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Security – Trust – Solidarity

Perception of retirement:
a cross-country comparison

Allianz 

MASTHEAD

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Introduction

In recent decades, the effects of aging populations on societies and economies have been analyzed in a number of different aspects. Many discussions have centered on the sustainability of public finances as projections have shown there will be fewer and fewer people paying into public social security systems to support an increasing number of pensioners. People in different countries are already feeling these developments today, particularly those in industrialized countries, where major pension reforms and reviews of healthcare and long-term care systems have already taken place. But although aging is an overarching topic in all countries, there are substantial differences in both the speed and extent of changing demographics. In 'younger' countries, where the ratio of elderly to young people is still low, aging societies nevertheless represent a key factor in demographic development, with declining birth rates and rising life expectancies already in place. What's more, this development will run faster than it has previously in 'old' countries, putting policy makers under pressure.

The more elderly people there are to support, the greater the responsibility that falls on the younger generation. But how does this trend influence our everyday life, our living situation and our planning for the future? Are these changes readily accepted by the younger generation, or does it affect the solidarity between old and young? Are people looking into the future with confidence and trust, and can we build on social cohesion and security? This study will address these topics, in addition to looking at different perceptions of young and elderly people. Do perceptions of living together differ in countries that are at different stages of demographic development?

To answer these questions, Allianz conducted a survey in countries at different stages of demographic development, comparing young people's perceptions with those of an older group. Countries included in this study are Germany, France, Italy and the United Kingdom (UK) from 'old' Europe, as well as Japan as the forerunner in the aging process and the 'oldest' country in the world. We contrast the results from these countries with those from two 'young' countries – Turkey and Malaysia. Before presenting these results, we give special demographic insights into aging and the perception of aging.

Key Results

- The midst of life is getting later. 60 is the new 50.
- Regional and cultural differences have a higher impact on the survey results (view on the future, perception of aging and retirement) than generational aspects within a country.
- There is high uncertainty about the future among both younger and older age groups in Japan and France. The largest group of optimists is in Malaysia.
- Sense of security is conveyed by family and money or savings in all countries except Germany, where more people mention the social net and money ranks behind.
- Money matters: the majority of people in all countries think they have to cut back in their living standards after retirement. Japanese, French, Turks and younger Italians are most pessimistic. Moreover, the majority of young people in all countries believe they do not have enough money to prepare for the future.
- More than half of those surveyed in Malaysia would consider supplementing their retirement income by working. Those who would consider this in other countries are in the minority.
- The strongest family ties seem to be in Turkey, Malaysia and Italy as more people consider bequeathing money and financially supporting their children when planning for retirement.
- The majority of young people in all countries are prepared to work up to the respective legal retirement age, although young Germans and Britons prefer to retire before this official date in a pension framework where retirement entry age is high.
- There is low confidence in the public pension system in all countries, while employer-funded schemes are not as reliable as they should be in a changing pension landscape with greater emphasis on privately funded solutions.
- People in all countries have plans for an active life in retirement, including travelling and volunteer work.
- Young people in Malaysia, Japan, Turkey and Germany are well aware of the necessity for extra savings at an early age, whereas the majority of young Italians and French are not. Young people know what to do. In this respect, the younger generation cannot learn from the older one.

Demographic Insights

1 Detailed data can be found in an interactive graph on: <http://projectm-online.com/global-agenda/Demographics/demographic-insights>

The countries included in this study (Germany, France, Italy, UK, Japan, Malaysia and Turkey) are at different stages of the aging process; speed and magnitude of this process vary considerably.

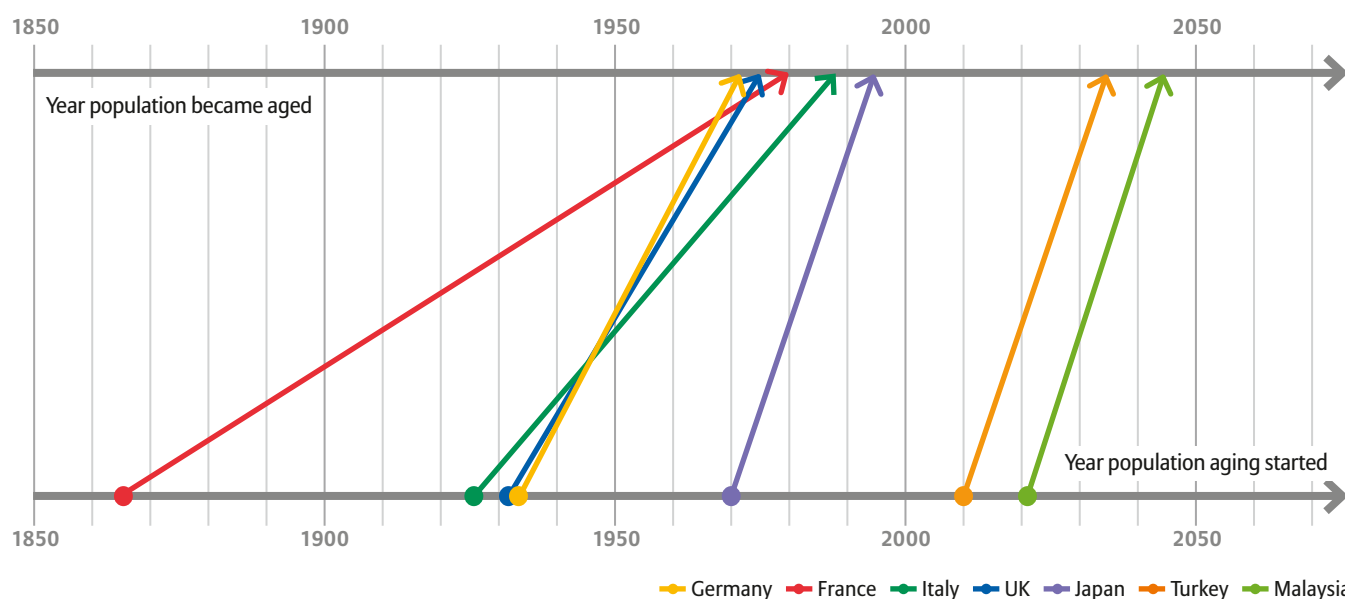
YOUNG – AGING – AGED – SUPER-AGED

Commonly used measures to chart the speed and magnitude of the aging process are the median age of the population, the old-age-dependency ratio and the share of people aged 65 and older.¹ We focus on the latter to illustrate the speed of aging and categorize the countries in the survey. As we will see, the aging status will help to understand differences in our survey results.

As a convention, once 7% of a country's population is 65 years old or over, the country is considered to be 'aging'. When this exceeds 14%, the country is seen to be 'aged.' In this respect, with only 5.7% of its population aged 65 or over, Malaysia is considered a young country, whereas Turkey lies just over the 7% threshold. France and the UK (both 18%) belong to the aged countries, while Germany (21%), Italy (22%) and Japan (26%) are already being referred to as 'super-aged' as they have reached the next 7% threshold. However, despite currently being young in comparison to their further developed peers, aging in Turkey and Malaysia will occur at a much faster rate.

In developed nations, the transition from an aging to an aged society was a slow process. It took France 115 years (1865-1980) to double its proportion of people aged 65 and over from 7% to 14%.

Figure 1: "Speed of aging"



Sources: United Nations Population Division, US Census Bureau, Statistisches Reichsamt, Kisella and Gist, Mirkin and Weinberger, Allianz, International Pensions

2 Life expectancy at birth in Germany (proxied by Prussia) was 27 years in 1816-1860; Hubert, Michael (1998); *Deutschland im Wandel*

3 Examples adapted from Marin, Bernd (2013); *Welfare in an Idle Society? – Reinventing Retirement, Work, Wealth, Health, and Welfare*

4 Fuchs, Victor (1984); “Though much is taken” – Reflections on Aging, Health, and Medical Care, NBER Working Paper No. 1269

5 Allianz, *Demographics in focus III: 60 is the new 50*; 2014

Turkey (2010-2035) and Malaysia (2021-2045) will each undergo the same change in less than 25 years. This is similar to Japan’s development that began in the 1970s, when it took just 25 years to move from aging to aged. In the case of Turkey, it is expected that by 2050 it will already be a ‘super-aged’ society. Although both Turkey and Malaysia are still young and the challenges of an aging society are less apparent, the time they have to adjust to demographic change and its associated economic and social cost will be much shorter, placing them under pressure to take policy action.

PERCEPTION OF AGING AND THE AGED

Most demographic measures link ‘old’ and the expected phenotypes of aging to a fixed chronological age. However, age and its perception is not a concept that is independent of time and place. By today’s standards, Mozart would have been considered young when he died aged 36, but in 1791 he had already exceeded the life expectancy at birth at that time.

