Zero Return World Squeezes Retirement Plans

Published: Friday, 3 Aug 2012 | 11:05 AM ET

By: **Reuters** with **CNBC**

Workers can kiss their retirement plans goodbye unless they take more risk to keep nest-eggs growing in a world where playing safe can be even more costly.

David Gould | Photographer's Choice RF | Getty Images

Four years of near-zero official interest rates and successive market panics have driven the returns from low-risk German, British or U.S. government bonds on which pension funds traditionally rely to record lows.

That may yet rescue the global economy by supporting borrowing and growth, but it is very bad news for several generations of workers already set to retire later — and for longer — than their predecessors.

Without returns that outstrip inflation — still running at around 2 percent in much of Europe — they face the real value of their savings declining rather than ratcheting up over the next few years.

Yet there has been little public discussion of the problem in the rush to try to head off a deepening crisis of poor growth and/or rising public debt in Europe and the United States.

"For governments in Northern Europe and North America, it's about gaining time, avoiding any painful adjustments, keeping interest rates artificially low and hoping things will improve," said Nicolas Firzli, co-chairman of the World Pensions Forum.

Nigel Green, CEO of independent financial adviser DeVere Group, estimates a pre-crisis U.K. pension pot worth 10,000 pounds ($15,547) a year is now worth 20 percent less, hit by a triple-whammy of money-printing, low interest rates