Summary Report

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Spotlight on Retirement: Asia

Summary Report

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Introduction

It might be fair to say, "Asia is getting old before becoming rich."

Winds of change are blowing across Asia, bringing both challenge and opportunity. As a region, Asia has almost two thirds of the world's population, and it is home to three of the five most populous markets in the world. Over the last few decades, the tidal surge of economic growth has raised the standard of living, improved medical care, enabled healthier lifestyles, and lengthened life expectancies. Along with these benefits, it has also generated changing demographic, social, and cultural tides that threatens to submerge existing retirement-pension systems.

With the expansion of its economies, Asia has experienced a significant and rapid demographic shift to an older population. Its economic growth occurred virtually simultaneously with the aging of its population, which did not allow the financial system to develop, mature, and create a sustainable pension system. Even in the West, where the population aged much more slowly and allowed time for pensions systems to develop, many countries nevertheless struggle with the challenge of funding retirement for millions of citizens. All the more true in Asia, where the shift is happening at an unprecedented rate.

Aging societies place a disproportionate burden on the working-age population, while also putting immense pressure on current pension systems. Caught in the undercurrent, more and more elderly no longer live within an extended family as young workers relocate to cities to catch the wave of economic growth. This trend to rapid urbanization is eroding Asia's traditional social structure. Even in the recent past, retirees were at least partially, if not entirely, dependent on their family members and children for income in retirement, as well as for health and long-term care. However, with rapid urbanization, the average size of households is shrinking, and increasing numbers of the elderly now live and manage their lives on their own.

As the aging of retirees gathers momentum, the need for a comprehensive, adequate, and sustainable retirement and pension system in Asian markets has never been more compelling. This study aims to determine how consumers are planning to deal with the challenges of their upcoming or current retirement years and what their aspirations are. The study extends the China retirement study of 2015 – 16, a collaboration between the Society of Actuaries (SOA) and LIMRA, to identify the challenges faced by other markets across Asia.

As the historic aging of retirees gathers momentum, the need for a comprehensive, adequate, and sustainable retirement and pension system in Asian markets has never been more pressing.

Executive Summary

Asia is going through a rapid demographic transition, generating a surge that threatens existing pension systems. Not only is its population aging, it is aging at a speed never seen before. South Korea in particular has one of the fastest aging populations and is facing a huge challenge to fund the retirement of its elderly population. LIMRA and SOA jointly commissioned an Asia-wide research project to study the current state and future opportunity of the retirement market in Asia.

Under the current scenario, the pension systems of most markets are unable to provide adequate coverage or adequate income replacement to the retirees and are under tremendous pressure to go through massive reforms to ensure long-term sustainability. Over the next few decades the new population of people aged 60+ is likely to grow from 514 million (in 2015) to 1.3 billion in 2050 — more than double the existing aged 60+ population across Asia. It is critical for the markets to prepare well to face the challenges of aging to avoid a possible disaster.

Even though there has been some activity to reform the pension systems across different markets, Allianz's Pension Sustainability Index shows that most markets within Asia are under tremendous pressure to step up and take further action. Since people do not know precisely what changes will be made to their markets' pension systems, they need to take ownership of their retirement plans. This study analyzes the private and public options available to consumers and their retirement-planning behaviors.

Insights from our consumer research point to the fact that more than two thirds of individuals consider it their own responsibility to fund retirement and do not want to depend on government or family members. More than half of the respondents regret they started saving and investing for retirement late OR did not save for retirement at all. Some 80 percent of respondents fear they will have a gap in retirement funds when they turn age 60. Further, only around 20 percent of the respondents 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 professional help.

The storm cloud is not without a silver lining, as 7 out of 10 respondents across Asia stated that they are willing to convert a portion of their assets to annuities to generate retirement income. Consumers showed strong preferences for guaranteed income for life, protection of principal investment, and fixed returns. There was also a keen interest in having more control over their investments and the flexibility to adjust their portfolios to their changing needs. Banks emerged as the most popular channel from which to buy retirement income products. In fact, banks were selected as the top distribution channel across all markets.

About the Survey

The Asia retirement study is a collaborative research project of the Society of Actuaries (SOA) and LIMRA. Through a sample of 9,384 respondents, it provides insights into consumer perceptions of retirement in and across nine major regional Asian markets: Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China. (The China data are from an earlier related study that focused on Mainland China[1].) The sample focused on three demographic segments: Young Workers (30–45 years old), Pre-retirees (46–60 years old) and Retirees (60+ years old). Young workers are typically at an early stage of their careers and planning for marriage or starting a family. Pre-retirees are generally planning to start or have started to save for retirement. Retirees are either retired or likely to retire soon.

The data were collected through an online survey across all the selected markets. This study explores the attitudinal differences across different regions, sub-regions, age bands, and genders to help insurers and other financial organizations develop effective solutions to address the retirement planning needs of consumers. The study also highlights consumers' retirement readiness, current and future income sources, risk tolerances, and preferences of products and product features. Because this study added questions that weren't in the China-only study, there are some instances where data for China are unavailable.

Please note that the survey has larger samples for India and China to reflect the size and diversity of their populations (Table 1).The study covers multiple sub-regions in each market to provide a representative sample of the target market for insurance companies and other financial institutions (please see the technical report issued separately).

Certain oversampling was conducted based on income levels and other parameters to ensure better representation and quality of data.

Detailed charts and graphs on the study are available in a separate technical report.

This report refers to Mainland China as China.

Table 1 — Overall Sample Split Across Markets*

Market	Sample
China	2,013
Hong Kong	762
India	2,000
Indonesia	765
Japan	793
Singapore	762
South Korea	762
Thailand	767
Taiwan	760
TOTAL	9,384

**LIMRA – SOA Retirement Study, 2015 – 2016, 2017 – 2018.*

[1]*The Future of Retirement in China*: LIMRA – SOA, 2016.

Demographic Transition

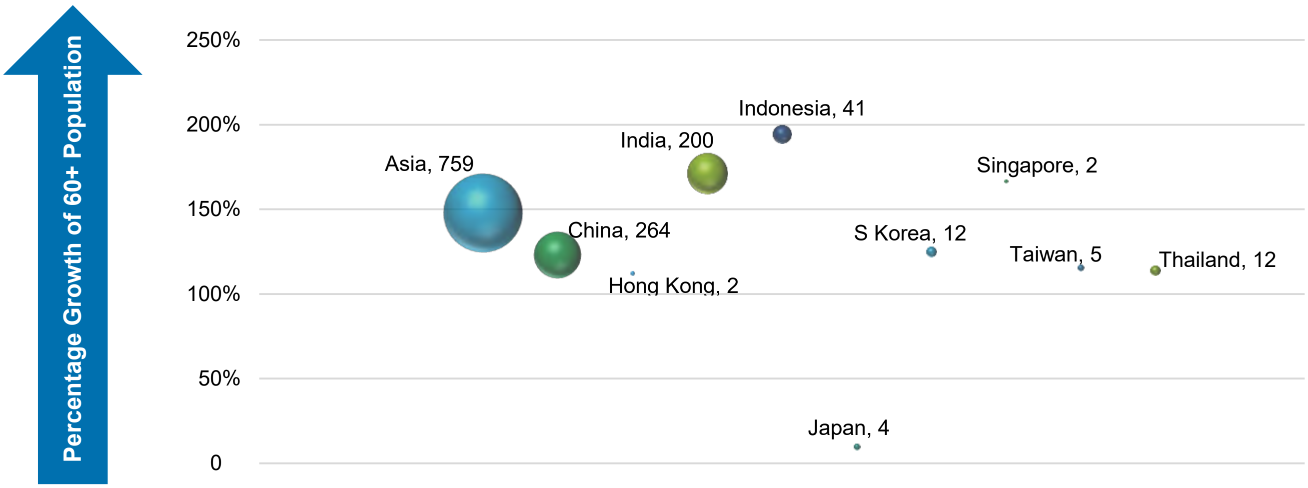
Contrary to the popular perception, the majority of 2050's "NEW" elderly in Asia will be in China, India, and Indonesia — today's relatively young markets.

Asia has been going through a historically unprecedented demographic change. Most of the markets across Asia are a "victim of their own success." Asia has benefited immensely from its demographic dividend and experienced robust economic growth across several decades. Now, with an aging population, the demographic dividend is slowly becoming a demographic burden and resulting in various challenges. The retirement challenge is likely to become dramatic going forward. Overall population across Asia is likely to increase by 19 percent between 2015 and 2050; however, the age 60+ population is likely to grow by almost 148 percent (Figure 1). Markets that are perceived as young today are likely to be the most severely impacted by such a transition. The overall 2050 populations of India and Indonesia are likely to grow by 27 percent and 25 percent from 2015; and the 60+ populations are likely to grow by 171 percent and 195 percent by 2050 when compared to 2015.

The figure below depicts the new population of age 60+, which is likely to grow from 513 million in 2015 to 1.3 billion in 2050. These increases will more than double the existing age 60+ populations across Asia. Some of the markets are likely to be more severely impacted than others. For example, China will likely double in number of elderly by 2015; India will more than double by adding 200 million elderly; and Indonesia will triple its elderly population with an additional 40 million elderly. To put this demographic tilt in perspective: on a relative basis, Asia's anticipated new age 60+ populations are larger than Europe's entire existing population and double that of the United States.

It is important to note here that while current thinking is typically associated with the aging markets of Japan, Korea, Hong Kong, and Singapore, close investigation shows that a majority of the "new" elderly will reside in China, Indonesia, and India.

