




| Retirement | Investments | Insurance |

Pension Deep Dive Report



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September 2019



Pensions research:
Polling was
conducted by
RED C based on
a representative
sample of 2,000
adults aged 18+
in July 2019.

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How prepared are we for retirement?

Ireland's population is growing and as people are living longer, it is getting older too. The number of people aged 65 and older will jump from one in eight to one in six by 2030. The number of people over the age of 85 will double in this period.

Such demographics will have considerable implications for the State and its ability to finance the State pension and other social spending. According to the National Risk Assessment 2019 report launched in August, the number of people eligible for the State pension will leap from 0.6 million at present to 1.4 million by 2055, while the ratio of workers to those in receipt of the State pension will more than halve to just 2.3:1.¹

With only one in three people in the private sector in possession of their own pension fund, will those without private pension provisioning be able to support themselves in retirement with just the State pension to rely on? And will the State be able to continue to maintain the value of the pension adjusting for inflation?

These significant issues and challenges provide the background to Aviva's latest in-depth pension research and analysis, where we set out to delve more deeply into how well people are prepared for such possible outcomes by asking a range of questions across 10 areas of pension provisioning. Our polling was conducted based on a representative sample size of over 2,000 adults nationwide by RED C.

Overall, our research reveals a general lack of engagement with retirement planning by a

significant proportion of the Irish public and evidence of a gender pension gap. Key findings include: 43% of people with a private pension have no idea how much their pension fund is worth, while more than half have no idea what their pension fund is invested in or are aware of the tax benefits that are available for pension savers.

There are mixed signals as to how well people are preparing for retirement. Almost half are worried about the adequacy of their retirement planning compared to 32% who are not. Yet when asked what their expected financial position will be at retirement age, six out of 10 say they will either be comfortable or ok. However, for more than one in three their financial position will be tight or struggling.

In our study, we asked people to classify their current financial situation as one of comfortable, struggling or neither. Two-thirds of people who are currently struggling to get by financially say their financial position will be tight or struggling upon retirement age. It appears there is little or no light at the end of the tunnel for people in this category.

Our research also shows that a high number of people in the 35-54 age category are currently underprepared and behind where they need to be for their retirement. Only half in this category expect to be comfortable or adequately prepared at retirement, with 43% not prepared at all.

While there is greater awareness of how much the State pension is worth per week, only one in five people believe that they could get by on this sum.

1. <https://www.gov.ie/en/publication/ac294e-government-publishes-top-strategic-risks-facing-ireland/>

A more positive outlook emerges when people are asked about the level of debt they will carry into retirement. Over half, 51%, say they will be debt free, while 28% say their debt levels upon retirement will not be something to worry about. A relatively small proportion, 7%, will have significant debt at retirement but a relatively high number, 14%, do not know what their debt position will be.

A recurring theme is that males are more proactive, confident and better prepared about their retirement incomes than their female counterparts. Males are more likely to be comfortably financially at retirement by 30% to 23%, while they are also more likely to be maximising their pension contributions by 53% to 44%. This evidence of a gender pension gap reaffirms a recently published study by the Economic and Social Research Institute which found that Irish women retire on €153 a week less than men.²

Looking to the future, the Government's proposal for a system of pension auto-enrolment to come into effect nationally by 2022 is a welcomed public policy initiative, with such systems having proved effective when introduced in other countries around the world. However, progress towards making this date a reality has been slow and 12 months after it ceased receiving submissions, we still await the findings of the Interdepartmental Pensions Reform and Taxation Group.³

In conclusion, our study suggests that a large number of people are switched off from planning for their long-term financial security with many unprepared financially for when they do stop working. Our data indicates there is confusion amongst significant numbers in relation to how private pensions work and what people should be doing to improve their future circumstances. There is also further evidence that females are less prepared than their male counterparts for retirement.

With the so-called pensions' time-bomb ticking away and with the age profile of the country going to rise, it would appear that the State and civic society need to do more to encourage a long-term savings and financial planning culture from an early age.

