

Our whole pension edifice is built on sand, and no one ...

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There is an almost incoherent discussion of pensions and the merits of the [triple lock arrangement](#) that currently protects the value of the state old old-aged pension in the [FT this morning](#).

Written by the FT's consumer editor, the claim is made that the triple lock makes planning for retirement near impossible for many people for three reasons. First, the amount of pension they might get is uncertain. Second, because the triple lock guarantees increases in the pension, people might not save enough themselves. Third, since no one apparently believes that the state old age pension will survive, the whole edifice of pension planning is crumbling.

That these claims are contradictory does not matter, apparently: the FT let this piece reach its pages.

In that case, it appears appropriate to talk about the reality of pensions because, despite all the mumbo-jumbo written about them, and the vast edifice of the financial services industry largely built to service (and extract value from) them, in essence pension arrangements are simple.

If people are allowed to retire within a society that requires the implicit consent of the generation still working. That is because by letting the previous generation retire, that younger generation is agreeing to give up some of the income that they might generate as a result of their efforts to maintain those who are no longer working.

This is the fundamental building block on which all pension thinking has to be based. Pensions require what is, in effect, a salary sacrifice, but it is by those younger people who consent to maintain an older generation who are no longer working.

I stress, saving only comes into this peripherally. The whole idea of pension saving is an illusion and a massive diversion. All that savings do is provide the older generation with the potential power to buy the services of the younger generation.

I stress the word 'potential'. I do so for good reason. That is because to realise their

savings the older generation must find a willing buyer for them. That buyer will, inevitably, come from the younger generation. If that younger generation does not think that what the older generation has saved in is of value to them then pension savings provide no guarantee of a future income.

If that younger generation does think that the savings made by the older generation do provide them with value then it is clearly a lot easier to persuade that younger generation to maintain the older one: the asset swap softens the blow of the income sacrifice that the younger generation makes.

But, suppose there are either insufficient pension savings (true for many people) or that those who saved for their pensions saved most unwisely and the younger generation now do not want the products that they saved in?

The former requires that there be a state pension. There is a transfer of value via the government to ensure equity. We have got used to that.

The latter is the real problem because this is, so far, beyond our experience but may well not be so sometime soon.

Suppose the older generation saved in the financial products made available by carbon-based businesses, all of whose business models are failing? Or they saved in the financial products made available by banks, most of whose collateral is physical property in areas liable to flooding soon? And suppose much of the rest of the savings is in commodity-based investments that assume production will still be possible in locations where climate change will make, for example, crop production impossible? What happens in that case?

The obvious answer is that unless compelled to buy these increasingly worthless investments by compulsory savings arrangements that are imposed by law, the younger generation will want nothing to do with these savings products sometime soon as they will rightly realise that they offer no value to them.

Those compulsory savings arrangements are, of course, in place. That is why the whole edifice of compulsory pension saving has been imposed on employees in this country. However, I suggest that it is unlikely that these will be enough to maintain value in financial markets for long. When it is apparent that these savings products are becoming increasingly worthless - as it will sometime soon - then what we will discover is not that the whole edifice of the state pension scheme has been a Ponzi scheme, but that private pension saving has been.

Sometime soon, we will have a pensions crisis. It will have nothing to do with the triple lock. It will be about the fact that the younger generation will actively refuse to buy the worthless savings products that older people have bought in the vain hope that doing so will secure their financial security in old age when the reality is that their hopes are

pinned on the continuation of a carbon-based economy that has to be brought to an end if anyone is to have the chance of survival in an organised society on this planet.

What will happen then? I predict chaos.

After that, what will need to be done? There will be a need for an urgent reappraisal of that pension saving contract at a macroeconomic level. The older generation will, most likely through the state, need to save in products that the younger generation will require, which will basically be the green and sustainable infrastructure that makes their life on earth possible.

Only when that is done will younger people have the means to support older people in their retirement.

It may be too late to make this shift for some people. I suspect real pension value is going to disappear for a great many people as a result.

But that said, what is possible is that current savings could be diverted to this goal. Pouring yet more new contributor money into utterly pointless attempts to maintain the value of the bankrupt investments most pension funds now have in oil companies, banks, commodity traders, retailers and others, all of whose business models are based entirely on the assumption that the world can continue to produce carbon and despoil the planet in the way that it has to date is absurd.

When will that become clear? The sooner, the better. Then we can redirect pension money towards the required investment in the scale that is needed.

That might give us all a chance of not just a pension but an orderly life here on earth in the future. But the time for change is now, and no one seems to be getting the sense of required urgency.

And that worries me.