International Pensions Papers 2/2013

Preparing for Retirement – Financial Strategies of the Affluent 50+ Generation in European Countries

Allianz

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Closing Date
June 24, 2013

CONTENTS

Introduction

The structure of retirement income for all individuals has begun to change due to many pension reforms in Western Europe, and individuals have to take more responsibility for their retirement income. As a result, people have to do more structured retirement planning than in previous years.[1] Retirement planning can no longer consist of simply putting money aside each month. The economic and financial downturns of the last decade have increased the challenge for long-term planning, while the need for detailed planning depends on the existing pension system in a country and the initiated reforms. All of this means that people have to learn more about retirement saving, and they might learn from a group which has been in this situation for quite a while.

People with higher incomes have always had to do additional planning and saving for their retirement to maintain the standard of living they are used to, due to the fact that in many public pension systems there is an assessment limit[2]. Thus, wealthy retirees and soon-to-be retirees can share their experiences in retirement planning. The group of 50-to-70-year-olds are considered as "the wealthiest generation ever" and collectively, they have accumulated an enormous amount of assets. Now this generation is approaching this phase during the next 10 to 15 years, some have already entered retirement. In this situation, many of these people are seeking to develop a strategy for financing retirement by optimizing investment earnings and assets.

Developing, monitoring or changing financial strategies for old age is critical for enjoying a comfortable retirement for the 50+ generation. And when entering retirement the challenge is how to convert assets into an income stream which provides them with an adequate overall retirement income. Thus, people have to make financial decisions which will have profound consequences on their retired life. For this task people would need to know how things like income, inflation, interest rates, and consumption develop over the next decades. They should also have a good idea of the living standards they aim at. If they knew all that, they would then plan their saving behavior and retirement finance accordingly.

To learn about the way the wealthier 50+ generation has done their planning Allianz Asset Management has conducted a survey in seven selected European markets: Austria, France, Germany, Italy, Netherlands, Switzerland and the United Kingdom (UK). The study is a continuation of our work in the United States (U.S.) and four Asian countries[3]. The survey covers investment attitudes and behavior, financial knowledge, information gathering and financial decision making. In other words, the survey does not focus on *what* decisions are taken, but rather on *how* decisions are made.

1 See Allianz Demographic Pulse, "It's time to rethink retirement", No. 9 2013; Allianz Global Investors, Analysis and Trends, Pension Systems in a Demographic Transition Demographic change puts pressure on pension systems, Oct 2011.

2 People can only contribute to the public pension system up to a certain income level as in Germany. For income above that ceiling, no entitlements will be built up. Another limit can be a maximum pension which people can receive.

3 Other studies in this series, please see Allianz Global Investors *International Pension Papers 1/2011*, "Putting the Retirement Pieces Together: Strategies of the Affluent 50+ Generation in the United States." Allianz *International Pension Papers 4/2012*," Retirement Attitudes and Financial Strategies of the Affluent 50+Generation in Asia."

Key Results

- Half of the respondents is not certain whether they can keep their living standards when retired; among the younger segment of the sample the group is even larger.
- There are differences between countries: Elderly in Switzerland and the Netherlands are more optimistic which might be due to the countries' pension systems with (quasi) mandatory occupational plans.
- A quarter of respondents admits that they made errors in retirement planning; particularly they believe that they started saving too late.
- Retirement planning and investment decisions are closely interlinked. Overall almost half of the assets in investment accounts are planned for complementing retirement income.
- An asset of great importance in the group of wealthy elderly is real estate. The vast majority owns property and thinks that it is most suitable for retirement provision.
- Preferences for pay-outs of financial wealth are split between regular payments and lump-sum disposal. In addition to regulation requirements of the countries' pension system, the results are also dependent on financial obligations in retirement. Swiss and Dutch interviewees prefer regular payments, which might be related to their obligation of paying off mortgages.
- The main financial risk in the retirement phase is considered to be inflation – in all countries, except Austria. In Germany and the UK this group is even bigger, 60% and 65% respectively. Uncertainty also derives from unforeseen expenses.
- A majority of respondents in all European countries think they are well informed about financial matters. And they use the large range of information sources available today. However, though people today can access information more easily than ever before, information in and of itself is not always helpful. What matters is its usefulness.
- The 50+ generation in the seven European countries is relatively autonomous in financial planning. They largely save and invest without professional advice or only include an advisor for special needs. The main issue for not using financial advisors is trust.

Methodology of the Study

4 Separate study is forthcoming

This survey was conducted in a similar manner to our previous surveys in the U.S. and in four Asian countries. This series of studies is intended to generate a comparable perspective of savings behaviors across the world's major regions[4]. The first set up of the study was based on in-depth interviews to explore the plans and the ideas about retirement as well as the financial topics of highest relevance to then design the questionnaire. The quantitative survey in Europe was conducted online at the end of 2012 and the beginning of 2013.

1,402 respondents completed the survey and they had to fulfil two criteria: they had to be between 50 and 70 years old and own a high amount of investable assets. This implies that the study is not representative for the whole of the 50-70-year-old population, but targets the wealthiest of this age group. The study aimed at the top 20% of this group, but being ranked among the wealthiest 20% of the population implies different amounts of assets for different countries, depending on a country's economic situation and other parameters. For the purpose of this study, we used the following thresholds for investable assets:

TABLE 1: Limits of investable assets per country

Austria, France, Germany, Netherlands	EUR 50,000 and above
Italy	EUR 40,000 and above
Switzerland	CHF 100,000 and above
United Kingdom	GBP 40,000 and above

According to other characteristics the sample is divided as follows:
The age group of the 50-to-70-year-olds is more or less evenly split across 5-year brackets so that we can explore the younger segment as well as people already in retirement, in order to see their decisions in the rear-view mirror and find out how happy they are with the outcomes. *(Chart 1)*
We did not include individuals under 50, because for many of them other financial goals like paying off mortgages or financing education for their children can be assumed to be more important than retirement finance.

