



French Fact Sheet

# The Changing Face of Retirement

The Aegon Retirement Readiness Survey 2013



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# Introduction

## Key Findings

- **Retirement associations are positive:** people are more likely to associate going into retirement with positive characteristics such as leisure (35%) and freedom (33%) than negative ones such as poverty (26%) and insecurity (15%).
- **A negative economic outlook:** 80% believe that future generations will have worse retirements than those currently retired, similar to the 2012 survey where 79% of respondents gave the same response. Moreover only 10% expect the economy to improve in the next 12 months, and only 15% expect to get personally better off.
- **In reality, early retirement is not the aspiration many see it to be:** 33% of retirees surveyed retired sooner than planned, and of these 18% say they did so due to ill-health, 27% due to unemployment.
- **Transition from the cliff-edge retirement:** Respondents in France are gradually moving away from seeing retirement as a time when work stops completely: 49% expect to give up all working immediately on retirement, far lower than the 74% of current retirees who actually did so.
- **People expect to be independent in retirement:** A large proportion expects to neither to provide (33%) nor receive (64%) financial support to or from anyone in their family during retirement.

## The Survey

The findings used in this report are based on the French responses of a twelve country study, in which 12,000 people were interviewed. Respondents were interviewed using an online panel survey and fieldwork was conducted in January and February 2013. The questionnaire dealt with a wide range of issues covering attitudes towards retirement preparedness, the role of the state and the employer in providing pensions, and the impact of the financial crisis on attitudes to issues such as investment risk and retirement planning.

In France, we interviewed 900 employees and 100 fully retired people to provide a contrast between the responses of current workers and those already in retirement. All findings in this report are based on results from France unless otherwise stated. The survey did not include the unemployed, long-term incapacitated, homemakers, or the self-employed as each of these groups faces specific challenges in planning for retirement which requires specific public policy interventions. Instead, our objective in this survey is to provide a broader perspective based on the mainstream working population.

# 1. Retirement landscape

Like most of the OECD countries, France is facing rapid population aging because of low fertility and longer life expectancy. This means that there will be a greater number of retirees, but fewer people of working age to support them. The OECD estimates that the dependency ratio will rise from 29% at present to 50% by 2050.

The demographic trends are and will continue to put pressure on the French pensions system. There is widespread agreement, including amongst survey respondents that something needs to be done.

If nothing is done, there is a strong possibility of a rise in public deficit and debt, meaning future generations will pick up the bill.

The economic trajectory for France also remains uncertain while pressure remains on the President to press on with structural, minimum wage and pension system reforms. The uncertain political and economic context helps explain some of the negative attitudes displayed in the research, with perhaps the most striking being that 80% believe that retirement for future generations will be worse than for those currently in retirement, and only 4% believe it will be better.

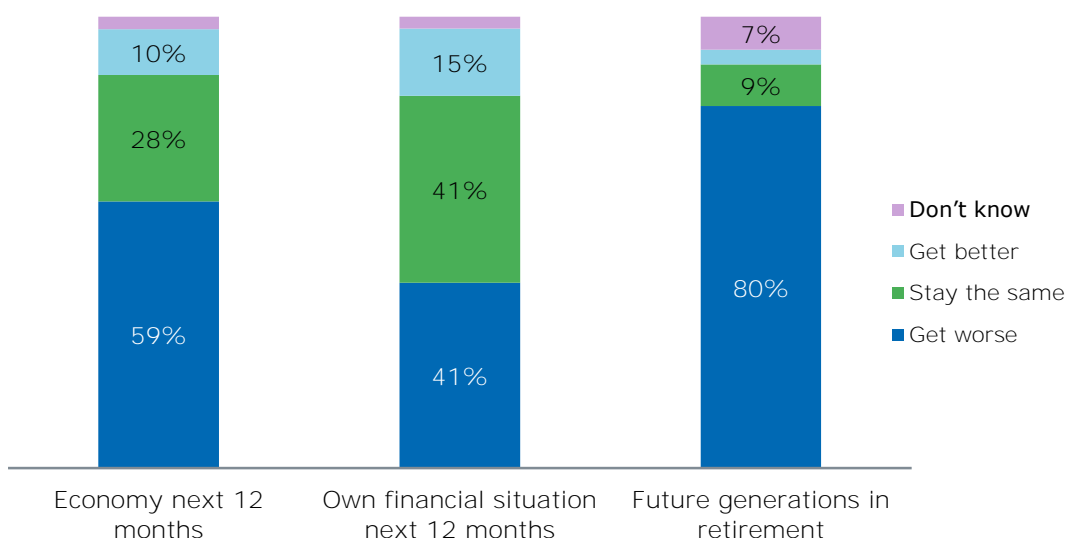
# 2. The growing retirement income shortfall

**Chart 1: Respondents are more optimistic about the present than the future, but still believe their financial situation is getting worse**

