PART ONE

Why You Need to Build Your Own Pension Plan:

The Most Predictable Crisis in History

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The Real Pension Crisis

The Wall Street Journal (United States), October 6, 2014—Pension Dropouts Cause Pinch: "Motorola Solutions Inc. and Bristol-Myers Squibb Co. are the latest companies to cast off billions in pension burdens, fueling a trend that could weaken the government's ability to protect the payouts other employers have promised millions of retired workers. … Only 14 percent of the nation's private-sector workers were covered by defined benefit plans in 2011, less than half the 38 percent in 1979. …"

The Guardian (U.K.), February 22, 2013—Pension scheme membership at 15-year low: "Membership of workplace pension schemes fell for the 11th year running in 2012, to 46% of the British workforce, official figures have shown … Defined benefit pension schemes, also known as final salary, continue to disappear from workplaces … The figures show that 91% of public sector employees with workplace pensions had a final salary scheme in 2012, against just 26% in the private sector."

The Globe and Mail (Canada), February 20, 2014—Shift from defined benefit pensions reinforces need for retirement

> *planning*: "For decades, most workers relied on a promise of how much they would receive in retirement from their company pensions. … But that pension certainty is fading as many companies—faced with large unfunded liabilities and deficits amid low interest rates—moved employees, especially new recruits, to defined contribution plans that guarantee contributions but not final monthly pensions."

> *The Sunday Morning Herald (Australia), May 10, 2014—Superannuation well managed could avert a huge blowout on pensions*: "A recent report by CPA Australia, based on analysis of more than 8,000 households across the nation, claims Boomers—those born between 1946 and 1965—are using super savings as a windfall to prop up lifestyles during their working lives rather than as an investment to be nurtured for the 25 years of retirement expected for the average person reaching 65 years. According to the Actuaries Institute, most people's superannuation account balances are increasing but will not be enough to meet even a modest lifestyle, regardless of whether it is paid out as a lump sum, converted to an income stream, or ploughed into other investments."

> *The New Zealand Herald, May 9, 2014—Private pensions for the lucky few*: "Today, 1 in 10 retired people have an income stream from an occupational pension. … However, by the time today's 48-year-old arrives at retirement, the number getting any private pension at all will be very few, let alone pensions that are inflation protected. … What will today's 48-year-old do when she reaches retirement in 2031? How will she make her nest egg last?"

Chances are, if you picked up a newspaper over the past few months, or even years, you saw many alarming articles reporting on the dire state of retirement income systems throughout the regions

we are focusing on in this book: the United States, the United Kingdom, Canada, Australia, and New Zealand. Flipping through the pages of your morning newspaper, you can find facts, figures, and commentary on the declining place of pensions in these countries, along with lots of agreement about the need for changes, or discussion about changes that are already taking place. Right now, there's an active debate about the future of pensions around the world. We are awash in expert commissions, opinions from public-policy think tanks, and calls for reform from ordinary citizens and voters. But what's the crisis? Why the need for reform? What reform is needed? And what difference does any of this make for you?

Up a Creek without a Pension Paddle

The recent, and very public, debate about the safety of retirement income is replete with startling statistics. In particular, reports quoted by all participants in the discussion note the declining rates of participation in employer-sponsored occupational or workplace pension plans. So let's review what belonging to this kind of pension plan means for those who participate. The common understanding is that if you participate in a workplace pension plan, when you retire, your "work paycheck" will seamlessly convert to a "retirement paycheck" that you'll receive for the rest of your life (which means that your relationship with your employer never really ends, as long as you are alive).

The unspoken implication of these discussions, of course, is that people without an employer-sponsored pension are "up a creek … without a pension paddle." In contrast to the lucky population with employer-sponsored pensions, they will be living on cat food in retirement, counting every penny as the days go by, and constantly fretting about outliving their savings (or if they aren't worried, they should be!).