Figure 1 — Additional Age 60+ Populations by 2050 Versus 2015*



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

**UN Population Division, 2017 data, LIMRA International Research.*

The proportion of the working-age population to retirees is shrinking. There are a number of decades-long contributing factors, including declining fertility rates and increased longevity due to medical advances, decline in communicable diseases, and improved lifestyle. Improved life expectancy has resulted in a top-heavy population pyramid.

For example, in 2015, only 12 percent of the population is over age 60; by 2030, the age 60+ population will grow to 24 percent. The trend will reverse, however, and the age 60+ population will decline to 17 percent by 2050. The fact remains that the challenges with age 60+ population will get worse before they get better. Even though different regions are at different stages of transition, the direction of the shift remains the same.

PHASES OF DEMOGRAPHIC TRANSITION

The demographic transition that occurred over the course of around 80 years in the West is likely to take place within 15 – 20 years in some Asian markets.

Another important aspect to consider is the speed at which these changes are happening. To measure the speed, we looked at four tipping points and identified when each of the selected markets would cross those thresholds (Figure 2). The four tipping points are:

- Young — when the proportion of age 60+ population crosses 7 percent of the total population
- Aging — when the proportion of age 60+ population crosses 14 percent
- Aged — when the proportion of age 60+ population crosses 21 percent
- Super Aged — when the proportion of age 60+ population crosses 28 percent

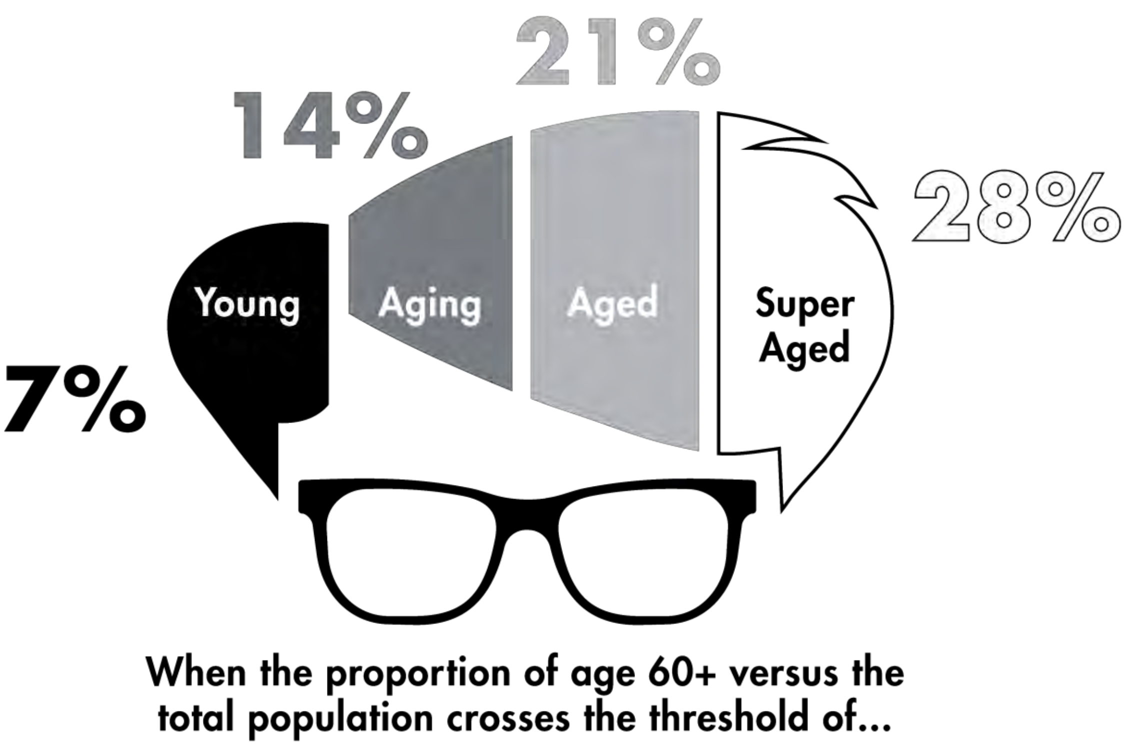
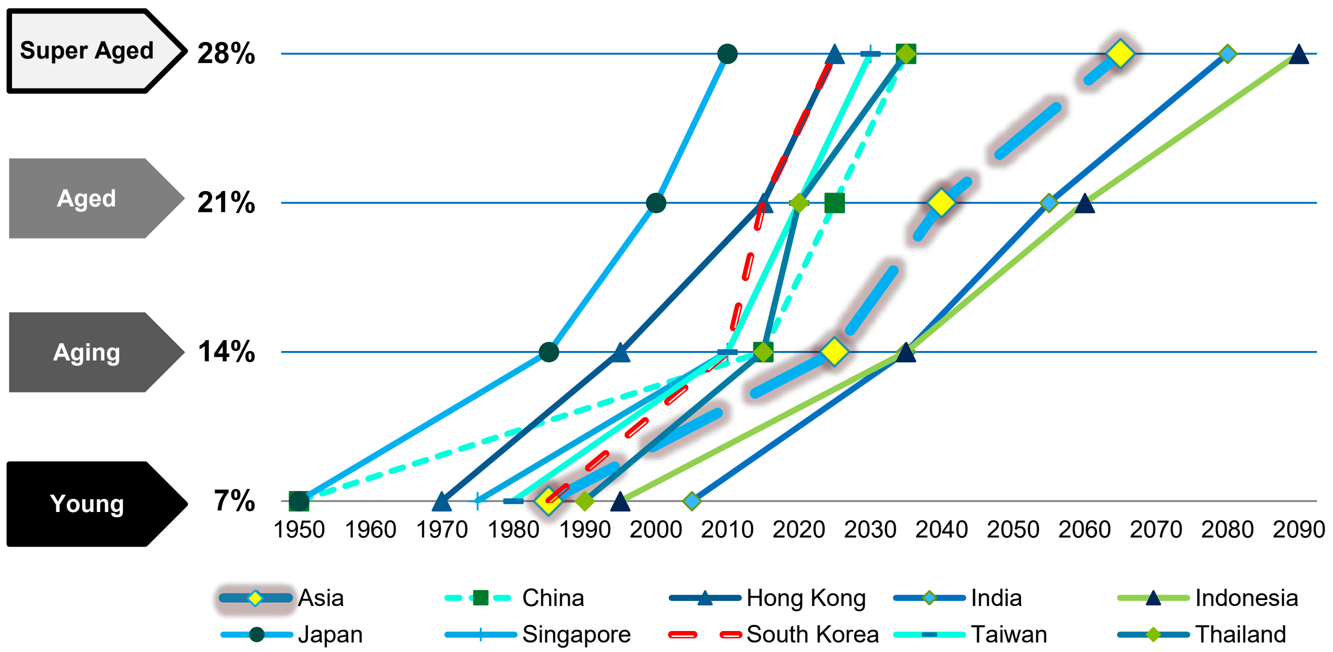


Figure 2 — Phases of Demographic Transition*



**UN Population Division— 2017 data, LIMRA International Research.*

Analysis shows that specific markets in Asia are getting older at a pace that has perhaps never been seen anywhere before. For example, markets like China, Singapore, and Taiwan are moving or have moved from Aging to Aged within a span of 10 years. The shift is even more rapid in South Korea and Thailand, where the same transition is anticipated to take place in a five-year span. The transition from Aged to Super Aged has been or will be very fast — only 10 years — in markets including China, Hong Kong, Japan, Singapore, South Korea, and Taiwan.

By way of comparison, the journey from Aging to Super Aged will take around 80 years or more in the United States and United Kingdom, providing more time to prepare for an aging society. However, even with this extended timeframe, these nations have more work ahead.

LIFE EXPECTANCY, BIRTH RATES, AND SIZE OF HOUSEHOLDS AT AGE 60

In the not too distant future, people will typically live to the age of 90 in several markets — and centenarians may be common across Asia.

Life expectancy continues to increase due to factors such as medical advances, healthier lifestyles, and a decline in both communicable and non-communicable diseases. For example, in the period between 1975 and 1980, average life expectancy for 60 year olds was 16 years, which means they typically lived to the age of 76 across Asia. It is now anticipated to reach 23 years, which means people will live to the age of 83 years by 2050-55. In specific markets like Hong Kong, Japan, Singapore, and South Korea, trends indicate that at least half of the population will live to or beyond age 90, and may spend decades in retirement.

The majority of the markets covered in the study have a life expectancy at greater than average levels experienced across all Asia, with the exception of India and Indonesia. Even there, though, life expectancy continues to improve.

Most markets are experiencing a decline in live birthrate, resulting in a shrinking population.

The aging of Asian society began around 40–50 years ago, when the average birth rate started declining gradually. A stable level of population could be sustained with an average live birthrate of around 2.1.[2] However, only India and Indonesia in this study are averaging more than 2.1 children per woman. Hence, most markets are facing a certain decline in overall and young population over time. The analysis shows that Hong Kong has the lowest birthrate at 1.03 per woman, followed by Taiwan at 1.05 and South Korea at 1.2.

Over the decades, changing socioeconomic dynamics have resulted in smaller households across Asia.

