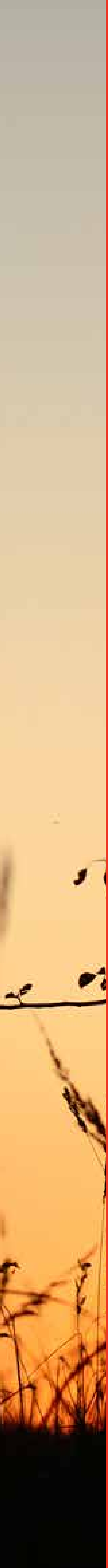
The Future of Retirement

Life after work?

HSBC

Global Report



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Foreword by HSBC

At HSBC, our purpose is to help customers fulfil their hopes and dreams and realise their ambitions, for themselves and their families, by enabling them not only to manage their financial affairs today but also to plan for their long-term financial future.

I am therefore delighted to introduce the latest report in The Future of Retirement series of independent global research studies, commissioned by HSBC. *Life after work?* is our ninth report and compares the real-life experience of today's retirees with the views and expectations of those still working towards retirement.

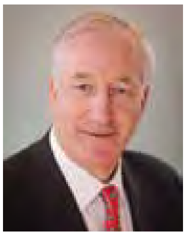
With the benefit of this hindsight, the report explores key retirement issues including transitioning into retirement, ensuring an adequate post-retirement income, leaving a legacy for future generations and achieving later life aspirations. It also includes some practical steps that people can take to help secure a more comfortable retirement.

In this report, we can see how a new retirement landscape is slowly emerging. The desire to live a full life after work can be seen in the widely held aspirations for a healthy and prosperous retirement. People also aspire to leave a positive financial legacy for their children and grandchildren, during retirement and through inheritances.

Yet such goals are being put at risk by a failure to prepare adequately. Indeed, many of those in retirement regret not having saved more when they were younger, or having retired too soon, and share the impact those decisions are having on achieving their retirement aspirations.

I hope that the revealing insights in this report, and the practical lessons shared by today's retirees, will encourage everyone to take the necessary steps towards a more comfortable retirement.

Simon Williams
Group Head of Wealth Management, HSBC



Introduction from the author

Since 2005, The Future of Retirement survey has reflected not only the growing prosperity and optimism in the emerging economies of Asia Pacific, the Middle East and Latin America, but also the widespread feelings of uncertainty and increasing pessimism in the developed markets of Europe and North America.

This differing economic backdrop has helped to shape people's aspirations and hopes for the future, including their life in retirement. It has also informed how governments and employers seek to redefine the ways in which they support households and employees in building up retirement income funds. This has led to less generous state and employer pension provision and thrown down a major challenge to all individuals: accepting a greater personal responsibility for planning their own retirement.

This economic backdrop is not the only challenge facing people as they prepare for retirement. Life expectancy is rising fast, while retirement ages appear to be relatively static. Such expectations will place even greater pressure on household savings. The OECD, which represents the world's leading 43 industrialised economies, reveals how the average length of time spent in retirement is already 18.5 years for men and over 23 years for women[1], yet most people today expect to retire at the same age as their parents, typically around age 60. Half of all respondents acknowledge that they are not saving enough, with retirement savings expected to last on average just 10 years into retirement.

Crucially, the extent of retirement preparedness among today's retirees is not being replicated among today's generation of workers. While today's retirees accept that they could have done more to prepare properly for their retirement, the view that people are not preparing adequately for a comfortable retirement is even more widespread among today's workers, whose relative inability to sustain a regular savings habit is already having a profound impact on how parents plan their own finances in retirement. The practice of providing an inheritance after we die may itself be changing, as many parents now provide significant gifts and loans during their lifetime to help their adult children cope better with the increasing costs of higher education and housing, another way of transferring wealth between the generations and already a global reality.

However, the notion of legacy goes beyond merely providing financial support. A lifetime of knowledge and lessons learned can also form an important legacy, and we hope that sharing the financial advice most appreciated by today's retirees can provide a new dimension to the steps that people can take to address the growing challenge of funding retirement.

Mark Twigg
Executive Director, Cicero Group

The research

The Future of Retirement is a world-leading independent research study into global retirement trends, commissioned by HSBC. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world.

This report, *Life after work?*, is the ninth in the series and represents the views of more than 16,000 people in 15 countries:

- Australia
- Brazil
- Canada
- China
- Egypt
- France
- Hong Kong
- India
- Malaysia
- Mexico
- Singapore
- Taiwan
- United Arab Emirates
- United Kingdom
- United States

The findings are based on a representative online sample covering people of working age (25 and over) and those in retirement. The survey was conducted between July 2012 and April 2013. Due to limited survey sample sizes in Egypt and the UAE, research findings on the fully retired in these two countries are not available.

Life after work? is the ninth in the series and represents the views of more than

16,000 people

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Unless stated otherwise, figures are averaged across all 15 countries. Monetary values are expressed in US dollars ($). Figures are rounded to the nearest whole number.

The public debate about retirement planning is inevitably forward looking. We often focus on what people can expect to happen to them at some undefined point in the future. However, according to the US Census Bureau, there are 579 million people[2] around the world today for whom living in retirement is already a reality. Examining the views and experience of current retirees can tell us a great deal about the kind of retirement realities facing future generations, and more importantly, what the next generation can do differently to prepare for that retirement.

While the desire for a comfortable retirement is universal, an individual's retirement planning will need to be personalised, depending on their country of residence, access to state and employer pensions, working history and family situation. While these factors affect people differently across our surveyed countries, there are some startling similarities, particularly when looking at the financial advice that those now in retirement have most valued throughout their lives. With the world's population of retired people set to increase three-fold to over 1.5 billion by 2050[3], it is important that the lessons learnt by today's retirees are passed on to today's retirement savers.

The report is structured into five parts:

Part 1 looks at the transition to retirement, the age at which people retire from all paid employment and the realities of semi-retirement.

Part 2 focuses on income, spending and saving in retirement, examining shortfalls in retirement savings, the over-estimation of retirement income, and the under-estimation of retirement outgoings.

Part 3 examines people's desire to leave a legacy, identifying the profiles of retirees who have and have not received loans or gifts from their parents or relatives, and comparing and contrasting expectations about inheritance amongst those in retirement and those still working.

Part 4 looks at retirement aspirations versus reality, identifying key retirement aspirations and the reasons why they sometimes remain unmet. It looks at the contrast between current retirees and those of the younger generation, and examines how financially well prepared for retirement retired people actually are.

Part 5 offers practical guidance drawn from the research findings, listing actions that people can take towards planning a more financially secure future.

In addition to this global report, country reports highlighting the key findings in 13 of the countries surveyed (excluding Egypt and UAE), and all previous reports, are available on **www.hsbc.com/retirement.**

Since The Future of Retirement programme began in 2005, more than

125,000 people

worldwide have been surveyed

Executive summary

The transition to retirement

The way in which people choose to move into retirement has a major impact on their financial well-being for the rest of their lives. Decisions about when and how to retire will affect when and how people stop saving for retirement, as well as when and how they start drawing on their retirement savings.

- The age at which people expect to retire shows little sign of changing: on average, the next generation of retirees expects to retire at age 59, identical to the actual retirement age of their parent's generation.
- Younger workers expect to retire earlier than older workers: on average, those aged 25 to 34 think they will stop working at age 58, while those aged 45 to 54 see themselves retiring at age 63. It is only when people pass the age of 55 that their expected retirement age reaches 65.
- 12% of working age people expect that they will never be able to afford to fully retire, rising to 24% of over 65s. Of those retirees who had not prepared adequately or at all, 14% said they will have to go back to work to cover their financial shortfall.
- 43% of working age people do not know when they will retire. This figure is far higher in some countries, such as Brazil, where 82% don't know. The country with the lowest figure was 29% in India.
- 42% of working age people expect to semi-retire, on average at 57.
- 44% of people who expect to semi-retire before fully retiring said they would do so in order to remain physically and mentally active. However, nearly two-thirds (64%) of semi-retirees regret giving up full-time work so soon.

Income, spending and saving in retirement

Generating an adequate income in retirement remains a major challenge for most people, given the financial conditions created by the global economic downturn. With social security systems set to become less generous, people will need to rely increasingly on their own retirement savings.

- Retirees said that on average the state makes up 37% of their retirement income through state pensions or social security. However, current working age people expect the state to account for less than a quarter (24%) of their retirement income, pointing towards an acceptance of a reducing role for governments.
- All respondents – retired and non-retired – expect their retirement savings to run out during retirement. On average, those currently in retirement expect their savings to last 12 years into their retirement. This contrasts with the

12%
of working age people expect never to be able to afford to fully retire

64%
of semi-retirees wish they had worked full-time for longer

On average, retirees receive
37%
of their retirement income from state pensions/benefits

69%
of retirees expect to leave an inheritance to their children

38%

of non-retirees have received a significant financial gift or loan from their parents or other relatives

anticipated life expectancy of 18 years in retirement.

- For the next generation of retirees, retirement savings are expected to last 10 years, indicating a belief among today's workers that they are less well prepared.
- 66% of retirees saw their income fall on retiring, and 21% saw it fall by more than half.
- Living in retirement is more expensive than many people think. Overall, 1-in-5 (21%) retirees experienced a drop in income in retirement of more than 50%. At the same time, more than half (52%) of retirees say they continue to spend as much as, or more than, they did before they retired.
- Nearly two-fifths (38%) of retirees say that their income in retirement is less than they expected: this is higher among women (42%) than men (36%). Over a third (35%) of those who said their retirement income was less than expected put this shortfall down to not planning enough for retirement, while another third (34%) blame the global economic crisis for reducing the value of their retirement fund.

Leaving a legacy

As today's workers are facing new financial pressures, such as funding college fees or housing costs, which are affecting their own ability to save for retirement, inter-generational transfers of wealth from parents to children provide another source of retirement funding for many.