At first glance, the available data seem to support this rather bleak picture. Let's take a look at the pension landscape in the countries where we are focusing our attention:

- In the United States, only 45 percent of the workforce is covered by an employer-sponsored pension plan.
- In the United Kingdom, front-page stories in 2012 announced that the proportion of U.K. workers enrolled in workplace pensions had fallen below 50 percent.
- In Canada, statistics show that a mere 33 percent of the Canadian labor force participated in a registered pension plan in 2012.
- In Australia, the introduction of compulsory superannuation (government-sponsored workplace pension plans) has led to the closure of many of the employer-sponsored pension plans that existed before superannuation: in 1995, there were approximately 4,200 plans, but by 2010, only 168 remained.
- And in New Zealand, coverage of occupational pension plans has been falling over time: the ratio of workers in employer-sponsored pension plans as a percentage of the employed workforce fell from almost 14 percent in 2003 to just over 10 percent in 2011, while in June 2012 the number of people enrolled in KiwiSaver accounts—voluntary long-term savings accounts intended for retirement—was equal to roughly 34 percent of the working-age population.

Ergo, it is no surprise that the public policy question *du jour* is what to do about those people who aren't fortunate enough, or savvy enough, to participate in employer-sponsored workplace pension plans over the course of their careers. Surely, conventional wisdom suggests, these are the people most at risk of inadequate retirement savings.

Mixing Defined Benefit Apples and Defined Contribution Oranges

But allow us to be contrarians for a moment. We are actually quite concerned not just for those people with no employer-sponsored pension plan, but also for a large fraction of the so-called "lucky"

workers—those who think they will retire to a guaranteed pension income, when in fact they have nothing of the sort.

To understand this concern, we need to examine what we mean when we talk about pensions. If you are among the people contemplating retirement in the next decade, cast your memory back to what the world of work was like when you first joined it. Thirty years ago, many of the largest employers in North America and the United Kingdom offered what are known as defined benefit (DB) pensions to their employees. These are voluntary, occupational pension plans (in that their establishment is voluntary, not mandatory, for employers—who are the sponsors of the plans, while employees are the beneficiaries). This form of pension promises a lifetime of income to each retiree when he or she stops working, with the potential for a survivor pension for your spouse after you die, too. Note our emphasis on "promise" and "lifetime of income"—these are key distinctions in the world of pensions. If you started work for a large company 30 years ago in North America or the United Kingdom, chances are pretty good that you have a DB pension plan.

But over the past few decades, the proportion of companies offering DB pensions to new employees has steadily dropped. Today, if you work in the public sector, chances are you (still) have a DB pension plan. But if you work in the private sector, your chances aren't so good—if you have a pension plan, it is likely a defined contribution (DC) plan, also known as a money purchase plan (or you may have a hybrid or "target benefit" plan, both of which mix elements of DB and DC pensions—see Exhibit 1.1 for an overview of the differences between the various kinds of pension plans). Now, DC pensions are still considered pension plans for statistical or census purposes, so people who participate in DC plans are typically counted in the "lucky" group of participants who belong to a registered pension plan.

However, DC pensions, despite their name, are essentially nothing more than tax-sheltered investment plans and offer no promises

Exhibit 1.1 Defined Benefit versus Defined Contribution, Hybrid, and Target Benefit Pension Plans

Defined Benefit	Defined Contribution	Hybrid	Target Benefit
Income is determined by a formula based on earnings history and years of service	Income is determined by the amount the employee contributed, the amount the employer contributes, proper investment selection, and market performance	Income is determined by a mix of DB and DC elements	Income is determined by a formula, but is not guaranteed
Example: the payout during retirement equals 2% x years of service x final salary	Example: the employee contributes 5% of salary and the employer contributes 5%	The DB component provides a guaranteed minimum benefit or "floor," with top-ups tied to a DC account	Employer and employee contributions are fixed according to a predetermined rate or formula that is expected to be sufficient to fund benefits according to a DB-like formula (the target benefit)
The employer guarantees a certain benefit level at retirement	No guaranteed benefit at retirement	The employer guarantees the DB component, while the DC component is not guaranteed	No guaranteed benefit at retirement

