Saving woes stretch retirement outlook

Europe's savers may fight to meet future money goals

ING International Survey Savings February 2019

thinkforward

This survey was conducted by Ipsos on behalf of ING

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About the ING International Survey

The ING International Survey promotes a better understanding of how people around the globe spend, save, invest and feel about money. It is conducted several times a year, with reports hosted at **www.ezonomics.com/iis**.

This online survey was carried out by Ipsos from 17 October to 2 November 2018.

Sampling reflects gender ratios and age distribution, selecting from pools of possible respondents furnished by panel providers in each country. European consumer figures are an average, weighted to take country population into account.

15

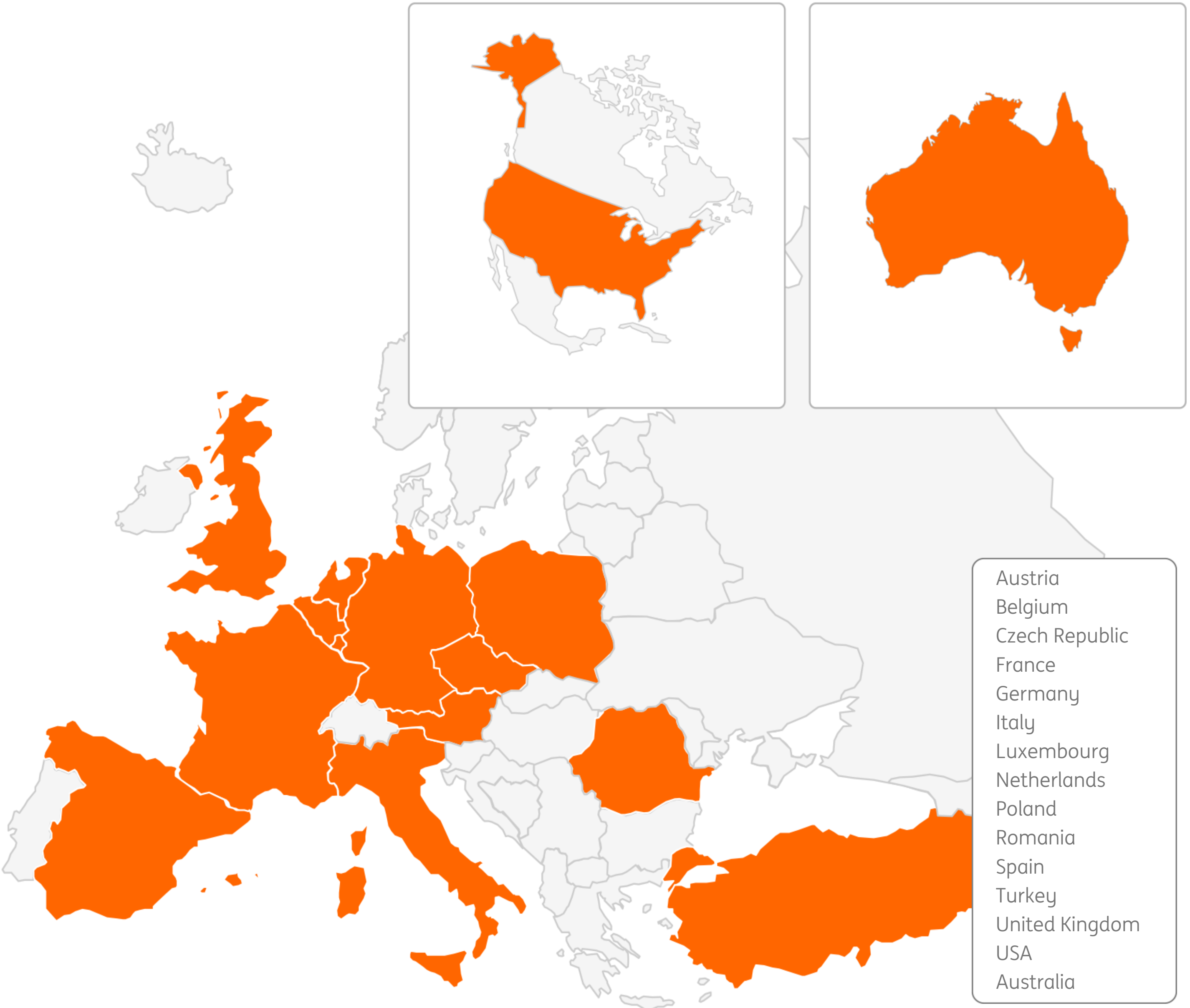
countries are compared in this report.

1,000

respondents on average were surveyed in each, apart from Luxembourg, with 500.

14,695

is the total sample size of this report (2,747 retired; 11,948 non-retired).



Many worry about making ends meet now – let alone in retirement

People in Europe, the USA and Australia could be sleepwalking into long-term saving and spending problems

The ING International Survey Savings 2019, the eighth in an annual series, confirms that 61% of people living in 13 European countries worry about having enough money in retirement. Responses are similar in the USA and Australia.

About half of retirees in Europe tell us that they don't continue to enjoy the same standard of living they had when they were working.

Two in five (39%) of those in Europe who have not yet retired confirm they expect to get less in retirement than they paid into their pension.

And more than half (54%) of Europeans who have not yet retired tell us they expect they'll need to continue to earn some money after they've officially stopped working.

Adding to the uncertainty, studies suggest many may end up retiring earlier than they expect – and not by choice.

Yet many have no savings
Savings are a key way to invest in the future. Yet our survey reveals that about one in four (27%) Europeans have no savings at present. Beyond Europe, the shares are similar in Australia (22%) and the USA (27%).

Without even a minimal savings buffer, families and individuals are less able to mitigate unexpected near-term events, such as car breakdowns or health emergencies, let alone build funds for retirement.

The typically recommended minimum emergency buffer is the equivalent of three to six months' net pay. But our full data set shows that even among Europeans who have savings, 42% have no more than three months' take-home pay put aside.

And if people cannot save today, how can they save for retirement?

Forty-two percent with savings have no more than three months' take-home pay put aside. How can they save for retirement?

Incomes don't go far enough
Two-thirds (66%) of Europeans who have no savings tell us they simply don't earn enough to put anything aside for the future.

Another 14% in Europe report that unexpected expenses have eaten away at their earnings, leaving them with nothing to save.

And around half (51%) tell us their pay sometimes doesn't cover the whole period between paydays – forcing many to reduce their spending (sometimes also using credit cards or another form of borrowing).

It appears that many people are – if not quite living on the edge in budgetary terms – barely managing to keep their heads above water.

Can mobile tech change the game?
If you follow tech trends, you could be forgiven for thinking mobile tech in particular might help people manage their money better – which is what 71% of Europeans reported in the ING International Survey Mobile Banking 2016.

Half of respondents in our Europe sample tell us they use mobile apps for spending or transferring money. However, they admit the main impact of this is simply being able to spend money more often – hardly conducive to boosting long-term savings.

Smaller percentages give answers that suggest using mobile apps, for example, benefits their long-term savings or investments.

Many are struggling to save anything at all. So, with state pension systems in some countries under strain, it's important to take a fresh look at how to meet people's hopes for the future.

Jessica Exton, behavioural scientist
Fleur Doidge, editor

Can you save enough for retirement?

Look after the pennies and the pounds will look after themselves, as the old saying goes. Saving now means funds have a better chance of adding up over time, all the way to a happy and secure retirement. However, the ING International Survey Savings 2019 of nearly 15,000 people in 15 countries confirms that many people struggle to save today.

66% with no savings don't earn enough

66% of Europeans whose household has no savings say they simply don't earn enough to save. 73% say this in Belgium.

51% of Europeans admit they sometimes run out of money before payday; 28% of this group end up relying on their credit card.

