

NATIXIS CENTER FOR INVESTOR INSIGHT

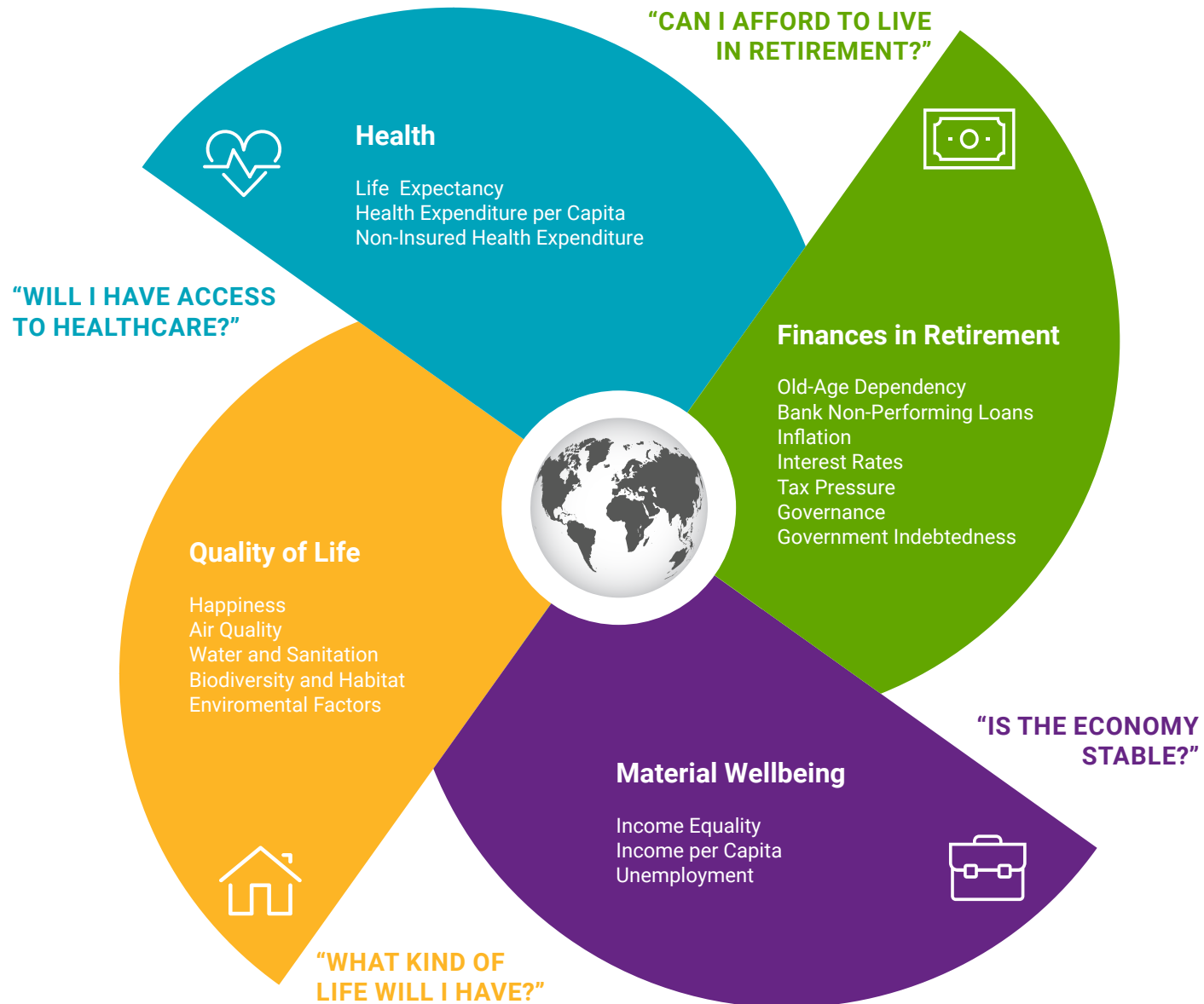
Good News. Bad News.

Retirement security improves
but few feel more secure.



