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# 2018 Global Retirement Reality Report

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## Italy Snapshot

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Germany  
Italy  
Netherlands  
Sweden  
Ireland  
UK  
US  
Australia

# Hopes & Fears

## The Expectations and Reality of Retirement

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The role of workplace and private pensions is growing across the world. More and more countries are moving towards a defined contribution system, with workers becoming more responsible for financing their retirement.

In Italy, however, we see the majority of people relying heavily on the state to fund them in the years after work. However, reforms are already underway that mean the generous first pillar state pension will not remain the same forever. This means individuals will carry greater responsibility for funding their retirement in future via second pillar pensions.

To understand how well prepared people are for their retirement, and how this compares across countries with different pension systems, we conducted a survey to get the thoughts of people both pre and post retirement.

This report delves into findings from our Global Retirement Reality Report 2018, focusing on how the expectations of Italian workers saving for retirement compare to the realities of those already in retirement.

# Survey Methodology

As part of our global goal to deliver better retirement outcomes, our GR3 captures a picture of people’s hopes, fears, expectations, and experiences surrounding retirement.

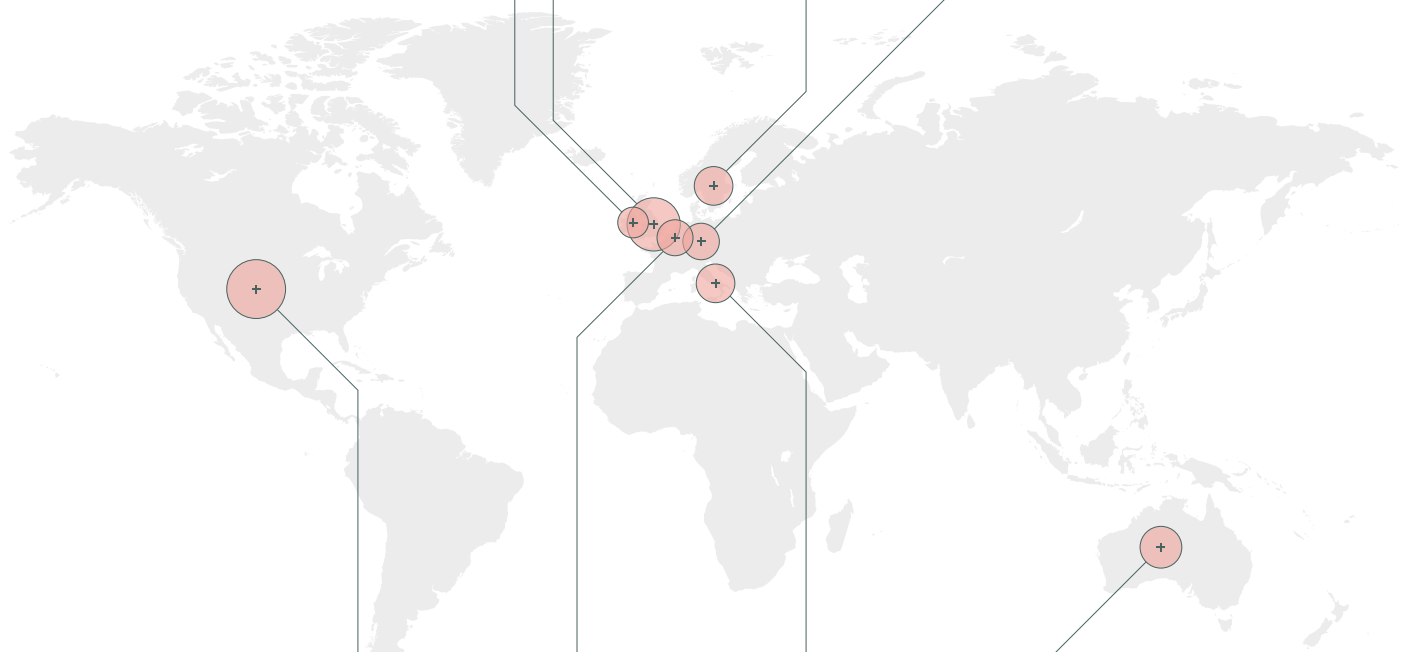
State Street conducted an online survey,<sup>1</sup> in conjunction with YouGov, across eight countries representing a range of retirement systems. We asked 9,451 people at every stage of the retirement spectrum, from those new to the workforce to those later in retirement itself, to better understand the milestones and inflection points across the whole savings journey. All respondents participate(d) at some level in a DC or private savings plan.

