Toronto, Canada : June 27, 2011

By Katie McDonald

EcoForests has conducted an independent review on the condition of government pensions around the world. This review was motivated by recent studies including that from JP Morgan which pinpoints timber as a sound pension plan investment. As government pensions become less reliable, it is evident that hopeful retirees must take matters into their own hands.

The population is aging, the workforce is retiring and government pensions are underperforming. Whether an individual is close to retirement or fairly new to the workforce, for most, recent international events beg the question, “will my pension be there for me when I retire?” Or more specifically, “will it be enough for me, when I want to retire?”

Since the global economic downturn of 2008, government pensions in Canada, the United States and Europe – particularly those with a defined benefit (DB) configuration – have reported significant losses and large funding shortfalls. Such shortfalls can be largely attributed to lower than anticipated returns on private equities, hedge funds and real estate assets to which the vast majority of public pension funds invested. Given the operational state of most pension plans, they were unequipped to effectively withstand such a catastrophic market decline meaning that now, promised benefits associated with government pensions have become insecure and less reliable.

In Canada

Canada’s public sector pension plans have accumulated a significant funding deficit since 2007. Actuarial analysts have been vocal about their concerns of the immediate need for pension regulation changes in order to improve insolvency rates and return the funds to a state of secure financial standing.

In the United States

A recent report by Forrest Jones stated that public pensions across the United States face a $2.5 trillion shortfall. Financial analysts claim that this deficit will force states and municipalities to sell assets and gash public services.

In Europe

A report from Bloomberg stated that Europe risks prolonging its debt crisis if it does not make serious efforts to cut pension deficits. Compared to China, Europe spends nearly four times as much on its retirees, and evaluated against the United States, almost one and a half times more. In terms of its financial state in the long term, particularly in light of its recent turmoil since the 2008 recession, Europe's economic status is predicted to remain troubled if there are not significant readjustments to retirement-based spending.

Reform Measures

Regardless of geographic location, public pension plans across the globe converge on one point without doubt: the current state of public pension plans is unsustainable. Reactive measures must be taken in order to ensure that retired pension members receive the financial support that is rightfully theirs.

The most common pension reforms in the midst of negotiation include:

Rise in Mandatory Retirement Age

It is likely that many public pension funds will raise the mandatory age for retirement in order to earn more time for deficit recovery, to minimize the number of members retiring in the immediate future (when the funds are at their most vulnerable), and to increase the number of years working members are required to pay into the fund.

Rise in Qualification Factor

Similar to the raised mandatory retirement age, public pension plans may raise the qualification factor. The qualification factor is a number which determines at what point in time you are eligible to retire. It adds the total number of employed years to one's current age. Once the total of these two numbers equals the qualification factor, one is eligible to retire. By raising the qualification factor, the retirement age is subsequently raised.

De-Indexing

The de-indexing of public pension plans means the abolishment of extra pension amounts given to members based on a percentage of the previous year's Consumer Price Index (CPI). This change will diminish pension outputs to retired members.

Investing in Your Retirement

Given the current state of global public pensions, one cannot help but be skeptical about efficient deficit repayment since it has reached a total in the billions and trillions in several countries. It is evident that when it comes to our retirement, less reliance on public pensions and more reliance on personal wealth building initiatives may be the wiser move of the two.

If we take a look at a number of investments and their performance over the past few years, at first glance it appears as though our choices are limited in the selection of an asset that has a positive track record with decent returns and a reasonable level of risk. Let us shift our focus away from private equities and real estate investments to analyze an alternative asset class: timberland.

Timberland as a Portfolio Asset

According to a recent study by J.P. Morgan Investment Analytics and Consulting, Timberland investments provided diversification benefits, environmentally friendly bonuses, and an annual return rate of 14.6 percent over the past 22 years. It is said that Timberland investments tend to be better-suited portfolio assets for long-term pension liabilities. Considering the nature of the asset, Timberland adds efficiency to portfolios, complements more traditional asset classes, is less volatile, and has a low correlation to other assets. Its high correlation, however, is to inflation, as it has outperformed many other commodities in both high and low inflationary environments.

Timberland represents a green alternative asset with an excellent track record of annual returns, particularly amidst the global economic downturn. A well-known forestry management company offering such timberland investment opportunities is EcoForests (also known as EcoBosques). Professionals at the company suggest there is great benefit in the investment of a timber portfolio, which incorporates a variety of forestry species such as Teak, Eucalyptus, Oak, and Pine. In the long term, such a portfolio can yield consecutive payments on a yearly basis. Further to this, EcoForests offers an opportunity for direct ownership of a section of forest. With their selection of a tangible investment vehicle, timber investors forego those complexities and risks associated with the stock market.

For example, a teak investment pays dividends in year 7, 11 and 16. A eucalyptus investment pays its dividends in year 8. With the right mix, this supplemental income earned from such a timberland portfolio has the potential to stabilize one's finances in retirement. Solid population growth supports timber demand, while supply remains finite, which prevents overcapacity.

As an investment, although there are risks, timber appears to be a wise addition to one's portfolio and particularly those with a long-term, retirement-focused vision in mind.

News Link : http://www.prweb.com/releases/2011/6/prweb8595209.htm