



The Netherlands 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 (57%) and freedom (36%) more than negative ones such as poverty (14%), though 35% associate retirement with insecurity.
- **Employees want security in retirement, but are not willing to pay for it:** 73% want a guaranteed pension income, even at the cost of lower returns. However 33% are not willing to pay more for such a pension and 41% will only pay up to 5% more.
- **The retirement situation has declined in the Netherlands:** The AEGON Retirement Reality Index (ARRI) shows a fall from 5.5 to 4.9 out of 10 for the Netherlands, greater than all other countries except Spain.
- **Trust in the financial services industry is low:** When asked which of a bank, an insurer or a pension fund they would have most confidence in giving them a retirement income, 23% chose 'none of the above' and 22% said they did not know
- **People expect a bleak retirement in the future:** Nearly three quarters (71%) expect future generations to be worse off in retirement than current retirees, and only 5% expect them to be better off.

## The Survey

The findings used in this report are based on the Netherlands 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 the Netherlands 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 the Netherlands results 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 many other countries, the Netherlands is facing the consequences of aging and the economic crisis. As a result, for occupational pensions the retirement age will increase to 67 in 2014 and will be linked to life expectancy thereafter. In addition, fiscal support during the pension accumulation period will be limited. The cabinet is planning to decrease the fiscal support even further in 2015. Tax-free pension accrual will be capped at an income of €100,000<sup>1</sup>.

Rising costs and the volatility of pension liabilities has led to the creation of a new pensions contract, the legislation for which is expected in 2013. Once introduced, the legislation will enable pension funds and company sponsors to choose to keep their old, nominal Defined Benefit pension contract or to

change to the new, real Defined Ambition pension contract, which will fix employer contributions at the present level. Among the key points of the proposals are mandatory agreements between the social partners and the pension funds about sharing financial risks between older and younger generations. New rules must also ensure proper and uniform communication. The Dutch government also wants pension funds to develop a mechanism for the automatic adjustment of pension rights, benefits and pension target age in line with life expectancy. But a lot of work has to be done to convince employees. When asked would you prefer your pension to be a 'higher return, more uncertain' pension or a 'lower return, guaranteed' pension, almost three quarters answered that they prefer the guaranteed pension.

# 2. Netherlands country questions findings

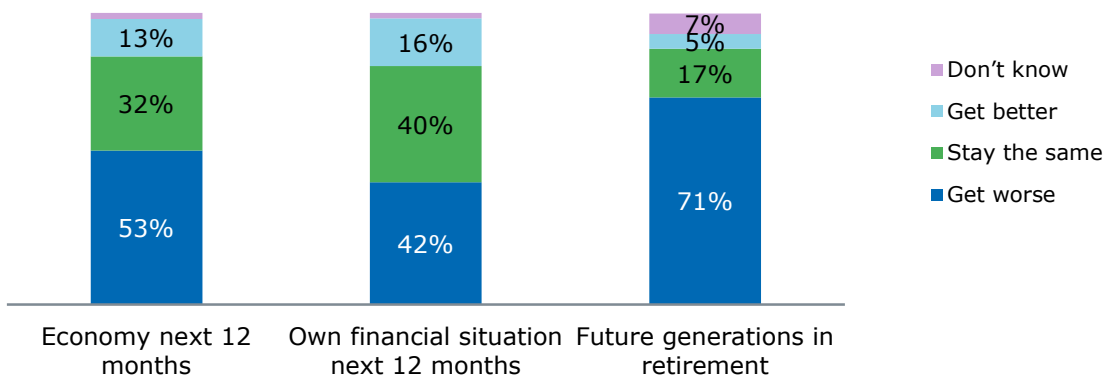
This year, some specific questions to the retirement situation in the Netherlands were asked which produced some interesting outcomes. The most important results are summarised below:

- When asked if they would prefer a higher return and more uncertain pension or a lower return but guaranteed pension, only 7% went for the former. Three-quarters (73%) chose the latter, suggesting most Dutch employees are not in favor of the new 'Defined Ambition' pensions contracts.
- Respondents are willing to pay more for guaranteed pensions, though not much more. 41% would pay up to 5% more, but a third (33%) would not pay any more at all<sup>2</sup>.
- In exchange for a guaranteed annuity, Dutch respondents are willing to accept slightly lower payouts, though only 10% would accept a more than 10% lower annuity.
- Many respondents don't know how much they would pay for their occupational pension, with 32% saying this. Nearly half (48%) would pay up to 10% of their gross income.

