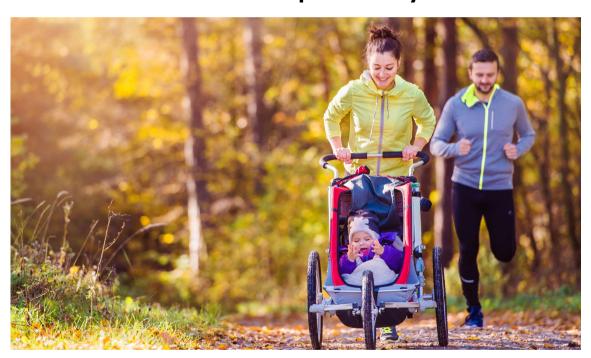


A report from The Economist Intelligence Unit

Reality check-ups: Knowledge gaps in health, wealth, and quality of life





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About the report

Reality check-ups: Knowledge gaps in health, wealth, and quality of life is an Economist Intelligence Unit (EIU) report, supported by MetLife Japan, that analyses the results of a survey of 1,600 respondents across eight economies: Australia, China, Hong Kong, India, Japan, Malaysia, South Korea and the United States. The survey asked respondents 10 questions on their expectations for their future health, wealth, and quality of life. Their answers were compared against the "reality" of what citizens of their countries typically experience in these areas based on data and forecasts from the EIU, World Health Organization, World Bank, and other sources.

The analysis of the results was complemented by seven in-depth interviews with experts. We would like to thank each for their time and insights. They are listed below in alphabetical order by surname.

Interviewees

- **Hiroko Akiyama**, advisory board member, International Longevity Center, Japan and professor, Institute of Gerontology, the University of Tokyo
- **Sandip Ghose**, Director, National Institute of Securities Markets, India
- **David Kneebone**, Ambassador, Hong Kong Strategy for Financial Literacy and General Manager, Investor Education Centre
- Annamaria Lusardi, Denit Trust Endowed Chair of Economics and Accountancy, George Washington University School of Business and Research Associate, National Bureau of Economic Research
- **Hitoshi Nakagama**, Director, National Cancer Center, Japan
- **Junichiro Okata**, Director, Institute of Gerontology, University of Tokyo
- **Gita Sen**, Distinguished Professor and Director, Ramalingaswami Centre on Equity and Social Determinants of Health, Public Health Foundation of India

The EIU bears sole responsibility for the content of this report, which was written by Nicholas Walton and edited by Chris Clague.

Executive summary

Reality check-ups: Knowledge gaps in health, wealth, and quality of life is an Economist Intelligence Unit (EIU) report supported by MetLife Japan that analyses the results of a survey of 1,600 respondents across eight economies: Australia, China, Hong Kong, India, Japan, Malaysia, South Korea and the United States. The survey asked respondents ten questions on their expectations for their future health, wealth, and quality of life. Their answers were compared against available data, rankings and forecasts.

The survey's aim was to test citizens' basic knowledge in these three areas to understand how well prepared they are to navigate their future. The results show clearly that more knowledge is needed in order for people to make the most beneficial decisions about their health and wealth needs. Overall, only 37% of respondents selected the answer most in line with current data and estimates. Respondents in Japan (47%) and South Korea (44%) had the best understanding of the issues confronting them in terms of health and finances. Both are undergoing similar demographic shifts, meaning these issues are likely already in the forefront of many citizens' minds.

Other key findings from the survey include:

- Respondents in India and China had the lowest levels of understanding. Fastchanging conditions in both economies are a likely cause.
- Across all economies, only 22% answered closest to the best estimates of the number of years they should expect to

- be retired, with those overestimating and underestimating almost evenly split.
- Seventy-nine percent of Indians, 76% of Chinese, and 58% of both Malaysians and Koreans overestimated their economy's ability to provide retirement incomes.
- Forty-five percent of all respondents overestimated the quality of end of life care in their economy.

In addition to the findings, the report also looks at two case studies in Japan, an economy at the leading edge of the demographic shift that is affecting much of the developed world. The first study questions the usefulness of the dependency ratio, a calculation of the under-14 and over-65 demographics as a percentage of the working age population. It asks whether, at a time when people over 65 are increasingly staying in or re-entering the workforce, if it makes sense to treat them as dependents. The other case study explores cancer in Japan and how, in many instances, it is turning into a manageable disease, at least in terms of treatment.

