

Spotlight On Retirement

TAIWAN



ASIA RETIREMENT SERIES



**SOCIETY OF
ACTUARIES®**



Spotlight on Retirement: Taiwan

2018

Ping Zhao

Chief Strategic Officer, Greater China
LIMRA International Research
PZhao@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.

0285-0918 (50700-10-404-21511)





Contents

- Executive Summary 8
- Introduction 9
- About the Survey 10
- Demographic Transition 12
- Sustainability of Pension Systems 20
- Retirement From the Consumer Perspective 24
- Industry Opportunities 46
- Appendix 48
- Acknowledgments 51



Tables

- Table 1 — Overall Sample Split Across Singapore: Age Group 10
- Table 2 — Overall Sample Split: Sub-regions 11
- Table 3 — Overall Sample Split: Gender 11
- Table 4 — Pension Security System and Its Applications 21
- Table 5 — Ranking of Pension Sustainability Index, Asia — Allianz 23
- 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 — Retirement or Retirement Planning 35
- Table 10 — Anticipated Years of Retired Life Versus Life Expectancy 37
- Table 11 — Key Retirement Concerns 38
- Table 12 — Preferred Method to Obtain Information on Investments, Financial Products,
or Retirement Planning 41
- Table 13 — Usefulness of the Information Gathered From Different Channels or Methods 42
- Table 14 — Most Preferred Product Features 43
- Table 15 — Top-Five Channels for Retirement Income Products 44
- Table 16 — Important Aspects of Retirement Life 45
- Table A-1 — Respondents by Working Status 48
- Table A-2 — Respondents by Employer Type 48
- Table A-3 — Respondents by Household Size 48
- Table A-4 — Respondents by Gender 49
- Table A-5 — Respondents Urban/Rural 49
- Table A-6 — Respondents by Pre-tax Total Annual Income 49
- Table A-7 — Respondents by Current Housing Situation 49
- Table A-8 — Respondents by Level of Education 50
- Table A-9 — Sub-region Detail: Taiwan 50



Figures

- Figure 1 — Overall Population Growth Versus Age 60+ Population Growth 12
- Figure 2 — Population Pyramid: 2015 13
- Figure 3 — Population Pyramid: 2030 14
- Figure 4 — Population Pyramid: 2050 14
- Figure 5 — Proportion of Those Age 60 and Over Among the Total Population..... 15
- Figure 6 — Phases of Demographic Transition..... 16
- Figure 7 — Additional Age 60+ Populations 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 — Five-Tiered Pension Structure 20
- Figure 12 — Respondents by Decision Authority 24
- Figure 13 — Financial Dependence..... 25
- Figure 14 — Do Not Work With Any Financial Professionals to Help With Household
Financial Decisions..... 25
- Figure 15 — Initiatives on Retirement Planning 26
- Figure 16 — Those Who Work With Financial Professionals, Work With..... 27
- Figure 17 — Retirement Planning..... 27
- Figure 18 — Primary Responsibility for Providing Retirement Funds 29
- Figure 19 — Retirement Plan Available Through Current Employer, Work, or Profession..... 31
- Figure 20 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement
Savings Plans..... 32
- Figure 21 — Extent of Employer-Matching Contributions..... 32
- Figure 22 — Adequacy of Income From Employer-Sponsored Pension or Social Pension to
Cover Basic Expenses in Retirement..... 33
- 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 Estimated Life Expectancy at Age 60..... 36
- 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

Demographic change is building momentum in Taiwan. In recent years, the population has been getting older, a widespread phenomenon, not only in Asia, but also around the world. In fact, Taiwan is aging rapidly and, with 3,331,377 or 14.13 percent of its population over age 65, it has formally transitioned to an “aged society.” Its transition to “super-aged” is expected to occur between 2025 and 2030. Population aging this extensive and this rapid puts severe pressure on a market’s retirement systems and services for the elderly.

It is widely acknowledged that Taiwan’s social security system provides relatively substantial benefits and coverage. However, maintaining the system now and sustaining it in the future represents a significant financial burden on society and even threatens Taiwan’s competitiveness and economic development.

In the face of these challenges, there needs to be a comprehensive, adequate, and sustainable retirement and pension system — one that can help support the future financial needs of Taiwan’s aging and aged population.

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

- Ninety-four percent of respondents in Taiwan have taken some retirement-planning action. However, 65 percent of respondents did not work with financial professionals for household retirement planning.
- Seventy-three percent of respondents hold themselves responsible for funding their retirement. This may explain why up to 95 percent of respondents believe that personal savings and investments are the main source of future retirement funds.
- The government is fiscally overburdened by the aging population. Accordingly, it makes sense that only 9 percent of respondents are fully confident of the adequacy of income from employer-sponsored pensions or Social Pension. Public policy and healthcare are the top-two risks to retirement security according to respondents.
- Almost half of respondents regret they started saving late for retirement or did not start saving at all. At least 70 percent anticipate a gap in retirement funds when they turn age 60. Seventy-six percent of respondents indicated that they would depend on full/part-time job earnings for financial support in retirement.
- Respondents also had a tendency to underestimate life expectancy. Upon turning age 60, they expected to live approximately another 22.1 years, while the actual life expectancy is 26.4 years.
- Most of the respondents in Taiwan have a low-risk tolerance and plan to depend on earned income by withdrawing the interest on their investments, instead of drawing down principal.
- Eight of 10 Asia respondents are willing to convert some of their assets into annuities. More than 85 percent of consumers are interested in tax-deferred annuity performance.
- Banks and financial advisors emerged as the most preferred channel to buy retirement products.

Introduction

Taiwan's population is aging rapidly and steadily. Once one of the premier "Asian Tiger" economies, it is recently facing challenges. These challenges will affect its ability to develop effective programs to care for its elderly in the coming decades.

With a population of 23.5 million, Taiwan, China's largest island, is located on China's southeastern coast, across the Taiwan Strait. Due to its history, its economy and culture are influenced by the Chinese Mainland. Since the 1960s-era of export-oriented industrialization, Taiwan developed dramatically, both economically and socially, creating a world-renowned Taiwan economic miracle. By the 1990s, it ranked as one of "Asia's Dragons," among advanced economies.



Since its heyday, Taiwan has experienced cycles of growth and stagnation. The economic crisis of 2008 hit hard, and today a few cities and some municipalities still grapple with significant difficulties.

The economic slowdown, coupled with an aging population, is making it difficult for Taiwan to evolve its pension system to prepare effectively for future challenges.

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



About the Survey

The Taiwan retirement research study is a part of the Asia Retirement study that is a collaborative research project of the Society of Actuaries and LIMRA. The larger study aims to provide consumers' perceptions of retirement across nine major Asian markets including Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China, with a total sample of 9,384 respondents. The first study in the series covered mainland China. This second wave of the study focused on Taiwan and seven other markets. The Taiwan retirement study is targeted at the retirement life of consumers across Northern Taiwan, Central Taiwan, Southern Taiwan, and Eastern Taiwan, through a sample of 760 online respondents.

The Taiwan retirement study provides insights into the consumer perception of retirement across the Taiwan market. The study surveyed random individuals between the ages of 30 and 75 from four regions of Taiwan — Northern Taiwan, Central Taiwan, Southern Taiwan, and Eastern Taiwan. To make the report representative, we solicited a roughly equal number of samples for each selection factor, including regions, sub-regions, age bands, and genders. We collected 760 samples in online questionnaires. The survey's 70 questions relate to respondents' personal information, economic situation, knowledge of financial management, retirement planning, and other relevant data. We tabulated the respondents' answers to all the questions, generated tables, and then compared and analyzed the data in the tables one-by-one.

The study targets three age segments, young workers (30–45 years), pre-retirees (46–60 years), and retirees (age 60+ years). Young workers are at an early stage of their careers and planning for marriage or starting families; pre-retirees are gradually approaching retirement and planning to start saving for comfortable retirements; and retirees are retired or are likely to retire soon (Table 1).

Table 1 — Overall Sample Split Across Singapore: Age Group

Age Band	Sample
Young Workers: 30–45 years	230
Pre-Retirees: 46–60 years	218
Retirees: 61–75	312
TOTAL	760

Source: LIMRA-SOA Retirement Study, 2017.

In addition to age, we have developed statistics by region for purposes of comparison. They mainly include zone 4: Northern, Central, Southern, and Eastern Taiwan (Table 2). Taiwan's has six municipalities, Taipei, New Taipei, Taoyuan, Tainan, Taichung, and Kaohsiung. Only the Eastern region does not support a municipality.

Northern Taiwan is centered on New Taipei, Taiwan's largest city, and Taipei, its second-largest city. Taipei is Taiwan Province's political, economic, cultural, tourism, industrial, commercial, and communication center. In 2014, Taoyuan made the jump from county to municipality, with a gross domestic product (GDP) higher than that of Tainan, a municipality in Southern Taiwan. Driven by these three cities, Northern Taiwan has become Taiwan's leading region, with high concentrations of both population and economic activity. However, its preeminence has also led to a widening gap between the rich and poor in Taiwan.

Central Taiwan is centered on the municipality of Taichung. Its total production ranks fourth among the six municipalities, and its per capita GDP ranks last. However, its industrial and commercial strength is growing, due to production of sugar and other foodstuffs and the machine-repair and chemical industries. The climate is comfortable and agriculture is developed, making it one of Taiwan's most "livable" regions. In addition, the port of Taichung is one of the best for cross-strait navigation to Mainland China.

Southern Taiwan has two municipalities, Tainan and Kaohsiung. These municipalities rank low economically and do not drive development in the surrounding areas. However, although Southern Taiwan's economy is underdeveloped, the region represents the major tourist destination in Taiwan.

There are no municipalities in Eastern Taiwan. Its main counties are Yilan, Hualian, and Taitung. Since the region is mountainous, far from the Chinese mainland, and facing the Pacific, it has not attracted capital or commerce.

Table 2 — Overall Sample Split: Sub-regions

Sub-region	Sample
Northern Taiwan	192
Central Taiwan	189
Southern Taiwan	190
Eastern Taiwan	189
TOTAL	760

Source: LIMRA-SOA Retirement Study, 2017.

Table 3 — Overall Sample Split: Gender

Gender	Sample
Male	385
Female	375
TOTAL	760

Source: LIMRA-SOA Retirement Study, 2017.

Demographic Transition

AGING POPULATION

According to the latest data released by the Department of Household Registration of Taiwan in June 2018, the population was 23,572,415 at the end of May 2018, an increase of 22,338, or 0.09 percent, compared to the May 2017. The male-female ratio was 98.78:100.

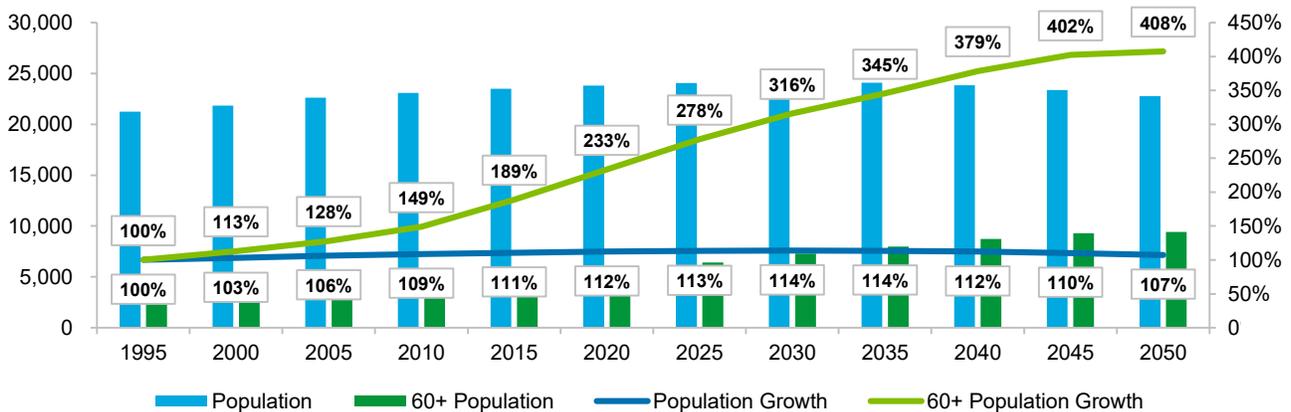
With 14.3 percent of the population over age 65, Taiwan is considered an "aged society."

By 2025, the population over age 65 is expected to exceed 20 percent. At that time, Taiwan will join Japan as a member of the super-aged society. The elderly population may further increase to 41.6 percent¹ by 2060.

The median age of the Taiwan population is rising. It was 32.26 years in May 2001, 34.91 years in May 2006, 38.06 years in May 2012, and 41.18 years in May 2018. By 2060, it will increase to 59.5 years. At that point, half of Taiwan's population will be over age 60.

According to the statistics of the Ministry of the Interior (MOI), the Taiwan aging index (the ratio of the elderly population to the number of young people) has reached 100+ from February 2017, representing the proportion of the elderly population to the young population, up to 105.7 at the end of December. At the same time, support of the young ratio continued to decline. In fact, the aging index increased from 58.13 at the end of 2007 to 105.7 at the end of 2017 (that is, 105.7 elderly for every hundred young). It shows that the phenomenon of aging and sub-population continues, while the growth of working age population is slowing down. By 2060, the aging index will be about 441.8 percent,² increasing the elderly population to about four times that of the young population.