5 See Country Fact Sheets, Allianz International Pension Papers, 2012

60% of the total respondents were male, 40% female although this differed from country to country with the smallest group of female interviewees in the Netherlands (36%). Starting with the age of 50 years also means that we included people still in the workforce. As it turned out, roughly one-third of the respondents were already in retirement. *(Chart 2)* Here again, the results differ between countries. In Switzerland and the Netherlands there were only 27% retired in our sample, in contrast to France where 46% said that they were retired. These outcomes may provide a first hint to the pension system design. For example, in France the retirement entry age is still very low compared to the other countries in the survey.[5]

This report looks at the survey results on retirement finance in a cross-national comparison. The 50+ generation in the seven markets under investigation – Austria, France, Germany, Italy, Netherlands, Switzerland and the United Kingdom – differs quite a bit in a number of results for the approach to retirement finance. In many cases this can be explained by the differing pension system designs and their progress of pension reform. In addition differing investment behaviors may influence the survey results. The fascinating insight, however, is how dissimilarly people of similar wealth and age behave when confronted with similar challenges.

CHART 1: Sample composition according to age groups [%]

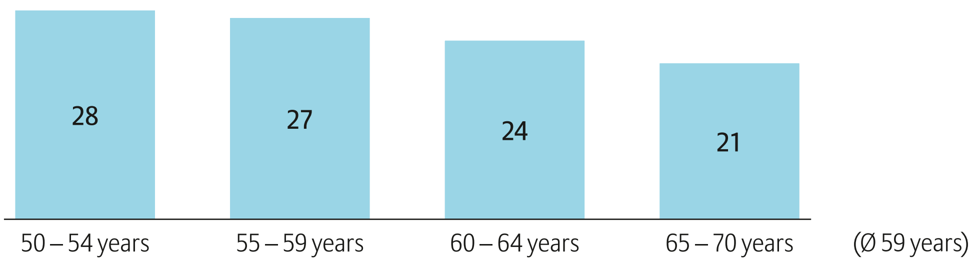
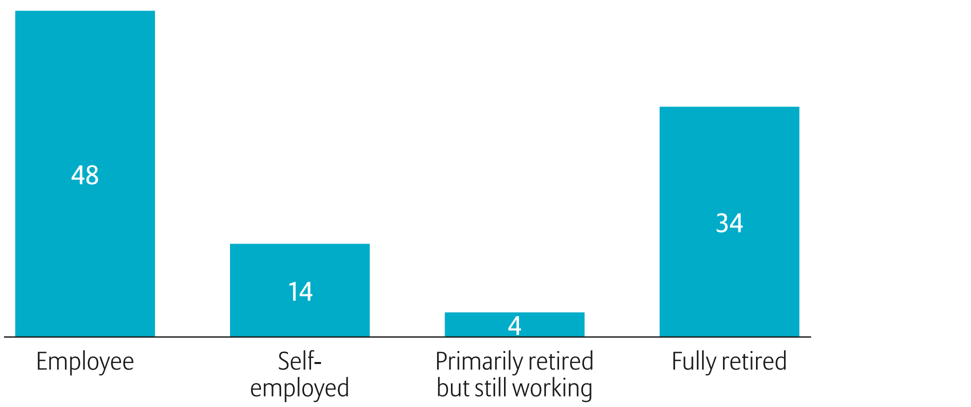


CHART 2: Sample composition according to status of employment [%]



Retirement Preparedness

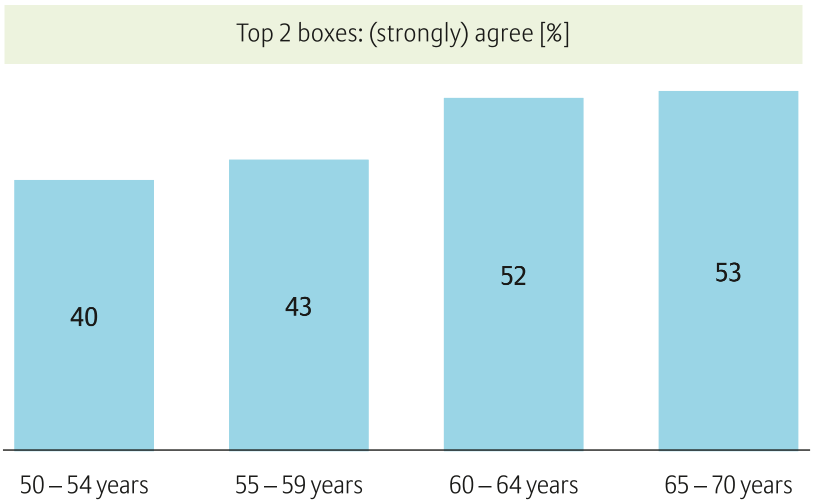
6 See Fornero, Elsa; "The Italian Lesson", Project M #14, 2013

As the 50+ generation is approaching retirement, it may be a good time to reflect on one's personal situation and to review the planning for retirement. In a more general approach the majority of respondents admit that they rather look forward to retirement and think about retirement. Moreover they want to retire when they still are in a healthy state and do not want to work until the point that they have to retire due to weak mental and physical health. The elderly in Germany and Switzerland in particular already know quite well when their retirement entry will be in contrast to Italian respondents. The latest pension reform in Italy has probably inserted some uncertainty into the planning.[6]

Pension reform processes are not the only factors forcing people to adapt to changing situations. The developments of financial markets in the last decade have shown that it is a difficult task to plan for retirement and factor in the various risks people are confronted with. Therefore it is no surprise that most respondents in Europe are not certain whether they can maintain their current living standard when they retire. The younger age groups in our sample are particularly unsure about their situation: only 40% of the 50-to-54-year-olds think they will have the same standard of living in retirement. *(Chart 3)* Uncertainty about the consequences of pension reforms and the impact of the financial crises of the last decade on their financial and pension wealth might be reasons for this cautious approach, particularly in countries where the first pillar is aimed at preventing poverty and where the second pillar has to strongly complement retirement income. In contrast, in the older cohorts the majority is optimistic or already enjoys a relatively comfortable situation.