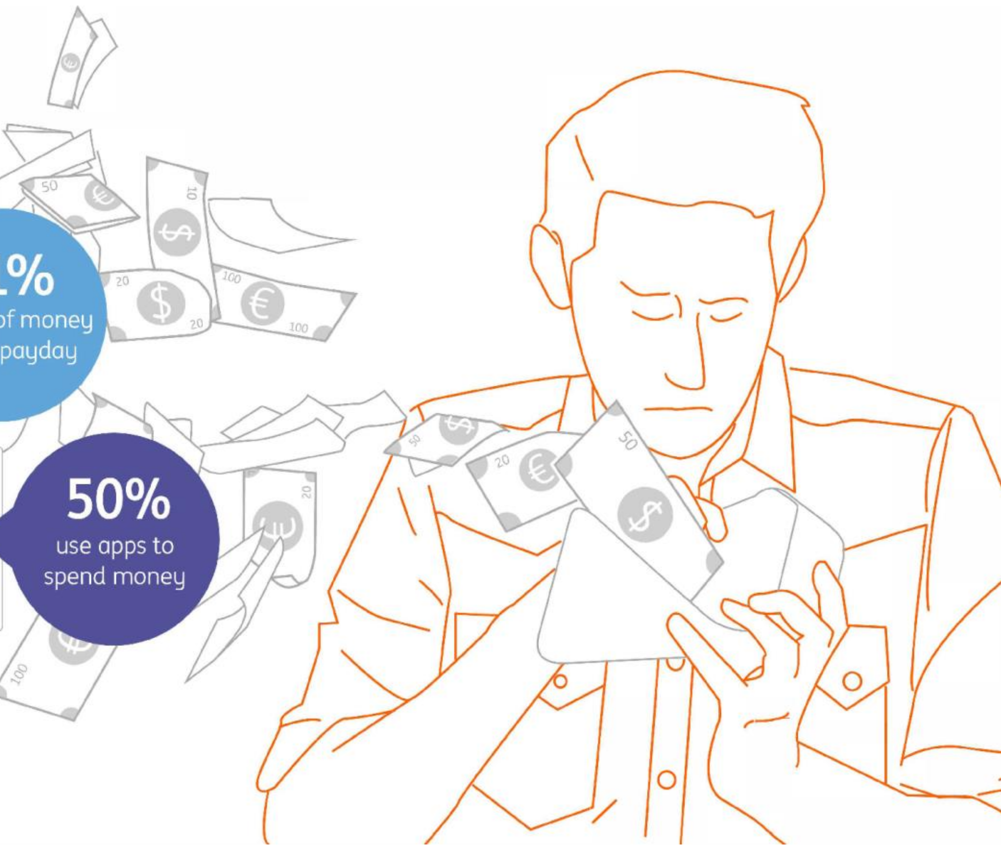
51% run out of money before payday

61% worry about funding retirement

61% in Europe worry about having enough money in retirement; 54% expect they'll need to keep earning once retired.

50% of European mobile app users use these to spend or transfer money 44% of this group say this means they spend and pay more often.

50% use apps to spend money



Fruits of your labour not so sweet?

Many fear they won't be able to afford to retire

As the chart shows, 61% of Europeans who have not yet retired worry about having enough money in retirement. The shares are highest in Spain, France, and Poland.

In our full dataset, those who say they are "uncomfortable" (80%) or "very uncomfortable" (86%) with the amount they have in savings today are the most likely to agree with the statement.

Women are also more likely to agree (66%) that they worry about this than men (56%).

Across the age brackets, shares are relatively low at age 18-24 (57%), peaking around age 25-34 (64%) and tapering off to 45% by age 65+.

We also explore attitudes towards the role any long-term assets might have in funding retirement.

In Europe, 35% of those with long-term assets reply "I do not consider these part of (funding) my retirement" while 27% say simply "I do not have these".

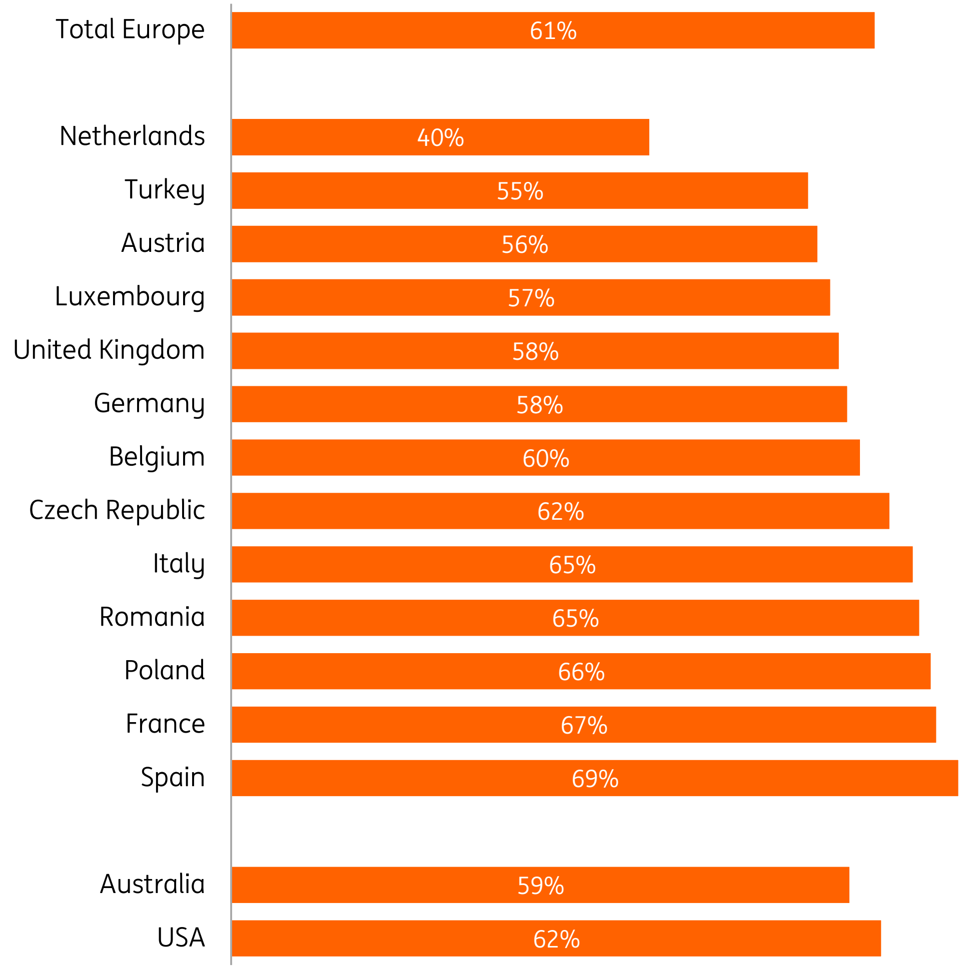
Will many pass on an inheritance?

Of Europeans who have not yet retired, 38% tell us they expect to pass on an inheritance, with the shares highest in Poland (61%) and Luxembourg (56%). Males (42%) are more likely to say this than females (34%) as well as those who say they're "very comfortable" (57%) or "comfortable" (51%) with the amount they've saved.

The question

"I worry about whether I will have enough money in retirement."

Shares of the not yet retired who reply "agree" or "strongly agree". Other possible answers were "neither agree nor disagree", "disagree", "strongly disagree" or "I don't know".



Sample size: 11,948

When will you retire? Reality may not match expectations

Nobody can predict the future. At the same time, people typically focus on the now, making future retirement an abstract concept.

Some may retire later than they expect, with fewer years left in which to support themselves. Others may retire earlier, before they've saved enough. Reasons might include poor health, age discrimination or a weak labour market.

In our study, the mean expected age of retirement in Europe is 63.4.

According to Prudential's "Planning your Retirement: Expect the Unexpected" 2018 report, just 23% of early retirees in the USA chose to do this; 46% were forced to retire due to health problems. Retiring just five years early can reduce retirement income by 36%, the Prudential report says.

ING Poland economist Karol Pogorzelski notes a pattern to the chart's camel-like humps, with single dromedary-type humps reflecting a single retirement age for both sexes. Twin (Bactrian camel) humps are countries with different retirement ages for men and women.

