The Changing Face of Retirement

The Aegon Retirement Readiness Survey 2013

Contents

Foreword

We are pleased to share with you the insights resulting from this second global Aegon Retirement Readiness Survey, a collaboration with the Transamerica Center for Retirement Studies®. It is our hope that the findings gained from respondents across twelve countries in Europe, North America and Asia will provide a clearer picture of the state of retirement readiness at a time when personal responsibility for long-term financial security is increasingly the reality.

The trends are clear in nearly every market – people living longer than ever before, a declining number of working-age populations to pay for those entering or already in retirement, the shift by employers from defined benefit to defined contribution plans, persistent global economic uncertainty, and constrained government budgets - all compounded by the fact that too few are taking sufficient action to provide for their personal financial security.

This latest Retirement Readiness Survey indicates that the situation has become more dire than just a year ago. People in general feel less prepared for retirement and do not adequately understand the steps they need to take. The widespread prevalence of illiteracy with regard to financial need and planning means that an increasing number are unprepared for the financial realities they may face in retirement. Moreover for many, the concept of retirement is being replaced with an expectation of working longer than traditional retirement age and then, entering retirement only in phases. However, significant obstacles exist to phased-retirement. Employers and governments do not yet provide sufficient incentives or structures to support the gradual exit of employees from working life.

It is Aegon's hope that the insights gained from our Retirement Readiness Survey will further add to the discussion about the steps governments, employers and the financial sector must take to assist individuals and families in planning for secure retirement. Promoting readily-available tools and resources to enhance financial literacy and enable effective retirement planning is clear first-step to improving the global state of retirement readiness.

At Aegon, we remain committed to engaging with public policy makers and employers to developing the solutions that will change for better the present and future state of retirement – a period in which a consistent life standard and peace of mind is not just an elusive ambition, but a reality for all.

Alex Wynaendts
CEO Aegon N.V.

Summary

Retirement risks for individuals and families increasing

Retirement systems around the world are currently experiencing an unprecedented period of transformation as governments and employers attempt to address a number of challenges, including aging populations, longer life expectancies, lower fertility rates, and financial and investment risks. This change is driven by the desire to rebalance risks and responsibilities among governments, employers, and employees. For governments, the need to ensure sustainable retirement systems involves difficult decisions on reducing benefits and/or raising taxes and/or the statutory retirement age. Employers are also making difficult decisions in response to the risk and cost of providing retirement benefits, transitioning away from traditional defined benefit pension plans to defined contribution plans. As a result, the risks and costs of funding retirement have shifted toward individuals and families.

Key findings of the 2013 Survey

The 2013 survey reveals the global lack of retirement readiness, examines risks from the employee perspective, and offers recommendations toward addressing those risks based on the more balanced roles of government, employers, and individuals. Despite widespread concerns about the magnitude of the challenges faced, it is possible to mitigate the retirement risk being placed on individuals through a combination of changes in public policy and employer practices, innovative products and education to guide and support individuals to take personal responsibility for their retirement savings.

Lack of retirement readiness is an emerging global crisis for governments, employers, and individuals

The Aegon Retirement Readiness Index (ARRI), which measures retirement preparedness on six key measures, yielded a low composite total ARRI score of 4.89 on a scale from 0 to 10, and a relatively narrow range of scores across countries. Germany enjoyed the highest score of 5.48, which is nonetheless only a medium level of retirement readiness. At 4.30, Japan's Index score was the lowest. The 2013 scores show a decline from those in 2012. The total ARRI score dropped from 5.19 out of 10 to 4.89, with all 10 countries surveyed in 2012 registering a decline. Although in some countries there are now some signs of recovery from the economic crisis, the change in ARRI scores across the board was negative.

Most expect future generations to be worse-off in retirement than current retirees

Nearly two-thirds (64%) of respondents believe that future generations will be worse off in retirement than current retirees. The global financial crisis has led employees to expect reductions in benefits. Nearly two out of three employees (64%) expect that their government retirement benefits will be less valuable due to government cutbacks. That expectation is highest in the Netherlands (72%) and lowest in Sweden (41%).

A large portion of employees (44%) also expect their employer or pension fund will reduce workplace pension benefits. Expectations for this are also highest in the Netherlands (55%) and lowest in Sweden (26%).

When they retire, many employees, particularly the younger generation also expect to provide financial support to family members. Three in ten (30%) employees between the ages of 18 and 24 expect that they will have to provide financial support to their aging parents compared to 16% of employees between 35 and 44 and only 8% between 55 and 64. The combination of rising longevity and inadequate saving for retirement is threatening to 'squeeze' younger generations who face having to support older generations in retirement, yet face the prospect of reduced retirement benefits from which to draw upon. This retirement squeeze illustrates the urgent need to find the right balance among the roles and responsibilities of governments, employers, and individuals in providing for retirement.

Delaying retirement offers an obvious solution, but obstacles remain

An obvious and practical solution for bridging a savings gap is to work longer. The majority of employees (62%) expect to work longer due to the global financial crisis, with the response highest in the Netherlands and France (68%) and lowest in China (46%). Yet this solution is not straightforward and may be unrealistic for many. Of the retirees surveyed, nearly half (49%) retired sooner than expected. Among them, the majority retired early for negative reasons, such as health issues (42%) or job loss (23%). Only 7% retired sooner because they had saved enough. Delaying retirement in order to save more for retirement (if possible at all) would appear to be a high risk strategy.

Although the majority (57%) of current retirees continued to work in their full capacity until they retired, this survey shows that many current employees (43%) would like to transition gradually into retirement by changing work patterns (for example by working part-time, or with less demanding responsibilities). Of the retirees surveyed, fewer then one in ten (9%) retired later than expected. Among them, many did so because they enjoyed their work and/or wanted to stay active.

It is unclear, however, whether employers are willing to accommodate such a transition into retirement. Only 21% of employees indicate their employer offers the option to move from full-time to part-time work. The response was highest in China (32%) and lowest in Hungary (15%). And, only 15% indicate their employers would offer more suitable, less demanding work. Finally, only 15% state that their employer offers flexible arrangements to work beyond the normal retirement age.

Government and employers can help employees achieve retirement readiness while retaining valuable talent by communicating with older employees their available options for transitioning into retirement and facilitating longer working careers through phase a retirement and other programs. In addition, it is essential that employees have a backup plan to provide financial support for themselves and their families in case of the very real possibility that their employment ends earlier than planned.

Widespread retirement illiteracy worsens readiness

The retirement-related risks faced by employees are increased by widespread financial illiteracy, with only 20% of respondents saying they are 'very able' to understand financial matters related to retirement planning. On other key measures the survey found that only 9% of people say their personal retirement planning process is 'very well developed,' only 9% have a written plan for retirement, and 39% do not know if they are on course to achieve their retirement income needs.

Equipping individuals with the right toolkit to set retirement goals and make informed decisions on achieving these goals is critical. Retirement readiness is more than just saving and investing; it involves setting goals about lifestyle, income needs, and family support, as well as charting a clear path for achieving them. Employers can play a greater role in offering retirement preparation services to their employees.

Wary about retirement-related risks, individuals seek solutions

The global financial crisis has caused people to be wary of taking on risks in their retirement savings. More than half of respondents (53%) agree that, as a result of the financial crisis, they 'will take fewer risks when it comes to saving for retirement,' and 42% agree that they are 'looking for investment products which offer greater protection against volatile markets'.

Respondents are interested in products and services that could help them to mitigate risks. These included both investment and protection products, such as long-term care insurance (52% are very or extremely interested) and products to provide a guaranteed income in retirement (58% are very or extremely interested). Providers need to meet the needs of future retirees for protection by creating innovative products and services. Recent changes to retirement systems herald an age of greater personal financial responsibility, yet individuals cannot address these new risks alone. Employers and governments must continue to play an important but perhaps different role; evolving toward becoming 'enablers' (helping people to prepare for retirement) rather than purely 'providers' (of retirement benefits). Providers also have an important role to play.

Introduction

A guide to this report

Retirement was never meant to be expensive. In 1889, when the first modern state retirement system was put in place in Germany, the age of entitlement was 70 years, well beyond the age at which the average employee died. Today, most countries set their retirement age closer to 65 years, and, having retired, employees can expect to live for another twenty years or more [i]. Retirement has changed from being a rarity into a right. Unless retirement ages rise as people live longer, retirement will continue to become increasingly expensive. In the United States alone, the number of centenarians, those living to see their 100th birthday, is expected to rise from 75,000 today to nearly 600,000 by 2050 [ii]. And almost one third of babies born in the United Kingdom in 2012 are expected to live to the age of 100 [iii].

Retired populations are not only living longer but, as birth rates continue to decline, they will also become an increasingly large proportion of the overall population. The United States is the only country among those in the Aegon 2013 Retirement Readiness Survey where the working age population is expected to continue growing throughout this century. The United Kingdom, Sweden, France and Canada can expect to see a fairly stable working age population. In contrast, China, Japan, Germany, Spain, Poland, Hungary and the Netherlands will age the fastest, as their working age populations decrease. Working populations have already started to fall in Germany and Japan. Staggeringly, China can expect to see its working age population begin to shrink from approximately 1 billion people in 2025 to around 500 million by the end of this century. [iv]

Living longer into old age can be seen as an enormous benefit, but it is also creating new challenges. How can employees ensure that their savings will continue to be able to pay for their extended lives? Will people need to find a new balance between work and retirement? How can individuals protect themselves and their families against financial risks that may damage their retirement prospects? Societies, families, and individuals need to come together to continually reassess these risks and reappraise how they can be managed cost effectively. Many of the changes occurring in pensions systems around the world are attempts to deal with these risks in a way that better balances the responsibilities among employers, employees and the government. Increases in government retirement ages and the shift from final salary to average salary to defined contribution occupational pensions all represent ways in which the risks and costs of funding retirement are shifting toward individuals.

Part 1 of this report looks at prevailing employee views of retirement, while Part 2 charts how individuals are preparing for retirement. Part 3 looks specifically at factors preventing people from saving more and working longer, while Parts 4 and 5 look at the reallocation of risks and responsibilities among governments, employers, and individuals, and the resulting shift toward greater personal responsibility for retirement security.

The 2013 Survey

The Aegon Retirement Readiness Survey 2013 covers 12,000 employees and retirees in twelve countries: Canada, China, France, Germany, Hungary, Japan, the Netherlands, Poland, Spain, Sweden, the United Kingdom and the United States. The countries were selected on the basis of their distinctive pension systems, as well as their varying demographic and aging trends. [v]

Respondents were interviewed using an online panel survey, [vi] and interviews were conducted in local languages throughout January and February 2013. The 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 on investment risk and retirement planning.

10,800 employees and 1,200 retirees were interviewed in order to provide some comparison of the outlook of current employees to those already in retirement. The survey did not include the unemployed, long-term incapacitated or the self-employed, as each of these groups faces specific challenges in planning for retirement, which may require specialized public policy interventions. The research therefore provides a broader perspective based on mainstream working populations.

The Aegon Retirement Readiness Index (ARRI), calculated on the basis of the twelve-country survey findings, represents employees who together enjoy access to most of the world's existing private pension assets. The twelve countries covered by the survey account for almost 85% of global pension assets [vii] (not including social security funds). By the end of 2011, the United States alone had amassed $17.5 trillion in pension assets, accounting for 56% of the global total. This is followed by the United Kingdom with $3 trillion, or 10%, of global pension assets.

That these twelve countries have made the most progress toward building pensions and yet employees in these countries still feel largely unprepared for retirement is a measure of how much progress is still required globally.

Part 1: Aspirations and optimism about retirement

Rose-tinted retirement with a hue of concern

When examining the aspirations individuals have for retired life, a generally positive picture is painted; however, this view is tainted for many by concern. This section examines employees' aspirations and looks at their expected retirement dates. It also reveals the 'squeezed generation' of employees who are likely to have to keep providing financial support to other family members after they themselves have retired.

Positive aspirations mixed with concerns

When asked, most people select positive words to describe retirement. When given the choice of up to three words to associate with retirement, Leisure (44%), Freedom (36%), and Enjoyment (25%) were mentioned frequently. Leisure resonates most strongly in China, Germany, and the Netherlands, while in Canada, Freedom and Enjoyment are key associations. People approaching retirement or already retired generally view retirement more positively than those starting their working life. Older employees in particular regard retirement as a time of freedom.

However, views of retirement are not all positive, with respondents from all countries showing some level of concern. For 25%, retirement is associated with Insecurity (52% in Hungary) and for 19% it means Poverty (38% in Hungary, and 36% in Poland). A further 15% think of retirement in terms of Ill health (45% in Poland, and 30% in China). Both Insecurity and Poverty are greater concerns to women than men, which could stem from the fact that women are generally less prepared for retirement and will often spend longer in retirement due to longer life expectancy.

For most, the positive word associations are reflected in employees' aspirations. For example, 60% look forward to a retirement filled with travel, and the same number look forward to spending more time with friends and family. It is also a time for pursuing new hobbies (49%), and, for 22%, an opportunity to undertake volunteer work. These main aspirations are popular in all countries surveyed, and vary little by age and gender, hinting at a fairly universal picture of what the aspirational retirement looks like.

Chart 1: Retirement word associations

Q. Which, if any, of the following words do you most associate with retirement? Please select up to three words.

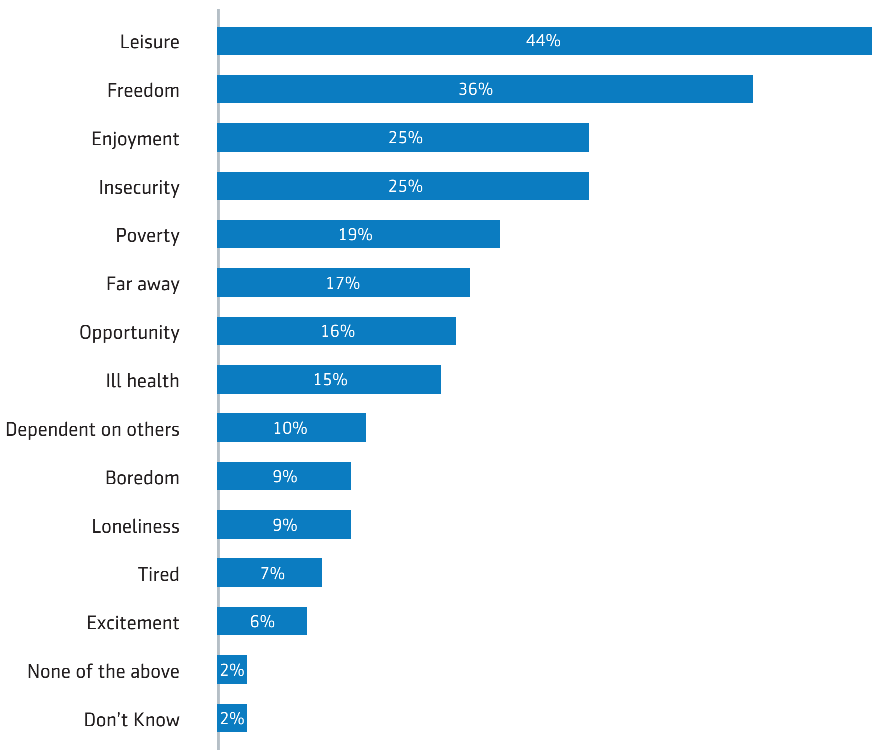
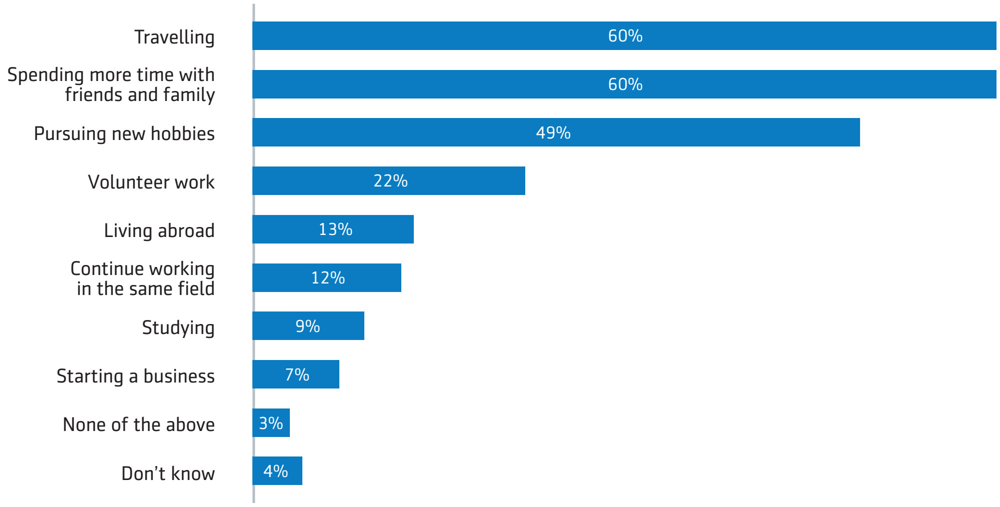


Chart 2: Retirement aspirations

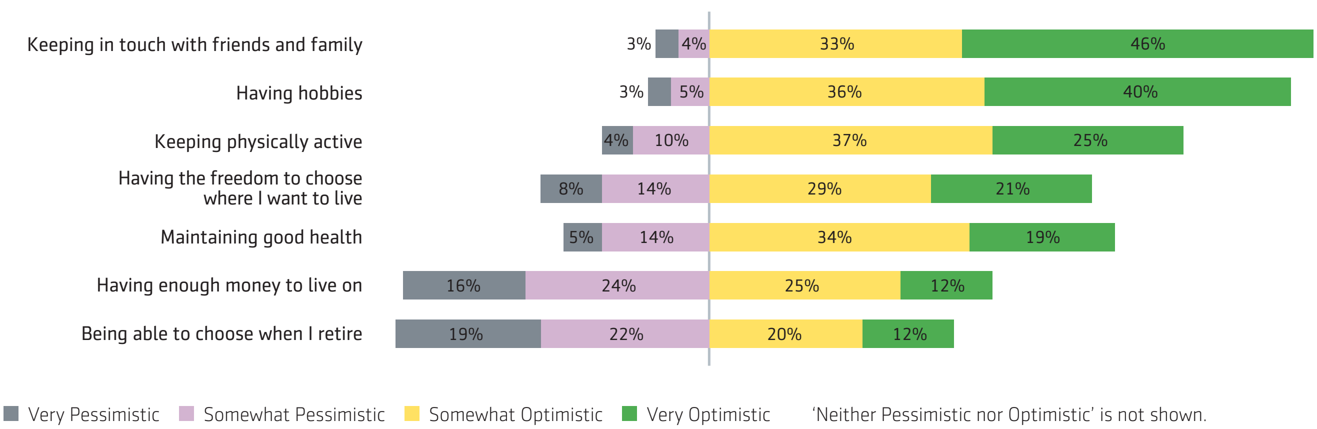
Q. Which, if any, of the following are important retirement aspirations for you? Please select all that apply.



