

2024 NATIXIS GLOBAL RETIREMENT INDEX

# Only the lonely

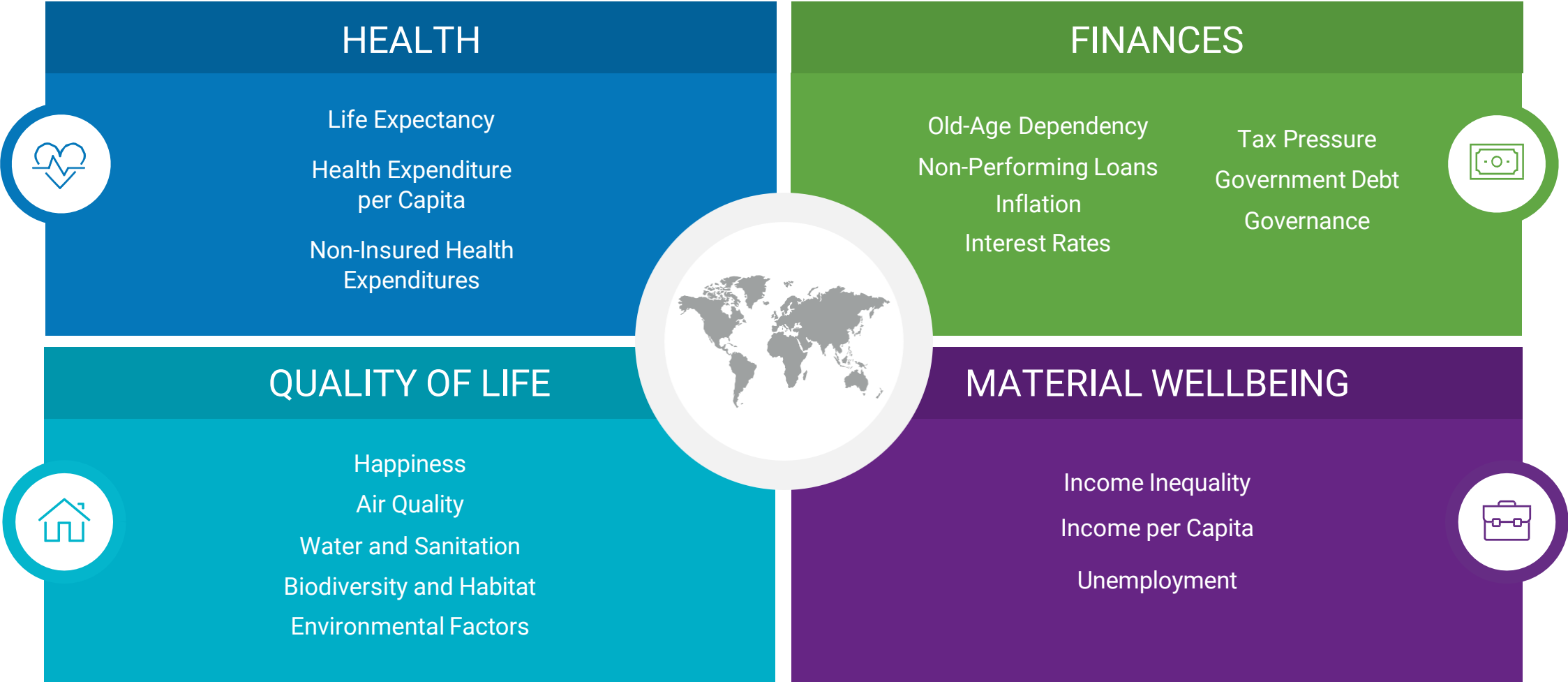
Individuals increasingly feel they're on their own for retirement security.

