



2013/14 Global Benefits Attitudes Survey

Employee perceptions on financial security

**A presentation to Actuaries' Club of Hartford & Springfield
by Sue Sames**

November 11, 2014

Introduction

Global economic uncertainty

The last five years have marked a period of exceptional global economic turmoil

Slow growth in developed economies

In many countries real GDP per head still remain below their pre-crisis levels

Developing economies growing faster

Developing economies have been less affected, but not immune to the economic crisis. Growth has typically slowed and in some cases stalled.

Corporate cutbacks

Around the globe many companies reacted to global uncertainty by cutting back on salary increases and cutting costs

Squeezed standards of living for large numbers employees

Uncertain benefits

The risk of health and retirement provision increasingly shifting to employees in many countries

Longevity Increases

Rising life expectancies posing an increasing challenge to funding retirement incomes

Employees bearing more risk

Long-term trend shifting the risk of health and retirement provision onto employees

Government provision

Will social security and government medical benefits be sustained at their current levels given fiscal problems many countries face?

Brief #1: Employee perceptions of financial security

Against this background we examine employee preferences on their financial security

Financial satisfaction

How satisfied are people with their financial circumstances? What actions are employees' taking to address these financial concerns

Retirement confidence

How confident are people they will have adequate resources for their retirement? What factors are leading to lower levels of retirement confidence?

Working longer

What are the potential consequences of a lack of confidence on the adequacy of retirement resources? Do employees expect to work longer as a result?

Employee perceptions of financial security

Key insights

- 1) A large number of employees (in all countries) have curbed their lifestyle. Many employees worry about their future financial state.
- 2) Few employees have confidence in the future value of state benefits and in developed countries the majority of employees think they will be worse off than their parents generation in retirement.
- 3) In the developed economies we study significant upward revisions in retirement age are common. In developing economies employees are more likely to be revising retirement age expectations downwards.
- 4) Those with retirement plans report significantly lower retirement ages than those without; those with DB retirement plans lower retirement ages than those with DC
- 5) There is a wide acceptance of the need to save more in general and for retirement in particular, but the ability to save is constrained
- 6) Retirement security an increasingly important issue for large numbers of employees, especially those approaching retirement

About the survey

Global Benefits Attitudes Survey (2013/14)

The survey













- This study uses a new global survey to examine employees' preferences for financial security and how they have been reshaped in recent years
- Towers Watson surveyed 22,347 employees across 12 countries between June and September 2013
- Countries account for over 60% of global GDP (Source: IMF) and over 80% of global retirement plan assets (Source: Towers Watson, Global Pension Assets Study)
- All respondents are employed at large non-government establishments and represent all job levels and major industry sectors
- Results are weighted to match the national average of employees



Global Benefits Attitudes Survey (2013/14)

The data

- For the developed economies there is a good match to nationally representative data
- For developing economies the samples are more representative of urban and middle-class employees

	 Australia	 Brazil	 Canada	 Chile	 China	 Germany	 India	 Japan	 Mexico	 Netherlands	 UK	 United States
Responses	1017	1009	2048	1009	2070	2000	2006	2001	1085	1002	2030	5070
Average age	41.8	33.5	42.7	39	36.6	41.7	33.7	42.4	37.6	43.9	41.1	42.2
Female	45%	37%	38%	47%	44%	40%	39%	33%	30%	46%	42%	46%
Part-time	29%	5%	5%	6%	2%	8%	9%	17%	4%	27%	13%	10%
Average salary (US\$)	\$57,123	\$8,453	\$66,698	\$16,538	\$13,218	\$50,780	\$21,198	\$54,480	\$16,431	\$47,627	\$51,605	\$62,206

Financial satisfaction

Company performance has improved

My company has performed well financially over the last two years

34%

Australia

64%

Brazil

49%

Canada

39%

Chile

54%

China

51%

Germany

62%

India

35%

Japan

42%

Mexico

28%

Netherlands

42%

UK













53%

US

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

But employees have endured significant changes

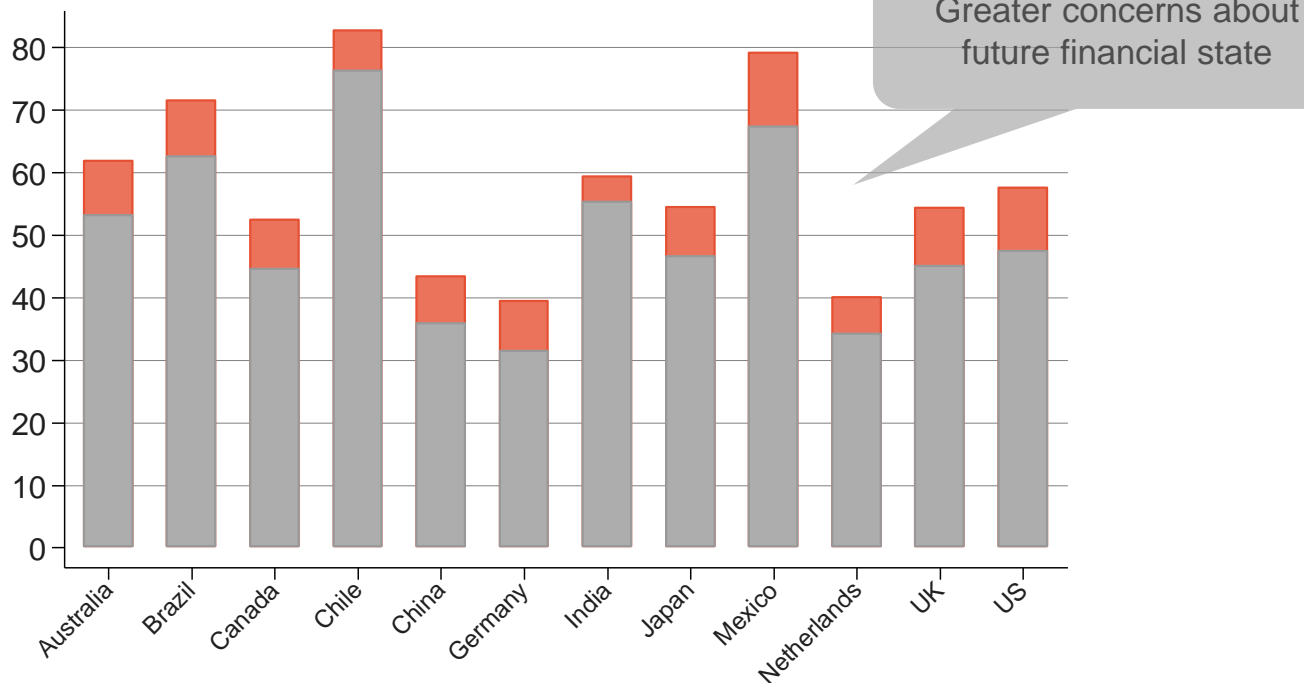
Has your employer done any of the following in the last two years?

