

EDITION THREE

# The Future of Retirement in China

## *Planning and Information*





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## 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!**



## Planning to Live Longer

We asked more than two thousand people from across China how long they expect to live. Table 1 shows their responses, stratified by city tier and residency type (urban or rural). The tier system combined with the urban-rural distinction is an effective way to slice China into categories of economic development. Tier I cities are the most developed, followed by Tier II cities, Tier III cities, and lastly, Non-Urban areas.

**Almost one third of Chinese respondents anticipate living to age 90 or older.**

The average life expectancy in China has increased dramatically from 46 years in 1965 to 74 years in 2013<sup>1</sup>. China is categorized as one of the most rapidly aging countries in Asia, second only to South Korea. Representing one fifth of the world’s population, China has a significant need for retirement planning.

### ANTICIPATED LONGEVITY

	Tier I	Tier II	Tier III	Non-Urban
<b>&lt; 74</b>	3%	1%	1%	6%
<b>75 to 79</b>	11%	9%	14%	14%
<b>80 to 84</b>	27%	33%	36%	20%
<b>85 to 89</b>	20%	26%	29%	14%
<b>90+</b>	32%	24%	16%	37%
<b>Unsure</b>	7%	8%	3%	10%

Table 1

## Financial Responsibility for Others

In China, it is not uncommon for family members to financially support one another outside of the traditional parent-child dependency common in the United States. Family values are strong, particularly for rural individuals where many children are raised by their grandparents while their parents go back to work. Likewise, it is not uncommon for parents to rely on their children for financial support during retirement.

### In the current study...

**3 in 10** have at least one parent financially dependent on their earnings.

**Two thirds** have a child that is financially dependent on their earnings.

**Men are** twice as likely to have a financially dependent spouse.

**Women are** more likely to have a financially dependent child during retirement (35%).



<sup>1</sup> The United Nations, 2013



# Educating Consumers on Retirement Options

*More than two thirds of those living on the outskirts of major metropolitan areas (non-urban) have a high school education or less (Figure 1).*

Formal education is a precursor to financial knowledge, and less access to higher education might serve as a barrier to the financial well-being of the people living in city outskirts or rural areas. See [Edition II: Retirement Definitions and Demographics](#), for detailed demographic information on the geographically based segments in this report.

