

# An historic opportunity for fund management industry and savers

**As the UK pensions system prepares for the biggest change in a generation, the fund management industry is facing an historic opportunity that would bring huge benefits for savers, according to the Investment Management Association.**

The evolution from defined benefit to defined contribution for pension schemes means that the fund management industry will play a bigger part in the pensions market, believes Richard Saunders, IMA's Chief Executive.



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**Richard Saunders**  
Chief Executive of the IMA

"It is widely acknowledged that pension provision in the future is increasingly going to be in the form of personal pensions and occupational DC schemes. It is here that fund management will have an increasingly important role to play. One that has the potential to transform the industry...an

industry whose products reach the mass market, not just the financial elite," said Mr Saunders in a speech to the FSA's Asset Management Conference, "Current Challenges and the Hedge Fund Debate".

Mr Saunders continued, "One of the oddities about our pensions market is the perception that life assurance is the natural route for pensions provision. It is odd because the accumulation phase in a personal pension is clearly a savings contract and not a life insurance one."

IMA believes one of the reasons for this is the unlevel regulatory playing field, particularly the tax rules. However, the A-day reforms being introduced next April will remove this imbalance and pensions will become the simple ISA-like wrapper that IMA has long advocated. Consumers will be the main beneficiaries as better value and more accessible long term savings products are made available, encouraging people to save more for their retirement.

However, according to the IMA, there is another ingredient needed to getting people to save more. "We need straightforward products and incentives and we need to remove the tax barriers that get in the way of a simple savings system," explained Mr Saunders.

But the IMA believes the Government needs to recognise its role and take action. "The responsibility for distribution of income - whether between rich and poor or between generations - lies with Government. The investment industry is the mechanism through which solutions can be channelled, but it is for Government, and Government

alone, to provide a tax and benefits system that makes the appropriate redistribution while ensuring that there are suitable incentives and no distortions," said Mr Saunders.

Once this framework is in place, he believes, the industry should be left to do what it does best - investing assets and designing suitable products. "The industry must be allowed to do this alone, without interference. The distinction between what is the function of Government and what is the function of industry is an important one. My message to the Government is don't muddle up the two."

In a paper last autumn, titled Investing in Savers, the IMA put forward its own suggestions for tax reform - a single flat tax for savings at 15% that would replace the plethora of existing regimes and be revenue neutral for the Exchequer. Over the coming months the IMA will be developing these ideas further and publishing another paper. ■

**Do you want to know more about the work of the IMA? Do you want to meet with one of our experts to talk over an issue in detail? Do you have a comment on anything in this edition of imag? The IMA would be delighted to hear from you. ■**

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# Chairman's Column



**Simon Davies**  
Chairman of the IMA

In the last edition of *imag* Lindsay Tomlinson, IMA's previous Chairman, outlined the successes the IMA has achieved in recent years and set out the future challenges. I would like to take this opportunity to thank Lindsay for all the work he has done, and I'm sure will continue to do, for the industry and to congratulate him on his OBE for services to the financial sector.

As IMA's new Chairman, I would like to outline where

I think the industry should be concentrating its energies going forward.

In recent times, much of the discussion about the industry's role has centred upon its influence on and interaction with the capital markets, including such important issues as its role in corporate governance and the role of broker commissions. These are important areas but there is a general belief on all sides that they have now been properly addressed and adequate business models are in place or in planning.

Looking forward we feel it is time to move the debate to how the industry interacts with its customers. In particular, we need to think hard about our role in helping address the savings gap issue.

The challenge is to find a role for IMA, and the industry as a whole, in promoting higher

domestic saving levels in the UK. I believe there are two issues that need to be looked at: how do we ensure people save more; and how do we ensure people are able to save efficiently?

On the first issue, the IMA has a more limited role. Issues such as tax incentives or compulsion to save are clearly matters of public policy. However, it is important we do point out that there are inevitable consequences, which are often severely underestimated, to curtailing existing incentives to save. The removal of the dividend tax credited to pension funds, while seemingly innocuous at the time, has clearly been one of the factors in the decline in defined benefit pension schemes. Uncertainty about ISAs has also undoubtedly affected confidence in that area of the market.

On the issue of saving more efficiently, we as an industry need to encourage savers to hold a diversified portfolio, with a prudent asset allocation, a sensible risk budget and a sensible cost of investment. In order that investors are able to do this, we touch on the concepts of investor education and advice. IMA is fully committed to these important issues and will continue to work with the FSA and industry to improve financial education and design products that are clear, simple and meet the needs of investors.

There are, of course, many other issues that the industry will face in the future, most notably the directives emanating from Europe and the need to maintain the UK's position as a leading centre for investment management. I am confident of, and looking forward to, meeting these challenges. ■

## 'Why Aren't We Saving?' IMA asks in Blackpool and Brighton

The Investment Management Association will be holding a series of "fringes" at this year's party conferences in Blackpool and Brighton, and with pension provision and long-term savings at the top of the public policy agenda the events will focus on the important question, 'Why Aren't We Saving?'

With a strong line up of senior politicians, journalists and industry specialists (detailed below) the events will focus on three core issues:

- The need to create a savings culture in the UK
- Discussing ways to improve financial education and financial capability

- How Government and industry can work together to develop suitable products and incentives for savers

In hosting these events, IMA is collaborating with other financial services trade bodies under the banner of The Financial Fringe to host a series of party conference events, with the aim of generating lively and constructive debate. IMA will be jointly hosting the event at Labour Party conference in Brighton with the PEP and ISA Managers' Association.

All three events are open to all and food and wine will be provided. ■

### LIBERAL DEMOCRAT PARTY CONFERENCE

**BLACKPOOL** - Hilton Hotel, Neville Room  
19th September, 6.30pm – 7.30pm

Confirmed speakers:

**Dr Vincent Cable MP**, Liberal Democrat Shadow Chancellor  
**Paul Lewis**, Presenter Radio 4's Money Box  
**Richard Saunders**, Chief Executive, IMA

### LABOUR PARTY CONFERENCE

**BRIGHTON** - Grand Hotel, Kings Terrace  
26th September, 6.30pm – 7.30pm

Confirmed speakers:

**Ivan Lewis MP**, Financial Secretary to HM Treasury  
**Patience Wheatcroft**, Business and City Editor, The Times  
**Richard Saunders**, Chief Executive, IMA  
**Tony Vine-lott**, Director General, PIMA

### CONSERVATIVE PARTY CONFERENCE

**BLACKPOOL** - Hilton Hotel, Neville Room  
3rd October, 12.45pm – 1.45pm

Confirmed speakers:

**Philip Hammond MP**, Shadow Chief Secretary to HM Treasury  
**Patience Wheatcroft**, Business and City Editor, The Times  
**Richard Saunders**, Chief Executive, IMA