

News

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New Study Reveals Workers Around the World are Unprepared for Retirement
A shared solution among governments, employers, and individuals is needed

LOS ANGELES – May 14, 2013 – New research from nonprofit foundation Transamerica Center for Retirement Studies® in collaboration with Aegon shows a lack of retirement preparedness among workers in the U.S. and around the world. [The Changing Face of Retirement: The Aegon Retirement Readiness Survey 2013](#) surveyed 12,000 workers and retirees in 12 European, North American and Asian countries. The research found that few (12 percent) are “very optimistic” that they will have enough money to live on when they are retired.

Retirement systems around the world vary by government programs, employer benefits, and the need to augment those sources of retirement income with personal savings, but all face common challenges such as persistent economic uncertainty, longer life expectancies, declining working-age populations relative to retired populations, and financial and investment risks.

As governments and employers are implementing measures to de-risk retirement programs and benefits, many of the risks and costs of funding retirement have shifted toward individuals and families who are not yet equipped to deal with them. “In the United States, recent decades have brought questions about the future of Social Security along with a shift in employer benefits away from traditional pension plans enjoyed by our parents’ generation toward defined contribution plans, such as 401(k)s and 403(b)s, that are prevalent today,” said Catherine Collinson, president, Transamerica Center for Retirement Studies. “Such profound changes in our retirement landscape and those experienced in other countries have necessitated that individuals self-fund a greater portion of their retirement income needs and take greater personal responsibility for their future retirement readiness.”

Most expect future generations to be worse off in retirement than current retirees

Nearly two-thirds (65 percent) of all respondents believe future generations will be worse off in retirement than current retirees. French and Hungarians were most likely to believe this (both at 80 percent) and the Chinese were least likely (20 percent). In the U.S., more than half (55 percent) share this sentiment.

The global financial crisis has led respondents to expect reductions in benefits. Nearly two out of three employees (63 percent) expect their government retirement benefits will be less valuable due to government cutbacks. The expectation is highest in the Netherlands (72 percent), lowest in Sweden (41 percent) and 65 percent among American workers.

Forty-four percent of employees surveyed expect their employer or pension fund will reduce their workplace retirement benefits. Thirty-seven percent expect this in the U.S., and the highest percentages of this expectation were reported in the Netherlands (55 percent) and lowest in Sweden (26 percent).

Many younger employees expect that it will be necessary during their own retirement to also provide financial support to aging family members. Three in ten (30 percent) employees between the ages of 18 and 24 expect that they will have to provide financial support to aging parents, compared to 16 percent of employees between 35 and 44 and only 8 percent between 55 and 64. In the U.S., 32 percent of employees between the ages of 18 and 24 expect to financially support their aging parents.

“Expectations of reduced benefits, rising longevity and inadequate savings is threatening to ‘squeeze’ younger generations who face having to support older generations in retirement,” said Collinson. “This pending squeeze illustrates the urgency to strike a more harmonious balance among the roles and responsibilities of governments, employers, and individuals in providing for retirement.”

Delaying retirement offers an obvious solution, but obstacles remain

An obvious and practical solution for bridging the retirement savings gap is to enable current employees to delay retirement and continue working beyond traditional retirement age. The majority of employees (62 percent) expect to work longer due to the global financial crisis, with the highest response rates seen in the Netherlands and France (68 percent), the lowest in China (46 percent), and 62 percent in the U.S.

Yet this solution is not straightforward and may be unrealistic for many. Of the retirees surveyed, nearly half (49 percent) retired sooner than expected, a percentage which is even higher in the U.S. at 60 percent. Among U.S. retirees, the majority of those retiring early did so for negative reasons, such as health issues (40 percent) or job loss (26 percent) – only 8 percent retired sooner because they had saved enough.

“Delaying retirement can be a means of bridging a savings shortfall,” said Collinson. “However, life’s unforeseen circumstances can derail the best of plans. It’s critical to have a backup plan if retirement arrives sooner than expected.”

This survey found that many employees (43 percent) would like to transition gradually into retirement by changing work patterns (for example by working part-time, or with less demanding responsibilities). What’s unclear is whether employers are willing to accommodate such a transition into retirement. Only 21 percent of employees indicate their employer offers the option to move from full-time to part-time work. The most accommodating employers offering these options were in China (32 percent) and fewest in Japan (14 percent). U.S. employers came in on the low end of the spectrum with only 17 percent reporting the availability of a full- to part-time transition for older workers.

