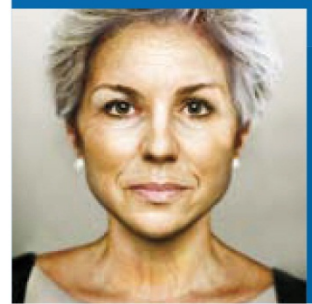
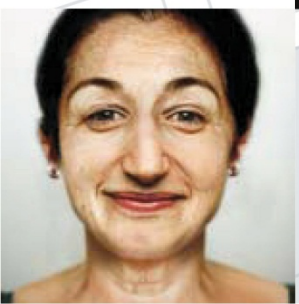
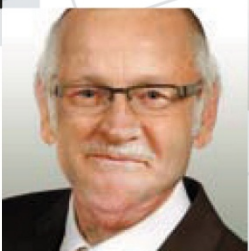
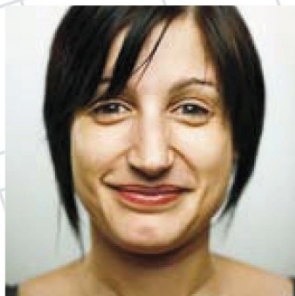
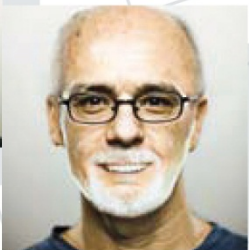
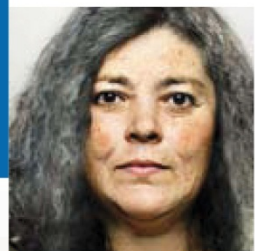


THE CHANGING FACE OF RETIREMENT

THE AEGON RETIREMENT READINESS SURVEY 2012
FRANCE FACTSHEET



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INTRODUCTION

KEY FINDINGS

- **A Pessimistic economic outlook:** French respondents are amongst the most pessimistic about retirement. Third to only Hungary and Poland. 53% are pessimistic that they will be able to fully retire with a lifestyle they consider comfortable, compared to 16% who are optimistic. Economic prospects and money problems are putting people off investing for the future.
- **An acceptance of higher retirement ages:** Despite the protests over an increased retirement age, and an effective retirement age of under 60 according to the OECD, younger French respondents are embracing change, expecting to retire at 65; with only 38% arguing that the retirement age should be kept low forever.
- **Strong support for the 'cliff-edge' retirement:** Unlike most of the countries surveyed, French respondents are still keen on a retirement where all work immediately stops, with 45% expecting to take this course compared to 30% globally.
- **Awareness of the need to save:** Despite the pessimistic economic outlook, it is accepted that retirement provision requires individual effort. 79% agree that it is increasingly important to make sure that it is increasingly important to make sure that you are planning for your own retirement. It is also encouraging that 76% of respondents believe it is important to have as many sources of retirement as possible to spread out any risk.
- **Rational solutions to state pension reform are popular:** The most popular opinion (48%) among French respondents is that the government should take a balanced approach with some reductions in individual payments and some increases in tax

THE SURVEY

The findings used in this report are based on the responses of 9,000 people in 9 countries¹. Respondents were interviewed using an online panel survey and interviews were conducted in January and February 2012. The interviews dealt with a wide range of issues covering attitudes towards pension 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.

We interviewed 8,100 employees and 900 retired people to provide a contrast between the responses of current workers and those already in retirement. The survey did not include the unemployed, long-term incapacitated 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 IN FRANCE

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 25% at present to 50% by 2050.²

The demographic trends are and will continue to put pressure on the French pensions system. There is widespread agreement, including amongst our 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. Initial pension reforms were initiated by President Sarkozy in 2010. The minimum retirement age was raised from 60 to 62 and the public pension age from 65 to 67, which at the

time was met by fierce protests on the streets of Paris. Due to popular opposition, it has been challenging for the government to implement policy to reform pensions and austerity measures.

The economic trajectory for France also remains uncertain. Hollande's vows to partially unravel pension reforms, raise the minimum wage and put back France's balanced budget goal could face opposition by Eurozone leaders should he come into power.³ The uncertain political and economic context helps explain some of the negative attitudes displayed in our research, with perhaps the most striking being that 79% 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 CHANGING NATURE OF RETIREMENT

ATTITUDES AND ASPIRATIONS TOWARDS RETIREMENT

Given the economic challenges France faces, it is unsurprising that pessimism is outweighing optimism about prospects for retirement. Chart 1 shows that only 16% are optimistic about retiring with a lifestyle they consider comfortable, whilst 53% are not. France has the lowest optimism score out of all of the countries surveyed.

