



EDITION ONE

The Future of Retirement in China

Key Findings



SOCIETY OF
ACTUARIES



The Future of Retirement in China

Key Findings

EDITION ONE

Lauren Finnie

LIMRA International Research



This publication is a benefit of Society of Actuaries and LIMRA memberships. No part may be shared with other organizations or reproduced in any form without SOA's or LL Global's written permission.

Methodology



THE PARTNERSHIP

- LIMRA and Society of Actuaries partnered to conduct retirement studies in Asia

2,013 PARTICIPANTS

- 74% workers and 26% retirees ages 35 to 70

DATA COLLECTION

- Data collected in 2015 via online and face to face interviews

TERRITORY COVERED

- 23 provinces, municipalities, and regions

A special thanks to our Project Oversight Group for their contributions to this study!

Proactive retirement planning is a new concept in China.

In markets where the concept of retirement is relatively new, formal pension systems have both inefficiencies and opportunities. These systems may not be able to meet the financial needs of aging populations.

This will likely be the case in China, where the life expectancy has risen to age 75. The anticipated and actual retirement ages of respondents suggest a forthcoming financial burden too great to accommodate publicly and privately (Figure 1).

ANTICIPATED AND ACTUAL RETIREMENT AGE

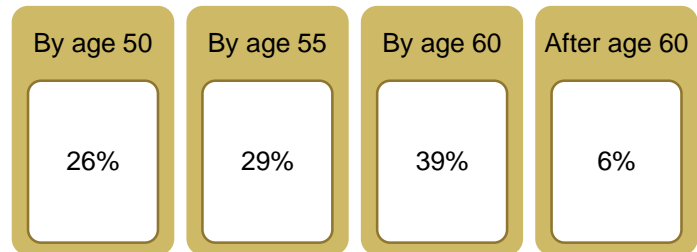


Figure 1

Only 9% of all respondents — workers and retirees — say they are “very involved” with managing their retirement savings.

When it comes to getting information about retirement...

- Top sources of information are family, friends, and co-workers.
- Fewer than one third use an advisor.
- Consumers use other sources only minimally — including the Internet and employer-provided information.
- Planning is limited (Figure 2).

CONSUMERS WHO HAVE DETERMINED...

