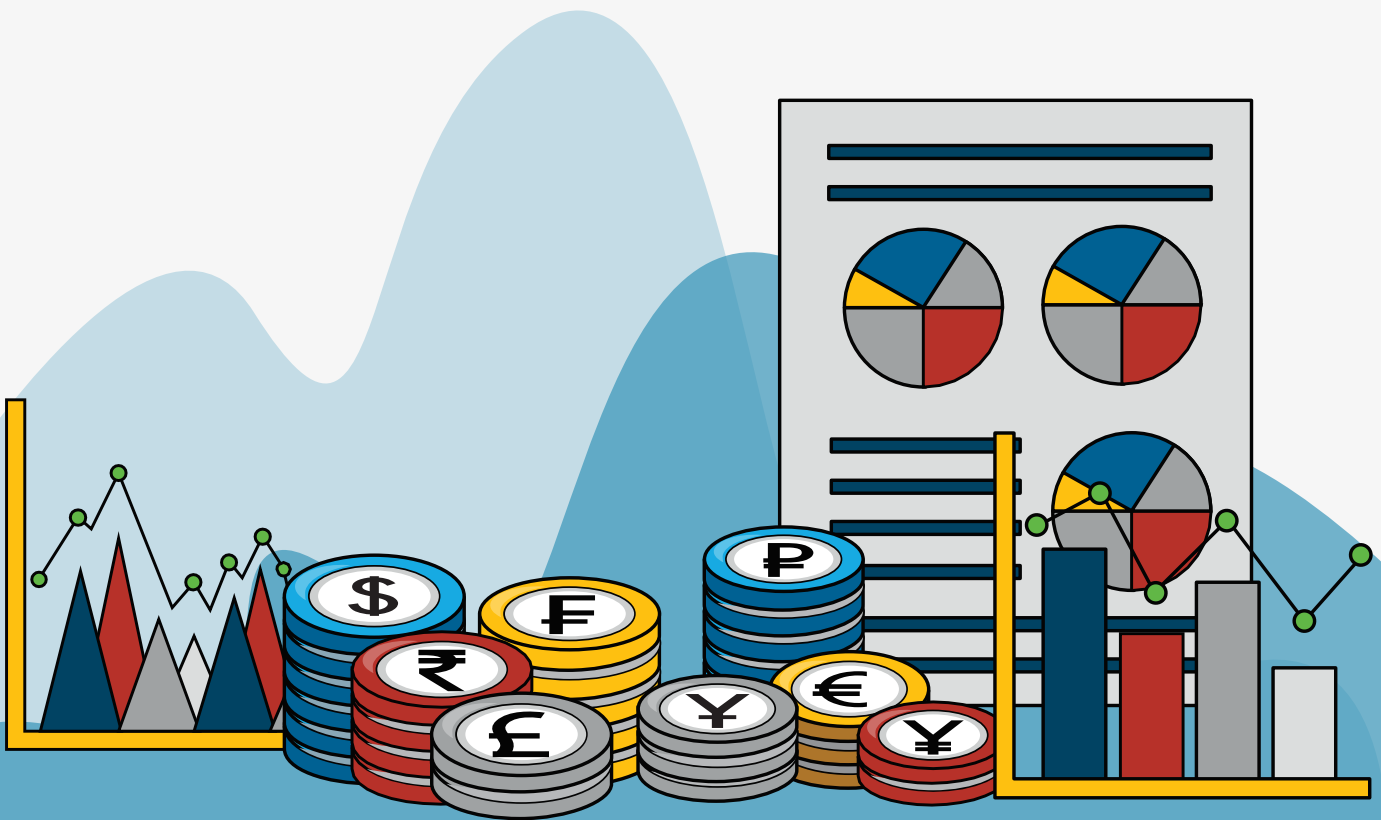


Global Retirement Survey

A multi-region report on retirement readiness and the steps workers can take to improve their financial path to retirement.



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The Global Retirement Survey

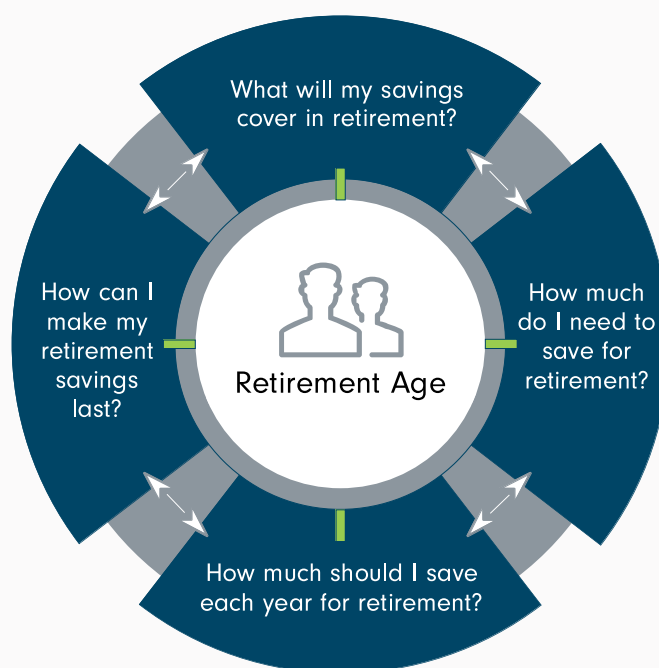
As pension schemes continue to evolve around the world, we've seen an increasing need for workers to think about their finances in retirement and be active in planning for life after work. This is playing out to varying degrees in many countries as the responsibility for retirement readiness increasingly shifts from the employer to the employee. Demographic trends are also placing progressively greater pressure on the level of income people are getting from state pensions in many countries. This increases the savings burden on individuals and households.

Helping people to understand their retirement savings goals is an important part of what we do at Fidelity. Launched in 2018, the Fidelity Global Retirement Savings Guidelines created a framework of four guidelines¹ that work together to answer key questions about retirement savings and help workers prepare for retirement.

New research delivers Retirement Readiness Scores across regions

Our new research provides a picture of retirement readiness across multiple regions. The research was collected through the Fidelity Global Retirement Survey, a comprehensive online and in-person survey of nearly 14,000 workers in the United Kingdom, Germany, Hong Kong, Japan, Canada, and the United States.

The analysis, based on the survey data and our retirement planning methodology, delivers a Retirement Readiness Score for each region. This report explains the Fidelity Retirement Readiness Score, with multiple regional views. It also outlines and evaluates the impact of three key pre-retirement steps to potentially improve the scores and help workers get on track to meet their retirement savings goals.



¹ Please see the Appendix section for further details on Fidelity's Global Retirement Savings Guidelines

The Fidelity Retirement Readiness Score

The Fidelity Retirement Readiness Score uses a consistent analytical framework across the regions while using modelling assumptions that are appropriate for each region. The score offers an objective, rather than subjective or attitudinal, assessment of retirement readiness. The framework enables a comparison of preparedness across groups both within a single region and across multiple regions.

Using data from the Global Retirement Survey and our retirement planning methodology, we've calculated a score for each region ranging from zero to 150. A score of 100 indicates that a household² is likely to meet 100% of the estimated retirement expenses needed to maintain its pre-retirement lifestyle in retirement. So, the higher the score, the more financially prepared a household is for retirement. We call this the Fidelity Retirement Readiness Score³.

The Fidelity Retirement Readiness Score illustrates the percentage of average estimated retirement expenses that could be covered by projected retirement savings and other income sources, considering the retirement savings data collected in our survey for each region. The score is calculated assuming a Strong Plan (Poor Market)⁴ scenario, so it represents a conservative estimate of how much income a person may need, and have, during retirement.

Our proprietary methodology considers workers' personal information such as age, current income, anticipated retirement time frame and regionally appropriate assumptions about life expectancy, taxation, and government (state/national) pension benefits. This enables us to determine an objective view of retirement readiness for each of the regions surveyed.

Needs Attention Score = less than 65	Fair Score = 65-80	Good Score = 81-95	On Target Score = greater than 95
Not on target, will need significant adjustments to their planned lifestyle in retirement.	Not on target, will need modest adjustments to their planned lifestyle in retirement.	On target to cover basic expenses in retirement, but not discretionary expenses such as travel and entertainment.	On target to cover more than 95 percent of total estimated expenses in retirement.

