HEALTH WEALTH CAREER

HEALTHY, WEALTHY AND WORK-WISE

The New Imperatives for Financial Security

Chile Key Findings

MAKE TOMORROW, TODAY

MERCER

CONTENTS

01

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 organization. Specifically, the workforce is looking to employers as a trusted provider of easy-to-use, secure digital tools to "help me, help myself," driven primarily, but not exclusively by technology-first, millennials — the largest segment of the workforce. Ninety-three percent of under-35s are interested in secure, easy-to-use, jargon-free, online financial tools to help manage their finances, but the same is true for 85% of total respondents. Additionally, across all age groups, two-thirds are comfortable managing their savings using mobile banking, online tools or smart apps.

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

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

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

New thinking, collaboration and structures are critical to closing gaps in health, savings and skills so no one is left behind on living well. Collaboration is particularly important to designing and implementing plans and benefits that people will understand and use. CEOs must recognize that helping employees better manage their health and wealth is critical to any firm's value proposition and to attracting top talent. Governments need to set good policies to keep 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 modeling. Technology must utilize data to make offerings more personalized and relevant to individuals and include the ability to make immediate transactions.
- To improve structures, governments and business leaders should redesign retirement plans to, where possible, make savings contributions compulsory, mitigate the risk of outliving savings by requiring individuals to take some portion of their benefits as lifetime income and design investment options tailored to age, lifestyle and gender needs — as well as to risk profiles.

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

Rich Nuzum, CFA
President, Wealth
Mercer

02

EXECUTIVE SUMMARY: CHILE

Overall, Chileans are more likely than other nations to feel financially insecure and are less confident in their ability to cover unforeseen expenses.

Although Chileans expect to be able to afford to live out their later years, they are less confident (especially women) about maintaining their desired quality of life after retiring. Stress about retirement is linked to general economic conditions in Chile. Another stress factor is the type of pension fund investment, which is not surprising as the legitimacy of Chile's defined contributions pension system is under question as many programs are paying out less than anticipated.

Chileans are positive in other areas, with two-thirds expecting to live beyond 80 and with intentions to retire before they reach 70. Once retired, expectations of income are relatively high, with Chileans more likely to anticipate living off 60%+ of their pre-retirement income. High expectations may be linked to eight in 10 Chileans intending to continue to work after retirement and needing this income after retirement as a source of funds. Chileans are also more willing than other nations to save a greater proportion of their disposable income now to make their desired lifestyle happen in the future.

Chilean adults are more likely to see their overall health as excellent or very good in relation to staying healthy and being able to work. To achieve "good health," Chileans try to maintain a work/life balance and rely on good genes. Their definition of a good lifestyle in retirement is spending time with loved ones, being debt-free and affording more than just the bare necessities.

As expected, given the privately managed pension system in Chile, individuals place the responsibility for retirement income first on themselves (70%) and second (29%) on pension funds or the government (28%). They are more likely to pay into an employer-matching defined contribution plan. As a result, any improvements to access or overall benefits of employer pension plans would have a positive impact on Chilean workers, especially through job satisfaction, a sense that the employer cares, and less financial stress.

Chileans are more likely than other nations to have consulted a financial advisor or investment professional, or to have used an online retirement savings calculator or tool to help calculate their required retirement savings. In Chile, there is a high interest in online financial tools that are easy to use, accessible and secure, and people are comfortable with storing personal data. There is a high level of trust in current employers (83%), online financial tools, apps and websites (74%). Less, but still significant — especially compared to other countries in the study — is trust in personal financial advisors (61%). Trust is lowest in government (37%) to provide sound advice on financial planning.

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

METHODOLOGY

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

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

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

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

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

Results shown in this report are from the consumer survey unless specifically noted as business leader survey results.

03

KEY FINDINGS: CHILE

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 in their 20s and 30s face uncertainty about 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, over two-thirds (72%) of adults in Chile do not feel financially secure today (see Figure 1).

In Chile, participants in the study state their financial needs differently. Whereas 30% of Chilean participants in the study say they need financial knowledge to retire well (see Figure 2), another 23% describe the need as financial intelligence and another 21% call it financial security.

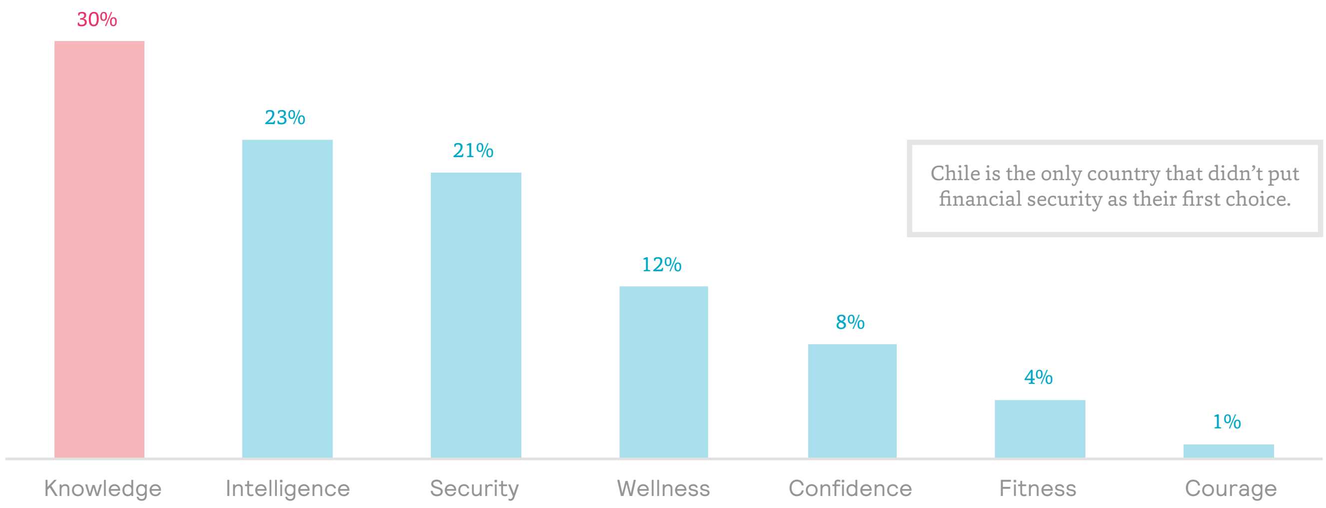
Globally, as well as in Chile, people lack confidence in staying healthy, the current economy, staying employed and being able to save for retirement: 41% of adults in Chile are not confident they can cover short-term financial emergencies and even fewer (35%) expect to have enough saved by the time they reach retirement.

Only 35% of adults in Chile expect to have enough saved by the time they reach retirement.

Figure 1. How Financially Secure Do You Feel Today?

24% of women and 33% of men are secure.

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



Just over a third (35%) of adults in Chile expect to maintain their desired quality of life after fully retiring.

And, just over a third (35%) expect to maintain their desired quality of life after fully retiring. It stands to reason that 83% say that they are willing to make trade-offs (save more or spend less) to afford a longer and better future. Seventeen percent of people, however, would not change anything about their current lifestyle, even if it means they are unable to maintain a desired quality of life in retirement. It's no surprise then, that in Chile 58% are at least somewhat stressed by their current financial situation (see Figure 3).

Across generations, geographies and genders, globally, people are feeling the pressure of their future financial security now. After general economic conditions (46%), personal health (33%) and not saving enough for retirement (30%) are the top two causes of financial stress (see Figure 4). Although stress is universal, women and younger people feel the most stress and very few of them are confident that they will be able to save enough to retire.