- 69% of retirees expect to leave their children a financial inheritance, and of these, 31% say that they will definitely do so. This is significantly greater than the 43% of non-retirees who expect to receive an inheritance.
- The average value of the inheritance people expect to leave their children is $148,205. Even though this will often be split between more than one child, it is likely to be significant enough to play a useful role in funding the retirement of the next generation.
- Those expecting to receive an inheritance believe that it will be worth on average $43,195. More than seven out of ten (72%) expect that an inheritance windfall will make a useful contribution towards funding their retirement.
- Many parents or relatives are not waiting until after they have died before passing on their wealth preferring instead to make financial gifts or loans: 38% of non-retirees have received significant financial gifts or loans from parents or relatives, and these are fairly generous, with a median value of $13,059.
- Gifts and loans provide an established way of helping adult children to fund major life events, including getting married (25% of non-retirees had received gifts or loans from their parents to fund this), funding their children's education (24%) or grandchildren's education (9%). These payments also contribute towards purchasing a major item like a car (23%) and paying day-to-day living expenses (19%).
- 45% of retirees are either financially supporting another family member or expect to do so at some point during their retirement. Interestingly, nearly half (49%) of today's workers expect to be supporting others whilst they themselves are retired: 35% expect to be continuing to support their own children, while 18% expect to have to support their elderly parents.

Retirement aspirations versus reality

While the most popular aspirations for retirement are travel-related, with 30% hoping to holiday frequently, travel extensively or live abroad, not everybody will be in a position to achieve all their ambitions.

- 63% of retirees worry that they do not have enough money to live on in retirement, and 70% of those people regret not saving more.
- 38% of retirees say that financially they had not prepared adequately or at all for a comfortable retirement. As a result, 42% of these retirees acknowledge that some of their retirement aspirations would not be realised, while 50% say that they could not go on holiday as much as they expected.
- More worryingly, 50% say they have cut down on everyday spending, while 22% say their health may suffer.
- 56% of the fully retired are still saving after retiring, in order to achieve their retirement aspirations. For many people, their retirement plan remains work-in-progress, even after they retire.

53%

of retirees say that 'Start saving at an early age' is the best financial advice they have ever received

'If I only knew then what I know now'

Here are the best pieces of financial advice that retirees say they have ever received, in descending order of importance:

1. Start saving at an early age

2. Start saving a small amount, regularly

3. Don’t spend what you don’t have

4. Buy your own home as soon as you can afford to

5. Buy only what you need

6. Develop a financial plan for the future

Practical steps towards a better retirement

Having examined the experiences of today’s retirees and compared them with the expectations of today’s retirement savers, four main conclusions emerge which may help people to prepare more effectively for their own retirement.

Action 1.
Don’t rush into retirement.
Taking early retirement does not always turn out to be a positive move. Indeed, continuing to work is often recognised by retirees as a good way to keep mind and body active.

Action 2.
Don’t rely on one source of retirement income.
Relying on multiple sources of retirement income is a good way to avoid income shortfalls.

Action 3.
Be realistic about your retirement outgoings.
Don’t assume that your outgoings will fall when you enter retirement. Hidden costs, such as healthcare, might see outgoings actually rise after you stop working.

Action 4.
Plan your retirement with family in mind.
Family will become more important over time, given the trend of retired people who retain financial responsibility for other family members.

Part 1

The transition to retirement

Key findings

- On average, the age (59) at which people expect to be able to afford to fully retire from all paid employment, and the age (60) to which people are happy to continue doing some paid work, are the same worldwide. Younger people (25 to 34 year olds) typically expect to retire earlier, at age 58, while those aged 45 to 54 see themselves retiring at age 63. It is only when people pass the age of 55 that their expected retirement age reaches 65.

- 12% of working age people expect that they will never be able to afford to fully retire, rising to 24% of over 65s. Of those retirees who had not financially prepared adequately or at all for a comfortable retirement, 14% said they will have to go back to work to cover their financial shortfall.

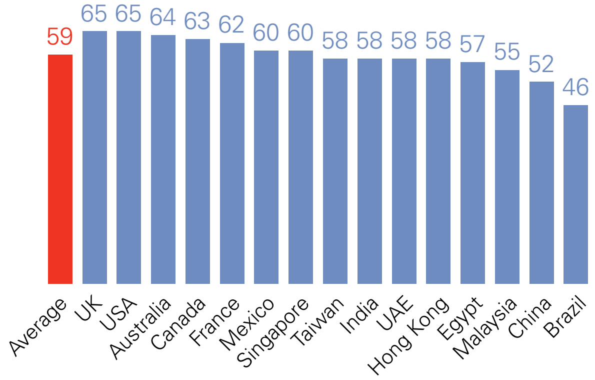
- Just one-in-three (32%) fully retired people had the option to phase their retirement. Nearly three-quarters (71%) took up the option to semi-retire, but nearly two-thirds (64%) of these wished they had worked full-time for longer before semi-retiring.

- Over two-fifths (42%) of working age people expect to semi-retire. With the average age at which people expect to semi-retire being 57 years, we can see that semi-retirement is often seen as a means of retiring early, rather than extending working beyond current retirement ages.

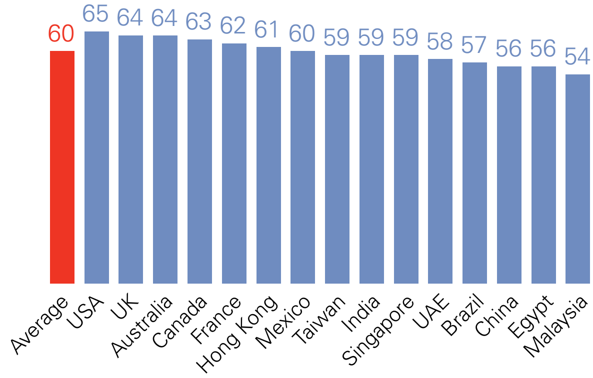
- Of those expecting to semi-retire, 39% do so because they like working and want to continue in some capacity, whereas 44% do so to keep active and keep their brains alert. Of those retirees who had already experienced a period of semi-retirement, 34% wanted to stay in work in some capacity, while 29% wanted to remain active.

- Semi-retirement is not an aspiration for all: a significant minority (28%) of those with the option to semi-retire chose not to take it up.

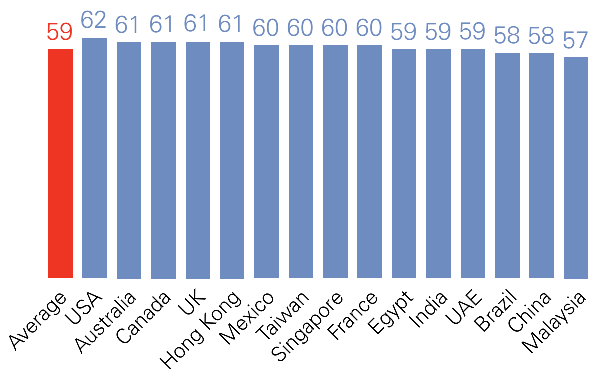
Figure 1: Average retirement ages (in years)



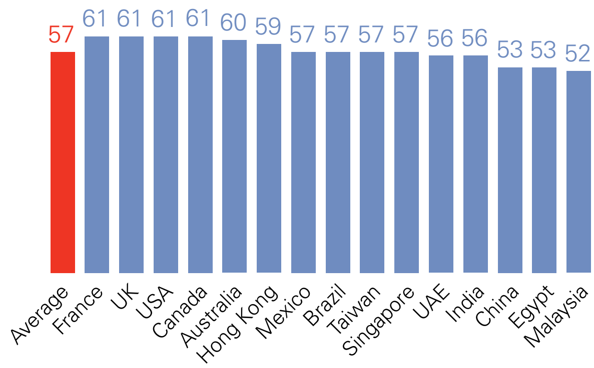
Q: Realistically, when do you expect to be able to afford to fully retire from all paid employment? (Base: Not fully retired)



Q: In principle, up until what age would you be happy to do some paid employment, before retiring fully? (Base: Not fully retired)



Q: At what age did your main earning parent or guardian retire from all paid employment? (Base: Not fully retired)



Q: At what age do you realistically expect to stop or at what age did you stop working full-time and move into semi-retirement? (Base: Not fully retired, expecting to/have already moved into semi-retirement)

Retirement age expectations

The onset of retirement has traditionally been quite inflexible. In most countries surveyed the current official state retirement age is somewhere between 60 and 65 years, and this has changed little despite the increases in life expectancy in recent decades. This matters because the official retirement age is an important benchmark in shaping peoples' expectations about when they can retire from all paid employment. The age at which people expect to retire and the age to which people are happy to keep working are similar (see Figure 1): on average, the expected retirement age is 59 years and the age up to which people would be happy to do some work is 60.

42%

expect to semi-retire, on average at age 57

There are no real gender differences, with both men and women expecting to retire at similar ages. However, expected retirement ages do differ greatly across age groups: on average, the younger generations expect to retire from all paid employment five years earlier than their older counterparts: of those aged 25 to 34, the average expected full retirement age is 58, which rises to 63 amongst those aged 45 to 54 and 65 among those already aged over 55. Despite the fact that the majority (57%) of working age people readily admit they are not preparing adequately (38%) or at all (19%) for retirement, many people have unrealistic expectations about the age at which they can afford to retire. Those who say they are saving adequately for a comfortable retirement typically expect to retire from all paid employment at 58, while those who say they are not financially preparing adequately expect to fully retire at 61. The reality for those not saving enough now is that they are likely to need to continue working later than desired in order to minimise retirement income shortfalls.

For a small minority of working age people, the reality has already dawned, with 12% who expect they will never be able to afford to fully retire. Furthermore, 23% of over 65s believe they will have to work until they die.

Of those retirees who had not prepared adequately or at all, 14% said they will have to go back to work to cover their financial shortfall.

These global findings hide significant country differences. In both the UK and the US, respondents typically expect to fully retire at age 65, reflecting the official retirement ages in those countries, while in China the average expected retirement age is 52. Meanwhile, the majority of Brazilians (82%) don't know when they will be able to retire from all paid employment, compared to a global average of 43%.

Retirement expectations are also shaped by the experience of the older generation. The age at which people of working age expect to retire is almost exactly the same as the age at which their main earning parent or guardian retired from all paid employment, on average at age 59. However, expecting the next generation to retire at a similar age to current retirees is unrealistic: given increasing life expectancy, future generations of retirees are faced with the new reality of funding a longer period living in retirement which will necessitate working longer beyond current retirement ages. Yet, from this current retired generation to the next, there is little expectation that retirement age will or should change.

