Spotlight On Retirement

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Spotlight on Retirement: South Korea

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Executive Summary

South Korea is going through a rapid demographic transition. Not only is its population aging, it is aging at a speed never seen before. With this speed comes several challenges — most notably, facing the huge challenge of funding the retirement of its elderly population. By 2050, the "NEW" population of those age 60 and over is likely to grow from 18 percent to 42 percent, with almost half of the overall population age 60 or older. Under the current demographic scenario, the transition from aging to super aged is likely to take fewer than 20 years in total.

Along with demographic changes, the average size of households has been slowly shrinking. It is expected to decline from 3.1 persons per household in early 2000 to 2.0 persons per household by 2045. Hence, the traditional role of the family in supporting the elderly is waning. Under the current scenario, pension systems are unlikely to remain sustainable and provide adequate coverage and income replacement to retirees. As a result, they are under tremendous pressure to make massive reforms to ensure long-term sustainability.

The results from the survey indicate that only 12 percent of respondents have begun retirement planning. Even though respondents seem to be highly aware of the need to prepare for a stable retired life, 77 percent of them don’t have formal written plans for managing income, assets, and expenses during retirement — nor do they seek help from financial professionals. In addition, only one third of respondents expect to have enough savings to last until the end of their retirements. More than half of respondents are concerned that they may not be able to live the retirement lifestyles they want. Paying for healthcare expenses remains the top concern during retirement.

Most respondents depend mainly on their personal savings and investments as well as on social pension/other local pension payments in retirement. Some are willing to work longer. Even though social pension and employer-sponsored pension plans are important income sources in retirement, neither the coverage nor the level of income is considered adequate. Eight-four percent of the respondents fear they will have gaps in retirement funds when they turn 60 years of age.

Furthermore, 55 percent of respondents regret they did not start saving for retirement early or at all. The expected length of their retired lives is underestimated, leading the funding gap to be much wider than anticipated. On the bright side, respondents consider funding retirement to be their own responsibility and do not want to depend on the government or family members. Seventy-nine percent of respondents trust financial institutions. Moreover, 63 percent of respondents state that they are willing to convert portions of their assets to annuities in order to generate retirement income.

Introduction

South Korea is aging rapidly, and the speed of its transition is totally unprecedented, not just in Asia but across the world. Aging has brought along with it the usual challenges of funding retirement and supporting an elderly population.

Over the last few decades South Korea has grown tremendously both economically and demographically. The strong economic growth has also helped the South Korean insurance industry go from strength to strength. Today South Korea is the eighth-largest life insurance market globally, by gross premiums written.

The rapid growth in population caused a major demographic transition and brought several challenges along with it. Not only did the population grow, it also started aging. It is now aging at a speed never seen before. For some of the developed western countries, aging was a slow process. However, South Korea's fertility rate rapidly dropped from 4.5 in 1970 to 1.2 in 2016, far lower than the replacement rate of 2.1 needed to maintain a stable population. This trend has resulted in South Korea having one of the fastest-aging populations in the world.

These changes result in a shrinking workforce, slower economic growth, and a higher dependency on the working-age population and consequently put immense pressure on the current pension systems. Along with these demographic changes, other social and economic changes further aggravate the challenges related to the retirement landscape. Traditionally, retirees were at least partially, if not entirely, dependent on their families and children for funding their retirement, as well as for care. However, the average size of households is shrinking and the traditional role of the family in supporting the elderly is declining, thereby leaving the elderly alone to manage for themselves.

The need for a comprehensive, adequate, and sustainable retirement and pension system has never been stronger than now. This study aims to find out how consumers are planning to deal with their current and upcoming retirement challenges and to identify their aspirations. This collaborative research between the Society of Actuaries and LIMRA is targeted to uncover the challenges faced by South Korea and its people and show how individuals are dealing with such challenges.

About the Survey

The South Korea retirement study is a part of the Asia Retirement study that is a collaborative research project between the Society of Actuaries and LIMRA. The larger study aims to provide consumers' perceptions of retirement across major Asian markets such as Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China covering a sample of 9,384 respondents. This is the second wave of the study covering eight markets. The first wave covered mainland China. This particular report aims to provide a view on South Korea's consumers' perceptions of retirement through an online survey of 762 respondents.

The South Korea Retirement study focuses on consumer perceptions of retirement across South Korea. The study targets three segments: Young workers (30–45 years of age), pre-retirees (46–60 years of age) and retirees (61–75 years of age). Young workers are essentially at an early stage of their careers, often planning for marriage or starting a family. Pre-retirees are gradually approaching retirement and are planning to start saving for a comfortable retirement. Retirees are retired or are likely to retire soon.

The data was collected through an online survey. This study aims to understand the attitudinal differences across sub-regions and age bands so that insurers and other financial organizations can help individuals by preparing the right solutions to address future and current retirement needs. The study also highlights consumers' levels of preparedness, retirement readiness, current and future income sources, risk tolerance, and preference of products and products features.

The study covered a sample of 762 online respondents divided into four sub regions.

The focus was to gather a sample representative of the target market for insurers and other financial institutions, so multiple sub-regions are covered.

We also included quotas based on income levels and other parameters to ensure better quality of data.

At certain instances the consumer research data refers to "Asia," which is an unweighted average of the nine markets covered in the study or eight markets in case a particular question or option was not covered in the earlier wave of the China study.

Table 1 — Overall Sample Split Across South Korea: Sub-region

Sub-region	Sample
Eastern region	192
Western region	190
Southwest region	190
Southeast region	190
TOTAL	762

Source: LIMRA-SoA Retirement Study 2017.

Table 2 — Overall Sample Split Across South Korea: Age

Age Band	Sample
30–45	278
46–60	277
61–75	207
TOTAL	762

Source: LIMRA-SoA Retirement Study 2017.

Table 3 — Overall Sample Split across South Korea: Gender

Gender	Sample
Male	446
Female	316
TOTAL	762

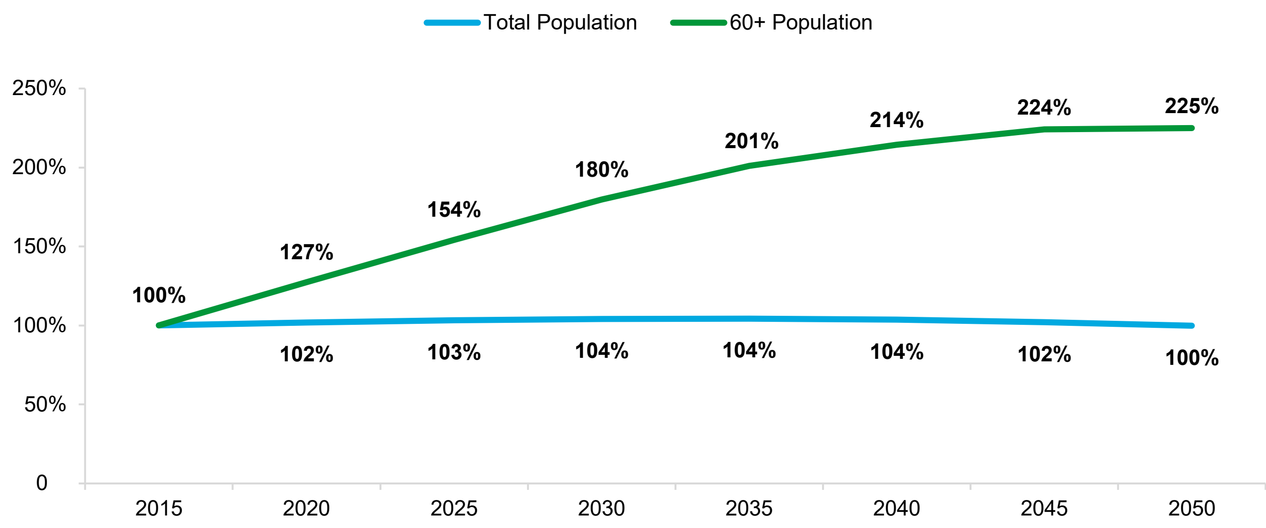
Source: LIMRA-SoA Retirement Study 2017

Demographic Transition

Road to Aging Population

South Korea has experienced a major demographic transition since the 1960s. Notably, the total population grew considerably and doubled from around 25 million in 1960 to approximately 50 million in 2015. However, projecting into the future, the population is expected to grow at a slower pace. Projections show that after peaking at around 53 million in 2035, South Korea's overall population is expected to shrink. This decline is primarily due to a continuing decrease in the birth rate and a stable death rate, which is projected to rise in the long term, further deepening the decline in population.

Figure 1 — Overall Population Growth Versus Age 60+ Population Growth*



**The overall population growth and 60+ population growth are based on South Korea's population in 2015.*

UN Population Division — 2017 data, LIMRA International Research.

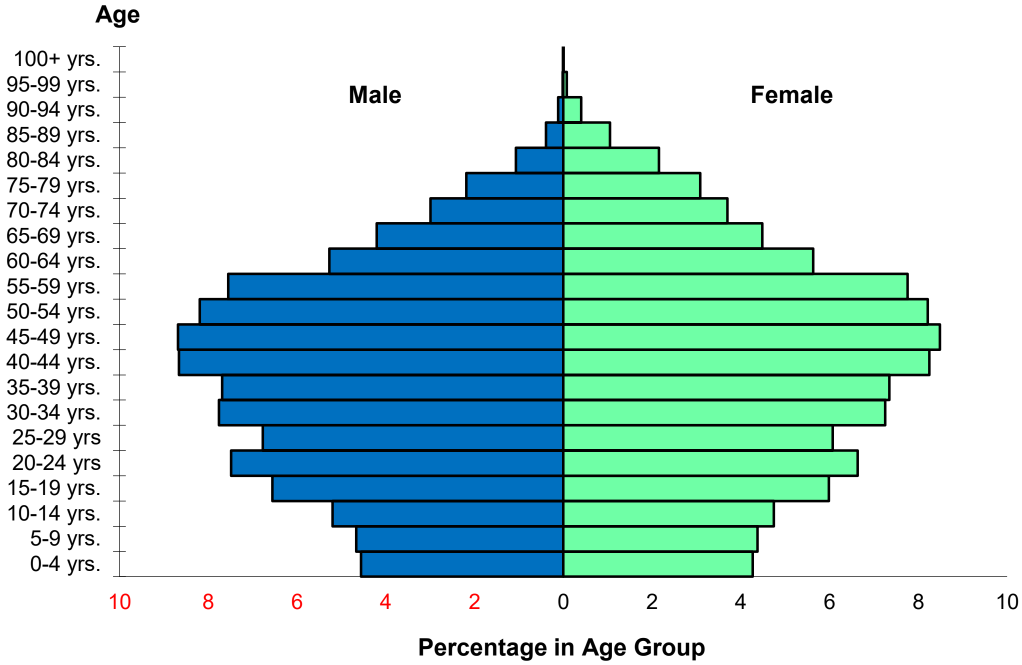
Massive growth of the elderly population, coupled with shrinking of the overall population, will alter the population structure quickly.

Along with these phenomena, an increasing life expectancy due to medical advances and improved lifestyle has resulted in prolonged life expectancy and an aging population.

Population aging has already had an impact of severe proportions in South Korea, and it is predicted to continue to intensify, resulting in an inverted "population pyramid," signifying a tremendously aged demographic structure.

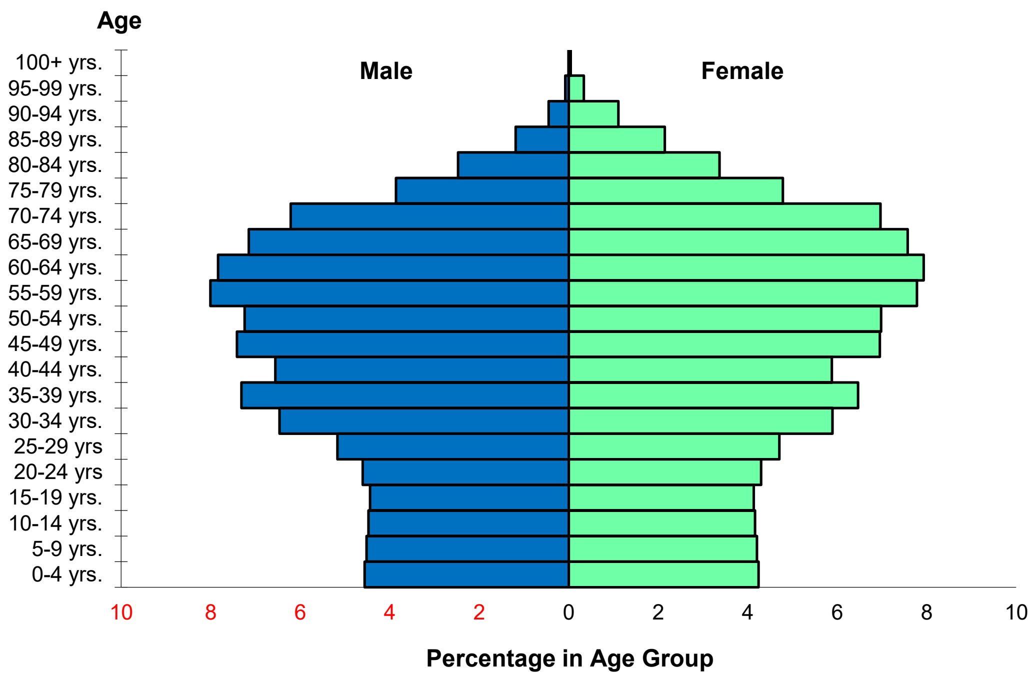
The population pyramids exhibit the distribution of various age groups of South Koreans by gender across 2015, 2030, and 2050. The population pyramid of South Korea illustrates a very rapid pace of aging, as the bulge of the pyramid gradually moves up in age.

Figure 2 — Population Pyramid: 2015



UN Population Division — 2017 data, LIMRA International Research.