Figure 1 — Overall Population Growth Versus Age 60+ Population Growth (thousands and percentages)



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

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

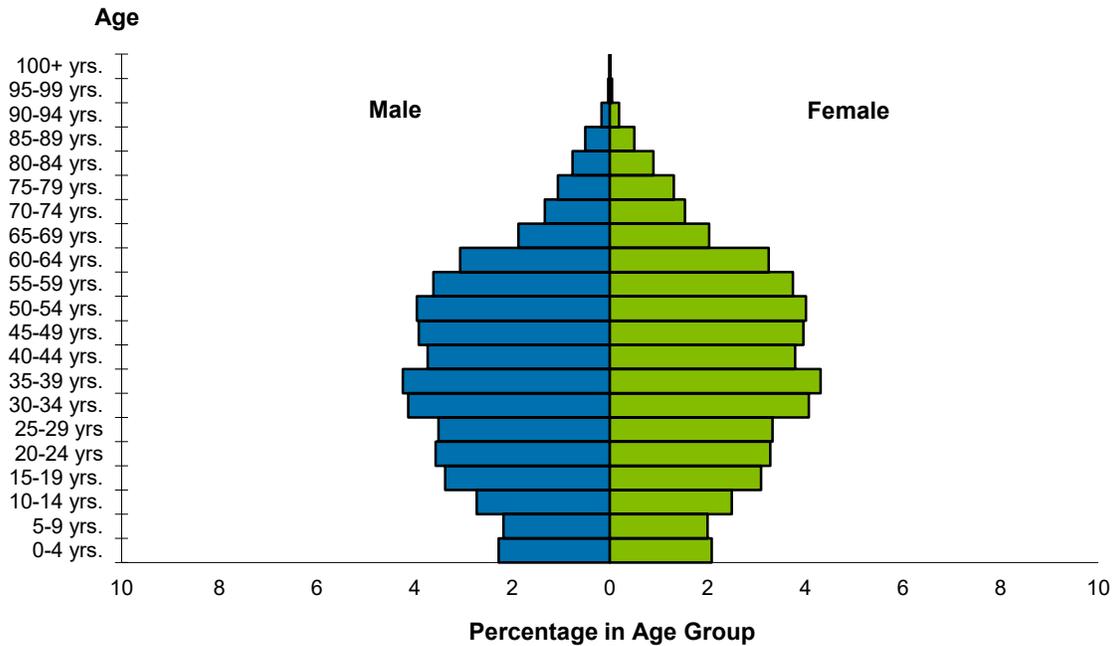
¹ Estimates of Taiwan's Population from 2010 to 2060, Council for Economic Planning and Development, Executive Yuan, 2010.

² Ibid.



Based on data from the UN population Division, 2017, the population pyramids display the distribution of various age groups of Taiwan's population by gender across 2015, 2030, and 2050. They clearly illustrate the increase in the elderly population, along with a decline in overall population, over the next three decades. These trends point strongly to the need for Taiwan to anticipate and accommodate a looming retirement challenge.

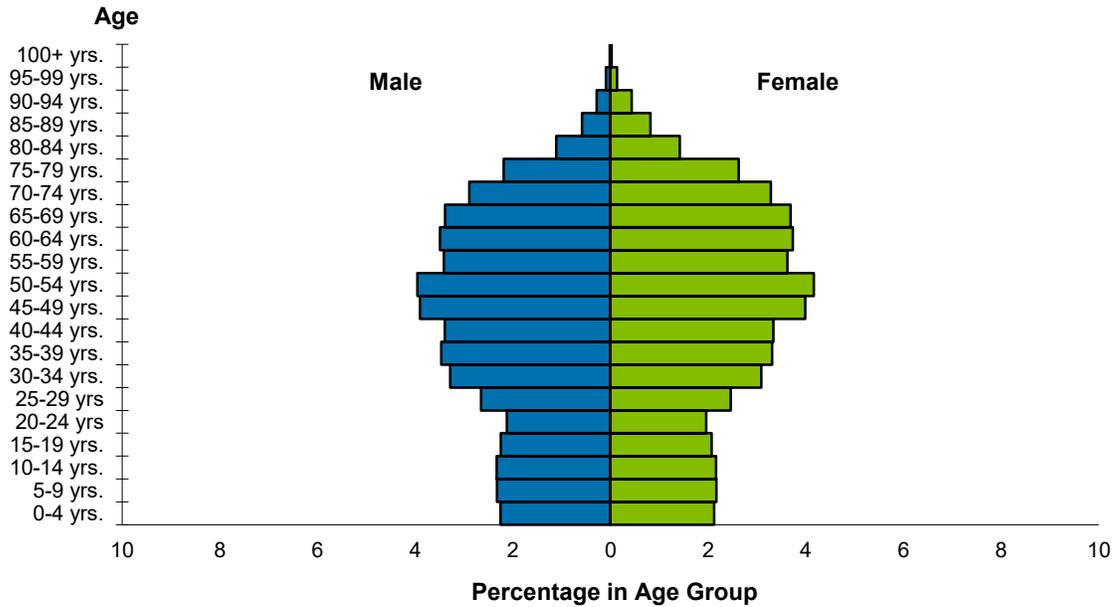
Figure 2 — Population Pyramid: 2015



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

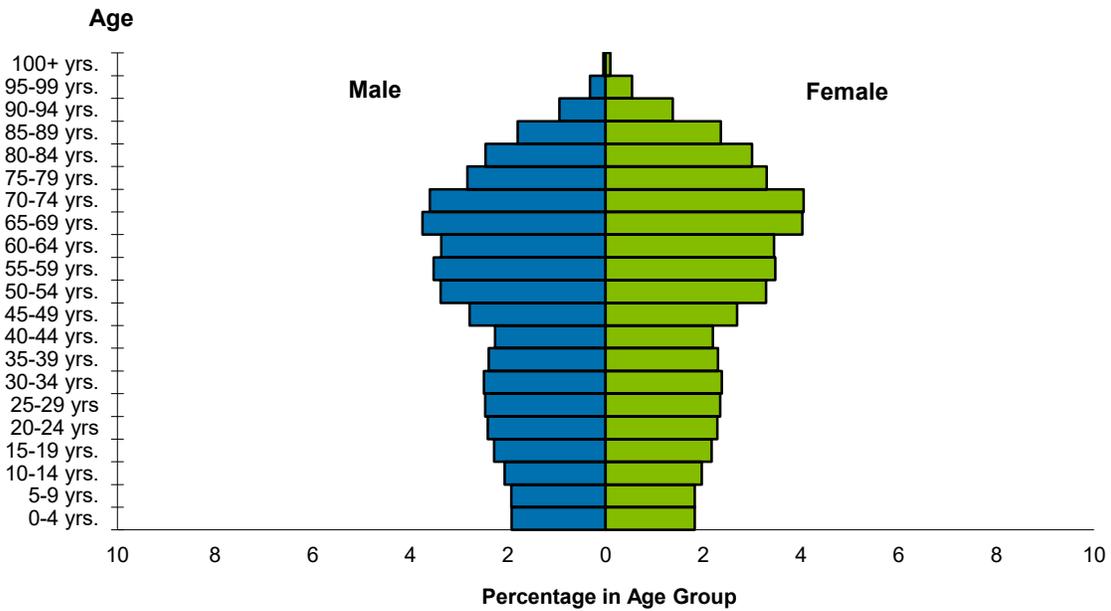


Figure 3 — Population Pyramid: 2030



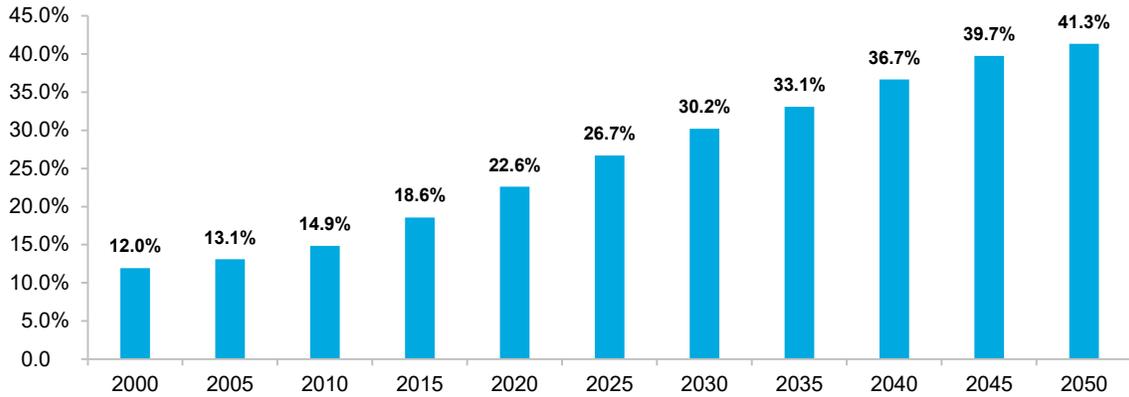
Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 4 — Population Pyramid: 2050



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

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

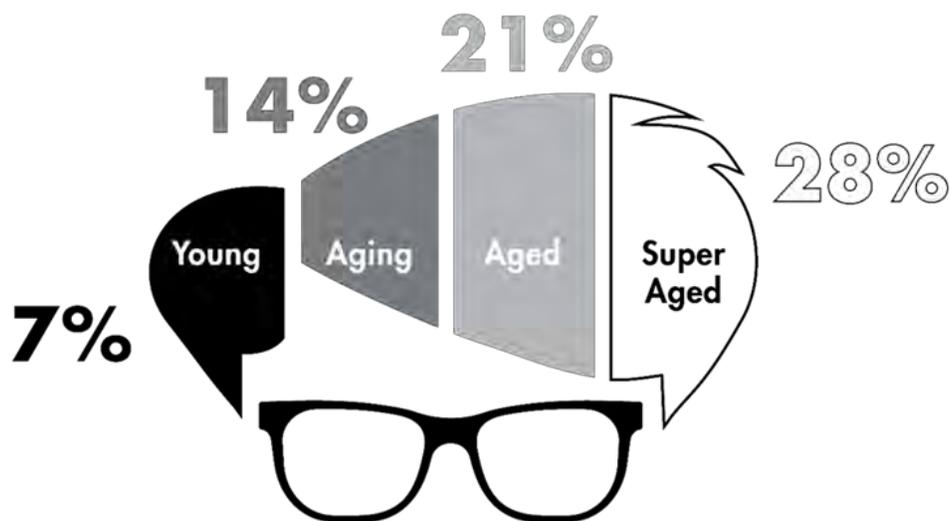


Source: UN Population Division — 2017 data, LIMRA International Research.

The proportion of the elderly (age 60+) will likely increase more than 3.4 times by mid-century, from 12 percent in 2000 to 41 percent in 2050.

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

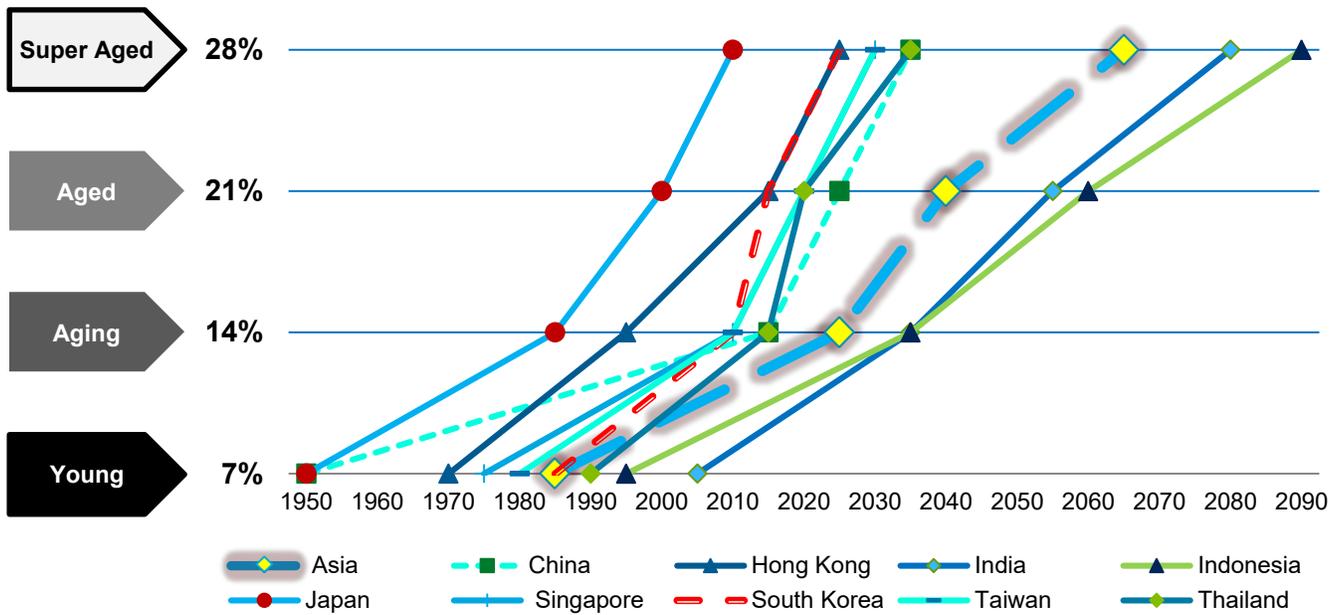
- Young — When the proportion of those age 60 and over crosses 7 percent of the total population
- Aging — When the proportion of those age 60 and over crosses 14 percent of the total population
- Aged — When the proportion of those age 60 and over crosses 21 percent of the total population
- Super-aged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



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.

