

2013

# Pension Monitor



Since 2009, the Money Wise Platform (*Wijzer in geldzaken*) has been gauging the pension awareness of Dutch employees through the annual Pension Monitor. This measurement has shown each year that a large majority of employees have no pension awareness. The Money Wise Platform will make sound financial behaviour the centre of focus in the coming years in accordance with the strategy for 2014 - 2018<sup>1</sup>. The 2013 Pension Monitor has been adapted to serve this goal. The focus has been shifted from gauging pension awareness to obtaining insight into the pension behaviour of the Netherlands' working population (including freelancers and unemployed people capable of working). For the present measurement, the correlation with the knowledge of pensions and attitude towards pensions was also studied, as were any potential barriers to adopting sound pension behaviour.

The Money Wise Platform defines sound pension behaviour as the timely taking of (additional) measures if a household faces the possibility that there will be an insufficient or, for them, unacceptable shortage of financial resources at retirement or upon the death of one of the family members or the ex-partner. On a partner's death, there is often a right to survivor's pension, which is often a part of the employee's pension. Taking measures in time (in so far as necessary) implies that the consumer *anticipates* these events, particularly with respect to dramatic changes in his life, and has *studied* his personal pension situation. To accomplish this, it is generally necessary that he *asks for information* from one or more sources.

The 2013 Pension Monitor focuses on behaviour in respect of the old-age pension of the consumer and his partner and not explicitly on the financial situation after one of them dies. So the results concern only the financial situation after retirement. The study was conducted by GfK Intomart and can be consulted [here](#)<sup>2</sup>.

### Pension behaviour

Nearly half of the respondents have taken (additional)<sup>3</sup> measures with respect to their retirement<sup>4</sup>. Specifically, they have saved money in a savings account or deposit account and have built up capital via their private home equity and/or by paying off the mortgage.<sup>5</sup> Furthermore, 60% of them want to reduce their expenditures in due course, combined with another measure. Virtually all of them, at the very least, have the intention to take a certain measure. The questions of whether the measures taken are sufficient and whether this action was well-considered were not studied.<sup>6</sup>

Many life events have an impact on a person's financial situation after retirement or the death of their partner. This can require action on the part of the consumer. It could, for instance, concern registering with the pension administrator of the partner in order to claim (a part of) the pension benefit in the event of (the partner's) death or divorce, choosing to rent or to buy and, consequently, choosing the type of mortgage that affects the living expenses after retirement, starting to work less or to work independently, which in turn has consequences for the amount of the employee's pension. Although half of the respondents are aware of this, only one in five take the consequences of this for their financial situation after retirement into account when making large financial decisions. The Public Monitor has also revealed that only one in four Dutch people plan ahead more than 10 years when making financial decisions.<sup>7</sup>

<sup>1</sup> Money Wise Platform, Strategic Programme ([http://www.wijzeringeldzaken.nl/media/1036348/7158-wig-strategisch%20programma-web\\_nl.pdf](http://www.wijzeringeldzaken.nl/media/1036348/7158-wig-strategisch%20programma-web_nl.pdf))

<sup>2</sup> <http://www.wijzeringeldzaken.nl/media/986341/20131001%20rapport%20wijzer%20in%20geldzaken%20pensioenmonitor.pdf>

<sup>3</sup> This is not explicitly stated in the questions, but it can be assumed that, in due course, income in the first and second wheel sections (state old-age pension [AOW] and employee's pension) are presumed as a given. As such, this pertains to the three other wheel sections of the Pension Wheel of Five (<http://www.pensioenschijfvanvijf.nl>)

<sup>4</sup> In the Public Monitor ([http://www.wijzeringeldzaken.nl/media/994131/publieksmonitor-2013\\_wijzer-in-geldzaken.pdf](http://www.wijzeringeldzaken.nl/media/994131/publieksmonitor-2013_wijzer-in-geldzaken.pdf)), too, and in the Explanatory Notes to the Public Monitor (<http://www.wijzeringeldzaken.nl/media/994217/toelichting%20op%20publieksmonitor%202013.pdf>), the pension behaviour was inventoried. The questions asked did differ. To the question of whether the respondent was financially prepared for retirement, more than 60% responded positively. Yet for nearly half of these respondents no measures were necessary in order to be prepared for retirement.

