Abstract

Turkey's social security system faces many challenges including an increasing average life expectancy, an ageing population, low insured/pensioner rates, and low savings rates. As a result, the Turkish pension system will likely come under significant pressure. The aim of this study is to highlight these challenges in order to raise awareness, and prompt action by policymakers and financial institutions alike. Also, in order to make a proposal, this study is aimed at understanding people’s expectations and anticipations related to retirement, their current savings and investment habits and their willingness to work with a Personal Financial Planner. Thus, a survey was conducted by the method of judgment sampling. From the results, it is evident that even those, who are highly educated and among the most informed on retirement matters in Turkey, have the need to work with a Personal Financial Planner for saving and investment decisions they are to make and execute, especially with respect to retirement.

Keywords: Retirement, Financial Planning, Saving, Investment

JEL Classifications: J26, J32, H55, D14

1. Introduction

A significant increase in average life expectancy and an ageing population together with an insured/pensioner rate lower than desired, place increased pressure on the pension system in Turkey, potentially threatening its strength and sustainability. For this reason, it is necessary for individuals to take increasing responsibility for their own well-being in retirement by actively saving and investing and not just relying on the social security system. With the saving rates in Turkey below the world average, great emphasis is put on the private pension system by the government in order to encourage individuals to save and invest for their retirement. In addition, individuals’ approaches to the concept of saving, their ways of making savings and the investment preferences and instruments in which they invest their savings, their thoughts on getting consultancy from a professional regarding saving and investment are key. Due to Turkey's challenges mentioned above, this study is aimed at making a proposal which will result
in a sustainable pension system as well as a community that has good saving habits. To this end, a survey has been conducted to determine the expectations, preferences, saving and investment habits of people, and to understand whether they need, and are willing to get help from a Personal Financial Planner. From the survey, it is evident that even people who are highly educated and among the most informed on retirement matters in Turkey have the need to work with a Personal Financial Planner for saving and investment decisions they are to make and execute with respect to their retirement. Additionally, individuals tend to work with financial institutions for longer if they trust them, and the willingness of individuals to transfer all their financial accounts to a provider that offers personal financial planning and to pay for those services come out as prominent findings of this study.

2. Increase in Average Life Expectancy in Turkey and Its Effects on Retirement Period

Average life expectancy in Turkey continues to increase in parallel with increasing prosperity and economic development levels. According to The Organization for Economic Co-operation and Development (OECD, 2017a), average life expectancy, which was 54.2 years for those born in 1970, has risen to 78 years for those born in 2015 (Figure 1). With this increase of 24 years, Turkey ranks first among OECD countries in terms of increase in average life expectancy.

![Graph showing average life expectancy at birth](image)

**Figure 1. Average Life Expectancy at Birth**

*Source: OECD (2017a)*

According to the life tables published by the Turkish Statistical Institute (2017) for the period between 2014 and 2016, mean life expectancy at birth is 78 years in Turkey; with women averaging 80.7 and men, 75.8 years.

The fact that average life expectancy has increased to 78 years indicates that people will spend more time either working or as retirees. If individuals choose retirement, then they will need a sustainable stream of retirement income and healthcare benefits for a longer period. Consequently, the Turkish Social Security Institution (SSI) will have to pay retirement pensions to and fulfill healthcare needs of persons under its coverage for longer.

Presently, in Turkey, according to the law 5510, working women are entitled to retirement benefits at the age of 58 and men at the age of 60 (Turkish Grand National
Assembly, 2006). However, the government has said that the age at which both men and women are entitled to retirement benefits will rise to 65 in the future. According to statistics from SSI, the insured/pensioner ratios in Turkey has risen to 1/1.95 in 2017 from 1/3.3 in 1980 (Social Security Institution of Republic of Turkey, 2017). Among EU member states, the mean ratio is 1/4 and for OECD countries, it stands at 1/6. This ratio is expected to continue to rise in Turkey and reach 1/1.16 by 2020. In other words, within two years, the social security premiums paid by 1.16 workers will be expected to cover the retirement pensions and healthcare expenses of one retiree, resulting in a likely unsustainable situation.

Considering that the insured/pensioner ratio provided above have materialized during a period when average lifespan was shorter, and that average lifespan is set to increase by 24 years, it seems that the insured/pensioner ratio could reach levels where retirement costs (retirement pensions and healthcare expenses) may not be able to be covered. At this point, personal savings and investments along with retirement planning for turning these savings and investments into steady and sustainable streams of income will be crucial.