Taiwan became an aging society before 2010, will become an aged society before 2020, and will become a super-aged society between 2025 and 2030.

Compared with several other regions in Asia, Taiwan's population is aging at an above-average rate. While aging more slowly than Japan, South Korea, and Hong Kong, it is aging as rapidly as Singapore and Thailand and much more rapidly than India and Indonesia. The latter two countries significantly reduced the overall average of population aging in the nine Asian regions studied in the survey.

Aging in Taiwan will be very rapid, covering the journey from young to aging in 30 years, from aging to aged in 10 years, and from aged to super-aged in only another 10 years. In fact, this unprecedented rate makes Taiwan one of the fastest aging markets in Asia.

In the 35 years from 2015 to 2050, Taiwan's elderly population will increase by 5 million before stabilizing after 2050. Asia's elderly population will grow by 759 million, mainly due to increases in Mainland China and India.

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



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

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

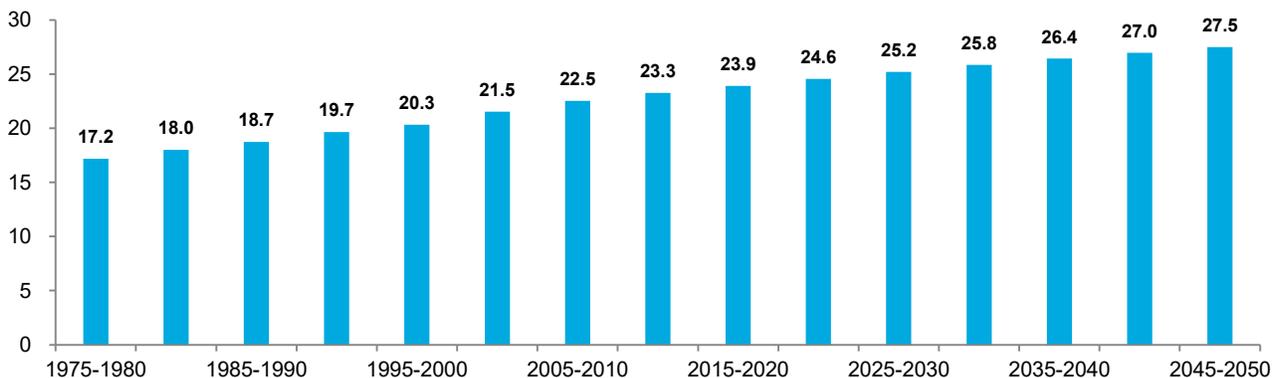
LIFE EXPECTANCY, BIRTH RATES, AND POTENTIAL SUPPORT RATIO

Another cause that leads 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 because of medical advances, improved lifestyle, and the ability to afford healthcare, as well as a decline in both communicable and non-communicable diseases, among many other factors.

For many years, the life expectancy of the elderly population has increased gradually. Life expectancy at 60 years of age in 1975-80 was 17.2 years. It is likely to reach 27.5 years by 2045-50, from 23.3 years in 2010-15.

Life expectancy in the international community is measured by the level of development in a region. It is affected by many factors, including living standards, medical conditions, environmental quality, and more. Factors such as population density, birth rate, and aging may also determine the life expectancy of a region. The persistent low birth rate is the decisive factor in the aging population. An aging demographic will also have an impact on economic growth by affecting the speed of technological progress.

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



UN Population Division — 2017 data, LIMRA International Research.

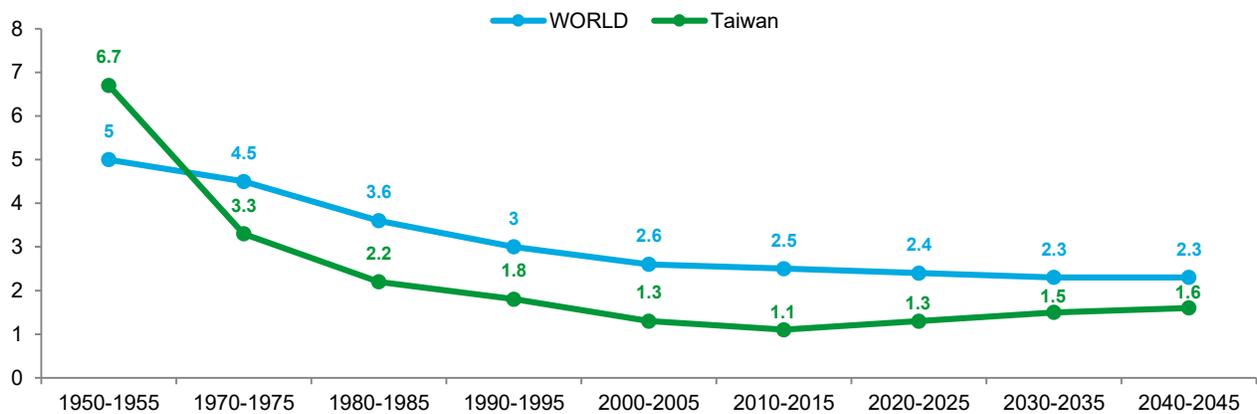


Figure 9 illustrates that, by 1950, Taiwan's total fertility rate exceeded the world level of 1.7, itself at a relatively high level. However, it has been declining year by year, with the lowest point coming in 2010-15, when the rate fell to 1.1, compared to the world level of 1.4. This is a very serious trend for the regional population structure, because, according to global experience, once a region's total fertility rate is lower than the 2.1 replacement level, the population is likely to decline in the long term. Coupled with the increase in human longevity, it will inevitably lead to a rapid increase in the proportion of the elderly population.

In fact, the total fertility rate and fertility willingness have declined. A low-birth culture is not exclusive to Taiwan, but part of a widespread phenomenon. Although the total fertility rate in Taiwan has rebounded since 2010-15, with an ongoing increase to 1.6 expected by 2040-45, the rate still falls below the replacement level of 2.1, and the world level of 1.7. The Taiwan's authorities must take this seriously.

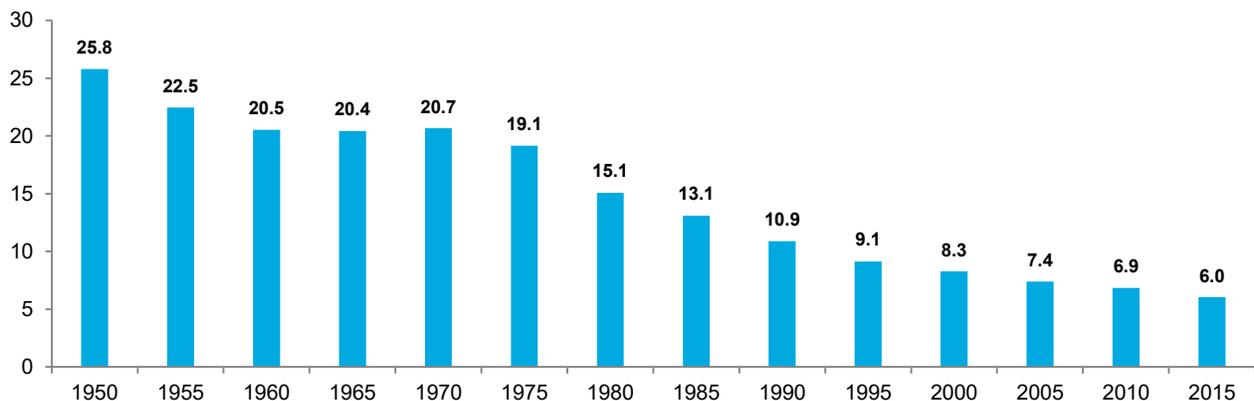
A decline in birth rate, a relatively lower death rate, and rising life expectancy will trigger population aging.

Figure 9 — Total Fertility (live births per woman)



UN Population Division — 2017 data, LIMRA International Research.

Figure 10 — Potential Support Ratio



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. According to data from the UN population Division, the potential support ratio of Taiwan indicates a steady and constant decrease between 1950 and 2015, from 25.8:1 to only 6.0:1. This means that, in 2015, there were six people in the labor force supporting each person aged 65 and over.

It's worth taking a look at the dependency-aged ratio, that is, the number of people age 65+ for each hundred in the working age population (age 15–64 years). At the end of February 2017, the ratio was 18.18. At the end of March 2018, it rose again to 19.28. As recently as 2010, there were 6.9 members of the working age population to support one elderly person; while, by 2060, each 1.2³ young will support 1.0 elder.

This is mainly due to the continuous decline in both birth and death rates, and this trend will continue in the longer term. As medical advances and lifestyles improve, life expectancy is also increasing, further leading to an aging population.

In the future, the burden of the elderly on Taiwan society will increase, even to the point of potentially affecting Taiwan's competitiveness and economic development.

KEY CHALLENGES DUE TO AGING OF THE POPULATION

Socio-economic challenges due to aging will become more and more pronounced. Population aging combined with rising longevity, declining morbidity, and medical care-inflation risks will pose immense challenges. The impact of population aging on the regional economy is seen first in a decline in the proportion of the working population, which renders the labor force seriously inadequate. Because the population that dominates the overall population dominates the working-age population, aging is bound to accelerate the lack of labor resources. Aging is a significant negative factor in economic development.

Further, aging leads to an increase in the coefficient of support, which leads to an increase in labor costs, an increase in the burden of social economy, a reduction in the competitiveness of enterprises and regional economies, and a constraint on the speed of economic development.

In addition, the acceleration of population aging will inevitably lead to an increase or even a surge in social pension or corporate pension expenditures. For enterprises, this will affect the further expansion of their production scale, and it also represents a huge challenge to the socioeconomic balance of the region. The entire social pension system and fund reserves will face enormous challenges.

As the Taiwan market experiences population aging, it needs to prepare for unique and pressing challenges. In this environment, the insurance industry has a significant opportunity to fill the need with bespoke insurance products in life protection, savings, pensions, and health segments — and perhaps work in cooperation with the government.

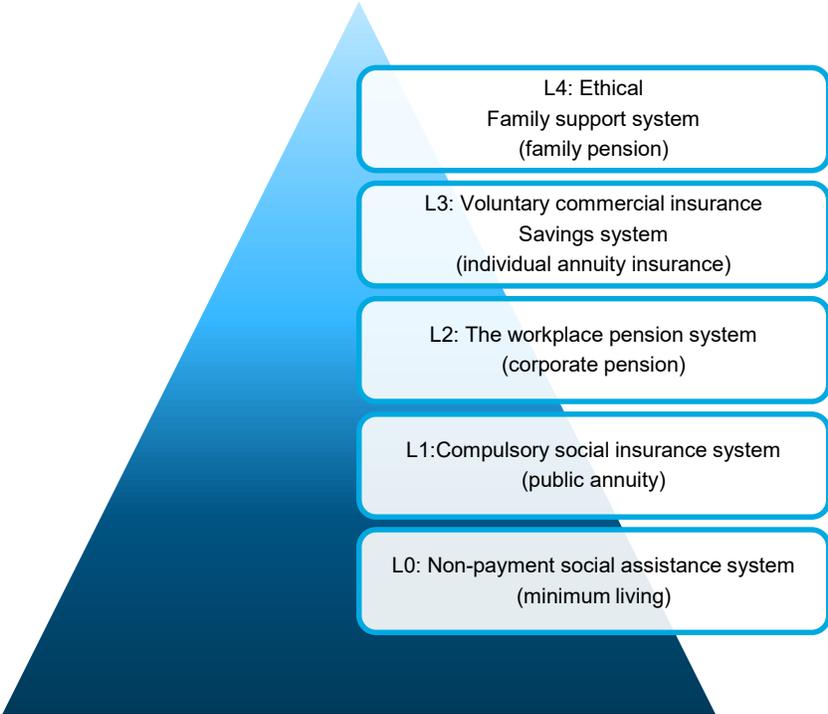
³ *Estimates of Taiwan's Population from 2010 to 2060*, Council for Economic Planning and Development, Executive Yuan, 2010.

Sustainability of Pension Systems

Taiwan already has a relatively complicated pension security system. First, it is a comprehensive system because it is based on different occupations, is graduated, and extends coverage to virtually all. Secondly, its social insurance contribution rate is low; the degree of security is high, and individuals, enterprises, and government share responsibility for accounting for and managing the funds. Thirdly, there are multiple pension sources. Therefore, people in Taiwan generally believe that is not easy to calculate their total retirement funding on their own.

It will be helpful to view Taiwan's pension system in the context of the World Bank's five-tiered pension structure, as defined in 2005 (Figure11):

Figure 11 — Five-Tiered Pension Structure



Source: World Bank, LIMRA International Research.

Table 4 provides an overview the summary of Taiwan's pension system.

