

Retirement Readiness

A Comparative Analysis of Australia, the
United Kingdom & the United States

October 2017



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Executive Summary



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In 2015, three actuarial associations (the American Academy of Actuaries, Australian Actuaries Institute, and the Institute and Faculty of Actuaries in the United Kingdom) determined that the trend away from defined benefit pensions and toward defined contribution plans is making longevity risk a major issue in each of their countries.

Accordingly, the three associations prepared a white paper, *The Challenge of Longevity Risk*,¹ to alert the public and policymakers to our concerns. In 2016-2017, the three associations have undertaken a follow-up to this initial paper by commissioning a survey of working-age individuals in each of the three countries to assess their preparation for various retirement risks, including longevity risk. Recognizing important differences across the three countries in history, culture, policies, and practices, the fundamental question is whether those differences with respect to retirement produce profound differences in the perceptions of and planning for a secure retirement.

The survey results described in the body of this paper lead to the following conclusions:

1. Despite differences in culture and social retirement programs, the survey results indicate broadly similar expectations and preparations across all three countries. All three countries have made efforts recently to improve retirement policies; however, the survey would suggest that progress to date in changing expectations and preparations has been modest at best. Differences in culture and policy environments do not seem to cause variation in preparation for retirement. Rather, inertia and procrastination—broadly characteristic of most people’s decision-making—seem to lead to similar results across all three countries.
2. Expectations for one’s retirement might reflect adaptation to the risk transfers associated with movement from defined benefit to defined contribution plan coverage, with many planning not to retire at all, most planning to retire gradually rather than fully, many planning to retire at older ages, and relatively few expecting a comfortable lifestyle in retirement.
3. Respondents on average are best prepared with respect to taking action to save, acquiring information, and in planning to return to work if retirement assets drop in value. That the dominant plan for a potential drop in the value of retirement assets is a return to work may prove unrealistic if age or health prevent such a return when needed.
4. Respondents on average are least prepared with respect to knowing how much they will need when they retire, how long their money will last, and preparing for the risks associated with longevity, chronic ill health, and being forced to stop work unexpectedly early.
5. The relatively low percentages of middle-aged (for purposes of this survey, ages 34-54) and middle-income (for purposes of this survey, above the bottom 40% and below the top 20%) respondents in all three countries who are prepared to retire or for the risks of retirement are particularly noteworthy.

¹ American Academy of Actuaries, Institute and Faculty of Actuaries (United Kingdom), and Actuaries Institute Australia, *The Challenge of Longevity Risk: Making Retirement Income Last a Lifetime*, October 2015.

6. While all three countries reveal limited preparation percentages, the United Kingdom shows somewhat lower levels than the other two countries on most questions.
7. Women reveal less preparation than do men in all three countries on most questions.
8. For both British and female respondents, it is impossible to know whether the differences in responses are the result of cultural norms leading to less preparation, more candid responses, or some combination of the two cultural effects.

The survey results and conclusions described here suggest several possible policy directions, some of which might be directed at one country more than the others. However, certain policy initiatives suggested by the results are appropriate to and needed in all three countries:

Financial education: The results clearly indicate a need for more education related to financial literacy and retirement planning. While the results suggest a broad need, the results also suggest the possibility of particularly targeted (and potentially differently designed) educational approaches based on age, gender, and income in all three countries. The education required should aim to establish a comprehensive understanding of the relationships linking accumulated retirement funds, a retirement-age goal, and the risks associated with making retirement assets last a lifetime.² Given the widespread lack of knowledge of the level of assets that will be accumulated at retirement and the similar lack of knowledge of how long savings will last in retirement, development of robust and accessible projection tools might serve an important purpose in financial education.

Default options: The results clearly indicate widespread lack of preparation, even when information is sought and some savings are reported. Understanding and managing retirement risks can be extremely complex, and adequate preparation may challenge the ability of many, regardless of the amount of education provided. Incorporating default enrollment into private plans, and making the defaults as appropriate as possible to the situation of the broad majority, would help compensate for the limited attention that most people give to planning for the future. Limited preparation for longevity risk amplifies the need to consider default options that emphasize lifetime income rather than lump-sum distributions during retirement. The very low preparation rates among the youngest respondents, while not surprising, suggest the importance of automatic enrollment in retirement savings programs at the earliest stages of people's working lives.

Public pension adequacy and sustainability: While public pensions (the Age Pension in Australia, the State Pension in the United Kingdom, and Social Security in the United States) are generally not designed to be the sole source of retirement income, they are certainly an essential part of the retirement package for a majority of citizens. Making sure that those pensions are sustainable and capable of providing adequate retirement income, at least for those who depend on it most, remains of continuing importance. That large percentages of the population at younger and middle ages do not cite government as a source of retirement income may reflect concerns about the sustainability of these programs.

² American Academy of Actuaries, *Risky Business: Living Longer Without Income for Life*, June 2013.

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PART I

Introduction



Retirement Readiness

Section 1

Background

In countries where (a) employer-sponsored retirement plans are an essential part of the national retirement system, and (b) employer-sponsored plans have shifted from a defined benefit (DB) orientation to a defined contribution (DC) orientation, there has been a significant transfer of retirement risk from the employer to the employee.

As a result, longevity risk has been assumed, perhaps unknowingly, by employees. Three actuarial associations—the American Academy of Actuaries, the Australian Actuaries Institute, and the Institute and Faculty of Actuaries in the United Kingdom—determined that longevity risk was a major issue in each of their countries and prepared a white paper, *The Challenge of Longevity Risk*,³ to alert the public and policymakers to our concerns.

In 2016-2017, the three associations have undertaken a follow-up to this initial paper by commissioning a survey of working-age individuals in each of the three countries to assess their preparation for various retirement risks, including longevity risk. In this paper, we examine the similarities and differences revealed by this survey data, across countries and demographic groups.

While the 2015 white paper noted that common challenges faced all three countries, its scope did not include evidence on the planning for and perceptions of retirement among working-age individuals in the countries. This current research seeks to build upon that prior work, extending it by providing that evidence. The fundamental question is whether differences across the three countries in history, culture, practices, and policies with respect to retirement would produce profound differences in the perceptions of and planning for various risks associated with retirement. These differences, especially in practices and policies, are well documented in the appendices to *The Challenge of Longevity Risk*. Data from the Organisation for Economic Co-operation and Development (OECD)⁴ on demographics, voluntary participation in pension funds, and replacement rates from the mandatory pension systems in each country make plain the similarities and differences in the current retirement picture that describes these three countries. Finally, data from the research of professor Geert Hofstede provides a view of broader cultural similarities and differences relevant to retirement planning.⁵

The United Kingdom has a larger proportion of its population over 65 and a smaller proportion of that over 65 population employed than Australia or the United States. Yet, the United Kingdom spends a similar proportion of its gross domestic product (GDP) on benefits for its older population as does the United States, however, significantly more than Australia. Australia and the United States have approximately equal proportions of their populations above 65, with old-age dependency ratios of 25 (i.e., the number of individuals over 65 is equal to 25% of the number of working-age individuals, 20–64). The United Kingdom has a somewhat larger older population, with a

³ Actuaries Institute Australia, American Academy of Actuaries, and Institute and Faculty of Actuaries (United Kingdom), *The Challenge of Longevity Risk: Making Retirement Income Last a Lifetime*, October 2015 [cited below as *The Challenge of Longevity Risk*].

⁴ OECD, *Pensions at a Glance 2015: OECD and G20 indicators*, OECD Publishing, Paris, 2015.

⁵ Geert Hofstede, *Culture's Consequences*, 2nd Edition, Sage Publications, 2003.

dependency ratio of 31.⁶ At the same time, the United Kingdom has the smallest percentage of people age 65–69 employed (21%), while Australia (25%) and the United States (30%) have more older employees in the workforce.⁷ To provide assistance to their older populations—whether employed or not—Australia spends a relatively small percentage of its GDP (3.5%) while the United Kingdom and the United States spend larger percentages (5.6% and 6.7%, respectively).⁸

TABLE 1 Age Dependency, Over 65 Working, and Benefits for the Elderly

	Australia	United Kingdom	United States
Age Dependency (over 65 as % of 18- to 64-year-olds)	25%	31%	25%
Over 65 Employed (%)	25%	21%	30%
Benefits for the Elderly (% of GDP)	3.5%	5.6%	6.7%

Source: [Tables 7.5, 7.6, and 9.3](#), pp. 159, 161, and 179, of *Pensions at a Glance 2015*.

All three countries utilize both public and private elements in their retirement systems. But the three countries reveal distinct profiles with respect to assets and participation in their private pension plans. Australia's superannuation requirements for all private employers means that a large portion of the private pension funds in Australia are mandatory private pensions rather than voluntary. The United States has a smaller proportion of its GDP invested in private pension funds, but a larger proportion of its working-age population with private pensions than Australia or the United Kingdom. Australia and the United Kingdom have roughly equal percentages of GDP invested in private pension funds (102% and 100%, respectively) while the United States has a significantly lower percentage invested (83%).⁹ The United Kingdom and the United States have similar proportions of their working-age populations with private pensions (43% and 47%, respectively), while Australia has only 20% of its working-age population with voluntary pensions.¹⁰

TABLE 2 Private Pensions: Assets and Participation Rates

	Australia	United Kingdom	United States
Private Pension Assets (as % of GDP)	102%	100%	83%
Own Private Pensions (% of 18- to 64-year-olds)	20%	43%	47%

Source: [Tables 10.1 and 10.4](#), pp. 187 and 191, of *Pensions at a Glance 2015*.

⁶ [Old-Age Dependency Ratio, Table 7.5](#), p. 159 of *Pensions at a Glance 2015*. Note: "The values of all pension-system parameters reflect the situation in the year 2014 and onwards. The calculations show the pension benefits of a worker who enters the system today at age 20 and retires after a full career."

⁷ [Figure 7.6 Employment Rates of Workers Aged 55 to 59, 60 to 64, and 65 to 69 in 2014](#), p. 161 of *Pensions at a Glance 2015*.

⁸ [Table 9.3 Public expenditure on old-age and survivors benefits](#), p. 179 of *Pensions at a Glance 2015*.

⁹ [Table 10.4 Assets in Pension Funds and Public Pension Reserve Funds](#), p. 191 of *Pensions at a Glance 2015*.

¹⁰ [Table 10.1 Coverage of private pension schemes by type of plan, 2013](#), p. 187 of *Pensions at a Glance 2015*.

Net income replacement rates from the mandatory portions of the respective pension systems reveal three quite distinct patterns.¹¹ Australia’s mandatory combination of public and private pensions yields a very high net replacement rate for lower-income people (89%), with lower but still relatively high rates for middle- and higher-income people (58% and 46%, respectively). The United Kingdom’s mandatory public system provides a reasonably high replacement rate for lower-income people (52%), but drops to substantially lower rates for middle- and higher-income people (29% and 20%, respectively). The United States’ mandatory public system provides a replacement rate for lower-income individuals (54%), which is similar to that of the United Kingdom, but with substantially less drop-off for middle- and higher-income people (45% and 39%, respectively).¹²

TABLE 3 Net Pension Replacement Rates by Percent of Average Income

For those earning this percent of the national average income	Net Mandatory Public and Private Replacement Rate		
	Australia	United Kingdom	United States
50%	89%	52%	54%
100%	58%	29%	45%
150%	46%	20%	39%

Source: *Pensions at a Glance 2015*.

Culturally more similar than different, there are several important differences that relate to retirement planning among the three countries. One difference is the avoidance of unknown situations (avoiding asking “How much do I need to save for retirement?” might be an example)—with Australia the mostly likely to exhibit avoidance, followed by the United States and then the United Kingdom.¹³ In addition, prospective retirees in the United States and Australia are more likely to be suspicious and uncomfortable with change, while those in the United Kingdom are better able to deal with change and more apt to adopt pragmatic approaches to prepare for the future. In Table 4, the scores for each country on each of six dimensions are presented (all scores reflect scales from 0 to 100).

11 While it would be helpful if we had comparable information on net income replacement rates from all three systems, including both their public and private portions, we only have such data for the mandatory parts.

12 [Table 6.10, Net Pension Replacement Rates: Mandatory and Voluntary Schemes](#), p. 147 of *Pensions at a Glance 2015*.

13 While national cultures are difficult to characterize, these observations are based on the work of professor Geert Hofstede in measuring national and organizational cultures. See Geert Hofstede, *Culture’s Consequences*, 2nd Edition, Sage Publications, 2003, and his website, <https://geert-hofstede.com/countries.html>.

TABLE 4

Comparing National Cultures: Australia, the United Kingdom, and the United States

	Australia	United Kingdom	United States
Tolerance of Inequality	36	35	40
Individualism	90	89	91
Ambition vs. Quality of Life	61	66	62
Weakness of Norms	71	69	68
Uncertainty Avoidance	51	35	46
Long-Term Orientation	21	51	26

Source: <https://geert-hofstede.com/countries.html>.

These comparisons reveal both similarities and differences across the three countries. Importantly, no two of the three countries are similar across all of the summary demographic, private pension, and public pension replacement ratio features. This full set of differences in policy, demographic, financial, and cultural conditions motivates our fundamental question: Do these (and other) differences among the three countries produce differences in perceptions of and planning for retirement and its risks?

The survey results are organized into three categories. The first deals with expectations for retirement, including questions such as whether people plan to retire at all, and if so, at what age, and whether they expect a comfortable lifestyle in retirement. The second deals with preparations to retire, including saving for retirement, gathering information about options and challenges, and knowing how much money they will need when they do retire. The third deals with retirement risks and whether they have planned for longevity (i.e., an especially long life), chronic ill health, and a drop in the value of their assets.

The results show broad similarities in the three countries defined by the lack of preparation for most of these risks by majorities of the respondents. However, we also identify noteworthy differences, with some groups within the different countries being well prepared, and other groups being of particular concern. We conclude with recommendations for further action based on these findings.

Section 2

Data and Methodology

In November 2016, the three associations hired the firm YouGov to survey representative samples of working-age (18–64) men and women in Australia, the United Kingdom, and the United States. The samples consisted of 685, 1,380 and 888 respondents, respectively. The breakdown by gender and age is shown in Table 5.

