The Sceptic presents
The case for... and against
Moderation

A middle way
‘Everything in moderation’ would seem an excellent maxim
by which to govern our lives. Great thinkers including Confucius, Buddha, Socrates, Muhammad
and the Dalai Lama have preached the value of ‘The Middle Way’ or a middle path. So, what values con-
stitute ‘moderation’? Consider the following: grace, balance between extremes (say between asceticism
and copious desire), righteousness, proper conduct, self-control, restraint, non-gluttony, modesty,
non-authoritarian, humility, quietness, temperance: nothing wrong with any of those qualities –
but on the other hand, nothing terribly exciting either.

Not far enough
Confucius said that going too far was as bad as not going far enough. If we don’t test our abili-
ties to some degree beyond that which is normal, comfortable or moderate, we run the risk of set-
ting overly constrictive limits to ourselves and our societies on our ability to be imaginative, cre-
ative or innovative. Perhaps this ability is what enabled America to become the world’s most pow-
erful state, and conversely was one of the most potent causes of the failure of Communism.

Exercising dietary control
An area where moderation is considered virtuous is dietary control. Eric Schlosser, in Fast
Food Nation says that rather than indulging in junk food, our diet should be limited in scope,
size, production, distribution, selection and profitability. Pigging out is considered to be very
bad form indeed, an extreme type of human conduct, whereas careful, sensible and controlled
dieting is considered to be moderate and therefore good. But what happens when we become
calorie-counting zealots, eating nothing bad? In such a situation we become extremely self-con-
trolling, which is not moderate at all!

Earning enough money
As a dentist, my earnings by comparison to City businessfolk are very moderate. On the other
hand, the same earnings by comp-
parison to your average citizen of Bangladesh or Ethiopia or Chad are outrageously excessive. Do I
need all that excess?

Extremism – or not?
At the other end of the spec-
trum from moderation lies ex-
tremism. One of the core charac-
teristics underpinning an open,
modern society is that it sets no
preconceived parameters on our
ability to enhance and cultivate
our most humane aspirations.
Mahatma Gandhi advocated
non-violence, demanded that the
Indian nation accept his creed,
and was prepared to starve him-
tself to death to achieve his objec-
tives, which seems a rather ex-
treme measure in itself. Nelson
Mandela, faced the death penalty
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tives, which seems a rather ex-
treme measure in itself. Nelson
Mandela, faced the death penalty
because of his belief that, when
circumstances demanded it, no
act (including causing death and
destruction) was too extreme to
defeat a regime that practised
Apartheid.

Should we change?
Can we change to a more mod-
erate course in the way we live our
everyday lives? Is it desirable, much less necessary? Surely, just
as there are permissible, damaging and
negative forms, there are also
excellent forms of excess—such as
when you test and expand the lim-
its of your aptitudes and abilities,
of your courage and social con-
science. So ‘everything in moder-
ation’ might not always be good
advice.

Do you think concern with
moderation is important, or is it
an outmoded concept? Email
jury@dentaltribuneuk.com and let
us have your views
A prosperous retirement

If you want to transfer your pension fund for even greater financial flexibility, perhaps you should consider an Income Drawdown Pension? Thomas Dickson explains what exactly it is and why it’s a good option.

Regular cash payments

With an IDP, you withdraw a regular income within limits set by HM Revenue & Customs, which you can vary according to your needs, while the remainder of your fund remains invested until you reach the age of 75. After this age, your pension will depend on the residual value of your fund and may be lower than a conventional annuity taken immediately on retirement.

The maximum permitted withdrawals are based on the calculations of the Government’s Actuary Department and recalculated every five years to reflect the remaining funds and current annuity rates. At age 75, you must buy an annuity or transfer to an Alternatively Secured Pension. Phased withdrawals allow annual income to include both the tax-free cash and the taxable annual income to include both the tax-free cash and the taxable

‘At the age of 75, you must buy an annuity or transfer to an Alternatively Secured Pension.’

You need a regular income but not a tax-free lump sum.

You are in good health – those in poor health may be better suited by an enhanced annuity.

You want to maximise your present income, while retaining future security and some control over your pension assets.

The principal disadvantage of ID compared with a conventional annuity is reduced income security. For example, your fund may not perform as well as you anticipate and when you do purchase an annuity, your income will be reduced. You also need to take into account that:

• Annuity rates vary. If you defer a purchase until the last minute you will have to accept the rates available at that time.

• The charges for an IDP are generally lower than for a conventional annuity.

• Annuity rates depend on mortality rates, and those who die earlier cross subsidise those who live longer. If you delay buying an annuity you will lose this subsidy, and there is no guarantee your fund will grow sufficiently to compensate.

Take your pick

If you do decide an IDP is right for you, select your investments with care, relating the returns to the degree of risk you are prepared to accept. If you intend to withdraw income immediately, a proportion of the fund should be in cash deposits, since withdrawals from equity investments can have a disproportionately negative impact on the initial fund value. Once the cash fund has been exhausted, actual and predicted investment performance should determine the source of later withdrawals.

A number of providers offer IDPs, and your choice should take into account their relative financial strength, service levels and charging structures, and whether they offer large fund discounts and a failsafe programme to automatically transfer funds into equities, particularly important in today’s turbulent economic climate. Other factors to consider are the internal SIPP bank interest rate, the number of external investment funds, and whether the trustees are in-house.

Once your plan is set up, your financial advisor should conduct an annual review to ensure your fund’s growth is keeping pace with the withdrawals and advise from which investments the withdrawals should be taken. He should also ensure the pattern of investment continues to reflect an acceptable balance of risk.

During retirement your circumstances may change, and ill health or other factors may influence your income requirements and call for a corresponding change in the way your income is funded. There are many occasions when the flexibility of an IDP can make all the difference.

About the author

Thomas Dickson, director of Essential Money Limited, has a wealth of experience providing financial advice to the dental industry. He is one of only 155 certified financial planners currently in the UK, and his expertise has gained him the prestigious Advanced Financial Planning Certificate from the Chartered Insurance Institute. For a free guide to your retirement options, call 0121 665 5060.

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