



From Challenge to Opportunity

Wave 2 of the East Asia Retirement Survey

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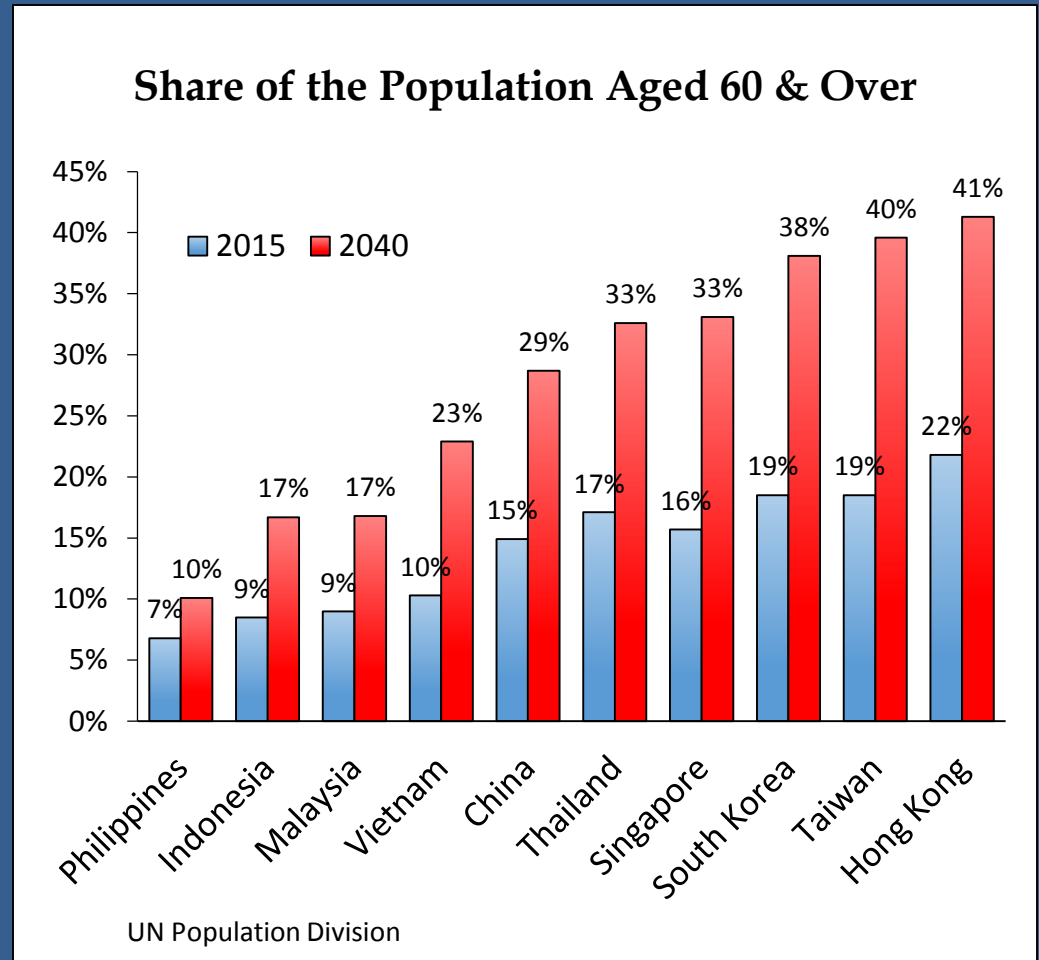
East Asia at a Crossroads

Survey Framework

- ▣ The first wave of the East Asia Retirement Survey was conducted in 2011 in China, Hong Kong SAR, Malaysia, Singapore, South Korea, and Taiwan. The second wave was conducted in 2014 in the six first-wave countries plus Indonesia, the Philippines, Thailand, and Vietnam.
- ▣ The survey is nationally representative, except that the samples for China, Indonesia, the Philippines, Thailand, and Vietnam are limited to urban areas.
- ▣ The survey universe consists of “main earners” aged 20 and over, including both current main earners and retired main earners.
- ▣ Respondents were asked about their general attitudes toward retirement, as well as about their own retirement experience and expectations.
- ▣ Current retirees were asked about their current retirement experience, while current workers were asked about their retirement expectations.

Although the ten countries surveyed differ in important respects, they also have important things in common.

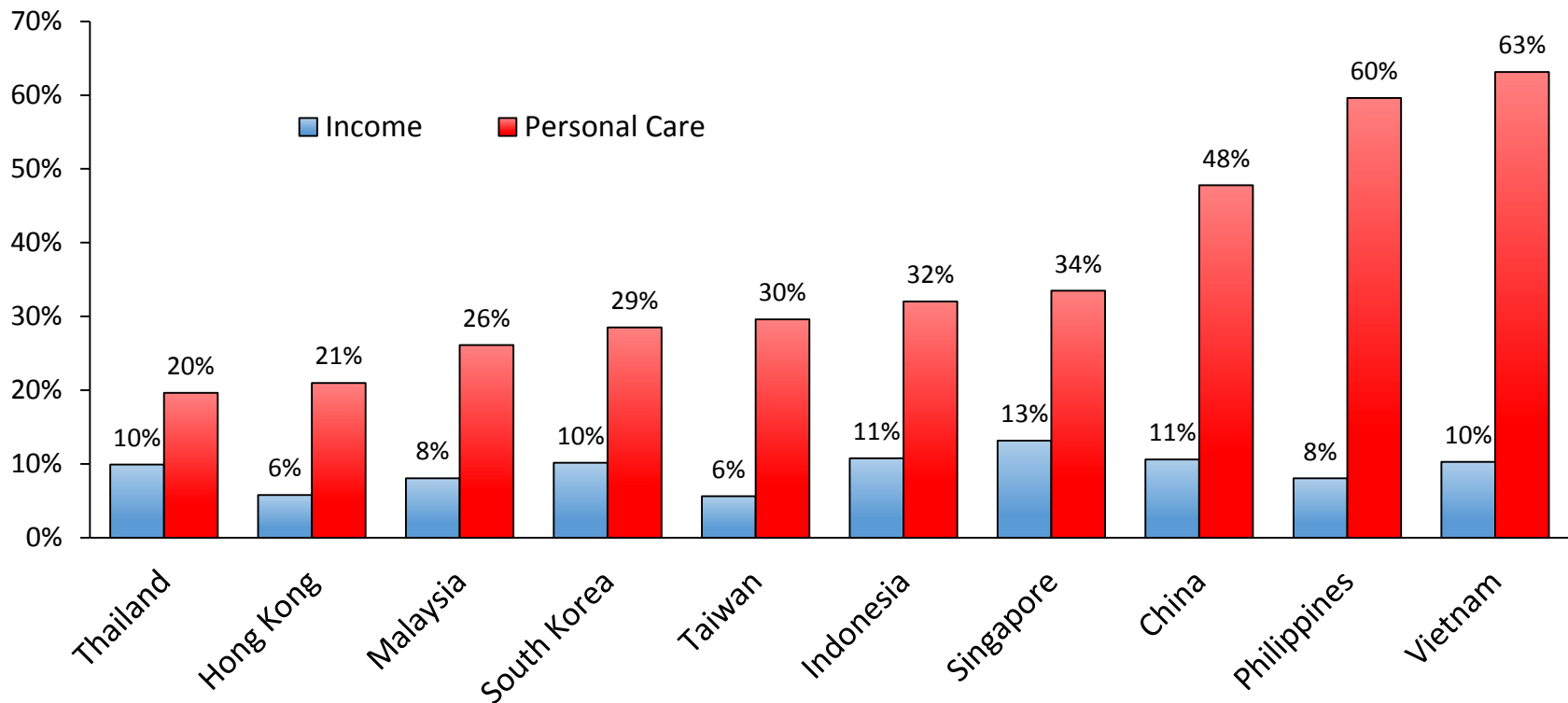
- ▣ There are enormous differences in per capita income, institutional capacity, market orientation, and extent of population aging across the ten countries surveyed.
- ▣ Yet all of the countries have at least two things in common: underdeveloped welfare states and retirement systems in which the extended family continues to play a far more important role than it does in the West.



