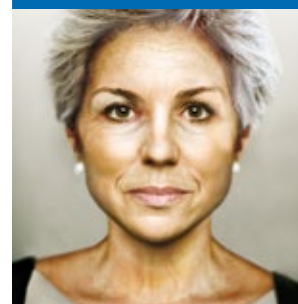
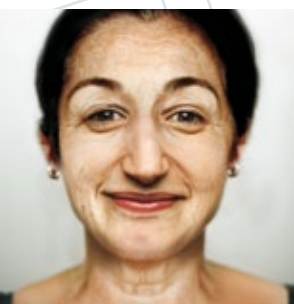
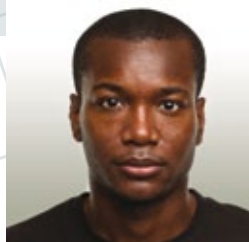
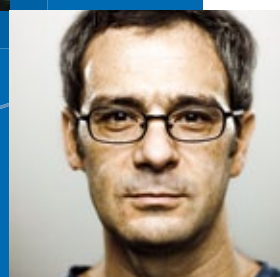
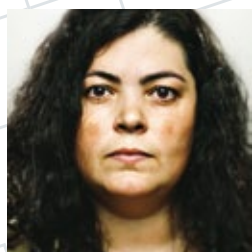
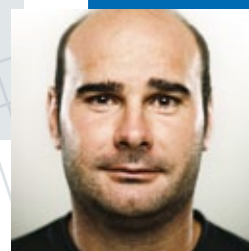
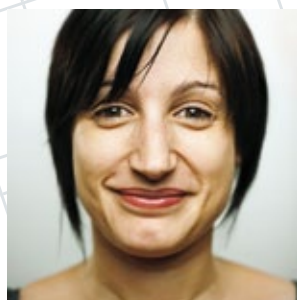
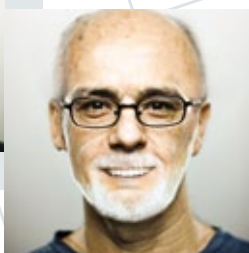
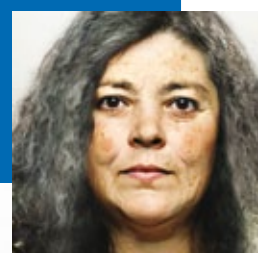


THE CHANGING FACE OF RETIREMENT

THE AEGON RETIREMENT READINESS SURVEY 2012



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PEOPLE ARE LIVING LONGER THAN AT ANY TIME IN HISTORY AS A POSITIVE RESULT OF ADVANCES IN TECHNOLOGY, MEDICINE, AND ENVIRONMENTAL AND SOCIO-ECONOMIC CONDITIONS. THE FACT THAT PEOPLE ARE LESS PREPARED FOR RETIREMENT THAN AT ANY TIME IN RECENT HISTORY THEREFORE PRESENTS BOTH A SIGNIFICANT CHALLENGE AND OPPORTUNITY FOR POLICYMAKERS, EMPLOYERS, RETIREMENT SERVICES PROVIDERS, AND THOSE SAME RETIREES OF THE FUTURE.

FOREWORD

This first AEGON Retirement Survey (conducted with the Transamerica Center for Retirement Studies® and Cicero Consulting) aims to better understand prevailing attitudes about retirement planning and personal expectations among the current working generation within eight European countries, as well as the United States. A second objective is to contribute to a common understanding of the changing face of retirement and the measures necessary to accommodate demographic and socio-economic trends.

Although the findings confirm the view that concerted and immediate action is required in order to address the general lack of retirement readiness, the good news is that people more than ever recognize the essential role they play personally in their retirement security. This realization has been made all the more clear as a result of the financial crisis that began in 2008 and the subsequent market turmoil that resulted in severely depressed retirement savings.

The AEGON Retirement Readiness Index, included in this report, analyzes retirement readiness by country, providing a perspective of the varying degrees in which realization of personal responsibility is being translated into action. The Index clearly reveals that too many people are not doing enough, if anything, to pave the way for a retirement that will resemble the quality of life enjoyed during working years.

As life expectancy continues to rise around the world, it is clear that those providing pensions - be they companies or governments - can no longer afford generous pension arrangements that must now have a duration of 30 or more years, versus the 10 or so years anticipated decades before. As a result, people in working life today increasingly accept that their retirement will look very different than that of their predecessors. Most have a clear expectation that they will keep working in some capacity after the traditional retirement age, approaching full retirement in phases. Accommodating the "new retirement" will necessitate greater flexibility in terms of fiscal policies and incentives, as well as working patterns provided by employers.

It is our hope that the AEGON Retirement Readiness Survey serves to shed further light on what is required in order to address in a comprehensive way the barriers to effective retirement planning and readiness. We at AEGON believe strongly that retirement should be a period of security and contentment - the culmination of years of dedication and hard work - which makes possible the realization of broader ambitions. As people live longer, healthier lives, enabling them to retire with dignity and confidence will open new possibilities both for those entering retirement and for society as a whole. It is an opportunity not to be missed.

Alex Wynaendts
CEO AEGON N.V.



THE CHANGING FACE OF RETIREMENT



SUMMARY

TOWARD MODERN RETIREMENT

With many countries already experiencing life expectancy beyond the age of 80, continued increases in longevity are expected over the coming half century, while fertility rates continue to fall. And despite the fundamentally positive news of living longer, this societal development also poses challenges. Increases in longevity, along with lower birth rates, have resulted in an overall aging of the population. This ultimately results in greater costs to, and potential reductions in, government retirement benefits (including government pensions, state pensions and social security) and traditional employer-sponsored pension plans.

The global economic crisis of recent years has put even greater pressure on retirement systems and shifted more of the responsibility to individuals to save for their own retirement. This combination of aging demographics and current economic uncertainty is forcing many societies to redefine retirement.

This first-ever AEGON Retirement Readiness Survey of 9,000 people in nine countries - France, Germany, Hungary, the Netherlands, Poland, Spain, Sweden, the United Kingdom, and the United States - was conducted with the aim of understanding the prevailing attitudes toward retirement and the levels of financial readiness among the current working generation in Europe and the United States.^{vi} Survey findings point to a broad range of actions available to individuals, employers and governments to better prepare for a world in which people live longer than at any time in history.

KEY FINDINGS OF THE 2012 SURVEY

The research findings illustrate how rapidly the present shape of retirement has already begun to change. Pessimism is on the rise after years of turbulent global economic conditions. The research found that 71% of employees believe that future generations will be worse off in retirement than current retirees, reversing the long-established notion that each generation should help pave the way for future generations to enjoy a higher standard of living.

The ongoing economic uncertainties are clearly hastening the need to reappraise current practices, but amid the challenges, some positive sentiments are emerging with the consensus that a new blueprint for retirement will require greater flexibility in how people approach planning for their later years. This changing environment of aging, coupled with pension strains, has led to greater awareness of personal responsibility for retirement savings. More than 70% acknowledge that they are now responsible for saving for their own retirement, but relatively few actually believe that they are on course to reach their desired level of income.

A PUBLIC POLICY DILEMMA: HOW TO BALANCE THE GOVERNMENT PENSIONS BUDGET

Many employees plan to rely on government and employer-provided retirement benefits to provide sufficient retirement income to last their lifetime. However, 54% think it is "somewhat" or "very likely" that their employer will reduce workplace pension benefits. Additionally, the majority (62%) feel that their personal retirement savings are now worth less as a result of the financial crisis.

And many individuals indicate they plan to rely on the government for their primary income source in retirement; however, 74% acknowledge that government pension benefits will become less substantial due to cuts in government spending. Only a small minority - some 12% of respondents - believe that the current level of government provisions will remain affordable into the future, suggesting there is now widespread public acknowledgement that further pension reforms are inevitable.

RESISTANCE TO RAISING THE RETIREMENT AGE BASED ON LIFE EXPECTANCY

A major step identified by governments to improve the sustainability of current pension systems has been the promotion of longer working lives among today's generation of employees.

However, nearly half (47%) of all respondents feel that the retirement age should remain unchanged in spite of the need to offset increased longevity costs; a sentiment that is higher in Hungary (65%) and Poland (61%); and lower in the Netherlands (34%), the United Kingdom (36%) and the United States (32%). Only 17% fully agree that the retirement age should increase because of longevity, while others consent to longer working years, but with qualifiers: 19% feel that the retirement age should increase to match increases in life expectancy, albeit with an exception for employees in dangerous or manual jobs, and 12% say the age should increase, but be capped.

MOST FAVOR HIGHER TAXES TO FINANCE PENSION REFORM

Raising taxes or reducing benefits are other possible measures to help shore up deficits faced by current government retirement benefit systems. Facing this difficult set of options, many (42%) prefer a balanced approach of some reductions in benefits and some increases in taxes, and others (27%) prefer just tax increases. This leads to the conclusion that over two-thirds (69%) favor some form of tax increase as a solution to finance government retirement benefits.

While the responses across countries are generally similar regarding some form of tax increase, Hungary (51%) and the United Kingdom (51%) have the highest support for a balanced approach, compared to Sweden (38%) with the highest support for increasing taxes without reducing benefits.

Alongside this endorsement of higher taxes to pay for government retirement benefits, strong support remains for the role of the government in providing for retirement, with 78% agreeing that the government should continue to fund retirement benefits. However, most respondents also believe that a balanced approach to retirement provision is necessary, with 73% agreeing that employers, individuals and the government should all play an equal role.

THE "RETIREMENT CLIFF" IS GIVING WAY TO A PHASED RETIREMENT

Looking beyond the need for pension reform, employees are already changing their expectations for their transition into retirement. What is known as the "retirement cliff" - the point when an employee ends his or her working life and enters full-time retirement - is becoming a thing of the past. Increasingly, retirement is a phased transition from full-time working to partial retirement that still involves some type of work-related activity.

Whereas a majority (54%) of the current generation of retirees moved straight from working life into full retirement, the majority of current employees (60%) expect to keep working in some manner beyond their retirement age. US employees are leading this trend, with only 18% expecting to stop working immediately when they reach retirement age.

Even amid the global economic gloom and changing expectations, the AEGON research shows people are still holding on to positive aspirations for life in retirement. Spending more time traveling is the most popular ambition among all countries in the survey: 68% would like to travel more in retirement, with the highest at 78% in Poland. One-in-six would like to retire to another country, proving most popular with Swedish (31%) and British (21%) respondents.

This evolving vision of retirement not only signals an end to the traditional "retirement cliff" it also offers opportunities of working longer or working part-time to help close gaps in income, stay active and maintain social networks while still contributing to society. "Silver entrepreneurs" could become more common as more people combine projects like starting their own businesses with travel and leisure pursuits during retirement.

THE AEGON RETIREMENT READINESS INDEX

The AEGON Retirement Readiness Index (ARRI) has been developed to measure how prepared current employees feel about their own retirement. This perceived state of readiness measured by the index is influenced by factors that include age, income, gender and level of education. Different countries, with their own patterns of government and employer retirement benefit systems, also reveal marked variations of readiness. Employees in Germany, the Netherlands, the United States and the United Kingdom regard themselves as being the most prepared for retirement. Hungary and Poland indicate that they are the least prepared.

The findings from the ARRI reveal the crucial importance of individuals' personal responsibility for saving. The likelihood of employees remaining at a low level of retirement readiness drops dramatically (88% to 65%) when they are practicing any type of savings for retirement; the percentage of those with a high level of retirement readiness rises from 3% for occasional savers to 17% for those who are saving on a regular basis.

While each country has differences in economies, government pension benefits, employer benefits, and personal savings - as well as different cultural attitudes toward retirement - people share common basic needs in planning and preparing for their later years. Much can be learned from each other and much can be done.

 **THE CHANGING FACE OF RETIREMENT**



INTRODUCTION

AGING POPULATIONS AND THE NEED FOR PENSION REFORM

Advances in health care along with improved nutrition and working conditions, and healthier lifestyles are contributing to longer life expectancies around the world. Increases in longevity are expected to continue over the coming half century, and life expectancy at birth for Europeans will have increased significantly by the 2030s; for instance, in the United Kingdom by 2035, women and men are expected to live approximately four and five years longer respectively compared to 2010.ⁱⁱ

Despite the fundamentally positive aspects of living longer, longevity increases have brought greater costs to, and potential reductions in, government retirement benefits (including government pensions, state pensions and social security) and employer-sponsored pension benefit plans. This challenge has been outlined in a recent report published by the European Commission which states:

Unless women and men, as they live longer, also stay longer in employment and save more for their retirement, the adequacy of pensions cannot be guaranteed as the required increase in expenditure would be unsustainable.ⁱⁱⁱ

The pressure on government programs is all the more striking considering the shift between the number of retirees and the number of working employees on whom governments rely to help fund the government programs. The number of people globally age 60 and older is expected to reach 2 billion by 2050, which is for the first time expected to be more than the number of children aged 14 and younger.^{iv}

The economic crisis of recent years has put even greater pressure on the retirement systems and shifted more responsibility to individuals to prepare financially for their own retirement.

This combination of aging demographics and ongoing economic uncertainty is forcing societies to redefine retirement and how it is funded. The sense of an imminent “pensions crisis” is being felt in which shortfalls in retirement incomes are seen as being inevitable for the majority of the current working generation. However, by taking the right measures to confront these changes, aging populations could present major opportunities.

AEGON conducted the research in collaboration with the Transamerica Center for Retirement Studies® and Cicero Consulting to contribute to a common understanding among European countries and the United States^v of what measures need to be taken by individuals, employers and governments to create a new blueprint for modern retirement. This research outlines the emergence of possible future trends and opportunities regarding aging populations and global financial uncertainty.

THE SURVEY

The findings in this report are based on the responses of 9,000 people from nine countries. Respondents were interviewed using an online panel survey, and interviews were conducted in their local languages in January and February 2012. The range of issues covered include attitudes towards pension preparedness, the role of the government and employers in providing retirement benefits, and the impact of the financial crisis on attitudes regarding investment risk and retirement planning.

8,100 employees and 900 retirees were interviewed to provide some comparison of the outlook of current employees to 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 may require specialized public policy interventions.

The research therefore provides a broader perspective based on the mainstream working populations.

Table 1: The nine countries

Northwestern Europe	Southwestern Europe
Germany The Netherlands Sweden	France Spain
Central & Eastern Europe	Other
Hungary Poland	United Kingdom United States

These countries were selected on the basis of their distinctive pension systems, as well as their varying demographic and aging trends.¹⁷ The countries surveyed are primarily from developed economies in the European Union (EU), but marked differences are visible among South, East and North European countries. The United States was included to compare a major economy that has a retirement model that is different from the social welfare model in much of continental Europe.

