Spotlight On Retirement

CHILE

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Spotlight on Retirement: Chile

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Chile is in the midst of a rapid and unprecedented demographic transition process. The Chilean population is aging faster than the populations of other Latin American countries, which is of special concern. Chile needs to prepare quickly and more effectively to successfully face the challenges of financing the retirement of millions of people who will likely not see their retirement income needs met by the current pension regime of individual capitalization.

Even though there have been pension reforms undertaken by different governments over the past 20 years, most of the population is not yet covered by comprehensive pensions that provide adequate retirement income. As this report shows, this coverage gap may be a reason why Chile ranks so low in the Allianz Pension Sustainability Index.

As per the study's results, approximately 44 percent of Chilean consumers consider themselves responsible for providing the retirement financing needed. This figure is slightly higher (48 percent) in the South and among young workers (39 percent).

The data collected by this first LIMRA/SOA retirement study in Chile indicate that a significant part of young, preretired, and retired workers have not been or will not be able to save enough for retirement. Eighty-six percent of these workers stated that they would likely depend on the Solidarity Pillar of the Chilean pension system, which provides pensions financed by the state and directed to the poorest 60 percent of the population. This finding is in line with the recognition by the government since 2006: there is a part of the population that will not have enough savings to finance its retirement. The Solidarity Pillar was created to address this issue, along with other measures such as the introduction of voluntary savings mechanisms and incentives for early contributions.

The average Chilean pension of US$315 currently paid by the national private pension program, the only safety net for retirees, is a little over half of the country's median salary of US$540. The gap between the expectations sown since the establishment of the individually funded pension system in 1981 under the dictatorship of the Pinochet regime and the 2019 reality led to the greatest social upheaval since the return of democracy in 1990.

Consumer expectations should raise some red flags. Almost 50 percent of Chilean consumers say that they do not regret delaying retirement savings or the fact that they haven't started saving yet. In other words, almost half of workers do not have retirement savings among their main financial objectives.

However, when specifically asked, about 59 percent of the survey's respondents state that they fear a gap in retirement funds when they turn age 60. Only 41 percent expect to have more than 81 percent of the funds needed to live comfortably as a retiree. Time will tell if such an expectation will be fulfilled.

Despite all of the uncertainties and lack of knowledge, most Chilean consumers do not seek professional financial help for retirement planning, possibly because it is not available for all income markets — hence the need for the industry to be proactive and use technology and financial education to reach the Chilean middle and working classes.

There is reason for optimism, as 80 percent of the country's consumers say that they are willing to convert a portion of their assets into guaranteed lifetime income to generate retirement funding. This finding confirms the enormous undeveloped potential for this product type in the Chilean market.

Respondents in all age groups demonstrate high levels of concern about longevity risks related to continuing to work after retirement, maintaining physical health and well-being, and managing possible dependency and the need for long-term care late in life.

For example, about 80 percent of respondents in this study identify full- or part-time work as their current or expected source of retirement income.

Consumers also indicate a strong preference for guaranteed lifetime income and more conservative product features such as predictable returns and capital preservation.

Banks continue to be the preferred channel to buy retirement income products, and in all Chilean regions they were selected as the main distribution channel.

Introduction

In the midst of a rapid and unprecedented demographic transition process, the Chilean population is aging faster than the populations in all other Latin American countries, posing a special concern. Chile needs to prepare quickly and more effectively to successfully face the challenges of financing the retirement of millions of people who will likely not see their retirement income needs met by the current pension regime of individual capitalization.

Chile is in the advanced stages of demographic transition and is becoming an aging society — with fertility below replacement level (1.79 children born/woman), low mortality rates (6.3 deaths/1,000 population), and life expectancy on par with developed countries (79.1 years). Nevertheless, with its dependency ratio nearing its low point, Chile could benefit from its favorable age structure, with 68.8 percent of its population between 15 and 64 years old (2018 estimated).[1]

The country will need to keep its large working-age population productively employed, while preparing to provide for the needs of its growing proportion of elderly people (11 percent of population as of 2018). This will be especially important, as women — the traditional caregivers — increasingly enter the workforce, growing from 35 percent of the workforce in 2000 to 47.7 percent in 2013.[2]

Over the last two decades, Chile has made great strides in reducing its poverty rate, which is now lower than most Latin American countries. However, its severe income inequality ranks as the worst among members of the Organization for Economic Cooperation and Development (OECD). Unequal access to quality education perpetuates this uneven income distribution.

Some of the possible underlying causes of longer lifespans in Chile are the increasing access to the benefits of the development of medicine, a wider coverage of health services, social and cultural conditions different from previous generations, and possibly a better quality of life. The life expectancy of women is expected to cross the 90-year barrier in 2030.[3]

The median age in Chile has grown by 33 percent in the last 35 years, reaching a median of 36 years in 2019. It is the highest among the six Latin American countries considered in this study.

Together with Cuba, the Chilean population is the oldest in Latin America. Those over age 60 are equivalent to 16.2 percent of the population. By 2050, the United Nations estimates that this percentage could increase to 24.1 percent, higher than Europe (20.1 percent) and the rest of the world (17.7 percent).

[1]https://www.cia.gov/library/publications/the-world-factbook/ (accessed November 2019).

[2]https://www.paho.org/salud-en-las-americas-2017/?page_id=105 (accessed November 2019).

[3]https://gobierno.udd.cl/cpp/noticias/2018/10/09/chile-cada-vez-mas-viejo-edad-promedio-sube-a-36-anos-y-valparaiso-lidera-como-la-region-mas-longeva-diario-financiero/ (accessed November 2019).

Between 1950 and 2016, life expectancy improved 22.2 years and may reach 85.4 years in 2050. This prediction will hold if medical advances resulting from the study of the human genome (genomics) does not become widespread in the next 10 years, eradicating the main diseases that today affect a large part of the country (diseases of the circulatory system and neoplasms, associated with cancer, were responsible for 27 percent and 26 percent of deaths respectively in 2014, accounting for more than half of all deaths[4]). If these additional advances occur, Chile will witness a quantum leap in life expectancy.

It is time for Chile to begin preparing to face the challenges of an increasingly aging workforce, a greater dependence on the working-age population, and a possible slowdown in economic growth. Longevity is likely to exert immense pressure on the economic and social role of the pension system.

The dependency ratio of the elderly has progressively increased since 1992, when for every 100 people of working age there were 10 dependents of age 65+. In 2017, the ratio rose to 17 dependents over age 65 for every 100 people of working age (young and preretired workers).

Other social and economic changes could further aggravate the challenges related to retirement financing. Considering that 87 percent of the population lives in urban areas, the outlook for 2020 is that the Chilean economy may enter a significant recession after the outbreak of the social crisis of October 2019 — bad news for a country that should be preparing for its advanced stage of demographic transition.

In addition, the structure of the Chilean family has also changed from the norm of two parents, grandparents, and two or three children. The current trend is a nuclear family structure with fewer children, because couples, including same-sex couples, decide not to have children or increasingly delay family planning.

A significant proportion of Chilean elders depends on their families and their children to finance retirement and care. The changing family structure will have a direct impact on how people spend their retirement lives. In the long run, urbanization reduces household sizes, perhaps leaving the elderly to manage alone. Therefore, a comprehensive, adequate, and sustainable pension system is necessary to help satisfy the future financial needs of retirees.

This study identifies how consumers plan to address their current or future retirement challenges and what their aspirations are. An extension of the original 2015/2016 retirement study performed by LIMRA in partnership with SOA (Society of Actuaries) in China, this study is designed to discover challenges associated with the social security systems and retirement planning activities in the main markets of Latin America.

[4]https://www.paho.org/salud-en-las-americas-2017/?page_id=105 (accessed November 2019).

About the Survey

The "Spotlight on Retirement" study in CHILE is part of a collaborative research project of the Society of Actuaries (SOA) and LIMRA. With the participation of 1,054 respondents, it reveals consumer perceptions related to retirement in four macro regions of the Chilean territory: North, Central, South, and the Metropolitan Area of Santiago, the capital and largest city of Chile. The study sample focused on the same demographic segments of the Latin American study that also included Argentina, Brazil, Colombia, Mexico, and Peru: young workers (ages 30–45), preretired (ages 46–60), and retired (ages 60+).

Young workers are defined as those often at an early stage of their careers and planning to get married or start a family. Preretirees plan to start or have already started saving for retirement. Retirees are those already in the distribution phase of social security benefits or those reaching full retirement age and planning to start receiving their benefits in the short term.

The data were collected through an online survey across all Latin American markets. This paper explores the differences in retirement conduct and planning among different regions, subregions, age groups, and genders to help insurers and other financial services organizations develop effective solutions to meet consumers' retirement planning needs (Tables 1, 2, and 3). The study also highlights consumers' retirement readiness by analyzing current and future sources of income, risk tolerance, and product preferences/characteristics.

- The online survey's sample was of 1,054 respondents in four subregions to reflect the regional diversity of the Chilean population (Table 1).
- To gather a representative market sample for insurers and other financial institutions, the survey covered several subregions with different income levels (see Appendix) and included quotas based on income levels and other parameters to ensure the reliable quality of data.

Table 1 — General Sample Division by Region

Region	Sample
North	87
Central	337
South	71
Metropolitan Area of Santiago	559
Total	1,054

Table 2 — General Sample Division by Age Group

Age Range	Sample
30–45	381
46–60	338
61–75	335
Total	1,054

Table 3 — General Sample Division by Gender

Gender	Sample
Male	535
Female	517
Other	2
Total	1,054

Demographic Transition

Demographic transition theory explains a specific change in demographic dynamics, namely the sharp drop in fertility, birth, and death rates. This theory was proposed considering the relationship between population growth and socioeconomic development.

Fluctuations in population growth occur only once in each country and are aligned with the urban-industrial development process. Therefore, economic development and modernization of societies are the main factors responsible for changes in birth and death rates that in turn affect population growth.

Just as countries develop in different ways and with different rhythms, demographic transition occurs differently across different societies. In addition, it entails major changes in population structures (pyramids).

The theory originated with the work of American demographer Warren Thompson in the late 1920s to challenge the Malthusian demographic theory. According to Thompson's theory, the population does not have accelerated growth, but a growth that has periodic oscillations, alternating demographic growth and deceleration with periods of stability.

Thompson elaborates on the concept in the period of the Industrial Revolution, that is, in the context of the establishment of modern society. Prior to that, mortality and birth rates were constantly high, leading to some demographic stability.

DEMOGRAPHIC TRANSITION PHASES

Due to variations in birth and death rates, a demographic transition is considered to have four societal development phases:

PHASE 1 — Also known as "pre-transition," the first phase of a demographic transition is characterized by high birth and mortality rates, which culminate in small population growth. Populations from mostly rural areas also characterize this phase.

The birth rate is high in this phase due to the total lack of access and knowledge about family planning. Moreover, because most societies in the pre-transition period are from rural areas, a large number of children represented a great amount of labor available for jobs and the household economy.

The high mortality rate of this phase is due to a period of a still underdeveloped medical practice, poor sanitary conditions, and constant states of wars and epidemics.

The first phase of the demographic transition took place in Europe from the dawn of the first civilizations until the middle of the 18th century. In Chile, this phase lasted until the 1910s.[5] There are no countries in the world currently in this phase.

PHASE 2 — Declining child mortality combined with high birth rates generates population growth with a potential virtuous effect — the so-called "demographic bonus" — as the proportion of the working-age population increases.

In European countries this phase is closely related to the Industrial Revolution, a period in which treatments for diseases emerged, sanitary and medical conditions improved, and food was produced on a large scale. The second phase of the demographic transition also marks the beginning of urbanization and the overcoming of the rural condition.

Haiti and some African countries are examples of nations currently going through this phase. Chile went through this phase between 1910 and 1962.[6]

PHASE 3 — The death rate remains low and birth rate declines for the first time in phase three. The natural increase, or natural population surplus, occurs, but at a slower rate than in the second phase.

The consolidation of urban over rural life is a striking feature of this period. The drop in the birth rate can be explained by two main factors:

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[5] Villalobos Dintrans, Pablo. (2014). "Demographic transition and public policy: Chile 1850-2000." *Revista de análisis económico*. 29. 77–110. 10.4067/S0718-88702014000100004.

[6] Ibid.

- In a rural environment, children were considered human resources for the household economy; whereas in an urban environment, they generally represent expenses.
- Increasing entry and participation of women in the labor market may conflict with responsibilities of child bearing and postpone the decision to have children. Professional and emancipatory goals gain importance for women. In addition, most contraceptive methods emerge in this phase, which makes family planning easier and possible.

Most developing (industrialized) countries such as India and Mexico are at this stage, whereas in Chile it lasted from 1962 until the year 2000.

PHASE 4 — The fourth phase of the demographic transition, which Chile is currently undergoing, is the result of the continuation of previous phase trends: the birth rate stabilizes at low levels, and the mortality rate (in a downward trend since phase 2) remains low, causing low population growth.

The aging of the population is a mark of this phase, with a relatively high average age. Population aging is due to longer life expectancy (closely related to low mortality) and associated with a smaller number of children per couple.

In phase four, a country's demographic transition is deemed to have ended. Japan, Norway, and Sweden are examples of nations in this group.

Although Thompson's demographic transition model describes four phases, demographers are studying the possibility of adding a fifth phase to describe a decline in the absolute population.

"Although the original demographic transition model described by Warren Thompson has only four stages, the passage of time has allowed the addition of a fifth phase in which the birth rate remains low, while mortality increases slightly due to population aging. Under these circumstances, population growth can become negative, as has happened in the countries of central Europe. Thus, in the more developed countries of Western Europe, such as Germany and Italy, positive numbers of the migratory inflow offset the negative natural growth. . . .The term "zero growth" was proposed by the 1970 neo-Malthusian predictions of the Club of Rome."[7]

The Chilean Demographic Transition

Since the early 2000s, Chile has been transitioning to phase four. The median age of the Chilean population in 2019 is 36 years; by 2030 it is likely to be 39 years, and by 2050 it is expected to reach 45 years. Therefore, the country will experience intense population aging, with elderly people increasing in number compared to people of working age. In fact, the number of individuals age 65+ for every 100 people of working age (20 to 64 years old) is estimated to reach 43 in 2050 and rise to 61.2 by 2075.[8] The rise of 44.2 points in six decades is the third highest in the world, behind South Korea and Poland, and higher than the OECD average of 58.

Towards the end of the 1960s, the widespread use of intrauterine and oral contraceptives widely distributed through the state's health services resulted in Chilean women successfully opting to limit the family. This revolutionary innovation allowed women to pursue different personal and professional projects, outside of the traditional family environment.