Statistics clearly indicate that people will either work longer or spend more years as retirees because of the increase in average lifespan. An increased retirement period will leave social security institutions pressured to provide retirement pensions, and require retirees to self-finance an increasingly greater portion of their retirement expenses.

For this reason, individuals in Turkey, like their peers in developed countries, need to save and invest, at a greater rate, for their retirement and plan for (i) how much their expenses will be during their retirement; (ii) how much income they will need in order to cover those expenses; (iii) how much they need to save and invest during their working years in order to have saved enough to then generate this income; and (iv) how they can turn those savings and investments into a steady and sustainable stream of income to last throughout their retirement periods. However, since retirement planning requires extensive financial knowledge and experience, the best solution for individuals is to utilize services of a Personal Financial Planner.

3. Savings and Retirement Investments in Turkey

According to data provided by the World Bank (2018), savings have amounted to 25% of Gross National Income (GNI) in Turkey as of 2016. This ratio, which constitutes the data of the World Bank, is the same as the rate of savings determined according to the statistics subject to revision in the data series in 2016 as stipulated by the TSI Presidency dated 09.12.2017 and numbered 25. Before that revision, Turkey’s gross savings rate was calculated to be around 15% (Anadolu Agency, 2016). According to the World Bank (2018), average savings rate among upper middle-income economies including Turkey is 36%. During the same period, savings rates have been 46% in China and 49% in Singapore.

TEB and Bogazici Universitesi Analtik ve Içgoru Merkezi (2017) found that 54% of individuals in Turkey do not save at all and 18% of those who save spend what they have saved by the end of month. 47% of those who save have indicated that they hold their savings in cash, and 18% hold their savings as gold. The rest invest their savings in current or savings accounts.

According to another study by ING Bank (2017), the percentage of the urban population who save was 14% as of the first quarter of 2017. The most popular savings instrument used by participants of the study was private pension funds at a rate of 28%, followed by savings accounts at 23%, while 22% of those surveyed preferred to hold their savings under the mattress. Also, HSBC (2017) found that globally, 38% of the working population has not yet started to save for their retirement, and in Turkey, this rate is at 59%.

In short, the percentage of the working population saving in Turkey is not at a satisfactory level and therefore increasing the number of those saving is necessary for Turkish economy to continue to advance.

Different strategies have been conceived and many incentives have been offered in Turkey for this purpose. One prominent example of those is the “Action and Strategy Plan for Financial Access, Financial Education, and Protection of Financial Consumers (Prime Ministry, 2014)”. The main goals of the strategy are stated as expanding financial services and products to all segments of the population, in order to reach those who have been left outside of the financial system, and to boost the quality and usage of available services and products. The
strategy aims to increase accessibility and usage of financial services and products by providing information and raising awareness about them. This is expected to result in more people getting involved in the financial system and therefore increasing savings and investments as well as participating in the private pension system (PPS).

Promotion of PPS is another key point in the agenda. During discussions for a regulatory proposal on automatic enrollment in PPS, it was stated that Turkey has a long way to go regarding personal savings when compared with the rest of the world and that the intent of automatic enrollment in the pension system is to increase the participation rate in PPS and to promote saving for retirement by working people. Increasing personal savings rates along with increasing the participation rate in PPS will result in a higher probability that individuals will be able to maintain their prosperity level during their retirement years. Other goals of the proposal have been asserted as popularization and widening of the scope of PPS, advancing individuals’ prosperity level during retirement, increasing savings rates on a national and individual level and thus, accelerating growth and reducing the current account deficit (the Committee on Planning and Budget, 2016).

After the Law on the Private Pension Savings and Investment System came into force (Turkish Grand National Assembly, 2001), the first private pension plans were approved in 2003 at which time the system became operational. In January 2013, the pension system was strengthened with the implementation of a matching state subsidy equal to 25% of contributions from individuals.\(^1\) As seen in Table 1, by the end of the first year of implementation (31.12.2013), this new governmental policy had positive effects on the behavior of individuals, including a near 33% increase in the number of participants in the system coupled with a 14% increase in the average annual contribution per participant.