Executive Summary



# Four critical questions facing retirees

The GRI identifies where these factors are best aligned to provide retirement security





## How larger countries perform

Smaller countries have an easier time of reaching consensus on key retirement issues

### Top LARGE COUNTRY performers

	GRI Rank	By Population <sup>1</sup>
Germany	8	19th by pop. (85,000,000)
United Kingdom	14	21st by pop. (69,000,000)
United States	22	3rd by pop. (345,000,000)
Japan	23	12th by pop. (123,700,000)
France	24	23rd by pop. (66,500,000)

### Top OVERALL performers

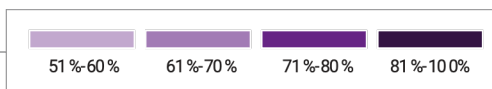
	GRI Rank	By Population <sup>1</sup>
Switzerland	1	101st by pop. (8,900,000)
Norway	2	119th by pop. (5,500,000)
Iceland	3	179th by pop. (393,000)
Ireland	4	124th by pop. (5,000,000)
Netherlands	5	71st by pop. (18,000,000)

# Top 25 Countries 2024 GRI

Changes in 2024



Score Scale



	Country	Ranking			Trend in Ranking (2024-2014)	Score		
		2024	2023	2014		2024	2023	2014
	Switzerland	1	2	1		82%	82%	82%
	Norway	2	1	2		81%	83%	81%
	Iceland	3	3	8		81%	81%	75%
	Ireland	4	4	23		80%	80%	64%
	Netherlands	5	6	4		79%	79%	76%
	Luxembourg	6	5	10		78%	79%	74%
	Australia	7	7	3		78%	78%	76%
	Germany	8	9	9		77%	76%	74%
	Denmark	9	10	5		77%	76%	76%
	New Zealand	10	8	13		77%	77%	73%
	Slovenia	11	15	21		74%	73%	67%
	Austria	12	11	6		74%	75%	75%
	Canada	13	12	11		74%	74%	73%
	United Kingdom	14	16	20		74%	73%	67%
	Belgium	15	19	14		73%	72%	71%
	Czech Republic	16	18	17		73%	72%	69%
	Sweden	17	14	7		72%	74%	75%
	Finland	18	13	12		72%	74%	73%
	Israel	19	17	22		72%	72%	67%
	Korea Rep	20	21	16		71%	70%	70%
	Malta	21	22	24		70%	69%	64%
	United States	22	20	18		70%	71%	68%
	Japan	23	24	19		69%	68%	68%
	France	24	23	15		68%	69%	70%
	Singapore	25	26	28		67%	65%	60%

# Four key global retirement security risks in 2024



Interest Rates



Inflation



Public Debt



Ourselves

# 01



Interest rates: How high? How long?





# Interest rates: How high? How long?



### Reinvestment risk

5% yields may sound good now, but the key question for cash is what those rates will be when the investments mature. With inflation coming closer to central bank targets, the direction of cash is more likely down. In fact, Natixis strategists anticipate one (53%) or two (37%) cuts from the Fed by the end of 2024.<sup>2</sup>



### Longevity risk

On average, individuals say they expect to live 20 years in retirement<sup>3</sup>, which means their savings will have to work hard to generate income. Dedicating too much to cash now could limit their opportunity to grow their assets to provide two or more decades of income.



### Inflation risk

Post pandemic inflation has been a critical reminder of just how painful rapidly rising prices can be. But even as it recedes, today's 3% inflation rate can have a significant impact and the 5% return on cash investments becomes a real return of 2%. Simply put: 5% won't go as far because everything costs more.



### Opportunity cost

Natixis strategists say there are more attractive returns to be found elsewhere. The proof comes in first-half returns of 15.3% for S&P 500®, 18.6% for the Nasdaq, 13.3% for the FTSE All-World Index, and 18.28% for the Nikkei.<sup>4</sup> Even with a brief bout of volatility at the start of August, equities are still outperforming cash.

Low-rate risks have moderated, but retirees face new risks

## THE UPSHOT

# Diversification matters.

Prices have moderated, but the damage is done.

Higher interest rates are good news for retirees. Cash certainly plays an important role within a diversified portfolio; helping provide a potential risk offset to stocks and bonds, as well as providing liquidity to capitalize on new investment opportunities. But it's critical that retirement plans recognize that even cash comes with some key risks.

Cash rates are in the 5% range now, but there's no guarantee what rates will be when those investments mature. Given current market conditions, 83% of fund selectors say retirees should diversify their income investments.<sup>5</sup> Government and investment grade corporate bonds may have somewhat lower rates, but they have longer durations – the time until the bond matures – which can provide retirees with a more consistent long-term income stream.



What investors need to know about bonds<sup>2</sup>:

**67%**

Bonds can be used to generate both total return and income.

**57%**

Active management can add value to bond portfolios.

**50%**

Now is the time to start extending duration.

**46%**

Bonds provide diversification once again.

**40%**

Income is fixed, but prices are not.