By overwhelming majorities, East Asians reject the traditional model of family-centered retirement security.

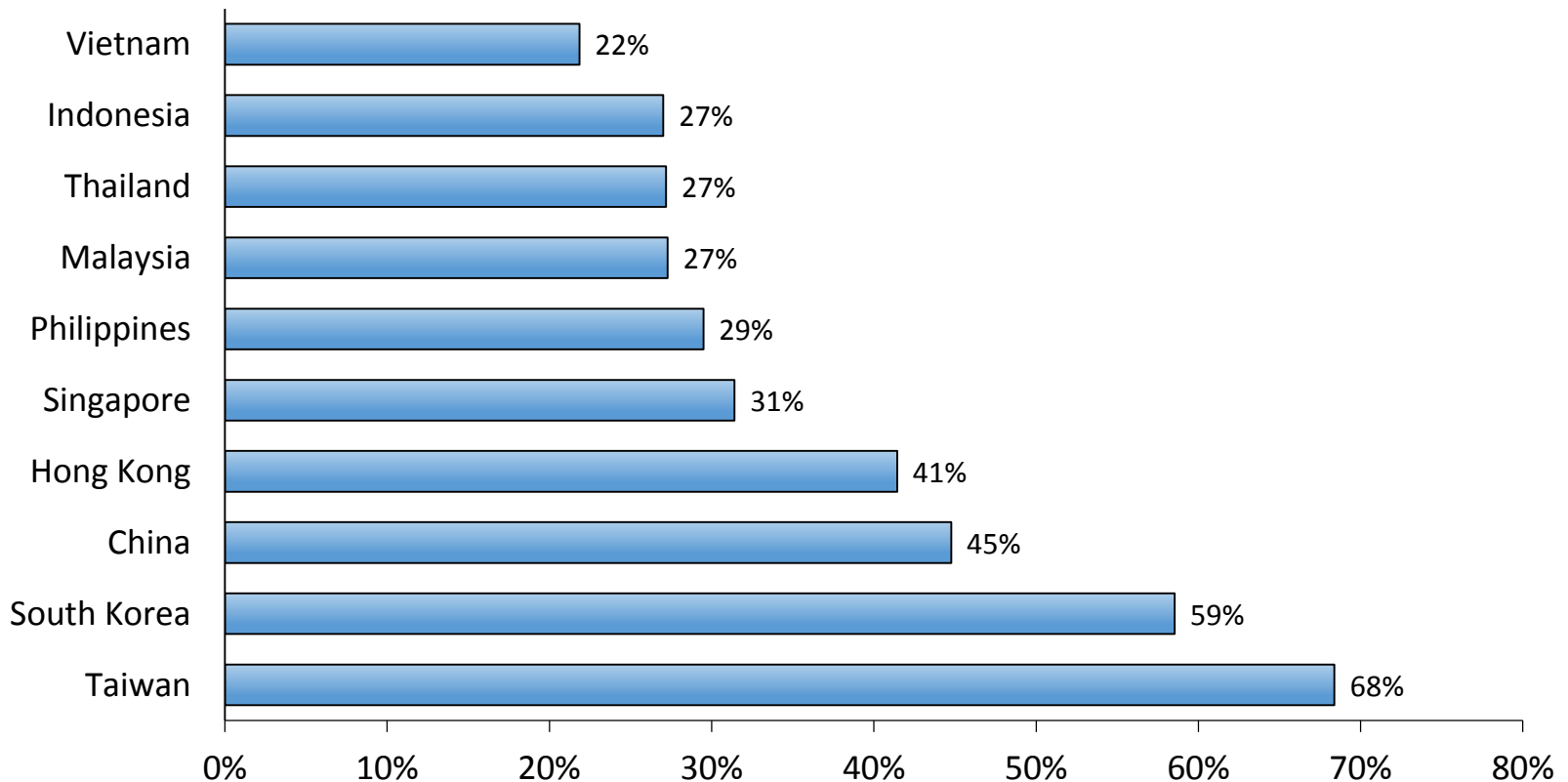
"Who, ideally, should be mostly responsible for providing *income* to retired people?" and "Who, ideally, should be mostly responsible for providing *personal care* to retired people?"

Share of Respondents Saying "Grown Children or Other Family Members"



Along with declining family size, the shift is being driven by the diffusion of more individualistic “western” values.