In Table 1, the term contribution means the amount paid by the participant to the company according to the pension contract. Contributions Turned into Investments means the total amount that is transferred to the fund after deduction of administrative expenses from contributions paid by the participant to the pension contract. Total Funds of Participants shows aggregate funds of all participants and includes contributions and investment performance. The Total Funds of Participants was first published in October 2006 (2,549,897,610 TL).

Another recent development with respect to the private pension system was the introduction of the automatic enrollment plan (AEP) which commenced in 2017 (Turkish Grand National Assembly, 2016).\(^2\) With AEP, public and private sector employers automatically enroll their employees, who are younger than 45 years of age, in the private pension system. Employees may remain within the system for as long as they wish or leave it at their will. The regulators’ purpose in introducing AEP is to help individuals develop a habit of saving and investing, and accumulate long-term savings and investments for their retirement.

Table 1 shows a decrease in Number of Participants in PPS in 2018 which may be attributable to the introduction of the AEP in 2017. It is publicly thought that some people do not prefer to enter or remain in PPS because they are already automatically enrolled in AEP. Additional factors contributing to the declining growth rate of the number of participants in PPS could be a deteriorating macro-economic environment, as well as the increase in those retiring and opting for a lump-sum distribution and leaving PPS instead of opting for an annuitized payment and remaining in PPS.

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1 With the Law Amending the Law on Private Pension Savings and Investment System and Other Laws and Decrees, published in the Official Gazette numbered 28338 (Turkish Grand National Assembly, 2012); the former system of tax breaks through tax deductions has been abolished and the new state subsidy system has commenced on 1 January 2013.

2 With the Law Amending the Law on Private Pension Savings and Investment System published in the Official Gazette dated 25 August 2016 and entered into force on 1 January 2017, rules governing the automatic enrollment of employees in a pension plan via their employers have been laid down.
Table 1. Development of the Private Pension System*

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Number of Participants</td>
<td>15,245</td>
<td>3,128,130</td>
<td>4,153,055</td>
<td>6,883,738</td>
</tr>
<tr>
<td>Number of Certificates</td>
<td>16,812</td>
<td>3,496,377</td>
<td>4,687,675</td>
<td>8,156,530</td>
</tr>
<tr>
<td>Year over Year Growth in Number of Participants</td>
<td>-</td>
<td>486,287</td>
<td>1,024,925</td>
<td>-41,207</td>
</tr>
<tr>
<td>Year over Year % Growth in Number of Participants</td>
<td>-</td>
<td>18%</td>
<td>33%</td>
<td>-1%</td>
</tr>
<tr>
<td>Total Funds (TL) of Participants</td>
<td>N/A</td>
<td>20,346,290,278</td>
<td>25,145,718,418</td>
<td>75,325,623,949</td>
</tr>
<tr>
<td>Year over Year Growth in Total Funds (TL) of Participants</td>
<td>-</td>
<td>6,016,518,292</td>
<td>4,799,428,140</td>
<td>7,648,315,288</td>
</tr>
<tr>
<td>Year over Year % Change in Total Funds (TL) of Participants</td>
<td>-</td>
<td>42%</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>Cumulative Contributions (TL) Turned into Investments</td>
<td>5,692,556</td>
<td>15,741,037,013</td>
<td>21,455,900,238</td>
<td>56,968,926,216</td>
</tr>
<tr>
<td>Annual Contributions (TL) Turned into Investments</td>
<td>5,692,556</td>
<td>3,712,551,291</td>
<td>5,714,863,225</td>
<td>5,158,163,107</td>
</tr>
<tr>
<td>Avg. Annual Contribution Turned into Investments (TL) per Participant</td>
<td>373</td>
<td>1,187</td>
<td>1,376</td>
<td>749</td>
</tr>
<tr>
<td>Year over Year % Change in Avg. Annual Contribution Turned into Investments (TL) per Participant</td>
<td>-</td>
<td>12%</td>
<td>16%</td>
<td>-36%</td>
</tr>
<tr>
<td>Avg. Monthly Contribution Turned into Investments (TL) per Participant</td>
<td>31</td>
<td>99</td>
<td>115</td>
<td>68</td>
</tr>
<tr>
<td>Cumulative Contributions (TL)</td>
<td>5,866,764</td>
<td>16,177,757,755</td>
<td>21,921,860,114</td>
<td>57,861,473,943</td>
</tr>
<tr>
<td>Annual Contributions (TL)</td>
<td>5,866,764</td>
<td>3,784,069,111</td>
<td>5,744,102,359</td>
<td>5,285,957,469</td>
</tr>
<tr>
<td>Avg. Annual Contribution (TL) per Participant</td>
<td>385</td>
<td>1,210</td>
<td>1,383</td>
<td>768</td>
</tr>
<tr>
<td>Year over Year % Change in Avg. Annual Contribution (TL) per Participant</td>
<td>-</td>
<td>11%</td>
<td>14%</td>
<td>-35%</td>
</tr>
<tr>
<td>Avg. Monthly Contribution (TL) per Participant</td>
<td>32</td>
<td>101</td>
<td>115</td>
<td>70</td>
</tr>
<tr>
<td>Amount of State Subsidies (TL)</td>
<td>-</td>
<td>-</td>
<td>1,151,765,932</td>
<td>11,175,517,641</td>
</tr>
</tbody>
</table>