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

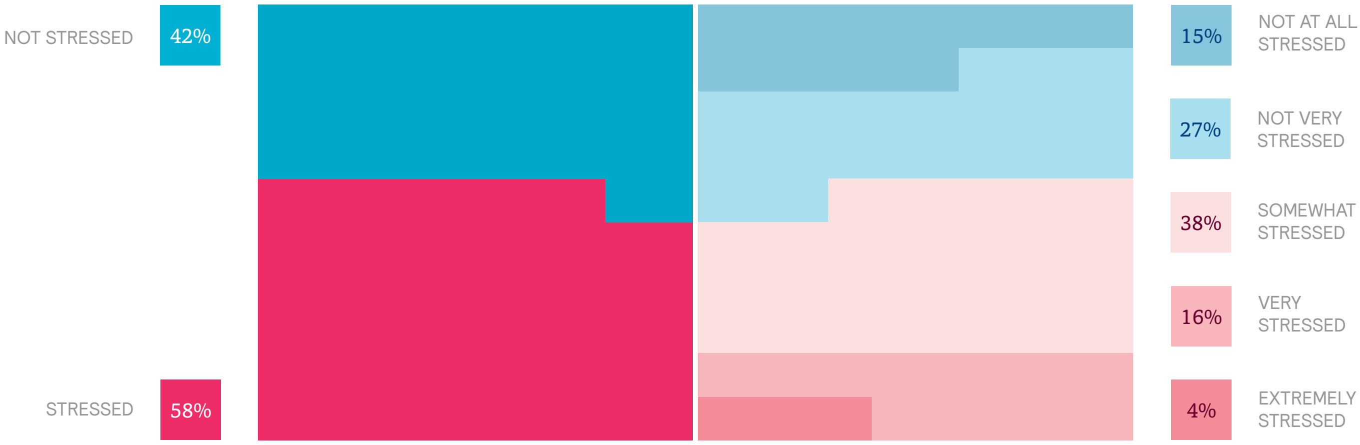
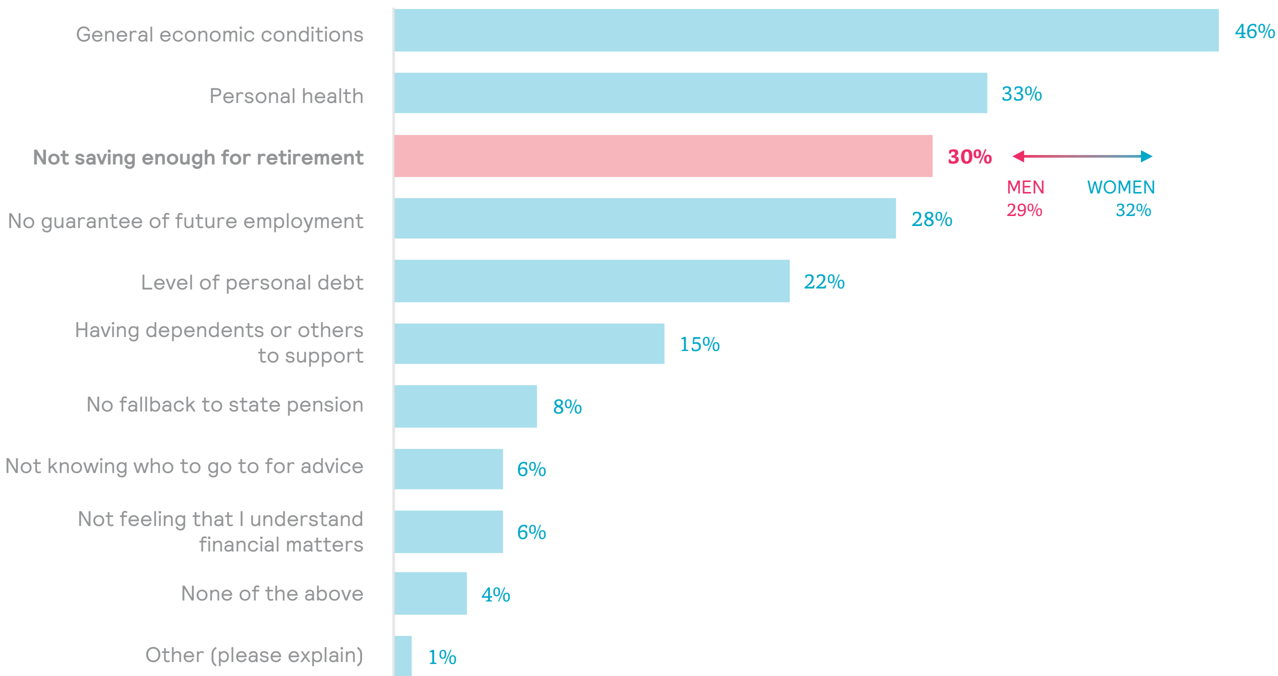


Figure 4. What Causes You Stress, if Anything, With Regards to Your Financial Security?



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 Chile expect to spend 15–20 years in retirement — at parity with the global average — and are tracking to outlive income, 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 adults in Chile expect to live past 80, only 35% expect to maintain a desired quality of life after fully retiring, and 40% are confident that they will be able to afford to live out the rest of their lives. As such, 82% expect not to ever retire or to keep working in some capacity after retirement (see Figures 5a and 5b). And 37% specifically cite continuing in paid work as a source of their retirement income.

For many, the statutory retirement age belongs to a bygone era. Individuals are working longer out of either choice or 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 toward 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 Chile, with 96% 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.

Societies, employers and individuals themselves will all benefit from greater acceptance of and more accommodation for working later into life. This may mean raising or even eliminating set retirement ages. This action could go a long way toward improving the solvency of government and individual pension systems. Different expectations around work and retirement on the part of employers and employees could also help both. 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 programs. 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. They may also be better off physically, emotionally and cognitively, as research has shown that working correlates with increased health in each of these areas.[1]

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

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

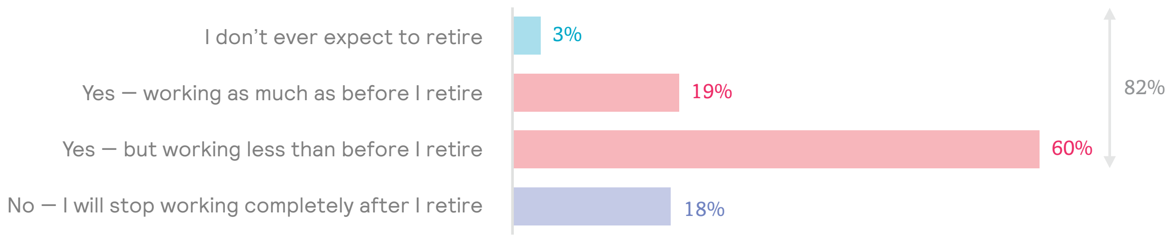
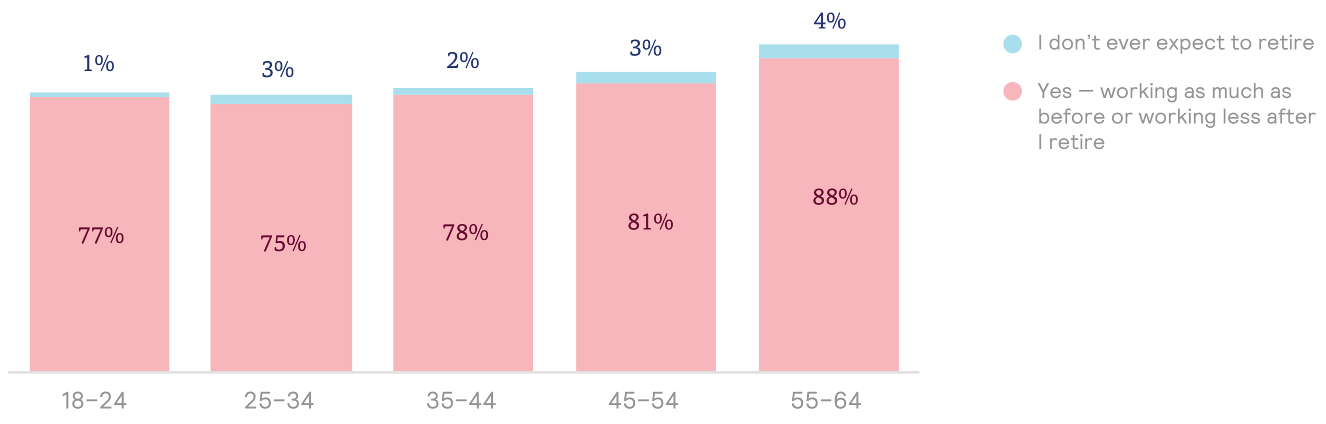


Figure 5b. Younger People Are Much More Aware They Will Need to Keep Working. However, Those Over 65 in the US Have Also Come to the Realization That They Will Have to Keep Working.



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 and the physicality essential to work, between the importance placed on health and the action required to stay healthy.

Both globally and in Chile, people rank health — now and in later years — as the most important factor for a financially secure retirement and post-retirement lifestyle (see Figures 6a and 6b). Other factors today impacting financial security in later life are how much it is possible to save before retiring and levels of personal, state and employer pensions. And yet, despite the importance people place on health, we are only doing the minimum with basic efforts to be healthy.

In Chile, half of those surveyed profess excellent or very good health currently as it relates to ability to perform on the job — somewhat higher than the global average of 39%. For most, health-related factors are causes for concern: one-third cite health as a financial stress factor, are confident in their ability to pay for medical costs as well as believe their health will enable them to work as long as desired.