Another famous example is the German poet Goethe. By the time he turned 50, Goethe was considered to be a very old man, but this would not be the case in Germany now. In fact, 50-year-old Germans today have a higher life expectancy than Goethe did at birth.^{2/3} Life expectancy, the actual lifespan of a person, is not captured by the concept of a chronological age alone.³ In recent decades, life expectancies around the globe have risen at an unprecedented rate. This phenomenon has also had an effect on how people age; today, we are aging more slowly than our chronological age might imply.

MOVING THE MIDST OF LIFE

Victor Fuchs, an economist, was one of the first who challenged the concept that a static chronological age describes the threshold at which people become ‘aged’. In his understanding, people age at very different rates at different points in time and that the meaning ‘elderly’ would be better defined in terms of years until death.⁴ In a way, this follows the concept of economics when comparing prices over time, differentiating between a ‘nominal’ age (chronological age) and ‘real’ age (adjusted for increases in life expectancy, given a base year) to assess whether someone is old or young. This idea was later conceptualized by Sanderson and Scherbov, who introduced the ‘prospective age’ as a measure of aging.⁵

Their prospective age measure assigns ages to people on the basis of their remaining life expectancies in a reference year, not on the number of years that they have already lived. Whereas the chronological age is backward-looking (number of birthdays), the prospective age is forward-looking (number of remaining birthdays).

Figure 2 illustrates the two age concepts: it compares the life expectancies of 60-year-old women in France in the late 1950s and today (*first and third bar*). The women born at the turn of the last century had a remaining life expectancy of 19.1 years, whereas today’s 60-year-old is expected to live another 27.5 years, not accounting for further increases in life expectancy. Although both of these women have a chronological age of 60, their remaining life expectancies are quite different – apparently they are aging at different rates.

6 European Commission, 2012; Active Aging, Eurobarometer Survey 378

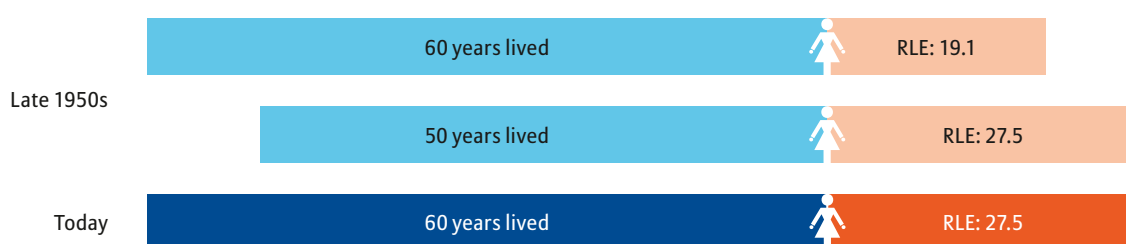
The difference in terms of the aging process can be seen when life expectancies of both generations are aligned (*second and third bar*). Today's 60-year-old French women have the same remaining life-expectancy as women aged 50 in the 1955-1960 time period. In terms of prospective age, **60 is the new 50**.

It will be interesting to see whether, in a chronologically aging society where more and more people are ascending into higher age groups (c.f. Young – aging – aged – super-aged), people will perceive that they are actually younger than their peers a generation ago. From a demographic perspective, France is labeled an 'old' country. Its median age of almost 41 years is already high from a historical perspective. But people would disagree with this assessment. According to a Eurobarometer survey, people in France perceive the threshold at which someone stops being regarded as 'young' to be 41.7 years.⁶

This phenomenon is not confined to France alone. Despite facing the challenges of population aging, all the countries surveyed are becoming older and younger at the same time. Accounting for increasing life expectancy since the late 1950s, a German or a Turkish woman with a chronological age of 60 has a prospective age of 51.5 or 49 respectively — considerably lower than the actual chronological age.

But introducing the concept of prospective age does not necessarily consider the physical condition of the individual: an increase in healthy life expectancy makes an important difference in people's well-being. As data suggest (see breakout box), people in their 60s today have a longer active life ahead of them, free from severe disabilities and chronic disease, than former generations. In this sense, the prospective age gives a reasonable measure for the potential planning horizon of the individual. When planning for retirement, deciding about learning and job opportunities or investments, the prospective age affects how people live their lives. The midst of life is getting later.

Figure 2: Remaining life expectancy (RLE) among French women, 1955–1960 and today



Source: Allianz, International Pensions, calculations based on UN mortality tables

7 Salomon, Joshua A. et al. (2012); Healthy life expectancy for 187 countries, 1990-2010: a systematic analysis for the Global Burden Disease Study 2010

HEALTHY LIFE EXPECTANCY

In an attempt to provide information on the functional state and the vitality of populations, the World Health Organization (WHO) developed an index called 'healthy life expectancy.' This refers to the number of years that a person at a given age can expect to live in good health, taking into account age-specific mortality, morbidity and disability of a population.⁷

For the time period 1990-2010, the numbers provide evidence for the claim that the amount of healthy years has risen since the 1990s, but so has the time spent living with health impairments. According to the WHO, in 2010, global healthy life expectancy at birth was 59 years for males and 63.2 years for females. This represented an increase of 4.2 years for men and 4.5 years for women compared to 1990. On average, each one-year increase in life expectancy at birth leads to a change in healthy life expectancy at birth of about 0.85 years. Therefore, a higher life expectancy results in both an increased number of years in good health and a longer time spent with physical impairments and, potentially, disabilities.

This is especially true for the countries surveyed in this study. The healthy life expectancy at age 60 ranges up to 18.4 years for Japanese women, who have seen an increase of disability-free lifetime of more than one year since 1990. Even Malaysian men in their 60s, with the lowest healthy life expectancy in the sample, can look forward to an additional 13 years in good health.

View on future life in retirement – survey results

⁸ According to “internetworldstats” the Internet penetration in 2012 in Germany was 83%, in France 80%, in Italy 58%, in the UK 84%, in Japan 80%, in Malaysia 61% and in Turkey 46%.

Demographic changes and developments are influencing our everyday life. Solidarity between generations is put to the test when reform and policy decisions are not balanced. In our survey we took a glance at one aspect of the changes: Retirement preparation. The objective aging of a society together with the subjective sense of aging can have a strong impact on the adequacy of retirement provision. Key questions we address are: How do people feel about retirement? Do the young think ahead to their future life and prepare for it? Do older cohorts react positively to their ‘gained’ years of active life? Are there different perceptions of young and elderly people? Do perceptions of living together differ in countries at different stages of demographic development? How do people in different countries see the future development in living conditions?

METHODOLOGY OF THE SURVEY

This survey was conducted to generate comparable perspectives of younger and older people on their respective futures, in particular their time spent in retirement. The younger cohort comprises people aged 30 to 45, the prime working years, and the older cohort consists of men and women aged 60 to 75, close to or in retirement (see breakout box “*The young ones*” for the importance and development of the cohorts). The survey included four European countries, Germany, France, Italy and the UK, as well as Japan, Malaysia and Turkey; all countries at different demographic stages, as described above. It was conducted online at the beginning of 2014.

2,667 respondents completed the survey: roughly 200 in the younger age group of each country and approximately 200 in the older cohort in the European countries and Japan; the sample size for the older groups in Turkey and Malaysia had to be reduced. As it was an online interview, the results are not quite representative for the older cohorts and the both age groups in Italy, Turkey and Malaysia, as Internet penetration in these countries is much lower than in the other countries surveyed.⁸

