ING International Survey on Pensions and Long Term Savings - 2012

Europeans plan to retire later but still worry they can’t afford to stop work

International report prepared by TNS NIPO on behalf of ING
Overview of results of ING International Survey on Pensions and Long Term Savings - 2012

• 12 countries are compared in this report.
• This report also presents graphs reflecting the perception and attitudes of the European consumer towards pensions and long-term savings.
• 1,000 respondents in each country received a questionnaire.
• The survey was conducted by TNS NIPO between 18 May and 6 July.
Executive Summary

The ING International Survey on Pensions and Long Term Savings shows the following main conclusions:

1. Europe’s long term savings is in a relatively healthy state, with 61% of respondents saying they have investments or money saved to meet long term goals other than retirement. There is a warning on the horizon, however, with almost the same number expecting as not expecting to have spare money in the next three months to add to these long term savings.
   - In every country other than Turkey, more respondents said their financial position had deteriorated over the past three months than said their position had improved, giving a negative net percent score (calculated by subtracting the “yes” answers from the “no” answers).
   - There was widespread caution about investing with a negative net percent score for the average European when asked if it was a good time to buy “risky assets” and “less risky assets”.

2. The picture for pensions is less encouraging. Less than half (40%) of respondents in Europe have a non-compulsory pension and women and young people appear to be particularly vulnerable.
   - In every country other than Austria and the Netherlands, there is significant worry about not having enough money to retire, reflected by the negative net percent score for this question.
   - Fear about having enough money to retire is the most pronounced in Euro crisis hotspots Italy and Spain.
   - The penetration of non-compulsory government pensions is lower among women in Europe than men and more women worry about having enough money to retire.
   - The vulnerability of young people is indicated by the expectations of later retirement, the expectation that their standard of living in retirement is not expected to be the same as that enjoyed by current retirees, and their relatively low uptake of non-compulsory pension funds.

3. The financial comfort of those already retired varies greatly between the countries surveyed. There are some intriguing results here, with Turkey very optimistic despite current retirees being the least comfortable. In Spain, retirees are the most comfortable yet Spanish yet to retire are among the most fearful about the future, perhaps illustrating an intergenerational challenge (also indicated by results for several other countries).

- Ian Bright, ING senior economist
Infographic: Will we ever be able to retire?

WILL WE EVER BE ABLE TO RETIRE?
WORKING IS WELL AND GOOD BUT MANY OF US LOOK FORWARD TO A TIME WHEN WE HANG UP OUR UNIFORMS AND CALL TIME ON CLOCKING IN AT THE OFFICE. THE ING INTERNATIONAL SURVEY ON PENSIONS AND LONG TERM SAVINGS EXAMINED HOW PREPARED ABOUT 12,000 PEOPLE IN 12 EUROPEAN COUNTRIES ARE FOR RETIREMENT – AND HOW THEY INTEND TO PAY FOR IT.

GOING UP

Those who had already retired had actually clocked out of the workplace for the final time at the median age of 60

Europeans expect to retire at a median age of 65 – younger than the incoming state retirement age in the Netherlands, the United Kingdom and elsewhere

The difference between the figures suggests workers are coming around to the idea that they will work for longer. And 11% do not expect to ever retire.

See the full infographic at www.ezonomics.com/iis – or contact us for a copy
Long term savings in a relatively healthy state in Europe

Nearly two thirds (61%) of respondents indicate that they have long term savings. Percentages of respondents who save are in a range of 50% to 80%, with Luxembourgers (82%) the most likely to have long term savings.

Do you have long term savings, investments or money saved to meet long term goals other than retirement? (Please do not consider any money you have saved for pensions or retirement funding.)
Spare money expectations a warning on the horizon

There are major differences across countries in the degree to which people think they will have money to spare in the next three months. Overall, 45% of all respondents think they will have some money left over for saving, investing or extra spending but 48% think they will not have any spare money.

Net percent (yes minus no) of those who expect in the next three months they will have spare money

Do you expect in the next three months that you will have money to spare which you can use to save, to invest or use for extra spending?
Caution on investing outlook for both risky and less risky assets

The current time is not considered to be a favorable investment period with regard to either risky or less risky assets. Only Turkey presents a different picture. Respondents in Turkey are more likely to consider this a favorable rather than an unfavorable period in terms of risky as well as less risky assets.

When it comes to investing in more risky assets and products such as shares, do you think the present time is:

- A very good time
- A very bad time

When it comes to investing in less risky assets such as bonds and risky assets such as shares, do you think the present time is:

- A very good time
- A very bad time
Financial situation deteriorated, further difficulties ahead

The majority of respondents report that their financial situation has deteriorated over the past three months. Respondents from Spain and Italy report the largest deterioration. Expectations for household finances in the next three months are more positive. Nevertheless, most respondents think that they will be worse off. As the only country with a positive net score on both measures, Turkey is the exception.

*Net percent (yes minus no) who think their financial situation has improved over the past three months and those who think their financial position will improve over the next three months*
Saving for retirement strong in North West Europe but weaker elsewhere

Less than half (40%) of respondents who have not yet retired have pension savings outside compulsory government schemes. The highest percentage of respondents with pension savings is in the Netherlands. Italy and Spain have the lowest percentage of respondents saving for retirement.
Widespread worry about having enough money to retire

On average, respondents throughout Europe who have not yet retired are worried about whether they will have enough money to retire. Worries are most pronounced in Spain and Italy. Austria and the Netherlands are the only countries where more people who are not worried outnumber people who are worried.
Financial crisis causes later retirement expectations in many countries; Germany and Luxembourg least affected

About a third of all people expect to retire at a later age due to the financial crisis. Particularly in the Netherlands and Italy, many people had to adjust their expectations.

*Since the global financial crisis in 2008\2009, have you revised the age at which you expect to retire?*
Retirement age going up; 65 now most common retirement age

The average age at which future retirees expect to retire is higher than the average age at which the survey’s current retirees stopped work. This indicates the retirement age is going up. Most respondents expect to retire around their 65th birthday with a significant pick up at 67 and 70 years. Most current retirees in the survey retired by 60.
Future retirees not expected to enjoy same standard of living in retirement

The majority both of those who have already retired and those who have not yet retired think that future pensioners will not have the same standard of living as those who have already retired. The variations in the standard of living are greatest in Spain and Turkey. Only Austrians think that future pensioners will be better off than current pensioners.

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*Do you think that people who have not yet retired will have the same standard of living secured by their income and financial position in retirement as you and others who have already retired?*

*Do you think those who will retire in the future will have the same standard of living as those who have already retired?*
Financial comfort of those who have already retired varies widely

There is a great deal of variation between countries with regard to the degree to which people consider that they have sufficient financial resources for their retirement. Pensioners in Spain feel most comfortable with their pension income. This is of particular note because slide 9 shows Spain also has the most pronounced worry among workers about whether they will have enough money to retire.
Income replacement in retirement connected to comfort in retirement

Respondents who had already retired were asked how much of their income earned in the last five years when they were working they now receive (the replacement rate). Replacement rates are lowest in Turkey, the United Kingdom and Italy and highest in Spain, Luxembourg and Austria. There seems to be a link between high replacement rates and comfort in retirement (see slide 13).
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