	 Australia	 Brazil	 Canada	 Chile	 China	 Germany	 India	 Japan	 Mexico	 Netherlands	 UK	 United States
Made layoffs	49%	36%	52%	53%	22%	41%	29%	13%	43%	61%	55%	47%
Reduced hours of work	25%	21%	19%	12%	15%	13%	18%	16%	14%	10%	10%	21%
Lower pay increases	25%	31%	31%	19%	25%	26%	29%	44%	25%	29%	39%	32%
Significant changes in retirement plan		33%	28%		34%	11%	43%	29%		18%	29%	24%
Significant rise in cost of health benefits		12%	16%		27%		33%				2%	38%

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Many employees are worried about their financial situation

I often worry about my current (or future) financial state?



I often worry about my ...



Current financial state



Future financial state

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Many employees are worried about their financial situation

I often worry about my current (or future) financial state?



Layoffs at employer (Canada, Chile, China, Germany, India, Mexico, US)

Reduced hours of work (Canada, India, US)

Lower pay or bonus (Canada, Chile, China, India, Mexico, UK, US)

Significant changes to retirement benefits (China, Germany, India, Japan, Netherlands)

Significant changes to DB plan (UK, US)

Employer cut contributions to plan (Canada, China, India, Netherlands, UK, US)



DB plan members (UK, US)

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

How have employees' finances been affected by the crisis

Summary

- Many employees worry about their current and future financial state
- Those with retirement benefits typically more satisfied (less concerned) than those without, those with DB benefits more satisfied than those with a DC retirement plan (in UK and US)
- Changes to retirement benefits associated with greater money worries

Retirement confidence

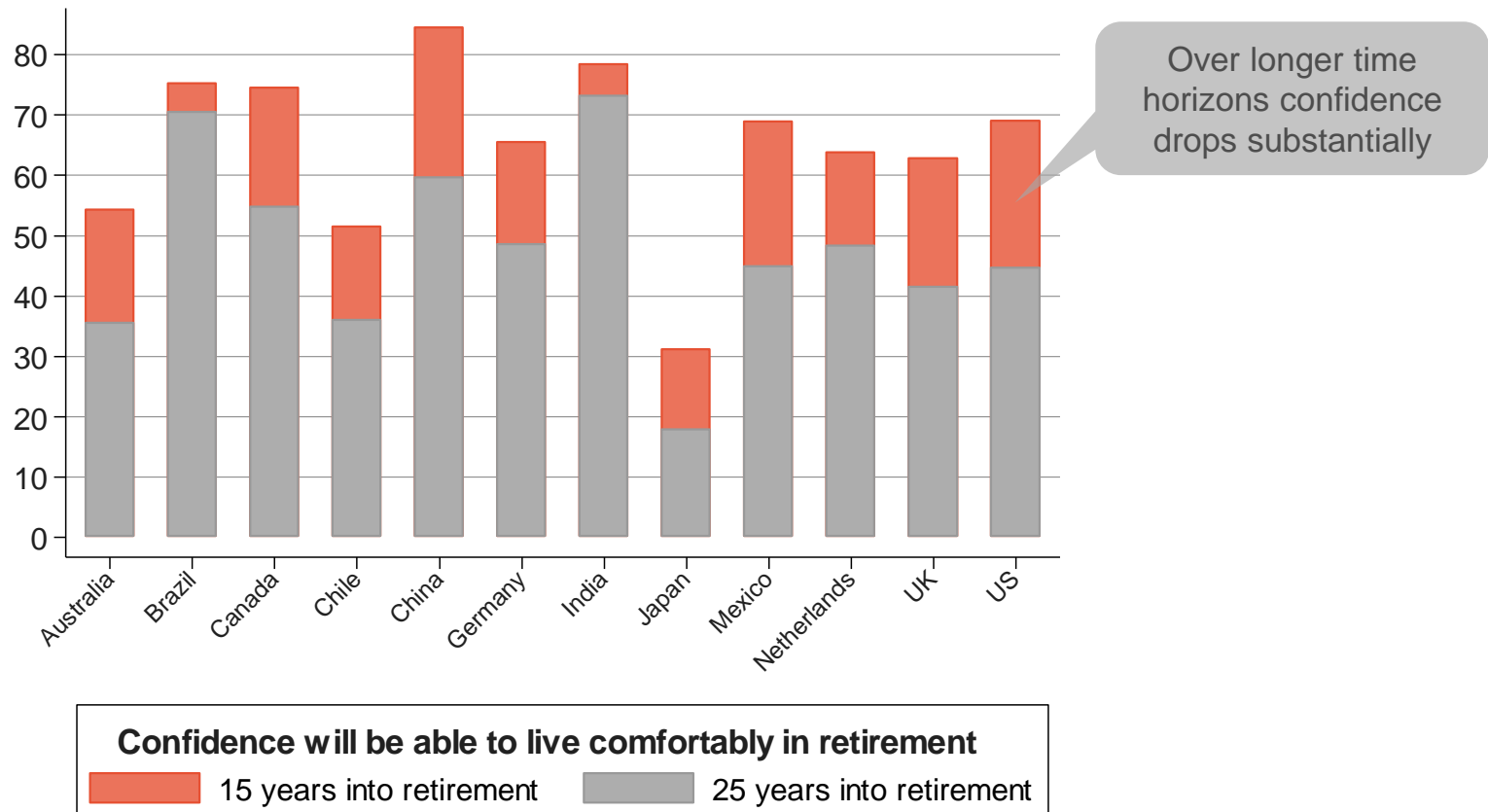
Retirement confidence

Employees views on the adequacy of their retirement resources

- As well as these general money worries how concerned are employees about their ability to fund an 'adequate' retirement?
- What factors are causing concerns about retirement adequacy?

Retirement confidence erodes over longer time horizons

How confident are you that you will have enough financial resources to live comfortably in retirement?



Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Retirement confidence is greater for those with more generous retirement benefits

How confident are you that you will have enough financial resources to live comfortably in retirement?



