



Press release

Brussels, 24 September 2014

Active older generation concerned about the future and how to bridge the income gap if they need long-term care

In striving to put its clients first, KBC regularly checks its clients' needs and how it can best meet them as a bank-insurer. A recent study carried out by KBC¹ among more than 1 150 Flemish people between the ages of 55 and 75 shows that this group doesn't at all match their clichéd image and they are in fact much more dynamic. However, they are highly aware of the financial and health risks associated with growing older. The realisation that in the near future care for the elderly will receive much less funding from the government is a major driver for the demand for insurance products that help cover these specific financial risks. KBC Insurance has developed an entirely new concept to deal with this risk. It's an absolute first in Europe that could boost the market for longevity products.

KBC survey finding: 'The older generation are enjoying their 'wonder years' but concern for the future is tempering optimism'.

The average 55-75 year old regularly plays sports and travels, goes to the theatre and museums and uses social media on the latest tablets and smartphones to keep in touch with family and friends. They dream of faraway travels and enjoy their life to the full. Respondents in the survey are direct about it: they're not at all afraid that they won't be able to fill their days (83%), will be lonely (67%) or won't be able to keep up with the times (71%). What's more, approximately 40% want to enjoy life NOW rather than saving for later. The days of granny and granddad sitting in a rocking chair by the fire are long gone. Older people are having a great time and looking forward to the years ahead. They are chasing their dreams, want to enjoy their free time and financial resources to the fullest and are investing more in quality time. With that image in mind, KBC is planning to use these surprising insights to focus more on 'active older people' in the months ahead.

However, the optimism older people are radiating is accompanied by a certain degree of caution. Almost half the respondents are frightened by the prospect of a serious illness and at least 70% by the nightmare scenario of becoming dependent on someone else. As a result, many older people face a dilemma: how can they make their dreams come true and at the same time secure their finances for the future.

Affordable care naturally cause for concern

KBC also surveyed a second group of older people specifically about their worries about the future. The availability and quality of care should they become dependent on others was cited as the greatest concern (58%), closely following by fears about the affordability of that care (47%). One of their main wishes (58%) is to remain financially independent for the whole of their lives. The 'Dependency and care: concerns about the future?' survey² conducted by KBC's research department shows that existing and expected environmental factors cast a shadow on the image of a carefree old age that we are so fond of. Because paradoxically, living longer not only means more good years, but also more years where we need care.

¹ A full summary of the results of KBC's 'Wonder Years' survey is available at KBC's online newsroom (<http://newsroom.kbc.com>) – only available in Dutch.

² Published as one of KBC's economic notices (www.kbceconomics.be) – only available in Dutch and French.

Despite the fact that most of the older generation are relying for this on a state pension, capital from tax-efficient savings products and payouts from group insurance schemes, the high savings rate relative to other European countries shows that Belgians set aside a considerable nest egg. In addition, they are all too aware that sooner or later their action-packed life could change abruptly and turn their financial situation upside down.

The truth never lies. An average pension of around 1 000 euros net per month has long been inadequate to finance admission to an assisted-living centre, let alone cover the enormous additional medical and paramedical expenses for care needs. Consequently, people generally expect the cost of home care to rise and many technological innovations allowing people in need of care to remain at home for longer are very expensive. Any allowance provided by Flemish care insurance will undoubtedly be a help, but won't be enough. Since government subsidies will pay for less and less of the cost as time goes by there is demand for individual funding formulas to help cover this dependency risk.

KBC Care Plan helps bridge income gap

The majority (76%) of respondents in the survey are open to financial products that guarantee financial dependency in the event of a severe need of care. To this end, insurers often opt for pure insurance products where, against payment of a premium, insured people receive a payout if they end up in severe need of care. Such formulas have been particularly popular in France whereas they've had little success in Belgium. A notable finding from the survey is that only a small number of people choose such formulas. In addition, people's willingness to pay is often much lower than the price it costs to offer a high-quality product. 60% of respondents would prefer to put aside money themselves for any future care needs. They also require that the sum they set aside goes to their heirs if they die without ever being declared in need of care and must be sufficient to cover the cost of any severe care needs for the whole of their life. As nobody can predict how long severe care needs might last and because the period differs greatly from one person to the next (if someone has dementia, for instance, it could last between two and ten years), many older people assume a worst case scenario. They automatically set aside large sums of money leaving them with fewer funds available to enjoy life now and pushing up the savings rate of Belgians as a result.