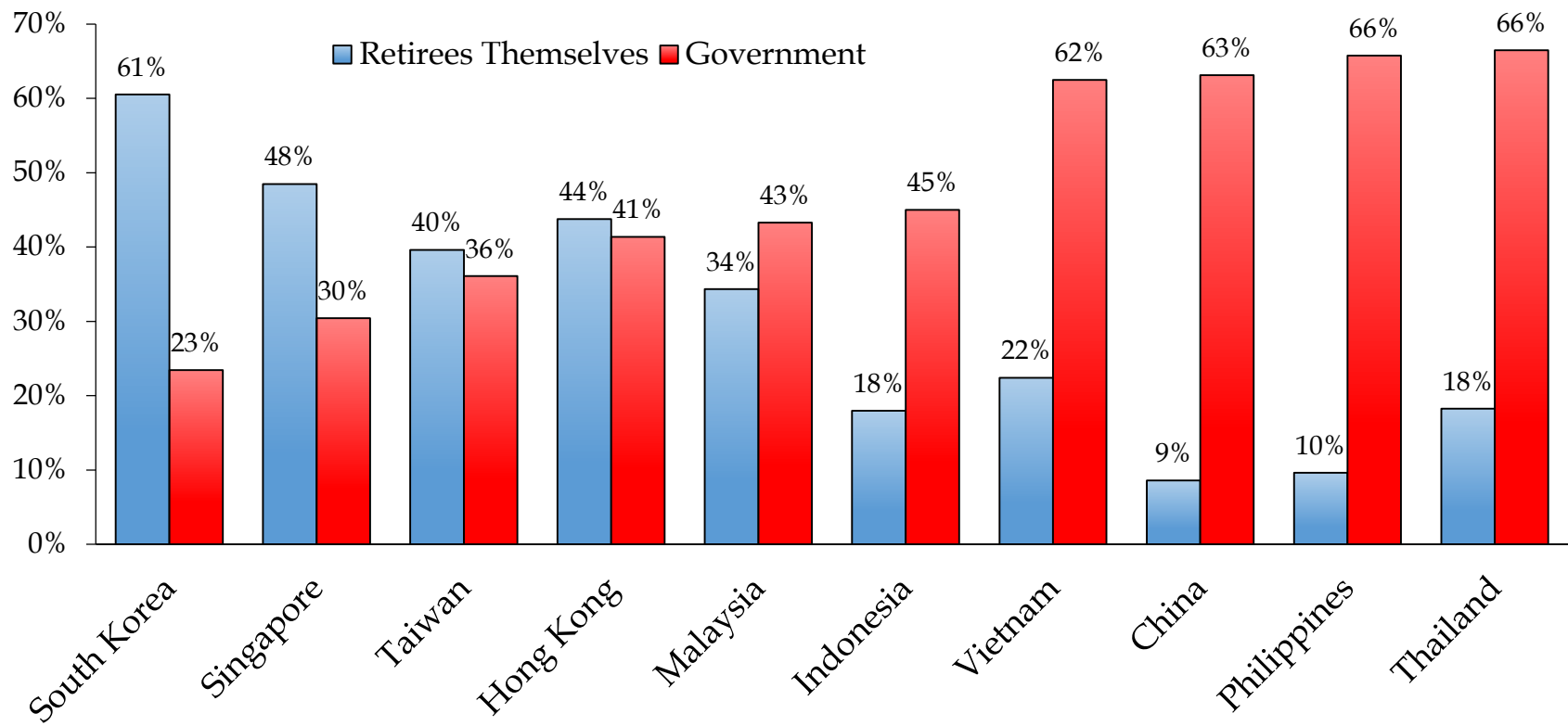
Share of Respondents Agreeing that “Both parents and children are generally happier when they are more independent and self-sufficient.”



Views differ greatly across East Asia about who should replace the family as guarantor of retirement security.

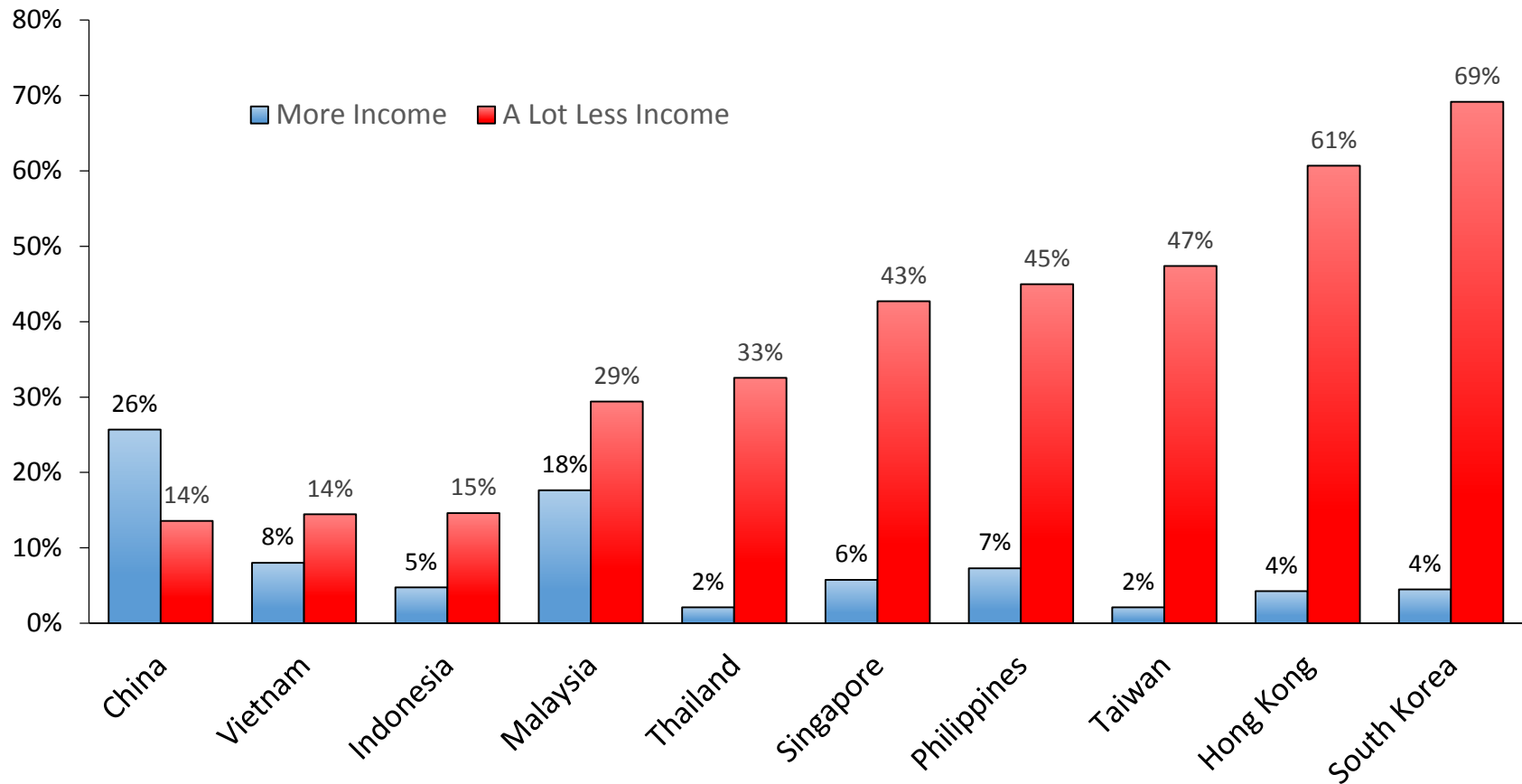
"Who, ideally, should be mostly responsible for providing income to retired people?"

