Successful Retirement - Healthy Aging and Financial Security

The Aegon Retirement Readiness Survey 2017
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Note: Percentages are shown to zero decimal places. Rounding percentages to the nearest whole number may result in the percentages in some charts summing to slightly under or slightly over 100%.
Introduction

Welcome to the sixth annual Aegon Retirement Readiness Report. The Aegon Center for Longevity and Retirement, together with Transamerica Center for Retirement Studies and Mongeral Aegon Instituto de Longevidade is proud to present the "Successful Retirement – Healthy Aging and Financial Security" Aegon Retirement Readiness Survey 2017 Germany country report. This report, while specific to Germany, is based on research conducted in 15 countries spanning Europe, the Americas, Asia and Australia.

Countries around the world are facing unprecedented change. The concept of retirement is evolving; life expectancy continues to increase; pressures on governments and pension systems are intensifying and greater responsibility is shifting to the individual. This opens up both new challenges and pressures, as well as opportunities and aspirations. Financial security has and will always play an important role in shaping the retirement outlook for workers once they decide to stop working. However, healthy aging is playing an ever more important role both in terms of how workers are able to build up the funds they need to enjoy a comfortable retirement but also in how able they will be to enjoy and manage out-of-pocket healthcare-related costs in their ever-increasing years in retirement. Retirement is no longer seen as a period of decline but as a period of activity. Many plan to continue working throughout retirement, or carrying out other leisure activities such as traveling or pursuing new hobbies. Whatever retirement has in store for today’s workers, it is likely that it will be more active and longer-lasting than their grandparents and even parents could have imagined.

This report focuses on the responses of 1,000 people in Germany, including 900 workers and 100 fully retired. The report evaluates the retirement readiness of German workers, as well as gauges their retirement aspirations. It examines what steps they can put in place to best save for retirement and the importance of maintaining good health in realizing retirement aspirations. It further looks at the important role employers play in helping workers prepare for the future and provides recommendations for retirement preparation.

The Aegon Retirement Readiness Survey 2017 finds that German workers score broadly in line with the global average when it comes to retirement preparedness. German workers are less concerned about their health in older age than those globally, and they are less likely to recognise a direct link between their behaviour today and their health in older age. Yet, individuals across all levels of health are engaging in behaviors to try and achieve a comfortable retirement nonetheless.
Key Findings

• Germany falls to eighth place in the 2017 Aegon Retirement Readiness Index.
  With a score of 6.0, Germany squeezes into the medium retirement readiness band, above the global average 5.9. However Germany ranked fourth in 2016 with a score of 6.1 and has since moved down to eighth place.

• The German economy is strong but grounded, leading Germans to a stable mind-set.
  The majority (60 percent) of Germans expect the country’s economy to stay the same over the next 12 months, and a similar proportion (62 percent) expect their own financial situation to stay the same over the next year (way above the global averages of 40 percent and 47 percent respectively). Regarding their personal aspirations for retirement Germans are ambitious: Two-thirds (65 percent) say that traveling is an aspiration, 64 percent say spending time with friends and family, while 55 percent say they want to pursue new hobbies.

• German workers and retirees expect their government to fund over half (55 percent) of their own income in retirement.
  Germans tend to depend on government funding, estimating that this will provide 55 percent of their income in retirement, which is a greater proportion than the average globally (46 percent).

• Of all the countries surveyed, Germans hold the most negative expectations for future retirees.
  Almost four-in-five (77 percent) of Germans expect future generations of retirees to be worse off than those currently in retirement, compared to 50 percent globally. Just four percent expect them to be better off, while 16 percent think things will stay the same.

• Two-in-five (39 percent) German workers are habitual savers, exactly in line with the global average.
  Habitual savers are defined as those who say they always make sure they are saving for retirement. There is a slightly higher proportion of occasional savers in Germany than the global average (27 percent vs 24 percent) and a slightly lower proportion of aspiring savers (13 percent vs 19 percent).

• Most (92 percent) habitual savers are aware of the need to plan financially for their retirement; this compares to just 58 percent of those who have never saved and have no intention to.
  Seven-in-ten German habitual savers have a good idea of the total value of their personal savings for retirement, compared to a 45 percent of those who only save on an occasional basis. Yet, just 30 percent of German habitual savers are confident that they will achieve a comfortable retirement – dropping even further to 13 percent among occasional savers and seven percent of aspiring savers.

• Thirteen percent of German workers have a retirement plan in writing.
  Thirteen percent of German workers are what we refer to as strategists, who have a written plan in place for retirement, almost in line with the 14 percent globally. Over two-in-five (44 percent) German workers have a plan but it’s not in writing, while a similar proportion (39 percent) have no plan at all.

• Just three-in-ten German workers have a backup plan to provide them with an income should they become unable to continue working before they reach their retirement age.
  Among those few that do have one, half (49 percent) have disability insurance, which is considerably above the global average of 17 percent. However many are reliant on plans that have not been formally designed for purpose – including savings, their partner’s income and inheritance.

• Health is a key factor in securing a comfortable retirement.
  The majority (57 percent) of Germans consider themselves to be in good or excellent health, compared to 68 percent globally. One-in-five (21 percent) of those aged 18-24 and 16 percent of those aged 25-34 consider themselves to be in excellent health. This gradually falls to eight percent among those aged 55-64- and five percent amongst those aged 65 and above.

