



Retirement Readiness (Part I): The global landscape

By Diana Bosworth

A move away from defined benefit (DB) and toward defined contribution (DC) plans has shifted the onus of retirement readiness away from the employer and on to the employee. The earlier in their working life an individual starts to plan for retirement, the better.

Insurers have a role to play by surveying the workforce and assisting in providing education, tools, and support to help individuals achieve financial readiness. Governments also play a role by providing basic social security safety plans and legislating when people are eligible for lifetime payments.

In the US, over 30 million boomers born between 1959 to 1964 will soon turn 65, marking the "largest and final cohort" of that generation entering retirement, according to a new report from the Alliance for Lifetime Income's Retirement Income Institute.

Peak boomers entered the workforce just as retirement plans shifted away from DB plans (i.e., pensions), which were employer sponsored and generally stable, toward DC pensions (e.g., 401(k) plans in the US), which rely on workers to pay into them.

As pension schemes continue to evolve around the world, the need for workers to think about their finances in retirement and actively plan for life after work has increased.

Retirement readiness surveys

Many financial institutions, such as Fidelity and Bank of Montreal, as well as insurers Allianz Life, Principal Financial, Prudential Financial, and Max Life, among others, conduct surveys to assess customers' retirement readiness.

The Fidelity Global Retirement Survey conducted in 2020 assessed the retirement readiness of several countries, including the US, the UK, Japan, Canada, and Germany. Common issues with retirement readiness identified across countries included:

- Lack of understanding about how much money an individual will need in retirement
- Lack of knowledge about how an individual's retirement savings are invested
- Lack of understanding about the concept of asset allocation in relation to age
- Complex situations requiring help from employers and insurers

A Fidelity Global Sentiment Survey conducted in 2023 examined the evolution of attitudes and actions of working adults around the world in four distinct areas:

- Workplace
- Retirement readiness
- Financial habits
- Overall wellbeing

Fidelity identifies four common domains of financial wellness, no matter where employees are located across the globe, including:

- Budgeting
- Debt management
- Savings
- Preparation for the unexpected

Workers across all age groups and regions indicated they find the retirement planning process complicated. People do not have a clear understanding of their

personal retirement saving requirements or how to measure the gap between what they will have and what they will need.

The Fidelity survey pointed out that people need to consider what sort of lifestyle they want in retirement. The key components of their preretirement plan are to raise savings, review the asset mix, and revisit retirement planning. The findings highlight an opportunity for employers and pension providers to help educate the workforce about retirement savings options.

Insurers also have an opportunity to provide tools and products to help people plan for retirement. Customers' current strategies for managing retirement include cutting discretionary and obligatory expenses, working part-time, and an unrealistically relying on social security. Insurers can help customers become more proactive in achieving retirement goals by giving them the tools to become more financially literate.




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Insurer surveys

Insurers regularly conduct surveys to estimate how much adults will need to live a comfortable retirement. The figures vary, yet the overall picture seems to indicate many societies are not well prepared.

Future retirees are overwhelmed with forecasts of how much they will need to save. A survey by Northwestern



Mutual, titled Planning & Progress Study 2024, found that US adults believe they need \$1.46 million for a comfortable retirement.

In another survey, Prudential Financial's 2024 Pulse of the American Retiree Survey found that those over 55 are the first generation to confront retirement without DB and full security benefits. Those called "silver squatters" will rely more on family for housing and financial support. Inflation and the cost-of-living crisis have worsened the situation, upending many retirement plans.

Women face acute retirement challenges, including the gender pay gap and living longer than men. In addition, assuming the major share of responsibility for childcare often results in having fewer working years to contribute to their savings.

Retirement paths are more diverse than in the past. While some people want to retire earlier, others plan to work reduced hours, and still others want to continue working, albeit in new endeavors. In other words, one size does not fit all. In addition, people can be forced to retire earlier than anticipated due to their or their spouse's health issues or other complicating factors.

Social security plans

Social security plans in different countries vary widely. The age at which people are eligible for these plans continues to rise, with additional age raises coming. It may not be possible for some people to work to these new retirement ages, depending on their occupation and health status.

Examples of recent regional developments related to social security include the following:

- In the US, the move toward greater reliance on 401(k) plans continues to accelerate.

- In Asia, recent events such as the pandemic have led to changes in attitude, behavior, and financial planning, creating a shift away from relying entirely on family in old age.
- In China, the nation's first personal private pension scheme was piloted in November 2022 and has now been introduced in 36 cities and regions. Following a nationwide rollout, it will sit separate from the first two retirement pillars in China: the state-run basic pension scheme and enterprise annuities.
- In Hong Kong, the introduction of the Mandatory Provident Fund in 2000 promises to increase awareness of retirement planning for younger workers and encourage them to start saving earlier.
- In India, no conventional or comprehensive social security plan exists. Along with fulfilling roles and responsibilities toward one's family, the nation is seeing increased emphasis on self-identity, self-care, and self-worth.