Note: * Individuals enrolled through automatic enrollment plan are excluded. **Since year-end data is not yet disclosed, the calculations (on this column) are based on 11-months data.

Source: Pension Monitoring Center (2018a)

If an employee works in more than one workplace covered by the pension system, he or she may have more than one employee participation certificate (Table 2). This situation causes the difference between the total number of certificates entered into the system and the number of unique employees entering the system. If an AEP participant wants to opt out, they must do so within two months of being enrolled in the AEP. After this opt out period, a participant can still choose to leave the plan at any time. Table 2 highlights a few of the positive impacts that the government’s AEP initiative has had on participation and savings rates in the pension system. In the twenty-three months (less than 2 years) since the introduction of AEP, there have been nearly 5 million people enrolled in the pension system. By comparison, PPS did not reach 5
million participants until year 12. Also, Total Funds of Participants reached nearly 4.4 billion TL in the first 23 months in AEP, conversely, PPS was not achieved that fund until the end of fifth year. These two points highlight the positive impact that AEP has had on the retirement system participation and retirement savings behaviors of working individuals in Turkey.

Table 2. Private Pension System, Automatic Enrollment Plan (30.11.2018)

<table>
<thead>
<tr>
<th>Automatic Enrollment Plan</th>
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<tbody>
<tr>
<td>Number of participants</td>
<td>4,990,233</td>
</tr>
<tr>
<td>Number of certificates</td>
<td>5,187,914</td>
</tr>
<tr>
<td>Total funds of participants(TL)</td>
<td>4,369,344,482</td>
</tr>
<tr>
<td>Contributions (TL)</td>
<td>3,966,003,417</td>
</tr>
</tbody>
</table>

Source: Pension Monitoring Center (2018b)

Table 3 shows those who were automatically enrolled in the system yet exercised their right to opt-out or leave the plan. As of 30 November 2018, 12,204,946 million employees were included in the system and 15,640,520 certificates were put into effect. The number of certificates in force is 5,206,327 according to data dated 30 November 2018. The percentage of employees who were automatically enrolled in the system yet left by exercising their right to opt-out was 52%.

Table 3. Automatic Enrollment Plan Opt-Out Rates (30.11.2018) *

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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Number of unique participants - entered</td>
<td>12,204,946</td>
</tr>
<tr>
<td>Number of certificates – issued</td>
<td>15,640,520</td>
</tr>
<tr>
<td>Number of certificates – opt out</td>
<td>8,122,789</td>
</tr>
<tr>
<td>Number of certificates – quit (excluded opt out)</td>
<td>2,311,404</td>
</tr>
<tr>
<td>Number of valid certificates</td>
<td>5,206,327</td>
</tr>
<tr>
<td>Rate of opt out³ (according to number of certificates)</td>
<td>52%</td>
</tr>
</tbody>
</table>

Note: *The figures in the table are calculated according to the data recorded in the system as of 30.11.2018.

Source: Pension Monitoring Center (2018c)

Figure 2, which compares total assets in funded and private pension arrangements as a percentage of Gross Domestic Product (GDP) among OECD Countries shows that while the weighted average is 126% across all OECD countries, the rate stands at 4.8% in Turkey.

The statistics suggest that despite generous state subsidies, savings and investments in Turkey remain at low levels. Studies on the issue have found that people are not willing to save for retirement due to a lack of awareness, financial information and experience, and instead they choose to spend their money (Deloitte, 2017). This makes providing personal financial planning services to people on topics such as budgeting, savings and investments, along with planning for retirement needs even more critical.

