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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 Poland, positivity over retirement is low and, in the short-term, people view their financial position more negatively than most other nations surveyed. Further, a lack of sound saving habits remains a significant obstacle to retirement preparation. 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 Poland. Undoubtedly obstacles exist that are out of the hands of individuals: interest rates in the Eurozone are at historic lows and controversial reforms of the pension system have left many disillusioned. However, the fundamentals remain. Saving regularly and early on are the surest means to attaining financial security in later life.

Key Findings

- **Poland ranks twelfth in 2015 Aegon Retirement Readiness Index**
  With a score of 5.2 out of 10, Poland is assessed as having a low level of retirement readiness. Globally, Poland ranks 12th out of the 15 countries included in our 2015 survey.

- **Poles are largely negative towards retirement**
  Three of the five most common word associations with retirement are negative. Ill health, insecurity and poverty weigh heavily on the minds of individuals when they consider later life.

- **While most understand the need to save for retirement, many are failing to put this into action**
  Two-thirds (66%) of Poles feel personally responsible for making sure they have sufficient income in retirement. However, looking into what steps Poles have taken to prepare for retirement, we find that more than half (55%) of workers have no plan for their retirement preparation.

- **Producing a savings landscape that encourages habitual saving is the responsibility of individuals, employers and government**
  Key to retirement preparedness is consistent saving from a young age. While individuals need to adopt a savings mindset, employers and governments play a crucial role in encouraging saving.
1. Poland’s Changing Retirement Landscape

Poland has done much over the past two decades to foster economic growth and resolve political strife. However, despite these gains, the standing of the country’s pensions system still leaves room for improvement. Last year reforms were implemented involving the raid of second pillar pension funds and the removal of mandatory occupational savings plans. What uncertainty arose from the move has done little to ameliorate people’s already established concerns over finances in later life.

As the 2015 Aegon Retirement Readiness Index (ARRI) shows, many Poles are not taking the necessary steps to ensure a comfortable lifestyle in retirement. The ARRI was created in 2012 to assess the relative levels of retirement preparedness across employees in all countries included in our survey. Individuals are grouped according to whether they achieve a high index score (8 or above out of 10), a medium score (between 6 and 7.99) or a low score (below 6). With a score of 5.2 this year, Poland remains in twelfth place out of the 15 countries surveyed.

Chart 1: Poland places twelfth in the 2015 Aegon Retirement Readiness Index (ARRI)

I. Index numbered assigned Base: Not Fully Retired (n=14400)

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1 In 2015 we surveyed a total of 16,000 people in 15 countries around the world. This included 14,400 people currently in work and a further 1,600 people who are already living in retirement. The index is calculated using a group of questions measuring both behavior and attitudes of respondents regarding retirement preparation. For further information please see http://www.aegon.com/index
Clearly hurdles remain to ensuring that everyone is able to prepare financially for later life in Poland. Savers are being squeezed by low interest rates, a feature common to all economies across Europe and North America, and upheaval of the pensions market is not encouraging. People are concerned about the future of social security and the possibility of retirement benefits being reduced. Perhaps most saliently, a majority (72%) of Poles believe future generations will be worse off in retirement than current retirees. Interestingly, this view increases significantly with age (from 65% among ages 18-24 rising to 75% among 55-64 year olds) meaning that younger persons may be unaware of this possibility.

Women and young to middle aged generations are more ‘at risk’ of experiencing low levels of retirement preparedness. For women, the need to balance family and career means that they are more likely to be absent from the job market. Where they are working, they are more concentrated in part-time work (and enjoy less access to workplace pensions). 72% of women in Poland scored a ‘low’ index ranking (less than six) compared to 60% of men.

For younger workers, it is understandable that retirement preparation takes time. However the length of time it takes workers in Poland to adopt successful financial habits is concerning. Globally ARRI scores tend to improve as workers move into their late 30s or early 40s. However in Poland ARRI remains consistently at around 5 and it’s not until workers reach their 50s that we see any real improvement. Only when workers are into their 60s do they achieve a ‘medium’ score of over 6. This is simply too late to secure the kind of retirement people anticipate. With people expecting to need on average 79% of their working age income in retirement, many people will fall short of this if they continue to defer retirement savings into their 50s. The ARRI score of young workers remains persistently low around the globe, despite our research showing that effective savings habits are possible even among those on more modest incomes. Globally the ARRI has continued to improve. But important questions remain. Does this improvement reflect real changes in savings behaviour or do people simply feel more positive about their finances? The following section will explore this latter consideration: how do people view retirement and what expectations lie ahead?

