Some descriptive findings from the Global Ageing Survey (GLAS)

Investing in Later Life

George W Leeson & Sarah Harper

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Oxford Institute of Ageing, University of Oxford

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Introduction

The population of the world aged 60 years and over increased from 205 million and 8 per cent in 1950 to approximately 688 million and 11 per cent in 2006. By 2050, the number will have increased to around 2 billion and 22 per cent.

The scale of ageing is immense across the globe. According to the United Nations forecasts, the population aged 60 years and over is expected to increase from 20 to more than 30 per cent by the year 2050 in the more developed regions, from 8 to 20 per cent in the less developed regions, and from just 5 to 10 per cent in the least developed regions.

The prospect of a relatively long and healthy life is real for most of us and there lies the challenge and there lies the opportunity for every individual, every country and every government in a world of increasing longevity.

It is against this demographic backdrop that HSBC's Future of Retirement Global Ageing Survey was developed. The analyses have comprised at various stages the *advanced economies* of Canada, the United States, France, Germany, Japan, Denmark, Sweden and the United Kingdom, economies which industrialised early, have relatively large service sectors, affluent populations and long-established pensions infrastructures and legislation; and the *transitional economies* of Brazil, China, Egypt, Hong Kong, India, Indonesia, Malaysia, Mexico, the Philippines, Poland, Russia, Saudi Arabia, Singapore, South Korea, South Africa, Taiwan and Turkey.

The first wave of analyses in 2004 covered approximately 11,000 persons aged 18 years and over in 10 countries and territories across four continents, and focused on their attitudes and expectations to ageing and later life. It was clear that people were predominantly positive across the globe with respect to their future in an ageing world.

The second wave of analyses in 2005 covered approximately 24,000 persons aged 18 years and over in 20 countries and territories across five continents and focused again on attitudes to ageing and later life but extending to both the family and the workplace, and also in relation to the state. There was clearly a global trend towards *contributory and responsible retirement.*

The third wave of analyses in 2006 covered 21 countries and approximately 21,000 persons in the pre- and post-retirement cohorts aged 40-49, 50-59, 60-69 and 70-79 years. It was clear that people generally feel good – in some cases even better – as they age. Key factors are independence, good health and control. In addition, it was also clear that families are the buttress of society, the phenomenon we identify with and within which we exhibit significant feelings of intergenerational solidarity. And contrary to the popular myth, older generations are ***not*** simply passive recipients of increasing amounts of support. They provide huge amounts of support within the family, the community, and the workplace.

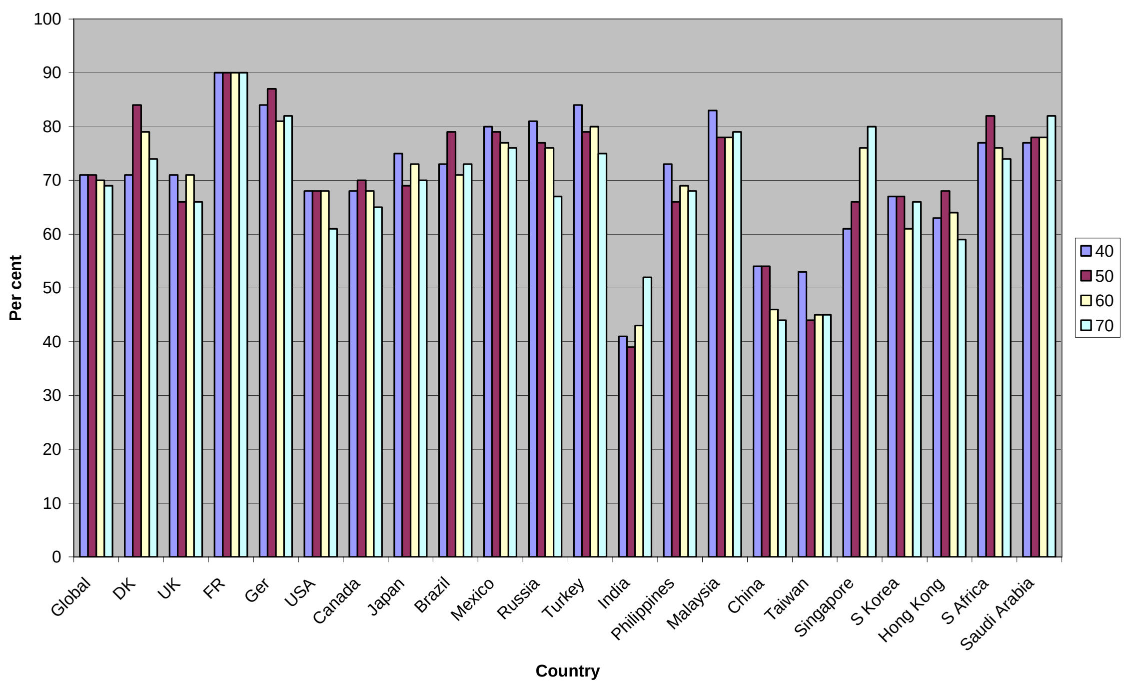
This report entitled *Investing in Later Life* presents the results of the fourth phase of analyses and focuses on preparation for later life, focusing on two pre-retirement generations aged 40-49 and 50-59 years, and on two post-retirement generations aged 60-69 and 70-79 years covering between 10,000 and 20,000 individuals in these generations.

It should be remembered that in the transitional economies, predominantly urban populations are covered by the analyses.

Independence, good health and control…but will it last?

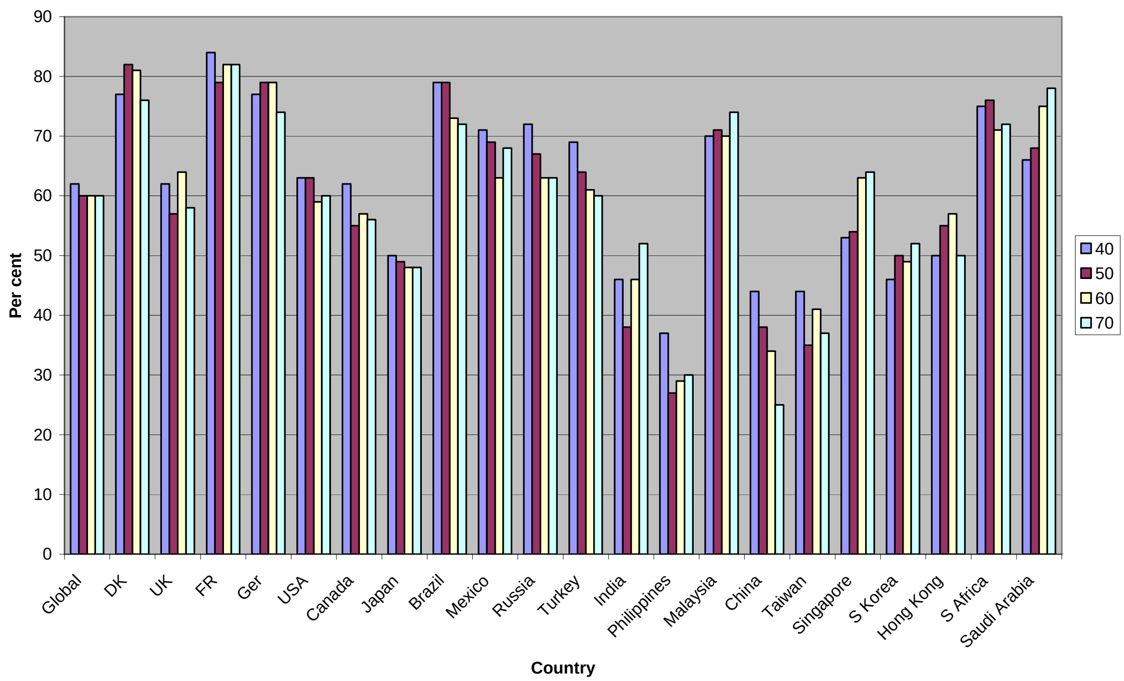
In the third wave of analyses, as pointed out, the generations surveyed generally feel good – even as they age. However, across the four generations aged 40-49, 50-59, 60-69 and 70-79 respectively, relatively large proportions are apprehensive in respect of old age and finding themselves in poor health and dependent on others, while smaller proportions feel apprehensive about not having enough money. Figure 1 reveals how the generations feel about growing old in respect of these issues.

Figure 1. Proportions fearing illness and disability in old age by generation



Globally, around 70 per cent of the generations fear illness and disability in old age. Interestingly, however, illness and disability in old age are not feared by such large proportions in India (39-53 per cent), China (44-54 per cent) and Taiwan (44-53 per cent), while this perceived aspect of old age is feared by around 70 per cent or more of the generations in the remaining countries, and as much as 90 per cent in France. In all countries (excluding Japan), the overwhelming tendency is for larger proportions of females to fear illness and disability in old age. For example, in the UK, 64 per cent of males aged 40-49 fear illness and disability in old age, while 75 per cent of females do so. And among the 50-59 year olds in the UK, the corresponding figures are 55 and 74 per cent. Likewise in India, where 62 per cent of females aged 70-79 fear illness and disability in old age compared with 49 per cent of males. Only among the 70-79 year olds do we observe this female bias in Japan.

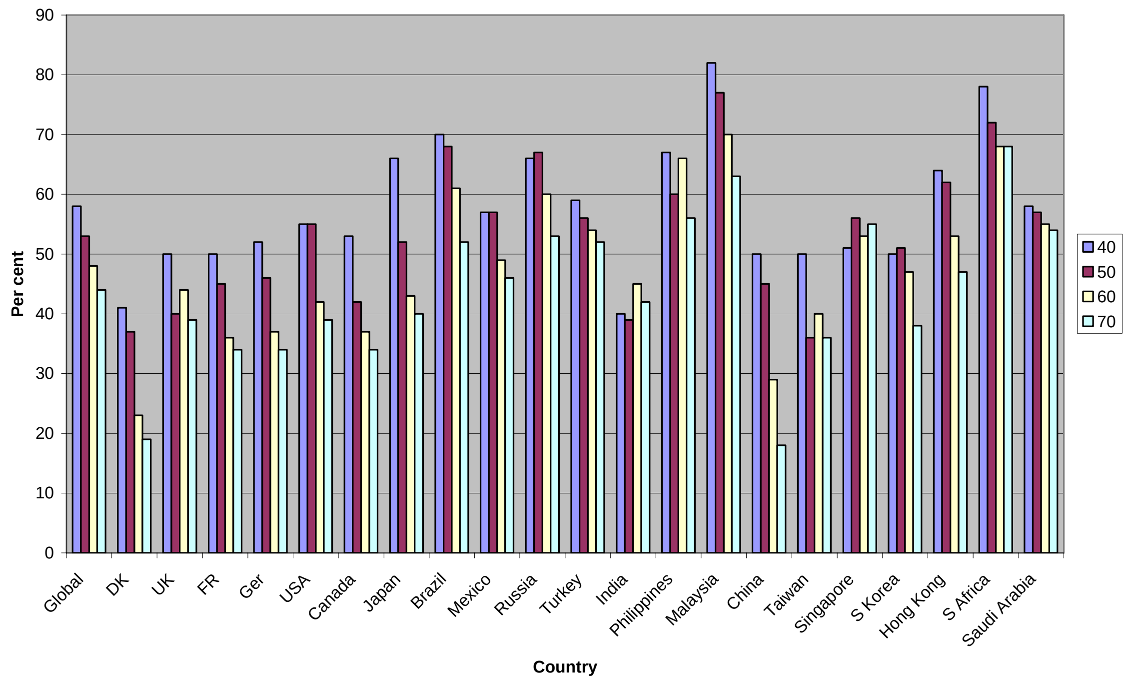
Figure 1. Proportions fearing being dependent on others in old age by generation



In terms of being dependent on others in old age, globally around 60 per cent fear this, but there is a greater degree of cross-national variation. Again we see a number of Asian economies (notably India, the Philippines, China, Taiwan, South Korea and Hong Kong) with low proportions of between around 30 and 50 per cent fearing dependency in old age compared with relatively high proportions in Denmark, France, Germany, and even Brazil, Mexico, Russia, Turkey, Malaysia, South Africa and Saudi Arabia with proportions around 60 to 80 per cent. With the exception of Japan, there is a general tendency for significantly greater proportions of females to fear dependency in old age in all generations. For example, in Denmark 85 per cent of females aged 40-49 compared with 71 per cent of females fear dependency in old age. The corresponding figures for the other Danish generations are 85 and 80 per cent for the 50-59 year olds; 82 and 78 per cent for the 60-69 year olds; and 81 and 63 per cent for the 70-79 year olds. And in India, the figures are 44 and 53 per cent for the 40-49 year olds, 36 and 44 per cent for the 50-59 year olds, 42 and 57 per cent for the 60-69 year olds, and 50 and 64 per cent for the 70-79 year olds.