• With the exception of having routine medical check-ups, Germans are less engaged across all health related behaviors compared to people globally.
  Germans are less likely to engage in the more day-to-day health related behaviours. While 52 percent of Germans eat healthily, globally this increases to 57 percent. Fifty percent of Germans exercise regularly, which is in line with the global average, and 49 percent of Germans avoid harmful behaviours compared to 57 percent globally.
• **Health in older age is a concern to 78 percent of Germans compared to 82 percent globally.**
  Over a third (37 percent) say that their health in old age is their primary concern and they are actively working to prolong good health, somewhat below the global average (43 percent). Germans are much less likely to say that their current behavior and choices will have a direct impact on their health in older age than the global average (36 percent compared to 52 percent globally).

• **German workers expect to retire at 65.**
  Regardless of their current health status, German workers expect to retire at a median age of 65. However differences occur in how long German workers expect to spend in retirement. Those in fair health only expect to live for a median 15 years in retirement, those in good health expect 16 years, while those in excellent health expect 20 years.

• **Almost nine-in-ten German workers (88 percent) would be interested in one or more health or wellness-related perks**
  if their employer were to offer them. Healthy food or snack options in the office, ergonomic workstations and exercise programs are the three most frequently-cited among German workers.

• **Two-fifths of German workers say that their employer provides no retirement planning services compared to 37 percent globally.**
  However, services such as an annual retirement plan statement, an annual retirement plan income forecast, and education materials are more commonly offered than the averages globally.
Part 1: The state of retirement readiness and aspirations for retirement

The Aegon Retirement Readiness Index (ARRI) was developed to measure levels of retirement readiness across the participating countries and the ARRI methodology is at the heart of the study. The ARRI provides an annual score based on responses to six separate questions: three broadly attitudinal (questions 1, 2, and 3) and three broadly behavioral (questions 4, 5, and 6). These questions are illustrated in the diagram below.

What factors shape the ARRI score?

The ARRI ranks retirement readiness on a scale from 0 to 10. A high index score is considered to be between 8 and 10, a medium score between 6 and 7.9 out of 10, and, a low score being less than 6. Germany achieves a score of 6.0 this year which just about falls into the medium range and is marginally above the global average (5.9). Germany’s ARRI score has fallen from 6.1 last year, while the global average has increased from 5.8 to 5.9 since last year. This means that while Germany sat in 4th position last year, it now sits in 8th position. India continues to rank first with a score of 7.6.
The current economic situation in Germany, Europe’s largest economy, is good. German GDP growth currently stands at 0.6 percent and GDP growth has fluctuated very little since the outset of the survey in 2012. Unemployment currently stands at 3.9 percent in Germany, the lowest level since December 1980. The German mind-set is set towards stability: Three-in-five Germans expect the economy in their country to stay the same over the next 12 months, more so than any other country surveyed. Similarly 62 percent of Germans expect their own financial situation to stay the same over the coming 12 months, again more so than any other country.

It is integral to keep the country’s economy front-of-mind when examining retirement readiness in Germany, as its pension system is grounded in a strong public pension pillar. Individuals have historically relied heavily on pension benefits provided by statutory pension insurance, in the form of an obligatory pay-as-you earn system financed by employees, employers and government subsidiaries. The survey finds that for almost half (48 percent) of Germans, state pension support is considered the most important source of retirement income (the highest of all countries surveyed and more than double the global average, 23 percent). However the resolve of the current system is likely to be tested. Germany recorded a government debt equivalent to 68.3 percent of the country’s GDP in 2016 and although this has continuously been in decline since a high point of 81 percent in 2010, it still remains at a relatively high level.

One of the key issues facing Germany, as not only Europe’s largest economy but also its largest country by population, is that is has had a very low birth rate, consistently around 1.5 percent since the mid-1970s and currently at 1.4 percent. As a result the proportion of Germany’s population aged under-15 (13 percent) is one of the lowest around the world, second only to Hong Kong (12 percent). Germany’s population currently stands at 82 million but it is expected to fall to 75 million by 2050. The proportion of Germany’s population aged 65 years old or over is very high (21 percent), which is second only to Japan (26 percent) and Italy (22 percent). A look at Germany’s population pyramid shows the extent to which the issue is set to increase over time and Germans move up the pyramid. As Germans in the Baby Boomer generation move into retirement a gap is likely to occur in the employment market, with not enough young Germans to fill it. The dependency ratio in Germany is set to increase as German Baby Boomers enter retirement in large numbers, while at the same time the German workforce shrinks. The current retirement age in Germany is 65, and this is set to be increased to 67 over the next two decades. Any increase on this is likely to be met with some resistance among Germany’s sizable Baby Boomer segment, the survey finds that half (51 percent) of Germans think that the retirement age should remain unchanged, well above the global average (38 percent). This rises to 62 percent among the pre-retirement group aged 55-64 in Germany.

These myriad issues are acknowledged in the survey. Over three-quarters (77 percent) of Germans expect future generations to be worse off than those currently in retirement – which is the highest of all the countries surveyed.

