



# The Changing Face of Retirement - The Aegon Retirement Readiness Survey 2013



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# Agenda

- Introduction
- About the survey
- Key findings
- Recommendations



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## Introduction

- Welcome to the 2013 Aegon Retirement Readiness Survey
- Governments and employers around the world are implementing measures to de-risk their retirement programs and, in doing so, transferring much of that risk to those who are much less equipped to deal with it: individuals and their families.
- This survey examines how these issues are impacting individuals and identifies ways to help them take on personal responsibility to de-risk their own retirement.
- The objectives of the survey are to:
  - ▶ Provide a clear picture of retirement readiness,
  - ▶ Promote awareness of personal responsibility for retirement,
  - ▶ Make recommendations for individuals, employers and public policymakers to increase levels of retirement readiness.

## About the Survey

### Partners

- Transamerica Center for Retirement Studies®
- Cicero Consulting

### Survey Methodology

- 2013 Survey: online, nationally representative research conducted in 12 countries between 22<sup>nd</sup> Jan – 11<sup>th</sup> Feb 2013:
  - ▶ Canada, China\*, France, Germany, Hungary, Japan, The Netherlands, Poland, Spain, Sweden, the United Kingdom, the United States
  - ▶ In total 12,000 survey respondents including 1,000 per country: 900 workers (i.e. not self employed, students, and homemakers) and 100 fully retired respondents per country
- 2012 Survey: online, nationally representative research conducted in 10 countries including France, Germany, Hungary, Japan, The Netherlands, Poland, Spain, Sweden, the United Kingdom, the United States

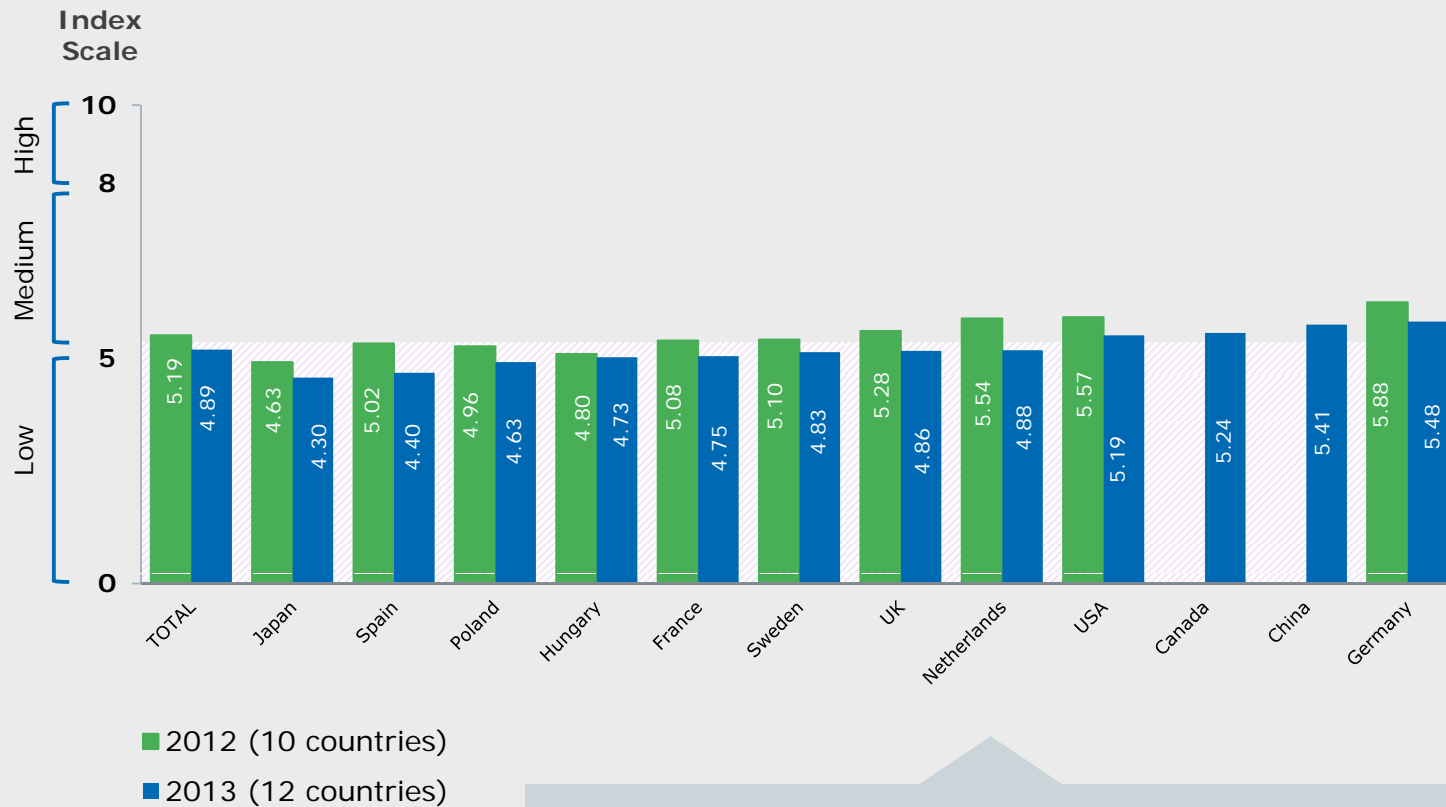
**...making this one of the largest studies of its kind in the world**