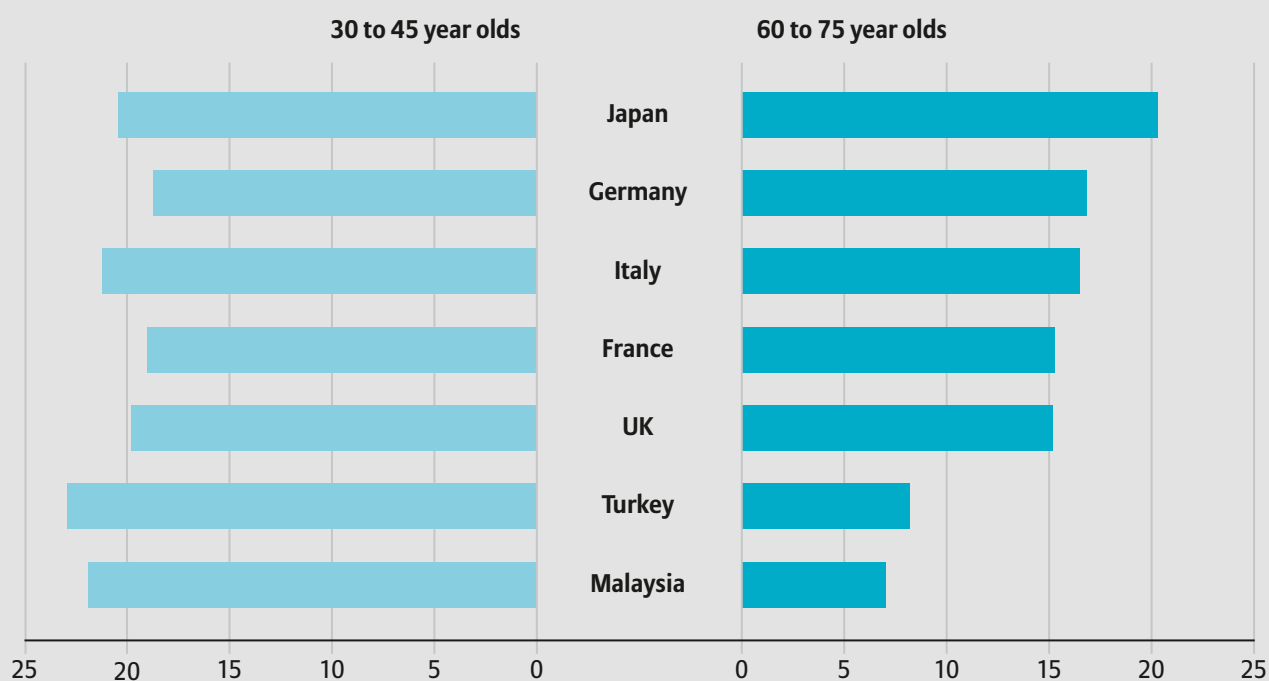
THE YOUNG ONES

Figure 3 shows the relative importance of the age groups surveyed in this study. Both age cohorts account for a sizeable portion of the total population, ranging from about 30% in Malaysia to roughly 40% in Japan. The different stages of population aging in the various countries is also reflected in the relative size of the age groups surveyed.

In the two youngest countries, Turkey and Malaysia, the younger cohort is approximately three times the size of the older one. In the more advanced economies, the picture is quite different: thanks to decades of low fertility rates and increasing life expectancies, the share of younger people is decreasing. With 20.3%, Japan has the highest proportion of people aged 60 to 75 relative to the total population. Following its rapid aging process, in 2015 the older cohort will outnumber those aged 30 to 45 for the first time. This will also soon occur in Germany (2021) and Italy (2022). France and the UK are different in this respect: although shrinking, their younger cohorts will continue to be bigger in size.

In Italy, Germany and Japan, the trend towards a higher share of people aged 60 to 75 will continue. By 2031, almost a quarter of the German population (23%) will fall into this age bracket, considerably outnumbering those in their 30s to mid-40s. This trend often raises concerns as to whether the increasing share of elderly dependents might put pressure on intergenerational solidarity.

Figure 3: Share of population 30 to 45 vs. 60 to 75 [as % of total population]



Sources: UN Population Division (2012), Allianz, International Pensions

9 Source: Federal Statistics Office of Germany, Micro Census, 2012

10 See Country Fact Sheets, Allianz International Pension Papers, 2013

The sample is characterized by a roughly even split between males and females in all European countries and among the young interviewees in Japan, Malaysia and Turkey. However, in these latter three countries, there was a split of two-thirds male to one-third female among the older cohort. In Malaysia and Turkey this can be attributed to the limited Internet use among older people in general and, probably, women in particular.

As we compare the two age groups in our survey, we find differing household structures for the young and the old. In all countries, the majority of young interviewees live in a household with three or more people, whereas the older cohort in Europe lives mainly in a two-person household. The numbers are aligned to the trend towards single-generation households in Germany, which made up 64% of all German households in 2011. Multigenerational households of all age groups only have a share of 29%.⁹ In Japan, Malaysia and Turkey, the share of older people living in a household with three or more people is much higher than in Europe.

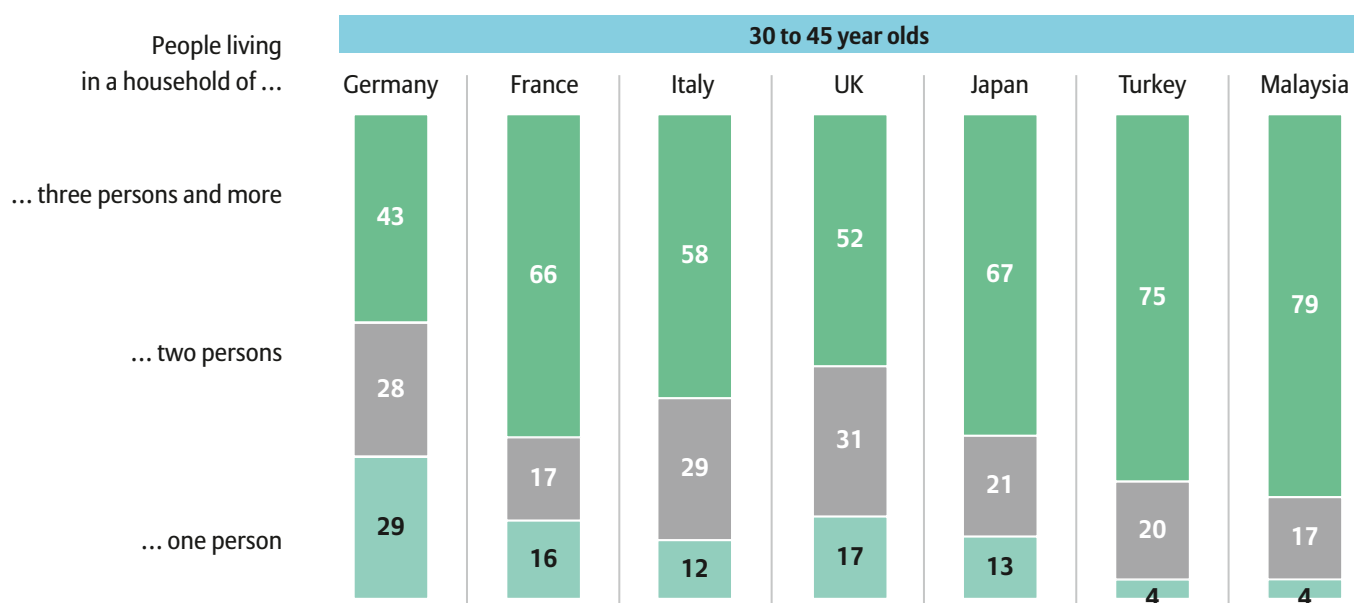
In the younger group, the majority of people were employed: the lowest share in the sample was in Japan, where only 66% had a job of some kind. In the other countries, this rate varied between 75% in the UK and 89% in Malaysia. With the older cohort starting at 60, this included people still in the workforce, and roughly one-third of the respondents in Japan and 38% in Malaysia were still working. Almost all respondents in France were already in retirement, mirroring the low effective retirement age.¹⁰

LABOR FORCE PARTICIPATION RATE OF THE ELDERLY

Labor force participation rate 60–64	
Italy	24.0%
Turkey	24.2%
France	25.1%
Malaysia	39.5%
UK	47.5%
Germany	49.6%
Japan	60.5%

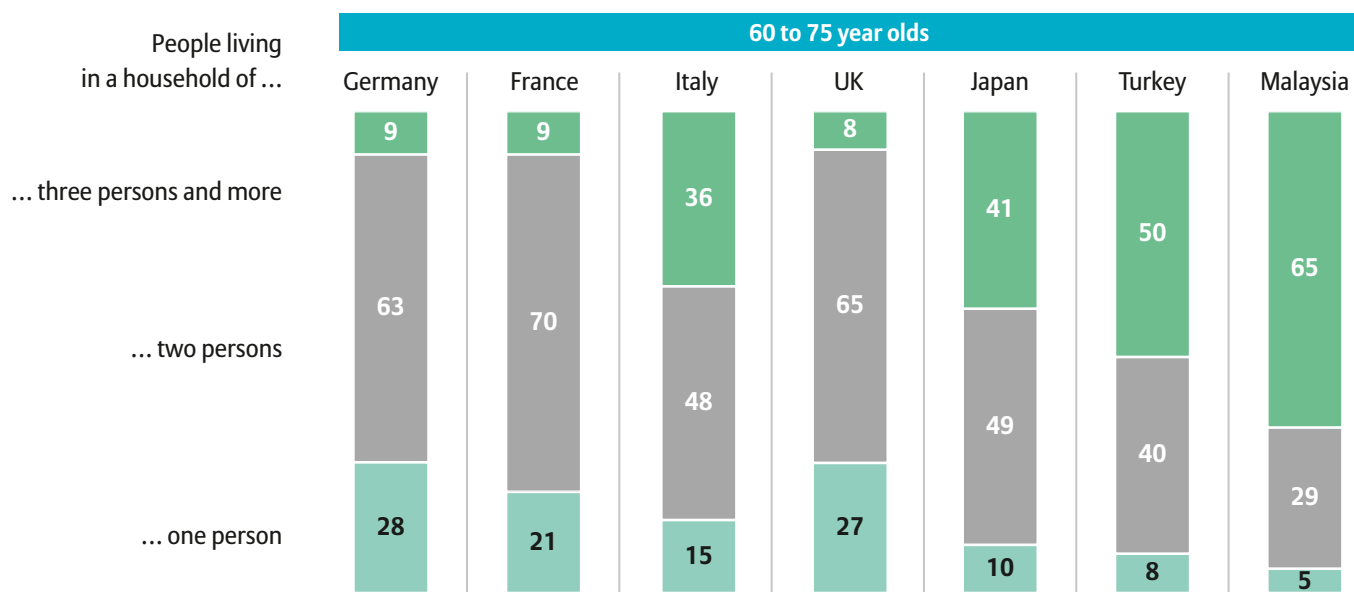
Source: National sources, Eurostat

The labor force participation rates differ significantly across the countries surveyed. In countries with low statutory retirement ages such as France (62) and Turkey (60 male/58 female), the participation rate is considerably lower than in Germany and the UK, which are close to 50%. The Asian countries show an exceptionally high labor force participation rate: given the fact that Malaysia's retirement age was recently raised from 55 to 60, it has a high participation rate of those already at retirement age. Japan ranks in an international comparison only behind the Scandinavian countries.

