

# Spotlight On Retirement

**THAILAND**



## ASIA RETIREMENT SERIES



SOCIETY OF  
ACTUARIES®





# Spotlight on Retirement: Thailand

2018

## Saurav Biswas

Head of Research Methodology  
+852-54116664  
SBiswas@Limra.com

©2018 LL Global, Inc. and Society of Actuaries. All rights reserved.

This publication is a benefit of LIMRA and Society of Actuaries memberships.  
No part may be shared with other organizations or reproduced in any form  
without SOA's or LL Global's written permission.

0285-0718 (50700-10-404-21511)







# Contents

- Executive Summary ..... 8
- Introduction ..... 9
- About the Survey ..... 10
- Demographic Transition ..... 12
- Current Pension Structures and Challenges ..... 20
- Sustainability of Pension Systems ..... 22
- Retirement From the Consumer Perspective ..... 24
- Industry Opportunities ..... 47
- Appendix ..... 49
- Acknowledgments ..... 52



# Tables

- Table 1 — Overall Sample Split Across Thailand: Sub-region..... 11
- Table 2 — Overall Sample Split Across Thailand: Age Band ..... 11
- Table 3 — Overall Sample Split: Gender ..... 11
- Table 4 — Ranking of Pension Sustainability Index, Asia — Allianz ..... 23
- Table 5 — Financial Dependence ..... 24
- Table 6 — Retirement Concerns and Actions — Agree With the Following Statements ..... 28
- Table 7— Anticipated or Current Income Source in Retirement ..... 30
- Table 8 — Method to Generate Income From Savings in Retirement ..... 34
- Table 9 — Key Concerns in Retirement ..... 38
- Table 10 — Preferred Method to Obtain Information on Investments, Financial Products,  
or Retirement Planning ..... 41
- Table 11 — Usefulness of the Information Gathered From Different Channel or Methods ..... 42
- Table 12 — Most-Preferred Product Features ..... 44
- Table 13 — Top-Four Channels for Retirement Income Products ..... 45
- Table 14 — Important Aspects of Retirement Life ..... 46
- Table A-1 — Respondents by Working Status ..... 49
- Table A-2 — Respondents by Employer Type ..... 49
- Table A-3 — Respondents by Household Size ..... 49
- Table A-4 — Respondents by Gender ..... 50
- Table A-5 — Respondents by Urban/Rural ..... 50
- Table A-6 — Respondents by Pre-tax Total Annual Income ..... 50
- Table A-7 — Respondents by Current Housing Situation..... 50
- Table A-8 — Respondents by Level of Education ..... 51
- Table A-9 — Sub-region Detail: Thailand..... 51



# Figures

- Figure 1— Overall Population Growth Versus Age 60+ Population Growth ..... 12
- Figure 2 — Population Pyramid: 2015 ..... 13
- Figure 3 — Population Pyramid: 2030 ..... 13
- Figure 4 — Population Pyramid: 2050 ..... 14
- Figure 5 — Proportion of Age 60 and Over Among Total Population ..... 14
- Figure 6 — Phases of Demographic Transition..... 16
- Figure 7 — Additional Age 60+ Population by 2050 Versus 2015 ..... 17
- Figure 8 — Life Expectancy at Age 60 (in Years)..... 17
- Figure 9 — Total Fertility (Live Births per Woman)..... 18
- Figure 10 — Potential Support Ratio..... 18
- Figure 11 — Pension Sustainability Index..... 22
- Figure 12 — Respondents by Decision Authority ..... 24
- Figure 13 — Do Not Work With Any Financial Professionals to Help With Household  
Financial Decisions..... 25
- Figure 14 — Initiatives on Retirement Planning ..... 26
- Figure 15 — Those Who Work With Financial Professionals, Work With ..... 26
- Figure 16 — Retirement Planning ..... 27
- Figure 17 — Primary Responsibility for Providing Retirement Funds ..... 29
- Figure 18 — Retirement Plan Available Through Current Employer, Work, or Profession..... 31
- Figure 19 — Currently Contributing or Have Contributed to Any Employer-Sponsored  
Retirement Savings Plans ..... 31
- Figure 20 — Extent of Employer-Matching Contributions..... 32
- Figure 21 — Adequacy of Income From Employer-Sponsored Pension or Social Pension  
to Cover Basic Expenses in Retirement..... 33
- Figure 22 — Retirement and Retirement Planning..... 35
- Figure 23 — Regret Delaying Saving for Retirement ..... 35
- Figure 24 — Anticipated Gap in Retirement Funds ..... 36
- Figure 25 — Anticipated Life Expectancy at Age 60 Versus Actual Life Expectancy at Age 60..... 37
- Figure 26 — Self-Assessment of Knowledge of Investments or Financial Products ..... 39
- Figure 27 — Willingness to Convert a Portion of Assets Into an Annuity to Provide  
a Lifelong Income Stream..... 40
- Figure 28 — Interest in Buying a Tax-deferred Annuity..... 40

# Executive Summary

Thailand is going through a rapid demographic transition; the speed of aging is totally unprecedented, not only in Thailand, but across the world. The overall population of Thailand is likely to shrink by 5 percent between 2015 and 2050. However, during the same period, the age 60+ population will grow by a staggering 114 percent. The proportion of the elderly (age 60+ population) is likely to more than double from 10.7 million in 2015 to 23 million in 2050. This trend has a direct effect on the potential support ratio, which is likely to deteriorate to 2:1 by 2050 from 10.6:1 in 2000. By the end of this century, it is estimated to fall even further to 1.6:1.

Despite the recent reforms undertaken by the government, a majority of the population is not yet covered by pensions that are comprehensive and provide adequate replacement income. That lack of coverage may be a contributing factor to Thailand's low ranking in Allianz's Pension Sustainability Index.

The results from the survey show that 84 percent of the respondents consider it their own responsibility to fund retirement; this figure is slightly higher among respondents from the Isan region where almost 87 percent of the respondents owned up to that responsibility. It is also high among the young workers; 88 percent of them stated it is their own responsibility to fund their retirement. Ninety-one percent of the respondents said they will depend on their personal savings and investments. However, 60 percent of them regret delaying saving for retirement OR have not started saving for retirement at all, suggesting that they have not been or will not be able to save enough for retirement.

Around 85 percent of respondents fear they will have a gap in retirement funds when they turn age 60, and only around 15 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. On the bright side, 73 percent stated that they are willing to convert a portion of their assets to annuities to generate retirement income. This finding is marginally higher than the average of 71 percent for the Asia markets covered (including Thailand) and clearly underlines the huge untapped potential for the Industry.

Consumers showed a strong preference for more conservative product features — features that would give them predictable returns and help preserve capital. Consumers also showed a strong desire for guaranteed income for life, protection of principal investment, and fixed returns. Banks emerged as the most popular channel to buy retirement income products. In fact, across all sub-regions banks were selected as the top distribution channel.





# Introduction

***Thailand is in the middle of a rapid demographic transition. While its economy remains vibrant, its population will age rapidly from its current state of maturity. Even though aging is unavoidable, the speed of the transition is a special cause for concern. Thailand needs to prepare well to successfully deal with the challenges of funding retirement and supporting its aging population.***

Over the last few decades, Thailand's population (69 million in 2017) has been going through major demographic transitions and has been experiencing lower fertility, rising longevity, a changing social structure, and increased migration of the population to urban centers in search of livelihood.

Compared to some other Asian markets, Thailand has a slightly mature demographic profile. The median age of the population in 2015 stood at 37.8 years, compared to younger India at 26.7 years, older Japan at 46.3 years, or roughly similar Mainland China at 37 years. Thailand has already entered a phase of demographic transition where a majority of its population has started to age. From the median age of 37.8 years in 2015, Thailand is expected to transition to a median age of 49.2 by 2050.

It is time for Thailand to start preparing to face the challenges of a shrinking workforce, higher dependency on the working-age population, and a slowdown in economic growth, all due to an aging population, as these 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 the Thailand economy remains vibrant, more and more of the younger population is likely to relocate to urban areas, which could result in changes to the country's traditional social

structure. In addition, the typical structure of a Thai family has also been changing from the norm of two parents, grandparents, and two to three children. The current trend is towards a more nuclear family structure with fewer children, due to those couples, including same-sex couples, that decide against having children or delay family planning.

As in many Asian markets, a significant portion of Thailand's elderly were dependent on family and their children for funding their retirement and for care. The changing family structure will have an impact on how people spend their retired lives. In the long run, urbanization results in shrinking household size, perhaps leaving the elderly to manage for themselves. Therefore, there needs to be a comprehensive, adequate, and sustainable retirement and pension system — one that can help sustain the future financial needs of today's pre-retirees.

This study identifies how consumers are planning to deal with their upcoming or current retirement challenges and what their aspirations are. It is an extension of the 2015 – 16 research on retirement in China, a collaboration between the Society of Actuaries (SOA) and LIMRA, targeted to uncover the challenges faced by major markets across Asia.



## About the Survey

***The Thailand retirement study is part of the Asia retirement study series that is a collaborative research project between the Society of Actuaries and LIMRA. The larger study aims to define the consumer perception of retirement across major Asian markets such as Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China, with a sample of 9,384 respondents. Second in a series covering eight individual markets — the first covered mainland China — this report provides a perspective on consumer perceptions of retirement in Thailand through an online survey of 767 respondents.***

This report explores consumers' perceptions of retirement across different regions of Thailand and targets three age segments: young workers (30–45 years), pre-retirees (46–60 years), and retirees (age 60+). Young workers are essentially at an early stage of their careers and planning to marry or start a family; pre-retirees are gradually approaching retirement and planning to start saving; and retirees are retired or are likely to retire soon.

Attitudinal differences across different regions, sub-regions, age bands, and genders are explored to help insurers or financial organizations prepare the right solutions to address the future needs of consumers. The study also highlights consumers' levels of preparedness, retirement readiness, current and future income sources, risk tolerances, and preferences of products and products features.

- The online survey covered a sample of 767 respondents across four sub-regions to demonstrate the population's regional diversity (see Table 1).
- To gather a sample representative of the target market for insurers and other financial institutions, the survey covered multiple sub-regions across different income levels (see Appendix).
- It also included quotas based on income levels and other parameters to ensure reliable quality of data.
- References to "Asia" in the consumer-research data represent either the unweighted average of the nine markets covered in the study or eight markets when a particular question or option was not covered in the earlier China study.



**Table 1 — Overall Sample Split Across Thailand: Sub-region**

<b>Sub-region</b>	<b>Sample</b>
North Thailand	190
Central Thailand	199
Isan	188
Southern Thailand	190
<b>TOTAL</b>	<b>767</b>

Source: LIMRA-SOA Retirement Study, 2017 – 18.

**Table 2 — Overall Sample Split Across Thailand: Age Band**

<b>Age Band</b>	<b>Sample</b>
30 – 45	190
46 – 60	251
61 – 75	326
<b>TOTAL</b>	<b>767</b>

Source: LIMRA-SOA Retirement Study, 2017 – 18.

**Table 3 — Overall Sample Split: Gender**

	<b>Sample</b>
Male	332
Female	435
<b>TOTAL</b>	<b>767</b>

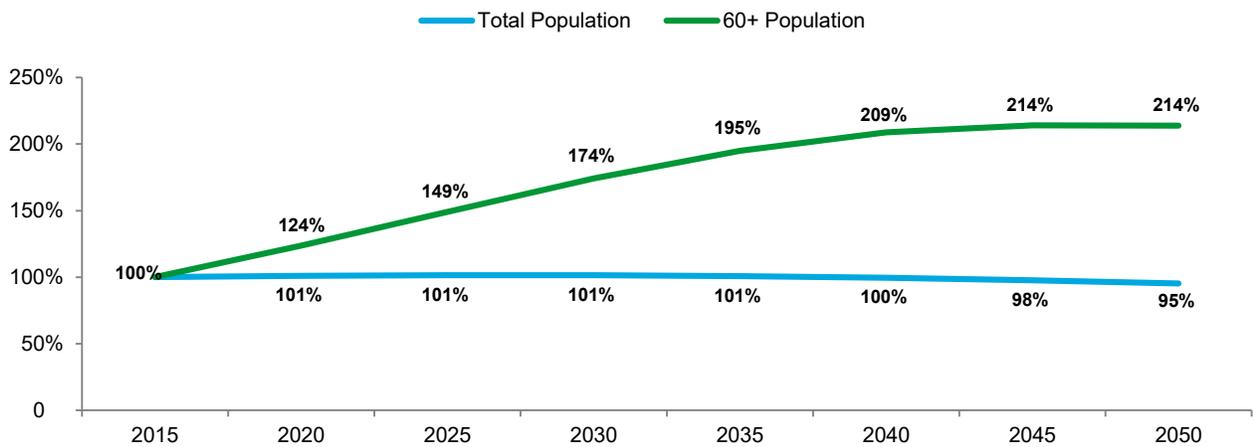
Source: LIMRA-SOA Retirement Study, 2017 – 18.

# Demographic Transition

## Road to an Aging Population

Thailand has already entered a phase of massive demographic transition. The median age of the Thai population in 2015 was 37.8 years; by 2030 it is likely to be 43.8 years; and by 2050 it is likely to continue its rise and reach 49.2 years. In fact, the overall population growth is predicted to turn negative, as the elderly population is anticipated to grow by a massive 114 percent. The growth of the elderly population is expected to be particularly steep over the next couple of decades, with the elderly population almost doubling from 10.7 million in 2015 to 20.9 million in 2035.