## Key findings in 2013

1. Lack of retirement readiness is an emerging global crisis for governments, employers and individuals
2. Most expect future generations to be worse off in retirement than current retirees
3. Delaying retirement offers an obvious solution, but obstacles remain
4. Widespread retirement illiteracy worsens readiness
5. Wary about retirement-related risks, individuals seek solutions

# 1. Lack of retirement readiness is an emerging global crisis for governments, employers, and individuals

Aegon Retirement Readiness Index in 2012 and 2013



Index is Based on Six Key Measures

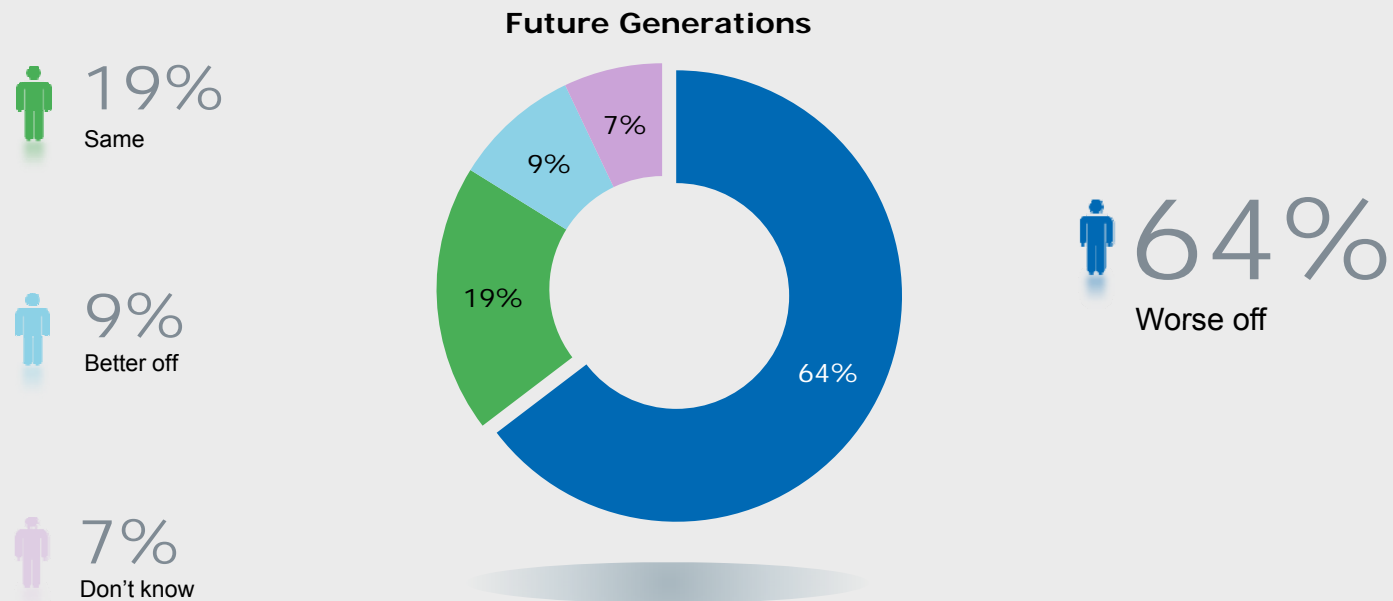
1. **Personal responsibility** for income in retirement
2. **Level of awareness** of need to plan for retirement
3. **Financial Capability/ Understanding** of financial matters regarding planning for retirement
4. **Retirement planning**-level of development of plans
5. **Financial Preparedness** for retirement
6. **Income replacement**-level of projected income replacement

Index score is lowest in Japan (4.3) and highest in Germany (5.5). Decrease is highest in Spain and the Netherlands (-12%).