Although aspirations for retirement are largely universal, individuals are less optimistic about how likely they are to achieve these aspirations. The vast majority (60%) aspire to spend more time with family and friends, yet only 46% are very optimistic that they will be able to do so; nearly half (49%) would like to pursue hobbies, but only 40% are very optimistic about doing so. On other important aspects of lifestyle, only 19% are very optimistic about maintaining good health, only 12% are very optimistic that they will have enough money to live on, and only 12% are very optimistic that they will be able to choose when they retire.

Chart 3: Optimism about retirement lifestyles

Q. When thinking about your retirement, how optimistic are you about each of the following aspects of it?



Expected retirement ages are similar across countries

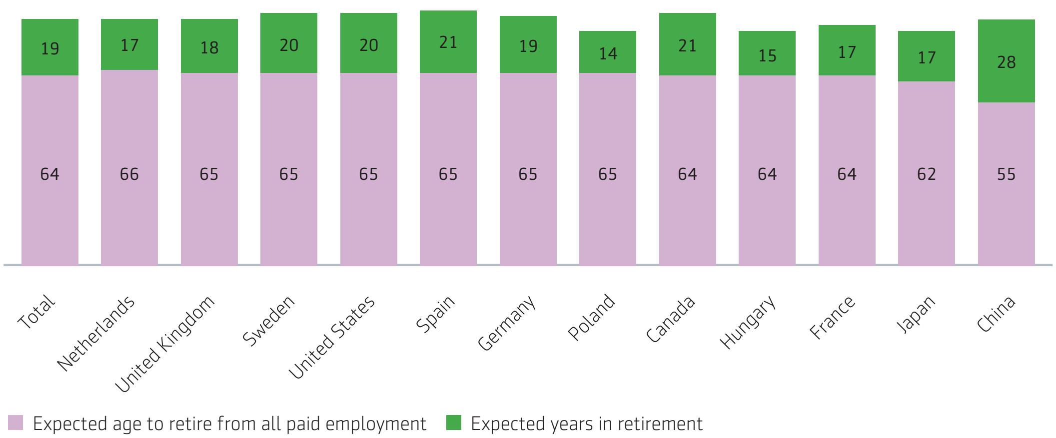
On average, respondents expect to retire from all paid employment at age 64, more or less in line with current pensionable ages; they expect to spend 19 years in retirement on average, roughly equivalent to 23% of their lives. The average expected retirement age varies little by country, the exception being China where people expect to retire at 55, leading to an expected 28 years in retirement (the retirement age in China is 60 for men, 55 for female civil servants and 50 for female workers [viii]).

For both men and women, about 26% of employees expect to retire at exactly 65, although this increases to 46% in Sweden. Another 14% expect to retire at 70 or older, and 2% expect never to retire from all paid employment. In the United States, 27% of respondents expect to retire at 70 or older, and 4% expect never to retire.

Chart 4: Expected retirement ages vary little by country, and most people expect their number of years in retirement to last a long time

Q. At what age do you expect to retire from all paid employment?

Q. Given that you expect to retire from all paid employment at [AGE], how many years do you reasonably expect to live for in retirement?



Future generations are likely to be worse off in retirement

Only 9% of respondents believe future generations will be better off in retirement than those currently in retirement. These respondents are most commonly found in China, where 45% hold this view. In sharp contrast, in Germany, France and Japan, just 3% expect future generations to be better off in retirement (2% in Hungary). The clear message is that those living in slower growing economies have lost faith that retirement income levels will be sustainable in the future.

With future retirement incomes anticipated to fall, this year's survey results point to a 'squeezed generation' of current employees who anticipate that in retirement they will be providing financial support for older parents and/or other family members such as their adult children.

Globally, twice as many working people expect to provide financial support (36%) to family in retirement than to receive it (18%). In France, 40% expect to provide support to aging parents or other family members in retirement, while only 11% expect to receive support. Expected provision and receipt of support is highest in China, Hungary, and Poland (those countries where formal public and/or private pension systems are least well developed), while in the Netherlands and Sweden there is a greater sense of self-reliance and lower expectations that people will either give or receive financial support.

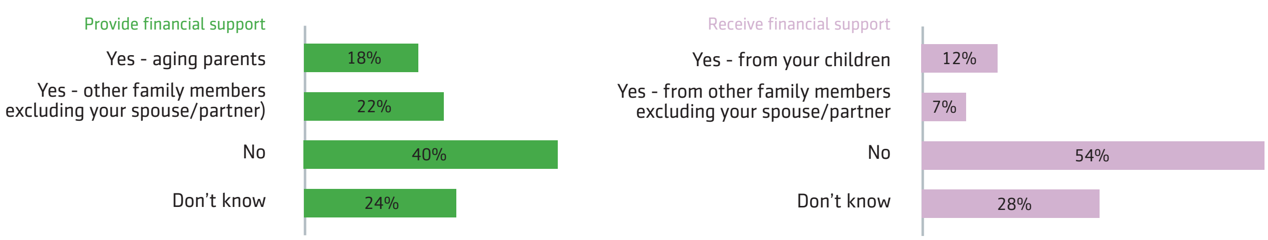
Expectations vary considerably by age groups, with nearly half (44%) of younger employees (those aged 18-24) expecting to provide for their family in retirement, compared to just 14% of those aged 65 plus.

These findings suggest that future generations expect to be called upon to provide support for their relatives in retirement, as fewer people succeed in saving sufficiently for retirement and life expectancy continues to climb. The increasing pressure on younger generations also has important implications for the inter-generational transfer of wealth, which looks increasingly likely to occur during people's retirement. Future generations of retirees expect that their own children will increasingly call on them for financial support during adulthood rather than waiting to receive their inheritance.

Chart 5: Twice as many people expect to provide financial support than receive it from family while retired

Q. Do you expect that you will need to provide financial support for your family (other than your spouse/ partner) while you are retired?

Q. Do you expect that you will need to receive financial support from your family while you are retired?



N.B. More than one response option possible, therefore percentages equal more than 100%

Part 2: The Aegon Retirement Readiness Index

Measuring and tracking how prepared employees are for retirement

The Aegon Retirement Readiness Index (ARRI) was developed to assess the relative levels of readiness across all countries included in the study. In 2012, nine countries were included in the study, with the later addition of Japan. These ten countries have been joined this year by Canada and China. The purpose of the ARRI is to measure and track whether employees' expectations of retirement are likely to be fulfilled based on current attitudes and behaviors.

Index methodology

Index scores were calculated based on a sample of 10,800 employees who were asked a series of questions relating to planning and saving for retirement. The Index forms a composite measure of how well an individual perceives the adequacy of their own finances and financial awareness specifically for addressing their retirement needs.

The analysis consisted of looking for patterns across the responses of six key questions, the first three questions covering attitudes, the remaining questions covering behaviors:

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 retirement
4. **Retirement planning** the stage of development of plans
5. **Financial preparedness** for retirement
6. **Income replacement** assessing the level of projected income replacement

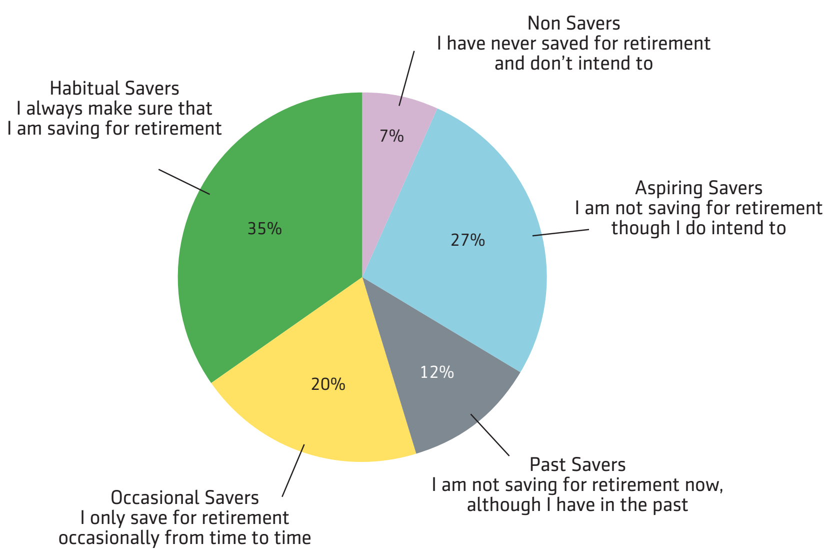
The Index was created by correlating the degree of current savings activity (habitual, occasional, past, aspiring and non-savers) with the six questions listed on the left.
The most important determinants in the Index were found to be the behavioral questions (retirement planning, financial preparedness, income replacement).

The resultant scores were calculated on a final scale of 1 to 10. Responses were also grouped into High (score of 8 or higher), Medium (between 5 and 8) and Low levels of readiness (up to 5). A Low Index score suggests that a respondent will struggle to cope financially in retirement, a High score suggests he/she is on track for a comfortable retirement.

Across the twelve countries surveyed, the distribution of scores is as follows:

Low Index score (up to 5):	66%
Medium Index score (between 5 and 8):	29%
High Index score (greater than 8):	5%

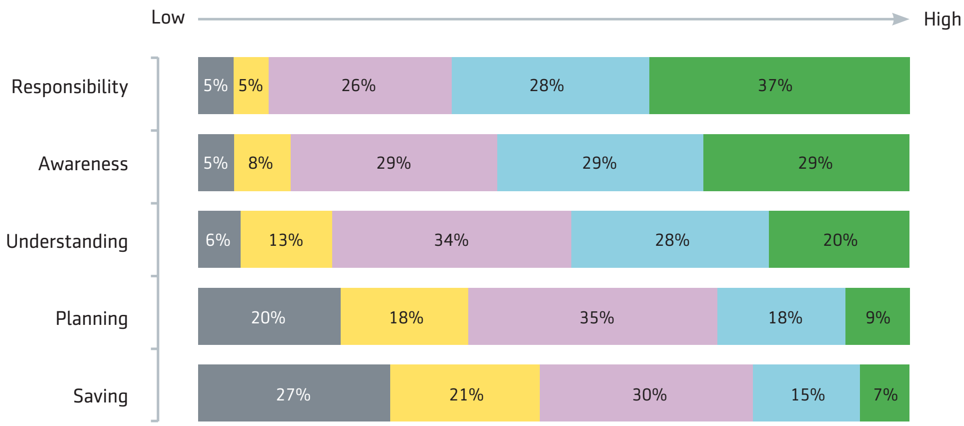
Chart 6: Most people claim to have some kind of habitual or occasional savings behavior while a large minority aspires to start saving
Q. Which of the following best explains your approach to saving for retirement?



The proportion of the five saver types highlighted in the Index target question has hardly changed since 2012 and the inclusion of Japan, Canada and China has had very little impact on the profiles. Savers still slightly outnumber non-savers.

The analysis found, however, that saver type is not necessarily synonymous with strong Index scores. For example, 35% described themselves as 'habitual savers' but only 12% of habitual savers had a 'High' Index score of between 8 and10 compared to 40% who had a 'Low' Index score (0-5). This story worsens for the non-habitual savers.

Chart 7: Retirement responsibility and awareness not translated into planning and saving



Respondents rated their responsibility, awareness, understanding, planning behavior and saving behavior with regards to retirement on a scale of 1-5, with 5 being highest.

1 (Low) 2 3 4 5 (High)

Across all six of the Index questions there has been a slight decline in the mean scores. Most respondents (65%) claim to feel personally responsible for making sure that they have sufficient retirement income, although this proportion is down from the 69% reported last year. Levels of personal responsibility vary little by gender and age. Similarly, the majority of respondents (57%) rate their level of awareness of the need to plan for retirement as high (measured as a 4 or 5 on a 5-point scale), although this is down from 62% in 2012. Awareness levels increase steadily as people get older, suggesting that there is a task in impressing on younger employees the need to plan earlier in life. The downward trend is continued when we examine the level of understanding of financial matters relating to planning for retirement. Just under half (47%) rate their understanding highly, down 7% year-on-year. Again, older employees (and also men) claim a greater level of understanding.

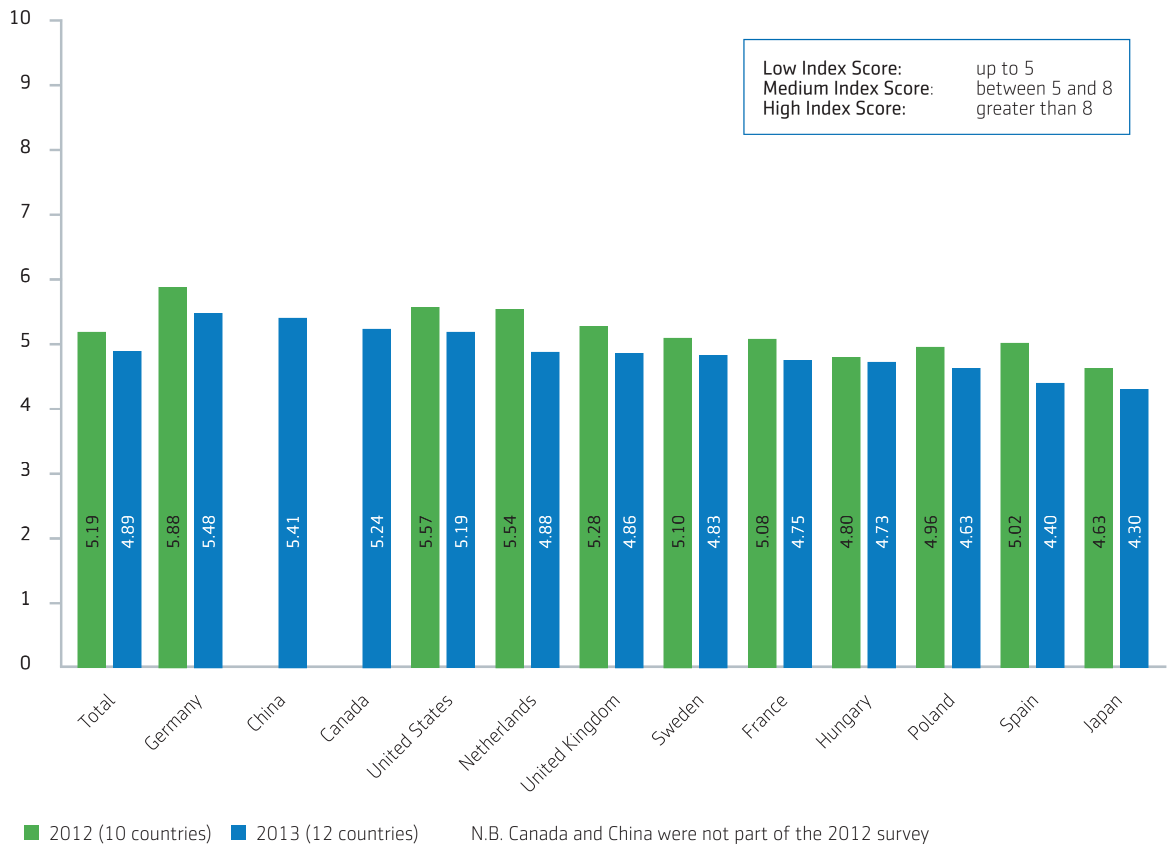
It is worrying to note just how few respondents have a well-developed personal retirement plan, just one-in-four (27%), down from 33% in 2012. Among 18 to 24 year–olds, the percentage is lowest at 19%, and highest at 44% among those still working beyond 65. Of equally great concern, just 22% of employees say they are saving enough to fund their retirement (31% in 2012). Although older respondents are more likely to claim to be putting aside enough, never do more than one-in-three respondents by age group give themselves a 'top 2 box score.'

The ARRI scores, by country

The overall Index score of 4.89 is lower than the 5.19 recorded last year. It should be noted that this year's Index scores take into account the addition of Japan, China, and Canada to the nine countries included in 2012. That said, if this year's Index scores were based solely on the nine countries that were included in 2012, the Index results would be very similar. The headline 2013 Index score of 4.89 would be slightly lower at 4.86. Moreover, the distribution of responses to the individual Index questions varies little regardless of whether the results are based on the original nine or all twelve countries. Unless otherwise stated, in this report the Index results for 2013 are based on the responses from all 12 countries.

