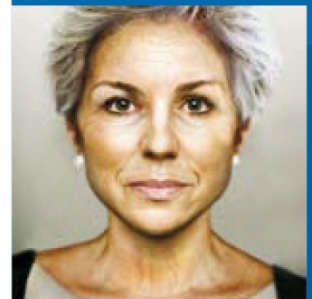
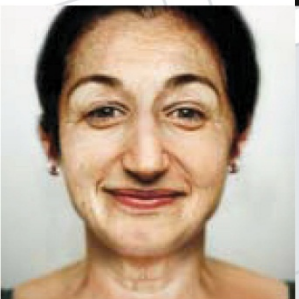
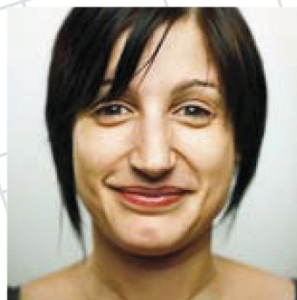


THE CHANGING FACE OF RETIREMENT

THE AEGON RETIREMENT READINESS SURVEY 2012
THE NETHERLANDS FACTSHEET



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INTRODUCTION

KEY FINDINGS

- **Pessimistic outlook for future generations:** 68% believe that future generations of retirees will be worse off than the current one, though this is slightly lower than the global average (71%).
- **The end of traditional retirement:** The number of current employees in expecting to move directly from work into retirement is only 24%, compared to 53% of current retirees.
- **Continued faith in the state for some:** About a third of respondents (31%) believe that the state pension system in its current form will remain affordable in the future, and 36% believe there is “nothing wrong” with relying on the state in retirement.
- **Recession spurring personal responsibility for others:** 64% believe they are now more likely to plan for their own retirement, though this seems partly spurred on by the financial crisis damaging savings and future benefits.

THE SURVEY

The findings used in this report are based on the responses of over 9,000 people in 9 countries. 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 employees 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 THE NETHERLANDS

The Dutch pension system has been called the best in the world¹. However robust this system appears, it is still vulnerable to the vagaries of the international capital markets as well as demographic changes, which will see the Netherlands age significantly in the next half century and put immense pressure on current pension arrangements. Ongoing instability, both in domestic politics and with the eurozone as a whole, is making it more and more difficult for the Netherlands to surmount the challenges it faces.

The problems caused by an ageing population have not gone unnoticed by the Dutch public. When asked if they believed future generations would be better off in retirement than current retirees, 68% disagreed, believing they will be worse off. Therefore despite the reports purporting the Dutch retirement system to be the world's best, the people who will be retiring under that system feel its standards are falling.

2. THE CHANGING NATURE OF RETIREMENT

ATTITUDES AND ASPIRATIONS TOWARDS RETIREMENT

Given the poor economic news and the declining generosity of the state pension scheme, it is unsurprising that pessimism emerges in Dutch attitudes towards their financial status in retirement. However, they are less pessimistic than all of the other countries surveyed except Sweden (see chart 1).

On specific aspects of retirement, Dutch respondents are confident of keeping in touch with their friends and family, having hobbies and even of maintaining good physical health (with 53% confident of this). Interestingly, a quarter of 55-64 year olds are optimistic about being able to choose when they retire, but only 12% of 35-44 year olds are.

This suggests that employees in the Netherlands are becoming more in control of their retirements as old age approaches.

While less pessimistic than other countries regarding retirement, employees in the Netherlands nevertheless believe that the financial crisis has had a deep impact on their plans for old age. All but 5% of respondents believe their state pensions are to become less valuable, and all but 11% believe they will have to work longer to provide their desired retirement income. More positively, the financial crisis has caused 64% to be more likely to plan for their retirement, suggesting a rise in personal responsibility to accompany the downbeat economic news.

