



The Future of Retirement

A balancing act

Global Report

HSBC 



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Foreword by HSBC

At HSBC, our purpose is to help customers fulfil their hopes and dreams and realise their ambitions, by enabling them and their families to manage their financial affairs today, while planning their long-term financial future.

I am therefore delighted to introduce the latest report in The Future of Retirement series of global research studies, commissioned by HSBC. *A balancing act* is our tenth report, examining the thoughts and expectations not only of people working towards their retirement but also of those who have already reached this stage in their lives.

For many working age people, saving enough for a comfortable retirement is difficult. The global economic downturn has hit retirement saving hard. Many people have had to rethink their retirement plans and there are other priorities too - families to support and mortgages to pay.

A healthy and prosperous retirement is still the goal, yet there are concerns about how to achieve it. Adequate preparation requires long-term planning, but many working age people are not sure about when to start saving or even how much they will need. As for those already retired, many regret not having started to save earlier, and wish they had saved more.

One size does not fit all in retirement planning. However, many people around the world are facing similar challenges as they prepare for retirement. Today's retirees also have useful experiences of their own to share.

Preparing for a comfortable retirement continues to be a challenge, and yet it is essential. We hope these research insights and practical ideas will help people to plan for a better retirement.

Charlie Nunn

Group Head of Wealth Management, HSBC







Key findings

1

More than two-thirds (69%) of working age people are worried about running out of money in retirement, while 66% are concerned about having enough money to live on day-to-day in later life.

2

Retirement is not the main savings priority for 85% of working age people.

3

Paying off their mortgage and/or other debts (46%) is the biggest barrier preventing working age people from preparing adequately for a comfortable retirement. This burden of debt places a greater pressure on the retirement savings of working age people than it did on those who are already retired. Just 22% of retirees who did not adequately prepare said it was because of mortgage and/or other debt repayments.

4

Almost three in ten (29%) of retirees who did not prepare adequately for a comfortable retirement were not aware of how much they needed to save.

5

Almost two thirds (65%) of retirees who did not prepare adequately for a comfortable retirement did not realise this until they had retired.

6

The majority (81%) of working age people have had their ability to continue saving for retirement significantly impacted by a life event, including losing their job (26%) and an illness or accident stopping them or their spouse from working (20%).

7

With the benefit of hindsight, more than a third (36%) of retirees say they would have started saving at an earlier age and a similar proportion (34%) say they would have saved more, to improve their standard of living in retirement.

8

Retirees know better than working age people that you need to start planning early to maintain a similar standard of living in retirement. While almost two in five (38%) of retirees say that people need to start retirement planning by age 30 at the latest, worryingly, only a quarter (26%) of pre-retirees think you need to start planning so early in life.

9

Almost two in five (38%) working age people are not or do not intend to start saving for retirement. Even more concerning, almost a third (32%) of those nearing retirement (age 45 and over) are not saving or do not intend to save for retirement.

10

More than two fifths (45%) of working age people say that the cost of living is increasing faster than their income.

11

More than a quarter (26%) of working age people say the global economic downturn has significantly impacted their ability to save for retirement.

12

In addition to more conventional ways of funding their retirement, many pre-retirees own or plan to own a second property in their home country (65%) or overseas (32%), while more than half (52%) own or plan to own jewellery, gold or diamonds.

In addition to this global report, country reports highlighting the key findings in each of the 15 countries surveyed are available.

Executive summary

A life less comfortable

The reality of retirement today is complex. Working age people aspire to enjoy well-earned years of rest and recreation, but are concerned about how they will fund their retirement years.

Ensuring a good standard of living in retirement is a big concern. Over a third (34%) of working age people doubt that they will be able to maintain a comfortable standard of living in retirement. Many are worried about running out of money (69%) and about having enough money to live on day-to-day (66%).

In addition, nearly a quarter (23%) expect their standard of living in retirement will be worse than their standard of living today, with working age people feeling particularly gloomy in the developed economies of France (54%), the UK (40%), Hong Kong (40%) and Australia (39%).

Ready - or not

Many pre-retirees think that they are not doing enough to adequately prepare for a comfortable retirement. Globally, almost two in five (37%) think their financial preparations are inadequate, a sentiment matched by retirees, 37% of whom say they were not prepared adequately or at all.

Reasons for this lack of preparedness are varied. Paying off mortgages and/or other debts (46%) is the biggest barrier preventing working age people from preparing adequately. Not starting to save early enough was the main barrier for retirees, with almost two in five (38%) acknowledging that they started saving too late to build an adequate retirement savings pot.

Other barriers to preparing for a comfortable retirement include not being able to afford to put enough money aside, cited by 35% of working age people and around 26% of retirees, and a lack of awareness of how much to save, acknowledged by 29% of retirees.

Juggling priorities

Retirement is not the main saving priority for 85% of working age people. The majority (81%) of working age people have already experienced life events which significantly impacted their ability to save for retirement. While some of these events can be planned for, such as buying a home/paying a mortgage (32%) or saving for children's education (24%), many people also experience unplanned events which hamper their ability to save for later life.

A quarter (26%) of working age people across the world say the global economic downturn has significantly impacted their ability

to save for retirement. This rises to nearly two in five (39%) in Mexico and around a third in Hong Kong (34%) and Malaysia (32%). In addition, one in five (20%) pre-retirees around the world say that their retirement saving has been significantly affected by an illness or accident stopping them or their spouse from working, while 10% say they have had to stop work to look after someone.

Looking back, starting sooner

When asked what they would have done differently to improve their standard of living in retirement, over a third (36%) of retirees across the world say that they would have started saving at an earlier age. This regret is greatest in Malaysia – where over half (53%) of retirees think they should have started saving earlier – followed by Mexico (48%) and India (47%).

Across the world, almost two in five (38%) of retirees say that you need to start planning for retirement by age 30 at the latest to maintain a similar standard of living to the one you enjoy when working. This number is significantly higher in the UK (62%), Australia (57%), the USA (47%) and Canada (45%). Far fewer retirees in Indonesia (12%), Taiwan (21%), Malaysia (21%) and Turkey (21%) recognise the need for people to start retirement planning so early in life.



Enough in the pot?

Globally, working age people expect that their retirement savings and investments (excluding pensions) will run out 11 years into their retirement. With retirees on average fully retiring at age 60 and with an average life expectancy of 78¹ years, pre-retirees typically face a seven year gap when they will be solely reliant on any state, employer or personal pension provisions they may have.

Almost two in five (38%) working age people are not or do not intend to start saving for retirement. The USA and Hong Kong buck this trend, where three quarters (75%) of working age people are saving for retirement.

Even more worryingly, almost a third (32%) of working age people over the age of 45 are not currently saving for retirement or do not intend to do so at all.

Pre-retirees who are not saving for retirement may regret not

¹ Current life expectancy - World Health Organisation, US Central Intelligence Agency

starting to save sooner, as almost two-thirds (65%) of retirees who failed to prepare adequately for a comfortable retirement say that they did not realise this until they had fully retired.

Confidence returns for some, but retirement savings still affected

The shadow of the global economic downturn still looms large on the financial horizon of working age people. While 48% feel more confident about their future financial prospects compared with a year ago, for almost half (45%), the cost of living is increasing faster than their income.

Compared with before the global downturn, two in five (40%) pre-retirees have either stopped or reduced their saving for retirement, whether through investments (25%), cash deposits (24%), annuities (21%), employer pension schemes (19%), personal pensions (19%) or insurance policies (19%).

Generating income for retirement

When retirees are asked about different ways to fund retirement, property features highly, with 40% owning or planning to own a second home in their home country or 15% overseas. In addition, around a third (32%) of retirees worldwide own or plan to own jewellery, gold or diamonds, while a smaller proportion own or plan to own antiques (15%), art (14%), classic cars (11%) and fine wines (10%).

For working age people worldwide, the idea of generating retirement income through these alternative methods is more popular than for today's retirees. Two thirds (65%) plan to fund their retirement through a second domestic property and half (52%) through jewellery, gold or diamonds. Others are turning to overseas property (32%), antiques (24%), art (22%), classic cars (22%) and fine wines (19%).



A life less comfortable

Retirement can mean different things around the world. Some may view it as a time to relax after a life of work. Some may do things they never had the chance to do when they were younger. Others may see retirement as an opportunity to support their children as they take important steps in their adult lives - buying their first home or having children of their own. However, for many people around the world, these aspirations may not be easy to achieve. For many, the financial reality of life after work is less rosy.

