



AEGON

Center for
Longevity and
Retirement



India Country Report

Inspiring a World of Habitual Savers

The Aegon Retirement Readiness Survey 2015

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Introduction

The Aegon Retirement Readiness Survey series explores how increasing life expectancy is having a profound impact on how societies all over the world plan for retirement. It also sets out how this changing financial landscape is impacting on people's expectations and aspirations for later life. In India, people are positive about the short-term outlooks for the Indian economy and their own personal finances. Indians clearly demonstrate a keen interest in new financial products but show less than consistent savings habits and an aversion to risk, which is affecting Indians' progress towards achieving their ideal retirement income. Through the development of the Aegon Retirement Readiness Index (ARRI), our research is able to quantify what gaps remain to achieving a comfortable retirement for workers across India.

Key Findings

- **Indian workers have the highest score on the Aegon Retirement Readiness Index**
Indian workers score 6.98 out of 10 on the ARRI, the highest score of all countries surveyed and compares to a global average of 5.86.
- **Indians overwhelmingly have positive perceptions of retirement**
Almost two-thirds (63%) of Indian workers are optimistic that they will have enough money to live on in retirement and three-quarters (75%) have positive associations with retirement. Moreover, 44% of Indian workers are extremely or very confident that they will be able to fully retire with a comfortable lifestyle, compared to just 22% across all 15 countries surveyed. More than half (56%) of retired Indians say they are currently financially comfortable, and a similar number (52%) believe that they will always be able to live comfortably in retirement.

- **The vast majority of Indian workers expect to have to provide financial support for family members after retirement, particularly for their children**

Nearly three-quarters (73%) of Indian workers expect that they will have to support family members financially apart from their spouse or partner after retirement. Children (45%) and ageing parents (39%) are most likely to need support.

- **Indians who envisage continuing to work after retirement are more likely to do so because of enjoyment or a desire to keep active rather than out of financial necessity**

Two-thirds (66%) will continue working to keep active and 59% will do so because they enjoy their work. Only one-in-five (19%) expect to continue working because they have not saved enough on a consistent basis. However, a significant minority (23%) expect to have to work because of anxieties over their retirement income.

- **Indian workers do not think that they are on track to achieve their desired retirement income**

On average, Indian employees are on course to achieve only 71% of the income they will need in retirement. This may be a result of inconsistent savings habits; only half (51%) are saving habitually, that is always making sure they are saving for retirement.

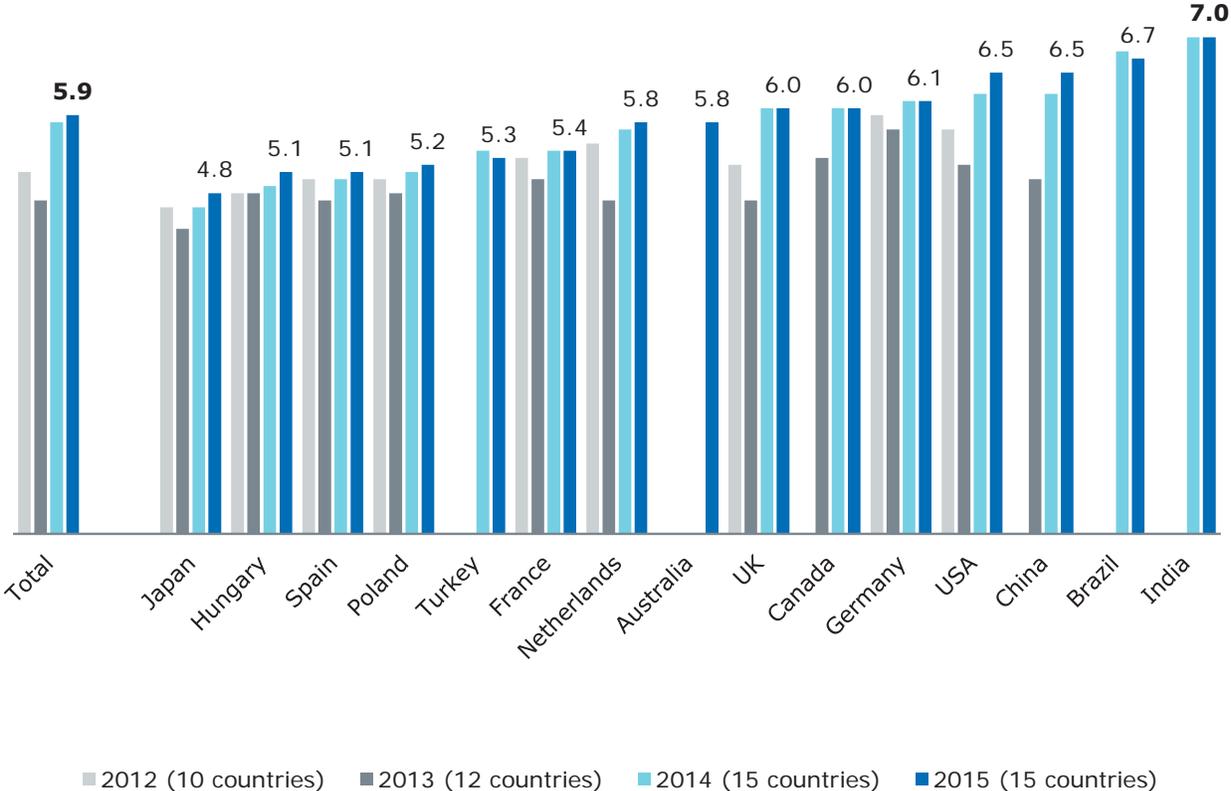
1. India's Changing Retirement Landscape

India has been benefitting from an improved macroeconomic environment since the 2014 Aegon Retirement Readiness survey was published. Inflows into Indian equity markets have remained at record highs even a year after the Indian elections. The rate of inflation has tempered to the point that the Reserve Bank of India has cut its main interest rate twice in 2015, with the first rate cut in almost two years taking place in January.