Table 4 — Pension Security System and Its Applications

Authentication Security level	Military personnel	Servants	Labour	General National	Farmers
Third floor: Personal protection	Private business insurance, personal savings, family assistance				
Second floor: Statutory occupational pensions	Military Personnel Retirement Fund	Servants Retirement Fund The System of State-Run Enterprise Retirement	Private School Staff Retirement System Retirement Provident Fund of Government Officials	Labour Pensions Contractual Provident Fund of Approximately Employed Persons	
First floor: Statutory Public annuity	Military Insurance	Servants Insurance	Labour Insurance	National Annuity	Old farmer allowance Farmers Health Insurance
Foundation	Subsistence allowance for middle and low income elderly, etc.				

Source: Department of Financial and Financial studies, National Taiwan University.

Pensions are classified in three pillars based on the pension source. Pillar I is the insurance or allowances organized by the Taiwan authorities such as the old-age payment for labor insurance, the farm worker and the elderly allowance, and the “National Annuity.” Corporate pensions for workers constitute the second pillar. Pillar III comprises commercial insurance.

- **Pillar I: The endowment system organized by Taiwan authorities**

The social security system organized by Taiwan authorities can be divided into the social insurance system of military, civil servants, teachers, and laborers, as well as the welfare subsistence allowance for the benefit of the welfare of farm workers, the elderly welfare allowance, and so on.

The social insurance system for military personnel, civil servants, and teachers

The Taiwan authorities are responsible for three kinds of social insurance pensions: the military, civil servants, and teachers. This structure has been in effect since Taiwan authorities first established the prevailing insurance laws and regulation.

Labor insurance system

The labor insurance system in Taiwan was launched in 1950 and initially covered injury, disability, maternity, death, and old age, provided that the various payments were implemented in phases and depended on actual needs. Since then, it has been improved to offer a benefit and expand coverage to include maternity, injury, medical treatment, invalidity, unemployment, old age, and death.



The old system of labor insurance payment is a one-time event. It was subject to depreciation through inflation, poor investment, imprudent spending, and fraud — resulting in hardship or death for the elderly. Taiwan has been planning an annuity system since April 1993. The latest edition of the provisions of the Labor Insurance Ordinance was formally implemented in January 2009, and labor insurances were formally introduced into annuities.

Welfare benefits and the national annuity system

Taiwan's various welfare benefits are mainly targeted at pensioners and low-and middle-income earners. Elder farmer workers can receive a certain amount of "old farmworker welfare allowance" every month. The elderly, veterans, and retired government employees and teachers can also receive a certain amount of "respect for the elderly welfare subsistence allowance" each month. In addition, the Taiwan authorities also issued a subsistence allowance for the elderly in low-and middle-income households who had worked more than 10 years.

- **Pillar II: Enterprise Annuity System**

On July 1, 2015, Taiwan Province promulgated a new labor retirement policy in parallel with the old system. This system has become the main support of the second pillar of endowment protection. Under the Labor Pension Ordinance, the new labor pension system establishes a personal retirement account and "annuity insurance" as supplements to the labor insurance system. The labor pension, either new or old, refers to the system requiring employers to pay pensions to their workers.

The new labor pension system has three salient characteristics. First, the payment determination system can be used to set up individual accounts for employees and to determine their pension levels by the accumulated value of individual accounts; annuity insurance can also be used. Second, the pension is portable, that is, the employee can carry the pension from employer to employer. Third, the benefit amount, in addition to a one-time payment, can be periodic and based on the accumulated pension amount (in accordance with the pension insurance system), as occurs with the conversion of annuity insurance.

- **Pillar III: Commercial insurance**

Commercial insurance is an important part of the third pillar of pension security, and Taiwan has developed a commercial insurance market. In fact, many people achieve retirement security by purchasing commercial insurance. According to the statistics published by the Taiwan Insurance Bureau for the first 10 months of 2017, Taiwan life insurance industry total premium income was TWD27,747 billion, of which the individual annuity insurance premium income was TWD2,599.45 billion or 9.4 percent; individual life insurance premium income TWD21,719 billion, or 78.28 percent.

With multiple parallel systems and the complexity of the calculation, many people do not know how much they will receive in a pension benefit. Nevertheless, it is precisely because of the broad scope of the system that the benefits of social security in Taiwan are quite extensive.

However, are the existing pension systems strong enough to counter the looming challenges facing the aging society? The Allianz Pension Sustainability index provides an indication of a country's need for reforms to maintain long-term financial sustainability. Taiwan ranks 40th among 54 countries — not a good position. Its nearest geographical neighbor, Hong Kong, ranks 14th, the highest in our series of nine Asian market studies.

Table 5 — Ranking of Pension Sustainability Index, Asia — Allianz

Markets	Total		Demographics Ranking	Public Finance Ranking	Pension System Ranking
	Score	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

Source: Allianz Pension System Worldwide Factsheet 2015. The table above shows the ranking of the markets covered in the study.

Taiwan's poor ranking is due to its large proportion of elderly and its accelerated pace of aging. In spite of the government's efforts to strengthen the retirement system and provide broad coverage, along with the high number of retirement insurance funding sources, the growth of hidden debt in various retirement and insurance funds is creating an even larger challenge.

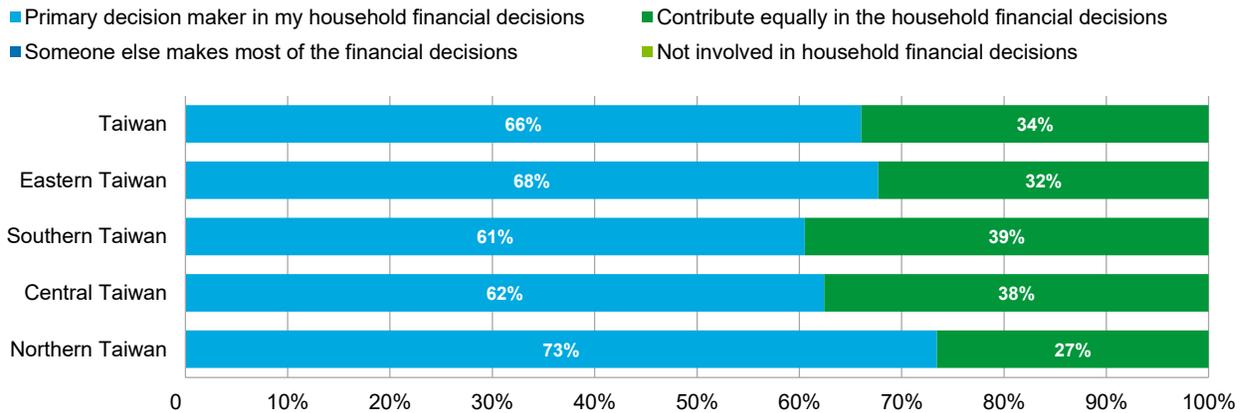
Therefore, in recent years, voices have been raised in favor of reform, and more and more people have begun to consider arranging retirement plans early — initiatives that are clearly needed.

Retirement From the Consumer Perspective

This research is structured to determine how the decision makers or people who contribute to financial decision making plan to tackle the challenges of retirement. Accordingly, it surveyed those who are primary decision makers or those who contribute equally in making financial decisions. In more economically mature markets like Taiwan, family members are more likely to make joint decisions (Figure 12).

Figure 12 — Respondents by Decision Authority

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



The Asian population is deeply influenced by traditional culture and generally places great value on family ties, as is not always the case in the West. Historically, in the absence of pensions, most Taiwanese depended on their children and families for retirement income, so family has an important role when it comes to retirement, as shown by the survey. In Taiwan, 44 percent of respondents indicated that their parents and spouses’ parents rely on their financial support. This ratio is higher than spousal support and lower only than child support. In Central Taiwan, a majority, 53 percent, said they needed to support parents of both spouses (Figure 13).



Figure 13 — Financial Dependence

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

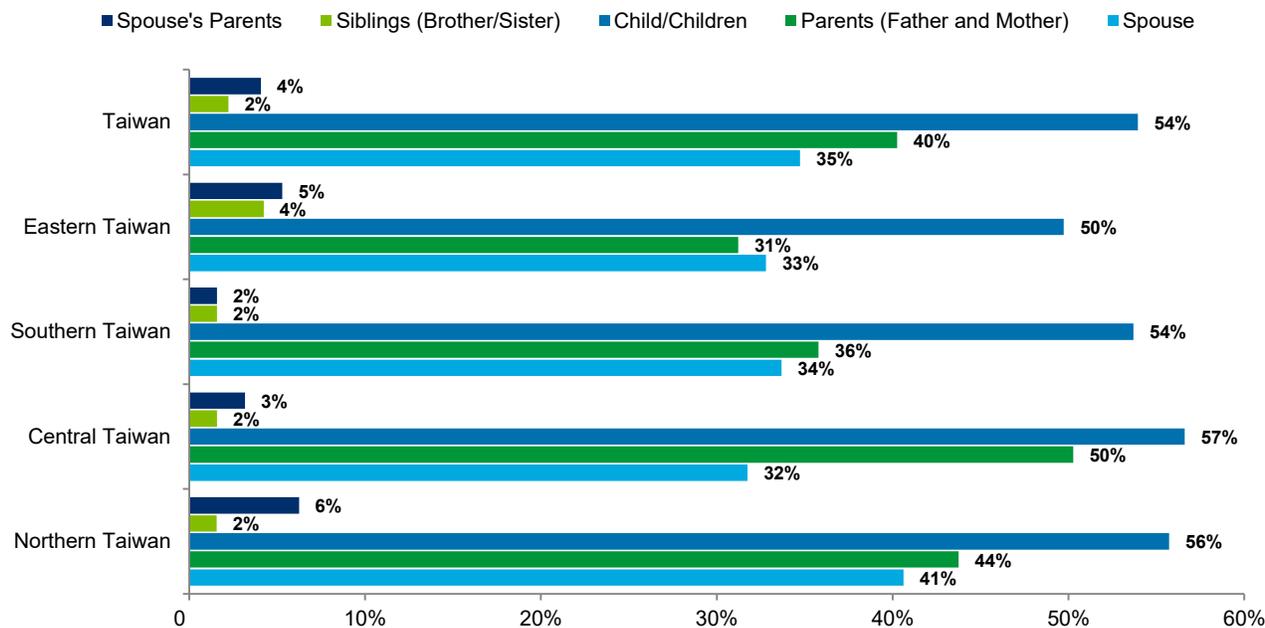
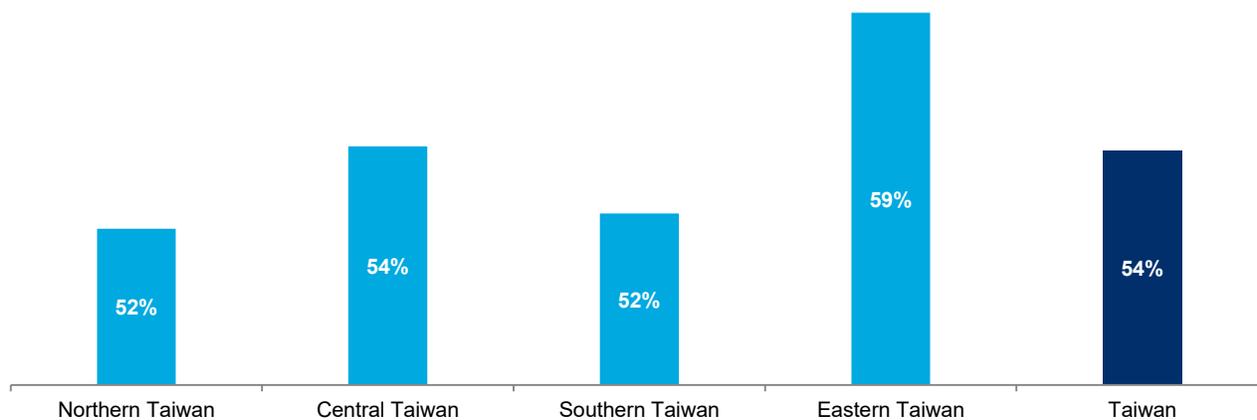


Figure 14 — Do Not Work With Any Financial Professionals to Help With Household Financial Decisions

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.”

