



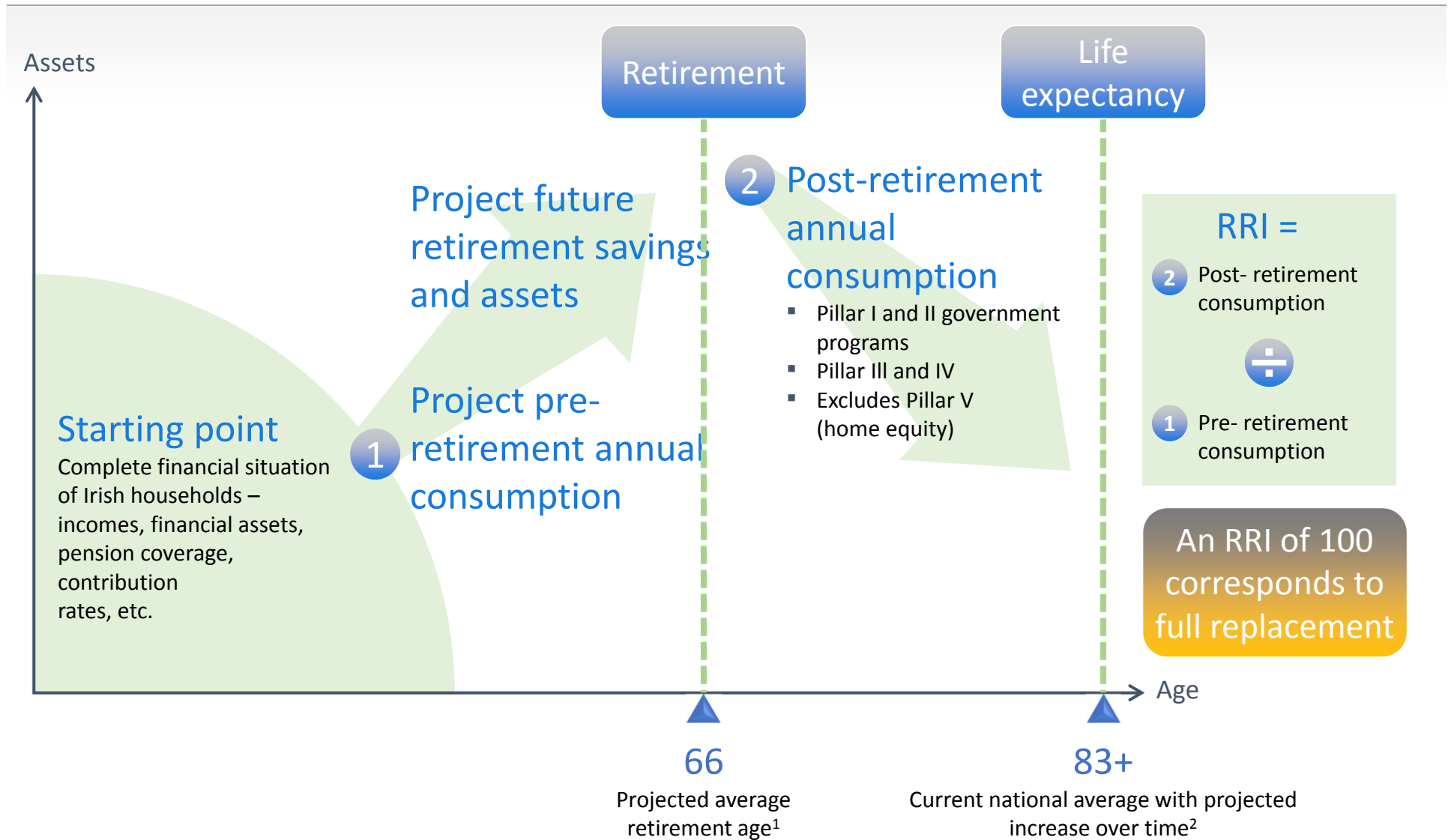
**Irish Life**

PENSIONS • INVESTMENTS • LIFE • HEALTH

# ENGAGING EMPLOYEES TO SAVE MORE FOR RETIREMENT

TONY LAWLESS

# McKinsey's Retirement Readiness Index (RRI)



<sup>1</sup> Increasing to 67 in 2021 and 68 in 2028

<sup>2</sup> Conservative estimate given that male life expectancy is 78 and female is 83 according to the CSO

