



# The Future of Global Retirement

How savers think about retirement in the  
world's most advanced DC pension markets

Research report 2021



# The Future of Global Retirement

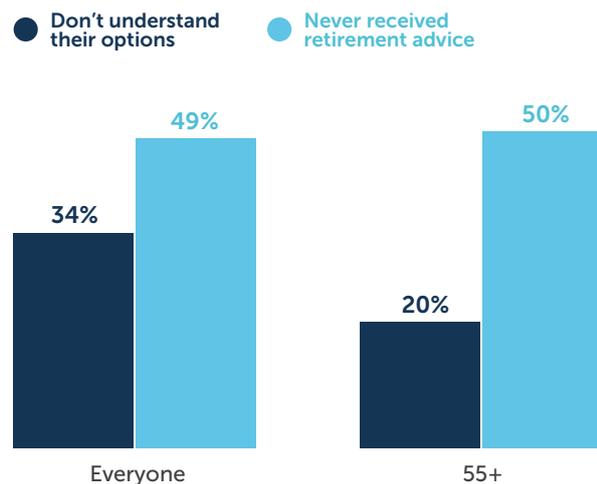
We surveyed 6,772 adults\* in the United Kingdom, United States and Australia on their views and attitudes to retirement, concerns, awareness of options, and preferences towards managing their finances in retirement.

In examining three of the world's largest defined contribution retirement savings markets, this research uncovers a series of trends indicative of the broader future of global retirement. This report highlights issues facing today's savers, along with many areas of opportunity, including the following three key opportunities to improve the future for retirement savers.



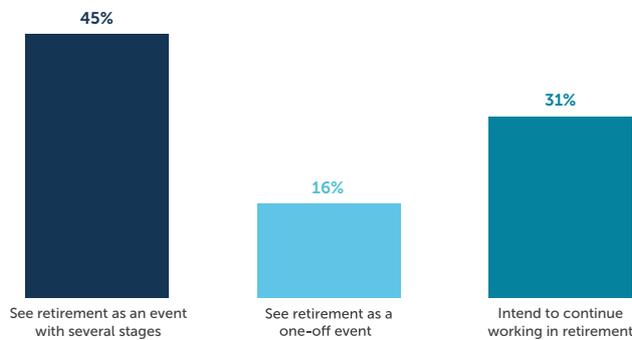
## 1. Bridge the advice gap, before it's too late

There is a huge 'advice gap' that the retirement industry needs to address quickly. 50% of those nearest to retirement (age 55+) have never received financial advice about retirement. Professional advice is an option, but is costly. Technology can unlock the ability to provide this at scale, without either prohibitive costs or the inefficiency of blanket education programmes.





## 2. Retirement is no longer a one-off event



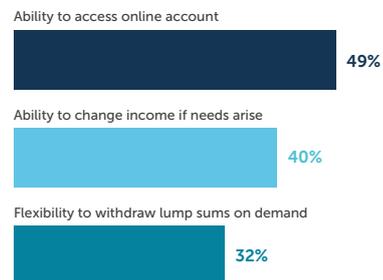
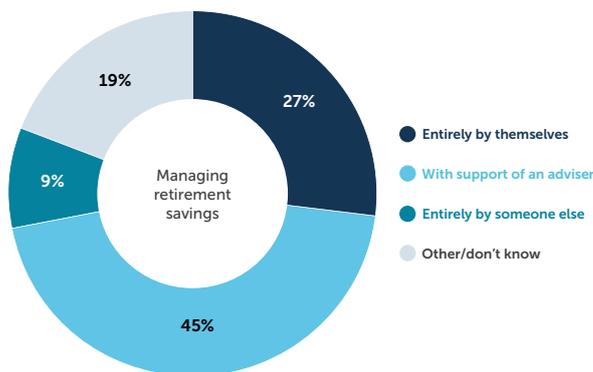
Just 16% of savers still consider retirement as a single event – a startlingly low proportion. Retirement is seen by 45% of people as a process, while almost a third plan to continue working into ‘retirement’. Savers need a retirement solution that meets their needs ‘to and through’ retirement rather than just ‘at’ retirement.



## 3. Control and flexibility are absolutely vital when it comes to retirement

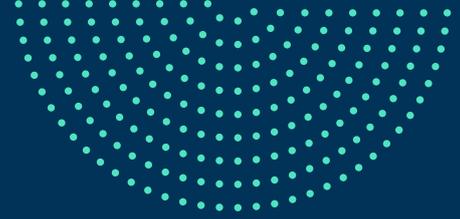
Financial control and flexibility are constant themes for savers in all countries. 72% of people want at least some involvement in managing their finances for retirement.

For 49% of savers, being able to access their retirement account online is crucial when it comes to choosing a retirement plan provider. 40% value the flexibility of changing their income depending upon their circumstances, while the ability to withdraw money on-demand is important to 32%



\* Study methodology: All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 6,772 adults in the UK, US and Australia. Fieldwork was undertaken between 19–26 November 2020. The survey was carried out online. The figures have been given an even weighting for each country to produce an ‘average’ value.

# Contents



## Foreword: Bringing retirement into the 21st century

5

## Methodology

Markets 7

Quantitative research 7

## Retirement perceptions in the USA

8

The advice gap 10

Traditional 'retirement' is over 12

Lifestyle realities and fears 14

Control and flexibility: key retirement saving needs 16

## Retirement perceptions in the UK

17

The advice gap 19

Traditional 'retirement' is over 20

Lifestyle realities and fears 21

Control and flexibility: key retirement saving needs 22

## Retirement perceptions in Australia

24

The advice gap 26

Traditional 'retirement' is over 27

Lifestyle realities and fears 28

Control and flexibility: key retirement saving needs 29

## Summary: retirement saving expectations across the globe

30

Keys to success 30

Global insights 31

## Current context: COVID-19

36

COVID-19 and retirement age expectations 36

COVID-19 and access to retirement funds 36

## Keys to Success

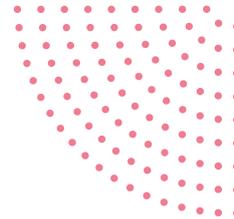
37

## Summary: findings and ramifications

41

## About Smart

42



# Foreword: Bringing retirement into the 21st century

“Retirement is changing,” we often hear from within the pensions and retirement savings industry. While it is true, it misses part of the picture. Retirement has already changed. It continues to do so at pace and, sadly, much of the industry has not adapted fast enough to meet savers’ needs.

The number of savers on our retirement technology platform rapidly approaches seven figures. It’s grown to that level in the six years since we launched because we focus intently on understanding what savers actually want. That comes in part from our real-time data platform, in part from detailed user experience research and in part from a structured innovation and testing process. Once we understand, test and prove those needs, we then take that knowledge and build technology to genuinely put savers’ needs first.

Rather than keep all of this information to ourselves, we want to share some of our research and findings for the better of the whole retirement savings industry.

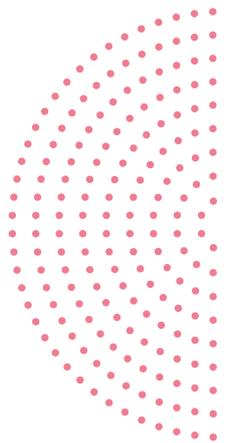
When we sat down to build and grow Smart, we defined our mission carefully, as we knew we could make a difference to outcomes of savers working all over the world, and we wanted to create the greatest positive impact we could.



Our mission is to transform retirement, savings and financial well-being, across all generations, around the world.”

Smart mission statement

Part of the way we achieve our mission is through growing and evolving our retirement technology platform. We've spent the last few years developing, testing and delivering Smart Retire, for example, a solution we know from research will revolutionise the way savers manage their savings 'at retirement' and beyond. However, alongside our own technology and innovation, we know we can also improve the likelihood of succeeding in our mission by sharing our knowledge to inspire the whole industry. It's some of the secret sauce that's taken us in the last six years from launch to a presence on four continents, with blue chip investors including J.P. Morgan, Legal & General, Barclays, Link Group and Natixis.



This report takes you through findings from more than 6,000 savers across the UK, Australia and the USA, where we discuss their knowledge, attitudes and concerns about retirement saving. In the future, we may expand this to include other regions, but we picked these for our initial report as they are the most evolved defined contribution markets in the world, and therefore where decision-making around retirement is in the hands of respondents themselves.

In the report, you'll find insights specific to the three countries. Each region differs slightly in terms of the market's overall approach to retirement, and the attitudes of savers. We've found, from both this research and our own

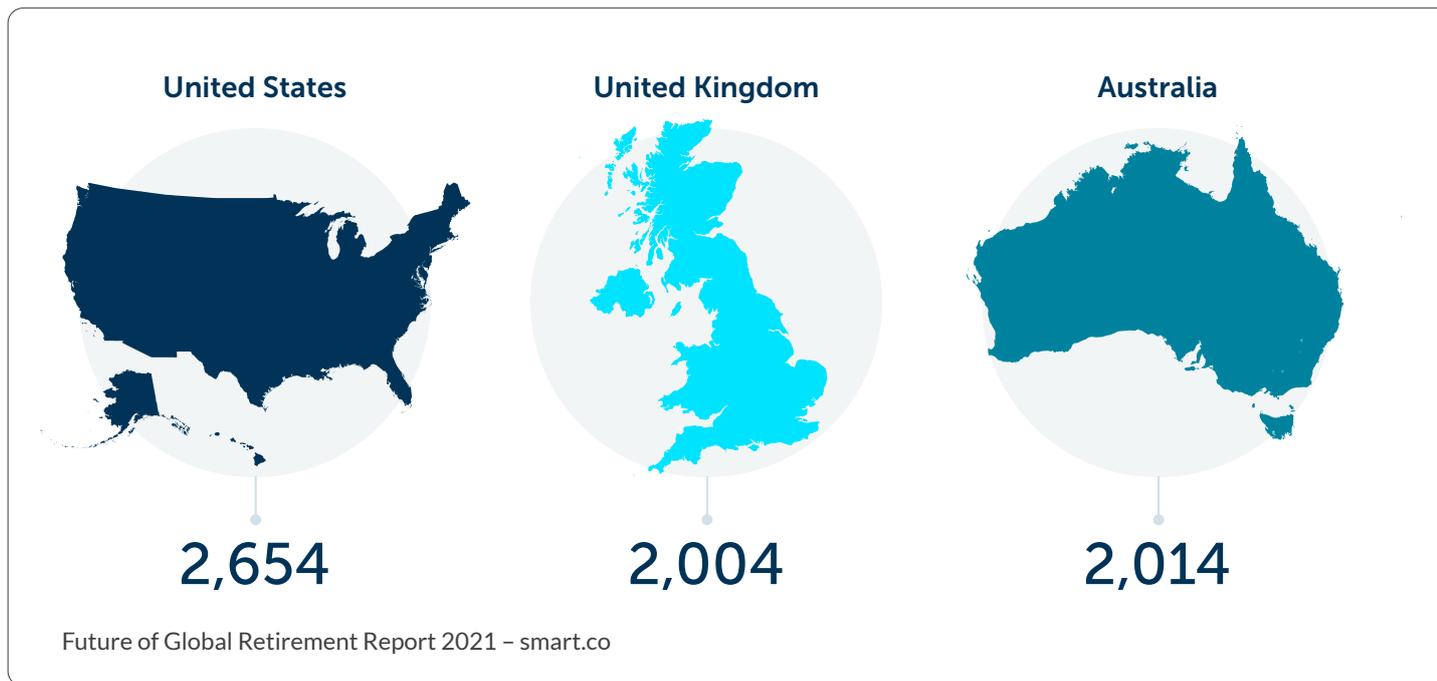
internal insights teams' work, that there are commonalities across the globe, too. Three findings in particular stand out: that traditional retirement is 'over', that the retirement savings advice gap is real and that savers are crying out for assistance in managing their money. Digital technology will play a key role in providing solutions to address these needs. We hope you find the report useful, and that you're able to use it to improve the outcomes of savers wherever you have influence.

**Andrew Evans, Group CEO**

**Will Wynne, Group MD**

# Methodology

Smart commissioned YouGov to conduct a set of online interviews, using their global panel of over 11 million members across 40 markets. Emails were sent to panellists selected at random from the base sample in the UK, Australia and the USA. The responding sample was weighted to be representative of all adults (aged 18+) in each country.



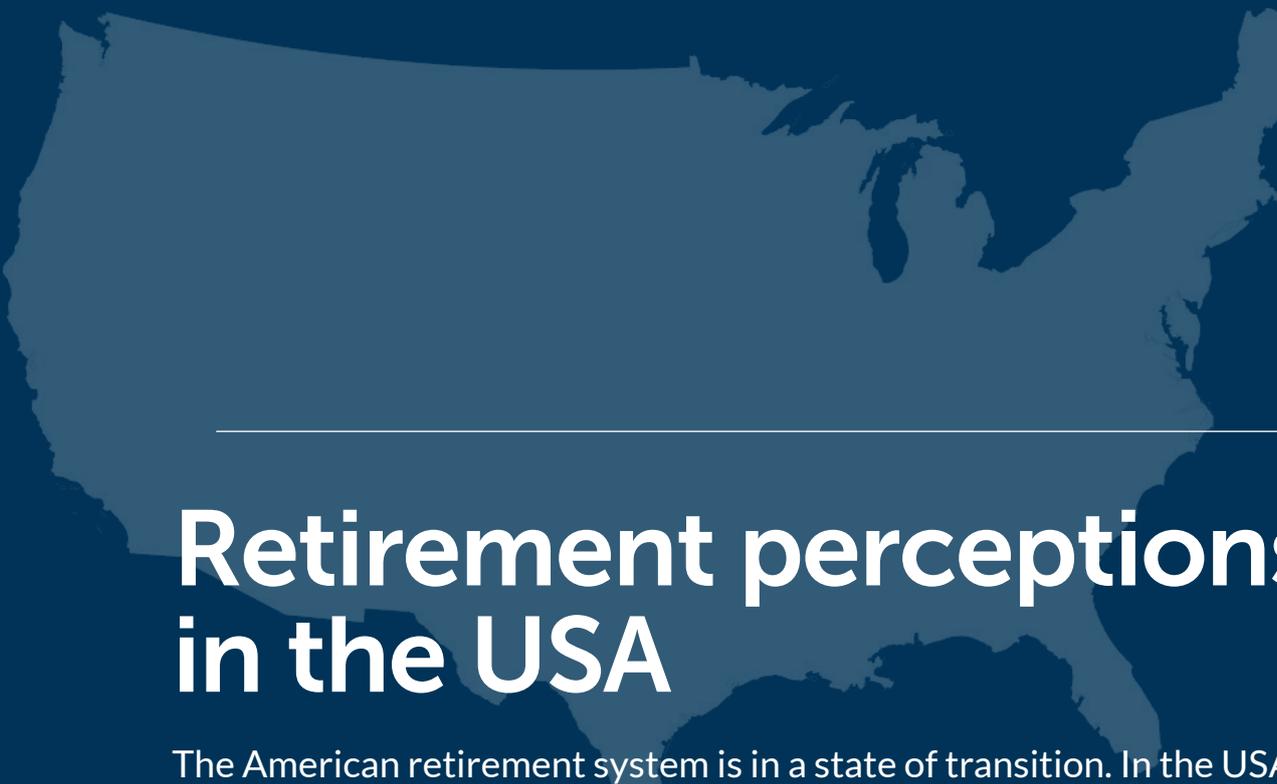
## Markets

In examining the USA, UK and Australia, this research uncovers attitudes and opinions towards retirement in three of the world's largest defined contribution retirement savings markets. As defined contribution plans become the predominant source of retirement saving across the world, attitudes reflected here are likely to be indicative of the broader future of global retirement.