**40%**

Credit quality is becoming more important.



02



## Inflation: The giant sleeps no more

# Inflation: The giant sleeps no more

Low-rate risks have moderated, but retirees face new risks

After a decade of relative calm, inflation reached 40-year highs in 2022, and consumers are reminded just how much rising prices can impact their finances.



### Loss of purchasing power

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Just because inflation slows doesn't mean prices have declined. High costs may recede, but unlike fluctuating energy and commodities prices, which are driven by demand, other day-to-day expenses are not likely to return to pre-pandemic levels.



### Longevity risk

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Retirees living on a fixed income now need to spend more than they anticipated. They'll be faced with a difficult decision: Do they look to cut expenses and preserve more of their principal or invest in riskier assets to pursue the higher returns needed to make up for higher costs?



### Lower savings rates

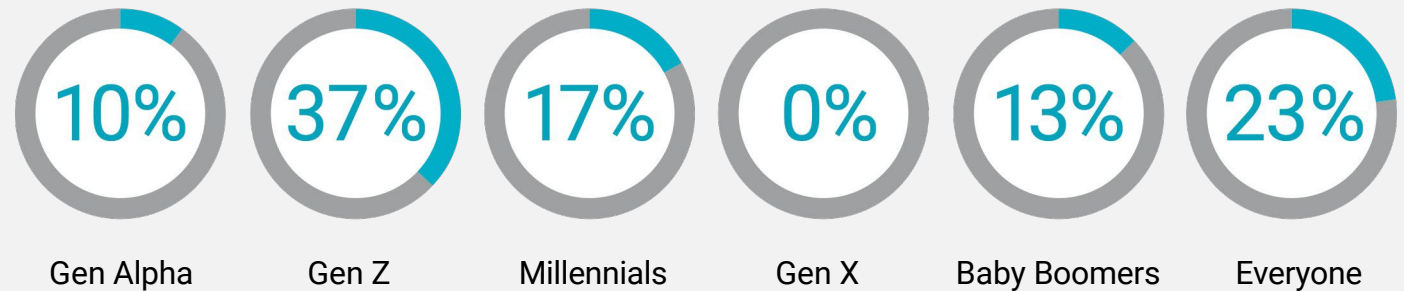
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Asked about the impact of inflation on retirement savings a year ago, 83% of investors said recent history shows just how big a threat inflation is to their retirement security. And that impact was immediate as 66% said inflation had significantly hurt their ability to save for retirement. Only 32% said it had motivated them to save more.<sup>3</sup>

# Be vigilant. Plan ahead

Even as day-to-day price hikes recede, inflation shouldn't be far from investors memories. Price hikes can be swift and painful. Savings and investment plans need to account for the cold hard truth that somewhere down the line everything generally costs more, not less.

## Which generation is inflation hurting the worst?<sup>2</sup>



03



## Public debt: Is it sustainable?

## THE RISKS

# Public debt

## Low-rate risks have moderated, but retirees face new risks

### Timing

It can be hard to determine just how soon action is needed to address public debt. When asked how pressing the problem is, 30 economists and market strategists within the Natixis Investment Managers' family, few (10%) thought government debt levels were sustainable over the long term. Overall, 90% say it is either currently unsustainable (37%), or sustainable for now, but a threat over the long term (57%).<sup>2</sup>

