Inspiring a World of Habitual Savers
The Aegon Retirement Readiness Survey 2015

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Agenda

- Announcing the Aegon Center for Longevity and Retirement
- The 4th Annual Aegon Retirement Readiness Survey
  - Introduction
  - About the survey
  - Key findings
  - Recommendations
  - Q&A

www.aegon.com/theCenter
Announcing the Aegon Center for Longevity and Retirement (The Center)

- The Center’s mission is to conduct research, educate the public, and inform a global dialogue on trends issues, and opportunities surrounding longevity, population aging, and retirement security.
- It is a collaboration of experts assembled by Aegon with representation from the Americas, Europe, and Asia.
- Aegon has established this Center to demonstrate its commitment in the field of aging and retirement research.
- It will work in close collaboration with U.S.-based Transamerica Center for Retirement Studies, a nonprofit, private foundation.
Introduction

- This year’s survey demonstrates the benefits of habitual saving and highlights the need for making it a global trend where responsibility is shared by individuals, employers and governments.

- It aims to:
  - Gauge the level of retirement readiness in 15 countries,
  - Identify the steps needed to make active retirement an aspiration for all, and
  - Provide a roadmap for individuals, employers and policymakers to make habitual saving a global trend.
About the Survey

Survey Methodology

- 2015 Survey: an online and nationally representative survey conducted in local languages in 15 countries between 6th – 23rd Feb 2015

Countries included:

- Australia
- Brazil
- Canada
- China
- France
- Germany
- Hungary
- India
- Japan
- Netherlands
- Poland
- Spain
- Turkey
- UK
- US

Respondents

- In total 16,000 survey respondents
- 900 employees
- 100 fully retired people

This Survey is a collaborative work between the Aegon Center for Longevity and Retirement, the Transamerica Center for Retirement Studies® and Cicero Consulting

* Added 2013 ** Added 2014 *** In China 2,000 surveyed in total **** Added 2015
Key findings

1. The improving state of retirement readiness: reality or illusion?
2. Active retirement: promoting greater health and vitality in retirement
3. Making habitual saving a global trend is a shared responsibility
4. Employers make a major contribution toward improving the financial well-being of their employees in retirement
5. Governments can significantly help by encouraging individuals to work longer and save more
1. The improving state of retirement readiness: reality or illusion?

**Aegon Retirement Readiness Index (ARRI) increased slightly in 2015**

<table>
<thead>
<tr>
<th>Index Scale</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>4.8</td>
<td>5.1</td>
<td>5.2</td>
<td>5.3</td>
</tr>
<tr>
<td>Medium</td>
<td>5.4</td>
<td>5.8</td>
<td>5.8</td>
<td>6.0</td>
</tr>
<tr>
<td>High</td>
<td>6.0</td>
<td>6.0</td>
<td>6.1</td>
<td>6.5</td>
</tr>
</tbody>
</table>

The ARRI 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
1. The improving state of retirement readiness: reality or illusion?

However, many fail to plan properly – fewer than one quarter of workers in every survey country have a written retirement strategy.

<table>
<thead>
<tr>
<th>Country</th>
<th>I have a written plan</th>
<th>I have a plan, but it is not written down</th>
<th>I do not have a plan</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>23%</td>
<td>47%</td>
<td>28%</td>
<td>3%</td>
</tr>
<tr>
<td>USA</td>
<td>21%</td>
<td>44%</td>
<td>31%</td>
<td>4%</td>
</tr>
<tr>
<td>India</td>
<td>21%</td>
<td>61%</td>
<td>17%</td>
<td>2%</td>
</tr>
<tr>
<td>Spain</td>
<td>20%</td>
<td>28%</td>
<td>47%</td>
<td>5%</td>
</tr>
<tr>
<td>Canada</td>
<td>16%</td>
<td>42%</td>
<td>39%</td>
<td>4%</td>
</tr>
<tr>
<td>Germany</td>
<td>15%</td>
<td>43%</td>
<td>37%</td>
<td>5%</td>
</tr>
<tr>
<td>Australia</td>
<td>14%</td>
<td>40%</td>
<td>43%</td>
<td>4%</td>
</tr>
<tr>
<td>UK</td>
<td>12%</td>
<td>41%</td>
<td>43%</td>
<td>3%</td>
</tr>
<tr>
<td>China</td>
<td>12%</td>
<td>62%</td>
<td>24%</td>
<td>1%</td>
</tr>
<tr>
<td>Turkey</td>
<td>10%</td>
<td>47%</td>
<td>40%</td>
<td>3%</td>
</tr>
<tr>
<td>France</td>
<td>8%</td>
<td>25%</td>
<td>57%</td>
<td>9%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>8%</td>
<td>32%</td>
<td>52%</td>
<td>8%</td>
</tr>
<tr>
<td>Hungary</td>
<td>6%</td>
<td>47%</td>
<td>41%</td>
<td>5%</td>
</tr>
<tr>
<td>Poland</td>
<td>6%</td>
<td>34%</td>
<td>55%</td>
<td>5%</td>
</tr>
<tr>
<td>Japan</td>
<td>5%</td>
<td>37%</td>
<td>49%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Q. Which of the following best describes your retirement planning strategy?
1. The improving state of retirement readiness: reality or illusion?