2. <https://www.esri.ie/news/ireland-has-a-gender-pension-gap-of-35-per-cent>

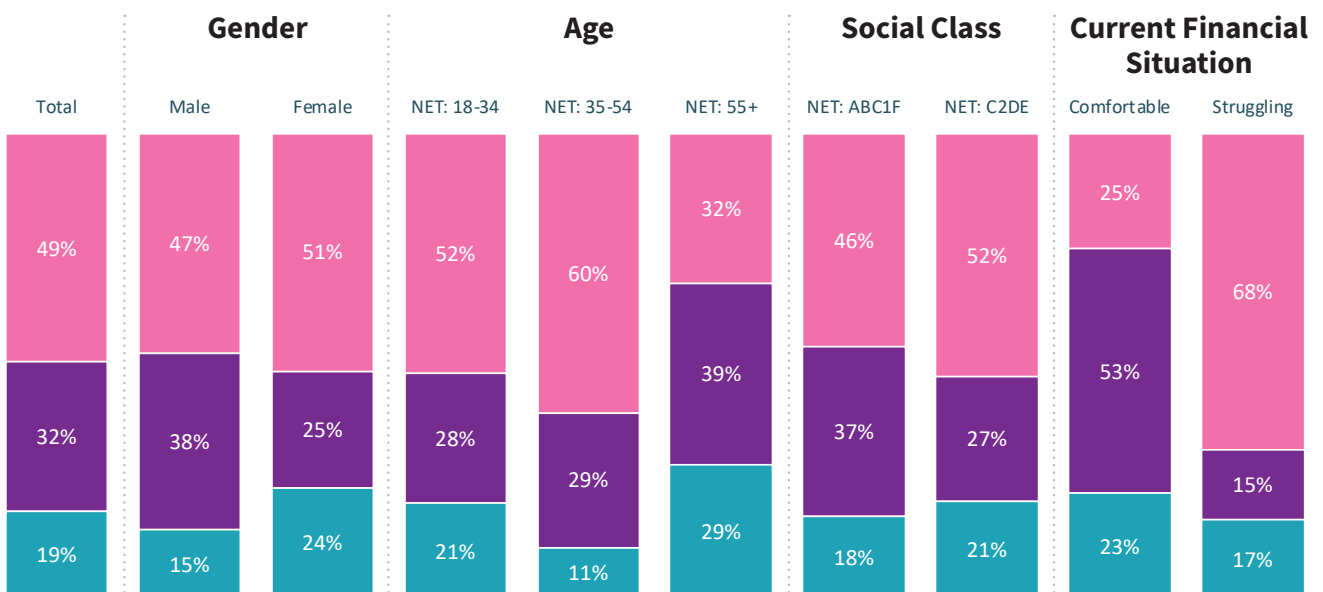
3. <https://www.gov.ie/en/consultation/1533591008-interdepartmental-pensions-reform-and-taxation-group/>

Worried about adequate planning

In our first question, we ask people where they currently believe their retirement planning is going. One in two people are worried about the adequacy of their planning for retirement, more than 17 points more than those who are not worried at 49% to 32%. In keeping with other findings in our report, concern is much more prevalent among females with 51% worried compared to just 25% who are not.

And in another recurring pattern, the age group 35-54 is the most concerned of all groups with 60% worried against 29% who are not. The number of those struggling who are worried far outnumbers those who are comfortable by 68% to 25%.

Almost half are worried that their retirement planning is inadequate, notably younger, C2DEs and those currently struggling to make ends meet.



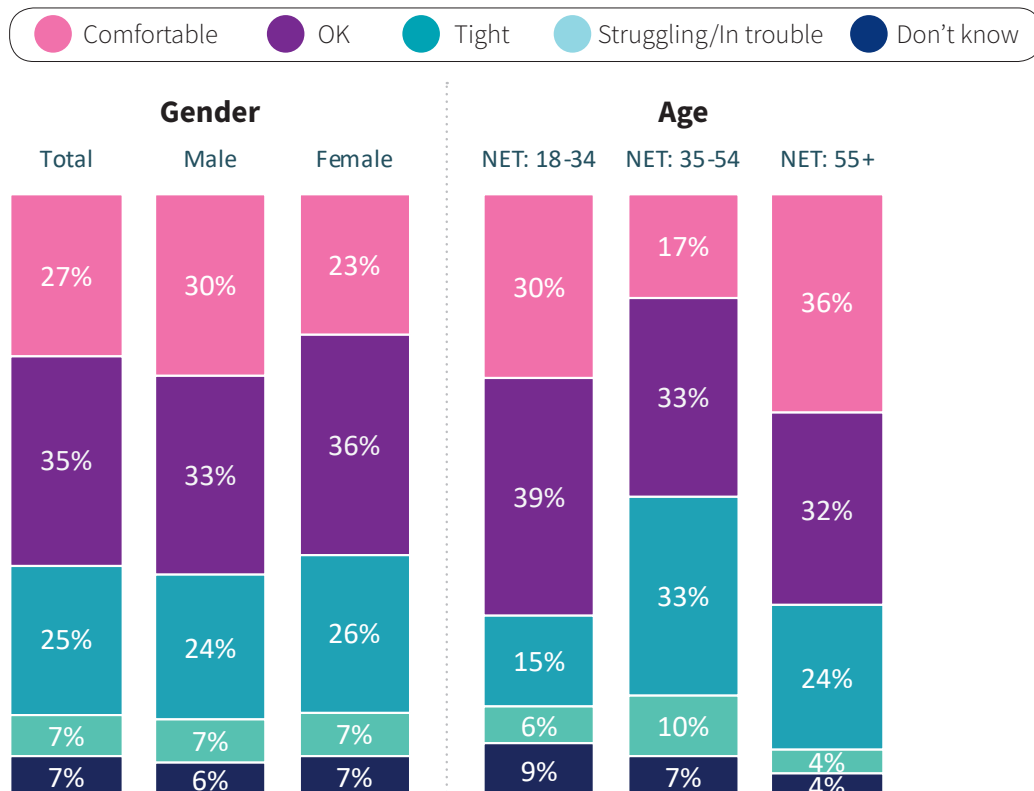
Expected financial position at retirement age