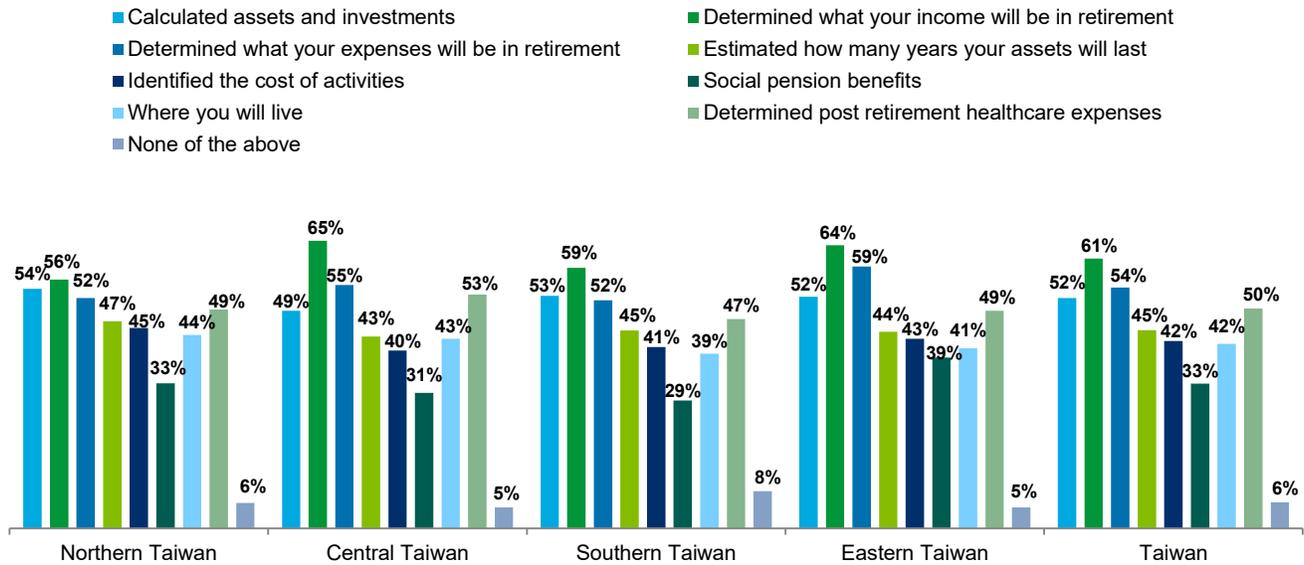


Of course, many individuals support parents, their spouses’ parents, their spouses, and their children. However altruistic, this long-term level of support poses a heavy responsibility and burden on the family provider and requires careful savings and prudent investing. Yet, 54 percent of people do not work with any financial professionals to help with household financial decisions. In Eastern Taiwan, the figure is close to 60 percent (Figure 14).

More than half of the consumer do not work with any financial professionals to help with household financial decisions.

Figure 15 — Initiatives on Retirement Planning

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



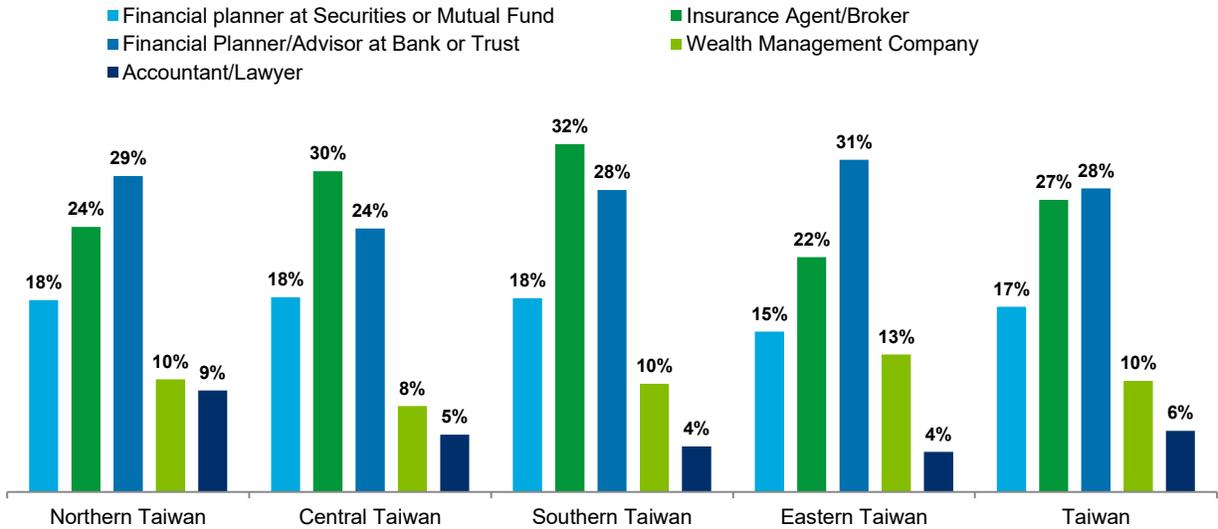
Although lack of awareness or distrust of financial professionals may be a factor, only a low percentage of respondents, 6 percent, have not taken any initiatives whatsoever on retirement planning. Conversely, 94 percent of respondents in Taiwan took some action — six percentage points higher than the average of 88 percent across Asian markets surveyed. The findings are similar across all regions of Taiwan (Figure 15).

When it comes to retirement planning, 94 percent of respondents in Taiwan took some action.

The initiatives by respondents illustrated in Figure 15 may be interpreted to suggest that Taiwan’s consumers understand the need to plan for old age.

Figure 16 — 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?”

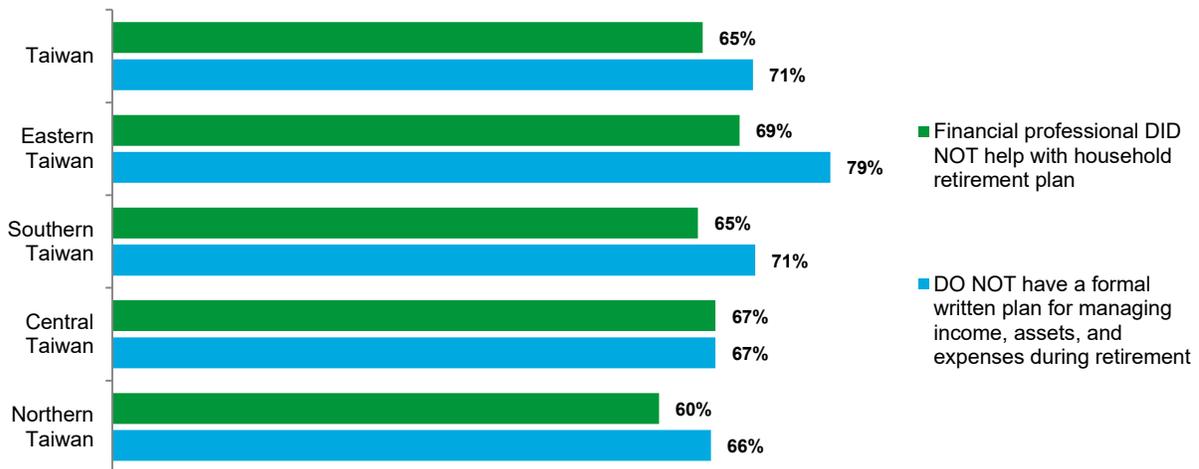


While a large proportion of respondents did not contact financial professionals for financial decisions, among those who did, respondents showed equal interest in insurance agent/broker and financial planner/advisor at bank or trust, followed by financial planner at securities or mutual fund company (Figure 16). Taiwan is the only market surveyed that most preferred insurance agent/broker. Across Asia, this category only ranked third. It is believed this popularity is related to Taiwan's relatively mature commercial insurance market.

However, depending on the region, there are still differences in preferences. For example, respondents in Central Taiwan and Southern Taiwan prefer insurance agent/broker rather than financial planner/advisor at bank or trust, while Northern Taiwan and Eastern Taiwan prefer the latter. The respondents in Eastern Taiwan prefer the latter to the former at a rate of nine percentage points.

Figure 17 — Retirement Planning

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



Plans are typically much more detailed and have a greater potential for being carried out when they are written. According to the survey, across Taiwan, 70 percent of respondents answered "no" when asked if they had a written plan. In Eastern Taiwan, the proportion is 79 percent (Figure 17).

Seventy-one percent of respondents do not have a formal written plan for managing income, assets, and expenses during retirement, and 65 percent do not seek help from financial professionals on retirement planning.

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."

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Confidence Benchmark					
I will be able to live the retirement lifestyle I want	60%	57%	62%	68%	62%
I have enough savings to last until the end of my retirement	47%	48%	41%	61%	49%
Need Help					
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	62%	64%	63%	56%	62%
Action Statement					
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	68%	63%	65%	65%	65%
I am currently very involved in monitoring and managing my retirement savings	65%	55%	64%	67%	63%
Challenge and Mindset					
I do not trust financial institutions with my money	33%	39%	30%	30%	33%
It is rare to hear people talk about retirement planning in the workplace	60%	44%	46%	44%	49%
I have/will inherit property from parents/relatives	40%	35%	41%	35%	38%

Note: Above numbers represent summed-up options of "Somewhat Agree" and "Strongly Agree." The top-three options per market have been highlighted. When two options are placed side by side, the four options are highlighted.

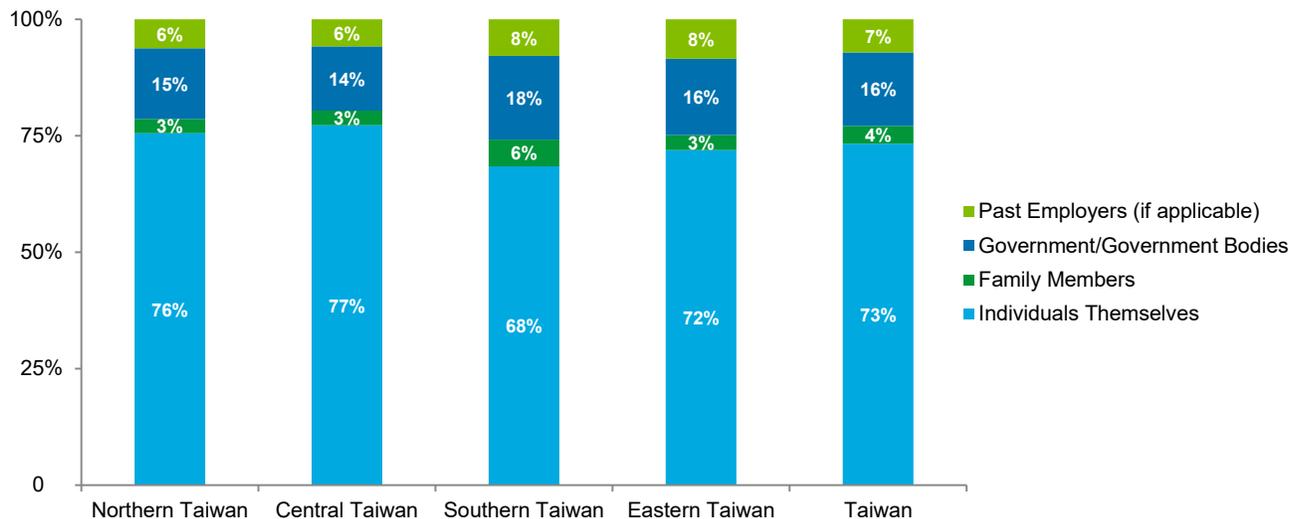
Most are willing to trust financial institutions; and a strong majority are very involved in monitoring and managing retirement savings.

Most of the respondents are quite confident about their future retirement (Table 6). Sixty-two percent of respondents are confident in maintaining an ideal retirement lifestyle; the proportion in Eastern Taiwan is particularly high at 68 percent; in Central Taiwan, it is relatively lower, but still a majority, at 57 percent. Yet, in an apparent contradiction, respondents do not have confidence that they have saved enough for a comfortable retirement. Therefore, 62 percent of respondents would like their employers to make available more comprehensive information and advice on retirement savings and planning. At the same time, they are willing to purchase or plan to purchase a financial product that will provide them with guaranteed lifetime income (65 percent).

Equally encouraging is the high proportion, 63 percent, of respondents who are very involved in managing their investments. In fact, except for Central Taiwan, the proportion in the other three regions is more than 60 percent. Secondly, a majority across Taiwan trust financial institutions, as only 33 percent of respondents said they are not willing to trust money to financial institutions.

Figure 18 — Primary Responsibility for Providing Retirement Funds

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



Seventy-three percent of respondents think that they should assume responsibility for accumulating retirement savings.

Seventy-three percent of respondents in Taiwan consider retirement funding to be their own personal responsibility. Only a very small proportion of the population placed the responsibility on other family members, or former employers. The number of people who think the government should provide pension funds is slightly higher at 16 percent (Figure 18).

Therefore, when the respondents across Taiwan were asked about sources of income in retirement, they were highly concerned about personal savings and investments (Table 7).

Up to 95 percent of respondents believe that “personal savings and investment” are the main sources of future retirement funds.

Taiwan’s responses are in keeping with the Asian emphasis on personal savings. Taiwan is in line with Mainland China on this point.

Taiwan does differ from other surveyed Asian markets, however. For example, 80 percent of respondents are dependent on life insurance, 76 percent on full and/or part-time job earnings, and 69 percent on social pension or other local pension. The second-place preference of life insurance is not difficult to understand because of the high penetration of the Taiwan insurance market. By way of comparison, across Asia, the first preference is personal savings and investments, and the two least preferred are full and/or part-time job earnings and social pension and other local pension.

In 2016, Taiwan's insurance density⁴ was \$4,320.7, ranking ninth in the world.⁵

It's well known that Taiwan has an extensive social security system with wide coverage for almost all industries and individuals. Therefore, respondents' lack of confidence in the sustainability of their retirement savings is surprising. This concern may stem from the difficulty for the general public to calculate their pension benefits on their own. In addition, in recent years, Taiwan's aging rate has accelerated, and the invisible debts of pension funds have plagued both the government and the public. Therefore, reforms are critically necessary, because of the potential need of the elderly to continue to work beyond the typical retirement age.