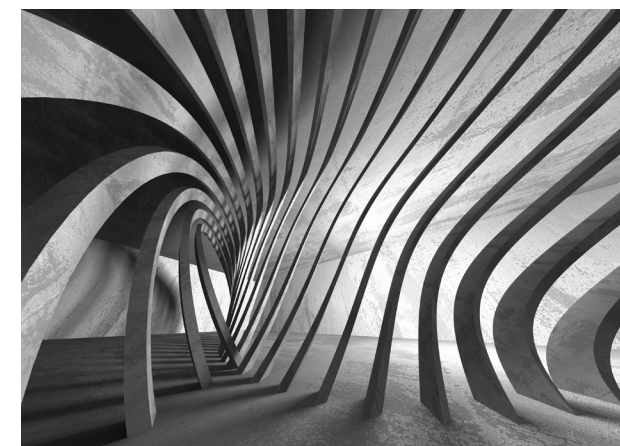
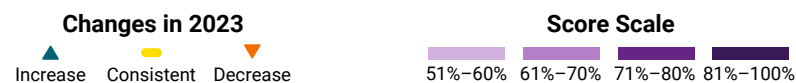
Four critical questions facing retirees

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



2023 GRI top performers

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	Country	Ranking			Trend in Ranking (2023-2013)	Score				
		2023	2022	2013		2023	2022	2013		
	Norway	1	1	1		83%	81%	87%		
	Switzerland	2	2	2		82%	80%	84%		
	Iceland	3	3	14		81%	79%	76%		
	Ireland	4	4	25		80%	76%	70%		
	Luxembourg	5	7	3		79%	75%	81%		
	Netherlands	6	8	11		79%	75%	76%		
	Australia	7	5	5		78%	75%	79%		
	New Zealand	8	6	10		77%	75%	77%		
	Germany	9	11	6		76%	72%	78%		
	Denmark	10	9	8		76%	74%	78%		
	Austria	11	14	4		75%	71%	80%		
	Canada	12	15	13		74%	71%	76%		
	Finland	13	12	9		74%	71%	78%		
	Sweden	14	13	7		74%	71%	78%		
	Slovenia	15	21	19		73%	69%	72%		
	United Kingdom	16	19	18		73%	69%	73%		
	Israel	17	16	22		72%	70%	72%		
	Czech Republic	18	10	16		72%	73%	75%		
	Belgium	19	20	12		72%	69%	76%		
	United States	20	18	20		71%	69%	72%		
	Korea Rep	21	17	17		70%	70%	74%		
	Malta	22	23	26		69%	68%	69%		
	France	23	24	15		69%	66%	75%		
	Japan	24	22	27		68%	69%	69%		
	Estonia	25	25	31		67%	66%	66%		









- Almost all 44 GRI countries received higher scores in 2023.
- Top countries tend to have solid all-around performance across the four subindexes.
- Smaller countries tend to perform better because it's easier to get consensus on key issues.



How larger countries performed:

Overall rankings

 Top Large Country Performers	GRI Rank	by Population ¹
 Germany	9	19 th by Pop. (83,000,000)
 United Kingdom	16	21 st by Pop. (68,000,000)
 United States	20	3 rd by Pop. (340,000,000)
 France	23	23 rd by Pop. (65,000,000)
 Japan	24	12 th by Pop. (123,000,000)

 Top Overall Performers	GRI Rank	by Population ¹
 Norway	1	119 th by Pop. (5,500,000)
 Switzerland	2	101 st by Pop. (8,800,000)
 Iceland	3	180 th by Pop. (375,000)
 Ireland	4	125 th by Pop. (5,000,000)
 Luxembourg	5	168 th by Pop. (675,000)



Countries with smaller populations tend to outperform on the GRI because it's easier to come to a consensus view on healthcare and other factors.



Key retirement risks in 2023



- 1. Inflation:** Individuals need to reassess savings and investment goals to ensure they are better positioned for any future spikes.
- 2. Interest rates:** Low interest rates hampered retirees' ability to generate income for a decade. Rates are now rising, but individuals need to understand what rising rates hold for them. Most don't.
- 3. Public debt:** The pandemic has added **\$18 trillion** to public debt globally.² Somebody has to pay the bill and it could impact retirement income plans of individuals across the globe.
- 4. Demographics:** The "Silver Tsunami" is pressuring traditional notions of retirement. Employers are transitioning from defined benefit to defined contribution plans and policymakers are grappling with increased demand for support from an aging population.
- 5. Big expectations and bad assumptions:** The only factor individuals can control is their expectations. But investors need to ensure their retirement assumptions are accurate and their investment expectations are realistic.

Inflation:


Killing the dream of a secure retirement

After a decade below historic norms, inflation more than doubled in key economies across the globe. Investors were unaccustomed to any dramatic increases in their cost of living.