Q. Thinking ahead over the next 12 months, do you expect the economy in [COUNTRY] to...?

Q. And thinking ahead over the next 12 months, do you expect your own financial situation to...?

Q. Do you think that future generations of retirees will be better off or worse off than those currently in retirement?

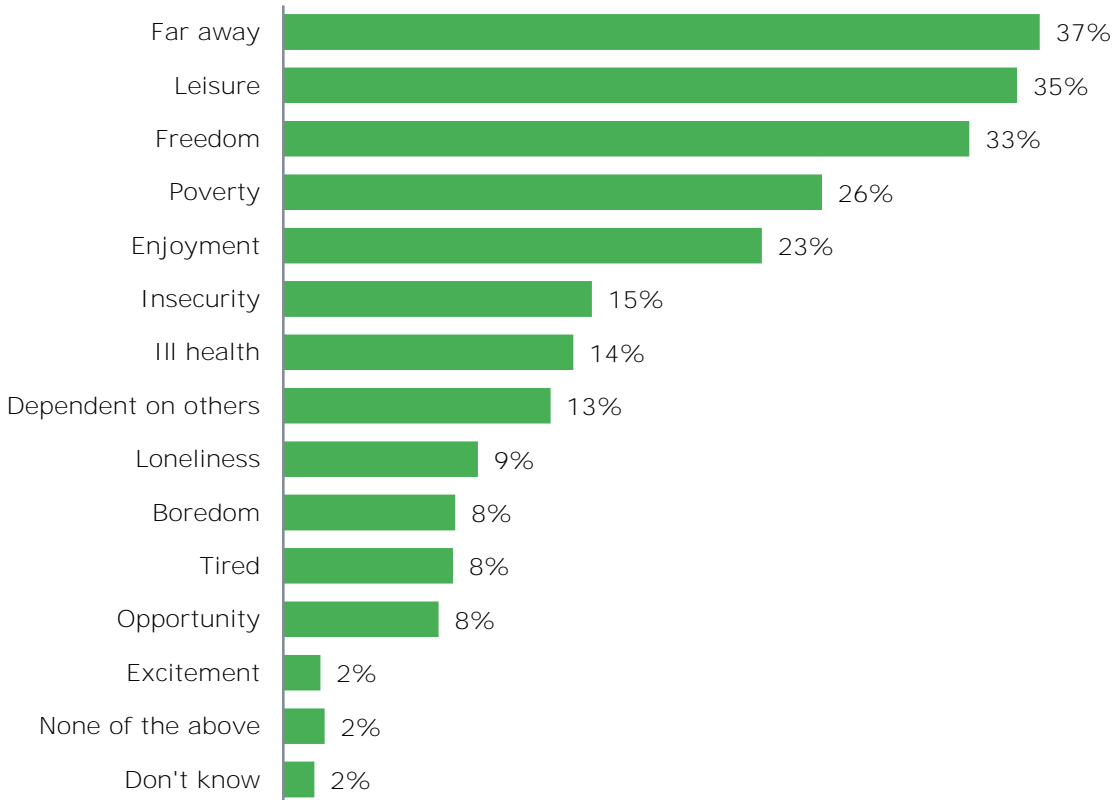


In both this year's and last year's survey, a majority of respondents in France believe that retirement is getting worse: 80% this year say future generations will be worse off in retirement than current retirees and this is close to the 79% of respondents who said this in 2012.

This pessimism may be linked to a sense of stagnation or decline around the present: 87% of people think the French economy is going to get worse or stay the same in the next year, and less than one fifth believe they will become personally better off.

### Chart 2: Despite the negative outlook, retirement retains positive associations

Q. Which, if any, of the following words do you most associate with retirement? Please tick up to three words.



The main associations consumers have with retirement are very positive: 'leisure' and 'freedom' being mentioned by many, along with the more neutral 'far away'. However, for some, retirement is also associated with 'insecurity', 'poverty' and 'ill-health'.