### 3. Aspirations and expectations for a changing retirement

**Chart 1: Respondents are more optimistic about the present than the future, but few believe their financial situation is improving.**

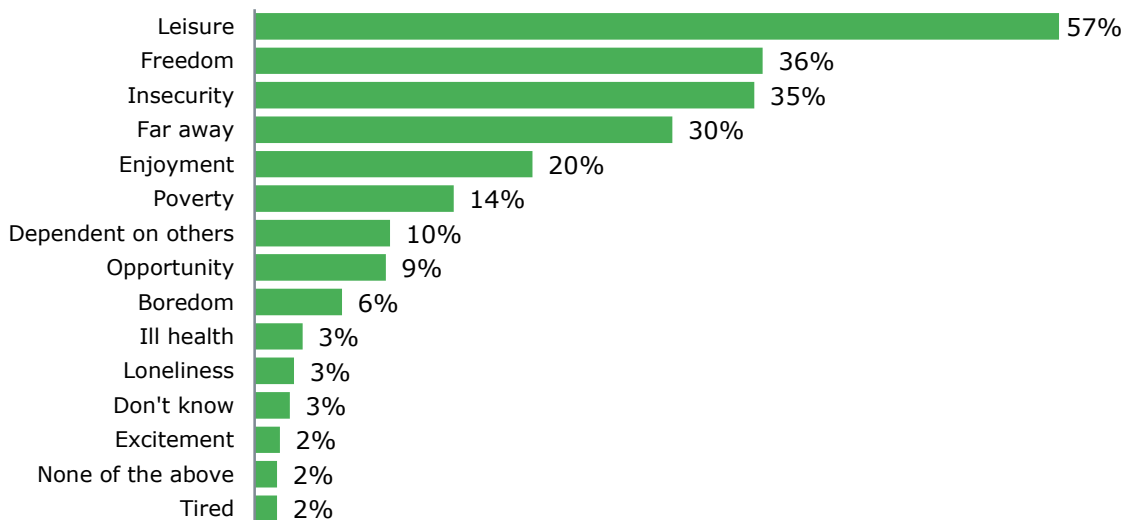
Q. Thinking ahead over the next 12 months, do you expect the economy in [COUNTRY] to...?  
 Q. And thinking ahead over the next 12 months, do you expect your own financial situation to...?  
 Q. Do you think that future generations of retirees will be better off or worse off than those currently in retirement?



In both this year's and last year's survey, a large majority of respondents in the Netherlands believe that retirement is getting worse: 71% this year say future generations will be worse off in retirement than current retirees, even more pessimistic than in 2012, when 68% of respondents felt this way. This pessimism may be linked to a sense of stagnation or decline around the present: nearly nine in ten think the Netherlands economy is going to get worse or stay the same in the next year, only a sixth think 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 the most mentioned. However, more so in the Netherlands than elsewhere, retirement is also associated with the negative 'insecurity'.

## The Netherlands is ranked in the top half of the AEGON Retirement Readiness Index (ARRI), but 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

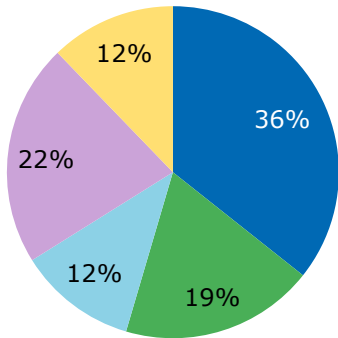


All countries saw their ARRI score fall this year, and the Netherlands was no exception, with a rise in the number of respondents receiving low scores and a steep fall in the overall score. Noteworthy Netherlands findings from the questions comprising the ARRI include:

- Over two-fifths (42%) of respondents do not know if they are on course to achieve the income they will need in retirement, including 27% of those approaching retirement age (55-64 year olds).
- Respondents are aware of the need to plan for retirement, yet only 7% have 'very well developed' plans and 15% have no plan at all.
- Over one-third (36%) are habitual retirement savers, but 45% are not currently saving towards their retirement.

