

HEALTH WEALTH CAREER

HEALTHY, WEALTHY AND WORK-WISE

**The New Imperatives
for Financial Security**

Ireland



MAKE TOMORROW, TODAY



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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 may no longer be relevant. Individuals are working longer, out of either choice or economic necessity. More than two-thirds (68%) of participants in the study don't ever expect to retire or expect to keep working in later life.

The time, then, has come to retire retirement.

As later-life financial needs vary, flexibility is vital as people will need and want to choose how long to work. There are those for whom work has become the only savings plan: no job means no income. In other words, financial security requires staying employed and employable. The study

shows that people do understand that to remain relevant and valuable requires life-long learning and keeping skills current and relevant in an ever-changing job market. Eighty-six percent say that continuing to develop professional and personal capabilities is important.

In addition to the requisite skills, to continue earning and saving, we are relying on robust health to be able to work as long as necessary, making health vital to wealth. Although the research found health is the most important priority when it comes to quality of life and financial security now and in later years, the analysis also uncovered that we are only doing the basics when it comes to our health. It stands to reason that only 39% professed to be in excellent or very good health as it relates to their ability to perform on the job.

Therefore, to live well later we need to act now.

Although most of us accept the responsibility that “it's up to me” to save enough income for later years, we do not take the necessary actions. One-third of us have not made any later-life financial calculations and only 26% of us are confident we can save enough for retirement. The research indicates several paths to increased financial confidence, including how employers and government engage people in saving for the future; redesigning retirement plans; and using smart technology to simplify, track and help people stay financially in control.

Another invaluable finding from the research is that a resounding 79% of adults trust employers to give sound, independent advice on planning, saving and investing. Eighty-six percent of employees say that if their employer improved benefits or added access to an investment plan, it would have a positive impact on them at work, resulting in higher job

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

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

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

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

New thinking, collaboration and structures are critical to closing gaps in health, savings and skills so no one is left behind on living well. Collaboration is particularly important to designing and implementing plans and benefits that people will understand and use. CEOs must recognise that helping employees better manage their health and wealth is critical to any firm's value proposition and to attracting top talent. Governments need to set good policies to keep pace with change. Notably, the research uncovered contrasts between the consumer and business leader views in such areas as barriers to savings, trust in financial planning resources and retirement priorities, indicating that employers and employees would each benefit from better two-way communication and understanding.

Closing the financial security gap requires a public-private partnership to address the imperatives evident in the research. For starters:

- To retire retirement, policymakers must consider raising or even eliminating set retirement ages and encouraging employers to benefit from the significant experience and skill sets of older workers – especially in the face of a shrinking talent pool.
- To improve health – given its overwhelming importance in enabling people to contribute productively and to enjoy a good life – investing in physical as well as financial wellness at work is essential.
- To take action, employers need to transform savings into an engaging consumer experience rather than an onerous financial service, and make it achievable and interesting

through simplified language, useful tools and the ability to track savings and progress in real time.

- To leverage technology, digital tools (as well as plans and benefits) must not be one-size-fits-all and need to be for more than information and basic modelling. Technology must utilise data to make offerings more personalised and relevant to individuals and include the ability to make immediate transactions.
- To improve structures, governments and business leaders should redesign retirement plans to, where possible, make savings contributions compulsory, mitigate the risk of outliving savings by requiring individuals to take some portion of their benefits as lifetime income and design investment options tailored to age, lifestyle and gender needs – as well as to risk profiles.

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



 Rich Nuzum, CFA
President, Wealth
Mercer

02

EXECUTIVE SUMMARY: IRELAND

When it comes to financial security, Ireland occupies a middle ground — fourth out of seven across the regions surveyed in the Mercer global study.

Although 60% of participants in the Irish study are at least somewhat stressed about their financial situation, they are not overly worried, being more likely than other nations to say they are only “somewhat” or “not very” stressed. Perhaps a factor is the responsibility they place on government to provide pensions through the social welfare system. There is an underlying lack of confidence, however, in being able to save enough by the time they reach retirement. Nevertheless, the Irish have a very strong sense of responsibility and are prepared to take action, with 86% taking ownership to ensure they will have enough income after retirement and are highly willing to make the necessary trade-offs.

Where there is stress, the causes are numerous, ranging from general economic conditions to personal health to retirement savings to having no guarantee of future income. While a gender gap on financial security and confidence exists, it is less pronounced in Ireland than in other nations.

The Irish are more optimistic than other nations in their ability to maintain a desired quality of life after retiring, as well as more willing to save a greater percentage of their disposable income now, spend less, downsize lifestyles or take on part-time work if necessary to do so. As a nation, the Irish anticipate continuing work after retiring (65%), yet 49% expect to work less than they had before retirement.

Optimistic about life expectancy, in Ireland, 70% anticipate living to over 80 years of age. The Irish are also positive about their health, with more than half claiming their health is excellent or very good.

Compared to the other countries surveyed, people in Ireland are more likely to pay into a pension plan, including personal retirement savings accounts, government-provided pensions or an employer-sponsored pension plan. Eighty-seven percent of the Irish respondents place importance on access to employer-provided benefits and opportunities at work to save or invest. As a result, providing access or improving financial security-related benefits would make a positive difference (82%) including an increase in job satisfaction (40%). Although many are calculating retirement savings — either by themselves or with the aid of a financial advisor — the Irish place greater trust in those close to them, such as partners, family or current employer, to provide sound advice.

There is also a high level of interest in technology and digital tools. Overall, the Irish — and especially Irish millennials — would be comfortable with using online financial planning resources as long as sites, apps and tools are easy to use, jargon-free and secure.

Globally and in Ireland, 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 behaviours, and the beliefs and perceptions of these groups around financial security across health, wealth and careers.

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

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

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

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

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

03

KEY FINDINGS:
IRELAND

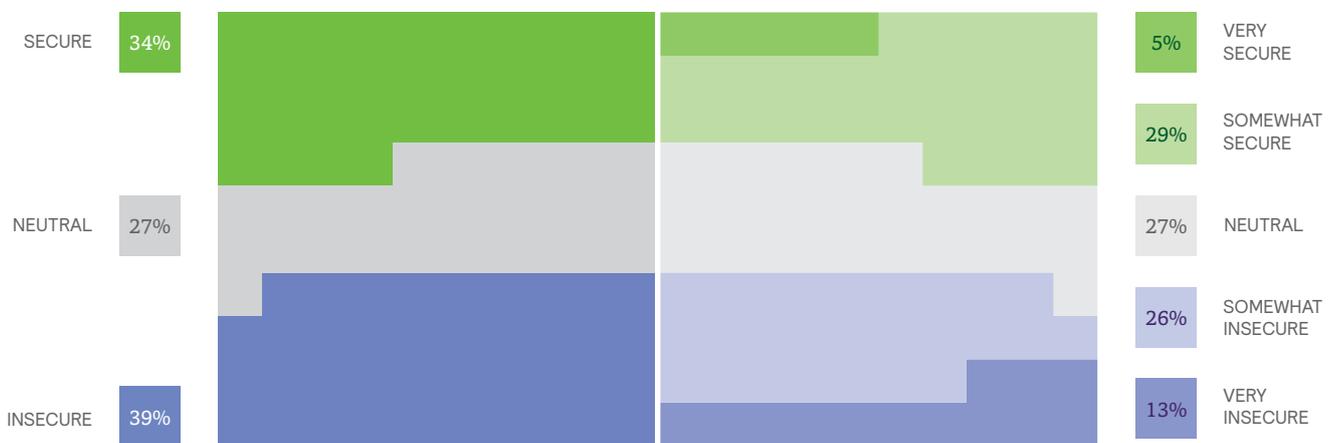
FINANCIAL INSECURITY

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 our 20s and 30s face uncertainty of what to do and how to begin to save. The booming “gig” economy globally 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-six percent of participants in Ireland and 65% of all adults in the global study — as well as 47% of business leaders — do not feel financially secure (see Figure 1).

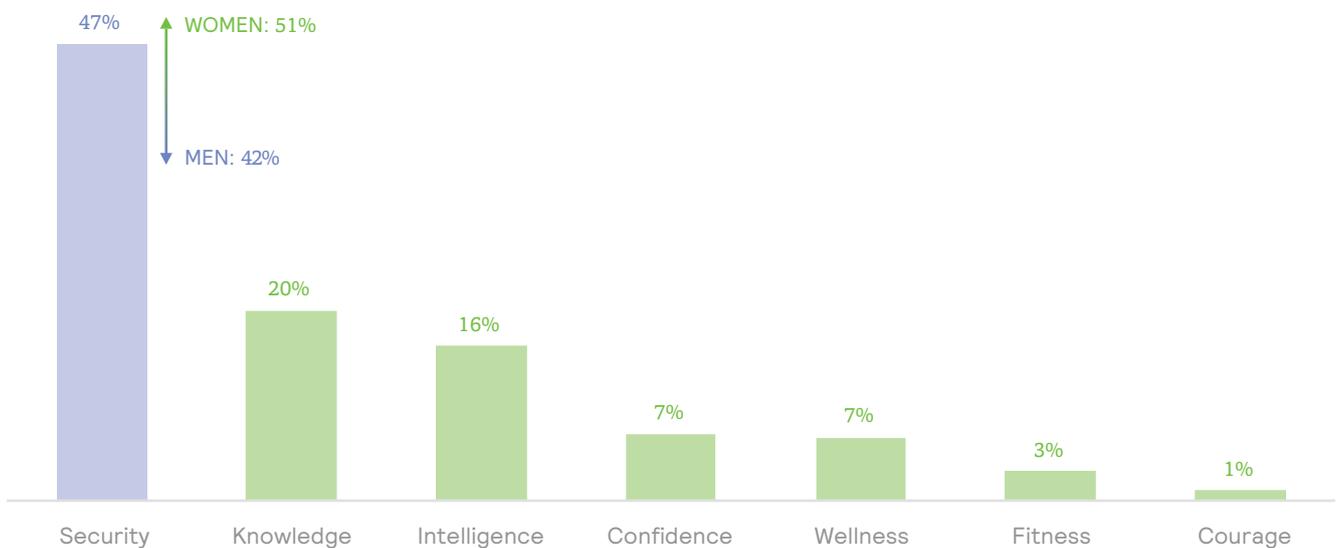
Figure 1. How Financially Secure Do You Feel Today?