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

Future generations are expected to be worse off

Q. Do you think that future generations of retirees will be better off or worse off than those currently in retirement?



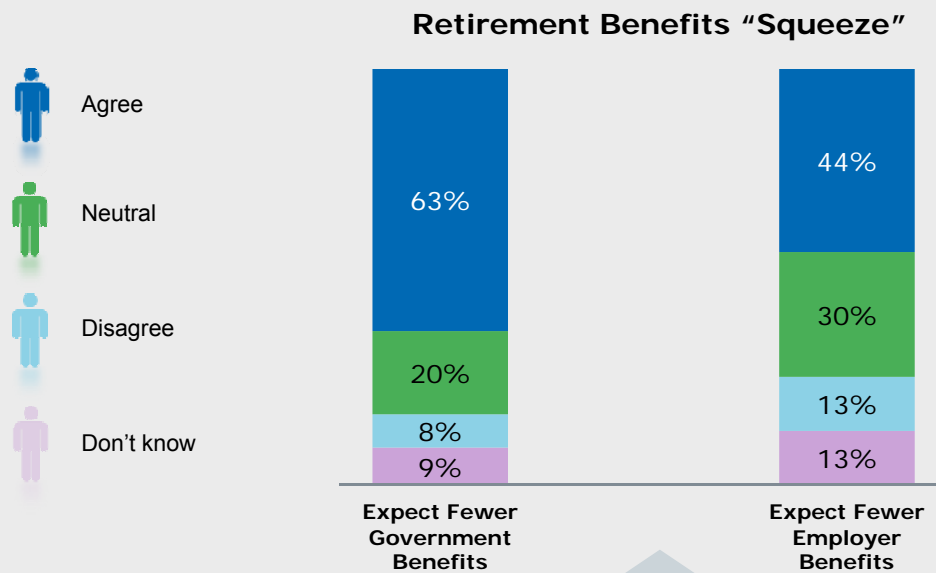
In France and Hungary 80% expect future generations to be worse off and in China 20%. In China, 45% expect future generations to be better off; in Hungary this is only 2%.

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

### Expectations of government and employer benefit cutbacks

Q. Considering the impact of the global financial crisis...

- My state pension benefits will be less valuable due to government cutbacks, level of agreement...?
- My employer or pension fund is more likely to cut back on workplace pension benefits...?



In the Netherlands, 72% expect that state benefits will be cut back and 55% that employer benefits will be cut back. In Sweden this is only 41% and 26% respectively.



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

### Younger generations are the most likely to be squeezed

- Q. Do you expect that you will need to provide financial support for your family (other than your spouse/partner) while you are retired?  
Q. Do you expect that you will need to receive financial support from your family while you are retired?

