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The Lifetime ISA Can DC keep up?

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Helping employees find their way

07 November 2016

ertise
ponsorship
Thought leadership
Progress
Community
Sessional Meetings
Education
Working parties
Volunteering
Research
Shaping the future
Networking
Professional support
Enterprise and risk
Learned society
Opportunity
International profile
Journals
Support





Their 20s and struggling

**auto-enrolled, yes,
but**

**Getting on the
housing ladder**

29%

**think they'll retire at 70
or above.**



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Their 30s and worried

With a family

and a mortgage

Savings are falling

Concerns are increasing

Early retirement? No chance



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Their 40s with future worries

**Incomes on the way up
but so are bills**

63%

choosing to work longer to repay debt

1 in 5 expect to work past 70



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A photograph of three people in their 50s sitting at a wooden table in a cafe. On the left, a woman with dark curly hair and glasses, wearing a yellow cardigan over a polka-dot top and a black skirt, is laughing and holding a white coffee cup. In the middle, a man with dark hair, wearing a grey blazer over a red and white checkered shirt, is also laughing and holding a white coffee cup. On the right, a man with light brown hair and glasses, wearing a tan blazer over a blue shirt, is smiling and holding a white coffee cup. The background is slightly blurred, showing a modern interior with large windows.

Their 50s and feeling fine

Careers slow down

So does stress



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41%

believe they will retire

before 65

DB and DC

60% unworried



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Which way to go?

Decisions, decisions

Secure income or flexible drawdown?

What path to take?



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Identify

Inform

Personalise & engage



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Are we seeing the end of the pension scheme?

- Tax efficient limits on pension savings continue to reduce
- Pensions are not tax free anyway, they (currently) defer taxation
- The Lifetime ISA is more tax efficient than pension saving for many individuals
- Negative real interest rates mean long term savings do not make sense: if I defer consumption I can consume less in the future....
- As an employer, I can pay you now or make you wait for your compensation and give you less (or my employment costs increase)

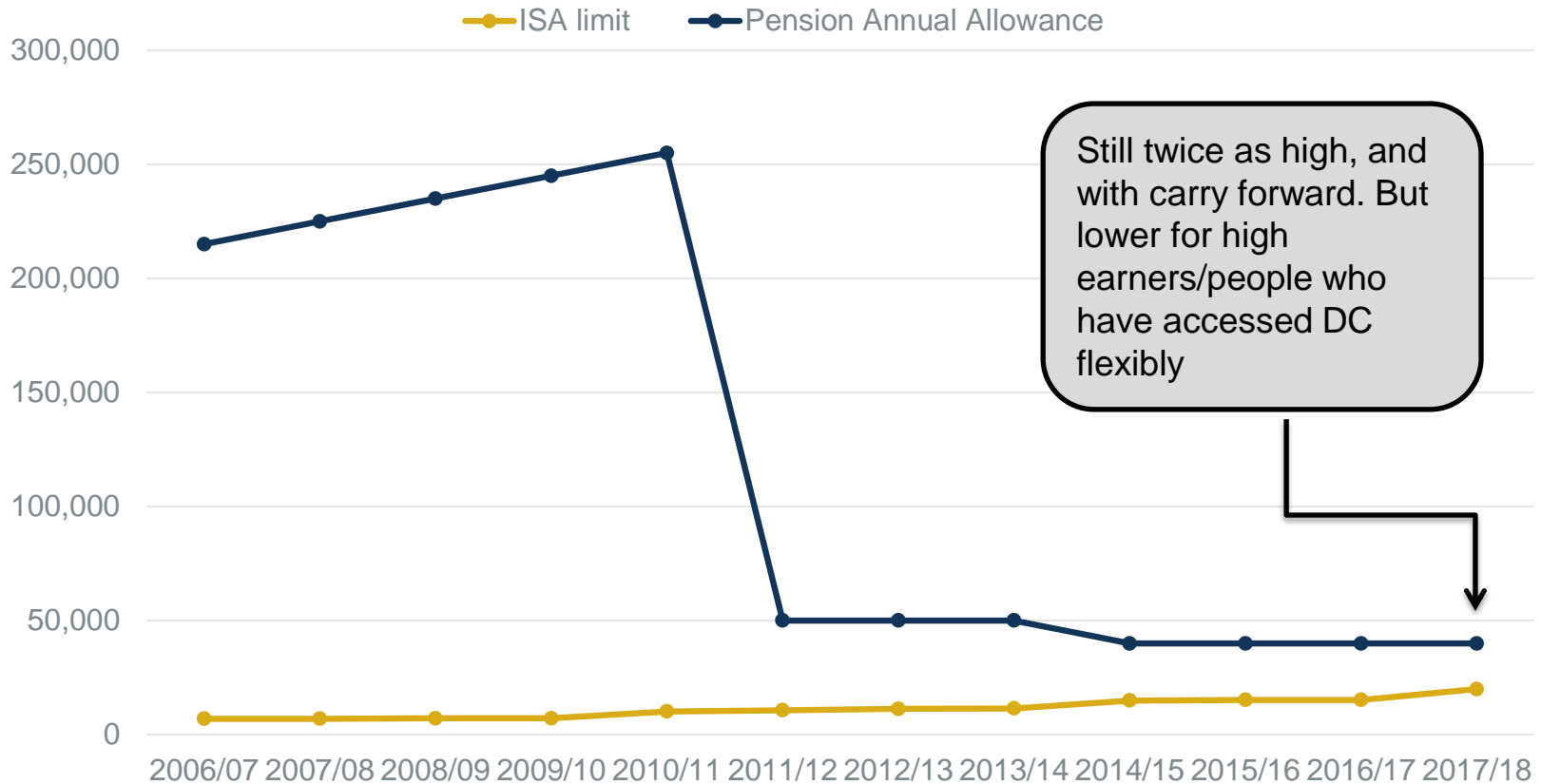
So what would you choose: cash now or a long term investment?