Source: Fidelity

² The required income replacement can differ among households based on differences in household incomes and household composition, and the estimated available income can also differ based upon differences in current retirement savings, savings rates, asset allocation, other income sources, and retirement age, among other factors. Most importantly, despite these differences, the standardised nature of the Fidelity Retirement Readiness Score allows for comparability across groups and across regions.

³ Please see the Appendix for further information on the Fidelity Retirement Readiness Score calculation.

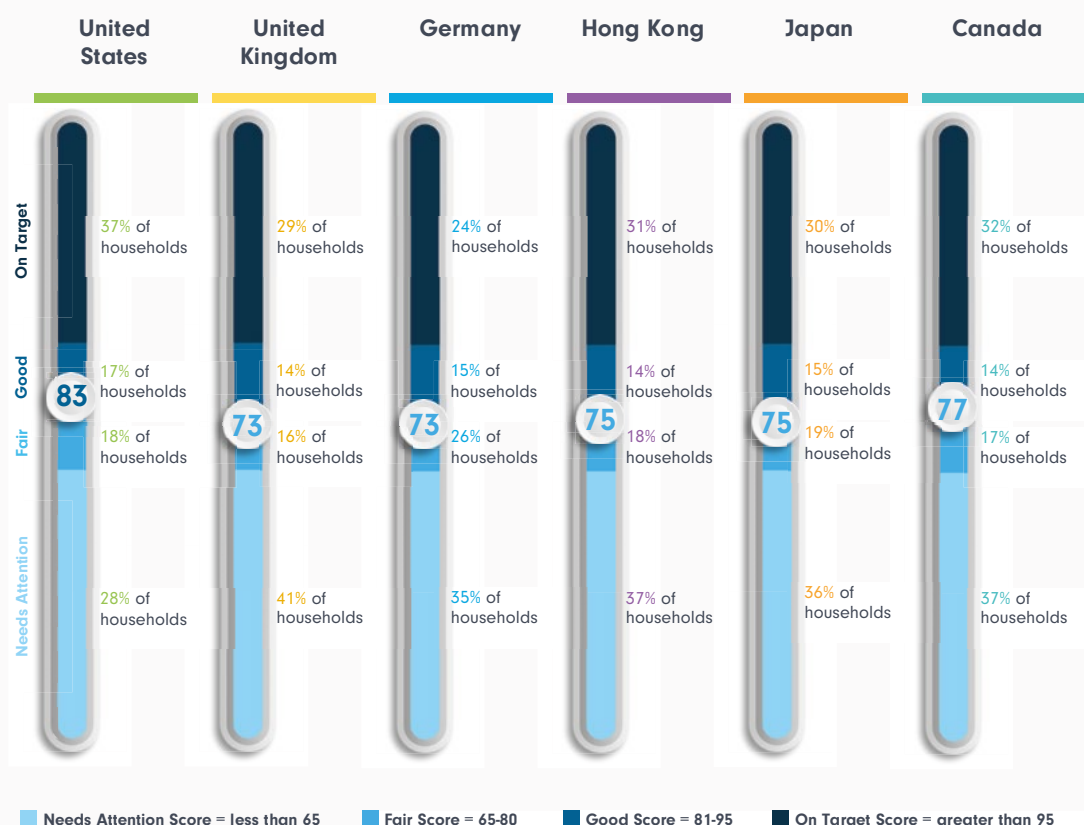
⁴ Fidelity's global retirement scoring engine uses a Monte Carlo simulation-based framework to project investment outcomes and applies our proprietary retirement scoring analytical framework using region-appropriate modelling assumptions. "Strong Plan (Poor Market)" indicates that in 10 percent of market simulations, the simulated market outcomes would be worse, while 90 percent of simulated outcomes would be better. While a deterministic projection of investment outcomes using average (expected) market returns would lead to a more optimistic assessment of retirement readiness, we believe that evaluating retirement outcomes under conditions of uncertainty, and more specifically evaluating retirement sufficiency under a Strong Plan (Poor Market) framework, leads to an appropriately conservative standard for assessing retirement planning outcomes and providing retirement planning guidance.

Median Retirement Readiness Scores and perceived barriers to readiness

Our analysis found that median⁵ Retirement Readiness Scores across the regions surveyed were in the low 70s to low 80s. A 'Good' readiness score is at least 80, and a 95 or above is 'Very Good' or 'On Target'. The regional scores indicate that most workers across the regions surveyed are not on track to sufficiently cover all retirement expenses and are likely to have to make at least modest lifestyle adjustments in retirement.

Scores varied across the regions and varied significantly by age group⁶ and household income range within each region. The results illustrated that there is no consistency across regions regarding lowest and highest median scores as it relates to generation and income.

Median Global Retirement Readiness Scores



Source: Fidelity Global Retirement Survey 2019. Visual represents the median retirement readiness score for each region and the distribution (%) of scores across the four categories for each region.

⁵ The Retirement Readiness Score is the median, or midpoint, score for the population surveyed.

⁶ For all regions, excluding US, younger workers = aged 20-34; middle-aged workers = aged 35-54; older workers = aged 55-75. For the US younger workers = 25-38; middle-aged workers = 39-54; older workers = 55-73.

In Hong Kong, younger workers are currently projected to be more prepared for retirement with a median score across all incomes of 87. Hong Kong had a large range of scores ranging from a median score of 89 for younger workers with a household income between HK\$30k and HK\$50k to the lowest score of 53 for older workers with a household income between HK\$15k and HK\$30k.

Conversely, in the UK, younger workers, whose median score across all income ranges was 70, are well behind middle-aged and older workers in their preparations, whose scores were 71 and 82, respectively. The UK also had a wide range of scores with older workers with a household income of between £30k and £50k at the top of the score range with 89 and younger workers with a household income between £15k and £30k returning the lowest score of 61.

Japan was a similar story to the UK, with younger workers lagging older generations. In Japan, the lowest score of 58 came from the youngest workers with the lowest household income (between ¥3m and ¥5m), while the highest score of 96 came from middle-aged workers with the highest household income (¥9m+).

Germany was the exception to the trend as workers there demonstrated consistent levels of retirement readiness regardless of age, and the score range across age and income groups was narrower. Scores ranged from 76 for both middle income (between €40k and €60k) and higher income (€60k+) younger households to 69 for lower income (between €20k and €40k) younger workers.

Median Global Retirement Readiness Scores - by Generation

	United States	United Kingdom	Germany	Hong Kong	Japan	Canada
All	83	73	73	75	75	77
Younger Workers	82	70	72	87	67	65
Middle-Aged Workers	80	71	73	76	77	81
Older Workers	87	82	73	63	85	86

Source: Fidelity Global Retirement Survey 2019. Visual represents the median Retirement Readiness Score for each region by age group (all income ranges). For all regions, excluding US, younger workers = aged 20-34; middle-aged workers = aged 35-54; older workers = aged 55-75. For the US younger workers = 25-38; middle-aged workers = 39-54; older workers = 55-73.

Perceived barriers to retirement readiness

Measuring retirement readiness in a consistent way, and understanding median Retirement Readiness Scores in each region, may be of value for employers that have employees in multiple countries. A consistent assessment can help employers gain a picture of workforce retirement preparedness both within and across multiple regions. Understanding the barriers preventing workers from adequately preparing for life after work gives further insight.

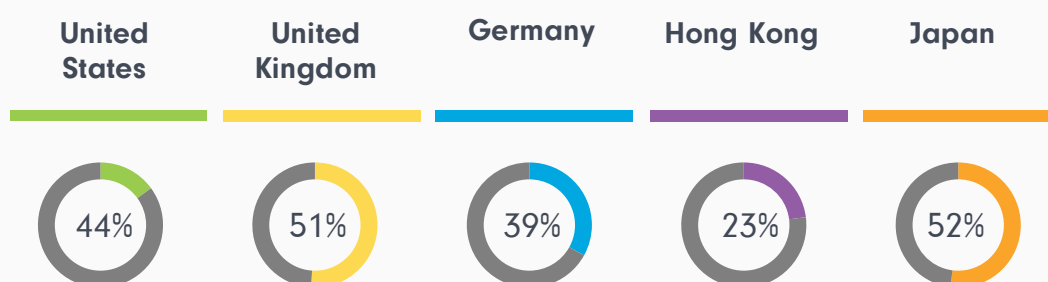
The need for education about preparing for retirement emerged as a consistent theme. When looking at the barriers that survey respondents reported as preventing them from being on track with their retirement savings, behind not earning enough and paying down debt, workers say they either haven't thought about retirement yet, lack financial knowledge or don't know where to start with their retirement preparations. Workers across all regions and age groups indicated that they find the retirement planning process very complicated. Against this backdrop of uncertainty, the findings may present an opportunity to not only educate workers on how to best plan for retirement, but also make it easier for them to do so.

