Spotlight On Retirement

COLOMBIA

LATIN AMERICA RETIREMENT SERIES

SOCIETY OF ACTUARIES

LIMRA
Secure Retirement INSTITUTE

Spotlight on Retirement: Colombia

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Hernán Poblete Miranda

Associate Director
International Research
LIMRA and LOMA
+569 78454757
hpoblete@limra.com

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Executive Summary

In the 12 years preceding 2018, Colombia transitioned from an average age of 22 years to 31 years. While this rate is within the world average, it nevertheless points to a rapid aging process.

Colombia is one of the economies of the continent whose demographics are undergoing a dramatic transition from high-to-low fertility and mortality rates. Historical patterns of development and modernization are also responsible for this event.

The total fertility rate (TFR) indicates the average number of children to whom a woman would give birth, given consistent fertility conditions. In the case of Colombia, the TFR decreased from 6.76 in 1950 to 2.49 in 2000.

Sources of the Colombian demographic transition can be traced to the beginning of the 20th century. Between 1905 and 1938, the birth rate remained constant at a rate of 42 percent. Between 1951 and 1964, it grew slightly to a rate of 45 percent. By the mid-sixties, however, the birth began to decrease. Between 1985 and 1993, the rate fell by 27.5%. Between 2010 and 2015, it fell by 18.9 percent. The main declines occur in the 1970s, when the birth rate decreased by 25 percent.[1]

Both the growing influx of women into the labor market and an accompanying decrease in the size of households are largely responsible for this extraordinary process. In the 40 years leading to 2011, the number of individuals per household decreased from 5.9 to 3.7.

The age 60+ population in Colombia is growing for many reasons, including the decrease in violence and related fall in the male mortality rate, a reduction in fertility levels, and a decrease in male groups between 20 and 45 years of age.

The aging process in Colombia will see an increase in its elderly population starting in 2020, generating greater pressures on the financial sustainability of the Social Security, health, and pension systems. From 2020 forward, new vulnerabilities will come to light, arising from factors including women's entrance into the workforce, postponement of first child, fewer children, and more education.

Tracking with higher levels of education and the greater number of women in the workforce, levels of employment have also increased. Drivers include growing urbanization and industrialization, seen since the thirties, along with the emergence and growth of service and manufacturing businesses.

In addition, the prevalence of contraceptives — in the context of scientific and technological development — and the reduction of infant mortality contributed to the increase in the population's life expectancy.

However, mortality rates decreased before birth rates, producing the demographic changes described. At the beginning of the 20th century, the gross mortality rate was 23.5 percent; in the 1950s it remained similar (22 percent), but in 1993 it went to 7.2 percent and then to 5.7 percent in the period 2010 – 2015.

In other words, the Colombian demographic transition has historically been characterized by a decrease in mortality since the thirties and a decrease in fertility since the sixties, generating an increase in "population aging," that is, a significant increase in the population over 60 years of age.

In this context, it is important to highlight the decrease in infant mortality, the increase in life expectancy at birth, and the improvement of social development indicators. According to the National Statistics Office ("DANE," its Spanish acronym), infant mortality decreased from 25.6 percent by the year 2000 to 17.1 percent in 2010.[2]

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[1] DANE, 2012.

[2] Ibid.

Introduction

Colombia is one of the Latin American economies that is actively undergoing a demographic transition that is moving from high to significantly low fertility and mortality rates. Historical patterns of development and modernization are responsible for this event.

Since 1985, the growth rate has been declining to its current rate of 1.2 percent. At this limited growth rate, by 2020 the country will have a population of 50,900,000, with an annual growth rate of 1.1 percent.[3]

A demographic bonus can be understood as "a period in which the proportion of people in potentially productive ages grows steadily in relation to that of people in potentially inactive ages (under age 15 and over age 60), and dependency relationships first decline to historical lows and then increase as a result of the increase in the proportion of older people."[4]

As a result of the sustained and rapid decline in fertility, Colombia is in full demographic transition, due to a sustained increase in both the young and age 60+ population.

"The dependency index measures the average of economically dependent people per 100 economically active people in a given geographical area and in a specific time. For this calculation, the economically dependent are those ranging in age from birth to 14 years; the economically independent are defined as those age 60+. In general, three types of indicators are considered:

1. the young dependency relationship, which includes the number of young people between birth and 14 years old;

2. a dependency relationship in advanced ages, which includes the number of people 60 years of age and older, and

3. the total dependency ratio, which is the sum of the previous two.

Dependency relationships are expressed in terms of the number of young people, the elderly, or both, per 100 people between age 15 and age 59.[5]

The dependency ratio has been growing since the 1960s due to an increase in the population under age 15. However, since 2020, due to the sustained increase in the relative size of the elderly population, the dependency ratio for age will gather strength and begin to increase again.

As can be seen in Figure 1, if the age dependency is estimated considering only the population over age 60, then the indicator has been increasing in recent years. This is because progressive aging carries an increasing weight in the dependency ratio. The contribution of the elderly to the unit doubles from the mid-20th century until 2015 when the transition is consolidated as an advanced process.

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[3] Portafolio, https://www.portafolio.co/opinion/redaccion-portafolio/transicion-demografica-154560 [Accessed September 2019.]

[4] CEPAL, 2008.

[5] Ibid.

Figure 1 — Dependency Index: Colombia, 1951 – 2020
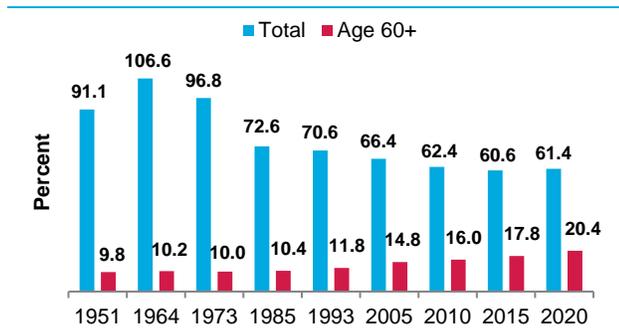
Note: Dependency ratio = (population <age 15 + population ≥age 60) / population age 15-59) per 100.

Source: Estimates Ministry of Health and Social Protection, based on DANE, *Census Population 1951 – 1993, Census Conciliation 1985 – 2005, and Projections 2005 – 2020.*

According to data from the Ministry of Health of Colombia, the population of age 60+ exhibits growth rates higher than the growth of the total population of the country. Between 1985 and 2005, the total population age 60+ climbed from 2,143,109 to 3,815,453. From 2005 to 2010, the annual average growth rate was projected to be 3.18 percent, reaching a total population of 4,473,447 in 2010. By 2020, the annual average growth rate was projected to be 3.76 percent.[6]

The aging index is the weight of the population of legal age in relation to the child and adolescent population. In Colombia, this index tripled in recent decades, going from 10 to 34 (older people per 100 people under 15 years old) between 1964 and 2010; and, in accordance with the observed trend, it will continue to increase in the near future. This increase in the volume and relative weight of the elderly population is evidenced by comparing, for example, the population age 60+ in 1985 with that in 2005, which increased from 2.1 million to 3.8 million respectively, which is equivalent to a 78 percent increase.

The aging index was first measured in 1951 and now shows the process of the demographic transition to (anticipated) 2020, nearly quadrupling from 12 to 49 people age 60+ for every 100 children age 15 or less.

Figure 2 — Aging Index: Colombia, 1951 – 2020
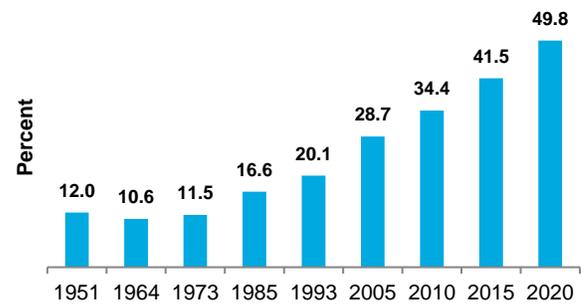
Aging Index = (Population aged 60 or over / Population <15) per 100.

Source: "Estimates Ministry of Health and Social Protection," based on DANE, *Census Population 1951 – 1993, Census Conciliation 1985 – 2005, and Projections 2005 – 2020.*

This study identifies the way consumers are planning to face their current or future retirement challenges and their most important aspirations. An extension of the 2019 research on retirement in six Latin American countries and a collaboration between the Society of Actuaries (SOA) and LIMRA, its objective is to discover the challenges facing the main international markets.

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[6] "Estimates Ministry of Health and Social Protection," based on DANE, *Census Population 1951 – 1993, Census Conciliation 1985 – 2005*, and *Projections 2005 – 2020.*

About the Survey

The study on retirement in Colombia is part of a collaborative research project of the Society of Actuaries (SOA) and LIMRA. Based on a sample of 1,040 respondents, it provides information on consumer perceptions of retirement in five macro areas of the Colombian Republic: the Atlantic Coast (Caribbean Coast), Andean Region, Orinoquia Region, Pacific Coast, and Coffee Growing Area. The sample focused on the same three demographic segments of the matrix retirement study for Latin America, which also included three age cohorts — young workers (30–45 years), early retirees (46–60 years), and retired (60+ years) — in Colombia, Argentina, Brazil, Chile, Mexico, and Peru.

Young workers are generally at an early stage of their careers and plan to marry or start a family. Early retirees generally plan to start or have started saving for retirement. The retired are already retired or are likely to retire soon.

The data were collected through an online survey in all selected markets. This study explores differences in attitude among different regions, subregions, age groups, and genders to help insurers and other financial organizations develop effective solutions to address the retirement planning needs of consumers. The study also highlights the preparation for consumer withdrawal, current and future sources of income risk tolerance, and product preferences and characteristics.

- The online survey covered a sample of 1,040 respondents in five subregions to demonstrate the regional diversity of the population (Table 1).

- To gather a representative sample of the target market for insurers and other financial institutions, the survey covered multiple subregions at different income levels (the appendix).

Table 1 — General Division of the Sample in Colombia: Subregion

	Sample
Atlantic Coast (Caribbean Coast)	154
Andean Region	695
Orinoquia Region	31
Pacific Coast	103
Coffee Growing Area	50
Sample	7
Total	1,040

Table 2 — General Division of the Sample in Colombia: Age Range

	Sample
30-45	336
46-60	368
61-75	336
Total	1,040

Table 3 — General Division of the Sample: Gender

	Sample
Male	512
Female	528
Total	1,040

Sampling was conducted based on income levels, gender, age, and other parameters to ensure better representation and data quality. Detailed tables and graphs about the study are available in a separate technical report.

Demographic Transition

The close relationship between birth and fertility has had an important influence on the Colombian demographic transition. During the first three decades of the 20th century, the fertility rate remained constant at approximately 6.4 children per woman. With the decrease in mortality in the 1930 – 1950 period, the total fertility rate increased, although slightly, due to improvements in the health conditions of women, especially those related to improved quality of care during the stages of pregnancy, delivery, and nursing.[7]

In a dramatic turnaround, fertility in Colombia then fell by 60 percent, as the rate plummeted from 7 children per woman in 1964 to 2.1 in 2009 (Figure 3). It fell further to 1.3 percent in 2015.[8]

Figure 3 — Total Fertility Rate: Colombia, 1905 – 2010
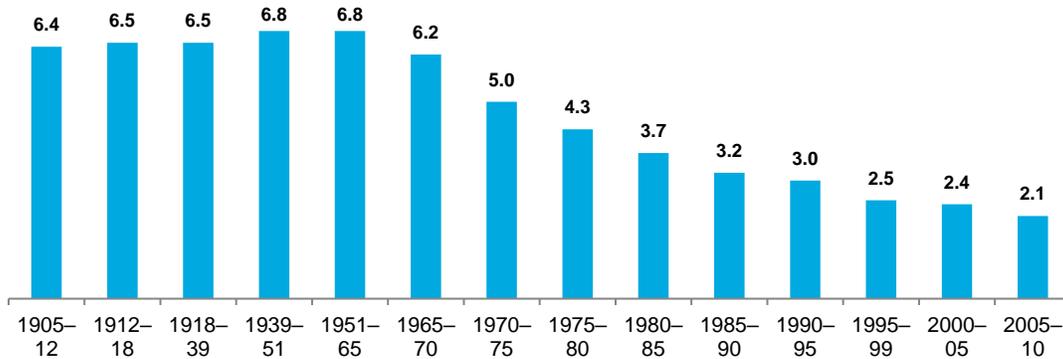
Source: Ministry of Health and Social Protection, based on DANE, 1988, *ProFamilia 1990, 1995, 2000, 2005, 2010,* Flórez, *2000.*

The massive growth of the elderly population, together with the decrease in the general population, will rapidly alter the structure of the population.

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[7] Florez, 2000, and Medina, 2010.

[8] Ibid.

Throughout Latin America, medical advances and the improvement in the lifestyle of the last 50 years have resulted in a prolonged life expectancy affecting the demographic transition process. Colombia, which is in a process of moderate population increase, with close to 2 percent annual growth, will soon see a decrease in the general population, a trend that will result in a massive change in the population's age structure, as illustrated below.

Figure 4 — Incipient to Advanced Demographic Transition Scenarios

STAGE	INCREASE	COUNTRIES
Incipient transition	2.5% annual	Bolivia, Haiti
Moderate transition	Close to 3%	El Salvador, Guatemala, Honduras, Nicaragua, Paraguay
Full transition	Moderate, close to 2%	Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Dominican Republic, Venezuela
Advanced transition	Under 1%	Argentina, Chile, Cuba, Uruguay

The Colombian population pyramids show the distribution of various age groups of the population by gender in 2020, 2030, and 2050. The population pyramids illustrate the slow change in the structure of the population benefited by the demographic bonus until the approach of 2030, when the age of the largest proportion of the population moves upwards dramatically. This Latin American trend, in which Colombia is included, shows that the country must adapt to the changing needs of an aging population.

