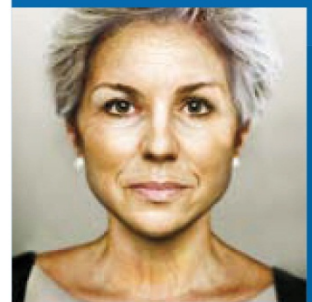
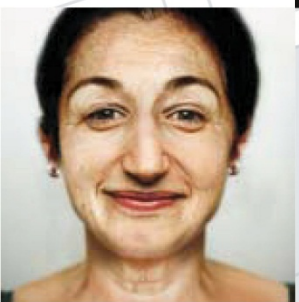
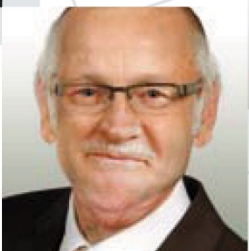
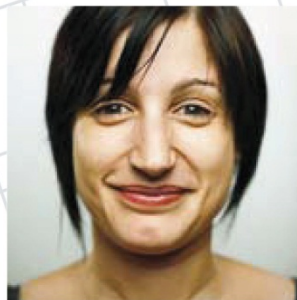


THE CHANGING FACE OF RETIREMENT

THE AEGON RETIREMENT READINESS SURVEY 2012
SWEDEN FACTSHEET



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INTRODUCTION

KEY FINDINGS

- **Optimism about retirement:** Swedish respondents are among the most optimistic about retirement, second to only the USA. 39% are optimistic as opposed to 30% who are pessimistic about retiring with a lifestyle they consider comfortable. Despite this, there is a sense of pessimism about future generations. The majority (56%) believe that future generations of retirees will be worse off than those currently in retirement.
- **Greater personal responsibility:** Despite Swedes typically relying on the state for provision in retirement there is an understanding of an increasing need to plan. 75% believe that the financial crisis has meant they are more likely to have to plan for their retirement.
- **End of the cliff-edge retirement:** Respondents in Sweden are moving away from seeing retirement as a time when work stops completely: 52% expect to keep working in retirement in some form.
- **High levels of savers:** Despite the relative generosity of the state pension in Sweden, the country has the highest amount of habitual savers, with 49% always making sure that they are saving for retirement, 13% above the average.
- **Support for higher taxes to pay for retirement:** 66% of Swedish respondents are willing to countenance higher taxes in order to keep the state pension system affordable, including 38% who believe all future increases in the cost of pensions should be met by higher taxes.

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 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 SWEDEN

Sweden has weathered the economic storm of the past five years relatively well. Strong economic institutions, structural reforms introduced in the late 1980's and 1990s, and a sound fiscal position has meant Swedes have largely escaped the troubles of their European neighbors'. Whilst unemployment rose to 9% during the financial crisis, it has been falling since late 2009, and growth has returned – in contrast to its European neighbors who have fallen back into recession.¹

In order to fund retirement in Sweden, employees and employers make contributions which correspond to 18.5% of income during working life. Of this, 16% pays for the pensions of today's retirees, and 2.5% is set aside for a

private account which can be invested in various private funds. This system enables people to retire on incomes of up to 75% of earnings, with target benefits of 55-60%.²

Although Sweden faces the same demographic challenges as its European neighbors, it also has a strong elderly workforce where more than 70% of people aged 55 to 64 still work. In much of the rest of Europe, for instance in France or Italy, the figure is under 40%. It is recognized that the extensive reworking of Sweden's pension system following a financial crisis in the early 1990s has led to a steady increase in the number of older people in the workforce.³

2. THE CHANGING NATURE OF RETIREMENT

ATTITUDES AND ASPIRATIONS TOWARDS RETIREMENT

It is encouraging for Sweden that people are generally positive about their prospects for retirement. 39% are optimistic that they will be able to fully retire with a lifestyle they consider comfortable, compared to 30% who are pessimistic (chart 1). This is more optimistic than any of the other countries surveyed with the exception of the United States, possibly connected to the relative robustness of the Swedish economy.