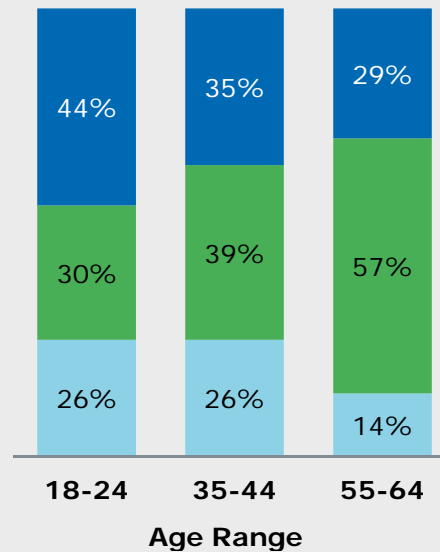


Yes

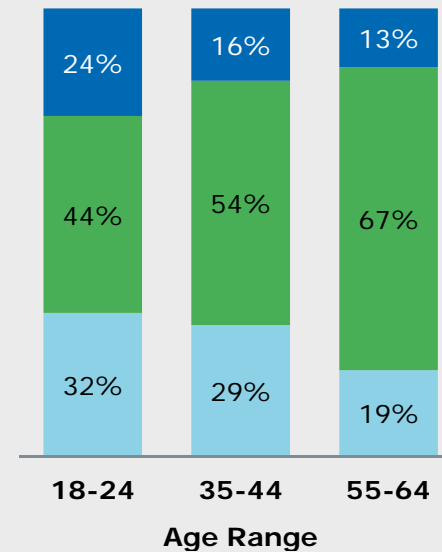
No

Don't know

**PROVIDE** Financial Support



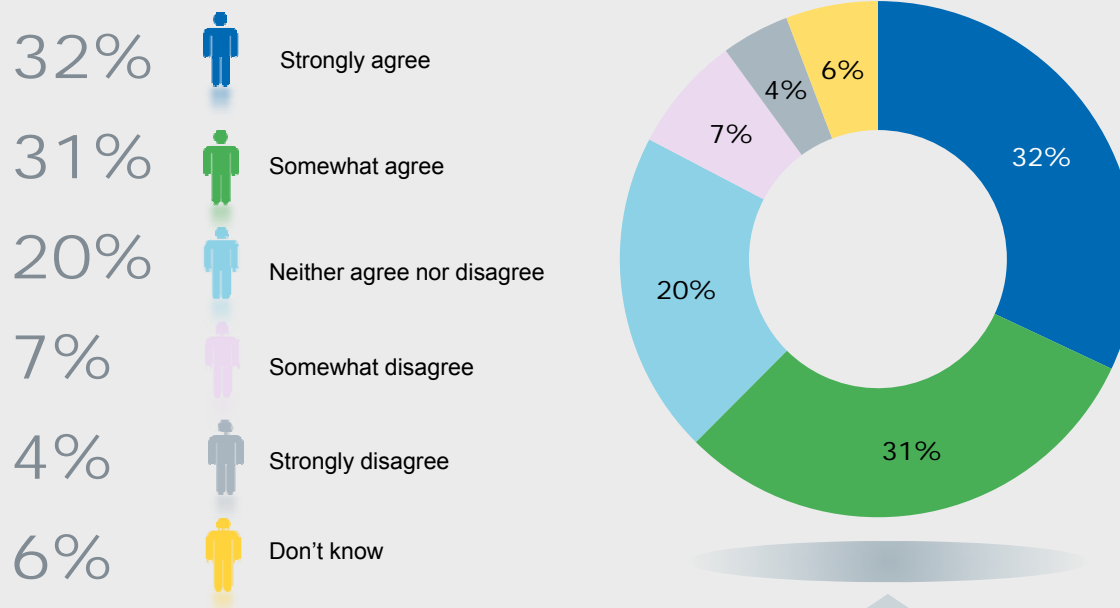
**RECEIVE** Financial Support



### 3. Delaying retirement offers an obvious solution, but obstacles remain

Most employees expect to work longer due to the global financial crisis

Q. I will have to work longer to provide my desired income in retirement ...

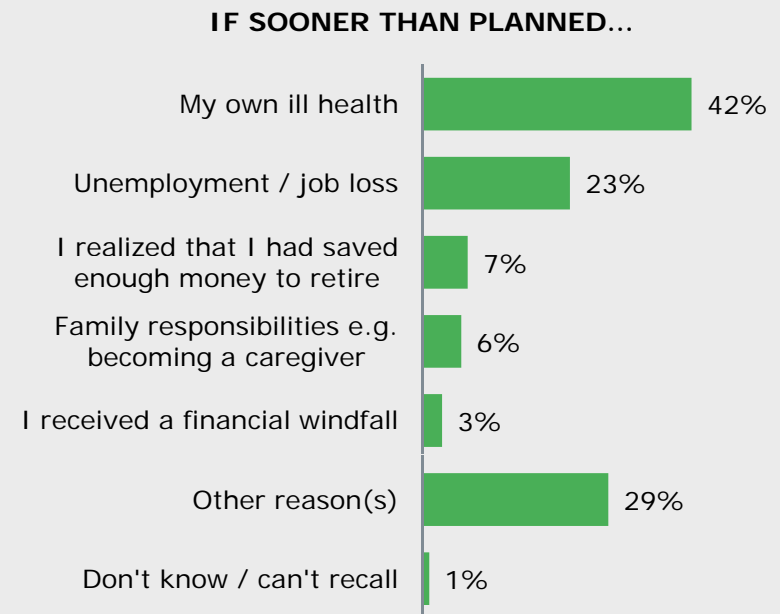
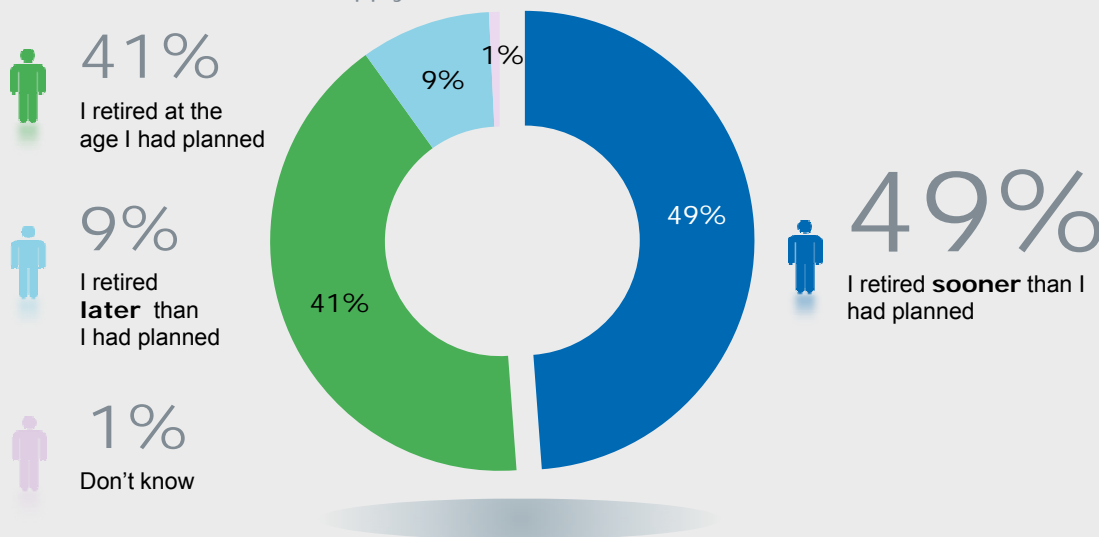


In the Netherlands and France 68% somewhat or strongly agree that they will work longer. In China this is only 46%.

### 3. Delaying retirement offers an obvious solution, but obstacles remain

Many retirees retired sooner than planned – and mostly due to negative reasons

- Q. Would you say that you fully retired from all paid employment sooner or later in life than you had planned, or at the age you had planned to?
- Q. Which, if any, of the following were important reasons in your retirement from all paid employment sooner than you had planned? Please select all that apply.