### France is ranked eighth in the AEGON Retirement Readiness Index (ARRI), with lower readiness than in 2012

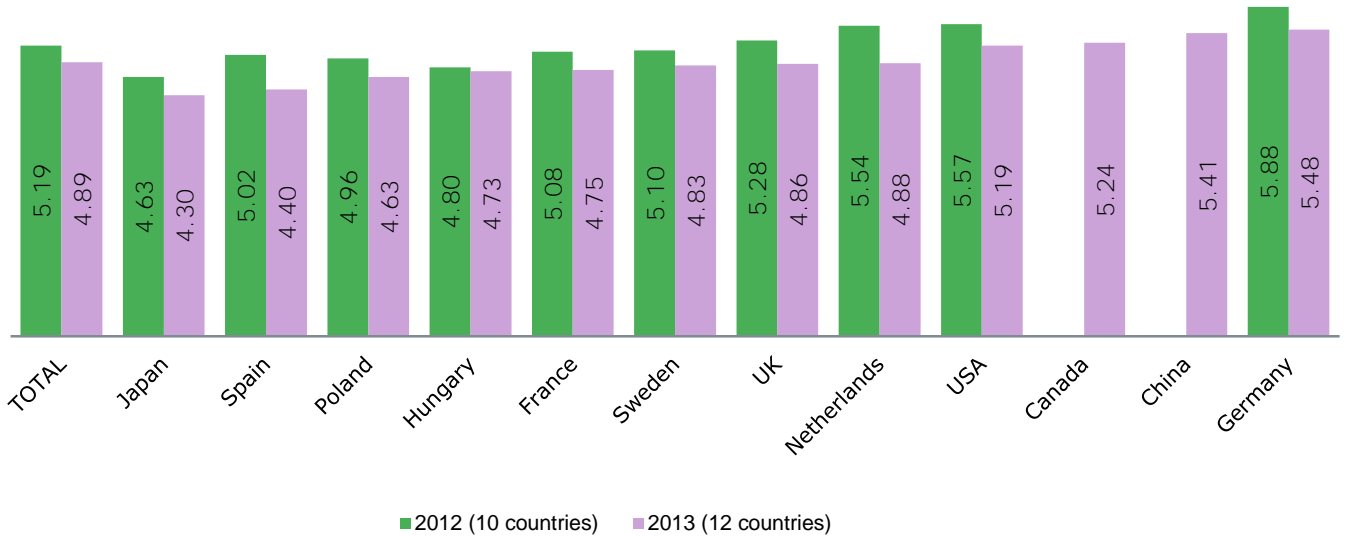
This is the second year that the ARRI has been conducted. The Index is based on answers to a series of questions:

- Three cover **attitudes**: whether employees accept personal responsibility for retirement income, whether they're aware of the need to plan for retirement, and whether they understand financial matters
- Three cover actual **behaviors**: the extent to which employees have retirement plans in place, whether they are adequately saving for retirement, and whether they are on course to achieve their required retirement income.

Responses are then correlated based on their importance in determining a respondent's saving profile, and each respondent is scored out of ten.

### Chart 3: AEGON Retirement Readiness Index (ARRI) by country

Readiness Index created by weighting the responses to six questions related to retirement readiness according to statistical importance

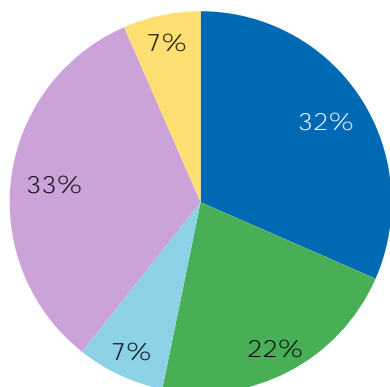


All countries saw their ARRI score fall this year, and France was no exception, with a rise in the number of respondents receiving low scores. France was in the middle third of the ARRI table overall. France did not move its position in the rankings compared to 2012 except for the addition of two new countries to the survey which ranked above it (Canada and China). Noteworthy French findings from the questions comprising the ARRI include:

- Almost four out of ten (37%) of respondents do not know if they are on course to achieve the income they will need in retirement, including 19% of those approaching retirement age (55-64 year olds) and 43% of women.
- 41% of respondents are 'very aware' of the need to plan for retirement, yet only 7% have 'well developed' plans and 34% of women have no plan at all.

### Chart 4: Only one third of French employees are regularly saving for retirement

Q. Which of the following best explains your approach to saving for retirement? This can include money you contribute to any long-term investment including pensions, stocks and shares, investment-linked insurances, property, etc. Please select the option below that is closest to your view.



- I always make sure that I am saving for retirement
- I only save for retirement occasionally from time to time
- I am not saving for retirement now, although I have in the past
- I am not saving for retirement though I do intend to
- I have never saved for retirement and don't intend to

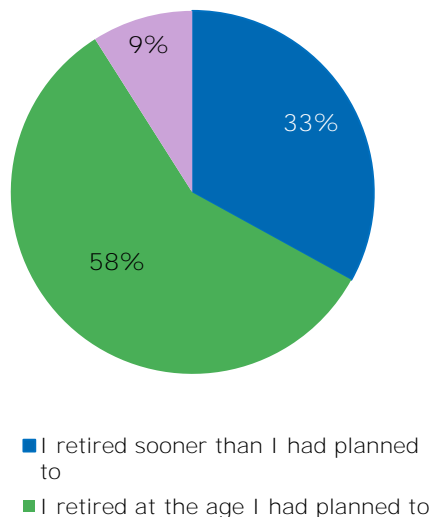
### 3. Dealing with the readiness shortfall

#### 33% of respondents retired sooner than they had planned to, for mostly negative reasons

Whilst retiring sooner than planned is associated with negative reasons such as unemployment and ill-health, the global findings show that retiring later is associated with positive factors such as people enjoying their careers and wanting to keep their brains active.