Understanding how much to save is one of the first steps in successful retirement preparation, yet a significant number of workers surveyed felt they did not know how much they need to save in order to meet their expenses once they retire.

A high number of workers in the UK (51%) and Japan (52%) reported not understanding how much they needed to save. There may be several reasons contributing to this uncertainty - varied retirement plans offered by employers, different state pension benefits, changes to retirement ages, the vast choice of personal savings options and lack of education and guidance on preparing for retirement amongst them. Hong Kong and German respondents were more confident with only 23% in Hong Kong and 39% in Germany saying they didn't know how much to save.

There may also be a difference between how much people think they need to save versus the targeted savings balances that the Fidelity methodology would estimate. As explored later in this report, our analysis suggests there is a significant difference in people's perceived readiness versus their objective readiness as indicated by the Retirement Readiness Score.

Many workers don't know how much they need to save to meet expenses in retirement



Source: Fidelity Global Retirement Survey 2019. The question 'Please indicate the extent to which you agree or disagree with the following statements - I know how much I need to be saving to meet my expenses in retirement' was only asked in the United States, United Kingdom, Germany, Hong Kong and Japan.

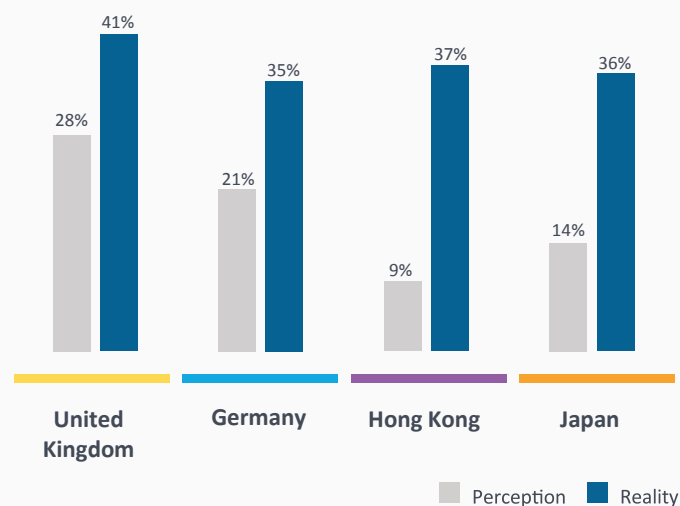
Path to improving the score

The first step to improving retirement preparedness, and the Retirement Readiness Score, is to understand the current position of workers across the regions. Our research collects both objective and subjective information and uses it to look at current saving and spending behaviours and to estimate financial needs, and the projected capacity to meet those needs, in retirement. We are also able to evaluate the degree to which a population is projected to be on track to meet retirement expenses throughout retirement. In addition, we can measure the impact of various actions to improve retirement readiness.

Retirement Readiness - perception vs the score

Our research enabled us to compare subjective, or self-reported, retirement readiness with an objective measure of readiness - the Fidelity Retirement Readiness Score. This objective measure is unique to the Fidelity Global Retirement Survey. We were able to gain a clear picture of people's perception of retirement readiness versus that indicated by their current assets and projected position. Further examination of the data indicated that the overall confidence of respondents is either more optimistic or pessimistic when compared to their objectively measured retirement readiness position as indicated by the score. That is, some people think that they are in a better position than the score would suggest and, conversely, some are less confident and think that they are in a worse position than the score suggests. Take the 'Needs Attention' category for example. We found that a higher proportion of the overall respondent population are objectively unprepared than feel unprepared. This was consistent for this score category across all regions.

Perception vs the score - 'Needs Attention'



Source: Fidelity Global Retirement Survey 2019. Data only gathered in the United Kingdom, Germany, Hong Kong and Japan.





Workers across all regions and age groups indicated that they find the retirement planning process very complicated. Our analysis, and the discrepancy between subjective perception vs the objective score, also suggests that people don't have a clear understanding of their personal retirement saving requirements or how to measure the gap between what they'll have and what they'll need. While individual definitions of readiness can differ, it's important for people to understand their personal situation, set goals for the life they want to live in retirement and then create a plan to meet those goals.

Steps to improving retirement readiness

In addition to helping people understand current retirement readiness through the score, our research also identified three key steps⁷ that may help workers to get on track to meet their retirement savings goals.

When applied, individually (fully or partially) or in combination, these actions can help to increase the overall median Retirement Readiness Scores across all the regions. It is worth noting that these key steps are not personalised or tailored to individual circumstances. Fidelity recommends that individuals engage in the retirement planning process to evaluate their current state of retirement readiness and consider their desired lifestyle in retirement. Not all these steps are possible or necessary for all workers but, when circumstances are appropriate, those who take as many of them as early as possible before retiring may benefit greatly.

Key pre-retirement steps

	 Raise Savings Even small increases in savings can make a big difference. By increasing savings to the rate recommended by the Fidelity Retirement Savings Guidelines (which includes any employer contributions), the retirement score increases:	 Review Asset Mix Although savers can't anticipate market behaviour, they can build potential for long-term growth into portfolios through investment choices and exposure to various asset classes. By adjusting portfolios that may be too conservative or too aggressive with age appropriate equity allocation, the retirement score increases:	 Revisit Retirement Plan The longer workers can wait to retire, the more time they have to build retirement savings and increase state/national pension benefits. It also shortens the period over which retirement assets will need to fund retirement expenses. By adjusting the expected retirement age, the retirement score increases:	 Score increase if all three recommendations are applied:
United States	+ 12 points	+ 4 points	+ 17 points	From 83 to 116 points
United Kingdom	+ 29 points	+ 11 points	+ 19 points	From 73 to 132 points
Germany	+ 21 points	+ 11 points	+ 11 points	From 73 to 116 points
Hong Kong	+ 19 points	+ 8 points	+ 17 points	From 75 to 119 points
Japan	+ 19 points	+ 9 points	+ 22 points	From 75 to 125 points
Canada	+ 23 points	+ 10 points	+ 16 points	From 77 to 126 points

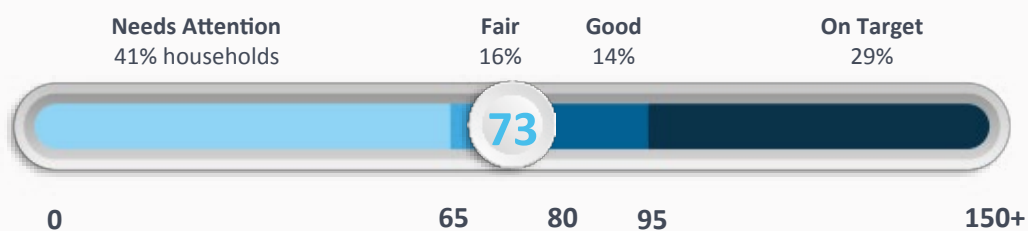
Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores

⁷ Not all steps may be possible or appropriate for everyone. They are starting points to help people determine what's right for their situation. The relative and absolute impact of the appropriate actions will vary based on a variety of factors. Please refer to the Appendix for additional information.

Regional overview

United Kingdom

Fidelity's analysis of retirement survey data for the United Kingdom resulted in a calculated median Retirement Readiness Score of 73. This indicates that many workers in the UK are not on track to sufficiently cover all retirement expenses and at least modest adjustments to their planned lifestyle are likely to be needed.



Source: Fidelity Global Retirement Survey 2019. Visual represents the median Retirement Readiness Score for the region and the distribution (%) of scores across the four categories for each region.

The time to save is now

In the UK, results varied by generation. Younger workers returned a median score of 70 across all incomes falling into the 'Fair' category. Within this group, the lowest earners, those with household incomes between £10k and £30k returned the lowest median score of 61 and would require some adjustment.

Middle-aged workers returned a median score of 71 and fell into the 'Fair' category although those at the lower end of the income scale (household incomes between £10k and £30k) had a median score of 65 which places them in the 'Needs Attention' category.