When asked what fears or concerns they have about their retirement, almost half (47%) of working age people say they fear financial hardship. This fear is strongest amongst 25-44 year olds (49%) and in Australia (56%), Canada (51%), Singapore (51%) and France (51%).

One in ten (10%) working age people globally expect they will never be able to fully retire. This view is particularly strong in Australia (16%), Canada (15%), Singapore (15%), India (14%) and the USA (13%).

The reasons for not retiring are often financial. Two in five (40%) working age people around the world who think they will never fully retire say it is because they cannot afford to, while over a third (35%) believe they will need to keep working to maintain a comfortable lifestyle. Not being able to afford to retire is the main reason people believe they will never fully retire in developed countries, such as Canada (66%), Australia (64%), UK (61%) and the USA (61%).

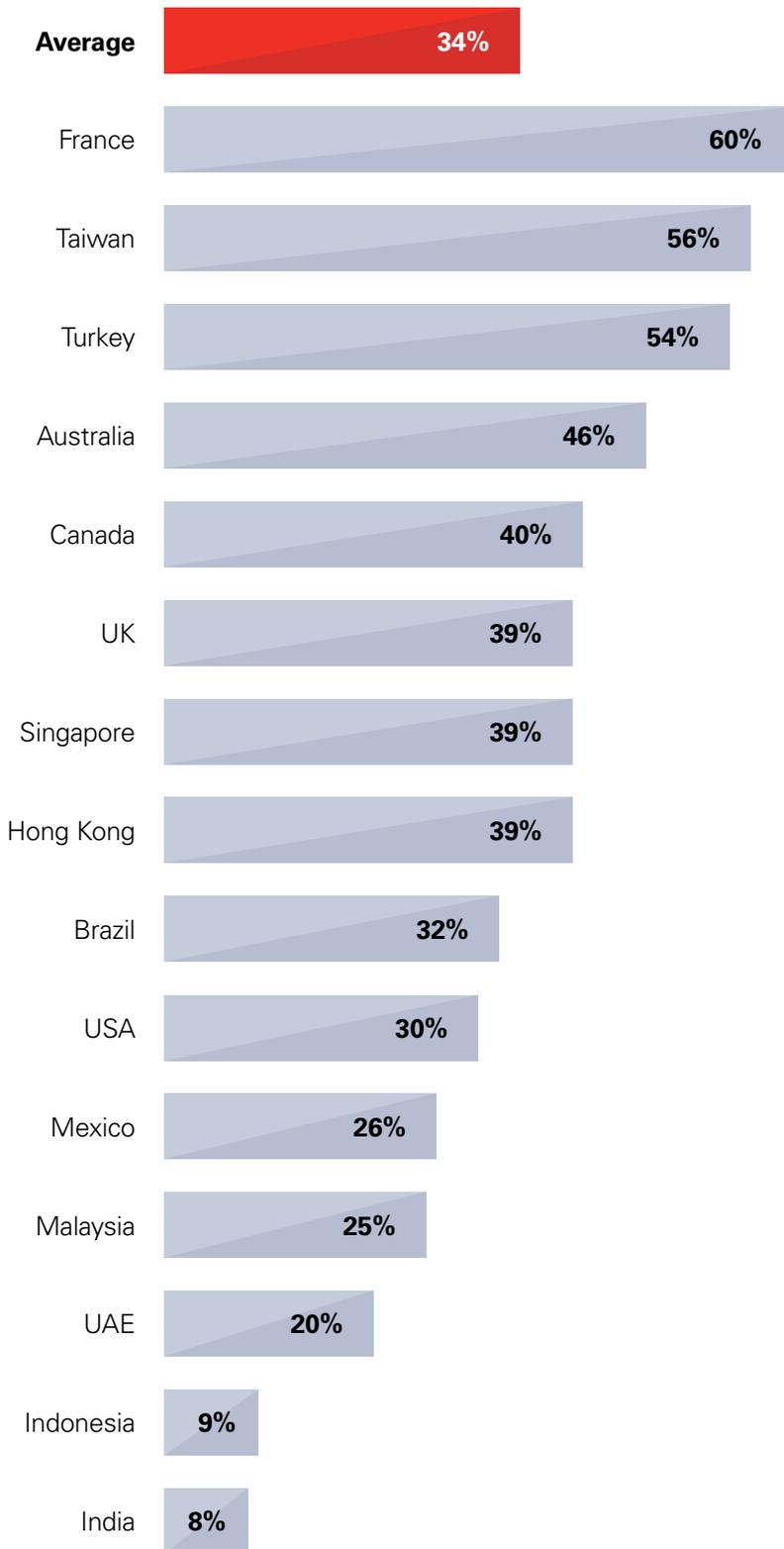
Financial considerations are not the only reasons and some people see the benefit in continuing to work as they get older. Globally, almost half (47%) of working age people who believe they will never fully retire say it is because they want to keep active/keep their brain alert, with even higher proportions in India (70%), the UAE (61%) and Brazil (60%). Over a third (34%) worldwide who believe they will never fully retire say this is because they like working.

Despite a minority choosing to keep working into their later years, maintaining a comfortable standard of living during retirement is a real concern across the world. Over a third (34%) of working age people are not confident that they will be able to support a comfortable lifestyle in retirement. For women this figure rises to 38% compared with 31% of men.

Pre-retirees in France are the least confident, with three in five (60%) claiming they will not be able to maintain a comfortable retirement. In Taiwan (56%) and Turkey (54%) more than half of working age people share this concern.

However, in some countries confidence is high. Less than one in ten working age people in India (8%) and Indonesia (9%) say they are not confident about maintaining a comfortable standard of living in retirement.

Many working age people are not confident in their ability to maintain a comfortable retirement

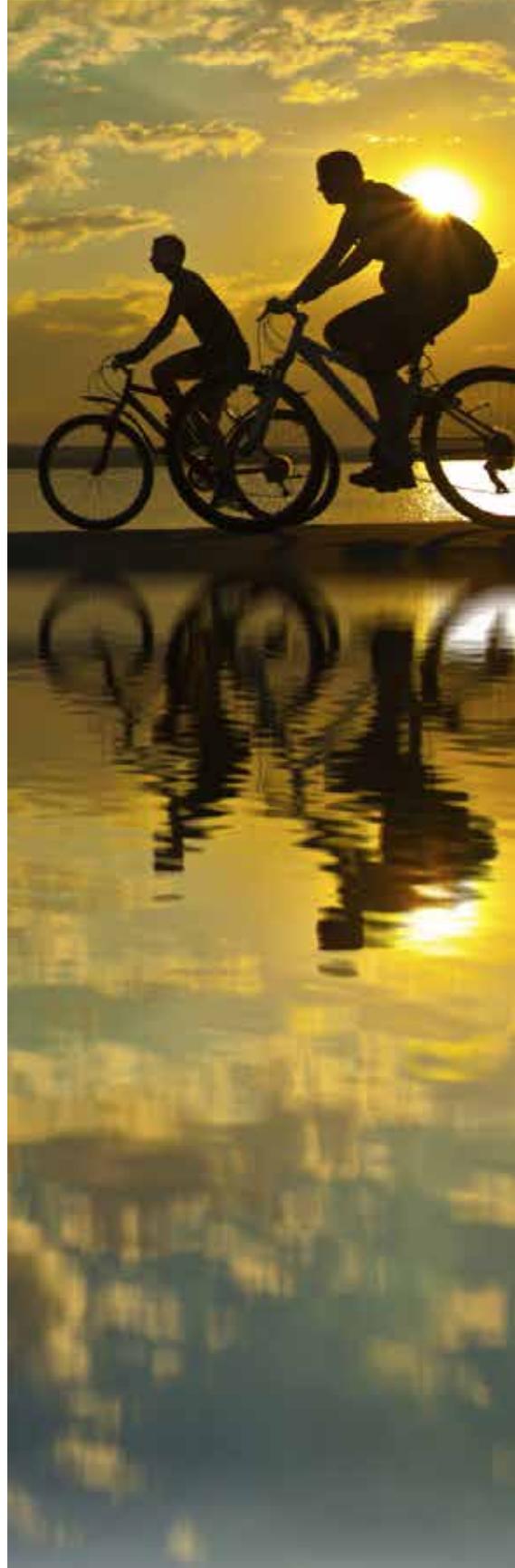


Women are less confident than men



47%

of working age people fear financial hardship in retirement



A major concern for working age people is having enough money in retirement. While 66% are concerned about having enough money to live on day-to-day, more than two-thirds (69%) are worried about running out of money completely.

