

Schroders

Global Investor Study

Taking control of retirement



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Overview

Recent trends in retirement system design and changing workforce dynamics mean that more individuals are taking both responsibility and risk for achieving a financially secure retirement. The World Economic Forum calculates today a pensions gap of \$70 trillion in 8 of the largest and mostly populated countries around the world, and they calculate this to project to \$400 trillion by 2050. Are individuals on track or are we heading for a pensions crisis?

The findings from the Global Investor Study 2019 showed two sides of the same coin. On the one hand, we were encouraged to see that people are saving reasonable amounts - but yet they want to know more, and could be encouraged to save more. In contrast, people's withdrawal expectations mean their retirement savings could be depleted within a decade, suggesting that there is more to do on setting realistic expectations now, before they retire.

The biggest risks that individuals face at retirement is not having enough savings to meet their lifestyle desires, and outliving these savings, given continued improvements in longevity. These challenges are made harder in an environment of constant change; political uncertainties, pensions regulations and less-optimistic future market returns. As a result, people need to regularly evaluate their expectations and consider how realistic they are. In taking control of their retirement planning, people's financial situation in retirement is far more likely to be successful.



About the research



In April 2019, Schroders commissioned an independent online survey of over 25,000 people who invest from 32 locations around the globe. The locations included Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. This research defines "people" as those who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years.

Note: Figures in this document may not add up to 100 per cent due to rounding or a multi-answer question.

Our findings in a nutshell

People are saving a reasonable amount of their annual income for retirement: 15.3% on average.

Those who define their investment knowledge as 'expert' or 'advanced' are saving the most (18.2%).

A staggering 94% of non-retired people think there are factors that could convince them to save more for retirement.

Access to information about how much money they need for their desired lifestyle - and likely living costs in retirement, were the top two factors that would convince them (34% and 32% respectively). Additionally, almost one in three (30%) people felt that visualising how life might be once they have retired would have convinced them.

Millennials appear to be the most engaged age group when it comes to retirement savings, despite being the furthest from it.

Millennials are saving the highest proportion of their annual income (15.9%) and are the most likely to believe they could be convinced to invest more (97%).

People appear unrealistic about how long their savings will last in retirement.

On average people think they can take 10.3% out of their retirement savings each year and not run out of money. A quarter of people think they can take at least 15% each year.

A quarter (24%) of non-retired people are uncomfortable as to whether they are saving enough for retirement.

This figure differs location to location, rising to 53% of non-retired people in Japan, and only standing at 6% of those in India.

Those on the brink of retirement are the most concerned about their retirement savings.

Non-retired Baby Boomers (aged 51-70) are the most likely to be uncomfortable (33%) as to whether they will have enough to last.

People differ in their attitudes towards risk and their retirement savings.

A third (34%) of people take less risk with their retirement savings than with their personal savings, whilst a quarter (24%) take the opposite stance.



Positive change

It goes without saying that people would like to retire in comfort, and around the world they are striving to save and invest effectively during their working life to do so. The message from the Schroders Global Investor Study 2019, is generally a positive one. Around the world, people are saving reasonable amounts for their retirement, both through personal savings and employer contributions.

It's necessary to flag that the findings are based on people surveyed and therefore by definition are investing at least €10,000 (or the equivalent) in the next 12 months, much higher than median savings rates within most locations. Similarly, some locations may be saving more as wages are lower, meaning they are building up the mandatory contribution rate with personal vehicles.

Those in the Americas were saving the least (14.5%) followed by Europe (14.9%). People in Asia were saving the most; an average of 15.9%. At a regional level Russia was saving the least (11.1%), followed closely by Spain (11.2%). People in Austria and Switzerland were saving the highest proportion of their income (21.6% and 21.3% respectively).

As would be expected, people who rate their investment knowledge as 'expert' or 'advanced' are also saving more for their retirement, almost 50% more than self-purported 'beginner' and 'rudimentary' investors.

15.3%

saved on average by non-retired people for their retirement as a percentage of their current income (including employer contributions)



As a percentage of their current income, how much are people currently saving specifically for their retirement (including employer contributions)?

