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The forecast: we are unprepared. We foresee working longer, trading off, downsizing and adjusting expectations as eleventh-hour measures to avoid outlasting our savings.

*Healthy, Wealthy and Work-Wise: The New Imperatives for Financial Security* examines the forces that have a profound impact on financial security and long-held beliefs about retirement. The 12-country study surveyed adults across six age groups, as well as senior executives in business and government.

The impetus for the research is a convergence of global trends, among them economic uncertainty, remnants of the fiscal crisis, greater longevity, pension shortfalls, ageism, industry disruptors and benefit reductions. These trends intersect health, wealth and career and place planning for later life at a crossroads. The findings depict an acute financial security gap comprising disparities in each of these three areas that are intensified by their interconnectivity. We also face a challenge — and a responsibility — to ensure financial security for all.

As people live longer and stay productive well into their 60s, 70s and even 80s, a statutory or customary retirement age no longer applies. Individuals are working longer, out of either choice or economic necessity. More than two-thirds (68%) of participants in the study don’t ever expect to retire or expect to keep working in later life.

The time, then, has come to retire retirement.

As later-life financial needs vary, flexibility is vital as people will need and want to choose how long to work. There are those for whom work has become the only savings plan: no job means no income. In other words, financial security requires staying employed and employable. The study shows that people do understand that to remain relevant and valuable requires life-long learning and keeping skills current and relevant in an ever-changing job market. Eighty-six percent say that continuing to develop professional and personal capabilities is important.

In addition to the requisite skills, to continue earning and saving, we are relying on robust health to be able to work as long as necessary, making health vital to wealth. Although the research found health is the most important priority when it comes to quality of life and financial security now and in later years, the analysis also uncovered that we are only doing the basics when it comes
to our health. It stands to reason that only 39% professed to be in excellent or very good health as it relates to their ability to perform on the job.

Therefore, to live well later we need to act now.

Although most of us accept the responsibility that “it’s up to me” to save enough income for later years, we do not take the necessary actions. One-third of us have not made any later-life financial calculations and only 26% of us are confident we can save enough for retirement. The research indicates several paths to increased financial confidence, including how employers and government engage people in saving for the future; redesigning retirement plans; and using smart technology to simplify, track and help people stay financially in control.

Another invaluable finding from the research is that a resounding 79% of adults trust employers to give sound, independent advice on planning, saving and investing. Eighty-six percent of employees say that if their employer improved benefits or added access to an investment plan, it would have a positive impact on them at work, resulting in higher job satisfaction and greater commitment to the organization. Specifically, the workforce is looking to employers as a trusted provider of easy-to-use, secure digital tools to “help me, help myself,” driven primarily, but not exclusively by technology—first, millennials — the largest segment of the workforce. Ninety-three percent of under-35s are interested in secure, easy-to-use, jargon-free, online financial tools to help manage their finances, but the same is true for 85% of total respondents. Additionally, across all age groups, two-thirds are comfortable managing their savings using mobile banking, online tools or smart apps.

However, that isn’t to say different employee groups don’t have different needs. In fact, employers will benefit from personalizing plans and benefits to meet those needs. Millennials — who expect to and will actually live longer — face a savings gap compounded by changing jobs more frequently over their lifetimes than previous generations did. Women face a gender gap in salary inequity, career continuity and access to employer-sponsored retirement plans and, thus, in their ability to save. Both groups represent opportunities to build and sustain committed and diverse workforces.

Clearly, this is not a time for organizations to take a step back from employee healthcare, professional development or financial security benefits. Instead, employers need to augment efforts to redesign and improve health, pension and savings plan programs accordingly — especially given that business leaders cite attracting, managing and retaining a skilled workforce as the number one business challenge in the next five years (see Figure 18).

Everyone has a role to play — individuals, employers and governments.

New thinking, collaboration and structures are critical to closing gaps in health, savings and skills so no one is left behind on living well. Collaboration is particularly important to designing and implementing plans and benefits that people will understand and use. CEOs must recognize that helping employees better manage their health and wealth is critical to any firm’s value proposition and to attracting top talent. Governments need to set good policies to keep pace with change. Notably, the research uncovered contrasts between the consumer and business leader views in such areas as barriers to savings, trust in financial planning resources and retirement priorities, indicating that employers and employees would each benefit from better two-way communication and understanding.
Closing the financial security gap requires a public-private partnership to address the imperatives evident in the research. For starters:

- To retire retirement, policymakers must consider raising or even eliminating set retirement ages and encouraging employers to benefit from the significant experience and skill sets of older workers — especially in the face of a shrinking talent pool.

- To improve health — given its overwhelming importance in enabling people to contribute productively and to enjoy a good life — investing in physical as well as financial wellness at work is essential.

- To take action, employers need to transform savings into an engaging consumer experience rather than an onerous financial service, and make it achievable and interesting through simplified language, useful tools and the ability to track savings and progress in real time.

- To leverage technology, digital tools (as well as plans and benefits) must not be one-size-fits-all and need to be more than information and basic modeling. Technology must utilize data to make offerings more personalized and relevant to individuals and include the ability to make immediate transactions.

- To improve structures, governments and business leaders should redesign retirement plans to, where possible, make savings contributions compulsory, mitigate the risk of outliving savings by requiring individuals to take some portion of their benefits as lifetime income and design investment options tailored to age, lifestyle and gender needs — as well as to risk profiles.

At Mercer, we are working with vision and purpose toward a future state prepared for the shifting notions of retirement and retirement planning, of age and ageism, of health, wealth and career. Financial security requires new tools and technologies, as well as new ways of thinking and collaborating to boost health, savings and skills alike. For living longer and living well, the future is now.

Rich Nuzum, CFA
President, Wealth
Mercer
METHODOLOGY

Healthy, Wealthy and Work-Wise: The New Imperatives for Financial Security examines the issue of financial security for individuals from both business and consumer perspectives. It aims to uncover insights into employer, employee and consumer behaviors, and the beliefs and perceptions of these groups around financial security across health, wealth and careers.

The research was conducted in conjunction with independent market research firm Reputation Leaders. It consisted of in-depth interviews with industry experts across countries and sectors, along with a survey of both individuals and senior decision-makers in government and the private sector.

A total of 7,000 adults aged 18 years and older in Chile, China, Ireland, Japan, the Nordics (Denmark, Norway, Finland and Sweden), the UK and the US completed a 15-minute survey. Six hundred senior decision-makers were interviewed in China, Japan, the Nordics, South America (Chile, Brazil and Mexico), the UK and the US. Fieldwork was conducted July through August 2017.

The business leaders surveyed were all senior decision-makers at C-suite, director, EVP, VP and business-owner levels in both government and the private sector. Those in the private sector work for, or own, firms that have US$100 million minimum in global revenue, with half being small or medium enterprises with 50–250 employees and half being companies with more than 250 employees. The business leaders came from a range of industries.

The researchers applied quotas to the consumer study to ensure that the sample matched national ratios for age (deciles), gender and top-level regions or states.

Results shown in this report are from the consumer survey unless specifically noted as business leader survey results.
The stress of financial security affects all of us — no matter what our age or career stage — as we each face the prospect of outliving our savings. Those in their 20s and 30s face uncertainty around what to do and how to begin to save. Women face pay and pension gaps. Older people face ageism. The booming “gig economy” is changing the nature of work itself.