Older workers are more likely to be in a 'Good' position returning the highest median score of 82 across all incomes. Within this group, older workers with a household income of between £30k and £50k returned the highest median score in the UK of 89. This group has a lower projected income before they retire and therefore more of their income will be replaced by the State Pension. For lower income households the State Pension generally replaces a higher proportion of pre-retirement income. This group also reported having a higher access to defined benefit pension schemes, which offsets the lower contribution to their retirement score from personal savings. They also plan to retire later (at 67) than other generations.

UK Median Retirement Readiness Scores by income & generation

	All Incomes	£10-30k	£30-50k	£50k+
All Ages	73	67	79	82
Younger Workers Aged 20-34	70	61	77	87
Middle-Aged Workers Aged 35-54	71	65	78	75
Older Workers Aged 55-75	82	79	89	82

Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

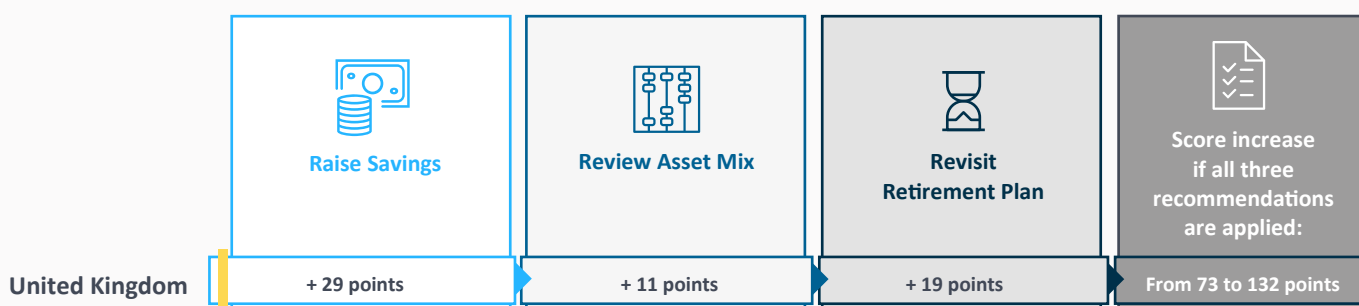
A pension puzzle - our research shows confusion over savings and investments

In order to get a better understanding of their retirement savings, we asked people to tell us how their savings for retirement are currently invested. Our analysis found that 29% of respondents do not know how their retirement savings are invested and 30% of total respondents believe they are invested 100% in cash. This is a puzzle because, in the UK, most assets are saved through an employer-sponsored pension plan with the majority invested in a default investment option in line with a person's anticipated retirement age. A large percentage of people believing that they are only invested in cash indicates that many in the workforce are unclear about how their pension and, more specifically, their pension investments work. The findings illustrate that there is an opportunity for employers and pension providers to help educate the workforce on their retirement savings options.

Steps to improving retirement readiness in the United Kingdom

Taking the three key steps⁸ - raising savings, reviewing asset allocation and retiring later - could potentially increase the median UK Retirement Readiness Score from 73 to 132. The Fidelity Retirement Readiness Score ranges from zero to 150, the higher the score the more financially prepared a household is for retirement. An improvement of the median score to 132 would strongly propel the UK population into the 'On Target' range.

Another way that workers in the UK are planning to manage their expenses is by continuing to work in retirement. Our research discovered that more than half of UK respondents plan to work at least part time during retirement with more than six in 10 adults (61%) expecting to work into their seventies, and more than one in 10 (11%) into their eighties or beyond. Those with the highest household incomes are also more likely than those on lower incomes to plan to work in retirement (58% compared with 50%). While working in retirement may be desirable for some, it is not always possible for everyone. Fidelity encourages everyone to start saving early, to understand and review their investments and their retirement savings plan to ensure they are on track.



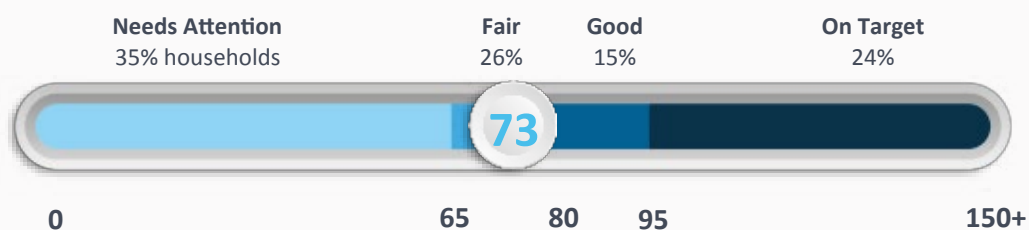
Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

⁸ Not all steps may be possible or appropriate for everyone. They are starting points to help people determine what's right for their situation. The relative and absolute impact of the appropriate actions will vary based on a variety of factors. Please refer to the Appendix for additional information.

Regional overview

Germany

Fidelity's analysis of retirement survey data for Germany resulted in a calculated median Retirement Readiness Score of 73. This indicates that many workers in Germany are not on target to sufficiently cover all retirement expenses and modest adjustments to their planned lifestyle are likely to be needed.



Source: Fidelity Global Retirement Survey 2019. Visual represents the median Retirement Readiness Score for each region and the distribution (%) of scores across the four categories for each region.

Results characterised by consistency

In Germany, the most notable discovery is that the median scores were consistent across all generations and income groups and the results for all groups fell into the 'Fair' category. Median scores across all household income ranges started at 72 for younger workers compared to 73 for middle-aged and older workers. For the older groups, higher contribution from defined benefit schemes and slightly higher contribution from state pensions compensate for lower retirement saving rates, resulting in a higher median Retirement Readiness Score than the younger generations.

On a household income view, the score range was slightly wider for younger higher-income (€40k+) workers at the top of the range with a score of 76 and middle-aged lower-income (between €20k and €40k) workers at the bottom of the range with a score of 69.

The only scenario for which the picture looks slightly different is for older workers who are planning alone for retirement with the median Retirement Readiness Score dropping to 60 and below the 'Fair' category. People in this group tend to have a lower savings rate, lower pre-retirement household income and therefore higher income replacement needed from savings than those who are planning with a partner. The score indicates that more significant lifestyle adjustments are likely to be needed for this group in retirement.

German Median Retirement Readiness Scores by income & generation

	All Incomes	€20-40k	€40-60k	€60k+
All Ages	73	70	73	75
Younger Workers Aged 20-34	72	70	76	76
Middle-Aged Workers Aged 35-54	73	69	74	74
Older Workers Aged 55-75	73	74	72	74

Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

A mismatch in retirement planning confidence

Our research asked about levels of confidence in retirement planning. We asked respondents to assess the degree to which they felt they were on track to meet their expenses in retirement with the question - 'When it comes to saving for retirement, where do you think you/your household stands when it comes to your planning?'.

We analysed this perceived retirement readiness across the age groups and then compared it to the objective retirement readiness derived from the Retirement Readiness Score. The results for Germany indicate that a higher proportion of the overall respondent population are objectively unprepared than feel unprepared. For example, 31% of respondents felt that they were 'On Target', while the Retirement Readiness Score suggests that only 24% are on track. Conversely, 21% of respondents identified as falling into the 'Needs Attention' category, whereas the objective Retirement Readiness Score suggests a much higher portion (35%) are in this score category.

Germany - perception vs the score

		Needs Attention	Fair	Good	On Target
Younger Workers Aged 20-34	Perceived	19%	25%	30%	26%
	Actual	37%	24%	12%	27%
Middle-Aged Workers Aged 35-54	Perceived	22%	19%	29%	29%
	Actual	35%	26%	15%	23%
Older Workers Aged 55-75	Perceived	20%	16%	26%	37%
	Actual	34%	27%	18%	22%

Source: Global Retirement Survey 2019. Table illustrates the distribution of the subjective perceived retirement readiness vs distribution of actual retirement readiness as indicated by the objective Retirement Readiness Score across all age and income ranges for the surveyed population in Germany.

Younger workers looking to employers for help with retirement planning

Our research found that many workers find retirement planning to be too complicated. In Germany, younger workers in particular feel that it is too complex to be done alone and want assistance in retirement planning from their employer. For example, 38% want their employers to make all workplace, state and private pension details easily accessible and 36% would like to track their workplace pension savings on their pay slips.