18.2%

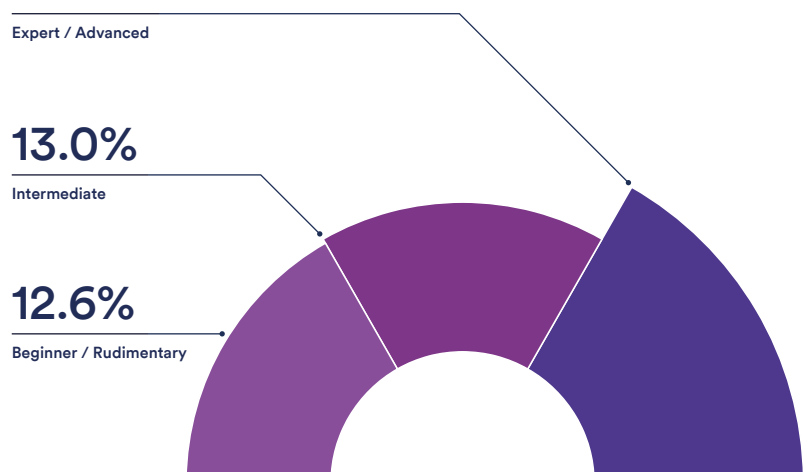
Expert / Advanced

13.0%

Intermediate

12.6%

Beginner / Rudimentary





Location	As a percentage of their current income, how much are people currently saving specifically for their retirement (including employer contributions)?
Austria	21.6%
Switzerland	21.3%
India	19.4%
Belgium	18.6%
Australia	18.5%
Germany	18.2%
Singapore	18.0%
UAE	17.5%
Brazil	16.9%
Thailand	16.4%
Japan	15.8%
South Africa	15.7%
Indonesia	15.6%
Sweden	15.4%
South Korea	15.4%
Taiwan	15.3%
Portugal	15.3%
Netherlands	15.1%
USA	15.0%
UK	15.0%
Argentina	14.9%
Denmark	14.7%
Mexico	14.0%
China	13.9%
Chile	13.4%
France	13.0%
Poland	12.4%
Italy	12.4%
Hong Kong	12.2%
Canada	11.7%
Spain	11.2%
Russia	11.1%

People open to saving more for retirement

94%



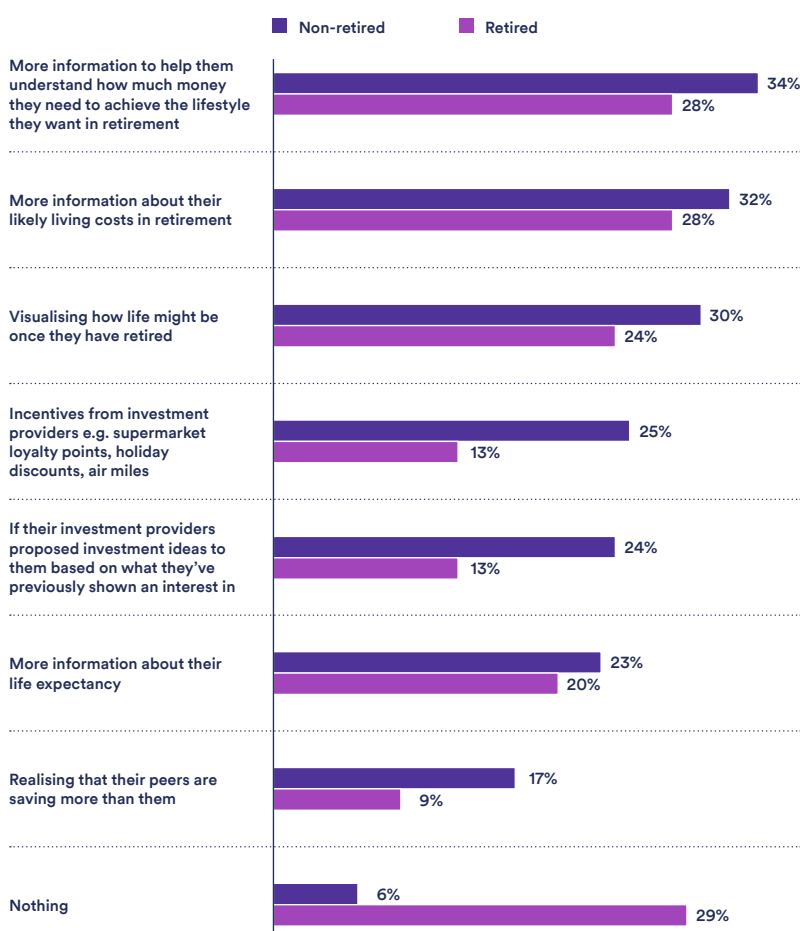
of non-retired people felt that something could convince them to save more for retirement

