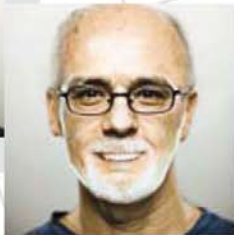
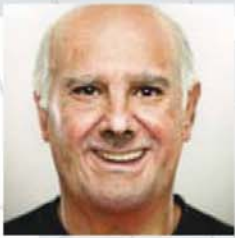


# THE CHANGING FACE OF RETIREMENT

THE AEGON RETIREMENT READINESS SURVEY 2012  
UNITED STATES FACT SHEET



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# INTRODUCTION

## KEY FINDINGS

- **Optimism about a comfortable retirement is widespread:** 44% of survey respondents are optimistic about retiring comfortably, only 34% are pessimistic. However, men are significantly more optimistic than women.
- **The “silver entrepreneur” generation:** 12% of Americans wish to start a business in retirement. An even greater number of those in their 20s (22%) wish to do so.
- **Phased retirement expected to increase:** 63% of current American retirees immediately stopped work upon entering retirement, while 73% of current employees expect to continue working in some form.
- **Need for Social Security reform accepted:** Only 9% of respondents believe that the current retirement system could remain affordable without reform or tax increases. Interestingly, three-quarters (75%) are willing to accept some tax increases to keep Social Security viable.
- **An emerging savings culture:** Despite the pressures of the financial crisis, 58% disagreed with the idea that the financial crisis would make them less likely to save at all, and 46% of respondents make sure to always save for retirement.

## THE SURVEY

This first-ever AEGON Retirement Readiness Survey was conducted among 9,000 people in nine countries.<sup>1</sup> In collaboration with the Transamerica Center for Retirement Studies<sup>®</sup> and Cicero Consulting, AEGON conducted the research to contribute to a common understanding among European countries and the United States of what measures need to be taken by individuals, employers and governments to create a new blueprint for modern retirement.<sup>2</sup>

Respondents were interviewed using an online panel survey, and the interviews were conducted in their local languages in January and February of 2012. The interviews dealt with a wide range of issues covering attitudes toward retirement preparedness, the roles of government and employers in providing retirement benefits, and the impact of the financial crisis on attitudes regarding investment risk and retirement planning.

8,100 employees and 900 retirees were interviewed to provide some comparison of the outlook of current employees and those already in retirement. The survey did not include the unemployed, long-term disabled or the self-employed, as each of these groups faces specific challenges in planning for retirement. Instead, the objective for this survey is to provide a broader perspective based on the mainstream working population.

## 1. RETIREMENT IN THE UNITED STATES

The economic downturn since the 2008 financial crisis, and the resulting unemployment and stock market drops, have significantly impacted Americans' retirement savings.

Declines in the prevalence of traditional employer defined benefit pension plans, and concerns about the sustainability of the US government retirement benefits (Social Security) have led most Americans, long before the financial crisis, to rely less on prospects of a government or employer-funded

retirement and to rely more heavily on their private savings and workplace defined contribution (401(k)) plans.<sup>3</sup>

The uneasy foundation of the retirement system of the United States, and the economy that sustains it, is not lost on Americans. Sixty-seven percent think that future generations of retirees will be worse off than current retirees.

