

by RICHARD JACKSON
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From Challenge to Opportunity

THE FUTURE OF RETIREMENT IN

Vietnam

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About the East Asia Retirement Survey

The East Asia Retirement Survey is part of the multiyear Global Aging Preparedness Project, which was launched in 2010 by the Center for Strategic and International Studies (CSIS) with the publication of *The Global Aging Preparedness Index*, a unique new tool for assessing the fiscal sustainability and income adequacy of retirement systems around the world. When project director Richard Jackson left CSIS early in 2014 to found the Global Aging Institute (GAI), the project moved with him and since then has continued under the auspices of GAI. Prudential plc has collaborated with Richard Jackson on the project since 2010 and continues to support the ongoing work on the project being carried out by GAI.

As the world's societies age, governments and businesses are trying to look ahead and anticipate the needs of tomorrow's growing elderly populations. Nowhere is this more difficult than in emerging East Asia, where rapid development is transforming traditional retirement attitudes and expectations. The role of the family in retirement security is receding, while the importance of pensions and personal savings is growing. How well are retirees in East Asia coping with the changes? How prepared are workers for their own future retirement? And what type of retirement system would people actually prefer, if given the choice?

The purpose of the East Asia Retirement Survey, now in its second wave, is to help answer these questions. The first wave of the survey, conducted in the summer of 2011, was administered to representative samples of workers and retirees in China, Hong Kong SAR, Malaysia, Singapore, South Korea, and Taiwan. The second wave, conducted in the summer of 2014, was administered to representative samples of workers and retirees in the six first-wave countries plus Indonesia, the Philippines, Thailand, and Vietnam.* While the survey finds that there are many important differences across the region, it also reveals that citizens throughout East Asia have at least two important things in common. They are anxious about their retirement prospects and they are eager to improve them.

The results of the first wave of the survey were published in *Balancing Tradition and Modernity: The Future of Retirement in East Asia* (Washington, DC: CSIS, 2012). The results of the second wave of the survey are published in *From Challenge to Opportunity: Wave 2 of the East Asia Retirement Survey*, the overall project report, as well as in a series of ten shorter country reports, of which this is one. All of the reports, together with supplemental data, are available on GAI's dedicated project website at gap.globalaginginstitute.org. The results of the second wave of the survey are also featured on Prudential's dedicated project website at www.prudentialcorporation-asia.com/eastasia-retirement-2015/.

**For convenience, the term "country" is sometimes used in this report to refer to all ten distinct territorial and economic entities where the survey was conducted. Use of the term is not meant to imply any judgment about the sovereignty or status of any of the ten entities in international law or practice.*

The Global Aging Institute does not take specific policy positions; accordingly, all views expressed herein should be understood to be solely those of the author(s).

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Findings from Wave 2 of the East Asia Retirement Survey

Vietnam

Thanks to generous state pension benefits and extensive family support, most of today's retirees enjoy a relatively comfortable retirement in Vietnam.¹ Yet perhaps because of their heavy dependence on government and their children, they worry a great deal about their retirement security. Today's workers also worry a great deal about their own future retirement security, and with good reason. While rates of state pension receipt are expected to rise in the future in most East Asian countries, in Vietnam they are expected to fall. With just one in five of today's workers expecting to receive income from financial assets when they retire, personal savings is unlikely to fill the gap. Meanwhile, with just 10 percent of Vietnamese believing that grown children or other family members should be "mostly responsible for providing income to retired people," today's workers

may not be able to count on family support to the extent that today's retirees can.

Despite the concerns about retirement security, the level of support for retirement reform in Vietnam is much lower than in most East Asian countries. Only minorities of Vietnamese would support increasing taxes to strengthen the old-age safety net, requiring workers to contribute more to the Vietnam Social Security Fund, the country's state pension system, or raising the retirement age. The lack of a sense of urgency about reform may be explained in part by the extraordinary optimism of the Vietnamese about their nation's future economic prospects. It may also be attributable to the fact that Vietnam faces a relatively modest aging challenge. Although the elderly share of the population is projected to double to 23 percent by 2040, this would still leave Vietnam with a younger population than any other country surveyed except Indonesia, Malaysia, and the Philippines.