The most recent Indian Budget 2015/2016 introduced new incentives for retail investors, including raising the tax incentive limit on contributions to a pension fund and the New Pension Scheme from ₹1 lakh to ₹1.5 lakh. This could prove effective because 32% of Indian workers say that more generous tax breaks on long-term savings and investment products would encourage them to save for retirement

Chart 1: India is ranked first in the 2015 Aegon Retirement Readiness Index (ARRI)

I. Index numbered assigned Base: Not Fully Retired (n=14,400)



India's much improved macroeconomic situation is reflected in its people's overwhelming positivity. Nearly two-thirds (65%) of Indians expect the Indian economy to get better over the next year, and 64% expect their own financial situation to get better in the same period.

“...Nearly two-thirds (65%) of Indians expect the Indian economy to get better over the next year.”

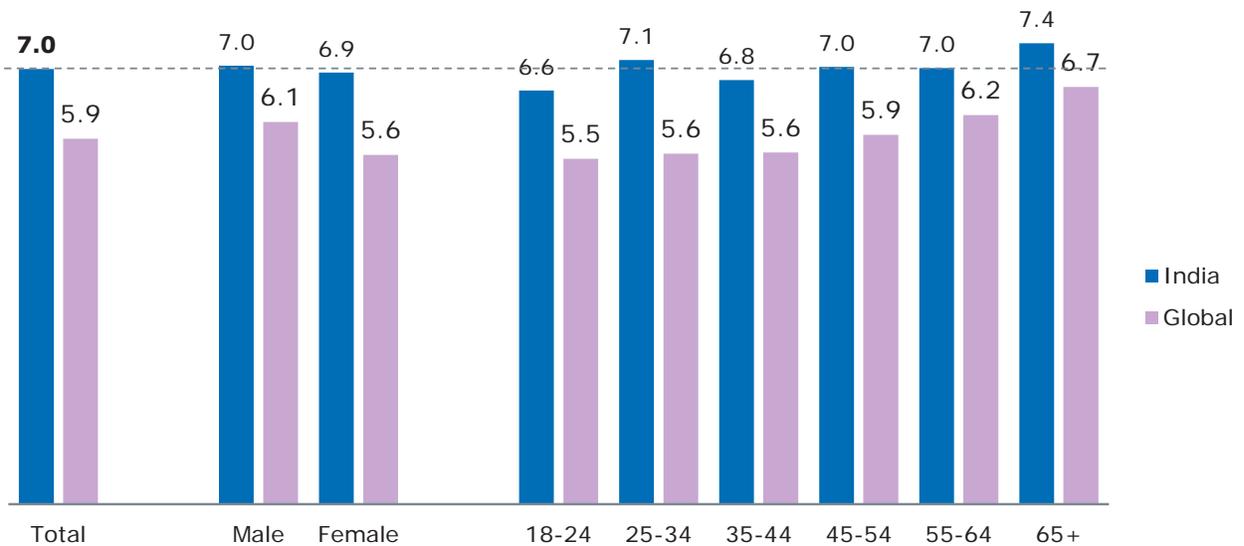
Younger people in India are particularly positive about their finances. Only 52% of 18-24 year old's globally responded that they expect their financial situation to

improve over the next twelve months. Young people in India are more positive about the outlook for their personal financial situation. More than three-quarters (76%) of 18-24 year olds expect their financial situation to improve over the next year, compared to just over half (52%) of 55-64 year olds. Younger women are more positive than younger men – 80% of 18-24 year old women expect their financial situation to get better over the next twelve months compared to 71% of 18-24 year old men.

While Indians score consistently higher than other countries' respondents on the Aegon Retirement Readiness Index, 25-34 year olds in India have particularly high scores relative to their counterparts elsewhere

Chart 2: Young workers score lowest on the ARRI

I. Index numbered assigned Base: Not Fully Retired (n=14,400 (India, n=900))



2. Retirement Expectations and Aspirations

Indians are generally positive about retirement. More than three-quarters (76%) perceive retirement positively, associating it with words such as “freedom” (39%), “leisure” (37%) and “enjoyment” (37%). Compared to people in other countries, they are also much more likely to be confident they can retire comfortably. Over two-fifths (44%) of working Indians are very or extremely confident they can retire with a comfortable lifestyle, compared to just 23% globally.

Chart 3: Nearly two-thirds of Indians expect the economy to get better over the next year

Q. Thinking ahead over the next 12 months, do you expect the economy in India to...? Base: All respondents(n=1,000)

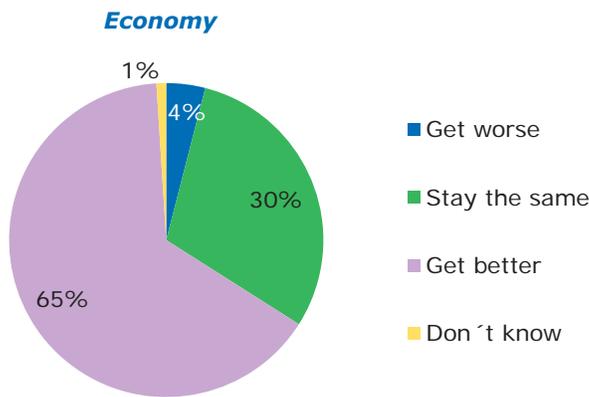


Chart 4: 18-24 year olds have by far the most optimistic short-term outlook on their personal financial situation

Q. And thinking ahead over the next 12 months, do you expect your own financial situation to...? Base: All respondents (n=1,000)