Table 5 Respondents by Country, Age, and Gender

	TOTAL	18-34	35-54	55-64	Male	Female
Australia	685	215 (31%)	307 (45%)	163 (24%)	312 (46%)	373 (54%)
United Kingdom	1,380	292 (21%)	804 (58%)	284 (21%)	640 (46%)	740 (54%)
United States	888	293 (33%)	382 (43%)	213 (24%)	402 (45%)	486 (55%)

To examine results by income group, each country's sample was divided into lower-, middle-, and higher-income groups based on the household income distribution in the respective countries. In each case, data from national governments was used to establish thresholds for the lowest 40% of income earners, the next 40%, and the highest 20%. These thresholds were then matched to the nearest available thresholds in our data (e.g., in Australia, the level for the lowest 40% was \$62,556, while the nearest threshold available in our data was \$60,000). The exact thresholds from the national income distributions, the thresholds used in our data, and the percentage of respondents in each income category in each country are shown in Table 6.

Table 6

Income Thresholds for Lower-, Middle-, and Higher-Income Categories¹⁴

	Lower Income (40%)	Middle Income (40%)	Higher Income ¹⁵ (20%)
AUSTRALIA			
Upper Limit in Population	\$62,556	\$154,388	
Upper Limit in Sample	\$60,000	\$150,000	
Proportion in Sample	42.19%	48.01%	9.80%
UNITED KINGDOM			
Upper Limit in Population	£24,320	£45,217	
Upper Limit in Sample	£25,000	£45,000	
Proportion in Sample	34.61%	34.96%	30.43%
UNITED STATES			
Upper Limit in Population	\$43,507	\$117,002	
Upper Limit in Sample	\$40,000	\$100,000	
Proportion in Sample	41.22%	42.26%	16.51%

The survey consisted of 16 questions (the questions and available responses are attached as an appendix). Some questions were only asked of those who indicated that they planned to retire. All questions were asked in all three countries, with slight modifications made to a few questions in order to make them country-appropriate.

For two of the three categories of questions presented, we have combined responses to multiple questions in order to estimate the percentages of respondents who are prepared for retirement¹⁶. The first of those categories, *Preparing to Retire*, involves choices made in the period prior to retirement. That category combines responses to the following questions:

14 Australia: [Household Income and Income Distribution, Australia, 1994–95 to 2013–14](#), The Survey of Income and Housing (SIH), Australian Bureau of Statistics, April 9, 2015. United Kingdom: [The Effects of Taxes and Benefits on Household Income 2015](#), Office for National Statistics, May 24, 2016. United States: “HINC-05. Percent Distribution of Households, by Selected Characteristics Within Income Quintile and Top 5 Percent,” *Current Population Survey, Annual Social and Economic Supplement, 2015*.

15 While the sampling by income varies substantially across the three countries, all aggregate results have been examined and presented by income categories as well. Where differences across countries might be the result of differences in results within particular income categories, we have made note of that in the text.

16 Answers to questions in the two categories with summary measures were equally weighted.

Table 7 **Combining Responses for Category, *Preparing to Retire***

LABEL	WORDING OF QUESTION
Educated	Which, if any, of the following have you done to prepare for your retirement?
Saved	Do you currently have retirement savings set aside for when you retire? By “retirement savings” we mean money that you have either put aside through your contributions to a workplace, or private pension plan(s), in a current account or retirement savings account, etc. This does not include any social security or benefits from your employer contributions to pension, that you may have for when you retire.
Know how much	Thinking about all sources of income for when you retire (e.g., social security, workplace and private pension, personal savings, etc.), do you currently know (or have an idea of) how much money you plan to retire with in total?
Stop Work	Thinking about before your retirement, please imagine you had to stop working at any point because of job loss, ill health, to take care of a relative, etc. Do you think you would still have enough money for retirement?

The second category, *Retirement Risks*, examines the degree of planning for some of the risks that are increasingly borne by individuals during their retirement. That category combines responses to the following questions:

Table 8 **Combining Responses for Category, *Retirement Risks***

LABEL	WORDING OF QUESTION
Know how long	Thinking about the total amount of retirement savings that you expect to have when you retire, do you know how long (i.e., how many years) your retirement savings will last you in retirement?
Plan to withdraw	Which ONE of the following do you think BEST describes how you intend to budget and withdraw your retirement savings money to help fund your retirement? ¹⁷
Longevity	Thinking about during retirement, please imagine that you lived significantly longer than you expected to. Have you thought about what you would do in this situation?
Drop in Value	Still thinking about during your retirement, please imagine that your total retirement savings suddenly dropped in value (e.g., there was a global financial crisis). Which, if any, of the following do you think you would do to improve your financial situation? ¹⁸
Ill Health	Thinking about during your retirement, please imagine that you suffered from chronic ill health that meant you had to pay for care (i.e., either at home, or for a long-term care facility etc.). Which, if any, of the following do you think describes what you would do? ¹⁹

¹⁷ To see the choices offered as potential responses, please see the survey in the appendix.

¹⁸ To see the choices offered as potential responses, please see the survey in the appendix.

¹⁹ To see the choices offered as potential responses, please see the survey in the appendix.

PART II

Three Categories of Questions



Retirement Readiness

Section 3

The Retirement Transformation

The shifting of risks to retirees in recent decades combined with the particularly harsh shocks associated with the financial crisis of 2008 appears to have transformed the retirement challenges for respondents in all three countries.

According to the OECD,²⁰ the median age of retirement in 2000 was 62.0, 62.4, and 64.8 for men and 59.7, 60.9, and 63.7 for women, respectively, in Australia, the United Kingdom, and the United States. By 2014, these ages had increased to 65.3, 64.1, and 65.9 for men and 63.0, 62.4, and 64.7 for women. According to the Employee Benefits Research Institute,²¹ in 2000, 73% of United States respondents indicated they were either very confident or somewhat confident in having enough money to live comfortably throughout their retirement years. By 2013, that percentage had declined to 51%. A comparable Australian study in 2015 found that 55% of nonretired Australians responded that they would definitely or probably have enough money to live comfortably in retirement.²² The 2016 State Street Global Advisors Retirement Confidence Monitor, surveying participants in defined contribution pensions plans, reports that 36% of respondents in the United Kingdom are confident or very confident that they will meet their retirement goals.²³ In this context of increasing retirement ages and declining confidence in retirement security, we examine a series of questions describing the current perceptions of this transformed retirement environment.

Key observations: Three national samples as a whole

- *Planning to Retire?*²⁴—70% of all respondents plan to retire, with a high of 75% in the United Kingdom and a low of 60% in the United States.
- *Planning to Retire Fully?*—Of those who plan to retire, 27% plan to retire fully, while the rest plan to retire gradually, with a high of 32% in the United States and a low of 23% in Australia planning to retire fully.
- *Planning to Retire in Their 70s?*—Of those who plan to retire, 24% plan to retire in their 70s, with a high of 27% in the United States and a low of 22% in Australia.
- *Expecting a Flourishing or Comfortable Lifestyle?*—Of those who plan to retire, 42% of respondents expect to live a flourishing or comfortable lifestyle during retirement, with a high of 47% in the United States and a low of 36% in the United Kingdom. Overall, 58% of respondents expect to live a poor or modest lifestyle during retirement.

20 OECD, “[The Average Effective Age of Retirement 1970-2014 in OECD Countries](#).”

21 See the [Retirement Confidence Survey 2000](#) and the [Retirement Confidence Survey 2013](#).

22 J. Rob Bray and Matthew Gray, [Ageing and Money: Public Opinion on Pensions, Inheritance, Financial Wellbeing in Retirement and Caring for Older Australians](#), ANU Centre for Social Research, Report No. 20, February 2016.

23 State Street Global Advisors, [Retirement Confidence Monitor 2016](#), p 4, September 2016.

24 Retirement is defined in our survey as “when you stop working permanently.”

- Sources of Expected Income?*—In all, 64% of all respondents expect to rely, in part, on governmental sources of retirement income; 49% expect to rely on employer-provided benefits; 54% expect to rely on their own savings; and 31% expect to rely on home equity. The only substantial difference across countries lies in reliance on government: In the United Kingdom, 70% list government as a source of income; in the United States, 66% do; while in Australia, only 50% of respondents do.

FIGURE 1.1 Retirement Expectations

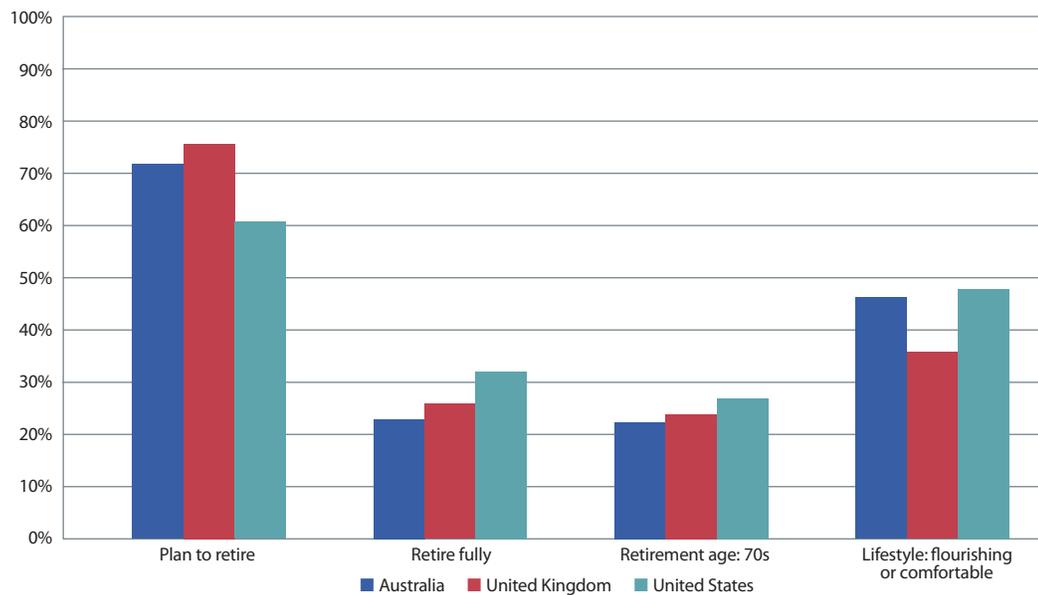
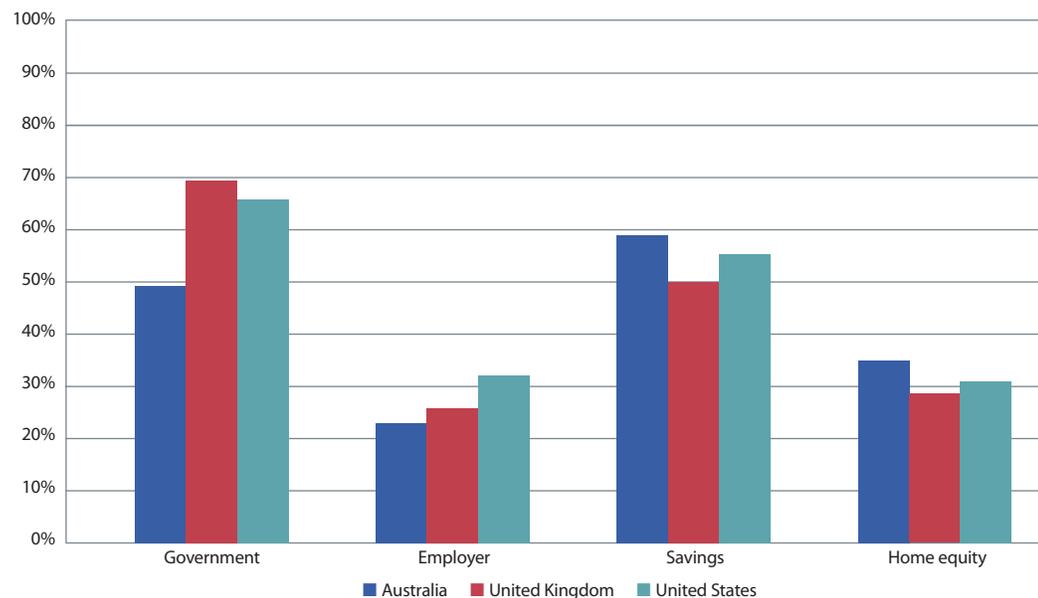


FIGURE 1.1a Expected Sources of Retirement Income



Explanations and implications

The transformed retirement environment is evident in respondents' expectations for their retirement, starting with a third of all respondents who do not plan to retire at all. While some of these respondents may be choosing to continue working as a lifestyle choice, many are likely feeling financial pressure to continue working, and do not foresee a time when they will be secure enough to retire. Even more striking perhaps are the small percentages of those who do plan to retire who expect to retire fully as opposed to gradually; only a quarter of all respondents indicate plans to retire fully. Those planning to retire gradually are likely either counting on some continuing income in their retirement in order to meet their financial goals or are unsure of their ability to retire at all. When considering the combination of these results with the observation that less than half of all respondents expect at least a comfortable retirement, it would seem that we clearly are immersed in an era of diminished expectations compared to the period even two decades prior.²⁵ What is striking in these results is the relative similarity of three countries with different histories, cultures, practices, and policies with respect to retirement. Common to all are the shifting of risk inherent in the global movement from defined benefit to defined contribution pensions, along with the market declines beginning in 2008.²⁶ Even with economic recovery, our respondents clearly indicated a change in the way they imagine their retirement years compared to those retiring in immediately prior decades.

Expectations of sources of income seem to be at variance with likely realities. While fewer than two-thirds of all respondents indicated their government as a source of retirement income, most respondents in all three countries will receive at least some income from government retirement programs. Thus, making sure that these programs are sustainable and capable of providing adequate retirement income should be an ongoing priority. And while more than half of all respondents see personal savings as a source of income, just under half of respondents do not. Yet, there is clear evidence that without personal savings, reliance on government and employer-provided benefits would leave many people short of the financial means necessary to achieve financial security in a comfortable retirement.²⁷ These results would suggest the need for more education and, perhaps, stronger policies designed to encourage more savings, including some policies and practices already being implemented in the three countries but which may be too recent to have affected the perceptions of our respondents.

²⁵ OECD, *OECD Pensions Outlook 2016*, OECD Publishing, Paris, 2016, p. 15: "The pensions landscape has changed in recent decades."

