The 4th Contractual Savings Conference
Options and Challenges for the Payout Phase

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April 3, 2008
Washington D.C.
Reaching Retirement Age - Challenges

Payout Phase

Social Dilemma

- Solid and comprehensive safety network for retirees

Personal Dilemma

- Retaining access to liquidity against the risk of living too long with reasonable standard of living
What is the LatAm Experience?

- Accumulation phase is driven by mandatory programs
  - Need to build minimum protection level
  - Complemented by voluntary regimes
- Payout phase: regimes promote deferral of retirement benefits
  - Transfer risk of living too long
  - Retain risk of living too long

LatAm regimes are primarily driven by social concerns.
Reasons for the LatAm “Mandatory” Component

- Education levels
- Savings culture
- Maturity and stability of local economy
- Reliability of social programs
- Past experience with high inflation & economic crisis
- Significant informal economy in many countries
- Tax incentives not powerful enough to build a personal safety net
- Only upper segments actually pay income taxes

The LatAm experience is to not simply rely on individual decisions, but to create a collective safety net.
MetLife