## 2. THE CHANGING NATURE OF RETIREMENT

### ATTITUDES AND ASPIRATIONS TOWARDS RETIREMENT

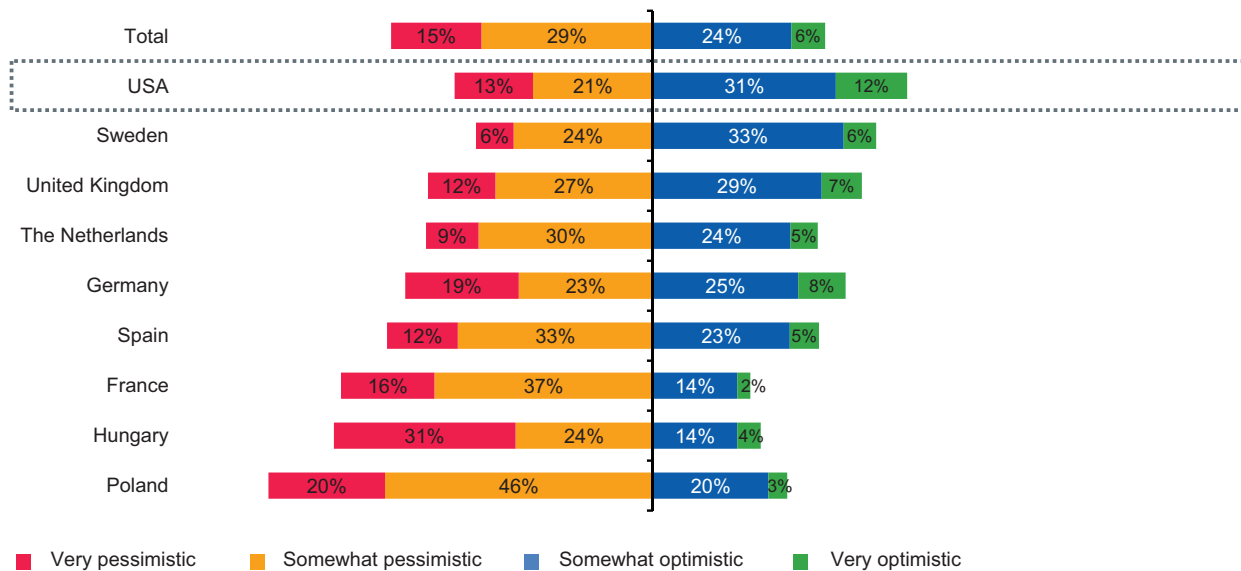
Even with the bleaker prospects for future generations of retirees, of all the countries represented in this research, Americans are the most optimistic regarding retirement, with 44% confident of retiring with a lifestyle they consider comfortable. Given the generally negative economic context, this is a surprisingly positive result. Further analysis shows a significant gender gap in optimism – 48% of men are optimistic compared to just 39% of women. However, it is encouraging that younger United States respondents are particularly optimistic about having a comfortable retirement—despite the demographic and economic challenges they face, 52% of those in their 20s are optimistic about retiring comfortably, and only 27% are pessimistic. In other countries surveyed, younger respondents tended to be more pessimistic than their elders.

A significant minority of Americans—12%—aspire to start a new business in retirement, far more than in other countries. This raises the possibility of a generation of “silver entrepreneurs” who—once protected by Social Security, Medicare and retirement savings—are willing to take on the risk of a new business venture. Given the knowledge and experience accumulated over increasingly long and diverse careers, these older entrepreneurs could prove to be a dynamic sector of the United States economy.

Despite this optimism, large majorities (see Chart 2 on the next page) agree that government, employer and personal retirement provisions will likely now be worth less than they were before the financial crisis.

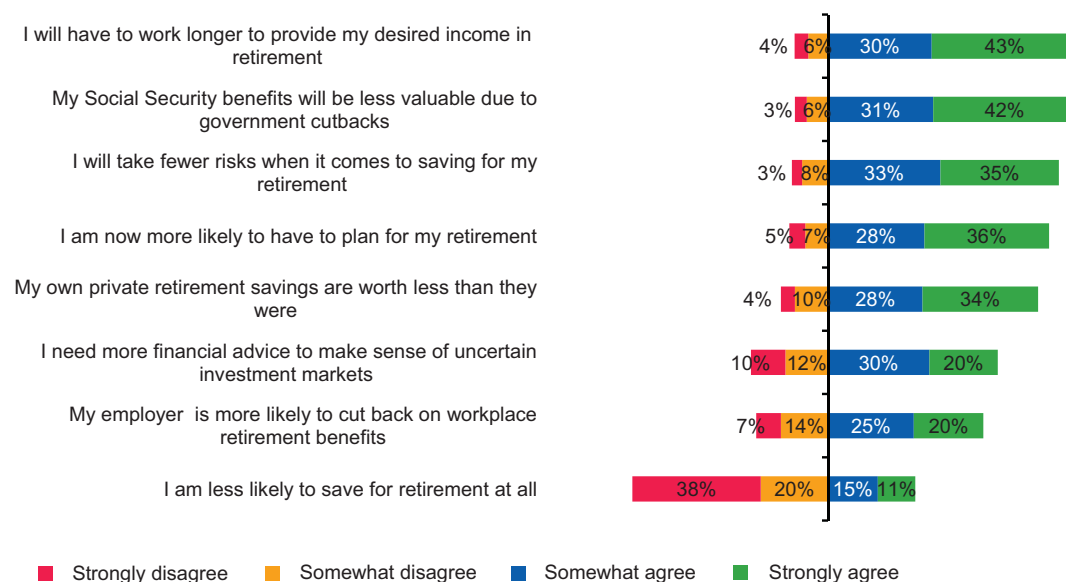
**Chart 1: Far more optimism than pessimism about retiring comfortably in the US**