Chart 1: More pessimism than optimism about retiring comfortably

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

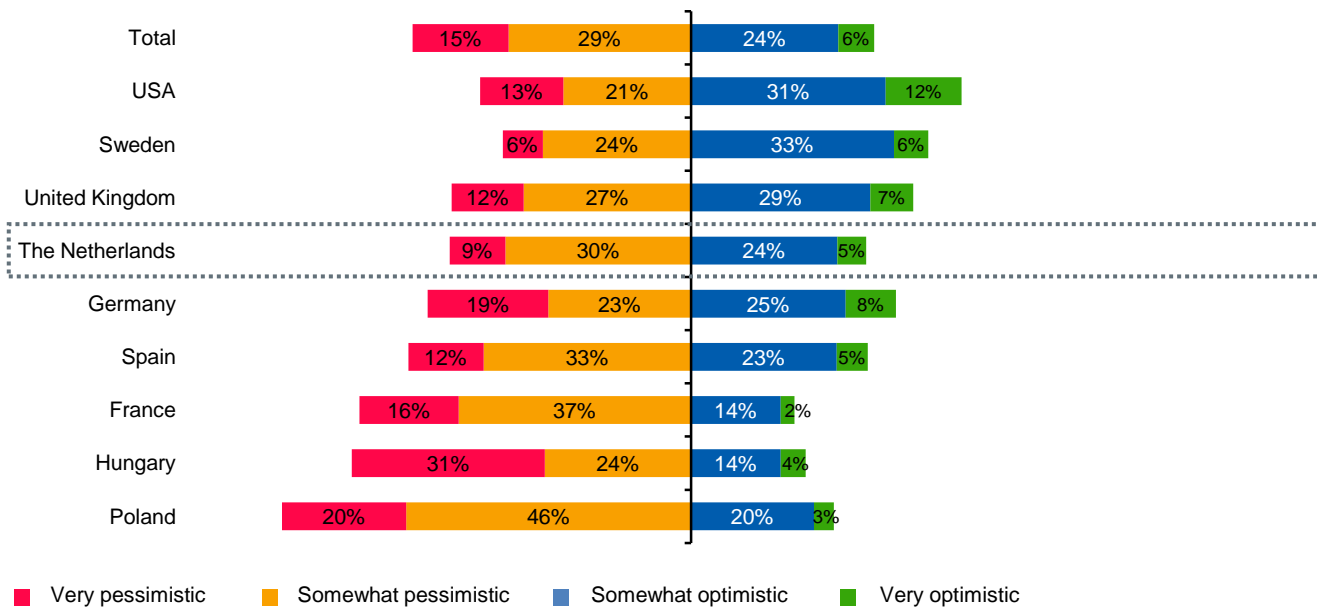
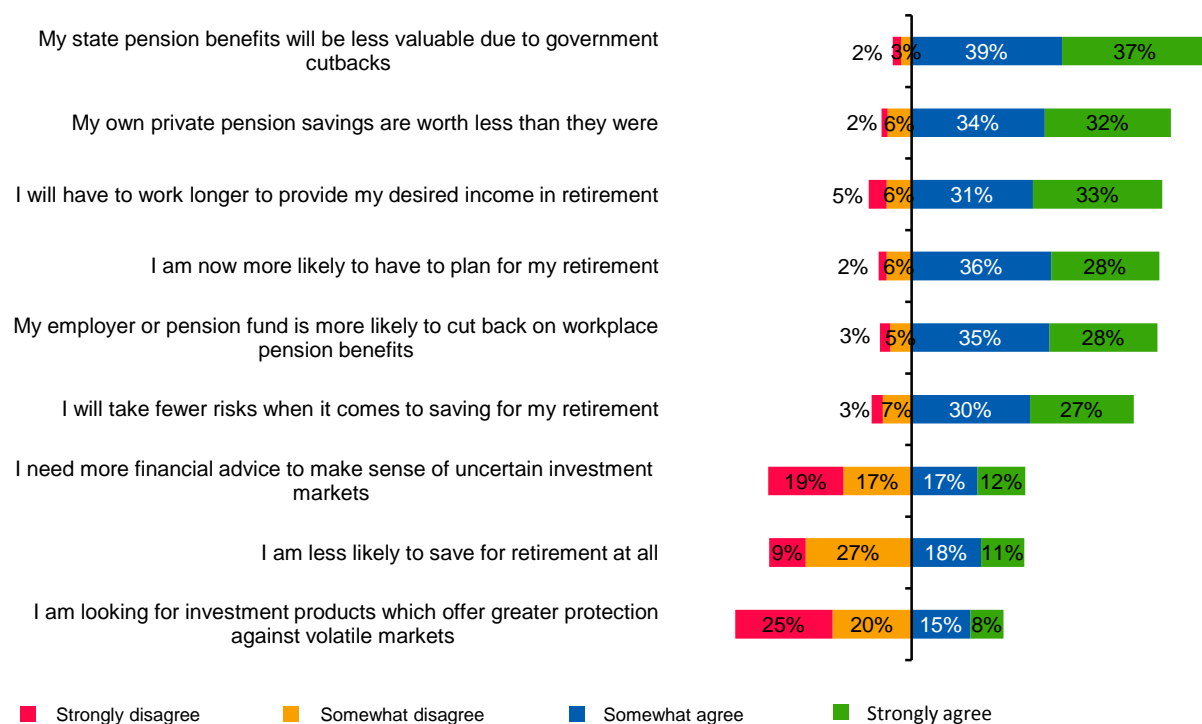


