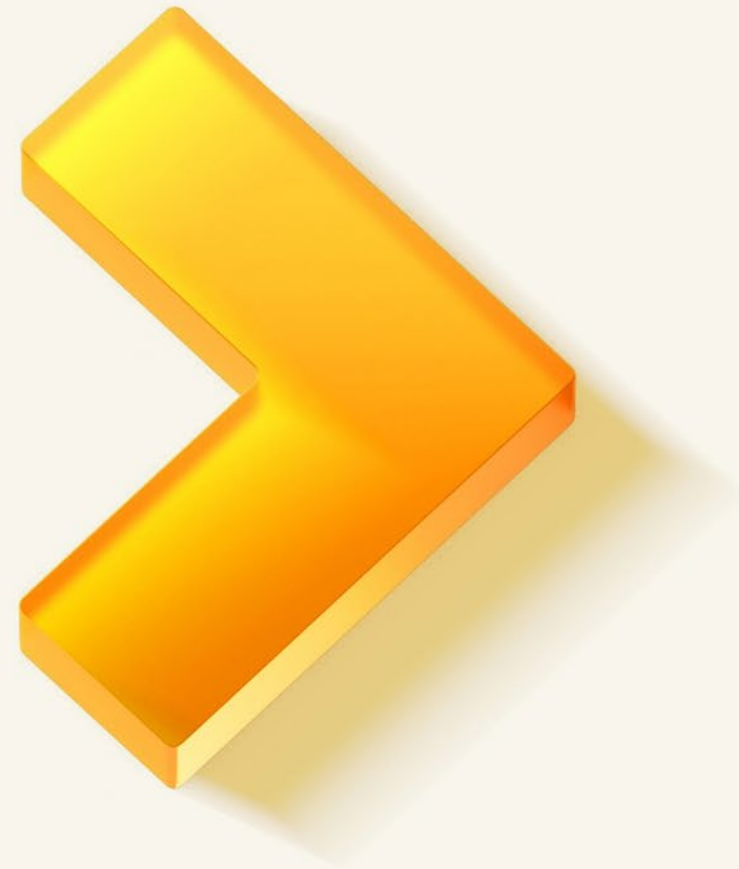




Guide to Retirement: Mexico





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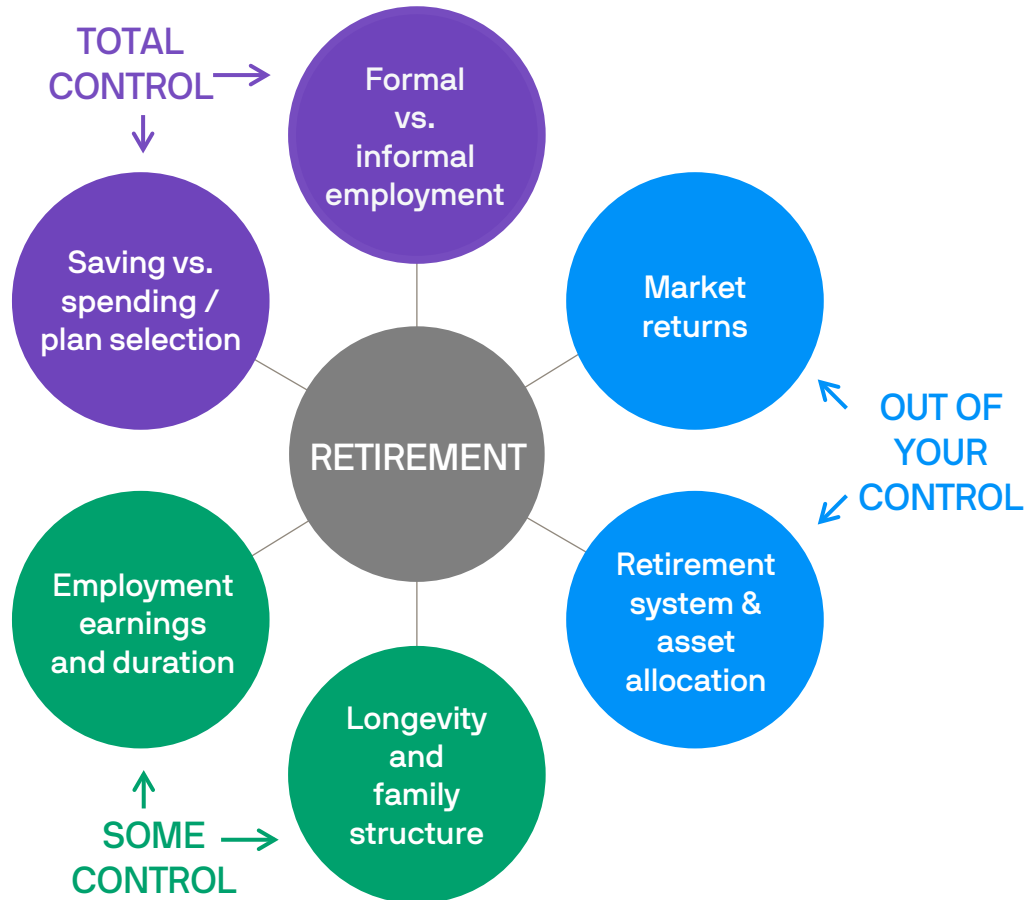
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The retirement equation



A sound retirement plan

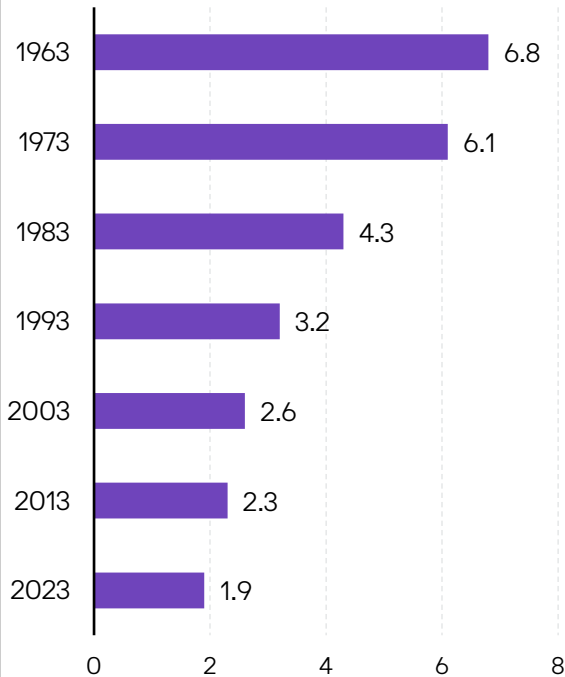
Make the most of the things that you can control but be sure to evaluate factors that are somewhat or completely out of your control within your comprehensive retirement plan.



Birth rate and longevity moving in opposite directions

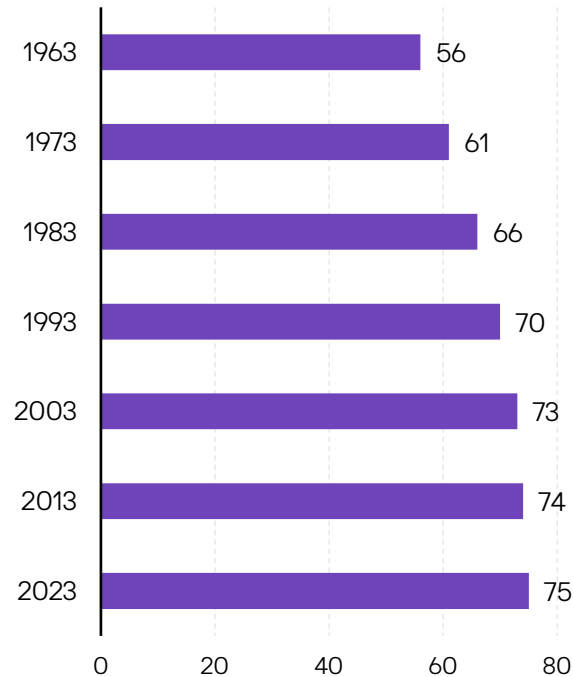
Birth rate in Mexico

Children per woman



Longevity rate in Mexico

Years old



Birth rates and retirement planning

Since 1963, birth rates in Mexico have decreased by 4.9 children per woman, while in the United States, the decline has been 1.7 children over the same period.

