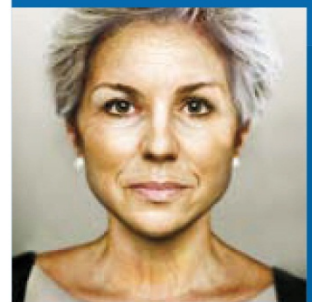
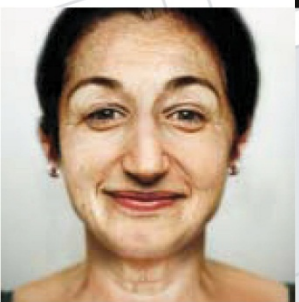
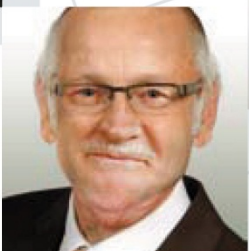
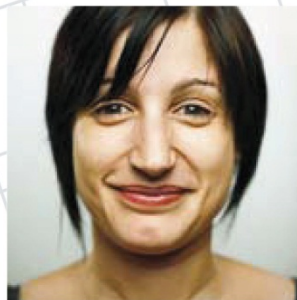


THE CHANGING FACE OF RETIREMENT

THE AEGON RETIREMENT READINESS SURVEY 2012
HUNGARY FACT SHEET



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INTRODUCTION

KEY FINDINGS

- **A declining standard of retirement?** Just 1% of Hungarians believe that future generations are likely to have a higher standard of living than those currently in retirement.
- **Support for the current retirement age:** A majority of Hungarians are opposed (68%) to any change in the current retirement age.
- **A need to diversify retirement income sources:** The state pension was ranked as the most important source of retirement income for 39% of respondents, although 76% agree there is a need to have as many sources of income as possible for retirement.
- **Bottom of the AEGON Retirement Readiness Index:** Hungary has the lowest score on our Index of the nine countries surveyed, at only 4.8 out of a possible 10.
- **An aspiration to save:** 44% of Hungarians describe themselves as not currently saving for retirement, but with aspirations to do so. This suggests that incentives could increase personal savings in Hungary.

THE SURVEY

The first-ever AEGON Retirement Readiness Survey was conducted among more than 9,000 people in nine countries.¹ AEGON conducted the research in collaboration with the Transamerica Center for Retirement Studies[®] and Cicero Consulting to contribute to a common understanding among European countries and the United States of what measures need to be taken by individuals, employers and governments to create a new blueprint for modern retirement.²

Respondents were interviewed using an online panel survey, and the interviews were conducted in their local languages in January and February of 2012. The interviews dealt with a wide range of issues covering attitudes toward retirement preparedness, the roles of government and employers in providing retirement benefits, and the impact of the financial crisis on attitudes regarding investment risk and retirement planning.

8,100 employees and 900 retirees were interviewed to provide some comparison of the outlook of current employees and those already in retirement. The survey did not include the unemployed, long-term disabled or the self-employed, as each of these groups faces specific challenges in planning for retirement. Instead, the objective for this survey is to provide a broader perspective based on the mainstream working population.

1. RETIREMENT IN HUNGARY

Government reforms to the pension system in Hungary in 2011 have brought the issue of retirement to the fore in the minds of its citizens. It is an important time for the issue to move to the center of public discourse, since economic problems have made austerity and reductions in the generosity of the state pension system likely. Moreover, many Hungarians had mortgages denominated in Swiss

francs and euros, and the recent devaluations to the forint have put their primary asset (property) under stress. The painful nature of these changes has gotten through to Hungarians. Only a small 1% believe that future retirees will be better off in retirement than the current generation, and an overwhelming 84% believe that future generations will be worse off, more than in any other country surveyed.

2. THE CHANGING NATURE OF RETIREMENT

ATTITUDES AND ASPIRATIONS TOWARD RETIREMENT

Only respondents in Poland are more pessimistic than the Hungarians about their chances of having a comfortable retirement, with chart 1 showing that 55% are in doubt, and nearly one-third (31%) call themselves “very pessimistic.”

This negative picture is compounded when we look at the impact Hungarians believe the financial crisis has had on their retirement planning. 83% are convinced that the state pension will be less valuable, and 78% believe they will need to work longer to have sufficient income in retirement. These are more extreme than the findings in other countries surveyed, and it is especially worrying that 76% of respondents are now less likely to save for retirement at all – a result of the economic turmoil of the

last few years. In other countries, the crisis has spurred people to believe that they have to take more personal responsibility for their retirement savings. However, in Hungary it appears the economic turmoil has led many to give up hope of building savings at all.

