

## **Empowerment Is the Cornerstone of the New Social Contract for Retirement**

*Global research highlights the need for collective action by individuals, governments, and employers*

**LOS ANGELES – May 20, 2019** – The most frequently cited retirement concerns are declining physical health (50 percent global, 44 percent U.S.) and running out of money (40 percent global, 49 percent U.S.), according to research released today. ***The New Social Contract: Empowering individuals in a transitioning world*** focuses on how individuals can take greater control over their retirement security with the support of governments, employers, and other social partners. The research report is based on a global survey of 16,000 workers and retirees in 15 countries spanning the Americas, Europe, Asia, and Australia. It is a collaboration among Aegon Center for Longevity and Retirement (ACLR) and nonprofits Transamerica Center for Retirement Studies® (TCRS) and Instituto de Longevidade Mongeral Aegon.

“The future of retirement is in our hands. Increases in longevity bring a precious gift of extra time. On a societal level, we must re-envision our working years relative to time in retirement. We must also protect our health to fully enjoy this extra time,” said Catherine Collinson, CEO and president of nonprofit Transamerica Institute and TCRS, and executive director of ACLR. “A new social contract for retirement is necessary as Social Security and traditional pension plans face funding issues, in part due to increases in longevity, and individuals face the need to self-fund a greater portion of their retirement income, often without adequate support to do so.”

Only 29 percent of workers globally are very/extremely confident that they will be able to retire comfortably (36 percent U.S.). Just 23 percent of people globally are very/extremely confident that their healthcare will be affordable in retirement (31 percent U.S.). Two in five people globally (41 percent) feel stressed about their long-term financial plans for retirement at least once per month (51 percent U.S.).

### ***The five fundamentals for retirement readiness***

“The modernization of retirement systems will take years and even decades to implement – and people cannot afford to wait. Everyone can and should start taking more steps today to improve their long-term health and financial situation,” said Collinson. The survey findings point to a holistic approach to retirement planning based on these five fundamentals for retirement readiness:

1. **Start saving early and save habitually:** The best route to retirement readiness is starting to save as early as possible and becoming a “habitual saver” who always saves for retirement. Only 39 percent of workers globally say they are habitual savers (53 percent U.S.).
2. **Develop a written retirement strategy:** Only 16 percent of workers globally have a written plan for retirement (28 percent U.S.). Fewer than half of workers are currently factoring future healthcare expenses into their retirement savings needs (48 percent global and U.S.).
3. **Create a backup plan for unforeseen events** which can have a catastrophic impact on household finances. Globally, only 35 percent of workers have a backup plan to provide an income in the event they are unable to work before they reach their planned retirement age (41 percent U.S.).

4. **Adopt a healthy lifestyle:** Living healthily can help mitigate decline in older age and associated healthcare costs. When asked which healthy behaviors apply to them, people most often cite avoiding harmful behaviors (60 percent global, 62 percent U.S.), eating healthily (60 percent global, 57 percent U.S.), and exercising regularly (53 percent global, 55 percent U.S.).
5. **Embrace lifelong learning:** People must commit themselves to continuing education to keep their job skills up to date and relevant and to learn how to make informed choices in their retirement planning. Financial literacy is a compelling example of where improvement is needed. The survey found that only 30 percent of people globally (27 percent U.S.) could correctly answer all of the “Big Three” financial literacy questions developed by Drs. Annamaria Lusardi and Olivia Mitchell that test knowledge of compounding interest, inflation, and risk diversification.

“Small steps taken over time can have a large impact on healthy aging and the ability to retire on one’s own terms. For many, the most difficult step is simply taking the first step,” said Collinson.

### ***Working toward a new social contract for retirement***

“Empowering individuals with the knowledge, tools, and resources to build their savings and protect their health should be one of the cornerstones of the new social contract for retirement. However, they need support from other social partners, especially government and employers,” said Collinson.

Many individuals are counting on retirement income from Social Security, employer benefits, and personal savings. The vast majority recognize that government retirement benefit programs are under strain. Globally, only six percent of people believe that the Social Security-like provision in their country will remain perfectly affordable and that the government should not take any action (8 percent U.S.). The message is clear that governments need to take action. Whatever the solutions may be, the reforms must be fair and equitable.

Employers play an invaluable role in helping their employees prepare for retirement. Looking beyond the traditional role of providing workplace retirement benefits and health, disability, and life insurance, employers can expand their current offering to include workplace wellness programs. Employers can also promote lifelong learning through training, development, and career-pathing programs.

“Forging a new social contract is a shared responsibility that requires a collaboration among governments, employers, industry, nongovernmental organizations and nonprofits, academia, and individuals. Working together, we can build age-friendly communities and modernize retirement systems to be flexible, adaptable, and sustainable in our ever-changing times, while providing safety nets that enable everyone to age with dignity,” said Collinson.

***The New Social Contract: Empowering individuals in a transitioning world*** contains in-depth analysis, country comparisons, case studies, and detailed recommendations. It is based on findings from the 8<sup>th</sup> Annual Aegon Retirement Readiness survey of 14,400 workers and 1,600 retired people across 15 countries: Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Turkey, the United Kingdom, and the United States. The survey was conducted online between January 22 and February 14, 2019. This report builds on last year’s ***The New Social Contract: A blueprint for retirement in the 21<sup>st</sup> century***, which calls for the modernization of retirement systems and outlines nine essential design features of a new social contract based on the premise that everyone should have the opportunity to age with dignity.

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