Legislation across the world continues to move towards mandatory workplace saving schemes and automatic enrolment. Viewed through that lens, the attitudes and levels of knowledge in the UK and Australia, and the ramifications of those covered in this report, also offer a useful picture of the future, as legislative change continues towards compulsory savings.

## Quantitative research

A total of 6,772 adults in the UK, the USA and Australia took part in the survey. Fieldwork was undertaken in late 2020. The research covered a range of areas, but, specifically, we wanted to understand what views people have around retirement, how they expect to finance their retirement, how they expect to access their money and what support and help they think they will need.



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# Retirement perceptions in the USA

The American retirement system is in a state of transition. In the USA, only half of workers have access to an employer-provided retirement plan. An increasing percentage of employers that offer plans are now automatically enrolling their employees into a defined contribution retirement savings plan, mainly employer-sponsored 401(k) plans. While large employers typically offer retirement plans, many smaller employers do not. The SECURE Act, which became law in late 2019, makes it easier for small business owners to join pooled employer plans that can be less expensive and easier to administer, bringing access to many more savers, including part-time workers.

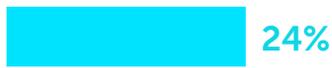
Our research uncovers attitudes, beliefs and opinions of 2,654 adults across the USA, representative of all American adults, and points to a picture of gaps in advice and expectation between what participants need, and what the market currently offers.

# Retirement perceptions in the USA

Aware of their options for retirement

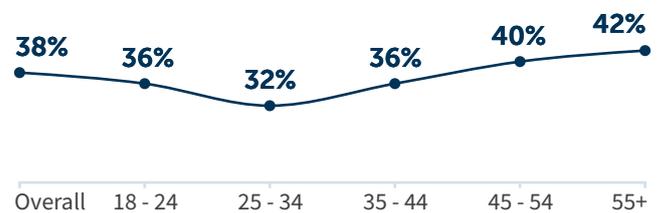


Don't know where to seek advice



53% of Americans are aware of their options for retirement, yet 24% don't know where they can get retirement advice.

Never received advice

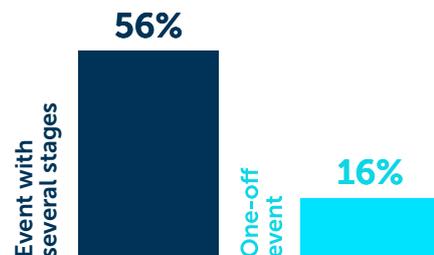


38% of Americans have never received retirement advice, and that includes 42% of those 55 or older.



# 42%

are concerned about being able to afford healthcare costs in retirement.



56% of Americans see retirement as an event with several stages, rather than a one-off event.

With an adviser



All by themselves



Fully by someone else

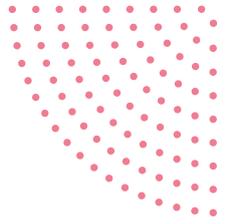


Two-thirds (69%) of Americans would like to be at least somewhat involved in managing their finances in retirement.



# 14%

or one in seven Americans now expect to delay their retirement due to COVID-19.



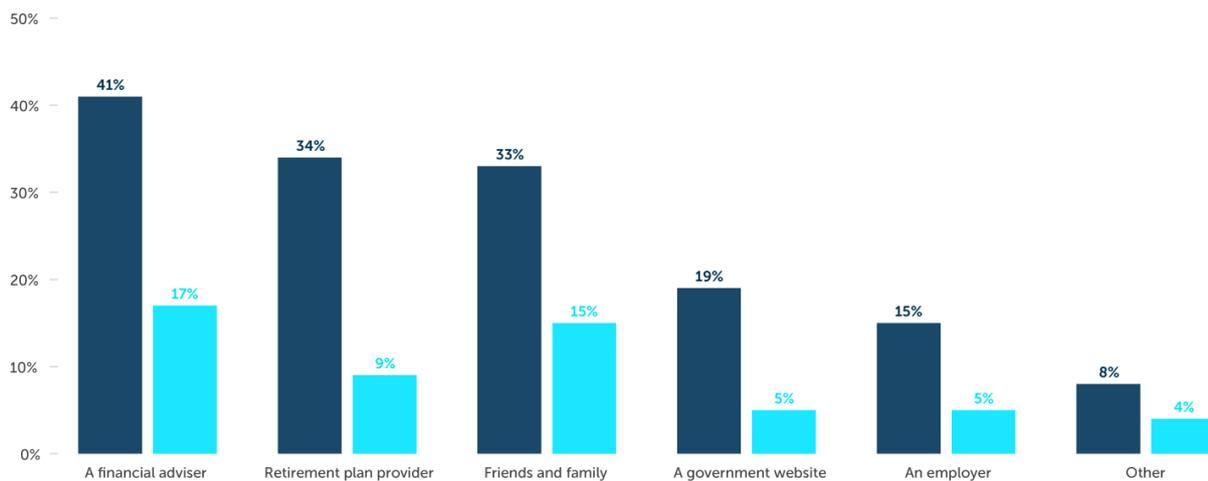
## The advice gap

Americans have a fair understanding of their retirement options and many know where they would look for advice. Many participants look to their retirement plan providers for advice on planning retirement, but this advice is falling badly short of expectations.

### Advice and understanding

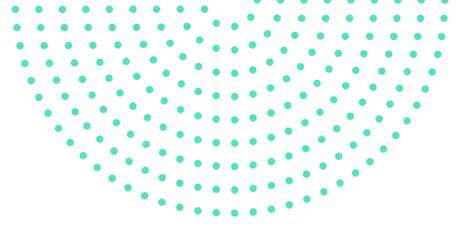
Over half of US respondents (53%) – and 75% of those over 55 – believe they have a good understanding of the retirement options available to them. This is a far higher level of understanding than in other regions, though it still leaves a sizeable number of Americans – even at age 55 and beyond – without a good understanding of their path forward.

#### Service gap – for Americans, the **expected** sources of retirement advice rarely prove most **useful**



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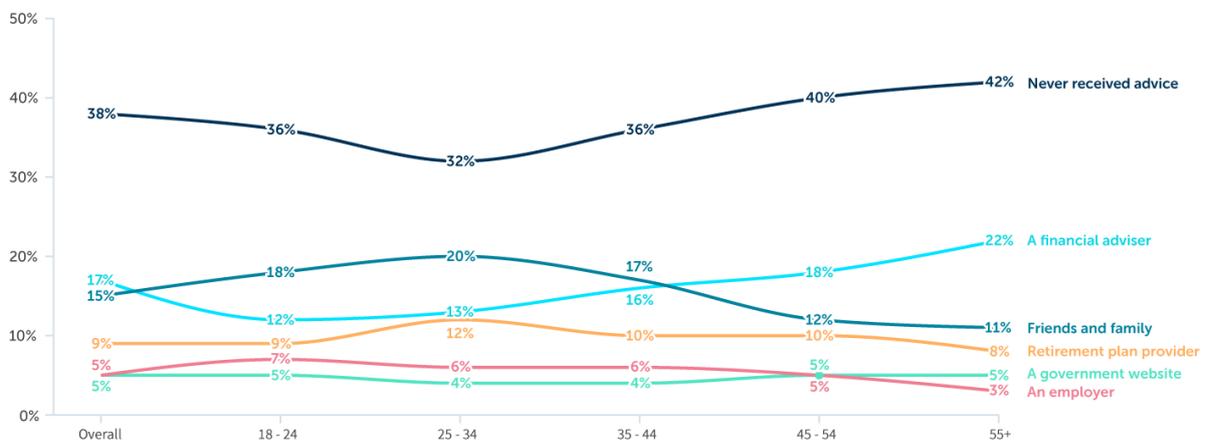
When seeking advice, just under half of US respondents would expect to be able to turn to financial advisers (41%). Two in five would also seek advice from their retirement plan provider (42%), closely followed by turning to friends and family for advice on options regarding their retirement savings (35%). A quarter of all US respondents (24%) did not know where they might be able to seek advice regarding finances during retirement.



## Taking advice

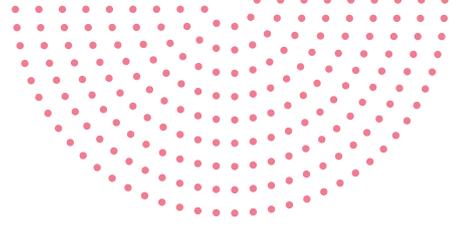
Almost four in every ten respondents (38%) have never taken advice on their retirement financing. Intuitively one might expect younger respondents not to have received advice, but worryingly this number remained surprisingly consistent into older age groups approaching retirement, with 42% of those aged 55 and above saying they have never received any advice.

### Service gap – a surprising number of Americans have never received retirement advice



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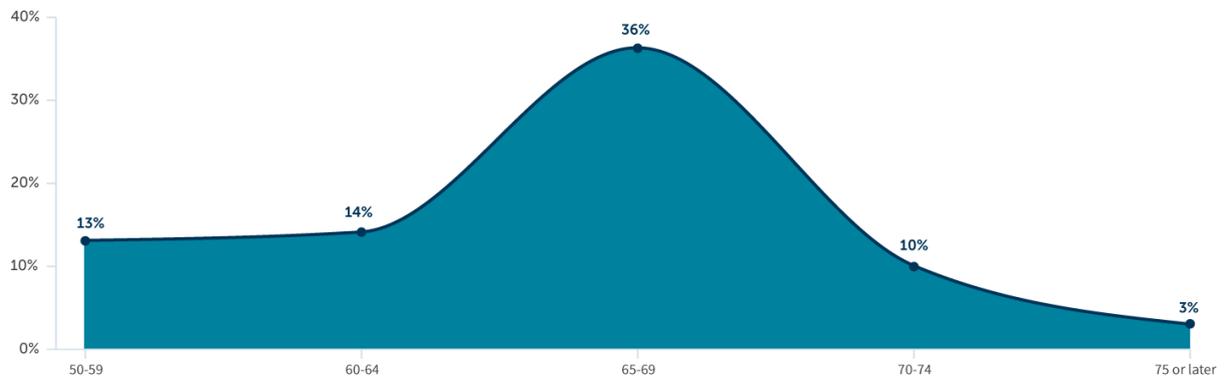
Where respondents have received advice, financial advisers were most highly rated (17% saying they were most useful). Worryingly, this number was closely followed by ‘friends and family’ as the source of most useful retirement funding advice (15%). And, while 34% of respondents had said they would turn to a retirement savings provider for advice, just 9% rated their provider as their most useful source of information. There is clearly a big gap between what retirement plans are giving retirement savers, and the advice that savers would like, and expect, to receive from them.



## Traditional 'retirement' is over

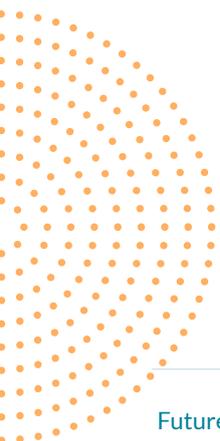
Retirement ages are rising and people increasingly expect retirement to be a multi-stage transition rather than a one-off event. The idea of reaching a particular age and swapping workplace income directly for retirement savings is long gone.

### Late sixties – when most American's plan to begin accessing retirement savings

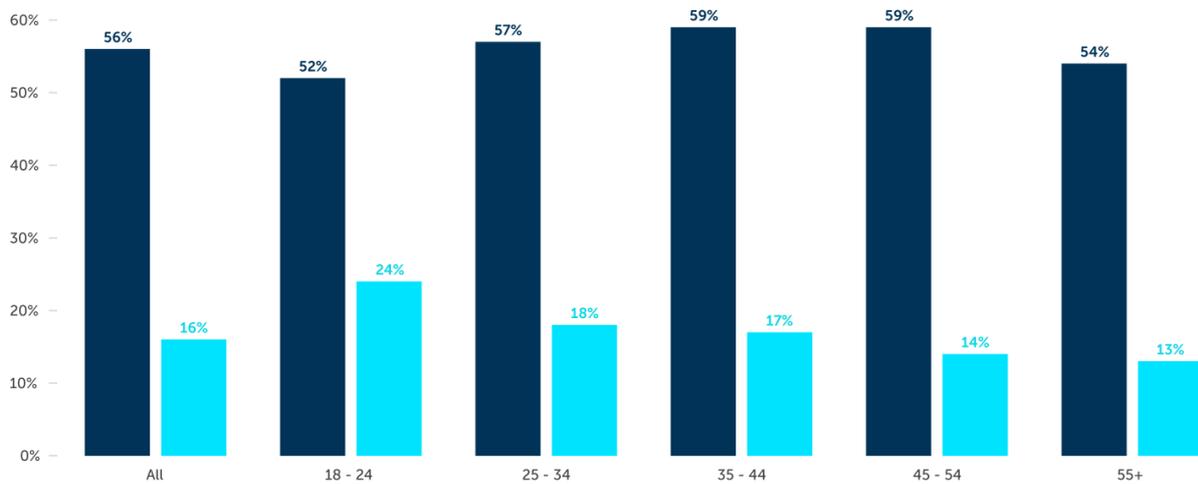


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65-69 was the most commonly quoted expected age to begin accessing retirement savings (36%), followed by 60-64 (14%). The median answer here rose by age group, with those aged 18-24 providing a median of 55, and those aged over 45 providing a median of 65.