Our study reveals imbalances between our need to save and our ability to do so — and this affects all of us, regardless of income status. Sixty-five percent of adults surveyed — and 47% of business leaders — do not feel financially secure (see Figure 1). Sixty percent of us are at least somewhat stressed by our financial situation, and this figure is higher for women (64%) than for men (55%) (see Figure 2).
Figure 1. How Financially Secure Do You Feel Today?

- Secure: 35%
  - Very Secure: 7%
  - Somewhat Secure: 29%
  - Neutral: 30%
  - Somewhat Insecure: 22%
  - Very Insecure: 13%

- Neutral: 30%

- Insecure: 35%
  - Very Insecure: 13%

31% of women are secure, 38% of men are secure, and 53% of business leaders are secure.

Figure 2. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?

- Not Stressed: 40%
  - Not at All Stressed: 13%
  - Not Very Stressed: 27%
  - Somewhat Stressed: 42%
  - Very Stressed: 13%
  - Extremely Stressed: 5%

- Stressed: 60%
  - Of women are stressed: 64%
  - Of men are stressed: 55%
Although 62% of us are “mostly certain” we can cover short-term financial emergencies, we lack confidence in staying healthy, in the current economy, in remaining employed and in being able to save for retirement. Only one-quarter of pre-retirees are confident that they will save enough for retirement. Lack of confidence improves little with advancing years: only 29% of those currently over retirement age are confident that they have saved enough.

The top two stressors around financial security are neck and neck: general economic conditions at 41% and personal health at 40%. Following closely at 32% is not saving enough for retirement—a fear that is greater for women (35%) than for men (29%) (see Figure 3). Stress is highest and most consistent among age groups ranging from 18–54 (two-thirds experience financial stress) and that tapers off to about half of 55–65 year-olds (54%) and less than half (42%) of those over 65 (see Figure 4).

When considering stress factors, both business leaders and individuals cited the economy as the top stressor; however, business leaders ranked uncertainty around employment tenure second (39%) and personal health third (33%) (see Figure 5). This is one of several findings from the study that indicate a gap in the understanding between employers and employees, an improvement of which would foster stronger bonds and benefit both groups.

Figure 3. What Causes You Stress, if Anything, With Regards to Your Financial Security?
Figure 4. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?

<table>
<thead>
<tr>
<th>Age</th>
<th>18–24</th>
<th>25–34</th>
<th>35–44</th>
<th>45–54</th>
<th>55–64</th>
<th>65 AND OVER</th>
</tr>
</thead>
<tbody>
<tr>
<td>64%</td>
<td>▲</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64%</td>
<td>▲</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>64%</td>
<td>▲</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>63%</td>
<td>▲</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>54%</td>
<td>▼</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42%</td>
<td>▼</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 5. As a Business Leader, What Do You Think Causes Stress to Employees With Regards to Their Financial Security?

- Economic conditions in general: 15%, 16%, 13%
- Uncertainty around employment tenure: 26%, 7%, 6%
- Personal health: 12%, 14%, 7%
- Not saving enough for retirement: 8%, 11%, 13%
- Level of personal debt: 7%, 15%, 10%
- Changing benefits such as healthcare, pensions, sick pay: 10%, 10%, 6%
- Not having any extra money to cover unexpected financial necessities: 2%, 6%, 13%
- Spending more than they can afford to: 2%, 7%, 12%
- No fallback to government pension: 14%, 2%, 2%
- Not feeling that they understand financial matters: 1%, 4%, 5%
- Using pay-day or emergency lenders at high rates: 1%, 3%, 6%
- Being able to keep their job skills up to date for the market: 2%, 5%
- Not knowing who to go to for advice: 1%, 2%, 2%
- Other: 0%

RANKED (1=MOST IMPORTANT)

- 1
- 2
- 3
As well as affecting people’s expectations of living well in later life, financial security affects people’s ability to live well now — only 35% of survey respondents feel financially secure today. Given that 41% said financial security is necessary to retire well, we need to determine our options and decide which are best for our individual needs, desires and circumstances. A predominant 85% are willing to change their current lifestyle, realizing we must make trade-offs to afford to live longer, such as saving more or downsizing. Of the options we are willing to consider, ranking first is saving a greater percentage of disposable income now (40%), followed by spending less and downsizing (32%), and taking on part-time work (27%) (see Figure 6a). Younger people (aged 18–34) are more willing to save, and older people (aged 55 and over) are more willing to downsize (see Figure 6b).

The uncertain bottom line: less than one-third (30%) of us are confident we will be able to afford to live as long as we likely will. Therefore, living well now and in the future requires better planning and readiness.
Figure 6a. What Would You Be Willing to Do, Trade or Give up to Ensure That You Could Maintain a Desired Standard of Living After Retirement?

- Save a greater percentage of my disposable income now: 40%
- Spend less and downsize my lifestyle: 32%
- Take on part-time work: 27%
- Downsize my house, car or other assets: 19%
- I’m not willing to trade or give up anything after retirement: 15%
- Work for longer full-time: 13%
- Give less money away to others (family, charities etc.): 10%
- Give up vacations or holidays: 9%

Figure 6b. What Would You Be Willing to Do, Trade or Give up to Ensure That You Could Maintain a Desired Standard of Living After Retirement?

- Save a greater percentage of my disposable income now:
  - 18-24: 53%
  - 25-34: 54%
  - 35-44: 45%
  - 45-54: 36%
  - 55-64: 40%
  - 65 AND OVER: 41%

- Spend less and downsize my lifestyle:
  - 18-24: 28%
  - 25-34: 29%
  - 35-44: 29%
  - 45-54: 31%
  - 55-64: 29%
  - 65 AND OVER: 19%
TIME TO RETIRE RETIREMENT

Today, on average globally, people expect to spend 15—20 years in retirement. Without better planning, many of us will outlive our savings, work longer or have to reduce our expected quality of life. Such realities require flexibility in benefits, systems and structures as retirement needs, investments and savings vary and affect decisions to continue working or adjust lifestyles accordingly.

Two-thirds of us expect to live past 80 and 44% expect to live into our mid-to-late 80s (see Figure 7). Although half of us expect to be able to maintain a desired quality of life after fully retiring, only 30% have confidence that their savings, income or pension will be enough.

Figure 7. What Is the Oldest Age That You Think You Might Live to?
As societies age and the nature of work continues to evolve, old notions about work and retirement need to give way to a spectrum of new possibilities for work and what it means to retire.
We are working longer, out of either choice or economic necessity. For many, the statutory retirement age belongs to a bygone era. Significantly, 68% of people globally don’t ever expect to retire or expect to keep working in some capacity. Both the young and old expect to keep working, with 74% of 18-24 year-olds and 82% of those aged 65 and older not expecting to fully retire (see Figures 8a and 8b).

With such a significant majority of people expecting to continue working, the time has come to retire retirement.

As people are staying productive well into their 60s, 70s and even 80s, we must consider raising or even eliminating set retirement ages and encouraging employers to benefit from the significant experience and skill sets of older workers — especially in the face of falling birth rates and a shrinking talent pool. Society — and employers in particular — needs to better enable older workers to contribute professionally by reappraising biases toward older people and eliminating ageism.