KBC Insurance is the first insurer in Europe to develop a product to meet this need, i.e. the KBC Care Plan. Starting on 29 September 2014, it will be sold through KBC bank branches and insurance agencies to 40-66 year olds. KBC Insurance has calculated the one-off amount that needs to be deposited when taking out the policy to bridge the expected period of severe care needs. The individual amount is then worked out using the age when signing up to the policy and the desired monthly payout (500, 1 000 or 1 500 euros) in the event of a severe, long-term need of care on physical or mental (e.g., dementia) grounds. The one-off deposit for someone aged 47 looking for a payout of 500 euros per month is currently 12 000 euros³. If the severe need of care lasts longer than expected, KBC Insurance will pay the agreed sum to the insured person every month for the rest of their lives regardless of where they receive that care or who provides it. If the insured person dies without ever being declared in severe need of care, the reserve will be paid to the heirs.

Government stimulus desirable...

The fear of needing long-term care and the financial impact such care would have on available financial resources are a major social concern. In the current economic climate there are fewer resources available to cover the growing care needs of our ageing population and the need to build up individual funding has increased.

To lower the threshold to individual care funding, the insurance industry could work with the government to come up with flexible legislation and/or a tax framework that encourages people to take out private insurance. KBC has in mind a system that complements the second-tier pension system. A report drawn up by the Pension Reform Committee finds that payouts in the form of annuities should be encouraged. KBC's answer to this is its Care Plan which has none of the disadvantages of traditional annuity payments such as

³ Young people or those with less capital to put aside can use KBC's savings products to gradually save up the amount required.

the inability to transfer the capital to heirs and the lack of a link with age-related increases in care costs. The government could use tax stimuli to encourage transfer of some of the second-tier payments to this type of product.

That's why KBC is looking forward to the Pension Reform Committee's proposals which are currently awaiting government approval, and is calling on the new policy-makers to take a constructive look at how to tackle this burning issue for society.

... but prevention essential

The finding that the older generation are mainly concerned about dependency in later life prompted KBC to come up with an answer at several levels simultaneously. Indeed, as a sustainable bank-insurer KBC wants to assume its social responsibility.

From an insurance viewpoint, KBC wants to address the gap with its Care Plan, which helps to cover the financial risk in case of severe care needs. As regards banking, KBC is helping its clients generate the funds they need to allow them make their dreams for their latter life come true without putting their future financial health at risk.

However, KBC wants to go even further. Its targeted health and safety campaigns help avoid accidents – and therefore also the related need for care – so that personal suffering and the burden on society can be prevented as much as possible. Falls or the propensity to fall cause or partly cause around 40% of cases of severe need of care. So learning how to fall correctly can help prevent a whole lot of suffering. That's why KBC has joined forces with the Flemish Judo Federation to launch a fall prevention campaign at the end of this year.

In addition, Lifecode® armbands are available in KBC's health and safety 'Mums know best' online safety shop⁴. These armbands contain a person's full medical details on a secured USB stick and save a huge amount of time in emergencies since they allow emergency workers to start treating that person immediately. Furthermore, these armbands are not only useful for older people who might be unfortunate enough to fall or for people with dementia, they also offer great peace of mind to people practising solo sports, children away at camp, car and lorry drivers, etc.

KBC Group NV

Havenlaan 2 – 1080 Brussels
Viviane Huybrecht
General Manager, Corporate
Communication /
Spokesperson
Tel. + 32 2 429 85 45

Press Office
Tel. + 32 2 429 65 01 Stef Leunens
Tel. + 32 2 429 29 15 Ilse De Muyer
Fax + 32 2 429 81 60
E-mail: pressofficekbc@kbc.be

KBC press releases are available at www.kbc.com
or can be obtained by
sending an e-mail to pressofficekbc@kbc.be

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⁴ <http://www.kbcpreventieshop.be/>