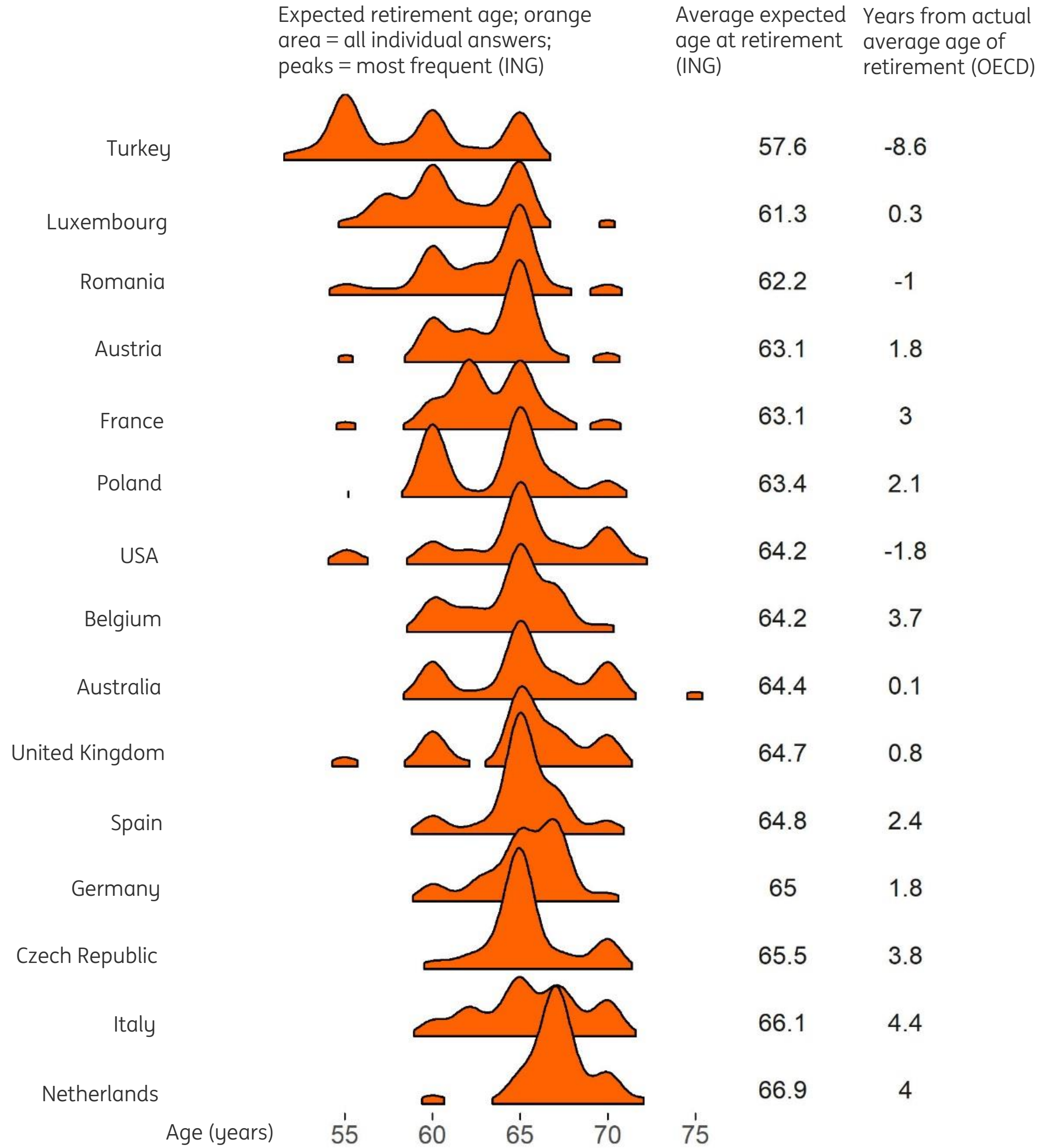
The more ambiguous or multiple-hump pattern reflects countries in transition from this situation to a single official age of retirement.

"Like the three humps in Turkey, UK, Germany and Italy. One reason is because the retirement age is becoming unisex in some places; the other is when many retire early," he says. "The general lesson would be that people's expectations about their retirement are adapting to the regulatory possibilities."

The question

At what age do you expect to retire?

Orange area denotes individual replies around expected retirement age. These were averaged and compared with the average actual (real) ages at retirement reported in OECD Pensions at a Glance 2017 statistics.



Will you enjoy the same living standard once retired?

Nearly two in five not-yet-retired Europeans don't expect to enjoy the same standard of living when they retire that they have today.

The already-retired in our survey are a small sub-group. But half of the people in this group confirm they don't have the same standard of living they did when working.

For most who say this, the assumption is that their living standards have declined. Some may have seen their living standards rise.

France shows the largest gap between expectations of those not-yet-retired and the experience of current retirees.

Our full data set shows that unretired European males (30%) are more likely to express optimism about their eventual standard of living in retirement than females (23%).

Across the not-yet-retired age brackets, expectations of achieving a roughly similar lifestyle as a pensioner are highest among the 65+ bracket (39%).

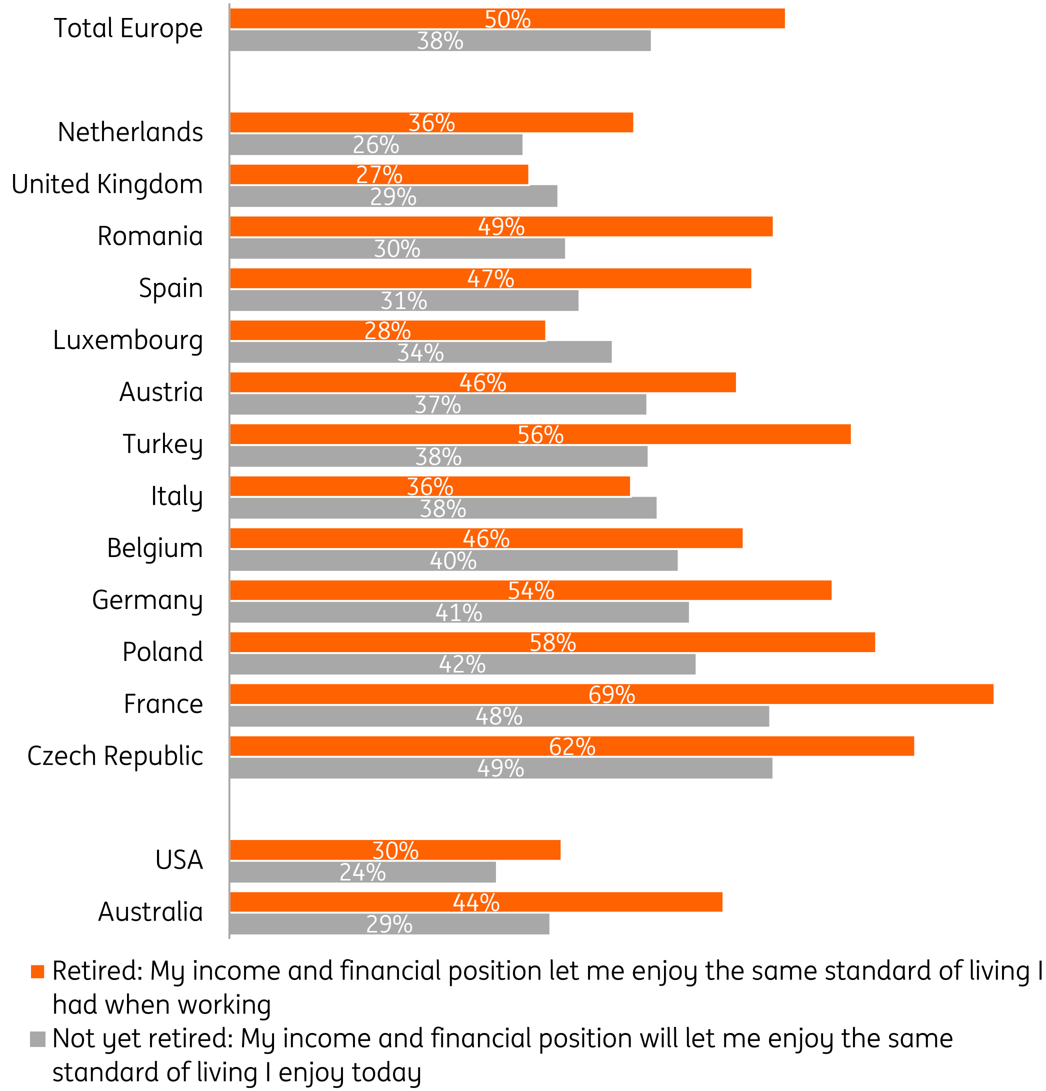
This group is nearest to the retirement age and presumably better able to accurately analyse their likely situation, are already adjusting, or have this front of mind.

