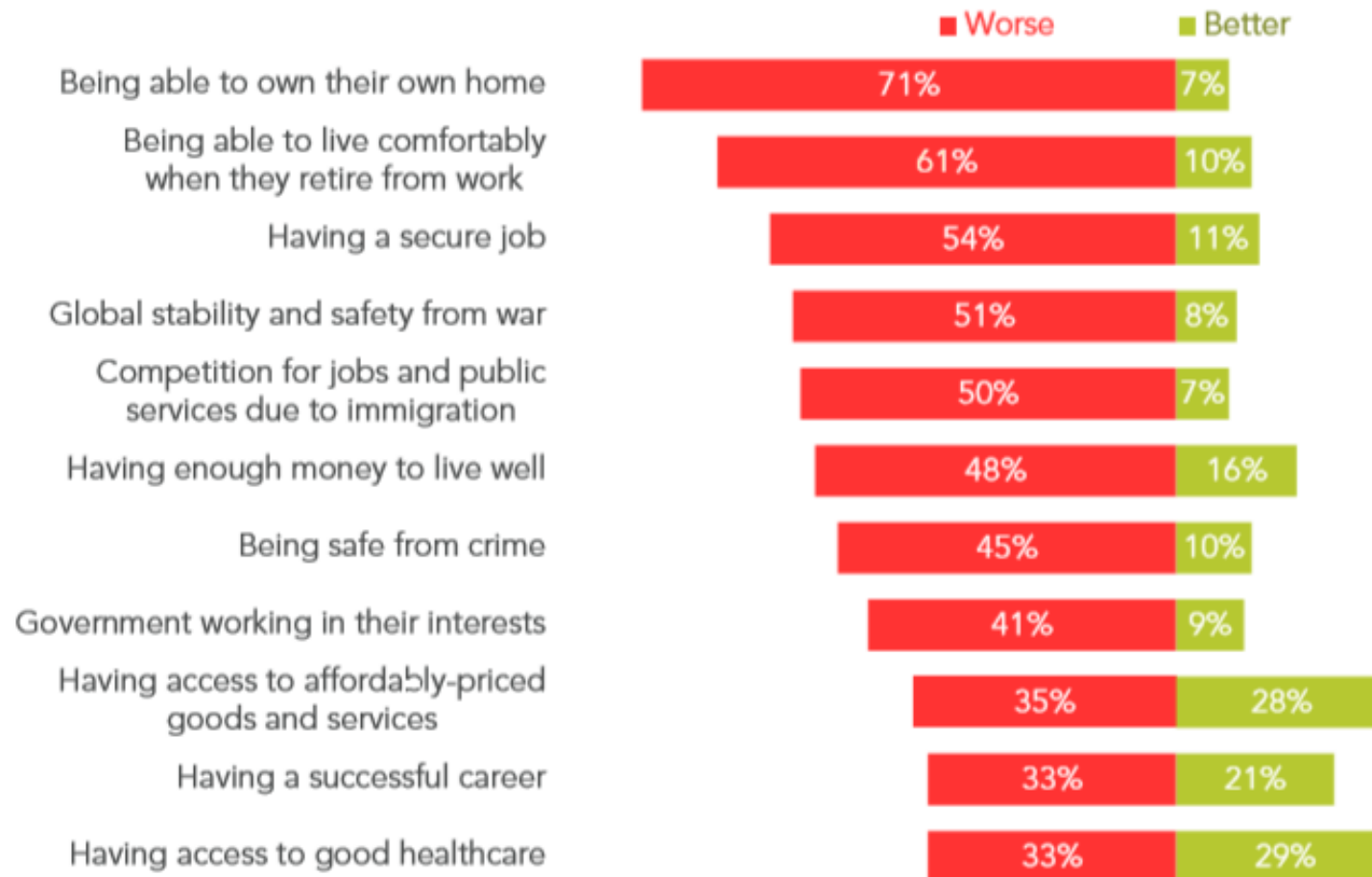
November 2018

**Rathbones**  
Look forward

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# No-one's optimistic about younger generations' financial prospects

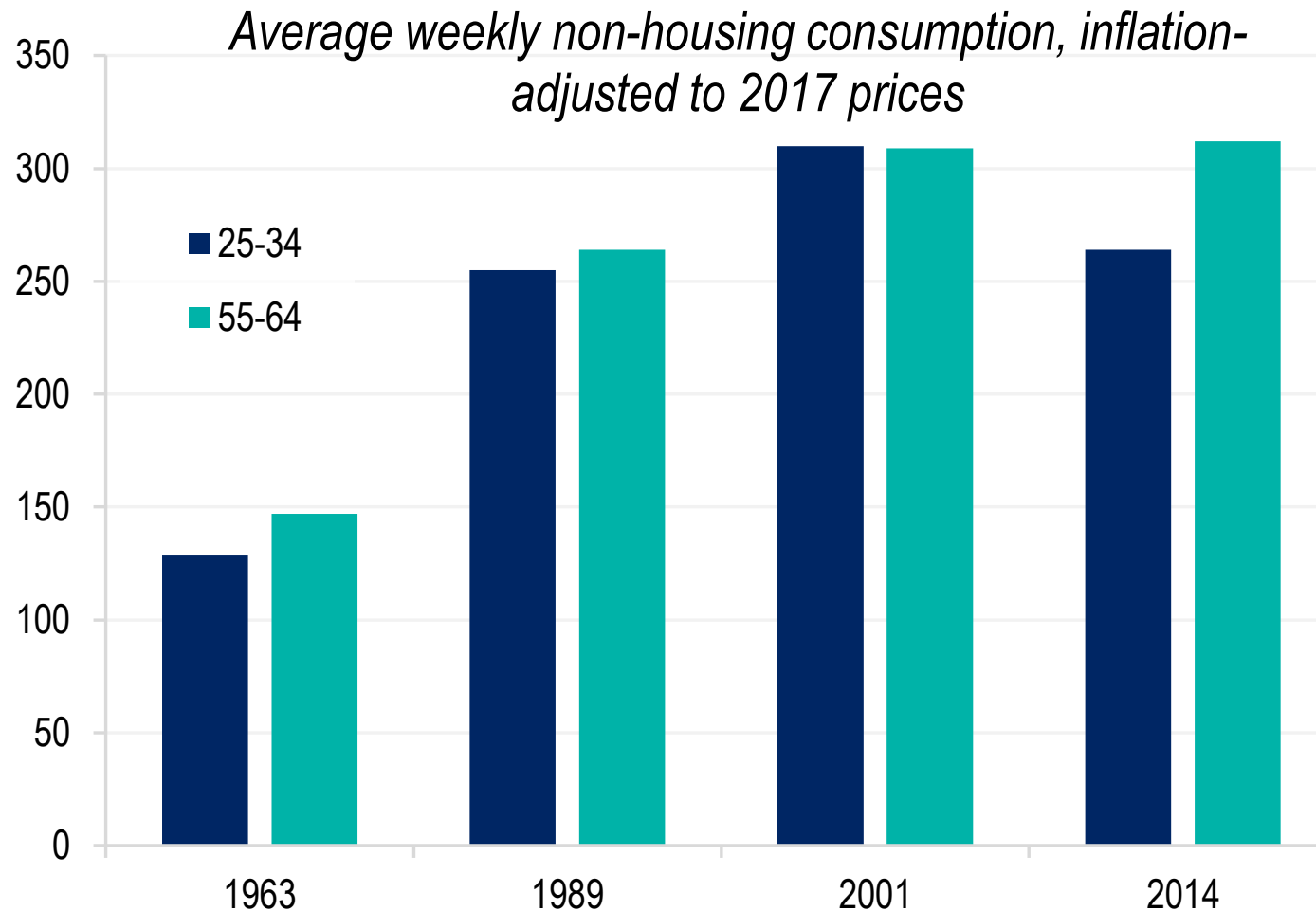
## *Attitudes on how young people's lives will compare to their parents'*



