New Study Reveals Ways to Help Improve Retirement Outlook of Workers Around the World

Although retirement systems differ among countries, many solutions are common to all


“Although economies are improving, continued pressures on retirement systems around the world are driving the need for individuals and families, employers, and policymakers to change the way they view retirement,” said Catherine Collinson, president of TCRS. “We live in a time in which it is vitally important to find ways to help people achieve a financially secure retirement.”

Economic Outlook Revives While Concerns About Retirement Confidence Persist

This year’s survey found increased optimism among workers around the world about improvements in their local economies. Twenty-eight percent of workers expect their country’s economy to improve in the coming year – a sharp increase from 19 percent in 2013. Such optimism is highest in 2014 in Brazil (69 percent) and India (48 percent), and lowest in Germany and France (both 12 percent). Twenty-four percent of Americans hold this view. Optimism increased in eight of the countries that were surveyed in both 2013 and 2014.

“Despite improving economic sentiment, there is a continuing widespread lack of confidence about retirement prospects,” Collinson said. Only 19 percent are “very” or “extremely” confident that they will be able to someday fully retire with a comfortable lifestyle. Confidence levels are highest in China (41 percent) and especially low in Europe with just six percent in France and four percent in Poland. Twenty-eight percent of Americans are “very” or “extremely” confident.

A Powerful Solution: Make It Easier for People to Save via Automatic Enrollment

“A lack of money to save explains why many people are not saving enough for retirement,” Collinson said. “It’s not surprising that many say a pay raise would help them save more. What is surprising, our research found, is that simplifying the decision-making around the process of saving can also help increase savings rates.”

Automatic enrollment is an employer-sponsored retirement plan feature in which an employee need only take action if he or she desires to opt out and not contribute to the plan. It eliminates the decision-making and steps normally required of employees to enroll and start contributing to an employer-sponsored retirement plan. The survey found that automatic enrollment holds universal appeal. Globally, 63 percent of workers find the notion of automatic enrollment to be appealing, with an even higher response rate of 69 percent among American workers.
In retirement plans using automatic enrollment, the employer who is sponsoring the plan sets a default contribution rate as a percentage of its employees’ annual pay at the time of enrollment. “In the United States, the common default rate is three percent,” Collinson said. “This percentage is misleading because it implies to workers that it’s sufficient to fund their retirement when, in most cases, it is not.”

The survey asked workers what they felt would be a reasonable amount to contribute if they were to be automatically enrolled into an employer’s retirement plan. Globally, the average response was six percent of annual pay. In the United States, the average response was even higher at seven percent.

“Employers can make a tremendous difference in helping their employees save for retirement by implementing automatic enrollment – and setting the default contribution rate at six or seven percent. Moreover, they can encourage employees to save even more with an automatic escalation feature which increases savings rates over time,” said Collinson. “By doing so, they are making it easy for their employees to save.”

Financial Planning With a “Plan A” and a “Plan B” Is a Must

“Proper planning is critical for achieving retirement readiness,” said Collinson. “It is nearly impossible to reach a destination without a roadmap and navigational tools. Workers can improve their retirement outlook by doing their homework, formulating savings goals, seeking expertise when needed, and creating a solid plan.”

Only 12 percent of workers globally have a written strategy for retirement, 44 percent have some sort of informal plan, four percent “do not know” and 40 percent say they have no plan at all. Thirty-five percent of American workers do not have a plan.

It’s also clear that workers need a financial backup plan if they are unable to work. Well before they even reach retirement age, workers need to be financially prepared for such an emergency. For many people the worst has already happened in the shape of the financial crisis, which gave rise to long-term and persistently high levels of unemployment. In the survey, globally, 61 percent say they do not have a backup plan. In the U.S., the response was slightly lower at 59 percent.

“Many people who become unemployed stop saving for retirement and start dipping into their retirement savings to fund living expenses,” Collinson said. “Unfortunately, this can have long-term negative consequences for their future retirement. To prevent this scenario, it is essential that workers have a “Plan B” for life’s unforeseen circumstances.”

A Phased Transition Into Retirement Will Be the New Norm – If Employers Can Embrace It

Many workers envision some kind of phased transition into retirement. Just one in three (32 percent) plans to immediately stop working and fully retire. In the U.S., even fewer (24 percent) plan to do so. In European countries, like Spain (52 percent) and France (51 percent), which have histories of compulsory retirement, workers are more likely to plan to stop immediately.

Employment and government policy reforms are needed to facilitate this new approach to retirement, yet change is not catching up with worker demand: only 23 percent of workers say their employers facilitate transitioning from full-time to part-time. Even fewer U.S. workers (21 percent) indicate their workplace policies accommodate the transition. In many cases, change in labor and pension laws, as well as a change in cultural norms, are needed to facilitate implementation of a phased retirement program.
“People see themselves phasing into retirement vis-à-vis a gradual shifting of their time with less and less spent working and more on leisure and enjoyment,” Collinson said. “This vision cannot be achieved unless governments implement reforms and employers adapt new business practices to facilitate such a transition.”

About the Survey
The Aegon Retirement Readiness Survey 2014 is a collaboration between the Transamerica Center for Retirement Studies and Aegon. The survey encompasses 16,000 employees and retirees in 15 countries: Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Sweden, Turkey, 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, and interviews were conducted in their local languages in January and February 2014. 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. 14,400 employees and 1,600 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.

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1 As the survey was conducted online, the results in Brazil, China, India, and Turkey are biased toward people living in urban areas. Internet penetration is underrepresented in rural areas and among lower income groups.