

# Clegg plan to help young homebuyers leaves pensioners at mercy of market



**Ros Altmann**

Dr Ros Altmann is a pensions expert and director general of Saga.

NICK Clegg has come up with the strange suggestion of using people's pensions to help youngsters onto the housing ladder. This seems pretty half-baked and I really believe it's wrong to mix up pensions and housing. Of course, we need some more detail about how parents or grandparents can pledge their pensions to help youngsters get on the housing ladder, but the idea seems to revolve around using future pension fund lump sums to guarantee a deposit for first-time housebuyers.

The money will not actually be paid (because it is illegal to take money out of a pension fund before age 55) but mortgage lenders will be able to call on the money if house values fall and the younger borrower cannot keep up repayments. This may mean that those reaching retirement could not actually take their pension lump sum until their youngsters have repaid, because it has been used as a guarantee. Is this what they really want?

I believe that it would be better to introduce incentives to help young people to save for house deposit – such as allowing cash ISAs up to full annual limit.

Young people need to save for their future and there are currently few incentives to help them do so. If they save in a pension fund, they can't touch the money. And even saving in a tax-free cash ISA only attracts half the annual allowance, whereas if saving for a house deposit, it would not be advisable to gamble on a stocks and shares ISA.

Auto-enrolment could also be used to help younger workers save for a house or a pension – perhaps this method should be used to help people save for a first house deposit, instead of a pension.

There are benefits. Young people would benefit more from saving to buy a house than from locking their money into a pension which can't be touched for decades. They would receive help from their employer and perhaps some tax relief if they use the savings for a first home.

If Mr Clegg is serious with his advancing his idea, one of the headline announcements at the Lib Dem party conference which ended yesterday, perhaps Ministers should explore the possibility of older generations pledging part of their own home rather than their pension. Surely it makes more sense to



**HELPING HAND:** Liberal Democrat leader Nick Clegg has proposed parents use their future pensions to guarantee mortgages for their children to help them buy their own homes, but this risks creating a disincentive to save and puts pensioners' futures at the mercy of house prices. PICTURE: BRUCE ROLLINSON

try to use some of the value of older generations' homes to help younger people buy a house, rather than using their pensions?

After all, most people don't have enough in their pension fund anyway – and what if they have more than one child?

Of course, most people simply don't have enough money in their pension fund to make this a viable proposition. The average defined contribution pension fund is worth around £30,000, which

delivers very little pension income in retirement anyway.

However future pension values are not guaranteed as this economic downturn has proved. Borrowing against future pensions has a number of drawbacks.

Firstly, the value of people's pensions many years' hence is not guaranteed. Most pensions are invested in assets that will rise or fall over time, depending on the markets. Secondly, most people will need their pensions to support them in retirement, or perhaps for later life care needs.

Thirdly, borrowing against a future pension lump sum would be more expensive than taking the

money out of the pension fund and using it directly.

This is why we desperately need some joined-up thinking on savings policy. As we are about to start auto-enrolment of all

**Let's have some joined-up thinking on savings rather than knee-jerk reactions which could backfire.**

workers into workplace pension savings, let's have some joined-up thinking on savings policy, rather than knee-jerk reactions that could end up backfiring if older people lose the pensions they need and younger people do not learn the value of saving for themselves.

There is also another catch that needs considering. Mr Clegg's policy will probably only help children from better-off families, as higher earners have higher pensions.

Those who have much larger pension funds are likely to be much higher earners. So the children most likely to benefit will

be from better-off families. These families are more likely to be able to support their offspring from other means anyway. Those with final salary-type pensions would have more confidence of receiving their pension lump sum, but even that is not necessarily guaranteed unless they work in the public sector.

After all, if people's families can help them out, they often do. And if they can't, they either won't have much money in their pension fund or will need whatever they have for their own retirement.

In summary, Mr Clegg should think again.

# Let region's business talent take the lead to close divide



**Timothy Kirkhope**

Timothy Kirkhope is the Conservative MEP for Yorkshire and the Humber.

THERE have been further reports highlighting the growing divide in economic wealth between the South of England and the North. They also suggest that Yorkshire and the Humber is now losing ground in its traditional "competitive relationship" with the North West. That, surely, alone, should make us think.

It is very disappointing. Of course, the North East Region does worst in comparisons of the Northern "GVA" (Gross Value Added – a measure of economic output) but our statistics are little better.

For all the years that I have been in public life, first in the North East, and then for the last 25 years here in Yorkshire, I have seen governments of different hues coming up with policies which they claimed would balance up the North and South.

I do not deny that I am proud to be a Northerner; born, bred, educated, and with my first career as a lawyer here. There are real benefits and advantages of being in the North and from the North. We have beautiful countryside an our natural inclinations are of optimism assisted by a durable humour.

We have some of the leading educational institutions in our schools and universities. Yet all of this is not enough to stop so many young people leaving our region after education and taking their skills with them. As a proportion of the English population, the North has dropped from 30 per cent to 25 per cent between 1962 and now. It means we are not replacing those who leave with commensurate skills and especially much-needed entrepreneurs.

And the disadvantages continue. Between 1997 and 2010 the GVA of the South East rose by 92 per cent while that in the three northern regions grew by only 61 per cent. We are always calling on central government to relocate public service workers to the North, but should we be so proud that 64 per cent of new jobs in the North come from the public sector compared with 38 per cent in the South between 1998 and 2007? Having such a large proportion of public sector jobs as opposed to those created from the private sector surely cannot be good for our long-term economic health.