Figure 5 — Population Pyramid 2020

Colombia **Population: 50,228,927**
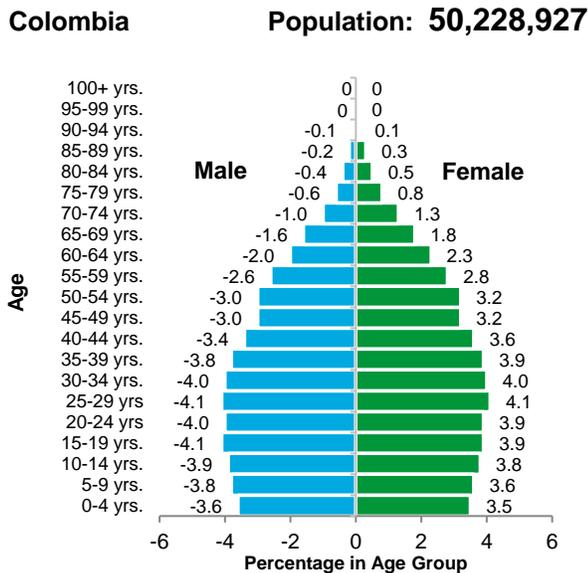
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 6 — Population Pyramid 2030

Colombia **Population: 53,175,179**
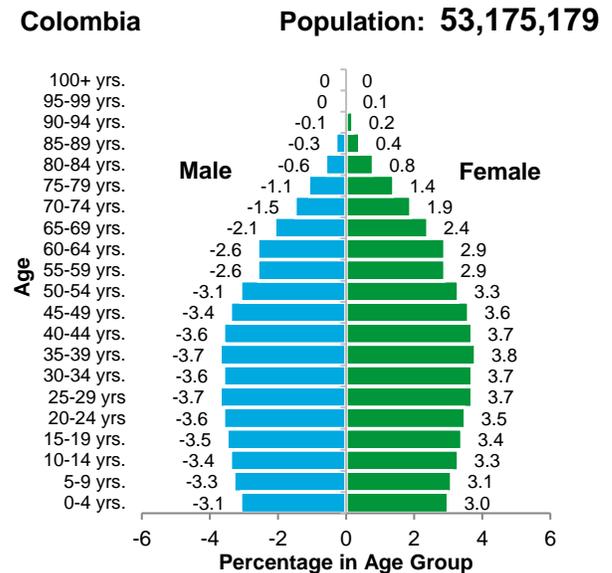
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 7 — Population Pyramid 2050

Colombia   **Population: 54,927,275**

Age	Male	Female
100+ yrs.	0	0
95-99 yrs.	0.1	0.2
90-94 yrs.	-0.3	0.5
85-89 yrs.	-0.7	1.1
80-84 yrs.	-1.3	1.8
75-79 yrs.	-1.7	2.2
70-74 yrs.	-2.3	2.7
65-69 yrs.	-2.8	3.2
60-64 yrs.	-3.1	3.4
55-59 yrs.	-3.3	3.5
50-54 yrs.	-3.3	3.4
45-49 yrs.	-3.4	3.4
40-44 yrs.	-3.3	3.3
35-39 yrs.	-3.2	3.2
30-34 yrs.	-3.1	3.1
25-29 yrs	-3.0	2.9
20-24 yrs	-2.9	2.8
15-19 yrs.	-2.9	2.7
10-14 yrs.	-2.8	2.6
5-9 yrs.	-2.7	2.5
0-4 yrs.	-2.6	2.5

Percentage in Age Group
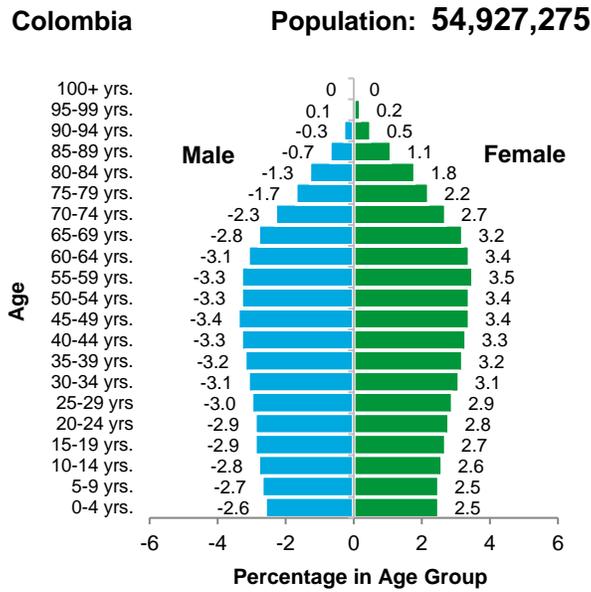
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 8 — Proportion of Age 60+ Among the Total Population

2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050
7.6	8.4	9.7	11.5	13.2	15.7	18.1	20.2	22.5	24.9	27.4
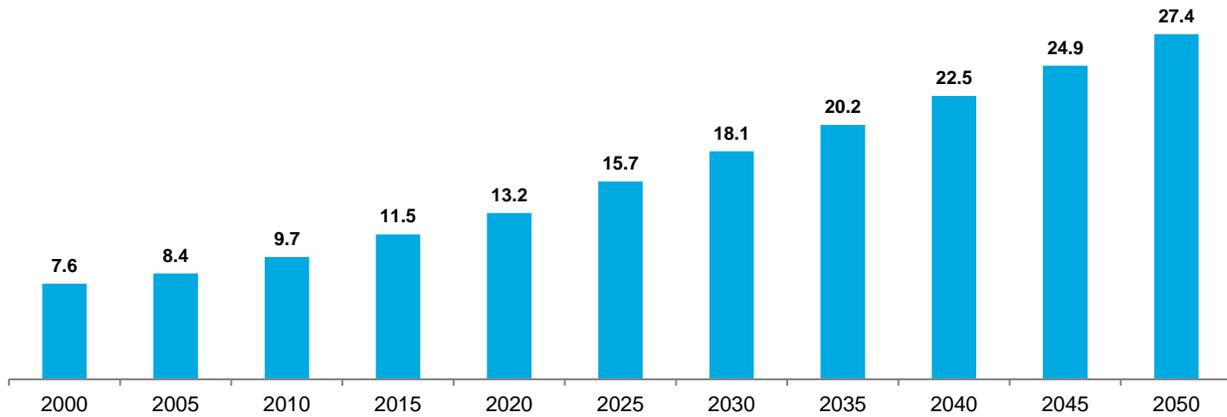
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 9-1 — Life Expectancy at Age 60 (in years)

Period	Value
1975 - 1980	17.74
1980 - 1985	18.46
1985 - 1990	19.16
1990 - 1995	19.80
1995 - 2000	20.64
2000 - 2005	21.35
2005 - 2010	21.78
2010 - 2015	22.38
2015 - 2020	22.96
2020 - 2025	23.45
2025 - 2030	23.87
2030 - 2035	24.31
2035 - 2040	24.76
2040 - 2045	25.22
2045 - 2050	25.69
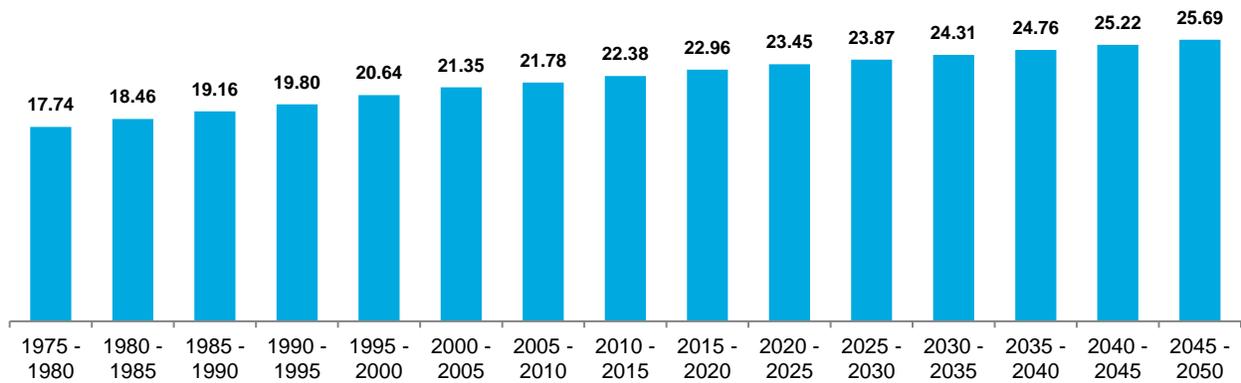
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 9-2 — Life Expectancy at Age 60 (in years/women)

Period	Value
1950 - 1955	15.09
1955 - 1960	16.02
1960 - 1965	16.56
1965 - 1970	17.14
1970 - 1975	17.91
1975 - 1980	18.47
1980 - 1985	19.27
1985 - 1990	20.08
1990 - 1995	20.68
1995 - 2000	21.51
2000 - 2005	22.28
2005 - 2010	22.80
2010 - 2015	23.40
2015 - 2020	24.00
2020 - 2025	24.47
2025 - 2030	24.91
2030 - 2035	25.34
2035 - 2040	25.78
2040 - 2045	26.21
2045 - 2050	26.64
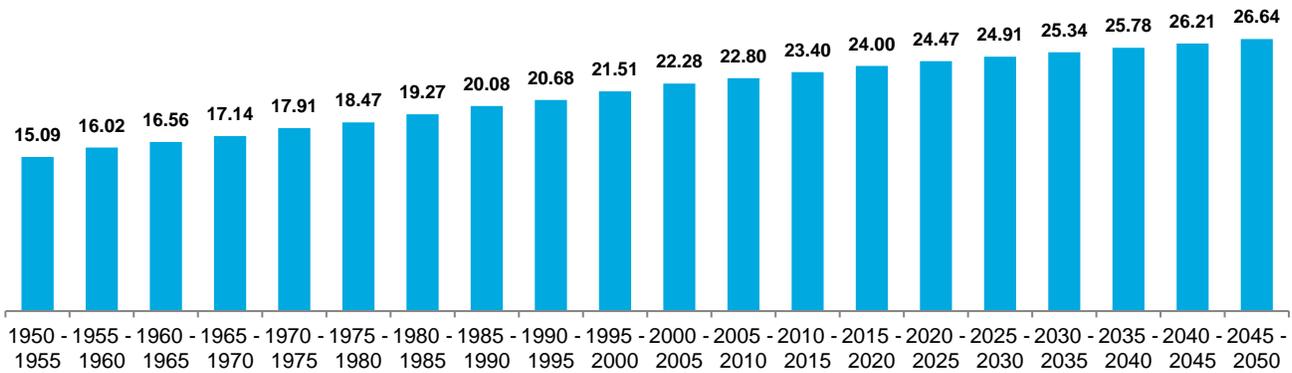
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 9-3 — Life Expectancy at Age 60 (in years/men)

Period	Value
1950 - 1955	13.94
1955 - 1960	14.72
1960 - 1965	15.18
1965 - 1970	15.68
1970 - 1975	16.28
1975 - 1980	16.91
1980 - 1985	17.56
1985 - 1990	18.13
1990 - 1995	18.81
1995 - 2000	19.66
2000 - 2005	20.30
2005 - 2010	20.63
2010 - 2015	21.21
2015 - 2020	21.77
2020 - 2025	22.27
2025 - 2030	22.68
2030 - 2035	23.11
2035 - 2040	23.58
2040 - 2045	24.08
2045 - 2050	24.62
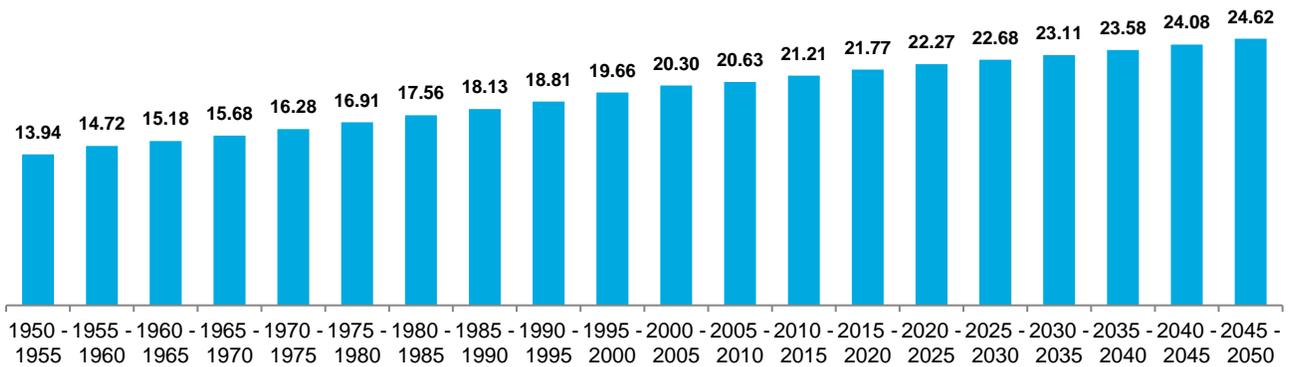
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 10 — Total Fertility (live births per women)

1985 - 1990	1990 - 1995	1995 - 2000	2000 - 2005	2005 - 2010	2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030	2030 - 2035	2035 - 2040	2040 - 2045	2045 - 2050
3.17	3.01	2.70	2.44	2.10	1.92	1.82	1.73	1.66	1.62	1.61	1.60	1.62
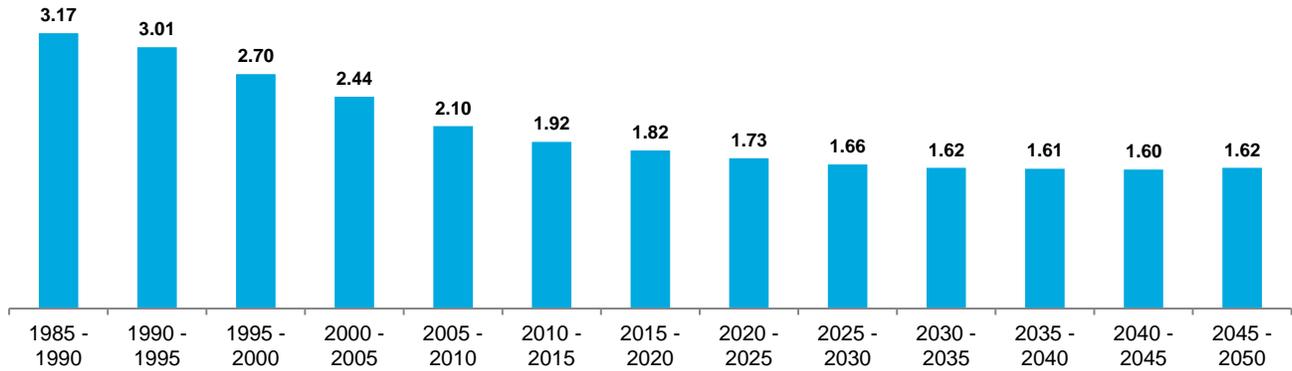
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 11 — Potential Support Index

2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050
12.0	10.9	10.0	8.8	7.6	6.3	5.2	4.4	3.9	3.5	3.0
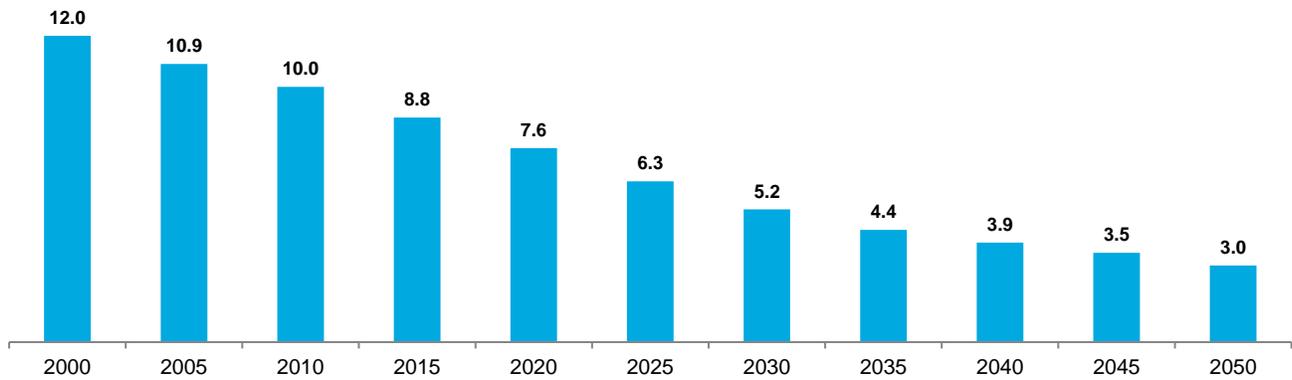
Source: UN Population Division, 2017 data, LIMRA International Research.