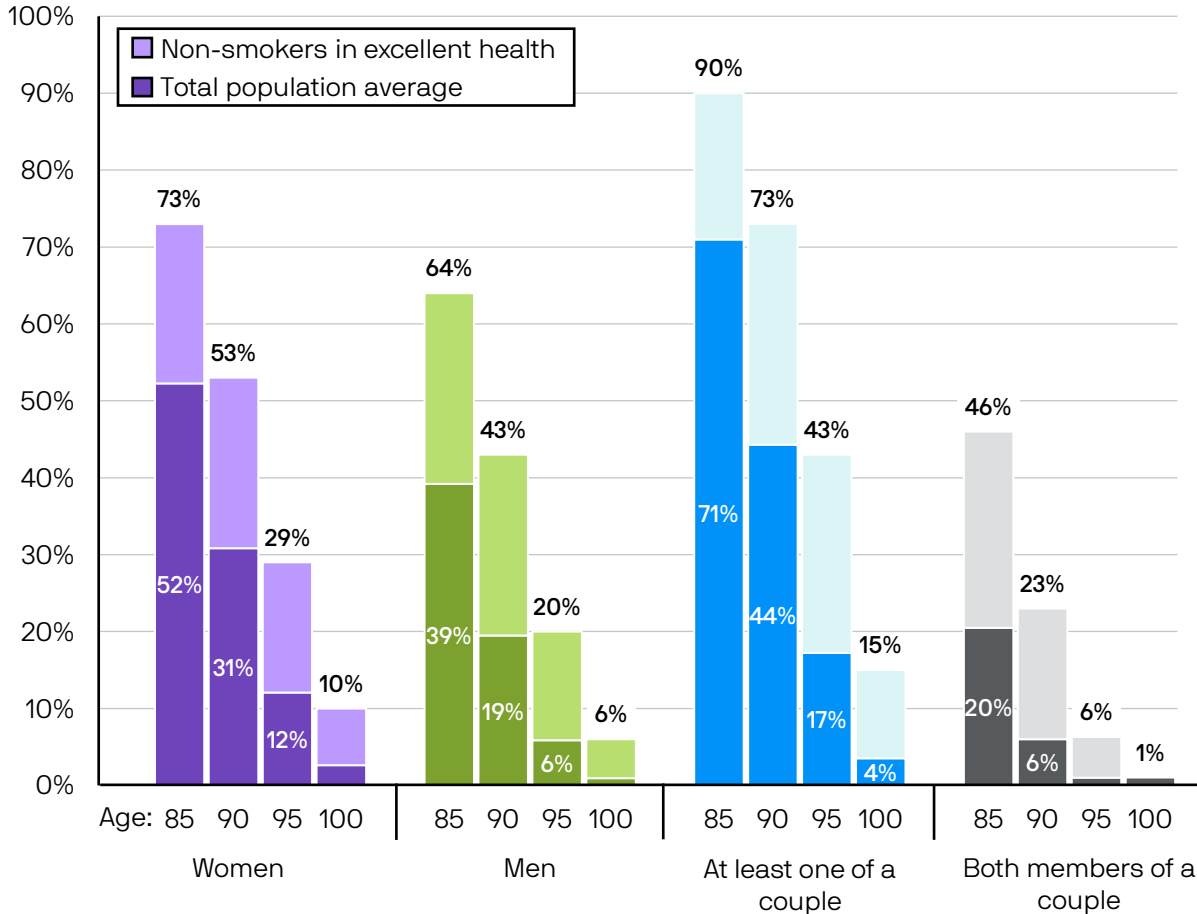
With fewer children available to provide potential financial support or to share living arrangements, individuals need to reassess their retirement strategies.

Source: World Bank (<https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=MX>, <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=MX>, <https://data.worldbank.org/indicator/SP.DYN.TFRT.IN?locations=US>, 2024.



Life expectancy probabilities in the U.S.

If you're age 65 today, the probability of living to a specific age or beyond



Plan for longevity

Average life expectancy is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 35 years in retirement – particularly if you are a non-smoker in excellent health.

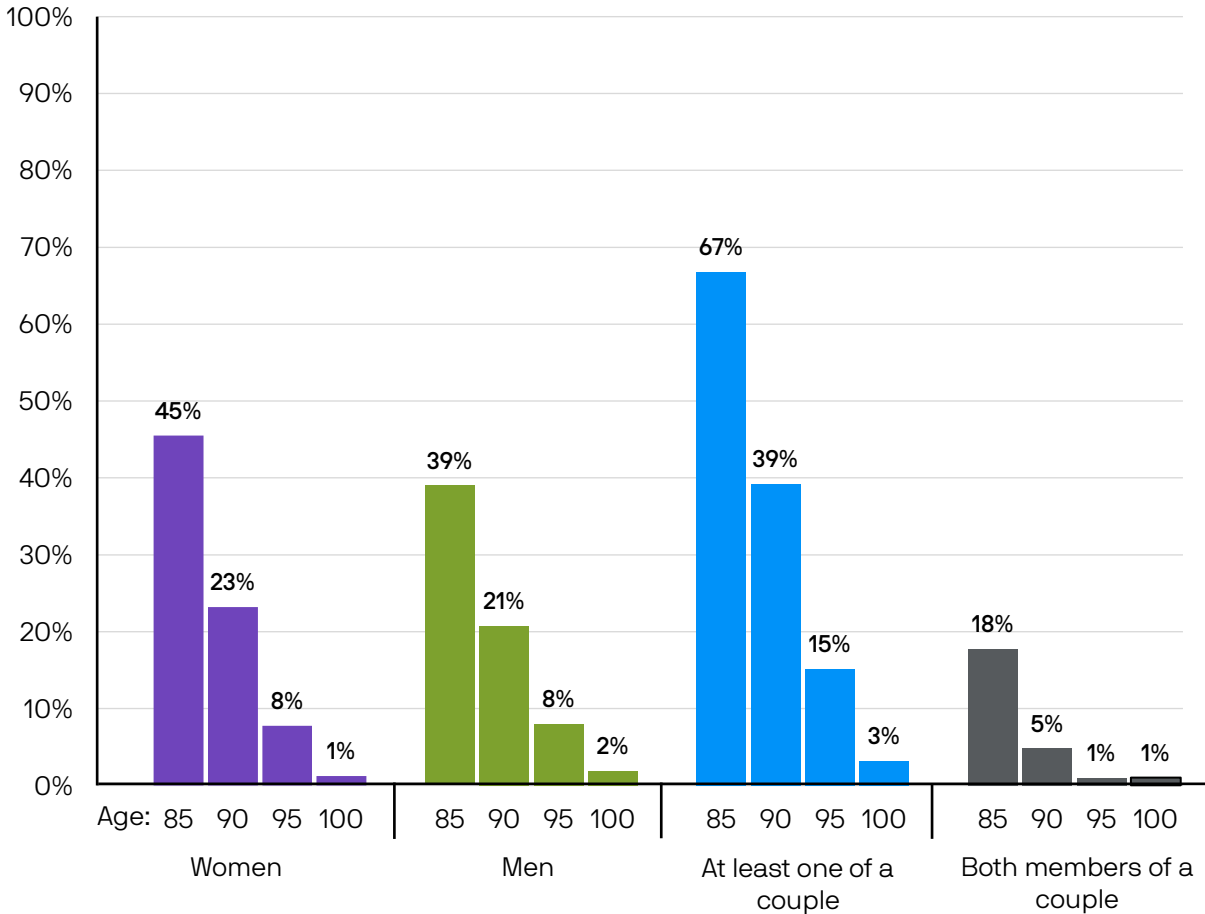
Investing a portion of your portfolio for growth is important to maintain your purchasing power over time.

