

# Inspiring a culture shift

*With one of the lowest household savings rates in Europe, Portugal must work to enhance financial literacy and promote a savings culture in order to provide a secure future for its citizens*



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How much a population saves plays a crucial role in a country's economic growth – too little, and it can act as a stranglehold with far-reaching, long-term effects. Portugal, sadly, falls into this category. The Portuguese population saves considerably less in comparison to other European nations, most notably Luxembourg, Sweden and Germany. This difference can be attributed to the few savings incentives offered to families in Portugal, while low interest rates on term deposits and a tax on savings applications – the highest in the eurozone – further exacerbate the issue.

Furthermore, like other nations in Southern Europe, there is a tendency among the Portuguese to limit the diversification of their savings instruments. In contrast to Northern European populations, which tend to use the capital market for savings, the Portuguese continue to prefer term deposits and fixed assets, often investing in real estate instead.

As a result, household savings levels have declined steadily over the past 20 years, falling from a rate of 12.9 percent of available income in 1995 to just 5.4 percent in 2017. There were two exceptions to this trend in 2008 and 2012, which came as a result of Portugal's financial rescue programme. According to data released from ECO Economia Online, at the end of FY 2018 the household savings rate was one of the lowest ever recorded in Portugal, at 4.4 percent.

## Market impact

Over the last few decades, changing habits in Portugal have resulted in a bigger growth in consumption than we have witnessed for savings. This is partly due to an increase in consumer

confidence, which has also led to a rise in the use of credit. In fact, during the first half of 2018, Portugal's household debt burden grew from 70.8 percent to 73 percent.

By restricting individuals' ability to finance investment, the task of promoting the sustained return of economic growth becomes all the more difficult. In a vicious cycle, this is further exacerbated by the bad saving habits of younger generations. The state's commitment to foster greater financial literacy and household savings is therefore vital for a healthier economy. It will also help to create a more informed society that is better aware of its rights and duties.

Being the largest bancassurance operator in Portugal and the number one life insurance company in terms of assets under management, we at Ageas feel a responsibility to help the much-needed development of the country's savings culture. To this end, we are working on various projects at present. Our goal is to work closely with young people and to be part of the evolution of practical learning for financial literacy. Furthermore, we would also like to help the older generation, by creating decumulation solutions that prepare them for retirement. This is how Ageas wants to make a difference: by laying the foundations that help the Portuguese understand how to deal with these issues so they can make informed decisions when it comes to their money and investments.

We are also investing in cutting-edge platforms to clearly present our solutions to customers. In simplifying the communication process, we can help them understand all the necessary information, avoid pitfalls and overcome the fear of making mistakes, thereby helping them to move forward. This also has the added benefit of reinforcing their trust in us.

## Financial literacy

Among the 30 countries analysed by OECD in October 2016, Portugal ranked 10th for knowledge, attitudes and behaviour with regards to money management. The OECD also revealed that the

12.9%

Portuguese household savings as a percentage of available income in 1995

5.4%

Portuguese household savings as a percentage of available income in 2017

4.4%

Portuguese household savings as a percentage of available income in Q2 2018

Portuguese are passive in the management of their savings: saving is an active choice for less than 40 percent of respondents. The OECD average, meanwhile, is 60 percent, while Norway's is an impressive 80 percent. Along with the fact that few incentives related to savings exist, a lack of knowledge in this area is still very common.

Financial literacy is therefore a determining factor in our daily lives, especially as it is becoming more and more complex. The learning process should start at a young age. Fortunately, this evolution has already begun, with Ageas Portugal playing an important role: the challenge of promoting financial literacy has been incorporated into our global CSR strategy.

Financial literacy also plays an extremely important role in creating a new culture for saving, which means we need to be more aware of the practical relevance of financial literacy in its various aspects. Being a market leader in the life and pensions sector in Portugal reinforces our active role in developing the education of citizens towards saving. It is also important to reinforce civic education in schools as a way of affirming the

importance of saving from an early age. At Ageas Portugal, we truly believe that the development of skills in this area and the creation of savings habits should start early, in order to develop a greater awareness of the need for good long-term financial management.

## Retirement approach

Portugal is ageing. Today we live longer, with fewer children being born too. By 2050, only one in eight people will be considered young – that is, they will be younger than 15 years old. Despite the fact that there is some time to go before we encounter this scenario, Portugal is already the sixth-oldest country in the world. As such, it is simultaneously confronted with both the benefits and challenges of increasing longevity.

Given the international recommendations for living longer, it is curious to see that Portugal's recent evolution points to an increased focus on the practices of active ageing, despite the lack of mobilisation in older people. As such, it is essential to determine the policies we must adopt in order to ensure the future of this new demo-

graphic age. In January 2018, we learned that the average age where people will be granted access to pensions will increase by one month in 2019, to 66 years and five months. Is this enough to ensure the viability of dignified ageing? We don't think so.

The retirement pension is now recognised among the main causes for household indebtedness. This, combined with a high unemployment rate and the deterioration of working conditions, is very concerning for Portugal's ageing population. Indeed, if the level of savings does not increase, the retirees of the future are likely to receive considerably less than current pensioners.

We have tried to alert older people to the risks of having a carefree plan for the future. We also need to focus on savings instruments that will safeguard them during their retirement years. Fortunately, our wide range of offers responds to the various needs that can arise during this phase. In a bid to create greater awareness, we have teamed up with a major media player to launch a cycle of conferences. The first of these conferences was exactly about this subject: ageing well.

## Taking the initiative

We have many other initiatives in place too. For instance, Ageas has partnered with a group of like-minded companies to create SingularityU Portugal Summit Cascais, an event that brings the world's leading experts on accelerating technologies together with Portugal's brightest minds. As a founding partner, Ageas helps to connect great companies, entrepreneurs and future innovators with a view to creating new opportunities and training leaders to solve society's biggest challenges through technology.

Go Far is another great example. It's a joint venture between Ageas and the Portuguese National Association of Pharmacies, which has launched an innovative integrated health services network spanning more than 2,500 associated pharmacies. Services range from the administration of injectables to a wide range of analytical processes. As we know, pharmacies are highly valued by local communities, particularly among elderly people, who view them as a secure, trusted service when it comes to their health.

In a completely different area, we have created a new service designed for expats. The joint venture – this time a result of a collaboration with a real estate consultant – helps support clients in essential tasks such as looking for a house, opening a bank account or obtaining insurance.

At Ageas, we want our activities to be far-reaching. The insurance industry has changed completely: today, we need to go beyond insurance by enlarging our ecosystem with new partnerships, as the closed insurance world simply does not work anymore. We need to be in the front line for anticipating needs and tendencies, while also focusing on our customers' satisfaction and requirements. In doing so, we will continue to play a relevant role in society while remaining a sustainable organisation that employs approximately 1,300 people.

Our role is not to merely provide the services requested by our customers: our role is to think ahead, innovate and act as a guide in terms of prevention, protection, preparation and assistance. Our mission is to support our main stakeholders – namely our customers, as well as partners, employees and society. We do this by offering solutions that not only insure against risk, but also anticipate it by listening to our customers and developing simple and innovative solutions that meet their ever-changing needs. ■

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