Along with the demographic changes, Asia is experiencing massive socioeconomic changes as well. The majority of the markets have already moved or are rapidly moving from a traditional joint-family structure to a nuclear-family structure. However, the nuclear-family structure has also been going through transition over the last few decades. Factors including increasing divorce rates, postponing marriage, postponing children, not having children at all, and moving to different cities for work have become more and more common. As a result, the average household size has been coming down slowly and surely across the region.

In the future, there will be far fewer working people supporting the elderly.

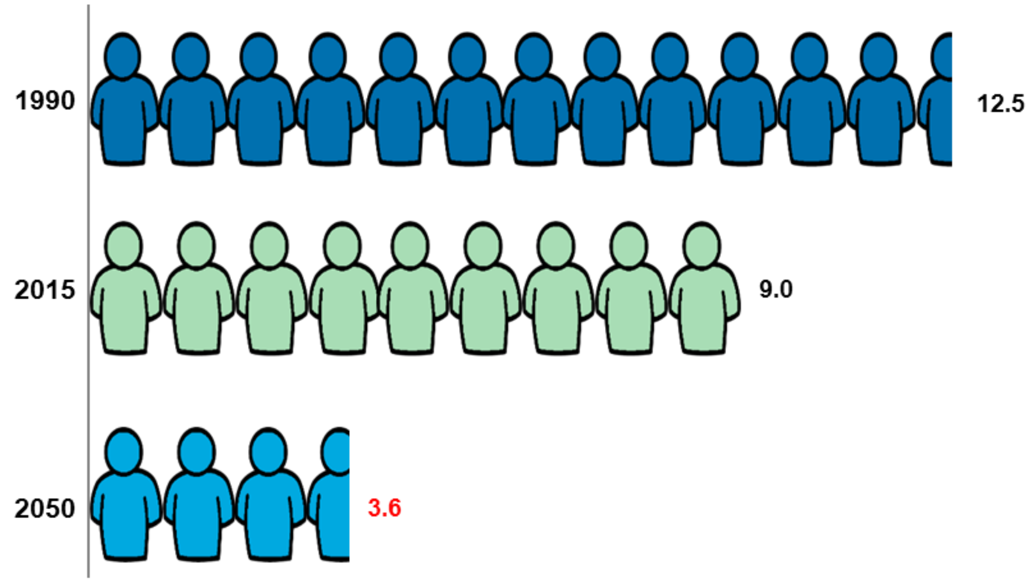
The potential support ratio, defined as the number of working people supporting the retired population, is an important benchmark to assess the strength and sustainability of an economy (Figure 3).

[2]http://www.searo.who.int/entity/health_situation_trends/data/chi/TFR/en/, as of d December 2017

Along with the aging population, the number of working-age people supporting each elderly individual across Asia is likely to drop from around 12.5 in 1990 to 9 in 2015 and to 3.6 in 2050. That is, the ratio of workers potentially providing financial support to the retired population will decline from 9:1 in 2015 to 3.6:1 in 2050.The resulting burden is likely to be extremely severe across Japan, South Korea, Taiwan, Hong Kong, and Singapore, among other markets. It will have major impact on old-age support systems.

Figure 3 — Potential Support Ratio in Asia

(ratio of population aged 15–64 per population aged 65+)



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

Before formal pension systems emerged across Asia, the majority of retirees depended on their families for old-age support. However, with family and household structures changing, individuals have no option but to fund their retirements on their own and depend on investments, pensions, and retirement schemes to create income.

Are the existing pension systems strong enough to sustain the looming challenges of the aging society, given the scale and pace of aging in the region?

This report will highlight how consumers in Asian markets think about the retirement challenges and how they plan to address various retirement risks. The study will also shed light on how financial institutions and advisors can help their clients address the issues by developing new products and solutions.

Sustainability of Pension Systems

The Pension Sustainability Index (PSI) of Allianz analyzes the fundamentals of pension systems and key impacts to help identify needed reforms (Figure 4). To arrive at a ranking that reflects the long-term sustainability of a given pension system, Allianz analyzed 54 markets 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 4 — Pension Sustainability Index*

Sub-indicators	Status (0.75)**	Dynamics (0.25)**
Demographics	Old-age dependency ratio (OAD)*	Change in OAD* by 2050
Pension system	Level of pension benefit from 1st pillar and coverage of workforce	Change in level of pension benefit
	Legal/effective retirement age	
	Strength of funded pillar and reserve fund (as a percentage of GDP)	Reforms passed
Public finances	Pension payments / GDP	Change of pension payments / GDP by 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, 2016.

While the rankings across Asia present a mixed picture, the majority of the markets in this report rank in the bottom half of the table (Table 2). Different markets across Asia are facing individual challenges — urbanization, an aging population, and changing socioeconomic structures — and these challenges are altering the entire retirement landscape. Markets like Thailand, China, India, Japan, and Taiwan rank towards the bottom of the table, either due to challenges from aging demographics, stressed public finance systems, and/or inadequate pension systems.

Even though the Asian regional score improved in 2016 over 2014, Asia still needs to do a lot more to establish a comprehensive pension system. More and more, Asian governments are undertaking initiatives and have implemented or are considering implementing a multi-pillar system by introducing a range of funded pensions. Markets with a strong funded pension rank best in the PSI.

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).

Table 2 — Ranking of 2016 Pension Sustainability Index, Asia — Allianz[3]

	TOTAL		Demographics	Public Finance	Pension System
Region	Score*	World Ranking	World Ranking	World Ranking	WorldRanking
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

**On a scale of 1-10*

Note: Includes ranking of markets which are covered in the study.

[3]https://projectm-online.com/app/uploads/Allianz_2016_Pension_Sustainability_Index.pdf.

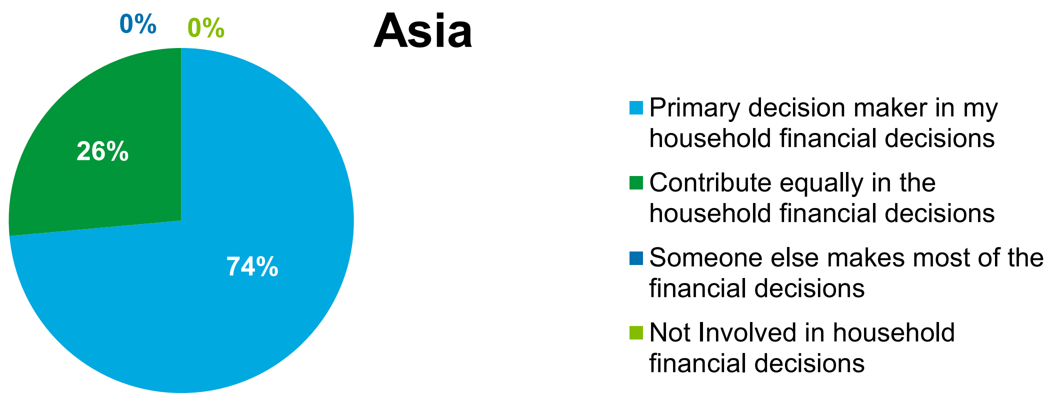
Retirement From the Consumers' Perspective

Consumers are a resilient lot, and they have managed to survive despite the challenges of the transition to an aging population. Through this research, we wanted to understand specifically how consumers make financial decisions relating to retirement. To that end, we have solicited responses from primary decision makers and/or those who contribute equally in making financial decisions (Figure 5).

The households in economically more mature countries like Japan, Taiwan, and Singapore have a higher likelihood of joint household decision-making. On the other hand, in growing economies like India, Thailand, and China a single individual in the household often makes the financial decisions. As retirement issues and concerns affect both spouses and other individuals in the household, financial institutions and advisors are more likely to gain client trust and access when they involve both spouses, especially in households in mature markets.

Figure 5 — Respondents by Decision Authority

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



Retirement issues in Asia should be viewed in their cultural context. In many countries, both workers and retirees share in the financial burden of their families, unlike workers and retirees in western countries.[4] Nearly half of Asian households are taking financial responsibility for parents, in-laws, or siblings. The rates of such dependency are particularly high in India, Thailand, Hong Kong, and China. However, in Japan, a smaller number of respondents were supporting their parents, as indicated in the survey.

[4]Attitudes toward the Role of the Family, the Individual, and the State in Providing Retirement Income: Survey Evidence from Emerging East Asia: 2013.

Table 3 — Financial Dependence

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

	Asia	China	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Child/Children	55%	62%	39%	66%	75%	37%	48%	48%	54%	64%
Spouse	45%	32%	41%	61%	63%	50%	33%	51%	35%	41%
Own Parents	41%	43%	51%	56%	26%	17%	46%	26%	40%	64%
Spouse's Parents	8%	19%	8%	13%	10%	2%	7%	1%	4%	9%
Siblings	5%	—	2%	6%	8%	1%	4%	3%	2%	10%

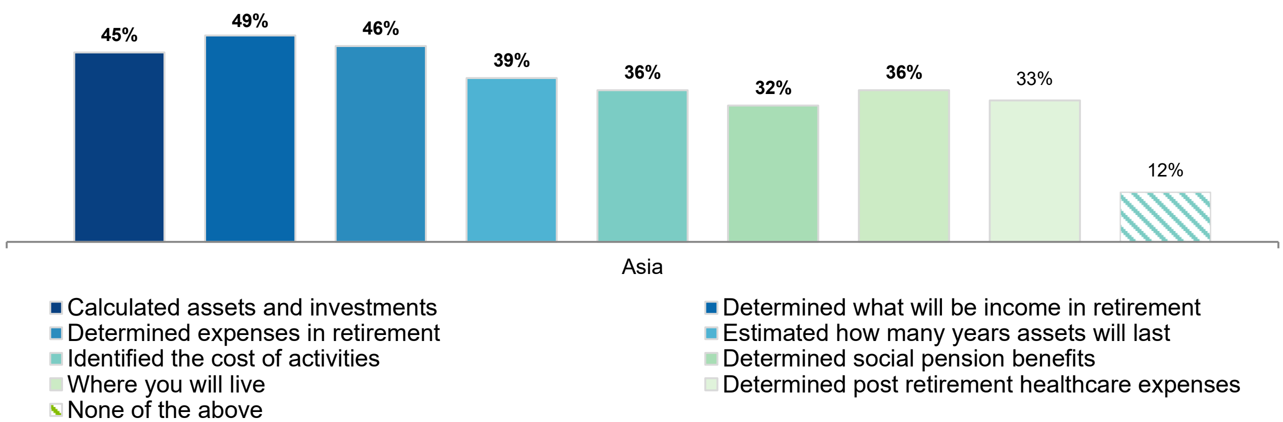
Almost 60 percent of the responding financial decision makers do not work with financial professionals for household financial decisions.