²⁶ See *The Challenge of Longevity Risk* for a discussion of both the differing histories of the three countries in their transformation from DC to DB and also of the shared issues they face.

²⁷ *Retirement Savings Shortfalls: Evidence from EBRI's Retirement Security Projection Model*, Jack VanDerhei, Employee Benefit Research Institute Issue Brief No. 410, February 2015, p. 1: "The aggregate national retirement deficit number is currently estimated to be \$4.13 trillion for all U.S. households where the head of the household is between 35 and 64, inclusive."

Key observations: Three national samples categorized by age

- *Planning to Retire?*—Percentages planning to retire decline with age, with 75% of the youngest cohort planning to retire, 70% of the middle age cohort so planning, and 64% of the oldest cohort. The same pattern applies in each country, with the largest difference between young and old in the United Kingdom (17 percentage points) and the smallest difference in the United States (4 percentage points).
- *Planning to Retire Fully?*—Percentages planning to retire fully (i.e., quit working completely) increase with age, but only slightly, from 25% for the youngest, to 28% for the middle, and to 30% for the oldest cohort. In the United States, the percentage of middle-aged respondents expecting to retire fully is 5 percentage points less than that of the youngest cohort, while in Australia and the United Kingdom the percentages of the middle cohort are 8 percentage points higher than the youngest. For all three countries, percentages of those planning to retire fully are 2-3 percentage points less for middle-aged than for the oldest age cohorts.
- *Planning to Retire in Their 70s?*—27% of all respondents aged 18-34 expect to retire in their 70s, while 17% of respondents aged 35-54 expect to do so, and 31% of those over age 55 expect to retire in their 70s. This pattern is repeated in all three countries.
- *Expecting a Flourishing or Comfortable Lifestyle?*—Older respondents are slightly more likely to expect a comfortable retirement, with 41% of younger and middle-aged respondents and 44% of older respondents affirming that positive expectation. In both Australia and the United Kingdom, the middle age cohorts are at higher percentages than younger cohorts, and older cohorts are higher still. In the United States, the middle-aged cohort is slightly higher, but the oldest cohort is somewhat lower.
- *Sources of Expected Income?*—Government programs yield substantially higher percentages of individuals' expected income sources as we move from the youngest (53%), to middle-aged (65%), to the oldest cohorts (81%). Expectations of employer benefits increase slightly (with 5 percentage points more of the oldest cohort compared to the youngest), while expectations of relying on personal savings decrease slightly (with 7 percentage points fewer of the oldest cohort compared to the youngest). Reliance on home equity increases by 10 percentage points as we move from the youngest to the middle-aged cohorts and then remains the same for the oldest. For the United States, there is an increase in the percentage of respondents expecting to rely on home equity as we move from the middle-aged to the oldest cohort, while in Australia and the United Kingdom there is a decrease.

FIGURE 1.2 Retirement Expectations—By Age

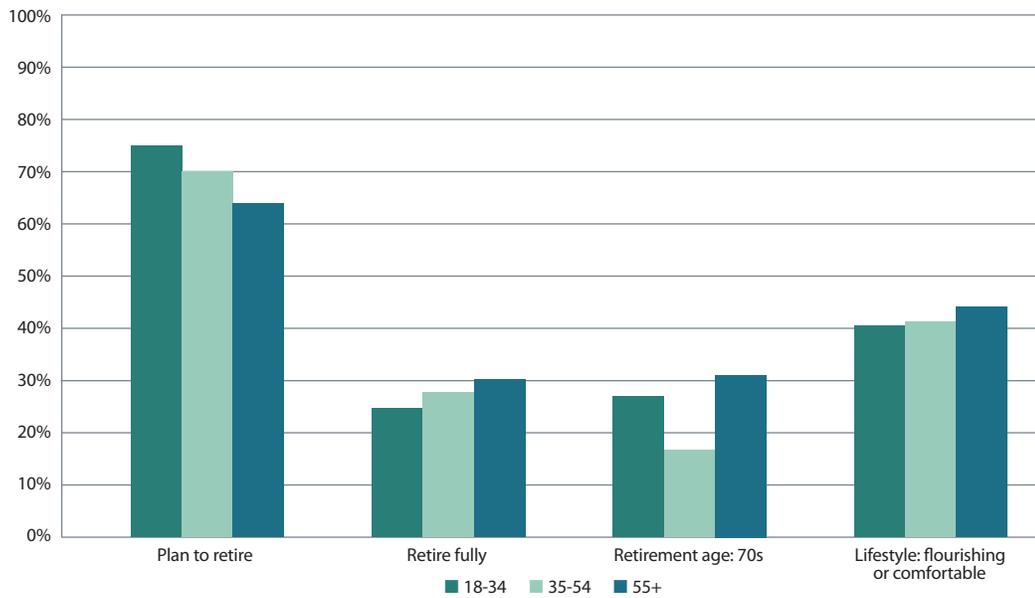
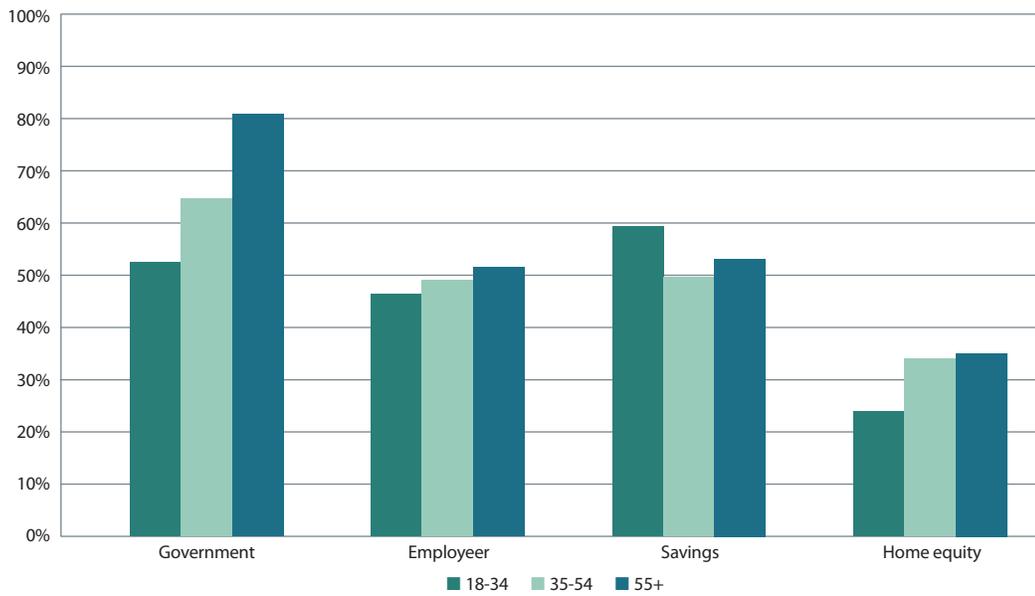


FIGURE 1.2a Expected Sources of Retirement Income—By Age



Explanations and implications

Differences in age cohorts generally seem to make little difference in expectations for retirement with two noteworthy exceptions. First, there is a decrease in the percentages of those planning to retire (versus those who plan to continue working with no formal retirement date) as age increases. Second, there is a decrease in the percentage of middle-aged respondents who plan to retire in their 70s compared to younger cohorts, followed by an almost equal increase when we compare them to older cohorts. This may suggest that pessimism among the young about retiring in their 60s gives way to middle-aged optimism before yielding to realism among the oldest cohort. Decreases with age in the percentages of those expecting to retire suggest some optimism among the young about their ability to retire, which meets a greater realism as retirement approaches for the older cohorts. The low percentage of middle-aged cohorts planning to retire in their 70s may indicate a combination of increased desire to retire earlier after having worked for some period of time combined with an optimism about the ability to do so.

Despite these differences, overall it appears that age differences do not generally seem to matter very much in shaping expectations. This suggests there are broadly shared expectations across all generations. In all three countries, differing experiences and differing time horizons of the different age cohorts does not seem to alter the recognition of this era as one of diminished expectations but faced with a certain amount of optimism.²⁸

Differences in age clearly yield different percentages of those acknowledging government programs as a source of retirement income. Whether this is based on different levels of knowledge, or on concerns by younger cohorts that government programs may not be available for them when they reach retirement, is difficult to know. While broadly similar across all three countries, the difference in reliance on home equity among the oldest cohorts in Australia and the United Kingdom compared to the United States is not readily explainable.

²⁸ Data presented at the beginning of this section suggests that expectations have decreased in the past 15-20 years. Our survey results show large numbers of respondents indicating that they do not expect to retire fully, while many expect to be able to live comfortably in retirement.

Key observations: Three national samples categorized by income

- *Planning to Retire?*—Plans to retire increase with income, from 57% of lower-income respondents, 76% of middle-income, and 85% of higher-income respondents who plan to retire. For higher-income individuals, the percentages in the three countries are similar (81% in Australia, 82% in the United States, and 86%). However, for both lower- and middle-income individuals, percentages in the United States are much lower than the other two countries (46% and 66%, respectively, in the United States for lower and middle income; compared to 64% and 76%, respectively, in Australia, and 62% and 83%, respectively, in the United Kingdom).
- *Planning to Retire Fully?*—Percentages of those who plan to retire fully increase slightly with income, from 24% to 28% to 34% for lower-, middle-, and higher-income respondents. Australian respondents show little difference by income, with percentages ranging from 22% to 25%. In the United Kingdom, higher-income respondents differ from lower and middle, with 33% of high compared to 22% and 23% for lower and middle. In the United States, the percentage for lower-income respondents is 28%, rising to 35% for middle- and 39% for higher-income respondents.
- *Planning to Retire in their 70s?*—The percentages planning to retire in their 70s decline slightly for higher-income respondents, decreasing from 25% for lower- and middle-income respondents to 23% for higher-income respondents.
- *Expecting a Flourishing or Comfortable Lifestyle?*—The percentage expecting a flourishing or comfortable lifestyle doubles as income increases, with 30% of lower-income, 44% of middle-income, and 60% of higher-income respondents expressing those expectations.
- *Sources of Expected Income?*—Government as a source does not vary much by income on average. However, the three countries exhibit different patterns, with Australians declining in the percentages indicating government as a source as income increases, respondents in the United States increase as one moves from lower to middle income, and in the United Kingdom respondents indicate roughly equal and high percentages at all income levels. Employer-provided benefits are expected by a smaller percentage of lower-income respondents (35%) compared to middle- and higher-income (56% and 57%), as is the case as well for personal savings (43% for lower-income compared to 60% and 64%). For home equity as a source, percentages range from 22% for lower income, to 33% for middle income, to 45% for higher income. For higher-income Australians, the percentage indicating expectations of tapping home equity (65%) is significantly higher than in the United Kingdom (39%) or the United States (51%).

FIGURE 1.3 Retirement Expectations—By Income

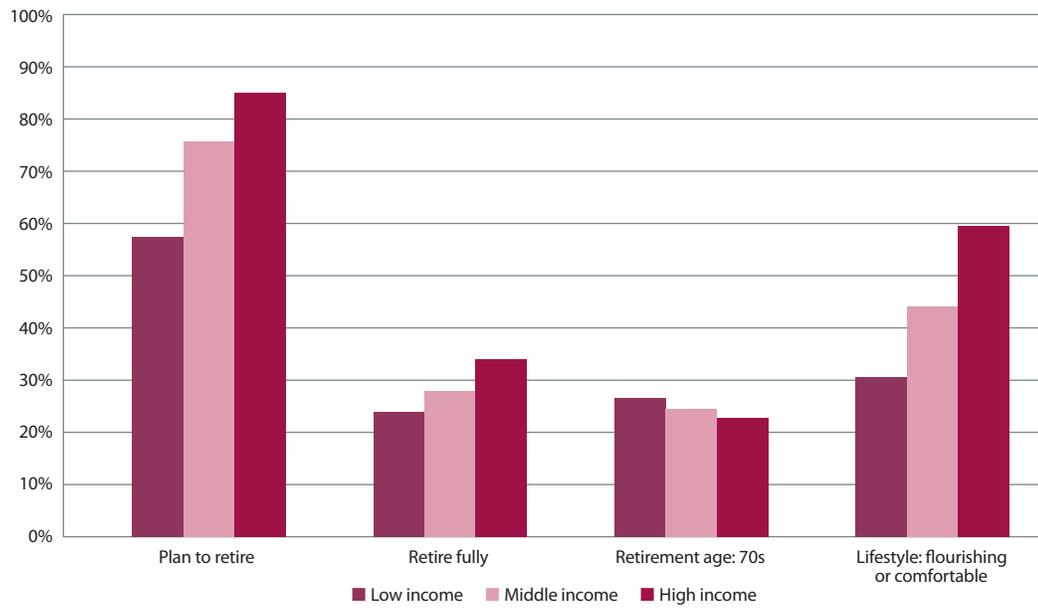
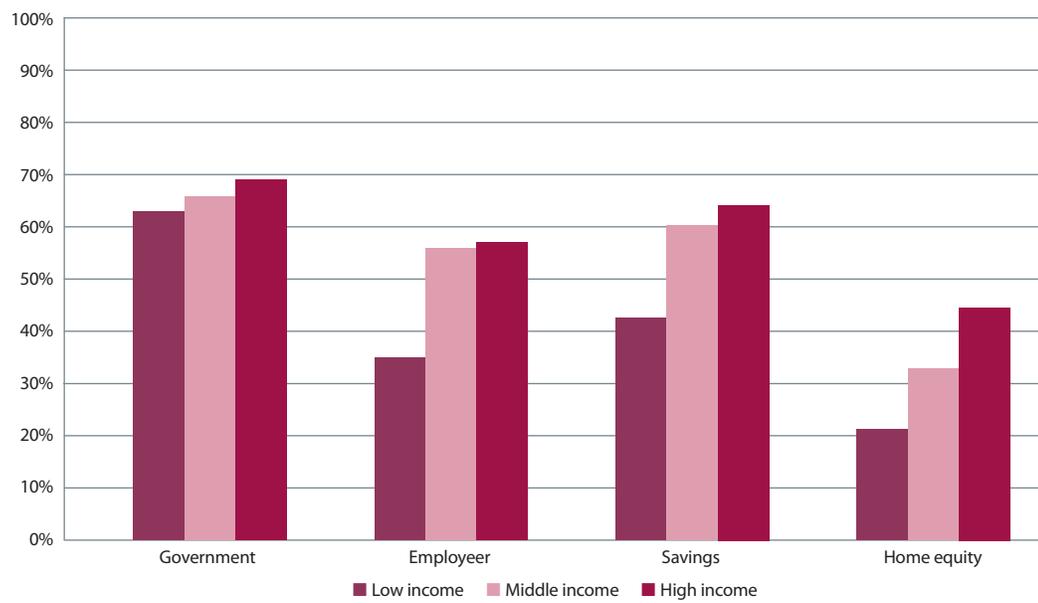


FIGURE 1.3a Expected Sources of Retirement Income—By Income



Explanations and implications

It is notable that, of the lower- and middle-income respondents, the United States had significantly smaller percentages who expected to retire compared to both Australia and the United Kingdom. This might reflect lower expectations of support from government and employer benefits, or lower expected personal savings, or an unwillingness to commit to retiring unless resources adequate for a comfortable retirement are available.²⁹ That percentages expecting a comfortable lifestyle in retirement double when we compare lower-income to higher-income respondents should not surprise us. However, that 40% of higher-income and 56% of middle-income respondents do not expect comfortable or better lifestyles in retirement is of concern, as these respondents might well have the means with which to improve their retirement income if they take effective action early enough.