There is one area, however, where the Vietnamese agree that reform is needed. Overwhelming

¹ The Vietnam sample of the East Asia Retirement Survey was limited to urban areas. The discussion in this report thus refers to workers and retirees in Vietnam's cities and does not apply to the countryside.

SURVEY Overview

Vietnam

TODAY'S RETIREMENT		Realities	
Share of Today's Retirees Who...			
	Retired before Age 60		86
	Live with Their Grown Children ¹		80
	Depend Financially on Their Grown Children ²		27
	Receive Income from the State Pension System ³		68
	Receive Income from Financial Assets ⁴		13
	Receive Income from a Job or Business		76
	Have Received Professional Financial Advice		17
	Have a Lot Less Income Now Than When Working		14
	Worry More About Exhausting Their Savings Than 3 Years Ago		28
TOMORROW'S RETIREMENT		Expectations	
Share of Today's Workers Who...			
	Expect to Retire before Age 60		33
	Expect to Live with Their Grown Children ⁵		90
	Expect to Depend Financially on Their Grown Children ²		21
	Expect Income from the State Pension System ³		49
	Expect Income from Financial Assets ⁴		18
	Expect Income from a Job or Business		90
	Have Received Professional Financial Advice		26
	Expect to Have a Lot Less Income When Retired		3
	Are Saving More for Retirement Than 3 Years Ago		35
VIEWS ABOUT THE RETIREMENT		Challenge	
Share of Respondents Agreeing (+) and Disagreeing (-) That...			
	Supporting the Growing Number of Elderly Will Be a Large Burden for...		
	Tomorrow's Workers and Taxpayers	32	43
	Tomorrow's Families	24	51
	People Can Trust Financial Services Companies to Help Them Prepare for Retirement	43	19
	Government Is Doing Enough to Help Workers Prepare for Retirement	44	34
VIEWS ABOUT RETIREMENT		Reform	
Share of Respondents Saying Government Should...			
	Increase Taxes to Provide a Basic Pension Benefit to Those Elderly Who Are in Financial Need		27
	Increase Worker Contributions to Government Pension Programs		30
	Raise the Retirement Age		43
	Require Workers to Save More for Their Own Retirement		88

¹ Refers to elderly aged 60 and over who have grown children.

² "Depend" means net recipient of income from children.

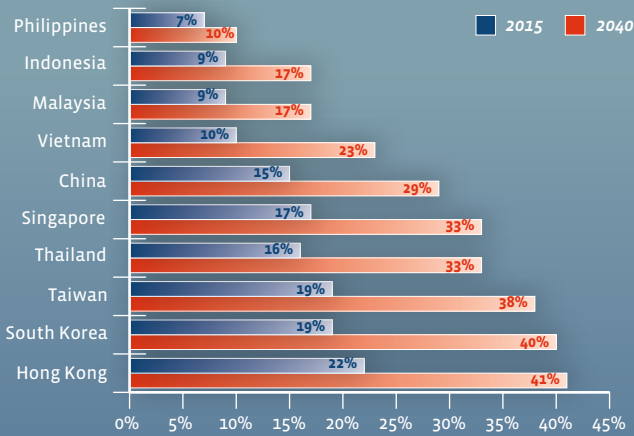
³ State pension system includes the Vietnam Social Security Fund.

⁴ Financial assets include insurance and annuity products and stocks, bonds, and mutual funds, but exclude bank deposits.

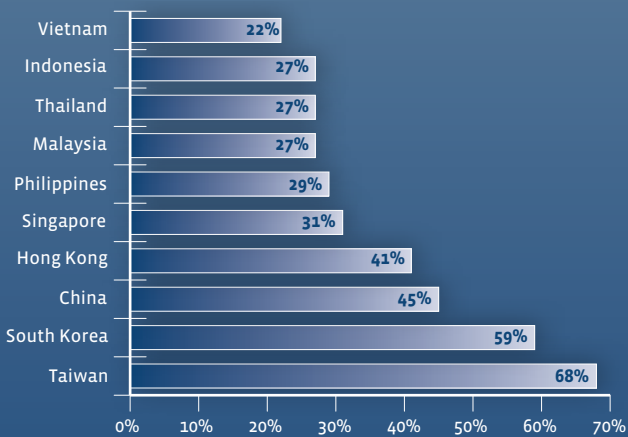
⁵ Refers to workers who have or expect to have children.