³ According to statistics by Pension Monitoring Center, %18 of certificate (1,448,013) holders who have opt out hold another private pension account within the system.
Personal financial planning is a consultancy service focused on the personal and financial goals of individuals, based upon an assessment of their expenses, assets, debts, risk profiles and future goals, in a way consistent with the current situation and goals of the individual as determined during the assessment. A comprehensive financial plan brings together various consultancy services such as budgeting (income - expenses, education, health, consumption, etc.), investment planning, credit planning, retirement planning, insurance planning, tax planning and estate planning.

Personal financial planning helps individuals with managing financial matters in the most efficient and effective way. It allows individuals to evaluate, organize, control, and manage all their financial issues typically with the help of a specially trained and experienced professional or organization. Comprehensive personal financial planning provides individuals the opportunity to receive all of the financial services they need (such as budgeting advice, investment consultancy, insurance consultancy, retirement consultancy, risk management, tax consultancy, legal advice on estate management, insight on the macroeconomic situation and developments, etc.) under the oversight and management of one personal financial planner.

It also enables the individual to purchase all financial products they need (e.g. treasury bonds, equities, insurance policies and pension plans, etc.) again under the oversight and management of the same appropriately licensed professional or institution.

Additionally, personal financial planners identify the risks faced, or likely to be faced by individuals and advise them on how to manage those risks (i.e. by choosing which risks to bear,
mitigate or transfer). They present appropriate insurance products that can sufficiently cover the identified risks and encourage the individual to purchase the insurance policies they need. They explain the importance of risk management for personal financial stability.

Furthermore, personal financial planners explain to their clients what potentially awaits them in their retirement periods (e.g. decreasing income levels and increasing health and personal care costs). They also advise their clients on (i) how much income they will likely need during their retirement in order to cover their expenses and sustain a comfortable lifestyle; (ii) how much they need to save and invest in order to generate a sustainable level of income equivalent to that need; (iii) what kinds of pension plans are available from pension companies, and (iv) how the state subsidies in each of these plans benefit their retirement income, etc.

While working to come up with those plans, personal financial planners also consider the macroeconomic conditions surrounding the national and global economy. In case of any changes in the macroeconomic conditions or personal situations of their clients (inheritance, other unexpected earnings, marriage, childbirth, unemployment, divorce, etc.) they reevaluate and as necessary revise the individual financial plans according to these new conditions (Ekren et al. 2017).

According to MERCER (2017), 73% of those who identify themselves as very knowledgeable on financial matters work with a financial consultant while 89% of those who believe they lack knowledge about financial matters do not work with a financial consultant. Additionally, according to Northwestern Mutual (2017), those who do not work with a financial consultant are two times more likely than those working with a financial consultant to state that they are concerned about being unable to have financial security during their retirement because of inadequate savings. While the rate of those with inadequate savings is 27% among those who work with a financial consultant, this rate is 53% for those not working with a financial consultant. The same study has revealed that 70% of individuals working with a financial consultant state that their financial / retirement plan has been prepared in a manner that would protect them against changes and uncertainties in the market. For those who do not have a financial consultant, this rate is a mere 30% (Ekren et al. 2017).

5. The Survey
5.1. Goals and Participant Profile of the Survey

As discussed above, an increase in average life expectancy, an ageing population, as well as the low savings and investment levels of people hinder their chances of having sufficient income to cover their needs during their retirement periods. Even though present data is sufficient for reaching this conclusion, further assessment of individuals’ perception, preferences and behavior with respect to the issue is necessary in order to gain a more comprehensive understanding of the matter.

The survey, which aims to measure participants’ anticipations and choices on subjects such as when they will retire, whether they will have sufficient income in retirement and if they are saving for retirement or not, and their attitude towards receiving help from a Personal Financial Planner; has been conducted by judgement sampling method with 461 individuals working in insurance or private pension plan providers and agencies. The main reasons for choosing employees of insurance and private pension companies are that they are among the most informed group about retirement planning in Turkey, together with the fact that they already have private pension plans supported by their employers. The primary goals of this study are to determine peoples’ expectations as well as saving and investment habits for retirement, and understanding whether they would work with a Personal Financial Planner.

Within this scope, the survey consists of three parts. The first part investigates the participants’ expectations and anticipations related to retirement. The second part is concerned with the saving and investment habits of the participants and the last part examines their willingness to work with a Personal Financial Planner.