1 Federal Statistical Office
2 Federal Statistical Office
3 Eurostat
4,5,6,7 World Bank
8 OECD, Pensions at a Glance, 2015

Chart 1: Germany 8th in the 2017 Aegon Retirement Readiness Index
This year’s survey chronicles a continuing upwards trend in retirement preparedness globally, which only serves to highlight Germany’s (albeit it small) slip backwards in the other direction. There would appear to be some inertia behind attitudes in Germany to retirement readiness compared to other countries in the study, and Germany’s ARRI has stagnated somewhat. Germany’s ARRI score has remained very stable over the past 6 years.

In 2013, fourteen percent of German workers were very or extremely confident that they would achieve a comfortable retirement. This has improved a little over the past years to stand at 18 percent in 2017, which falls below the global figure of 25 percent. Encouragingly this does increase among those with high annual personal incomes (30 percent), although there is not much difference by age or gender.

It should also be noted that those who expect over half of their retirement income to come from their employer (26 percent confident) and those that expect over half of their retirement income to come from their own savings and investments (21 percent confident) are more confident in achieving a comfortable retirement income than those that expect over half of their retirement income to come from the government (16 percent confident). Having the impetus to save for one’s own retirement certainly provides a more secure route to achieving people’s retirement aspirations.

The retirement aspirations of Germans
Retirement is seen as a period of leisure and a time set aside for enjoyment. Almost two-thirds (65 percent) of Germans report that traveling is an aspiration they hold for retirement. Arguably one of the more costly retirement aspirations, traveling holds more appeal among those on high (72 percent) and medium (69 percent) personal incomes. Data from Eurostat shows that a high proportion of the elderly in Germany travel (62 percent in Germany compared to 48 percent in the EU overall). Spending more time with friends and family is an aspiration held by 64 percent, and over half (55 percent) are looking forward to pursuing new hobbies. Volunteer work appeals to a quarter; continuing to work in a paid capacity holds less of an appeal.

* World Bank, 2015 Data
* Eurostat, A look at the lives of the elderly in the EU today
**Part 2: Financial security**

In order to make their retirement aspirations a reality, workers need to accumulate sufficient wealth during their working lives. Typically, this wealth is accumulated through three broad sources globally; the government (through public pensions and other government benefits), employers (and previous employers) through workplace retirement plans, and through the workers’ own savings and investments. However, the sustainability of the retirement system as it stands is increasingly coming under question. The increased focus on long-term care in retirement adds a further dimension, placing increased strain on retirement funds. This means not only generating a retirement income, but also having plans in place to manage age-related healthcare and long-term care are necessary.

Germans have differing expectations to the global average as to how their retirement will be funded. While globally the bulk (46 percent) of retirement funding is expected to come from the government, through Social Security and other government benefits, this is substantially higher in Germany (55 percent). Germans have lesser expectations of their employers (17 percent compared to 24 percent globally) and expect slightly less of their retirement income to come from their own savings and investments (28 percent compared to 30 percent globally).

**Chart 4: Proportion of expected retirement income by three broad sources**

<table>
<thead>
<tr>
<th>Source of Retirement Income</th>
<th>Global</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your own savings &amp; Investments, including IRAs</td>
<td>46%</td>
<td>55%</td>
</tr>
<tr>
<td>Your employer/previous employers (through workplace retirement plans)</td>
<td>24%</td>
<td>17%</td>
</tr>
<tr>
<td>The government (through Social Security &amp; other government benefits)</td>
<td>30%</td>
<td>28%</td>
</tr>
</tbody>
</table>

*Net: Business/ paid work: The net figure for business/paid work is the sum of all respondents give paid work responses (e.g. continuing working in the same field, continuing working, but in another field, starting a new business). The question is multi-coded so respondents can give more than 1 of these answers. Therefore the net % can sum to less than the constituent parts.*
It is important for workers worldwide to develop good saving habits at an early age. The survey identified triggers that get people started on the savings journey, which can broadly be broken down into two categories. Firstly, a gentle nudge from employers can provide enough momentum for workers to take that first step towards habitual saving, and secondly, a change in life stage can provide the catalyst.

In Germany, employment (42 percent) and life stage (41 percent) reasons play an equally important role in prompting German workers to start saving or creating the intention to start saving for retirement. Germans are broadly in line with the global average in how they are prompted to save for retirement by employer prompts. One-in-five German workers say that an employer starting to pay into a retirement plan was a prompt to them saving or intending to save for retirement. Fifteen percent say that being automatically enrolled into their employers retirement plan was a prompt, while one-in-nine (11 percent) said starting their first job was a prompt.

While lifestage reasons prompt 47 percent globally into saving for or intending to save for retirement, in Germany this falls to 41 percent. Turning a certain age inspired 24 percent in Germany (compared to 31 percent globally), whilst starting a family kickstarted a further 16 percent in Germany (in line with the global average). It should be noted that 21 percent said that no particular reason prompted them and a further three percent said that they can’t remember the reasons which prompted them. Even if a reason is not discernible, saving nonetheless is an important habit to get into and no matter what the means, as ultimately building retirement savings is the desired end.

