

# The Five Fundamentals for Retirement Readiness

In a changing world, we need greater financial resilience.

When the world is changing around us and individuals are being asked to take on more personal responsibility for funding their retirement, they need the tools and skills to do so. The Five Fundamentals for Retirement Readiness define the steps people could take to help ensure that they are on track for a comfortable retirement. These Five Fundamentals were derived from a decade of retirement research.

1



## Start saving early and save habitually

Since 2012, our retirement research has continually shown that the best route to retirement readiness comes from being a “habitual saver” – defined as being someone who always makes sure they are saving for retirement. Although saving is not always easy to achieve, especially against the backdrop of the COVID-19 pandemic and economic uncertainty, individuals can aspire to being habitual savers by prioritizing saving. As Warren Buffet was famously quoted: “Do not save what is left after spending but spend what is left after saving.”

2



## Develop a written retirement strategy

Taking the time to set out a written plan helps individuals to have more clarity about their priorities, retirement preparations and aspirations. It allows people to see whether they are on track to meet their objectives. People who have a written plan are considered to be “retirement strategists” because they have taken the time to map out their strategy for funding retirement. Countries that have a great proportion of strategists also have higher Aegon Retirement Readiness Index (ARRI) scores and are demonstrating more financial resilience to the economic shocks caused by the pandemic.

3



## Create a backup plan for unforeseen events

Sound planning is not just about having a single plan in place. Even the best-laid plans can be derailed when unforeseen events get in the way. The pandemic reveals the dangers of not having a backup plan for unforeseen events, whether unexpected medical costs, employment setbacks, or sudden loss of income. For this reason, it is important that individuals take the time to consider and form backup plans.

4



## Adopt a healthy lifestyle

Leading a healthy lifestyle is perhaps the best backup plan especially during a pandemic and a significant factor in preparing for a comfortable and active retirement. This can also reduce the risk of being forced into retirement due to health issues or having to take time away from the workforce due to periods of ill-health. By safeguarding health and making good lifestyle choices, people may be able to extend their lives while improving the quality of their health and enjoyment of life now as they age.

5



## Embrace lifelong learning

Being able to act upon the fundamentals of retirement readiness requires equipping people of all ages with new life skills. Building support for lifelong learning involves providing access to vocational skills training and retraining to help workers adapt to a changing labor market and technological developments, allowing them to remain in the workforce as long as possible.