Key observations: Three national samples categorized by gender

- *Planning to Retire?*—There are very limited gender differences overall, with men's percentage only 3 percentage points higher than women's. Gender gaps are small in all three countries as well (3 percentage points in Australia, 4 in the United Kingdom, and 1 in the United States).
- *Planning to Retire Fully?*—Men are more likely to indicate plans to retire fully than women (32% and 23%, respectively), with the largest difference by gender being in the United States (40% for men and 24% for women).
- *Planning to Retire in their 70s?*—There is very little gender difference in plans to retire in respondents' 70s.
- *Expecting a Flourishing or Comfortable Lifestyle?*—Sixteen percentage points more men than women expect a flourishing or comfortable lifestyle in retirement (50% compared to 34%). The gap exists in similar size in all three countries (15, 14, and 18 percentage points, respectively in Australia, the United Kingdom and the United States)
- *Sources of Expected Income?*—There are very limited gender differences when it comes to sources of retirement income. Only personal savings shows a gap of as much as 6 percentage points, and that is largely the result of an 11-point gap in Australia (with 3- and 6-point gaps in the United Kingdom and the United States).

²⁹ Ruth Helman, Craig Copeland, and Jack VanDerhei, *The 2016 Retirement Confidence Survey: Worker Confidence Stable, Retiree Confidence Continues to Increase*, Employee Benefits Research Institute, Issue Brief No. 422, March 2016: "As one might expect, workers who are not confident about their financial security in retirement say they plan to retire later, on average, than those who express confidence."

FIGURE 1.4 Retirement Expectations—By Gender

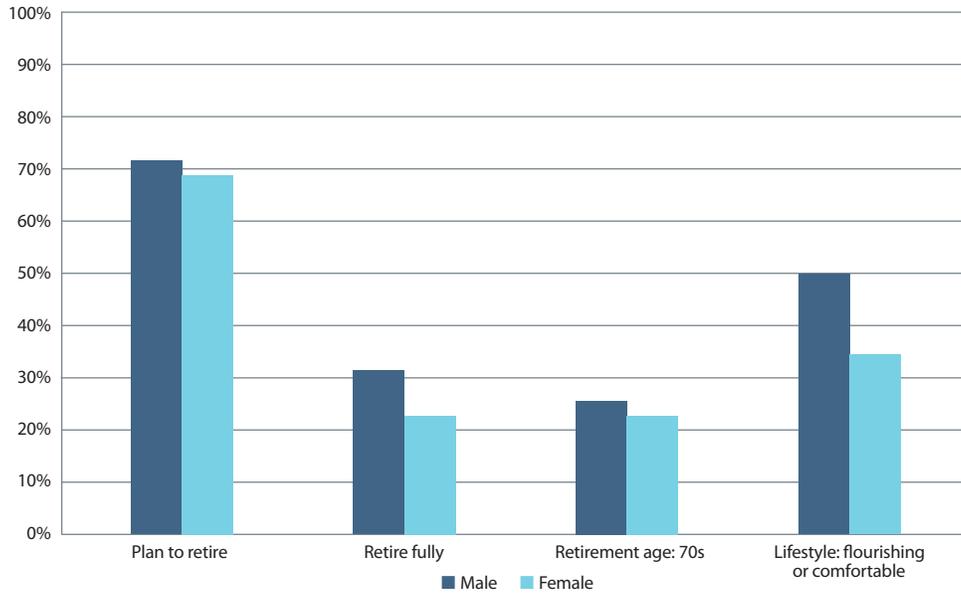
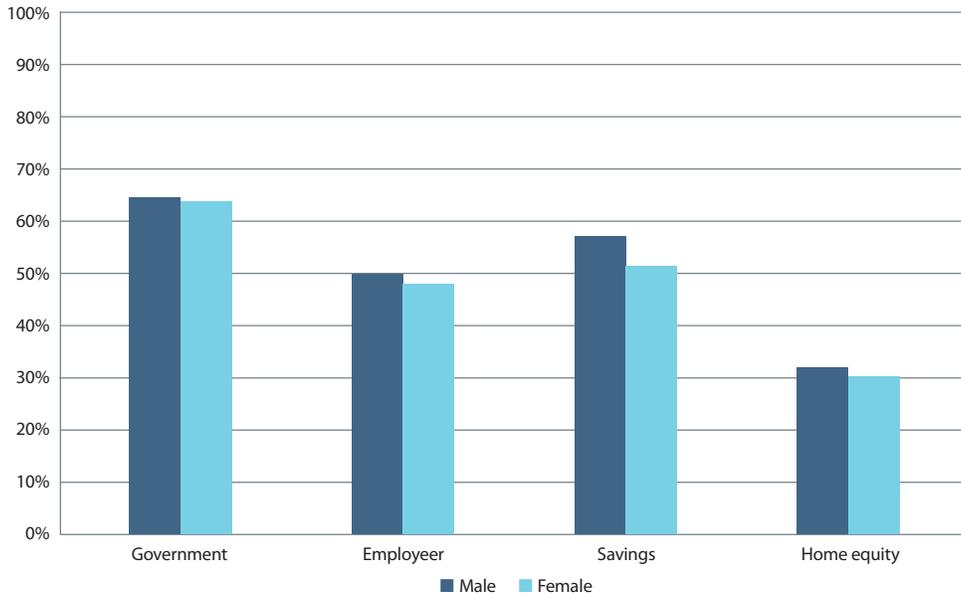


FIGURE 1.4a Expected Sources of Retirement Income—By Gender



Explanations and Implications

The only major difference in percentages based on gender deals with expectations for a comfortable or flourishing lifestyle, where men are significantly more likely to expect such a lifestyle in retirement compared to women.³⁰ The differences not only are substantial but consistent across all three countries. The explanation for this is unclear. Is this the result of women earning less and/or having less retirement income? Is this the result of differences in perception, where men are more optimistic and women are more pessimistic? Is this the result of differences in standards, where (in spite of the guidance in the questions) men assume a lower standard for comfort than women? Or is this the result of gender roles leading women and men to respond differently to survey questions?³¹

30 With respect to this finding and other gender-based differences reported later in the paper, it is worth noting the conclusion of Olivia Mitchell and Annamaria Lusardi, "Planning and Financial Literacy: How do Women Fare?" *American Economic Review Paper and Proceedings*, 2008, p. 416: "Our research shows that older women in the United States display very low levels of financial literacy. Moreover, the large majority of women have not done any retirement planning calculations. Further, financial knowledge and planning are closely related: women who display higher financial literacy are more likely to plan and be successful planners. Our findings raise concerns about the ability of women to make sound saving and investment decisions over a long retirement period."

31 Kent A. Pierce and Dwight R. Kirkpatrick, "[Do men lie on fear surveys?](#)" *Behaviour Research and Therapy*, Volume 30, Issue 4, July 1992. The authors describe the results of an experiment in a potentially comparable situation in which men and women differed in their candor: "These results are consistent with the idea that the expression of fear by men is affected by conformation to the traditional male gender role."

Section 4

Preparing to Retire

Without careful retirement planning and preparation, most people are unlikely to be able to sustain themselves during the entirety of their retirement in a lifestyle that they will find satisfactory.

There are many different ways to prepare for retirement: gathering information, educating oneself, seeking advice from professionals, putting savings aside specifically for retirement, determining how much is needed at the time of retirement in order to generate a plan to reach that target, and even planning for the risk of being forced into an earlier retirement than anticipated. The first three items in this list—gathering information, educating oneself, and seeking advice—are steps one can take to be better informed. Saving money or accumulating retirement funds is itself an important step, while knowing how much is needed at the time of retirement is the only way to assess whether one is on target for retirement savings, and allows a judgment as to whether savings will suffice given plans and expectations. Finally, planning for an unexpected early retirement if forced to stop working, combined with the other elements of preparation, would provide reassurance that one would arrive at the gateway to retirement comfortably well situated.

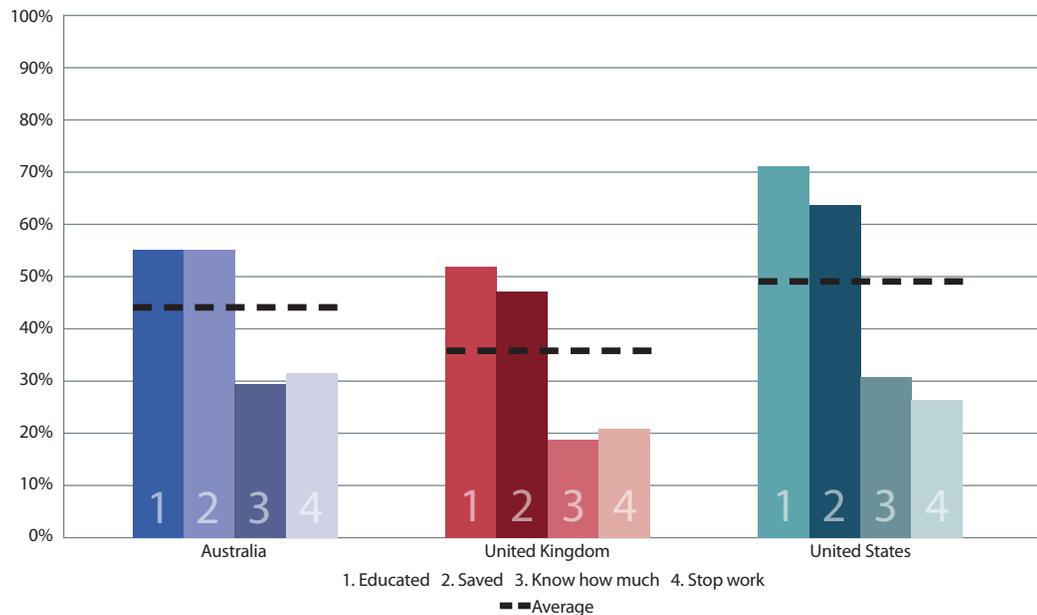
Survey responses provide evidence of preparedness for each of these four elements of preparing to retire: education, saving, knowing how much will be needed, and planning for an unanticipated early cessation of working. In addition, combining the measures produces an estimate for the overall retirement preparedness for respondents in each country.

Key observations: Three national samples as a whole

1. Approximately two-fifths (40.62%) of all respondents appear to have satisfactory preparation for retirement. That means three in five are not preparing appropriately.
2. With respect to the key factors that determine retirement preparedness, individuals are stronger at learning about (58%) and saving for (54%) retirement, but weaker at knowing how much they will need (25%) and anticipating an unexpected early retirement (25%).
3. Levels of preparation vary from 48% in the United States, to 43% in Australia, to 35% in the United Kingdom.³²

³² These levels of preparation are calculated as the average response to the included questions, and thus, are an approximation of the proportion of respondents with an affirmative response to all questions.

FIGURE 2.1 Preparing to Retire—By Location



Discussion of the results

Independent of national retirement policies, cultural norms, and demographic variances, in all three countries a majority of people are not preparing adequately to retire. In all three countries, more people have gathered information about retirement and are saving at least something for retirement than are ready to assess how much they will need when they retire or have plans to deal with an unexpected early retirement. In each category, more respondents in the United States or Australia indicate they are prepared while fewer in the United Kingdom are prepared.

- *Educating oneself*—Looking first at efforts to inform and educate themselves, 71% of respondents in the United States claim to have done something to gather information, followed by 55% in Australia, and 52% in the United Kingdom. In every country, more than half claim to have done something, with substantially more informing themselves in the United States than in the other two countries.
- *Saving*—More respondents in the United States report having retirement savings than respondents in the other two countries, with 64% of respondents in the United States claiming to have saved already. In Australia, 55% claim to have begun saving, while in the United Kingdom 47% say they have begun saving. The gap (20 percentage points) between the United States (with the highest percentages responding that they are preparing) and the United Kingdom (with the lowest percentages responding that they are preparing) is similar for educating oneself (19 percentage points) and savings behavior (17 percentage points).

- *Amount needed*—Respondents in all three countries report much smaller percentages aware of how much income they would need compared to education and savings, with 31% of United States respondents and 30% of Australian respondents claiming to know how much they will need, while 19% of United Kingdom respondents claim to know.
- *Unexpected early retirement*—Finally, very few respondents are ready to face an unexpected early retirement, with those believing they would still have sufficient retirement income ranging from 32% in Australia to 27% in the United States to 21% in the United Kingdom.

The gap between the countries with the largest percentages of respondents preparing and the countries with the smallest percentages is a little lower on questions concerning savings expected at retirement or plans for unexpected early retirement (12 and 11 percentage points) compared to the education and savings gaps (19 and 17 percentage points). More importantly, the percentages for all three countries are substantially lower for knowing how much they will need and for being prepared for early retirement than they are for gathering relevant information and setting aside some savings.

Explanations and implications

Broadly speaking, preparations in the three countries are similar. Many people are preparing by gathering information and saving at least a little; these are relatively easy steps, especially for people who are saving by contributing to workplace benefit plans where the employer takes an active role. Fewer people are undertaking the complicated tasks of figuring out how much they will need when they retire, or planning for an unexpected early retirement.