Finally, if we look at the fear of not having enough money in old age, we find that globally the proportion declines with increasing age from 58 to 44 per cent, and this age gradient is present in all economies but Singapore and India where there is the inverse relationship between age and proportion fearing not having enough money in old age.

Figure 1. Proportions fearing not having enough money in old age by generation



In most of the developed economies and in China the age gradient is particularly steep. Only in India are the proportions post-retirement fearing not having enough money in old age greater than the proportions pre-retirement, and in Singapore pre- and post-retirement proportions are very similar.

In the majority of transitional economies, more than around 50 per cent and up to over 80 per cent of various generations fear this lack of money in old age, notably Brazil, Russia, Turkey, the Philippines, Malaysia, Singapore, Hong Kong, Saudi Arabia and South Africa. Exceptions are China, Taiwan and India. It is perhaps not surprising that Denmark has some of the lowest proportions in each generation, and proportions in the other developed economies of Europe and North America are below 55 per cent. Generally, there is a tendency for larger proportions of females in each generation to fear not having enough money in old age, but there are one or two notable exceptions. For example, in China, Hong Kong and Singapore where particularly in the oldest generation there is a lower proportion of females.

No confidence in help from governments

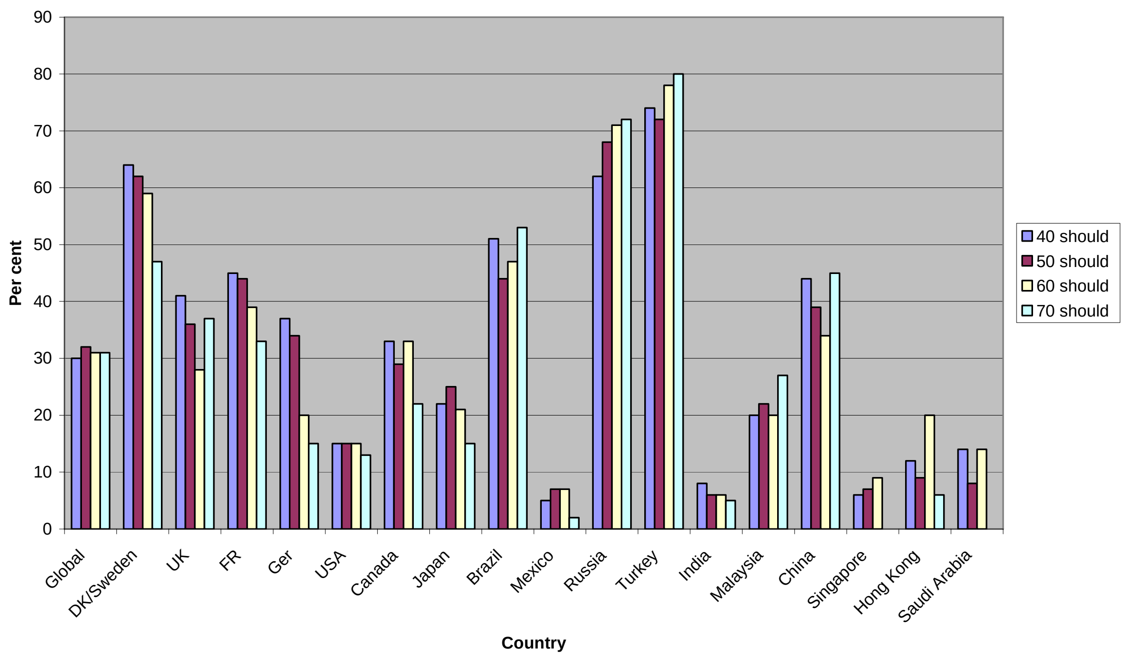
Governments of the developed economies fear that their ageing populations will increase public expenditure through increases in real spending on pensions. Many governments have promised generous public pensions from 60 or 65 years, but such pensions are increasingly unsustainable as we live longer lives. Pensions designed to support us in retirement for a decade are expected to support us for 25 to 40 years.

Many governments of transitional economies on the other hand have yet to respond to the dramatic ageing of their populations over this first quarter of the 21st century. Without universal provision, these governments and populations will have to find ways to combine state, community and family-based initiatives.

Expectations in respect of government support in old vary very much in accordance with the state of welfare development across countries. It also seems to be the case with confidence in governments providing support in old age.

Figure 2 illustrates the proportions in each generation who *believe that their government should bear most of the financial costs of supporting you in early retirement.*

Figure 2. Proportions who believe their government should bear most of the financial costs of supporting them in retirement by generation and country



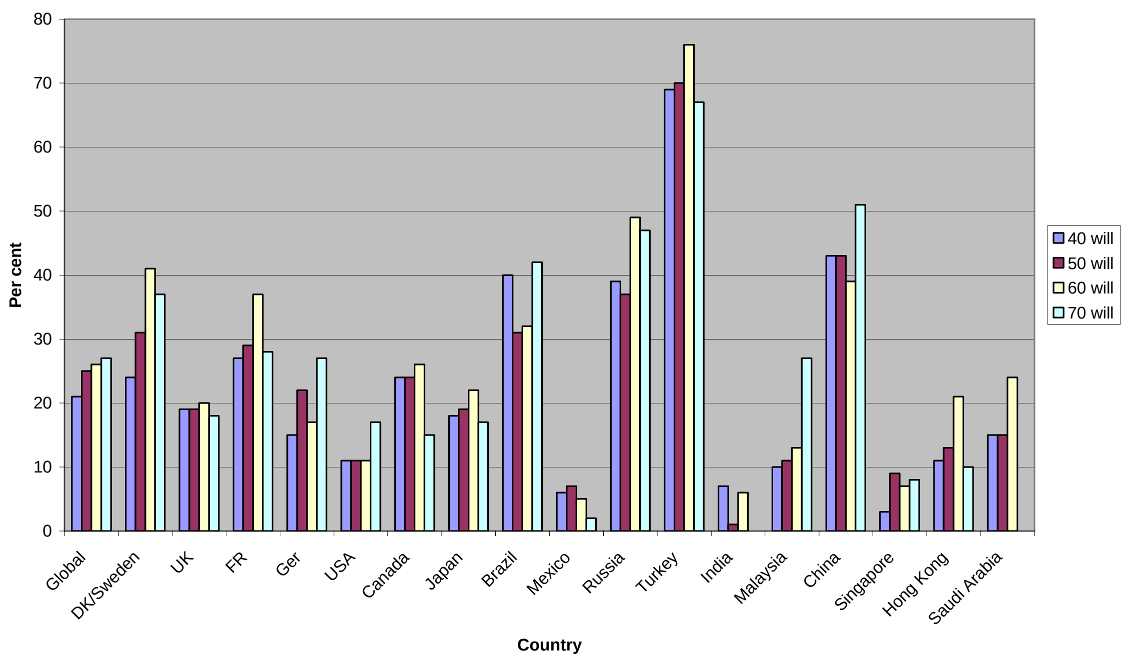
Attitudes in respect of governments should bear the financial costs of retirement vary greatly across countries and cross cut types of economies. In the USA, Japan, Mexico, India, Malaysia, Singapore, Hong Kong and Saudi Arabia modest proportions of the generations believe that their government **should** bear most of the financial costs of supporting them in retirement (0-27 per cent depending on country and generation). However, these proportions are generally larger in Scandinavia, Europe (including Russia and Turkey), Brazil and China with up to 64 per cent in Scandinavia, 45 per cent in Europe, 80 per cent in Turkey and 45 per cent in China.

In the developed economies (and India where proportions however are very low), the tendency is for these proportions to decline with increasing age, so there is a larger proportion pre-retirement who believe their government should bear most of the financial costs of supporting them in retirement, while in the transitional economies of Europe and South America and Asia and in Saudi Arabia the age gradient trend is reversed with larger or equal proportions post-retirement believing this.

In terms of gender specifics, the pattern across generations and economies is very varied in the majority of cases, cross-cutting economies such as those of North America, Scandinavia, Europe, China and Brazil. In these economies, there tends to be larger proportions of males with this attitude pre-retirement and larger proportions of females post-retirement. In a number of economies, again across types of economy, there is a tendency for larger proportions of males to have this attitude that governments should bear the financial costs of retirement – in the Asian economies of Malaysia, Singapore and Hong Kong, and those of Mexico and Saudi Arabia. Finally, in Turkey, Japan and India, there is a tendency for larger proportions of females to have this attitude in respect of their government's responsibility to bear most of the financial costs of retirement.

Expectations, however, are rather different, as appears from Figure 3 which illustrates across economies the proportions who believe their government **will** bear most of the financial costs of supporting them in their retirement.

Figure 3. Proportions who believe their governments will bear most of the financial costs of supporting them in retirement.

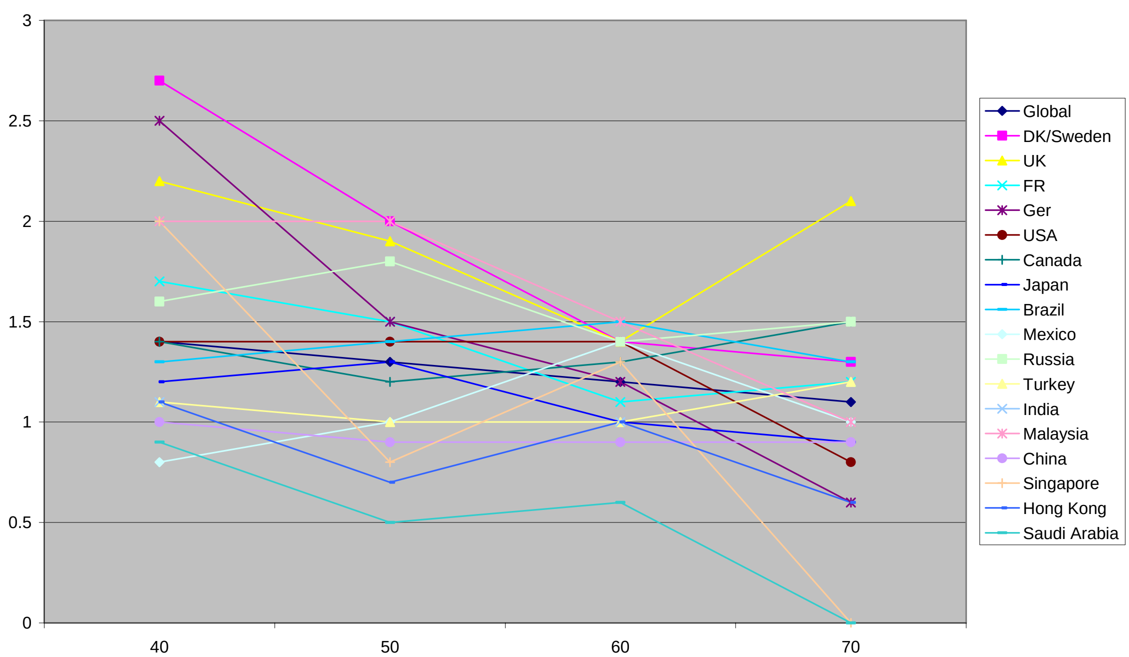


Almost everywhere the proportions believing governments will bear most of the financial costs in retirement are lower than the proportions believing governments should. Expectations fall short of attitudes. Interestingly, the age gradient is predominantly such that post-retirement proportions (one or both of these) who believe governments **will** bear these costs are higher than pre-retirement proportions. So, for example, while 47 per cent of the 70-79 year olds in Scandinavia rising to 64 per cent of the 40-49 year olds believe governments **should** bear the costs of retirement, 24 per cent of the 40-49 year olds rising to around 40 per cent of the 60-79 year olds believe governments **will** actually bear these costs.