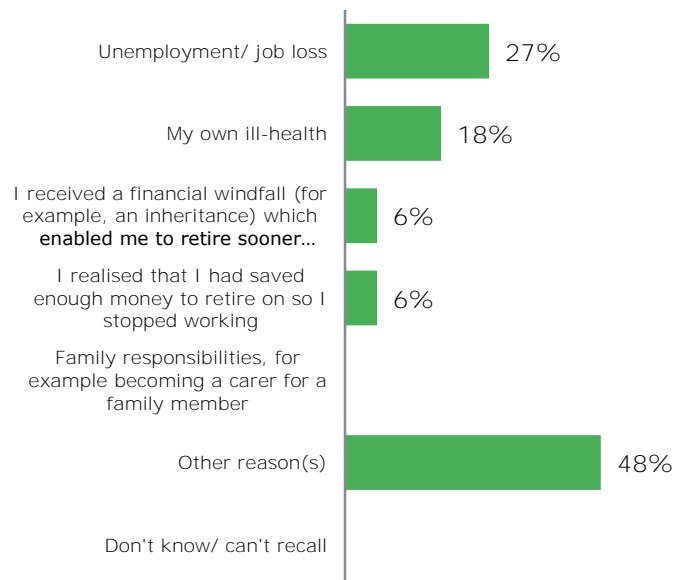
**Chart 5: Retiring sooner or later than planned**

Q. Would you say that you fully retired from all paid employment sooner or later in life than you had planned, or at the age you had planned to?



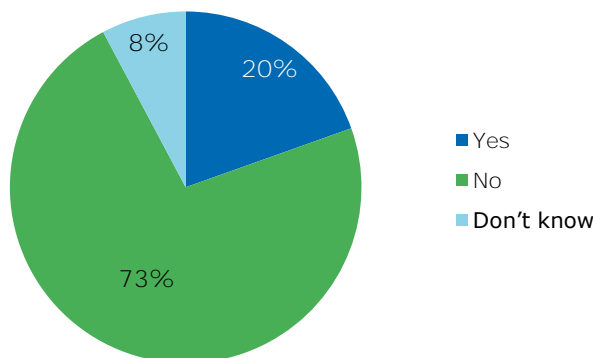
**Chart 6: Reasons for early retirement**

Q. Which, if any, of the following were important reasons in your retirement from all paid employment sooner than you had planned? Please tick all that apply.



**Chart 7: Despite many retiring sooner than expected, almost three quarters of people have no backup plan for retirement**

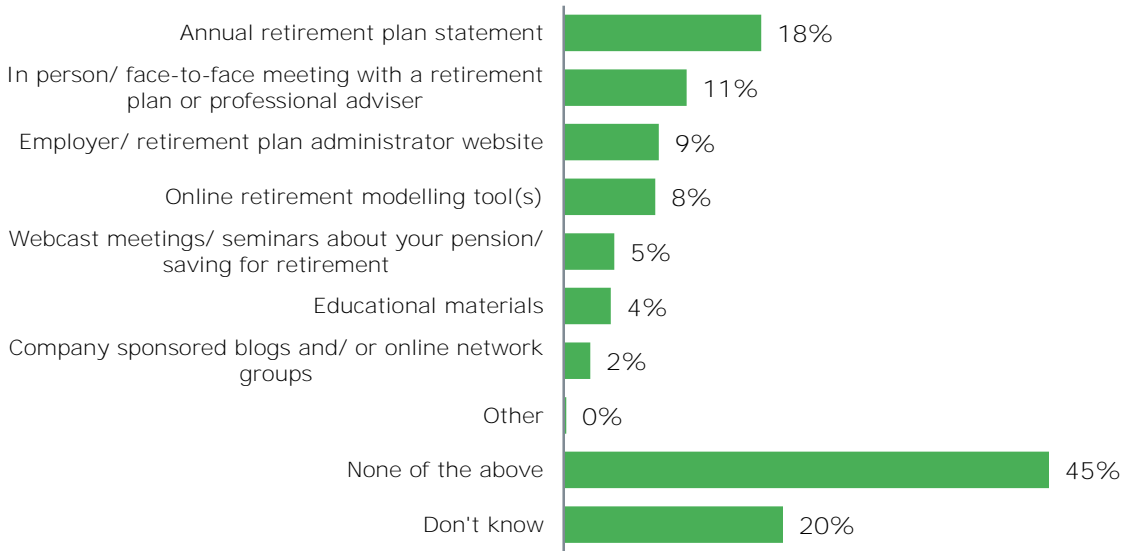
Q. In the event that you are unable to continue working before you reach your planned retirement age, do you have a 'backup plan' to provide you with an income?



This finding is concerning since it suggests a lack of financial knowledge among respondents about what will be required to ensure a comfortable retirement: no backup plan means being dangerously exposed to poverty in old age if you find you can no longer work.

### Chart 8: A large majority of employees do not know about or think they receive retirement planning services

Q. - Thinking of your current employer which, if any, of the following services does your employer (or their retirement plan administrator) offer to help you prepare for retirement?

