Spotlight On Retirement

INDONESIA

ASIA RETIREMENT SERIES

SOCIETY OF ACTUARIES®

LIMRA Secure Retirement INSTITUTE®

Spotlight on Retirement: Indonesia

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Executive Summary

Demographic change is on the horizon in Indonesia. In recent years, the population has been getting younger. However, it is expected to rapidly age during an anticipated period of population growth. Indeed, the overall population of Indonesia is likely to grow by 25 percent between 2015 and 2050, while during the same period, the age 60+ population will grow by 195 percent — significantly outpacing total population growth. The proportion of the elderly (age 60+ population) is likely to increase almost three times, in a space of 35 years, to 62 million in 2050 from 21 million in 2015.

As a corollary, the ratio of workers supporting each person age 65+ is projected to experience a steady and constant deterioration between 2000 and 2050. In fact, the ratio is projected to worsen to 4.8:1 by 2050 from 13.7:1 in 2000. This means, by 2050, there will be fewer than five people in the labor force supporting every person aged 65 and over. Further, by the end of this century, it is estimated to gradually deteriorate to 2.6:1.

Despite the recent reforms undertaken by the government, a majority of the population is not yet covered by comprehensive and adequate pensions. That's possibly the reason why Indonesia ranks so low in the Allianz Pension Sustainability Index. Although Indonesia has made good progress, a lot still needs to be done. Clearly, while Indonesia is positioned for an economic boom, it will need to be nimble in preparing for an aging society.

Insights from the study indicate that 64 percent of respondents consider it their own responsibility to fund retirement; this figure is especially high among respondents from the Java and Lesser Sunda regions where close to 7 out 10 respondents owned up to that responsibility. Even though 97 percent of the respondents said they will depend on their personal savings and investments, 47 percent regret delaying saving for retirement OR have not started saving for retirement at all, suggesting they will not be able to save enough for retirement.

These findings paint a grim picture. Among respondents, 81 percent fear they will have a gap in retirement funds when they turn age 60, and only around 19 percent expect to have more than 81 percent of the funds required to lead a comfortable retired life. Despite this anticipated retirement-funding gap, most respondents do not seek help from financial professionals.

The only silver lining is that 82 percent across Indonesia stated that they are willing to convert a portion of their assets to annuities to generate retirement income. Interest in this option is especially high among young workers at a level significantly higher than the 71 percent average for the Asia markets, including Indonesia, covered in this study. This level of interest clearly demonstrates a huge untapped potential for the financial services industry. Consumers showed a strong preference for more conservative product features — features that would give them guaranteed income for life, along with predictable returns, and help preserve capital. In addition, some of them would like to have products that will allow income to continue after the death of the policyholder or the policyholder's spouse.

Banks emerged as the most popular channel to buy retirement income products. In fact, across all markets, banks were selected as the top distribution channel.

Introduction

Indonesia is going through a rapid demographic and economic transition. While its economy is growing rapidly, its population is expected to shift from young to aged at an unprecedented rate of speed. Indonesia needs to prepare well to manage the challenges of supporting its elderly population in retirement.

Indonesia, with a population of almost 264 million in 2017, is the fourth-most-populous country in the world after China, India, and the United States. Over the last two decades, Indonesia has gone through major transitions — economically and socially, as well as demographically. The economy remained robust, barring the period of the Asian Financial Crisis.

Compared to some of the other Asian markets, Indonesia has a much younger population. In 2015, the median age stood at 28 years compared to 46.3 years in Japan or 37 years in Mainland China. Currently, a majority of the population is of working age — a demographic phase when the economy generally grows quickly, if supported by government policies.

However, the shift from a younger to an older population will come quickly, and Indonesia's demographics will come to more closely resemble other Asian markets. Moreover, because of its huge population, Indonesia needs to prepare especially well to serve the needs of the future aged. Otherwise, it will face challenges like a shrinking workforce, a higher dependency of the elderly on the working-age population, and a slowdown of economic growth — all factors that are likely to put immense pressure on future pension systems.

Other social and economic changes could further aggravate the challenges related to retirement funding. While Indonesia enters a phase of greater economic growth, more and more of the younger population is likely to relocate to urban areas, affecting the country's traditional social structure. Urbanization will have an impact on how people spend their retired lives. A significant proportion of Indonesians have moved to Jakarta in search of jobs. As the interest in moving to large urban centers grows among the country's youth, it will effect a change in the social fabric. Currently, as in other Asian markets, a significant portion of Indonesia's elderly depends on family and children for retirement funding and personal care. However, with more and more urbanization, the average size of households may continue to shrink, and the elderly may be left alone to manage for themselves.

In the face of these cultural and socioeconomic shifts, there needs to be a comprehensive, adequate, and sustainable retirement and pension system — one that can help support the future financial needs of today's pre-retirees.

This study is designed to identify how Indonesia's consumers are planning to manage their current or upcoming retirement challenges and what their aspirations are. The study is an extension of the earlier research on China retirement from 2015 – 16, a collaboration between the Society of Actuaries and LIMRA aimed at identifying the challenges faced by other major markets across Asia.

About the Survey

The Indonesia Retirement Study is a part of the Asia Retirement Study, a collaborative research project of the Society of Actuaries and LIMRA. The larger study aims to identify consumers' perceptions of retirement across nine major Asian markets including Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China, with a total sample of 9,384 respondents. The first study in the series covered mainland China. This second wave of the study focuses on Indonesia and aims to identify consumer retirement perceptions through an online survey of 765 respondents.

This report provides the consumer perception of retirement across different regions of Indonesia. The study targets three age segments, young workers (30–45 years), pre-retirees (46–60 years), and retirees (age 60+ years). Young workers are at an early stage of their careers and planning for marriage or starting families; pre-retirees are gradually approaching retirement and planning to start saving for comfortable retirements; and retirees are retired or are likely to retire soon.

The data were collected online across all markets. This study is designed to identify the attitudinal differences across regions, sub-regions, age bands, and genders to help insurers and other financial organizations prepare the right solutions to address future consumer needs. The study also highlights consumers' retirement readiness, current and future income sources, risk tolerances, and preferences in products and product features.

The study covered a sample of 765 respondents across the six sub-regions to capture the population's diversity (Table 1).

- Since the focus was to gather a sample representative of the target market for insurers and other financial institutions, the study covered multiple sub-regions and income levels. (See the Appendix.)
- The study also included quotas based on income levels and other parameters to ensure enhanced quality of data.
- In certain instances the consumer research data refer to "Asia," using an unweighted average of the nine markets covered in the study. In some instances, the data refer to eight markets when a question or option was not covered in the earlier wave of the China study.
- Where the percentage values are under 5, especially for results within sub segments, they must be read with caution as the resultant sample may not be statistically significant.

Table 1 — Overall Sample Split Across Indonesia: Sub-region

Sub-region	Sample
Sumatra	126
Java	136
Lesser Sunda	125
Kalimantan	127
Sulawesi	125
Other (Maluku, New Guinea) Islands	126
TOTAL	765

Source: LIMRA-SOA Retirement Study 2017 – 2018.

Table 2 — Overall Sample Split Across Indonesia: Age Band

Age Band	Sample
30-45 — Young workers	192
46-60 — Pre-retirees	252
61-75 — Retirees	321
TOTAL	765

Source: LIMRA-SOA Retirement Study 2017 – 2018.

Table 3 — Overall Sample Split: Gender

Gender	Sample
Male	364
Female	401
TOTAL	765

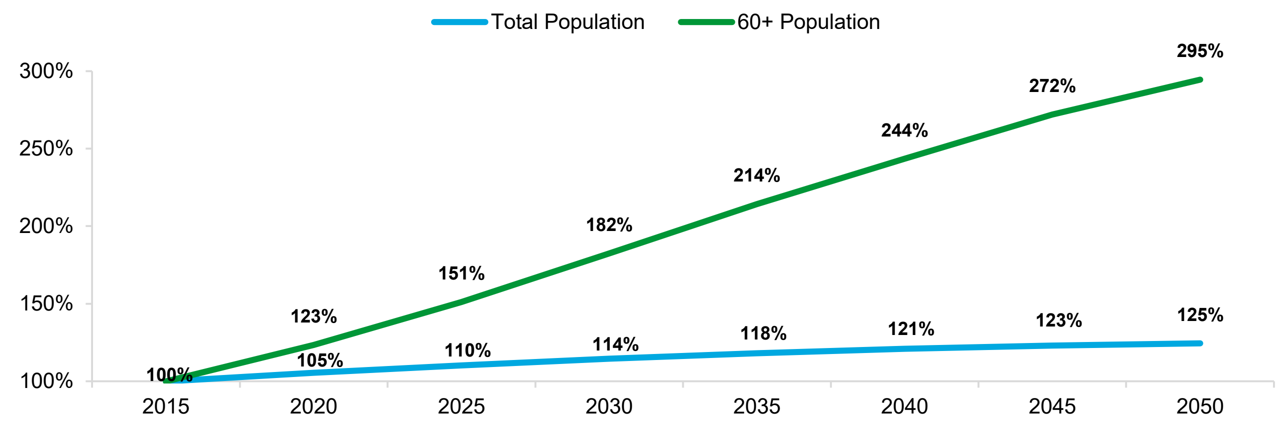
Source: LIMRA-SOA Retirement Study 2017 – 2018.

Demographic Transition

YOUNG TO AGING POPULATION

Indonesia is currently the fourth-most-populous country in the world, after China, India, and the United States. In 2017, Indonesia had a population of around 264 million, with the very young in the majority. In 2015, its median age was 28 years, compared to 46.3 years in Japan, 40.3 years in Korea, and 37.0 years in Mainland China. Indonesia appears poised to hold a huge demographic advantage over the majority of its Asian counterparts. However, to convert this demographic advantage to a "demographic dividend,"[1] it needs to take a number of steps: act to create jobs, improve the education system to create employable labor, grow female labor participation, and deploy policies to support economic growth.

Figure 1 — Overall Population Growth Versus Age 60+ Population Growth



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

The overall population growth and growth of age 60+ population has been rebased to 2015.

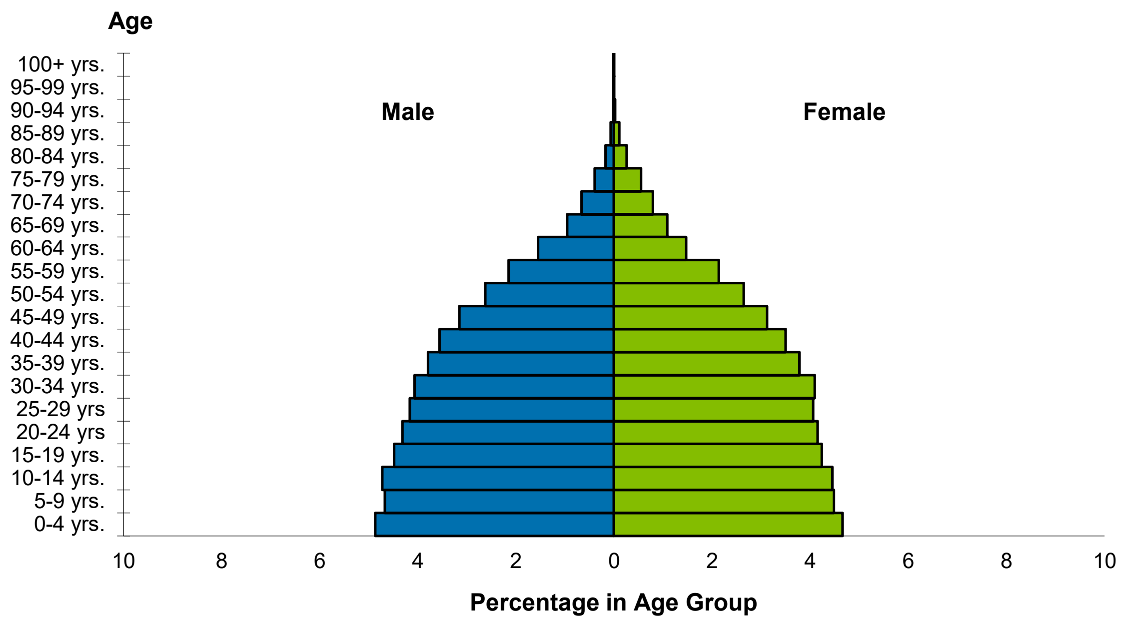
The growth of the elderly population is outpacing the growth of the overall population by a huge margin.

Having a youthful working-age population should be a reason for optimism. Yet some caution is needed. Between 2015 and 2050, the overall population of Indonesia is likely to grow by 25 percent. However, during the same period, the age 60+ population will grow by 195 percent, significantly outpacing the total population growth. This anticipated trend suggests that the proportion of the elderly in the overall population will increase rapidly, and the nation could gradually lose its demographic advantage.

Along with natural aging, medical advances and improved lifestyle may contribute to an overall prolonged life, causing a massive shift in the age structure of the population.