## Most Americans see retirement as an event with several stages rather than a one-off event



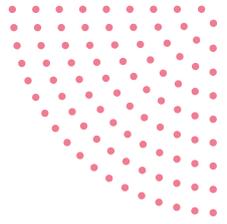
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Almost nine in every ten US respondents (88%) see retirement as something other than a 'one-off event'. Just 9% of male respondents saw it as a singular event, and 14% of female respondents.

Of those who have a view, more than half of Americans now see retirement as a series of stages.

Three in ten respondents (31%) expect to continue working part time, even after beginning to access retirement savings, while one in five (20%) expect to supplement retirement income with another form of investment.

All of this points to a very different picture of 'retirement' to the idea the word used to represent – so different that we can safely say traditional 'retirement' is over. The pattern of reaching a point in life where work ends and a consistent retirement income sustains Americans for the remainder of their lives is gone for all but a small few.



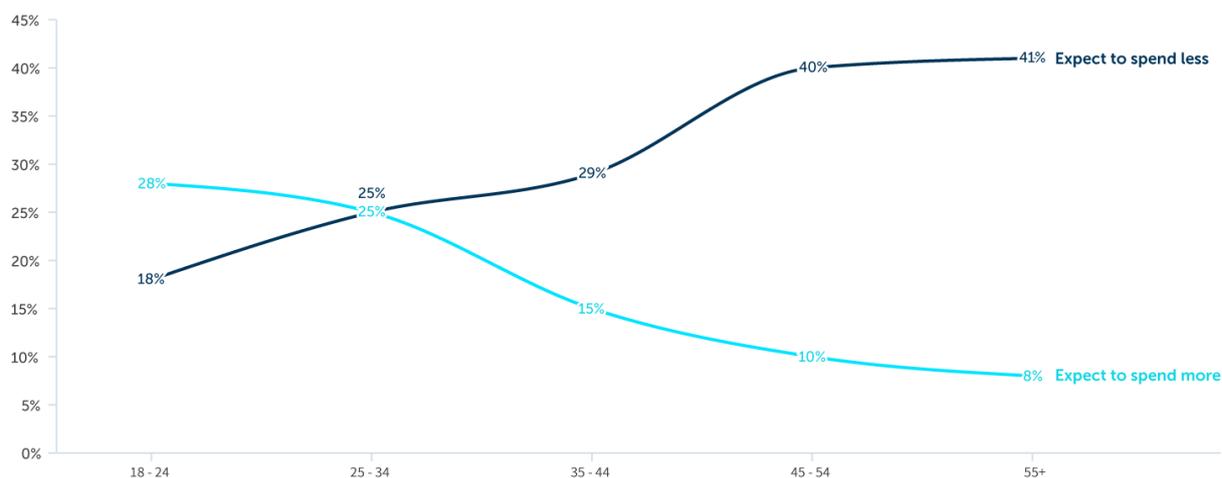
## Lifestyle realities and fears

Americans' primary worries in retirement funding are related to healthcare, day-to-day living costs and a perceived need to adjust to a more limited lifestyle.

## Adjusting lifestyles

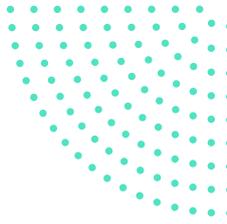
Three in ten respondents (31%) expect their spending to decrease in retirement. This number is swayed a little lower by younger respondents, and among those aged 55 and older rises to 41%.

### Wiser with age – older Americans more likely to expect a spending decrease in retirement



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Overall, 17% expect their spending in retirement to be greater than their current level of spending. Again, this is swayed by younger respondents, pointing to a picture of younger people on lower wages believing their retirement will be less frugal than their current lifestyle, while older respondents approaching the age of retirement see a future of increased personal austerity.

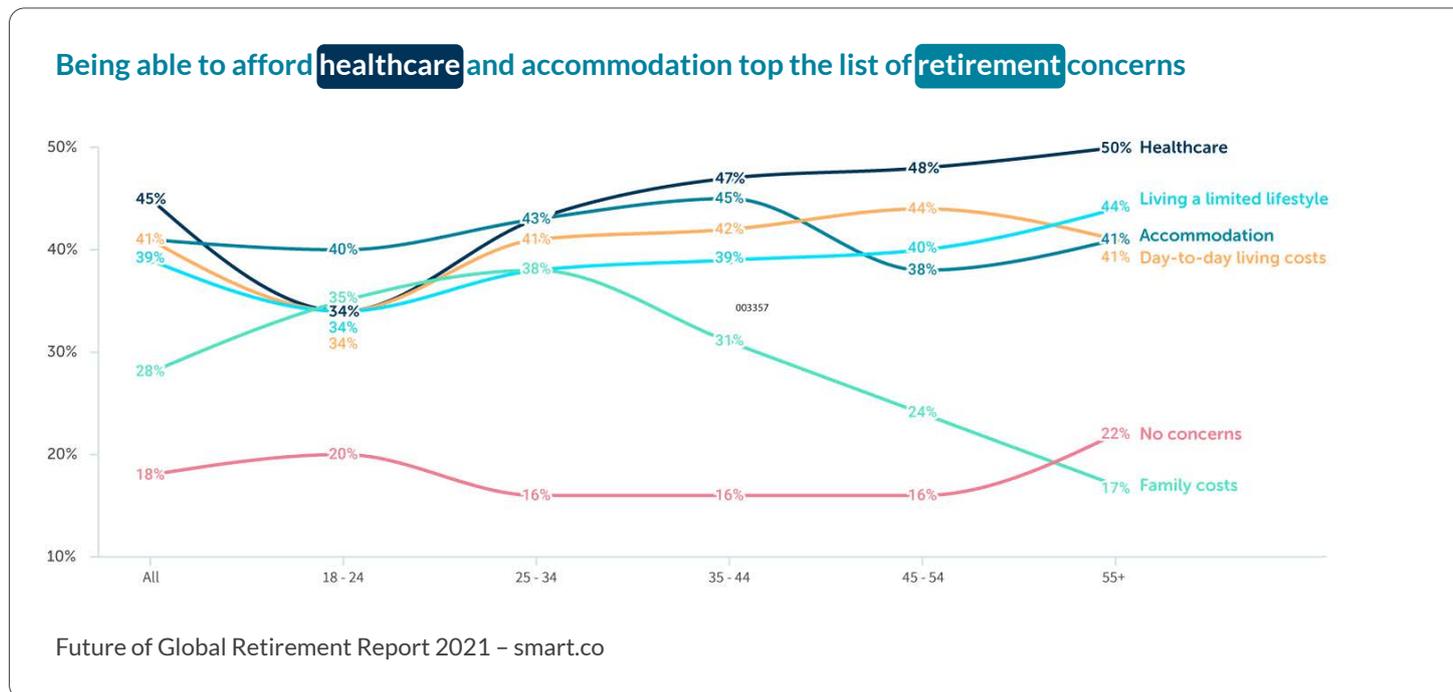


## Concerns and fears

The biggest concern in retirement among US respondents is not being able to afford healthcare costs, with 45% overall saying this is a concern, rising to exactly half (50%) of all respondents aged over 55.

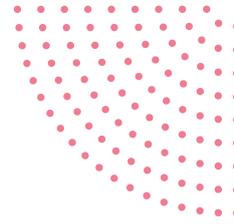
Overall, accommodation costs and day-to-day living costs are the next largest concerns, with 41% of respondents saying they are concerned about these areas.

Of those aged over 55, living their desired lifestyle is the second highest concern, with 44% responding that they are concerned about having to limit their lifestyle.



Roughly one in five (18%) of all respondents have no concerns about finances during retirement, rising to 22% (just over one in five) of those aged over 55.

In the context of the 'advice gap' uncovered by our research, these worries and concerns point to a great need to guide those reaching retirement in how to spend their money to balance current and future needs. Savers fear running out of money, at the same time as worrying about having to limit their lifestyle too much.

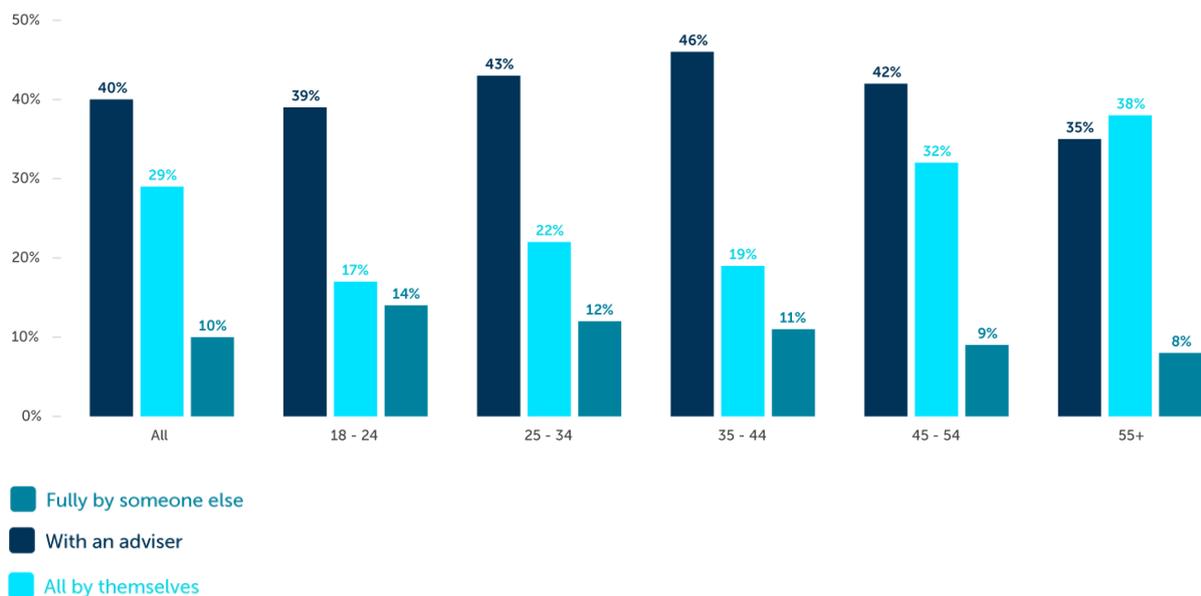


## Control and flexibility – key retirement saving needs

Americans want ownership of their decisions, control to flex their finances and ‘easy access’ to their money.

Most Americans want to have ownership of their retirement decisions. Three in ten US respondents (29%) would like to manage all their retirement finances entirely themselves, rising to 38% of those aged 55 or older. A further 40% would like control with balance – to have assistance when it comes to managing their finances (35% of those aged over 55). Just one in ten Americans (10%) want to hand over all management of their retirement finances to another party.

### Staying involved – how Americans want to manage their finances in retirement



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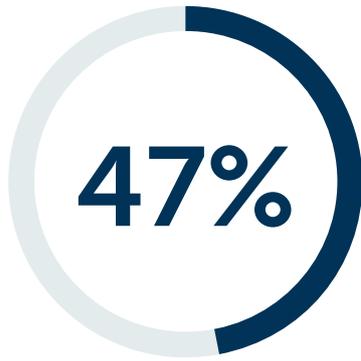
When asked how they wanted to access their retirement finances, almost one in four Americans (23%) did not know how they wanted to access their money. Even among the 55+ age group, 21% did not know. This points back to the ‘advice gap’, and also illustrates the great need to balance a system where many wish for full control of their finances, while many – even approaching retirement age – have limited knowledge of the options available to them.



# Retirement perceptions in the UK

The UK retirement system has shifted over the past couple of decades, seeing DC (defined contribution) saving displace DB (defined benefit) arrangements as the prominent retirement provision for most UK savers. A driving force behind that change was the introduction of automatic enrolment, which (aside from the state pension) has seen millions of people saving for retirement for the first time. The system is designed to harness the power of inertia. However, our research uncovers some challenges as people approach retirement, when they are forced to awake from their saving slumber and asked to engage in making active choices.

# Retirement perceptions in the UK

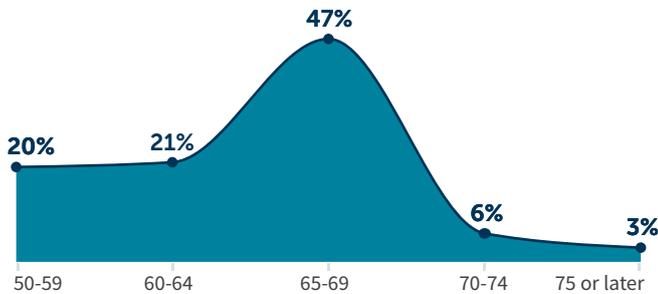


of adults in the UK said they have never received retirement advice.

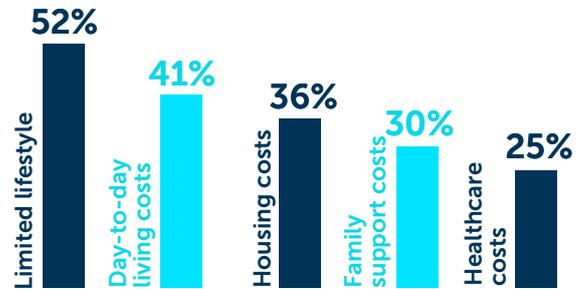


# 39%

of Britons don't understand the options available to them at retirement.



Two-thirds (68%) of Britons plan to retire in their 60s, yet 16% say they don't have any retirement savings.



52% think living a limited lifestyle in retirement is their most pressing concern.

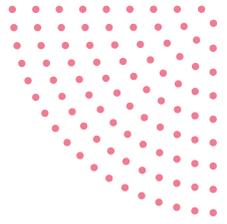
# 74%



or three-quarters of Britons want to be involved in managing their finances in retirement, either by themselves entirely or with the help of an adviser.