71%



of retired people felt that something would have convinced them to save more for retirement

What would convince people / have convinced people to save more for their retirement?



Even more positively, the findings showed that people felt they could be convinced to save more; showing they understand that their saving attitudes and behaviours will have a significant impact on their retirement lifestyle.

An overwhelming 94% of non-retired people felt they could be convinced to save more for retirement. Access to information – to achieve their desired lifestyles and to understand likely living costs – were the top two factors which people felt could positively influence their retirement-saving behaviour.

Generally, retired and non-retired people agreed on the prioritisation of factors – and their impact on saving more. Looking at the varied mix of factors that would convince people to save more, the evidence indicates that all people are very different and so require a different approach. Social, geographical, cultural and economic factors have a clear impact on the attitudes of individuals.

And whilst retired people are less convinced that they could have been persuaded to save more (71% of retired v 94% of non-retired), a high number still feel this way.

Looking geographically, those in Asia were much more likely to feel they could be, or could have been, persuaded to save more for their retirement (97% of those non-retired and 94% of those retired). Those in Europe were the least likely to feel this way (92% non-retired and 59% retired).

On a regional level there are some extreme differences around the world among retired people. All retired people participating in the study in India, China and UAE felt there were factors that would have convinced them to save more for retirement. Possible factors contributing to these regional results, are that pension frameworks are not as well-established and have poor coverage, whilst life expectancy is also rising faster in Asia than the rest of the world.

On the other end of the scale, only two in five retired people from the Netherlands agreed (40%).



Continent	Retired people who felt that something would convince them to save more for retirement	Location	Retired people who felt that something would convince them to save more for retirement		
Americas	67%	Mexico	96%		
		Argentina	91%		
		Brazil	90%		
		Chile	90%*		
		USA	60%		
		Canada	55%		
		Asia	94%	India	100%
				China	100%
				Thailand	98%
				Taiwan	96%
Indonesia	95%*				
South Korea	94%				
Japan	89%				
Hong Kong	83%				
Singapore	83%				
Europe	59%			Poland	91%
		Russia	87%		
		Spain	85%		
		Portugal	75%		
		Italy	70%		
		Austria	70%		
		France	61%		
		Belgium	57%		
		UK	52%		
		Switzerland	52%		
		Denmark	46%		
		Germany	46%		
		Sweden	42%		
		Netherlands	40%		
		Others	69%	UAE	100%
South Africa	91%				
Australia	56%				

* Caution small base (n<30)

Millennials appear to be leading the way

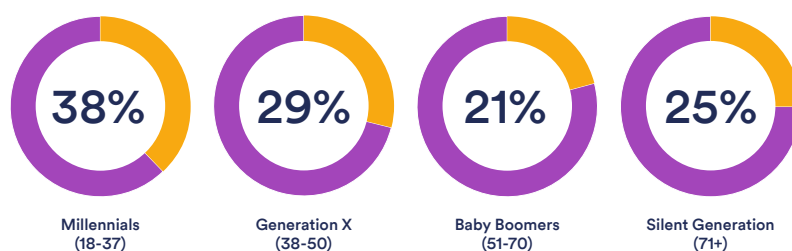
Despite being further from their retirement, millennials are the most bullish generation, with 38% very comfortable they will have enough for their retirement.