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Pension allowances shrinking

ISA allowances growing



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£1k employer spend = How much post-tax retirement income?

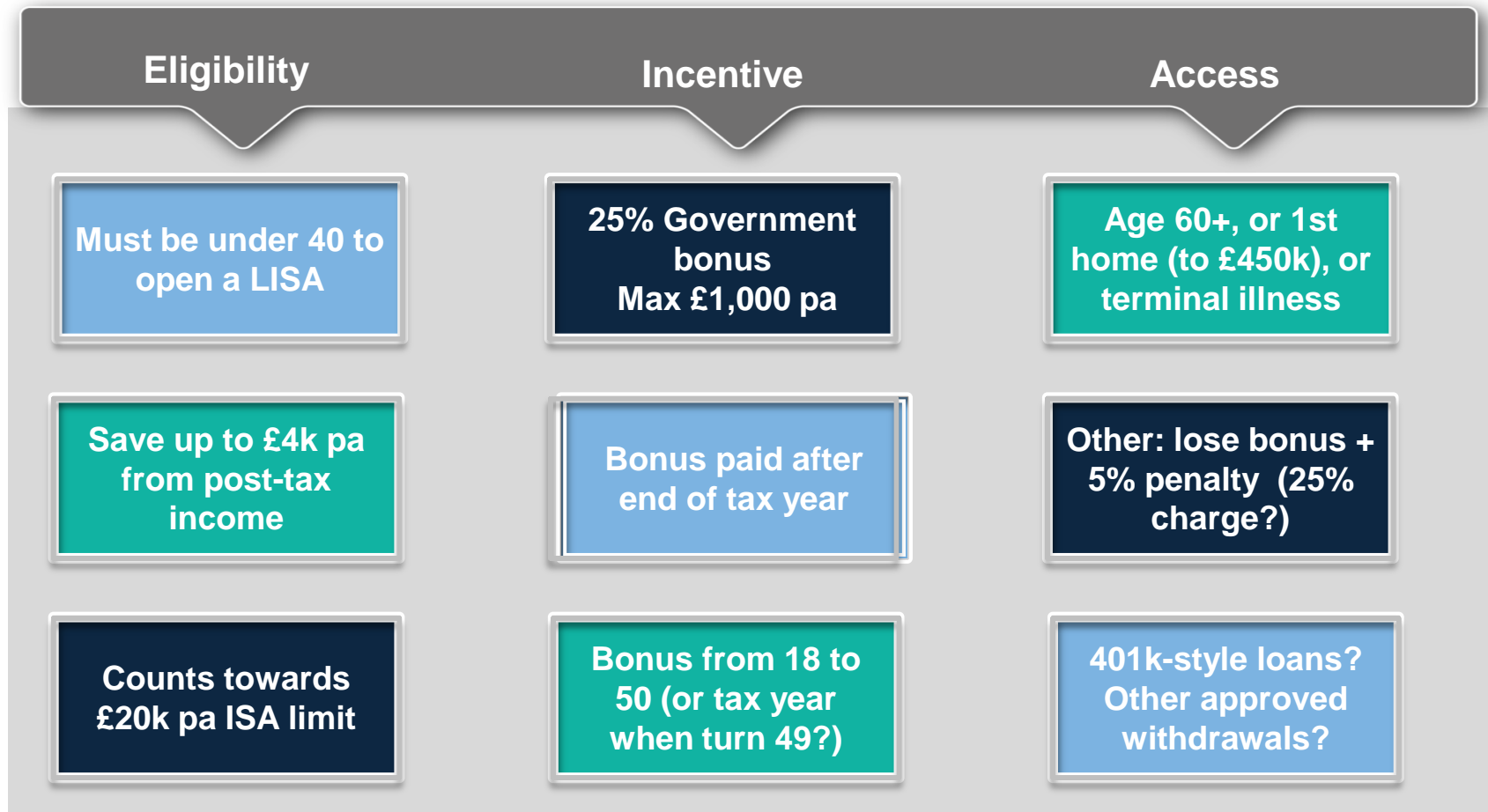


- Employee pays 20% tax now, and will do in retirement



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The LISA: how it works



3-in-5 think LISA represents the future of retirement saving

59% of employers believe the Government will eventually stop contributions coming from pre-tax income

64% of employers think the introduction of the LISA will divert saving from retirement to housing

59% of employers believe a pension scheme is a better way to save for retirement than a LISA

45% of employers think employees will look on pension schemes less favourably than before as a result of the LISA

% Agree or strongly agree

Pension managers more sceptical about the benefits of LISAs.

Almost 2-in-3 believe a pension scheme is a better way to save for retirement than a LISA, compared to half of HR managers

Employer thoughts

Thinking about your own organisation, how do you think employees (currently aged under 40) will view a Lifetime ISA (LISA), relative to a pension scheme? What do you think would be 'best' for them?

Prefer a
LISA to a

pension

36%

None or
few
employees

64%

Some or
most
employees

Better off in
a LISA than

a pension

69%

None or
few
employees

31%

Some or
most
employees

But most think few
workers will be
better off in a
LISA.

Questions

Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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