Low income workers (Canada, Germany, Japan, UK, US)

Retirement plan members vs. non-members
(Brazil, Canada, China, Germany, India, Japan, US, UK)

DB vs. DC plan members (Canada, UK, US)



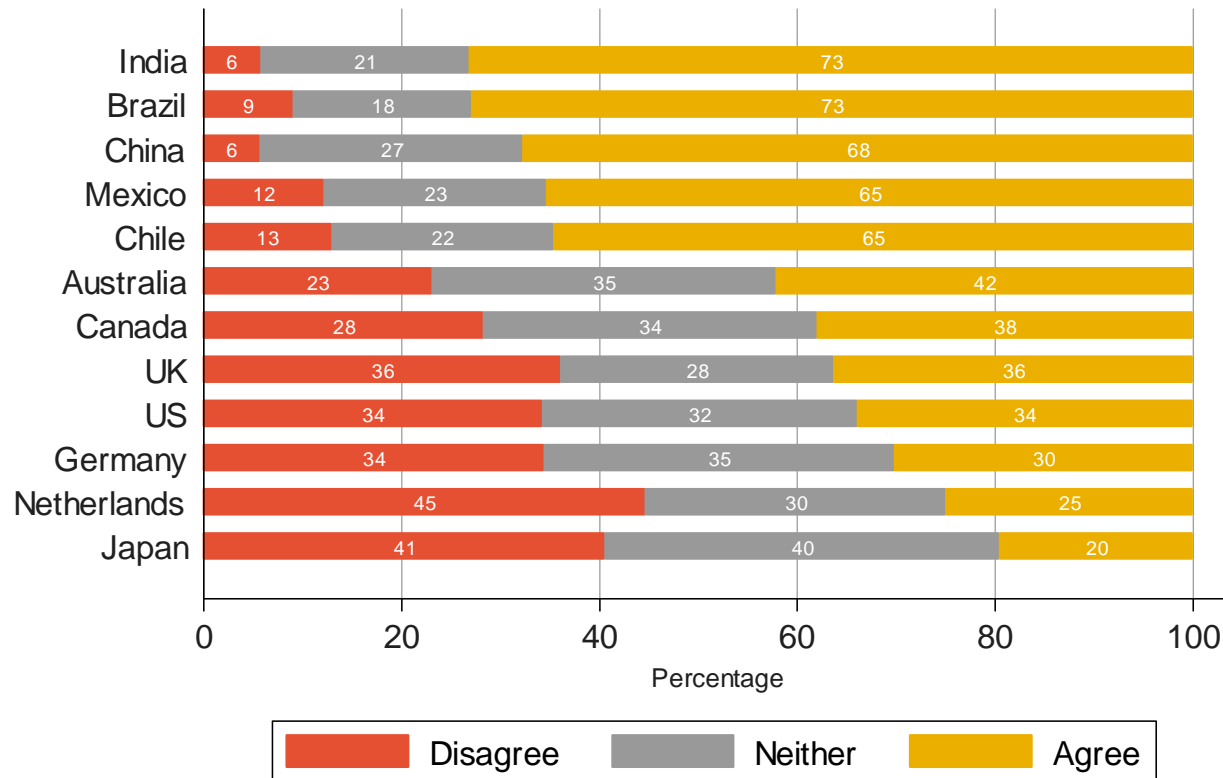
Young workers (Australia, Brazil, Japan, Netherlands, UK, US)

High income workers (Canada, China, Germany, India, Japan,
Netherlands, UK, US)

Sources of concerns ... a decline in living standards expected

Majority of workers in developed countries expect standard of living of future retirees to decline


I am likely to be better off in retirement than my parents are/were



Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Sources of concerns ... a decline in living standards expected

I am likely to be better off in retirement than my parents are/were




More likely
to expect to be
better off

Developing countries (Brazil, Chile, China, India, Mexico)

Retirement plan members vs. non-members

(Brazil, Canada, China, Germany, India, Netherlands, US, UK)

DB vs. DC plan members (UK, US)



Less likely
To expect to be
better off

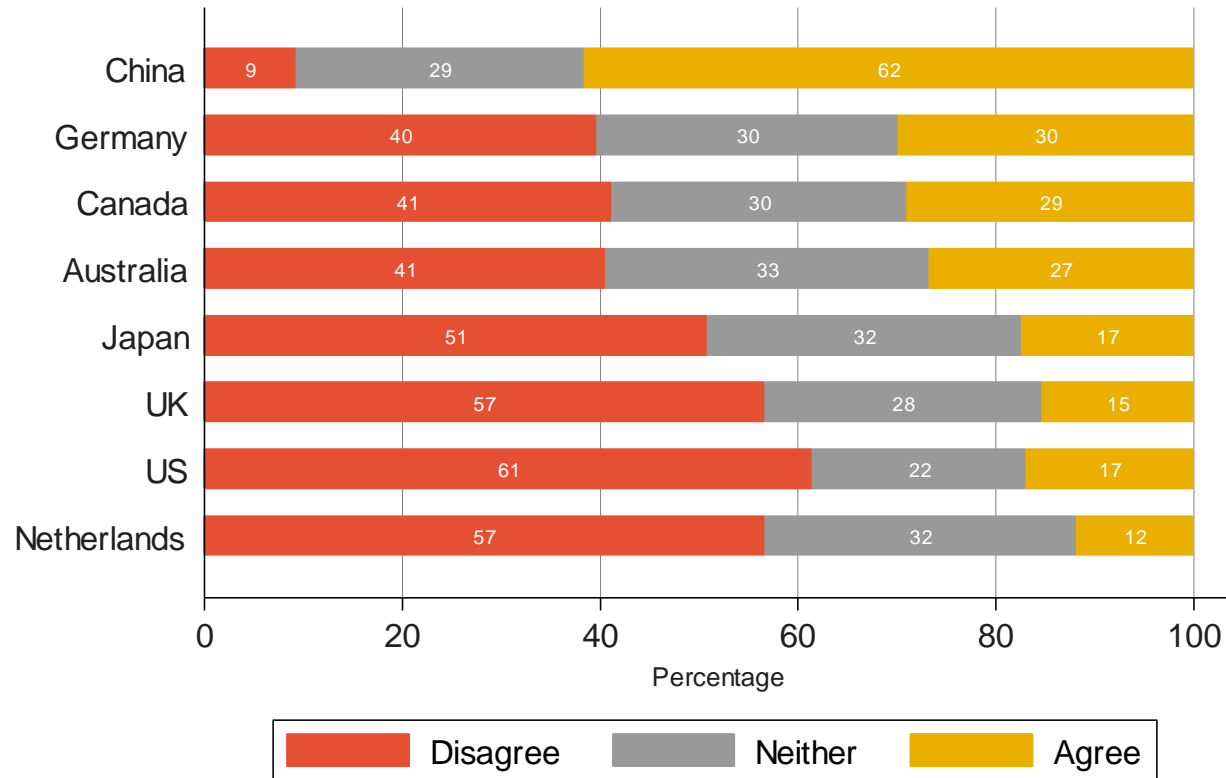
Developed countries (Germany, Japan, Netherlands, UK, US)