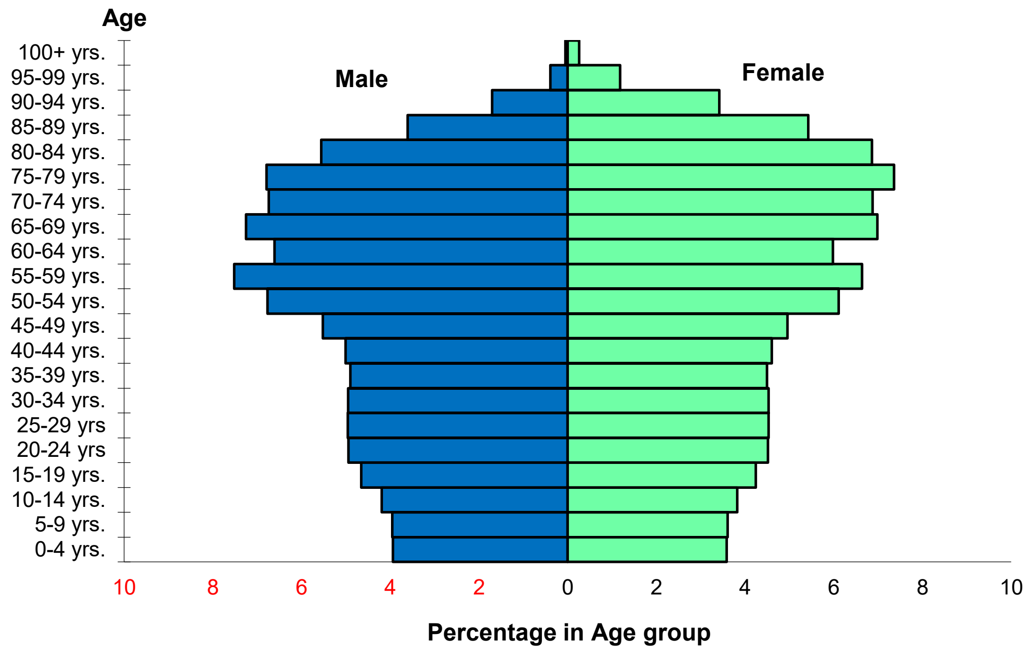
Figure 3 — Population Pyramid: 2030



UN Population Division — 2017 data, LIMRA International Research.

By 2050 the expected proportion of the elderly (60 years of age and over) and middle aged (between 30 and 59 years of age) population groups are estimated to be 42 percent and 33 percent respectively. This trend means the elderly population group is forecast to be the majority of the population, even surpassing the working-age population group.

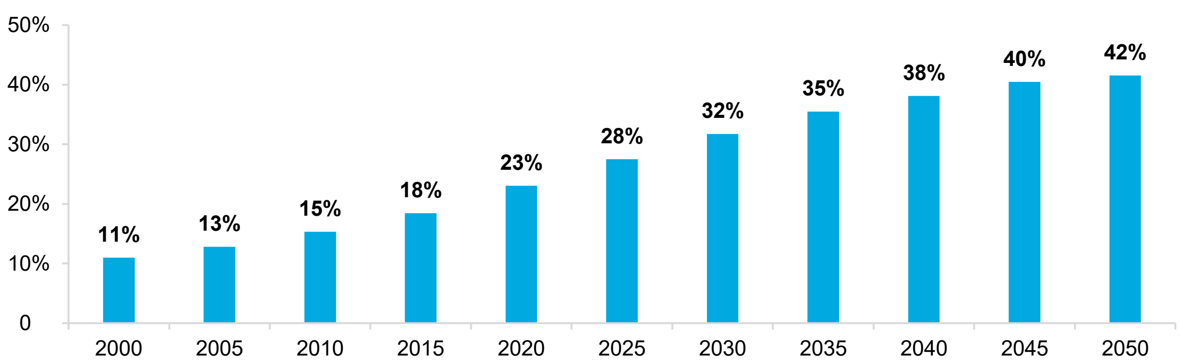
Figure 4 — Population Pyramid: 2050



UN Population Division — 2017 data, LIMRA International Research.

The elderly population is rapidly growing. The proportion of South Koreans age 60 years and over is likely to rise from an estimated 18 percent in 2015 to almost 42 percent by 2050. This trend means almost one half of the population would be elderly.

Figure 5 — Proportion of Age 60 Years and Over Among Total Population

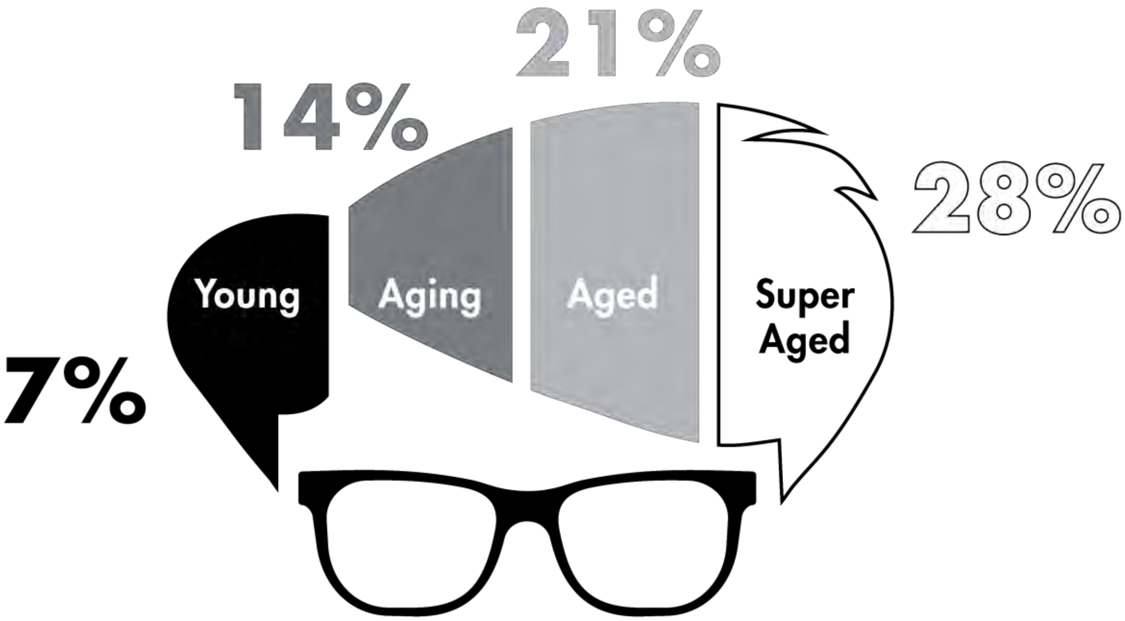


UN Population Division — 2017 data, LIMRA International Research.

Proportion of the elderly (60 years and over) is likely to increase almost four times by 2050 since the turn of the century.

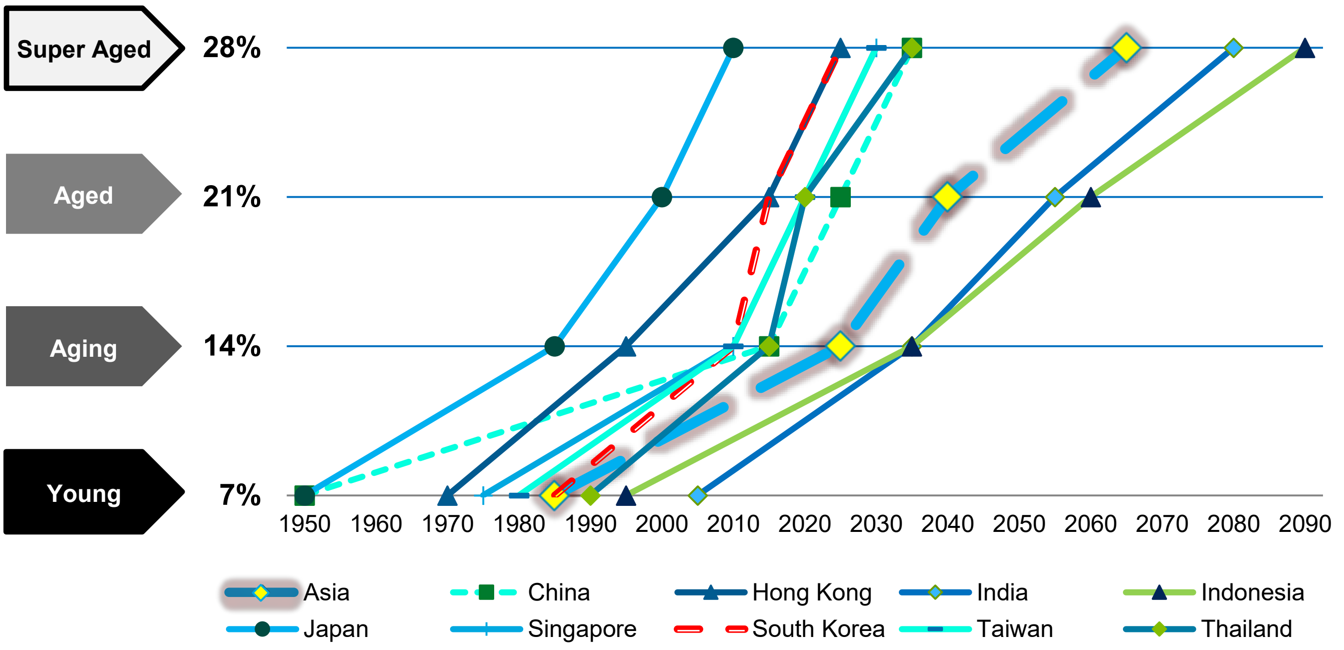
Another important aspect one has to consider is the speed of aging. It took approximately 30 years to move from the young to the aging population. However, the transition from aging to super aged is likely to take fewer than 20 years in total.

- Young — when the proportion of those age 60+ crosses 7 percent of the total population
- Aging — when the proportion of those age 60+ crosses 14 percent of the total population
- Aged — when the proportion of those age 60+ crosses 21 percent of the total population
- Super aged — when the proportion of those age 60+ crosses 28 percent of the total population



When the proportion of age 60+ versus the total population crosses the threshold of...

Figure 6 — Phases of Demographic Transition



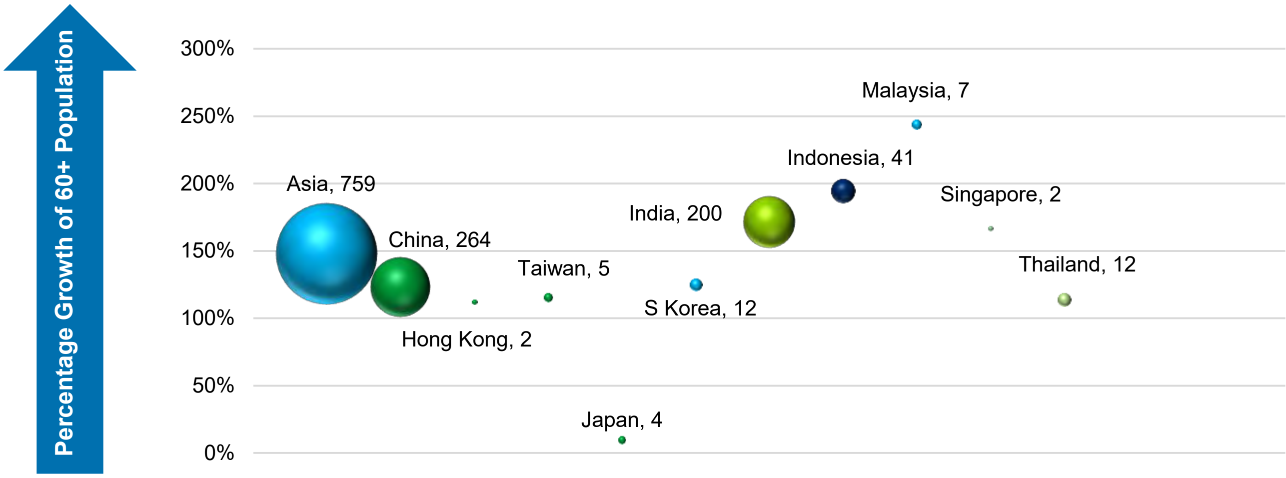
UN Population Division — 2017 data, LIMRA International Research.

To explain the magnitude of the problem we compared it with other developed western countries that had started the process of aging earlier. Markets such as the United Kingdom and the United States are forecast to move from aging to super aged within a span of around 80 years. This comparison clearly demonstrates how rapidly South Korea is aging — at a speed never seen before, neither in Asia nor around the world.

As a result, this tremendous pace of aging would allow South Korea significantly less time to prepare properly to face the challenges of an aging society.

It also must be noted that a huge proportion of the future elderly population is set to increase over the next couple of decades before stabilizing after 2050. The elderly population of South Korea will rise from 9.3 million in 2015 to 20.9 million in 2050, which is an increase of almost 11.6 million in just 35 years.

Figure 7 — Additional Age 60+ Populations by 2050 Versus 2015



Size of bubble represents absolute increase in age 60+ population (in millions)

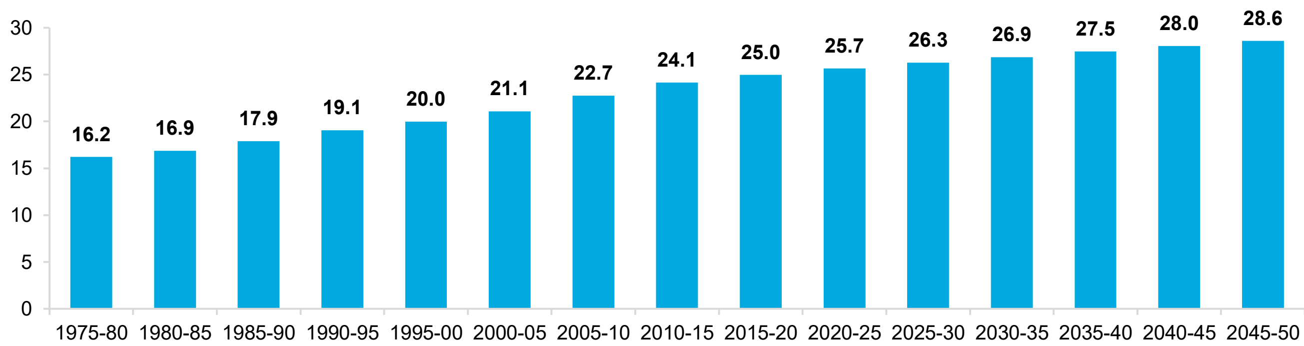
UN Population Division, 2017 data, LIMRA International Research.

Life Expectancy at 60 Years, Birth Rates, Average Size of Households

One of the major factors that led to the growth of those age 60 and over is increased life expectancy. Life expectancy has increased dramatically because of medical advances and improved lifestyles, as well as a decline in non-communicable diseases, among many other factors.