Source (chart): Social Security Administration, Period Life Table, 2021 (published in the 2024 OASDI Trustees Report); American Academy of Actuaries and Society of Actuaries, Actuaries Longevity Illustrator, <http://www.longevityillustrator.org/> (accessed December 2024), J.P. Morgan Asset Management.



Life expectancy probabilities in Mexico

If you're age 65 today, the probability of living to a specific age or beyond



Plan for longevity

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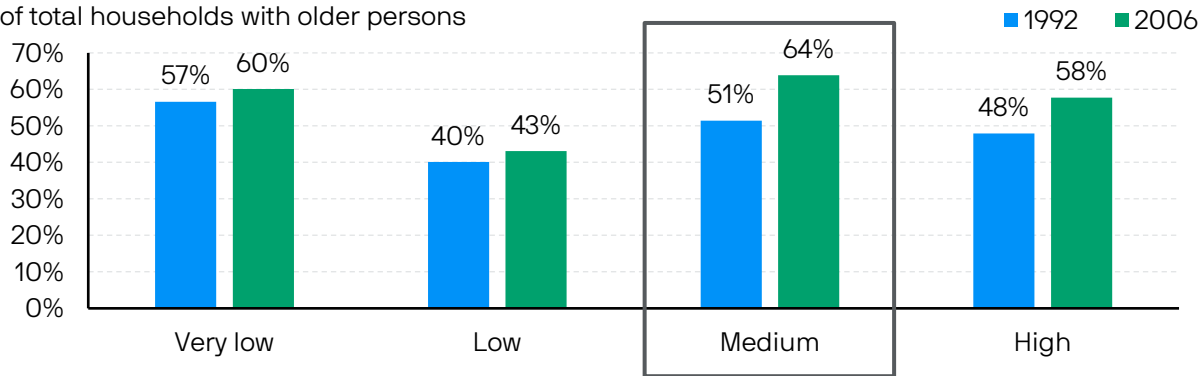
Investing a portion of your portfolio for growth is important to maintain your purchasing power over time.



Extended family households by income level

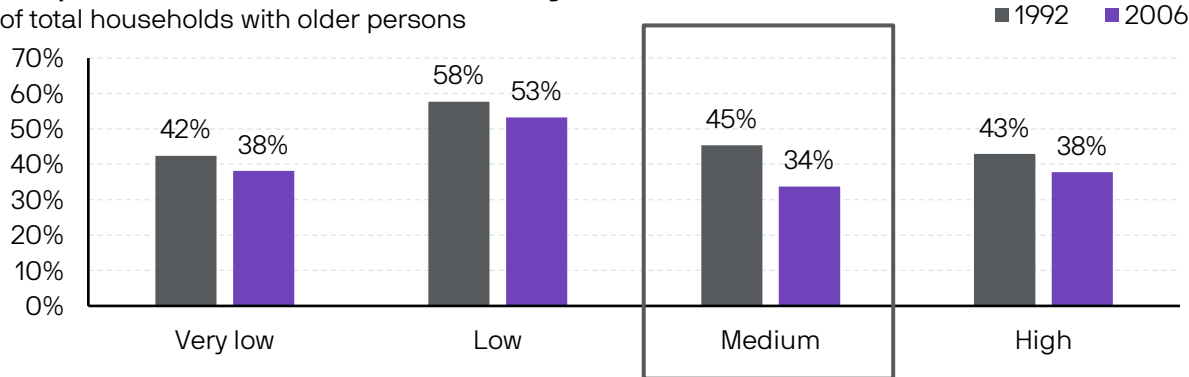
Older persons in one-person or nuclear households by income level

% of total households with older persons



Older persons in extended households by income level

% of total households with older persons



Evolving family demographics

Urbanization contributes to young people moving to cities, resulting in fewer intergenerational households.

Households with very low or low socio-economic status (SES) have remained relatively stable, likely out of necessity, whereas those with medium SES have been most affected by this shift.

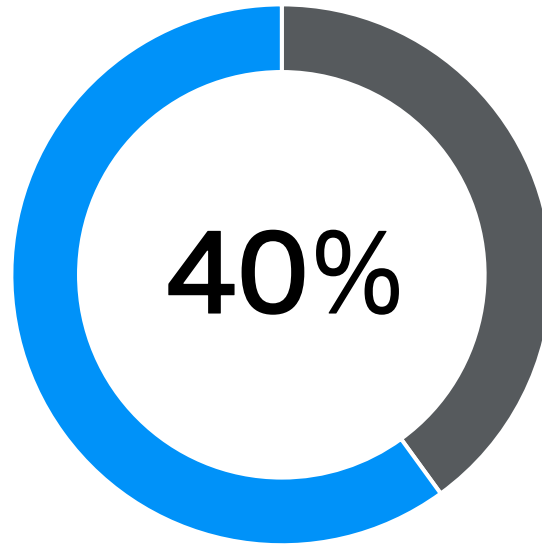
It has become more important to factor in housing costs when planning for retirement than in the past.

Source: Living Arrangements and Aging in Mexico: Changes in Households, Poverty and Regions, 1992-2009.



Fewer elders are living in extended family households

GTR | MEX | 8



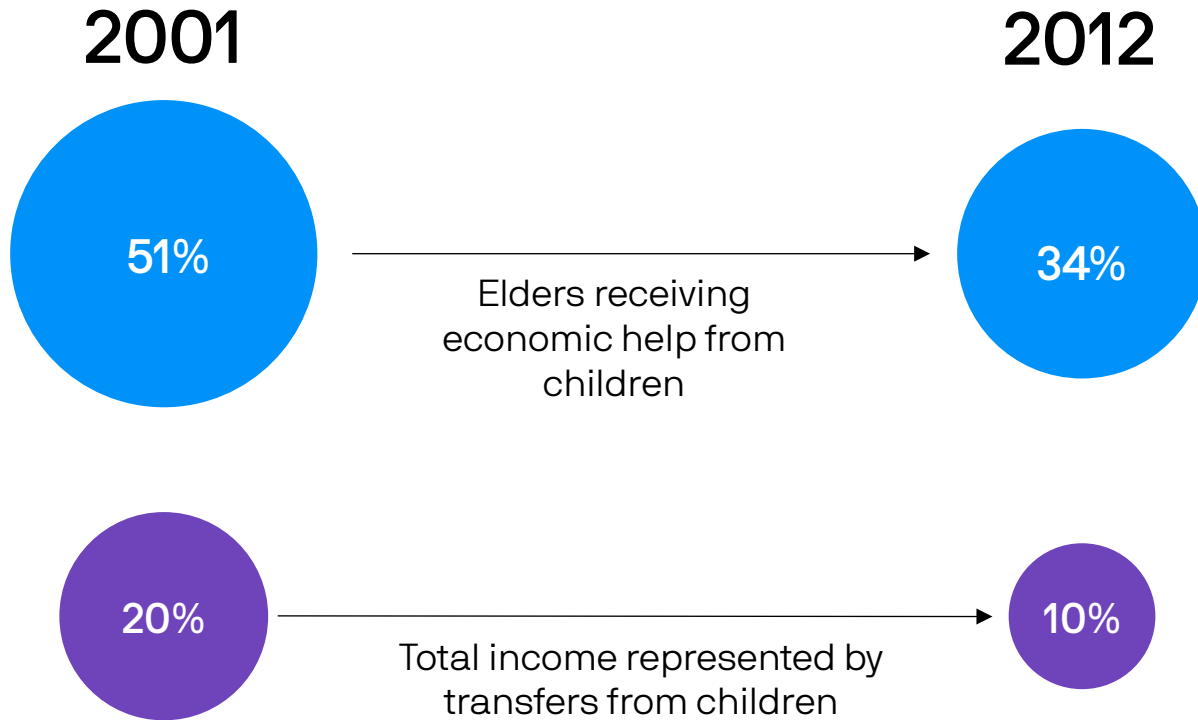
Elders living with their adult children

Evolving family demographics

Elders currently age 70+ had significantly more children (~6 average in the 1970s) than current 50-year olds (~3 in the 1990s and 2000s). Birth rate is trending at ~1.9 as of 2023.