Among younger age brackets (31% of 18-24s; 28% of 25-34s; 26% of 35-44s; 22% of 45-54s) decreasing shares of Europeans expect to have the same standard of living once retired. However, the share rises again around age 55-64 (25%), hitting 39% among the 65+ group.

The question

"In retirement I enjoy the same standard of living I had when working / expect to enjoy the same living standard as today"

Shares who "disagree" or "strongly disagree" per country. Other possible answers are "strongly agree", "agree", "neither agree nor disagree", and "I don't know".



Sample size: 2,747 (Retired) 11,948 (Not yet retired)

“I could go on working – perhaps in the gig economy”

More than half of European non-retirees in our survey tell us they expect they’ll need to earn something in retirement.

Shares who agree with the statement are largest in the Czech Republic, Romania, and beyond Europe in the USA and Australia.

Only about one in three respondents in the Netherlands and Luxembourg, on the other hand, agrees he or she will need to earn some money once retired.

When asked specifically, 63% of European residents in our survey agree it can be good to keep working, perhaps for social reasons or improved physical fitness.

But a 2017 Kings College London study of retirees in the United Kingdom suggests the opposite: that people who keep working may do so because they’re still healthy or have social advantages, such as a good network of contacts.

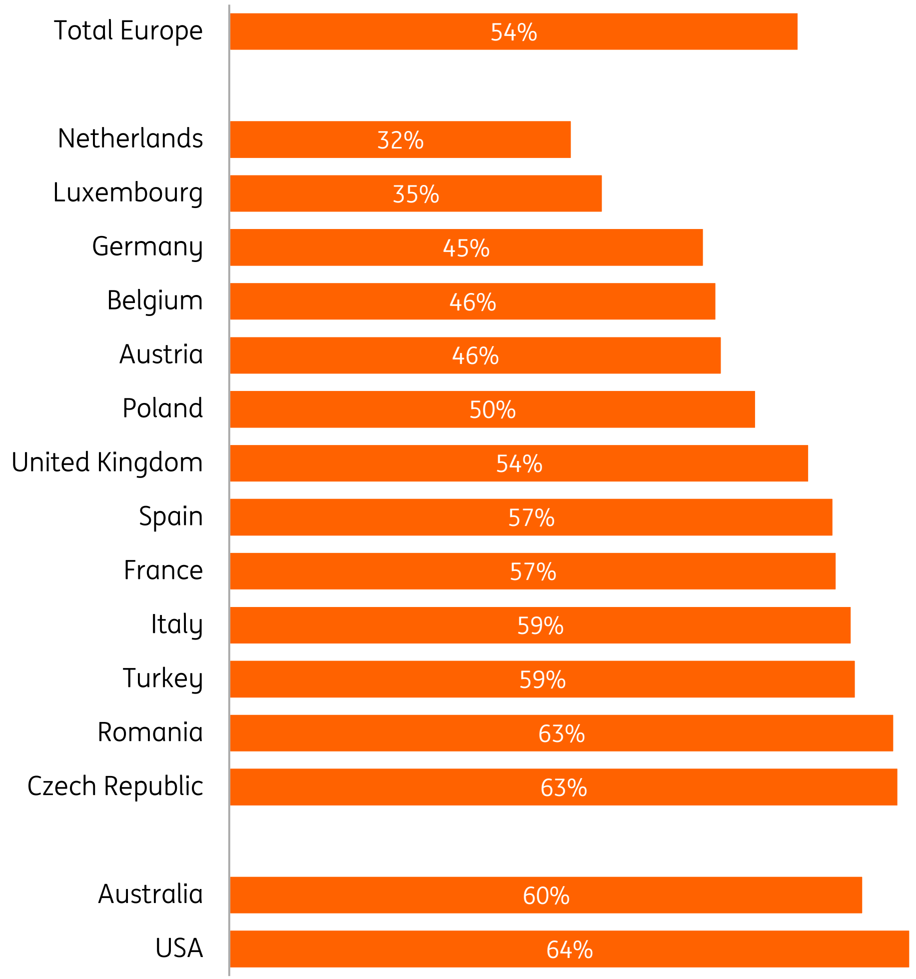
Pathways to earning in retirement

Our data also shows that 58% of Europeans who expect to need to earn once retired say they’ll take on gig/temporary work, either in a similar field to current employment (36%) or a different field (23%). Next is letting property (14%), starting a small business (13%), selling assets (7%), other (5%), and property development (3%).

The question

“I expect I’ll need to keep earning some money in retirement.”

Shares of non-retirees who reply “strongly agree” or “agree”. Other possible answers include “neither agree nor disagree”, “disagree”, “strongly disagree” or “I don’t know”.



Sample size: 11,948

"The state should look after us – but others have a role"

In Europe overall, people tell us they feel the state should retain about 43% of the responsibility for the financial situation of retired people.

Europeans maintain that retirees themselves should bear only about 27% of the responsibility for their finances on average.

This hides some key country differences. In Spain, the Czech Republic and Italy, people feel the state should have about half the responsibility.

Brits say individuals should bear 41% of the responsibility for their financial situation once retired. Australia and the USA also favour greater individual responsibility.

It's generally felt in all countries, though, that retirees' families have less responsibility for the finances of the retired, even compared to employers.

Variations reflect cultures, traditions, social infrastructures and political climates. Yet state pension provisions are under pressure in many places: do individuals need to play a larger role?

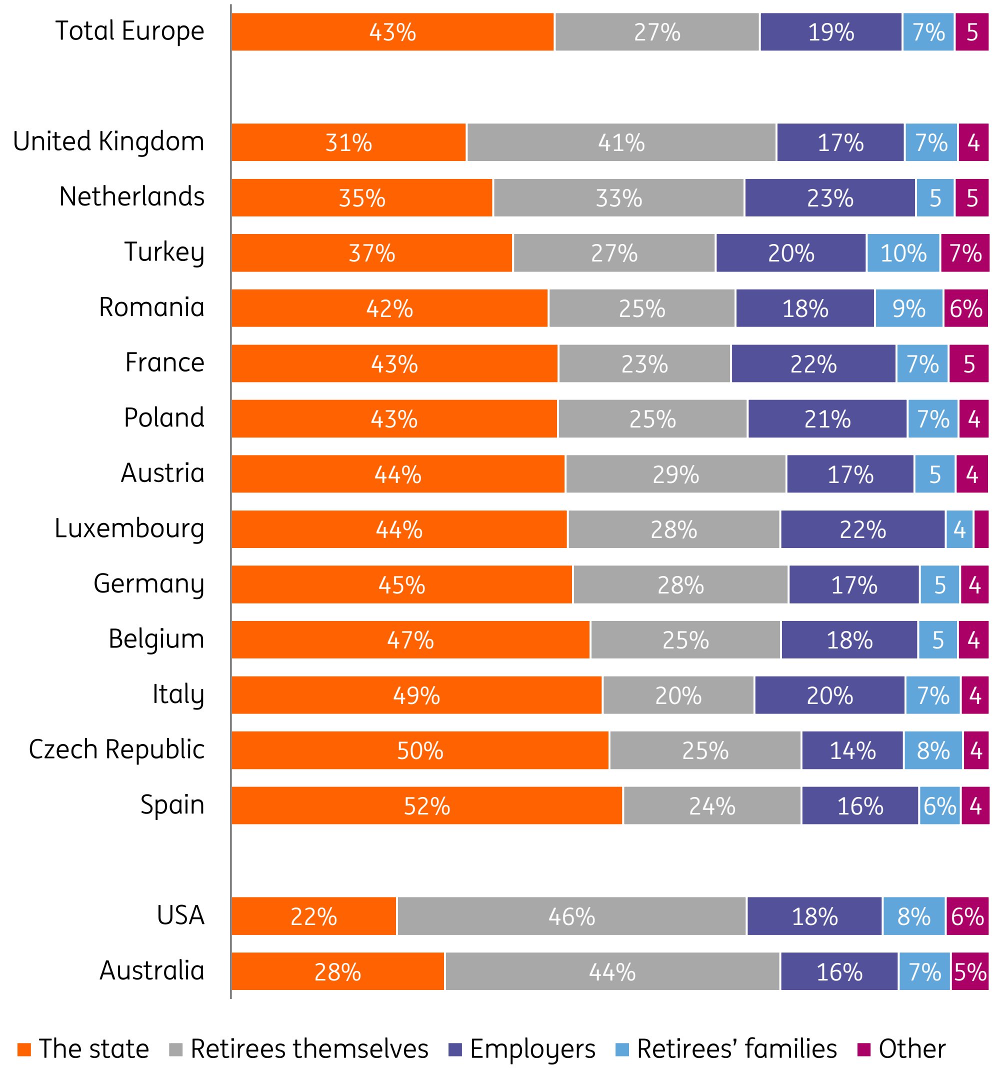
Half plan for extra savings or insurance