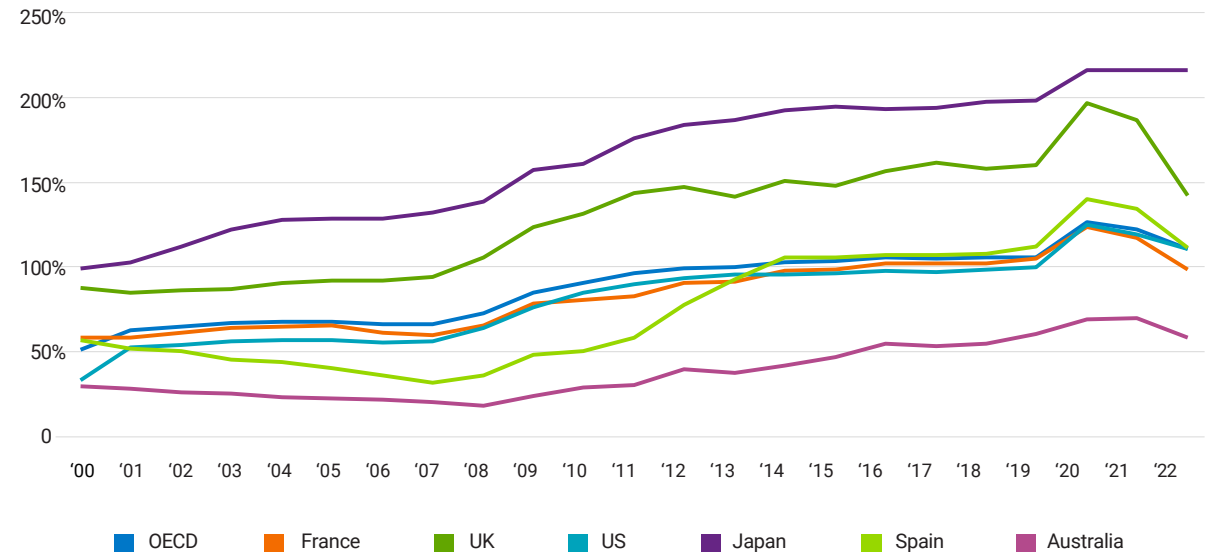
As it grows, policy makers will eventually have to reckon with the debt. In terms of retirement, that challenge is increased by rapidly aging populations that will stress resources for entitlement programs.

### Disruption to retirement models

Cuts to government retirement benefits will destabilize income plans – even for affluent individuals. Thirty-six percent say they're worried that their government benefits will be cut. Fifty-eight percent of investors overall say it will be difficult to make ends meet without their public retirement benefits, as do 53% of high-net-worth investors.<sup>3</sup>

Public debt is one of the key reasons more and more individuals feel they are on their own for retirement funding. In fact, 76% of investors worry that increasing public debt in their country will result in reduced retirement benefits in the future.<sup>3</sup>