In terms of gender specifics, there is again a cross-economy mix. In the majority of economies, however, there is a tendency for larger proportions of males to have this firm belief in government, but these economies vary from North America to South America, from Scandinavia to the United Kingdom, and from Turkey to Malaysia and Saudi Arabia. In Japan, India and Singapore (all with very low proportions having this firm belief in government) and in Russia (with relatively high proportions), there is a tendency for larger proportions of females to have this belief. Elsewhere, in Hong Kong, China, France and Germany there are larger proportions of males with this belief.

What we see then is a clear regional division. In those developed economies with a long history of government preparation for population ageing and a contemporary culture of government provision in old age, up to almost two thirds of the pre-retirement generation feel that governments should take responsibility but only around a quarter believe they will. Contrastingly, in developing countries, where there has been far less time for government preparation and a less developed culture of government provision in old age, less than around a quarter believe governments either should or will – notable exceptions are Russia, Turkey and China.

Figure 4. The confidence gap: ratio should/will proportions in respect of governments bearing most of the financial costs of retirement by generation and country



In the majority of economies and generations there is thus a clear ***confidence gap*** with regard to the role of governments in bearing the financial costs of retirement. This is illustrated in Figure 4 where the ratio of the proportion believing governments should bear the costs to the proportion believing governments will bear the costs is graphed. Ratios greater than 1 indicate that attitude (should bear the costs) is greater than belief (will bear the costs).

Figure 4 reveals that there is a large *confidence gap* in the developed economies, and almost everywhere (developed and transitional) the gap declines with increasing age across these four post- and pre-retirement generations. Generally speaking, those governments whose people feel should bear the cost are the ones least expected to live up to that expectation, nowhere more so than in the welfare states of Europe, which have the largest *confidence gap* along with the youngest pre-retirement generation in Singapore and Malaysia.

Help me help myself

Given the obvious confidence gap in respect of the role of governments – particularly where these governments traditionally have played a key role in provision in old age – what do we feel needs to be done to address the demands of ageing populations?

The usual mechanisms of government, such as raising taxes, reducing state pensions or increasing retirement age are rejected almost universally. Many clearly believe it will ultimately be up to individuals to secure their own old age, and their message to governments is that governments should enforce additional private savings. When given the choice of enforced additional private savings, raising taxes, reducing pensions or increasing retirement age, 34 per cent feel that governments first of all should *enforce additional private savings* to support and finance their ageing populations. This proportion decreases post-retirement from 38 per cent of the 40-49 year olds to 26 per cent of the 70-79 year olds, and at the global level males are more inclined than females to recommend this to governments, slightly more so post-retirement.

Globally, around 7 per cent pre- and post-retirement feel that government should reduce pensions to finance and support the ageing population. Slightly more – around 12 per cent – feel that taxes should be increased and around 25 per cent feel that the retirement age should be increased. Between 20 per cent pre-retirement and 28 per cent post-retirement are not sure which of these initiatives government should pursue as their first priority.

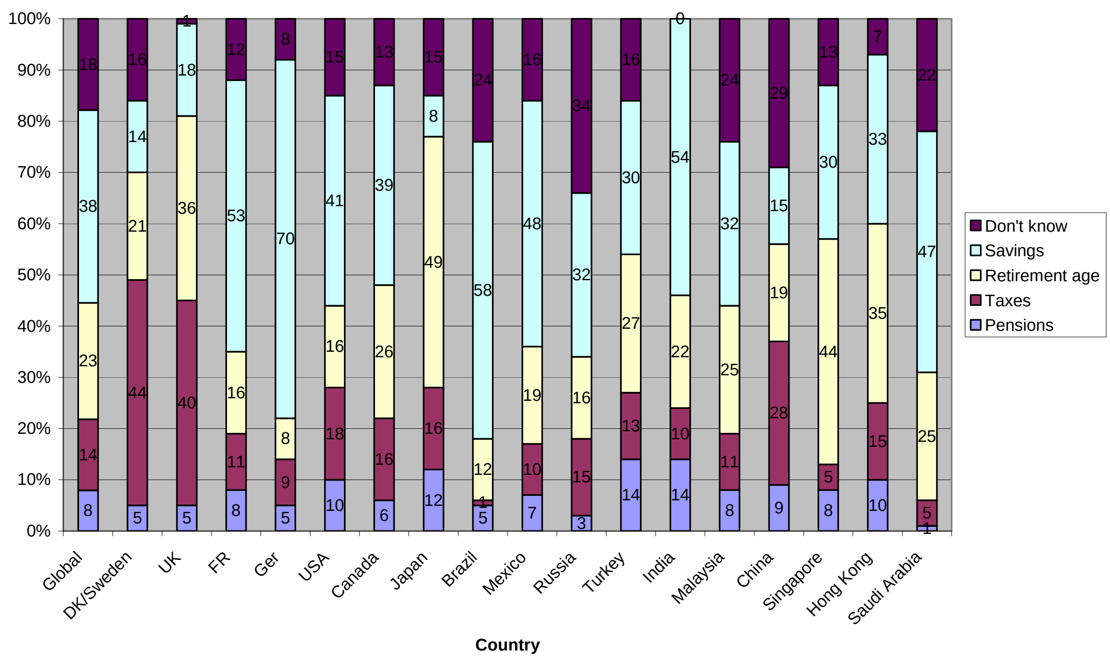
Figure 5 illustrates this emphasis on enforced additional private savings across the developed and transitional economies for each of the four pre- and post-retirement generations. Although there is global support for enforced additional private savings, there are clear cross-economy differences in each of the pre- and post-retirement generations with regard to the favoured option for governments.

40-49 year olds: In the Northern European economies of Denmark/Sweden and the United Kingdom the 40-49 year olds are more inclined to recommend raising taxes (40-44 per cent) than enforcing additional private savings (14-18 per cent). This is interestingly also the case in China (28 per cent compared with 15 per cent, but with 29 per cent unsure). In Japan 49 per cent favour increasing the retirement age compared with just 8 per cent supporting enforced additional private savings, and in Singapore (44 and

30 per cent) and Hong Kong (35 and 33 per cent) increasing the retirement age is marginally favoured to enforcing additional private savings.

In terms of gender specifics in this generation, among those economies favouring enforcing additional private savings females are more inclined to favour this option in Mexico (57 compared with 38 per cent), Saudi Arabia (48 and 45 per cent), India (58 and 50 per cent), Germany (75 and 65 per cent), France (59 and 46 per cent) and Brazil (59 and 57 per cent). Elsewhere this option is favoured more by males – the USA (47 and 36 per cent), Turkey (35 and 21 per cent), Russia (38 and 26 per cent), Canada (40 and 38 per cent), and Malaysia (36 and 30 per cent). In each of the three economies favouring increasing taxes to support the ageing population, this is predominantly a male option - in China 32 compared with 23 per cent, in the United Kingdom 44 compared with35 per cent, and in DK/Sweden 47 compared with 42 per cent. Finally, in the three economies favouring increasing retirement age, this is predominantly a female option with 41 compared with 28 per cent in Hong Kong, 48 compared with 39 per cent in Singapore, and 52 compared with 46 per cent in Japan.

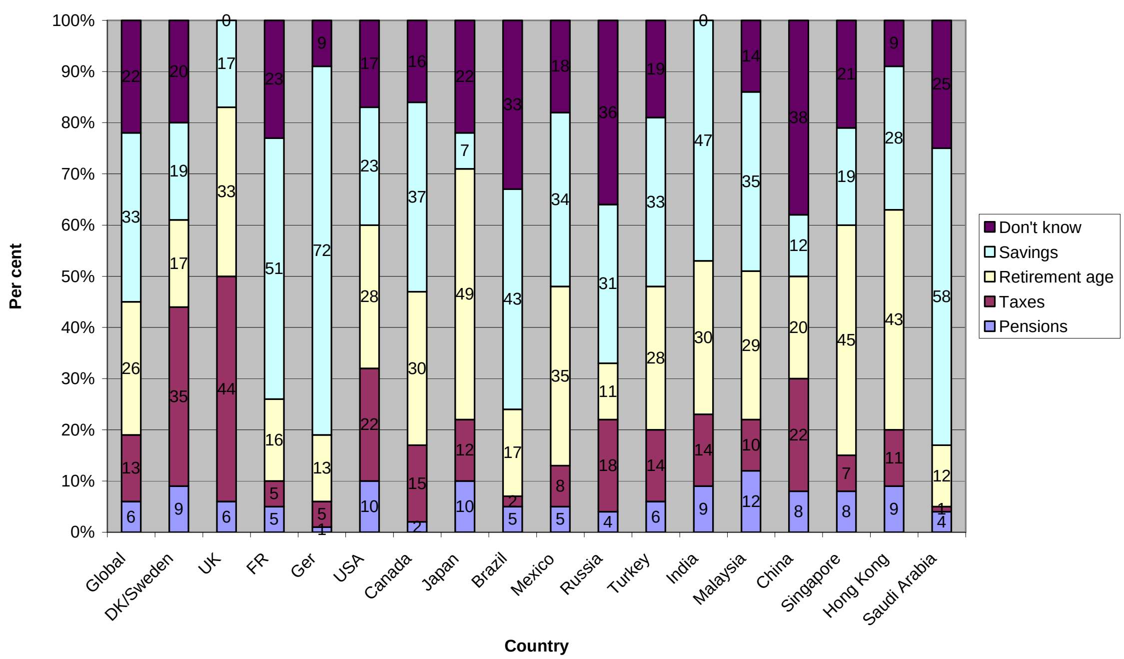
Figure 5. What should governments do first of all to support the ageing population? 40-49 year olds by country



50-59 year olds: Once again, we see that in the Northern European economies of Denmark/Sweden and the United Kingdom the 50-59 year olds are more inclined to recommend raising taxes (35-44 per cent) than enforcing additional private savings (17-19 per cent), and again in this generation this is also the case in China (22 per cent compared with 12 per cent, but with a larger proportion of 38 per cent unsure). As observed for the 40-49 year olds, there is in the 50-59 year old generation in Japan, Singapore and Hong Kong more support for increasing the retirement age compared with enforcing additional private savings (in Japan 49 compared with 7 per cent; in Singapore 45 compared with 19 per cent; and in Hong Kong 43 compared with 28 per cent), and this is also marginally the case in both the USA (28 compared with 23 per cent) and in Mexico (35 compared with 34 per cent). Although this generation in Russia favour enforcing additional private savings (31 per cent), more are unsure (36 per cent).

In terms of gender specifics in this generation, among those economies favouring enforcing additional private savings females are more inclined to favour this option everywhere but Brazil and Malaysia. For example in France, 54 per cent of females and 46 per cent of males favour this option, and in Germany, the proportions are 76 and 68 per cent respectively. On the other hand in Brazil, 46 per cent of males and 40 per cent of females favour this option. Among those economies favouring increasing taxes to support the ageing population, in China and the United Kingdom there are more males than females favouring this option (46 and 42 per cent in the UK respectively), while in DK/Sweden there is a stronger inclination among females (37 compared with 33 per cent). And finally, among those economies favouring increasing retirement age, only Mexico has a stronger inclination among males (37 compared with 32 per cent), while elsewhere there is a larger proportion of females favouring this option – in the USA, for example, 33 compared with 24 per cent, and in Singapore 56 compared with 34 per cent.