One key finding of the survey and other research conducted for this report is that all of the economies covered need to improve education in these areas. This can start as early as grade school, experts suggest, but needs to continue throughout life. Without improved knowledge, citizens in the surveyed economies are likely to face increasingly difficult health and wealth problems as they age which, collectively, could also place larger burdens on society as a whole.

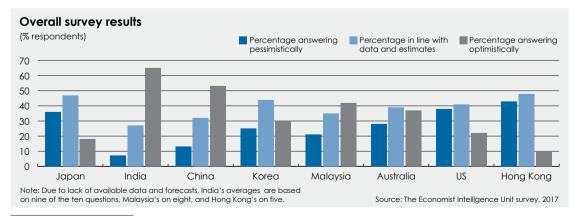
Introduction

Safeguarding one's wealth and health in today's modern world is becoming increasingly complicated. Citizens in developed economies continue to face new challenges, such as life-altering financial decisions and retirement, that used to be largely the responsibility of governments and employers. Those living in rapidly-growing economies, where social and economic circumstances are undergoing significant transformations must now similarly deal with unfamiliar financial products such as pensions, investments for retirement, and insurance.

At the same time, people are living longer. In China, for example, life expectancy at birth increased by almost ten years between 1980 and 2015 to 76 years.¹ Over the same period, life expectancy in India increased by almost 15 years and in Australia by eight.² While a welcome development, it creates new challenges for both individuals and the public and private institutions designed

to serve them. Healthcare systems in many economies, for example, lack the capacity to handle the growing number of elderly patients who require more and different types of care. Citizens, for their part, may not be aware of the afflictions they need to worry most about since many of these diseases and other maladies were not primary concerns when people were living shorter lives.

The extent to which people grasp changes in these and other areas is not well-known. To gain a better understanding, the EIU conducted a survey of 1,600 people across eight economies, asking respondents to answer ten questions on their expectations of their future health, wealth, and quality of life. Their answers were then compared against "reality"—empirical data and forecasts from the EIU and other reliable sources on what citizens of these economies are experiencing now and should expect to experience in the future. The questions ranged from male



^{1 &}quot;Developing or developed? Assessing Chinese life expectancy", ChinaPower, 2015, https://chinapower.csis.org/life-expectancy/

^{2 &}quot;Life expectancy at birth, total (years)", World Bank, 2017, https://data.worldbank.org/indicator/SP.DYN.LE00. IN?end=2015&locations=IN&start=1980&year_low_desc=true

and female life expectancy and the relative quality of healthcare to economic growth and the sufficiency of retirement income.

Overall results

Overall, Japan and South Korea had the highest average level of understanding of these issues, although only at 47 and 44%, respectively. The other economies were clustered in the mid-30% range, while India was at 27%. One interpretation of these results is that Japan and South Korea have similar demographics, with rapidly ageing populations who are by necessity concerned about such issues as illness and well-being in retirement. India, by contrast, is undergoing dramatic and dislocating economic and social change, with many of its people facing challenges that are unfamiliar to them.

Rapid economic development in both India and China likely explains why they are the most optimistic countries surveyed (at 65% and 53%, respectively). "[Indians] have been

generally very positive about the future and about what their children can hope for," says Gita Sen, Distinguished Professor and Director at the Ramalingaswami Centre on Equity and Social Determinants of Health in India. This general optimism, plus the unfamiliarity with issues such as pensions, helps explain India's notable excessive optimism about retirement incomes versus our benchmark, Allianz's Retirement Income Adequacy Indicator (India 79% and China 76%), and end of life care versus the ElU's Quality of Death Index (India 76% and China 77%).

The two most pessimistic countries are Japan (36%) and the US (41%). Following decades of low growth and concerns about demographic trends, Japanese negativity is both understandable and rooted in legitimate issues. In the US, the pessimism may be the result of similar factors, but numerous polls show it is also born of growing mistrust of the government.³

⁸ http://www.people-press.org/2017/05/03/public-trust-in-government-1958-2017/

Matters of health and quality of life

Our survey asked respondents four questions on basic health issues, such as the quality of healthcare in their country and life expectancy for males and females. The results show clearly that more knowledge is needed in order for people to make the most beneficial decisions about their health and wealth needs. They show that respondents are generally aware that women tend to live longer than men, with 59% able to estimate female life expectancy. However, only 38% were aware of the life expectancy for men. Forty-five percent of respondents overestimated male life expectancy while just 19% did so for female life expectancy.

