

The changing face of retirement

AEGON Retirement Readiness Survey

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Media conference call

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LIFE INSURANCE | PENSIONS | ASSET MANAGEMENT

Agenda

- Introduction
- Survey findings
- AEGON Retirement Readiness Index
- AEGON recommendations



Objectives of the survey


- Provide a clear picture of attitudes and behavior towards retirement readiness in Europe and the United States
- Promote awareness of personal responsibility for retirement
- Make recommendations that will encourage individuals, employers and public policy makers to enhance retirement readiness

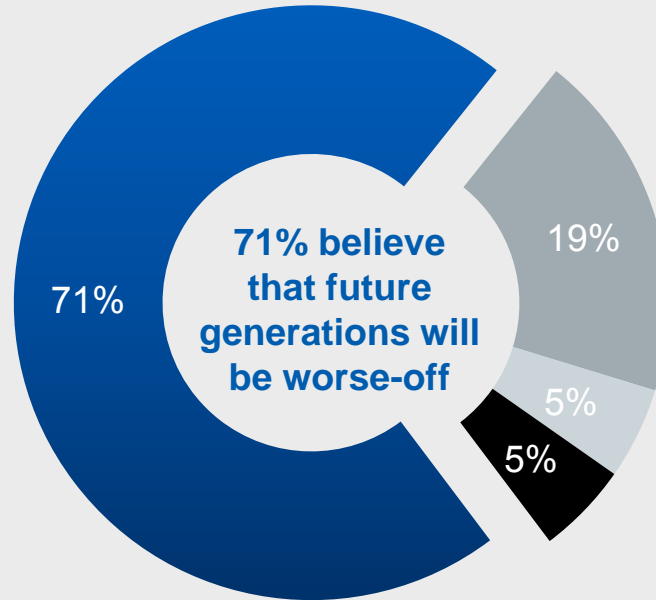
Research methodology


- Topics
 - ▶ Impact of pension reform, demographic and economic changes
 - ▶ Retirement awareness and readiness
 - ▶ Role of governments and employers
- Methodology
 - ▶ 9,000 respondents of whom 8,100 employees and 900 retirees
 - ▶ In 9 countries: France, Germany, Hungary, Netherlands, Poland, Spain, Sweden, United Kingdom and United States
- Partners
 - ▶ Transamerica Center for Retirement Studies®
 - ▶ Cicero Consulting


Current employees expect to be worse-off in retirement than current retirees

Do you think that future generations of retirees will be better off or worse off than those currently in retirement?

 **71%**
Worse off



 **19%**
About the same

 **5%**
Better off

 **5%**
Don't know

In Hungary 84% believe that future generations will be worse-off. In Sweden this belief is shared by only 56%.

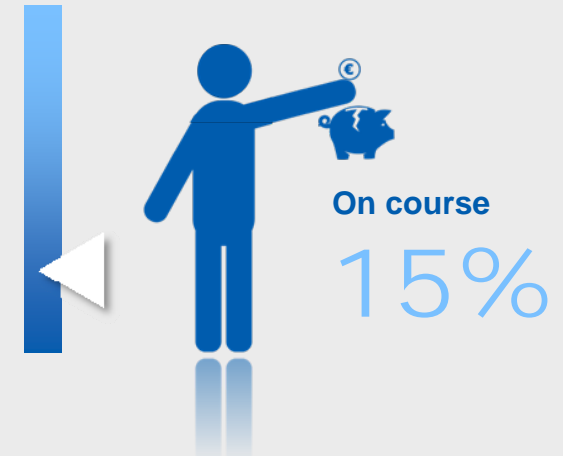
Awareness of retirement responsibility is not translating into action

Respondents rated their responsibility with regard to retirement on a scale of 1-5, with 5 being highest. Ratings 4 and 5 are shown as a percentage of all respondents.



Most respondents are aware of and understand their personal responsibility for retirement - especially in Germany (76%), the UK (77%) and USA (84%).


Do you think you will achieve the income you expect to need in retirement?

