

Will your pension provide for your old age?

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Pension saving is not just about how much money you put aside but also about what that money is used to fund. If your pension fund is investing in things like oil, ultra-processed foods and properties liable to flooding then those things are going to be worthless when you want your money back. Far too few people understand that – and this is the real pension crisis that we face.

<https://www.youtube.com/watch?v=4Q3TgOQr39Y&si=VV6XEylawScT0bwv>

This is the audio version:

https://www.podbean.com/player-v2/?i=ats2b-174a536-pb&from=pb6admin&share=1&download=1&rtl=0&fonts=Arial&skin=f6f6f6&font-color=&logo_link=episode_page&btn-skin=c73a3a

This is the transcript:

What are pensions all about?

People worry about their pensions. They save in their pensions. Politicians talk about pensions. But it seems that very few people really understand just what a pension is.

They think it's a pile of money that they put aside which they can call on in their old age. And in a very limited sense, that is true. You can, of course, save money in a pension scheme and hope to live on it in your old age. But there are massive

preconditions that might make that possible. And if they collectively fail, you won't have a pension at all. And it's those preconditions that I'm really worried about here.

The generation that is likely to be most worried about pensions are people with, well, hair my colour because they've reached the point where they might want a pension.

But the generation that should be most worried about pensions are the ones that are following them. And that is because the deal in any pension arrangement is that one generation will create sufficient capital investment during the course of their lives so that the next generation will be able to give up some of their income to provide for that previous generation when that previous generation are no longer working. The capital that the previous generation will then have created will be used by the following generation to support them and compensate them for giving up their income. It is this bargain about the creation and use of capital which transfers value between generations which is the real core of the pension arrangement.

And it is that core of the pension arrangement that is, I think, so widely misunderstood.

Capital in this context is not money. Money is just a debt. And if you think that your pension provides you with security in old age, that is only true if you can sell off the assets that you have saved in to the younger generation who might want to buy them.

And if they decide that those assets in which you have saved your money are, to them, pretty worthless, because, for example, they don't support their lifestyles at the time that you want to live in old age, then, frankly, all your savings will come to nothing because you can't live off your money alone.

Money is not something that provides the means to live. You literally can't eat it. Money enables transactions to take place. But money is not the substance of any transaction. Money is the form that is used to deliver the transaction. And what I'm worried about here is the pension reality.

That, and more - the intergenerational contract that, as I've said before, is that one generation will create capital which will be used by the next generation who will forgo their income to look after those who went before them now living in old age and unable to look after themselves. So, unless the savings that people make, which have a monetary form, are invested in assets that are actually of real use to the generations to come, then frankly, as a pension savings mechanism, they're utterly useless.

The vast majority of the money that is now saved through pension funds in things like, for example, stocks and shares, are actually in assets that are going to be of remarkably little value to generations to come.

Let me use some examples. Oil fields are really not going to be of great value in 30 years time. Why? Because we know very well that we cannot burn the oil that we've

already got, and yet pension companies are investing in the likes of BP and Shell and other oil companies, all of whom are spending vast sums of money to discover yet more oil resources. If they burn them, we will die. It's as simple and straightforward as that. Climate change cannot sustain the burning of these resources in which these funds are investing, and therefore the next generation really do not need that activity because it is deeply detrimental to their well-being.

The same is true of a great many other things.

The investment in ultra-processed foods is actually killing us in reality, and it is going to cause harm to the generations to come. And yet that is what pension funds are saving in because ultra-processed foods are highly profitable.

Saving in the financial services sector is, again, not terribly helpful.

It's all about hype, about the value of money, but not about the value of something that people can live on. And the next generation needs something to live on, not hype.

Saving in things like property, when so much property is at risk because of, for example, the failure to defend it from floods is, again, pretty pointless.

I went to a conference a little while ago where bankers admitted that 80 per cent of the properties that they own in places like the City of London are likely to be unusable in the future because they will be flooded unless we take major steps to prevent more flood water reaching the centre of London by raising the Thames barrier or creating a new one. This, they said, was a simple statement of fact. None of them were worried about it though, because they all believed that they could sell their property portfolios before the time came that this flooding would take place, which was utterly naive, because everybody, of course, holds the same belief, and therefore the market will at some point collapse.

The point is, they're all investing in assets that they know will be of no use to the next generation unless the state intervenes to protect it.

And this is also true, I'm afraid to say, with large parts of new housing, which is intensely vulnerable to flooding because of the way in which it is being built or because it is not being protected from flooding by action like improved sea defences.

In other words, we are seeing vast amounts of money being invested in what are called stranded assets, and a stranded asset is an asset which is created now which appear on the basis of financial forecasts presuming that everything stays the same into the future to have value.

But the assumption that everything will stay the same is false because we know it won't. And, therefore, so much of this pension saving is useless to coming generations that they may not be able to keep people in the style to which they would like to be

accustomed in their old age, however much money they might have put into a pension fund.

So, what we need to understand is that if pensions are going to remain relevant, they are nothing more than savings. And let's be blunt about it, that's all a pension arrangement is, and that saving must not just be represented by a financial balance, which is what it is in so many cases to so many people, but must instead be represented by underlying assets that are really going to be of use to the next generation, and the one after that, and maybe the one after that, because those are the people who I am going to rely on in my old age, and you are going to rely on in your old age. And it is not what we wish be done with that money that matters, but what they wish be done with that money that matters, and none of our pension savings arrangements take any of that into account at present.

So we do need pension oversight from the government, in particular, that does take these factors into account, that does require that pension funds do invest in assets which are of value for the future, that requires that they move out of sectors where there is a high likelihood of stranded assets like, for example, some forms of commercial property and most definitely oil, gas, and some other minerals, which we simply cannot use in the future, and instead move resources into those areas which we most definitely need, which are sustainability, sustainable energy, sustainable housing, and the defenses we need against, for example, floods, and so on.

That's what the pension contract requires. That is not what our government is doing. That is not what our pension funds are doing, all of whom are living in cloud cuckoo land.

If we really are to understand pensions, we need to understand that pensions must be used for the sake of funding investment for change. Until we do that your pension fund is frankly worth nothing more than the paper it is written on because it may not provide for you in old age. And that, to someone like me, is a matter of serious concern.