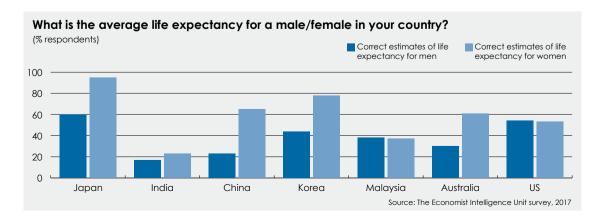
The low level of understanding in this area is likely best explained by how rapidly life expectancy has risen in recent decades. It does create problems related to behaviour, says Professor Gita Sen of the Public Health Foundation of India. "Non-communicable diseases now contribute the majority of the burden of disease [in India]," says Dr Sen. "It's not just about what happens to you from outside, it's also about how you live, what kind of lifestyle you lead, what you eat and

so on." Dealing with this requires Indians—and people around the world—to understand risk factors and the importance of shifting to and maintaining healthier lifestyles in order to reduce the potential for developing non-communicable diseases.

Recognising the risks

When asked which health issue is of most concern to them, forty-one percent of respondents selected cancer from a list of 12 diseases and other ailments, including coronary heart disease, diabetes, dementia, and stroke. Various cancers, which have both hereditary and lifestyle causes, depending on the type, are indeed the leading cause of death (in aggregate) in four of the seven economies in the survey, according to data from the World Health Organization (WHO): Japan, South Korea, US, and Australia. Among the other three, coronary heart disease is the largest killer in Malaysia and India and in China it is stroke; no comparable data was available for Hong Kong.

In Japan, where cancer is responsible for three-and-a-half times more deaths than



Living with cancer

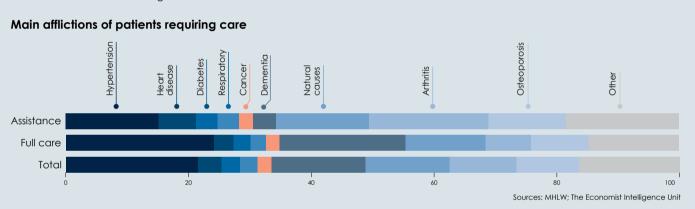
Sixty-one percent of Japanese respondents to the EIU's survey selected cancer as the health issue they are most concerned about, more than ten percentage points higher than the next highest response rate. They are not wrong, of course; cancer is the main threat to their lives. But in Japan, as elsewhere, cancer is becoming, if not curable, at least manageable in terms of treatment, with the average overall five-year survival rates for all cancers now above 60%.

Hitoshi Nakagama, president of the National Cancer Center in Japan, believes the survival rates will go even higher. "Even at present, the five and tenyear survival rates for most cancers is more than 80% when diagnosed and treated at early stages," he says. "And now latestage discovery is becoming less of an issue with the advent of early-detection biomarkers and precision medicines. Achieving a five-year survival rate of 80% is actually quite realistic over the next ten to fifteen years."

But surviving cancer means that other afflictions rise in importance. A study by Japan's Ministry of Health, Labour, and Welfare (MHLW), for example, revealed that those with cancer accounted for

only 2% of patients requiring some form of care. Hypertension and patients suffering dementia, however, accounted for 21.5% and 15.3% respectively, followed by natural causes (13.7%) and arthritis (11%).

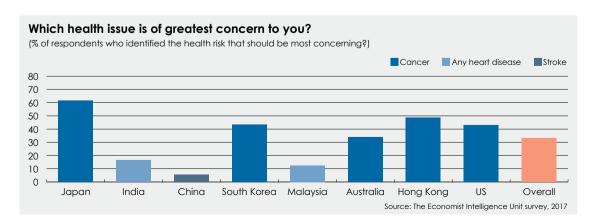
Today, cancer patients are actually quite healthy due to improvements in treatments, Mr Nakagama says, meaning that even when they're patients they can continue working and contributing to society. As they get older, however, they need to think about what is going to affect them at the end of their lives. That means thinking more about other noncommunicable diseases hypertension and diabetes, as well as dementia and other mental health issues.