Notes: All data are from Wave 2 of the East Asia Retirement Survey, except for demographic data, which are from *World Population Prospects: The 2012 Revision* (UN Population Division: New York, 2013). Questions in the "Views about the Retirement Challenge" section used a five-point scale, with 1 being strongly disagree and 5 being strongly agree. "Agree" = 4 + 5 and "Disagree" = 1 + 2.

Share of the Population Aged 60 & Over



“Both parents and children are generally happier when they are more independent and self-sufficient.”



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

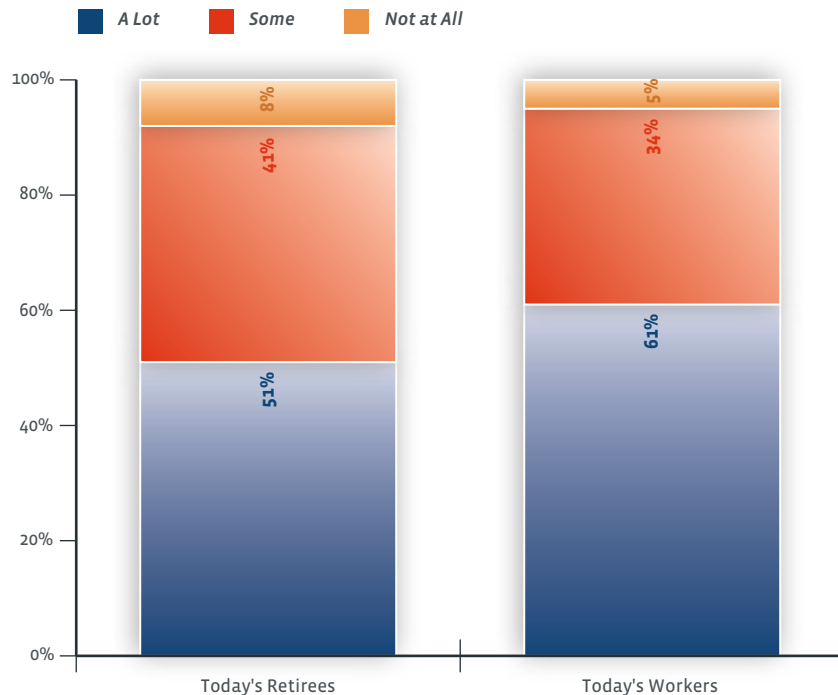
% Response by Country	Government	Retirees Themselves	Grown Children	Former Employers
China	63	9	11	16
Hong Kong	41	44	6	8
Indonesia	45	18	11	25
Malaysia	43	34	8	10
Philippines	66	10	8	17
Singapore	30	48	13	2
South Korea	23	61	10	2
Taiwan	36	40	6	16
Thailand	66	18	10	4
Vietnam	62	22	10	5

majorities would support new government initiatives that encourage or require workers to save more for their own retirement. Although most Vietnamese believe that government should be primarily responsible for retirement provision, they also understand that improving their retirement security will require individual initiative. More will be needed to ensure a favorable outcome, including broadening pension coverage and raising the retirement age, but increasing the financial independence of retirees is the obvious place to start.

Today's Retirement Realities

At first glance, today's retirees appear to enjoy a relatively secure retirement. Just 14 percent report having “a lot less income” now than before retiring, fewer than anywhere else surveyed except China. Although only 13 percent report receiving income from financial assets like insurance or annuity products and/or stocks, bonds, or mutual funds, 68 percent report receiving a state pension benefit, more than in any other country surveyed except China and Malaysia. Vietnam's pay-as-you-go state pension system, moreover, is unusually generous, often replacing as much as 75 percent of preretirement income. Seventy-six percent of today's retirees also receive at least some income from a job or a business they own, a larger share than in any other country. At the same time, most benefit from a high level of support from their extended families. Eighty percent of the elderly report living with their grown children, a higher rate of multi-generational living than anywhere else surveyed. As a result, their median household income is roughly the same as the median income for all households.