Q: How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?  
 (“Uncertain” and “neithers” not shown)



**Chart 2: The financial crisis is not discouraging Americans from saving**

Q: To what extent do you agree with the following statements concerning the impact of the financial crisis on your retirement plans? (“Uncertain” and “neithers” not shown)



Along with a generally optimistic outlook toward retirement, Americans are also accepting an older retirement age. This is perhaps due to the fact that the United States already has higher effective retirement ages—by two to three years—than most of the other countries surveyed. Additionally, the Social Security retirement age of 67 seems to have

influenced public opinion, as most respondents expect to retire then. As such, unlike other countries in the study where women especially are underestimating the likely length of retirement, in the US respondents may in fact be overestimating the number of years they'll spend in retirement.

Table 1

	MEN	WOMEN
Effective retirement age <sup>4</sup>	65.5	64.8
Life expectancy at 65 <sup>4</sup>	20	17
Expected retirement age of US respondents	67	67
Expected years in retirement of US respondents	20	20

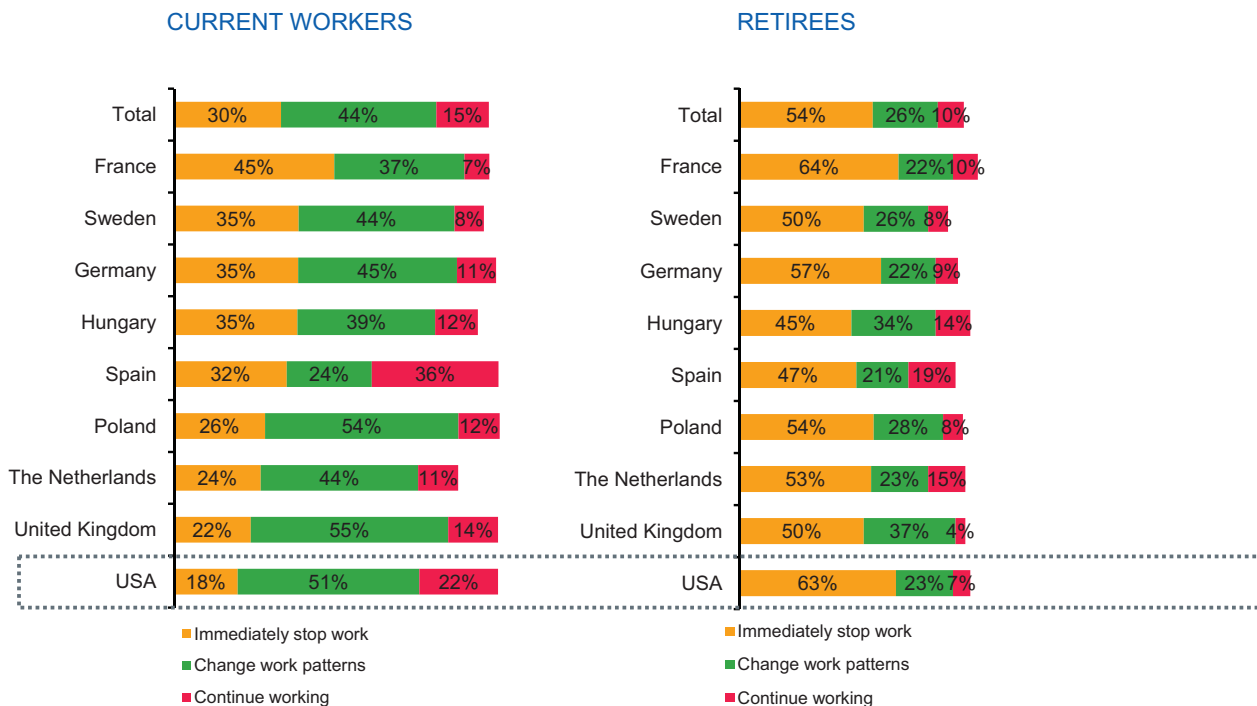
### THE CHANGING MEANING OF RETIREMENT

Across all countries surveyed, while most current retirees immediately stopped all work upon retirement, current employees are more likely to envision a gradual transition—a “phased retirement” rather than a “cliff-edge” model. This switch is more pronounced in the United States than anywhere else, with 63% of current retirees having moved

directly into retirement and only 18% of current employees planning to do the same. Interestingly, it is women who are driving this trend in the United States, with only 13% of women employees expecting a “cliff-edge” retirement compared to 23% of men.

### Charts 3 and 4: The end of “cliff-edge” retirement?

Q: Looking ahead, how do you envision your transition to retirement / Looking back, how did your transition to retirement take place? (“Uncertains” and “others” not shown)

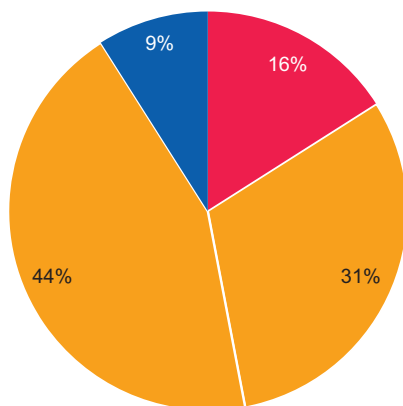