Note: Potential support index = population index age 15–64 for population age 65+.

Phases of Demographic Transition

Twenty years after the beginning of the century, Colombia is still developing, although reaching benchmarks similar to those of developed countries in certain areas close to important urban centers. For example, mortality rates have declined thanks to technological development in different fields like agriculture, where increased yields have led to lower prices, in turn leading to a decrease in malnutrition and infant mortality rates. In addition, advances in literacy have been linked to increases in access to education and longer life expectancies. However, in phase 2, the population may continue to increase because economic improvements encourage the decline in the age of marriage, among other factors.

There are multiple theories regarding the different stages through which a given society (or a group of them) travels through its demographic evolution. One in general use is that of the Thompson phases.[9] This approach originally posited four phases. A fifth has since been added, called "zero growth" (Figure 12). Thompson's phase I describes pre-industrial societies with high birth and death rates, in which individuals had to deal with low life-expectancy and high infant-mortality rates and, therefore, of large and extended families, but with a slow population growth. Currently, there are no countries in phase I, due mainly to the progress in global public health (since the 1950s) and the decline in significant war activities, famine, or epidemics.

Twenty years after the beginning of the century, Colombia is still developing, although reaching benchmarks similar to those of developed countries in certain areas close to important urban centers. For example, mortality rates have declined thanks to technological development in different fields like agriculture, where increased yields have led to lower prices, in turn leading to a decrease in malnutrition and infant mortality rates. In addition, advances in literacy have been linked to increases in access to education and longer life expectancies. However, in phase 2, the population may continue to increase because economic improvements encourage the decline in the age of marriage, among other factors.

While in phase 2 the mortality rate drops and the high birth rate continues (making population growth higher), in phase 3 urbanization, women's access to education and the labor market, the access to contraceptives, and the development of an economy less dependent on subsistence agriculture further push birth and mortality rates down, causing population growth to slow.

Phase 4 of the transition describes a post-industrial society, derived from the specialization of services, an observable trend since 1970. In phase 4, countries take pride in having reached historical figures in the decline of mortality. Moreover, both indicators, birth and mortality, are in balance, which causes population growth to slow down to almost zero, although high mortality figures do not impede population growth.

[9] Thompson, Warren S., "Population," *American Journal of Sociology*, JSTOR, vol. 34, no. 6, 1929, pp. 959–975, www.jstor.org/stable/2765883. [Accessed 2019.]

Phase 5 is the most complex of all because the population growth is zero. In other words, at this stage there are more deaths than births: "Although the original Demographic Transition model described by Warren Thompson presents only four stages, the passage of time has allowed the addition of a fifth phase in which the rate birth rate remains low, while mortality increases slightly due to population aging. In these circumstances, population growth can become negative, as has happened in the countries of Central Europe. Thus, in the more developed countries of Western Europe, such as Germany and Italy, the negative population growth has been compensated with positive figures of the migratory balance, producing a stagnation of the population. The expression 'zero growth' was a denomination proposed by the Neo-Malthusian forecasts of the Club of Rome of 1970."[10]

Figure 12 — Phases of the Thompson Demographic Transition

	Countries	Birth rate (%)	Mortality rate (%)	Differential (+ -)	Features
Phase 1	—	40-50	40-50	From +10 to -10	Mortality rates that were only found in the first half of the 20th century.
Phase 2	Chad	45.75	14.37	31.38	The birth rate is high, and mortality falls sharply producing an increase in the population.
Phase 3	Peru	20.02	5.62	14.40	Birth rate begins to decrease, and although mortality continues to decline, population growth remains positive.
	Mexico	19.1	4.76	14.34	
In transition to Phase 4	Colombia	16.8	5.82	10.98	Both birth and mortality are already beginning to be seen in a trend of similar values, so that growth is insignificant, and migration has a fundamental role in population growth.
	Argentina	17.72	7.78	9.94	
	Brazil	14.93	6.07	8.86	
	Chile	13.39	5.11	8.28	
Phase 5	Japan	8.2	10.1	-1.9	The birth rate continues to fall until it falls below the mortality that continues to rise. Population growth is negative.

Per 1,000 people.

Source: Actualitix, https://es.actualitix.com/pais/wld/tasa-de-natalidad-por-pais.php [Accessed September 2019.]

Note: The extreme cases of Chad and Japan are shown to graph the location of the countries selected in the study.

As earlier LIMRA and SOA studies did for pensions in Asia, this report will highlight what Colombian consumers think about the challenges of retirement and how they plan to address their various risks against the challenge of building financial security in retirement. As is its objective at a global level, the study will also shed light on how financial institutions and advisors in the countries analyzed can help their clients address problems by developing new products and solutions. The study addresses the question of whether the existing pension systems in Latin America, and specifically Colombia, are strong enough to sustain the challenges ahead in the aging of its population, given the scale and pace of aging in the region.

[10] Wikipedia, https://es.wikipedia.org/wiki/Transici%C3%B3n_demogr%C3%A1fica#cite_note-8 [Accessed September 2019.]

Challenges to the Current Pension Structure

There are two main challenges facing pension systems in Colombia: the high levels of informal working arrangements and the disequilibrium between the number of older retired adults and younger working adults. Less than a third of workers in Colombia have formal employment and therefore participation in the retirement system. In fact, throughout Latin America, formal employment is low for multiple reasons, including the lack of stable economic policies and the growing incidence of job loss because of automation. At the same time, Colombia's population of older adults is increasing while that of young people is decreasing — leading to the question of who will finance the pensions of retirees in the future.

RAIS — INDIVIDUAL SAVINGS UNDER THE SOLIDARITY REGIME

RAIS is a pension system consisting of a set of entities, rules, and procedures, according to which resources, both private and public, are managed to pay pensions and benefits. Pension funds of members of the individual Solidarity savings scheme are managed by the pension fund management companies, AFP (Spanish: Administradoras de Fondos de Pensión (AFP) / English: Pension Fund Administrators.)

Participants in the Solidarity Regime can make voluntary contributions from extra income, which have the same guarantees as the monthly mandatory contributions, as a guarantee of minimum pension and profitability, among others. In addition, the withdrawal can be requested six months in advance.

Other accounts allow penalty-free distributions at the time of retirement, if eligibility requirements are met. In addition, participants can select fund options depending on their personal risk profiles.

The funds contributed go to an individual savings account owned by the participant. There is no minimum contribution period required, and the amount of the pension will depend on savings and profitability over time.

Moreover, there is no age requirement in this system. The main requirement is that the individual savings amount is sufficient to finance a minimum of 110 percent of the current legal minimum monthly income.

There are seven types of pension offered by the AFPs as an alternative product: life annuity, scheduled withdrawal, programmed withdrawal with deferred lifetime income, variable temporary income with deferred lifetime income, variable temporary income with immediate life income, scheduled withdrawal without retirement negotiation bond, and certain temporary income with true deferred lifetime income.

If there are no beneficiaries, account balances are inheritable until the fifth degree of consanguinity. In cases of transferring from the Average Premium Scheme to the RAIS, some employers will recognize what has been saved through a security or pension bond, which corresponds to the participant only if the participant has saved more than 150 weeks in the RPM (Régimen de Prima Media). The Individual Savings Account (CAI)[11] itself will have a minimum guaranteed return allowing an increase in the amount of the account provided there is a positive balance.

The Financial Superintendence determines and guarantees the minimum profitability, equivalent to the weighted average of the annual accumulated returns of the last three years.

RPM — AVERAGE PREMIUM SCHEME

In this system, there is only the life annuity option. Individual contributions are commingled in a common fund. Consequently, there is no inheritability. The amount of the pension benefit is calculated based on the base settlement income (IBL). The IBL is defined by age, the number of weeks of contributions, and the remuneration amount on which the last 10 years' contributions were determined. In this respect, it's important to note that the minimum age to retire in Colombia is 57 years for women and 62 years for men.

For example, for the first 1,000 weeks, the initial pension benefit will be 65 percent of the IBL. For every additional 50 weeks, the pension IBL is increased by 1.5 percent, without exceeding 80 percent of the IBL. The pension cannot be less than the equivalent of one current Legal Monthly Minimum Wage (SMLMV) or more than 25 SMLMV (equivalent to USD239).[12]

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[11] Contributions that go to an Individual Savings Account (CAI) owned by the contributor, which means that the contributor is the sole owner of the pension savings, Colfondos, https://www.colfondos.com.co/dxp/personas/pensiones-obligatorias/beneficios-del-rais [Accessed September 2019.]

[12] Colfondos, https://www.colfondos.com.co/dxp/personas/pensiones-obligatorias/regimenes-pensionales-colombia [Accessed September 2019.]

Sustainability of the Pension System

The Allianz Pension Sustainability Index (PSI) analyzes the fundamentals of pension systems and their key impacts to help identify necessary reforms (Figure 13). To assign a ranking that reflects the long-term sustainability of a particular pension system, German insurer Allianz analyzes 54 markets based on an extensive list of parameters.

The PSI mainly uses the following three sub-indicators to measure the sustainability of a specific pension system:

- Demographic changes
- Public finances
- Design of the pension system

Figure 13 — 2018 Pension Sustainability Index

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	Reforms passed
	Strength of funded pillar and reserve fund (as % of GDP)	
Public finances	Pension payments / GDP	Change of pension payments / GDP until 2050

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

**Weighting

Source: *Allianz Asset Management, International Pensions*, 2016.

Colombia ranks 38th out of 54 markets included in the general Pension Sustainability Index. Within the sub-parameters of the index, Colombia is ranked second in public finance. Moreover, due to its relative stability over the last three years, it occupies a rather encouraging place in demography. However, it occupies the 22nd and 48th positions when it comes to demography and pension system, respectively, demonstrating the significant differential of the value of the demographic bonus and the limited pension coverage.

Table 4 — Ranking 2016 — Pension Sustainability Index, Latin America — Allianz[13]

	TOTAL		Demography	Public Finances	Pension System
	Score*	World Ranking	World Ranking	World Ranking	World Ranking
Chile	7.2	10	32	4	24
Mexico	7.1	12	14	14	34
Peru	6.7	19	5	1	47
Argentina	6.6	22	2	23	43
Colombia	6.2	38	23	2	48
Brazil	5.6	50	31	40	45

*On a scale of 1 to 10.

Note: Includes markets covered in this study.

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[13] Finke, 2016.

Retirement From the Consumer Perspective

Local chapters in the LIMRA / SOA pension research series analyze the participating local markets in detail. The research explores the ways in which decision-makers and / or those who contribute to financial decision-making in their households visualize or plan to address the challenges of retirement.

Figure 14 — Interviewed by Decision Authority

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

- I am the main financial decision-maker in my home
- I share decision-making equally in my home
- Someone else makes most of the financial decisions
- I am not involved in financial decisions in my home

Region	Main decision-maker	Share equally
Atlantic Coast (Caribbean Coast)	73%	27%
Andean Region	65%	35%
Orinoquia Region	61%	39%
Pacific Coast	68%	32%
Coffee Growing Area	74%	26%
Total	67%	33%

Table 5 — Financial Dependence

Answering the question: *"Which of the following individuals are your financial dependents?"*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area
Spouse	40.8%	39.0%	63.0%	32.6%	50.0%
Mother	25.3%	17.8%	9.7%	28.2%	20.0%
Father	7.1%	5.9%	9.7%	5.8%	8.0%
Children	67.5%	61.0%	67.7%	52.4%	68.0%
Mother-in-law	2.1%	2.3%	0	0	2.0%
Father-in-law	1.4%	1.0%	3.7%	0	4.0%
Brothers/Sisters	5.8%	4.5%	0	2.9%	4.0%
Nephews	1.3%	1.3%	0	1.0%	2.0%
Nieces	0.6%	0.7%	3.2%	1.9%	2.0%
Other	3.9%	2.4%	6.5%	2.9%	6.0%
None	13.0%	17.3%	6.5%	21.4%	12.0%

The tendency in most countries is to live longer and be lonelier, increasing the need for specific care and adequate financing at the end of productive life. However, to meet these needs Colombians must practice prudent financial planning for an adequate number of years, appropriate to their lifestyles. When respondents were consulted on whether they worked with professional planners to make financial decisions for their households, more than a third (35.6 percent) indicated that they do not work with any financial professional (Figure 15). This trend is strong in the Coffee Growing Area region, especially among young workers (30–45 years), at 44 percent, and pre-retirees (46–60 years) in the Pacific Coast, at 48 percent. These findings demonstrate the need in the market to educate these segments of the population about the importance of long-term savings with appropriate instruments.