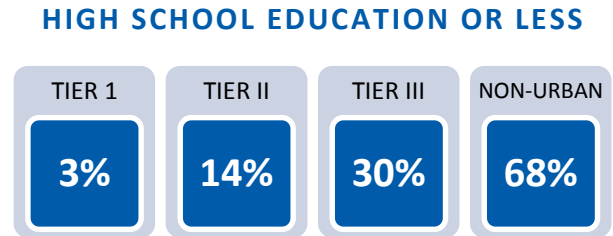


Figure 1

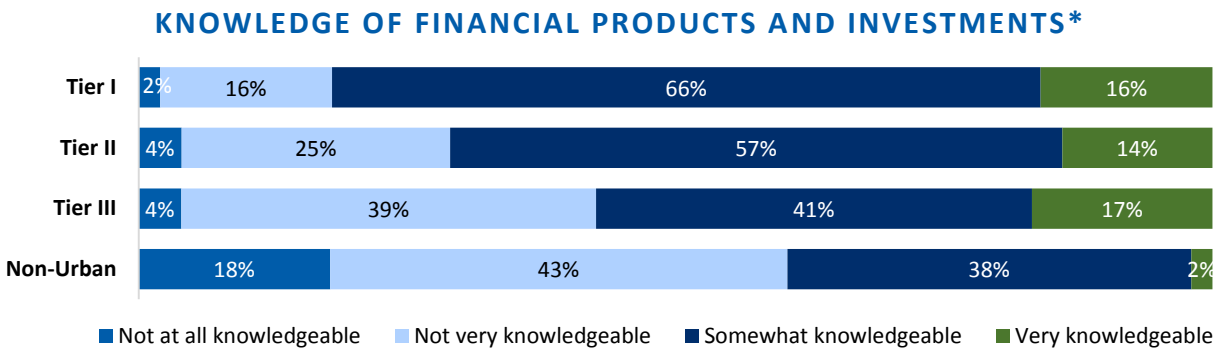


Figure 2

\*Note: Numbers may not add to 100% due to rounding

## Planning Activities

The majority of respondents (88%) have engaged in at least one of the retirement planning activities shown in Figure 3. Respondents aged 60–70 completed the fewest number of planning activities. This indicates that attitudes toward retirement planning are changing, and consumers are becoming more aware.

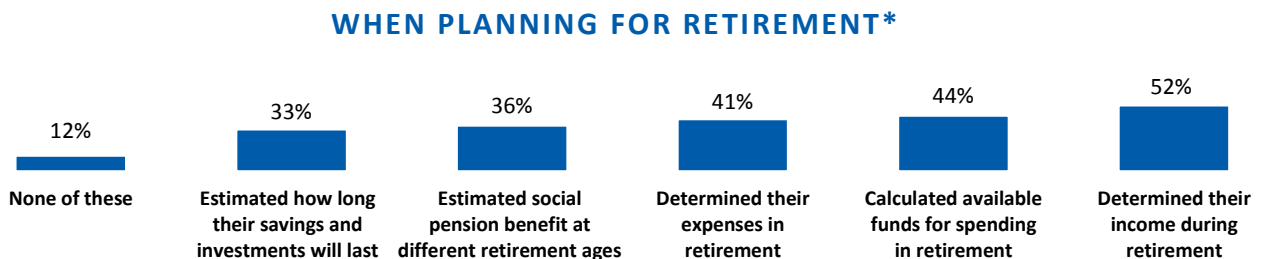


Figure 3

\*Note: Figure 3 reflects past and present perspective (workers and retirees combined)



## Different Places, Different Planning

The frequency of specific retirement planning actions varies based on location and development. Table 2 shows the planning activities of respondents, stratified by tier and non-urban status.

### RETIREMENT PLANNING — ACTIONS TAKEN

	Tier I	Tier II	Tier III	Non-Urban
Calculated the amount available to spend in retirement	54%	46%	35%	14%
Determined what income will be in retirement	55%	53%	39%	47%
Determined what expenses will be in retirement	46%	37%	33%	57%
Estimated how long assets and investments will last	42%	32%	25%	24%
Determined social pension benefit at different retirement ages	44%	37%	34%	13%
<b>None of the above</b>	<b>11%</b>	<b>10%</b>	<b>14%</b>	<b>18%</b>

Table 2

Very few respondents have a formal written plan for managing their income, assets, and expenses during retirement.

*Only 32% of respondents work with financial professionals to help with household financial decisions (Figure 4).*



### TURNING TO ADVISORS FOR HELP?

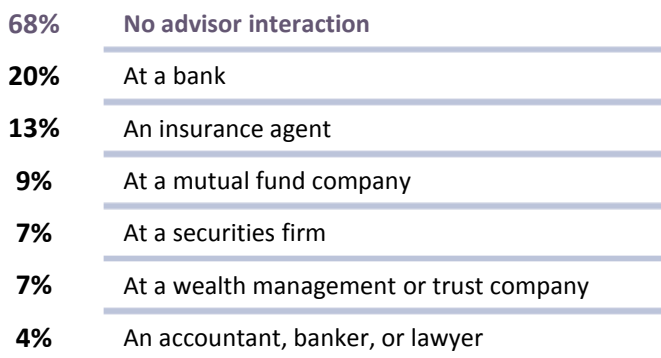


Figure 4

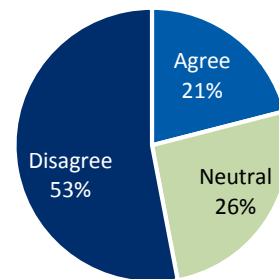


## Information Sources

*One in five respondents say it is rare to hear people talk about retirement in the workplace (Figure 5).*

If this dialogue is not occurring in the workplace, then where does it happen? We asked consumers where they obtain information on investments, financial products, and retirement planning (Figure 6).