247 of the participants in the survey were female (54%) and 214 were male (46%). 66% of those surveyed were within the age group of 21 to 35, while 31% were in the age group 36 to 50 years. 62% of the participants (286 individuals) stated that they were married, whereas 38% (175 individuals) said they were single. 30% of the participants had one dependent child, 55%
had no dependent children, 13% had two and 2% had three dependent children. 91% of the participants were at least university (4-years) graduates. 52% of the participants had a monthly income of 2,001 TL to 5,000 TL, 23% earning between 5,000 TL and 10,000 TL, 15% earning less than 2,000 TL and 4% with more than 15,000 TL of monthly income. Lastly, 77% of the participants had at least 4 years’ experience in insurance/private pension sector. 20% of the participants were mid- to senior-level executives, 29% were sales associates or agency employees, and the rate of those in specialist or equivalent positions was 24%.

5.2. Analysis of the Survey Results
5.2.1. The Participants’ Views on Their Retirement Periods

57% of the participants have indicated that they are planning to retire between 55 and 60 years of age. Approximately 15% of the participants indicated they are planning to retire before age 55. As demonstrated in the Figure 3, 72% of the participants plan to retire no later than 60 years of age.

![Figure 3](image.png)

**Figure 3. Please state at which age you expect/plan to retire**

Among those surveyed, 42% believe that they will live more than 15 years after they retire, while 18% think they will live 10 to 15 years and 19% believe that they will have less than 10 years to live after retirement (Figure 4).
60% of the participants in the study think about the possibility of the social security system being unable to pay retirement pensions when they retire, and 9% are unsure about the matter (Figure 5).

As shown in Figure 6, 60% of the participants believe that they will not be able to maintain their current standard of living when they retire and 16% do not have an idea about this matter, with just 24% believe that they will be able to maintain their current standard of living.
Do you believe that you will be able to maintain your current standard of living when you retire?

Among those surveyed, 65% believe that they will not have enough income to cover their expenses when they retire and 11% have indicated that they do not have an idea on whether they will have enough income (Figure 7).

Do you think your monthly income (retirement pension and other sources) will be enough to cover your expenses when you retire?

58% of the respondents are worried about running out of money during their retirement and a further 7% have no clear answer to this question (Figure 8).

Do you have worries about running out of money during your retirement?
As the biggest obstacle to having a comfortable retirement period, 38% of the participants point out to melting away of their savings due to macroeconomic conditions and 36% indicate their insufficient level of savings and investments (Figure 9).

Figure 9. What do you think is the biggest obstacle to having a comfortable retirement period?

5.2.2. Savings and Investments of the Participants for Their Retirements

65% of the participants (298 individuals) have indicated that they save regularly every month for their retirements and 15% have indicated that they save in specific months, once a year, or irregularly (Figure 10).

Figure 10. Do you save for your retirement?

When the 365 participants who have stated that they save were asked about how they turn their retirement savings into investments, PPS was the most popular response at a rate of 39%. The second most popular choice was current accounts at 16%, followed by savings accounts which was selected by 14% of the respondents (Figure 11).
Among the 339 participants who use private pension accounts to turn their retirement savings into investments, 49% have indicated that they change funds 1 or 2 times per year while 21% do not change funds at all. Another 25% have said that they change funds 3 or 4 times every year (Figure 12).

Among the 91 participants who have said that they do not save for retirement, most popular answer to the question “Why do not you save?” was “I do not have enough income” at 41% (64 times), followed by “I have debts” at 35% (55 times) and “I like spending money” at 11% (17 times) (Figure 13).
Figure 13. Why do not you save? (Choose all that apply)

41% of the participants believe that real estate is the best investment for retirement while 31% favor private pension accounts and 10% choose foreign exchange above others (Figure 14).

Figure 14. Which one do you think is the best investment choice for retirement?

When asked if they are saving additionally for the possibility of living longer than expected, 40% of the participants have indicated that they do save for this possibility, whereas 34% have indicated that they do not, because they do not have enough income and 14% have indicated that they do not because they are not informed or aware of the issue (Figure 15).
5.2.3. The Participants’ Views on Personal Financial Planning

Among the 365 participants who have indicated that they save for retirement, the most popular response to the question, “Who do you consult with before making investment decisions?” was “I decide by myself” which amounts to 56% (258 times) of total responses, followed by “I consult with my family” at 15% (68 times), “I consult with the employees of the bank I keep my investments at” at a rate of 13% of total responses (59 times) and “I consult with my friends” at 11% (50 times) (Figure 16).