<sup>5</sup> The results correspond with the Public Monitor.

<sup>6</sup> The term 'well-considered' here means taking the measure while bearing in mind the financial picture after retirement, and does not refer to having savings to cover unforeseen expenditures (in savings) or the affordability of the (living) expenses during the mortgage agreement (in measures pertaining to the private residence). Of course, the living expenses do determine, in part, the financial room available for possible measures to be taken in respect of the pension.

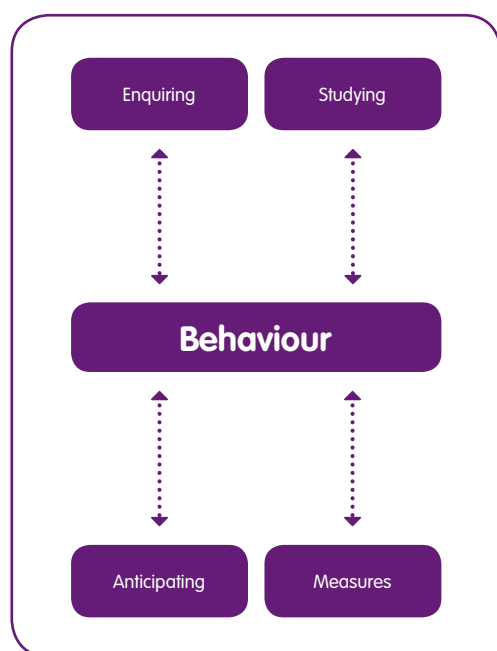
<sup>7</sup> This pertains to the age group 18 to 66. The percentage among those older than 66 who look ahead more than 10 years is lower still (10%), but this seems logical.

Although half of the respondents understood the urgency of the pension, only one in ten among them regularly study the subject, one-third of them carefully review the information provided by their pension administrator and three in five of the respondents have at least consulted a source for information on pensions. One-third of the respondents have looked at the most-used source of information, the website [www.mijnpensioenoverzicht.nl](http://www.mijnpensioenoverzicht.nl), and approximately one in six of them have consulted a financial advisor or planner<sup>8</sup>. Although 1% of the respondents are not aware of any of the suggested sources of information<sup>9</sup>, this lack of knowledge among them in respect of each individual source, with the exception of the pension administrator and the employer, still amounts to at least 32%. The UPO (Uniform Pension Overview), too, is known to only half of the working population.<sup>10</sup>

### Influencing pension behaviour

The goal of the Money Wise Platform is for consumers to be able to achieve a sufficient and, for them, acceptable standard of living after retirement and to take the necessary measures to achieve this on time. The goal therefore is to bring about sound financial behaviour with an eye toward providing a pension. The Money Wise Platform has studied how attitude, knowledge and behaviour influence each other, what barriers (lack of knowledge, unwillingness and someone's financial possibilities and impossibilities) play a role in these elements and what socio-demographic features have an influence. Knowledge, attitude and behaviour are not viewed as a single variable, but rather are split up. This is because the different underlying questions show too little correlation with one another to make them one single variable. The focus of this contribution, in view of the goal of the Money Wise Platform, is primarily on the connections with *pension behaviour*.

Pension behaviour is separated into using information sources, studying the pension situation, anticipating old age and taking measures for the financial situation after retirement.



Enquiring about and studying the pension situation are not goals in themselves, but they are important steps to take in order to be able to assess whether, when and what measures are necessary. It is also preferable that, when making large financial decisions, the consequences of these decisions for a person's living standard after retirement (and death of the partner) are taken into consideration when making the assessment. The lack of correlation between the different aspects of this behaviour already indicates that there is no single (one size fits all) way in which to promote sound pension behaviour.