*There is a potential widespread lack of financial resilience if forced into retirement sooner than expected – many employees fail to develop a backup plan*

**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?**

- Yes: 56%
- No: 43%
- Don’t Know: 10%

**What the backup plan is:**
- Savings: 61%
- Their spouse: 30%
- Critical illness insurance: 22%
- Downsizing home: 21%
- Income protection: 21%
- Disability insurance (personal or from employer): 20%

**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?**
2. Active retirement: promoting greater health and vitality in retirement

Retirement – a time for more leisure or for continued work?

- See retirement as an opportunity to spend time with family and friends: 58%
- Aspire to continue working in the same field, and 11% would like to consider working in a different field when they retire: 16%
- Identified taking up new hobbies as a aspiration for their retirement: 49%
- Say they want to travel more in retirement: 63%
2. Active retirement: promoting greater health and vitality in retirement

Health is a key determinant of a happy and prosperous retirement

74% of habitual savers rate their health as “excellent or good,” compared with just 62% of non-savers

Among those not fully retired, excellent health equates to confidence in living a comfortable retirement lifestyle:

- 42% versus just 7% of those in poor health

Q. How would you describe your health overall?
Q. Overall, how confident are you that you will be able to fully retire with a lifestyle you consider comfortable?
### Active retirement: promoting greater health and vitality in retirement

**Keeping active is the biggest motive for working beyond retirement age**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Work Full/ Part Time</th>
<th>Semi-retired</th>
</tr>
</thead>
<tbody>
<tr>
<td>Want to keep active or brain alert</td>
<td>58%</td>
<td>74%</td>
</tr>
<tr>
<td>Enjoy my work or career</td>
<td>38%</td>
<td>45%</td>
</tr>
<tr>
<td>Concerned social security benefits will be less than expected</td>
<td>33%</td>
<td>24%</td>
</tr>
<tr>
<td>General anxieties about retirement income &amp; savings</td>
<td>33%</td>
<td>30%</td>
</tr>
<tr>
<td>Concerned my retirement plan will be less than expected</td>
<td>27%</td>
<td>15%</td>
</tr>
<tr>
<td>Not saved enough on a consistent basis</td>
<td>24%</td>
<td>26%</td>
</tr>
<tr>
<td>Expect employment to be my primary income while transitioning to retirement</td>
<td>23%</td>
<td>14%</td>
</tr>
<tr>
<td>Retirement income less than expected due to recession</td>
<td>20%</td>
<td>24%</td>
</tr>
<tr>
<td>Planning a career break</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Q. Which, if any, of the following are important reasons for you continuing to work to some extent in retirement?
3. Making habitual saving a global trend is a shared responsibility

**Saving habitually is the best way to improve retirement savings**

**Habitual Saver Portrait**

- 42% of men save habitually versus 36% of women
- 45% of those aged 55-64 versus 29% of those aged 18-24 years
- 74% in excellent / good health
- 3% in poor health
- 34% feel economy will improve in next 12 months

**By Country**

- Less than 30% are habitual savers
  - Russia
  - Turkey
- More than 50% are habitual savers
  - United States
  - China
  - Japan

- 39% feel their own financial situation will improve in next 12 months
- 80% positive associations about retirement
- 36% are confident they will have a comfortable retirement
- 25% have a written retirement strategy
- 54% have a non-written strategy
- 48% have a backup plan

Q. Which of the following best explains your approach to saving for retirement?

"I always make sure that I am saving for retirement"
3. Making habitual saving a global trend is a shared responsibility

Yet the biggest opportunity lies in turning aspiring savers into habitual savers

<table>
<thead>
<tr>
<th>Aspiring Saver Portrait</th>
<th>By Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Younger and women: median age 35 years with <strong>58%</strong> female and <strong>42%</strong> male</td>
<td><strong>Less than 15%</strong> are aspiring savers</td>
</tr>
<tr>
<td><strong>65%</strong> in excellent/good health</td>
<td><strong>More than 30%</strong> are aspiring savers</td>
</tr>
<tr>
<td><strong>4%</strong> in poor health</td>
<td><strong>21%</strong> feel economy will improve in next 12 months</td>
</tr>
<tr>
<td><strong>33%</strong> feel their own financial situation will improve in next 12 months</td>
<td><strong>61%</strong> positive associations about retirement</td>
</tr>
<tr>
<td><strong>10%</strong> are confident they will have a comfortable retirement</td>
<td></td>
</tr>
</tbody>
</table>

