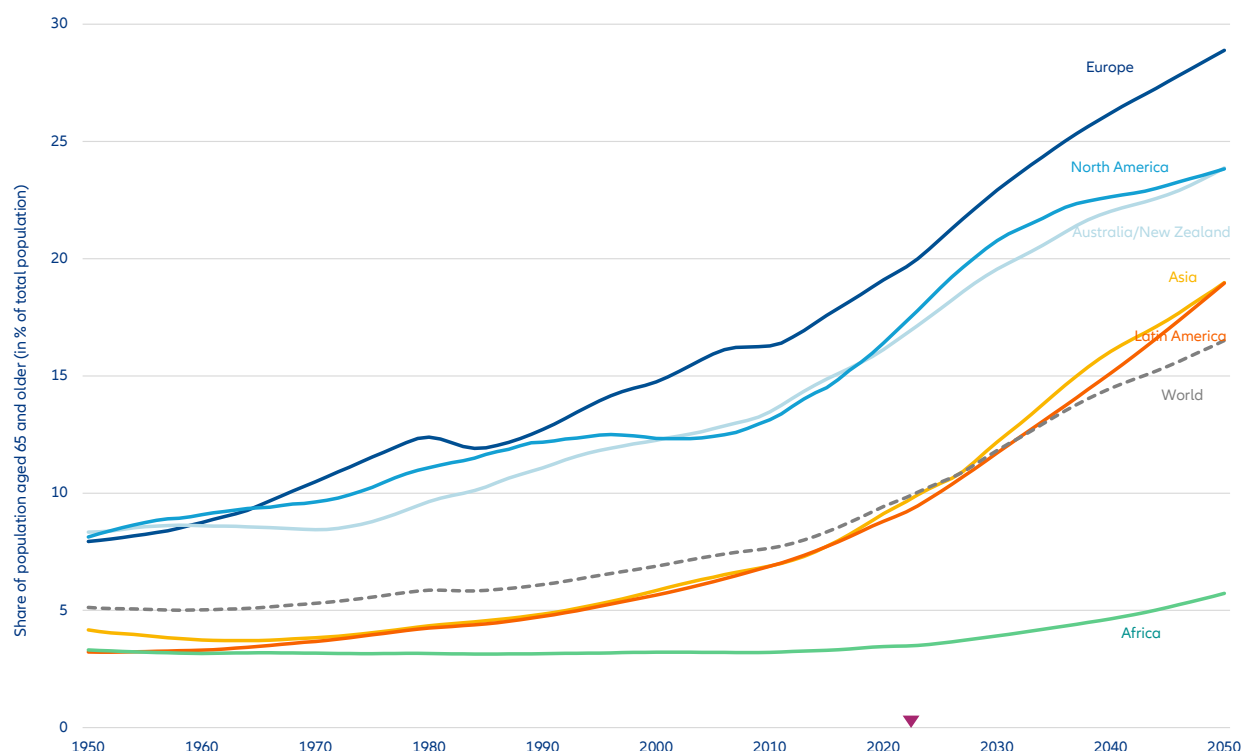


Figure 1: The global population is aging faster

Source: UN Population Division (2022).

To put this development into perspective, it is intriguing to look at the absolute numbers: In 2050, there will be around 1.6bn people aged 65 and older worldwide, which is more than the total population of Africa today⁴. About 1bn of them will live in Asia, most of them in China, where this age group is expected to grow from 203mn today to 395mn, and India, where their number is set to more than double from 101mn to 250mn. Taken together, these two countries will have far more people over 65 than the other regions and countries that we cover in our report combined. Here the number of people aged 65 and older will reach 200mn in Europe, 142mn each in Africa and Latin America, 100mn in North America and 9mn in Australia and New Zealand.

These numbers underline the importance of preparing pension systems for demographic change to guarantee their long-term financial sustainability and avoid overburdening future younger generations. At the same time, pension systems also have to remain adequate to guarantee a growing share of elderly people a decent living standard in old age. Pay-as-you-go financed pension systems, in which the contributions of the workforce population are used to finance the pensions of current retirees, are doomed to fail to meet these requirements. The challenge will be to find the right balance between guaranteeing sustainability and adequacy at the same time. In many industrialized countries, this implies cuts in benefit levels. In many rapidly aging emerging markets, the coverage of public pension systems and benefit levels are still rather low. However, in both cases, to secure a decent living standard in old-age, complementary capital-funded old-age provision is the only solution.

⁴ Africa's total population in 2023 is around 1.5bn, see UN Population Division (2022).