Share of Respondents Saying "Retirees Themselves, through Their Own Savings" versus Share Saying "Government"



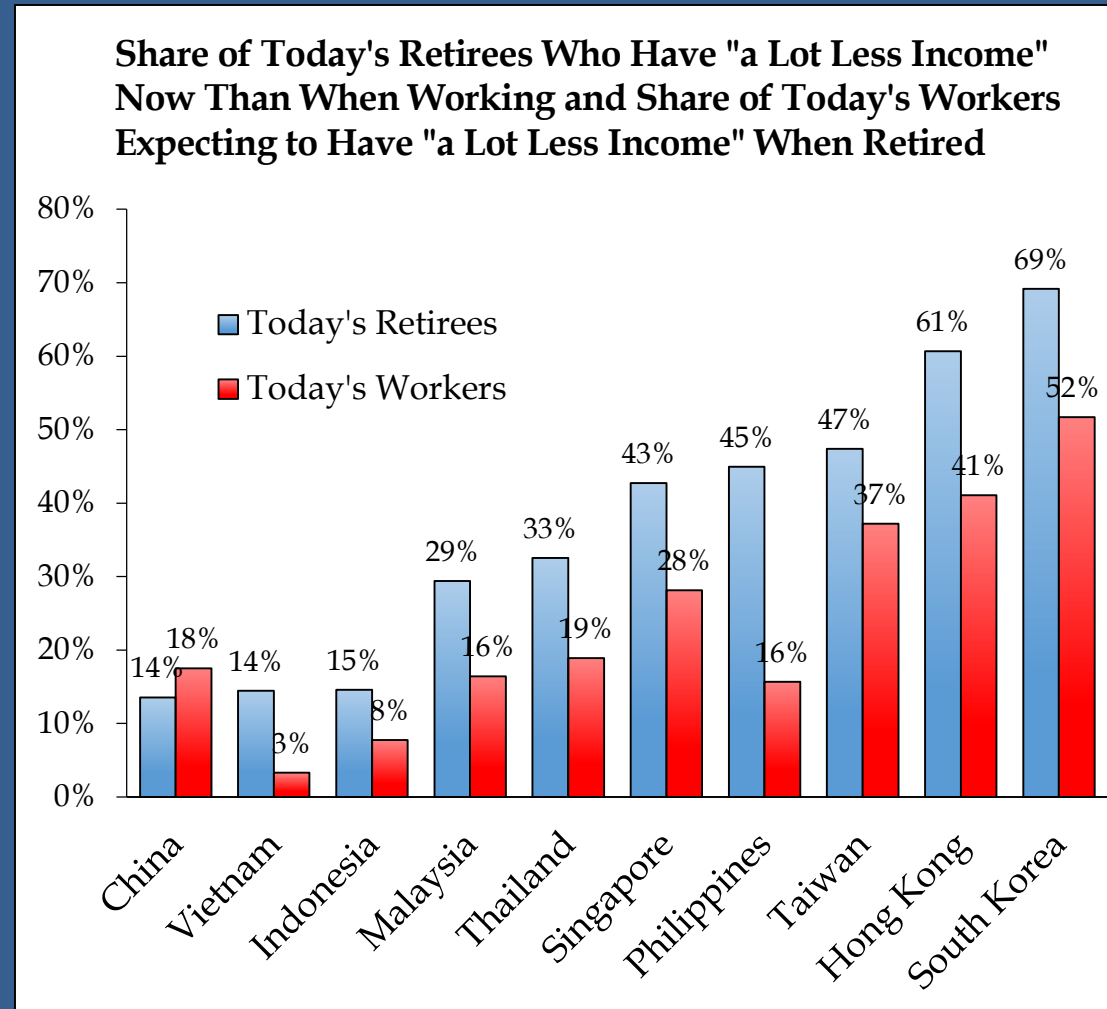
For today's retirees, retirement is frequently a time of economic insecurity and social marginalization.

Share of Today's Retirees Who Have "More Income" Now Than When Working versus Share Who Have "a Lot Less Income"



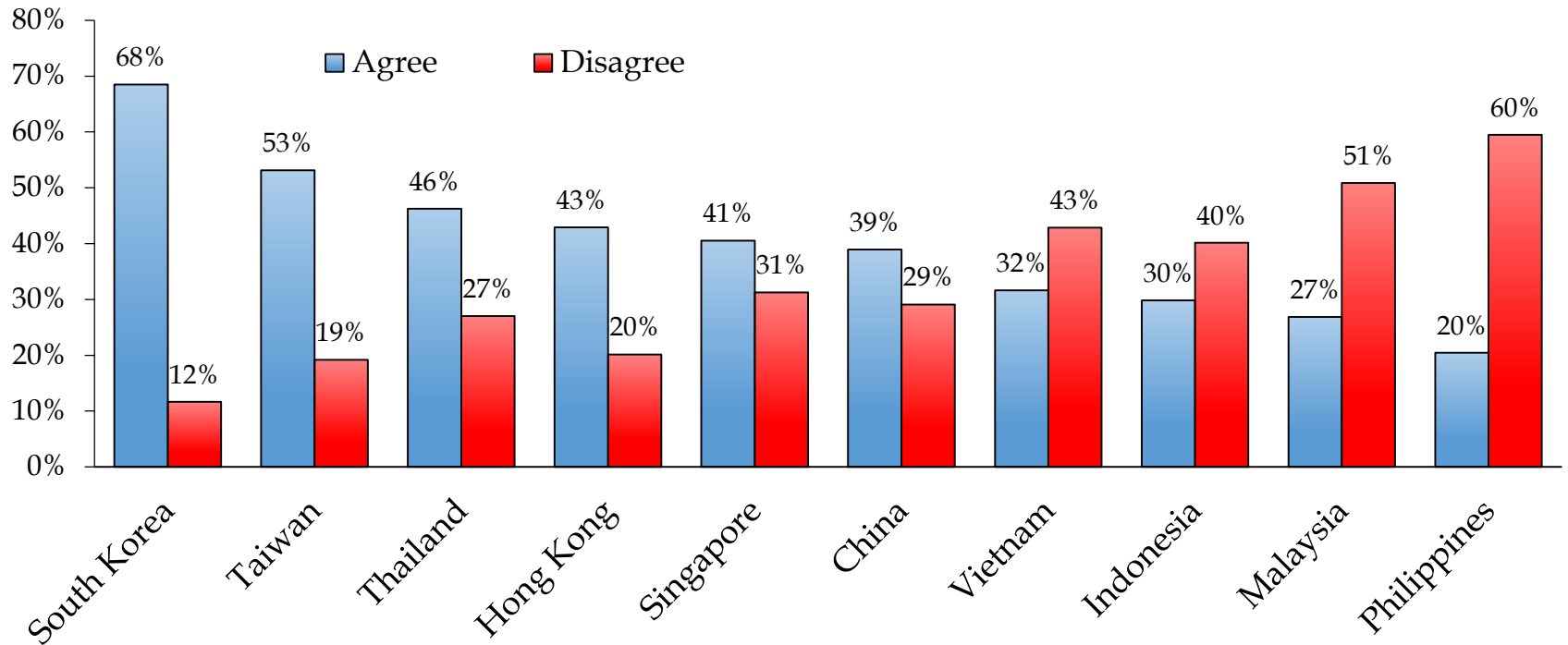
Although the retirement prospects for today's workers are improving, retirement insecurity remains widespread.