**Chart 4: Only one-third of Netherlands 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

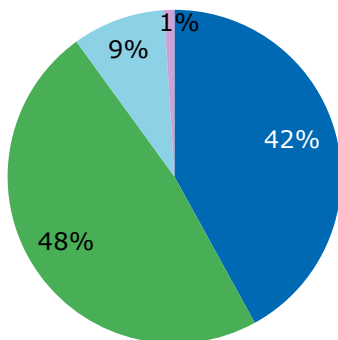
## 4. Dealing with the readiness shortfall

**Two-fifths retired sooner than they had planned to, for mostly negative reasons**

Whilst retiring sooner than planned is associated with negative reasons such as ill-health and unemployment, 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**

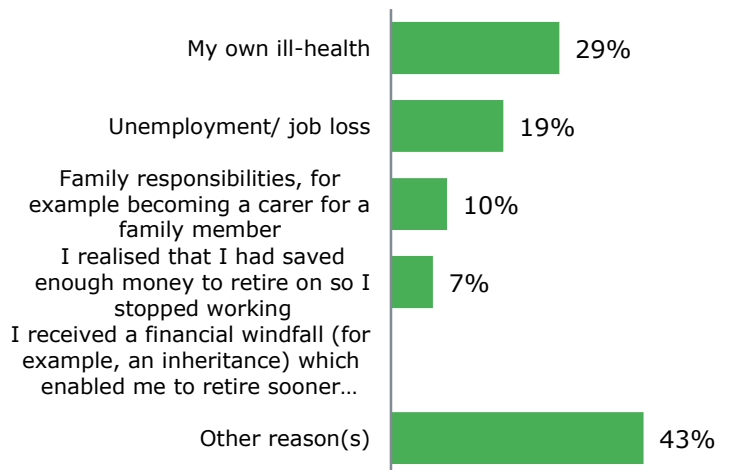
Q. Would you say that you fully retired from all paid employment sooner or later in life than you had planned, or at the age you had planned to?



- I retired sooner than I had planned to
- I retired at the age I had planned to
- I retired later than I had planned to
- Don't know/ can't recall

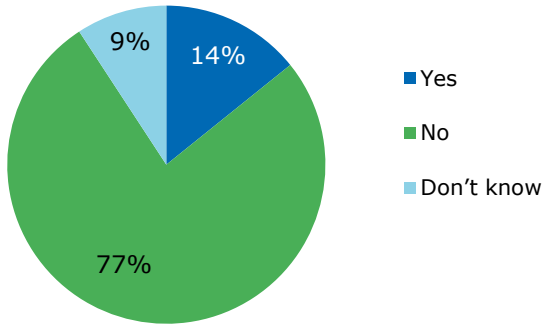
**Chart 6: Reasons for early retirement**

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 two-fifths of retirees retiring sooner than expected, over three-quarters of employees have no backup plan for retirement**