Figure 15 — Do Not Work With a Financial Professional to Help With Household Financial Decisions

Answering the question: *"Does your home usually work with financial professionals to help you with the financial decisions of your household? The results represent respondents who answered 'no.'"*

Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
39.6%	35.8%	32.3%	30.1%	32.0%	35.6%
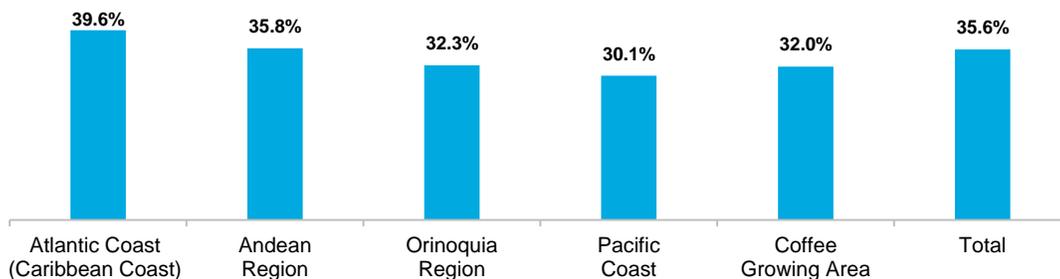
About 18.5 percent of respondents have not taken any initiative on retirement planning, indicating that almost a fifth may not be aware of the need to prepare for a stable retirement and that they are not really taking advantage the opportunity of the demographic bonus. In the Coffee Growing Area, 52 percent of respondents said they had determined how much their income would be during retirement, including post-retirement health expenses (Figure 16).

Figure 16 — Retirement Planning Initiatives

Answering the question: *"Which of the following retirement planning activities did you do?"*

Atlantic Coast (Caribbean Coast)
- 29.9%
- 40.9%
- 24.7%
- 26.6%
- 26.0%
- 26.0%
- 28.6%
- 27.3%
- 16.9%

Andean Region
- 29.4%
- 42.2%
- 27.1%
- 28.5%
- 28.1%
- 27.8%
- 29.9%
- 27.1%
- 18.7%

Orinoquia Region
- 45.2%
- 25.8%
- 16.1%
- 22.6%
- 38.7%
- 9.7%
- 22.6%
- 25.8%
- 19.4%

Pacific Coast
- 30.1%
- 40.8%
- 31.1%
- 22.3%
- 27.2%
- 30.1%
- 31.1%
- 27.2%
- 21.4%

Coffee Growing Area
- 38.0%
- 52.0%
- 26.0%
- 32.0%
- 30.0%
- 18.0%
- 40.0%
- 26.0%
- 12.0%

Total
- 30.4%
- 41.7%
- 26.5%
- 27.6%
- 28.1%
- 26.7%
- 30.1%
- 27.0%
- 18.5%

Legend:
- Calculation of the amount of assets and investments you will have available for expenses during the retirement period
- Estimation of how much your income will be during the retirement period
- Estimation of what the expenses will be during the retirement period
- Estimation of the duration (in years) of assets and investments during the retirement period
- Identification of the activities that are intended to be done during the retirement period with the respective projected costs
- Calculation of the likely benefits of social security at different retirement ages
- Identification of the place (city, region) of housing during the retirement period
- Identification of health expenses after retirement
- None of the above options

Figure 17 — Those Who Work With Financial Professionals, Work With ...

Responding to: *"In your household, you usually hire the help of financial specialists."*

Legend:
- Bank financial consultant / planner yes and no
- Investment brokerage consultant / financial planner
- Consultant / financial planner of mutual fund company
- Consultant / financial planner of trust company
- Consultant / financial planner of wealth management company
- Insurance broker / broker
- Accountant
- Lawyer

Atlantic Coast (Caribbean Coast)
- 5.2%
- 1.9%
- 6.5%
- 5.8%
- 5.2%
- 7.1%
- 20.1%
- 12.3%

Andean Region
- 7.2%
- 3.9%
- 2.3%
- 3.0%
- 2.6%
- 4.9%
- 18.8%
- 10.4%

Orinoquia Region
- 6.5%
- 0
- 3.2%
- 3.2%
- 0
- 6.5%
- 19.4%
- 12.9%

Pacific Coast
- 4.9%
- 1.0%
- 2.9%
- 0
- 0
- 4.9%
- 17.5%
- 11.7%

Coffee Growing Area
- 12.0%
- 2.0%
- 2.0%
- 8.0%
- 2.0%
- 8.0%
- 6.0%
- 10.0%

Total
- 6.8%
- 3.1%
- 3.0%
- 3.4%
- 2.6%
- 5.5%
- 18.4%
- 10.8%

A significant proportion of respondents do not work with financial professionals to make financial decisions (Figure 17). Instead, they prefer the services of accountants. Unfortunately, these accountants are not necessarily experts and may not provide sustainable and convenient advice over time. This behavior may possibly be explained by lack of consumer confidence in the financial services industry — which more than a third of respondents say they distrust. Barely 6 percent prefer to work with a financial planner in a securities company or mutual funds. Insurance agent / broker and financial planner / advisor in a bank or trust company rank even lower.

There are some regional variations. Lawyers follow accountants as the most favored by respondents from the Atlantic Coast; while a bank financial consultant / planner is most highly preferred by consumers of the Coffee Growing Area.

Figure 18 — Those Who Bought From a Foreign Consultant ...

Responding to: *"Your financial advisor operates at home or abroad…."*
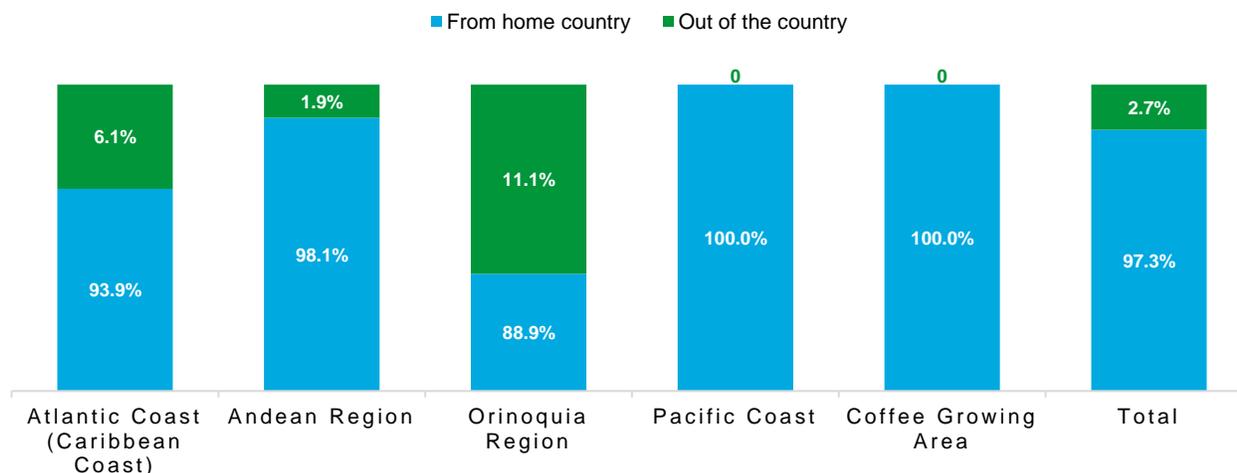
Despite some regional differences, respondents overwhelmingly prefer to work with financial professionals from their home country.

Figure 19 — Retirement Planning

Answering the questions: *"Does your household have a formal written plan for the administration of income, assets and / or expenses during the retirement period? Did a financial specialist help create the plan for your family?"*

■ A financial specialist did NOT help create the plan for my family

■ Your household does NOT have a formal written plan for the administration of income, assets, and / or expenses during the retirement period

Region	Financial specialist did NOT help	Household does NOT have formal written plan
Atlantic Coast (Caribbean Coast)	44.4%	59.1%
Andean Region	50.0%	67.2%
Orinoquia Region	63.6%	64.5%
Pacific Coast	53.1%	68.9%
Coffee Growing Area	40.0%	60.0%
Total	49.3%	65.7%

Forty-nine percent of respondents do not work with financial professionals for a family retirement plan.

As in the other countries included in this Latin American study series, while Colombian respondents also seek professional help for financial decisions on a regular basis, they do not do so for retirement planning. In fact, almost 50 percent of respondents did not seek help from financial professionals in planning their retirement, especially respondents from the Orinoquia area.

In addition, 65.7 percent of respondents did not have a formal written plan to manage income, assets, and expenses during retirement.

Table 6 — Concerns and Retirement Actions — According to the Following Statements

Response to the direction: *"For each of the following statements related to your concerns and retirement actions, indicate if you totally agree, slightly agree, agree or disagree, somewhat disagree, or strongly disagree."*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Confidence Comparison						
I trust that I will be able to have my desired lifestyle in retirement	71%	69%	71%	69%	64%	70%
I have savings that are enough to last until the end of my retirement	46.1%	43.5%	58.1%	43.7%	36.0%	44.0%
Need help						
I would like my employer to provide more comprehensive information and advice on saving and retirement planning	72%	78%	71%	70%	75%	76%
Declaration of Action						
I would be willing to buy or plan the purchase of a financial product that would provide a guaranteed annuity	72%	71%	74%	74%	86%	72%
I am currently very involved in the monitoring and management of my retirement savings	57%	55%	42%	58%	52%	55%
Challenge and mentality						
I don't trust financial institutions with my money	32%	35%	55%	37%	40%	35%
It's rare to hear people talking about workplace safety planning	58%	59%	53%	52%	64%	58%
I inherited / will inherit my parents' assets	26%	32%	26%	29%	18%	30%

Note: Table 6 shows summary options of "slightly agree" and "totally agree." The first three options by zone are highlighted. In certain cases, four options are highlighted when the classified third and fourth numbers are equal.

Thirty-five percent of the participants in this study are not willing to trust financial institutions, with an even higher percentage in Orinoquia and the Coffee Growing Area (Table 6). Most respondents would like their employers to provide more comprehensive information and advice on savings. Notably, 70 percent of respondents are confident of maintaining a similar lifestyle in retirement. This trend is especially high among respondents in the Atlantic Coast regions, where 71 percent have confidence in having their desired lifestyles in retirement, have found a way to manage their retirement expenses, or can still rely on the younger generation for their expenses.

Interestingly, 55 percent said they are currently very involved in monitoring and managing their retirement savings, despite the fact that a mere 24 percent claimed to have a formal written retirement plan. The low incidence of written retirement planning (widespread in Latin America) is a clear proof that the help of financial professionals is needed to guide young workers to take advantage of their demographic bonus in the education, orientation, and planning of their retirement. For their part, respondents from the Andean Region would mostly like their employers to make available the most complete information and advice on savings and retirement planning. Taken together, these findings sound a loud wake-up call to companies and financial professionals for comprehensive retirement education and planning.

As noted above, an average of 35 percent of respondents said they somewhat or strongly agree with the statement: "I don't trust financial institutions with my money." On the flip side, an average of 65 percent said they "agree or disagree," "somewhat disagree," or "strongly disagree" with the statement. Moreover, it is significant that more than 72 percent of respondents in total and 86 percent in the Coffee Growing Area are willing to buy or plan to buy a financial product that will provide guaranteed income for life.

Only 44 percent of the people surveyed in this study believe it is their own responsibility to finance their retirement (lower than the average of the six countries participating in this study series). The majority still believe that it is the responsibility of third parties, such as the state / government and employers (Figure 20).

In comparison, almost half of those surveyed across Latin America consider it their responsibility to plan retirement and do not want to depend on the government or their family members. Argentina, however, tracks closely with Colombia, as 55 percent of its respondents state that the main responsibility for retirement security should be that of government entities.

Figure 20 — Main Responsibility for Providing Retirement Funds

Answering the question: *"Who should be primarily responsible for providing retirement funds?"*
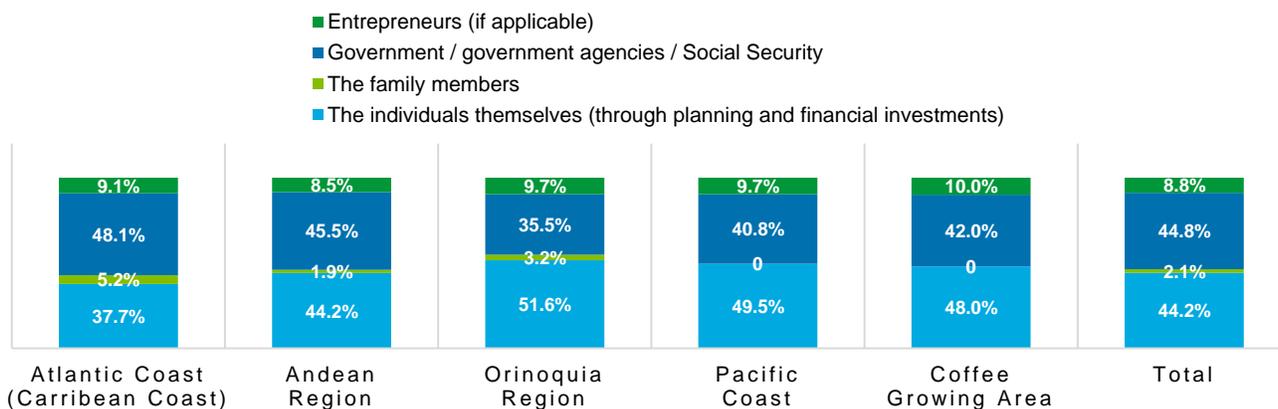
Note: Percentages may not total 100 due to rounding.

The dependence on government for retirement income is quite high, especially among the younger generation.

As we saw, less than half of respondents in Colombia (44 percent) consider it their responsibility to finance their retirement. Nevertheless, more than 86 percent of respondents also plan to generate retirement income from personal savings and investments. In addition, they indicated a high level of acceptance in most of the income options, suggesting an awareness that a single income stream may not generate adequate retirement income (Table 7).

Respondents also indicated that they would depend on full-time / part-time work income, possibly suggesting that they will extend their working lives beyond retirement. In addition, the traditional mode of retirement income, that is, family dependency, is

under 34 percent, demonstrating that this important concept of assistance, typical of traditional societies, is quite moderate. Only on the Atlantic Coast did slightly more respondents indicate a reliance on family support.

There was also significant interest in relying on Social Security (85 percent) and rental and real estate income (68.6 percent). Life insurance was highly favored by respondents in Orinoquia. However, the portion of respondents indicating a reliance on personal retirement plans (voluntary plans purchased directly from banks and brokers / insurance agents) did not exceed 54 percent. On the Pacific Coast, sources such as income from full-time and / or part-time work were the most favored.