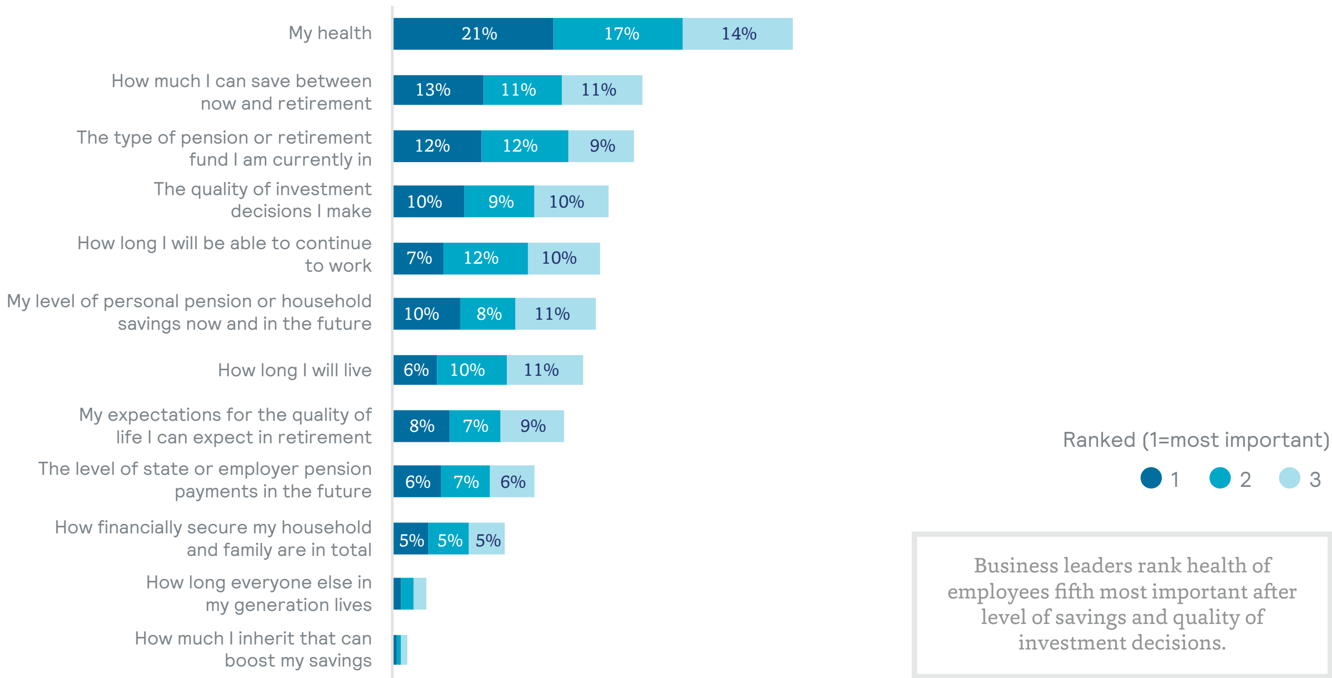
When it comes to the importance placed on health in retirement, there is a difference between the views of people and their employers. Chilean business leaders rank health of employees sixth most important —even lower than the ranking of fifth globally — after level of savings (also at the top of the global list) and quality of investment decisions.

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 recognize that helping employees better manage their health and wealth is critical to any firm's value proposition and to attracting top talent.

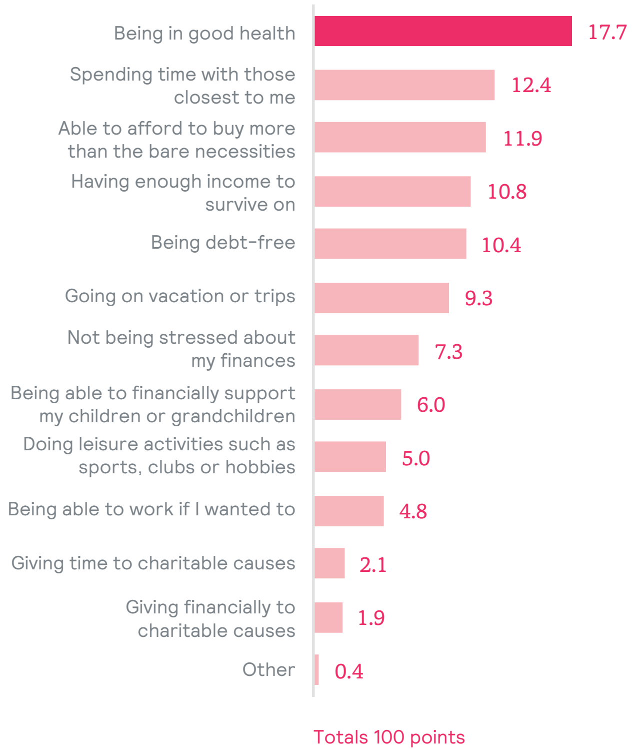
Both globally and in Chile, people rank health — now and in later years — as the most important factor for a financially secure retirement.

Figure 6a. What Do You Think Are the Most Important Factors Today Affecting Whether You Will Be Financially Secure in Retirement?



Business leaders rank health of employees fifth most important after level of savings and quality of investment decisions.

Figure 6b. 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.

In Chile, 70% of adults feel personally responsible for their retirement income — somewhat below the global average of 81% — and 28% say it is the government's responsibility to ensure there is enough income for the basic necessities after retirement — at parity with the global study (31%). Also, 29% cite their pension or investment fund, which is double the global average of 14% (see Figure 7).

Just above two-thirds (70%) have made some calculations on how much they will need in retirement (slightly higher than the global average of 67%) (see Figure 8). At 67%, two-thirds have invested in a retirement plan of some sort — 35% employer; 30% personal; and 6% government (see Figure 11). Yet, only half as many as those who have made calculations are confident that they can save enough by retirement (35%) (see Figure 9).

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

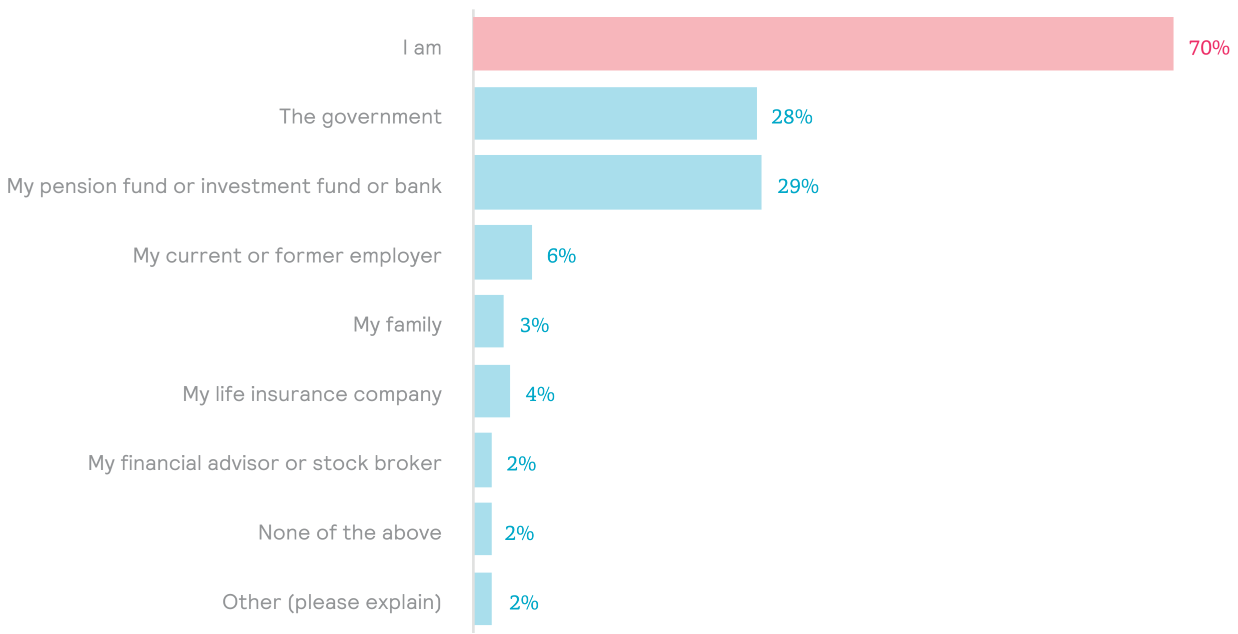


Figure 8. How Do You Plan to Calculate How Much You Will Need to Have Saved in Order to Retire and Maintain Your Desired Quality of Life?