Seventy-six percent of the respondents indicated that they would depend on full/part-time job earnings to support their retirement.

Although not a top-three choice, nevertheless more than half of respondents chose employer-sponsored voluntary enterprise annuity and/or voluntary plans as a source of retirement income. Therefore, the Voluntary Enterprise Annuity, the second pillar of pension security, is worthy of close attention.

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."

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Personal savings and investments	96%	94%	96%	94%	95%
Full/Part-time job earnings	84%	75%	78%	66%	76%
Social pension/Other local pension	74%	64%	74%	63%	69%
Life insurance	85%	79%	84%	71%	80%
Voluntary Enterprise Annuity/Voluntary plans set up by employer	56%	61%	62%	44%	56%
Family member assistance (including children)	55%	49%	45%	41%	48%
Rental property	49%	43%	38%	36%	42%
Inheritance from death of a family member	49%	45%	43%	33%	43%
Reverse mortgage	38%	34%	35%	21%	32%

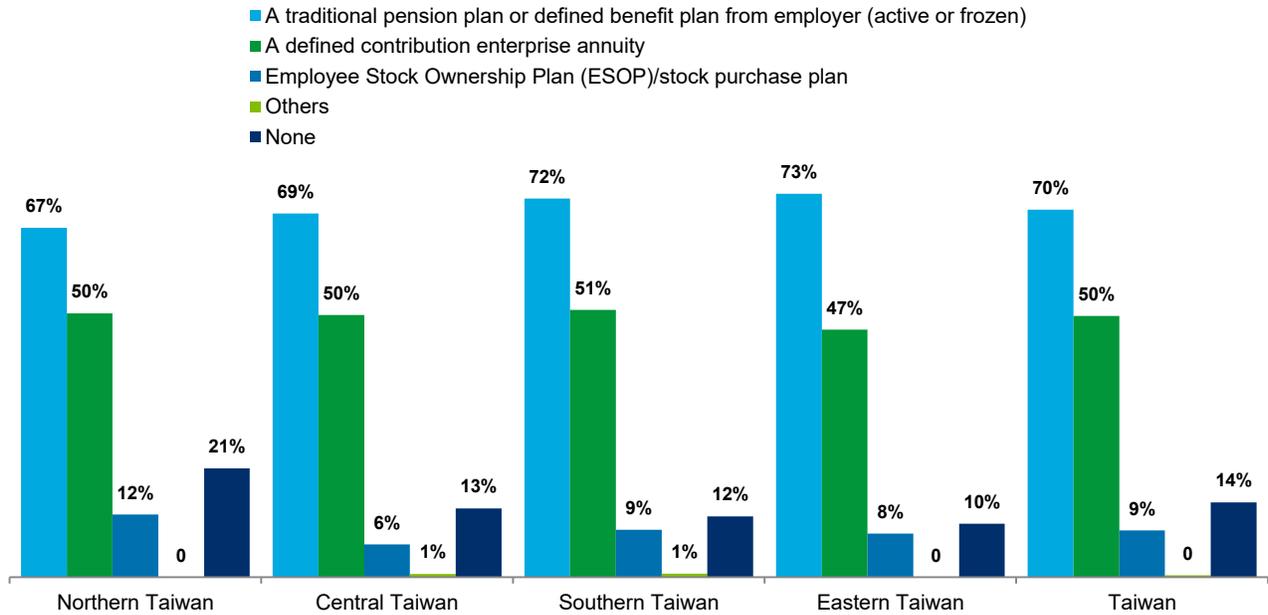
Note: The top-three options per market are highlighted.

⁴ Note : Insurance Density: average insurance expense per capita.

⁵ Source : Quoted from "Swiss Re, Sigma No. 3/2017."

Figure 19 — Retirement Plan Available Through Current Employer, Work, or Profession

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



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

A solid majority of respondents in Taiwan, up to 70 percent, have a traditional pension plan or defined benefit (DB) plan from an employer (Figure 19). A half, 50 percent, have a defined contribution (DC) plan. The prevalence of DB over DC is similar throughout Asia, but the level of coverage is higher in Taiwan — further indication of the robustness of Taiwan's enterprise annuity system. Worth noting, though, is the finding that around 14 percent of respondents have neither a DB nor a DC plan.

Sixty-three percent of Taiwanese respondents claimed they did not contribute to any employer-funded retirement savings plan (Figure 20). Among the non-contributor groups, some do not currently contribute, but have previously (12 percent), and some people do not contribute even if they have access (12 percent); some have no retirement plan options (13 percent).



Figure 20 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement Savings Plans

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

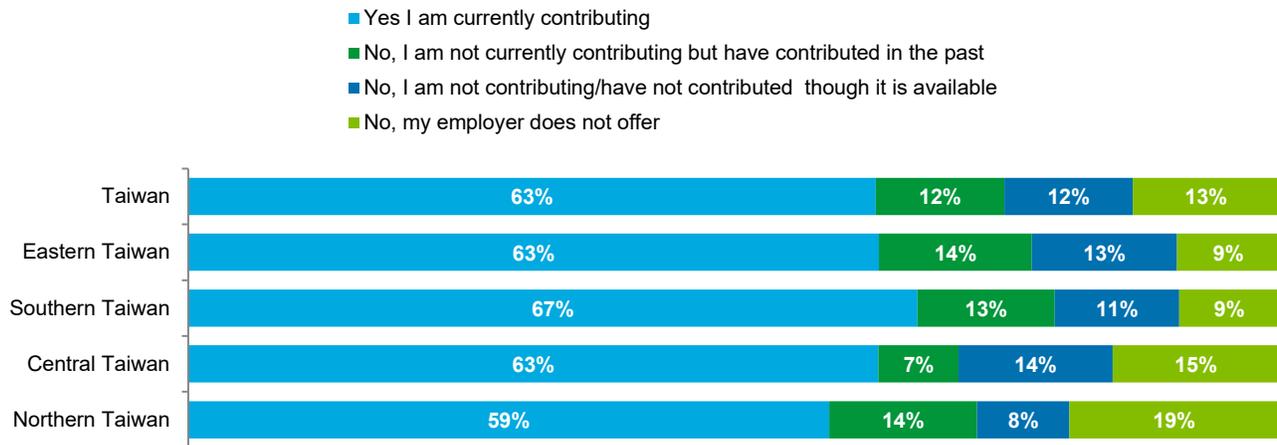
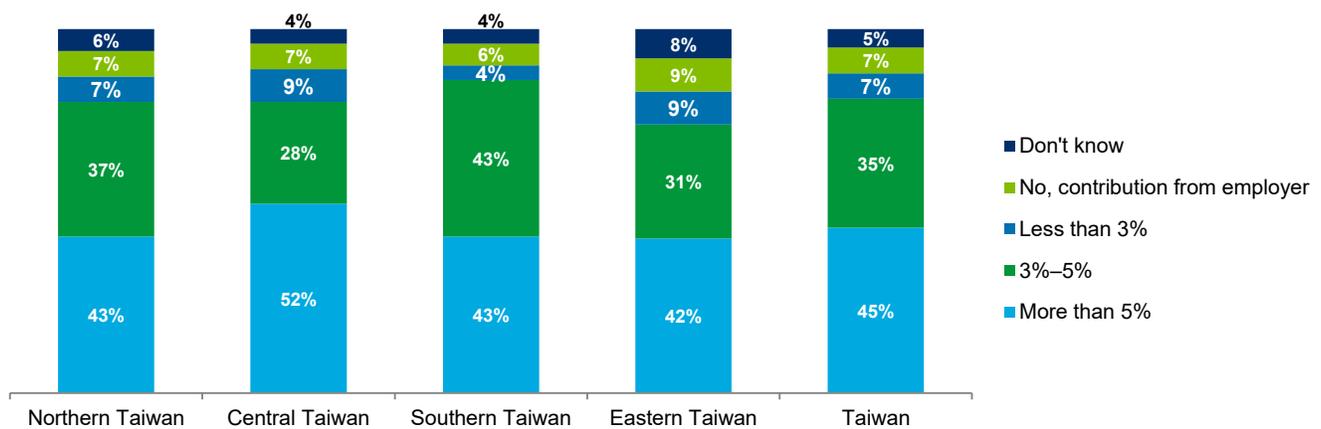


Figure 21 — Extent of Employer-Matching Contributions

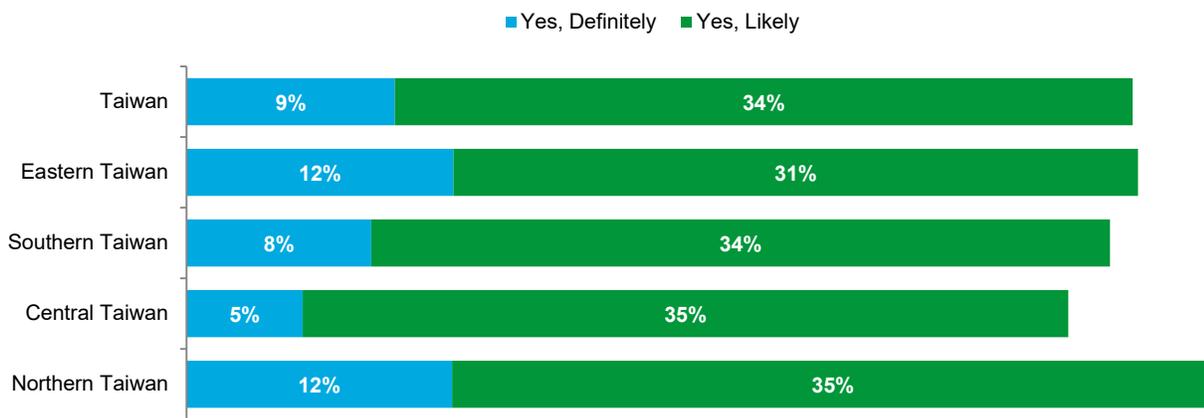
Responding to the question: “At what level does your employer currently match your contributions to the defined contribution retirement savings plan(s) they offer (e.g., 50 cents on the dollar for the first 6 percent of pay contributed)?”



Forty-five percent of respondents revealed that they received an employer-matching contribution that is more than 5 percent of their pay, and more than one third of them said that they receive a contribution of around 3–5 percent of their pay. This finding suggests that less than a third of employers match employee contributions at a rate of 3–5 percent (Figure 21).

Figure 22 — 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.

Only 9 percent of respondents are definitely confident of the adequacy of income from their employer-sponsored pensions or the Social Pension.

Taiwan respondents' confidence in the adequacy of employer-sponsored pension or Social Pension is not high (Figure 22). Incredibly, only a negligible number of respondents, less than one tenth, are very confident that their current employer-funded and social pension plans can provide them with income to meet basic living needs in retirement — even though it is generally acknowledged that Taiwan’s pension system is relatively well developed. This finding compares unfavorably with Asia’s average rate of 21 percent. In Central Taiwan, only 5 percent of respondents were confident.

The lack of confidence in the adequacy of income from employer-sponsored pensions or the Social Pension suggests Taiwanese believe they need alternative options. The preferences illustrated in Table 8 provide some answers to what these options may be.

In Taiwan, there is a clear income-withdrawal preference over principal withdrawal. This finding is in keeping with the finding that approximately 95 percent of respondents believe that personal savings and investment are their main sources of future retirement funds.

More depend on earned income by withdrawing interest and leaving principal untouched.

Accordingly, respondents in Taiwan show interest in financial products that will convert some or all of household savings into guaranteed lifetime income. This is especially true for pre-retirees.

Taiwan’s preferences are slightly different from those in other Asian markets surveyed. Taiwanese demonstrate a stronger preference for income extraction over principal extraction than any other market. They are also concerned with financial-asset investment, while in other regions, people have preferred housing-rental income as an important source of retirement income at a slightly higher level.

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?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Withdrawal preferences					
Withdraw some principal and some interest on a regular basis	45%	39%	43%	49%	44%
Withdraw some principal and some interest on an occasional basis, or when needed	39%	43%	44%	40%	41%
Withdraw only interest and dividend earnings, but not withdraw any principal	43%	40%	47%	40%	43%
None. My household has no intention of using retirement savings for income	3%	6%	5%	4%	4%
Interest in buying properties or annuities for income or growth					
Buy or look for a product that will convert some or all of household savings into guaranteed lifetime income	42%	35%	43%	38%	40%
A corporate annuity with a tax benefit	16%	15%	19%	16%	16%
Invest retirement savings in property and generate rental income	35%	34%	25%	31%	31%
Opt for a reverse mortgage	15%	17%	13%	11%	14%
Don't know	4%	3%	3%	4%	3%

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

It is equally important to know when consumers plan to retire and whether their savings are enough to meet their retirement needs, as well as how long they need to save for retirement and how long they anticipate they will live in retirement.

Across the sub-regions of Taiwan, the time spent on retirement planning differs marginally from market to market. Most respondents generally start saving for retirement around age 40 (Table 9). Only Northern Taiwan’s respondents begin earlier, at age 37. There is a slight difference regarding the planned retirement age between workers and retirees. Those working expect to retire at age 63, the retired at age 59.

A majority of the working group anticipates having 23 years from age 40 to save for retirement.