In our September 2015 white paper, *The Challenge of Longevity Risk*, we documented similarities and differences in the retirement policies in place in the three countries. For example, while adopting differing approaches, all three countries have supported automated features that default individuals into saving for retirement. However, these features may be too recent to yet have an impact on how people plan for retirement.³³ Government programs vary, with Australia taking more of a safety-net approach targeting adequacy for lower-income individuals. All three countries also have made efforts to improve retirement education; however, the survey would suggest that progress to date has been modest at best. Perhaps more time is needed to see the positive impact of policy and education changes. The differences in the underlying retirement systems in the three countries might lead us to expect people in the different countries to prepare differently. This is not what we are seeing in the results reported here.

³³ These recent developments were discussed in the appendices to *The Challenge of Longevity Risk*: Australia increased the required level of contribution to its superannuation system to 9.5% as of July 1, 2014 (p. 13); in 2012, the United Kingdom introduced mandatory auto-enrollment in employer sponsored plans for eligible employees (p. 18); and in the United States, in 2006, employer-sponsored pension plans were authorized to auto-enroll employees, and, as of 2015, 59% of plans do so.

In spite of distinct policies and cultures, what respondents in the three countries all share is exposure to the same transformation in the retirement landscape, driven by increased risk-shifting associated with the move from a primarily defined benefit to a primarily defined contribution retirement benefit system, along with the sudden shock of the 2008 recession. As documented in the section on the transformation, these factors seem to be contributing to a trend of more people in all countries to consider never retiring, assuming they will retire gradually rather than fully, and, for those that plan to retire, they plan a delayed retirement, in their 70s rather than their 60s. Finally, the numbers of people expecting a modest lifestyle (or worse) completes a portrait of diminished expectations. Those who are pessimistic about their retirement prospects are likely to be less inclined to gather information, set aside savings, and otherwise expend effort or resources for a future they expect to be bleak.³⁴ Of course, this reaction, if it is occurring, becomes self-fulfilling: Failing to prepare for retirement makes a more modest retirement entirely more likely.

In all three countries, the failure by the majority of respondents to adequately prepare for retirement may be the result, in part, of common behavioral decision-making dynamics, well documented in the literature.³⁵ Among the most relevant universal traits might be: ambiguity aversion, which leads people to avoid making decisions when they do not have sufficient information; status quo bias, which leads people to continue doing what they have been doing even when they think they could probably do better; and procrastination, which leads people to struggle with the conflict between what Thaler and Shefrin describe as “the far-sighted planner” and “the myopic doer.”³⁶

While respondents in all three countries indicate large percentages of having failed to prepare to retire, there are differences among them. The most persistent differences are in the results from the United Kingdom. While broadly similar to United States and Australian respondents, those from the United Kingdom show lower levels of preparation in all areas. This leads us to consider whether demographic differences between the three countries in relative distribution of age, income, or gender groups account for the apparent national differences.

We look to differences in age, income, and gender across the three countries in the following sections.

34 EBRI makes the same point when it notes the virtually identical distributions of those who are confident they will have enough to live comfortably in retirement and those who believe they are doing a good job preparing for retirement. EBRI, “[Retirement Confidence Survey 2017, Fact Sheet #3](#).”

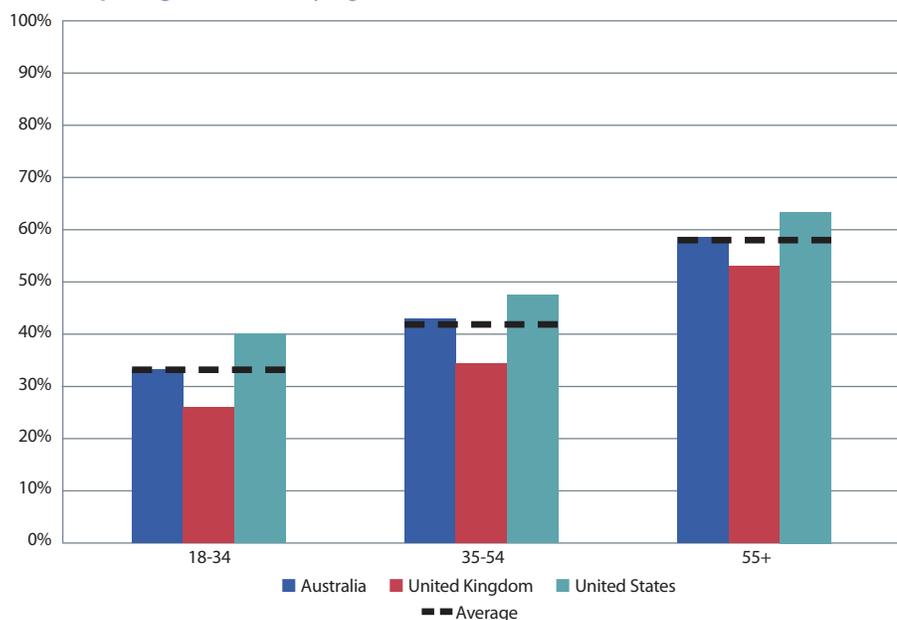
35 Melissa A.Z. Knoll, “The Role of Behavioral Economics and Behavioral Decision Making in Americans’ Retirement Savings Decisions,” *Social Security Bulletin*, Vol. 70, No. 4., 2010.

36 Richard H. Thaler and Hersh M. Shefrin, “An economic theory of self-control,” *Journal of Political Economy* 89(2): 392–406, 1981. See also Pensions Policy Institute (United Kingdom), [Consumer Engagement: Barriers and Biases](#), February 2017.

Key observations: Three national samples categorized by age

1. Across all three countries, effective preparation increases by less than 10 percentage points from the younger (18–34: 32%) to middle age (35–54: 40%) groups and by nearly 20 percentage points from the middle to older age (55+: 58%) groups.
2. For 18- to 34-year-olds, the proportions of respondents preparing their retirement are 40% in the United States, 33% in Australia, and 26% in the United Kingdom. For 35 to 54-year-olds, the proportions preparing are 48% in the United States, 43% in Australia, and 35% in the United Kingdom. For those 55 and older, the proportions preparing for retirement are 63% in the United States, 59% in Australia, and 53% in the United Kingdom.
3. In all three countries, more than half of all respondents over age 55 are preparing, but that still leaves 37% in the United States, 41% in Australia, and 47% in the United Kingdom who are not preparing for retirement.
4. Among those in the middle age range, 35–54, in the United States, 52% are not preparing to retire, while 57% in Australia and 65% in the United Kingdom are similarly unprepared. This group still has time to prepare but many do not seem to be taking advantage of that time to prepare. The longer they wait, the more difficult it becomes to save adequately for retirement due to the shortened time horizon.

FIGURE 2.2 Preparing to Retire—By Age



Discussion of the results

Preparation for retirement increases with age in every country, but remains very low especially for middle-aged respondents, as we can see in Figure 2.2. In every age group, the order of preparedness remains the same, with the highest percentages of respondents preparing in the United States and the lowest in the United Kingdom. In the three countries, less than 40% of respondents between 18 and 34 are preparing, increasing to an average over 60% for those age 55 and above. While results for those making preparations for their retirement are strongest for the older-age (55+) group, there are still significant numbers of people within this group who will likely not be prepared to retire and have a small and rapidly closing window of time to make changes. Perhaps of greatest concern here is the relatively low preparation among those 35–54, where none of the three countries reveals a majority preparing adequately, with an overall average of just over 40%. By contrast, in all three countries, among those over 55, more than half of all respondents are preparing for retirement. Low levels of preparation in the middle age group raises the possibility that for many people who do not begin preparations until they are 55, there will not be enough time to adequately prepare if they plan ever to retire. Even among those 55 and older, more than a third of respondents are unprepared to retire in the United States, rising to almost half in the United Kingdom.

Explanations and implications

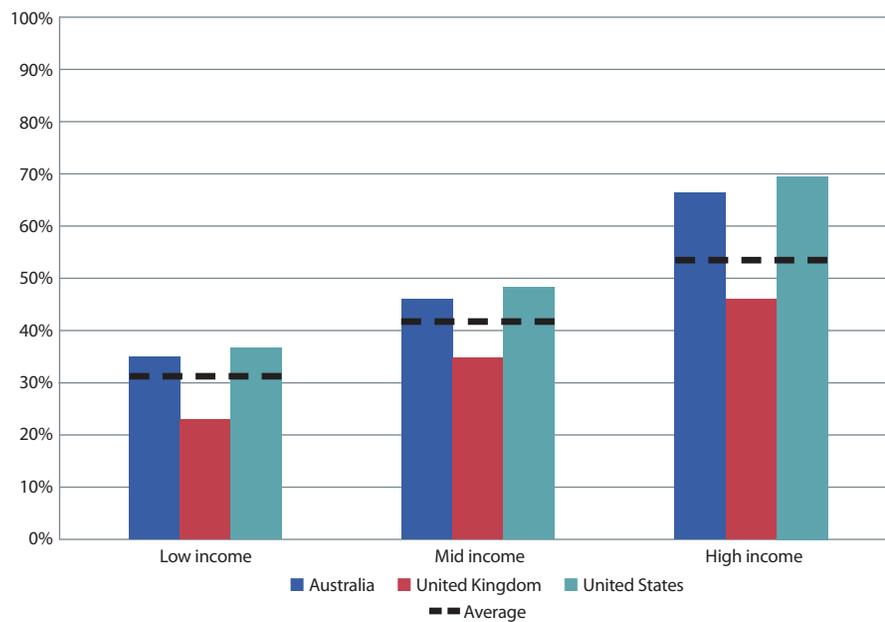
It is not surprising, even if it remains concerning, that relatively small numbers of young people are preparing to retire. Recognizing that they are doing better on two critical tasks more than 30 years before they retire—gathering information and setting some savings aside—should be somewhat reassuring. That 40% or more of those 55 and older are not preparing is surprising and disturbing. Many in this age group may be covered by legacy defined benefit plans (especially in the United States and United Kingdom); however, given their proximity to retirement, they have the least time to recover from the 2008 recession to the extent they depend on defined contribution plans as a significant source of retirement income. Thus, the older non-preparers may be a mix of those who are reasonably well-prepared without much effort on their part, and those who are resigned to their diminished fortunes. Most problematic are the 60% of middle-aged respondents who are not preparing to retire. This group may have time to make meaningful changes if they wish, and, further, will be likely covered by defined contribution plans if they are covered by private plans at all. Failure by this group to prepare now might be the clearest indication of a need for more effective action across all three countries to engage people in their retirement planning. Again, differences in culture and policy environments do not seem to account for differences here very well. Rather, it may very well be the behavioral effect of avoidance that comes to bear here.³⁷

³⁷ See, again, Melissa A.Z. Knoll, “The Role of Behavioral Economics and Behavioral Decision Making in Americans’ Retirement Savings Decisions,” by *Social Security Bulletin*, Vol. 70, No. 4, 2010, and particularly her discussion of status quo bias and procrastination, both of which give rise to avoidance behavior.

Key observations: Three national samples categorized by income

1. For the three countries combined, the percentage of respondents preparing for retirement increases with income from roughly 30% (lower income) to 45% (middle income) to 60% (higher income).
2. For lower-income respondents, the percentages preparing to retire are 37% in the United States, 35% in Australia, and 23% in the United Kingdom. For middle-income respondents, the percentages are 49% in the United States, 46% in Australia, and 35% in the United Kingdom.
3. Retirement preparedness percentages for respondents with the highest income are at nearly 70% in Australia and the United States; with the United Kingdom lagging at approximately 45%.
4. In all three countries, less than half of those in the middle-income range are preparing to retire; perhaps more importantly, more than half are not.

FIGURE 2.3 Preparing to Retire—By Income



Discussion of results

Retirement preparedness increases with income in every country, but remains very low especially for middle-income respondents, as we can see in Figure 2.3. In every income group, the order of preparedness remains the same, with the most preparation in the United States and the least in the United Kingdom. In the three countries, just over 30% of respondents in the bottom 40th percentile of income are prepared, increasing to an average over 60% for those in the top 20th percentile. Perhaps of greatest concern here is the relatively low preparation among those in the middle-income group, where no country has a majority of respondents preparing for retirement. By contrast, across all three countries the average level of preparation among higher-income respondents is 60%, with the United States and Australia approaching 70%. Low levels of preparation in the middle-income group raise the possibility that many people who have sufficient income to supplement their government retirement benefits are not doing so.

Explanations and implications

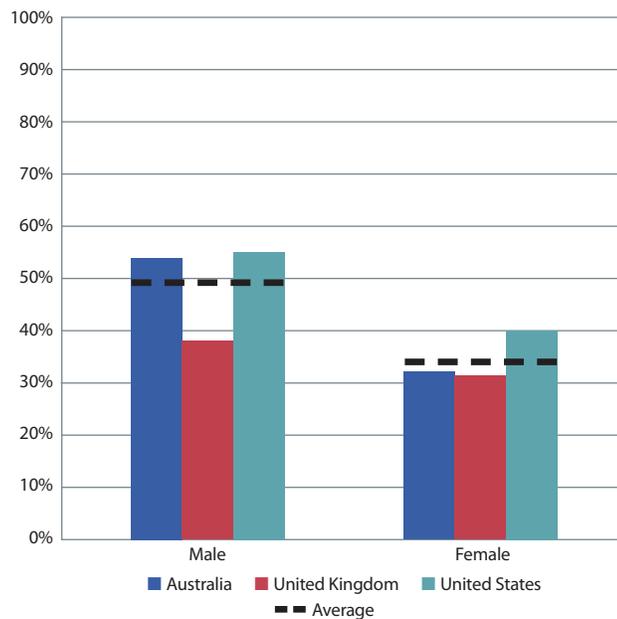
As with age, the lack of preparation among all groups is concerning, but more so among those in the middle-income group. Lack of preparation for those at the bottom of the income distribution may reflect limits on their ability to divert resources from current consumption to retirement. It may also reflect relative confidence with the social insurance systems available for the poorest in all three countries, pensions that fulfill relatively large shares of the income needs for the lowest income groups.³⁸ Preparation for retirement among the highest-income respondents—almost 70% are preparing in both the United States and Australia, almost 50% in the United Kingdom—may reflect the increased awareness of the need to prepare that comes with higher incomes (and its correlate, higher education levels). Higher-income individuals are more likely to have nonretirement resources that can supplement the reported retirement savings. Special concern must focus on the middle-income respondents, less than 50% of whom are preparing in the United States and Australia and only 35% preparing in the United Kingdom. This group probably has some resources available that could be devoted to retirement, and, given the income replacement rates reported in Table 3 above, is likely to not thrive in retirement without some concerted effort to prepare for it. Hence, as with the middle age category, the middle-income category failing to prepare adequately speaks to the need for new approaches in all three countries to encourage people to adequately plan for retirement. Some of the more recent changes in each of the three countries, such as the growth in automatic enrollment features, may ultimately improve these outcomes.