The move to semi-retirement

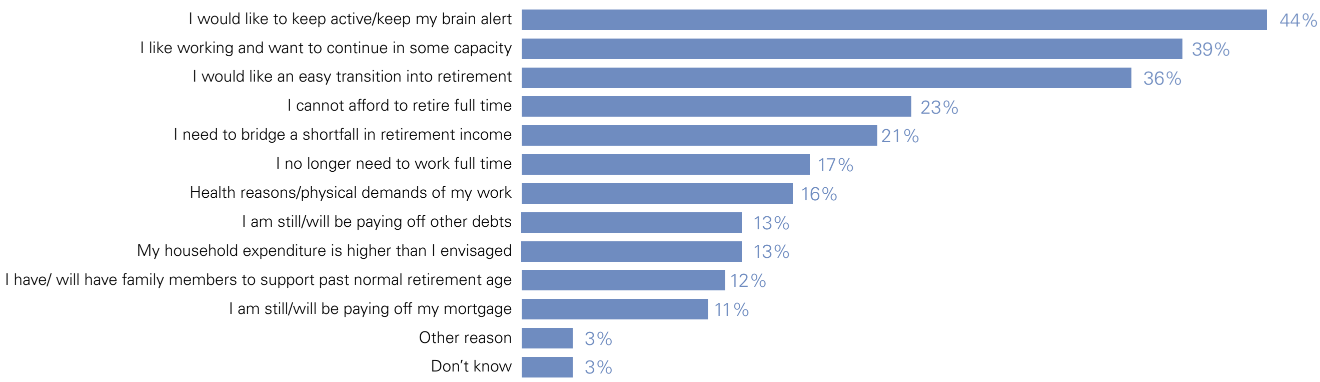
The concept of 'semi-retirement', which involves a reduction in working hours but a continuation of some paid employment as retirement age is approached or reached, is broadly popular: over two-fifths (42%) of all working age people surveyed expect to move into semi-retirement, while a further 6% have already made the move. However, expectations towards semi-retirement vary considerably by country: in France, just 15% expect to semi-retire, while in Singapore (57%), Malaysia (54%), and India (51%) the majority expects to semi-retire before stopping work altogether, reflecting their more flexible labour markets and informal retirement systems.

Semi-retirement is generally seen as a way of funding early retirement rather than extending working life beyond retirement age. For example, those expecting to semi-retire typically expect to do so nearly three years (at age 57) before fully retiring from all paid employment (at age 60). Younger respondents are more likely to expect to semi-retire at an earlier age: on average, 25 to 34 year olds expect to semi-retire at 55, while those aged 45 to 54 expect to do so five years later, at 60. There is not much difference by country in the expected semi-retirement age. On average, in the UK, France, USA and Canada, semi-retirement is expected to start at 61. In all other countries, the average age is between 55 and 60, with the exception of Egypt and China (53), and Malaysia (52).

The overall picture emerging is that today's workers equate semi-retirement with the notion of early retirement. More people expect to semi-retire for positive rather than negative reasons. As Figure 2 shows, 44% see semi-retirement as a way of ensuring that they keep active or keep their brain alert. A further 36% see it as a way of ensuring an easy transition into retirement, while 39% enjoy working and want to continue in some capacity. However, nearly one-in-four (23%) working age people choose to semi-retire because they cannot afford to fully retire, and 21% see it as a means of bridging a shortfall in retirement income.

Figure 2: The motivations behind semi-retirement are mainly positive

Q: Why do you expect to move or why have you already moved from working full-time into semi-retirement? (Base: Not fully retired, expecting to/have already moved into semi-retirement)



Contrasting with the expectations of working age people, semi-retirement was not prevalent amongst today's retirees: only 32% had the option to semi-retire, although most (71%) who had the option took it up.

Looking back, the actual experience of semi-retirement generated mixed feelings amongst retirees. Those people who experienced semi-retirement generally had positive reasons for doing so, although some felt they had little choice. One-third (34%) stated that they enjoyed working and wanted to continue working in some capacity, while 29% wanted to keep active or keep their brains alert. A further 26% stated that semi-retirement was something that had been planned, whilst only 16% claimed that they were no longer able to find full-time employment. Although most people who took semi-retirement did so for positive reasons, some regret doing so: nearly two-thirds (64%) wished that they had worked full-time for longer before moving into semi-retirement (72% of men and 51% of women).

Of those who had the option to semi-retire but who chose to take full retirement, 26% did this because they wanted to realise some retirement hopes and aspirations. The same number (26%) said that they did not need to work part-time, while 28% did not want to work part-time. Nearly one-in-four (23%) stated that they just did not consider semi-retirement, despite having the option.

In common with those still in working age, those in retirement also regard semi-retirement primarily as a means of funding early retirement. However, 64% of semi-retirees wish that they had worked full time for longer. This group misses the world of employment more than they thought they would before they retired, an important lesson for those approaching retirement – don't be in too much of a hurry to stop working.

64%

of semi-retirees wish they had worked full-time for longer

Part 2

Income, spending and saving in retirement

Key findings

- People expect their retirement savings to run out during retirement: on average, working age people expect to live for 18 years in retirement, but their retirement savings to last for just 10 years. Amongst those already retired, the reality is little different: on average, their retirement savings are expected to last for 12 years.
- 66% of retirees say that their retirement income was lower than before they retired, and 38% of retirees say that their income is lower than expected.
- 52% of retirees said that their outgoings in retirement were the same (35%) or greater (17%) than before. Living in retirement can be more expensive than people envisage, as the anticipated falls in spending often don't materialise.
- A lack of retirement planning (35%), the global economic crisis (34%) and unexpected events/ expenses (24%) were the main reasons for most retirees having a lower retirement income than expected. The global economic crisis is a particular issue for the UK and many Asia Pacific retirees, while not undertaking sufficient planning is a bigger factor in North America.
- The State is the most common source of income for retirees: the average proportion of retirement income for the fully retired coming from state pensions/benefits is 37%, while the expectation amongst working age people is that it will account for only 24%.
- The majority (56%) of retirees are still saving while in retirement, although this is much less prevalent in Europe and North America than in the Asia Pacific region.
- Most retirees (63%) have planned financially for their retirement. However this retirement planning appears to be largely informal, with just 26% having ever used a professional financial adviser.

52%
saw their outgoings stay the same or increase on retiring

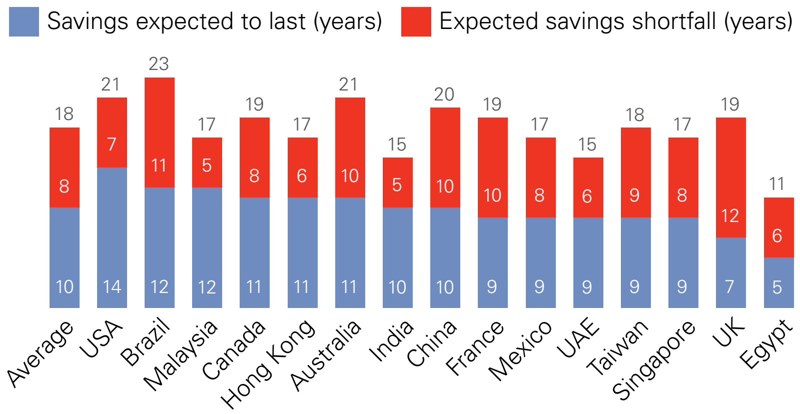


Figure 3: Working age people expect their savings to run out during retirement

Q: Some people plan or have retirement savings that they expect will last for a certain amount of time in retirement. For how long, if at all, do you expect your savings to last in retirement? (Base: Not fully retired)
Q: Imagine yourself retiring today from all paid employment at the normal retirement age. How many years would you reasonably expect to live for in retirement? (Base: Not fully retired)

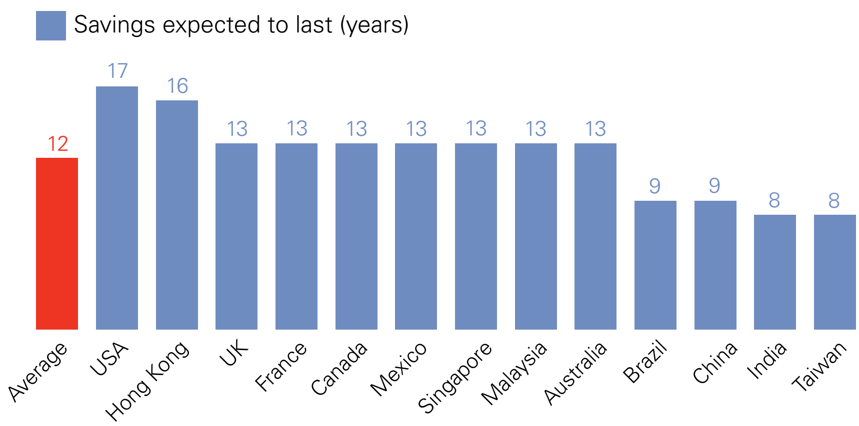


Figure 4: Retirees also expect their savings to run out during retirement

Q: Some people plan or have retirement savings that they expect will last for a certain amount of time in retirement. For how long, if at all, do you expect your savings to last in retirement? (Base: Fully retired)

Life expectancy versus retirement savings: Too much life, not enough savings?

People not yet fully retired expect to live for an average of 18 years in retirement. However, while retirement is generally something to look forward to, the average person expects their retirement savings to run out after 10 years. This highlights a key risk, known as 'longevity risk', which requires people to manage their financial assets to make sure that they don't run out during retirement (see Figure 3).

Worryingly, in most countries, the next generation of retirees expect their retirement savings to run out faster than today's retirees. On average, working age people expect their retirement savings to last for just over half their retired lives, running out after 10 years, whereas those already in full retirement expect their savings to last for 12 years. In short, the current generation of workers expect to be less prepared for retirement than the current generation of retirees. The country with the biggest inter-generational drop in retirement savings longevity is the UK. Here, retirees expect their savings to last on average for 13 years in retirement; this almost halves to 7 years among the UK's next generation of retirees.

However, there are a number of countries – Brazil, India, China and Taiwan – which buck this trend, where younger people expect their retirement savings to last longer than those of their parents. All of these are emerging markets, where the current generation of workers have been able to make strong economic progress compared to their parents' generation.

However, even in these countries, the findings paint a worrying picture where for many the reality of later life will be for their savings to run out during their retirement – a case of 'too much life, not enough money.' This lack of adequate retirement savings could lead to a greater reliance on the state than expected.