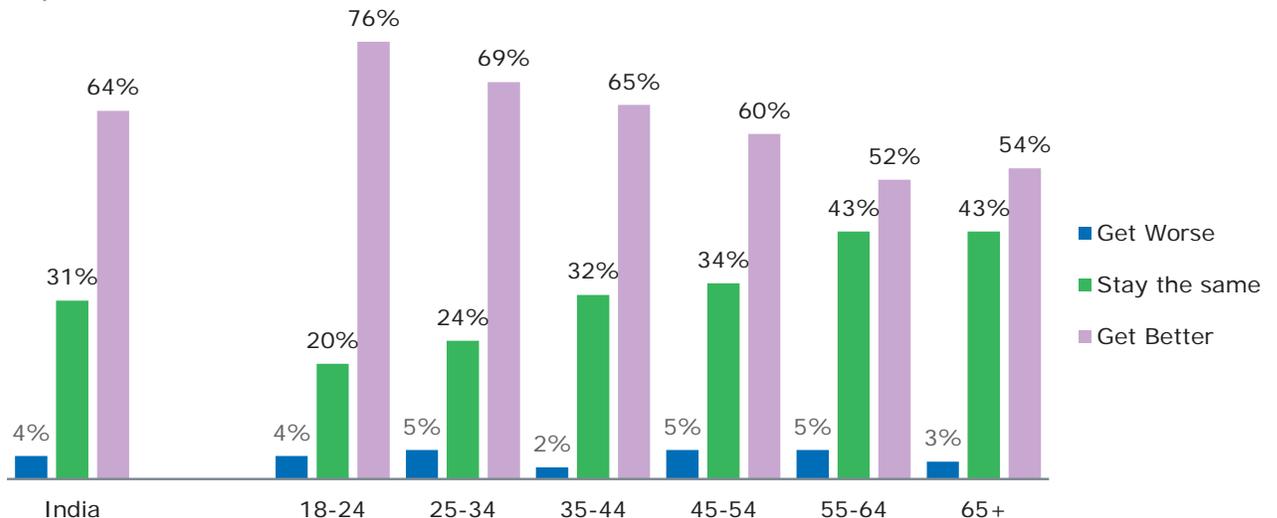


Chart 5: Indians have overwhelmingly positive associations with retirement

Q. Which, if any, of the following words do you most associate with retirement? Base: All (n=1,000)

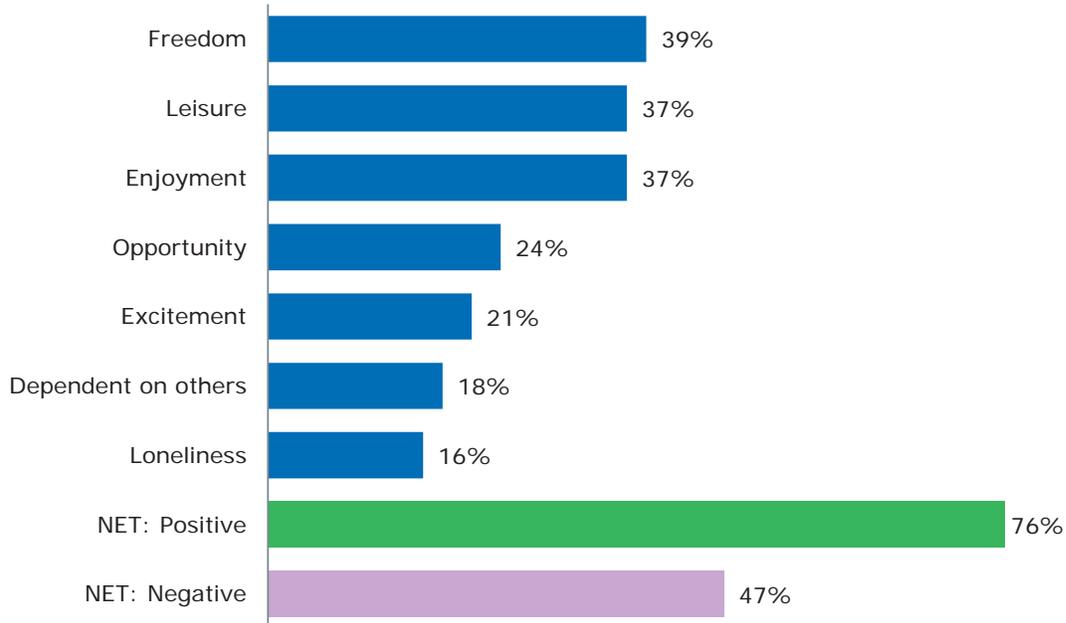
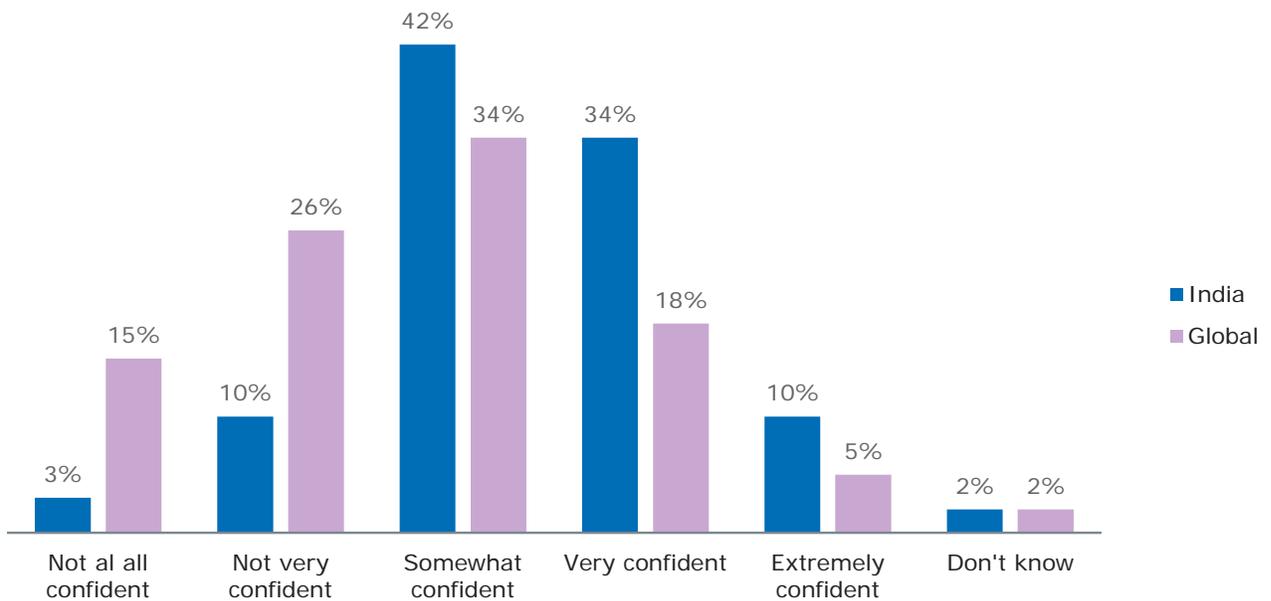