Of the Irish participants in the study, nearly half (47%) say they need financial security to retire well (see Figure 2). Globally, as well as in Ireland, people lack confidence in the current economy and in staying healthy, staying employed and being able to save for retirement: 64% of adults in

Ireland are confident they can cover short-term financial emergencies, and yet, only 22% are confident they will have enough saved by the time they reach retirement.

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



Still, over half (54%) expect to maintain a desired quality of life after fully retiring. It stands to reason that 87% are willing to make trade-offs (save more or spend less) to afford a longer and better future. Only a small fraction (13%) would not change anything about their current lifestyle, even if it meant they are unable to maintain a desired quality of life in retirement. It comes as no surprise therefore, that in Ireland, 60% are at least somewhat stressed by their current financial situation (see Figure 3).

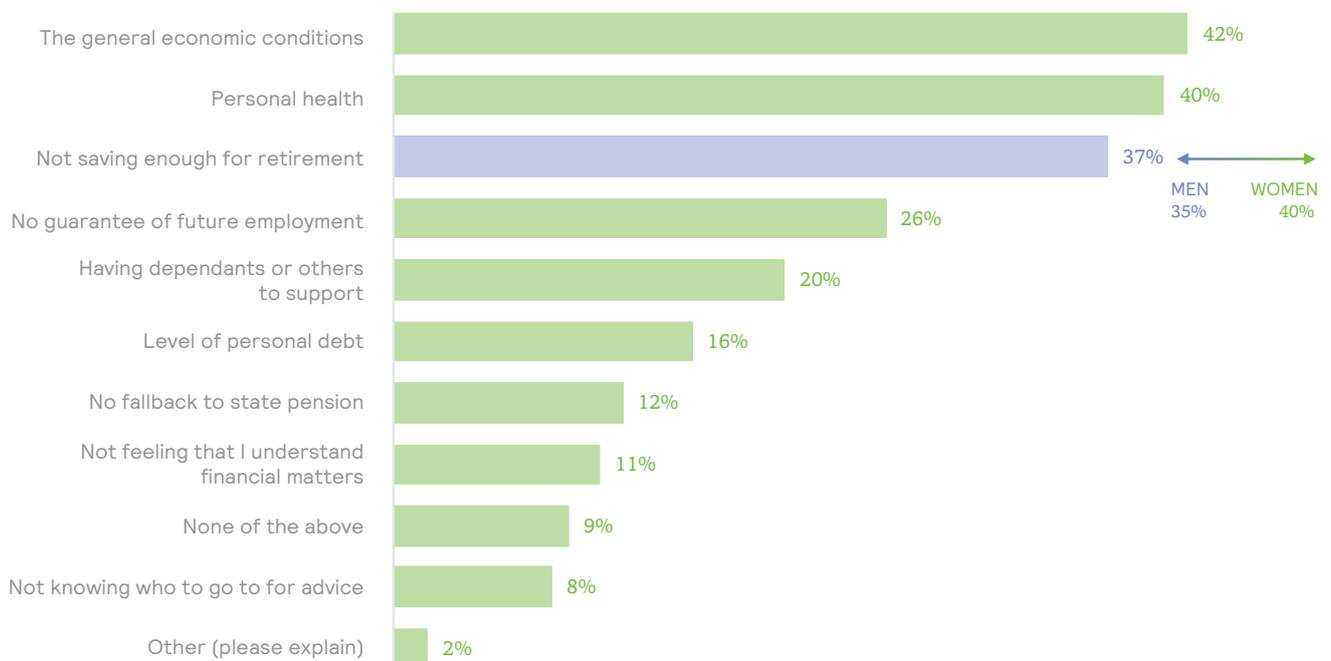
Figure 3. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?



Across generations, geographies and genders, globally, people are feeling the pressure of their future financial security now. General economic conditions (42%), personal health (40%) and not saving enough for

retirement (37%) are the top three causes of financial stress (see Figure 4). Although stress is universal, women and younger people feel the most stress and have much less confidence in being able to save enough to retire.

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 Ireland expect to spend 14–19 years in retirement — just slightly below the global average of 15–20 years — and are tracking to outlive savings, 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.

There is optimism both in longevity — 70% of adults in Ireland expect to live past 80 — and in maintaining a desired quality of life after fully retiring (54%). Yet, only 24% are confident they will be able to afford to live out the rest of their lives. As such, 65% do not ever expect to retire or expect to keep working in some capacity after retirement (see Figure 5). And 19% 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 either out of choice or from economic necessity. With an upward trend of people expecting to continue working, the time has come to retire retirement.

As people are staying productive well into their 60s, 70s and even 80s, we must consider raising or even eliminating set retirement ages and encouraging employers to benefit from the significant experience and skill sets of older workers — especially in the face of falling birth rates and a shrinking talent pool. Society needs to better enable older workers to contribute professionally. And for this to be true, society in general, and employers in particular, must reappraise their biases towards older people and eliminate ageism.

To stay employable and valuable, people understand the necessity of lifelong learning and keeping skills current to do the work of the future. This is well understood in Ireland, with 86% of adults saying that continuing to develop professional and personal capabilities is important.

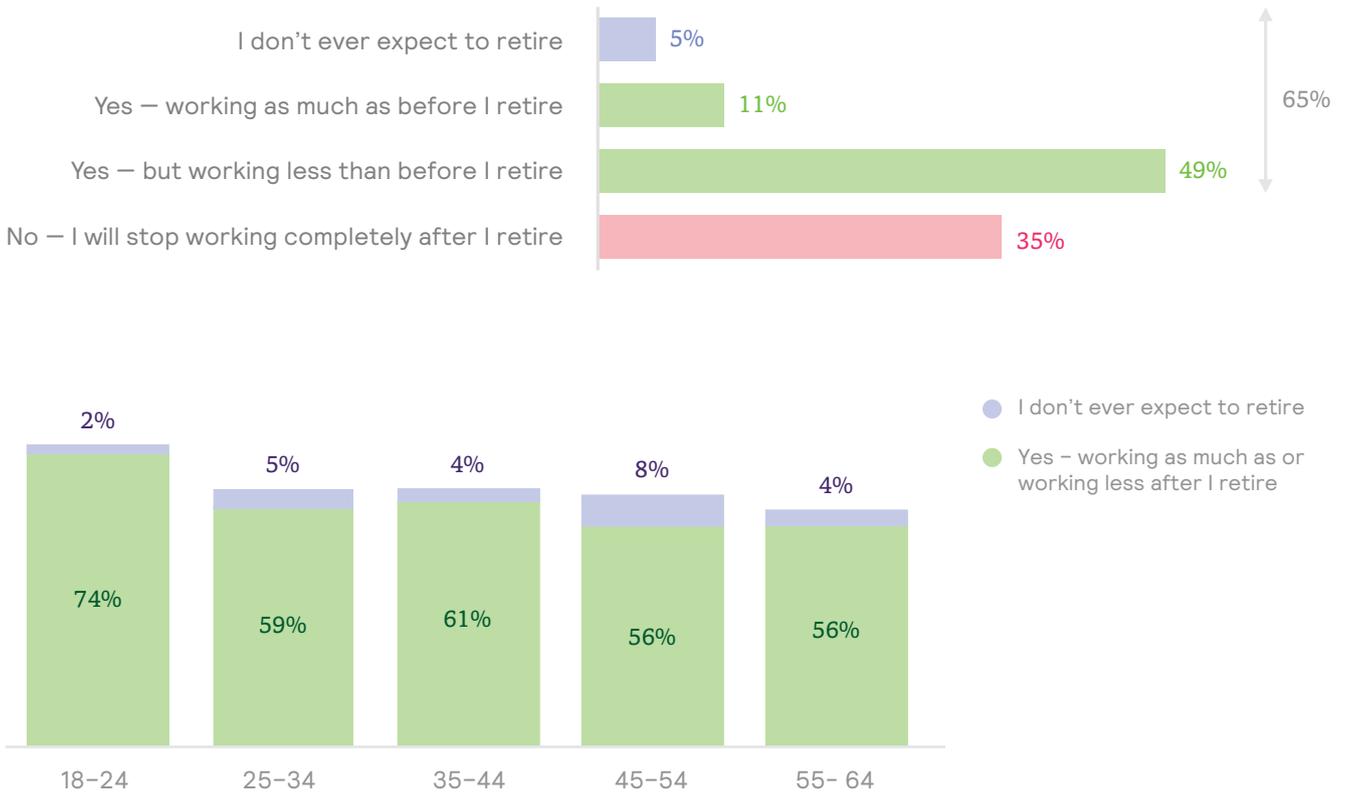
Individual productivity and earnings in later years would go a long way to improving the solvency of government pension systems. In addition, research demonstrates that working correlates with improved health — physically, emotionally and cognitively — thereby enabling older populations to remain both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

Societies, employers and individuals themselves will all benefit from greater acceptance of and more accommodation for working later into life. Different expectations around work and retirement on the part of employers and employees could 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 programmes. As such, since they do not have to accumulate their long-term savings over a compressed period of time, individuals may choose to structure their earlier working years differently, with more time for caregiving and other family obligations.