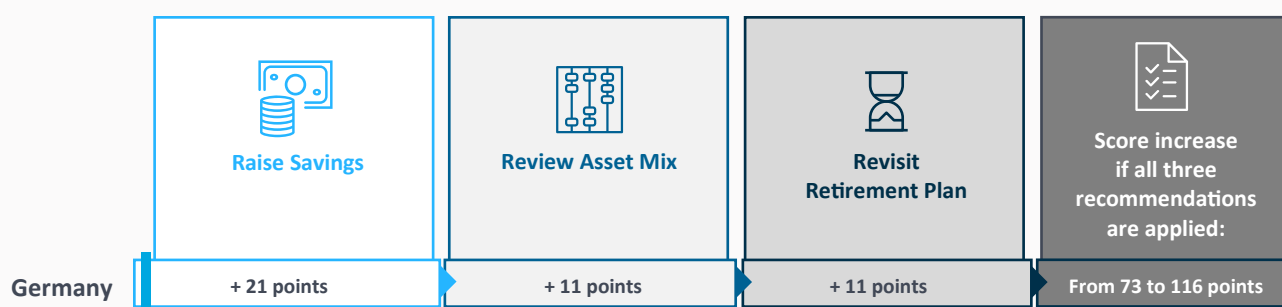
Besides assisting in making information accessible, our research illustrates that auto-enrolment is another way that employers can potentially make it easier for their workforce to save for retirement. Young people in Germany see the value in being automatically enrolled in a workplace pension – 57% of younger workers like the idea that their employer allocates part of their gross salary directly into a workplace pension. Consequently, the employer can play an important role in employee retirement savings and there is a valuable opportunity to demonstrate commitment through education and ongoing support with retirement planning, especially to younger employees.

Steps to improving retirement readiness in Germany

Taking three key steps⁹ - raising savings, reviewing asset allocation and retiring later - could potentially increase the median Retirement Readiness Score in Germany from 73 to 116. The Fidelity Retirement Readiness Score ranges from zero to 150, the higher the score the more financially prepared a household is for retirement. An improved score of 116 would propel the median score for Germany into the 'On Target' range.

Another way that workers are planning to manage their retirement savings, particularly in Germany, is by 'reducing expenses'. Respondents claimed they could reduce an average of 12% of their expenses and still maintain a reasonable standard of living. For those still working, reducing present-day household spending and redirecting to retirement savings could boost retirement readiness. As illustrated below, 'raising savings' has the potential to add 21 points to the median Retirement Readiness Score.

In the same context, once retired, 77% of men and 67% of women surveyed in Germany think that they can reduce their household expenses. However, while lifestyle adjustment may seem like a logical step, future expense reduction may be difficult to predict. Reducing expenses once retired cannot replace saving adequately as a retirement planning strategy. Fidelity suggests remaining focused on taking each of the three key steps as early as possible on the journey to retirement to potentially improve preparedness.



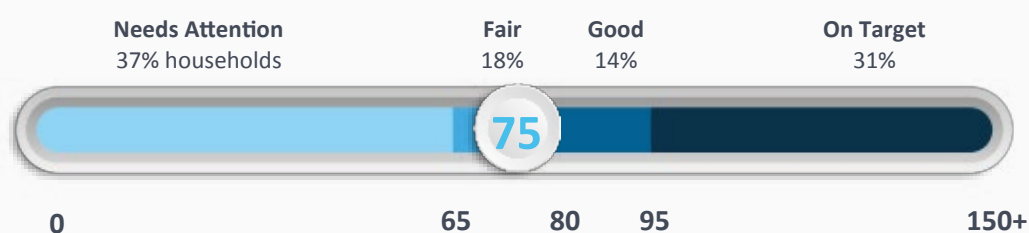
Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

⁹ Not all steps may be possible or appropriate for everyone. They are starting points to help people determine what's right for their situation. The relative and absolute impact of the appropriate actions will vary based on a variety of factors. Please refer to the Appendix for additional information.

Regional overview

Hong Kong

Fidelity's analysis of retirement survey data for Hong Kong resulted in a calculated median Retirement Readiness Score of 75. This indicates that many workers in Hong Kong are not on target to sufficiently cover all retirement expenses and modest adjustments to their planned lifestyle are likely to be needed.



Source: Fidelity Global Retirement Survey 2019. Visual represents the median Retirement Readiness Score for the region and the distribution (%) of scores across the four categories for each region.

A tale across generations

In comparison to both the United Kingdom and Germany, the distribution of scores in Hong Kong could not be more different than other regions. There was a significant difference in Retirement Readiness Scores across all generations and it is younger workers that are in a stronger position, returning a median score of 87. Our analysis shows that the score for the younger generation is higher than older generations due to higher contribution from retirement savings. The introduction of the Mandatory Provident Fund (MPF) in 2000 has likely increased the awareness of retirement planning for younger workers and encouraged them to start saving earlier. This group reported relatively higher age-adjusted current retirement asset balances and, given they have the longest time for these balances to grow, the high relative balances boost the score in comparison to older workers.

In contrast, the median score reported for older workers was only 63. The older generation faces the greatest challenge to achieve retirement readiness. Without actions to course correct, the score suggests that it's unlikely respondents in the older generation will be able to meet basic expenses once they stop working. And given they have the least time to benefit from saving more and/or adjusting asset allocation they may need to consider other actions such as working, or working longer, in retirement or using home equity to boost their income in retirement.

While middle-aged workers returned a median score of 76, those with a monthly household income between HK\$15k and HK\$30k were the least prepared. Fortunately, they still have at least a decade to improve their readiness before they will reach the Hong Kong legal retirement age of 65. To avoid their retirement goal becoming unattainable and necessitating delaying their retirement age, workers in this age range should consider accelerating savings, adjusting asset allocation and making the most of catch up contributions now.

Hong Kong Median Retirement Readiness Scores by income & generation

	All Incomes	\$15-30k	\$30-50k	\$50k+
All Ages	75	70	80	76
Younger Workers Aged 20-34	87	88	89	81
Middle-Aged Workers Aged 35-54	76	70	82	76
Older Workers Aged 55-75	63	53	74	72

Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

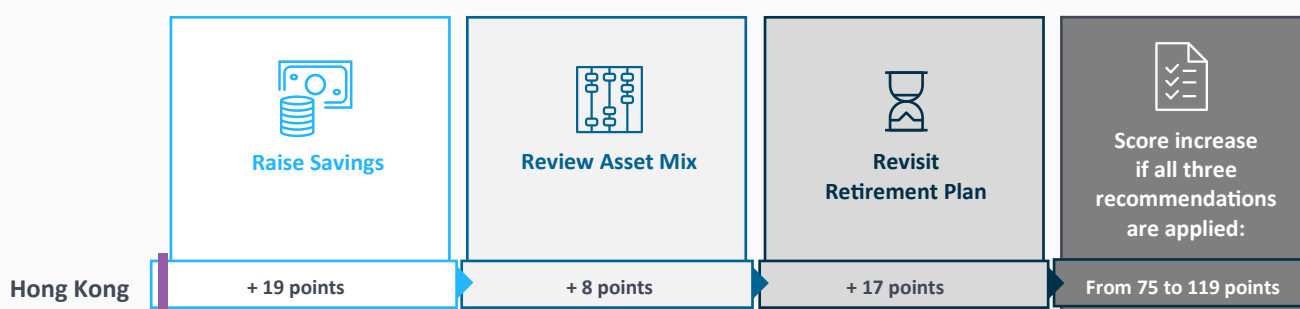
Tax efficiency an important consideration

In Hong Kong, we wanted to understand attitudes towards tax incentives in retirement planning such as tax-deductible voluntary contributions (TVC) to the Mandatory Provident Fund (MPF). Our research shows that 40% of respondents would be likely to increase retirement savings due to tax incentives like TVC contributions to MPF and deferred annuity policy. Fidelity launched the TVC account service in April 2019 and within six months the number of TVC account members doubled and the related asset size grew 5x. This strongly illustrates the motivational value of retirement savings options that incorporate tax incentives.

Steps to improving retirement readiness in Hong Kong

Taking all three key steps¹⁰ - raising savings, reviewing asset allocation and retiring later - could potentially increase the median Hong Kong Retirement Readiness Score from 75 to 119. The Fidelity Retirement Readiness Score ranges from zero to 150, the higher the score the more financially prepared a household is for retirement. An improved score of 119 would propel Hong Kong into the 'On Target' range.