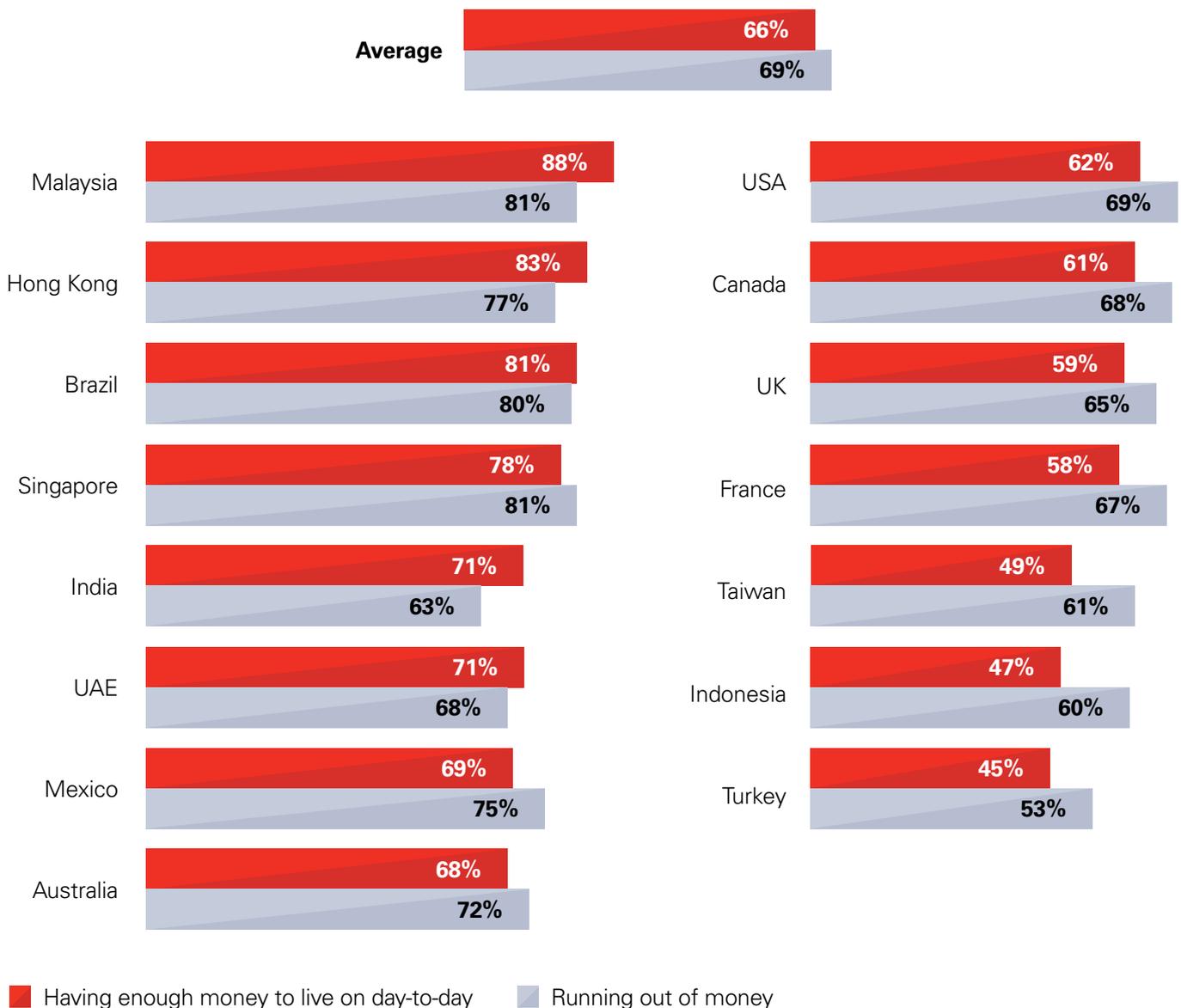
Women (74%) are generally more concerned than men (66%) about running out of money once they have stopped working. They are also more concerned about having enough money to live on day-to-day (71%) than men (62%). These differences between men and women are no doubt partly due to women typically living longer than

men and therefore having more years of retirement to fund.

These concerns are similar the world over. Working age people in Asia and Brazil are the most worried about running out of money in retirement, with 81% in Malaysia, 81% in Singapore, 80% in Brazil and 77% in Hong Kong concerned about this. Similarly, pre-retirees in Malaysia (88%), Hong Kong (83%), Brazil (81%) and Singapore (78%) are the most worried about having enough money to live on day-to-day in retirement.

Retirees are worried too, with half (50%) concerned about running out of money during their retirement. A similar proportion (48%) is concerned about having enough money to live on day-to-day. Working age people in Asia and Brazil may be right to be concerned, with the majority of retirees in Malaysia (83%), Hong Kong (65%), Brazil (64%) and Singapore (61%) concerned about running out of money in retirement. The majority of retirees in Malaysia (88%) and Hong Kong (78%) are also concerned about having enough money to live day-to-day in retirement.

Working age people have significant concerns about funding their retirement



Q. To what extent are you concerned about the following in your retirement? A. Very concerned or somewhat concerned. (Base: Pre-retirees)



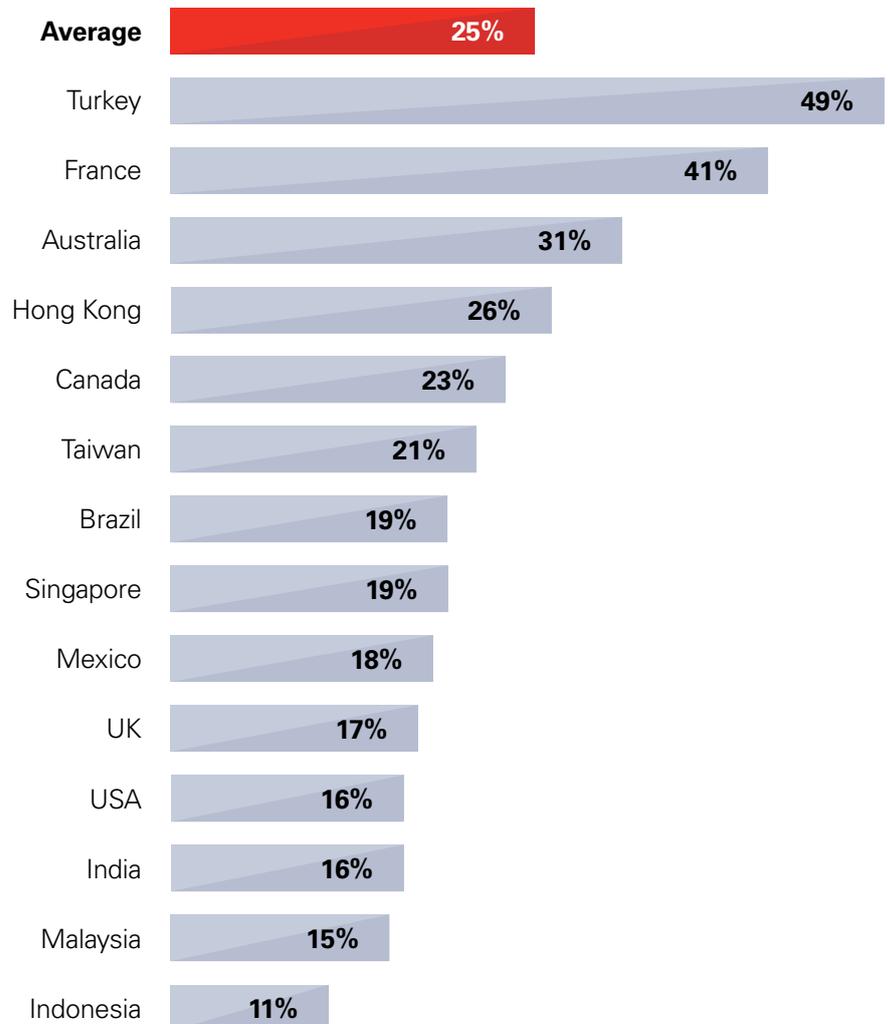
25%

of retirees say their standard of living is worse today than before they retired

Pre-retirees' concerns are likely to be well founded, with a quarter (25%) of retirees saying that their current standard of living is worse than the period immediately prior to their retirement. This drop in living standard is particularly prevalent in Turkey where almost half (49%) of retirees say their living standard is worse now, as well as in France (41%) and Australia (31%).