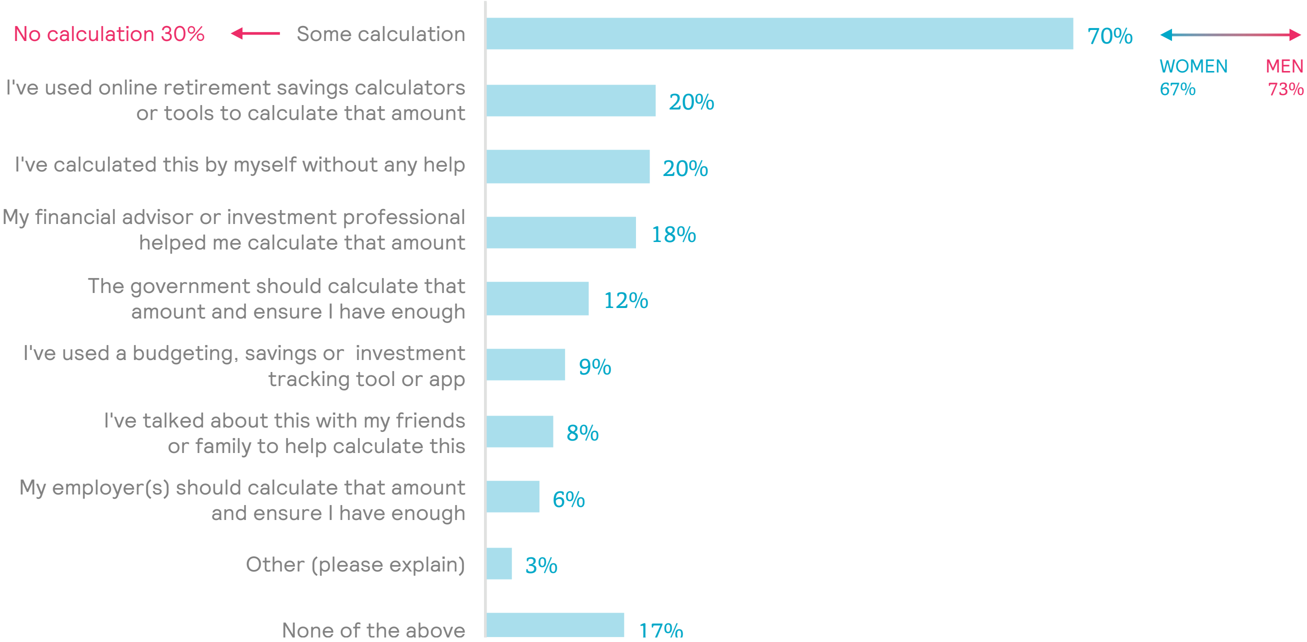
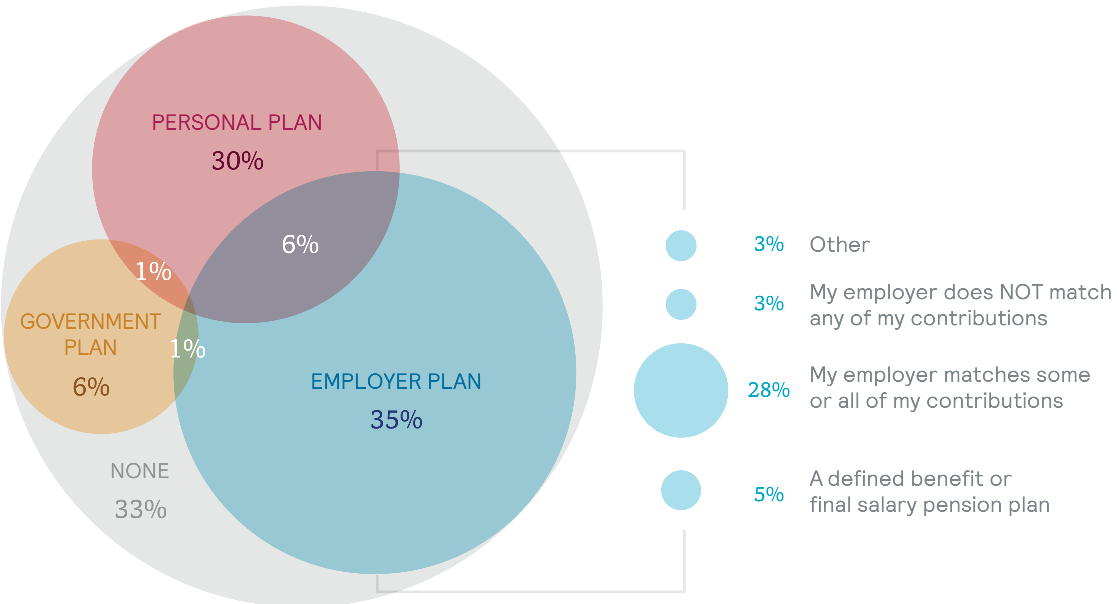


Figure 9. What Pension or Savings Plans Do You Currently Pay Into?



Whereas 20% have used an online retirement savings calculator or tool to calculate how much income they will need in retirement, 20% have not sought any help at all. A small fraction (9%) have tried a budgeting, savings or investment tracking tool or app — even though 93% of adults (among the highest in the survey) are interested in online financial tools to help manage their finances — as long as they are easy to use and secure.

Although 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 most (79%) were 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 retirement. 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 businesses and governments as well. The need to adapt long-term savings programs 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 organization. By better engaging individuals in developing their own financial fitness, designing smarter savings systems, and redefining work and retirement, societies and businesses stand to reap huge dividends.

The need to adapt long-term savings programs and products to new demographic and economic realities is urgent.

Governments, employers and financial intermediaries have both the incentive and the ability to help societies and individuals mend the long-term savings gap.

HOW DO WE GET PEOPLE TO TAKE ACTION?

Enhancing financial security benefits — or improving access to what is offered — provides substantial value.

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 careers. 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.

Employees trust their employer for financial advice more than they trust financial professionals. Employers can help bridge the financial security and knowledge gaps as the research shows that people look to organizations to be a trusted recommender of investments and savings, digital tools and health plans to "help me help myself."

It's a Matter of Trust

As 87% of adults and 86% of business leaders in Chile say access to employer retirement savings or pension plans is important, enhancing financial security benefits — or improving access to what is offered — provides substantive value. In fact, 96% of employees and 100% of business leaders in Chile expect a positive benefit for employees when an employer improves an employee's financial security (see Figure 10).

This represents a resounding endorsement and significant value for overcoming any barriers to workplace financial planning given the benefits. The positive impact at work of improved benefits or added access to a pension plan include higher job satisfaction (57%), greater commitment to the organization (29%) and less time worrying about financial matters at work (27%).

A number of factors, however, impede an employee's ability to participate in savings or pension plans. Clustered closely together, the top three reasons are: affordability at 25%, followed by being unemployed or not working at 17% and lack of opportunity at work at 14%. While 71% of leaders are offering a savings plan of some sort, among those who are not, 48% cite costs as the reason (see Figure 11).

Figure 10. 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?

At 83%, Chilean employees place a high degree of trust in their employers for sound financial advice, considerably more than in financial advisors recommended by their employer (59%) or even their immediate line managers (57%). They are also highly interested in and trusting of online tools and apps (74%), providing an opportunity for organizations to be a trusted provider of easy-to-use, secure digital resources to "help me help myself" (see Figure 12).

As employees have such trust in employers for financial advice and tools, this is not a time for organizations 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. Based on the study, it is evident that financial planning benefits, such as offerings and/or access, help cement workplace bonds.