## WHO SHOULD PAY FOR RETIREMENT?

Charts 5 and 6: A majority of Americans endorse a balanced approach to pension reform and retirement age increases

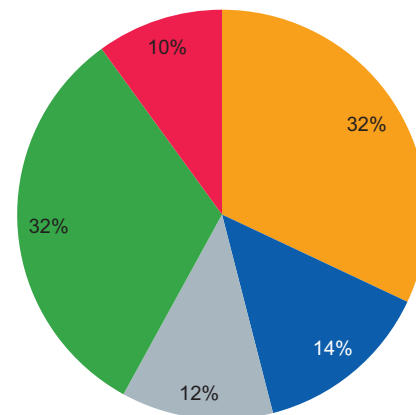
Q: With the costs of Social Security becoming a greater concern as people live longer, which of the following do you think the government should undertake? / To what extent do you feel that people should expect to work longer into old age as a way to offset the costs of people living longer?

PAYING FOR SOCIAL SECURITY



- Reduce the cost of Social Security provision by reducing individual payments
- Increase funding for Social Security through raising taxes (31%)
- A balanced approach, some reductions in payments and some tax increases (44%)
- Social Security provision will remain perfectly affordable in the future

INCREASING RETIREMENT AGES



- Don't know
- Retirement age should increase in line with life expectancy
- Retirement age should increase except for those in dangerous jobs or manual workers
- Retirement age should increase but the increase should be capped
- Retirement age should remain unchanged.

While this survey reveals strong support for Social Security in the United States, there is also acceptance that it needs to be reformed, with only 9% believing it will remain viable. Support for reform through a combination of tax increases and benefit cutbacks is higher than average, as is paying for Social Security purely through tax increases. Surprisingly, Americans are in fact more willing to protect their Social Security benefits with higher taxes than most Europeans.

### HOW TO ENCOURAGE SAVING AND INVESTMENT

Among Americans, there is little disagreement that personal savings are paramount, with 87% agreeing that it is "increasingly important" to make sure you are planning for

your own retirement. In order to discern how to turn this enthusiasm into higher levels of saving, our research looked into the triggers to saving. Some key findings in the United States were:

- Investments that would guarantee a minimum return were important to 50%
- 44% identified lack of discretionary income as their key barrier to saving, while 23% noted the uncertain economy
- A pay raise would incent 50% to save more; tax breaks, 36%; and simpler products, 29%.