“...a majority (72%) of Poles believe future generations will be worse off in retirement than current retirees.”

**Chart 2: Women and young to middle aged workers have lowest ARRI scores in Poland**

I. Index numbered assigned Base: Not Fully Retired (N=900)
2. Retirement Expectations and Aspirations

Polish people largely expect the Polish economy and their own finances to remain unchanged over the coming 12 months (50% and 52%, respectively). Over one-fifth (21%) expect their own financial situation to get better while just over one-tenth (11%) expect the country economy to get better. Men and the young are typically more optimistic of improvement.

Chart 3: Economy and personal finances not expected to change over the coming 12 months

Q. Thinking ahead over the next 12 months, do you expect the economy in Poland to...? And thinking ahead over the next 12 months, do you expect your own financial situation to...? Base: All Respondents (N=1,000)

Leisure activities feature highly among Polish retirement aspirations - including traveling (61%), spending time with friends and family (60%) and pursuing new hobbies (55%) - work will play a larger role in the retirement of current workers. At the age of retirement, only 35% of workers will immediately stop work altogether. The Polish are mixed on how they view retirement.

The word most commonly associated with retirement is leisure (48%). Almost three-fifths (59%) associate retirement positively. However of all the nations surveyed, the Polish are also the most negative about retirement with three-quarters (76%) associating it negatively, mentioning Ill health (44%), insecurity (35%) and poverty (33%) topping the list.
**Chart 4: Most Polish expect an active retirement**

Q. Which, if any, of the following are important retirement aspirations for you? Base: All Respondents (n=1,000)

- Traveling: 61%
- Spending more time with friends and family: 60%
- Pursuing new hobbies: 55%
- Continue working in the same field: 14%
- Living abroad: 11%

**Chart 5: Retirement is generally viewed negatively**

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

- Leisure: 48%
- Ill health: 44%
- Insecurity: 35%
- Poverty: 33%
- Freedom: 20%
- NET: Positive: 59%
- NET: Negative: 76%
Given the insecurities workers have about retirement, the financial burden of preparing for that retirement is still a major cause for concern. Confidence in achieving a comfortable retirement lifestyle is extremely low in Poland. Four-fifths (80%) of workers are not confident that they will retire with a comfortable lifestyle making the Polish the least confident nation surveyed. Further, only 4% are confident that they will achieve a comfortable lifestyle in retirement.

Medical expenses are another stumbling block for future finances. There are widespread concerns about the onset of poor health in retirement. Less than half (35%) are optimistic that they will maintain good health. Clearly, the constraints of access to social care are a concern given that just over one-fifth (22%) are optimistic that they will be able to pay for their own and their partner’s medical expenses in later life.
3. Retirement Saving and Planning

In Poland, there is seemingly a disconnect between workers’ levels of financial awareness and their actual savings behavior. Two-thirds of Polish (66%) feel personally responsible for making sure they have a sufficient income in retirement. Further a majority (64%) are aware of the need to plan financially for retirement. However it is clear that this has not translated into effective savings habits being adopted.

Chart 9: Majority of Polish workers are aware of the need to save for retirement...

Q. How would you rate your level of awareness on the need to plan financially for your retirement?
Base: Not Fully Retired (n=900)
Looking into the details of Polish workers’ retirement plans, we find that more than half (55%) have no retirement plans at all. Just 6% have a written plan for retirement. Unsurprisingly few feel their plans are well developed. Just under a third (32%) of workers claim that their plans are somewhat or very well developed, and just over one-fifth (22%) feel they are somewhat or very prepared in terms of how much they are putting aside for retirement. When it comes to the reality of retirement planning, the truth is less inspiring than workers’ initial sentiment towards their progress.

Chart 10: ...Yet few have made formal plans for retirement

Q. Which of the following best describes your retirement planning strategy? Base: Not Fully Retired (n=900)

When making financial plans for the long-term it is clear that people need to think beyond the obvious. Unexpected events such as periods of illness or unemployment, for example, have the potential to derail retirement preparation, so it is important that planning involve a backup plan. Only 24% of workers in Poland currently have alternative arrangements in place if they were unable to work prior to retirement. Of these plans, the most common strategy is to dip into savings (56%). If workers are to prevent the potential detrimental impacts of these events, adjusting savings habits early on is key.