Asset allocation is an important part of helping workers achieve their retirement savings goals. Investing too conservatively at a young age may not keep pace with inflation, while investing too aggressively when older could leave savings exposed to market volatility. Fidelity highly recommends that workers regularly review their investments for changes in strategy, relative performance and risk. In Hong Kong, our survey found that people's asset allocation is often either too aggressive or too conservative relative to an age-appropriate equity allocation. For example, the survey identified that more than 50% of younger workers with a lower Retirement Readiness Score were invested too conservatively. A diversified investment portfolio, that carefully considers both risk and return objectives, may help workers to reach their retirement goals more effectively.



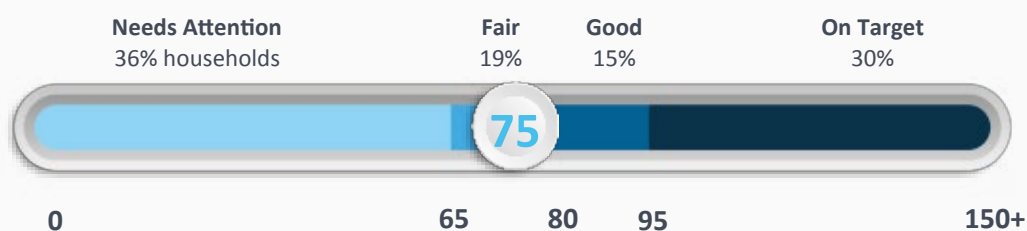
Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

¹⁰ Not all steps may be possible or appropriate for everyone. They are starting points to help people determine what's right for their situation. The relative and absolute impact of the appropriate actions will vary based on a variety of factors. Please refer to the Appendix for additional information.

Regional overview

Japan

Fidelity's analysis of retirement survey data for Japan resulted in a calculated median Retirement Readiness Score of 75. This indicates that many workers in Japan are not on track to sufficiently cover all retirement expenses and modest adjustments to their planned lifestyle are likely to be needed.



Source: Fidelity Global Retirement Survey 2019. Visual represents the median Retirement Readiness Score for the region and the distribution (%) of scores across the four categories for each region.

Younger workers have largest potential for improvement

In Japan, the median Retirement Readiness Scores are successively higher for each generation. Across all income ranges, younger workers scored 67 and fall into the 'Fair' category. Younger workers have significantly lower estimated contribution rates to the Retirement Readiness Score from defined benefit schemes, and an earlier estimated retirement age, which lowers the median Retirement Readiness Score for this group.

Younger workers should begin thinking about how their retirement will be funded and how realistic early retirement is. The earlier they begin to plan, and act, the more likely it is that they will stay on track and be able to live the lifestyle they picture for themselves in retirement. Younger workers have the most time to retirement and therefore the greatest potential benefit from applying any of the three key steps to improve their scores. Our analysis shows that for this group, the score has the potential to improve from 67 to 135 if all three steps were applied. This would strongly push the group forward into the 'On Target' category.

Japan Median Retirement Readiness Scores by income & generation

	All Incomes	¥3-5M	¥5-7M	¥7-9M	¥9M+
All Ages	75	67	75	78	87
Younger Workers Aged 20-34	67	64	67	77	77
Middle-Aged Workers Aged 35-54	77	68	76	72	93
Older Workers Aged 55-75	85	85	82	88	85

Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

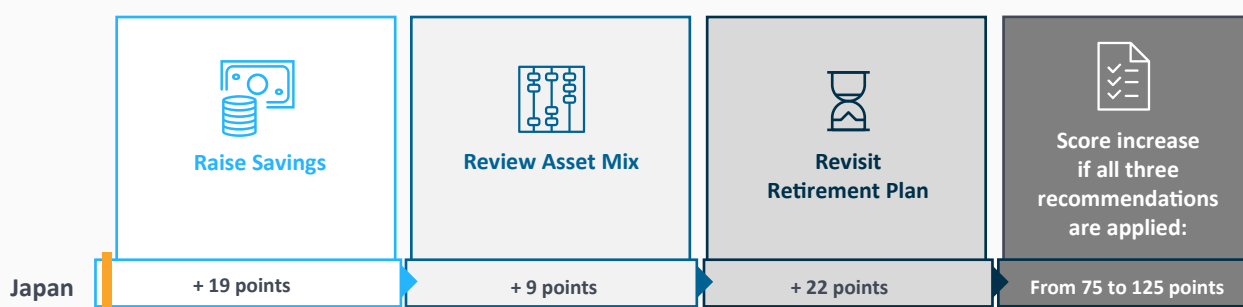
Older workers are in a better position

Conversely, the older generation in Japan had a median score of 85, indicating that many are in a 'Good' position. Confidence is higher amongst those closest to retirement. In general, the higher median scores for older age groups is attributable to higher contribution rates from defined benefit pensions, higher expected retirement age than for other generations and, to a lesser extent, higher relative income replacement¹¹ from National Pension and a higher median savings rate.

Steps to improving retirement readiness in Japan

Taking the three key steps¹² - raising savings, reviewing asset allocation and retiring later - could potentially increase the median Japan Retirement Readiness Score from 75 to 125. The Fidelity Retirement Readiness Score ranges from zero to 150, the higher the score the more financially prepared a household is for retirement. An improved score of 125 would propel Japan into the 'On Target' range.

Like Germany, a significant number of workers in Japan (88%) anticipate being able to manage their retirement savings by reducing expenses once they stop working. We asked, 'If you absolutely had to cut expenses, how much could you roughly reduce your expenses each month and still be able to maintain what you consider to be a reasonable standard of living?'. In reply, 26% of respondents told us they can reduce expenses by 10% and 24% of respondents reported that they can reduce expenses by 20%. Fidelity's view is that the expectation of being able to reduce expenses once retired is somewhat uncertain and not a replacement strategy for saving sufficiently for retirement.



Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

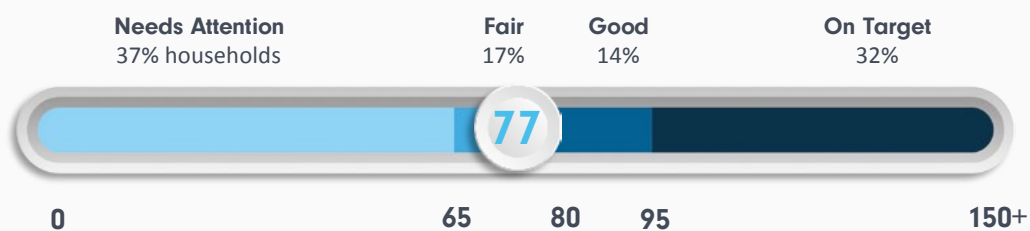
¹¹ Relative income replacement from National Pension is expected to be higher as projected real (inflation-adjusted) retirement income is projected to be lower (relative to other age groups) and, all else equal, proportional income replacement from National Pension is higher for lower incomes.

¹² Not all steps may be possible or appropriate for everyone. They are starting points to help people determine what's right for their situation. The relative and absolute impact of the appropriate actions will vary based on a variety of factors. Please refer to the Appendix for additional information.

Regional overview

Canada

Fidelity's analysis of retirement survey data for Canada resulted in a calculated median Retirement Readiness Score of 77. This indicates that many workers in Canada are not on target to sufficiently cover all retirement expenses and modest adjustments to their planned lifestyle are likely to be needed.



Source: Fidelity Global Retirement Survey 2019. Visual represents the median Retirement Readiness Score for the region and the distribution (%) of scores across the four categories for each region.

An opportunity for younger workers

Like the UK and Japan, results varied by generation in Canada. Older and middle-aged workers are in a 'good' position returning scores of 86 and 81, respectively. However, the score for younger workers was 65. Workers in this group have an earlier planned retirement age and are likely to have lower contribution from a state pension. This is due to the combined effect of higher estimated pre-retirement incomes – given that income replacement from a state pension varies inversely with income – and earlier planned retirement age. This indicates that workers in this group are currently unlikely to meet basic expenses in retirement without making changes to their retirement savings plan. But younger workers have the longest period to retirement and an opportunity for the steps they take now to significantly improve their retirement readiness.