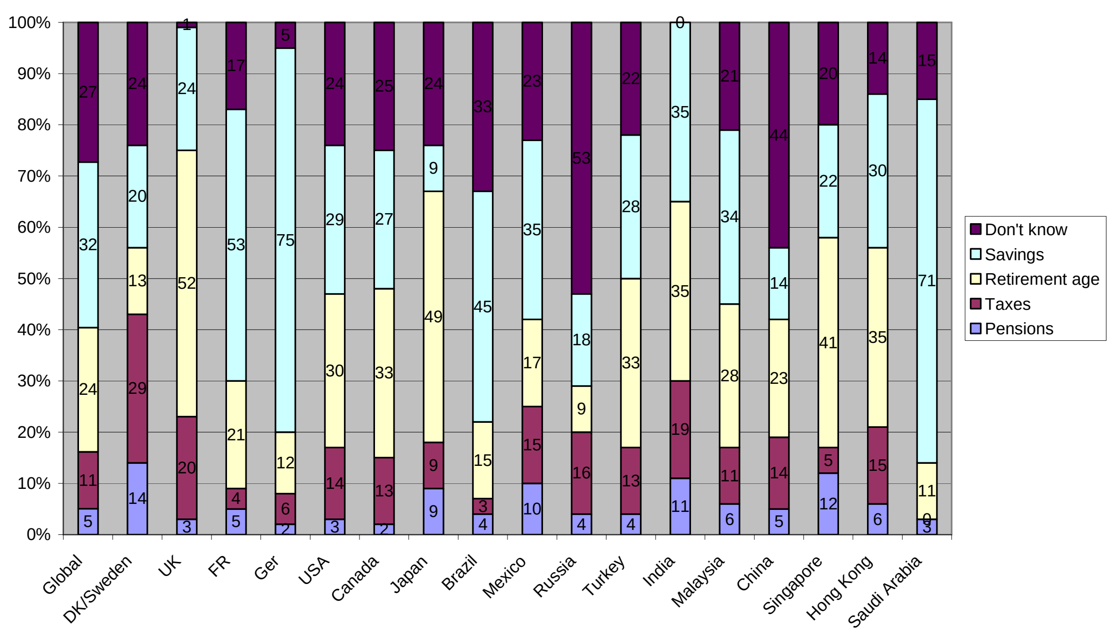
Figure 5. What should governments do first of all to support the ageing population? 50-59 by country



60-69 year olds: for this generation, Denmark/Sweden is the only economy where the favoured option is that governments should raise taxes to support the ageing population (29 per cent). Seven economies favour enforcing additional private savings and six economies favour increasing retirement age. In India, 35 per cent favour enforced savings and 35 per cent favour increasing retirement age, while in Russia (53 per cent) and China (44 per cent) the largest proportion of the generation is unsure. Economies favouring increasing retirement age are the United Kingdom, the USA, Canada, Japan, Turkey, Singapore and Hong Kong with supportive proportions ranging from 30 per cent in the USA to 52 per cent in the United Kingdom. Economies favouring enforced additional private savings are France, Germany, Brazil, Mexico, Malaysia and Saudi Arabia with proportions favouring this option ranging from 34 per cent in Malaysia to 71 per cent in Saudi Arabia.

In terms of gender specifics in this generation, among those economies favouring enforcing additional private savings females are more inclined to favour this option in Mexico (53 compared with 12 per cent), Saudi Arabia (77 compared with 67 per cent) and Germany (82 compared with 69 per cent). In Brazil, 58 per cent of males and 35 per cent of females favour this option, and in Malaysia we find 42 per cent of males and only 9 per cent of females, and in France 62 per cent of males compared with 43 per cent of females. In DK/Sweden where increasing taxes to support the ageing population is the favoured option for this generation, females are more inclined to support this option – 37 compared with 23 per cent. Among those economies favouring increasing retirement age, Japan, Singapore and Hong Kong have a stronger inclination among males (37-49 per cent compared with 32-48 per cent), while in the United Kingdom, the USA, Canada and Turkey there is a larger proportion of females favouring this option (30-56 per cent compared with 29-46 per cent). In India, where increasing retirement age and enforcing additional private savings are equally favoured options, savings is preferred more by males while increasing retirement age is predominantly a female option. In Russia and China, particularly females are unsure of the favoured option for governments.

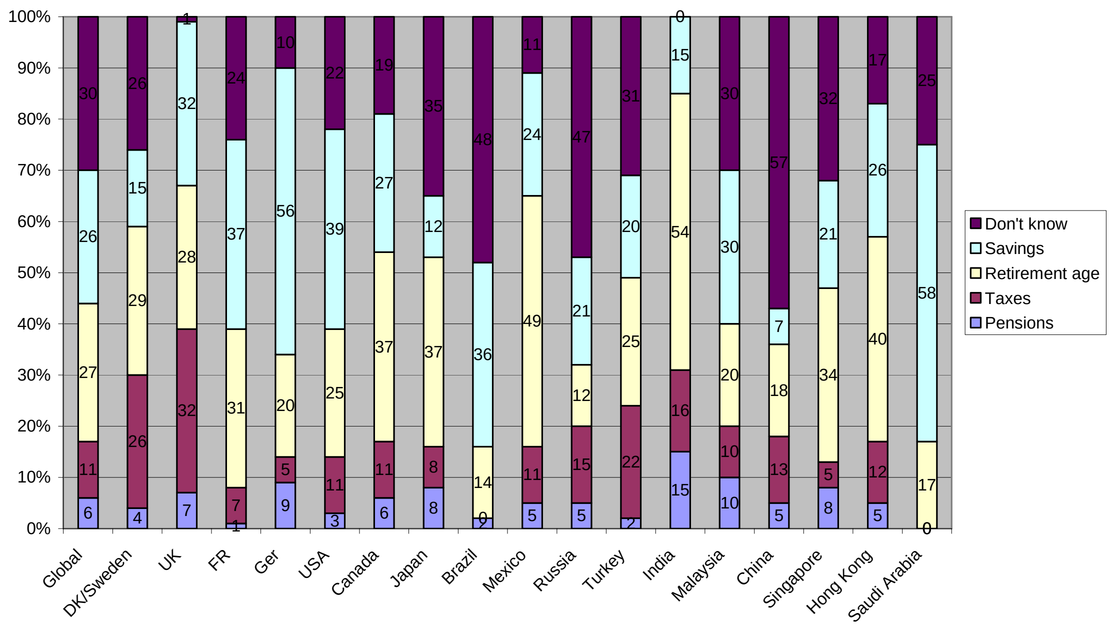
Figure 5. What should governments do first of all to support the ageing population? 60-69 year olds by country



70-79 year olds: In this generation, there is more uncertainty about what governments should do first of all to support the ageing population. This is the case in Brazil, Russia, Turkey, Malaysia and China. For the first time, in this generation, the preferred option in DK/Sweden is **not** raising taxes although it is still the favoured option of 26 per cent. However, 29 per cent of the 70-79 year olds in DK/Sweden favour increasing retirement age. This is also the preferred option in Canada (37 per cent), Japan (37 per cent), Mexico (49 per cent), India (54 per cent), Singapore (34 per cent) and Hong Kong (40 per cent). Indeed, raising taxes – along with enforcing additional private savings – is the preferred option only in the United Kingdom for the 70-79 year olds (32 per cent).

Six economies favour enforcing additional private savings: France (37 per cent), Germany (56 per cent), the USA (39 per cent), Malaysia (30 per cent) and Saudi Arabia (58 per cent).

Figure 5. What should governments do first of all to support the ageing population? 70-79 year olds by country



In terms of gender specifics in this generation, among those economies favouring enforcing additional private savings females are more inclined to favour this option in France (37 compared with 36 per cent), Saudi Arabia (67 compared with 56 per cent) and Germany (66 compared with 42 per cent). However, in the USA, males are more inclined than females to favour this option for governments (54 compared with 28 per cent). In the United Kingdom where increasing taxes (along with enforced savings) to support the ageing population is the favoured option for this generation, females are more inclined to support this option – 33 compared with 31 per cent. In all economies favouring increasing retirement age (excluding India where there are too few females in this generation), males have a stronger inclination than females (33-54 per cent compared with 22-37 per cent. In India, where increasing retirement age and enforcing additional private savings are equally favoured options, savings is preferred more by males while increasing retirement age is predominantly a female option.

Across the economies and generations then, enforcing additional private savings to support the ageing population is the preferred option in the majority of cases, followed by increasing retirement age. Raising taxes only finds support in the Northern European economies of DK/Sweden and the United Kingdom. Individuals appear to be mature in their approach to addressing the challenges of an ageing population – and of their own increasing longevity. There may be a feeling that governments **should** provide most of the financial support for older people, but there is often less of a feeling that governments **will** provide this financial support.

Thus, we see a wish for individuals to be in control of their future financial security combined with a willingness to work longer if necessary, but there is a need for structures to enable them to do this. This places an onus both on individuals to save and ensure financial security in old age, and on private rather than tax-financed savings.

This seems to support the *confidence gap* theory discussed above. Citizens are saying to governments that they **do** acknowledge the need to finance their old age; that they **do not** feel confident in governments; that they **do not** see increased taxes as the preferred means to provide financial security in old age.

But what we also see in certain economies is a consistently different picture from the one of enforced additional private savings as the preferred option for governments. In Japan, Singapore and Hong Kong both the pre- and post-retirement generations favour increasing the retirement age to support the ageing population, while Northern European economies lean towards raising taxes.

There is a life after retirement

Analyses reveal that we pre-retirement do **not** expect our standard of living to be worse in retirement – the exception being Russia. **Nor** do the majority post-retirement feel that their standard of living is worse than it was before – again the exception being in Russia. In the advanced economies (excluding Japan), the majority pre- and post-retirement are **not** worried about being able to cope financially in the future. Interestingly in Japan, the majority pre-retirement don't know whether or not they are worried about their financial security in the future.

Retirement seems to offer the prospect of relatively good health for most individuals, control and independence with few barriers to pursuing the life they would like – or at least we think so.

But are we looking forward to retirement? The majority pre-retirement seem to be looking forward to their retirement. Figure 6 illustrates for the two pre-retirement generations across the economies whether or not pre-retirees are looking forward to their retirement.

