HEALTH WEALTH CAREER

HEALTHY, WEALTHY AND WORK-WISE

The New Imperatives for Financial Security

Nordics Key Findings

MAKE TOMORROW, TODAY MERCER

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GLOBAL EXECUTIVE SUMMARY

If only we could predict our financial futures.

In the absence of a crystal ball to determine how long we will live and what we will need to live well, Mercer has conducted a global financial security research study to better understand the imperatives affecting financial security today and tomorrow.

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 organisation. 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 personalising 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 organisations 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 programmes 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.

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 recognise 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 apace 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 for more than information and basic modelling. Technology must utilise data to make offerings more personalised 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 towards 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

02

EXECUTIVE SUMMARY: NORDICS

Generally, financial security in the Nordic countries avoids extremes. Neither very secure nor insecure, 45% are financially stressed and over one-third feel that "everything will work out somehow". Causes of financial stress primarily include the general economic conditions or personal health, followed by not saving enough for retirement and having no guarantee of future employment.

People in the Nordic countries see themselves living well past their 70s and into their 80s and 90s. They are optimistic about when they might retire, being more likely than other nations to hope to retire in their 50s and 60s. There is a generation gap, however, with baby boomers expecting 22 years in retirement on average, while millennials expect only 16 years in retirement.

Those in the Nordic countries are likely to see themselves as being in good health, a top retirement priority, and half intend to work after they retire. Despite being confident they will have enough income in retirement to cover the bare necessities, workers in the Nordic countries are also more likely than other nations to make trade-offs — being willing to save a greater percentage of their disposable income now, spend less and downsize on lifestyle, car or other assets in order to achieve a desired quality of life.

The Nordics are more likely than other nations to believe the responsibility for ensuring that they have enough income after retirement is theirs (77%), with support from government (39%). Over half of women (52%) have made no calculation of retirement income, compared with 62% of men who have calculated their required savings, mainly by themselves or by using online tools. Most show an interest in using online financial planning tools where they are in control, namely mobile banking, managing their own finances or aggregating banking data online to track and target improved savings.

Those in the Nordic countries are more likely to trust partners, family or current employers to give sound advice on pension planning, rather than the government. They are more likely to be paying into various types of savings plans, including personal retirement savings accounts, a government-provided pension, such as social security, or an employer plan.

The Nordics place great importance on having access to an employer retirement savings or pension plan, being able to continue to develop their professional and personal skills and being allowed to be flexible in when, where and how they work. Eighty-two percent feel it would make a positive difference in work satisfaction or engagement if their employer was to provide access to or improve the overall benefits of the pension plan available to them.

Globally and in Denmark, Finland, Norway and Sweden, being healthy, wealthy and work-wise will mean working longer and investing now in our health, savings and job skills.

Denmark: High Reliance on Government

There is less stress around finances and financial security in Denmark than in other Nordic nations. Thirty-three percent say they are stressed about financial security (compared with 60% globally).

Danes also place financial responsibility on the government. Sixty percent of Danes expect the government to provide retirement income for them. This reliance on the government is evident in how Danes describe financial stresses. Danes are more worried about not having a state pension as a fallback (35%) than about saving enough for retirement (26%). Only 9% expect to have to keep working for income after retiring.

Danes do take some responsibility and action for their retirement income: 68% have made some sort of calculation of how much income they will need, and 34% have used a financial advisor to calculate their necessary retirement income.

Finland: Few Financial Plans

Finns do not appear to be giving much thought to their retirement — as well as future financial security — and are considerably less stressed about it than the global average. Less than half (42%) of Finns say they are stressed about financial security compared to 60% globally. However, they do have low confidence in current or future financial security, with only 42% expecting to maintain their desired quality of life after they retire.

Over half (52%) have made no calculation of the income they will need once they retire. And nearly half (47%) also say they would not be able to handle a short-term financial emergency. Fifty-four percent of the population is not contributing towards any sort of retirement plan (personal, employer or government) and 17% have made no plans whatsoever for retirement. Interestingly, only 19% say saving enough for retirement causes them stress.

Where there is stress, it revolves around employment: 32% say no guarantee of future employment causes them stress. This may well be health-related. Only 32% say their health is excellent or good as it relates to work.

Norway: Confident in the Government

Confidence runs higher and financial stress runs lower in Norway compared to the rest of the world. Forty-two percent of Norwegians say they are stressed about financial security, compared with 60% globally. And 44% say they feel financially secure, compared with 35% globally. Thirty percent are confident they will save enough for retirement versus 26% globally. Sixty percent expect to keep working in some capacity or never retire — lower than 68% globally — but the highest percentage for the Nordic countries.

Only 15% of Norwegians are paying into private savings plans, yet a significant 71% expect to maintain their desired quality of life in retirement. Only 22% — among the lowest in the global study — say saving enough for retirement income causes them stress.

With less than half paying into a retirement savings plan, Norwegians are relying on the government to look after them. There is also a high trust (82%) in the government to give sound financial advice. Two out of five expect the government to calculate how much they need for retirement and ensure they have that amount, and 69% expect to receive income from the government when they retire.

Sweden: Not Confident, but Taking Action

In Sweden, there is higher financial stress (62%) and lower financial security (35%) compared to Norway. Stress about retirement savings (28%) is also higher than other Nordic nations. In these ways, Sweden is more similar to Ireland or the United Kingdom than to its Nordic neighbours.

Perhaps as a result, Swedes are taking action through diverse retirement savings, with 31% expecting to receive after-retirement income from all three savings pillars: personal, employer and government. Forty-eight percent are expecting income from employer savings plans and 41% are currently investing into an employer account, more than global, Finland or Norway.

Still, 19% are expecting the government to calculate how much they will need for retirement income and provide that for them. Also, 19% have made no plans whatsoever for retirement.

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 behaviours, 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.

Health and personal savings are seen as the key factors vital to financial security in retirement.

03

KEY FINDINGS: NORDICS

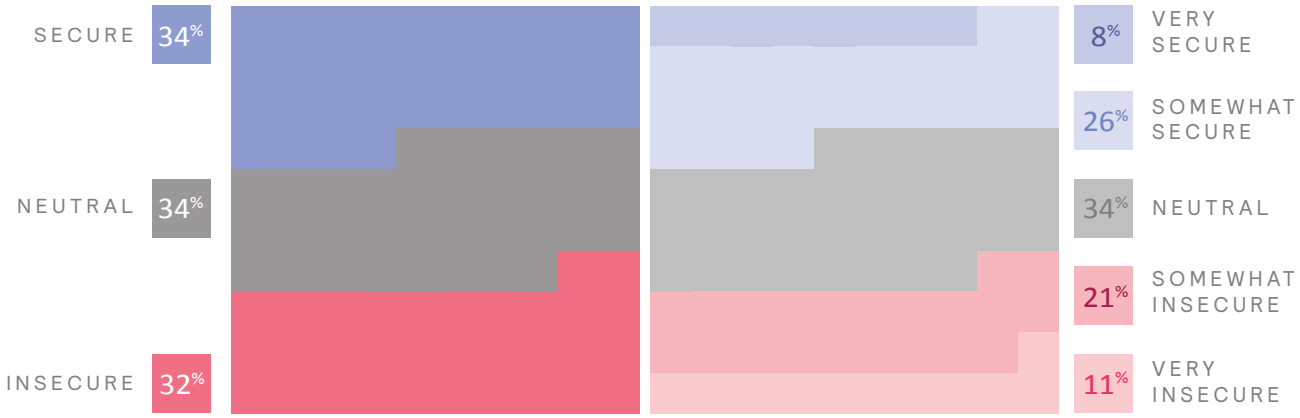
FINANCIAL INSECURITY

Uncertainty today is affecting how we are planning — or not planning — for tomorrow

Globally, the stress of financial security impacts all of us — no matter our age or stage of our careers — as we face the prospect of outliving our savings. Women face pay and pension gaps. Older people face ageism. Those of us in our 20s and 30s face uncertainty of what to do and how to begin to save. The booming "gig" economy is changing the nature of work itself.

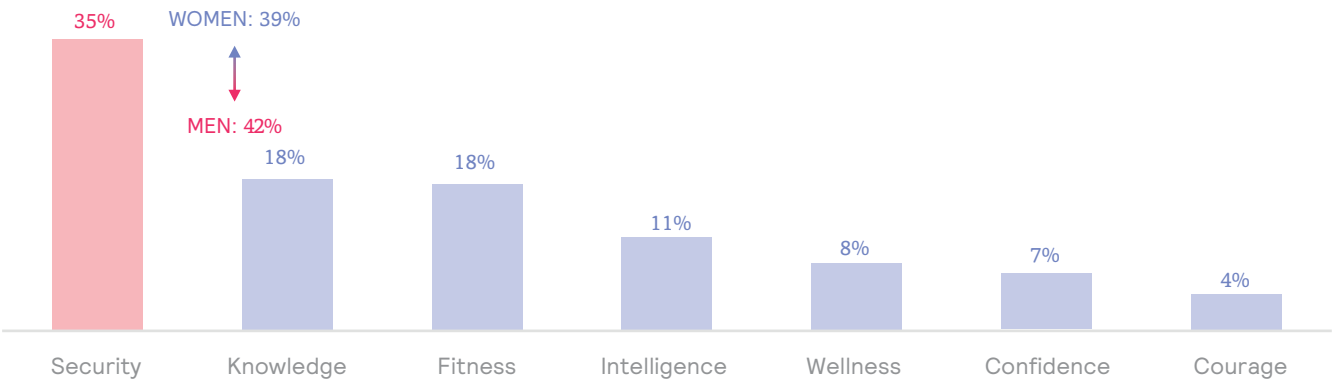
Financial security affects people's expectations of living well now and in retirement. Findings from our global research on financial security show there are imbalances between our need to save and our ability to do so — affecting all of us regardless of income status or geography. Sixty-five percent of all adults in the global study — as well as 47% of business leaders — do not feel financially secure. Similarly, two-thirds (66%) of adults in the Nordics do not feel financially secure today (see Figure 1).

