Still no relief to restore confidence in our pensions

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COMMENT

I am worried about my retirement. Stock markets are behaving like rollercoasters as they react negatively to the global slowdown and the slow-motion train wreck that is the eurozone.

The ride is especially wild in developed economies, where too much debt has finally caught up with consumers, squeezing their spending capacity. With no consumer demand, there is no corporate growth; with no growth, there are no profits and no earnings for pension investors.

The problem is exacerbated in Ireland by the government's decision to confiscate 0.6% of the value of private pension savings for the next four years. In addition, a big question mark hangs over the tax incentives that encouraged workers to defer some of their incomes until retirement.

Last week, at a conference organised by Irish Life, Joan Burton, the minister for social protection, was unable to confirm if top-rate tax relief would be available for contributions from next year. This is unfortunate because tax relief was the only buffer against investment losses by pension funds over much of the past decade.

The loss of tax relief, should it happen, is sure to impact on employment in the insurance industry, where hundreds of jobs are already at risk at Aviva.

According to data compiled for Irish Life by consultants Amárach, 85% of investors in private pension funds earn less than €70,000. Many are unlikely to have decent pensions because they started saving too late or changed jobs too often. Without private pensions, those earning €60,000 will face a drop of 60%-80% in income when they retire.

The threat to tax relief, the pensions levy and the uncertainty in investment markets are doing nothing to encourage people to keep saving for their retirement, the conference was told.

The minister at least had the decency to admit that the levy has damaged pension savings and acknowledged people's frustration over the uncertainty about tax relief. But the onus is also on the pensions industry, she said, which needs to cut its charges.

The extent of overcharging will be revealed when the government publishes a comparative study of pension charges in other jurisdictions.

It's good to know that Burton's officials have time to do such important research, but it would be more helpful if all the reforms proposed by the current and previous governments could be advanced.

I expect this isn't happening because there is no money for major reforms, such as mandatory pensions for all workers, and not enough political will to restrict pension incomes, especially in the public sector.

I'm not losing sleep over my pension because I still have at least a decade of work ahead of me and I've been maximising contributions for many years. But I know plenty of people whose pensions have lost thousands of euros just this summer, and they are tossing and turning, wondering how they will ever be able to afford to retire.

Nothing anyone said at last week's conference will provide them with any relief.

Bargain property

A very brave friend has bought a very old house. It needs a great deal of work, but she was able to convince her lender to give her a mortgage at a very desirable five-year fixed rate. She also managed to knock €12,000 off the price on the basis of the surveyor's report.

The previous owner, an elderly bachelor, left the house to his relatives when he died.

They tried to maximise the price — it is a choice south Dublin location. When it finally dawned on them that the market was still falling, and after their agent was confronted with the surveyor's report, the relatives sensibly decided against risking the sale over a mere €12,000.

Executor sales often produce bargain basement prices — there isn't much sentiment involved when free money is at stake — but patience is also its own reward in a buyer's market.

This house fell in value by about 30% since it was put up for sale, far more than other properties in the area. The renovation costs are a fraction of what they were three or four years ago.

The bank wasn't reluctant to lend, even though the house needs a lot of work.

It could see it's a very fine house and someday it will be worth a lot of money.

More of a case of 'buyer aware', than 'buyer beware'.

Smart move

I'm not a huge user of smartphone apps, but I do like the new one from National Irish Bank.

Not only does it let you access your accounts from your phone, it allows you transfer money between accounts and pay bills. Soon it will provide access to NIB's dealing desk too.

This is one of NIB's biggest attractions, providing a cheap alternative to stockbrokers and online dealing facilities. It's easy to operate and provides instant access to your trading record. The app dealing desk, says NIB, should be available early in the new year.

You don't need to be a NIB customer to download the app, but those without accounts are limited to two features: a branch/ATM locator and a currency converter.

from efforts to rescue the global economy, especially the way in which central banks are printing money in an attempt

withdrawals before maturity in 2014 and a low rate of interest — 1.25%. If you stick with the euro, you could earn 4% a year