Government help

The UK, Canada, and Singapore are three examples of countries where governments are taking an active role in helping people plan for retirement.

- The government and the Monetary Authority of Singapore have partnered with the Association of Banks in Singapore, Association of Financial Advisers (Singapore), and the Life Insurance Association to launch a basic financial planning guide. The guide provides Singaporeans with actionable steps to improve their financial wellbeing. The steps include setting aside three to six months' worth of expenses for emergencies, obtaining insurance protection of nine times annual income for death and disability, spending no more than 15% of income on insurance, and investing at least 10% of income for retirement.
- Service Canada launched the Retirement Hub – a new, user-friendly, online tool that provides a simple and improved experience for

Canadians and their retirement planning. It helps Canadians apply for and receive retirement income benefits like the Canadian Pension Plan, Old Age Security Plan, and the Guaranteed Income Supplement. A key feature of this online tool is the Retirement Ready Quiz. Through a series of questions, the quiz gives users a personalized checklist to help them prepare for retirement.

- In the UK, an online service for voluntary National Insurance (NI) payments aims to help customers fill gaps in their NI records to increase their state pension. The government also offers a gateway where an individual can estimate the state pension to which they may be entitled.

Retirement Readiness (Part II): New products, tools, and insurer engagement

Most employees no longer have one employer for life; instead, they find themselves working for numerous companies throughout their career.

When it comes to retirement, this job hopping has produced a need for tools and resources to track retirement savings and created an opportunity for banks and insurers to provide those resources. At the same time, insurers are developing life insurance products designed to provide an income for life, with some offering health benefits and riders for long-term care.

Apps and dashboards

Banks and insurers, with the help of financial advisers, have developed apps and dashboards to help people plan and “visualize” their retirement.

Recent launches in the US include Voya Financial’s employee dashboard, which provides access to retirement plans and health savings accounts all in one place. The dashboard also provides data-driven, personalized insights to help inform employees about their complete health and financial

picture. MetLife and MetLife launched the MetLife Universal Digital Retirement Platform, an education, planning, and annuity-purchasing tool. It seamlessly and securely connects to existing employment benefits and TPA recordkeeping systems. Meanwhile, the Voyant AdviserGO platform has three simple simulations for longevity risk, long-term care, and disability. With the click of a button, advisers can easily illustrate complex solutions. In Canada, BMO has a wide range of innovative digital tools that promote financial literacy. These include:

- BMO CreditView, where customers can quickly and easily check their credit score
- BMO Insights, which helps customers save more, monitor their spending, and spot unusual activity
- CashTrack and Spend Categorization, which provide popular financial insights

In Singapore, DBS Bank has incorporated a new feature – Your CPF – in its digibank app to give users a clearer picture of their Central Provident Fund (CPF) savings. The new tool will enable CPF members to benchmark their retirement savings against the projected CPF retirement sums for their age cohort, allowing them to take steps to close savings gaps.

In the UK, Scottish Widows has launched a new Retirement Matrix to help customers engage in better and more informed conversations. On a simple, 3D cube, the tool maps all current and potential retirement products against retirement income goals.

Interestingly, while customers indicated they wanted a product that provided a guaranteed income for life, only a few are currently purchasing an annuity product.


Apps also help with retirement readiness. Recent examples include:

- In the US, the Guideline’s mobile app for 401(k) savers allows participants to conveniently check their retirement plans.
- Also in the US, the MoneyFitt app provides users with actionable steps to improve five foundational areas of financial well-being – spending, credit card, emergency fund, protection, and investments – based on their unique financial needs and goals.
- In the UK, Scottish Widows partnered with MoneyHub to introduce features to its app that allow people to view all their finances in one place. Customers can connect their pensions with other financial accounts, such as checking and savings accounts, stocks and shares products, loans, and insurance policies and mortgages – including those held with other providers.

Pension location services

Insurers and banks have also teamed with associations, to help customers locate the pension savings they might have accumulated over a lifetime of working.

In Canada, the National Institute on Aging has partnered with Sun Life to examine the growing problem of missing members. Some plan administrators lose contact information for their members. This is due to members moving, changing banks, passing away or other causes. This can prevent people from receiving pension payments or key communications about their pensions. Many Canadians hold multiple jobs and build pension savings in different plans over their careers, thus increasing their likelihood of becoming a missing member.



This leaves millions of dollars in workplace pension funds untouched.