Over a span of years, the life expectancy of the elderly population has increased gradually. Life expectancy at 60 years of age in 1975–1980 was 16.2 years. It is likely to reach 28.6 years by 2045–50 from 24.1 years in 2010–15. The Life expectancy in particular was higher for the female population. Upon close analysis, we found that male life expectancy at 60 years of age is likely to be 26.0 years and female life expectancy at 60 years of age is estimated to surpass 31.1 years by 2045–50, which means women may live beyond 90 years of age.

Figure 8 — Life Expectancy at Age 60 (in Years)

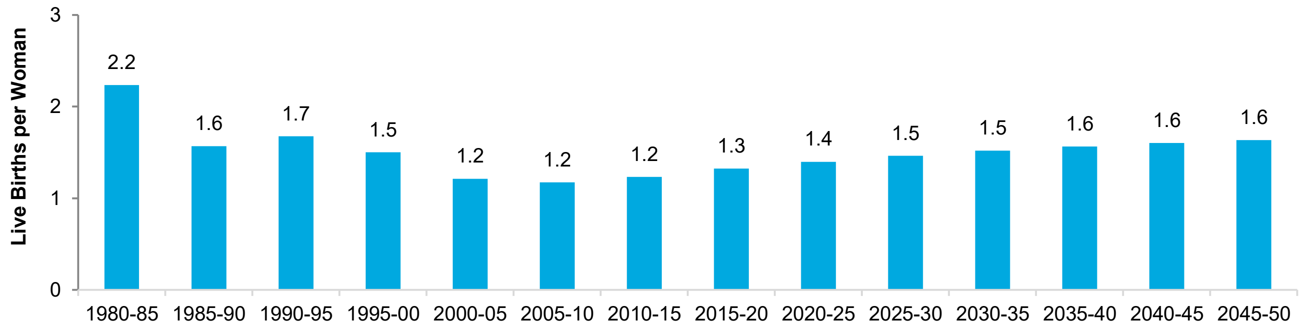


UN Population Division — 2017 data, LIMRA International Research.

In addition, the gender imbalance issue increases with age. Due to the higher life expectancy rate for females, the number of men per 100 women (the sex ratio) is lower in the older age group. This factor means there is a possible risk of the female partner outliving her savings after the death of the male.

The declining fertility rate has also contributed significantly towards the growth of the elderly population, and a decline in the total population is expected to begin approximately in 2035.

Figure 9 — Total Fertility (Live Births per Woman)



UN Population Division — 2017 data, LIMRA International Research.

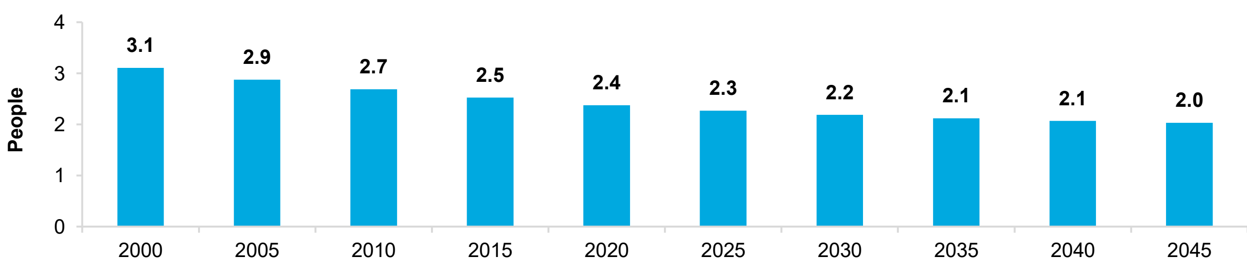
To maintain a constant level of population, the fertility rate must be at least 2.1. If this minimum rate of 2.1 is not maintained, the population is likely to decline. South Korea's fertility rate is among the lowest in the world. The fertility rate has dropped sharply from 2.2 in 1980–85 to 1.2 in 2010–2015, well below the replacement rate of 2.1.There are no signs of the fertility rate increasing in the near future.

While a decline in mortality typically affects all age groups, a decline in the fertility rate initially affects the number of children only, and thus has a major impact on the age structure of societies.

A decline in the live birthrate results in a shrinking population.

The declining fertility rate has led to a smaller household size. The average size of households has been slowly shrinking. It is expected to drop from 3.1 persons per household in early 2000 to 2.0 persons per household by 2045.

Figure10 — Average Size of Households



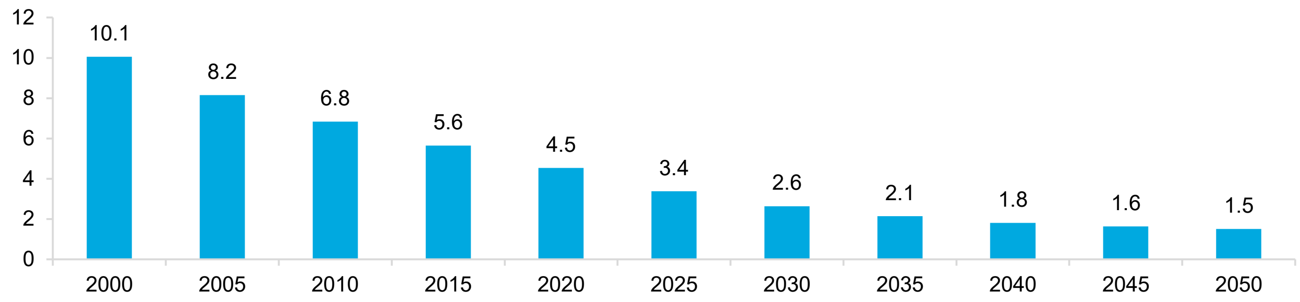
Korean Statistical Information Service http://kosis.kr/index/index.jsp2017 data, LIMRA International Research.

The number of one-person households and couple-only households has risen significantly, and each is expected to continue to rise steadily. Higher levels of education have been found to have an impact on fertility and on family composition. Other factors, such as the increase in the number of unmarried individuals and high divorce rates, also influenced the size and structure of families.

This contraction of household size is resulting in an increasing number of total households. There were 19 million private households in 2016, and this number is forecast to rise to 22 million in 2045. This trend resulted in a breakdown of traditional family structures that, in turn, resulted in a decline in family support for the elderly.

Over the decades, changing socio-economic dynamics have resulted in smaller households across the region.

Figure 11 — Potential Support Ratio*



**Potential support ratio = ratio of population 15-64 per population age 65+.*

UN Population Division — 2017 data, LIMRA International Research.

Along with an aging population, the potential support ratio illustrates the fact that the working age population and the overall economy face a greater burden in supporting the aging population. From 2040 onwards, there will be fewer than two people in the labor force supporting each person aged 65 and over. This disproportion is likely to pose tremendous challenges to the nation's health, retirement, and pension systems.

Key Challenges Due to Aging of Population

- The socio-economic challenges will become more prominent over time. An aging population presents heightened longevity, morbidity, and medical care inflation risks. National healthcare systems and state-funded pension plans will be under increasing pressure as tax revenues from the diminishing working age population may prove insufficient to provide for the needs of the aging population.
- The economic implications of a shrinking labor force depend on future participation rates of older workers and on the already rising share of immigrants. South Korea is well aware of the demographic challenges it faces and has already introduced subsidies to encourage employment of the elderly.
- In addition, aging results in increased demand for health, long-term care, and pension provisions. This finding clearly highlights the increasing importance of pensions and personal savings.
- An aging economy leads to a tremendous demand for unique and bespoke insurance products in life protection, savings, pensions, and health segments to fit an individual's unique needs. This trend presents a huge opportunity for the insurance industry.

Current Pension Structures and Challenges

The pension systems in South Korea are divided into three pillars: public schemes, employer schemes, and private schemes.

Table 4 — Description of Current Pension Structures

Pillar	Pension Schemes	Coverage	
Public	National Pension Scheme	All Citizens Except Gov't Employees, etc.	Mandatory
	Special Occupational Pension Scheme	Gov't Employees, Military Personnel, Private Teachers, etc.	Mandatory
Employer	Severance Payment Scheme	Private-Sector Employees	Mandatory
	Employee Retirement Scheme		Mandatory
Private	Personal Pension Scheme	All Citizens	Voluntary

Public Pillar — National Pension Scheme

The National Pension Scheme (NPS) was established in 1988 by the National Pension Act, and it was limited to workplaces with 10 or more full-time employees. In 1992, the coverage was expanded to include workplaces with fewer than 10 or more full-time employees. It was expanded further in 1995 to include famers, fishermen, and the self-employed who reside in rural areas. In 1999 it was again expanded to include the self-employed of urban areas.

All South Korean residents between ages 18 and 59 years are covered under the scheme, with age and residency status being the key criteria for the extent of coverage.

The scheme provides old-age pension, disability pension, survivor pension, and lump-sum death payments. Almost 83 percent of the benefits cover old-age pension, and provide earnings-related guaranteed old-age income (i.e., defined benefit scheme).

Benefits of current retirees are paid with the contributions of current workers (i.e., a pay-as-you-go system).

To remain eligible, the minimum pensionable age for both men and women has been set at age 61 and requires at least 10 years of contribution. It also must be noted that the minimum pensionable age is gradually being increased to 65 years by 2033.The early pensionable age will also be increased from 55 years to 60 years.

The contribution rate is 9 percent, and the insured person pays all of the contribution. A workplace-based insurance is shared by employee (the insured person) at 4.5 percent and by the employer at 4.5 percent.

Public Pillar — Special Occupational Pension Scheme

The Special Occupational Pension Scheme comprises the Government Employees Pension Scheme (1960), the Military Personnel Pension Scheme (1963), the Private School Personnel Pension Scheme (1975), and the Special Post Office Pension Scheme (1982).

The scheme is designed to compensate for the relatively lower earnings of public-sector workers and for the lack of a Retirement Allowance Scheme available in the private sector. It is expected to undergo reforms in the future to ensure its long-term sustainability.

Employer Pillar — Severance Payment Scheme

The scheme, established in 1953 and based on Article 28 of the Labor Standards Act, was voluntary at first and then became mandatory in 1961. This scheme was introduced to supplement the national pension scheme for all employees.

Under the scheme, all employees with more than one year of continuous service are entitled to receive a lump-sum payment of mandatory severance pay, solely contributed by the employer.

The benefit is calculated to be the total number of service years multiplied by the average monthly earnings of the last three months. There is no portability or limit of benefit payment age.

Employer Pillar — Employee Retirement Scheme

Effective from 2005, the government has allowed employers based on the consent of employees to convert their severance-payment schemes into more typical employee-retirement schemes.

Both defined benefit (DB) and defined contribution (DC) plans are allowed under the scheme. Employers and employees are free to choose their desired plans.

DB plans must provide a minimum benefit based on one month of the employee's final salary level and service period. Investment results change the employer's contribution to the pension plan, and investments must be managed by a separate trust.

For DC plans, the employer's contribution is predetermined and must be at least one twelfth of the employee's total annual salary. The employee's additional contribution is allowed and can qualify as tax deductible up to 7,000KRW of additional contributions.

Under the old Severance Pay Scheme or a DC plan, employees can withdraw accrued benefits under the five following special circumstances (called "interim withdrawal"):

- Purchasing a house (only a pension holder who did not own a house)
- Paying a lease (only one time available)
- Hospitalization for more than six months
- Bankruptcy
- Natural catastrophe

Private Pillar — Personal Pension Scheme

There are various personal pension plans offered by different financial institutions. The personal pension market grew rapidly due to tax incentives. However, the personal pension plans sales are relatively low and often misused as short-term investment instruments instead of long-term retirement savings.

Sustainability of Pension Systems

The rapidly aging population endangers public pension sustainability, leading the government to raise the contribution rate and minimum pensionable age. More reform measures need to be taken to ensure the sustainability of pension systems.

Notably, the Pension Sustainability Index (PSI) of Allianz analyzes the fundamentals of pension systems and the key changes that impact them. To arrive at a ranking that reflects the long-term sustainability of the pension system, Allianz analyzed 54 markets across the world, including South Korea, based on an extensive list of parameters.

The PSI primarily uses the following three sub-indicators to measure the sustainability of a specific pension system (see Figure 12):

- Demographic changes
- Pension system design
- Public finances

Figure 12 — Pension Sustainability Index[1]*

Sub-indicators	Status (0.75)**	Dynamics (0.25)**
Demographics	Old-age dependency ratio (OAD)*	Change in OAD* until 2050
Pension system	Level of pension benefit from 1st pillar and coverage of workforce	Change in level of pension benefit
	Legal / effective retirement age	
	Strength of funded pillar and reserve fund (as % of GDP)	Reforms passed
Public finances	Pension payments / GDP	Change of pension payments / GDP until 2050
	Public indebtedness / GDP	
	Need for welfare support	

*Ratio of ≥ 65 years of age to 15 to 64 years of age

**Weighting

Source: Allianz Asset Management, International Pensions

The PSI ranks South Korea 33rd among 54 countries, indicating that there is need for a stable retirement structure. In the case of pay-as-you-go (PAYG) systems, the ratio of retired beneficiaries to the contributors in the workforce is crucial for financing the system. Therefore, as the dynamic of aging is anticipated to increase considerably, it has a negative impact on sustainability.

[1] Allianz Asset Management, 2016 Pension Sustainability Index, International Pension Papers, 2016.

Table 5 — Ranking of Pension Sustainability Index, Asia — Allianz[2]

Region	TOTAL		Demographics	Public Finance	Pension System
	Score	World Ranking	World Ranking	World Ranking	World Ranking
Hong Kong	7.1	14	43	10	13
Singapore	6.6	24	45	18	29
South Korea	6.5	33	53	11	25
Indonesia	6.2	39	7	7	50
Taiwan	6.2	40	54	17	26
Japan	5.8	46	52	50	18
India	5.8	48	6	6	54
China	5.0	53	44	24	51
Thailand	4.9	54	47	19	52

Note: The rankings cover only the regions which were a part of this study.