**Chart 5: What prompted retirement saving among savers and intenders**
Whether it is into a personal savings product or contributing to an employer-led retirement plan, the best way for workers to achieve a secure retirement is to make sure that they are always saving for retirement and be habitual savers. Two-in-five (39 percent) German workers are habitual savers, exactly in line with the global average. Men (41 percent), those age 35 to 44 (44 percent), those married (44 percent) and those with a high personal income (52 percent) are among the most likely to be saving habitually for their retirement.

Over a quarter of German workers (27 percent) save for retirement on an occasional basis. This only leaves a third in Germany that are not saving at all. Eight percent are non-savers that never intend to save, 13 percent have saved in the past, and 13 percent aspire to save and so could potentially be converted into savers in the future.

Chart 6: Approach to saving for retirement

Those who do make saving a habit are far more likely to enjoy a brighter retirement outlook than those who do not. More than nine-in-ten (92 percent) German habitual savers are aware of the need to plan financially for their retirement; this compares to 76 percent of those who save on an occasional basis and just 63 percent of those who are aspiring to save.

A quarter of German habitual savers are strategists – those identified in the survey as having committed their retirement strategy to paper. In comparison, only seven percent of occasional and a mere two percent of aspiring savers have a written plan. Seven-in-ten habitual savers in Germany have a good idea of the total value of their personal savings for retirement, compared to a 45 percent of those who only save on an occasional basis. Having a closer more regular link to their savings means that they are more likely to know the total value held. Three-in-ten habitual savers are confident that they will achieve a comfortable retirement – dropping to 13 percent among occasional savers and just seven percent of aspiring savers. By comparison, 38 percent of habitual savers globally are confident they will have a comfortable retirement.
Almost three-in-five (57 percent) of German workers have a retirement strategy, in line with the global average (58 percent). Thirteen percent can be defined as “strategists” – they have a written strategy for retirement – compared to 14 percent globally. Preparing a written strategy for retirement can be a demanding process, requiring time, thought and consideration. Future retirees should consider what they want for their future, how much it will cost, how they will pay for it – and most importantly, track their progress against their aims. Saving for retirement is a marathon rather than a sprint and it requires commitment and a sustained level of engagement. Men (16 percent), those with children (15 percent) and those in upper level managerial work (38 percent) are among the most likely groups to be strategists.

There are certain demographic groups who may benefit more from having a retirement strategy, yet are typically less likely to do so. In particular, just 10 percent of women and eight percent of those with a low personal income are strategists. More could be done to help those more vulnerable to not achieving retirement readiness to formulate a plan in writing.

**Chart 8: German workers having a retirement strategy**

<table>
<thead>
<tr>
<th></th>
<th>Habitual savers</th>
<th>Occasional savers</th>
<th>Past savers</th>
<th>Aspiring savers</th>
<th>Non-savers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very/somewhat aware of the need to plan financially for retirement</td>
<td>92%</td>
<td>76%</td>
<td>65%</td>
<td>63%</td>
<td>58%</td>
</tr>
<tr>
<td>Strategists - Have a written plan for retirement</td>
<td>25%</td>
<td>7%</td>
<td>7%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Strongly/somewhat agree that they have a very good idea of the total value of all personal savings for retirement</td>
<td>70%</td>
<td>45%</td>
<td>46%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Extremely/very confident they will have a comfortable retirement</td>
<td>30%</td>
<td>13%</td>
<td>16%</td>
<td>7%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Strategists who commit their retirement strategy to paper are better prepared for retirement across a range of measures, including being aware of the need to plan financially for their retirement (93 percent) compared with those with a non-written plan (83 percent), or those with no plan at all (69 percent). Strategists are also more likely to have a good idea about the value of their retirement savings (80 percent). Strategists are more likely say they always make sure they’re saving for retirement (75 percent, compared to just 17 percent of those with no plan at all). They are also more confident in achieving a comfortable retirement (29 percent), three times more confident than those with no retirement plan (10 percent). Yet, even though 29 percent of German strategists are confident they will achieve a comfortable retirement, it is clear that a plan can only go so far in terms of preparing for retirement. Over half (53 percent) of strategists globally are confident they will have a comfortable retirement.

Chart 9: Strategists in the spotlight

<table>
<thead>
<tr>
<th></th>
<th>Strategists - Have a written plan</th>
<th>Have a non-written plan</th>
<th>Have no plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very/somewhat aware of the need to plan financially for retirement</td>
<td>93%</td>
<td>83%</td>
<td>69%</td>
</tr>
<tr>
<td>Habitual savers - I always make sure that I am saving for retirement</td>
<td>75%</td>
<td>47%</td>
<td>17%</td>
</tr>
<tr>
<td>Strongly/somewhat agree that they have a very good idea of the total value of all personal savings for retirement</td>
<td>80%</td>
<td>65%</td>
<td>37%</td>
</tr>
<tr>
<td>Extremely/very confident they will have a comfortable retirement</td>
<td>29%</td>
<td>23%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Workers may have a retirement plan in place which aligns with their current financial and personal situations, but what about unforeseen circumstances, such as health issues or job loss? The survey found that just three-in-ten (29 percent) German workers have a backup plan to provide them with an income should they become unable to continue working before they reach their retirement age, but often these plans might prove to be insufficient protection. The most commonly-cited backup plans in Germany include relying on savings (41 percent). However, this safety net may be quickly depleted. A third (30 percent) say they would rely on their partner, yet this strategy may prove inadequate if the household is reliant on a double income. Reassuringly the single most commonly cited backup plan in Germany is disability insurance (49 percent), which is the highest of all the countries surveyed and far higher than the global average (17 percent). Other products specifically formulated to address the issue of forced early withdrawal from the workplace, such as critical illness insurance (19 percent) and redundancy insurance (16 percent) feature a way down the list of backup plan options and are more in line with the global averages (21 percent and 13 percent respectively).