Chart 11: Less than one-quarter of Polish workers have a backup plan for retirement

Q. In the event that you are unable to continue working before you reach your planned retirement age, do you have a “backup plan” to provide you with an income? Base: Not Fully Retired (n=900)
Chart 12: Most often backup plans involve dipping into savings

Q. Which, if any, of the following are part of your “backup plan” for an income in the event that you are unable to continue working due to ill health or job loss? Base: Have “Backup Plan” (n=219)

- My savings: 56%
- My spouse - partner working: 32%
- Disability insurance from my employer or that I purchased: 27%
- Downsizing my home - selling a second home: 23%
- Redundancy insurance: 20%

4. The Retirement Savings Habit

As individuals become increasingly responsible for planning and funding their own retirement, personal savings habits take on an even greater role in overall financial preparedness. Our findings reveal that not only do workers need to take steps to start saving, but also to maintain consistent saving over time.

Our research reveals that there is a group of savers, those who save consistently, who is scoring the highest in Poland’s Aegon Retirement Readiness Index. This group is more likely to have a formal savings plan and are more likely to have a backup plan in place. They also feel more positive about retirement. When comparing these savers with those who put money aside less frequently, the results are clear: saving consistently even in small quantities, is the best way to improve your readiness.
Chart 13: Aspiring and Habitual Savers are key to improving retirement readiness

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

<table>
<thead>
<tr>
<th>Aspiring Savers</th>
<th>Habitual Savers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median age</strong></td>
<td>32</td>
</tr>
<tr>
<td><strong>Male</strong></td>
<td>39%</td>
</tr>
<tr>
<td><strong>Female</strong></td>
<td>61%</td>
</tr>
<tr>
<td><strong>Full-time work</strong></td>
<td>83%</td>
</tr>
<tr>
<td><strong>Part-time work</strong></td>
<td>16%</td>
</tr>
<tr>
<td><strong>Personal income (Median)</strong></td>
<td>31,800</td>
</tr>
</tbody>
</table>

- HABITUAL SAVERS - I always make sure that I am saving for retirement
- OCCASSIONAL SAVERS - I only save for retirement occasionally form time to time
- PAST SAVERS - I am not saving for retirement now, although I have in the past
- ASPIRING SAVERS - I am not saving for retirement though I do intend to
- NON-SAVERS - I have never saved for retirement and don't intend to

Chart 14: Retirement outlook and planning – Habitual and Aspiring Savers

<table>
<thead>
<tr>
<th></th>
<th>Aspiring Savers</th>
<th>Habitual Savers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ARRI score</strong></td>
<td>4.0</td>
<td>6.7</td>
</tr>
<tr>
<td><strong>Positive associations with retirement</strong></td>
<td>50%</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Confident of retiring with a comfortable lifestyle</strong></td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Optimistic about maintaining good health in retirement</strong></td>
<td>31%</td>
<td>39%</td>
</tr>
<tr>
<td><strong>Have written plan for retirement</strong></td>
<td>1%</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Have backup plan for retirement</strong></td>
<td>11%</td>
<td>42%</td>
</tr>
</tbody>
</table>
Yet the biggest opportunity lies not in those who have already adopted successful savings habits, but in the aspiring savers who with knowledge or guidance are ready to take ownership of their financial future. It is here where automatic enrolment is potentially having the most profound impact. These aspiring savers, typically women and younger workers, may be finding saving challenging due to constraints such as lower income or less access to workplace pension schemes. Creating a pensions landscape which helps convert aspiring savers into actual savers (and occasional savers into habitual savers) should be the goal of all employers, governments and individuals. The starting point is to understand the needs of these diverse groups and remove the barriers to planning and preparing for retirement.

Our research shows that while income can be a barrier to saving for retirement, successful savings habits can still be achieved even with modest earnings. Examining the proportion of Habitual Savers across income bands, we find slightly more than one-fifth (21%) of low-income earners (defined as less than 60,799 zł per year) consistently save for retirement. However, by the 60,800 zł – 91,199 zł band this rate increases to over two fifths (41%). What is important is that individuals adopt a savings mind-set – even at higher income bands not all earners are consistently putting aside money for retirement. While a financially comfortable retirement may not require higher-level earnings, taking ownership of one’s savings is a crucial step.