Defined Benefit	Defined Contribution	Hybrid	Target Benefit
The employer absorbs all the financial and demographic risk	The employee absorbs all the financial and demographic risk	Risk is shared between employers and employees; with the risk for the DB component borne by the employer and the risk for the DC component absorbed by the employee	Risk is shared between employers and employees, and benefits can be reduced if the plan experiences a deficit—or employer and employees can opt to increase contributions
The employer is responsible for paying the pension benefits	The employer has no responsibility beyond the retirement date	The employer is responsible for paying the pension benefits tied to the DB component only	Accumulated benefits can be increased or reduced if the funded status of the plan changes, or employee contributions can be increased (or contribution increases can be split with the employer)

of lifetime income. Here's the difference between the two kinds of pension plans: in a defined contribution plan, the amounts contributed to the plan are known. In a defined benefit plan, the amounts paid out of the plan (the benefits) are known and guaranteed. In a DB plan, certainty comes after retirement. In a DC plan, the only certainty is before retirement.

UNDERSTANDING PENSIONS: A PENSION GLOSSARY

Part of the difficulty in understanding the "pension crisis" around the world is the lack of a common vocabulary for pension issues.

The Organization for Economic Cooperation and Development's (OECD) Working Party on Private Pensions has developed a pensions classification and glossary to help ensure basic terminology is shared by OECD members. The Working Party created a set of pension classifications, which we are including here, as they can help readers think through the concepts we are discussing in this book.

Public versus Private

Pension plans can be *public* (administered by the general government, such as a central state or local government, as well as other public-sector bodies such as Social Security institutions), or they can be *private* (administered by institutions other than government). "Social Security" or "old-age" pensions are examples of public pension plans.

Occupational versus Personal

Within the private pension plan category, pensions can be *occupational* (access to these pensions is linked to your employment) or *personal* (plans are not linked to employers).

Mandatory versus Voluntary

Within both the occupational and personal pension plan categories, pensions can be *mandatory* for employers (employers are obliged by law to participate in a pension plan), or *voluntary* (employers can choose whether or not to establish an employee pension plan).

Defined Contribution versus Defined Benefit

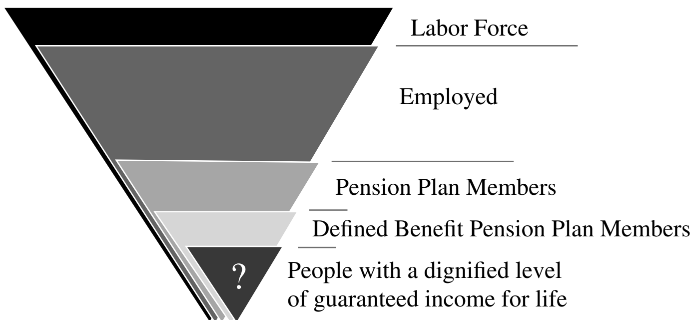
Finally, within the occupational pension plan category, pensions can be *defined contribution* plans, for which the employer pays fixed or set contributions and has no obligation to pay further contributions to an ongoing plan in the event of unfavorable plan experience, or *defined benefit* plans, where benefits are typically linked to the employee's wages or salary, length of employment, or other factors.

What Is a True Pension?

In this book, when we discuss the decline of "true pensions," we are referring to *private, occupational, voluntary, defined benefit pension plans*. These are pensions established voluntarily by employers and providing a defined benefit in retirement, for as long as you live. These pensions provide a promise that you—the retiree—will receive a real, predictable, and reliable income stream for the rest of your natural life.