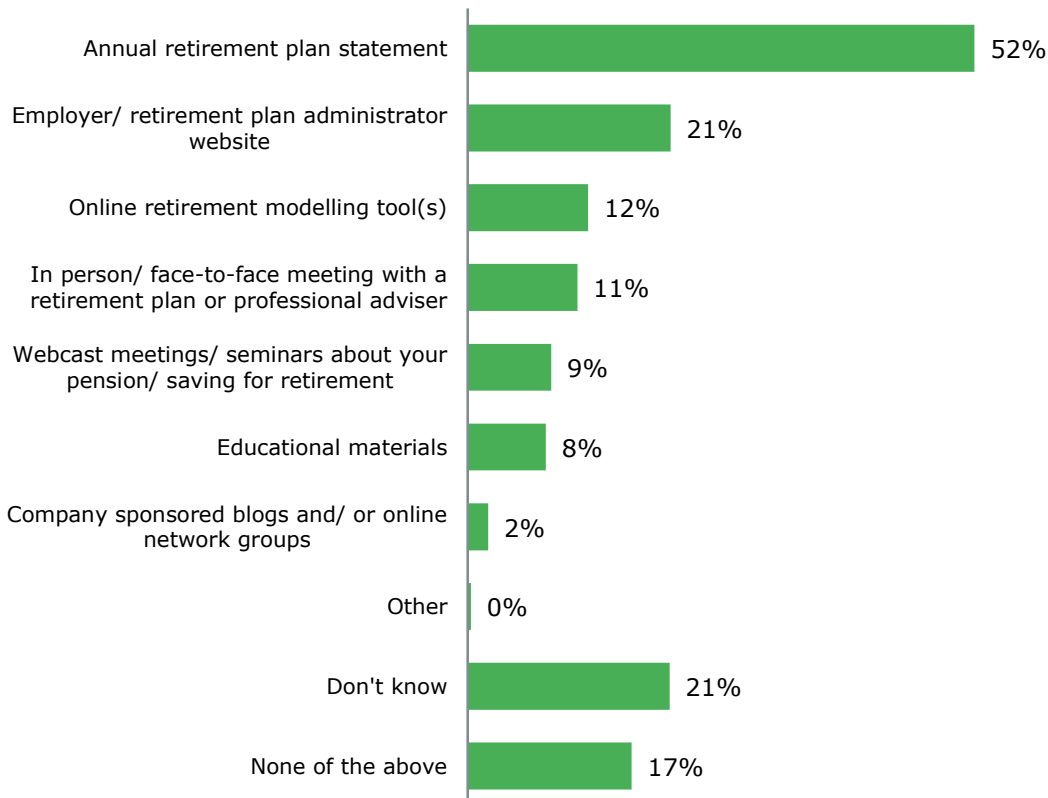
Q. In the event that you are unable to continue working before you reach your planned retirement age, do you have a 'backup plan' to provide you with an income



Such a 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 majority of employees think they receive a retirement statement, but in fact nearly all do**

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?

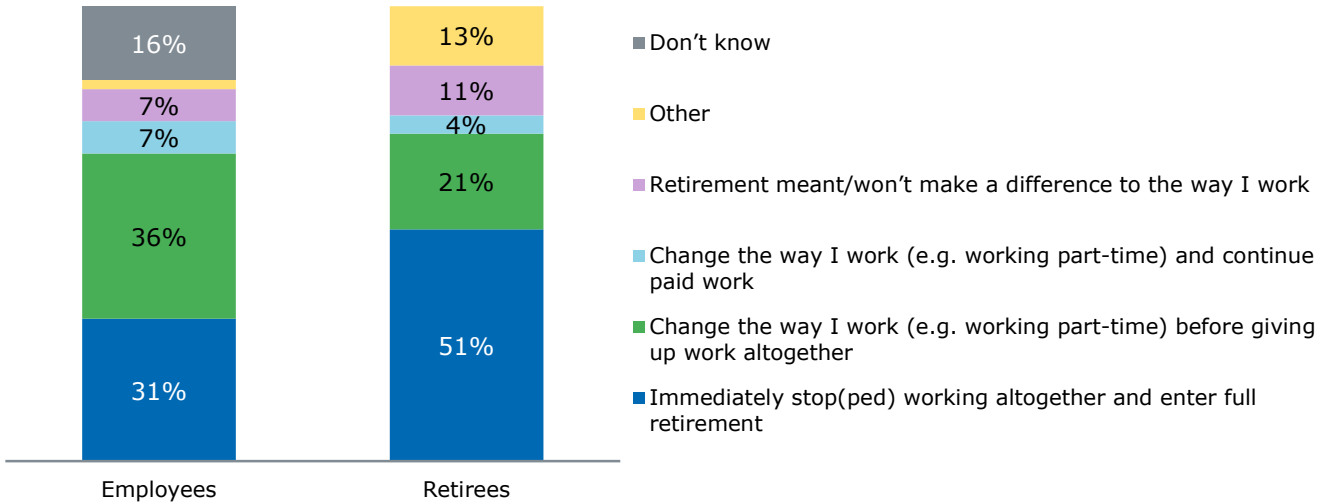


Whilst statements relating to retirement plans are required for anyone with an occupational pension, only 52% of employees in the Netherlands state that they receive them from their employers



