LIFE & HEALTH – AGEING

Bridging the gap for retirement

Across Asia, the aged 60+ population is increasing at a tremendous pace – six to 10 times faster than population growth. In addition, life expectancy is increasing, with people in the region likely to live until 83 by 2050-55, while the active population supporting each elderly is likely to drop from 13 to four. The 13th Asia Conference on Pensions & Retirement Planning organised by *Asia Insurance Review* discussed the challenges for this rapidly ageing region.

By Chia Wan Fen in Kuala Lumpur

There is a paradox in Asia. While Asians are conscious of the need to plan for retirement, yet this awareness does not translate to action that makes them adequately financially prepared, said speakers at the 13th Asia Conference on Pensions & Retirement Planning.

Common retirement trends in Asia

According to a LIMRA/LOMA and Society of Actuaries study, majority of Asians believe planning for retirement is their personal responsibility. Yet, almost half of them do not have formal retirement plans and regret delaying retirement planning, which they start very late (late 30s/40s onwards).

They also do not seek professional advice despite being worried about the shortage of retirement funds, said Mr Saurav Biswas, Asia Research Director and Head of Methodology, LIMRA/LOMA. He noted that while Japan and Korea used to be the oft-cited regional ageing societies that first come to mind, China, India and Indonesia are now the new ageing population countries.

Speakers shared other misconceptions and regrets – many retirees wish they stayed in full-time employment longer and those who assumed that expenses would go down found that they ended up spending more, said Mr Calvin Foo, Regional Head of Partnership Academy, Group Partnership Distribution, AIA. This "sandwich generation", he said, must cater for not only caring for ageing parents, but will also end up financing their children's lives, such as shouldering the high cost of property.

Mr Calvin Foo

Mr Mike Mansfield, Manager, Retirement Research, Aegon, said successful retirement comprises both healthy ageing and financial security, and he noted that there is a disconnect as while 82% of people are concerned about health in old age, few are making healthy lifestyle choices now towards that.

Mr Mike Mansfield

Education and communication

There is a need to step up education on retirement planning and repackage how it is communicated to the population. "It is about reframing the whole discussion to how to manage finances cradle to grave," said Mr Hash Piperdy, CEO, Mercer, Malaysia.

Mr Hash Piperdy


Mr Ramzi Toubassy

Stakeholders including life insurers, pension providers, government and investors need to work together cohesively in this education process, said Mr Ramzi Toubassy, Vice President and Chairman of the Industry Promotion Committee, Life Insurance Association of Malaysia (LIAM).

While each is working individually, there is not much communication between them, he said. Citing Bank Negara statistics that only 34% of Malaysians have life insurance – and of these over 90% are underinsured – despite its target to hit 70% by 2020, he said: "You cannot reach that target without the help of the whole financial industry, that's why it's very important to learn from each other."

Engage Gen-Y

Mr Toubassy said that a key target group for financial education is the current Gen-Y. This is a "tough" group to engage. While they are less communicative in traditional ways, they do socialise mainly through mobile devices, and are much more informed than previous generations when seeking services.

"If we are not ready to provide services suitable for Gen-Y in the future, I guarantee someone like Alibaba will come in and take over," he said. To engage this group, LIAM has been visiting educational campuses in Malaysia to promote its "YOLO" video contest, which encourages youth to live life responsibly in terms of not just financial services, but also other aspects. "Don't just talk about life insurance and pensions, because then they run away," he quipped.

Gen-Y specific schemes are also helpful. Briefing the audience on Malaysia's Private Retirement Scheme, a voluntary long-term savings and investment scheme which complements other schemes like EPF, Mr Husaini Hussin, CEO, Private Pension Administrator Malaysia (PPA)/ Private Retirement Schemes (PRS), described the various incentives by the Malaysian government to encourage take-up. He said that the PRS Youth Incentive, a one-off MYR1,000 (US$239) incentive granted to qualified youth members aged 20-30 has been successful with 70,000 benefitting from it.


Mr Husaini Hussin


Aegon tested out its "ageing suit" on a member of the audience willing to turn 75 – for several minutes only – at the conference.