Growth of public debt since 2000

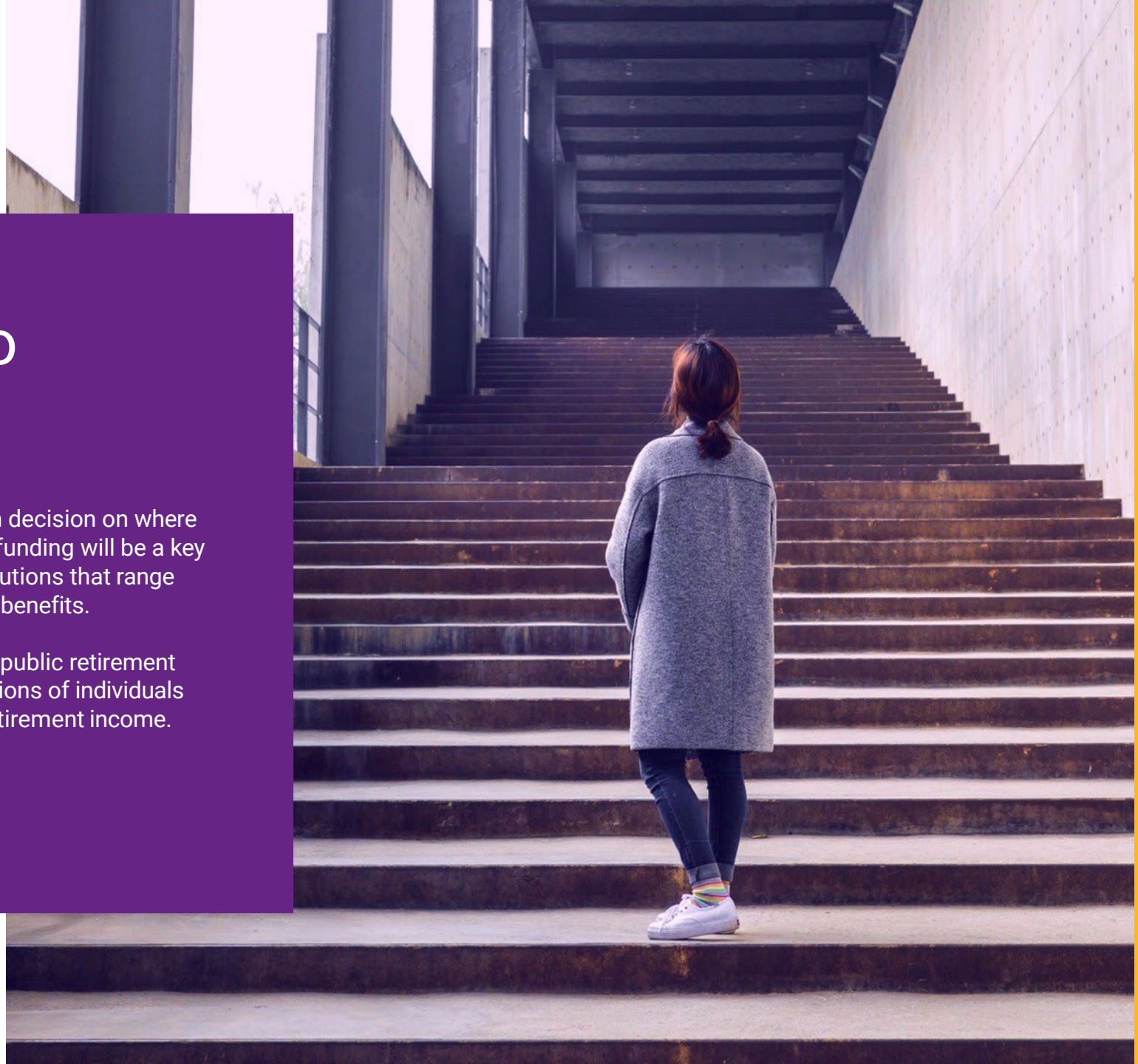


## THE UPSHOT

# Get ready for the bills to come due

As public debt matures, policy makers will be faced with tough decision on where the money needed to pay the bills will come from. Retirement funding will be a key variable in the equation for many countries, with unpopular solutions that range from raising taxes and/or raising the retirement age to cutting benefits.

From a policy standpoint, it will be critical to make changes to public retirement systems with an eye toward the long-term needs and expectations of individuals who have worked for decades under an assumed model for retirement income.



04



Ourselves: Are we our own worst enemy?

# Ourselves: Are we our own worst enemy?

The risk is real, but individuals need to live up to the responsibility

The pressure is on, and individuals know they'll need to assume a greater share of the responsibility for retirement funding. They recognize that their plans can be upset by short-term inflation spikes and the long-term growth of public debt. They recognize the opportunity presented by higher interest rates. Yet data shows individuals are not consistent in how they respond to those challenges.

### Bad assumptions on longevity

Savings is a definable goal, but longevity is the mystery variable in retirement planning. On average, OECD reports that the average life expectancy at age 65 is 19.9 years for men and 22.9 for women.<sup>6</sup> But many people will live considerably longer, and this is where investors may make critical errors in their planning assumption. They need professional advice. Left to themselves, investor estimates may be well off from what they can realistically expect.

### Unrealistic return expectations

Historically, investors have been overly optimistic in their return expectations. In 2017, investors said they expected a 9.9%<sup>7</sup> return on their investments above inflation—while financial advisors said 5.5% was more realistic.<sup>8</sup> This expectations gap widened over the following years, reaching an all-time high in 2021 of 14.5% above inflation<sup>9</sup> (advisors said 9% was more realistic<sup>10</sup>). After a highly volatile 2022, investors' optimism moderated somewhat as they called for long-term return assumptions of 12.8% above inflation.<sup>3</sup>

### Big misconceptions about risk

When asked to define risk, investors are clearly thinking in the short term: In 2023, 26% defined risk as exposure to volatility and 23% said loss of wealth/assets.<sup>3</sup> When it comes down to it though, they may not see the disconnect between wanting high levels of returns and the riskier, often more volatile, assets it takes to generate those returns.

What shows how much they are missing the long-term view on risk is that only 11% thought of risk in terms of not meeting their goals.<sup>3</sup> In fact, financial advisors were more than twice as likely to see the risk in missing goals (24%).<sup>10</sup> Adding to the misconceptions is the blind spot they've developed for cash with higher interest rates, as only 6% define risk as having too much invested in cash.<sup>3</sup>



## THE UPSHOT

# Good progress on savings.

## Investors underestimate longevity risk

Long-term survey data suggests many are stepping up the amount they save for retirement every year. In the 2019 Natixis survey of investors, individuals reported they were saving an average of 13.8% for retirement. At that time, Baby Boomers were leading the charge by saving 16.1% of their income and Millennials were saving only 10.9%.<sup>11</sup>

Investors stepped up their savings in the following two years, reporting average retirement savings of 16.6%. Millennials had hiked their savings to 17.1%

in that time frame. Fast forward two more years, and the savings rate had increased by nearly 20%, reaching an average of 17.2%, with Boomers topping out at 17.5%.<sup>3</sup>

So, on one hand, investors show they are taking the funding challenge seriously by upping their contributions to retirement accounts. But on the other hand, they are underestimating how long that savings will have to last.