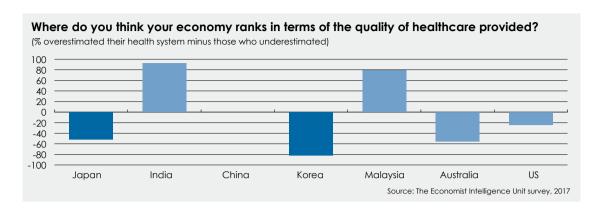


the next most frequent cause, influenza and pneumonia, sixty-one percent of respondents chose it as their greatest health emphasis, the highest rate in the survey (see Box above). In other economies, however, it's worth asking whether too much concern is being placed

on cancer, frightening as it is. In South Korea, for example, respondents to the survey selected cancer five times more often than they did stroke, even though cancer accounts for 2.7 times more deaths.

Our survey also asked respondents how well





their economy's healthcare system performed compared to others. Although South Korea is among the top 10% for healthcare in the world⁴, only 18% of respondents had a high level of understanding about its global ranking. In contrast, 48% of Japanese and 45% of Australians showed a high level of

awareness that their country was in the top 10%. At the other end of the spectrum, 79% of Malaysians and 92% of Indians overestimated the ranking of their health system. Both are in the bottom 50% of health systems worldwide, as measured by the EIU Healthcare Outcomes Index.

⁴ As measured by the EIU Healthcare Outcomes Index

Matters of wealth

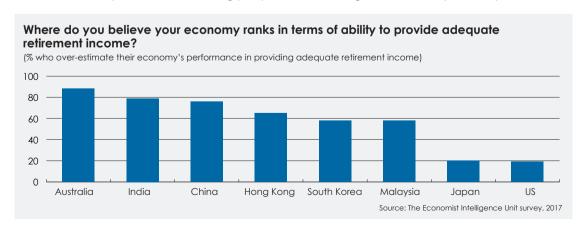
Managing one's own finances has become equally challenging, whether in a developed economy with new responsibilities to organise and manage a private pension sytem or in a rapidly-growing economy that is introducing a range of new and complex financial products. "Low financial literacy is a global phenomenon, and affects not just developing countries," notes Annamaria Lusardi of the George Washington University in the US. The results of the EIU survey, which tested understanding of four basic metrics that underpin financial decisions, such as growth expectations and retirement income, bear this out and suggest that many need to do more study to improve their financial literacy.

But such financial illiteracy is not a new phenomenon and societies have been struggling with this for decades, says Sandip Ghose, the Director of the National Institute of Securities Markets in India. One issue the survey results highlight is that people lack a clear understanding of retirement incomes, which are directly related to how long people

live. In the survey, 79% of Indians, 76% of Chinese, and 58% of both Malaysians and Koreans overestimated their economy's ability to provide retirement incomes.⁵

What citizens often misunderstand is that companies and governments are having to pay out larger amounts to cover longer lifespans, often without an increase in resources. "We cannot support a 30-year retirement with a 40-year career," says Dr Lusardi citing work by John Shoven from Stanford University. This mismatch has also been exacerbated by faltering global growth, especially since the 2008 financial crisis.

An economy's demographic profile can also create additional burdens, as in the case of Japan where a shrinking workingage population is having to support a larger number of retirees. Some observers, however, like Hiroko Akiyama, a professor at Tokyo University and an advisory board member at the International Longevity Center in Japan, think the issue is exaggerated given the willingness and ability of many retirees to



⁵ Using the Allianz Retirement Income Adequacy Indicator as a benchmark

return to the workforce (see Box page 12).

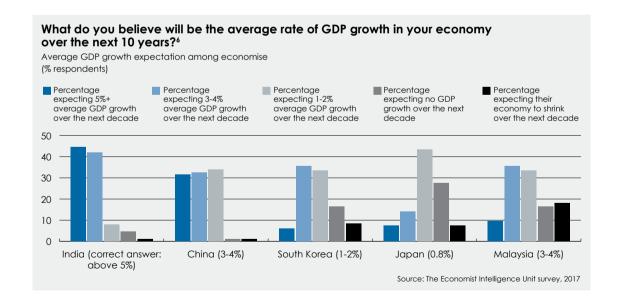
The response from both companies and governments has been to shift from defined-benefits and final salary pension schemes toward less generous defined-contributions schemes, coupled with increases in pensionable ages. Such moves transfer the responsibility for making complex and critical financial decisions to the individual. Our survey indicates that people are struggling to understand these decisions. For instance, 46% of Koreans and 48% of Japanese underestimate how long they are likely to live after retirement, a miscalculation that has implications for how long their money needs to last.