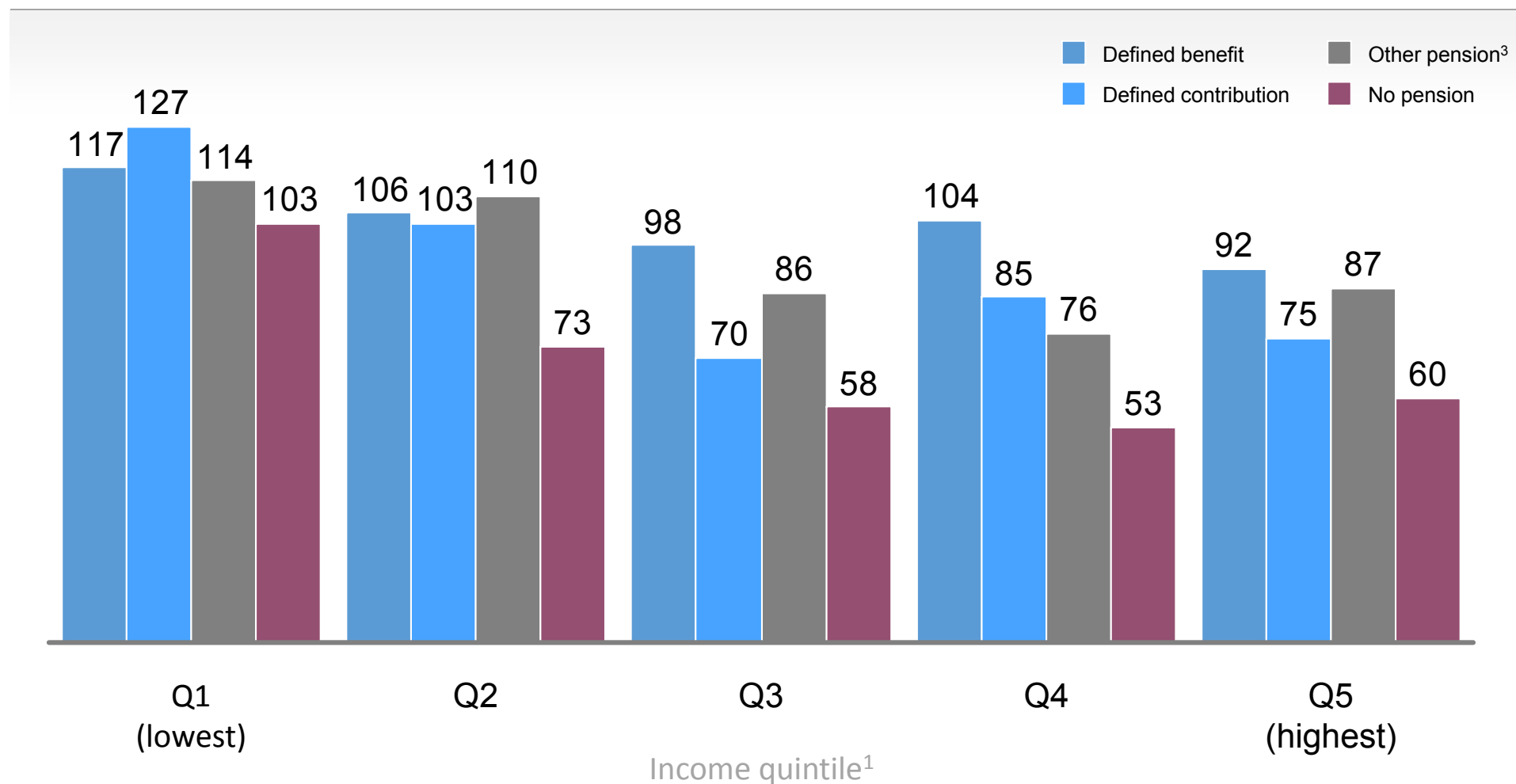
## Percentage of households on track for retirement by income quintile and age group