Figure 16. Who do you consult with when making investment decisions for your retirement savings? (Choose all that apply)
44% of the respondents (194 individuals) have answered positively to the question: “Would you like to have a Personal Financial Planner that would advise you on managing your expenses and debts, guide you for saving and investing for your retirement, and provide assistance on purchasing insurance and retirement products you need?” whereas 47% (206 individuals) have answered no and 9% (41 individuals) have indicated that they do not have an idea (Figure 17).

Figure 17. Would you like to have a personal financial planner that would advise you on managing your expenses and debts, guide you for saving and investing for your retirement, and provide assistance on purchasing insurance and retirement products you need?

Those who have indicated that they do not want to work with a Personal Financial Planner (206 individuals) and they do not have an idea about this matter (41 individuals) were asked about their (247 individuals) reasons for not wanting to work with a Personal Financial Planner and not having enough information about the subject came out as the most popular response that is knowing enough about financial planning at 36% (118 times) followed by not having enough money at 21% and not wanting to spend money for this service at 17%. (Figure 18).

Figure 18. What is the main reason you do not want to get services from a personal financial planner? (Choose all that apply)
When asked if they would be willing to spend a portion of their budget to get services from a Personal Financial Planner, 42% of the respondents have said that they could spend a portion of their budget for personal financial planning services. Another 31% indicated that they do not want to spend money for this service and 23% indicated that they do not think they have a budget large enough for this (Figure 19).

Figure 19. Would you spend a portion of your budget to get services from a personal financial planner?

Another question that was asked to the participants was “If a bank, insurance provider/agency, pension plan provider/agency, or a financial advisor would offer personal financial planning services to you, in addition to services already provided by them, would you transfer products you have at different providers to the one providing this service?” 55% of the respondents (235 individuals) answered this question by indicating yes they would. The rate of those who responded no was 27% while 18% said that they do not have an idea about this matter. 33 individuals did not give a response to this question. If those who have not responded are counted in, it can be said that 24% of the participants are undecided because they do not have information on the matter (Figure 20).

Figure 20. If a bank, insurance provider/agency, pension plan provider/agency, or a financial consultant would offer personal financial planning services to you, in addition to services already provided by them, would you transfer products you have at different providers to the one offering personal financial planning services?
Another question asks the participants whether they would be willing to leave the financial institution they are getting services from and move to a new financial institution (a bank, insurance company, pension company, insurance/PPS agency, or financial consultant) that offers personal financial planning services. 46% of the respondents answered positively to this question. Those who answered as “no” equals 36% of the respondents. 18% of the respondents said that they do not have an idea about this matter and 33 individuals did not provide an answer. If those who have not responded are included, it can be concluded that 24% of the participants are undecided because they do not have information on the matter (Figure 21).

![Figure 21. If a bank, insurance or pension plan provider or agency, or a financial consultant offers you financial planning service that covers all services you get, would you change your current provider(s) and switch to that one?](image)

6. Conclusion

The results of the survey lead to three main conclusions: (i) although they are concerned about their retirement period, the survey respondents do not save and invest regularly for it and have no current plans to save and invest for this period; (ii) the respondents do not believe that they can protect their savings and investments against macroeconomic uncertainties; and (iii) the respondents lack the depth of knowledge necessary to make appropriate saving and investment decisions. Based on these findings, the need for a Personal Financial Planner is apparent. An additional, and promising finding is that the respondents are willing to work with a Personal Financial Planner even if they need to pay fees. Details of these results are given below.

Firstly, most of the participants, who are among the most well-educated; and informed individuals on retirement issues in Turkey, have worries about their retirement periods.

- Two thirds of the participants believe that the social security system will not have the capacity to pay them retirement pensions or are unsure about this matter. Compounded by the fact, three quarters of them think that they will not be able to maintain their current standards of living when they retire, or they are unsure about this matter. Further, two thirds of them are afraid that they will run out of money at some point during their retirement or do not have an idea if they will or not.
- Lastly, three quarters of the participants indicate the reason for their worries as diminishing of their savings due to macroeconomic factors and not having enough savings and investments.