"Between 1960 and 1997, the Chilean growth rate fell by 43 percent, indicating a decrease in mortality and especially in birth rates, which altered the shape of the population pyramid. Thus, the projected growth rate for 1995–2000 was 1.4 percent per year, with an overall mortality rate of 5.6 per thousand and an estimated fertility rate of 2.4 children per woman on average. Women represent 51 percent of the total Chilean population. The distribution by age groups accounts for the gradual aging process. In the *1982 Census*, 32 percent of the population was under 15 years old, a figure that fell to 30 percent in 1992, and that is expected to fall to 23 percent by 2020. Conversely, the age 65+ cohort represented 5.8 percent of the total population in 1982, increased to 6.1 percent in 1992, and is expected to reach 10 percent in 2000, with a continued increase in the following years."

[7]https://es.wikipedia.org/wiki/Transici%C3%B3n_demogr%C3%A1fica#cite_note-8 (as of November 2019).

[8]*OECD: Pensions at a Glance*, Organization for Economic Cooperation and Development, Paris, 2017.

"During the second half of the twentieth century, Chile experienced low fertility levels along with low mortality rates. In the Chilean case, fertility is the agent of the greatest weight in the composition of the population. From 1955 to 1962, the fertility of Chileans was a little higher than 5.0 children per woman. The most important decrease occurred between 1963 and 1980. By 1994 the average number of children per woman was 2.6, a number that remained relatively stable for a decade. Mortality has been decreasing for more than 60 years. From 1970 to 1975, life expectancy was age 64 for both men and women; from 1980 – 85, it reached age 71 (with differences in favor of women), and from 1995 to 2000, it climbed to over age 75. One of the most relevant aspects that has contributed to lower overall mortality has been the decline in infant mortality."[9]

Figure 1 — Incipient to Advanced Demographic Transition Scenarios

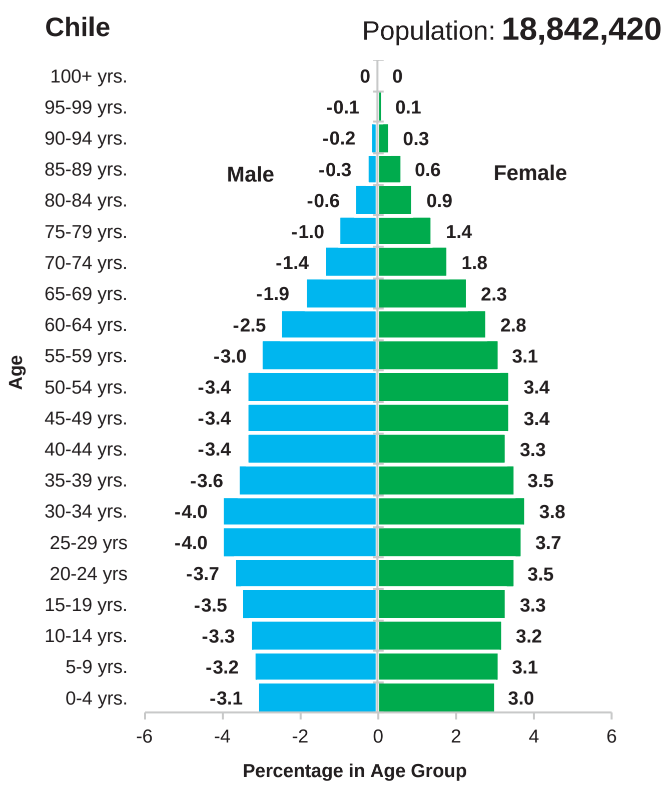
Scenario	Annual Population Growth	Countries
Incipient transition	2.5%	Bolivia, Haiti
Moderate transition	Close to 3%	Salvador, Guatemala, Honduras, Nicaragua, Paraguay
Full Transition	Moderate, close to 2%	Brazil, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Dominican Republic, Venezuela
Advanced Transition	Under 1%	Argentina, Chile, Cuba, Uruguay

Massive growth in the number of older people will rapidly change the population structure.

Medical advances and improved lifestyles have resulted in prolonged life expectancy. Together with the decreasing growth of the general population, this trend will result in a massive change in the population's age structure.

The population pyramids of Chile (as projected for 2020, 2030, and 2050) clearly illustrate the change in the population structure, with the proportion of the largest age group moving rapidly towards the top. The trend towards demographic transition is a strong indicator that the country needs to adapt to the changing needs of an aging population.

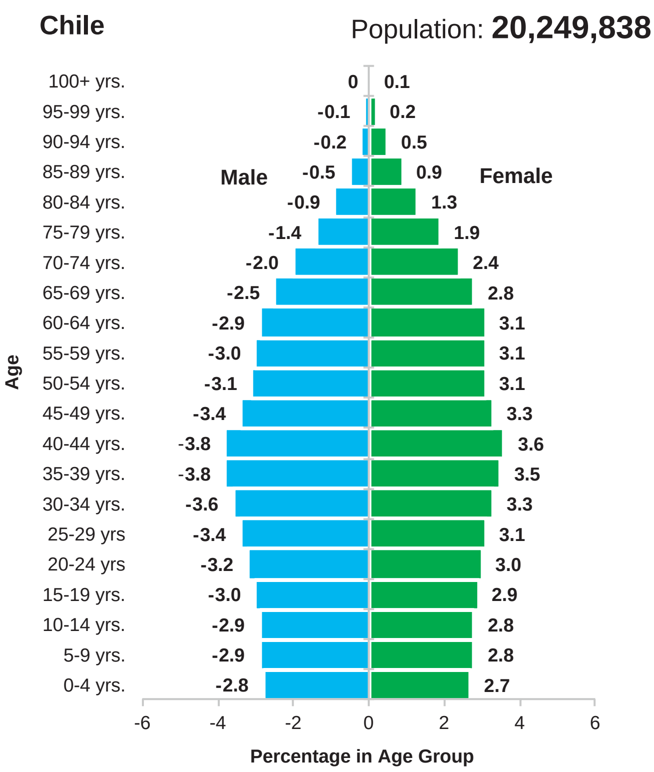
Figure 2 — Population Pyramid: 2020



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

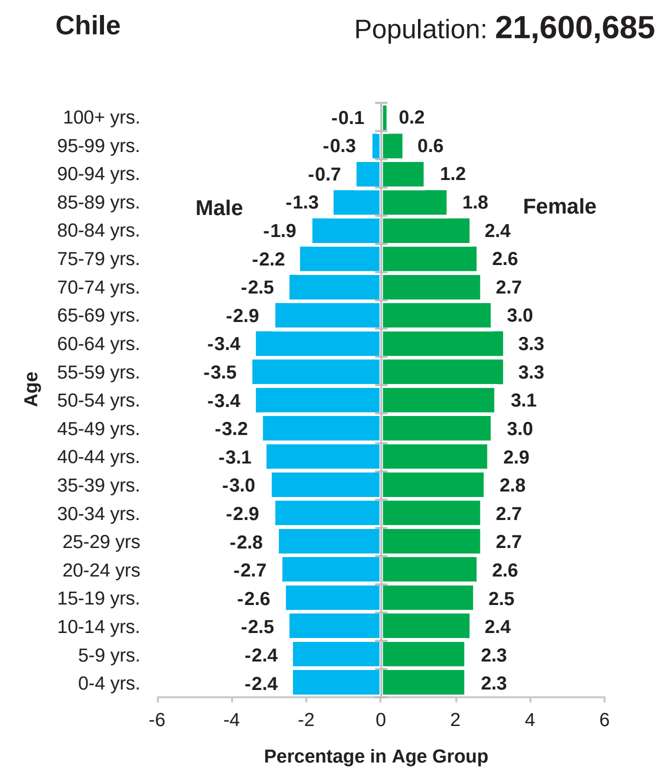
[9]https://www.gerontologia.uchile.cl/docs/chien3.htm (accessed November 2019).

Figure 3 — Population Pyramid: 2030



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

Figure 4 — Population Pyramid: 2050

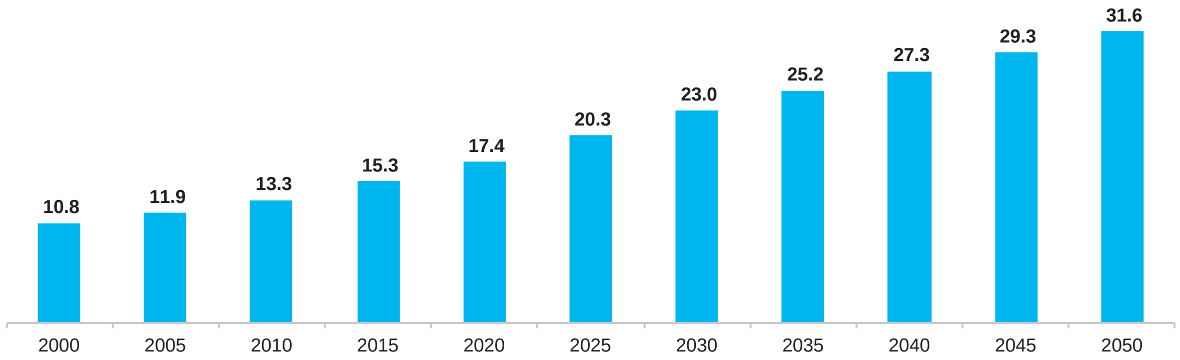


Source: UN Population Division, 2017 data, LIMRA International Research.

It is likely that by year 2050 the elderly segment (population aged 60 and above) will have tripled since the turn of the century.

As the population structure of Chile changes, it is likely that the proportion of older people (age 60 or above) will increase from 10 percent of the general population at the turn of the century to 31 percent in 2050, surpassing the general population growth and stressing the demographic transition.

Figure 5 — Proportion of People Age 60 and Older in the Total Population



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

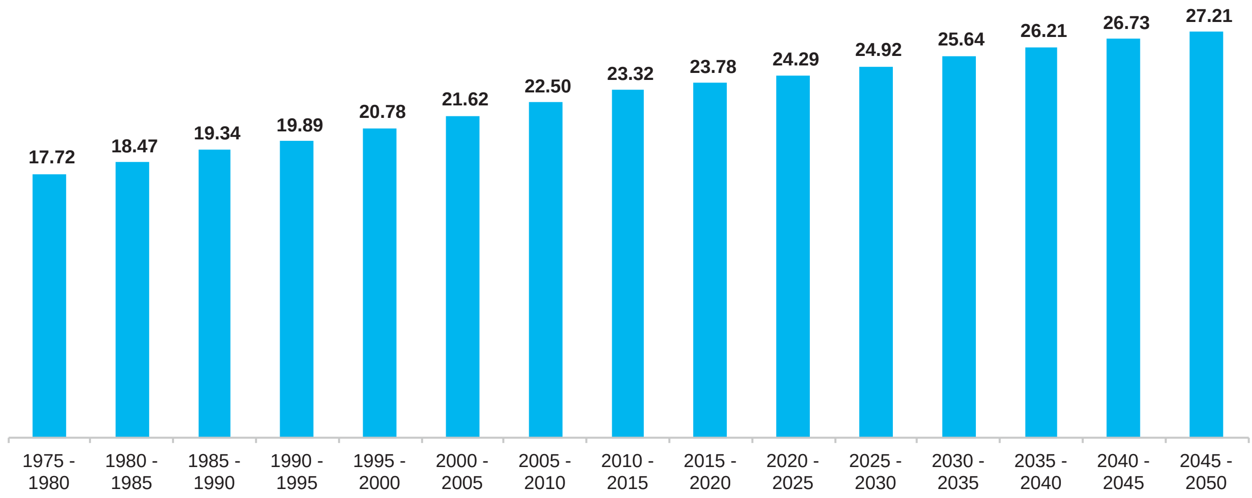
LIFE EXPECTANCY, BIRTH RATES, AND POTENTIAL SUPPORT RATIO

Another cause, among many, that led to the growth of the elderly population is the increase in life expectancy because of medical advances and improved lifestyles, along with the decrease in transmissible and non-transmissible diseases, and other factors.

Over the years, life expectancy has gradually increased (Figure 6).

Chile is going through an important cycle of demographic transition. The fertility rate declined from 2.6 children per woman in 1985–1990 to 1.7 in 2015–2020. Although the trend is likely to continue, the projection for 2045–2050 is even lower: 1.59 children per woman. To maintain a constant population level, the fertility rate must be at least 2.1. If this level is not maintained, population is likely to decrease in the long term. In addition, a comparatively lower gross mortality rate will feed aging (Figure 7).

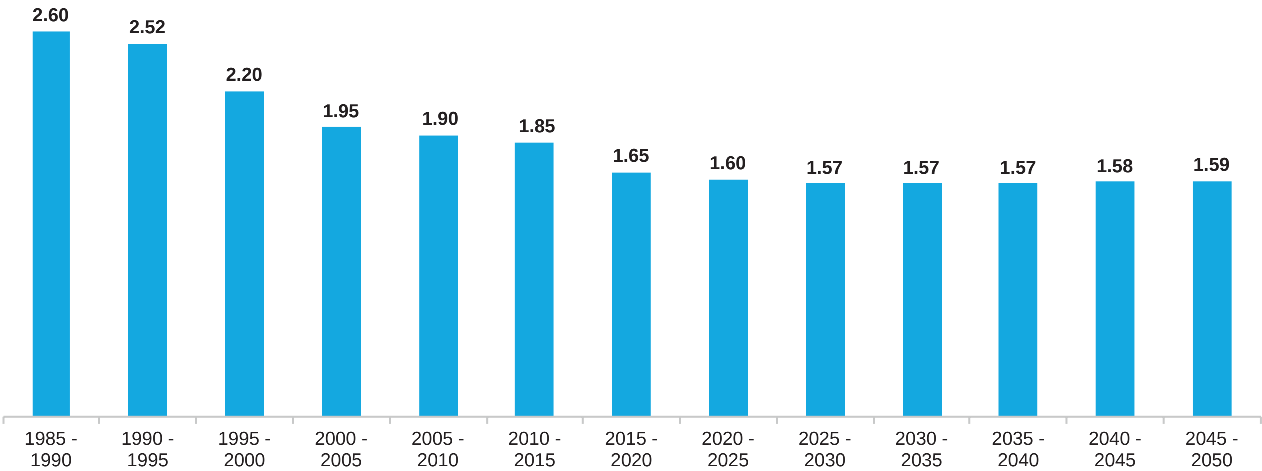
Figure 6 — Life Expectancy at Age 60 (in years)



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

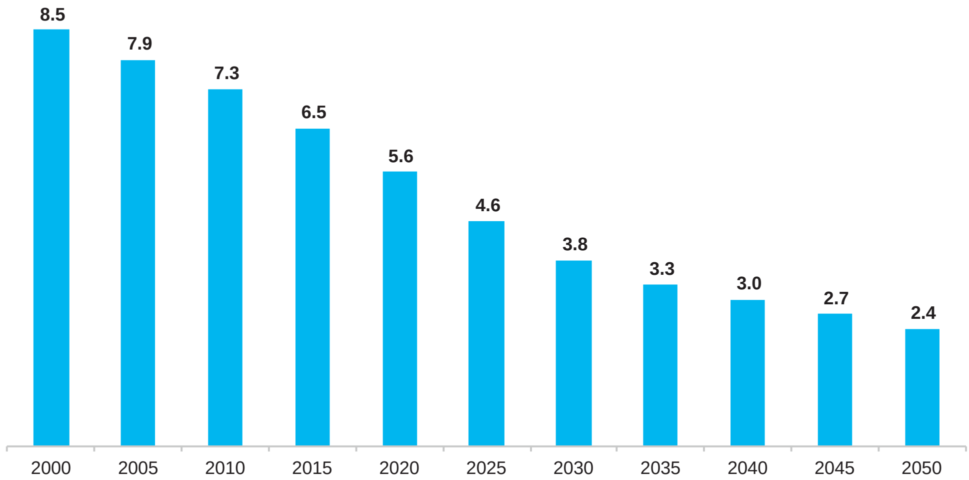
Declining fertility rate and relatively lower mortality rates, along with increasing life expectancy, will trigger the aging of the population.