Figure 6. Are you looking forward to retirement? 40-49 year olds by country

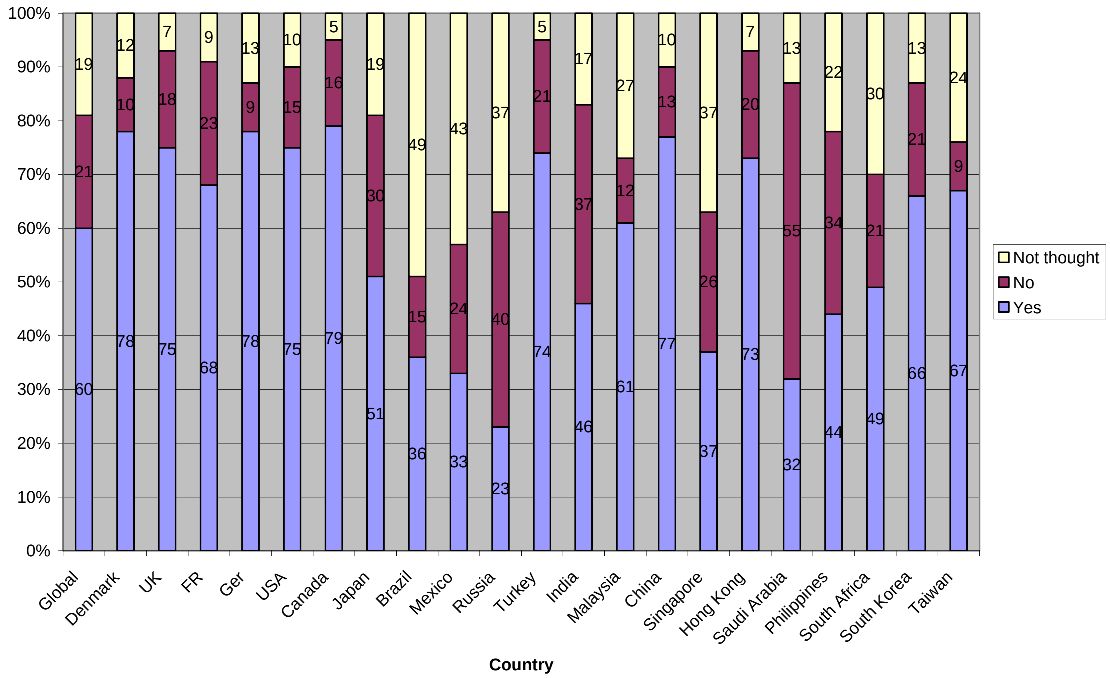
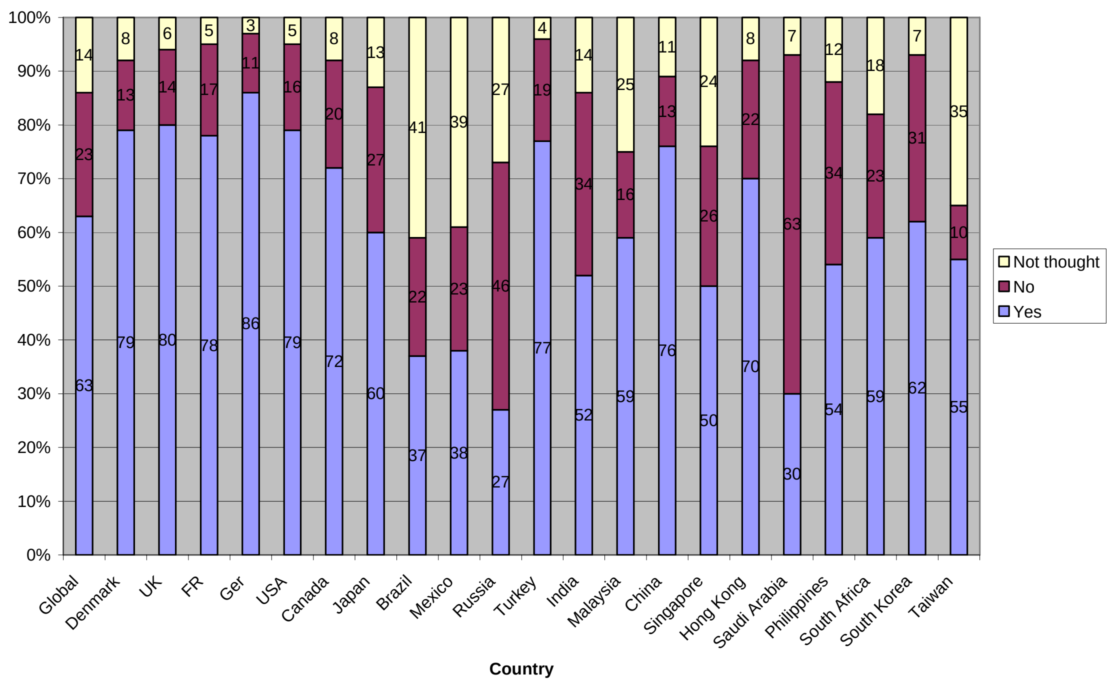


Figure 6. Are you looking forward to retirement? 50-59 year olds by country



Only in two countries are the pre-retirement generations predominantly **not** looking forward to retirement, namely Russia (40 per cent of the 40-49 year olds and 46 per cent of the 50-59 year olds) and Saudi Arabia (55 per cent of the 40-49 year olds and 63 per cent of the 50-59 year olds). However, in a number of countries, relatively large proportions of pre-retirees have not thought about this. This is the case in Brazil, Mexico, Russia and Singapore for the 40-49 year olds, and in Brazil, Mexico and Taiwan for the 50-59 year olds.

Generally speaking, in the developed economies of North America and Europe, large proportions of pre-retirees (over 70 per cent) are looking forward to retirement. This is also true in Turkey, China and Hong Kong. Overall, there are no significant differences in male-female feelings about retirement.

To be or not to be…..prepared

Clearly, the demographics of contemporary populations and the forecasts for the coming decades is that more of us will live longer, healthy lives. The debates around the globe focus mainly on the downside of this – the breakdown of pension schemes, the collapse of health services. However, there is indeed evidence from the Global Ageing Surveys that although there surely are differences between the developed and transitional economies of the world in respect of ageing and attitudes to ageing and old age, economies and the citizens of these economies are all moving in the same direction as we head off into the 21st century. And that direction is one in which we shall all be living longer, healthier lives than previous generations, where retirement offers a bonus of control and independence. There is also evidence of responsibility and contribution – in the family, the community and the workplace.

What may seem surprising for many is the optimism in especially the developed economies with regard to financial security and living standards in old age.

Is this a hollow optimism? Or is it an optimism based on the preparedness that politicians and financial advisers have called for?

In this final section of the fourth wave of analyses of the Global Ageing Survey data, we shall look at this preparedness. These results should be seen against the backdrop of the confidence gap pointed out earlier in this report as well as the financial optimism in both the pre- and post-retirement generations of the survey.

The notion of financial security in old age based on a multi-pillar structure has been discussed for a number of years (World Bank XXXX). How do we see these different pillars contributing to our retirement income? Is there a realistic awareness of the potential contribution from government, family, employer and self?

Figure 7 presents the relative importance of the four pillars in respect of contributing to retirement income as expressed by each of the generations in each of the economies by region (Europe, Americas, Asia, Africa)[1].

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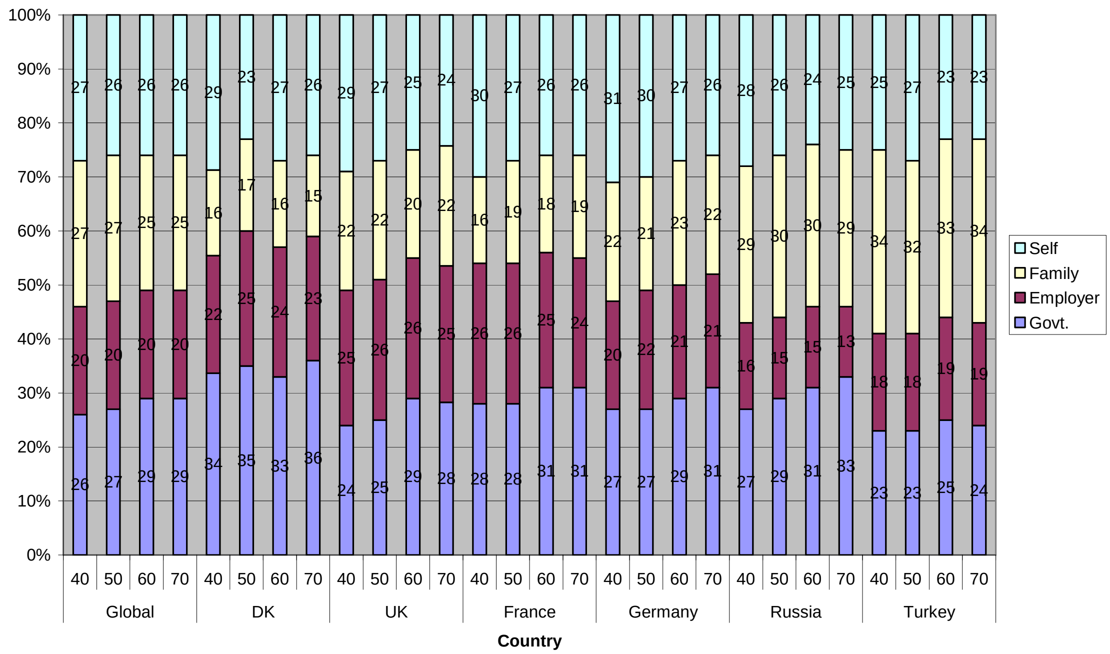
[1] Respondents are asked to rank each of the four pillars separately as the most important, second most important etc. Scores of 4 are given to the most important, 3 to the second most important etc. The sum of scores for each is then expressed as a percentage of the total of the sum of all scores and this is regarded as the importance weight of the pillar.

Figure 7. Relative importance of the four pillars of retirement income by generation and country, Europe.



In all four regions, each of the four pillars are regarded as contributing to retirement income – nowhere is a pillar regarded as redundant. However, there are significant differences in the relative importance of the pillars across the regions as we shall illustrate in the following.

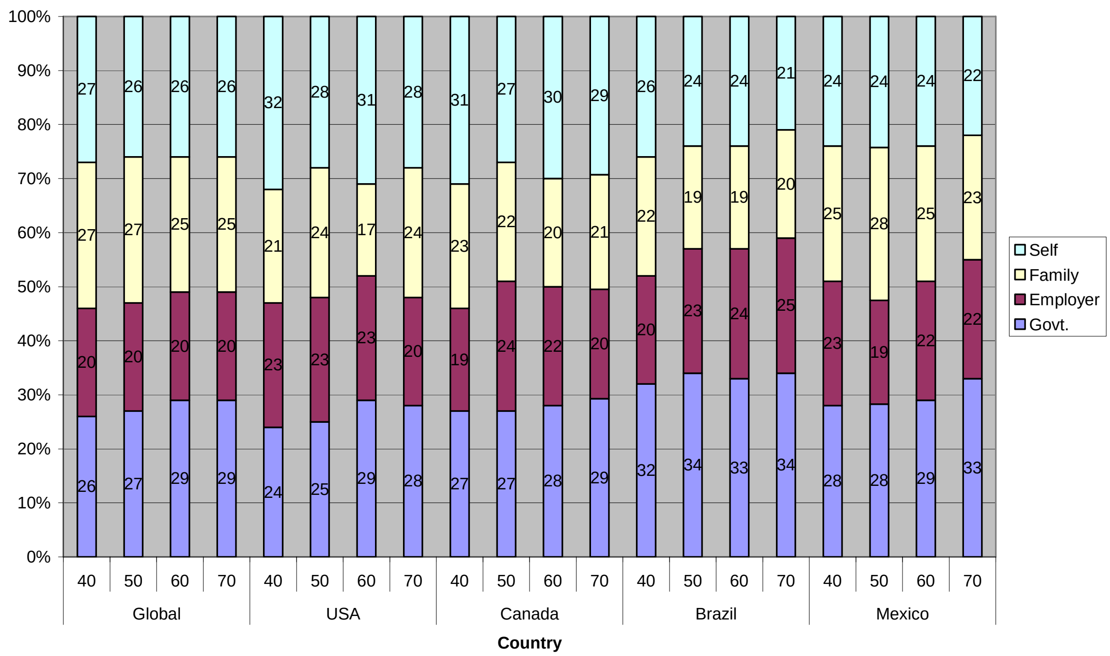
In Europe, we see that there are some interesting differences both across the generations within certain countries, but also across the countries, which represent different welfare regimes (Esping Anderson 1990).

In Denmark, there is a reasonably stable ranking across the generations. Government is seen as the most important contributor to retirement income in all four generations (a weighting of around 0.35) while children/family is seen as the least important (a weighting of around 0.16). Individuals themselves rank as the second most important contributor to retirement income. At the other end of this contribution scale is Turkey, where children/family is regarded as the most important contributor to retirement income (a weighting of around 0.33), while individuals themselves and government rank around equal second (a weighting of around 0.25). Elsewhere in Europe, in the UK, France, Germany and Russia, there is a tendency for the importance of government contribution to retirement income to increase with increasing age of the generation moving from either self (the UK, France and Germany) or family (Russia).