## Sample Groups

|                                  |  |
|----------------------------------|--|
| <b>WP</b> Working Population     | Working and not planning to retire in the next 5 years |
| <b>AR</b> Approaching Retirement | Working and planning to retire in the next 5 years     |
| <b>RR</b> Recently Retired       | Retired within the last 5 years                        |
| <b>LR</b> Later in Retirement    | Retired more than 5 years ago                          |

| Ireland      |                | UK           |             | Sweden       |             | Germany      |             |
|--------------|----------------|--------------|-------------|--------------|-------------|--------------|-------------|
| WP           | 400            | WP           | 415         | WP           | 542         | WP           | 423         |
| AR           | 148            | AR           | 384         | AR           | 149         | AR           | 398         |
| RR           | 54             | RR           | 403         | RR           | 233         | RR           | 152         |
| LR           | - <sup>2</sup> | LR           | 401         | LR           | 251         | LR           | 54          |
| <b>Total</b> | <b>602</b>     | <b>Total</b> | <b>1603</b> | <b>Total</b> | <b>1175</b> | <b>Total</b> | <b>1027</b> |

| US           |             | Netherlands  |             | Italy        |             | Australia    |             |
|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
| WP           | 419         | WP           | 410         | WP           | 420         | WP           | 400         |
| AR           | 407         | AR           | 250         | AR           | 300         | AR           | 400         |
| RR           | 415         | RR           | 164         | RR           | 263         | RR           | 228         |
| LR           | 416         | LR           | 203         | LR           | 154         | LR           | 195         |
| <b>Total</b> | <b>1657</b> | <b>Total</b> | <b>1027</b> | <b>Total</b> | <b>1137</b> | <b>Total</b> | <b>1223</b> |



<sup>1</sup>Survey data fielded between 8 February and 3 April 2018.

<sup>2</sup> A significant sample of respondents in later retirement could not be formed for Ireland.

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# Key Findings from Italy

## Finding 1

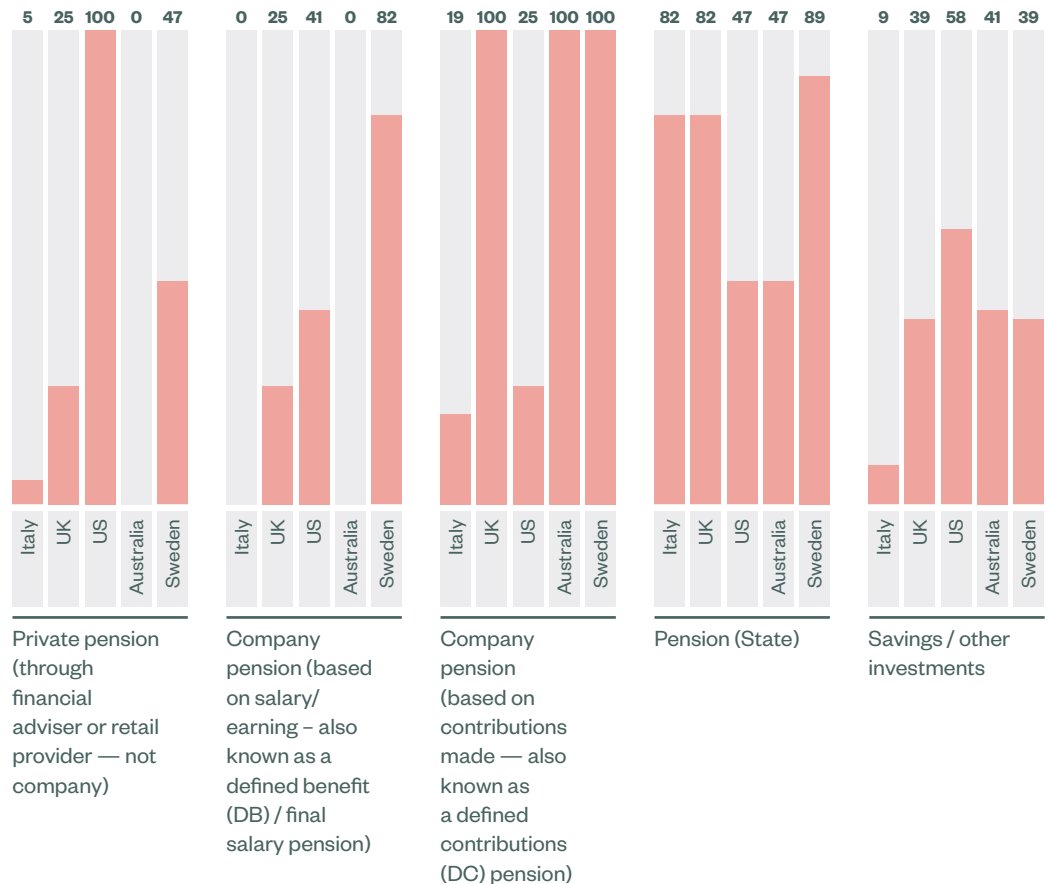
### Heavy reliance on the state pension

Most retired Italians rely solely on the state pension for their retirement. Only one quarter of respondents have other sources of income in retirement – 20% have income from defined contribution (DC) company pension schemes and just 5% have a source of income from a private pension. This is quite a unique position when compared to the other countries in our survey that have mature DC pension systems — a much greater percentage of Italians are reliant on just the state pension.

