Why the World Needs to Rethink Retirement

- *Katie Robertson, Dec. 4, 2018, NY Times*

The golden years look very different depending on where in the world you are, and, increasingly, which generation you are in. Aging populations and decreasing birthrates are spurring countries across the globe to reassess how retirement works — and what needs to change in order to extend the benefits available today to future retirees.

Many are not optimistic. Nearly half of those surveyed in a recent report by the Aegon Center for Longevity and Retirement say future generations would be worse off than those now in retirement, partly because people are living longer. According to the United Nations, the number of those over 60 worldwide is expected to double by 2050 to 2.1 billion. In the 1950s, that segment of the world's population was around 205 million.

"When age 65 became the magic retirement number in the U.S., people didn't live that long," said Catherine Collinson, the executive director of the Aegon Center and chief executive and president of the Transamerica Institute, a nonprofit organization that researches health and retirement. "Now many people may find themselves living to their 100th birthday.

"A 30-to-40-year retirement is very different than a 10- or 20-year retirement

The Aegon survey found that a new global retirement model would need to include universal access to a retirement savings system for workers, greater financial literacy, and affordable health care, among other solutions.

"What is most striking is that in every country, policymakers, employers and everyday people are grappling with the implications of aging populations," Ms. Collinson said. "Even though the countries are very different in their own way, everything from culturally to the nature of the inner workings of their retirement system, they all share the same challenges and the same problem going forward."

Here's a look at retirement in nine countries:

Japan

The country has the world's most rapidly aging society, and it also has the world's longest life expectancy. Facing labor shortages (because of decades of low birthrates), mounting debt and a declining population, Japan has encouraged older workers to delay retirement. Government surveys show that more than half of Japanese men over retirement age do paid work, significantly more than their American or European counterparts.

Prime Minister Shinzo Abe told the Nikkei Asian Review in September that he wanted to raise the minimum retirement age above 65 and provide an incentive for people who postpone their state pension benefits beyond the age of 70. A big concern is the isolation of Japan's elderly. There are thousands of cases annually of kodokushi, or "lonely death," which refers to the deceased remaining undiscovered for long periods of time.

Brazil

The average retirement age is 56 for men and 53 for women, according to the Organization for Economic Cooperation and Development. And yes, that's as expensive as it sounds.

A generous pension system, which pays about 70 percent of a worker's final salary, has contributed to the nation's debt crisis. The World Bank said the system was not financially sustainable and recommended reforms. The Brazilian president, Michel Temer, proposed a legislative fix that he then abandoned when he ordered a military intervention in Rio de Janeiro in February, which effectively blocked the passage of any constitutional amendments

Germany

The retirement age is 65 years and seven months, and will gradually increase until it hits 67 in 2029. The Flexirentengesetz (Flexible Pension Act), which was passed in 2016, was designed to help older workers transition to retirement in a way that best suited individual needs.

It provided incentives for those who wanted to work beyond the usual retirement age and made it easier to draw partial pensions that could be supplemented with income. The Organization for Economic Cooperation and Development noted that Germany's future retirees were likely to net about 51 percent of their salary in pensions, which was lower than that in many other developed countries.

France

The minimum retirement age was recently increased to 62 from 60, and pensions are mostly state-funded. France spends nearly 14 percent of its gross domestic product on the public pension, much more than the O.E.C.D. average of 8.2 percent.

Pension reform has proved to be political poison (more than a million protested in the streets when the former president Nicolas Sarkozy attempted a change). But an overhaul of the system by President Emmanuel Macron, while unpopular with many constituents, will go into effect in 2025. The plan would create a single pension system, unifying the dozens of different plans in the public and private sectors.

According to the O.E.C.D., France has low rates of poverty among the elderly, and people over 65 earn on average more than the general population.

China

China's one-child policy, which lasted nearly four decades to 2015, and the expansion of benefits to rural citizens has helped to create the perfect storm of a shrinking work force and a growing pension deficit. Restrictions on the country's pension funds were relaxed in recent years, allowing the funds to invest in the stock market for the first time. The government is also encouraging the growth of a private pension system to put the onus on the individual to save for retirement and to ease the reliance on the largely state-funded coverage.

Britain

As The New York Times has reported, Britain's extended stretch of austerity measures has chipped away at the country's social safety net. An O.E.C.D. report found that the United Kingdom had high levels of poverty among those 75 and over because of the low state pension. It also said British workers would receive about less than a third of their working salary in retirement benefits, which is the lowest among developed countries. In October, two regulatory bodies announced a review of the pensions process, noting concerns that many future retirees won't have enough money, or little money, to live on. Britain does not have a mandatory retirement age, but the government recently announced it was gradually increasing the pension age for women from 60 to 65 to get it in line with the pension age for men. The pension age will then increase to 66 for both men and women from 2019 to 2020, with a further increase to 67 planned for 2026.

Canada

In Canada, you can receive a pension, called Old Age Security, from the age of 65, or a reduced pension as early as 60. After Prime Minister Justin Trudeau was elected in 2015, he reversed a plan by his predecessor, the Conservative Stephen Harper, to raise the eligibility age to 67. But Canada has undertaken other reforms, such as increasing the pension benefits from a mandatory system known as the Canada Pension Plan. Employers' contributions to the plan will rise to 5.95 percent of wages, up from 4.95 percent. More than 40 percent of Canadians have an additional voluntary contribution plan. Canada's universal health care system also helps to lower the financial burden on retirees.

Australia

Australia's retirement system consists of a means-tested pension paid to those whose income is under a certain limit, and a compulsory company pension plan known as superannuation, which requires employers to contribute 9.5 percent of a worker's wages to a fund. Workers receive tax incentives to make voluntary contributions. The country does have a gender gap in retirement savings through superannuation, with a recent report from the Australian Bureau of Statistics showing that women reach retirement with about 37 percent less in savings than men. Australia doesn't have mandatory retirement, except in very few occupations, and the minimum age for withdrawing super benefits is as low as 55, depending on the year in which a person was born. The current pension age is 65 years and six months, which is increasing to 67 by 2023. The country's ruling Liberal party, which is conservative, despite the moniker, has been trying to raise the pension age to 70. In September, Prime Minister Scott Morrison abandoned the efforts.

The Netherlands

The country's system is made up of a state pension supplemented with mandatory occupational plans. Workers contribute an average of 18 percent of their incomes into the corporate pension funds, which are separate from the employer or company under Dutch law and strictly regulated. The retirement age in the Netherlands will soon be linked to life expectancy, but it is currently 66 and will rise to 67 in 2021. The average retiree will receive around 100 percent of their previous income in retirement benefits, according to the O.E.C.D., which also noted that poverty among the elderly was extremely low compared with the average among other developed countries.

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