In our data, 48% in Europe tell us that they plan for retirement in addition to state, employer, or other contributions, perhaps by saving or taking out retirement insurance. Yet 47% of Europeans don't know the amount contributed to their pension every year. Are some burying their heads in the sand? In France and Spain, the shares who say this are at 58% and 57%, respectively.

The question

How much responsibility should these groups have for the financial situation of retired people?

Percentages show amount of responsibility that people in different countries, on average, think each of the below groups should bear for the situation of retired people.



Sample size: 14,695

Two in five expect less back than they paid into a pension

People in many countries see the state as bearing the greatest share of responsibility for retirees, as the previous page shows.

But there's an acceptance that the individual should play a role too – for example, via extra personal contributions to funding.

Yet two in five (39%) of those in Europe who have not yet retired say they expect to receive less money in retirement than they contributed for that purpose.

Almost one in four (22%) Europeans say, perhaps optimistically, that they expect to receive in retirement roughly the same amount as they contributed. In Spain, more than a third (36%) say this.

A few (13%) across Europe indicate they expect to get more money back than they paid in.

About one in five (18%) replies "I don't know" – which might suggest they find retirement planning schemes and funds confusing.

It may even mean they have not thought about it. Some may be avoiding engaging with the subject of how much money they might have to support them in retirement.

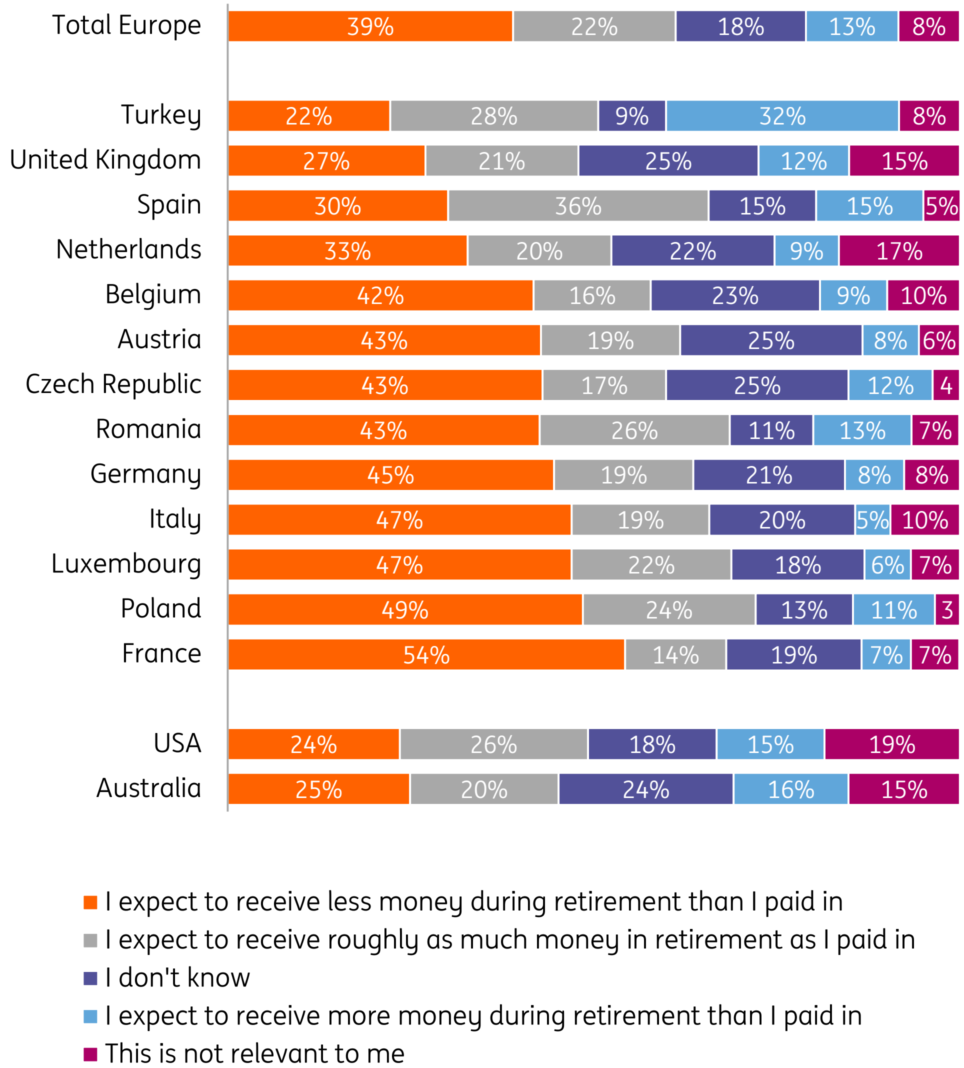
Surprisingly high shares respond that the question "is not relevant", especially in the USA, Netherlands, UK and Australia.

Answers given may refer to state or private retirement funding arrangements.

The question

Which option best describes what you expect in retirement?

Asked only to those who have not yet retired. All possible answers shown on the chart.



Sample size: 11,948

Savings – can you see a bright future?

Many in Europe, the USA and Australia have no savings

We continue to find that large shares in every country have no savings. This year, more than one in four (27%) people in Europe tell us their household has no funds put aside.

The shares are similar in Australia and the USA.

With no savings, families and individuals exert less control over their lives – both now and in the future. Decision-making may be restricted, narrowing opportunities throughout life.

People with no savings typically have less choice of where to live, what healthcare they can afford, and what training or education they or their children can receive, for example.

European Central Bank (ECB) monetary policy has in recent years kept interest rates low, reducing the incentive to save.

It gets worse: our full data set shows that 42% of the Europeans who have savings have no more than three months' take-home pay put aside – rising to 60% in Turkey and 58% in Romania. The lowest is in Luxembourg (25%).