Italians also place the state alongside themselves as being the most responsible for making sure they have an adequate income in retirement. This is a different view to respondents in most of the other countries surveyed, who place themselves as by far the most responsible for financially preparing for their retirement.

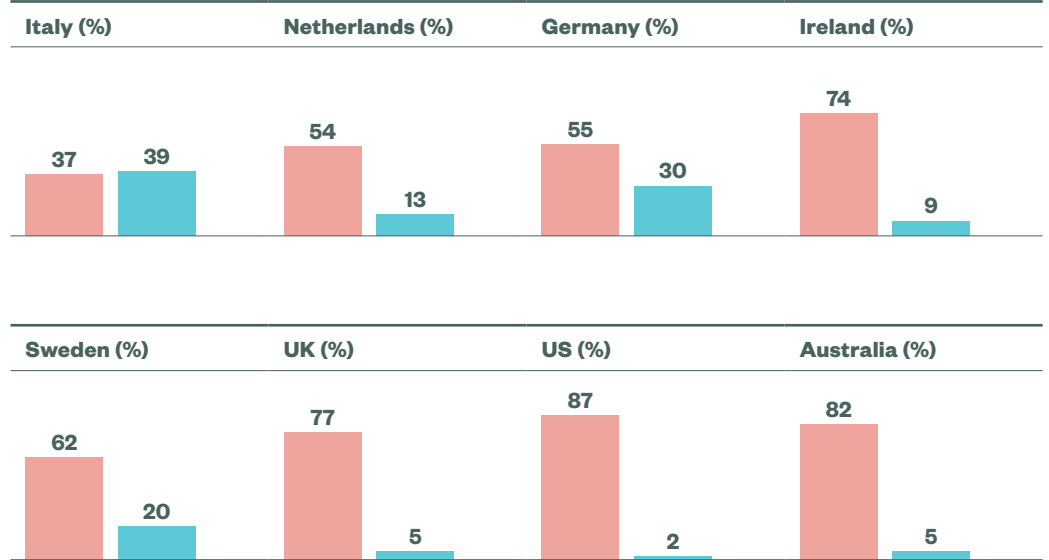
This reliance on the state may also explain why Italy has one of the lowest response rates across the surveyed countries for whether it is important to be prepared financially for retirement — roughly a half of Italian respondents said it is important.

Which of the following sources do you currently use to fund your retirement?  
(Average of RR & LR)



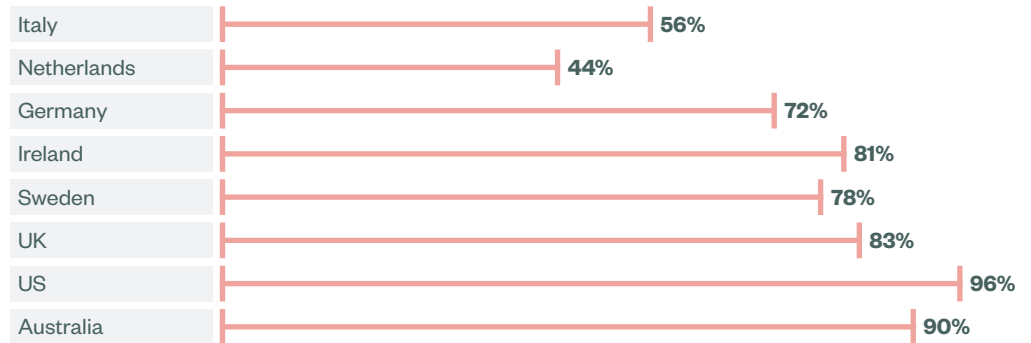
Who is most responsible for making sure that you have adequate income in retirement?

Me  
State



How important do you think it is to be prepared financially for retirement?

% responding it is very or extremely important



## Finding 2

### There is awareness that all is not well

Attitudes around Italian respondents' financial situation in retirement are concerning, with optimism in Italy being by far the lowest across all of the countries surveyed. There is a realisation that the amount they're saving will not be close enough for what they will need in retirement.