Chart 6: Workers are largely confident that they will retire with a comfortable lifestyle

Q. Overall, how confident are you that you will be able to fully retire with a lifestyle you consider comfortable? Base: Not Fully Retired (n=14,400 (India, n=900))



While the vast majority (79%) of Indian workers plan to continue working to some extent after they retire, most plan on doing so not out of financial necessity but because they want to keep active (66%) or because they enjoy their work (59%). However, a significant minority will continue to work because of anxieties over how long their retirement income will

last (23%), concern that their retirement plan benefits will be less than expected (22%), and a general sentiment that they have not saved enough on a consistent basis (19%). A concrete retirement plan and more consistent saving and investment habits would be a benefit to these workers who feel the need to work post-retirement because of financial concerns.

Chart 7: Few Indians will immediately stop working once reaching retirement age

Q. Looking ahead, how do you envision your transition to retirement? Base: Not Fully/ Semi-Retired (n=872)

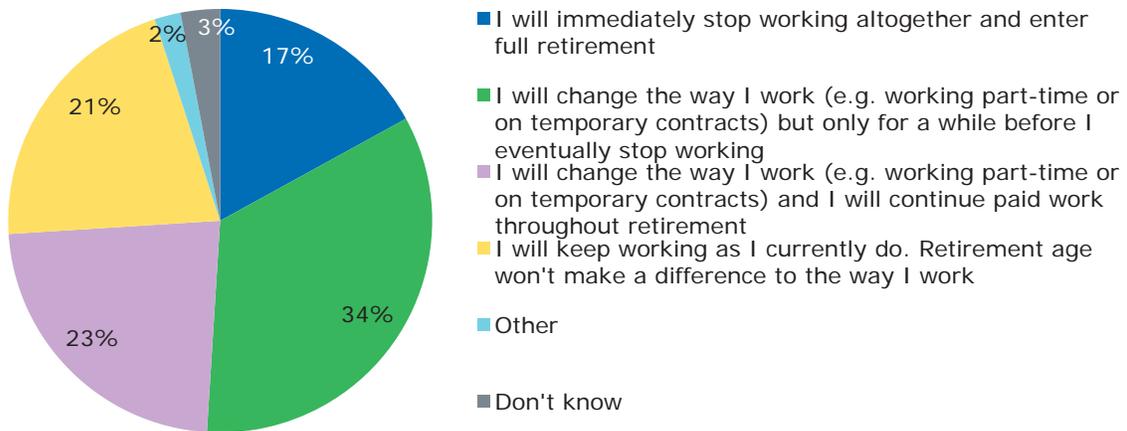


Chart 8: keeping active and enjoying work are the biggest motives for working beyond retirement age

Q. Which, if any, of the following are important reasons for you continuing to work to some extent in retirement? Base: Not Fully Retired and Envision/ Envisioned Working (n=8,195 (India, n=709))

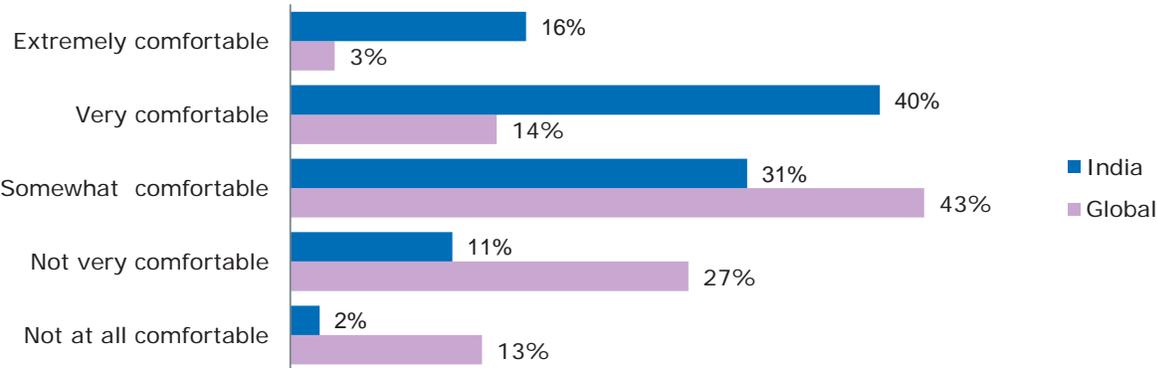


3. Retirement Saving and Planning

Indians' retirement planning is paying off. More than half (56%) of retired Indians currently feel extremely or very comfortable, compared to an average of just 17% across all countries surveyed, though this may be due to a stronger family support system during retirement. More than half (52%) of Indian workers expect to need financial support from family during retirement, compared to just 23% globally.

