



The Changing Face of Retirement

The Aegon Retirement Readiness Survey 2014

Key Findings

2014 Aegon Retirement Readiness Index China

Aspirations for Retirement Lifestyle

- High-income respondents are more confident about the Chinese economy and their personal financial status over the upcoming 12 months.
- Most of the respondents are optimistic about retired life, and travelling is the most desired activity in retirement.
- Up to 67% of respondents expect that they will need to provide financial support for their relatives after retirement, while only 29% believe that they need receive financial support from their relatives.
- The majority are more concerned about their retirement time, rather than their finances.
- Average life expectancy of respondents is 81 - higher than actual longevity in China.
- The vast majority (57%) intend to transition gradually from semi-retirement to full retirement.

Retirement Readiness

- Chinese retirement readiness index increased from 5.41 in 2013 to 6.30 this year. This is **still low**.
- In terms of financial capability and saving, Beijing residents are significantly better than other cities, giving them a clear advantage in terms of retirement readiness.
- Men are much more conscious about future retirement income and their financial understanding is much higher than with women. Women are much more confident about their expected retirement income.
- People older than 40 have higher savings, therefore their retirement readiness is much higher.
- Almost 80% think they will need a future retirement income 1.5 times their current income, but only 30.3% think that their future retirement income can be achieved, and 37.8% are not confident they will achieve even half of it.
- The higher the expected retirement income, the more confident people are they will achieve it. One possible explanation is that people who are more confident about achieving their expected income actually set a higher retirement income.
- Increasing income could decrease expectations for retirement income (ratio to current income). One possible explanation is that with lower income levels, a higher proportion is spent on basic necessities.

Retirement income source

- Social pension insurance plans and bank savings are the most important source of retirement income. Workplace pension coverage rates are low.
- Willingness to invest is evidently influenced by income. People in economically developed regions and high-income resident are more willing to invest for retirement. Residents optimistic about their future economic state are more willing to buy retirement-related financial products.
- Participation in social insurance is barely influenced by income, but there's a clear regional difference, with low adoption rates in undeveloped regions.
- Participation in social insurance increases with age. This could be explained because work becomes more stable the older you become, and you are more likely to be enrolled in the social insurance system through the workplace.
- Compared with last year, more respondents (73.6% versus 64.9%) recognized that individuals have to take responsibility for their retirement income to some extent. This suggests that the traditional Chinese notion of relying on the government and employer is changing, and that awareness about retirement readiness is making progress.
- The majority (80%) think that employer should be responsible for retirement income to some extent, **but the current benefits offered by employers can't meet employee demand.**
- The vast majority (81%) agree to some degree that government should encourage employers to automatically enroll all their employees into a retirement plan. **This shows that most residents have high expectations for workplace pension plans,** and believe that the government has a certain responsibility for developing the workplace pension system.
- Younger employees pay less attention to workplace pensions, while employees with children value the role a workplace pension can play.
- Short-term direct benefit, such as wage, career development, bonus, paid holiday and health insurance etc., are still the most important factors when choosing their career.
- There are currently few employers providing retirement pension benefits. Employers in economically developed regions provide more career benefits.
- **Currently, the information provided by the retirement service and employers is limited.** Those in more senior positions and high-income employees receive much more comprehensive retirement information.
- 51% of respondents insist that **employers don't provide enough information or support** to help

employees put together a retirement plan.

- The vast majority think that employers should take action to help employees plan for retirement, such as flexible benefit plans or fund pension plans.
- Most respondents **are not willing to** sacrifice other benefits for a workplace pension plan.
- For workplace pensions, increases in employer contributions would increase employee's willingness to contribute.

Retirement saving information & financial product preference

- For retirement saving information, respondents use **friends and families** (41%), **bank website** (32%), individual financial website, online retirement planning tools (28%), professional financial adviser (27%).
- For saving information, respondents use **friends and families** (19%), **professional financial adviser** (13%), individual financial website, online retirement planning tools (12%), bank website (10%).
 - Those with **higher incomes, better retirement planning or with more senior positions**, are more likely to use professional financial advisers, and less likely to use friends and families.
- All groups generally expect to have a **regular retirement income (47%)**.
- All groups have similar preference towards financial products. They generally prefer products covering **long-term care** expenses (4.01), providing retirement income that's protected from inflation (3.98) or providing secure retirement profits or **lifetime income** after retirement (3.91). Respondents are relatively unconcerned about whether the fund management fees are low (3.59), or whether investment return is locked during good years (3.65).

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Retirement Readiness Index Research Group

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