**Chart 9: As with last year, the survey shows there is no longer as much of a retirement 'cliff-edge', many people prefer a phased retirement**

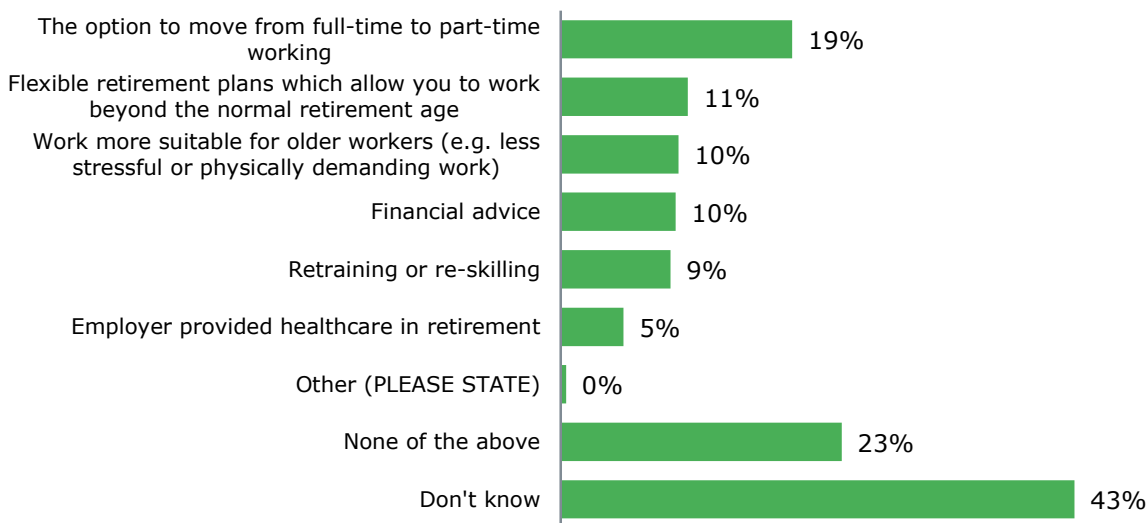
Q. Looking ahead, how do you envisage your transition to retirement?  
 Q. Looking back, how did your transition to retirement take place? Please select the response closest to your view.



In this year's survey there is an even starker contrast in the Netherlands between current retirees, the majority (51%) of whom stopped working completely immediately on retirement, up from 50% last year, and current employees, only 31% of whom plan to do the same (slightly up from 24% in last year's survey). This 'phased' retirement idea is equally popular with men and women, and especially popular with younger respondents: 46% of 18-24 year olds expect to change the way they work before retiring.