Unfortunately, the study provides too few leads to be able to explain why someone takes few if any *measures*: The factors, features and barriers involved apparently have no significant influence. This could be caused, on the one hand, by a deficiency in the model, because taking measures is not always necessary; this was not an answer category provided when respondents were asked whether or not they had

taken measures to cover their living costs (more) sufficiently after retirement.<sup>11</sup> Another possible explanation is that the studied factors, features and barriers insufficiently explain the answers given to the question about measures for old age. This last explanation also implies that the often-named factors of knowledge and an awareness of urgency, the features of age and gender, as well as the financial barrier, do not sufficiently

<sup>8</sup> More businesspeople do this, i.e. one in four.

<sup>9</sup> This concerns a wide range of sources: it ranges from family, friends and colleagues, the employer to different websites.

<sup>10</sup> 49% of businesspeople and even 52% of the working population, not counting businesspeople, are unfamiliar with the UPO.

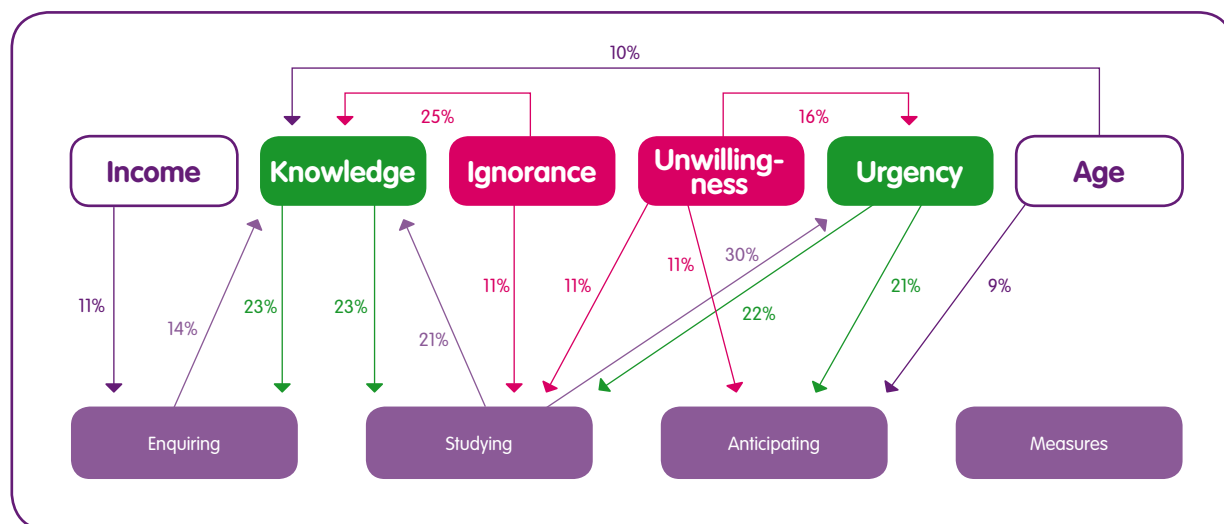
<sup>11</sup> They were asked about the type of measures taken to provide funds for old age. The option that 'it is not necessary to take measures in view of the financial situation at the time' was not given.

influence the desired pension behaviour. There are apparently other factors or an accumulation of many factors and features that determine whether or not people take measures to secure their financial situation in old age. Finally, this could also mean that this behaviour is simply unpredictable and/or is random.

Also, the *anticiperen* of the financial situation after retirement is moderately explained by the studied factors and features.<sup>12</sup> The most important explanations are (a lack of) urgency and studying the pension situation. To a lesser extent, age plays a role. The most predominant barrier is unwillingness: not wanting to think about retirement, due to finding it a useless endeavour because so much will change between now and then, in any case, and/or thinking that it is something that one simply cannot influence.

To be motivated to *study one's* pension situation, a sense of urgency is important. Knowledge is also an important influencer of the behavioural element of “studying”. Barriers to this are a lack of knowledge and unwillingness. In the other direction, the behaviour of “studying” is an important influencer of knowledge and urgency.

The diagram below shows the strongest ties, discussed above, between the attitude and knowledge elements, barriers and socio-demographic features, on the one hand, and the behavioural aspects, on the other (purple lines). The relative weight of the respective variables<sup>13</sup> is shown here. In the other direction, several noticeable influences of behaviour on the relevant variables are also shown (light blue). Taking measures has no connections. Based on the explained variance analysis, it seems that the influence of the variables is so marginal that it would not be meaningful to zoom in further.