Fewer elders are receiving transfers from children

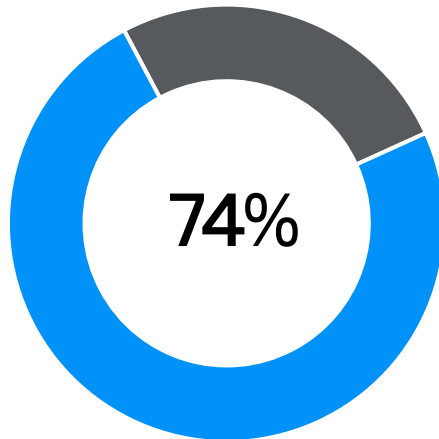


Source: Family help received by Mexican older adults across socioeconomic strata: changes over a critical decade, Revista Panamericana de Salud Publica 45(90):1, September 2021.

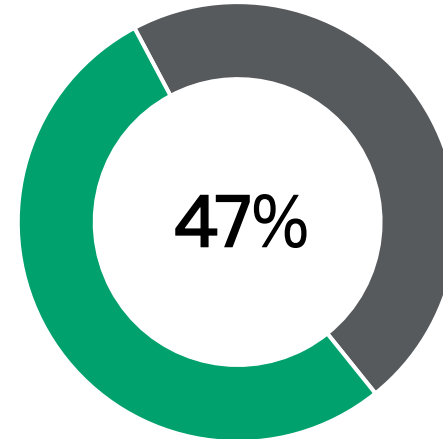


Disconnect in retirement expectations vs. reality

While the majority say they are confident they can live comfortably in retirement, less than half think they have enough money to last their lifetime



Are confident that they will be able to live the retirement lifestyle they want



Believe that they have enough savings to last until the end of their retirement

Source: <https://www.soa.org/49d4f2/globalassets/assets/files/resources/research-report/2020/spotlight-retirement-mexico-english.pdf>, 2019.



Formal and informal employment

Rates of informal employment have declined but more than half still work in the informal economy



Source: <https://www.inegi.org.mx/temas/empleo/>.



Key features of the 2021 pension reform

The 2021 reform enhances pension coverage and adequacy, improving retirement security for Mexican workers



Increased Contributions

- Employer contributions rise from 6.5% to 15%



Expansion of GMP Scheme

- Guaranteed Minimum Pension (GMP) varies by age, salary, and contributions



Reduced Weeks

- Contribution weeks reduced from 1,250 to 750*



Commission Ceiling

- Caps on AFORES commissions protect savings

*Rising gradually to 1,000 by 2031.

Source: FIAP Pension Notes Reform of the Mexican pension system. No. 54 – June 2021, based on the Banco de México report “The Reform of the Mexican Pension System: Possible Effects on Retirements, the Dynamics of Mandatory Savings and Public Finances.”



Overview of pension eligibility criteria

The reform enhances pension adequacy and coverage, ensuring financial security for retirees



Eligibility Criteria

- **Minimum Age:** 65 years or older
- **Contribution Weeks:** 750 weeks in 2021, increasing to 1,000 weeks by 2031



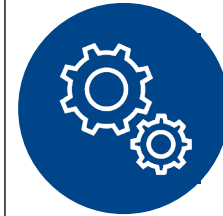
Guaranteed Minimum Pension

- **GMP varies** based on age, salary, and contributions. **Higher GMP** compared to previous fixed amount



Income Eligibility

- Contributions based on **Taxable Base Income (TBI)**, aligning pension benefits with earnings



Government Contributions

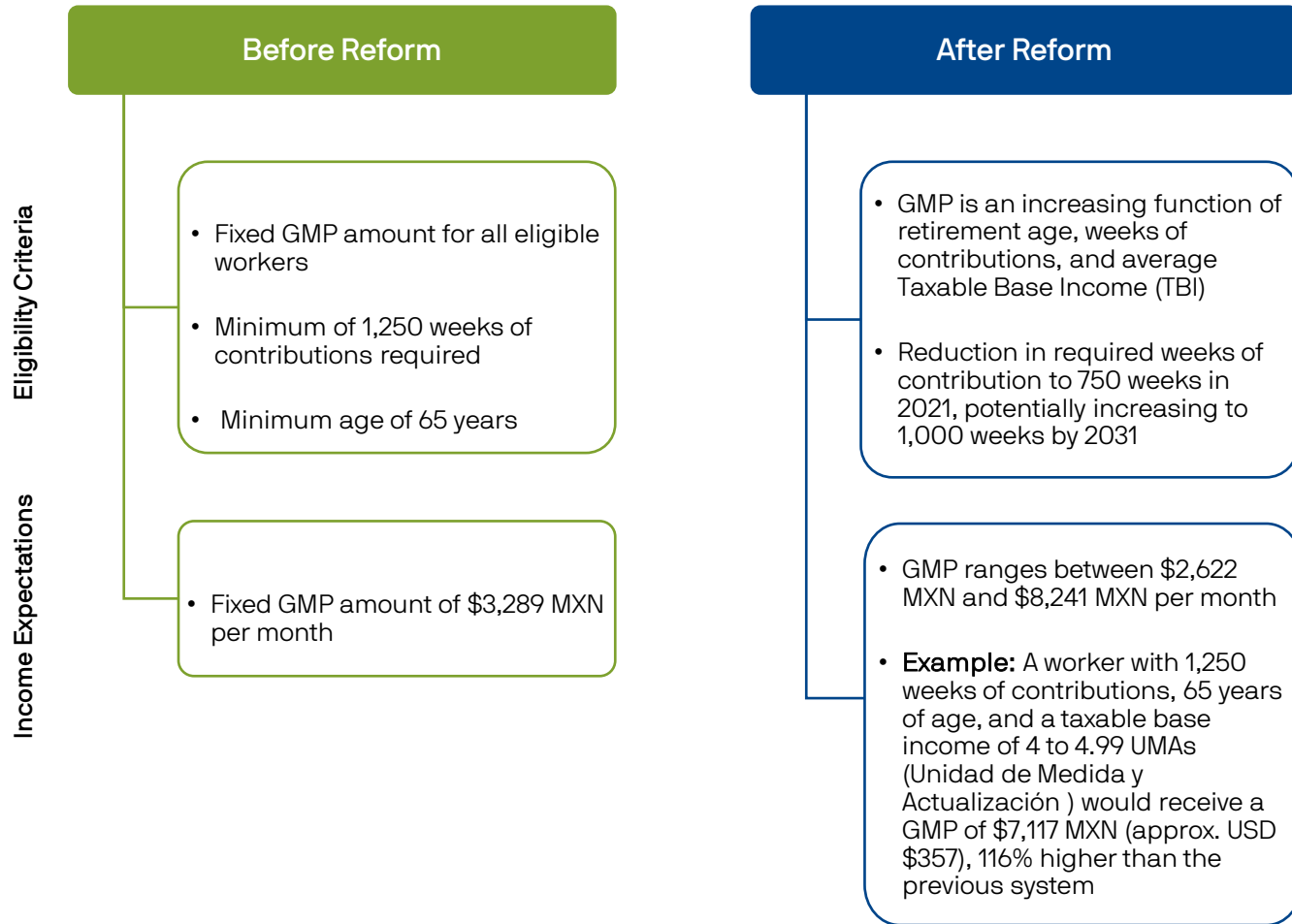
- Focused on workers earning **1 MW to 4 UMAs**, providing support to lower-income workers

Source: FIAP Pension Notes Reform of the Mexican pension system. No. 54 – June 2021, based on the Banco de México report “The Reform of the Mexican Pension System: Possible Effects on Retirements, the Dynamics of Mandatory Savings and Public Finances.” UMAs (Unidad de Medida y Actualización) are a unit of measurement used to calculate benefits and pensions.