Yet despite these favorable economic circumstances, today's retirees are extremely anxious about their retirement security. Among those retirees who have a state pension, 80 percent worry that the government will reduce their benefits, a larger share than in any other country except the Philip-



The Vietnamese are anxious about their retirement security.

Share of Vietnamese Retirees and Workers Who Worry “a Lot,” “Some,” or “Not at All” about “Being Poor and in Need of Money” during Retirement

piners. More generally, very large majorities of today’s retirees worry about exhausting their savings (82 percent), becoming a burden on their children (92 percent), being poor and in need of money (92 percent), and being in poor health and having no one to care for them (93 percent). In fact, on every one of these concerns, the level of anxiety in Vietnam is higher than anywhere else surveyed. The lesson one must draw is that even a relatively high living standard may not translate into a sense of security if it involves a high level of dependence on government benefits and family support.

Tomorrow’s Retirement Expectations

In most East Asian countries, the retirement prospects for today’s workers are clearly brighter than

those for today’s retirees. In Vietnam, however, the outlook is less certain. To begin with, today’s workers are not much more market-oriented than today’s retirees. Just 18 percent expect to receive income in retirement from insurance or annuity products and/or stocks, bonds, or mutual funds, fewer than in any other country surveyed except the Philippines and Indonesia and just one-fourth as many as in Hong Kong, Malaysia, Singapore, and Taiwan. Meanwhile, in stark contrast to most East Asian countries, state pension receipt rates in Vietnam are expected to fall, not rise. While 68 percent of today’s retirees report receiving state pension benefits, just 49 percent of today’s workers expect to receive them. This decline is due to the rapid growth in employment in the private sector, where many businesses fail to contribute to the state pension system on behalf of their employees and the government finds it difficult to



While state pension receipt is expected to rise in most East Asian countries, in Vietnam it is expected to fall.

Share of Today's Retirees Receiving and Share of Today's Workers Expecting to Receive Income from the State Pension System

enforce compliance.² Realistically or not, today's workers expect to lean even more heavily on their extended families than today's retirees do. Ninety percent anticipate living with their grown children when retired, more than in any other country except Thailand. Like today's retirees, the majority of today's workers also expect to receive at least some income from work when retired. In fact, 90 percent do, more than in any other country.

Workers' own views about their retirement prospects can only be described as contradictory. On the one hand, only 3 percent expect to have "a lot less income" in retirement than they do now, fewer than in any other country, while 22 percent expect to have more. The share of today's workers who say they are more confident that they are

"preparing adequately for retirement" than they were three years ago also exceeds the share who say they are less confident, something which, among the other countries surveyed, is only true in China, the Philippines, and Singapore. On the other hand, today's workers worry at least as much as today's retirees about exhausting their savings, becoming a burden on their children, being poor and in need of money, and being in poor health and having no one to care for them. The level of concern among Vietnamese workers, moreover, is higher than the level among workers in any other country. Ironically, the one thing that today's workers worry less about than today's retirees is that the government will reduce their pension benefits.

² See Giang Thanh Long, "Viet Nam: Pension System Overview and Reform Directions," in *Pension Systems and Old-Age Income Support in East and Southeast Asia: Overview and Reform Directions*, ed. Donghyun Park (Manila: Asian Development Bank, 2011).



Relatively few Vietnamese can count on asset income in retirement.

Share of Today's Retirees Receiving and Share of Today's Workers Expecting to Receive Income from Financial Assets

The Changing Role of the Family

Vietnam's high rate of multigenerational living, both current and expected, reflects the strength of its family support networks, which appear to be more robust than those in many other East Asian countries. So does the almost universal expectation that the frail elderly will be personally cared for by their grown children. Eighty-six percent of today's retirees who are disabled or need help with daily living report being personally cared for by their grown children or their children's spouses, while 98 percent of today's workers expect to receive such care if it is needed when they are retired.