The focus on these countries also reflects the current debate over the future shape and sustainability of pension systems. The existing social contract, which views the responsibility for retirement saving as shared among governments, employers and individuals, is already undergoing significant reforms. The pressing need for fiscal consolidation is quickening the pace of those reforms, and creating the need for a new blueprint for retirement: a plan which requires a more balanced approach in sharing the risks and responsibilities in planning for the later years of life.

THE STRUCTURE AND METHODOLOGY OF THIS REPORT

This report reveals to what extent individuals have acknowledged the importance of these changes and the implications they will have on the greater need for personal responsibility in financial planning, and the need to revise how people view retirement.

- Part 1 Examines the hopes and concerns of today's employees in light of the changing role of government and employer-provided retirement benefits, and how pension reforms are shaping the ways in which individuals plan for, and ultimately transition into, retirement.
- Part 2 Gauges to what extent the current working population feels prepared for retirement. The AEGON Retirement Readiness Index (ARRI) assesses individual attitudes to retirement security awareness, personal responsibility, current savings practices and levels of preparedness across the nine countries. Other factors are examined, which help to explain what is driving their sense of readiness.
- Part 3 Recommends actions to be taken by governments, employers and individuals to encourage greater levels of personal responsibility. A seven-step plan is offered to help individuals contribute to their own retirement readiness.

Important note: While the aim of this report is to provide a balanced comparison of retirement preparedness among the nine countries, certain factors such as changes in employment patterns and health care reform are beyond its scope.

The ideas contained in this report are open to further development, as AEGON welcomes dialogue with the various stakeholders - governments, employers, consumer groups, think tanks and other stakeholders - on how the survey results may be best understood and translated into constructive actions.



THE CHANGING FACE OF RETIREMENT



PART 1: THE CHANGING NATURE OF RETIREMENT Aspirations for retirement beyond the financial crisis

THIS SECTION EXAMINES ASPIRATIONS FOR RETIREMENT LIFE, WHICH REMAIN BROADLY POSITIVE IN SPITE OF ECONOMIC UNCERTAINTY. THERE IS ALSO A LOOK AT HOW FINANCIAL CONDITIONS ARE SHAPING INDIVIDUAL ATTITUDES TOWARD THE ROLE OF THE GOVERNMENT AND EMPLOYERS IN PROVIDING RETIREMENT SECURITY TO PRESENT AND FUTURE GENERATIONS.

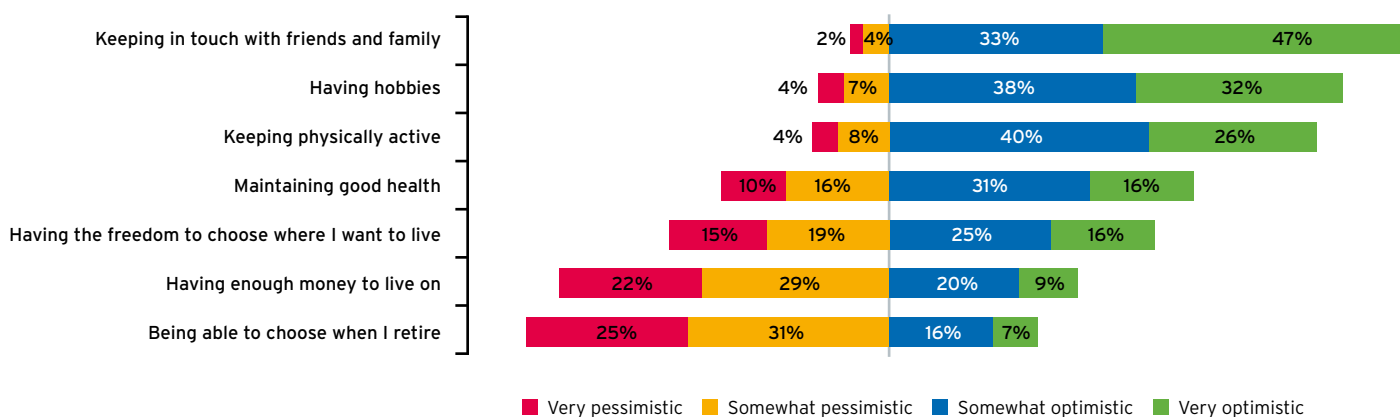
OPTIMISM TOWARD RETIREMENT ACTIVITIES

Respondents are particularly optimistic about several aspects of their retirement. 80% feel that they will have enough time to keep in touch with family and friends, while a further 70% are optimistic that they will have time to pursue hobbies, and about two-thirds (66%) think it likely that they will keep physically active in old age. Nearly half (47%) are optimistic that they can maintain good health in their retirement, with only one-in-four being pessimistic about their future

health prospects. These factors can prove vital in efforts to encourage individuals to remain economically active during retirement. Employees and retirees share a common retirement aspiration across all nine countries: having more time to spend traveling is the single most popular ambition among 68%. In some countries, there are significant numbers looking to retire to another country. This intention applies to nearly one-third of Swedish respondents.

Chart 1: Levels of retirement optimism

Q. When thinking about retirement, which of the following are you optimistic/pessimistic about? ("Uncertains" and "neithers" not shown.)



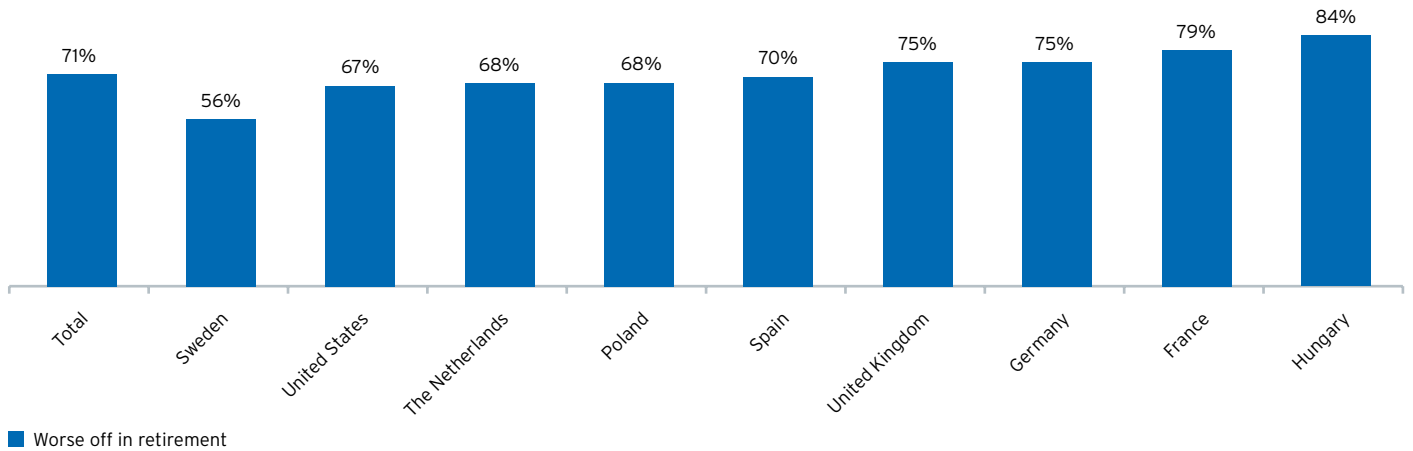
FUTURE GENERATIONS LIKELY TO BE WORSE OFF IN RETIREMENT

When considering financial aspects, however, this optimism turns to pessimism. Over half (51%) are pessimistic that they will have enough money to live on in retirement, while 56% are concerned that they will not be able to retire at a time of their choosing. The latter concern is greatest among employees in France (68%), reflecting controversial reforms in 2010 to increase retirement ages there. It is not only recent pension reforms which have left some people concerned about their retirement age. The ongoing economic uncertainty that has affected stock markets has left many unsure of how to invest for the long-term. Worryingly, most of today's working population feel that their personal

finances, including retirement plans, are deteriorating compared to previous generations. The findings show that a large majority (71%) expect future retirees to be worse off in retirement than their parents' generation. Percentages in Sweden and the United States, however, show a bit more optimism on future retirement conditions.

Chart 2: Majorities in all countries expect future generations will be worse off in retirement

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



IMPACT OF THE FINANCIAL CRISIS

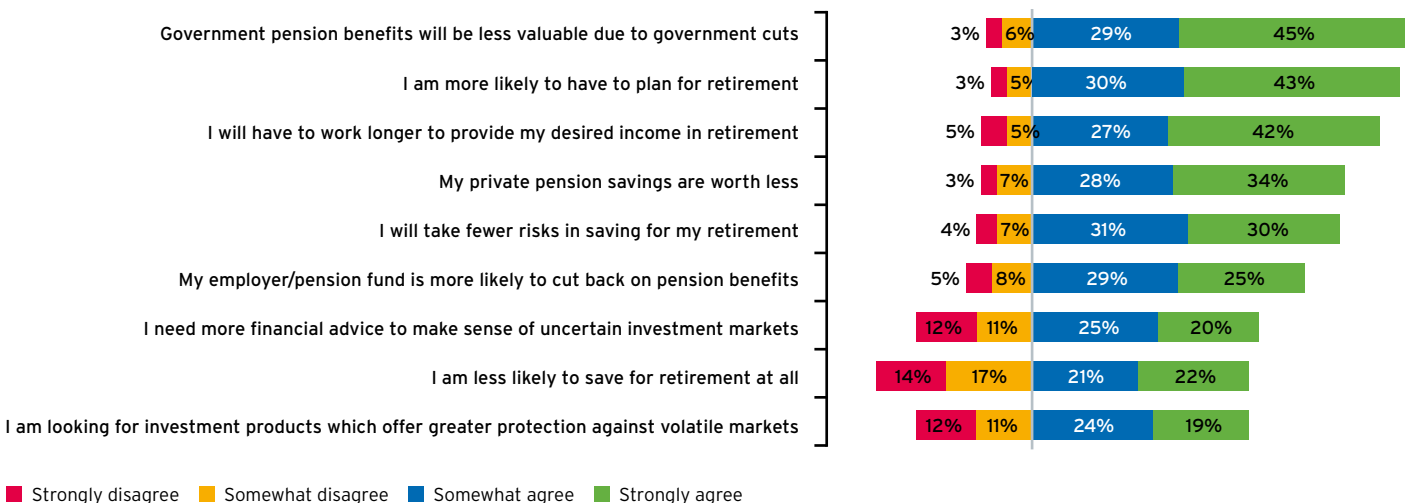
Respondents were asked how the current financial crisis is impacting their retirement plans. The findings reveal a wide range of responses, but perhaps surprisingly, a number of responses reveal that the crisis has had a positive impact by making employees more aware of the individual need to take some kind of action to prepare for retirement.

73% think it more likely that they will have to plan for retirement, while 45% recognize that they now have a greater need to seek financial advice, therefore demonstrating that the crisis could act as a catalyst to encourage greater financial planning. However, employees

need assistance in making this change, given that 44% say they lack the discretionary income to invest, while 43% agree that the financial crisis will make them less likely to save for retirement. The financial squeeze since the onset of the crisis in 2007- 2008 has seen real incomes remain static, and is undermining efforts to save for retirement – 44% of employees claimed a lack of discretionary income as the single most important impediment to saving for retirement.^{vi} Government support could make a difference in planning, with 37% saying that they would be encouraged to save for retirement if given more generous tax breaks.

Chart 3: The financial crisis is changing the shape of 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.)



POTENTIAL REDUCTIONS IN GOVERNMENT AND EMPLOYER RETIREMENT BENEFITS

The financial crisis has had negative impacts on attitudes toward the likely future value of retirement benefits provided by the government and employers; more than half now expect that they will receive less generous pensions.

Even so, many still expect to rely upon workplace retirement programs. For example, 22% say that they expect to rely on a defined benefit retirement plan (e.g. a final salary plan) as their primary source of retirement income, while 13% expect to rely on an employee funded defined contribution plan sponsored by their employer. A majority (62%) of employees feel that the value of their personal retirement savings are worth less as a result of the financial crisis,

while 54% think that it is “somewhat” or “very likely” that their employer will reduce workplace retirement benefits. One-in-five (21%) expect to rely on government retirement benefits, although 62% acknowledge that government retirement benefits will become less valuable due to cuts in government spending. Only a small minority - some 12% of respondents - believe that the current level of government retirement benefits will remain affordable into the future, suggesting that there is now widespread public acknowledgement that further government pension reforms are inevitable (Chart 4). There is considerable variation among countries, with only 5% of Hungarians believing government retirement benefits will remain affordable in the future, compared to 31% of Dutch respondents.

Chart 4: Few believe that government retirement benefits will remain affordable in the future

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?

A. They should not do anything, state pension provision will remain perfectly affordable in the future.

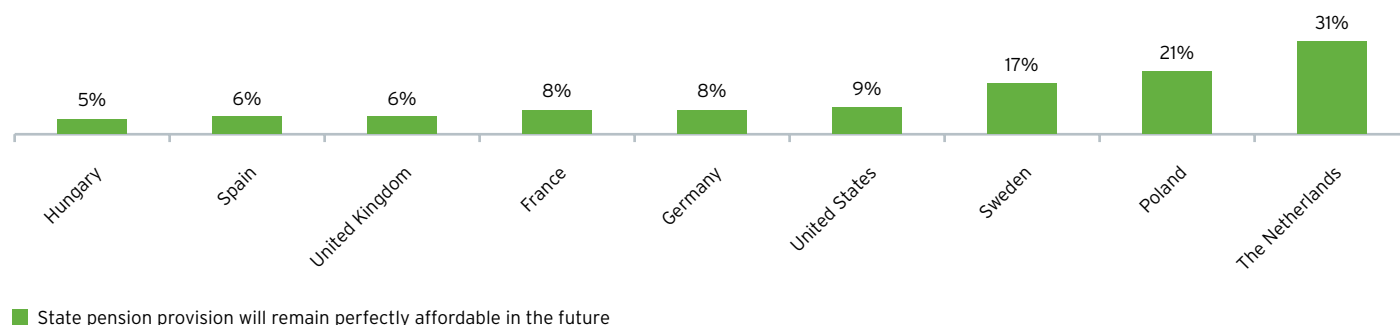
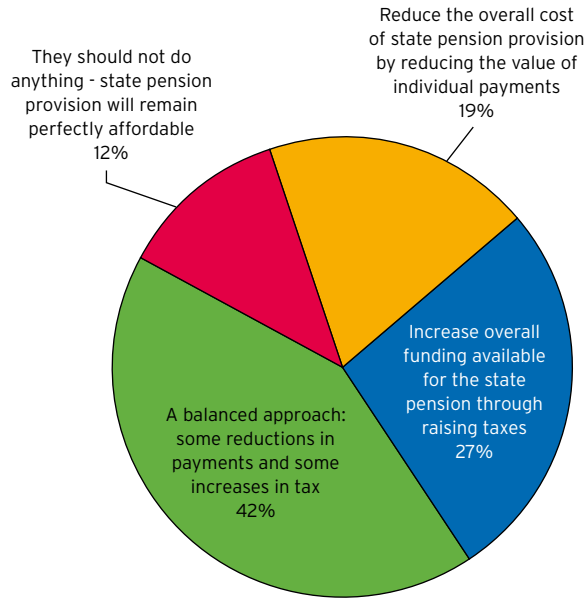


Chart 5: Two-thirds support higher taxes to pay for government retirement benefits

Q. With the costs of government retirement benefits becoming a greater concern as individuals live longer, which of the following do you think the government should undertake?