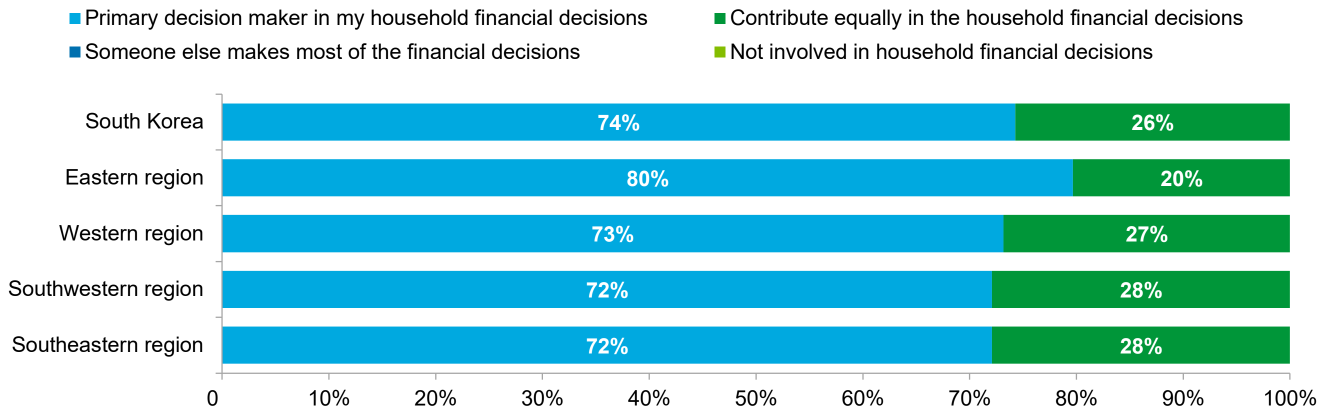
[2] https://projectm-online.com/app/uploads/Allianz_2016_Pension_Sustainability_Index.pdf.

Retirement From the Consumer Perspective

Through this research, we specifically wanted to understand how the decision makers or people who contribute to financial decision making tackle the challenges of retirement. Hence, we have collected responses specifically from primary decision makers or those who contribute equally in making financial decisions.

Figure 13 — Respondents by Decision Authority

Responding to the question: *"How would you describe your role in making financial decisions for your household?"*



In addition, another important aspect one has to consider the cultural context of retirement. Unlike workers and retirees in western countries, South Korean workers as well as retirees share the greater burden of the extended family. Notably, nearly half of the households are taking financial responsibility for their spouses or children. Add to that, 1 out of 4 households also take financial responsibility for their own parents.

Table 6 — Financial Dependence

Responding to the question: *"Which of the following individuals are financially dependent on you?"*

	South Korea	Eastern Region	Western Region	Southwestern Region	Southeastern Region
Spouse	51%	52%	52%	50%	51%
Child/Children	48%	52%	42%	48%	52%
Own Parents (Father and Mother)	26%	29%	22%	23%	28%
Siblings (Brother/Sister)	3%	2%	2%	6%	2%
Spouse's Parents	1%	2%	1%	1%	1%

Only around 12 percent of respondents have not taken any initiatives on retirement planning. This means the awareness among South Koreans is high when it comes to the need to prepare for a stable and comfortable retired life. In particular, the Southwestern region is the most highly interested region in preparing for retirement with 92 percent of respondents from this region having made initiatives toward retirement.

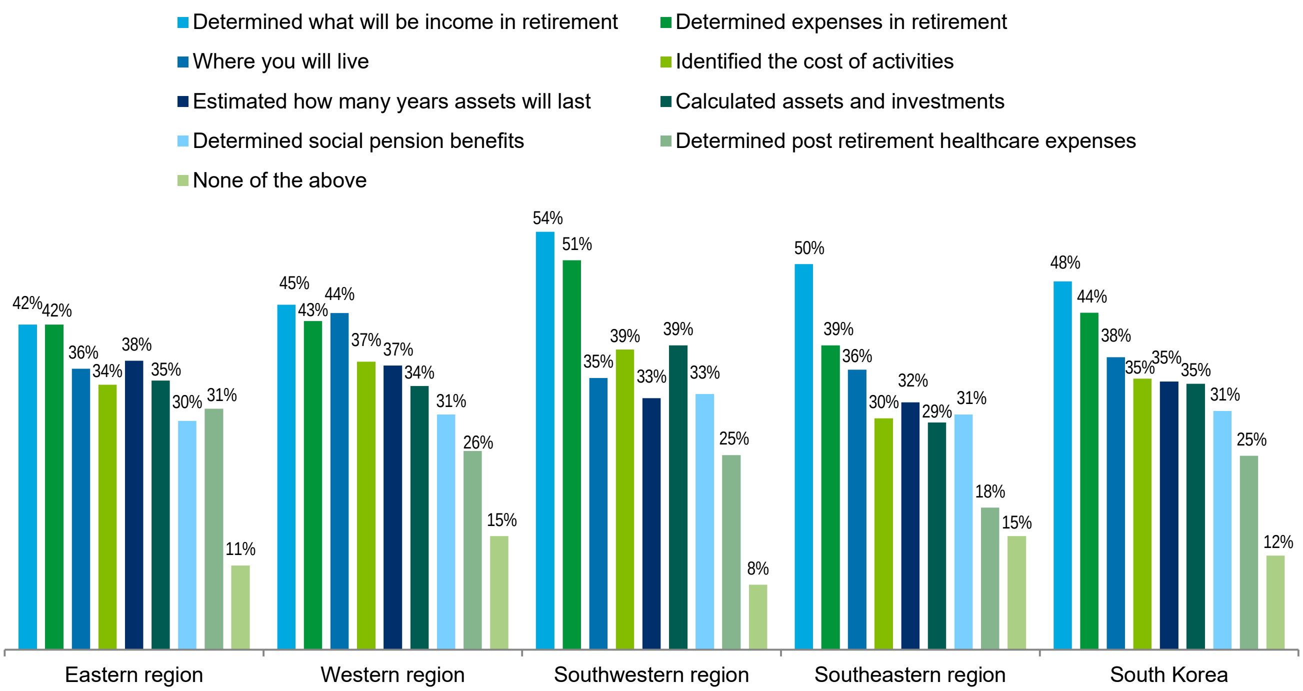
Most South Koreans across all regions claim to have determined what their income and expenses will be in retirement. They also demonstrate a strong interest in determining where they will live. Especially among pre-retirees (45 to 60 years of age), it is the second most frequent initiative taken.

Determining post-retirement healthcare expenses is the least chosen initiative across all regions. This possibly indicates that South Koreans feel more or less prepared for future medical expenses, with the national health insurance system assuring minimum health coverage to almost the entire population.

According to KIDI[3], 70 percent of those who are 40 to 50 years of age are covered by a private health insurance plan in addition to the national health insurance plan. This is a clear indication that most South Koreans have some health expense coverage. However, if it is adequate or not remains a matter of further investigation. We did reach out to our respondents to find out specifically about the concerns on health and healthcare funding in the later phase of the research.

Figure 14 — Initiatives on Retirement Planning

Responding to the question: *"Which of the following retirement planning activities have you done?"*

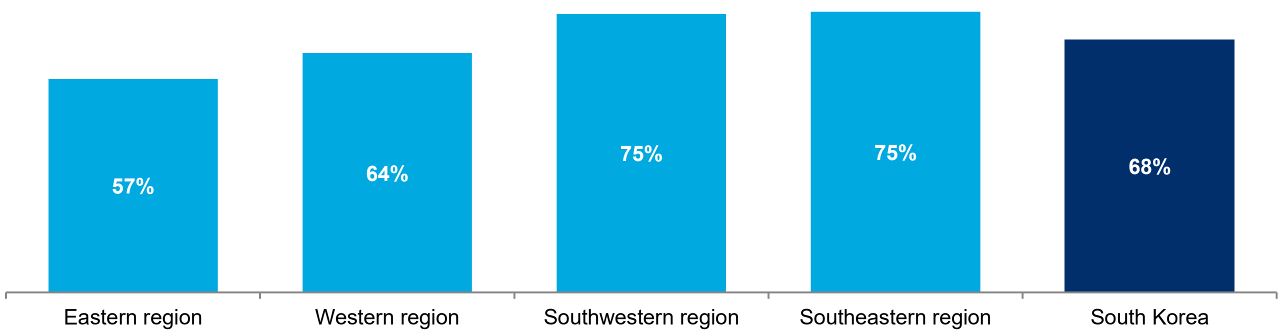


[3] KIDI retirement market report, 2016, KIDI (Korea Insurance Development Institute) https://www.kidi.or.kr/.

In addition, 68 percent of the respondents indicated that they do not work with any financial professionals to help them with household financial decisions. This tendency is stronger in the southern regions of South Korea. It is especially high among pre-retirees, of whom 75 percent state they do not seek help from financial professionals.

Figure 15 — Do Not Work With Any Financial Professionals to Help With Household Financial Decisions

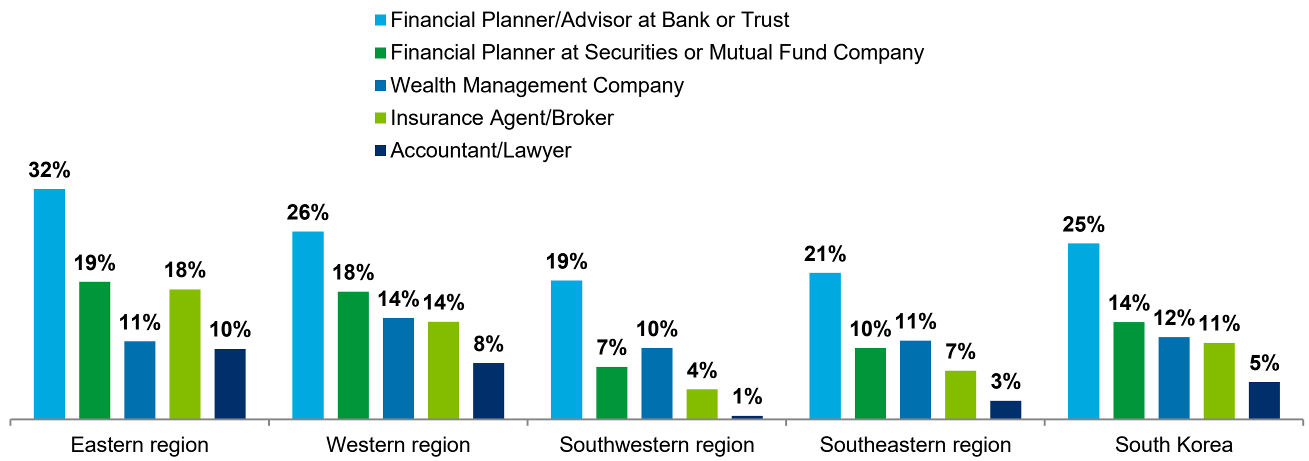
Responding to the question: *"Does your household typically work with any financial professionals to help with your household financial decisions?" Results represent respondents who answered "no."*



However, among the few who do, they prefer to reach out to a financial planner/advisor at a bank followed by a wealth manager or an insurance agent / broker. According to KIDI, there are two main reasons why South Koreans are self-reliant when it comes to financial decisions. First, they cannot afford to pay for advice. Second, they do not see the benefit of such services.

Figure 16 — Those Who Work With Financial Professionals, Work With…

Responding to the question: *"Does your household typically work with any financial professionals to help with your household financial decisions?"*



Sixty-eight percent of respondents do not work with financial professionals for household financial decisions.

South Korea as a nation has one of the highest Internet and smart-phone penetration rates across the Asian region. So, it is not surprising that most South Koreans prefer to use digital methods to seek information on investments, financial products, or retirement planning. More than half prefer to use Internet/financial websites. Also a considerable proportion indicates preference for some form of online retirement planning, including social media, mobile apps, or websites. They also continue to have a strong preference towards the conventional method of reaching out to family, friends, or co-workers for obtaining information on investments, financial products, or retirement planning. This method is notably the most preferred among retirees (61 to 75 years of age) followed by use of the Internet/financial websites.

Figure 17 — Means of Obtaining Information on Investments, Financial Products, or Retirement Planning

Responding to the question: *"Where do you obtain information on investments, financial products, or retirement planning?"*

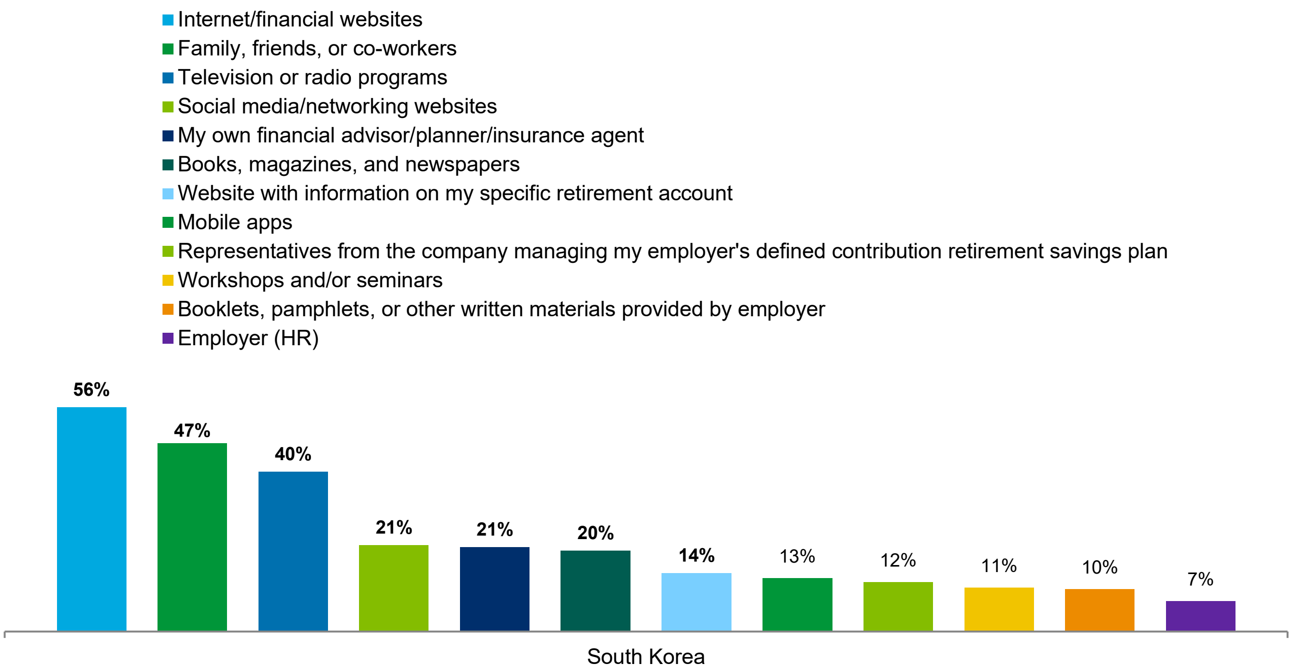
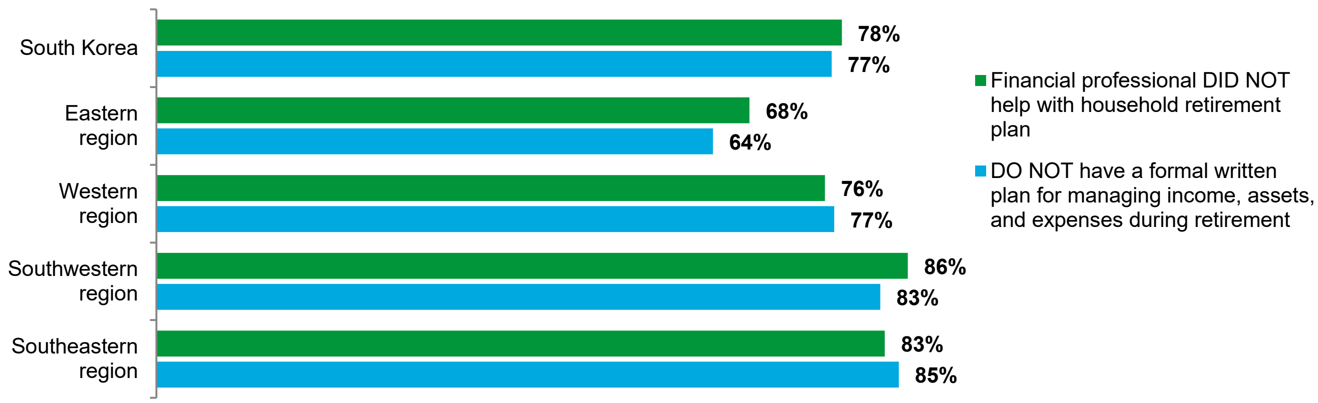