There is a clear difference in the relative importance of the four pillars between North and South America. In both Canada and the USA, individuals in all four generations regard themselves as the most important (or equally important along with government) contributor to their retirement income (a weighting of around 0.30), while in both Brazil and Mexico across the generations there is a clear ranking of government as the most important contributor (a weighting of around 0.31).

Across both Europe and the Americas, the contribution of the employer and the family (excluding Turkey and Russia) to retirement income is seen as less important.

Figure 7. Relative importance of the four pillars of retirement income by generation and country, Americas



The relative importance of the four pillars changes quite dramatically in Asia compared with Europe (apart from Turkey) and the Americas. Across Asia – China and Japan being the only exceptions – individuals rank themselves (in Taiwan and South Korea with a weighting of around 0.33) or their families (in India, the Philippines, Malaysia, Singapore and Hong Kong with a weighting of around 0.32). Where the family is ranked highest, the contribution from individuals themselves is also ranked higher than that of government and employers, and where individuals are ranked highest, the contribution from family is also ranked higher that that of government and employers.

In both South Africa and Saudi Arabia, government is seen as the most important of the four pillars contributing to retirement income. This is followed by family and individual contributions.

Figure 7. Relative importance of the four pillars of retirement income by generation and country, Asia

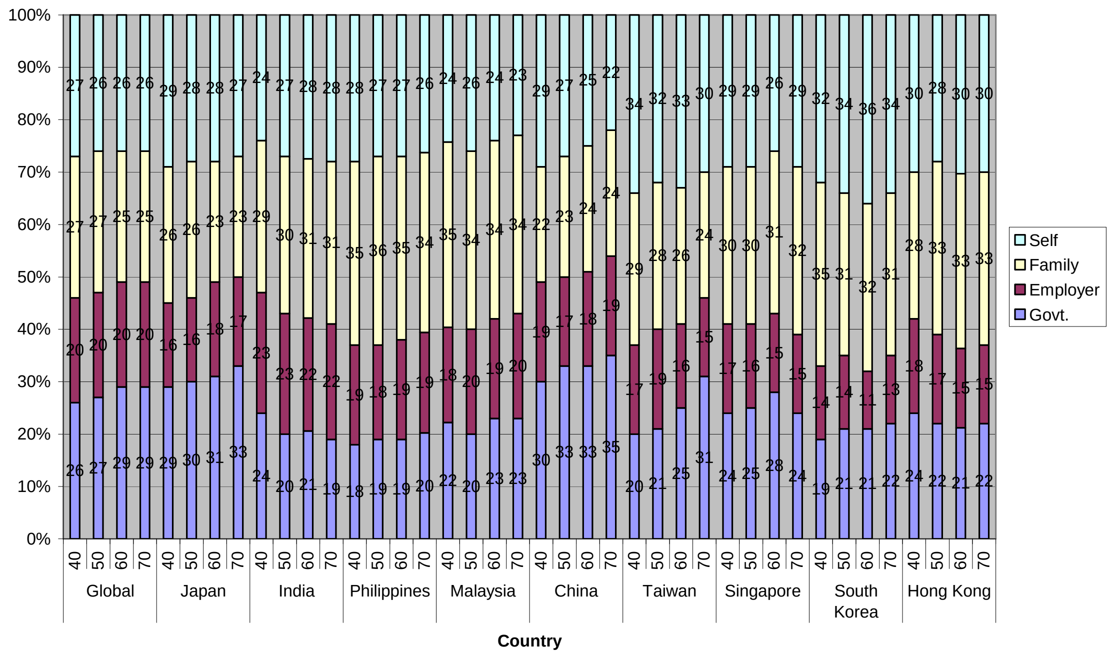
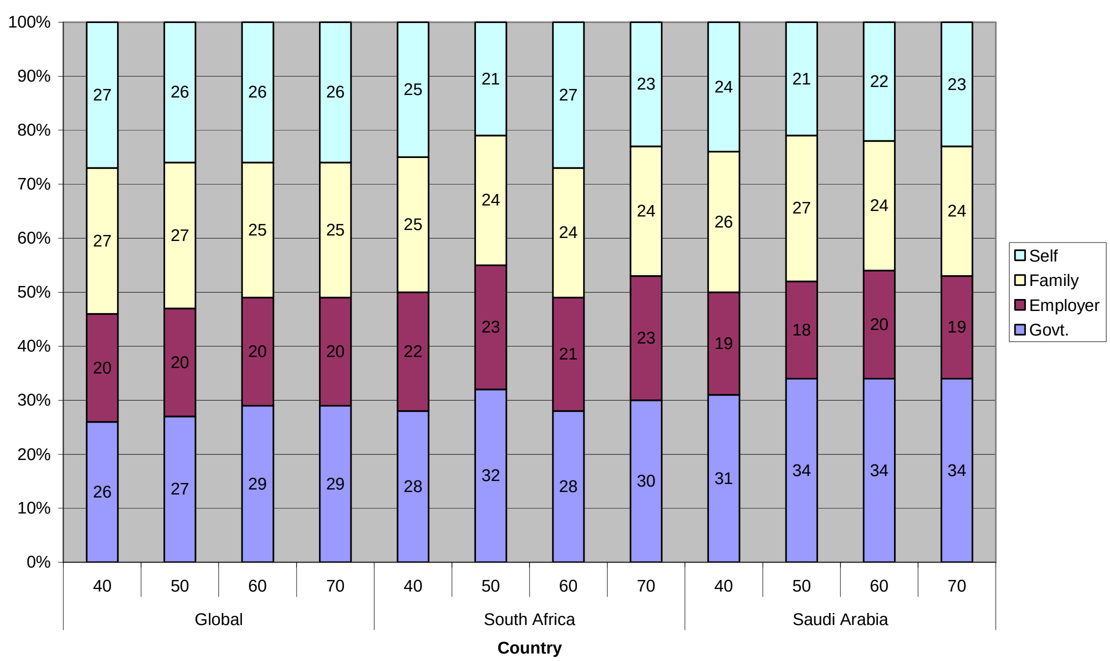


Figure 7. Relative importance of the four pillars of retirement income by generation and country, Africa



Thus, there are strong and clear regional differences with regard to the contribution of the four pillars to retirement income.

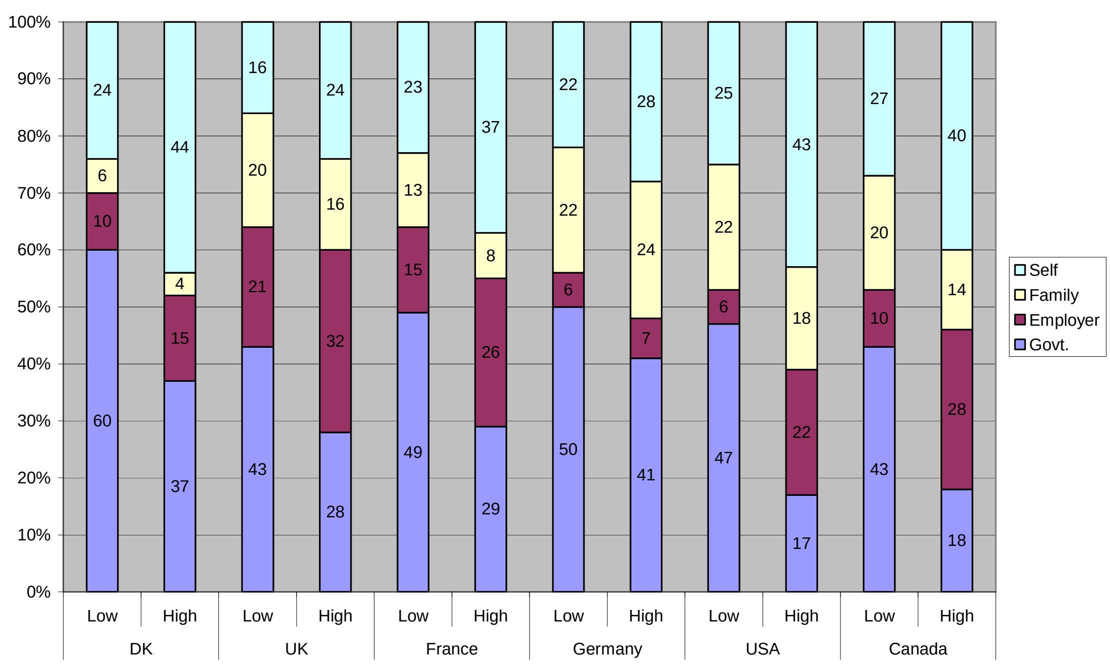
Government is seen as the most important contributor in South America and Denmark, while **government and the individual** dominate in the rest of Europe. The **individual** is seen as the dominant contributor to retirement income in North America, and in Asia **family and the individual** are regarded as the most important contributors – China and Japan are exceptions with government seen as the most important contributor. Nowhere are employers seen as the most important contributor to retirement income, but nowhere is their contribution completely insignificant.

There are also strong and clear gender specifics.

In those economies (predominantly but not only Asian) where the family and the individual are regarded as the most important contributors, to retirement income, females tend to rank family to a greater extent than males while males rank the individual to a greater extent. In those economies where governments are regarded as the most important contributor, males tend to rank governments highest more than females. And in North America, where individuals are regarded as the most important contributor, this is particularly true for females.

We can also consider the effect of household income on the relative importance of the four pillars of retirement income.

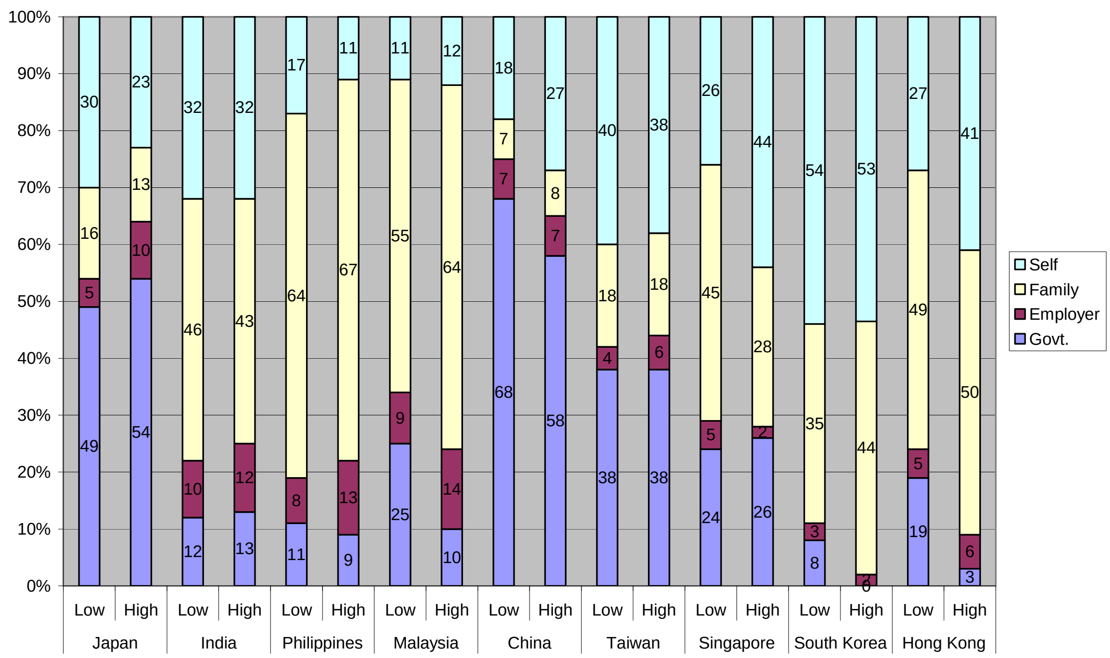
Figure 8. Proportions ranking each of the four pillars of retirement income as most important, by household income and country. Developed economies of Europe and North America



In the developed economies of Europe and North America (Figure 8), there is a clear tendency for high income households to rank employers and themselves as the most important sources of their retirement income, while low income households are more inclined to rank government and family as most important. For example, in Denmark 60 per cent of low income households rank government as the most important source of their retirement income compared with 37 per cent of high income households, while 24 per cent of low income households compared with 44 per cent of high income households rank themselves as the most important source of their retirement income.