This pessimism has spread into Hungarian beliefs about day-to-day living standards in retirement. More than anywhere else, Hungarians are concerned about having enough to live on in retirement – 65% are pessimistic, particularly women and the middle-aged, who seem to not believe the economy will have recovered by the time they reach retirement age.

Chart 1: Hungary extremely pessimistic about retirement prospects

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

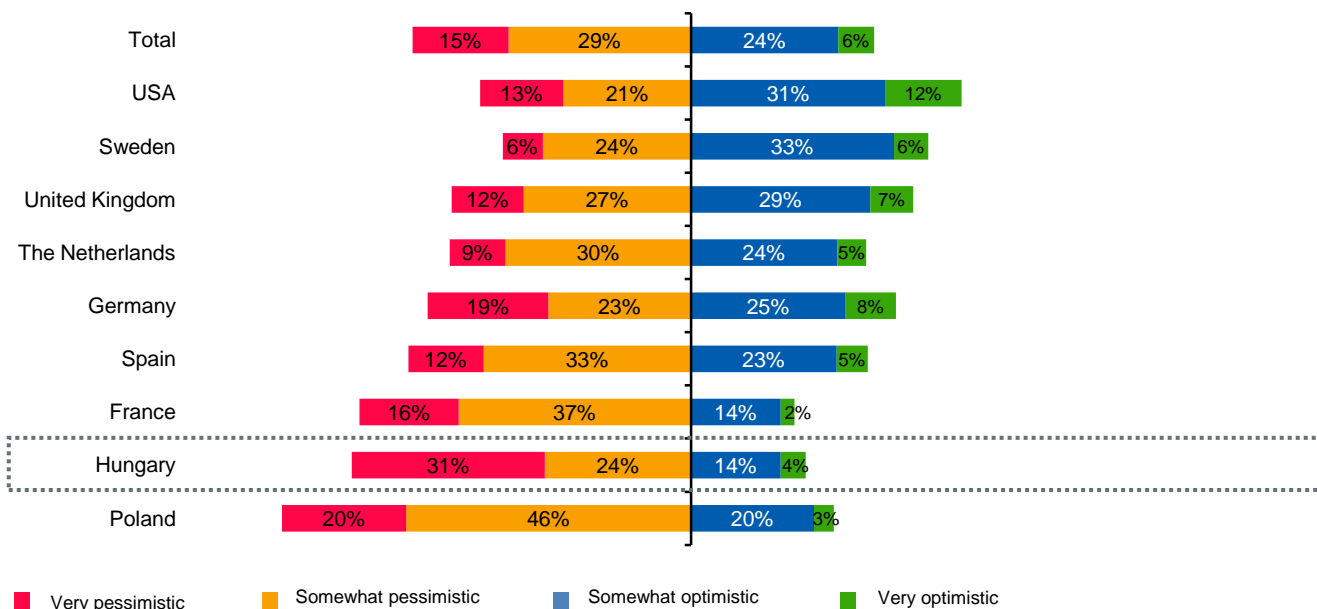
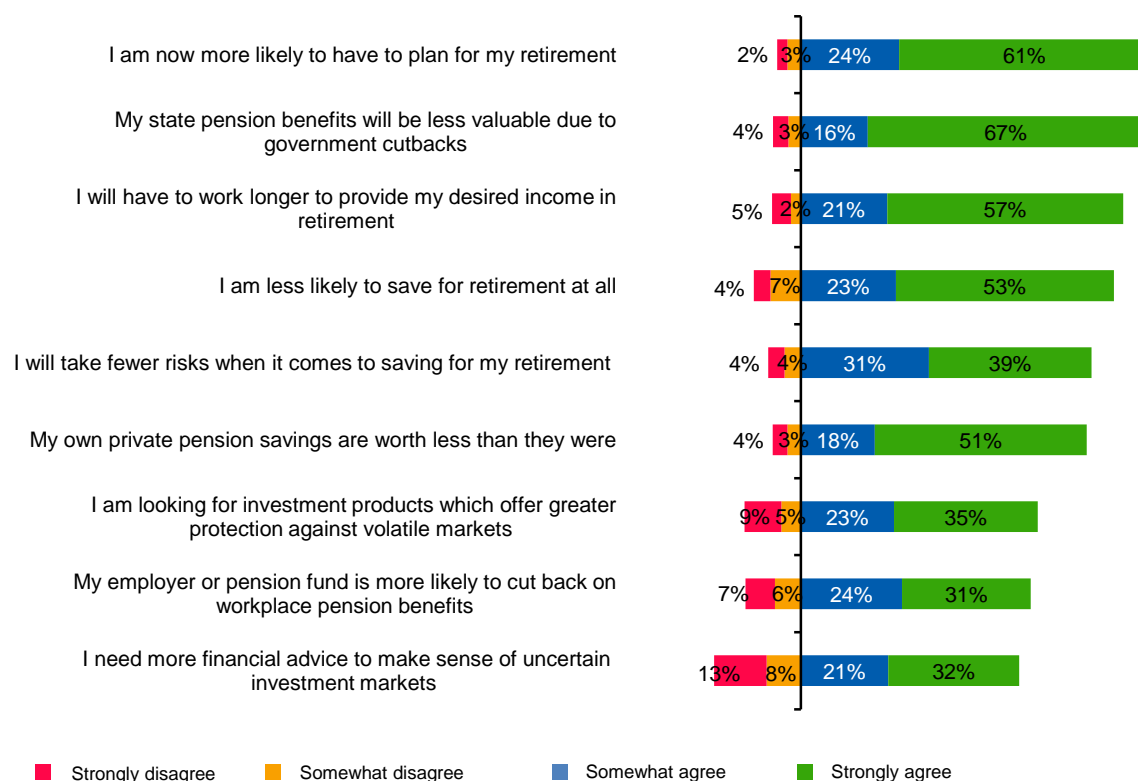