Across all countries, there has been a decline, ranging from just 1% in Hungary (4.80 to 4.73) to 12% in Spain (5.02 to 4.40) and the Netherlands (5.54 to 4.88). Germany's Index score of 5.48 has fallen 7% in one year. Despite the declines, there has been little change in the relative rankings by country. Overall, German respondents remain 'most ready' for retirement, ahead of new survey countries, China and Canada. The United States is fourth, ahead of the Netherlands, the United Kingdom, and Sweden, all with similar scores. Hungary (ninth this year) swapped places with Spain (now eleventh). Japan remains at the bottom of the ARRI table. It is important to emphasize that while some countries scored higher than others on the Index, none of the countries is 'very ready' for retirement.

Chart 8: Aegon Retirement Readiness Index 2013, by country - the scores in all countries have declined



Although the average score in a country can be above 5, the majority (51%) of respondents in all countries have a Low Index score (up to 5) this year.

In Germany and China, just over half (51%) of employees demonstrate low levels of readiness compared to 78% in Spain and 83% in Japan. China (42%) and Germany (41%) have the greatest percentage of those who fall into the 'medium readiness' category, with Spain (19%) and Japan (17%) having the least.

All countries registered fewer than one in ten respondents with a High Index score (which indicates a strong sense of retirement readiness) This peaked in both Canada and the United States, where 9% received a High Index score. In Japan just 0.4% of respondents had a High Index score, and in Poland and Spain the corresponding figure is 3%.

ARRI scores: why Japan's Retirement Readiness Index score is so low

Japan seemingly provides us with something of an oddity. The ARRI scores in both 2012 and 2013 place the country at the bottom of the international rankings in retirement readiness. This in a country which is famed for its high household savings ratio, having amassed over one trillion US dollars in private pension assets. The reasons the Japanese feel so poorly prepared are numerous. While Japan has accumulated relatively vast amounts of retirement wealth, its household savings ratio has actually collapsed since the late 1990s. The capacity to save has been reduced as real household incomes have been squeezed by two lost decades. Annual savings have fallen from a peak of 23% in the 1970s to around 3% now. This means future generations of employees are not building retirement assets at a rate similar to past generations. This is a problem, given that about 23% of Japanese citizens are already living in retirement, which is high by international standards and suggests that the country is closer to reaching the tipping point where it starts to run down retirement assets. There is also evidence to suggest that government pension reforms in 1995, and the introduction of public long-term care insurance, have made people feel more secure in the social security net and less inclined to provide a safety net of their own. The sustainability of those reforms has been brought into question by more recent reforms.

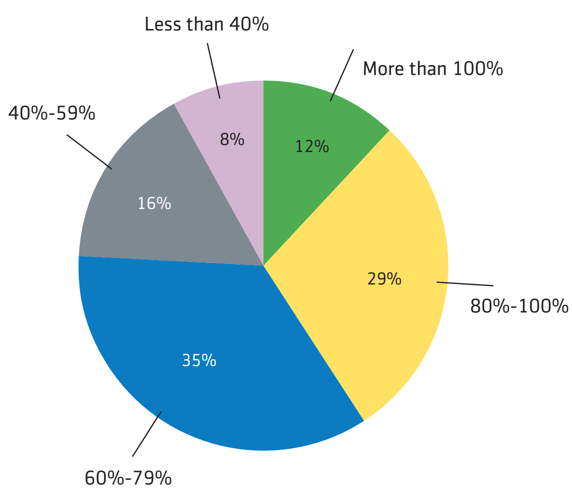
While it may be unsurprising that the findings show older employees have greater levels of retirement readiness, what is surprising is the fact that among the pre-retirement age group (55 to 64) 51% fall into the Low Index category and only 10% in this age group can be regarded as 'highly ready.' Contrast this with 25 to 34 year olds, 72% of whom fall into the Low Index grouping (4% High Index). These figures suggest that in 30 years of working, between one-quarter to one-third migrate from the lowest to highest levels of retirement readiness, as measured by our Index.

Employees also have unrealistic expectations for income in retirement

People expect to need on average nearly three-quarters of their current gross annual income in retirement. The majority (64%) of all employees expect that they will need at least 60% of their current earnings.

Chart 9: People expect to need most of their current earnings in retirement

Q. Thinking about what money can buy today, what gross annual income do you expect to need in retirement, as a proportion of your current earnings?



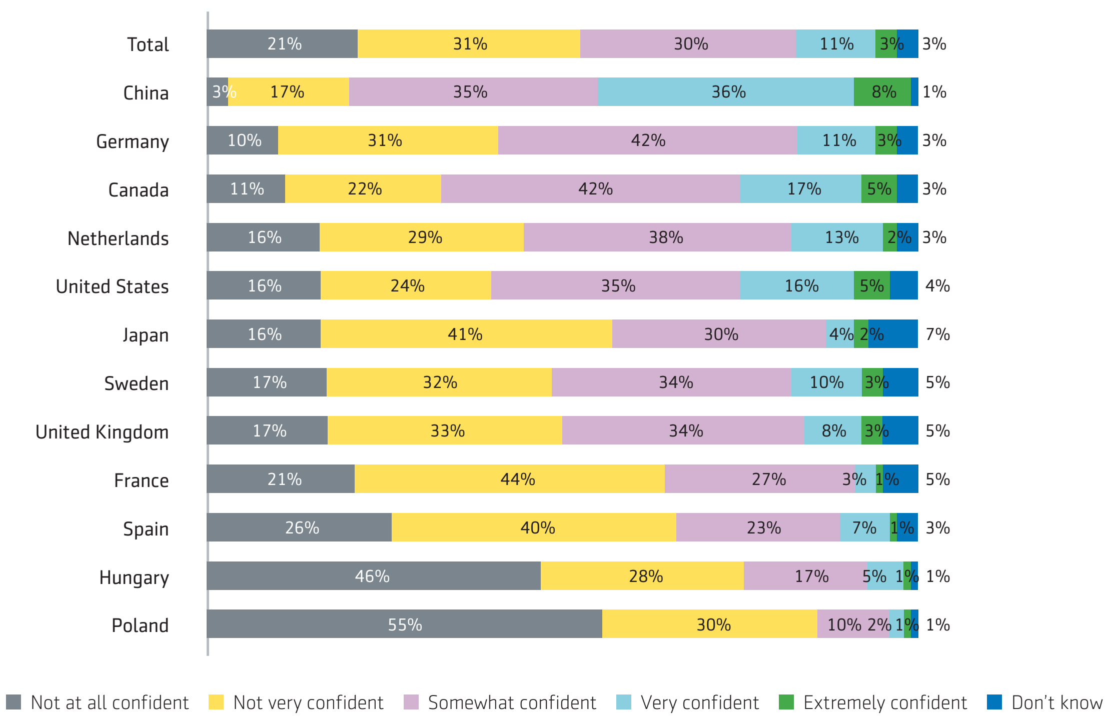
Taking all responses into consideration, the mean required income in retirement is 72% of current earnings (ranging from 85% in Hungary to 61% in the United Kingdom). As reported last year, this expected required replacement rate is probably unrealistically high, and our research found that those estimating they will need 80-100% of current income are slightly less likely than the average respondent to believe they are on course to achieve it.

Just 19% of respondents think they are on course to achieve 100% of their target retirement income, 14% think they are on course to achieve 75%, 17% to achieve 50%, and 11% to achieve 25%. The largest group of respondents (39%) does not know whether they are on course to achieve the income they expect to need in retirement.

This uncertainty, which as reported earlier is driving down the Index scores this year, is affirmed by the lack of confidence that people have in their ability to fully retire with a comfortable lifestyle. When asked, "Overall, how confident are you that you will be able to fully retire with a lifestyle you consider comfortable?", only 14% are either 'extremely' or 'very confident' that this will be the case, with 30% claiming to be 'somewhat confident.' Of greater concern is the fact that over half (52%) are either 'not very confident' (31%) or 'not at all confident' (21%) that retirement will be comfortable.

As Chart 10 below shows, responses to this question vary greatly by country. Those who are not fully retired in Poland and Hungary are least confident in their ability to fully retire in comfort. Although confidence is slightly higher in Canada, the United States, Germany, and the Netherlands, only in China do current employees express widespread confidence in their ability to retire in comfort. In stark contrast to the views of Polish and Hungarian employees, just 3% of Chinese employees are not at all confident.

Chart 10: In most countries there is little confidence that people will be able to fully retire with a comfortable lifestyle
Q. Overall, how confident are you that you will be able to fully retire with a lifestyle you consider comfortable?



More women (56%) than men (47%) are either 'not very' or 'not at all' confident. This is related to the higher concentration of women in part-time or lower paid work, which results in more women falling into the aspirational saver type, compared to men who are more likely to be in a position to save regularly. Unsurprisingly, those with higher incomes and those saving habitually show much greater levels of confidence.

The conclusion to be drawn is that people need to be realistic about their retirement income expectations, considering how much they are able to save, and they need to have a greater understanding of what their retirement savings will deliver for them in terms of retirement income. Furthermore, today's employees need to prepare more systematically if reasonable levels of comfort are to be experienced in retirement. Finally, employees need to plan to have their retirement savings last their lifetime.

Part 3: Addressing the shortfall in retirement income

Delaying retirement is an obvious solution, but obstacles remain

The low level of retirement readiness identified in Part Two demonstrates that behavior change at the individual level is essential. However, this is unlikely to be enough unless accompanied by a strong and continuing role for governments and employers. Individuals will need help if they are to save earlier, save more and work longer.

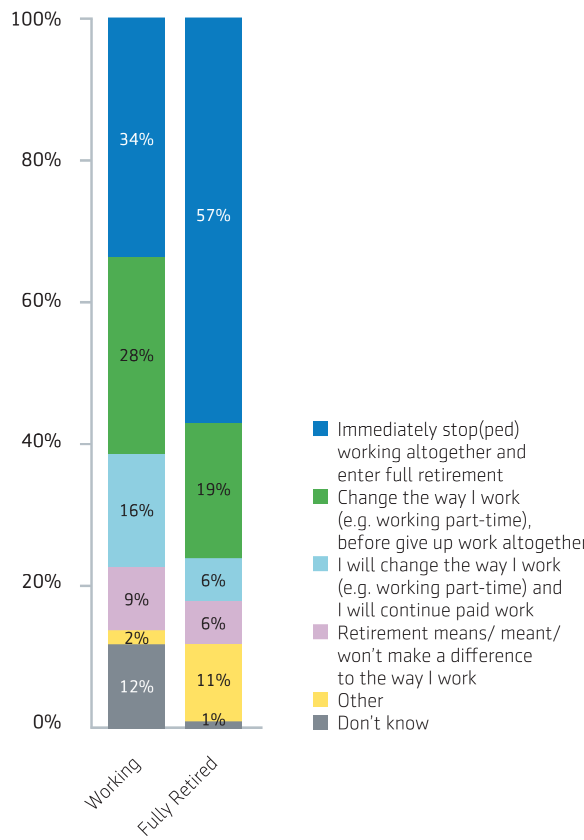
Creating a new template for later, more flexible retirement

Today's employees have adopted a more flexible and fluid attitude to what 'retiring' means. The majority (64%) are planning to work until at least 65, and transition into retirement gradually rather than adopt a traditional 'cliff edge' retirement, where they stop working altogether. Only a third (34%) of current employees plan to stop working altogether and immediately enter into retirement. This trend varies significantly by country; in France 49% of current employees feel they will immediately stop all work, contrasting with just 22% in Canada, 23% in the United States and 25% in China. The implications are positive in that people can supplement their retirement income and bridge savings shortfalls if they continue working to some extent.

Chart 11: Phasing into retirement will become the norm when today's employees reach retirement age

Q. Looking ahead, how do you envision your transition to retirement?

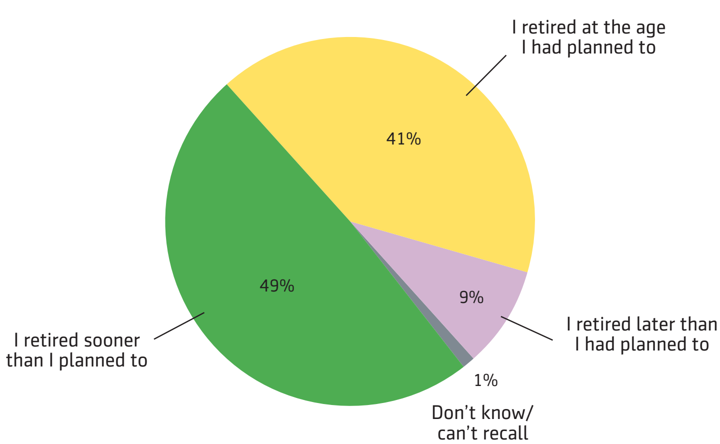
Q. Looking back, how did your transition to retirement take place? Please select the response closest to your view.



Unfortunately, the best of plans to work longer and delay retirement can be derailed by life's unforeseen circumstances. Nearly half (49%) of current retirees retired earlier than planned, with the highest percentages of 64% in Spain and 60% in the United Kingdom. Worse, early retirement was largely brought on by negative developments: 42% cite ill health, 23% losing their job.

Chart 12: It is far more common to retire sooner than later than planned

Q. Would you say that you fully retired from all paid employment sooner or later in life than you had planned, or at the age you had planned to?



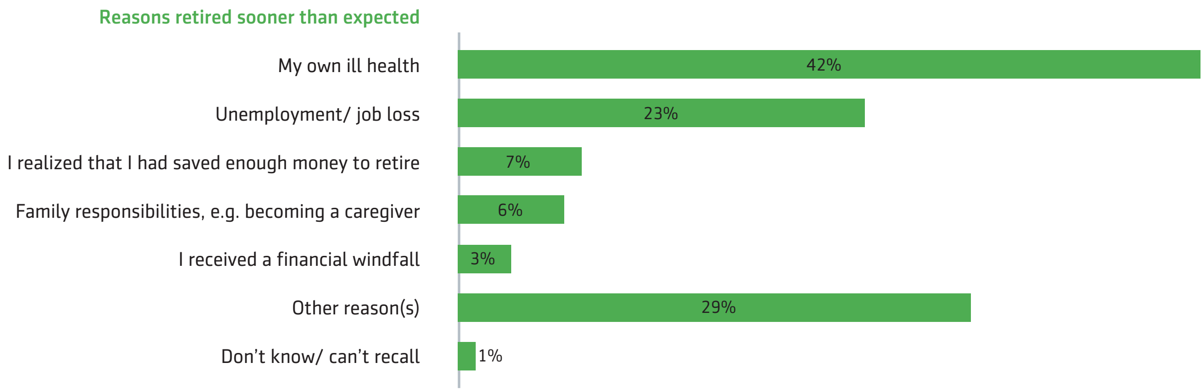
Fewer than one in ten retirees (9%) retired later than they had planned, among this small minority, many reported doing so largely for positive reasons: 42% due to enjoyment of work, 35% out of a desire to stay active. Negative reasons such as lower than expected government benefits and anxieties about retirement income were cited, but less often.

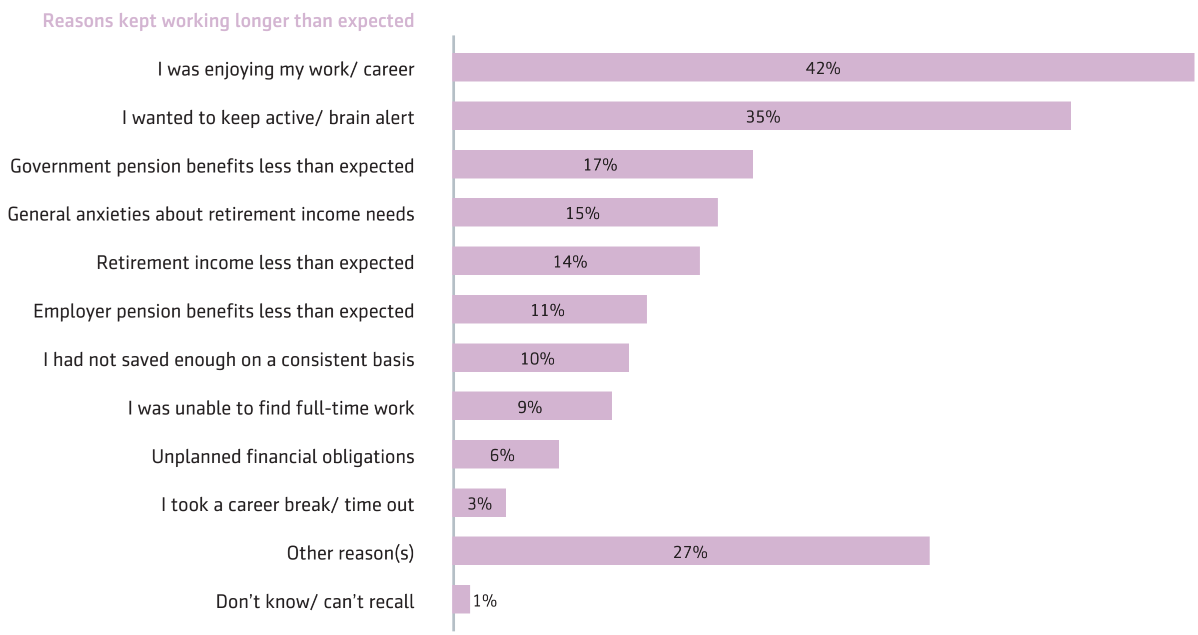
These findings suggest that working in later life is seen as something positive by retirees and current employees across Europe, North America and Asia, and that employees are willing to incorporate paid work into their notion of a flexible retirement. However, for many employees, retirement may come sooner than hoped, expected or planned due to ill health or job loss.