### Global

	2019	2021	2023
Percent of income saved annually	15%	12%	15%
Planned retirement age (median)	65	63	61
Anticipated years in retirement	25	20	20
Estimated total lifespan	90	83	81

### Millennials

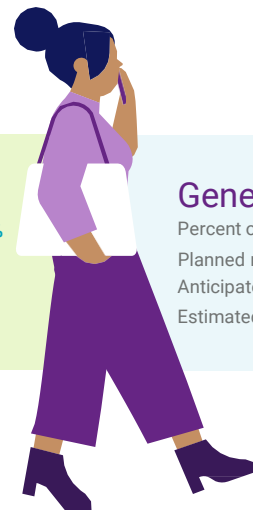
	2019	2021	2023
Percent of income saved annually	10%	13%	15%
Planned retirement age (median)	60	60	60
Anticipated years in retirement	25	20	20
Estimated total lifespan	85	80	80

### Generation X

	2019	2021	2023
Percent of income saved annually	15%	10.5%	15%
Planned retirement age (median)	62	62	60
Anticipated years in retirement	25	20	20
Estimated total lifespan	87	82	80

### Baby Boomers

	2019	2021	2023
Percent of income saved annually	15%	13%	15%
Planned retirement age (median)	65	65	65
Anticipated years in retirement	25	20	20
Estimated total lifespan	90	85	85



# Key takeaways

## Taking action on retirement security

Achieving retirement security is a big challenge. Many variables need to align if we are to succeed. Individuals know they're being asked to do more. But they shouldn't have to do it alone.



### Policymakers

Policymakers can look at the responsibility that's been hefted on the shoulders of individuals and help ease the burden. Protecting national retirement benefits that are foundational to every retirement plan is an essential first step. But equally important are tax incentives for savings and ensuring individuals have access to professional advice that can help them enhance their odds of success.



### Employers

Employers can see the challenge facing their employees and start by offering a retirement plan. If they offer a plan, implement key benefits like matching contributions and features like auto enrollment, auto escalation, and access to advice. And probably most important is to offer education and advice that helps employees maximize their plan participation.



### Individuals

Individuals can help themselves by doing the work. Putting pen to paper to outline what they see for their retirement, scoping out a detailed financial plan based on realistic assumptions. If the responsibility belongs more and more to us as individuals, it's critical to live up to it.

1. <https://www.worldometers.info/world-population/population-by-country/>
2. The 2024 Natixis Strategist Outlook is based on responses from 30 experts including 25 representatives from 12 affiliated asset managers, 4 representatives from Natixis Investment Managers Solutions, and 1 representative from Natixis Corporate & Investment Banking.
3. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research in March and April 2023. Survey included 8,550 individual investors in 23 countries.
4. Natixis Portfolio Analysis & Consulting. FactSet.
5. Natixis Investment Managers, Global Survey of Fund Selectors conducted by CoreData Research in November and December 2023. Survey included 500 respondents in 26 countries throughout North America, Latin America, the United Kingdom, Continental Europe, Asia and the Middle East
6. <https://www.oecd-ilibrary.org/docserver/82ca511d-en.pdf?expires=1723309535&id=id&accname=quest&checksum=497AFA9F54EE6729DCA110C31C4A973F>
7. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, February-March 2017. Survey included 8,300 investors from 26 countries.
8. Natixis Investment Managers, Global Survey of Financial Professionals conducted by CoreData Research in March 2018. Survey included 2,775 financial professionals in 16 countries.
9. 2021 individual
10. Natixis Investment Managers, Global Survey of Financial Professionals, conducted by CoreData Research in March-April 2020. Survey included 2,700 financial professionals across 16 countries.
11. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, February-March 2019. Survey included 9,100 investors from 25 countries.

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