Chart 2: A later retirement with less help from the state and employers is anticipated by today’s employees

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)



SOURCES OF RETIREMENT INCOME

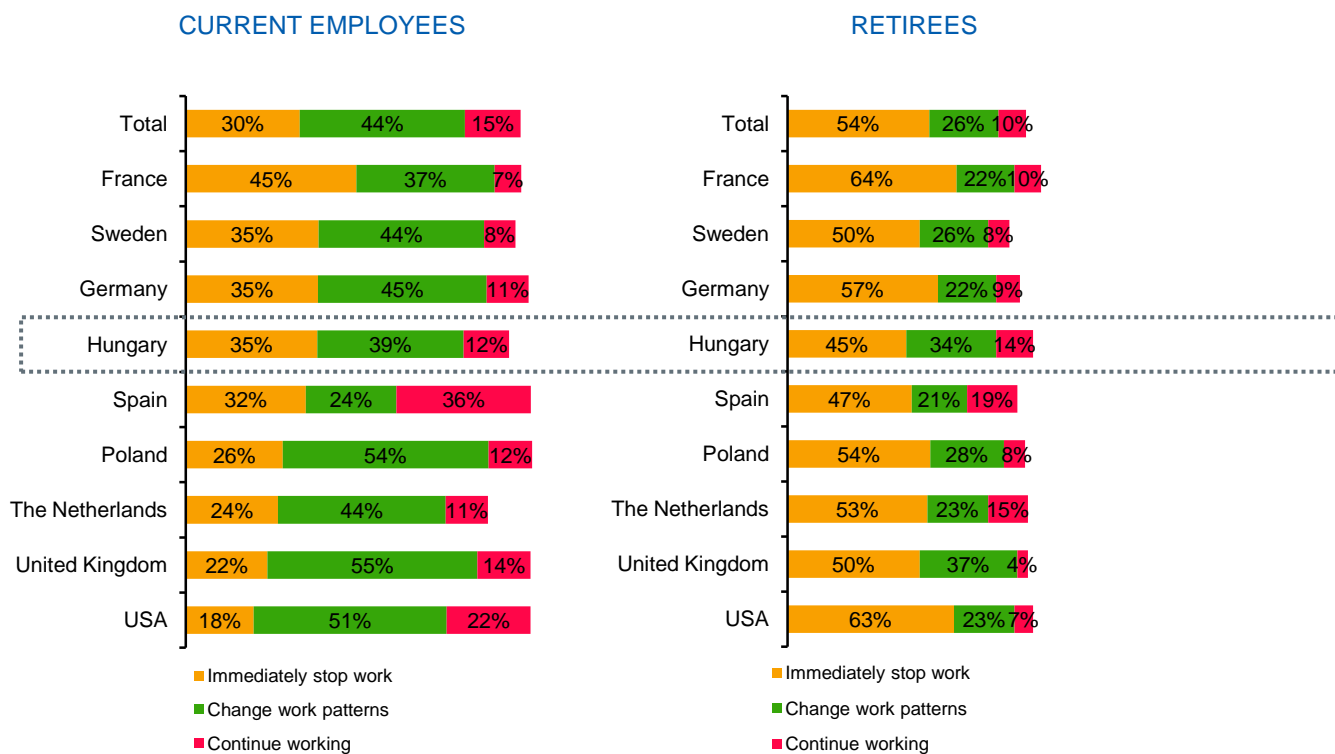
Alongside this pessimistic outlook towards retirement, there is also a concern about from where Hungarians are planning on getting their retirement income. More than anywhere else, Hungary is dependent on the state pension, with 39% saying this is their single most important source of retirement income. Equally concerning is that 13% chose “none” as their most important source of retirement income, and a further 9% could not name a most important source.