In terms of what the Swedish want to spend this retirement doing, they are particularly keen on active pursuits such as travel (73% chose this as an important retirement aspiration) or new hobbies (53%). Interestingly, a large minority (31%) of respondents expressed a desire to live abroad in retirement, a desire that was particularly evident

amongst those on higher incomes. With others expressing a desire to study or volunteer, the Swedish view of retirement is clearly not one of reduced activity and relaxation, it is a busy time of new experiences and even a whole new lifestyle abroad.

Although affected less profoundly than other countries, the Swedish still believe that the financial crisis has had an impact on their future, particularly as it affects their retirements. As chart 2 shows, 75% believe that due to the financial crisis, they are more likely to have to plan for retirement. On a less positive note, 73% believe that they are less likely to save for retirement at all as a result of the crisis.

Chart 1: The Swedish are more optimistic than pessimistic about retiring with a comfortable lifestyle

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

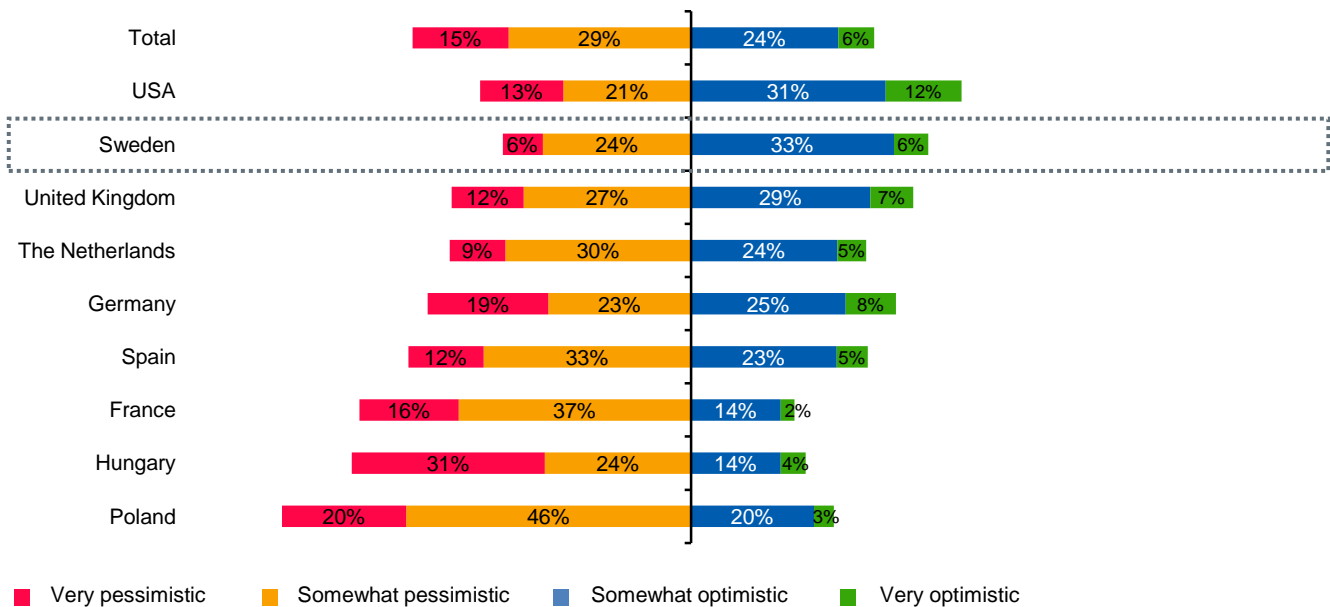
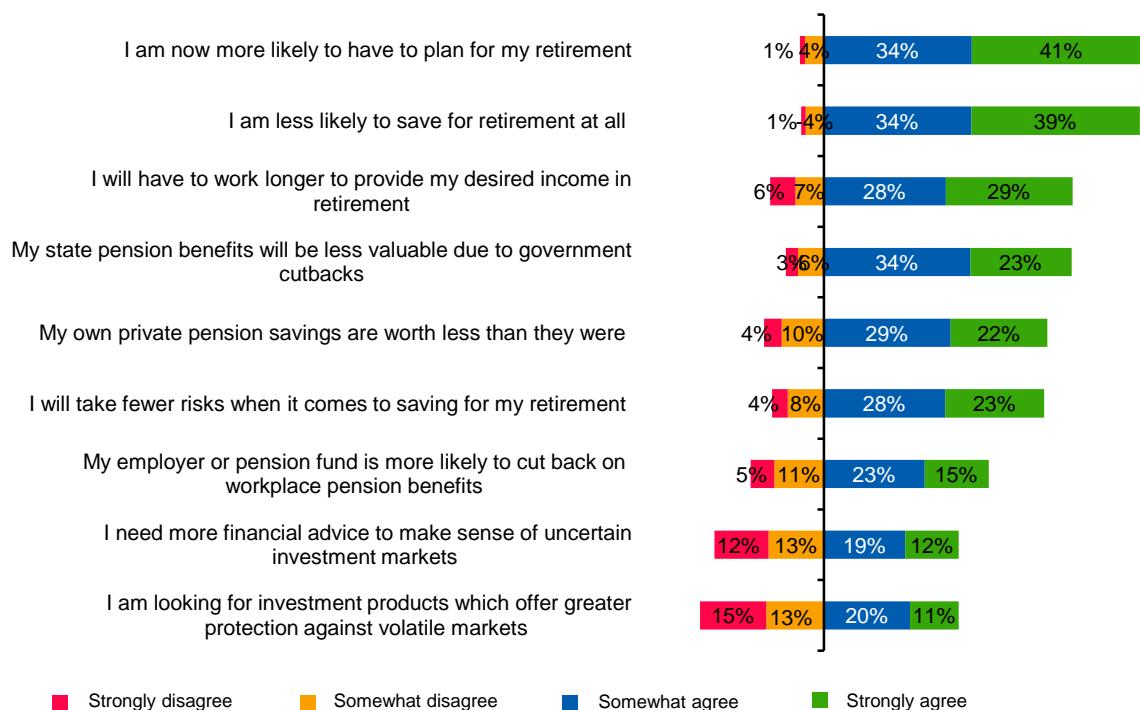