Great expectations

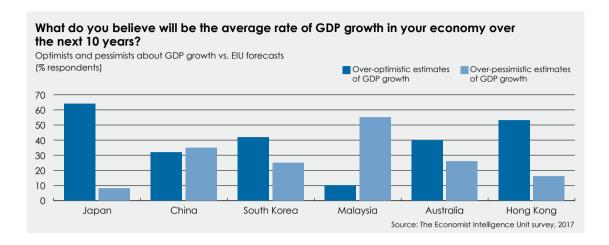
Low levels of awareness about basic concepts of finance and wealth can spell trouble for both the individual and society given that such knowledge provides context that helps inform individuals about how to

manage their own financial situation. "There are certain broad [economic] parameters that create a mindset for people," says Dr Ghose. In our survey, this was evident in the wide variation of responses when respondents were asked to estimate their economy's expected GDP.

Despite the obvious differences in economic fortunes among economies, the survey found that very few people selected the option in line with EIU forecasts for their economy. For instance, sixty-four percent of Japanese were more optimistic than the EIU, as were 53% of respondents in Hong Kong. Excessive optimism can lead to overly optimistic expectations of one's own finances, based on a belief in rising property prices, stock market growth, or earnings prospects. Conversely, fifty-five percent of Malaysian were more pessimistic than the EIU, carrying the risk that they will pursue investment strategies that are too conservative.



⁶ Note that these are EIU forecasts and that we recognize that governments have official forecasts that may differ.



Culture and gender

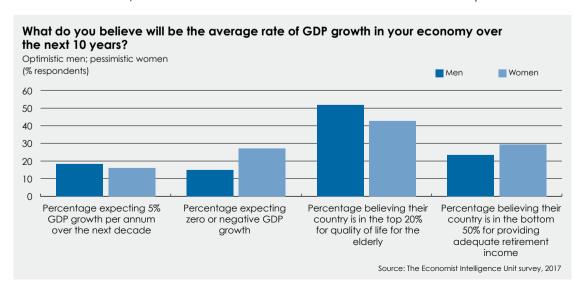
Differences in financial understanding can also be exacerbated by cultural factors. According to David Kneebone, an Ambassador for the Hong Kong Strategy for Financial Literacy, weddings are an expensive occasion in many parts of Asia, requiring large sums of money and specific rules governing who is responsible for paying for different elements. But as a result, planning for these outlays, in the form of savings and investment, can instil meaningful lifelong habits.

The concept of retirement similarly has cultural components. "In Hong Kong, many people are expecting their children and grandchildren to financially support them in retirement," he explains. "This is one of

several components that affects the support available from the government."

The survey results also show that men and women can have very different attitudes and levels of understanding regarding finances. Men, on the whole, tended to be more optimistic in several areas. Almost twice as many women thought their economy would stay the same or shrink over the next decade compared to men, and more men expect growth of at least 5% a year. Similarly, men are more optimistic about how their economy ranks in terms of quality of life for the elderly and providing long-term care.

This gender gap is not just about optimistic or pessimistic attitudes, however. According to Dr Lusardi, there is a "strong gender difference" in financial literacy across



economies. "This makes women particularly vulnerable," she says, "because women live longer than men, and they tend to participate in the labour market in a more spotty way, for example because of raising children or taking care of their family." Poor financial literacy

among women can also result in a reluctance to use financial services. For example, women in rural or semi-urban India are more comfortable keeping cash at home rather than use a bank, says Dr Ghose.

Japan: The new 65 and over

In societies facing demographic decline, one of the most-cited statistics is the dependency ratio. Often expressed as the percentage of the population over 65 and under 14 relative to the working age population (15-64), the figure is meant to provide an indication of the burden being placed on workers to support their nation's dependents.