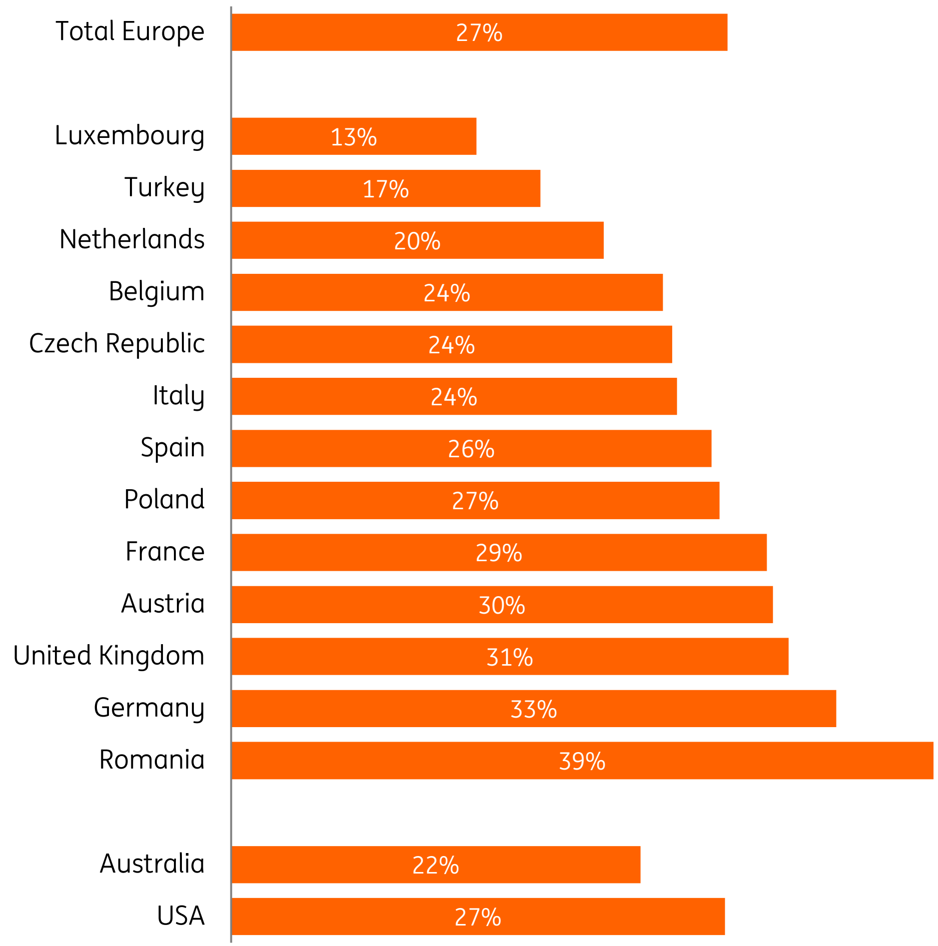
Three to six months' worth of savings is the minimum recommended size for an emergency buffer to cover unexpected events.

About 5% on average in Europe reply "prefer not to answer"; they were excluded from the calculation shown on the chart.

The question

Does your household have any savings?

Shares who reply "no". Sample excludes the share who reply "prefer not to answer" to the question.



Sample size: 14,009

Two in three with no savings say their income is too low

We took the 27% in Europe, 27% in the USA and 22% in Australia who told us their household has no savings and asked them why they are in this situation.

As the chart shows, two-thirds (66%) of this group across Europe alone tell us that they simply don't earn enough to put anything aside.

The share of those who have no savings and say this is because they don't earn enough rises to a high of 73% in Belgium, with the UK next (72%). The USA (65%) and Australia (59%) respond similarly.

This likely reflects low wages in relation to the cost of living in each country.

Another 14% in Europe report that they have no savings because unexpected expenses have eaten away at their earnings. This could be anything from medical expenses to a car breakdown, or even just a larger than usual utility bill.

About one in ten (12%) Europeans with no savings say this is because they have spent anything spare on discretionary items.

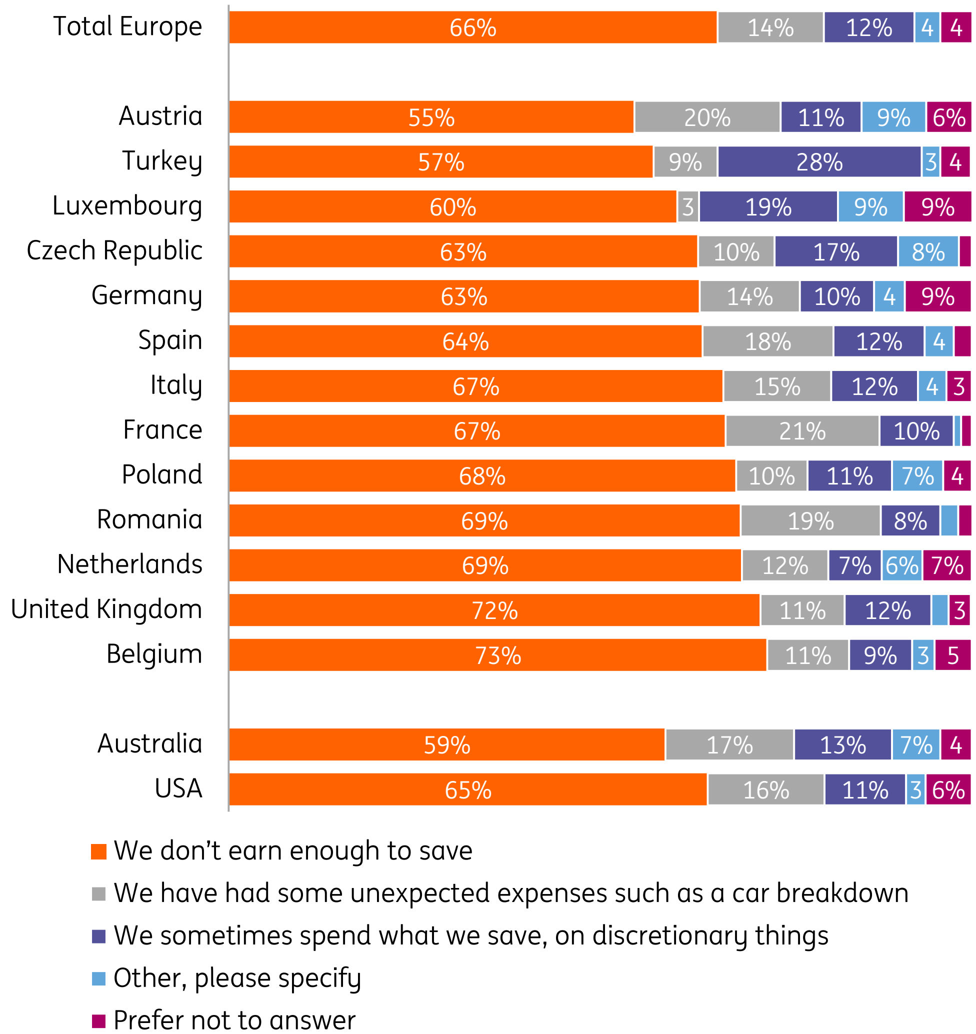
"Discretionary items" refers to products or services that an individual chooses to buy, rather than having to, such as relating to leisure activities or other optional purchases.

Spending decisions are typically made through a process of mentally prioritising everyday demands and plans according to the need to stay financially afloat. Future needs, as a result, can sink to the bottom of the pool.

The question

What is the main reason your household doesn't have any savings?

Asked only to the share who tell us they have no savings. Respondents could select one reason only. All possible answers shown on the chart.



Sample size: 3,636

Living on the edge – or just about managing

High shares tell us they sometimes run out of money by payday. As we saw on previous pages, many don't earn enough to save – let alone cover unexpected expenses.

It's unlikely that many run out of money because of irresponsible behaviour. Many may be struggling to keep up, due in part to slow income growth, as described by the OECD's Better Life Index 2017.

About 2% reply "prefer not to answer" and 2% "don't know".

Maria Ferreira, economist at ING, adds: "Our full data set suggests that those who review bank statements regularly, perhaps also tracking spending in other ways, are less likely to run out of money."

Additional analysis also shows that people in Europe with no savings are likelier to say they sometimes run out of money by payday (78%) than those who have some savings (42%).

Those in Europe who say they have no savings because they don't earn enough are also more likely to say they sometimes run out of money (85%) between pays, according to our data.