Table 9 — Retirement or Retirement Planning

Responding to the 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?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Started saving for retirement at the age of...					
Working	37	38	40	42	39
Retired	37	42	40	41	40
Plan to retire/retired by the age of...					
Working	62	64	63	63	63
Retired	59	61	59	60	59

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 half respondents regret they started saving late for retirement or did not start saving at all.

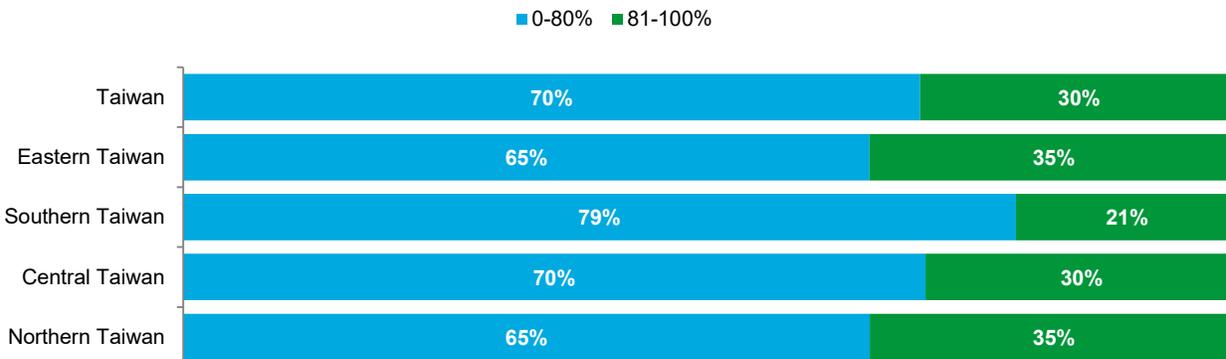
Taiwanese respondents regret that they have delayed their retirement plans, but at a lower rate than the average of surveyed Asian markets. In fact, because Taiwanese have strong personal savings habits, 49 percent of respondents express regret, compared to the Asian average of 54 percent, Thailand at 60 percent, Hong Kong at 57 percent (Figure 23). In fact, only 37 percent of respondents in Northern Taiwan expressed regret for delaying retirement plans. It is important to keep in mind, though, that individuals often miscalculate how much and how long they need to save and invest, and at a later age realize they haven’t saved enough.

On average, a much higher proportion of Taiwanese, 70 percent, believe that there will be a significant gap in their retirement funds at age 60. Only around 30 percent of respondents expect to have more than 81 percent of the funds they need to lead a comfortable retired life (Figure 24). A significant 79 percent of respondents in Southern Taiwan believe they will have a gap in retirement funds, a rate equal to the overall in Asia and higher than the average in Taiwan.

At least 70 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?”



Moreover, respondents underestimate their life expectancy at age 60 by around 7 percent, suggesting that the retirement funding gap is slightly wider than they anticipate (Figure 25). Respondents expect to live an additional 22.1 years upon turning age 60; actual life expectancy at age 60 is 26.4 years.⁶

Figure 25 — Anticipated Life Expectancy at Age 60 Versus Estimated Life Expectancy at Age 60



However, in Eastern Taiwan, the young workers (30–45 years) have a more accurate life expectancy of around 28 years. Conversely, young workers in Central Taiwan predict that their age 60 average life expectancy is 19 years (Table 10).

According to the data issued by the official website of the Ministry of the Internal of Taiwan in September 2017, the average life span of the population in Taiwan was 80 years in 2016. Men’s average life span was 76.8 years, and women’s was 83.4 years. The average life expectancy of the whole country, male and female, was 0.2 years lower than that in 2015, but over the long term, the average life expectancy was still on the rise.⁷

Respondents also had a tendency to underestimate life expectancy.

⁶ For comparison, 2035 – 2040 data have been used from UN Population Division, considering the age band and quota used in the study.

⁷ https://www.moi.gov.tw/stat/news_detail.aspx?sn=12770.



Table 10 — Anticipated Years of Retired Life Versus Life Expectancy

Responding to the question: “How long do you expect to have a retired life, assuming you retire at age 60?”

	Anticipated retirement life at age 60	Actual life expectancy at age 60
Young Workers: 30–45 years	21.4	27.0
Pre-Retirees: 46–60 years	22.1	24.6
Retirees: 61–75 years	22.7	22.5
Taiwan	22.1	26.4

Please note, considering the age band and quota used in the study we have quoted the data from the UN population division from different years to compare expectations of different age bands, based on when individuals are likely to attain age 60. Young workers: 2040 – 45 data, pre-retirees: 2020 – 25 data, retirees: 2005 – 10, for the total dataset: 2035 – 40.

It is not difficult to discover from Table 11 that the Taiwanese are quite worried about retirement security. Few of the 18 retirement-risk options were chosen by less than half of the respondents, and most were chosen by a very high percentage of respondents.

The two major concerns are public policy and healthcare risks. Respondents are not only worried that the aging society will make it harder for the government to provide for the elderly, they also worried that the government or company will reduce the Social Pension, in addition to health or medical insurance benefits. Moreover, they are concerned about providing for healthcare costs beyond the social insurance medical supplement and the drain of a chronic illness on lifelong savings. With the acceleration of the aging process in Taiwan, the increasing pressure to fund social pension insurance and medical insurance is a general cause of concern, aggravated by worries over increasing medical expenses. Paying for healthcare expenses remains a top concern across most regions of Asia.

In addition, Taiwan's respondents showed a high degree of concern about economic risks such as tax increases and inflation and, to a lesser extent, a decline in interest rates.

Public policy and healthcare risks are the top-two major retirement concerns.

Table 11 — Key Retirement Concerns

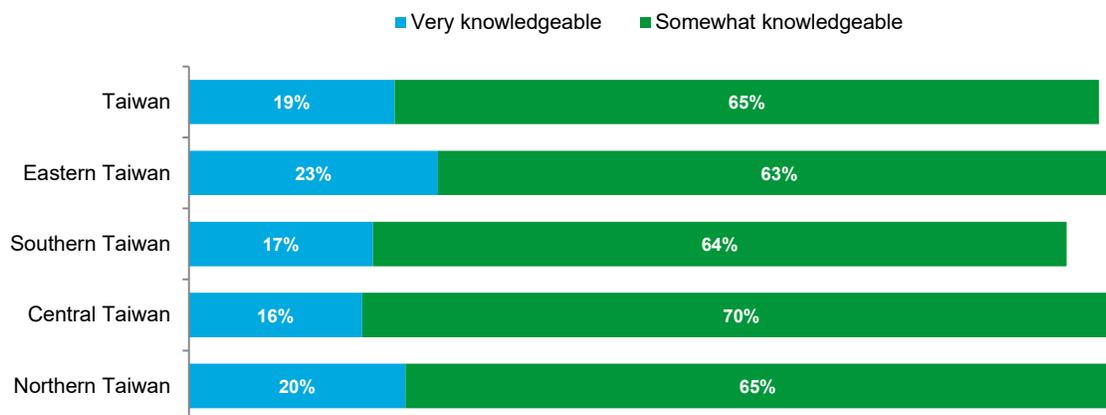
Responding to the questions: “How concerned are you about each of the following?” “How concerned are you about each of the following during retirement?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Longevity risks					
Providing for your spouse/partner if you should die first	72%	68%	67%	62%	67%
The possibility that you or your spouse/partner will outlive your assets	67%	67%	66%	57%	64%
Providing for yourself if your spouse/partner should die first	60%	64%	60%	55%	60%
Healthcare/Long-term care risks					
Providing for healthcare costs beyond the social insurance medical supplement	88%	92%	83%	83%	86%
A chronic illness may drain my lifelong savings	85%	83%	86%	85%	85%
Finding available long-term care/nursing home care	76%	71%	78%	72%	74%
Public policy risks					
Aging society will make it harder for the government to provide for the elderly	86%	88%	89%	86%	88%
The government or company will reduce health or medical insurance benefits	87%	86%	85%	88%	87%
The government or company will reduce the Social Pension	88%	84%	85%	86%	86%
Economic and market risks					
Tax increases	85%	80%	82%	80%	82%
A decline in interest rates	83%	75%	74%	80%	78%
A prolonged stock market downturn	70%	62%	62%	61%	64%
The value of savings and assets might not keep up with inflation	85%	87%	87%	81%	85%
Legacy/Family related and other concerns					
Inability to find or maintain employment in retirement	65%	67%	67%	51%	63%
Not yet started planning for retirement	64%	67%	62%	51%	62%
You might not be able to leave money to your children or other heirs	61%	48%	50%	45%	51%
My child/children may not take care of me and my spouse during retirement	65%	60%	62%	50%	59%
My child/children are NEETs group (neither go to college nor go to work and remain financially dependent on parents as adults)	58%	52%	46%	46%	50%

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 are 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.”

Consumers are generally confident in their ability to make their own financial and investment decisions. Most respondents across Taiwan generally acknowledge their responsibility for generating their own retirement incomes as well and do not seek outside retirement-planning advice from professionals. Moreover, they are confident about their knowledge of financial products and investments (Figure 26). Fewer than 2 in 10 respondents considered themselves very knowledgeable; 65 percent considered themselves somewhat knowledgeable — translated into a confidence index, the score is very high.

Eighty-four percent of respondents have confidence in their knowledge of financial products and investments.

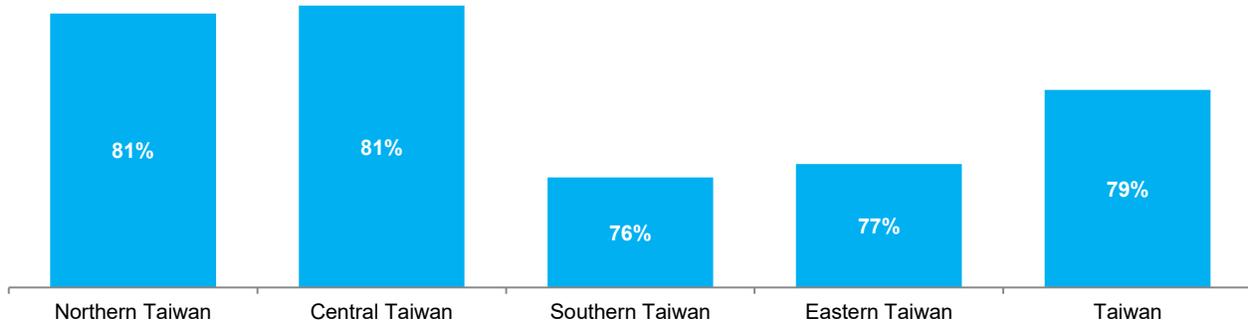
The results should also be encouraging to financial institutions, as nearly 8 of 10 Asian respondents indicated that they are willing to convert some of their assets into annuities to create retirement income (Figure 27). Taiwan respondents’ strong interest in annuities is 8 percentage points higher than the Asian average.

Eight of 10 Taiwan respondents are willing to convert some of their assets into annuities. More than 85 percent are interested in tax-deferred annuity performance.



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?”

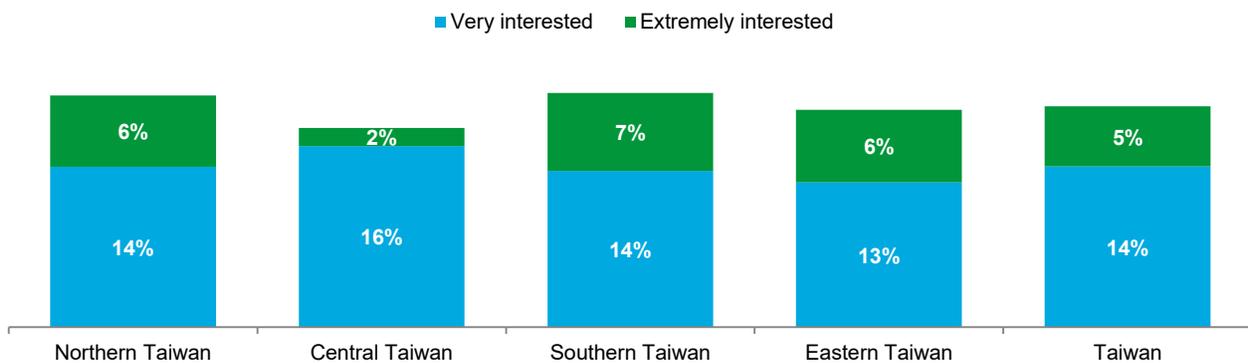


Note: Above results show people who responded “Yes.”

In addition, respondents are interested in using their pension funds to purchase tax-deferred annuities (Figure 28). Figure 28 represents the 20 percent of respondents who are very interested and extremely interested. The group who responded somewhat interested is significantly higher at 65 percent; only 15 percent are not at all interested. In total, more than 85 percent of respondents have some level of interest in tax-deferred annuity products. Together with Asian markets Japan and Hong Kong, Taiwan has become a region of high interest for this product.

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.”