CHART 3: Attitudes and expectations – overall results according to age

"My living standard will stay the same when I am retired"



Base: Top 20% of 50 – 70 year old people regarding investable assets

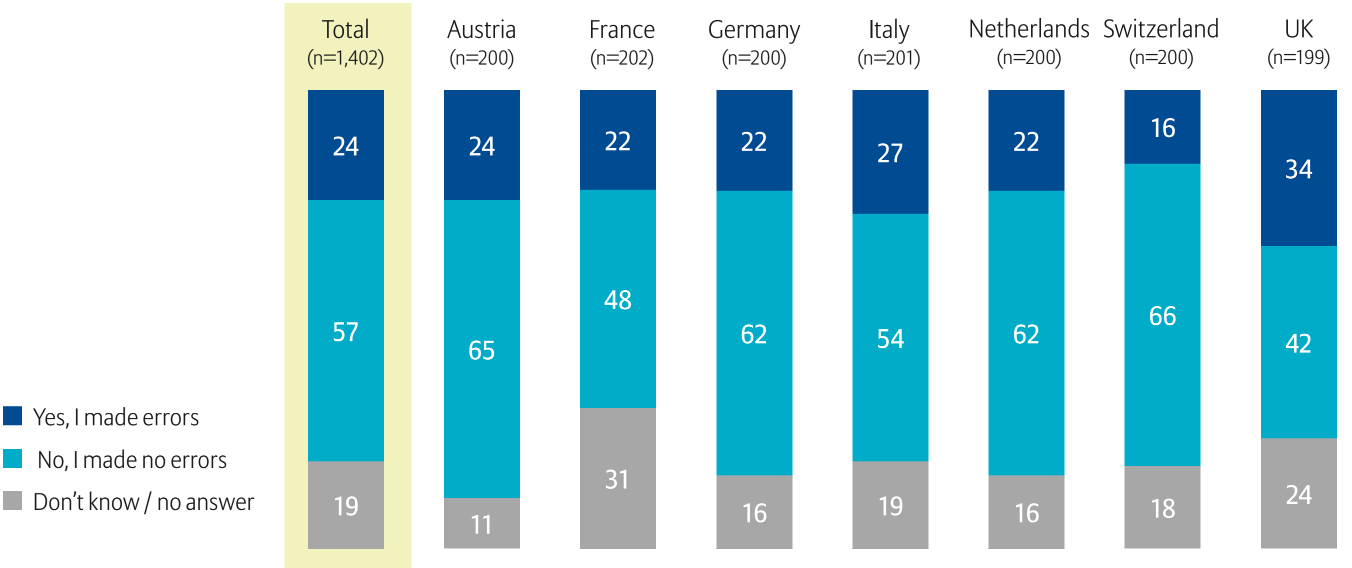
Elderly in Switzerland and the Netherlands are quite optimistic for their time in retirement (63% and 58% respectively). They can expect a retirement income from the state and from a (quasi)mandatory occupational pension system which, together, delivers a higher financial level than in countries where pension plans from an employer are voluntary. In Austria and Germany the group of respondents is evenly split: roughly 50% agree to the statement that their living standard will stay the same. Whereas in France – with a group of only 22% agreeing – people are much more pessimistic.

PLANNING MISTAKES

These results correspond quite well with the review of retirement planning. The optimism in the Netherlands and in Switzerland is underlined by the results of a question on planning mistakes. In these countries, as well as in Germany and Austria, more than 60% of respondents believed that they did not make mistakes in their retirement strategy whereas there were only 42% in the United Kingdom. *(Chart 4)* In France the group of people that does not have an answer to that question is quite large, which might be due to the back-and-forth approach of the French pension reform process which leaves people in uncertainty for long-term planning.

Given the complexity of retirement planning, the many influencing factors and the long-term perspective, investors are likely to make mistakes. But it is especially hard to cope with the consequences when these mistakes are serious and irretrievable. Since the target group of this survey is 50- to 70-year-olds, they do not have too much time to change their strategy. In this case it is

CHART 4: Perception of having made mistakes in retirement planning [%]



Question: Do you feel you have made errors in your retirement savings approach?

Base: Top 20% of 50 – 70 year old people regarding investable assets

interesting to learn about the mistakes people believe they have made. From retrospect a third of the elderly admit that they started saving too late, and one of four did not save enough. This might be in part due to their asset devaluation after heavy market downturns in this last decade.

People close to retirement are now faced with an asset pot which is smaller than they have expected, and they now admit close to retirement that they started saving too late. This combination of answers was particularly pronounced in the UK and France. Others see their errors in investing, saying that they invested too riskily or that they have chosen the wrong products. These mistakes were primarily mentioned in Austria, Germany, Italy and the Netherlands. Only a few regret not following a coherent retirement savings plan.

Retirement Planning

SAVINGS RULES

Retirement planning is crucial to enjoying one's sunset years, and it involves regular planning. But as retirement planning is complex, time consuming, requires financial savvy and involves planning for unforeseeable future economic conditions, such as one's family situation and health, people tend to delay decisions – sometimes until it is too late. This section takes a look at how investors in the seven European countries surveyed are handling this difficult topic.

One way to tackle the long-term savings project is to follow established savings rules, such as putting aside a certain percentage of wages or salaries a month. Across all countries, this is not a preferred approach. Most of the more affluent elderly have saved whenever they had spare money (40%). This behavior even ranks first in all countries. However, more than a third of people in Germany and Italy tried to save on a regular basis in putting a certain sum per month or year aside, whereas in France a third of the elderly – more than on average in Europe – saved whenever unexpected money came in. With this approach they put their retirement planning on an uncertain footing with uncertain outcome which is reflected in their assessment of preparedness. A precarious result of this study is that roughly 20% did not follow any savings rules at all.