Figure 4: Sample characteristics of the young – household size [%]

Base: aged 30–45 years, don't know code not displayed

Source: Allianz, International Pensions

Figure 5: Sample characteristics of the elderly – household size [%]

Base: aged 60–75 years, don't know code not displayed

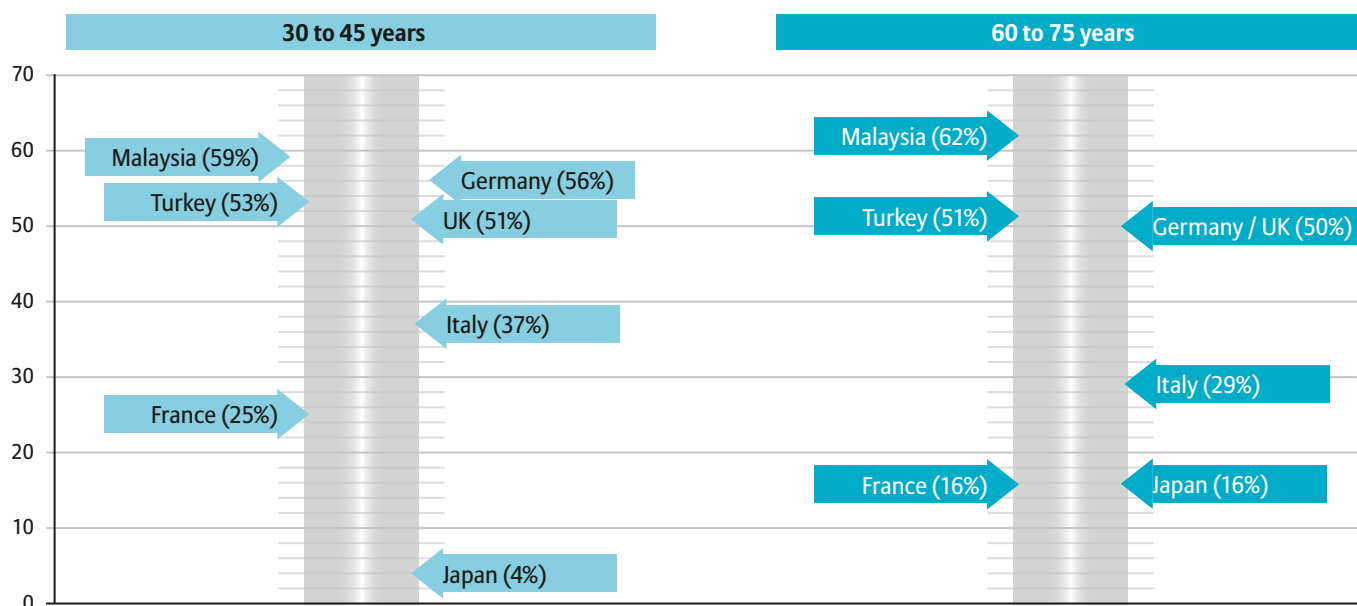
Source: Allianz, International Pensions

CONFIDENCE FOR THE FUTURE?

This report looks at the survey results on perceptions about the future, security and expectations regarding retirement, attitudes towards retirement and the respective preparatory steps. A fascinating insight of the survey is that there are no signs of polarization between generations when it comes to perceptions about living in old age and being prepared for retirement: the two age groups do not differ as much within a country as they do from country to country. Regional and cultural differences obviously have a higher impact on the results than generational aspects within a country. With regard to the approach and preparation for retirement, this might be explained by the differing pension system designs and discussions within a country where people might share a view on pension reform across differing age groups.

The most obvious difference between countries is their views of the future. There is a high uncertainty about the future in both age groups in Japan and France. Among the older Japanese, only 16% are confident or very confident about the future when asked about their expectations for the next 10 years; the same number as in France. Even more alarming is the pessimism among the young Japanese, where only 4% responded positively. The younger cohort in France is a little more optimistic: one out of four people say they are (very) confident about the next 10 years.

Figure 6: Future expectations: Confidence
People who are (very) confident about the future [%]



Question: Thinking about the next 10 years. What expectations do you have for the future?

Scale: (1) I am very confident about the future – (5) I feel sceptical with respect to the future

Source: Allianz, International Pensions

Italians are not quite as negative, 37 % of the younger and 29 % of the older respondents are (very) confident. The most positive expectations were found among Malaysians (both groups), while approximately every second respondent in the UK and Turkey in both age groups, as well as in the older group of Germans, has a positive view on their future. Among younger Germans the outlook is more positive, with 56% confident or very confident about their future.

SECURITY CONVEYED BY FAMILY AND MONEY

Worries about the future can be related to a lot of different situations. One important aspect can be someone's financial situation, and in this respect, Japanese, Turkish and French people are skeptical about the future (see next paragraph). When asked about which aspects and circumstances in life convey a sense of security, 'Having money or savings' ranks high on the list. In fact, having money comes first in both age groups in Japan (two-thirds of respondents) and Malaysia (three-quarters). This aspect is also important for the older cohort in the UK, whereas family is the realm of security in the other countries. Here, the responses differ between just under 60% (Turkey) to 71% (Germany, Malaysia). In Germany, the extended social network, as well as good friends besides family and partner, was mentioned by most of the respondents — even before 'having money.' The wealth aspect is underlined in France and Malaysia by frequent agreement to possession of property as a source of security.

It is interesting to note that the differences between age groups within a country are not as large as across countries. The only exception naturally belongs to the assessment of job importance; significantly more young people admit that this gives a sense of security, particularly those in Malaysia and Turkey. Moral values are perceived highly in Turkey and by older French respondents.

Figure 7: Sense of security [%]



Question : Everybody has their own opinion about what conveys a sense of security.
What gives you a sense of security?

Top Ten statements ranked by Germany. Base: aged 30-45 years, 60-75 years

30 to 45 years

60 to 75 years

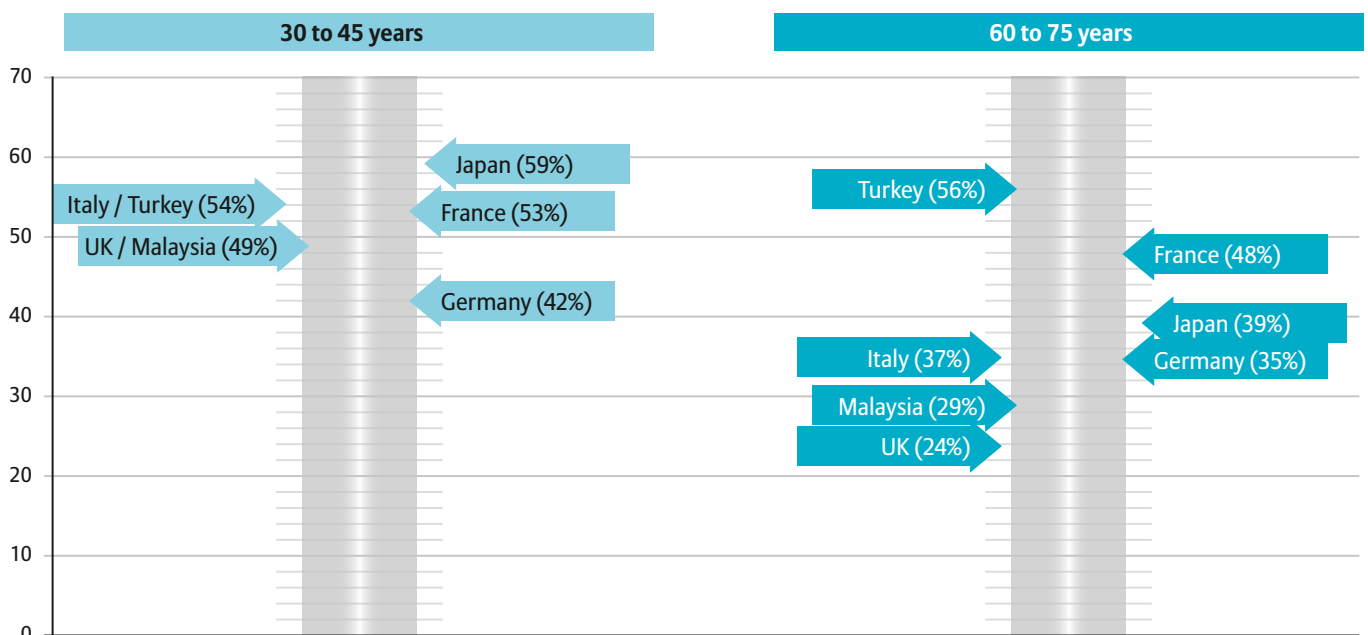
Source: Allianz, International Pensions

MONEY MATTERS

With respect to the financial situation in retirement and the means which people see for themselves today, the picture seems gloomy in Japan, France and Turkey, as well as for younger people in Italy. A total of 56% of French, 57% of Turkish and 64% of Japanese respondents (strongly) agree with the statement 'My living standard will worsen when I am retired'.