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



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

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

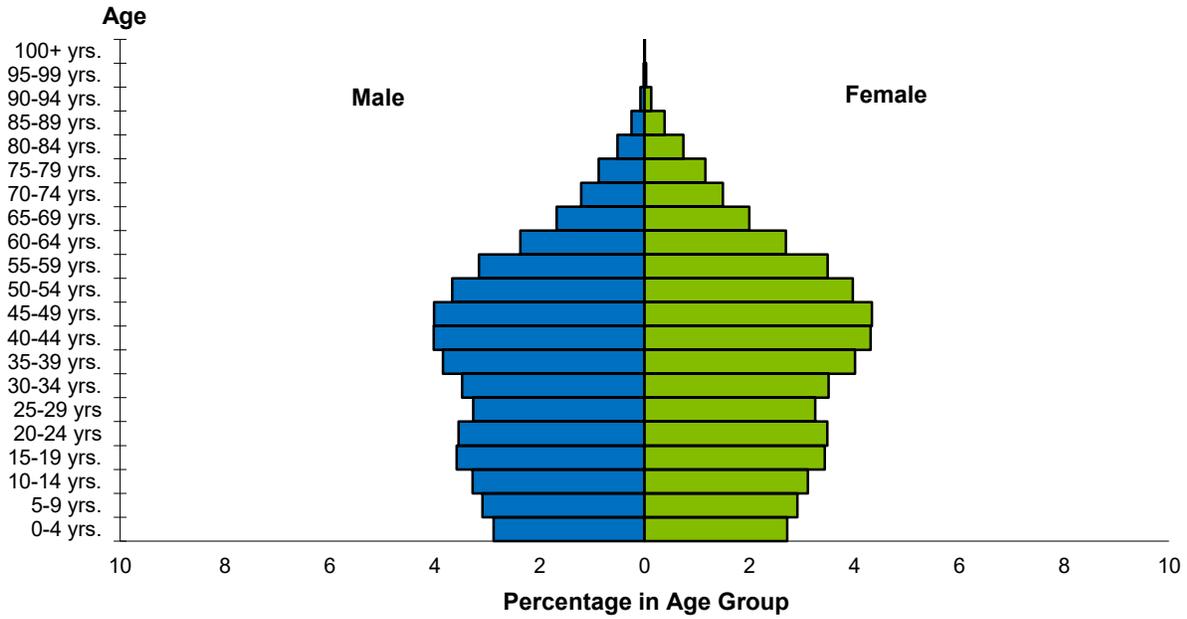
**The massive growth of the elderly population, coupled with the shrinking of the overall population, will quickly alter the population structure.**

Medical advances and improved lifestyle have resulted in prolonged life expectancies. Coupled with the declining growth of the overall population, this trend will result in a massive shift in the age structure of the population.

The population pyramids display the distribution of various age groups of the Thai population by gender across 2015, 2030, and 2050. The population pyramids clearly illustrate a shift in the population structure, as the age of the largest proportion of the population moves upward. This trend strongly indicates that the country needs to adapt to the changing needs of an aging population.

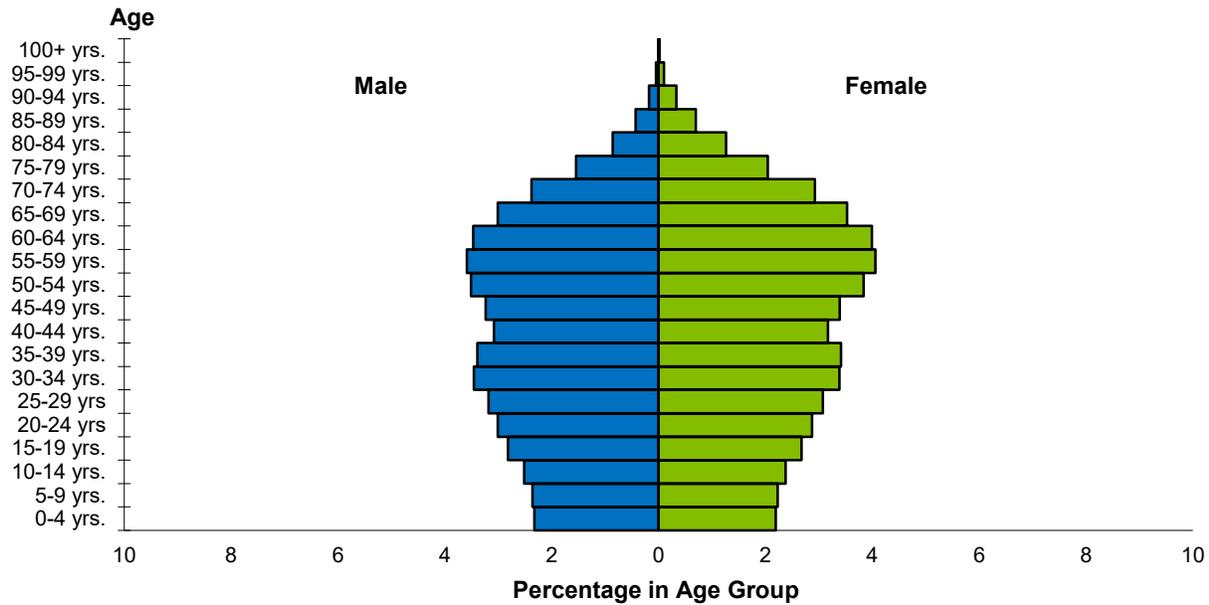


**Figure 2 — Population Pyramid: 2015**



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

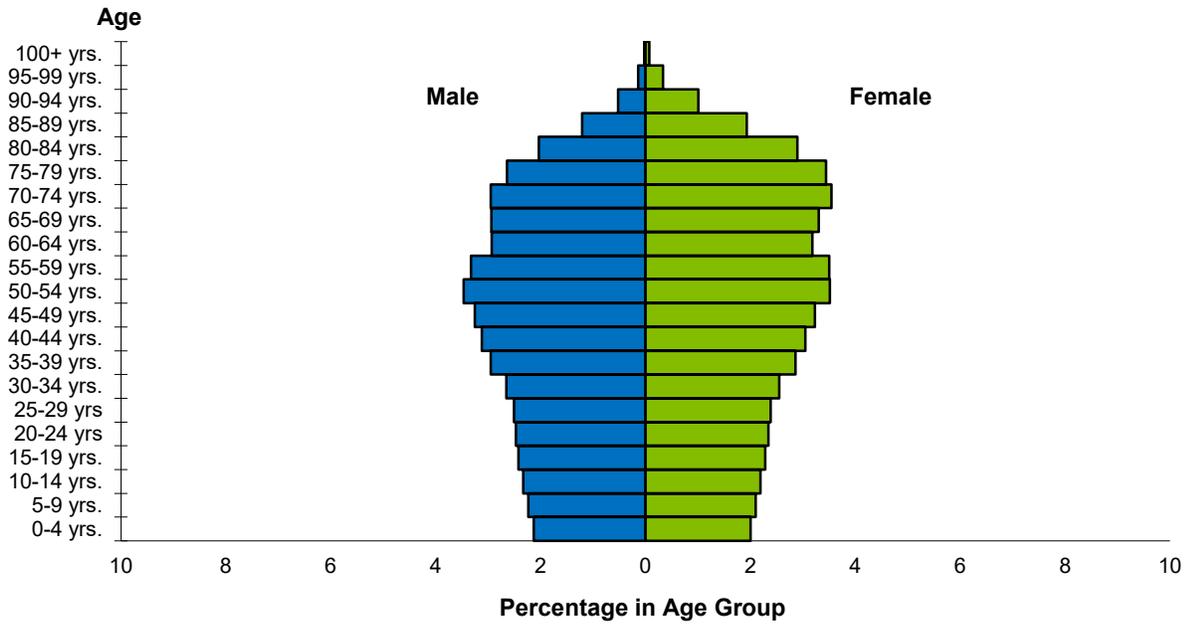
**Figure 3 — Population Pyramid: 2030**



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

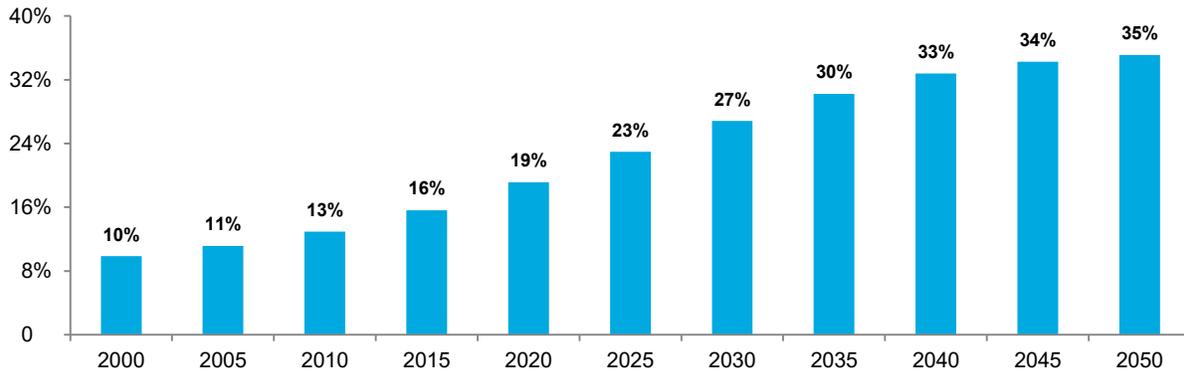


**Figure 4 — Population Pyramid: 2050**



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

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



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

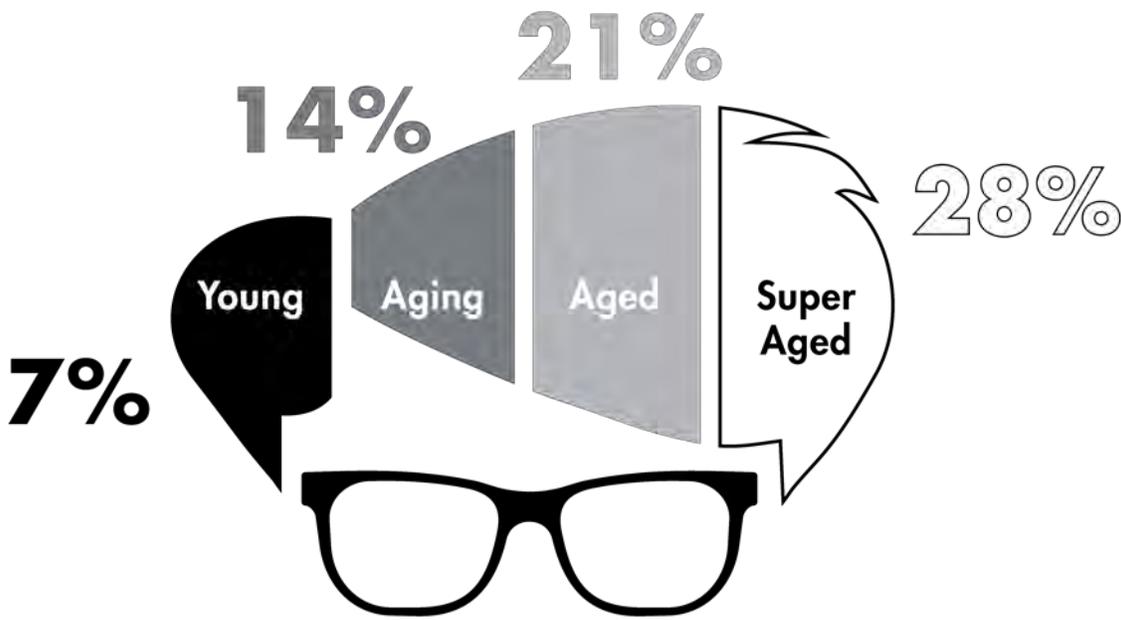
**By 2050, the elderly (age 60+) population segment is likely to increase more than three times its level since the turn of the century.**

As the population structure of Thailand changes, the proportion of the elderly is also going to change. The proportion of the elderly (age 60+) is likely to increase from 10 percent of the overall population at the turn of the century to 35 percent in 2050, and as we stated earlier it is outpacing overall population growth, suggesting that the change would be very rapid.