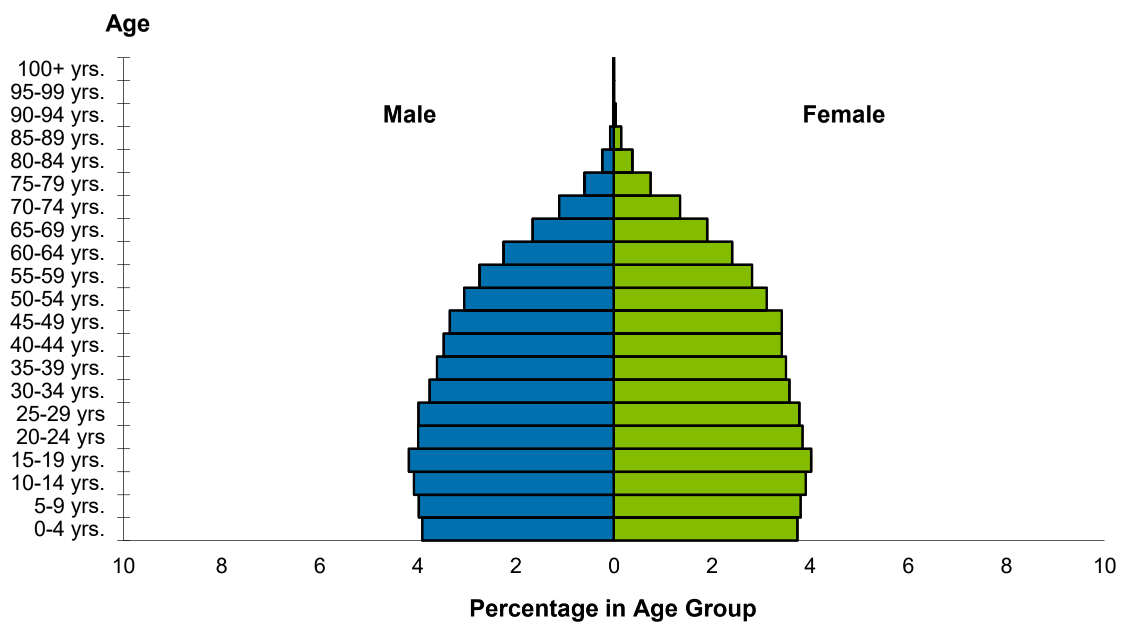
[1] "Demographic dividend" usually refers to the potential economic growth resulting from a change in population age structure. *Shaping The Future: How Changing Demographics Can Power Human Development*. Accessed 2018.

Figure 2 — Population Pyramid: 2015



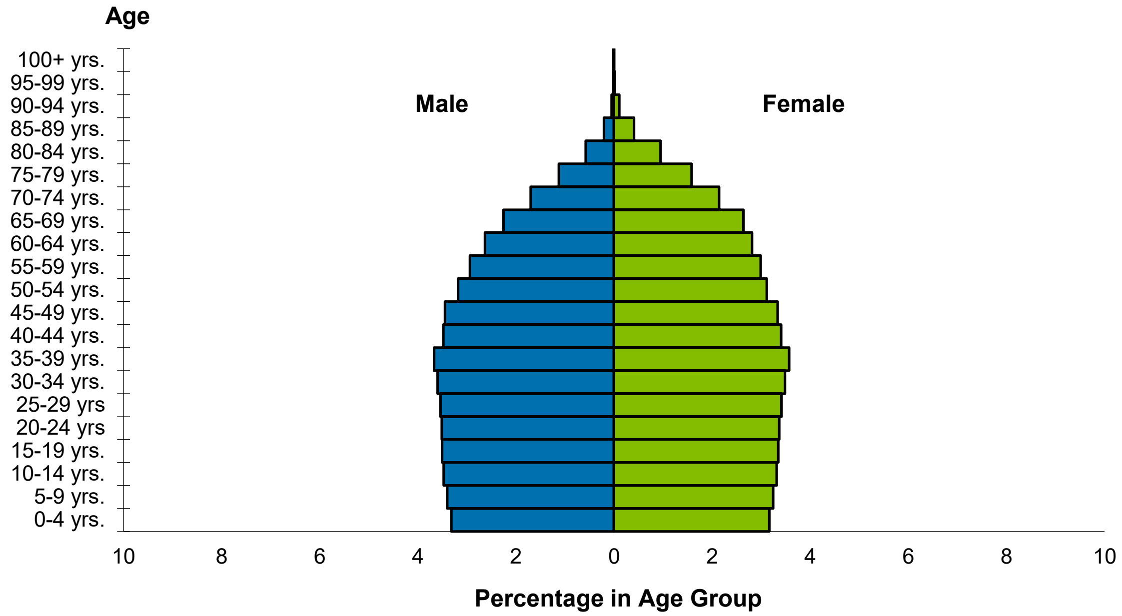
Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 3 — Population Pyramid: 2030



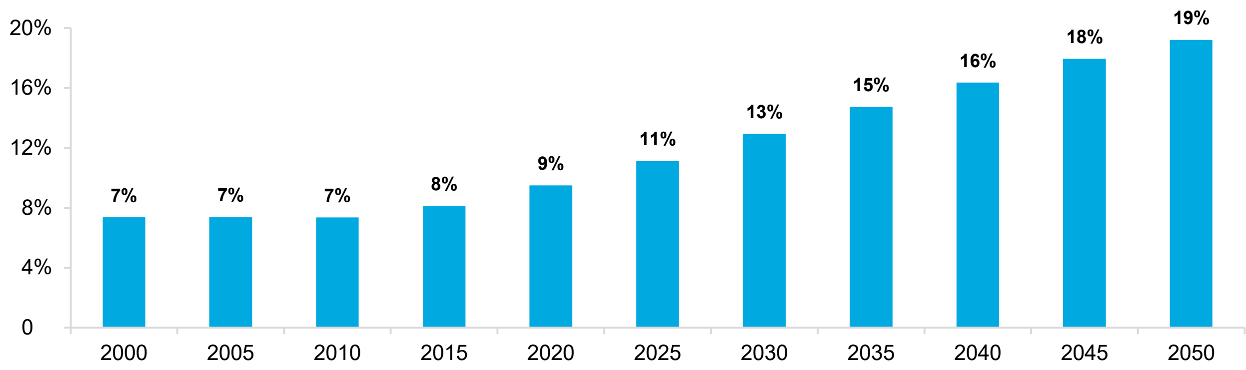
Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 4 — Population Pyramid: 2050



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

Figure 5 — Proportion of Age 60 Years and Over Among Total Population



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

Since the turn of the century, the proportion of the elderly (age 60+) is likely to increase nearly three times by the year 2050.

As the population structure of Indonesia changes, the proportion of the elderly is also going to change. By 2050, the proportion of the elderly (age 60+) is likely to likely to increase nearly three times from what it was at since the turn of the century. What's more, it is outpacing the growth of the overall population, strongly suggesting a rapid shift towards an aging population.

The pace of aging cannot be calculated in isolation; it needs to be looked at objectively and in relation to other factors. The age bands illustrated in Figure 6 are:

- Young: When the proportion of those age 60 and over crosses 7 percent of the total population
- Aging: When the proportion of those age 60 and over crosses 14 percent of the total population
- Aged: When the proportion of those age 60 and over crosses 21 percent of the total population
- Super-aged: When the proportion of those age 60 and over crosses 28 percent of the total population

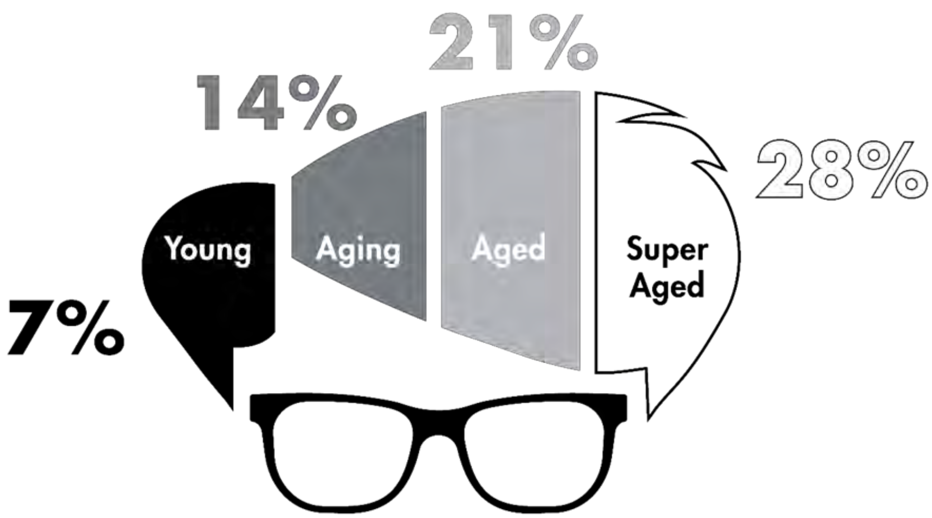
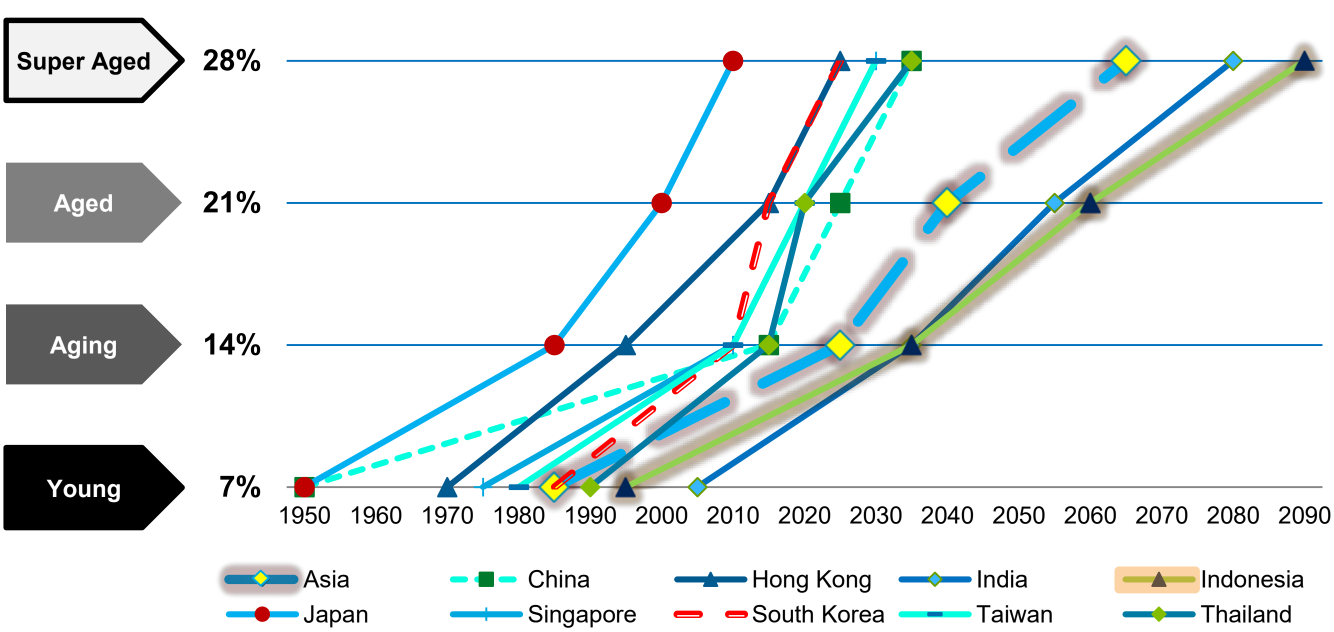


Figure 6 — Phases of Demographic Transition

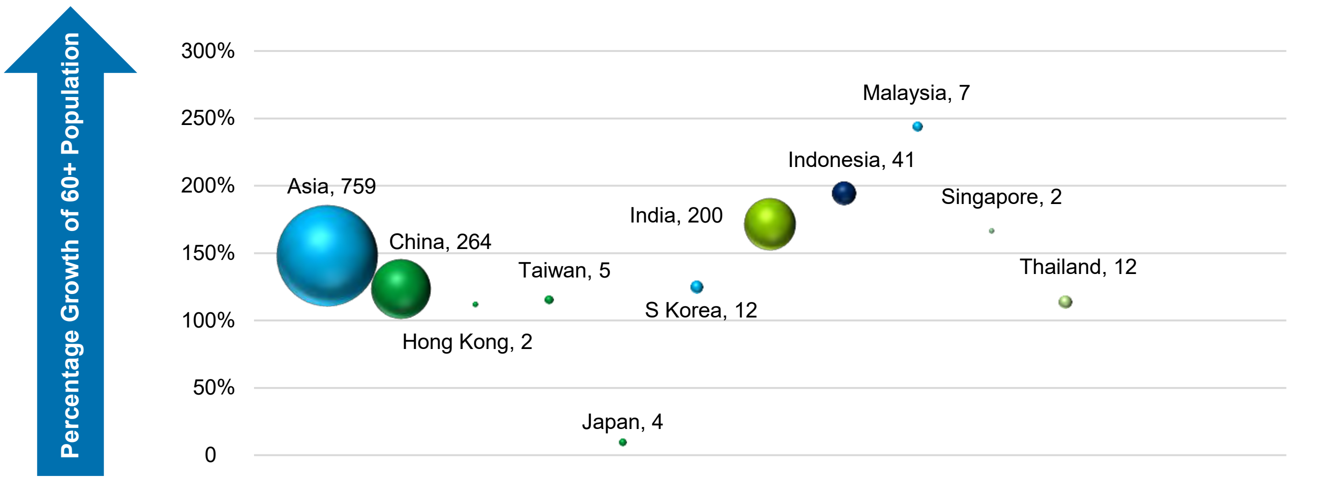


Source: UN Population Division — 2017 data, LIMRA International Research.

To better understand the magnitude of the transition, the study compared it with other developed Western countries and a few other Asian countries that may have started the process of aging earlier. The United Kingdom and the United States markets are forecasted to move from aging to super-aged within a span of around 80 years. However, in Indonesia it will take only 55 years to move from aging to aged. The more developed markets of the United Kingdom and the United States have had much more time to prepare for an aging population, and still have not managed to adequately prepare. On the other hand, the Indonesia market is still in a growth stage, while the U.S. and U.K. markets are economically mature.

It is important to note that a significant proportion of the future elderly population, especially the new elderly across Asia, will reside in Indonesia, as well as in China and India. The elderly population of Indonesia will rise from 21 million in 2015 to 62 million in 2050, which is an increase of close to 41 million in just 35 years.