- Although pension receipt rates are due to rise rapidly when today's workers retire, replacement rates are likely to be very low.
- Most workers are not accumulating sufficient savings of their own to make up for inadequate pension benefits.
- Meanwhile, today's workers expect to receive much less support from the extended family than today's retirees do.



In addition to their own retirement security, respondents in faster-aging countries worry about the growing burden of supporting the elderly on tomorrow's workers and taxpayers.

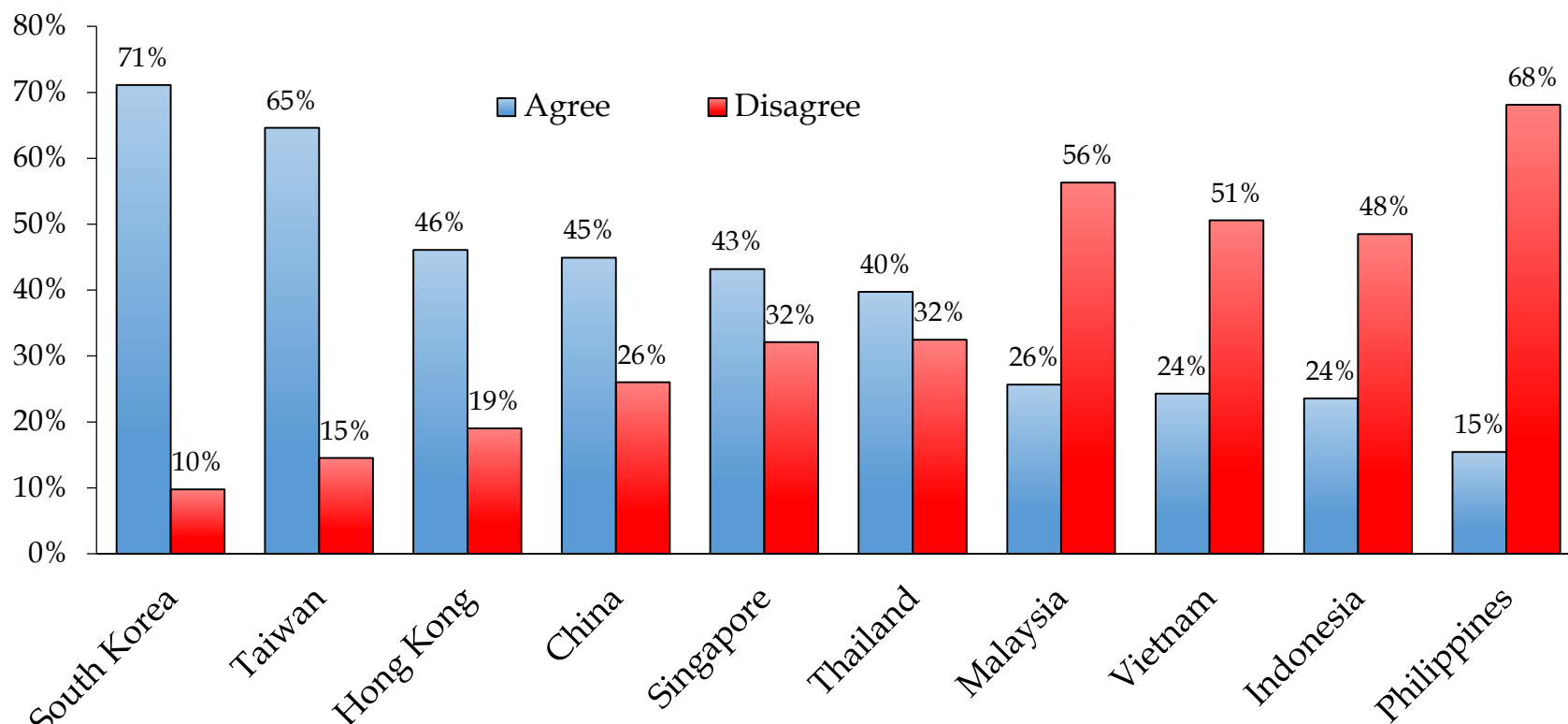
Share of Respondents Agreeing and Disagreeing That "Supporting the Growing Number of Elderly Will Be a Large Burden for Tomorrow's Workers and Taxpayers"



Note: The question used a five-point scale, with 1 being strongly disagree and 5 being strongly agree. "Agree" = 4 + 5 and "Disagree" = 1 + 2.

Respondents in faster-aging countries also worry about the growing burden on tomorrow's families.

Share of Respondents Agreeing and Disagreeing That "Supporting the Growing Number of Elderly Will Be a Large Burden for Tomorrow's Families"