Chart 13: Carrying on working later than planned has positive associations, retiring early negative ones

Q. Which, if any, of the following were important reasons in your retirement from all paid employment sooner than you had planned?

Q. Which, if any, of the following were important reasons in your delaying retirement from all paid employment until later than you had planned?





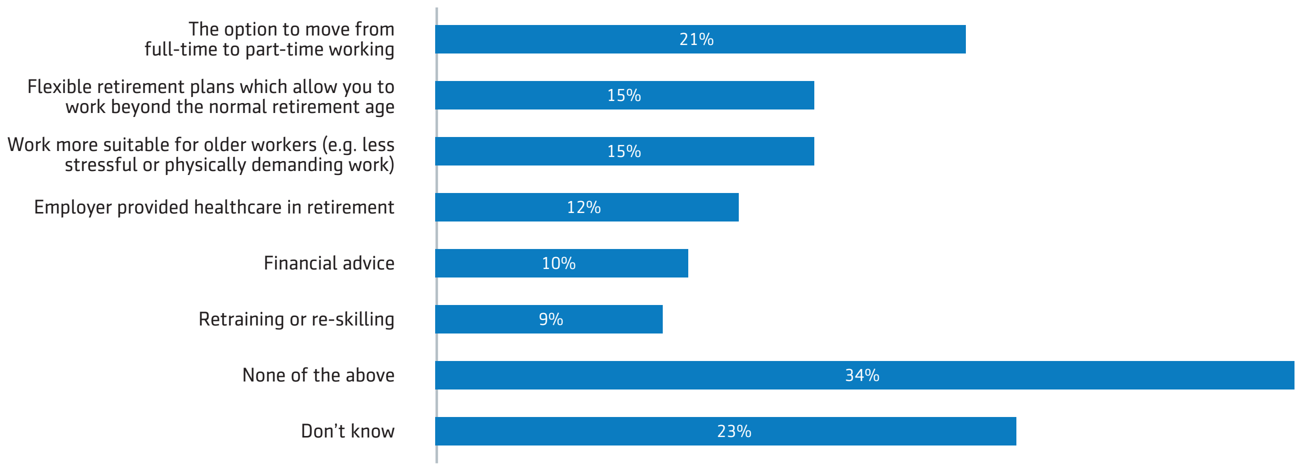
Transitioning into retirement and extending working lives

Many employees envision a phased retirement but it will require support from employers and in some countries legislative changes. Currently over half of employees feel they either are not offered any services to help them phase into retirement (34%) or do not know if such services are offered (23%). Among those in the pre-retirement age group (55-64 year olds), 42% say they are not offered any retirement phasing services, and 14% do not know what is available.

Where such services are offered, the most commonly available is the ability to move from full- to part-time work. It is vitally important for the future that not only are such options made available to employees, but that they are better publicized.

Chart 14: Services to help employees phase into retirement are far from the norm

Q. Which, if any, of the following services does your employer offer to help employees phase into retirement?



Enabling older employees to delay retirement beyond the retirement age is another area where employers can make a major difference. In some countries, such as Japan, there are legal barriers to prevent this happening. However, the increasing costs created by longevity mean that all countries will eventually need to introduce policies which support older employees remaining in work.

Increasing awareness of workplace retirement preparation services

Perhaps even more concerning than the lack of employer services around phased retirement is that there is a striking lack of awareness among employees of the general retirement preparation services offered in their workplace. These services include a diverse range of employee benefits such as the provision of workplace financial support: education, seminars, online planning tools and annual pension forecasts. In many of the countries surveyed (for instance the Netherlands), it is a legal requirement for employers or retirement plan administrators to provide annual retirement plan statements, yet the majority of employees either do not know what retirement preparation services their employer offers (19%) or do not think such services are available at all (40%).

Recognition of retirement preparation services is highest in the Netherlands, where 52% recognize that they receive an annual retirement statement, and only 17% feel they receive no services. Provision of other services such as websites, educational materials and meetings with advisers seems generally low in the countries surveyed, though meetings with advisers is more common in the United States (23%) and Canada (21%). Provision of retirement services does not increase among older age groups. In fact 55-64 year olds are more likely to suggest they receive none at all (45%).

Chart 15: The majority do not feel they are being provided with retirement preparation services in the workplace

Q. Thinking of your current employer which, if any, of the following services does your employer (or their retirement plan administrator) offer to help you prepare for retirement?

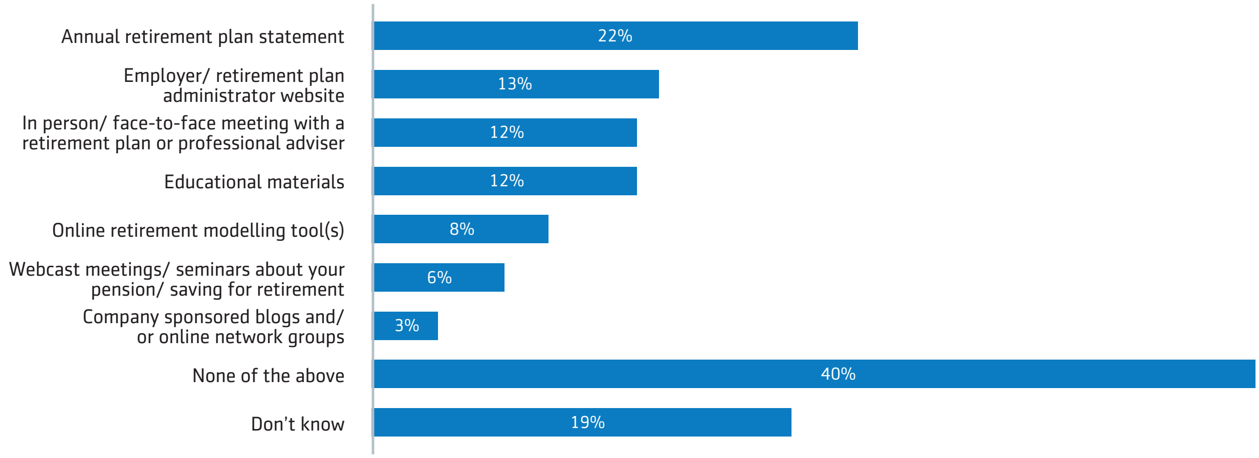
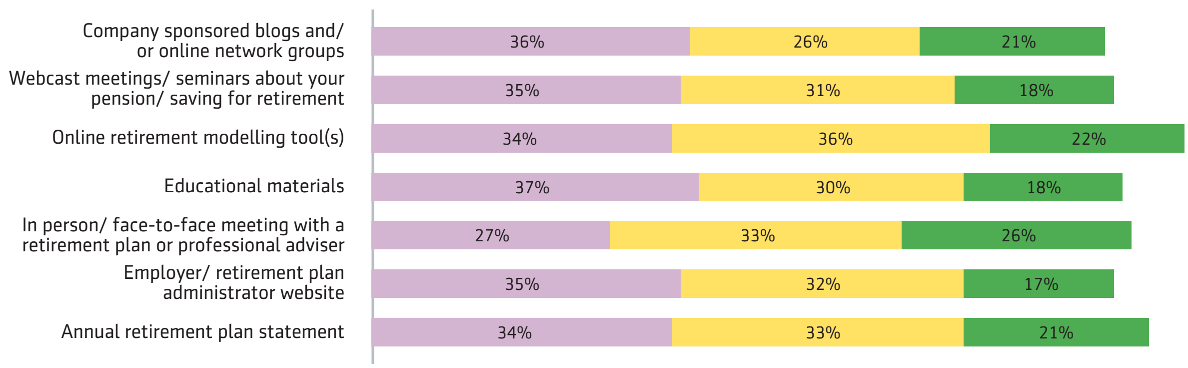


Chart 16: Majority of employees rate employer retirement preparation services as being helpful

Q. For each of the services that your employer (or plan administrator) offers, please say how <u>helpful</u> each is in preparing you for retirement?



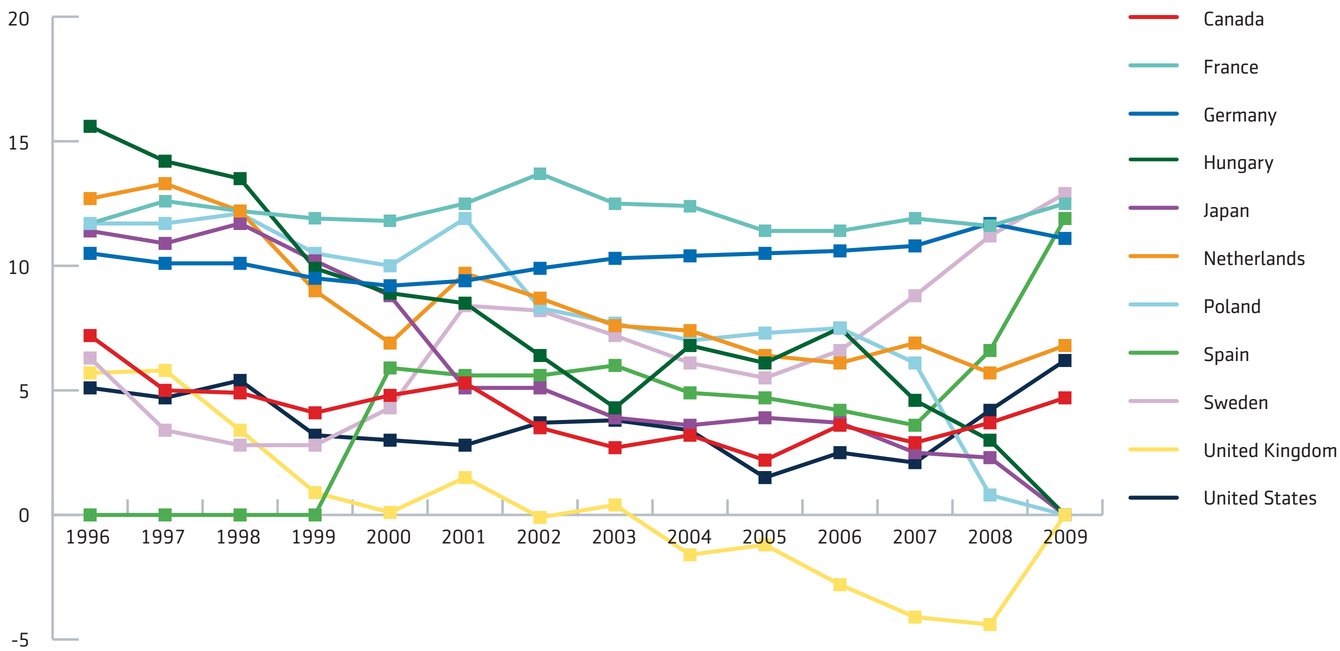
'Not at all helpful','Not very helpful' and 'Don't know' are not shown.

While a majority do not recognize their employer as offering retirement preparation services, these findings show that where such services are provided, they tend to be valued by employees; this is particularly true with the provision of online retirement modeling tools. Such findings confirm that the employer plays an important role not just in providing pension benefits, but also in providing employees with the necessary planning tools to make better financial decisions and help them to achieve their retirement goals.

A tripartite (re)balancing act

As responsibility for retirement saving is rebalanced among government, employers and individuals, this will inevitably result in people having to save more for their own retirement in order to increase their levels of readiness. Levels of saving vary considerably among the countries surveyed, and have generally slightly improved since the onset of the financial crisis. However, further increasing the amount of money people are putting aside specifically for retirement remains a key challenge.

Chart 17: Household saving rates by OECD countries
Household saving rates, (OECD 2010)



Unsurprisingly, employees feel that they would save more for retirement if they were given higher levels of pay. This finding is especially prominent in Central & Eastern Europe, with 68% in Poland and 65% in Hungary linking higher pay with higher savings levels. Further financial incentives such as tax breaks would also encourage saving. Achieving economic growth and rising incomes is proving elusive in many of the countries surveyed (with exceptions such as China), but improving the simplicity and targeting of long-term savings tax incentives is both possible and potentially highly desirable.

Chart 18: More pay and low taxes would encourage people to save more for retirement
Q. Which, if any, of the following would encourage you to save for retirement?

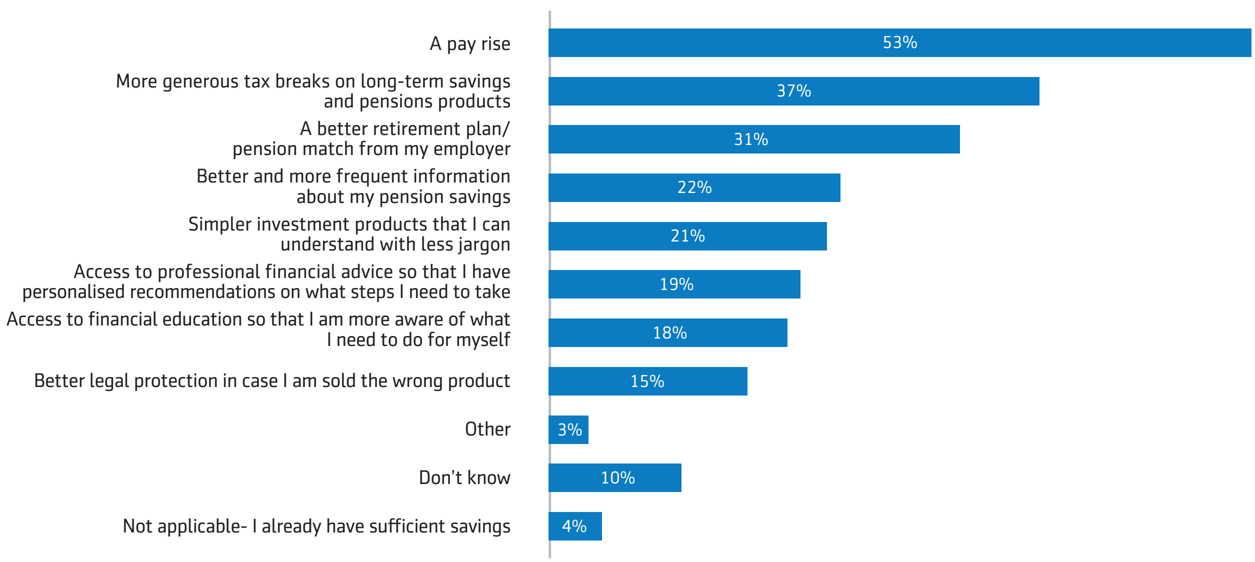
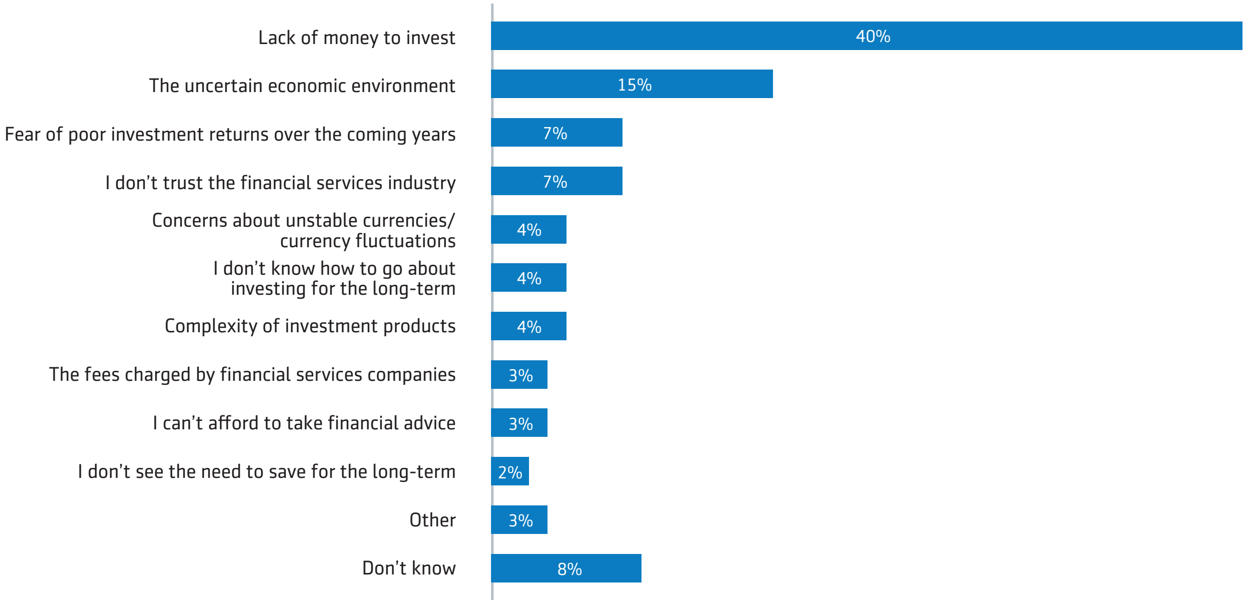


Chart 19: A lack of money is discouraging people from saving for retirement

Q. What is the single biggest obstacle to you saving for retirement right now?



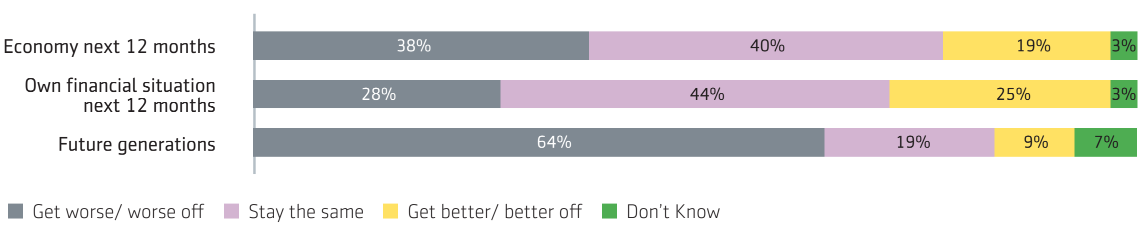
Reflecting the findings above, employees feel that the main obstacle to saving for retirement is a lack of money, particularly in Hungary (56%), Canada (51%) and Poland (48%). Given that the economic outlook for 2013-14 is likely to remain gloomy, especially in Europe, we can expect a continuing negative impact on savings behavior and feelings of retirement readiness. This view is shared by our respondents, a majority of whom feel that over the next year the economy will either get worse or simply stagnate, though some are more optimistic about their own financial situation, with a quarter thinking it will get better. China bucks the negative trend, with 41% expecting the economy to improve, and 46% expecting to become better off personally. Canada is also more optimistic than average (21% and 41% respectively).