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

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



HEALTH IS VITAL TO WEALTH

Health is particularly important when relying on staying healthy to work as long as necessary and when it comes to enjoying a desired quality of life in later years.

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

Both globally and in Ireland, people rank health — now and in later years — as the most important factor for a financially secure retirement and post-retirement lifestyle (see Figure 6). 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. In Ireland, after health, the next more important priorities affecting a good lifestyle are having enough income to survive on and spending time with people close to you.

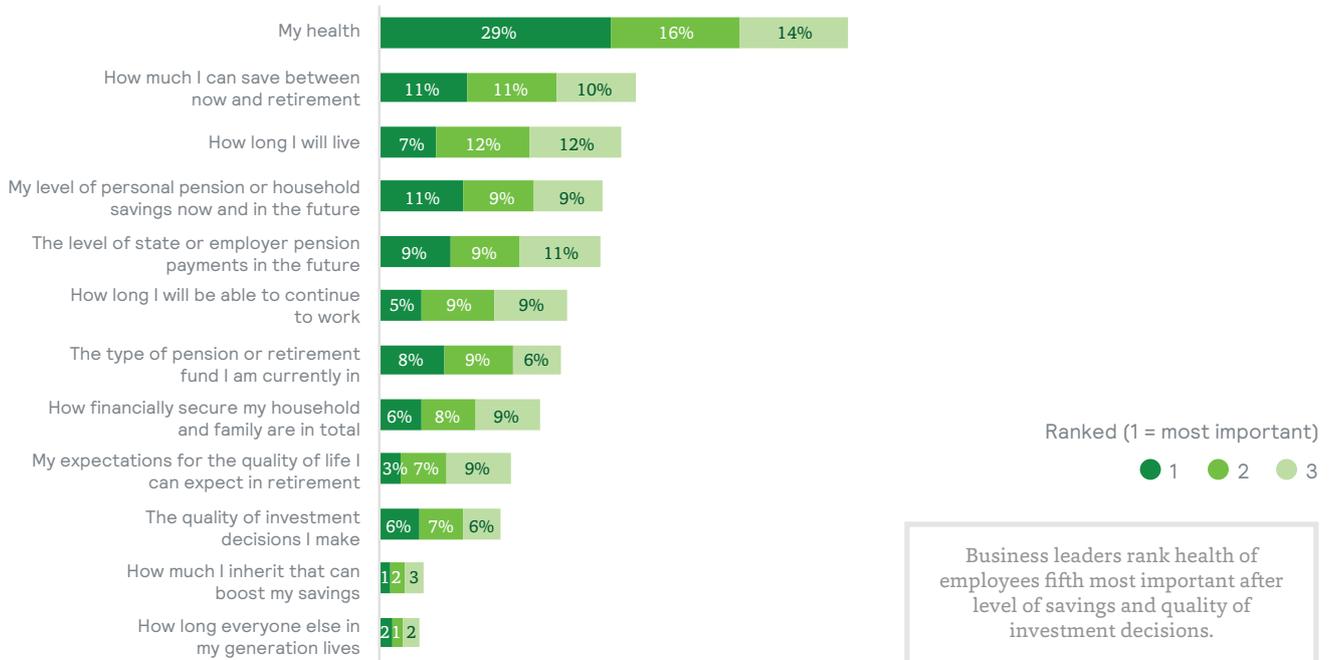
And yet, despite the importance people place on health, we are only doing the minimum with basic efforts to be healthy. In Ireland, just over half of those surveyed (53%) profess excellent or very good health currently as it relates to ability to perform on the job — significantly higher than the global average of 39%. For most, health-related factors are causes for concern. It is understandable that 40% of Irish adults cite health as a financial stress factor, as only 19% 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. Globally, business leaders rank health of employees fifth most important after level of savings and quality of investment decisions.

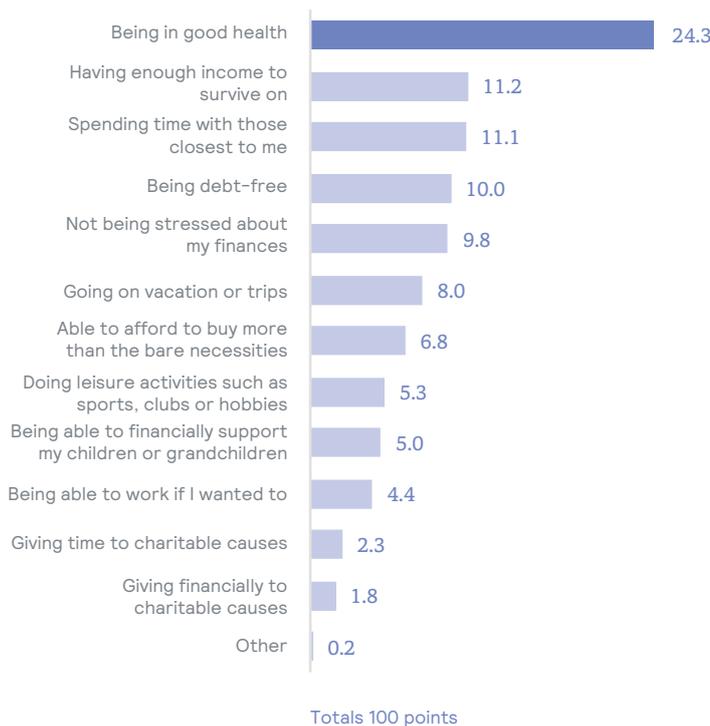
Therefore, governments and corporations must look at the importance people place on health and how health and financial security are inextricably linked. Given how essential health is to enabling people to contribute productively, working as long as desired or required, and to enjoying a good life, investing 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. Given the study's findings, CEOs must recognise that helping employees better manage their health and wealth is critical to any firm's value proposition and to attracting top talent.

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



What defines a good lifestyle after you stop working entirely?

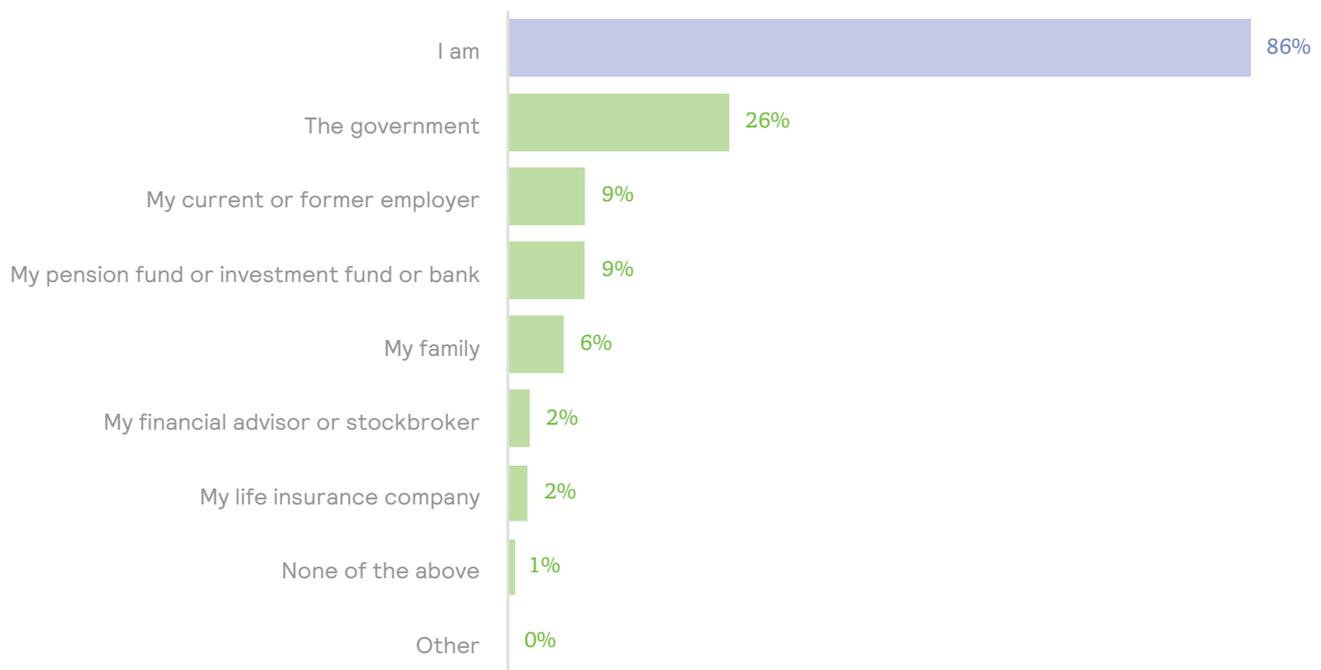


ACT NOW TO LIVE WELL LATER

Although we accept that it is our personal responsibility to better prepare for retirement, we are not taking the necessary actions to improve our financial security.