The speed of aging cannot be determined in isolation. It needs to be looked at objectively and relatively. Different markets are now in different stages of aging. To better illustrate, the stage of aging has been segmented into four broad categories:

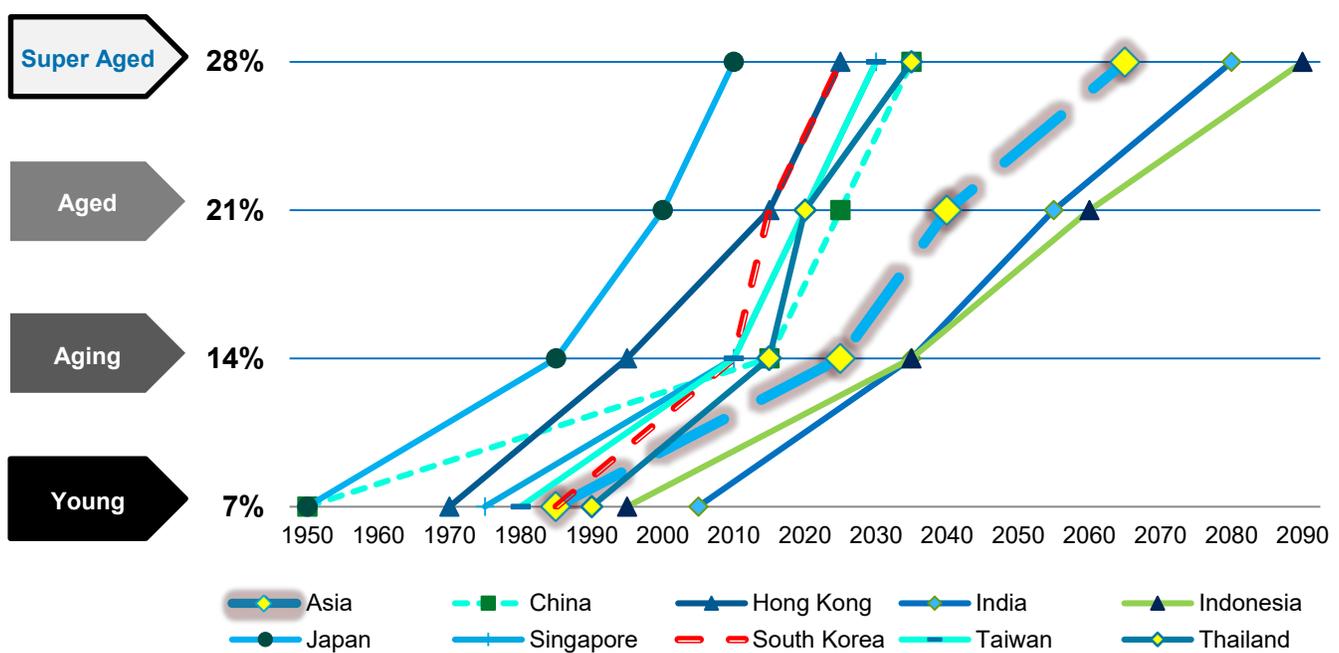
- Young — when the proportion of those age 60 and over crosses 7 percent of the total population
- Aging — when the proportion of those age 60 and over crosses 14 percent of the total population
- Aged — when the proportion of those age 60 and over crosses 21 percent of the total population
- Super-aged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



**When the proportion of age 60+ versus the total population crosses the threshold of...**



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 other Asian markets that may have started the process of aging earlier. Markets such as the United Kingdom and the United States are forecasted to move from aging to super-aged within a span of around 80 years. However, for Thailand it will take only 20 years to move from aging to super-aged.

The transition for Thailand particularly will be very rapid. It has journeyed from young to aging in 25 years; the journey from aging to aged will take five years; and the journey from aged to super-aged is likely to take only 15 years. In fact, this is an unprecedented rate of aging, making Thailand one of the fastest-aging markets. Even though the more developed markets of the United Kingdom and the United States had much more time to prepare for aging, they have still not managed to prepare as fully as needed.

It also must be noted that the future elderly population is set to increase significantly over the next couple of decades before stabilizing after 2050. The elderly population of Thailand will rise from 10.7 million in 2015 to 23 million in 2050, which is an increase of almost 12.2 million in just 35 years.



**Figure 7 — Additional Age 60+ Population by 2050 Versus 2015**



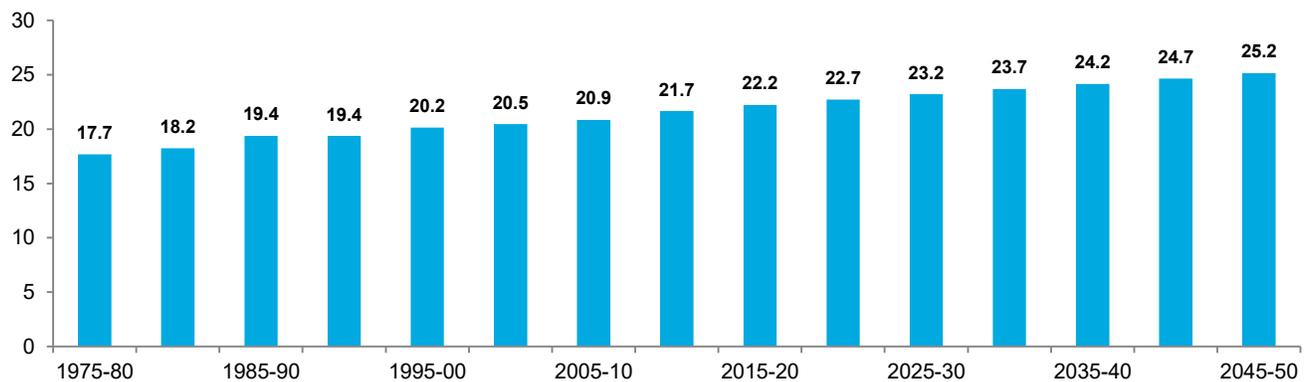
Source: UN Population Division, 2017 data, LIMRA International Research.

## LIFE EXPECTANCY, BIRTH RATES, AND POTENTIAL SUPPORT RATIO

Another cause that led to the growth of the elderly population is rising life expectancy. Over the last few decades, life expectancy has increased and is possibly continuing to increase as a result of medical advances, improved lifestyle, and the ability to afford healthcare, along with decline in both communicable and non-communicable diseases, among many other factors.

Over the years, the life expectancy of the elderly population has increased gradually. Life expectancy at 60 years of age in 1975 – 80 was 17.7 years. It is likely to reach 25.2 years by 2045 – 50 from 21.7 years in 2010 – 15. Life expectancy in particular was higher for the female cohort than the male cohort. In 2010 – 15, life expectancy at age 60 for males was 20 years versus 23.1 for females. With increased access to medical facilities and rising penetration of health and medical insurance, it may increase at a slightly more rapid pace in future.

**Figure 8 — Life Expectancy at Age 60 (in Years)**



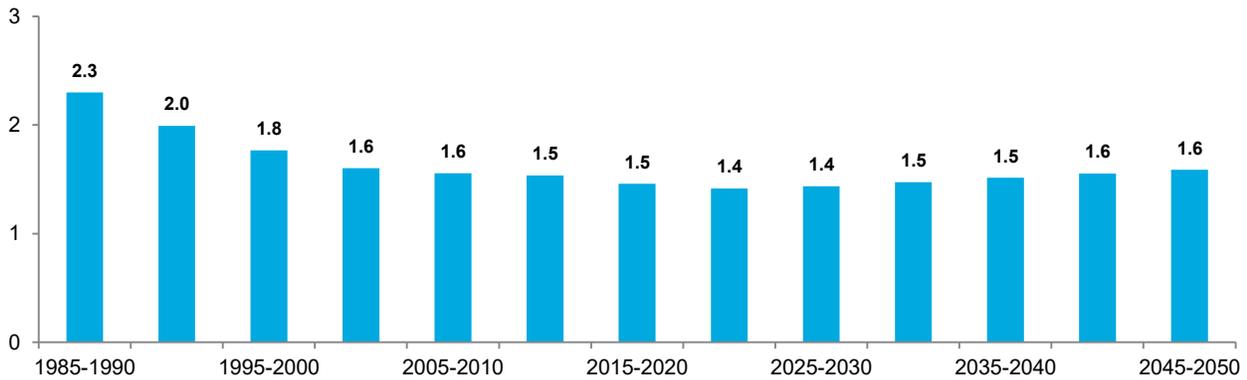
Source: UN Population Division, 2017 data, LIMRA International Research.



Thailand is going through a major cycle of transition as fertility declined from 2.3 per woman in 1985 – 90 to 1.46 in 2015 – 2020. While the trend toward low birthrate is likely to continue, by 2045 – 50 it may rise slightly to reach levels of 1.59. 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. In addition a comparatively lower crude death rate (5.6 per thousand in 1985 – 90 and 7.5 per thousand in 2010 – 15) will fuel aging. In this phase, where the birthrate plummets below the minimum replacement levels of 2.1, in combination with a lower death rate and increased life expectancy population, aging is triggered. The declining fertility rate will also contribute significantly towards the growth of the elderly population in Thailand.

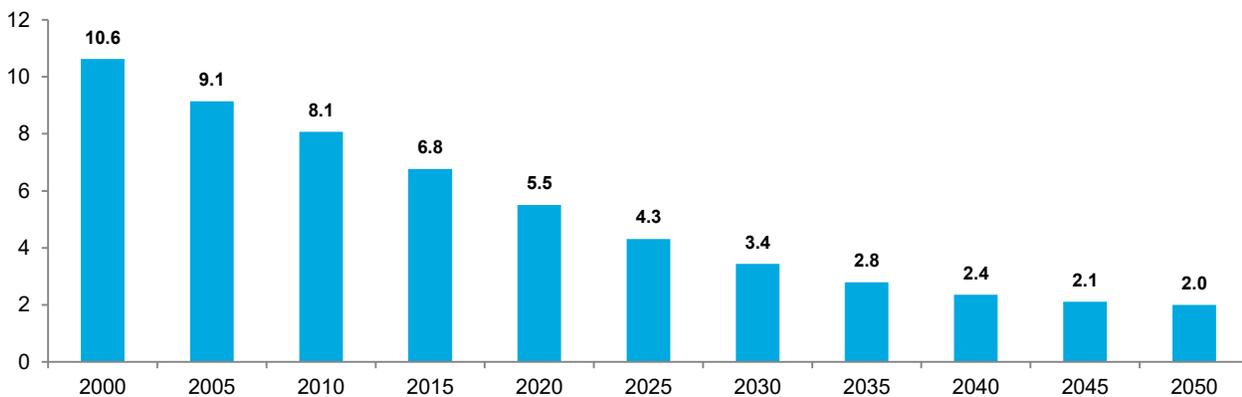
**Declines in birth rate and relatively lower death rates, along with rising life expectancies, will trigger population aging.**

**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.

Note: Potential support ratio = ratio of population 15-64 per population 65+.



The potential support ratio indicates that the responsibility of supporting the needs of the elderly population is likely to increase on the relatively younger working-age population. The potential support ratio shows a steady and constant deterioration between 2000 and 2050. In fact, the ratio is likely to reach 2:1 by 2050 from 10.6:1 in 2000; and by the end of this century it is estimated to gradually reach levels of 1.6:1. This means in future there will be fewer than two people in the labor force supporting every person age 65 and over. 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 such a crisis scenario.

In addition, the social fabric of unstructured pension system is also likely to change with more and more urbanization, where individuals move to cities and larger urban centers to seek jobs, leaving behind elderly parents. This phenomenon is clearly observable in the decline in the average size of the households from 4.6 members per household in 1990 to 3.9 in 2000. It is projected to decline further to 2.6 members per household by 2025.<sup>1</sup> In fact, past research has also shown that an increasingly smaller proportion of the elderly depend on children for retirement income. In 1994, 54.1 percent of the elderly were financially dependent on their children, compared to 41.1 percent in 2011<sup>2</sup>. Even though some of the elderly may continue to depend on their children for financial support, a lot of geriatric needs may remain unmet.

## KEY CHALLENGES DUE TO AGING OF THE POPULATION

- Thailand is in the middle of a phase of rapid aging. The socio-economic implications resulting from a shrinking labor force cannot be ignored.
- The challenges will become more and more pronounced. Population aging combined with rising longevity, declining morbidity, and medical care inflation risks will pose immense challenges.
- The demand for health care, long-term care, and pension provisions will definitely be on the rise. There is clearly an increasing importance to prepare for retirement through provision of pensions, personal savings, and healthcare.
- As a market goes through an aging cycle, it needs to prepare by offering bespoke insurance products in life protection, savings, pensions, and health segments to fit individuals' unique needs. There is a huge opportunity for the insurance industry, as the country needs to start preparing before it's too late.

---

<sup>1</sup> Timetric Data 2017.

<sup>2</sup> <https://www.psc.isr.umich.edu/pubs/pdf/rr13-793.pdf>, June 2013.



# Current Pension Structures and Challenges

Over the past years, Thailand has undertaken reforms to introduce or fine tune the existing pension options available to its citizens. However, a lot more needs to be done so that coverage and adequacy levels cover a majority of the Thai people. Some of the chief options that are available in Thailand are as follows:

## GOVERNMENT PENSION FUND

Introduced in 1997, the Government Pension Fund (GPF) is a mandatory defined contribution plan targeted at government employees. However, it is optional to those who joined the service before the introduction of the plan. The objective of the GPF is to provide an additional defined contribution scheme to the pre-existing defined benefit scheme of the Finance Ministry (old civil services scheme) and encourage saving in the long run. GPF members can receive retirement income from two sources, i.e., firstly from the pension of the old civil service (PAYG format), primarily financed by the government, and secondly from GPF contributions.

Government employees are expected to contribute a mandatory minimum of 3 percent and an additional optional contribution of up to 12 percent of their monthly salaries. The government then contributes an additional 3 percent or equivalent to the employees' 3 percent contributions. Upon retirement the employees have the option of choosing multiple options of income that include lump-sum, partial-withdrawal, monthly, quarterly, or half-yearly payouts, transfer to other retirement accounts, or earning investment returns from the GPF until withdrawal. Members of GPF also receive a 2 percent contribution towards pre-reform compensation.<sup>3</sup>

## VOLUNTARY PROVIDENT FUND

The Provident Fund is a retirement fund meant for the occupational pillar. It is set up voluntarily between the employer and employees, and both employer and employees contribute to the fund. The contribution by the employer is either the same as the employee or higher than the contribution of the employee. The accumulated funds are managed by an asset management company, and the gains in the form of interest and dividends from the funds are distributed among the members of the Provident Fund upon termination of the membership, which is usually at retirement.

Members of the Provident Fund do not have the option to withdraw part of the savings before termination of membership. In case of resignation, members can choose to temporarily keep their money within the former fund before transferring it to the Provident Fund with the new employer. The corpus of funds received from the Provident Fund upon retirement is tax free.<sup>4</sup> However, the enrollment rate in the Provident Fund is not high. Of the 30 million employees across Thailand, only 3 million employees and 17,000 employers participate.<sup>5</sup>

---

<sup>3</sup> [http://www.thaipvd.com/content\\_en.php?content\\_id=00312](http://www.thaipvd.com/content_en.php?content_id=00312), 2017.