# 64%

believe it's important to be able to manage their retirement finances online, particularly important with the COVID-19 pandemic.

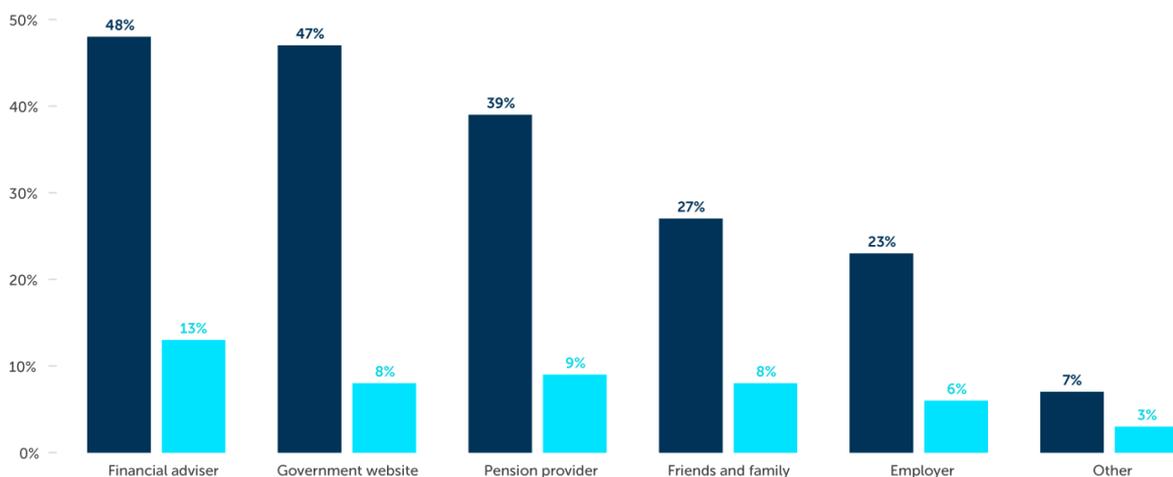


## The advice gap

Nearly half of the UK population approaching retirement have never received advice.

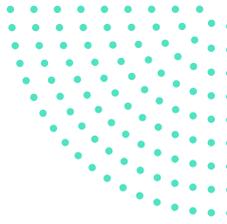
In the UK, DC savers now have more choice than ever before when it comes to accessing their retirement savings. Surprisingly, nearly half of those savers (47%) take no advice whatsoever when making that decision. When this is considered alongside the fact that 39% of the population say that they don't understand the options available to them at retirement, the possibility of maximising their retirement income with such limited knowledge becomes incredibly slender.

### Service gap – sources where Britons expect to find retirement advice rarely prove most useful



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Even when people seek advice, it does not always live up to expectations. Most respondents say they would expect to receive advice from financial advisers (48%), their pension provider (39%) or government websites (47%). However, when asked where they had received the most useful advice, 13% of respondents aged 55+ said financial advisers and only 9% mentioned their pension provider.

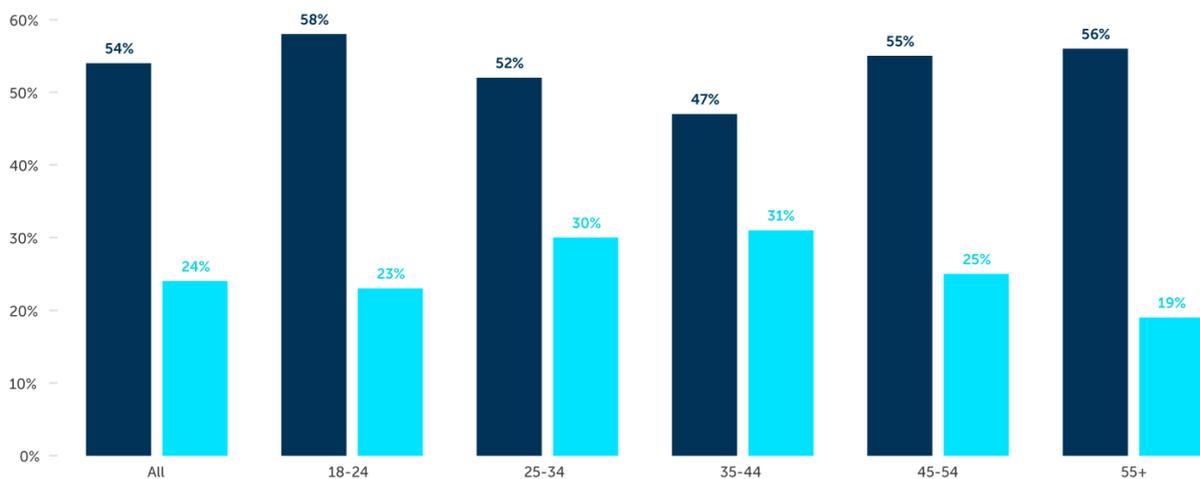


## Traditional 'retirement' is over

Retirement is becoming a transition rather than a one-off.

Insufficient support as well as added choice and complexity is now a theme across the countries surveyed. The cliff-edge retirement is now a thing of the past, with respondents expecting retirement to happen as a staged process. In the UK, 44% of respondents expected retirement to be an event with several stages, and only 20% of over 55-year-olds expected it to be a one-off event.

### Most Britons see retirement as an event with several stages rather than a one-off event



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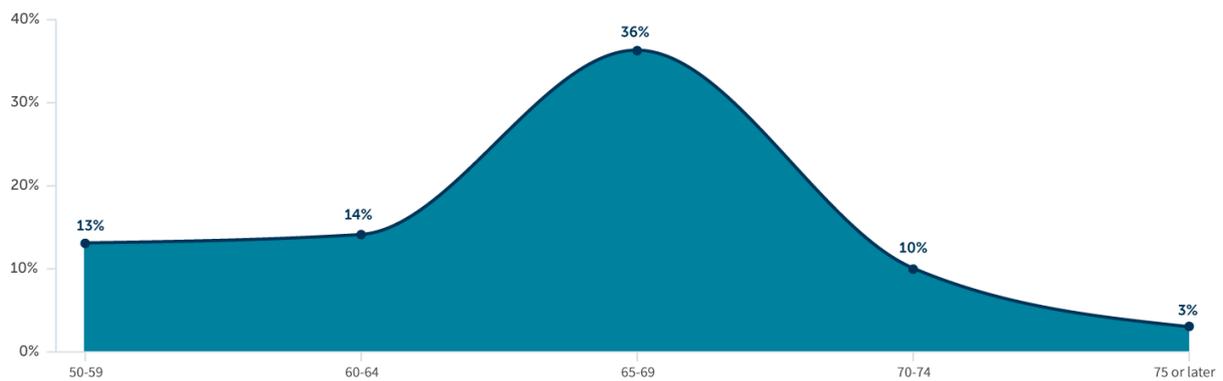
Most respondents (47%) expect to retire between the age of 65 and 69, although we know that many DC savers are not saving enough to be able to maintain a moderate lifestyle in retirement. It is noteworthy that of the three countries surveyed, the UK had the smallest proportion of people expecting to defer retirement beyond age 70 – savers may yet need to adjust their expectations with respect to either retirement age or lifestyle.

## Lifestyle realities and fears

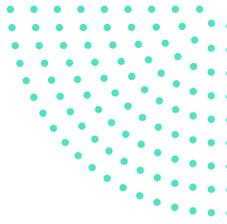
Most people expect their spending to decrease slightly during retirement. Affording the desired lifestyle, day-to-day living costs and accommodation are biggest concerns.

The biggest concern (52%) in retirement is having a limited lifestyle – not being able to live the lifestyle that the participant desires. Further supporting this are the 41% of respondents concerned about being able to afford day-to-day living costs and 36% of respondents concerned about being able to afford accommodation. The combination of these data points shows a concerning trend that people are either consciously or unconsciously aware that their savings may be insufficient.

### Late sixties is when most Britons plan to retire



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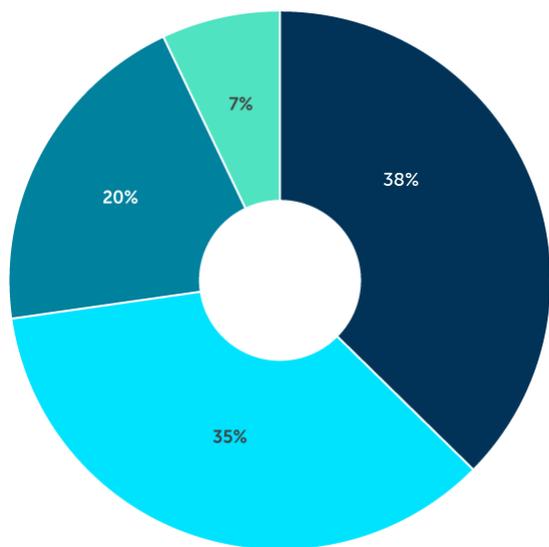
## Control and flexibility – key retirement saving needs

Control and guidance are the most important considerations when deciding what savers are looking for in a retirement solution.

When considering how they would like to manage their money, nearly two-thirds (64%) of all respondents state that it is important for them to be able to do so online. 17% of those state that the importance they place on online access has increased in response to the COVID-19 pandemic.

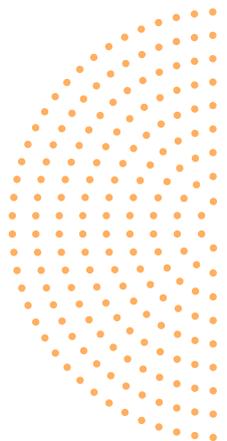
Alongside managing their money online, 38% of respondents state that they prefer to manage their finances with some assistance – 35% of respondents say that they would happily go it alone, meaning that roughly 73% of respondents are ultimately intending to dictate how, when and where they personally access their retirement savings.

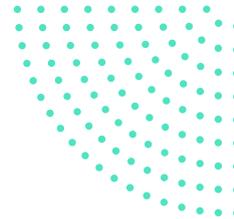
### Hands on – almost 75% of Britons keen to manage their finances in retirement



- With an adviser
- All by themselves
- Don't know
- Fully by someone else

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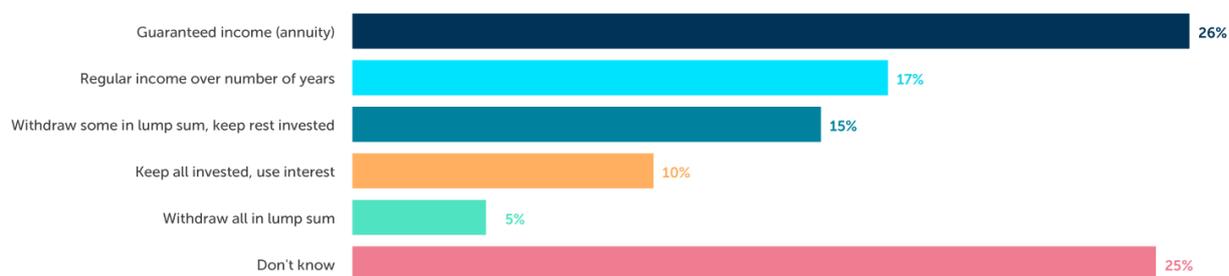




When it comes to taking an income, 26% are intending to receive a guaranteed income, 17% want to receive a flexible income and 15% want to take a single lump sum and leave the rest invested. Perhaps unsurprisingly in the context of our advice findings, 25% of respondents don't know how they would want to access their retirement savings.

Given the range of responses, including the lack of clarity, it's clear that choice and support are essential for helping meet retirees' varied needs and circumstances.

### Slow and steady – annuity and regular income the preferred options for accessing retirement savings



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When it comes to selecting a retirement product, clear, simple communications (46%), online access to check their balance (42%) and guidance around how much income could be withdrawn without the risk of running out of money (34%) are the key factors in determining where their money would be placed. These are high numbers when considering that many providers do not offer any of these options, let alone all three.

A key challenge faced by savers in defined contribution systems all over the world is converting a savings balance into income during retirement. As mentioned earlier, retirement is seen as something that has several stages, so another key consideration for respondents was flexibility, in particular the ability to change their income in line with their changing needs (32%).



# Retirement perceptions in Australia

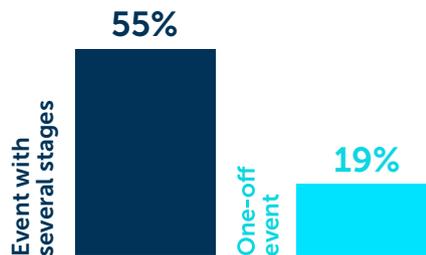
With its well-established superannuation funds, Australia has perhaps the most advanced retirement saving system of the countries covered in this report. During their working years, Australian employers have to make mandatory contributions, set by legislation, into citizens' retirement accounts. However, at retirement, most of these restrictions are lifted and savers are confronted with the complexity of how to spend their money in retirement.

Along with the US, Australia is known for its relatively high levels of investment literacy, with high levels of retail investing providing just one example of this. Our findings align with this in places but, as with other regions, identify an advice and service gap in relation to retirement spending. Many savers do not engage very actively with their retirement investments during their working years, so deciding how to spend their money can be a daunting prospect.

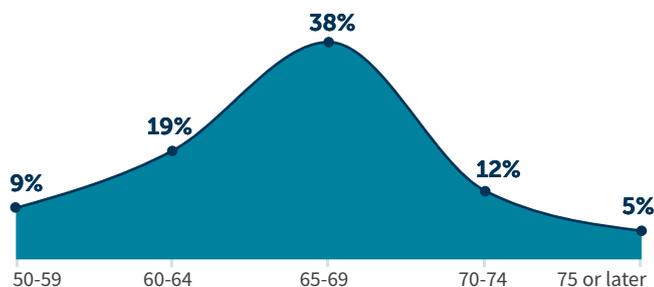
# Retirement perceptions in Australia



of Australians aged 55 and older feel like they understand their options at retirement.



More than half (55%) of Australians no longer see retirement as a one-off event, but as a gradual transition instead.