## Conclusion

More than half of the (working) population say they are prepared for their financial situation after retirement<sup>14</sup>. This number can most likely be considered a positive one, but it must also be said that this preparation initially concerns money in savings. Whether or not this is sufficient is the pressing question – particularly because the working population says that it rarely looks ahead to the financial situation after retirement when making large financial decisions. The study indicates no factors, features or barriers that convincingly contribute to people taking measures with a view to retirement. The influence on the anticipatory behaviour is also moderate. In view of the breadth of the variables studied, it can be said that influencing the desired pension behaviour is, at the very least, a complex matter. The study was unable to untangle the spider web much further.

<sup>12</sup> The explained variance of all factors and features for the behavioural component of ‘anticipation’ is 25%.

<sup>13</sup> In the study, a variable was repeatedly focused on and the relative weight of the different factors, features and barriers was established by adding them up to 100%. This cannot be seen in the diagram: it only shows the most important influencers.

<sup>14</sup> Cf. footnote 3.

The study does indicate a number of barriers and connections that, in any case, determine to some degree the anticipatory behaviour, i.e. the consideration of the consequences for the pension situation when making important financial decisions. The most important influencers of the anticipatory behaviour are the *awareness of urgency* (attitude) and the *study behaviour*; the most significant barrier is *unwillingness*. Unwillingness and the study behaviour are also the most important influencers of the sense of urgency.

The barrier of unwillingness is recognised by over 40% of the working population. This primarily pertains to people not wanting to think about retirement and thinking that it is useless because much is changing in this area. Nearly one-third of them agree with the idea that it is useless because they think a person simply has no influence on the matter. This barrier could most likely be influenced: there are a number of choices to make when taking large financial decisions as a result of a life-changing event which have influence on the pension – choices which people probably do not think about. One recommendation might also be to stop continually communicating that something is changing and that people should, as a result, review their pension situation. This apparently scares people away from doing just that.

The “studying” behaviour is largely determined by a person’s knowledge and sense of urgency. The most important barriers to this are unwillingness and a lack of knowledge. Particularly because urgency and “studying” behaviour strongly influence one another and, apart from the barrier of unwillingness, there is no other large influencer, knowledge is a good starting point from which to stimulate the desired “anticipation” behaviour. In this context, it pertains to general knowledge about pensions and not to the knowledge-seeking questions concerning one’s personal pension situation. A lack of knowledge is also recognised by the majority of the respondents. This concerns the difficulty of this information and its impenetrability due to its large volume. Something can, of course, be done about this. This study has not delved further into where the difficulty might lie.

It is noteworthy that, although a solid one-third of the respondents confirm that they have a financial barrier to building up income and studying how to do it, this has little impact on their pension behaviour. Having or not having any money to provide oneself with a pension, on the other hand, does have an impact on the degree to which people are concerned about their standard of living after retirement. Although it could be that such concern will lead, in any case, to behaviour to seek and study information, the connection between being concerned and the various pension behaviours (and sense of urgency) is extremely small. Income also appears to be only an influencer of behaviour to seek information.

Finally, the socio-demographic features play a less prominent role than is often assumed. Age influences both someone’s anticipatory behaviour and knowledge. The former is interesting, since it can be assumed that a number of financial decisions that have a big influence on a person’s pension situation take place in the “early years” – for example, taking out a mortgage. In addition, this study does not show that a person’s gender is a determining factor for pension behaviour. Nor does income play a large role.<sup>15</sup>

Based on all of this, two things should be understood: (i) more studies should be conducted into variables that influence sound pension behaviour and (ii) pension behaviour is unpredictable and therefore little can be done to guide it. Concentrating on knowledge and the sense of urgency, and removing the barriers of unwillingness and a lack of knowledge as much as possible seem, in any case, to be steps in the right direction.

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<sup>15</sup> In the Public Monitor, as well, the socio-demographic features seem to have less of an influence on the financial behaviour than do the other factors studied. Among these features, a person’s income and work situation play the largest roles.