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## **Voluntary pensions help enable financial security**

### **New report released by the Global Aging Institute and Principal discusses pension policies for aging populations in emerging markets**

In most countries around the globe, people are living longer. The aging of the population poses special challenges for today's emerging markets, where mandatory pension systems often cover just a fraction of the workforce and replacement rates are usually inadequate. Many elders still rely on the extended family for support, but the family is coming under stress as economies modernize and birthrates decline. In a new report from the Global Aging Institute (GAI), sponsored by Principal Financial Group, voluntary pension programs are highlighted as a critical ingredient in ensuring global retirement security in emerging markets.

"As today's emerging markets age, meeting the needs of people in retirement is becoming increasingly complicated and difficult," said Richard Jackson, president of GAI and author of the report, [Voluntary Pensions in Emerging Markets: New Strategies for Meeting the Retirement Security Challenge](#). "Governments need to understand that strengthening voluntary pension systems is a critical part of the solution, particularly in those emerging markets where the demographic shift is more dramatic."

Thomas Cheong, vice president of North Asia for Principal International, spoke about the report while participating in the Global Aging Roundtable at the Milken Institute's Asia Summit in Singapore and highlighted its implications for the region. He stressed the report's findings that currently in Asia projections for replacement rates are not adequate. Workers in Indonesia, for example, will only have a 14% income replacement rate, far short of the 70% target rate recommended by pension experts in countries like the United States. Other countries were also found to have inadequate replacement rates, including Hong Kong at 33%, Malaysia at 34%, India at 45%, Thailand at 47% and China at 54%.

"Longer life expectancy requires people to save more than they are currently doing today," said Cheong. "As we evaluate the future needs of Asia's population for the next 20 years and beyond, individual countries must examine their own unique situation and determine what solutions best meet the needs of their citizens as their demographics continue to change. As they do so, we recommend that they pay close attention to the critical importance of strengthening voluntary pension systems."

Globally, there is a shared need to increase the amount people are contributing to their retirement accounts. Principal works closely with governments to strengthen their pension systems by sharing best practices in retirement plan design and providing data-driven insights from the more than 21 million customers they work with worldwide.

“By working with partners like the Global Aging Institute, we can help countries to learn from one another and gain access to the data and information that will help them create the right pension policies for their populations,” said Renee Schaaf, vice president of Principal International. There is no single solution to the challenges that aging will place on governments, but by working together, regulators, employers and pension providers can develop solutions that will improve retirement outcomes for citizens around the world.”

To access the full report, visit [www.principal.com/voluntarypensions](http://www.principal.com/voluntarypensions).

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### **About the Global Aging Institute (GAI)**

The Global Aging Institute (GAI) is a nonprofit research and educational organization dedicated to improving our understanding of global aging, to informing policymakers and the public about the challenges it poses, and to encouraging timely and constructive policy responses. To learn more about GAI, please visit its website at [www.GlobalAgingInstitute.org](http://www.GlobalAgingInstitute.org).

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