Figure 1. How Financially Secure Do You Feel Today?



While 35% say they need financial security to retire well, 52% expect to maintain a desired quality of life after fully retiring (see Figure 2). As a result, if necessary, 80% say that they are willing to make trade-offs (save more or spend less) to afford a longer and better future. Across generations, geographies and genders, globally, people are feeling the pressure of their future financial security now. After the economy, personal health and not saving enough for retirement are the top causes of financial stress. Although stress is universal, women and younger people feel the most stress and very few are confident that they will be able to save enough to retire.

Figure 2. "To Plan for and to Achieve a Quality of Life That I Expect in My Later Years, I Need to Have Financial ..."



Across genders and age groups, Nordic participants are currently feeling financially stressed, with levels essentially at parity: 45% of all adults are at least somewhat stressed; equally lower for men at 40% as it is higher for women at 49%. Millennials (18-34 years of age) are the most stressed at 52% and those closest to retirement (at over 55) are the least at 31% (see Figure 3).

Globally, people lack confidence in staying healthy, the current economy, staying employed and being able to save for retirement. In the Nordics specifically, personal health and general economic conditions — each at 39% — are the top two causes of financial security stress, followed by no guarantee of future employment at 29% and not saving enough for their retirement at 23% (see Figure 4).

Despite the financial-related stress and lack of confidence, 58% are confident that they can cover short-term financial emergencies. There are even one in five who say they wouldn't change anything about their current lifestyle, even if it meant they couldn't maintain their desired quality of life in retirement.

The uncertain bottom line is: less than a quarter of Nordic adults (24%) are confident they will be able to save enough for retirement. Therefore, living well now and in the future requires better planning and readiness.

Figure 3. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?

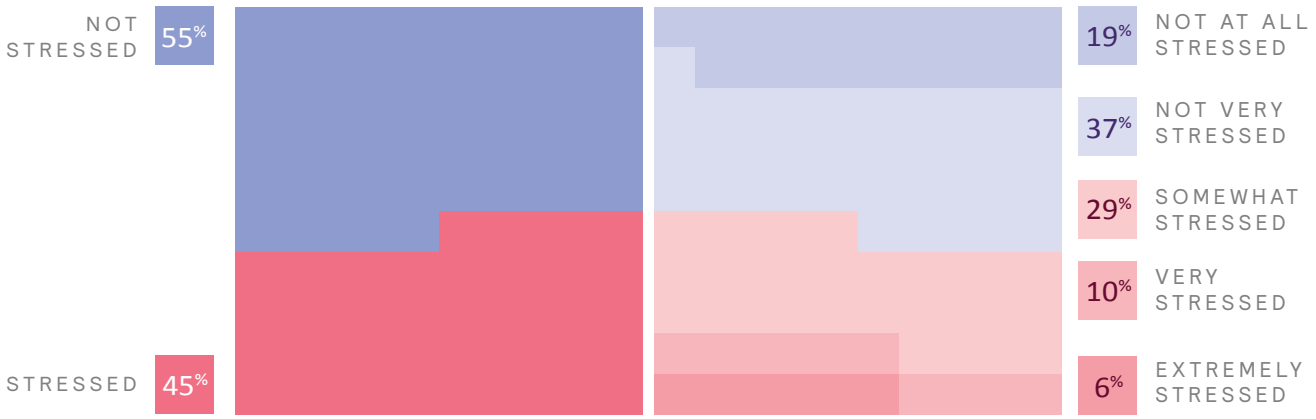
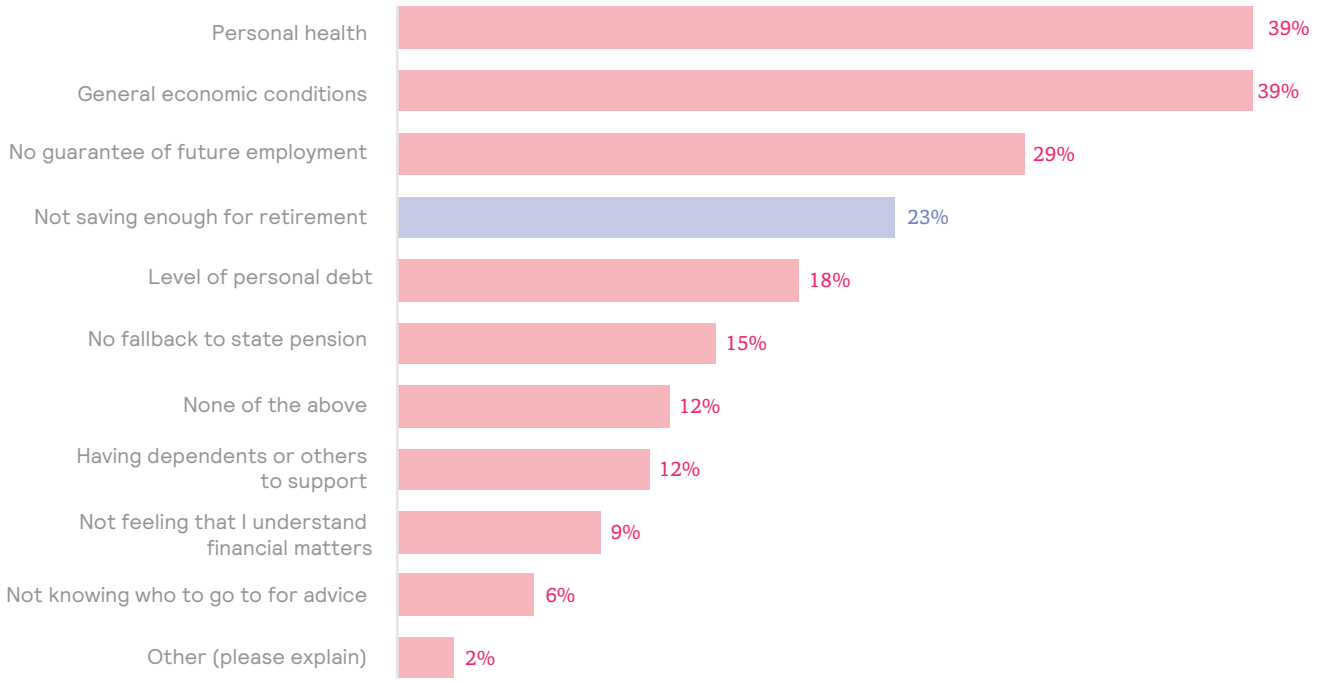


Figure 4. What Causes You Stress, if Anything, With Regards to Your Financial Security?



TIME TO RETIRE RETIREMENT

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.

Today, people in the Nordics expect to spend 16-21 years in retirement — essentially at parity with the global average of 15-20 years — and are tracking to outlive their savings and work longer or have to reduce their expected quality of life. Such realities require flexibility in benefits, systems and structures as retirement needs, investment and savings vary and affect decisions to continue working or adjust lifestyles accordingly.

While two-thirds of Nordic adults expect to live past 80, just over half, 52%, expect to maintain a desired quality of life after fully retiring and just one-third, 33%, are confident they will be able to afford to live out the rest of their lives. As such, 50% do not ever expect to retire or expect to keep working in some capacity after retirement (see Figure 5). And 13% specifically cite continuing in paid work as the source of their retirement income.

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

With an upward trend 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 needs to better enable older workers to contribute professionally. And, for this to be true, society in general, and employers in particular, must reappraise their biases towards older people and eliminate ageism.

To stay employable and valuable, people understand the necessity of lifelong learning and keeping skills current to do the work of the future. This is well understood in the Nordics, with 87% of adults saying that continuing to develop professional and personal capabilities is important.

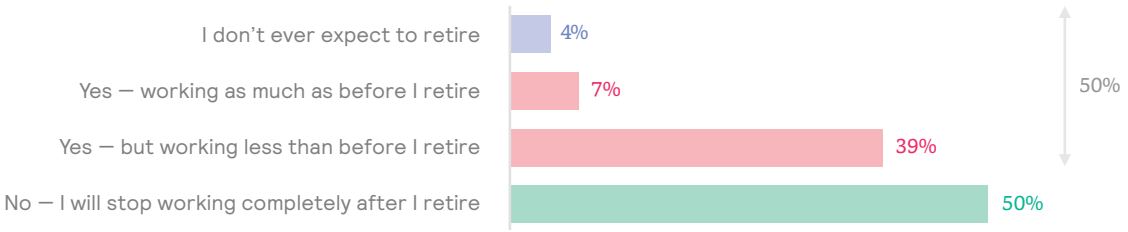
Individual productivity and earnings in later years would go a long way to improving the solvency of government pension systems. In addition, research demonstrates that working correlates with improved health — physically, emotionally and cognitively — thereby enabling older populations to remain both productive and healthy.[1]