A closer look at the Guaranteed Minimum Pension (GMP)

The 2021 reform of the Mexican pension system introduced significant changes to the GMP to improve pension adequacy and accessibility for workers

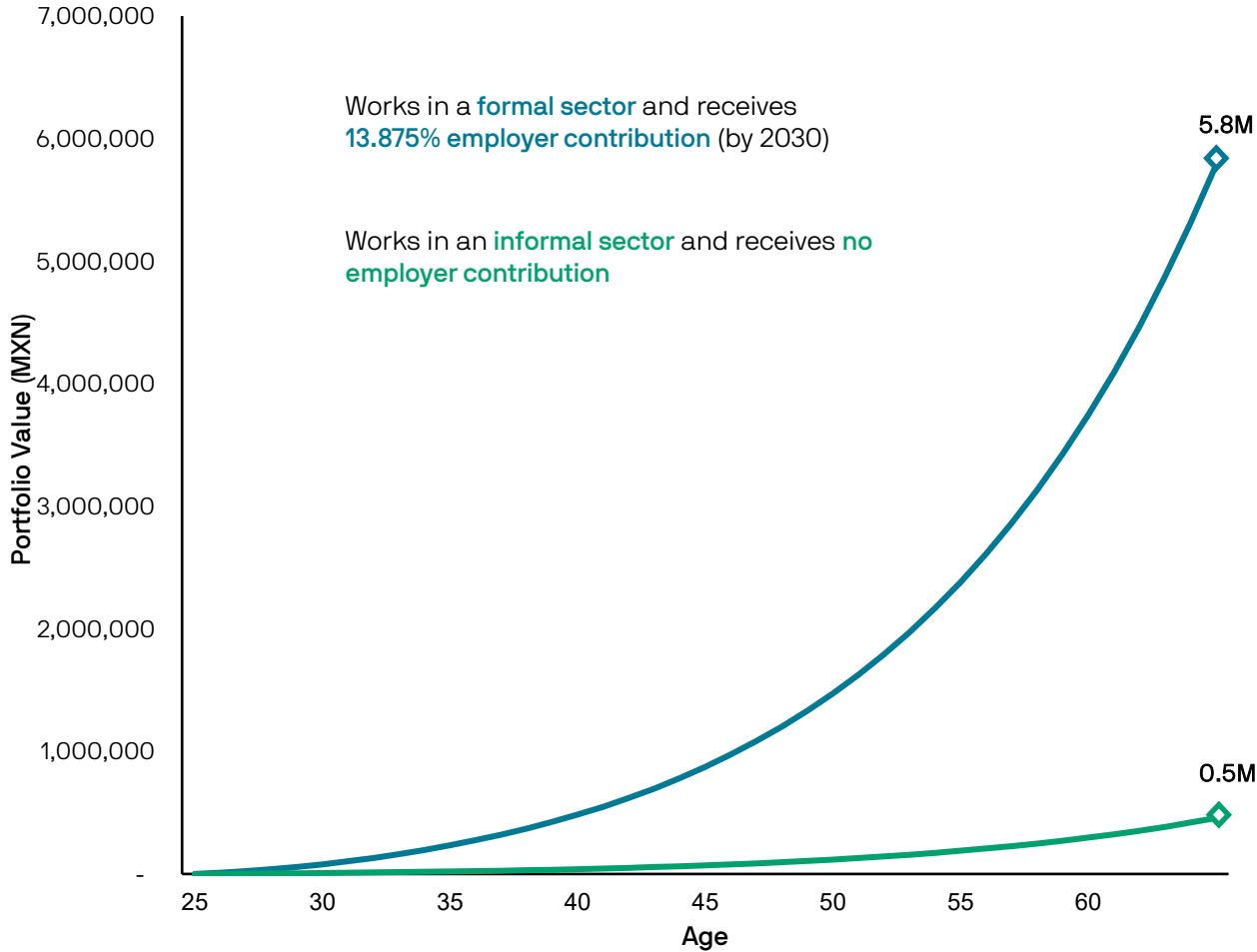


Source: FIAP Pension Notes Reform of the Mexican pension system. No. 54 – June 2021, based on the Banco de México report “The Reform of the Mexican Pension System: Possible Effects on Retirements, the Dynamics of Mandatory Savings and Public Finances.”



Benefit of employer contributions

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Works in a **formal sector** and receives **13.875% employer contribution** (by 2030)