66%
saw their income fall on retiring, and 21% saw it fall by more than half

The pattern of spending in retirement is not uniform throughout its course[4]. People commonly enjoy an active life (where they spend more on their hopes and aspirations) earlier in retirement, before moving on to a more passive and often frail stage of retirement, often requiring the additional expense of professional health or home care. Over the course of retirement, travel and holiday spending priorities are typically replaced by a greater emphasis on funding healthcare provision.

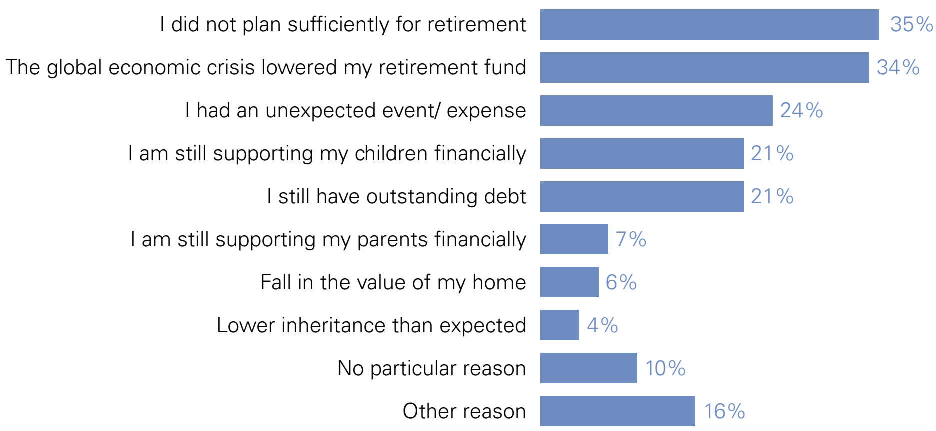
An important reality of retirement is that household income is likely to be lower than it was previously. The research among the fully retired shows just how much lower retirement income can be for many retirees: while 66% of retirees say that their income has fallen in retirement, one-in-five (21%) say that their income has fallen by more than half. In contrast, only 12% of those not fully retired expect that their income will fall by more than half. This suggests that many people of working age have little idea of the financial realities of living in retirement and the likely difference between pre- and post-retirement income.

Of course, most people would expect their income to be lower once they no longer work, but, almost two-fifths (38%) have found that their income in retirement is less than expected, with only 21% claiming it is more than they expected. The relative shortfall is more acute amongst women, with 42% finding that their income is less than expected, compared to 36% of men. Overall, our findings confirm that people tend to be over-optimistic about the level of their retirement income.

As seen in Figure 5, a number of reasons were given for this lower than expected retirement income: over a third (35%) of retirees acknowledge that they did not plan sufficiently for retirement, while a similar proportion (34%) claim that the global economic crisis lowered their retirement fund. For many in retirement, ongoing and unexpected expenses are reasons for their lower than expected retirement income: one-in-five (21%) are still supporting their children financially, and the same proportion (21%) say that they still have outstanding debt, while one-in-four (24%) blame an unexpected event or expense.

Figure 5: Insufficient planning and the global economic crisis are the main causes of lower than expected retirement income

Q: Why is your income less than you expected? (Base: Fully retired, with retirement income less than expected)



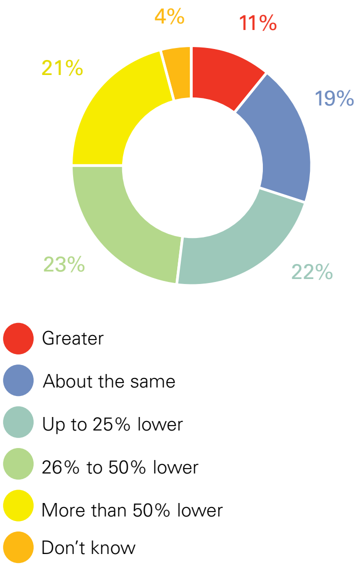
The shortfall in expected retirement income is often not matched by corresponding falls in retirement outgoings. Indeed, 52% of retirees claim that their outgoings are the same or greater compared to immediately prior to retirement (Figure 6). This is likely to reflect a combination of factors, including the potentially higher cost of realising retirement aspirations such as extensive travel, in addition to having to deal with what will typically be unfunded (and unexpected) living costs associated with old age, such as the need to fund long-term medical or residential care. In spite of this, nearly half (44%) of fully retired people found that their outgoings have fallen, with 7% reporting a fall of more than half.

63%

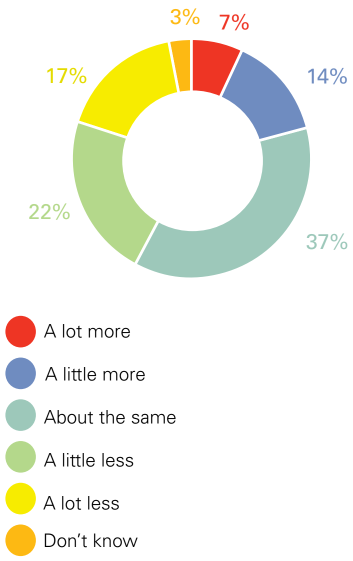
of retirees have planned informally for their retirement

Figure 6: On average, retirement income is less than expected, while retirement outgoings are often similar to before retirement

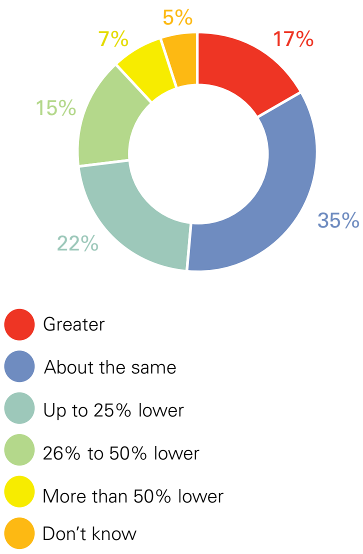
Q: Thinking about your income in retirement, how does it compare with your income immediately before you retired? (Base: Fully retired)



Q: To what extent is your retirement income in line with your expectations before you retired from full time employment? (Base: Fully retired)



Q: Thinking about your outgoings in retirement, how do they compare with your outgoings immediately before you retired? (Base: Fully retired)



Sources of retirement income

In the countries surveyed, working age people expect on average 24% of their retirement income to come from state pensions and benefits, ahead of cash savings and deposits (19%), personal pensions (15%), company pensions (12%), and investments (e.g. bonds, endowments, shares, unit trusts, mutual funds). These figures hide large variations by country: in France and the UK, far more people of working age expect to rely on state pensions and benefits, while in the UAE, Hong Kong, Taiwan, Malaysia, and particularly Singapore there is a greater expected reliance on cash savings and deposits.

As Figure 7 shows, the sources of funding retirement income are numerous and varied: comparing today's retirees with those not yet fully retired, a far greater proportion of retirement income comes from state pensions and benefits (37%), ahead of company pensions (16%), cash savings and deposits (12%), personal pensions (11%), and investments (9%). Although working age people believe they will be less reliant on the state for their retirement income, they may find they need to rely more on the state if personal pension incomes are lower than expected.

In France, retirees say that state pensions and benefits account for on average 83% of their retirement income, ahead of Mexico (54%), Brazil (46%), and Canada (45%). In the UK, company pensions remain the biggest single contributor to retirees' income (43%), while in India, Hong Kong, Taiwan, Singapore and Malaysia, cash savings are particularly important. In Australia, 25% of income in retirement comes from personal pensions.

Figure 7: Retirees are more reliant on state pensions/benefits to fund their retirement than working age people expect to be

Q: There are many ways in which people fund their retirement. Once you are fully retired, what proportion of your retirement income do you expect will be/is funded from each of the following sources? (Base: All respondents)

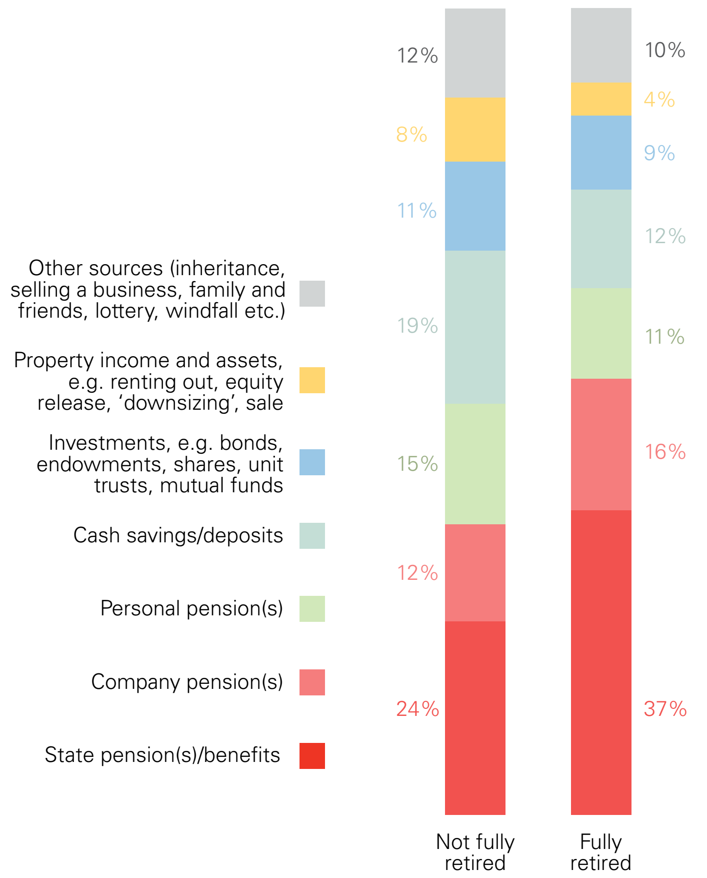
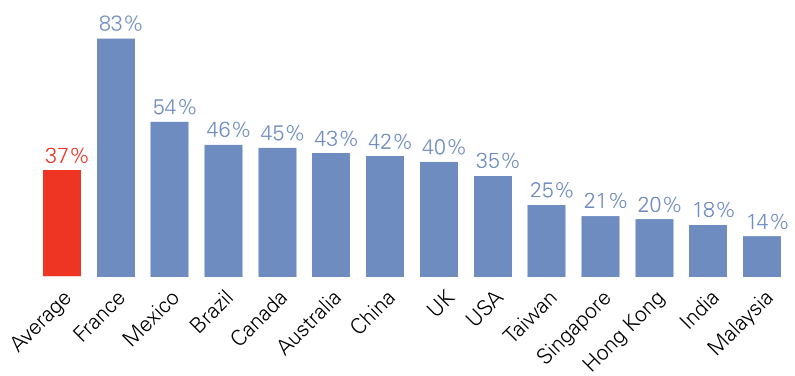


Figure 8: French retirees are the most dependent on the state for their retirement income

Q: What proportion of your retirement income is funded from each of the following sources? A: State pension(s)/benefits (Base: Fully retired)



Only **26%**

of retirees have used a professional financial adviser

Main forms of informal retirement planning:

- **38%** My own thoughts
- **37%** My own approximate calculations
- **23%** My own 'to do' list

Main forms of formal retirement planning:

- **19%** Conversations/meetings with a professional financial adviser
- **12%** Advice/plan drawn up by HR/ Benefits/Pension team at work

Continued saving and financial planning in retirement

The majority of retirees (56%) are still saving to some extent for later life, with just 38% claiming not to save anything each month. There are some significant country differences: in most Western countries surveyed (UK 55%, France 59%, USA 50% and Canada 64%), more than half of retirees do not save on a monthly basis once in full retirement, whilst in the Asia Pacific countries surveyed, saving in retirement remains the norm (69%).