Figure 7 — Additional Age 60+ Populations by 2050 Versus 2015



Size of bubble represents absolute increase in age 60+ population (in millions)

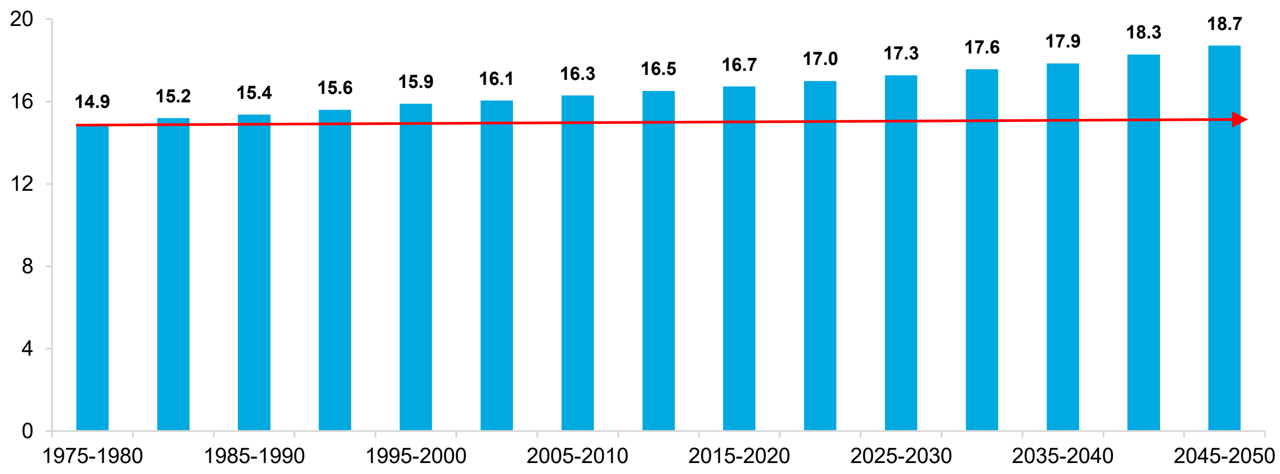
Source: UN Population Division — 2017 data, LIMRA International Research.

LIFE EXPECTANCY, BIRTH RATES, AND POTENTIAL SUPPORT RATIO

A rising life expectancy is also likely to add to the growth in the number of elderly. Over the last few decades, life expectancy has increased and may continue to increase as a result of many factors, including medical advances, improved lifestyle, and the ability to afford healthcare, along with a decline in both communicable and non-communicable diseases.

Over the years, the life expectancy of the elderly population has increased gradually. Life expectancy at 60 years of age in 1975 – 80 was 14.9 years. It is likely to reach 18.7 years by 2045 – 50 from 16.5 years in 2010 – 15. With increased access to medical facilities and the rising penetration of health and medical insurance, it may increase at a slightly more rapid pace in the future.

Figure 8 — Life Expectancy at Age 60 (in years)



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

Towards the middle and end of the 20th century, Indonesia experienced a high birth rate coupled with a high death rate. It is now gradually going through a classic demographic transition. With slow and steady economic growth, the population has relatively greater access to medical facilities, which may prevent early death and lead to a prolonged life span. Further, after a prolonged period of lower death rates, a decline in birthrate may follow, as the population is likely to feel the economic burden of supporting larger families. Indonesia has already entered a phase of lower mortality. Lower birthrate leads to a decline in population growth, a possible aging of the population, and, in the longer run, a decline in overall population. This is precisely what has happened in Indonesia over the last decades.

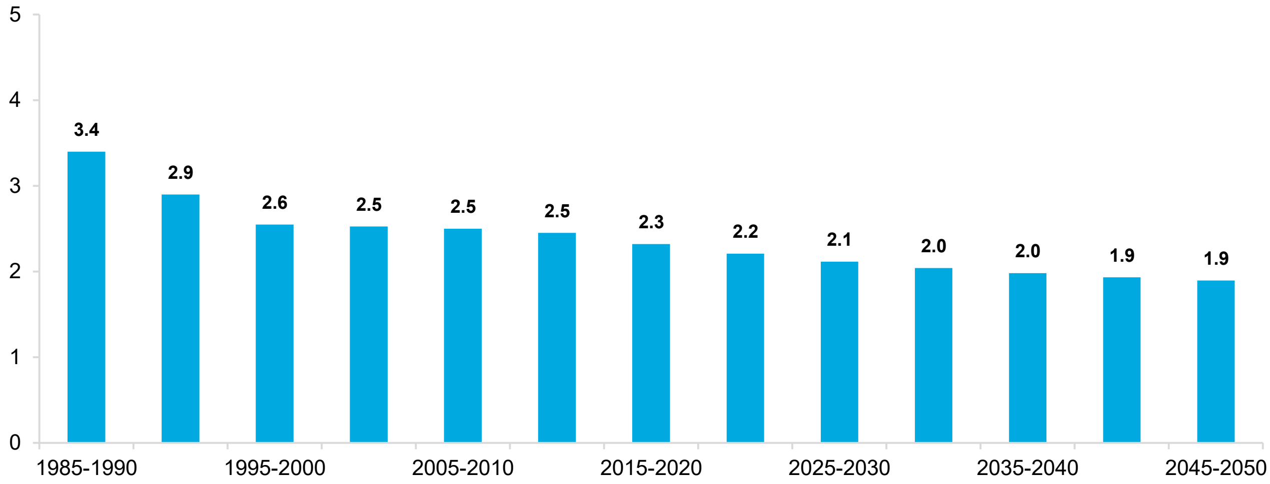
The Indonesian market has been experiencing similar cycles of change. The crude death rate (deaths per 1,000) has already decreased from 21.4 in 1950 – 55 to 7.1 in 2010 – 15, and the crude birth rate (births per 1,000) has fallen from a high of 42.7 in 1950 – 55 to 20.2 in 2010 – 15. The Indonesian economy experienced high growth in 1970s and 1980s before slowing down in the late 1990s due to the Asian financial crisis. Of late, the Indonesian economy further opened up to allow investment in 35 sectors, a move that is expected to invite more foreign investments and boost economic growth.[2]

It should also be noted that to maintain a constant level of population, the fertility rate must be at least 2.1. If this minimum rate of 2.1 is not maintained, the population is likely to decline in the long term. Typically, the combination of a plummeting birthrate, a decline in the death rate, and an increase in life expectancy triggers a shift to an aging population. The declining fertility rate will contribute significantly towards the growth of the elderly population in Indonesia. From around 2060 onwards, the total population is expected to stabilize and then gradually decline.

Declines in birth and death rates, along with rising life expectancy, will trigger population aging.

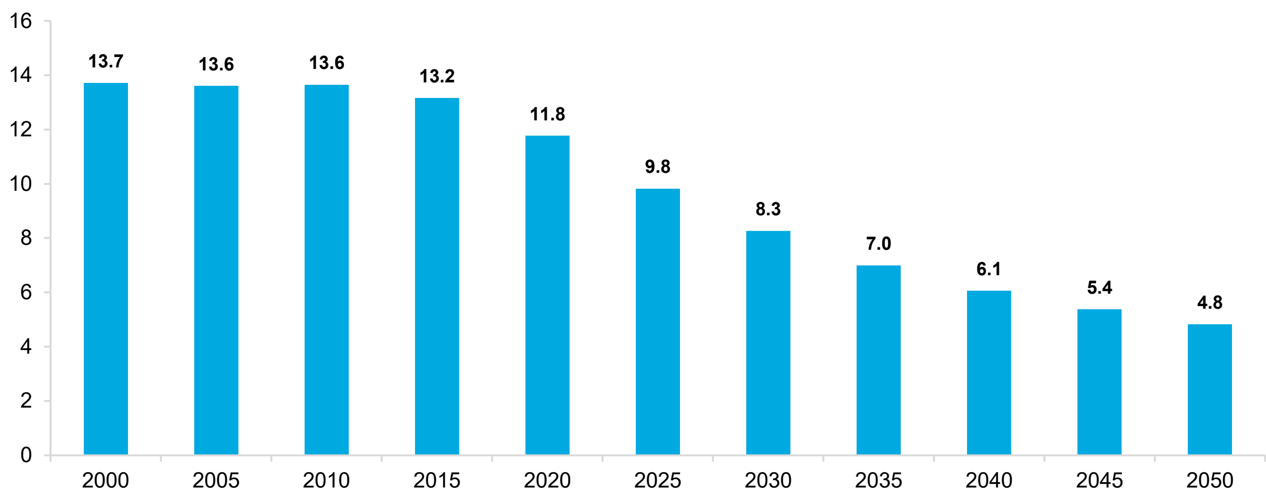
[2] https://www.aseantoday.com/2016/02/a-big-bang-opening-up-of-indonesias-economy/. Accessed 2018.

Figure 9 — Total Fertility (live births per woman)



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

Figure 10 — Potential Support Ratio



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

The potential support ratio indicates that the responsibility of supporting the needs of the elderly population is likely to increase on the younger working age population. After remaining stable between 2000 and 2015, the ratio is expected to experience a steady and constant deterioration till 2050. In fact, the ratio is likely to worsen to 4.8:1 by 2050 from 13.7:1 in 2000. As a result, by around 2050, there will be fewer than five people in the labor force supporting every person age 65+. Further, by the end of this century, it is estimated to continue to gradually deteriorate to 2.6:1. This is likely to pose tremendous challenges to the nation's health, retirement, and pension systems, which to a large extent are not mature enough to handle a crisis scenario.

Other social and economic changes could further aggravate the challenges related to retirement funding. While Indonesia enters a phase of steady economic growth, more and more of the younger population is likely to relocate to urban areas, affecting the country's traditional social structure. As in other Asian markets, a significant number of Indonesians have been dependent on their families and children for retirement funding, as well as for care. However, the socioeconomic changes may have an impact on household composition and the population structure, leaving the elderly vulnerable. Even those elderly who are supported financially by their children may have other unmet age-related needs.

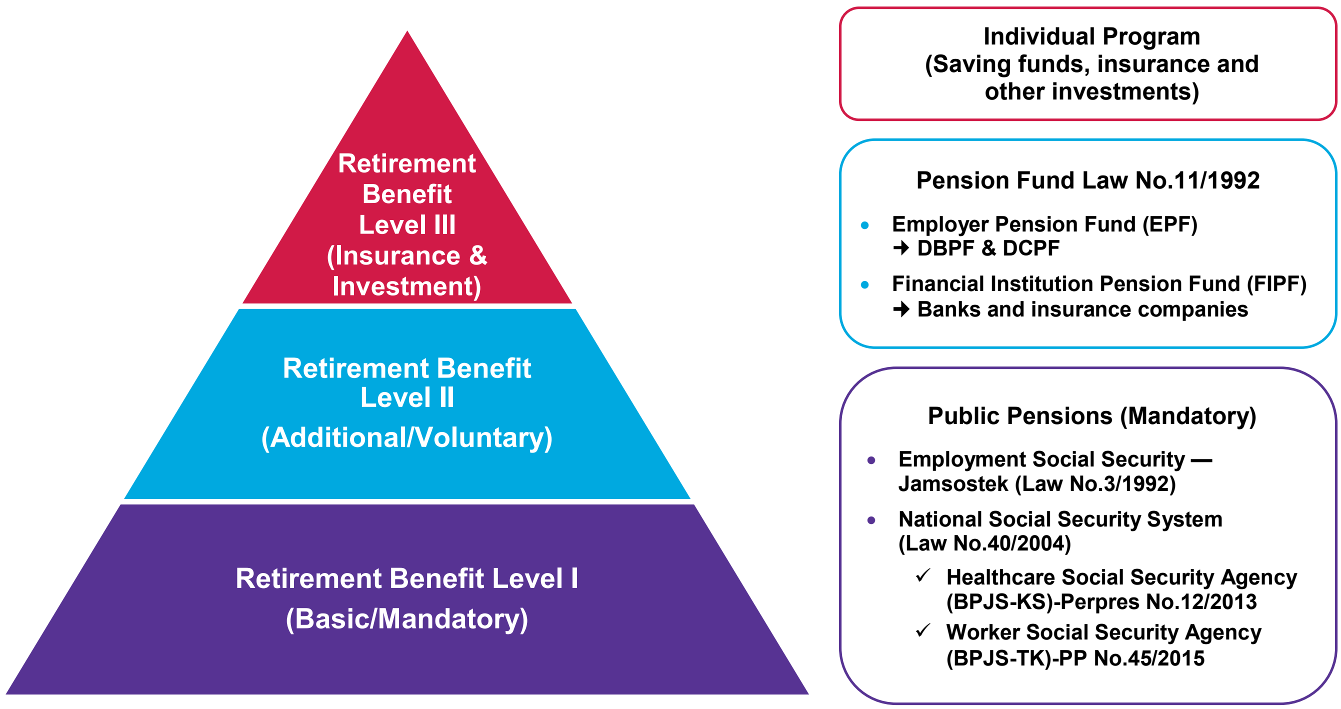
KEY CHALLENGES DUE TO THE AGING OF THE POPULATION

- Socioeconomic challenges due to aging will become more and more pronounced. Population aging combined with rising longevity, declining morbidity, and medical care inflation risks will pose immense challenges.
- Even though Indonesia's young population will continue to grow in the next few decades, the economic implications of a longer-term decrease in the labor force cannot be ignored.
- The demand for health care, long-term care, and pension provisions will definitely be on the rise and clearly demonstrates the increasing importance of preparing for retirement through pensions, personal savings, and healthcare assistance.
- As an economy ages, it needs to prepare itself for its unique challenges with customized insurance products in the life protection, savings, pensions, and health segments. These impending challenges present a significant opportunity for the insurance industry going forward, as the country starts preparing for an aging population.

Current Pension Structures and Challenges

The Indonesian economy is on an uptrend, and new social and economic policies are bringing about reform. However, the pension and retirement market is still in a nascent stage. A lot more needs to be done to broaden its coverage and make it comprehensive and adequate. Per an ADB report, 100 percent of the populace within the public sector had pension coverage, while only 14 percent in the formal sector had pension coverage.[3] Even though major reforms were undertaken in 2015, there are still many gaps that need to be filled, especially in the unorganized segment. Some of the key aspects and reforms within the Indonesian retirement system are detailed below.

PENSION SYSTEM IN INDONESIA



Source: OJK. https://www.ojk.go.id/id/kanal/iknb/berita-dan-kegiatan/info-terkini/Documents/Pages/OJK-dan-World-Bank-Gelar-Indonesia-Pension-Conference/Session1_Mudjiharno%20M.%20Sudjono.pdf. Accessed 2018.