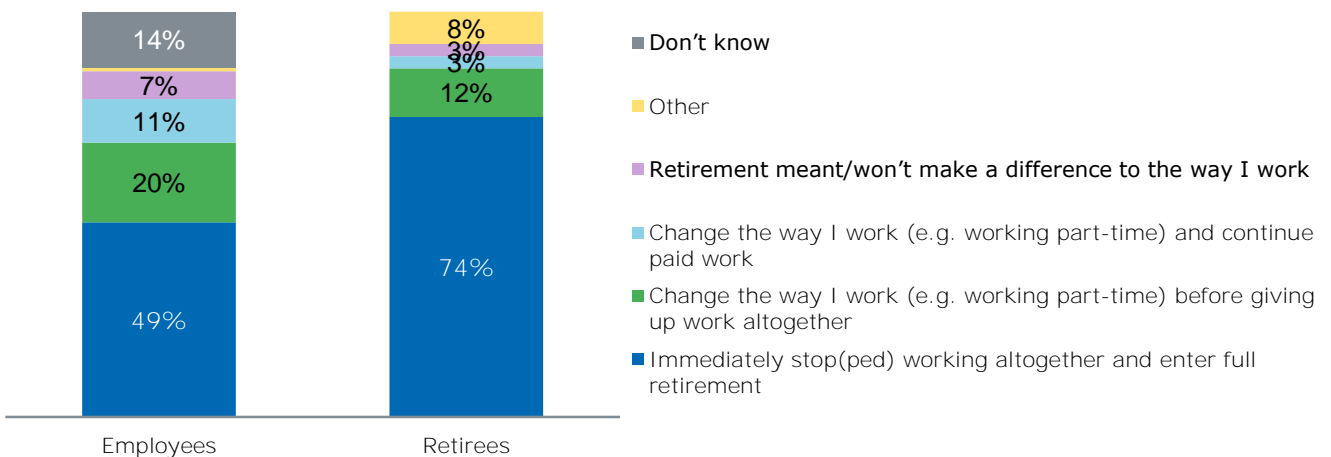


Although statements relating to retirement plans should be the norm for anyone with an occupational pension, only 18% of employees in France state report that they receive them from their employers.

### Chart 9: In line with last year's results there is still a retirement 'cliff-edge' rather than phased retirement in France

Q. Looking ahead, how do you envisage your transition to retirement?

Q. Looking back, how did your transition to retirement take place? Please select the response closest to your view.



The results show a contrast in France between current retirees, the majority (74%) of whom stopped working completely immediately on retirement, up from 64% last year, and for current employees, only 49% of whom plan to do the same (up from 45% in last year's survey). The idea of a phased entry to retirement is especially popular among younger respondents: 43% of 18-24 year olds expect to change the way they work before eventually retiring.



**Chart 10: Despite enthusiasm from respondents, provision of 'Phasing into' retirement services is not the norm**

Q. Which, if any, of the following services does your employer offer to help employees phase into retirement?



The survey questioned employees and retirees about the services their employers provided to help phase into retirement. Along with the fact that a large proportion of employees feel they are not provided with any such services or do not know of them, the results show:

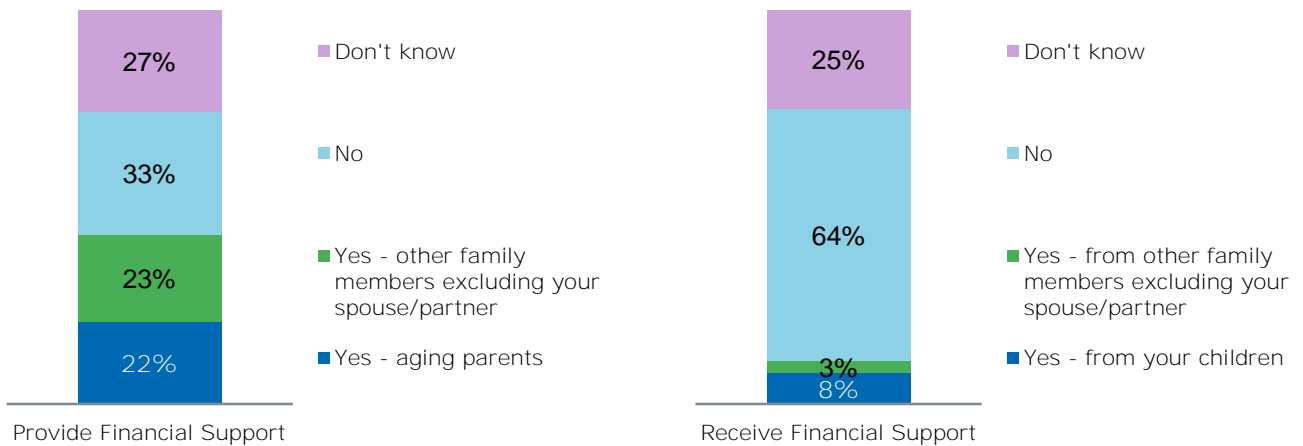
- The most common aids to retirement planning that employees feel they are provided with by employers is the option to move from full time to part time work (20%) and the availability of work more suitable for older workers (13%).
- Where retirement help is provided by employers, employees found these services extremely helpful

**Chart 11 & 12: More expect to give than receive financial support in retirement**

Q. Do you expect that you will need to provide financial support for your family (other than your spouse/partner) while you are retired?  
Please tick all that apply.