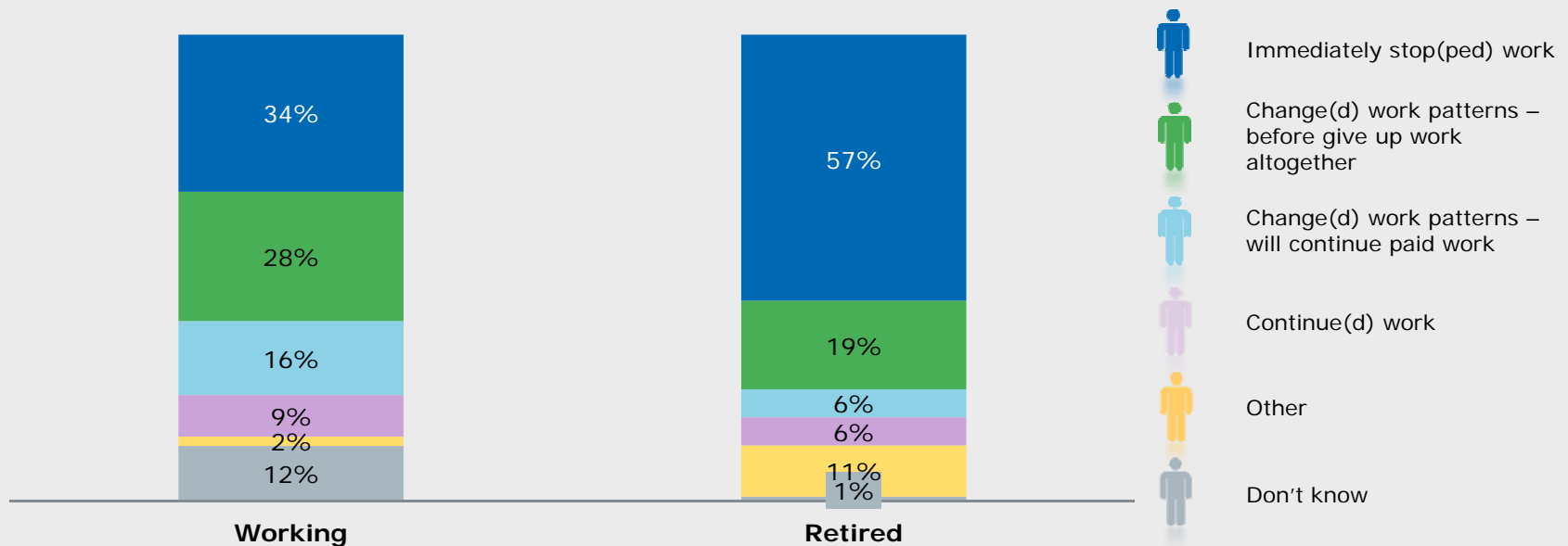
In Germany and Spain 64% retired sooner than expected. In China this was only 19%.

### 3. Delaying retirement offers an obvious solution, but obstacles remain

More employees expect a phased retirement, in contrast to those retired

Q. Looking ahead, how do you envision your transition to retirement?

Q. Looking back, how did your transition to retirement take place? Please select the response closest to your view.



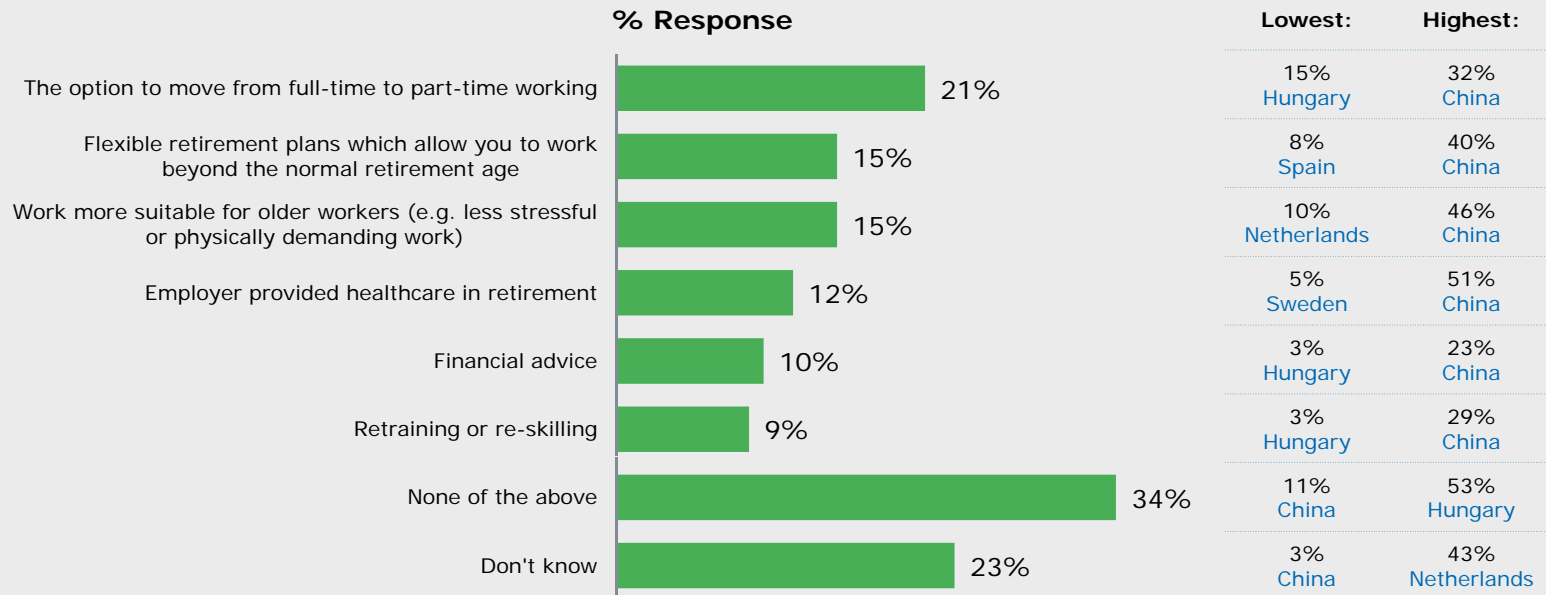
In France 49% expect to stop working immediately; in Canada this was only 22%.