[3] *Pension Systems in East and South East Asia — Promoting Fairness and Sustainability*. Accessed 2018.

GR 45/2015 PENSION SECURITY SCHEME

The Indonesian government introduced Regulation No. 45 during 2015 (GR 45/2015) to regulate pension systems. After its implementation, Pension Security Law No. 40 of 2004 can be implemented. All employers except the government must enroll their employees in this pension security program. Three percent of the employee’s monthly salary is the required participation rate. Of the 3 percent contribution, 2 percent is paid by the employer, and 1 percent is paid by the employee. The monthly salary is calculated on pre-tax income of actual pay, consisting of base salary and fixed allowances received for the month. The employer deducts the employee's contribution from the employee's monthly salary, up to a maximum of IDR7,000,000, for 2015. The initial pension benefit will range from IDR300,000 to IDR3,600,000; it would be paid only if the employee has been enrolled in the program for 15 years and has reached the retirement age. The current retirement age is 56 years, but it will be increased by one year every three years till the retirement age reaches 65 years in 2043. In case an employee has not participated in the program for 15 years, he or she will be eligible for the accumulated contribution, along with the investment growth.[4]

The old age security benefits are paid out in lump sum if the participant has contributed for at least 10 years. In the case of exceptional circumstances, the participants can receive a part of the accumulation (10 percent of the benefits to prepare for retirement or 30 percent to buy/build a house). The benefits of this plan are paid out to the participant upon reaching retirement age or in the case of disability or death. Participants are also paid if they leave Indonesia permanently or leave their jobs.[5, 6]

[4] http://www.mondaq.com/x/466606/Employee+Benefits+Compensation/New+Implementing+Regulations+On+Indonesias+Pension+And+Old+Age+Security+Programs. Accessed 2018.

[5] http://www.makarim.com/en/news/detail/legal-advisory/374/new-implementing-regulations-on-indonesias-pension-and-old-age-security-programs. Accessed 2018.

[6] http://www.mondaq.com/x/466606/Employee+Benefits+Compensation/New+Implementing+Regulations+On+Indonesias+Pension+And+Old+Age+Security+Programs. Accessed 2018.

Sustainability of Pension Systems

The Pension Sustainability Index (PSI) of Allianz analyses the fundamentals of pension systems and the key changes that impact them. To arrive at a ranking that reflects the long-term sustainability of the pension system, Allianz analyzed 54 markets across the world, along with Indonesia, based on an extensive list of parameters.

The PSI primarily 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 11 — 2016 Pension Sustainability Index

Sub-indicators	Status (0.75)**	Dynamics (0.25)**
Demographics	Old-age dependency ratio (OAD)*	Change in OAD* until 2050
Pension system	Level of pension benefit from 1st pillar and coverage of workforce	Change in level of pension benefit
	Legal/effective retirement age	Reforms passed
	Strength of funded pillar and reserve fund (as % of GDP)	
Public finances	Pension payments / GDP	Change of pension payments / GDP until 2050
	Public indebtedness / GDP	
	Need for welfare support	

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

**Weighting

Source: Allianz Asset Management, International Pensions.

Indonesia ranks 39th out of the 54 markets included in the broad Pension Sustainability Index. Within the sub-parameters of the index, Indonesia ranks an impressive seventh in both public finance and demographics. Owing to a vibrant economy and a much younger demographic structure, it has done remarkably well in two of the three key parameters. However, its pension system ranks 50th among all markets. Historically Indonesia has not had a comprehensive pension system covering the entire population. In the recent past, Indonesia implemented many reforms and extended pension options to its citizens. However, given the scale and the size of the population lacking coverage, it may take a while to include the entire working population under the scheme.

It is an area where the private and the public systems may need to come together to close the future retirement gap. As demonstrated, Indonesia is set for a rapid transition both economically and socially, and the challenges of urbanization, a younger population seeking jobs, and changing socioeconomic structures are altering the entire retirement landscape. Indonesia needs to act fast and create a comprehensive retirement structure to support its future elderly and avoid a looming disaster.

Table 4 — Ranking of Pension Sustainability Index, Asia — Allianz[7]

Region	TOTAL		Demographics	Public Finance	Pension System
	Score	World Ranking	World Ranking	World Ranking	World Ranking
Hong Kong	7.1	14	43	10	13
Singapore	6.6	24	45	18	29
S. Korea	6.5	33	53	11	25
Indonesia	6.2	39	7	7	50
Taiwan	6.2	40	54	17	26
Japan	5.8	46	52	50	18
India	5.8	48	6	6	54
China	5.0	53	44	24	51
Thailand	4.9	54	47	19	52

Note: Ranking of markets covered in study.

[7] https://projectm-online.com/app/uploads/Allianz_2016_Pension_Sustainability_Index.pdf. Accessed 2017.

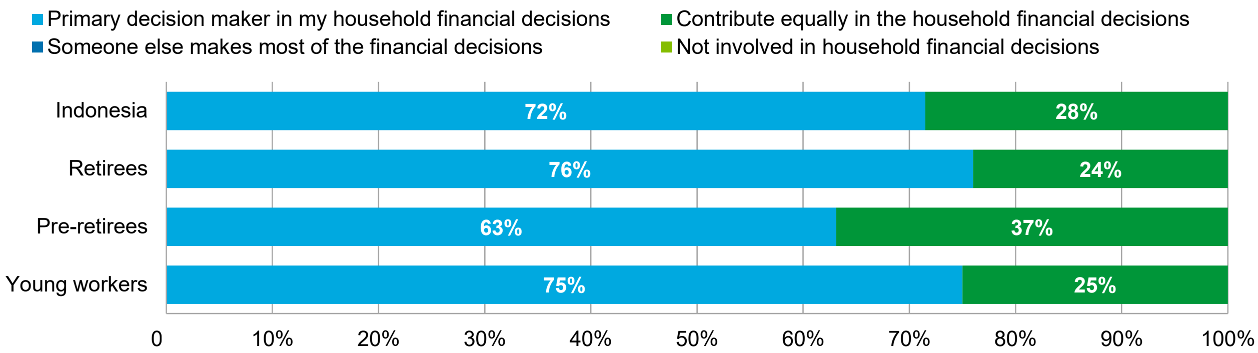
Note: The sub-indicators consider both the present status and future outlook to assign a score of 1–10 (1 being the lowest sustainability and 10 being the highest sustainability).

Retirement From the Consumer Perspective

This study surveyed decision makers or individuals who contribute to financial decision making to identify how they tackle the challenges of retirement. The primary reason was to identify the behavioral differences and preferences among the insurers' target market segment.

Figure 12 — Respondents by Decision Authority

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



All of the markets covered in the study differ from one another. In fact, there can be huge cultural differences within a market. Historically, in the absence of pensions, most Indonesians depended on their children and families for retirement income, so family has an important role when it comes to retirement. Over the last few decades, though, evidence points to a shift in family structures towards smaller families, late marriages, fewer children, and increased divorces. All of these factors will have an impact on how the people of Indonesia deal with retirement. Data from the survey shows that close to a fourth of respondents indicate that their parents are financially dependent on them. This trend varies slightly across different age bands, but it remains very strong among young workers. The possibility that the parents of the retiree segment are deceased must be considered.

Table 5 — Financial Dependence

Responding to the question: *"Which of the following individuals are financially dependent on you?"*

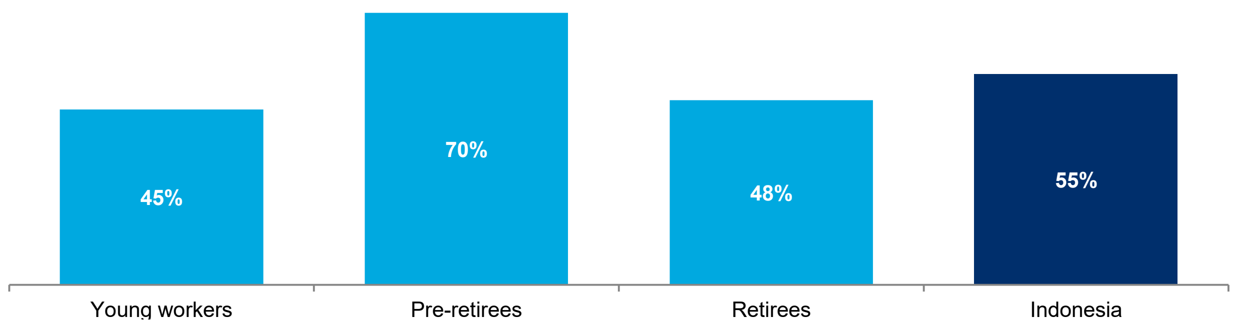
	Young workers	Pre-retirees	Retirees	Indonesia
Spouse	57%	58%	69%	63%
Child/Children	79%	82%	67%	75%
Own Parents (Father and Mother)	51%	21%	16%	26%
Siblings (Brother/Sister)	10%	4%	10%	8%
Spouse's Parents	11%	10%	8%	10%

It is a heart-warming scenario when adult offspring take care of an elderly parent. However, to do that successfully over a long period of time requires prudent financial planning. Yet, when we asked the respondents if they work with financial planners for household financial decisions, 55 percent of the respondents indicated that they do not. This tendency is strong especially among the pre-retirees (46–60 years) where 70 percent do not consult financial advisors for financial decisions. While the proportion of young workers and retirees who do not consult financial advisors is relatively lower than pre-retirees, it still remains at a quite high level.

Fifty-five percent of respondents do not work with financial professionals for household financial decisions.

Figure 13 — Do Not Work With Any Financial Professionals to Help With Household Financial Decisions

Responding to the question: *"Does your household typically work with any financial professionals to help with your household financial decisions?" Results represent respondents who answered "no."*



Only around 2 percent of respondents have not taken any steps related to retirement planning, a finding possibly indicating high awareness of the necessity of planning for a financially stable retirement. The majority of respondents across all regions claim to have calculated their assets and investments (see Figure 14). They have also taken steps to determine their income and expenses in retirement. However, a relatively smaller proportion of respondents have determined their post-retirement health expenses, an extremely important but often overlooked step. Young workers (age 30–45) and pre-retirees (age 46–60) especially tend to overlook this key factor.

Only 39 percent make an effort to learn more about available Social Pension benefits, making it the least frequently taken retirement-planning step.

Figure 14 — Initiatives on Retirement Planning

Responding to the question: *"Which of the following retirement planning activities have you done?"*

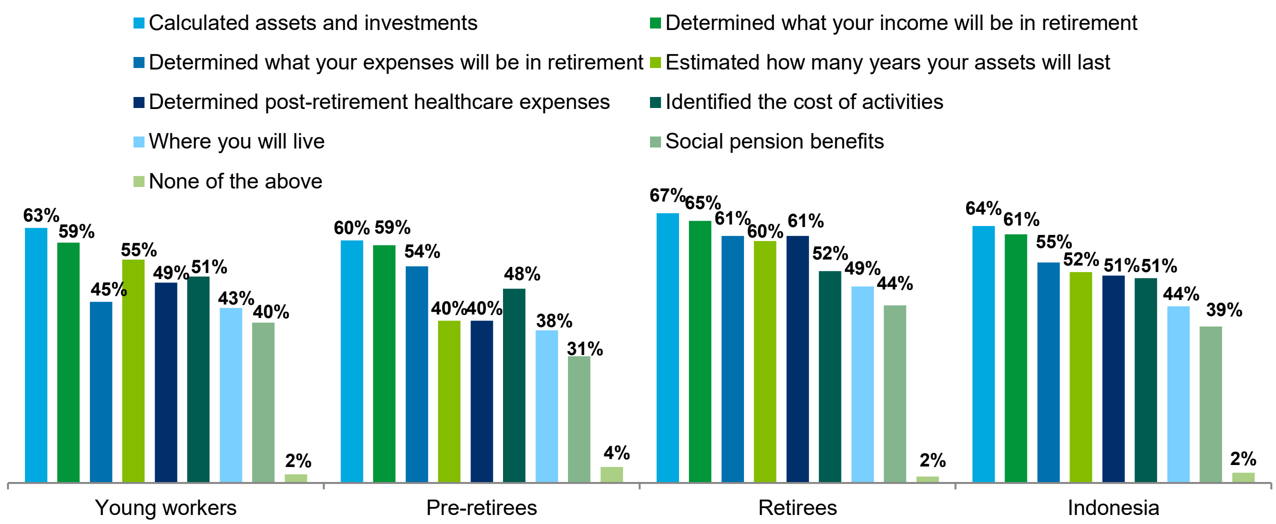
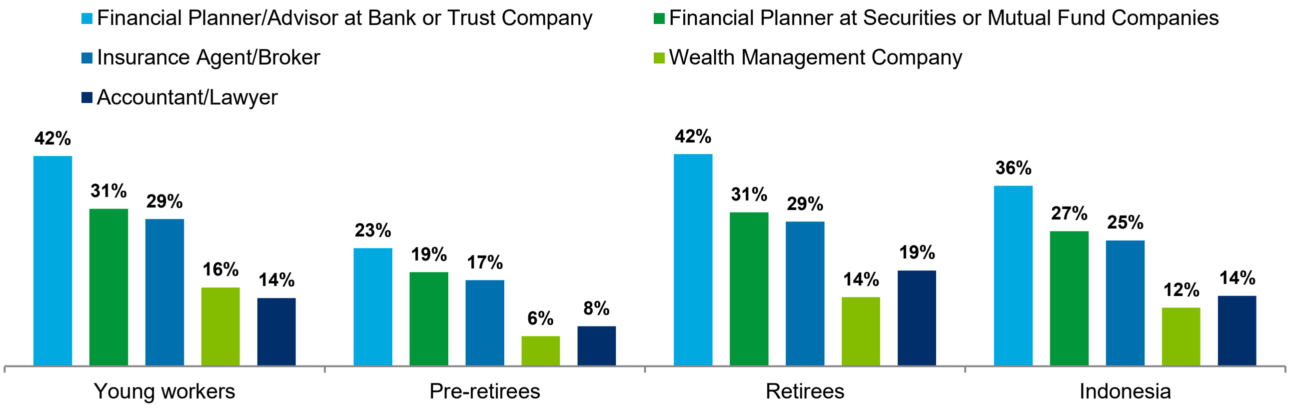