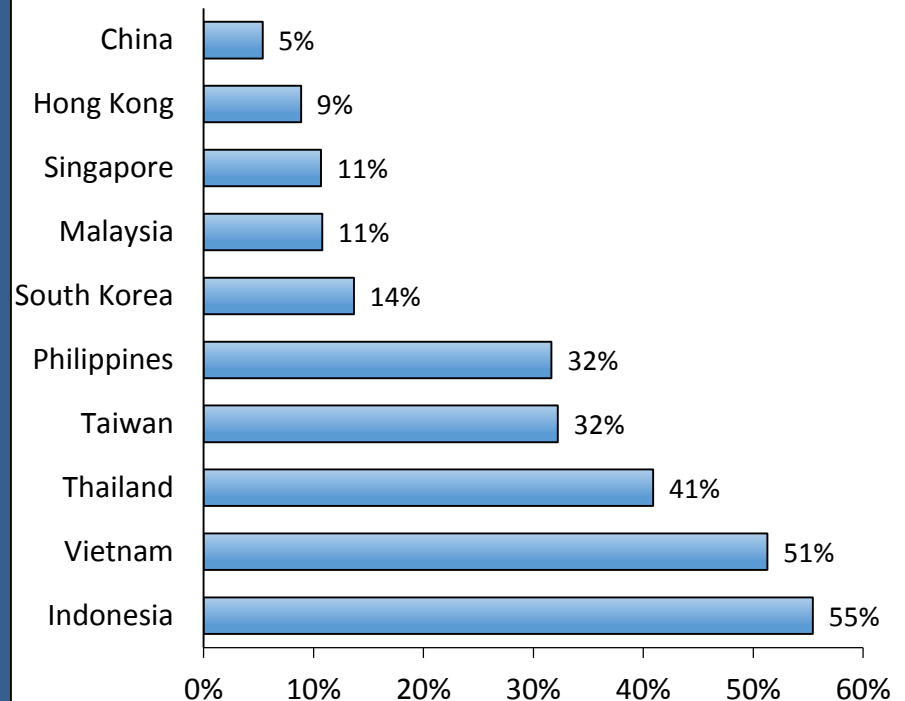
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Strategic Implications

Implications for Policymakers

- ▣ **Improve the adequacy of state pension systems**
- ▣ Encourage or require workers to save more for their own retirement
- ▣ Establish more robust floors of old-age poverty protection
- ▣ Raise retirement ages and encourage longer work lives

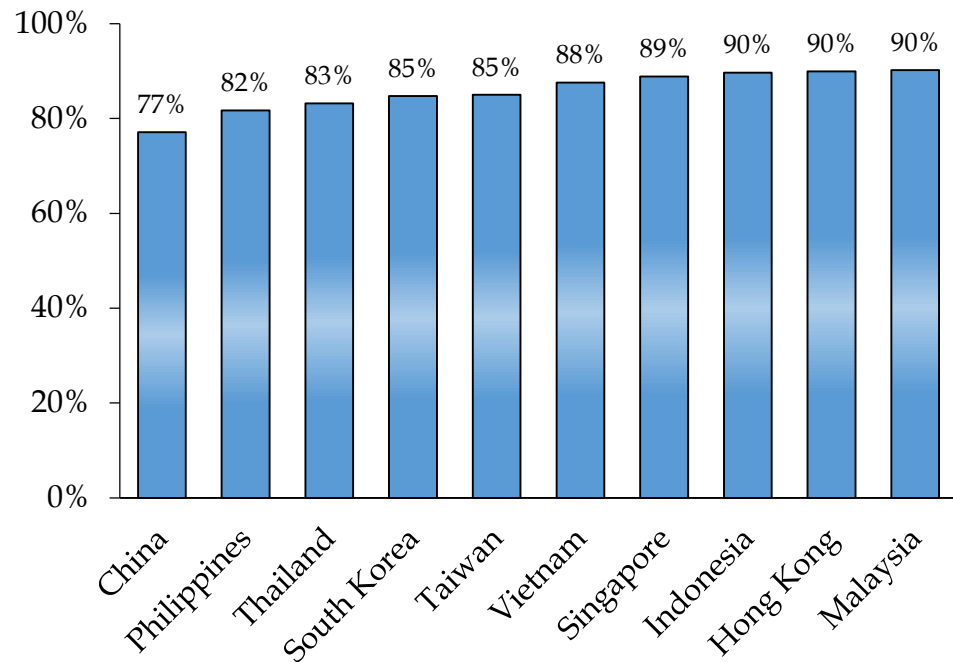
Share of Today's Workers Who Do NOT Expect to Receive a State Pension Benefit



Implications for Policymakers

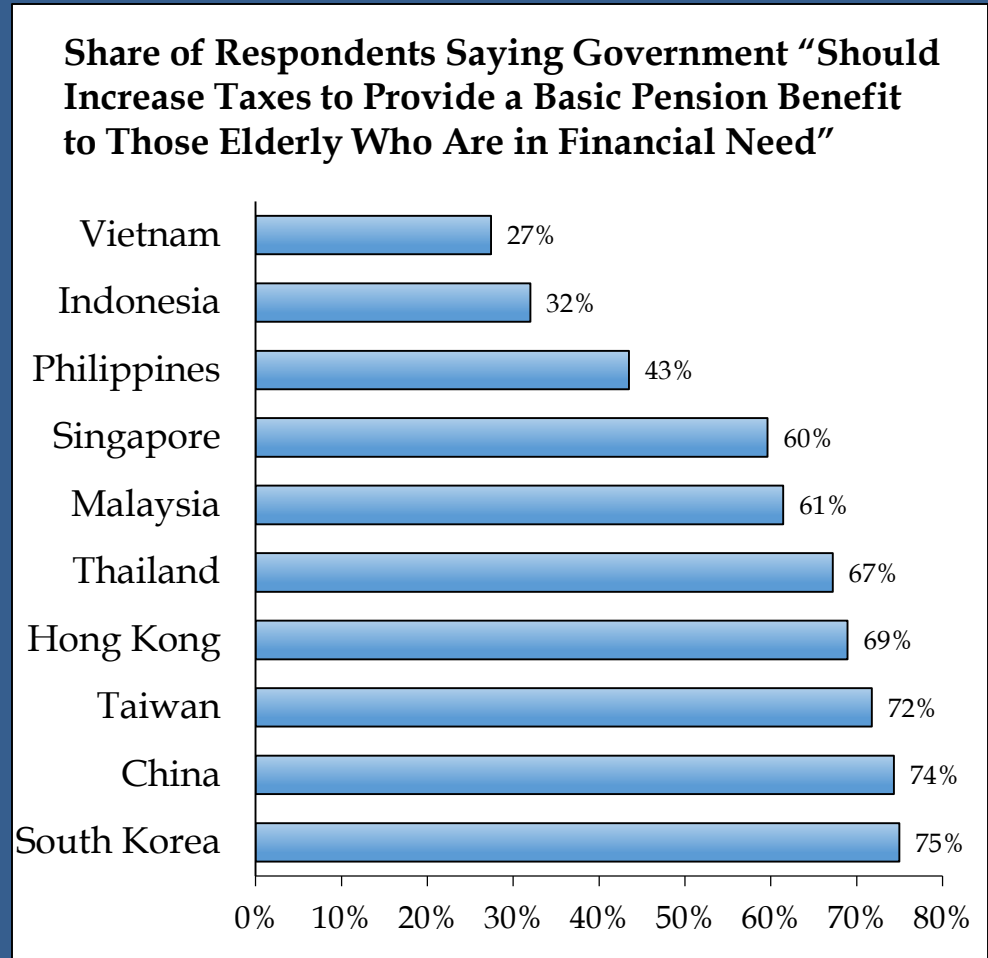
- Improve the adequacy of state pension systems
- **Encourage or require workers to save more for their own retirement**
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Share of Respondents Saying Government Should “Require Workers to Save More for Their Own Retirement”



