Spotlight On Retirement

MEXICO

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Spotlight on Retirement
Mexico

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Executive Summary

Mexico is experiencing an increasingly accelerated process of demographic transition. People are aging at an unprecedented rate, and, within the context of reforms carried out by the government since 1997, the majority of the population is still not covered by sustainable pensions that provide adequate income replacement.

The results of the *Focus on Retirement: Mexico 2019* study show that nearly 58 percent of respondents consider retirement to be their financial responsibility; this figure is slightly higher among respondents in the Southeast region, where around 62 percent assume this responsibility. The percentage is also high among young workers: 37 percent of both groups stated that it is their responsibility to fund their retirement.

In addition, even though 86 percent of the study's participants said that they would rely on personal savings and investments, only 49 percent regret putting off saving for their retirement or indicate that they have not started saving retirement money, suggesting that they have not been able to or will not be able to save enough.

Furthermore, around 68 percent of respondents are worried that there will be a gap in their retirement funds when they turn age 60, and only 32 percent expect to have more than 81 percent of the necessary funds to lead a comfortable life in retirement. However, the majority of respondents are not seeking professional assistance regarding this anticipated gap in their retirement funds.

On a more positive note, 75 percent stated that they are ready to convert part of their assets into a lifetime annuity in order to generate more retirement income. This finding highlights the huge potential that exists to provide alternatives that complement the compulsory formal pension systems. High percentages across all ages indicated that the main concern was continuing to work after retiring and that the important things in life during retirement were maintaining physical health and well-being and resolving the matter of care and total dependency. These are clear indicators about the need to provide new products that meet people's needs, as their lives will extend beyond today's life expectancy.

Consumers are completely aware of this need: 75 percent indicated that their anticipated or current source of income during retirement is, or will be, their income from full-time or part-time work.

Likewise, consumers are showing a strong preference for more protective product features, such as those that involve predictable rates of return and capital being preserved.

They also show a strong desire to have a guaranteed lifelong income, protection of principal investment, and fixed returns.

Banks remain, more than ever, the most popular channels through which to purchase retirement income products, and they were selected as the main distribution channels in all subregions.

Introduction

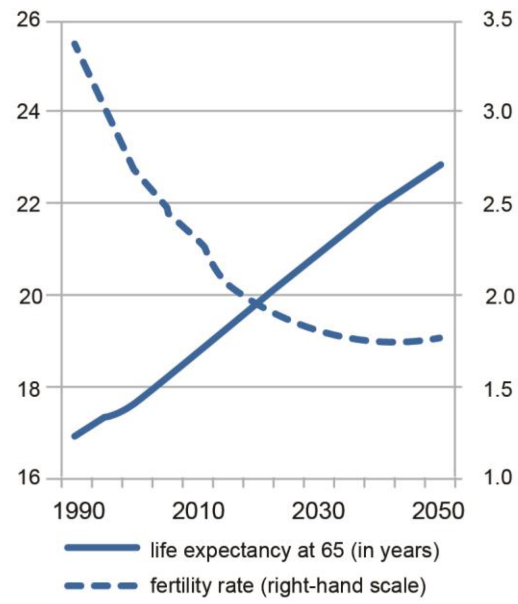
Mexico is at the start of a process of rapid demographic transition in which the country will see an increase in life expectancy, a fall in principal demographic indicators, such as fertility and mortality rates, and the expansion of dependent groups, especially people aged 60 and over, which will put an enormous amount of pressure on the pension system. Although Mexico has been exposed to international fluctuations and pressure from their northern neighbors on trade agreements such as NAFTA (the North American Free Trade Agreement), its economy remains vibrant. However, its population is rapidly aging from its current state of maturity, leading to strong structural pressure on the economy. Although aging is inevitable, the speed of the transition is of particular concern. Mexico needs to make sure that it is well prepared to successfully deal with the challenges of financing retirement and supporting its aging population.

In Mexico, birth rates have been falling since the 1970s, from 5.8 children to the drastically lower figure of 2.4 children per woman today. This number is set to drop to 1.68 children per woman by the middle of the century.

Along with changes in fertility, mortality rates have also experienced constant change. In 1930, life expectancy at birth was 36 years of age, reaching almost 75 years in 2019, and is set to reach 84 years by the middle of the century.

It is expected that Mexico will experience a demographic bonus over the next few decades, with potentially fewer dependent people, a better quality of life, and increased productivity. This, in addition to the aging population, will bring with it difficulties in terms of Social Security, as there will be increased numbers of elderly people.

Figure 1 — Life Expectancy at 65 Years of Age and Fertility Rate



Source: Data from the UN, World Population Prospects, 2012 Revision.

The average age in 2019 was 29 years, which has increased from 22 in 2000 to 29 in 2018. For its part, the number of elderly people aged 60 and over increased significantly, from 7.3 to 12.3 percent.

Furthermore, Mexico's population has increased by 28 million inhabitants since the year 2000, from 97 million to 125 million people in 2018.

A lower fertility rate has had an enormous impact on increased longevity. The changing social structure and the population's increased migration to urban centers to seek sustainable livelihoods will completely transform the country's urban areas as the transition continues.

Mexico needs to prepare for the challenges of an aging labor force and a greater dependence on the working-age population, which could provoke a deceleration of economic growth by putting increased pressure on pension systems.

Other social and economic changes could further exacerbate the challenges related to funding retirement. Although Mexico's economy remains vibrant and has experienced a certain contraction over the last three years, it is likely that more and more young people will relocate to urban areas, which could lead to changes in the country's traditional social structure.

Furthermore, the traditional structure of a Mexican family has been changing from the standard of two parents, grandparents, and two or three children, to a more nuclear family structure and with fewer children, due to partners, including same-sex partners, deciding not to have children, or delaying family planning.

Just like in many Latin American countries, a significant number of Mexican elderly people who would have previously depended on family and their children in order to fund their retirement and care will see this potential support disappear in the coming years. This changing family structure will have an impact on how people will spend their lives in retirement.

Ultimately, relentless urbanization will reduce household sizes, perhaps leaving older people to care for themselves. Therefore, a comprehensive, adequate and sustainable retirement and pension system must exist, which can help to provide for retirees' future financial needs.

This study identifies the way consumers are planning to face their current or future retirement challenges and their most important aspirations. A component 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.

About the Survey

The study on retirement in Mexico is part of a collaborative research project between the Society of Actuaries (SOA) and LIMRA. By using the answers from 1,009 respondents, information was collected on consumers' perceptions about retirement in eight macro regions in Mexico: Northwest, Northeast, West, East, North Central, South Central, Southwest, and Southeast. The sample focused on the same three demographic segments of the matrix retirement study for Latin America, which, in addition to Mexico, looked at Argentina, Brazil, Chile, Colombia, and Peru: young workers (30–45 years old), pre-retirement (46–60 years old) and retirees (60+ years old).

Young workers are generally at an early stage in their careers and are planning to get married or raise a family. People at preretirement age are generally planning on or have started saving for their retirement. Those at retirement age are already retired, or it is likely they will soon be retired.

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

- The online survey gathered results from 1,044 survey respondents in eight subregions to demonstrate the population's regional diversity (see 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 (see Appendix).
- It also included samples based on income levels and other parameters to ensure reliable data quality.

Table 1 — General Division of the Sample: Subregion

	Sample
Northwest	119
Northeast	117
West	100
East	74
North Central	185
South Central	314
Southwest	45
Southeast	90
Total	1,044

Table 2 — General Division of the Sample: Gender

Gender	Sample
Male	535
Female	509
Total	1,044

Table 3 — General Division of the Sample: Age Range

Age Range	Sample
30–45	364
46–60	344
61–75	336
Total	1,044

Demographic Transition

MOVING TOWARDS AN AGING POPULATION

Mexico has already entered a phase of massive demographic transition. The average age of Mexico's population in 2018 was 29 years old. It is expected to reach 38.5 years old in 2050 and continue to increase thereafter. It is expected that the increase in the number of older people will be particularly pronounced in the coming decades, with an elderly population that will increase from 7.4 percent in 2019 to 16.8 percent in 2050.

Mexico's demographic transition has been a late, yet rapid, process. This transitional step from high mortality and fertility rates to a situation of lower mortality and fertility has occurred over less than a century, whereas this process took place over two centuries in Europe. Between 1940 and 1990, there was a high rate of population growth, more than 2 percent per year, reaching its highest point of more than 3 percent over 20 years (1955-1975). In 60 years, Mexico's population almost doubled, and life expectancy increased from 25 years in 1900 to 71 years in 2010, with overall fertility reducing from seven to two children per woman between 1970 and 2010.[1]

CHALLENGES OF THE DEMOGRAPHIC TRANSITION

The trend of an aging population, and the changes that this will produce in Mexico's population structure, will create high demand in terms of the needs of elderly people. This challenge that the demographic transition imposes affects different areas of the system, such as healthcare, as an aging population brings with it a move from transmissible to chronic degenerative diseases, which are less easily controlled, and therefore require much more expensive treatment.

In Mexico, a high percentage of the young do not take part in the formal employment market, and thus when they reach retirement age they will not be able to rely on a pension that would provide them with basic economic support. It must also be taken into consideration that there are still areas within Mexico that remain on the edge of the transition process, especially poor rural communities that experience high infant mortality rates.[2]

Figure 2 — Incipient to Advanced Demographic Transition Scenarios

STAGE	INCREASE	COUNTRIES
Incipient transition	2.5% per year	Bolivia, Haiti
Moderate transition	Close to 3%	El Salvador, Guatemala, Honduras, Nicaragua, Paraguay
In 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

[1] Zavala de Cosio, M. E., *La transición demográfica en México (1895-2010)* and Cecilia Rabell, *Los mexicanos Un balance del cambio demográfico*, Fondo de Cultura Económica, pp. 80-114, 2014.

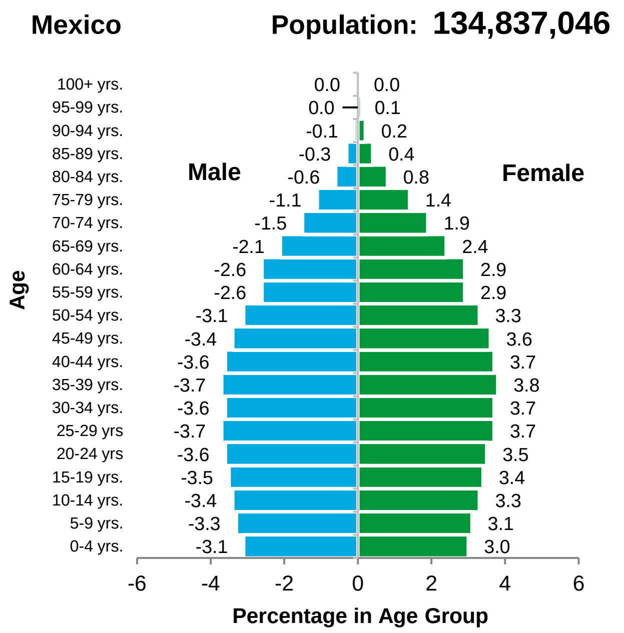
[2] Universia.net, https://noticias.universia.net.mx/actualidad/noticia/2013/07/11/1036095/poblacion-mexicana-proceso-transicion-demografica-envejecimiento.html (Retrieved in November 2019.)

The massive increase in the elderly population, along with the reduction of the overall population, will rapidly change the population structure.

Medical advances and lifestyle improvements have resulted in longer life expectancy. Along with the overall decreasing population growth, this trend will produce a massive change in the population age structure.

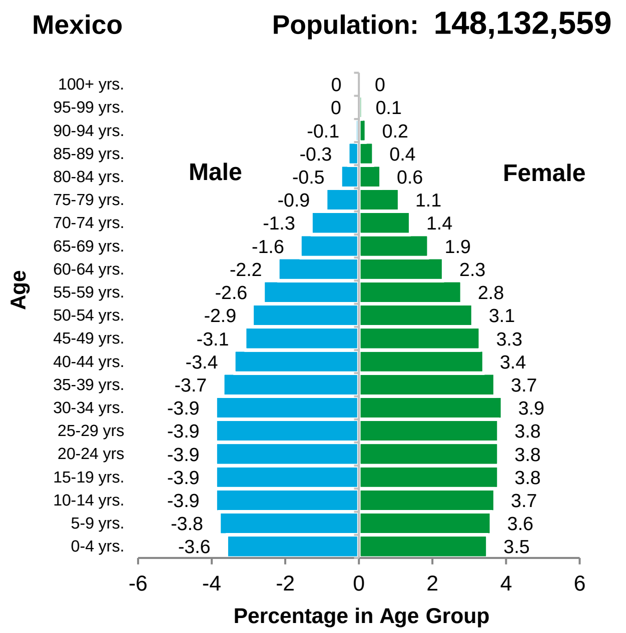
The Mexican population pyramids show the distribution of various age groups, by gender, in 2020, 2030, and 2050. The population pyramids clearly illustrate a change in the population structure, as the age of the largest proportion of the population is rising. This trend clearly indicates that the country needs to adapt to the changing requirements of an aging population.

Figure 3 — Population Pyramid: 2020



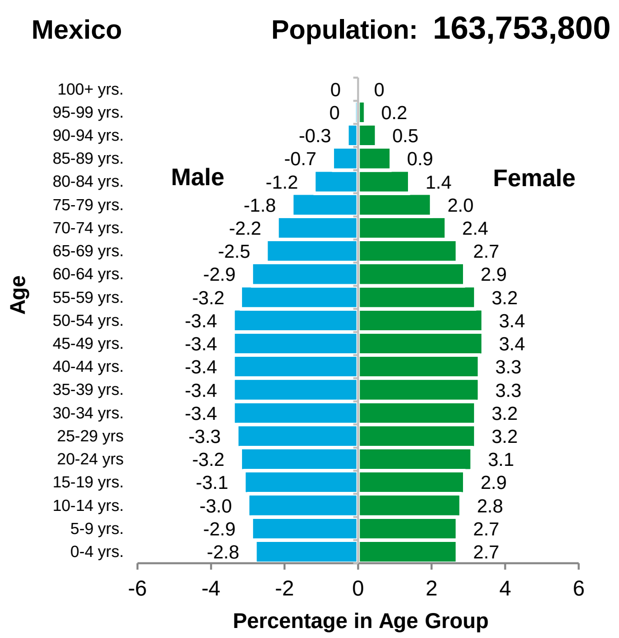
Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 4 — Population Pyramid: 2030



Source: UN Population Division, 2017 data, LIMRA International Research.

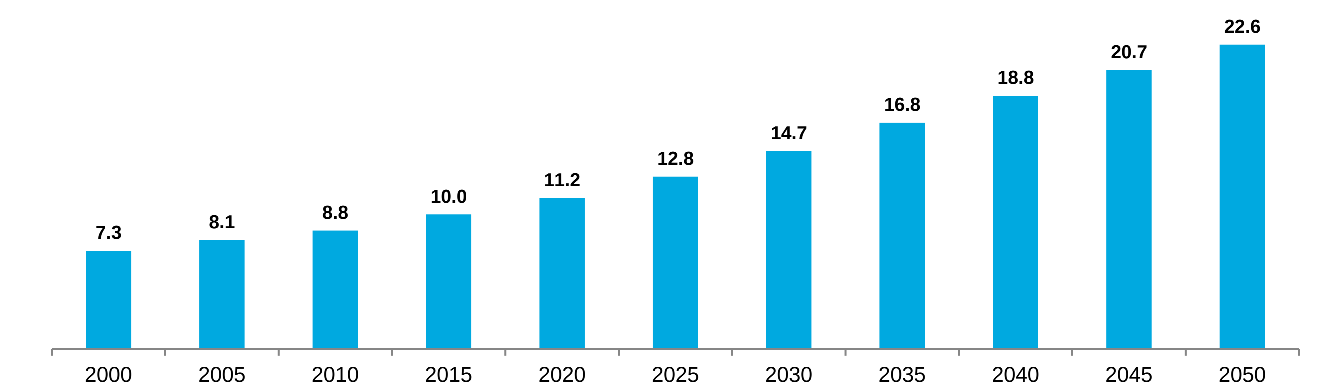
Figure 5 — Population Pyramid: 2050



Source: UN Population Division, 2017 data, LIMRA International Research.

