

The Hague, May 28, 2014

Confidence in retirement remains weak despite improving economy

Aegon's third Retirement Readiness survey

- Despite the improving economy people still have little confidence that they will be able to retire with a lifestyle they consider comfortable
- There is a strong need for people to save for their retirement. This is underlined by the Aegon Retirement Readiness Index score of just 5.8 out of 10.
- People expect to work longer and the report advocates that flexibility will become the new model for retirement. Only 32% of employees now expect to stop work completely at retirement age.

These are main findings of Aegon's third Retirement Readiness survey, an investigation in 15 countries, from China to the US, into what's on people's minds when they think about retirement. The 2014 survey, published today, shows that people have clear concerns about their retirement. They do not feel sufficiently prepared and, worryingly, they are not acting on it.

People continue to hold positive aspirations for retirement, with many associating retirement with leisure (46%) and a sense of freedom (41%). But one-third (34%) of employees are pessimistic about having enough money to live on in retirement, and just 19% are "very" or "extremely" confident that they will be able to retire with a lifestyle they consider comfortable. This confidence is especially low in Europe, with the figure in France just 6% and in Poland 4%.

Only one in six (18%) expects to be better off in retirement when compared to current retirees. Particularly in Europe and North America people fear that the sort of retirement currently being enjoyed by their grandparents or parents won't be available to future generations. In the future, retirement will come to be defined very differently. In particular, it will require a larger role for paid employment as the notion of retirement becomes more flexible.

The Aegon Retirement Readiness Index captures the level of retirement preparedness in a comprehensive manner. The Index has improved versus last year, but the overall Index score remains just below 6 out of 10. This score shows that overall preparedness is low and people need to do much more to become ready for retirement.

A key message from this year's survey is that there is a strong need for people to plan for retirement. The best way is to start early and save regularly. While 34% of "habitual savers" achieved a high Index score, 82% of "non-savers" found themselves with a low Index score. The priority must be to encourage more people to start long-term saving, and to save regularly as part of a comprehensive retirement strategy.



The Aegon report recommends that the solution lies in making retirement planning easier. Financial constraints on households continue to explain why some people are not saving enough for retirement. Only 28% of employees say they have enough money to invest for their retirement. Faced with these financial realities, governments, employers and pension providers have a shared responsibility to help people plan for their own retirement by making the process as easy as possible and providing the right (tax) incentives to save.

Employers have a dual role to play – in providing both financial support in the form of workplace pensions and other workplace savings products, as well as services such as online retirement planning tools or workplace financial advice. Overall, 63% of employees say that they find the prospect of being automatically enrolled into a workplace pension appealing.

The financial services industry can also play a role, given that 21% of respondents say that they would save more if products were simpler and easier to understand.

A third key message from the survey is that flexibility will become the new model for retirement. The Aegon report advocates to embrace active aging and working longer. Many current employees already expect to have some kind of phased transition into retirement, with 29% claiming that they will change the way they work once they enter retirement by working part-time before they give up work altogether, and 17% planning to move to part-time work for the duration of their retirement. Only 32% of employees now expect to stop work completely at retirement age.

It is clear from the findings that employers will need to do more to support flexible retirement. Currently, only 23% allow their employees to go first into phased, part-time retirement and only 12% offer retraining. Furthermore, 52% of employees say their employers currently don't provide enough information or support to help employees transition into retirement.

About the Survey

The Aegon Retirement Readiness Survey 2014 is a collaboration between the Transamerica Center for Retirement Studies and Aegon. The survey encompasses 16,000 employees and retirees in 15 countries: Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Sweden, Turkey, the United Kingdom and the United States. These countries were selected on the basis of their distinctive pension systems, as well as their varying demographic and aging trends.

Cicero Consulting, 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 January and February 2014. The range of 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 regarding investment risk and retirement planning. 14,400 employees and 1,600 retirees were interviewed to provide a broad perspective of mainstream working populations and some comparison of the outlook of current employees to those already in retirement.



About Aegon

Aegon's roots go back more than 150 years – to the first half of the nineteenth century. Since then, Aegon has grown into an international company, with businesses in more than 25 countries in the Americas, Europe and Asia. Today, Aegon is one of the world's leading financial services organizations, providing life insurance, pensions and asset management. Aegon's purpose is to help people take responsibility for their financial future. More information: aegon.com.

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