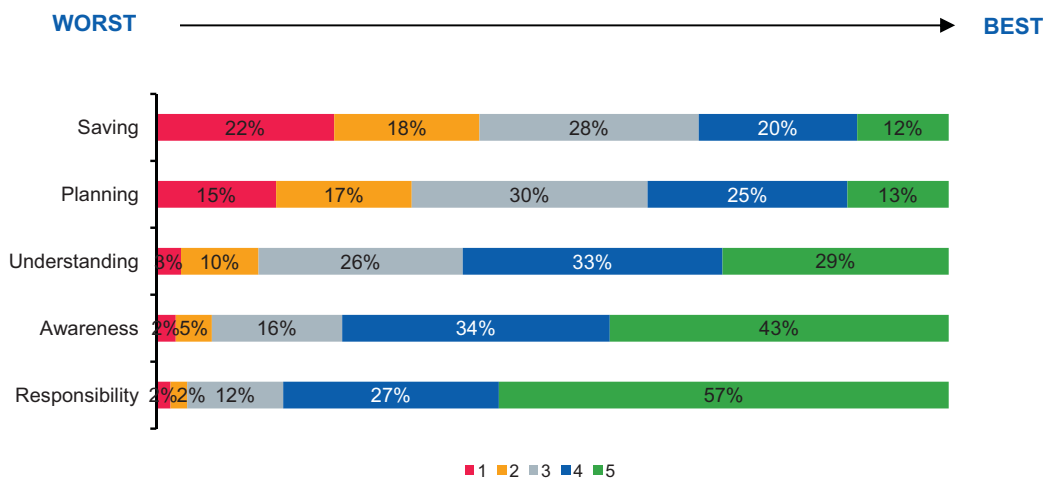


### 3. THE STATE OF RETIREMENT READINESS

Our research looked not only into attitudes toward the future and retirement, but also sought to gauge how prepared employees are for retiring. To do this, we required employees to score themselves from one to five on a series of issues, from their understanding of the need to save

toward retirement, to the extent to which they are actively doing so. As Chart 7 shows, there is an important gap in the United States between those who profess to understand the implications of their financial position, and those who are effectively acting upon this understanding.

Chart 7: A gap between understanding and doing something about it prevails



Respondents were asked to rank their retirement behavior in terms of responsibility, awareness, understanding, planning and saving on a scale of 1 to 5, with 5 being best.

#### THE AEGON RETIREMENT READINESS INDEX (ARRI)

To calculate the index scores, the index incorporates the responses of the 8,100 employees surveyed across the nine countries. Each of the respondents was asked a series of questions to provide a cognitive assessment of their current retirement attitudes and behaviors. The survey asked three questions covering attitudes: whether employees accept personal responsibility for their retirement income, whether they are aware of the need to plan for retirement, and their understanding of retirement-related financial matters. It also asked three questions covering behaviors: the extent to which employees have put retirement plans in place,

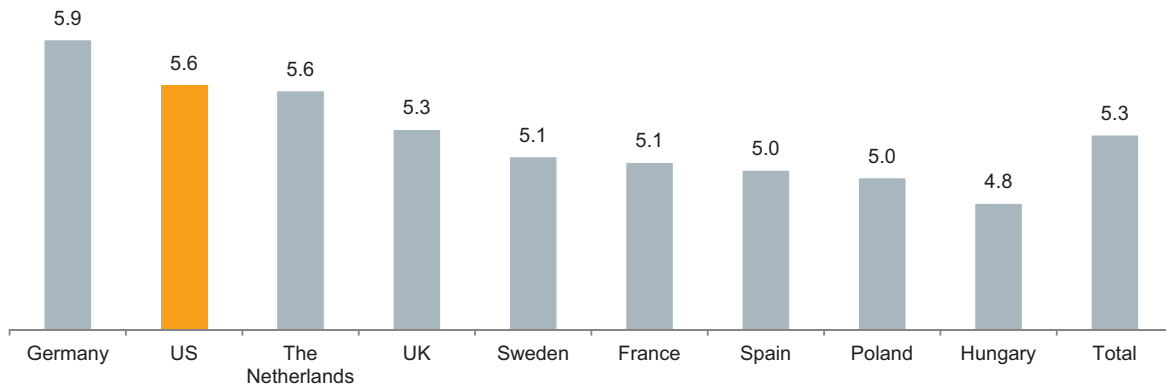
whether they are adequately saving for retirement, and whether they are on course to achieve their required replacement income in retirement.