Figure 15 — Those Who Work With Financial Professionals, Work With…

Responding to the question: *"Does your household typically work with any financial professionals to help with your household financial decisions?"*

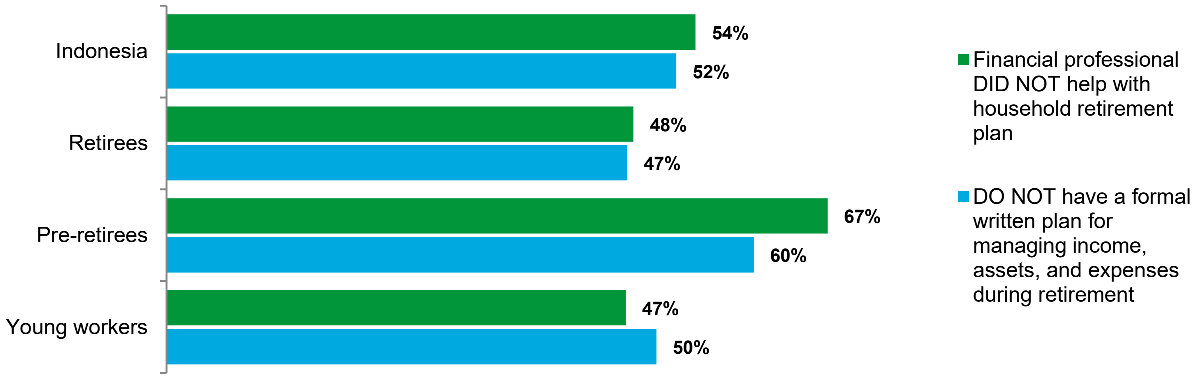


As mentioned earlier, a significant proportion of respondents do not reach out to financial professionals for financial decisions. However, among those who do, the greater number prefer to reach out to a financial planner/advisor at a bank or trust company, followed by a financial planner at a securities/mutual fund company. While not the most favored option, insurance agent/brokers garnered some interest among young workers and retirees.

More than two thirds of pre-retirees do not reach out to financial professionals for retirement planning.

Figure 16 — Retirement Planning

Responding to the questions: *"Does your household have a formal written plan for managing your income, assets, and expenses during retirement? Did a financial professional help your household create your plan?"*



Not only do the respondents not seek professional help for regular financial decisions, they also do not seek help from financial professionals on retirement planning. More than half of the respondents did not seek help from a financial professional for their retirement planning. Fifty-four percent of respondents did not seek professional guidance for their retirement planning, and almost an equal proportion of them did not have a formal written plan for managing income, assets, and expenses during retirement. Among the different age bands, pre-retirees seem to have the least interest in consulting a financial professional for retirement planning or for creating a formal written retirement plan. Fortunately, though, young workers appear slightly more proactive about retirement planning and formulating a written plan. Nevertheless, they still need to be more proactive in seeking help from financial professionals.

Table 6 — Retirement Concerns and Actions — Agree With the Following Statements

Responding to the direction: *"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."*

	Young workers	Pre-retirees	Retirees	Indonesia
Confidence Benchmark				
I will be able to live the retirement lifestyle I want	78%	75%	77%	76%
I have enough savings to last until the end of my retirement	54%	48%	64%	56%
Need Help				
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	75%	68%	70%	71%
Action Statement				
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	79%	68%	70%	72%
I am currently very involved in monitoring and managing my retirement savings	69%	65%	79%	72%
Challenge & Mindset				
I do not trust financial institutions with my money	27%	21%	20%	22%
It is rare to hear people talk about retirement planning in the workplace	54%	44%	43%	47%
I have/will inherit property from parents/relatives	53%	37%	49%	46%

Note: Above numbers represent summed-up options of "Somewhat Agree" and "Strongly Agree". The top-three options per market are highlighted.

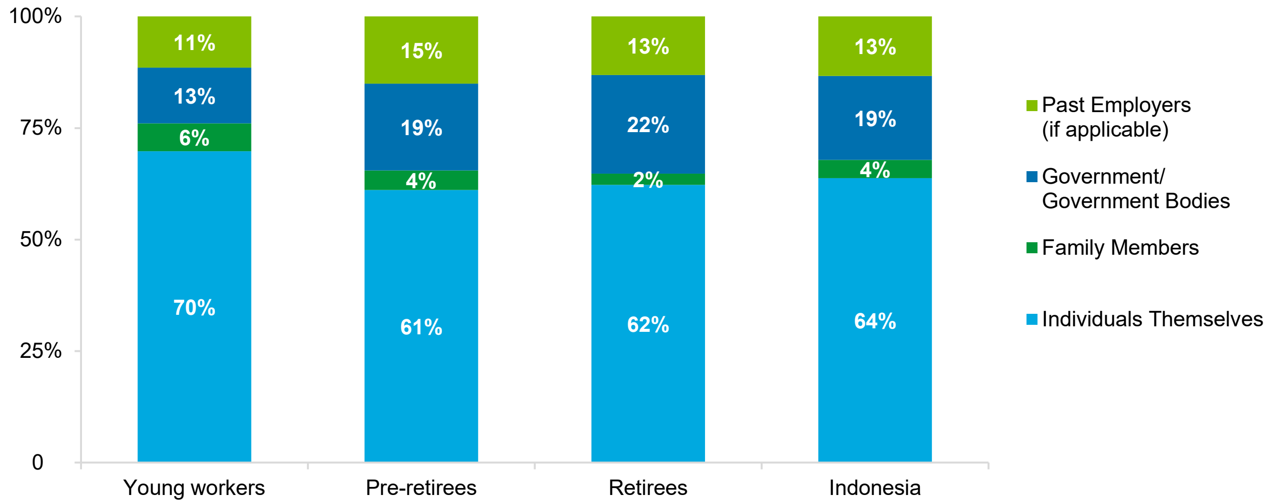
Most are willing to trust financial institutions; the level of trust is particularly high among retirees.

Most of the respondents are quite confident about their future retirement. Seventy-six percent of respondents are confident about maintaining a similar lifestyle in retirement; however a slightly lower proportion at 56 percent believe they have enough savings to last until their retirement. This indicates a disconnect between reality and aspiration. In addition, more than 70 percent of respondents indicated that they would like their employers to make available more comprehensive information and advice on retirement savings and planning. They also claimed that they are very involved in monitoring and managing retirement savings.

Also, a majority across the region have adequate trust in financial institutions on matters concerning their money. This trust is evident in the fact that most are willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income. It is also encouraging to note that more than 70 percent of the total respondents, especially the young workers, are willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income.

Figure 17 — Primary Responsibility for Providing Retirement Funds

Responding to the question: *"Who should primarily be responsible for providing retirement funds?"*



Dependence on the government for income is quite low, especially among the younger generation.

Almost two thirds of respondents across Indonesia consider it their own responsibility to fund their retirement, especially the young workers. However, there is a slight difference across generations; the proportion of respondents who consider it their own responsibility is much higher among young workers (70 percent) compared to retirees (62 percent) and pre-retirees (61 percent). These findings point to a change in mindset, where the younger generation is willing to be proactive and take care of their future needs, without depending on the government. In fact, the proportion of the respondents who would like to depend on the government for their post-retirement income is also much higher among the older generation. Dependence on past employers is also seen at much lower levels across all sub-regions, as the coverage of pensions is considered neither comprehensive nor adequate.

Among the young workers, the ones from Java and the Kalimantan regions owned up to the responsibility for retirement funding. Pre-retirees from Java and retirees from the Sumatra region were willing to take responsibility for funding their own retirement. In line with their belief that it is their own responsibility to arrange retirement funds, many individuals are also arranging for funds to support retirement income.

In addition, even though most indicated that government should not be primarily responsible for providing retirement funds, a significant proportion of respondents indicated they anticipate that social pensions are a source of retirement income for them. However, the most prevalent income source chosen is personal savings and investments (97 percent). Some would also like to generate rental income from properties they own.

Respondents in general indicated a high degree of interest across all possible options for creating income in retirement, with the exceptions of inheritance and reverse mortgages, pointing to a recognition that a single income stream might not be sufficient. A significant proportion (90 percent) also stated that they would depend on full/part time job earnings to support their retirement. This statistic is an early warning sign of danger to come.

Table 7 — Anticipated or Current Income Source in Retirement

Responding to the direction: *"Indicate which of the following sources of income your household currently receive: [IF WORKER] Indicate which sources of income you expect to receive during retirement."*

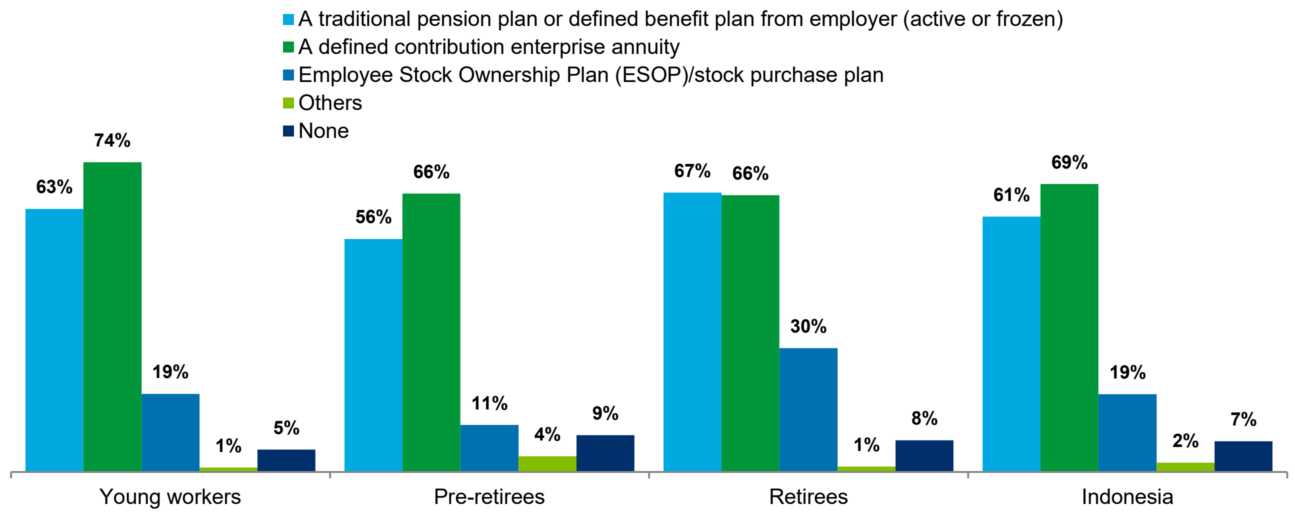
	Young workers	Pre-retirees	Retirees	Indonesia
Personal savings and investments	97%	98%	97%	97%
Life insurance	86%	86%	79%	83%
Social pension/Other local pension	92%	92%	89%	91%
Full/Part-time job earnings	96%	90%	86%	90%
Voluntary Enterprise Annuity/Voluntary plans set up by employer	71%	60%	56%	61%
Family member assistance (including children)	58%	49%	64%	57%
Rental property	81%	73%	71%	74%
Inheritance from death of a family member	63%	52%	62%	59%
Reverse mortgage	53%	40%	45%	45%

Note: Above numbers represent summed-up options of Major Source and Minor Source out of the overall options of Major Source, Minor Source, and Not a Source.

Nine out of 10 respondents indicated that they will depend on full/part-time job earnings to support their retirement; this is an early warning sign.

Figure 18 — Retirement Plan Available Through Current Employer, Work, or Profession

Responding to the question: *"Which retirement savings plans are available to you through your current employer, work, or profession? Please select all that apply."*

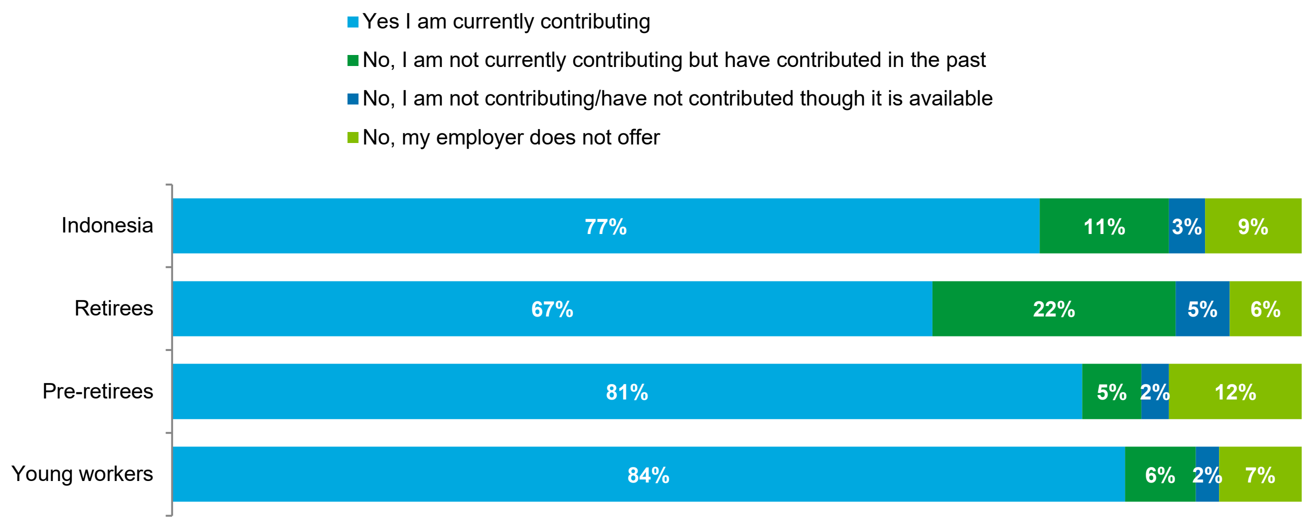


Definitions: Defined Benefit: A defined benefit plan is a retirement plan that an employer sponsors, wherein employee benefits are computed using a formula that considers factors such as length of employment and salary history. Defined Contribution: A defined contribution plan is a retirement plan in which a certain amount or percentage of money is set aside each year by a company for the benefit of each of its employees. Employees may also contribute, with some restricitons. The defined contribution plan places restrictions that control when and how each employee can withdraw these funds without penalties.