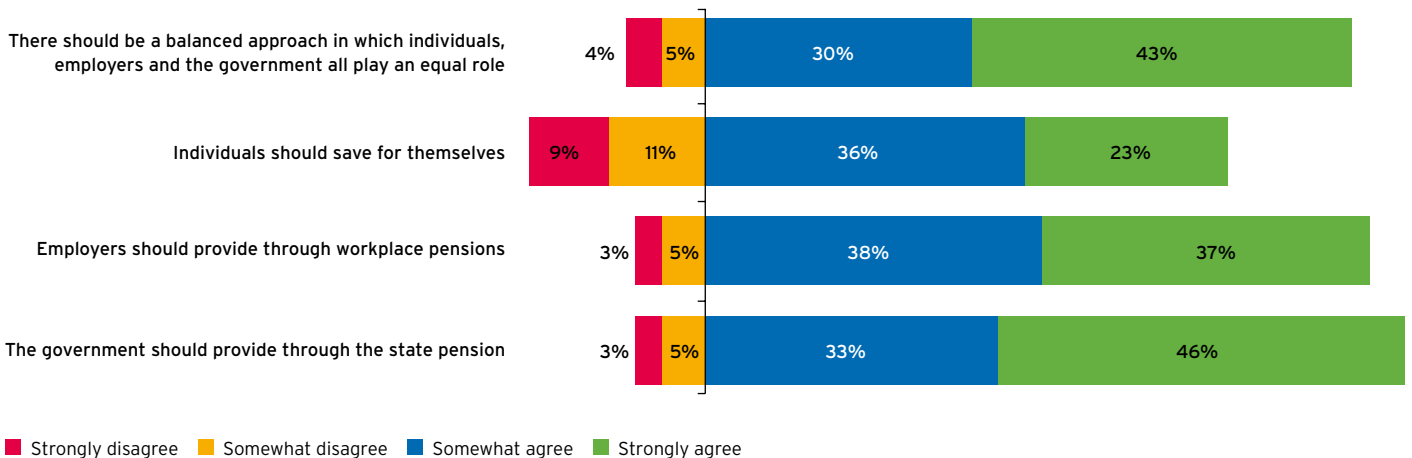


Over two-thirds of respondents are willing to take on greater responsibility for funding government retirement benefits through future tax increases. 42% want a combination of increased taxes and benefit reductions to achieve this result, while 27% prefer only tax increases. A majority are supportive of higher taxes to pay for government retirement benefits in all countries surveyed, with the highest support in the United Kingdom and Spain (both 80%) and the lowest support in the Netherlands (57%). A combination of benefit reductions and tax increases is most popular with respondents from Hungary (51%) and the United Kingdom (51%), and a purely tax-based approach is most popular in Sweden (38%). See the Appendix for full country breakdowns.

Although a majority accept that government retirement benefits are unlikely to remain affordable on current terms in the future, results show that support for government-provided benefits remains strong; 78% believe that the government should continue to fund retirement benefits, rising to 82% in Sweden and 81% in the Netherlands. At the same time, a large majority (73%) across all countries agree that responsibility should be shared equally among the government, employers and individuals. Support for individual responsibility for retirement savings was lower at 58%, though this was more divisive across countries - rising to 85% in the US and falling to 39% in Hungary. Overall, these findings suggest that individuals are willing to accept some responsibility for retirement saving, but are more willing to accept this in conjunction with involvement of employers and governments.

Chart 6: A majority is in favor of equal contributions from the state, employers and individuals towards retirement

Q: To what extent do you agree with the following statements about taking responsibility for funding people's retirement? ("Uncertain" and "neithers" not shown.)



THE GREAT ENTITLEMENT DEBATE: US CASE STUDY

This debate as to how government should balance its budget through cuts in government programs has been particularly prominent in the United States. Despite the recommendations by several commissions (including a President-appointed commission and a bipartisan congressional commission) that government expenditure cuts were needed to balance the federal budget, Democrats and Republicans disagreed on the amount of cuts to government programs, including those providing health care and income to retirees, relative to tax increases. In the summer of 2011, the congressional disagreement almost caused the US government to exceed its borrowing limits. At the last minute, Congress averted a default and raised the Federal debt ceiling, but only on the condition that a bipartisan US Joint Select Committee on Deficit Reduction (the Super Committee) be established to work out the details of reductions to the federal deficit by an extensive amount over a ten-year period. Despite general acknowledgement that tax increases should be considered as part of the deficit reduction plan, the Super Committee failed to reach agreement.

A lack of consensus regarding a solution is also found among respondents in the United States. The survey finds that just 31% support the need to protect government retirement programs, such as Social Security, and increase taxes, while only 16% prefer the alternative. The single most popular solution favored by 44% of US respondents is a balanced approach with some reductions in Social Security payments to future retirees and some increases in taxes. A similarly balanced approach is favored by 42% of respondents across this nine-country survey.

ENCOURAGING EMPLOYEES TO REMAIN ECONOMICALLY ACTIVE AT RETIREMENT

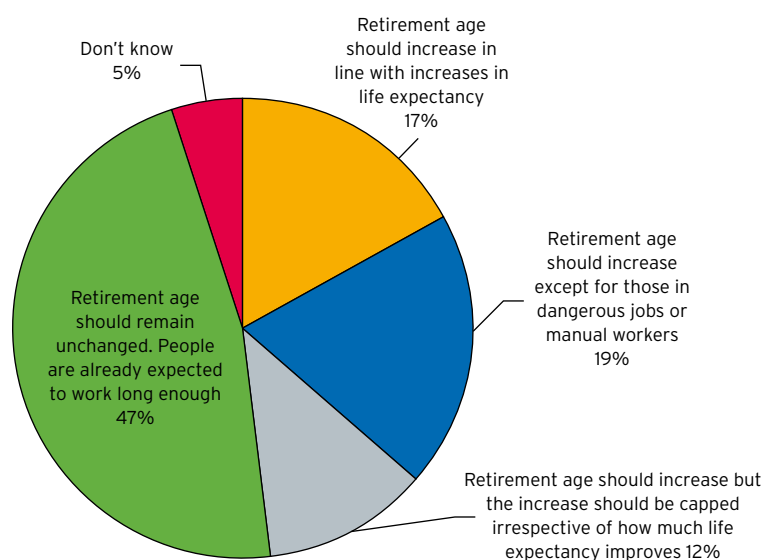
Promoting longer working lives among today's employees has been a major step identified by governments to help improve the sustainability of retirement systems. The United Kingdom has committed to increasing the current government pension age of 65 to 68 by 2043, and has moved up the start of the age increase from 2020 to 2018 in ongoing efforts to balance its budget. Other European countries - France^{vii}, Germany, Hungary, the Netherlands, Poland and Spain - have also taken steps to increase state retirement ages in recent years.^{viii} Long-held views of retirement are changing among today's workforce: many are planning to work past the traditional retirement age of 65, and work part-time in retirement. 69% of employees

say that, because of the financial crisis, they will likely work longer in order to provide their desired income in retirement.

However, 47% still believe that retirement ages should remain unchanged (Chart 7), a figure which increases to 65% in Hungary and 61% in Poland. This is in contrast to the Netherlands (34%), the United Kingdom (36%) and the United States (32%) where there is greater acceptance that a retirement age increase is inevitable. Only 17% believe that improvements in life expectancy should dictate at what age people should retire, falling to 14% in Sweden where government pension reforms have already linked future increases in retirement ages to changes in longevity.

Chart 7: Limited support for later retirement ages

Q: 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?



ANTICIPATED RETIREMENT AGES CONTINUE TO LAG BEHIND INCREASES IN LIFE EXPECTANCY

The survey asked employees two questions to gauge at what age they expected to enter full retirement and how long they expected full retirement to last. The findings show that there is a striking similarity in the anticipated retirement age across all surveyed countries, with the bottom of the age range at 65 (Hungary, Poland, Germany and France) and the top end of the age range being 67 (the Netherlands, Spain and the United States).

Workers have a realistic view of how long they may live in full retirement, with the average expected period currently between 15 and 20 years. While employees might presently have a pessimistic view of their older-age finances, they do not appear receptive to the idea of working much beyond current retirement ages in order to address those fears. Employees do accept that they may need to re-examine how they enter retirement, as today's employees realize they may need to keep working in some capacity even after they retire.

Chart 8: Retirement ages are not shifting despite pessimistic outlook

Qa: At what age do you think it is most likely that you will enter full retirement?

Qb: How many years do you expect to spend in full retirement? (All figures are medians; life expectancy figures are from the World Bank and for total population; figures for only employees would be higher.)



EMPLOYEES ARE DESERTING THE TRADITIONAL VIEW OF ENTERING RETIREMENT

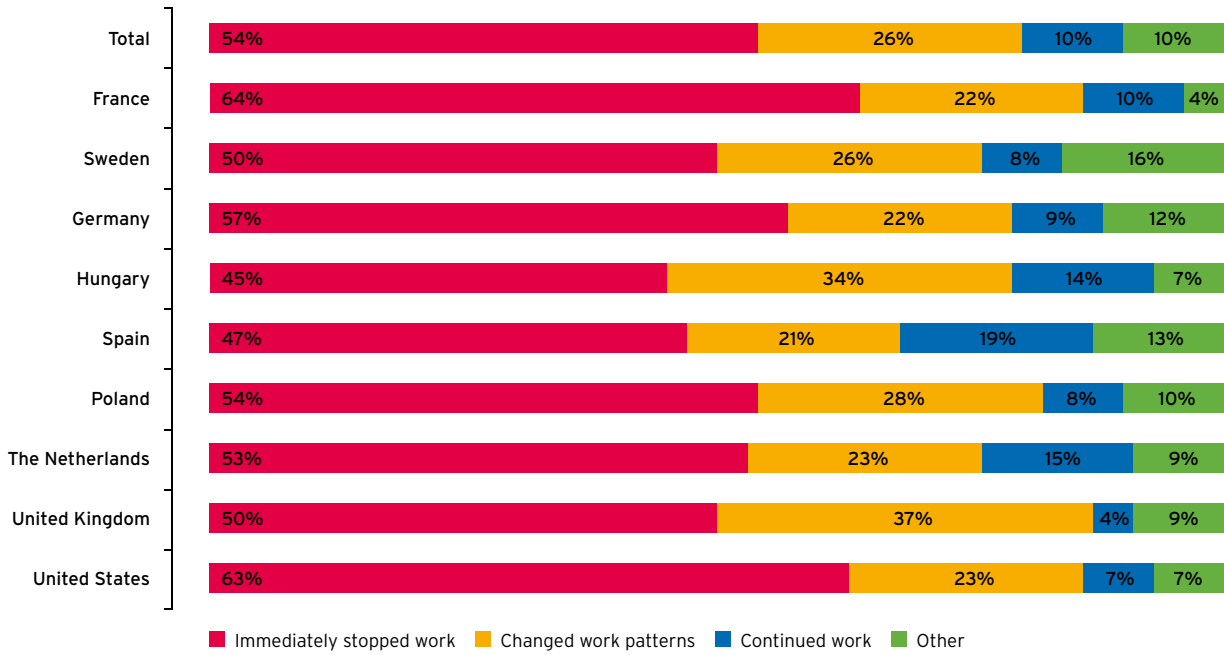
In all surveyed countries, there is a steep drop in the number of current employees who anticipate that they will stop working immediately at retirement compared to current retirees. 54% of current retirees stopped working completely when they reached retirement age (Chart 9). Only 36% kept working in some capacity. However, this “retirement cliff” in which individuals instantly transition from work to full retirement is no longer the expected norm among today’s generation of employees. Now, only 30% of employees expect a “cliff” transition into retirement (Chart 10). Instead, there is a much larger group of employees (44%) who expect to change their working patterns (for example, switching to part-time work), while 15% expect to keep working as they are.

Nearly half of all employees in the United States expect their transition into retirement to be markedly different than the current retiree generation. Whereas 63% of US retirees stopped working completely at retirement age, this figure could fall to as low as 18% of future retirees. 22% of US employees think that reaching retirement age will have no impact on their working patterns.

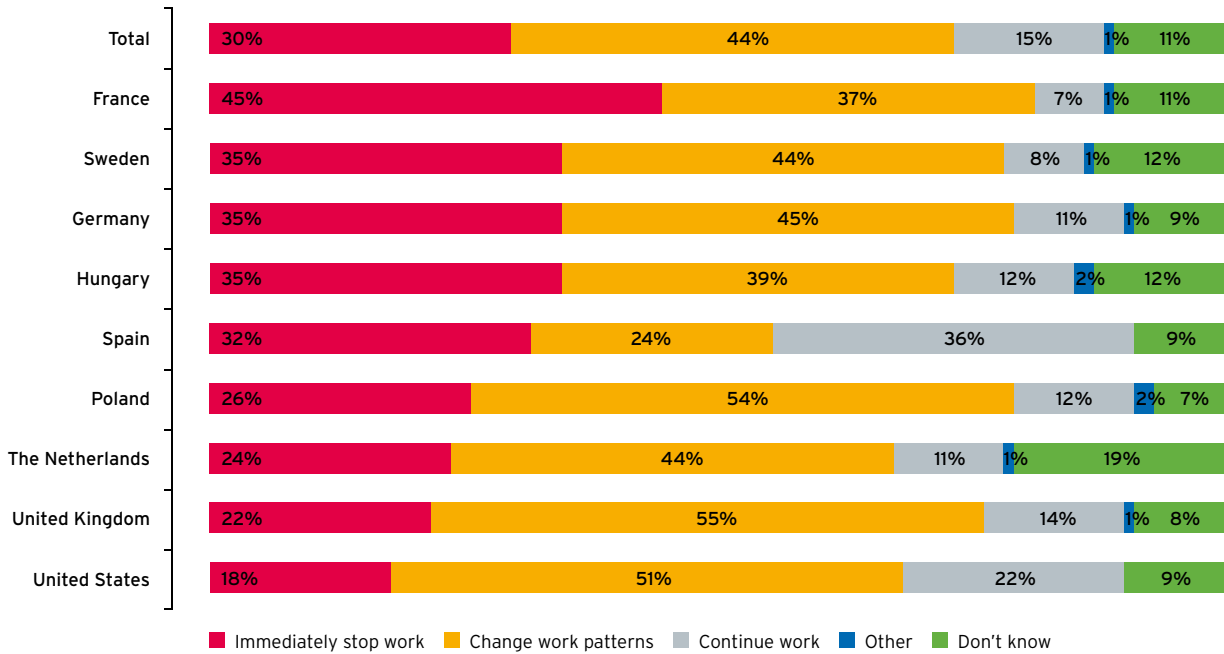
There is a similar trend in the United Kingdom and in the Netherlands, while one-in-three employees in Spain say they will keep working after they reach retirement age. This contrasts with France where nearly half of today’s employees (45%) expect to stop working altogether when they reach retirement age. Over one-third of employees in Sweden, Germany and Hungary (all at 35%) said likewise.