<sup>4</sup> [http://www.thaipvd.com/content\\_en.php?content\\_id=00309](http://www.thaipvd.com/content_en.php?content_id=00309), 2017.

<sup>5</sup> [https://s3-ap-southeast-1.amazonaws.com/asia-first/researches/web\\_link/14f543b77aa3f47173f1f7135149cce2.pdf](https://s3-ap-southeast-1.amazonaws.com/asia-first/researches/web_link/14f543b77aa3f47173f1f7135149cce2.pdf), 2017.



## SOCIAL SECURITY FUND (SSF)

The Social Security Fund was established under the Social Security Act as a defined benefit plan. It covers multiple aspects of social benefits such as sickness, maternity, disability, death, child allowance, old age, and unemployment. The contribution varies based on different coverages, but it is mandatory for all employers to enroll in the Social Security Fund, if they employ even a single employee. Benefits from the fund are tax exempted, but the old age pension benefits from it are deemed inadequate to maintain a similar standard of life while working. The old-age pension income is around 20 percent of the average monthly income over the last five years. The salary base used to compute the benefits are between THB1,650 and THB15,000. For every additional year's contribution over the mandatory 15-year obligation, the benefit will increase by 1.5 percent.<sup>6</sup>

## MANDATORY PROVIDENT FUND

The Mandatory Provident Fund is due to be implemented during 2018. The contribution has to be made by both employers and employees, and the contribution percentage increases with passing years. During the first three years both employers and employees have to contribute 3 percent of the employee's salary, 5 percent during the next three years, 7 percent for the following three years, and 10 percent thereafter. The cap of the base salary is set at THB60,000. As per the law, companies with 100 employees have to match an employee's contributions before the fourth year; organizations with 10 or fewer must match contributions from the fourth year onwards; and organizations with a single employee have to match the contributions from the seventh year onwards.<sup>7</sup>

## RETIREMENT MUTUAL FUND

The Retirement Mutual Fund was created to offer a retirement investment option with a tax benefit. It is primarily targeted at individuals who do not have access to the Government Pension Fund or Provident Fund or to those who wish to save more for retirement. Investments made in the scheme are exempted from income tax up to 15 percent of the annual assessable income or a maximum of THB500,000 (including investments made in the Provident Fund or government mutual fund). The gains or benefits from the funds are also tax free subject to certain conditions. However, if redemptions are made before the investor reaches the age of 55 or unless the investments are held for at least five years, the investors lose the tax benefits they received earlier, and the investments are then recalculated as taxable income.<sup>8</sup>

---

<sup>6</sup> [http://www.thaipvd.com/content\\_en.php?content\\_id=00313](http://www.thaipvd.com/content_en.php?content_id=00313), 2017.

<sup>7</sup> <https://thailand-business-supplement.com/2017/05/09/mandatory-provident-fund-options-to-be-widened/>, 2017.

<sup>8</sup> [http://www.thaipvd.com/content\\_en.php?content\\_id=00310](http://www.thaipvd.com/content_en.php?content_id=00310), 2017.

# 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 a pension system, Allianz analyzed 54 markets across the world, including Thailand, 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 — 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 1 <sup>st</sup> pillar and coverage of workforce	Change in level of pension benefit
	Legal /effective retirement age	
	Strength of funded pillar and reserve fund (as % of GDP)	Reforms passed
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.

Thailand ranks the last at 54th out of the 54 markets that are included in the overall Pension Sustainability Index. Within the sub-parameters of the index, Thailand ranks a relatively impressive 19th in public finance. However, it ranks at 47th and 52nd when it comes to demographics and pension system respectively. Apart from the public finance ranking, owing to its relative stability, it ranks quite dismally in demographics, due to an aging society, and in pension systems, due to lack of broad coverage, especially for non-government workers.

**Table 4 — Ranking of Pension Sustainability Index, Asia — Allianz<sup>9</sup>**

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

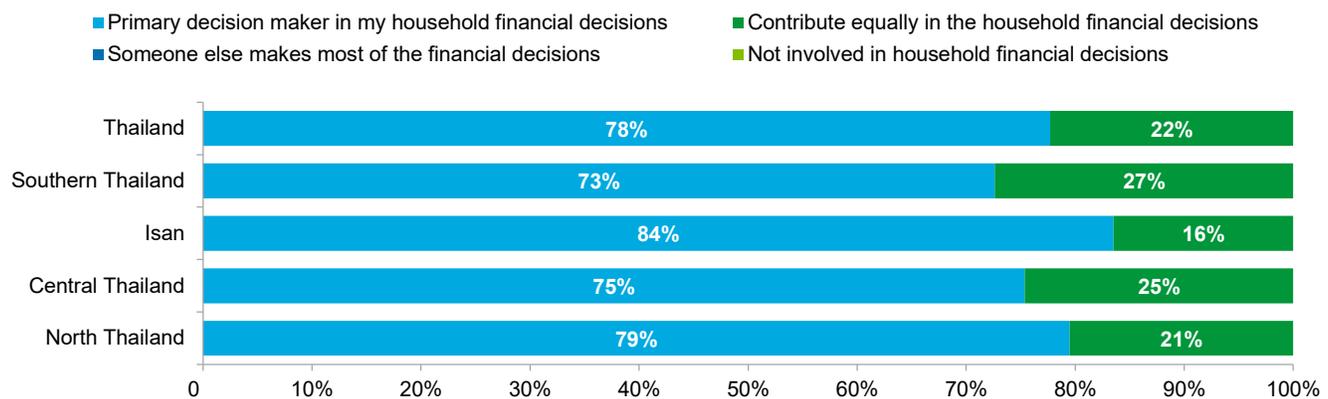
<sup>9</sup> [https://projectm-online.com/app/uploads/Allianz\\_2016\\_Pension\\_Sustainability\\_Index.pdf](https://projectm-online.com/app/uploads/Allianz_2016_Pension_Sustainability_Index.pdf), 2016.

# Retirement From the Consumer Perspective

This research explored how the decision makers or people who contribute to financial decision making plan to tackle the challenges of retirement and specifically surveyed these groups.

**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 are huge cultural differences within a particular market as well. Historically, in the absence of pensions, most Thais depended on children and family for their retirement incomes, so family has an important role when it comes to retirement. Even though Thailand is moving or has moved towards a more nuclear family structure with fewer children, due to those couples (including same-sex couples) that decide against having children or delay family planning, the dependence of elderly parents on their children has not entirely disappeared. In fact, more than half of the respondents' parents are financially dependent on them. This trend varies slightly across sub-regions, but it remains particularly strong in the Isan region and Northern Thailand.

**Table 5 — Financial Dependence**

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

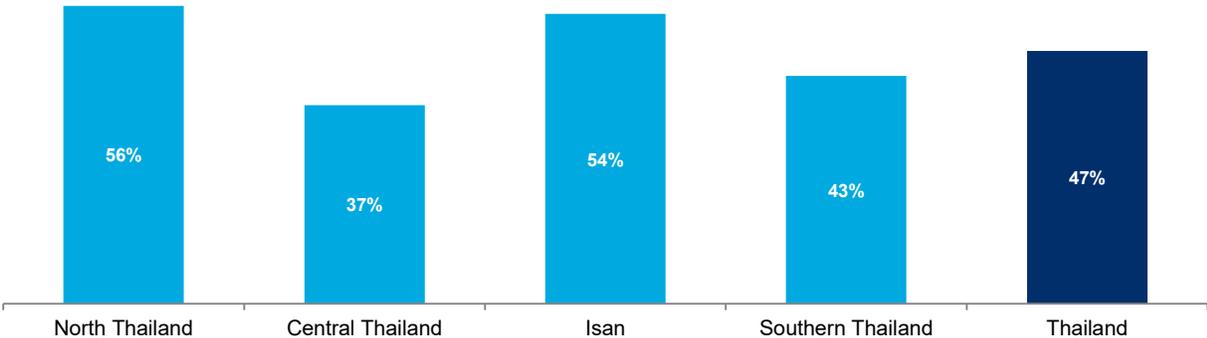
	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
Spouse	33%	37%	46%	48%	41%
Child/Children	55%	66%	61%	73%	64%
Own Parents (Father and Mother)	75%	61%	70%	49%	64%
Siblings (Brother/Sister)	9%	13%	11%	5%	10%
Spouse's Parents	9%	8%	13%	5%	9%



It is a heart-warming tradition for the young to take care of the elderly. However, to fulfill that responsibility successfully over a longer period of time requires prudent financial planning. Yet, when we asked the respondents if they work with financial planners for household financial decisions, close to half of them (47 percent) indicated that they do not work with any financial professionals. This tendency is stronger in the southern regions of Thailand, especially among the pre-retirees (46–60 years), and young workers (30–45 years) from North Thailand where 71 percent and 62 percent respectively do not consult financial advisors for 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.”*

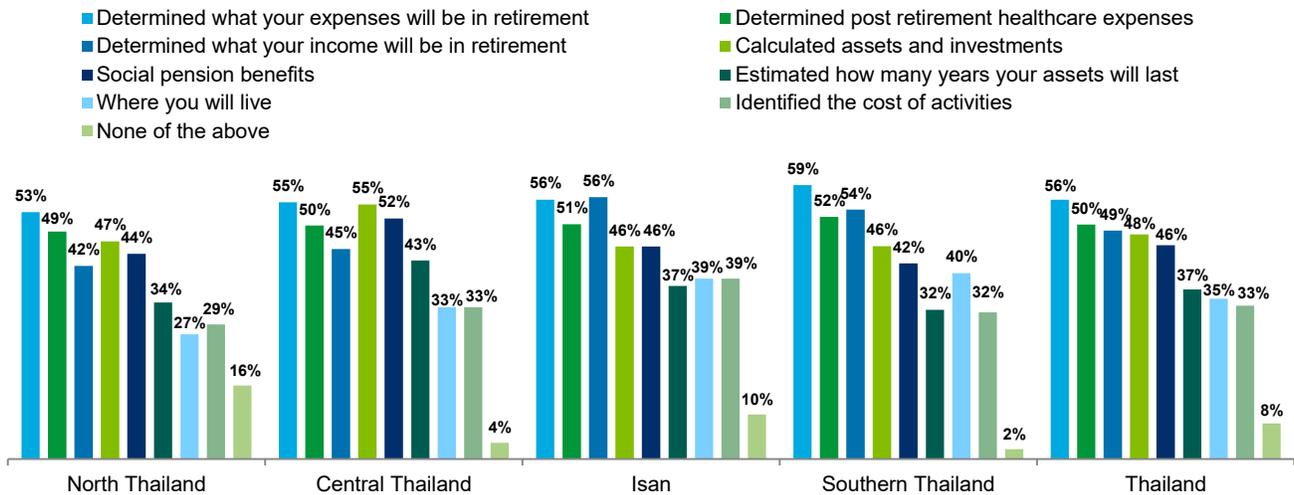


Only around 8 percent of the respondents have not taken any initiatives whatsoever on retirement planning, suggesting high awareness of the need to prepare for a stable retirement. Across all regions, the majority of respondents, especially the younger segment, claimed to have determined their expenses in retirement, including post-retirement health expenses (see Figure 14).

They have also taken steps to determine their income in retirement. Concerns differ across generations: young workers have more often determined their retirement health expenses, while pre-retirees and retirees have more often determined their overall expenses in retirement. It is concerning that almost 16 percent of respondents from Northern Thailand have not taken any initiatives compared to only 2 percent from Southern Thailand.