So what is to be done? As one of those responsible for the development of development corporations in the 1990s while in government, I have always believed that the principle

of dealing with economic deprivation is best carried out with a predominance of business brains rather than bureaucrats.

The development corporations, including the one we secured for Leeds, were successful primarily because of the powers exercised by non-politicians and by their ability through a fast-track planning system to make decisions and implement them quickly.

They concerned themselves with smaller areas which needed to be revived and where local government had neither the will nor the resources or powers to do enough about it. Jobs were created, businesses supported and encouraged, and the local economy boosted.

Whether the variable structures of the new Local Enterprise Partnerships will produce

results of a lasting nature is difficult to predict. Are these new organisations really doing enough to get new businesses started?

In the meantime any of the organisations still operating as regional entities – like Welcome to Yorkshire (the excellent tourist agency) or the commercial or industrial advisory bodies like the CBI and trade unions – stand to lose out in the way that things are now being supported.

The Government, patently, does not like the term "region", despite the fact that it is the basis for so many commercial and financial transactions and structural arrangements.

In any event, as a specifically regionally-elected politician, and one who is interested in the regionally-targeted funding from Europe, I do not want to see monies being misdirected by

central government into schemes which are essentially the result of either local government proposals that only favour our biggest cities, nor into uncoordinated projects which either duplicate others or have little to do with the generation of jobs.

Like it or not, the EU, for instance, still pays out monies on a regional basis. But now that those monies initially go to central government and not to the regions directly, it is incumbent on our Ministers to adopt a proper overview of our needs in both urban and rural areas.

We need to harness all the talents we have in Yorkshire and the Humber and encourage rather than discourage those who really want to help. I am sure that there are also many clever and committed people out there who are just waiting to be asked.

# Happy to explain to them why money matters



**Jayne Dowle**

EVERY THURSDAY

DO we look like the kind of country which has millions of pounds to waste on a pointless exercise? I reckon you know the answer to that, but the Prime Minister still thought it would be a good investment to spend £2m on a survey to find out what makes us happy.

And after all that money and several months of asking people daft questions, the shock conclusion turns out to be something which anyone with an ounce of empathy and common sense would already have known. It is money that really makes us happy.

Not helping others, or doing decent things for charity, but pure and simple hard cash.

The only reaction to such a conclusion is yet another question. What now? What is the Prime Minister going to do with the information it has taken the Office of National Statistics several months to accumulate? This is time which could have been better spent on gathering sensible data on serious matters such as unemployment and inflation, things which actually can make a tangible difference to our quality of life.

We might naively presume that the point of undertaking this Happiness Survey was for Ministers to investigate how to tailor policies to the wishes of the electorate. However, if more cash to spend is what we want, and there isn't any forthcoming, all it has done is to remind us that the Government hasn't got any money to put where its mouth



**HARD CASH:** Without basic financial security, all the other things that make us happy become impossible.

is. Surely this underlines the damaging limitations of the whole exercise?

The very act of wasting precious money on a survey, if anything, has made a bad situation worse. It doesn't look good, does it? This is money which could have been better spent on vital things; funding a debt advice service perhaps, or free school meals for children. It makes the chasm ever wider between the millionaires around the Cabinet table and us ordinary people trying to make ends meet. The "news" that folk on the lowest incomes are the most fed-up, and that the middle is definitely squeezed, won't make a shred

of difference to petrol prices or gas bills. If it wasn't so tragic, it would be funny, or possibly, an episode of the satirical television series *The Thick of It*.

The great irony of this result is that the whole point of the Happiness Survey was to try and gauge our emotional well-being by other measures apart from financial, following a theory currently fashionable in social policy academic circles. If you think about it, this is actually an interesting and admirable aim. For now though, it should really have stayed in the world of theory, because all it has done is prove that in the real world, basic financial security is vital for contentment. From this follows all the other measures by which the individuals surveyed consider themselves happy, such as good holidays and seeing friends and having satisfying hobbies.

Two or three decent breaks a year, the odd meal out and time outside of work to enjoy doing something for ourselves would make most of us reasonably content, but without secure financial means, these things are impossible. How worrying that the privileged need a survey to tell them this.

Leave the theorising to the theorists, and make Ministers address some of the hard issues which impact directly upon our financial situation, individually and as a nation. They might start, for instance, by firming up some of the points around further benefit cuts which have been mooted at the Liberal

Democrats' conference this week. It sounds like the proposals to curb universal benefits for the elderly will only apply to those with assets of more than £1m, including property. This demands serious debate and scrutiny.

A proper government can't plan its future budgetary policy on old ladies terrified over having to sell the roof over their heads.

And then perhaps, they could look at the billions which are sent abroad as overseas aid, to some countries which arguably could do without it. Ditto the money we spend for our troops to engage in foreign conflicts. They might also look at the shocking figures on child poverty in this country recently released by Save the Children, and ask themselves how they can find £2m to spend on a survey when it is estimated that one in four youngsters in Britain are living below the poverty line?

And if they fancy a trip out of that Westminster bubble, they might think about coming up to visit some of our Yorkshire towns. Here there would be no need to spend another single penny to find out what might make us happy.

They would just have to stand in the queue in any shop or bus-shelter and listen and learn exactly how money does make the world go round, and how debt and unemployment and scarce investment in economic infrastructure and under-funded public transport make a serious mockery of the whole idea of a Happiness Survey.

**TOMORROW:**  
**Bill Carmichael**

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