Chart 10: Three-in-ten German workers have a backup plan

Don't know

Yes

No
Part 3: Healthy aging

The ability of German workers to achieve their retirement aspirations goes further than simply accumulating sufficient retirement savings. Health also has an important influence on retirement planning, and on retirement itself. The report later illustrates that the ability to sustain health throughout not only people’s lengthening working lives, but also their lengthening retirement lives, is set to become one of the biggest issues relating to retirement of our time.

The majority of people in Germany self-report their health as either good or excellent (57 percent), well below the 68 percent globally. Just 11 percent of Germans report their health as excellent, whilst a further 46 percent self-report their health as good. At the other end of the scale, the remaining 43 percent say that their health is either fair (39 percent) or poor (5 percent). Health deteriorates as age takes a toll on the body. While 21 percent of 18-24 year olds and 16 percent of 25-34 year olds self-report their health to be excellent, this falls to just eight percent among those aged 55-64 and five percent amongst those aged 65 and above. Seven percent of those aged 65 or over report their own health to be poor – compared to only three percent of 25-34 year olds.
"My health in older age" is of some concern to 78 percent of Germans, slightly below the global average of 82 percent. Thirty-seven percent of Germans say that it is their primary concern (i.e., it is something they are consider regularly and are actively working toward prolonging). Meanwhile, two-in-five (41 percent) say their health in older age is a minor concern (i.e., they sometimes consider it but would prioritize other things like having enough income to live on when they retire). A further 22 percent just assume their health will be ok when they retire or haven’t given it any thought at all. According to Eurostat, the statistical office of the European Union, men and women in Germany can expect to live slightly fewer ‘healthy life’ years at the age of 65 than the European average (7.0 for men and again 7.0 for women in Germany compared to 8.5 and 8.6 respectively in the 28 European countries surveyed)\(^1\).

**Chart 13: Concerns about health in older age**

Thirty-seven percent of Germans say that their health in old age is their primary concern and they are actively working to prolong good health, below the global average (43 percent). Germans are also less likely to recognize that their current behavior and choices will have a direct impact on their health in older age than the global average (36 percent compared to 52 percent globally). Half of Germans feel optimistic about maintaining their health in retirement, below the global average (56 percent). Germans currently in excellent health are more optimistic (75 percent) and are more likely to acknowledge the link between their choices today and the direct impact these will have on their health in older age (47 percent). So, people’s health expectations are largely shaped by their differing starting points.

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\(^1\) Eurostat, A look at the lives of the elderly in the EU today. [Accessed 09 June 2017](https://ec.europa.eu/eurostat/statistics-explained/index.php/Live_in_EU_at_65_years_and_over)
So, if good health is key to enjoying retirement, what are the Germans doing to keep themselves healthy? Germans generally fall below the global average in terms of engaging in health-related activities and behavior. In terms of the day-to-day basic steps to maintaining their health; 52 percent of Germans are eating healthily (compared to 57 percent globally) and 50 percent exercise regularly (in line with the 50 percent globally). Germans are less likely to consider their long-term health when making lifestyle choices, such as avoiding stress (35 percent compared to 43 percent globally). Germans are also much less likely to avoid harmful behaviors such as drinking too much or smoking (49 percent compared to 57 percent globally). The only health measure Germans improve upon the global average is that 52 percent say that they take their health seriously and carry out routine medical checks (compared to 42 percent globally).
### Chart 15: Health and related behaviors

<table>
<thead>
<tr>
<th></th>
<th>Global Total</th>
<th>Germany Total</th>
<th>Germany: Currently in excellent health</th>
<th>Germany: Health in old age is my primary concern</th>
<th>Germany: Current lifestyle choices will have a direct impact on my health in old age</th>
</tr>
</thead>
<tbody>
<tr>
<td>I eat healthily (e.g., five-a-day portions of fruit and vegetables)</td>
<td>57%</td>
<td>52%</td>
<td>67%</td>
<td>67%</td>
<td>65%</td>
</tr>
<tr>
<td>I exercise regularly</td>
<td>50%</td>
<td>50%</td>
<td>72%</td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>I avoid harmful behaviors (e.g., drinking too much alcohol or smoking tobacco)</td>
<td>57%</td>
<td>49%</td>
<td>59%</td>
<td>61%</td>
<td>51%</td>
</tr>
<tr>
<td>I think about my long-term health when making lifestyle choices. For example, I try to avoid stress</td>
<td>43%</td>
<td>35%</td>
<td>37%</td>
<td>43%</td>
<td>40%</td>
</tr>
<tr>
<td>I practice mindfulness regularly (e.g., meditation and relaxation exercises)</td>
<td>17%</td>
<td>14%</td>
<td>19%</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>I take my health seriously (e.g., have routine medical check-ups and do regular self-checks)</td>
<td>42%</td>
<td>52%</td>
<td>47%</td>
<td>63%</td>
<td>53%</td>
</tr>
</tbody>
</table>
Part 4: Making the link between health and retirement preparations