Q. Do you expect that you will need to receive financial support from your family while you are retired?  
Please tick all that apply.

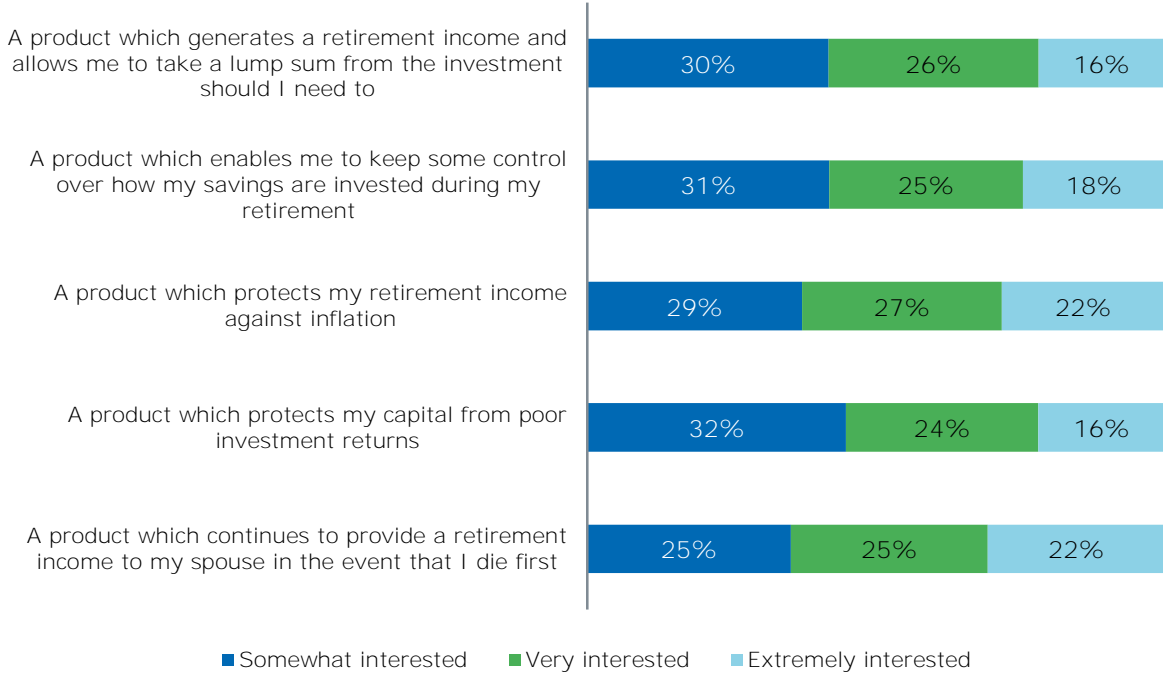
(Percentages may add to over 100 due to more than one response option possible)



It is notable that younger respondents (25-34) are more likely to expect to be supporting parents (26%) in retirement than the general population.

### Chart 13: Risk management is a top financial priority

Q. On a scale of 1 to 5 how interested are you in the following options



Popular financial products in the survey, both in this year’s and last, are those which protect against risks such as inflation, poor returns and that provides retirement income to a spouse in the event of death. Other results also support this finding:

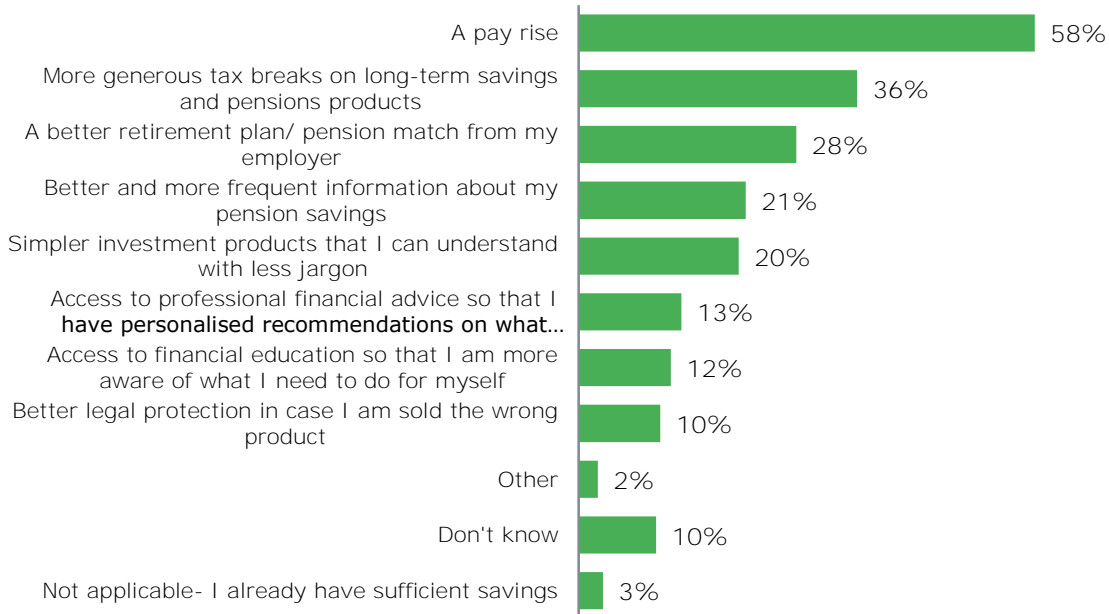
- 51% believe the financial crisis means they want to take fewer risks with their retirement savings.
- Of those using professional advice, an important service this provides for 16% is making recommendations regarding long-term risk.