Yet the experience of other East Asian societies teaches that even the most robust family old-age support networks can unravel during periods of

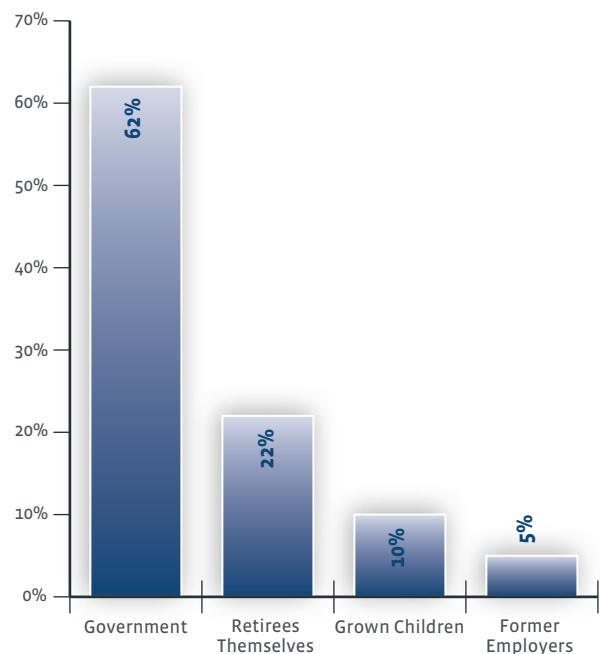
rapid development and modernization. Often, the stresses first become apparent in changing views about grown children's obligation to financially support their aged parents. At the current juncture, the Vietnamese appear to be of two minds on the subject. On the one hand, 78 percent of respondents agree that grown children "should always honor and respect their parents and should help support them in any way that they can," while just 22 percent, fewer than in any other country, agree that "both parents and children are generally happier when they are independent and self-sufficient." Yet on the other hand, when respondents were asked, more directly, "who, ideally, should be mostly responsible for providing income to retired people," only 10 percent "said grown children or other family members." This suggests that Vietnam's family support networks may be more vulnerable than it might at first seem.

Responsibility for Retirement Provision

If not the family, then who, ideally, should be mostly responsible for providing income to retired people? Should it be government or should it be retirees themselves, through their own savings? While the Vietnamese may be uncertain about their own retirement prospects, they have little doubt about the ideal shape of the retirement system. By a margin of three-to-one (62 percent versus 22 percent), they favor government responsibility for retirement income over individual responsibility. The young are no less likely to support government responsibility than the old. Moreover, the level of support for government responsibility rises along with income and educational attainment while the level of support for individual responsibility falls, whereas in most of the countries surveyed just the opposite is true. Both of these facts suggest that Vietnam's preference for government responsibility for retirement income is likely to be enduring.

Attitudes toward Financial Markets and Services

The Vietnamese are ambivalent about financial markets and the financial services industry, which is perhaps not surprising given the country's recent transition to a market economy. On the one hand, relatively few Vietnamese own financial assets, many are skeptical about investing in the market as a way of preparing for retirement, and almost all believe that individuals themselves, rather than investment professionals, should be primarily responsible for deciding how retirement savings are invested. Yet when asked whether "people can trust financial services companies to help them prepare for retirement," twice as many agreed or strongly agreed (43 percent) as disagreed or strongly disagreed (19 percent), a wider margin than in any other country except Indonesia and Thailand. Moreover, although only small