Figure illustrates the effect of income on the importance of the pillars of retirement income in the Asian economies.

Figure 9. Proportions ranking each of the four pillars of retirement income as most important, by household income and country. Asia

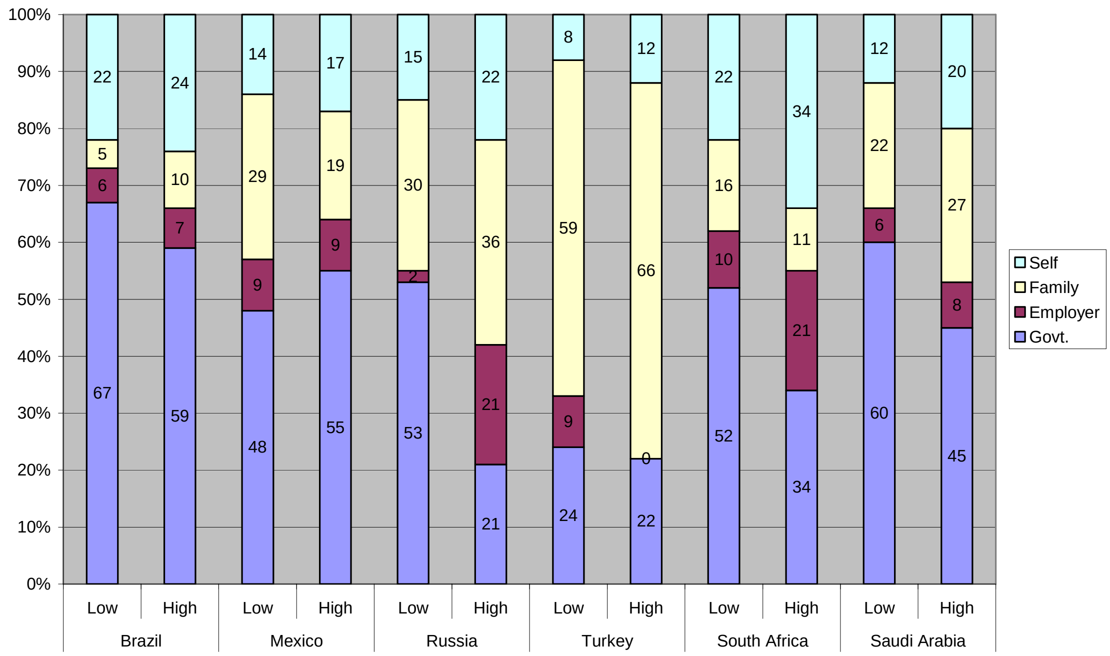


Here we find a very different picture from that seen in the developed economies of Europe and North America. With the exception of Japan and China (and to some extent Taiwan) both low and high income households rank themselves and their families as the most important sources of their retirement income, while the role of government and employers is reduced dramatically in both income groups. And, in most economies (including Japan, China and Taiwan) in Asia, the effect of income on ranking of the pillars is quite modest.

So for example, in India, 22 per cent of low income households and 25 per cent of high income households rank government/employer as the most important sources of their retirement income, while 78 per cent and 75 per cent respectively rank family/themselves as the most important source. In Hong Kong, however, 19 per cent of low income households rank government as the most important source compared with only 3 per cent of high income households, and 41 per cent of high income households rank themselves as the most important source compared with 27 per cent of low income households.

Figure 10 illustrates these household income effects in the remaining economies of the survey.

Figure 10. Proportions ranking each of the four pillars of retirement income as most important, by household income and country. Other countries



Turkey is seen to have an *Asian* characteristic in respect of the importance of the pillars, with family being ranked as the most important source of retirement income by 59-66 per cent (slightly higher in the high income group). Elsewhere government is ranked most important by the largest proportion of both high and low income households, except in Russia where the high income households are more likely to rank family and themselves as the most important source. Low income households are more likely to rank government as the most important source and high income households are more likely than low income households to rank themselves as the most important source.

My own sources of retirement income

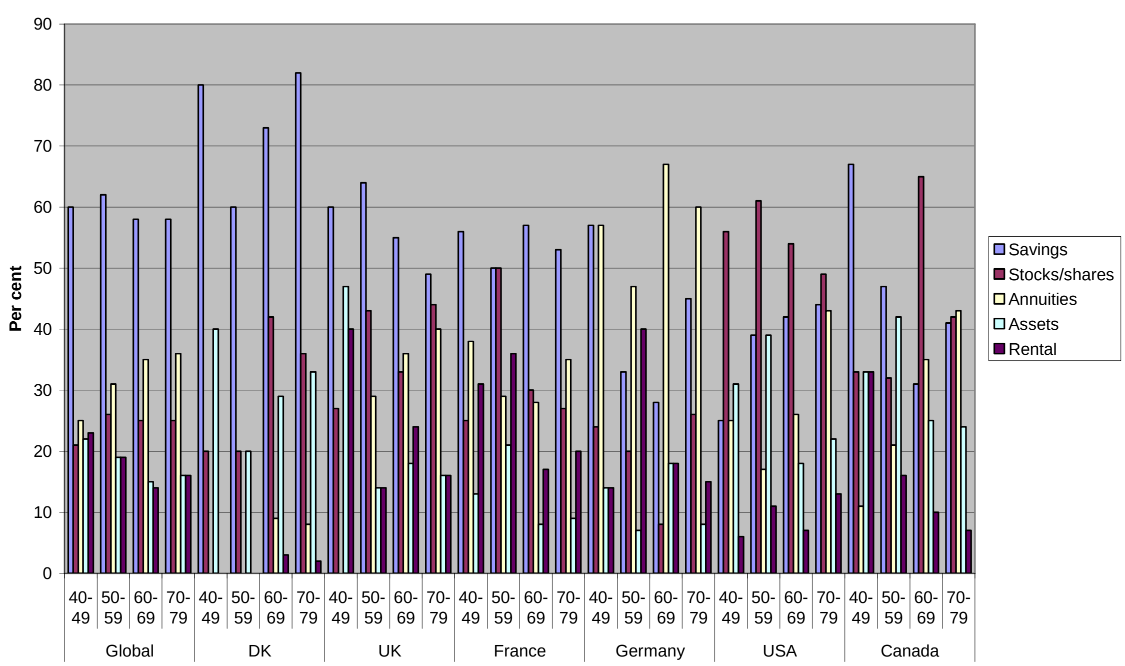
Thus far then we have seen that there **are** vulnerable groups as far as financial security in old age is concerned, and these are notably low income households, females and those in poor health who will not be able to work into old age. Across the economies, although we may feel that governments should be securing our old age, we recognise that a large part of the onus falls on us and our families. But not everyone will be able to ensure that.

The multi-pillar model of financing old age does not only apply at the societal level. It is also relevant at the individual level. Regardless of our weighting of the four pillars of retirement income, we are all likely to have some form(s) of retirement income – either planned or de facto, modest or substantial. This may be savings interest, (selling) assets, rent from property, annuities or income from stocks/shares. There is a significant diversity in these sources of own retirement income across the generations and economies of the survey.

In the following, we look at the proportions naming each of the sources of income as one of the three main sources of own retirement income, and in particular we link this to the so-called *vulnerability trap*. In the majority of transitional economies, we have seen that more than around 50 per cent and up to over 80 per cent of various generations fear a lack of money in old age, notably Brazil, Russia, Turkey, the Philippines, Malaysia, Singapore, Hong Kong, Saudi Arabia and South Africa. Exceptions are China, Taiwan and India. Furthermore, there is a tendency for larger proportions of females in each generation to fear not having enough money in old age. But even in the developed economies, there are groups with limited prospects of financial security, and in the transitional economies, large groups will be unprotected and reliant on their own efforts and the support of their families.

Let us begin with the developed economies of Europe and North America (Figure 11). Globally, around 60 per cent of each generation has *savings* as one of the main sources of their retirement income, but while 80 per cent of the 40-49 year olds state this in Denmark, only 25 per cent of 40-49 year olds in the United States do so. In the United States, the proportion with *savings* as a main source of retirement income increases with increasing age 9from 25 to 44 per cent) but elsewhere in this group of economies the proportion tends to decline (or remain constant) with increasing age.

Figure 11. Main sources of own retirement income by generation and country. Developed economies of Europe and North America. Percentage.



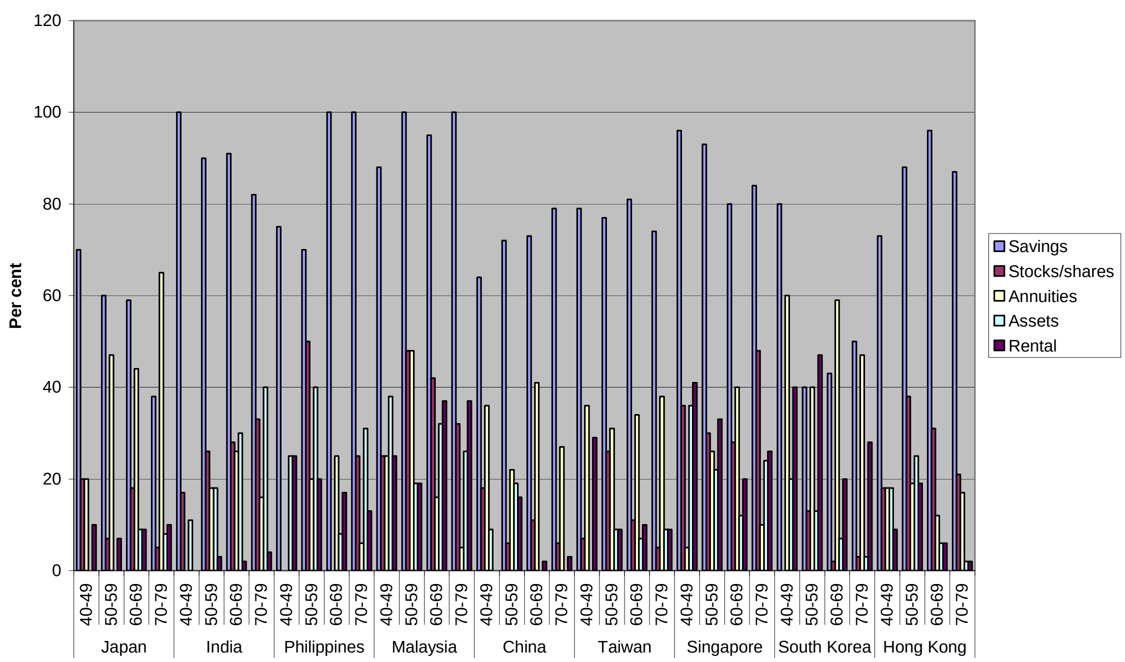
In Denmark (60-82 per cent), the United Kingdom (49-64 per cent), and France (50-57 per cent), *savings* is a main source of own retirement income for the largest proportion in each generation followed by *stocks/shares/selling assets* in Denmark (20-42 per cent), and by *stocks/shares/annuities* in the United Kingdom (27-44 per cent) and France (25-50 per cent).

In Germany, *annuities* is a main source of own retirement income for the largest proportion in each generation (47-67 per cent) followed by savings (28-57 per cent), while in the United States it is *stocks/shares* (49-61 per cent) followed by savings (25-44 per cent), and in Canada it is *savings* (47-67 per cent) for the 40-59 year olds, *stocks/shares* (65 per cent) for the 60-69 year olds and *savings/stocks/shares/annuities* (41-43 per cent) for the 70-79 year olds.