More than six out of 10 people anticipate they will be in a comfortable or adequate financial position upon reaching retirement age. More than one in three people will face an expected financial position that will either be tight or struggling or in trouble.

The findings of one particular age group stand out: the 35-54 year olds. Only half expect to be comfortable or adequately prepared at retirement age, with 43% not at all prepared.

This is the age cohort that is most likely to be in the middle of paying down their mortgage whilst incurring the costs associated with raising a family. It may well be that this group have not gotten around to retirement planning or do not have the wherewithal to make additional pensions provision at this point in their lives.

The findings reveal big gaps between those who are currently comfortable financially or struggling to get by. Males are more likely to be comfortably off financially at retirement than females by quite a significant gap, at 30% to 23%.

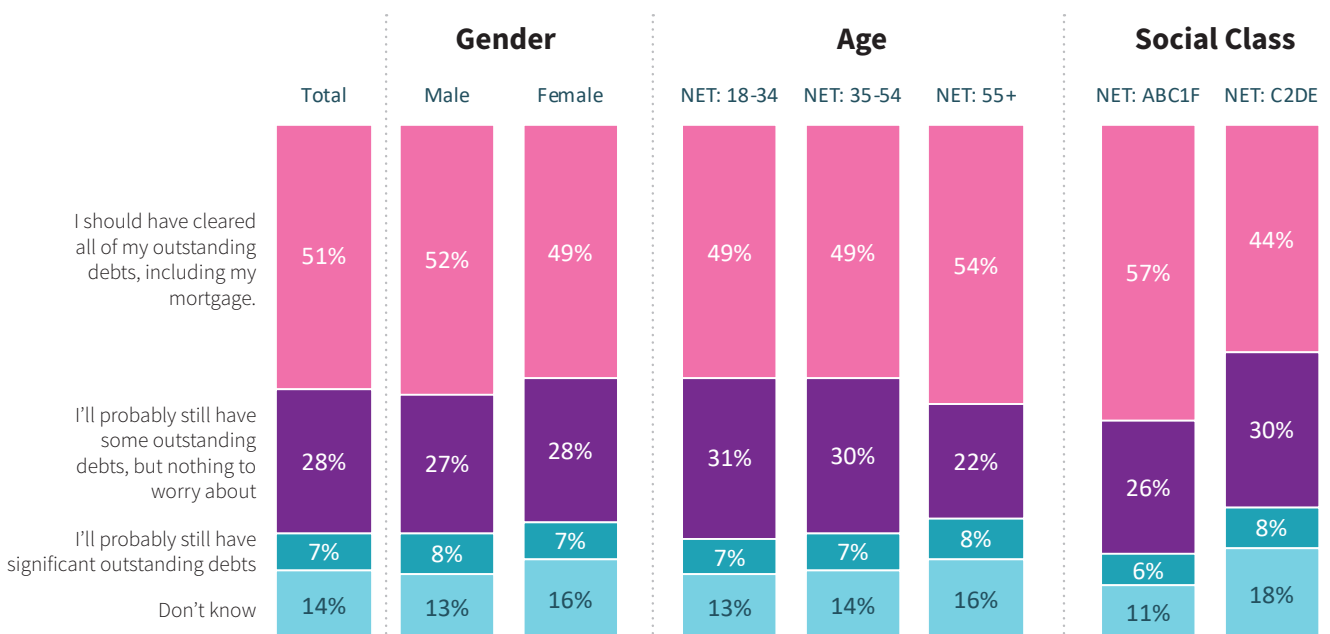


Those aged 35-54, parents and those currently struggling to make ends meet are most likely to believe they will find things tight or will be in trouble when they reach retirement age.