Figure 7 — Total Fertility (live births per woman)



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

Figure 8 — Potential Support Ratio



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

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

The potential support ratio is the number of people age 15–64 per one older person aged 65 or above. The ratio describes the burden placed on the working population (unemployment and children are not considered in this measure) by the non-working elderly population.

Chile's potential support ratio indicates that the responsibility of the working-age population and the government to meet the needs of the elderly population will likely increase. The ratio projects a constant deterioration between 2000 and 2050. In fact, is likely to reach 2.4 percent by 2050, down from 8.5 percent in 2000; and by the end of this century, it will gradually reach even lower levels. This means that in the future there will be less than two people in the workforce who support a person over age 65 — a scenario that poses enormous challenges and pressures on health, retirement, and pension systems (Figure 8).

The effects of demographic transition on public policies is also of extreme importance. The link between demographic changes, specifically the change in the age distribution of the population, and fiscal expenditure is determined by a combination of different needs arising from diverse segments of the population and by the ability of the productive sector to respond to these demands.[10]

MAJOR CHALLENGES DUE TO THE AGING POPULATION

Chile is experiencing a rapidly aging population phenomenon. The socioeconomic implications resulting from a shrinking formal workforce and the increase in the number of retirees cannot be ignored.

The challenges will be increasingly pronounced. The aging of the population associated with increased longevity, decreased morbidity, and the risks of inflation in healthcare will pose enormous difficulties. Demand for healthcare, long-term care, and retirement income will increase. There is growing importance to help the population prepare for retirement by providing pensions, encouraging personal savings, and increasing access to medical care.

As a country goes through an aging cycle, the insurance industry needs to offer personalized products in life, savings, pensions, and health segments to meet the unique needs of its citizens.

[10]Villalobos Dintrans, Pablo, "Demographic transition and public policy: Chile 1850–2000," *Revista de análisis económico*, 29. 77–110. 10.4067/S0718-88702014000100004, 2014.

The demographic transition that has been taking place over the last 80 years in some Latin American countries is about to start a new phase — one that will increase dependency.

Figure 9 — Thompson's Demographic Transition Stages

	Countries	Birth rate (%)	Mortality rate (%)	Differential (+ –)	Features
Phase 1	None	40–50	40–50	of +10 to –10	High birth and death rates Mortality rates observed only in the first half of the twentieth century
Phase 2	Republic of Chad	45.75	14.37	31.38	Birth rate is high, while mortality drops sharply, resulting in population growth
Phase 3	Peru	20.02	5.62	14.40	Birth rate begins to decline, and while mortality continues to fall, population growth remains positive
	Mexico	19.1	4.76	14.34	
In transition to Phase 4	Colombia	16.8	5.82	10.98	Birth and mortality begin to trend to equilibrium, so that growth is negligible, and immigration plays a key role in population growth
	Argentina	17.72	7.78	9.94	
	Brazil	14.93	6.07	8.86	
	Chile	13.39	5.11	8.28	
In transition to Phase 5	Japan	8.2	10.1	–1.9	Birth rate continues to fall until it is below the death rate, which in turn increases with the average age of the population. Population growth is therefore negative

*For every 1,000 people.

Note: The extreme cases of Chad and Japan are shown to provide context for the Latin American countries in the study.

Source: https://es.actualitix.com/pais/wld/tasa-de-natalidad-por-pais.php, 2013 data (accessed November 2019).

Based on the LIMRA/SOA retirement studies in Latin America and Asia, this report will highlight what Chilean consumers think about the challenges posed by retirement and how they plan to address their various risks. The study will also shed light on how financial institutions and advisors can help their clients achieve a better retirement outcome by developing new products and solutions. In addition, the study explores the question of whether Chile's existing pension system is strong enough to support the future challenges of its aging population given the scale and pace of the country's demographic transition.

The Structures of Current Pension Systems and Their Challenges[11]

Social welfare and labor legislation evolved earlier in Chile than it did in other Latin American countries. Legislation was passed in the early part of the 20th century that regulated labor contracts, workers' health, and accident insurance. In successive years, the social security system expanded in an attempt to cover all labor sectors. All workers were eventually covered by the Social Insurance System, maintained through contributions of employers, employees, and the state.

A period of dramatic economic changes began after the military took over the government in 1973. The Chilean economy vacillated in the months following the coup. The military dictatorship appointed a group of Chilean economists who had been educated in the United States at the University of Chicago. Given financial and ideological support from General Pinochet, the United States and international financial institutions, the Chilean economists advocated laissez-faire, free-market, neoliberal and fiscally conservative policies — in stark contrast to the extensive nationalization and centrally planned economic programs supported by Allende, the president deposed by the military coup. Chile was drastically transformed from a local economy with strong government intervention, into a liberalized, world-integrated economy, where market forces were left free to determine economic events.[12]

The democratic governments that have succeeded the dictatorship since 1990 have largely continued its economic policies, but increased social spending. In the post-1973 period, there has been a rise in outsourcing, self-employment, informal employment, and an increase in women's share in the labor force.[13] Chile's main industry, copper mining, remained in government hands, with the 1980 Constitution declaring them "inalienable,"[14] but new mineral deposits were open to private investment. That same year the Chilean pension and healthcare systems were privatized, along with higher education.

The private pension system is administered by six private pension funds called AFP (*Administradoras de Fondos de Pensiones*). It was created to provide contributors with payments equal to 70 percent of workers' final salaries, and a number of international financial institutions praised it as a model of sustainability. According to a commission created in 2016 by former President Michele Bachelet, however, from 2007 to 2014, almost 80 percent of pensioners were receiving less than the minimum wage, and 44 percent were living below the poverty line.

Other countries in Latin America, like Peru and Mexico, implemented similar reforms. Although the system looked good in theory, 40 years later, the Chilean system has not successfully resolved the challenges of financing old age or disability — especially in poor income groups. The significant portion of the population lacking sufficient funds to support themselves during old age is primarily attributed to a low density of contributions. In the case of men, this may be explained by self-employed work and labor market informality. In the case of women, their exceptionally low participation in the workforce means that, on average, they did not contribute for long periods. The bigger picture could be summarized as a pension system that could probably work under proper conditions — full employment and high-income per capita — conditions that do not currently prevail in Chile.

[11] https://www.previsionsocial.gob.cl/sps/seguridad-social/sistema-de-pensiones/2/ (accessed November 2019).

[12] Remmer, K., "Public Policy and Regime Consolidation: The First Five Years of the Chilean Junta," 5–55. *Journal of the Developing Areas*, (1998).

[13] Salazar and Pinto, pp. 184–187, 2002.

[14] Riesco, Manuel "Is Pinochet dead?" New Left Review, II (47), September–October 2007.

PILLARS OF THE PENSION SYSTEM

The Chilean Pension System is organized into a scheme with three basic pillars: a poverty prevention pillar, a mandatory contribution pillar, and a voluntary savings pillar. The combination of these three components seeks to guarantee that individuals may maintain a standard of living in retirement similar to that of their working years, while also preventing poverty among the elderly and disabled. The solidarity pillar consists of a non-contributory pension called the Basic Solidarity Pension (Pensión Básica Solidaria, or PBS) and a complement to the contributory pension called the Solidarity Pension Payment (Aporte Previsional Solidario, or APS).

The mandatory contribution pillar is a single nationwide scheme of financial capitalization in individual accounts managed by single-purpose private companies called AFPs. Only the armed forces remain outside the AFP system, as they continue to manage their own pay-as-you-go system with defined benefits, known as CAPREDENA and DIPRECA. In addition, it must be pointed out that the AFP System still coexists with the pay-as-you-go system of the former Cajas de Previsión, managed through the Institute of Social Security (IPS), which receives contributions and pays out benefits for contributors and pensioners who chose to remain in this system.

In order to complement the mandatory savings made through the AFP system, there are tax incentives to encourage individuals to make voluntary contributions through various financial instruments: voluntary pension savings accounts managed by the AFPs themselves, mutual funds, life insurance products with savings, etc. The scheme is designed so that savings that use these products are tax-exempt during all years in which deposits are made. The interest generated by these savings is also tax-exempt, but the pensions financed with these resources are considered as income for income-tax calculation purposes. Individuals may withdraw their voluntary savings before retirement, but they must pay the corresponding taxes and a surcharge for early withdrawal.[15]

[15]Berstein, Solange, “The Chilean Pension System, 2010,” *Superintendence of Pensions*.

Sustainability of Pension Systems

The Allianz Pension Sustainability Index (PSI) analyzes the fundamentals and key impacts of pension systems to help identify necessary reforms (Figure 10). To reach a ranking that reflects the long-term sustainability of a particular pension system, German insurer 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
- Design of the pension system

Figure 10 — Pension Sustainability Index*

Sub-indicators	Status (0.75)**	
Demography	Old age dependency rate (OAD)*	Change in OAD* until 2050
Pension System	Level of pension benefit from the first pillar and coverage of the workforce	Change in pension level
	Legal / effective retirement age	Reforms approved
	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.

Chile occupies the first place in Latin America and the 10th place in the 54 markets included in the general index of pension sustainability. Within the sub-parameters of the index, it ranks fourth in public finance. However, it ranks 32nd and 24th when it comes to demography and pension system, respectively. The country ranks low in demography possibly due to the aging of its population. While the pension system ranks a little better, it's still behind several countries due to lack of greater coverage, especially among independent workers.

Table 4 — Allianz Pension Sustainability Index, Latin America (2016 Ranking)[16]

	Total		Demography	Public Finances	Pension System
	Ranking*	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 by this study.

[16]Finke, 2016.

Retirement — A Consumer Perspective

LIMRA and SOA's retirement research series looks in detail at participating local markets. The research identifies the ways in which decision-makers and / or those contributing to financial decision-making in their homes plan to address retirement challenges.

Chile is divided into 15 political regions. These Chilean regions are similar to states in the United States or provinces in many countries around the world. Each of Chile's regions is known by both a Roman numeral and a name. However, Chileans typically refer to the regions by the number alone. The study's results are segmented by the macro geographic zones North (which includes regions I, II, III, IV, and XV), Central (regions V, VI, VII, VIII, and IX) and South (regions X, XI, XII, and XIV). Region XIII is the Metropolitan Area of Santiago.

Between 2010 and 2016, the region with the lowest gross domestic product (GDP) per capita in the country, Araucanía (Central — region IX), grew by 5.8 percent per year in terms of GDP per capita, while in Antofagasta (North — region II), the richest region, GDP per capita decreased by 4 percent per year during the same period. Although regional economic disparities between the richest and poorest 20 percent of regions decreased by 38 percent in 2000–2016, Chile still has larger regional disparities than the average of OECD countries.[17]

The unemployment rate of 6.8 percent in Chile was close to OECD average in 2016. Regionally, differences in unemployment have narrowed since 2009, but remain significant. The unemployment rate in Atacama (North — region III) was twice as high as in Los Lagos (South — region X) in 2016.[18]

Large regional disparities in Chile are found in the well-being dimensions of environment, life satisfaction, and jobs. In each of these dimensions, at least one Chilean region ranks among the top 20 percent of OECD regions and at least one region among the bottom 20 percent of OECD regions. All Chilean regions are among the bottom 20 percent of OECD regions in terms of safety, civic engagement, and income.[19]

In Chile, 76 percent of the population live in cities of more than 50,000 inhabitants. The share of population in cities with more than 500,000 people is 51 percent. Metropolitan areas in Chile account for 50 percent of national GDP. Between 2000 and 2016, they generated 48 percent of the national GDP growth. The metropolitan area of Santiago accounted for 40 percent of national GDP growth.[20] The disposable income per capita (in USD), as of 2016, was 8,562 in the top 20 percent Chilean regions and 5,094 in the bottom 20 percent.[21]

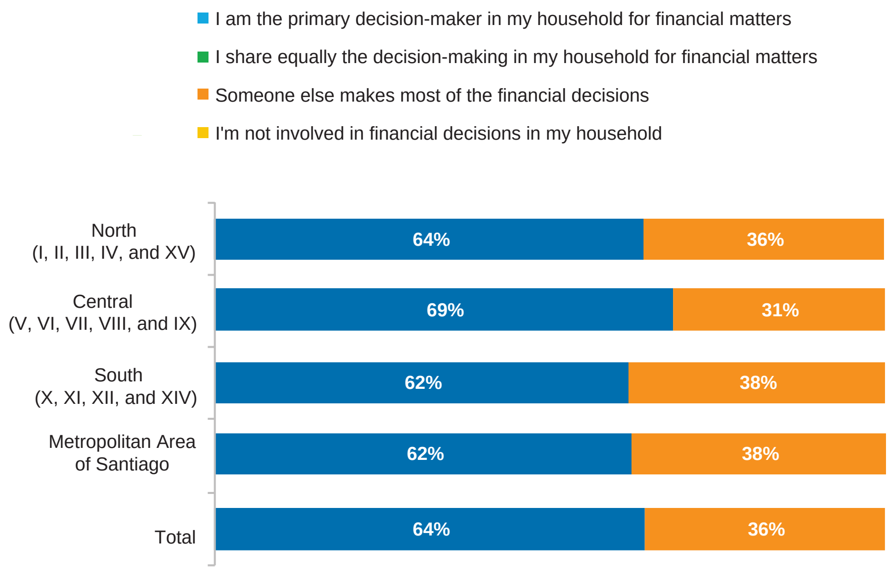
This macroeconomic overview of the country's regions can serve as context for the results of the study by region that follow below.