In Ireland, 86% of adults feel personally responsible for their retirement income – even greater than the already high global average of 81% – and only 26% say it is the government’s responsibility to ensure there is enough income for the basic necessities after retirement – somewhat below the global average of 31%. Small numbers cite current or former employer (9%) and pension or investment fund (9%), which is significantly lower than the global average of 14% (see Figure 7).

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



Both globally and in Ireland two-thirds (67%) have made some calculation of how much they will need in retirement (see Figure 8). However, just over half, 55%, are actually investing in a retirement plan of some sort

– 33% employer, 19% personal, and 15% government (see Figure 9). Despite the actions taken, less than a quarter (22%) are confident that they can save enough by retirement.

Figure 8. How Do You Plan to Calculate How Much You Will Need to Have Saved?

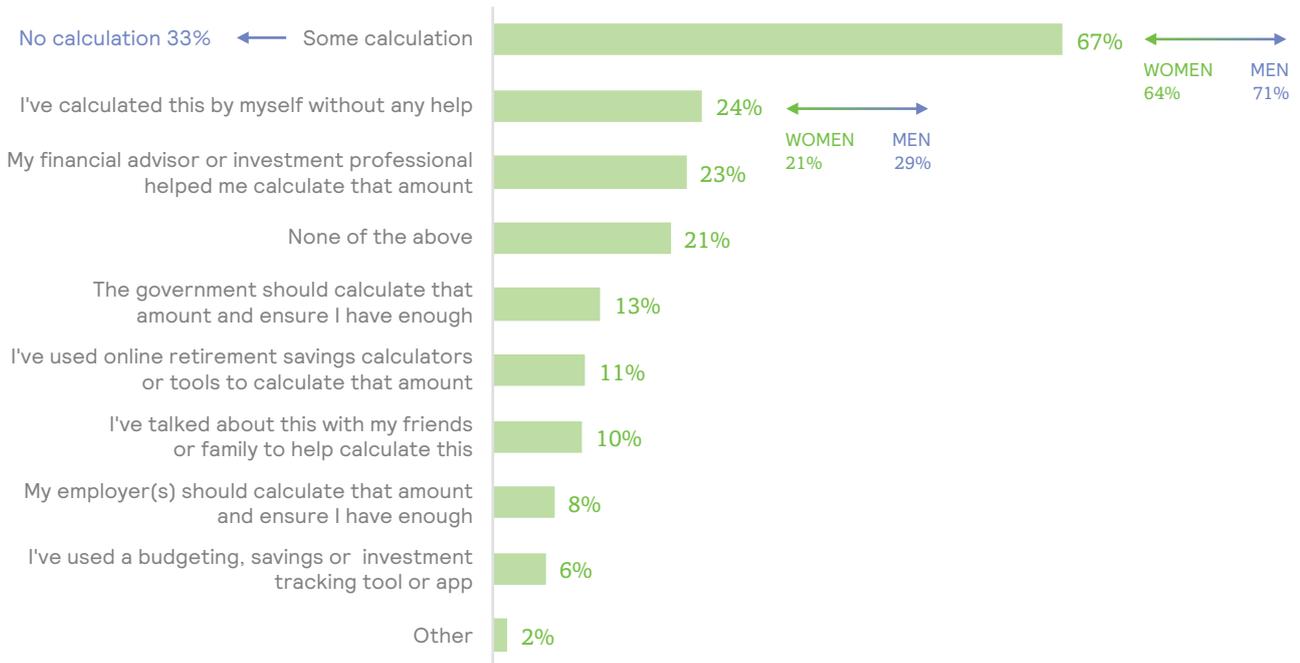
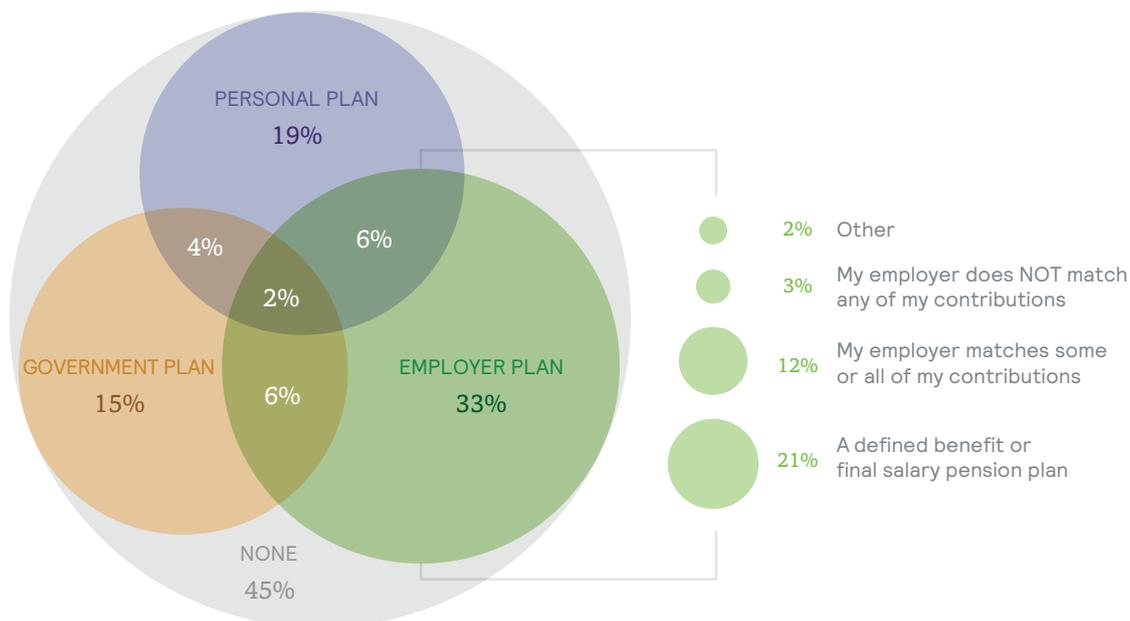


Figure 9. What Pension or Savings Plans Do You Currently Pay Into?



Whereas 23% have had help in calculating how much they will need in retirement from a financial advisor, 24% have made the calculations themselves without any help. Nearly one in five believe government (13%) and employers (8%) should make the calculations. A small fraction (6%) have tried a budgeting, savings or investment tracking tool or app – even though 83% of adults 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 (71%) are 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 business and governments as well. The need to adapt long-term savings programmes and products to new demographic and economic realities is urgent. Our current trajectory is putting large numbers of people at risk of poverty, undercutting the competitiveness and social cohesion of our societies and diminishing the productivity of workers. Applying creative and strategic thinking would alter this trajectory and transform the future reality for individuals and societies.

Both government and employers have a critical role to play – and Mercer consultants are currently working with both on forward-thinking solutions to help them mend the gap. Companies must improve their benefits to employees not just because it is the right thing to do, but also because this will result in a workforce with less stress, higher job satisfaction and greater commitment to the organisation. By better engaging individuals in developing their own financial fitness, designing smarter savings systems and redefining work and retirement, societies and businesses stand to reap huge dividends.

HOW DO WE GET PEOPLE TO TAKE ACTION?

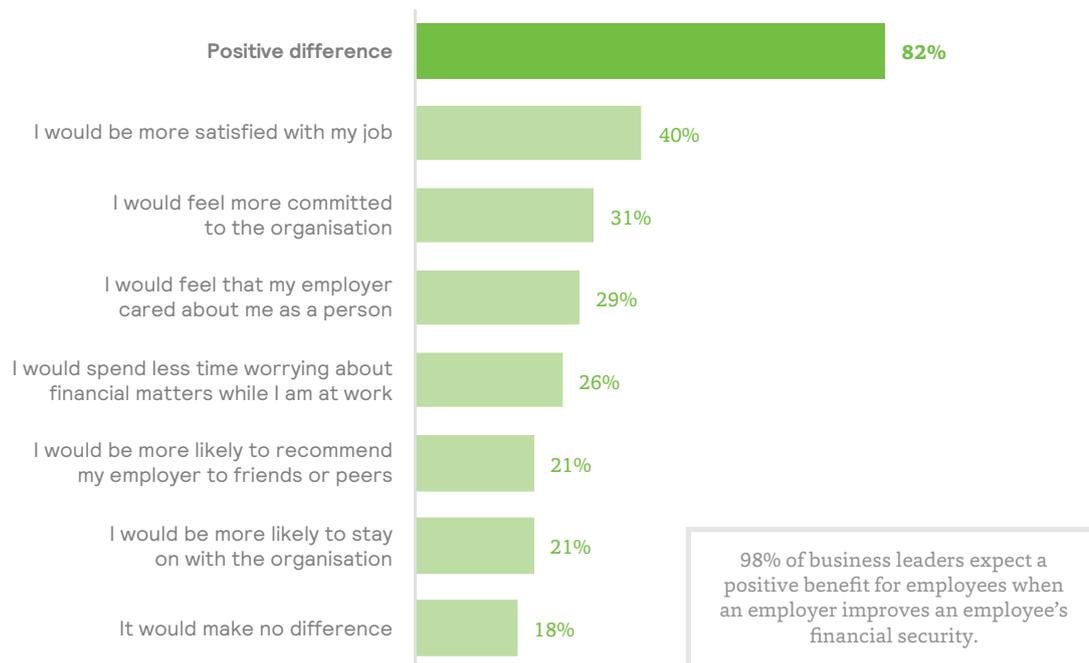
Helping to find solutions to inaction goes to the core of Mercer's purpose to make a difference in the lives of people by advancing their health, wealth and career. Mercer believes that progress will result from multiple stakeholders coming together to effect change.

