

Now Is the Time to Forge a New Social Contract and Future-Proof Retirement
New global research highlights the urgency for modernizing retirement systems

LOS ANGELES – December 16, 2021 – Almost four in 10 people globally are concerned about running out of money in retirement (38 percent global, 39 percent U.S.), according to a report released today. [The New Social Contract: Future-Proofing Retirement](#) explores the impacts of the COVID-19 pandemic and offers detailed recommendations for improving retirement security.

The report is based on findings from the 10th annual global retirement survey of 15 countries spanning the Americas, Europe, Asia, and Australia that was conducted in early 2021. It is a collaboration among Aegon and nonprofits Transamerica Center for Retirement Studies® (TCRS) and Instituto de Longevidade MAG.

Before the COVID-19 pandemic, retirement systems had been grappling with long-term sustainability. Social security and other government benefits were facing severe financial strain due to population aging and persistently low interest rates. Further, *defined benefit* pension plans, traditionally offered by employers, were being replaced with *defined contribution* plans funded by employees, which can have contributions from employers. As a result, individuals have become increasingly expected to self-fund a greater portion of their retirement income, yet many are ill-equipped to take on the risk and responsibility.

Now, the pandemic and its extreme disruptions – ranging from the public health crisis to shocks to the global financial markets, communities, and workforces – have exacerbated this already precarious situation.

The Current State of Retirement Readiness

“People have the potential to live longer than ever before, and it is remarkable that so many are focused on preparing for their future retirement amid the upheaval of the pandemic. Despite their efforts, however, many people are at risk of not achieving a financially secure retirement,” said Catherine Collinson, CEO and president of Transamerica Institute® and TCRS, and executive director of Aegon Center for Longevity and Retirement.

The survey findings illustrate workers’ retirement outlook:

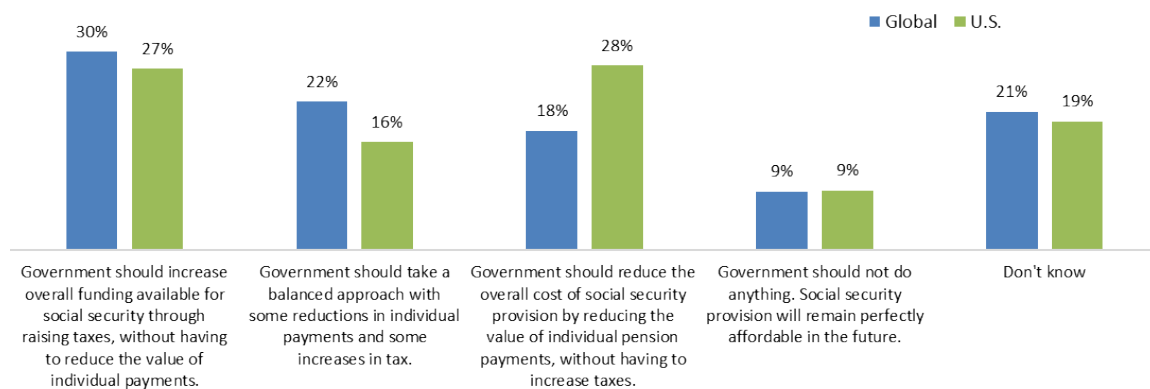
- **Relatively few workers are financially ready for retirement.** According to the 2021 Aegon Retirement Readiness Index which measures attitudes and behaviors about retirement planning and preparedness, only 22 percent of workers globally, and 41 percent in the U.S., have achieved a “high” score.
- **The pandemic disrupted employment for many.** Thirty-six percent of workers globally and 45 percent in the U.S. experienced negative impacts to their employment because of the pandemic, including layoffs, furloughs, and/or reductions in working hours or pay. Such disruptions can derail retirement savings.
- **Saving habitually is essential for building long-term retirement savings.** More than four in 10 workers are “habitual savers” who always make sure they are saving for retirement (42 percent global, 58 percent U.S.). Workers whose employment was negatively impacted by the pandemic are less likely to be habitual savers than those whose employment was not impacted.
- **Achieving a secure retirement requires long-term planning.** Most workers have a strategy for retirement (60 percent global, 78 percent U.S.); however, relatively few have a written strategy (19 percent global, 38 percent U.S.). Notably, workers whose employment was negatively impacted by the pandemic are slightly more likely to have a strategy than those whose employment was not impacted.

A Call to Action: Future-Proofing Retirement

“Globally and locally, we face an unprecedented, urgent opportunity to future-proof retirement. We can apply the lessons of experience and fresh ideas to create better, stronger, and more resilient retirement systems that enable everyone to age and retire with dignity,” said Collinson.

An essential step in future-proofing retirement is implementing reforms to social security – a cornerstone of retirement income – to ensure its sustainability for current and future generations of retirees. When asked what action should be undertaken to address the cost of social security in their countries, the survey finds most people think their government needs to take action – only nine percent of people globally and in the U.S. think the government should not do anything because social security will remain perfectly affordable in the future.

With the cost of social security becoming a greater concern as people live longer which, if any, of the following do you think the government should do?



Source: *The New Social Contract: Future-Proofing Retirement, Aegon Retirement Readiness Survey 2021*. A collaboration among Aegon and nonprofits Transamerica Center for Retirement Studies® (TCRS) and Instituto de Longevidade MAG. TCRS is a division of Transamerica Institute®, a nonprofit, private foundation that is funded by contributions from Transamerica Life Insurance Company and its affiliates. www.transamericainstitute.org/global

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Employers have long played a vital role in helping their employees save and prepare for retirement, a role that should be encouraged, incentivized, and supported through public policy. In addition to offering workplace retirement plans, employers’ benefit offerings influence their employees’ overall financial security, health, well-being, and employability. Amid and looking beyond the pandemic, the role of employers has become even more critical as their employees navigate the public health crisis, prioritize work-life balance, protect and improve their financial situations, and safeguard their physical and mental health.

Additional necessary ingredients for future-proofing retirement include universal access to retirement savings arrangements, automatic savings and other applications of behavioral economics, guaranteed lifetime income solutions, financial education and literacy, lifelong learning, longer working lives and flexible retirement, affordable quality health care, a positive view of aging, and an age-friendly world in which all people can thrive.

“Working together – policymakers, industry, employers, and individuals – we can design more inclusive, equitable systems that address the ever-changing retirement landscape, in a way that provides greater flexibility and security for people to work and retire on their own terms,” said Collinson.

[The New Social Contract: Future-Proofing Retirement](#) contains in-depth analysis, country comparisons, and detailed recommendations. It is based on findings from the 10th Annual Aegon Retirement Readiness Survey, a survey of 14,402 workers and 1,600 retired people across 15 countries: Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Turkey, the U.K., and the U.S. The online survey was conducted in respondents’ native languages between January 28 and February 22, 2021.

Please visit www.transamericainstitute.org to view the report and additional reports in the [New Social Contract](#) series. Follow TCRS on Twitter [@TCRStudies](#).

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