Shared financial decision-making is growing in Chileans households. However, most Chileans households across regions still rely on one primary decision-maker for financial matters (Figure 11).

[18]*Regions and Cities at a Glance 2018*, Chile, OECD.
[18]Ibid.
[19]Ibid.
[20]Ibid.
[21]Ibid.

Figure 11 — Household's Financial Decision-Maker

Question: How would you describe your role in making financial decisions for your household?



Children and spouses are the main financial dependents of most Chileans, demonstrating the preeminence of the nuclear family, especially in the North (Table 5). Across Chile, the incidence of children providing financial support to parents is double the levels found in Brazil, for example. This phenomenon underlines both the speed of population aging and the impact of a deficient social security pension system.

Table 5 — Financial Dependency

Question: Which of the following individuals are financially dependent on you?

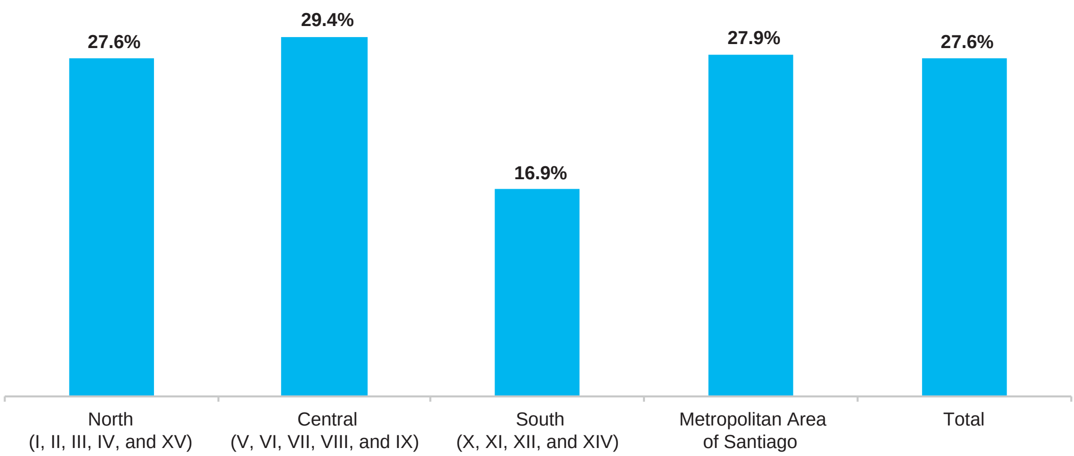
	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago
Spouse	50.7%	41.4%	29.3%	33.5%
Mother	14.9%	14.5%	7.0%	15.0%
Father	9.2%	4.7%	9.9%	5.2%
Child/Children	54.0%	60.2%	52.1%	58.7%
Spouse's mother	5.5%	1.1%	0	2.2%
Spouse's father	2.7%	0.8%	0	0.7%
Siblings (brother/sister)	4.6%	6.8%	7.0%	3.2%
Other	2.3%	3.6%	0	3.4%
None	19.5%	18.4%	23.9%	22.2%

Increased longevity, especially in large cities, may mean a longer span of living alone in later years. This potential increases the need for care at the end of life and to finance these years with adequate savings. However, to achieve a positive outcome for a longer period of time requires intelligent financial planning.

When asked if they worked with financial experts to help with financial decisions in their homes, almost a third of Chilean households indicated that they do not work with any financial professional (Figure 12). The South region is the only outlier.

Figure 12 — Financial Professionals Are *Not* Hired to Help With Household Financial Decisions

Question: Does your household typically work with any financial experts to help with your household financial decisions?



Results represent respondents who answered "no."

Even though Chile is the fastest aging country in Latin America, its citizens have one of the lowest rates of retirement preparedness in the region (Figure 13). Twenty and one-half percent of Chilean consumers say they have not taken any initiative on retirement planning, with the highest percentage (22 percent) in the most populated region, the Metropolitan Area of Santiago. The difference in levels of planning is significant between the Central region / Santiago and the North / South regions that have much better percentages.

In the South and Metropolitan Area regions, those consumers who have taken on retirement planning activities stated they most frequently determine how much their income will be (Figure 13). However, they do make the corollary calculation of future expenses.

Overall, the second-most-taken retirement planning action overall is calculation of the amount of assets and investments needed to fund retirement.

As noted earlier, almost a third of Chilean consumers do not approach financial professionals for help with financial decisions. Hopefully, most households do, and for those, the preferred type of financial professionals across regions (and specifically in the North) are accountants, followed not so closely by lawyers. It is worth mentioning that accountants scored first or second in all of the Latin American countries included in this survey — indicating that consumers trust accountants to serve their financial interests much more than financial planners at different types of financial services firms. Lawyers, insurance agents, and banks are the group of financial professionals that comes next in preference by Chilean consumers (Figure 14).

Figure 13 — Retirement Planning Activities

Question: Which of the following retirement planning activities have you done?

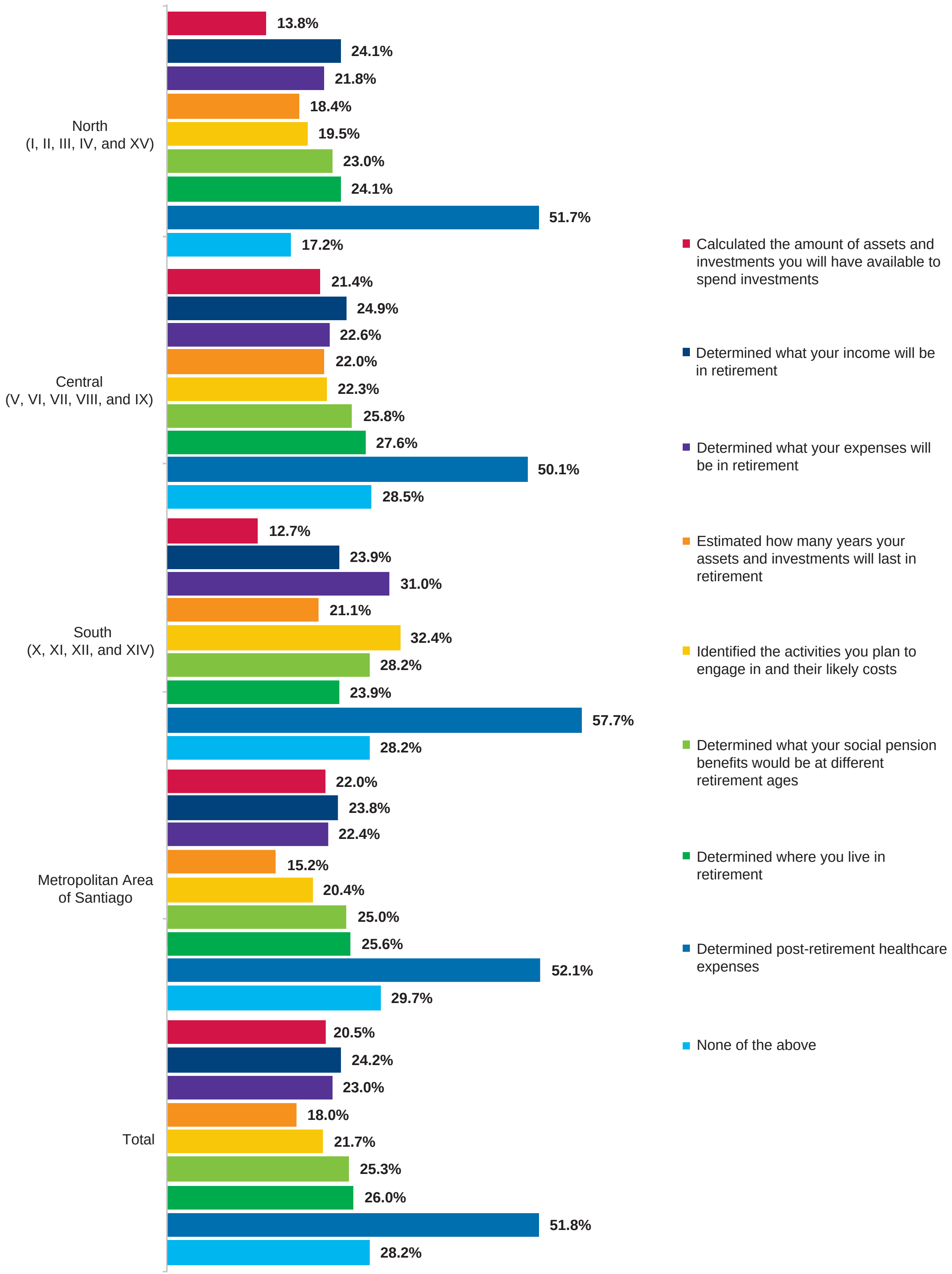
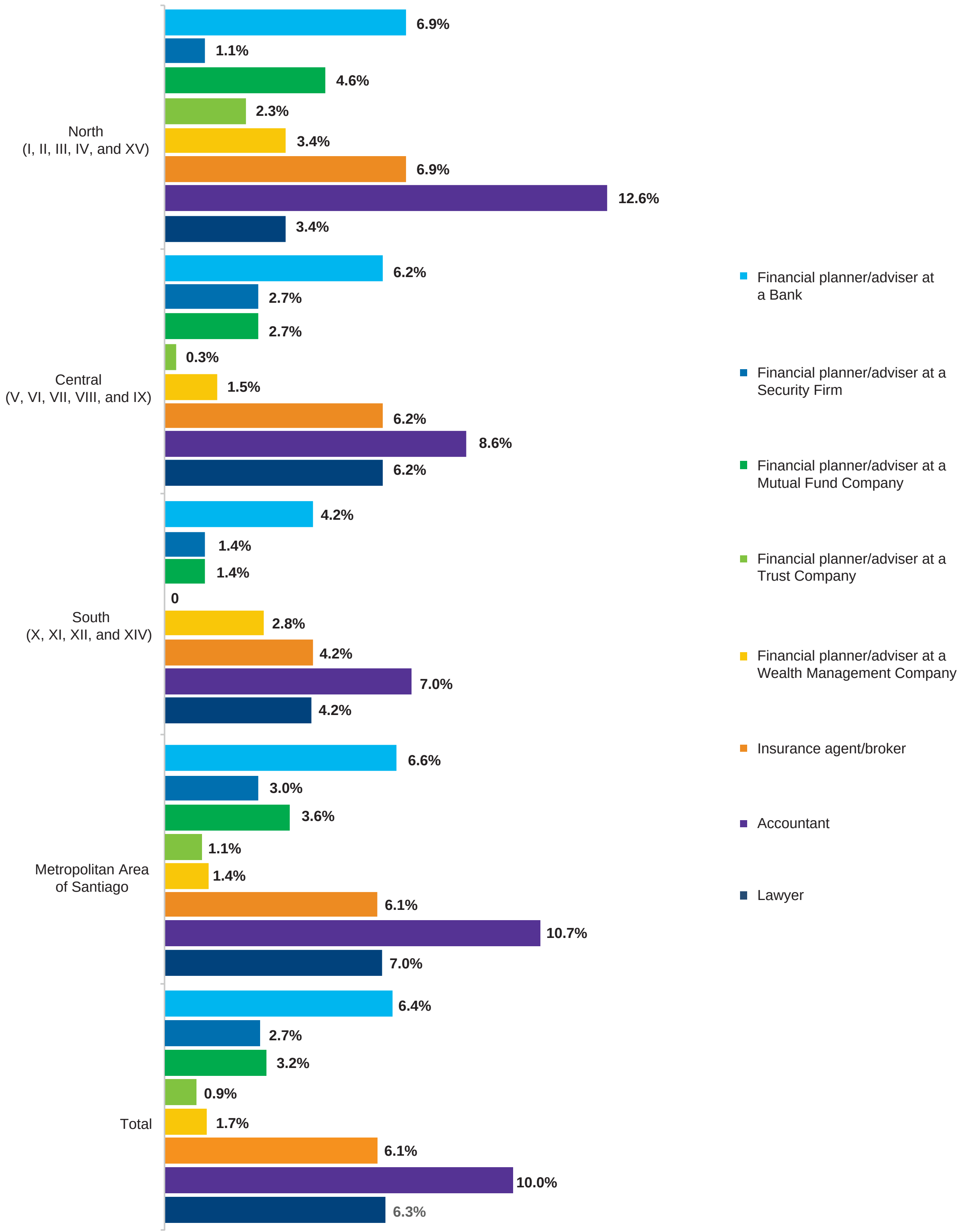


Figure 14 — Those Looking for Help With Household Financial Decisions, Go to a...

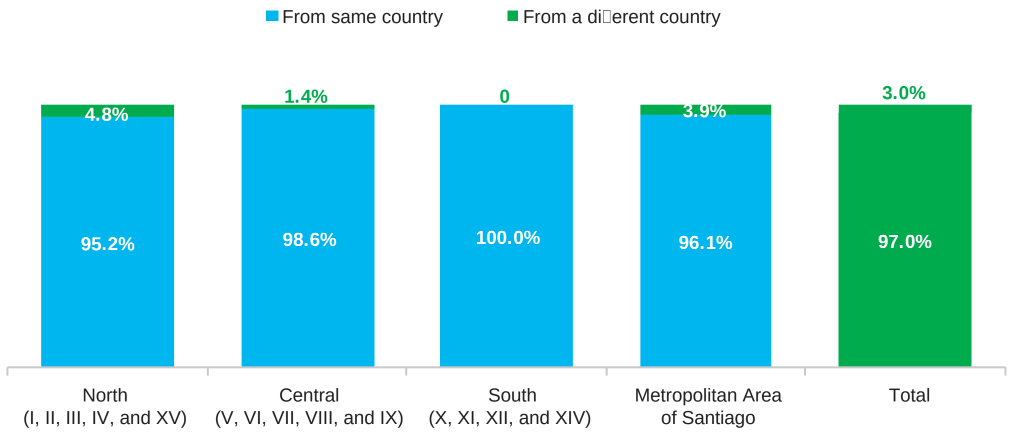
Question: Does your household typically work with any financial experts to help with your household financial decisions? If yes, please select all that apply.



Along with Argentina (4.8 percent) and Peru (3.2 percent), Chile (3.0 percent) has one of the highest percentages of offshore financial advisory in Latin America (Figure 15). The richest regions of the country, that is, the North and the Metropolitan Area, are generating this small, yet identifiable, demand from higher income groups.

Figure 15 — Domestic or Offshore Financial Advisory

Question: Is your financial advisor from your country or out of the country?