Canada Median Retirement Readiness Scores by income & generation

	All Incomes	\$30-50k	\$50-80k	\$80-120k	\$120+
All Ages	77	67	72	77	86
Younger Workers Aged 20-34	65	54	61	64	75
Middle-Aged Workers Aged 35-54	81	70	78	79	90
Older Workers Aged 55-75	86	73	83	97	89

Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

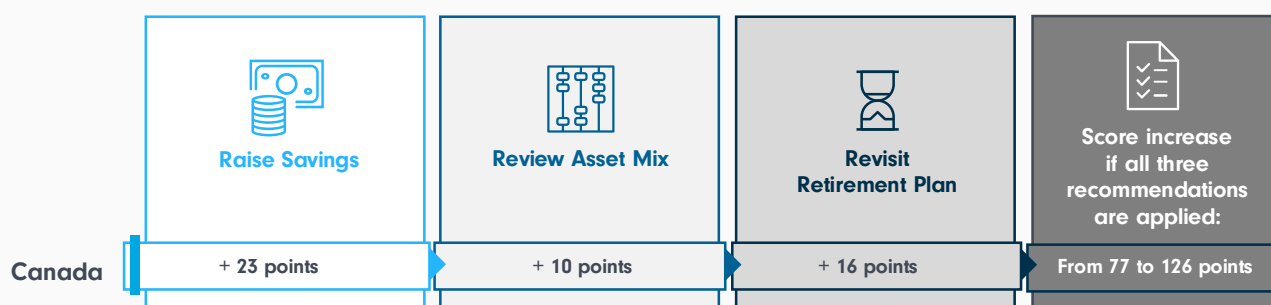
Time to review asset allocation

To understand how workers are invested, we asked about the current equity allocation of retirement savings. A quarter of Canadian respondents reported that 100% of their savings was in either cash, money markets or bonds, with zero allocation to equities. This was a relatively consistent response across all generations highlighting that more education may be needed around the importance of diversification. This is particularly true for younger workers, 30% of whom reported having no equity investments. These workers have a longer investment time horizon and the opportunity to benefit from the growth potential of equities.

Steps to improving retirement readiness in Canada

Taking the three key steps¹³ - raising savings, reviewing asset allocation and retiring later - could potentially increase the median Canadian Retirement Readiness Score from 77 to 126. The Fidelity Retirement Readiness Score ranges from zero to 150, the higher the score the more financially prepared a household is for retirement. While the impact of these action steps will vary widely based on personal circumstances and current behaviours, taking any or all of these action steps, in whole or in part, has the potential to meaningfully improve the retirement readiness of many Canadians.

Like other regions, many respondents in Canada reported that they plan to work in retirement. Over half of men (55%) and nearly half of women (47%) expect to work at least part time in retirement. This was consistent across income brackets, suggesting that many Canadians may be considering working in retirement out of necessity, but also by choice.



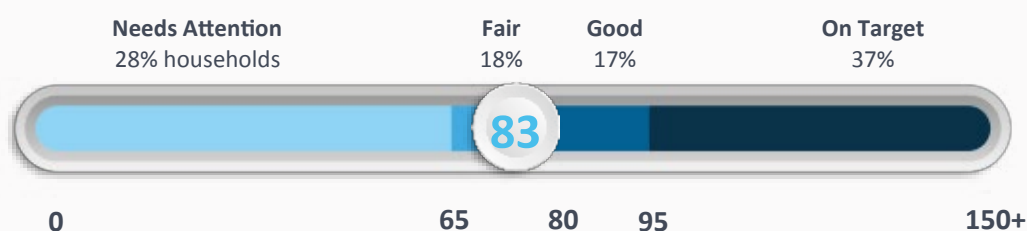
Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

¹³ Not all steps may be possible or appropriate for everyone. They are starting points to help people determine what's right for their situation. The relative and absolute impact of the appropriate actions will vary based on a variety of factors. Please refer to the Appendix for additional information.

Regional overview

United States

Fidelity's analysis of retirement survey data for the United States resulted in a calculated median Retirement Readiness Score of 83. This indicates that many workers in the US are in a 'Good' position to cover expenses but may need to make some lifestyle adjustments related to discretionary spending.



Source: Fidelity Global Retirement Survey 2019. Visual represents the median Retirement Readiness Score for the region and the distribution (%) of scores across the four categories for each region.

Many workers in the US have an optimistic outlook

In the US, survey respondents reported feeling relatively good at how prepared they are with their retirement savings - 34% told us they are on track, 26% mostly on track, 22% a bit off track and only 10% told us they are way off track (8% did not know).

Respondents' feelings about the lifestyle they will live in retirement are also positive with 74% expecting either a very comfortable or somewhat comfortable lifestyle in retirement. This may be due to expectation of needing to replace only 60% of their income in retirement, including Social Security benefits. Only 9% of respondents believe they would require 80% or more income replacement. Fidelity research indicates the total income replacement rate at 55% - 80% depending on the level of pre-retirement income.

US Median Retirement Readiness Scores by income & generation

	All Incomes	\$30-50k	\$50-80k	\$80-120k	\$120+
All Ages	83	79	80	83	85
Younger Workers Aged 25-38	82	78	84	80	86
Middle-Aged Workers Aged 39-54	80	71	79	81	83
Older Workers Aged 54-73	87	90	78	86	91

Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

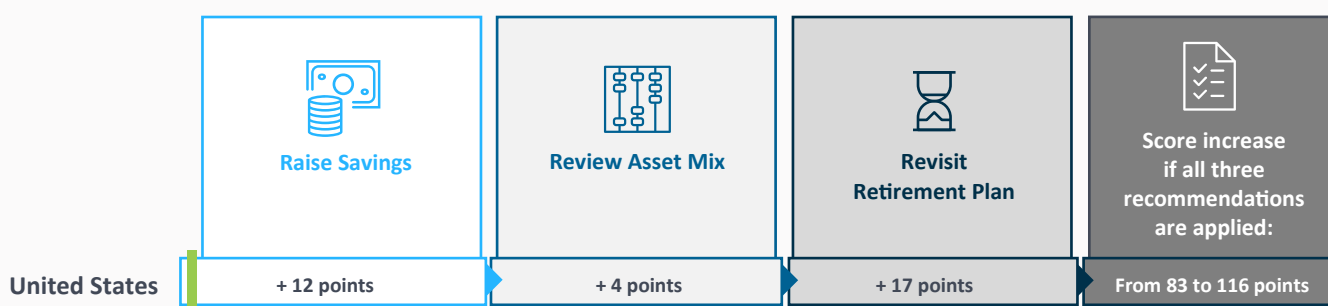
Off-track planning

Of the people who felt they were not on track, and are within 10 years of retirement, most have a plan to either boost their income or reduce their expenses in retirement. In this group, 53% plan to work in retirement and 29% plan to save more going forward, while 40% will cut back on discretionary spending and 13% will cut expenses.

Steps to improving retirement readiness in the United States

Taking the three key steps¹⁴ - raising savings, reviewing asset allocation and retiring later - could potentially increase the median US Retirement Readiness Score from 83 to 116. The Fidelity Retirement Readiness Score ranges from zero to 150, the higher the score the more financially prepared a household is for retirement. An improved score of 116 would propel the US into the 'On Target' range.

While working longer or working in retirement can greatly increase the score, previous research from Fidelity in the US indicated that while many people say they will do one of these, it's not always within their control. Often people are forced to retire earlier than anticipated due to their own health issues or those of their spouse. Others decide that spending time with family is more important and are willing to adjust their lifestyle in order to sustain in retirement. Fidelity encourages everyone to start saving as early as possible and to consistently revisit their retirement plan to ensure things are on track.



Source: Fidelity Global Retirement Survey 2019. All Retirement Readiness Scores are median scores.

¹⁴ Not all steps may be possible or appropriate for everyone. They are starting points to help people determine what's right for their situation. The relative and absolute impact of the appropriate actions will vary based on a variety of factors. Please refer to the Appendix for additional information.