Figure 18 — Retirement Planning

Responding to the questions: "*Does your household have a formal written plan for managing your income, assets, and expenses during retirement?" "Did a financial professional help your household create your plan?"*



Not only do they not seek professional help for regular financial decisions, they also do not seek help from financial professionals on retirement planning. Seventy-eight percent of respondents do not seek professional guidance for their retirement planning. In addition, 77 percent do not have formal written plans for managing income, assets and expenses during retirement. It is also alarming that pre-retirees are the least prepared, as 84 percent state that they do not have a formal written plan for managing income, assets, and expenses during retirement. This percentage is higher than that of today's young workers.

As most South Koreans do not like to depend on others, the lack of a concrete plan to prepare for retirement is reflected by the following retirement concerns.

Table 7 — Retirement Concerns and Actions — Agree With the Following Statements

Responding to the direction: *For each of the following statements pertaining to your retirement concerns and actions, please indicate if you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree.*

	Asia	South Korea	Eastern Region	Western Region	Southwestern Region	Southeastern Region
Confidence Benchmark						
I will be able to live the retirement lifestyle I want	59%	44%	51%	40%	42%	42%
I have enough savings to last until the end of my retirement	49%	33%	38%	33%	31%	29%
Need help						
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	59%	55%	60%	59%	46%	55%
Action Statement						
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	61%	57%	68%	52%	50%	57%
I am currently very involved in monitoring and managing my retirement savings	60%	47%	51%	51%	43%	45%
Challenge & Mindset						
It is rare to hear people talk about retirement planning in the workplace	46%	34%	44%	33%	28%	33%
I have/will inherit property from parents/relatives	39%	30%	39%	34%	22%	27%
I do not trust financial institutions with my money	29%	21%	26%	19%	21%	17%

Note: Above numbers represent summed-up options of Somewhat Agree and Strongly Agree.

The top-three options per market have been highlighted. In certain instances four options were highlighted when the third and the fourth ranked numbers were same.

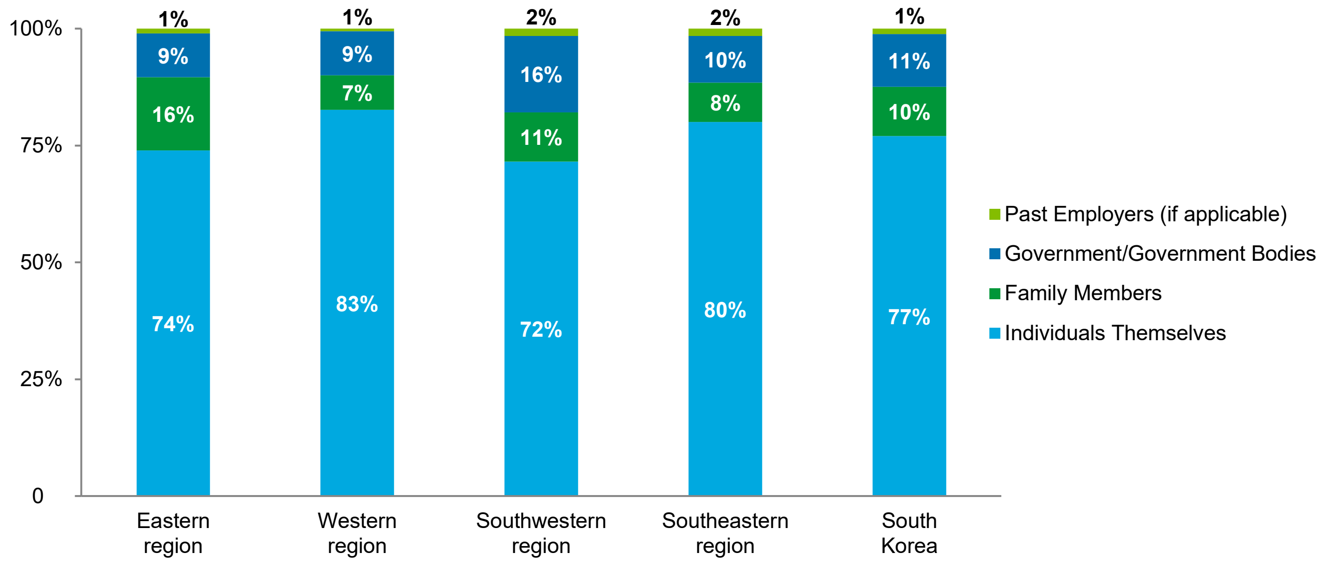
Almost 1 out of 2 respondents are currently very involved in monitoring and managing their retirement savings. However, only one third of them expect to have enough savings to last until the end of retirement. More than half of respondents are concerned that they may not being able to live the retirement lifestyles they want. It is also worth noting that, as they do not seek help from financial professionals, more than half of them would like to have more information and advice from their employers on retirement savings and planning. This finding clearly shows that even though South Koreans are being cautious and are aware of their lack of preparedness for retirement, they do not always end up making the right financial decisions.

However, there is a positive aspect. A majority of respondents (79 percent) trust financial institutions, and 57 percent are willing to purchase a financial product that will provide guaranteed lifetime income. Respondents from the Eastern region who are the most highly involved in monitoring and managing their retirement savings also show the strongest (68 percent) interest in buying guaranteed lifetime income products. In addition, pre-retirees who were the least prepared are the most highly interested in purchasing guaranteed lifetime income products. Furthermore, 77 percent of respondents consider it their own responsibility to plan for retirement and do not want to depend on government or family members. Notably pre-retirees (82 percent) demonstrate the strongest commitment to self-reliance.

Consumers are willing to trust financial institutions and consider it to be their own responsibility to fund retirement.

Figure 19 — Primary Responsibility for Providing Retirement Funds

Responding to the question: *"Who should primarily be responsible for providing retirement funds?"*



The primary income resources in retirement are homogeneous across all regions. The majority of respondents depend primarily on their personal savings and investments as well as social pension/other local pension (old-age pension) in retirement. Some are willing to return to work again.

The national pension scheme is a significant income source for South Koreans, covering almost two thirds of those in the 40 to 50 year age group. However, it is worth noting that today's young workers rely more on the national pension scheme than today's retirees do. This finding could possibly be explained by the fact that the national pension scheme is relatively recent, thus not covering the retired population as fully as the working population. This reliance by young workers is certainly disturbing as the sustainability of the national pension scheme is in question. There are also positive aspects, however, as young workers also rely more on voluntary enterprise annuity/voluntary plans set up by employer or life insurance than do today's retirees.

South Koreans overall are willing to work longer, effectively ruling out retirement. This willingness is especially true of the young workers. Full and part-time job earnings are highly anticipated as an income source in retirement for these young workers. This expectation explains the fact that they are relatively less willing to depend on their family members for either financial support during retirement or any inheritance. Furthermore, reverse mortgages, which are relatively popular in the western world, have not sold well in South Korea and are the least-anticipated source in retirement. Younger respondents, though, seem to consider them an important income source in retirement.

Table 8 — Anticipated or Current Income Source in Retirement

Responding to the direction: *Indicate which of the following sources of income your household currently receive: [IF WORKER] Indicate which sources of income you expect to receive during retirement.*

	South Korea	Eastern Region	Western Region	Southwestern Region	Southeastern Region
Personal savings and investments	92%	93%	94%	90%	90%
Social pension/Other local pension*	85%	87%	90%	86%	77%
Old age pension	77%	84%	84%	72%	69%
Full/Part-time job earnings	72%	79%	75%	64%	69%
Life insurance	66%	73%	68%	61%	61%
Voluntary enterprise annuity/Voluntary plans set up by employer	59%	64%	63%	56%	53%
Rental property	52%	66%	53%	44%	45%
Family member assistance (including children)	51%	60%	52%	50%	42%
Inheritance from death of a family member	44%	56%	49%	39%	32%
Reverse mortgage	34%	44%	42%	29%	22%

**Other local pension included "National Pension."*

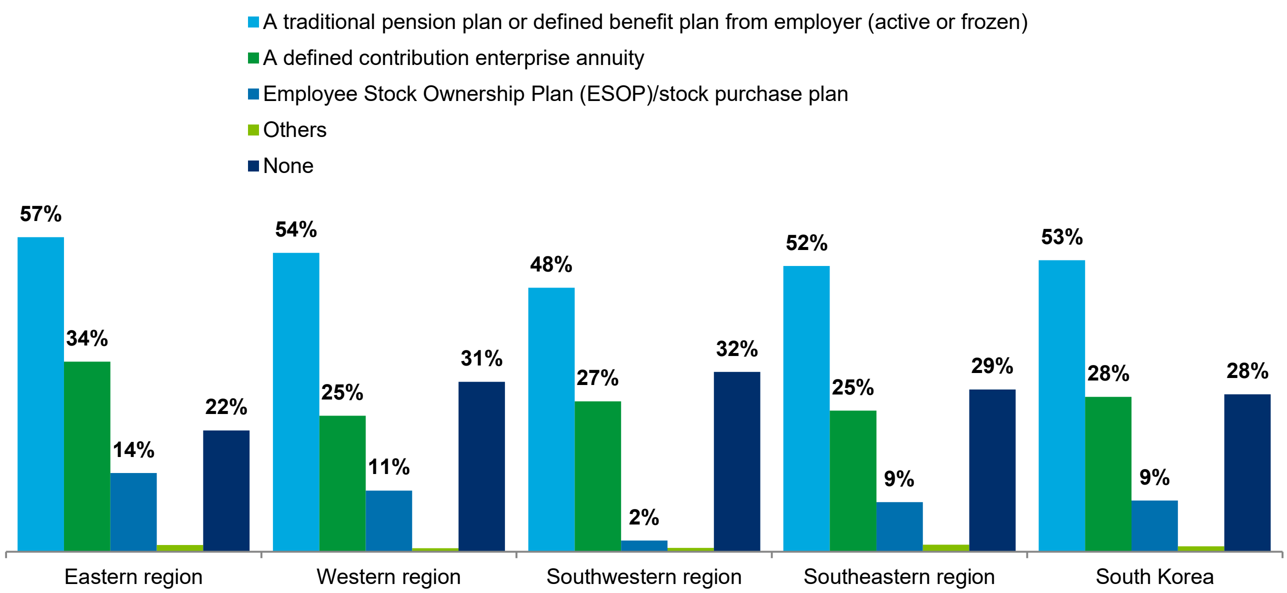
Note: Above numbers represent summed-up options of Major Source and Minor Source out of the overall options of Major Source, Minor Source, and Not a Source.

Seventy-two percent of the respondents indicated that they will depend on full/part-time job earnings to support their retirement; this is an early warning sign.

The majority of respondents (81 percent) claim that they are offered either a traditional pension plan, a defined benefit (DB) plan, or a defined contribution (DC) plan from their employers. These plans constitute the second pillar of the current pension structures in South Korea. This finding also indicates that the coverage is not adequate to cover the entire population. Twenty-eight percent of respondents state that none of these plans is currently available to them. In addition, pre-retirees have the least coverage. In fact, 1 out of 3 respondents state that none of the above plans is available to them.

Figure 20 — Retirement Plan Available Through Current Employer, Work, or Profession

Responding to the following: "Which retirement savings plans are available to you through your current employer, work, or profession? Please select all that apply."

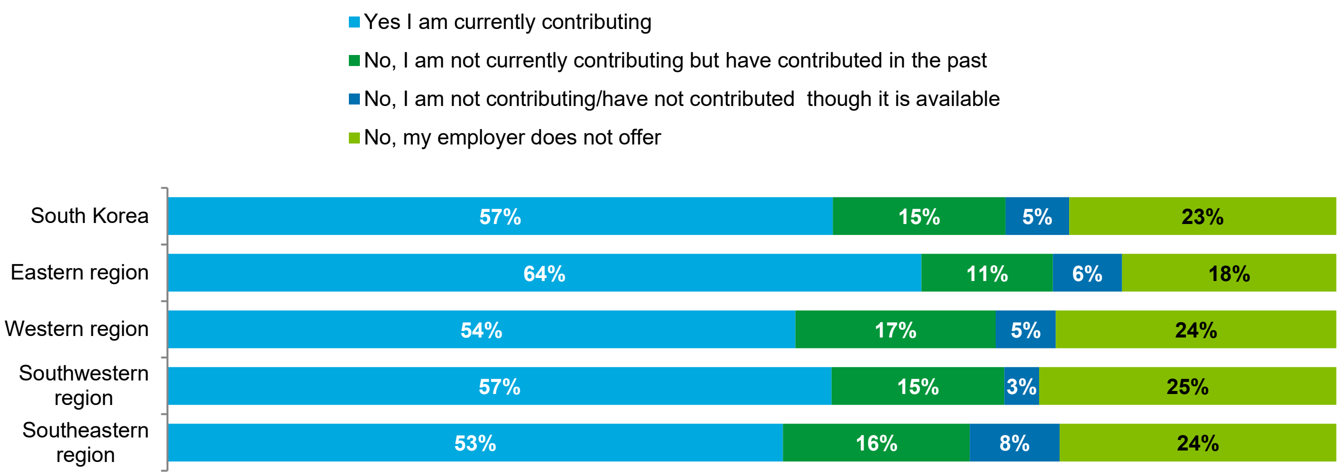


Definitions — Defined Benefit: A defined benefit plan is a retirement plan that an employer sponsors in which employee benefits are computed using a formula that considers factors such as length of employment and salary history. Defined Contribution: A defined contribution plan is a retirement plan in which the employee and/or the employer contribute to the employee's individual account under the plan. The amount in the account at distribution includes the contributions and investment gains or losses, minus any investment and administrative fees. The sponsor company may match the employee contributions. The defined contribution plan places restrictions that control when and how each employee can withdraw these funds without penalties.