Younger workers (Brazil, China, Germany, India, Netherlands, UK)

Sources of concerns ... little faith in social security

Employees have little confidence in the future value of social security

I am confident that when I retire the Social Security Program will be at least as valuable as it is now



Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Sources of concerns ... ability to afford medical expenses

I am concerned I will not be able to afford my medical expenses when I retire

50% or more

Brazil, Chile, Mexico, India, US

40-49%

Australia, China, Japan

30-39%

Canada, Germany

less than 30%

Netherlands, UK

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Retirement confidence

Summary

- Few employees have confidence in the value of social security and many are concerned on funding medical costs
- In developed countries, majority of employees think they will be worse off than their parents generation in retirement
 - this is more pronounced for young vs. old and DB vs. DC.
- In developing countries majority think their living standards will exceed that of prior generations in retirement
- Those with retirement benefits are more confident on the adequacy of their retirement resources (as are those with DB compared to those with DC)
- High income employees are less confident of their ability to fund their retirement in the developed economics, China and India

Financial priorities

Rebalancing finances and saving for retirement

Financial priorities

What are employees financial priorities

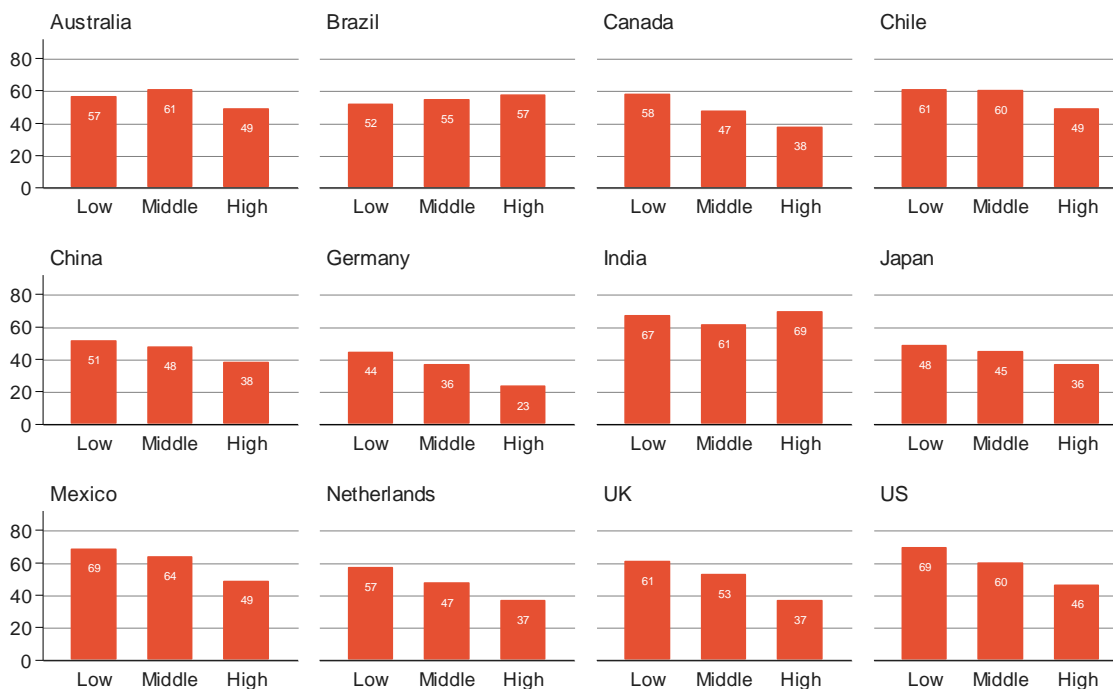
- Given money worries and concern on adequacy of retirement savings, what steps are employees taking?
 - 1) Have they simplified their lifestyle?
 - 2) What are their financial priorities?
 - 3) Have they reviewed their retirement savings?
 - 4) Are retirement savings more of a priority?
 - 5) Do they aspire to save more?

Employees are taking steps to address their financial issues

Many employees have simplified their lifestyle in recent years ... across all income groups

I have simplified my lifestyle over the last few years by spending less and delaying major expenditures













By salary



Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Housing, living costs and debt are key priorities for younger workers













What would you say are currently your top financial priorities? Rank of responses

Age	 Australia	 Brazil	 Canada	 Chile	 China	 Germany	 India	 Japan	 Mexico	 Netherlands	 UK	 United States
20-39												
1 st	Housing	General household costs	Housing	Pay off debts	Children's expenses	General household costs	Housing	General saving	General household costs	General household costs	Housing	Housing
2 nd	General household costs	Housing	Pay off debts	General household costs	Housing	Leisure / other spending	Saving for retirement	General household costs	Pay off debts	Housing	General household costs	Pay off debts
3 rd	General saving	General saving	General household costs	Housing	General household costs	General saving	General household costs	Saving for retirement	Housing	General saving	General saving	General household costs
4 th	Pay off debts	Leisure / other spending	Saving for retirement	Children's expenses	General saving	Housing	Children's expenses	Housing	General saving	Leisure / other spending	Pay off debts	General saving
5 th	Other planned saving	Pay off debts	General saving	General saving	Medical expenses	Other planned saving	General saving	Children's expenses	Children's expenses	Other planned saving	Leisure / other spending	Saving for retirement

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Saving for retirement a high priority for employees aged 40 or more in many countries