Support for a more flexible approach to entering retirement is clearly growing across the countries in the study. At the same time, many employees still look to governments and employers for retirement benefits, which they also acknowledge may be greatly reduced in the future.

Charts 9 and 10: The “retirement cliff” is being replaced by phased retirement
 Retired population | Q: Looking back, how did your transition to retirement take place?



Working population | Q: Looking ahead, how do you envision your transition to retirement?



 **THE CHANGING FACE OF RETIREMENT**



PART 2: THE AEGON RETIREMENT READINESS INDEX

Increasing personal responsibility

INDIVIDUALS ARE REACTING TO THE CHANGING REALITY OF RETIREMENT LARGELY BY ACKNOWLEDGING THE NEED TO KEEP WORKING BEYOND TRADITIONAL RETIREMENT AGE. HOWEVER, THERE IS ALSO A NEED FOR PROFOUND CHANGE IN HOW INDIVIDUALS SAVE FOR RETIREMENT.

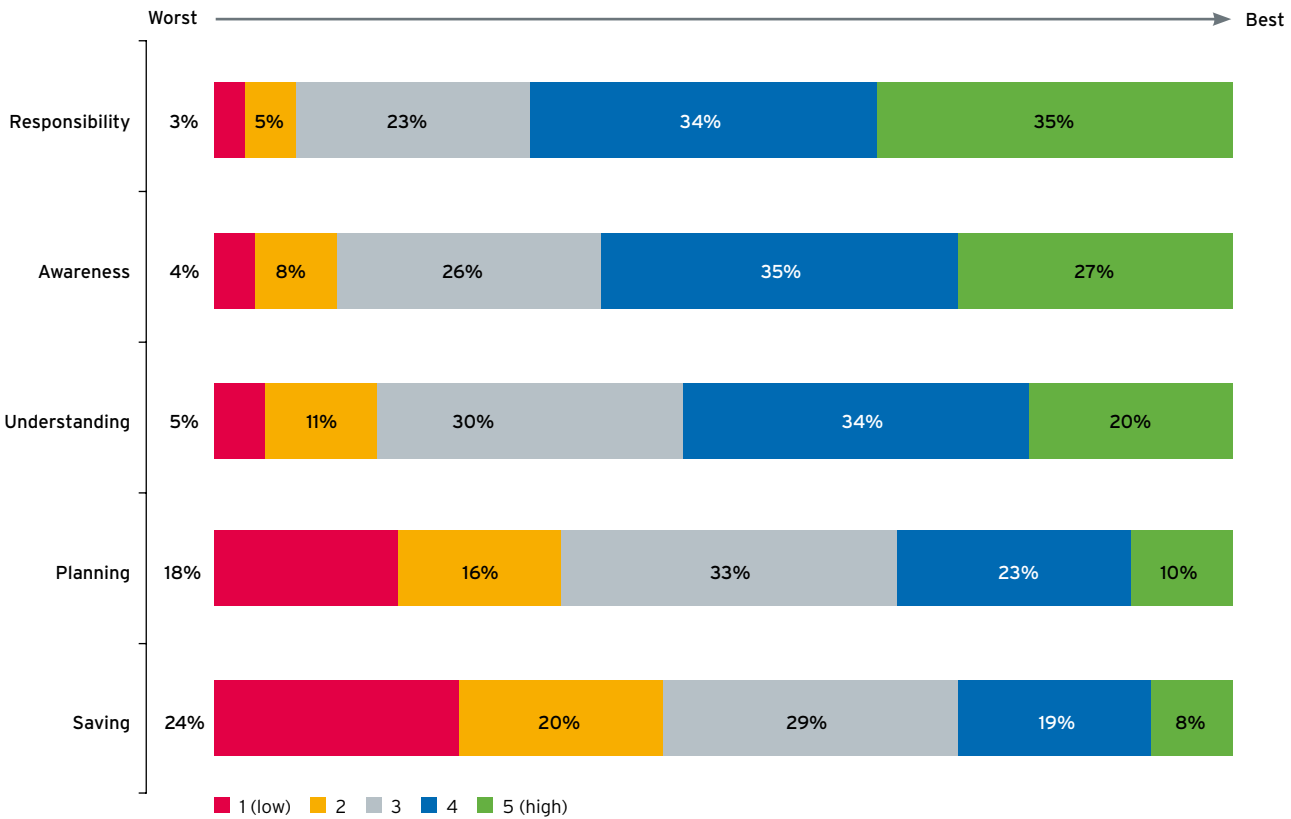
The AEGON Retirement Readiness Index (ARRI) was developed to assess the relative levels of preparedness across the nine countries in the study. The purpose of the ARRI is to measure whether employees' expectations of retirement are likely to be fulfilled based on current attitudes and actions.

To calculate the index scores, the index incorporates the responses of the 8,100 individuals across the nine countries

who are still of working age and currently in employment. The 900 survey respondents who have already retired were not included in this index. Each of the 8,100 respondents was asked a series of questions to provide an assessment of their attitudes and actions regarding retirement. The survey asked three questions covering attitudes: whether employees accept personal responsibility for their retirement income; whether they are aware of the need to plan for retirement;

Chart 11: Retirement awareness and responsibility appear to not translate into savings actions

Most respondents are aware of and understand their personal responsibility for retirement, especially in Germany, the United Kingdom and the United States.



Respondents rated their responsibility, awareness, understanding, planning behavior and saving behavior with regards to retirement on a scale of 1-5, with 5 being best.

A quarter of respondents are hardly saving at all. In Germany this was only 11%, but in France it was 31% and Hungary 37%.

and their understanding of retirement-related financial matters. It also asked three questions covering behaviors: the extent to which they have put personal retirement plans in place; whether they are adequately saving for retirement; and whether they are on course to achieve their desired replacement income in retirement.

The responses to these six questions were weighted in the ARRI based on their importance in determining a respondent's saving profile. The most important determinants were found to be their actions toward their own planning and saving, as well as how on course they were to achieve their desired replacement income.

From the survey responses provided, a score was generated from 1 to 10 for each country and each socio-economic group. A score of 10 represents the highest level of retirement readiness, down to 1 representing the lowest level. Responses were also banded into high (scores of 8 and above), medium (scores above 5 and below 8) and low levels of readiness (scores of 5 and below).

As Chart 11 shows, research reveals a significant gap in those who accept personal responsibility toward retirement, who are aware of the need to plan, and who understand financial planning - and the far fewer number of employees who are actually acting upon these attitudes and regularly saving toward their retirement. The key challenge in all nine countries surveyed is in turning these attitudes into proactive retirement actions such as planning, saving, and managing those savings to last the course of their lifetime.

Analysis of the ARRI results reveals:

- In the United Kingdom, the United States and Germany, very similar patterns emerge with high levels of planning combined with low levels of expected replacement income.
- France, Hungary, Poland and Spain display a different pattern with typically high income replacement expectations, and lower personal responsibility.
- The Netherlands is a hybrid in sharing features of both these groups' high income replacement expectations combined with relatively high levels of planning.

Chart 12: The components of the AEGON Retirement Readiness Index

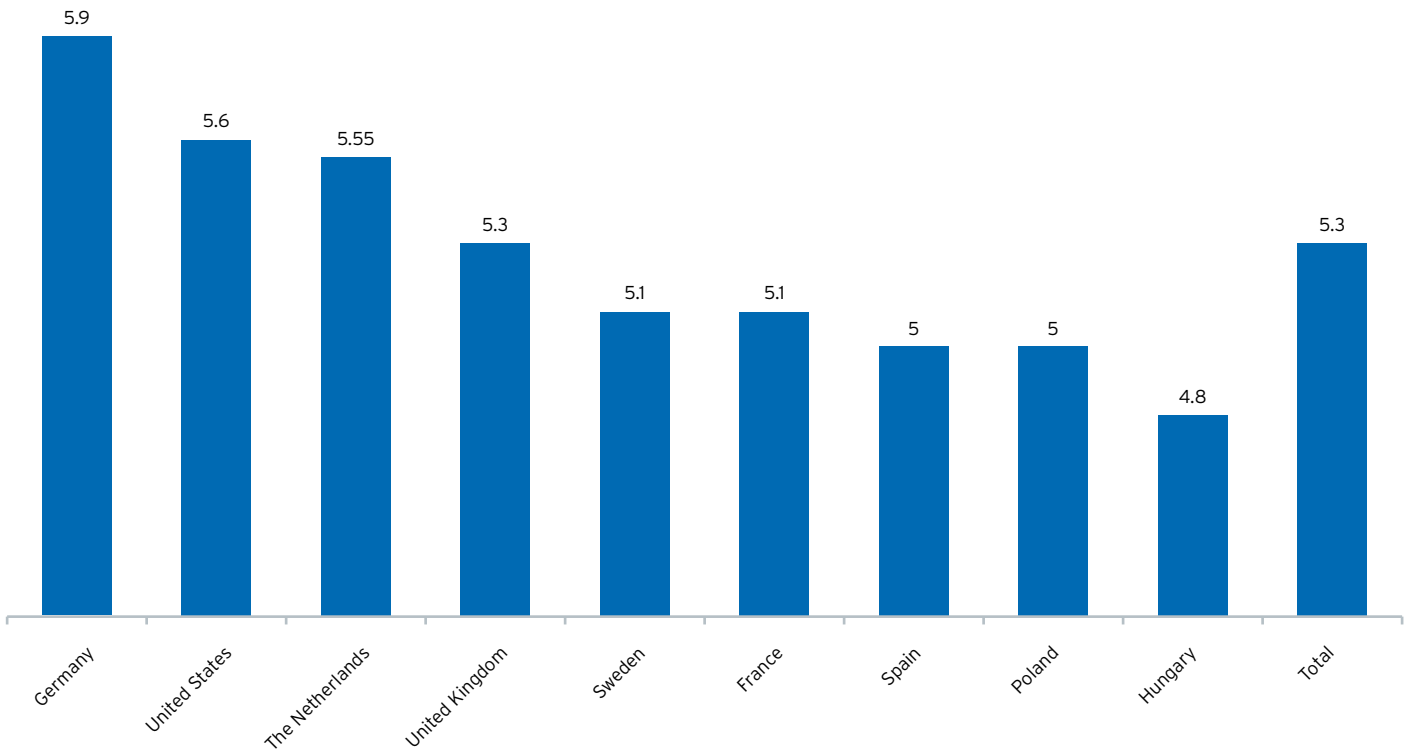
Personal responsibility: Do people take responsibility for retirement income?	69% score themselves highly on acknowledging responsibility to save for retirement
Level of awareness: Do people recognize the need to plan for retirement?	62% rank highly on awareness of the need to save for retirement
Financial understanding: Do employees understand financial matters regarding plans for retirement?	Just over half (54%) understand what this need actually involved to a large degree
Retirement planning: How well developed are people's financial plans?	Only 33% have well-developed retirement plans in place
Saving for retirement: Are people putting enough away?	24% are currently hardly saving at all for retirement
Projected income replacement: Do people expect to achieve desired income?	Most think they will need to replace up to 80% of their income in retirement, but only 15% are on course to do this

THE ARRI COUNTRY SCORES

Respondents in the nine countries enjoy varying levels of readiness. In Germany, attitudes and actions suggest they are most prepared, with a score of 5.9. The ARRI also shows that employees in the United States (with a score of 5.6), the Netherlands (5.5) and the United Kingdom (5.3) are relatively better prepared for old age. Meanwhile, employees in Southern and Eastern European countries are least prepared with Spain and Poland both scoring 5.0, and Hungary

achieving the lowest score of just 4.8. The variation in scores from 5.9 in Germany to 4.8 in Hungary is significant. There are many more individuals in Hungary and Poland who fall into low levels of retirement readiness (70% and 65% respectively), while in Germany, many more employees have medium and high levels of readiness (50% and 13% respectively, compared to averages of 37% and 7%).

Chart 13: AEGON Retirement Readiness Index by country



CURRENT HIGH RETIREMENT REPLACEMENT INCOMES DO NOT CREATE A SENSE OF READINESS AMONG CURRENT WORKFORCE

Employees in the United Kingdom, the United States and Germany all show high levels of personal financial and retirement planning; they are also the three countries in the study with the lowest retirement replacement incomes from public and mandatory private pension plans (see Table 2 on page 23). Employees in countries with high replacement incomes conversely feel least prepared for retirement. In Hungary, the median earner enjoys a replacement rate of 76%, and in Poland, the average is 59%. However, both of these East European countries scored poorly on the ARRI. The anomaly is the Netherlands, which experiences both higher levels of financial planning and also has high levels of replacement income in retirement.

The fact that employees in countries with more generous retirement replacement rates feel less prepared for retirement is a signal that employees are losing faith in traditional

methods of funding retirement. While government retirement benefits may be generous at present, the current generosity is not seen as sustainable in the long-term. This is supported by the fact that when voluntary defined contribution retirement plans are included, replacement rates in the United Kingdom and the United States rise considerably relative to the other countries surveyed, and the index reflects positively on those countries where the retirement system is sustainably funded through individuals. The sovereign debt crisis and the need for fiscal consolidation across Europe have created a growing sense that government pension reforms - resulting in fewer entitlements - are now inevitable. This is supported by official data which shows that gross replacement rates are expected to fall in many countries between 2010 and 2050, because of changes in pensions legislation. The falls in gross replacement rates are likely to be greater in countries such as France and Poland^{ix}, where employees feel less prepared

for retirement. It is important to note that these gross income replacement rates do not factor the personal cost of retirement, or the provision of health care provided largely by governments in Europe, which otherwise is a significant cost for retirees.