## 4. Sustainable solutions

How can retirement systems be made more sustainable in the future? The survey asked what can be done to make savings and pensions products more attractive, as well as how to better balance the role of the individual, the state and the employer.

### Chart 14: People would be motivated to save for retirement by higher salaries and lower taxes

Q. Which, if any, of the following would encourage you to save for retirement?

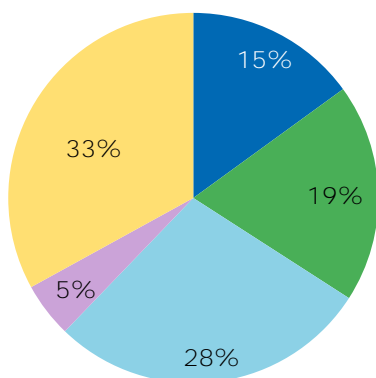


Alongside this finding on the importance of higher pay, the survey also found:

- A lack of money to invest is putting off 48% of people from saving.
- The uncertain economy is a disincentive to save for only 11%.

### Chart 15: Many would accept at least some tax increases to pay for the state pension system

Q. With the cost of government pensions becoming a greater concern as people live longer which, if any, of the following do you think the Government should undertake?

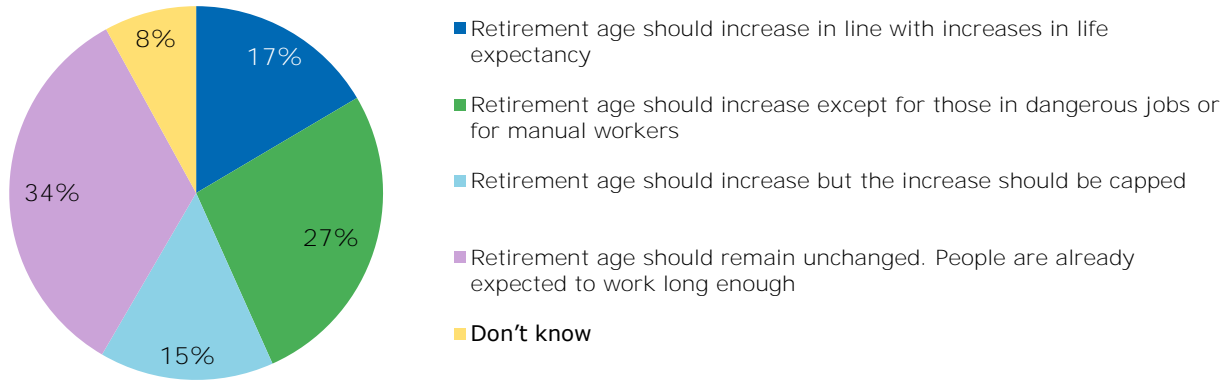


- The Government should reduce the overall cost of state pension provision by reducing the value of individual pension...
- The Government should increase overall funding available for the state pension through raising taxes ...
- The Government should take a balanced approach with some reductions in individual payments and some increases in tax...
- The Government should not do anything. State pension provision will remain perfectly affordable in the future
- Don't know

Difficult decisions are inevitable when it comes to reforming pension systems. Few – only 5% in France – believe that the government should not take any action because the state pension will remain affordable. The largest group (33%) do not know while 28% believe that a balanced combination of benefit reduction and tax rises are necessary to make the system sustainable – though this is down significantly from the 47% who chose this option in 2012 (when there was no 'don't know' option).

### Chart 16: Few believe that retirement age should rise with no limits

Q. To what extent do you believe that people should expect to work longer into old age as a way to offset the costs of people living longer?