On the specific aspects of living arrangements in retirement, the French are particularly pessimistic about being able to choose the date of their retirement, most likely a consequence of the recent increases to the retirement age; 68% are pessimistic about choosing when they will retire.

Moreover, for a country where the state is such a crucial part of the retirement system, it is interesting to see that a large majority – 66% - believe its level of benefits will fall as a result of the financial crisis. This suggests the population is preparing itself for a rebalancing of the pension system.

As such, it is encouraging to see that people understand the economic reality that France faces. 75% believe they will have to work longer to provide income for their retirement, and 69% agree that they are now more likely to have to plan for their own retirement, with 37% strongly agreeing.

Chart 1: Attitudes and aspirations towards retirement

Q: How confident are you that you will be able to fully retire with a lifestyle you consider comfortable? (Uncertains and “neithers” not shown)

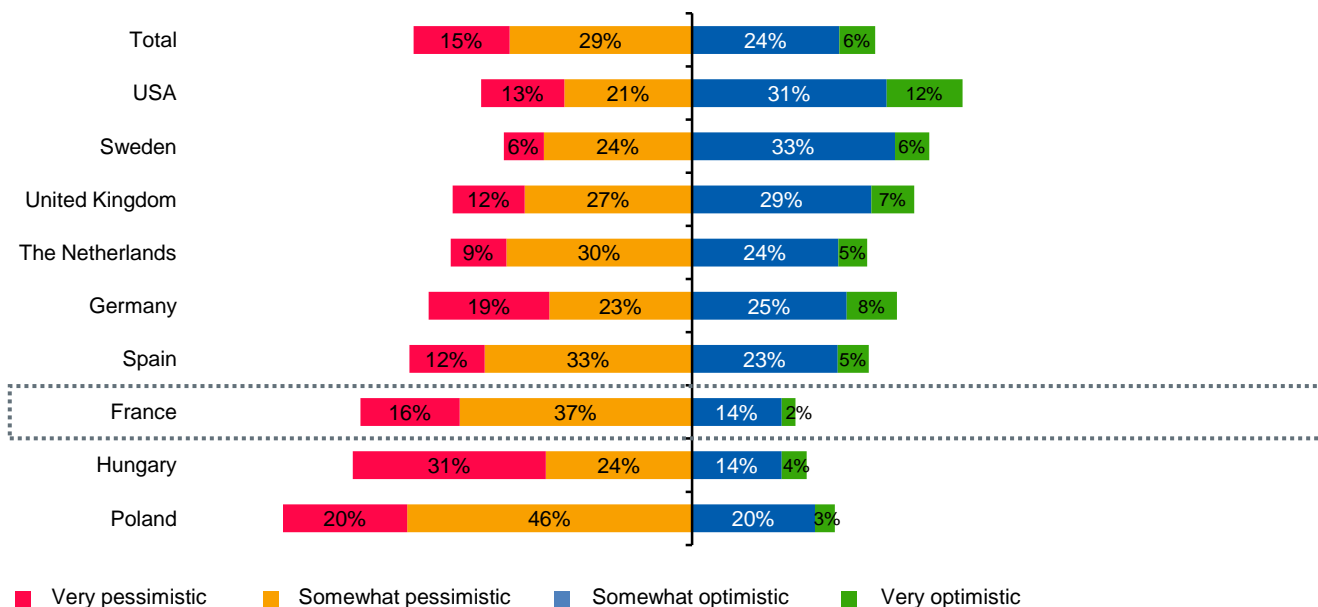
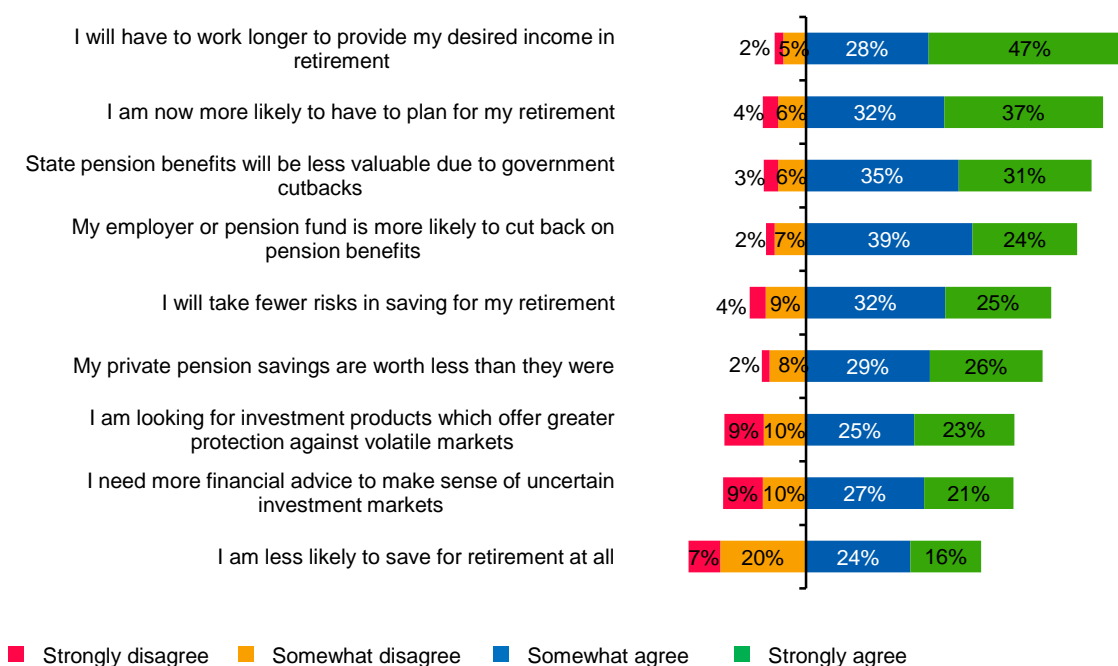