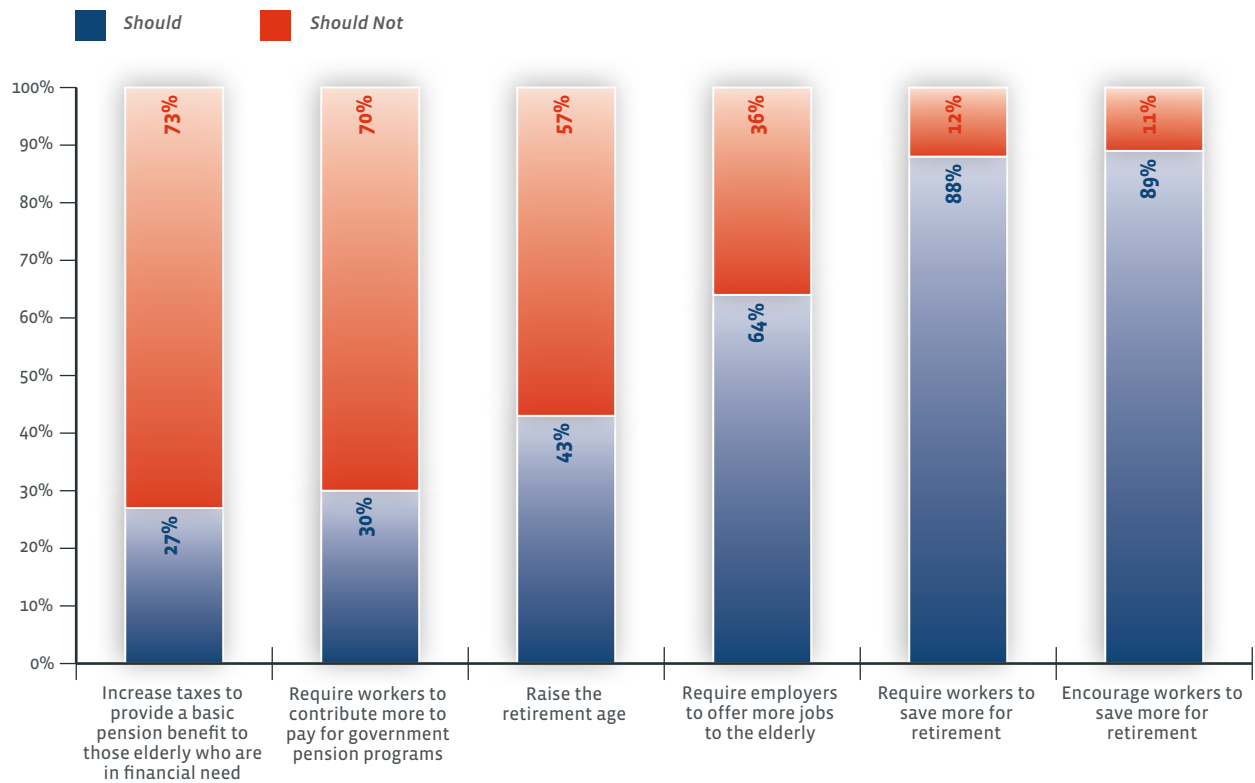
The Vietnamese overwhelmingly favor government responsibility for retirement income.

“Who, ideally, should be mostly responsible for providing income to retired people?” Share of Vietnamese Respondents Saying...

shares of today's retirees (17 percent) and workers (26 percent) report having received professional financial advice about how to invest their retirement savings, nine out of ten of those who have received such advice report that they found it useful. While it is too soon to tell, the survey thus leaves ample room to hope that Vietnam may over time become a more market-oriented country.

Attitudes toward Work and Retirement

Vietnamese attitudes toward work and retirement are difficult to interpret. In some respects, the expectation of early retirement appears to be deeply engrained in Vietnamese culture. An enormous 86 percent of today's retirees report that they



What the Vietnamese Think about Retirement Reform

Share of Vietnamese Respondents Saying That Government Should or Should Not...

retired before reaching their sixtieth birthday, a larger share than in any other country surveyed except Malaysia. Thirty-two percent of Vietnamese agree that “people should retire at a fixed age and not work again,” more than anywhere else except China, while a majority oppose raising the retirement age, something that is only true in three other countries. Yet these views notwithstanding, today’s workers expect to retire much later than today’s retirees did. While just 14 percent of today’s retirees report that they retired at age 60 or later, 60 percent of today’s workers anticipate doing so, one of the largest shifts in retirement behavior among the ten countries surveyed. Just as in many other East Asian countries, moreover, retirement in Vietnam is a highly malleable concept. Indeed, when nine out of ten workers say that they expect to receive at least some income

in retirement from a job or a business they own, it is difficult to know what retirement means at all.