**Chart 10: 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?



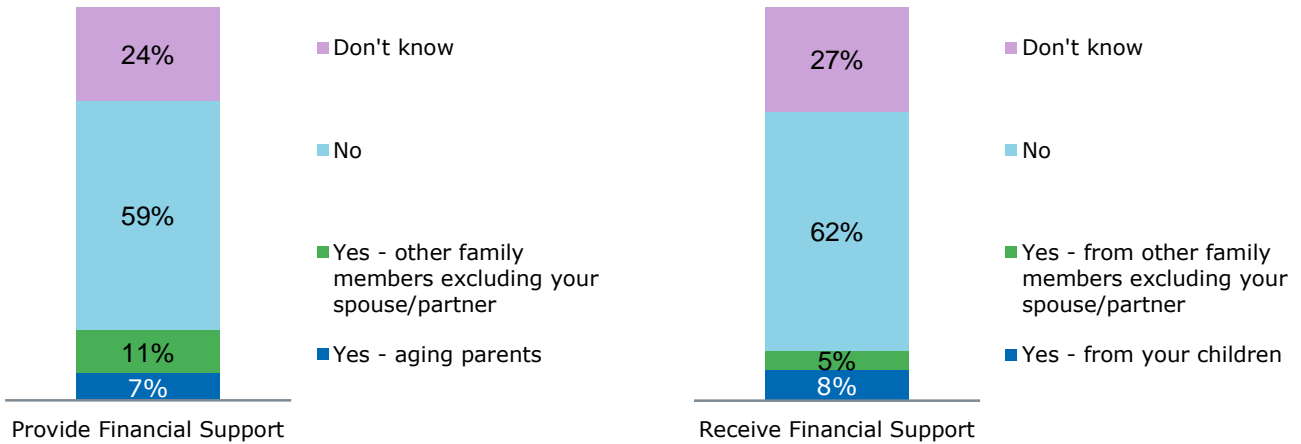
The survey questioned employees and retirees about the services their employers provided to help phase into retirement. A majority of employees feel they are not provided with any such services or do not know of them, though the results show that where retirement help is provided by employers, employees find the services useful.

**Charts 11 & 12: Most people expect neither to give nor 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

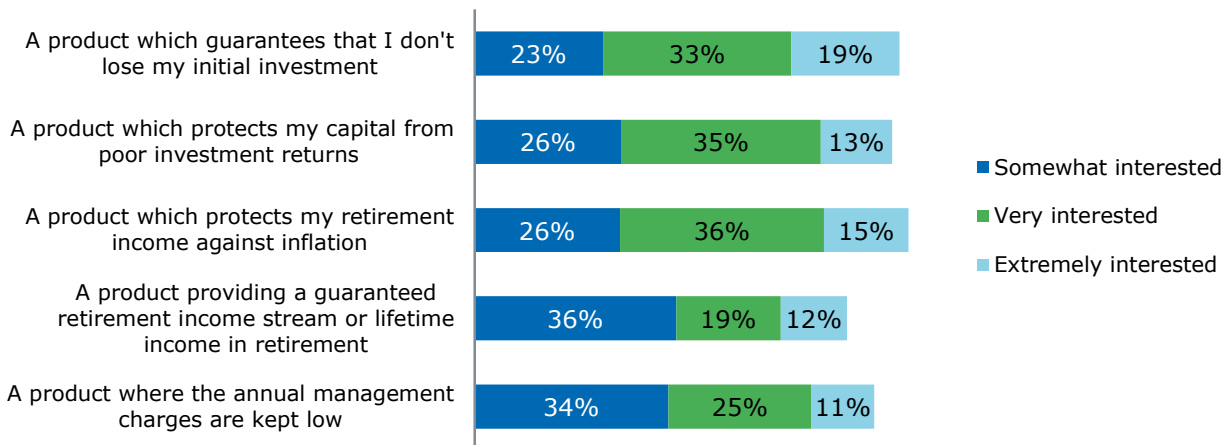
(Percentages may add to over 100 due to more than one response option possible)



The findings show retirement is seen in the Netherlands as very much an independent life stage, with a majority expecting to neither provide nor receive financial support in retirement from family.

