

**Global  
Retirement  
Reality  
Report  
2018**

Ireland  
Snapshot

# Hopes & Fears

## The Expectations and Reality of Retirement

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The retirement model for Ireland is changing. Publication of the Government's Roadmap to Pensions Reform recently set out, what State Street Global Advisors believes, are important measures to improve the financial security of Irish people in retirement.

Measures to improve the adequacy of the State pension can only be good news. But with only around 35% of Irish private-sector workers enrolled in occupational pension schemes<sup>1</sup>, improvement in the number of retirees drawing from a supplementary pension scheme is critical. To address this, an important part of the Government Roadmap is the introduction of a mandatory or quasi-mandatory retirement savings system.

As we approach these milestones for pensions reform, we believe the key to any retirement system design is understanding the members. What are their experiences? What are their spending patterns? What is their perspective on actual needs? By delving into some of these issues, we hope to show some useful learnings about the Irish population, as well as some lessons from across the globe.

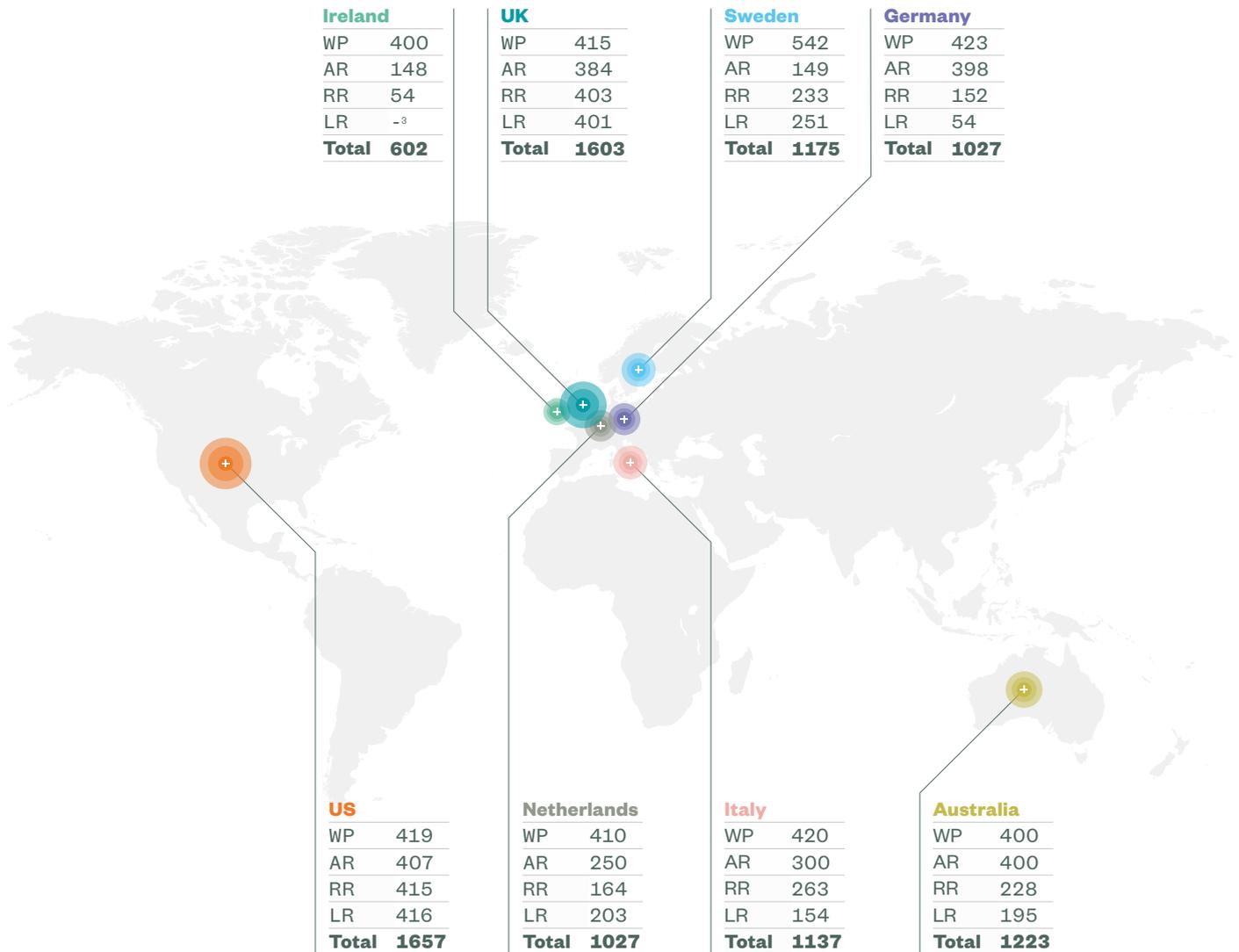
Let's take a look at how Irish workers feel in the younger years of their working life, as they approach their retirement date, and how they feel once they have entered the early years of retirement.

