

# Is living longer a reason to worry?

## People are living longer today than ever before!

However, as people live longer, the number of retired is growing, and since fewer children are born within the EU in comparison to past generations, the number of working people is falling.

In 1960 one would expect to live for another 12 years after their 65th birthday. Today, life expectancy over 65 is at an average of 17.2 years for men and 20.7 years for women.

With every decade life expectancy after 60 increases by at least another year!

Life expectancy at age 65 in the EU-27 is expected to increase by around five years until 2060, up to 22.4 years for men and 25.6 years for women. That effectively means that, on average, men will live to be 87.4 and women will surpass 90 years of age.

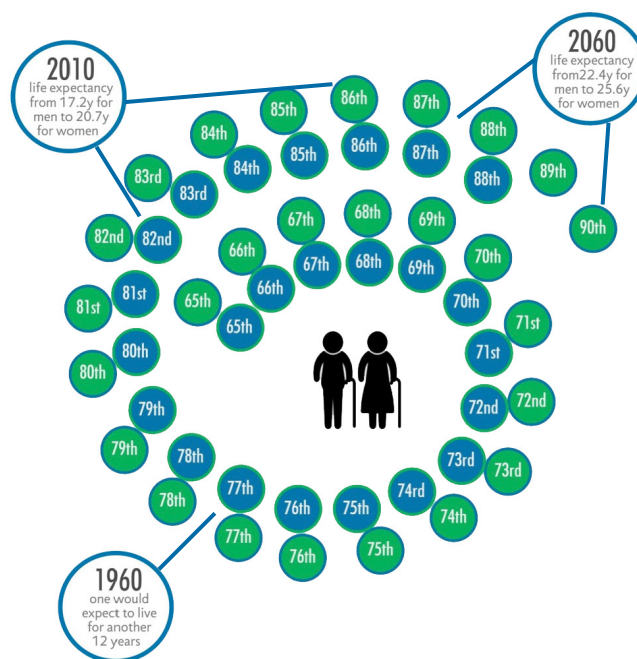
The population aged over 60 is currently growing by around 2 million each year, almost twice the increase observed in the late 1990s and early 2000s. Retired people drawing a pension are a significant and growing part of the EU population. The number today is estimated to be 25% of the total population, summing up to about 124 million.

With people living longer and the working-age population shrinking, contributing the same level of pensions offered today might prove unsustainable, forcing a heavy burden upon the next working generation.

**Today, there are approximately four people of working age for every retiree.**

**By 2060 this ratio will be two to one!**

To keep the balance between time spent working and time spent for retirement constant, we would have to work for approximately an extra 8 months for every year we live longer. Working longer does not mean abolishing retirement. It means keeping retirement affordable as life expectancy rises, since it allows us to save more money and reduces the number of years during which we depend on a pension.



The only viable alternative to late retirement is obviously to drastically increase contributions towards retirement, in order to help maintain the future level of income replacement rates.

This issue is particularly relevant to Cyprus. With a “voluntary” pension system whereby employers choose whether to set up a pension plan and, if so, which of their employees should be included, many of the private sector employees are left out of the system.

It is estimated that approximately 180 thousand private employees — more than half of the island’s active population — are not participating in a private provident fund scheme and are therefore solely dependent on State retirement benefits.

With the island’s Social Insurance scheme grossly underfunded and not expected to be viable after 2060, as things stand now, it seems that the quality of our retirement years depends on our private initiative!

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