Almost one quarter (23 percent) of respondents say their employers do not offer an employer-sponsored retirement savings plan. However, it is encouraging to see that only 5 percent are either not willingly contributing or have not contributed even though a plan is available. The majority are either currently contributing or have contributed in the past. Respondents from the Eastern region show the highest number of respondents currently contributing to an employer-sponsored retirement savings plan.

Figure 21 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement Savings Plans

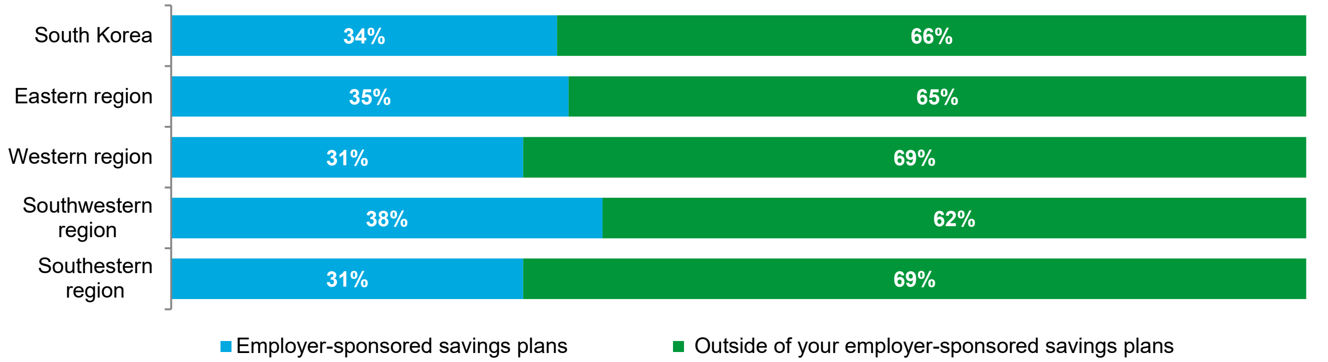
Responding to the question posed to those who are working full time for pay or are self-employed / family business: *"Are you currently contributing or have contributed to any employer-sponsored retirement savings plans, like an enterprise annuity (or provident funds)?"*



Although the majority of respondents are currently contributing to an employer-sponsored retirement savings plan, 66 percent of them state that their retirement savings are from outside their employer-sponsored savings plans. This finding indicates that employer schemes alone are not sufficient, which drives individuals to seek other private retirement savings plans on their own. In particular, 70 percent of pre-retirees claim that their retirement savings are from outside their employer-sponsored savings plans.

Figure 22 — Share of Household Retirement Savings from Employer-Sponsored Retirement Savings Plans

Responding to the question: *"What percent of all of your household's savings for retirement is from employer-sponsored savings or outside employer-sponsored savings?"*



Almost one half (47 percent) of respondents state that employers are matching contributions of between 3 percent and 5 percent of their defined contribution retirement-savings plans. Twenty-three percent say they are receiving matches of more than 5 percent of their contributions. This finding is possibly due to the mandatory contribution employers are obliged to make, which is one twelfth of their employees' total annual salaries.

Figure 23 — Extent of Employer-Matching Contributions

Responding to the question: *"At what level does your employer currently match your contributions to the Defined Contribution retirement savings plan(s) they offer (e.g., 50 cents on the dollar for the first 6 percent of pay contributed)?"*

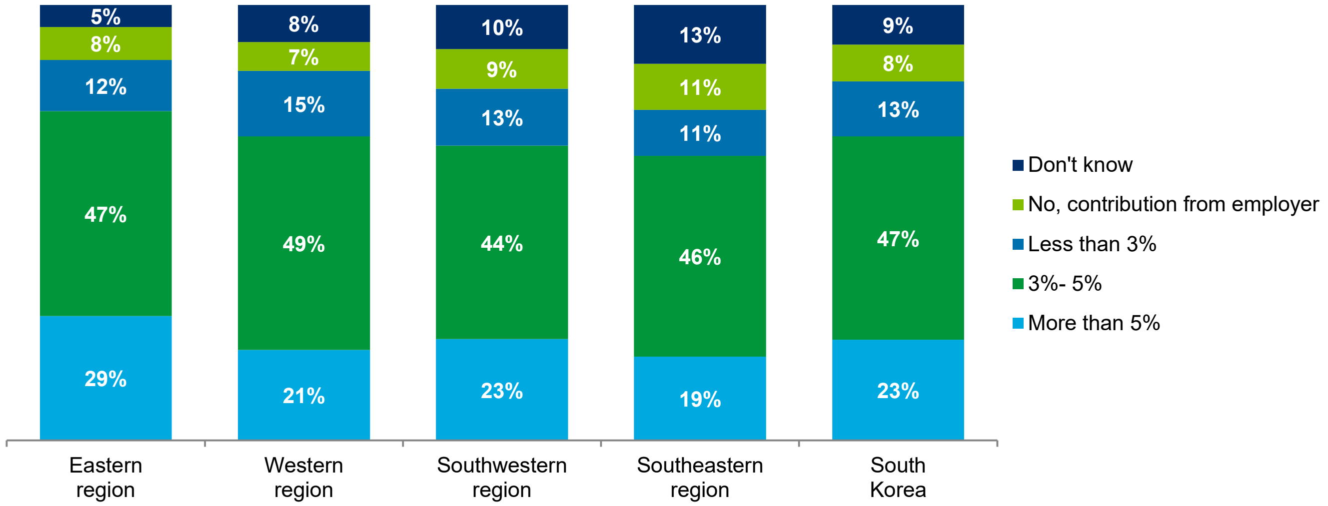
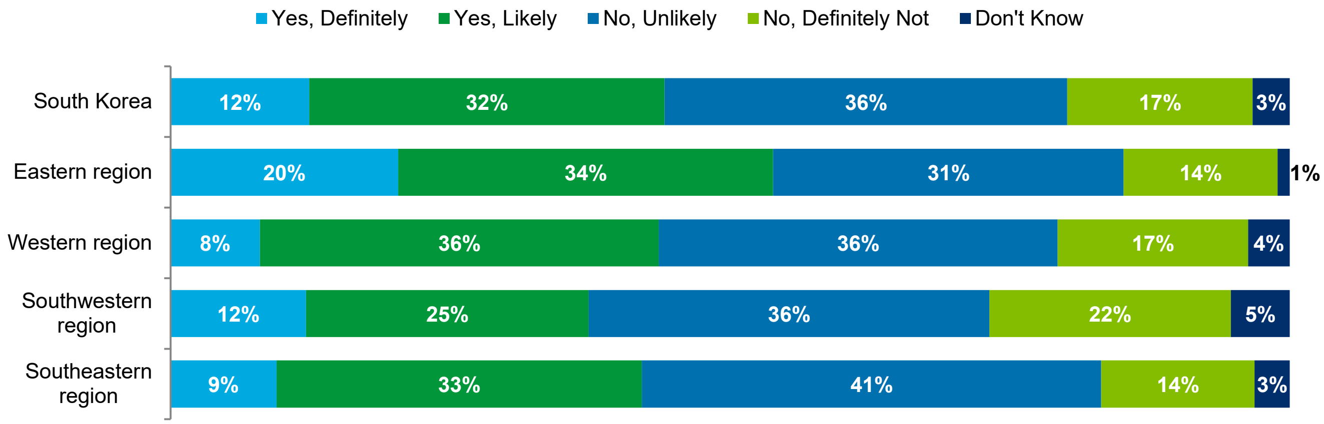


Figure 24 — Adequacy of Income From Employer-Sponsored Pension or Social Pension to Cover Basic Expenses in Retirement

Responding to the questions: "*Is the amount of income obtained from social pension and employer-sponsored Defined Benefit pension enough to provide for your basic living needs?" "Do you expect the amount of income obtained from social pension and employer-sponsored Defined Benefit pension enough to provide for your basic living needs in retirement?"*



Even though employer-sponsored pension and social pension plans cover a majority of the population, more than half of respondents consider the level of retirement income offered through them as inadequate. Only 12 percent are very confident that the existing employer-sponsored and social pension plans would be adequate to provide for their basic living needs. It is also interesting to note that almost half of respondents in the Eastern region consider the level of income inadequate in retirement, even though coverage by employer-sponsored pension or social pension plans in that region is comparatively the highest. Both the contribution rates from the consumers and from their employers were the highest levels noted. In addition pre-retirees are the most skeptical when it comes to coverage adequacy. Only 34 percent of them agree it is definitely or likely to be adequate. This percentage is far less than the average 44 percent of total respondents.

This finding means that if pension and social pension plans are not adequate to cover basic expenses in retirement, consumers will likely depend on their own savings and investments to last through retirement. Therefore, this lack of confidence possibly leads consumers to seek prudent investments to last throughout retirement and cover the majority of their retirement needs.

The general tendency among customers is to preserve capital. They show a strong preference toward financial products with options to withdraw only interest and dividend earnings. There is also a strong preference toward products that provide a guaranteed lifetime income. Among pre-retirees, products that provide guaranteed lifetime income are the most-preferred method to generate income in retirement. It is also worth noting that a significant proportion of respondents prefer to invest in properties that generate rental income during their retirement. Furthermore, reverse mortgages are the least preferred method of generating retirement income, either due to a lack of awareness or to the preference of most to pass the property on to the next generation (Table 9).

Rental income from property is a popular mode of generating retirement income.

Table 9 — Method to Generate Income From Savings in Retirement

Responding to the question: *"Which of the following best describes how your household plans to generate income from your retirement savings?"*

	South Korea	Eastern Region	Western Region	Southwestern Region	Southeastern Region
Withdrawal Preferences					
Withdraw only interest and dividend earnings, but not withdraw any principal	33%	36%	32%	32%	32%
Withdraw some principal and some interest on a regular basis	31%	34%	32%	33%	25%
Withdraw some principal and some interest on an occasional basis or when needed	28%	35%	26%	27%	25%
None. My household has no intention of using retirement savings for income	10%	7%	12%	9%	11%
Interest in buying properties or annuities for income or growth					
Buy or look for a product that will convert some or all of household savings into guaranteed lifetime income	29%	29%	32%	27%	29%
Invest retirement savings in property and generate rental income	29%	33%	36%	19%	27%
A corporate annuity with a tax benefit	18%	20%	19%	17%	16%
Opt for a reverse mortgage	16%	16%	19%	15%	14%
Don't know	6%	4%	5%	5%	10%

In addition to their investment preferences, it is also important to understand when consumers begin saving for retirement and if the time they spend saving is enough to cover all of their retirement expenses.

The majority of South Koreans start saving for retirement around age 44. They plan to spend 19 years accumulating funds for retirement before reaching the anticipated retirement age of 63. It must be noted that, when compared to other markets, South Koreans start very late and spend the least amount of time saving for retirement. South Koreans are also the last ones to retire, but the age differential in retirement preparation is still much larger.

Figure 25 — Years in Retirement Preparation

Responding to the questions: *"At what age do you expect to retire/How old were you when you retired?" "At around what age will/did you start saving/investing for retirement?"*

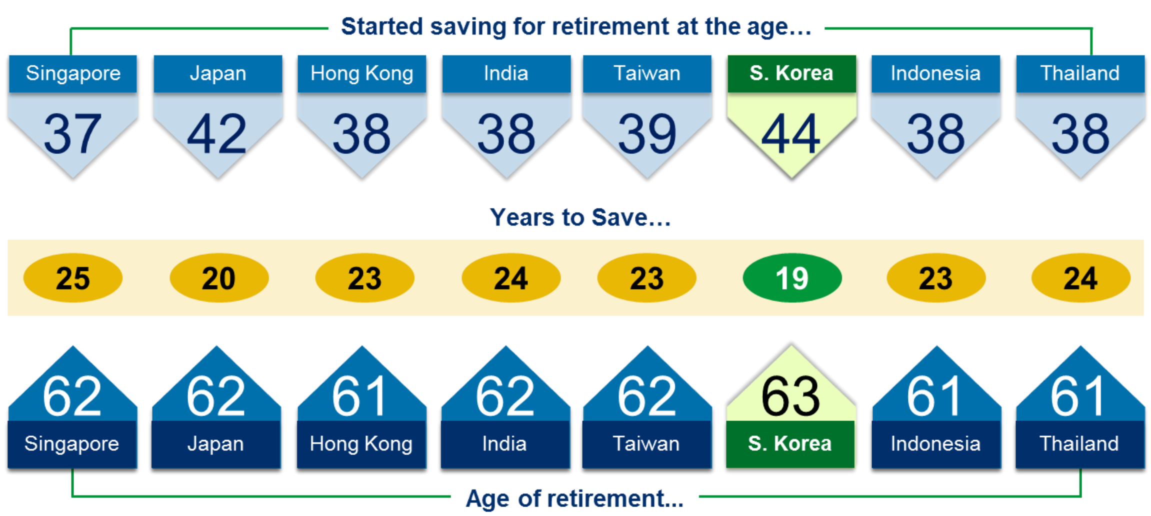
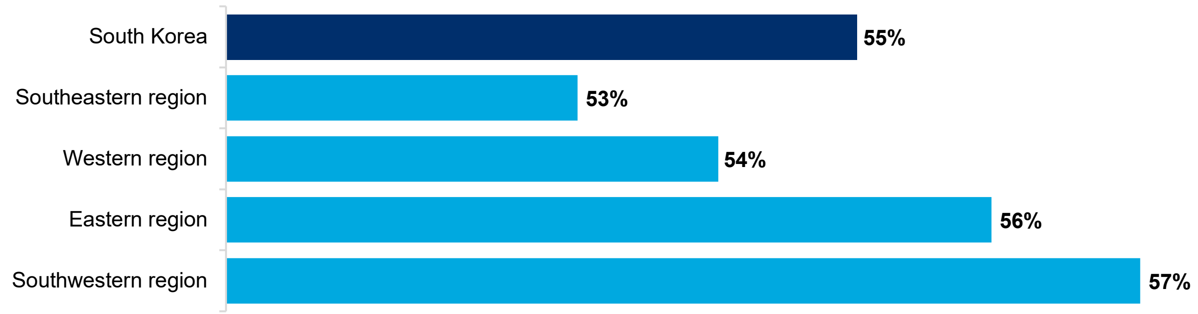