Almost 60 percent of respondents across Asia do not work with any financial professionals to help them with household financial decisions. This behavior is prevalent across all the markets covered in the study, but it is especially high in Japan (82 percent) where around 37 percent of the respondents stated they do not take any initiatives related to retirement planning. In addition, the survey found that financial decision makers in South Korea (68 percent) and China (60 percent) do not reach out for help.

Eighty-eight percent across Asia have taken some initiative when it comes to retirement planning (Figure 6). Indonesians and Indians claimed to have taken the most number of initiatives when it comes to retirement planning, especially when it comes to calculating assets and investments and determining income and expenses in retirement. It is also surprising to note that the Japanese and Hongkongers, two of the most aged societies, have not taken as much initiative as the younger counterparts. Particularly, it is worrying to note that a significant proportion of Japanese, around 37 percent, have not taken any action when it comes to retirement planning.

Figure 6 — Initiatives on Retirement Planning

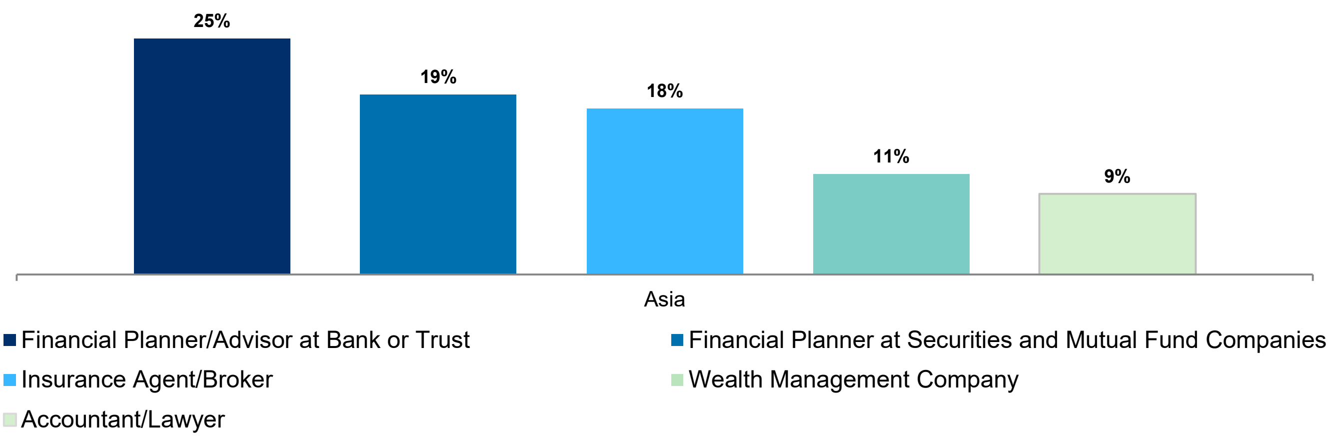
Responding to the question: *Which of the following retirement planning activities have you done?*



However, a large proportion of those who do reach out prefer to work with a financial planner/advisor at a bank or trust company (Figure 7). Financial planners or securities or mutual fund professionals were preferred to insurance agents or brokers. Financial planners at banks or trust companies are very popular in Indonesia, whereas in Thailand a large proportion of consumers favor financial planners at securities or mutual fund companies.

Figure 7 — 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?*

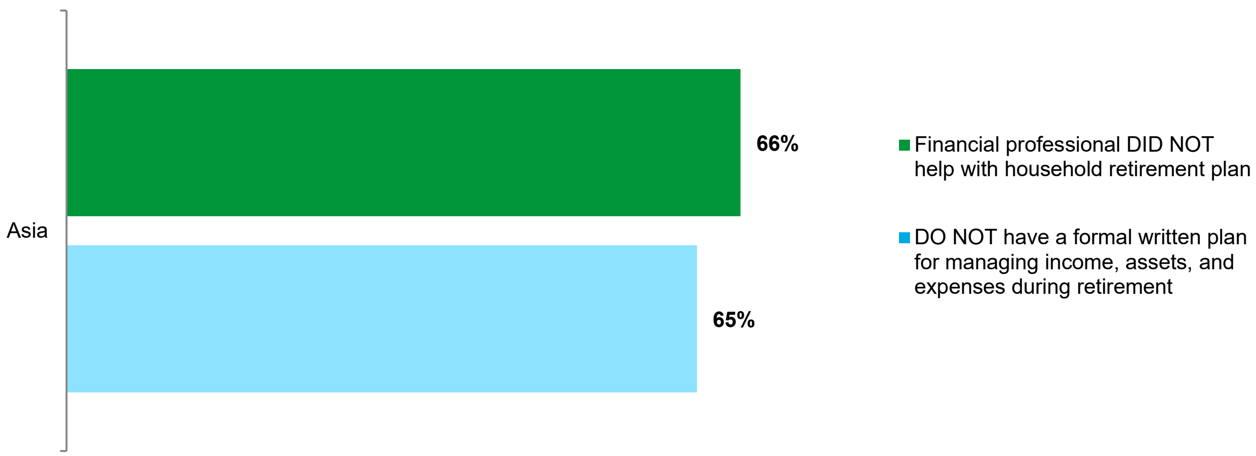


Only around a third of respondents have a formal written plan to manage income, assets, and expenses during retirement (Figure 8). The majority of those who have some kind of formal plan are from Thailand, India, and Indonesia, whereas a significant proportion of respondents from Japan, South Korea, and China stated they do not have a formal written plan.

The population does not seek professional help for either regular financial decisions or retirement planning. Equal numbers of respondents, around two thirds, do not seek professional retirement help or have a formal written plan for managing income, assets, and expenses during retirement. Japan, South Korea, and China fall behind when it comes to structured financial planning with a professional.

Figure 8 — Retirement Planning

Responding to the question: *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?*



Fifty-nine percent across Asia are confident that they will be able to live the retirement lifestyle they want. The retirement confidence level (Strongly Agree) is particularly low in aged economies like Japan, South Korea, Hong Kong, and Singapore (Table 4). The reasons for the low confidence may include the high lifestyle standard, the fact that the countries are already facing resource restraints on retirement assistance, and the workers' awareness of the challenging experience of current retirees. The level of confidence is much higher among retirees compared to pre-retirees or young workers. More than 70 percent (Strongly Agree and Somewhat Agree) of retirees across Asia are confident of leading their desired lifestyles. The only exception to this finding is Indonesia where young workers are marginally more confident than the retirees.

The findings suggest that the relatively younger individuals remain more optimistic and have a tendency to consider themselves more prepared or having taken more actions. India ranks in the top spot consistently across all parameters. However, this confidence may be driven in part by the optimism of a demographically young and economically growing nation. Comparatively the Japanese remain slightly more cautious and circumspect.

There is a silver lining, though. The majority of respondents across markets do not lack trust in financial institutions, and around 61 percent are willing to purchase a financial product that will provide guaranteed lifetime income. This preference is particularly strong in India, Indonesia, and Thailand.

Table 4 — 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.*

	Asia	China	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Confidence Benchmark										
I will be able to live the retirement lifestyle I want	59%	72%	43%	81%	76%	28%	54%	44%	62%	74%
I have enough savings to last until the end of my retirement	49%	60%	37%	71%	56%	20%	47%	33%	49%	66%
Need help										
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	59%	78%	45%	76%	71%	30%	54%	55%	62%	65%
Action Statement										
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	61%	71%	46%	83%	72%	22%	59%	57%	65%	73%
I am currently very involved in monitoring and managing my retirement savings	60%	67%	51%	80%	72%	21%	63%	48%	63%	74%
Challenge & Mindset										
It is rare to hear people talk about retirement planning in the workplace	46%	53%	39%	63%	47%	38%	49%	35%	49%	43%
I have/will inherit property from parents/relatives	39%	—	27%	62%	46%	27%	32%	30%	38%	50%
I do not trust financial institutions with my money	29%	34%	30%	37%	22%	25%	30%	21%	33%	32%

Note: Above numbers represent summed-up options of Somewhat Agree and Strongly Agree.