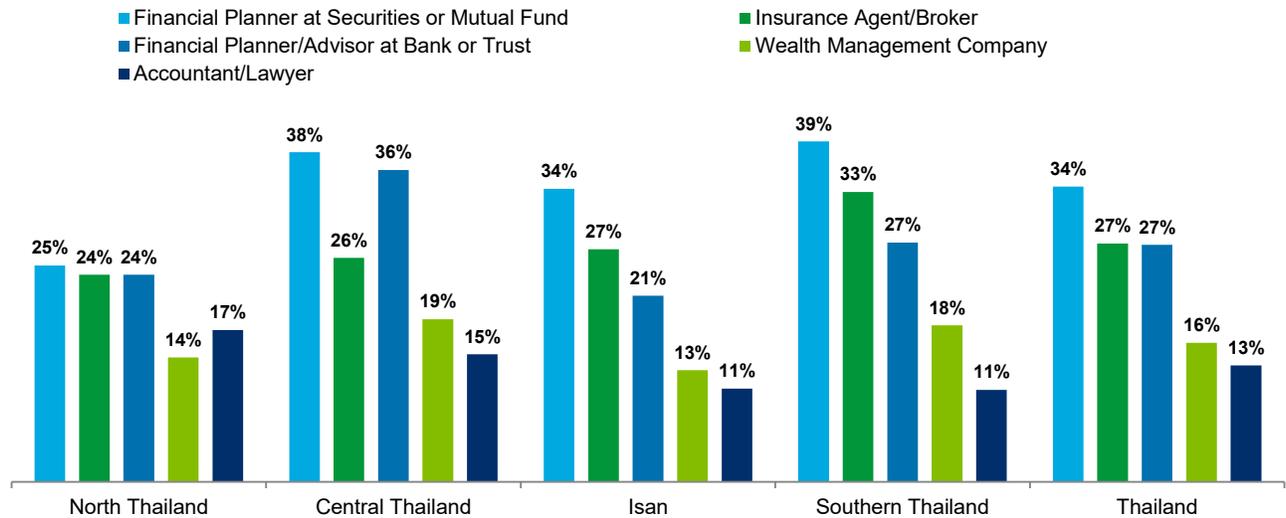
### Figure 14 — Initiatives on Retirement Planning

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?*

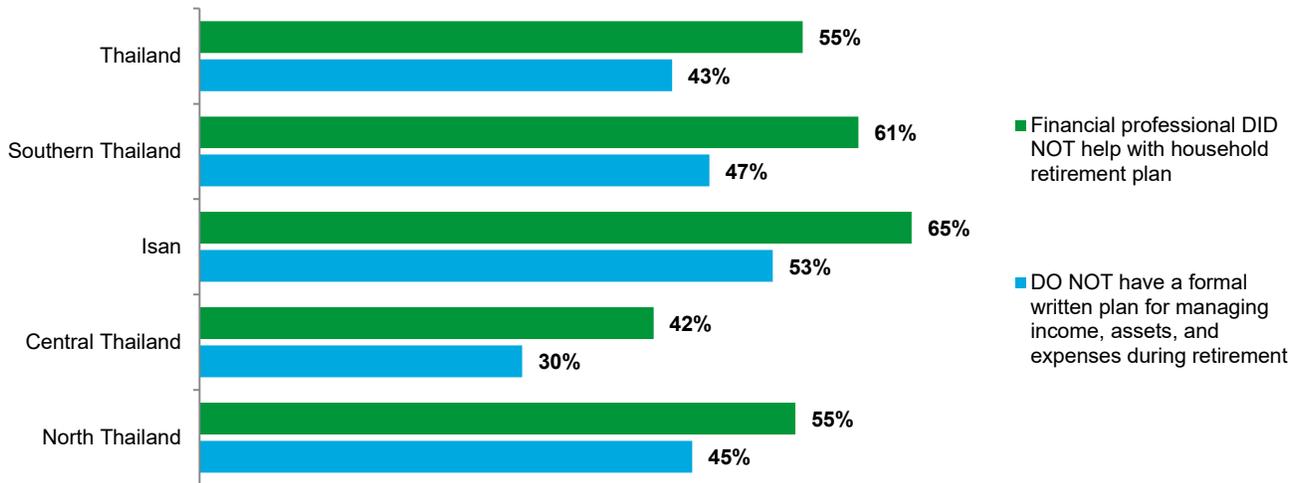


As observed above, a significant proportion of respondents do not reach out to financial professionals for financial decisions. However, those who do prefer to reach out to a financial planner at a securities or mutual fund company, followed by an insurance agent/broker and financial planner/advisor at a bank or trust company. A financial planner at a securities or mutual fund company is most favored by respondents from Southern Thailand; similarly, an insurance agent/broker and a financial planner/advisor at a bank or trust is also favored.

## Fifty-five percent of respondents do not work with financial professionals for a household retirement plan.

**Figure 16 — 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?*



The respondents do seek professional help for regular financial decisions; but they do not seek help from financial professionals on retirement planning. More than half of the respondents did not seek help from financial professionals for their retirement planning, especially respondents from the Isan area and Southern Thailand. In addition, 43 percent of respondents did not have a formal written plan for managing income, assets, and expenses during retirement. Pre-retirees (73 percent) seem to have the least interest in consulting a financial professional for retirement planning and in creating a plan, and they are the least likely to have a formal written retirement plan (62 percent).

**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.*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
<b>Confidence Benchmark</b>					
I will be able to live the retirement lifestyle I want	68%	78%	63%	85%	74%
I have enough savings to last until the end of my retirement	63%	65%	60%	75%	66%
<b>Need Help</b>					
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	63%	69%	63%	68%	65%
<b>Action Statement</b>					
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	75%	73%	69%	77%	73%
I am currently very involved in monitoring and managing my retirement savings	73%	74%	66%	81%	74%
<b>Challenge and Mindset</b>					
I do not trust financial institutions with my money	33%	26%	31%	39%	32%
It is rare to hear people talk about retirement planning in the workplace	50%	28%	46%	43%	43%
I have/will inherit property from parents/relatives	67%	56%	56%	53%	62%

*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 young workers.**

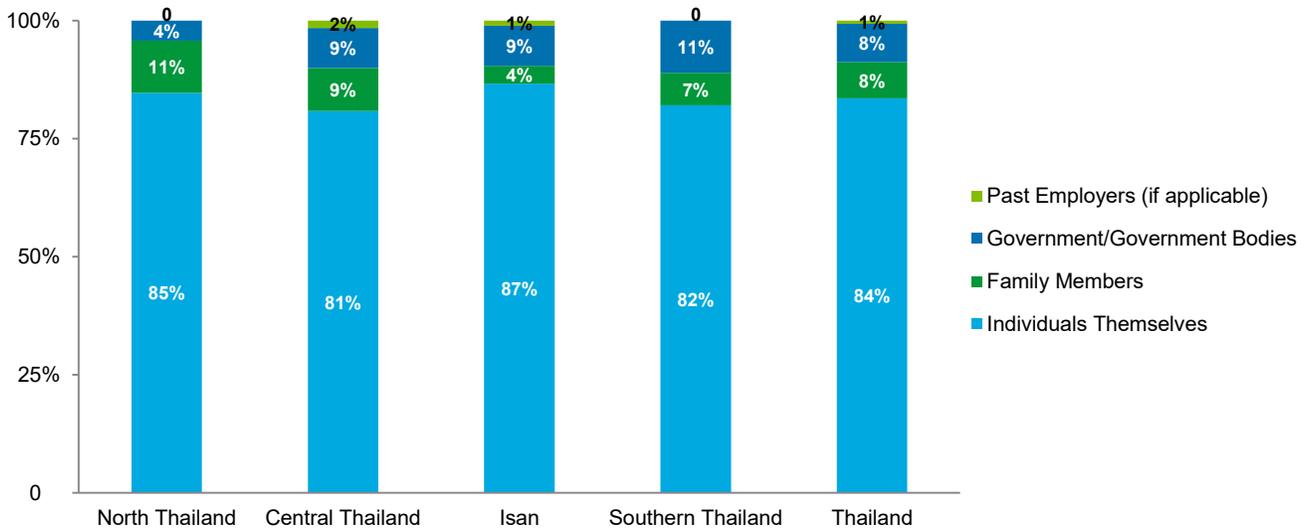
Most of the respondents are quite confident about their future retirements. Almost three fourths of the respondents are confident about maintaining a similar lifestyle in retirement; this trend is especially high among respondents from Southern Thailand, where almost 85 percent were confident. The level of confidence is also higher among retirees; either they have found a way to manage their expenses in retirement, or they can still rely on the younger generation for their expenses.

Seventy-four percent claimed that they are currently very involved in monitoring and managing their retirement savings, while only 57 percent earlier claimed to have a formal written retirement plan. This differential is a clear indication that they do need help from financial professionals to guide them in retirement planning. It also must be noted that respondents from Isan would like their employers to make available more comprehensive information and advice on retirement savings and planning.

The majority across the region had adequate trust in financial institutions on matters concerning their money, although Southern Thailand may represent a slight aberration. This trust is quite evident in the fact that 73 percent of respondents are willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income. The level of interest is particularly high among retirees.

**Figure 17 — Primary Responsibility for Providing Retirement Funds**

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



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

More than four fifths of the respondents across Thailand consider it their own responsibility to fund their retirement. However, there is a slight difference across generations. The proportion of respondents who consider it their own responsibility is much higher among the young workers (88 percent) than among retirees (82 percent) and pre-retirees (83 percent). This finding suggests 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. Young workers are also least likely to want to depend on the government for post-retirement income. Dependence on past employers is at almost negligible levels across all sub-regions.

In line with what the majority of respondents indicated earlier, most agree it is their own responsibility to arrange for funding in retirement. Individuals are also planning to generate retirement income from personal savings and investments. However, respondents indicated a high level of acceptance across most options, suggesting an awareness that a single income stream may not generate adequate retirement income.



Respondents also indicated that they would depend on full/part-time job earnings, suggesting they will extend their working lives well into retirement. Further, the traditional mode of retirement income, i.e., dependence on family, does not rank among the top-five sources of income. There is also a seeming contradiction in the fact that while most indicated that it is not the primary responsibility of government /government bodies to fund retirement income, almost 81 percent like to depend on social pension/other local pension for retirement income.

There was also some interest in life insurance (80 percent) and Voluntary Enterprise Annuity /Voluntary plans set up by an employer (77 percent). Life insurance was favored mostly by respondents from Central Thailand and Voluntary Enterprise Annuity /Voluntary plans were favored by respondents from Southern Thailand. However, other sources of income such as Inheritance from death of a family member, reverse mortgage, and income from rental of property were not the most favored.

**Table 7— Anticipated or Current Income Source in Retirement**

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

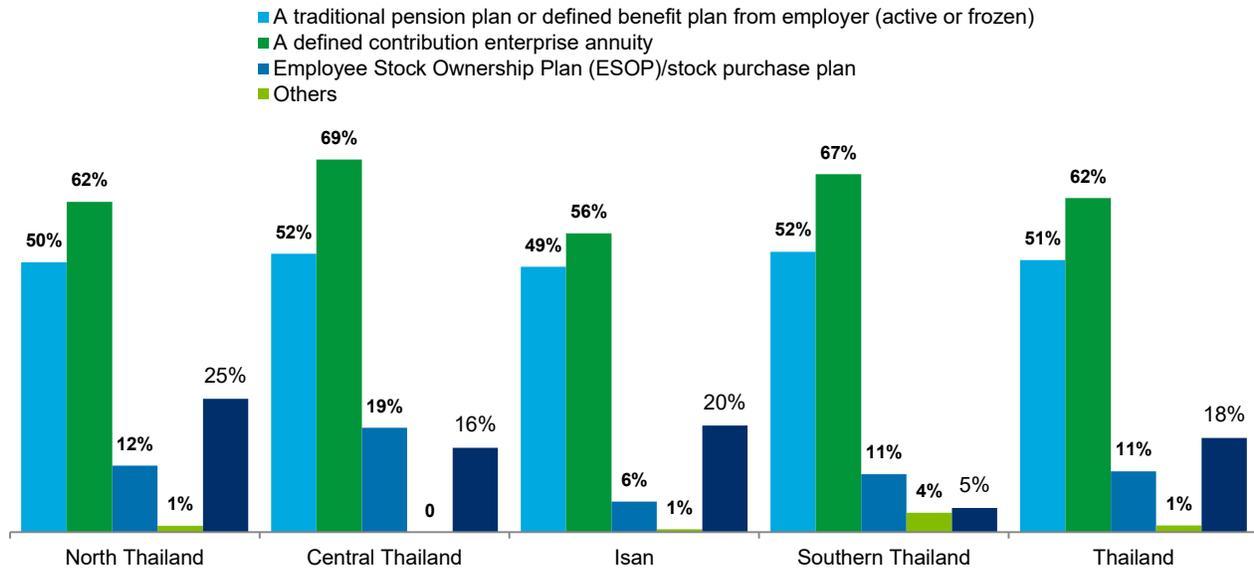
	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
Personal savings and investments	85%	97%	88%	93%	91%
Full/Part-time job earnings	82%	85%	85%	86%	85%
Social pension/Other local pension	81%	87%	79%	78%	81%
Life insurance	79%	84%	79%	80%	80%
Voluntary Enterprise Annuity/ Voluntary plans set up by employer	71%	77%	76%	84%	77%
Family member assistance(including children)	62%	69%	61%	73%	66%
Rental property	61%	69%	60%	69%	65%
Inheritance from death of a family member	55%	55%	52%	57%	55%
Reverse mortgage	49%	47%	46%	47%	47%

*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."*

**Eighty-five percent of the respondents indicated that they will depend on full/part-time job earnings to support their retirement; this is an early warning sign of inadequate preparation.**

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

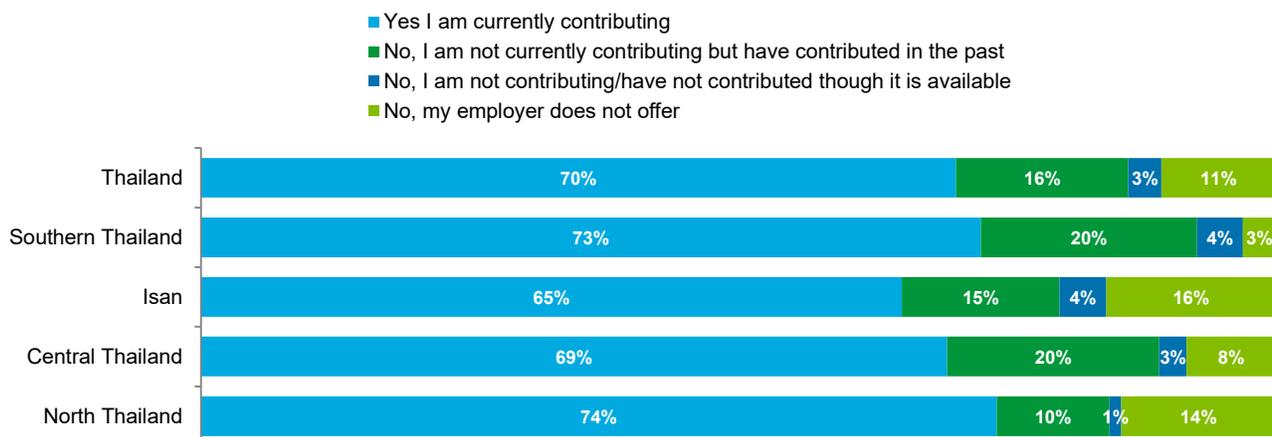
Responding to the question: *Which retirement savings plans are available to you through your current employer, work, or profession? Please select all that apply.*



*Definitions — Defined Benefit: A defined benefit plan is a retirement plan that an employer sponsors in which 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 the employee and/or the employer contribute to the employee's individual account under the plan. The amount in the account at distribution includes the contributions and investment gains or losses, minus any investment and administrative fees. The sponsor company may match the employee contributions. The defined contribution plan places restrictions that control when and how each employee can withdraw these funds without penalties.*

Almost 62 percent of the respondents indicated they have a defined contribution enterprise annuity, with respondents from Central and Southern Thailand indicating higher proportions of 69 percent and 67 percent respectively. Across generations, a higher proportion of pre-retirees have defined contribution annuity plans. However, a slightly lower proportion of respondents at 51 percent said they have/had a traditional pension plan or employer-sponsored defined benefit plan. In addition, around 18 percent indicated they don't have any such plans.