Chart 2: The financial crisis means a majority are now less likely to save for retirement

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 Sweden is 66, and 63.6 for women. The median expected retirement age of our respondents was 66 for men and 65 for women.⁴ Unlike in other countries surveyed,

respondents appear to be relatively accurately estimating the length of their retirements, which is important if they are to effectively plan for later life.

Table 1

	MEN	WOMEN
Effective retirement age	66.0	63.6
Life expectancy at 65	18.2	21.1
Expected retirement age	66	65
Expected years in retirement	20	20

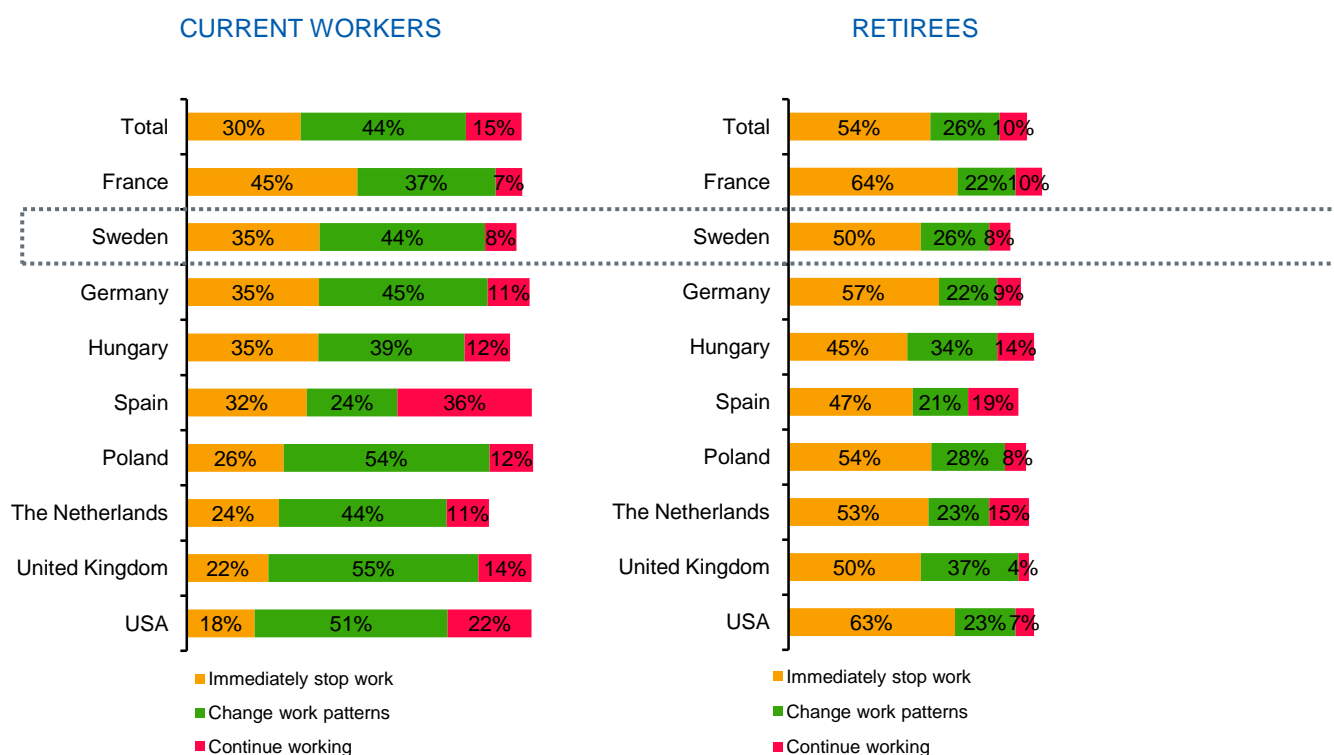
THE CHANGING MEANING OF RETIREMENT

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 the old 'cliff edge' model. Sweden is no exception, as shown by charts 3 and 4, with

only 35% of current employees planning to stop working immediately upon retirement. The relatively low figure of only 50% of current retirees who immediately stopped work upon retirement may be a result of Sweden's pension system reforms of the early 1990s that encouraged the extension of working life.

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?

Our results show the Swedish to be favorable to the idea of ensuring the continued affordability of the state pension system through higher taxes. Overall 66% are willing to accept some tax increases to pay for benefits, and 38% want the rising cost of old age pensions to be entirely met through higher taxes, with no corresponding reduction in government benefits.

At the same time, the Swedish are resistant to the idea of higher retirement ages. Despite the current system including links to life expectancy in determining pensionable ages, only 15% believe that this should be how retirement age is worked out. Instead, 57% are opposed to any further

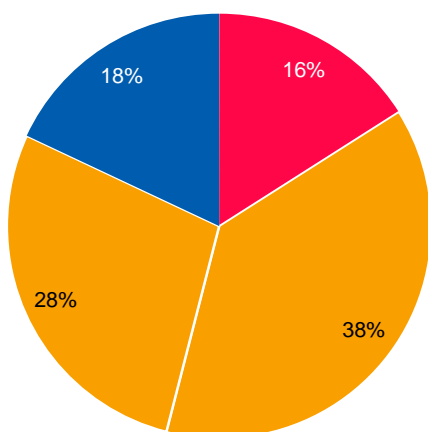
increases in retirement age, higher than the global average of 47%. Interestingly, this support for a strong state and low retirement age is combined with a determination amongst Swedish respondents to take more personal responsibility for retirement, demonstrated through findings such as:

- 83% believe that it is increasingly important to make sure that you are planning for you own retirement
- 66% believe that it is important to have as many sources of retirement income as possible to spread out any risk
- 40% disagree that there is 'nothing wrong' with relying on the state to provide a retirement income, whilst only 25% agree.