<sup>1</sup> A Roadmap for Pensions Reform 2018-2023

## Survey Methodology

During the first quarter of 2018<sup>2</sup>, State Street conducted an online survey, 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.



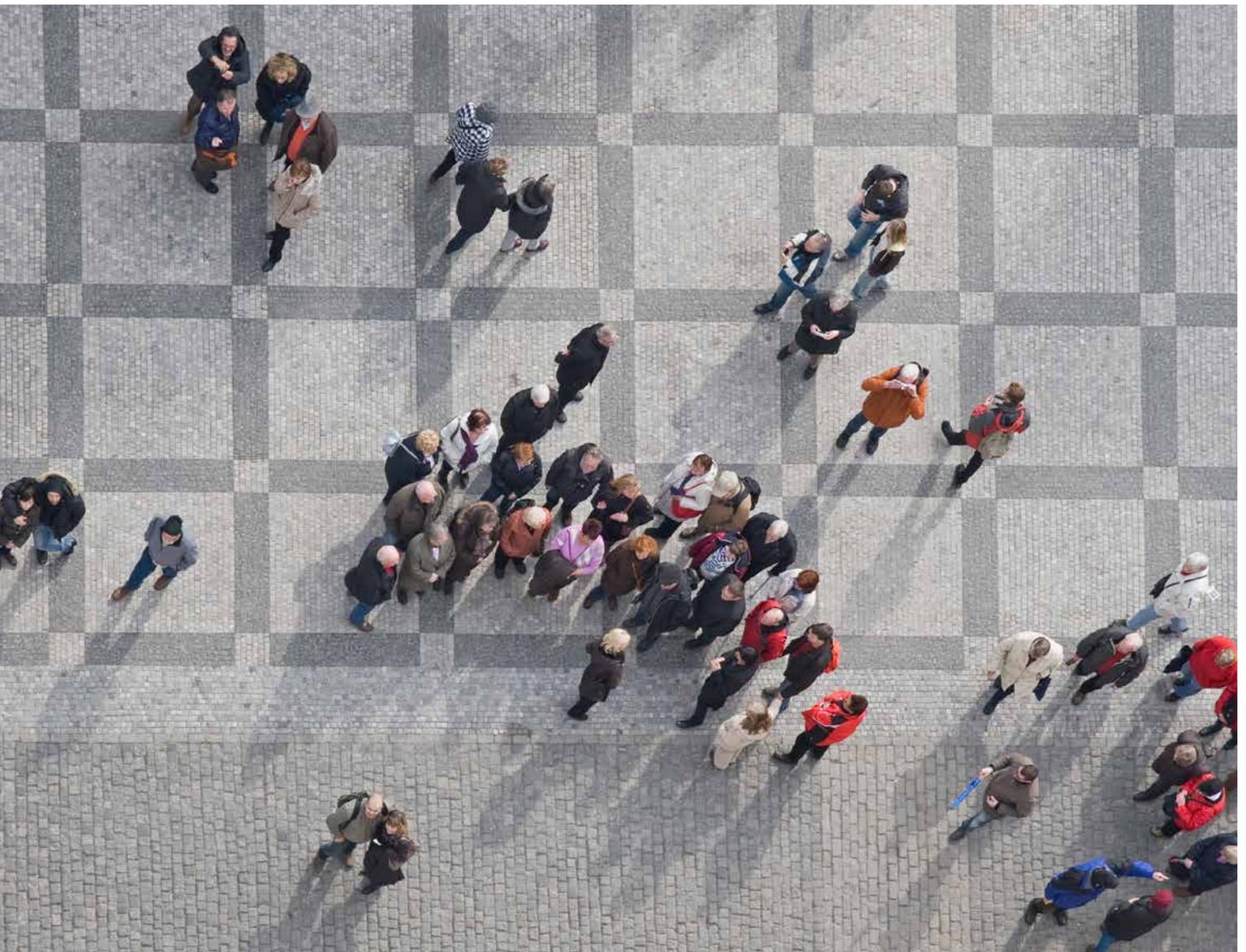
### Sample Groups:

- (WP) Working population – Working and not planning to retire in next 5 years
- (AR) Approaching retirement – Working and planning to retire in the next 5 years
- (RR) Recently retired – Recently retired within the last 5 years
- (LR) Later in retirement – Retired more than 5 years ago

<sup>2</sup>Survey data fielded between 8 February and 3 April 2018.