RETIREMENT ASSETS

There are many faces to retirement savings: assets can be held in dedicated occupational retirement schemes, in a variety of tax-favored private retirement schemes or in individual savings accounts. It is very difficult for economists and statisticians to make an accurate assessment of whether or not retirement savings are adequate because it is generally unclear exactly what percentage of general savings is earmarked for the retirement nest egg. To shed light on this question, we asked respondents what share of their savings and investments was held in dedicated retirement accounts and what share of their remaining savings was being set aside for retirement.

CHART 5: Investment and retirement accounts [%]

	Total (n=1,402)	Austria (n=200)	France (n=202)	Germany (n=200)	Italy (n=201)	Netherlands (n=200)	Switzerland (n=200)	UK (n=199)
Savings and investments in retirement accounts	30	35	24	34	24	27	44	30
Other savings and investments (independent from retirement accounts)	70	65	76	66	76	74	56	70

Question: Please indicate approximately what percentage of your savings and investments (including insurances and annuities) is held in retirement accounts and what percentage is independent from any retirement accounts?

Base: Top 20% of 50 – 70 year old people regarding investable assets

The study found that, across all seven European markets, 30% of all savings and investments of the affluent 50+ generation are dedicated to retirement. *(Chart 5)* This was particularly true in Switzerland (44%) and less so in France and Italy (24%). An explanation for this difference is due to country-specific pension systems and the incentive structure for private retirement savings plans.

Nevertheless part of the assets in investment accounts are planned for retirement. Overall almost half of the assets are planned for complementing retirement income. *(Chart 6)* This is particularly the case in the UK where people have to do considerable saving and planning to complement the relative low pensions from the first pillar. Thus, a lot of investment decisions has to do with old age provisioning. This is also the case in Switzerland where a strong capital funded pension pillar is in place. By and large, investment planning for the elderly in the European countries surveyed is interlinked with retirement planning and vice versa. The distinction between these approaches are more clear cut in Austria and Italy.

In Italy people use another asset than financial wealth to build on for retirement. In no other country than Italy is real estate ownership so widespread: 95% of Italian respondents own real estate compared to 70% in the UK. Nevertheless real estate has a large importance in this group and provides part of retirement security.

SUITABILITY OF FINANCIAL PRODUCTS FOR RETIREMENT PLANNING

This great importance also shows in the results for suitability of products: Which products do people think are suitable for retirement? In principle, there are many roads to retirement investment, but in Europe in all countries except the UK and Switzerland real estate is topping the list of suitable products. Nevertheless in Switzerland it is ranked second, and in the UK fourth after workplace pension plans. In France, Austria and in the Netherlands life insurance products have

CHART 6: Retirement assets in investments accounts [%]

	Total (n=1,402)	Austria (n=200)	France (n=202)	Germany (n=200)	Italy (n=201)	Netherlands (n=200)	Switzerland (n=200)	UK (n=199)
Savings and investments not in retirement accounts, but for retirement preparation	43	35	44	45	30	42	48	50
Savings and investments for other purposes than retirement preparation	57	65	56	55	70	58	52	50

Question: And what percentage of your savings and investments which are not held in retirement accounts is nevertheless for your retirement preparation?

Base: Top 20% of 50 – 70 year old people regarding investable assets

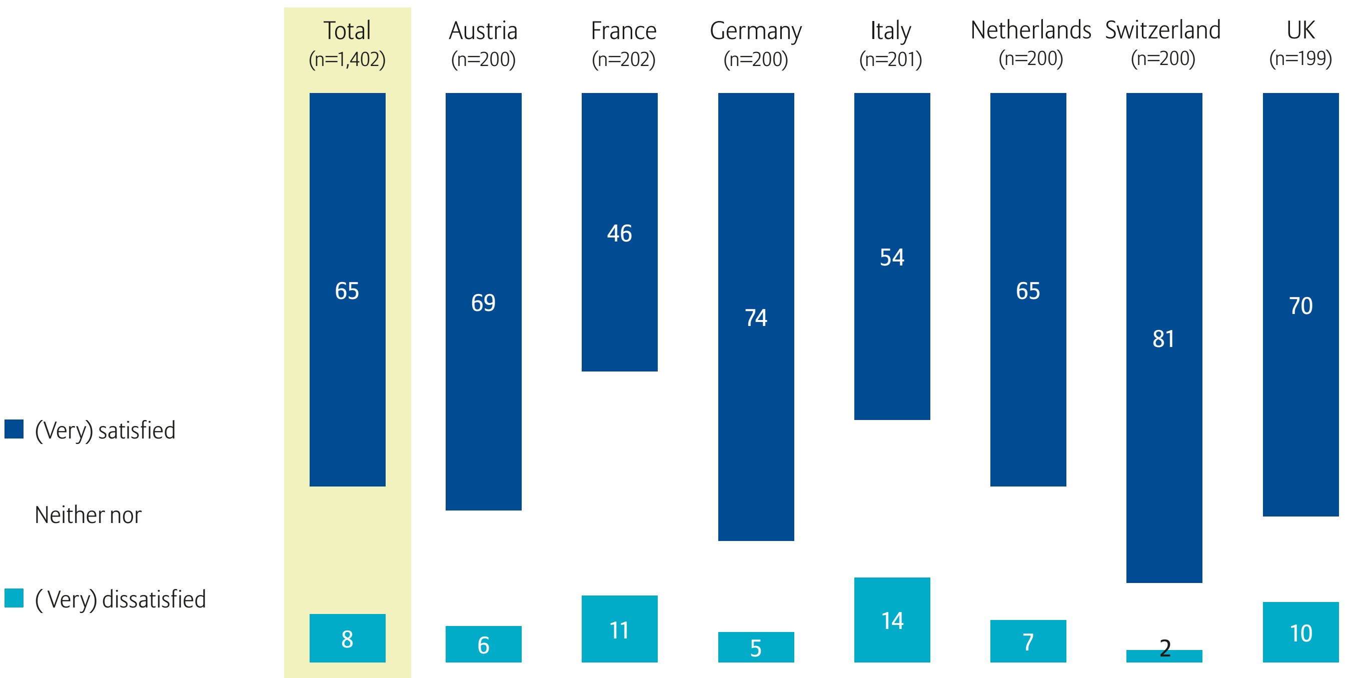
a good reputation as retirement investment whereas in Germany and Italy bonds are considered suitable products and rank second after property.