Overall, 43% of retirees save on a regular basis, while a further 34% do so from time to time. One-in-six (16%) say they have saved in the past but no longer do so, and 5% of retirees claim never to have saved.

Most retirees (79%) have planned financially for retirement at some stage in their lives. However, most such retirement planning has been informal (63%) rather than formal (34%), and just one-in-four (26%) retirees have ever received professional financial advice.

When asked about their approach to financial planning, there is little evidence that retirees are strongly methodical, with 27% claiming to have some kind of plan but not one written down anywhere. A further 22% do not have a plan, but do keep all financial documents in one place. Just 13% state that a professional adviser wrote out a detailed plan which is kept up to date.

There are a number of ways in which retirees obtain information about saving for retirement generally. The most commonly mentioned were: banks (35%), independent financial advisers (28%), family and friends (24%), and life, pensions and insurance companies (22%).

Part 3

Leaving a legacy

Key findings

- Nearly two-fifths (38%) of non-retirees have received significant financial gifts or loans from parents or relatives, and these are fairly generous, with a median value of $13,059.
- Respondents who expect to receive an inheritance, or have already received one, put the median value of the windfall at $43,195.
- While receiving a financial gift or loan from parents or relatives might be expected to improve people's retirement prospects, only 36% of those receiving them say it has made saving for retirement easier.
- Leaving an inheritance is a popular aspiration: 69% of retirees expect to leave an inheritance to their children, including 31% who definitely plan to do so. This is significantly greater than the 43% of non-retirees who expect to receive an inheritance.
- Retirees are expecting to leave a median of $148,205 as an inheritance to their children. Even though this will often be split between more than one child, it is likely to be significant enough to play a useful role in funding the retirement of the next generation. The most generous retirees are in Australia, where the median amount expected to be bequeathed is $501,919.
- The most popular uses for significant financial gifts or loans from parents are paying for important life events, such as getting married (25%), funding their children's education (24%) with a further 9% funding their grandchildren's education. Gifts and loans are also used to help purchase a major item like a car (23%), whereas 19% go towards day-to-day living expenses.
- Inheritance could be an important source of retirement income for many: one in ten (10%) of those expecting an inheritance think it will fund their retirement entirely, while over seven in ten (72%) expect an inheritance to fund their retirement to some extent.
- 45% of retirees are significantly funding, or expecting to fund, a family member during their own retirement, and 49% of working age people expect to be doing so when they are retired. Most commonly, working age people expect to be funding their children (35%) or their parents (18%).

Figure 9: Significant financial gifts and loans are received only by a minority

Not fully retired

Q: Have your parents or other relatives ever given you a significant financial gift or loan? (Base: Not fully retired)

Fully retired

Q: Did/have your parents ever given you a significant financial gift or loan? (Base: Fully retired)

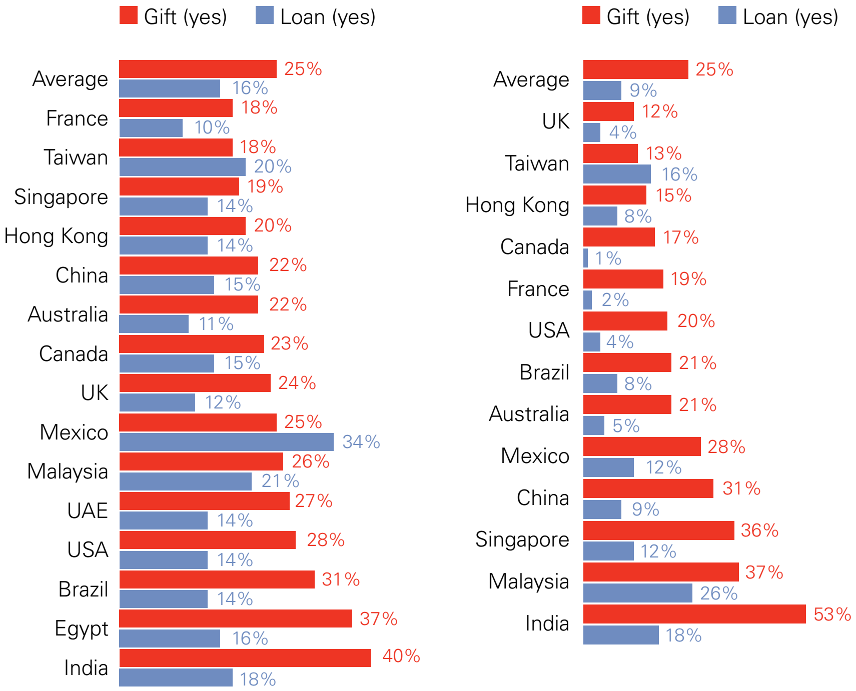
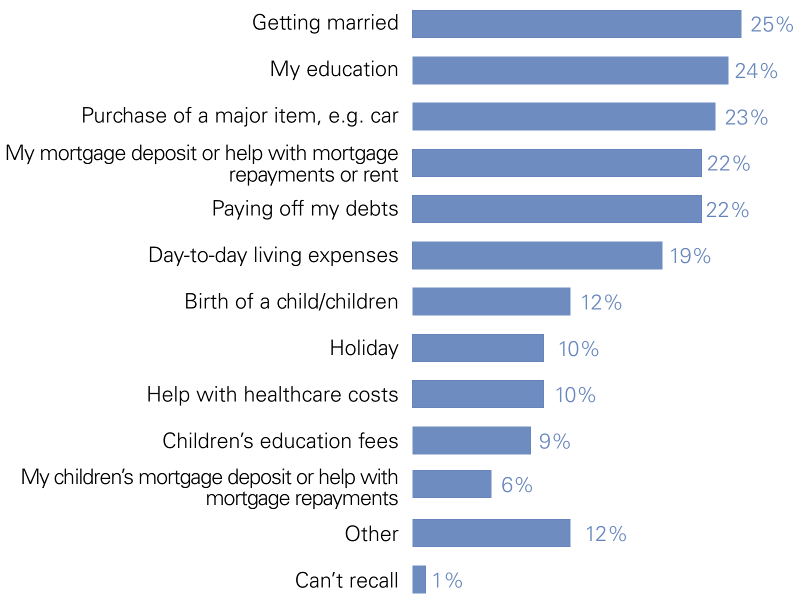


Figure 10: Significant life events are the most common reasons for family financial gifts or loans

Q: For what purpose(s) have your parents or other relatives ever given you a significant financial gift or loan? (Base: Not fully retired)



What is legacy?

The issue of legacy is perceived quite differently across different cultures, with some seeing legacy as related more to material wealth and others viewing legacy as related more to the passing on of values, ideas or religious faith.

For the purpose of this report, we have defined legacy in narrower financial terms, as the act of passing on wealth to the next generation.

Gifts and loans

As they enter later life, many parents expect to give a significant financial gift or loan to their children. Attitudes towards financial gifts and loans vary across the world and between generations. As Figure 9 shows, gift and loan receipt is most common amongst retirees in India, but is a significantly less common aspiration amongst the working age population there, which can also be seen to a lesser extent in other Asian markets such as Singapore, China and Malaysia.

Such gifts or loans from family were given for a wide range of uses, including major life events such as getting married (25%), children's education fees (24%), major purchases (23%), or help with housing costs (22%). However there is significant variation across the world: half (50%) of Chinese recipients of gifts or loans were given them to help with mortgage deposits/repayments or rent, whilst in Mexico, 35% were given them to pay off debts, and in the UK, a quarter (25%) were given them to pay day-to-day living expenses. Significant financial gifts and loans from parents and relatives play an important role in helping younger family members to take important steps in adult life.

Figure 11: Taiwanese parents give the biggest financial gifts or loans.

Q: Thinking of all the significant financial gifts or loans that your parents or other relatives have given you, what would you say has been the total value of them? (Base: Not fully retired)

Q: Thinking of all the significant financial gifts or loans that your parents gave/ have given you, what would you say has been the total value of them? (Base: Fully retired)

	Median value of significant financial gifts or loans given by parents or other relatives to:	
	Not fully retired	Fully retired
Average	$13,059	$20,943
Taiwan	$34,191	$81,625
Hong Kong	$32,114	$56,286
Singapore	$29,462	$34,359
Australia	$25,021	$26,590
USA	$24,874	$13,411
Canada	$22,207	$10,965
China	$17,343	$38,594
France	$13,748	$16,683
UAE	$13,414	N/A
UK	$12,775	$16,929
India	$10,315	$34,651
Malaysia	$10,184	$4,660
Brazil	$6,306	$6,435
Egypt	$5,632	N/A
Mexico	$1,950	$10,766

As well as significant differences in the prevalence of receiving gifts or loans between generations, there are also big differences in the value of the gifts or loans being given. While it might be expected that the biggest differences would be between developed economies and emerging markets, the results show the biggest givers to be three of Asia's fast growing economies: Taiwan, Hong Kong and Singapore.

While the median gift or loan across all 15 countries of $13,059 given to working age people is a significant amount of money, only around a third (36%) felt it helped them save for retirement (see Figure 12).