Forty-six percent of Chilean households with a formal written plan for retirement do not seek the help of financial experts.

Most Chilean households seek professional help with financial decisions on a regular basis, but that's not necessarily true for retirement planning. In fact, 73.4 percent of households do not have a formal written plan for retirement management and almost half of those that do did not create a formal written plan with the help of a financial specialist (Figure 16).

Distrust of financial institutions is high overall among Chilean consumers (45.5 percent) and even higher in the South and in the North, where it reaches 50.6 percent. Trust is higher among younger workers.

A clearly identified retirement concern for almost 70 percent of consumers is that the employer should provide more comprehensive information and advice on retirement savings and planning — especially in the North and Central regions.

Retirement readiness is still low among consumers. Only 26 percent said they had a formal written retirement plan (Figure 16). Moreover, only 45 percent further stated they are currently very involved in monitoring and managing their retirement savings. Retirement financial education could help change these numbers (Table 6).

Figure 16 — Retirement Planning

Question: Does your household have a formal written plan for managing your income, assets, and expenses during retirement? If so, did a financial professional help your household create the plan?

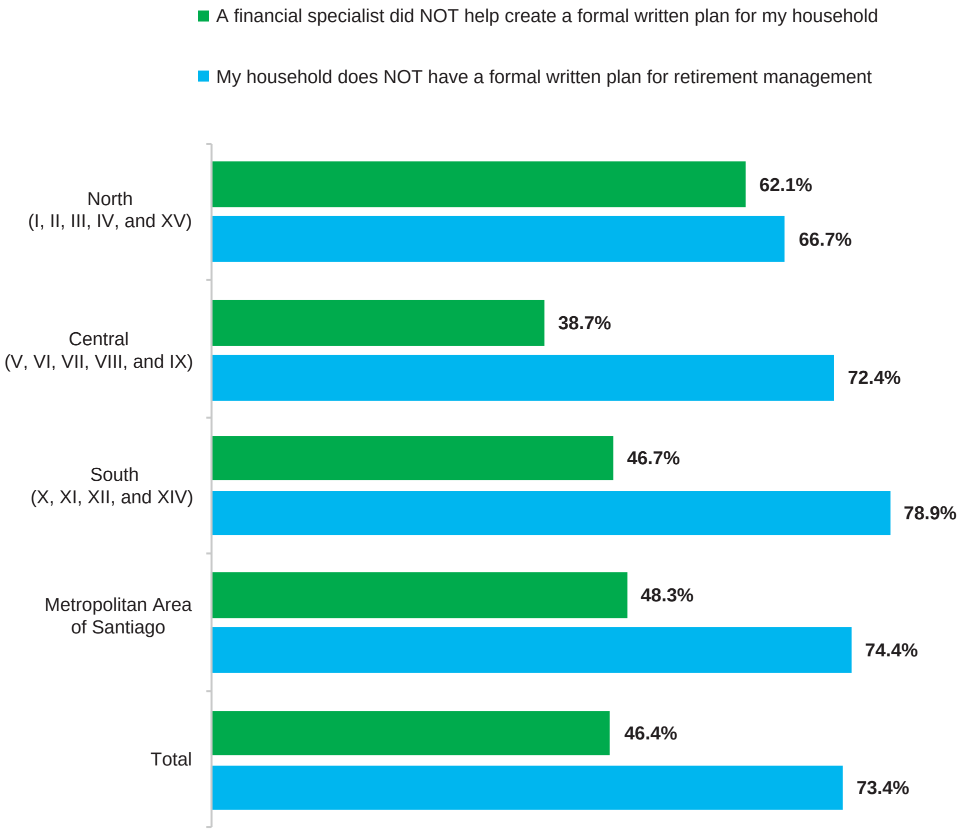


Table 6 — Retirement Readiness and Managing Risks

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

	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Trust					
I am confident that I will be able to live the retirement lifestyle I want.	54.0%	49.9%	45.1%	43.6%	46.6%
I have enough savings to last until the end of my retirement.	39.1%	33.8%	32.4%	26.3%	30.2%
Assistance					
I would like my employer to make available more comprehensive information and guidance on retirement savings and planning.	71.7%	73.9%	62.8%	67.3%	69.4%
Action					
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income.	63.2%	61.1%	50.7%	59.2%	59.6%
I am currently very involved in monitoring and managing my retirement savings.	55.2%	49.3%	49.3%	41.5%	45.6%
Challenges					
I do not trust financial institutions with my money.	50.6%	49.6%	53.5%	41.1%	45.4%
It is rare to hear people talk about retirement planning in the workplace.	56.7%	54.7%	65.1%	54.1%	55.1%
I have / will inherit property from parents / relatives.	25.3%	28.5%	23.9%	25.9%	26.6%

Note: Table 6 shows aggregate results of “strongly agree” and “somewhat agree.”

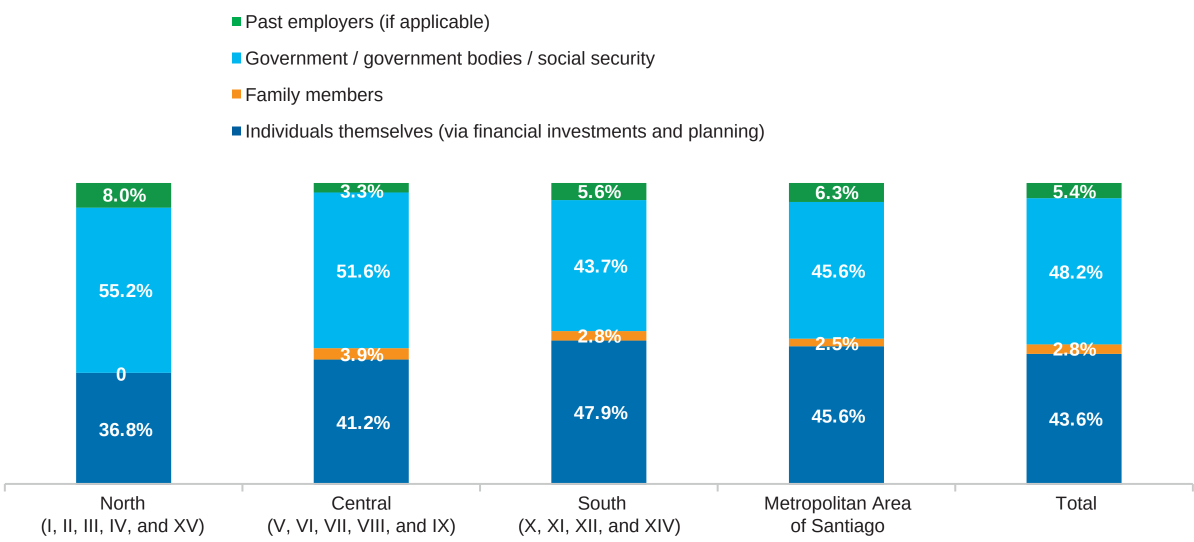
More than four out of 10 (43.6 percent) Chilean households believe it is their personal responsibility to fund their retirement.

Overall, half of Latin America consumers consider themselves primarily responsible for accumulating sufficient retirement funds, while the other half tends to rely on the government and social security. In a country without a broad and comprehensive social security system, one could expect most consumers would consider themselves as primarily responsible. Nevertheless, Chileans still think the government should share the responsibility (Figure 17).

Just over 43 percent of Chilean consumers consider themselves primarily responsible for funding their retirement. The survey identifies the types of income sources relied on by retirees and expected to be received by future retirees.

Figure 17 — Retirement Financing Responsibility

Question: Who should be primarily responsible for providing retirement funds?



Most Chilean consumers receive or expect to receive income from two main sources during retirement: the AFP / Private Pension System, (86.7 percent) and personal savings and investments (81.5 percent). The high percentages of other income sources cited suggest that consumers are well aware that relying on a single source of income will not be sufficient.

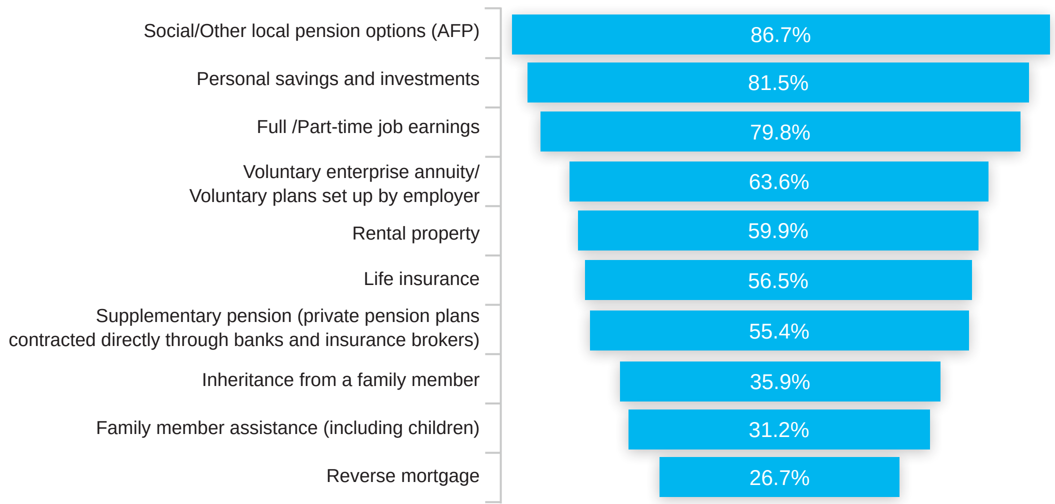
The third-most-mentioned source of income during retirement (67.8 percent) is from a full- or part-time job — just as we've seen with Brazilian consumers. Whether by need or by choice, Chilean consumers continue or will continue working after retirement, suggesting that for many households retirement may start to mean something other than the action of leaving one's job and ceasing to work. Instead, it may mean continuing to work to provide an additional layer of household income.

In an intermediary ranking position, ranging from 55.4 percent to 63.6 percent, are sources of income from voluntary savings plans, rental property, life insurance, and private supplementary pensions.

Inheritance (35.9 percent), family assistance (31.2 percent), and reverse mortgage (26.7 percent) are ranked low as income sources — at levels similar in Brazil, for instance. Between life insurance and reverse mortgage, the industry has even more access to a good slice of the Chileans' retirement income pie (Table 7).

Table 7 — Planned or Current Source of Income in Retirement

Question: Please indicate which of the following sources of income your household currently receives (if already retired) or expects to receive during retirement.



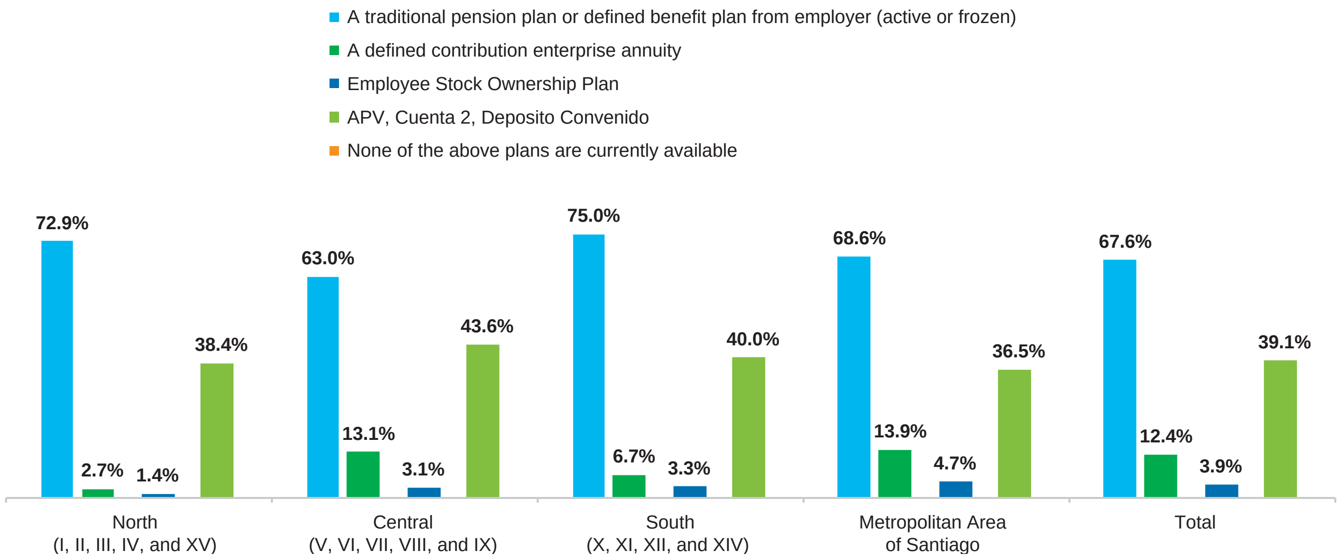
Over 67 percent of Chilean workers have a traditional pension plan or defined benefit (DB) plan available to them through their employers, work, or profession — second in Latin America only to Colombia. The second most available type of plan, called APV (Cuenta 2 and Deposito Convenido), is similar to a 401(k) retirement plan (Figure 18).

Chile has the fewest number of workers in Latin America (only 3.9 percent) with access to an employee stock ownership plan as a retirement savings tool. The North and richest region of the country has the lowest percentage. This contrasts with most industrial and some developing countries where various types of employee stock ownership plans are common. In the United States and United Kingdom, there is a widespread practice of sharing this kind of ownership with employees. The tax rules for employee share ownership vary widely from country to country. Only a few, most notably the U.S., the UK, and Ireland, have tax laws to encourage significant broad-based employee share ownership. In Chile, of the 40 companies that make up the IPSA, the main stock index in Chile compiled by the Santiago Stock Exchange, only seven had implemented the stock options within their incentive plans between 2015 and 2016 — namely the big Chilean retailers. This explains the higher percentages of these plans in the Metropolitan Area of Santiago (4.7 percent) where these companies are established.[22]

[22]Valenzuela, Francisco Andrés, "Stock Options En Chile," Bio University, 2016.

Figure 18 — Available Retirement Savings Plans in Accumulation Phase

Question: Which retirement savings plans are available to you through your current employer, work, or profession? Select all that apply.