Chart 20: People are more skeptical about their own economic situation than the economy as a whole

Q. Thinking ahead over the next 12 months, do you expect the economy in [COUNTRY] to…?

Q. And thinking ahead over the next 12 months, do you expect your own financial situation to…?

Q. Do you think that future generations of retirees will be better off or worse off than those currently in retirement?



This chapter illustrates that the conditions necessary for boosting retirement savings by employees are often lacking. Many non-savers are in fact aspirational savers (27%) who simply cannot afford to do what is required, and they actively acknowledge that working past retirement age will form part of their personal retirement solution. The findings therefore show a general willingness by respondents to do what they can. Governments and employers share a critical role in offering retirement transition programs, tools, and services. With their help, the number of employees working beyond retirement age should theoretically increase given the general levels of support for phased retirement.

Part 4: Toward a sustainable, long-term solution

Redefining the role of government and employers

Addressing the low levels of retirement readiness illustrated in Part Two requires a sustainable long-term solution across all countries. The foundation for this solution must be based on a sense of shared risk and responsibilities. It is clear from the findings that employees cannot achieve their desired aspirations for retirement, whether that means saving sufficiently to enjoy a comfortable retirement or changing the way they transition into retirement, without the support of their employer and the government. A new approach is called for combining the roles of government, employer and employee. The World Bank's 'three-pillar' approach to funding retirement (with public pensions providing a basic pension entitlement, complemented by occupational savings plans and voluntary private savings) stresses the importance of developing a more diverse mix of retirement income sources. The precise mix of these different pillars will vary from one country to another but the basic principle is that the responsibility for funding retirement should be shared.

Redefining the role of governments

The role of government pensions is fundamental in providing a basis on which all other forms of retirement provision are built: government pensions provide most retirees with a steady stream of income until they die, at a level that many people cannot afford to save for in their own right. But to what degree are these programs sustainable in light of aging populations and economic conditions? Given the different levels of household incomes and the impact this has on the amount of income needed in retirement, it is clear that people can expect to rely on government pensions to varying extents; however, the government is still recognized as being a source of retirement income for a great number:

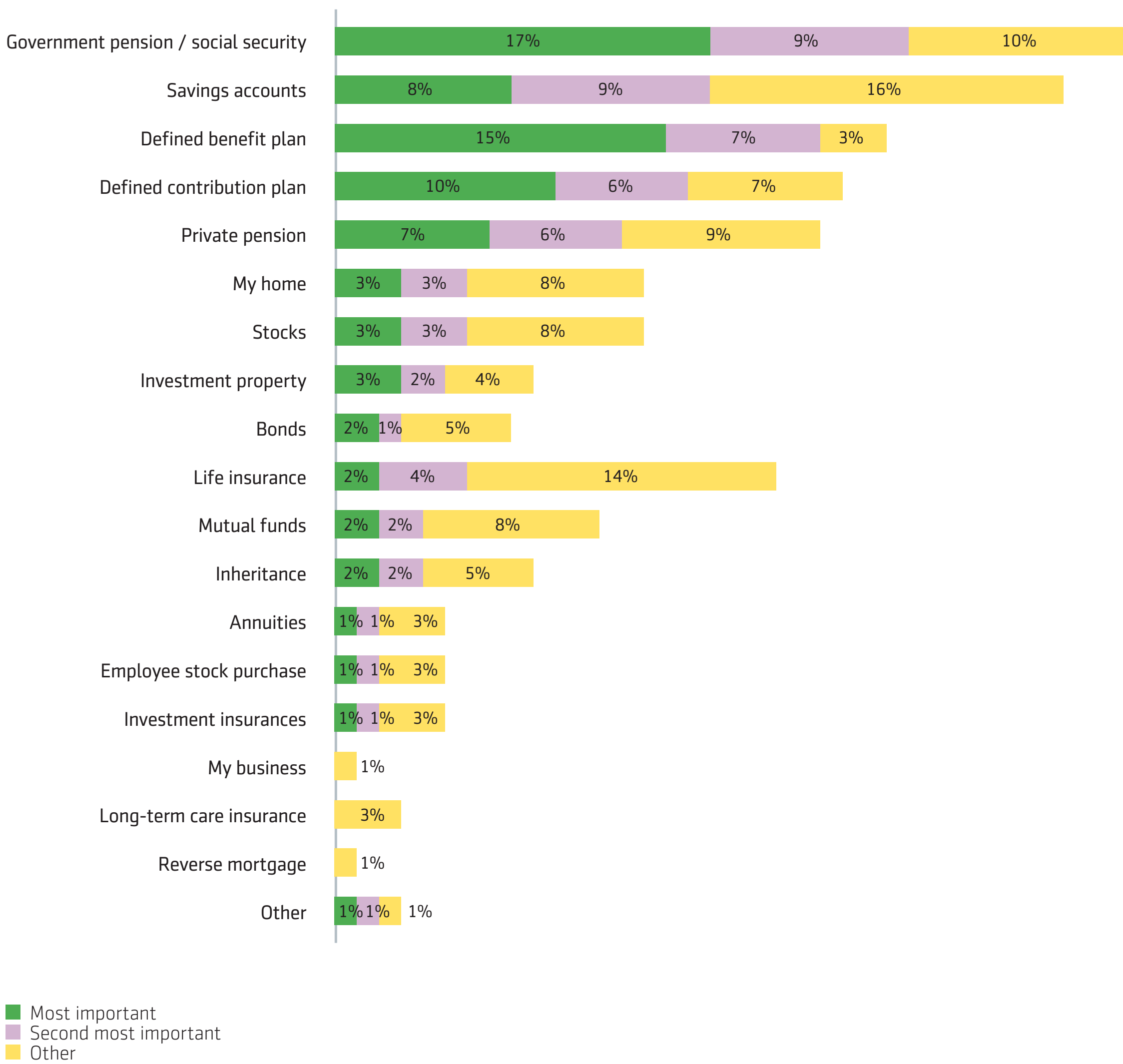
- 17% said that government pensions will be their most important source of retirement income.
- Over two-thirds (70%) agree with the statement 'the government should provide for people through the government pension.'

Chart 21: The government pension and savings accounts are the most important providers of retirement income

Q. Which financial means, if any, are you currently using to prepare for your retirement? If you are already fully retired, which financial means, if any, did you use to prepare for retirement?

Q. And which of these financial means is or is likely to be your most important source of retirement income?

Q. And which of these financial means is or is likely to be your second most important source of retirement income?



While 43% agree that 'there's nothing wrong with relying on the government to provide a retirement income', the survey found that the reliance on the government is declining, particularly where pension reforms have been witnessed in recent years. For example, while 51% of French respondents thought that there was nothing wrong with relying on the government when questioned in 2012, the figure dropped to 32% in 2013.

Overall, the survey shows widespread support for the World Bank three pillar model, with 71% believing that 'it is important to have as many sources of retirement income as possible to spread out any risk.' So while the government has a role of providing pensions for its citizens, this is only part of the solution. Personal responsibility and employers also have a recognized role with 68% of employees believing that there should be a 'balanced approach in which employees, employers and the government all play an equal role.' Spreading out the risks of retirement funding in this way reflects a concern that all countries, with the exception of Poland, are faced with the prospect of increasing costs in their public pension systems toward what will be for many countries unsustainable levels.

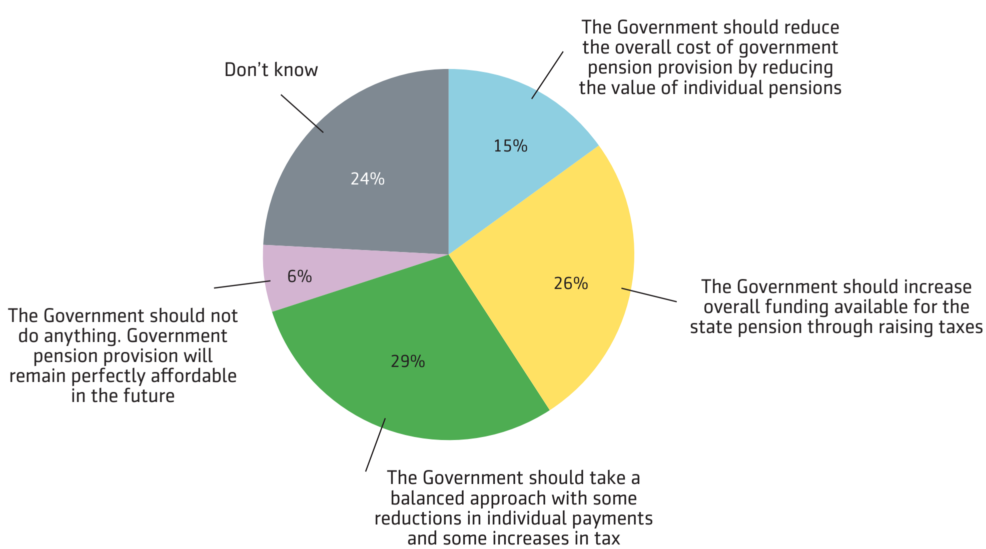
This concern is felt by employees, who will ultimately have to pay these pension benefits through additional taxes.

Table 1: Public pension expenditures are set to increase (as percentage of GDP) [ix]

	2010	2050	Change
Canada	5.0	6.3	1.3
China	2.2	2.6	0.4
France	14.6	15.1	0.5
Germany	10.8	13.0	2.2
Hungary	11.9	13.5	1.6
Netherlands	6.8	10.4	3.6
Poland	11.8	10.0	-1.8
Spain	10.1	14.0	3.9
Sweden	9.6	9.9	0.3
UK	7.7	8.2	0.5
US	4.6	4.8	0.2
OECD 28	8.4	11.4	3.0

Chart 22: There is widespread support for pension reform, although a majority believe that higher taxes will have a role to play in funding future retirement costs

Q. With the cost of government pensions 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 findings above suggest that a slight majority (55%) are willing to pay more in taxes as a means to offset the costs to government retirement benefits brought on by increased longevity. For many governments this likely will be a necessity. However, reductions in benefits will also be likely as well, and bring with it an opportunity for governments to encourage more private pension savings and engender greater personal responsibility. For example, increasing government retirement ages may create a stronger precautionary motive for retirement savings and make individuals more receptive to education about retirement.

In most countries, governments have a responsibility not just to provide retirement incomes, but also to facilitate personal financial responsibility through other channels. This report earlier highlighted that more generous tax relief could encourage additional retirement saving (37% of respondents). Governments should adapt policies to encourage retirement planning and savings, either through improved financial education or other means such as compulsion or automatic enrollment.

Mandatory savings: does compulsion work?

Compulsory retirement savings have enjoyed positive outcomes in countries like Chile, which introduced individual retirement accounts in the early 1980s. These additional savings have helped to stimulate the economy as a whole, as well as improve people's incentive to work.[x] From October 2012, the United Kingdom moved to a system of soft-compulsion where employers in the United Kingdom have to (in stages) auto-enroll their eligible employees into a retirement savings plan, and pay compulsory contributions. Employees have the freedom to opt-out of the retirement savings plan. However, the UK Department for Work and Pensions has estimated that about 70% of employees will remain in the plan, meaning that up to 9 million people will remain opted-in, of whom between 4 and 8 million are expected to be new savers. [xi] This could generate up to £9bn per year in additional retirement savings in a country where 9.6 million people are thought to be under saving for retirement, 5.2 million of whom are not saving at all. [xii] Globally, 39% of survey respondents strongly agree with the statement that 'governments should encourage employers to automatically enroll all their employees into a retirement savings plan.' Including those who somewhat agree with this statement, the level of employee support increased to 73%; respondents from the United Kingdom were in line with this global sentiment.

Redefining the role of the employer

The decline of both final and average salary defined benefit pension plans has been a prominent and alarming trend in the pension landscape over the past decade. This is reflected in findings from the survey, which show that, in 2012, 22% expected a defined benefit pension to be their main source of retirement income. This fell to just 15% in 2013, reflecting growing uncertainty among employees as to where exactly their retirement income will come from. However, the decline in defined benefit pension funds does not mean the end of workplace pensions, merely the beginning of new types of defined contribution pension plans.

Today, it is predicted that the Millennials, those born after 2000, will have up to ten careers during their lifetime. The growth of portable defined contribution pensions sits much more neatly with today's flexible and mobile workforce. Through further innovations, including perhaps Defined Ambition plans (see the text box below), employers can play an evolving role in helping employees fund their retirement by developing new, shared-risk approaches to retirement savings. Countries that seek to further develop their existing defined contribution pension market are looking to this approach for inspiration.

Defined Ambition: sharing the risks of retirement planning

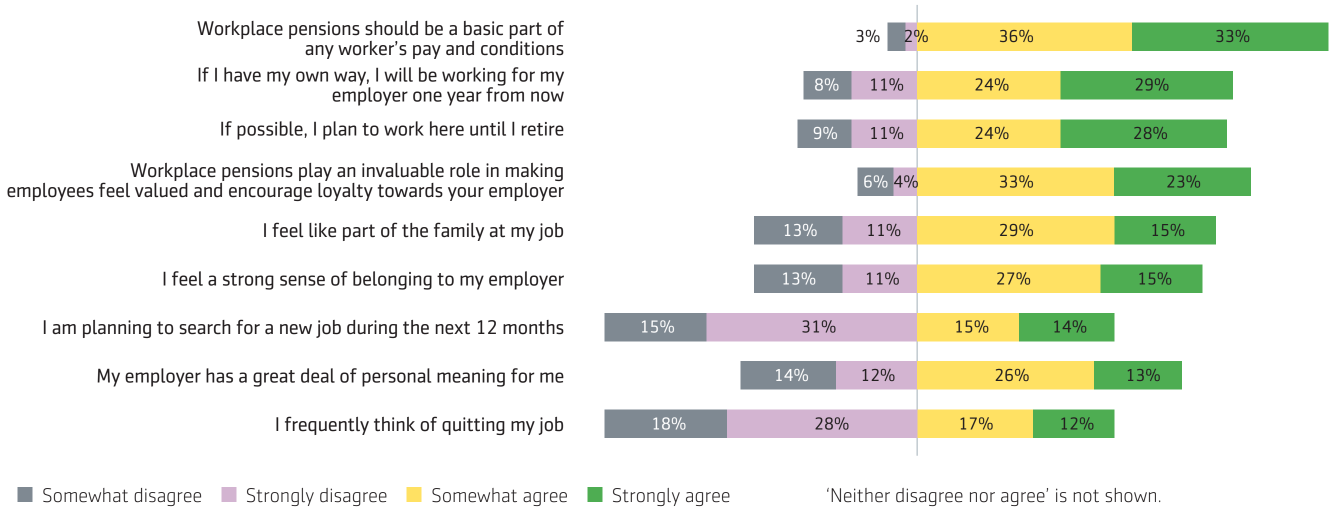
Under final salary (defined benefit) pensions, the employer promised to provide a predetermined level of retirement income and assumed responsibility for all the associated risks – longevity, investment and inflation – to make sure that the pension promise was kept. However, increases in life expectancy, combined with unfavorable investment markets and changes in regulation and accounting standards have made this approach unsustainable. A new report by The CityUK revealed that the current shortfall in pension liabilities in Britain's final salary pension funds stood at £271 billion at the end of 2012. [xiii] Increasing liabilities in the Netherlands have forced pension funds there to embark on cuts in pension entitlements for 3.1 million individuals including 0.7 million people who have already retired. [xiv] Faced with soaring costs and increased volatility, something had to give. The United Kingdom has seen a wholesale shift from final salary to defined contribution plans with all the risks transferred from employer to employee. However most employees in the United Kingdom who have defined contribution pensions are currently saving too little for retirement and have little concept of the consequences of the risks they are shouldering. [xv]

A new type of plan – a Defined Ambition plan – has been proposed as a potential answer to providing more balanced risks in countries with widespread defined benefit pensions, like the Netherlands, as well as in countries which already have well-established defined contribution plan markets such as the United Kingdom, the United States and Canada. Different types of Defined Ambition plans are being discussed, but they all are based on the idea that an employer should bear some risks on behalf of their employees. When moving from defined benefit to Defined Ambition, as has been proposed in the Netherlands, the employer's pension promise is defined in a slightly different way. Employers still have a target retirement outcome, but are not bound to deliver that outcome at all costs or in all circumstances. In the United Kingdom, the Department for Work and Pensions (DWP) issued a strategy paper in 2012 examining a range of risk-sharing options including bulk-annuity purchases, guarantees on investment returns and smoother returns through the payment of annual or terminal bonuses. The introduction of Defined Ambition would, of course, bring with it new communications challenges as employers would need to explain carefully the precise features of the retirement plan being offered, which may differ from one employer to another, and what that means in terms of the risks and responsibilities that will be borne by the individual employee.