To stay employable and valuable, people understand the necessity of lifelong learning and keeping skills relevant to the work of the future. Eighty-six percent said that continuing to develop professional and personal capabilities is important.

Increased individual productivity and earnings in later years would go a long way to improving the solvency of government pension systems. In addition, research demonstrates that working correlates with improved physical, emotional and cognitive health, thereby enabling older populations to remain both productive and healthy.¹

Societies, employers and individuals would all benefit from greater acceptance of and more accommodation for working later into life. Different expectations around work and retirement on the part of employers and employees could help both groups. Older workers possess significant experience and competencies that are extremely valuable — those employers that figure out how to keep these employees contributing longer will have a competitive advantage.

Opportunities for people to work for an additional decade or two (or three), in different capacities or with adjusted schedules, mean people would have many more years of productive activity in which to accumulate savings and contribute to social insurance programs. As such, since they have a longer period over which to accumulate their long-term savings, people may choose to structure their earlier working years differently, with more time for caregiving and other family obligations.

We are working longer, out of either choice or economic necessity. For many, the statutory retirement age belongs to a bygone era.

Figure 8a. When You Retire, Do You Expect to Keep Working?

- I don't ever expect to retire: 5%
- Yes – working as much as before I retire: 13%
- Yes – but working less than before I retire: 50%
- No – I will stop working completely after I retire: 32%

Figure 8b. Both Young and Old Aware They Will Need to Keep Working

<table>
<thead>
<tr>
<th>Age</th>
<th>I don't ever expect to retire</th>
<th>Yes – working as much as before or working less after I retire</th>
</tr>
</thead>
<tbody>
<tr>
<td>18–24</td>
<td>4%</td>
<td>70%</td>
</tr>
<tr>
<td>25–34</td>
<td>5%</td>
<td>65%</td>
</tr>
<tr>
<td>35–44</td>
<td>6%</td>
<td>60%</td>
</tr>
<tr>
<td>45–54</td>
<td>6%</td>
<td>60%</td>
</tr>
<tr>
<td>55–64</td>
<td>6%</td>
<td>56%</td>
</tr>
<tr>
<td>65 and over</td>
<td>7%</td>
<td>75%</td>
</tr>
</tbody>
</table>
Health is particularly important when relying on staying healthy to work as long as necessary — and when it comes to enjoying a desired quality of life in later years.

According to our study, a gap exists between our current state of health and the level essential for work, and between the importance placed on health and the action required to stay healthy.

Participants in the consumer survey ranked health as the number one priority in retirement by far, followed by close relationships and having enough income for basic necessities (see Figure 9). And yet, despite the importance placed on health, we are only doing the minimum and making only basic efforts to be healthy. Only 39% of us professed excellent or very good health currently as it relates to our ability to perform on the job (see Figure 10). Forty percent globally said their health causes them stress with regards to their financial security. Three-quarters of us — a significant majority — are not confident we would be able to pay for medical costs (74%) or to work as long as desired (75%).
Figure 9. What Defines a Good Lifestyle After You Stop Working Entirely?

<table>
<thead>
<tr>
<th>Definition</th>
<th>Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being in good health</td>
<td>19.9</td>
</tr>
<tr>
<td>Having enough income to survive on</td>
<td>12.9</td>
</tr>
<tr>
<td>Spending time with those closest to me</td>
<td>11.3</td>
</tr>
<tr>
<td>Not being stressed about my finances</td>
<td>9.2</td>
</tr>
<tr>
<td>Being debt-free</td>
<td>9.0</td>
</tr>
<tr>
<td>Going on vacation or trips</td>
<td>8.9</td>
</tr>
<tr>
<td>Being able to afford to buy more than the bare necessities</td>
<td>8.3</td>
</tr>
<tr>
<td>Doing leisure activities such as sports, clubs or hobbies</td>
<td>5.8</td>
</tr>
<tr>
<td>Being able to financially support my children or grandchildren</td>
<td>5.3</td>
</tr>
<tr>
<td>Being able to work if I wanted to</td>
<td>4.8</td>
</tr>
<tr>
<td>Giving time to charitable causes</td>
<td>2.2</td>
</tr>
<tr>
<td>Giving financially to charitable causes</td>
<td>2.1</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Figure 10. How Would You Rate Your Overall Health in Terms of Your Ability to Work and Earn Today?

<table>
<thead>
<tr>
<th>Health Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>39%</td>
</tr>
<tr>
<td>Very Good</td>
<td>25%</td>
</tr>
<tr>
<td>Good</td>
<td>31%</td>
</tr>
<tr>
<td>Fair</td>
<td>24%</td>
</tr>
<tr>
<td>Poor</td>
<td>6%</td>
</tr>
</tbody>
</table>
There is a significant difference, however, between consumers’ views and those of their employers. Business leaders see savings as the most important factor for a financially secure retirement, with health ranked fifth (see Figure 11). Governments and corporations must therefore look at the importance people place on health and how health and financial security are inextricably linked. Given the importance of health in enabling people to contribute productively and to enjoying a good life, investing in health as well as financial wellness at work is imperative. As people continue to work longer and at older ages, employers will be faced with increasing health risks and associated medical costs.

In addition to physical health, mental health is also a critical area of focus for employers. Sixty percent of employees in the UK have experienced a mental health issue due to work during their careers but only 13% felt they were able to disclose the issue to management. This is made all the more urgent given that business leaders cite attracting, managing and retaining a skilled and productive workforce as their number one business challenge in the next five years. In light of the study’s findings, CEOs must recognize that helping employees better manage their health and wealth is critical to any firm’s value proposition and to attracting top talent.

As employers refresh their health and well-being strategies, we encourage them to include proactive physical, mental, financial, social and purpose elements. The impact that health has on individual as well as corporate performance is well documented. As governments around the world refresh their healthcare agendas, it is increasingly becoming clear that employers need to drive much of the needed health transformation dialogue; the aging population is just one reason for this. Employer-sponsored programs to raise awareness and maintain or enhance health can have an impact today and tomorrow. The key risk factors of metabolic/cardiovascular risk, dietary risk and emotional/mental health risk are universal and have significant outcomes on health status later in life. Today’s older workers also have unique health needs. As with other employee segments, we encourage employers to consider a targeted health strategy to better meet the needs of this critical talent segment.

Figure 11. As a Business Leader, What Do You Think Are the Most Important Factors Today Affecting Whether Employees in Your Organization Will Be Financially Secure in Retirement?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rank 1 (%)</th>
<th>Rank 2 (%)</th>
<th>Rank 3 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Their level of personal retirement savings accounts now and in the future</td>
<td>16%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>The level of government or employer pension payments now and in the future</td>
<td>15%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>The type of pension or retirement fund they are invested in</td>
<td>11%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>The quality of investment decisions they make</td>
<td>13%</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Employees' state of health</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How long people will be able to continue to work</td>
<td>9%</td>
<td>11%</td>
<td>12%</td>
</tr>
<tr>
<td>People's expectations for their quality of life in retirement</td>
<td>11%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>How long people their age now will live</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
</tr>
<tr>
<td>Whether employees can keep their job skills relevant and up to date</td>
<td>7%</td>
<td>8%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>6%</td>
<td>7%</td>
<td>5%</td>
</tr>
</tbody>
</table>

CEOs must recognize that helping employees better manage their health and wealth is critical to any firm’s value proposition and to attracting top talent.
Although we accept that it is our personal responsibility to better prepare for retirement, we are not taking the necessary actions to improve our financial security.