These groups are larger than in other countries, although there were more pessimistic than optimistic people in each of the surveyed countries. The majority thinks they must cut back in their living standards after retirement, with the exception of older people in Malaysia. It is difficult to identify the reasons for such a response, but one survey statement might provide a possible answer. More Malaysian people than anywhere else consider taking on a job when they retire: 56% among the older cohort and 58% among younger respondents. This is in stark contrast to the European countries and Japan, where the size of the group varies between 12% (France) and 30% (Italy). With 39% willing to consider another job in retirement, only Turkey comes close to matching Malaysia.

Figure 8: Concerns about future financial situation I [%]
People who (strongly) agree to the statement: "I really worry about my financial situation when I am retired"



Question: We are interested in your view about the time in retirement and your preparation for it.

Please indicate how strongly you agree or disagree with each statement;

Scale: (1) strongly agree – (5) strongly disagree

Source: Allianz, International Pensions

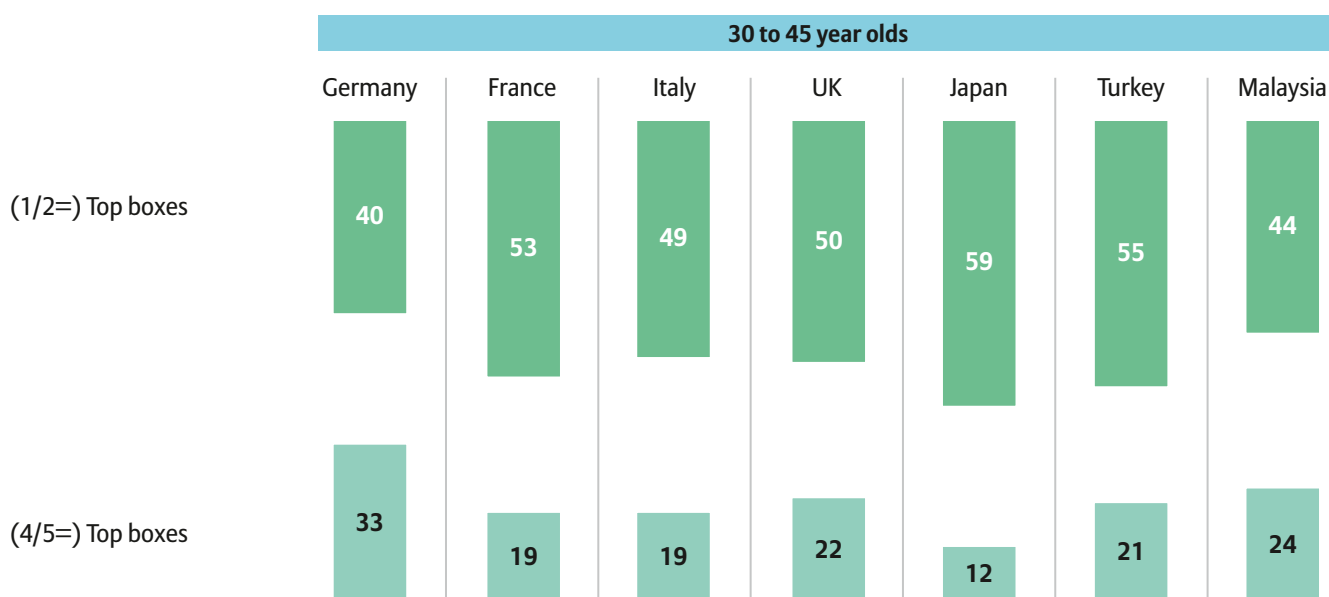
11 For more details, see *What's happening in Malaysia: Getting prepared for retirement?* Allianz, August 2013.

It should be noted that this result might reflect the different retirement entry points. In the Malaysian funded system,¹¹ people can already draw from retirement savings accounts when they turn 55. At that age, people in Europe are usually still in regular employment.

A more precise question about people's future financial situation reveals the worries they have when they retire. In particular, more young people (strongly) agree with the statement 'I really worry about my financial situation when I am retired.' (Fig. 8)

By and large, more than half of the young respondents in all countries except Germany are worried, although 42% in Germany is still a large group. The concern about not having enough money in retirement stems from today's financial situation. In this respect, the majority of the young say they do not have enough money to make precautions for retirement (Fig. 9). Only in Germany and Malaysia are these groups smaller, although far from negligible. The results from this question also underline concerns about tight financial situations in France, Japan and Turkey. On the other hand, one-third of all young respondents in all countries are skeptical about their own life expectancy and think that they will not become old enough for it to be worth saving for retirement. In Turkey, this is as high as one in two. They might underestimate their longevity and might not act accordingly.

Figure 9: Concerns about the future financial situation II [%]
 People who (strongly) agree to the statement: "I do not have enough money to make precautions for retirement"



Question: We are interested in your view about the time in retirement and your preparation for it.

Please indicate how strongly you agree or disagree with each statement;

Scale: (1) strongly agree – (5) strongly disagree

Source: Allianz, International Pensions

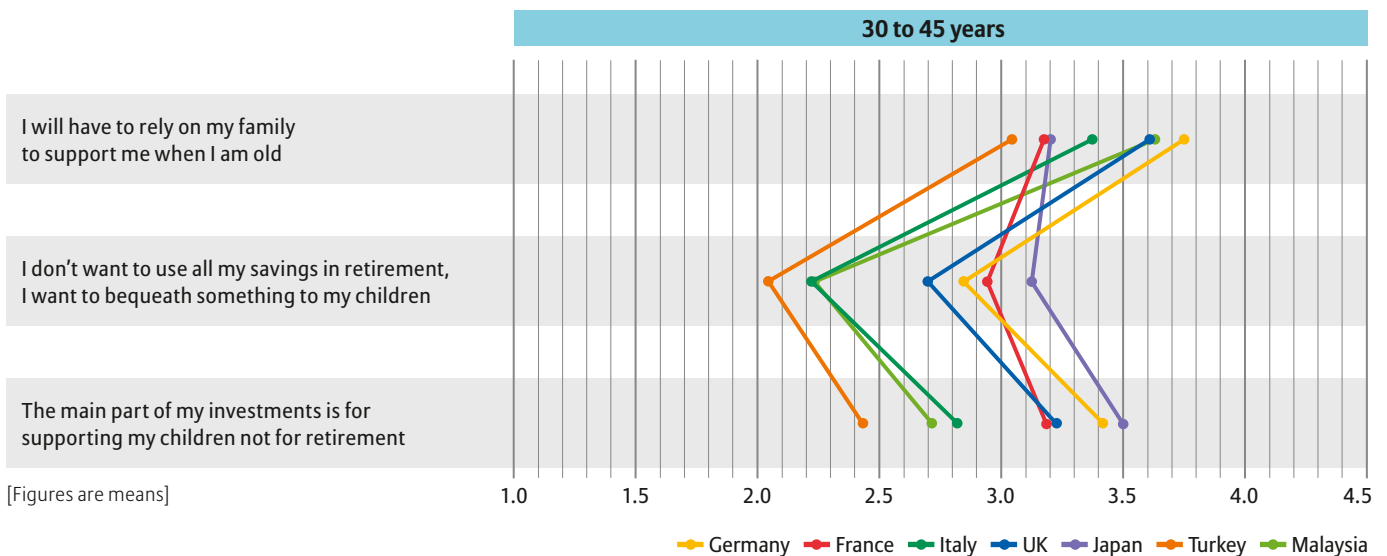
12 Turkish Statistical Institute 2012, Life Satisfaction Survey

STRONG FAMILY TIES

Although respondents in all countries stress the importance of family for their sense of security, not all countries include their family or children in their planning. The strongest family ties seem to be in Turkey, Malaysia and Italy. According to the Turkish Statistical Institute,¹² family is a major source of happiness, (with 62% of people aged 65 and over citing it as their major source of happiness). In comparison with the other surveyed countries, more young and old people in these three countries want to bequeath some money to their children and not use all their savings in retirement. More of them also save to support their children, so that it cannot be used for retirement.