Innovations to provide some element of protection or certainty would be hugely popular with employees, who are quick to recognize the potential benefits provided by employer sponsored retirement savings plans. Globally, there is widespread support for the statement 'workplace pensions should be a basic part of any employee's pay and conditions.' Overall, 69% think this, rising to 81% in China and 75% in the United Kingdom. Meanwhile, 56% think that workplace pensions play an invaluable role in making employees feel valued and encourage loyalty toward their employer. Again, this was higher in China (75%) as well as in the United States (65%) and Canada (63%). The need for sustainable models of workplace retirement plans, which better share the risks involved, should therefore be a major priority.

Chart 23: Workplace pensions are still seen as a basic work condition

Q. Please indicate on a scale from 1 to 5 how strongly you agree or disagree with the following statements about your work, where 1 means you strongly disagree and 5 means you strongly agree.



Employers can also provide additional services to help educate employees about the changing nature of the long-term financial risks facing the individual and, perhaps more importantly, what practical steps they should be taking to address those risks. These retirement preparation services are still limited in access with 40% of employees believing that their employer did not provide any services to help them prepare for retirement. In this respect, employers will need support from government and pension providers as one employer in a recent Aegon survey commented *"Defined contribution is more risky and difficult to understand for employees. Government and insurance companies need broader communications on what people can do to minimize the risk of pension shortfalls."* [xvi]

The final area where employers can make a major contribution is through encouraging more active aging by increasing the opportunities to remain in work beyond the current retirement age. Staying in paid employment forms another 'pay-as-you-go' system of funding old age; however, people take a mixed view on whether working longer is an acceptable route to retirement readiness.

- 44% of individuals believe that retirement age should remain unchanged on the basis that 'people are already expected to work long enough.'
- This is highest in Central & Eastern Europe where 66% of those in Hungary and 60% of those in Poland agree with this statement.
- Globally, women are also more likely to support current retirement ages (47% compared to 40% of men).

Even among those who support working beyond current retirement ages, conditions were attached. 13% think that any future increases in retirement age should be capped, while 18% think that certain groups of employees, such as those undertaking dangerous work or those in manual labor, should be exempted from any increase. Only 17% of employees support moves to increase retirement age in line with future increases in life expectancy.

As the findings in Part 3 show, too few employees currently receive support from employers to remain in their jobs. Current practices need to change rapidly in this respect. In some countries, this will require changes in employment legislation. For example, the United Kingdom has only just removed the statutory right of employers to enforce retirement at age 65. In Japan, this practice is still in force where it is common practice for employees to have to leave their jobs at age 60.

Part 5: Which risks matter when planning for retirement?

Financial solutions for planning and managing long-term risks

By exploring which financial risks matter most to individuals and their families, the financial services industry can identify which financial products people are likely to desire and prioritize. This requires efforts by the financial services industry to innovate and design new products, but also efforts by the government and employers to encourage consumers, through the provision of information, advice and financial education, to act on the risks they face and overcome entrenched behaviors which might leave households exposed unnecessarily to risks.

Deciding how to invest those savings and manage them in retirement

The issue of how we manage retirement risks has clearly been placed higher up on the agenda since the Dotcom bubble burst in 2000. Over the past decade, pension fund asset allocation has shown a marked fall in equities, partly due to weaker equity performance, but also due to de-risking policies and regulation. This has seen a boost in asset allocation towards bonds, cash, real estate and other investments. [xvii] As retirement plans shift from defined benefit to defined contribution, such allocation decisions are increasingly moving toward the individual employee and away from professional money managers.

This presents the risk that employees might achieve a poor match between the appropriate level of risk and their actual risk exposure prior to entering retirement. Being over-exposed to equities near retirement might put capital at risk; being under-exposed at an earlier date could mean missing out on better long-term investment growth. Nearly half (46%) of the respondents signaled that they want investment products that manage the investment risk so that they are never exposed to a level of risk they are not comfortable with. Products such as 'lifecycle' investment funds, which seek to match risk exposure to the individual's changing risk profile, can play an important role here. More innovations in this area are required given that the financial crisis has made people less confident and more uncertain about investing (Table 2 on this page).

Many employees have identified themselves as being open to a positive solution to this challenge: nearly half (44%) acknowledge that they now have greater need for financial advice to help them make sense of uncertain investment markets while a further 55% agree that the economic downturn makes them more likely to plan for their retirement. Governments and employers should capitalize on this desire by ensuring that employees have the tools available to them to fulfill these plans.

Table 2: Employees' attitudes to investment risk have hardened as a result of the global economic downturn

Q: To what extent do you agree or disagree with the following statements concerning the impact of the global financial crisis on your retirement savings?

Statements on risk appetites post-economic downturn	Strongly agree or somewhat agree
"I will take fewer risks when it comes to saving for my retirement"	53%
"I am looking for investment products which offer greater protection against volatile markets"	42%

Managing longevity and inflation risk

This issue of managing investment risk is explored in more detail when we look at the types of products people are thinking about to help them achieve security in retirement. Over half wanted products which protect their initial investment and a similar number wanted protection against inflation, longevity, and long-term care expenses; however guarantees and protection come at a price.

Table 3: Individuals want to avoid capital and inflation risk

Q. Thinking about the type of financial products you could purchase to help provide you with security in retirement, on a scale of 1 to 5 how interested are you in the following options where 1 is not at all interested and 5 is extremely interested?

Statements on financial and insurance products which help manage risk	Extremely or very interested
"A product which guarantees that I do not lose my initial investment"	58%
"A product providing a guaranteed income stream or lifetime income in retirement"	58%
"A product which protects my retirement income against inflation"	55%
"A product which helps meet the cost of long-term care if I become unable to look after myself"	52%
"A product which protects my capital against poor investment returns"	49%

A major area of new risk that employees in some countries face with defined contribution plans is the need to 'draw down' retirement assets at and throughout retirement without those assets running out before they die. This 'longevity' risk is an important issue for employees, with 35% agreeing that their investment priority at retirement will be to provide an income in retirement through purchasing a product (an annuity) that provides a set monthly income. This response was greatest in countries like the United States (43%) and Canada (44%) where the annuity market is better established. It was also greater among habitual savers of whom nearly half (46%) said that they would do this. On the whole, the annuity option was twice as popular as the alternative option of taking a lump sum at retirement (supported by 18%). However, the second most popular option chosen by 20% was 'don't know' which reveals the need for much greater advice at retirement so that people have the necessary information about how to use their retirement funds.

ERA: A new approach to managing longevity risk

The question of how individuals can protect their defined contribution pensions against rising life expectancy has led Aegon to develop a new concept called the Equilibrium Retirement Age (ERA). [xviii] This provides a powerful tool for employers to help their employees calculate when they will be able to retire given predicted life expectancy and savings contribution levels. All other things being equal, adding one year to life expectancy should push the ERA upward by somewhere between one and six months. The model also helps to demonstrate how changes in savings levels and interest rates will impact likely retirement age. In this way, ERA can play a useful role in helping individuals to better understand the impact of longevity, further encouraging a more flexible approach to choosing a future retirement date, as well as providing a powerful stimulus to save more.

Clearly, the concept of ERA forms just one part of a broader effort to better educate, inform and advise individuals about the type of choices they face. This must also extend to highlighting the products available and the costs associated with them, particularly where those products offer guarantees.

Guaranteeing an income for life involves the provider assuming a major risk. As with any insurance product, the individual pays a premium for passing this risk on. However, the pricing model is poorly understood by consumers who often focus on price rather than what they actually are paying for. With 51% of respondents wanting products where the annual management charges are kept low, those products which offer long-term guarantees like annuities can seem expensive, making them less attractive. This helps to explain the 'annuity puzzle' in which people desire annuities yet fail to buy them, or buy an annuity which appears to offer the best income at retirement when it might make more sense to buy a product which protects against inflation throughout the individual's life, or provides a spousal death benefit. If consumers are going to be able to act to protect themselves against the retirement risks they will increasingly face, they will require greater financial advice and more information.

Developing a retirement plan, as well as a 'Plan B'

A key element in managing retirement risks is simply having a plan. Unfortunately the survey shows only 37% of people have a retirement planning strategy; however, a majority are planning in China, Germany, Canada and the United States, and the levels of written plans are also high in Spain.

Chart 24: Only one in ten have a written down plan for retirement

Q. Which of the following best describes your retirement planning strategy?

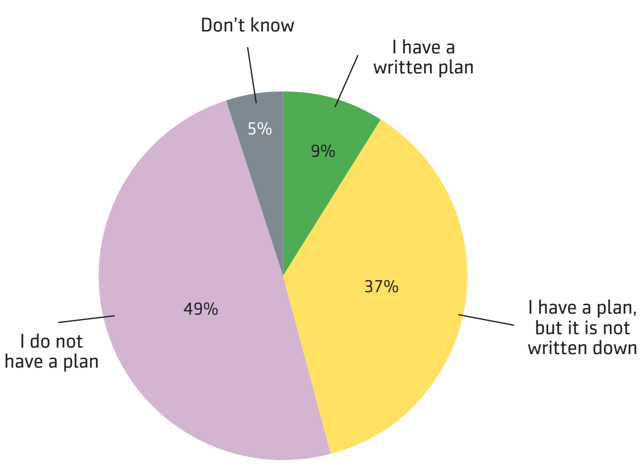


Chart 25: Planning is more common in North America, Germany and China than elsewhere

Q. Which of the following best describes your retirement planning strategy?

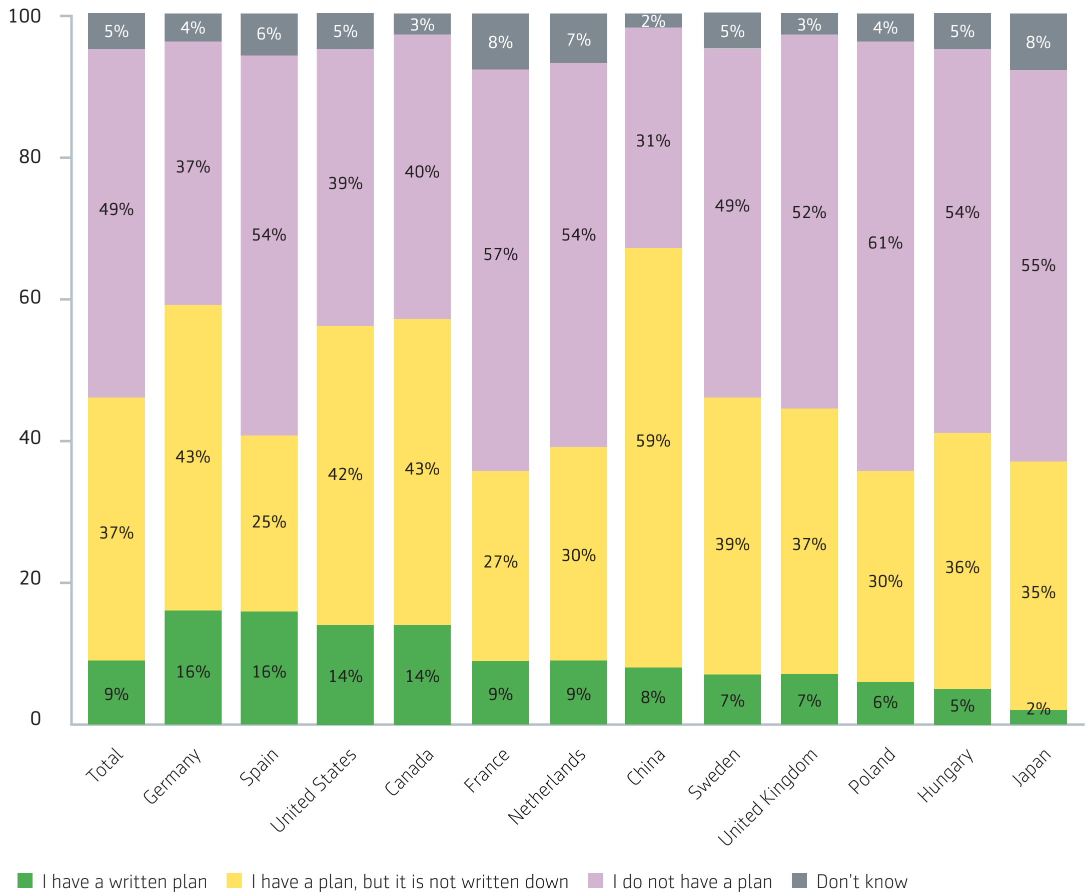
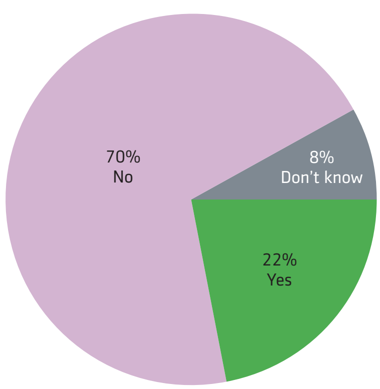


Chart 26: the majority of employees have no backup plan for retirement

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?



Alongside this lack of planning behavior, over two-thirds of employees have not planned for the possibility that they may have to leave the workforce sooner than expected. The findings show that about half of current retirees left work sooner than planned, yet 70% of current employees have no backup plan to provide themselves with an income. In Hungary, this level is even higher, at 81%. The level of 'backup planners' is highest in China at 38%. This is a major concern, as individuals will not be well-placed to take up the responsibility for retirement saving without improved levels of planning.

Recommendations: Shifting toward a shared-risk approach to retirement readiness

This year's findings reveal low levels of retirement readiness across all 12 countries.

The ongoing economic downturn and uncertainty about the future are affecting people's retirement plans. Individuals are increasingly concerned about cutbacks in both government and employer retirement benefits, as well as in their own ability to take on the risk of providing for their own retirement, given volatile markets and lack of sophistication in financial matters. Increasing longevity also means that individuals must plan to assume financial risk for a longer period of time. The good news, however, is that most individuals acknowledge their need to become better prepared for retirement. It is in the best interest of governments and employers to work together to provide the information and support to encourage individuals to take responsibility to achieve a secure retirement.

Following are the key findings of the Survey and recommended actions in response:

1. Lack of retirement readiness is an emerging global crisis for governments, employers, and individuals

Although retirement systems vary by country, the shift in responsibility for a secure retirement to the individual is consistent among the countries surveyed. Similarly, individuals' lack of adequate preparation for retirement was found across the globe.

Governments have a significant role in increasing individuals' awareness of this shift in responsibility and of the amount and nature of the government benefits on which the individual can rely in retirement.

In addition, governments and employers can facilitate the offering of tools and information to educate employees of all ages of the need to save, how to save effectively for major life events and also how to transition those savings into a secure retirement.

2. Most expect future generations to be worse-off in retirement than current retirees

Increased longevity has resulted in the likelihood of multiple generations of family members in retirement whose financial security is compromised by cuts in government benefits and the economic downturn. The 'squeezed' generation that is trying to save for retirement is increasingly called upon to support parents and grandparents in retirement while also supporting adult children who may still depend on parental support given the depressed job market. This phenomenon is redefining the way different generations of family members care for and support each other financially. Governments, employers and individuals must acknowledge and facilitate efforts to address inter-generational burdens on the 'squeezed generation.' Governments must encourage the use of private sector products and services to address these burdens, such as long-term care and supplemental health insurance. Employers can provide or make available retirement planning tools and education to help individuals anticipate and plan to cover inter-generational burdens.

3. Delaying retirement offers an obvious solution, but obstacles remain

Governments and employers can help employees by enabling longer working careers, and providing options for phased retirement and explaining what these are. Employees should also have a backup plan if forced into retirement sooner than expected. Governments and employers can increase awareness of the need for a backup plan and facilitate the offering of products such as disability and life insurance which are designed to provide a continued source of income to families in the event of a family member's death or disability prior to the planned retirement and accumulation of sufficient savings.

4. Widespread retirement illiteracy worsens readiness

Individuals are increasingly aware that they will need to bear some personal responsibility for their retirement; however, the amount and complexity of information can be overwhelming to individuals and often results in a lack of action. Programs designed to address this inertia, such as automatic enrollment into employer retirement plans, can help ensure that employees are automatically covered by their employer's retirement plan. However, retirement readiness cannot be achieved by saving and investing alone; it requires planning for lifestyles, basic needs, and expectations of providing for or receiving support from family.

Governments have a responsibility to clearly communicate the expected government benefits. They must guide individuals to the tools and information to help individuals start saving throughout their careers to supplement the government benefits. Employers can serve as a one-stop source of information, tools and supplemental products to help their employees develop their own retirement plan and transition into retirement. Governments can facilitate and encourage the employer's role in providing or making available retirement planning tools and information to its employees through reduced regulatory burdens, safeguards from liability and tax incentives.

5. Wary about retirement-related risks, individuals seek solutions

Providing retirement solutions and advice that help individuals de-risk their retirement can help avoid losses or erosion due to inflation. Financial products and plans may also help individuals in developing and financing a backup plan in the event they leave the workforce prior to their expected retirement date. However, in order to grow savings into something adequate for retirement some controlled risk may be necessary.