Figure 26 — Regret Delaying Saving for Retirement

Agree with: *"I regret I started saving and investing for retirement a bit late OR I have not started saving for retirement at all."*

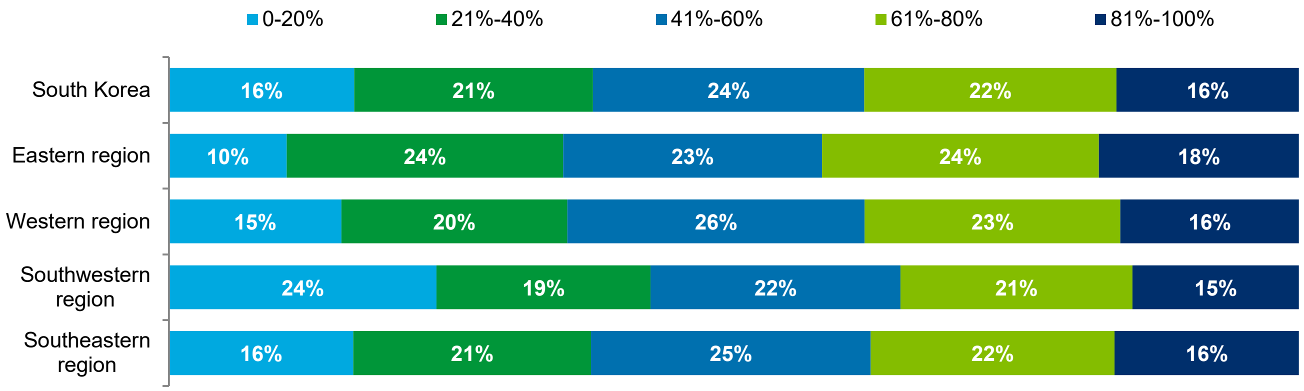


Although it is difficult to determine what the right timeframe is to save for retirement, 55 percent of respondents wish they had more time to save for retirement. They feel the current timeframe is inadequate to properly prepare. This concern is further accentuated by the fact that the average age at which they start saving for retirement is 44 years. This starting age is relatively late compared to other Asian markets (Figure 25). Pre-retirees report the greatest level of regret.

Fifty-five percent of respondents regret delaying saving for retirement.

Figure 27 — Anticipated Gap in Retirement Funds

Responding to questions: *"What percentage of total retirement funds (that you may need to sustain a comfortable retired life) do you anticipate to have when you turn age 60?" "What percentage of total retirement funds (that you may need to sustain a comfortable retired life) did you anticipate you would have when you turned age 60?"*



Not only do respondents regret delaying retirement planning, they also expect a huge gap in retirement funds when they turn age 60. Eighty-four percent of respondents anticipate gaps in their retirement funds when they turn 60. This finding means only 16 percent of respondents expect to have more than 81 percent of the funds required to sustain a comfortable retired life.

Eighty-four percent of respondents expect a wide gap in retirement funds when they turn age 60.

Table 10 — Expected Years of Retired Life

Responding to the question: *"How long do you expect to have a retired life, assuming you retire at age 60?"*

	South Korea
Young workers: 30 – 45 years	22.4
Pre-Retirees: 46 – 60 years	20.5
Retirees: 61 – 75 years	22.3
South Korea	21.7

In addition, consumers underestimate their life expectancy, which further aggravates the lack of preparedness. Respondents consider retirement life beginning at 60 years of age to be 21.7 years. This estimate is below the current life expectancy of South Koreans at age 60. In addition, the life expectancy at age 60 is likely to rise to 24.7 years for men and 28.8 years for women by 2030. It is important to note that pre-retirees who were the least prepared and had the highest regrets are also the ones who underestimated their expected years of retired life compared to other groups. This miscalculation is not a good sign, as the more they underestimate the expected span of their lives in retirement, the more likely they will be to outlive their retirement savings. Consequently, the gap in retirement funds is possibly much wider than anticipated.

Underestimating life expectancy will lead to a wider funding gap than anticipated.

Table 11 — Key Concerns of Retirement

Responding to the questions: *"How concerned are you about each of the following? How concerned are you about each of the following during retirement?"*

	South Korea	Eastern Region	Western Region	Southwestern Region	Southeastern Region
Longevity risks					
The possibility that you or your spouse/partner will outlive your assets	78%	81%	82%	73%	76%
Providing for your spouse/partner if you should die first	75%	81%	76%	71%	74%
Providing for yourself if your spouse/partner should die first	72%	77%	73%	74%	66%
Healthcare/Long-term care risks					
Providing for healthcare costs beyond social insurance medical supplement	90%	88%	89%	92%	91%
A chronic Illness may drain my lifelong savings	86%	87%	88%	85%	85%
Finding available long-term care/nursing home care	80%	82%	77%	81%	81%
Public Policy risks					
Aging society will make it harder for the government to provide for the elderly	88%	86%	90%	89%	88%
The government or company will reduce health or medical insurance benefits	87%	85%	88%	87%	86%
The government or company will reduce social pension	87%	87%	91%	85%	86%
Economic and market risks					
The value of savings and assets might not keep up with inflation	91%	92%	91%	90%	89%
Tax increases	84%	81%	88%	82%	85%
A decline in interest rates	80%	81%	79%	83%	76%
A prolonged stock market downturn	64%	71%	66%	58%	62%
Legacy/Family related and other concerns					
Inability to find or maintain employment in retirement	82%	86%	86%	74%	83%
Not yet started planning for retirement	75%	81%	73%	77%	70%
My adult child/children are NEETs group (neither go to college nor go to work and remain financially dependent on parents)	61%	66%	64%	59%	57%
You might not be able to leave money to your children or other heirs	59%	69%	59%	55%	55%
My child/children may not take care of me and my spouse during retirement	56%	63%	57%	51%	52%

These results sum up the options of Major Concern and Minor Concern out of the overall options of Major Concern, Minor Concern, and Not a Concern.

Paying for healthcare expenses remains the top concern during retirement.

The top concern during retirement is not having the ability to pay for healthcare expenses beyond the social insurance medical supplement. They are also worried that the government or company will reduce their health or medical insurance benefits or that a chronic illness that may drain lifelong savings.

Almost all respondents state that maintaining their physical health and well-being is the most important aspiration they have for retirement. This concern is valid. Prior research has shown that 60 percent of an individual's lifetime healthcare expenses are skewed specifically after the age of 65, if they manage to survive[4].

Respondents also exhibit a high level of concern about the government's or company's ability to support them in retirement. An aging society is likely to make it harder to provide for the elderly, and there is a strong possibility that the government might reduce social pension payments as well. The top concern of respondents from the Western region is the possibility of the government reducing social pension payments. This concern surpasses concern with the inability to pay healthcare expenses beyond the social insurance medical supplement.

Among some of the top concerns of the sub regions is the finding that respondents from the Eastern region are worried about tax increases. We have already observed the strong tendency of young workers to want to work longer. Predictably, the top concern of young workers is the inability to find or maintain employment in retirement.

It is also worth noting that not only do they consider it their own responsibility to fund retirement, they also strongly value their independence. This tendency is reflected by the strong preference to continue to live in their current residences and to financially support their families instead of relying on their children or moving into nursing homes. Therefore, children are the lowest concern for them. Most are not worried if they fail to leave money for their children or other heirs. They also want to become self-sustaining in their retirement even if their children do not take care of them during retirement. They do not report concern about their adult children who are not in education, employment, or training (NEET) or about those who neither go to college nor work and instead depend on them financially.

[4] 2004 Health Research and Education Trust, https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361028/table/tbl4/, 2004.

Table 12 — Important Aspects of Retirement Life

Responding to the question: *"Many people have specific hopes and aspirations for their retirement. How important is it for you to do each of the following in retirement?"*

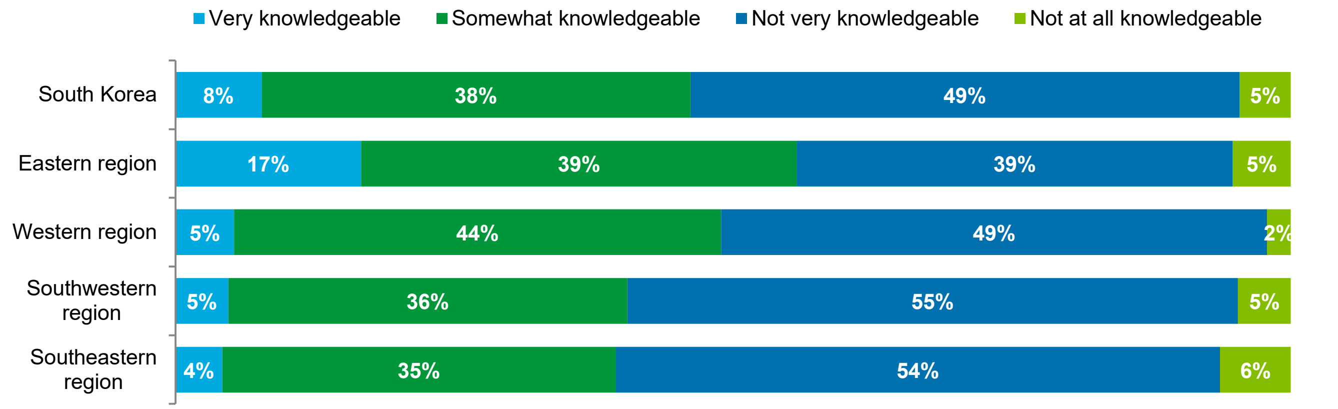
	South Korea	Eastern Region	Western Region	Southwestern Region	Southeastern Region
Maintain my physical health and well-being	97%	99%	95%	97%	96%
Spend more time with friends and family	95%	95%	94%	96%	94%
Financially support my family	89%	89%	91%	89%	87%
Travel more	88%	89%	85%	89%	89%
Learn a new skill/hobby	88%	89%	92%	86%	84%
Remain living in my current residence	80%	84%	79%	81%	77%
Get involved with some type of group/activity/community for retired persons	66%	71%	61%	66%	67%
Move into a community for retired persons	62%	68%	62%	55%	62%
Save for leaving a legacy	61%	74%	63%	57%	52%
Move into a nursing home	53%	63%	51%	51%	45%

The results sum up the options of Important and Very Important out of the overall options Not at all important, Important, and Very important.

Consumers need to plan for retirement well in advance in order to be self-sustaining. It is very important to have a sound understanding of investments and financial products, considering the tendency toward not seeking help from financial professionals. More than half of respondents consider themselves not financially knowledgeable based on their self-assessments. This result is not surprising, considering the use of Internet/financial websites as their favorite methods to locate financial information. This finding indicates the need to improve financial literacy among consumers to promote better understanding about the risks of retirement and to make available to consumers all the possible options they have to fund their retirements.

Figure 28 — Self-Assessment of Knowledge of Investments or Financial Products

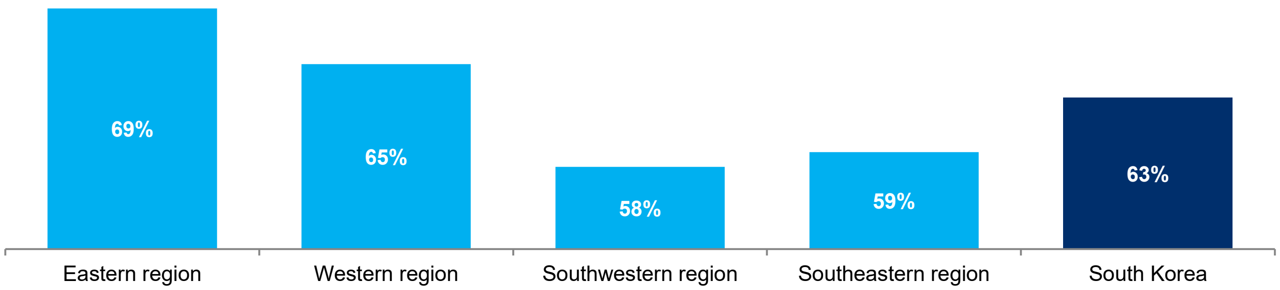
Responding to the question: "In general, how knowledgeable do you think you are about investments or financial products?"



Despite their self-proclaimed lack of knowledge of investments or financial products, the high level of trust consumers have in financial institutions should ideally convince them to invest in retirement products. Almost 63 percent of respondents stated that they are willing to convert a portion of their assets into an annuity in order to generate retirement income. This willingness is especially highly popular among young workers at 71 percent, followed by pre-retirees at 64 percent and retirees at 51percent. It is also important to understand from the consumer perspective what kind of product features they like and if the features would address their long-term retirement-planning needs.