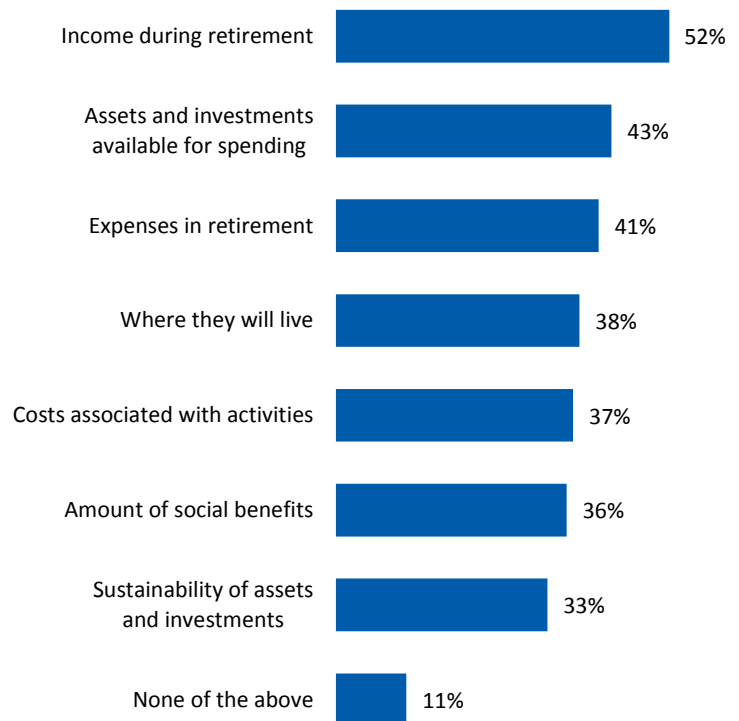


Figure 2

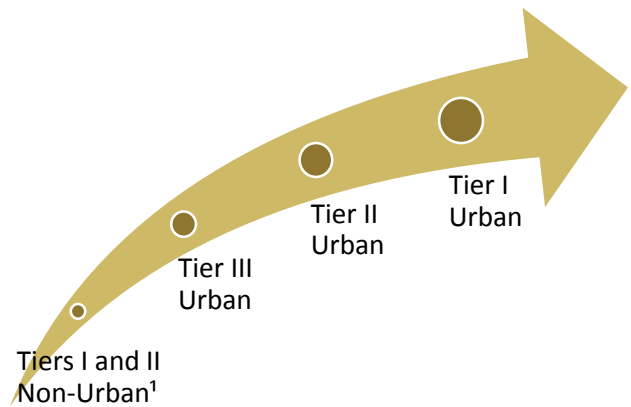
Location Matters



China's tier system emerged as a way of classifying cities according to economic development. Tier 1 represents the most developed areas, while Tier 3 is less-developed small cities.

To reflect the location-based differences that emerged in our data, the sample stratification shown to the right will apply throughout this report.

The greatest location-based disparities are household income and education level. (Figures 3 and 4)



EDUCATION

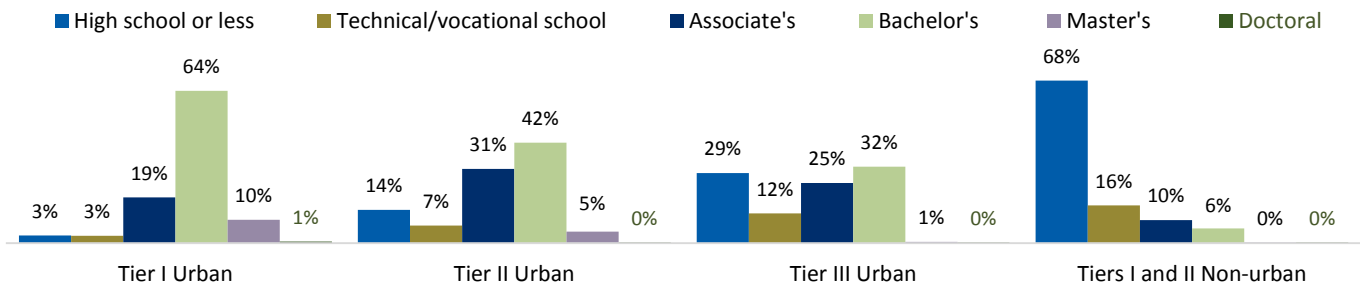


Figure 3

HOUSEHOLD INCOME (RMB)

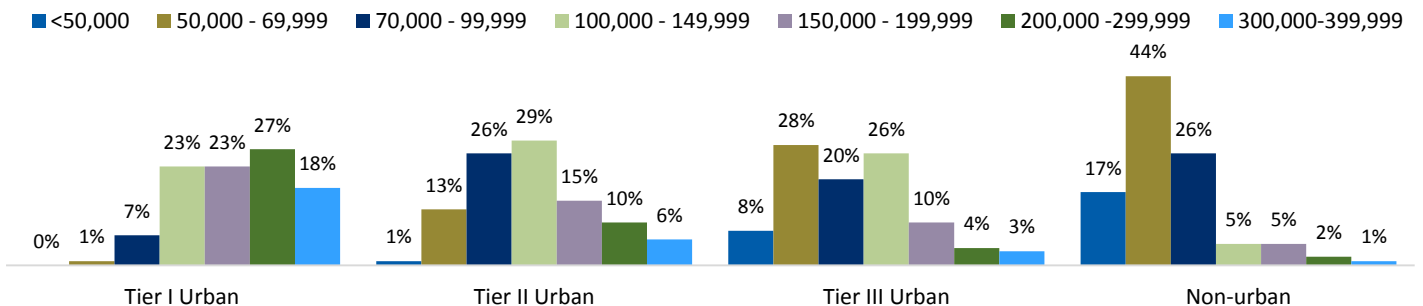


Figure 4

¹Non-urban defined by participants indicating that they lived in a "rural" area.

How do China's consumers fund retirement?

Respondents express growing uncertainty about the sustainability of their individual savings as they get closer to retirement age and enter retirement.

As a culture, China values saving, so levels of individual debt are very low. Some retirees continue to advise workers to save their money in a bank account in order to prepare for retirement, suggesting a lack of awareness of annuity products.