|                                 |                        | Age group |         |         |         | Avg. income |
|---------------------------------|------------------------|-----------|---------|---------|---------|-------------|
|                                 |                        | 25 - 34   | 35 - 44 | 45 - 54 | 55 - 64 |             |
| Income quintile <sup>1</sup>    | Q1<br><i>(lowest)</i>  | 94        | 96      | 93      | 99      | EUR 13K     |
|                                 | Q2                     | 68        | 81      | 74      | 78      | EUR 23K     |
|                                 | Q3                     | 56        | 60      | 65      | 54      | EUR 35K     |
|                                 | Q4                     | 55        | 65      | 58      | 51      | EUR 54K     |
|                                 | Q5<br><i>(highest)</i> | 65        | 73      | 71      | 62      | EUR 101K    |
| Share of working-age population |                        | 24        | 37      | 19      | 19      |             |

<sup>1</sup> Household income cut-offs: Q1 < EUR 19K, Q2 < EUR 30K, Q3 < EUR 43K, Q4 < EUR 65K, Q5 > EUR 65K.

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SOURCE: Retirement Readiness Index Model 2015

## Median RRI score by quintile and pension plan type



1 Household income cut-offs: Q1 < EUR 19K, Q2 < EUR 30K, Q3 < EUR 43K, Q4 < EUR 65K, Q5 > EUR 65K

2 Sample size of 1,651. Q1: 127, Q2: 204, Q3: 323, Q4: 326, Q5: 316. 320 respondents received government transfers; 35 had invalid responses

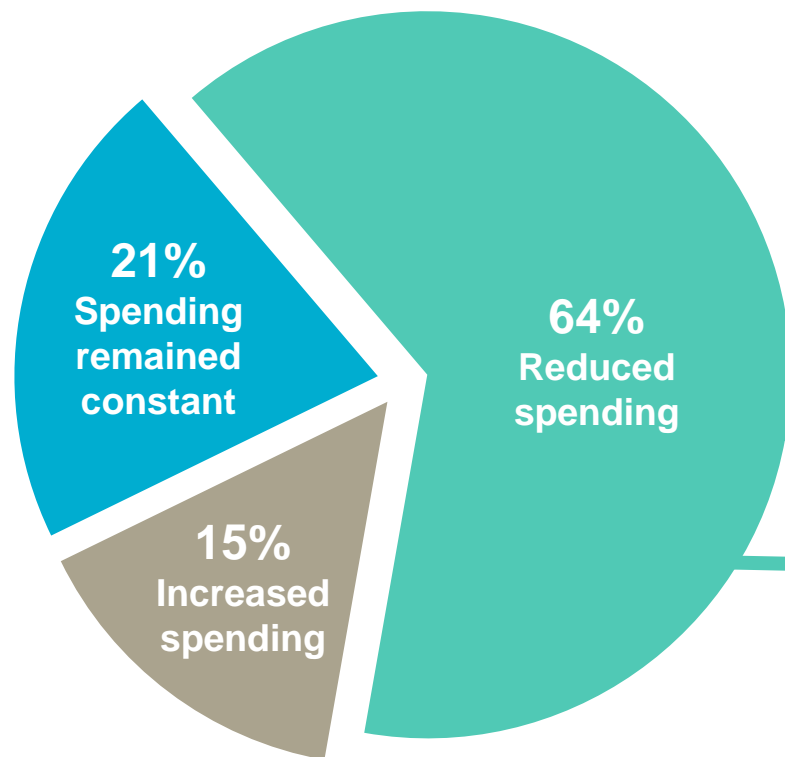
3 PRSAs or other private pension plans



## 'FUTURE YOU'

**TWO THIRDS OF RETIREES REDUCED THEIR SPENDING IN RETIREMENT, AND A MAJORITY NOW SAY THEY WOULD HAVE PREPARED DIFFERENTLY**

### ANALYSIS OF SPENDING IN RETIREMENT COMPARED TO WHEN WORKING



**63%**

of people who reduced their spending in retirement now say they would have changed the way they planned their future finances