This situation has not been helped by pension rules changing very frequently, the current economic situation a lack of growth at the country level and a weak labour market. These factors have made it more difficult for workers to make sufficient income that they can save money in private pensions.

The youngest respondents in our survey were the most pessimistic. With high youth unemployment in Italy, this is a sad but expected result – how can they expect to focus on saving for retirement when it can be difficult to pay for regular essentials?

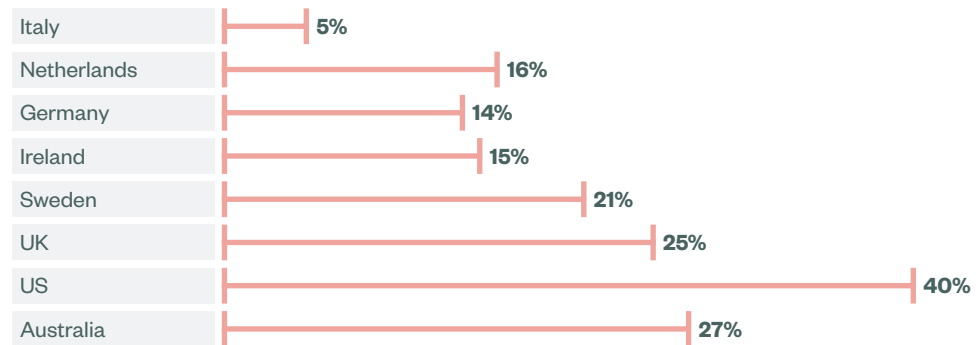
People know that their income will fall in retirement and most expect their retirement income will fall to around two thirds of their working income. This is quite accurate when you compare it with the income retirees are receiving in retirement as a ratio of the income they received when they were working.

How optimistic are you about your financial situation when you retire

Now you have retired, how happy are you with your financial situation?

(Average of WP, AR, RR & LR)

#### % responding they are very or extremely optimistic/happy

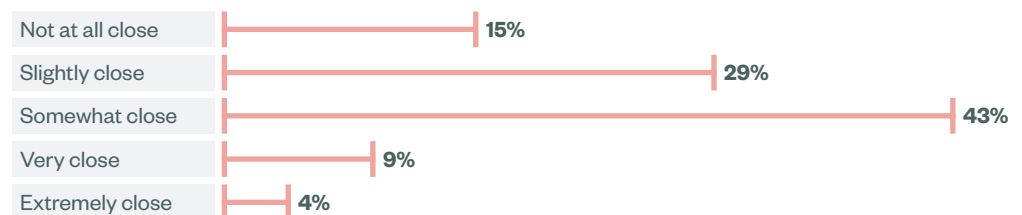


How close do you think that this will be to providing you with what you need by the time you retire?

#### Working Population



#### Approaching Retirement



## Finding 3

### Retirees are missing out on their 'golden years'

How happy are you with being able to afford/maintain lifestyle you want?\*

According to our survey, retirees in Italy are also the least happy when it comes to being able to afford the lifestyle they want in retirement. Almost 50% of retired respondents stated they are unhappy with this aspect of retirement, the highest out of the eight countries we looked at.

This could partly be a result of the current economic situation but it also reflects a distortion in the pillar one system. It has always been generous but there is a lack of balance, with some people doing very well while the majority receive less than €1,000 per month.



\*Percentage may not sum to 100 due to rounding



## Finding 4

### Strong financial support for the family

When asked what working Italians thought would be their biggest expenditure in retirement, a family-oriented culture came top of the list. This was confirmed by retirees, with 47% of recent retirees and 55% of those later in retirement using their retirement savings to help children and grandchildren financially. This was different from the other countries in the survey where other expenditures, such as paying for essentials and going on holidays, took priority.

Whilst this appears wholly positive, it can also lead to people not taking ownership of their financial preparation for retirement. The family safety net is important from a cultural perspective but could it result in younger people not engaging with their private savings?

Although this is a system rather than a family issue, we could see further issues in the future if engagement and understanding of private pensions does not improve.

Which of the following are you most likely to use your savings on in retirement?

Workers Expectations  
Retirees Actual



## Finding 5

### Lack of control or lack of understanding?

When asked about control over choices people can make regarding retirement while they're still working, respondents in Italy felt they had the least control compared to the other countries surveyed. The choices concerned the amount of money to contribute, access of funds and the date of retirement. There is a lot of confusion surrounding pension savings and this may be contributing to Italians feeling like they have little control over their retirement.