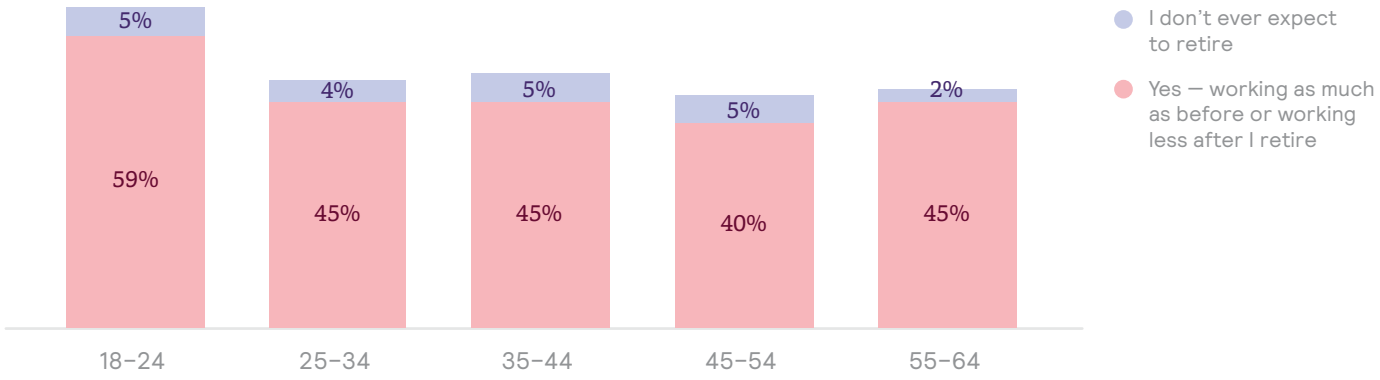
[1] Chamberlin J. "Retiring Minds Want to Know," *Monitor on Psychology*, Volume 45, Issue 1, p. 61.

Societies, employers and individuals themselves will 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 and in different capacities or with adjusted schedules, mean individuals will have many more years of productive activity in which to accumulate savings and contribute to social insurance programmes. As such, since they do not have to accumulate their long-term savings over a compressed period of time, individuals may choose to structure their earlier working years differently, with more time for caregiving and other family obligations.

Figure 5. When You Retire, Do You Expect to Keep Working?





HEALTH IS VITAL TO WEALTH

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 the global study, there is a gap between the current state of health essential to work, between the importance placed on health and the action required to stay healthy.

Both globally and in the Nordic countries, people rank health — now and in later years — as the most important factor for a financially secure retirement and post-retirement lifestyle (see Figure 6). And yet, despite the importance people place on health, we are only doing the minimum with basic efforts to be healthy.

In the Nordics, less than half (41%) profess excellent or very good health currently as it relates to ability to perform on the job — similar to the global average of 39%. For most, health-related factors are causes for concern: 39% cite health as a financial stress factor; 29% are confident in their ability to pay for medical costs.

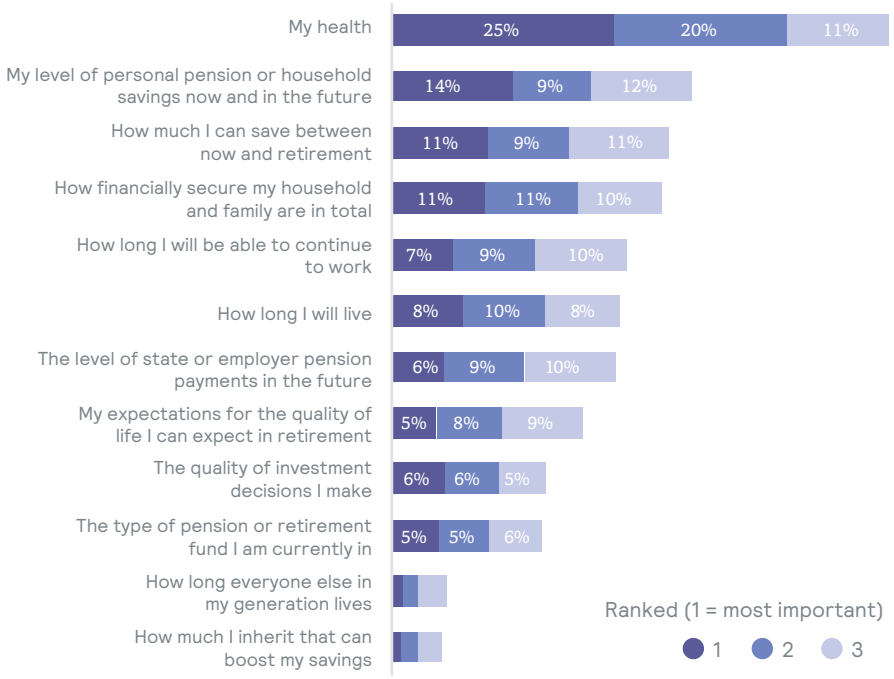
When it comes to the importance placed on health in retirement, there is a difference between the views of people and their employers. Nordic business leaders rank health of employees fourth most important — just slightly higher than the ranking of fifth globally — after level of savings (also atop the global list) and how long people will be able to work.

Therefore, governments and corporations must look at the importance people place on health and how health and financial security are inextricably linked. Given how essential health is to enabling people to contribute productively, working as long as desired or required, and to enjoying a good life, investing in health as well as financial wellness at work is imperative.

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 view of the study's findings, CEOs must recognise that helping employees better manage their health and wealth is critical to any firm's value proposition and to attracting top talent.

Figure 6. Health Is More Important Than Wealth for a Financially Secure Retirement

What do you think are the most important factors today affecting whether you will be financially secure in retirement?



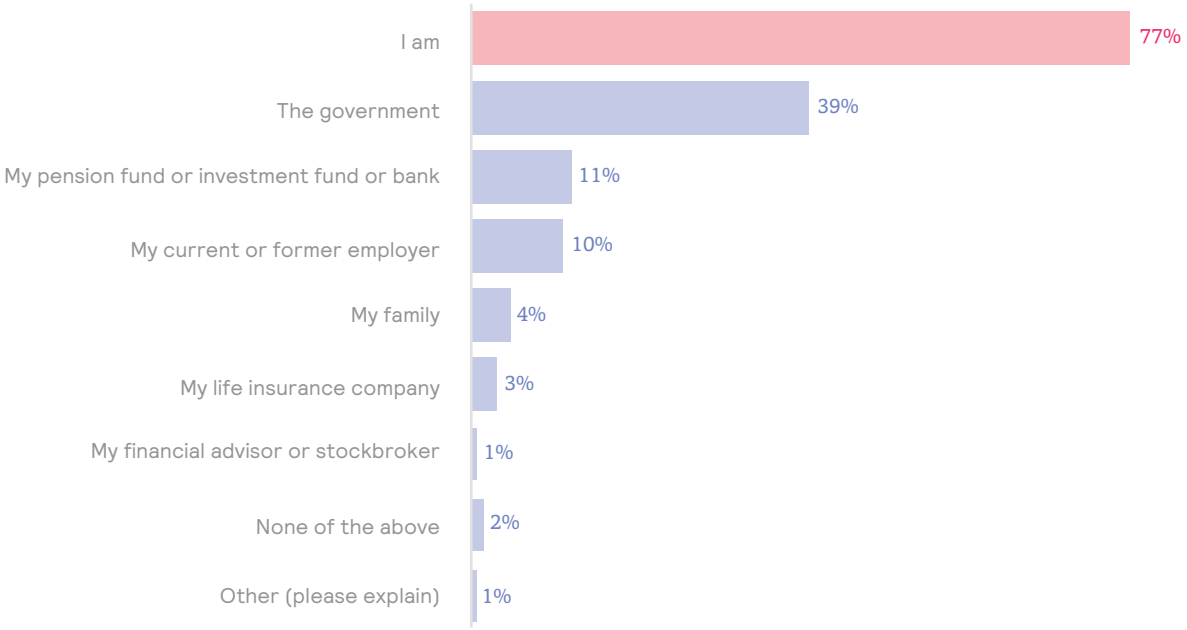
What defines a good lifestyle after you stop working entirely?

ACT NOW TO LIVE WELL LATER

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.

The research findings reveal 77% of Nordic adults feel personally responsible for their retirement income — slightly lower than the global average of 81% — with 39% placing responsibility on the government (versus 31% globally). A far distant third and fourth are their pension or investment fund (11%) and their current or former employer (10%), respectively (see Figure 7).

Figure 7. Who Do You Think Is Responsible for Ensuring That You Have Enough Ongoing Income After Retirement to Live with the Basic Necessities?



However, at 54%, just over half are investing in a retirement plan of some sort — 30% employer; 22% government; and 19% personal — lower than the global average of 64% (see Figure 8). Less than half have not calculated how much they need for retirement (45%) and three-quarters are not confident that they can save enough by retirement (24%) (see Figure 9).

Figure 8. What Pension or Savings Plans Do You Currently Pay Into?