By the year 2050, it is likely that the elderly segment of the population (60+) will have tripled since the start of the century.

Figure 6 — Proportion of People Aged 60 or Over Within the Total Population



Source: UN Population Division, 2017 data, LIMRA International Research.

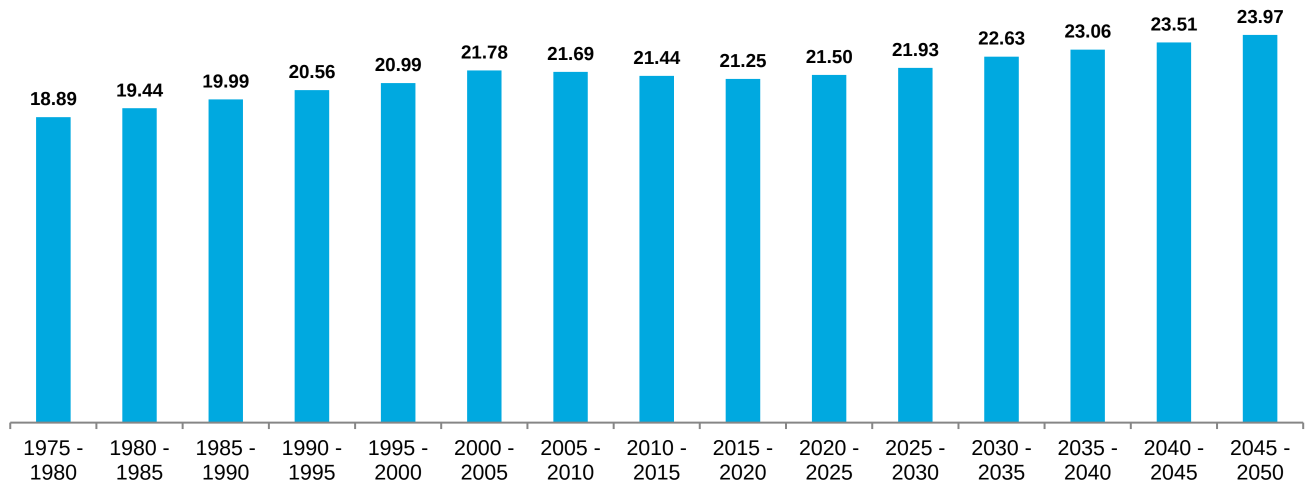
As Mexico's population structure changes, the proportion of elderly people will also change. It is likely that the proportion of elderly people (aged 60 or over) will increase from 7 percent of the overall population at the beginning of the century to 22 percent in 2050, surpassing the overall population growth and demonstrating just how quickly change is happening.

LIFE EXPECTANCY, BIRTH RATES AND POTENTIAL SUPPORT RELATIONSHIP

Another factor in the increase in the elderly population is increased life expectancy. Over the last few decades, life expectancy has increased and is possibly still increasing as a result of medical advances, improved quality of life and the ability to pay for medical treatment, along with less transmissible and non-transmissible diseases, amongst other factors.

Over the years, life expectancy for the elderly population has gradually increased. Life expectancy at 60 years of age in 1975 – 80 was 18.8 years. This is likely to reach 23.9 years by 2045 – 50.

Figure 7 — Life Expectancy at 60 Years Old (in years)



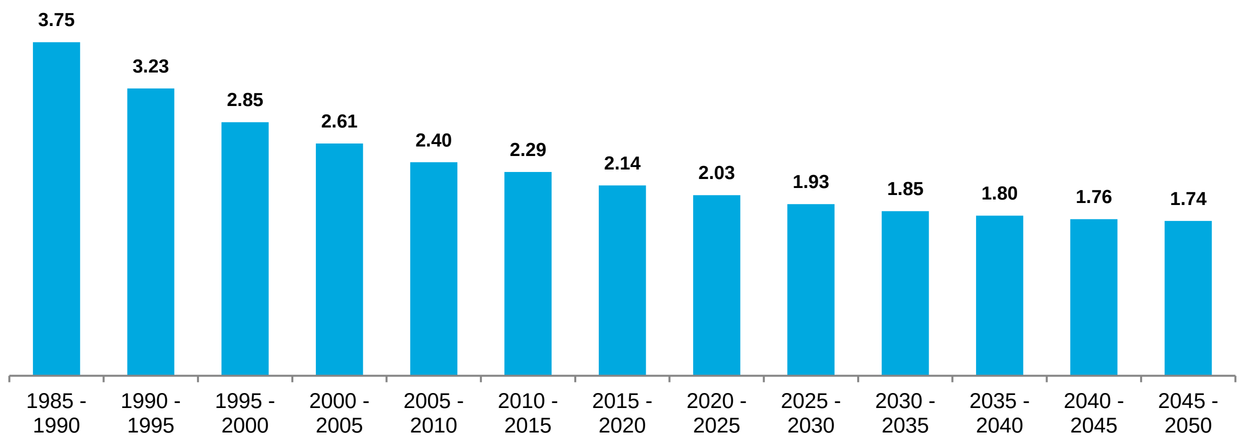
Source: UN Population Division, 2017 data, LIMRA International Research.

Mexico is going through a significant period of transition, with fertility declining from 3.7 children per woman between 1985 – 1990, to 2.1 between 2015 and 2020. It is likely that the trend towards a low fertility rate will continue, and it expected that by 2045 – 2050 this would reach 1.7 children per woman. In order to maintain a constant population, the fertility rate must be at least 2.1. If this minimum rate of 2.1 is not maintained, it is likely that the population will experience a long-term decrease. Furthermore, a comparatively lower gross mortality rate will fuel an aging population.

In this phase, where the birth rate goes below the minimum replacement levels required (2.1) and there is a lower mortality rate and a larger population with longer life expectancy, aging soars. The decline in fertility rates will also significantly contribute to the growth of the elderly population in Mexico.

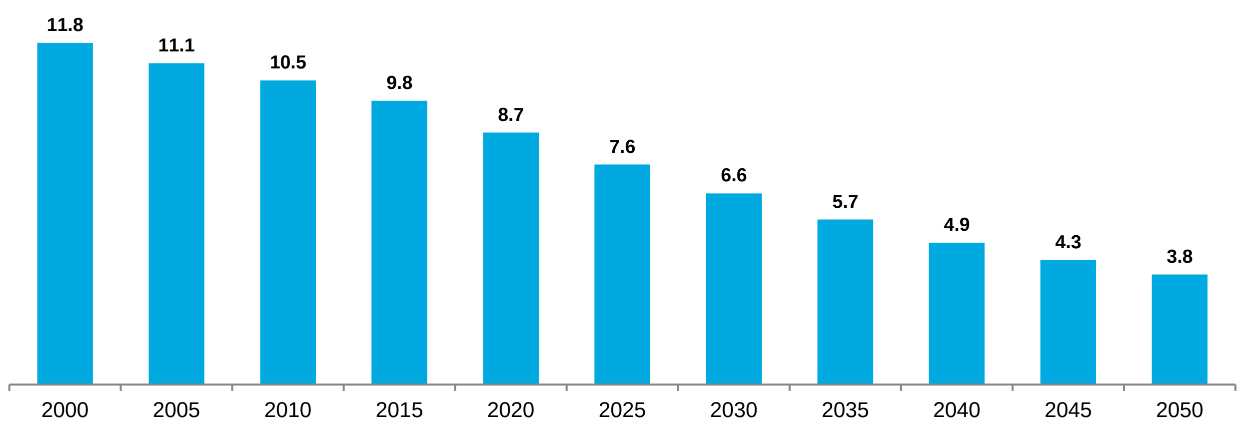
The decline in fertility rates and relatively low mortality rates, as well as the increase in life expectancy, will rapidly increase the aging population.

Figure 8 — Total Fertility (live births per woman)



Source: UN Population Division, 2017 data, LIMRA International Research.

Figure 9 — Potential Support Index



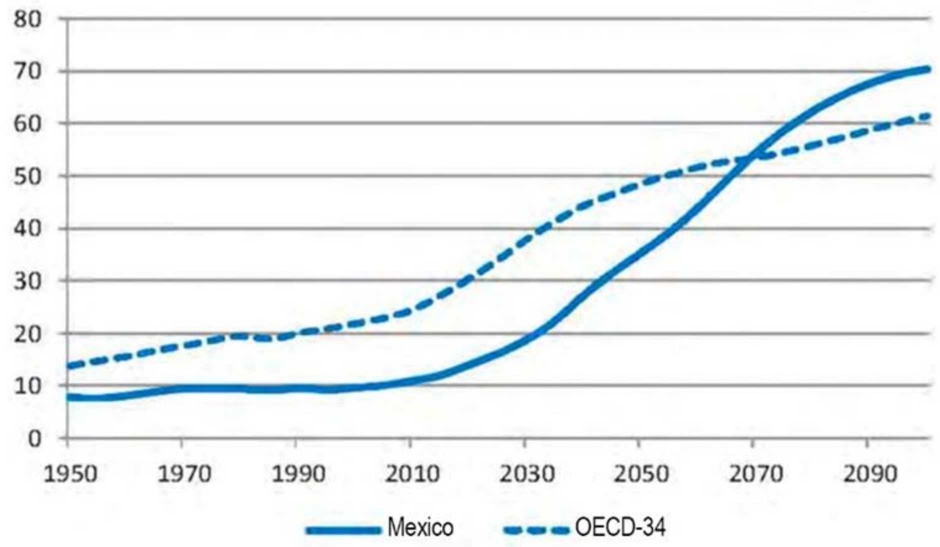
Source: UN Population Division, 2017 data, LIMRA International Research.

Note: Potential support ratio = ratio of people aged 15-64 per person aged 65+.

The potential support index indicates that the responsibility to meet the needs of the elderly population will likely increase for the relatively younger working-age population. The potential support ratio demonstrates an ongoing and constant decline between 2000 and 2050. In fact, it is likely that the ratio will reach 3.8:1 by 2050, as compared to 11.8:1 in 2000, and by the end of this century will gradually reach even lower levels. This means that in the future there will be less than two people in the workforce to support a person aged 65 years or older. It is likely that this will give rise to enormous challenges for the country's health, retirement and pension systems, which are largely not mature enough to deal with a crisis situation.

Furthermore, it is likely that the social fabric of the unstructured pensions system will change with growing urbanization, where people move to bigger cities and urban centers to find work, leaving elderly parents behind. In fact, an increasingly lower proportion of elderly people depend on their children for their retirement income. Moreover, even though some elderly people may be able to continue to depend on their children for financial support, they may not be able to meet all of their geriatric requirements.

Figure 10 — Old Age Dependency Rate



Percentage of people aged 65 or older divided by the population aged 20 to 64.

Source: Data from the UN, World Population Prospects – 2012 Revision.

KEY CHALLENGES DUE TO AN AGING POPULATION

Mexico is currently going through a stage of aging that is beginning to accelerate. It is impossible to ignore the socioeconomic implications of a declining workforce.

The challenges will become increasingly pronounced. The aging population, combined with increased longevity, lower morbidity, and the risks of inflation to medical care, will pose enormous challenges.

The demand for health services, long-term care and pensions will certainly increase. It is clearly becoming increasingly important to prepare for retirement through pension provisions, personal savings and health care.

As a market goes through an aging cycle, it needs to prepare by offering customized insurance products in life protection, savings, pensions and healthcare in order to satisfy people's unique needs. There is a major opportunity for the insurance industry, as the country needs to start preparing before it is too late.

Phases of Demographic Transition

The demographic transition that has happened over the course of 80 years in some countries in Latin America has now entered a new stage that will see an increase in dependency.

There are multiple theories regarding the different stages a society (or a group of them) goes through in the course of demographic evolution. One model used to understand this phenomenon was developed by Thompson,[3] as outlined in Figure 11, with the addition of a fifth stage known as zero population growth. Thompson's model starts with Phase 1, which no longer applies to virtually any country, mainly due to the advance in global public health (after the 1950s) along with significant decreases in war, famine, and epidemics. This phase of demographic transition is a representation of pre-industrialized societies with high birth and mortality rates, in which people had to deal with low life expectancy and high rates of infant mortality; as a result, there are large and extended families, but there is also a slow natural population increase.

Twenty years into the 21st century, Latin America continues on its development trajectory, slowly reaching developed country indicators, such as mortality rates that have decreased as a result of technological development in different areas (especially in agriculture, where an increase in yield and a reduction in prices has led to a reduction in the rates of malnutrition and infant mortality). Furthermore, literacy improvements in Mexico and Peru have been important driving factors for life expectancy through increasing access to education. This has therefore reduced the exposure to traditional mortality risks. Nonetheless, in Phase 2 the population may continue to rise, as economic improvements incentivize a reduction in the age people marry, amongst other reasons.

While in **Phase 2** the mortality rate drops and the birth rate remains high (meaning that natural growth is high), in **Phase 3,** increased urbanization, women's access to education and the labor market, access to contraceptives, and the development of an economy that is less dependent on subsistence farming, all drive birth and mortality rates even lower, slowing down natural growth.

Phase 4 of the transition phases relates to post-industrial societies. Services become specialized, a phenomenon seen since the 1970s. In Phase 4, countries celebrate reaching historically low mortality figures. Both indicators, birth and mortality, appear to be equal, which leads to a slowing down in population growth until it becomes almost zero. However, high mortality figures do not prevent a growing population.

Finally, **Phase 5** is the most complex stage of all since there is zero population growth. In other words, in this stage there are more deaths than births: "although the original Demographic Transition model by Warren Thompson demonstrates only four phases or stages, over time a fifth phase has been added, in which the birth rate remains low, whilst the mortality rate slightly increases due to the aging population. In those circumstances, the natural trend can become negative, as we have seen in countries in Central Europe. This has happened in the most developed countries in Western Europe, such as Germany and Italy, where negative natural growth has been compensated by a positive migration balance, producing level population growth. The expression zero population growth was a term proposed by the neo-Malthusian forecasts of the Club of Rome predictions in 1970."[4]

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

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

Figure 11 — Phases of the Thompson Demographic Transition

	Countries	Birth rate (%)	Mortality rate (%)	Differential (+ -)	Characteristics
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 fell sharply, leading to a population increase.
Phase 3	Peru	20.02	5.62	14.40	The birth rate starts to fall, and although the mortality rate continues to fall, the population continues to rise.
	Mexico	19.1	4.76	14.34	
Transitioning to Stage 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 takes a fundamental role for 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 is below the mortality rate that continues to rise. Population growth is negative.

*Per 1000 people.

Source: With 2013 data, Actualitix, https://es.actualitix.com/pais/wld/tasa-de-natalidad-por-pais.php.

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

To generate a basis of comparison with the LIMRA and SOA studies on pensions in Asia, this study will highlight what Argentine consumers think about the challenges of retirement and how they plan to address their various risks. 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. Are existing pension systems in Latin America strong enough to sustain the challenges that the aging population will be facing, given the scale and the pace of aging in the region?

Current Pension Structure and Challenges

The current defined-contribution individual account system was introduced in Mexico in 1997, and was mainly aimed at private sector workers. It was not until 2007 that government employees were included. Since its introduction, pension benefits have equated to 14.1 percent of GDP, and private pension fund administrators (AFORE) have achieved annual average rates of return of 12.5 percent.