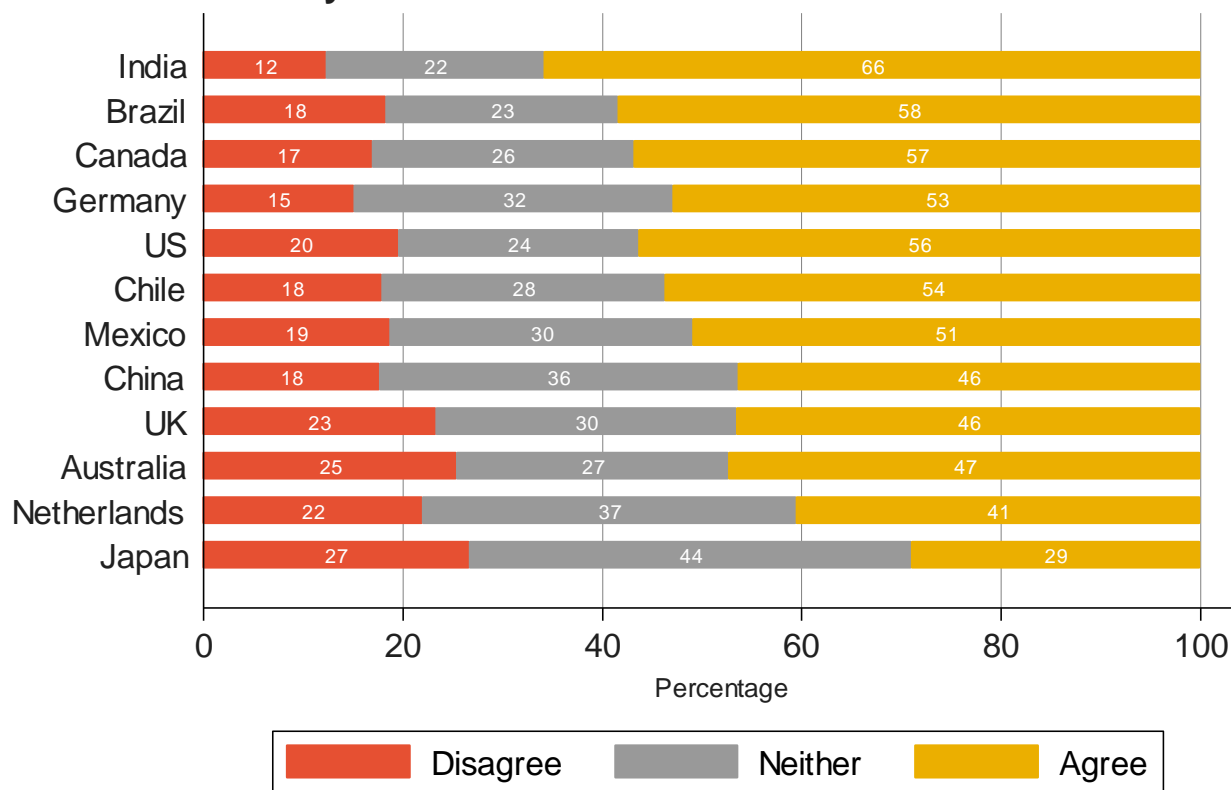
What would you say are currently your top financial priorities? Rank of responses

Age 40 plus	 Australia	 Brazil	 Canada	 Chile	 China	 Germany	 India	 Japan	 Mexico	 Netherlands	 UK	 United States
1 st	General household costs	Children's expenses	Saving for retirement	Pay off debts	Children's expenses	General household costs	Saving for retirement	Saving for retirement	General household costs	General household costs	General household costs	Saving for retirement
2 nd	Saving for retirement	General household costs	Pay off debts	General household costs	General household costs	Housing	Children's expenses	General saving	Children's expenses	General saving	Saving for retirement	Pay off debts
3 rd	Housing	Pay off debts	General household costs	Children's expenses	Saving for retirement	Pay off debts	Housing	Children's expenses	Pay off debts	Housing	General saving	General household costs
4 th	Pay off debts	Saving for retirement	Housing	Housing	Medical expenses	General saving	Medical expenses	General household costs	Housing	Other planned saving	Housing	Housing
5 th	General saving	General saving	General saving	General saving	General saving	Saving for retirement	General household costs	Housing	General saving	Leisure / other spending	Pay off debts	General saving

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

A heightened desire for retirement security in most countries

Retirement security has become a more important issue for me over the last 2 or 3 years



Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Large numbers of employees have reviewed their retirement savings

I have reviewed my retirement savings in a lot of detail over the last year

50% or more

Brazil, Chile, China, India, US

40-49%

Canada, Germany, Mexico

30-39%

Australia, UK

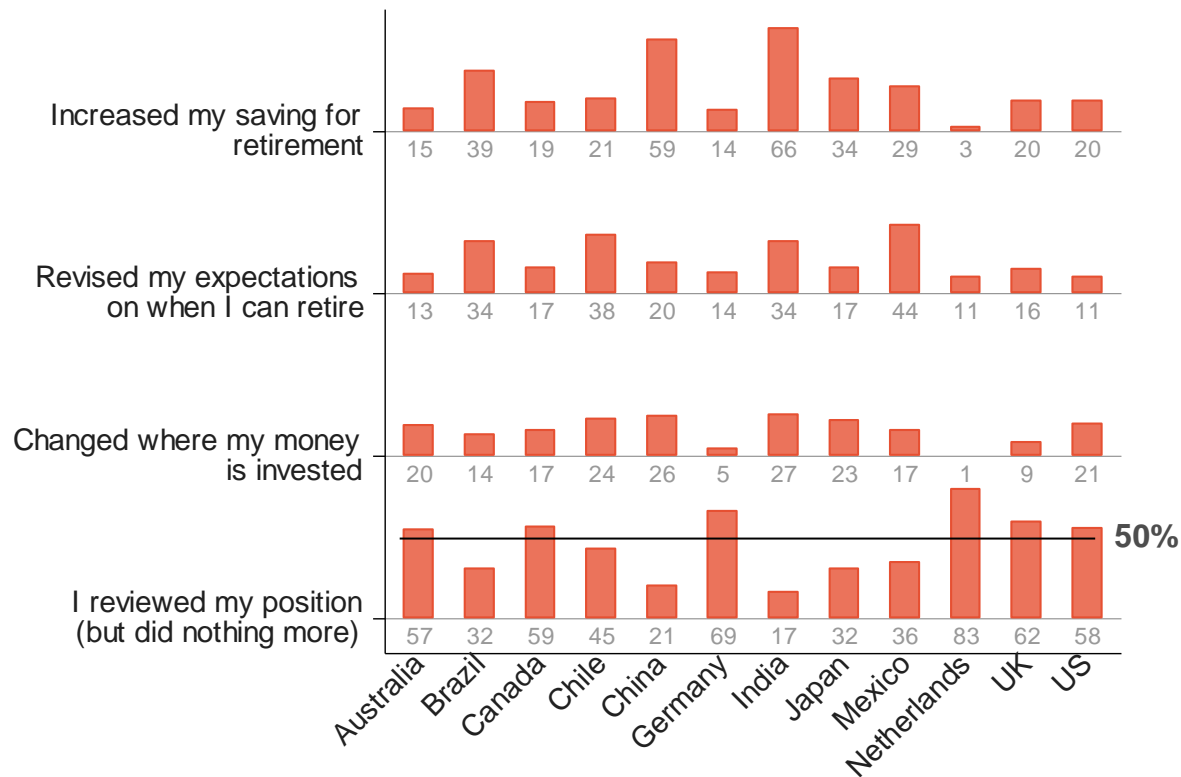
less than 30%

Japan, Netherlands

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

In most developed countries employees typically do not make any changes after reviewing their retirement plan

What actions did you take after reviewing the status of your retirement plan?