## Rathbones Asset Allocation Research

# Don't blame the avocados

## *25-34 year olds' consumption compared to 55-64 year olds'*

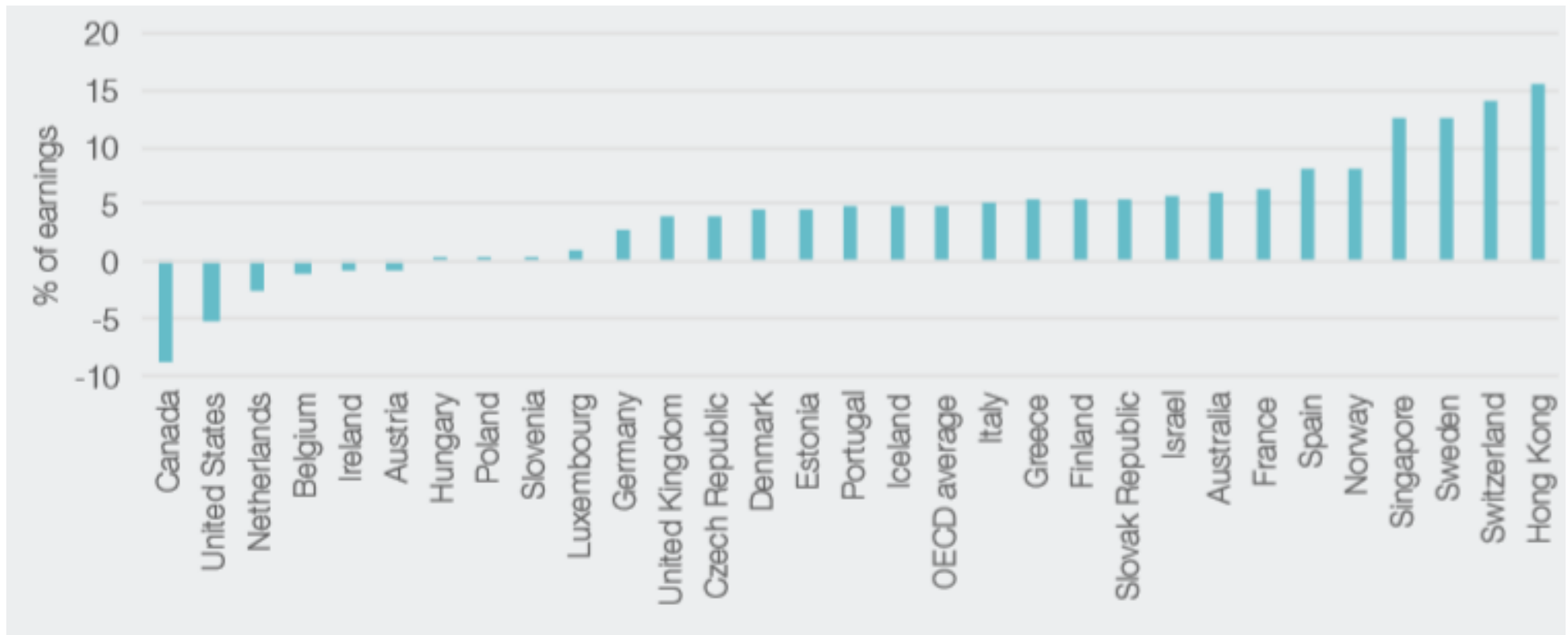




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# The savings shortfall (i)

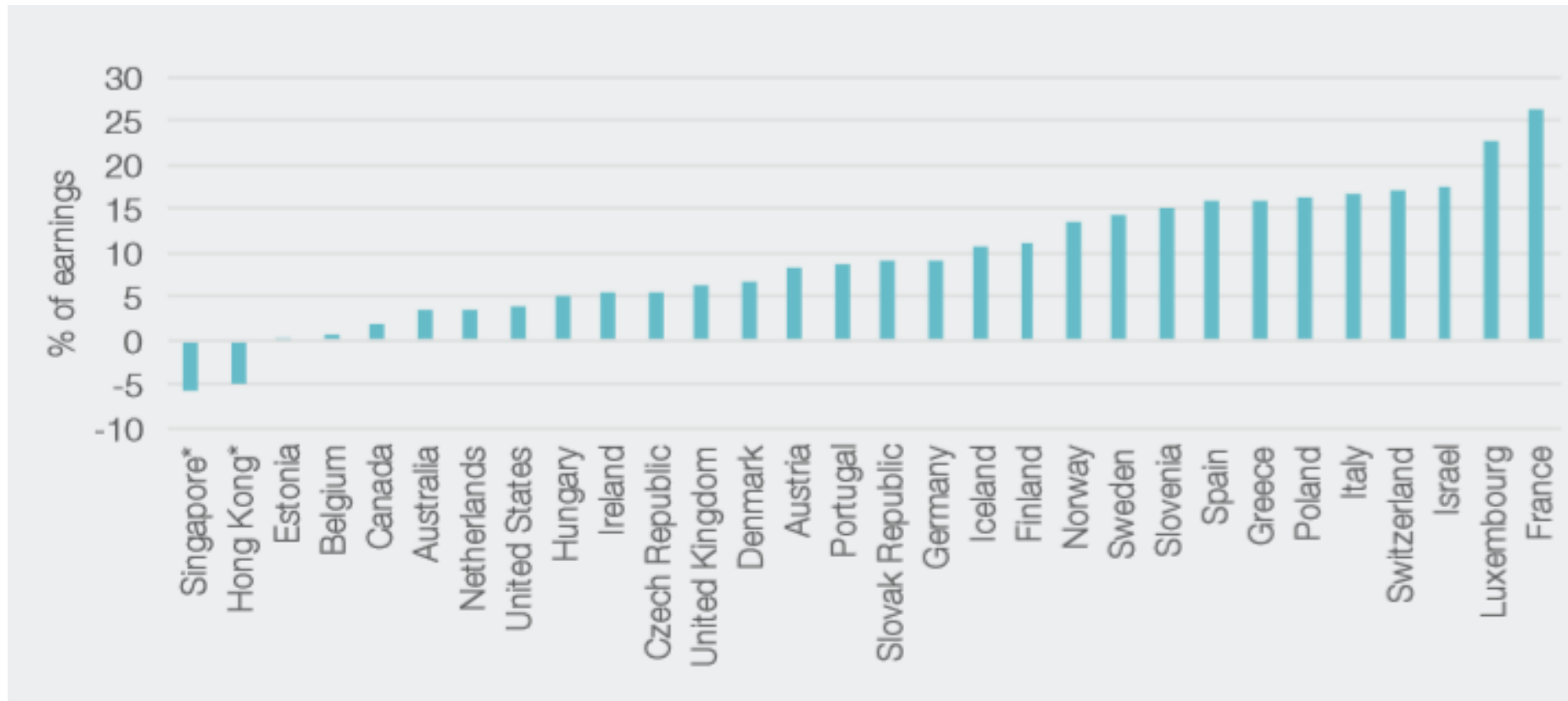
***Retirement savings shortfall including voluntary savings***