Dependence on a social pension during retirement varies across the four location-based segments (Figure 5). Respondents also use additional sources to fund retirement (Figure 6).

Interest in annuities will grow as more products become available and as consumers become more knowledgeable. This will be particularly important for those in the Tier I and II Non-Urban and Tier III locations as they report the lowest levels of financial knowledge.



SOCIAL PENSION AS RETIREMENT INCOME

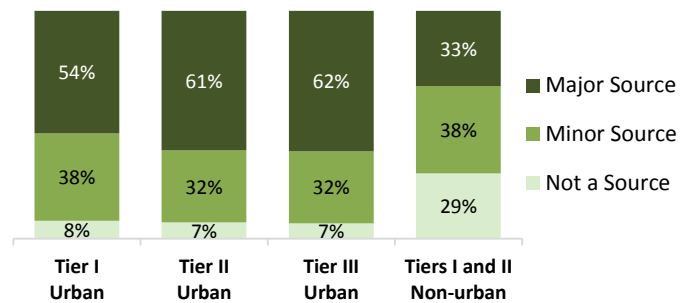


Figure 5

FUNDING RETIREMENT

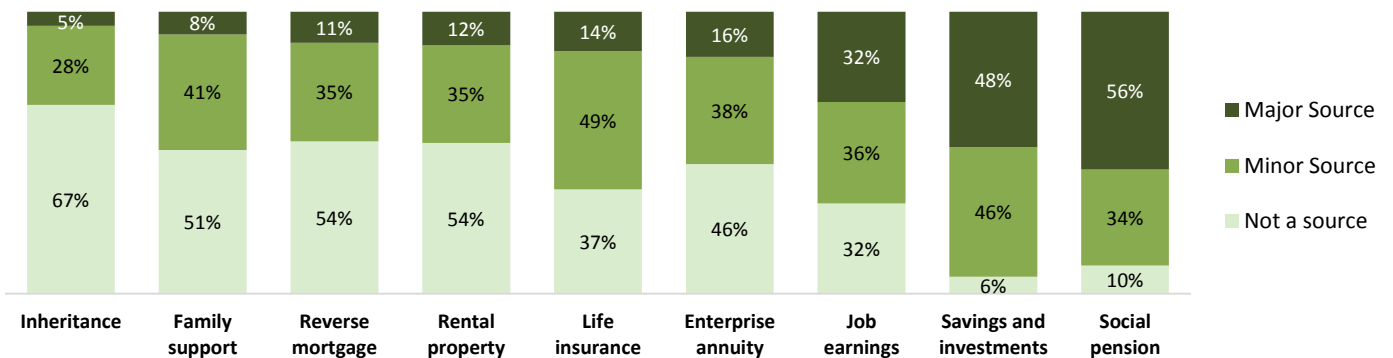


Figure 6

The Retirement Forecast in China

ENVIRONMENTAL DRIVERS OF CHANGE

- Increasing the consistency and accuracy of pension fund management at the provincial level
- Implementing equal retirement ages for men and women gradually
- Increasing the retirement age to match other economies of similar development
- Encouraging pensioners to invest a portion of their pensions
- Spreading awareness and educating consumers on proactively planning for retirement income
- Increasing the balance between benefit expectations and financial resources. This involves an ongoing effort to reduce large pension payouts for government employees who historically made no contributions.

Aligning public and private solutions will be critical for improving retirement solutions in China. Insurance companies can play a pivotal role during these uncertain times.

THE OPPORTUNITIES

- Partnerships between local insurers and foreign firms with annuity expertise
- Micro-insurance products and new distribution methods for China's rural population
- Developing a product with a tax-deferred benefit
- Manufacturing group products and developing worksite marketing sales
- Financial incentives to employers who offer retirement benefits
- Methods for educating consumers on the need for retirement planning beyond normal bank accounts
- New technologies to improve communication from pension plans to members
- Addressing retirement needs of government employees facing reduced pensions





LL Global, Inc.



© 2016, LL Global, Inc.™ All rights reserved.

This publication is a benefit of Society of Actuaries and LIMRA memberships. No part may be shared with other organizations or reproduced in any form without SOA's or LL Global's written permission.