In defined contribution pension plans, funds flow into the pension plan from the employer, the employee, or both, are invested in the volatile stock and bond markets, and the gains are tax deferred until the income is received—but nowhere is there any mention of a guarantee. There's no promise of lifetime income. Instead, your retirement future is subject to the random ups and downs of the stock and bond

Exhibit 1.2 Who Has a True Pension?



markets. (In Chapter 3, you'll learn exactly how risky it is to leave the security of your retirement income to the whims of the markets.)

So, given this insight into the differing kinds of pensions available today, let's look again at how many people will retire from the workforce with a true pension.

Exhibit 1.2 provides a way to think about this issue and where you fit in the pension landscape: do you have a "true pension" or not?

THE DECLINE OF TRUE PENSIONS: AN OVERVIEW

Pension systems in all of the regions we are focusing on have changed since the financial crisis. These reforms followed an earlier wave of changes implemented in the previous decade. Here's an overview of the current pension landscape in each region (detailed sources are available in the Notes).

The United States

In 1989, approximately 60 percent of the employed population had pension coverage of one kind or another, with the proportion of defined benefit to defined contribution plans split close to equally.

In 2013 (the latest year for which data are available), 46 percent of American workers aged 21 to 64 participated in an employer-sponsored pension plan—but only 26 percent participated in a defined benefit pension, with the remainder in defined contribution plans. And of the workers participating in defined benefit plans, more than one in two are in the public sector.

The United Kingdom

The role of the defined benefit pension in the United Kingdom has diminished drastically since the year 2000, especially in the private sector. The decline has been so steep that many observers believe that the defined benefit plan "cannot survive as an institution" in the private sector.

Across the United Kingdom in 2013, there were a total of 8.1 million people enrolled in voluntary occupational pension plans—the lowest level since the 1950s.

For both DB and DC occupational pensions, in 2013, just under two thirds of membership (65 percent, or 5.3 million) was in the public sector and just over one third (34 percent, or 2.8 million) was in the private sector. This is in contrast to 1953 (when the pension survey from which these data are taken was first run), when active membership of occupational schemes was divided equally between the private and public sectors.

For the younger generation, the option of joining a DB scheme is much reduced. In 2013, only 38 percent of DB plans were open to new members. In 2014, the number of active participants in DC plans outnumbered active participants in DB plans.

The United Kingdom is now undertaking a major reform of its pension system. In October 2012, the government began

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rolling out automatic enrollment into workplace pension schemes. Once complete (in February 2018), all employers will have a legal duty to enroll all qualifying workers in a workplace pension plan, which can be either defined contribution or defined benefit. To support automatic enrollment, the government has also established the National Employment Savings Trust (NEST), a trust-based occupational defined contribution scheme.

And, most recently, in March 2014 the requirement that U.K. residents must purchase an annuity with DC pension savings by the age of 75 was removed. Options for accessing savings in DC pensions now include withdrawing funds over time or as a lump sum, in addition to annuitizing.

Canada

In Canada, steady public sector employment growth, where DB pension coverage is nearly universal, has partially obscured the large decline in voluntary occupational pension coverage in private-sector employment over the past decade.

In 2012, a total of 33 percent of the Canadian labor force was enrolled in a registered pension plan, a proportion that is unchanged since 2002. Eighty-six percent of public-sector workers are enrolled in a registered pension plan (again, a figure unchanged since 2002), but the proportion of private-sector workers covered by a pension plan declined from 27 percent in 2002 to 24 percent in 2012.

At the same time, the proportion of public-sector workers enrolled in a DB pension plan increased from 2002 to 2012, from 93 to 94 percent, while the proportion of private-sector workers with DB plans fell dramatically, from 73 to 48

percent—and where DB plans exist in the private sector, most new employees are not offered membership in DB plans.

A recent survey of retirement readiness found a strong majority of Canadians—approximately 80 percent—are financially prepared for retirement. However, the survey found that those who are least prepared for retirement are middle- to high-income households who either have access to employer-sponsored retirement savings vehicles but don't contribute enough to these plans, or don't have access to an employer plan and have below-average personal retirement savings.