Table 2 shows how the lower-paid in many countries may be better prepared for retirement, in the sense that government retirement benefits replace more of their working income. For example, in France, those earning half the average income can expect to receive 56% of that income in retirement, whereas those earning 1.5 times the average income can expect to replace only 41% of that income in retirement. It is clear that those with low and median incomes will need to give particular thought to how potential reductions in government retirement benefits are likely to affect their futures.

THE ARRI SCORES

Table 3 shows how the profile of readiness is aligned with the wealthier countries in northern Europe and the United States. There is also a strong correlation in retirement readiness with a number of socio-economic characteristics. The index finds that older respondents, as well as married men, appear to have greater retirement readiness. Holding a university degree also has a positive effect. This demonstrates that retirement readiness may be linked to working patterns; women, younger employees and those without university degrees all have lower levels of retirement readiness.

Table 2: Gross pension replacement rates from public and mandatory private pension plans ^{bx}

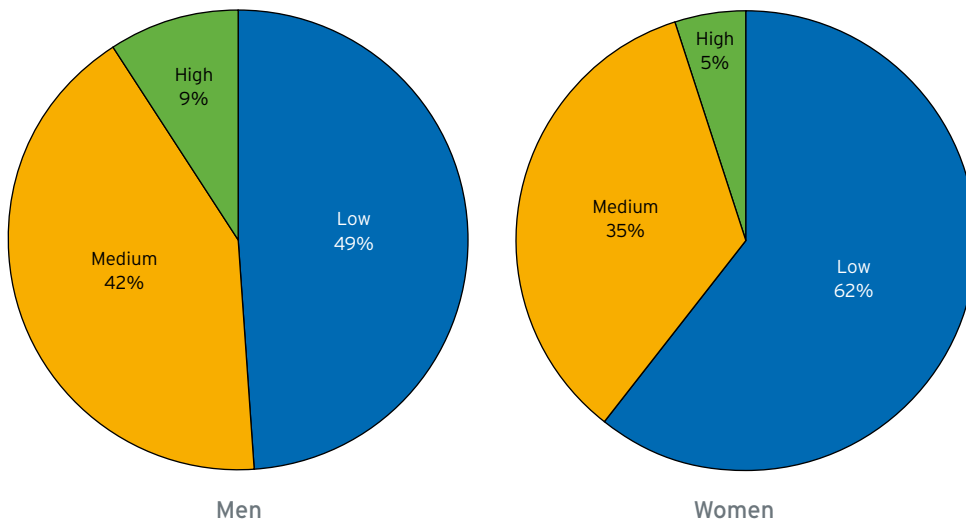
	Half of the mean income (0.5)	Mean income (1)	One and a half times the mean income (1.5x)
France	55.9%	49.1%	41.3%
Germany	42.0%	42.0%	42.0%
Hungary	75.8%	75.8%	75.8%
The Netherlands	93.0%	88.1%	86.5%
Poland	59.0%	59.0%	59.0%
Spain	81.2%	81.2%	81.2%
Sweden	72.9%	58.4%	72.1%
United Kingdom	53.8%	31.9%	22.6%
United States	51.7%	39.4%	35.3%

Table 3: Profiles of retirement readiness

Profile of a prepared individual High Index Score	Profile of an unprepared individual Low Index Score
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> More likely to live in Southern or Eastern Europe More likely to be female More likely to less than 35 years old More likely not to have a university degree More likely to be single

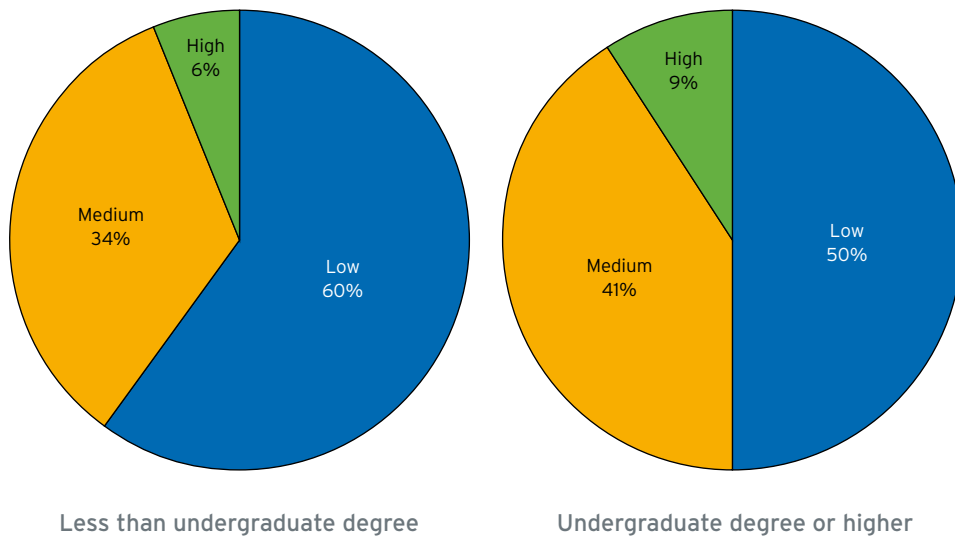


Charts 14 and 15: AEGON Retirement Readiness Index - gender differences



In total, men have a lead over women in being highly prepared for retirement. More significantly, while about half of men score low on the index, 62% of women score low. And although the scores are based on self-assessment, they reflect the findings of international bodies such as the Organisation for Economic Co-operation and Development (OECD) that confirm that women are presently more likely to live in poverty in retirement than men.^{xii}

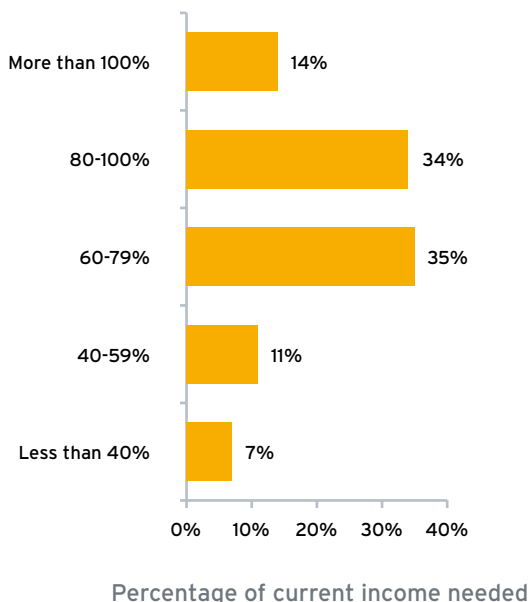
Charts 16 and 17: AEGON Retirement Readiness Index - educational differences



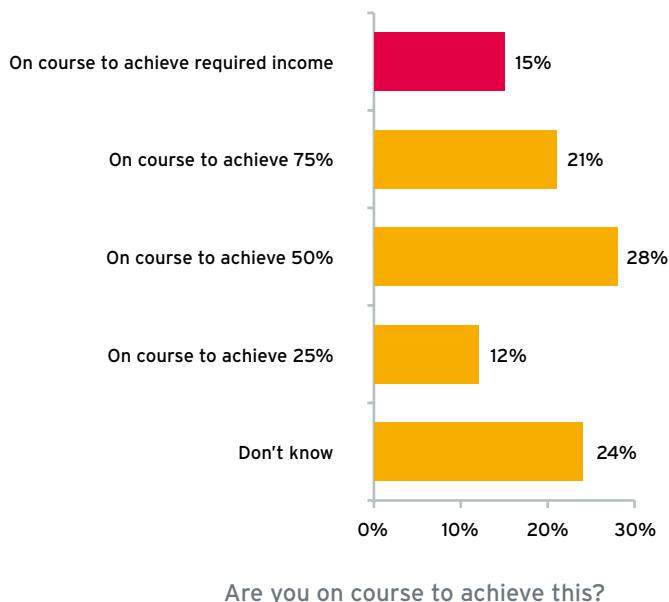
An almost identical image of readiness is revealed when looking at respondents by levels of education, with college graduates enjoying a small lead on being highly prepared; while three-fifths of those without a college degree are poorly prepared.

Charts 18 and 19: Retirement income expectations versus reality

Qa: Thinking about what money can buy today, what gross annual income do you expect to need in retirement, as a percentage of your earnings?



Qb: Do you think you will achieve this income?



To gain further insight into levels of readiness, the study examines what kind of income respondents expect to need in retirement, in terms of a percentage of current salary, as well as whether they are on course to achieve this income. Most respondents expect to need 60-100% of their current income in retirement. This desired replacement rate is probably unrealistically high by current standards, and research shows that having a lower expected retirement income makes one more likely to achieve it: of those on course to achieve their required retirement income, 40% expect to need 60-79% of their current income. However, only 15% are on course to achieve their required retirement income. This has particular consequences for those on lower incomes, who will by definition have higher replacement income needs.

The conclusion is that individuals need to be realistic about their retirement income expectations, and take more action in retirement planning if they are going to achieve even their minimum level of desired retirement income.

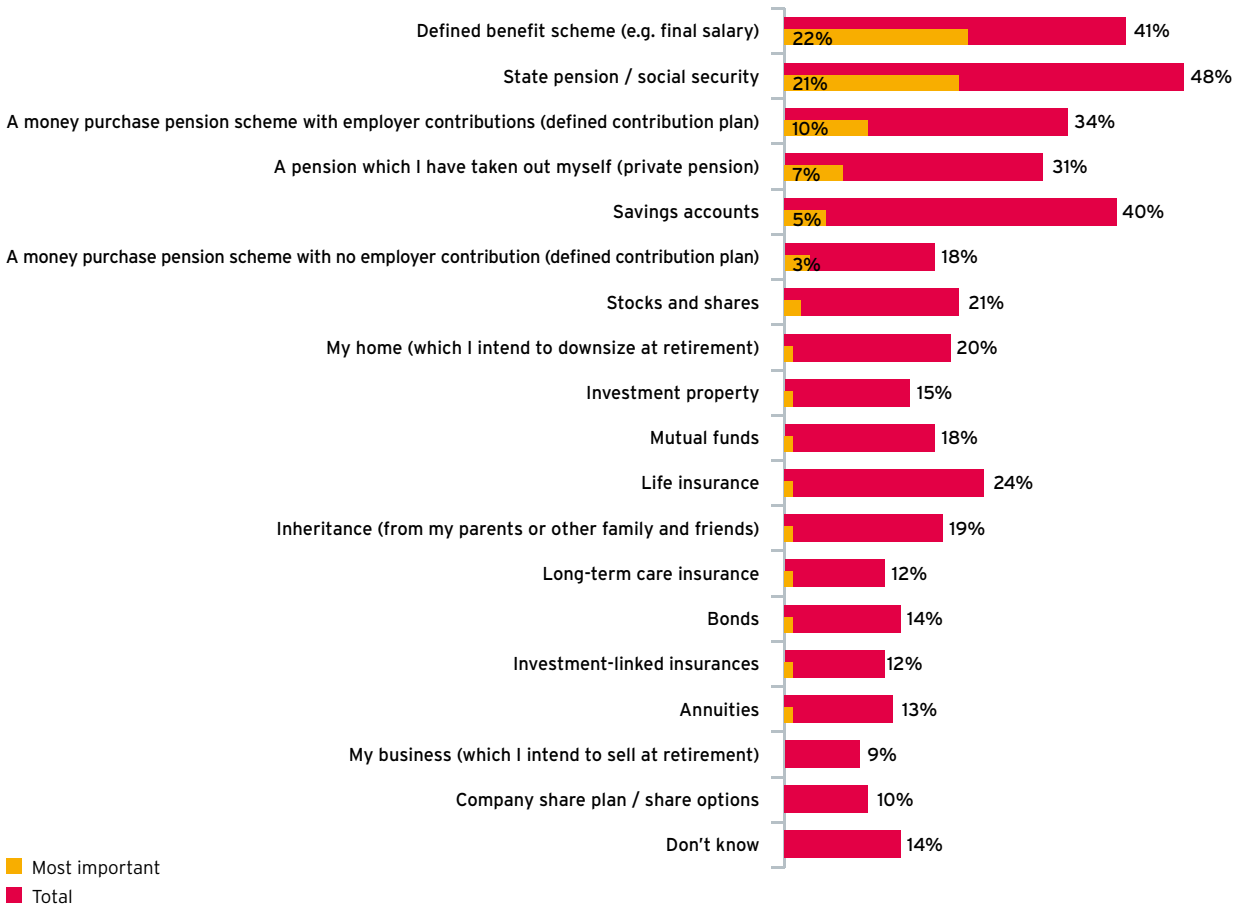
PRIMARY SOURCES OF RETIREMENT INCOME NOW AND IN THE FUTURE

While in recent years there have been efforts in many countries to move individuals toward a diverse range of retirement income sources, many individuals remain heavily attached to Pillar 1 (government) and Pillar 2 (workplace benefits), and less so to Pillar 3 (private retirement savings). This is based on the World Bank's model of three pillars of pension provision. In the United States, this is referred to as the three legs of the retirement stool.

- Overall, 21% of respondents expect the government to be their most important source of retirement income; more so in Hungary (39%), Spain (36%) and Germany (29%). Such reliance may make significant groups very vulnerable to reductions in government retirement benefits which seem unavoidable in many countries.
- The 22% of respondents who believe that defined benefit plans will provide most of their income in retirement is likely to shrink dramatically in the coming years, as access to such plans is often closed to new employees.
- Older employees are more likely to expect defined benefit plans to be their main retirement income source - 28% of those in their 60s cite this source, falling to less than 20% of those in their 20s.

Chart 20: A continued reliance on employers and the government

Q: What financial means are you currently using to prepare for your retirement?



Achieving a balance of government, employer and individual responsibility for retirement savings will be easier in some countries than in others, and results show that some portions of populations are resistant to change. In France, for example, 53% of respondents agree with the statement that “there is nothing wrong with relying on the government to provide a retirement income.”

What is particularly interesting to note is the enduring concept of a pension - some form of regular, periodic payment as the major form of funding retirement: 63% choose some sort of pension as their expected main source of retirement income. In contrast, alternative sources of financial assets such as housing equity and business assets are expected to play almost no potential role in funding retirement.

It is apparent that as people take more responsibility for their retirement savings, they will also need to consider measures to manage their savings to provide a lifetime income.