Interestingly, apart from the wish to support their children, only a significant amount of Turkish people admit that they will have to rely on their family to support them in old age. These results complement the findings with regard to the tight financial situation in which Turkish people think they are or will find themselves. The younger generation in Japan thinks they will have to rely on their family for support, underlining the tight financial situation. The opposite was found in the UK.

Figure 10: Attitudes towards family support – the young



[Figures are means]

Question : We are interested in your view about the time in retirement and your preparation for it.

Please indicate how strongly you agree or disagree with each statement;

Scale: (1) strongly agree – (5) strongly disagree

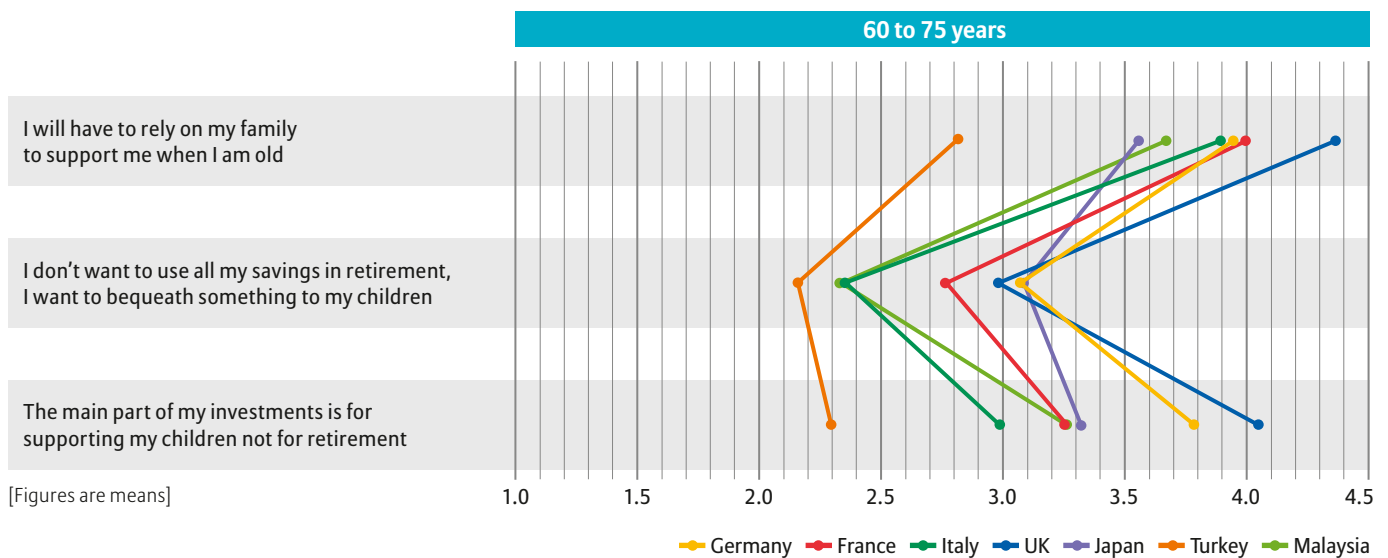
Source: Allianz, International Pensions

PERCEPTIONS OF RETIREMENT

As we live in a world where many people can expect a longer life and a longer time spent in retirement (in countries that do not link retirement age to life expectancy), it is interesting to learn about people’s perceptions of this time. Although we did not include a particular question to follow up on the issue of ‘60 being the new 50’ as described in the first part of the study, the attitudes towards retirement can give an idea as to how far people are ready to live the ‘new reality,’ in particular the consequences of working longer.

A first indication is given by the preferred time of entering retirement (*Fig. 12*). The majority of younger people surveyed in Germany and the UK want to stop working before the legal retirement age, which may mirror the present retirement entry transformation process. In these two countries, the retirement entry age is set to increase to 67 and 68 respectively, whereas the older generation in our survey can or could retire earlier. It takes time for people to adapt to such changes. The same is true for Italy, where 30% of respondents want to retire earlier. However, this picture only indicates preferences; when asked whether they are prepared to work until the legal retirement age, roughly 60% of young Germans and French, and even more Italians and Britons, admit they are.

Figure 11: Attitudes towards family support – the elderly



[Figures are means]

Question : We are interested in your view about the time in retirement and your preparation for it.

Please indicate how strongly you agree or disagree with each statement;

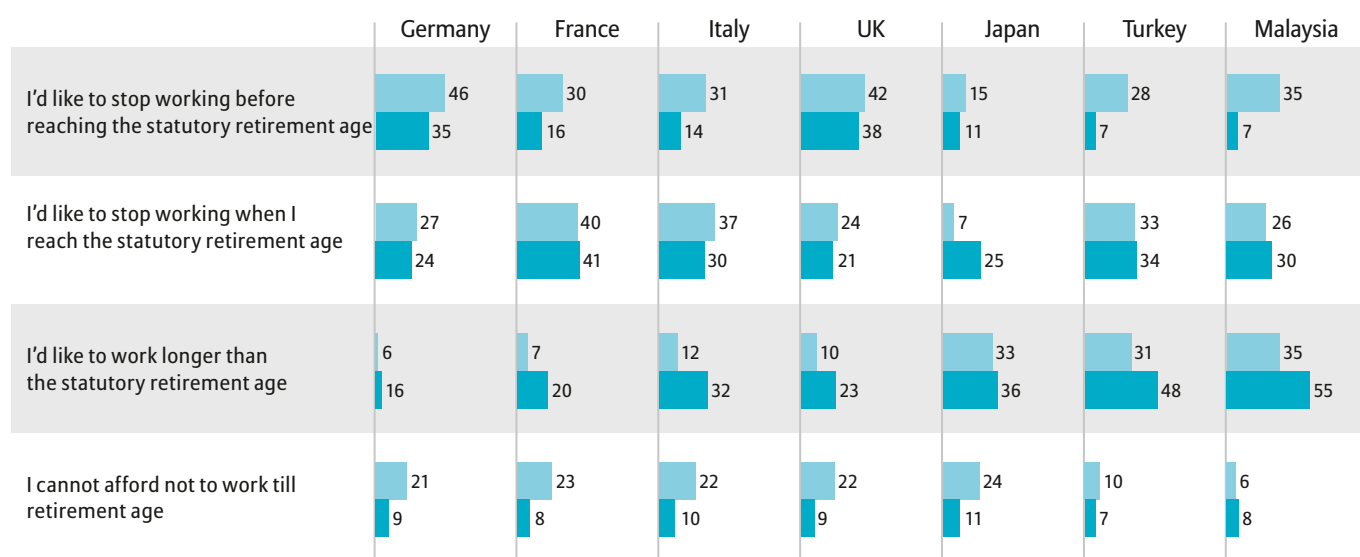
Scale: (1) strongly agree – (5) strongly disagree

Source: Allianz, International Pensions

In Italy and France, the majority take the legal retirement age into account. Although the entry age in France is low, there are still 30% of young people who want to leave the workforce before the retirement entry age. Working longer is particularly favored by the older cohorts in Japan, Turkey and Malaysia. In Japan, a hard work ethic may be one reason to keep people at work, but the financial situation in Japan and Turkey described earlier may also play a part. It is also a concern in the European countries, where approximately one in five young respondents is uncertain whether he or she can afford not to work until retirement age.

This outcome is hardly surprising as there were many pension reforms initiated in the 'old' countries to make public finances and public pension expenditures sustainable in the long run. As a consequence of the reforms, benefit levels were lowered and complementary pension schemes fostered by governments. This was particularly the case in Germany and Italy, whereas in the UK the public system is already set up as poverty prevention, which should be complemented by other funded schemes and individual savings. With the pension landscape also changing in the funded sectors, retirement payments are more difficult to predict than they used to be, when plans could be based on final salary calculations.

Figure 12: Preferred point of retirement [%]



Question : Everybody has their own opinion about what conveys a sense of security.
What gives you a sense of security?