This is understandable when we consider that this generation are also saving the highest proportion of their annual income (15.9% on average). This decreases with age, and the silent generation, those working over 71 are only saving, an average of 13.1% of their annual income.

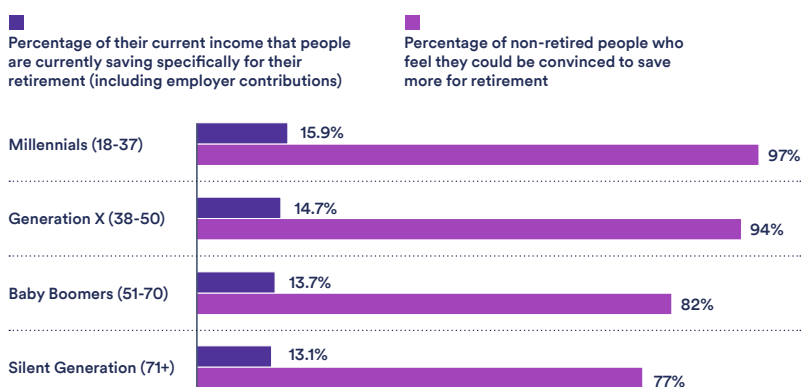
Even more positively, Millennials are the age bracket most open to feeling they could be convinced to save more for their retirement with 97% of them feeling there are factors that would convince them.

But despite being open to saving more, Millennials also demonstrated some of the most worrying behavioural traits. When asked to select which statements about their retirement saving attitudes that most aligned with them, they were more likely to select ones that demonstrated a present bias, impulsivity and anxiety than other generations.

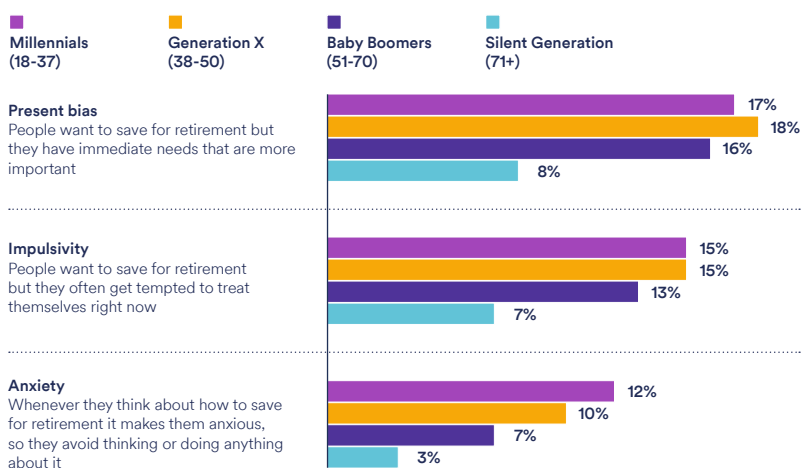
Non-retired people who are very comfortable that they are saving enough for retirement



Millennials are saving more, and open to saving more



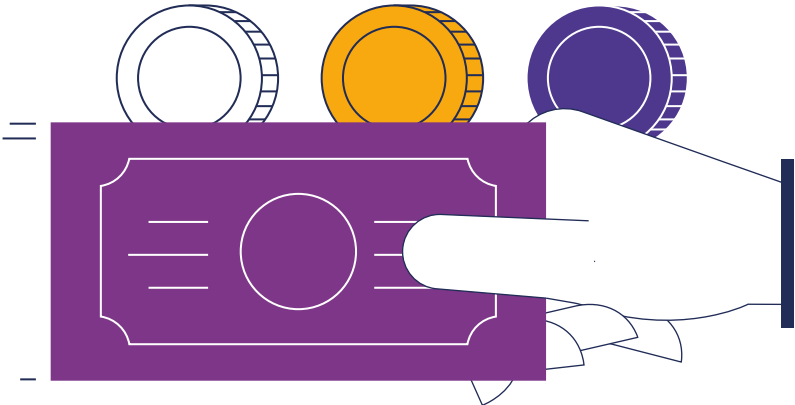
Millennials are more likely to demonstrate negative behavioural traits



People appear unrealistic about how much they can withdraw in retirement

10.3%

The average percentage of retirement savings people think they can realistically take out each year and not run out of money.



