

The World's Retirement Wake-Up Call: Too Little Progress Is Being Made to Financially Prepare Workers
New research highlights global findings, trend analysis, and the need for action

LOS ANGELES – May 26, 2016 – A new report released today from Transamerica Center for Retirement Studies® (a division of the Transamerica Institute®, a nonprofit, private foundation) in collaboration with the Aegon Center for Longevity and Retirement illustrates the global challenges related to sufficiently preparing workers financially for retirement. The report, ***A Retirement Wake-Up Call: The Aegon Retirement Readiness Survey 2016***, marks the fifth annual survey and offers a multi-year trend analysis and present-day findings of countries spanning Europe, the Americas, Asia, and Australia.

Retirement Readiness Is a Shared Responsibility – and Requires Shared Solutions

“People are living longer than ever which makes the cost of funding retirement more expensive for governments, employers, and individuals,” said Catherine Collinson, president of Transamerica Center for Retirement Studies and executive director of Aegon Center for Longevity and Retirement. “Solving this equation for retirement security must be recognized as a shared responsibility. No single entity can solve it alone.”

Globally, people expect almost half of their retirement income (46 percent) to come from government retirement benefits, with Spain reporting the highest expected percentage (64 percent) and India the lowest (25 percent). In the U.S., people expect 43 percent of their retirement income to come from Social Security and other government benefits.

Given the intense financial pressures on government retirement benefit programs like Social Security, the survey asked what steps governments should take to address the rising costs and found that most people feel that reform is needed:

- 31 percent globally believe that the government should increase overall funding for social security-type benefits through raising taxes, without having to reduce the value of individual payments (33 percent U.S.);
- 15 percent globally feel that the government should reduce the overall cost by reducing benefits, without having to increase taxes (19 percent U.S.); and
- 27 percent globally feel that the government should take a balanced approach (23 percent U.S.).

However, the survey found mixed views on raising the retirement age, as it relates to benefits eligibility, to offset the cost of people living longer. Globally, only 20 percent think the retirement age should increase in line with increases in life expectancy. In the U.S., people feel somewhat differently, with 32 percent believing the retirement age should increase with life expectancy.

“Raising the retirement age is a complex issue. On one hand, it can pave the way for people to extend their working years and continue saving for retirement. But, on the other hand, it can only be successful if employment opportunities are available to older workers,” said Collinson.

Increasing Savings Is an Imperative

“Saving for retirement is a universal need. It is clear that getting into the habit of saving and consistently saving over time is critical for achieving retirement readiness,” said Collinson. Only 26 percent of workers globally (32 percent U.S.) believe they are on course to achieve their retirement income needs.

In terms of savings behaviors, the survey found that only 38 percent of workers globally are “habitual savers” who say they are always saving for retirement (54 percent U.S.) and that 23 percent are “occasional savers” who save for retirement occasionally from time to time (21 percent U.S.).

The survey findings reveal an important opportunity vis-à-vis workplace retirement plans. Automatically enrolling employees into a retirement plan can prompt non-savers to start saving. Sixty-five percent of workers globally (75 percent U.S.) find the idea of automatic enrollment based on a contribution level of six percent of annual salary to be very or somewhat appealing.

“In addition to increasing savings, workers must take greater responsibility for planning their retirement,” said Collinson. Globally, only 13 percent of workers have a written retirement plan (26 percent, U.S.).

It’s Personal: Making the Case for the New Flexible Retirement

“People expect to live for 20 years in retirement, but the reality is that they may live even longer. Increases in longevity may require individuals to work longer in order to adequately fund retirement,” said Collinson. “Working longer can also promote active living and healthy aging.”

For some workers, retirement may involve shifting from full-time to part-time work. For others, it may involve working in a different capacity or pursuing an encore career. The very concept of a retirement in which people stop working altogether could soon become a thing of the past.

However, employers are falling short in accommodating workers in extending working lives and transitioning into retirement. Globally, 58 percent of workers find phased retirement to be a very or extremely important occupational benefit (65 percent U.S.), yet only 28 percent say that it is offered to them (32 percent U.S.).

Of those who envision working to some extent in retirement, 57 percent globally want to do so to keep active/keep their brain alert (59 percent U.S.), 37 percent enjoy their work (46 percent U.S.), and 70 percent think they will do so due to a variety of income- and savings-related concerns (68 percent U.S.).

The Current State of Global Retirement Readiness

The Aegon Retirement Readiness Index (ARRI) measures retirement preparedness on a scale from 1 to 10 with scores of 8 and higher considered to be high retirement readiness, scores of 6 to 7.9 as medium, and less than 6 as low.

Since 2012, the ARRI has increased slightly but unevenly across countries. In the original nine countries where the ARRI has been measuring retirement readiness since 2012, the global index score increased from 5.2 to 5.5 in 2016, which is still considered a low score.

Among the 15 countries in the 2016 survey, the global index score is 5.8. Looking at specific country results, India achieved the highest score at 7.3 and Japan the lowest at 4.7. Since last year, China experienced a significant decline in its score from 6.5 in 2015 to 6.0 in 2016, coincident with steep declines in its stock market.

In the U.S., the index score increased from 5.6 in 2012 to 6.7 in 2016, which moves its score from the low to the medium category.

“Retirement systems around the world are undergoing tremendous financial strain as a result of increases in longevity and population aging. The cost of funding retirement is continuing to shift to individuals and many are not saving enough,” said Collinson. “In order to be successful, people need help in the form of greater opportunities to save, access to advice and planning resources, and the ability to extend their working lives. The world needs a retirement wake-up call.”

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About the Survey

The **Aegon Retirement Readiness Survey 2016** is a collaboration between the Transamerica Center for Retirement Studies and the Aegon Center for Longevity and Retirement. The survey encompasses 16,000 employees and retirees in 15 countries: Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Turkey, the United Kingdom and the U.S. These countries were selected on the basis of their distinctive pension systems, as well as their varying demographic and aging trends.

Cicero Group, a leading global research firm, was engaged to conduct the survey. Respondents were interviewed using an online panel survey, and interviews were conducted in their local languages in February 2016. This survey provides a broad perspective on savings and retirement, based on working and fully retired. In total, 14,400 employees and 1,600 fully retired people were interviewed. The findings reflect both the attitudes and behaviors of these individuals.

About Transamerica Center for Retirement Studies

The Transamerica Center for Retirement Studies® (TCRS) is a division of the Transamerica Institute®, a nonprofit, private foundation. TCRS is dedicated to conducting research and educating the American public on trends, issues, and opportunities related to saving, planning for, and achieving financial security in retirement. Transamerica Institute® is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third parties. TCRS and its representatives cannot give ERISA, tax, investment or legal advice. Follow TCRS @TCRStudies. www.transamericainstitute.org

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