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# The savings shortfall (ii)

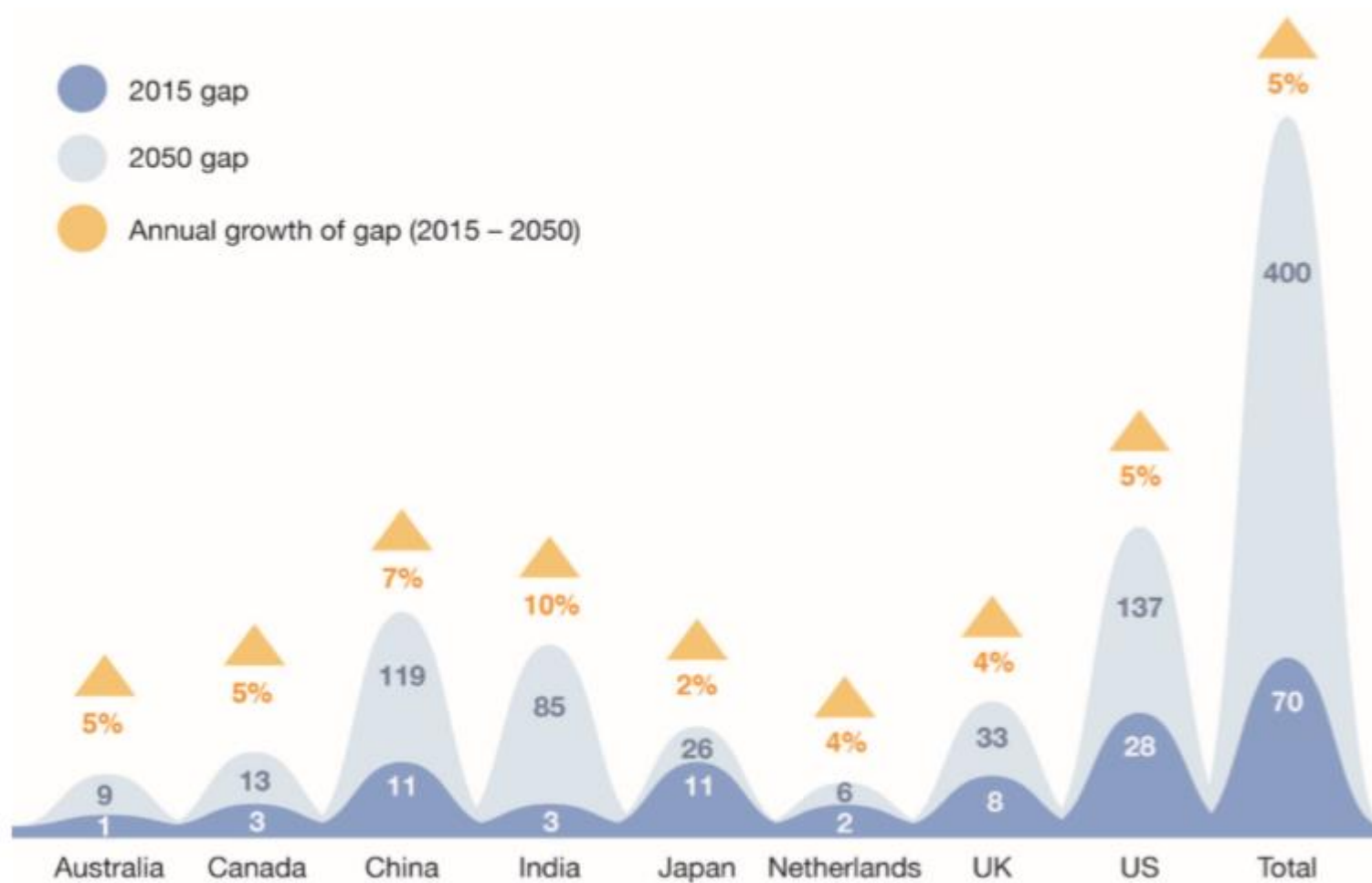
***‘Intergenerational’ shortfall including voluntary savings***



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# The savings shortfall (iii)

***Size of the retirement savings gap (\$ trillions, 2015) – inc. unfunded government pension promises***



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# What's behind the shortfall?

1. Stagnant earnings and rising housing costs
2. Rising life expectancy
3. The burden of risk has shifted on to the individual
4. Lower investment returns
5. Lower annuity rates
6. Rising debt
7. Unfunded government promises

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*Placeholder for polling slide 2*