Reviewing the retirement planning process as a whole, Swiss people are most satisfied. The majority of Swiss interviewees (81%) are (very) satisfied with their retirement planning, which matches the results that only a minority admits that they made mistakes. *(Chart 7)* Least satisfied are French and Italians, 46% and 54% respectively; the sharp pension cuts in Italy and pending reforms in France increase people's uncertainty.

PAYOUT PHASE

In general, retirement finance can be divided into two phases. The first is the accumulation phase, the period in which retirement assets are amassed. The second is the decumulation or payout phase, when accumulated assets are used to finance retirement. Obviously, the pool of accumulated assets, or nest egg, determines to a large extent the standard of living a retiree can expect to enjoy over the course of retirement. This holds particularly true in countries where the public pension system is aimed at preventing poverty, thus only delivers a relatively low level of income. This model is found in the UK. In such a case income from accumulated assets have to complement the public pension to a larger extent than in countries where the public pension together with occupational defined benefit plans already deliver higher lifelong payments.

CHART 7: Level of Satisfaction with Retirement Planning [%]



Question: Now we would like to know how satisfied you are with your own retirement planning at this time.

Base: Top 20% of 50 – 70 year old people regarding investable assets

Our research shows that the affluent 50+ generation in the seven European countries in our survey is split between periodical payments and lump sum payments: 32% would like to get regular payments for lifetime, 24% prefer lump sums and another 27% would chose a mix of the two options (*Table 2*). In the UK for example 42% plan to mix the pay out methods, which is due to their regulation. From age 75 people have to draw annuities; before that age they can withdraw certain amounts of capital. In contrast, Swiss people have to draw annuities on their occupational pension asset pots, thus 50% in Switzerland plan to employ that option. Preferences for lump sum payments are particularly high in Austria (40%) and Germany (37%).

These preferences are not only dependent on the pension system and its regulations, but also on the financial obligations people are facing during retirement. If such obligations are recurring, it might be helpful to have an additional income component on a regular basis. This seems to be the case in the Netherlands and in Switzerland. In both countries people think they will still pay off mortgages. On the other hand, the majority in Germany (67%), UK (64%) and Austria (60%) does not see any particular financial obligation thus they basically prefer lump sums to feel free to invest or spend.

TABLE 2: Preferred payout method upon entering retirement [%]

	Total (n=1,402)	Austria (n=200)	France (n=202)	Germany (n=200)	Italy (n=201)	Netherlands (n=200)	Switzerland (n=200)	UK (n=199)
Monthly or annual payments for the lifetime	32	22	33	30	27	30	50	33
Mix of lump sum and monthly/annual payments	27	23	21	28	23	16	40	42
One off lump sum	24	40	12	37	29	8	17	21
Monthly or annual payments – only interests/dividends	14	18	15	20	12	9	17	8
Monthly or annual payments for a fixed period of time	11	11	8	11	14	22	9	5
Other	4	3	4	3	0	13	1	5
Don't know / no answer	12	11	17	9	10	19	5	9

Question: Once you enter retirement you will need to decide how to use your savings and investments to make a living (payout phase). What payout method do you plan to employ when you enter retirement? / When you entered retirement you needed to decide how to use your savings and investments to make a living (payout phase). What payout method did you employ when you entered retirement?

Base: Top 20% of 50 – 70 year old people regarding investable assets

FINANCIAL RISKS

Furthermore, people should take other aspect of financial burden into account when planning for the decumulation phase. Any savings and investment plan is going to be exposed to a certain amount of financial risk, however, these risks are exacerbated once the saver/investor enters retirement. The reason is simple: the primary source of income for most people in the workforce is their salaries and wages, which provide a relatively secure and regular influx of income. However, once employees hit retirement, they become more vulnerable to financial risks, such as stock market swings, inflation, unexpected expenses and outliving their savings. If people have to rely on financial and pension assets as additional source of income, they have to take these risks into account as they have little chance to recoup losses.

According to our survey, the 50+ generation in Germany und the UK is most concerned about the effects of inflation, 60% and 65%, respectively. *(Chart 8)* But also in France, Italy and Switzerland roughly every one of two fears that inflation will eat up their savings. Another risk many people address are unexpected expenses, in particular, medical expenses. Only the elderly in the Netherlands fear most that capital markets perform badly. The possibility of outliving assets ranked far behind, overall there were only 18% with this concern, least addressed in the Netherlands (7%) and most in France and the UK. With the continuing positive trend in life expectancies, people might underestimate their longevity risk.

CHART 8: Perception of financial risks during retirement [%]

	Total (n=1,402)	Austria (n=200)	France (n=202)	Germany (n=200)	Italy (n=201)	Netherlands (n=200)	Switzerland (n=200)	UK (n=199)
Inflation eats up my savings	56	47	55	60	57	47	51	65
Unforeseen expenses, especially medical expenses	49	58	49	57	55	36	52	47
Capital markets perform badly	40	40	42	36	41	48	42	32
I could outlive my assets	18	17	25	10	27	7	13	25

Question: What do you think are the main financial risks in your retirement phase?