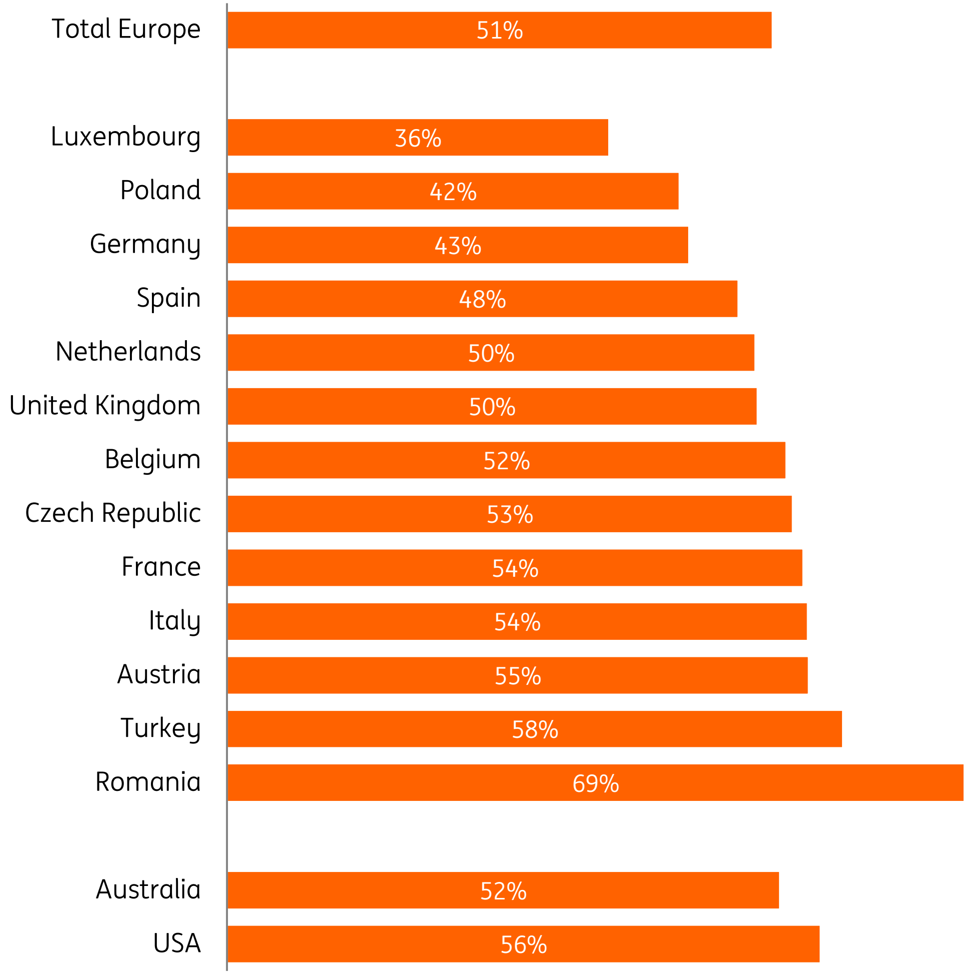
Not everyone keeps track of spending

Our full dataset finds that 9% of Europeans do not track their everyday spending. When asked why, 40% reply "I never thought about it"; 16% say they won't run out; and 15% say they don't have time. Some 14% say it makes them "feel bad", 11% that it's "too much effort": does this stem from feeling out of control when money is a scarce resource?

The question

Do you ever find yourself running out of money at the end of the pay period?

Shares in each country who reply "yes – occasionally" or "yes – most of the time". Other possible answers include "no", "I don't know", and "prefer not to answer".



Sample size: 14,695

Most cut their spending – but many resort to credit cards

On the previous page, we saw that half (51%) of European respondents run out of money between pay periods, either “most of the time” or “occasionally”. The latter might happen because of an unexpected or large one-off bill.

Three-quarters of respondents in Europe respond to the situation in a straightforward, sensible way by reducing their spending.

In addition, nearly three in ten (28%) tell us they start spending on their credit card once they’ve run out of pay. The shares who resort to a credit card are highest in Turkey (59%), Luxembourg (38%) and Spain (35%).

Credit cards usually have high interest rates, so customers who don’t pay their whole debt off immediately must pay much more back.

And it can be hard to calculate how large the debt is set to grow – meaning it takes even more time to pay back, and requires even more day-to-day thought.

When resources are scarce, cognitive overload can be the result. It can be tough to make good decisions when money or time is tight.

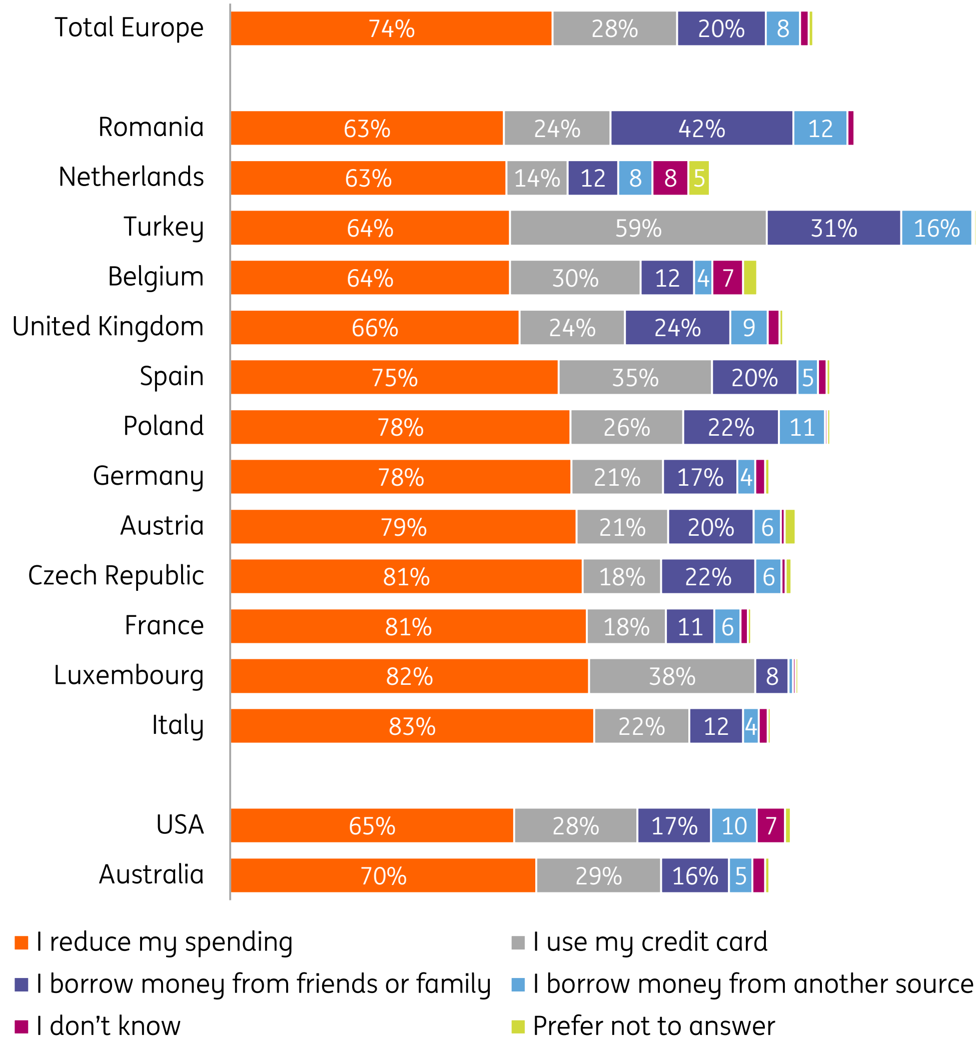
One in five (20%) indicates he or she borrows funds from friends or family – rising to two in five (42%) in Romania.

Borrowing via a source other than credit cards or friends or family was less common, with just 8% of respondents in Europe indicating they chose this option to cover a pay gap. Examples might include banks, payday lenders, credit unions, or even employers.

The question

If you run out of money, what do you do?

Shares who replied previously that they run out of money “occasionally” or “most of the time” and their choice of resolution. All possible answers shown. Multiple selections permitted.



Sample size: 7,588

Mobile apps may make it easier to spend, not save

Seventy-one percent of European users of mobile technology for banking have previously told us that it helps them manage money – the figure is from our ING International Survey Mobile Banking 2016.

But in 2019 we dug a little deeper. And, when asked, 44% of Europeans who use mobile apps to spend or transfer money tell us the impact is that they spend or transfer money more often.

About a third (32%) of those who spend or transfer money by mobile app say they are now more confident doing so as a result.

Only three in ten (31%) say they "get better performance" as a result of spending or transferring by app – perhaps being able to pay at any time means fewer payments are missed, for example.

And for many people, the more often they spend, the higher the sums might be – and the harder it can be to save.

One in ten says he or she hasn't received any of the suggested benefits from using a mobile app to spend money or transfer funds.