***Which of the drivers of the “savings gap” are you most concerned about?***

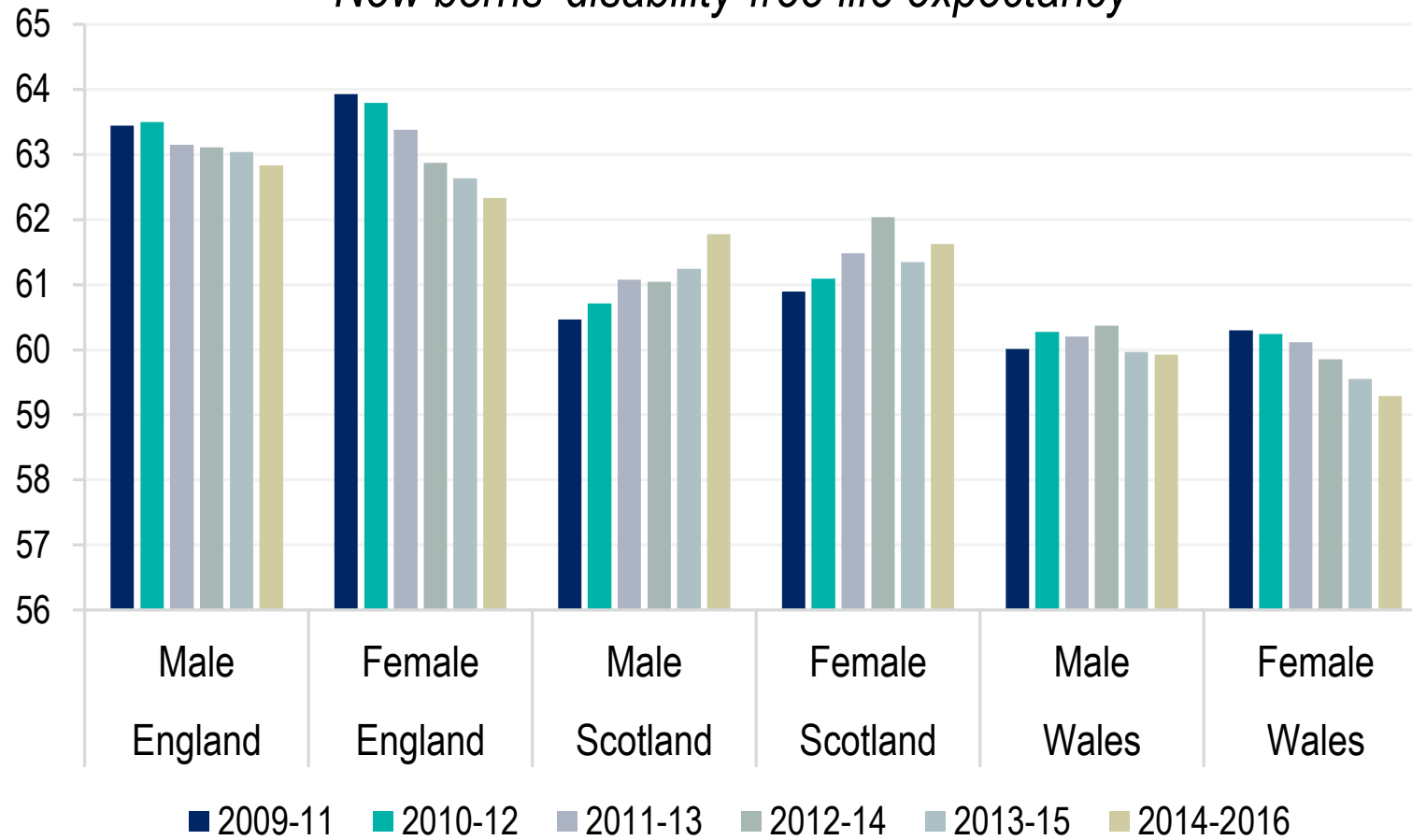
1. Stagnant earnings and rising housing costs
2. Rising life expectancy
3. The burden of risk has shifted on to the individual
4. Lower investment returns
5. Lower annuity rates
6. Rising debt
7. Unfunded government promises

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# Longevity

*Living longer lives, but not healthier lives*

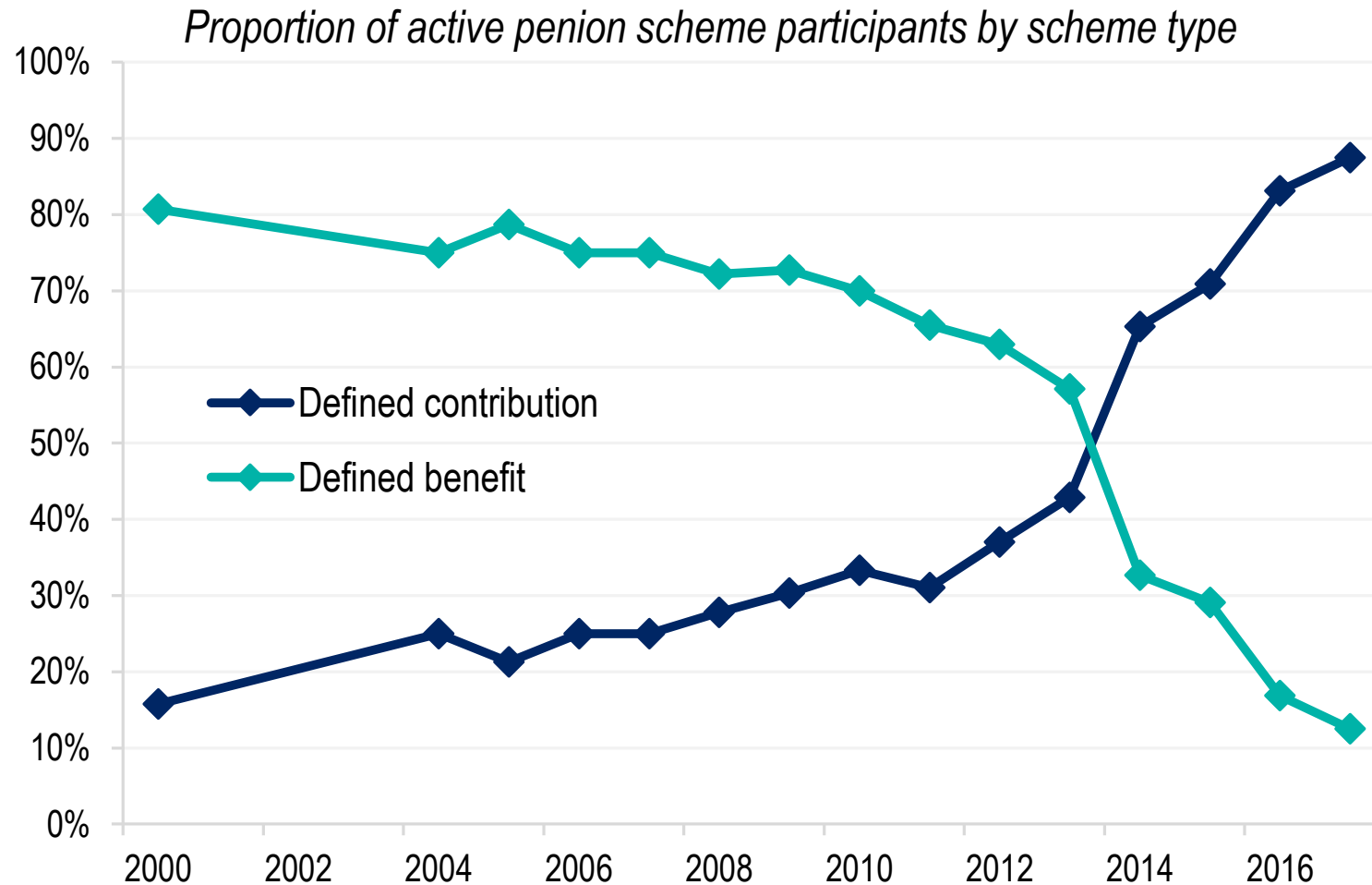
*New borns' disability-free life expectancy*



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# The burden of risk (i)

***Defined-benefit pensions are a thing of the past***



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## *Placeholder for polling slide 3*

***Approximately how big a private pension savings pot would someone retiring today at age 65 need to get a total annual income, including state pension, of around £25,000?***