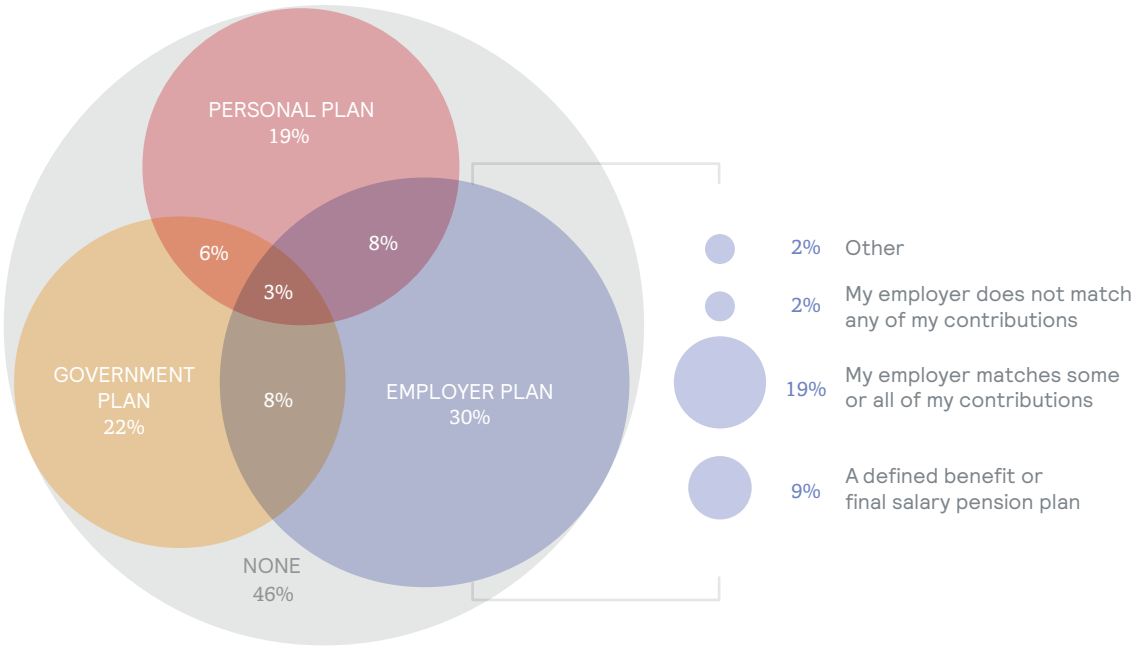
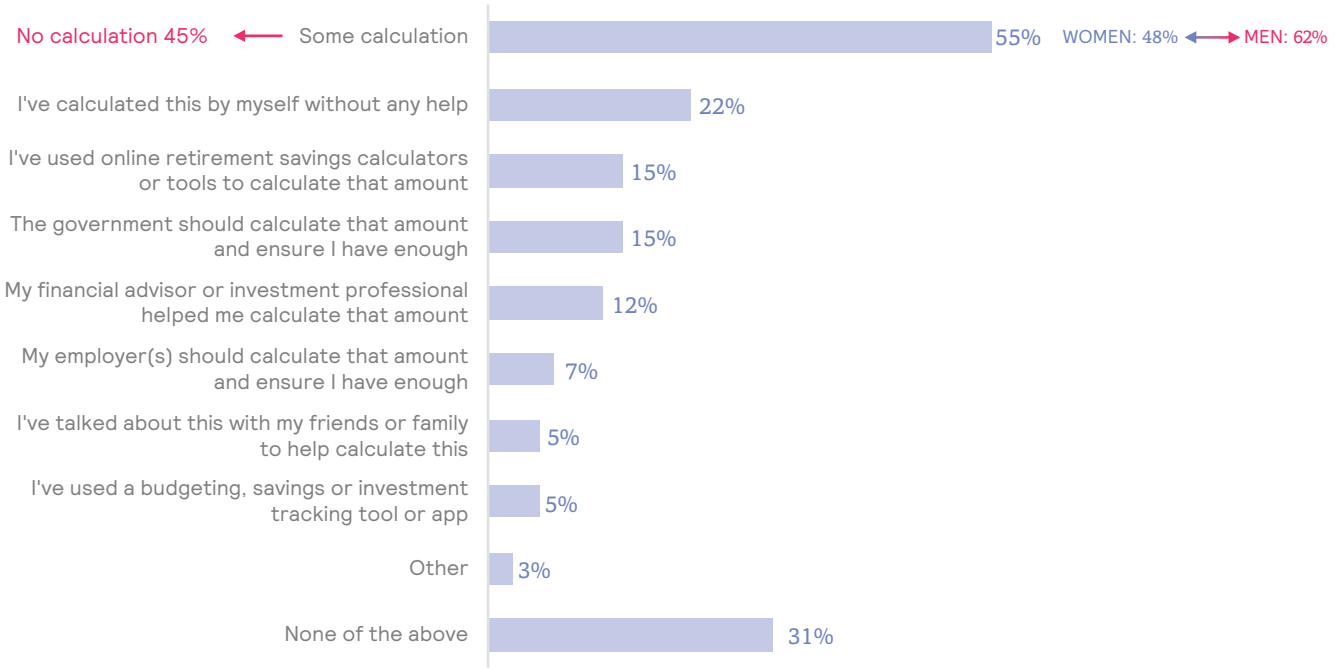


Figure 9. How Do You Plan to Calculate How Much You Will Need to Have Saved?



Of those calculating retirement savings, 22% have done so without any help. A relatively small number have used an online retirement savings calculator or tool (15%) or have sought assistance from a financial advisor or investment professional (12%); less than the global average (18%) — perhaps as a reflection that 47% trust financial advisors. A mere 5% have tried a budgeting, savings or investment tracking tool or app, even though 81% of adults are interested in online financial tools to help manage their finances.

Although globally and in the Nordics we understand our personal responsibility — saying "it's up to me" to save enough income for later years — it is evident from the research that we do not take the necessary action, begging the question: Do we even know which actions to take? The study found that a majority of respondents in the Nordics, 58%, would be likely to change how they save for retirement if they knew whether they had saved enough.

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

There are several paths to increased financial confidence, including how we engage people in saving for their future, redesigning retirement plans and using smart technology to simplify, track and help people stay financially in control.

Acting now applies to business and governments as well. The need to adapt long-term savings programmes and products to new demographic and economic realities is urgent. Our current trajectory is putting large numbers of people at risk of poverty, undercutting the competitiveness and social cohesion of our 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.

Both government and employers 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 benefits to employees not just because it is the right thing to do, but also because this will result in a workforce with less stress, higher job satisfaction, and greater commitment to the organisation. 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 need to adapt long-term savings programmes and products to new demographic and economic realities is urgent.

HOW DO WE GET PEOPLE TO TAKE ACTION?

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.

It's a Matter of Trust

Enhancing financial security benefits — or improving access to what is offered — provides substantive value. In fact, 100% of business leaders in the Nordics expect a positive benefit for employees when an employer improves an employee's financial security. Therefore, overcoming any barriers to workplace financial coaching or planning will yield tangible results for both employers and employees.

Nordic employers also understand the high degree of trust employees place in them to make finance-related recommendations. In fact, employees in the region trust their employers for financial advice more than professionals and look to organisations as a trusted provider of easy-to-use, secure digital tools to "help me, help myself". A significant 76% of adults trust their employer to give sound, independent advice on planning, saving and investing. In comparison, just 47% trust a financial advisor recommended by their employer and 55% trust online web tools or apps (see Figure 10).

Of primary importance is that employees actually have trust in employers for financial advice. Therefore, this is not a time for organisations to reduce employee healthcare or financial security benefits. Business leaders cite attracting, managing and retaining a skilled workforce in changing times as their number one business challenge in the next five years.

While 72% of leaders are offering a savings plan of some sort, among those who are not, 64% cite costs as the reason. A number of factors, however, impede an employee's ability to participate in savings or pension plans. Clustered closely together, the top reasons are being unemployed or not working at 22%, followed by affordability at 20% (see Figure 11).

Figure 10. As Business Leaders, How Much Do You Think That Employees Trust the Following People or Sources to Give Sound Independent Advice on Planning, Saving and Investing for Retirement?