**ACT NOW TO LIVE WELL LATER**

The research findings reveal that 81% of us feel personally responsible for our retirement income, with 52% taking sole responsibility and 29% saying they have some shared responsibility (see Figure 12). However, we lack the confidence and knowledge to take the necessary action to save sufficiently.

Sixty-four percent of us have invested in a retirement plan of some sort — 37% employer, 23% government and 22% personal. Yet only a quarter of us (26%) are confident that we can save enough for retirement.
Figure 12. Who Do You Think Is Responsible for Ensuring That You Have Enough Ongoing Income After Retirement to Live With the Basic Necessities?

- **I am**: 81%
- **The government**: 31%
- **My pension fund or investment fund or bank**: 14%
- **My family**: 10%
- **My current or former employer**: 8%
- **My life insurance company**: 4%
- **My financial advisor or stockbroker**: 3%
- **None of the above**: 2%
- **Other**: 1%

Figure 13. What Pension or Savings Plans Do You Currently Pay Into?

- **None**: 36%
- **My employer does NOT match any of my contributions**: 3%
- **My employer matches some or all of my contributions**: 19%
- **A defined benefit or final salary pension plan**: 18%
- **Other**: 2%
Affordability (25%) and unemployment (22%) are the top reasons we do not participate in savings or pension plans (see Figure 14). Eighty-five percent of us said that we are willing to save more or spend less to afford a longer and better future, but that our current financial stress is affecting our ability to do so.

Figure 14. What Are Some of the Reasons You Don’t Participate in a Pension or Retirement Savings Plan?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Men (%)</th>
<th>Women (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>I can’t afford it on my income</td>
<td>19  14</td>
<td>26  15</td>
</tr>
<tr>
<td>I am unemployed/not working</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I don’t have the opportunity with my work</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other reasons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I’ve never really considered it</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I intend to but it is not a priority at the moment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am a student</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I don’t see the point</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It’s too hard to understand</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Eighty-five percent of us said that we are willing to save more or spend less to afford a longer and better future, but that our current financial stress is affecting our ability to do so.
Though one-third of us have not made any retirement savings calculations, another 23% have made the calculations without any professional assistance — from governments, employers, independent providers or online tools. Of the two-thirds who have made some calculation, older participants are making the calculations themselves more often than all other age groups. The younger people are, the more they turn to friends and family for help and use a budgeting, savings or investment tool or app (see Figure 15a). Only one out of six of us has consulted a financial advisor to calculate retirement savings, perhaps because only 56% trust financial advisors (see Figure 15b).

Figure 15a. How Do You Plan to Calculate How Much You Will Need to Have Saved?
Only one out of six of us has consulted a financial advisor to calculate retirement savings, perhaps because only 56% trust financial advisors.

Figure 15b. How Do You Plan to Calculate How Much You Will Need to Have Saved?

- **No Calculation**: 33%
- **Some calculation**
  - I've calculated this by myself without any help: 23%
  - My financial advisor or investment professional helped me calculate that amount: 18%
  - I've used online retirement savings calculators or tools to calculate that amount: 16%
  - The government should calculate that amount and ensure I have enough: 14%
  - I've used a budgeting, savings or investment tracking tool or app: 11%
  - I've talked about this with my friends or family to help calculate this: 11%
  - My employer(s) should calculate that amount and ensure I have enough: 9%
  - Other: 1%
  - None of the above: 21%
Although we understand our personal responsibility to save enough income for later years, the research demonstrates that we do not take the necessary action, which begs the question, “Do we even know which actions to take?” Our study found that most of us (72%) would be likely to change how we save for retirement if we knew whether we had saved enough.

Changes in the economy, legislation and pension systems around the world have put more of us today in the driver’s seat when it comes to planning and paying for our own healthcare and retirements. Unfortunately, many of us lack the background to make sound financial decisions and have, therefore, become more susceptible to financial distress, which impacts our health, increases absenteeism and impedes productivity.

Acting now applies to business and governments as well. The need to adapt long-term savings programs and products to new demographic and economic realities is urgent. The current trajectory is putting large numbers of people at risk of poverty, undercutting the competitiveness and social cohesion of societies and diminishing the productivity of workers. Applying creative and strategic thinking would alter this trajectory and transform the future reality for individuals and societies.

Governments and employers both have a critical role to play — and Mercer consultants are currently working with both on forward-thinking solutions to help them mend the gap. Companies must improve their employee benefits not just because it is the right thing to do, but also because it will result in a workforce with less stress, higher job satisfaction and greater commitment to the organization. By better engaging individuals in developing their own financial fitness, designing smarter savings systems and redefining work and retirement, societies and businesses stand to reap huge dividends.

The current trajectory is putting large numbers of people at risk of poverty, undercutting the competitiveness and social cohesion of societies and diminishing the productivity of workers.
Companies must improve their employee benefits not just because it is the right thing to do, but also because it will result in a workforce with less stress, higher job satisfaction and greater commitment to the organization.
Helping to find solutions to inaction goes to the core of Mercer’s purpose to make a difference in the lives of people by advancing their health, wealth and career. Mercer believes that progress will result from multiple stakeholders coming together to effect change. Governments, employers and financial intermediaries have both the incentive and the ability to help societies and individuals mend the long-term savings gap. Each stands to reap significant rewards by helping to ensure that their citizens, employees and customers are able to save efficiently and appropriately for the future.

**HOW TO ENCOURAGE ACTION?**

**It’s a Matter of Trust**
Enhancing financial security benefits — or improving access to what is offered — provides substantive value.

Overcoming barriers to workplace financial planning would yield tangible results for both employers and employees. Individuals place a high degree of trust in their employers for finance-related recommendations. In fact, the workforce looks to organizations as a trusted provider of easy-to-use, secure digital tools to “help me, help myself.”

A significant 79% of us trust our employer to give sound, independent advice on planning, saving and investing. In comparison, 56% trust a financial advisor and 61% trust online web tools or apps (see Figure 16). As employees place a great deal of trust in employers for financial advice, now is not the time for organizations to reduce employee healthcare or financial security benefits.

Though 80% of organizations are offering a savings plan of some sort, among organizations not offering plans, over half (54%) cite costs as the number one reason, with another 25% indicating lack of resources to handle (see Figure 17).
Figure 16. How Much Do You Trust the Following People or Organizations to Give You Sound Advice on Planning, Saving and Investing for Retirement?

- My partner or spouse: 88%
- My family: 85%
- My current employer: 79%
- Online financial tools, apps or websites: 61%
- My immediate line manager: 57%
- An independent financial advisor recommended by my employer: 56%
- My personal financial advisor: 56%
- The government: 55%

Figure 17. As a Business Leader, What Do You Believe Are the Main Reasons Your Employer Does Not Offer Access to an Employer Savings Plan?

- Cost saving: 54%
- Not enough resources to handle: 25%
- Employees are better off making their own financial decisions: 19%
- The employer–worker relationship has changed/is changing: 12%
- Pension plans are too complex: 9%
- Employees do not value pension benefits: 9%
- The legal or governance risk is too high: 7%
- Other: 7%
- Many workers are contract, freelance or independent: 4%
Business leaders cite attracting, managing and retaining a skilled workforce in changing times as their number one business challenge in the next five years (see Figure 18).