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

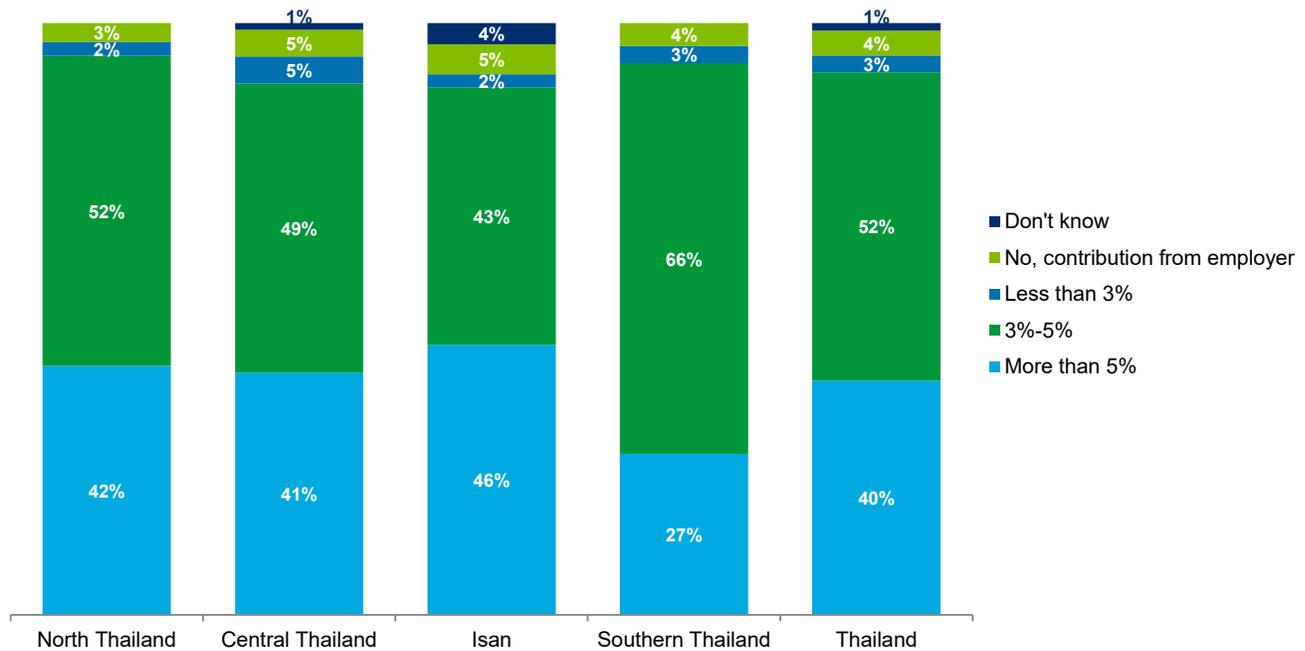




Across Thailand, 70 percent of the respondents claimed to be contributing towards an employer-sponsored retirement savings plan. This percentage is higher than the Asia average of 59 percent. Respondents from Southern Thailand declared that they contributed the most at 73 percent. Only 65 percent from the Isan region of Thailand claimed to have contributed towards employer-sponsored savings plans, making them the sub-region with the lowest contribution rate.

### Figure 20 — Extent of Employer-Matching Contributions

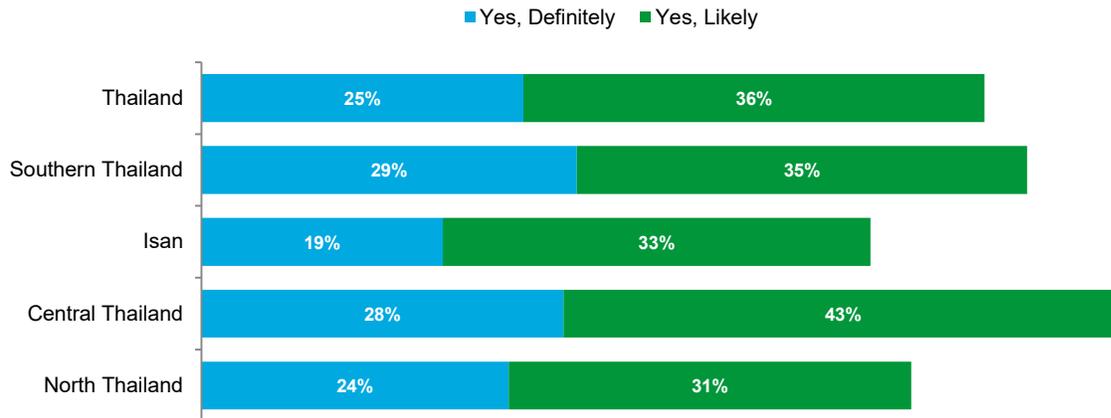
Responding to the question: *At what level does your employer currently match your contributions to the defined contribution retirement savings plan(s) they offer (e.g., 50 cents on the dollar for the first 6 percent of pay contributed)?*



Forty percent of respondents revealed that they received an employer-matching contribution above 5 percent of their pay, and more than half said that they receive a contribution of around 3 percent to 5 percent of their pay. Only 27 percent of the respondents from Southern Thailand said they received a contribution greater than 5 percent. However, almost two thirds said that the highest contribution they received was between three and five percent.

### 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.

Sixty percent of respondents said the income obtained from social pensions and employer-sponsored defined benefit pensions is “definitely” or most “likely” enough to provide for their basic living needs. The confidence level is especially high across Central Thailand, where almost 71 percent said it is either “definitely” or “likely” to be enough to provide for basic living needs in retirement.

This level of confidence is very high especially among the retirees, as 71 percent claimed that it is either “definitely” or “likely” to be enough to provide for basic living needs in retirement. It is probably fair to say that it is false confidence, considering Thailand was ranked among the lowest in the Allianz Pension sustainability index.

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.

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

Even though the preferred method to generate retirement income from investments varies across sub-regions, 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.

In fact when compared across Asia, respondents across Thailand expressed one of the highest levels of interest to buy or look for a product that will convert some or all of household savings into guaranteed lifetime income. Especially among pre-retirees it was the most favored. In addition, they also expressed strong interest to invest retirement savings in property and generate rental income. This phenomenon is quite unique to a few markets, perhaps due to an expected growth in real estate prices driven by increased urbanization. However, reverse mortgages have not found many takers across the region.

**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?*

<b>Withdrawal preferences</b>	<b>North Thailand</b>	<b>Central Thailand</b>	<b>Isan</b>	<b>Southern Thailand</b>	<b>Thailand</b>
Withdraw some principal and some interest on a regular basis	17%	15%	27%	29%	22%
Withdraw some principal and some interest on an occasional basis, or when needed	29%	30%	35%	37%	33%
Withdraw only interest and dividend earnings, but not withdraw any principal	37%	50%	47%	54%	47%
None. My household has no intention of using retirement savings for income	4%	4%	7%	4%	4%
<b>Interest in buying properties or annuities for income or growth</b>					
Buy or look for a product that will convert some or all of household savings into guaranteed lifetime income	41%	50%	36%	41%	42%
A corporate annuity with a tax benefit	28%	33%	25%	25%	28%
Invest retirement savings in property and generate rental income	47%	49%	38%	46%	45%
Opt for a reverse mortgage	16%	8%	8%	9%	10%
Don't know	15%	4%	10%	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. 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.

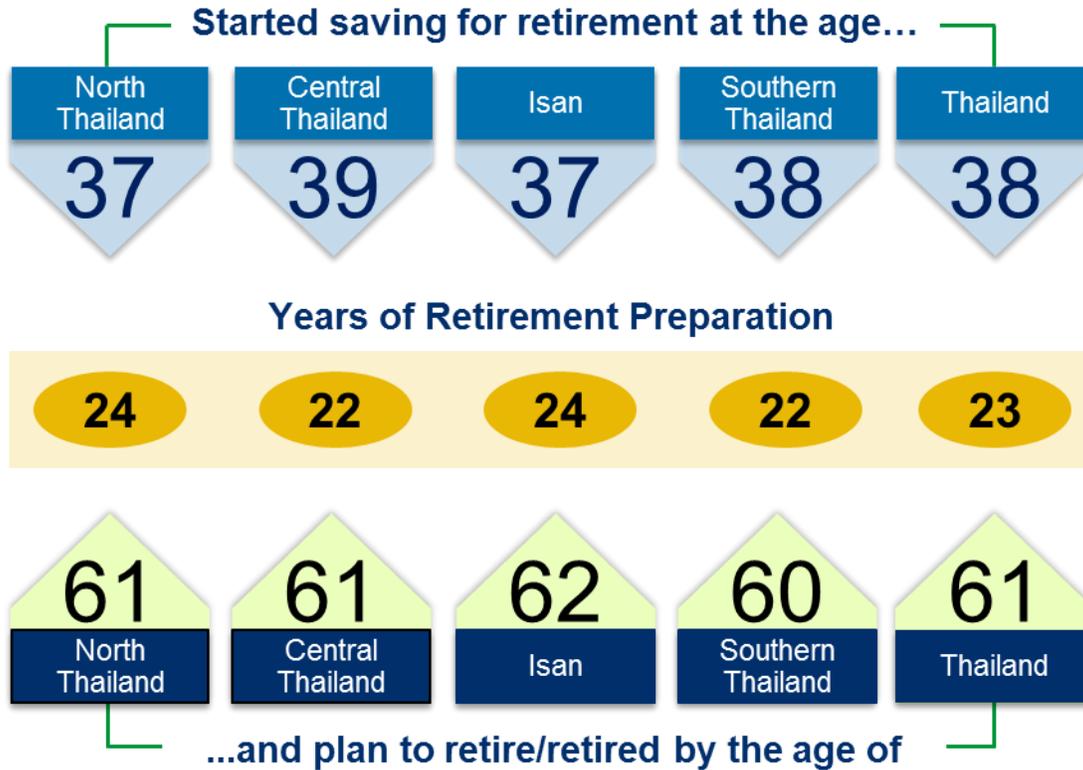
Across the sub-regions of Thailand, the time spent on retirement planning differs only marginally from market to market. Most respondents generally start saving for retirement around age 38 and spend approximately 23 years preparing for retirement. Respondents from Central Thailand start preparing for retirement marginally later than other regions and spend the least amount of time preparing for retirement.

Respondents across Thailand stated that they plan to retire at age 61, which looks aspirational considering the fact that a significant proportion of them had earlier stated that they would either work full or part time for retirement income. Even though young workers said they wish to retire by the age of 58 years, the retiree segment ended up working till age 64, and those working after retirement plan to retire at age 71.

**Respondents from the retiree segment (61–75 years), who could not afford to retire, had to extend their working lives. They plan to retire at age 71.**

**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 6 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 (see Figure 24). Almost 6 out of 10 respondents regret delaying saving for retirement or not having started saving for retirement at all. This proportion is even higher in the Isan region. The sense of regret is quite high among pre-retirees, with almost 64 percent saying they regret delaying retirement planning. This finding also indicates that individuals often miscalculate how much and how long they need to save and invest and at a later age realize what they saved isn't enough.

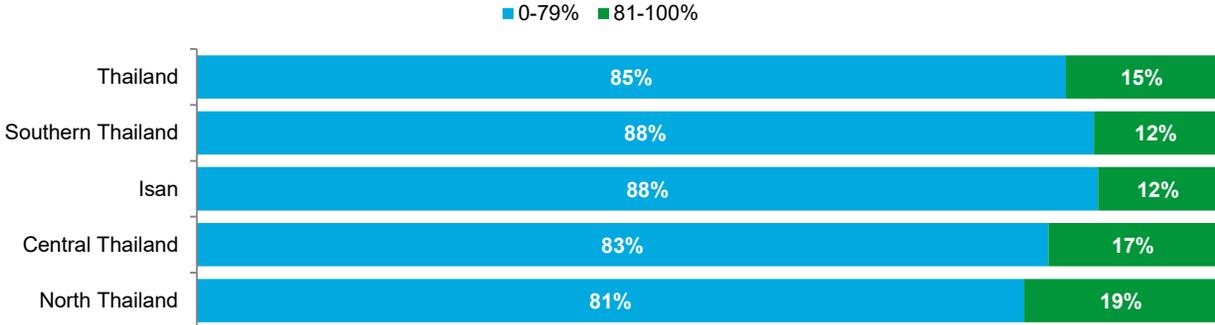
In addition, a massive 85 percent of the respondents across Thailand anticipate a gap in retirement funds when they turn age 60, and only 15 percent expect to have more than 81 percent of the funds they need to lead a comfortable retired life. Respondents from the Isan and southern parts of Thailand expected a much wider gap in the retirement funds compared to other parts of the country.

