Changing the perceptions of ageing

Theo Andrew talks to International Longevity Centre director, David Sinclair, about the biggest policy challenges facing the pensions industry, why we should consider a more flexible approach to work now and the reasons we should be taking robo-advice more seriously

What are the biggest initiatives you are working on at the moment?
Going forward we are looking at doing a lot more work on the longevity economy and challenging the story that an ageing society is going to cost us more money. What we want to start doing is getting more and more businesses engaged with the economic return that we could be seeing as a result of demographic change.

Similarly, for investors and investment companies involved in investing in pensions, they are really starting to understand the demography that can drive new business opportunities and offer business growth. One of the really interesting opportunities is how can we better push the idea that there is a longevity dividend and that it's not inevitably a cost.

The second thing related to that is the role of older workers. We know that people continue to leave the workforce early, mainly due to health reasons. It's a big drain on the UK economy. One million people leave between their early 50s and the state pension age involuntarily and health is the big driver. Clearly, in terms of pensions, you can save from 20 through to 50 but if you are then not able to work between 50 and 65 it's going to massively impact your ability to receive a decent retirement income. We think that clearly accumulation is very important, but as is making sure people are able to continue to get money from other sources, including working for as long as they possibly can, is key for retirement income in the long run.

The third strand that we are looking to focus on is the perception that old people are just going on cruises and spending the kids inheritance or are living in care homes. The reality is that probably neither of these stereotypes apply for most of the older population, so how can we get across more of a sense of the diversity of challenges that come with ageing. For us, what we continue to push is how we can convince policy makers on how to engage with the opportunities of ageing, but similarly businesses as well, crossing over the challenges and inequalities.

What are the biggest issues facing policymakers at the moment?
Clearly with the Brexit mess at the moment, the concern is that policy makers and people in the corporate sector who should be more interested in longevity and ageing and their impact, as it's one thing that's definitely not going to go away, have taken their eye off the ball in the past couple of years.

You have seen a lot less attention around the long-term planning of pensions, for example, when actually you have real short-term fears around whether people will be able to sell certain products and give certain advice after March 2019, and that's understandable.

One of the big challenges we have is that ageing is actually relatively slow. We have been ageing in the UK for 300 years, similar in France, and as a result it is hard to inspire people to create new products given that it is actually slow rather than quick; similarly for government to respond. We are then faced with the depressing scenario of 20-25 years of government green papers on social care, with basically no products on the market.

The financial wellbeing of employers is getting higher up the agenda for employers. What can we do to ensure that this is playing a more pivotal role in individuals lives?
I'm not actually convinced that it is higher up the agenda for companies. I think companies are afraid about what they can say to older workers, and as a result that becomes a barrier, rather than a facilitator of financial advice. If you are worried about conversations about

retirement might be deemed ageist, then it prevents people having those conversations in the first place and we have to make sure that doesn't happen.

Secondly, we have fewer people working for the FTSE companies, relative to the smaller companies, where there is no support at all for individuals. Even for the bigger companies out there that used to do pre-retirement training, I think a lot of that has gone and it certainly doesn't feel as though it is a bigger offer as it used to be. My sense is that they talk about it but there is a need for them to do a lot more.

Auto-enrolment forced employers to think, and in some ways that was helpful because they were just told what they have to do and it's clearly engaged millions more into pension savings than in the past. There are however still concerns from companies about their role in this space. Do you increase contribution levels, which there is a need to do so, but sadly we are aware of companies that have used auto-enrolment to reduce rather than increase contribution rates.

The message to government would be is you don't want another Waspi situation, where basically 20 years down the road, young people are saying, 'well you auto-enrolled me, surely that means I'm fine, why am I not?' The risk at the moment is that there is a degree of complacency that's coming in.

Where does the changing nature of that workforce come into this?

One of the big groups that we have to address these challenges with is the self-employed and the growing gig economy. My take is that for somebody who was born in the late 1950s or 60s and wants to work in the gig economy, it is not actually a bad choice. As long as you are not restricted to one employer, you are giving people who need greater flexibility the opportunity to have that.

The real risk is the grace of the gig economy in terms of the younger people, who need to accumulate pensions, how do you do that if you're not going to have the opportunity to do that within a workplace pension.

What really makes a difference to whether people save or not is a workplace pension. That has to be at the heart of it, and if more people are going to be working self-employed, where do you get saving as part of that. We need a debate about compulsion or national insurance, or finding a way of defaulting the returns into a degree of saving.

As well as government offering good financial incentives for the self-employed to save, those groups, as well as women of course, it is key to ensure the uptake of pensions and increasing contributions.

Should we consider more flexible life stages, rather than the traditional three?

There is a big debate about what is retirement for, what does it deliver today and what will it deliver tomorrow. Do our financial services industry support that? There's people talking about us having a 15-hour working week and if you were to take into account the number of years people spend not doing any work at all, then we are now far from that 15 hour working week across our lives.

The problem we have at the moment is that all of that time is at the end of our lives, where income remains a challenge. The two most common things people do when they retire is spend time alone and watching TV.

You can start to look at life courses where what you are seeing is people doing work experience, then they might study, get some more work, take a gap year, and you can envisage a future where people are working into their seventies and beyond. But, what lots of people are doing is having this 20-year period at the end where you're not doing very much. The problem at the moment is that's only really open to people who are very wealthy or in an unusual situation and there aren't any financial service products that help facilitate that.

We have had some conversations around flexibility and the drawdown of pensions, but you need a big public policy and industry debate around if that isn't what we want the future to look like then we need to make sure we have the products that allow people to have that flexibility.

Across our lives, most people bring in more income than they spend, but the problem is people are much more likely to get into debt between 25-55. So if there are different ways of moving different expenditure over life that would facilitate that way of living. If health is one of the reasons that people are leaving work early then they are finding their retirement is not what they wanted.

How can we better design accumulation and decumalation phases?

We need to get advice right, and we haven't done that. We absolutely need to use technology to widen access to advice. The debate on whether we need to automate advice is a very difficult one to have with the industry, but we need to have a huge step change because the reality is there are fairly basic bits of information that we are allowed to give to people before it's deemed to be advice, and as such, the only people getting it is the people who are taking commercial advice.

It includes very basic flow charts that say if you have *x* amount of money in a DC pot, you must consider *y*. We need to get better at finding ways of finding regulation to allow that to happen and we probably can automate advice and then open up face-to-face advice for people who need the extra support.

Secondly, I saw a sailor who wrote the nudge book recently and his very strong view was that if we are going to change behaviour, it is all about defaults. Even policy makers and industry don't realise how effective defaults are and this is something we must look a bit more into, beyond auto-enrolment.

Written by Theo Andrew