

Danger Zone

Global retirement security challenges come home to roost in 2022

Executive Summary

2022 Natixis Global Retirement Index



Danger Zone

The warning signals are blaring and the gauges are flashing bright red in 2022 as key risk concerns for retirement security are coming to a head in today's rapidly changing economic environment.

Rising inflation is taking center stage again for retirees after many years. Skyrocketing prices for oil, food, and shelter are eroding purchasing power and presenting a core economic lesson to those still planning for life after work.

Now in its 10th year, the 2022 Natixis Global Retirement Index reveals the top countries for retirement security around the world – and takes a deep dive into three critical issues driving global retirement security on the heels of the pandemic.

- 1. 2022 Global Retirement Index Results**
- 2. Inflation:**
An immediate threat to retirement security
- 3. Interest rates and income:**
Long-term gains, short-term pain
- 4. Demographics:**
The good and bad of living longer



The top 10 countries for retirement security in 2022

#1	NORWAY	6	NEW ZEALAND
2	SWITZERLAND	7	LUXEMBOURG
3	ICELAND	8	NETHERLANDS
4	IRELAND	9	DENMARK
5	AUSTRALIA	10	CZECH REPUBLIC



The top 5 biggest movers in retirement security in the last 10 years

1

Ireland

The largest gains in GRI rankings in the last decade, shooting from 38th overall in 2012 to 4th this year

The Finances sub-index is the biggest driver of gains

Ireland saw huge strides in tax pressure, government indebtedness, quality of life, and biodiversity and environmental factors

2

New Zealand

Sailed from 34th overall a decade ago to 6th place this year

Largest gains were in the Health sub-index

Steady top 10 performances in Finances and Quality of Life

3

Iceland

The third largest climb over the last 10 years

Consistently placed in the top three over the last eight years, fueled largely by the Finances sub-index

Improvements across all indicators, especially bank nonperforming loans and interest rates

4

Czech Republic

A new top 10 entrant this year, rising from 22nd in 2012 to 10th this year

Finances and Material Wellbeing sub-indices are main drivers of positive movement

Finances climbed from 32nd to 15th; Material Wellbeing rose from 15th to 1st

5

Estonia

Large improvements over the last decade, jumping from 33rd in 2012 to 25th today

Higher scores in the Quality of Life sub-index, due to improvements in environmental and happiness factors

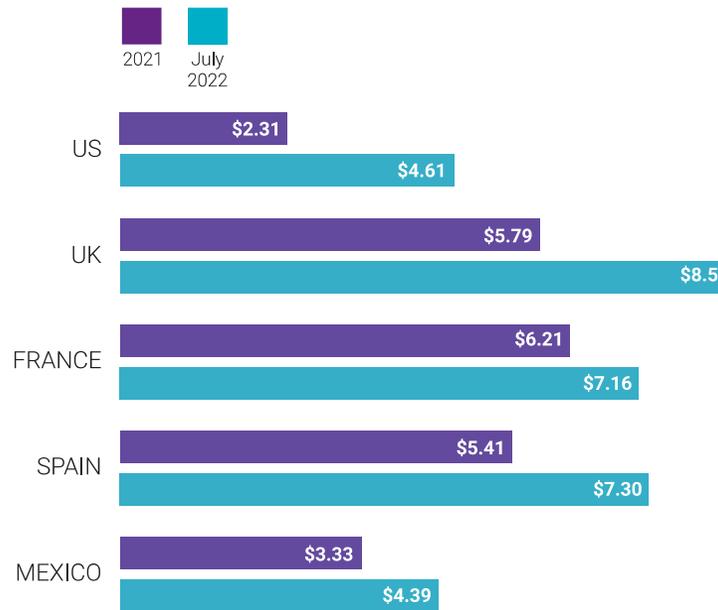
The 10th highest score for biodiversity factors



Inflation: an immediate threat to retirement security

Rapidly escalating costs can pose a significant threat to the financial security of retirees by eroding purchasing power. Retirees are feeling inflation pains at the pump and in the grocery checkout line in particular. For those on a fixed income, an extra \$3,000 for food and fuel can have a dramatic impact on quality of life.