Base: Top 20% of 50 – 70 year old people regarding investable assets

Financial Knowledge and Information Gathering

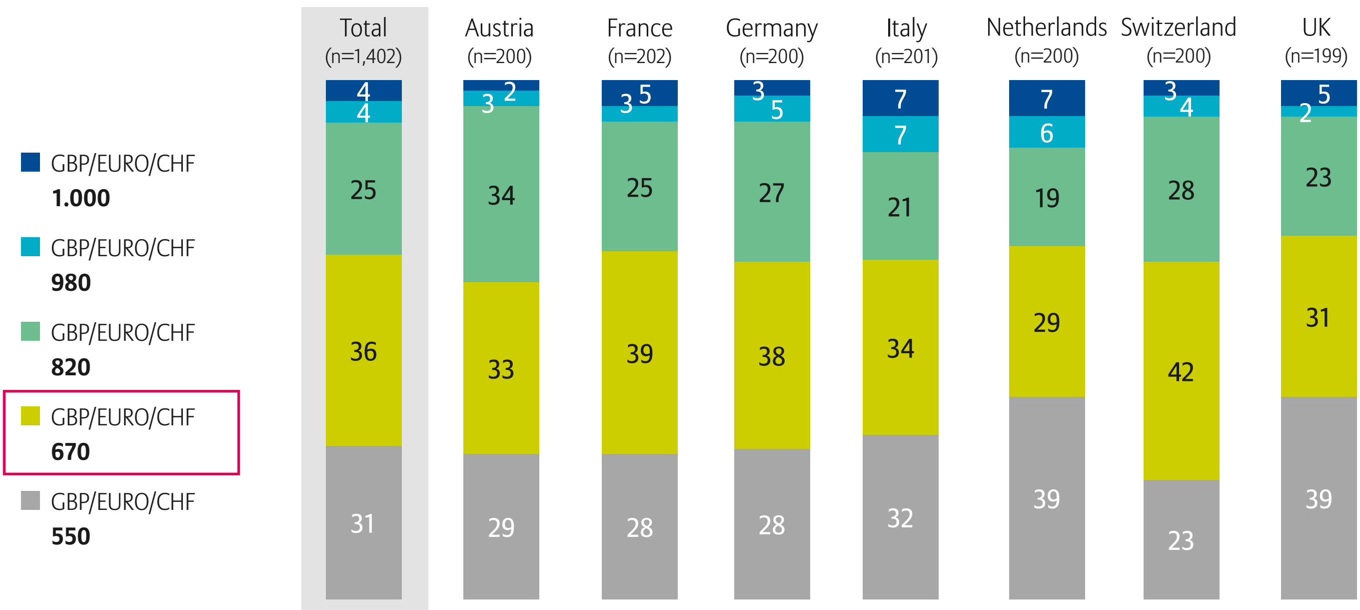
Making sound financial decisions requires having a good deal of financial literacy, especially when factoring in the many parameters involved in designing an investment strategy that has to span decades. This section takes a look at respondents' general knowledge, where they go to get financial information and how they arrive at decisions.

FINANCIAL KNOWLEDGE

As inflation is perceived to be the main risk in retirement, it is worth exploring whether people know enough about inflation. There is no doubt that inflation can hit retirement savings hard, so understanding its effects is crucial to protecting assets. Therefore, we asked respondents to choose from one of five answers to see if they could correctly calculate how much a defined amount would be worth in real terms in 20 years assuming a low inflation rate of 2%. Overall, interviewees are basically split evenly in thirds: 36% responded correctly, 31% overestimated, and 33% underestimated the effects of inflation. *(Chart 9)* With a 42% success rate, the Swiss showed itself to be the most financially literate, followed by the French elderly (39%) and the Germans (38%). Slightly more Austrians (38%) underestimated inflation's effects, whereas Dutch and British respondents tended to overestimate the effects of inflation.

CHART 9: Perception of the effect of inflation [%]

"Guess of what EUR 1,000 / GBP 1,000 / CHF 1,000 would be worth in real terms in 20 years assuming a low inflation rate of 2%"



Question: Now please make a guess what EUR 1,000 / GBP 1,000 / CHF 1,000 would be worth in real terms in 20 years assuming a low inflation rate of 2%.

Base: Top 20% of 50 – 70 year old people regarding investable assets

7 It has to be pointed out that this particular result might be due to the study design as it was conducted online.

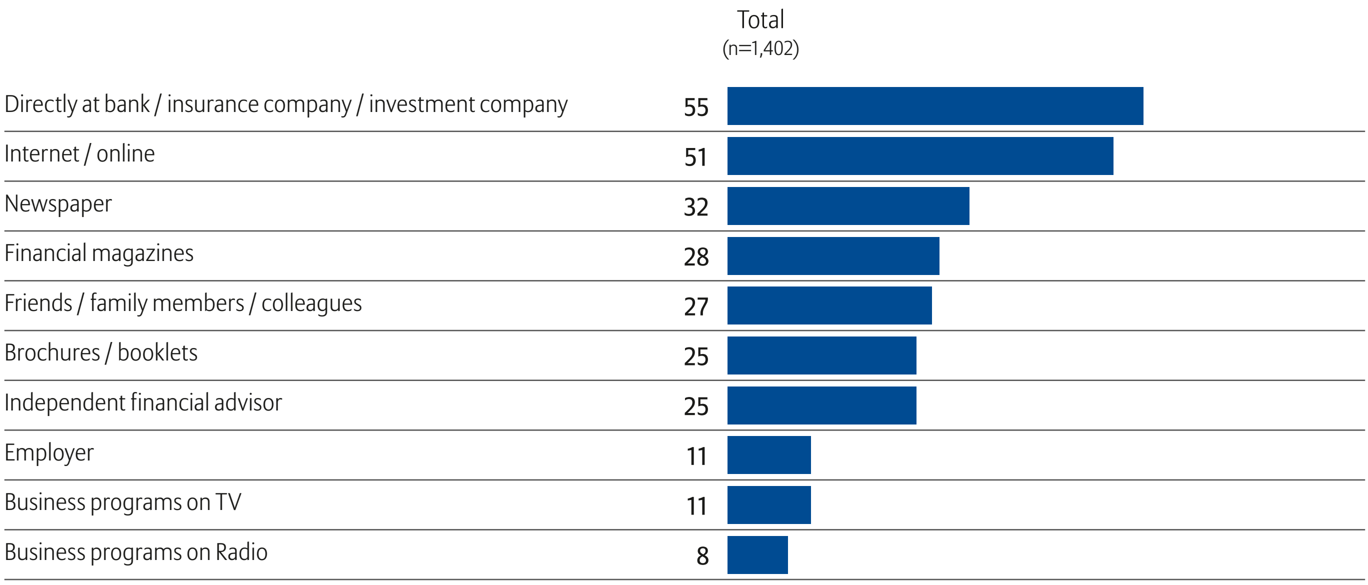
Nevertheless, when asked for their perception of being informed, the elderly in all European countries (strongly) agree to the general statement " I am very well-informed about financial matters".