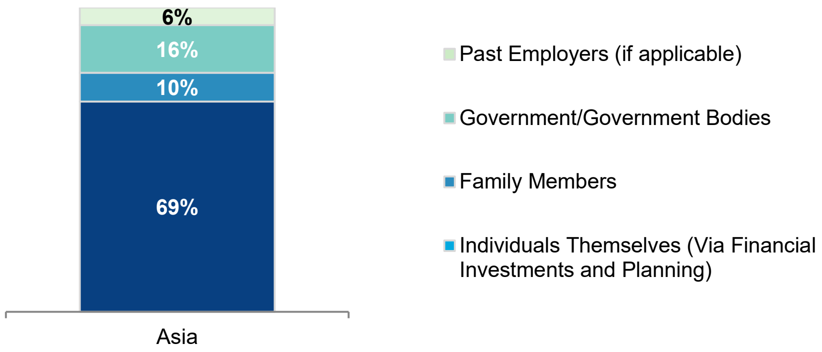
The top-three options per market have been highlighted. In certain instances four options were highlighted when the third and the fourth ranked numbers were same.

Consumers are willing to trust financial institutions, but they also think it is their own responsibility to fund their retirement.

It argues well for Asia that more than two thirds of respondents consider it their own responsibility to plan for retirement and do not want to depend on government or family members (Figure 9). The only exception to a certain extent is Hong Kong where some of the respondents state that the primary responsibility of retirement security should be family members or government entities. However, a significant proportion would accept responsibility for funding their retirements.

Figure 9 — Primary Responsibility for Providing Retirement Funds

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



Most in this group who accept the responsibility for creating their own income streams in retirement are likely to depend on their personal savings, investments, and social pension/other local pension (Table 5). If required, they are willing to start working again and effectively rule out retirement. They do not plan to depend on family members for either financial support during retirement or an inheritance. Reverse mortgages, which are relatively popular in the West, have not found too many takers in the selected Asian markets, when compared to the other possible income sources.

Table 5 — 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.*

	Asia	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Personal savings and investments	92%	95%	96%	97%	74%	95%	92%	95%	91%
Social pension/Other local pension	81%	84%	85%	91%	61%	90%	85%	69%	81%
Full/Part-time job earnings	81%	84%	83%	90%	69%	88%	72%	76%	85%
Life insurance	76%	84%	89%	83%	42%	86%	66%	80%	80%
Voluntary Enterprise Annuity/ Voluntary plans set up by employer	65%	71%	78%	61%	45%	69%	59%	56%	77%
Rental property	56%	64%	72%	74%	17%	61%	52%	42%	65%
Family member assistance (incl. children)	55%	65%	74%	57%	18%	60%	51%	48%	66%
Inheritance from death of a family member	49%	58%	63%	59%	27%	46%	44%	43%	55%
Reverse mortgage	42%	58%	56%	45%	13%	47%	34%	32%	47%
Old age pension (Korea only)	—	—	—	—	—	—	77%	—	—

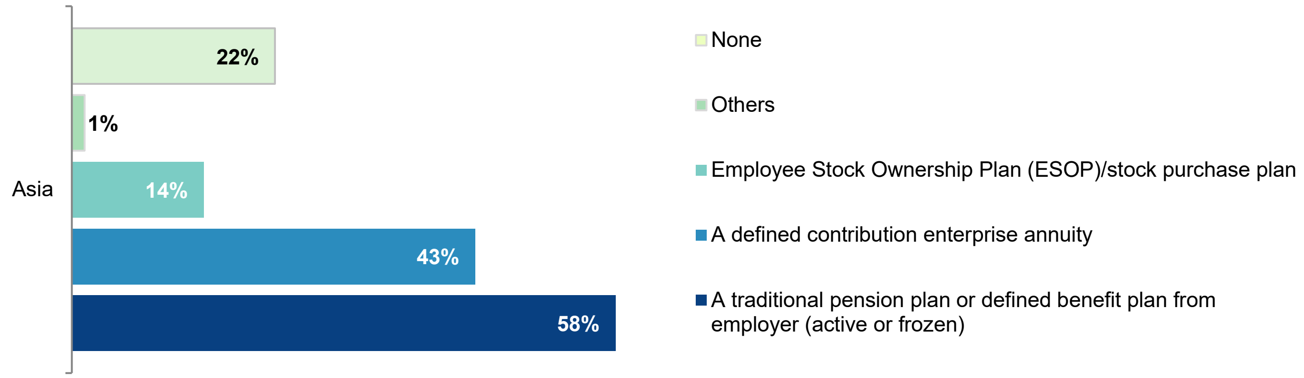
Note: Above numbers represent summed-up options of Major Source and Minor Source out of the overall options of Major Source,Minor Source, and Not a Source.

Other local pensions included "South Korea: National Pension," "Singapore; Central Provident Fund," "Hong Kong: Mandatory Provident Fund," India: National Pension Scheme/Public Provident Fund.

Across Asia, more than half of the respondents indicated that they receive or received a traditional pension plan or a defined benefit (DB) plan from their employers (Figure 10). In China, the proportion rises, with around 83 percent indicating that they had access to DB plans. A sizeable number of respondents, especially from Thailand and Indonesia, indicated they had access to defined contribution (DC) enterprise annuities. Perhaps surprisingly, 50 percent of Singapore respondents said they do not have access to employer-sponsored retirement plans.

Figure 10 — 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.*

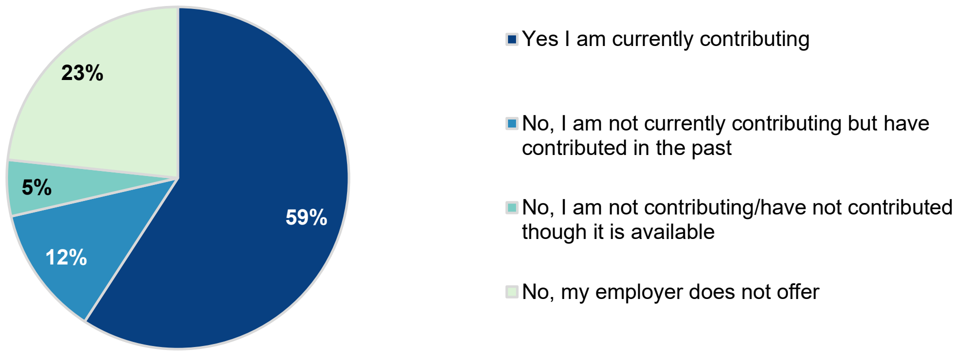


Definitions: Defined Benefit: A defined benefit plan is a retirement plan that an employer sponsors, where employee benefits are computed using a formula that considers factors such as length of employment and salary history. Defined Contribution: A defined contribution plan is a retirement plan in which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

Around 4 out of 10 respondents across Asia claimed that they do not contribute to any employer-sponsored retirement savings plans (Figure 11). Among non-contributors, some are currently not contributing but have contributed in the past; some are not contributing even though the option is available; and some do not have the option to contribute. Significantly, close to half of the respondents in Japan and China said their employers do not offer retirement savings plans.

Figure 11 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement Savings Plans

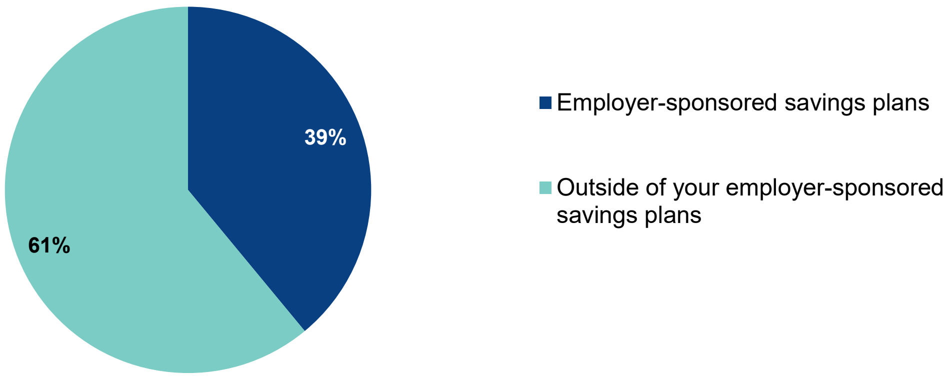
Responding to the question posed to those who are working full time for pay or are self-employed / family business: *Are you currently contributing or have contributed to any employer-sponsored retirement savings plans, like an enterprise annuity (or provident funds)?*



A majority of the retirement saving that's being built up is outside employer-sponsored savings plans. Around 61 percent of respondents state they have saved for retirement outside their employer-sponsored schemes. This finding suggests that the coverage is not adequate to cover the entire population, and most people are left to fend for themselves. It is also worth noting that even though 39 percent of Chinese respondents stated they are currently contributing towards an employer-sponsored retirement savings plan, 52 percent of their total savings are from employer-sponsored plans. Respondents from Japan and Singapore claimed to have built the majority of their household savings outside the employer savings schemes (Figure 12).