Chart 2: A later retirement with less help from state and employers is anticipated by today’s employees

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)



Retirements are getting longer. According to the OECD, the effective retirement age for men in the Netherlands is 62.1, and 62.6 for women, and those retiring at these ages will most likely live at least another 20 years. Our research shows that current Dutch employees expect to retire on

average five years later than this, at 67, and spend around 15 years retired. This is interesting since it shows there is a gap, especially for women, between how long they expect retirement to be and the likely reality.²

Table 1

	MEN	WOMEN
Effective retirement age	62.1	62.6
Life expectancy at 65	17.4	20.8
Expected retirement age	67	67
Expected years in retirement	15	15

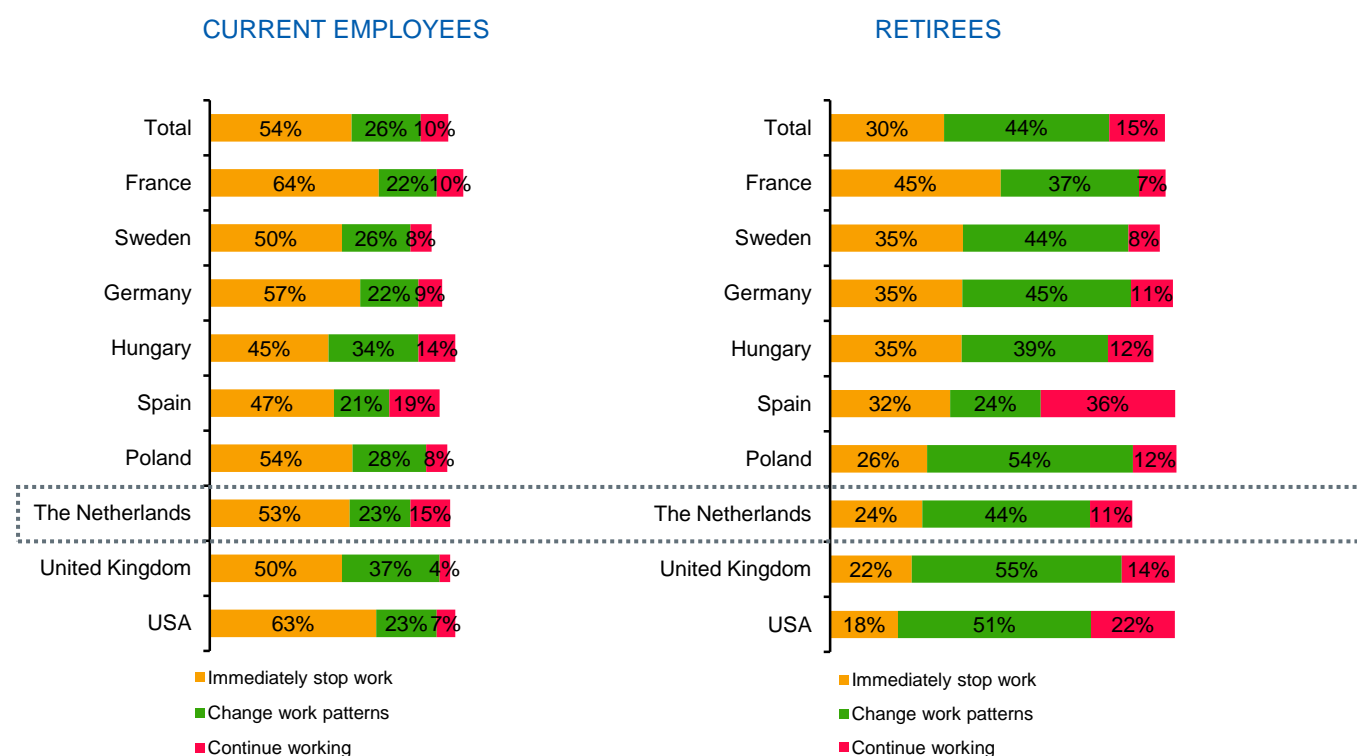
THE CHANGING MEANING OF RETIREMENT

A finding that our research reveals across all countries surveyed is that whilst current retirees mostly immediately stopped all work upon retirement, current employees are more likely to envision a gradual transition from working, a “phased retirement” rather than a “cliff-edge” model. In the

Netherlands this switch is particularly pronounced, as shown by charts 3 and 4. Amongst those in their 20s the fall is even more obvious, with only 13% believing they will immediately stop work, though a majority of all age groups are of this opinion.