Similarly, 23% of working age people expect their standard of living in retirement to be worse than their standard of living today. In France, more than half (54%) believe this, while people in UK (40%), Hong Kong (40%) and Australia (39%) are almost as pessimistic.

Many retirees say their standard of living is worse today than before they retired



Q. Compared with the period immediately prior to your retirement, do you have a better or worse standard of living now you are retired? A. A little worse or much worse

(Base: Retirees)

Making sacrifices

Working age people around the world are resigned to making sacrifices when they retire, with almost half (49%) foreseeing having to cut down on their everyday spending. Pre-retirees in Singapore (58%), Hong Kong (57%) and Australia (56%) are the most likely to say they will have to cut down on their everyday spending when they retire.

More than a third (36%) say they will eat out less often. This rises to almost half of pre-retirees in Singapore (48%) and Hong Kong (47%). Some 30% say they will travel less and a similar proportion (29%) expect that they will not be able to treat themselves or others as much.

Globally, a quarter (25%) of working age people say they will have to move to a smaller home once they retire, with those in Singapore (43%), Australia (39%), UK (35%) and Canada (34%) the most likely to recognise the need to downsize.

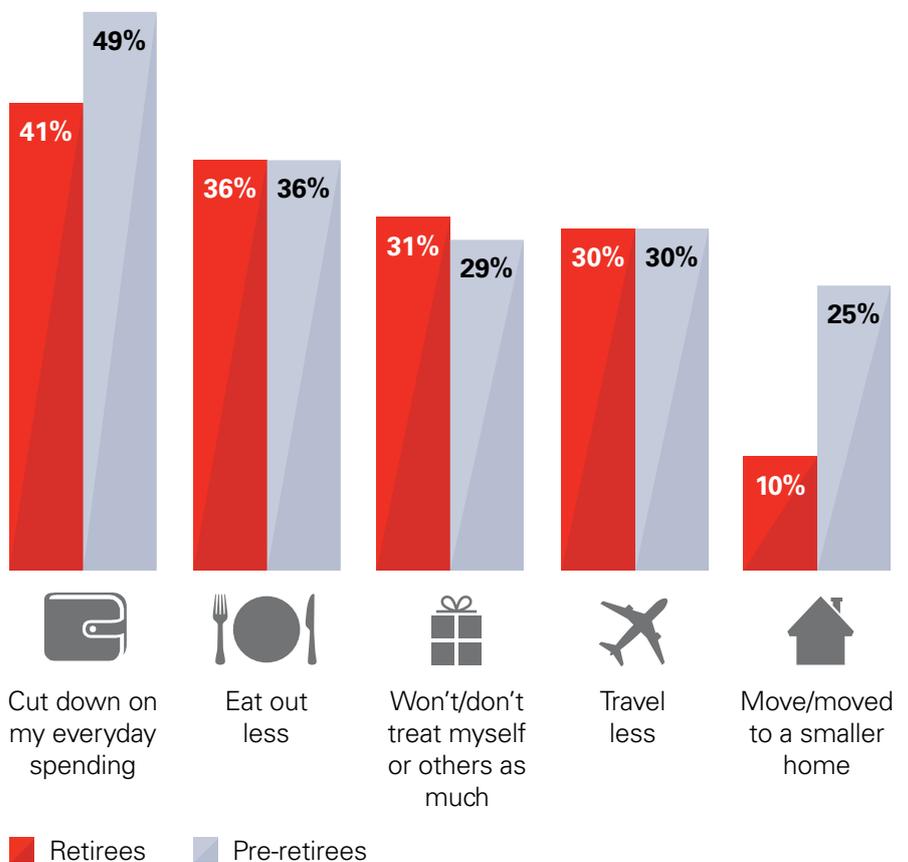
Pre-retirees are right to think they will need to make cutbacks, as 41% of retirees have had to cut down on everyday spending since they retired. This rises to more than half of retirees in France (54%) and Malaysia (52%). Even in Indonesia, where working age people are the most optimistic, with 81% thinking their standard of living will be better in retirement than today, more than a third (36%) of retirees have had

to cut down on their everyday spending after they retired.

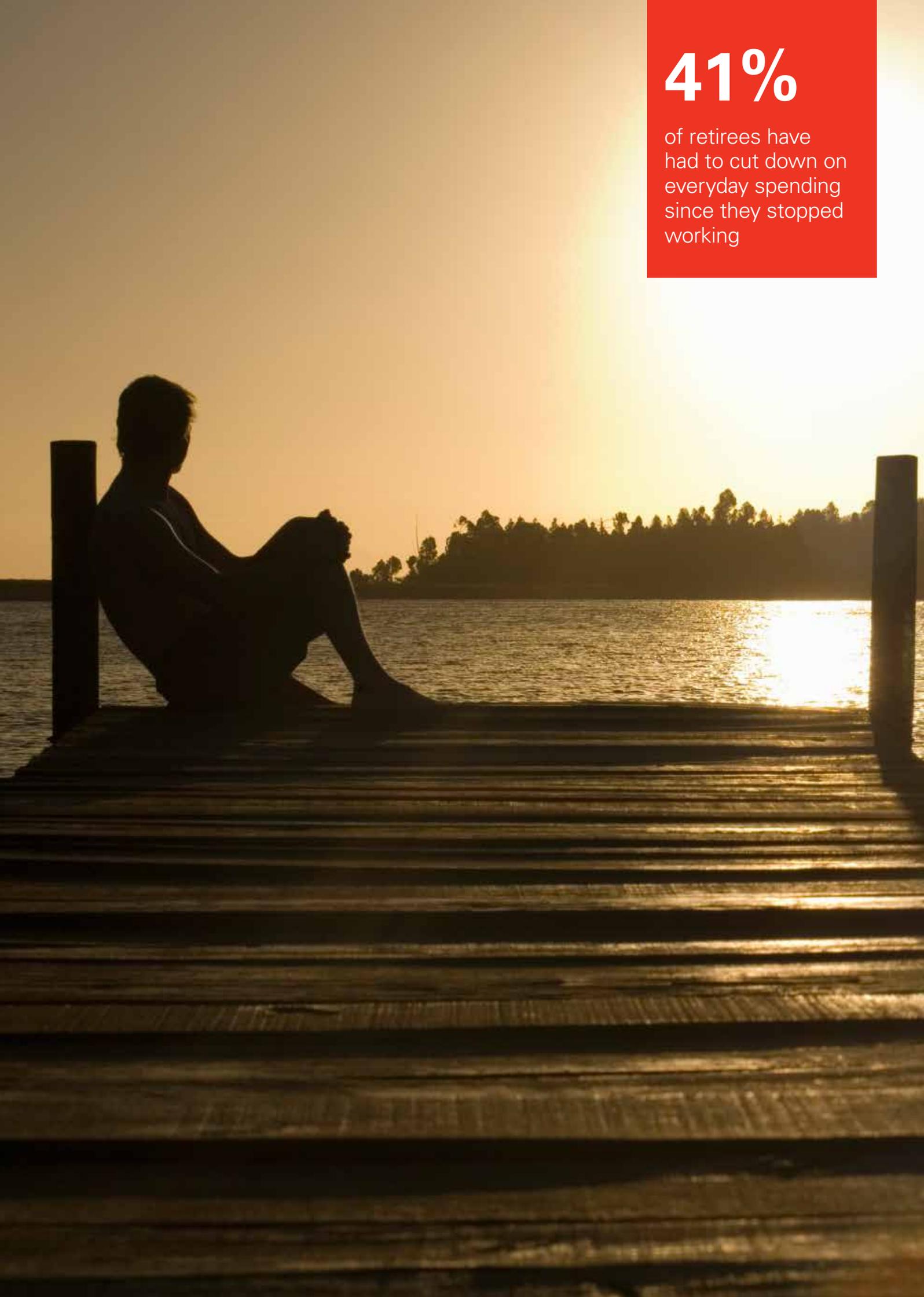
Over a third (36%) of retirees are eating out less often and retirees in France (51%), Malaysia (43%), Turkey (43%) and Australia (40%)

are the most likely to eat out less now that they have retired. In addition, around a third (31%) do not treat themselves or others as much and 30% travel less than they did before they stopped working.