Governments, employers and financial intermediaries have both the incentive and the ability to help societies and

individuals mend the long-term savings gap. Each stands to reap significant rewards by helping to ensure that their citizens, employees and customers are able to save efficiently and appropriately for the future.

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

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?



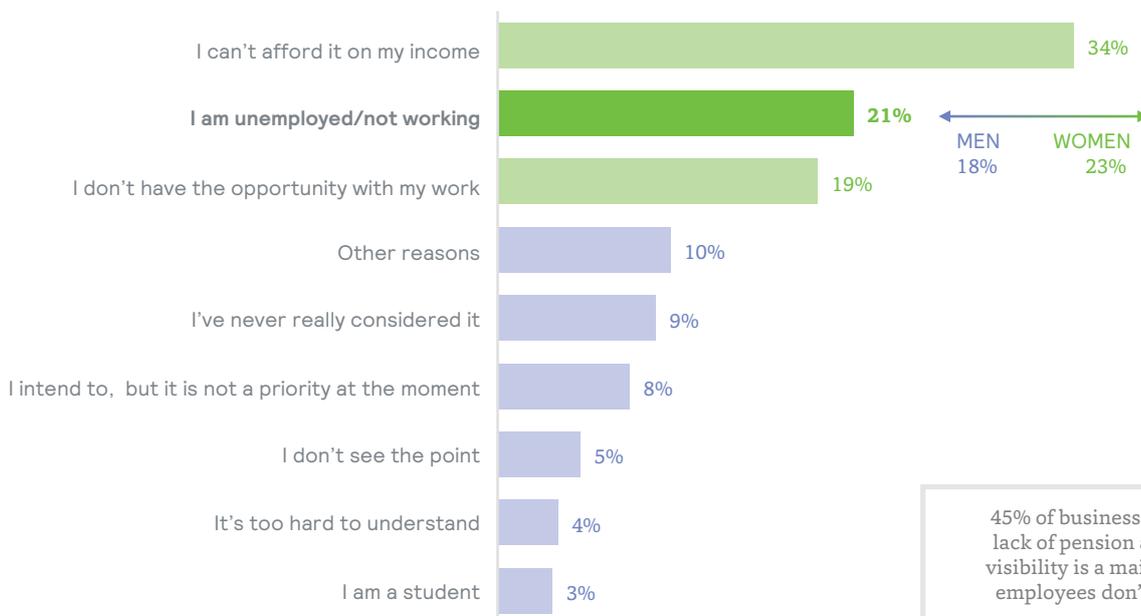
It's a Matter of Trust

In Ireland, 87% of adults and 93% of business leaders say having access to employer retirement savings or pension plans is important. Therefore, enhancing financial security benefits — or improving access to what is offered — provides substantive value. In fact, 82% of employees and 98% of business leaders in Ireland 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 coaching or planning given the benefits. The positive impact at work of improved benefits or added access to a pension plan includes higher job satisfaction (40%); greater commitment to the organisation (31%); and less time worrying about financial matters at work (26%).

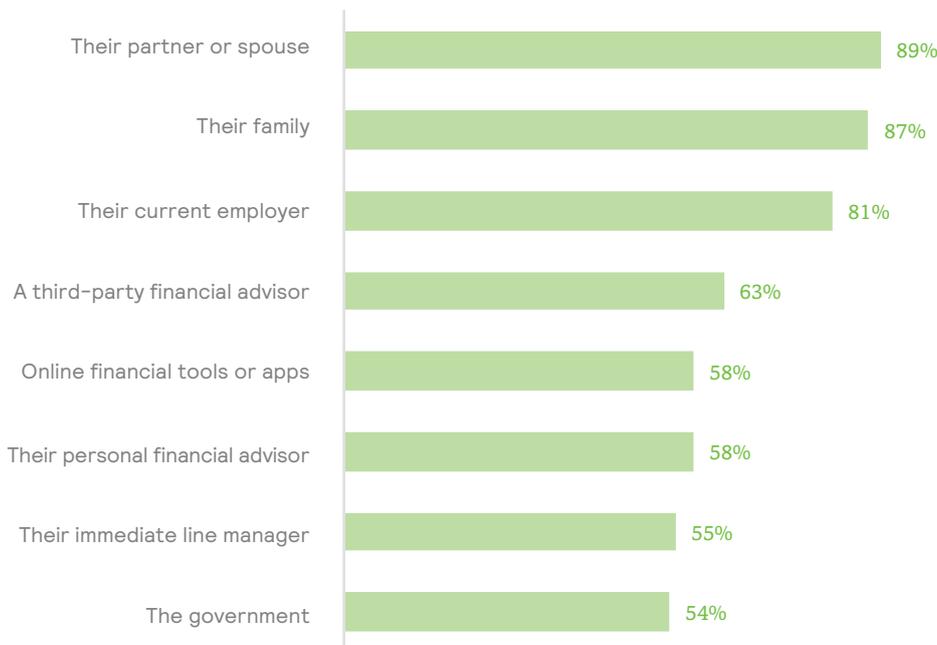
A number of factors, however, impede an employee's ability to participate in savings or pension plans. The biggest factor is affordability (34%), followed by being unemployed or not working (21%) and lack of opportunity at work (19%). While 80% of leaders are offering a pension plan of some sort, among those who are not, 54% cite costs as the reason (see Figure 11).

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



The Irish respondents place the most trust in their partner or spouse (89%) or family (87%). Irish employees also place a high degree of trust in employers for sound financial advice (81%), considerably more than in personal financial advisors (58%) or even their immediate line managers (55%) (see Figure 12). There is considerable interest in digital financial security tools or apps that “help me, help myself” (83%), providing an opportunity for organisations to be a trusted provider. However, trust in digital resources is significantly lower at 58%, reflecting the necessity that online tools or mobile apps be easy to use, jargon-free and secure.

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



As employees have such trust in employers for financial advice and tools, this is not a time for organisations to reduce employee healthcare or financial security benefits. Business leaders cite attracting, managing and retaining a skilled workforce in changing times as their number one business challenge in the next five years. Based on the study, it is evident that financial planning benefits, such as offerings and/or access, help cement workplace bonds.

Personalise to Meet Individual Needs

Ensuring that organisations will have the talent necessary to compete today and tomorrow relates to how well entities attract and manage people. Those unable or unwilling to fully utilise all populations — or look beyond typical programmes 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 used to track, motivate and improve performance. Fairness in rewards along with supporting employees in planning for their future financial well-being has become a more pressing issue for employers in an age of increased individual accountability.

Among the factors to take into consideration is the burgeoning gig economy of independent contractors who are working informally on a project, freelance or earn-as-they-go 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, organisations employing gig workers will require creative solutions to reach them. Employers need to look beyond typical programmes and communications when considering how best to support and enable all talent.

The Gender Gap

Simply put, women have unique financial needs.

Whereas women at 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 Ireland are more stressed about both their current and 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 Ireland, only 18% of women have confidence in their ability to save for retirement — men are slightly higher at 27%. And only 33% feel financially secure (versus 37% for men). These are some of the narrowest gender gaps in the global study (See Figure 13).

Women continue to earn less in the same occupations, work in lower-paid employment, have more gaps in service, more part-time employment, and spend more years out of the workforce caring for others, impacting their lifetime earnings. In Ireland, 23% of women (compared to 18% of men) cite unemployment or not working as the reason why they are not saving in a retirement plan. 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.² And yet, because women live 4.6 years longer on average according to the World Health Organization, they often need financial resources that will stretch through a longer retirement period compared to men.³

Additionally, women are affected by different health issues and illnesses than men, experience and use the healthcare system differently, and are more likely than men to be caregivers for others, making health concerns of special significance in making financial security decisions. Traditional health offerings are not sufficiently gender-specific or aligned with women's professional lifecycles. More targeted and flexible approaches to health and well-being could significantly impact female

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

³ World Health Organization, 2015.

participation in the workforce. As women balance multiple, significant roles, career and developmental opportunities, especially in conjunction with workplace flexibility, are particularly important. Supportive practices influence attraction, promotion, and retention and also drive engagement and productivity.

Organisations on the vanguard of change have introduced gender-specific elements into their retirement and savings programmes and, as a result, are seeing an impact on their ability to engage female talent. Effective approaches to helping women improve their financial well-being include programmes and education geared towards their specific financial needs, attitudes, and behaviours. For example: female-only financial planning and investing workshops; monitoring savings ratios and investment choices by gender; customising retirement

savings education and training programmes to different gender behaviours, or allowing varying contributions to compensate for different work arrangements.