³⁸ Anita M. Schwarz, *Pension System Reforms*, World Bank, SP Discussion Paper No. 0608, September 2006, p. 5: “What are the objectives of a pension system? First, a pension system tries to reduce poverty among the elderly.” See income replacement rates in Table 3 above.

Key observations: Three national samples categorized by gender

1. Differences in the extent to which respondents are preparing to retire appears to be highly gender-based. It is more common among men than women in all three countries. In aggregate, 47% of men compared to 34% of women are preparing to retire.
2. The gap between men and women is highest in Australia (22 percentage points), and lowest in the United Kingdom (7 percentage points).
3. Comparing by country, men are essentially equally prepared in the United States and Australia (55% and 54%); women are equally prepared in the United Kingdom and Australia (32%).
4. Among respondents age 18–34, there remains a substantial, if somewhat smaller, gap between men’s and women’s preparation levels, with an average gap in the three countries combined of 11 percentage points (39% compared to 28%).

FIGURE 2.4 Preparing to Retire—By Gender



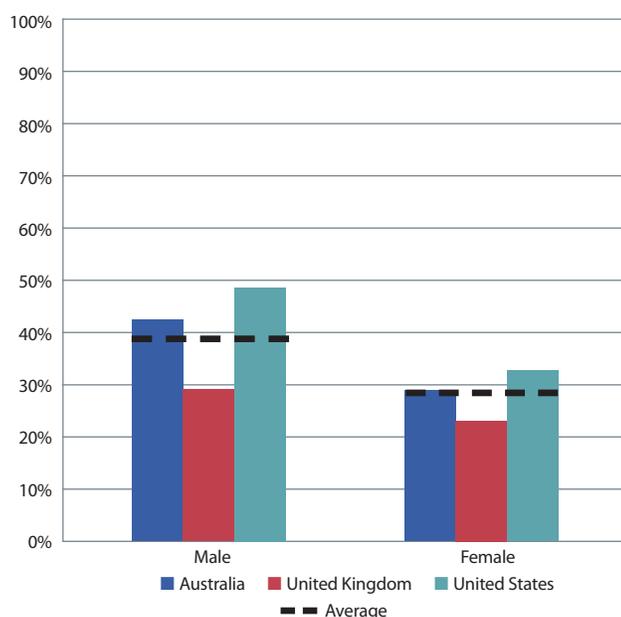
Discussion of results

Preparing to retire appears to be highly correlated with gender. It is more common among men than women in all three countries, with 47% of men reporting preparations compared to 34% of women. The gender gap varies quite a bit, from a high of 22 percentage points in Australia to a low of 7 points in the United Kingdom, with the United States gap at 15 points. These variations in gaps are produced by a pattern in which men report similar percentages prepared in the United States and Australia, while women report similar percentages prepared in the United Kingdom and Australia. Survey responses for men and women at the younger ages also exhibit this gap. While the gap among all respondents is 13 percentage points, the gap for the youngest cohort is 11 points. However, this smaller gender gap only appears in Australia; in both the United Kingdom and the United States, the gender gap for the youngest cohort is the same as that for the entire set of respondents.

Explanations and implications

Consistent differences in retirement preparation between genders across all three countries could be looked at from the perspective of traditional gender roles.³⁹ Women might feel less responsible, especially if they live in households with men who take care of this financial responsibility. Or, it might be that men, feeling that they ought to be able and willing to handle these responsibilities, exaggerate their preparations, creating an appearance of gendered differences in preparedness where none exists. If younger people are shedding traditional gender roles, we would expect to see no differences or much smaller differences at the younger ages. Thus, we examined results solely for those 18–34.

FIGURE 2.5 Preparing to Retire—By Gender, 18- to 34-Year-Olds



³⁹ See Annamaria Lusardi and Olivia S. Mitchell, “[Planning and Financial Literacy: How do Women Fare?](#)” National Bureau of Economic Research, Working Paper 13750, January 2008, and Annamaria Lusardi and Olivia S. Mitchell, “[Financial Literacy and Planning: Implications for Retirement Wellbeing](#),” National Bureau of Economic Research, Working Paper 17078, May 2011.

The gender differences diminish but do not disappear if we focus solely on people between ages 18 and 34. If these gender-based results were the product of traditional gender roles that have evolved in recent generations, we would expect to see significantly smaller gaps in this younger age range. As can be seen in Figure 2.5, substantial differences, albeit somewhat smaller, remain in all three countries with an average gap across all three countries of more than 10 percentage points. None of the younger cohorts, male or female, shows a majority preparing for retirement; U.S. men, at 48% preparing, are the most prepared. By contrast, among younger British women, less than 25% are preparing. And within this younger cohort, the United States gap exceeds the Australia gap by a slight margin, with the United Kingdom showing the smallest gap. Yet, the persistent and consistent gender gap within the youngest age cohort across all three countries raises the question of why this gap occurs. Is it a carryover of traditional cultural roles in which men expect and are expected to handle financial matters more than women? Is it that education and information that might encourage preparation is more geared to men than women? Or is it the result of broadly shared attitudes in which men over-report their preparation and readiness compared to women?

Conclusion: Preparing to retire

Overall, 41% of the respondents in the three countries (a little more in the United States at 48%, a little less in the United Kingdom at 35%, with Australia very near the mean at 43%) are preparing to retire, with increasing numbers for older, higher-income, and male respondents. Responses to a question answered by those who indicated that they did not know how much they would need upon retirement provides additional insight. In all three countries, about 25% of the respondents indicated that it was too hard to figure out, that they did not plan to save, or that they did not need to know, and another 20% indicated they did not know why they did not know. In other words, of the approximately 75% of respondents who did not know how much they would need, almost half (25% [too hard to figure out] + 20% [do not know why they do not know] = 45%) do not seem to know how to go about determining how much they will need in retirement. This group accounts for a significant portion of the people who are not preparing for retirement (45% of 75%, or about one-third of all survey respondents).

Section 5

Retirement Risks

Without forethought and planning, most people are unlikely to be able to live comfortably through the entirety of their retirement years.

This is equally true for those who retire gradually as well as those who never retire. Several different risks threaten to disrupt one's retirement; while these might be described in general terms as lacking sufficient income to cover required and desired expenses, this general summary can be broken down into several discrete pieces. Given a pool of assets at the time of retirement, and a level of spending, it is possible to predict how long those assets will generate income capable of sustaining that level of spending. But, unless one knows approximately how long that income will last, and how long it needs to last, one is unable to know whether it will be possible to manage the potential risks one may encounter during retirement. Further, without a plan for spending down assets—a plan that goes beyond simply spending whatever is needed—the risk of running out of money during retirement must be considered seriously.

Beyond these basics, however, there are specific challenges which, while indeterminate, pose some risk to all. First, there is the chance that one will live longer than expected, left with depleted assets. Second, there is the chance that either economic conditions or bad choices might lead to a significant decline in value for one's retirement assets, again challenging plans for adequate income in retirement. Finally, both life expectancies and the chances of chronic ill health problems are increasing, again draining financial resources.

Survey responses to five questions shed light on the level of preparedness for these retirement risks: knowing how long one's money will last, having a plan for decumulation (spending down one's retirement assets), planning for longevity risk, planning for a drop in retirement asset values, and planning for chronic ill health. In addition to the responses to each question, combining the responses provides us a measure of the percentage of respondents preparing for retirement risks in each country.

Key observations: Three national samples as a whole

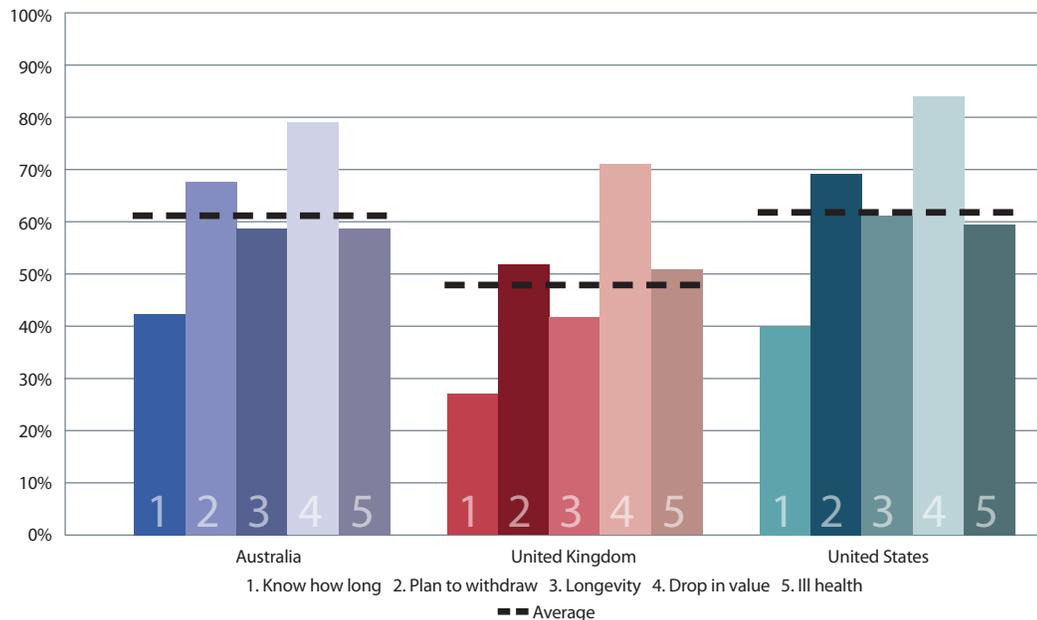
1. A little more than half (56%) of all respondents are taking steps to prepare for retirement risks.
2. In all three countries, more people (77%) are prepared for a drop in the value of their assets (the plan is generally to go back to work) than indicate preparedness on any of the other four questions. At the same time, the fewest people (34%) know how long their assets will last. The other elements of planning demonstrate intermediate levels of preparation: planning for decumulation at 61%, planning for chronic ill health at 55%, and planning for longevity at 51%.

3. The United States and Australia have the highest percentages of respondents indicating preparation for each of the questions and on average (63% and 61%, respectively), with the United Kingdom at a lower average percentage preparing (48%).
4. It is striking how similar the responses are across the three countries, as seen in the shape of Figure 3.1. The largest positive response reflects preparation for a drop in the value of assets, with lower but similar levels of preparation for plans to withdraw, longevity, and chronic ill health. In all cases, respondents knowing how long savings will last lag far below the other responses.

Discussion of results

As can be seen in Figure 3.1, a little more than half of all respondents believe they are preparing for retirement's risks; in other words, almost half are not. In all three countries, more than three quarters of all respondents are prepared for a drop in the value of their retirement assets, although their preparation consists for the vast majority of them of returning to work. This may or may not be a realistic option depending on age and health at the time of the drop in value. Only about one-third of the respondents know how long their assets will last in retirement, and about half have planned for the possibility of a longer than expected life. Higher percentages of respondents in both Australia and the United States show evidence of preparedness for retirement's risks than in the United Kingdom.

FIGURE 3.1 Preparing for Retirement Risks



Explanations and implications

The percentages of respondents prepared for retirement's risks are higher than those preparing to retire. This is true across all countries and across all demographic groups within each country. However, this is driven by a high percentage (almost 75%) of respondents indicating they are prepared in the event of a substantial decline in their retirement assets. Their "plan" is overwhelmingly to return to work. Yet, a person in their 80s for instance, who suffers a 20% decline in asset values due to an economic recession, is unlikely to be able to recover lost income by returning to work.⁴⁰ Hence, the response that drives higher apparent preparedness for retirement's risks might be based on the incorrect assumption that this response to an asset decline would always be available. Even if returning to work might reasonably be part of people's planning, for most people it cannot be the entirety of the plan; yet, that is what our respondents seem to be indicating. At best, the results of this survey indicate that more than 45% of respondents are not adequately prepared for retirement's risks.

Key observations: Three national samples categorized by age

1. Unsurprisingly, the percentages preparing for retirement's risks increase with age, from a low of 51% for 18- to 34-year-olds, to 56% for 35- to 54-year-olds, to 62% for those respondents 55 or older, but it should be concerning that 38% of those over 55 have done little to prepare for these risks.
2. For the youngest age group, the prepared percentage is highest among respondents in Australia (59%), followed by those in the United States (57%), with the smallest percentage among those in the United Kingdom (42%). For the middle age group, the percentage prepared is highest in the United States (64%), followed by Australia (60%), with the lowest percentage in the United Kingdom (50%). For the oldest age group, Australia and the United States have essentially the same percentage prepared (67%), while the percentage in the United Kingdom is smaller (54%).
3. In each country for every age group, the largest percentage preparing are those with a plan for a drop in the value of their retirement assets (ranging from 66% for young people in the United Kingdom to 88% for those over 55 in the United States), while the smallest percentage preparing are those who know how long their money will last (ranging from 24% for 18- to 34-year-olds in the United Kingdom to 52% for those over 55 in Australia).