And though 80% of organizations offer a savings plan of some sort, 86% of us say that if our employer improved benefits or added access to a pension plan, it would have a positive impact on us at work through higher job satisfaction (45%), greater commitment to the organization (31%) and less time worrying about financial matters at work (27%) (see Figure 19a).

Significantly, 91% of 18–34 year-olds derive a positive effect from improved savings/investment/pension plan benefits or access (see Figure 19b). Based on the study, these types of financial planning benefits, offerings and access evidently help to cement workplace bonds.

A significant number of people surveyed in the consumer study (84%) and an even larger proportion of the business leaders (93%) share the point of view that offering retirement savings or pension plans is important. However, a disparity exists between business leaders’ belief that a lack of awareness or visibility is the top barrier to employees investing in pension or retirement plans and individuals’ top reasons: inability to afford to save based on income (25%) followed by unemployment or not currently working (22%), combining to affect nearly half the workforce. This indicates a gap in employers’ understanding of employees, and both groups would benefit from better communication and collaboration.

Figure 18. As a Business Leader, What Do You Think Are the Major Challenges That Employers Will Face in the Next Five Years?
Figure 19a. If Your Employer Was to Provide Access to or to Improve the Overall Benefits of the Pension Plan Available to You, What Impact Would That Have on Your Relationship With Your Employer?

- Positive difference
- I would be more satisfied with my job: 86%
- I would feel more committed to the organization: 75%
- I would feel that my employer cared about me as a person: 73%
- I would spend less time worrying about financial matters while I am at work: 63%
- I would be more likely to recommend my employer to friends or peers: 59%
- It would make no difference: 14%

Figure 19b. If Your Employer Was to Provide Access to or to Improve the Overall Benefits of the Pension Plan Available to You, What Impact Would That Have on Your Relationship With Your Employer?

- Positive difference
- Age groups:
  - 18–24: 92%
  - 25–34: 91%
  - 35–44: 87%
  - 45–54: 85%
  - 55–64: 75%
  - 65 and over: 73%
Personalize to Meet Individual Needs

Ensuring that organizations will have the talent they need in every market to compete today and tomorrow relates to how well they attract and manage talent. Those unable or unwilling to fully utilize all populations — or look beyond typical programs when considering how best to support and enable all employees — will lose out on valuable talent.

Employers need to transform savings into an engaging consumer experience, rather than an onerous financial service, and make it achievable and interesting through simplified language, useful tools and the ability to track savings and progress in real time. This could create the same explosion in the savings industry as we have seen over the past several decades in the fitness industry, aided by the fitness revolution of the 1970s and 1980s and current digital tools to track, motivate and improve performance.

Fairness in rewards, along with supporting employees in planning for their future financial well-being, has become a more pressing issue for employers in this age of increased individual accountability.

Figure 20. How Confident Are You in Being Able to Achieve the Following Outcomes?

- To pay any monthly mortgage, rent or housing costs
- To have enough income to cover the basic necessities
- To be able to afford to live as long as I live
- To afford a quality standard of life for me and my family
- To be able to pay for healthcare and medical costs
- To find work or to continue to work as long as I choose
- To be able to live without fear or stress over my financial situation
- To save enough for my own retirement

Confident, male
Confident, female
Although gig workers enjoy the increased flexibility and empowerment of being their own boss, they give up some degree of security and structure in their lives. The flexibility they sign up for also becomes their biggest worry. Since they work different schedules and in different places than permanent employees, organizations that employ gig workers will require creative solutions to reach them. Employers need to look beyond typical programs and communications when considering how best to support and enable all talent.

Mend the Gender Gap
Simply put, women have unique financial needs.

Though individuals of all ages and stages lack confidence in saving enough to retire, confidence is lower among women (see Figure 20). Mercer’s research study found that, compared to men, women are planning less, are less able to save, contribute less to investment plans and are less confident in retiring well. Consequently, women are more stressed about both their current and future financial security (see Figure 21).

Employment status and disparities in income affect women’s ability to plan and save. Women’s work cycles are different from men’s, resulting in disparities in how much money is earned. The financial security of women in the workplace is affected by distinctive experiences and attitudes.

Figure 21. The Financial Security Gender Gap

<table>
<thead>
<tr>
<th></th>
<th>MEN</th>
<th>WOMEN</th>
<th>WOMEN ARE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning for Retirement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Made some plans for retirement income</td>
<td>91%</td>
<td>87%</td>
<td>-4%</td>
<td>Planning less</td>
</tr>
<tr>
<td>Have calculated needed retirement income</td>
<td>70%</td>
<td>64%</td>
<td>-6%</td>
<td></td>
</tr>
<tr>
<td><strong>Saving for Retirement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confident they can save enough to retire</td>
<td>31%</td>
<td>20%</td>
<td>-11%</td>
<td>Saving less</td>
</tr>
<tr>
<td>Currently investing into a retirement savings plan</td>
<td>67%</td>
<td>60%</td>
<td>-7%</td>
<td></td>
</tr>
<tr>
<td>Not saving in a retirement plan due to being unemployed</td>
<td>19%</td>
<td>26%</td>
<td>+7%</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Security</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feel financially secure</td>
<td>38%</td>
<td>31%</td>
<td>-7%</td>
<td>Less able to save</td>
</tr>
<tr>
<td>Can handle short-term financial emergency</td>
<td>67%</td>
<td>57%</td>
<td>-10%</td>
<td></td>
</tr>
<tr>
<td><strong>Retirement Expectations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confident they can afford to live as long as they live</td>
<td>39%</td>
<td>31%</td>
<td>-8%</td>
<td>Less confident about retiring well</td>
</tr>
<tr>
<td>Expect to maintain desired quality of life</td>
<td>54%</td>
<td>45%</td>
<td>-9%</td>
<td></td>
</tr>
<tr>
<td><strong>Financial Stress</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stressed by current financial situation</td>
<td>55%</td>
<td>64%</td>
<td>+9%</td>
<td>More stressed</td>
</tr>
<tr>
<td>Stressed by not saving enough for retirement</td>
<td>29%</td>
<td>35%</td>
<td>+6%</td>
<td></td>
</tr>
</tbody>
</table>
Women continue to earn less in the same occupations, work in lower-paid employment, have more gaps in service, do more part-time work and spend more years out of the workforce caring for others, negatively affecting their lifetime earnings. Given that women earn less than men do on average, retirement benefits linked to income result in lower pensions on average for women.

Women are more likely than men are to spend savings on caring for someone else rather than keeping the money for their own needs. Women are also more risk-averse investors compared to men, which affects the amount of money they are able to accumulate for retirement. And yet, because women live 4.6 years longer on average than men do, they often need financial resources that will stretch through a longer retirement period.

Additionally, women are affected by different health issues and illnesses than men are, they experience and use the healthcare system differently, and they are more likely than men are to be caregivers for others, making health concerns of special significance in making financial security decisions. Traditional health offerings are not sufficiently gender-specific or aligned with women’s professional lifecycles. More targeted and flexible approaches to health and well-being could have a significant impact on female participation in the workforce. Women balance multiple significant roles, so career and developmental opportunities — especially in conjunction with workplace flexibility — are particularly important. Supportive practices influence attraction, promotion and retention, and also drive engagement and productivity.