Helping workers with retirement readiness

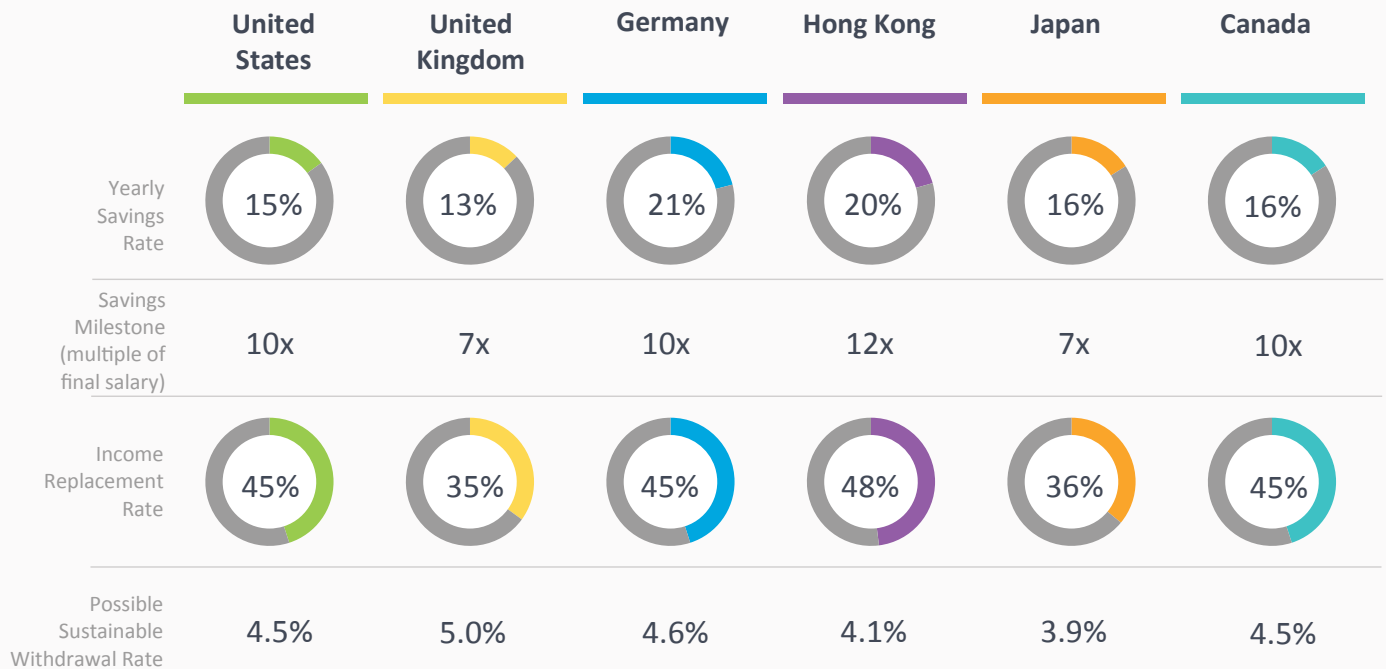
Across the regions, our research shows that many workers surveyed are not on track to sufficiently cover all retirement expenses and are likely to have to make lifestyle adjustments in retirement. Furthermore, there is a notable difference in people's subjective view of their retirement readiness versus the objective measure from the score. There is a clear need for education to help people understand retirement readiness and guidance to support active retirement planning in the regions surveyed.

Employers, as part of their retirement benefits offering, can play a key role in helping employees improve their retirement preparedness by offering education, reference points such as the Fidelity Retirement Readiness Score and engaging tools and guidance like the [Fidelity Global Retirement Savings Guidelines](#).

The Fidelity Retirement Readiness Score provides an overview of retirement readiness in each region and offers an opportunity to view how readiness varies across groups within each region as well as across regions. The score provides a measure of retirement readiness and a means of evaluating and demonstrating the positive impact of key action steps on the retirement readiness of workers. While not personalised to individual circumstances, these steps highlight key areas for people to consider in their retirement planning process.

The Fidelity Global Retirement Savings Guidelines aim, via interactive tools, visuals and articles, to help people engage in the process of retirement planning by exploring the impact of certain retirement planning actions, for example, saving more, retiring later, or making lifestyle adjustments when nearing, or in, retirement.

Fidelity's Global Retirement Savings Guidelines¹⁵



Source: Fidelity Global Retirement Savings Guidelines.

The guidelines provide a starting point for workers to understand how much they need to save for retirement, how much they should save each year, what their savings will need to cover in retirement and, once they are ready to stop working, how they can make their savings last. They are interconnected, so people are encouraged to keep each in mind, and to understand how they work together and understand how each may change in response to changes in assumptions/behaviours as they save for retirement and monitor their progress.

The road to retirement readiness is long but workers across the generations can be helped by understanding retirement readiness and the key actions they can take to improve preparedness and create better outcomes.

¹⁵ Please see the Appendix for additional information on the Fidelity Global Retirement Savings Guidelines

Appendix

About the Fidelity Global Retirement Survey

The survey population consisted of respondents with the following qualifying conditions: individuals aged 20-75 years old; working full time or part time or have spouse working full time or part time; not retired; expecting to retire someday; with or without retirement savings; the main financial decision maker or equal joint main financial decision maker in the household; a minimum household income of United States: \$20,000 annually; United Kingdom: £10,000 annually; Germany: €20,000 annually; Hong Kong: HK\$15,000 monthly; Japan: ¥3,000,000 annually; Canada: CA\$10,000 annually.

The research and analysis were completed for the United States, United Kingdom, Germany, Hong Kong, Japan and Canada. Data collection was completed in partnership with Ipsos, a global market and opinion research specialist, who collected and collated data for each region in September 2019.

About the Fidelity Retirement Readiness Score and key pre-retirement steps

The Retirement Readiness Score offers a simple, intuitive, standardised (consistent and comparable) measure of the degree to which one is financially on track for retirement, as well as a means of evaluating the potential improvement associated with improved retirement behaviours.

The goal is to gain a better understanding of where workers across the world are today when it comes to retirement readiness and how this readiness varies within a given region. Our analysis looks at retirement savings and spending, not only to provide a more comprehensive picture of the state of retirement readiness, but also to offer people specific steps that can be taken to improve their likelihood of living the lifestyle they expect in retirement.

The score is based on a 150-point scale where zero indicates a person is projected to be unable to meet any of the retirement expenses estimated to be necessary to maintain one's pre-retirement lifestyle in retirement and 150 means a person is projected to be able to meet 150% of those retirement expenses.

The Fidelity Retirement Readiness Score is calculated using Fidelity's proprietary methodology which consists of region-specific modelling assumptions that are applied to survey data. More specifically, the methodology looks at age, marital status, gender, asset allocation, savings rate, accumulated savings, other income sources, retirement age, and life expectancy to estimate income needs in retirement. The estimated income needs, determined through Fidelity's evaluation of national income and expenditure data, taxation and pension data are then compared to projected retirement savings balances and other income sources to determine the extent of retirement readiness.

The key pre-retirement steps - raise savings, review asset mix, revisit retirement plan - applied individually, or in combination, will have a positive impact on retirement readiness. The impact of increasing savings and adopting an age-appropriate asset mix will be greater for those further from retirement due to the longer remaining accumulation period. Retirement readiness will benefit to a greater extent when the impact of these positive actions can play out over a longer period. Improvements can vary significantly based on how far one's current behaviours/plans deviate from the targets associated with each step and how much time one has between one's current age and planned retirement for the potential benefits to manifest themselves. The impact of the steps can vary from country to country depending on the current and projected savings amounts, asset allocation and estimated retirement ages reported by survey respondents.

About Fidelity's Global Retirement Savings Guidelines

The Fidelity Global Retirement Saving Guidelines, released in November 2018, provide a set of general retirement saving/spending guidelines (rules of thumb) for required savings rate, age-based savings milestones, required income replacement, and possible sustainable withdrawal rates.

The Fidelity Global Retirement Savings Guidelines refer to personal and workplace savings amounts only and are calculated net of any state/government pension support. To generate the guidelines, the framework makes simplifying assumptions about a variety of factors, including retirement age, retirement horizon, wage growth, investment returns, and asset allocation. The base case used to generate the guidelines assumes a hypothetical 25-year-old with no current savings, and no private defined benefit (DB) pension income or other private lifetime income sources. All calculations and outputs are expressed in pre-tax terms. Along the way, and particularly as people get closer to retirement, it's always a good idea to work with a financial advisor to create a retirement income plan based on your specific income needs and personal circumstances.

The four key metrics are calculated based on the base case with a set of region-specific assumptions and they are for reference only.

Yearly savings rate: The suggested annual rate of (pre-tax) savings over a full working lifetime.

Savings milestones: Age-based savings targets expressed as multiples of current income.

Income replacement rate: The percentage of pre-retirement income that an individual/household should target to replace annually from their personal savings (including workplace savings) in retirement in order to maintain pre-retirement lifestyle.

Possible sustainable withdrawal rate: The real (inflation-adjusted), annual withdrawal amount expressed as a percentage of the initial (at retirement) asset balance.

For more information on the Fidelity Global Retirement Savings Guidelines please see the [Whitepaper](#) at www.retirement.fidelityinternational.com

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