Mexico has had a traditional defined-benefit pension system since the mid-1990s. Its transformation began in 1992 with the creation of the Retirement Savings System (SAR), directed "as much to private sector employees as the public sector, respectively, by the Instituto Mexicano del Seguro Social (IMSS) and Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE), with which the capitalization of individual accounts was introduced for the first time as a supplement to the traditional defined-benefit public pension system. In 1995, Mexico reformed the Social Security Law to tackle the growing actuarial deficit of the defined-benefit (DB) pension system for private sector workers, and to ensure the financial sustainability of the system. As a result, the IMSS's DB system permanently changed into a defined-contribution scheme (DC), in which employees were the owners of their individual accounts. The private-sector employees who were then contributing, or had contributed to the system, maintained their right to choose their pension benefits upon retirement, either agreeing to the DB format or to the assets accumulated in their individual DC accounts. In 2007, due to considerable shortfalls, the pension system for public sector workers was also reformed, transforming the DB scheme into a DC scheme. The reform of ISSSTE in 2007 gave public-sector workers, who were at that time working or who had contributed to the system, the option to continue with the old DB system or change to the new DC system. Those who opted for the new DC system were granted a verification certificate to take into account the rights acquired through the previous system.[5]

The Mexican pension system is made up of four components:[6]

(i) Non-contributory state and federal social pension schemes (zero pillar)

(ii) Retirement Savings System (SAR) involving a compulsory defined contribution

(iii) Special pension schemes for certain government employees and for public universities

(iv) Individual and occupational voluntary pension plans

RETIREMENT SAVINGS SYSTEM (SAR)

"The main component of the Mexican pension system is the Retirement Savings System (SAR), a system based on a compulsory defined contribution (DC) made up of individual accounts. All private sector employees that entered the workforce on or after July 1, 1997, as well as federal employees that entered the workforce on or after April 1, 2007, have an individual SAR account. The compulsory contributions of employees, employers and the government are deposited into these individual accounts, with money invested in known pension funds such as Sociedades de Inversión Especializadas en Fondos para el Retiro (SIEFORE), managed by specialized private administrators called retirement fund administrators (AFORE)."[7]

[5] Estudio de la OCDE sobre los sistemas de pensiones: Mexico, OCDE, 2016.

[6] Ibid.

[7] Ibid.

"The Retirement Savings System includes two social security schemes:

- The Instituto Mexicano del Seguro Social (IMSS), that covers private sector employees; and
- El Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado (ISSSTE), which covers public sector employees.

  Note: Formal workers, with the exception of those covered by special plans, must register with one of the institutions previously mentioned (that is to say IMSS or ISSSTE) to have a right to the contributory retirement pension. Once registered, formal employees have the right to select the AFORE of their choice. Workers can change their AFORE once a year, when they have been members of their current AFORE for at least one year. Self-employed workers are not legally obliged to join and contribute to the compulsory pension system. However, they have been able to voluntarily open an individual account in the AFORE of their choice and make voluntary contributions since 2005. The AFORE charges fees to manage the workers' individual accounts and can only charge fees on the assets managed. It cannot charge workers fees, such as for changing AFORE provider."[8]

OLD-AGE PENSION

This non-contributory scheme is financed through the federal budget. When it began in 2007, it provided a pension to people aged 70 or older that lived in certain areas. Later, it broadened its coverage to the whole of Mexico and to people who did not otherwise receive a social security pension. The program was extended to all older people over the age of 65 from 2013.[9]

OTHER PENSION SCHEMES

Some of Mexico's states rely on their own non-contributory benefit schemes, and some institutions, such as universities and large state-owned enterprises, amongst others, have both DB and DC schemes for their members.[10]

VOLUNTARY RETIREMENT SAVINGS

Four types of voluntary contributions exist for individual accounts:

1. **Short-term voluntary contributions** that can be withdrawn before retirement. Depending on the AFORE, the minimum amount of time to deposit these contributions in an individual account is between two and six months.
2. **Complementary contributions to individual retirement accounts** that can be withdrawn only upon retirement or to supplement the worker's pension.
3. **Long-term voluntary contributions**: these can be withdrawn only at retirement age or in the event of disability.
4. **Contributions to special "retirement savings" accounts**: contributions that allow tax deferral, with a minimum duration and annual maximum contributions that can be exempt of 152,000 pesos.[11]

[8] Ibid.

[9] Ibid.

[10] Ibid.

[11] Ibid.

“Furthermore, public sector employees affiliated with ISSSTE benefit from a very generous government shared-contribution mechanism, called solidarity savings. Employees make voluntary contributions of between 1 and 2 percent of their income (with a limit of 10 times the minimum wage), and for each peso contributed, the government contributes 3.25 pesos. This provides an interesting incentive for employees to make voluntary contributions. A recent reform proposal would make a government shared-contribution scheme available for private-sector workers. The proposed terms are much less generous than those applied to the public sector, as the shared contribution would be 20 cents per peso contributed up to an annual limit of 300 pesos, equating to less than 1 percent of the minimum Wage.”[12]

[12] Ibid., 37.

Sustainability of Pension Systems

The Allianz Pension Sustainability Index (PSI) analyzes the fundamentals of pension systems and their key impacts in order to help identify necessary reforms (Figure 12). To reach a ranking that reflects the long-term sustainability of a particular pension system, German insurance company, Allianz analyzed 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
- Pension system design

Figure 12 — Pension Sustainability Index*

Sub-indicators	Status (0.75)**	Dynamics (0.25)**
Demography	Old Age Dependency Rate (OAD)*	Change in OAD* until 2050
Pension System	Level of pension benefit from first pillar and coverage of workforce	Change in pension level
	Legal/effective retirement age	Reforms passed
	Strength of the pillar and the reserve fund financed (as % of GDP)	
Public finances	Pension/GDP payments	Change of pension/GDP payments until 2050
	Public indebtedness/GDP	
	Need for social assistance	

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

**Weighted.

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

Mexico comes in at 12th place out of the 54 markets included in the general pension sustainability index. Within the index's sub-parameters, it is ranked 14th in public finances. This is quite impressive. However, it is in 34th position for pension systems due to a lack of extensive coverage, especially for self-employed workers.

Table 4 — 2016 Ranking — 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.

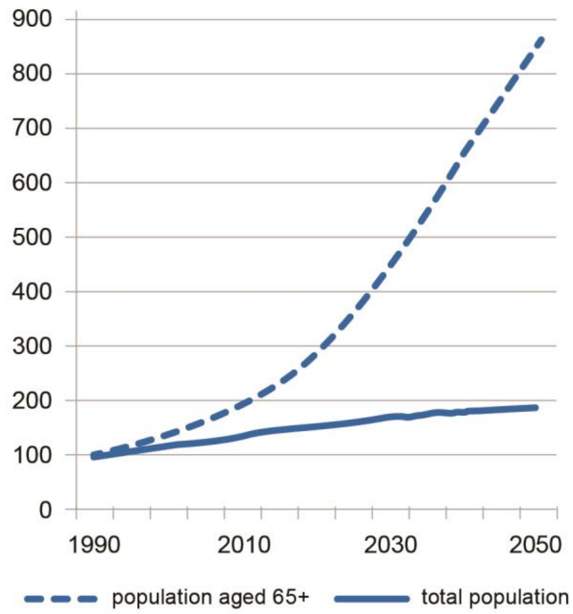
Note: Includes markets covered in this study.

The financial sustainability problems were the main driving force of the pension system's structural reforms in 1997 and 2007. The significant demographic changes are creating increasingly intense fiscal pressure. The constant rises in life expectancy and the very pronounced low fertility rates over recent decades have, without a doubt, increased this pressure, but even the amount of people aged 65 and over has almost doubled in 20 years, which means an average annual rate of increase of 3.6 percent (the total population will increase by 1.0 percent).

[13] Finke, 2016.

"Consequently, Mexico's population is expected to age much faster than the average for OECD countries. Although the old-age dependency rate currently continues to be below the OECD average, it is projected to reach this level in 2070. Tackling informality in the labor market is the greatest challenge for pension systems in Latin American countries in general, and this is also true for Mexico, if it wants to guarantee adequate pensions."[14]

Figure 13 — Rapid Rise in the Percentage of People Aged 65 or Older



Population in 1990 = 100.

Source: Data from the UN, World Population Prospects — 2012 Revision.

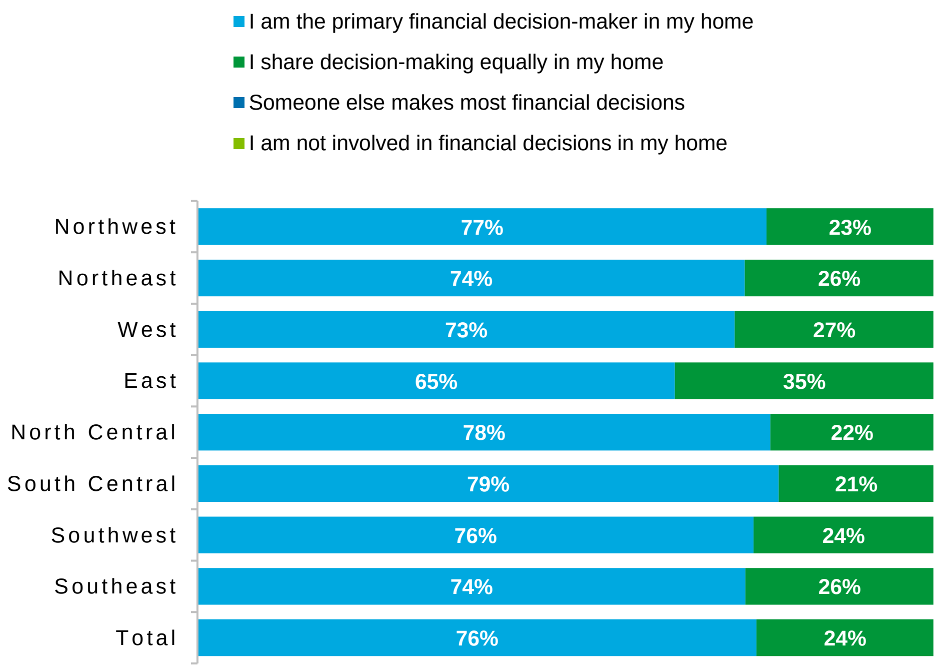
[14] Op. Cit., OECD, 2013.

Retirement From the Consumer Perspective

The Mexican chapter in the LIMRA SOA research series on pensions gives a detailed analysis of the local market. 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 — Respondents by Decision Authority

Answering the question: *How would you describe your role in financial decision-making in your home?*



The majority of Mexicans have children and a spouse as their main dependents, demonstrating the preeminence of the nuclear family, especially in the Southeast. Mexico is shifting towards a nuclear family structure, with fewer children, due to couples (including same-sex couples) deciding not to have children or delaying family planning. For this reason, the dependence of parents, in-laws or other relatives is slowly disappearing. This trend varied slightly among subregions but only in the Southwest did the mother as a dependent not reach 18 percent.

Table 5 — Financial Dependence

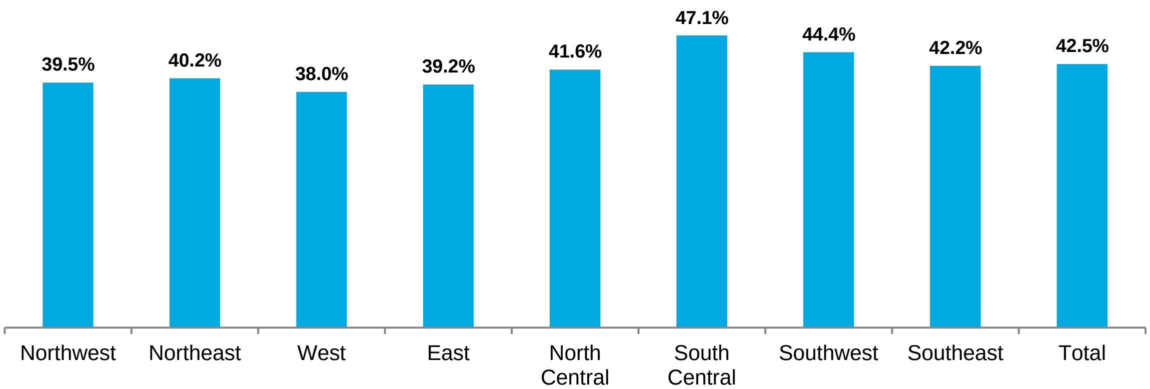
Answering the question: *Which of the following individuals are your financial dependents?*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast
Spouse	51.8%	55.4%	51.1%	44.1%	58.2%	49.3%	46.2%	60.7%
Mother	16.8%	15.4%	15.0%	13.5%	9.2%	9.9%	17.8%	13.3%
Father	7.6%	9.4%	5.0%	6.8%	2.2%	5.4%	8.9%	6.7%
Child(ren)	64.7%	54.7%	55.0%	58.1%	54.1%	58.0%	51.1%	68.9%
Mother-in-law	5.5%	1.0%	2.3%	1.5%	2.9%	2.4%	2.6%	2.4%
Father-in-law	1.8%	0	0	0	0	0.7%	0	1.2%
Siblings	1.7%	1.7%	4.0%	1.4%	1.1%	2.9%	2.2%	2.2%
Other, please specify	0.8%	3.4%	1.0%	0	2.2%	2.2%	2.2%	1.1%
None	14.3%	16.2%	19.0%	17.6%	15.7%	21.3%	26.7%	10.0%

The trend observed is that people live longer, but more often alone, increasing the need for specific end-of-life care and the need to finance those years through adequate savings. However, to successfully fulfill this responsibility over a longer period of time, careful financial planning is required. When respondents were asked if they were working with financial planners to make financial household decisions, almost half of them (42 percent) stated that they did not work with any financial professionals. This trend is stronger in the South Central and the Southwest regions.

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

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



Around 16.2 percent of respondents have never taken any action regarding retirement planning, which shows that almost a fifth of people may not be aware of the need to prepare for financial stability in retirement. In the Northwest and West regions, respondents were most likely to indicate that they have determined their income during their retirement (see Figure 16).

Retirement planning varied in each subregion: in the Southwest region health expenses for retirement were more commonly determined. It is concerning that almost 9 percent of respondents in the Southwest region have never taken any action.

Figure 16 — Retirement Planning Initiatives

Answering the question: Which of the following retirement planning activities have you taken?