In China and India increased saving is more common

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Apps playing an increasingly important role in financial management

Do you use internet or mobile apps to help you manage your finances or retirement plans?

50% or more

Brazil, Canada, China, India, UK, US

40-49%

Netherlands

30-39%

Australia, Chile, Germany, Mexico

less than 30%

Japan

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Younger employees use apps to track household spending and investments

Do you use the internet or mobile apps for any of the following reasons? Rank of responses













Age	 Australia	 Brazil	 Canada	 Chile	 China	 Germany	 India	 Japan	 Mexico	 Netherlands	 UK	 United States
1 st	Monitor household spending	Track my investments	Track my investments	Track my retirement savings	Track my investments	Compare prices of products	Track my investments	Track my investments	Monitor household spending	Monitor household spending	Monitor household spending	Monitor household spending
2 nd	Compare prices of products	Research new investments	Monitor household spending	Track my investments	Research new investments	Monitor household spending	Research new investments	Track my retirement savings	Track my retirement savings	Compare prices of products	Compare prices of products	Compare prices of products
3 rd	Track my investments	Monitor household spending	Track my retirement savings	Monitor household spending	Track my retirement savings	Track my investments	Guidance on my finances	Monitor household spending	Track my investments	Track my retirement savings	Track my investments	Track my retirement savings
4 th	Research new investments	Track my retirement savings	Compare prices of products	Guidance on my finances	Guidance on my finances	Research new investments	Monitor household spending	Research new investments	Research new investments	Guidance on my finances	Guidance on my finances	Track my investments
5 th	Guidance on my finances	Guidance on my finances	Research new investments	Compare prices of products	Compare prices of products	Track my retirement savings	Compare prices of products	Guidance on my finances	Compare prices of products	Track my investments	Research new investments	Guidance on my finances

Source: 2013/14 Global Benefits Attitudes Survey.

Based on employees enrolled in a retirement plan who report they use apps to manage their finances.

Younger employees use apps to track their retirement savings and investments

Do you use the internet or mobile apps for any of the following reasons? Rank of responses

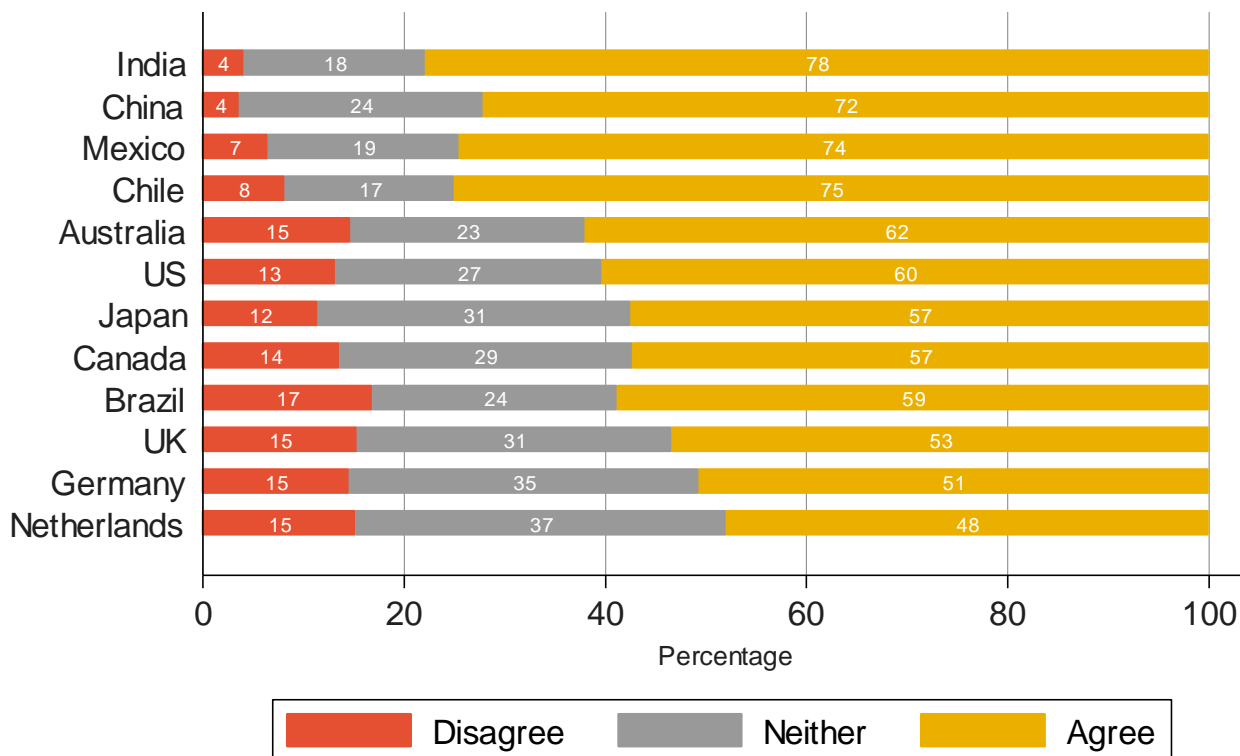
Age 40 plus	 Australia	 Brazil	 Canada	 Chile	 China	 Germany	 India	 Japan	 Mexico	 Netherlands	 UK	 United States
1 st	Compare prices of products	Track my retirement savings	Track my investments	Track my retirement savings	Track my investments	Compare prices of products	Track my investments	Track my investments	Research new investments	Compare prices of products	Compare prices of products	Track my retirement savings
2 nd	Monitor household spending	Monitor household spending	Track my retirement savings	Guidance on my finances	Track my retirement savings	Guidance on my finances	Guidance on my finances	Track my retirement savings	Monitor household spending	Monitor household spending	Monitor household spending	Track my investments
3 rd	Track my investments	Track my investments	Compare prices of products	Compare prices of products	Guidance on my finances	Research new investments	Research new investments	Monitor household spending	Track my investments	Track my retirement savings	Track my investments	Compare prices of products
4 th	Track my retirement savings	Compare prices of products	Monitor household spending	Research new investments	Research new investments	Track my investments	Compare prices of products	Research new investments	Track my retirement savings	Guidance on my finances	Track my retirement savings	Monitor household spending
5 th	Research new investments	Research new investments	Research new investments	Monitor household spending	Monitor household spending	Monitor household spending	Track my retirement savings	Compare prices of products	Compare prices of products	Track my investments	Guidance on my finances	Research new investments