Of non-retirees who received an inheritance, only **36%** say it made saving for retirement easier

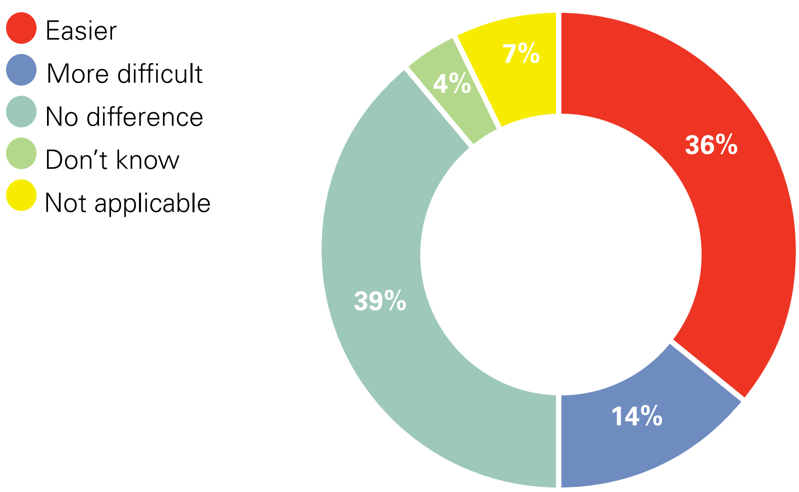


Figure 12: Family financial gifts or loans have helped make retirement saving easier for many

Q: Has receiving a financial gift or loan from your parents or other relatives made it easier or more difficult for you to save for retirement? (Base: Not fully retired, received a significant gift or loan from parents)

Figure 13: More retirees expect to leave an inheritance than non-retirees expect to receive one

Q: Do you expect to receive an inheritance? A: Any yes (Base: Not fully retired)
Q: Do you expect to leave an inheritance to your children? A: Any yes (Base: Fully retired)

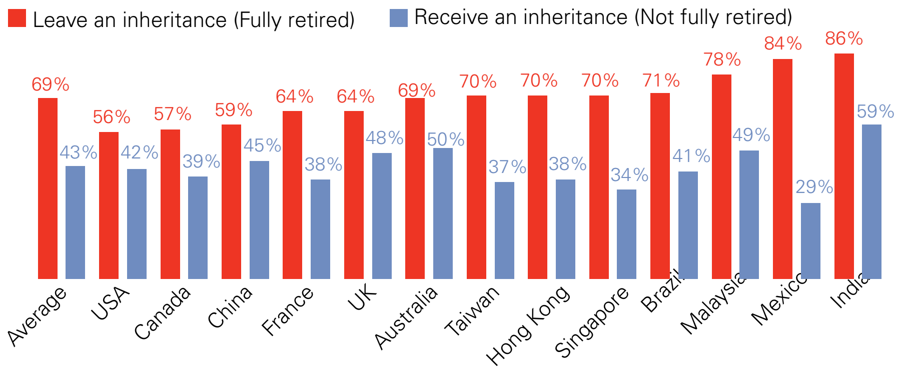


Figure 14: There is a disparity between inheritance expectations and what retirees are preparing to leave

Q: In total, how much have you received and/or do you expect to receive in inheritances, including the value of any property, cash, etc?
(Base: Not fully retired, expecting to/having received an inheritance)
Q: In total, how much do you expect to leave in inheritances to your children, including the value of any property, cash, etc?
(Base: Fully retired, expecting to leave an inheritance)

	Median value of inheritance expected to receive (Not fully retired)	Median value of inheritance expected to leave (Fully retired)
Average	$43,195	$148,205
Australia	$131,801	$501,919
USA	$92,563	$176,814
UK	$78,186	$284,145
Singapore	$77,119	$370,966
Taiwan	$70,149	$191,039
Hong Kong	$65,848	$145,943
Canada	$56,672	$171,154
France	$54,266	$223,699
China	$45,067	$68,422
Brazil	$41,786	$131,761
UAE	$32,804	N/A
Mexico	$30,266	$96,347
Malaysia	$26,522	$38,814
India	$21,570	$47,775
Egypt	$12,747	N/A

Inheritance

As well as the practice of giving significant financial gifts or loans while still alive, the practice of leaving an inheritance after death is well established across the world and remains a popular means of leaving a legacy. Overall, 69% of retirees expect to leave an inheritance to their children, of whom nearly a third (31%) definitely plan to do so. Leaving an inheritance is most likely in Mexico (where 51% definitely expect to leave an inheritance), India (48%), and Singapore (42%). Surprisingly, only 11% of US retirees definitely expect to leave an inheritance to their children.

While 69% of retirees intend to leave an inheritance, among the working

age population people are generally underestimating the likelihood that they will be receiving an inheritance: only 43% expect to receive an inheritance, far lower than the 51% of current retirees who will definitely or probably leave an inheritance.

There are wide variations across the world in the amount of money that people are expecting to inherit (Figure 14). The median inheritance expected by a working age respondent is $43,195, less than a third of the $131,801 that the typical working age Australian expects to inherit.

Retirees expect to bequeath more significant sums, with a median of $148,205. This suggests there are some significant inheritance windfalls likely from today's retirees, again especially in Australia where the median inheritance retirees expect to leave is $501,919.

A positive finding is that many people find they have more to leave than they were expecting. Almost two-fifths (39%) of retirees who expect to leave an inheritance think that it is likely to be larger than they had anticipated before retirement, whereas only 23% think it will be smaller than envisaged. Of those likely to be leaving a bigger inheritance than expected, the amount is substantial, on average 42% more than they envisaged.

For those expecting to receive an inheritance, this represents a potentially important retirement income source. However, it is worrying to see that one in ten (10%) of this group expects their inheritance to fund their retirement entirely, whilst around seven in ten (72%) expect it to at least partly fund later life. The expectation that inheritance will fund retirement is most prevalent in India, where 22% of respondents expect it to completely fund their retirement. Even where people can reasonably expect to receive a windfall of some sort, it is important that they do not come to rely on that windfall entirely – they are likely to face severe financial hardship in retirement if, for some reason, the windfall doesn't materialise.

Funding others in retirement

Retirement is often seen as a life stage where people become increasingly dependent on others for funding their care costs, be it in the form of the state or family. The findings reveal this is not necessarily the case: while half (49%) of retirees are not funding anyone else during their own retirement, nearly a third (30%) continue to fund their children to a significant extent. In countries such as Taiwan (50%), Malaysia (50%) and Mexico (48%), around half of retirees are continuing to fund their children despite having retired themselves.

This changing pattern of financial responsibilities within the family is not just confined to parents looking after adult children; 14% of retirees are funding their elderly parents, a consequence of the surge in life expectancy. As life expectancies increase, families face the challenge of having two generations living in retirement at the same time, with one generation at the early, more active stage of retirement, while the older generation that has already been living in retirement for two decades or more, is probably now moving into the later, more passive stage of retirement. Among current workers, the numbers who expect to spend their retirement having to financially support elderly parents is set to increase further to 18%.

There are substantial differences between countries in the patterns of funding children or others in retirement. In Australia, 18% of current retirees are funding someone else in retirement, whereas 26% of current workers believe it will be the case for them. As in many parts of the world, an increasing number of Australians expect to have to fund others during their retirement (although 18% currently do not know if they will have to financially support someone when they retire).

China highlights one of the biggest differences in terms of funding children in later life: 40% of Chinese retirees are still funding their children, whereas 59% of current workers believe they will be doing so in later life.

Families continue to play an important role in helping to fund retirement. For some younger people, parental gifts, loans and inheritances will play a role in funding retirement. In addition many current retirees are financing both elderly parents and grown up children, while future generations of retirees expect these caring responsibilities to grow, not diminish, as more people live longer into old age. The net result is likely to be that the financial pressures created by having to fund a much longer retirement may force more people to rely even more on extended family members.

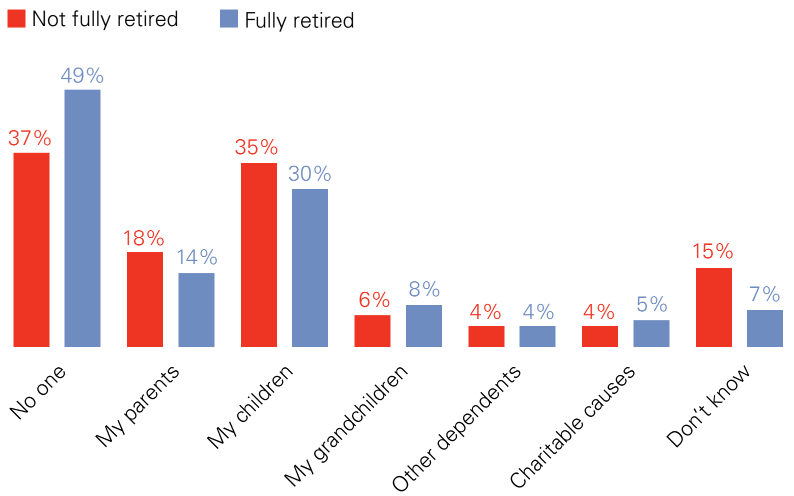
49%

of non-retirees expect to receive or have already received an inheritance, and of these, 72% expect it to at least partly fund their retirement

Figure 15: Over a third of working age people expect to be funding their children while retired.

Q: Apart from you and your partner (if applicable), who of the following do you expect to fund to a significant extent once you are fully retired? (Base: Not fully retired)

Q: Apart from you and your partner (if applicable), who of the following are you funding or do you expect to fund to a significant extent during your retirement? (Base: Fully retired)



Part 4

Retirement aspirations vs. reality

Key findings

- The most important aspirations for retirement amongst working age people centre on family (58% want to spend more time with family and friends) and travel (48% aspire to frequent holidays).
- Yet the failure of many retirees to adequately prepare financially for a comfortable retirement is having a major impact on their ability to turn these aspirations into reality: of these, 42% say that some of their retirement hopes and aspirations will not be realised as a result of a shortfall in retirement income.
- 38% of retirees say that their income in retirement is less than they had expected.
- 63% of retirees worry that they do not have enough money to live on in retirement, and 70% of these people regret not saving more to realise their retirement aspirations.
- 38% of retirees say that financially they had not prepared adequately or at all for a comfortable retirement. Of these, 57% say that they did not realise that they were preparing inadequately until they reached retirement, with 38% only realising this sometime after they had retired.
- Only 16% of retirees say that they have prepared more than adequately for a comfortable retirement.
- Many people find that their retirement aspirations have been frustrated by unforeseen events, such as the impact of the global financial crisis on their retirement fund (34%) or having to continue to support their children financially (28%).
- 56% of retirees are still saving, with 32% saving to fund retirement, and 39% saving to fund a rainy day. .
- 53% of retirees say that 'Start saving at an early age' is the best financial advice they have ever received

Aspirations for retirement

Most people have specific hopes and aspirations for retirement, but for many these can remain just dreams as they fail to save adequately for them. As revealed in our previous report, The Future of Retirement: *A new reality*, there is a strong desire to spend more time with our friends and family in later life, a view held by 58% of working age people. In addition, for many working age people, retirement is a time when they hope to see more of the world. Travel is a major retirement aspiration, with 48% aspiring to take frequent holidays, while 40% look forward to extensive travel in retirement.