INFORMATION GATHERING

Financial knowledge consists of several components, and one of the most important is how investors collect financial information. In other words, how and where do investors go to get the information they need to make financial decisions? Survey results showed a clear overall pattern. The two most important sources of information cited were financial institutions (55%) and the internet (51%)[7]. *(Chart 10)* The internet has revolutionized information gathering: with people able to do their own research online, they are becoming increasingly autonomous. Especially in the UK and the Netherlands, using the internet as an information tool for retirement planning is much more popular (67% and 66% respectively) than in the other countries. Roughly a third of the elderly in our survey also use newspapers and financial magazines to get information on financial matters.

Trusted individuals, such as friends, family and colleagues are not the first choice but nevertheless are included in the information process for 27% of overall respondents and particularly favored in Switzerland (42%). Traditional electronic media such as TV and radio proved to be considerably less popular.

CHART 10: Preferred information-gathering media [%]



Question: Please indicate which of these ways you usually use to gather information about financial products for retirement.

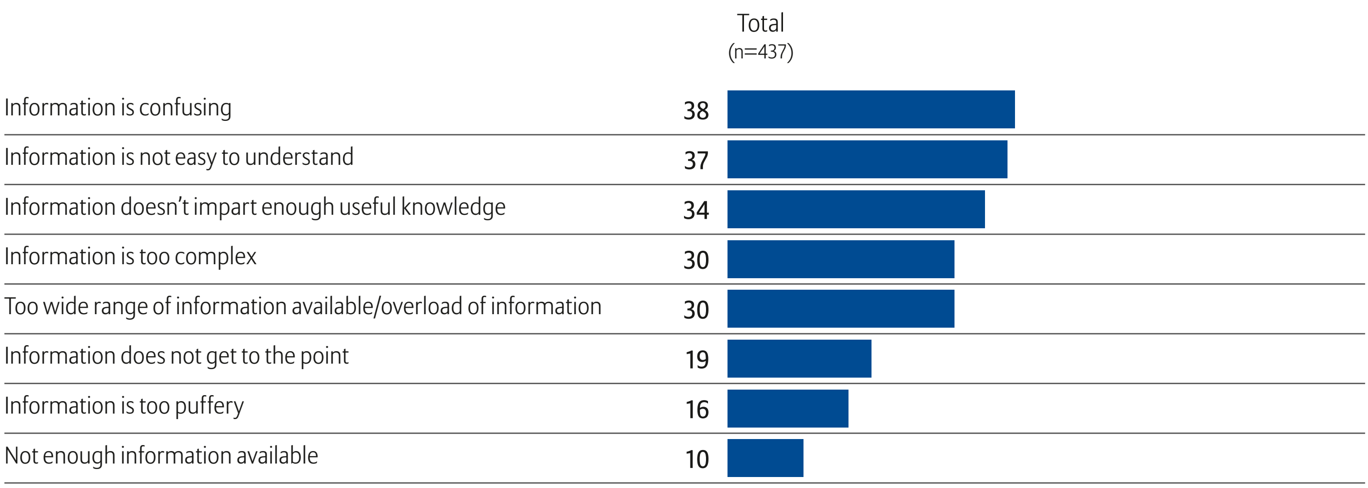
Base: Top 20% of 50 – 70 year old people regarding investable assets

The study's more detailed analysis of internet usage reinforced first-tier results. Most people searching the Web for financial information go to independent websites, closely followed by websites of financial institutions. Social media is barely on the map in this cohort.

People use the wide variety of information channels which are available today and the overall level of satisfaction with the available retirement planning information is relatively high. Slightly less than 60% of respondents are somewhat or very satisfied. Nevertheless, there are significant differences between the countries surveyed. Least satisfied were the French (only a third) whereas three quarters of the Swiss respondents were satisfied with the information available for retirement planning. Here again, as already seen in other results, the French show uncertainty and some dissatisfaction with their situation which might be the response to uncertain pension politics in France.

The availability of vast information sources can also have a flip side. Though people today can access information more easily than ever before, information in and of itself is not always helpful. What matters is its usefulness. Lack of comprehensibility and usefulness as well as information overload were the main reasons for dissatisfaction respondents cited. *(Chart 11)*

CHART 11: Reasons for dissatisfaction with available information regarding retirement planning [%]



Question: What are the reasons for your dissatisfaction?