Source: 2013/14 Global Benefits Attitudes Survey.

Based on employees enrolled in a retirement plan who report they use apps to manage their finances.

Employees recognise the need to save more

Compared to what I thought a few years ago, I will need to save much more in the future to achieve a comfortable level of income in retirement



Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Large majority think they should save more

Considering all your savings (in total including any retirement savings) how much of your income do you think you saved last year? And what should you ideally save?

Percentage who report they are under-saving

83%

Australia

65%

Brazil

79%

Canada

86%

Chile

69%

China

71%

Germany

71%

India

71%

Japan

89%

Mexico

70%

Netherlands

78%

UK

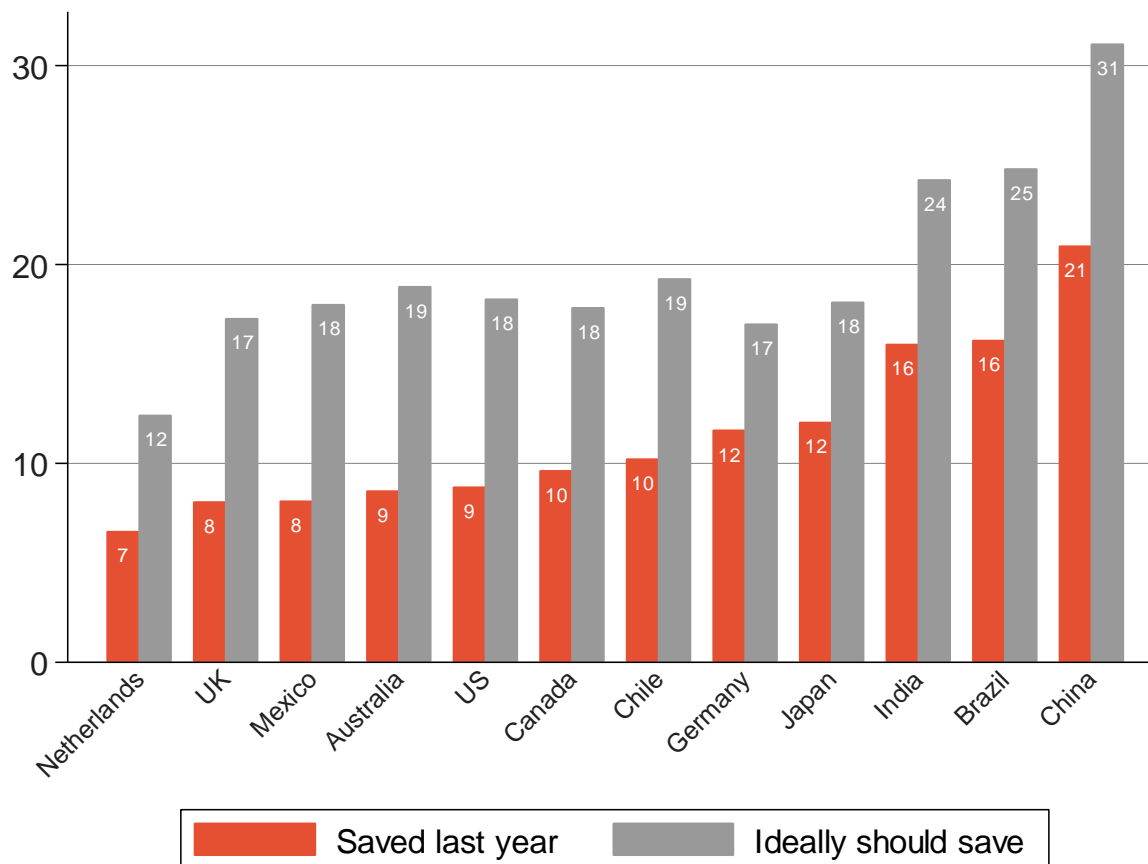
83%

US

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Employees recognise the need to save more ... but how easy is it to do so?

Considering all your savings (in total including any retirement savings) how much of your income do you think you saved last year? And what should you ideally save?



Squeezed middle
saving lowest for
ages 40 to 49

Australia, Brazil,
Canada, Mexico,
UK, US

Young saving more

Germany, Japan,
Netherlands

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Financial priorities

Summary

- For the over 40s saving for retirement a top financial priority
- Between half and three-quarters understand the need to save more for a comfortable retirement
- Acceptance of the need to save more but potentially difficult to achieve – desired saving rate on average twice as high as current savings rate

Retirement expectations

When do employees expect to be able to retire and how has it changed recently?

Retirement expectations

When do employees expect to be able to retire?

- Given concerns on being able to support a reasonable standard of living in retirement in the developed countries, how are employees' expectations of when they can retire responding?
- Are inadequate retirement savings likely to lead to significantly higher retirement ages?

Working longer is the option most choose to manage inadequate savings for retirement

If someone told you that your income in retirement wouldn't be as much as you wanted, which action do you think you would be most likely to take?

Save more

The young tend to suggest they will save more if faced by inadequate resources at retirement.

China, India and Japan – the most popular response even among older workers. How effective can this be?

Work longer

In most countries for the over 50s working longer is the most common solution.

Possibly as few individuals have significant extra funds to save.