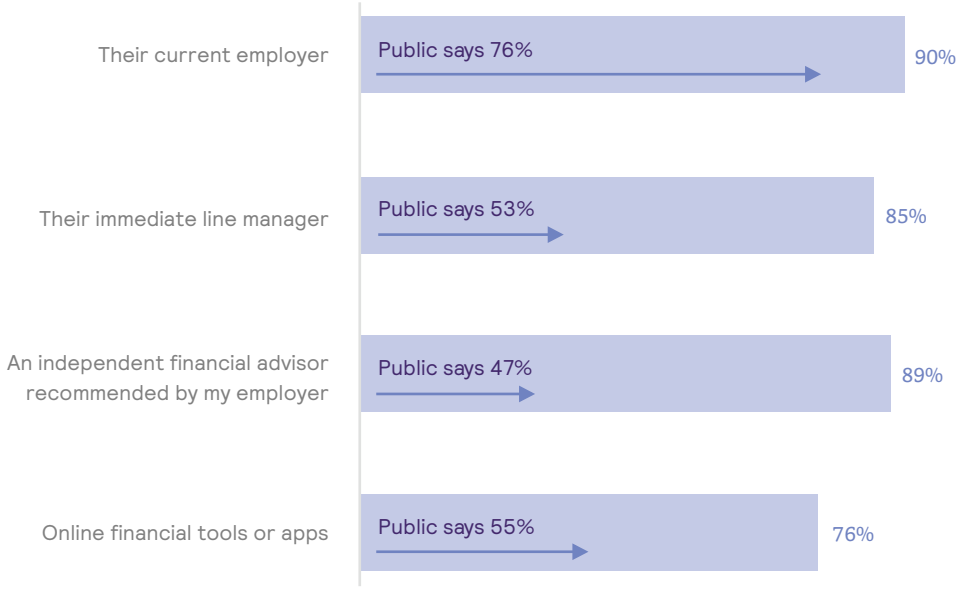
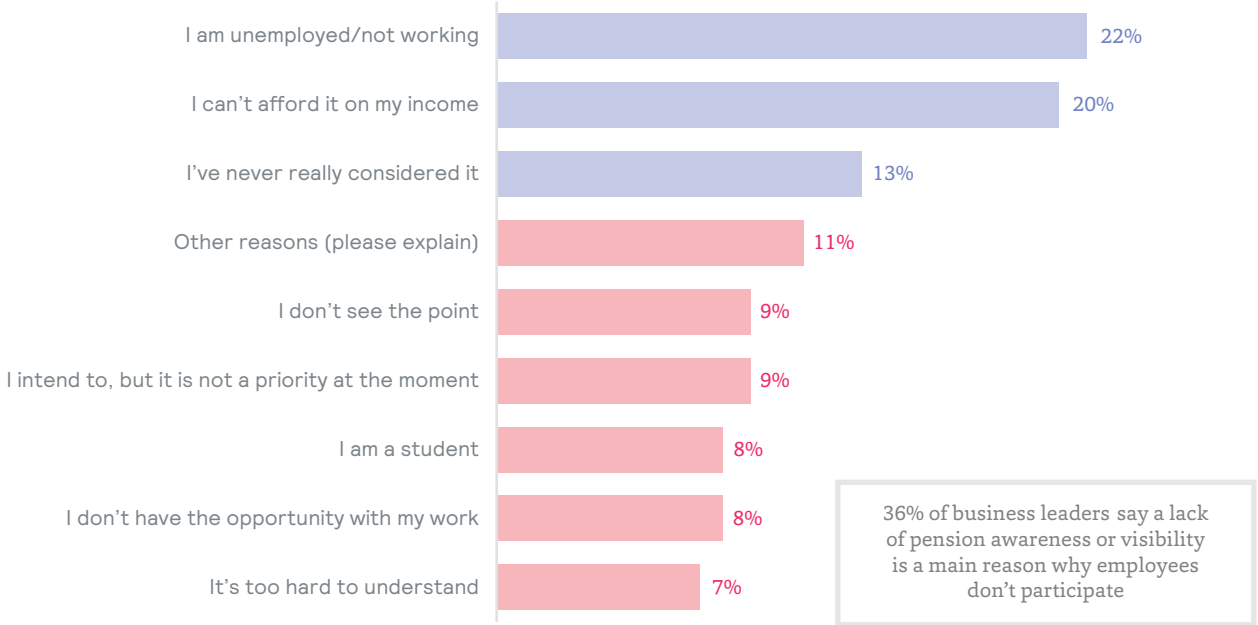
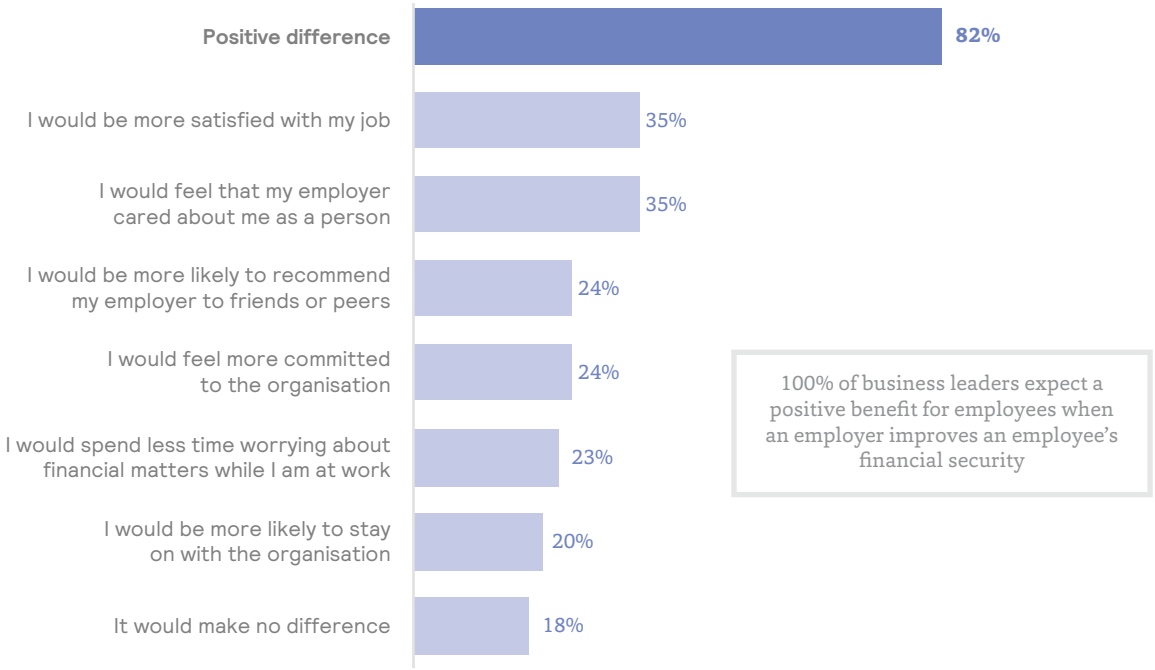


Figure 11. What Are Some of the Reasons You Don't Participate in a Pension or Retirement Savings Plan?



While nearly half (42%), of the people surveyed in the Nordic region consumer study say offering retirement savings or pension plans is “very important”, a resounding 82% of employees say that if their employer improved benefits or added access to a pension plan it would have a positive impact on them at work (see Figure 12). Specifically, improvements would result in higher job satisfaction (35%); and people would feel employers care about them (35%). Based on the study, it is evident that these types of financial planning benefits, offerings and access help to cement workplace bonds.

Figure 12. 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?



Personalise to Meet Individual Needs

Ensuring that organisations will have the talent necessary to compete today and tomorrow relates to how well entities attract and manage people. Those unable or unwilling to fully utilise all populations — or looking beyond typical programmes 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 fitness, aided by the fitness revolution of the 1970s and 1980s and advances in digital tools used 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 an age of increased individual accountability.

Among the factors to take into consideration is the burgeoning gig economy of independent contractors who are working informally on a project, freelance or earn-as-they-go and lack benefits, consistency of earnings and predictably steady work.

While 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, organisations employing gig workers will require creative solutions to reach them. Employers need to look beyond typical programmes and communications when considering how best to support and enable all talent.

The Gender Gap

Simply put, women have unique financial needs.

Whereas all ages and stages lack confidence in saving enough to retire from full-time work, it is lower among women in every category in the global study, and especially so in Nordic countries. Compared to men, women are planning less, less able to save, contributing 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 13).

Globally, employment status and disparities in financial incomes 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 impacted by distinctive experiences and attitudes.

Women continue to earn less in the same occupations, work in lower-paid employment, have more gaps in service, have more part-time employment, and spend more years out of the workforce caring for others, impacting their lifetime earnings. Given that women earn less than men do on average, retirement benefits linked to income yield lower pensions on average for women.[2]

Women may struggle to save effectively, thereby increasing the risk that they will fall short of retirement savings goals. Women are more likely than men 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 impacts the amount of money they are able to accumulate for retirement.[2] And yet, because women live 4.6 years longer on average according to the World Health Organization, they often need financial resources that will stretch through a longer retirement period.[3]

Additionally, women are affected by different health issues and illnesses than men, experience and use the healthcare system differently, and are more likely than men 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 significantly impact female participation in the workforce. As women balance multiple, significant roles, 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.

Organisations on the vanguard of change have introduced gender-specific elements into their retirement and savings programmes 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 programmes and education geared towards their specific financial needs, attitudes, and behaviours. For example: female-only financial planning and investing workshops; monitoring savings ratios and investment choices by gender; customising retirement savings education and training programmes to different gender behaviours; or allowing varying contributions to compensate for different

[2] Mercer. *The Gender Pension Gap: From Awareness to Action*, 2017.

[3] World Health Organization, 2015.

work arrangements.

For leaders seeking to significantly impact female workforce participation and resulting gender diversity outcomes, employers must recognise and respond to women's unique financial, health and career needs at different stages of their careers with innovative, targeted programmes recognising the interconnectivity of all three.

Successful approaches include taking a macro-system approach by collaborating with other key stakeholders, including schools, governments, public health organisations, 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 organisation's strategic, operational, and cultural context. A deep-dive diagnosis of the issue across HR and diversity and inclusion programmes will determine the most robust and

Figure 13. The Financial Security Gender Gap

		MEN	WOMEN		WOMEN ARE
PLANNING FOR RETIREMENT	Made some plans for retirement income	86%	83%	-3%	Planning **less**
	Have calculated needed retirement income	62%	48%	-14%	
SAVING FOR RETIREMENT	Confident they can save enough to retire	28%	20%	-8%	Saving **less**
	Currently investing into a retirement savings plan	55%	53%	-2%	
	Not saving in a retirement plan due to being unemployed	21%	22%	+1%	
FINANCIAL SECURITY	Feel financially secure	37%	32%	-5%	**Less** able to save
	Can handle short-term financial emergency	62%	54%	-8%	
RETIREMENT EXPECTATIONS	Confident they can afford to live as long as they live	35%	31%	-4%	**Less** confident about retiring well
	Expect to maintain desired quality of life	55%	49%	-6%	
FINANCIAL STRESS	Stressed by current financial situation	40%	49%	+9%	**More** stressed
	Stressed by not saving enough for retirement	22%	24%	+2%	

Millennials: Seeking Advice and Tech Tools

By 2020, millennials will make up more than half of the global workforce.

As they are still at the early stages of their careers, they are among the most stressed about finances. Globally, they are the least confident in being able to handle short-term financial emergencies; least financially secure; and expect to be retired for the least amount of years.

More than any other age segment in the Nordics region, 56% of millennials in the survey expect to keep working in later life — significantly lower than the global level of 71%. And 58% expect to maintain their desired quality of life in retirement, which is similar to the global expectation of 54% for this age group (see Figure 14).