Q. Which of the following best explains your approach to saving for retirement?

"I am not saving for retirement though I do intend to"
4. Employers make a major contribution toward improving the financial well-being of their employees in retirement

**Providing employees financial planning and advice support**

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Lowest</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only 21% of employees globally say they receive an annual retirement statement</td>
<td>8%</td>
<td>47%</td>
</tr>
<tr>
<td>Only 14% of employees say they receive educational materials</td>
<td>5%</td>
<td>23%</td>
</tr>
<tr>
<td>Just 12% were able to manage their retirement savings via an online portal</td>
<td>5%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Q. Thinking of your current employer which, if any, of the following services does your employer (or retirement plan administrator) offer...?
4. Employers make a major contribution toward improving the financial well-being of their employees in retirement

*Providing employees the opportunity to stay in paid work*

<table>
<thead>
<tr>
<th>Service</th>
<th>Lowest</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunity to move from full-time to part-time in the run up to retirement</td>
<td>16%</td>
<td>34%</td>
</tr>
<tr>
<td>Access to flexible retirement plans</td>
<td>8%</td>
<td>37%</td>
</tr>
<tr>
<td>Access to occupational healthcare in retirement</td>
<td>6%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Q. Which, if any, of the following services does your employer offer to help employees phase into retirement?
4. Employers make a major contribution toward improving the financial well-being of their employees in retirement

Automatically enrolling employees into workplace retirement plans

Habitual Savers
- 72% find auto-enrollment appealing at 6%
- 68% find auto-enrollment appealing at 8%

Aspiring Savers
- 59% find auto-enrollment appealing at 6%
- 53% find auto-enrollment appealing at 8%

Q. If you were automatically enrolled into a workplace pension and you were expected to contribute 6% of your annual salary or wages to it, on a scale of 1 to 5, where 1 is very unappealing and 5 is very appealing, how appealing would this seem to you?
Q. If you were automatically enrolled into a workplace pension and you were expected to contribute 8% of your annual salary or wages to it, on a scale of 1 to 5, where 1 is very unappealing and 5 is very appealing, how appealing would this seem to you?
5. Governments can significantly help by encouraging individuals to work longer and save more

Many expect to rely on the state to provide them with retirement income

Q. Thinking of your own current or likely circumstances, approximately what proportion comes from or is likely to come from each of these three broad sources?
5. Governments can significantly help by encouraging individuals to work longer and save more

With the cost of social security becoming a greater concern, many individuals believe that some form of social security reform is necessary

Q. With the cost of social security becoming a greater concern as people live longer which, if any, of the following do you think the government should undertake? Please select the option which is closest to your view.

- The government should reduce the overall cost of social security provision by reducing the value of individual pension payments, without having to increase taxes
  - 27% (Turkey) 23% (Brazil)

- The government should increase overall funding available for social security through raising taxes without having to reduce the value of individual payments
  - 59% (China) 35% (Spain)

- The government should take a balanced approach with some reductions in individual payments and some increases in tax
  - 30% (Green)

- The government should not do anything. Social security provision will remain perfectly affordable in the future
  - 10% (Turkey) 19% (Brazil)

- Don’t know
  - 7% (Yellow)
Recommendations

The role of governments
- Governments can help encourage more employers to implement workplace retirement savings plans by reducing the cost and regulatory burden for employers in sponsoring such plans.
- Governments can also implement reforms to enable employees to work longer, retire later, and phase into retirement. They can also provide additional incentives for employees to defer commencement of their retirement benefits and receive an actuarial increased pension at the date they elect commencement of their benefits.
- By better integrating tax, social security and healthcare systems, governments can facilitate workplace financial education and wellness programs by sharing the costs with employers and employees.

The role of employers
- Employers can facilitate and promote habitual savings by designing retirement savings plans that overcome obstacles to save. Such designs can include auto-enrollment and auto-escalation features.
- Employers are encouraged to adopt age-friendly employment policies. Examples of workplace changes can include more flexible work schedules and ergonomically tailoring workspaces to employees needs (e.g., computers with larger type fonts, lighting, accessibility).
- Employers can promote better health among employees. Wellness programs can help reduce health insurance costs and boost productivity. They also help to retain mature employees, thereby reducing recruitment and training costs when replacing employees.

The role of individuals
- Habitual savings is most effective when started early and therefore should be taught and ingrained in the culture at an early age. Upon entering the workforce, individuals should be encouraged to save for retirement through employer benefits or on their own. Parents can and should help teach children basic financial skills at a young age.
- Those who are at risk of falling short with their retirement plans - for example, women and younger people - need to give particular attention to their specific financial planning needs. Using freely available planning tools and financial education materials is good starting point.
Questions and Answers

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