Debt situation at retirement age

A key measure of how prepared people are at retirement is how much financial outgoings they will still have when they stop working. Our findings reveal a relatively benign picture overall where 51% expect to be debt free and a further 28% having some debt but nothing to be concerned about. However, 7% expect to have a significant debt burden when they retire while 12% simply do not know what their financial position will be.

The most pronounced differences are found in our comfortable and struggling categories where there is a wide gap between those who will have debt at retirement and those who will not at 71% to 29%. Almost one in five in the struggling category will have significant outstanding debt, which is more than double the national average. Another worrying finding is that younger adults expect to have more outgoings on retirement (60%), including rent (25%), supporting family members (16%), and paying for children in third level education (15%).





The **State pension**

Awareness of the State pension and its benefits are surprisingly high, according to our report. Asked how much the State pension is per week, the average estimate is €238, or just under the actual weekly full State pension (contributory) of €248.

Over half of the people surveyed believe they could not get by on the State pension, with just 21% saying they could. Concern about not being able to live on the State pension is highest among the over 55s at 59%, while there are a higher proportion of people in this category living in Dublin than outside it.

Age when started pension

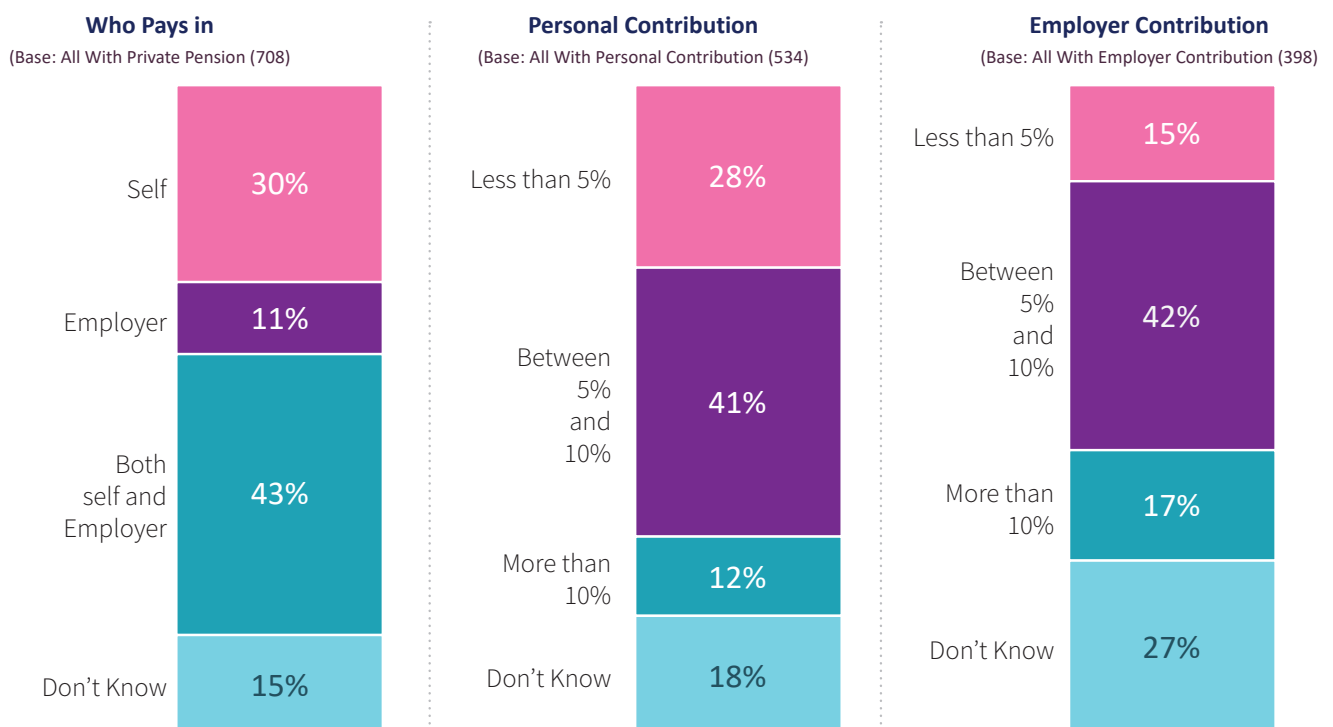
The average age of a person taking out a private pension is 28.72, with almost half of those with a private scheme waiting until they are at least 30 before starting. There is a plurality of starters in the 25-29 age category. There is no discernible gender gap in this section.



Private pensions

Most private pensions involve contributions from both individuals and employers at 43%. The number of people who contribute by themselves is 30%, a relatively high proportion and reflective of the large numbers of self-employed workers and that there is no mandatory pension scheme for employer contributions in place at present. There are also a high number of people who simply don't know at 15%. Interestingly, 50% of those contributing to a private pension have a mortgage whilst only 25% of those renting have one.