Chart 9: Indian retirees are far more comfortable than globally

Q. Overall, how financially comfortable do you currently feel in retirement? Base: Fully Retired (n=1,600 (India, n=100))



Family plays a particularly key role in Indian women's retirement. Most (80%) retired women currently provide financial support to family members apart from their spouse/partner, compared to 30% of retired men. Women's reliance on family for financial support also tends to be higher than men's. Two-thirds (64%) of married working women say their husband will be an extremely or very important source of financial support during retirement. For working men the equivalent figure is much lower, 36%. Two-thirds (66%) of retired women expect that they will need financial support from family in retirement, compared to 30% of retired men. This is despite fewer (55%) working women expecting they will need to receive financial support from family while retired, suggesting that there is a misalignment between women's expectations of their retirement and the reality of it.

Chart 10: Women are more likely to both need financial support in retirement as well as provide support to others

Q. Do you expect that you will need to receive financial support from your family during retirement?
 Q. Do you currently provide financial support for your family (other than your spouse/ partner)? Base: Fully Retired (n=100))

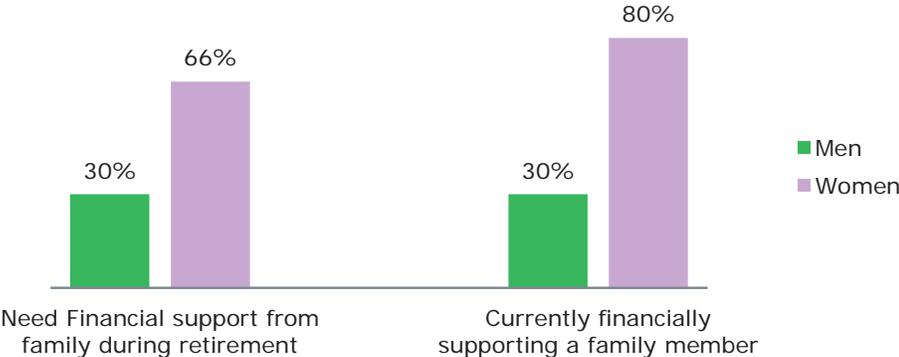


Chart 11: On average, Indian workers expect to need 58% of their current income in retirement...

Q. As a proportion of your current earnings what gross annual income do you expect to need in retirement?
 Base: Not Fully Retired (n=900)

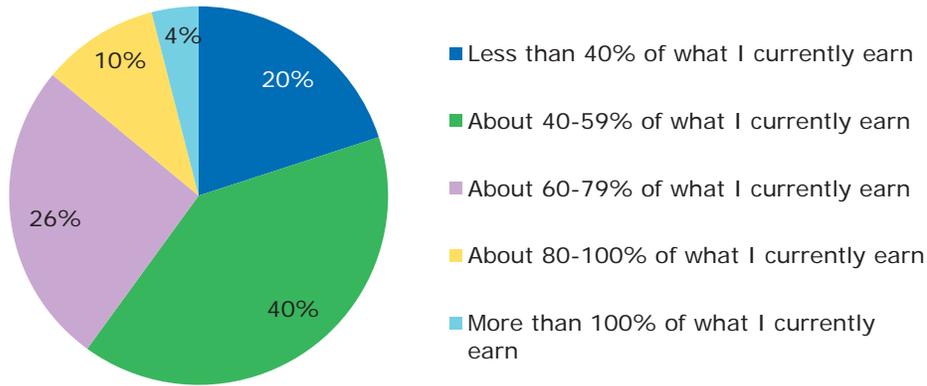
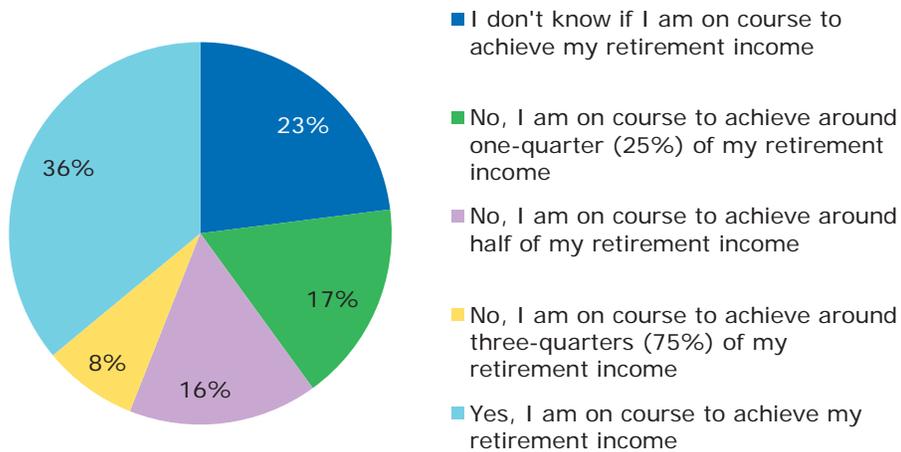


Chart 12: ...however, on average they believe they are on track to achieve only 71% of the retirement income they need

Q. Do you think you will achieve this income? Base: Not Fully Retired (n=900)



Working Indians for the most part do not believe they are on track to achieving their required retirement income. Only 36% think they are on course to achieve it, and the average Indian worker believes they are only on course to achieve 71% of what they say they need.

4. The Retirement Savings Habit

Indian workers tend to feel a greater attachment to their employers than employees in other countries. Only in China do workers feel that retirement plans play an invaluable role in making employees feel valued to a greater extent than Indians (83% vs 74% respectively).

Our survey results consistently show that Indian workers place much stock in employer contributions to retirement plans, with nearly a third (31%) using a workplace pension plan with employer contributions to prepare for retirement. Furthermore, 38% say that a better retirement plan match from their employer would encourage them to save more.