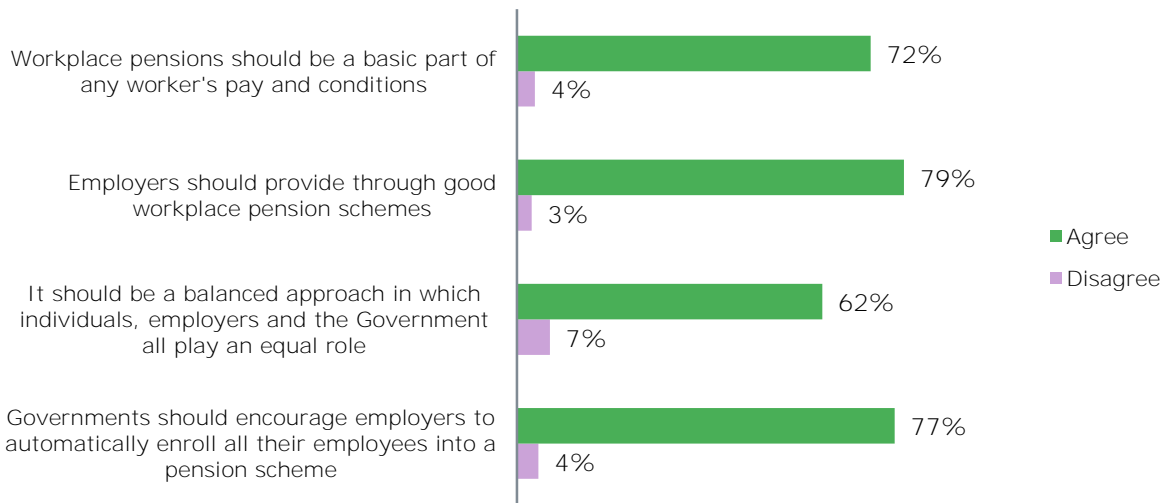


There is strong opposition to the idea of increasing retirement ages: 34% want no increase at all and 15% want any increase to be capped. This suggests that although employees like the idea of carrying on working into old age, many do not necessarily wish to be obligated to do so.

### Chart 17: Strong support is registered for the importance of workplace pension and auto-enrolment

Q. To what extent do you agree or disagree with the following statements about taking responsibility for funding people's retirement? Please indicate on a scale from 1 to 5, where 1 means you strongly disagree and 5 means you strongly agree. (BASE: ALL)

Q. Please indicate on a scale from 1 to 5 how strongly you agree or disagree with the following statements about your work, where 1 means you strongly disagree and 5 means you strongly agree. (BASE: NOT FULLY RETIRED)



The findings show that workplace pensions still have the support of the vast majority of respondents, as does the idea of auto-enrolling people into such a scheme. Elsewhere:

- Defined contribution schemes are the most important source of retirement income for 16% of respondents, defined benefit schemes are the most important for 15%.
- 32% of respondents agree that there was nothing wrong with relying on the state to provide a retirement income, 23% felt this way about relying on a spouse to provide an income.
- 45% are worried that the financial crisis means their employer is likely to cut back on workplace benefits.

## 5. Call to action

Lack of retirement readiness is an emerging global crisis for governments, employers, and individuals

- Although retirement systems vary by country, the shift in responsibility for a secure retirement to the individual is consistent among the countries surveyed. Similarly, individuals' lack of adequate preparation for retirement was found across the globe. Governments have a **significant role in increasing individuals' awareness of this shift in responsibility and of the amount and nature of the government benefits on which the individual can rely in retirement.**

In addition, governments and employers can facilitate the offering of tools and information to educate employees of all ages of the need to save, how to save effectively for major life events and also how to transition those savings into a secure retirement.

Most expect future generations to be worse-off in retirement than current retirees

- Increased longevity has resulted in the likelihood of multiple generations of family members in retirement whose financial security is compromised by cuts in government benefits and the economic downturn. The 'squeezed' generation that is trying to save for retirement is increasingly called upon to support parents and grandparents in retirement while also supporting adult children who may still depend on parental support. Governments, employers and individuals must acknowledge and facilitate efforts to address inter-generational burdens on **the 'squeezed generation.'** Governments must encourage the use of private sector products and services to address these burdens, and employers can provide or make available retirement planning tools and education to help individuals anticipate and plan to cover inter-generational burdens.

Delaying retirement offers an obvious solution, but obstacles remain

- Governments and employers can help employees by enabling longer working careers, and providing options for phased retirement and

explaining what these are. Employees should also have a backup plan if forced into retirement sooner than expected. Governments and employers can increase awareness of the need for a backup plan and facilitate the offering of products such as disability and life insurance which are designed to provide a continued source of income to families in the event of a **family member's death or disability prior to the planned retirement and accumulation of sufficient savings.**

Widespread retirement illiteracy worsens readiness

- Individuals are increasingly aware that they will need to bear some personal responsibility for their retirement; however, the amount and complexity of information can be overwhelming. Programs designed to address this inertia can help ensure that employees are automatically **covered by their employer's retirement plan.**

Governments have a responsibility to clearly communicate the expected government benefits. They must guide individuals to the tools and information to help individuals start saving throughout their careers to supplement the government benefits. Employers can serve as a one-stop source of information, tools and supplemental products to help their employees develop their own retirement plan and transition into retirement. Governments can facilitate and **encourage the employer's role in providing or making available retirement planning tools and information to its employees through reduced regulatory burdens, safeguards from liability and tax incentives.**

Wary about retirement-related risks, individuals seek solutions

- Providing retirement solutions and advice that help individuals de-risk their retirement can help avoid losses or erosion due to inflation. Financial products and plans may also help individuals in developing and financing a backup plan in the event they leave the workforce prior to their expected retirement date. However, in order to grow savings into something adequate for retirement some controlled risk may be necessary.



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