For millennials who live solely for the present, they tend to have poor saving habits and saving for retirement is not a priority. The rise of the "gig economy", he added, with many taking up temporary and flexible employment, means these workers are not covered by mandatory pension schemes, and so they should look at other schemes.

Government and private sector can help bridge gap

There are opportunities for the multiple gaps to be bridged in Asia's retirement needs. In terms of product features, majority are looking for guaranteed elements, be it income or capital protection.

With current take-up rates being underwhelming. Mr Wade Matterson, Principal, Milliman Australia, said that pension and retirement fund providers should look at incentivising people with higher payout rates and income streams, while governments could provide deeper access to capital instruments and provide more attractive annuities. Insurers can also play an important role in offering more retirement products.


Mr Wade Matterson

When it comes to pension products, there should be some amount of basic government intervention or Defined Benefits to prevent poverty, in the view of Mr Leon Zjilmans, Founder & Managing Partner, Syntaxyz B.V. With some seeing Defined Contributions systems as having limited success in Asia due to low savings rates, he is of the view that there should be Pillar 1 or Pillar 2 plans, or at even a hybrid system, that has been successfully implemented in Singapore's unique CPF case.


Mr Leon Zjilmans

Mr Binay Chandgothia, Managing Director, Portfolio Manager, Principal Global Investors, spoke of the benefits of using target date funds as retirement solutions. He highlighted the reasons why target date funds have become the preferred savings vehicle in the US, a fact that is increasingly being recognised by investors and regulators in the region, most notably in places like Hong Kong.


Mr Binay Chandgothia

The funds are age-based retirement investments, based on a life cycle approach. They glide a saver's portfolio risk with age i.e. risk levels are progressively toned down over an investor's life cycle. The investment manager identifies asset classes and designs the glide path, considering the demographic aspects of investors. A consistent rebalancing process helps in balancing portfolio exposures on an ongoing basis. Decision-making is bereft of emotions and follows a disciplined process.

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Data, distribution and new technology

With the recognition that it is not only demand-side prompt to action, but also supply-side retirement solutions that need to be improved, speakers highlighted that providers should move to be more customer-centric.


Mr Anil Mancham

With a data-driven process, said Mr Anil Mancham, Partner, 6AM Asia, customers can be segmented based on their needs, and the way they combine or move from one product to another can be mapped out so providers are better able to tailor products for them.

Banks are a predominantly preferred distribution channel for all the Asian countries. While agents work well selling health protection products, an "institutional mechanism" like a bank may be better for retirement planning, said Mr Amitabh Singh, Director and Head of BancaTakaful and Direct/Online Distribution, Prudential BSN Takaful Malaysia. "Banks have a much wider range of products to offer and secondly, they have a much wider view on what the customer does in the long term, like their home, rental and asset allocation preferences." He added that it should be possible to automate some of the decisions based on shifts in risk tolerance at different stages in life, and institutions may be better in harnessing such technology.


Mr Amitabh Singh

According to a Willis Towers Watson survey, the top two reasons pension providers favour digital technology are because it is personal and targeted and allows for immediate, frequent and interactive communication, said Mr Richard Body, the firm's Asia and Australasia's Digital Solutions Leader. He said that engagement needs to take place across various life stages, and if started earlier, can compel people to plan for retirement early.


Mr Richard Body

In their early life stage (below 35), gamification and behavioural economics, such as investment simulations, work well. In their middle life stage (35-55), target people with personalised communication and tools while in their later, post-55 years stage where they tend to have more time and are higher engaged, interactive tools, goal setting tools and mobile apps should be used for them.

Mr Philip Inglis, Director, Wealth & Asset Management Advisory, EY, said there are opportunities in improving member engagement, through new technology like robo-advice and the use of facial recognition technology. The latter can help in assessing clients' emotions and how they really feel about risk. He also highlighted Acorns, an innovative Australian app which invests spare change, including channelling it to retirement products.


Mr Philip Inglis

The 13th Asia Conference on Pensions & Retirement Planning was organised by *Asia Insurance Review* and Principal. It was held in Kuala Lumpur, Malaysia.