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

Successful approaches include taking a macro-system approach by collaborating with other key stakeholders, including schools, governments, public health organisations, industry groups and NGOs. Specific strategies include working with industry groups and universities to deliver training and

lifelong learning opportunities to women or working with governments and NGOs to promote better access to healthcare. The right solution is highly dependent on the particular organisation's strategic, operational, and cultural context. A deep-dive diagnosis of the issue across HR and diversity and inclusion programmes will determine the most robust and relevant strategies.

Figure 13. The Financial Security Gender Gap

		MEN	WOMEN	WOMEN ARE	
PLANNING FOR RETIREMENT	Made some plans for retirement income	91%	84%	-7%	Planning less
	Have calculated needed retirement income	71%	64%	-7%	
SAVING FOR RETIREMENT	Confident they can save enough to retire	27%	18%	-9%	Saving less
	Currently investing in a retirement savings plan	57%	53%	-4%	
	Not saving in a retirement plan due to being unemployed	18%	23%	+5%	
FINANCIAL SECURITY	Feel financially secure	37%	33%	-4%	Less able to save
	Can handle short-term financial emergency	67%	61%	-6%	
RETIREMENT EXPECTATIONS	Confident they can afford to live as long as they live	26%	23%	-3%	Less confident about retiring well
	Expect to maintain desired quality of life	58%	50%	-8%	
FINANCIAL STRESS	Stressed by current financial situation	58%	61%	+3%	More stressed
	Stressed by not saving enough for retirement	35%	40%	+5%	

Millennials: Seeking Advice and Tech Tools

By 2020, millennials will make up more than half of the global workforce. As they are still at the early stages of their careers, they are among the most stressed about finances. Globally, they are the least confident in being able to handle short-term financial emergencies; least financially secure; and expect to be retired for the least amount of years.

Consistent with the global findings, 18–34 year-olds in Ireland have the highest expectation of continuing to work after retirement. Though at 68%, the level is close to 65% for 35–54 year-olds and equal to the overall global average of 68% (see Figure 14).

As digital natives, not surprisingly, they are the most interested in online tools and mobile apps – 92% for those aged 18–34. Though slightly less for 35–54 year-olds at 86%, the interest then tapers down to 73% for those over 55. Millennials also have a high level of trust (81%) in employers to give good financial advice.

Employers that offer better savings and/or investment benefits have a positive impact among 89% of 18–34 year-olds, resulting in higher job satisfaction as well as greater commitment and loyalty to the organisation. This presents a valuable opportunity as business leaders cite attracting, managing and retaining a skilled workforce in changing times as their number one business challenge in the next five years.

Figure 14. The Financial Security Generational Gap

		18–34	35–54	55+	YOUNGER PEOPLE
RETIREMENT EXPECTATIONS	Expect to be retired for (years)	15	15	19	Expect to keep working, shortening retirement
	Expect to keep working after retirement	68%	65%	62%	
FINANCIAL SECURITY	Feel financially secure	23%	31%	47%	Feel financially insecure and stressed
	Stressed about finances	60%	65%	50%	
	Confident to handle short-term financial emergency	54%	60%	77%	
RETIREMENT PLANNING	Made no plans for retirement	22%	13%	7%	Wanting and getting more help to plan
	Calculated income needed in retirement myself	14%	22%	35%	
	Calculated income needed in retirement with help	47%	45%	36%	
ONLINE TOOLS	Interest in online financial tools	92%	86%	73%	More interest in online tools
	Willing to allow online apps to hold personal information	78%	60%	34%	
EMPLOYER IMPACT	Trust their employer to give good financial advice	81%	83%	77%	Employers can have a greater impact
	Positive impact if employer offers better pension benefit	89%	82%	76%	

Design Smart Investments

Everyone has a role to play.

Governments and employers need to design – or redesign – retirement plans to, where possible, make savings contributions compulsory, encourage individuals to take their pensions as lifetime annual income, and design growth and defensive investment options tailored to age, lifestyle and gender needs – as well as to risk profiles.

Critical for improving investment outcomes is a public-private partnership to design and implement financial security and health benefits and investment systems. The roles of and collaboration among employers and governments – as well as individuals – are particularly important for designing smart savings systems that make it easier for people to act.

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

Almost everything currently in place around pensions is overcomplicated, and most people tend to tune it out. We need to make 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.

Modelling on the physical fitness revolution, creating a revolution in financial fitness combined with providing greater support to individuals in making sound saving and investment choices will go a long way towards closing the long-term savings gap. However, given the many priorities competing for an individual's paycheck and the primacy of the immediate over the long term, voluntary contributions to long-term savings simply may not be enough. In fact, the pension systems that are among the highest ranked in terms of adequacy, sustainability and integrity are designed to make savings contributions compulsory, both on the part of individuals and of employers on behalf of their employees.⁴

A number of intelligent design principles can be used to create the appropriate combination of growth and defensive investments to produce superior retirement outcomes. For example, the smartest of these products are designed to allow investments to continue to grow during retirement. Rather than being fully invested in cash or de-risked on the day of retirement – should there actually be one – systems would ensure investments continue to accumulate even as they begin to draw from savings.

In addition, because individuals do not know how long they will live and may unwisely manage and spend their savings after retirement, systems can be designed to prohibit individuals from withdrawing all their pension funds in one lump sum. Instead, requiring individuals to at least take 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.

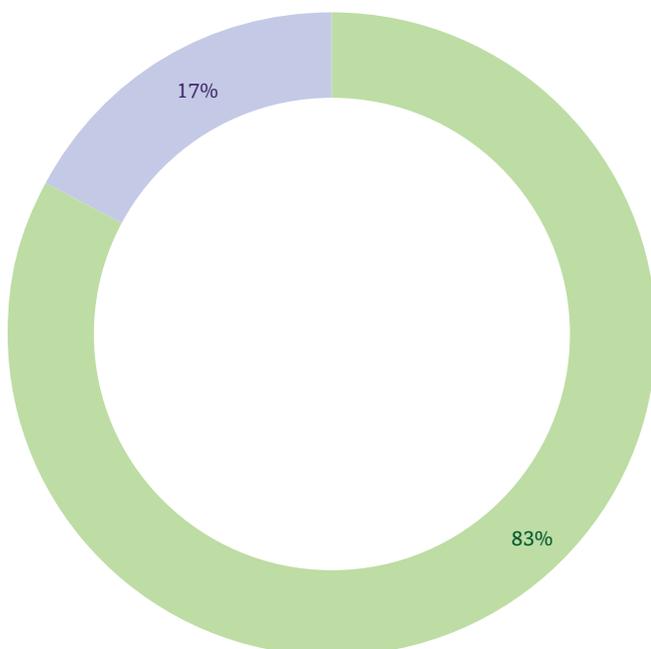
Increasingly, across both developed and developing markets, people are conducting their lives online and especially on mobile devices – with the easy access and immediacy of being able to track anything in real time.

Easy-to-use, jargon-free, secure and effective online tools are vital to assisting people of all ages and especially today’s largest work force, millennials, who are the least financially secure among the age groups Mercer surveyed as well as the most digitally oriented.

A significant majority, 83% of adults in Ireland are interested in online financial tools to help manage their finances, with the stipulation they must be secure, jargon-free and easy

to use (see Figure 15). Akin to their global counterparts, millennials (18–34 year-olds) in Ireland highly value technology: 92% have some interest in online tools. However, there is lower number (78%) of millennials willing to allow the tools to hold personal information, helping them track and manage their financial, health and personal data. The willingness to aggregate data online decreases to 60% for 35–54 year-olds, and drops significantly to 34% for those over 55, making ease of use and data security of critical importance to all age groups (see Figure 16).

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



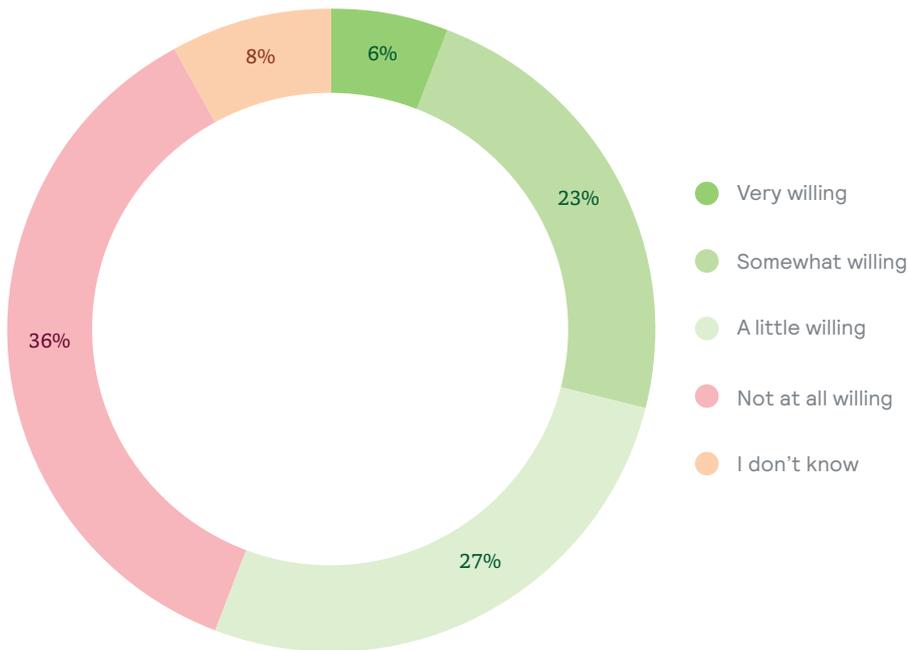
● I have some interest
● I have no interest

What Features Do You Most Need From Online Financial Tools?