**SAVE MORE**

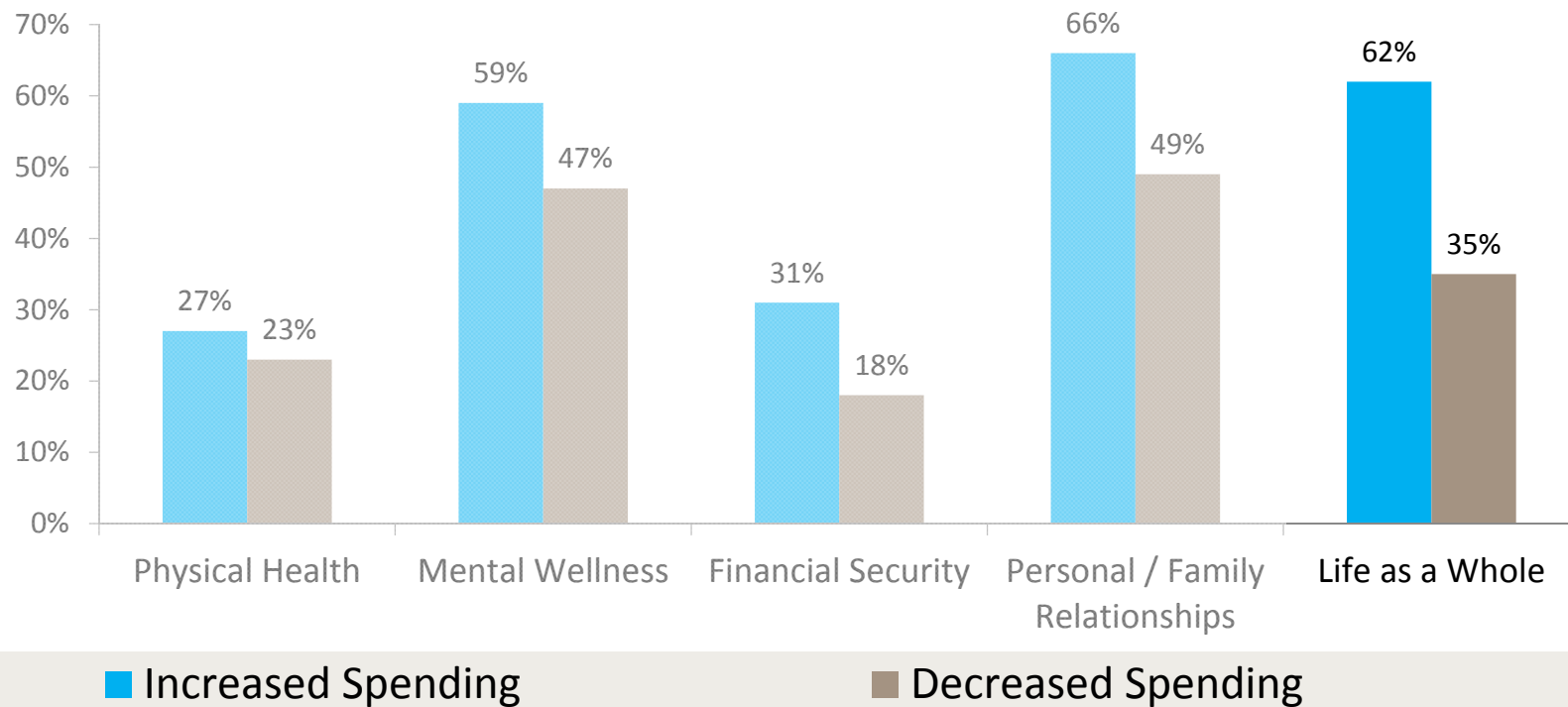
**GET ADVICE**

Source: Behaviour & Attitudes Market Research for Irish Life 2015



## 'FUTURE YOU'

THOSE WHO INCREASED