The responses to these six questions were weighted in the ARRI based on their importance in determining a respondent's saving profile, and an overall score out of ten for each respondent was generated. The most important determinants were found to be their behaviors towards their own planning and saving, as well as how on course they were to achieve their desired replacement income.



As Chart 8 shows, the United States placed second out of the countries surveyed, behind only Germany. This high score may demonstrate the importance of economic confidence. The United States and Germany had the most robust recoveries from the recession of 2007-8, and this confidence appears to be making itself felt among consumers.

**Chart 8: Only Germany scores higher than the US on the AEGON Retirement Readiness Index (out of 10)**  
Readiness Index created by weighting the responses to six questions according to statistical importance.

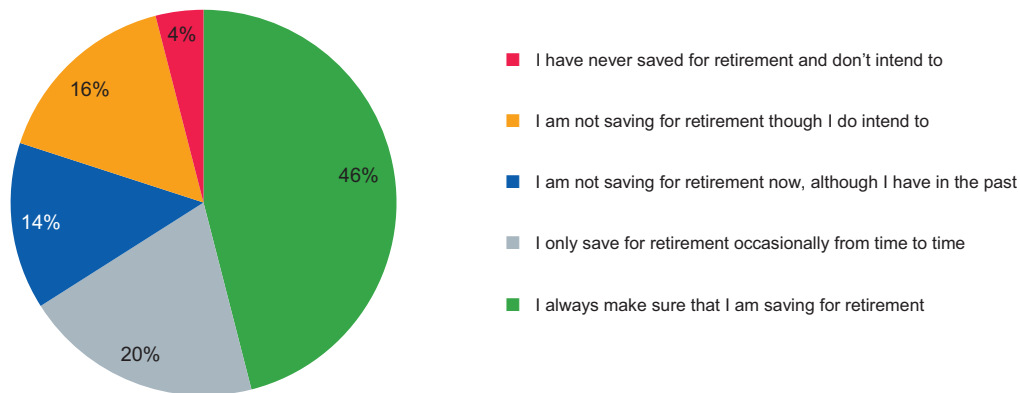


Individuals can be split into three groups – those with high, medium or low scores – and research shows that those in the United States scoring high on the index are overwhelmingly male and college educated, while those scoring low are correspondingly more likely to be female and without a college degree.

When asked to describe their own saving behavior (Chart 9), respondents in the United States are more likely than those in any other country to describe themselves as always saving for retirement, and this personal responsibility is key to the relatively high levels of preparedness in the United States.

**Chart 9: Nearly half of Americans always save toward retirement**

Q: Which of the following best explains your approach to saving for retirement?



## 4. THE CALL-TO-ACTION: TAKE ACTION, AND DO IT NOW

- While the United States scores high in the ARRI, there are distinct pockets where readiness is significantly lower, such as among women and those without college degrees. Employers, the government, and the private sector should continue to consider reforms, incentives and greater education to address their specific needs of these groups.
- While the most cited incentive to save for Americans was more pay, 29% desired simpler financial products. Simplifying savings methods in the retail market may lead to greater readiness in the United States.
- It is encouraging that United States respondents are optimistic and fully accept their responsibility for retirement. However, it is important that rather than just accepting responsibility people “do something” and begin to plan and save for retirement.
- As individuals accept that Social Security requires significant reforms and is inadequate on its own, it is imperative for government to accompany reform with a drive to incent and encourage private savings.

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<sup>1</sup> The nine countries surveyed are: U.S., UK, France, Germany, The Netherlands, Spain, Poland, Hungary and Sweden.

<sup>2</sup> The European countries included in the study were commissioned by AEGON. The US component of the survey was commissioned by the Transamerica Center for Retirement Studies<sup>®</sup>, a non-profit, private foundation.

<sup>3</sup> The US Social Security system will use up its reserves by 2033 under current funding arrangements. This is in large part due to an aging population; by 2035 there will likely be one retiree for every three workers.

<sup>4</sup> Organisation for Economic Co-operation and Development (OECD) figures, OECD Health Data 2011.