Australia

In Australia, the advent of compulsory superannuation, a mandatory employer contribution to a private pension plan, in 1992 prompted the closure of many employer-sponsored pension plans. Twenty years ago, in 1995, there were slightly over 4,200 employer-sponsored plans; by 2010, that number had fallen to just 168.

Today, the Australian employer-provided pension system stands out from other industrial country systems for two reasons: first, coverage has more than doubled over the past 25 years (among people who are employed, coverage is close to universal); and second, the dominant kind of pension plan is now defined contribution, not defined benefit.

At retirement age, members of a superannuation plan can withdraw the accumulated capital as a lump sum or as an income stream. Currently, most benefits are taken as a lump sum (at least in part), and the pensions industry in Australia is now grappling with the question of how lifetime income in retirement can be generated from these plans.

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New Zealand

New Zealand is home to the first nationwide auto-enrollment retirement savings plan in the 34 countries of the OECD. "KiwiSaver" retirement savings accounts were introduced in 2007 and have been highly effective in ensuring high participation rates among new employees, due to the automatic enrollment feature (which requires participants to opt out).

Today, about 55 percent of workers in New Zealand are enrolled in KiwiSaver accounts. KiwiSaver entitles members to a lump sum, not a pension, on withdrawal at age 65 or over.

Prior to the development of the national KiwiSaver program, less than 10 percent of the population of New Zealand had access to a company-sponsored pension plan.

It Takes Two to Tango: A Basic Lesson about the Nature of True Pensions

In short, the current public discussion of the pension crisis in our focus regions glosses over the vital distinction between DB and DC pensions. Today, the term *pension* is used to describe both DB and DC pension plans (as well as hybrid and target-date plans), with the result that many people who think they have a pension are really members of a collective saving and investment plan or a capital accumulation plan, such as a defined contribution pension plan or a profit-sharing plan.

So let's be perfectly clear about what we mean when we talk about pensions in this book. A pension is not a synonym for a large sum of money, diversified asset allocation, or a retirement residence in Florida, Portugal, or Bali. In our view, even a seven-figure 401(k), NEST, Registered Retirement Savings Plan (RRSP), MySuper, KiwiSaver, or DC pension plan balance is not a pension.

Instead, a pension involves a binding contract. A pension includes a guarantee. A pension is a pledge that you—the retiree—will receive a real, predictable, and reliable income stream for the rest of your natural life. A pension is more than an asset class; it is a product class. (We'll provide lots more information on asset allocation versus product allocation in Part Two. And while the phrase "product allocation" may be new to you now, by the end of this book you'll be an expert in it.)

A true pension also involves more than just you. A true pension tango requires two parties: you, the prospective retiree, and your dance partner, the entity standing behind the promise. The counterparty to the pension promise can be an insurance company, government entity, or corporate pension plan. But for it to be called a genuine pension there must be somebody guaranteeing something. No guarantee? No pension.

Guarantee versus Ruin

You may be asking: "Why is a guarantee so important?" The answer is very basic. Our quantitative analysis indicates that a prospective retiree—who could be you—might have 20, 30, or even 40 times their annual income needs in investable wealth (what we would call a wealth-to-needs ratio of 20, 30, or 40; more on this ratio later). These assets could be sitting in the most diversified of mutual funds, investments, retirement savings accounts, or even in a DC pension plan, and yet the retiree still runs the risk that the portfolio will not last as long as he or she does. This is the nature of random and unpredictable human longevity combined with financial volatility. In the language of retirement income planning, retirement income streams without guarantees are subject to a high "lifetime ruin probability"—which happens when you are alive but your portfolio is dead.

Ironically, both good news (future breakthroughs in medical science) and bad news (unexpected personal inflation or another

miserable decade in the stock market) can negatively affect your income prospects in retirement. That is, events on either side of the ledger can wreak havoc on the retirements of even the wealthiest of retirees. (We'll be talking about these kinds of risks in Chapters 2 through 4.)