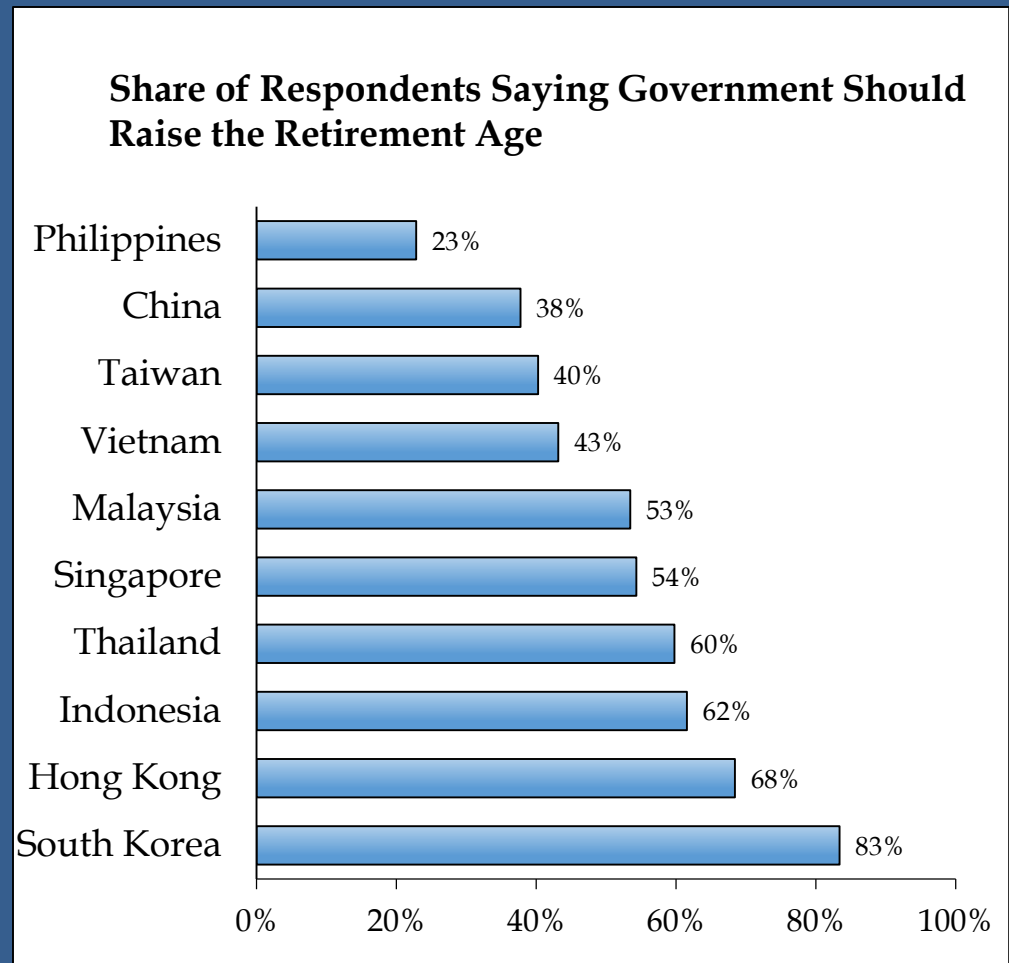
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Implications for Policymakers

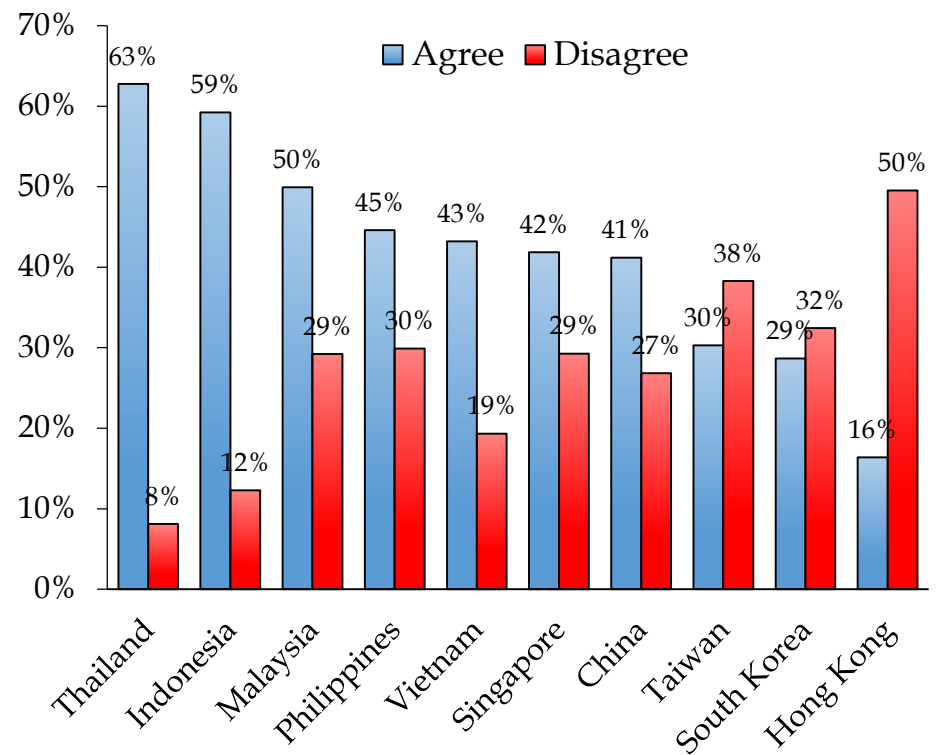
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- ▣ Establish more robust floors of old-age poverty protection
- ▣ **Raise retirement ages and encourage longer work lives**



Implications for Financial Services

- Educate the public about the role of the financial services industry in retirement planning
- Help workers turn their retirement savings aspirations into retirement realities
- Design financial products and services for workers who want to assume responsibility for their own retirement
- Satisfy the demand for converting household savings and lump-sum pension payments into retirement income streams

Share of Respondents Agreeing and Disagreeing That "People Can Trust Financial Services Companies to Help Them Prepare for Retirement"

