News
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A Generation Under Pressure: The Retirement Outlook of Twentysomethings Around the World

Workers in their twenties have the ambition – but lack the resources – to save for retirement

LOS ANGELES – November 12, 2013 – Today, nonprofit Transamerica Center for Retirement Studies® ("TCRS") in collaboration with Aegon released ***The Changing Face of Retirement: The Young, Pragmatic, and Penniless Generation***, a report evaluating the state of retirement preparedness among workers in their twenties (twentysomethings) in 12 North American, European, and Asian countries. The research found that the majority (59 percent) of workers between the ages of 20 to 29 expect to be financially worse off in retirement than their parents' generation.

"For many around the world, their twenties bring an exciting time with seemingly endless possibilities," said Catherine Collinson, president of TCRS. "But, saddled with student debt and scarce job prospects, our research shows that today's twentysomethings are finding it difficult to embark on their careers and gain their financial footing."

In our rapidly evolving global economy, twentysomethings around the world need to take even greater levels of personal responsibility for their financial security and retirement outcomes than older workers. Although retirement systems vary in terms of government programs, employer benefits, and the need for individuals to supplement retirement income through personal savings, twentysomethings share common challenges.

One such shared challenge is the expectation of financially supporting aging parents. Nearly three in ten (28 percent) twentysomethings believe that during their own retirement they will need to financially support their aging parents. One-third of American workers in their twenties expect to provide such support along with Chinese (47 percent), Polish (39 percent), and German and Hungarian (both 31 percent) twentysomethings.

"Twentysomethings have the ability to create their retirement destinies," said Collinson. "Unlike older workers, twentysomethings have decades in which they can plan, save, invest, and adjust course as necessary. They just need the opportunity and know-how to get started down the right path."

Ready and willing to save for retirement

"A surprising number of twentysomethings are committed to or have the ambition to save for retirement," said Collinson. The study found that future retirement shortfalls among employed twentysomethings will likely be due to a lack of opportunity to save rather than a lack of will.

Twentysomethings already recognize the high value of employer benefits, with 87 percent believing a workplace retirement plan with employer contributions will be an important factor when choosing their next job. This percentage was highest in among Chinese twentysomethings (93 percent) and lowest among the Japanese (74 percent), while 84 percent of young Americans reported valuing such benefits.

One in four twentysomethings are 'habitual' savers who 'always make sure' that they are saving for retirement. Of the countries surveyed, Americans (35 percent) are the most likely to be 'habitual' savers and Spanish (14 percent) are the least likely.

An encouraging 41 percent of twentysomethings are 'aspiring' savers who intend to save. Thirty-six percent of Americans are 'aspiring' savers. Hungary (54 percent) has the most and Germany (23 percent) the fewest.

The need to save is widely recognized across the countries surveyed: Fifty-seven percent of twentysomethings believe that retirement savings are important, but not a priority for them at the moment. Fifty-five percent of Americans have not yet made saving a priority, compared with Hungarians (67 percent) who are most likely to share this feeling and Germans (40 percent) who are least likely.

"For twentysomethings, retirement is decades away. However, by making saving a priority today, their long-term savings horizon will help their savings grow with the compounding of investments over time," said Collinson. "Getting into the habit of saving is not easy at any age but the longer one waits, the harder it will be, especially with the need to make up for lost time."

Encouraging young people to save more: More pay, employer benefits, simpler products and tax incentives

Twentysomethings were asked what would encourage them to save more for retirement. Hardly surprising, the majority (57 percent) of twentysomethings said a pay raise would encourage them to save more for retirement. The response rate was highest in Hungary (72 percent) and lowest in Japan (32 percent); two-thirds (67 percent) of Americans said they would be encouraged to save more if they received a raise.

A more generous employer matching contribution in a workplace retirement plan can also encourage savings, with one-third of twentysomethings citing this as valuable. In the U.S., it is well known that matching contributions to a 401(k) or similar plan drive up savings rates. Thirty-nine percent of American workers in their twenties said a more generous match would encourage them to save more. Among other countries, Canadians (44 percent) were most likely to be motivated by a better match and Swedes (25 percent) were least likely.

Almost one-fourth (24 percent) of twentysomethings said they would be encouraged to save more with simpler investment products that are easier to understand, including 36 percent in China, 32 percent in the U.S., and 10 percent in Japan.

Lastly, governments can help lead the way through the creation of stable, long-term financial and taxation policy. Among twentysomethings, 34 percent stated that more generous tax breaks on long-term savings and retirement plans would encourage them to save, with the response rate highest in Germany (44 percent) and lowest in the Netherlands (20 percent). One-third of Americans would be encouraged by greater tax breaks.

"Twentysomethings are ready and willing to take responsibility of their financial futures, but need the support of employers, retirement providers and governments to help them achieve their retirement goals," said Collinson. "Initiatives that can make a difference include better workplace retirement benefits, financial information that is straightforward and user-friendly, and more generous tax incentives."

Please visit www.transamericainstitute.org to view the full report.

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About the survey

The Changing Face of Retirement: The Young, Pragmatic and Penniless Generation polled employees and retirees in 12 countries: Canada, China, France, Germany, Hungary, Japan, the Netherlands, Poland, Spain, Sweden, the United Kingdom, and the United States. Respondents were interviewed using an online panel survey in their native language between January and February of 2013. The sample was comprised of 10,800 employees, including 2,722 people between the ages of 20 and 29, and 1,200 retirees. The 12 countries surveyed represent employees who cumulatively have access to around 85% of the world's private retirement assets (excluding government retirement benefits).

Transamerica Center for Retirement Studies

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