***[Over £300,000***

***Over £200,000***

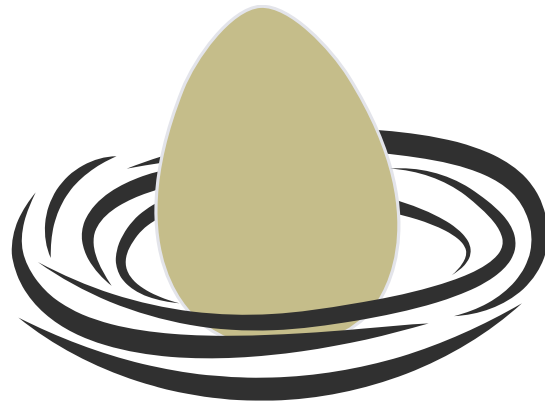
***Over £100,000***

***Less than £100,000]***

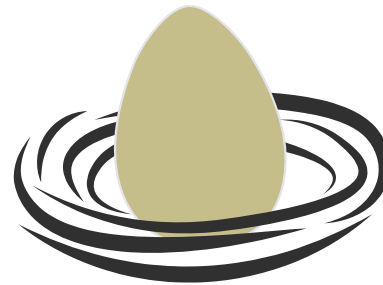


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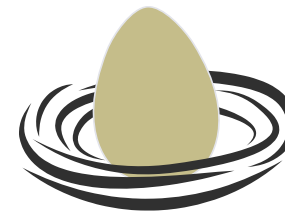
# The burden of risk (ii)



£315,000  
Actual requirement



£124,000  
median guess



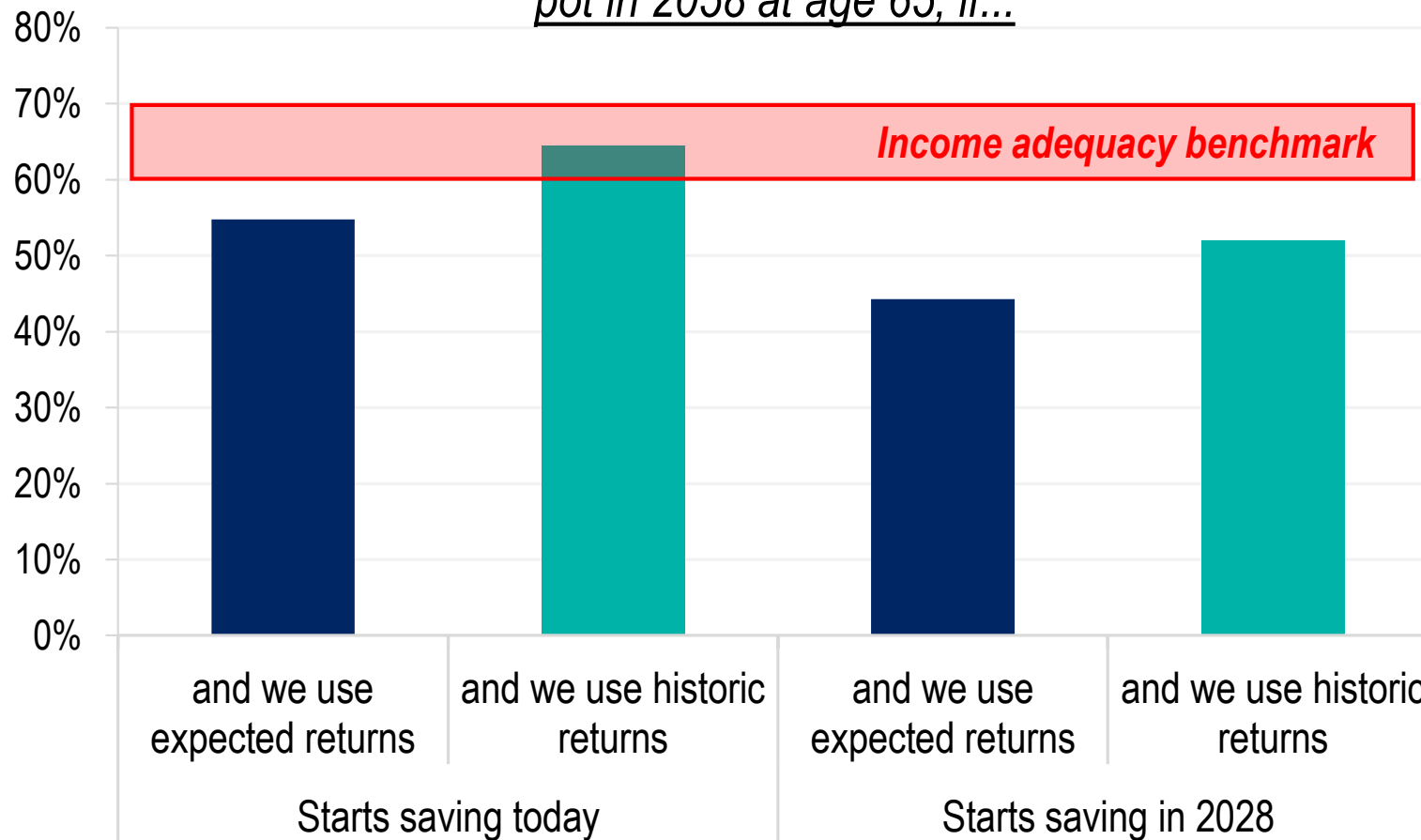
£90,000  
millennials

# Rathbones Asset Allocation Research

## Lower return world

### *Illustrating the impact of lower investment returns*

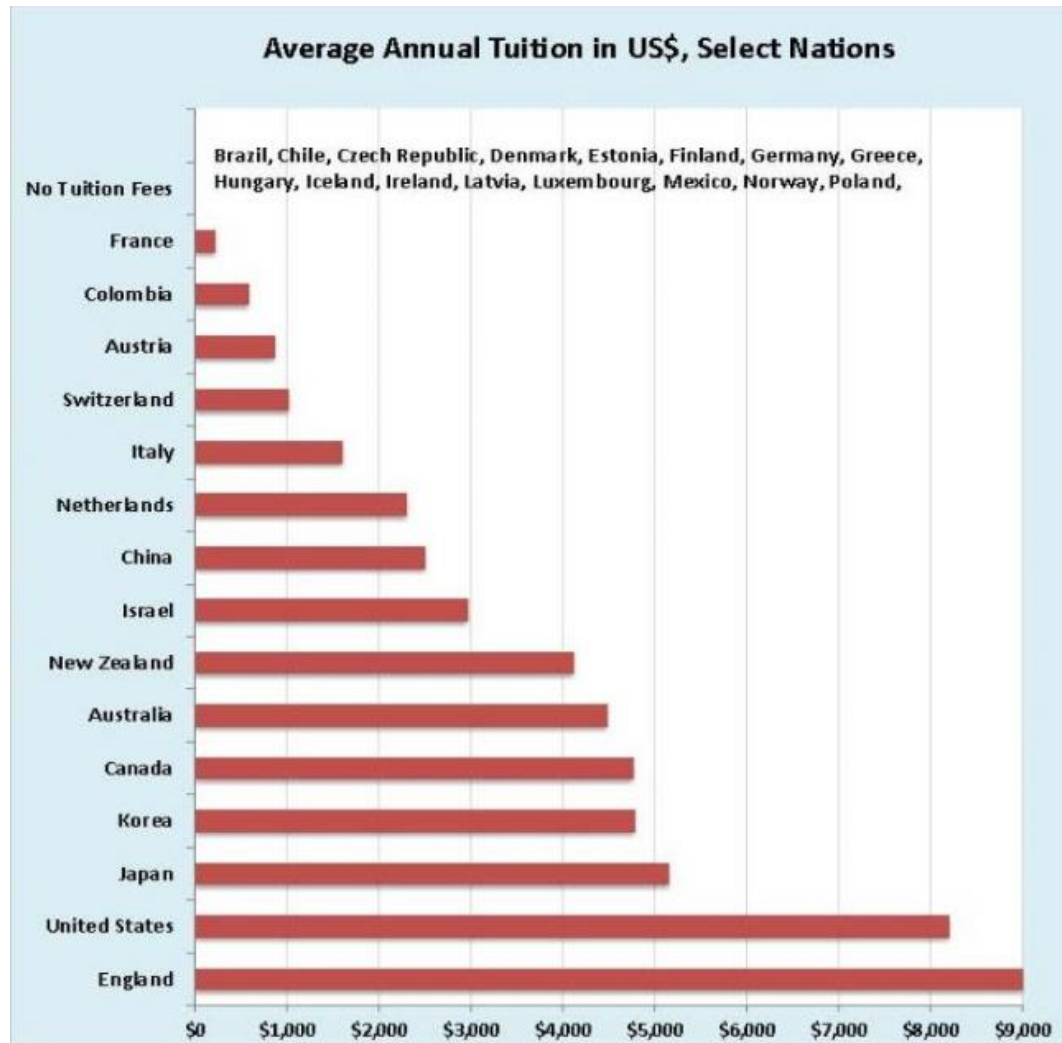
Replacement rate provided by a 25 year old's pension pot in 2058 at age 65, if...