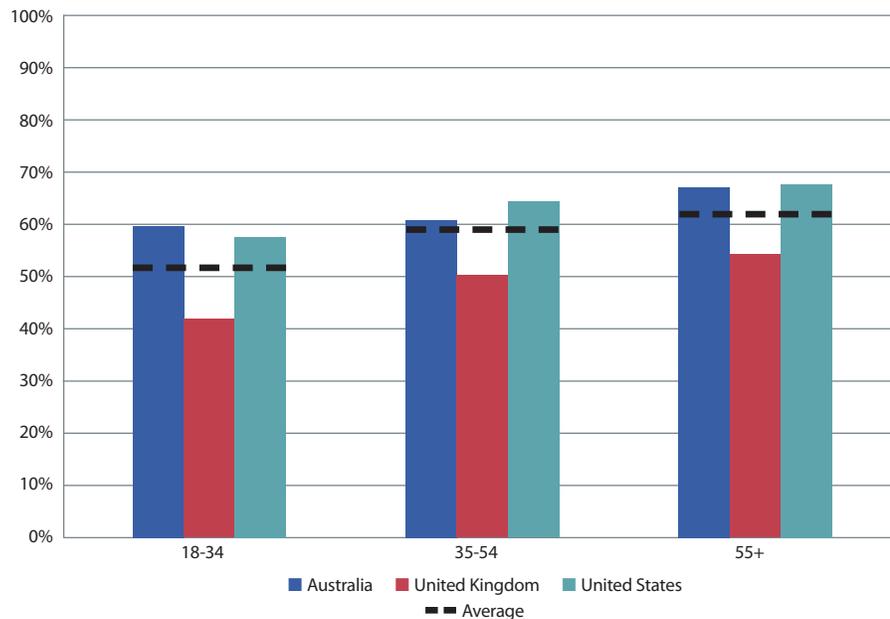
⁴⁰ See Nicole Maestas, "Back to Work: Expectations and Realizations of Work after Retirement," *Journal of Human Resources*, 2010; 45(3): pp. 718-748. Also available as a [NIH Public Access Author Manuscript](#). Note Maestas' conclusion (p. 723) that, under one of her definitions of retirement, "over a period of at least six years ... 39.7 percent return to work." But, also note her conclusion (p. 741): "Consistent with evidence from prior studies of bridge jobs, the median hourly wage on partial retirement (\$10.3) and unretirement jobs (\$8.4 part-time, \$9.0 full-time) is significantly lower than the median wage earned on pre-retirement jobs (\$15.2)."

- For each country, there is at least one anomalous result. In Australia, the oldest cohort of respondents reveals the smallest percentage of any age group in having a plan for withdrawal of funds (at 59% compared to 73% for the middle age group and 67% for the youngest). In the United Kingdom, all three age groups display approximately the same percentage as equipped with a plan for withdrawal of funds (at 51%, 52%, and 52% respectively, from youngest to oldest). In the United States, a slightly smaller percentage of the oldest age cohort (60%) indicate they are preparing for chronic ill health in retirement compared to the middle age cohort (63%).

Discussion of results

As is evident in Figure 3.2, as survey respondents age, they are more likely to indicate that they are prepared for retirement’s risks, with 11 percentage points more of the oldest cohort indicating readiness compared to the youngest cohort. As we saw in the results for preparing to retire, respondents in Australia and the United States indicate roughly similar levels of preparation at a level somewhat higher than that reported by respondents in the United Kingdom. The largest percentages of respondents in each age cohort in all three countries indicated that they had a plan in the event that the value of their retirement assets dropped significantly during retirement. For every age cohort in all three countries, the percentage of respondents indicating awareness of how long their money will last in retirement is less than 52%, and ranges as low as 24% for 18- to 34-year-olds in the United Kingdom. In other words, for every age cohort in all three countries, half or more of the cohort does not know how long their money will last.

FIGURE 3.2 Preparing for Retirement Risks—By Age



Explanations and implications

We expect people to be better prepared for retirement's risks as they age. That most people at all ages in all countries expect to return to work if the value of their assets drops in retirement may reflect an understanding that increasingly the risks of retirement are being shifted from employers and government to individuals. If something bad happens, it is more likely they may have to take care of it themselves. That less than even half of middle-aged and older respondents know how long their money will last might not be worrisome if most people were converting most of their retirement assets into some form of lifetime income. Yet, for most people, that is not the case.⁴¹ Lack of knowledge makes effective planning impossible and, likely, lessens the appeal of lifetime income programs and products. If one does not know how long their money will last, one does not know when or even if that money will be fully spent down. Without that knowledge as motivation, it might be harder to commit resources to mechanisms that would provide income when money would otherwise be exhausted.

Key observations: Three national samples categorized by income

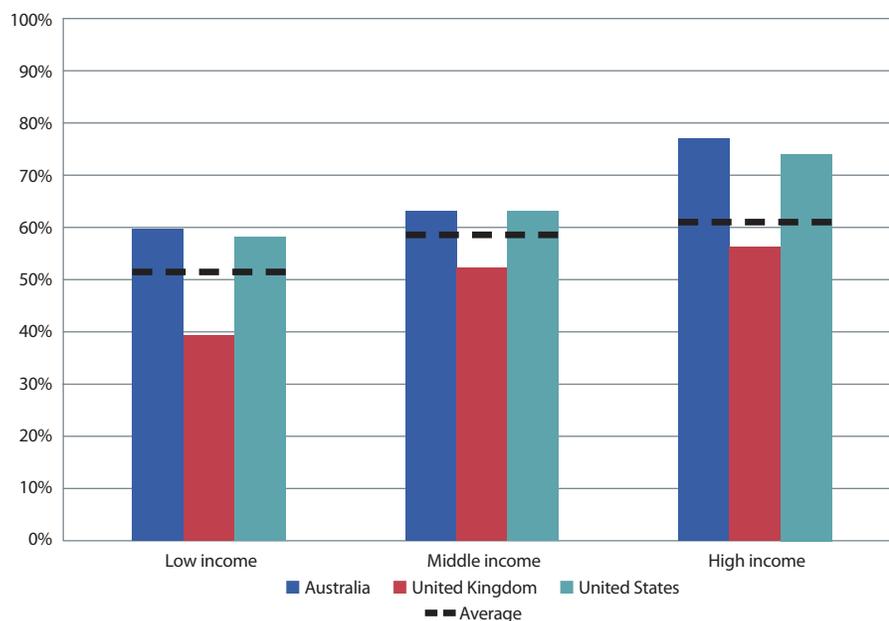
1. The percentages preparing for retirement's risks increase with income, from a low of 51% for the bottom 40% of income earners, to 59% for the next 40% of income earners, to 63% for the top 20% of income earners.
2. At all income levels, Australian and United States respondents indicate approximately equal levels of preparing for retirement risks, with 59% and 58%, respectively, for lower-income cohorts, 63% for both countries' middle-income cohorts, and 77% and 74%, respectively, for higher-income cohorts. Respondents in the United Kingdom evidence lower levels of preparing at all income levels, with 39%, 52%, and 56%, respectively, for lower-, middle-, and higher-income cohorts.
3. At all income levels, preparation for a drop in the value of retirement assets reveals the highest percentages of preparing (ranging from 94% for higher-income United States respondents to 64% for low-income United Kingdom respondents). Also at all income levels, knowing how long retirement assets will last displays the lowest percentages preparing (ranging from 51% for higher-income Australian respondents to 18% for lower-income United Kingdom respondents).

⁴¹ The so-called annuity puzzle—that most people should buy annuities according to economists' theories but few people do—was first named by Franco Modigliani in his 1985 Nobel lecture. See Franco Modigliani, "Life Cycle, Individual Thrift, and the Wealth of Nations," *American Economic Review*, 76(3), 1986: 297–313. For data from the United States reflecting the continuing small market size for annuities, see Shlomo Benartzi, Alessandro Previtero, and Richard H. Thaler, "Annuity Puzzles," *Journal of Economic Perspectives*, Volume 25, Number 4, Fall 2011, pages 143–164 at pages 148–149.

Discussion of results

As one would expect, as the income of respondents increases, so does the likelihood of their being prepared for retirement's risks, with 12% more of the highest-income cohorts indicating they are preparing compared to the lowest-income cohorts. For each income level, respondents in Australia and the United States indicated in very similar percentages they were preparing, while respondents in the United Kingdom reported lower percentages, almost 20 percentage points lower for both lower-income and higher-income cohorts. At each income level in all three countries, the largest percentages reflecting taking steps to prepare were found in planning for a drop in the value of retirement assets, with a range of 30 percentage points between higher-income United States respondents and lower-income United Kingdom respondents. At each income level in all three countries, the lowest percentages indicating they are preparing were found in responses to the question concerning knowledge about how long retirement assets would last, with a range of 33 percentage points separating higher-income Australian respondents from lower-income United Kingdom respondents.

FIGURE 3.3 Preparing for Retirement Risks—By Income



Explanations and implications

The most concerning result once we examine the income breakdown of results is how pervasive is the lack of knowledge of how long retirement assets will last. The most knowledgeable cohort, higher-income respondents in Australia, barely show a majority knowing, and in every other cohort at all income levels across all three countries, less than half of respondents know. This might be particularly concerning for middle-income respondents who are likely to be in a position to take steps to improve the longevity of their assets if they were aware of the need.

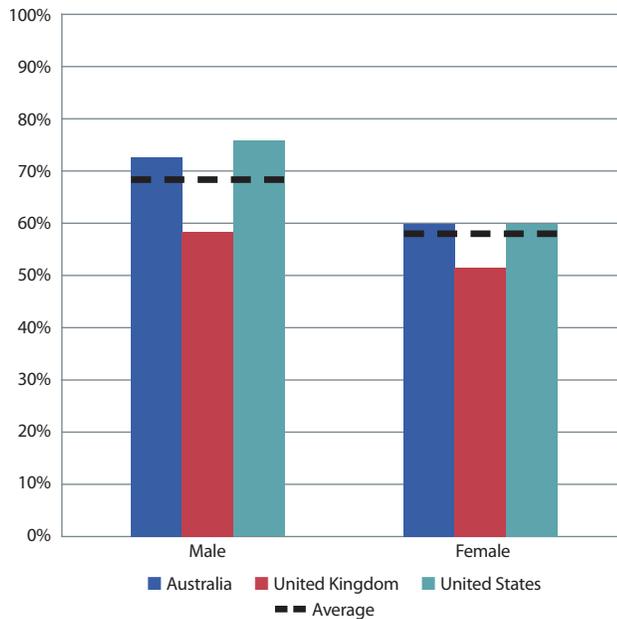
Key observations: Three national samples categorized by gender

1. The percentages preparing for retirement's risks vary significantly with gender, with 67% of men's responses indicating preparation for retirement's risks, while only 56% of women's responses indicate preparation.
2. For both men and women, respondents in Australia and the United States indicate preparing with approximately the same percentages, with preparation indicated by 72% of men in Australia and 76% of men in the United States, while preparation is indicated by 59% of women in Australia and 60% of women in the United States. For both men and women in the United Kingdom, preparedness is indicated by smaller percentages (58% for men, and 51% for women), but with a smaller gap as well.
3. There is a relatively large gap in percentages in all three countries with respect to knowing how long savings will last (with gaps between men and women of 23 percentage points in each of the three countries). There is a relatively small gap in percentages in all three countries with respect to preparation for a sudden drop in the value of assets (6 percentage points in Australia, 2 in the United Kingdom, and 5 in the United States).

Discussion of results

There exists a significant gender gap in responses indicating preparation for retirement's risks, with 11 percentage points more men indicating taking action to prepare for retirement than women. In Australia and the United States, the percentages for men and women, and the gap between them, is very similar (with gaps of 13 and 16 percentage points, respectively). In the United Kingdom, small percentages of both men and women indicate they are preparing for retirement's risks but with a smaller gap than in the other two countries (7%). In all three countries, a very small gender gap exists with respect to planning for a drop in the value of retirement assets (with an average gap just over 4 percentage points in the three countries), while a very large gap of approximately equal size characterizes responses in all three countries with respect to how long assets will last (23 percentage points).

FIGURE 3.4 Preparing for Retirement Risks—By Gender

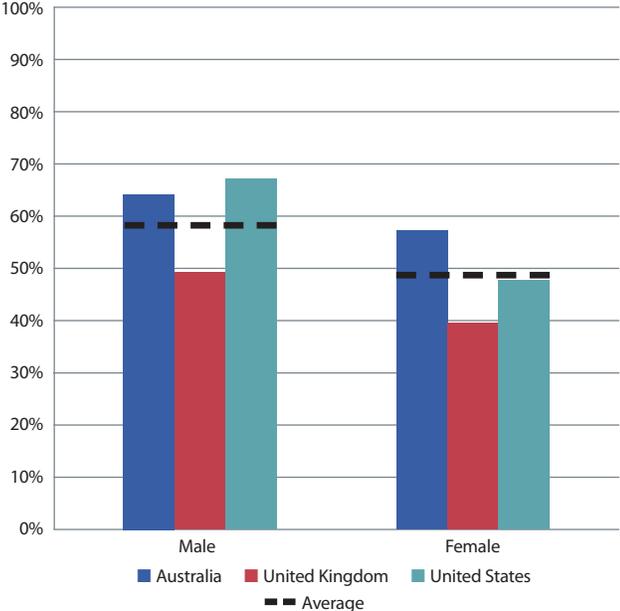


Explanations and implications

The existence of a significant gender gap in both Australia and the United States with a lesser gap in the United Kingdom might stem from the same factors indicated in discussing preparing to retire. To explore this possibility, we have examined gender differences in the 18- to 34-year-old cohorts. The younger cohorts exhibited lower percentages of preparation for retirement's risks than older cohorts in all three countries for both men and women, as would be expected for those further from retirement. As for the gender gap, the overall gap of 12 percentage points among this youngest cohort is 1 point more than the gap for all respondents. In both the United Kingdom and the United States, the gap is a little larger than in Australia—the result of younger women preparing at roughly the same level as older women—while a smaller percentage of younger men are preparing.

These results raise three somewhat puzzling questions: 1) Why is there such a gap, and why is it not smaller for younger cohorts, especially in the United Kingdom and the United States? 2) Why is there such a large gender gap of equal magnitude across all three countries with respect to reported knowledge of how long retirement assets will last? and 3) Why is there such a small gender gap with respect to preparation for a drop in the value of retirement assets? Traditional gender roles may produce differences in levels of competency, with women trailing men in their perception of competency. The same gender roles might also make it easier for women than men to report more accurately their lack of preparation for retirement risks. Some combination of these byproducts of traditional gender roles might well account for these widespread gender differences in survey findings. That would leave the relatively small gender gaps observed with respect to planning for a drop in asset values as the most puzzling. After all, gender roles might be expected to have the same impact on actual and reported preparation for retirement's risks with respect to this risk as all others. We could speculate that the dominant response to this question—indicating that a return to work would be expected in the event of a drop in the value of assets—is sufficiently obvious to all, even if unrealistic as a response in many likely scenarios, that the obviousness drowns out gendered differences in perception.