Almost 70 percent of the respondents indicated they have defined contribution plans. A higher proportion of young workers indicated they have defined contribution plans compared to pre-retirees and retirees. Almost 6 out of 10 indicated having access to defined benefit plans. In addition, around one fifth indicated having access to employee stock ownership plans (ESOPs,) with more retirees indicating they had access.

Figure 19 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement Savings Plans

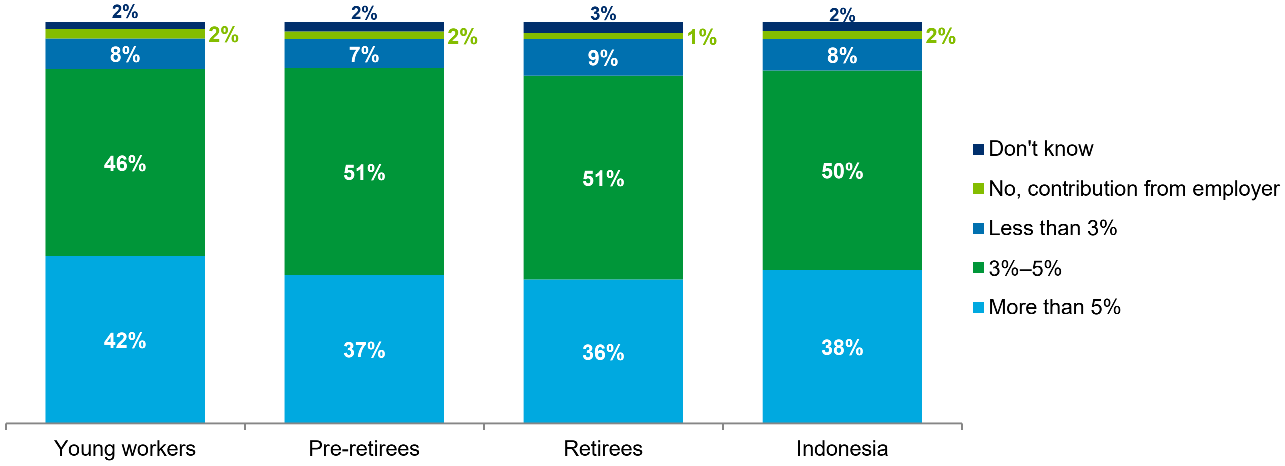
Responding to the question posed to those who are working full time for pay or are self-employed / family business: *"Are you currently contributing or have contributed to any employer-sponsored retirement savings plans, like an enterprise annuity (or provident funds)?"*



Across Indonesia, 77 percent of the respondents claimed to be contributing to a retirement savings plans. This is much higher compared to the Asia average of 59 percent. The relatively younger segments of young workers and pre-retirees declared that they contributed the most towards employer-sponsored savings plan at 84 percent and 81 percent respectively. Since study respondents are relatively financially well off, the finding may not be an exact representation of the Indonesian population as a whole.

Figure 20 — Extent of Employer-Matching Contributions

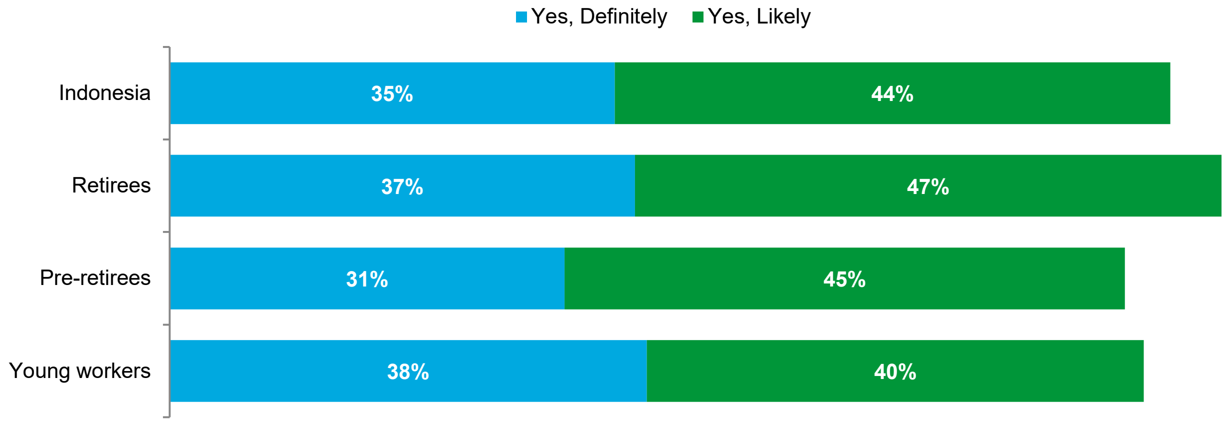
Responding to the question: *"At what level does your employer currently match your contributions to the defined contribution retirement savings plan(s) they offer (e.g., 50 cents on the dollar for the first 6 percent of pay contributed)?"*



Fifty percent of respondents revealed that they receive an employer-matching contribution which is 3 percent–5 percent of their pay, and 38 percent said that they receive a contribution that is more than 5 percent of their pay. The young workers mentioned that they receive a slightly higher proportion of contribution that is greater than 5 percent, when compared to pre-retirees and retirees. The overall range of individuals receiving matches of under 3 percent remained at low levels of 8 percent for the overall sample.

Figure 21 — Adequacy of Income From Employer-Sponsored Pension or Social Pension to Cover Basic Expenses in Retirement

Responding to the questions: *"Is the amount of income obtained from social pension and employer-sponsored defined benefit pension enough to provide for your basic living needs?" "Do you expect the amount of income obtained from social pension and employer-sponsored defined benefit pension enough to provide for your basic living needs in retirement?"*



Note: The answer options provided were, Yes, Definitely; Yes, Likely; No, Unlikely; No, Definitely not; Don't know. However, for ease of viewing only the options of Yes, Definitely, and Yes, Likely are shown.

While the confidence level relating to employer-sponsored programs is extremely high, only around 14 percent of the population across Indonesia is covered under a formal pension system.[8] Seventy-nine percent of the respondents said the income obtained from social and employer-sponsored defined benefit pensions is "definitely" or "most likely" enough to provide for their basic living needs, compared to 56 percent across Asia. There is a definite likelihood that younger markets such as Indonesia are more optimistic or may lack an understanding of the financial challenges of old age, thus explaining the high level of confidence in the pension systems' ability to provide basic living needs.

Retirees and workers who believe income from pension and government-sponsored programs is enough to cover basic as well as aspirational living expenses in retirement may find expectations unmet, as the cost of living rises with the standard of living in their home countries. This is especially likely given the fact that high levels of economic growth tend to bring high levels of inflation and lead to an increased cost of living. Indonesia is still in the early stages of its economic growth and gradually catching up with modern standards of living and healthcare. So, this sense of retirement security may prove false for a relatively "young" country like Indonesia.

[8] http://www.pension-watch.net/country-data/indonesia-/. Date Accessed 2018.

Given the willingness of some respondents to accept responsibility for retirement planning and the multiple sources of retirement income that the respondents aspire to have, it's safe to say that consumers should have an appetite for investments to fund their retirement years. Ninety-seven percent of the respondents stated they would depend on personal savings and investments to generate income in retirement. Hence, it is important to understand how they plan to invest to generate income from savings in retirement.

Rental income from property is a popular mode of generating retirement income, in addition to financial products.

Perhaps somewhat surprisingly, a majority of the respondents across all segments in Indonesia would like to invest in properties to generate rental income. In fact, respondents across Indonesia expressed the highest levels of interest to generate retirement income through property rentals. Respondents, specifically from Lesser Sunda and the Sulawesi region, had the highest interest levels. This phenomenon is quite unique to growing markets, perhaps due to an expectation of an increase in real estate values from the demand generated by spreading urbanization. In fact, India and Thailand showed similarly high levels of interest to generate income from rental property. However, reverse mortgages have not found many takers across the region, possibly due to the current demographic structure, lack of awareness, or intention to pass on property to the next generation.

Within financial products, respondents have shown keen interest in buying or looking for a product that will convert some or all of household savings into guaranteed lifetime income. In addition, there was also a strong preference among respondents to withdraw only interest and dividend earnings, and to keep principal intact.

Table 8 — Method to Generate Income From Savings in Retirement

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

	Young workers	Pre-retirees	Retirees	Indonesia
Withdrawal preferences				
Withdraw some principal and some interest on a regular basis	22%	16%	27%	22%
Withdraw some principal and some interest on an occasional basis, or when needed	32%	23%	41%	33%
Withdraw only interest and dividend earnings, but not withdraw any principal	46%	48%	45%	46%
None. My household has no intention of using retirement savings for income	2%	2%	4%	3%
Interest in buying properties or annuities for income or growth				
Buy or look for a product that will convert some or all of household savings into guaranteed lifetime income	52%	49%	45%	48%
A corporate annuity with a tax benefit	15%	12%	19%	16%
Invest retirement savings in property and generate rental income	66%	63%	59%	62%
Opt for a reverse mortgage	15%	7%	14%	12%
Don't know	3%	4%	3%	3%

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

In addition to identifying investment preferences, it is also important to understand when consumers plan to retire and if their savings are sufficient to fund their needs in retirement. The retirement industry also needs to understand the consumer perspective on length of time needed to save for retirement, how many years consumers expect retirement to last, and if consumers correctly estimate their life expectancies at age 60.

The time spent on retirement planning differs marginally across segments in Indonesia. Most respondents generally start saving for retirement around age 38 and spend approximately 23 years preparing for retirement. The pre-retirees of Indonesia start preparing for retirement a bit late at the age of 40 years and save for around 20 years. However, it is the retiree segment that spends the maximum time preparing for retirement; they spend 26 years saving for retirement and eventually retire around age 65. However, among the retiree segment (61–75 years) those who could not retire, plan to retire at the age of 71 years.

Across the sub-regions of Indonesia respondents from Lesser Sunda said they would work the longest and retire at age 64 years, and they were also the earliest to start saving for retirement at the age of 36 years. This finding suggests that that if retirement planning is not done prudently, people may have to extend their working lives, much like the earlier finding that respondents will work full/part time for their income in retirement. Hence, it is absolutely necessary for individuals to start planning for retirement early, and plan for it prudently, else they may end up working beyond typical retirement age.

Respondents from the retiree segment (61–75 years), who could not retire, had to extend their working lives and plan to retire/retired at the age of 71 years.

Figure 22 — Retirement and Retirement Planning

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

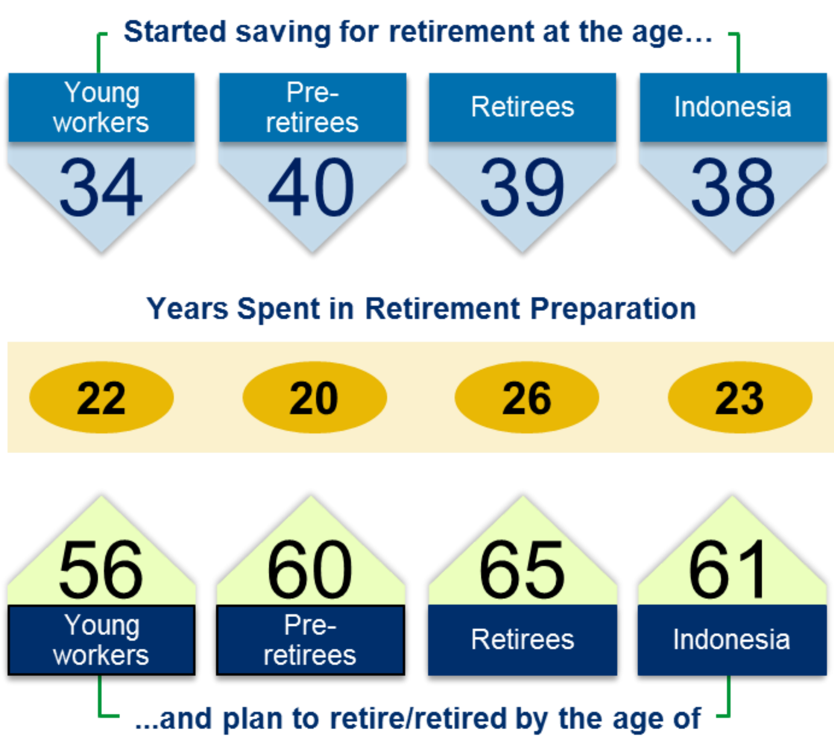


Figure 23 — Regret Delaying Saving for Retirement

Agree with: *"I regret I started saving and investing for retirement a bit late OR I have not started saving for retirement at all."*

Almost 5 out of 10 respondents regret they started saving late for retirement or did not start saving at all.

Not only do respondents regret delaying retirement planning, they also expect a huge gap in retirement funds when they turn age 60 (Figure 24). Close to 1 out of 2 respondents regret delaying saving for retirement or not having started saving for retirement at all. This proportion is even higher among young workers who claimed they will start saving around the age of 34 years. This points to procrastination among the young workers. Respondents especially from the Lesser Sunda (64 percent) and Kalimantan (52 percent) regions regret the most for delaying retirement planning.

In addition, a massive 81 percent of the respondents across Indonesia anticipate a gap in retirement funds when they turn age 60, and only around 19 percent of respondents expect to have more than 81 percent of the funds they need to lead a comfortable retired life. Respondents from the retiree segment, who are facing the realities of retirement, experienced a much wider gap in the retirement funds compared to the other age segments. Among the sub-regions of Indonesia the biggest anticipated gap in retirement funds are expected by respondents from Sumatra and other regions such as Maluku and the New Guinea Islands.