While Germans of all health levels are aware of the need to plan financially for retirement, clear distinctions arise in terms of how they act on this awareness and what actions they are able to put in place as a result. German workers in excellent health are far more likely to be strategists (21 percent compared to 14 percent of those in good health and 10 percent of those in fair health). Over half of German workers in excellent health are habitual savers, much higher than among those in good health (41 percent) and poor health (33 percent). The result is that those in excellent health are more likely to have a very good idea of the value of their personal savings for retirement. Ultimately those in excellent health are much more confident that they will be able to achieve a comfortable retirement (45 percent of those in excellent health, 16 percent of those in good health, and 13 percent of those in poor health).

Chart 16: Current health and retirement planning

<table>
<thead>
<tr>
<th></th>
<th>Currently in excellent health</th>
<th>Currently in good health</th>
<th>Currently in fair health</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very/somewhat aware of need to plan financially</td>
<td>77%</td>
<td>77%</td>
<td>78%</td>
</tr>
<tr>
<td>Strategists - Have a written plan for retirement</td>
<td>21%</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>Habitual savers - I always make sure that I am saving for retirement</td>
<td>55%</td>
<td>41%</td>
<td>33%</td>
</tr>
<tr>
<td>Strongly/somewhat agree that they have a very good idea of the total value of all personal savings for retirement</td>
<td>62%</td>
<td>58%</td>
<td>56%</td>
</tr>
<tr>
<td>Extremely/very confident they will have a comfortable retirement</td>
<td>45%</td>
<td>16%</td>
<td>13%</td>
</tr>
</tbody>
</table>

NOTE: Poor health not included in chart as base size is very low

As a result, there is a strong relationship between retirement readiness as measured by the ARRI and current health status. Germans in excellent health achieve an ARRI score of 7.0, those in good health also achieve a medium ARRI score of 6.1, while those in fair health achieve a low score of 5.8.

Chart 17: Current health and retirement readiness

<table>
<thead>
<tr>
<th>ARRI score</th>
<th>Fair</th>
<th>Good</th>
<th>Excellent</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTE: Poor health not included in chart as base size is very low
Part 5: Successful retirement – Healthy aging and financial security

Two-in-five German workers expect to stop working immediately upon reaching retirement age (below only Spain, 53 percent, and France, 52 percent). Almost three-in-ten (28 percent) expect to change the way they work by working part-time or taking on temporary contracts before eventually giving up work altogether. One-in-five (nineteen percent) expect to change the way they work but to continue working in some reduced capacity throughout retirement. Finally, four percent of German workers envision to continue working as they currently in the same capacity throughout retirement.

Chart 18: Half of German workers envision a flexible transition to retirement

Half of German workers expect to continue working in some capacity in retirement expect increased choice, flexibility and control over how they will transition into retirement, highlighting that the way that Germans view retirement is changing.

Germans want to achieve many things in their retirement, as evidenced by their long list of retirement aspirations (see Chart 3 on page 9). Retirement is increasingly seen as a more active life stage, and the ability to maintain health long into retirement will be one of, if not the key factor in determining whether this is achievable.

However, in looking at the experience of retirees, a sobering reality emerges. Over half (52 percent) of German retirees say that they retired earlier than they had planned, with ill health (48 percent) and unemployment (31 percent) topping the listed reasons given for taking early retirement. The reality is that while many German workers may want to work beyond their ‘normal’ retirement age, health and employment issues may take the choice out of their hands.

The median age German workers expect to retire at is 65 years, in line with the state pension age (though this is due to be increased to 67 by 2029). German workers expect to retire at 65 regardless of their current health status. German workers expect to spend a further 17 years living in retirement. Key differences are apparent however in terms of how long German workers expect to spend living in retirement by current health profile. Those in excellent health expect to live the longest in retirement (median of 20 years), while those in good health expect to live only 16 years, and those in fair health even fewer (15 years). Reviewing the findings questions arise: How able will those in excellent health be to sustain a longer retirement period? How able will those in fair health be to work until the age of 65?

Workers with poor or fair health are in a more testing position in achieving retirement readiness. Health issues may cause obstacles to access the labor market and may also reduce the number of hours that they are able to work, which can have an impact on income and the ability to save. Those in poor and fair health may potentially find themselves in a more vulnerable position when making plans for retirement. Despite recognizing the need to work up until the statutory retirement age, by nature, those in poorer health may have no choice but to stop working earlier than planned.
Part 6: The important role of employers

Occupational benefits can play a significant role in addressing the link between retirement planning and health. Employers are already making a difference in helping workers to become retirement ready. Retirement plans with employer contributions are offered to 37 percent of German workers, compared to 41 percent of workers globally. Medical health insurance is offered to 64 percent, while life insurance is offered to 14 percent of German workers. Taken together, these benefits provide an effective retirement safety net for millions of workers, even if less the case for the latter. Given the increasingly important role of employer-sponsored retirement plans, more can be done to ensure that everyone has access to these plans as part of efforts to help turn retirement aspirations into a retirement reality.