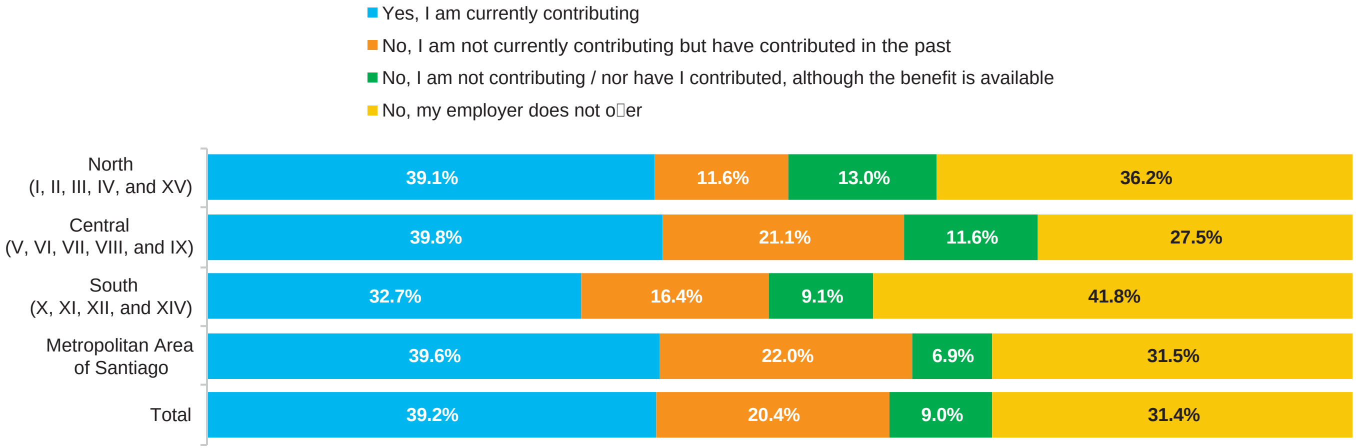


*Definition: **A defined benefit (DB) plan is** a supplementary pension plan sponsored by the employer in which the worker's benefits are calculated using a formula that considers factors such as time of service and salary history. **A defined contribution (DC) plan is** a supplementary pension plan in which the worker and/or the employer contributes to the individual account of the participant under the plan. The timing of distribution includes contributions and gains or losses on investments, less administrative and investment management fees. The sponsoring company generally matches the contributions made by the participant. The defined contribution plan has restrictions that control when and how much each employee can withdraw funds without penalties.*

As shown in Figure 19, nearly 6 out of 10 Chilean workers do not contribute to an employer-sponsored retirement savings plan, either because they choose not to contribute (29.4 percent) or the benefit is not offered (31.4 percent). These results are extremely disturbing for the fastest-aging country in Latin America, demonstrating both the insufficiency of its individual retirement capitalization scheme and the fragility of its labor market. Compared to the Latin American region overall, Chile has the lowest worker contribution levels of any employer-sponsored retirement savings plan in Latin America — sadly trailing Brazil, where 7 out of 10 workers currently contribute.

Figure 19 — Contribution Status During Accumulation Phase of Any Employer-Sponsored Retirement Savings Plans

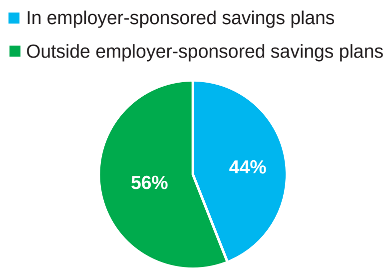
Question: Are you currently contributing or have contributed to any employer-sponsored retirement savings plans like an enterprise annuity (or provident funds)?



Clearly, employer-sponsored savings plans have a significant role in generating retirement savings — especially in a country without a comprehensive social pension system. However, more than half (56 percent) of Chilean households' savings for retirement are placed outside employer-sponsored plans (Figure 20).

Figure 20 — The Importance of Offering Employer-Sponsored Retirement Savings Plans

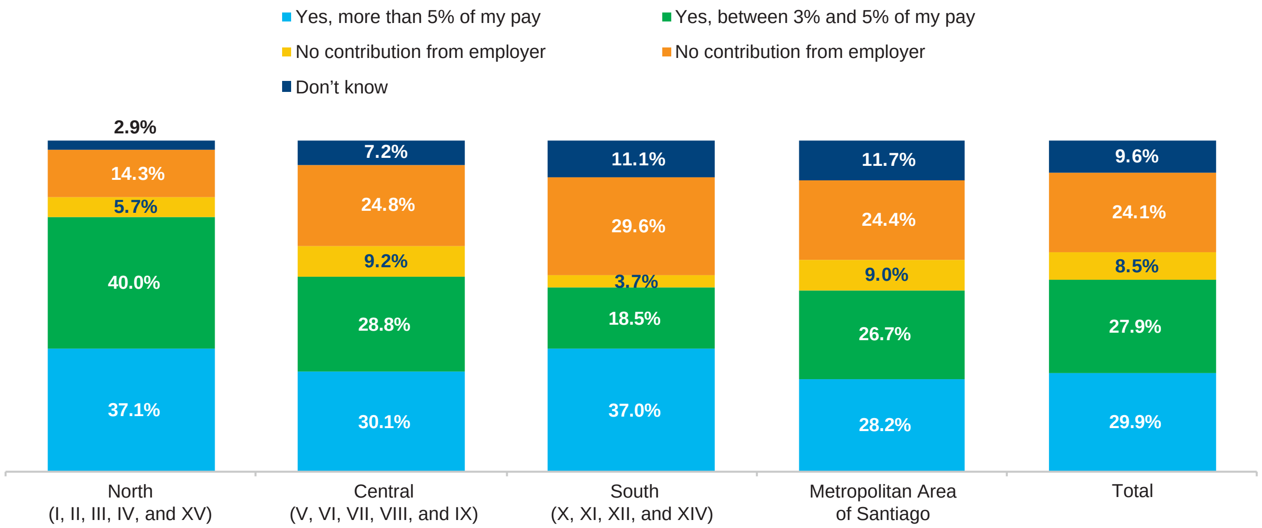
Question: What percent of all of your (both working professionals' and retirees') household savings for retirement are…



A staggering 24 percent of Chilean workers are not getting DC-plan-contribution matches from their employers. When added with those that simply don't know (9.6 percent), that's 3 out of 10 workers not getting any help with their retirement savings plans. That's by far the highest rate of employers not matching employee contributions to DC plans in Latin America. Second highest is Colombia with 19 percent. All other countries scored at 10 percent or less. If compared with the percentages of workers getting a 5 percent match and something between 3 percent and 5 percent match, that's also higher (Figure 21).

Figure 21 — Defined Contribution (DC) Plans Employer Contribution Match

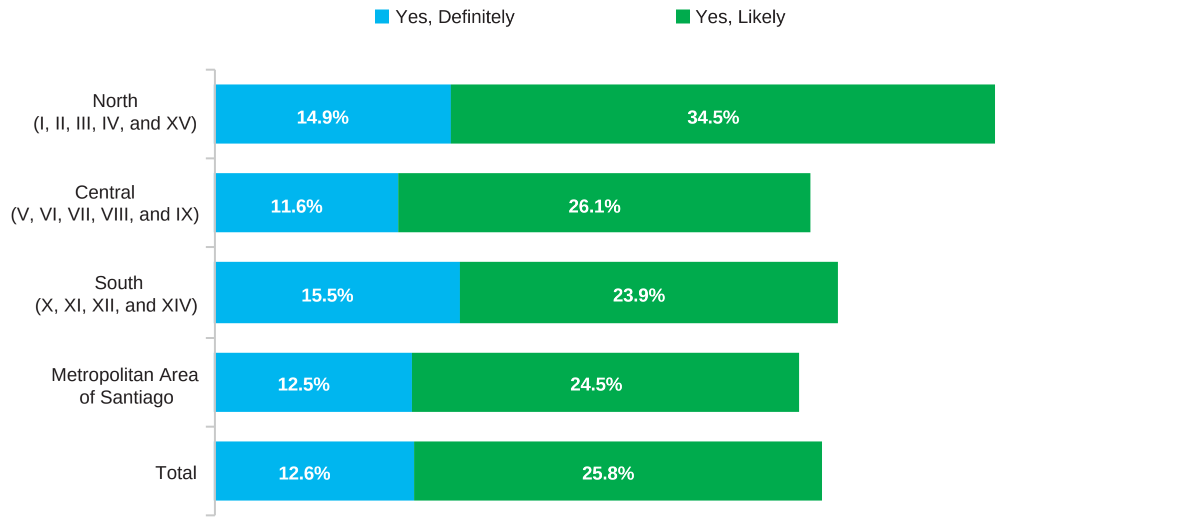
Question: Does your employer currently match all or a portion of your contribution to the DC retirement savings plan(s) it offers (e.g., 50 cents on the dollar for the first 6 percent of pay contributed? Please select one.



Current experiences (of those already retired) and expectations (of those still working) are very negative in Chile with regard the amount of income generated by an employer-sponsored DB plan and social pension being enough to provide for basic living needs in retirement. Overall only 38 percent of Chilean workers are optimistic about the income from these retirement benefits, and only the North is more optimistic, with 49 percent (Figure 22). With fewer than 4 in 10 optimistic, the country scores last in Latin America with both the experience of its actual retirees and the expectations of its future ones, compared to 55 percent in Brazil and 54 percent in Mexico, the most optimistic countries of this retirement study series. Argentina and Colombia are a bit less optimistic, with 45.8 percent and 49.5 percent respectively. Peru alone (40.2 percent) showed a pessimistic outlook similar to Chile.

Figure 22 — Income From Employer-Sponsored DB and Social Pensions Likely to Cover Basic Living Expenses in Retirement

Questions: If retiree, is the amount of income / If worker, do you expect the amount of income obtained from the social pension and employer-sponsored DB pension enough to provide for your basic living needs in retirement?



Note: The above chart reflects only "Yes, definitely" and "Yes, likely" results from following options: "Yes, definitely," "Yes, likely," "No, unlikely," "No, definitely not," and "Don't know."

Corporate annuities with a tax benefit are a popular way to generate retirement income, unlike rental income.

Chilean consumers plan to generate income from retirement savings mainly through a corporate annuity with a tax benefit (38.9 percent) (Table 8). The second-most-mentioned strategy is withdrawing interest and dividend earnings only and investing in a product to convert some or all of savings into guaranteed lifetime income (43.2 percent). Chile follows Argentina closely in the percentage of households with no intention of using retirement savings for income: 21 percent and 17.2 percent respectively. In all other Latin American countries this percentage was 10 percent or less.

Real estate strategies to generate income from retirement savings are growing in popularity as Latin America's housing market and infrastructure evolves. Three out of 10 Chilean households have a real-estate related strategy to generate retirement income.

Table 8 — Financial Strategy to Generate Income From Retirement Savings

Question: Which of the following best describes how your household plans to generate income from retirement savings? Please select all that apply.

Withdrawal Preferences	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Withdraw some principal and some interest on a regular basis	6.9%	15.1%	11.3%	9.5%	11.2%
Withdraw some principal and some interest on an occasional basis, or when needed	18.4%	16.3%	12.7%	16.6%	16.4%
Withdraw only interest and dividend earnings, but not withdraw any principal	23.0%	19.3%	21.1%	20.0%	20.1%
Buy or look for a product that will convert some or all of household savings into guaranteed lifetime income	18.4%	22.3%	19.7%	24.7%	23.1%
None. My household has no intention of using retirement savings for income	21.8%	18.1%	15.5%	16.1%	17.2%
Real Estate and Annuities					
A corporate annuity with a tax benefit	35.6%	35.9%	32.4%	42.0%	38.9%
Invest retirement savings in property to generate rental income	13.8%	15.4%	21.1%	19.5%	17.8%
Opt for a reverse mortgage	13.8%	14.8%	22.5%	15.0%	15.4%
Don't know	4.6%	10.7%	18.3%	13.1%	12.0%

In addition to identifying investment preferences, it is also important to understand when consumers plan to retire and whether their savings are sufficient to fund their retirement needs. In addition, the industry needs to understand consumers' perspectives on the time needed to save and invest for retirement, how many years they expect retirement to last, and their life expectancy from age 60 onwards.

Most Chileans are not early savers/investors for retirement. Only 20 percent start or plan to start saving and investing around age 20 and plan to do so for 45 years until reaching the current full-retirement age of 65, regardless of continuing to work, or not, after formal retirement (Figure 23).

Figure 23 — Retirement Savings/Investment Period

Questions: At what age do you expect to retire? If retiree, how old did you start saving/investing for retirement? If working, how old do you expect to start saving/investing for retirement?

Chile		
Started/will start saving/ investing for retirement:	Years to save/invest:	Actual and expected retirement age:
20% at age 20	45	44.4% at age 65

Figure 24 — It Is Common to Postpone Saving and Investing for Retirement

Question: Do you agree with this statement: "I regret I started saving and investing for retirement a bit late." Results according to answer "Yes."

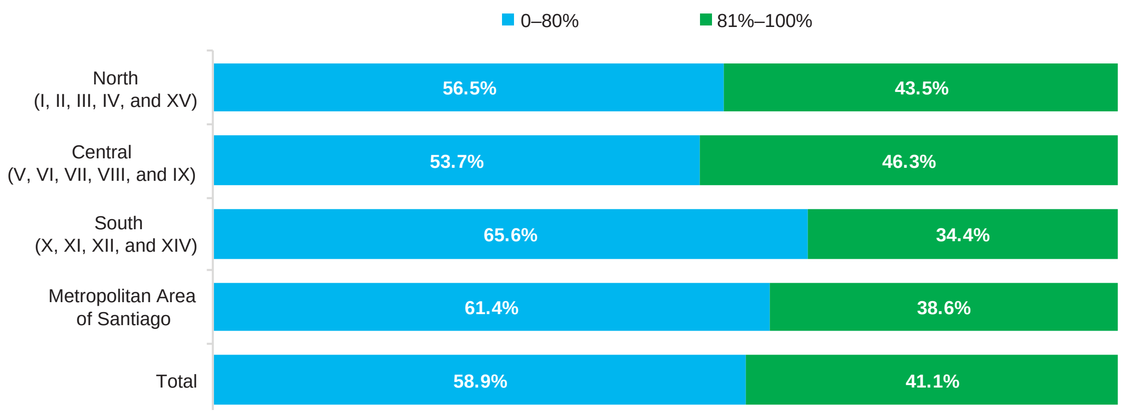
About half of Chilean consumers regret they started saving late for retirement (Figure 24).

In a country where everything is privatized, health and education costs compete with retirement planning.

By age 60, almost 6 out of 10 Chilean consumers expect to have less than 80 percent of the total retirement funds needed to sustain a comfortable retired life, while 4 out of 10 expect to have something between 81 percent and 100 percent. Along with Colombia, that's the second-most-optimistic projection in Latin America (Figure 25).

Figure 25 — Expected Percentage of Total Retirement Funds

Question: What percentage of total retirement funds (that you may need to sustain a comfortable retired life) do you anticipate to have when you turn 60 years old?