Works in an **informal sector** and receives **no employer contribution**

Model Assumptions

Start age: 25

Retirement age: 65

Starting salary: \$100,000 MXN

Wage growth: 3.7%

Assumed employee contribution: 1.125%

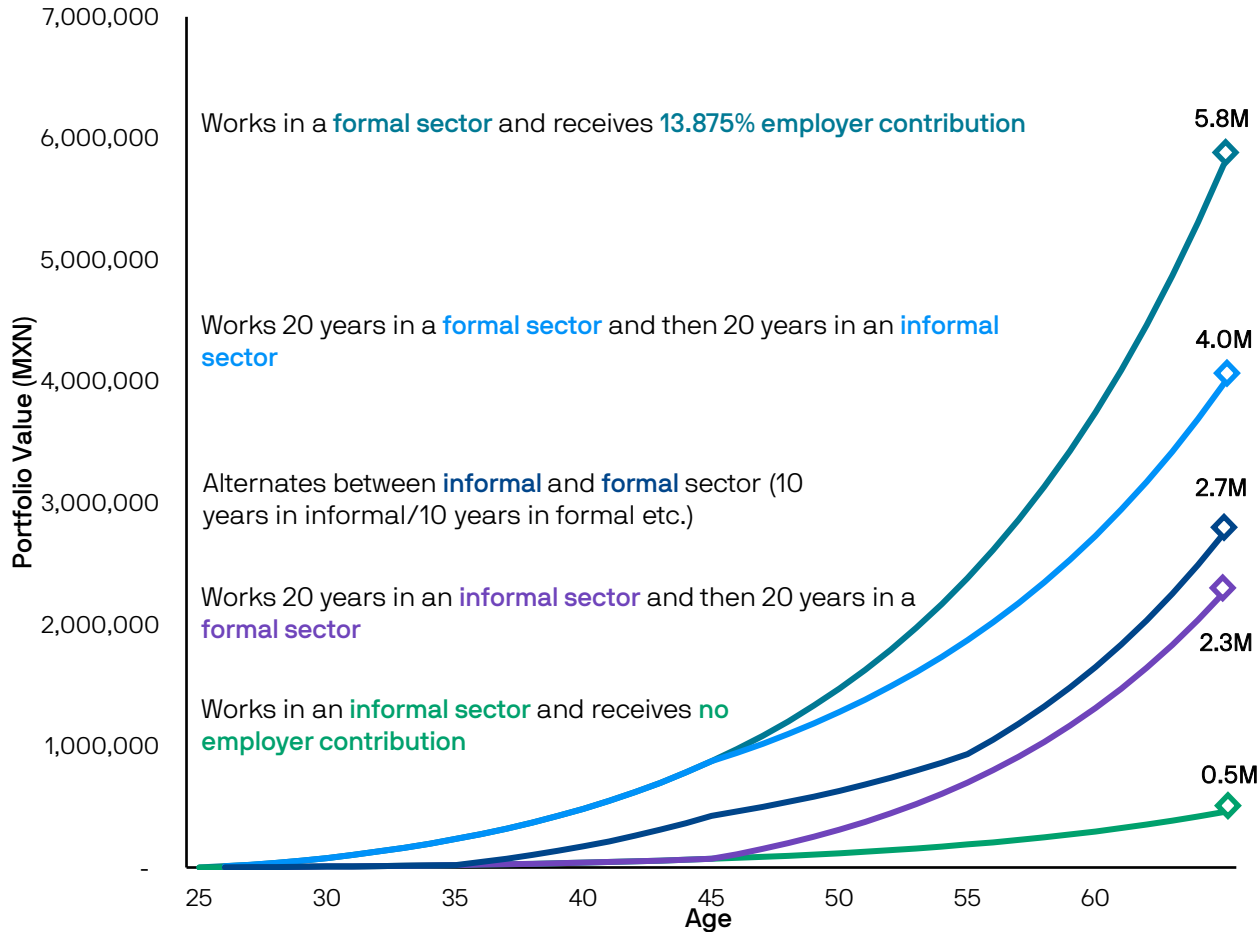
Portfolio: AFORES

Source: J.P. Morgan Asset Management. Employer contribution at 8.4% 2025 to 13.875% by 2030. AFORES portfolio return distribution has a mean of 8.5%. The above example is for illustrative purposes only and not indicative of any investment. Confidence level: 80%.



Impact of employment formality

Saving & Investing



Model Assumptions

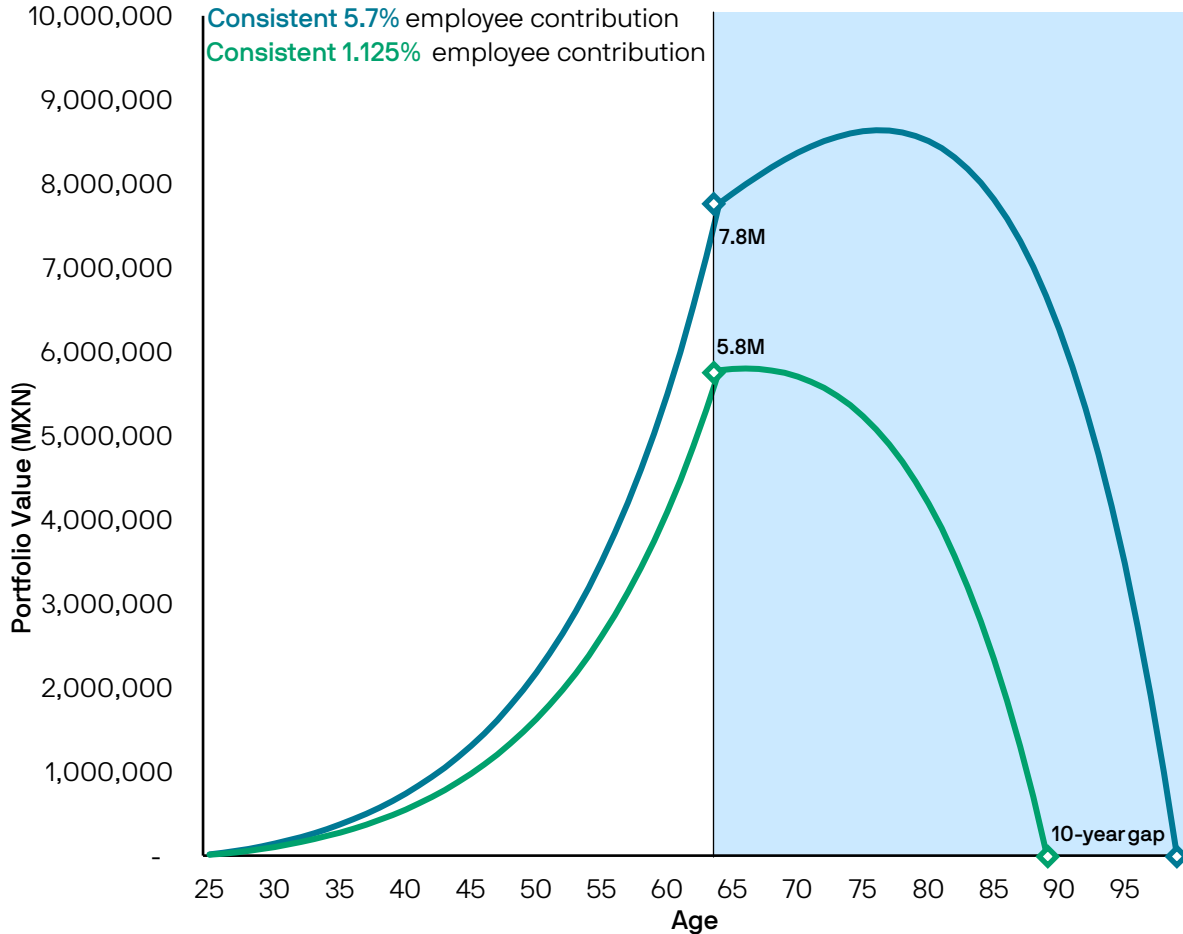
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Benefit of voluntary contributions

How much of a voluntary contribution you need to reach a 70% income replacement



Model Assumptions

- Start age: 25
- Retirement age: 65
- Retirement length: 35 years
- Starting salary: \$100,000 MXN
- Wage growth: 3.7%
- Assumed employer contribution: 13.875%
- Pre-retirement portfolio: AFORES + DC voluntary

Saving & Investing

Source: J.P. Morgan Asset Management. Employer contribution at 8.4% in 2025 to 13.875% by 2030. AFORES portfolio, voluntary DC portfolio and cash return distributions have means of 8.5%, 9.0% and 5.4% respectively. The above example is for illustrative purposes only and not indicative of any investment. Confidence level: 80%.



Retirement savings checkpoints

How much you should have saved at the following ages based on your income level

Current age	Current household income			
	\$75k MXN	\$340k MXN	\$950k MXN	\$1,800k MXN
30	135k	620k	1,725k	3,270k
35	225	1,010	2,825	5,350
40	330	1,485	4,150	7,860
45	455	2,055	5,750	10,890
50	605	2,750	7,680	14,550
55	790	3,580	10,005	18,960
60	1,010	4,590	12,815	24,280
65	1,330	6,015	16,805	31,840

Model Assumptions

Annual contribution rate: **15%**

Portfolio: **AFORES**

Inflation rate: **3.7%**

Retirement age: **65**

Years in retirement: **35**

Replacement rate: **70%**

This analysis assumes you would like to maintain an equivalent lifestyle in retirement. Household income is assumed to be gross income (before taxes and savings).