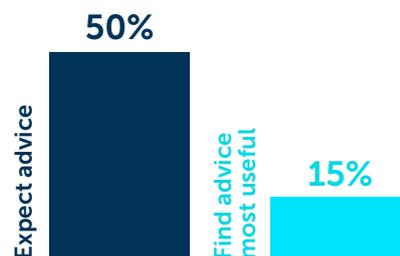
57% of Australians plan on retiring in their sixties, while 21% of 18-24 year-olds expect to retire in their seventies.

Just 12%

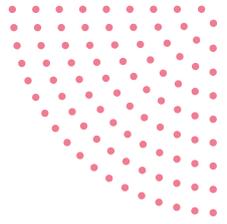
of Australians have no financial concerns looking ahead to retirement.



of Australians look for online access and clear communication when choosing a retirement plan provider.



While 50% of Australians expect superannuation funds to advise them on retirement, only 15% see their advice as the most useful.

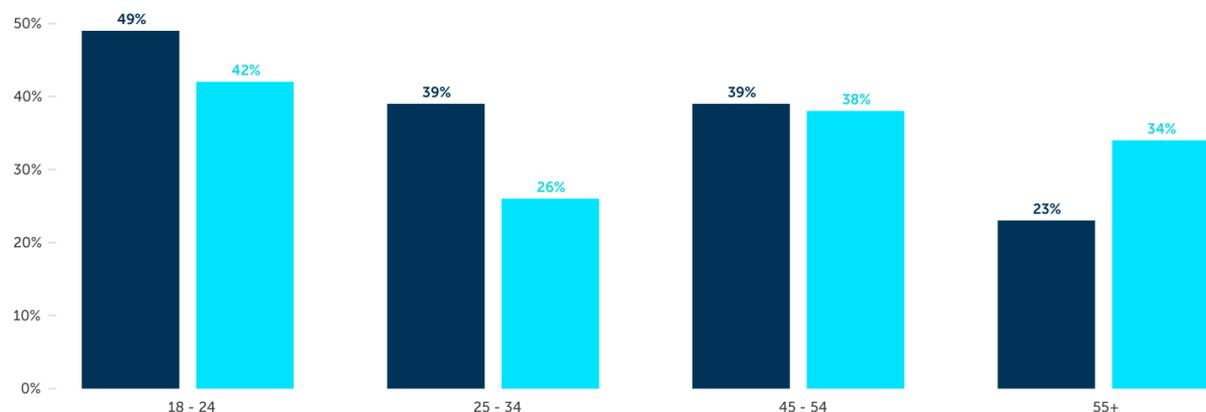


## The advice gap

One third of Australians approaching retirement have never received any advice, and the sources they are using don't live up to expectations.

Following a lifetime of saving for retirement, many Australians still do not understand the options that will be available to them at the point they begin taking retirement savings. One third of all respondents, and one quarter of those over 55, say that they do not have a good understanding of the options that would be available to them. Despite high numbers saying they have little understanding, more than one third (34%) of respondents approaching retirement, and four in every ten (38%) of the 45-55 age group, say they have never received any advice on retirement.

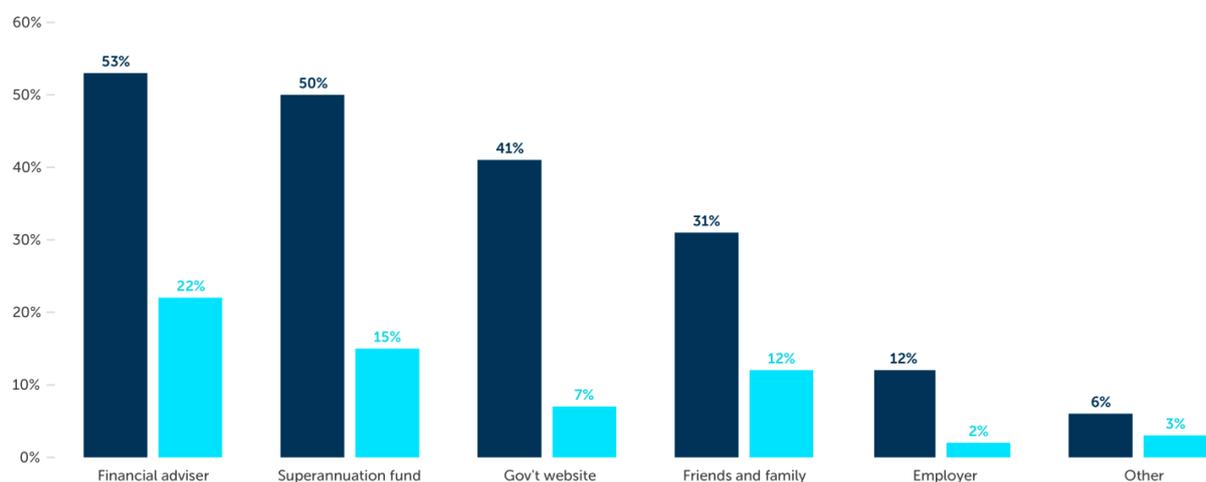
### Advice gap – only 25% of Australians understand their options and many never received advice



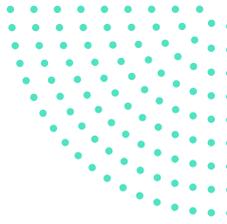
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Even when people seek advice, it does not always live up to expectations. Most respondents say they would expect to receive advice from financial advisers (53%), their superannuation fund (50%) or government websites (41%). However, when asked where they had received useful advice, 29% of 55+ respondents said financial advisers and only 16% mentioned their superannuation fund.

### Service gap - where Australians expect to and actually get the most useful retirement advice



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## Traditional 'retirement' is over

Retirement is becoming a transition rather than an one-off.

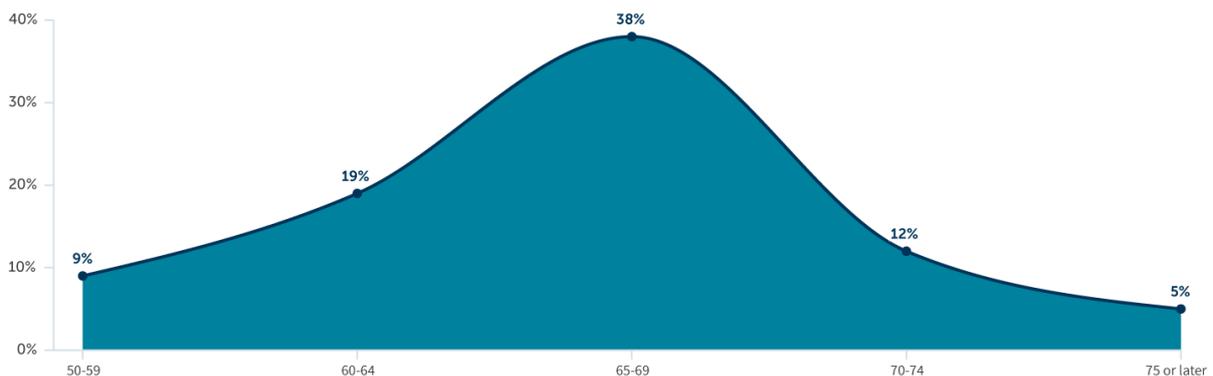
At the same time as people are finding it difficult to find helpful advice for planning their retirement, the process of retiring is becoming more complicated. A common trend across all the surveyed countries is that people increasingly expect to ease into retirement over a multi-year period. In Australia, 55% of respondents expected retirement to be an event with several stages, and only 16% of over 55-year-olds expected it to be a one-off event. About one third of respondents of all age groups expect to continue to work part-time during retirement.

Australia's mature market recognises this, and takes the 'transition' behaviour into account far more than other regions. Superannuation funds allow members to reduce hours and top up their income via 'Transition To Retirement' (TTR) between their 'preservation age' and age 65. This adds flexibility for savers, but also complexity around decision-making.

40% of Australians expect to retire between the age of 65-69. This tallies with the Government 'Age Pension', for which Australians must be 66 or older to qualify.

People generally understand that the retirement age is likely to continue to rise, and 21% of 18-24 year-olds expect to begin accessing retirement savings between age 70-74. About 7% of respondents said that they don't ever expect to retire.

### Most Australians say they will begin to access retirement savings between 60 and 69

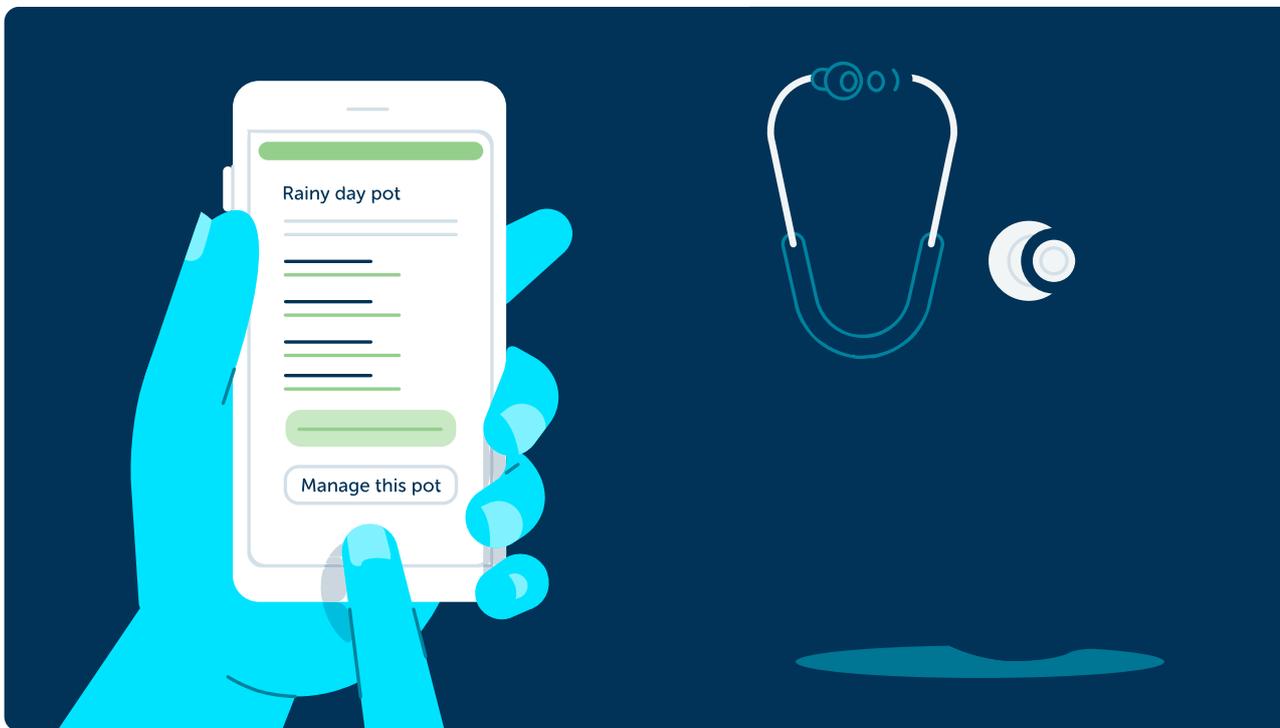


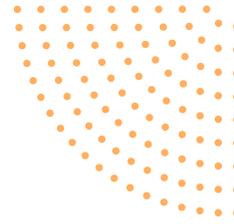
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## Lifestyle realities and fears

Most people expect their spending to decrease slightly during retirement. Affording their desired lifestyle and healthcare costs are the biggest concerns.

Closely related to the question of when to retire is what type of lifestyle retirees will be able to afford. Indeed, the biggest concern in retirement was not being able to afford their desired lifestyle (51%). Healthcare costs (48%) and day-to-day living costs (45%) were also major sources of concern. About half of respondents expected their spending in retirement to either remain the same or decrease slightly, and 26% of those who were close to retirement expected their spending to decrease a lot. Just 12% reported not having any concerns around their finances in retirement, perhaps surprisingly low when considering the maturity of the Australian retirement system.





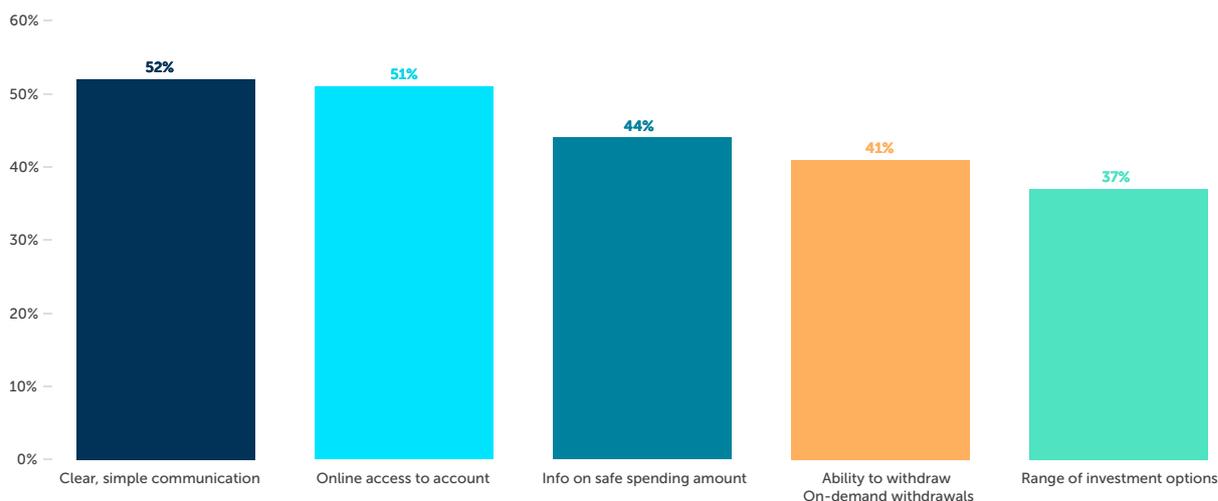
## Control and flexibility – key retirement saving needs

People want ownership and advice in retirement. Clear communications, flexibility and guidance are key features of a good retirement plan provider.

Most Australians want to have control of their retirement decisions, but they also want some help with the process. While 29% wanted to manage all their retirement finances themselves, a much larger share (48%), wanted to receive some assistance when making their decisions. Only 11% wanted to fully delegate retirement decision-making to a third party.