Top Ten statements ranked by Germany. Base: aged 30-45 years, 60-75 years

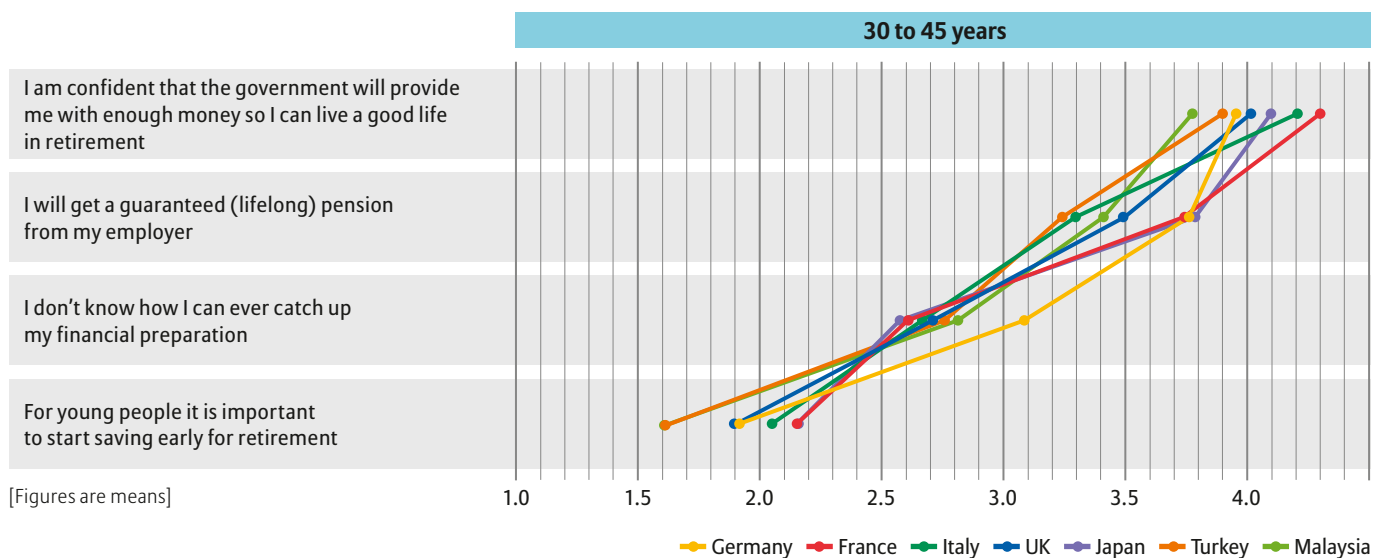
30 to 45 years

60 to 75 years

Source: Allianz, International Pensions

The results in our survey show the impact on people’s perceptions of their future income (Fig. 13). The young in all countries are not at all confident that the government will provide them with enough money for a good life in retirement. Their confidence in an employer pension plan is also low. There is only some confidence among older Britons, as they can probably still rely on more favorable arrangements (Fig. 14). Given these attitudes it is understandable that the young, and to some extent also the elderly, do not know how to make up a shortfall in retirement financing although they are very aware of the necessity to start early with private savings. These uncertainties are very similar across countries and this concern might explain the answers to the question about what conveys a sense of security.

Figure 13: Attitudes towards retirement system – the young



[Figures are means]

Question : We are interested in your view about the time in retirement and your preparation for it.

Please indicate how strongly you agree or disagree with each statement;

Scale: (1) strongly agree – (5) strongly disagree

Source: Allianz, International Pensions

13 Statistics Bureau of Japan (2012); 2011 Survey on Time Use and Leisure Activities

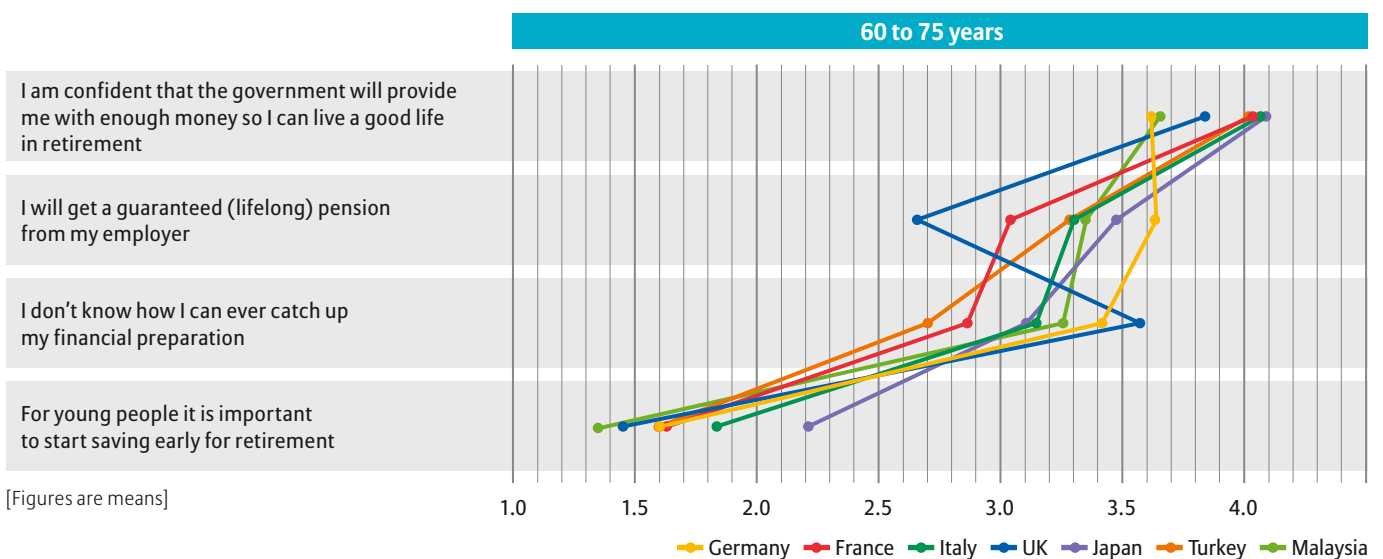
14 Flash Eurobarometer No. 247 'Family life and the needs of an aging population,' European Commission

HOW WILL TIME BE SPENT

Regardless of the financial situation, young and old people in all countries have distinct ideas about how they would like to spend time in retirement (Fig. 15 and 16). There is a high consent for travelling in all countries and both cohorts. In Japan, about 80% of people aged 30 to 45 and around 70% of 60- to 75-year-olds participated in travel activities. Among both cohorts, the most preferred destinations were day trips and sightseeing within Japan.¹³ There are even more potential travelers in Turkey and Malaysia than in other countries.

Another highly preferred retirement activity, apart from in Japan, is to do something totally different. In the EU countries surveyed, participation in community work is relatively widespread for retirees. According to the European Commission, 45% of German retirees state that they engage in volunteering. A similar prevalence for actively participating in the community can be found in France (44%) and the UK (42%), while in Italy roughly a third of retirees had contributed to charitable and community organizations.¹⁴ In Malaysia – as already noted – there is a willingness to find another job. These results imply an active life in many countries; only the Japanese are not so active in either age group.

Figure 14: Attitudes towards retirement system – the elderly



[Figures are means]

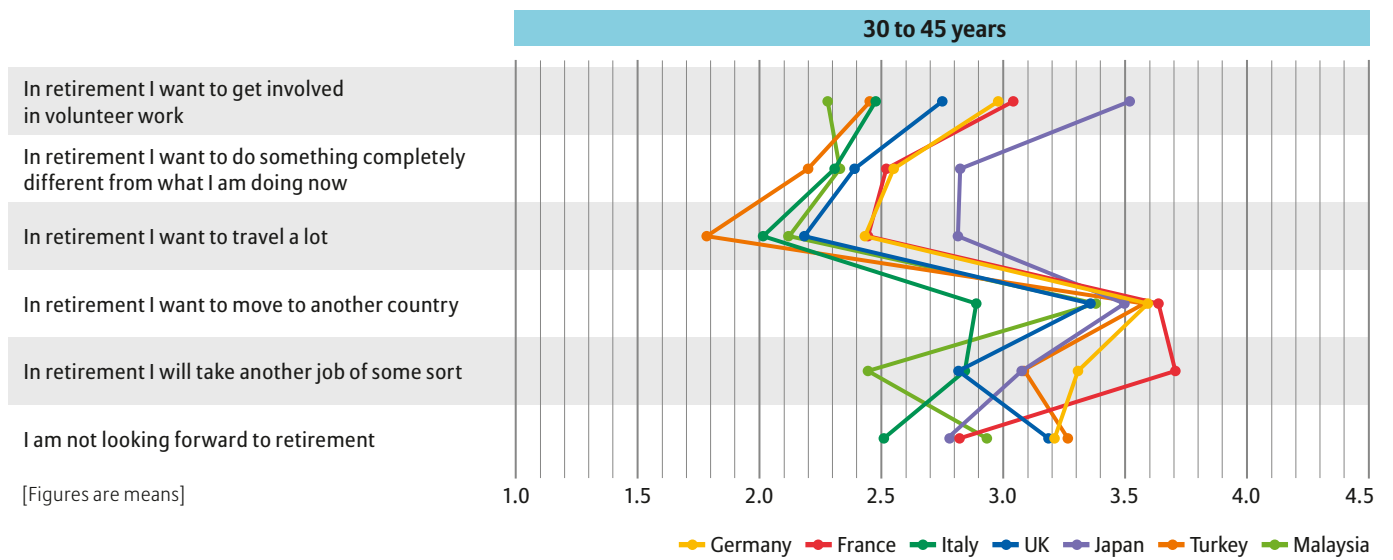
Question : We are interested in your view about the time in retirement and your preparation for it.

