

# Global Pension Outlook

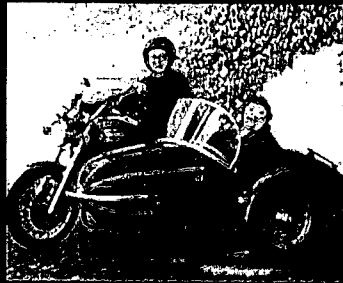
William R. H. Clark

Wellington Management Company, LLP

## A New World – Life Starts At Retirement

*In Germany,  
women over 80  
are the fastest  
growing  
motorcycle  
age category*

Reuters, July 13, 1998



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## Ongoing Demographic Change

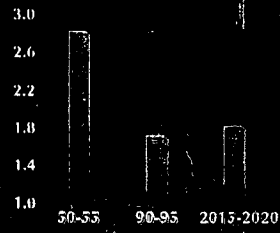
Declining Fertility Rates + Increasing Life Expectancy

Aging Populations

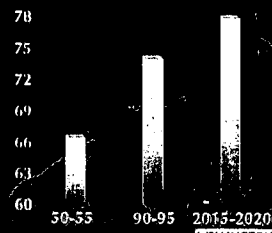
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## Developed Nations Grow Older

Fertility Rate per Woman



Life Expectancy at Birth

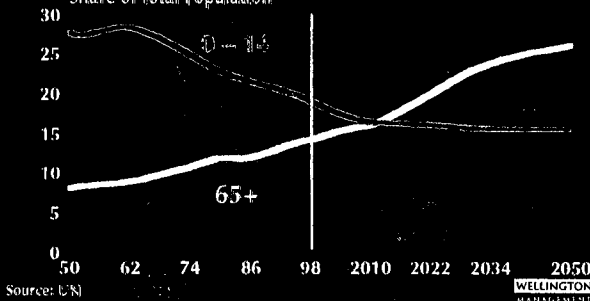


Source: UN

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## Developed Nations Share of Elderly Rising Fast

Share of Total Population



Source: UN

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## A Greying Population Implies:

Crumbling Social Security Coverage

Rising "Do it Yourself" Retirement Savings

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## Crumbling Social Security Coverage

When social security was introduced in the US in 1935, retirement age was 65 years...

...but life expectancy was 62 years

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## Crumbling Social Security Coverage

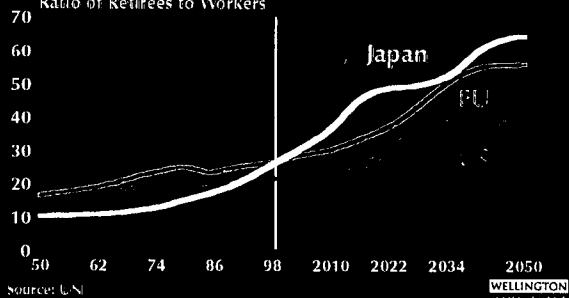
Today in the developed world, 4.3 workers support every retiree...

...by 2050, there will be 2 workers per retiree

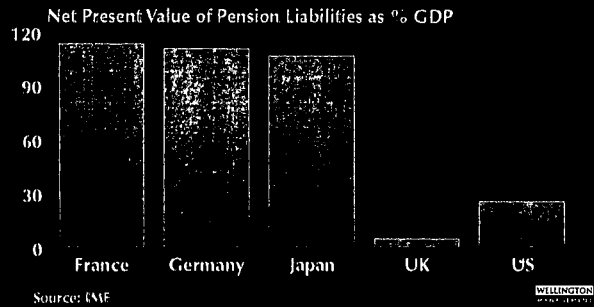
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## Dependency Ratios Poised to Rise Sharply