Chilean consumers seriously underestimate (by 17 percent) life expectancy from age 60 onwards. They expect to live an additional 19.6 years at age 60, compared to the reality of 23.5 additional years. When life expectancy is underestimated, retirees will likely outlive their retirement savings, which is a cause of great concern (Figure 26).

Figure 26 — Anticipated Life Expectancy Versus Current Actual Life Expectancy at Age 60

Estimated expected years in retirement at age 60

Argentina	Brazil	Chile	Columbia	Mexico	Peru
21.5	20.2	19.6	25.2	20.7	20.6

Versus

Actual expected years in retirement at age 60

Argentina	Brazil	Chile	Columbia	Mexico	Peru
19.3	19.4	23.5	20.4	18.2	20.4

+ / –

Argentina	Brazil	Chile	Columbia	Mexico	Peru
11%	4%	-17%	24%	14%	1%

Note: For comparison purposes, we used data from the 2035 – 2040 UN Population period, considering the age groups and quotas used in the study.

Identifying consumers' concerns about retirement risks is of great importance for both public and private sectors and helps identify what needs to be done to address these issues ahead of time (Table 9).

Almost 9 out of 10 Chileans are concerned about being unable to provide for health costs not covered by a social insurance medical supplement (especially in the metropolitan area of Santiago) and that a chronic illness may drain their lifelong savings.

Eight out of 10 are concerned about the main public-policy risks of the government or company reducing pensions, health, or medical insurance benefits and of the government failing to provide for the elderly in an aging society. The same proportion of Chilean households is concerned about risks associated with the economy and the market such as increasing inflation, rising taxes, and being obliged to continue working after retirement age.

Seven out of 10 consumers are concern about the longevity risks of outliving one's assets and providing for a spouse/partner or for oneself in case of death. The same proportion is worried about caring for the elderly and an inability to find or maintain employment in retirement, along with two other risks related to the economy and markets: a prolonged stock market downturn and a decline in interest rates.

Six out of 10 Chileans are concerned about risks associated with family and heirs. These include not yet having started retirement planning, not being able to leave money to children or other heirs, and not being taken care of by children in their final years. The same percentage of households is concerned about finding available long-term care/nursing homes.

Table 9 — Major Retirement-Risk Concerns

Question: How concerned are you about each of the following during retirement?

	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Longevity Risks					
The possibility that you or your spouse / partner will outlive your assets	74.7%	73.6%	78.9%	76.4%	75.5%
Providing for your spouse / partner if you should die first	70.1%	73.0%	80.3%	72.5%	73.0%
Providing for yourself if your spouse / partner should die first	73.6%	73.3%	74.6%	72.5%	73.0%
Health and Long-Term Care Risks					
Providing for healthcare costs beyond a social insurance medical supplement	89.7%	91.1%	87.3%	92.5%	91.5%
Finding available long-term care/nursing home care	65.5%	67.7%	71.8%	66.4%	67.1%
A chronic Illness may drain lifelong savings	92.0%	88.4%	91.5%	89.8%	89.7%
Caring for elderly people	73.6%	79.5%	77.5%	74.2%	76.1%
Public Policy Risks					
The government or company will reduce pension	88.5%	84.0%	90.1%	86.6%	86.1%
The government or company will reduce health or medical insurance benefits	85.1%	87.8%	90.1%	87.7%	87.7%
Aging society will make it harder for the government to provide for the elderly	82.8%	80.1%	84.5%	81.8%	81.5%
Economy and Market Risks					
The value of savings and assets might not keep up with inflation	83.9%	84.9%	84.5%	83.4%	84.0%
Tax increases	86.2%	82.5%	83.1%	83.0%	83.1%
A prolonged stock market downturn	79.3%	77.7%	80.3%	75.8%	77.0%
A decline in interest rates	78.2%	78.3%	77.5%	78.0%	78.1%
Increase in inflation	85.1%	84.9%	77.5%	83.4%	83.6%
Continue working after retirement age	88.5%	81.9%	71.8%	82.8%	82.3%
Family / Heirs Risks					
Adult child/children are NEETs group (neither go to college nor work and remain financially dependent upon parents)	36.8%	37.7%	36.6%	38.8%	38.1%
Not yet started planning for retirement	69.9%	64.0%	68.3%	68.6%	67.2%
Not being able to leave money to children or other heirs	67.8%	60.2%	66.2%	65.1%	63.9%
Child / children may not provide care in final years	64.4%	60.5%	62.0%	62.4%	62.0%
Inability to find or maintain employment in retirement	86.2%	78.3%	71.8%	79.2%	79.0%

Note: This table shows consolidated results of answers “major concerns” and “minor concerns.”

Along with Peru, Chile has the lowest consumers' self-assessment evaluation of their level of knowledge about investments or financial products. In fact, 4 out of 10 Chilean consumers find themselves somewhat or not very knowledgeable. A solid understanding of investments and financial products is a must when it comes to retirement planning (Figure 27).

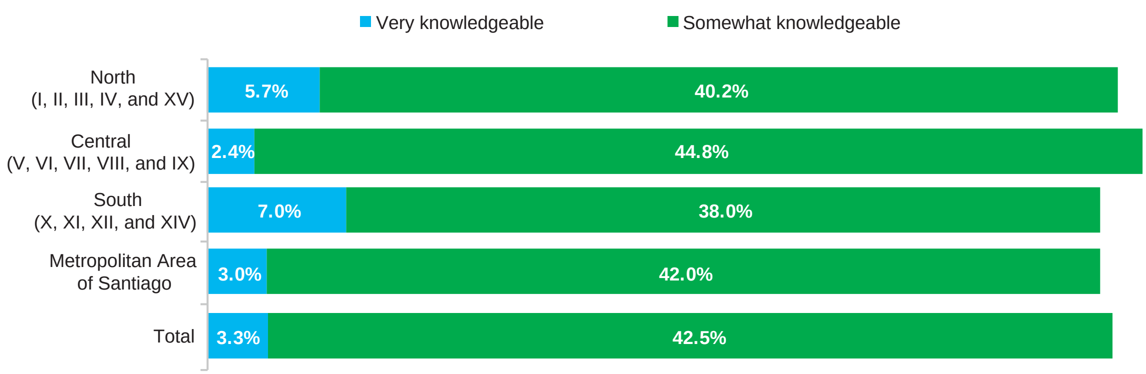
Almost 8 out of 10 Chilean consumers expressed their willingness to convert a portion of their assets into a lifetime guaranteed annuity in retirement even considering that, once purchased, consumers usually no longer will have access to the converted assets.

This confidence is higher in the North and Metropolitan Area regions. Results in the South and Central regions of Chile show 7 out of 10 consumers willing to convert their assets into an annuity (Figure 28).

The attractiveness of deferring taxes was somewhat significant for those Chilean consumers considering the purchase of a tax-deferred annuity. Three out of 10 consumers said they were very or extremely interested in this type of product, especially in the South (Figure 29).

Figure 27 — Self-Assessment of Financial Knowledge

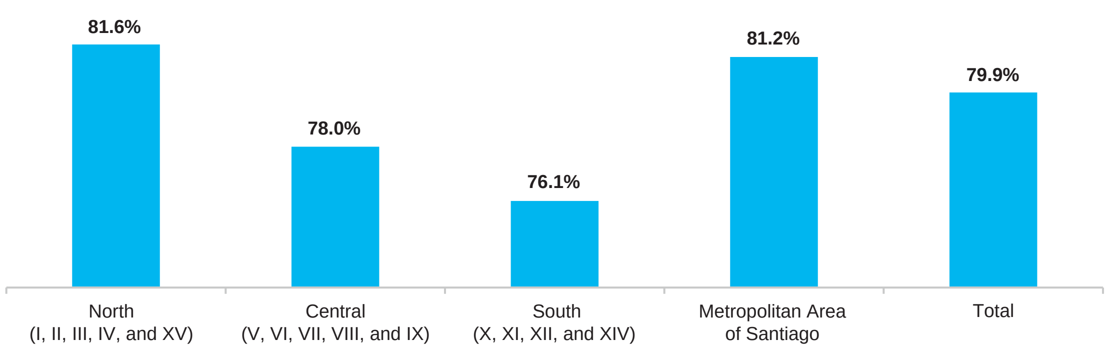
Question: In general, how knowledgeable do you think you are about investments or financial products?



Note: Answer options were: "very knowledgeable," "somewhat knowledgeable," "not very knowledgeable," and "not at all knowledgeable." Only "very knowledgeable" and "somewhat knowledgeable" results are shown in the above chart.

Figure 28 — Willingness to Convert a Portion of Assets Into a Lifetime Guaranteed Annuity in Retirement

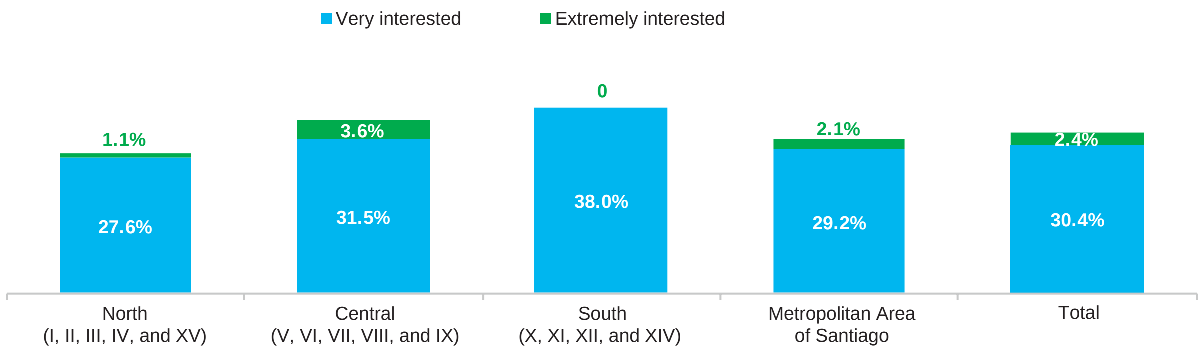
Question: Annuities can provide a lifelong income stream in exchange for a premium payment. Individuals usually no longer have access to the assets used to pay for the annuity once it is purchased. Would you consider converting a portion of your assets or an additional portion of your assets into a lifetime-guaranteed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



Note: Only "Yes" results are shown.

Figure 29 — Consumer Interest in Purchasing a Tax-Deferred Annuity

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



Note: answer options were: "not at all interested," "somewhat interested," "very interested," and "extremely interested." Only "very interested" and "extremely interested" results are shown in the above chart.

Digital channels, along with family, friends or co-workers, are the preferred sources of information on investments, financial products, or retirement planning.

The combination of the urgent need and the keen interest of consumers for information on finance and retirement planning education makes it even more important for the financial services industry to refine its approach. This study identifies behaviors and perceptions related to retirement planning and product preferences. Before consumers make the decision to buy annuities and other financial products for retirement income, they need to check different sources of information.

In Chile, where many people plan to retire without professional retirement planning, it is extremely important for the industry to provide information that is easy to understand and easy to find. It is equally critical that the information is accurate and helps consumers take action for a positive outcome.

Digital channels have become one of the popular sources of information for Chilean consumers, and nearly 4 out of 10 access financial sites for data and knowledge. In fact, websites are the favorite option, especially among younger generations. Therefore, instead of offering traditional methods of communication and education, such as workshops, seminars, television, radio or newspaper messaging, the industry needs to rethink how to spread information across the vastness of the internet (Table 10).

Table 10 — Source of Information on Investments, Financial Products, or Retirement Planning

Questions: Where do you obtain information on investments, financial products, or retirement planning? Select all that apply.

	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Workshops and / or seminars	8.0%	6.2%	12.7%	8.1%	7.8%
Booklets, pamphlets, or other written materials provided by employer	11.5%	13.4%	7.0%	13.2%	12.7%
My own financial advisor / planner / insurance agent	12.6%	16.3%	11.3%	16.8%	15.9%
Employer (e.g., human resources or benefits department)	13.8%	13.9%	7.0%	13.2%	13.1%
Representatives from the company managing my employer's defined contribution retirement savings plan	8.0%	16.9%	9.9%	12.3%	13.3%
Website with information on my specific retirement account	39.1%	35.6%	40.8%	35.8%	36.3%
Social media/networking websites	23.0%	22.8%	28.2%	26.5%	25.1%
Mobile apps	3.4%	10.4%	15.5%	10.2%	10.1%
Family, friends, or co-workers	27.6%	36.2%	18.3%	36.1%	34.3%
Internet / financial websites	50.6%	46.9%	50.7%	49.7%	49.0%
Websites, other	32.2%	41.8%	46.5%	44.4%	42.7%
Books, magazines, and newspapers	19.5%	16.6%	16.9%	21.5%	19.4%
Television or radio programs	25.3%	21.1%	16.9%	23.1%	22.2%
From nowhere. I do not know where	6.9%	5.3%	4.2%	5.5%	5.5%

Note: This is a multiple answer question.

Financial websites are the preferred source of information for consumers; information from financial advisors/planners and insurance agents is useful, although not the most-sought-after source.

For 18.7 percent of Chilean consumers, information obtained from internet financial websites is very useful and is the first option for obtaining information about a product. Second comes the opinion of trusted family, friends, and co-workers. Although the preference for direct contact with a financial advisor/planner/insurance agent is much lower (9.8 percent), consumers rate these channels as “very useful” also. In this channel are found trained professionals with solid product knowledge, delivering information in a clear and easy-to-understand manner. The increased experience of the value of a human touch and face-to-face interaction cannot be ruled out. The two preferred channels complement each other and already work in a kind of multichannel symbiosis, where online information and attention become a lead for a contact with a professional (Table 11).

Table 11 — Usefulness of Information Sources

Question: Which information source did you find the most useful?

	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Internet / financial websites	14.8%	20.7%	29.4%	16.7%	18.7%
Websites, other	12.3%	14.1%	20.6%	18.0%	16.5%
Website with information on my specific retirement account	14.8%	14.1%	14.7%	12.3%	13.3%
Family, friends, or co-workers	12.3%	12.2%	5.9%	14.0%	12.8%
My own financial advisor / planner / insurance agent	9.9%	9.7%	5.9%	10.4%	9.8%
Representatives from the company managing my employer’s defined contribution retirement savings plan	2.5%	7.5%	1.5%	5.5%	5.6%
Social media / networking websites	3.7%	2.8%	7.4%	5.3%	4.5%
Television or radio programs	7.4%	4.1%	2.9%	4.0%	4.2%
Employer (e.g., human resources or benefits department)	6.2%	4.7%	2.9%	3.6%	4.1%
Books, magazines, and newspapers	4.9%	2.5%	4.4%	4.2%	3.7%
Workshops and / or seminars	3.7%	2.2%	1.5%	2.5%	2.4%
Mobile apps	1.2%	2.5%	1.5%	1.3%	1.7%
Booklets, pamphlets, or other written materials provided by employer	4.9%	0.6%	0	1.5%	1.4%
Other	1.2%	2.2%	1.5%	0.8%	1.3%

Note: Answer options align with those for the question on the preferred method for information on investments, financial products, or retirement planning (Table 10). Respondents were allowed to choose only one option. Results below 5 percent represent an option chosen for a sample of 10 or fewer.