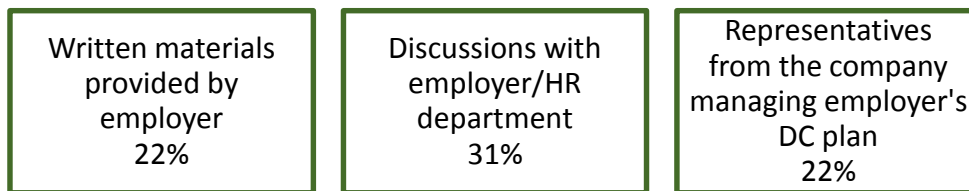
**“IT IS RARE TO HEAR PEOPLE TALK ABOUT RETIREMENT IN THE WORKPLACE\*...”**



**Figure 5**

\*Note: Urban workers only

### USE OF EMPLOYER PROVIDED INFORMATION\*

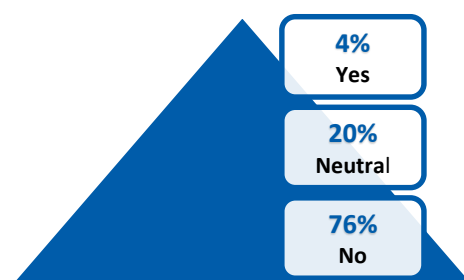


**Figure 6**

\*Note: Urban respondents only

*Most respondents do not desire more retirement information from their employer (Figure 7).*

### MORE RETIREMENT INFORMATION FROM EMPLOYERS?



**Figure 7**





China is known for its high level of consumer saving, so use of bank checking and saving accounts is common. Research by the World Bank reports that 3 in 4 consumers in China have bank accounts<sup>2</sup>. While they are adept at saving cash in the bank, they are averse to investing for retirement.



*One in three respondents don't trust financial institutions.*

Weary of investments, and low expectations of employers, consumers turn to those they know best for retirement information.

*The top source of information on retirement is family and friends.*

### SOURCES OF RETIREMENT INFORMATION

	Non-Urban	Tier I	Tier II	Tier III
Family, friends, or co-workers	72%	58%	60%	56%
Internet/financial websites	15%	52%	39%	37%
Social media/networking websites	14%	38%	34%	33%
Website with information on my specific retirement account	10%	34%	33%	25%
Television or radio programs	41%	24%	24%	21%
Books, magazines, and newspapers	27%	24%	25%	27%
My own financial advisor/planner	14%	24%	17%	20%
Mobile device application	5%	17%	17%	10%
Workshops and/or seminars	15%	13%	8%	10%

Table 3

In addition to reporting less financial knowledge, respondents from the non-urban segment are less likely to work with an advisor, less likely to have a retirement plan, and use fewer information sources overall. On average people from Tier I urban areas use four sources of information. People from Tiers II and III use around three sources of information. People from non-urban areas in Tiers I and II use only two sources of information.

<sup>2</sup> World Bank, Global Financial Inclusion (Global Findex) Database, 2014.



## Needs and Opportunities

- Caring for family members is important, and financially supporting family members is common. Design marketing campaigns to target the family values of China's consumers.
- Family, friends, and colleagues are trusted sources of information. Use small networks to spread awareness of retirement needs.
- Being risk-averse may deter consumers from products designed to provide income during retirement. Promote acceptance of some risk to encourage more investment.
- Awareness and planning are innately correlated. Companies need to spread awareness and educate consumers on retirement planning needs.
- Innovative methods to engage and educate China's vast rural population.
- Lack of trust in existing financial institutions and discrepancies in pension fund management create an environment of uncertainty. Increase transparency to gain consumer trust.







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