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

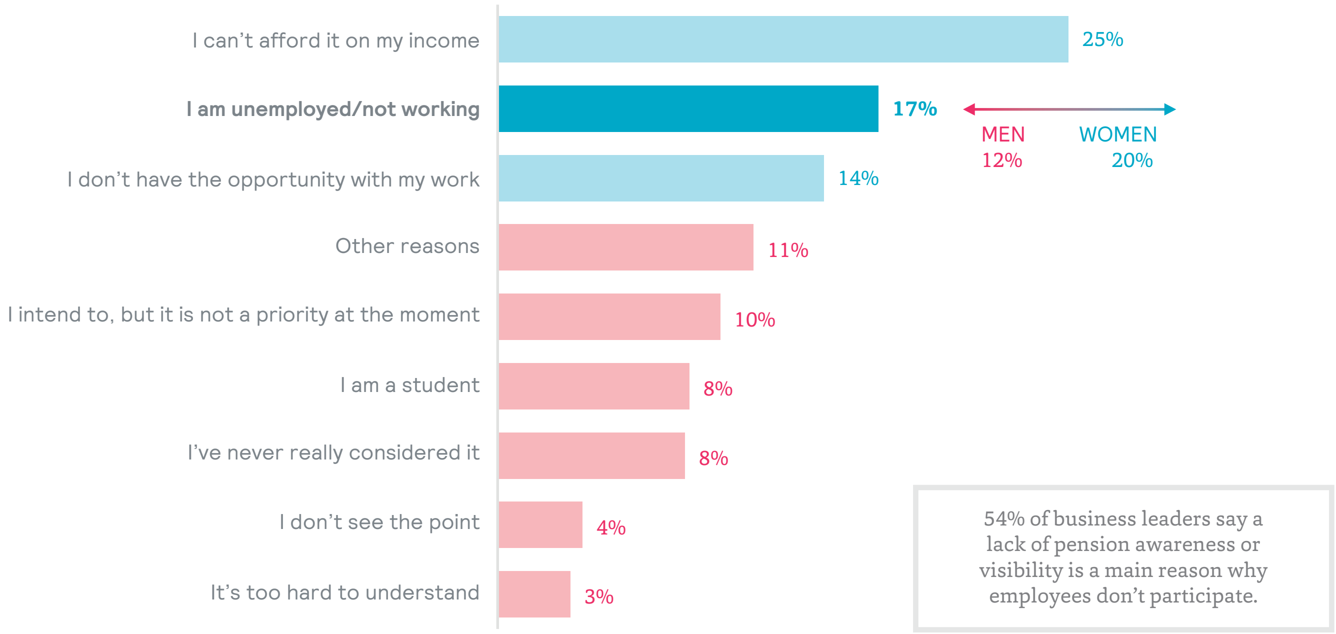
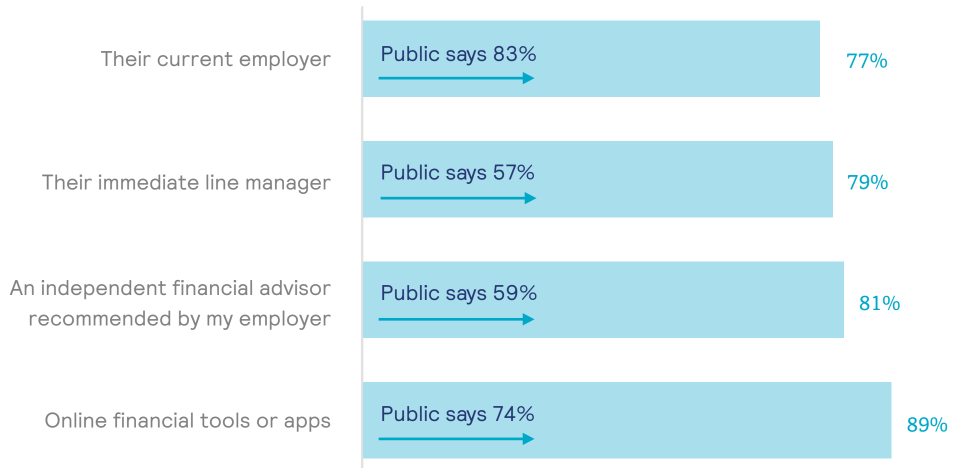


Figure 12. As Business Leaders, How Much Do You Think That Employees Trust the Following People or Sources to Give Sound Independent Advice on Planning, Saving and Investing for Retirement?



Personalize to Meet Individual Needs

Ensuring that organizations 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 utilize all populations — or looking beyond typical programs when considering how best to support and enable all employees — will lose out on valuable talent.

We 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 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 basis 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, organizations employing gig workers will require creative solutions to reach them. Employers need to look beyond typical programs and communications when considering how best to support and enable all talent.

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. Compared to men, women are planning less, less able to save, contributing less to investment plans and less confident in retiring well. Consequently, women globally and in Chile are more stressed about both their current and their future financial security.

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. In Chile, only 27% of women have confidence in their ability to save for retirement — compared with 43% for men — and only 24% feel financially secure (versus 33% for men).

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. In Chile, 20% of women (compared to 12% of men) cite being unemployed or not working as a reason why they are not saving in a retirement plan (see Figure 13). 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 effectively save, 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. 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

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

[3] World Health Organization, 2015.

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.

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

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

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

Figure 13. The Financial Security Gender Gap

		MEN	WOMEN		WOMEN ARE
PLANNING FOR RETIREMENT	Made some plans for retirement income	91%	89%	-2%	Planning **less**
	Have calculated needed retirement income	73%	67%	-6%	
SAVING FOR RETIREMENT	Confident they can save enough to retire	43%	27%	-16%	Saving **less**
	Currently investing in a retirement savings plan	72%	62%	-10%	
	Not saving in a retirement plan due to being unemployed	12%	20%	+8%	
FINANCIAL SECURITY	Feel financially secure	33%	24%	-9%	**Less** able to save
	Can handle short-term financial emergency	65%	52%	-13%	
RETIREMENT EXPECTATIONS	Confident they can afford to live as long as they live	49%	31%	-18%	**Less** confident about retiring well
	Expect to maintain desired quality of life	44%	27%	-17%	
FINANCIAL STRESS	Stressed by current financial situation	50%	66%	+16%	**More** stressed
	Stressed by not saving enough for retirement	29%	32%	+3%	

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 number of years.

Contrary to the global findings, 18- to 34-year-olds in Chile have the lowest expectation of continuing to work after retirement. At 78%, expectations of Chilean millennials are somewhat lower than the expectations of Chilean 35- to 54-year-olds (82%), though higher than the global millennial average of 71%. Yet, at 40% they have the highest expectations of maintaining their desired quality of life in retirement compared to other age groups in Chile. This is significantly less, though, than the global expectations 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 — 96% for those aged 18–34. Though it is about the same for 35- to 54-year-olds at 95%, and then tapers to 84% for those over 55. They also have a high level of trust (84%) in their employers to give good financial advice. Employers that offer better savings and/or investment benefits have a positive impact among 96% of 18- to 34-year-olds (as well as 97% for 35- to 54-year-olds), resulting in higher job satisfaction as well as greater commitment and loyalty to the organization. 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	17	**18**	Unrealistic retirement expectations
	Expect to keep working after retirement	**78%**	82%	91%	
	Expect to maintain desired quality of life in retirement	**40%**	33%	32%	
FINANCIAL SECURITY	Feel financially secure	23%	28%	**38%**	Feel financially insecure and stressed
	Stressed about finances	**58%**	**59%**	55%	
	Confident to handle short-term financial emergency	53%	59%	**68%**	
RETIREMENT PLANNING	Made no plans for retirement	**13%**	10%	5%	Wanting and getting more help to plan
	Calculated income needed in retirement myself	18%	17%	**26%**	
	Calculated income needed in retirement with help	**51%**	52%	48%	
ONLINE TOOLS	Interest in online financial tools	**96%**	95%	84%	More interest in online tools
	Willing to allow online apps to hold personal information	**90%**	82%	66%	
EMPLOYER IMPACT	Trust their employer to give good financial advice	**84%**	**87%**	71%	Employers can have a greater impact
	Positive impact if employer offers better pension benefit	**96%**	**97%**	91%	

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 programs based on behavioral 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 out. We need to make the process simple to make it informative. When reforming pension systems, policymakers should also ensure the new rules are future-proofed, taking into account upcoming trends in employment, including the rise of freelance gig work and flexible rewards.

Modeling 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 toward closing the long-term savings gap. However, given the many priorities competing for an individual's paycheck and the primacy of the immediate over the long term, voluntary contributions to long-term savings simply may not be enough. In fact, the pension systems that are among the highest ranked in terms of adequacy, sustainability and integrity are designed to make saving contributions compulsory, on the part of both individuals and 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 all or part of their pensions as a form of annual income improves their financial security throughout old age.

[4] 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, secure and effective online tools are vital to assisting people of all ages and especially today's largest workforce, millennials, who are the least financially secure among the age groups Mercer surveyed, as well as the most digitally oriented.