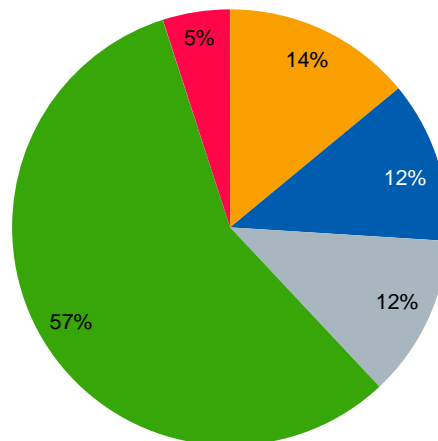
Charts 5 and 6: A surprising amount believe the government should increase overall funding by raising taxes

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



RETIREEES



- 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 (38%)
- A balanced approach with some reductions in individual payments and some increases in tax, (28%)
- They should not do anything. 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.

TRIGGERS TO SAVING

Our research looked to discern what would cause people to be more proactive towards retirement and begin to invest more of their own earnings into plans for later life. Our findings in Sweden include:

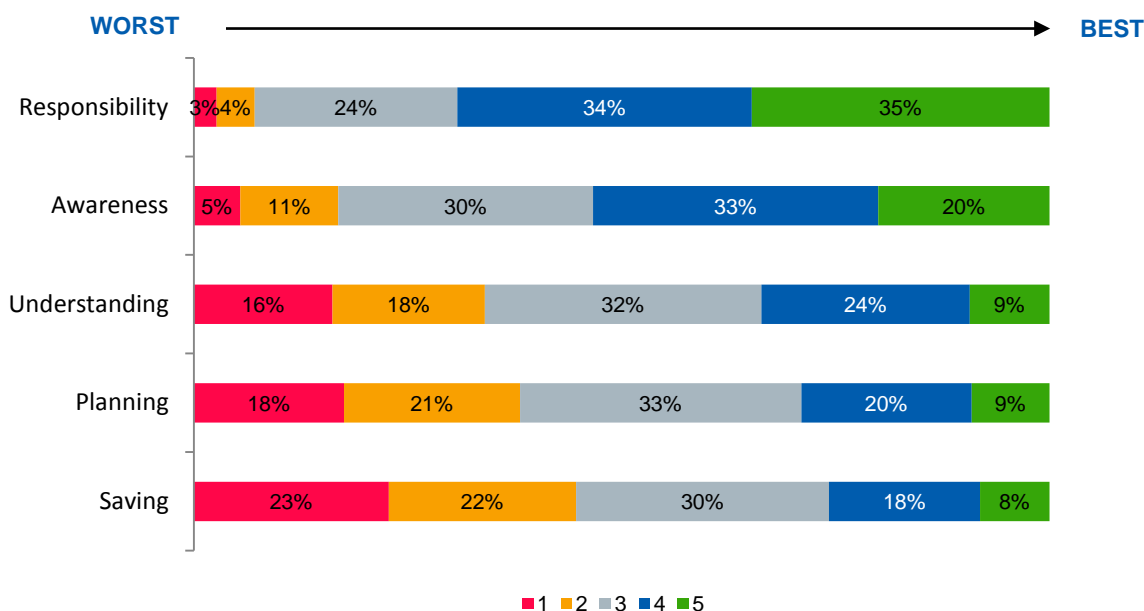
- 24% of respondents say a lack of spare money is their biggest obstacle to saving, lower than the global average of 44%.
- Investments which are guaranteed against losing their value are essential – 57% ranked this as ‘very important’ to them when choosing an investment.
- Pay rises (chosen by 44%) and tax breaks (30%) were the most important factors that would encourage respondents to save more for retirement.