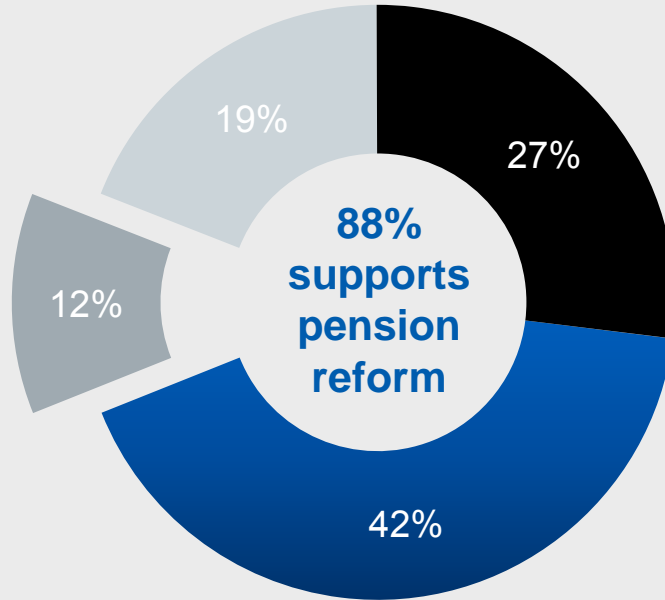



Overall, only 15% are currently on course to meeting their retirement planning goals. In Poland only 10% are on course.


Broad support for government pension reform


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?

 **12%**
Do nothing – state pensions will remain affordable



 **19%**
A balanced approach: some reductions in payments and some increases in tax

 **27%**
Increase overall funding available for the state pension through raising taxes

 **42%**
Reduce the overall cost of state pension provision by reducing the value of individual payments

88%

In Hungary 95% support pension reform. In the Netherlands only 70% do so; 30% believe that state pensions will remain affordable.

Nearly half do not support increasing retirement age, despite rising life expectancy

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?



19%

Retirement age should increase except for those in dangerous or manual workers



17%

Retirement age should increase but be capped



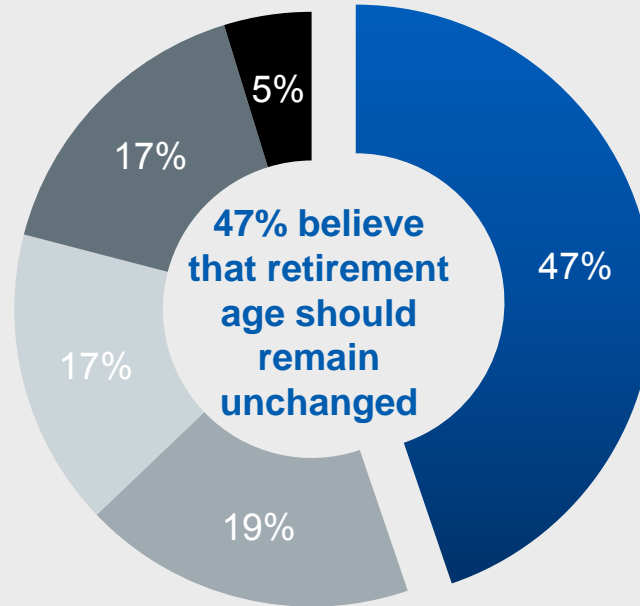
17%

Retirement age should increase in line with life expectancy



5%

Don't know



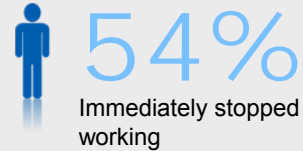
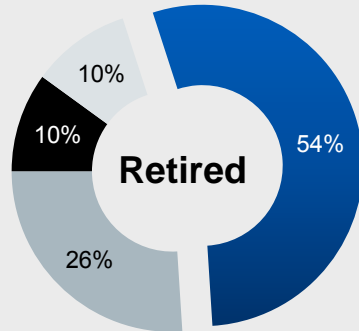
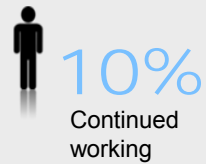
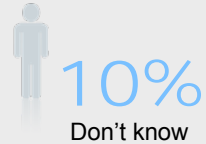
47%

Retirement age should remain unchanged.

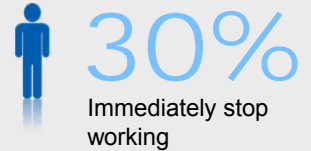
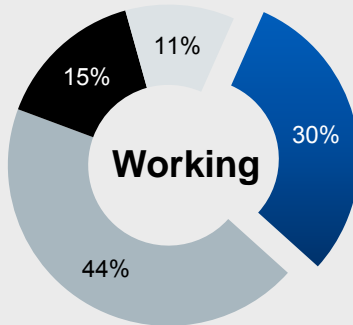
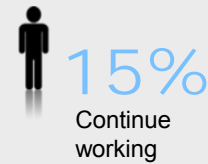
In Hungary and in Sweden 65% believe that retirement age should remain unchanged. In the United States only 32% believe this.

“Retirement cliff” giving way to phased retirement

Looking back, how did your transition to retirement take place?