2020–2023 IS A WAKE-UP CALL ON INFLATION

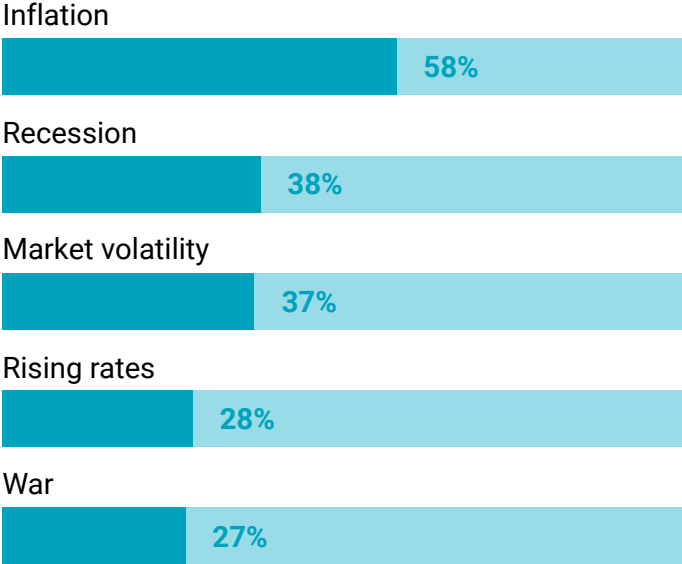
Inflation Rate	US	UK	Japan	Germany	Euro
2020–2023	4.7%	4.9%	1.1%	4.1%	4.2%
2010–2020	1.7%	2.1%	0.4%	1.3%	1.3%
1980–2010	3.6%	3.9%	1.1%	1.5%	1.9%

Source: Bloomberg



42% say high inflation is killing their dreams of a secure retirement.

2023 TOP INVESTMENT CONCERNS



77% of investors (and 66% of retirees) say this spike in inflation has shown they need to save more for retirement.

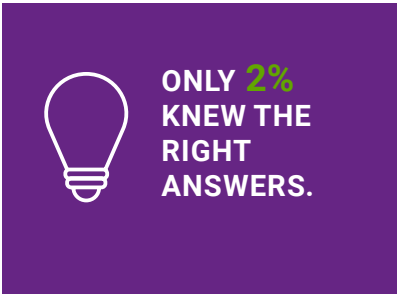


Interest rates:

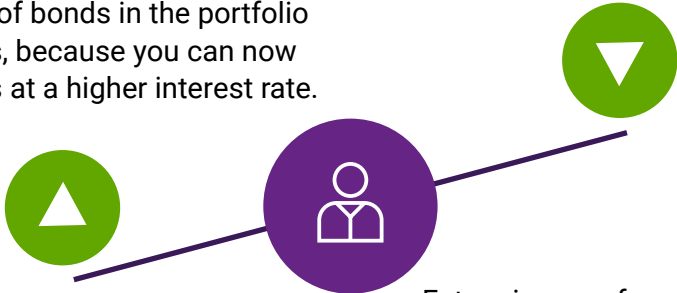
The risk of not knowing enough

Our recent investor quiz asked 8,500 people in 23 countries what happens when rates rise. They had five choices:


- a** The price of the bonds increases.
- b** The price of the bonds decreases.
- c** The income currently received from the bonds increases.
- d** The future income from bonds increases.
- e** I don't know.




The price of bonds in the portfolio decreases, because you can now buy bonds at a higher interest rate.



Future income from bonds increases, as fixed-income allocations can now be invested at a higher rate.

 Even with rates on the rise, only **23%** of retirees say they've added bonds to their portfolio.

	Passed the quiz	"I don't know"
Taiwan	5%	18%
Hong Kong	4%	8%
Mexico	3%	21%
China	3%	6%
Japan	3%	33%
Germany	3%	31%
US	3%	37%
Canada	2%	51%
France	2%	40%
Singapore	2%	22%
Argentina/Uruguay	2%	28%
Spain	2%	28%
Switzerland	2%	24%
Thailand	2%	12%
Korea	2%	17%
Colombia/Peru	1%	28%
UK	1%	54%
Chile	1%	31%
Italy	1%	35%
Netherlands	1%	33%
Australia	1%	64%

Public debt:

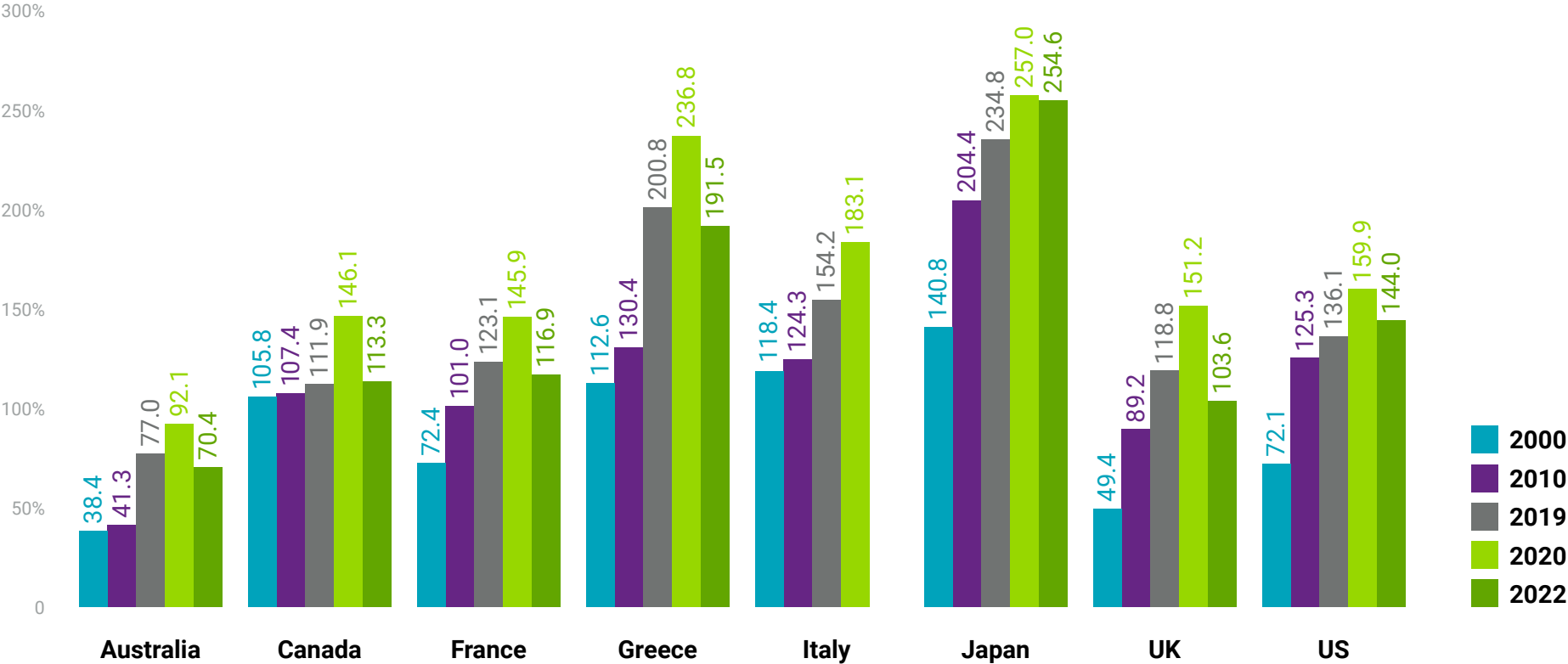
Somebody will have to pay the bill

In managing economies through three different crises in 20 years, makers have had to issue substantial levels of public debt to fund recovery programs and the debt to GDP ratio has ballooned in developed countries.

Ironically, the recent bout of inflation that hurt consumers helped alleviate debt levels in the short term thanks to higher prices, higher wages and economic growth.

77%
of investors worry that growing public debt will result in reduced retirement benefits.

Public Debt as a Percentage of GDP



Demographics:

The Silver Tsunami makes landfall



A BIGGER POPULATION

In just 70 years, the number of people walking the planet has tripled from just 2.54 billion in 1950 to 7.79 billion in 2020. In 30 years, the global population is estimated to reach close to 10 billion people (9.74 B).³



AN OLDER POPULATION

Life expectancy is increasing while birth rates are declining. As a result, the old-age dependency ratio (number of people over age 65 per 100 individuals of working age) continues to increase. Japan's ratio is expected to rise from today's 54.5 to 80.7 in 2050. Spain's is expected to hit 78.4 and Italy's will reach 74.4 in the same year.⁴



THE MATH NO LONGER ADDS UP

A key premise behind retirement benefits is that you need more money paying into a system than there are people taking money out. As the world ages, policy makers may be left with three choices: raise taxes, decrease benefits, or increase retirement age.

Planning assumptions:

Are we our own worst enemies?

- **47%** of investors worry they won't have enough money to retire.
- **45%** worry that it will take a miracle to achieve retirement security.
- Their return expectations suggest many are relying on magical thinking to get to their goals.
- Overall, investors say they expect to generate returns of **12.8%** above inflation over the long term, a figure **42%** above the **9%** advisors say is realistic.
- In many countries the gap is even greater.