As digital natives, not surprisingly, they are the most interested in online tools and mobile apps — 89% for those aged 18-34 compared to somewhat less for 35-54 year-olds at 83% and for those over 55 at 73%. Millennials also have the highest level of trust (81%) in their employers to give good financial advice.

Employers who offer better savings and/or investment benefits have a positive impact among 85% of 18-34 year-olds, resulting in higher job satisfaction as well as greater commitment and loyalty to the organisation. This presents a valuable opportunity as business leaders cite attracting, managing and retaining a skilled workforce in changing times as their number one business challenge in the next five years.

Figure 14. The Financial Security Generational Gap

		18–34	35–54	55+	YOUNGER PEOPLE
RETIREMENT EXPECTATIONS	Expect to be retired for (years)	16	18	**22**	Expect to keep working, shortening retirement
	Expect to keep working after retirement	**56%**	47%	46%	
	Expect to maintain desired quality of life in retirement	**58%**	44%	56%	
FINANCIAL SECURITY	Feel financially secure	27%	28%	**49%**	Feel financially insecure and stressed
	Stressed about finances	**52%**	49%	31%	
	Confident to handle short-term financial emergency	54%	51%	**72%**	
RETIREMENT PLANNING	Made no plans for retirement	**23%**	16%	7%	Want and are getting more help to plan
	Calculated income needed in retirement myself	12%	19%	**36%**	
	Calculated income needed in retirement with help	**39%**	31%	30%	
ONLINE TOOLS	Interest in online financial tools	**89%**	83%	73%	More interest in online tools
	Willing to allow online apps to hold personal information	**73%**	64%	44%	
EMPLOYER IMPACT	Trust their employer to give good financial advice	**81%**	75%	73%	Employers can have a greater impact
	Positive impact if employer offers better pension benefit	**85%**	**85%**	70%	

Design Smart Investments

Everyone has a role to play.

Governments and employers need to design — or redesign — retirement plans to, where 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 to design and implement 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 make it easier for people to act.

Among the ways employers can help achieve better outcomes are designing auto-escalation programmes based on behavioural finance principles and constructing intelligent glide paths for operating through retirement — even for those who may not take action.

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

Modelling on the physical fitness revolution, creating a revolution in financial fitness combined with providing greater support to individuals in making sound saving and investment choices will go a long way towards 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 in terms of adequacy, sustainability and integrity are designed to make saving contributions compulsory on the part of both individuals and of employers on behalf of their employees.[4]

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 they 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 a form of annual income improves their financial security throughout old age. The appropriate investment options and mix for those saving in retirement plans should also be considered when designing long-term savings systems.

[4] Mercer, Melbourne Mercer Global Pension Index, 2017.

TECHNOLOGY: THE PATHWAY TO ENHANCE SAVINGS

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 — with the easy access and immediacy of being able to track anything in real time.

Easy-to-use, jargon-free and effective online tools are vital to assisting people of all ages and especially today's largest work force, millennials, who are the least financially secure among the age groups surveyed. Millennials in the Nordic region value technology highly: 89% have some interest in online tools and 73% are willing to allow the tools to hold their personal data as long as the tools are easy to use and their data are secure (see Figure 15).

Similarly, for the general population in the Nordics, a vast majority (81% of all adults) are interested in using online financial tools to manage savings and finances — and that jumps to 89% of 18-34 year olds. Well over half (60%) are comfortable with online tools managing their savings using mobile banking, online tools or smart apps, such as for monitoring bank data to improve savings or for budgeting, saving or investing (see Figure 16).

Figure 15. How Willing Are You to Allow an Online App to Hold Your Personal Data to Help Manage Your Finances for You?

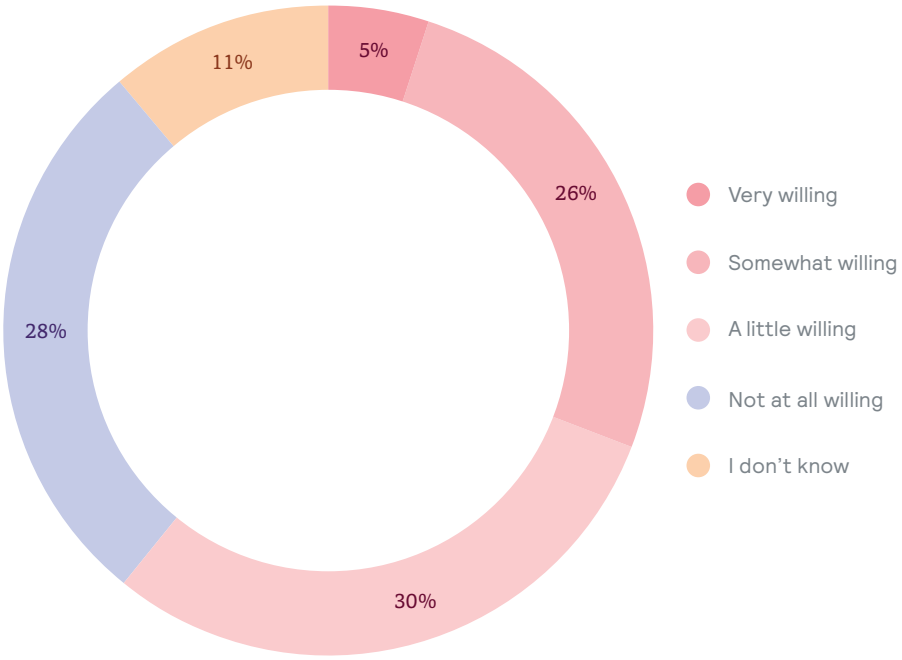
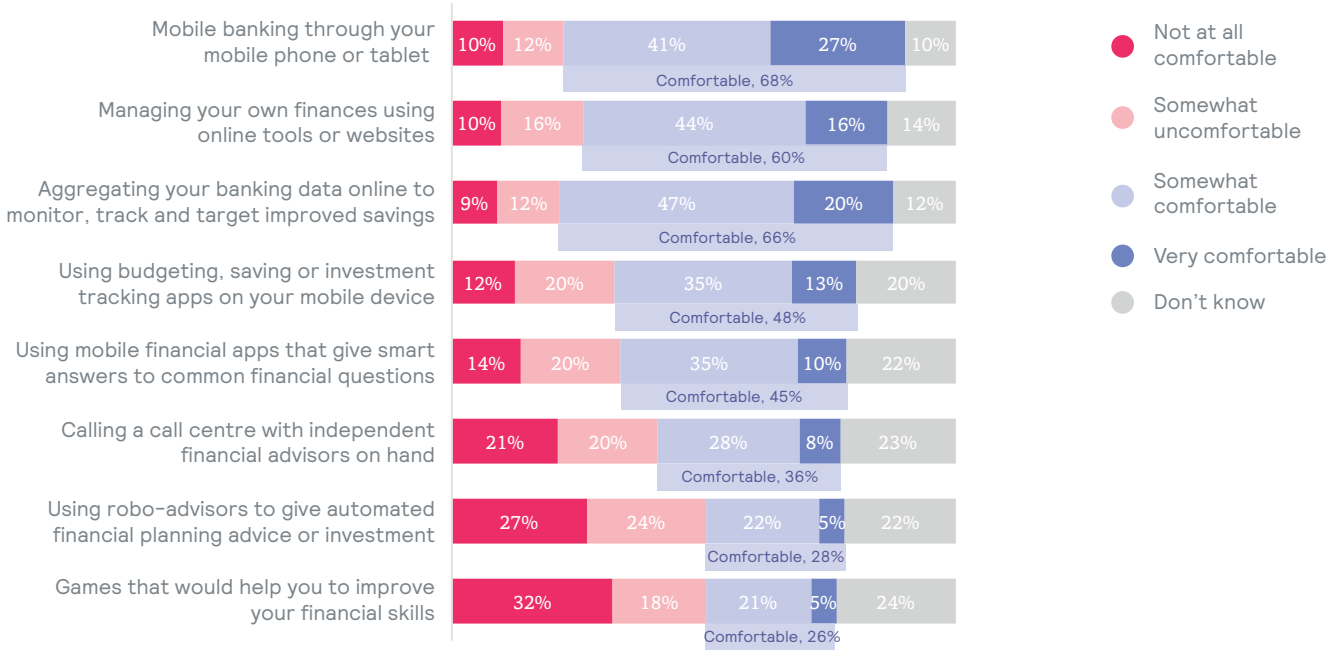


Figure 16: How Comfortable Would You Be in Using the Following to Plan, Manage and Get Advice on Your Savings?



There are resources, though, that do not hold the same level of interest: 50% are not comfortable with robo-advisors giving automated advice and 41% feel similarly about call centres 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.

Business leaders can help bridge the gap between financial security and knowledge. The research depicts an opportunity for employers and governments: to address both the financial and behavioural 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 in making better decisions now and for the future.

Given the high level of interest as well as variations across age groups, technology must utilise data to make offerings personalised and relevant for individuals — they must not be one-size-fits-all. Digital tools (as well as plans and benefits) need to be for more than information and basic modelling and include the ability to make real-time transactions.

A technological revolution akin to that in the physical fitness industry is needed to engage individuals in saving for the long term. Just like exercise, saving can be painful, both because it gives individuals more pleasure to consume now than plan for later and because working with savings-related products or financial planners can be complicated, confusing and time-consuming as well as potentially risky.

Transforming saving into an engaging consumer experience rather than a financial services experience requires presenting it 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 an absolutely critical role to play given their 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. Government, too, must help spur the revolution by expanding pension coverage and individuals' access to savings programmes and products.

ENSURING FINANCIAL SECURITY FOR ALL

Savings, health and skills gaps require a public-private partnership to ensure no one is left behind when it comes to living well.