Organizations on the vanguard of change have introduced gender-specific elements into their retirement and savings programs and, as a result, are seeing an impact on their ability to engage female talent. Effective approaches to helping women improve their financial well-being include programs and education geared toward their specific financial needs, attitudes and behaviors; for example, female-only financial planning and investing workshops, monitoring savings ratios and investment choices by gender, customizing retirement savings education and training programs to different gender behaviors, or allowing varying contributions to compensate for different work arrangements.

Leaders seeking to make a significant impact on female workforce participation and resulting gender diversity outcomes must recognize and respond to women’s unique financial, health and career needs at different stages of their careers with innovative, targeted programs recognizing the interconnectivity of all three areas.

Successful approaches include taking a macro-system approach by collaborating with other key stakeholders, including schools, governments, public health organizations, industry groups and NGOs. Specific strategies include working with industry groups and universities to deliver training and lifelong learning opportunities to women or working with governments and NGOs to promote better access to healthcare. The right solution is highly dependent on the particular organization’s strategic, operational and cultural context; a deep-dive diagnosis of the issue across HR and diversity and inclusion programs will determine the most robust and relevant strategies.

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5 World Health Organization, 2015.
Millennials: Seeking Advice and Tech Tools

At a greater rate than any other segment in the survey, 71% of millennials expect to keep working in later life and wish to maintain their desired quality of life. Conversely, as they are still in the early stages of their careers, they are also the most stressed about finances of all the age groups surveyed. Not surprisingly, as digital natives, they are the most interested in online tools and mobile apps.

However, perhaps unexpectedly, millennials have a high level of trust (83%) in their employer’s ability to give good financial advice. Also, employers who offer better savings and/or investment benefits have a positive impact among this age group, resulting in higher job satisfaction as well as greater commitment and loyalty to the organization (see Figure 22).

Numerous studies show that millennials are concerned about growing inequality throughout the world, as well as issues such as climate change, poverty and access to healthcare.

A 2017 survey found that 90% of millennials would be very or somewhat interested in pursuing sustainable investments if that was an option in their 401(k) plan, compared with 72% in the wider sample. Employers that adopt an investment approach that formally considers environmental, social and governance factors — and report on related positive outcomes — may be more likely to attract and engage employees in their investment plans and encourage millennials to save in the first place.

Figure 22. The Financial Security Generational Gap

<table>
<thead>
<tr>
<th>RETIREMENT EXPECTATIONS</th>
<th>18–34</th>
<th>35–54</th>
<th>55+</th>
<th>YOUNGER PEOPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expect to be retired for (years)</td>
<td>16</td>
<td>17</td>
<td>20</td>
<td>Expect to keep working, shortening retirement</td>
</tr>
<tr>
<td>Expect to keep working after retirement</td>
<td>71%</td>
<td>66%</td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td>Expect to maintain desired quality of life in retirement</td>
<td>54%</td>
<td>44%</td>
<td>52%</td>
<td></td>
</tr>
<tr>
<td>FINANCIAL SECURITY</td>
<td>Feel financially secure</td>
<td>28%</td>
<td>32%</td>
<td>47%</td>
</tr>
<tr>
<td>Stressed about finances</td>
<td>64%</td>
<td>63%</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Confident to handle a short-term financial emergency</td>
<td>56%</td>
<td>60%</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>RETIREMENT PLANNING</td>
<td>Made no plans for retirement</td>
<td>16%</td>
<td>11%</td>
<td>6%</td>
</tr>
<tr>
<td>Calculated income needed in retirement myself</td>
<td>13%</td>
<td>22%</td>
<td>37%</td>
<td></td>
</tr>
<tr>
<td>Calculated income needed in retirement with help</td>
<td>54%</td>
<td>42%</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>ONLINE TOOLS</td>
<td>Interest in online financial tools</td>
<td>93%</td>
<td>87%</td>
<td>71%</td>
</tr>
<tr>
<td>Willing to allow online apps to hold personal information</td>
<td>80%</td>
<td>68%</td>
<td>42%</td>
<td></td>
</tr>
<tr>
<td>EMPLOYER IMPACT</td>
<td>Trust their employer to give good financial advice</td>
<td>83%</td>
<td>80%</td>
<td>72%</td>
</tr>
<tr>
<td>Positive impact if employer offers better pension benefit</td>
<td>91%</td>
<td>86%</td>
<td>75%</td>
<td></td>
</tr>
</tbody>
</table>

Design Smart Investments
Everyone has a role to play.

Governments and employers need to design — or redesign — retirement plans to, when possible, make savings contributions compulsory; encourage individuals to take their pensions as lifetime annual income; and design growth and defensive investment options tailored to age, lifestyle and gender needs — as well as to risk profiles.

Critical for improving investment outcomes is a public-private partnership dedicated to designing and implementing financial security and health benefits and investment systems. The roles of and collaboration among employers and governments — as well as individuals — are particularly important for designing smart savings systems that enable action.

One way that employers can help achieve better outcomes is by designing auto-escalation programs based on behavioral finance principles and constructing intelligent glide paths for operating through retirement — even for those employees who may not take action.

Almost everything related to pensions is overcomplicated, and most people tend to tune out. We need to make the process simple to make it informative. When reforming pension systems, policymakers should also ensure the new rules are future-proof, taking into account upcoming trends in employment, including the rise of freelance gig work and flexible rewards.

As discussed earlier in this paper, the financial industry can learn a lot from the revolution in the physical fitness industry. Creating a revolution in financial fitness that provides greater support to individuals in making sound saving and investment choices will go a long way toward closing the long-term savings gap. However, given the many priorities competing for an individual’s paycheck and the primacy of the immediate over the long term, voluntary contributions to long-term savings simply may not be enough. In fact, the pension systems that are among the highest ranked globally in terms of adequacy, sustainability and integrity make saving contributions compulsory, both on the part of individuals and of employers on behalf of their employees.7

The appropriate investment options and mix for those saving in retirement plans should also be considered when designing long-term savings systems. A number of intelligent design principles can be used to create the appropriate combination of growth and defensive investments to produce superior retirement outcomes. For example, the smartest of these products are designed to allow investments to continue to grow during retirement. Rather than being fully invested in cash or de-risked on the day of retirement — should there actually be one — systems would ensure investments continue to accumulate even as retirees begin to draw from savings.

In addition, because individuals do not know how long they will live and may unwisely manage and spend their savings after retirement, systems can be designed to prohibit individuals from withdrawing all their pension funds in one lump sum. Instead, requiring individuals to take a portion of their pensions as lifetime annual income improves their financial security throughout old age.

The roles of and collaboration among employers and governments — as well as individuals — are particularly important for designing smart savings systems that enable action.
The future of financial security is digital.

Increasingly, across both developed and developing markets, people are conducting their lives online and especially on mobile devices — thanks to the easy access and immediacy of being able to track things in real time.

Easy-to-use, jargon-free and effective online tools are vital to assisting people of all ages, especially today’s largest segment of the workforce, millennials. They are the least financially secure generation at work and 80% are willing to use online tools to help track and manage their financial, health and personal data as long as the tools are easy to use and their data are secure (see Figure 23).