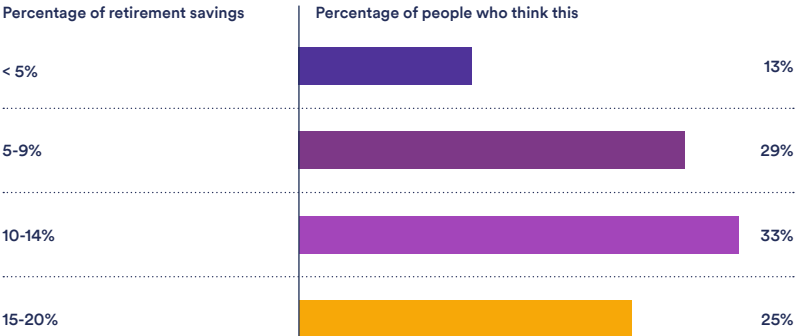
Despite the positive signs of people saving reasonable amounts – and being open to saving more – people appear to lack awareness about what retirement will really mean for them. On average, people believe they can realistically drawdown 10.3% of savings every year and not run out. A quarter of people think they can take at least 15% every year. A vast majority (87%) think they can take out at least 5%p.a. and not run out of retirement savings.

There is also a clear difference between retired and non-retired; those who are retired (average 8.4%) have more realistic expectations vs non-retired (average 10.6%).

Whilst the reality of this is subject to age at retirement; and the amount the individual has saved; it's still generally a high figure. It indicates that people are likely either underestimating how long they will live for or underestimating the returns required to generate the ability to draw such a high rate, or have other sources of wealth/income.

Looking at the geographical differences, people in Europe appear to be slightly more realistic, believing they can take 9.8% on average. On a regional level, Japan had the lowest average (7.3%) whilst India was at the other end of the scale, with people thinking they could take 15.0% without running out of money.

What percentage of retirement savings do people think they can realistically take/be able to take out each year during their retirement and not run out of money?





Continent	Location	The percentage of retirement savings people think they can realistically take/be able to take out each year during their retirement and not run out of money
Americas	Brazil	11.8%
	Mexico	11.4%
	Argentina	10.9%
	USA	10.1%
	Chile	10.0%
	Canada	8.4%
Asia	India	15.0%
	Thailand	13.2%
	Indonesia	12.7%
	China	11.1%
	Singapore	10.1%
	South Korea	9.8%
	Taiwan	9.4%
	Hong Kong	8.9%
	Japan	7.3%
Europe	Belgium	11.0%
	Portugal	10.7%
	Austria	10.5%
	Switzerland	10.5%
	Sweden	10.4%
	Netherlands	10.1%
	UK	9.9%
	Denmark	9.8%
	France	9.6%
	Germany	9.5%
	Spain	9.4%
	Poland	9.4%
	Russia	9.3%
	Italy	8.7%
Others	UAE	11.5%
	Australia	11.1%
	South Africa	10.9%

Geography has an influence on savings confidence

The confidence that people have that they are saving, or have saved, enough to last their retirement varies drastically around the world. Looking at the global differences, there are several countries that are facing a number of similar issues which are likely to influence the confidence levels.

Ageing population

Japan was the most likely to be concerned about the amount they have saved, with over half of non-retired people uncomfortable that they are saving enough (53%) and 44% of retired people uncomfortable with the amount they have saved. This is unsurprising when you consider that 30% of the population in Japan is already over 60 years old.^[1]

Population ageing started in high-income areas such as Japan, however now low and middle-income regions are facing this shift. The World Health Organisation (WHO) has speculated that Chile, China and Russia will have a similar proportion of older people to Japan by the middle of the century.