Chart 2: Financial crisis is making it less likely people will save for retirement

Q: To what extent do you agree with the following statements concerning the impact of the financial crisis on your retirement plans? (Uncertains and “neithers” not shown)



According to the OECD, the effective retirement age for men in France is 59.2, and 59.7 for women, lower than most of the other countries surveyed. Our findings show that this is likely to drastically change in the coming years - today's employees expect to retire (on average) at 65, and the only age group expecting to retire younger was the over 45s.

This suggests that younger generations are less attached to early retirement than their parents, having accepted that increasing life expectancies and changing demographics mean retirement age cannot stay unchanged forever, and only 38% of respondents argued for an unchanged retirement age.⁴

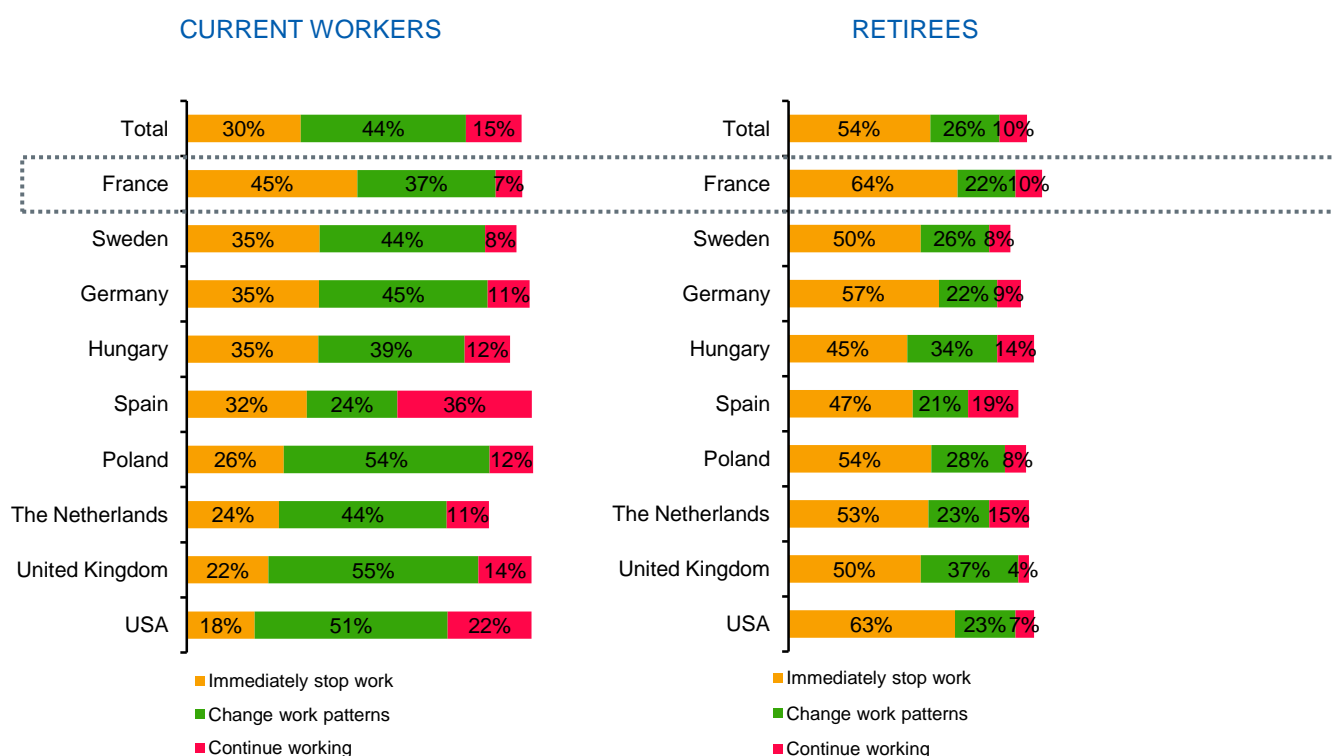
Table 1

	MEN	WOMEN
Effective retirement age	59.2	59.7
Life expectancy at 65	18.2	22.5
Expected retirement age	65	65
Expected years in retirement	18	17

THE CHANGING MEANING OF RETIREMENT

Charts 3 and 4: The cliff edge retirement remains strong in France

Q: Looking ahead, how do you envision your transition to retirement/ Looking back, how did your transition to retirement take place?



In all countries there is a trend away from “cliff-edge” retirement where people stop working completely upon retirement age and towards ‘phased retirement’ and the continuation of work in some form. This is present in