Akin to their global counterparts, millennials in Chile highly value technology: 96% have some interest in online tools and 90% are willing to allow the tools to hold personal information, helping them track and manage their financial, health and personal data, as long as the tools are easy to use and accessible (see Figure 15a and 15b). A resounding 93% of adults in Chile are interested in online financial tools to help manage their finances with the stipulation they must be secure, jargon-free and easy to use, and 75% of millenials are willing to aggregate their banking data online to monitor, track and target improved savings. The willingness to aggregate data online rises to 77% for 35- to 54-year-olds, and drops significantly to 63% for those over 55 years old, averaging out at 73% — nearly three-quarters of the adults surveyed (see Figure 16).

A large majority of adults in Chile are similarly comfortable with a variety of financial resources, including managing finances using online tools or websites (72%); using budgeting, saving or investment-tracking apps on mobile devices (68%); using mobile financial apps (68%); and mobile banking through mobile phones or tablets (60%).

There are resources, though, that do not hold the same level of comfort. Over half of adults (55%) are uncomfortable using robo-advisors to give automated financial planning or speaking with a call center financial advisor (51%) (see Figure 17).

Figure 15a. Do You Have an Interest in Online Financial Tools?

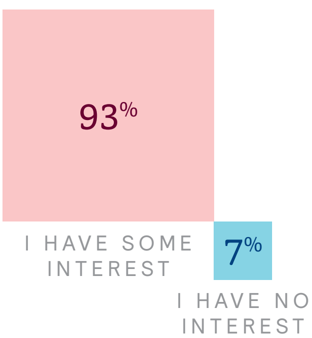


Figure 15b. What Features Do You Most Need From Online Financial Tools?

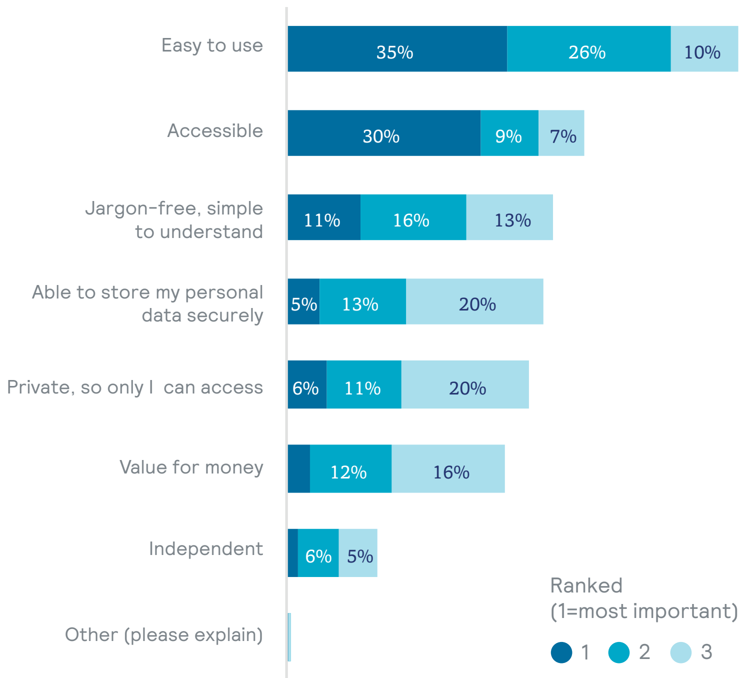


Figure 16. How Willing Are You to Allow an Online App to Hold Your Personal Data to Help Manage Your Finances for You?

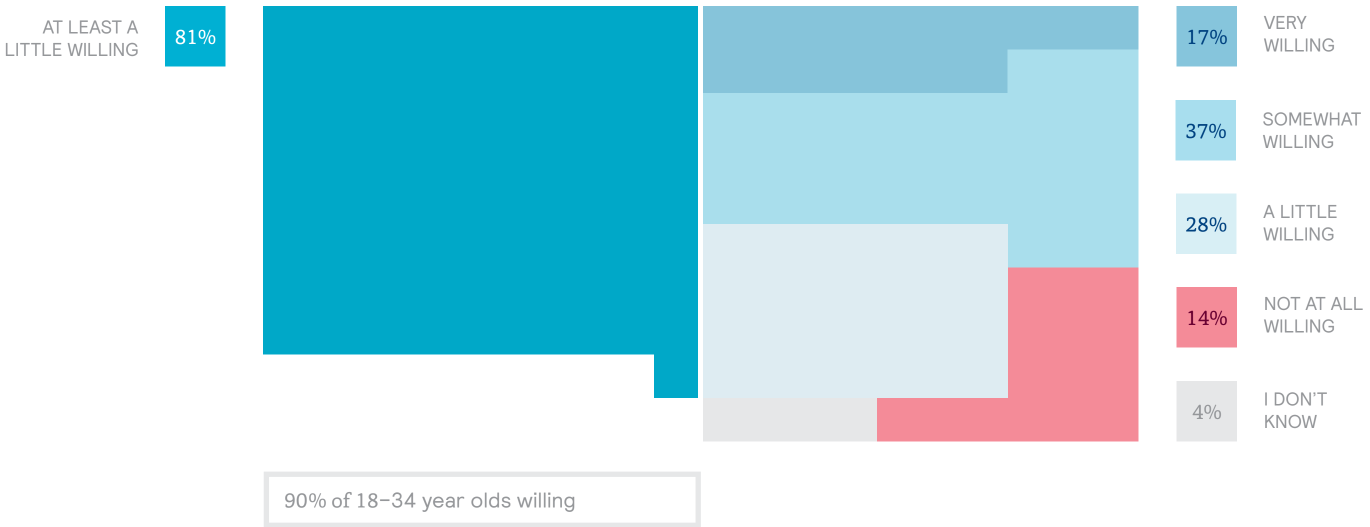
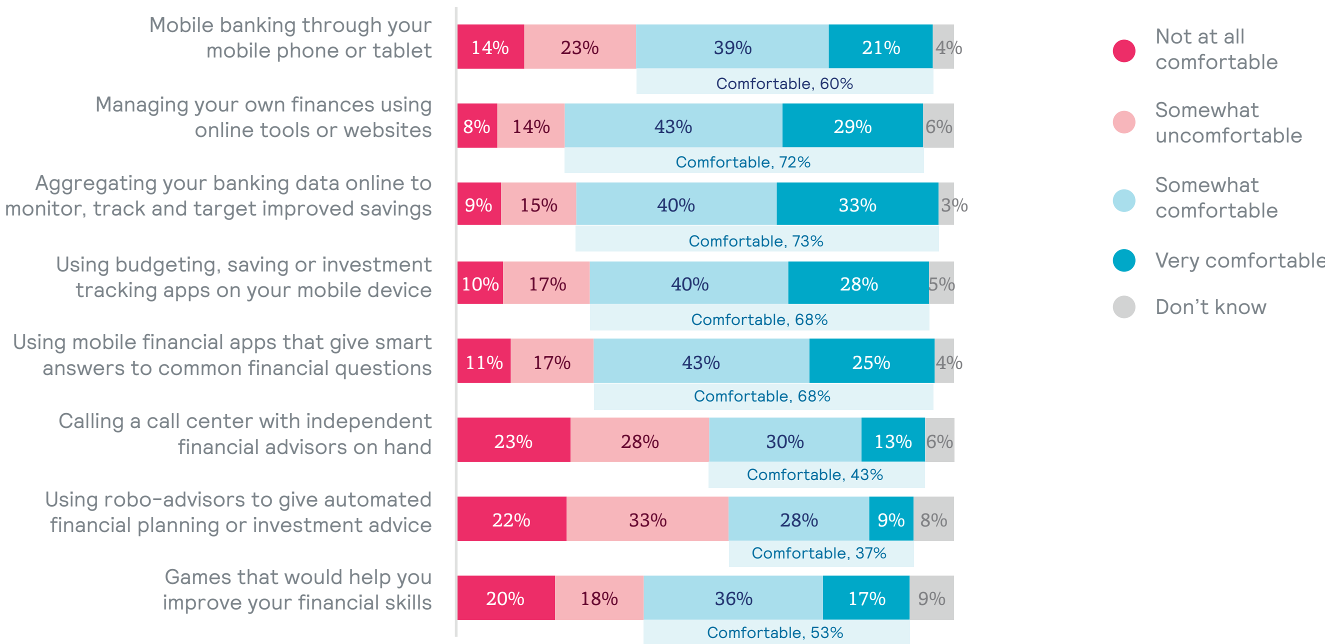


Figure 17. How Comfortable Would You Be in Using the Following to Plan, Manage and Get Advice on Your Savings?



Given the high level of interest as well as variations across age groups, technology must utilize data to make offerings personalized 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 modeling, and must 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 programs and products.