How to use:

- Go to the intersection of your age and your closest current household income.
- This is the amount you should have saved today.
- **Example: For a 40-year-old with a household income of \$340,000 MXN, your current savings should be \$1,485,000 MXN.**

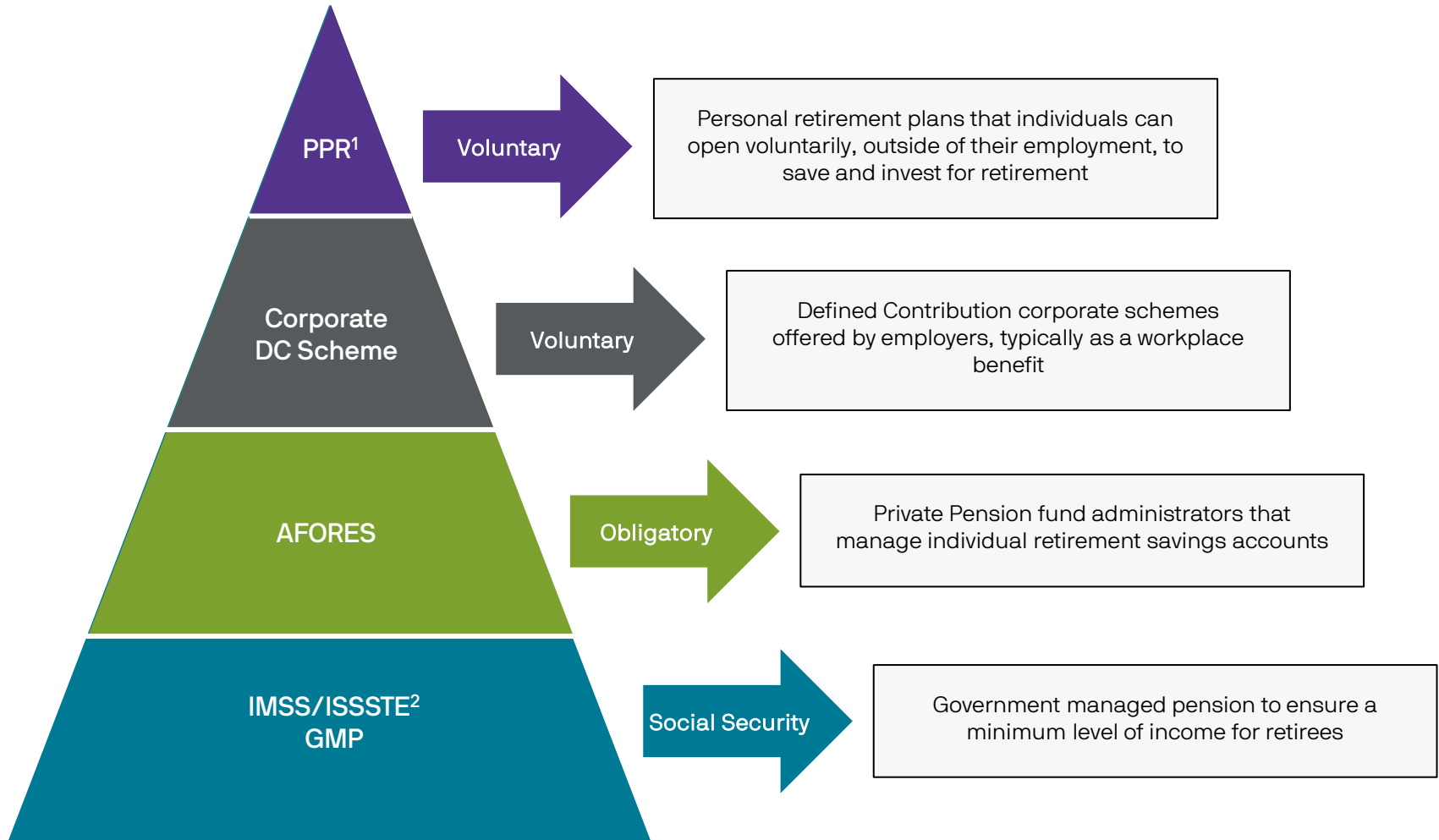
To personalize your plan, use an online calculator or discuss your circumstances with a financial professional.

Source: This chart is for illustrative purposes only and must not be relied upon to make investment decisions. J.P. Morgan Asset Management's (JPMAM) model is based on proprietary Long-Term Capital Market Assumptions returns and a 80% confidence level. AFORES portfolio and cash return distributions have means of 8.5% and 5.4% respectively. Consult with a financial professional for a more personalized assessment. Allocations, assumptions and expected returns are not meant to represent JPMAM performance. Given the complex risk/reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations. References to future returns for either asset allocation strategies or asset classes are not promises or even estimates of actual returns a client portfolio may achieve. J.P. Morgan Asset Management.



Diversify your sources of retirement income

Saving & Investing



¹Personal tax-deductible retirement plan. ²Mexican Social Security Institute (IMSS)/Institute for Social Security and Services for State Workers(ISSSTE).



Timeline of the pension reform implementation

Implementation milestones of the pension reform



2021

- Reform approved Dec 9, 2020; effective Jan 1, 2021
- Contribution weeks reduced from 1,250 to 750



2023

Gradual increase in employer contributions begins, enhancing retirement account funds



2030

Employer contributions reach 13.875% of Taxable Base Income for workers earning between 4.01 and 25 UMAs



2031

Permanent minimum of 1,000 weeks of contributions, balancing accessibility and sustainability

Reference

Source: FIAP Pension Notes Reform of the Mexican pension system. No. 54 – June 2021, based on the Banco de México report “The Reform of the Mexican Pension System: Possible Effects on Retirements, the Dynamics of Mandatory Savings and Public Finances.”



Eligibility breakdown by income level for pension system

GTR | MEX | 21

Income Level	Eligibility Criteria	Employer Contributions	Government Contributions
Minimum Wage (MW)	<ul style="list-style-type: none">• Minimum age: 65 years• Contribution weeks: 750 weeks in 2021, increasing to 1,000 weeks by 2031	5.15% of Taxable Base Income (TBI)	8.724% of TBI
Unidad de Medida y Actualización (UMAs)	<ul style="list-style-type: none">• Minimum age: 65 years• Contribution weeks: 750 weeks in 2021, increasing to 1,000 weeks by 2031	Gradual increase to 13.875% by 2030	<ul style="list-style-type: none">• 2 UMAs: Varies, concentrated on lower-income workers• 3 UMAs: Varies, concentrated on lower-income workers• 4 UMAs: 1.798% of TBI• Above 4 UMAs: No government contribution