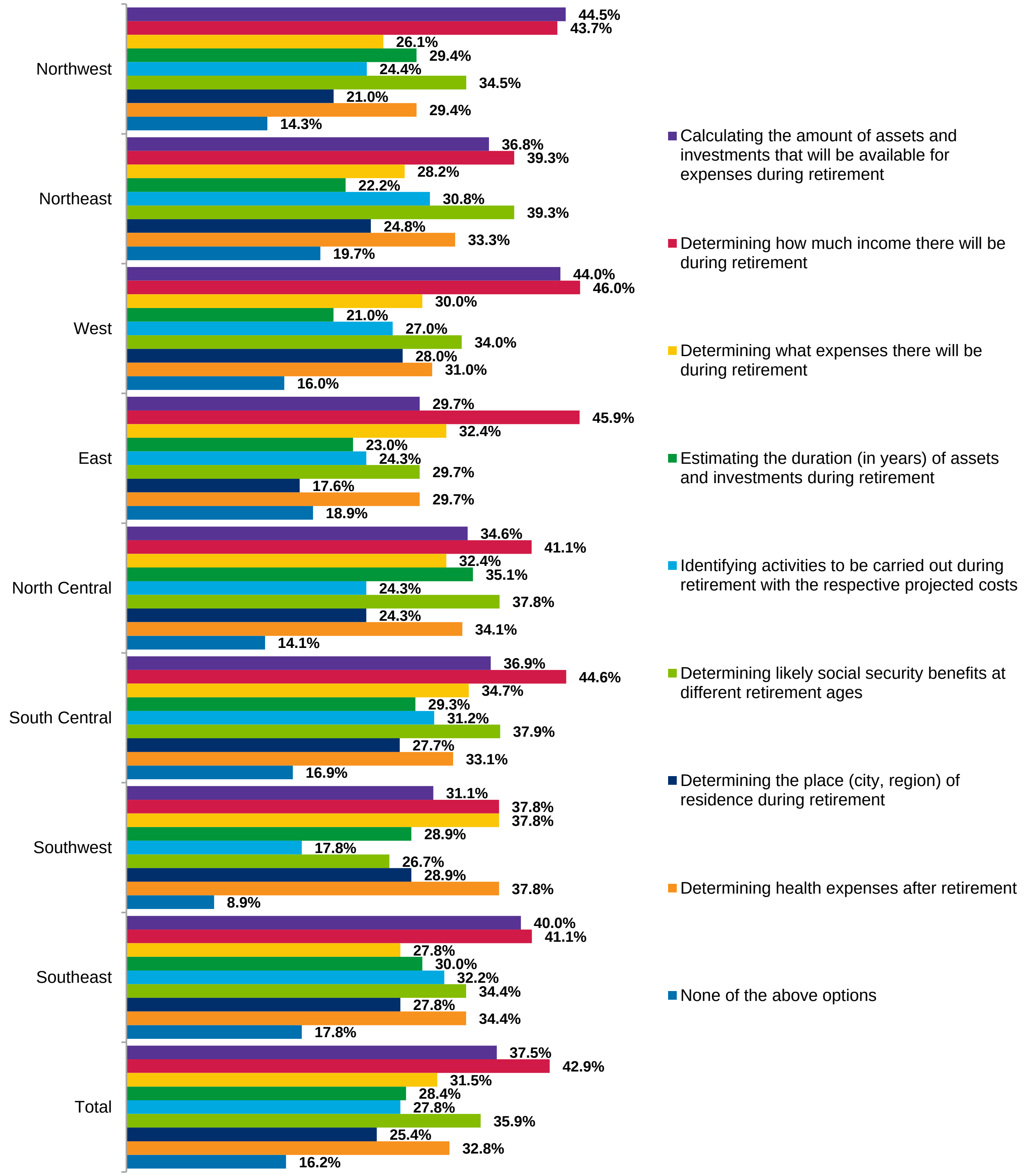
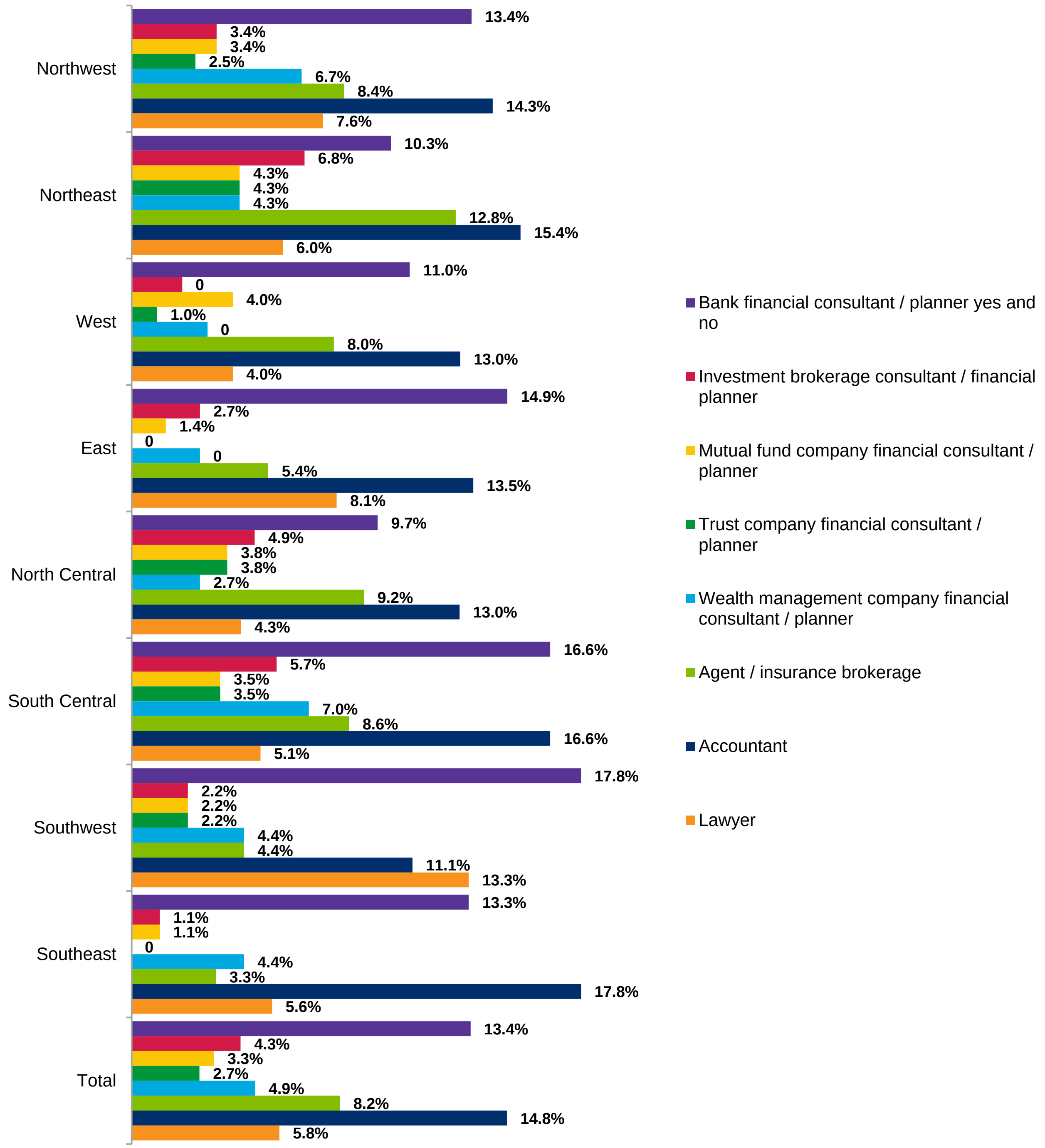


Figure 17 — Those Who Work With Financial Professionals, Work With ...

Answering the question: *In your household, do you usually seek help from financial specialists?*



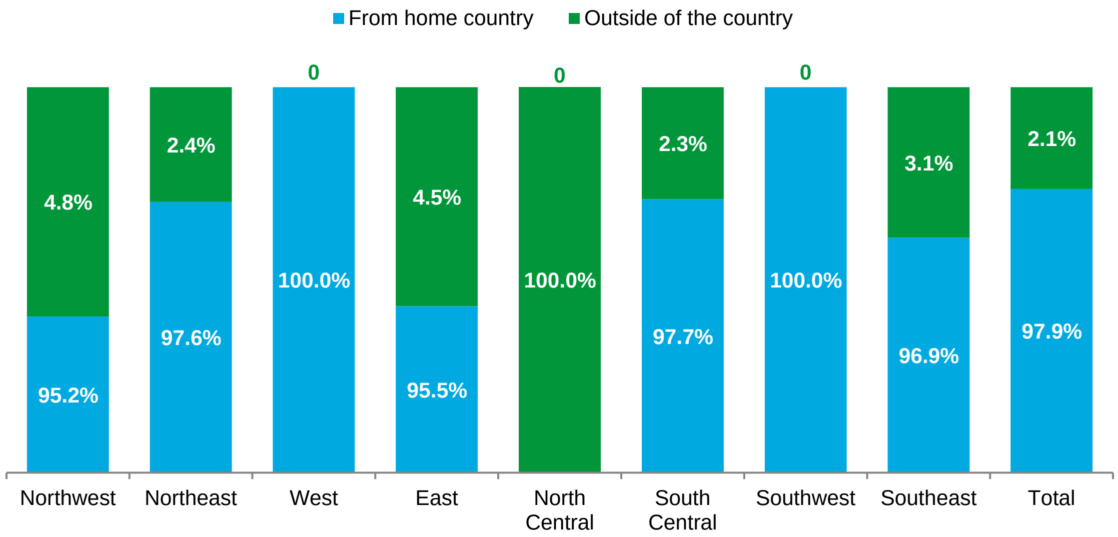
As was seen above, a high proportion of respondents, 42 percent, do not go to financial professionals to make financial decisions. For this, they prefer to refer to accountants, who may not necessarily be experts and may not provide sustainable and appropriate advice over time.

It is possible that respondents prefer advice from these professionals as they seek to maintain a degree of certainty that they will be protected from the financial services industry, which close to half of people indicated they do not trust. However, this group is followed closely by respondents who prefer to speak with a financial planner or insurance broker and a financial planner or advisor through a bank.

A financial consultant/planner at a bank and insurance agent (broker) are the most preferred option for respondents in the Southwest and South Central regions.

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

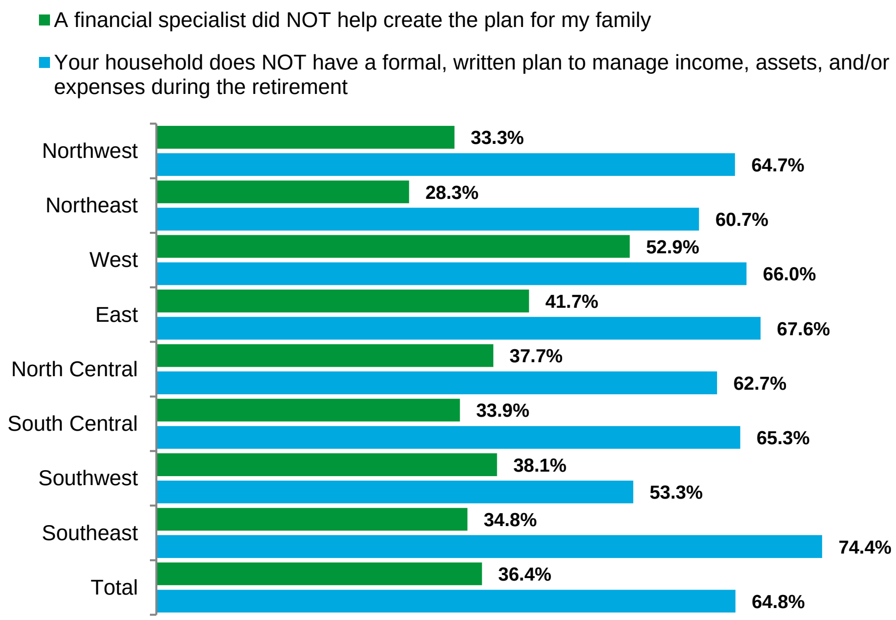
Answering the question: *Does your financial advisor operate within the country or abroad?*



Thirty-six percent of respondents do not work with financial professionals to create a family retirement plan.

Figure 19 — Retirement Planning

Answering the question: *Does your household have a written formal plan to manage income, assets and/or expenses during retirement? Did a financial specialist help to create a plan for your family?*



Respondents regularly seek professional help for financial decisions; but do not commonly seek help from financial specialists for retirement planning. Almost 36 percent of the respondents did not seek help from financial professionals to plan their retirement, especially those surveyed in the East and West regions.

Furthermore, 64.8 percent of respondents did not have a formal written plan to manage their income, assets and expenses during retirement.

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

Response to the statement: *For each of the following statements regarding your retirement concerns and actions, indicate if you completely agree, slightly agree, neither agree nor disagree, slightly disagree, or completely disagree.*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Trust									
I am confident that I will be able to live the retirement lifestyle I want	79.0%	70.9%	74.0%	67.6%	75.7%	76.8%	71.1%	68.9%	74.3%
I have enough savings to last until the end of my retirement	45.4%	44.4%	48.0%	39.2%	50.8%	49.7%	51.1%	43.3%	47.4%
Need Support									
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	75.8%	73.8%	75.8%	72.7%	74.4%	78.8%	75.9%	77.4%	76.2%
Action Statement									
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	69.7%	70.1%	70.0%	63.5%	65.4%	72.9%	66.7%	73.3%	69.7%
I am currently very involved in monitoring and managing my retirement savings	52.9%	53.0%	59.0%	59.5%	57.8%	58.3%	64.4%	53.3%	57.0%
Challenges and Mindset									
I do not trust financial institutions with my money	25.2%	19.7%	19.0%	28.4%	30.8%	25.5%	28.9%	25.6%	25.5%
It is rare to hear people talk about retirement planning in the workplace	48.4%	50.0%	48.5%	52.3%	56.8%	63.7%	62.1%	67.7%	57.1%
I have/will inherit property from parents/relatives	31.9%	26.5%	37.0%	23.0%	28.1%	29.3%	31.1%	26.7%	29.2%

Note: the previous numbers represent summary options of "somewhat agree" and "totally agree." The first three options per market have been highlighted. In certain cases, four options were highlighted when the figures in third and fourth place were the same.

Approximately one quarter (25.5 percent) of respondents were not willing to trust financial institutions, with this indicator being higher in the North Central and Southwest regions, where it reached 28.9, although when there is trust, the level is higher amongst young workers. Seventy-nine percent of respondents in the Northwest region believe that they will be able to have their desired lifestyle in retirement. This trend is also high amongst respondents in North Central and South Central regions, where almost 76.8 percent believe that they will have their desired lifestyle in retirement.

A rather low 57 percent stated that they are currently very involved in monitoring and managing their retirement savings, whilst only 35 percent previously stated that they had a formal written retirement plan. This low incidence is proof that the help of financial professionals is needed to guide the young recipients of the demographic bonus in the education, orientation, and planning of their retirement. The majority of respondents from the South Central region indicated that they would like their employers to make more complete information and guidance available on savings and retirement planning. This finding is a wake-up call that should be considered for a macro-plan of financial education through proactive institutions.

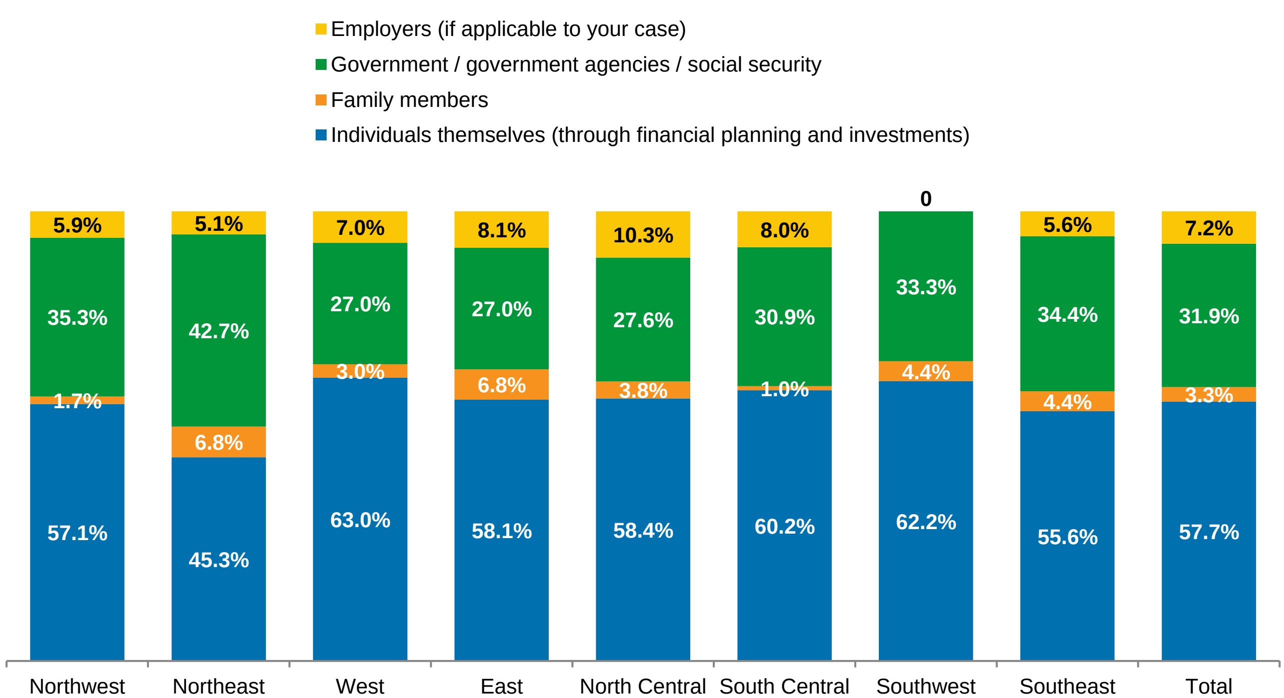
A quarter of consumers are willing to trust financial institutions with financial matters, although the North Central region may represent a small difference. This level of trust is possibly due to the cyclical effects of the economy.