THE CHANGING MEANING OF RETIREMENT

A finding across all countries is that the “traditional” transition into retirement, where one reaches retirement age and suddenly stops working, is becoming less common and often being replaced by a “phased” retirement where work continues in some capacity for at least some time. In Hungary, this expectation of this type of transition is most notable among the younger respondents; only 25% of those in their 20s imagine that they will immediately stop work upon retirement. Interestingly, despite a generally negative outlook towards retirement, few Hungarians intend to carry on working in retirement: only 12%, as opposed to the 36% in Spain.

Charts 3 and 4: The end of “cliff-edge” retirement?

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

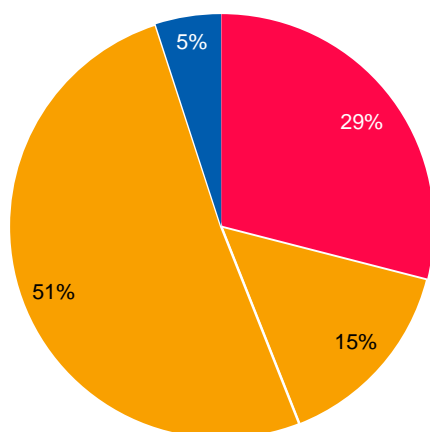


WHO SHOULD PAY FOR RETIREMENT?

Charts 5 and 6: Hungarians willing to reform state pension, but not retirement age

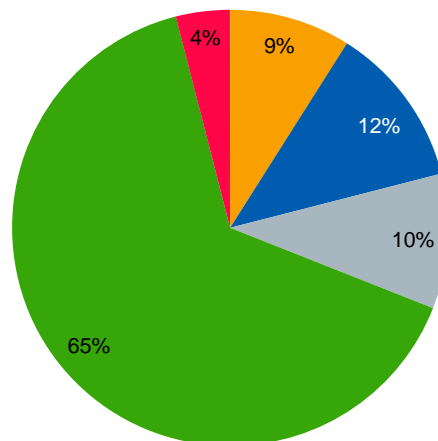
Q: With the costs of government pensions becoming a greater concern as people live longer, which of the following do you think the government should undertake? To what extent do you feel that people should expect to work longer into old age as a way to offset the costs of people living longer?

PAYING FOR THE STATE PENSIONS



- 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 (15%)
- A balanced approach with some reductions in individual payments and some increases in tax, (51%)
- 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.

Almost two-thirds of Hungarians are opposed to any increase in the retirement age. This is the most of any country in our survey. Interestingly, they are at the same

time keen to reform the state pension system through both tax increases and benefit reductions – with only 5% believing that the state pension will remain affordable as it is.

ENCOURAGING A SAVINGS CULTURE

This enthusiasm for reform is supported by some signs that Hungarians are beginning to want to understand that retirement is likely to become increasingly a matter of personal responsibility in the future.

- Despite the large amount of respondents reliant on the state pension for retirement, 76% believe that it is important to have as many sources of retirement income as possible.

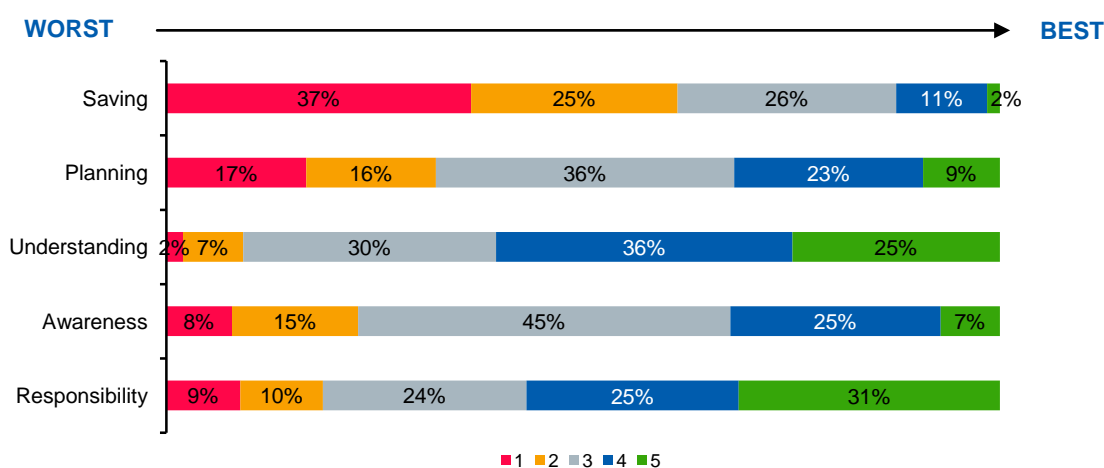
- At the same time, 71% believe that it is increasingly important to make sure that they are planning for their own retirement.
- Notably, 31% disagree with the idea that there is nothing wrong with relying on the state to provide retirement income, though 39% agree.