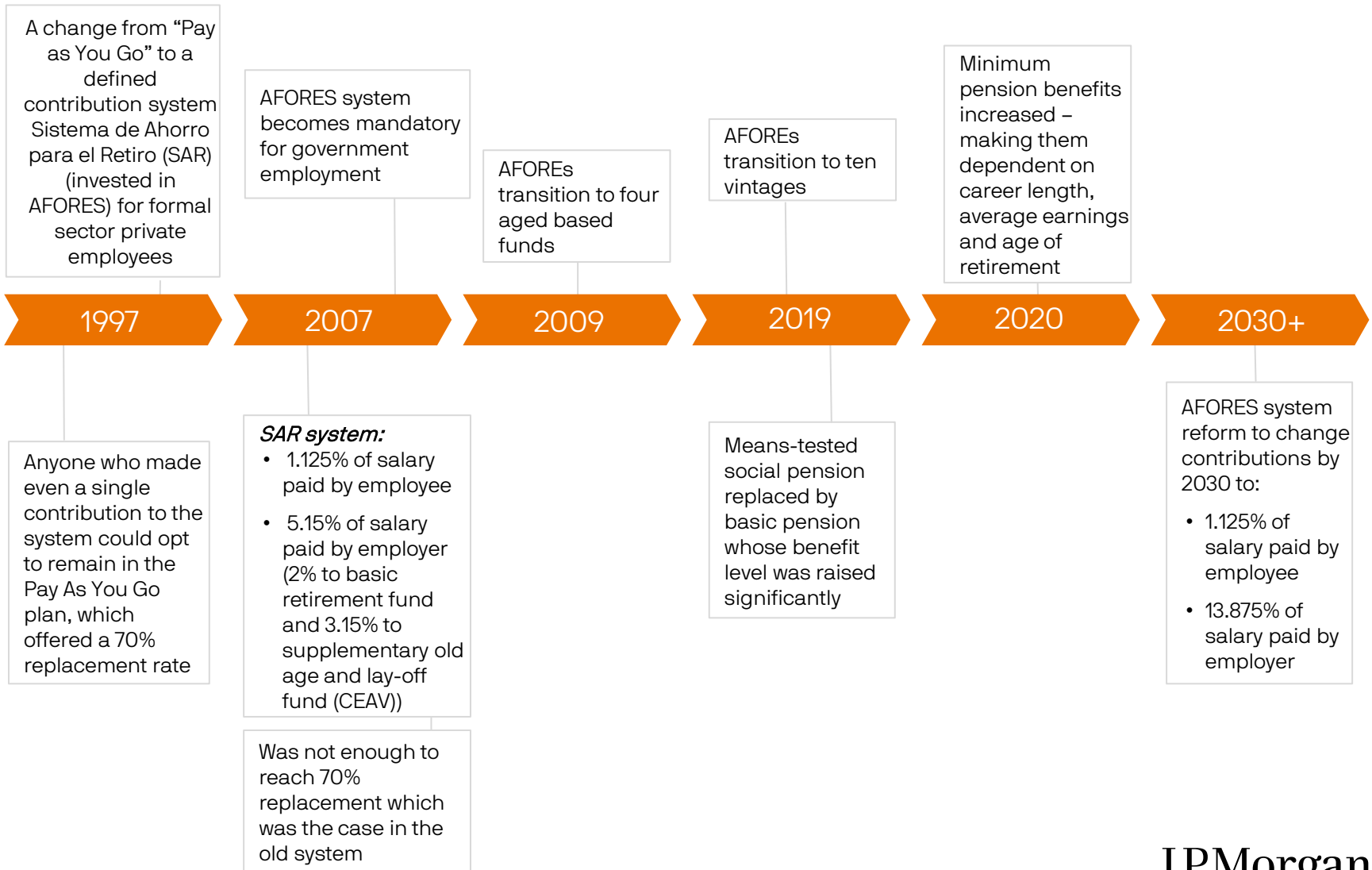
Reference

Source: FIAP Pension Notes Reform of the Mexican pension system. No. 54 – June 2021, based on the Banco de México report “The Reform of the Mexican Pension System: Possible Effects on Retirements, the Dynamics of Mandatory Savings and Public Finances.” UMAs (Unidad de Medida y Actualización) are a unit of measurement used to calculate benefits and pensions.



Retirement system progress

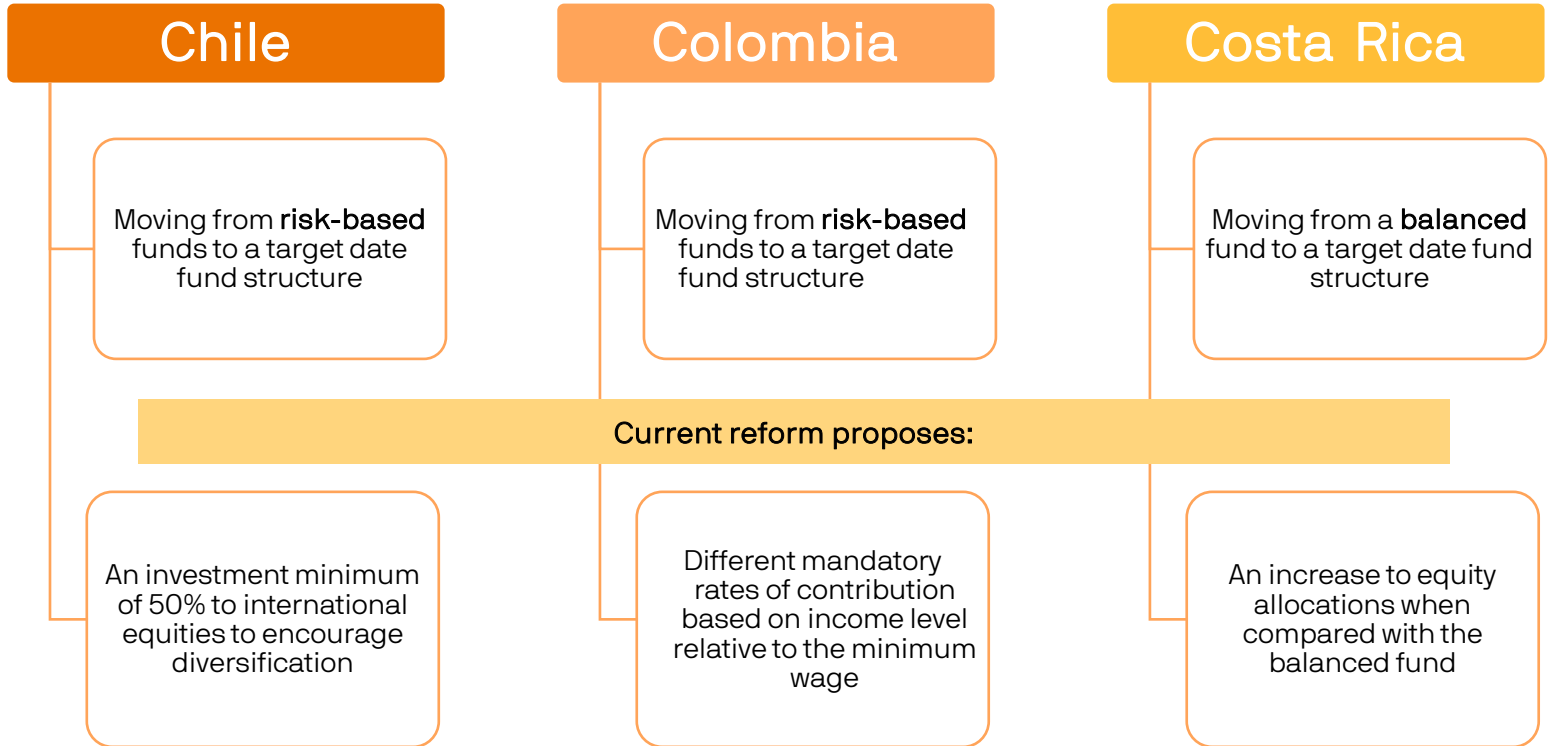
Reference





Reforms across the region

Pension reform has been trending across Latin America in recent years



Reference

Source: <https://www.spensiones.cl/portal/institucional/594/w3-article-16483.html>, <https://www.funcionpublica.gov.co/eva/gestornormativo/norma.php?i=246356#2381>, <https://www.fiapinternacional.org/wp-content/uploads/2025/07/NP-87-ing-final-2.pdf>.



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Asset class	20/80	40/60	50/50	60/40	80/20
U.S. large cap growth	4.5%	8.8%	11.0%	13.3%	17.5%
U.S. large cap value	4.5%	8.8%	11.0%	13.3%	17.5%
U.S. mid/small cap	2.3%	4.5%	5.5%	6.5%	9.0%
U.S. REITs	1.0%	2.0%	2.5%	3.0%	4.0%
Developed market equities	5.5%	11.3%	14.0%	16.8%	22.5%
Emerging market equities	2.3%	4.8%	6.0%	7.3%	9.5%
U.S. investment-grade bonds	61.8%	45.8%	38.0%	30.0%	14.0%
U.S. high yield bonds	12.3%	9.3%	7.5%	6.0%	3.0%
Emerging market debt	4.0%	3.0%	2.5%	2.0%	1.0%
U.S. cash	2.0%	2.0%	2.0%	2.0%	2.0%

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