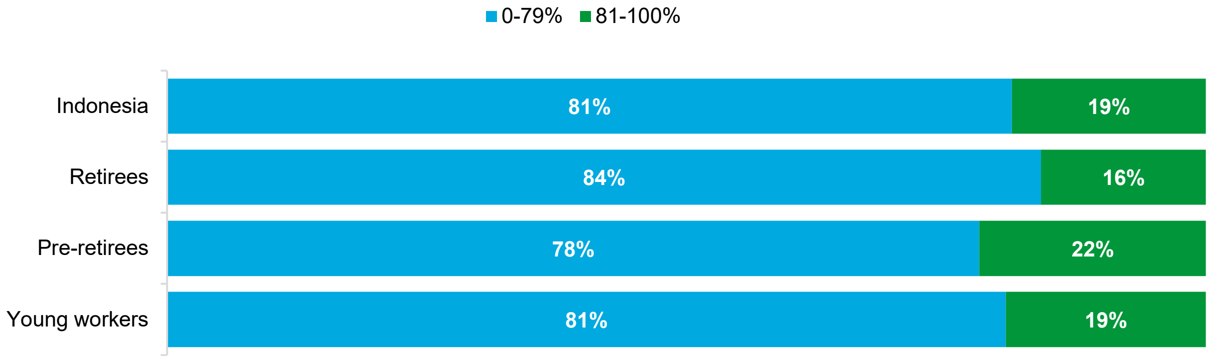
However, on a positive note, respondents from Indonesia did not underestimate their life expectancies, unlike in other markets. Most across Indonesia expect to live an additional 19.6 years beyond retirement at 60 years, compared to the 17.9 years[9] estimated by the UN Population Division.

At least 81 percent anticipate a gap in retirement funds when they turn age 60.

[9] *For comparison, 2035 – 2040 data has been used from the UN Population Division, considering the age band and quota used in the study.*

Figure 24 — Anticipated Gap in Retirement Funds

Responding to questions: *"What percentage of total retirement funds (that you may need to sustain a comfortable retired life) do you anticipate to have when you turn age 60?" "What percentage of total retirement funds (that you may need to sustain a comfortable retired life) did you anticipate you would have when you turned age 60?"*



In addition, most respondents across Indonesia are expecting a looming gap in retirement funds upon turning age 60; they are facing unique challenges and have valid reasons to be concerned about retirement (Table 9). Most respondents across Indonesia are worried about economic and market related risks. They are especially worried that the value of savings and assets might not keep up with inflation and tax increases. In addition, they are also worried that a chronic Illness may drain their lifelong savings. In a market such an Indonesia, where people have huge out-of-pocket medical expenses, it is clearly a reasonable cause of concern.

Past research has demonstrated the validity of these concerns. In fact, 60 percent of an individual's lifetime healthcare expenses occur in old age, specifically after the age of 65.[10] Another cause for worry, especially when considered in the context of some retirees' needing to work, is the concern that employment in retirement may be hard to find.

Decline in the value of assets due to inflation and losing lifelong savings due to chronic illness remain top concerns in retirement.

[10] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361028/table/tbl4/. Accessed 2018.

Table 9 — Key Concerns in Retirement

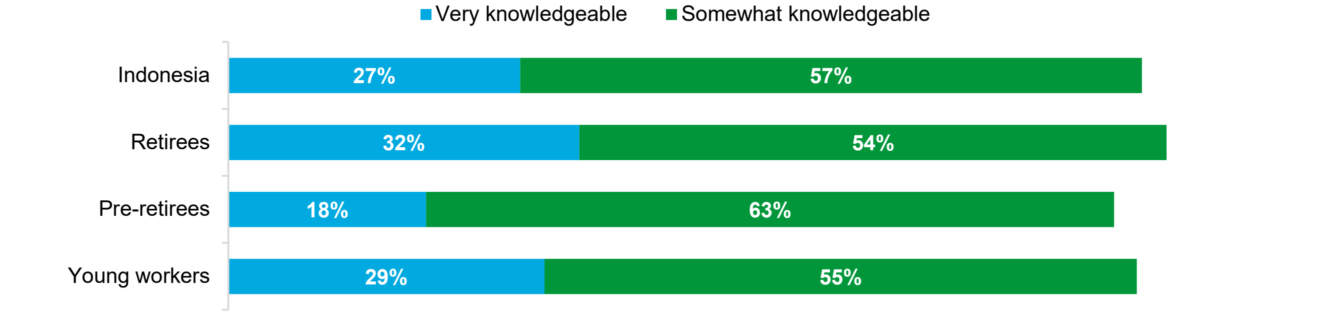
Responding to the questions: *"How concerned are you about each of the following?" "How concerned are you about each of the following during retirement?"*

	Young workers	Pre-retirees	Retirees	Indonesia
Longevity risks				
Providing for your spouse/partner if you should die first	80%	64%	73%	72%
The possibility that you or your spouse/partner will outlive your assets	71%	55%	65%	63%
Providing for yourself if your spouse/partner should die first	76%	63%	66%	68%
Healthcare/Long–term care risks				
Providing for healthcare costs beyond social insurance medical supplement	82%	70%	80%	77%
A chronic Illness may drain my lifelong savings	88%	73%	83%	81%
Finding available long-term care/nursing home care	70%	63%	73%	69%
Public policy risks				
Aging society will make it harder for the government to provide for the elderly	79%	67%	71%	72%
The government or company will reduce health or medical insurance benefits	82%	74%	79%	78%
The government or company will reduce social pension	82%	72%	78%	77%
Economic and market risks				
Tax increases	84%	72%	81%	79%
A decline in interest rates	79%	63%	72%	71%
A prolonged stock market downturn	74%	60%	69%	67%
The value of savings and assets might not keep up with inflation	85%	76%	83%	81%
Legacy/Family related and other concerns				
Inability to find or maintain employment in retirement	74%	69%	64%	68%
Not yet started planning for retirement	81%	69%	-	75%
You might not be able to leave money to your children or other heirs	80%	66%	74%	73%
My child/children may not take care of me and my spouse during retirement	74%	60%	72%	68%
My child/children are NEETs group (neither go to college nor go to work and remain financially dependent on parents as adults)	82%	65%	67%	70%

Note: The top-three results per market have been highlighted for easy reference. In cases where the third-ranked concern had similar results with the subsequent concerns, those have been highlighted too. Major Concern, Minor Concern, Not a Concern were the answer options provided; the above results reflect summed-up answers of Major Concern and Minor Concern.

Figure 25 — Self-assessment on Knowledge of Investments or Financial Products

Responding to the question: *"In general, how knowledgeable do you think you are about investments or financial products?"*



Note: Respondents were offerred four options:Very knowledgeable, Somewhat knowledgeable, Not very knowledgeable, Not at all knowledgeable. The above results represent Very knowledgeable and Somewhat knowledgeable.

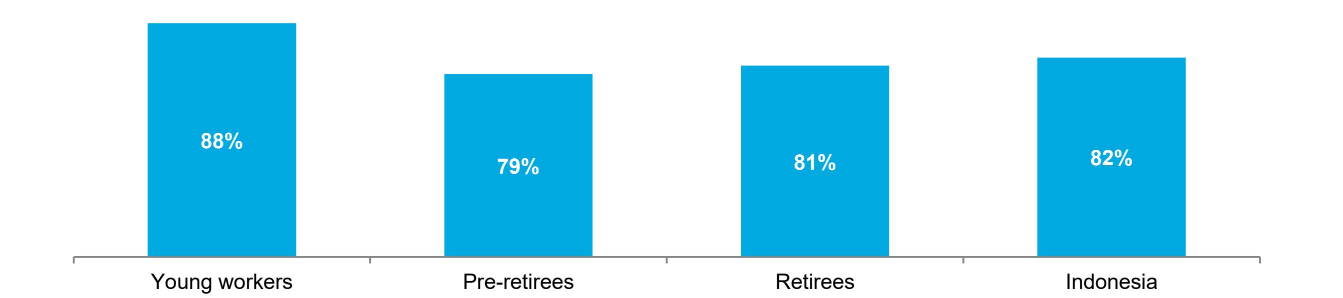
Most respondents across Indonesia generally acknowledge their responsibility for generating their own retirement incomes. Yet, they do not seek outside retirement-planning advice from professionals, even though the need for a good understanding of investments or financial products seems strongly required. Based on their self-assessments, almost 84 percent of respondents across Indonesia claimed to be fairly knowledgeable about investments or financial products (Figure 25). While it is possible that they are aware of the investment options they may have in the market, it's a different skills set to have the ability to understand, analyze, and invest in products which may help them in the long run.

However, there is a silver lining; Indonesians generally expressed a high level of confidence in their ability to make financial and investment decisions, and 82 percent of the respondents across Indonesia expressed their willingness to convert a part of their assets to annuities to generate retirement income (Figure 26). Respondents, particularly from young workers age segment, expressed strongest interest in annuities, painting a bright prospect for future retirees and a huge opportunity for insurers going forward.

In fact, the level of interest shown by Indonesia (82 percent) is among the highest across the Asian markets covered in the study after India (86 percent), compared to the average level of interest (71 percent) for all Asia (including Indonesia). Across the sub-regions, except Kalimantan, more than 80 percent of respondents across other regions had interest in annuities. This augurs well for both future retirees and the industry. There is a huge opportunity for the market to tap into unmet needs.

Figure 26 — Willingness to Convert a Portion of Assets Into an Annuity to Provide a Lifelong Income Stream

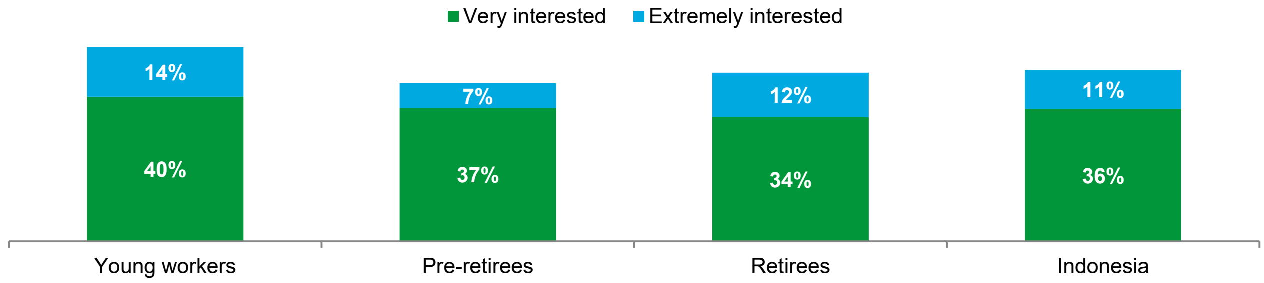
Responding to the question: "Annuities can provide a lifelong income stream in exchange for a premium payment. Individuals usually no longer have access to the assets used to pay for the annuity once it is purchased. Would you consider converting a portion your assets or an additional portion of your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



Note: Above results show people who responded "Yes."

Figure 27 — Interest in Buying a Tax-deferred Annuity

Responding to the 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 you retire and 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: Above results represent responses of Very interested and Extremely interested. Respondents were offered the following options: "Not at all interested," "Somewhat interested," "Very interested," and "Extremely interested."

Respondents also expressed some interest in deferring their tax payments to a tax-deferred annuity (Figure 27). The general level of interest in tax-deferred annuities was comparatively high, especially among the young workers. Overall across Indonesia, 47 percent expressed keen Interest in a tax-deferred annuity, with Java and Lesser Sunda exhibiting the highest level of interest.

Table 10 — Preferred Method to Obtain Information on Investments, Financial Products, or Retirement Planning

Responding to the question: *"Where do you obtain information on investments, financial products, or retirement planning?"*

Methods/Channels	Young workers	Pre-retirees	Retirees	Indonesia
Internet/financial websites	67%	58%	56%	59%
Family, friends, or co-workers	53%	47%	60%	54%
Social media/networking websites	44%	35%	42%	40%
My own financial advisor/planner/insurance agent	40%	32%	36%	35%
Books, magazines, and newspapers	30%	37%	34%	34%
Representatives from the company managing my employer's defined contribution retirement savings plan	31%	32%	36%	33%
Employer (Human Resources)	29%	35%	33%	33%
Website with information on my specific retirement account	35%	31%	30%	32%
Television or radio programs	24%	24%	29%	26%
Booklets, pamphlets, or other written materials provided by employer	20%	21%	21%	21%
Workshops and/or seminars	20%	22%	20%	20%
Mobile apps	19%	15%	19%	18%

Note: This is a multiple choice question.

Digital channels/methods, and family, friends, or co-workers are the primary source of information on investments, financial products, or retirement planning.

With the combination of the consumers' strong need and high interest, it is of paramount importance for the financial industry to refine its focus and work with the government and other partners to create and deliver affordable products to help address the anticipated retirement-funding gap. To this end, this study identifies retirement-planning behaviors and product preferences. Well before consumers make the decision to buy annuities/other financial products for retirement income, they have already reached out to different sources for information about investment options and related product features (Table 10).

It is very important for the industry to deliver easy to understand, easily accessible information, especially for a market like Indonesia where the majority are planning for retirement on their own. It is critical that the information be accurate and help consumers to take action for a positive retirement outcome. Digital channels have emerged as one of the strong sources of information for the respondents, with 59 percent reaching out to financial websites, in addition to social media and other networking websites, for their information needs. It is also interesting, though not surprising, to note that Internet/financial websites remain a top source of information for young workers and pre-retirees but not retirees. Among retirees the top source of information is family, friends, or co-workers.

Hence, contrary to the traditional channels of sharing information through television, radio, or newspapers, the industry needs to rethink how they may want to share product information on retirement planning in the future. Respondents to this online survey by default have Internet access and are at a financial level where they are good candidates for purchasing financial products for retirement.