In France 74% immediately stopped working; in Japan this was 44%.

### 3. Delaying retirement offers an obvious solution, but obstacles remain

#### Few employers offer services to facilitate a phased retirement

Q. Which, if any, of the following services does your employer offer to help employees phase into retirement?



In China, employers offer three times as many phased retirement services than the average

## 4. Widespread retirement illiteracy worsens readiness

Retirement literacy begins with personal responsibility

**39%** **do not know** if they are on course to achieve their retirement income needs

**20%** are 'very able' to **understand financial matters** when it comes to planning for retirement

**9%** say their **personal retirement planning process** is 'very well developed'

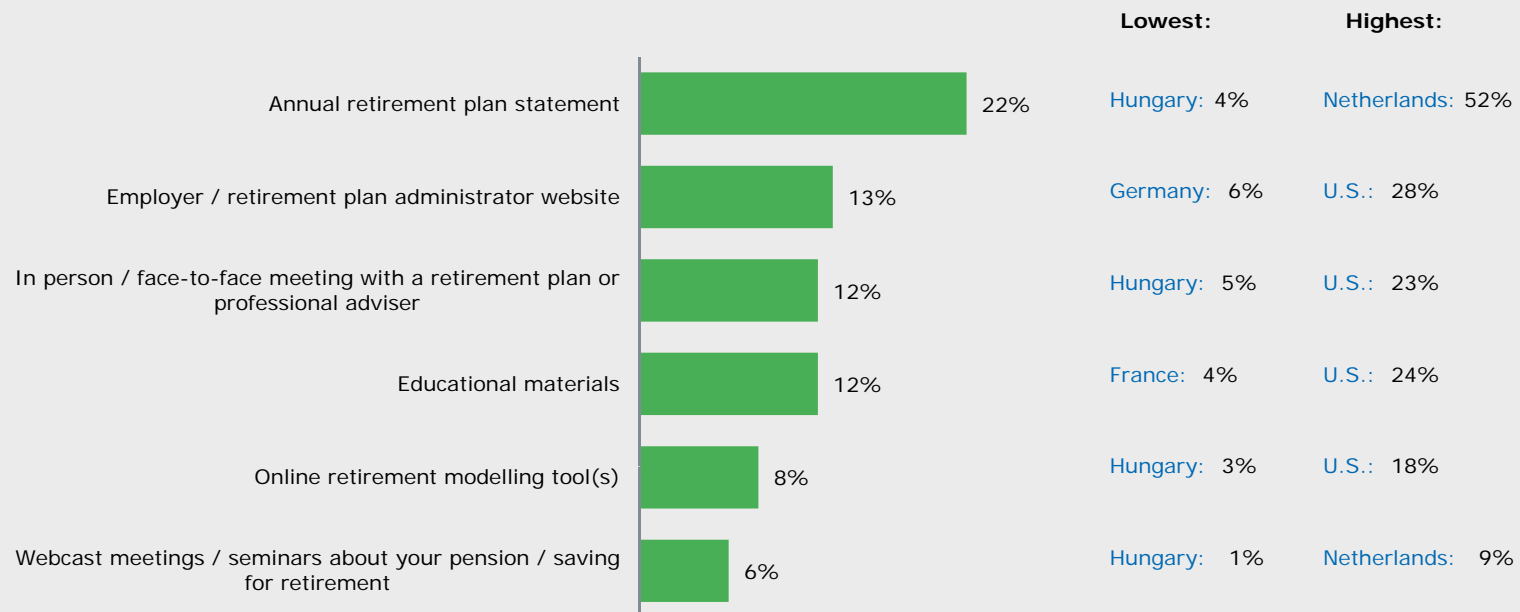
**9%** have a **written plan** for retirement