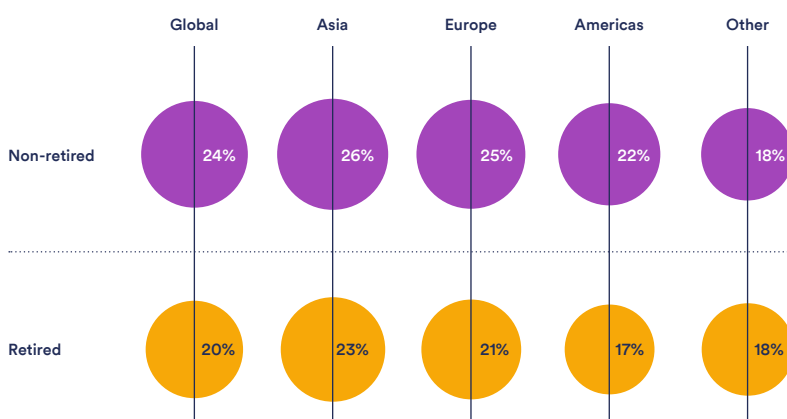
Policy

Policy also has a clear impact on how comfortable people feel about their retirement. For example, in Australia only 17% of retired and un-retired people are not comfortable they are saving enough. Australia has a longstanding compulsory pension system where everyone contributes 9.5%, with the contribution rate growing, and set to grow further in the future.

On the other hand, in Hong Kong, 40% of non-retired and 31% of retired people are uncomfortable with the amount they are saving or have saved. Hong Kong has a younger retirement system (known as Mandatory Provident Fund) with a mandatory contribution rate of 5% monthly salary from employer and employee (10% in total), including a cap. Besides, salary inflation in Hong Kong has not matched the recent rise in living expenses reducing disposable income to add to people's pension.



People who are not at all comfortable, or uncomfortable that they have saved / are saving enough to last throughout retirement



[1] The World Health Organisation 2018

Return expectations

Return expectations might also drive expectations of retirement savings. Both Indian and Chinese economies are expected to grow rapidly over the coming decades, providing people with the opportunity to build their personal wealth. Both these regions also had lower numbers of people showing a lack of confidence, both retired (India 7%, China 7%) and non-retired (India 6%, China 17%).

Conversely regions that have showed sluggish growth, or deflation, are likely to have dented people's saving expectations. This is expected to have had an impact over their lack of confidence in retirement savings for non-retired and retired alike as potentially seen in Japan (53% and 44%), South Korea (44% and 53%) and Russia (41% and 58%).

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Policy has a clear
impact on how
comfortable people
feel about their
retirement

People who are not at all comfortable, or uncomfortable that they have saved / are saving enough to last throughout retirement

Location	Non-retired	Retired
Japan	53%	44%
South Korea	44%	53%
Russia	41%	58%
Hong Kong	40%	31%
Chile	36%	15%*
Taiwan	35%	33%
Poland	30%	44%
France	29%	33%
Canada	29%	15%
Spain	28%	28%
Netherlands	28%	8%
Argentina	26%	26%
Italy	25%	21%
Sweden	23%	14%
Portugal	23%	36%
Austria	22%	4%
Switzerland	21%	17%
USA	21%	15%
Belgium	21%	22%
UK	20%	15%
Denmark	20%	7%
Germany	20%	24%
Mexico	19%	24%
Singapore	18%	22%
South Africa	18%	23%
Australia	17%	17%
China	17%	7%
UAE	17%	6%
Thailand	12%	6%
Brazil	12%	20%
Indonesia	10%	10%*
India	6%	7%

* Caution small base (n<30)

Confidence varies by age

Baby Boomers are the least comfortable in the amount they have saved



Considering the results across generations, this lack of comfort in retirement savings is highest for Baby Boomers (aged 51-70). A third (33%) of non-retired people in this age bracket are not comfortable that they are saving enough to last their retirement. This generation are more likely to be at the point of considering when they can realistically retire but may also be caring for elderly parents and witnessing increasing life expectancy – and the subsequent financial implications of this – first-hand.

One in five retirees are not comfortable they will have enough (20%), with 4% completely convinced they will not have enough to last retirement. Looking at the breakdown between non-retired people who are concerned they are not saving enough, and retired people who are concerned they have not saved enough, there is only a 4-percentage point difference in confidence.

This appears to be an increase in sentiment from our 2018 Global Investor Study, where 15% of retired people didn't think they had enough retirement income to live comfortably.