A quarter of consumers are willing to trust financial institutions, and 57 percent believe that it is their own responsibility to finance their retirement.

More than half of respondents in Latin America believe that it is their responsibility to plan for retirement and do not want to rely on the government, nor on family members. **In the case of Mexico, 57.7 percent indicated that it is an individual's own responsibility to provide retirement funds.** In addition, 32 percent believe social security should cover retirement.

Figure 20 — Main Responsibility for Providing Retirement Funds

Answering the question: *Who should be primarily responsible for providing retirement funds?*



Slightly more than 57 percent of respondents in Mexico believe that it is their own responsibility to finance their retirement and to generate retirement income from personal savings and investments. However, the respondents showed a high level of agreement with several of the options, which suggests an awareness that a single income flow may not generate an adequate retirement income.

It is concerning that a high 75 percent of the respondents would depend on income from full-time or part-time work during retirement, a figure similar to previous studies in Latin America that showed that in 2013 there were more than 70 percent of Brazilian young and pre-retired people who were planning to continue to work after legally retiring.[15] Almost 80 percent of this group will continue to work for financial reasons, because they will not otherwise have enough money to allow them good quality of life.[16]

There is an obvious anxiety or need that reveals itself for people when facing their post-retirement future prospects, which is vital to understanding what may be happening today with younger generations. In order of importance of financial problems, one in three consumers in Mexico stated that they are worried about having enough money to comfortably retire. What is striking is that people under the age of 37 are those who are most worried about financial problems.[17]

There were also meaningful answers about saving using a (private) pension system and about complementary pensions. Life insurance was also preferred, mainly by respondents in the Southeast region.

[15] Poblete, Hernán and Fabiana Dias Da Cunha, *Longevidad Económicamente Activa*, São Paulo, 2014.

[16] Ibid.

[17] Poblete, Hernán and Silvia Cardarelli, *Pulso de los Seguros y las Preocupaciones Financieras*, LIMRA y Orígenes Seguros, Argentina, 2019.

Table 7 — Source of Anticipated or Current Retirement Income

Answering the question: *Which of the following sources of income does your household currently receive? [IF YOU ARE WORKING] Indicate what sources of income you expect to receive during retirement.*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Personal savings and investments	87.4%	86.3%	88.0%	86.5%	84.9%	87.6%	88.9%	84.4%	86.7%
Pensions System (Private)	87.4%	82.1%	84.0%	78.4%	77.8%	79.9%	75.6%	75.6%	80.4%
Rent from real estate	63.0%	61.5%	65.0%	55.4%	51.4%	61.5%	55.6%	70.0%	60.2%
Complementary business pension plans (private pension plans offered by employer with voluntary membership)/Voluntary plans by the employer	72.3%	75.2%	69.0%	71.6%	64.3%	67.2%	71.1%	74.4%	69.4%
Personal retirement plans (voluntary plans purchased directly through banks and brokers/insurance agents)	61.3%	59.0%	57.0%	60.8%	55.7%	57.3%	71.1%	57.8%	58.5%
Salary from full-time/part-time employment	78.2%	74.4%	73.0%	82.4%	73.5%	74.2%	75.6%	73.3%	75.0%
Inheritance from a family member	36.1%	35.0%	43.0%	39.2%	29.7%	28.3%	57.8%	35.6%	34.3%
Family assistance (including minors)	37.0%	38.5%	37.0%	37.8%	30.8%	29.6%	44.4%	36.7%	34.2%
Life Insurance	63.0%	64.1%	56.0%	66.2%	57.3%	55.1%	73.3%	61.1%	59.6%
Reverse mortgage	29.4%	29.9%	24.0%	37.8%	22.2%	22.6%	35.6%	18.9%	25.6%

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."

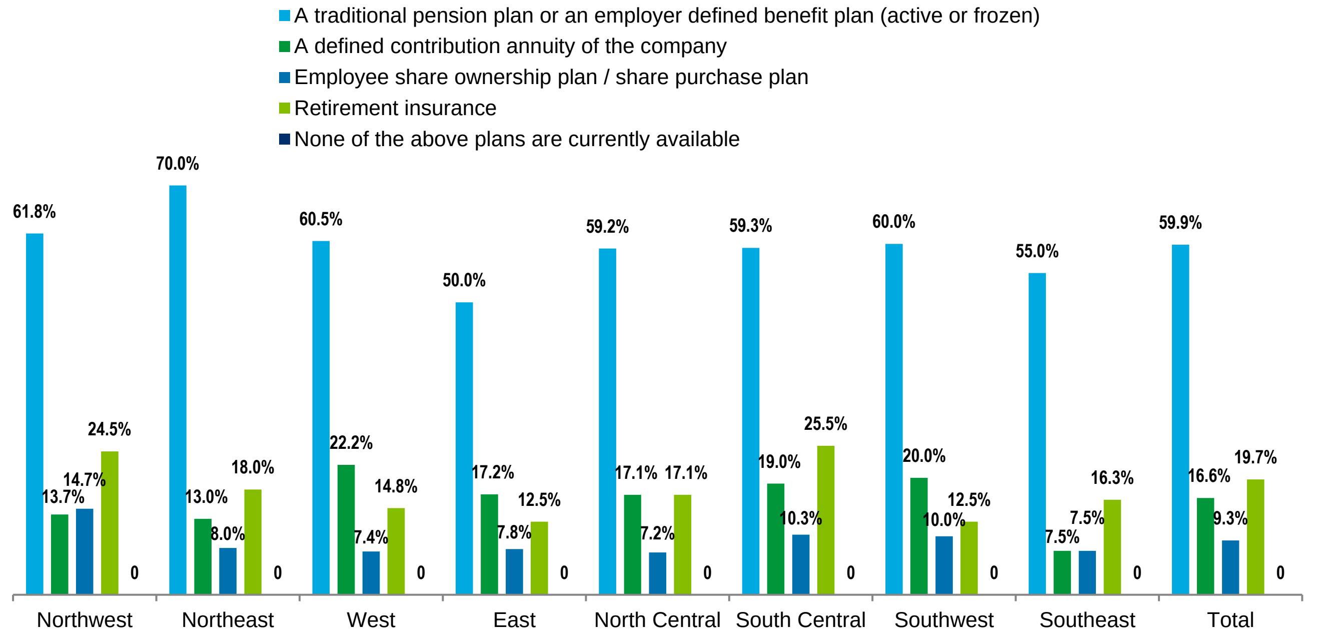
Seventy-five percent of respondents stated that they would rely on income from full-time or part-time work to sustain their retirement. This indicates that people have assumed that they will continue working after retiring. Economically active longevity will become a reality.[18] This trend, which may become critical as more and more people become active after retiring, basically implies that the income that people receive upon retiring will not be sufficient to live on.

More than 59 percent of the participants of this study receive a traditional pension plan or a defined-benefit plan from their employers. And 9.3 percent of respondents indicated that they received an employee stock ownership plan or an employee stock purchase plan (Figure 21). Almost one fifth (19.7 percent) said that they had access to retirement insurance.

[18] Poblete, Hernán*: Antropología de la Longevidad*, "El Abrazo de Godzilla," 2018.

Figure 21 — Retirement Plan Available Through Current Employer, Job, or Profession.

Answering the question: *What pension plans are available to you through your current employer, profession, or job?*

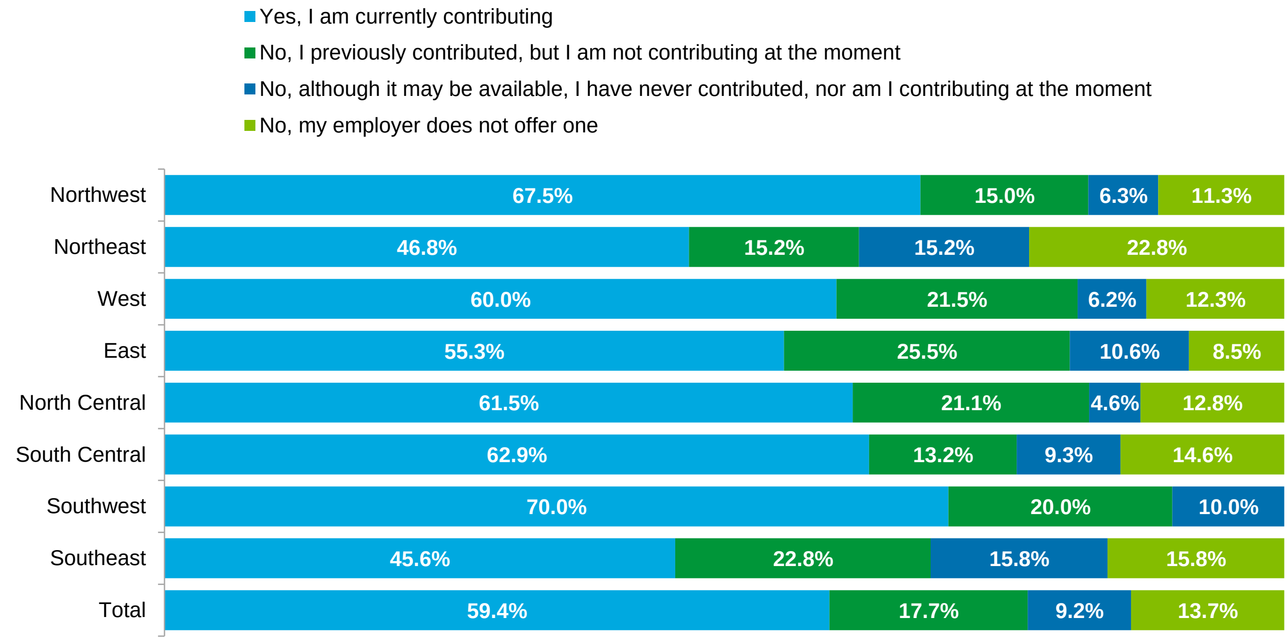


Definition: A defined benefit plan is a supplementary pension plan sponsored by the employer in which the worker's benefits are calculated using a formula that considers factors such as time of service and salary history. A defined contribution plan is a complementary pension plan in which the employee and/or the employer contribute to the worker's individual account as part of the plan. When distributed, investment contributions and earnings or losses are included, minus the investment administrative and management fees. The sponsoring company generally matches the contributions made by the employee. The defined contribution plan has restrictions that control when, and how much, each employee can withdraw funds without penalties.

Slightly more than 4 out of 10 respondents in Mexico stated that they do not contribute to any employer-sponsored retirement savings plan (Figure 22). Amongst those who do not make contributions, some have made contributions in the past; others do not make contributions despite having the option to do so; and some do not have the option to make contributions. A low 13.7 percent of respondents in Mexico stated that their employers do not offer retirement savings plans.

Figure 22 — Currently Contributing, or Have Contributed, to an Employer-Sponsored Pension Plan

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



Due to rounding, totals may not equal 100 percent.

Across Mexico, 59 percent of respondents stated that they are contributing to an employer-sponsored retirement savings plan. Respondents from the Southwest subregion were more likely to contribute, with 70 percent doing so. Only 46 percent of respondents from the Southeast region confirmed that they had contributed to employer-sponsored savings plans, making it the subregion with the lowest contribution rate.

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

What percentage of all of your household's retirement savings are employer-sponsored savings? Apart from employer-sponsored savings plans?

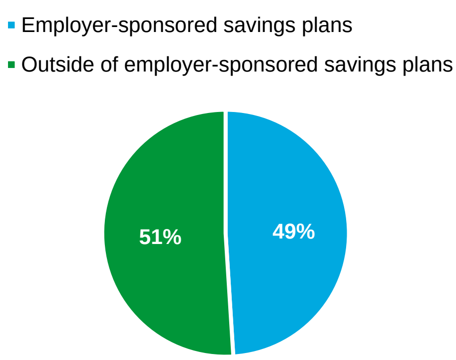
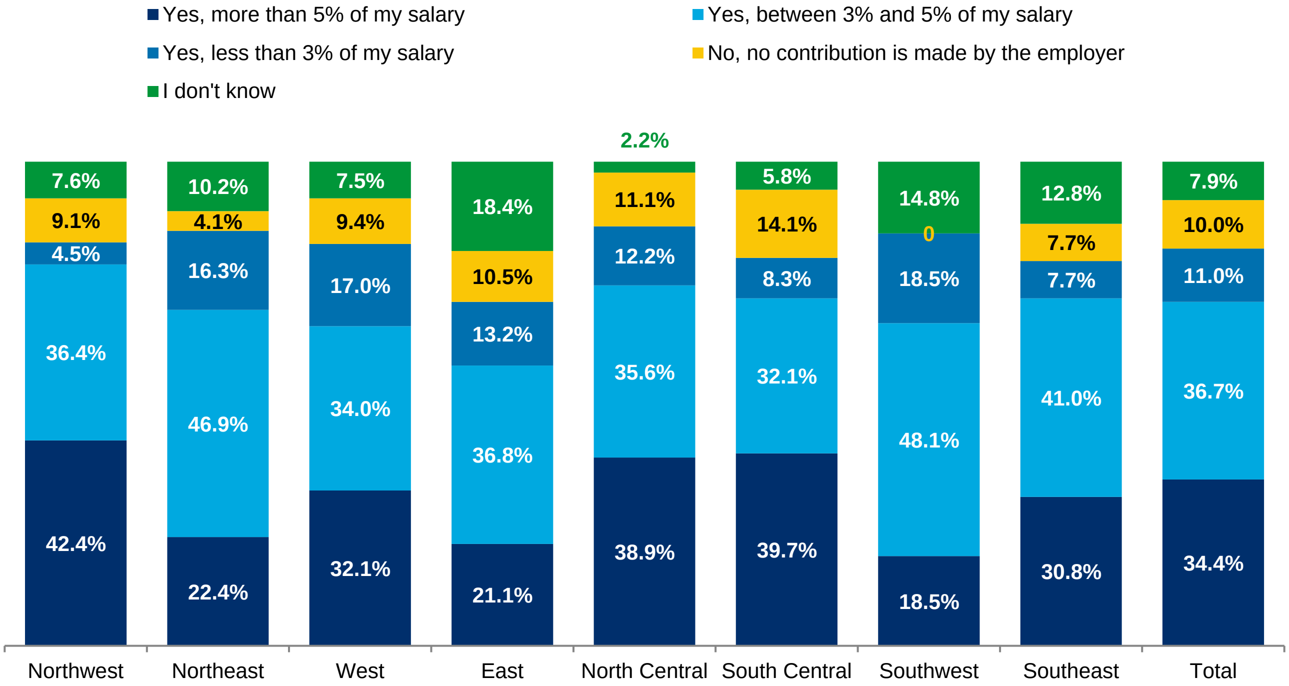