Based on the answers above, it can be said that even the participants of survey, who are among the most informed group with respect to retirement matters in Turkey have substantial worries about their years during retirement, however they do not have a plan for retirement that sets out their income and expenses during that period. This lack of a plan highlights the need to work with a specially trained and educated Personal Financial Planner.
• Three quarters of the participants’ view not saving or investing enough and not being able to protect their savings or investments from macroeconomic conditions as their biggest obstacles to having a comfortable retirement period.

Answers to this question reveal that even members of this well-informed group do not have saving and investment plans and they cannot protect (or do not believe that they can protect) their savings and investments against macroeconomic uncertainties; and for this reason it is clear individuals would benefit from working with a Personal Financial Planner and receive these services.

Secondly, one third of the participants, who are among the most well-educated and informed individuals about retirement in Turkey, do not save and invest regularly for their retirement and most of those who do, think the best investment instrument is real property.

• 82% of the participants make investment decisions on their own or with their friends and family without consulting a financial consultant or an employee of a financial institution.

• Two thirds of the participants have indicated that they save regularly every month for their retirement. Most of these savings are in PPS (39%) funds, and the second most popular choice is bank accounts (30%), bonds, repos, equities and mutual funds collectively make up 17% as the third most popular choice, followed by real property at a rate of 11%

• 41% of the participants believe that real property is the best investment choice for retirement, and another 31% believe that it is private pension accounts.

As pointed out, the participants of the survey are employees of insurance and private pension companies where they have private pension plans funded by their employers on their behalf. Therefore, it would be reasonable to consider these accounts as employee benefits provided by their employers, rather than deliberate saving decisions made by the participants. It can be concluded that if this effect was not present, and having a private pension account was still deemed as making regular savings, rate of participants who save regularly for their retirement would have been far below 70%. This argument is supported by the fact that most participants actually view real property as the best investment instrument for retirement.

• Merely 6% of participants who use private pension accounts to turn their retirement savings into investments change funds 5 or 6 times per year.4 While 21% of them never change funds, 25% change it 3 or 4 times every year and another 49% change funds once or twice per year.

Taking a broader definition of the word “changes” and assuming it includes “review and evaluation” of their retirement savings and investments a staggering 70% of people never (or only once or twice) review their retirement savings and investment plan and where they are towards their goals. This fact suggests a great need for specially trained and educated Personal Financial Planners in Turkey.

Not only is there a great need for, but also there is a strong desire for personal financial planning services with nearly half of the survey respondents willing to leave all financial institutions they receive services from and switch to another financial institution if the latter were to offer them personal financial planning services.

• 44% of the participants have indicated that they want to have a personal financial planner and 42% of them have even said that they can spend a portion of their budget for this service, whereas 47% have said the opposite and do not want to spend their money for this. Among those who do not want to have a financial planner and those who have no idea about this matter (56%, collectively), 36% state their reason as believing they have enough information on the subject.

• 82% of the participants make investment decisions for their retirement savings on their own, or upon consulting with their families and/or friends.

• More than half of the participants (55%) have indicated that if a bank, insurance company, pension company, agency or financial consultant that they already get some services from offered them provide personal financial planning services, they would be willing to transfer assets, products, and services they receive from other providers to the one that provides personal financial planning services. 18% have indicated that they do

4 6 is the maximum number of fund changes allowed within a year as per the law.
not have any idea and just 27% have said they would not transfer their affairs to other providers.

- Almost half of the participants (46%) have said, if another financial institution (a bank, insurance company, pension company, insurance/PPS agency, or financial consultant) would provide personal financial planning services to them, they would leave the institution they already work with and switch to this new one. 18% have no idea about this matter and only 36% have indicated that they would not switch to that new provider.

The participants do not receive professional support for their investment decisions, but a substantial number of them want to work with a Personal Financial Planner, even if that means that they need to pay fees. Besides, more than half of the participants are willing to change providers they work with if other providers were to offer personal financial planning services to them.

In conclusion, it is evident in that even people who are highly educated and among the most informed on retirement matters in Turkey have the need to work with a Personal Financial Planner for saving and investment decisions they are to make and execute with respect to retirement. Additionally, considering the fact that people tend to work with financial institutions for longer if they trust them, the willingness of people to transfer all financial services they get to a provider that offers personal financial planning services and to pay for those services comes out as a prominent finding of this study.

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