Chart 20: Workplace benefits offered to German workers

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacation/ paid time off</td>
<td>89%</td>
</tr>
<tr>
<td>Basic salary</td>
<td>78%</td>
</tr>
<tr>
<td>Convenient location of workplace</td>
<td>74%</td>
</tr>
<tr>
<td>Medical health insurance</td>
<td>64%</td>
</tr>
<tr>
<td>Flexible working hours</td>
<td>60%</td>
</tr>
<tr>
<td>Access to good training provision</td>
<td>49%</td>
</tr>
<tr>
<td>Overtime and bonus pay</td>
<td>47%</td>
</tr>
<tr>
<td>Opportunities for career progression</td>
<td>40%</td>
</tr>
<tr>
<td>Ability to work past the normal retirement age</td>
<td>40%</td>
</tr>
<tr>
<td>Retirement plan with employer contributions</td>
<td>37%</td>
</tr>
<tr>
<td>Phased retirement or other employer programs providing for a transition into retirement</td>
<td>36%</td>
</tr>
<tr>
<td>Retirement plan without employer contributions</td>
<td>26%</td>
</tr>
<tr>
<td>Stock purchase plan</td>
<td>19%</td>
</tr>
<tr>
<td>Life insurance</td>
<td>14%</td>
</tr>
</tbody>
</table>
With a greater focus on health and well-being, employers can potentially take other steps to help keep their workforce economically active for longer. Workplace health and wellness programs draw the support of 88 percent of German workers. And there are small steps that employers can take to help improve the well-being of their workers. Short-term, more day-to-day benefits, such as providing access to exercise programs (42 percent) or healthy food or snack options in the office (54 percent) are the most sought after, and perhaps present employers with cost effective ‘easy-win’ options to consider. It should also be noted that almost half (49 percent) would be interested in ergonomic workstations which are likely to be considerably more costly upfront, but on a much less frequent basis than the aforementioned ongoing programs.

As can be seen in the following chart, workers that cite health in their old age as a primary concern are more likely to be interested in almost all employer health-related perks compared to all workers, particularly: healthy food or snack options in the office (63 percent vs 54 percent), exercise programs (50 percent vs 42 percent), education on healthy behaviors (26 percent vs 19 percent).

**Chart 21: Workers’ interest in health and wellness perks from employers**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>All workers</th>
<th>Workers that state my health in old age is my primary concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Healthy food or snack options at the office</td>
<td>54%</td>
<td>63%</td>
</tr>
<tr>
<td>Ergonomic workstations (e.g., standing desks, adjustable workspace, furniture)</td>
<td>49%</td>
<td>52%</td>
</tr>
<tr>
<td>Exercise programs - either on-site or discount for local gyms</td>
<td>42%</td>
<td>52%</td>
</tr>
<tr>
<td>Preventative screenings and vaccinations</td>
<td>41%</td>
<td>50%</td>
</tr>
<tr>
<td>Financial incentives for focusing on your health and wellness</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Corporate-sponsored events (e.g., walks, runs, bicycle races)</td>
<td>28%</td>
<td>32%</td>
</tr>
<tr>
<td>Programs, counseling or therapies to help with mental health issues</td>
<td>26%</td>
<td>31%</td>
</tr>
<tr>
<td>On-site health clinic available for routine visits</td>
<td>22%</td>
<td>25%</td>
</tr>
<tr>
<td>Tools to monitor health goals/biometrics (e.g., BMI/weight loss, cholesterol levels, blood pressure)</td>
<td>26%</td>
<td>29%</td>
</tr>
<tr>
<td>A wellness coach to offer guidance and encouragement to help you achieve your healthrelated goals</td>
<td>21%</td>
<td>27%</td>
</tr>
<tr>
<td>Education on healthy behaviors (e.g., newsletters, e-mail communications, lunchtime lectures)</td>
<td>19%</td>
<td>26%</td>
</tr>
<tr>
<td>Health risk assessment</td>
<td>18%</td>
<td>20%</td>
</tr>
<tr>
<td>Programs to stop smoking</td>
<td>17%</td>
<td>19%</td>
</tr>
<tr>
<td>Contests and opportunities to win prizes for health-related activities</td>
<td>14%</td>
<td>19%</td>
</tr>
<tr>
<td>An app that can help you set wellness goals, measure progress and access information</td>
<td>10%</td>
<td>14%</td>
</tr>
<tr>
<td>Programs for substance or alcohol abuse</td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Two-fifths (41 percent) of German workers say that their employer provides no retirement planning services (compared to 37 percent globally).

Among the retirement planning-related services offered to workers, the most commonly cited are an annual retirement plan statement (20 percent), an annual retirement plan income forecast (16 percent) and education materials (all more commonly offered than the averages globally: 19 percent, 14 percent and 13 percent respectively). All over, retirement-planning services are less commonly offered in Germany than they are globally.
As illustrated in part 5, healthy aging and financial security for many people takes place while transitioning into retirement. The survey findings reveal an alarming disconnect between how many German workers envision transitioning into retirement and the business practices workers say that their employers have in place to support their transition.