Figure 24 — Extension of Matching Employer Contributions

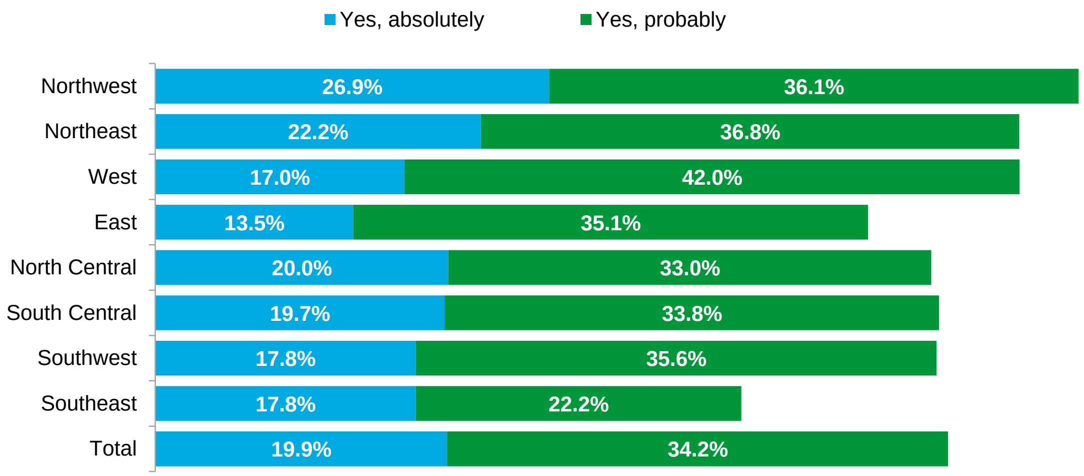
Answering the question: *When you make contributions to your supplementary pension plan, does your employer currently provide a match (for example, 50 percent of the value of your contribution)?*



Nearly 34 percent of respondents stated that they received equal contributions from their employers above 5 percent of their salaries, and more than 36 percent said that they receive contributions of around three and five percent of their salaries. Thirty-nine percent of respondents from the South Central region said that they received contributions of over 5 percent.

Figure 25 — Adequacy of Income From a Supplementary Pension or a Social Pension in Terms of Covering Basic Costs in Retirement

Answering the questions: *Is the amount of income from Social Security and a 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 benefit plan will be sufficient to meet your basic needs during the retirement period?*



Note: The response options provided were Yes, completely; Yes, probably; No, that is unlikely; Definitely not; I don't know. For easy viewing, only the options Yes, completely, and Yes, probably, are shown.

Fifty-four percent of respondents said that income received from social pensions and employer-sponsored defined-benefit pensions were "completely" or "probably" sufficient to satisfy their basic needs. The level of confidence is high in the Northwest, where slightly more than 63 percent said that it is "completely" or "probably" sufficient to satisfy their basic needs during retirement.

However, a high 32 percent indicated that they do not have, nor intend to use, retirement savings as a way to generate income.

Income through renting out property is not a popular way of gaining a retirement income as compared to corporate lifetime annuity with tax benefit and survivor's coverage, which is popular.

Although the preferred method to generate retirement income from investments varied by subregion, a strong preference exists for financial products that provide guaranteed lifetime income with a tax benefit and survivor's coverage and products with options to withdraw income earned from interest and dividends, leaving capital intact.

Compared to 45 percent of people in the Southeast, the respondents from the Northeast subregion showed the highest amount of interest in a corporate lifetime annuity with tax benefit and survivor's coverage product (52 percent). Furthermore, 16 percent expressed an interest in investing in reverse mortgages. This phenomenon is quite unique to some markets, perhaps due to an expected increase in real estate prices, driven by greater urbanization.

Table 8 — Method to Generate Income From Retirement Savings

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

Withdrawal Preferences	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Make regular withdrawals of part of the capital and part of the income	18.5%	12.0%	9.0%	12.2%	14.1%	11.1%	24.4%	15.6%	13.4%
Make occasional withdrawals, or as necessary, from part of the capital and part of the income	26.9%	27.4%	23.0%	28.4%	22.7%	25.2%	22.2%	27.8%	25.3%
Make withdrawals only from interest and dividends, without touching capital	26.1%	17.9%	27.0%	33.8%	21.6%	30.6%	26.7%	22.2%	26.1%
None. In my household we don't intend to use retirement savings to generate income	36.1%	23.9%	33.0%	27.0%	35.7%	35.7%	24.4%	33.3%	32.9%
Buy or search for a product that converts part or total of domestic savings into a guaranteed annuity	10.9%	12.8%	9.0%	8.1%	10.3%	13.1%	4.4%	5.6%	10.5%
Interest in the purchase of properties or annuities for income or growth									
Corporate life annuity with tax benefit and survival coverage	42.9%	52.1%	38.0%	29.7%	37.3%	43.9%	37.8%	45.6%	41.9%
Investing retirement savings in real estate and generating rental income from this	6.7%	9.4%	7.0%	4.1%	5.9%	5.1%	2.2%	2.2%	5.7%
Opting for a reverse mortgage	14.3%	18.8%	24.0%	9.5%	18.4%	15.3%	13.3%	14.4%	16.4%

Note: The first three results per market have been 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 the consumer perspective on the time needed to save for retirement, how many years consumers expect retirement to last, and if consumers correctly estimate their life expectancies at age 60 years.

The majority of Mexicans generally start to save for retirement at around 30 years of age, and spend approximately 35 years "preparing" for retirement.

Respondents in Mexico stated that they plan to retire at age 65, which seems to be a contradiction, given the fact that a significant proportion of them had previously stated that they would work full or part time to earn retirement income.

Figure 26 — Retirement and Retirement Planning

Answering the questions: *At what age do you expect to retire? How old were you when you retired? At approximately what age will you start to save/invest for retirement?*

Mexico		
Started saving for retirement at the age of:	Years to save:	Real and expected retirement age
30	35 years	32.2% at age 65

Around 49 percent of respondents regret having started to save for retirement late, or they have not started to save at all.

Figure 27 — I Regret Delaying Retirement Saving

Agreeing with: *I regret having started to save and invest for retirement a bit late OR I have NOT started to save for retirement at all.*

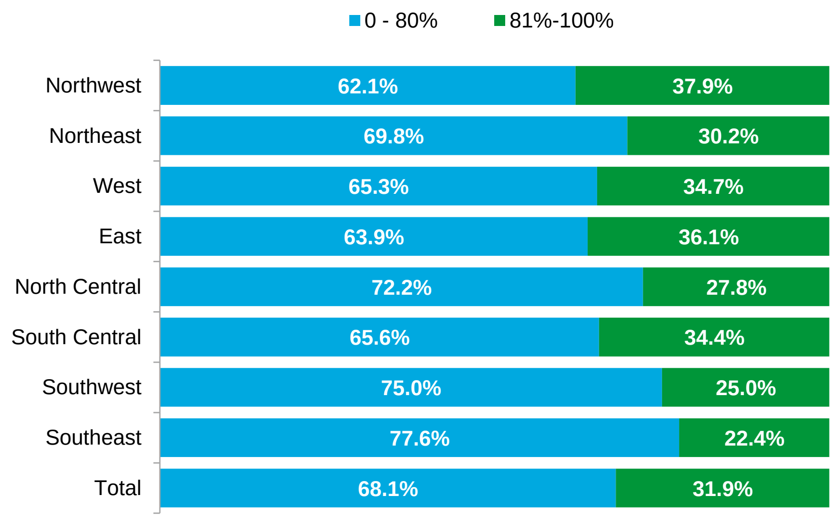
A proportion of the respondents not only regret delaying their retirement planning, but also expect to have a significant retirement income gap when they reach 60 years of age (see Figure 28). Almost 5 out of 10 respondents regret having delayed saving for retirement or not having started to save. This proportion is greater in the Southeast and Northeast regions. People often miscalculate how much money and how much time they need to save and invest and, later on, realize that they have not saved enough.

Slightly more than 68 percent of respondents in Mexico foresee a gap in their retirement funds when they reach 60 years of age, and almost 32 percent expect to have more than 81 percent of the funds necessary to lead a comfortable life in retirement. Respondents in the Southeast and Southwest regions expect to have a much bigger gap in their retirement funds compared to other regions in the country.

At least 68 percent of respondents expect to have a gap in their retirement funds when they reach 60 years of age.

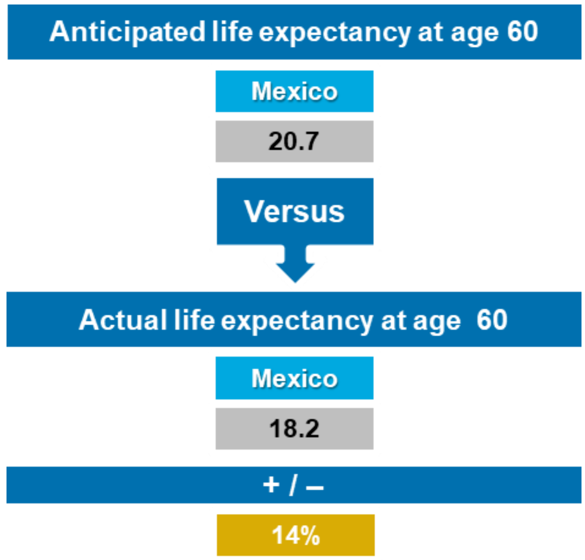
Figure 28 — Expected Gap in Retirement Funds

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?*



The respondents tended to overestimate life expectancy at 60 years of age, which implies that the gap in their retirement funds is slightly smaller than what they expect (see Figure 29). In Mexico's case, respondents expect to live longer than they actually will. The respondents expected to live approximately 20.7 additional years from the age of 60, compared to the reality of 18.2 years. This is a difference of 14 percent.

Figure 29 — Anticipated Life Expectancy at 60 Years of Age Versus Actual Life Expectancy at 60 Years of Age



Note: For the purposes of comparison, the data used was 2035-2040 data from the UN Population Division, considering the age ranges and quota used in the study.

Table 9 — Key Retirement Concerns

Answering the questions: *How worried are you in terms of each of the following? How worried are you in terms of each of the following during retirement?*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Longevity Risk									
The possibility that you or your spouse/partner will outlive your assets	58.8%	67.5%	66.0%	70.3%	69.7%	64.6%	66.7%	65.6%	65.9%
Your spouse/partner's subsistence if you die first	67.2%	74.4%	66.0%	75.7%	65.4%	64.0%	66.7%	72.2%	67.6%
Your own subsistence if your spouse/partner dies first	62.2%	69.2%	62.0%	67.6%	64.9%	57.6%	64.4%	73.3%	63.5%
Health Risk and Long-term Care									
Be able to pay healthcare costs that are not covered by a supplemental health insurance plan	73.9%	82.1%	81.0%	78.4%	79.5%	82.2%	71.1%	87.8%	80.4%
Find available long-term care/nursing home services	67.2%	67.5%	65.0%	67.6%	61.1%	62.4%	71.1%	71.1%	65.0%
A chronic illness can deplete my life savings	77.3%	79.5%	87.0%	83.8%	78.4%	81.5%	80.0%	92.2%	81.8%
Caring for the elderly	63.0%	75.2%	68.0%	73.0%	62.2%	63.4%	68.9%	67.8%	66.2%
Public Policy Risks									
The government or company will reduce pensions	80.7%	84.6%	81.0%	73.0%	75.7%	74.2%	75.6%	77.8%	77.3%
The government or the company will reduce health benefits or health insurance	80.7%	84.6%	76.0%	81.1%	81.1%	74.2%	84.4%	84.4%	79.3%
A society made up of more elderly people will make it difficult for the government to assist the elderly	72.3%	72.6%	72.0%	79.7%	73.5%	71.0%	77.8%	78.9%	73.5%
Economic and Market Risks									
The value of your savings and assets may not be able to keep up with the inflation rate	79.0%	79.5%	81.0%	81.1%	78.9%	79.6%	75.6%	82.2%	79.7%
Tax increase	83.2%	77.8%	83.0%	78.4%	81.1%	76.8%	88.9%	81.1%	80.0%
Prolonged stock market slowdown	68.9%	71.8%	69.0%	67.6%	73.0%	71.3%	75.6%	73.3%	71.3%
Fall in interest rates	73.9%	79.5%	77.0%	68.9%	83.2%	73.6%	77.8%	86.7%	77.3%
Inflation increase	84.9%	88.0%	87.0%	86.5%	84.9%	84.7%	84.4%	85.6%	85.5%
Continue working after retirement	67.2%	66.7%	64.0%	68.9%	67.6%	63.7%	71.1%	81.1%	67.3%

Table 9 — Key Retirement Concerns (cont'd)

Answering the questions: *How worried are you in terms of each of the following? How worried are you in terms of each of the following during retirement?*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Legacy to Family and Other Relatives									
My children belong to the "Neither Nor" group (they neither work, nor study, and they still depend on parents financially even though they are adults).	27.7%	31.6%	30.0%	31.1%	25.4%	27.1%	42.2%	30.0%	28.8%
I haven't started retirement planning yet	53.9%	59.0%	59.3%	56.3%	55.3%	47.5%	62.5%	61.3%	54.5%
Possibility of not being able to leave money to children or other heirs	54.6%	70.1%	58.0%	58.1%	55.7%	51.9%	62.2%	71.1%	58.0%
Possibility that my children do not take care of me and my spouse during retirement	53.8%	56.4%	60.0%	62.2%	52.4%	47.1%	68.9%	57.8%	54.0%
Inability to find or keep a job during retirement	64.7%	64.1%	67.0%	67.6%	68.1%	67.5%	77.8%	76.7%	68.1%

Note: The first three results per market have been highlighted for easy reference. In the cases where the concerns in third place had similar results to the subsequent results, these were also highlighted. Of the three options of "primary concern," "secondary concern," and "not a concern," the results above represent a summary result of "primary concern" and "secondary concern."

In Mexico, the respondents expect an impending gap in retirement funds from the time they reach 60 years of age; they face unique challenges and have valid reasons to worry about retirement. The majority of people worry about being able to pay for costs not covered by a supplemental health insurance plan and they worry that a chronic illness may deplete their life savings.

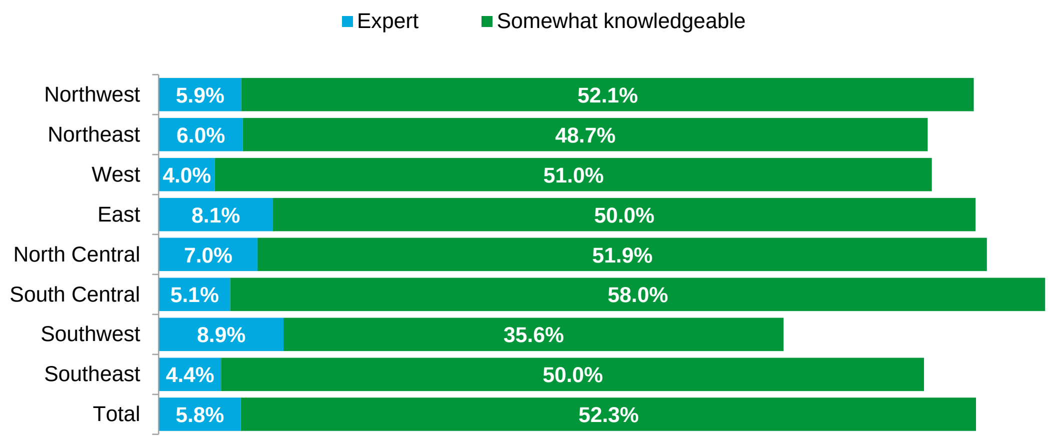
A significant proportion, 67 percent, are worried about continuing to work after retiring, particularly in the Southeast and Southwest subregions. This high level of worry is a clear indicator that people are perfectly aware that once retirement arrives, they may well have to carry on working.