<sup>3</sup> A significant sample of respondents in later retirement could not be formed for Ireland.

# Key Findings from Ireland



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## Finding 1

### The majority of Irish respondents were not optimistic about their retirement

We'd like to begin by reporting our findings on retirement confidence in Ireland and across the globe. However good, or well established the DC system is, the majority of our respondents reported low confidence.

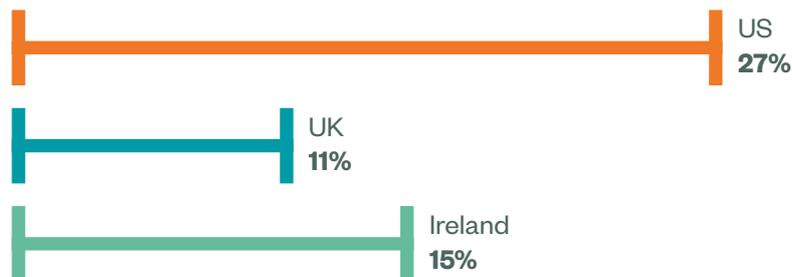
We found it is common to feel some level of anxiety about how you're going to support yourself when you stop working.

We also found that confidence levels in Ireland fell far below those of the US, and, probably a little surprisingly, marginally ahead of the UK, both of whom have significantly higher participation rates.

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#### How do you feel about your financial situation in retirement?

% of people who said they were optimistic



When it comes to expecting to be able to retire on the planned date, Irish people again overtook the UK in confidence.

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#### How confident are you that you will be able to retire when you plan to?

% of people who said they were optimistic



This may be partly down to the higher State pension in Ireland (€238 per week in Ireland vs £126 per week in the UK). However, there were some feelings of regret from those who had recently retired. When asked what they would do differently, almost half the people surveyed said they would have thought more about the age they retired.

Whilst these relative comparisons are interesting, and there is some comfort that Irish people are not vastly behind other countries, the absolute figures do send an important message. **Confidence among the working population in Ireland is low.**

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## Finding 2

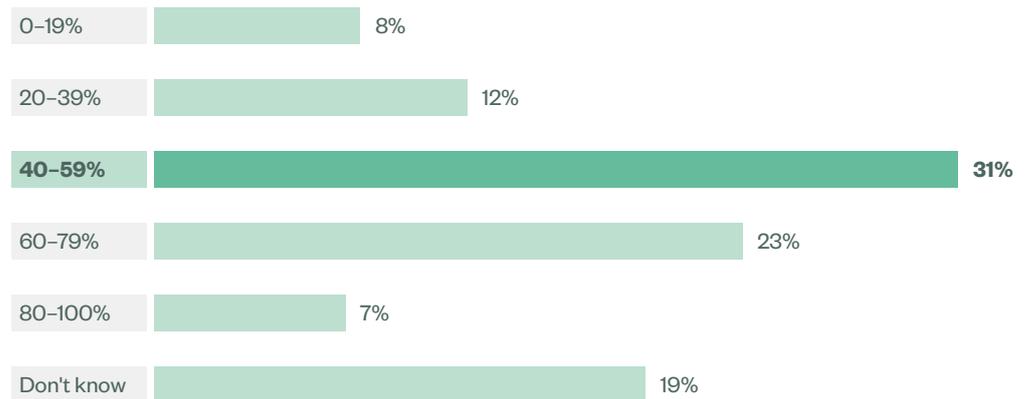
### People are adapting to the new retirement

Interestingly, there are realistic expectations around potential drops in income when in retirement. We asked people, as a proportion of their current income, how much do they expect to need in retirement.

Whilst there was a range in answers, and a significant proportion of respondents didn't know, the most common response was between 40–59%. People are expecting to reduce their spending in retirement.

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As a proportion of your current income, how much do you expect you will need in retirement?



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## Finding 3

### Part-time work and the need for flexibility of withdrawals is increasing

When thinking about how to adapt their lifestyle in retirement in order to make up for these savings shortfalls, 40% of our respondents said they expect to do some part-time work.

This trend is similar across the other countries in our sample and is a consequence of people living longer in retirement. In many ways, DC plans are better suited to these modern day working patterns.

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“I feel reasonably in control of my destiny and I should be in a good position to retire when the time comes. I also plan to do part-time work after I retire” — **Male, 62 years old**

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## Finding 4

### **My home is not my pension**

Traditionally, people saw their homes as a store of wealth and expected to partly fund their retirement by downsizing and releasing the equity from their house. Our survey revealed that this is no longer the expectation for many of the working population.