**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 or capital loss. Other results also support this finding:

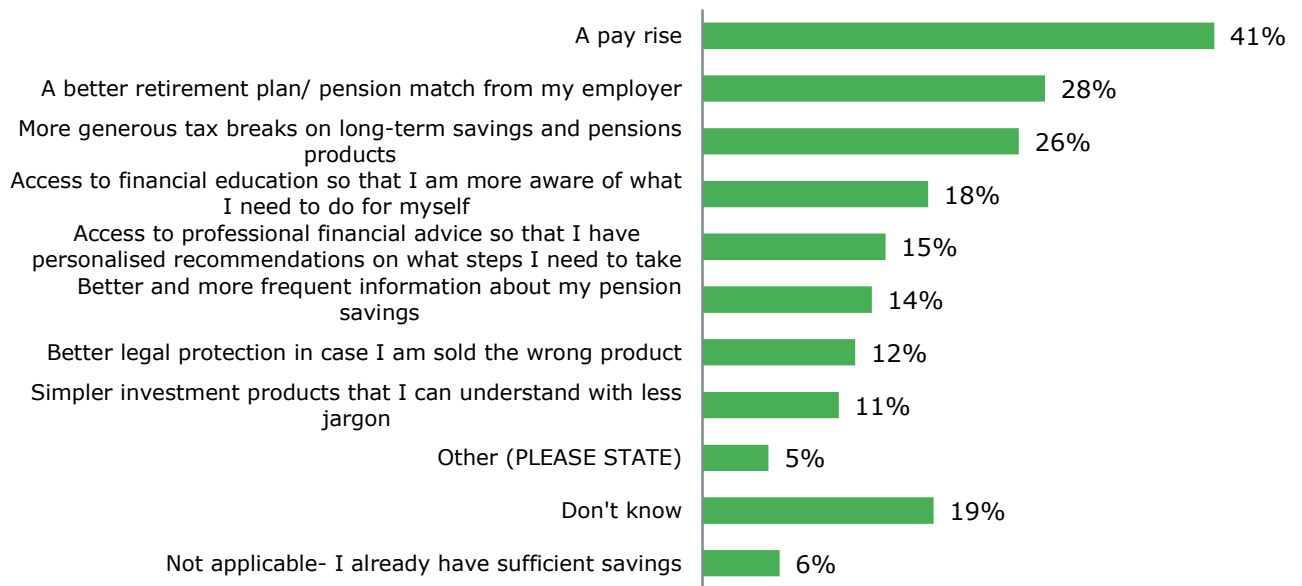
- 57% believe the financial crisis means they want to take fewer risks with their retirement savings.
- Of those using professional advice, a service this provides for 12% is making recommendations around long-term risk.

## 5. 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?

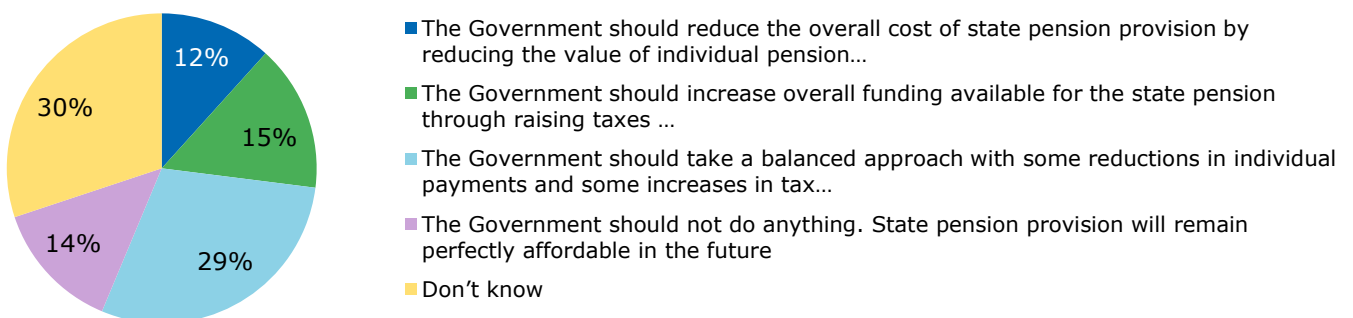


Alongside this finding on the importance of pay to encouraging saving, the survey also found:

- A lack of money to invest is putting off 31% from saving.
- The uncertain economy is a disincentive to save for 17%.
- A lack of trust in the financial services industry puts off 14% from saving.