Seven in 10 people claim to have annual personal pension contributions of between five and 10% of salary, 38% of whom are aged over 55. Of the over 55's surveyed, 25% don't know how much they are contributing – 24% female v's 15% of men. Over 40% are making contributions to pensions of between 5-10% of salary, with 28% contributing less than 5%. Only 12% are currently putting aside more than 10% of their salary into their pensions, while more than one in four is unaware of how much their employer is contributing. Again, looking at the over 55's, 39% of them don't know how much their employer is contributing.⁴



4. https://www.pensionsauthority.ie/en/LifeCycle/State_pensions/

Most pensions have contributions from individuals and employers. 3 in 10 personal contributions are for less than 5%, though most claim between 5% and 10% is being invested, by both self and employer.

Knowledge of pension worth

A mixed picture emerges when people are asked how much their pension is worth with 57% knowing exactly or having a fairly good idea of the value of the fund compared to 43% who have no idea of its value.

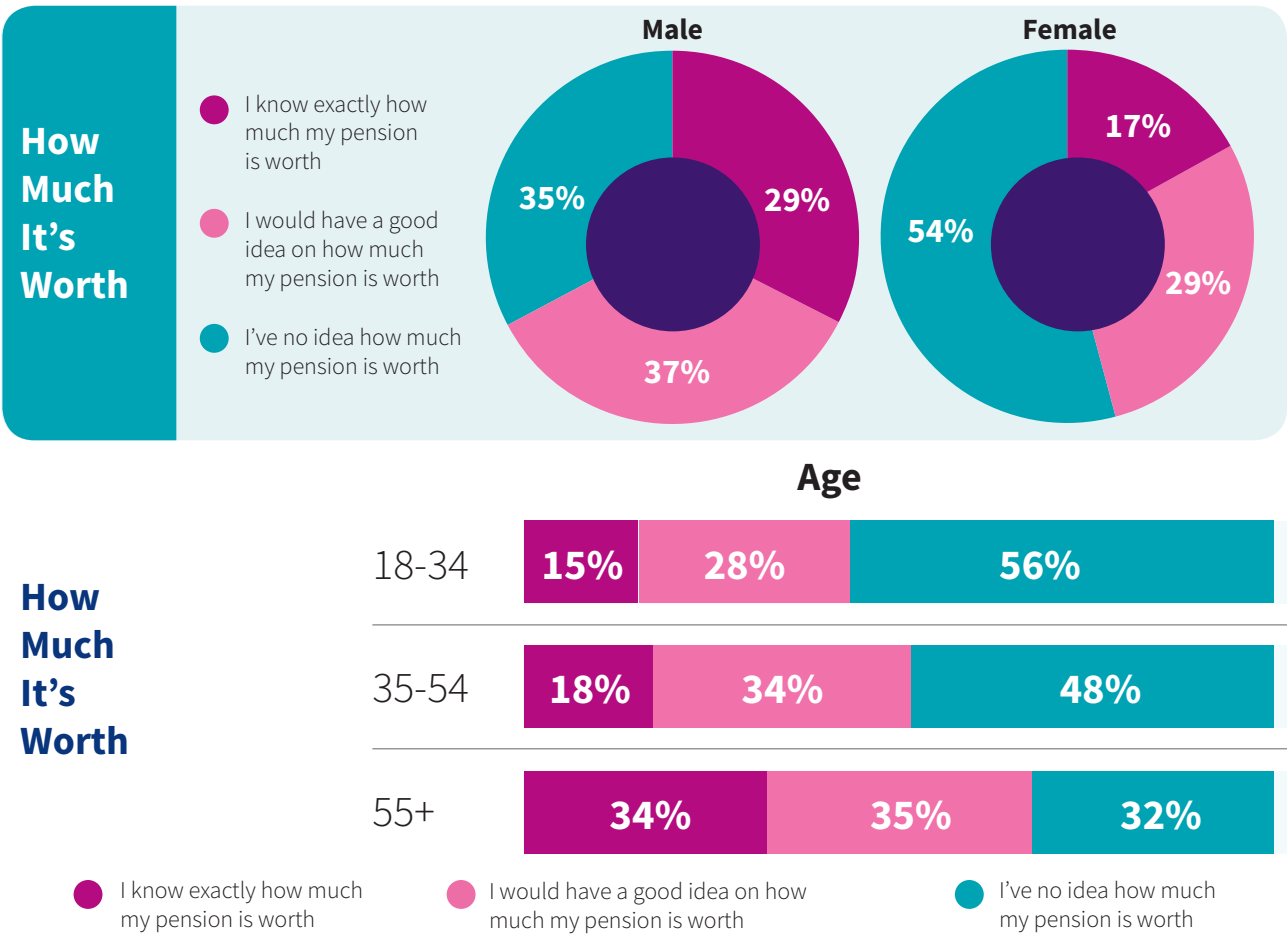
This question also reveals a gap in knowledge between the genders with 54% of females unaware of the value of their pension pots compared to just one in three males.