Figure 12 — Share of Household Retirement Savings From Employer-Sponsored Retirement Savings Plans

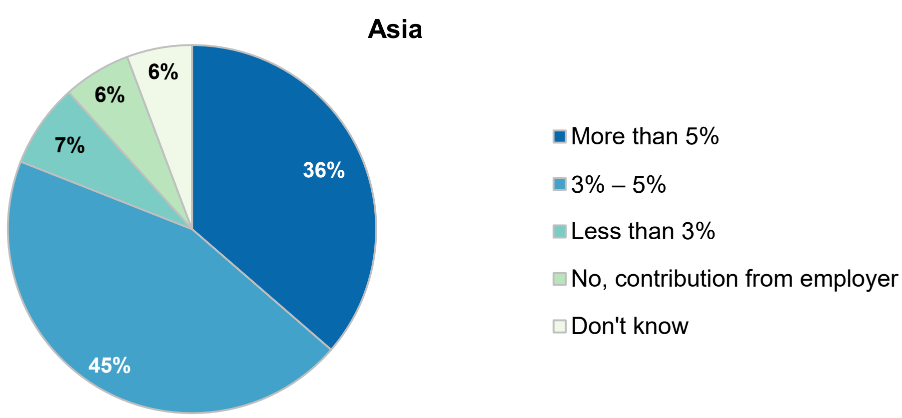
What percent of all of your household's savings for retirement are from employer-sponsored savings or outside employer-sponsored savings?



Across the region, the study found that the majority of employers match DC contributions of 3 percent – 5 percent (Figure 13). More than 50 percent of respondents from Hong Kong, Indonesia, Thailand, and China stated their employers matched contributions of 3 percent – 5 percent. In line with their usual optimism, Indians stated that 60 percent of their employers matched more than 5 percent of their contributions, possibly reflecting the 12.5 percent mandatory provident fund contribution that employers are required to make.

Figure 13 — 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)?*

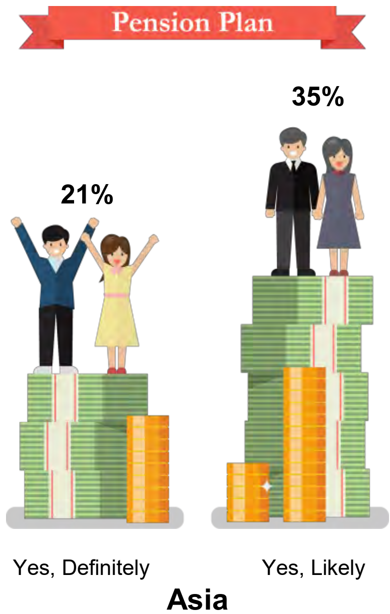


The confidence level of the adequacy of income from employer-sponsored pensions or social pension is not very high among the respondents across the region (Figure 14). It is worth noting that only around 21 percent are very confident that their existing employer-sponsored and social pension plans would be adequate to provide for basic living needs. Even in mature markets like Hong Kong, Japan, Korea, Taiwan, and Singapore with relatively more developed pension systems, there is a lot of skepticism regarding the adequacy of the pension systems. However, the younger and optimistic markets of India and Indonesia are more confident of the pension systems' ability to provide basic living needs. This anomaly could possibly be due to sheer optimism or lack of understanding of old age needs or retirement needs compared to the more developed markets. There are multiple implications to the findings:

- If the social security and pension payments are not adequate to cover basic expenses in retirement, households will have to create an efficient stream of income from their own savings and investments to last through retirement.
- Advisors and financial institutions have a critically important role both to educate their clients and to offer financial products and solutions that include guaranteed lifetime income features.
- Retirees or pre-retirees in markets that do not have or will not have a guaranteed income stream (such as from government-sponsored programs, pensions, annuities) to cover basic expenses will have to accept a gradual erosion of their retirement lifestyles.
- Retirees and workers who believe income from pension and government-sponsored program is enough to cover basic as well as aspirational living expenses in retirement may find their expectations unmet as the cost of living rises with the standard of living in their home countries. Many of the selected markets are just starting to catch up with modern standards of living and health care. So, this sense of retirement security may prove false for many of the "young" countries and their workers.

Figure 14 — 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.

Rental income from property is a popular mode of generating retirement income, apart from financial products.

Given the willingness of some respondents to accept responsibility for retirement planning and the widespread lack of confidence in the adequacy of social pension or employer-sponsored defined benefit pensions, it's safe to say that consumers should have an appetite for investments to fund their retirement years (Table 6).

Even though the preferred method to generate income from investments varies across markets, there is a strong preference towards financial products that provide guaranteed lifetime income and products with options to withdraw interest and dividend earnings, leaving the principal intact.

Perhaps surprisingly a significant proportion of respondents across all markets, with the exception of Japan, would like to invest in properties to generate rental income. In fact, a major proportion of Japanese respondents have no plans to invest for retirement and say they don't know how to generate income from savings during retirement. This finding may be due to lower confidence resulting from lower economic growth and an extremely low or negative interest rate environment in Japan. In addition, reverse mortgages have not found too many takers across the region, possibly due to lack of awareness or intention to pass on property to the next generation.

Table 6 — 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?*

	Asia	China	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Withdrawal Preferences										
Withdraw only interest and dividend earnings, but not withdraw any principal	37%	34%	28%	52%	46%	17%	38%	33%	43%	47%
Withdraw some principal and some interest on an occasional basis, or when needed	32%	37%	29%	38%	33%	21%	31%	28%	41%	33%
Withdraw some principal and some interest on a regular basis	28%	38%	26%	33%	22%	15%	25%	31%	44%	22%
None. My household has no intention of using retirement savings for income	7%	6%	5%	5%	3%	17%	7%	10%	4%	4%
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	36%	41%	31%	42%	48%	17%	34%	29%	40%	42%
Invest retirement savings in property and generate rental income	36%	—	31%	45%	62%	9%	33%	29%	31%	45%
A corporate annuity with a tax benefit	19%	14%	17%	32%	16%	13%	15%	18%	16%	28%
Opt for a reverse mortgage	13%	—	18%	17%	12%	4%	16%	16%	14%	10%
Don't know	9%	7%	8%	3%	3%	28%	10%	6%	3%	8%

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

In addition to identifying investment preferences, it is also important to understand when consumers plan to retire and if their savings are sufficient to fund their needs in retirement (Figure 15).

The retirement industry 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 expectancy at age 60.

Across the region, the time spent on retirement planning differs from market to market. Most respondents generally start saving for retirement around the age of 39 and spend approximately 23 years preparing for retirement. Respondents from South Korea and Japan spend the least time in preparing for retirement. However, most in these markets consider that period inadequate for retirement planning and wish they had more time to save for retirement.

Figure 15 — 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?*

	Singapore	Japan	Hong Kong	India	Taiwan	S. Korea	Indonesia	Thailand
Started saving for retirement at the age…	37	42	38	38	39	44	38	38
Years to Save…	25	20	23	24	23	20	23	24
Age of retirement…	62	62	61	62	62	63	61	61

54% ***across Asia regret they started saving and investing for retirement a bit late OR have not started saving for retirement at all.***

80% ***of respondents expect a wide gap in retirement funds when they turn age 60.***

Not only do respondents regret delaying retirement planning, they also expect a huge gap in retirement funds when they turn age 60. A significant 80 percent of the respondents across markets anticipate a gap in retirement funds when they turn age 60, and only 20 percent of respondents expect to have more than 81 percent of the funds they need to lead a comfortable retired life. The anticipated gap in retirement funds is particularly high among Young Workers of Japan and Pre-retirees and Retirees of Thailand.

Most people have a tendency to underestimate their life expectancies, which means the funding gap is much wider than understood.

To make matters worse consumers across all markets except India and Indonesia underestimated their life expectancies (Figure 16). It is important to note that countries with a higher life expectancy most widely underestimated the expected span of life in retirement and are likely to outlive expectations. Countries like Japan, Singapore, and South Korea underestimated the most, which likely means that the gap in retirement funding is much larger than most recognize.

Figure 16 — Anticipated Life Expectancy at Age 60 Versus Actual Life Expectancy at Age 60

	Japan	Singapore	South Korea	Hong Kong	Taiwan	Thailand	India	Indonesia
Expected retirement life at 60	21.8	21.7	21.7	23.4	22.1	22.5	24.3	19.6
Versus								
Actual life expectancy at 60*	28.5	27.8	27.5	28.7	26.4	24.2	19.1	17.9
+ / –	-24%	-22%	-21%	-18%	-16%	-7%	+27%	+9%

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

Paying for healthcare expenses remains the top concern during retirement.

Most respondents across Asia have valid reasons to be concerned about retirement (Table 7). Paying healthcare expenses remains a top concern across the region. Respondents are worried about paying healthcare costs not covered by their social insurance medical supplements, that chronic Illness may drain lifelong savings, or that the government or company will reduce health or medical insurance benefits.

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.[5] Healthcare concerns are much stronger, though, among the young workers, possibly because of the fast pace of medical inflation or lack of confidence in the future availability of family support due to anticipated demographic changes.

Respondents also exhibited an elevated level of concern centered on the government's or company's ability to support retirement as an aging society puts pressure on healthcare, medical insurance, and social pension benefits.

Among concerns unique to specific markets, respondents from Japan, India, and Indonesia are worried about tax increases, and Thailand is worried about a prolonged stock market downturn. India, which has had a relatively higher interest rate compared to other markets, is worried about a continuing central-bank mandated decline in interest rates. Many across India have been dependent on the interest earned from post office and bank deposits to fund their retirements.

The majority of respondents do not list children as a cause of high retirement-related concern. Most respondents are not worried about failing to leave money for their children or other heirs, and they do not report a concern about their adult offspring remaining financially dependent on them (these offspring belong to a category called NEETs for "Not in Education, Employment, or Training"). On the other hand, most respondents want to become self-sustaining in their retirement.

[5] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361028/table/tbl4/.: 2004.