Table 7 — Source of Anticipated or Current Retirement Income

Responding to the direction: "Which of the following sources of income does your household currently receive? [IF YOU ARE A WORKER] Indicate what sources of income you expect to receive during retirement."

|	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Personal savings and investments	83.8%	85.6%	93.5%	93.2%	84.0%	86.3%
Social pension	87.0%	84.6%	83.9%	89.3%	80.0%	85.0%
Rent from real estate	64.3%	69.8%	80.6%	65.0%	64.0%	68.6%
Complementary Business Forecast (private pension plans offered by the employer with voluntary participation) / Voluntary plans by the employer	59.1%	54.8%	58.1%	59.2%	62.0%	56.3%
Complementary Open Forecast (private pension plans contracted directly through banks and insurance brokers)	55.2%	53.2%	58.1%	57.3%	54.0%	54.1%
Salary from full-time / medium-term employment	79.9%	76.1%	77.4%	81.6%	70.0%	76.8%
Inheritance from a relative	40.3%	39.1%	48.4%	34.0%	30.0%	38.8%
Family assistance (including minors)	38.3%	35.5%	32.3%	27.2%	34.0%	34.9%
Life insurance	59.7%	58.6%	61.3%	52.4%	56.0%	58.2%
Colpensiones	82.8%	73.8%	66.7%	81.3%	62.5%	75.5%
AFP	17.2%	26.2%	33.3%	18.8%	37.5%	24.5%

Note: the above numbers represent the summary options of "Primary Source" and "Secondary Source" from the general options of "Primary Source," "Secondary Source," and "Not a Source."

More than 76 percent of respondents indicated that they would depend on income from full- or part-time work to support their retirement. This clearly signals a need for more and better retirement planning. This need may possibly increase as more and more retirees must choose to continue working after retirement.

More than 71 percent of respondents indicated that they had access to a traditional or defined benefit (DB) pension plans from their employers (Figure 21). On the Pacific Coast, the proportion increases to 73.3 percent. However, a very low 14.3 percent of respondents indicated that they had access to a defined contribution plan (DC). Only 37.3 percent of respondents said a retirement insurance plan, i.e., an annuity, was available to them.

Figure 21 — Retirement Plans Available Through Current Employer, Job, or Profession
Answering the question: "What pension plans are available to you through your current employer, profession, or job?"

- ■ A traditional pension plan or an employer defined benefit plan (active or frozen)
- ■ An employer-sponsored defined contribution plan
- ■ Stock ownership plan for employees/stock purchase plan
- ■ Retirement insurance
- ■ None of the above plans is currently available
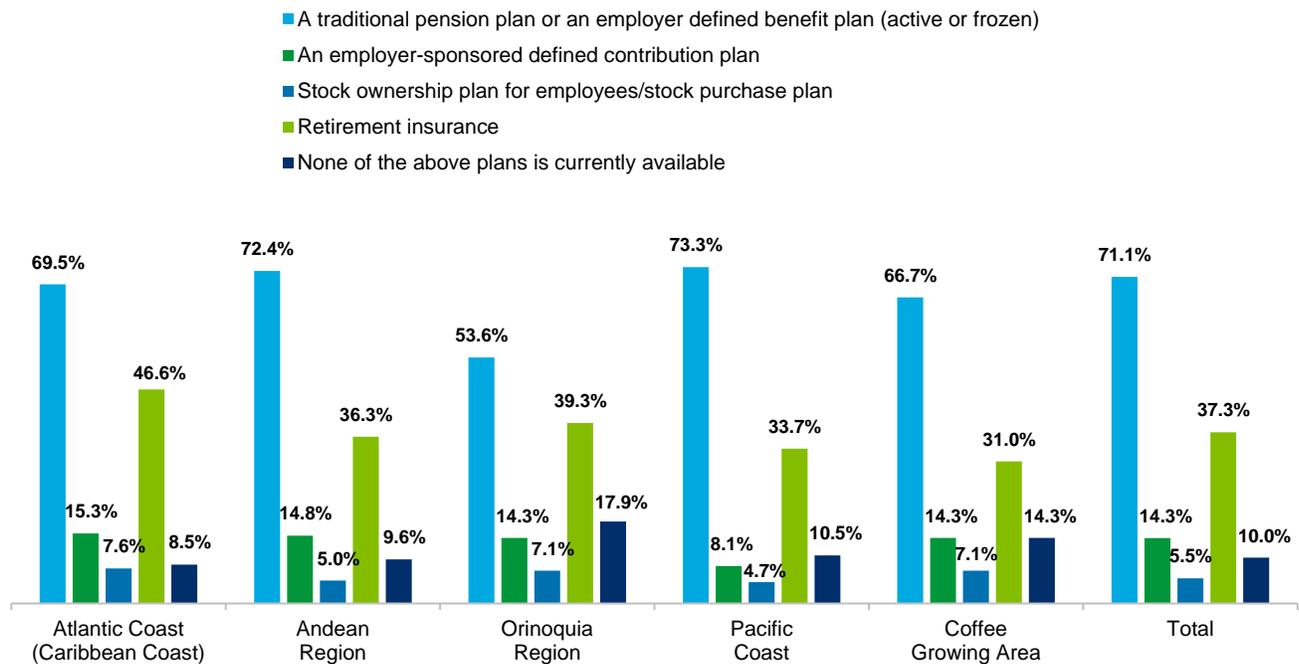
Definition: A **defined benefit plan** is a supplementary pension plan sponsored by the employer in which the worker's benefits are calculated using a formula that considers factors such as time of service and salary history. A **defined contribution plan** is a supplementary pension plan in which the worker and / or the employer contributes to the individual account of the participant under the plan. The timing of distribution includes contributions and gains or losses on investments, less administrative and investment management fees. The sponsoring company generally matches the contributions made by the participant. The defined contribution plan has restrictions that control when employees can withdraw funds and for how much, without penalties.

Just over 21 percent of respondents in Colombia said that, although they did before, they currently do not contribute to any employer-sponsored retirement savings plan (Figure 22). Among non-taxpayers, 8.3 percent are not doing so even though the option is available, and 20.3 percent do not have the option to contribute since the employer does not offer it. Nearly 25 percent of respondents in Pacific Coast said their employers do not offer retirement savings plans.

Figure 22 — Contribution to Employer-Sponsored Retirement Savings Plan

Answering the question posed to those who work full time or are self-employed / family business: *"Do you currently contribute or have contributed to any type of supplementary pension plan sponsored by the employer?"*

- Yes, I currently contribute
- No, I contributed previously, but at the moment I am not contributing
- No, although available, I have never contributed, nor I am contributing at the moment
- No, my employer does not offer it

Region	Yes, currently contribute	Contributed previously	Never contributed	Employer does not offer
Atlantic Coast (Caribbean Coast)	55.6%	21.3%	3.7%	19.4%
Andean Region	49.0%	21.3%	9.6%	20.1%
Orinoquia Region	69.6%	8.7%	4.3%	17.4%
Pacific Coast	44.2%	24.7%	6.5%	24.7%
Coffee Growing Area	50.0%	22.2%	8.3%	19.4%
Total	50.1%	21.2%	8.3%	20.3%

Note: Percentages may not total 100 due to rounding.

Across Colombia, only 50.1 percent of respondents said they were contributing to an employer-sponsored retirement savings plan. This percentage is lower than the Latin American average of 53.2 percent. Respondents from the Orinoquia Region reported higher participation levels, as 69.6 percent said they were contributing to employer-sponsored savings plans, followed by the workers of the Atlantic Coast, a distant second with 55.6 percent.

Figure 23 — Portion of Retirement Savings in Employer-Sponsored Plans

Responding to the questions: *"What percentage of all retirement savings in your household are employer-sponsored savings? And outside of the savings plans sponsored by your employer?"*

- Savings plans sponsored by employer
- Outside of employer-sponsored savings plans

54%
46%
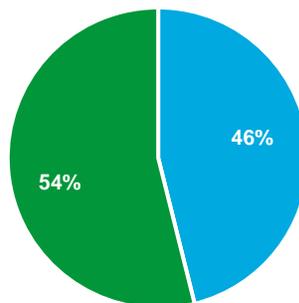
Figure 24 — Extent of Matching Employer Contributions

Answering the question: *When you contribute to your supplementary pension plan, does your employer currently provide matching contributions (for example, 50 percent of the value of your contribution)?*

Legend:
- ■ I can't say
- ■ No contribution is made by the employer
- ■ Yes, less than 3% of my salary
- ■ Yes, between 3% and 5% of my salary
- ■ Yes, of more than 5% of my salary

|	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
I can't say	0	6.7%	5.6%	11.3%	11.5%	6.3%
No contribution is made by the employer	12.0%	20.4%	11.1%	22.6%	23.1%	19.0%
Yes, less than 3% of my salary	9.6%	8.1%	5.6%	5.7%	3.8%	7.8%
Yes, between 3% and 5% of my salary	37.3%	32.8%	44.4%	26.4%	19.2%	33.1%
Yes, of more than 5% of my salary	41.0%	31.9%	33.3%	34.0%	42.3%	33.8%

Note: Percentages may not total 100 due to rounding.

Less than 34 percent of respondents revealed that they received a contribution equivalent to their contribution above 5 percent of their salary, and 33.1 percent said they receive a contribution of about 3 percent to 5 percent of their salaries. A disappointing 23.1 percent of Coffee Growing Area respondents said they received no contribution from the employer.

Figure 25 — Supplementary Sponsored Pension to Cover Basic Retirement Expenses

Answering the questions: *"Is the amount of income from Social Security and the supplementary pension through a defined benefit plan sponsored by the employer sufficient to meet your basic needs? Do you think that the amount of income from Social Security and the supplementary provision through an employer-defined defined benefit plan will be sufficient to meet your basic needs during the retirement period?"*

Legend:
- ■ Yes, absolutely
- ■ Yes, probably

	Yes, absolutely	Yes, probably
Atlantic Coast (Caribbean Coast)	21.4%	33.8%
Andean Region	15.8%	32.4%
Orinoquia Region	22.6%	16.1%
Pacific Coast	9.7%	40.8%
Coffee Growing Area	18.0%	36.0%
Total	16.3%	33.3%
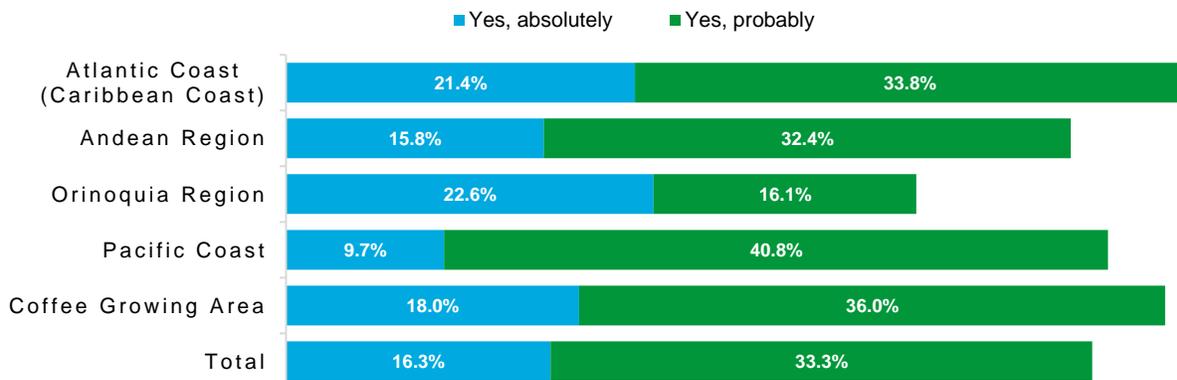
Note: The response options provided were, "Yes, absolutely," "Yes, probably," "No, that is unlikely," "Definitely not," "I can't say." For easy viewing, only the "Yes, absolutely" and "Yes" options are shown.

Nearly 50 percent of respondents said that the income earned from social pensions and employer-sponsored defined benefit pensions is "absolutely" or "probably" sufficient to meet their basic life needs. The level of confidence is especially high in the Coffee Growing Area, where 54 percent said that either "absolutely" or "probably" the income would be sufficient to meet the basic needs of retirement life.

Since the study helps identify the multiple sources of retirement income that respondents aspire to have, it also collects data on whether consumers have an appetite to invest in securities for retirement.

Property rental income is a popular way to generate retirement income, in addition to interest and dividend withdrawals.

While the preferred method of generating retirement income from savings varies by region, there is a preference towards investing retirement savings in real estate and thereby generating rental income, financial products that provide guaranteed income for life, and products with options to withdraw interest and dividend earnings, leaving the capital intact.

Although, compared to Latin America as a whole, respondents in Colombia were not among the countries that expressed the highest levels of interest to buy or search for a product that converts part or all of household savings into guaranteed income for life. However, interest was expressed in investing retirement savings in properties to generate rental income. This phenomenon is quite exclusive to some markets, perhaps due to an expected growth in real estate prices driven by greater urbanization.

Table 8 — Method to Generate Income From Retirement Savings

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

Withdrawal Preferences	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Make regular withdrawals of part of the capital and part of the income	9.1%	7.1%	9.7%	10.7%	20.0%	8.4%
Make occasional withdrawals, when necessary, from part of the capital and part of the income	18.8%	14.5%	22.6%	11.7%	20.0%	15.3%
Make withdrawals only from interest and dividends, without touching capital	23.4%	24.9%	35.5%	29.1%	30.0%	25.8%
None of the above options. In my household we do not intend to use retirement savings to generate income	9.7%	10.5%	3.2%	9.7%	6.0%	10.0%
Interest in the purchase of properties or annuities for income or growth						
Buy or search for a product that converts part or total of domestic savings into a guaranteed annuity	37.0%	33.7%	32.3%	33.0%	30.0%	33.8%
Corporate life annuity with tax benefit and survival coverage (contract that seeks the payment of continued deferred income for business owners, executives, and shareholders)	14.3%	12.7%	12.9%	7.8%	12.0%	12.4%
Invest the savings for retirement in real estate and thereby generate rental income	51.9%	50.8%	51.6%	49.5%	62.0%	51.5%
Temporary private income / private income	18.2%	22.7%	22.6%	20.4%	22.0%	21.8%
I can't say	5.8%	6.8%	12.9%	8.7%	4.0%	6.8%

Note: The first three results per market are highlighted for easy reference.