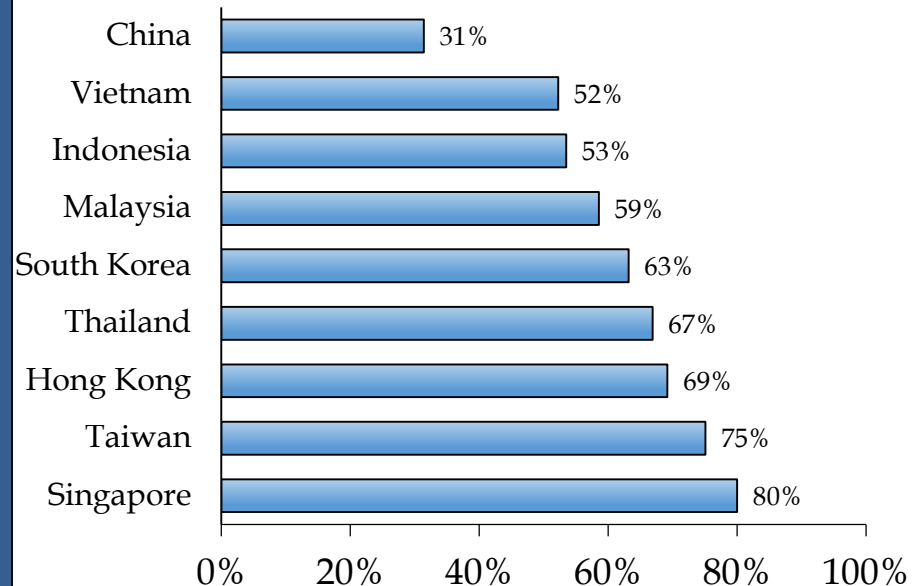


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Share of Today's Workers Aged 20-39 Who Have Purchased Financial Assets as a Percent of All Workers Aged 20-39 Who Expect to Receive Income from Financial Assets* in Retirement



* Includes insurance and annuity policies and stocks, bonds, and mutual funds, but excludes bank deposits.

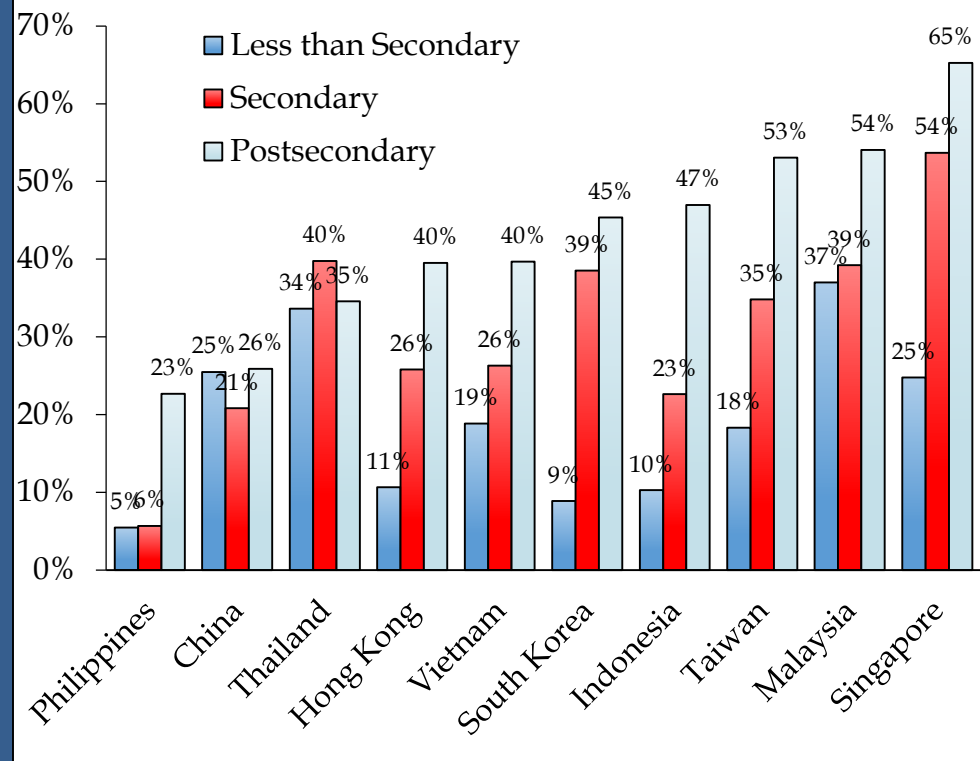
Note: The Philippines is excluded from the chart because of insufficient data.

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“Have you ever received professional financial advice about how to invest your retirement savings?”

Share of Today's Workers Saying “Yes,” by Educational Attainment

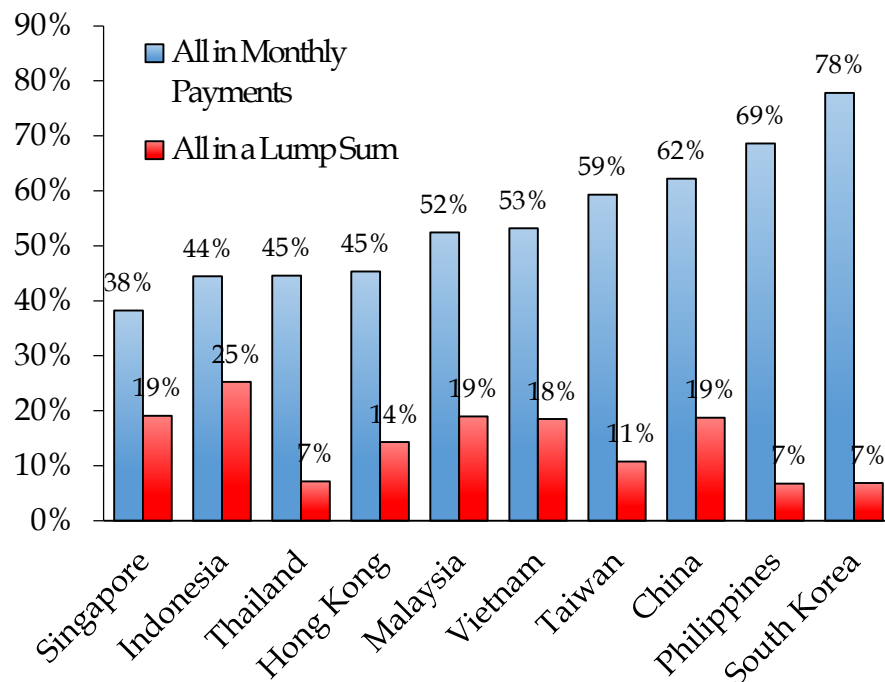


Implications for Financial Services

- Educate the public about the role of the financial services industry in retirement planning
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“If you could choose how pension benefits will be paid to you, please indicate which of the following ways you would prefer to receive the benefits.”

Share of Today's Workers Saying “All in Regular Monthly Payments” versus Share Saying “All in a Single Lump Sum”



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