France, as charts 3 and 4 show, but to a lesser extent than elsewhere, with nearly half of respondents still intent on an immediate stop to work in retirement.

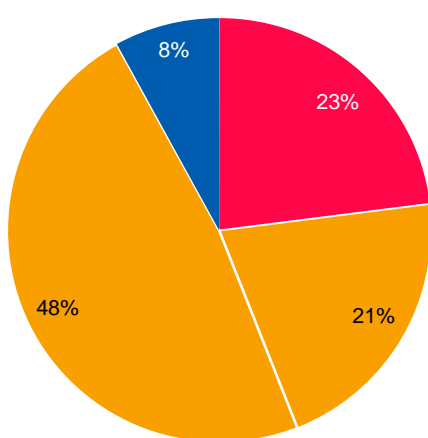
WHO SHOULD PAY FOR RETIREMENT?

This evolution we find in attitudes towards the onset of retirement is echoed by our findings regarding the relative roles of the state, employer and individual in retirement.

Charts 5 and 6: Balanced pension reform is a popular option in France

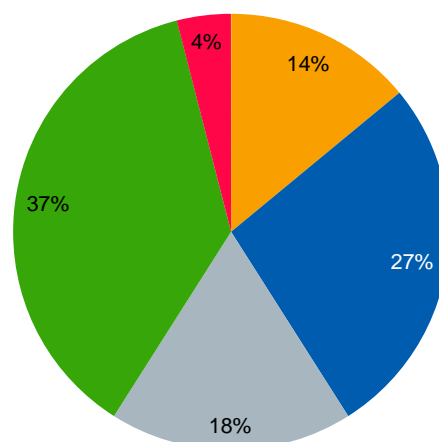
Q: With the costs of government pensions becoming a greater concern as people live longer, which of the following do you think the government should undertake?

PAYING FOR THE STATE PENSION



- Reduce the overall cost of state pension provision by reducing the value of individual pension payments
- Increase overall funding available for the state pension through raising taxes (21%)
- A balanced approach with some reductions in individual payments and some increases in tax, (48%)
- They should not do anything. State pension provision will remain perfectly affordable

INCREASING RETIREMENT AGES



- Don't know
- Retirement age should increase in line with life expectancy
- Retirement age should increase except for those in dangerous jobs or manual workers
- Retirement age should increase but the increase should be capped
- Retirement age should remain unchanged.