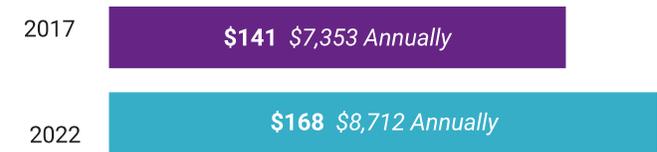
Rising gas costs put the squeeze on retirees in the last year



With a post-pandemic jump in demand for energy and the war in Ukraine driving scarcity, consumers have felt a powerful inflation effect at the gas pump.

Consumers are getting less for their money at the grocery store

COST FOR A MODERATE WEEKLY MEAL PLAN FOR TWO ADULTS (US) +\$1,300



Food prices have also spiked. This jump can prove even more detrimental to retirement security.

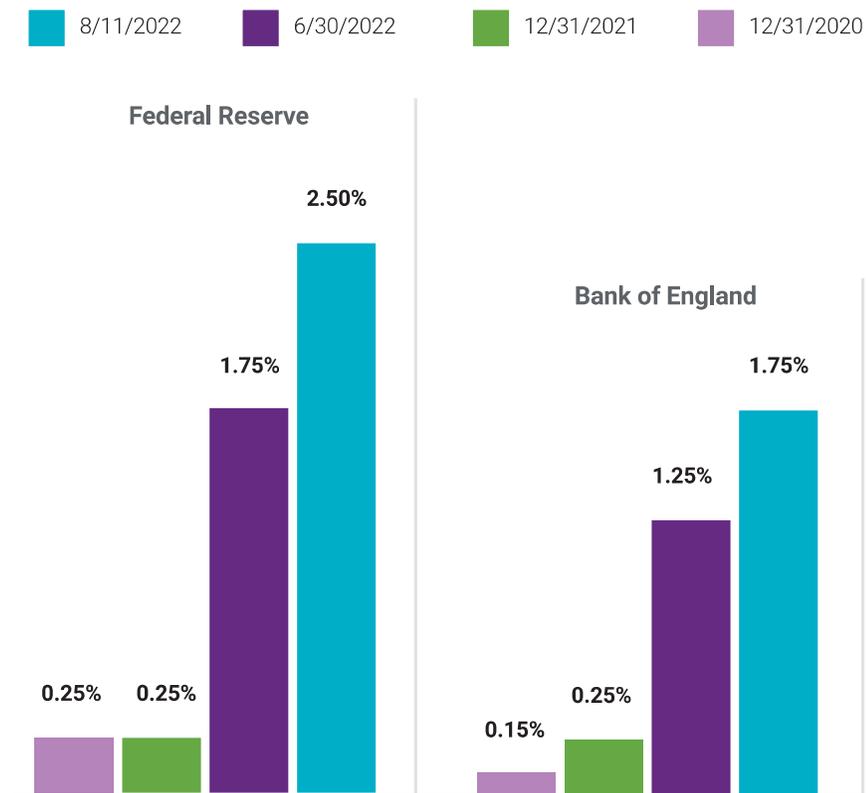


Interest rates and income: long-term gains, short-term pain for investors

After a decade of historically low interest rates, central bank rate hikes hold promise for annuitizing assets in the long term, but not without some short-term pain for individual and institutional investors. In the immediate term, higher rates cause market volatility, which can put retirement security at risk. In the long term, however, higher rates offer the potential for greater income in the future.

It's not just individuals who are faced with interest rate challenges. Interest rates also affect pension funding ratios – and the knock-on effects can affect their overall investment performance.