SPENDING APPEAR TO BE MORE SATISFIED OVERALL WITH LIFE IN RETIREMENT



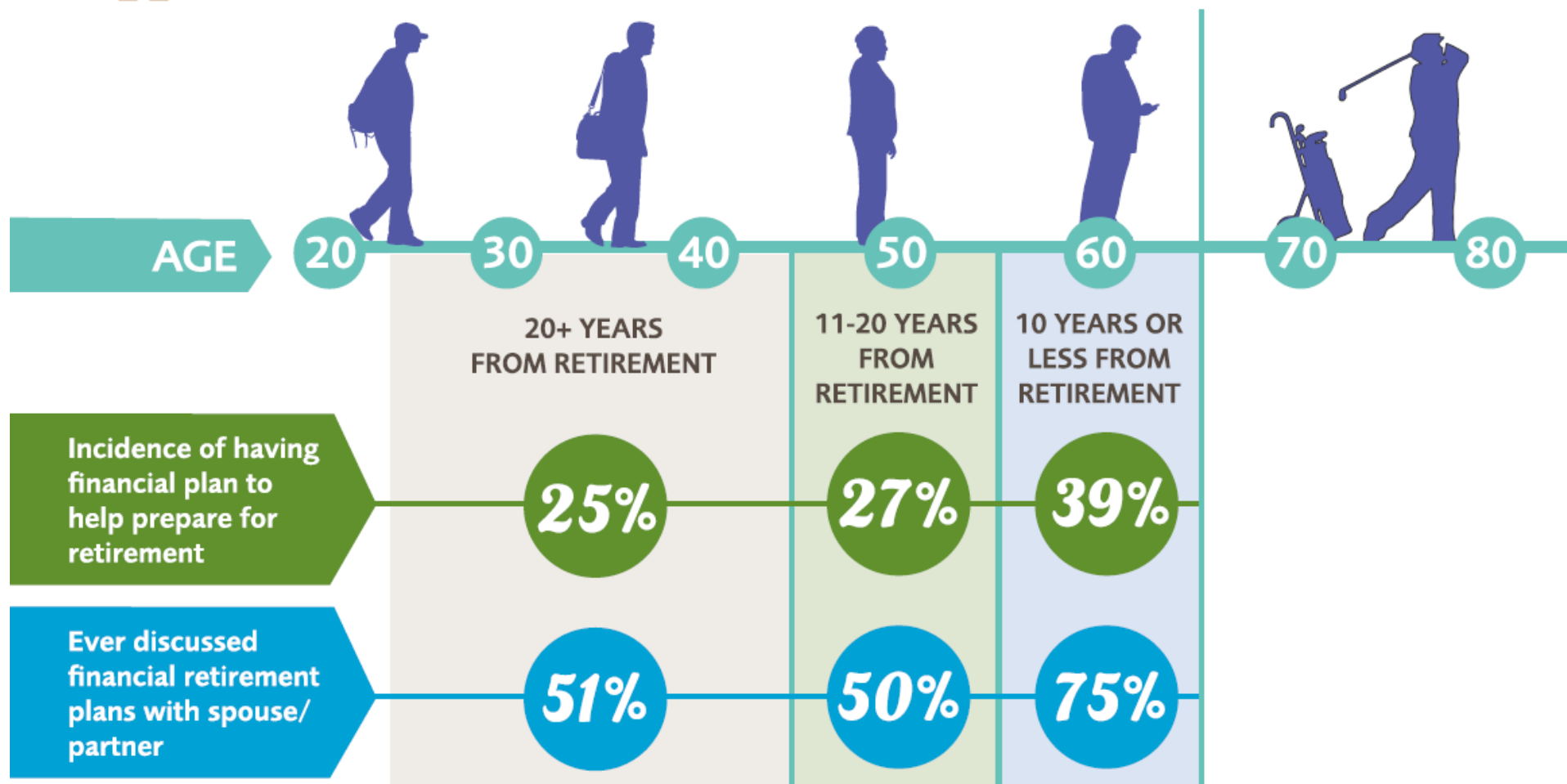
To what extent are you satisfied with.....% of retirees scoring >9/10