Overall, there is a concerning lack of awareness of the composition of people’s pension funds, with

only 15% knowing exactly where their pension is invested and 53% having no idea. Worryingly, more than half of people aged 55 and older do not know.

Once again, there is evidence of a gender pension gap with 65% of females unaware compared to 45% of males.

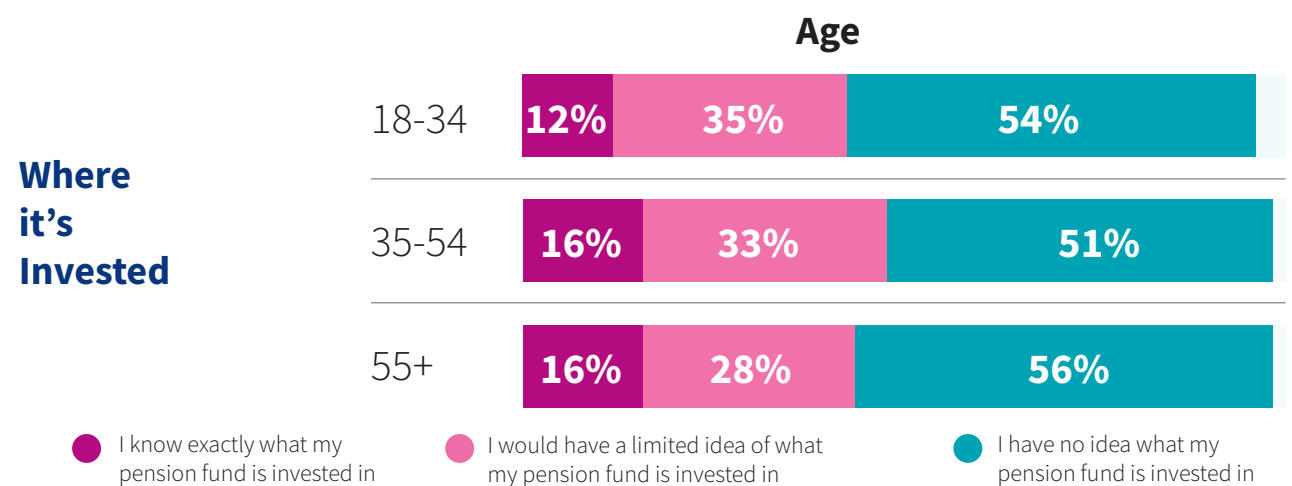
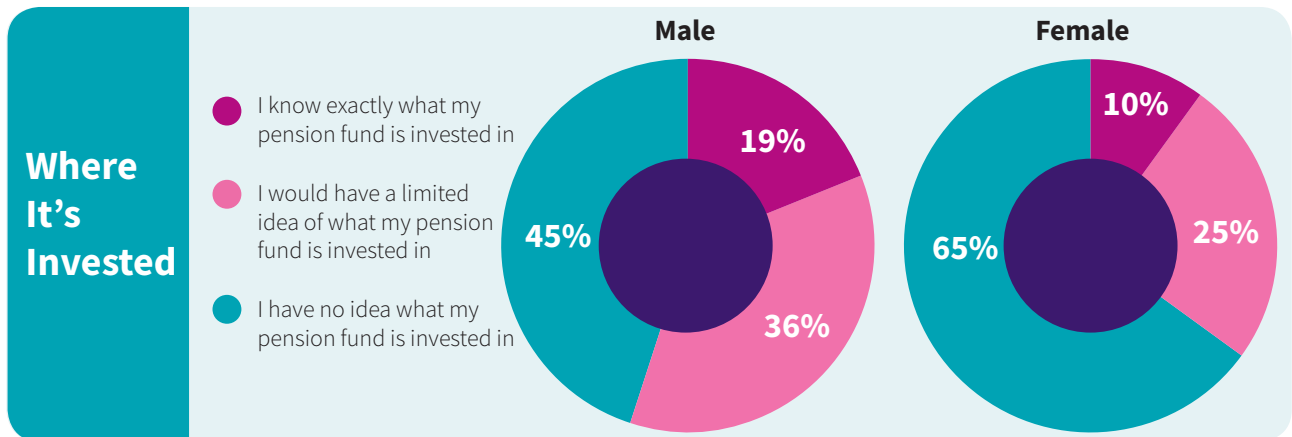
This highlights the important issue of pensions’ adequacy whereby a worrying percentage of pensions may not deliver what was either expected or required.