When Is a Pension Not a Pension?

You may be thinking: "I have a true pension—the DB kind—so I'm free and clear of worry." But are you?

As we've said, if you have a guaranteed lifetime pension, your pension dance partner is supposed to continue to send your monthly checks, come economic hell or financial high water. Note that this is no trivial promise to make. However, as illustrated in the opening to this chapter, many corporations—from United Airlines to Nortel Networks—have defaulted or are in the process of weaseling out of their simple contracts. Others have given their aging pensioners undesirable financial haircuts by reducing their expected monthly income after the fact. In the past few decades, companies have walked away from pension obligations and dumped the problem on governments and the public. Retiring employees, who expected a seamless transition from work paycheck to retirement paycheck, are instead spending their (unpaid!) time battling with former employers about the status of their pension claims. Their promised pensions failed to materialize—their pension partners walked off the dance floor.

Today, a true pension is as rare as it is expensive. We think even the promise of a gold-plated corporate DB pension paying 100 percent of pre-retirement salary, inflation adjusted for the rest of the retiree's life, is not a pension if the company can renege on the promise by filing for bankruptcy. Today, stories from Detroit and Illinois in the United States demonstrate how even seemingly secure state-backed pensions can be vulnerable, as pensioners and

future retirees emerge from years of political wrangling, insolvency proceedings, and legislative rulings with scaled-back retirement pensions.

There Ain't No Such Thing … as a Free Pension

Now that we've given a sense of the personal value of a true pension, let's talk about the cost.

To get an idea of what a true guaranteed pension will set you back these days, consider the following example. Imagine you're a 62-year-old contemplating retirement. You ask your favorite A-rated insurance company agent to provide a quote for a personal pension. They offer something in the following price range: for every $10,000 of guaranteed annual income you would like to receive for the rest of your life, you must give us $211,500 up front (in early 2015, using market rates). Yes, you read that correctly: you need to ante up with more than twenty times the desired annual income. So let's do the math. If you want $50,000 of annual income with an annual cost of living adjustment of 2 percent for the rest of your life, that'll cost you about a cool million. No, this is no Madoff-like scheme to make off with your retirement savings account—this is the fair price in the open market for an indexed life annuity, which is the closest thing to a DB pension that exists in the retail market. If this type of retirement income seems too expensive, the market price is telling you something about what true pensions are actually worth. (In later chapters, we'll talk in more detail about the costs of your own, self-purchased pension, including how external variables, such as the inflation rate, affect the amount you can expect to receive.)

Now, you might decide, "Heck, I have $1 million in retirement savings and I can invest it myself to create my own $50,000 pension." Well, here is our warning to you: There is no risk-free lunch. There is a very good reason the insurance company charges you

what seems to be so much. First, interest rates are abnormally low right now relative to historical rates, and these low rates increase the cost of any guarantee. Second, and more importantly, by offering you a lifetime income stream, they are taking the risk that you'll outlive your savings off your personal balance sheet—and placing it on their corporate balance sheet. Generating $50,000 per year might not seem like much if you have a million to spare, but if you have that viewpoint, you are probably not seeing the whole picture, and it's time to nudge you back to reality. Pensions are expensive because they are valuable, even if you don't think so.

In fact, according to something called the "life-cycle model of consumption"—which is a marvelous framework used by economists to measure consumer demand for consumption, savings, and investment from cradle to grave—the true value of a true pension is astonishingly high. To understand how the life-cycle model operates, think of it as a bathroom scale. You can use the scale to measure the weight of any item, even if you can't weigh it directly. For example, if you stand on the bathroom scale fully clothed and then do the same totally naked, you can calculate the weight of your clothes even if you never put them directly on the scale.