Some resources, though, do not hold the same level of interest: 52% of all adults are not comfortable with robo-advisors giving automated advice and half feel similarly about call centers with financial advisors, indicating that people are looking to be treated individually with guidance and advice and do not want to be told what to do (see Figure 24).

Figure 23. How Willing Are You to Allow an Online App to Hold Your Personal Data to Help Manage Your Finances?

<table>
<thead>
<tr>
<th>Age</th>
<th>Willing</th>
<th>Not at all willing</th>
</tr>
</thead>
<tbody>
<tr>
<td>18–24</td>
<td>80%</td>
<td>11%</td>
</tr>
<tr>
<td>25–34</td>
<td>80%</td>
<td>14%</td>
</tr>
<tr>
<td>35–44</td>
<td>73%</td>
<td>18%</td>
</tr>
<tr>
<td>45–54</td>
<td>62%</td>
<td>29%</td>
</tr>
<tr>
<td>55–64</td>
<td>46%</td>
<td>43%</td>
</tr>
<tr>
<td>65 AND OVER</td>
<td>37%</td>
<td>32%</td>
</tr>
</tbody>
</table>
**Figure 24. How Comfortable Would You Be in Using the Following to Manage and Get Advice on Savings?**

<table>
<thead>
<tr>
<th>Activity</th>
<th>NOT AT ALL</th>
<th>SOMEWHAT UNCOMFORTABLE</th>
<th>SOMEWHAT COMFORTABLE</th>
<th>VERY COMFORTABLE</th>
<th>I DON'T KNOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile banking through your mobile phone or tablet</td>
<td>11%</td>
<td>18%</td>
<td>38%</td>
<td>27%</td>
<td>6%</td>
</tr>
<tr>
<td>Managing your own finances using online tools or websites</td>
<td>9%</td>
<td>19%</td>
<td>44%</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>Aggregating your banking data online to monitor, track and target</td>
<td>10%</td>
<td>20%</td>
<td>42%</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>Using budgeting, saving or investment tracking apps on your mobile</td>
<td>12%</td>
<td>21%</td>
<td>39%</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>Using mobile financial apps that give smart answers to common financial</td>
<td>12%</td>
<td>22%</td>
<td>41%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Calling a call center with independent financial advisors on hand</td>
<td>17%</td>
<td>28%</td>
<td>33%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Using robo-advisors to give automated financial planning or investment</td>
<td>22%</td>
<td>30%</td>
<td>28%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Games that would help you improve your financial skills</td>
<td>22%</td>
<td>23%</td>
<td>30%</td>
<td>11%</td>
<td>13%</td>
</tr>
</tbody>
</table>
Critically, online tools and apps must be secure and easy to use. Even though younger age groups are much more willing than older ones are to let apps hold personal data, conversely, they are more distrusting of results and are concerned about potentially losing data (see Figures 25 and 26).

Overall, business leaders have an opportunity to address both the financial and behavioral needs of the workforce generally and of the growing population of digital natives specifically by providing secure, easy-to-use, do-it-yourself digital tools and apps that assist employees in making better decisions now and for the future.

To leverage technology, digital tools (as well as plans and benefits) must not be one-size-fits-all and need to be for more than information and basic modeling. Technology must utilize data to make offerings more personalized and relevant for individuals and include the ability make real-time transactions.

The financial fitness industry can take a page from the physical fitness industry’s technological revolution to engage individuals in saving for the long term. Just like exercise, saving can be painful. Individuals take more pleasure in consuming now than planning for later, and working with savings-related products or financial planners can be complicated, confusing and time-consuming, as well as potentially risky.

To transform saving into an engaging consumer experience rather than a financial services experience, it must be presented not as something difficult and unpleasant but as achievable and interesting through simplified language, useful tools and the ability to track progress in real time.

Although the financial services industry must help lead such a revolution, employers have a critical role to play. They have a long history of and ability to bring vetted products and services to their employees — as well as their vested interest in easing their employees’ financial worries in order to reap significant productivity gains. Governments, too, must help spur the revolution by expanding pension coverage and access to savings programs and products.

The financial fitness industry can take a page from the physical fitness industry’s technological revolution to engage individuals in saving for the long term.
Figure 25. How Willing Are You to Allow an Online Application to Hold Your Personal Data to Help Manage Your Finances?

Figure 26. What Concerns Might You Have About Using Technology Tools to Plan, Invest or Manage Your Savings?
ENSURING FINANCIAL SECURITY FOR ALL

Employers today are scaling back on defined benefit commitments, governments are looking for ways to close future gaps in their unfunded promises and individuals are bearing an increasing share of the responsibility for funding their own retirements. According to our research, people who are not participating in retirement savings plans say the most significant barriers are affordability, unemployment and lack of opportunity at work (see Figure 27).

Addressing the gender gap is also vital to ensuring that half the population can better plan, save and live with financial security. Women face a gender gap in salary inequity, career continuity and access to employer-sponsored plans. This is compounded by the fact that women generally live longer than men do. Not surprisingly, they report being more stressed than men are by their current financial situation and by not saving enough for retirement.

Millennials are currently the largest segment of the workforce and will live longer, work longer and change jobs more frequently than previous generations did. Millennials have lower expectations of government-provided pensions than older people do and a full 71% expect to work beyond retirement.

Younger adults are feeling the stress of this uncertainty — only a quarter of 18- to 24-year-olds feel financially secure, compared with 55% of over-65s. Not surprisingly, millennials are looking for sound savings advice, and they are willing to trust employers and online tools for guidance. Eighty-two percent of millennials surveyed said they would save more if they knew more about the impact of those savings on later years.
Those who are a part of the growing informal workforce face gaps in access to and affordability of retirement and benefit plans. Globally, this is estimated to apply to approximately one-third of the workforce. In the US, for example, over half (54%) of workers relying on gig work do not have access to employer-based benefits. Gig workers also want to feel connected and engaged with the organizations contracting them. With the exploding gig economy, private-public partnerships are vital to helping self-employed, contract or part-time workers prepare for their future.

The changing dynamics of work and the workplace mean it is more important than ever that individuals are given the help and tools they need to plan for and achieve long-term savings goals. Mercer’s view is that governments and employers have an important role to play in helping individuals recognize what “good” looks like when it comes to savings products, advice and decisions.

Governments and employers both have responsibility and much greater capacity than individuals to assess products, gather information and discern between financial intermediaries. The payoff is a more financially secure and productive workforce. Such involvement also fosters greater receptivity among individuals for appropriate levels of risk to build sufficient long-term savings. Greater financial knowledge by itself rarely translates into action; what spurs action is giving individuals access to smart tools, default options and guidance that can help them achieve success.

Figure 27. What Are Some of the Reasons You Don’t Participate in a Pension or Retirement Savings Plan?

- I can’t afford it on my income: 25%
- I am unemployed/not working: 19% (MEN) 26% (WOMEN)
- I don’t have the opportunity with my work: 15%
- Other reasons: 14%
- I’ve never really considered it: 11%
- I intend to but it is not a priority at the moment: 9%
- I am a student: 7%
- I don’t see the point: 6%
- It’s too hard to understand: 4%
Societies, employers and financial intermediaries have much to gain by taking immediate action to address the looming long-term savings gap.

In examining the current state of financial security, we surveyed 600 executives and 7,000 adults aged 18 and older. We found both similarities and differences in views between business leaders and the general public, and we have issued a clarion call for better two-way communication and collaboration.