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 the research, people who are not participating in retirement savings plans say the most significant barriers are affordability along with access to work or workplace pensions.

Addressing the gender gap is vital too if we are to ensure 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 — and are significantly more stressed than men when it comes to their financial security. This is compounded by the fact that women, generally speaking, live longer than men. Not surprisingly, they report being more stressed than men by their current financial situation and by not saving enough for retirement.

Millennials are the largest segment of the workforce and will live longer, change jobs more frequently and work longer than previous generations. In the Nordic region, over half of 18-34 year-olds expect to keep working after retirement (56%) and are stressed about finances (52%). Millennials in the Nordics are looking for sound savings advice and trust employers and online tools for guidance. In fact, 73% of millennials surveyed said they would save more if they knew more about savings impact 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, workers who make up the exploding gig economy will need access to benefits. They also want to feel connected and engaged with the organisations contracting them. Private-public partnerships are vital to help self-employed, contract or part-time workers prepare for their future.

The dynamics and importance of the pillars of retirement savings must change to reflect the different social systems and work experiences. Financial security should not be the domain of those with access to employer programmes over those without, of one gender over another, and of older generations to the detriment of those that will follow. Both public and private enterprises must join forces to ensure that financial security is available to everyone.

Given the changing dynamics of work and the workplace, it is more important than ever that individuals be 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 recognise what "good" looks like when it comes to savings products, advice and decisions.

Both governments and employers have the responsibility and much greater capacity than individuals to assess products, gather information and discern among financial intermediaries. The payoff for both 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 does spur action is giving individuals access to smart tools, default options and guidance that can help them achieve success.

04

THROUGH THE BUSINESS LEADERS' LENS: INSIGHTS AND OPPORTUNITY

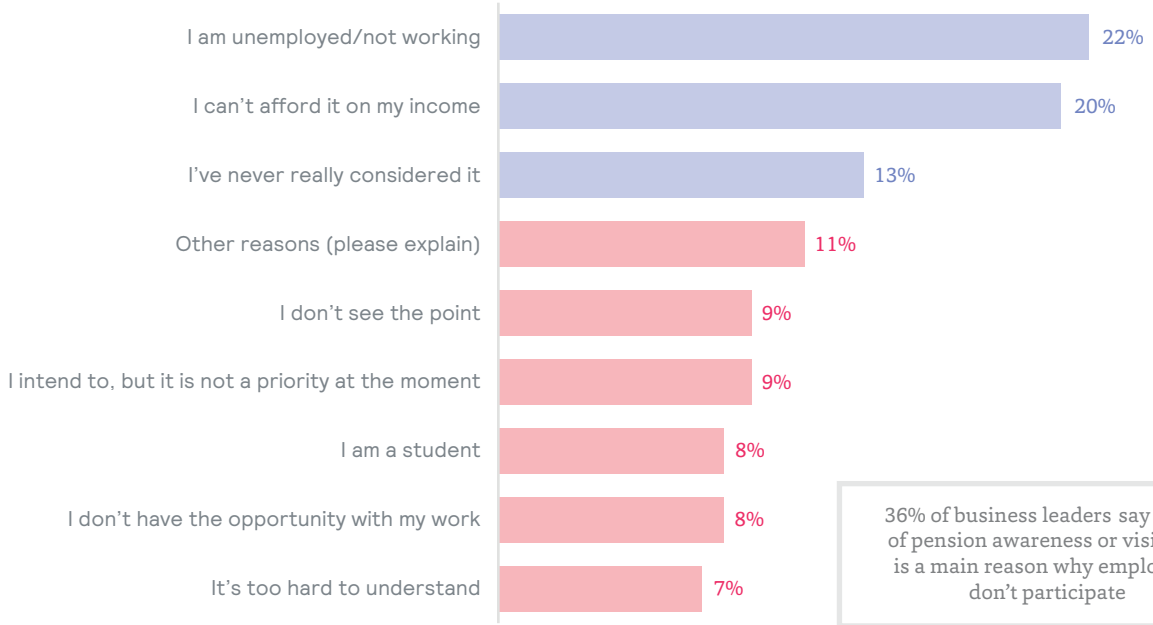
Societies, governments, businesses and financial intermediaries have much to gain by taking immediate action to address the looming long-term savings gap.

In examining the current state of financial security, the study globally surveyed 600 executives and 7,000 adults aged 18 and over, finding both similarities and differences in views between business leaders and the general public, issuing a clarion call for better two-way communication and collaboration.

Among the differences in the Nordic countries, 72% of business leaders in contrast to 52% of working adults expect to maintain their quality of life in retirement. Fifty-nine percent of leaders feel financially secure compared to 34% of individuals. Half of leaders rank personal savings as one of the top three most important factors for a financially secure retirement. The individuals, however, rank health as the top priority.

In the Nordics, as in the other parts of the world Mercer surveyed, business leaders and the individuals see things differently when it comes to pension participation. Business leaders say complexity of pension plans and a lack of pension awareness or visibility are the main barriers to employees investing in pension plans. People, however, say they can't afford to on their income: 22% of employees cite being unemployed or not working, followed closely by affordability at 20% (see Figure 17).

Figure 17. What Are Some of the Reasons You Don't Participate in a Pension or Retirement Savings Plan?



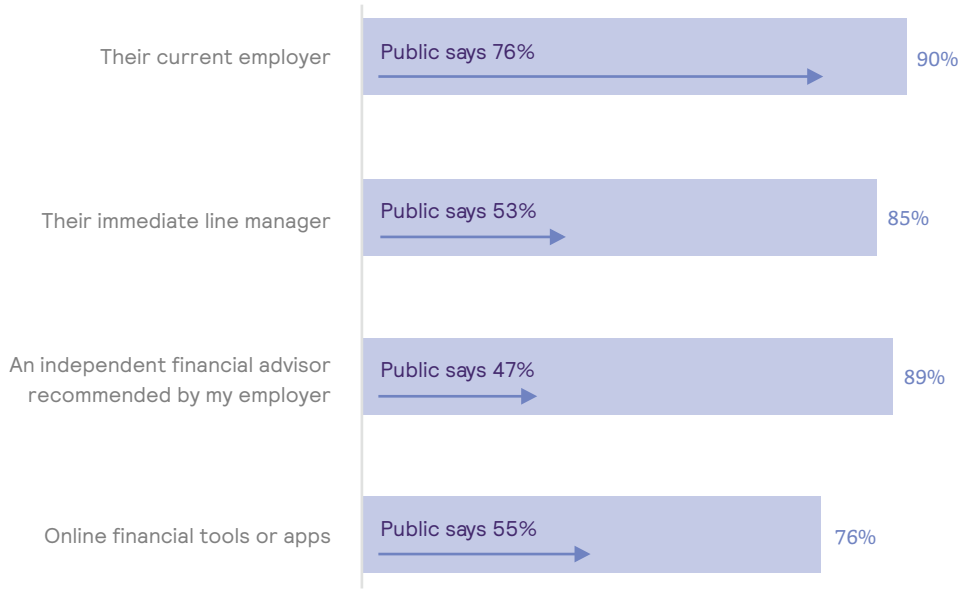
36% of business leaders say a lack of pension awareness or visibility is a main reason why employees don't participate

The public places a significant amount of trust in employers as a financial security resource: 76% percent of employees trust their current employer to give sound, independent advice on planning, saving and investing for retirement.

However, business leaders expect employees' trust in various resources to be much higher than it is — including in the employers themselves. Business leaders expect employees' trust level to be at 90%, whereas 76% of the workers themselves trust their current employer for financial advice (see Figure 18). There is an even greater disparity in how employers expect employees to trust their immediate line manager: employers think it is 85% when it is actually 53%. And a greater gap exists for trust of a financial advisor: employers say 89% vs. 47% for the public. Business leaders think employees place the least trust in online web tools or apps: they say 76%, while employees say 55%. However, trust in digital resources, expressed as employees' willingness for sites and apps to hold personal information, increases significantly for the younger age groups: 73% for 18-34 and 64% for 35-54.

No matter the parity or disparity, understanding the business value of providing improved benefits and/or access to investment planning — most notably greater job satisfaction, commitment and loyalty to the organisation — is one of the study's more compelling findings, and a vital opportunity for business leaders (see Figure 19).

Figure 18. 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?



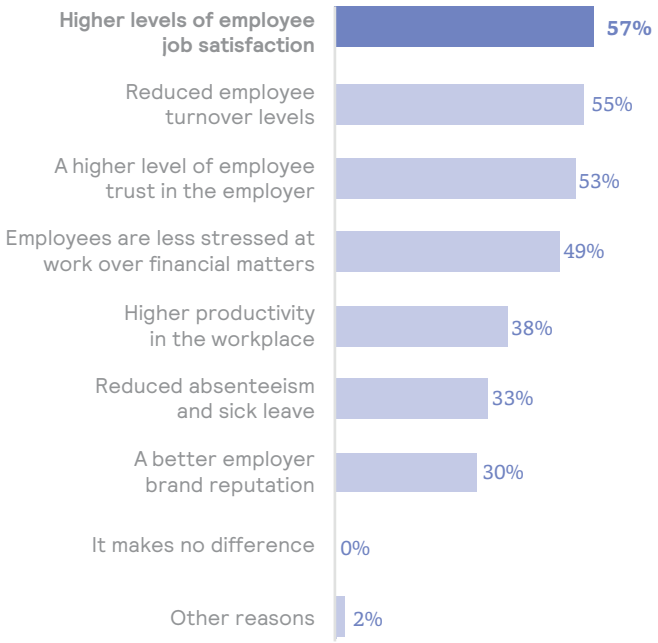
Stable and prosperous societies depend on citizens with the confidence to live a quality life during their working years and throughout their retirement — an issue that will have a growing impact on the economy as a whole as people of retirement age make up an increasingly large share of the overall 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 in helping their employees bridge 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, for employers committed to social responsibility, helping their employees attain financial wellness is simply the right thing to do.