In addition to identifying investment preferences, it is also important to understand when consumers plan to retire and if their savings are sufficient to finance their needs during retirement. The retirement industry also needs to understand consumers' perspectives on the time needed to save for retirement, how many years they expect retirement to last, and if they correctly estimate their life expectancy at 60 years (Figures 26 and 29).

At 45 years, the time devoted to retirement planning in Colombia is among the highest three of Latin American countries surveyed in the study series. Correspondingly, most respondents begin saving for retirement around 20 years of age. More than 22 percent of the population have this margin of years to save.

Respondents stated that they plan to retire at age 60, contradicting the fact that a significant proportion had previously stated that they would work full or part time to obtain retirement income.

Figure 26 — Retirement and Retirement Planning

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

Colombia		
Started/will start saving/ for retirement:	Period to save:	Actual and expected retirement age
22% at age 20	45 years	15% at age 65

Figure 27 — I Regret Delaying Retirement Savings

Responding to: *"I am sorry to have started saving and investing for retirement a bit late OR I have NOT started saving for retirement at all."*

Region	Percentage
Atlantic Coast (Caribbean Coast)	45.5%
Andean Region	48.1%
Orinoquia Region	71.0%
Pacific Coast	47.6%
Coffee Growing Area	62.0%
Total	48.8%
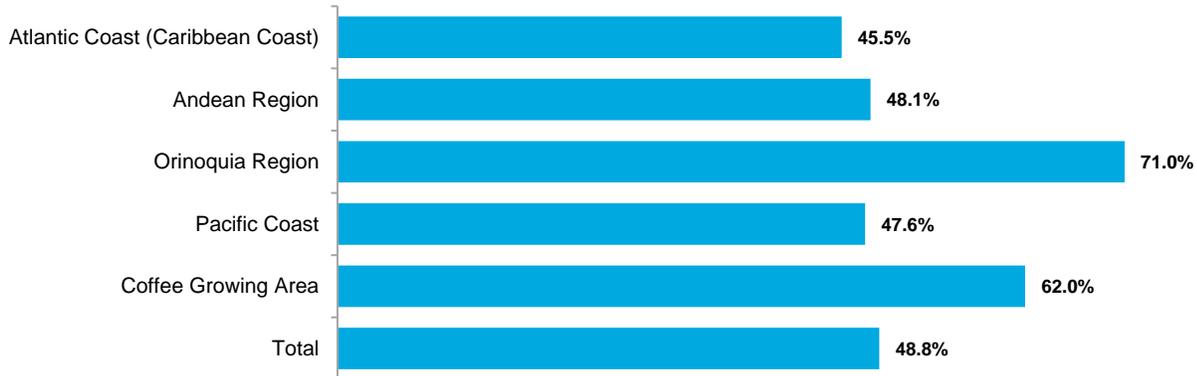
Almost 5 out of 10 respondents regret having started saving late for retirement or did not start saving at all.

Almost half (48.8 percent) of respondents regretted delaying retirement planning, and 68.2 percent in Orinoquia expected a gap in retirement funds when they turn age 60 (Figure 28). Nearly 5 out of 10 respondents regretted delaying retirement savings or not starting to save for retirement.

In addition, 54.5 percent of respondents in Colombia anticipated a gap in retirement funds when they turn age 60, while 45.5 percent expected to have more than 81 percent of the funds they need to lead a comfortable retired life. The Orinoquia and Coffee Growing Area respondents expected a much larger gap in retirement funds compared to other parts of the country (Figure 28).

Moreover, the fact that the estimated funding gap between retirees and pre-retirees is even greater underlines the tendency of the younger generation to overestimate the amount of time required to accumulate funds for the main expenses needed during the different stages of life.

More than half of respondents, 54.5 percent, anticipate a gap in retirement funds when they turn age 60.

Figure 28 — Early Gap in Retirement Funds

In response to the questions: *"What percentage of the total retirement funds (which you may need to maintain a comfortable retirement life) do you anticipate having when you turn age 60? What percentage of the total retirement funds (which you may need to maintain a comfortable retirement life) did you anticipate that you would have when you turned age 60?"*

Region	0 - 80%	81%-100%
Atlantic Coast (Caribbean Coast)	52.9%	47.1%
Andean Region	54.5%	45.5%
Orinoquia Region	68.2%	31.8%
Pacific Coast	49.0%	51.0%
Coffee Growing Area	58.1%	41.9%
Total	54.5%	45.5%
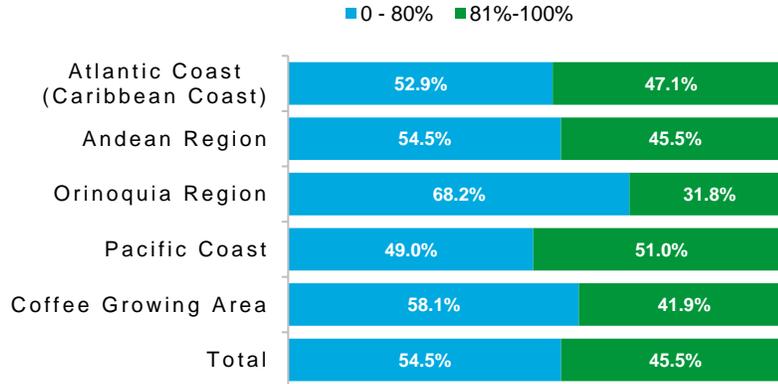
Respondents overestimated life expectancy at age 60 by about 24 percent, which implies that the funding gap for retirement is a little smaller than they expect (Figure 29). Respondents expected to live an additional 25.2 years after turning age 60, compared to the reality of 20.4 years.

Respondents overestimated life expectancy.

Figure 29 — Early Life Expectation at Age 60 Versus Actual Current Life Expectancy at Age 60

Subjective Expectation of Life in Retirement at Age 60
Colombia
25.2

Versus

Actual Current Life Expectancy at Age 60
Colombia
20.4

Subjective Expectation Versus Actual (differential + / −)
24%
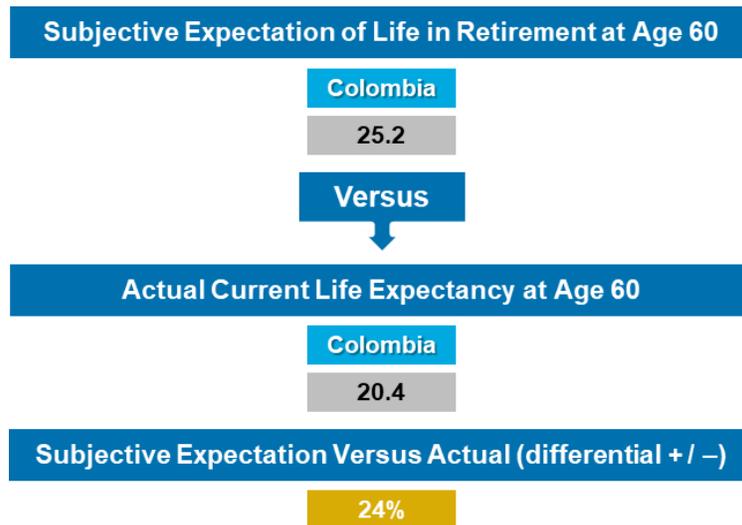
Note: For comparison purposes, data 2035–2040 from the UN Population Division were used, taking into account the age ranges and quotas used in the study.

Although the majority of respondents in Colombia expect a gap in retirement funds upon turning age 60, being in the middle of the demographic bonus can obscure the fact that they face unique challenges and have valid reasons to worry about retirement. More than 84.7 percent of respondents were concerned about a tax increase and the possibility that the government or company they work for might reduce health or health insurance benefits. In addition, they were also concerned that the government or the company might reduce the amount of the expected pension benefit (Table 9).

Some of the respondents worried about finding available long-term care / nursing home services, but many more worried about paying for health costs not covered in a supplemental health plan.

There are also concerns specific to regions. For example, more than 90 percent of respondents in the Coffee Growing Area and 82 percent in the Andean Region are concerned about a chronic disease that can affect them and drain lifelong economies.

Table 9 — Key Concerns About Retirement

Answering the questions: *"How concerned are you in relation to each of the following elements? How concerned are you in relation to each of the following elements during the retirement period?"*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Longevity Risk						
Possibility that you or your spouse / partner outlive your assets	60.4%	63.6%	41.9%	56.3%	66.0%	61.7%
Subsistence of your spouse / partner if you die first	63.6%	65.9%	61.3%	59.2%	78.0%	65.5%
Your own livelihood if your spouse / partner dies first	62.3%	64.0%	58.1%	53.4%	72.0%	62.8%
Health Risk and Long-Term Care						
Be able to pay for health costs not covered by a supplemental health plan	77.9%	80.7%	80.6%	75.7%	84.0%	79.8%
Find available long-term care / nursing home services	60.4%	65.6%	61.3%	54.4%	74.0%	63.9%
A chronic disease can drain my entire life savings	74.0%	82.2%	74.2%	73.8%	90.0%	80.1%
Caring for the elderly	67.5%	67.3%	71.0%	66.0%	72.0%	67.5%
Public Policy Risk						
The government or the company will reduce health or health insurance benefits	85.1%	81.3%	80.6%	79.6%	70.0%	81.0%
The government or the company will reduce the pension benefit	80.5%	83.0%	74.2%	77.7%	78.0%	81.6%
A society made up of older people will make it difficult for the government to assist the elderly	69.5%	74.1%	77.4%	66.0%	80.0%	73.0%
Economic and Market Risks						
The value of your savings and assets may not be able to track the inflation of the period	77.3%	81.3%	64.5%	76.7%	86.0%	79.7%
Tax increase	85.7%	85.9%	87.1%	76.7%	82.0%	84.7%
Prolonged stock market slowdown	74.0%	69.9%	61.3%	61.2%	74.0%	69.4%
Fall in interest rates	72.7%	72.8%	71.0%	66.0%	72.0%	71.9%
Inflation increase	82.5%	81.4%	74.2%	78.6%	78.0%	80.7%
Continue working after I retire	66.2%	72.5%	64.5%	69.9%	74.0%	71.0%

## Table 9 — Key Concerns About Retirement *(cont'd.)*

Answering the questions: *"How concerned are you in relation to each of the following elements? How concerned are you in relation to each of the following elements during the retirement period?"*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Legacy to Relatives and Other Relations						
My children belong to the "NEETS" group (they neither work, nor study — and they still depend economically on parents as adults)	39.6%	39.4%	32.3%	28.2%	50.0%	38.7%
I haven't started retirement planning yet	61.0%	53.2%	42.9%	53.5%	69.0%	54.6%
Possibility of not being able to leave money for children or other heirs	53.2%	56.5%	38.7%	44.7%	60.0%	54.4%
Possibility that my children do not take care of me and my spouse during the retirement period	68.8%	63.9%	67.7%	58.3%	58.0%	63.9%
Inability to find or keep a job during retirement	66.2%	69.5%	71.0%	64.1%	70.0%	68.5%

Note: The first three results per market are highlighted for easy reference. In cases where the third concern has similar results with the subsequent concerns, they are also highlighted. Of the three options of "primary concern," "secondary concern," and "not a concern," the above results represent the total of "primary concern" and "secondary concern."

Figure 30 — Self-assessment of Knowledge of Investments or Financial Products

Answering the question: *"In general, what is your level of knowledge about investments or financial products?"*
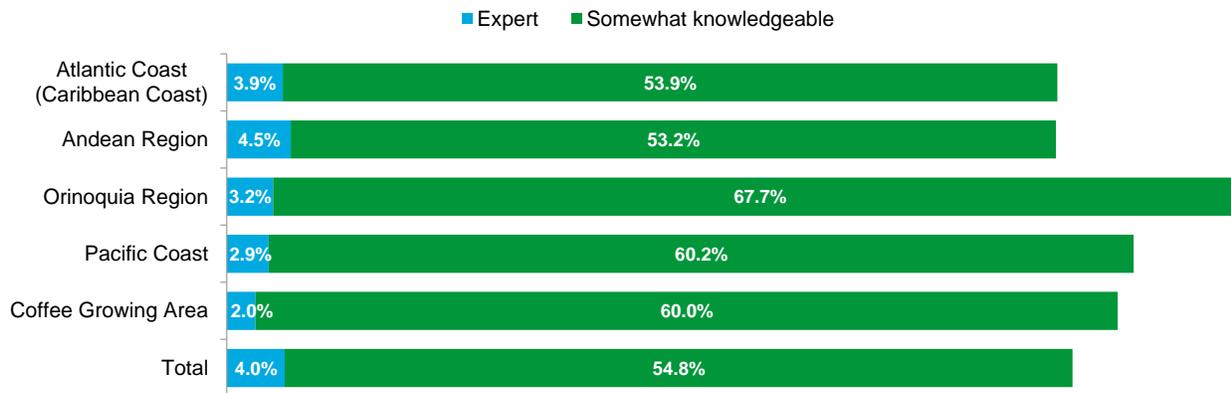
Note: Four options were offered to respondents: "Expert," "Somewhat knowledgeable," "Not very knowledgeable," "Not a bit knowledgeable." The above results represent "Expert" and "Somewhat knowledgeable."

More than 4 out of 10 respondents (Figure 20) acknowledge their responsibility for generating their own retirement income, yet do not seek external advice from professionals for retirement planning (Figure 15). Based on their self-assessments, almost 6 out of 10 respondents said they had knowledge about investments or financial products (Figure 30). Consumers from Orinoquia and Pacific Coast claimed to have more knowledge compared to respondents from the Andean Region.

It is important to keep in mind that these answers are self-assessments. It is possible that, although respondents know the investment options available in the market, they may not have the ability to understand, analyze, and invest successfully in long-term investment products.

Colombian consumers expressed a relatively high level of confidence in their ability to make financial and investment decisions, and a significant 79 percent of respondents expressed their willingness to convert a portion of their assets into annuities to generate retirement income (Figure 31). Respondents, particularly from the Pacific and Atlantic coasts, expressed a high interest in annuities (82.5 percent).