Please indicate how strongly you agree or disagree with each statement;

Scale: (1) strongly agree – (5) strongly disagree

Source: Allianz, International Pensions

Figure 15: Active in retirement – the young

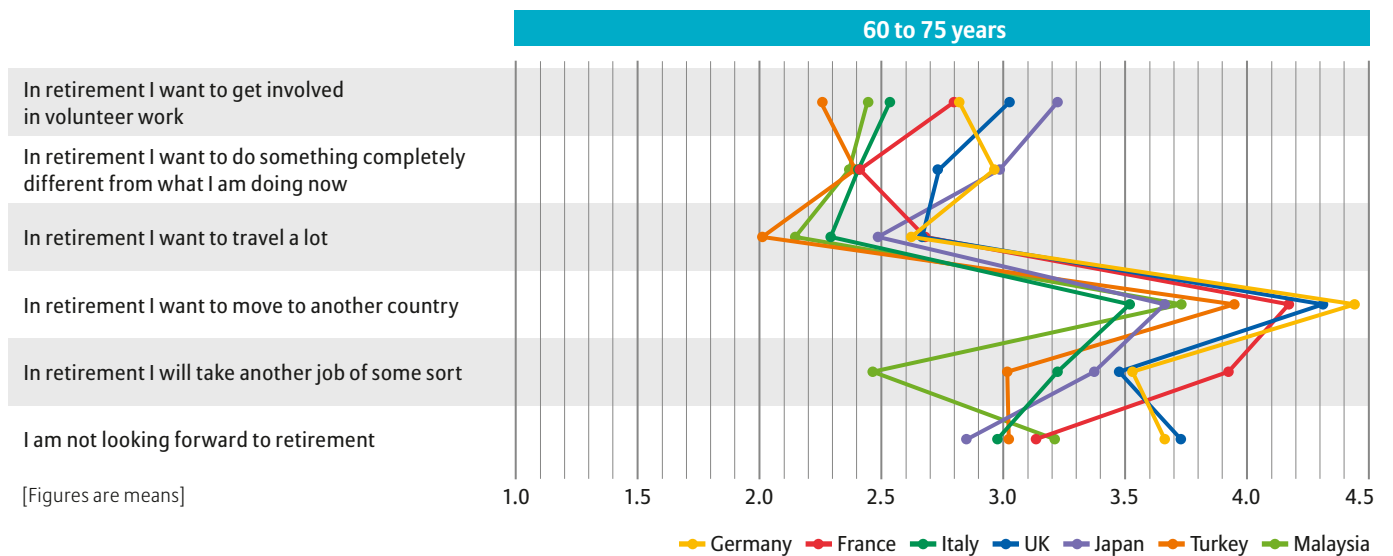


Question : We are interested in your view about the time in retirement and your preparation for it.

Please indicate how strongly you agree or disagree with each statement;
Scale: (1) strongly agree – (5) strongly disagree

Source: Allianz, International Pensions

Figure 16: Active in retirement – the elderly



Question : We are interested in your view about the time in retirement and your preparation for it.

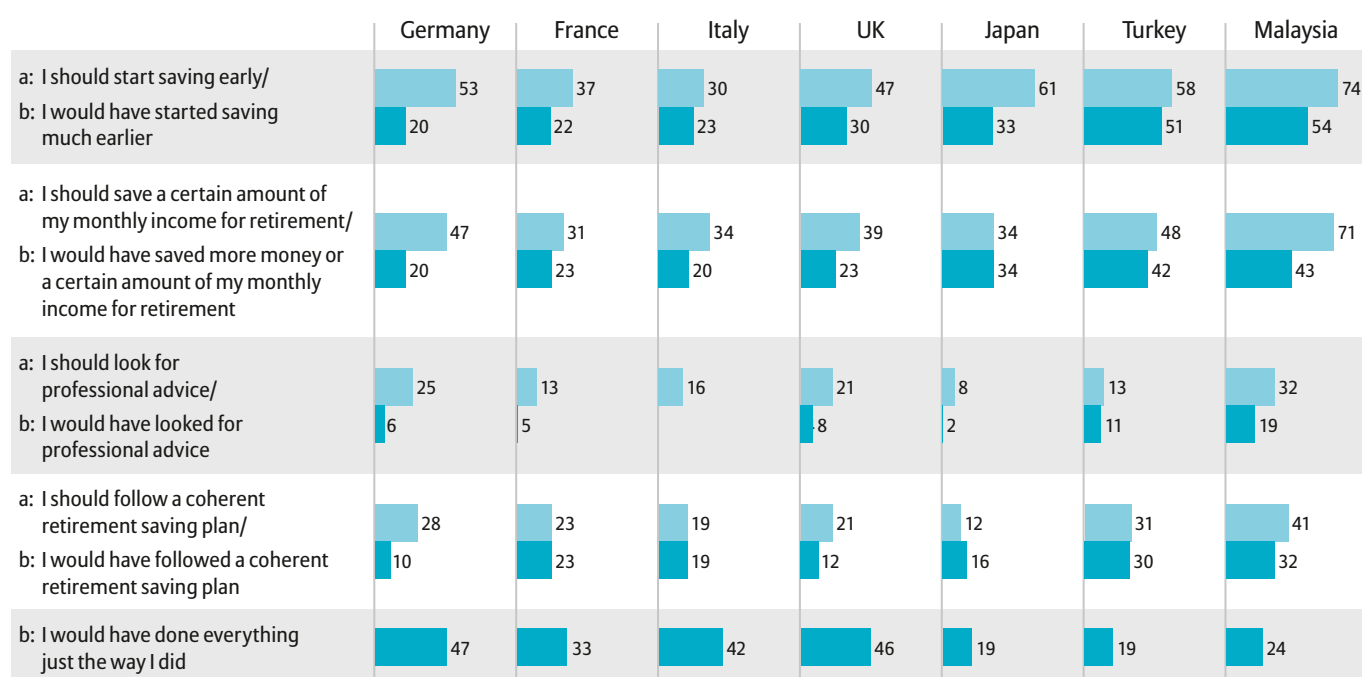
Please indicate how strongly you agree or disagree with each statement;
Scale: (1) strongly agree – (5) strongly disagree

Source: Allianz, International Pensions

CAN THE YOUNG LEARN FROM THE OLD?

Apart from ideas and wishes about how to spend time in retirement, people need to prepare themselves financially. How can people do this? Can young Europeans and Asians learn from the experiences of the older generation? Interestingly, there is a higher awareness or sense of necessity to save for retirement among the young than among the old. The reforms of pension systems which took place in the last two decades will affect young people more than the old, so they may not have adapted to necessary changes. In fact, the young in all countries surveyed know what to do: firstly, start saving early. This is particularly recognized in Malaysia (74%), where the pension system is mainly built on a funded arrangement. But the majority of people in Japan (61%), Turkey (58%) and Germany (53%) also agree with this statement, whereas only 30% of young Italians and 37% of young French think it is necessary to start saving early. Similar results can be seen for the statement that one should save a certain amount on a regular basis, underlining that Italians and French seem to miss a certain awareness of future retirement income realities.

Figure 17: Rules for retirement savings [%]



Question a: Looking at your retirement preparation. What do you think is necessary?

Question b: Looking back on your retirement preparation. What would you have done differently from today's perspective?

Base: aged 30-45 years, 60-75 years, don't know code not displayed

30 to 45 years

60 to 75 years

Source: Allianz, International Pensions

Outlook

15 Decision 940/2011/EU

16 Active Aging Index 2012, p.1

The increase in life expectancy, especially healthy life expectancy, has started a new discussion about perceptions of old age and the participation of older people in society, in particular in the workforce. A special focus of this discussion centers on pension reforms, namely increasing the retirement age and limiting early retirement options.

The European Union designated the year 2012 as the European year of “Active Ageing and Solidarity between Generations”¹⁵ to raise the awareness that “older people” can stay an active part in society and ‘facilitate promotion of a culture of active ageing in the European communities’¹⁶. Reviewing perceptions of old age it is helpful to not only look at the amount of birthdays celebrated but at the remaining birthdays, i.e. the remaining life expectancy.

The midst of life is getting later. The two dimensions of aging, aging of society and the subjective sense of aging, have an impact on the adequacy of retirement provision and future planning. In our survey we find that in some countries there are worries about the future resulting from uncertain financial situations. Both, the younger and the older groups polled do not have much confidence in public pension systems. This should not come as a surprise as pension reforms were aiming at reducing relative pension levels. What is alarming is that people are skeptical about their ability to fill the gap. Governments have to work on the effectiveness of additional provisioning schemes and with a much more systematic approach to the overall retirement income mix. They have to bear in mind how the different pillars of an old age provisioning system are interlinked and build upon each other.

Planning for retirement is becoming ever more complex. Despite being aware of the changing pension landscape people need some guidance and better education on these financial planning needs. A framework of more flexible paths to retirement might also help people plan their golden years according to their needs and capabilities.

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