The research depicts an opportunity for employers and governments to address both the financial and behavioral needs of the workforce, generally, and of the growing population of digital natives, specifically, by providing secure, easy-to-use, do-it-yourself digital tools and apps that assist in making better decisions now and for the future. In this way, business leaders and governments can help bridge the gap on financial security and knowledge.

A technological revolution akin to that in the physical fitness industry is needed to engage individuals in saving for the long term.

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 globally and will live longer, work longer and change jobs more frequently than previous generations. In Chile, just over three-quarters of 18- to 34-year-olds expect to keep working after retirement (78%). Millennials in Chile are looking for sound savings advice and trust employers and online tools for guidance. In fact, 84% 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 organizations 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 programs 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 recognize 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

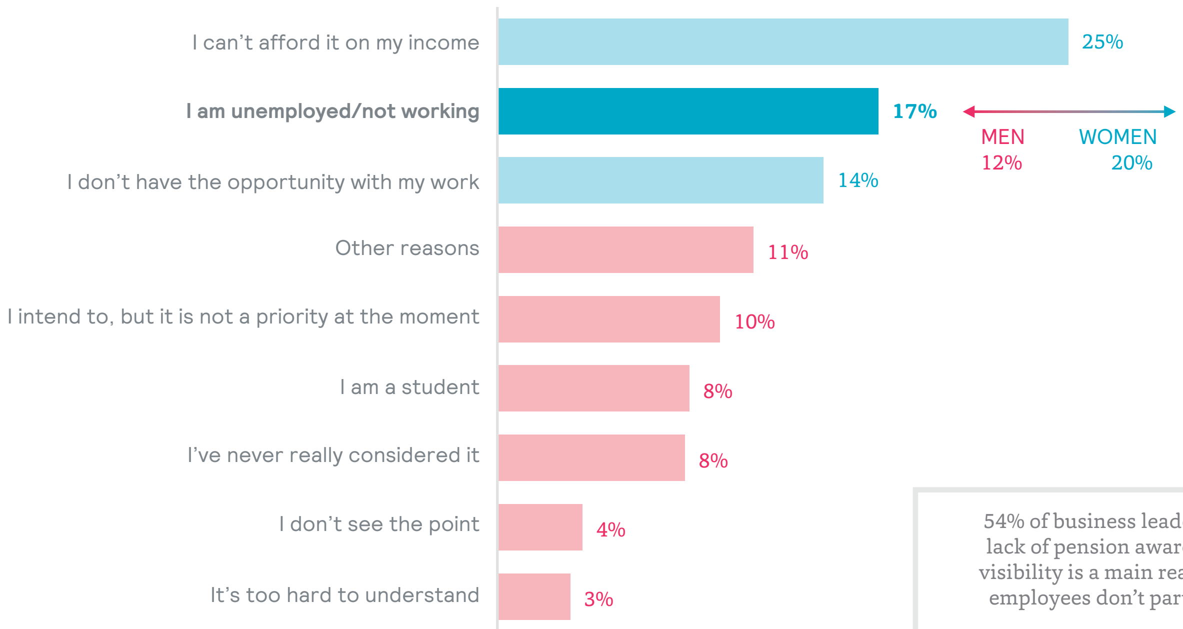
Societies, governments, businesses and financial intermediaries have much to gain by taking immediate action to address the looming long-term savings gap.

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

Among the differences in Chile, 58% of business leaders, in contrast to 35% of individuals, have a higher expectation of maintaining quality of life in retirement. Senior leaders are relatively more secure: 40% feel more financially secure compared with 28% of individuals — which is actually lower than the global averages of 53% and 35%, respectively. Half of business leaders rank good decision-making as most important for a financially secure retirement. Individuals in Chile, however, rank health as the top priority.

In Chile, business leaders and individuals also see things differently when it comes to pension participation. Fifty-four percent of business leaders say lack of pension awareness or visibility is the main barrier to employees investing in pension plans. Chileans, however, say their number one reason is that they cannot afford to on their income (25%), followed by being unemployed or not working (17%), which is higher for women (20%) than for men (12%), and lack of opportunity at work (14%) (see Figure 18).

Figure 18. What Are Some of the Reasons You Don't Participate in a Pension or Retirement Savings Plan?



54% of business leaders say a lack of pension awareness or visibility is a main reason why employees don't participate.

Individuals in Chile places a significant amount of trust in employers as a financial security resource (83%) — even higher than the business leaders expect (77%). However, employers expect trust by employees in various resources to be much higher than it is. There is a significant gap between employers' expectations of employees' trust in their immediate line manager and the actual figure reported by employees: employers think it is 79% of employees, when it is actually 57%. Chilean leaders also think employees place a similar level of trust in independent financial advisors: employers say 81% versus employees at 59%. Although both place a high level of trust in online web tools or apps, there is still a disparity, with employers thinking employees place greater trust (89%) than employees actually do (74%).

Despite the differences, understanding the positive implications for employers of providing advice as well as improved benefits and access to an investment plan — most notably higher job satisfaction, greater commitment and loyalty to the organization — are among the study's key findings and opportunities for business leaders (see Figure 19a and 19b).

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 19a. As a Business Leader, What Do You Consider Are the Benefits to an *Employer* in Improving an Employee's Financial Security?

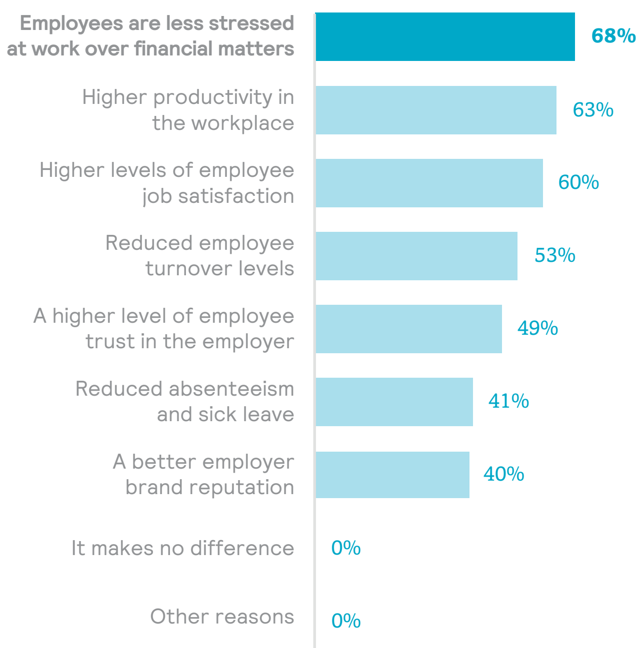
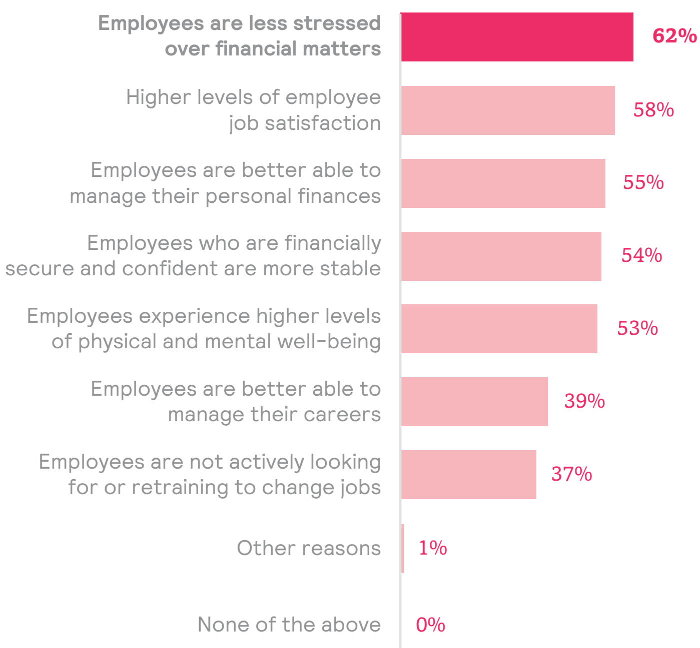


Figure 19b. As a Business Leader, What in General Are the Benefits to *Employees* in your Organization of Feeling Financially Secure?



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 ..."