Chart 13: Indian workers feel strongly connected to their employer

Q. Please indicate on a scale of 1 to 5 how strongly you agree or disagree with the following statements about your work, where 1 means you strongly disagree and 5 means you strongly agree. (%s show strongly/ somewhat agree)

Base: Not Fully Retired (n=14,400, India (n=900))

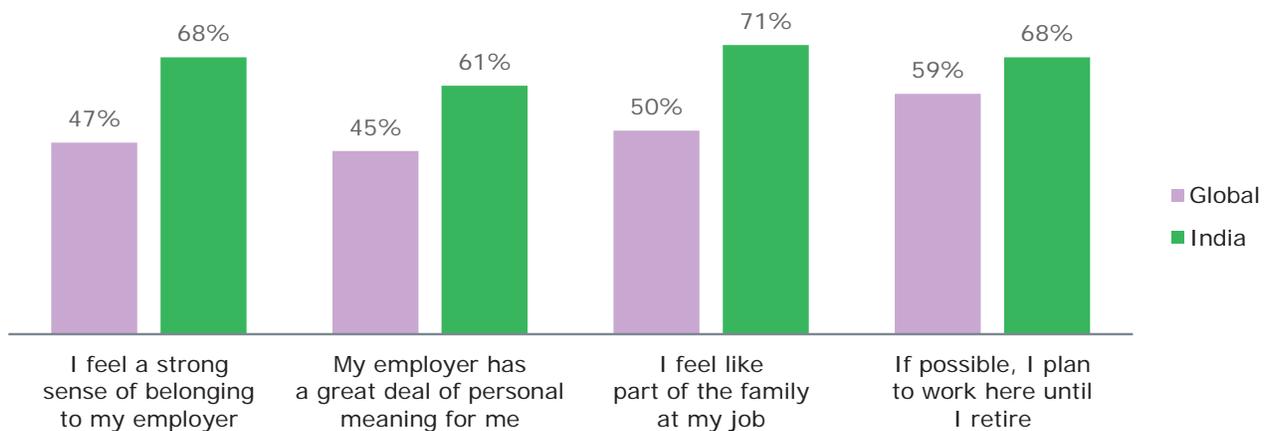
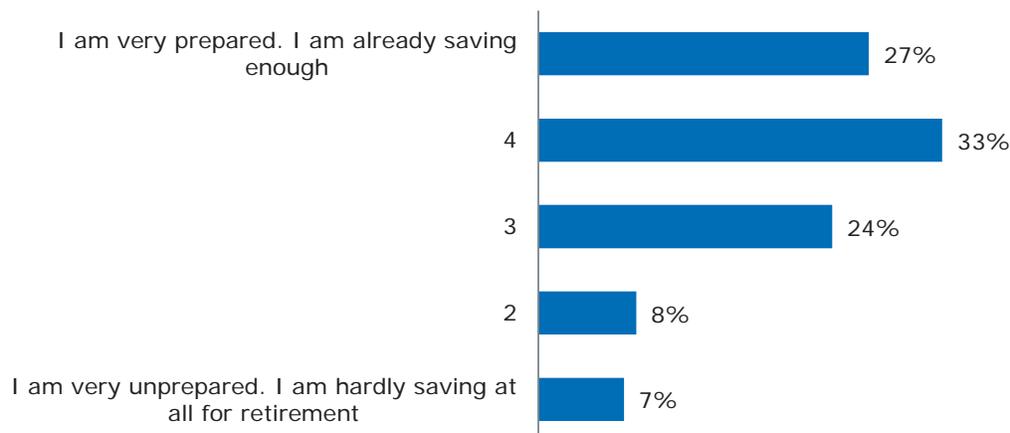


Chart 14: Workers feel they are saving enough for retirement

Q. Thinking about how much you are putting aside to fund your retirement, are you saving enough?

Base: Not Fully Retired (n=900)



There is high uptake of savings accounts and life insurance for retirement savings in India, particularly when compared to holdings in other countries. While life insurance and fixed deposits are the most prevalent investment instruments for retirement, the

persistent popularity of gold and property (43% and 42% of Indians respectively invest in these for retirement) reflects ongoing concerns about the impact of inflation on savings and investments.

Chart 15: Savings accounts and life insurance are the most common means of preparing for retirement

Q. Which financial means, if any, are you currently using to prepare for your retirement? Base: All respondents (n=16,000 (India, n=1,000))

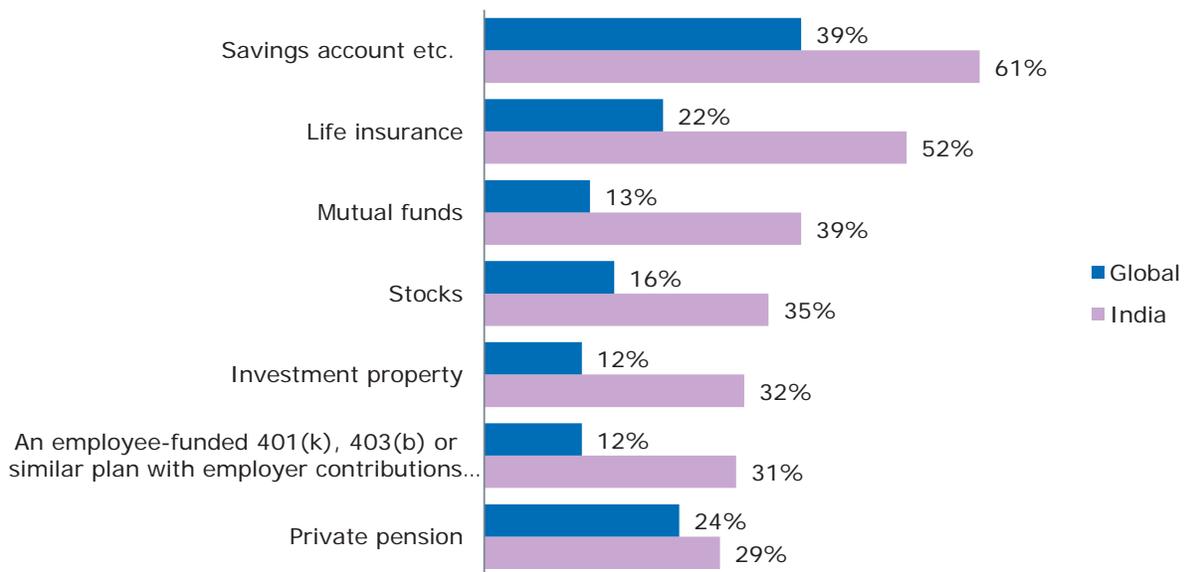


Chart 16: Life insurance and fixed deposits are the most popular retirement products in India