Pre-retirees expect to make more sacrifices in retirement than current retirees have



Q. Have you had to make any sacrifices since you retired? (Base: Retirees)
 Q. Do you envisage having to make any sacrifices when you retire? (Base: Pre-retirees)
 A. Top 5 sacrifices are shown



41%

of retirees have had to cut down on everyday spending since they stopped working

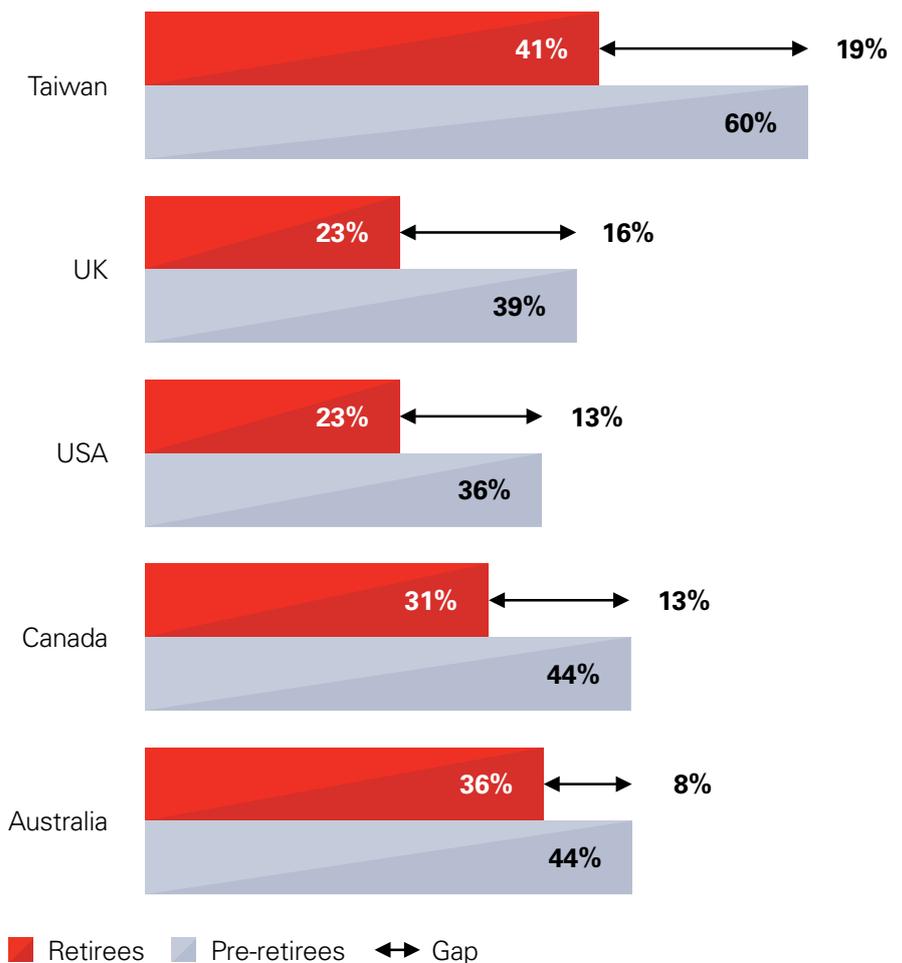
Ready - or not

Financially, many working age people are not preparing adequately for a comfortable retirement. Almost two in five (37%) pre-retirees around the world say that their financial preparation is inadequate for a comfortable retirement, with those in Turkey (61%) and Taiwan (60%) the least prepared.

This preparation shortfall is all too real globally, with 37% of retirees admitting they did not prepare adequately for a comfortable retirement. Retirees in Turkey (61%), France (47%), Mexico (44%) and Singapore (44%) were the least prepared.

In some countries, working age people feel noticeably less prepared financially for a comfortable retirement than their retired counterparts, indicating a significant difference in this generation's ability to plan for retirement. For example, in Taiwan, while just over two in five (41%) retirees admit they did not prepare adequately, there are many more pre-retirees (60%) who are currently not preparing sufficiently. Similarly, 23% of retirees in the UK say they were financially under-prepared, compared with 39% of pre-retirees feeling this way, no doubt in part due to the decline in generous employer pension schemes.

Pre-retirees in some countries feel much less prepared for a comfortable retirement than retirees



Q. Overall, financially do you think that you prepared adequately for a comfortable retirement? A. No I did not prepare adequately or at all (Base: Retirees)

Q. Overall, financially do you think that you are preparing adequately for a comfortable retirement? A. No I am not preparing adequately or at all (Base: Pre-retirees)



There are some compelling reasons why people are not preparing adequately for a comfortable retirement:



Did not start saving early enough

Globally, almost two in five working age people (38%) and the same number of retirees (38%) admit they did not start saving for their retirement early enough. This is a key reason for over half of working age people in the UAE (55%), Brazil (54%), Indonesia (52%), and India (52%), and for around half of retirees in the USA (51%) and Australia (48%).



Cannot afford it

Over a third (35%) of working age people and a quarter (26%) of retirees around the world say they cannot afford to prepare adequately for retirement. Around half of working age people in the UK (52%), France (52%), USA (51%), Australia (45%) and Canada (44%) say that lack of affordability is why they are not preparing adequately. Lack of affordability was also the main reason cited by retirees for inadequate preparation in France (39%).



Were not aware of how much to save

More than one in five (22%) of working age people and three in ten (29%) retirees globally say they did not know how much they needed to save for a comfortable retirement. This rises to 41% of retirees in the USA and 39% in Singapore.



Paying off a mortgage

Mortgage repayments are a barrier to preparing for a comfortable retirement. Almost a quarter (23%) of working age people around the world say that paying off their mortgage is preventing them from adequately preparing for retirement, with those in Singapore (41%), Malaysia (38%), Australia (35%) and the UK (30%) being the most affected. Mortgage repayments were much less of a barrier to preparing for a comfortable retirement for retirees (9%).



Paying off other debts

Almost a third (32%) of working age people say they cannot prepare adequately for a comfortable retirement because they are paying off other debts. This is a particular barrier for pre-retirees in the USA (51%), Malaysia (49%), Mexico (41%) and Canada (41%). However just 16% of retirees say debt repayment was a barrier to preparing for a comfortable retirement.

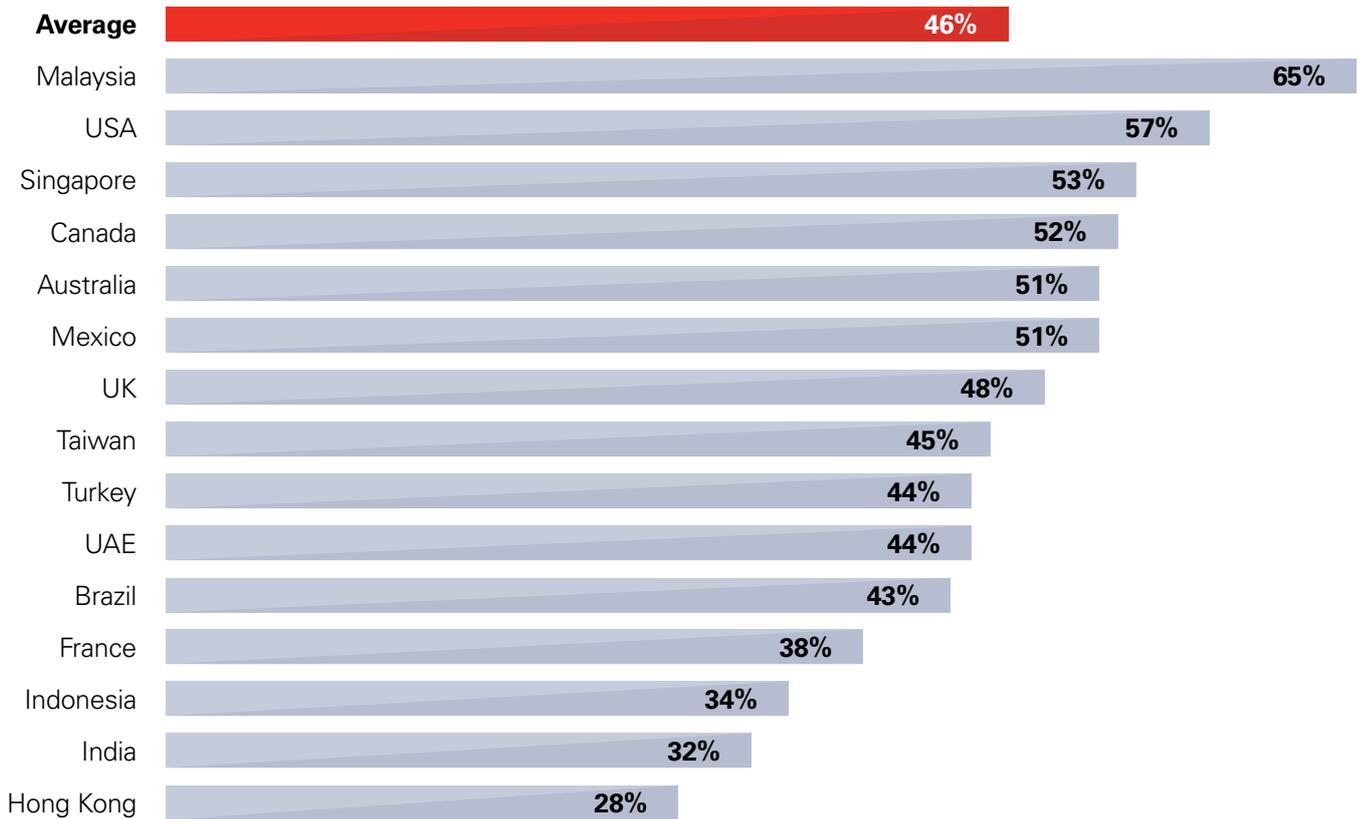
The burden of repaying mortgages and other debts is a relatively new barrier to retirement saving. More than two in five (46%) pre-retirees are not adequately preparing for a comfortable retirement due to paying off their mortgage and/or other debts, compared with just 22% of retirees.