This report is illustrated with pictures of men and women fulfilling their retirement aspirations such as travelling, spending time with friends and family, pursuing hobbies, performing volunteer work, continuing to work and studying.

Glossary

- **Aegon Retirement Readiness Index (ARRI)**
  The ARRI assesses the relative levels of retirement preparedness of employees across different countries on a scale from 1 to 10. The Index is based on three questions covering attitudes and three questions covering behaviors. More information can be found in the appendix.

- **average salary plan**
  A type of defined benefit plan that is based on an employee's average pensionable earnings over the duration of plan membership. Same as career average plan.

- **annuity**
  Form of contract sold by life insurance companies that guarantees a fixed or variable payment to the annuitant at some future time, usually retirement. All capital in the annuity grows tax-deferred.

- **asset allocation**
  An investment strategy that aims to balance risk and reward by apportioning a portfolio's assets (the three main asset classes are equities, fixed-income and cash) according to an individual's goals, risk tolerance and investment horizon.

- **auto enrollment**
  An employer-sponsored retirement plan in which the employer is able to enroll an employee without that employee's express authorization. The employer determines what percentage of the employee's salary or wages is contributed to the plan. The employee is able to change this percentage, and can opt out of enrollment in the plan.

- **auto escalation**
  A feature of a plan which automatically increases the percentage of (retirement) funds saved from salary. This feature generally uses a default or standard contribution escalation rate.

- **Baby Boomers**
  A term used to refer to people generally born between the end of World War II in 1945 and the mid 1960s.
  Other generations:
  Silent Generation - The generation born between 1925 and 1945. *Generation X* - The generation born between 1965 and 1979. *Millenials or Generation Y* - The generation born between 1980 and 2000 and often classified as the children of Baby Boomers.

- **career average retirement plan**
  A type of defined benefit plan that is based on an employee's average pensionable earnings over the duration of plan membership. Same as average salary plan.

- **defined ambition (DA) plan**
  A type of retirement plan in which pension risks are shared between the employer and the employee. It offers greater certainty to savers around the final value of their pension assets than in DC plans, and less cost volatility for employers than with DB plans.

- **defined benefit (DB) plan**
  An employer-sponsored pension plan where the amount of future benefits an employee will receive from the plan is defined, typically by a formula based on salary history and years of service. The amount of contributions the employer is required to make will depend on the investment returns experienced by the plan and the benefits promised. Contrast defined contribution plan.

- **defined contribution (DC) plan**
  An employer-sponsored retirement plan, such as a 401(k) plan or a 403(b) plan, in which contributions are made to individual participant accounts. Depending on the type of DC plan, contributions may be made by the employee, the employer, or both. The employee's benefits at retirement or termination of employment are based on the employee and employer contributions and earnings and losses on those contributions. See also 401(k) plan. Contrast defined benefit plan.

- **Department for Work & Pensions (DWP)**
  A United Kingdom public service delivery department which is responsible for welfare and pension policy. It is the biggest public service delivery department in the United Kingdom and serves over 20 million customers.

- **diversification**
  The practice of investing broadly across a number of different securities, industries, or asset classes to reduce risk. Diversification is a key benefit of investing in mutual funds and other investment companies that have diversified portfolios.

- **equilibrium retirement age (ERA)**
  The retirement age that balances savings in working life with payouts in retirement, based on the direct relationship between life expectancy and retirement age. All other things being equal, adding one year to life expectancy will increase the ERA by somewhere between one and six months.

- **401(k) plan**
  An employer-sponsored retirement plan that enables employees to make tax-deferred contributions from their salaries to the plan. See also defined contribution plan.

- **403(b) plan**
  An employer-sponsored defined contribution retirement plan that enables employees of universities, public schools, and non-profit organizations to make tax-deferred contributions from their salaries to the plan.

- **final salary plan**
  A type of defined benefit plan in which retirement benefits are based on 'final pensionable salary' in the years immediately before retirement benefits are received.

- **individual retirement account (IRA)**
  A tax-deferred account set up by or for an individual to hold and invest funds for retirement.

- **longevity risk**
  The risk of outliving one's life expectancy and using up one's retirement savings and income.

- **Millennials**
  A term used to refer to the people born from about 1980 to 2000, brought up using digital technology. They are often classified as the children of Baby Boomers.

- **mutual fund**
  An investment company registered with the SEC that buys a portfolio of securities selected by a professional investment adviser to meet a specified financial goal (investment objective). Mutual funds can have actively managed portfolios, where a professional investment adviser creates a unique mix of investments to meet a particular investment objective, or passively managed portfolios, in which the adviser seeks to track the performance of a selected benchmark or Index

- **National Employment Savings Trust (NEST)**
  A workplace pension system for United Kingdom employers to use for their UK-based workers. It helps enable employers to provide a workplace retirement plans for all of their workers, including those who may not have had access to a pension arrangement before.

- **OECD**
  Organisation for Economic Co-operation and Development aims to promote policies that will improve the economic and social well-being of people around the world by providing a forum in which governments can work together to share experiences and seek solutions to common problems.

- **retirement (or pension) plan**
  Provides replacement for salary when a person is no longer working due to retirement. In the case of a defined benefit pension plan, the employer or union contributes to the plan, which pays a predetermined benefit for the rest of the employee's life based on length of service and salary. Payments may be made either directly or through an annuity. Pension payments are taxable income to recipients in the year received. The employer or union has fiduciary responsibility to invest the pension funds in stocks, bonds, real estate, and other assets; earn a satisfactory rate of return; and make payments to retired workers. Pension funds holding trillions of dollars are one of the largest investment forces in the stock, bond, and real estate markets. If the employer defaults in the United States, pension plan payments are usually guaranteed by the Pension Benefit Guaranty Corporation (PBGC).

- **variable annuities (VA)**
  An insurance contract in which the insurance company guarantees a minimum payment at the end of the accumulation period. The payments may vary depending on the financial performance of the managed portfolio.

- **World Bank**
  The World Bank is a source of financial and technical assistance to developing countries around the world. It is not a bank in the ordinary sense but a partnership of 188 member countries to reduce poverty and support development. It comprises two institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

About Aegon, Transamerica Center for Retirement Studies®, and Cicero

Aegon

Aegon is an international life insurance, pensions and asset management company with businesses in over 20 markets in the Americas, Europe and Asia. Aegon employs about 24,000 people and serves millions of customers worldwide.
www.aegon.com

In 2010, Aegon became a founding member of the Global Coalition on Aging, which seeks to raise awareness of aging issues among policymakers and the general public. A major aim of the coalition is to transform the way we think and speak about aging: replacing the familiar rhetoric of 'problems' with a more positive discussion of 'possibilities' and 'opportunities.'
www.globalcoalitiononaging.com.

Transamerica Center for Retirement Studies®

The Transamerica Center for Retirement Studies® (The Center) is a nonprofit, private foundation dedicated to educating the public on emerging trends surrounding retirement security in the United States. The Center's research emphasizes employer-sponsored retirement plans, issues faced by small to mid-sized companies and their employees, and the implications of legislative and regulatory changes. The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties.
www.transamericacenter.org

Cicero Consulting

A leading consultancy firm serving the banking, insurance and asset management sector, Cicero specializes in public policy and communications consulting as well as global thought leadership and independent market research. Cicero was established in 2001, and now operates from offices in London, Brussels, Washington and Singapore. As a market leader in pensions and retirement research, Cicero designed and analyzed the research and contributed to the report.
www.cicero-group.com

Acknowledgements

- MARTA ACEBO
- FRITS BART
- GRACE BASILE
- LYNETTE BELFRY
- ANDREW BERWICK
- BERT-JAAP BRONS
- DOUG BROOKS
- LIBBY BUET
- KENT CALLAHAN
- JEANNE DE CERVENS
- DANA CHEN
- HEIDI CHO
- SIMON CLOW
- ROBERT COLLIGNON
- CATHERINE COLLINSON
- WENDY DANIELS
- MICHEL DENIZOT
- EDIT DREVENKA
- JAN DRIESSEN
- ADRIAN GRACE
- MARK GREEN
- SCOTT HAM
- DOUGLAS HENCK
- WENDEL HOFMAN
- FRANS VAN DER HORST
- TATSUO KAI
- HERMAN KAPPELLE
- GÁBOR KEPECS
- MARCO KEIM
- JAIME KIRKPATRICK
- BAS KNOL
- ROGER KOCH
- ALEXANDER KUIPERS
- PETER KUNKEL
- BRIAN LEWIS
- MIKE LINDER
- MARK LOCKE
- JASON MA
- PAUL MCMAHON
- PAUL MIDDLETON
- TAKAOH MIYAGAWA
- MARK MULLIN
- REBECCA NOBLE
- MARCELLE NOLTENIUS
- STIG NYBO
- ASHOK PATTNI
- PATRICIA PLAS
- THURSTAN ROBINSON
- PATTI ROWEY
- SARAH RUSSELL
- JOOST VAN SCHAGEN
- DICK SCHIETHART
- ERIK SCHOUTEN
- ANGELA SEYMOUR-JACKSON
- KATE SMITH
- MARK STOCKWELL
- RENSKE STOKER
- THOMAS SWANK
- MARTIJN TANS
- GREG TUCKER
- MARK TWIGG
- CATHERINE WANG
- MARC VAN WEEDE
- DANIEL WRIGHT
- ALEX WYNAENDTS
- MACIEJ ZAPALA
- PÉTER ZATYKÓ
- VICKY ZELDIN

References and notes

[i] *OECD Pensions Outlook 2012*, OECD, 2012, pp. 202-3.

[ii] United States Census Bureau, International Database, based on 2009 national projections, more data can found at the following link: *http://www.census.gov/population/international/data/idb/region.php?N=%20Results%20&T=2&A=separate&RT=0&Y=2050&R=-1&C=US* See *http://www.ons.gov.uk/ons/rel/lifetables/historic-and-projected-mortality-data-from-the-uk-life-tables/2010-based/rpt-surviving-to-100.html*.

[iii] *What are the Chances of Surviving to Age 100?, Office for National Statistics*, 2012.

[iv] *World Population Prospects, The 2010 Revision*, United Nations Population Division, 2010

[v] For a comparison of different pension systems see *"Pensions at a Glance 2011"*, OECD, 2011.

[vi] As the survey was carried out online, the survey results in China are biased towards people living in urban areas.

[vii] *Pensions Markets*, TheCityUK, March 2013, p.9.

[viii] *"Retirement age will be pushed back"*, China Daily, March 22 2011.

[ix] *A New Pension Settlement for the Twenty-First Century: The Second Report of the Pensions Commission*, Pensions Commission, 2005, p.61.

[x] *Pension Provision: Government failure around the world*, Booth, Juurikkala and Silver, Institute of Economic Affairs, 2008, p.45.

[xi] *Automatic: Changing the way America saves*, Gale, Iwry, John and Walker, 2009, p. 110.

[xii] *A New Pension Settlement for the Twenty-First Century: The Second Report of the Pensions Commission*, Pensions Commission, 2005 p.160.

[xiii] *Pensions Markets*, TheCityUK, March 2013, p.9.

[xiv] *The Dutch experience with defined ambition pensions and what that may mean for companies in the Netherlands and the UK*, Aegon Global Pensions, March 2013, p. 2.

[xv] *The Dutch experience with defined ambition pensions and what that may mean for companies in the Netherlands and the UK*, Aegon Global Pensions, March 2013, p. 2.

[xvi] *The changing face of retirement: The workplace perspective*, Aegon, 2012, p. 16.

[xvii] *Pensions Markets*, TheCityUK, March 2013, p.3.

[xviii] For a complete explanation of the Equilibrium Retirement Age including the formula for calculating ERA, see Chris Madsen and Martijn Tans, *'Personal longevity risk: Defined contribution pensions and the introduction of an 'equilibrium retirement age,'* Pensions (2012) 17, pp. 169 – 176.

AEGON

Contact information

HEADQUARTERS
Aegon N.V.
P.O. Box 85
2501 CB The Hague
Telephone: +31 70 344 32 10
www.aegon.com

MEDIA RELATIONS
Telephone: +31 70 344 89 56
Email: gcc-ir@aegon.com

Appendix 1: Aegon Retirement Readiness Index (ARRI) - technical note

Aegon Retirement Readiness Index (ARRI)-technical note

A sample of 12,000 pre and post retirees was drawn from twelve countries. Of these 10,800 (90%) were pre-retirees and these were chosen for further analysis of their plans for retirement. The Index that was developed forms an assessment of how well an individual perceives the adequacy of his/her own finances and financial awareness specifically for addressing his retirement needs.

The ‘target’ for the Index

The question on current savings activity was designated as the target question (dependent variable) for predicting the level of preparedness for retirement. Responses to this question were then correlated with each of the six key questions (variables) below to understand which were driving the activity.
This was done because it was not felt to be correct to give each of the six variables described below an equal weight as they appeared to have quite different relationships to the target question.

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 plans for retirement
4. **Retirement planning** Level of development of plans
5. **Financial preparedness** for retirement
6. **Income replacement** Level of projected income replacement

The weighting

To estimate the statistical significance of the decline in overall scores in this year’s Index is theoretically incalculable.
Two things have changed from 2012 to 2013.

1. Countries sampled for the first time (Canada and China) have entered the universe
2. The new countries have thus influenced the weights of emphasis placed on the 6 variables used to calculate the score; hence the weights attached to the complex calculation have changed.

However, it is noticeable that for countries which were sampled in both time periods the mean scores for the six individual variables have almost invariably declined, and on average more than half of them have shown a significant level of decline.
In particular the question, ‘Do you think you will achieve this income?’, has for all countries shown a significant level of decline. We thus hypothesize that the comparative results show a significant decline.

2013 Weightings (2012 in brackets)

1. **Personal responsibility**	2.0 (3.0)
2. **Level of awareness**	3.0 (3.5)
3. **Financial capability/Understanding**	3.0 (2.5)
4. **Retirement planning**	5.0 (5.0)
5. **Financial preparedness**	6.0 (6.0)
6. **Income replacement**	3.5 (3.5)

Note that the weights, devised to show the relative importance of each question in calculating the Index, add to 22.5. These were then re-scaled so that a final scale of 1 to 10 was calculated.

Final scores by country

These weightings were multiplied by the actual scores for each respondent for each of the six Index questions and aggregated to obtain a provisional score. This was then adjusted to give country scores out of 1 to 10: (A score of 1 to 10 had sufficient differentiation to be used as the scale for analysis).

Country	Index score
Germany	5.48
China	5.41
Canada	5.24
United States	5.19
The Netherlands	4.88
United Kingdom	4.86
Sweden	4.83
France	4.75
Hungary	4.73
Poland	4.63
Spain	4.40
Japan	4.30
Total	4.89

Appendix 2: Country comparisons

Chart 1: Word associations with retirement

Q: Which, if any, of the following words do you most associate with retirement?

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Freedom	36%	36%	36%	43%	45%	33%	25%	13%	28%	39%	48%	47%	37%
Opportunity	16%	9%	34%	33%	20%	8%	10%	10%	16%	17%	17%	9%	13%
Leisure	44%	57%	57%	47%	49%	35%	27%	45%	41%	52%	49%	59%	10%
Excitement	6%	2%	2%	7%	7%	2%	6%	1%	2%	16%	13%	6%	3%
Poverty	19%	14%	21%	21%	15%	26%	12%	36%	38%	9%	10%	5%	22%
Insecurity	25%	35%	20%	20%	15%	15%	22%	35%	52%	13%	13%	13%	43%
Loneliness	9%	3%	8%	9%	11%	9%	7%	10%	6%	7%	7%	19%	12%
Ill health	15%	3%	13%	7%	13%	14%	10%	45%	21%	7%	8%	30%	10%
Dependent on others	10%	10%	11%	6%	10%	13%	11%	16%	16%	8%	7%	8%	5%
Tired	7%	2%	4%	5%	7%	8%	9%	12%	6%	4%	4%	9%	14%
Far away	17%	30%	14%	16%	13%	37%	27%	2%	7%	19%	18%	10%	15%
Boredom	9%	6%	8%	4%	10%	8%	9%	9%	4%	10%	8%	16%	18%
Enjoyment	25%	20%	23%	19%	33%	23%	30%	9%	6%	43%	42%	37%	20%
None of the above	2%	2%	2%	1%	1%	2%	2%	1%	1%	3%	2%	1%	3%
Don't know	2%	3%	2%	2%	2%	2%	2%	0%	2%	2%	2%	0%	3%

Chart 2: Optimism about retirement lifestyles

Q: When thinking about retirement, which of the following are you optimistic/pessimistic about?