Figure 19.

As a Business Leader, What Do You Consider Are the Benefits to an Employer in Improving an Employee's Financial Security?



As a business leader, what in general are the benefits to employees in your organization of feeling financially secure?

Those who are a part of the growing informal workforce face gaps in access to and affordability of retirement and benefit plans.

05

A GLOBAL SNAPSHOT: NOTABLE COUNTRY DIFFERENCES

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.

The need for financial security is evident in how people rate its importance (see Figure 20).

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 21). 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.

Figure 20. "To Plan for and Achieve the Quality of Life That I Expect in My Later Years, I Need to Have Financial ..."

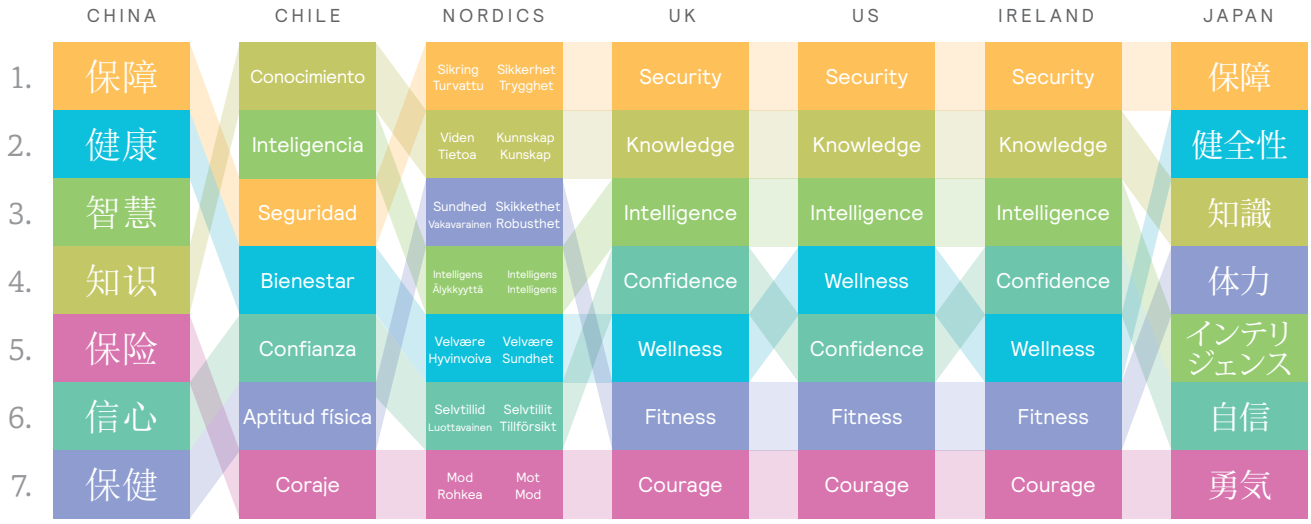
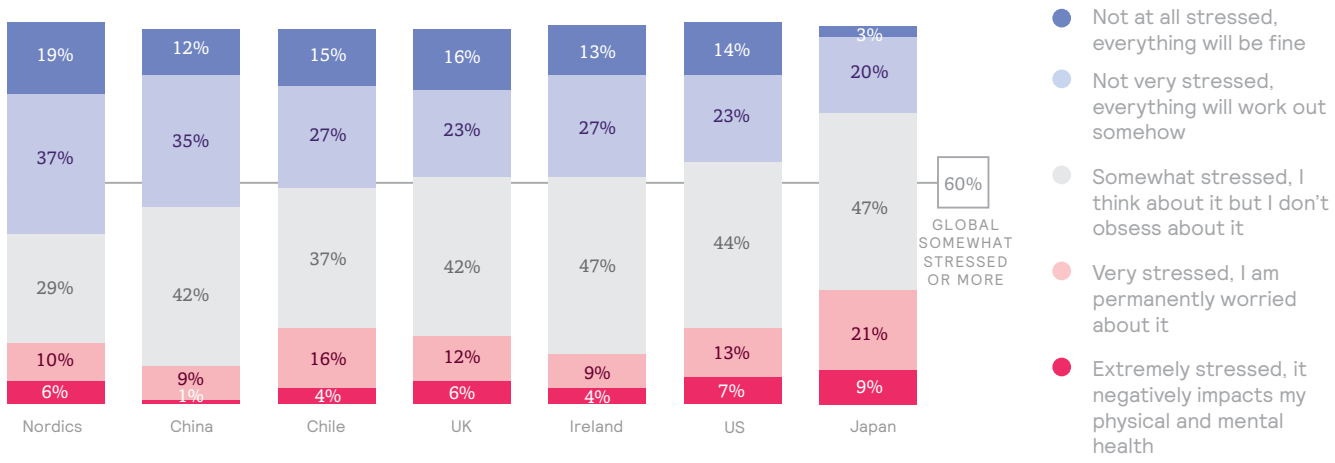
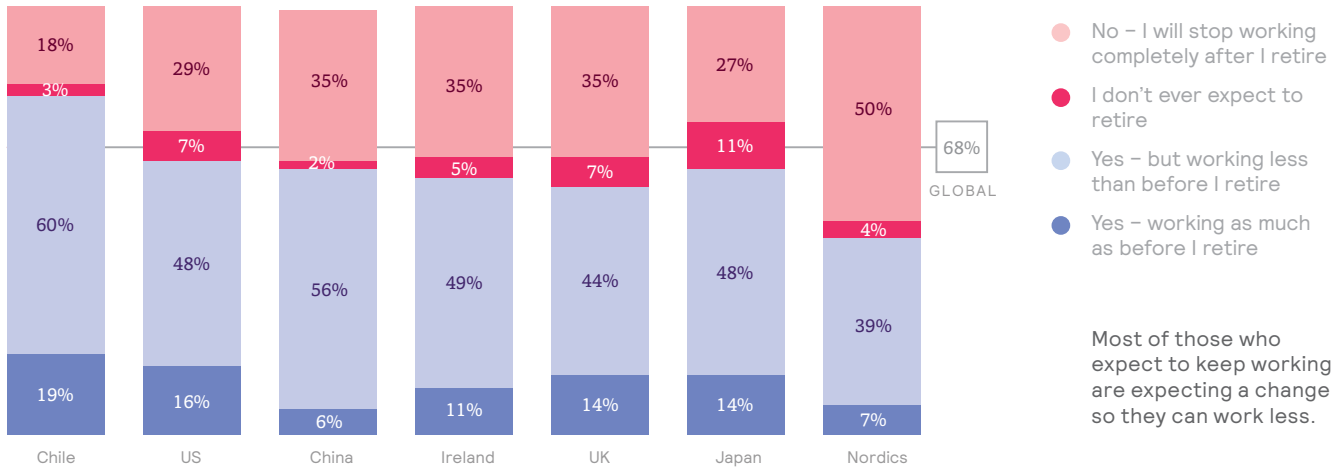


Figure 21. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?



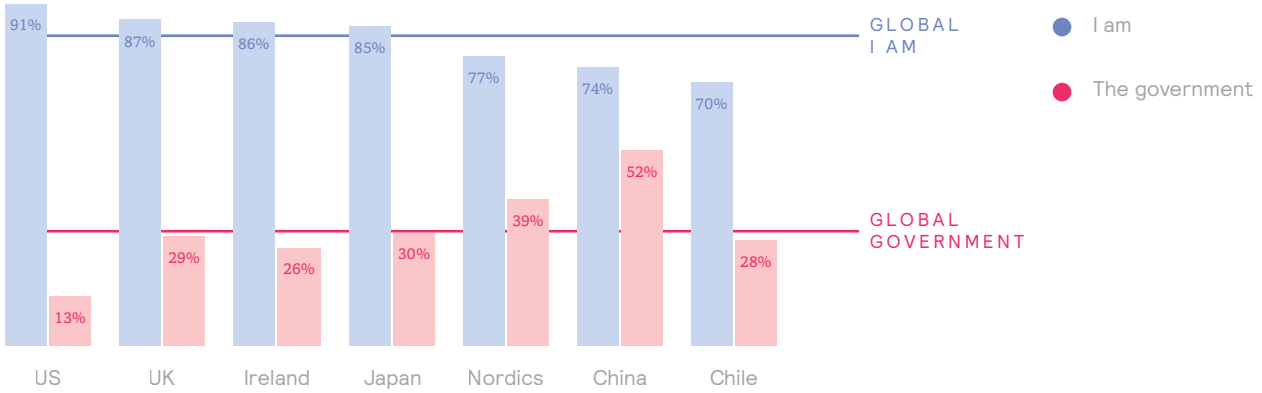
Globally, people are working longer, out of either choice or economic necessity. More than two-thirds (68%) of adults surveyed expect to keep working in some capacity and never fully retire. This presents a significant opportunity for employers to make accommodations for older workers, thereby benefiting 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 22). 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 recognising, more so than other generations, that they may need to continue to work later in life.

Figure 22. When You Retire, Do You Expect to Keep Working?



Responsibility for retirement income also varies by country (see Figure 23). 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 23. 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 United Kingdom and the United States.

06

CONCLUSION

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 programmes 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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