Base: Top 20% of 50 – 70 year old people regarding investable assets and not (quite) satisfied with available information

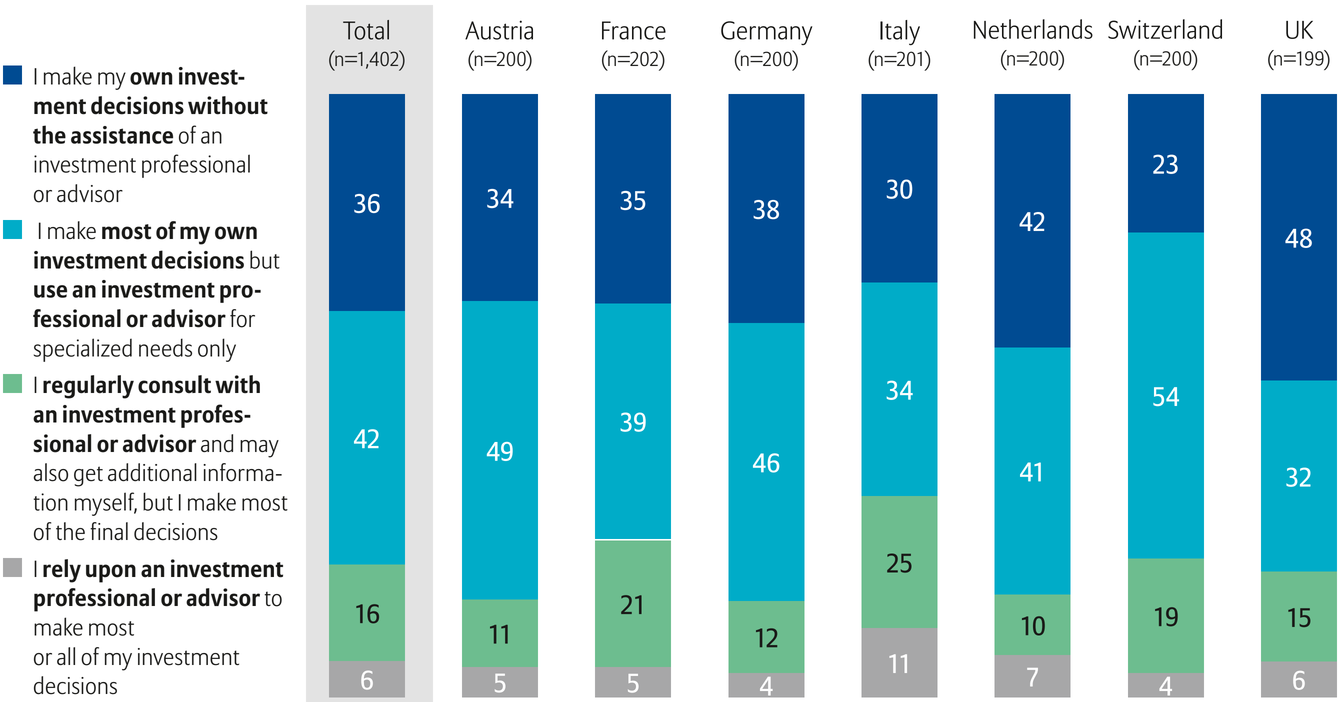
Investment Decision Making

Because they provide the very framework for taking decisions and interpreting information, information and knowledge are crucial to making informed financial decisions. Equally interesting is the question of who is involved in the actual decision-making process. In other words, what sort of advice and consultancy do people use? The results to this approach underline the relative autonomy in financial planning of the 50+ generation in the seven European countries. The majority makes their own decisions regarding investment decisions (36%) or uses financial advice only for specialized needs (42%). *(Chart 12)* Only in Italy the group of people who seek advice on a regular basis is a bit larger (25%) than on average (16%).

A big issue after the financial crises of the last decade is trust. Thus it is not surprising that respondents who reported not using financial advisors for retirement planning cited reasons around trust most often, such as that they

- don't trust advisors to act in their best interests (51%)
- are confident they can do a better job managing their own accounts than using a professional advisor (38%).
- previously had an advisor but left them due to poor investment performance (20%)

CHART 12: Preferred approach to advice and investment decision making [%]



Question: For your retirement assets, which one of the statements below best describes your preferred approach?

Base: Top 20% of 50 – 70 year old people regarding investable assets

An alternative approach for the European elderly seems to be a more do-it-yourself approach, as they feel knowledgeable and can use a variety of information source, mirrored in the result

- The wealth of information available makes a professional advisor unnecessary (22%)
- This was particularly cited by the Dutch elderly.

This naturally leads to the question of what characteristics the affluent 50+ generation is looking for in its financial advisors. The answers were dominated by soft factors. The first two also touch the issue of trust:

- honest and clear communication (76%)
- accurate and reliable handling of customer accounts (68%)

closely followed by issues of individual service:

- Willingness to spend time discussing my situation and needs (63%)
- Providing personalized one-on-one attention (60%)
- Responding promptly to my requests (57%)

Conclusions

The survey results of the wealthy elderly in seven European countries show differences in the retirement planning approach. This can be explained to a large extent by the inherent differences of the national pension systems. Where a pension system delivers a larger share of lifelong payments from the public pension system and from (quasi) mandatory occupational defined benefit plans, people seem to be more satisfied with retirement planning. An example here is Switzerland. Uncertainty enters the picture when people have to complement a basic income from the public pension system by individual savings, as is the case in the UK. Not only do people then have to take their longevity risk into account, but also the developments of financial markets. The last decade has shown that it is a difficult task to factor in the various investment risks; moreover, pension reform processes force people to adapt to changing situations. People in Italy and France seem to be affected by such developments, which makes their planning more difficult.

In this changing landscape, across Europe many people will need to build additional savings to maintain their existing standard of living. It can be done through particular retirement savings plans or general individual saving. As the survey results for the wealthy elderly show retirement planning and saving is not clearly assessed by retirement products only but belong to the general investment approach. Although it is important to save more, the 50+generation in Europe in general mostly make their own retirement decisions with only limited help for specialized purposes from financial experts, and they feel well-informed about financial matters.

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