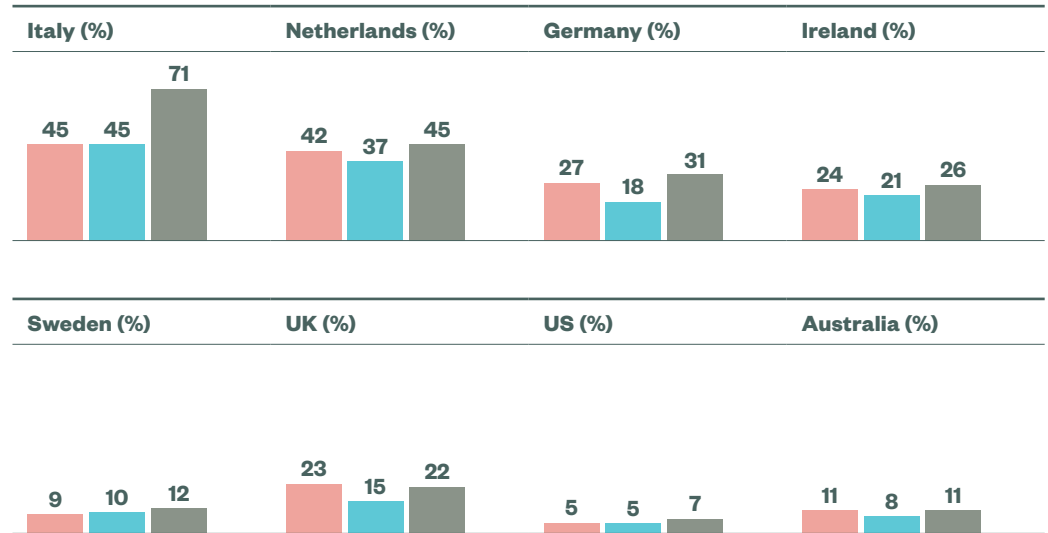
There is also confusion amongst retirees around understanding the options they have in retirement and the impact their choices would have on their retirement. Compared to the other countries in our report, Italy is where there was most confusion.

Where does this confusion come from? There has been little done about financial education in Italy, so we cannot expect individuals to make informed decisions on financial matters. Added to this, there has not been a strong or consistent message from the government on taking ownership of and saving into second pillar pensions. Individual schemes have made attempts to communicate with and inform their members with mixed success. A bigger campaign, run and funded by the government, could be what is needed to wake people up and encourage them to take action about their personal retirement planning.

How much choice have you had when deciding...?

- Money to contribute
- Access of funds
- Date of retirement

(% of Working Population and Approaching Retirement who responded 'No choice' or 'Hardly any choice')



Did you understand what options you had available and the impact they would have on your retirement?

|            | ITA | NL  | GER | IRE | SWE | UK  | US  | AUS |
|------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Not at all | 18% | 8%  | 17% | 15% | 6%  | 9%  | 2%  | 6%  |
| Somewhat   | 59% | 33% | 30% | 37% | 36% | 27% | 20% | 25% |
| Mostly     | 14% | 39% | 39% | 22% | 40% | 36% | 51% | 48% |
| Completely | 9%  | 20% | 15% | 26% | 18% | 27% | 27% | 21% |

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## Conclusion

The Italian state pension system has traditionally been one of the more generous systems — the average worker with a full work history could expect an income in retirement of over 80% of their salary. However, it may also be one of the least sustainable. This has led to reductions in the generosity of the system with retirees not having sufficient income in retirement to afford the lifestyle they want.

Due to the historic reliance on the state when it comes to retirement income, many Italians are still expecting the state to solve the problem. There is a need to help people move away from relying on the state pension and empowering them to take more ownership of their own retirement. This situation has not been helped by the family safety net, but will need to change as individuals become more and more responsible for funding their retirement.

There is also a lot of confusion surrounding pension savings and the options available to employees. More needs to be done to simplify the options and information being given to workers and retirees. The industry can help here, for example reducing jargon and making the language used in communications easier to understand. However, a government-led education campaign could be the biggest game-changer in waking people up to the retirement reality and preparing them for the increased personal responsibility.

There is also work to be done once people have started saving in second pillar pensions. Currently, most members of DC plans in Italy are invested in the default fund and do not switch. Providing members with high quality default funds that help them achieve the outcomes they want in retirement will also increase confidence in second pillar pensions. Currently, many default funds have a very high allocation to government bonds and plans may want to think about increasing diversification across more asset classes to help improve risk adjusted returns.

To deliver happier retirees in Italy, we must engage with workers and encourage them to look beyond the state pension to fund their retirement. As many countries grapple with increasing the mandatory retirement age, it's imperative that employees take more financial responsibility so they can retire when they want and have the lifestyle they have dreamed of.

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