A surprisingly small amount of people expect to use equity release (3%) or buy-to-let rental income (8%) to fund their retirement. This may in part relate to the current housing landscape in Ireland where (i) adult children are not leaving the nest as early as they had in previous generations given rising rents and mortgage criteria, (ii) negative equity that some Irish homeowners still find themselves in and (iii) mortgages not paid off by the time retirement is reached.

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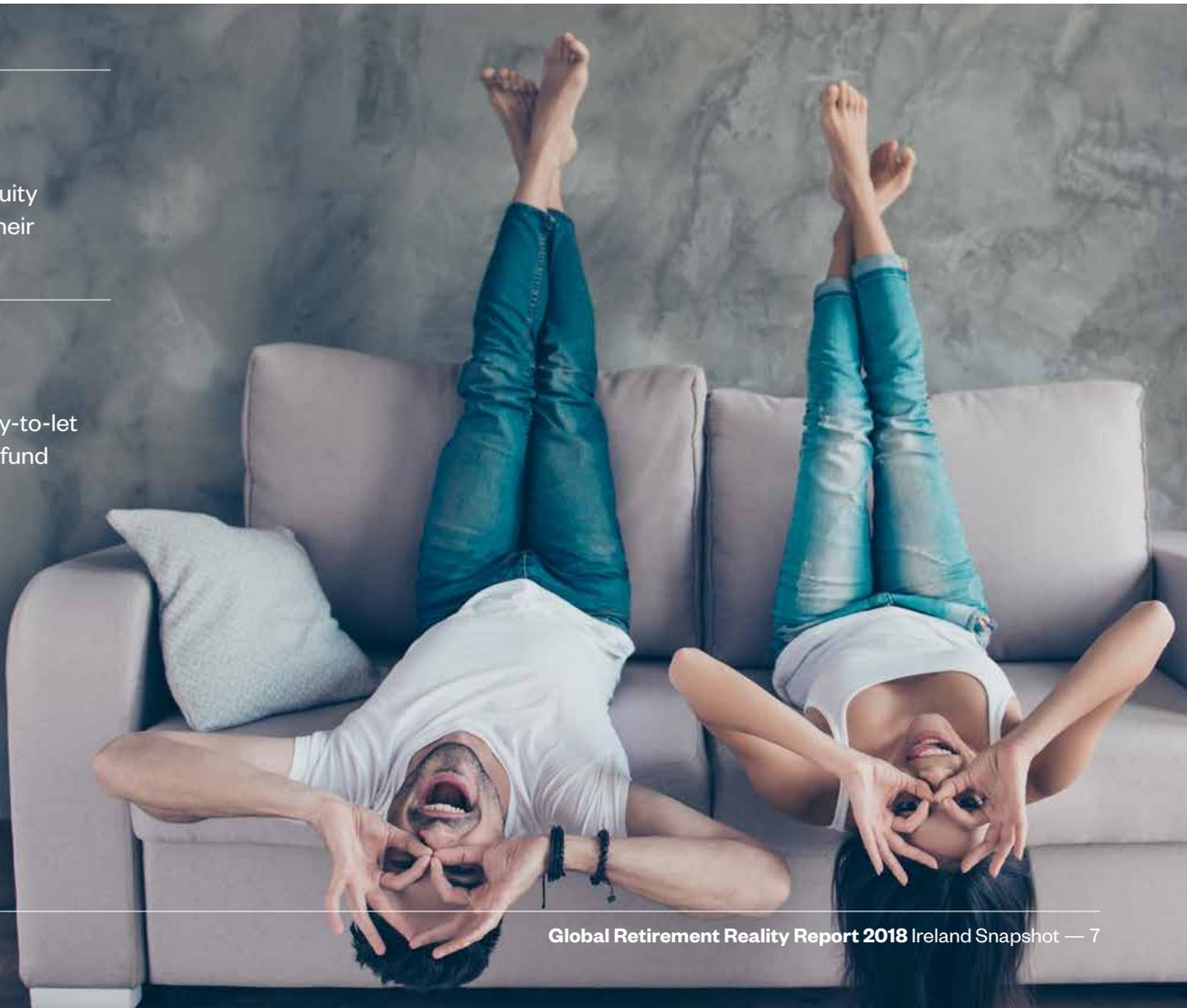
# 3%

expect to use equity release to fund their retirement

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# 8%

expect to use buy-to-let rental income to fund their retirement



## Finding 5

### People want help

Do you feel you are fully aware of all the options available to you in terms of planning for your retirement?