Table 7 — Key Concerns on 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?*

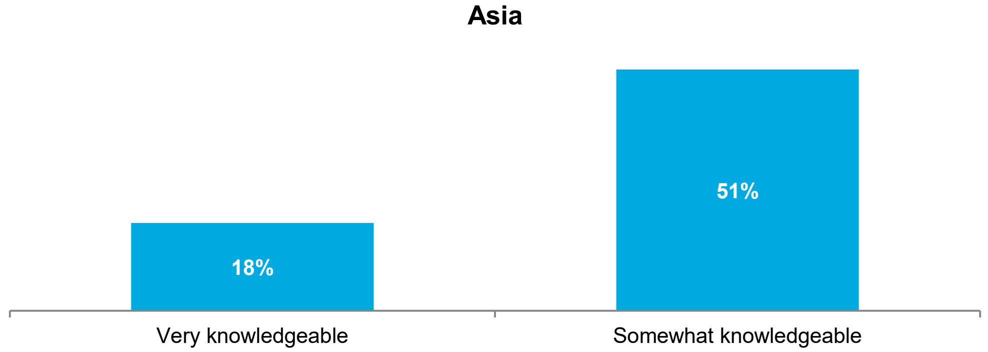
	Asia	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Longevity risks									
Providing for your spouse/partner if you should die first	72%	78%	83%	72%	63%	71%	75%	67%	67%
The possibility that you or your spouse/partner will outlive your assets	71%	78%	79%	63%	61%	80%	78%	64%	66%
Providing for yourself if your spouse/partner should die first	71%	78%	79%	68%	64%	72%	72%	60%	71%
Healthcare/Long-term care risks									
Providing for healthcare costs beyond social insurance medical supplement	86%	91%	89%	77%	81%	93%	90%	86%	80%
A chronic Illness may drain my lifelong savings	85%	93%	88%	81%	81%	94%	86%	85%	77%
Finding available long-term care/nursing home care	78%	84%	84%	69%	73%	85%	80%	74%	70%
Public policy risks									
The government or company will reduce health or medical insurance benefits	85%	87%	87%	78%	86%	89%	87%	87%	78%
Aging society will make it harder for the government to provide for the elderly	84%	90%	85%	72%	87%	89%	88%	88%	73%
The government or company will reduce social pension	82%	84%	82%	77%	87%	77%	87%	86%	76%
Economic and market risks									
The value of savings and assets might not keep up with inflation	86%	91%	90%	81%	77%	92%	91%	85%	81%
Tax increases	82%	73%	89%	79%	87%	84%	84%	82%	76%
A decline in interest rates	79%	80%	90%	71%	73%	85%	80%	78%	74%
A prolonged stock market downturn	73%	85%	79%	67%	69%	79%	64%	64%	78%
Legacy/Family related, and other concerns									
Inability to find or maintain employment in retirement	74%	80%	79%	68%	67%	82%	82%	63%	71%
Not yet started planning for retirement	71%	76%	71%	75%	73%	75%	75%	62%	65%
You might not be able to leave money to your children or other heirs	64%	67%	76%	73%	55%	64%	59%	51%	68%
My child/children may not take care of me and my spouse during retirement	64%	66%	72%	68%	55%	66%	56%	59%	67%
My child/children are NEETs group (neither go to college nor go to work and remain financially dependent on parents as adults)	64%	66%	72%	68%	55%	66%	56%	59%	67%

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

Since consumers generally acknowledge their responsibility for generating their own retirement incomes and generally do not seek outside retirement-planning advice, they need a good understanding of investments or financial products. Based on their self-assessments, almost 7 out of 10 respondents across Asia claimed to be fairly knowledgeable about investments or financial products (Figure 17). However self-serving their claims, consumers are apparently somewhat confident about making investment decisions on their own.

Figure 17 — 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.

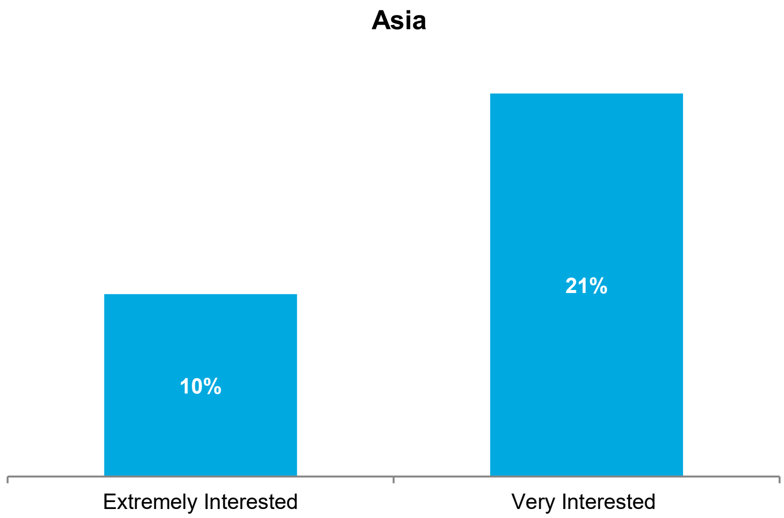
71% ***Close to 7 out of 10 respondents are willing to convert a portion of their assets to annuities to generate retirement income.***

Consumers generally express confidence in their ability to make financial and investment decisions and 7 out of 10 respondents across Asia stated that they are willing to convert a portion of their assets to annuities to generate retirement income. Respondents, particularly from India, Indonesia, and Taiwan, expressed strong interest in annuities.

Respondents also express interest in deferring their tax payments to a tax-deferred annuity (Figure 18). The general level of interest in tax-deferred annuities was quite high across all markets with at least 8 out of 10 respondents indicating some level. Some in Japan, Hong Kong, and Taiwan had a very high level of interest (very interested and extremely interested).

Figure 18 — 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.

Internet / financial websites are the most preferred channel to obtain information on investments, financial products, or retirement planning.

With the combination of the consumers' urgent need and strong interest, it is of paramount importance for the financial industry to refine its focus and work with 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 they have already reached out to different sources for information about investment options and related product features (Table 8). It is critical that the information is accurate and easy to understand and, most importantly, motivates consumers to take action for a positive retirement outcome.

Table 8 — Preferred Method to Obtain Information on Investments, Financial Products, or Retirement Planning

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

Methods/Channels	Asia	China	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Internet/financial websites	51%	39%	44%	56%	59%	49%	52%	56%	55%	49%
Family, friends, or co-workers	45%	59%	39%	52%	54%	24%	42%	47%	50%	37%
My own financial advisor/planner/ insurance agent	32%	20%	34%	38%	35%	17%	47%	21%	39%	35%
Social media/networking websites	30%	34%	31%	37%	40%	12%	27%	21%	28%	36%
Books, magazines, and newspapers	29%	25%	30%	40%	34%	31%	25%	20%	33%	21%
Television or radio programs	26%	25%	30%	31%	26%	19%	17%	40%	26%	22%
Website with information on my specific retirement account	26%	31%	25%	41%	32%	10%	34%	14%	18%	25%
Representatives from the company managing my employer's DC retirement savings plan	21%	22%	16%	32%	33%	9%	18%	12%	16%	35%
Employer (HR)	19%	29%	16%	30%	33%	14%	12%	8%	11%	22%
Booklets, pamphlets, or other written materials provided by employer	16%	21%	18%	25%	21%	12%	14%	11%	11%	15%
Workshops and/or seminars	16%	11%	17%	26%	20%	9%	21%	11%	18%	13%
Mobile apps	14%	15%	14%	22%	18%	5%	13%	13%	10%	12%

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

Even though a good proportion of respondents reached out to family and/or friends for information on products/investments, a lesser proportion found the information useful.

While consumers reached out to various channels for investment information with some frequency, they were disappointed in the usefulness of the information they received. For instance, over a half of the respondents conducted a web search and reached out to financial websites, but under a fourth of them found it useful. In addition, close to a third of respondents preferred to reach out to financial advisors/planners/insurance agents for product information, but only 18 percent of the respondents expected them to be useful. The numbers are particularly worrying for China (Table 9).

Given their training, financial advisor/planner/insurance agents are expected to have strong product knowledge and be able to provide clear explanations. Since few markets report an appreciation for the ability of financial advisors/planners/insurance agents to deliver information, the industry needs to work harder to help consumers find the right product and deliver information in a way that generates confidence.

Table 9 — Usefulness of the Information Gathered From Different Channel or Methods

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

Methods/ Channels	Asia	China	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Internet/financial websites	22%	12%	18%	18%	19%	30%	20%	31%	24%	22%
My own financial advisor/planner/ insurance agent	18%	8%	20%	19%	18%	12%	28%	13%	23%	20%
Family, friends, or co-workers	16%	27%	14%	12%	17%	11%	12%	18%	20%	10%
Website with information on my specific retirement account	8%	12%	8%	10%	8%	4%	11%	5%	5%	8%
Representatives from the company managing my employer's DC retirement plan	6%	6%	5%	8%	9%	3%	5%	5%	5%	11%
Employer (e.g., human resources or benefits department)	5%	11%	5%	7%	8%	5%	3%	2%	2%	5%
Social media/networking websites	5%	6%	7%	5%	5%	3%	5%	5%	4%	9%
Books, magazines, and newspapers	5%	3%	6%	4%	3%	13%	4%	4%	5%	2%
Workshops and/or seminars	5%	3%	6%	7%	6%	4%	6%	3%	5%	5%
Television or radio programs	4%	6%	5%	2%	2%	5%	2%	11%	3%	3%
Booklets, pamphlets, or other written materials provided by employer	3%	4%	3%	3%	2%	5%	2%	2%	2%	2%
Mobile apps	2%	1%	4%	4%	2%	2%	2%	2%	1%	2%

Note: Choices were provided based on the options selected in question for Preferred Method to Obtain Information on Investments, Financial Products, or Retirement Planning.
The top-three results per market have been highlighted for easy reference

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

We asked our respondents to share their preferences, aside from issues of cost, for features of financial products or investments with the potential to create income in retirement. Not surprisingly, they preferred more conservative product features — those that would give them predictable returns and help preserve capital. Perhaps equally unsurprising, consumers showed strong preferences for guaranteed income for life, protection of principal investment, and fixed returns. There was also a keen interest in having greater control over their investments and having the ability to adjust their portfolios as their needs changed over time.