 **THE CHANGING FACE OF RETIREMENT**



PART 3: RECOMMENDATIONS

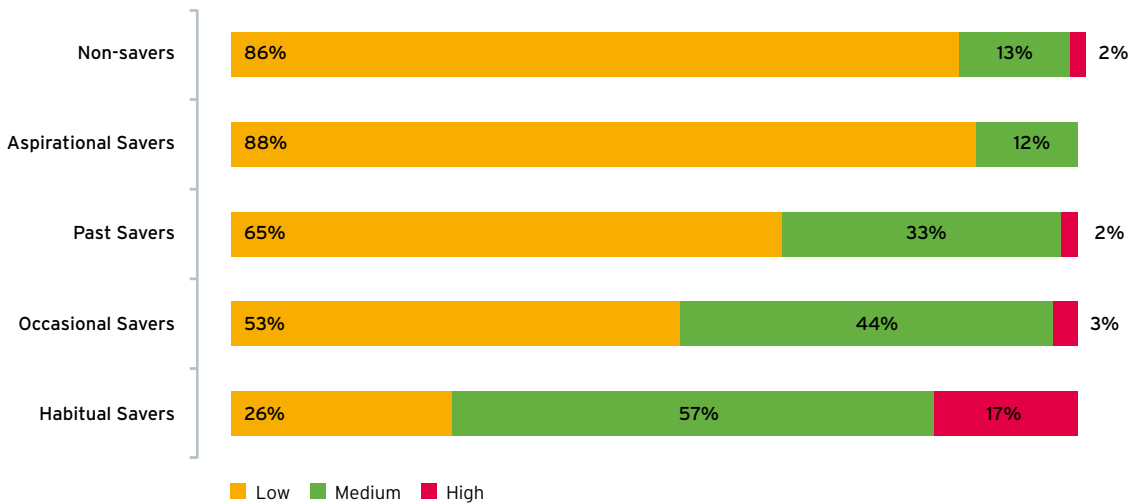
Moving to action

INDIVIDUALS SHOULD TAKE GREATER RESPONSIBILITY FOR ENSURING THEIR FINANCIAL AND RETIREMENT SECURITY

Individuals need to continue to increase their awareness of the challenges and opportunities of increased longevity. There needs to be a better understanding of the amount of retirement savings needed and how to make those savings last their lifetime. People need to better understand expected retirement benefits from the government and their employers, as well as any additional savings needed to ensure their retirement security.

Future retirees should start to save, and save regularly. The survey findings demonstrate that 86% of non-savers and 88% of aspiring savers have a low ARRI score. This low readiness score improves dramatically to 53% when examining those who take at least occasional savings actions. A major difference exists between those who save occasionally, of whom 3% achieve a high ARRI score, and those who consider themselves to be habitual savers, 17% of whom have a high index score. This represents a six-fold increase in those with a high level of retirement readiness.

Chart 21: Retirement Readiness Index by type of saver



Individuals must also begin to consider other actions needed to ensure their retirement security. Individuals should be encouraged to remain economically active past the traditional retirement age - through phased retirement, working longer or other methods. A substantial number of respondents have already reached this conclusion - 69% of employees say that it is now likely that they will work longer to provide their desired income in retirement.

Finally, individuals should take action to ensure their retirement benefits and savings are protected during their working years, and have a plan in place to ensure that their retirement savings last their lifetime.

IMPROVE ACCESS TO FINANCIAL EDUCATION AND TOOLS TO PLAN FOR RETIREMENT

Only 27% of respondents feel "very aware" of the need to plan financially for retirement.

Education and meaningful financial information are central to financial and retirement security. Individuals should be aware of, and have access to, the tools and information they need to make good financial decisions. The proper tools and education will help provide a basic understanding of how to save, how to manage savings to last a lifetime, how personal financial products supplement government and employer retirement benefits, and how to protect individuals and their families in the event of prolonged illness or death. Such a basic understanding is essential to achieving effective financial security.

For many individuals, the workplace is the key source of such tools and information. Many of the most important motivations to save are work-related, such as getting a job, receiving a pay-raise or a promotion and enrolling in a workplace retirement plan. Employers are encouraged to educate employees about all of their workplace benefit plans. Government policies can facilitate the ability of employers to provide such tools and information. Governments could also consider promoting tools aimed at giving a combined, global overview of an individual's retirement saving (e.g. showing government benefits, workplace retirement benefits and even any retirement savings outside the workplace). Finally, governments can stimulate financial awareness at an earlier stage by promoting financial education in schools.

GOVERNMENT AND EMPLOYERS ARE ENCOURAGED TO PROVIDE INDIVIDUALS WITH SIMPLE STEPS TO INCREASING SAVINGS.

SEVEN STEPS TO RETIREMENT READINESS

- 1 **Take action now.** Start saving right away and save consistently. Every step taken from now on - no matter how small - can help improve retirement readiness. Even a small personal savings amount every month can build up quickly over time.
- 2 **Set a goal.** Many online tools, as well as assistance from a professional adviser, will give an idea of how much is needed for retirement and how much should be saved to achieve this. Determine whether expected government and workplace retirement benefits will provide a sufficient income in retirement. Consider expenses in retirement, including: food, housing, clothing, health care and entertainment. Also consider also other sources of retirement income: home, inheritance and business.
- 3 **Get educated about retirement savings.** The workplace, government websites and financial services professionals are all good sources of information about how to save and how much to save for retirement.
- 4 **Find out how much and when government retirement benefits are expected to deliver.** Take action to ensure receipt of the maximum entitled benefits: for example, if contributions are required for a fund, are those contributions up to date?
- 5 **Participate in a workplace retirement plan.** Simply by knowing what employers provide and ensuring enrollment can make a major difference in retirement readiness. Get educated about the workplace retirement plan and whether any further action is needed to ensure maximum benefits of participating in the plan. Keep track of benefits from previous employers. Also, understand how workplace retirement benefits will be distributed; for example, do they offer only a lump sum, or are there options to receive benefits in terms of a monthly income?
- 6 **Make a financial plan for retirement.** If expected government retirement and workplace benefits will not provide a sufficient income to cover expected expenses in retirement, increase personal savings. Consider delaying retirement or working part-time in retirement. Also, determine how to manage retirement savings to last a lifetime, with a monthly income that meets personal retirement needs.
- 7 **Be flexible, be prepared.** Have a back-up plan in case it is not possible to work before reaching retirement. Are government disability, health care and other non-retirement benefits sufficient to support personal and family expenses in such a case? Consider taking out private insurance (disability income protection, critical illness, long-term care and life insurance) which can protect against loss of income before retirement. In addition, be prepared for losses in individual retirement savings in the event of market changes or loss of job.

EXPAND EFFECTIVE AND SECURE WORKPLACE RETIREMENT PLANS

36% of employees believe that access to a workplace pension plan with employer contributions is "extremely important" when choosing a job.

Where different providers and/or benefits are available in the workplace, employees must have the necessary information so that the choices and benefits they offer are transparent. Employers should expand participation by automatically enrolling participants in workplace plans, and should seek to increase the amount of savings contributions through auto escalation. Employees should also be permitted to purchase products within workplace plans that provide a lifetime income stream and to be able to receive distributions from workplace plans in the form of a guaranteed lifetime income stream.

In designing workplace retirement savings plans, consideration should be given to encouraging participation by women, lower-income employees, younger employees and seasonal and part-time employees, as well as addressing the needs of these groups who typically either do not have discretionary income or do not remain in one job for a sufficient length of time to be eligible for maximum benefits under the workplace plan. In the United States, for example, a recent law enabled plans to provide for "catch-up contributions" for employees over the age of 50 who may be late entering the labor market. This is consistent with changes to the labor market itself to accommodate these employees. A number of governments have recognized that efforts to reform the labor market must play a central role in addressing the sustainability of pensions systems. The EU Pensions White Paper argues that, among other possible responses, there is considerable scope for improving future retirement incomes by raising employment rates among groups such as women, migrants and youths.^{xii}

37% of employees would be encouraged to plan for retirement if there were greater tax breaks on long-term savings.

A greater level of retirement saving brings benefits not just for the individuals who are saving, but for society in general. Higher saving rates reduce the burden on taxpayers to fund the retirements of the elderly, and free up public money for the government to spend on other priorities. Therefore, there is a clear interest for governments to provide incentives to save for retirement through the tax system, as is already the case in many of the countries surveyed. The most effective tax incentives for the long term are those which are easy to understand and easy to use, such as ISAs in the United Kingdom and 401(k) plans in the United States.

IMPROVE TRANSPARENCY AND CHOICE OF RETIREMENT SAVINGS SOLUTIONS

Simpler financial products would encourage 24% of employees to plan more for their retirement.

It is important to improve the availability of financial protection products and retirement savings opportunities, both through the workplace and individually. Employers should be encouraged to offer retirement plans and other products that help employees build financial and retirement security, and governments should consider policies that make it easier for employers to offer workplace retirement plans and encourage employees to participate in those plans. Innovations in financial and retirement security products should be encouraged to meet the changing face of retirement, while enhancing the simplification that is so important. Providing flexible retirement options which enable individuals to take responsibility for how they plan their retirement involves encouraging a broader market for financial products and financial advice.

Individuals should be provided protections in the purchase of retirement and financial security products, and be able to easily access information and advice about those products. They need access to sufficiently robust information to compare and make proper choices among different retirement savings products. This may mean ensuring that information about different products from different provider-types is based on a common terminology and metrics.

PROVIDE INDIVIDUALS WITH THE ABILITY TO RECEIVE A GUARANTEED LIFETIME RETIREMENT INCOME

The single most important popular source of retirement income among employees was defined benefit pension plans, at 41%.

The decline of traditional defined benefit plans and the reduction of government retirement benefits increase the risk of outliving retirement savings. Individuals should be educated about the risks of various retirement savings products, including investment, inflation and interest-rate risks, as well as the risks of outliving the retirement savings. Individuals should also have access to guarantees regarding retirement savings products.

By offering protection against risks inherent in defined contribution plan through means such as: life cycle funds, auto enrollment, auto escalation, matching of contributions, and distribution of benefits in the form of a lifetime income, employers can help employees better prepare for retirement.

PROMOTE AWARENESS OF INCREASING LONGEVITY AND CHANGING WORK PATTERNS

47% believe that retirement age should remain unchanged, regardless of the rising costs of aging; 48% believe it should increase.

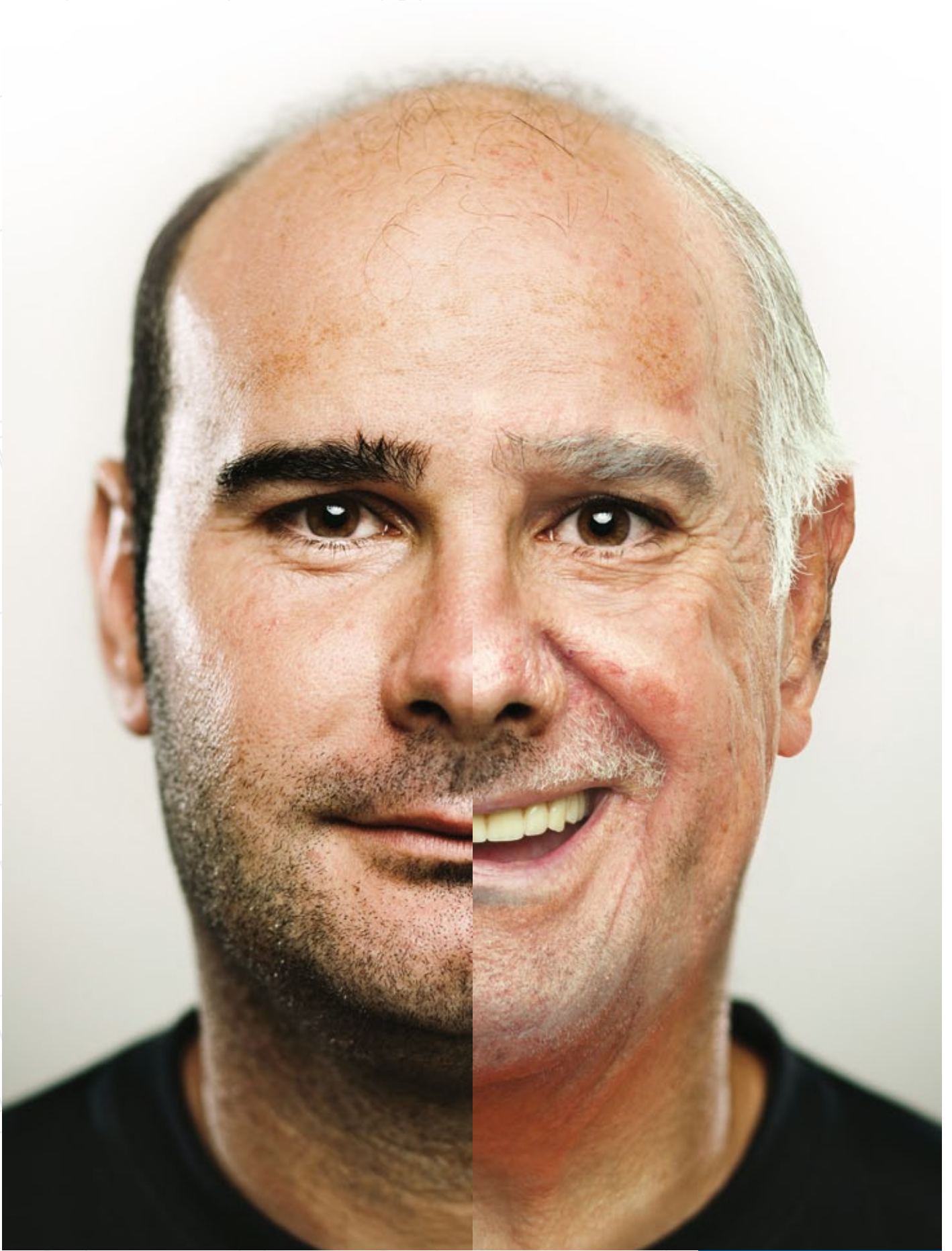
44% of employees want different work patterns in retirement, but not to immediately stop working altogether.

Government and workplace policies should increase awareness of challenges and benefits of increased longevity and the need for governments and employers to make retirement benefits more sustainable. Focus should be placed on the benefits of pursuing an active retirement, and the possible need to keep working beyond traditional retirement age, as well as the need to increase personal savings. This research shows that a substantial group acknowledge that retirement ages need to rise. It also underlines the gap in many countries between the official retirement age (the age at which they can draw on their government pension), and their expected retirement age.

Governments could also seek to encourage behavioral changes in planning through tax breaks. Expectations and attitudes toward traditional retirement can be driven by both governmental policies and workplace changes; but significant discussion of these changes are beyond the scope of this survey.