We asked our respondents if they felt fully aware of all the options available when planning for their retirement. A large proportion said they were not aware.

**13%**

Not at all aware

**22%**

Slightly aware

**33%**

Somewhat aware

**24%**

Moderately aware

**8%**

Extremely aware

The demographic groups that were more likely to feel uncomfortable about their options were women, medium earners and people in the 45–54 age bracket.

When asked the top three places that they would seek help from when deciding what to do with their pension in retirement, the majority of respondents said they would seek advice from an Independent Financial Advisor (42%), their current pension provider (41%) or their employer (39%).

Interestingly, 31% of our respondents placed 'friends and family' in their top three, which sets Ireland apart from other countries — only 16% of UK participants would look for help from this group for instance.

**31%**

of our respondents placed 'friends and family' in their top three places of where they would seek help from, which sets Ireland apart from other countries



Where will you look for help in deciding what to do regarding your pension and retirement?

**Friends and family**



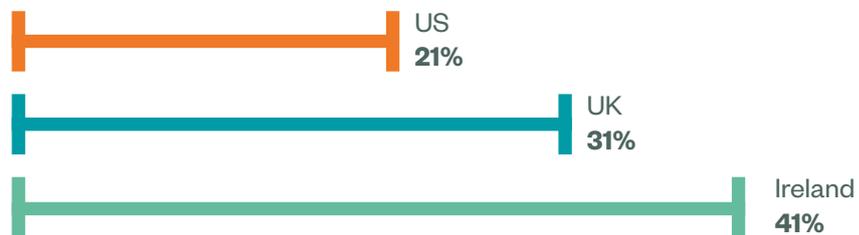
**An independent financial advisor**



**My employer**



**My current pension provider**



These findings support the need for well-designed, robust defaults. A strong default will go some way to address the uncertainty that members face when planning for their retirement.

Would value a solution from my employer to provide predictable income

74%

Agree

6%

Disagree

20%

Neither agree nor disagree

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## Finding 6

### People feel the most uncertain when they are approaching retirement

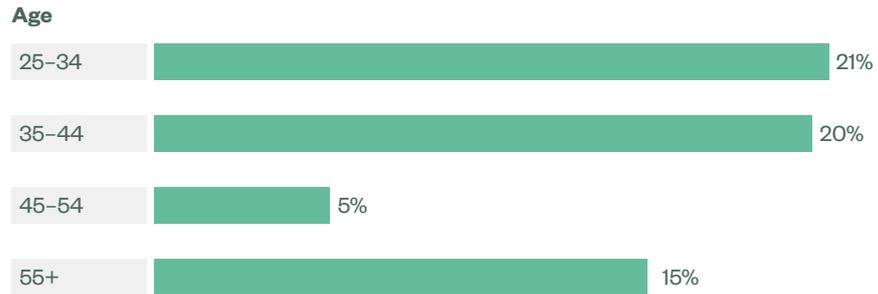
We expect people to start making concrete plans for their retirement 10-15 years out, which coincides with the significant drop in confidence levels that we observed amongst 45-54 year olds in our sample.

Only 29% of this same age group said they felt fully aware of the options available to them when planning for retirement.

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### How do you feel about your financial situation in retirement?

% of people who said they were optimistic



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## Take Aways for Policymakers

- Our survey showed that people are planning to work for longer, including taking up part-time work in order to increase their pension savings. Policy should aim to support working for longer by facilitating early withdrawals of funds to be used on re-training.
- We can expect DC to be the main source of retirement income, with income from property becoming less common. Auto-enrolment will be key to enable workers to have sufficient savings to fund their retirement.
- A significant proportion of our sample would seek help with planning for their retirement with some looking to friends and family for support.
- It should be compulsory for employers to offer default funds to address the lack of confidence that members feel about retirement planning.

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## Conclusion

74% of respondents said that they are responsible for making sure that they have an adequate income in retirement rather than their employer or the State.

In order to accumulate enough savings to fund a sustainable retirement, people will need to divert a meaningful amount of their earnings into their pension. Ownership and awareness are vital in order for auto-enrolment to work beyond the point of inertia.

Ultimately, the end goal, a financially stress-free retirement, is in the hands of the individual.

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Advice the recently retired would give to people that are currently working

67%

Engage with pension planning earlier

69%

Start saving earlier

37%

Save more

Although many of the issues discussed in this paper are widely recognised and receive great attention, a lot can be learnt from our sample. People want help, know that they own their future, and have indicated that with hindsight they would have done things a little differently.

The timing is right for Government to press ahead with their pension reform plans and increase pension coverage in Ireland.

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