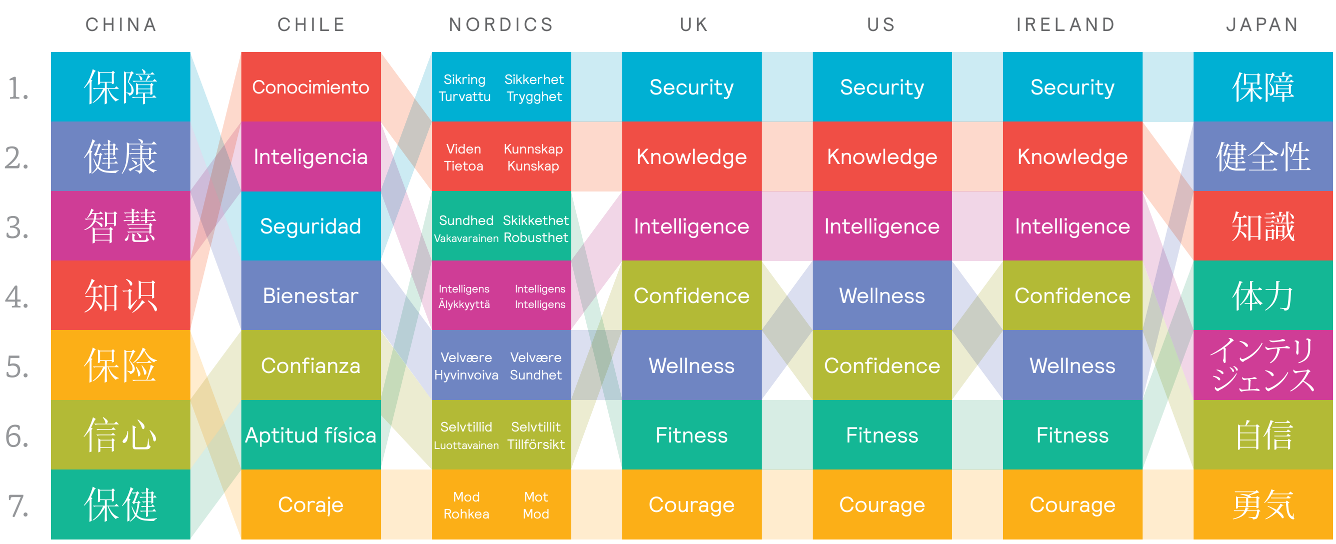
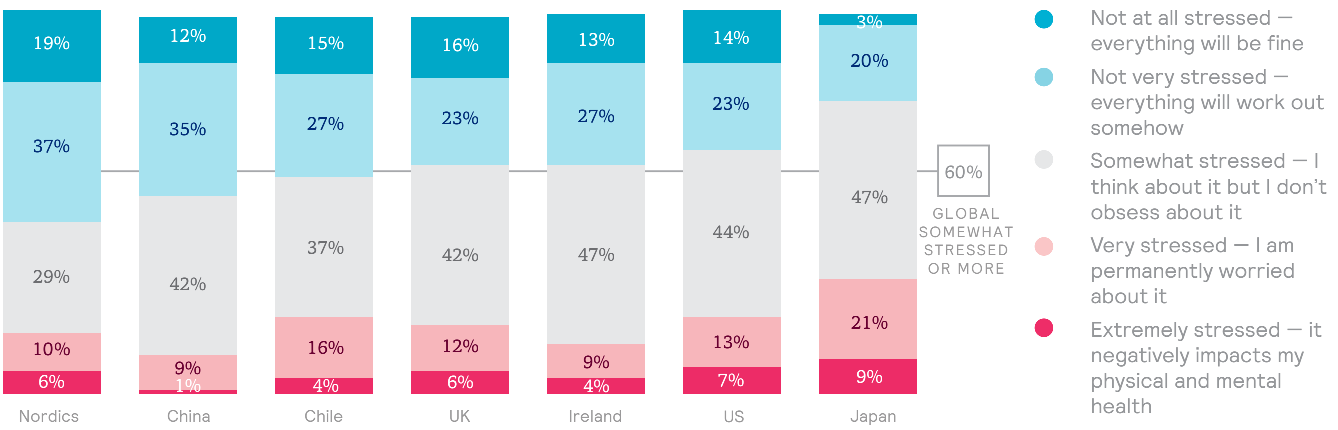
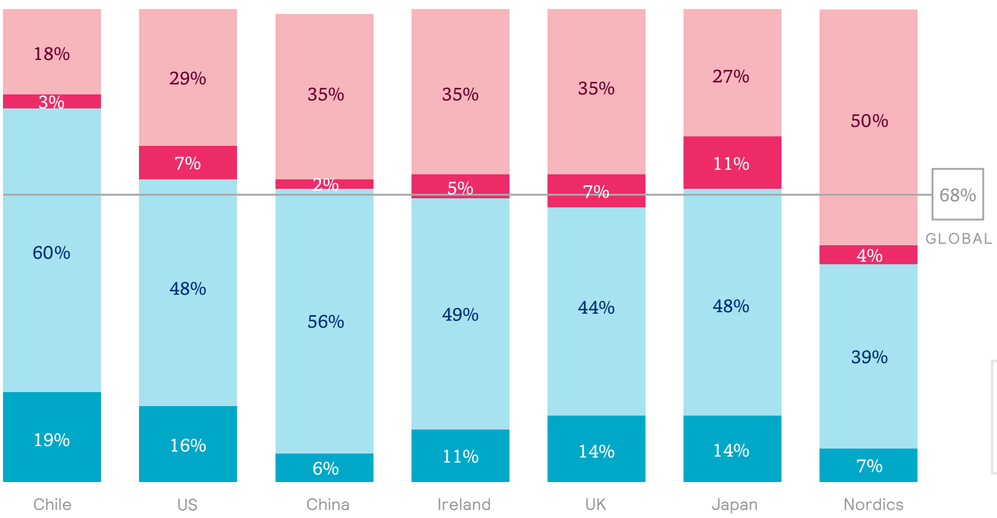


Figure 21. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?



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 recognizing, more so than other generations, that they may need to continue to work later in life.

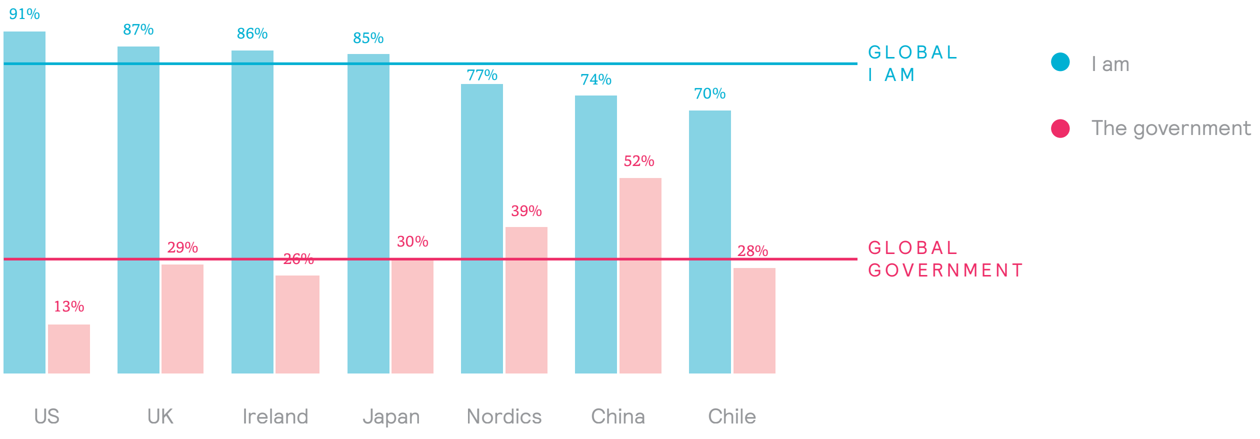
Figure 22. When You Retire, Do You Expect to Keep Working?



Most of those who expect to keep working are expecting a change so they can work less.

Responsibility for retirement income also varies by country (see Figure 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 China, Ireland, Japan, the Nordics (Denmark, Finland, Norway, Sweden), 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 programs to support personal and financial well-being. Rather, this is the time to bolster them. Employers are trusted for advice and improved benefits. Helping people better manage their health, wealth and careers enhances an enterprise's value proposition and its ability to attract top talent — all while yielding higher job satisfaction, greater commitment and less time at work stressing about financial matters. As no single entity can effect change alone, governments also need to respond and take action accordingly.

Ensuring financial security for all requires understanding, collaboration and communication — between employee and employer, business and government, and government and people. *Healthy, Wealthy and Work-Wise: The New Imperatives for Financial Security* provides the road map and shows technology as a pathway. **It would be wise for all of us to heed the signs and set a new course.**

For further information, please contact your local Mercer office or visit our website at:
www.mercer.com

MARSH & McLENNAN COMPANIES

6004894D-GB