Ranked (1 = most important)
● 1 ● 2 ● 3

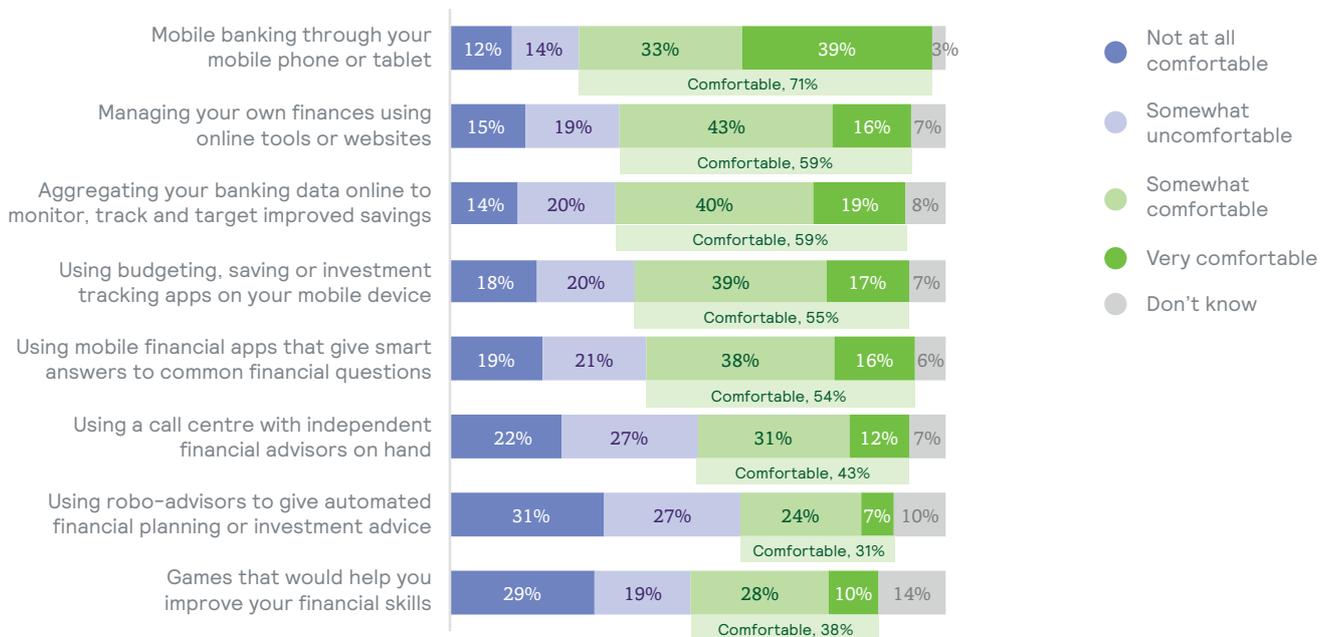
Figure 16. How Willing Are You to Allow an Online App to Hold Your Personal Data to Help Manage Your Finances for You?



Though the comfort level varies, the majority of adults in Ireland are comfortable with a variety of financial resources, including mobile banking through mobile phones or tablets (71%); managing finances using online tools or websites (59%); using budgeting, saving or investment-tracking apps on mobile devices (55%); and

using mobile financial apps (54%). There are resources, though, that do not hold the same level of comfort. More than half of adults (58%) are uncomfortable using robo-advisors to give automated financial planning and nearly half (49%) are uncomfortable speaking with a call centre financial advisor (see Figure 17).

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 utilise data to make offerings personalised and relevant for individuals — it must not be one-size-fits-all. Digital tools (as well as plans and benefits) need to be for more than information and basic modelling and include the ability to make real-time transactions.

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

Transforming saving into an engaging consumer experience rather than a financial services experience requires presenting it not as something difficult and unpleasant but as achievable and interesting through simplified language, useful tools and the ability to track progress in real time.

Although the financial services industry must help lead such a revolution, employers have an absolutely critical role to play given their long history of and ability to bring vetted products and services to their employees — as well as their vested interest in easing their employees' financial worries in order to reap significant productivity gains. Government, too, must help spur the revolution by expanding pension coverage and individuals' access to savings programmes and products.

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

ENSURING FINANCIAL SECURITY FOR ALL

Savings, health and skills gaps require a public-private partnership tensure 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 Ireland, two-thirds of 18-34 year-olds expect to keep working after retirement (68%) and are similarly stressed about finances (60%). Millennials in Ireland are looking for sound savings advice and 81% trust employers. In fact, 84% of millennials surveyed said they would save more if they knew more about savings impact on later years. And for 89%, improved access or benefits would have a positive impact on them at work.

Those who are a part of the growing informal workforce face gaps in access to and affordability of retirement and benefit plans. Globally, workers who make up the exploding gig economy will need access to benefits. They also want to feel connected and engaged with the organisations contracting them. Private-public partnerships are vital to help self-employed, contract or part-time workers prepare for their future.

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

Given the changing dynamics of work and the workplace, it is more important than ever that individuals be given the help and tools they need to plan for and achieve long-term savings goals. Mercer's view is that governments and employers have an important role to play in helping individuals recognise what "good" looks like when it comes to savings products, advice and decisions.

Both governments and employers have the responsibility and much greater capacity than individuals to assess products, gather information and discern among financial intermediaries. The payoff for both is a more financially secure and productive workforce. Such involvement also fosters greater receptivity among individuals for appropriate levels of risk to build sufficient long-term savings. Greater financial knowledge by itself rarely translates into action. What does spur action is giving individuals access to smart tools, default options and guidance that can help them achieve success.

04

THROUGH THE BUSINESS LEADERS' LENS: INSIGHTS AND OPPORTUNITY

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

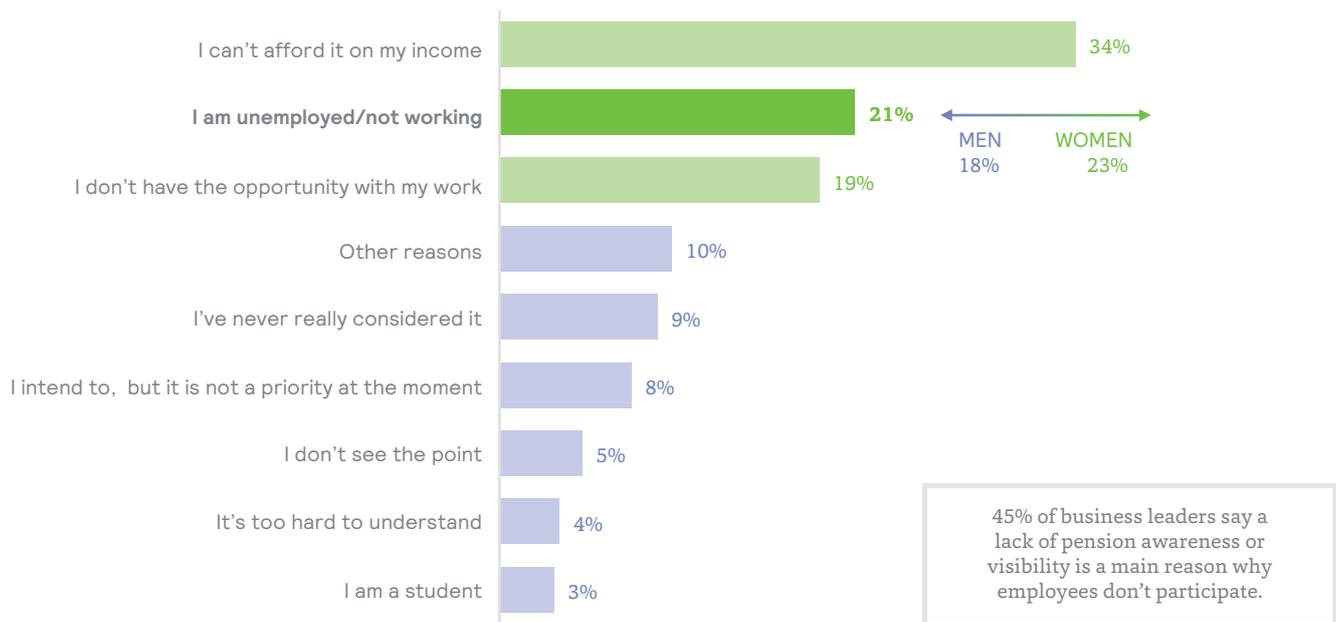
In examining the current state of financial security, the global study surveyed 600 executives and 7,000 adults aged 18 and over, finding both similarities and differences in views between business leaders and individuals, issuing a clarion call for better two-way communication and collaboration.

Among the differences between leaders and workers in the global study, 63% of global business leaders in contrast to 54% of individuals in Ireland have a higher expectation of maintaining quality of life in retirement. Fifty-three

percent of senior leaders globally feel more financially secure compared to 34% of the Ireland consumers surveyed. Half of business leaders rank personal savings as most important for a financially secure retirement. However, Ireland consumers rank health as the top priority.