The model can be used in this way to measure the "utility value," or perceived usefulness, of a pension. To make a long and complex mathematical story short, the utility value of a pension can be worth up to half of your typical net worth. One implication of this finding is that a rational retiree (risk-averse, healthy, and pensionless) would rather have $500,000 worth of pension than $1 million worth of cash, given the choice of only one. Yes, you read that correctly. The message from this model is that most retirees would be willing to pay—keeping in mind that willingness to pay is a fundamental concept in economics—a large premium to exchange their cash for pensions. (We'll delve further into the life-cycle model and how it applies to the world of pensions in Chapter 9.)

The First True Pensions

Back in 1881, the German Chancellor, Otto von Bismarck, introduced the first old-age, state-paid pension and basically invented defined benefit pensions as we know them today. These old-age pensions were to be paid by the state to all its elderly citizens. Notice that he didn't introduce a tax-sheltered savings plan or create some group DC plan. Bismarck's intentions, instead, were to collectively force children to care for their parents in a dignified manner during their golden years, akin to how families cared for their elderly prior to the industrial revolution. The risk was shifted from the old retiree to the young worker and was backed by a solid counterparty, the government. Ergo, this was a pension.

Before we go any further, it's worth noting that you might already have access to a minimal amount of true pension income at retirement. However, in all of our focus areas, these old-age, government-provided mandatory workplace or Social Security pensions are typically expected to replace less than 50 percent of the median earned income in retirement—meaning they will not, on their own, provide an adequate source of lifetime income once you reach the entitlement age (which, by the way, is steadily moving to older ages). Instead, median earners can expect to replace from 32.6 percent (in the United Kingdom) to 52.3 percent (in Australia) from these pensions. (The replacement rates for median-income earners in the remaining countries are as follows: 38.3 percent in the United States, 39.2 percent in Canada, and 40.6 percent in New Zealand —see the Notes section for detailed sources.)

However, these income sources have built-in guarantees and risk shifting, which are the hallmarks of true pensions. Despite the rather modest payments they provide, they are guaranteed for your lifetime. These are pensions in the true insurance, financial, and economic senses of the word. There is counterparty to the contract, the state government, standing behind the guarantee.

Okay, so what does all of this mean for you? Here's the main message of this chapter: while ordinary retirees and our politicians continue to debate the merits of private versus public provision of pensions, let's make sure you understand exactly what a pension really is. No more mixing up DB and DC pensions, and no more assuming DC pensioners are in the same boat as their DB counterparts. If you have a DC pension, you don't have the kind of smooth ride ahead that your DB peers can expect in retirement—unless you pensionize (part of) your nest egg. Finally, if you think your retirement income is safe because you have a job with a pension plan, you may want to check not only the type of plan you are in and what your income replacement rate will be in retirement (60 percent of your working income? 70 percent? 80 percent?), but also consider whether you're comfortable sharing the risk for your income stream in retirement with your employer over the 25, 30, or even 40 years after you leave the building.

With all that said, the rest of this book is built on three core beliefs:

1. The decline in pensions is real. And not only is it real—it's likely to speed up. No new pensions are coming, existing pensions are disappearing, and it's time for you to recognize and act from this new reality. You need to do something now to prepare for the years ahead, and that is to take responsibility for your own retirement income planning instead of waiting for politicians to bring back 1950s-style pensions.
2. True pensions provide the guarantees and certainty retirees require. A true pension starts at some advanced age and guarantees predictable income that matches the increasing cost of living for retirees. These kinds of pensions are rare and expensive. Don't underestimate the value of true

pensions and the protection they provide, especially if you do not belong to a DB pension plan (and even if you haven't got a clue how pension plans work). As the life-cycle model shows, a true pension is worth its weight in gold.

3. Finally, much ink has been spilled about ways to fix the problems in the current retirement income landscape across the United States, United Kingdom, Canada, Australia, and New Zealand—but you don't have to wait for change or leave it in anyone else's hands. This book provides you with all the essential tools you need to create your own pension plan for a secure retirement.