**Chart 15: Habitual Savers by personal income band - Poland**

Q. Which of the following best explains your approach to saving for retirement?
Base: Not Fully Retired (n=900)
Facilitating employees to adopt successful savings habits requires a shared approach among individuals, employers and the government. While second pillar pensions have been the object of recent reforms, our survey shows that strong public support exists for auto-enrolment into workplace pension plans. As proven abroad, auto-enrolment eliminates a substantial psychological barrier to planning by removing the need to make a decision on whether to opt-in to a workplace pension. A majority (71%) of Poles agree that the government should encourage employers to automatically enrol their employees into a retirement plan. Furthermore, among the Aspiring Savers – where we find many women and young individuals – 55% said that they would find the prospect of being automatically enrolled into a workplace pension scheme with a contribution rate of 6% of salary appealing to them.

Support remains high even when the level of contributions is raised to 8% of salary where we find that 45% would still support the idea. This illustrates that the prospect for introducing auto-escalation, where contributions levels increase slowly over time is unlikely to have a major impact on dissuading Aspiring Savers from joining a pension plan or remaining within their current pension plan even if the default contribution level is increased.

This all goes to show that the workplace remains a vital channel for improving retirement savings habits. This is supported further by other findings. For example, receiving a pay rise is the biggest single trigger point that would encourage people to save for retirement. In total, 67% said that this would prompt them to save. Clearly, employers and employees are likely to know for months in advance when the annual pay review is due: employers can seize on this opportunity to give their employees a gentle reminder or ‘nudge’ towards the benefits of long-term saving. Many services that are currently underutilised such as educational materials (only 15% of employees are currently offered these in their workplace), and in person or face-to-face meetings with advisers (10%) could be effective ways of overcoming inertia.

As modern workers expect to stay in the labour force longer and transition into full retirement more slowly than previous generations, it is important that the workplace adapt to this change. Employers can do this through a range of support offered to their workforce, in particular through policies to improving the vitality and wellbeing, alongside policies to improve access to employment. Examples include subsidies for gym membership or education, as well as work place sponsored activities such as fun runs.

Working longer further has the benefit of solidifying retirement savings pots and extending active years into later life. Moreover employers benefit from the additional access to expertise gained throughout a full career. But we find that overall employers can do more to improve their offering of transitional phase benefits. For example, only 37% of employees say their workplace offers them the ability to work past the normal retirement age and only 19% say their workplace offers them the option of a phased retirement or other employer programmes providing for the transition into retirement.

**Chart 16: Access to retirement-related workplace benefits**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance/death in service benefits</td>
<td>59%</td>
</tr>
<tr>
<td>Flexible working hours</td>
<td>43%</td>
</tr>
<tr>
<td>Ability to work past the normal retirement age</td>
<td>37%</td>
</tr>
<tr>
<td>Phased retirement or other employer programmes providing for a transition into retirement</td>
<td>19%</td>
</tr>
<tr>
<td>Retirement plan with employer contributions</td>
<td>19%</td>
</tr>
<tr>
<td>Retirement plan without employer contributions</td>
<td>16%</td>
</tr>
<tr>
<td>Stock purchase scheme</td>
<td>13%</td>
</tr>
</tbody>
</table>
**Recommendations**

- Individuals should take ownership of their financial future. Take steps to learn about retirement finances and make a plan to meet these goals. Saving consistently, even in small amounts, is the best way to ensure retirement readiness.

- Employers can increase the power of their workplace education programs by timing their messages to important trigger points, like awarding a pay rise. Timing financial education to a pay raise is also an efficient way to encourage consistent saving.

- The government could facilitate workforce education and wellness programs and create tax incentives to employers who implement them.

- Employees should be encouraged to create a "Plan B" in the event that they are unable to work to their planned retirement age (because of job loss, disability, etc.). Exempting insurance and other financial protection products from tax is a means of providing this incentive.

- Employers are encouraged to adopt workplace and benefit policies supporting an age friendly workforce. This would enable people who to build skills throughout their career and continue to work past their normal retirement age, either because they want to stay active or want to grow their savings pot. Employers benefit from retaining and attracting older workers with experience and expertise.

- Reforms should be encouraged to facilitate phased retirement programs. Phased retirement programs enable workers who have reached retirement age to transition to continue working in a reduced capacity (reduced hours, less demanding positions, less pay, or all three). Workers continuing to earn additional retirement benefits proportionately based upon the additional less-than-full-time employment.

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