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

Responding to the question: *"Which information source did you find the most useful?"*

Methods/Channels	Young workers	Pre-retirees	Retirees	Indonesia
Internet/financial websites	23%	21%	15%	19%
My own financial advisor/planner/insurance agent	20%	15%	20%	18%
Family, friends, or co-workers	14%	14%	22%	17%
Representatives from the company managing my employer's defined contribution retirement savings plan	8%	10%	10%	9%
Website with information on my specific retirement account	11%	7%	6%	8%
Employer (e.g., Human Resources or Benefits Department)	4%	10%	7%	7%
Workshops and/or seminars	5%	7%	4%	5%
Social media/networking websites	5%	4%	5%	5%
Books, magazines, and newspapers	4%	3%	2%	3%
Booklets, pamphlets, or other written materials provided by employer	3%	2%	2%	2%
Television or radio programs	2%	2%	3%	2%

Note: Respondents were allowed to choose only one option.

Interestingly enough, even though financial advisor/planner/insurance agents were not the most preferred source for product information, they emerged as one of the most useful channels of information. These professionals are trained and are expected to have strong product knowledge and deliver it in a way that is clear and easy to understand. The finding suggests the value of human interaction and face-to-face conversation cannot and should not be underestimated. Even though the contribution of financial advisors/ planners/ insurance agents to deliver information is valued, the industry needs to rethink how to help consumers find the right product and deliver information in a way that generates greater confidence among consumers.

In addition, not surprisingly, the senior segment of retirees found non-digital channels more useful.

Information from financial advisor/planner/insurance agents is considered relatively more useful, especially among the retiree segment.

Respondents were asked to share their preferences, aside from issues of cost, for features of financial products or investments that could be used to create income in retirement. Not surprisingly, they demonstrated an affinity for more conservative product features — features that would give them predictable returns and help preserve capital. Perhaps also unsurprising, consumers showed strong preferences for guaranteed income for life, investment capital protection, income that continues after the policyholder or the spouse dies, and investments that offer guaranteed returns. On the other hand, some respondents also showed a stronger interest in features that allow greater control over how investments are managed and income that has the potential to grow with the market.

Also of note, consumers do not show a very strong preference for single-premium or stepped-up premium structures; there were significantly stronger preferences towards level premium.

Across markets, consumers indicated a preference for more conservative product features.

Table 12 — Most Preferred Product Features

Responding to the 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?"*

	Young workers	Pre-retirees	Retirees	Indonesia
Guaranteed Lifetime Income				
Income that is guaranteed for life	72%	72%	77%	74%
Income will remain the same or fixed throughout retirement	61%	55%	58%	58%
Income will continue after I die or my spouse dies	67%	68%	75%	71%
Guaranteed returns on investments	76%	69%	72%	72%
Income Flexibility				
Income has the potential for growth with market	71%	64%	68%	67%
Income amount can be changed as needs change	66%	53%	57%	58%
Income that is adjusted for inflation	63%	60%	64%	62%
Income can be converted into a lump sum	48%	46%	52%	49%
Capital/Principal Preservation				
Initial investment amount is preserved or protected	76%	66%	70%	70%
Control Over Investments & Flexibility				
Control over how investments are managed	71%	63%	68%	67%
Tax benefit	46%	33%	42%	40%
The ability to make withdrawals in excess of regular payment	52%	41%	51%	48%
Option to withdraw entire money as lump sum and manage on your own	46%	38%	47%	44%
Premium Structure & Other Features				
Money for heirs or charities when I die	62%	56%	66%	62%
Single premium	38%	33%	40%	37%
Level premium	60%	56%	54%	56%
Stepped-up premium	41%	33%	39%	37%
Option to receive predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD)	40%	40%	35%	44%

Note: The following options were given to the respondents: Not at all important, Somewhat important, Very important, Don't understand feature. The above results are the precentage of respondents who selected Very important. Also note that the top six are highlighted in blue.

Definitions — Single Premium: An insurance plan in which a lump sum of cash is paid up front to guarantee payment to beneficiaries. Level premium: Level-premium insurance is a type of term life insurance for which the premiums remain the same throughout the duration of the contract. Stepped-up premium: Insurance premium is calculated on policyholder's age, meaning the younger they are the lower the cost and premiums, and premiums will increase over time.

Table 13 — Top-Three Channels for Retirement Income Products

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

	Young workers	Pre-retirees	Retirees	Indonesia
1	Bank	Bank	Bank	Bank
2	Insurer's website	Agent/Tied agency	Agent/Tied agency	Agent/Tied agency
3	Broker/Financial advisor (sells multiple products)/ General	Insurer's website	Insurer's website	Insurer's website

The top product features selected by respondents were quite similar across most generational segments. Most of the preferred product features were designed to fulfill basic needs, and some were reflective of either unique needs across life stages or unique personal needs (Table 12). It was very surprising to observe that banks emerge as the most preferred channel to buy retirement products, well ahead of the usually popular channels of agents. In fact, online channels also were quite frequently preferred. With the growing Internet penetration of Indonesia, online channels were of stronger interest for young workers and may gain further popularity (Table 13).

Maintaining physical health and wellbeing remains a top priority among most.

The end aim of these investment products is to address respondents' concerns and help them meet their unique retirement objectives. The top-most priority among the respondents was to maintain good health and wellbeing, especially among retirees who were facing or likely to face challenges due to deteriorating health in the near future. A majority place a high value on family and friends and would like to spend more time with them. Not many preferred to travel more, move into a community for retired persons, or move into a nursing home.

Table 14 — Important Aspects of Retirement Life

Responding to the 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?"*

	Young workers	Pre-retirees	Retirees	Indonesia
Maintain my physical health and wellbeing	75%	77%	81%	78%
Spend more time with friends and family	58%	44%	58%	53%
Save up for leaving a legacy	48%	35%	54%	46%
Financially support my family	55%	34%	44%	43%
Learn a new skill/hobby	48%	36%	46%	43%
Remain living in my current residence	41%	33%	48%	41%
Move into a nursing home	28%	21%	14%	30%
Get involved with some type of group/activity/community for retired persons	27%	23%	29%	27%
Travel more	34%	15%	25%	24%
Move into a community for retired persons	20%	8%	15%	14%

Note: The table reports selection of the Very Important option out of the overall options: Not at all important, Important, and Very important.

Industry Opportunities

This is a critical time for the industry, it has a significant opportunity — and responsibility as well — to help address the looming retirement-funding gap with the products and features identified in this study. The government has launched a few initiatives, but that may not be enough. The industry needs to step up and take more responsibility. Insights from this consumer research point to major opportunities that the financial services industry can explore. Some of them are as follows:

- **Responsibility:** Almost two thirds of the respondents across Indonesia consider it their own responsibility to fund their retirement, especially the young workers. However, there is a difference across generations; the proportion of respondents who consider it their own responsibility is much higher among the young workers (70 percent), compared to the retirees (62 percent) and pre-retirees (61 percent). These differences point to a change in mindset, where the younger generation is willing to be proactive and take care of their future needs, without depending on the government. This indicates that respondents may be open to make choices that will help them in planning for retirement. The industry needs to seize this opportunity and help individuals plan for their retirement.
- **Retirement Planning:** More than half of the respondents do not seek help from a financial professional for their retirement planning. Fifty-four percent of respondents do not seek professional guidance for their retirement planning, and almost an equal proportion do not have a formal written plan for managing income, assets, and expenses during retirement. Among the different age bands, pre-retirees seem to have the least interest in consulting a financial professional for retirement planning or for creating a formal written retirement plan. The industry, along with other stakeholders, needs to step in and educate future retirees on how to plan for retirement and make the best use of available resources.
- **Key Aspiration:** The top-most priority among respondents is to maintain good health and wellbeing. This priority is especially high among retirees who are facing or likely to face challenges due to deteriorating health in the near future. A majority value family and friends and would like to spend more time with them. These are very basic aspirations and not difficult to achieve, provided individuals start saving for retirement prudently and at the right stage of their lives.
- **Procrastination:** Even though most consider retirement planning their own responsibility, they procrastinate. Close to 1 out of 2 respondents regret delaying saving for retirement or not having started saving for retirement at all. This proportion is even higher among young workers who claimed to have started saving for retirement around the age of 34 years. This finding points to procrastination among the young workers. Respondents, especially from the Lesser Sunda (64 percent) and Kalimantan (52 percent) regions, have the highest levels of regret for delaying retirement planning. They certainly need some advice from professionals who can guide them.
- **Retirement Funding Gap:** More than 4 out of 5 respondents across Indonesia anticipate a gap in retirement funds when they turn age 60, and only around 19 percent of respondents expect to have more than 81 percent of the funds they need to lead a comfortable retired life. Respondents from the retiree segment, who are facing the realities of retirement, experienced a much wider gap in the retirement funds compared to the other age segments. Among the sub-regions of Indonesia the biggest anticipated gap in retirement funds are expected by respondents from Sumatra and other regions such as Maluku and the New Guinea Islands. However, on a slightly positive note respondents from Indonesia do not underestimate their life expectancies, unlike quite a few other markets.

- **Willingness to Buy Annuities:** Indonesians generally expressed a high level of confidence in their ability to make financial and investment decisions, and 82 percent of the respondents across Indonesia expressed their willingness to convert a part of their assets to annuities to generate retirement income. Respondents, particularly in the young workers age segment, expressed the strongest interest in annuities. This augurs well for both future retirees and the industry. There is an important opportunity for the market to tap into unmet needs.
- **Preferred Product Features:** Most respondents demonstrated an affinity for more conservative product features — features that would give them predictable returns and help preserve capital. Perhaps unsurprisingly, consumers showed strong preferences for guaranteed income for life, investment capital protection, income that will continue after the policyholder or the spouse dies, and features that offer guaranteed returns on investments. On the other hand, some also showed stronger interest in features that allow greater control over how investments are managed and income that has the potential to grow with the market. Indonesia, although a young country now, will soon be on the path to becoming an aging society. Now is the perfect time to take action — for individuals, the industry, and other stakeholders.
- **Preferred Channels to Buy:** Surprisingly, banks emerged as the most preferred channel to buy retirement products, well ahead of the usually popular channels of agents. In fact online channels also were quite often preferred. With the growing Internet penetration of Indonesia, online channels were of particularly strong interest for young workers and may gain further popularity. However, in the near term, insurers and other financial institutions may do well to strengthen their partnerships with banks or look for newer partnerships with banks.

Appendix

This study is an extension of the China retirement study of 2015 – 16 that was a collaboration between the Society of Actuaries (SOA) and LIMRA structured to identify the challenges faced by other selected markets across Asia. It aims to provide insights into consumer perceptions of retirement across nine major regional Asian markets, including Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China. The study, primarily focused on Indonesia, also provides an overall regional average.

Table A-1 — Respondents by Working Status

Responding to the question: *"Are you currently …?"*

	Young workers	Pre-retirees	Retirees	Indonesia
Working full time for pay	98%	95%	50%	77%
Retired and working part time for pay	2%	3%	29%	13%
Retired and not working for pay	0	2%	22%	10%

Table A-2 — Respondents by Employer Type

Responding to the question: *"Which of the following best describes your employer/From what type of employer did you retire?"*

	Young workers	Pre-retirees	Retirees	Indonesia
The government	11%	13%	36%	22%
An institution controlled by the government (public sector)	10%	8%	15%	11%
A private company (enterprise)	78%	78%	48%	65%
Other, please specify	1%	1%	1%	1%

Table A-3 — Respondents by Household Size

Responding to the question: *"What is your household size?"*

	Young workers	Pre-retirees	Retirees	Indonesia
1 to 2 persons	10%	10%	9%	9%
3 to 4 persons	56%	56%	48%	52%
5 to 6 persons	28%	32%	34%	32%
7+ persons	7%	3%	10%	7%

Table A-4 — Respondents by Gender

Responding to the question: *"Are you?"*

	Young workers	Pre-retirees	Retirees	Indonesia
Male	23%	52%	59%	48%
Female	77%	48%	41%	52%

Table A-5 — Respondents by Urban/Rural

Responding to the question: *"How would you describe the place you live?"*

	Young workers	Pre-retirees	Retirees	Indonesia
Rural	8%	17%	9%	11%
Urban	92%	83%	91%	89%

Table A-6 — Respondents by Pre-tax Total Annual Income

Responding to the question/direction: *"Which of the following ranges describes your household's pre-tax total annual income? Please include any income from employment earnings, investments, interest, dividends, social security, pensions, etc."*

	Young workers	Pre-retirees	Retirees	Indonesia
None	8%	2%	6%	5%
0-IDR58,305,000	16%	12%	7%	11%
IDR58,305,000 – IDR116,609,000	23%	19%	16%	19%
IDR116,609,000 – IDR291,523,000	20%	21%	22%	21%
IDR291,523,000 – IDR583,045,000	16%	22%	23%	21%
IDR 83,045,000 – IDR1,166,090,000	11%	11%	14%	12%
More than IDR1,166,090,000	6%	12%	13%	11%

Table A-7 — Respondents by Current Housing Situation

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

	Young workers	Pre-retirees	Retirees	Indonesia
I own my apartment or house	85%	91%	93%	91%
I rent from a landlord	6%	2%	2%	3%
Live with parents, other family members, friends, or other	8%	4%	4%	5%
Others	1%	3%	0	1%

Table A-8 — Respondents by Level of Education

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

	Young workers	Pre-retirees	Retirees	Indonesia
High school or less	3%	2%	5%	4%
Technical/vocational school	4%	4%	6%	5%
Two or three years of college/Associate's degree	10%	12%	12%	12%
College graduate/Bachelor's degree	72%	64%	61%	65%
Graduate school/Master's degree	11%	16%	12%	13%
Doctoral degree/Ph.D.	1%	2%	3%	2%

Table A-9 — Sub-region Detail: Indonesia

Responding to the question: *"Which one of the following regions are you from?"*

	Young workers	Pre-retirees	Retirees	Indonesia
Sumatra	28%	12%	13%	16%
Java	24%	4%	25%	18%
Lesser Sunda	24%	10%	16%	16%
Kalimantan	12%	27%	11%	17%
Sulawesi	5%	40%	4%	16%
Others (Maluku, New Guinea) Islands	7%	6%	31%	16%

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