In the UK, Aviva launched the first “Find and Combine” pension tracing, checking, and consolidation service. This service simplifies consolidation by

bringing all information together in one easy-to-read dashboard so the customer can choose which pension (if any) to transfer. Lloyds offers the Ready-Made Pension Service, allowing customers to combine up to 10 pension amounts and open a new pension with Scottish Widows.

Employee benefits

Retirement savings plans are one of the most valued parts of an employee's benefits package. Globally, such plans are among the top reasons employees remain at their jobs.

Employers should consider enhancing their financial wellness offerings to help workers understand retirement living. Employers are well-positioned to offer robust guidance that may alleviate retirement worries and help workers feel more prepared for the unexpected. Such offerings might include broader types of benefits that assist with debt paydown, supplemental income, and ways to deal with student debt.

John Hancock, a unit of Toronto-based Manulife, announced the launch of a new Premier Benefit Indexed Universal Life individual product in the voluntary benefit employer space. It offers a streamlined digital process, and employees can choose to enhance their coverage with optional rider coverage for long-term care. All policies will be issued a Vitality Plus rider, which offers savings and rewards for everyday activities people can do to live longer, healthier, and better lives.



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Life insurance products

One of retirees' greatest fears is running out of money or outliving their savings. Many would invest in a product that gives them a guaranteed income for life. Retirees also tend to forget to factor in the need for long-term care, and life insurance plans are now offering an add-on, long-term care rider. Transamerica has introduced a long-term care rider for its universal life insurance, providing a flexible solution for Americans approaching retirement. The rider allows policyholders to access death benefits early to pay for long-term care expenses.

In the US, BlackRock launched its Lifepath Paycheck solution. To help education plan participants, BlackRock developed MyLifePath, a digital experience that shows how contributions can translate into retirement income. Its LifePath Paycheck solution takes the same approach and provides access to a guaranteed income through a target-date fund, an investment strategy that automatically adjusts to a specified retirement year.

In Asia, retirement savings plans are popular products. Recent product launches in India include:

- ICICI Pru Gold Pension Savings
- ICICI Pru GIFT Pro
- Max Life's Smart Wealth Annuity Guaranteed Pension Plan
- Tata AIA Fortune Guarantee Retirement Ready Plan, which combines the certainty of guaranteed benefits with the flexibility to tailor the plan to individual needs

Some of those plans offer a choice between receiving a regular income to one that increases every year, as well as partial withdrawals. They also provide flexibility in premium paying and income terms.

In the Philippines, Pru Life UK introduced PruLifetime Income, a product that provides a 5% guaranteed payout for life. In Hong Kong, HSBC Life is introducing a brand-new savings plan – the HSBC Eminent Goal Multi-Currency Insurance Plan – which provides up to nine currency options, catering to customers' international needs across education and retirement planning.

These savings products can also offer additional services, such as complimentary health checkups, life insurance, and death benefits. In Asia, MetLife has launched 360 Future, which helps customers prepare for retirement by combining savings, insurance, health, and wealth services. Retirable has partnered with eHealth to provide comprehensive retirement planning expertise with “tailored” Medicare and health insurance solutions.

Reverse mortgages

A reverse mortgage, or equity release, is a loan designed for homeowners 55 years of age and older. It is secured by the equity in a home, which is the portion of the home's debt-free value and allows homeowners to obtain cash without having to sell their home.

In the UK, equity release plans are offered by insurers. LV=, in partnership with the Age Partnership, will advise customers on the most suitable products available. Two of LV= products are Lifetime Mortgage Drawdown+ and Lump Sum+. Royal London also offers several equity release products, including Core Standard, Core Premier, and Principal. Saga Mortgages follows the recent launch of Saga Legal and the Saga Savings Platform, a suite of new money products, furthering Saga's strategic ambition to become the super brand for people in the U.K.

In Canada, HomeEquity Bank and Equitable Bank are the only banks that offer reverse mortgages directly to homeowners over the age of 55.

A newcomer is Bloom Finance, which offers an innovative Bloom Prepaid Mastercard that allows people to access their funds locked in home equity. Portfolio+ Inc launched the Portfolio+ reverse mortgage solution designed to

empower lenders to redefine retirement planning for their clients by allowing homeowners aged 55 and older to unlock the tax-free equity in their homes.

In Asia, FWD recently launched Life Gala, an eligible life insurance plan under the Policy Reverse Mortgage Programme, providing stable cashflow to enhance quality of life during retirement. One feature is the Life Celebration Booster Option, which empowers the insured to amplify coverage at various important life milestones. This allows the insurance policy to be converted into a stable, lifelong cashflow.

Insurers worldwide are providing a range products and services to help customers become retirement ready. The insurance industry plays an important role in promoting lifelong financial security by continuing to produce products that cater to individual needs.



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