Income shortfalls in retirement

Meeting these aspirations requires people to plan ahead and make sure that they generate the necessary retirement income. However, the reality is that many retirement plans often fall short of what is required. People either do not start saving early enough or the amount they are saving does not match their aspirations. As a result, 38% of retirees say that their actual income in retirement is less than they had expected before they retired, with the main reasons being:

- They did not plan sufficiently for retirement (35%)
- The global financial crisis reduced their retirement fund (34%)
- They are still supporting other family members financially (28%)

Retirement regrets

Faced with retirement income shortfalls and unrealised aspirations, many retirees have concerns about their failure to prepare adequately for a comfortable retirement: 63% worry that they do not have enough money to live on in retirement and 70% regret not saving more to realise their retirement aspirations.

This sense of regret varies across the countries (Figure 16), with only 39% of retirees in France citing this, given that country's relatively high household savings levels, combined with the generous state pension. However, the feeling of regret was much higher among retirees in the emerging markets of Asia, with 88% in Singapore, 87% in India and 85% in Malaysia.

In addition, 38% of retirees acknowledge that financially they did not prepare adequately (26%) or at all (11%) for a comfortable retirement. What is worrying is how close people get to retirement before they start to realise that their retirement savings are insufficient for their needs: of the 38% of retirees who admit to falling short, 57% said they did not realise that they were preparing inadequately until they retired.

Figure 16: Most retirees with less savings than expected, regret not saving more to fully realise their aspirations

Q: Do you regret not saving more so that you could realise all your hopes and aspirations in retirement? (Base: Fully retired, those with less money to live on than they had envisaged)

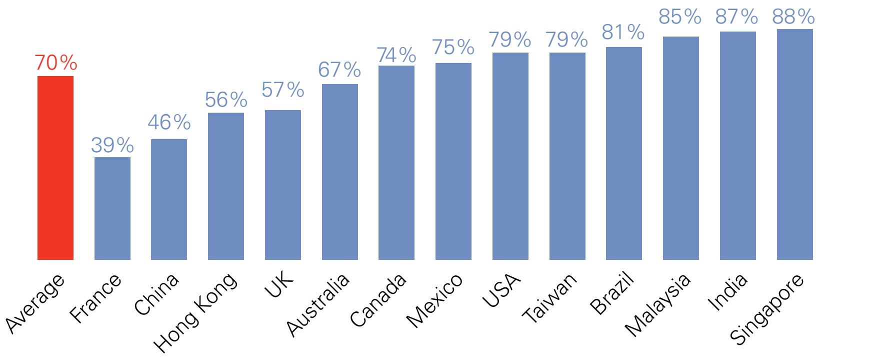
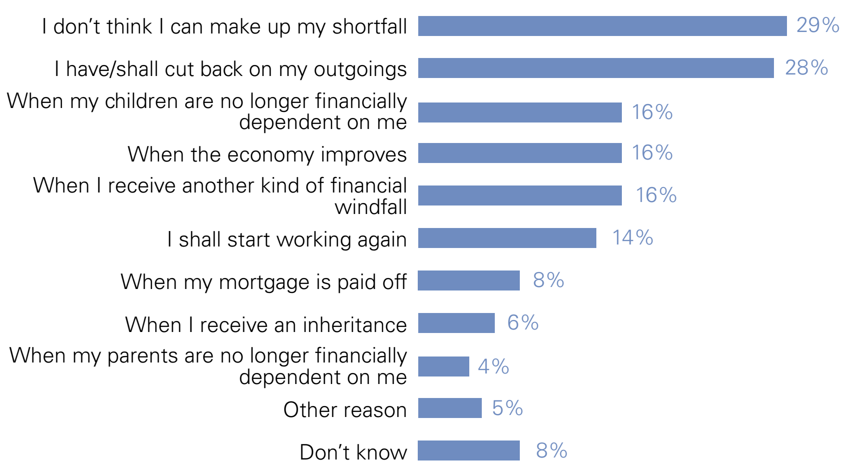


Figure 17: Many retirees will struggle to make up their income shortfall, now they have retired

Q: How, if at all, will you make up this shortfall in how you prepared for retirement? (Base: Fully retired, those who did not prepare adequately or at all for a comfortable retirement)



Retirement aspirations take a hit

Without the option of staying in paid employment to make up any retirement income shortfall, many people find that it is their retirement aspirations which go unrealised instead. When faced with a retirement income shortfall, 29% of retirees who said that they had not prepared adequately for retirement said they didn't think they could make up their shortfall, while 28% concluded that they would have to cut back on outgoings.

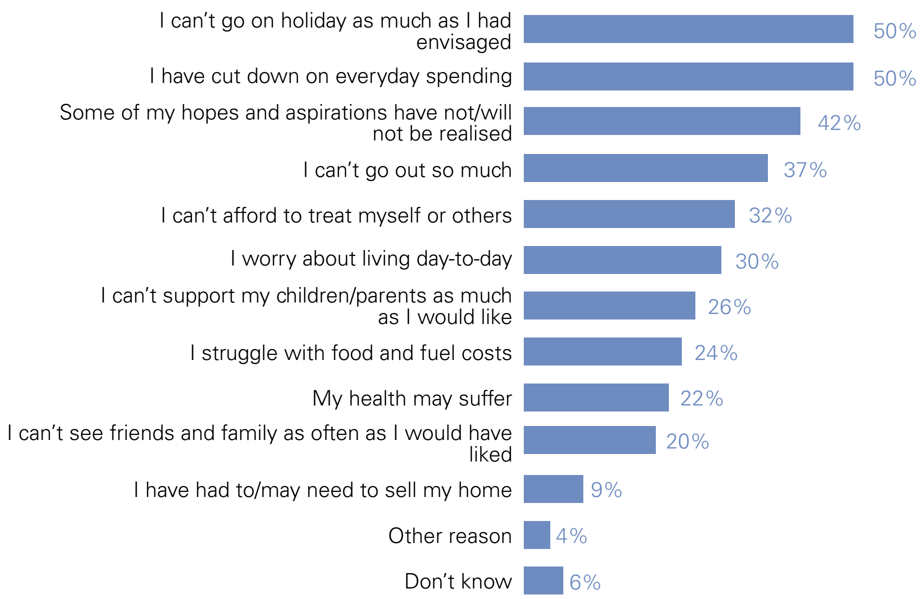
42% of those retired people who said they hadn't prepared adequately admitted that some of their retirement aspirations are likely to suffer as a result, while half (50%) acknowledged that they would not be able to go on holiday as much as they had envisaged. More seriously, nearly one-third (30%) worry about living day-to-day, while over 1-in-5 (22%) are concerned that their health may suffer.

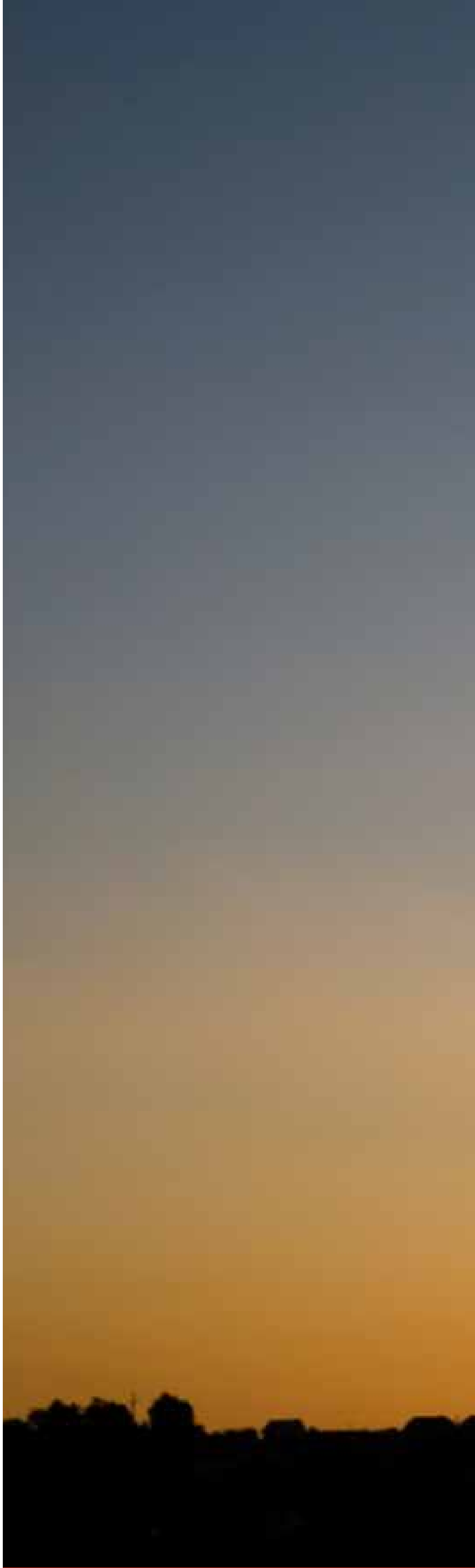
Of the fully retired, 46% say they have failed to realise some of their aspirations because they have less retirement income than they expected before they retired. Travel-related retirement aspirations are the most likely to not be realised : 27% of retirees say they haven't managed to travel extensively, 23% say they haven't managed to take more holidays, and 20% have yet to realise their goal of living abroad. However it isn't simply a lack of money that has prevented retirees from realising their retirement ambitions: 27% say their aspirations went unrealised because of ill health, while the same number of people say they had less time to enjoy retirement than they had expected.