Q. Which, if any, of the following instruments do you invest in for your retirement? Base: All respondents (n=1,000)

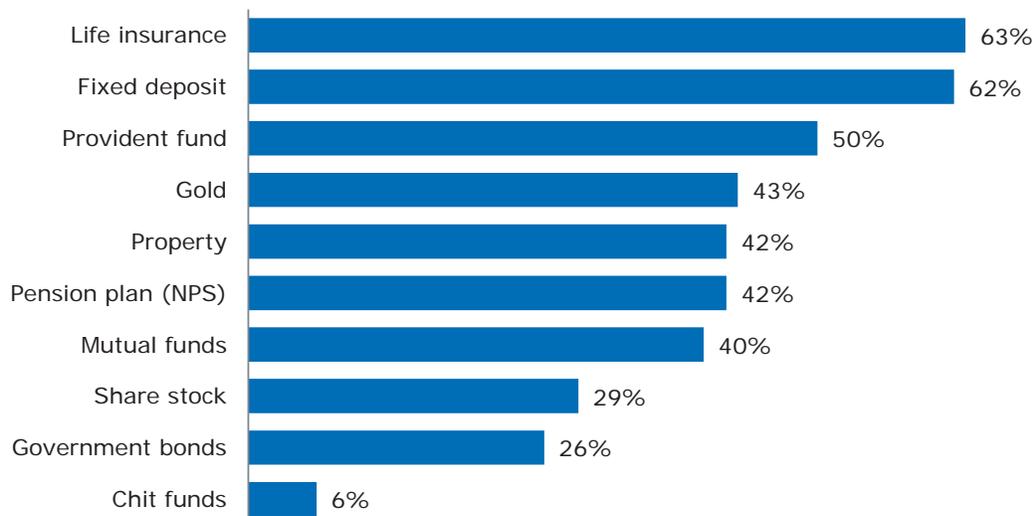
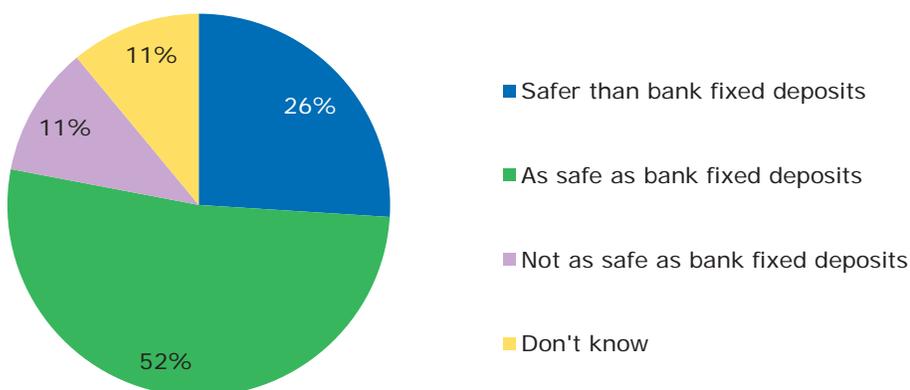


Chart 17: The majority are risk averse preferring a lower return guaranteed pension

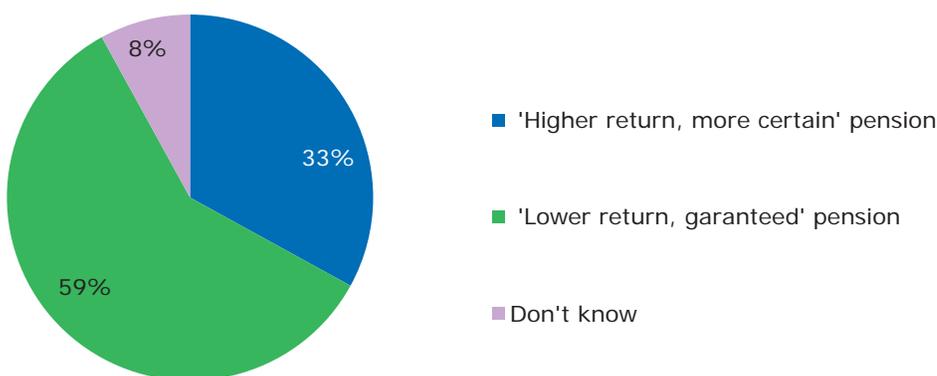
Q. Would you say that National Pension Savings are a safer than, as safe as, or not as safe an investment as bank fixed deposits? Base: All Respondents (n=1,000)



While more than three-quarters (78%) of Indians believe that National Pension Savings are as safe or safer than bank fixed deposits, only 42% are using NPS to save for retirement, compared to 62% who are using fixed deposits. This is despite the fact that NPS schemes have been earning double-digit returns this year and have been open to the public since 2009.