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## Student debt

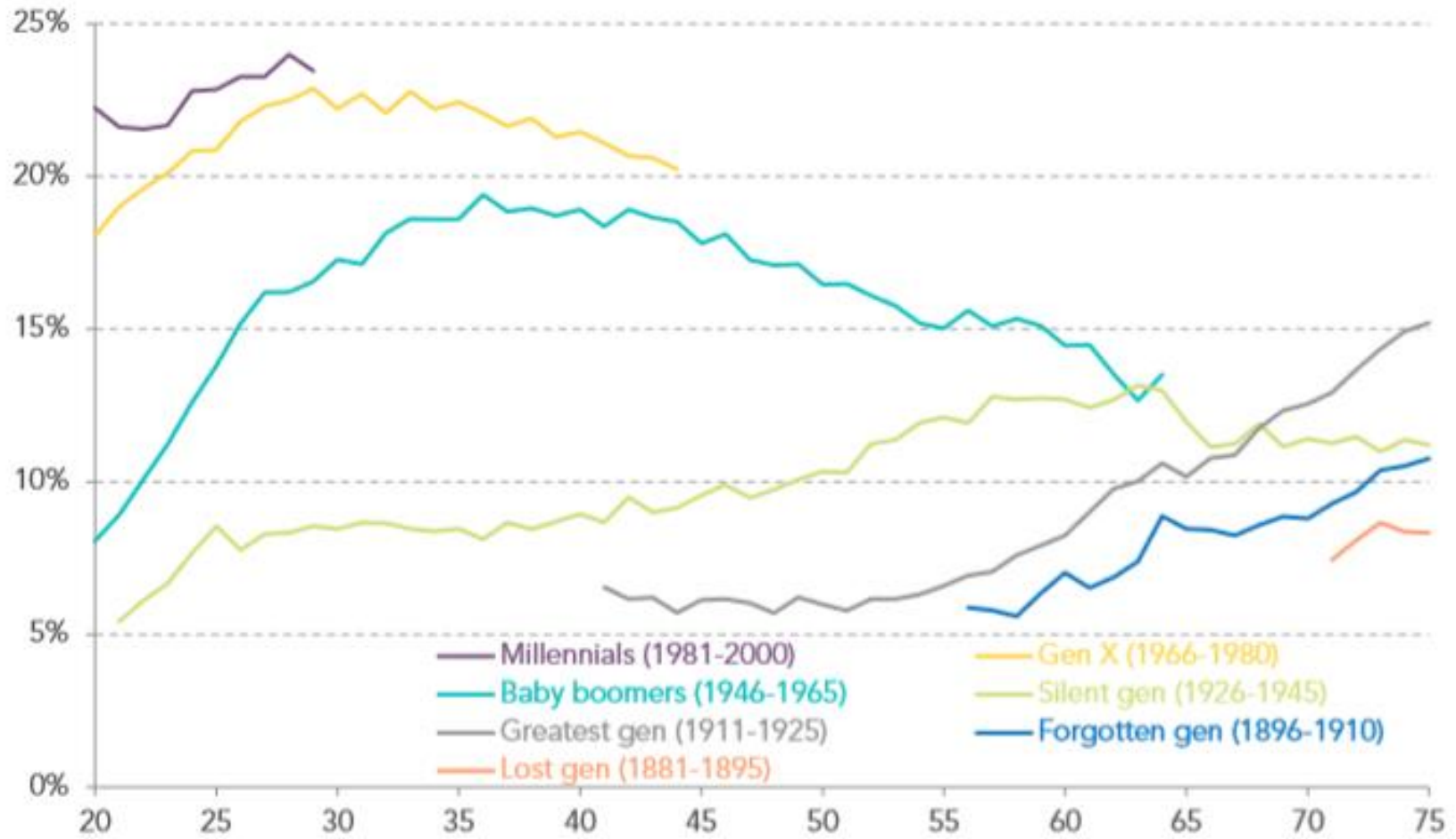
### *University tuition fees 2013/14*



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# The housing shortfall (i)