Transparency and flexibility are key features of a good retirement plan. Online access (51%) and clear simple communications (52%) were among the features that people prioritised when choosing a retirement provider. The flexibility to change their income when needed (45%) and the ability to receive guidance on how much they could safely spend (44%) were also priorities.

### Clear comms and online access - what Australians expect from their retirement plan



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A key challenge faced by savers in defined contribution systems all over the world is converting a savings balance into income during retirement. In Australia, most people wanted to keep their savings invested and use these to fund an income in retirement, either in the form of interest from investments or as a regular income stream. 22% want to receive a guaranteed income or annuity. Only 8% of respondents responded that they want to withdraw their retirement savings as a lump sum.

New regulation will require the superannuation funds to have a retirement income strategy for their members. The superannuation funds are well-placed to be the first source of advice and information for planning the retirement phase. By transforming member engagement, providing members with the tools they need to easily plan and implement their spending in retirement, they could make a significant contribution to improving retirement outcomes for Australians.

# Global insights

Context differs across the UK, USA and Australia, but there are also common factors across all three. Here we pick out three key summary areas, along with deeper insights from respondents across the globe.

## Keys to success

Our research highlights a large 'service gap' across all regions. In particular three 'keys to success' are illustrated, to provide successfully for those reaching retirement today and into the future.

1

### Bridging the advice gap

People need guided help and support to navigate how they access their retirement savings. While they now have to take more responsibility for funding their own retirement, many people are either not seeking advice or not finding it in the places they expect. Many people do not fully understand their options at retirement. There is a clear opportunity for retirement plan providers to offer people the personalised approach to retirement that they seek.

2

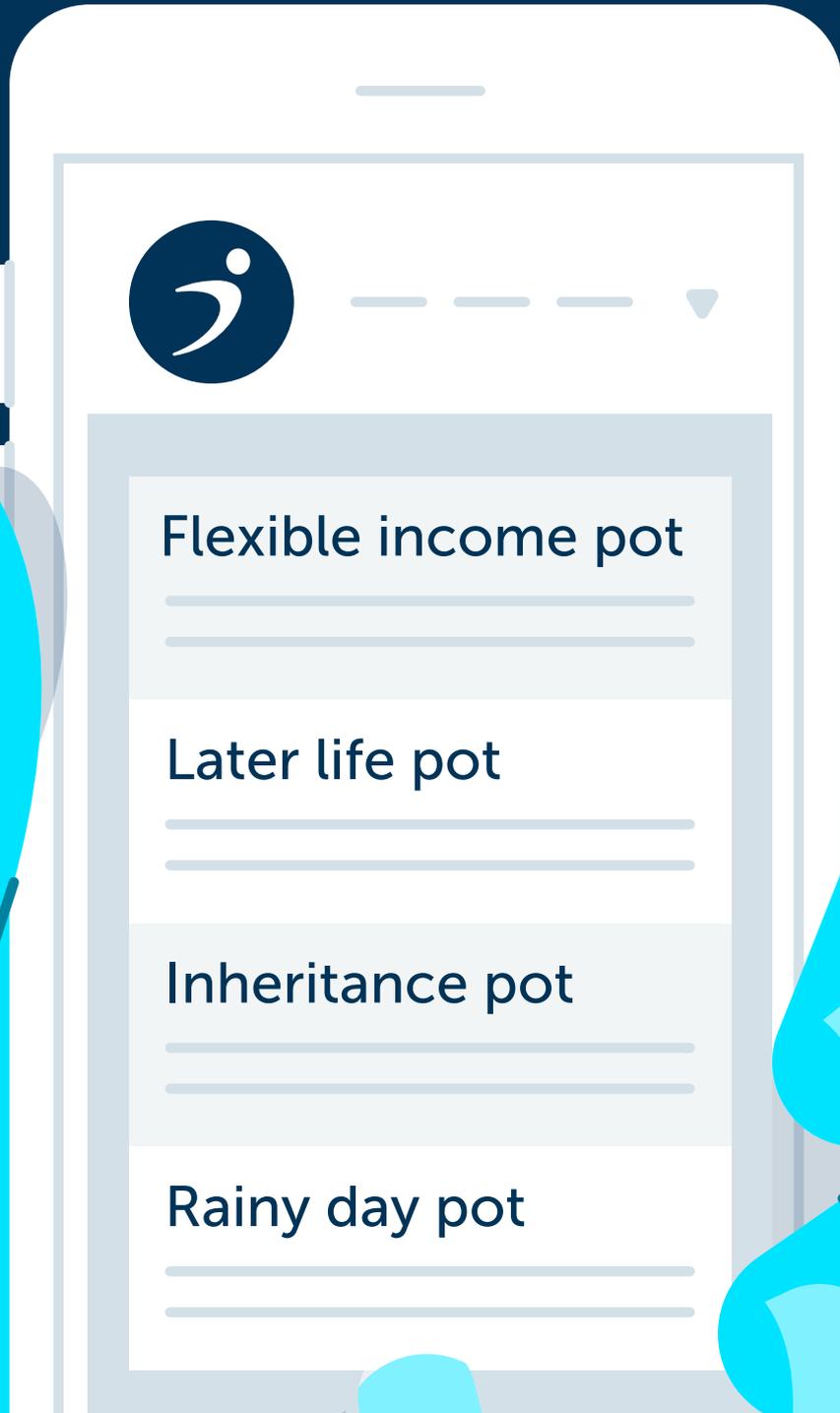
### Traditional retirement is over

Retirement has become more of a process than a singular event, and many people expect to continue to work part-time in retirement. The default 'cliff edge' to retirement simply no longer exists, with many expecting the 'advice' or 'guidance' needed to ensure they fund their lifestyle to maximise enjoyment and minimise worry from the point they begin accessing funds, through the rest of their lives, while avoiding running out of money.

3

### Control, flexibility, online by default

Savers assume that any help will be available online. Just as banking and retail has moved online, they expect to be able to manage their retirement funds via their computer or phone, too, with real-time information on their status and the ability to make instant decisions on their funds. Additionally, there is an expectation that the provider will play a key role in providing this support digitally.



Flexible income pot

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Later life pot

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Inheritance pot

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Rainy day pot

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## Global retirement insights

Alongside the three key factors, respondents provided a range of findings at odds with how much of the retirement saving and spending ecosystem functions today.

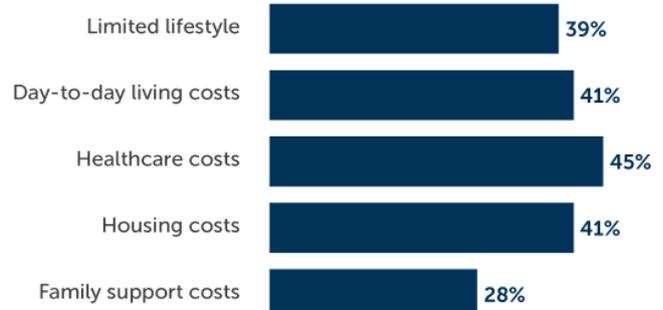
## Financial concerns

Most savers have financial concerns when they think about retirement.

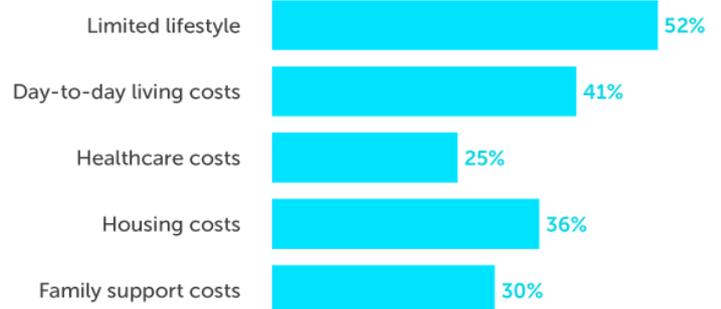
- They worry about whether they will be able to afford the lifestyle they would like to have in retirement (47%).
- Health costs are a particular concern in the USA and Australia, showing the impact a country's support system can have on retirement.
- Retirement is a multi-staged event (45%), with a heightened feeling of this among those aged over 55 (49%).
- Most (73%) expect to begin accessing retirement savings between the ages of 50 and 69, but a significant proportion (27%) fall outside this.

## Limited lifestyle and healthcare costs top retirement concerns globally

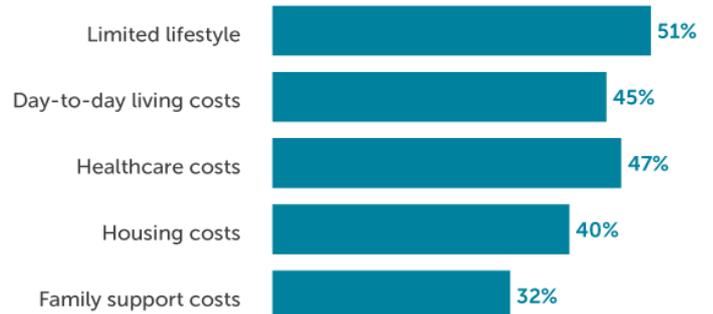
### United States



### UK



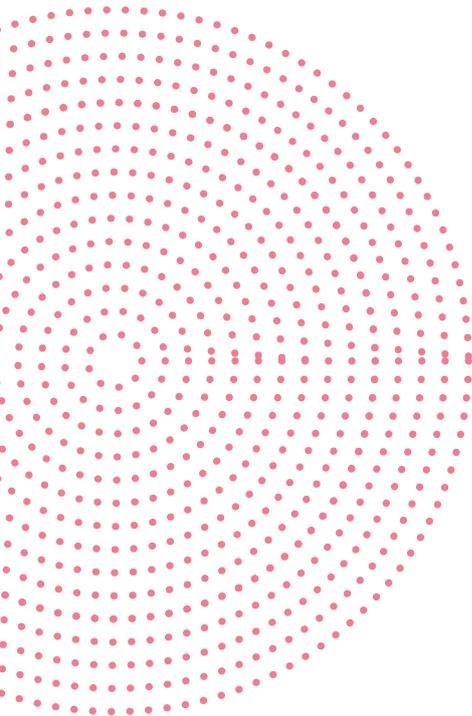
### Australia



## Funding retirement

In previous years, many savers had defined benefit pensions and retirement savings plans, providing a guaranteed income in retirement. The move to defined contribution means many now plan to rely on a combination of funds, including continued work, to finance 'retirement'.

- 
- People expect to fund their retirement using a combination of funds including their private pension plans (41%), personal savings (41%) and the state pension (36%).
  - Just under a third (31%) also anticipate funding their retirement using other income from some form of employment continued into retirement. Where the literal meaning of retirement means to 'cease work', this presents something of an oxymoron, to the extent that some may say almost a third of respondents expect they will not retire in the traditional sense.
  - Those living in the UK are far more likely to think they will fund their retirement via the state pension and a private pension plan than those living in the USA or Australia, where it is anticipated a variety of funding will be required.





## The advice assumptions and needs and the huge gap

Although default solutions have increased pension savings, they have left many people with insufficient knowledge or understanding to make important decisions at retirement. Our research also confirms that a one-size-fits-all approach for delivering retirement incomes no longer exists, with a variety of options now required.

- Half (47%) say they do not understand or do not know if they understand their options around finance at retirement.
- One in five do not even know how they will access their retirement savings (22%).

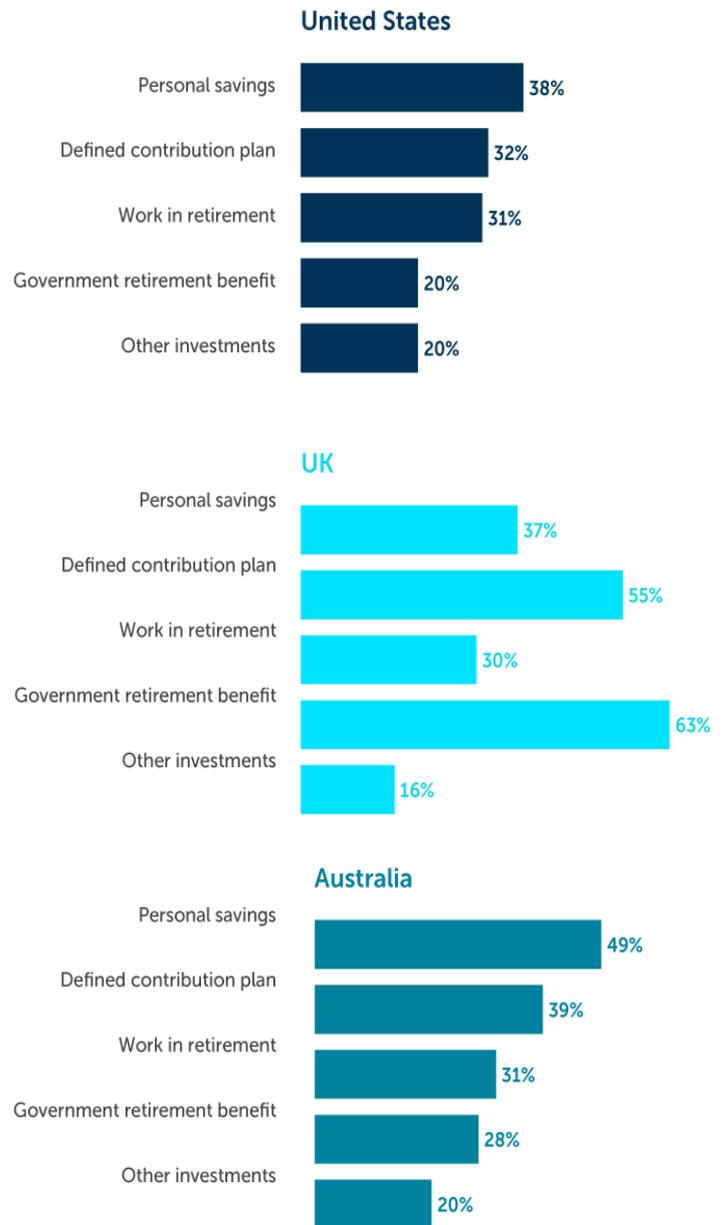
In terms of how people intend to access their retirement savings there is no clear option, with people wanting a variety of options.