Chart 18: A majority feel that National Savings Pensions are as safe an investment as fixed deposits

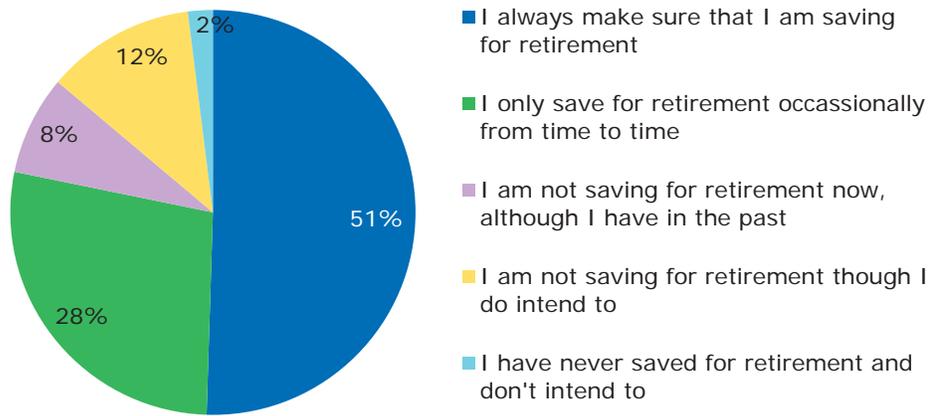
Q. Generally speaking, would you prefer your pension to be a 'higher return, more uncertain' pension or a 'lower return, guaranteed' pension? Base: All Respondents (n=1,000)



Indians tend to be risk averse, demonstrating a strong preference for a 'lower return, guaranteed' pension over a 'higher return, more uncertain' pension. Those who prefer a 'lower return, guaranteed' pension would, on average, pay 6% more for such a pension. Only half (51%) of Indian workers are saving consistently for their retirement, perhaps a significant contributing factor to the sentiment that they are not on track to achieving their retirement income goals.

Chart 19: More habitual saving would ensure that Indian workers reach their retirement income goals

Q. - Which of the following best explains your approach to saving for retirement? Base: Not Fully Retired (n=900)

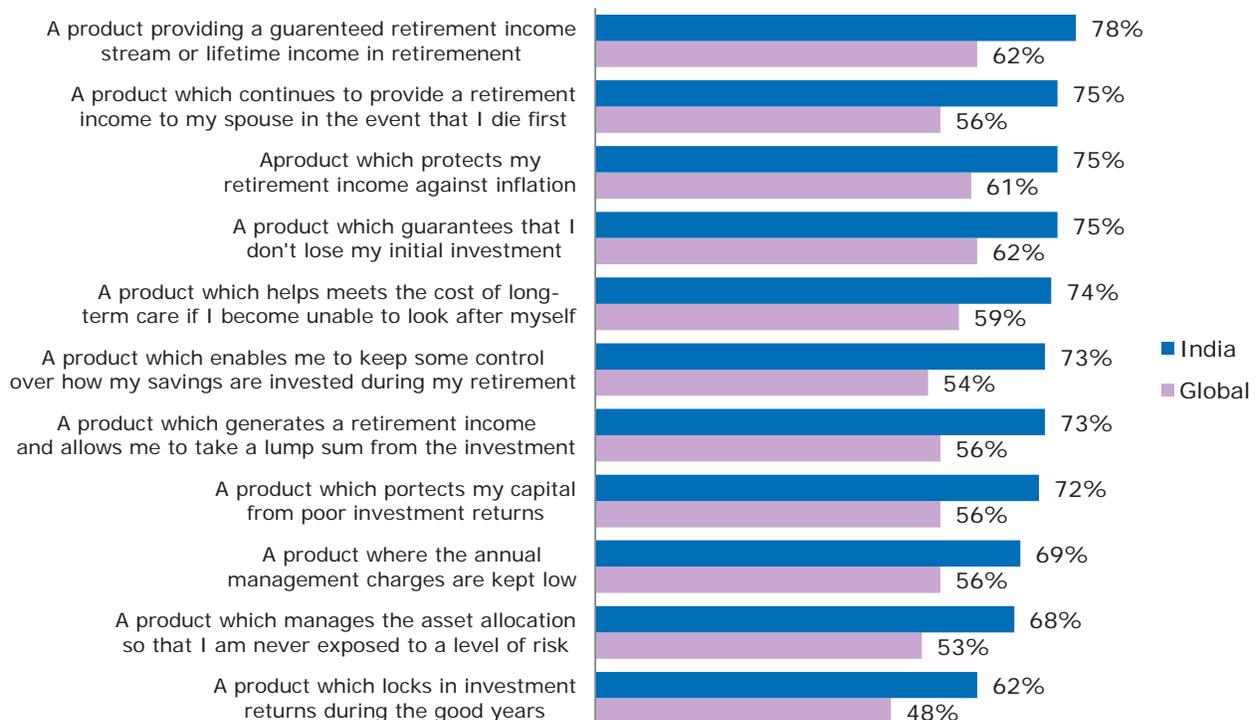


Indians use savings accounts to a much greater extent than in other countries, constraining their ability to earn income from their savings and investments. Nearly two-thirds (61%) of Indians use savings accounts to prepare for retirement, compared to 39% across all countries surveyed.

Products with easy-to-use access to tracking and management of retirement savings would encourage 39% of working Indians to save for retirement. Indians also tend to be much more interested in different types of investment products than in other countries, suggesting strong appetite for new financial products.

Chart 20: Indians are interested in a range of products that offer protection and guarantees

Q59: On a scale of 1 to 5 how interested are you in the following options, where 1 is not at all interested and 5 is extremely interested? (%S Refer To Very/Extremely Interested). Base: All Respondents (n=16,000 (India, n=1,000))



Recommendations

- Indians need to be saving more consistently for retirement in order to stay on track of their retirement income goals and to feel more secure about not working entirely in retirement..
- Financial support from and of family members during retirement need to be important considerations when planning for retirement. This is particularly key for women. They are not only more likely to be supporting family members into retirement, they are also more dependent on husbands and other family members for financial support.
- A key incentive for Indians saving more for retirement are higher employer matching contributions to work retirement funds, which in turn would help employees feel more valued in the workplace.
- Indians have a strong appetite for different kinds of investment products, and a wider diversity of available products would encourage Indians to save more for retirement.

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