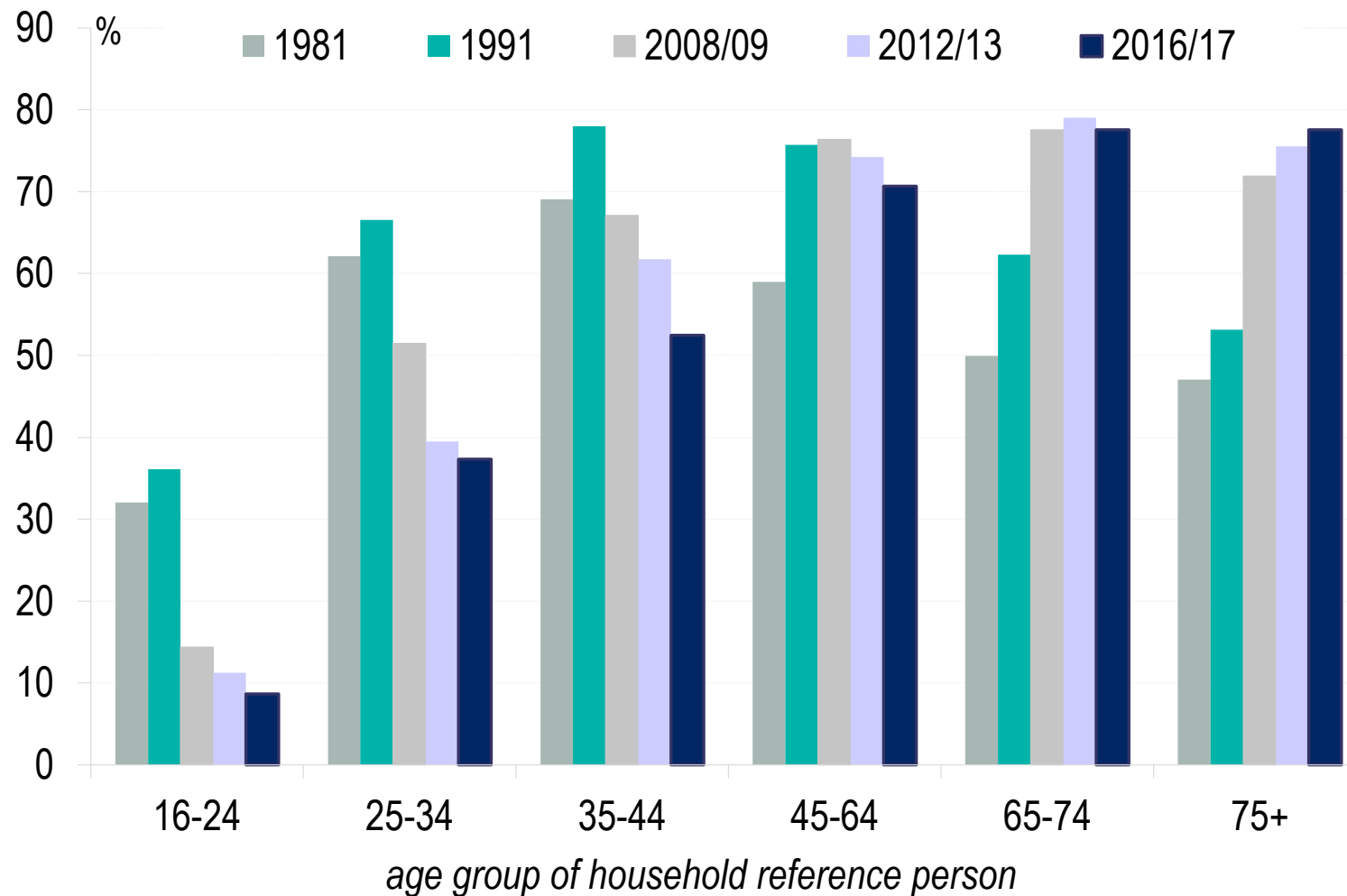
**Proportion of income spent on housing costs by generations**



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# The housing shortfall (ii)