- One in five want to receive a guaranteed income (21%) or a regular income for a specific number of years (19%). Others want to keep the full amount invested and use interest/investment to pay for their retirement (17%).
- Understanding is lowest in the UK (46%), but higher in Australia (56%) and the USA (69%).

Most people want some level of support to help them manage retirement finances. With the growing reliance on online solutions, especially since the pandemic, many expect support provided to be from their provider using online mechanisms:

- Half (51%) want some support.
- 42% want some assistance but to remain involved.
- 9% want someone else to manage their retirement finances entirely.

## Future retirees in the UK much more likely to rely on state pension



There is little evidence that many currently use the advice of financial advisers. Despite this, respondents expect advice and guidance.

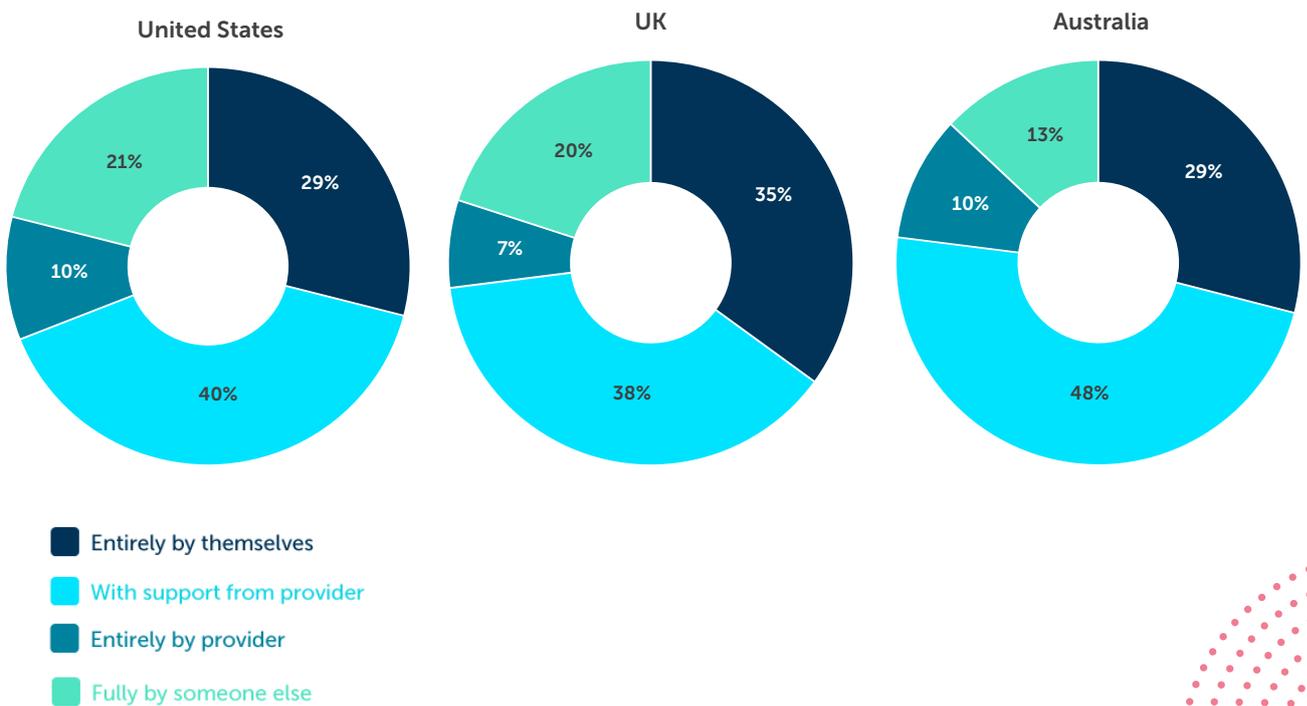
- Many (47%) expect to be able to get advice regarding their finances during retirement from a financial adviser.
- A significant proportion expect to be able to get 'advice' direct from a pension provider (40%).

## Online by default

Most people (68%) believe it is important for them to be able to manage their retirement finances online and, looking at decision-making as opposed to 'management', most (72%) expect their provider to have online tools to help them make decisions about their finances during retirement.

In a market where many still receive a single paper statement annually from their retirement savings provider, it is clear that a huge gap exists between the expectations of savers and the technology competencies of many providers.

### Solely or with support – preferences in retirement finance management in 2021



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# Current context – COVID-19

Much has been written about the potential impact of the pandemic on attitudes to retirement, but very little data has previously been available. Our study suggests it has had significant effects.

## COVID-19 and retirement age expectations

Across the globe, one in eight respondents (14%) plan to delay their retirement due to the effects of the pandemic. The figure was slightly higher for those aged over 55 (16%), indicating that the pandemic has had a real impact on the lives of those approaching retirement.

Regional variations on this are interesting:

- In the UK, 9% of respondents say they plan to delay retirement as a result.
- This rises with age, with 13% of respondents over the age of 55 in both the UK and the USA responding that they plan to delay.
- In Australia, 19% say they are more likely to now delay their retirement, rising to 22% of those over the age of 55.

### COVID-19 impact – a significant share of the general public and those ages 55+ plan to delay retirement as a result of the pandemic



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## COVID-19 and access to retirement funds

Overall, the vast majority of respondents (72%) say they believe it's important to be able to access their retirement finances online.

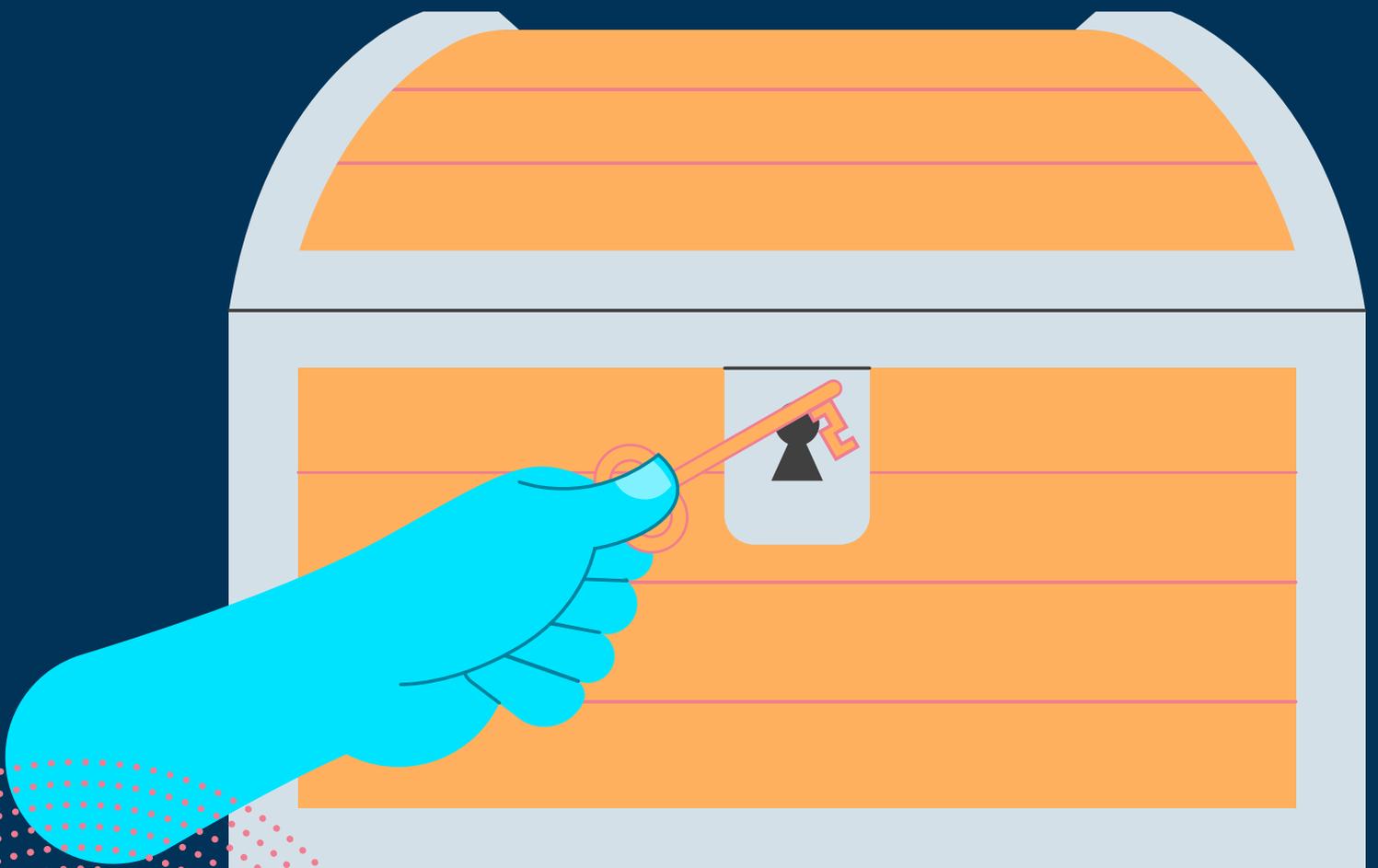
The COVID-19 pandemic has accelerated the use of digital tools in other areas, such as retail, and remote working. Our research shows that, across all regions studied, COVID-19 has been a factor in accelerating demand to access retirement finances online.

More than a quarter (26%) said that the pandemic had made it more important for them to be able to access retirement finances online. It may be expected for this effect to be more present among younger people, but those aged 55 and over reported very similar feelings, with 23% saying it has become more important for them to access retirement savings online.

# Keys to success

As illustrated throughout this report, and briefly covered as part of our Global Insights, there are large, very real problems to be solved in the way savers understand, approach and manage their retirement savings.

Three keys to success in addressing these, both for the industry as a whole and for individual organisations, offer the opportunity to improve financial outcomes hugely for people across the world.



## Key 1: Bridge the advice gap, allowing savers to cross the chasm

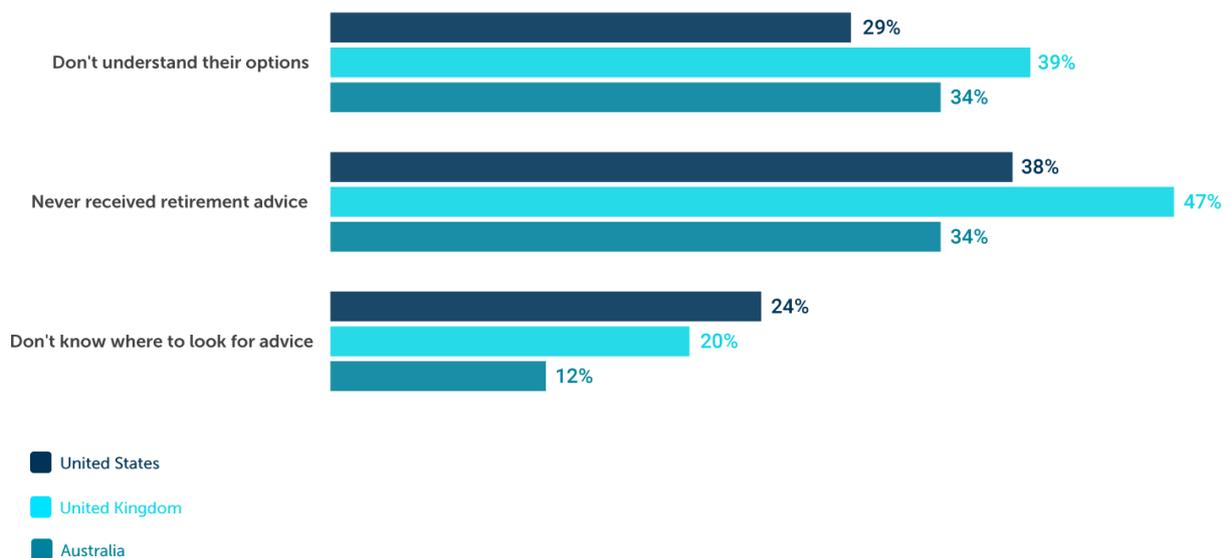
The move from defined benefit retirement savings plans across the world to defined contribution plans moved financial risk onto individuals. Less spoken about, but extremely apparent in our research, is the effect of moving the ‘decision-making risk’ to savers as part of that process.

A large number of savers now face making their own financial decisions in retirement. Many want to make those decisions, but fully acknowledge they lack the fundamental knowledge to avoid mistakes and make the most of their retirement savings.

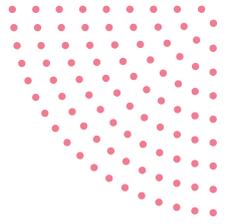
This is a huge gap that needs to be addressed quickly by the retirement savings industry. Professional financial advice is an option, but is costly, and it is unrealistic to expect all savers to pay for and take professional advice. Technology can unlock the ability to provide this at scale, while still providing advice that is personalised to each individual’s specific circumstances.

Tools, systems and guided journeys are required to provide the best outcomes for savers across the world. Just as automatic enrolment has put many millions of people on a retirement savings journey they would not otherwise have begun, ‘guidance by default’ journeys can assist savers reach the best financial outcomes in retirement.