Ratio of Retirees to Workers



## US Pension Burden Compares Favorably Within Developed World



## Remedies to Save Social Security

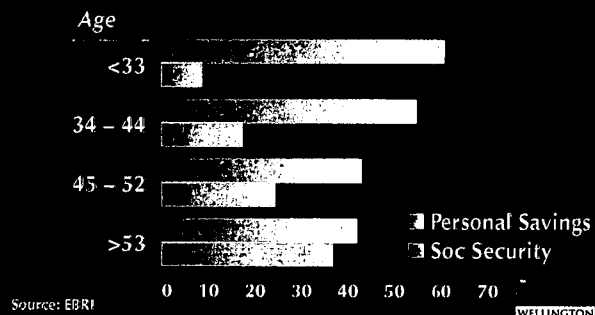
- Raising Retirement Age
  - Cutting Social Security Benefits
  - Increasing Labor Participation
  - Encouraging Migration
  - Promoting Private Retirement Saving
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## Rising "Do It Yourself" Retirement Savings

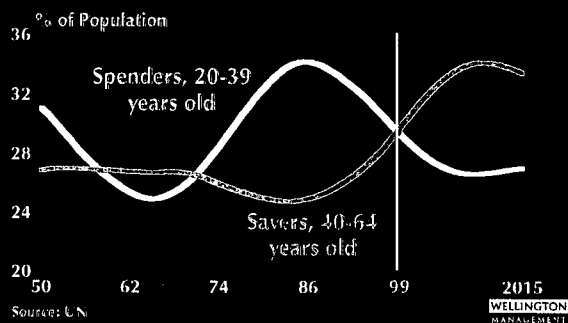
214.8

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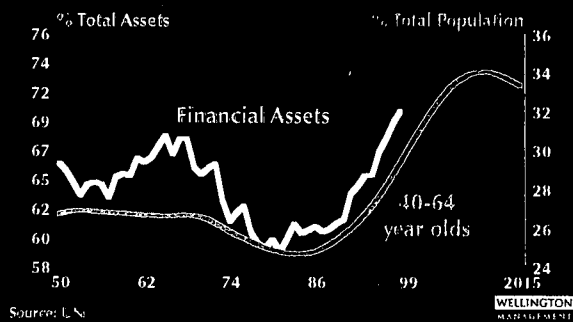
### US: Generational Differences in Expected Retirement Income Sources



### US: 1999 is the Crossover Year



### US: Demographics Cause Financial Boom

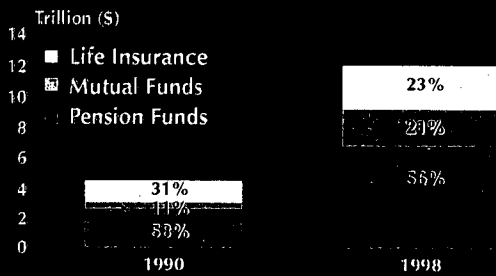


## "Do It Yourself" Retirement Vehicles

Pension Funds  
Mutual Funds  
Life Insurance

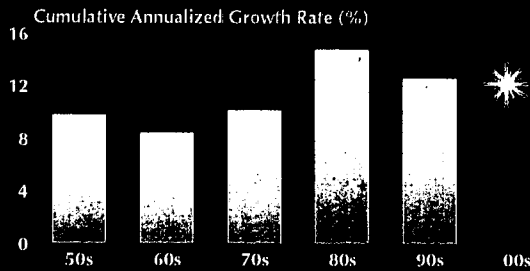
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## US Retirement Assets Reach \$12 Trillion in 1998



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## US: Impressive Retirement Asset Growth Set to Continue



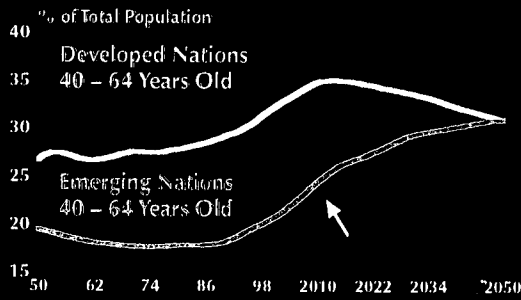
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## Emerging Nations: Savers Will Become Prominent After 2010



Source: UN

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## Emerging Nations Retirement Assets: Strong Growth Lies Ahead



Source: Intersec, FEEM, WML. Estimates  
Sum of Mutual Fund and Pension Fund Assets

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## Summary

- Aging is a global phenomenon
- Continental Europe & Japan face tough choices
- Retirement asset boom will continue
- Get ready for emerging markets

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