Only a small minority of respondents believe that the state pension will remain affordable into the future without reforms, and a majority are willing to accept some of the burden for keeping the system solvent in the form of higher taxes. Moreover, only a minority (37%) now believe that the retirement age should not be changed at all. This rational approach to pensions is encouraging for France, and is reflected in some of our other findings:

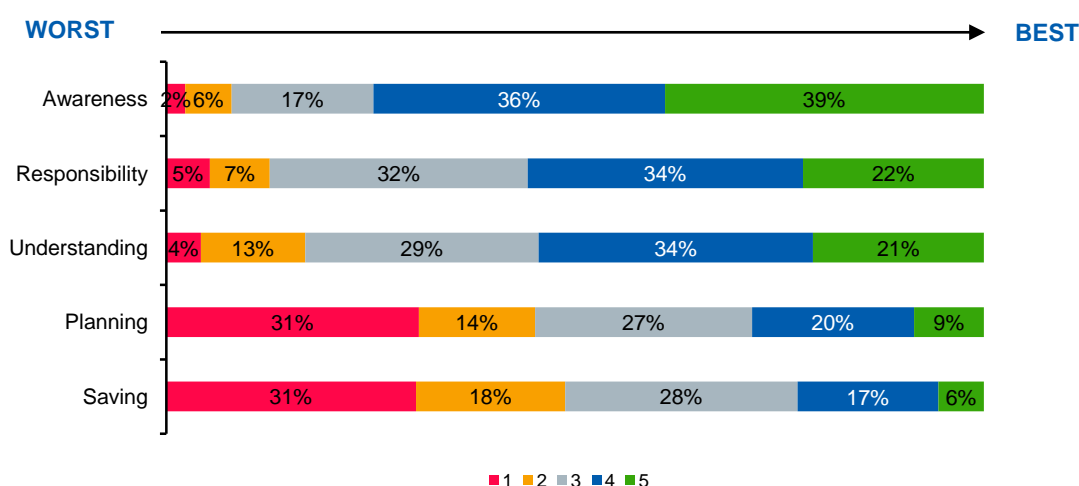
- 79% of respondents agree that "it is increasingly important to make sure that you are planning for your own retirement",
- 74% agree that it is "important to spread out retirement investments to minimize risk".
- Only 8% agree that "there's nothing wrong with relying on the state to provide a retirement income", representing a fundamental challenge to some of the traditional assumptions regarding the role of the state in France.

3. THE STATE OF RETIREMENT READINESS

Our research looked not only into French attitudes towards the future and retirement, but also sought to gauge how prepared people are for retiring. To do this, we scored respondents from one to five on a series of increasingly important measures, from an understanding of whose

responsibility retirement planning or preparedness is to whether employees are actively saving towards it. As chart 7 shows, the most important gap in France falls between understanding the need to prepare for retirement, and actually planning and saving to do so.

Chart 7: A gap between understanding and planning in France



Q: Respondents were asked to rank their retirement behavior in terms of responsibility, awareness, understanding, planning and saving on a scale of 1 to 5, with 5 being best.

THE AEGON RETIREMENT READINESS INDEX (ARRI)

To calculate the index scores, the index incorporates the responses of the 8,100 employees surveyed across the nine countries. Each of the respondents was asked a series of questions to provide a cognitive assessment of their current retirement attitudes and behaviors. The survey asked three questions covering attitudes: whether employees accept personal responsibility for their retirement income, whether they are aware of the need to plan for retirement, and their understanding of retirement related financial matters. It also asked three questions covering behaviors: the extent to which employees have put retirement plans in place,

whether they are adequately saving for retirement, and whether they are on course to achieve their required replacement income in retirement.

The responses to these six questions were weighed in the ARRI based on their importance in determining a respondent's saving profile, and an overall score out of ten for each respondent generated. The most important determinants were found to be their behaviors towards their own planning and saving, as well as how on course they were to achieve their desired replacement income.

As chart 7 shows, France is placed sixth out of the nine countries surveyed, below the overall average. This position makes sense in the French context, where intense demographic challenges, a state pensions system funded

by dwindling 'pay-as-you-go' contributions and a lack of private pension assets are combining to create a system which will come under intense strain in the near future unless changes to behavior are undertaken.

Chart 8: France scores below average on the AEGON Readiness Index score (out of 10)
Readiness Index created by weighting the responses to six questions according to statistical importance.