CENTRAL BANK RATES HAVE INCREASED SUBSTANTIALLY IN THE LAST SIX MONTHS



Source: Bloomberg



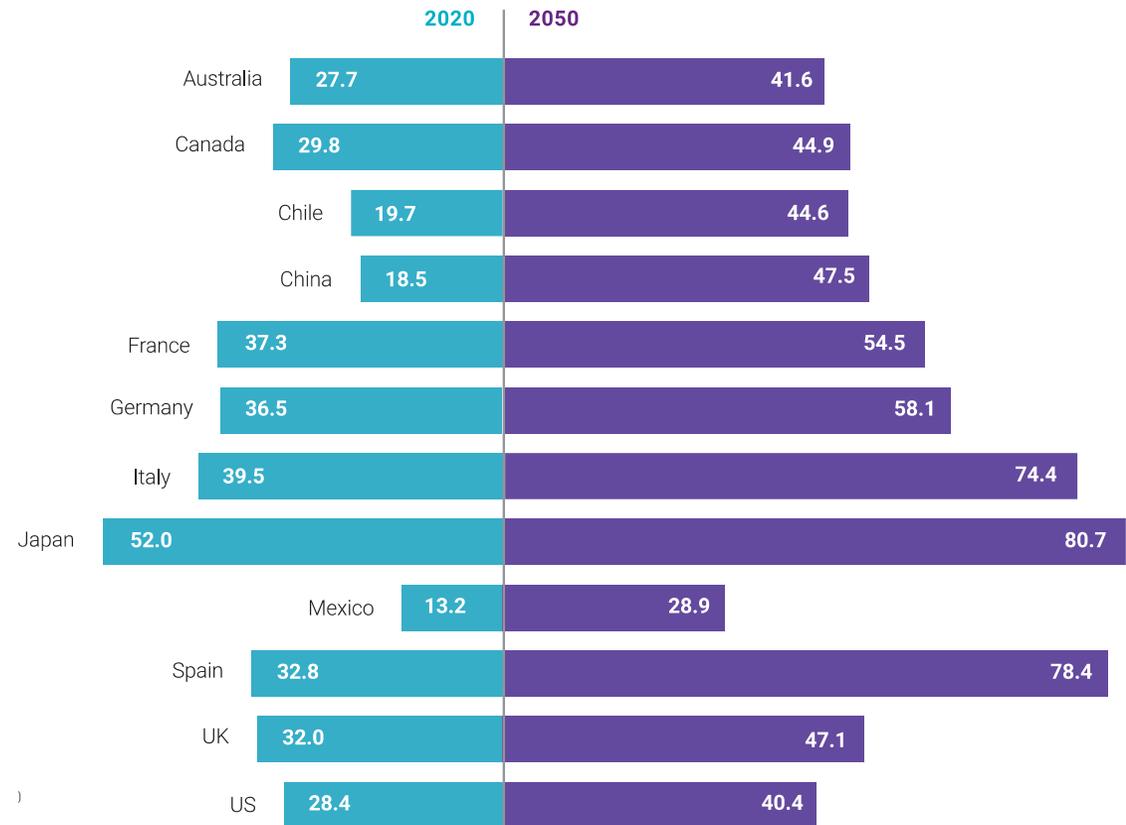
Demographics: the good and bad of living longer

For individuals, the longevity revolution will burden their income plans. For institutions, rapidly aging populations will test the limits of both pensions and government benefits systems.

As populations age, old-age dependency* is becoming more of a concern, with more people relying on the system but fewer people paying into it.

* The old-age dependency ratio is the number of individuals aged 65 and over per 100 people of working age.

OLD-AGE DEPENDENCY WILL INCREASE DRAMATICALLY BY 2050



OECD (2022), Old-age dependency ratio (indicator). doi: 10.1787/ e0255c98-en (Accessed on 11 August 2022)



Where investors need more guidance

Inflation is just the starting point of a long list of potential mistakes that individuals can make with their retirement plans. From underestimating how long they will live or forgetting to factor in healthcare costs to overestimating investment income or relying too much on public benefits. A range of other mistakes underscore just how hard it can be to get it right.

Top 10 retirement planning mistakes

- 1 Underestimating the impact of inflation **49%**
- 2 Underestimating how long you will live **46%**
- 3 Overestimating investment income **42%**
- 4 Being too conservative in investments **41%**
- 5 Setting unrealistic return expectations **40%**
- 6 Forgetting to factor in healthcare costs **39%**
- 7 Failing to understand income sources **35%**
- 8 Relying too much on public benefits **33%**
- 9 Underestimating real estate costs **23%**
- 10 Being too aggressive in investments **21%**

Natixis Investment Managers, Global Survey of Financial Professionals conducted by CoreData Research in March and April 2022. Survey included 2,700 respondents in 16 countries.



About the 2022 Natixis Global Retirement Index

The Global Retirement Index (GRI) is a multi-dimensional index developed by Natixis Investment Managers and CoreData Research to examine the factors driving retirement security and to provide a comparison tool for best practices in retirement policy.

The index includes International Monetary Fund (IMF) advanced economies, members of the Organization for Economic Cooperation and Development (OECD) and the BRIC countries (Brazil, Russia, India and China). The researchers calculated a mean score in each category and combined the category scores for a final overall ranking of the 44 nations studied.



About the Natixis Center for Investor Insight

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.



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