THE CHANGING FACE OF RETIREMENT



OUTLOOK: REALIZING THE BENEFITS OF ACTIVE AGING

IT IS NOT SURPRISING THAT SO MANY EMPLOYEES EXPECT TO BE WORSE OFF IN RETIREMENT COMPARED TO CURRENT RETIREES GIVEN THE INCREASED LONGEVITY, ALONG WITH CUTS IN GOVERNMENT PENSION BENEFITS AND INVESTMENT LOSSES. HOWEVER, TODAY'S WORKFORCE SHOWS INCREASING RESILIENCE WHEN FACED WITH THIS CHALLENGE.

As a result, the definition of retirement is undergoing rapid change. Retirement will no longer be a "cliff-edge" where individuals stop working altogether, but it will mean being more flexible in how they choose to work. The desire for more leisure time remains a key aspiration in later life, but this will become more often combined with working in some form. One-in-twelve think of retirement as an age of entrepreneurship, and anticipate starting a business after retirement, requiring additional business support and possibly access to finance. Many others - over half of the current workforce - will keep working in some capacity. This trend is positive; greater numbers are living actively and well into "old age" and should be encouraged to both raise living standards for retirees and to make retirement affordable for the future. Individuals, governments and employers all share responsibility for changing behaviors and policies to promote healthy populations that are able to remain actively working and are financially secure. Employers should review their workplace plans and seek to ensure that they are sustainable, as well as ensuring, within realistic limits, that they facilitate adequate education to employees on preparing for retirement.

While it is easy to look at the challenges facing pension provision and be pessimistic, the results of the first AEGON Retirement Readiness Survey do not match this impression. The results certainly reveal the challenges to be great. However, results also reveal individuals' willingness to work longer and take more personal responsibility for their retirements. Governments and employers can build on this move toward "taking some kind of action" by helping provide the tools needed for today's employees to act.

While countries have different economies, government retirement benefits, employer benefits, personal savings plans, and different cultural attitudes, people share a common set of basic needs in terms of planning and preparing for retirement. Much can be learned from each other and much can be done.

This report is illustrated with pictures of men and women in middle age and remastered pictures of what they could look like when they are older. 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.^{xiii}

This can be tried at home using an iPod or iPad app available from <http://www.piviandco.com/apps/agingbooth/>

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In 2010, AEGON became a founding member of the Global Coalition on Aging, which seeks to raise awareness of aging issues among policymakers and the general public. A major aim of the coalition is to transform the way we think and speak about aging: replacing the familiar rhetoric of “problems” with a more positive discussion of “possibilities” and “opportunities.”

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 **THE CHANGING FACE OF RETIREMENT**



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■ ROGER KOCH

■ MICHAEL KOENE

■ HUBERT KOSTRZYNSKI

■ ALEXANDER KUIPERS

■ DEBORA DE LAAF

■ MATT LUNA

■ ED VAN LUXEMBURG

■ PAUL MIDDLETON

■ MARK MULLIN

■ JEROEN DE MUNNIK

■ MARCELLE NOLTENIUS

■ STIG NYBO

■ LESLEY MCPHERSON

■ ARIE PERFORNS

■ CHRISTIAN PIEROTTI

■ PATRICIA PLAS

■ JACQUELINE POLMAN-JAGER

■ THURSTAN ROBINSON

■ PATTI ROWEY

■ DICK SCHIETHART

■ ERIK SCHOUTEN

■ MAUD SCHUILWERVE

■ KATE SMITH

■ MARK STOCKWELL

■ THOMAS SWANK

■ MARTIJN TANS

■ GREG TUCKER

■ MARK TWIGG

■ MARC VAN WEEDE

■ LAURA WHITE

■ DANIEL WRIGHT

■ ALEX WYNAENDTS

■ PÉTER ZATYKÓ

 **THE CHANGING FACE OF RETIREMENT**



REFERENCES AND NOTES

- ▶ *i* The European countries included in the study were commissioned by AEGON. The US component of the survey was commissioned by the Transamerica Center for Retirement Studies®, a non-profit, private foundation.
- ▶ *ii* 2010-based Period and Cohort Life Expectancy tables, Office for National Statistics, United Kingdom.
- ▶ *iii* EU Pensions White Paper, An Agenda for Adequate, Safe and Sustainable Pensions, COM(2012) 55/2, p.2.
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- ▶ *v* For a comparison of different pension systems see "Pensions at a Glance 2011", OECD, 2011.
- ▶ *vi* The impact of the crisis on earnings and income distribution in the EU, Paul de Beer, ETUI, 2012.
- ▶ *vii* The new president in France, Mr Francois Hollande, announced intentions to cut the retirement age from 62 to 60 for people who have worked for 41 years.
- ▶ *viii* EU Pensions White Paper, COM(2012) 55/2, p.23-39.
- ▶ *ix* EU Pensions White Paper, COM(2012) 55/2, p. 5.
- ▶ *x* OECD Statistics, OECD Website, 4 November 2011.
- ▶ *xi* Gender (in)equality, OECD Website, 2012.
- ▶ *xii* Hershfield, Goldstein et al. Increasing Saving Behavior Through Age-Progressed Renderings of the Future Self, Journal of Marketing Research, Vol. XLVIII (November 2011), p23-p37.
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CONTACT INFORMATION

HEADQUARTERS

AEGON N.V.

P.O. Box 85

2501 CB The Hague

Telephone: +31 70 344 32 10

www.aegon.com

MEDIA RELATIONS

Telephone: +31 70 344 89 56

Email: gcc-ir@aegon.com

APPENDIX: MORE COUNTRY COMPARISONS

Chart 1: When thinking about retirement, which of the following are you optimistic/pessimistic about?

Having enough money to live on	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Very pessimistic	22%	23%	23%	42%	29%	13%	15%	13%	19%	20%
Somewhat pessimistic	29%	36%	27%	23%	41%	28%	26%	27%	27%	25%
Neither pessimistic nor optimistic	19%	22%	20%	16%	8%	27%	23%	24%	19%	14%
Somewhat optimistic	20%	14%	18%	12%	17%	25%	24%	24%	22%	28%
Very optimistic	9%	5%	12%	5%	5%	6%	10%	11%	12%	13%
Don't know	1%	1%	1%	3%	2%	1%	2%	2%	1%	1%

Being able to choose when I retire	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Very pessimistic	25%	27%	27%	35%	23%	26%	16%	24%	22%	20%
Somewhat pessimistic	31%	41%	25%	21%	36%	34%	30%	32%	31%	27%
Neither pessimistic nor optimistic	20%	16%	23%	21%	18%	22%	22%	23%	18%	14%
Somewhat optimistic	16%	11%	16%	13%	17%	13%	22%	11%	19%	24%
Very optimistic	7%	3%	8%	4%	3%	5%	8%	8%	9%	12%
Don't know	2%	2%	1%	5%	3%	1%	2%	3%	2%	2%

Having the freedom to choose where I want to live	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Very pessimistic	15%	10%	8%	38%	21%	11%	11%	10%	15%	14%
Somewhat pessimistic	19%	18%	10%	16%	27%	19%	20%	18%	23%	17%
Neither pessimistic nor optimistic	24%	25%	24%	18%	19%	30%	25%	30%	23%	22%
Somewhat optimistic	25%	31%	28%	14%	22%	26%	28%	23%	26%	29%
Very optimistic	16%	14%	30%	11%	8%	13%	15%	18%	13%	18%
Don't know	2%	2%	1%	3%	2%	1%	2%	2%	2%	1%

Maintaining good health	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Very pessimistic	10%	8%	9%	22%	20%	5%	5%	4%	7%	7%
Somewhat pessimistic	16%	17%	14%	16%	28%	15%	13%	10%	16%	14%
Neither pessimistic nor optimistic	26%	31%	30%	19%	14%	31%	26%	31%	29%	22%
Somewhat optimistic	31%	30%	29%	21%	27%	34%	37%	31%	33%	38%
Very optimistic	16%	12%	17%	18%	9%	14%	18%	22%	13%	18%
Don't know	2%	2%	2%	4%	2%	1%	2%	3%	1%	1%

Having hobbies	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Very pessimistic	4%	6%	3%	6%	7%	3%	2%	2%	4%	4%
Somewhat pessimistic	7%	13%	4%	7%	10%	6%	5%	4%	7%	6%
Neither pessimistic nor optimistic	17%	24%	17%	15%	11%	21%	16%	17%	19%	18%
Somewhat optimistic	38%	38%	34%	31%	43%	40%	39%	39%	39%	38%
Very optimistic	32%	18%	42%	38%	29%	29%	37%	37%	30%	33%

Keeping physically active	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Very pessimistic	4%	4%	4%	8%	7%	3%	2%	2%	4%	3%
Somewhat pessimistic	8%	8%	7%	8%	13%	6%	6%	6%	8%	9%
Neither pessimistic nor optimistic	20%	23%	24%	17%	15%	23%	21%	20%	20%	17%
Somewhat optimistic	40%	44%	33%	32%	42%	44%	41%	37%	43%	41%
Very optimistic	26%	19%	30%	32%	21%	23%	29%	33%	23%	29%
Don't know	2%	2%	1%	3%	2%	1%	2%	3%	2%	1%

Keeping in touch with friends and family	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Very pessimistic	2%	2%	3%	3%	4%	2%	1%	2%	3%	3%
Somewhat pessimistic	4%	4%	4%	2%	5%	4%	3%	3%	5%	5%
Neither pessimistic nor optimistic	12%	12%	13%	7%	8%	15%	13%	14%	15%	11%
Somewhat optimistic	33%	42%	26%	21%	41%	38%	32%	30%	37%	34%
Very optimistic	47%	38%	54%	67%	40%	40%	50%	49%	39%	47%
Don't know	1%	2%	1%	2%	1%	1%	2%	2%	1%	1%

Chart 2: To what extent do you agree with the following statements concerning the impact of the financial crisis on your retirement plans?

My state pension benefits will be less valuable due to government cutbacks	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	3%	3%	3%	4%	5%	4%	3%	2%	1%	3%
Somewhat disagree	5%	6%	4%	3%	6%	6%	6%	3%	3%	6%
Neither agree or disagree	12%	16%	10%	7%	8%	12%	19%	13%	14%	12%
Somewhat agree	29%	35%	27%	16%	28%	27%	34%	39%	28%	31%
Strongly agree	45%	31%	54%	67%	51%	49%	23%	37%	49%	42%
Don't know	6%	8%	3%	4%	1%	3%	15%	6%	5%	6%

My own private pension savings are worth less than they were	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	3%	2%	3%	4%	4%	4%	4%	2%	2%	4%
Somewhat disagree	7%	8%	5%	3%	7%	9%	10%	6%	5%	10%
Neither agree or disagree	18%	22%	16%	8%	14%	24%	24%	19%	20%	18%
Somewhat agree	28%	29%	31%	18%	32%	25%	29%	34%	30%	28%
Strongly agree	34%	26%	40%	51%	40%	28%	22%	32%	32%	34%
Don't know	9%	12%	5%	16%	3%	11%	11%	7%	10%	7%

I am now more likely to have to plan for my retirement	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	3%	4%	2%	2%	5%	3%	1%	2%	3%	5%
Somewhat disagree	5%	6%	3%	3%	4%	6%	4%	6%	5%	7%
Neither agree or disagree	15%	17%	10%	6%	6%	18%	13%	22%	21%	21%
Somewhat agree	30%	32%	21%	24%	26%	34%	34%	36%	32%	28%
Strongly agree	43%	37%	62%	61%	57%	36%	41%	28%	34%	36%
Don't know	4%	4%	2%	4%	2%	4%	6%	6%	4%	3%

My employer or pension fund is more likely to cut back on workplace pension benefits	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	5%	2%	5%	7%	5%	4%	5%	3%	3%	7%
Somewhat disagree	8%	7%	8%	6%	8%	5%	11%	5%	7%	14%
Neither agree or disagree	22%	19%	21%	14%	24%	22%	28%	19%	25%	24%
Somewhat agree	29%	39%	28%	24%	29%	31%	23%	35%	27%	25%
Strongly agree	25%	24%	24%	31%	25%	31%	15%	28%	25%	20%
Don't know	12%	9%	13%	17%	9%	7%	17%	10%	13%	9%

I will take fewer risks when it comes to saving for my retirement	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	4%	4%	3%	4%	5%	4%	4%	3%	2%	3%
Somewhat disagree	7%	9%	6%	4%	9%	8%	8%	7%	5%	8%
Neither agree or disagree	22%	23%	21%	13%	20%	26%	29%	26%	21%	18%
Somewhat agree	31%	32%	29%	31%	32%	30%	28%	30%	34%	33%
Strongly agree	30%	25%	36%	39%	28%	27%	23%	27%	33%	35%
Don't know	6%	7%	5%	8%	5%	6%	9%	6%	5%	3%

I am less likely to save for retirement at all	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	14%	7%	26%	4%	13%	8%	1%	9%	23%	38%
Somewhat disagree	17%	20%	21%	7%	17%	14%	4%	27%	26%	20%
Neither agree or disagree	20%	25%	19%	10%	24%	23%	15%	27%	20%	16%
Somewhat agree	21%	24%	15%	23%	24%	26%	34%	18%	14%	15%
Strongly agree	22%	16%	16%	53%	18%	24%	39%	11%	14%	11%
Don't know	5%	7%	4%	3%	5%	4%	7%	7%	3%	1%

I am looking for investment products which offer greater protection against volatile markets	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	12%	9%	14%	9%	8%	14%	15%	25%	9%	9%
Somewhat disagree	11%	10%	11%	5%	9%	13%	13%	20%	11%	10%
Neither agree or disagree	26%	24%	26%	15%	27%	28%	30%	24%	31%	26%
Somewhat agree	24%	25%	24%	23%	27%	24%	20%	15%	25%	28%
Strongly agree	19%	23%	19%	35%	23%	16%	11%	8%	17%	23%
Don't know	8%	9%	6%	14%	6%	5%	11%	7%	7%	5%

I need more financial advice to make sense of uncertain investment markets	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Strongly disagree	12%	9%	18%	13%	8%	8%	12%	19%	10%	10%
Somewhat disagree	11%	10%	12%	8%	11%	9%	13%	17%	10%	12%
Neither agree or disagree	26%	25%	25%	17%	21%	30%	33%	27%	30%	24%
Somewhat agree	25%	27%	24%	21%	31%	28%	19%	17%	26%	30%
Strongly agree	20%	21%	17%	32%	25%	22%	12%	12%	18%	20%

Chart 3: With the costs of government retirement benefits becoming a greater concern as individuals live longer, which of the following do you think the government should undertake?