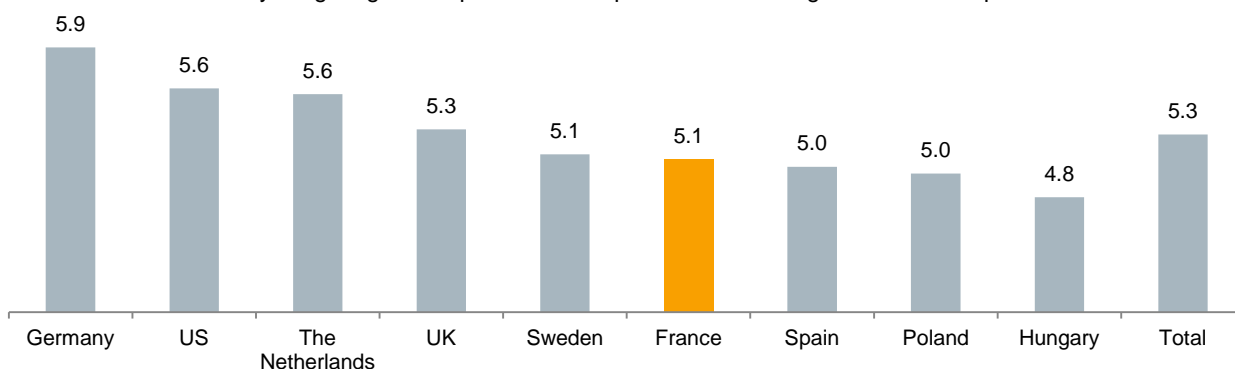
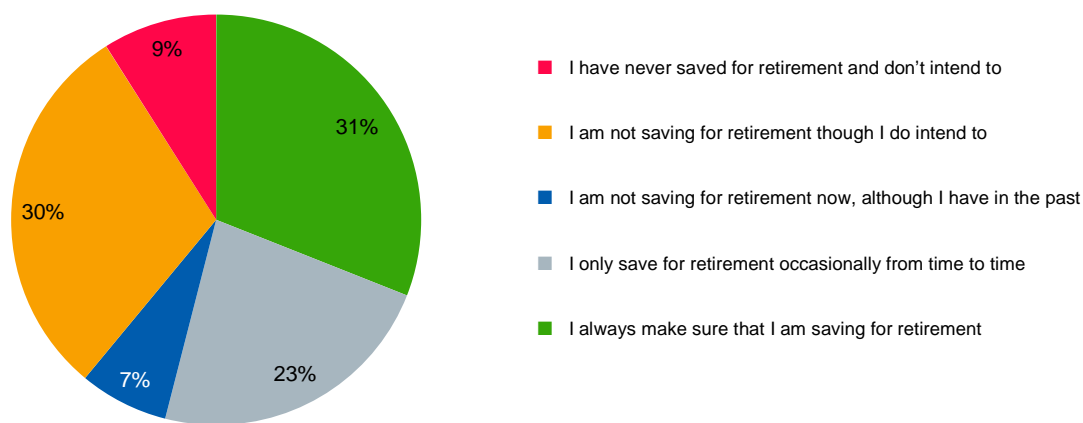


Chart 9: An aspiration to save, especially amongst younger French respondents
Q: Which of the following best explains your approach to saving for retirement?



France's position in the retirement index is reflected by their below average amount of habitual savers, 31% compared to the 36% average. On the other hand, there is a large

contingent of *aspirational savers* - those who are not saving now but intend to do so, and this savings profile is most prevalent amongst younger respondents.

4. THE CALL-TO-ACTION: DO SOMETHING, DO IT REGULARLY

- French respondents were the most pessimistic about their retirement out of the countries surveyed. This pessimism is however not translating into actions – the amount of habitual savers in France is also below average. The fact that people highlight that increased planning and saving is necessary for the future implies that people wish to save yet don't currently. It is important that individuals prioritize saving for retirement personally instead of relying on the continued generosity of the state pension.
- The government has a role to play in ensuring effective pensions reform, and this is echoed by our respondents. The possibility of pensions reform stalling due to political pressure is not acceptable or indeed desirable amongst our respondents, as they understand the need for a rational approach to dealing with the economic and demographic crisis that may include higher taxes, as long as the viability of the system is protected.
- Employers also have a crucial role to play, despite traditionally not playing a major role in French retirement preparations aside from their mandatory contributions. Their role should be re-calibrated to include advice to employees, especially in how to start saving and how to transition to retirement.

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MEDIA RELATIONS

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1 The nine countries surveyed are: US, UK, France, Germany, the Netherlands, Spain, Poland, Hungary and Sweden.

2 http://www.oecdobserver.org/news/fullstory.php/aid/1042/French_pension_pickle.html

3 <http://www.chicagotribune.com/news/sns-rt-us-germany-france-growthbre83p0r1-20120426,0,5684400.stor>

4 Organisation for Economic Co-operation and Development (OECD) figures, OECD Health Data 2011.