## UK rates of home ownership by age cohort



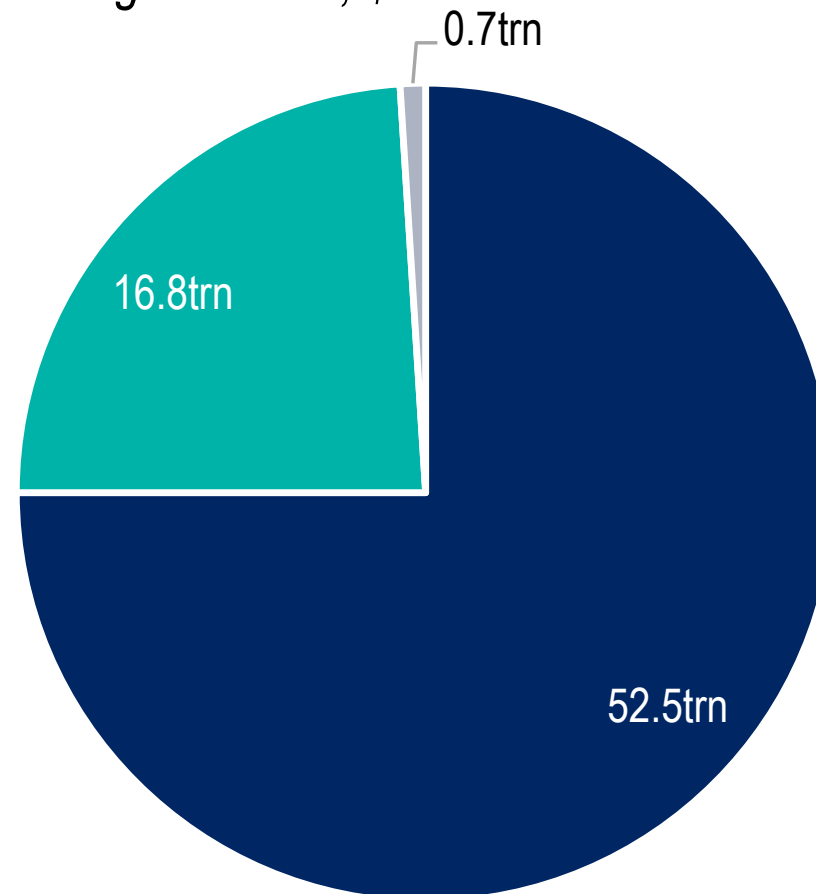
## Rathbones Asset Allocation Research

# The government shortfall

## *Government finances are a huge concern*

*WEF's global retirement savings shortfall, \$*

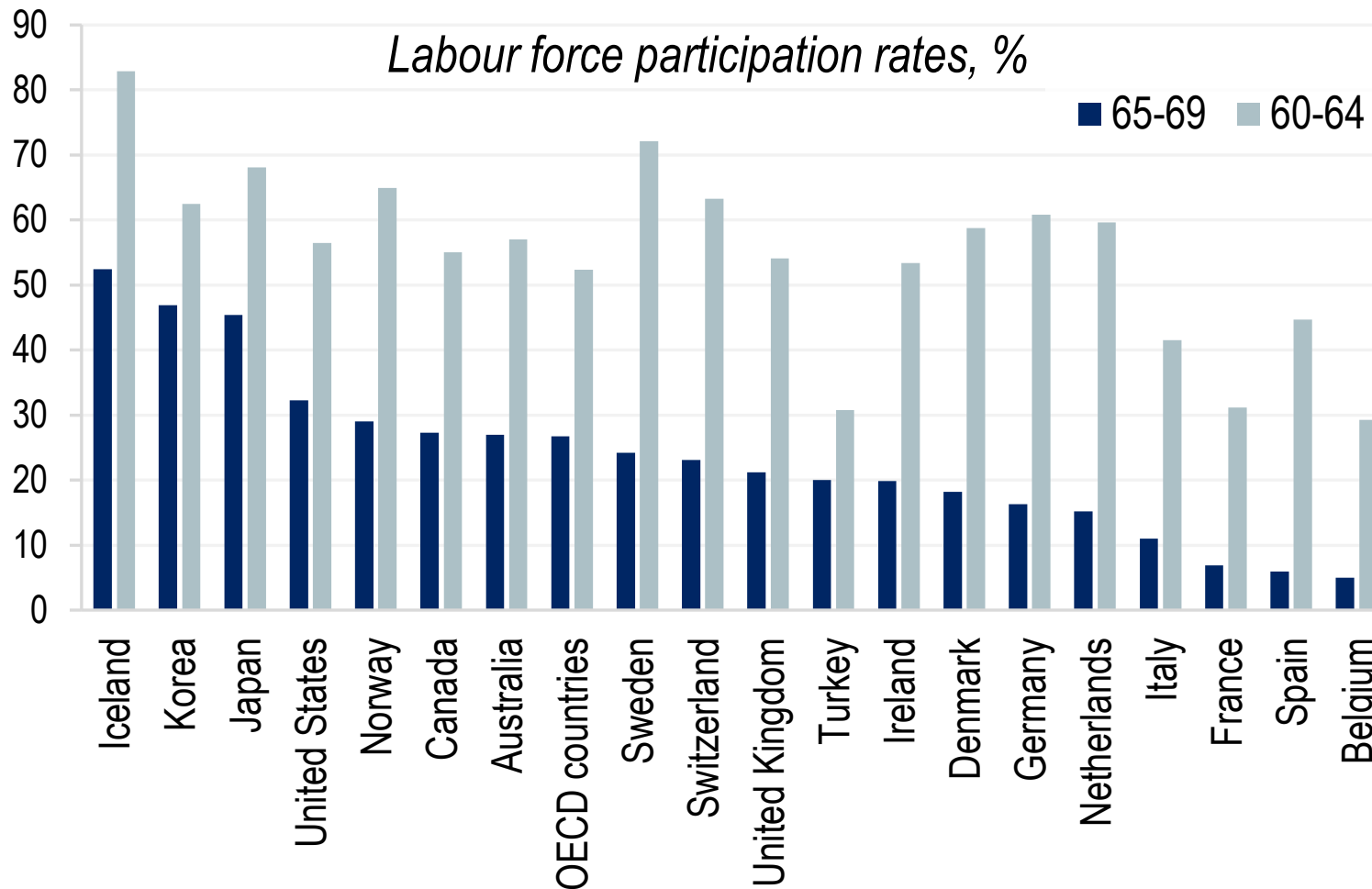
- Unfunded government pension promises
- Household's savings shortfall
- Unfunded corporate pension promises



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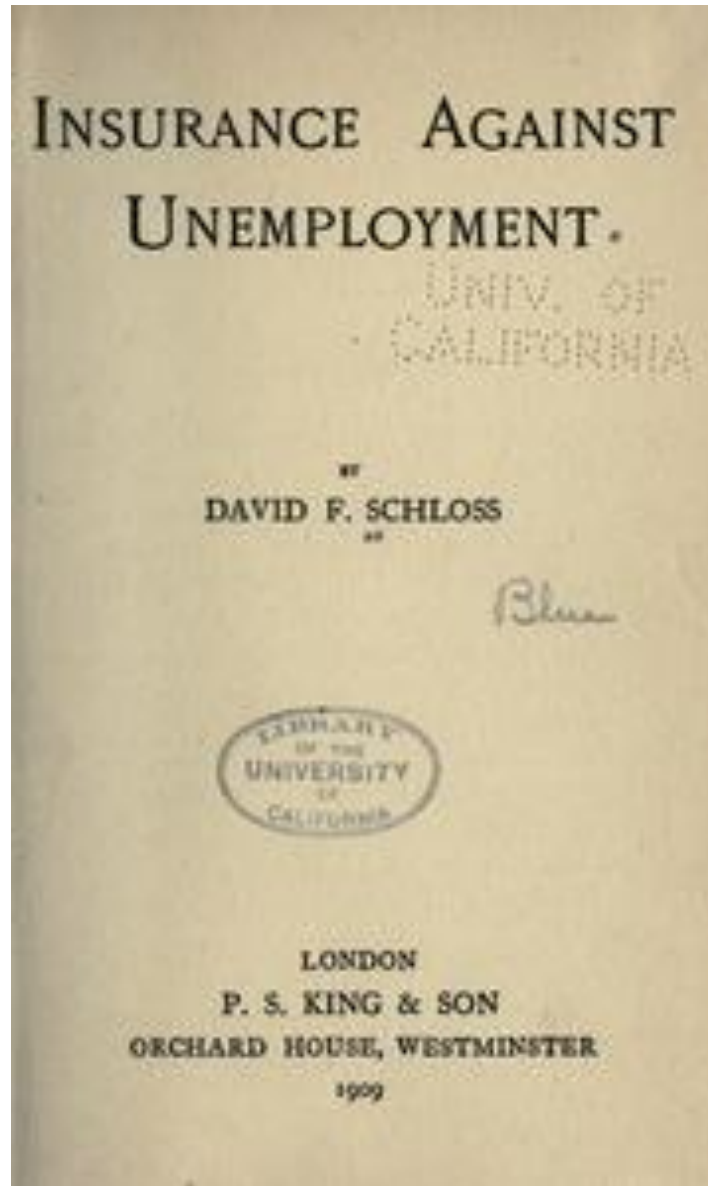
# Too poor to retire (i)

**Only 1 in 5 people aged 65-69 are working or looking for work**



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# Too poor to retire (ii)





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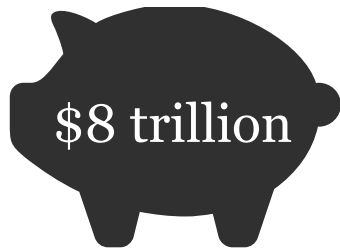
# Bringing it all together in the UK

## The savings shortfall

How much extra will people need to save for retirement?



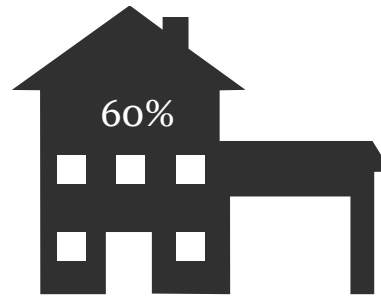
in the UK today



by 2050

## + the housing shortfall

What proportion of people owned their own homes at 30?



of baby boomers



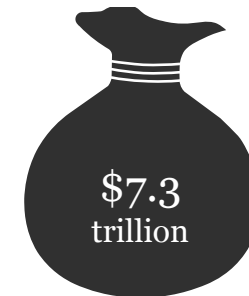
of millennials

## + the government shortfall

How much would government borrowing need to grow to meet age-related spending commitments?



UK government debt today = 80% of GDP



UK government debt in 2068 = 280% of GDP

**= too poor to retire**

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## *Other ICAEW events*

- ***Pensions Deconstructed – pension death benefit rules and inheritance planning***

*Online Webinar: 15 November 2018, 13:00-14:00*

- ***Wills and Inheritance Tax Planning***

*Seminar: 28 November 2018, 09:30-15:30*

*Venue: ICAEW, Chartered Accountants' Hall*

- ***Property investing conference: UK - Buy-to-let, France, Portugal & Spain- Holiday home, retiring***

*Conference: 10 December 2018, 09:00 - 17:00*

*Venue: ICAEW, Chartered Accountants' Hall*