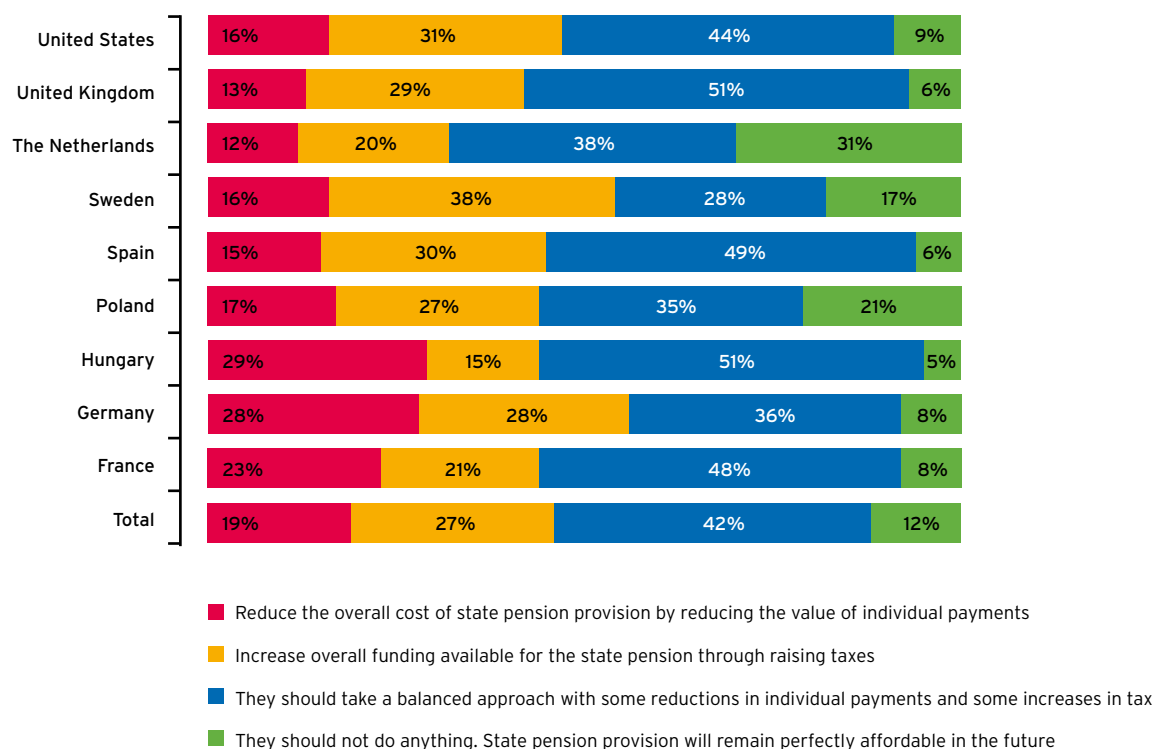


Chart 4: To what extent do you feel that people should expect to work longer into old age as a way to offset the costs of people living longer?

	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Retirement age should increase in line with increases in life expectancy	17%	14%	12%	9%	15%	12%	14%	20%	26%	32%
Retirement age should increase except for those in dangerous jobs or manual workers	19%	27%	26%	12%	16%	26%	13%	23%	18%	14%
Retirement age should increase but the increase should be capped irrespective of how much life expectancy improves	12%	18%	7%	10%	6%	11%	12%	17%	15%	12%
Retirement age should remain unchanged. People are already expected to work long enough	47%	37%	51%	65%	61%	48%	57%	34%	36%	32%
Don't know	5%	4%	4%	4%	3%	3%	5%	7%	5%	10%

Chart 5: The components of the AEGON Retirement Readiness Index

Responsibility	To what extent do you feel personally responsible for making sure that you have sufficient income in retirement?									
	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
I don't feel responsible at all	3%	5%	3%	9%	2%	4%	3%	2%	1%	2%
2	5%	7%	4%	10%	6%	4%	4%	3%	3%	2%
3	23%	32%	18%	24%	22%	28%	24%	25%	19%	12%
4	34%	34%	36%	25%	32%	36%	34%	44%	34%	27%
I feel very responsible	35%	22%	40%	31%	37%	28%	35%	26%	43%	57%

Awareness	How would you rate your level of awareness on the need to plan financially for your retirement?									
	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
I feel very unaware	4%	2%	1%	8%	3%	8%	5%	2%	4%	2%
2	8%	6%	2%	15%	8%	12%	11%	6%	6%	5%
3	26%	17%	16%	45%	26%	35%	30%	23%	23%	16%
4	35%	36%	35%	25%	41%	35%	33%	40%	36%	34%
I feel very aware	27%	39%	46%	7%	21%	10%	20%	28%	31%	43%

Understanding	How able are you to understand financial matters when it comes to planning for your retirement?									
	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
I feel very unable	5%	4%	3%	2%	2%	5%	16%	6%	5%	3%
2	11%	13%	6%	7%	11%	11%	18%	14%	11%	10%
3	30%	29%	27%	30%	32%	34%	32%	34%	29%	26%
4	34%	34%	40%	36%	36%	35%	24%	31%	35%	33%
I feel very able	20%	21%	24%	25%	18%	16%	9%	15%	20%	29%

Planning	Thinking about your own personal retirement planning process, how well developed would you say your personal retirement plans currently are?									
	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
I do not have a retirement plan	18%	31%	7%	17%	24%	23%	18%	11%	19%	15%
2	16%	14%	11%	16%	22%	15%	21%	14%	14%	17%
3	33%	27%	32%	36%	32%	32%	33%	39%	33%	30%
4	23%	20%	33%	23%	17%	21%	20%	28%	23%	25%
My plans are very well developed	10%	9%	16%	9%	6%	8%	9%	9%	11%	13%

Saving	Thinking about how much you are putting aside to fund your retirement, are you saving enough?									
	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
I am very unprepared. I am hardly saving at all for retirement	24%	31%	11%	37%	27%	26%	23%	14%	23%	22%
2	20%	18%	16%	25%	25%	21%	22%	16%	19%	18%
3	29%	28%	29%	26%	31%	27%	30%	34%	28%	28%
4	19%	17%	29%	11%	14%	19%	18%	24%	22%	20%
I am very prepared. I am already saving enough	8%	6%	14%	2%	4%	7%	8%	12%	8%	12%

Chart 5: The components of the AEGON Retirement Readiness Index

Retirement income	Thinking about what money can buy today, what gross annual income do you expect to need in retirement, as a proportion of your current earnings? (Gross earnings is what you can expect to earn before taxes)									
	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
Less than 40% of what I currently earn	7%	7%	6%	3%	5%	10%	4%	3%	11%	10%
About 40-59% of what I currently earn	11%	10%	11%	6%	8%	10%	10%	6%	21%	13%
About 60-79% of what I currently earn	35%	36%	42%	18%	27%	31%	43%	42%	40%	33%
About 80-100% of what I currently earn	34%	37%	34%	32%	40%	38%	35%	43%	21%	9%
More than 100% of what I currently earn	14%	9%	7%	41%	20%	11%	8%	6%	8%	14%

On course	Do you think you will achieve this income?									
	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
I don't know if I am on course to achieve my required income	24%	25%	18%	27%	29%	21%	22%	21%	33%	23%
No, I am on course to achieve around one-quarter (25%) of my required retirement income	12%	10%	11%	14%	15%	10%	10%	8%	14%	12%
No, I am on course to achieve around half of my required retirement income	28%	27%	31%	30%	28%	32%	24%	24%	27%	27%
No, I am on course to achieve around three-quarters (75%) of my required retirement income	21%	27%	22%	18%	18%	24%	22%	28%	15%	17%
Yes, I am on course to achieve my required retirement income	15%	11%	17%	11%	11%	12%	21%	20%	12%	18%

Chart 6: ARRI scores men

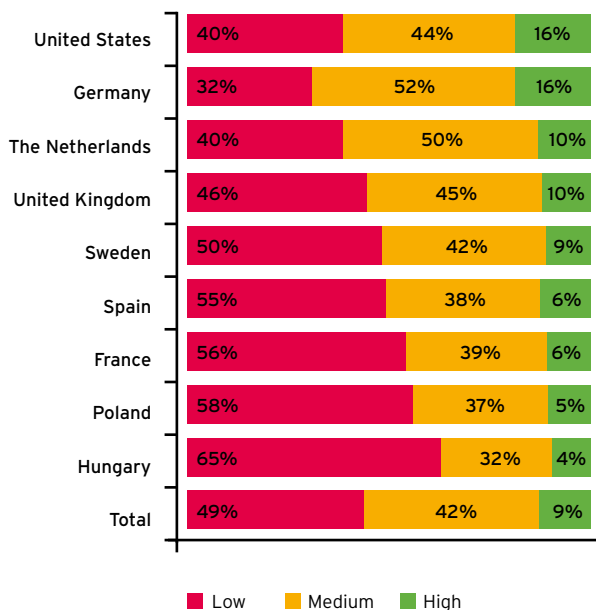


Chart 7: ARRI scores women

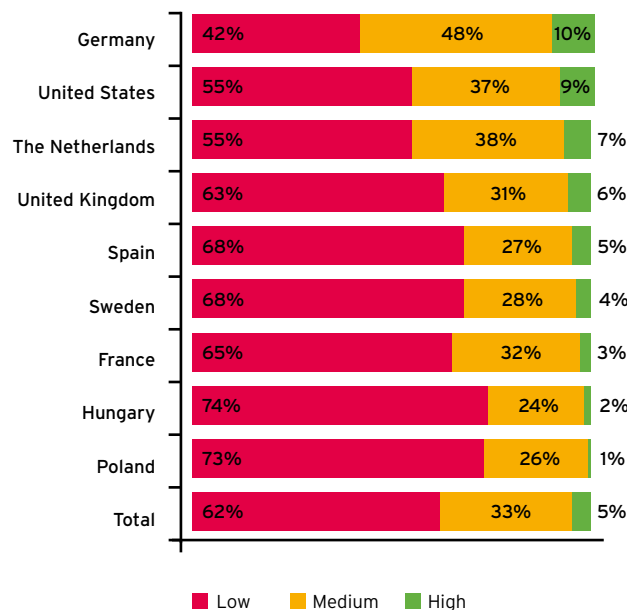


Chart 8: ARRI scores - Less than undergraduate degree

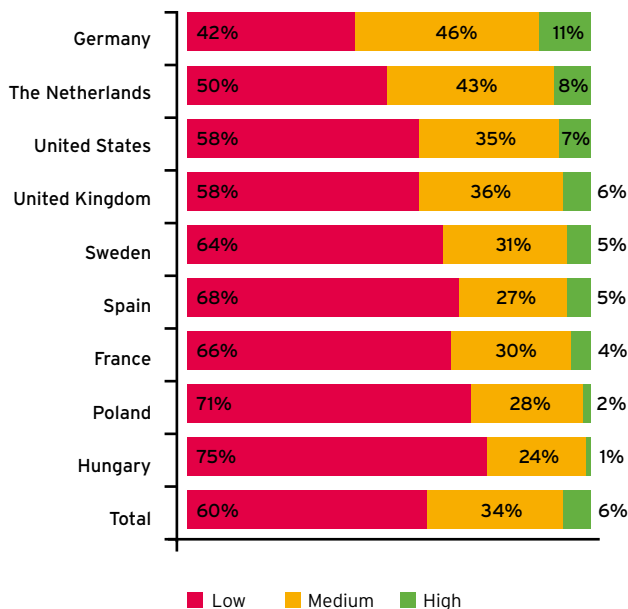


Chart 9: ARRI scores- Undergraduate degree or higher

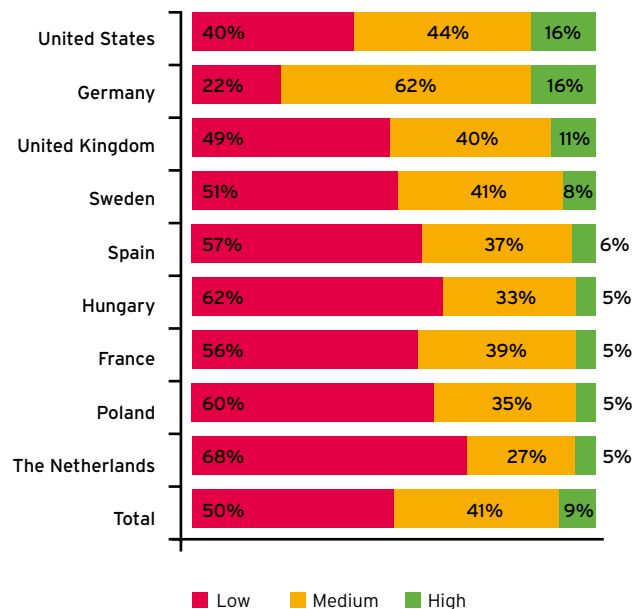


Chart 10: What financial means are you currently using to prepare for your retirement?

	Total	France	Germany	Hungary	Poland	Spain	Sweden	The Netherlands	United Kingdom	United States
State pension / social security	48%	31%	56%	54%	13%	57%	49%	47%	57%	69%
A final or career average salary pension (defined benefit plan)	41%	46%	31%		78%	36%	51%	37%	50%	37%
Savings accounts	40%	38%	41%	25%	36%	43%	39%	41%	46%	48%
A money purchase scheme with employer contributions (defined contribution plan)	34%	25%	19%	31%	63%	26%	36%	29%	27%	48%
A pension which I have taken out myself (private pension)	31%	25%	44%	21%	25%	34%	43%	17%	28%	40%
Life insurance	24%	29%	12%	33%	34%	23%	18%	20%	18%	32%
Stocks and shares	21%	16%	23%	13%	20%	26%	26%	15%	21%	29%
My home	20%	16%	16%	21%	11%	20%	26%	25%	23%	23%
Inheritance	19%	15%	26%	21%	13%	24%	21%	16%	19%	18%
Mutual funds	18%	12%	25%	16%	9%	15%	36%	15%	9%	27%
A money purchase scheme with no employer contribution (defined contribution plan)	18%	15%	16%	25%	16%	23%	18%	15%	14%	22%
Investment property	15%	20%	20%	12%	12%	20%	16%	10%	13%	12%
Don't know	14%	17%	13%	9%	8%	12%	24%	24%	11%	5%
Bonds	14%	12%	16%	10%	11%	16%	16%	10%	14%	18%
Annuities	12%	8%	14%	9%	8%	15%	13%	17%	8%	17%
Long-term care insurance	12%	8%	23%	8%	12%	13%	11%	10%	6%	13%
Investment-linked insurances	11%	9%	13%	17%	15%	15%	14%	10%	8%	
Company share plan / share options	10%	9%	18%	8%	5%	12%	12%	8%	10%	12%
My business	9%	6%	13%	9%	5%	13%	12%	9%	6%	6%
None	8%	8%	7%	13%	4%	9%	4%	9%	9%	7%
Other	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%