Figure 31 — Willingness to Convert a Portion of Assets Into an Annuity

Answering the question: *"Annuities can provide a lifetime income stream in exchange for a premium payment. Typically, people no longer have access to the assets used to pay the annuity once it is purchased. Would you consider converting a part of your assets or an additional part of your assets into a guaranteed retirement annuity for life?"*
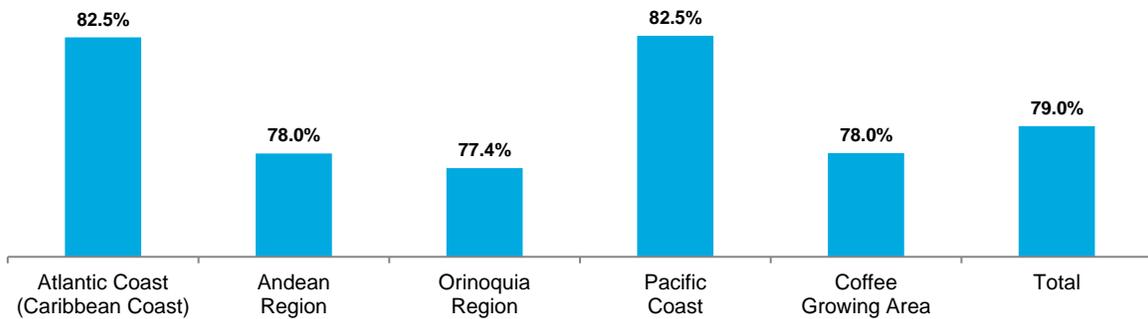
Note: The above results show people who answered "Yes."

Figure 32 — Interest in Buying an Annuity With Deferred Taxes

Answering the question: *"A deferred tax annuity is a product issued by a life insurance company that allows the insured to save money for retirement. Income taxes are deferred until retirement when you start withdrawing money from the annuity. Annuity products also offer the ability to convert the balance into monthly benefit payments for a lifetime. If these products were available in your market, what would be your level of purchase interest?"*
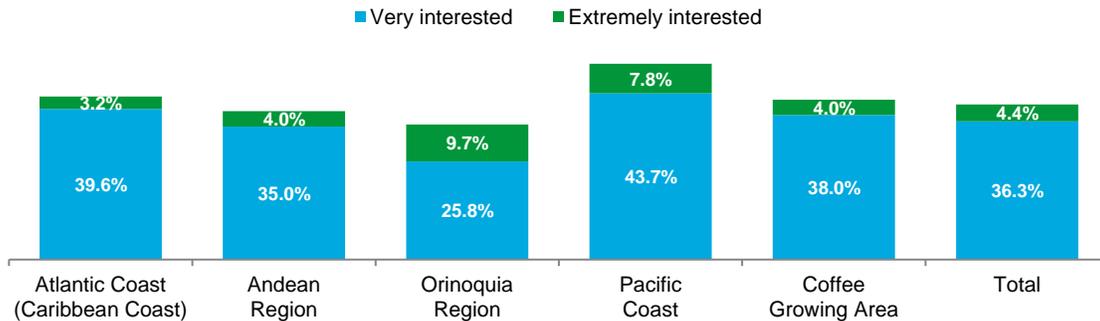
Note: The above results represent responses of "Extremely interested" and "Very interested." Respondents were offered the following options: "No interest," "Somewhat interested," "Very interested," "Extremely interested."

Some of the respondents also expressed a level of interest in an annuity with deferred taxes (Figure 32). Overall, in Colombia, 40.7 percent said they are very interested or extremely interested in annuities with deferred taxes, and the Pacific Coast and Coffee Growing Area indicated an even higher level of interest.

Table 10 — Preferred Method of Obtaining Information

Answering the question: *"Where do you get information about investments, financial products, or private pension plans? Select all the options that apply to your case."*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Workshops and / or seminars	11.0%	14.2%	3.2%	13.6%	14.0%	13.5%
Brochures or other printed materials provided by the employer	12.3%	14.5%	9.7%	6.8%	24.0%	13.9%
My own consultant / financial planner / insurance broker	22.7%	22.4%	12.9%	20.4%	18.0%	21.6%
Employer (Human Resources or Benefits Department)	19.5%	16.3%	12.9%	23.3%	18.0%	17.5%
Representatives of the company that manage my employer's private contribution defined contribution plans	24.7%	21.2%	9.7%	18.4%	24.0%	21.2%
Website with information about my specific private pension / pension fund account	33.1%	31.2%	35.5%	29.1%	24.0%	31.2%
Social networks / networking sites	22.1%	23.5%	29.0%	24.3%	38.0%	24.3%
Mobile applications	6.5%	9.4%	12.9%	8.7%	14.0%	9.3%
Family, friends, or coworkers	35.1%	38.4%	48.4%	46.6%	36.0%	39.2%
Internet / Financial websites	48.1%	50.5%	67.7%	55.3%	60.0%	51.5%
Other websites	29.9%	35.7%	48.4%	39.8%	40.0%	35.8%
Books, magazines, and newspapers	27.9%	26.9%	19.4%	28.2%	18.0%	26.4%
TV or radio programs	18.2%	18.6%	38.7%	30.1%	20.0%	20.4%
From nowhere / I don't know where	2.6%	4.9%	0	3.9%	8.0%	4.4%

Note: This is a multiple choice question. The first three results per market are highlighted for easy reference.

Although usage levels remain very low, the main sources of information on investments, financial products, or retirement planning in Colombia are digital channels / methods, family, friends, or coworkers, and insurance advisors and agents.

With the combination of urgent need and consumer interest, it is of the utmost importance that the financial services industry refine its focus and work with the government and other institutional partners to create and deliver affordable products to help address the anticipated gap of retirement funds. To this end, this study identifies retirement planning behaviors and product preferences.

Long before consumers make the decision to buy annuities / other financial products for retirement income, they seek information on investment options and related product features (Table 10). Digital channels have become one of the popular sources of information for respondents. However, less than 25 percent find them useful for their financial information needs (Table 11). In fact, "usefulness" barely reaches 13 percent in the Coffee Growing Area, especially among the younger generation compared to the older cohort. Therefore, it is necessary to rethink communication and education methods to share product planning and retirement information.

Table 11 — Usefulness of the Information Obtained From Different Channels or Methods

Answering the question: *"What source of information did you find most useful?"*

Methods / Channels	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Internet / financial websites	24.0%	19.4%	32.3%	19.2%	19.6%	20.5%
My own financial advisor / planner / insurance agent	14.0%	14.1%	6.5%	14.1%	4.3%	13.3%
Family, friends, or coworkers	8.7%	12.1%	12.9%	17.2%	15.2%	12.4%
Website with information about my specific retirement account	8.7%	11.2%	16.1%	7.1%	8.7%	10.4%
Other websites	10.7%	10.0%	19.4%	9.1%	10.9%	10.3%
Company representatives who manage my employer's account	10.0%	8.8%	6.5%	11.1%	13.0%	9.3%
Employer (for example, Human Resources or Benefits department)	9.3%	4.4%	3.2%	6.1%	2.2%	5.2%
Social networks / networking websites	4.0%	4.4%	3.2%	7.1%	13.0%	4.9%
Books, magazines, and newspapers	3.3%	5.3%	0	2.0%	4.3%	4.4%
Workshops and / or seminars	2.7%	4.7%	0	1.0%	8.7%	4.2%
TV or radio programs	2.7%	2.4%	0	4.0%	0	2.4%
Mobile apps	0.7%	1.5%	0	0	0	1.1%
Brochures, pamphlets, or other written materials available	0.7%	0.9%	0	2.0%	0	0.9%

Note: The options provided align with the options relating to the preferred method for obtaining information on investments, financial products, or retirement planning. The first three results per market are highlighted for easy reference. Note: Respondents were allowed to choose only one option. Results below 5 percent represent an option chosen for a sample of 10 or fewer.

In Colombia, where 67 percent plan retirement on their own, it is especially necessary for the industry to provide easily understood and accessible information. It is equally critical that the information be accurate and help consumers take measures for positive retirement outcomes.

Consumers indicated that internet information / financial websites are very useful and are the first option to obtain product information; but as indicated, the usage rate is very low. In addition to family, friends, or co-workers, Colombian consumers preferred to contact financial advisors / planners / insurance agents to obtain information. These consultants / planners / insurance agents are trained professionals, so they are expected to have a solid knowledge of the product and deliver it in a clear and easy-to-understand way. The experience these professionals offer can add value in a face-to-face conversation. While the value of their information should be evident, its usefulness rating is substantially lower than expected, at only 13.3 percent.

The contribution of financial advisors / planners / insurance agents to deliver information is not sufficiently valued; hence the industry needs to rethink not only how to help consumers find the right products, but also deliver information in a way that builds trust among consumers, reinforced by human contact. With this approach, industry professionals will position themselves as the preferred source of information.

Internet websites / financials are the preferred mode and channel for obtaining information. While information from financial advisors / planners, insurance agents is considered very useful, they are not the preferred source of information.

The survey asked Colombians to share their preferences, apart from cost issues, for the characteristics of financial products or investments that could be used to generate income in retirement. Consumers showed strong preferences for guaranteed income for life, investments with guaranteed return, and income that has the potential to grow with the market (Table 12).

Certain preferences varied by region. For example, the Coffee Growing Area expressed a greater preference for the characteristics of a product with income that will continue after the death of the owner of the security or the death of the spouse. Costa Rican respondents would like to have products in which revenues have the potential for market growth.

Respondents were mostly not interested in insurance products with a single or level premium, although an increasing premium structure was marginally preferred.

Throughout Colombia, consumers indicated preference for more products with characteristics of guaranteed income and income with the potential to grow with the market.

Table 12 — Most Preferred Product Features

Answering the question: *"Regardless of cost issues, which of the following characteristics are most important to you when selecting financial products or investments that could be used to generate income in retirement?"*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Guaranteed annuity	64.3%	71.7%	71.0%	73.8%	70.0%	70.7%
Income adjusted for inflation	51.3%	54.2%	54.8%	57.3%	70.0%	54.7%
Income that will remain the same or fixed throughout the retirement period	50.6%	49.9%	48.4%	60.2%	46.0%	51.0%
Income that has the potential to grow with the market	52.6%	64.3%	67.7%	69.9%	74.0%	63.6%
Income that will continue after my death or the death of my spouse	59.7%	61.7%	64.5%	59.2%	74.0%	61.8%
Income amount that can be modified as my needs change	50.0%	48.2%	48.4%	60.2%	64.0%	50.4%
Income that can be converted into an amount for the total sum	32.5%	36.8%	35.5%	49.5%	44.0%	37.7%
Initial investment that is preserved or protected	55.8%	61.2%	64.5%	65.0%	68.0%	61.3%
Control over how investments are managed	58.4%	56.0%	48.4%	65.0%	60.0%	57.1%
Investment with guaranteed return	64.3%	64.3%	71.0%	73.8%	72.0%	65.9%
Money for heirs or for charity, posthumously	35.1%	33.7%	38.7%	32.0%	44.0%	34.4%
Ability to make withdrawals of securities that exceed the regular amount of the income	33.1%	36.3%	38.7%	40.8%	38.0%	36.3%
Option to receive predefined payments of annuities in foreign currency (for example USD or AUD)	41.6%	43.9%	45.2%	49.5%	58.0%	44.7%
Single premium	40.9%	33.5%	41.9%	39.8%	36.0%	35.6%
Level premium	40.9%	37.3%	38.7%	41.7%	52.0%	39.0%
Increasing premium	57.8%	51.5%	48.4%	63.1%	48.0%	53.3%
Fiscal benefits	40.3%	46.3%	38.7%	57.3%	44.0%	46.2%
Option to withdraw all the money as a sum and manage on your own	34.4%	39.6%	45.2%	49.5%	38.0%	40.0%

Note: The following options were given to respondents: "Not important," "Somewhat important," "Very important," "I don't understand this feature." The above results are the percentage of respondents who selected "Very important." Note: The top three responses are highlighted for easy reference.

Definitions — **Single premium:** an insurance plan in which a lump sum of cash is paid in advance to guarantee payment to the beneficiaries. **Level premium:** a type of term life insurance for which premiums remain the same for the entire duration of the contract. **Increasing premium:** the insurance premium is calculated according to the insured's age, which means that the younger they are, the lower the cost and premiums will be, and, in addition, the premiums will increase over time.

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

Table 13 — Top Five Channels for Retirement Products

Answering the question: *"If you had to buy a product with the features you selected, where would you like to buy it?"*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Bank	44.2%	30.8%	29.0%	28.2%	30.0%	32.4%
Broker / financial advisor (sells multiple products)	7.1%	15.5%	6.5%	9.7%	10.0%	13.1%
Insurance company agent	1.9%	5.6%	3.2%	1.0%	6.0%	4.5%
Pension company agent	11.0%	15.3%	12.9%	22.3%	8.0%	14.8%
Phone call	0.6%	0.7%	0	1.0%	0	0.7%
Post office	0.6%	0.6%	3.2%	1.0%	4.0%	0.9%
Insurer website	5.2%	2.4%	12.9%	6.8%	2.0%	3.6%
Insurance aggregator website	2.6%	3.5%	12.9%	1.9%	10.0%	3.8%
Mobile apps	0.6%	1.3%	0	1.9%	4.0%	1.3%
Other channel (specify)	1.3%	0.6%	3.2%	0	2.0%	0.8%
Insurance company	24.7%	23.7%	16.1%	26.2%	24.0%	24.2%

Banks were the preferred channel to buy retirement products, well ahead of insurance companies and brokers (Table 13). Online channels were not preferred to the expected extent. The Coffee Growing Area indicated a preference for insurance companies of only 6.0 percent. With the penetration of the internet in more urbanized areas of Colombia, such as the Coffee Growing Area or the Pacific Coast, it was anticipated that online channels would be more popular.

Maintaining physical health and well-being is a fundamental priority for the majority of workers and retirees interviewed.

However, through all these investments and product concerns, each of the respondents had a unique goal to achieve in retirement. The main priority among respondents was to maintain good health and well-being. Respondents also expressed a strong desire to ensure care during their final years and potentially total dependence, in addition to traveling more. A minority of around 10 percent expressed the desire to move from their homes to communities for retired people or nursing homes (Table 14).