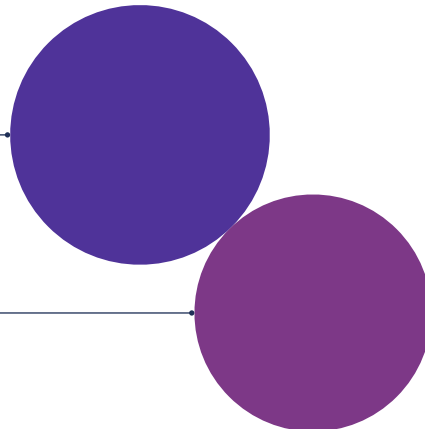
The concern persists for retired people

24%

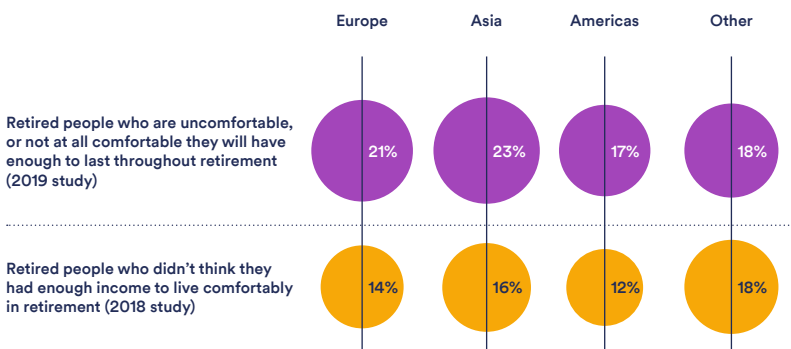
of non-retired people are not comfortable that they are saving enough to last throughout their retirement

20%

of retired people are not comfortable that they have saved enough to last throughout their retirement



Worry about savings could be on the rise among retired people



Attitudes towards risk with retirement savings differ

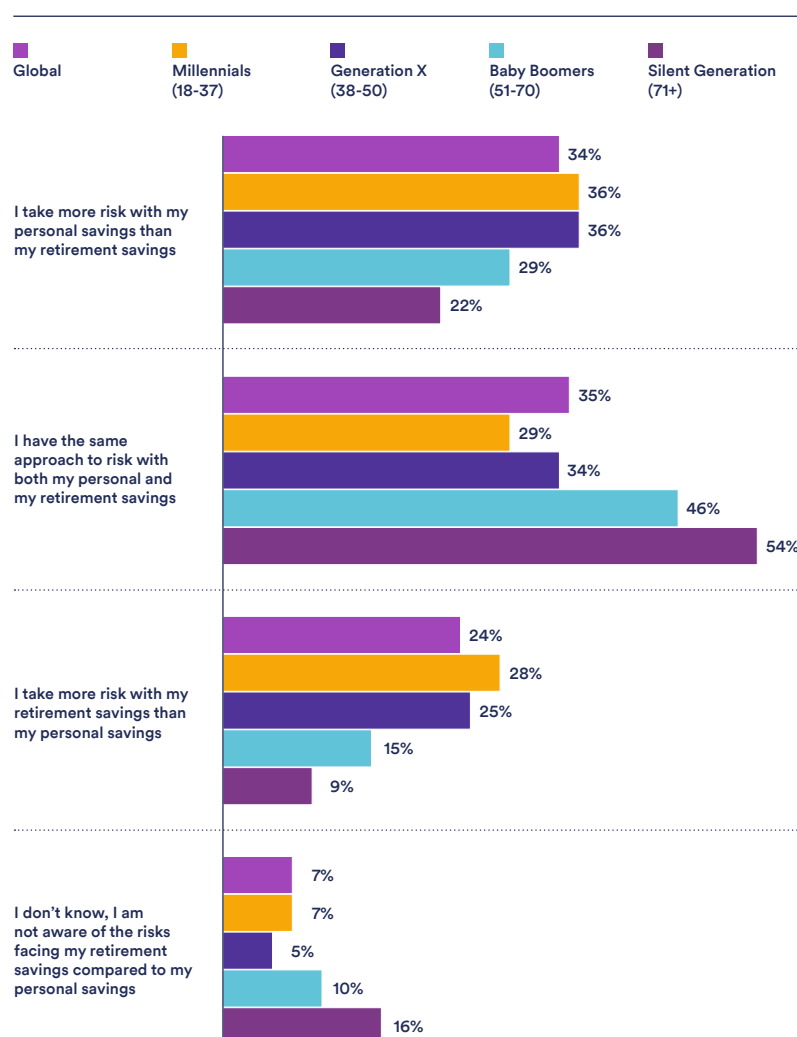
People are more inclined to take risk with their personal savings than with their retirement savings (34%). Despite this, a quarter of people will do the opposite (24%). Over a third (35%) don't differentiate on their risk approach for all their savings and a final 7% are not aware of the risks facing retirement savings compared to personal savings.