Dr Hiroko Akiyama of Tokyo University, however, believes the dependency ratio has outlived its value as a meaningful measure. "The calculation [of the dependency ratio] is based on a rigid and outdated method of drawing a line at age 65," she explains, "which, in effect, says that anyone over this line is powerless and dependent and everyone below is shouldering all of the burden. That is clearly no longer the case." She argues that it may have been applicable in the 20th century when lifespans were shorter and most people were unable to physically and mentally work late in life. But today people over 65 are much healthier, better educated, and have access to various technologies, including robots and forms of artificial intelligence, that enable them to continue working and contributing to society well into their later

Japan will be among the first test cases for the concept of "working after





retirement." The economy's dependency ratio now stands at 65%, according to World Bank data, and is expected to rise unless its doors are opened to more immigrants, a policy shift that appears unlikely in the near future. Without prospective retirees remaining in the workforce, labour markets will tighten and the burdens placed on the working age population will rise.

So far, however, both the statistics and the anecdotal evidence are encouraging. The number of people in the labour force over 65 is estimated to have increased by 51% over the ten year period ending December 2016, reaching 7.7 million. While

there is little data on the type of work the over-65 cohort is performing, stories suggest that many are being rehired by their former employers on non-permanent contracts. Others are finding jobs in healthcare and other areas where there is a marked shortfall in the labour supply.

According to Dr Akiyama, this relatively new and growing segment of the labour force is something we've never seen before and one that will create new and different forms of collaboration and entrepreneurship. Now at the forefront of this trend, Japan is an important example for countries around the world from which to learn.

The effects of age

Age also plays a role in understanding key financial decisions. According to Dr Lusardi, financial literacy in advanced economies tends to have an inverted 'U' profile, with lower levels of understanding among the young and old. As the young will have to face many changes in their pension systems, it's important to step up efforts to empower them to deal with a new economic environment, she says. In India, "a huge number of people are going through their 60s, and many have not planned their retirement very well," notes Dr Ghose. He says that many older Indians have lost money by putting it into "a disconcerting number of Ponzi schemes." And in Hong Kong, a worrying number of people are retiring while still having to service debts, with many ending up "living in hardship or poverty," says Mr Kneebone.

Our survey also identified different attitudes among various age groups. For example, young people tend to be the most optimistic about future high GDP growth rates while older people expected growth to be more moderate. The survey also found that middleaged individuals tend to be more optimistic about their economy's ability to provide adequate retirement income, with older people the most pessimistic.

There were also significant differences in the length of time each age group expected to be in retirement: 65.6% of millennials expected to be retired for at least 25 years. Only 26.1% of middle-aged people and only 10% of the elderly expected this, while 58.3% of older people expected fewer than ten years of retirement. With people already living longer, such perceptions could indicate that a large number who are close to retirement are under-prepared for how long it is likely to last.

Conclusion

As people age, says Professor Junichiro Okata, director of the Institute of Gerontology at the University of Tokyo, they come to care more and more about three main things: health, wealth, and the well-being of their family. Navigating these three issues relies upon understanding the major indicators that underpin them. This is true in both rapidly-growing economies and more mature ones. This report suggests that knowledge levels and understanding of these indicators is worryingly low.

The one response to these deficiencies in knowledge is better financial and health education. Dr Ghose suggests introducing Indian school children, through their curriculum, to such concepts as budgeting, savings, investment, and the time value of money to address this lack of understanding. Our survey suggests that even mature economies, such as Japan, could benefit from better financial education, especially if it is targeted at segments such as women and those with fewer assets.

Better health education is especially relevant in societies that have experienced dramatic social and economic change. Dr Sen says that poorer people and those with lower social status, including women, are more likely to accept poor health as a given

and fail to do anything about it. Educating and empowering them about their health as their economic and social status improves is vital.

However, as Mr Kneebone points out, there are big difficulties in translating knowledge into positive behaviour. Knowing that challenges lie ahead does not always mitigate what he describes as "an inability to plan financially long-term, and not just predict but be comfortable that you're on track when you retire." This is also true for personal health, where knowledge of the benefits of exercise and better nutrition do not necessarily translate into healthier lifestyles for time-starved commuters. Understanding the implications of factors such as greater longevity and GDP growth is increasingly important for citizens across the economies surveyed.

There is now increased onus on people to play a leading role in safeguarding their own health and wealth, for instance through lifestyle changes or managing their own pension provisions. With greater knowledge and understanding, translated into behavioural change, individuals now have the power to make a significant difference to their own well-being.



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the supporter of this report can accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in the report.

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