38%

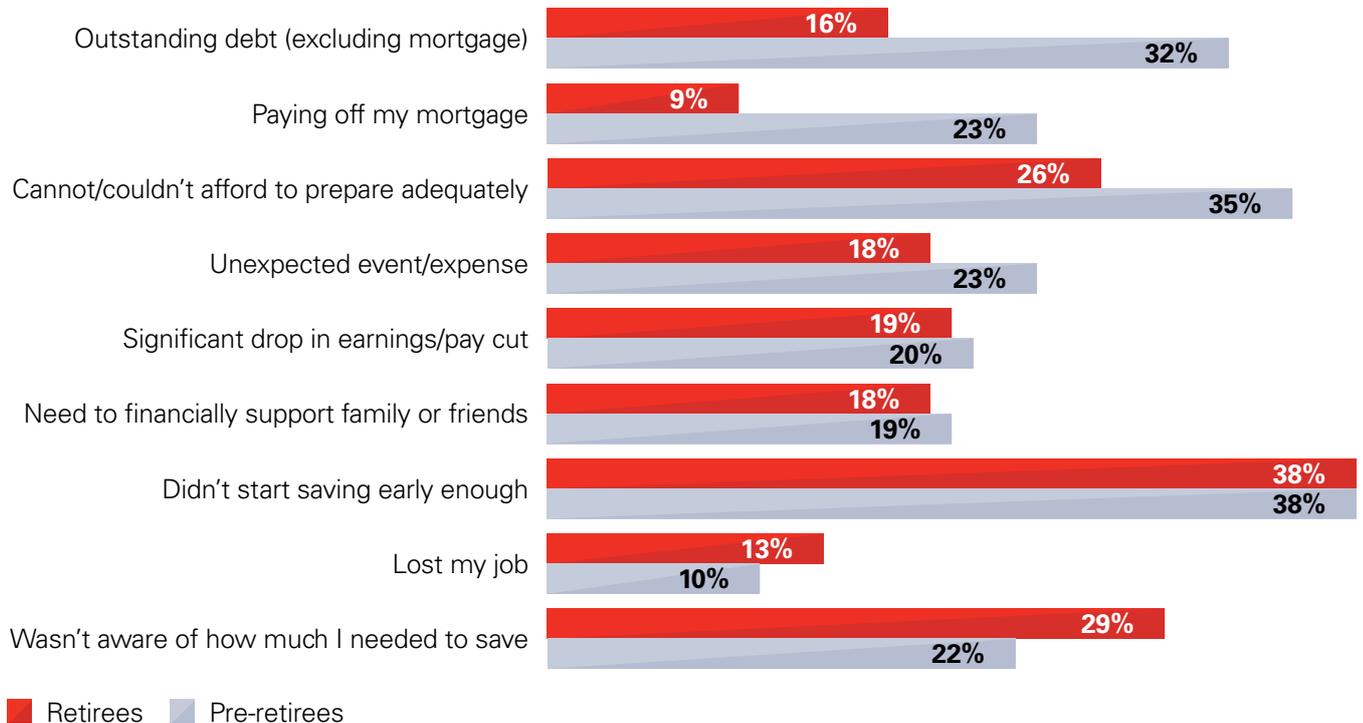
of retirees who did not prepare adequately for a comfortable retirement say they did not start saving early enough

Paying off mortgages or other debts is a key barrier to preparing adequately for a comfortable retirement



Q. Why are you not preparing adequately to maintain a comfortable standard of living in retirement? A. I am paying off my mortgage or other debts
(Base: Pre-retirees)

Mortgage and debt repayments are bigger barriers for pre-retirees than they were for retirees



Q. Why did you not prepare adequately to maintain a comfortable standard of living in retirement?(Base: Retirees)

Q. Why are you not preparing adequately to maintain a comfortable standard of living in retirement? (Base: Pre-retirees)
Answers shown are for the main reasons given by pre-retirees

Juggling priorities

The majority (85%) of working age people around the world say that saving for retirement is not their main savings priority. Other priorities include saving for their children's education (17%), paying off debts (15%) and saving for a rainy day (11%).

Around a quarter of working age people in Indonesia (28%), the UAE (28%) and India (26%) say that saving for their children's education is their main savings priority, while those in the USA (24%), Canada (23%) and Australia (22%) are most likely to prioritise paying off their debts.

One reason why retirement is not the top savings priority is because people often have to deal with more immediate life events and unexpected expenses too. Four in five (81%) pre-retirees say that life events have significantly impacted their ability to continue saving for their retirement.

Some life events are expected and can be planned for. A third (32%) of working age people

globally say that buying a home or paying off a mortgage has substantially reduced their ability to save for later life. For a quarter (24%) of pre-retirees, saving for their children's education has had a significant impact on their retirement saving.

Other life events are unexpected and can have a significant impact on people's ability to continue saving for their retirement. One in five (20%) working age people around the world say that an illness or accident has stopped them or their spouse from working, preventing them from continuing to save for retirement. This is a strong reason in Hong Kong (36%), Taiwan (28%) and Mexico (27%). Similarly, one in ten (10%) pre-retirees globally have had to stop work to look after someone, with a significant knock on effect on their ability to continue saving for retirement.

Unforeseen life events such as divorce or losing a spouse have a significant impact on many people's financial situation, before

and after retirement. For example, more widowed or divorced retirees (43%) found that their financial situation in retirement was worse than they expected, compared with married retirees (30%).

A quarter (26%) of working age people across the world say the recent global economic downturn has significantly affected their ability to save for retirement, rising to nearly two in five (39%) in Mexico and around a third in Hong Kong (34%) and Malaysia (32%).