Further, the fact that the estimated funding gap among retirees and pre-retirees is even wider underlines the tendency of the younger generation to underestimate the amount of time required for accumulating funds for the major expenses required during different life stages. Worryingly, among young workers, only 21 percent of them said they will be able to accumulate more than 80 percent of the funds required to sustain a comfortable life in retirement.

**At least 85 percent anticipate a gap in retirement funds when they turn age 60.**

**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?*



However, to make things worse, respondents underestimated the life expectancy at age 60 by around 7 percent, which implies that the retirement funding gap is slightly wider than they anticipated (see Figure 25). Respondents expected to live around an additional 22.5 years upon turning age 60, versus the reality of 24.2 years.<sup>10</sup>

**Respondents also had a tendency to underestimate life expectancy.**

<sup>10</sup> Note: For comparison, 2035 – 2040 data has been used from the UN Population Division for age bands and quotas.



**Figure 25 — Anticipated Life Expectancy at Age 60 Versus Actual Life Expectancy at Age 60**



*Note: For comparison, 2035 – 2040 data has been used from the UN Population Division for age bands and quotas.*

In addition, most respondents across Thailand 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. Most respondents worried about the fact that the value of savings and assets might not keep up with inflation. In addition, they also worried about affording healthcare costs beyond the social insurance medical supplement.

Further, some of the respondents worried about a prolonged stock market downturn. Perhaps they remember the Tom Yum Goong crisis (Asian financial crisis in 1997) or the most recent global financial crisis. That's possibly the reason why some of their top concerns are related to the economic and market risks or public policy risks. However, some of the sub regions also have concerns which are slightly unique, e.g., respondents from Central and Southern Thailand worried that the government or company will reduce health or medical insurance benefits or social pensions.

Paying healthcare expenses remained a top concern across most parts of Thailand. Respondents are quite worried about paying healthcare costs not covered by their social insurance medical supplements. 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.<sup>11</sup>

However, an interesting point to note is that working retirees stated earlier that they may consider prolonging their working lives up to age 71 years. Some further indicated that they may struggle or be unable to find or maintain employment in retirement. That certainly is a cause for concern.

***Declines in interest rates and the value of assets due to inflation, along with healthcare expenses, remain top concerns in retirement.***

<sup>11</sup> <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361028/table/tbl4/>, 2017.

**Table 9 — Key Concerns in Retirement**

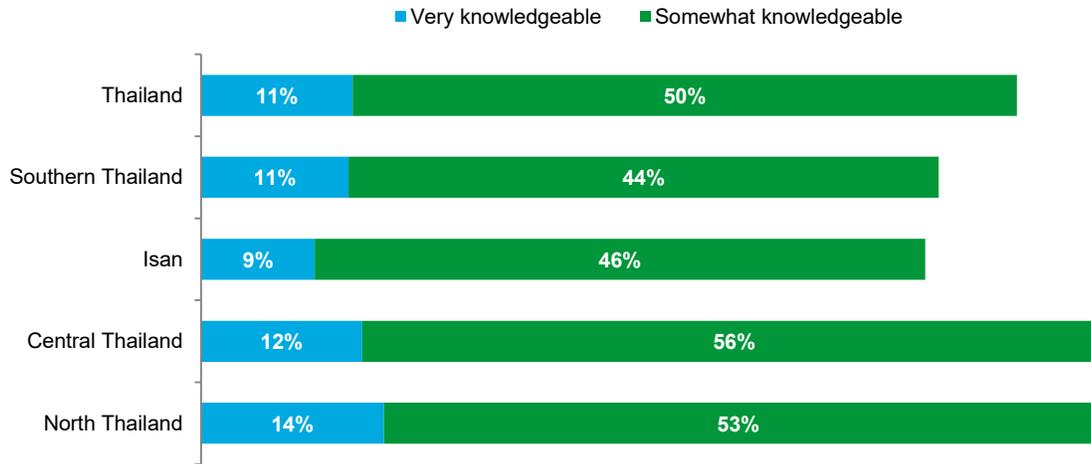
Responding to the questions: *How concerned are you about each of the following? How concerned are you about each of the following during retirement?*

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

Note: The top-three results per market are highlighted for easy reference. In cases where the third-ranked concern had similar results with the subsequent concerns, those have been highlighted too.

## Figure 26 — Self-Assessment of 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 offered 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 Thailand generally acknowledge their responsibility for generating their own retirement incomes and do not seek outside retirement-planning advice from professionals. Clearly, the need for a sound understanding of investments or financial products seems strongly indicated. However, based on their self-assessments, almost 6 out of 10 respondents across Thailand claimed to be fairly knowledgeable about investments or financial products (see Figure 26). Consumers from North and Central Thailand claimed to be more knowledgeable compared to respondents from Southern Thailand or Isan. It is important to note that these responses are a self-assessment. It is possible that while respondents are aware of investment options available in the market, they may not have the ability to understand, analyze, and successfully invest in long-term investment products.

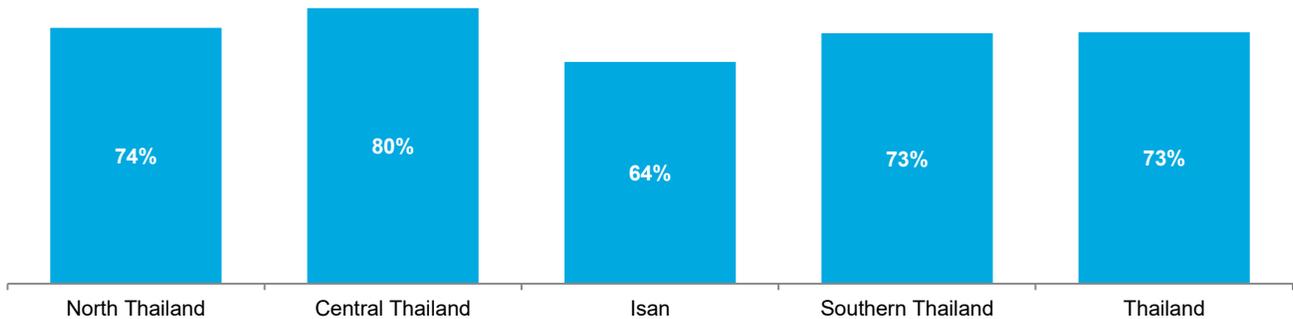
Consumers across Thailand generally expressed a relatively high level of confidence in their ability to make financial and investment decisions, and a significant 73 percent of the respondents expressed their willingness to convert a part of their assets to annuities to generate retirement income (see Figure 27). Respondents, particularly from central Thailand, expressed strong interest in annuities.

The level of interest in converting a portion assets or an additional portion of assets into a lifetime-guaranteed annuity in retirement was particularly high among the retiree segment, especially from Central, Southern, and Northern Thailand, with retirees from the Isan region expressing a lower level of interest. On a relative basis, the pre-retirees generally expressed the least interest, followed by young workers.



### Figure 27 — Willingness to Convert a Portion of Assets Into an Annuity to Provide a Lifelong Income Stream

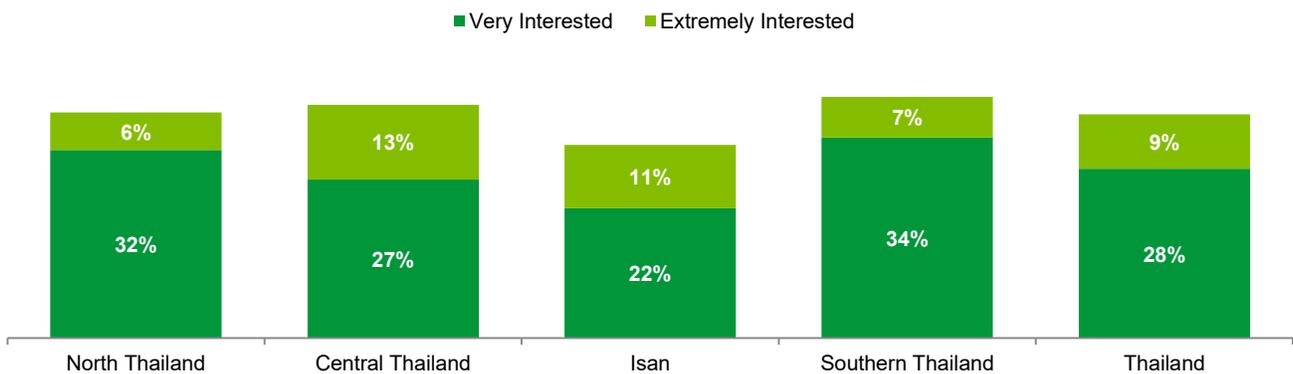
Responding to the question: *Annuities can provide a lifelong income stream in exchange for a premium payment. Individuals usually no longer have access to the assets used to pay for the annuity once it is purchased. Would you consider converting a portion your assets or an additional portion of your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



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

### Figure 28 — 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."

Some of the respondents also expressed a high level of interest in deferring their tax payments to a tax-deferred annuity (see Figure 28). The general level of interest in tax-deferred annuities was quite high across all respondents. Overall across Thailand, 37 percent stated they are either very interested or extremely interested in tax-deferred annuities, with Southern Thailand expressing a slightly higher level of interest. Across generations, the young workers were slightly more interested than the other age bands.

**Table 10 — 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	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
Internet/financial websites	44%	52%	50%	51%	49%
Family, friends, or co-workers	39%	45%	29%	36%	37%
Social media/networking websites	35%	41%	36%	33%	36%
Representatives from the company managing my employer's defined contribution retirement savings plan	33%	41%	32%	34%	35%
My own financial advisor/planner/insurance agent	33%	44%	30%	33%	35%
Website with information on my specific retirement account	31%	29%	22%	19%	25%
Employer (Human Resources)	23%	30%	18%	16%	22%
Television or radio programs	22%	22%	23%	20%	22%
Books, magazines, and newspapers	21%	24%	20%	17%	20%
Booklets, pamphlets, or other written materials provided by employer	17%	16%	12%	13%	15%
Workshops and/or seminars	12%	15%	14%	13%	13%
Mobile apps	16%	11%	13%	8%	12%

*Note: This is a multiple choice question.*

**Digital channel/methods, along with family, friends, or co-workers, are the primary source of 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/other financial products for retirement income, they would need to reach out to different sources for information about investment options and related product features (see Table 10). Where a majority are planning retirement on their own, as in Thailand, it is very important for the industry to deliver easy to understand, easily accessible information. It is equally critical that the information be accurate and helps lead consumers to take action for a positive retirement outcome.



Digital channels have emerged as one of the popular sources of information for respondents, with almost half of them reaching out to financial websites for their information needs. In fact, social media/networking sites are also strongly preferred, especially among the younger generation when compared to the aged cohort. Therefore, instead of offering traditional methods of communication and education like workshops/seminars or a television/radio or newspaper, the industry needs to rethink how they will share product and retirement planning information in the future. Please note this online survey required Internet access and surveyed a population segment that is more likely to buy financial products for future retirement.

**Table 11 — 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	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
Internet/financial websites	18%	17%	24%	28%	22%
My own financial advisor/planner/insurance agent	17%	25%	18%	20%	20%
Representatives from the company managing my employer's defined contribution retirement savings plan	12%	13%	11%	8%	11%
Family, friends, or co-workers	9%	12%	10%	11%	10%
Social media/networking websites	8%	8%	10%	9%	9%
Website with information on my specific retirement account	12%	8%	8%	6%	8%
Employer (e.g., Human Resources or Benefits departments)	5%	7%	3%	5%	5%
Workshops and/or seminars	5%	6%	4%	4%	5%
Television or radio programs	4%	1%	3%	4%	3%
Booklets, pamphlets, or other written materials provided by employer	4%	1%	3%	2%	2%
Books, magazines, and newspapers	2%	4%	2%	1%	2%
Mobile apps	5%	1%	2%	1%	2%

*Note: Respondents were allowed to choose only one option. Results under 5 percent represent an option chosen by a sample of 10 or fewer.*

Consumers also indicated that information from Internet/financial websites is very useful and the first choice for product information. In addition, even though consumers did not prefer to reach out to financial advisors/planners/insurance agents for information, when they did, they found it very useful. These advisors/planners/insurance agents are trained professionals. They are expected to have strong product knowledge and deliver it in a way that is clear and easy to understand. Their expertise enhances the value of a human touch and face-to-face conversation, and their impact cannot be ruled out.



Even though the contribution of financial advisors/planners/insurance agents to deliver information is valued, the industry needs to rethink not only how to help consumers find the right products but also to deliver information in a way that generates confidence among consumers. With this approach, these industry professionals will emerge as the most-preferred source of information.

***Internet/financial websites are the most-preferred mode and channel for obtaining information; information from financial advisors/planners/insurance agents is considered very useful, even though they are not the most-preferred source of information.***

We asked our respondents to share their preferences, aside from issues of cost, for product features of financial products or investments that could be used to create income in retirement. Perhaps unsurprisingly, consumers showed strong preferences for guaranteed income for life, protection of principal investment, and fixed returns. Respondents were not keen on having greater control over their investments and having the ability to adjust their portfolios.

Specifically, the respondents had an affinity towards features that guarantee lifetime income, income that remains fixed throughout retirement, and features that offer guaranteed returns on investments.

There were also certain strong preferences which vary by sub regions. For example, central Thailand expressed a strong preference for product features that allow changes in income amounts as needs change and inflation-adjusted income. Respondents from Southern Thailand would like to have products where the income has the potential for market growth. There was not a significant difference in preferences across generations.

