The Intergenerational Inequality Paradox

Bronwyn Kirwan CRO Assembly May 2018
I'm too young to be this angry
Key ANZ risk pools have been identified
.....driven from prioritised consumer problem statements

<table>
<thead>
<tr>
<th>ANZ Risk Pools</th>
<th>Issues</th>
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</table>
| Retirement Provisioning         | • Outliving savings  
                                | • Sub-optimal utilisation  
                                | • Early retirement events  |
| Aged Care                       | • Home care  
                                | • Residential care  
                                | • Access gaps  |
| Degenerative Illness            | • Dementia  
                                | • Health treatment  
                                | • Underfunded care  
                                | • Indirect/emotional cost  |
| Intergenerational Inequality    | • Informal care  
                                | • Loss of income / super  
                                | • Inheritance uncertainty  
                                | • Intergenerational wealth inequalities  |
Who are these people?
Profiling the jilted....

Profiling demographically...
- Aged between 25 and 45, most acute if born after 1979
- Non home owners, private renters or state housing
- Middle or working class

Profiling behaviourally....
- Attempting to juggle life’s demands
- Oscillate between fatalistic and intensive planning
- Angry, disenfranchised, prone to mental illness

Why do we care?
- They are our workforce now and in the future
- They are agitants, politically active and demanding change
Cause and Effect:
Risk exposures for the jilted generation

- Housing
- Wages
- Dependency
- Retirement Futures
A convergence of factors
...leads to multiple risks

**Situation**

- House price increases
- Lending policies
- Income spent on housing
- Reduction in public housing
- Less space, more hours commuting

**Exposures**

- A lifetime of renting
- Housing insecurity
- Lower housing quality
- Delayed milestones
- Mental health issues
A convergence of factors ...leads to multiple risks

**Situation**

- Income stagnation
- Increase in self employment, ‘the gigs’;
- Reduced job mobility
- Reduced higher education
- Reduced disposable income

**Exposures**

- Lifestyle impacts
- Mental health issues
- Delayed milestones
- Delayed / abandoned retirement
A convergence of factors
...leads to multiple risks

Situation

- The dependency ratio
- Inadequacy of supply
- Complexity of needs
- Rising health costs

Exposures

- Informal care
- Premature residential care
- Reduced productivity
- Mental health issues
A convergence of factors
...leads to multiple risks

**Situation**

- Instability of income
- Demise of the defined pension
- Pension freedoms
- Immature retirement income markets
- Lack of inheritance

**Exposures**

- Investment risk
- Inflation risk
- Longevity risk
- Inertia
- Financial illiteracy
The paradox.

Expectation. Inertia.
Too little, too late.
Protection
...enhancing generational resilience...

A case study:
A ‘big 5’ consultancy firm in Sydney....

......with 80% of its highest revenue generating partners over the age of 43....

Productivity related revenue impacts circa 30% (approx. AUD 20m) due to time out of work place and related stresses caused by ageing parent or dependent child crises.....

> Approached Swiss Re ANZ to collaborate on a solution.
# Protection
...enhancing generational resilience...

<table>
<thead>
<tr>
<th>Family Care Credit</th>
<th>Care coordination and service provision (Services)</th>
<th>“On demand”</th>
<th>Immediate access to provider that can define plan and execute with providers immediately</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>“Navigation and coordination”</td>
<td></td>
<td>• Expert help available at moment of need</td>
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<tr>
<td></td>
<td>“Delivering the plan”</td>
<td></td>
<td>• Engage high quality case coordination and management</td>
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<tr>
<td></td>
<td>“GA Care Benefit” (Ageing parents)</td>
<td></td>
<td>• Short term funding for care allowing time for decisions to be made, plan implemented and define a future state plan – without time out of the workplace</td>
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<td>“Childrens trauma” (Dependent children)</td>
<td></td>
<td>• One off payment to create emotional space and financial buffer</td>
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</tbody>
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**Core drivers (needs) of solution design:**
- The need for value added services which provide *immediate, tangible benefits at moments of immense stress*
- The need for access to *immediate care* whilst government processes/assessment are completed, to *avoid adverse decisions*
- The need to *reduce the emotional and fatigue burden* placed on the sandwich generation
- The need to *protect the sandwich generation from economic inequality caused by time out of work to care, plan, manage*
Protection + Support
...enhancing generational resilience...

If not home ownership, then:
- Insurance solutions that provide certainty of rent payments
- Education and specialist guidance to maximise first home buying opportunities

If not wage growth, then:
- Flexible and supportive work environments that allow for gig/freelance earning styles
- Fairer entitlement rules for workers benefits
- Employer support for higher education

If dependency, then:
- Flexible and supportive work environments
- Parental leave and no-break pension contributions for leave due to ageing parents
- Family counselling
- Insurance solutions that mitigate for lost productivity

If not retirement security, then:
- Financial advice and education
- Custodianship of future retirement balances, avoiding erosion through excessive insurance, high fees
- Insuring against ultra longevity risk
If not generational fairness, then: #GenerationalResilience
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