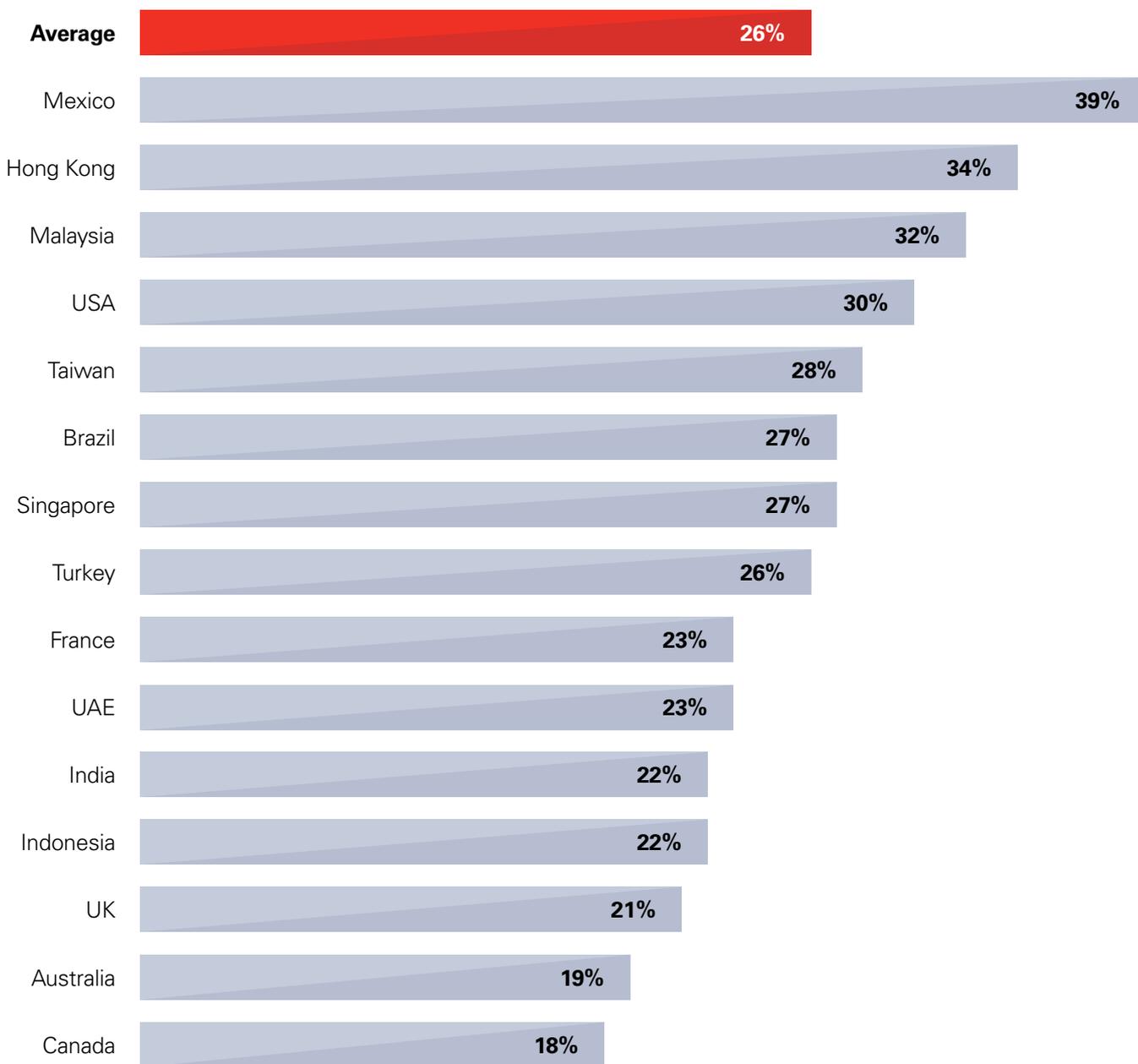
The downturn has also had indirect consequences, with many pre-retirees saying that losing their job (26%), seeing a significant drop in their earnings (22%) or getting into debt/having severe financial difficulty (22%), has significantly affected their ability to save for retirement.



85%

of working age people say retirement is not their main saving priority

The economic downturn has significantly impacted the ability of working age people to save for retirement



Q. Some people experience life events which impact significantly on their ability to continue saving for their retirement. Which, if any, of the following life events have ever impacted significantly on your own ability to save for retirement?

A. The recession/ current economic downturn

(Base: Pre-retirees)



Looking back, starting sooner

A third (33%) of today's retirees say their financial situation in retirement is worse than they expected. This gap is particularly acute in France, where nearly two-thirds (63%) of retirees say that their financial situation in retirement is worse than they envisaged, and in Turkey, where over half (56%) say their retirement finances are worse than expected.

With the benefit of hindsight, many of today's retirees would have done things differently before they retired, to improve their standard of living in retirement. Over a third (36%) of retirees globally say that they should have started saving at an earlier age. This regret is greatest in Malaysia – where over half (53%) of retirees admit they should have started saving earlier – followed by Mexico (48%) and India (47%).

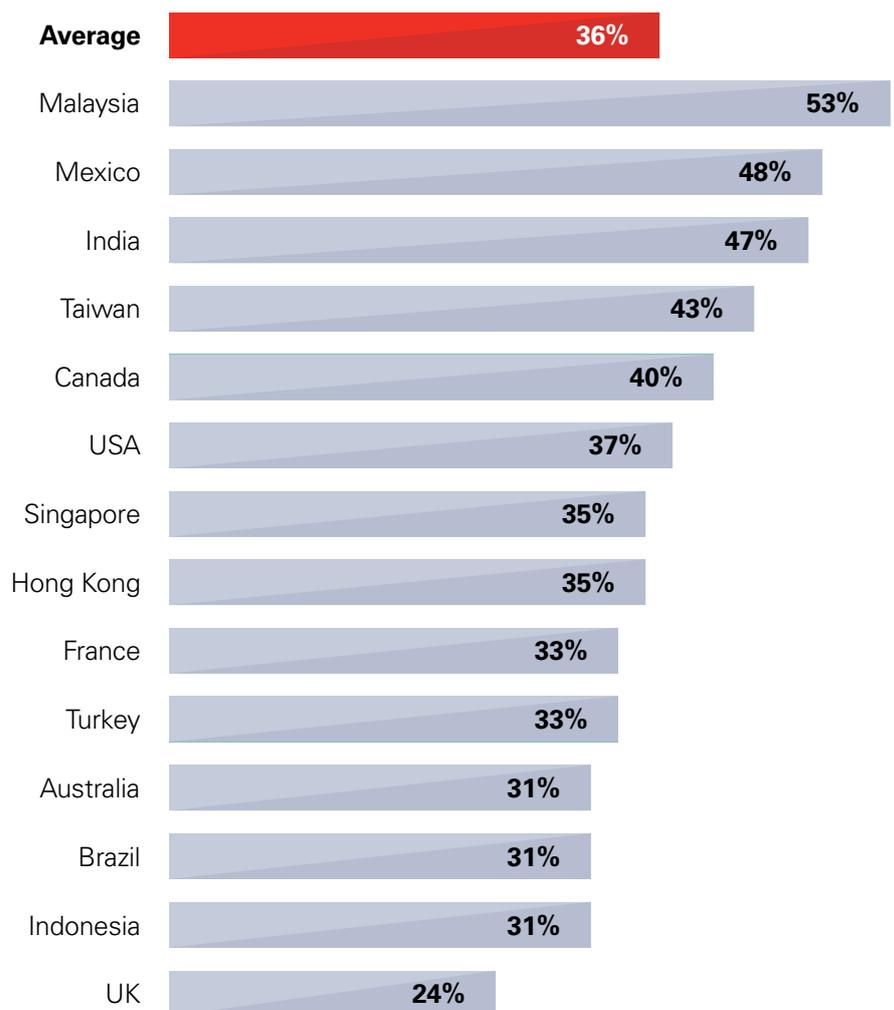
Over a third (34%) of retirees globally say they should have saved more and 28% agree they should have saved a small amount regularly. More than one in five (22%) regret not developing a financial plan for the future, rising to 50% in Malaysia, 37% in India and 35% in Brazil.

Worldwide, more almost two in five (38%) of retirees say that 30 is the latest age that you can start planning for your retirement and still enjoy a similar standard of living in retirement to the one you were used to when working. More retirees in the UK (62%), Australia (57%), USA (47%) and Canada (45%) agree that 30 is the latest age that you should begin your retirement planning.

