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# Focus on Funds: The Changing Retirement Savings Landscape in Latin America

Focus on Funds

## The Changing Retirement Savings Landscape in Latin America

The September 11, 2015, edition of *Focus on Funds* offers insights on the changing retirement savings landscape in Latin America. Roberto Walker, president of the Principal Financial Group for Latin America, explained the forces behind these trends in a recent interview at the ICI Global Retirement Savings Conference in Paris.

### Transcript

**Stephanie Ortbals-Tibbs, ICI Director, Media Relations**: Welcome to *Focus on Funds*, the Investment Company Institute's weekly roundup of industry news, ICI activities, and research findings.

Retirement savings in Latin America is an important, dynamic, fascinating topic. And recently, at ICI Global's Global Retirement Savings Conference in Paris, I got a chance to get some additional insights from one of the experts.

It really may be a bit surprising to people to learn that Latin America is not a very youthful continent. I think we all think of it as such and based on that, I can tell that you're coming up with solutions and responses to these issues. What are some of the most creative and interesting things you're seeing in the works?

**Roberto Walker, President, Principal Financial Group, Latin America:** To your previous point, it's true that we have a relatively young population, but that is going to change dramatically in the coming years. If you look, for example, at China, it's going to be even more dramatic with the one-child policy that they have right now. So what is the solution? I think that we have two groups of people. One group of people is the one that can save, and I think that what the government should do is try to create the best policies to incentivize people to save more. So that should be through the mandatory [solutions], but has a lot to do with also voluntary solutions—and I personally prefer voluntary than mandatory. And within voluntary solutions, I think that group solutions similar to the 401(k) that you have in the U.S., are the right way to go in order to serve precisely the middle class. Because the middle class will suffer a lot if we don't do something. Why is this? It's because the low-income people will be protected somehow with the solidarity pillar [government pension program]. The high-income people, they can solve their problems on their own. Then we have the high-affluent [who] are sensitive to tax incentives, but there is a big portion of the population, that can go from 60 to 70 percent in this region, that [is] not really well covered. And that's why we think that sponsored solutions through companies, through employers, is the right way to go. So what we're saying here is that we have to put together a collaboration effort between workers—how we can help them to save more, employers—how we can create sponsored plans with all the characteristics that basically we have in the U.S. with a 401(k), and how we can involve much better governments, not only to provide the solidarity pillar, but also to create the best conditions for building a long-term saving base that I think is going to be very beneficial for the growth financing of the country.

**Ortbals-Tibbs:** It's really going to be fascinating to see how it all plays out and I think we cannot close this discussion without talking very importantly about the role of women in retirement savings and some of the steps that Latin American countries are taking to address that issue and to make sure that women have adequate provision.

**Walker:** One of the big challenges in the case of women, is that, first of all, they have already been incorporated in the workforce, which is very good, it's very good for the country, it's very good for everybody, not only for women. But the problem is because of the kind of worry that they have to do also at home—and I think that men do not help that much in that respect—is that they don't have constant contribution to the system, so that's a big challenge. But in addition to that, in most of these countries, the retirement age [for women] is different [than for] men. So for example, in the case of Chile, retirement age is 60 years old. But women, not only do they have this contribution problem, but also they live longer. So it's a very bad combination. So what do we think we have to do? And this may be politically not well accepted at the beginning but understood in the long run, is precisely to adjust retirement ages, make sure that we have labor markets that favor the incorporation of women because this is not only a pension issue, it has to do with labor markets. They need more flexibility to adapt to their own reality, and if that happens, they will have sustainable jobs, constant contribution, and a better pension.

**Ortbals-Tibbs:** That's this week in funds. See you next week.

## Additional Resources

- Video Highlights: Global Retirement Savings Conference
- ICI Global Policy Priorities: Retirement and Savings
- Data and Analysis: ICI Retirement Research

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