FIGURE 3.5 Preparing for Retirement Risks—By Gender, 18- to 34-Year-Olds



Part III

Conclusions



Retirement Readiness

Section 6

Conclusions and Recommendations

The survey results described in the body of this paper lead to the following conclusions:

1. Despite differences in culture and social insurance programs and retirement systems, the survey results indicate broadly similar expectations and preparations across all three countries. All three countries have made efforts recently to improve retirement policies;⁴² however, the survey would suggest that progress to date has been modest at best. Differences in culture and policy environments do not seem to cause variation in preparation for retirement. Rather, the lack of preparation for retirement is a manifestation of inertia and procrastination, broadly characteristic of most people's decision-making, and seems to lead to similar results across all three countries.⁴³
2. Expectations for retirement might reflect adaptation to the risk transfers associated with movement from defined benefit to defined contribution pension systems, with many planning not to retire at all, most planning to retire gradually rather than fully, many planning to retire at older ages, and relatively few expecting a comfortable lifestyle in retirement.
3. Respondents on average are best prepared with respect to saving, acquiring information, and planning to return to work if retirement assets drop in value. That the dominant preparation for a potential drop in the value of retirement assets is a return to work may prove unrealistic, if age or health prevent such a return when needed.
4. Respondents on average are preparing least for their retirement with respect to knowing how much they will need when they retire, how long their money will last, and preparing for the risks associated with longevity, chronic ill health, or being forced to stop work unexpectedly early.
5. The relatively low percentages of middle-aged and middle-income respondents in all three countries who are prepared to retire or for the risks of retirement is particularly noteworthy.
6. While all three countries reveal limited percentages of those indicating preparedness, the United Kingdom shows somewhat lower levels than the other two countries on most questions.
7. Women report less preparation than do men in all three countries on most questions.
8. For both British and female respondents, it is impossible to know whether the differences in responses are the result of cultural differences leading to less preparation, or cultural differences leading to more candid responses, or some combination of the two cultural effects.⁴⁴

⁴² These efforts have been through public policy, private action, or both.

⁴³ Richard H. Thaler and Shlomo Benartzi, "[The Behavioral Economics of Retirement Savings Behavior](#)," AARP Public Policy Institute, Issue Brief #2007-02, 2007.

⁴⁴ Annamaria Lusardi and Olivia S. Mitchell, "[Planning and Financial Literacy: How do Women Fare?](#)", National Bureau of Economic Research, Working Paper 13750, January 2008. This paper characterizes women's planning for retirement.

Of course, uncertainties with the data must give us pause as we consider these conclusions. The samples studied are not exactly representative of their respective populations, over-representing middle-income individuals in Australia and the United States, while under-representing higher-income ones; with the reverse being the case in the United Kingdom. And the accuracy with which some questions have been answered might also raise concern. Nonetheless, the conclusions discussed here are sufficiently robust that, pending further research, they deserve serious consideration.

In each of the three countries, recent changes to retirement policies may have introduced needed momentum in the direction of adequate retirement for the majority of the population. In Australia, the Superannuation Guarantee, introduced in 1992 with a 3% mandatory employer contribution to a private pension for most employees, as of 2014 requires a 9.5% contribution, and that will increase to 12% by 2025. Most dramatically, perhaps, National Employment Savings Trust (NEST) in the United Kingdom is in the process of introducing automatic enrollment in private pensions for all employees, with mandatory minimum contributions of 2%, shared equally by employer and employee. By October 2018, the mandatory minimum contribution will increase to 8%, 3% of which comes from the employer and 5% from the employee. In the United States, the Pension Protection Act of 2006 allowed employer-sponsored savings plans to auto-enroll employees. While this is still voluntary, as of 2015, 59% of plans in the United States utilized automatic enrollment.⁴⁵ These changes in the three countries may just be new enough that they have not yet begun to affect the way our respondents perceived their retirements. However, even if these efforts result in improvement, it is likely that more needs to be done.

The survey results and conclusions described here suggest the need for the following policy initiatives in all three countries:

1. *Financial education*—The results clearly indicate a need for more education related to financial literacy and retirement planning. While the results suggest a broad need, the results also suggest the possibility of particularly targeted (and potentially differently designed) educational approaches based on age, gender and income in all three countries. The education needed should aim to establish a comprehensive understanding of the relationships linking accumulated retirement funds, a retirement-age goal, and the risks associated with making retirement assets last a lifetime.⁴⁶ Given the widespread lack of knowledge of the level of assets that will be accumulated at retirement and the similar lack of knowledge of how long savings will last in retirement, development of robust and accessible projection tools might serve an important purpose in financial education.

⁴⁵ *The Challenge of Longevity Risk*. See discussions on pages 13, 18, and 28 for the details on the Australian Superannuation Guarantee, the United Kingdom's NEST, and the increase in United States private pensions introducing automatic enrollment as a default, respectively.

⁴⁶ American Academy of Actuaries, *Risky Business: Living Longer Without Income for Life*, June 2013.

2. *Default options*—The results clearly indicate widespread lack of preparation, even when information is sought and some savings are reported. Incorporating default enrollment into private plans, and making the defaults as appropriate as possible to the situation of the broad majority, would help compensate for the limited attention that most people give to planning for the future. The very low preparation rates among the youngest respondents, while not surprising, suggests the importance of automatic enrollment at the earliest stages of people’s working lives.
3. *Public pension/social insurance adequacy and sustainability*—While public pensions are rarely intended to replace large portions of people’s income—except for very-low-income individuals—they nonetheless remain an essential part of the retirement package. Making sure that those pensions are sustainable and capable of providing adequately⁴⁷ at least for those who depend on them most, remains of continuing importance. That large percentages of the population at younger and middle ages do not list government as a source of retirement income may reflect concerns about the sustainability of these programs—although without further research, we cannot know for certain.

As the population continues to age in all three countries and as lifespans lengthen, preparing for retirement and the unexpected shocks that can come with it is growing in importance. While, as the data points out, people seem to appreciate the importance of preparing for retirement, many are adjusting expectations by planning to retire later (or not at all) and setting lower expectations with regard to standard of living in retirement.⁴⁸ The hands of time cannot be turned back when it comes to saving for retirement, thus solutions need to begin sooner rather than later. Now more than in recent generations, defined contribution plans have shifted responsibility ultimately to individuals for their own retirement well-being. However, policymakers, employers, and providers all have important roles to play if the risk of large numbers of individuals in all three countries not having sufficient funds to meet their needs in retirement is to be reduced.

47 American Academy of Actuaries, *Social Adequacy and Individual Equity in Social Security*, Issue Brief, January 2004: “In its broadest sense, social adequacy means ensuring that all covered workers and their families enjoy adequate basic protection from a number of financial hazards. These include the problems that can occur when the worker dies, becomes disabled, or simply grows old.”

48 The data discussed here is only a snapshot of one point in time. References to adjusted or diminished expectations refer to information drawn from other sources, such as those discussed in the introduction to Section 3 of this paper.

Appendix

Survey on Retirement Readiness (United States version)

The following questions are on the topic of retirement (i.e., when you stop working permanently). Even if you are currently not working, we are still interested in your opinion, as you may consider working at some point in the future.

Q1 *Which ONE of the following BEST applies to you about retiring?*

- I plan to retire and don't intend to work for my whole life
- I don't ever plan to retire and intend to work for my whole life
- Not applicable—I will never work in the future and so will never need to retire

Q2 *How do you think you will retire in the future? (Please select the option that best applies)*

- I will retire fully
- I will retire gradually/in stages (i.e., work less hours, go from full-time to part-time work, etc.)
- Don't know

Q3 You previously said you plan to retire and don't intend to work your whole life.

At what age do you plan to fully retire?

(Please type an age older than your current age on the line below)

Q4 *Which, if any, of the following sources of income do you think you will have when you retire? (Please select all that apply. If your answer doesn't appear in the list below, please type it in the 'Other' box)*

- Social Security
- Employer-provided benefits (e.g., from my workplace pension plan/scheme)
- Personal contributions to my workplace pension or private pension
- The equity in my home
- Family help (i.e., inheritance, loan etc.)
- Personal savings (i.e., not including equity in my home)
- Other
- Don't know

Q5 For the following question, please think about what lifestyle you think you would be able to lead based on your total retirement savings that you expect to have when you retire (i.e., including Social Security, workplace and private pension, personal savings, etc.), rather than the lifestyle you would like to have.

Which ONE, if any, of the following lifestyles do you think you will be able to pay for with your total retirement savings when you retire? (Please select the option that is closest to your opinion)

- Flourishing lifestyle (e.g., I would be able to travel extensively, leave an inheritance behind, etc.)
- Comfortable lifestyle (e.g., I would be able to maintain/take up hobbies, etc.)
- Modest lifestyle (e.g., I would be able to meet my daily living costs, pay off any outstanding debts, etc.)
- Poor lifestyle (e.g., I would not be able to meet my daily living costs, etc.)
- Don't know/unsure

Q6 Thinking about all sources of income for when you retire (e.g., Social Security, workplace and private pension, personal savings, etc.):

Do you currently know (or have an idea of) how much money you plan to retire with in total?

- Yes, I do
- No, I don't

Q7a You said that you know (or have an idea of) how much money you plan to retire with in total.

Which, if any, of the following have helped you know/determine how much money you plan to retire with in total? (Please select all that apply)

- My current salary
- By working out what I might need to pay for in my retirement myself
- Financial advice from professionals (e.g., financial advisor)
- Advice from family and friends
- Guessing an amount
- Other
- Don't know

Q7b Which, if any, of the following are reasons why you don't currently know (or have an idea of) how much money you plan to retire with in total? (Please select all that apply)

- I have not decided on an amount of money, but I have thought about it
- I am saving the amount of money my employer has told me to
- It seems too hard to work out how much I'll need for retirement
- I intend to decide on an amount soon
- I don't think I need to know how much money I need for retirement
- It seems too many years away to think about
- I don't plan to save for my retirement
- Other
- Don't know

Q8 For the following question, by "retirement savings" we mean money that you have either put aside through your contributions to a workplace or private pension plan(s), in a current account or IRA, etc. This does not include any Social Security or benefits from your employer contributions to pension that you may have for when you retire.

Do you currently have retirement savings set aside for when you retire?

- Yes, I have
- Yes, I have and intend to have further retirement savings in the future
- No, I haven't, but I will plan to have retirement savings in the future
- No, I haven't, and I don't plan to have retirement savings anything in the future

Q9 As a reminder, by "retirement savings" we mean money that you have either put aside through your contributions to a workplace, or private pension plan(s), in a current account or IRA, etc. This does not include any Social Security or benefits from your employer contributions to pension that you may have for when you retire.

Thinking about the total amount of retirement savings that you expect to have when you retire:

Do you know how long (i.e., how many years) your retirement savings will last you in retirement? (Please select the option that BEST applies)

- Yes, I do
- No, I don't

Q10 Thinking about before your retirement: Please imagine you had to stop working at any point because of job loss, ill health, to take care of a relative, etc.

Do you think you would still have enough money for retirement?

- Yes, I would still have enough money for retirement
- No, I would not have enough money for retirement (i.e., couldn't afford to reach my retirement savings target)
- I don't know whether I'd still have enough money for retirement

Q11 Thinking about during retirement: Please imagine that you lived significantly longer than you expected to.

Have you thought about what you would do in this situation?

(Please select the option that BEST applies)

- Yes, I have, and I've planned for this
- Yes, I have, but I haven't planned for this yet
- No, I haven't

Q12 Still thinking about during your retirement: Please imagine that your total retirement savings suddenly dropped in value (e.g., there was a global financial crisis).

Which, if any, of the following do you think you would do to improve your financial situation?

(Please select all that apply. If you wouldn't do anything to improve your financial situation in retirement, please select the 'Not applicable' option)

- I would go back to work (either part time or full time)
- I would spend less/budget more in my retirement
- I would make sure I had a contingency plan (i.e., that I have saved enough, or have invested in a way that means I will be able to withstand a market shock, etc.) before I retired
- I would rely on family or friends to help me financially
- Other
- Don't know
- Not applicable—I wouldn't do anything to improve my financial situation in retirement

Q13 Thinking about during your retirement: Please imagine that you suffered from chronic ill health that meant you had to pay for care (i.e., either at home, or for a long-term care facility, etc.).

Which, if any, of the following do you think describes what you would do?

(Please select all that apply)

- I may be able to meet any potential care costs, because I've factored this into my retirement plans
- I hope the state/government would pay toward my care
- I would be able to pay for it with personal savings
- I would probably have to ask my family to help pay for my care
- I'm not sure as I have never thought about this
- Don't know/unsure

Q14 *Which, if any, of the following have you done to prepare for your retirement?* (Please select all that apply. If you have not done anything to prepare for your retirement, please select the 'Not applicable' option)

- Paid for financial advice
- Read free sources of information (e.g., researched on websites, government-funded guidance, etc.)
- Read information provided by my employer
- Read information provided by sources other than my employer
- Read information provided by my pension provider
- Spoken to my family and friends for advice
- Other
- Don't know
- Not applicable—I have not done anything to prepare for my retirement

Q15 As a reminder, by “retirement savings” we mean money that you have either put aside through your contributions to a workplace, or private pension plan(s), in a current account or IRA, etc. This does not include any Social Security or benefits from your employer contributions to pension that you may have for when you retire.

Which ONE of the following do you think BEST describes how you intend to budget and withdraw your retirement savings money to help fund your retirement? (Please select the option that BEST applies)

- I will take out whatever savings I need each year to meet my living expenses and hope it lasts
- I will budget based on a set period of years that I expect to live and adjust my lifestyle to the savings available
- I will convert all, or part, of my savings to guaranteed income for life to assure I have a basic level of income as long as I live
- I will use a general rule that has worked for other people who have retired (i.e., withdrawing 4% from my pension savings per year)
- Other
- Don't know

Pre-Q *Which ONE of the following BEST applies to your work?*

- I am self-employed
- I am not self-employed



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