There were unique product preferences across different markets. Taiwan, South Korea, and Singapore expressed relatively greater preferences for inflation-adjusted income, whereas Thailand, Japan, and India expressed stronger interest in products with tax benefits. Hong Kong wanted products that offer a lump-sum withdrawal option tied to a self-managed account, possibly because the MPF (Mandatory Provident Fund) has certain restrictions and limits on withdrawals from the fund during accumulation.

There were certain generational differences as well. The Young Workers (aged 30–45) were keen to have an option to withdraw the total account balance as lump sum for a self-managed account, when compared to the Pre-retirees (aged 46–60) or Retirees (aged 61–75). Compared to the older age segment, Young Workers also exhibited a stronger preference for an option to receive a predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD) and designated beneficiaries.

Also of note: in addition, consumers do not show a very strong preference on premium structure; however, level premium structure was marginally preferred over single premium or stepped-up premium.

Table 10 — 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?*

	Asia	China	Hong Kong	India	Indonesia	Japan	Singapore	South Korea	Taiwan	Thailand
Guaranteed Lifetime Income										
Income that is guaranteed for life	60%	63%	52%	72%	74%	37%	60%	63%	62%	57%
Guaranteed returns on investments	56%	60%	52%	72%	72%	27%	58%	51%	58%	52%
Income will remain the same or fixed throughout retirement	50%	59%	41%	57%	58%	31%	43%	62%	54%	51%
Income will continue after I die or my spouse dies	49%	48%	41%	62%	71%	28%	42%	53%	49%	43%
Income Flexibility										
Income has the potential for growth with market	50%	57%	51%	65%	67%	21%	49%	44%	53%	46%
Income that is adjusted for inflation	49%	45%	47%	64%	62%	22%	51%	54%	49%	44%
Income amount can be changed as needs change	44%	47%	43%	60%	58%	20%	44%	36%	48%	43%
Income can be converted into a lump sum	41%	31%	37%	56%	49%	15%	43%	48%	37%	51%
Capital/Principal Preservation										
Initial investment amount is preserved or protected	55%	58%	43%	66%	70%	39%	56%	56%	58%	52%
Control Over Investments & Flexibility										
Control over how investments are managed	51%	53%	50%	63%	67%	25%	45%	46%	57%	50%
Tax benefit	43%	—	31%	66%	40%	32%	38%	52%	44%	40%
Option to withdraw entire money as lump sum and manage on your own	40%	—	45%	55%	44%	15%	46%	34%	40%	41%
The ability to make withdrawals in excess of regular payment	39%	40%	40%	54%	48%	18%	41%	35%	41%	38%
Premium Structure & Other Features										
Money for heirs or charities when I die	36%	35%	28%	49%	62%	21%	26%	22%	41%	40%
Level premium	35%	—	33%	51%	56%	15%	31%	27%	32%	32%
Single premium	32%	—	32%	48%	37%	17%	30%	28%	26%	36%
Stepped-up premium	31%	—	33%	48%	37%	11%	25%	28%	25%	39%
Option to receive predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD)	30%	—	32%	44%	36%	15%	26%	25%	33%	34%

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 three are highlighted for easy reference.

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.

Banks emerged as the most preferred distribution channel. Digital channels were also of interest.

Across markets, respondents selected some similar and some dissimilar product features. For example, product features designed to fulfill basic needs were widely popular, while other top choices reflected needs unique to a specific market (Table 11). Not surprisingly, offline channels dominated across all markets, while it was perhaps surprising that banks emerged as the most preferred channel for buying retirement products, well ahead of the usually dominant agents. Retirees (ages 61 – 75) expressed slightly more interest to buy from banks compared to the younger respondents.

The government post office emerged as a preferred channel to buy retirement income products in Japan and Taiwan. Unique channels like the insurance store in Japan and the General Agency in South Korea garnered due importance among the respondents.

In addition, digital channels have gained some momentum and were particularly favored in South Korea, Singapore, India, Indonesia, and Thailand. Insurers' websites in particular were preferred across all markets; however, insurance aggregators' websites were preferred in Singapore, India, South Korea, and Thailand.

Table 11 — Top-5 Channels for Retirement Income Products

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

1	Bank
2	Broker/ Financial advisor
3	Agent/Tied agency
4	Insurer's website
5	Post office

Industry Opportunities

As the study demonstrates, consumers — though aware of the threats to their financial security — are not well-prepared to ride out the storm. While the industry cannot deflect the storm converging on Asia's retirement market, we can help consumers better prepare to weather its effects.

The industry has a significant opportunity — and responsibility — to help address the surging retirement-funding gap with the products and features identified in this study. Insights from this consumer research point to major areas of opportunity that the financial services industry can explore. Some of them are as follows:

- **Responsibility:** More than two thirds of respondents across Asia consider it their own responsibility to plan for retirement and do not want to depend on government or family members. On a relative basis, the only exception is Hong Kong where some of the respondents state that the primary responsibility of retirement security belongs to family members or government entities. However, there is still a significant proportion who would accept responsibility for funding their own retirements.
- **Retirement Planning:** Sixty-six percent of the respondents do not have a formal written plan to manage income, assets, and expenses during retirement, and a similar proportion do not reach out to financial professionals for retirement planning. Respondents, especially from Japan, South Korea, China and Singapore, stated they do not have formal written plans. Some of the respondents across other regions may be willing to plan retirement by themselves, but the question remains if they are capable of understanding the complex challenges of retirement planning and taking the necessary actions to secure their retirement.
- **Procrastination:** More than half of the respondents regret delaying retirement planning, even though they indicated that retirement planning is their responsibility. The sense of regret is especially high among respondents from Thailand, India, and Hong Kong. It is also of note that among different age bands the Young Workers most regret delaying. This finding indicates that individuals often miscalculate how much and how long they need to save and invest and, then, at a later age realize they haven't saved enough. They are certainly in need of guidance from professionals.
- **Retirement Funding Gap:** A massive 80 percent of the respondents across Asia anticipate a gap in retirement funds when they turn age 60, and only around 20 percent of respondents expect to have more than 81 percent of the funds they need to lead comfortable retired lives. The anticipated gap in retirement funds is particularly high among Young Workers of Japan and Pre-retirees and Retirees of Thailand. This significant gap is a result of their lack of retirement planning.
- **Underestimating Life Expectancy:** To make matters worse consumers across the majority of the selected markets underestimated their life expectancies. It is important to note that countries with a higher life expectancy most widely underestimated the length of retirement. Countries like Japan, Singapore, and South Korea underestimated the most, which possibly means that the gap in retirement funding is much larger than recognized. This differential not only impacts retirement income but also healthcare expenses in retirement.
- **Willingness to Buy Annuities:** Consumers generally expressed confidence in their ability to make financial and investment decisions, and 7 out of 10 respondents across Asia stated that they are willing to convert a portion of their assets to annuities to generate retirement income. Respondents, particularly from India, Indonesia, and Taiwan, expressed strong interest in annuities. It is also encouraging to note that the younger respondents were especially keen to purchase annuities. These findings clearly indicate consumer interest in annuity-type products.

- **Preferred Product Features:** Respondents demonstrated a preference for more conservative product features — features that would give them predictable returns and help preserve capital such as guaranteed income for life, protection of principal investment, and fixed returns. They also showed a keen interest in having greater control over their investments and having the ability to adjust their portfolios as their needs changed over time. Some markets shared specific product preferences: Taiwan, South Korea, and Singapore expressed relatively stronger preferences for income that is adjusted for inflation, whereas Thailand, Japan, and India expressed stronger interest in products with tax benefits. The study points out the importance of creating products that meet the unique needs of different markets, rather than a single regional product for markets across Asia.
- **Preferred Channels to Buy:** Face-to-face channels were the most preferred distribution channel, but it was perhaps surprising to observe banks emerge as the most preferred channel for retirement products. Unique channels like the insurance store in Japan and the General Agency in South Korea were also among the top choices for respondents. The study also found that the industry is going through a transition as digital channels gain importance, especially in South Korea, Singapore, India, Indonesia, and Thailand. Insurers' websites in particular were preferred across all markets; however, insurance aggregators' websites were preferred in Singapore, India, South Korea, and Thailand. The industry needs to offer products with different features for different markets through the channels preferred in different markets.
- **Key Opportunity:** Asia's retirement consumers are confronting a perfect storm. A titanic demographic shift to an older population, the accelerated rate of that change, and the disproportionate burden on the working-age population are threatening the viability of region's current pension systems. This challenge represents a historic opportunity for the retirement industry. Given the kind of short- and medium-term changes that are in store, the industry can help shelter retirees by building trust, educating consumers, simplifying products and services, and delivering them through preferred channels.

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