Figure 29 — Willingness to Convert a Portion of Assets Into an Annuity to Provide a Lifelong Income Stream

Responding to the following: *"Annuities can provide a lifelong income stream in exchange for a premium payment. Individuals usually no longer have access to the assets used to pay for the annuity once it is purchased. Would you consider converting a portion your assets or an additional portion of your assets into a lifetime-guaranteed annuity in retirement?"*



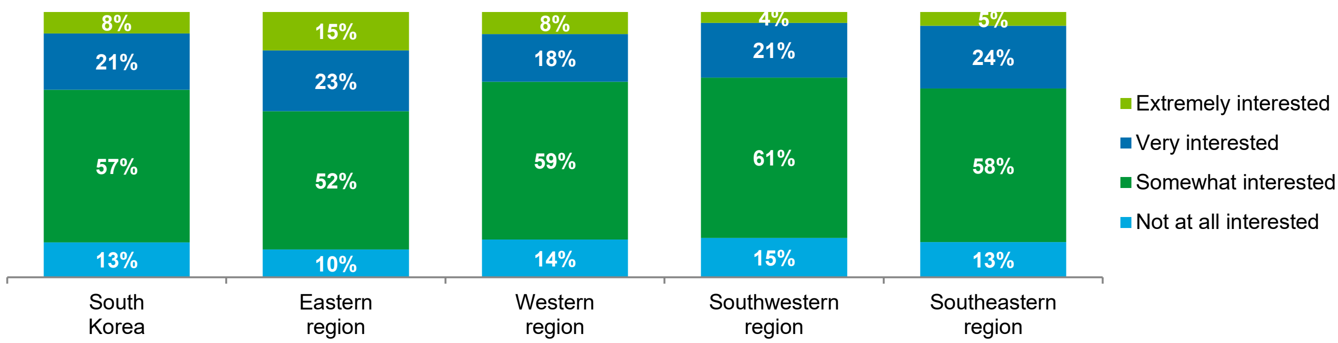
Note: Above results show people who responded "Yes."

Sixty-three percent of respondents are willing to convert a portion of their assets into an annuity to generate retirement income.

Respondents are keen on deferring their tax payments to a tax-deferred annuity, if such options are made available to them. Significantly, 87 percent of them stated a strong interest in products offering tax-deferred annuities, and only 13 percent of respondents stated that they are not at all interested.

Figure 30 — Interest in Buying a Tax-Deferred Annuity

Responding to the following: *"A tax-deferred annuity is a product issued by a life insurance company that allows you to save money for retirement. Taxes on earnings are not paid until you retire and begin withdrawing money from the annuity. Annuities also offer the ability to convert the balance into monthly income payments for life. If such products were available in your market, how interested would you be in purchasing one?"*



Eighty-seven percent of respondents are interested in buying a tax-deferred annuity.

Consumers are conscious of the challenges they are facing to properly prepare for a comfortable retired life. Not only do they trust financial institutions, they are also willing to buy financial products that would help them to cover the anticipated retirement funding gap. It is very important for the industry to promote retirement products and to address retirement challenges. Consumer trust and willingness to consider retirement investments give the industry options to satisfy consumer needs and, working with government entities, to accelerate their focus on creating and delivering affordable products.

It is important to understand what kind of product features consumers would like to pay for. We asked respondents to share their preferences for product features, aside from issues of cost, when selecting financial products or investments that could be used to create retirement income. Not surprisingly, they demonstrated an affinity toward more conservative product features that would give them assured returns and help preserve their capital. Consumers showed strong preferences toward guaranteed income for life, that is, fixed income through retirement. There was also a keen interest in protection of principal and adjustments for inflation.

Guaranteed and fixed income throughout retirement are the most-preferred product features.

There were some unique preferences across different regions. The Eastern region and the Southwestern region expressed relatively strong preferences for products with tax benefits and guaranteed returns on investments. In addition, the Eastern region expressed stronger interests toward having more control over how investments are managed and income flexibility such as having the potential for market growth as well as flexibility in management of investments.

There were certain generational differences that were observed as well. In general, older respondents wanted to ensure that income will continue in case either they or their spouses die first. The young workers were keen to have the potential for market growth. Pre-retirees demonstrate strong preferences for products with the option to convert income into lump sums. For retirees, it is crucial that the income they receive remains fixed throughout retirement.

In addition, consumers generally do not have a strong preference on premium structure or payment options such as receiving a predefined lump sum or an annuity payment in a foreign currency.

Table 13 — Most-Preferred Product Features

Responding to the question: *"Aside from issues of cost, when selecting among financial products or investments that could be used to create income in retirement, which of the following features are most important to you?"*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
Guaranteed lifetime income					
Income that is guaranteed for life	63%	64%	59%	64%	66%
Income will remain the same or fixed throughout retirement	62%	59%	61%	65%	62%
Income will continue after I die or my spouse dies	53%	60%	48%	49%	55%
Guaranteed returns on investments	51%	57%	46%	56%	46%
Income flexibility					
Income that is adjusted for inflation	54%	56%	50%	56%	55%
Income can be converted into a lump sum	48%	51%	45%	46%	50%
Income has the potential for growth with market	44%	50%	39%	44%	42%
Income amount can be changed as needs change	36%	44%	32%	33%	36%
Capital/Principal preservation					
Initial investment amount is preserved or protected	56%	63%	52%	54%	55%
Control over investments & flexibility					
Tax benefit	52%	54%	44%	57%	53%
Control over how investments are managed	46%	56%	42%	45%	42%
Ability to make withdrawals in excess of regular payment	35%	47%	30%	30%	33%
Option to withdraw entire money as lump sum and manage on your own	34%	41%	32%	34%	31%
Premium structure & other features					
Stepped-up premium	28%	36%	31%	21%	26%
Single premium	28%	38%	24%	26%	24%
Level premium	27%	35%	29%	18%	25%
Option to receive predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD)	25%	34%	19%	21%	25%
Money for heirs or charities when I die	22%	32%	21%	14%	22%

Note: The results are the percentage of respondents who selected Very Important out of the overall options Not at all important, Somewhat important, Very important, and Don't understand feature

Definitions — Single Premium: An insurance plan in which a lump sum of cash is paid up front to guarantee payment to beneficiaries. Level premium: A type of term life insurance for which the premiums remain the same throughout the duration of the contract. Stepped-up premium: Insurance premium is calculated on policyholder's age, meaning the younger the policyholder, the lower the cost and premiums; and premiums will increase over time.

Furthermore, we asked respondents where they would like to buy the products with their preferred product features. Banks emerge as the most-preferred channel to buy retirement products. This finding is far ahead of the typically dominant channels such as agents and brokers. It is also worth noting that consumers exhibit stronger preferences toward digital channels such as an insurer's website, insurance aggregator's website, and mobile apps over agents. It is not surprising, considering digital channels are also South Koreans' favorite method for seeking information on investments, financial products, or retirement planning.

Table 14 — Top Six Channels to buy Retirement Income Products

Responding to the question: "If you were to buy a product with the features you selected, from where would you like to buy it?"

	South Korea	
1	Bank	**70%**
2	Broker/Financial advisor (sells multiple products)/General	**8%**
3	Insurer's website	**6%**
4	Insurance aggregator's website	**5%**
5	Mobile apps	**3%**
6	Agent/Tied agency	**3%**

Banks emerged as the most-preferred channel to buy retirement products.

Industry Opportunities

It is now up to the industry to help address the looming retirement funding gap and take the initiative to develop and deliver some of the products consumers have identified in this study. Insights from this consumer research point to major pockets of opportunities that the financial services industry can explore. Some of them are as follows:

- **Responsibility:** Seventy-seven percent of the respondents consider it their own responsibility to fund their retirement. In fact the pre-retirees (82%), own up to that responsibility slightly more than young workers (76%) and retirees (72%). This indicates that respondents are aware of the need to prepare for a stable retired life and are eager to take actions which will help them in planning for retirement. The industry needs to seize this opportunity and help individuals with building a retirement fund.
- **Retirement Planning:** However, 68 percent of the respondents did not seek help for a financial professional for their retirement planning, especially pre-retirees (75%). In addition, 77 percent of respondents did not have a formal written plan for managing income, assets, and expenses during retirement. Respondents may be willing to take action by themselves, but the questions remain if they are capable of doing so. The industry needs to engage more with their financial professionals to provide consumers with information and education on financial wellness in retirement.
- **Key Aspiration:** Top priority among the respondents was to maintain physical health and well-being. They also expressed a strong desire to spend more time with friends and family and would like to be able to financially support their family. This indicates that they strongly value their independence and do not want to rely on their children or other heirs.
- **Procrastination:** Even though most consider it their own responsibility to do retirement planning, they procrastinate, and almost 6 out of 10 respondents regret delaying saving for retirement or not having started saving for retirement at all. The sense of regret is higher among the pre-retirees, with almost 56 percent saying they regret delaying retirement planning. This indicates that they feel the current timeframe is inadequate to properly prepare. This is where the industry has to guide individuals on when to start, how to start, and possible areas of investment.
- **Retirement Funding Gap:** An overwhelming 84% of the respondents anticipate a gap in retirement funds when they turn age 60, and around 16% of respondents expect to have more than 81% of the funds they need to lead a comfortable retired life. Respondents from southern part of South Korea expected a much wider gap in the retirement funds compared to the other parts of South Korea. This huge gap is a result of inaction and not taking the right steps to secure their retirement. The industry must step in, train the financial advisors, and provide them tools on how to assess retirement needs of individuals. This could possibly be a good opportunity for the industry to improve their share of business.
- **Underestimating Life Expectancy:** To make things worse respondents consider retirement life beginning at 60 years of age to be 21.7 years. This estimate is below the current life expectancy of South Koreans which is 24 years at age 60. This not only impacts the retirement income but also the healthcare expenses in retirement. While living longer is a wonderful boon, individuals must make adequate provisions for living longer, as it could impact not only the individuals, but also their families.

- **Willingness to Buy Annuities:** Sixty-three percent of the respondents across Thailand expressed their willingness to convert a part of their assets to annuities to generate retirement income. This willingness is especially highly popular among young workers at 71 percent, followed by pre-retirees at 64 percent, and retirees at 51 percent. This clearly points out that consumers would be willing to invest in such products, provided their concerns are met through these products.
- **Preferred Product Features:** Respondents show strong preferences toward guaranteed income for life/fixed income through retirement. There is also a strong interest in protection of initial investment and adjustments for inflation. The Eastern region and the Southwestern region express relatively strong preferences for products with tax benefits and guaranteed returns on investments. In addition, the Eastern region expresses stronger interest in having more control over how investments are managed to allow for market growth and income flexibility. In addition, older respondents want to ensure that income will continue in case either they or their spouses die first. The young workers are keen to have the potential for market growth. Pre-retirees demonstrate strong preferences for products with the option to convert their income into lump-sum payments. For retirees, it is crucial that the income they receive remains fixed throughout retirement.
- **Preferred Channels for Buying:** Banks are the most popular channel to buy retirement income products, well ahead of the typically dominant channels such as agents and brokers. It is also worth noting that respondents exhibit stronger preferences toward digital channels such as an insurer's website, insurance aggregator's website, and mobile apps over agents. It is not surprising, considering digital channels are also South Koreans' favorite method for seeking information on investments, financial products, or retirement planning. Thus insurer and other financial institutions may do well to strengthen their partnerships with banks or look for newer partnerships with banks.

Appendix

This study is an extension of the China retirement study of 2015 – 16 that was collaboration between the Society of Actuaries (SOA) and LIMRA and is designed to uncover the challenges faced by other selected markets across Asia. It aims to provide insights into consumer perceptions of retirement across nine major regional Asian markets, including Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China. The study also provides an overall regional average. This particular report is focused primarily on South Korea.

Table A-1 — Respondents by Working Status

Responding to the question*: "Are you currently …?"*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
Working full time for pay	82%	83%	85%	79%	83%
Retired and not working for pay	9%	7%	7%	11%	11%
Retired and working part time for pay	7%	5%	7%	9%	6%
Self-employed / Family business	2%	5%	1%	0	0

Table A-2 — Respondents by Employer Type

Responding to the question*: "Which of the following best describes your employer/From what type of employer did you retire?"*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
Private	70%	73%	76%	63%	66%
Government employees	30%	27%	24%	37%	34%

Table A-3 — Respondents by Household Size

Responding to the question*: "What is your household size?"*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
1 to 2 persons	20%	18%	19%	20%	23%
3 to 4 persons	66%	60%	71%	70%	63%
5 to 6 persons	13%	19%	10%	10%	13%
7+ persons	1%	3%	0	0	1%

Table A-4 — Respondents by Urban/Rural

Responding to the question: *"How would you describe the place you live?"*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
Urban	74%	80%	75%	70%	71%
Rural	26%	20%	25%	30%	29%

Note: Answer options of Metro City and Tier One city have been marked as "Urban." Town and Village have been marked as "Rural." The options were chosen by respondents based on self selection.

Table A-5 — Respondents by Pre-tax Total Annual Income

Responding to the following: *"Which of the following ranges describe your household's pre-tax total annual income? Please include any income from employment earnings, investments, interest, dividends, social security, pensions, etc."*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
30,000,001KRW – 60,000,000KRW	46%	54%	40%	43%	48%
60,000,001KRW – 120,000,000 KRW	39%	33%	44%	43%	37%
120,000,001KRW – 300,000,000 KRW	10%	8%	12%	11%	8%
300,000,001KRW – 900,000,000 KRW	2%	3%	3%	1%	2%
900,000,001+ KRW	2%	2%	1%	3%	4%

Table A-6 — Respondents by Current Housing Situation

Responding to the question: *"What is your current housing situation?"*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
I own my apartment or house	76%	75%	76%	75%	76%
I rent from a landlord	7%	8%	6%	8%	5%
Live with parents, other family members, friends or other	6%	5%	7%	5%	7%
I have JunSe (key money deposit rent)	11%	11%	9%	11%	12%
Others	1%	1%	1%	1%	1%

Table A-7 — Respondents by Level of Education

Responding to the question: *"Which of the following best describes your highest level of education?"*

	South Korea	Eastern region	Western region	Southwestern region	Southeastern region
High school or less	12%	9%	8%	12%	17%
Technical/vocational school	1%	3%	1%	0	2%
Two or three years of college/Associate's degree	9%	8%	7%	11%	8%
College graduate/Bachelor's degree	60%	57%	63%	64%	56%
Graduate school/Master's degree	14%	18%	17%	10%	13%
Doctoral degree/Ph.D.	4%	5%	4%	3%	5%
Others	0	1%	0	1%	0

Table A-8 — Sub-region Detail: South Korea

Responding to the question: *"Which of the following region are you from?"*

Eastern region	Western regions	Southwestern regions	Southeastern regions
Daegu	Seoul	Daejeon	Pusan
	Incheon	Gwangju	Ulsan
	Bucheon	Jeonju	Changwon
	Suwon	Suncheon	Gimhae
	Hwaseong	Iksan	Masan
	Goyang	Gunsan	Sacheon
	Seongnam	Cheonan	Andong
	Ansan	Seosan	Gumi
	Yongin		Gyeongsan
	Anseong		Pohang
	Anyang		Gyeongju
	Uijeongbu		
	Uiwang		
	Icheon		
	Chnncheon		

Note: Respondents chose the region by themselves. The city question was an open-end, non-mandatory.

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