“In the U.S., 10,000 Baby Boomers are turning 65 every day. Many of them are not financially ready for retirement and are seeking to extend their working careers by continuing to work full-time or part-time,” said Collinson. “Governments and employers can help employees achieve retirement readiness while retaining valuable talent by offering transition options for older workers nearing retirement.”

Widespread retirement illiteracy worsens readiness

The retirement-related risks faced by employees are compounded by widespread financial illiteracy, with only 20 percent of respondents saying they are “very able” to understand financial matters related to retirement planning; the response rate was slightly higher in the U.S. at 26 percent.

Other key measures the survey found include:

- Only 9 percent of people globally say their personal retirement planning process is “very well developed.” (12 percent in the U.S.)
- Only 9 percent have a written plan for retirement. (14 percent in the U.S.)
- Thirty-nine percent of employees globally do not know if they are on course to achieve their desired retirement income. (37 percent in the U.S.)

“Retirement literacy is essential for achieving retirement readiness,” said Collinson. “Without the right tools and information to set retirement goals and establish a plan to achieve those goals, American workers are at an even greater risk of not achieving a secure retirement.”

Wary about retirement-related risks, individuals seek solutions

The global financial crisis has led a growing number of people to resist taking investment risk in their retirement portfolios. More than half of respondents (53 percent) agree that, as a result of the financial crisis, they “will take fewer risks when it comes to saving for retirement,” and 42 percent agree that they are “looking for investment products which offer greater protection against volatile markets.” U.S. response rates in agreement with these statements were 60 percent and 48 percent respectively.

Respondents expressed interest in products and services that could help them to mitigate risks. These included both investment and protection products, such as long-term care insurance (52 percent very or extremely interested globally compared with 62 percent in the U.S.) and products to provide a guaranteed income in retirement (58 percent very or extremely interested globally compared with 66 percent in the U.S.).

Lack of retirement readiness is an emerging global crisis – unless action is taken

Although retirement systems vary by country, the shift in responsibility for a secure retirement to the individual is consistent among the countries surveyed. The Changing Face of Retirement reveals a universal lack of retirement preparedness, examines risks from the employee perspective, and offers recommendations toward addressing those risks based on the more balanced roles of government, employers, and individuals.

“Retirement systems vary in countries around the world; however, they share the common objective of helping individuals and families prepare for retirement,” said Collinson. “In our rapidly evolving global economy, countries can learn from each other and share research, ideas, and innovations to address the critical challenges that we all share, and begin to strive toward a vision in which future generations of retirees are better off than today’s.”

About the Survey

The ***Aegon Retirement Readiness Survey 2013*** is a collaboration between the Transamerica Center for Retirement Studies and Aegon. The survey encompasses 12,000 employees and retirees in 12 countries: Canada, China, France, Germany, Hungary, Japan, the Netherlands, Poland, Spain, Sweden, the United Kingdom and the United States. These countries were selected on the basis of their distinctive pension systems, as well as their varying demographic and aging trends.

Cicero Consulting, a leading global research firm, was engaged to conduct the survey. Respondents were interviewed using an online panel survey,¹ and interviews were conducted in their local languages in January and February 2013. The range of issues covered include attitudes toward retirement readiness, the role of the government and employers in providing retirement benefits, and the impact of the financial crisis on attitudes regarding investment risk and retirement planning. 10,800 employees and 1,200 retirees were interviewed to provide a broad perspective of mainstream working populations and some comparison of the outlook of current employees to those already in retirement.

About Transamerica Center for Retirement Studies®

The Transamerica Center for Retirement Studies® (The Center) is a nonprofit, private foundation dedicated to educating the public on emerging trends surrounding retirement security in the United States. The Center's research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes. The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. www.transamericacenter.org

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About Cicero Consulting

A leading consultancy firm serving the banking, insurance and asset management sector, Cicero specializes in public policy and communications consulting as well as global thought leadership and independent market research. Cicero was established in 2001, and now operates from offices in London, Brussels, Washington and Singapore. As a market leader in pensions and retirement research, Cicero designed and analyzed the research and contributed to the report. www.cicero-group.com

TCRS 1083-0513

¹ As the survey was carried out online, the survey results in China are biased towards people living in urban areas.