**Chart 15: A majority would accept at least some tax increases to pay for the state pension system**

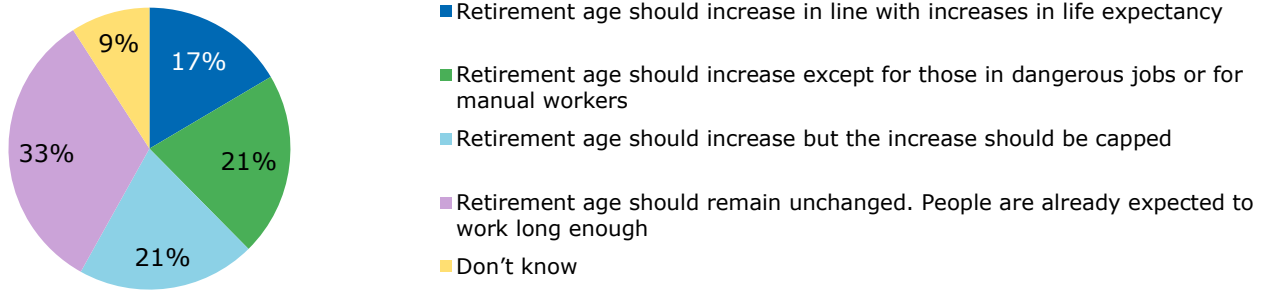
Q. With the cost of government pensions becoming a greater concern as people live longer which, if any, of the following do you think the Government should undertake?



Difficult decisions are inevitable when it comes to reforming pension systems. Few – only 14% in the Netherlands – believe the state pension will remain affordable, and a large group (29%) believe a balanced combination of benefit reduction and tax rises are necessary to make the system sustainable – though this is down from the 37% who chose this option in 2012 (when there was no 'don't know' option).

### Chart 16: Less than a fifth think 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?

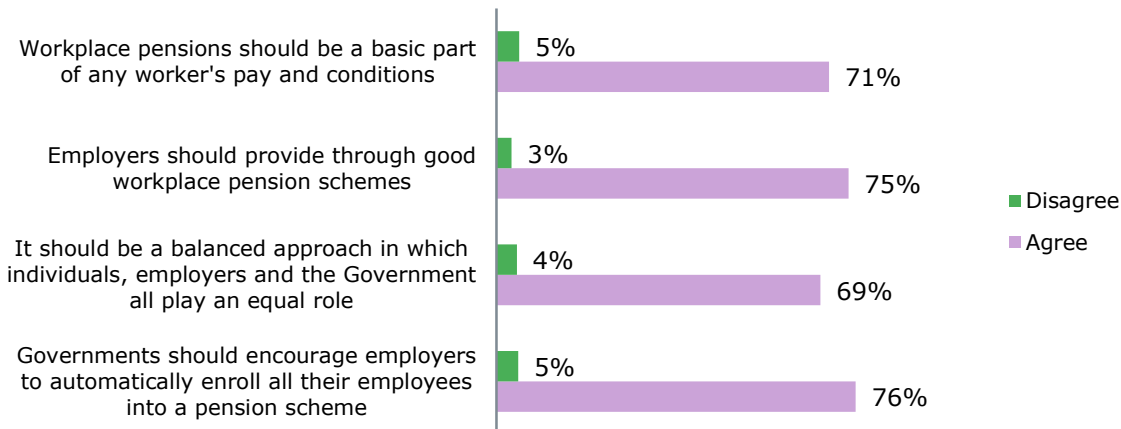


There is little ambiguity over the issue of increasing retirement ages: less than a fifth believes in letting retirement age increase with life expectancy with no caveats, and a third want no rises at all. This suggests that although employees like the idea of carrying on working into old age, they do not necessarily wish to be compelled to do so.

### Chart 17: Respondents show an overwhelming support for the role of workplace pensions

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 benefit schemes remain the most important source of retirement income for 23% of respondents, defined contribution schemes are the most important for 14%.
- Respondents want to spread out sources of retirement income to minimize risk: 53% want to have as many sources of retirement income as possible.
- Over half (55%) are worried that the financial crisis means their employer is likely to cut back on workplace benefits.

## 6. 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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## Media Relations

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<sup>1</sup> The social partners in the Netherlands can come up with alternative proposals before 1 June 2013.

<sup>2</sup> In a low interest rate environment a premium for a guaranteed pension can be substantial.