Retire on less

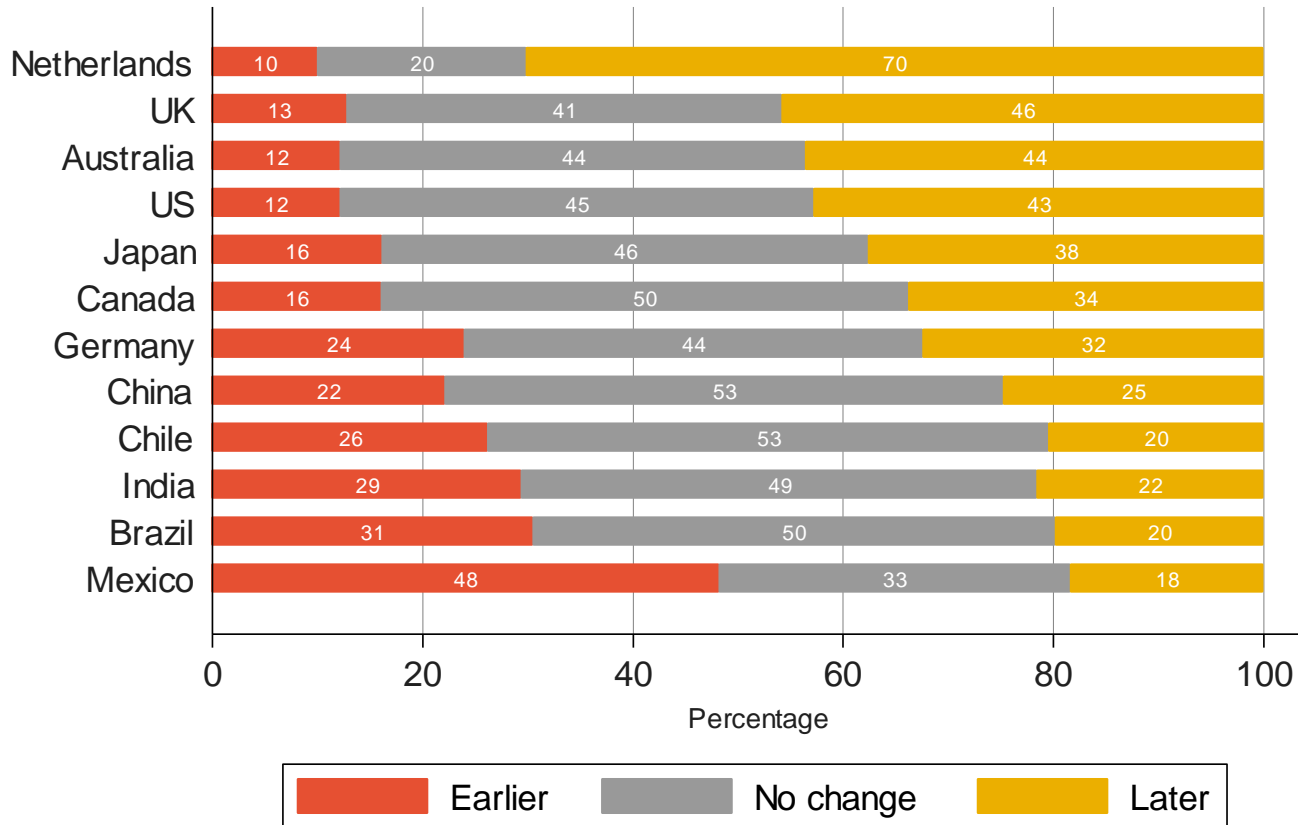
In the Netherlands and Germany the over-50s are more likely to say they will retire on lower incomes.

Possibly due to limitations on ability to work past retirement ages or save more.

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

In developed economies, upward revisions in retirement age common

Has the age at which you plan to retire from full time employment changed over the last 3 years?



Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

The typical change in expected retirement age in developed countries is large

Approximately, how much later do you expect to work?

Average increase in retirement age

5 years

Australia, US

4 years

Canada, Japan, UK

3 years

Germany, Netherlands

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan who indicate they have postponed retirement.

Large numbers now expect to work past 70 in the developed economies

At what age do you expect to retire? Percentage reporting age 70 or above

29%

Australia

16%

Canada

8%

Germany

13%

Japan

16%

Netherlands

23%

UK

32%




US

Average anticipated retirement age higher than 65 in Australia, Netherlands, UK and US

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees enrolled in a retirement plan.

Employees with DB plans anticipate an earlier exit from the workforce

At what age do you expect to retire? Percentage reporting age 70 or above

Retirement plan	 Canada	 UK	 United States
Non-member	28%	43%	37%
DC only	16%	25%	34%
DB plan	15%	16%	20%
DC versus DB	+1%	+9%	+14%

Retirement plan members lower retirement ages than non-members in Canada, Germany, Japan, UK and US

Source: 2013/14 Global Benefits Attitudes Survey.
Based on employees.

Retirement expectations

Summary

- Alongside the concerns on adequacy we observed earlier, in the developed economies significant upward revisions in retirement age are common with significant numbers now expecting to work to 70 and beyond
- In developing economies employees are more likely to be revising retirement age expectations down.
- Younger employees report significantly higher retirement ages in Germany and Netherlands, but significantly lower retirement ages in Australia and the developing economies.
- Those with retirement plans report significantly lower retirement ages than those without; those with DB retirement plans lower retirement ages than those with a DC plan

Conclusion

How recession and global ageing are shaping perceptions on financial security

Employee perceptions of financial security

Summary

- 1) Confidence in long-term financial security is weak
 - Concerns about the erosion in public sector benefits looms although fewer concerns about medical costs in retirement
 - In developed countries the majority of employees think they will be worse off than their parents generation in retirement.

- 2) What are employees doing about it?
 - **Spending less** – A large number of employees (in all countries) have curbed their lifestyle
 - **Review** – Large numbers have reviewed their financial situation / retirement plans
 - **Save More** – there is a wide acceptance of the need to save more in general and for retirement in particular, but are higher savings achievable?
 - **Work Longer** – In the developed economies significant upward revisions in retirement age are common. Those with DC retirement benefits report higher retirement ages than those with DB

Employee perceptions of financial security

Employer Considerations

- 1) Retirement security an increasingly important issue for large numbers of employees, especially those approaching retirement
 - Opportunity to enhance retirement education and reinforce the value of retirement benefits

- 2) Employees in many countries embrace mobile apps to help manage finances and retirement savings
 - Consider online tools that can help close gaps in employee understanding about how much saving is required and how to plan for health care costs in retirement.

- 3) “Hidden Pensioner” issue is a growing challenge (in developed economies) as employees extend their working careers.
 - With growing adequacy concerns around the globe, review the value of your retirement plans. Does it support an orderly retirement that aligns with your workforce needs?