**22%** have a **back-up plan** if unable to continue working before planned retirement age is reached

## 4. Widespread retirement illiteracy worsens readiness

### Employer provision of 'retirement preparation services' is limited...

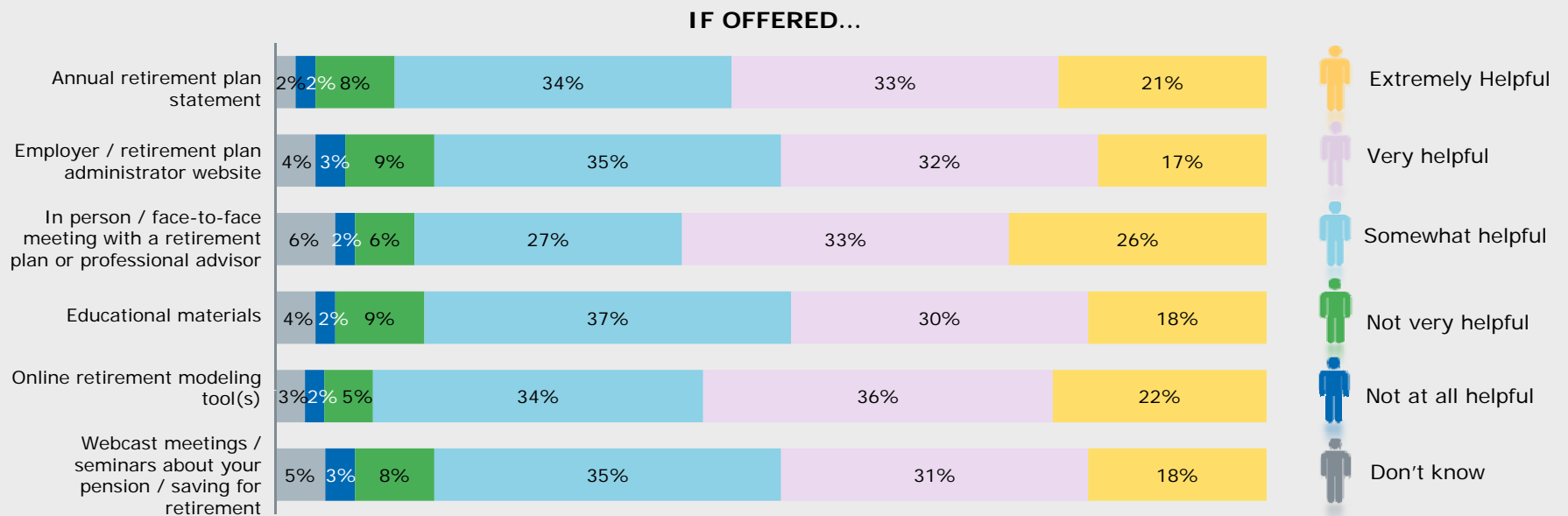
Q. Thinking of your current employer which, if any, of the following services does your employer (or their retirement plan administrator) offer to help you prepare for retirement?



## 4. Widespread retirement illiteracy worsens readiness

...but, when offered, 'retirement preparation services' considered helpful.

Q. For each of the services that your employer (or plan administrator) offers, please say how helpful each is in preparing you for retirement?



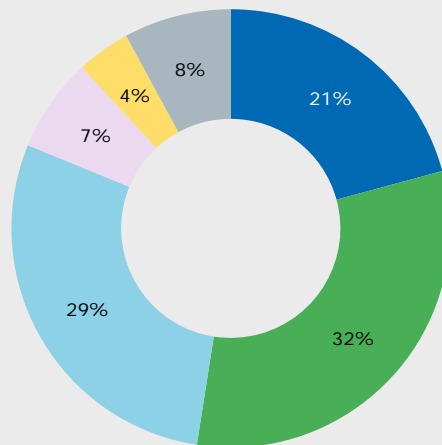


## 5. Wary about retirement-related risks, individuals seek solutions

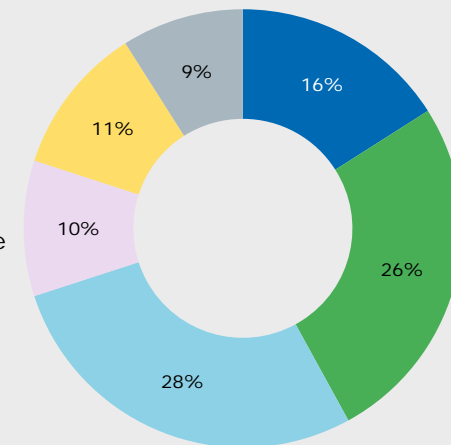
The majority of respondents will take fewer risks with their savings. Many are looking for protections against volatile markets.

Q. Do you agree or disagree with the following statements concerning the impact of the global financial crisis...?

"I will take fewer risks when it comes to saving for my retirement."