Knowledge of where pension is invested



56% of those aged 55+ have no idea what their pension fund is invested in.



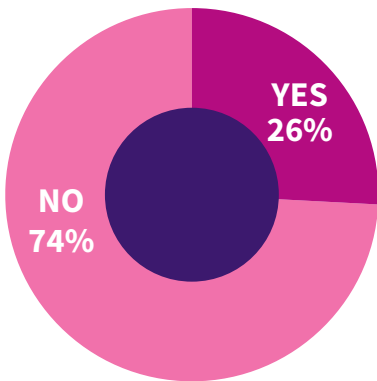
Pension funds from previous employment

Just one in four has a pension from a previous employment. Approximately two-thirds of respondents either know or have a fair idea of how much their previous pensions are worth.

Interestingly, it suggests a far greater awareness of how much previous pensions are worth than the value of their current pensions.

One quarter of pension holders have a fund from a previous employment, with Males and 55+ more likely to claim to know exactly how much that fund is worth.

Other Pension funds

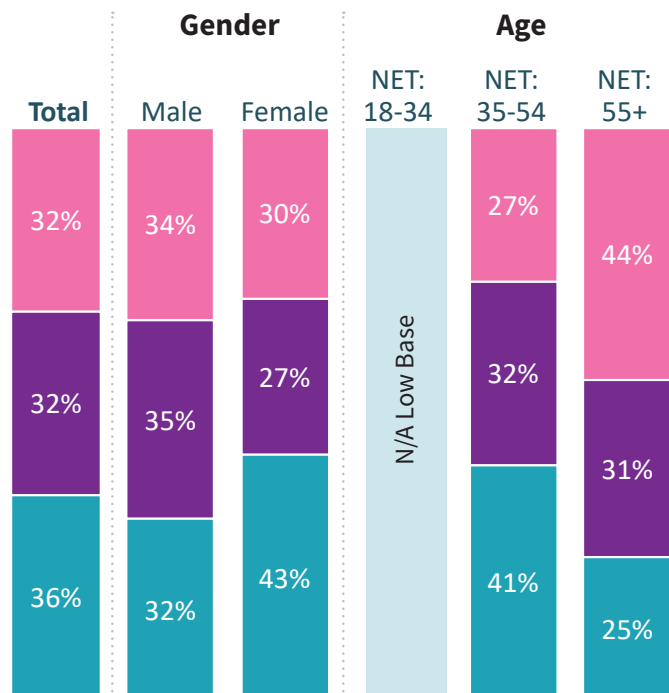


I know exactly how much my previous pensions are worth

I would have a good idea on how much my previous pensions are worth

I've no idea how much my previous pensions are worth

Value of other Pensions





Awareness of tax benefits

The general theme of a limited awareness and understanding of pensions is evident in the findings of the question in relation to awareness of tax benefits. Despite regular publicity on this, the majority of people (55%) are unaware of the tax benefits accruing to pension savings.

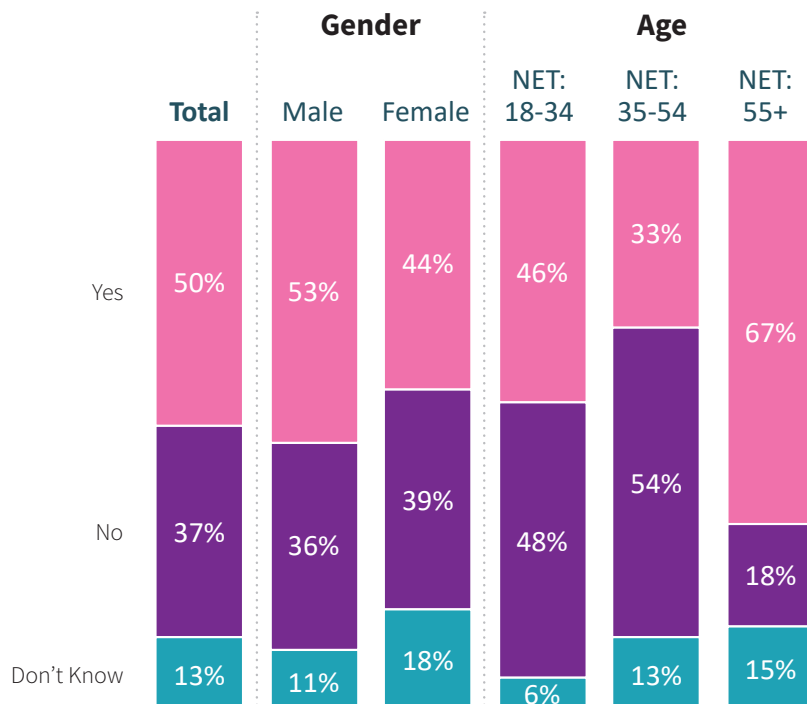
This is even more surprising given the high level of savings held by consumers and interest rates

at all-time lows, and the acknowledgement that a pension is the second most important financial product.

