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IFA View

Fiona Sharp

Lost and found

The news came out recently that unemployment levels in the UK have officially fallen, although the truth would appear to be the opposite. The statistics do not necessarily include part time workers or freelancers who may have lost various contracts.

Unemployment in the twenty something age group actually appears to be on the rise, which is having a quiet yet significant impact on the underlying economy. Those in this generation are not fully contributing to the burgeoning National Insurance system, but they are unlikely to benefit from it in the longer term either. Graduates with mounting student loans who are unable to find work in the current climate will be debt laden for longer and remain reliant on their parents, who in turn need to consider the implications of long term care. In the words of Private Fraser- we are all doomed.

The result could well be a lost decade for two generations, but particularly the twentysomethings, who cannot necessarily afford to plan ahead financially. The Lost Decade normally describes the marked meltdown in the Japanese economy during the nineties. Japan is a fascinating country, with similarities to the UK in some respects. Geographically small, but historically economically mighty. With an ageing population, but not enough workers to support the fragile financial infrastructure. With unemployment on the rise, but a penchant for a quality lifestyle. The fundamental difference between Japan and the UK however, is that the former is a traditional nation of savers, which is why the Japanese credit crunch equivalent did not

necessarily impact heavily on the average family in terms of general affordable living. However the liquidity created by investors funded easy credit, which in turn fuelled a ballooning housing & stockmarket economy which subsequently crashed spectacularly. Sound familiar? The good news is that the UK & US governments reacted relatively quickly to their financial crises by slashing interest rates and introducing quantitative easing. Japan dallied and endured many years of pain. Hopefully we will not suffer the same fate, because if that's the case, we haven't even scratched the surface.

But what of our own Lost Decades? They all have issues. Our twentysomethings are definitely going to need an evolving style of financial advice which is more holistic and less product driven. We have to try and find a way to make that affordable through technology. Many fortysomethings (particularly women) were not as well educated as to the increasing need for retirement planning, and generally fell into pension provision by chance, or through employers schemes. Our sixtysomethings are increasingly concerned by the expensive prospects of enhanced life expectancy. I am not a complete convert or graduate of any particular institute, but I can see a genuine need for an increased bias towards lifestyle and cashflow planning. Products are a means to an end. What we will need from an innovative government, if such a thing exists, is radical reform which will perhaps consider more flexible multi generation pension arrangements and care initiatives. Then we may not be doomed after all.

Fiona Sharp is a senior adviser at Almary Green.