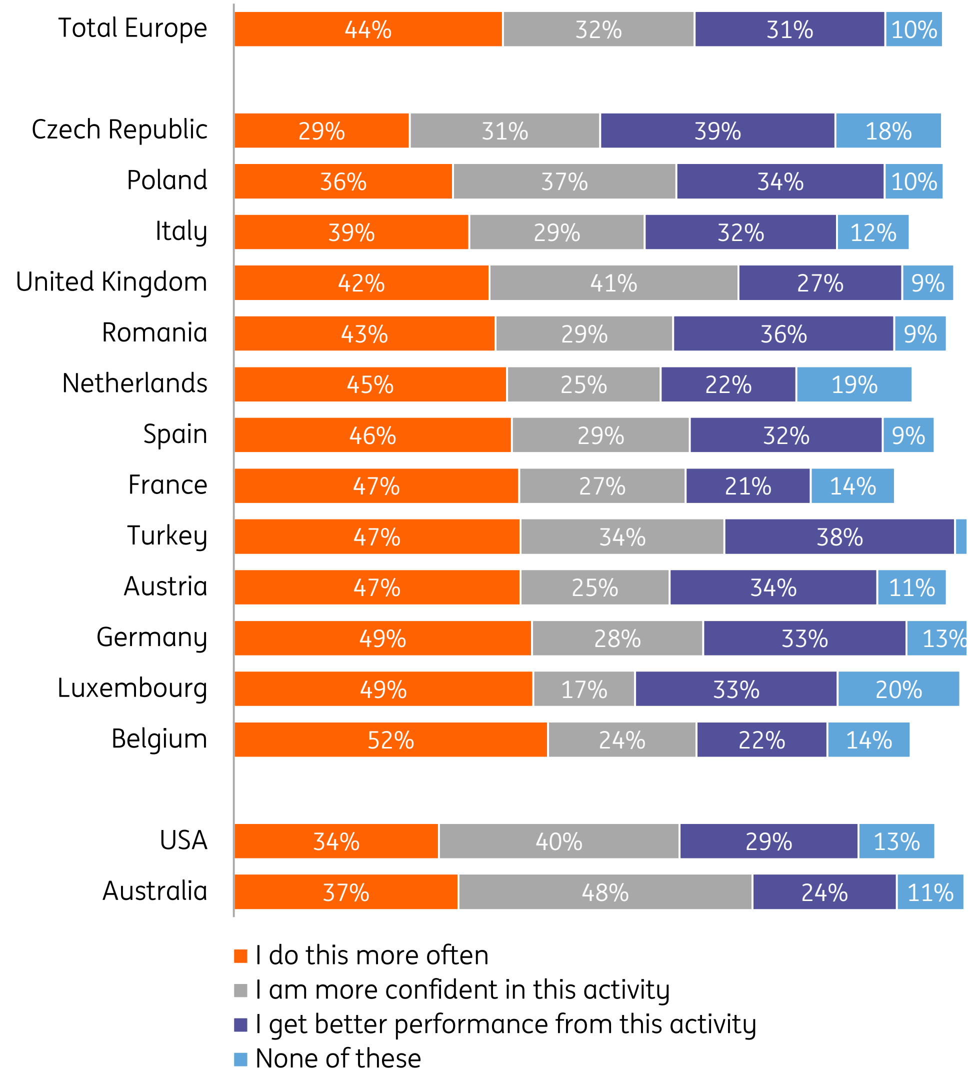
Our full dataset confirms that half of all Europeans indicate they use mobile apps for spending or transferring money; with 28% saying they have been doing this for five years or longer.

We also asked about investing by app – see the next page for more on this sub-group.

The question

What has been the impact of using mobile apps for spending or transferring money?

Shares of mobile app users in each country who indicate they use a mobile app for spending or transferring money - that is, for making payments. Multiple selections permitted.



Sample size: 7,413

Which tools might help people save or invest more?

Just 21% of those in Europe tell us they use mobile apps for making investments. We asked this small sub-group about the impact of investing by mobile app.

Nearly two in five (38%) indicate investing via mobile apps has boosted their confidence in making investments – which could benefit their savings long term.

One in three replies that he or she gets better performance by investing with a mobile app. “Better performance” can be interpreted in many ways, including ease of use, taking less time to invest or getting a better return on the activity.

Investing can be a way to grow savings longer term, especially when interest rates remain low. In our full data set, 46% in Europe agree that investing their savings is a good way to build wealth.

Only half of our European sample agree technology is making it easier to invest. And just 37% say they are comfortable investing some of their wealth.

When asked what would be the one thing that would encourage them to start investing more, 41% say “having more money available”.

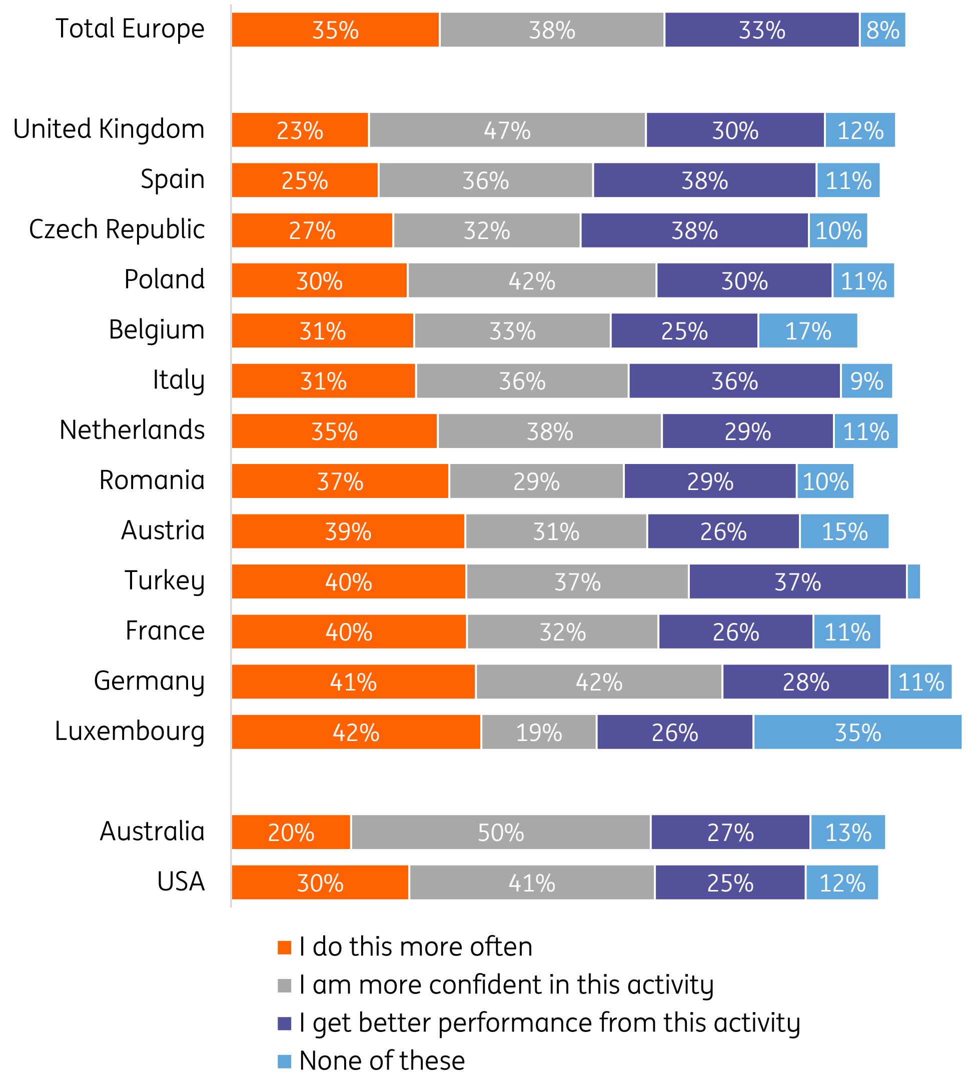
Meanwhile, people’s typical focus is on immediate needs. Saving more is difficult, as previous pages show.

Might new behavioural approaches be developed that help people in all countries save more, right up to and beyond retirement? This could help people secure their futures.

The question

What has been the impact of using mobile apps for making investments?

Asked only to the shares of mobile app users in each country who indicate they use a mobile app to make investments. Multiple selections permitted. Possible answers include “not sure”.



Sample size: 2,690

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