Among the differences in views, 63% of business leaders, in contrast to 50% of individuals, expect to maintain their quality of life in retirement. Similarly, senior leaders are relatively more financially secure: 53% feel secure compared to 35% of individuals (see Figure 28). Half of business leaders rank personal savings as most important for a financially secure retirement. Individuals, however, rank health as the top priority.

Whereas 45% of business leaders say a lack of pension awareness or visibility is the main reason employees do not participate in pension plans, nearly half of individuals cite affordability (25%) and unemployment (22%) as the top reasons for nonparticipation.

Leaders and workers agree that employees trust their current employer more than professional financial advisors to give good financial advice (see Figure 29). Understanding the positive implications of providing improved benefits and access to an investment plan — most notably higher job satisfaction, greater commitment and loyalty to the organization — is one of the study’s key findings and opportunities for business leaders.
Figure 28. How Financially Secure Do You Feel?

- **Secure**: 35%
- **Neutral**: 30%
- **Insecure**: 35%

31% of women are secure
38% of men are secure
53% of business leaders are secure

Figure 29. As a Business Leader, How Much Do You Think That Employees Trust the Following People or Sources to Give Sound Advice on Planning, Saving and Investing for Retirement?

- Their current employer: 83%
- Their immediate line manager: 83%
- An independent financial advisor recommended by my employer: 83%
- Online financial tools or apps: 80%
Stable and prosperous societies depend on citizens with the confidence to live a quality life during their working years and throughout their retirement — an issue that will have a growing impact on the economy as a whole as people of retirement age make up an increasingly large share of the overall population.

Notably, societies that do a better job of helping individuals close the long-term savings gap will be more competitive in attracting both employers and a skilled workforce, generating higher productivity and lowering the overall burden on the state. Countries with large, unfunded pension promises risk losing out on growth opportunities as employers seek to locate operations in places where benefits are not only sufficient but sustainable. The longer societies put off addressing the issue, the more drastic the actions they will have to take, placing a potentially disastrous burden on individuals and businesses.

Employers, too, have much to gain from helping their employees mend the gap. Research shows that employees who are not financially healthy have higher levels of stress and distraction, leading to lower productivity, poorer customer service and impaired health. Worrying about money matters at work places a significant drag on productivity — and could be largely eliminated if employers used the information at their disposal and their ability to aggregate and negotiate to help their employees find appropriate financial tools and information, including long-term savings options. Beyond the practical gains, for employers committed to social responsibility, helping their employees attain financial wellness is simply the right thing to do.
Stable and prosperous societies depend on citizens with the confidence to live a quality life throughout their entire life.
The need for financial security is evident in how people rate its importance (see Figure 30).

The study shows that financial security-related stress is an issue impacting all of us — regardless of age, geography or salary. Globally, 60% responded that they are at least somewhat stressed about their financial situation. While personal health was one of the top three stressors identified across all regions, the levels of stress vary widely (see Figure 31). The highest stress levels were found in Japan, with 30% indicating they are very or extremely stressed and another 47% saying they are somewhat stressed. Not surprisingly, only 21% of Japanese adults surveyed expect to maintain their desired quality of life in retirement, compared to 50% of adults globally. The Nordics have the lowest financial stress compared to the other regions, with only 45% indicating they are at least somewhat stressed. These low levels of stress in the Nordics align with high reliance on the government and strong social systems in the region.

While financial security is a critical need globally, there are variations by country, including levels of financial stress, expectations of work and responsibility for retirement income.
Figure 30. “To Plan for and Achieve the Quality of Life That I Expect in My Later Years, I Need to Have Financial…”

Figure 31. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?
Globally, people are working longer, out of either choice or economic necessity. More than two-thirds (68%) of adults surveyed expect to keep working in some capacity and never fully retire. This presents a significant opportunity for employers to make accommodations for older workers, thereby benefiting from the experience and knowledge of more seasoned workers. The expectations of work are generally consistent across regions, with notable exceptions in Chile and the Nordics (see Figure 32). Chileans are the most likely to expect to keep working, and 37% specifically cite continuing in paid work as a source of their retirement income. Conversely, the Nordics have the lowest expectation of working later in life. There is a generation gap in the Nordics, however, with millennials recognizing, more so than other generations, that they may need to continue to work later in life.

Figure 32. When You Retire, Do You Expect to Keep Working?

Most of those who expect to keep working are expecting a change so they can work less.
Responsibility for retirement income also varies by country (see Figure 33). The Chinese rely heavily on external sources to provide for retirement, which include the government playing a key role in both making retirement calculations (25%) and ensuring sufficient income in retirement (52%) — much more than other nations. Americans place the least responsibility on the government for retirement income, with 91% accepting that the responsibility lies with themselves. Respondents in Japan, Ireland and the UK also feel a strong sense of personal responsibility for their basic income in retirement. At 70%, Chile has the lowest level of personal responsibility — instead placing a portion of the responsibility on the government (28%) or on their pension or investment fund (29%).

Figure 33. Who Do You Think Is Responsible for Ensuring That You Have Enough Ongoing Income After Retirement to Live With the Basic Necessities?

Additional reports are available — with detailed key findings for each participating country or region — for Chile, China, Ireland, Japan, the Nordics (Denmark, Finland, Norway, Sweden), the United Kingdom and the United States.
Societal shifts can be speedy or glacial. No matter the pace, by understanding the implications and potential impact of change, we are better prepared to take necessary action — especially to reap positive rewards.

This research enables us to do just that. The findings depict the implications of trends in greater individual financial responsibility and increasing longevity. Additionally, with pervasive financial insecurity globally, if we — as individuals, businesses and governments — do not take action, the study foretells the harrowing impact: outliving our savings.

Whether stemming from living longer or inadequate savings (or both), people anticipate working longer to augment or provide income. Combined with those who expressly want to continue working, a significant majority do not ever expect to retire or expect to keep working in some capacity in later life. The choice is not solely theirs. Prevailing ageist practices as well as health are determining factors and, potentially, barriers. Given attitudinal changes and practical needs, the time has come to retire retirement or at least retire previously held notions about it. The time, therefore, has also come to replace ageism with attributing value to more experienced workers and adjust offerings accordingly, including developing relevant skills and varying types of employment (such as job sharing, special projects and mentoring).
To work as long as desired or necessary, health is vital to wealth. Every country in the survey ranks health in retirement as the number one priority — even higher than having enough income for basic necessities. And yet, just over one-third currently profess excellent or very good health as it relates to ability to perform on the job. As such, it bears reiterating that this is not the time to retreat from programs to support personal and financial well-being. Rather, this is the time to bolster them. Employers are trusted for advice and improved benefits. Helping people better manage their health, wealth and careers enhances an enterprise’s value proposition and its ability to attract top talent — all while yielding higher job satisfaction, greater commitment and less time at work stressing about financial matters. As no single entity can effect change alone, governments also need to respond and take action accordingly.

Ensuring financial security for all requires understanding, collaboration and communication — between employee and employer, business and government, and government and people. *Healthy, Wealthy and Work-Wise: The New Imperatives for Financial Security* provides the road map and shows technology as a pathway. It would be wise for all of us to heed the signs and set a new course.
For further information, please contact your local Mercer office or visit our website at: www.mercer.com

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