INVESTORS' long-term return expectations	Expectations Gap	Financial professionals' realistic expectations (2022)*	EXPECTATIONS GAP BY COUNTRY	RETIREES' long-term return expectations	Expectations Gap	Financial professionals' realistic expectations (2022)*
12.8%	42%	9%	Global	10.1%	12%	9%
15.6%	123%	7.0%	US	10.0%	43%	7.0%
12.5%	81%	6.9%	Australia	11.3%	64%	6.9%
12.4%	63%	7.6%	Hong Kong	10.0%	32%	7.6%
10.6%	63%	6.5%	Canada	11.1%	70%	6.5%
13.6%	56%	8.7%	Japan	15.1%	74%	8.7%
9.6%	52%	6.3%	Italy	7.1%	13%	6.3%
10.1%	44%	7.0%	Germany	8.4%	20%	7.0%
10.6%	39%	7.6%	Spain	7.6%	0%	7.6%
9.6%	39%	6.9%	Switzerland	7.4%	7%	6.9%
8.9%	35%	6.6%	France	6.4%	-3%	6.6%
8.1%	31%	6.2%	UK	7.4%	20%	6.2%
14.7%	5%	14.0%	Mexico	10.6%	-24%	14.0%
15.1%	4%	14.5%	Chile	14.7%	1%	14.5%

*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.

Retirement:

Planning for an uncertain future

Policy makers: Maximize the odds of success

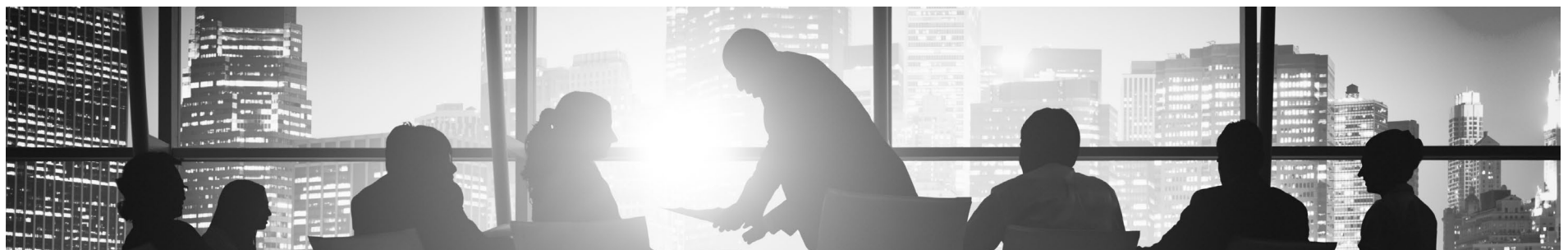
- 81% of investors believe it is increasingly their responsibility to fund retirement on their own.
- Policymakers should work to ensure that individuals can maximize savings in their working years.
- This means maximizing engagement by providing favorable tax treatment on retirement savings to drive participation and engagement rates, and offering incentives for employers to provide workplace savings plans in the first place.

Employers: Make participation easy

- Defined contribution plan savings have become a primary source of retirement funding for individuals across the globe.
- Employers will need to look at deploying all the levers at their disposal to increase participation and contribution rates.
- Auto-enrollment has proven to be an effective tool to increase participation. Auto-escalation features have shown to increase contribution rates.
- The company match continues to be a primary driver on both counts. 77% of individuals worldwide said they would be more likely to work for a company that offers a match.

Individuals: Set realistic goals

- Retirement planning can present significant challenges, not the least of which is answering the basic questions: “How much do I need?” and “How long is it going to have to last?”
- Working with a professional can help by
 - Defining how long retirement could last.
 - Setting goals for how much will be needed to support a given lifestyle.
 - Setting realistic expectations for what investments can deliver.
- Individuals also need to engage with their retirement savings plan and take advantage of all the features that can help them to the goal.



Footnotes and Sources

1. <https://www.worldometers.info/world-population/population-by-country/>
2. "OECD governments borrowed USD 18 trillion from the markets in 2020, equal to almost 29% of GDP" <https://www.oecd.org/daf/fin/public-debt/Sovereign-Borrowing-Outlook-in-OECD-Countries-2021.pdf>
3. Source: <https://www.statista.com/statistics/262875/development-of-the-world-population/>
4. Source: OECD (2023), Old-age dependency ratio (indicator). doi: 10.1787/e0255c98-en (Accessed on 21 August 2023)

About the Survey: 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.

About the 2023 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 GRI 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). We've calculated a mean score in each category and combined the category scores for a final overall ranking of the 44 nations studied.

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