Having enough money to live on	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Very pessimistic = 1	16%	14%	16%	13%	14%	14%	16%	24%	32%	14%	11%	2%	20%
Somewhat pessimistic = 2	24%	24%	22%	21%	23%	34%	24%	35%	18%	20%	18%	10%	36%
Neither pessimistic nor optimistic = 3	22%	22%	22%	25%	23%	28%	24%	15%	20%	15%	20%	21%	25%
Somewhat optimistic = 4	25%	23%	26%	28%	27%	19%	25%	17%	17%	28%	30%	41%	14%
Very optimistic = 5	12%	15%	13%	11%	11%	4%	10%	6%	9%	20%	21%	25%	4%
Don't know	2%	3%	1%	2%	3%	2%	1%	3%	3%	3%	1%	2%	2%

Being able to choose when I retire	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Very pessimistic = 1	19%	27%	17%	12%	18%	24%	32%	35%	24%	15%	12%	8%	6%
Somewhat pessimistic = 2	22%	26%	24%	20%	23%	32%	26%	28%	18%	19%	20%	17%	16%
Neither pessimistic nor optimistic = 3	23%	21%	26%	27%	22%	22%	21%	15%	22%	17%	23%	31%	34%
Somewhat optimistic = 4	20%	13%	18%	23%	23%	14%	11%	11%	20%	25%	23%	28%	28%
Very optimistic = 5	12%	9%	12%	14%	11%	6%	7%	8%	11%	20%	21%	13%	10%
Don't know	4%	5%	3%	3%	3%	3%	3%	3%	5%	4%	2%	3%	5%

Having the freedom to choose where I want to live	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Very pessimistic = 1	8%	8%	4%	7%	9%	6%	8%	12%	18%	8%	8%	3%	7%
Somewhat pessimistic = 2	14%	12%	10%	13%	17%	15%	15%	24%	13%	10%	11%	13%	19%
Neither pessimistic nor optimistic = 3	24%	25%	26%	23%	25%	26%	25%	23%	25%	20%	19%	22%	36%
Somewhat optimistic = 4	29%	22%	27%	34%	31%	37%	28%	27%	21%	30%	32%	37%	25%
Very optimistic = 5	21%	29%	31%	22%	16%	15%	23%	11%	19%	30%	28%	23%	10%
Don't know	3%	4%	3%	2%	3%	2%	2%	3%	4%	3%	2%	2%	3%

Maintaining good health	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Very pessimistic = 1	5%	3%	4%	5%	6%	5%	4%	9%	10%	4%	6%	2%	4%
Somewhat pessimistic = 2	14%	8%	16%	9%	13%	17%	13%	28%	13%	10%	11%	8%	22%
Neither pessimistic nor optimistic = 3	25%	23%	29%	25%	27%	38%	28%	20%	21%	20%	18%	22%	30%
Somewhat optimistic = 4	34%	31%	31%	39%	38%	30%	35%	31%	26%	37%	36%	42%	33%
Very optimistic = 5	19%	31%	18%	20%	15%	7%	19%	9%	26%	28%	28%	26%	9%
Don't know	2%	4%	2%	2%	2%	3%	2%	3%	3%	2%	2%	1%	3%

Having hobbies	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Very pessimistic = 1	3%	3%	2%	3%	3%	4%	2%	3%	4%	4%	5%	1%	3%
Somewhat pessimistic = 2	5%	3%	3%	3%	5%	11%	5%	5%	5%	6%	6%	2%	8%
Neither pessimistic nor optimistic = 3	14%	10%	13%	15%	17%	18%	14%	10%	12%	15%	12%	10%	20%
Somewhat optimistic = 4	36%	28%	33%	34%	39%	46%	34%	45%	29%	31%	31%	44%	43%
Very optimistic = 5	40%	52%	48%	44%	34%	19%	43%	36%	47%	42%	44%	42%	24%
Don't know	2%	3%	1%	2%	2%	2%	2%	2%	4%	3%	2%	1%	3%

Keeping physically active	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Very pessimistic = 1	4%	3%	3%	4%	4%	4%	4%	5%	6%	4%	5%	1%	4%
Somewhat pessimistic = 2	10%	7%	10%	7%	10%	12%	11%	21%	9%	7%	9%	3%	19%
Neither pessimistic nor optimistic = 3	22%	20%	25%	21%	22%	29%	23%	19%	20%	18%	17%	16%	30%
Somewhat optimistic = 4	37%	31%	37%	41%	40%	39%	37%	40%	30%	35%	35%	41%	35%
Very optimistic = 5	25%	35%	24%	26%	22%	13%	25%	13%	32%	34%	33%	38%	9%
Don't know	2%	4%	2%	1%	3%	2%	2%	2%	3%	3%	1%	1%	3%

Keeping in touch with friends and family	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Very pessimistic = 1	3%	2%	2%	3%	4%	3%	3%	3%	3%	4%	6%	1%	3%
Somewhat pessimistic = 2	4%	2%	3%	3%	4%	3%	4%	5%	3%	5%	4%	2%	11%
Neither pessimistic nor optimistic = 3	13%	11%	14%	9%	17%	13%	14%	9%	8%	10%	10%	11%	26%
Somewhat optimistic = 4	33%	23%	26%	33%	34%	44%	30%	43%	22%	29%	26%	40%	42%
Very optimistic = 5	46%	59%	54%	50%	39%	35%	48%	39%	63%	50%	52%	46%	16%
Don't know	2%	3%	2%	2%	2%	2%	2%	2%	1%	3%	2%	1%	2%

Chart 3: The components of the Aegon Retirement Readiness Index

Q: To what extent do you feel personally responsible for making sure that you have sufficient income in retirement?

Responsibility	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
1 – I don't feel responsible at all	5%	3%	3%	3%	3%	6%	10%	7%	13%	2%	2%	4%	1%
2	5%	6%	4%	5%	3%	8%	9%	7%	9%	3%	3%	5%	2%
3	26%	32%	22%	30%	22%	32%	36%	28%	32%	15%	17%	24%	18%
4	28%	34%	34%	32%	31%	25%	23%	26%	20%	23%	24%	32%	29%
5 – I feel very responsible	37%	26%	37%	30%	41%	29%	23%	33%	26%	57%	54%	35%	50%

Q: How would you rate your level of awareness on the need to plan financially for your retirement?

Awareness	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
1 – I don't feel responsible at all	5%	4%	1%	5%	6%	5%	11%	5%	9%	5%	3%	3%	4%
2	8%	9%	5%	10%	8%	6%	15%	9%	15%	6%	6%	5%	5%
3	29%	30%	26%	30%	30%	23%	41%	29%	44%	23%	25%	23%	26%
4	29%	32%	32%	31%	27%	25%	23%	30%	24%	27%	29%	30%	34%
5 – I feel very responsible	29%	25%	36%	23%	30%	41%	10%	26%	8%	39%	37%	39%	31%

Q: How able are you to understand financial matters when it comes to planning for your retirement?

Understanding	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
1 - I feel very unable	6%	9%	3%	5%	7%	6%	5%	5%	3%	6%	4%	3%	17%
2	13%	19%	8%	15%	13%	10%	15%	11%	9%	10%	9%	5%	25%
3	34%	36%	34%	34%	36%	33%	40%	32%	30%	31%	30%	31%	40%
4	28%	22%	34%	26%	24%	29%	26%	29%	31%	28%	32%	36%	15%
5 - I feel very able	20%	13%	21%	19%	20%	22%	14%	23%	26%	26%	25%	25%	4%

Q: Thinking about your own personal retirement planning process, how well developed would you say your personal retirement plans currently are?

Planning	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
1 – I do not have a retirement plan	20%	15%	9%	17%	22%	28%	29%	24%	20%	17%	18%	18%	27%
2	18%	19%	11%	21%	15%	16%	17%	22%	17%	15%	16%	12%	28%
3	35%	37%	38%	37%	35%	35%	36%	34%	36%	35%	33%	32%	31%
4	18%	21%	29%	16%	17%	14%	12%	13%	17%	21%	21%	28%	12%
5 – My plans are very well developed	9%	7%	14%	9%	11%	7%	5%	6%	11%	12%	12%	11%	1%

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

Saving	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
1 – I am very unprepared. I am hardly saving at all for retirement	27%	19%	15%	24%	26%	30%	35%	36%	42%	24%	24%	12%	37%
2	21%	21%	17%	20%	18%	21%	19%	24%	22%	19%	17%	21%	28%
3	30%	32%	34%	32%	32%	29%	30%	24%	26%	30%	31%	36%	25%
4	15%	19%	22%	16%	15%	12%	11%	11%	8%	18%	18%	23%	8%
5 – I am very prepared. I am already saving enough	7%	9%	12%	8%	9%	7%	5%	5%	2%	10%	10%	8%	1%

Q: Thinking about what money can buy today, what gross annual income do you expect to need in retirement, as a proportion of your current earnings?

Retirement income	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Less than 40% of what I currently earn	8%	4%	6%	4%	16%	9%	9%	4%	4%	12%	9%	5%	14%
About 40 - 59% of what I currently earn	16%	10%	12%	13%	30%	14%	16%	9%	7%	18%	24%	17%	25%
About 60 - 79% of what I currently earn	35%	39%	40%	42%	33%	36%	34%	30%	18%	35%	39%	36%	36%
About 80 - 100% of what I currently earn	29%	39%	33%	35%	15%	34%	31%	37%	31%	24%	19%	29%	18%
More than 100% of what I currently earn	12%	8%	9%	6%	7%	7%	10%	19%	41%	12%	9%	14%	7%

Q: Do you think you will achieve this income?

On course	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
I don't know if I am on course to achieve my retirement income	39%	42%	30%	43%	44%	37%	40%	46%	41%	37%	32%	19%	58%
No, I am on course to achieve around one-quarter (25%) of my retirement income	11%	8%	11%	8%	14%	11%	10%	12%	13%	14%	13%	9%	11%
No, I am on course to achieve around half of my retirement income	17%	12%	17%	17%	17%	21%	20%	17%	17%	13%	15%	19%	16%
No, I am on course to achieve around three-quarters (75%) of my retirement income	14%	17%	18%	14%	8%	16%	15%	12%	14%	11%	12%	18%	7%
Yes, I am on course to achieve my retirement income	19%	22%	24%	19%	16%	15%	14%	12%	15%	24%	28%	35%	8%

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

Approach to saving for retirement	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
I always make sure that I am saving for retirement	35%	36%	41%	47%	41%	32%	19%	24%	29%	45%	42%	44%	23%
I only save for retirement occasionally from time to time	20%	19%	26%	15%	15%	22%	21%	18%	11%	20%	22%	19%	31%
I am not saving for retirement now, although I have in the past	12%	12%	9%	11%	14%	7%	17%	11%	16%	14%	12%	9%	7%
I am not saving for retirement though I do intend to	27%	22%	17%	18%	25%	33%	34%	36%	34%	18%	21%	25%	36%
I have never saved for retirement and don't intend to	7%	12%	6%	9%	6%	7%	8%	10%	10%	3%	4%	3%	3%

Chart 4: Phasing in retirement will become the norm

Q: Looking ahead, how do you envision your transition to retirement?

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
I will immediately stop working altogether and enter full retirement	34%	31%	43%	38%	28%	49%	48%	36%	45%	23%	22%	25%	24%
I will change the way I work (e.g. working part-time) but only for a while	28%	36%	24%	33%	36%	20%	16%	25%	17%	31%	37%	30%	27%
I will change the way I work (e.g. working part-time) and I will continue paid work throughout retirement	16%	7%	17%	10%	15%	11%	6%	21%	15%	22%	21%	25%	17%
I will keep working as I currently do. Retirement age won't make a difference to the way I work	9%	7%	6%	7%	8%	7%	14%	7%	6%	10%	10%	17%	5%
Other	2%	3%	2%	1%	1%	1%	2%	0%	2%	1%	1%	1%	6%
Don't know	12%	16%	9%	13%	12%	14%	15%	11%	14%	13%	10%	2%	21%

Q: Looking back, how did your transition to retirement take place?

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
I immediately stopped working altogether and entered full retirement	57%	51%	58%	67%	64%	74%	68%	51%	39%	54%	59%	59%	44%
I changed the way I worked for a while (e.g. working part-time) before I eventually gave up paid work	19%	21%	18%	12%	25%	12%	10%	15%	14%	24%	15%	24%	43%
I changed the way I worked (e.g. working part-time) and I expect to keep working throughout retirement	6%	4%	8%	4%	2%	3%	1%	13%	10%	6%	9%	9%	3%
Retirement meant no difference to the way I work	6%	11%	4%	2%	1%	3%	5%	12%	22%	1%	4%	4%	3%
Other	11%	13%	12%	14%	7%	8%	16%	6%	14%	13%	13%	3%	7%
Don't know/ can't recall	1%	0%	0%	1%	1%	0%	0%	3%	1%	2%	0%	1%	0%

Chart 5: Future generations will be worse off

Q: Do you think that future generations of retirees will be better off or worse off than those currently in retirement?

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Better off	9%	5%	3%	12%	7%	3%	6%	7%	2%	7%	10%	45%	3%
About the same	19%	17%	17%	27%	21%	9%	17%	17%	11%	26%	26%	29%	17%
Worse off	64%	71%	76%	54%	65%	80%	72%	72%	80%	55%	57%	20%	68%
Don't know	7%	7%	3%	7%	8%	7%	5%	5%	6%	12%	7%	6%	11%

Chart 6: Retirement preparation services

Q: Thinking of your current employer which, if any, of the following services does your employer (or their retirement plan administrator) offer to help you prepare for retirement? [3]

[3] *This question was not asked in China. Therefore, there are no results for China.*

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	Japan
Employer/ retirement plan administrator website	13%	21%	6%	9%	13%	9%	13%	8%	10%	28%	21%	7%
Annual retirement plan statement	22%	52%	27%	19%	24%	18%	10%	21%	4%	34%	32%	6%
Educational materials	12%	8%	21%	8%	9%	4%	13%	14%	5%	24%	19%	6%
Online retirement modelling tool(s)	8%	12%	4%	7%	7%	8%	6%	7%	3%	18%	13%	4%
Webcast meetings/ seminars about your pension/ saving for retirement	6%	9%	3%	4%	4%	5%	6%	5%	1%	8%	8%	8%
Company sponsored blogs and/ or online network groups	3%	2%	4%	2%	4%	2%	5%	3%	1%	5%	7%	2%
In person/ face-to-face meeting with a retirement plan or professional adviser	12%	11%	11%	15%	15%	11%	8%	10%	5%	23%	21%	7%
Other	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	1%	0%
None of the above	40%	17%	41%	33%	34%	45%	49%	48%	64%	28%	36%	49%
Don't know	19%	21%	15%	30%	21%	20%	17%	14%	16%	14%	11%	27%

Chart 7: Employer services to help employees phase into retirement

Q: Which, if any, of the following services does your employer offer to help employees phase into retirement?

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Work more suitable for older workers (e.g. less stressful or physically demanding work)	15%	10%	16%	13%	10%	13%	13%	13%	11%	11%	16%	46%	9%
The option to move from full-time to part-time working	21%	19%	27%	27%	21%	20%	16%	19%	15%	17%	25%	32%	14%

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Retraining or re-skilling	9%	9%	8%	3%	5%	9%	8%	12%	3%	8%	11%	29%	7%
Flexible retirement plans which allow you to work beyond the normal retirement age	15%	11%	10%	15%	14%	9%	8%	10%	8%	18%	23%	40%	18%
Financial advice	10%	10%	6%	8%	11%	5%	7%	9%	3%	18%	18%	23%	4%
Employer provided healthcare in retirement	12%	5%	7%	5%	6%	6%	8%	12%	6%	17%	16%	51%	9%
Other	0%	0%	1%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%
None of the above	34%	23%	36%	20%	35%	39%	41%	44%	53%	31%	33%	11%	39%
Don't know	23%	43%	22%	39%	28%	26%	20%	15%	18%	24%	16%	3%	24%

Chart 8: Sources of retirement income

Q: Which financial means, if any, are you currently using to prepare for your retirement?

	Total	Netherlands	Germany	Sweden	United Kingdom	France	Spain	Poland	Hungary	United States	Canada	China	Japan
Defined benefit retirement plan	25%	34%	10%	33%	41%	23%	1%	83%	0%	22%	32%	11%	9%
Defined contribution plan	23%	30%	23%	26%	25%	37%	13%	13%	36%	51%	14%	0%	8%
Private pension	22%	7%	14%	32%	17%	8%	7%	6%	13%	29%	53%	64%	7%
State pension / social security	36%	28%	53%	30%	40%	21%	5%	3%	30%	49%	49%	78%	52%
Stocks	14%	6%	13%	14%	14%	8%	25%	9%	4%	21%	16%	23%	18%
Bonds	9%	2%	5%	5%	7%	4%	28%	5%	3%	11%	12%	17%	5%
Mutual funds	12%	7%	15%	30%	4%	6%	12%	3%	7%	19%	25%	8%	14%
Investment insurances (annuities)	5%	4%	4%	3%	3%	4%	5%	7%	9%	10%	4%	4%	3%
Savings accounts	33%	28%	32%	34%	31%	30%	4%	28%	15%	38%	37%	71%	48%
Investment property	8%	3%	15%	5%	7%	13%	2%	6%	5%	7%	10%	23%	3%
Employee stock purchase	5%	1%	1%	2%	4%	4%	29%	0%	0%	5%	2%	6%	2%
My home	14%	16%	9%	20%	14%	10%	8%	7%	16%	15%	21%	26%	5%
Reverse mortgage	1%	0%	2%	0%	6%	0%	0%	0%	0%	3%	6%	0%	0%
My business	2%	2%	1%	2%	2%	1%	2%	1%	1%	2%	3%	8%	1%
Inheritance	9%	7%	10%	11%	10%	8%	8%	7%	12%	10%	13%	7%	5%
Annuities	6%	9%	17%	3%	4%	1%	3%	3%	1%	6%	4%	0%	21%
Long-term care insurance	4%	0%	3%	1%	2%	2%	9%	6%	0%	8%	6%	9%	2%
Life insurance	20%	12%	15%	11%	10%	25%	2%	25%	25%	24%	22%	41%	34%
Other	3%	3%	8%	5%	2%	2%	3%	3%	3%	3%	3%	2%	2%
None/ nothing	12%	9%	10%	8%	13%	14%	25%	5%	20%	12%	11%	2%	12%
Don't know	6%	17%	5%	13%	6%	10%	6%	2%	4%	3%	3%	1%	6%