From Challenge to Opportunity

The Vietnamese are highly optimistic about the future. Eighty-five percent agree or strongly agree that “each new generation of workers will have a higher living standard than the previous one,” while just 3 percent disagree or strongly disagree—an enormous margin of nearly thirty-to-one that is not even approached anywhere else except Indonesia and Thailand. By a margin of seventeen-to-one, they also agree that “each new generation of retirees will have a more secure retirement than the previous one.” As for the country’s aging chal-

lenge, it barely registers as a concern. When asked whether “supporting the growing number of elderly will be a large burden for tomorrow’s workers and taxpayers,” just one-third of respondents agreed or strongly agreed. When asked whether it will be “a large burden” for tomorrow’s families, just one-quarter did.

While this optimism is understandable given Vietnam’s bright development prospects, it could become an obstacle to needed retirement reforms. Despite the widening gap in state pension coverage, just 27 percent of respondents believe that the government should increase taxes to provide a basic pension benefit to those elderly who are in financial need and just 30 percent believe that it should require workers to contribute more to pay for government pension programs—much lower levels of support for these reforms than in any other country surveyed. As already noted, the share of

Vietnamese who would support raising the retirement age is also smaller than in most countries.

The one policy area where most Vietnamese are open to new government initiatives is retirement savings. Overwhelming majorities would favor reforms that either encourage workers to save more for their own retirement (89 percent) or require them to do so (88 percent). This is good news, since most workers will indeed need to save more if they are to enjoy a secure old age. Although most Vietnamese still hope to lean heavily on government and the family in retirement, they seem to understand that as their society develops, modernizes, and ages, overreliance on pay-as-you-go pensions or family support networks could be risky. Increasing retirement savings alone does not add up to a complete solution for Vietnam, but it is an indispensable component of any workable one.

Technical Note

The second wave of the East Asia Retirement Survey was designed by the Global Aging Institute (GAI) and conducted during the summer of 2014 by Ipsos Observer, a globally prominent survey firm. The survey was conducted in China, Hong Kong SAR, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam. All survey samples were randomly selected and nationally representative, except that the samples for China, Indonesia, the Philippines, Thailand, and Vietnam were limited to urban areas. The interviews were conducted by telephone, except in the Philippines, Thailand, Indonesia, and Vietnam, where they were conducted in person. The survey universe consisted of household “main earners” aged 20 or older, including both current main earners and retired main earners. GAI weighted the raw survey data by age, gender, and educational attainment using census data and other standard national and international statisti-

Sample Size and Margin of Error

	Sample Size	Margin of Error (+ or -)*
China	1512	2.5
Hong Kong	749	3.6
Indonesia	1023	3.1
Malaysia	990	3.1
Philippines	997	3.1
Singapore	750	3.6
South Korea	997	3.1
Taiwan	998	3.1
Thailand	1008	3.1
Vietnam	995	3.1

* Margin of error at a 95 percent confidence interval.

cal sources. The survey analysis was carried out using SPSS statistical software.

The sample size for seven of the ten countries ranged from 990 to 1023. In China, the sample size was 1512, and in Hong Kong and Singapore it was 749 and 750, respectively. The margin of error

for the survey at a 95 percent confidence interval ranged from a low of plus or minus 2.5 percentage points in China to a high of plus or minus 3.6 percentage points in Hong Kong and Singapore.

Glossary

Elderly: The elderly in this report are defined as adults aged 60 and over.

Financial Assets: Financial assets in this report generally refer to insurance and annuity products and stocks, bonds, and mutual funds. Unless otherwise noted, they exclude bank deposits.

Funded Pension Systems: A funded pension system is a system in which the contributions of current workers are saved and invested and benefits are paid out of the accumulated assets.

Household Income: Household income refers to the income of all household members. For retirees living in multigenerational households, it thus includes the income of their grown children.

Market-Oriented: Market-oriented refers to degree of engagement in financial markets. A market-oriented country or society is one in which a large and/or rapidly growing share of the population invests in financial markets and owns financial assets.

Means-Tested Programs: Means-tested programs are social assistance programs in which eligibility for benefits is limited to persons with income or assets beneath certain thresholds.

Pay-As-You-Go Pension Systems: A pay-as-you-go pension system is a system in which the contributions of current workers are directly used to pay for the benefits of current retirees.