As expected, younger generations take more risk generally, unsurprising considering they have a longer-term view, particularly for their retirement. Concerningly, older generations were most likely to not know the risks facing their retirement savings. Men were more likely to take more risk with personal savings than retirement savings, comparative to women (37% v. 31%).

The fact that a large number take a consistent approach across both may be because they are 'in control' of both their personal savings and their retirement savings (i.e. they choose the asset allocation for both) or perhaps because they are using the same vehicles for both.

There was quite a significant difference around the world in whether people took more risk with their retirement savings than with their personal savings. Those in Austria were the least likely to do so (13%) whilst those in the UAE were the most (41%).

Attitudes towards risk differ by age



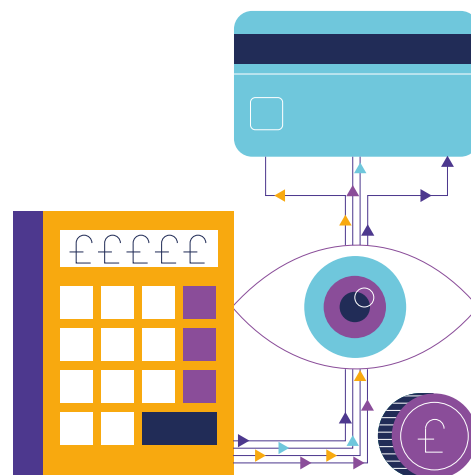


Continent	People that take more risk with their retirement savings than their personal savings	Location	People that take more risk with their retirement savings than their personal savings		
Americas	24%	Canada	27%		
		USA	26%		
		Mexico	23%		
		Chile	22%		
		Brazil	22%		
		Argentina	20%		
Asia	24%	Hong Kong	34%		
		China	31%		
		South Korea	26%		
		Indonesia	25%		
		Thailand	23%		
		India	22%		
		Singapore	21%		
		Japan	19%		
		Taiwan	18%		
		Europe	23%	Belgium	29%
				Netherlands	27%
France	27%				
Italy	24%				
UK	24%				
Denmark	23%				
Portugal	23%				
Poland	23%				
Spain	22%				
Switzerland	22%				
Germany	20%				
Sweden	20%				
Russia	19%				
Austria	13%				
Others	25%			UAE	41%
		South Africa	23%		
		Australia	21%		

How to take control of retirement

The study results are promising and engagement in retirement savings is clearly starting to build momentum among those who invest. The story is particularly encouraging for millennials who appear to be the most engaged generation. However, on an industry level there is clearly lots more to do.

When people were asked, there were several factors that would encourage them to save more for retirement; from access to more information, to the ability to visualise life once they have retired. Generally, the resounding trend we are seeing emerge is a clear need to simplify the pension ecosystems around the world. Governments, regulators, fiduciaries, employers and financial institutions all have a responsibility to take note and step up.



The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall.

Schroders commissioned Research Plus Ltd to conduct an independent online survey of 25,743 investors in 32 locations throughout the world, with fieldwork held between 4th April – 7th May 2019. This research defines ‘investors’ as people who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years; these individuals represent the views of investors in each location included in the survey. Retired investors were boosted in each location, where it was feasible.

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