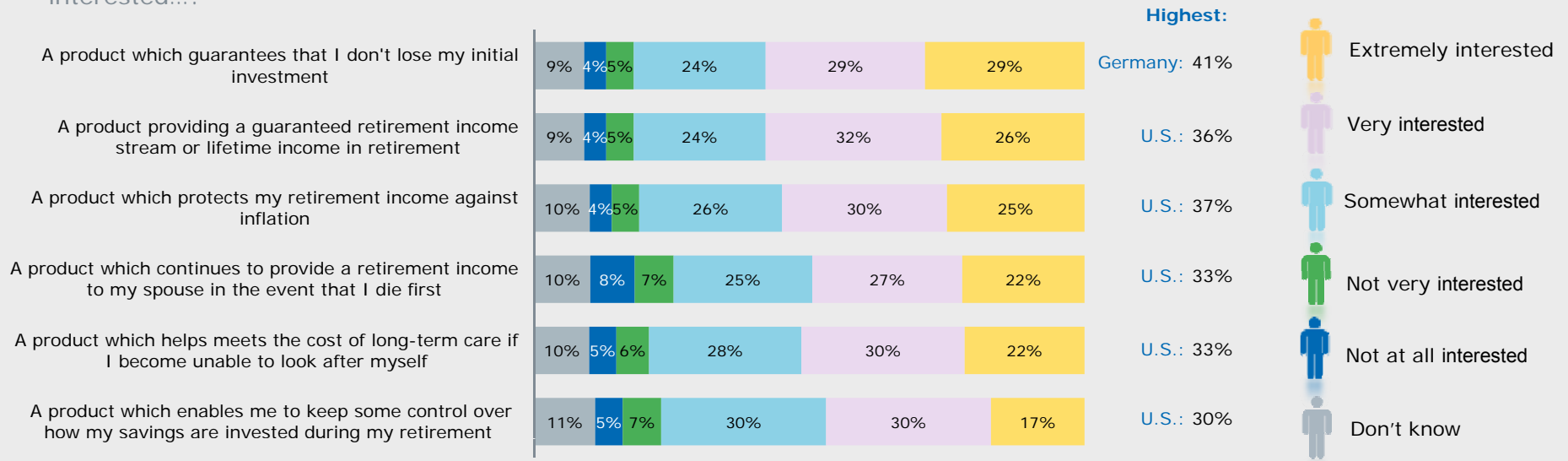
"I am looking for investment products which offer greater protection against volatile markets."



## 5. Wary about retirement-related risks, individuals seek solutions

### Investment guarantees and income protection are of most interest

Q. Thinking about the types of financial products you could purchase to help provide you with security in retirement, how interested...?



In the United States, 37% are extremely interested in a product that protects retirement income against inflation

## Key findings and recommendations

- Lack of retirement readiness is an emerging global crisis for governments, employers and individuals
  - ▶ *Retirement systems vary by country yet the fundamental need to achieve retirement readiness through a balance among governments, employers, and individuals is the same. Government benefits require reforms to remain sustainable. Employers are evolving from pension providers to enablers. Personal responsibility is now paramount.*
- Most expect future generations to be worse-off in retirement than current retirees
  - ▶ *Governments and employers have de-risked their pension offerings and transferred those risks to individuals – which has led to a greater financial reliance and “squeeze” on families. As governments and employers implement such changes, their plans should include resources to help individuals take personal responsibility so they can de-risk their own personal retirement.*
- Delaying retirement offers an obvious solution, but obstacles remain
  - ▶ *Policy makers and employers can help employees by enabling longer working careers, providing options for a phased retirement, and offering benefits (e.g., life insurance, disability, long-term care) which can financially protect them if they are unable to work. Employees should have a backup plan if forced into retirement sooner than expected.*
- Widespread retirement illiteracy worsens readiness
  - ▶ *Equipping individuals with the right toolkit and confidence to ask good questions and make informed decisions is critical for success. Retirement readiness is more than just saving and investing, its involves setting goals about lifestyle, income needs, and family support, as well as charting a clear path for achieving them. Employers can play a greater role in offering ‘retirement preparation services’ to their employees.*
- Wary about retirement-related risks, individuals seek solutions
  - ▶ *Providing financial and protection products can help individuals de-risk their retirement with certain guarantees and help avoid investment losses, long-term care expenses, or erosion due to inflation.*

## Questions and Answers



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## Company Information

### **Aegon**

Aegon is an international life insurance, pensions and asset management company with businesses in over 20 markets in the Americas, Europe and Asia. Aegon employs over 24,000 people and serves millions of customers worldwide.

[www.aegon.com](http://www.aegon.com)

In 2010, Aegon became a founding member of the Global Coalition on Aging, which seeks to raise awareness of aging issues among policymakers and the general public. A major aim of the coalition is to transform the way we think and speak about aging: replacing the familiar rhetoric of “problems” with a more positive discussion of “possibilities” and “opportunities.”

[www.globalcoalitiononaging.com](http://www.globalcoalitiononaging.com).

### **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. For more information about The Center, please refer to: [www.transamericacenter.org](http://www.transamericacenter.org)

### **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.

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