3. THE STATE OF RETIREMENT READINESS

Our research looked not only into Swedish attitudes towards the future and retirement, but also sought to gauge how prepared people are for retiring. To do this, we required employees to score themselves from one to five on a series of issues, from their understanding of the need to save

towards retirement to the extent to which they are actively doing so. Chart 7 shows our results revealing a gap in Sweden between high levels of responsibility and awareness around retirement issues, and low levels of retirement saving and planning .

Chart 7: A gap between awareness and saving in Sweden



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.

As chart 8 shows, Sweden is placed fifth out of the nine countries surveyed, slightly below the global average. This is interesting considering the present generosity of the Swedish pension system, but makes sense when you consider that the ARRI measures peoples personal

behavior, rather than the system as a whole. Given Sweden’s relatively low scores for saving and planning behavior compared to some of the other countries surveyed, it’s score of 5.1 out of 10 can be explained.

THE AEGON RETIREMENT READINESS INDEX (ARRI)

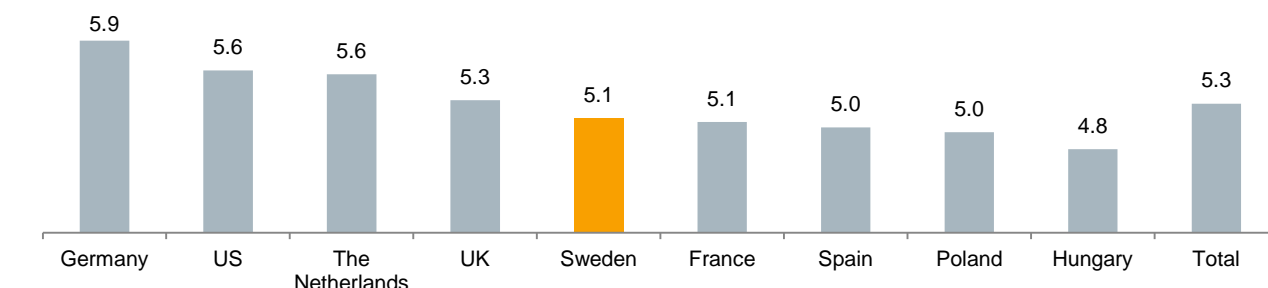
To calculate the index scores, the index incorporates the responses of the 8,100 employees surveyed across the nine countries. Each of the respondents was asked a series of questions to provide a cognitive assessment of their current retirement attitudes and behaviors. The survey asked three questions 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 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.

Chart 8: Sweden falls in the middle of the AEGON Readiness Index

Readiness Index created by weighting the responses to six questions according to statistical importance.



Within Sweden, 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 with an undergraduate degree or higher.

Chart 9: Nearly half of German respondents are always saving towards retirement

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



Whilst falling below average on the Readiness Index, Sweden is ahead of other countries surveyed when it comes to how workers describe their own retirement saving behavior, with a half of respondents claiming to always

be saving for retirement. This suggests that although saving for retirement, few Swedes consider their current level of retirement savings to be adequate.

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

- Although Sweden is in a more stable position than most other countries, people are still aware of the effect the financial crisis is having on their retirement prospects, and this is leading to an increased acceptance of the need for personal responsibility in retirement.
- Swedish employees should look to build on this increased level of awareness and personal responsibility towards retirement by building towards more adequate levels of private retirement savings.
- Businesses also have a role to play in ensuring adequate pension provision for employees. Although employers do already contribute to employee pensions, companies could offer greater amount of advice to increase understanding, which may subsequently
- The Swedish government, which many people rely on to provide retirement income, need to ensure that the system remains sustainable, taking into account demographic change.

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MEDIA RELATIONS

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1 Eurostat, 2012.

2 <http://www.theglobeandmail.com/report-on-business/economy/economy-lab/daily-mix/in-sweden-pension-problems-are-so-1989/article1878540/>.

3 <http://www.ft.com/cms/s/0/22c416b8-57ec-11e1-ae89-00144feabdc0.html#axzz1tdjqhg1m>.

4 Statistics on average effective age and official age of retirement in oecd countries, OECD, 2009.