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?

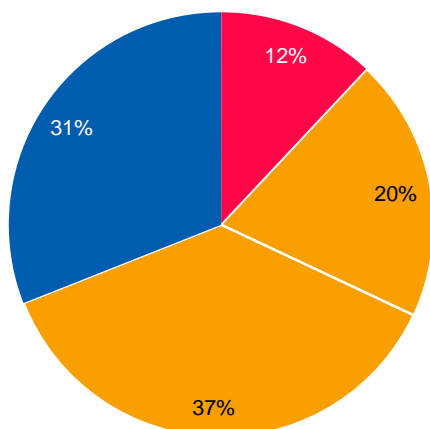


WHO SHOULD PAY FOR RETIREMENT?

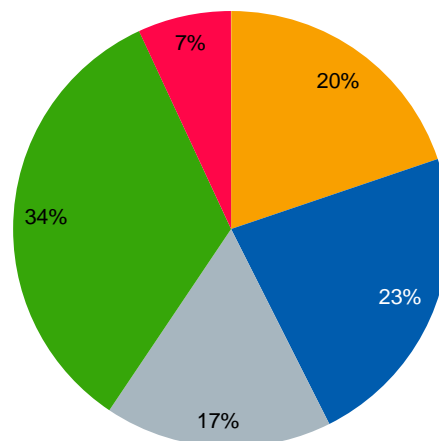
Chart 5 and 6: Nearly a third of Dutch respondents keep faith in the state pension system

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?

CURRENT EMPLOYEES



RETIREES



- 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 (20%)
- A balanced approach with some reductions in individual payments and some increases in tax, (37%)
- State pension provision will remain perfectly affordable

- 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.

Dutch respondents are far more likely than those in any other country surveyed to believe in reforming the state pension. 31% believe it will remain affordable in the future, compared to 12% globally. Moreover, our findings show

only about a fifth believe raising life expectancy should determine state retirement age, despite this being the settled upon policy for future increases.

HOW TO TRIGGER SAVING AND INVESTMENT

36% of Dutch respondents believe there is “nothing wrong” with relying on the state to provide retirement income. However, this is outweighed by the 79% who agree that it is “increasingly important” to be planning for your own retirement. It is essential to encourage people agreeing with this latter sentiment to turn this feeling into action, and our research looked into the potential triggers to saving:

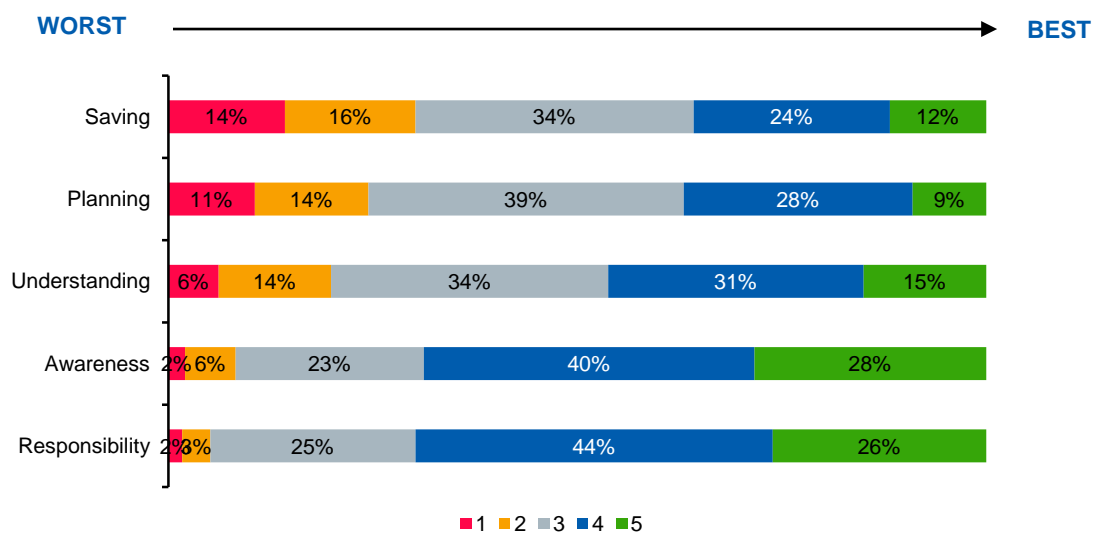
- 37% in the Netherlands felt a lack of spare money was the biggest obstacle to saving.
- Pay rises (30%) and tax breaks (30%) would encourage large groups of respondents to save more towards retirement, though worryingly 19% could not name anything that would encourage them to save more!
- Investments which protect against losing their initial value were seen as ‘very important’ by 65%.