Table 12 — Preferred Method to Obtain Information on Investments, Financial Products, or Retirement Planning

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

Methods/Channels	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Internet/financial websites	59%	52%	55%	54%	55%
Family, friends, or co-workers	46%	50%	51%	53%	50%
Social media/networking websites	34%	26%	24%	26%	28%
Representatives from the company managing my employer’s defined contribution retirement savings plan	18%	16%	15%	14%	16%
My own financial advisor/planner/insurance agent	36%	40%	41%	38%	39%
Website with information on my specific retirement account	22%	16%	16%	20%	18%
Employer (Human Resources department)	13%	10%	12%	8%	11%
Television or radio programs	20%	27%	31%	24%	26%
Books, magazines, and newspapers	11%	10%	12%	10%	11%
Booklets, pamphlets, or other written materials provided by employer	32%	32%	31%	37%	33%
Workshops and/or seminars	22%	15%	15%	18%	18%
Mobile apps	11%	8%	8%	10%	9%

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.

As illustrated in Table 12, the Internet has indeed penetrated the Taiwan way of life. Consumers’ first preference for obtaining investment, financial products, or retirement planning information is online, followed by family, friends, or co-workers, and their own financial advisors, planners, or insurance agents. Once again, findings reflect the strong presence of the insurance industry in the Taiwan market.

Although Internet/financial websites is the most commonly used channel for consumers to obtain investment, financial products, or retirement planning information, they are dissatisfied with the usefulness of the content.

While online sources are frequently tapped for financial information, respondents do not consider the information helpful. In fact, less than one fourth of consumers find it useful. This assessment may be due to the complexity of financial information that makes it difficult to fully understand without explanation. However, this explanation does not fully account for the level of dissatisfaction with the usefulness of the advisor/planner/agent channel. How to improve and tap the latent power of personal, professional interaction is the next step for the financial and insurance industry to focus on.

There was a similar disconnect between preferred sources and usefulness of the sources in other methods/channels as well.

Table 13 — Usefulness of the Information Gathered From Different Channels or Methods

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

Methods/Channels	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Internet/financial websites	20%	25%	23%	27%	24%
My own financial advisor/planner/insurance agent	21%	25%	21%	25%	23%
Representatives from the company managing my employer's defined contribution retirement savings plan	4%	6%	5%	4%	5%
Family, friends, or co-workers	20%	19%	18%	22%	20%
Social media/networking websites	6%	3%	4%	4%	4%
Website with information on my specific retirement account	7%	4%	6%	5%	5%
Employer (e.g., Human Resources or Benefits departments)	2%	4%	3%	2%	2%
Workshops and/or seminars	7%	5%	6%	3%	5%
Television or radio programs	1%	3%	4%	3%	3%
Booklets, pamphlets, or other written materials provided by employer	2%	4%	1%	2%	2%
Books, magazines, and newspapers	7%	1%	9%	4%	5%
Mobile apps	3%	2%	1%	1%	1%

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

The function of the product is a critical factor when choosing financial products or investments to generate income for retirement. Table 14 divides financial products used to create income for retirement or investment into five categories by feature, including guaranteed lifetime income, income flexibility, capital/principal preservation, control over investments and flexibility, and premium structure and other features.

Specifically, the top-six most popular product features are generally considered conservative or risk averse: income that is guaranteed for life, guaranteed returns on investments, preservation of principal, control over how investments are managed, fixed income will remain the same throughout retirement, and income has the potential for growth with market.

Guaranteed income, fixed rate, and preservation of principal strongly appeal to respondents.

It is crucial for retirees that products allow them control over how investments are managed. It seems that the only potential risk they tolerate is for products that have the potential for growth with market. There is also acceptance of income that is adjusted for inflation. However, consumers do not show a strong preference towards any specific premium structure.

Table 14 — 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?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Guaranteed Lifetime Income					
Income that is guaranteed for life	58%	63%	63%	63%	62%
Income will remain the same or fixed throughout retirement	53%	53%	59%	50%	54%
Income will continue after I die or my spouse dies	45%	53%	53%	44%	49%
Guaranteed returns on investments	56%	55%	58%	62%	58%
Income Flexibility					
Income has the potential for growth with market	51%	56%	54%	49%	53%
Income amount can be changed as needs change	44%	44%	53%	49%	48%
Income that is adjusted for inflation	43%	50%	50%	54%	49%
Income can be converted into a lump sum	32%	41%	39%	37%	37%
Capital/Principal Preservation					
Initial investment amount is preserved or protected	52%	56%	62%	63%	58%
Control Over Investments and Flexibility					
Control over how investments are managed	54%	60%	58%	56%	57%
Tax benefit	46%	44%	44%	41%	44%
The ability to make withdrawals in excess of regular payment	34%	44%	42%	42%	41%
Option to withdraw entire money as lump sum and manage on your own	37%	39%	42%	43%	40%
Premium Structure and Other Features					
Money for heirs or charities when I die	41%	43%	43%	36%	41%
Single premium	23%	29%	31%	22%	26%
Level premium	31%	30%	37%	28%	32%
Stepped-up premium	28%	21%	27%	25%	25%
Option to receive predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD)	33%	35%	33%	30%	33%

Note: The following options were given to the respondents: “Not at all important,” “Somewhat important,” “Very important,” “Don’t understand feature.” The above results represent the percentage of respondents who selected “Very important.” The top-six preferences are highlighted for easy reference.

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

Banks and financial advisors emerged as the most preferred channels to buy retirement products.



As represented in Table 15, banks are the most preferred channel to buy retirement products for the consumer in Taiwan, especially in Northern Taiwan and Eastern Taiwan. This finding is common across the surveyed Asian markets.

Although respondents do not habitually consult with financial advisor for retirement guidance, they do consider the advisor channel when purchasing retirement income products.

Regrettably, the agent/tied agency received extremely low, 4 percent, consideration by those purchasing the retirement income products.

Table 15 — Top-Five 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?”

		Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
1	Bank	42%	33%	33%	45%	38%
2	Broker/financial advisor (sells Multiple products)	37%	37%	41%	33%	37%
3	Insurer's website	10%	14%	9%	8%	10%
4	Post office	3%	5%	3%	7%	5%
5	Agent/Tied agency	4%	6%	6%	1%	4%

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 are highlighted too.

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

Along with product preferences, respondents have their own unique retirement objectives (Table 16). The top priority among the respondents was to maintain good health and wellbeing. Many would like to travel more. Respondents also expressed a strong desire to spend more time with friends and family and would like to continue to live in their current residences — a common preference across surveyed Asian markets. Few expressed the desire to move away from their homes into communities for retired persons or into nursing homes.

Table 16 — Important Aspects of Retirement Life

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

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Maintain my physical health and wellbeing	75%	78%	75%	81%	77%
Spend more time with friends and family	51%	42%	42%	46%	45%
Remain living in my current residence	39%	33%	38%	36%	37%
Save up for leaving a legacy	23%	12%	15%	9%	15%
Learn a new skill/hobby	38%	33%	36%	33%	35%
Financially support my family	29%	29%	25%	24%	27%
Get involved with some type of group/activity/community for retired persons	25%	22%	20%	21%	22%
Travel more	48%	46%	48%	44%	46%
Move into a nursing home	15%	11%	10%	6%	11%
Move into a community for retired persons	19%	21%	19%	13%	18%

Note: The results show the “Very Important” option out of the overall options of “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 with the products and features identified in this study. Insights from this consumer research highlight significant opportunities that the financial services industry can explore and optimize, including:

- **Responsibility:** Nearly three fourths of respondents across Taiwan accept the responsibility of funding their retirement. The proportion of the respondents who would like to depend on the government, former employers, or family for their post-retirement income is generally quite low. They are highly concerned about personal savings and investments. There is a significant opportunity for the industry to offer products with preferred features as an alternative to savings.
- **Retirement Planning:** Ninety-four percent of respondents indicated that they took some action on retirement planning, yet 71 percent of respondents do not have a formal written plan for managing income, assets, and expenses during retirement, and 65 percent do not seek help from financial professionals on retirement planning or work with any financial professionals for household financial decisions. This proportion exceeds the Asia average of 60 percent and is a cause for significant concern. Practitioners should actively participate in promoting and educating people to seek professional information and guidance. Well-trained professionals can help consumers plan effectively for retirement and make better use of available resources.
- **Procrastination:** Even though most consider it their own responsibility to plan for retirement, almost 1 of 2 respondents regret delaying saving for retirement or not having started saving for retirement at all. In addition, they (70 percent) believe that there will be a significant gap in their retirement funds at age 60. This also indicates 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 clearly could benefit from professional guidance and advice.
- **Willingness to Buy Annuities:** Nearly 8 of 10 Asian respondents indicated that they are willing to convert some of their assets into annuities to create retirement income. Taiwan respondents' strong interest in annuities is 8 percentage points higher than the Asian average. Respondents (85 percent) are also interested in purchasing a tax-deferred annuity. Due to the challenges of the growth of the elderly population, Taiwan consumers are highly aware of annuity products. The industry should seize the business opportunities represented by consumer interest.
- **Preferred Product Features:** The top-six most popular product features are generally considered conservative or risk averse: income that is guaranteed for life, guaranteed returns on investments, preservation of principal, control over how investments are managed, fixed income will remain the same throughout retirement, and income has the potential for growth with market. It is crucial for retirees that products allow them control over how investments are managed. It seems that the only potential risk they tolerate is for products that have the potential for growth with market. There is also acceptance of income that is adjusted for inflation. However, consumers do not show a strong preference towards any specific premium structure. These survey results can help manufacturers of financial products better understand what their customers need. Regardless of product feature, planning and investing early is the best choice.



- **Preferred Channels to Buy:** Banks are the most preferred channel to buy retirement products for the consumer in Taiwan, especially in Northern Taiwan and Eastern Taiwan, a common finding across the surveyed Asian markets. This preference may be strongly related to the high credit ratings of banks, the longer period of annuity products, and the relevance and substitution of the bank's financial products. Thus, insurers and other financial institutions may do well to strengthen their partnerships with banks or look for newer partnerships with banks.
- **Key Aspirations:** Along with product preferences, respondents have their own unique retirement objectives. The top priority among the respondents was to maintain good health and wellbeing. Many would like to travel more. Respondents also expressed a strong desire to spend more time with friends and family and would like to continue to live in their current residences — a common preference across surveyed Asian markets. Few expressed the desire to move away from their homes into communities for retired persons or into nursing homes. These aspirations are realistically within reach, provided respondents start saving for their retirement early and prudently.

Appendix

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

Table A-1 — Respondents by Working Status

Responding to the question: “Are you currently ...?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Working full time for pay	82%	85%	82%	57%	76%
Self-employed/Family business	1%	0	0	0	0
Retired and working part time for pay	10%	9%	11%	22%	13%
Retired and not working for pay	7%	6%	8%	21%	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?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
The government	16%	11%	16%	14%	14%
An institution controlled by the government (public sector)	19%	16%	23%	21%	19%
A private company (enterprise)	65%	72%	61%	63%	66%
Other, please specify	0	1%	1%	2%	1%

Table A-3 — Respondents by Household Size

Responding to the question: “What is your household size?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
1 to 2 persons	13%	9%	14%	17%	13%
3 to 4 persons	53%	59%	54%	52%	54%
5 to 6 persons	29%	27%	26%	28%	27%
7+ persons	6%	5%	6%	3%	5%

Table A-4 — Respondents by Gender

Responding to the question: “Are you. . .?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Male	63%	39%	47%	53%	51%
Female	37%	61%	53%	47%	49%

Table A-5 — Respondents Urban/Rural

Responding to the question: “How would you describe the place you live?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
Urban	7%	13%	12%	11%	11%
Rural	93%	87%	88%	89%	89%

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

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

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
TWD750001 – TWD1400000	54%	46%	49%	47%	49%
TWD1400001 – TWD3000000	31%	37%	36%	30%	33%
TWD3000001 – TWD7500000	8%	6%	7%	10%	8%
TWD7500001 – TWD20000000	3%	7%	5%	6%	5%
TWD20000001+	4%	4%	3%	7%	5%

Table A-7 — Respondents by Current Housing Situation

Responding to the question: “What is your current housing situation?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
I own my apartment or house	68%	74%	75%	89%	76%
I rent from a landlord	11%	10%	6%	5%	8%
Live with parents, other family members, friends or other	20%	16%	19%	6%	15%



Table A-8 — Respondents by Level of Education

Responding to the question: “Which of the following best describes your highest level of education?”

	Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan	Taiwan
High school or less	6%	8%	6%	10%	7%
Technical/vocational school	11%	14%	15%	19%	15%
Two or three years of college/Associate's degree	6%	10%	3%	8%	7%
College graduate/Bachelor's degree	46%	44%	49%	44%	46%
Graduate school/Master's degree	25%	20%	25%	18%	22%
Doctoral degree/Ph.D.	5%	4%	2%	2%	3%

Table A-9 — Sub-region Detail: Taiwan

Responding to the question: “Which region are you from?”

Northern Taiwan	Central Taiwan	Southern Taiwan	Eastern Taiwan
Hsinchu	Changhua	Chiayi City	Taitung
Keelung	Miaoli	Chiayi County	Hualien
New Taipei	Miaoli County	Kaohsiung	Yilan County
New Taipei City	Nantou	Pingtung	
Taipei	Taichung	Tainan	
Taipei City	Yunlin County		
Taoyuan			

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, and 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



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- 0918 (50700-10-404-21511)