On a positive note, there were aspirations which most people did achieve: retirees found that they did spend more time undertaking simple pleasures such as spending time with family and friends (56%), as well as devoting time to gardening and home improvements (40%).

Figure 18: Retirement income shortfalls lead to tough choices in later life

Q: What are the main implications of this shortfall in how you prepared for retirement? (Base: Fully retired, those who did not prepare adequately or at all for a comfortable retirement)





42%

of those retirees who had not prepared adequately say that some of their aspirations will not be realised due to insufficient retirement preparation

Saving for retirement doesn’t end when people retire

Retirees who have not saved enough for a comfortable retirement during their working lives risk not only missing out on some of their retirement aspirations, but also face the need to continue saving during retirement.

Over half (56%) of fully retired people are still saving in retirement, with 32% saying that they are saving to fund retirement, and 39% who say that they are saving for a rainy day. Even for those who have retired, the task of funding retirement is still work in progress.

’If I only knew then what I know now’

With the benefit of hindsight, there are a number of lessons that future retirees can learn from the real life experience of today’s retirees. This can help today’s workers think more carefully about their own retirement plans and act on them as soon as possible. Fully retired people were asked to choose the best financial advice they have ever received. This turned out to be predominantly focused on taking simple, sensible steps early and keeping on top of household finances (see over).

The best financial advice ever received

Here are the best pieces of financial advice that retirees say they have ever received, in descending order of importance:

1. Start saving at an early age
The need to start saving at an early age emerges as the most important lesson according to over half (53%) of those living in retirement. This view is particularly strong in Latin American countries like Mexico (70%) and Brazil (63%) as well as in the US (69%).

2. Start saving a small amount regularly
When trying to deal with competing financial pressures, many people respond by putting off saving altogether. However, 45% of our retirees think people should save regularly even if it is only a small amount. This view is the most strongly held in the US (61%) and Australia (54%).

3. Don't spend what you don't have
Many people have taken out various forms of debt during their working lives, to help them improve their lifestyles and meet important life aspirations, such as owning their own home. Yet 45% of retirees think one good piece of advice is to not spend money that you don't have. This view is commonly held in Mexico (66%), the UK (63%) and the US (62%).

4. Buy your own home as soon as you can afford to
Home ownership is a popular desire across the countries surveyed. However, with 11% of people entering retirement with outstanding mortgage debt frustrating their aspirations for retirement, it is not surprising that so many retirees (40%) advise younger people not to waste any time in getting their family on the property ladder as soon as they can afford to. Those in Australia and Britain (55%) and Mexico (57%) are most likely to think this.

5. Buy only what you need
36% of retirees believe that younger people should pay more attention to how they spend their money. Being sensible might after all reduce the need to go into debt, and will also make it far easier for people to address the other pieces of advice such as starting to save early in life and saving a small amount regularly. People in Malaysia (52%) as well as Mexico (48%) and Brazil (45%) are most likely to pass on this advice.

6. Develop a financial plan for the future
34% say that developing a financial plan for the future is the best advice they have ever received. With two-fifths (38%) of current retirees living with a retirement income below what they had expected, and one-third (35%) of those saying it is because they had not planned for retirement properly, this message around the benefits of financial planning is clearly a key lesson many retirees feel the need to pass on. Malaysians are also the most likely to encourage people to plan, with 52% saying that this is amongst the best advice they had received.

Part 5

Practical steps towards a better retirement

Here are some important insights and practical actions, based on the global research findings, which may help today's retirement savers plan a better financial future for themselves.

Action 1.
Don't rush into retirement

There is a view among retired people that they might have been too hasty in giving up paid employment. Nearly two-thirds (64%) who entered semi-retirement wished that they had delayed it further. This regret is largely for positive reasons, with many retired people seeing work as an important means of keeping the body and mind active.

Action 2.
Don't rely on one source of retirement income

With an average of three different sources of retirement income, the current generation of retirees has wisely chosen not to generate all of their income from one place. Instead they have been successful in spreading their retirement income sources and the associated risks, so that not all their eggs are in one basket.

Action 3.
Plan your retirement with family in mind

Rather than family ties loosening in future, the family will continue to be a major consideration in retirement planning, and may even grow in importance for the next generation. While many people (40%) aspire to travel extensively during their retirement, nearly half (49%) of current workers expect to have some financial responsibilities towards others even when they are themselves retired. This includes ongoing financial responsibilities for their adult children as well as supporting frail elderly parents.

Action 4.
Be realistic about your retirement outgoings

Many working people assume that their income needs will fall once they enter retirement. Yet 52% of people in retirement have seen no reduction in their outgoings, and 17% have seen their outgoings increase. Although people are familiar with the concept of increasing life expectancy, the consequent increase in later life medical and nursing care costs may not be well understood, as people are still not doing enough to prepare themselves for these potential costs.

Appendix

The Future of Retirement

The Future of Retirement is a world-leading independent research study into global retirement trends, commissioned by HSBC. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world. Since the Future of Retirement programme began in 2005, more than 125,000 people worldwide have been surveyed.

The research findings help HSBC to understand and meet the needs of its customers worldwide. The programme has positioned HSBC at the forefront of retirement thought leadership, and raised awareness of HSBC as an international provider of wealth management services.

The Future of Retirement 2013

A new reality was the eighth report in the series and represents the views of over 15,000 people from 15 countries. It focused on attitudes to retirement, the impact of life events on retirement plans, how financial plans affect preparedness for retirement, and the practical steps people can take to start planning for a comfortable old age. Key findings included:

- There is a potential shortfall in people's retirement savings: on average, people today expect their retirement to last for 18 years, but their savings to last for just 10.
- 48% of people surveyed have never saved specifically for retirement.
- There is a link between having a financial plan in place and saving more money for retirement: 44% say that as a result of financial planning, they have saved more for retirement.
- People often prioritise short term over longer term savings goals: If they could afford only one option for a year, nearly as many people would choose to save to go on holiday (43%) as would choose to save towards retirement (50%).
- The most significant life event affecting people's ability to save for retirement is buying a home/paying a mortgage (36%).

The Future of Retirement 2011

The power of planning was based on findings from 17,000 people in 17 countries. It focussed on the importance of planning for a happy retirement, and the steps people can take towards building an effective financial plan. Key findings included:

- Nearly 1-in-5 respondents (19%) did not know what their main source of retirement income would be.
- Respondents in the West believe that they will be worse off in retirement than their parents' generation, while in emerging markets, people believe that they will be better off.
- 50% of respondents worldwide did not have a financial plan in place.
- On average, those with financial plans amassed nearly two-and-a-half times more in retirement savings compared to those without financial plans, a 'planning premium'.
- Respondents in Eastern emerging economies are far more proactive with financial planning than those in the West.

A further report, *Why family matters*, focused on the significant role played by the family not only in shaping individuals' financial needs, but also by supporting their efforts to meet those needs. Key findings included:

- 65% of men said that they made all the financial decisions in their home, compared to 53% of women.
- Nearly half of women (47%) stopped saving for retirement when they had children, compared to just 15% of men.
- There are major gaps in financial plans. 37% of those in their 50s, who said that they already have a financial plan in place, did not have retirement savings as part of those plans.
- 60% have never sought professional financial advice, instead choosing to rely on friends and family.

The Future of Retirement 2009

It's time to prepare examined findings from an online questionnaire with 15,000 people in 15 countries. It looked at the growing importance of exercising financial responsibility to prepare for an age of increasing financial independence. Key findings included:

- 75% of respondents cannot afford the retirement they want.
- People's short-term survival strategies in the midst of recession were creating a serious long-term pensions 'downturn deficit'.
- There was a continuing lack of pensions planning, even though people were aware that they were likely to live longer.
- The situation was being exacerbated by poor levels of financial understanding, education and access to advice.

The Future of Retirement 2008

Investing in later life examined data collected from over 21,000 people in 25 countries to investigate how people prepare for what was emerging as the 'second half of their lives'. Key findings included:

- Only 10% in each generation want their heirs to inherit their money.
- Leaving knowledge and a perspective on life was seen as more important than leaving heirs money and material wealth.
- Pre-retirement generations (40-60 years) had high expectations of later life but remained largely ill-prepared for it.
- Enforced savings were seen as the way to fund longer retirement years.

The Future of Retirement 2007

The new old age was based on research amongst 21,000 people across 21 countries. It focused on the rapid rise in the number of frail and dependent elderly people. The report revealed how older people, those in their 60s and 70s, were vitally important to families, communities and workplaces. Key findings included:

- The majority of people had positive aspirations about retirement.
- They rejected age-based restrictions on work and wanted employers to adapt and provide new flexibility in the workplace.
- Older people made enormous contributions as volunteers, workers, and family members.
- Over 60s contribute £50bn a year in the UK alone in unpaid family care.

The Future of Retirement 2006

What the world wants examined findings from interviews with 21,329 individuals and 6,018 private sector employers in 20 countries. The report examined how families, the workplace and the role of government worked to meet people's hopes and dreams. Key findings included:

- Enforced private saving the preferred choice for funding retirement in nearly all countries.
- There was an overwhelming sense of global realism.
- People were aware of the practical limitations on what their governments and employers could do.
- They were resigned to the increased role of the individual in providing for retirement.

The Future of Retirement 2005

In a world of rising life expectancies was the first report and laid the foundations for The Future of Retirement programme. The research found that, worldwide, attitudes to ageing and to older people varied dramatically, with many people having very positive attitudes to older people and to their own later years. Key findings included:

- Retirement was seen as a time of opportunity and reinvention.
- There was a global rejection of a mandatory retirement age.
- The changing role of the family and the breakdown of the traditional family structure.

All global and country reports are available on **www.hsbc.com/retirement**

The first Future of Retirement report (2005) was produced in partnership with Harris Interactive and Age Wave. The 2006-2008 reports were produced in partnership with the Oxford Institute of Ageing. Harris Interactive and Age Wave were also involved in the 2006 report. Since 2009, the reports have been produced in partnership with Cicero Group.

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Cicero Group

A leading consultancy firm serving the banking, insurance and asset management sector. Cicero specialises in public policy consulting as well as global thought leadership and independent market research. Cicero was established in 2001 and now operates from offices in London, Brussels, Washington and Singapore. As a market leader in financial services and retirement research, Cicero designed and analysed the survey and wrote this report, with Mark Twigg as author and Paul Middleton as research director.

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