Replacement Rates: Replacement rate refers to the share of a worker's income that pension benefits replace. If benefits are paid as a lump sum rather than in monthly installments, it refers to the share of income they would replace if annuitized.

Retirees & Workers: The division of respondents into "today's retirees" and "today's workers" is based on self-identification by the respondents themselves. Respondents were told that retirement means "no longer working or working less than when you were younger and having no plans to work full-time again." They were then asked whether they are "currently retired."

State Pension System: The term state pension system in this report refers to all mandatory pension systems or retirement savings systems established by the government, provided that the systems are contributory and are not means-tested. In Vietnam, the state pension system includes the Vietnam Social Security Fund.

About the Authors

Richard Jackson is the founder and president of the Global Aging Institute (GAI), a nonprofit research and educational organization dedicated to improving understanding of the economic, social, and geopolitical challenges created by demographic change, and especially population aging, in the United States and around the world. He is also a senior associate at the Center for Strategic and International Studies (CSIS) and a senior advisor to the Concord Coalition. Richard is the author or co-author of numerous policy studies, including *Lessons from Abroad for the U.S. Entitlement Debate* (2014); *The Global Aging Preparedness Index, Second Edition* (2013); *Balancing Tradition and Modernity: The Future of Retirement in East Asia* (2012); *Global Aging and the Future of Emerging Markets* (2011); and *The Graying of the Great Powers: Demography and Geopolitics in the 21st Century* (2008). Richard regularly speaks on demographic issues and is widely quoted in the media. He holds a Ph.D. in history from Yale University and lives in Alexandria, Virginia, with his wife Perrine and their three children, Benjamin, Brian, and Penelope.

Tobias Peter is a research associate at the Global Aging Institute. Prior to beginning his graduate studies, he worked with Richard Jackson on global aging issues at the Center for Strategic and International Studies, where he was successively an intern, research assistant, and program coordinator. Tobias is the co-author of several policy studies, including *U.S. Development Policy in an Aging World: New Challenges and New Priorities for a New Demographic Era* (2013); *The Global Aging Preparedness Index, Second Edition* (2013); and *Balancing Tradition and Modernity: The Future of Retirement in East Asia* (2012). He holds a B.A. in history and applied economics from the College of St. Scholastica and a Master of Public Policy degree from Harvard's John F. Kennedy School of Government.

About the Global Aging Institute

The Global Aging Institute (GAI) is a nonprofit research and educational organization dedicated to improving our understanding of global aging, to informing policymakers and the public about the challenges it poses, and to encouraging timely and constructive policy responses. GAI's agenda is broad, encompassing everything from retirement security to national security, and its horizons are global, extending to aging societies worldwide.

GAI was founded in 2014 and is headquartered in Alexandria, Virginia. Although GAI is new, its mission is not. Before launching the institute, Richard Jackson, GAI's president, directed a research program on global aging at the Center for Strategic and International Studies which, over a span of nearly fifteen years, produced a large body of cutting-edge research and analysis that played a leading role in shaping the debate over what promises to be one of the defining challenges of the twenty-first century. GAI's Board of Directors is chaired by Thomas S. Terry, CEO of the Terry Group and immediate past president of the American Academy of Actuaries. To learn more about the Global Aging Institute, visit www.GlobalAgingInstitute.org.

About Eastspring Investments

Eastspring Investments is a leading asset manager in Asia that manages US \$134 billion (as at 30 June 2015) of assets on behalf of institutional and retail clients. Operating in Asia since 1994, Eastspring Investments is the Asian asset management business of Prudential plc, one of the world's largest financial services companies.

We have one of the widest footprints in Asia, with on-the-ground teams of 2,500 employees and more than 250 investment professionals located in 10 major Asian markets as well as offices in the US, Europe, and the United Arab Emirates. Our unparalleled knowledge and local insights allow us to deliver unique and tailored opportunities to our clients. We provide investment solutions across a broad range of asset classes including: equities, fixed income, global asset allocation, mezzanine debt, private equity, and infrastructure.

Eastspring Investments was Asia's largest retail fund manager in 2014 according to an annual survey by Asia Asset Management, and was named the Best Asset Management House in Asia in Asia Asset Management's Best of the Best Awards in 2014.

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