Looking ahead, how do you envision your transition to retirement?



Whereas 63% of current US retirees stopped working completely at retirement age, only 18% of current US employees expect to do so.

The survey introduces the AEGON Retirement Readiness Index

AEGON Retirement Readiness Index



Responsibility

Personal responsibility:

Do people take responsibility for their retirement income?



Awareness

Level of awareness:

Do people recognize the need to plan for retirement?



Understanding

Financial understanding:

Do employees understand financial matters regarding plans for retirement?

Planning

Retirement planning:

How well developed are people's financial plans?

Saving

Saving for retirement:

Are people putting enough away?

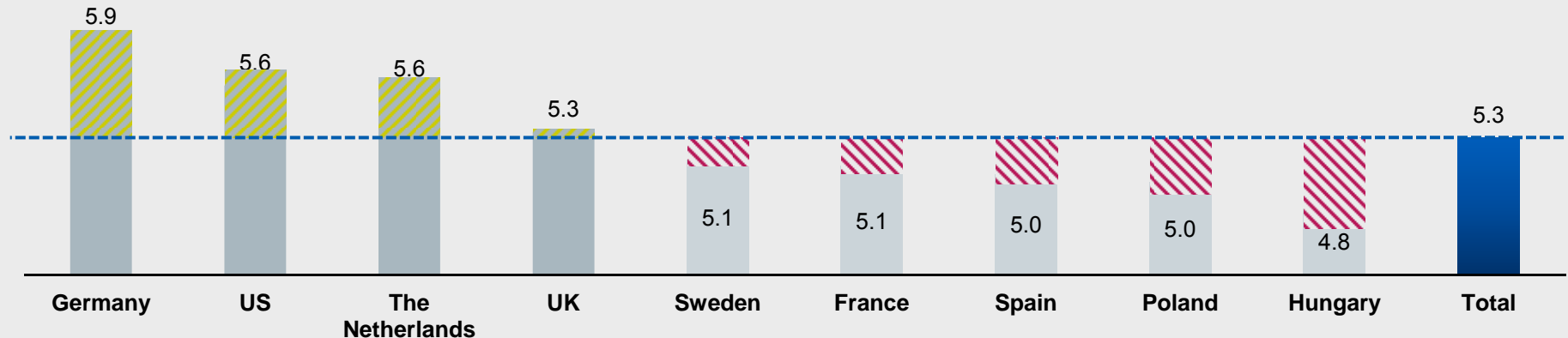
Projected income

Projected income replacement:

Do people expect to achieve their desired income?

Average Retirement Readiness Index score, by country

- Employees in Germany feel most prepared for retirement; Hungarian employees are least prepared
- Countries with large pension assets to GDP ratios also scored higher than average – UK, Netherlands, USA
- Hungary's pension system has undergone traumatic reforms recently, and this seems to be reflected in results



Profiles of retirement readiness



Typical profile of a prepared individual High index score

- More likely to live in Northern Europe or North America
- More likely to be male
- More likely to be over 45 years old
- More likely to have a university degree
- More likely to be married



Typical profile of an unprepared individual Low index score

- More likely to live in Southern or Eastern Europe
- More likely to be female
- More likely to be less than 35 years old
- More likely not to have a university degree
- More likely to be single

AEGON recommendations

- Awareness of retirement responsibility is not translating into action
 - ▶ Although systems vary by country, people in all countries should start saving now and do so regularly. Governments and employers can facilitate this through tax incentives and effective and secure workplace pension programs respectively.
- Government pension reform is broadly supported, but extending retirement age is not
 - ▶ Policy makers, employers and the industry should further engage the public on this issue. Without an increase in retirement age, government or private pensions will become prohibitively expensive and potentially not viable.
- “Retirement cliff” giving way to phased retirement
 - ▶ Policy makers and employers should provide options for phased retirement; individuals are already accepting the prospect of working longer in some form
- Current workers expect to be worse off in retirement than current retirees
 - ▶ If we act now, advances in longevity and health combined with a modern approach to retirement can ensure that this life stage is a period of financial security and personal fulfillment.

Q&As

This presentation is illustrated with portraits of men and women in middle age and remastered pictures of what they could look like when they are old. Academic research suggests that people have difficulty imagining themselves in old age and this affects their ability to plan for the future. A recent experiment indicated that when people interact with old-age versions of themselves they make better retirement planning decisions.

Source: Hershfield, Goldstein et al. Increasing Saving Behavior Through Age-Progressed Renderings of the Future Self, Journal of Marketing Research, Vol. XLVIII (November 2011), S23–S37.

