

Retirement provisioning study 2011: “Financial knowledge and retirement provisioning practices”

“Seven out of ten inhabitants of Burgenland do not know anything about the pension gap”

61% of Austrians rely on the financial knowledge of their bank account managers

22% have more than EUR 5,000 available at all times as a financial reserve

49% of the persons surveyed want a capital guarantee for retirement provisions

39% are very enthusiastic about the state-subsidised retirement schemes

The new study “**Financial knowledge and retirement provisioning practices**” conducted by GfK Austria **on behalf of s Versicherung and Erste Bank & Sparkassen** brought some amazing results to light: Of the interviewed inhabitants of Burgenland aged from 15 to 60 years, the majority felt they were only averagely informed on financial topics. With respect to the themes “savings and investments”, inhabitants of Burgenland believe they are well informed, but in the themes of “insurances” and “financial provisioning” they perceive some knowledge gaps. On average, men are more convinced of their financial knowledge than women.

48% view the family as an important source of information for financial topics

The inhabitants of Burgenland are family people. For nearly half of the persons interviewed, the family is an important source of information also for financial themes. 57% of women sought advice from family members, but only 38% of men did. Very popular among Austrians are service providers from the financial industry such as banks and insurance advisors. 61% turn to their account managers for advice and 56% to their insurance advisors. Surprising is the finding that the inhabitants of Burgenland have relatively little confidence in the media (36%), Internet (19%) or public-sector organizations (8%) with respect to matters relating to finance. “Three quarters of all Austrians believe that banks are responsible for the theme of financial education. This is a clear mandate for us to become more active,” said Hans-Peter Rucker, responsible manager for Erste Bank in Burgenland. Only 22% view schools, universities and the media as responsible for knowledge transfer.

69% of Austrians do not know what the “pension gap” is

The pension gap or pension “chasm” has been the topic of many debates in politics and the media for many years. This makes the results of the survey even more surprising: Only 31% were able to correctly identify the concept and selected the answer “difference between the last active income and the state pension amount.” An incredible 69% of Austrians were unable to correctly interpret the concept. A share of 8% understood the concept “pension gap” to mean that the state will generally not pay out any pensions, and 9% were of the opinion that it referred to the shift in the retirement age. “And 34% were not able to explain the concept at all. A comparison by gender shows that 39% of the women surveyed and 29% of the men did not know the concept “pension gap”. “In our view, there is a lot of education that needs to be done in this area,” explained Heinz Schuster Management Board Member for Sales of s Versicherung. 33% the inhabitants of Burgenland view the Pension Insurance Authority (Pensionsversicherungsanstalt) as the main source of information on the pension gap. Banks advisors ranked second (18%) and insurance advisors ranked third (17%) among the persons surveyed. “This shows that insurance companies are definitely associated with retirement provisioning,” added Schuster.



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More than every third person underestimates the pension gap

The responses to the question regarding the size of the expected pension gap clearly showed that expectations among the persons surveyed have a tendency to be too optimistic. More than every third person (37%) expects to lose income in an amount of "only" gross EUR 400 to 800. Experts estimate the loss in income of an average worker or salaried employee aged 30 to 40 years to be monthly EUR 800 to 1,000.

55% of the persons surveyed in Burgenland want to keep risks low when investing

The financial crisis is still having after-effects throughout Austria in the area of financial retirement provisions. Every second participant wants only "low or no risk in investment". 49% even want a capital guarantee". Insurance expert Schuster on the subject: "It is interesting that 55% of men value a "capital guarantee" highly, but only 43% of women. With a mere 20% approval, "high yields and high interest" are of relatively little importance for retirement provisions.

At the same time, 35% of the inhabitants of Burgenland are rather unsure or very unsure if their own financial provisions will be able to guarantee their accustomed living standard also in retirement.

39% are very enthusiastic about the state-subsidised retirement schemes

39% view the "state-subsidised retirement schemes" as the best product for retirement provisioning. This is followed narrowly by "private supplementary retirement insurance plans" (34%). The persons interviewed placed and "life insurance" with 34% at almost the same level. "Austrians are very sceptical in contrast with respect to "company pensions". Only 9% consider these the best product for retirement provisioning," commented Schuster on this surprising finding.

Predominance of savings passbook unbroken

The real surprise came with the question on the savings passbook. Only 27% believe this is an adequate retirement provisioning instrument. At the same time, 58% stated already having started a savings passbook for retirement. "Apparently, the savings passbook is not connected to the concept of retirement provisioning. Nonetheless, everyone has one and it is part of a sound retirement provisioning," explained Rucker. Very popular among the inhabitants of Burgenland are the classical retirement provisioning products like life insurance (55%) and building society accounts (44%). This is followed by the private supplementary pension insurance plans (20%) and company pensions (11%). "Persons that indicated being well informed or better informed on the individual financial topics, tended to have life insurance or state-subsidised retirement products at an above average rate," stated Heinz Schuster.

Only EUR 69 go into retirement provisioning

"This year again, a wide discrepancy between "want to" and "able to" is clearly revealed. In 2010, the inhabitants of Burgenland said that they wanted to put aside EUR 116 every month for their own retirement provisioning. In fact, currently it is only EUR 69," explained Rucker. There is a difference between men and women here: Men spend EUR 79 per month for retirement provisioning and women EUR 60 which is slightly less. The occupation also has an influence on how much is put aside for the retirement nest egg. Four out of ten inhabitants of Burgenland stated not putting anything aside for their own retirement provisioning.

22% of the inhabitants of Burgenland expect their incomes to increase

The opinion of Austrians on the future trend of their incomes may be described as slightly optimism. Only 25% expect their incomes to increase over the next three years – that's below the average of Austria (41%). Every fourth expect their income levels to remain the same and even 21% believe their income will decrease. Of the 25% of the inhabitants of Burgenland that expect their incomes to rise, every third one (37%) is willing to raise the monthly premium paid for private retirement provisioning schemes. Four out of ten of the inhabitants of Burgenland would leave the amount unchanged.

22% of persons surveyed have more than EUR 5,000 available

Austrians are financially sound. How large is the financial cushion for unexpected events such as a broken washing machine or car repair? 34% of Austrians can immediately dispose of up to EUR 5,000. 22% could even access more money in the case of emergency. Only every tenth person does not have any financial reserves. "Generally, three monthly salaries should be available as a basic reserve. This ensures that short-term liquidity bottlenecks are covered," said Rucker.



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