Across regions, consumers indicated a preference for more conservative product features such as guaranteed income and capital preservation.

The study also asked participants to indicate preferences, aside from cost issues, for product characteristics or financial investments that could be used to generate retirement income. Perhaps, as expected, the preference for guaranteed lifetime income was the most-mentioned feature by Chilean consumers (6 out of 10), followed by inflation-adjusted income, principal protection, and fixed returns (Table 12).

Table 12 — Most Important Characteristics of a Financial Product in Retirement Planning

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

	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Income that is guaranteed for life	66.7%	60.5%	57.7%	60.1%	60.6%
Income that is adjusted for inflation	66.7%	50.1%	38.0%	53.7%	52.6%
Income will remain the same or fixed throughout retirement	57.5%	49.0%	47.9%	51.3%	50.9%
Income has the potential for growth with market	63.2%	56.7%	59.2%	58.9%	58.5%
Income will continue after I die or my spouse dies	60.9%	49.6%	50.7%	53.1%	52.5%
Income amount can be changed as needs change	46.0%	43.6%	43.7%	49.0%	46.7%
Income can be converted into a lump sum	41.4%	31.2%	35.2%	36.7%	35.2%
Initial investment amount is preserved or protected	58.6%	50.7%	50.7%	53.0%	52.6%
Control over how investments are managed	54.0%	48.4%	38.0%	55.3%	51.8%
Guaranteed returns on investments	63.2%	49.3%	50.7%	53.5%	52.8%
Money for heirs or charities when I die	36.8%	29.1%	23.9%	33.1%	31.5%
The ability to make withdrawals in excess of regular payment	49.4%	35.6%	29.6%	38.8%	38.0%
Option to receive predefined lump sum or annuity payment in foreign currency	43.7%	37.7%	36.6%	34.7%	36.5%
Single premium	49.4%	30.0%	25.4%	29.2%	30.8%
Level premium	47.1%	23.7%	19.7%	26.3%	26.8%
Stepped-up premium	42.5%	31.5%	28.2%	32.7%	32.8%
Tax Benefit	60.9%	43.3%	45.1%	49.0%	47.9%
Option to withdraw entire money as lump sum and manage on my own	58.6%	47.5%	52.1%	51.2%	50.7%

Banks have emerged as the preferred channel for buying retirement financial products, followed by insurance companies, pension company agents, and brokers / financial advisors who sell multiple products.

While Chilean consumers prefer to go online for information on investments, financial products, or retirement planning, at the time of purchase they predominantly go to banks (43 percent) and insurance companies (19.8 percent). Pension company agents and multiline financial advisors/brokers are more in demand in the Metropolitan Area of Santiago. Online buying is still in its early stages in Chile.

Table 13 — The Five Preferred Channels for the Purchase of Retirement Products

Question: If you were to buy a product with the features you selected where you would like to buy it from:

	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Bank	49.4%	44.8%	45.1%	40.6%	43.0%
Broker / financial advisor (sells multiple products)	5.7%	5.6%	5.6%	9.1%	7.5%
Insurance company agent	5.7%	5.3%	1.4%	3.6%	4.2%
Pension company agent	4.6%	9.2%	8.5%	10.6%	9.5%
Phone call	0	1.5%	2.8%	0.5%	0.9%
Post office	1.1%	1.2%	1.4%	1.4%	1.3%
Insurer's website	6.9%	4.5%	5.6%	6.1%	5.6%
Insurance aggregator's website	2.3%	4.5%	7.0%	5.7%	5.1%
Mobile apps	1.1%	2.7%	2.8%	1.4%	1.9%
Other channel	3.4%	1.2%	0	0.9%	1.1%
Insurance company	19.5%	19.6%	19.7%	20.0%	19.8%

Maintaining physical health and well-being is a priority for most Chilean consumers.

Each Chilean citizen has unique aspirations for their retirement. They mainly aspire to maintain physical health and well-being (almost 8 out of 10), along with finding a solution to potentially total dependence in their final years (6 out of 10). Consumers in Chile also express a strong desire to spend more time with friends and family. Few expressed the desire to move from their homes to retirement condominiums or retirement communities.

Table 14 — Aspirations in Retirement

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

	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Spend more time with friends and family	55.2%	58.8%	50.7%	61.5%	59.4%
Maintain my physical health and well-being	72.4%	78.6%	69.0%	82.8%	79.7%
Financially support my family	42.5%	41.8%	42.3%	40.3%	41.1%
Travel more	43.7%	45.1%	46.5%	50.6%	48.0%
Learn a new skill/hobby	40.2%	42.1%	42.3%	46.7%	44.4%
Save to leave a legacy	29.9%	26.4%	36.6%	24.2%	26.2%
Move into a nursing home	11.5%	9.8%	4.2%	10.9%	10.2%
Remain living in my current residence	44.8%	47.2%	42.3%	40.8%	43.3%
Moving to another area in order to have satisfactory, climate, costs, and facilities	31.0%	30.9%	22.5%	38.1%	34.2%
Get involved with some type of group/activity/community for retired persons	17.2%	23.7%	23.9%	21.6%	22.1%
Move into a community for retired persons	11.5%	8.6%	11.3%	9.1%	9.3%
Solve the care of my final years and the potential of total dependence	56.3%	62.9%	70.4%	64.2%	63.6%

Note: Results represent answer selection of “very important.”

Industry Opportunities

The industry has a significant opportunity to help solve longevity-financing problems by developing and delivering some of the products that consumers have identified in this study. The diagnoses of this consumer survey point to attractive opportunities for the financial services industry to leverage.

- **Retirement funding responsibility:** Just under two thirds of consumers in Chile consider that individuals are responsible for generating retirement funding. Almost 4 out of 10 young workers accept this responsibility, compared to 2 out of 10 preretirees and 3 out of 10 retirees. This finding points to a changing mentality, where younger generations may be willing to take action to meet their future needs without depending on the government. This thinking among young Chilean workers suggests that they might be eager to make decisions and take actions that will help them to plan for retirement. The industry needs to seize this opportunity and help younger generations plan and build retirement savings from an early age. Overall, half of Latin America consumers consider themselves primarily responsible for providing retirement funds, while the other half tends to rely on the government and social security.

- **Retirement planning:** However, almost 3 out of 10 consumers — especially in the Central and Metropolitan regions — said they do not work with any type of financial professional. Moreover, 7 out of 10 Chilean households do not have a formal written plan to manage their income, assets, and expenses during retirement. The industry, along with other stakeholders, needs to intervene and educate future retirees on how to plan for retirement and to make the most of available resources.

- **Main aspiration:** Maintaining physical health and well-being means maintaining independence and autonomy, while reducing health costs, in retirement. That's a sound objective and provides the industry with an opportunity to share information on the ways health insurance products can help support physical and financial independence later in life. At the same time, insurers have the opportunity to develop new products and solutions that will help individuals prepare financially for their final years and potential dependence.

- **Procrastination:** Although 43 percent of Chilean consumers accept the responsibility of financing their retirement, in fact, they often delay: 5 out of 10 regret having delayed or not begun saving for retirement. Most of them do not take appropriate action and instead prioritize more immediate expenditures, as seen in the high levels of personal debt of recent years. The feeling of regret is higher among young people (35 percent). These "regrets" also suggest that people miscalculate how much time they need to save and invest. They certainly could benefit from the professional advice the industry has to offer. Although people are willing to take responsibility, they may not have enough "financial knowledge" to make the best decisions. Therefore, the industry needs to focus on guiding people on when, where, and how to start saving for retirement.

- **Loss of purchasing power:** Fifty-eight percent of respondents in Chile anticipate having less retirement funds at age 60 than what they planned to have, and only 41 percent expect to have more than 81 percent of the funds they need to pay for a comfortable retirement. Consumers from the South and Metropolitan regions are less optimistic than the average. The industry has products to fill the retirement gap and should take every opportunity to increase its role and participation in retirement income planning.

- **Underestimate life expectancy:** Overall, Chileans underestimate their life expectancy (with a significant differential among regions). In fact, Chile is the only country in Latin America to underestimate life expectancy. Its citizens expect to live around 19.6 additional years beyond age 60 when in reality they will likely live an additional 23.5 years. This misapprehension affects the calculation not only of the number of years in retirement but also of possible future medical expenses — a combination that can be a recipe for a disaster. The industry should focus on educating consumers about the dangers of this miscalculation and presenting solutions.

- **Willingness to buy annuities:** Almost 8 out of 10 consumers expressed a willingness to convert a portion of their assets into annuities to generate guaranteed lifetime retirement income. The North and Metropolitan regions showed the most interest in annuity products. Moreover, interest is high in the preretired segment. The fact that consumers are willing to invest in these products, when they fit their specific needs, represents a potentially historic opportunity for the industry.
- **Product characteristics:** Chilean consumers expressed strong preferences for products with conservative characteristics, along with products that guarantee predictable returns and help preserve capital. In addition, these consumers demonstrated a desire for guaranteed lifetime income, principal-protected investment, and fixed returns. Banks are the preferred channels for buying retirement income products. These consumers are also interested in having greater control over their investments and the ability to adjust their portfolios. Specifically, they indicated an affinity for products that offer a guaranteed return on investments, guaranteed lifetime income, and income that remains fixed during retirement.
- **Distribution:** Across regions, face-to-face distribution channels are preferred at the time of purchasing a retirement savings product. It's not surprising that banks continue to have the largest market share, far ahead of traditional agency/brokers channels. Online purchasing is still in its infancy, but nevertheless represents a good opportunity to experiment, explore, and ensure that the consumer experience is simple and informative without being overwhelming.

Appendix

The Spotlight on Retirement study in Chile is part of a collaborative research project of the Society of Actuaries (SOA) and LIMRA. With the participation of 1,054 respondents, it reveals consumer perceptions related to retirement in four macro regions of the Chilean territory: North, Central, South and the Metropolitan Area of Santiago, the capital and largest city of Chile. The study sample focused on the same demographic segments of the Latin American study that included Argentina, Brazil, Colombia, Mexico, and Peru: young workers (ages 30–45), preretired (ages 46–60), and retired (ages 60+).

Table A-1 — Respondents by Employment Status

Question: Are you currently…?

Employment Status	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Working full time for pay	64.4%	62.9%	57.7%	69.6%	66.2%
Full-time self-employed / Family business	14.9%	16.3%	23.9%	14.0%	15.5%
Working part time	4.6%	6.5%	2.8%	7.5%	6.6%
Working part time even after formal retirement (i.e., receiving pension and working part time)	4.6%	5.0%	4.2%	2.1%	3.4%
Working full time even after formal retirement (i.e., receiving pension and working full time)	4.6%	2.7%	4.2%	2.0%	2.6%
Retired and not working for pay (i.e., receiving pension and not working)	6.9%	6.5%	7.0%	4.8%	5.7%

Table A-2 — Respondents by Employer Type

Question: Which of the following best describes your employer? [IF RETIREE] From what type of employer did you retire?

Employer Type	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
Government (including public institutions controlled by the government)	35.6%	36.5%	36.6%	30.2%	33.1%
Private company (enterprise)	47.1%	36.5%	31.0%	46.9%	42.5%
Small- or medium-sized enterprise (SME)	6.9%	15.7%	12.7%	11.3%	12.4%
Own company/family business	10.3%	11.3%	19.7%	11.6%	12.0%

Table A-3 — Respondents by Household Size

Question: What is your household size?

Number in Household	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
1	6.9%	3.6%	9.9%	4.1%	4.6%
2	14.9%	16.0%	15.5%	19.5%	17.7%
3	16.1%	26.7%	19.7%	24.0%	23.9%
4	39.1%	32.6%	33.8%	28.4%	31.0%
5	16.1%	15.1%	18.3%	16.3%	16.0%
6	5.7%	3.3%	1.4%	3.4%	3.4%
7	0	1.8%	1.4%	2.5%	2.0%
8	0	0	0	0.5%	0.3%
9	1.1%	0.6%	0	0.4%	0.5%
10	0	0	0	0.4%	0.2%
11	0	0.3%	0	0	0.1%

Table A-4 — Respondents by Total Monthly Income Before Tax

Question: Which of the following ranges describes your household's pre-tax total monthly income?
Please include any income from employment earnings, investments, interest, dividends, social security, pensions, etc.

Pre-tax Monthly Income	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
28,801 – 560,000	0	0	0	0	0
560,001 – 1,200,000	55.2%	43.0%	52.1%	40.1%	43.1%
1,200,001 – 2,400,000	33.3%	39.8%	29.6%	44.0%	40.8%
2,400,001 – 5,000,000	6.9%	14.5%	15.5%	11.8%	12.5%
5,000,001 – 7,200,000	2.3%	1.5%	1.4%	3.2%	2.5%
7,200,001+	2.3%	1.2%	1.4%	0.9%	1.1%

Note: Amounts in Chilean peso (CLP). For U.S. dollar (USD), divide by 780 (as of exchange rate in January 2020).

Table A-5 — Respondents by Current Housing Status

Question: What is your current housing situation?

Current Housing Status	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
I own my apartment or house	28.7%	29.7%	25.4%	27.0%	27.9%
I rent from a landlord	28.7%	19.3%	23.9%	27.9%	25.0%
Live with parents, other family members, or friends	9.2%	7.4%	8.5%	9.3%	8.6%
Other	2.3%	0.3%	4.2%	1.1%	1.1%
Have a mortgage	31.0%	43.3%	38.0%	34.7%	37.4%

Table A-6 — Respondents by Education Level

Question: Which of the following best describes your highest level of education?

Education Level	North (I, II, III, IV, and XV)	Central (V, VI, VII, VIII, and IX)	South (X, XI, XII, and XIV)	Metropolitan Area of Santiago	Total
None	0	0	0	0	0
Primary	1.1%	0	1.4%	0	0.2%
High school	14.9%	5.9%	8.5%	6.6%	7.2%
Tertiary non-university	25.3%	23.1%	22.5%	20.4%	21.8%
College	47.1%	57.3%	54.9%	58.7%	57.0%
Master or Doctorate	11.5%	13.4%	12.7%	13.6%	13.3%
Other	0	0.3%	0	0.7%	0.5%

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