Their other main worries are linked to economic and market risks, or public policy risks. However, some of the subregions also have more unique worries. For example, 79 percent of respondents in the East subregion express worry that a society made up of more elderly people will make it difficult for the government to assist the elderly.

An increase in inflation as well as taxes are the two main worries throughout the majority of Mexico. Respondents are quite worried about paying for medical care that is not covered by their supplemental health insurance plans, and that a chronic illness may deplete their life savings. Previous research has shown that these are valid worries. In fact, 60 percent of health care costs during someone's lifetime occur during old age, particularly from 65 years of age.

Figure 30 — Self-assessment on Knowledge About Investments or Financial Products

Answering the question: *In general, how much do you know about investments or financial products?*



Note: Four options were given to the respondents: Expert, Somewhat knowledgeable, Not very knowledgeable, Not knowledgeable at all. The results above show: Expert, Somewhat knowledgeable.

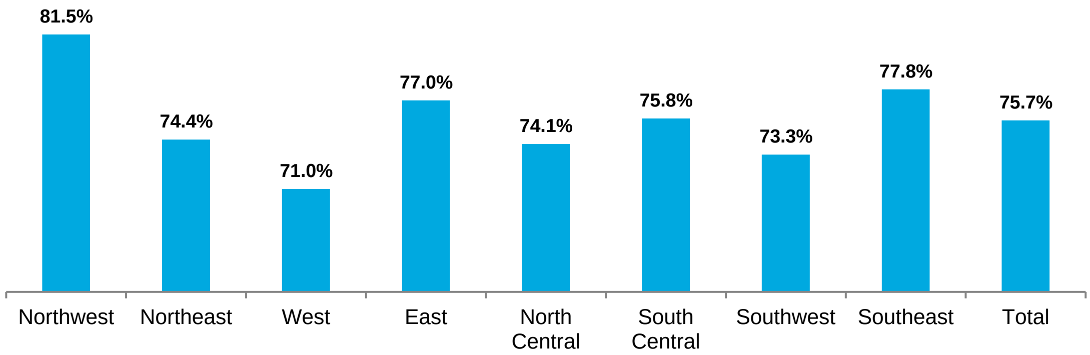
Slightly more than half of the respondents in Mexico recognize their responsibility to generate their own retirement income, and they do not seek professional external advice for retirement planning. A solid understanding of investments or financial products is urgently needed when it comes to individual decision-making. However, based on their self-evaluations, only 5.8 percent of respondents confirmed that they know enough about investments or financial products (see Figure 30). This is a very low number. Consumers in the Southwest region stated that they had more knowledge compared to respondents in the West.

It is important to keep in mind that these responses are self-evaluations. It is possible that while 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.

A significant 75 percent of respondents expressed their willingness to convert a part of their assets into annuities in order to generate retirement income (see Figure 31). The respondents, particularly those in the Northwest, expressed a strong interest in annuities.

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

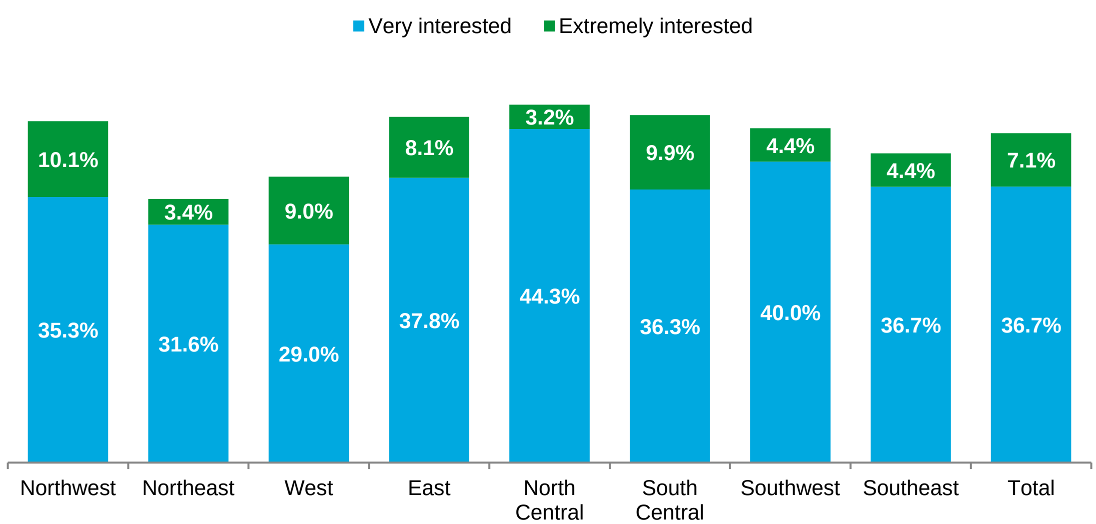
Answering the question: *Annuities can provide a lifetime income stream in exchange for a premium payment. Typically, people no longer have access to the assets used to pay the annuity once it is purchased. Would you consider converting part of your assets, or an additional part of your assets, into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



Note: The results above show the people that replied "Yes."

Figure 32 — Interest in Buying a Tax-Deferred Annuity

Answering the question: *A tax-deferred annuity is a product issued by a life insurance company that allows the insured to save money for retirement. Income taxes are deferred until you retire and start withdrawing money from the annuity. Annuity products also give you the opportunity to convert the balance into lifetime monthly income payments. If these products were available in your market, what would be your level of interest in buying it?"*



Note: The results above represent responses of "Extremely interested" and "Very interested." The following options were given to the respondents: "Not interested at all," "Slightly interested," "Very interested," "Extremely interested."

Some of the respondents also expressed an interest in deferring their tax payments to a tax-deferred annuity, which is the case for 44 percent of the North Central region (see Figure 32). The general level of interest in tax-deferred annuities was not high amongst the respondents. The average did not exceed 36.7 percent.

Table 10 — Preferred Method of Obtaining Information About Investments, Financial Products, or Planning for Retirement

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

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Workshops and/or seminars	7.6%	8.5%	12.0%	1.4%	7.6%	14.3%	15.6%	5.6%	9.9%
Leaflets or other printed materials provided by your employer	14.3%	12.8%	16.0%	10.8%	12.4%	12.7%	8.9%	10.0%	12.6%
My own advisor/ financial planner/ insurance broker	33.6%	20.5%	34.0%	35.1%	23.8%	35.7%	28.9%	32.2%	30.8%
Employer (Human Resources or Benefits Department)	17.6%	15.4%	14.0%	17.6%	16.2%	19.1%	24.4%	15.6%	17.3%
Representatives of the company that manages my employer's private contribution defined contribution plans	17.6%	22.2%	20.0%	9.5%	17.3%	20.4%	13.3%	22.2%	18.8%
Website with information about my specific private pension account/ pension fund	21.0%	30.8%	14.0%	25.7%	25.4%	28.0%	31.1%	27.8%	25.7%
Social networks/ social networking sites	22.7%	20.5%	13.0%	20.3%	16.8%	14.3%	31.1%	15.6%	17.5%
Cell phone apps	11.8%	8.5%	9.0%	2.7%	9.7%	9.9%	11.1%	6.7%	9.1%
Family, friends, or work colleagues	39.5%	35.9%	35.0%	28.4%	31.4%	36.9%	31.1%	36.7%	35.1%
Internet/finances	41.2%	41.9%	31.0%	40.5%	48.6%	47.1%	51.1%	45.6%	44.2%
Websites	31.9%	34.2%	32.0%	31.1%	30.3%	34.7%	40.0%	24.4%	32.4%
Books, magazines, and newspapers	11.8%	18.8%	12.0%	10.8%	9.2%	15.9%	20.0%	18.9%	14.3%
Television or radio programs	9.2%	8.5%	14.0%	10.8%	8.1%	11.1%	13.3%	5.6%	10.0%
Nowhere/I don't know where	8.4%	4.3%	7.0%	8.1%	9.2%	7.6%	4.4%	10.0%	7.7%

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

Digital channels and methods, together with family, friends or work colleagues, are the main source of information about retirement investments, financial products or planning.

With the combination of an increasing need for adequate products and consumers' moderate interest, it is of the upmost importance that the financial industry refine its approach and work with the government and other partners to create and deliver affordable products to help address the anticipated gap in retirement funds.

To this end, this study identifies retirement planning behaviors and product preferences. Long before consumers make the decision to buy annuities or other financial products as retirement income, they would have to contact different sources to receive information about investment options and the features related to the product (see Table 10). Where half plan to retire on their own account, such as in Mexico, it is very important that the industry provide easily accessible information. It is equally critical that the information be accurate and help consumers take measures for a positive retirement outcome.

Although not yet sufficiently, digital methods are becoming an important source of information for respondents, and almost 26 percent of them turn to financial websites for their information needs. Other channels, such as family members, friends, or work colleagues, are also considerably preferred. It is possible that, instead of offering traditional communication and learning options, such as workshops, seminars or television, radio or newspaper messages, the industry needs to rethink how it will share information about planning and retirement products in the future.

It must be taken into account that this survey required access to the internet and it surveyed a segment of the population that is more likely to buy financial products for future retirement.

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

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

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
My own financial advisor/ planner/insurance agent	20.2%	11.6%	23.7%	26.5%	20.2%	24.8%	18.6%	28.4%	22.0%
Internet/finance	14.7%	18.8%	12.9%	14.7%	24.4%	18.3%	20.9%	11.1%	17.7%
Family members, friends, or work colleagues.	20.2%	15.2%	11.8%	14.7%	11.9%	12.8%	4.7%	9.9%	13.2%
Website with information about my specific retirement account	6.4%	11.6%	5.4%	8.8%	13.1%	9.7%	7.0%	14.8%	10.0%
Websites	6.4%	13.4%	14.0%	5.9%	7.1%	8.3%	16.3%	7.4%	9.1%
Representatives of the company that manages my employer's private contribution defined contribution plans	10.1%	11.6%	9.7%	8.8%	7.1%	6.6%	7.0%	11.1%	8.5%
Employer (Human Resources or Benefits Department)	8.3%	5.4%	3.2%	5.9%	4.2%	4.8%	11.6%	4.9%	5.4%
Workshops and/or seminars	1.8%	1.8%	4.3%	0.0%	3.0%	6.2%	9.3%	4.9%	4.0%
Social networks/social networking sites	3.7%	2.7%	3.2%	5.9%	1.8%	1.7%	0	1.2%	2.4%
Television or radio programs	2.8%	1.8%	5.4%	4.4%	0.6%	1.4%	2.3%	1.2%	2.1%
Leaflets, pamphlets, or other printed materials provided by my employer	2.8%	0.9%	2.2%	1.5%	3.0%	1.0%	2.3%	1.2%	1.8%
Others (please specify)	0.9%	0.9%	1.1%	1.5%	3.0%	1.7%	0	1.2%	1.6%
Books, magazines, and newspapers.	0.9%	1.8%	2.2%	1.5%	0.6%	1.7%	0	2.5%	1.5%
Cell phone apps	0.9%	2.7%	1.1%	0	0	1.0%	0	0	0.8%

Note: The options were provided according to the options selected for the preferred method for obtaining information on investments, financial products, or retirement planning.

Note: The respondents were allowed to choose just one option. The results under five percent represent an option chosen by a sample of 10 or fewer.

The respondents indicated that information from the internet and financial websites is useful and is their first choice when obtaining information about a product. Furthermore, although respondents' preference for using financial advisors and planners and/or insurance brokers to obtain information reaches 30 percent, when they did so they did not find it useful (22 percent). These advisors and planners and/or insurance brokers are qualified professionals. They are expected to have solid product knowledge and deliver it in a clear and easy-to-understand way. A face-to-face conversation should improve the experience through the value of a human connection. Its impact cannot be dismissed.

As the contribution of financial advisors and planners and/or insurance brokers are not valued in terms of providing information, the industry needs to rethink not only how to help consumers find the correct products, but also how to provide information in a way that increases confidence amongst consumers. With this approach, these industry professionals will emerge as a preferred source of information.

Websites and financial sites are in fashion and the preferred method of obtaining information. Information from financial advisors, planners or insurance brokers is not considered to be as useful and is not the preferred source.

We asked the respondents to tell us about their preferences, aside from cost, regarding features of financial products or investments that could be used to generate an income during retirement. Respondents showed a preference for guaranteed lifetime income, principal protected notes, and assets that have the potential to increase with the market. Almost 45 percent showed interest in the option to withdraw all their money as a lump sum and manage it themselves.

Respondents have an affinity for the features that guarantee a lifetime income, income that remains fixed during retirement, and features that offer guaranteed rates of return.

There were also some strong preferences that varied in each subregion. For example, in the North, a greater preference was shown for product features that allow an initial investment that is safeguarded or protected. The respondents from the Southeast would prefer guaranteed lifetime income products, whilst the majority of people from the Northeast are interested in investments with a guaranteed rate of return.

Just like in the majority of other countries in the region, Mexican consumers do not show a very strong preference for premium policies, although policies in which the premiums increase are preferred, especially in the South Central region.

Brokers must do much more to promote the benefits of single-premium products. General public awareness needs to be significantly improved. Banks, insurers, and insurance brokers should promote level-premium and single-premium products just as much as other financial products.

In all of the markets, consumers showed a preference for more conservative product features of guaranteed income and preservation of capital.

Table 12 — Most Preferred Product Features

Answering the question: *Apart from the question of cost, which of the following features are most important to you when choosing between financial or investment products that could be used to generate retirement income?*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Guaranteed lifetime annuity	58.8%	53.8%	60.0%	54.1%	58.9%	60.8%	57.8%	63.3%	59.0%
Inflation-adjusted income	52.1%	50.4%	57.0%	51.4%	54.6%	55.4%	57.8%	53.3%	54.1%
Income that will remain the same or fixed throughout your whole retirement	47.1%	41.9%	58.0%	41.9%	50.8%	51.9%	51.1%	42.2%	49.0%
Income that has the potential to increase with the market	56.3%	51.3%	56.0%	58.1%	57.3%	62.7%	53.3%	62.2%	58.3%
Income that will continue after my death or my spouse's death	54.6%	59.8%	53.0%	47.3%	52.4%	49.4%	51.1%	61.1%	53.0%
Income amount that can be modified as my needs change	54.6%	49.6%	53.0%	54.1%	47.0%	55.4%	46.7%	47.8%	51.8%
Income that can be converted into a quantity by the total amount	37.0%	41.0%	37.0%	37.8%	35.7%	38.2%	31.1%	34.4%	37.2%
Initial investment that is preserved or protected	58.8%	46.2%	53.0%	54.1%	58.9%	56.7%	57.8%	52.2%	55.3%
Control over how investments are managed	55.5%	45.3%	54.0%	54.1%	49.7%	55.4%	48.9%	52.2%	52.5%
Investment with a guaranteed rate of return	51.3%	53.8%	55.0%	51.4%	56.2%	57.3%	53.3%	56.7%	55.2%
Money for heirs or charitable organizations posthumously	36.1%	33.3%	32.0%	41.9%	25.9%	31.2%	37.8%	27.8%	31.9%
Ability to make withdrawals that exceed the regular amount of income	37.8%	37.6%	34.0%	36.5%	38.9%	33.4%	37.8%	40.0%	36.4%
Option to receive predefined payments of annuities in foreign currency (for example, USD, AUD)	34.5%	36.8%	38.0%	43.2%	40.5%	39.8%	42.2%	38.9%	39.1%
Single premium	33.6%	26.5%	28.0%	43.2%	37.8%	35.4%	35.6%	36.7%	34.6%
Level premium	28.6%	30.8%	31.0%	28.4%	33.5%	35.7%	22.2%	35.6%	32.4%
Increasing premium	40.3%	38.5%	38.0%	44.6%	37.8%	46.5%	33.3%	42.2%	41.5%
Tax benefits	44.5%	46.2%	32.0%	44.6%	45.9%	50.0%	40.0%	47.8%	45.5%
Option to withdraw all the money as a lump sum and manage it yourself.	32.8%	41.0%	40.0%	45.9%	44.9%	44.9%	40.0%	45.6%	42.5%

Note: The following options were given to the respondents: "Not at all important," "Somewhat important," "Very important," "I don't understand this feature." The results above show the percentage of respondents who selected "Very important."