Table 14 — Important Aspects of Retirement Life

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

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Maintain my physical health and well-being	76.0%	80.7%	83.9%	82.5%	80.0%	80.4%
Ensure care during my final years and potentially total dependence	54.5%	64.6%	58.1%	64.1%	64.0%	62.9%
Travel more	57.1%	59.7%	48.4%	60.2%	60.0%	59.0%
Spend more time with friends and family.	61.7%	55.8%	74.2%	61.2%	58.0%	58.0%
Financially support my family	55.8%	48.6%	67.7%	51.5%	50.0%	50.6%
Learn a new skill / hobby	42.9%	42.7%	41.9%	40.8%	34.0%	42.1%
Move to another area to have congenial weather, costs, and facilities	40.9%	38.6%	41.9%	46.6%	32.0%	39.5%
Save to leave a legacy	44.8%	31.9%	61.3%	30.1%	38.0%	34.8%
Stay living in my current residence	40.9%	29.9%	16.1%	34.0%	34.0%	31.6%
Participate in some type of group / activity / community for retired people	26.0%	18.8%	32.3%	25.2%	16.0%	20.7%
Moving to a nursing home	14.9%	10.2%	9.7%	9.7%	10.0%	10.8%
Moving to a community for retirees	10.4%	8.3%	9.7%	8.7%	8.0%	8.7%

Note: the results represent "very important" responses of the general options: "not important," "important," and "very important."

Opportunities for the Industry

The Colombian industry has a significant opportunity to help address the anticipated gap in retirement funds by developing and delivering the products that consumers have identified as relevant to them in this study. The findings of this consumer research point to compelling opportunities for the financial services industry to explore in depth including the following.

- **Responsibility:** In Colombia, 67 percent of respondents identify as the main financial decision-makers in their households, and more than 44 percent of respondents consider it their own responsibility to finance their retirement. However, there are differences among generations. The proportion of respondents who consider it their own responsibility is much higher among young and pre-retired workers (36 percent) than among retirees (28 percent). This finding does not necessarily suggest a change to proactive responsibility in the younger generations, since 31 percent of those who said they wanted to depend on the government to obtain income after retirement were young workers. Of those who indicated dependence on previous employers, 29 percent were young. The industry needs to take advantage of this opportunity and help people build a retirement fund.

- **Retirement planning:** About 18.5 percent of respondents have not taken any initiative relating to retirement planning. Almost a fifth of the population, then, may not be aware of the need to prepare for a stable retirement and the opportunity to take advantage of the existing demographic bonus. In the Coffee Growing Area, 52 percent of respondents said they had determined how much their income would be during retirement, including post-retirement health expenses. Nearly 50 percent of respondents did not seek help from financial professionals for planning their retirement. This trend is especially strong at 38 percent among young workers (30–45 years) and at 70 percent among pre-retirees (46–60 years) from Orinoquia who do not consult specialized advisors to obtain financial information. These findings clearly indicate a significant opportunity to educate this segment of the population about the need for long-term savings with appropriate investment and savings instruments.

- **Key aspiration:** Maintaining good health and well-being is a top priority among respondents, especially in the Coffee Growing Area (80 percent) and the Andean Region (80.7 percent). Respondents also expressed interest in ensuring adequate care in the final years of life and potentially total dependence, along with traveling more. These goals are not impossible to achieve, as long as people start saving on time.

- **Procrastination:** Although the proportion of those who consider it their responsibility to plan for retirement is low, almost 5 out of 10 respondents regret having delayed retirement savings or not starting to save for retirement. The feeling of regret is quite high among pre-retirees, where 39 percent say they regret delaying retirement planning. This regret also suggests that people often miscalculate the amount and time they need to save and invest, only to realize at a late age that they have not saved enough. They certainly need some professional advice to guide them. Even when individuals are willing to take responsibility, they may not have enough "financial knowledge" to understand the negative impact of starting to save late. The industry has an important opportunity to guide people on when to start, how to start, and possible areas of investment.

- **Retirement funds gap:** Fifty-four percent of respondents in Colombia anticipate a gap in retirement funds upon turning age 60, and 45.5 percent expect to have more than 81 percent of the funds they need to live a comfortable retired life. The Orinoquia and Coffee Growing Area respondents expected a much larger gap in retirement funds compared to other areas of the country. Respondents overestimated life expectancy at age 60 by about 24 percent, which means that the funding gap for retirement is somewhat narrower than they expect. Respondents expected to live an additional 25.2 years upon turning age 60, compared to the actual 20.4 years. It is possible that the demographic bonus is obscuring the urgent need for retirement planning among younger workers. Nevertheless, inaction can be costly in the long run. The industry must intervene to train financial advisors and other mass distribution channels and provide them with tools to assess individual consumer retirement needs. Only then can the industry begin to help close the retirement fund gap. A differential of this importance presents a great opportunity for the industry to increase its participation in a relatively unexploited market with enormous potential.

- **To overestimate life expectancy:** While life expectancy is often dangerously underestimated in some parts of the world. In Colombia, however, most overestimate life expectancy and to live longer than they actually do. Although the majority of respondents in Colombia expect a gap in retirement funds when turning age 60, being in the middle of the demographic bonus can make them forget that they face unique challenges and have valid reasons to worry about retirement. More than 84.7 percent of respondents worried about tax increases. In addition, they were also concerned that the government or employer would reduce health benefits or health insurance.

- **Willingness to buy annuities:** A significant 79 percent of respondents expressed their willingness to convert a portion of their assets into annuities to generate retirement income. Respondents, particularly from the Pacific Coast, expressed great interest in annuities. The level of interest in converting assets of a portion or an additional portion of assets into a guaranteed retirement annuity for life was particularly high among the pre-retired segment, especially in Orinoquia. The fact that one third of consumers are willing to invest in such products, as long as their concerns are resolved through these products, represents a potentially historic opportunity for the industry.

- **Characteristics of preferred products:** Especially in the Pacific Coast region, consumers showed strong preferences for guaranteed income for life (73.8 percent). In the country as whole, respondents showed strong preferences for products offering investment income with a guaranteed return, income that has the potential to grow with the market, and income adjusted for inflation. The key to successful retirement planning is to start early and save enough. Taking into account that Colombia is experiencing a full demographic bonus, both consumers and the industry have some time to prepare and take action.

- **Preferred channels to buy:** Banks are the preferred channel to buy retirement products, well ahead of the insurance companies and brokers channels. In fact, 44.2 percent of respondents in the Atlantic Coast region indicated that they preferred to purchase retirement products through the banking channel. Even online channels were not more highly preferred. With the penetration of the internet in Colombia, online channels had significantly lower preference ratings than anticipated.

Appendix

The Latin American retirement study series is an extension of the 2018 Asia retirement study series, which was a collaboration between the Society of Actuaries (SOA) and LIMRA. It is designed to identify the retirement challenges facing selected markets in Latin America.

The selected Latin American markets include Argentina, Brazil, Chile, Colombia, Mexico, and Peru. The study also provides a general regional average. This study focuses on Colombia.

Table A-1 — Respondents by Work Status
Answering the question: *"Are you currently ...?"*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
I have paid and full-time work	50.0%	50.6%	48.4%	49.5%	54.0%	50.5%
I have freelance work and / or family business full time	18.2%	22.3%	35.5%	22.3%	28.0%	22.4%
I have part-time work	8.4%	7.9%	6.5%	11.7%	2.0%	8.1%
I have part-time work even after I have formally retired (for example, receive retirement benefits and work part time)	5.2%	5.0%	0	4.9%	4.0%	4.8%
I have full-time work even after I have formally retired (for example, receive retirement benefits and work full time)	3.2%	2.6%	3.2%	1.0%	2.0%	2.5%
I am retired without paid work (for example, receive retirement benefits and does not work)	14.9%	11.5%	6.5%	10.7%	10.0%	11.7%

Table A-2 — Respondents by Type of Employer
Answering the question: *"Which of the following best describes your employer / From what type of employer did you retire?"*

|	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Public sector (including government-controlled public institutions)	30.5%	34.2%	38.7%	27.2%	34.0%	33.1%
Private sector (company)	43.5%	37.8%	22.6%	38.8%	28.0%	37.7%
SME (small or medium business)	12.3%	10.1%	16.1%	11.7%	16.0%	11.1%
Own / family business	13.6%	17.8%	22.6%	22.3%	22.0%	18.2%

Table A-3 — Respondents by Household Size

Answering the question: *"What is the size of your household?"*

Members in household	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
1	2.6%	2.4%	6.5%	2.9%	6.0%	2.8%
2	6.5%	16.8%	12.9%	18.4%	20.0%	15.4%
3	24.7%	29.5%	19.4%	28.2%	22.0%	27.9%
4	31.2%	28.5%	48.4%	29.1%	38.0%	30.2%
5	24.7%	15.3%	9.7%	19.4%	8.0%	16.6%
6	7.8%	5.0%	3.2%	1.0%	4.0%	4.9%
7	1.9%	1.6%	0	1.0%	0	1.4%
8	0.6%	0.3%	0	0	2.0%	0.4%
9	0	0.4%	0	0	0	0.3%

Table A-4 — Respondents by Gender

Answering the question: *"Which gender are you?"*

■ Male ■ Female

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Region	Total
Male	51.3%	47.6%	54.8%	50.5%	54.0%	49.2%
Female	48.7%	52.4%	45.2%	49.5%	46.0%	50.8%
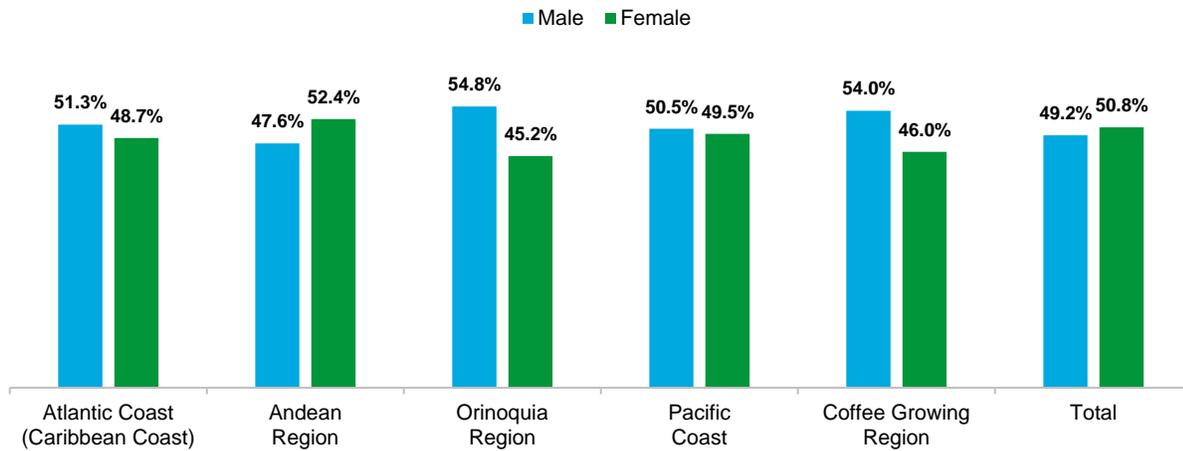
Table A-5 — Respondents by Urban / Rural

Answering the question: *"How would you describe the place where you live?"*

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
Big city	61.0%	82.0%	35.5%	72.8%	48.0%	74.6%
Medium / Small city	37.7%	16.8%	64.5%	23.3%	52.0%	24.0%
Town	1.3%	1.0%	0	3.9%	0	1.3%
Rural	0	0.1%	0	0	0	0.1%

Note: Percentages may not total 100 due to rounding.

Table A-6 — Respondents by Total Annual Income Before Taxes

Answering the question: *"Which of the following ranges describes your household's total annual income before taxes? Include any income from labor, investments, interest, dividends, Social Security, pensions, etc."*

COL$	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
1,655,000 – 2,485,000	35.1%	22.6%	48.4%	21.4%	22.0%	25.1%
2,485,000 – 3,310,000	23.4%	21.9%	22.6%	25.2%	28.0%	22.9%
3,310,000 – 6,400,000	28.6%	36.4%	19.4%	32.0%	36.0%	34.2%
6,400,000 – 12,000,000	8.4%	14.5%	6.5%	15.5%	10.0%	13.2%
12,000,001 +	4.5%	4.6%	3.2%	5.8%	4.0%	4.6%

Note: Percentages may not total 100 due to rounding.

Table A-7 — Respondents by Current Housing Situation

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

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
I own my own house without a mortgage	45.5%	46.5%	35.5%	47.6%	38.0%	45.9%
I rent	27.3%	25.8%	38.7%	22.3%	46.0%	26.9%
I have my own house with a mortgage	18.2%	19.1%	16.1%	14.6%	14.0%	18.2%
I live with my parents, other relatives, friends or other relatives	7.8%	7.8%	9.7%	15.5%	2.0%	8.3%

Note: Percentages may not total 100 due to rounding.

Table A-8 — Respondents by Level of Education

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

	Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area	Total
High school	5.2%	5.0%	12.9%	7.8%	6.0%	5.8%
Tertiary non-university	16.9%	17.4%	29.0%	17.5%	18.0%	17.8%
University	58.4%	56.3%	45.2%	52.4%	58.0%	55.9%
Master or doctorate	19.5%	20.1%	9.7%	22.3%	18.0%	19.7%
Other	0	1.2%	3.2%	0	0	0.9%

Note: Percentages may not total 100 due to rounding.

Table A-9 — Subregion Detail: Colombia

Answering the question: *"Which of the following regions are you from?"*

Atlantic Coast (Caribbean Coast)	Andean Region	Orinoquia Region	Pacific Coast	Coffee Growing Area
Costa Atlántica (Caribe)	Región Andina	Región Orinoquía	Costa Pacífica	Eje Cafetero
Sincelejo	Tuluá	Villavicencio	Santiago De Cali Valle	Antioquia
Santa Marta	Tocancipa	Tunja	Buenaventura	Armenia
Barranquilla	Sogamoso	El Yopal	Buga	Dos Quebradas
Cartagena	Soacha	Villanueva	Guadalajara	Envigado
Riohacha	San Juan De Girón	Yopal	Palmira	Itagüí
Albania	Popayán		Roldanillo	Manizales
Barrancabermeja	Pitalito		Tumaco	Medellin
Barrancas	Pasto			Pereira
Barranquila	Paipa			Rionegro Antioquia
Chimichagua Cesar	Neiva			Santa Rosa
Codazzi	Mosquera			
Corozal	Melgar			
Galapa	Jamundi			
Loneliness	Ipiales			
Magangué	Ibagué			
Montería	HUILA			
San Andrés	Guaduas			
Soledad	Girardot			
Valledupar	Garzón			
Villanueva	Fusagasuga			
	Funza			
	Duitama			
	Cúcuta			
	Chia			
	Cajica			
	Bucaramanga			
	Bogota			
	Ada			
	Acacias			
	Sabaneta			
	Bello			

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