3. THE STATE OF RETIREMENT READINESS

Our research looked not only into attitudes towards the future and retirement, but also sought to gauge how prepared employees 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 Figure 7 shows, the most important gap in the Netherlands fell between those having awareness of their retirement situation – a majority – and those who are confident understanding financial matters relating to retirement – a minority.

Chart 7: A gap between awareness and saving behavior in the Netherlands



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.

In order to create a robust and cross-country comparable measure of retirement preparedness, these five measures were taken, combined with expected replacement income in retirement, and weighted according to statistical importance. This creates the AEGON Retirement Readiness Index (ARRI), where each country in our survey is scored out of 10. As chart 8 shows, the Netherlands is placed third out of

the nine countries surveyed, ahead of the global average. The Dutch pension system, when analyzed by actuarial professionals and economists, is often ranked amongst the best in the world. When we asked the opinions of real employees, the Netherlands again performs well, but the lack of planning and saving behavior amongst respondents remains a worry.

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

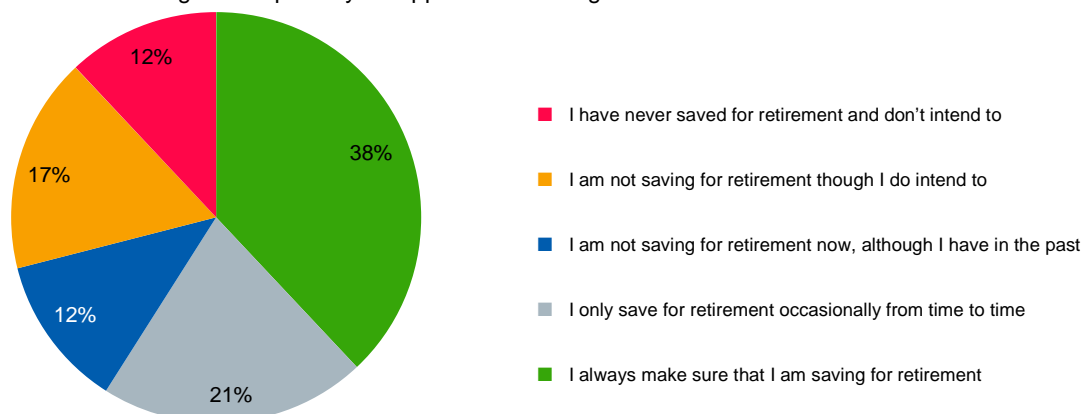


Within the Netherlands, those preparing for retirement can be split into those with high, medium or low scores, and our results show that those scoring high on the index are most likely to be male and over 35. Those scoring low were on average less than degree educated, female and relatively young. When asked to describe their own saving behavior,

we can see why the Netherlands scored highly on our index, with 38% of employees claiming to be always saving for retirement. Unlike in other countries, there is little correlation to educational attainment or gender for this group in the Netherlands.

Chart 9: Over a third always save for retirement

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



4. THE CALL-TO-ACTION: TAKE SOME KIND OF ACTION NOW, AND DO IT REGULARLY

- People accept that the responsibility of developing greater understanding is theirs, but this does not mean that the government and employers should not help.
 - Employers should ensure that they are empowering employees to take charge of their retirements through education as well as pension plans.
 - The government needs to help turn responsibility into understanding and saving, both through educational campaigns and perhaps through the tax system.
- Current employees are more likely to envision a gradual transition from working, a 'phased retirement' rather than a 'cliff edge' model.
 - Employers need to facilitate phased retirement, for example by suitable work and education.
 - The government should further stimulate phased retirement.
- The government should make clear that pension contributions cannot be increased much further. A further increase of the retirement age or decrease of pension is inevitable.

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¹ The Melbourne Mercer Global Pension Index. This study compares pension systems around the world. The Melbourne Centre for International Studies and Mercer, October 2010.

² Organisation for Economic Co-operation and Development (OECD) figures, OECD Health Data 2011.