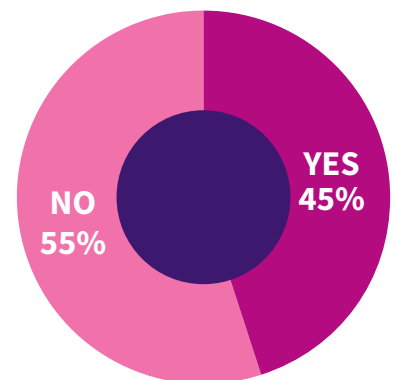
One in two people are maximising their pension contributions, while another gender gap emerges here with more males doing so than females at 53% to 44%.

Over half claim they are not aware of the tax benefits, with half of younger age groups aware that they are not maximising the contributions based on their age groups.

If Maximising Contributions Based On Age Group



Aware of tax benefits

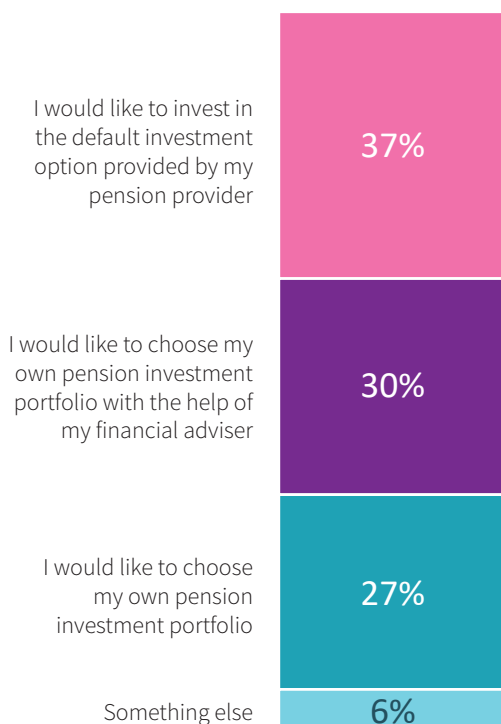


Investment fund options and Final Salary expectations

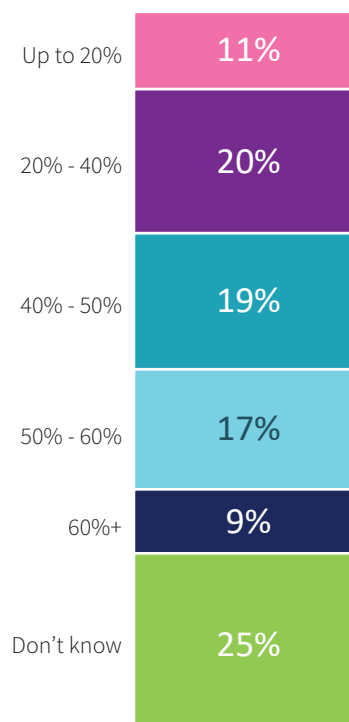
Asked to choose from a range of investment fund options, there is a spread of choice with 37% happy to use the default option provided by their pension provider, 30% who would use an adviser, and 27% who would opt for a self-directed pension fund. Interestingly, 35% of 18-34 year olds are selecting to choose their own pension investment, whilst only 18% of those aged 55+ are doing so.

People's expectations for what pension they will receive as a proportion of their final salary averaged at just 42%. Less than one in 10 expect it to be greater than 60%, while one in four do not know. However, 29% of those aged 35-54 and 22% of those aged 55+ don't know what percentage of salary they will get on retirement.

How Invest



% of Final Salary Expect



There is a fairly even split for how pension holders would like to manage their funds, with the default option most preferred. On average, holders expect just over 40% of their salary on retirement.





About Aviva

Aviva provides retirement income, life cover, protection, general insurance and investment and savings products to corporate and individual customers. The business has one million Irish customers and over 1,600 employees based in Dublin, Cork and Galway.

The company has strong Irish heritage, having had a presence in Ireland since 1780. Aviva Ireland is part of Aviva Group plc, which has a presence in 16 markets in Europe, Asia and Canada. It provides around 33 million customers with insurance, savings and investment products.



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