Globally, business leaders and individuals also see things differently when it comes to pension participation. Almost half (45%) say lack of pension awareness or visibility is the main barrier to employees investing in pension plans. Yet 34% say the number one reason is they cannot afford to on their income, followed by unemployed or not working (21%), which is higher for women (23%) than for men (18%), and lack of opportunity at work (19%) (see Figure 18).

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

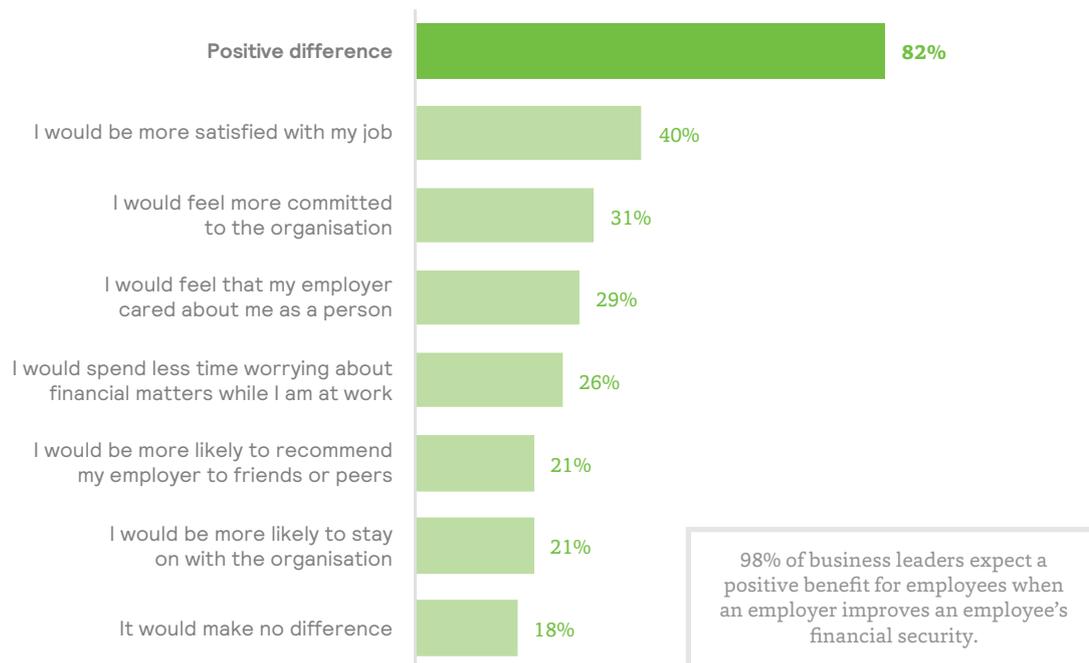


Business leaders interviewed in the global study expect that employees' trust in employers to be at parity with other sources for advice on planning, saving and investing for retirement: 83% of employers say employees trust their current employer for financial advice; 83% also expect employees to trust a financial advisor; and 80% expect employees to trust online web tools or apps. The actual levels of trust vary more considerably.

In Ireland, people place the greatest trust in partners/spouses and family, 89% and 87%, respectively. However, a resounding 81% of individuals trust their employer, which is significantly more than those who trust a third-party financial advisor (63%), one's own personal financial advisor

(58%) and digital tools (58%). Understanding the positive impact of improved benefits or added access to a pension plan – higher job satisfaction (40%); greater commitment to the organisation (31%); and less time worrying about financial matters at work (26%) – are among the study's key findings and opportunities for business leaders (see Figure 19).

Figure 19. 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?



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 in the future, 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.

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 ...”

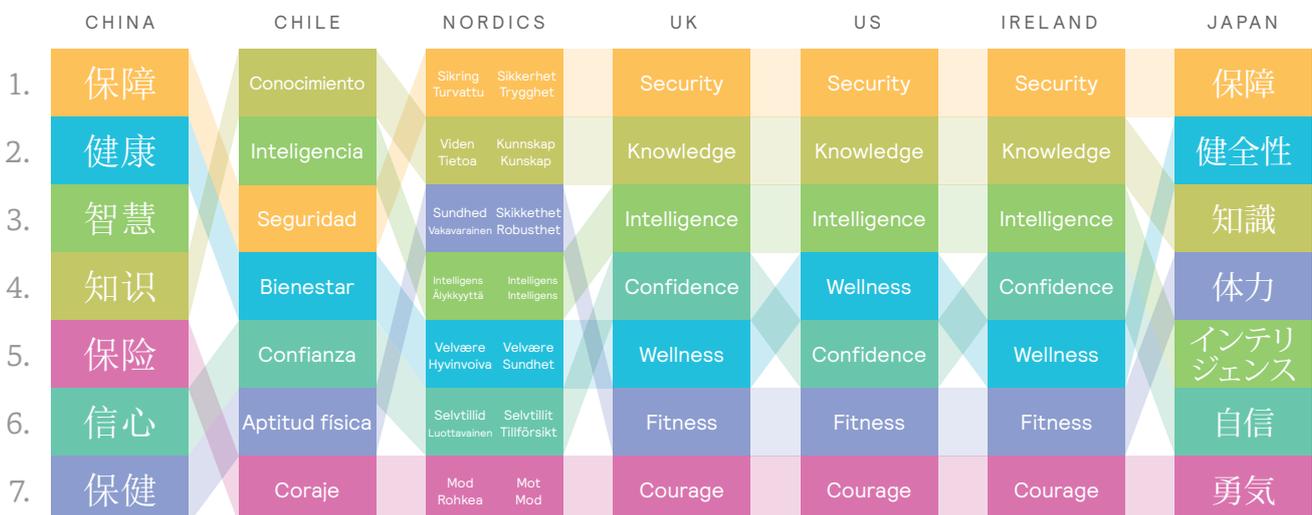


Figure 21. When You Think About Your Financial Situation, How Stressed or Anxious Do You Feel?



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

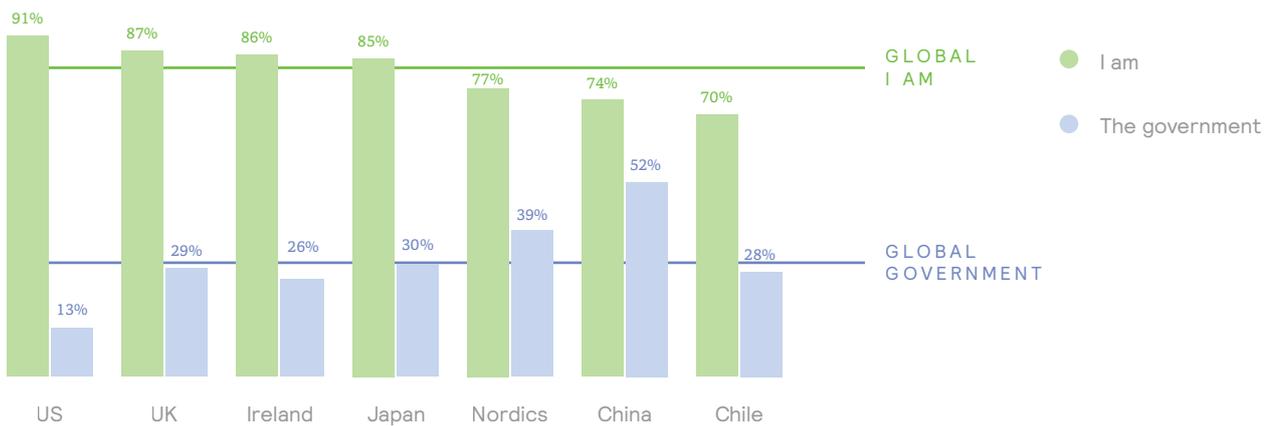
(see Figure 24). Chileans are the most likely to expect to keep working, and 37% specifically cite continuing in paid work as a source of their retirement income. Conversely, the Nordics have the lowest expectation of working later in life. There is a generation gap in the Nordics, however, with millennials recognising, more so than other generations, that they may need to continue to work later in life.

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



Responsibility for retirement income also varies by country (see Figure 23). The Chinese rely heavily on external sources to provide for retirement, which include the government playing a key role in both making retirement calculations (25%) and ensuring sufficient income in retirement (52%) – much more than other nations. Americans place the least responsibility on the government for retirement income, with 91% accepting that the responsibility lies with themselves. Respondents in Japan, Ireland and the UK also feel a strong sense of personal responsibility for their basic income in retirement. At 70%, Chile has the lowest level of personal responsibility – instead placing a portion of the responsibility on the government (28%) or on their pension or investment fund (29%).

Figure 23. Who Do You Think Is Responsible for Ensuring That You Have Enough Ongoing Income After Retirement to Live With the Basic Necessities?



Additional reports are available – with detailed key findings for each participating country or region – for Chile, China, 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 programmes to support personal and financial well-being. Rather, this is the time to bolster them. Employers are trusted for advice and improved benefits. Helping people better manage their health, wealth and careers enhances an enterprise's value proposition and its ability to attract top talent — all while yielding higher job satisfaction, greater commitment and less time at work stressing about financial matters. As no single entity can effect change alone, governments also need to respond and take action accordingly.

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

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