Coming back to 'CURRENT YOU' less than

**3 in 10 (28%)**

of those not yet retired have a financial plan to help them prepare

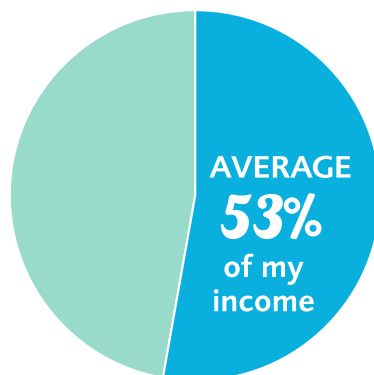


Source: Coyne Research for Irish Life 2016

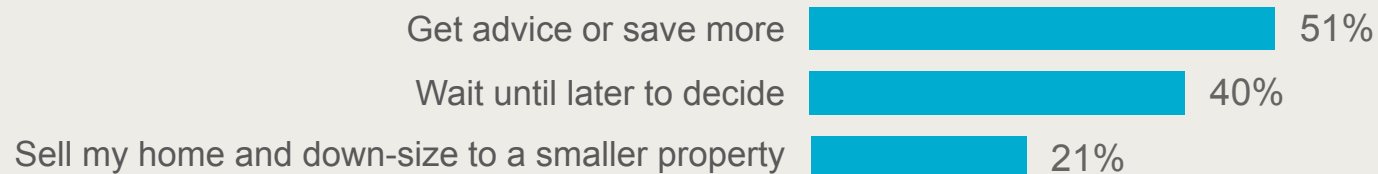
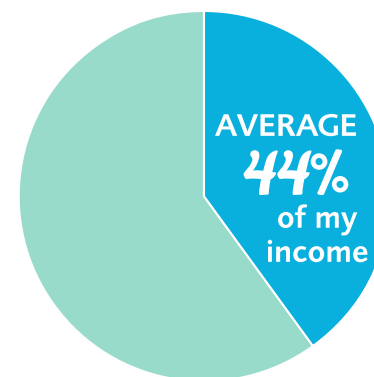


**‘CURRENT YOU’  
MOST EXPECT TO HAVE LESS INCOME IN RETIREMENT THAN THEY'D LIKE**

Level of Income Needed  
to Fund Lifestyle  
WOULD LIKE  
in Retirement



Level of Income  
EXPECT TO HAVE  
in Retirement



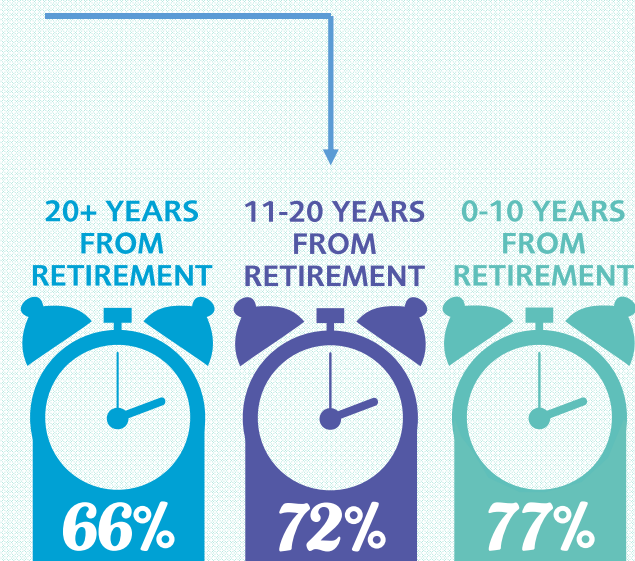
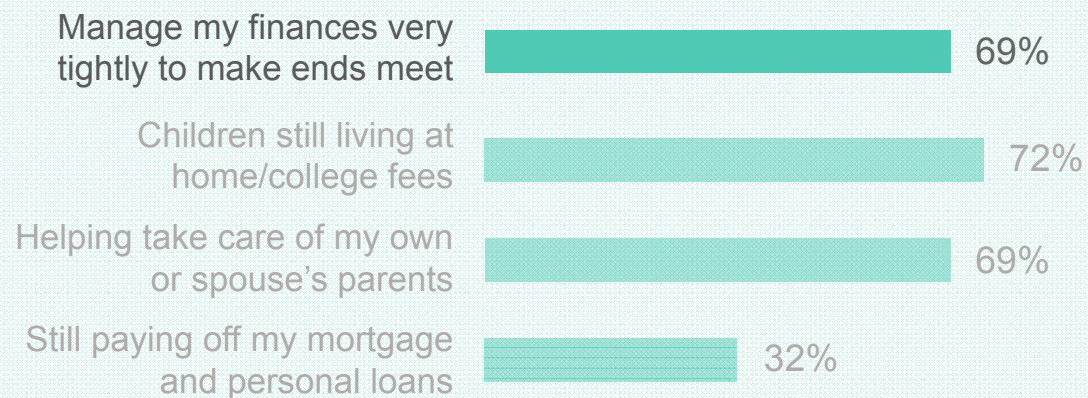
“Q: If your expected income in retirement was lower than the amount you felt you really needed, which of the following actions would you be likely to take?”