3. THE STATE OF RETIREMENT READINESS

Our research looked not only into attitudes toward the future and retirement, but also sought to gauge how prepared employees are for retiring. To do this, we asked employees to score themselves from 1 to 5 on a series of issues: from their understanding of their personal need to save for retirement, to the extent which they are actively doing so.

Chart 7 outlines the attitudes and behaviors of employees regarding retirement. As the chart shows, Hungarians ranked themselves low on most of the measures that comprise our Index, including 37% claiming to be “very unprepared” (scoring themselves the lowest possible score out of 5) when it came to saving for retirement.

Chart 7: A gap between responsibility and saving activity in Hungary



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 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 weighted in the ARRI based on their importance in determining a respondent’s saving profile, and an overall score out of 10 for each respondent was generated. The most important determinants were found to be their behaviors toward their own planning and saving, as well as how on course they were to achieve their desired replacement income.

As chart 8 shows, Hungary comes last out of all the countries surveyed in the ARRI, with a low score of 4.8. This is likely partly due to the macroeconomic situation, which has damaged the assets of Hungarians and reduced the value of its currency.

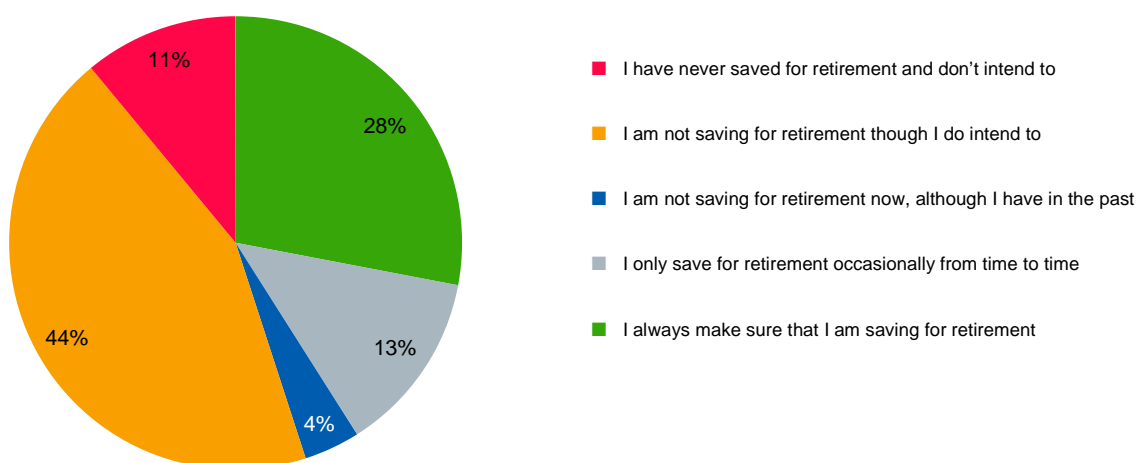
On a more positive note, it is encouraging to see that Hungarians have not given up on the desire to save. 44% of Hungarians aspire to save for their retirement, even if they are not presently doing so. This group is concentrated among women and those below 45, suggesting these groups would be especially receptive to simpler and more cost-efficient ways of saving money.

Chart 8: Hungary scores bottom on the AEGON Retirement Readiness Index (out of 10)
Readiness Index created by weighting the responses to six questions according to statistical importance.



Chart 9: A nation of aspiring savers

Q: Which of the following best explains your approach to saving for retirement?



4. THE CALL TO ACTION: TAKE ACTION, AND DO IT NOW

- Levels of personal saving are currently low, but many aspire to do more. This is positive, and taking small steps toward regular saving behavior would greatly improve retirement prospects.
- There is also a need for the Hungarian public to recognize that they need to move beyond the state pension and toward other methods of retirement saving, whether in private pensions or property investments.

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

² The European countries included in the study were commissioned by AEGON. The US component of the survey was commissioned by the Transamerica Center for Retirement Studies®, a non-profit, private foundation.