Definitions: **Single premium:** a pension plan in which an upfront cash lump sum is paid to guarantee payments to recipients. **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 the premiums will increase over time.

Banks emerge as the preferred channel for buying retirement products, with brokers, advisors, and agents trailing far behind.

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?*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Bank	45.4%	35.0%	46.0%	33.8%	42.2%	42.4%	37.8%	52.2%	42.2%
Broker/financial advisor (sells multiple products)	9.2%	10.3%	6.0%	6.8%	12.4%	10.8%	4.4%	4.4%	9.3%
Insurance company agent	3.4%	6.8%	8.0%	4.1%	4.3%	4.1%	4.4%	2.2%	4.6%
Agent from a pensions company	7.6%	11.1%	10.0%	12.2%	12.4%	11.1%	11.1%	8.9%	10.7%
By phone	0	4.3%	0	1.4%	1.6%	0.3%	2.2%	0	1.1%
Post office	0.8%	5.1%	2.0%	1.4%	0.5%	0.3%	0	0	1.1%
Insurer's website	4.2%	6.0%	7.0%	8.1%	1.1%	5.4%	4.4%	2.2%	4.6%
Insurance aggregator's website	3.4%	1.7%	1.0%	8.1%	2.2%	1.3%	0	5.6%	2.5%
Cell phone apps	0.8%	0	0	1.4%	1.1%	0.3%	4.4%	4.4%	1.1%
Another channel (Please specify)	0	0.9%	1.0%	0	0	1.0%	0	2.2%	0.7%
Insurance company	25.2%	18.8%	19.0%	23.0%	22.2%	22.9%	31.1%	17.8%	22.1%

Note: By phone is in fourth place in Cuyo, while in the Northeast and Northwest regions, pension companies were in fourth place.

The majority of preferred product features are designed to meet basic needs, and some reflect the unique needs of different stages of life and other unique personal needs (see Table 14).

It is surprising to see that banks continue to be the preferred channel through which to buy retirement products, much more than more specialized channels such as brokers or agents, which do not exceed 10 percent. Nor were online channels preferred for the majority of the country, apart from in the East (insurer's website), but by a percentage of 8 percent. The North indicated that they preferred to buy these products through banks. As internet use becomes more widespread in Mexico, online channels are yet to gain stronger popularity.

Maintaining physical health and well-being is a priority for the majority of people.

Amongst all these investments and product concerns, respondents have their uniquely individual goals to achieve in retirement. There are no differences on a regional level, demonstrating that this is a universal theme: the top priority amongst respondents is to maintain good health and well-being. They also expressed a clear desire to resolve the matter of care and total dependency in their final years of life, which follows the intention to continue working after retirement. Very few expressed a desire to move out of their homes to retirement communities or nursing homes.

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?*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Maintaining my physical health and well-being	76.5%	74.4%	77.0%	82.4%	86.5%	82.5%	77.8%	81.1%	80.7%
Resolving the matter of care and total dependency in my final years of life	57.1%	60.7%	62.0%	70.3%	67.0%	62.1%	51.1%	56.7%	61.9%
Spending more time with friends and family	64.7%	59.8%	51.0%	66.2%	57.8%	60.5%	66.7%	66.7%	60.7%
Traveling more	47.9%	57.3%	55.0%	63.5%	48.1%	51.9%	46.7%	58.9%	52.9%
Stay living in my current home	52.9%	46.2%	48.0%	54.1%	44.3%	46.5%	48.9%	47.8%	47.7%
Learning a new skill/hobby	43.7%	38.5%	43.0%	47.3%	47.0%	40.1%	42.2%	44.4%	42.8%
Supporting my family financially	42.0%	47.9%	37.0%	48.6%	41.1%	36.9%	40.0%	46.7%	41.3%
Saving in order to leave an inheritance	33.6%	41.9%	22.0%	43.2%	30.3%	29.0%	28.9%	34.4%	32.0%
Moving to another region for better weather, costs, and facilities	21.8%	29.1%	31.0%	28.4%	28.1%	28.3%	22.2%	26.7%	27.5%
Joining a group/activity/ community for retired people	30.3%	27.4%	24.0%	28.4%	25.9%	24.8%	17.8%	22.2%	25.6%
Moving to a nursing home	13.4%	17.9%	14.0%	10.8%	14.1%	12.4%	20.0%	8.9%	13.5%
Moving to a retirement community	11.8%	16.2%	8.0%	8.1%	11.9%	12.1%	6.7%	7.8%	11.2%

Note: The results represent "Very important" responses of the general options: "Not important," "Important," and "Very important."

Opportunities for the Industry

The industry has a significant opportunity to help to address the impending gap in retirement funds by developing and delivering some of the products that consumers have identified in this study. The findings of this consumer research point to compelling opportunities for the financial services industry to explore. Some of them include the following:

- **Responsibility:** Slightly more than half of respondents in Mexico believe that it is their own responsibility to finance their retirement. From this group, young workers (37 percent) identified this responsibility more than pre-retired people (31 percent) and retirees (32 percent). This finding points to a changing mindset, where the youngest generation could be willing to be proactive and take care of their future needs, without depending on the government. This thinking in the youngest segment suggests that they may be anxious about making decisions and taking actions that will help them to plan their retirement. The industry needs to make the most of this opportunity and help people to build a retirement fund.
- **Retirement planning:** In Mexico, around half of people (42 percent) indicated that they do not work with any financial professionals. This trend is stronger in the South Central and the Southwest regions. Furthermore, 64 percent of respondents do not have a formal written plan to manage their income, assets, and expenses during retirement. Thus respondents may be willing to take action themselves, but the question remains whether they are well equipped enough to do so. The industry, along with other interested parties, needs to intervene and educate future retirees about how to plan for retirement and make the most of available resources.
- **Key hopes:** Maintaining good health and well-being is one of the top priorities amongst respondents. They also expressed a strong desire to resolve the matter of care and total dependency in their final years of life. These objectives are not impossible to reach, so long as people start saving carefully.
- **Delay:** Although slightly more than half of respondents in Mexico believe that it is their responsibility to plan for their retirement, they put it off, and almost 5 out of 10 respondents regret having delayed planning for retirement. The feeling of regret is greatest amongst young people, with 37 percent saying that they regret having delayed planning for retirement. These “regrets” also suggest that people often miscalculate how much and for how long they need to save and invest, only to realize at an older age that they have not saved enough. They certainly need some professional advice to guide them. Although some were willing to take responsibility, they may not have enough “financial knowledge” to understand the impact of starting to save late. This is where the industry has to guide people on when to start, how to start, and possible areas of investment.
- **Gap in retirement funds:** Sixty-eight percent of respondents in Mexico foresee a gap in their retirement funds when they reach 60 years of age, and almost 32 percent expect to have more than 81 percent of the funds necessary to lead a comfortable life in retirement. Respondents in the Southeast and Southwest expect to have a much bigger gap in their retirement funds compared to other regions in Mexico. This large gap is the result of inaction and not taking the appropriate steps to secure their retirement. The industry should intervene to train financial advisors and provide them with the tools to be able to evaluate individual retirement needs. It is only then that the industry can start to close the retirement fund gap. A gap of this importance creates a great opportunity for the industry to increase its participation in a relatively unexploited market with enormous potential.

- **Overestimating life expectancy:** In Mexico's case, respondents overestimate their life expectancy by 14 percent and usually expect to live for longer than they actually do. Mexicans expect to live for around 20.7 additional years from 60 years of age, but in reality they will live for an average of 18.2 years. These differences in the perception of how long they expect to live for, versus how long they actually live for, not only affect the amount of retirement income required, but also medical care expenses during retirement. With the increase in longevity, it will become clear that living longer requires adequate provisions, and that its consequences will affect not only the individual, but their family too.
- **Willingness to buy annuities:** Seventy-five percent of respondents in Mexico expressed their willingness to convert a part of their assets into annuities in order to generate retirement income. The respondents, particularly those in the Northwest and Southeast, expressed a strong interest in annuities. The level of interest is high for the pre-retired segment, especially in the Southeast and Northwest regions. The fact that consumers are willing to invest in such products, as long as their worries are resolved through these products, appears to be a potentially historic opportunity for the sector.
- **Features of preferred products:** Amongst the options offered to respondents, strong preferences were expressed towards products with guaranteed lifetime income, a principle-protected note, and fixed rates of return. The respondents are also interested in having greater control over their investments and having the ability to adjust their portfolios. Specifically, respondents have an affinity for the features that guarantee a lifetime income, income that remains fixed during retirement, and features that offer guaranteed rates of return. The key to successful retirement planning is to start early and end up saving enough.
- **Preferred purchasing channels:** Face-to-face channels are the more preferred way to buy these products in all subregions, and banks continue to be the most preferred channel for purchasing retirement products, greatly surpassing agency and/or broker channels. Online channels have a low preference in all regions, with insurers' websites being least likely to be preferred in the North Central region.

Appendix*

This study is an extension of the Asia 2018 retirement study, which was a collaboration between the Society of Actuaries (SOA) and LIMRA, and is aimed at discovering the challenges facing selected markets in Latin America. Its objective is to provide information on consumer perceptions of retirement in nine major regions of the country.

Table A-1 — Respondents by Employment Status

Answering the question: *Are you currently...?*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
I have paid full-time work	70.6%	62.4%	56.0%	52.7%	61.6%	62.7%	55.6%	64.4%	61.9%
I have full-time self-employed work or a family business	9.2%	13.7%	15.0%	27.0%	14.6%	16.2%	24.4%	20.0%	16.2%
I have a part-time job	5.9%	9.4%	10.0%	6.8%	5.9%	4.8%	8.9%	4.4%	6.4%
I have a part-time job even after having formally retired (for example, receiving a pension and working part time)	4.2%	3.4%	4.0%	1.4%	4.9%	4.1%	6.7%	1.1%	3.8%
I have a full-time job even after having formally retired (for example, receiving a pension and working full time)	0	2.6%	2.0%	2.7%	1.1%	1.9%	0	1.1%	1.5%
I am retired and don't have a paid job (for example, receiving a pension and not working)	10.1%	8.5%	13.0%	9.5%	11.9%	10.2%	4.4%	8.9%	10.2%
I have been dismissed, or I am unemployed and looking for work	0	0	0	0	0	0	0	0	0
I am disabled or unemployed	0	0	0	0	0	0	0	0	0
I am a housewife	0	0	0	0	0	0	0	0	0
I am a full-time student	0	0	0	0	0	0	0	0	0

*Totals in some tables may not add to 100 percent due to rounding.

Table A-2 — Respondents by Type of Employer

Answering the question: Which of the following options best describes your employer / From what type of employer did you retire?

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Public sector (including government-controlled public institutions)	36.1%	36.8%	29.0%	24.3%	34.1%	30.9%	22.2%	32.2%	31.8%
Private sector (company)	49.6%	37.6%	44.0%	39.2%	41.6%	49.4%	42.2%	46.7%	44.9%
SME (small or medium enterprise)	3.4%	10.3%	9.0%	17.6%	10.8%	5.1%	6.7%	6.7%	8.0%
Own/family business	10.9%	15.4%	18.0%	18.9%	13.5%	14.6%	28.9%	14.4%	15.3%

Table A-3 — Respondents by Household Size

Answering the question: How many people are in your household?

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
1	7.6%	4.3%	0	2.7%	2.2%	4.5%	2.2%	3.3%	3.6%
2	10.9%	18.8%	22.0%	23.0%	27.6%	24.8%	20.0%	22.2%	22.2%
3	21.8%	23.9%	36.0%	16.2%	21.1%	20.4%	26.7%	12.2%	21.8%
4	29.4%	35.9%	22.0%	24.3%	28.1%	27.1%	26.7%	31.1%	28.2%
5	19.3%	15.4%	10.0%	21.6%	16.8%	15.9%	15.6%	25.6%	17.0%
6	5.9%	1.7%	8.0%	2.7%	2.7%	3.2%	6.7%	1.1%	3.6%
7	3.4%	0	2.0%	1.4%	1.1%	2.2%	2.2%	3.3%	1.9%
8	0.8%	0	0	5.4%	0	1.6%	0	0	1.0%
9	0	0	0	1.4%	0	0	0	0	0.1%
10	0.8%	0	0	1.4%	0.5%	0	0	0	0.3%
11	0	0	0	0	0	0	0	1.1%	0.1%

Table A-4 — Respondents by Total Annual Income Before Taxes

Answering the question: *Which of the following ranges describes your household total annual income before tax? This includes any income from wages, salaries, investments, interest, dividends, social security, pensions, etc.*

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
2,701 – 5,400	0	0	0	0	0	0	0	0	0
5,401 – 10,800	18.5%	13.7%	16.0%	13.5%	12.4%	13.7%	26.7%	16.7%	15.0%
10,801 – 21,600	20.2%	28.2%	25.0%	31.1%	30.3%	27.4%	37.8%	22.2%	27.2%
21,60 – 45,000	37.0%	29.1%	24.0%	27.0%	30.8%	30.6%	26.7%	35.6%	30.6%
45,001 – 64,800	10.1%	14.5%	23.0%	9.5%	13.0%	14.6%	6.7%	20.0%	14.4%
64,801	14.3%	14.5%	12.0%	18.9%	13.5%	13.7%	2.2%	5.6%	12.8%

Table A-5 — Respondents by Current Housing Situation

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

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
I own my home without a mortgage	21.0%	24.8%	23.0%	23.0%	15.7%	15.9%	15.6%	16.7%	18.7%
I live in rented housing	7.6%	12.8%	16.0%	10.8%	11.9%	13.7%	15.6%	10.0%	12.4%
I live with my parents, other family members, friends, or other relatives	1.7%	6.0%	1.0%	6.8%	6.5%	3.5%	6.7%	7.8%	4.6%
I own my home without a mortgage	69.7%	56.4%	60.0%	58.1%	65.9%	66.6%	62.2%	65.6%	64.2%

Table A-6 — Respondents by Education Level

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

	Northwest	Northeast	West	East	North Central	South Central	Southwest	Southeast	Total
Elementary	0	0.9%	0	0	0	0	2.2%	0	0.2%
Secondary	3.4%	3.4%	4.0%	1.4%	2.7%	2.2%	2.2%	1.1%	2.6%
Non-university tertiary education	17.6%	17.1%	15.0%	18.9%	13.5%	9.6%	8.9%	8.9%	13.1%
College/University	60.5%	54.7%	59.0%	60.8%	59.5%	70.4%	66.7%	70.0%	63.6%
Master's Degree or Doctorate	18.5%	22.2%	22.0%	18.9%	23.2%	17.8%	20.0%	20.0%	20.1%

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