### Advice gap – savers across the world look to retirement with uncertainty



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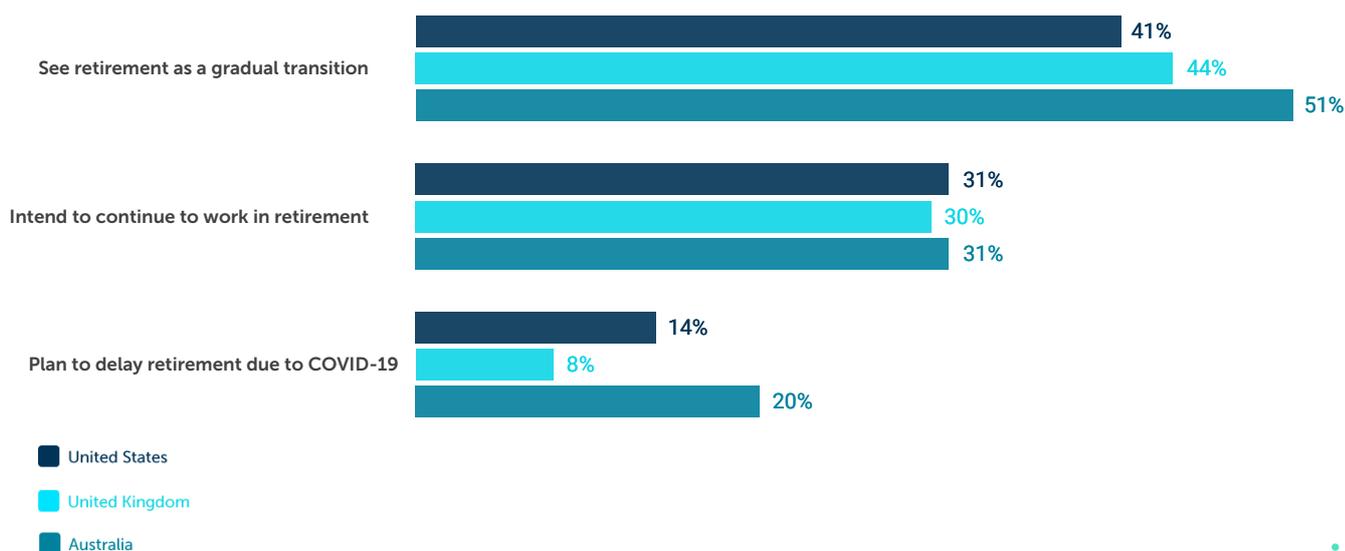
## Key 2: Traditional retirement is over – what now for the retirement savings sector?

It is abundantly clear from this research that the idea of retirement as a singular event is long gone. The traditional model of ‘retirement’ is over.

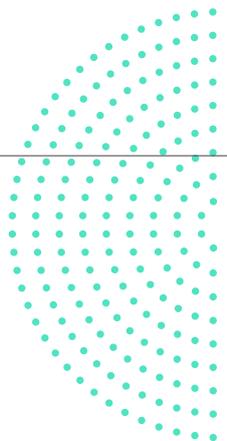
Savers continue to work part-time, savers delay retirement, savers want flexibility in how they manage their money rather than fitting to a one-size-fits-all mould.

It is crucial for financial services organisations supporting savers to recognise this, and to provide for savers’ needs in the run-up to, at the point of beginning to access retirement savings, and through the rest of their life.

### Future of retirement – how savers look ahead to retirement across the world



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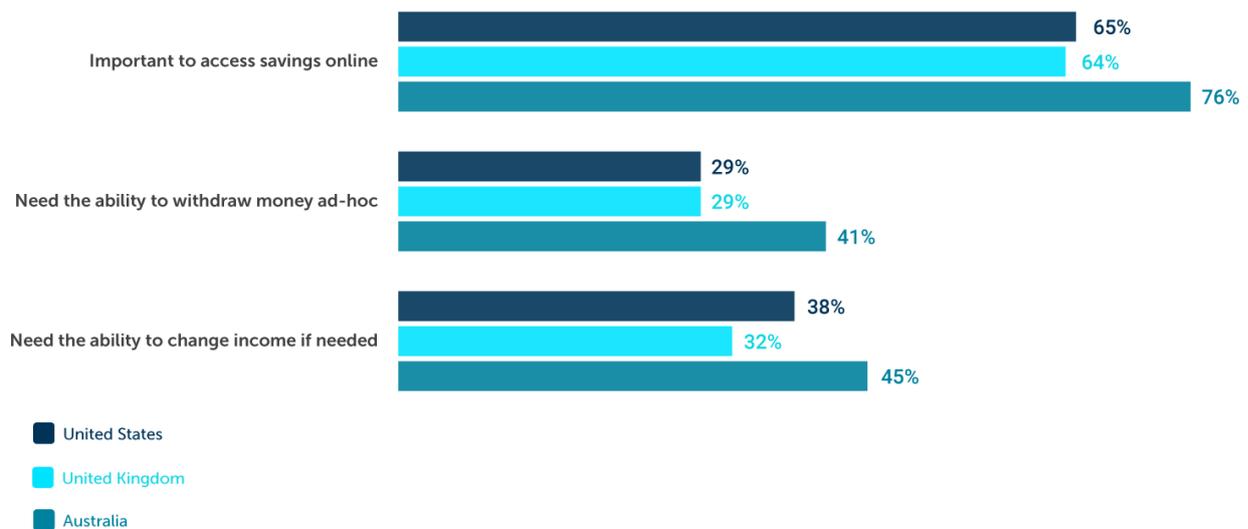


### Key 3: Control, flexibility and online tools are crucial

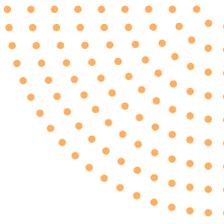
Control and flexibility are constant themes across savers in all countries. Savers now access their bank accounts online, with a real-time overview of where they stand, and the ability to flex their savings to meet needs as they arise.

Acknowledging this fact, while recognising the importance of guiding savers over the ‘advice gap’, offers the opportunity for the retirement savings sector – and the financial services sector at large – to genuinely support people in reaching the best financial outcomes. In a world where the one-size-fits-all model of retirement is gone, technology can be used to support one-to-one relationships with savers, meeting their individual needs.

#### Control and flexibility – what today’s savers expect from their retirement plans



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# Summary – findings and ramifications

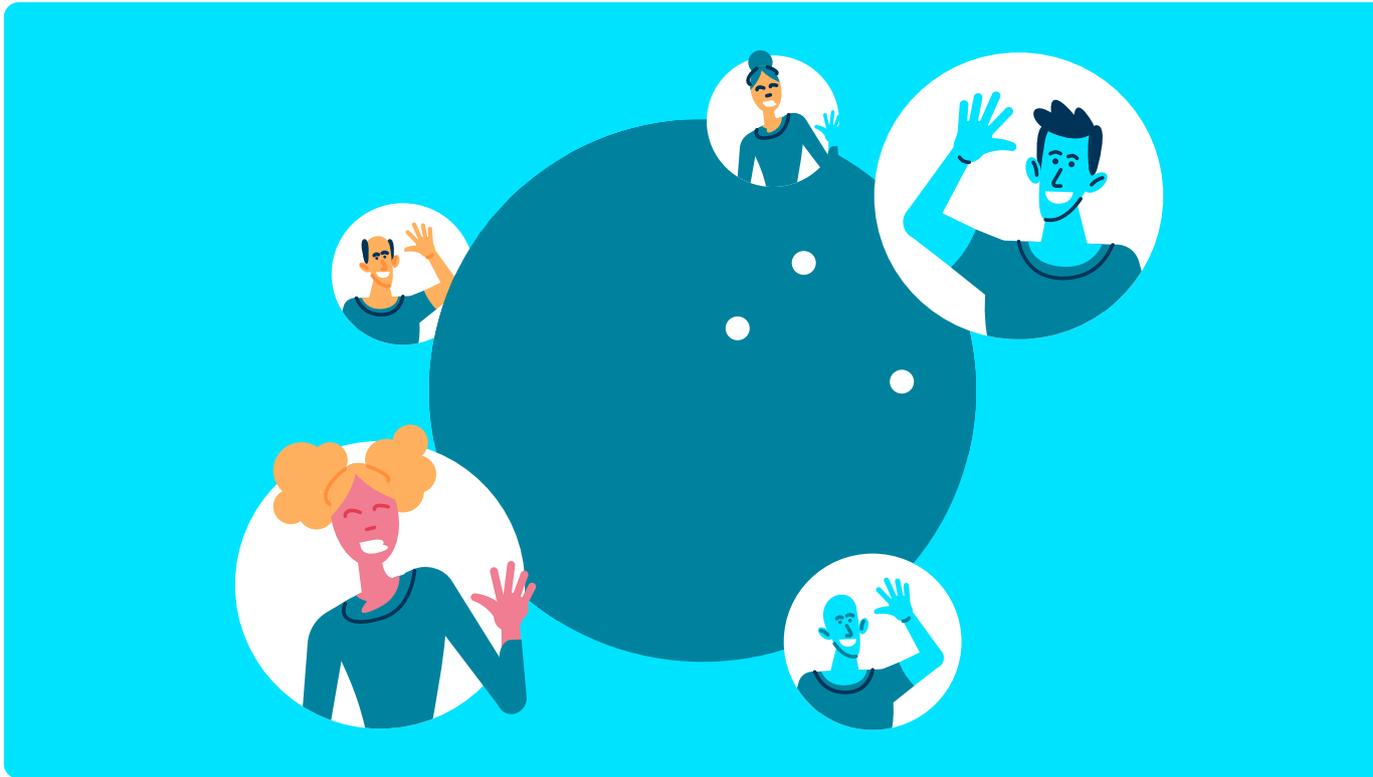
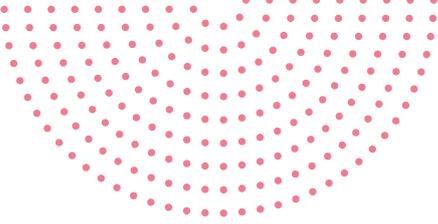
A one-size-fits-all approach to retirement is no longer appropriate. The concept of ‘retirement’, as viewed through the opinions of those saving towards it, has a broad range of meanings. Traditional ‘retirement’ is over, with few now seeing it as a singular event. Savers have different concerns, and require solutions that are different to both those of the past and those offered by the majority of the market at present.

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Across each market there is a gap between retirement savers’ overall level of knowledge, and the wish to control their retirement savings directly, with many expressing the desire to ‘go it alone’ in managing retirement funds and spending. It is unfeasible to expect all savers to pay for personal advice. Therefore guided solutions, offering control and flexibility, and assisting savers to make decisions to achieve the greatest outcomes, are a necessity.

Technology, or the outcomes of good technological solutions, offer the answer. Savers expect to access their savings online, just as they do their shopping and their banking, and for that technology to help them towards their goals.

Financial services organisations have a unique opportunity – a huge market that has changed quite rapidly, with savers taking a new interest in part fueled by the COVID-19 pandemic. The retirement savings industry can use technology to meet this opportunity – to bridge the ‘advice gap’, to offer one-to-one relationships that benefit both savers’ financial outcomes and their organisations’ financial outcomes, and to match their own propositions to the unmet needs of the market.



## About Smart

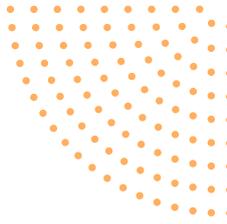
Smart is a world-leading retirement technology provider. Our mission is to transform retirement, savings and financial well-being, across all generations, around the world.

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Launched in 2015, our technology platform serves the needs of retirement savers around the world, and we are now active on four continents.

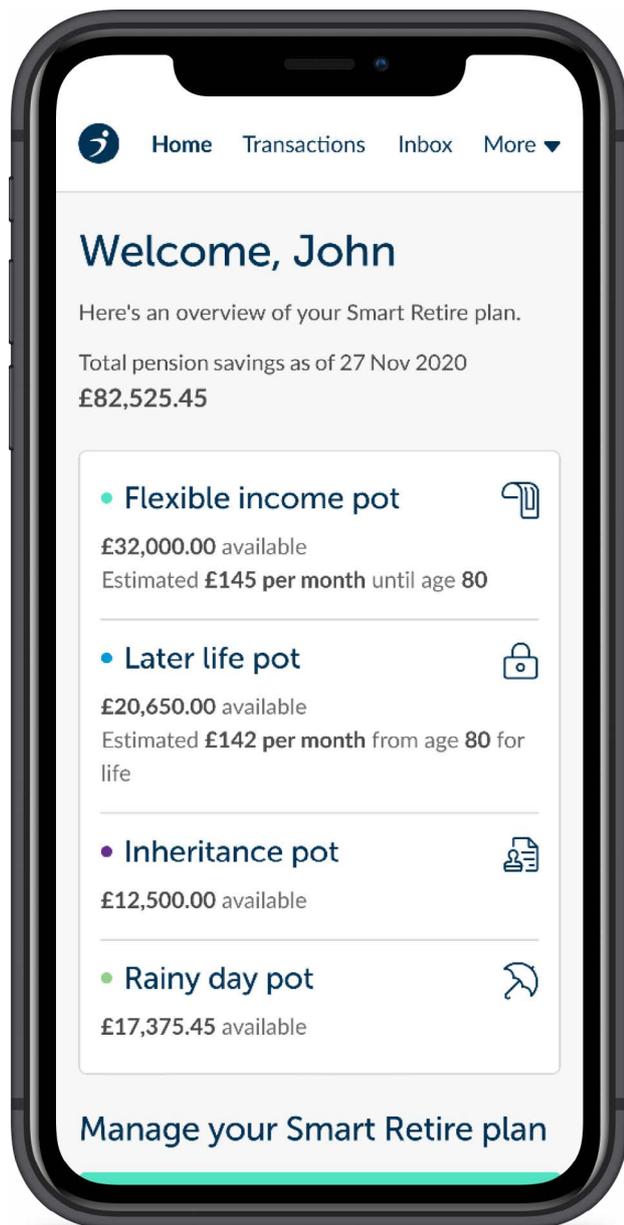
### **We believe in the power of technology to bring positive change**

Smart is one of the fastest-growing financial technology companies in the world. We're really proud of being able to make a genuine difference. From day one, we've always believed in the potential of starting with a blank sheet of paper and not having to build things to fit 'legacy' technology.



## Smart Retire

Our technology platform provides for both the accumulation and decumulation phases of retirement saving. Smart Retire, our decumulation product, is an innovative approach, built from hundreds of thousands of hours of research and development, to provide for the needs of savers across the world as they reach retirement and beyond.



We launched Smart Retire to revolutionise the future of retirement and to help people across the world to retire their way.

[www.smart.co/what-we-do/smart-retire](http://www.smart.co/what-we-do/smart-retire)

Global: [www.smart.co](http://www.smart.co)

USA: [www.smartretire.com](http://www.smartretire.com)

UK: [www.smartpension.co.uk](http://www.smartpension.co.uk)

AU: [www.smartretire.com.au](http://www.smartretire.com.au)

Smart commissioned YouGov to conduct the research. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 6,772 adults in the UK, US and Australia. Fieldwork was undertaken between 19-26 November 2020. The survey was carried out online. The figures have been given an even weighting for each country to produce an 'average' value.



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