Moving on to Asia (Figure 12), in only three instances is *savings* **not** one of the main source of own retirement income, namely among the 50-69 year olds in South Korea who name *rent from property* (47 per cent) and *annuities* (59 per cent) as one of the main sources respectively, and among the 70-79 year olds in Japan who name *annuities* (65 per cent). Elsewhere in Asia, *savings* is named as one of the main sources of own retirement income, ranging from 50 per cent of the 70-79 year olds in South Korea to 100 per cent of some of the generations in India, the Philippines and Malaysia.

In Japan, India, China, Taiwan, Singapore and South Korea, the proportions naming *savings* as one of their main source of own retirement income decreases with increasing age, while in the Philippines, Malaysia and Hong Kong, the proportion increases with age. Other sources of own retirement income are named by significantly lower proportions as being one of their main sources of own retirement income.

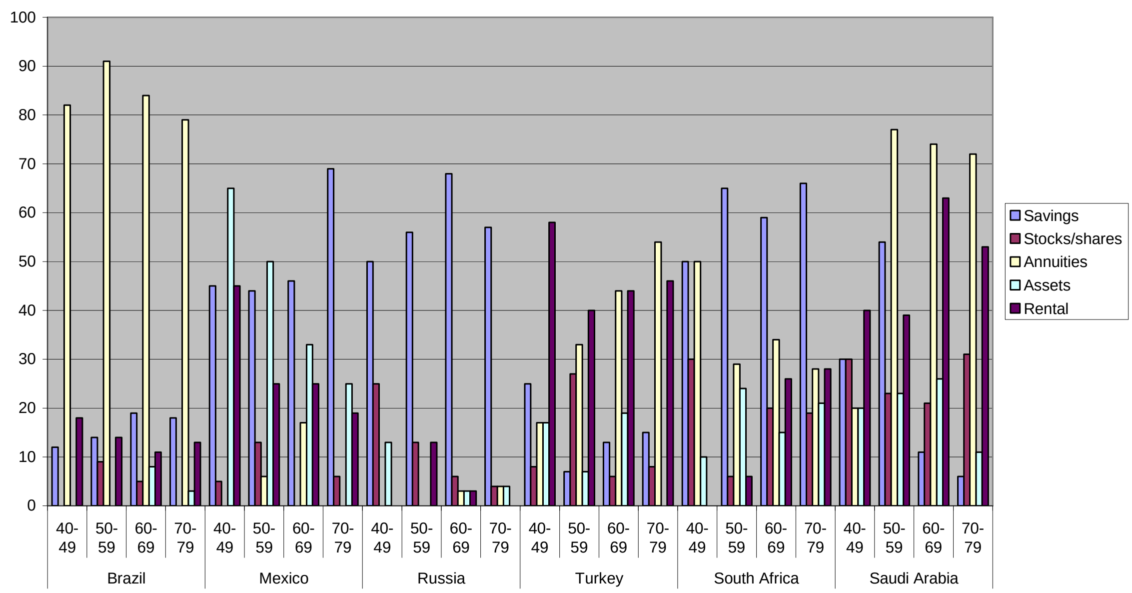
Figure 12. Main sources of own retirement income by generation and country. Asia. Percentage.



And finally, in the remaining countries (Figure 13), we see that *annuities* is one of the main sources of own retirement income for the majority in each of the four generations, ranging from 79 per cent (of the 70-79 year olds) to 91 per cent (of the 50-59 year olds). Similarly for the 70-79 year olds in Turkey (54 per cent), where otherwise the majority name *rent from property* as one of their main sources of own retirement income (from 40-58 per cent), and for the 50-79 year olds in Saudi Arabia (around 75 per cent).

In Mexico, the majority of the 40-59 year olds name *selling assets* as one of their main sources of own retirement income (50-65 per cent), while the majority of the 60-79 year olds name *savings* (46-69 per cent). The majority of all generations in Russia name *savings* as one of their main sources of retirement income, increasing with age from 50 per cent of the 40-49 year olds to 68 per cent of the 60-69 year olds. The same pattern is seen in South Africa with 50-66 per cent of the generations naming *savings* as one of their main sources of retirement income.

Figure 13. Main sources of own retirement income by generation and country. Other countries. Percentage.



While larger proportions of higher income groups (and males) tend to have more than one main source of own retirement income, lower income groups (and females) tend to be reliant on one source of own retirement income (and this varies across economies as outlined above).

Clearly, those dependent on single source retirement incomes are more likely to fall into the so-called *vulnerability trap*.

Thus the extremes: a relatively small proportion who are prepared for retirement and protected; a larger proportion who are unprotected; and a substantial middle group who feel they are protected and feel secure, but who in fact face the prospect of falling into the vulnerability trap with no government support, no own income and families hard-pushed to provide help and support.

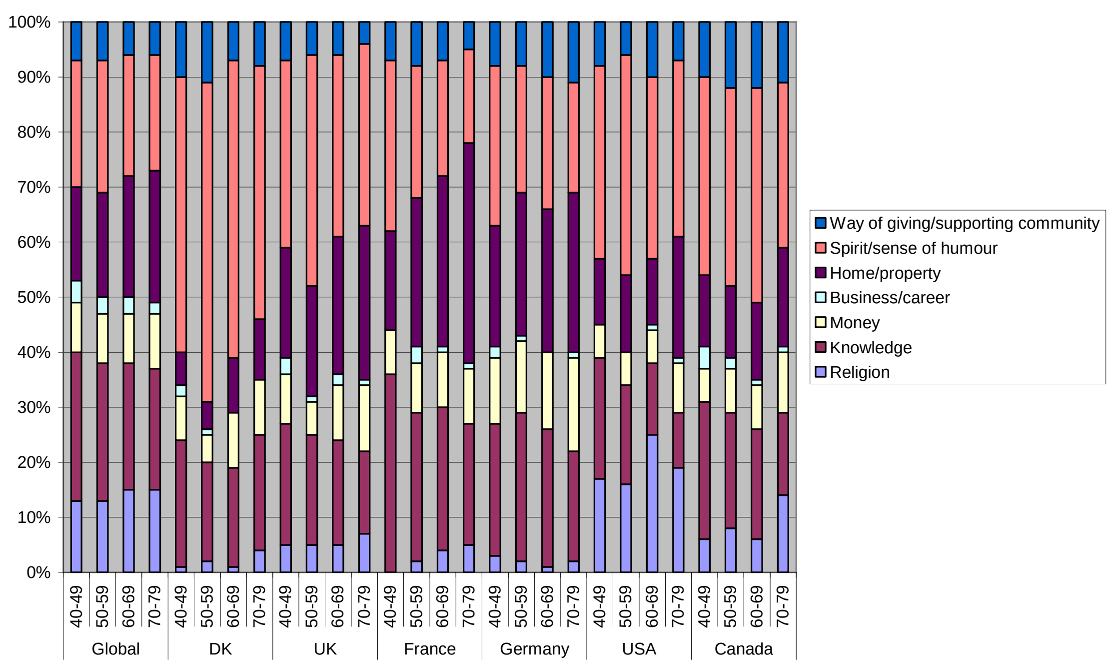
It is here that governments and communities and the private sector together must act.

You can't take it with you when you go…

Prepared or not, protected or not, we all feel that we should like to pass on something to our children. Globally, this is **not** money (because we shall need it all ourselves, perhaps?). In each of the generations, only around 10 per cent would most like their heirs to inherit their money, with females less likely than males to want their heirs to inherit their money. A larger proportion of each generation state that they would most like their heirs to inherit their home/property, around 20 per cent, and again with females less likely to want this than males. An equally large proportion state their spirit/sense of humour as that they would most like their heirs to inherit, around 23 per cent, but in respect of this females are more likely than males to want this.

Figure 14 illustrates this inheritance preference for Europe and North America.

Figure 14. Inheritance preferences by country and generation, Europe and North America. Percentage.

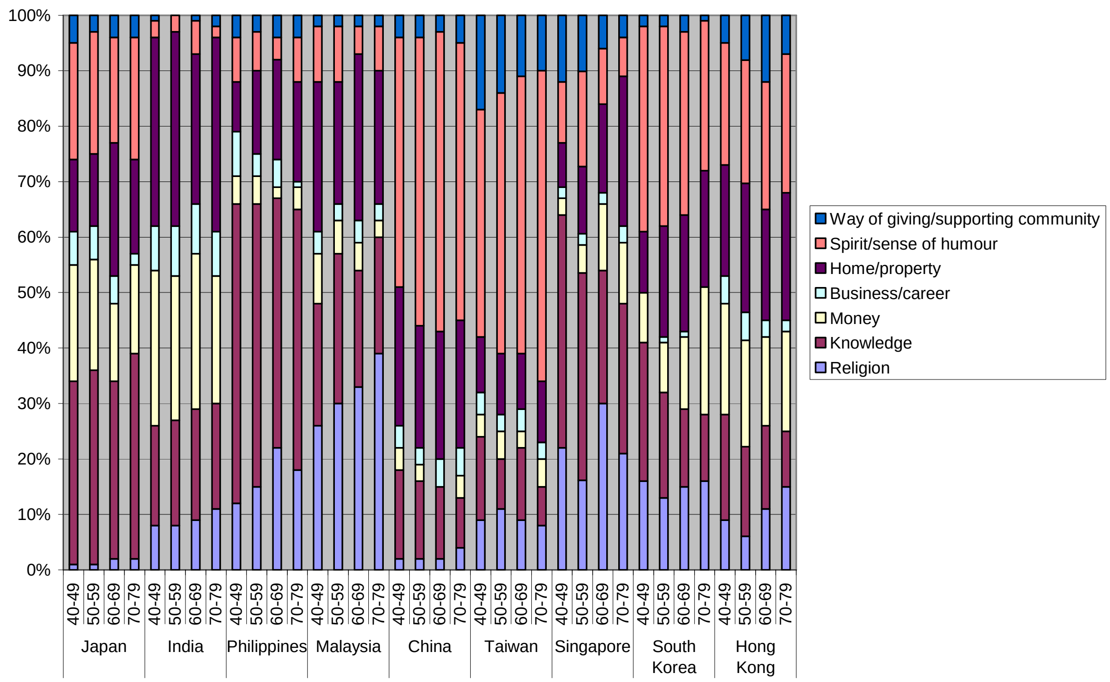


Again, in the developed European and North American economies, *money* is not what these generations most want their heirs to inherit from them – this is only stated by up to 17 per cent of respondents. Across these economies, there is a tendency for the soft. less tangible values such as *spirit/sense of humour* to be that which they most want their heirs to inherit (particularly in Denmark, but also in the United Kingdom, the United States and

Canada), followed by *knowledge*, and to a smaller extent the hard values such as *home/property*. Generally, females are more likely to want their heirs to inherit these soft values. Do these inheritance preferences reflect the general high levels of standard of living and welfare in these populations, which make the inheritance of hard capital values less necessary?

In the Asian economies (Figure 15), we find in some ways a similar pattern of inheritance preferences, but perhaps for different reasons. The soft values are again those that the generations most want their heirs to inherit. *Money* and *home/property* are preferences in India, but elsewhere it is *religion*, *knowledge*, and *spirit/sense of humour*. These preferences tend to be cross-gender.

Figure 15. Inheritance preferences by country and generation. Asia. Percentage.



Finally, in the remaining countries (Figure 16), we see that *religion* plays an important role in Turkey, South Africa and Saudi Arabia as an inheritance preference, although this is accompanied to some extent by *home/property* in South Africa and among the older generations in Turkey (where the proportion naming religion declines with age).

Figure 16. Inheritance preferences by country and generation. Other countries. percentage.