Consumers do not show a very strong preference towards premium structure, although a stepped-up premium structure was marginally preferred over single premium or level premium. Agents should do a lot more to promote the unique benefits of single-premium products.

It is also worth noting that some of these preferred products already exist in the Thai market. However, the awareness among the general public needs to grow significantly. Banks, insurers, and insurance agents should promote them as heavily as they do other financial products.

***Across markets, consumers indicated a preference for more conservative product features of guaranteed income and capital/principal preservation.***

**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?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
<b>Guaranteed Lifetime Income</b>					
Income that is guaranteed for life	51%	67%	56%	56%	57%
Income will remain the same or fixed throughout retirement	47%	55%	50%	51%	51%
Income will continue after I die or my spouse dies	40%	47%	42%	41%	43%
Guaranteed returns on investments	48%	56%	51%	54%	52%
<b>Income Flexibility</b>					
Income has the potential for growth with market	40%	52%	40%	53%	46%
Income amount can be changed as needs change	37%	54%	43%	39%	43%
Income that is adjusted for inflation	40%	54%	38%	43%	44%
Income can be converted into a lump sum	48%	52%	49%	53%	51%
<b>Capital/Principal Preservation</b>					
Initial investment amount is preserved or protected	49%	59%	52%	49%	52%
<b>Control Over Investments and Flexibility</b>					
Control over how investments are managed	47%	60%	47%	45%	50%
Tax benefit	36%	46%	38%	38%	40%
The ability to make withdrawals in excess of regular benefit payment	33%	42%	41%	36%	38%
Option to withdraw entire money as lump sum and manage on your own	35%	46%	41%	43%	41%
<b>Premium Structure and Other Features</b>					
Money for heirs or charities when I die	37%	44%	38%	39%	40%
Single premium	35%	42%	31%	35%	36%
Level premium	30%	43%	27%	29%	32%
Stepped-up premium	34%	44%	39%	38%	39%
Option to receive predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD)	27%	41%	32%	34%	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 percentage of respondents who selected "Very important." 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.

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

**Table 13 — Top-Four 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?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
1	Bank	Bank	Bank	Bank	Bank
2	Agent/Tied agency	Broker/financial advisor	Agent/Tied agency	Insurer's website	Broker/financial advisor
3	Broker/financial advisor	Agent/Tied agency	Broker/Financial advisor	Broker/Financial advisor	Agent/Tied agency
4	Phone call	Insurer's website	Insurer's website	Agent/Tied agency	Insurer's website

The top product features selected by respondents were quite similar across most sub-regions, with one or two exceptions. Most of the preferred product features were designed to fulfill basic needs, and some were reflective of the unique needs across life stages or other singular needs (see Table 12).

Not surprisingly, offline channels were dominant across all sub regions, but it was perhaps surprising to observe 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 heavily preferred across the regions except North Thailand. North Thailand indicated that they would prefer to buy these products over the phone than online. With the growing Internet penetration of Thailand, online channels may gain further popularity across all regions.

## Maintaining physical health and wellbeing remains a top priority for most.

However, through all of these products investments and concerns each of the respondents have their unique objectives to achieve in retirement. Top priority among the respondents was to maintain good health and wellbeing. They also expressed a strong desire to spend more time with friends and family and would like to continue to live in their current residences. Not too many expressed the desire to move away from their homes into communities for retired persons or into nursing homes.



**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 achieve each of the following in retirement?*

	<b>North Thailand</b>	<b>Central Thailand</b>	<b>Isan</b>	<b>Southern Thailand</b>	<b>Thailand</b>
Maintain my physical health and wellbeing	57%	69%	55%	64%	62%
Spend more time with friends and family	46%	53%	45%	56%	50%
Remain living in my current residence	42%	52%	47%	48%	47%
Save up for leaving a legacy	36%	43%	40%	41%	40%
Learn a new skill/hobby	34%	39%	35%	39%	37%
Financially support my family	33%	35%	32%	39%	35%
Get involved with some type of group/activity/community for retired persons	27%	35%	25%	24%	28%
Travel more	24%	25%	28%	29%	27%
Move into a nursing home	22%	16%	14%	15%	17%
Move into a community for retired persons	16%	15%	16%	14%	15%

*Note: The results represent "Very important" responses out of the overall options: "Not at all important," "Important," and "Very important."*



# Industry Opportunities

The industry has a significant opportunity — and responsibility — to help address the looming retirement-funding gap and to develop and deliver some of the products consumers have identified in this study. Insights from this consumer research point to compelling opportunities for the financial services industry to explore. Some of them are as follows:

- **Responsibility:** More than four fifths of the respondents across Thailand consider it their own responsibility to fund their retirement. In fact, the young workers (88 percent) own up to that responsibility more than retirees (82 percent) and pre-retirees (83 percent). This finding points to a changing mindset, where the younger generation is willing to be proactive and take care of their future needs, without depending on the government. New thinking among the younger segment suggests they are eager to make choices and take action which will help them in planning for retirement. The industry needs to seize this opportunity and help individuals with building a retirement fund.
- **Retirement Planning:** However, more than half of the respondents did not seek help from a financial professional for their retirement planning, especially respondents from Isan area and Southern Thailand. In addition, 43 percent of respondents did not have a formal written plan for managing income, assets, and expenses during retirement. Respondents may be willing to take action by themselves, but the question remains whether they are capable of doing so. The industry, along with other stakeholders, needs to step in and educate future retirees on how to plan for retirement and make best use of available resources.
- **Key Aspiration:** To maintain good health and wellbeing was a top priority among respondents. They also expressed a strong desire to spend more time with friends and family and would like to continue to live in their current residences. These goals are not impossible to achieve, provided individuals start saving prudently.
- **Procrastination:** Even though most consider it their own responsibility to plan for retirement, they procrastinate, and almost 6 out of 10 respondents regret either delaying saving for retirement or not having started saving for retirement at all. Most do not end up taking any or adequate action. The sense of regret is higher among the pre-retirees, with almost 64 percent saying they regret delaying retirement planning. These regrets also suggest that individuals often miscalculate how much and how long they need to save and invest, only to realize at a later age that they haven't saved enough. They certainly need some advice from professionals who can guide them. Even though individuals were willing to take responsibility, they may not be sufficiently “financially literate” to understand the impact of starting to save late. This is where the industry has to guide individuals on when to start, how to start, and possible areas of investment.
- **Retirement Funding Gap:** A massive 85 percent of the respondents across Thailand anticipate a gap in retirement funds when they turn age 60, and only around 15 percent expect to have more than 81 percent of the funds they need to lead a comfortable retired life. Respondents from the Isan and southern part of Thailand expected a much wider gap in the retirement funds compared to the other parts of Thailand. This huge gap is a result of inaction and not taking the right steps to secure their retirement. The industry must step in to train financial advisors and provide them with tools to assess individual retirement needs. Only then can the industry begin to close in on the retirement funding gap. A gap of this significance presents a huge opportunity for the industry to grow their share of business in a relatively untapped market with massive potential.



- **Underestimating Life Expectancy:** To make things worse, respondents underestimate the life expectancy at age 60 by around 7 percent, which implies that the retirement funding gap is slightly wider than they anticipate. This not only impacts needed retirement income but also the healthcare expenses in retirement. While living longer is a wonderful boon, it requires adequate provisions, as its consequences could impact not only the individual, but also the family.
- **Willingness to Buy Annuities:** Seventy-three percent of the respondents across Thailand expressed their willingness to convert a part of their assets to annuities to generate retirement income. Respondents, particularly from Central Thailand, expressed strong interest in annuities. The level of interest is high among the retiree segment, especially from Central, Southern, and Northern Thailand, with retirees from the Isan region not expressing an equally high level of interest. The fact that consumers would be willing to invest in such products, provided their concerns are met through these products, represents a potentially historic opportunity for the industry.
- **Preferred Products Features:** Among the number of options that respondents were offered, they expressed strong preferences towards products with guaranteed income for life, protection of principal investment, and fixed returns. Respondents were not keen on having greater control over their investments and having the ability to adjust their portfolios. Specifically, the respondents had an affinity towards features that guaranteed lifetime income, income that remains fixed throughout retirement, and features that offer guaranteed returns on investments. The key to successful retirement planning is to start early and end up saving enough. Considering the fact that Thailand is one of the fastest-aging economies in the world, consumers and the industry need to act **fast** and act **now**.
- **Preferred Channels to Buy:** Face-to-face channels were the most preferred mode to buy these products across all sub regions, but it was perhaps surprising to observe banks emerge as the most preferred channel to buy retirement products, well ahead of the usually popular agency channel. In fact, online channels also were highly preferred across the regions, except in North Thailand. So, 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 and is targeted to uncover the challenges faced by 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 also provides an overall regional average. This study focuses primarily on Thailand.

**Table A-1 — Respondents by Working Status**

Responding to the question: *Are you currently ...?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
Working full time for pay	89%	53%	94%	58%	73%
Retired and working part time for pay	6%	26%	4%	28%	16%
Retired and not working for pay	5%	20%	2%	14%	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?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
The government	23%	17%	15%	20%	19%
An institution controlled by the government (public sector)	24%	16%	16%	12%	17%
A private company (enterprise)	52%	65%	67%	66%	63%
Other, please specify	2%	2%	2%	2%	2%

**Table A-3 — Respondents by Household Size**

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

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
1 to 2 persons	24%	13%	21%	13%	18%
3 to 4 persons	56%	54%	49%	61%	55%
5 to 6 persons	18%	27%	26%	21%	23%
7+ persons	2%	7%	4%	6%	5%

**Table A-4 — Respondents by Gender**Responding to the question: *Are you...?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
Male	26%	38%	54%	55%	43%
Female	74%	62%	46%	45%	57%

**Table A-5 — Respondents by Urban/Rural**Responding to the question: *How would you describe the place you live?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
Urban	33%	28%	23%	29%	28%
Rural	67%	72%	77%	71%	72%

Note: Answer options of "Metro City" and "Tier One city" have been recorded as "Urban." "Town and Village" has been marked as "Rural." The options were chosen by respondents based on self-selection.

**Table A-6 — Respondents by Pre-tax Total Annual Income**Responding to the question: *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.*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
300,000THB – 600,000THB	26%	39%	28%	30%	31%
600,000THB – 1,200,000THB	39%	29%	41%	34%	36%
1,200,000THB – 3,000,000THB	31%	21%	27%	25%	26%
3,000,000THB – 10,000,000THB	2%	9%	4%	6%	5%
10,000,000 + THB	2%	2%	1%	5%	2%

**Table A-7 — Respondents by Current Housing Situation**Responding to the question: *What is your current housing situation?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
I own my apartment or house	66%	82%	80%	84%	78%
I rent from a landlord	18%	8%	6%	4%	9%
Live with parents, other family members, friends, or other	14%	9%	12%	10%	11%
Others	1%	2%	2%	2%	2%

**Table A-8 — Respondents by Level of Education**Responding to the question: *Which of the following best describes your highest level of education?*

	North Thailand	Central Thailand	Isan	Southern Thailand	Thailand
High school or less	3%	6%	2%	3%	3%
Technical/vocational school	2%	3%	2%	4%	3%
Two or three years of college/Associate's degree	6%	5%	3%	5%	5%
College graduate/Bachelor's degree	68%	64%	77%	73%	70%
Graduate school/Master's degree	20%	21%	15%	14%	17%
Doctoral degree/Ph.D.	2%	2%	2%	1%	1%
Others	0	0	0	1%	0

**Table A-9 — Sub-region Detail: Thailand**Responding to the question: *Which of the following region are you from?*

North Thailand	Central Thailand	Isan	Southern Thailand
Chiang Mai	Sukhothai	Buriram	Krabi
Chiang Rai	Phitsanulok	Nakhon Ratchasima	Phang Nga
Lampang	Phichit	Sisaket	Phuket
Lamphun,	Kamphaeng	Surin	Ranong
Mae Hong Son	Phet	Ubon Ratchathani	Satun
Nan	Phetchabun	Amnat Charoen	Trang
Phayao	Bangkok	Chaiyaphum	
Phrae		Khon Kaen	
Uttaradit		Maha Sarakham	
		Roi Et	
		Yasothon	
		Kalasin	
		Loei	
		Mukdahan	
		Nakhon Phanom	
		Nongbua Lamphu	
		Nong Khai	
		Sakon Nakhon	
		Udon Thani	
		Bueng Kan	

*Note: Respondents chose the region themselves.*



## Acknowledgments

The author would like to thank Dale Hall, managing director of research, Society of Actuaries, and Larry Hartshorn, corporate vice president, International Research, LIMRA, for their guidance throughout the project. In addition, the author extends his heartfelt thanks to Jafor Iqbal, Assistant Vice President, LIMRA Secure Retirement Institute, members of the Project Oversight Group, members of LIMRA's International Research Team, Raymond Hinchcliffe and the marketing team who worked behind the scenes reviewing the report.









With roots dating back to 1889, the Society of Actuaries (SOA) is the world's largest actuarial professional organization with more than 30,000 actuaries as members. Through research and education, the SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal challenges.

The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.  
[www.SOA.org](http://www.SOA.org)



The LIMRA LOMA Secure Retirement Institute® was established in 2013 with the goal of providing comprehensive, objective research and education to help improve retirement outcomes. Our research agenda covers all aspects of the industry and examines issues related to saving, investing, and generating retirement income.

©2018 LL Global, Inc. Society of Actuaries. All rights reserved

This publication is a benefit of LIMRA, Society of Actuaries memberships.  
No part may be shared with other organizations or reproduced in any form without SOA's or LL Global's written permission.

0285-0718 (50700-10-404-21511)