Just above a quarter (27 percent) of German workers say they are offered the option to transition from full-time to part-time work—higher than the global average (24 percent). However, fewer are offered the opportunity to take on more suitable work (e.g., less stressful or physically demanding) (14 percent) or flexible retirement plans that allow working beyond the usual retirement age (12 percent). These numbers not only seem low as it is; they are lower than the amount of workers who are offered these services by employers globally (20 and 19 percent respectively). Thirty-five percent of German workers report that their employers offer no services to help employees phase into retirement (significantly higher than the 29 percent globally), and a further 20 percent do not know what their employers provide to workers. Evidently, employers need to step up their efforts in terms of helping workers transition into retirement. Importantly, there is a clear opportunity for those employers that do offer phased retirement services to raise awareness on their offering of them.

Clearly there is more that employers, the government and individuals themselves can do to ensure that workers get the retirement to which they aspire. The definition of retirement is changing and evolving. Retirement is increasingly seen as an active part of life, often involving working in a new capacity, embracing new hobbies and making time to enjoy old friendships, time with family or a time to travel. It is imperative that the individual’s wealth and health are able to support these retirement aspirations. This takes careful planning and consideration not only with regard to financial security but also in terms of taking steps to maintain personal health. Formulating a plan in writing and saving habitually over a sustained period offer the best route to retirement readiness. With continuous engagement in health-related behaviors, people can take a step toward a healthier life and a more enjoyable retirement.
Recommendations

Individuals should develop a strategy and written plan to establish retirement goals, to save toward those goals and manage their retirement savings to last their lifetime. In so doing they should seek advice from friends, family and financial professionals and make use of modeling tools and calculators.

Individuals should start saving early and make saving a habit. They should take advantage of opportunities such as workplace retirement plans, especially where an employer match is offered. When extra income or cash is available, for example a pay raise or bonus, individuals should increase their retirement savings.

Individuals should develop a backup plan to make up some of the savings shortfall, or cover expenses in the event that they retire earlier than planned. Insurance is a cost effective way to protect against lost income in the event of illness, disability, or death of a spouse or partner.

Individuals should invest in training opportunities to learn new skills and keep existing skills up-to-date so as to stay adaptable in a changing job market.

Individuals should develop a strategy to improve their health now, if needed, and to maintain a healthy lifestyle so that they can achieve their retirement goals. In so doing, individuals should seek out advice and support from friends, family and professionals (doctors, nutritionists and fitness trainers).

Individuals should make healthy behaviors a habit and way of life by incorporating them into their daily routine. Individuals should take advantage of opportunities to bring healthy snacks and lunches to work, take the stairs and walk instead of driving.

Individuals should invest in exercise and healthy cooking classes, as well as wearable technology to monitor their health and fitness goals and follow up with what they learn.

Employers should increase awareness about the need to save for retirement. They should provide educational materials to help workers understand financial matters and build confidence about saving and investing.

Employers should establish a workplace retirement savings plan into which workers can contribute by payroll deduction. Employers should -

a. Implement automatic enrollment to make it easy and provide for automatic increases at predetermined times such as pay raises or at a certain age or life events.

b. Provide for matching contributions to encourage participation.

c. Provide the opportunity for part-time employees to participate in the plan.

Employers should provide workers the opportunity to purchase through the workplace - life, disability and critical illness insurance, as well as other financial security products to protect against unexpected events prior to retirement.

Employers should create an age-friendly workplace that invests in training opportunities for older workers, values the experience of older workers, facilitates workers remaining longer in the workforce and phasing into retirement when the time is right.

Employers should provide education and increase awareness of the advantages of maintaining good health and the relationship between good health and retirement readiness.

Employers should implement workplace wellness programs, prioritizing those that offer the greatest benefit for the company and the worker, considering factors like productivity, engagement, absenteeism, etc.

Employers should provide financial incentives for healthy behaviors, such as subsidies for gym memberships, premium discounts for health insurance, etc.
Employers should create a workplace environment that promotes healthy living and habits, for example, offer programs to stop smoking, use stand-up desks and offer healthy food options. Management should lead by example.

Governments should promote awareness about the need to save for retirement and provide individuals with the tools and education needed to make informed decisions about saving and investing.

Governments should create incentives for employers to establish retirement savings plans for workers, and for workers to participate in those plans. Incentives for employers include: tax credits to cover start-up costs of a plan and to match worker contributions; liability protection against investment losses, etc. Incentives for workers include tax incentives for saving in an employer plan.

Governments should ensure that worker contributions into employer plans are preserved for retirement by, among other matters:

a. Prevent leakage by implementing financial penalties for emergencies.

b. Facilitate the offering of lifecycle funds and distribution of retirement plan savings in the form of lifetime income.

Governments should create incentives for or facilitate the ability of employers to offer insurance in order to shift the burden of individuals coping with financial shocks like disability, critical illness and death of a family member away from the government.

Governments should align policies to encourage active aging and the transition to retirement by facilitating phased retirement and encouraging individuals to work longer.

Governments should promote awareness of the benefits of a healthy lifestyle and its relation to an active and secure retirement.

Governments should integrate tax, social security and health care systems so that the costs of workplace financial education and wellness programs can be shared by employers and workers.

Governments should undertake an impact assessment of the overall cost-benefit of supporting well-being, recruitment and retraining programs among older workers.
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