**OVER 2 IN 3 AMONG 'CURRENT YOU' EXPECT THAT THEY WILL HAVE TO  
MANAGE THEIR FINANCES TIGHTLY TO MAKE ENDS MEET.**

### ISSUES EXPECTED TO HAVE TO DEAL WITH IN RETIREMENT



Source: Coyne Research for Irish Life 2016

**84%**

say people in Ireland are not saving  
enough for a comfortable retirement



**71%**

don't know what to target for their retirement



**69%**

say it would be great if people were signed  
up for a pension at work automatically



Source: Coyne Research for Irish Life 2016

# HOW MUCH DO YOU NEED TO BE COMFORTABLE IN RETIREMENT?

We recommend a target of  
***one third***  
of salary,  
plus the State Pension

Salary

**33%**  
Salary

State  
Pension

However **90%**  
of people saving into a  
plan are NOT ON TARGET

## IRISH LIFE DC BOOK

|  |         |
|--|---------|
| Average Wage                             | €50,000 |
| 33% Target                               | €16,667 |
| Plus State Pension                       | €12,132 |
| = Salary Replacement<br>at retirement of | €28,799 |



However most people  
will only hit **18%**  
- they could face some  
difficult choices in  
retirement

Source: Irish Life Corporate Business 2016

Assumes an investment return before retirement of 3.5% per year up until retirement and inflation/salary growth of 1.5%, for illustration purposes only, not guaranteed. Actual investment growth will depend on the performance of the underlying investments and may be more or less than illustrated. Illustrated income assumes monthly payment for life (and payable for a minimum of 5 years), increasing by 1.5% per year during payment. Retirement budget planner is available at [www.irishlifecorporatebusiness.ie](http://www.irishlifecorporatebusiness.ie)

# CLEAR MESSAGE SO MEMBERS KNOW WHERE THEY STAND





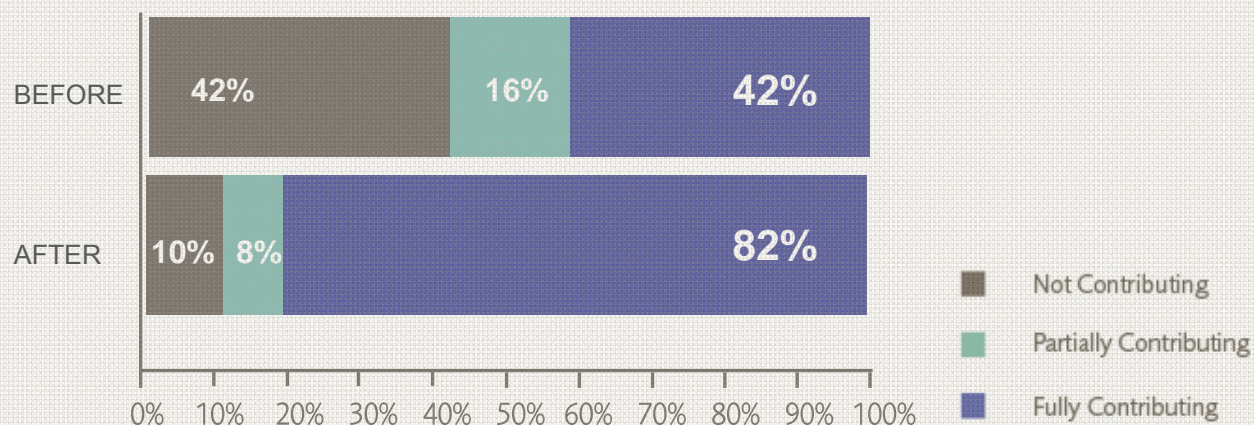


IN THE RIGHT DIRECTION

## OUR BEHAVIOURAL APPROACH

POSITIVE TRIGGERS, BETTER RESULTS

- 42% of employees were not participating in the pension
- Everyone was 'opted in' at the maximum contribution level
- People could 'opt out' – but very few did



**90%**  
of employees are  
in the plan



**82%**  
Are fully contributing

Source: Irish Life Corporate Business 2016

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## OUR BEHAVIOURAL APPROACH

POSITIVE TRIGGERS, BETTER RESULTS



PENSION PIT STOP

99%



PENSION WAIVER FORM

25%



SAVE MORE TOMORROW

54%

Source: Irish Life Corporate Business 2016

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