Younger generations, however, are not so certain. Only a quarter (26%) of working age people are convinced of the need to start retirement planning by the age of 30 at the latest, in order to maintain their standard of living in retirement. In some

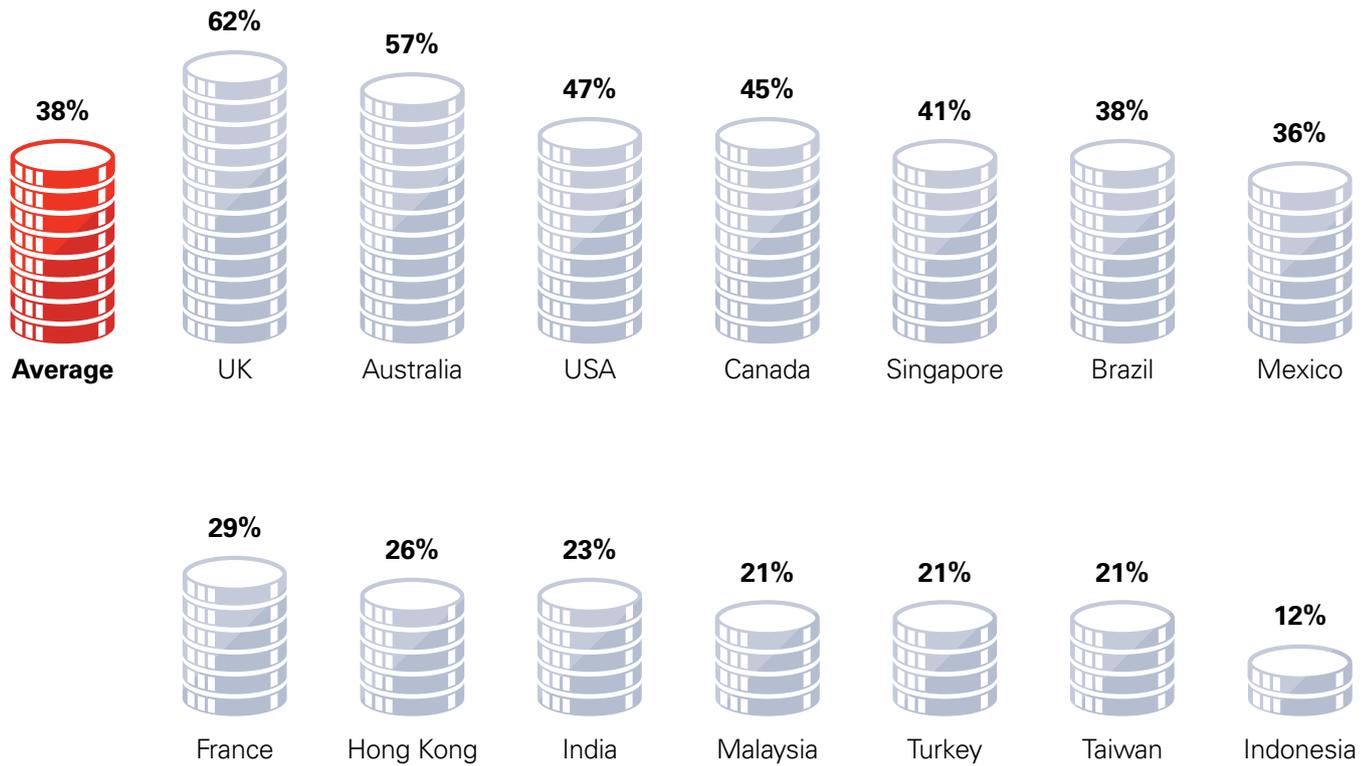
countries – including Indonesia (14%), Malaysia (15%) and Taiwan (17%) – relatively few pre-retirees think you need to start planning for retirement so early in life, no doubt in part reflecting rising confidence and wealth in these higher-growth economies.

Retirees regret not having started saving earlier to improve their standard of living in retirement



Q. What, if anything, would you have done differently before you semi/fully retired to improve your standard of living in retirement? A. Started saving at an earlier age (Base: Retirees)

Almost two in five retirees say that 30 is the latest age you can start planning for a comfortable retirement



*Q. What would you say is the latest age people can start planning for their retirement (assuming retirement at 65), and still expect to maintain in their retirement a standard of living similar to the one that they were used to when working? A. Age 30 or younger.
(Base: Retirees)*



33%

of retirees say their financial situation in retirement is worse than they expected

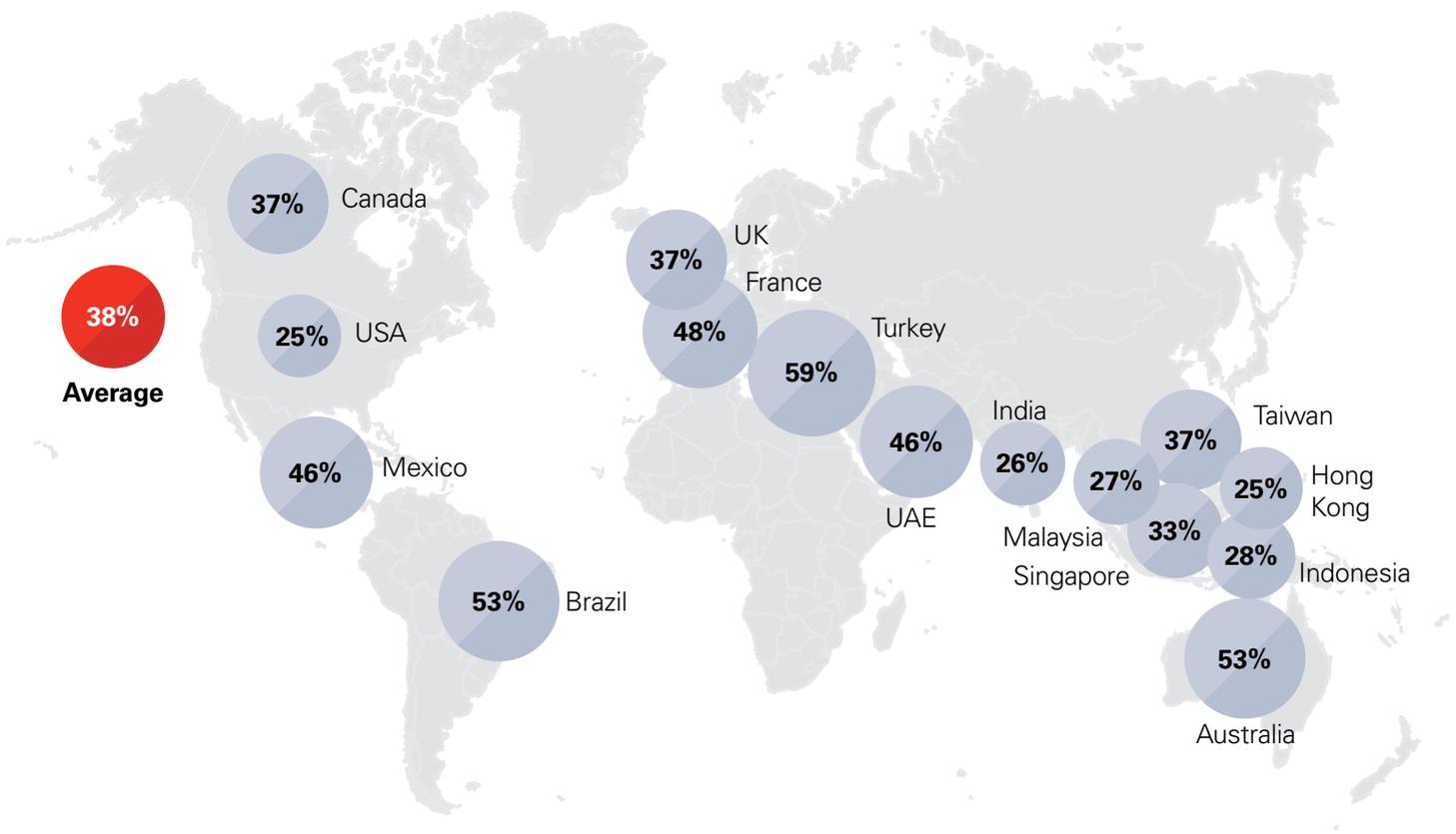
Enough in the pot?

Almost two in five (38%) working age people around the world are not currently saving for retirement or do not intend to do so at all. Even among those over the age of 45, almost a third (32%) have not started saving for retirement or do not intend to do so.

The decision not to save specifically for retirement is most common in Turkey (59%), Brazil (53%) and Australia (53%), where over half of working age people are not putting money aside for later life. In contrast, a much lower proportion of pre-retirees in the USA (25%), Hong Kong (25%), Malaysia (27%) and Indonesia (28%) have decided not to save specifically for retirement.

Worryingly, this failure to save adequately for retirement was discovered too late by most retirees. Almost two-thirds (65%) of retirees who failed to prepare adequately for a comfortable retirement say that they did not realise this until they had fully retired.

Many working age people are not saving for their retirement



Q. Are you saving specifically for your retirement? A. No but I plan to start saving, or no and I don't plan to start saving (Base: Pre-retirees)

65%

of retirees who did not prepare adequately for a comfortable retirement did not realise this until they had fully retired



Working age people around the world do not have enough savings and investments (excluding pensions) to last them through their retirement. On average, pre-retirees expect that their retirement savings and investments will run out 11 years into their retirement.

With retirees on average fully retiring at age 60 and a typical life expectancy of 78² years, pre-

² Current life expectancy - World Health Organisation, US Central Intelligence Agency.

retirees face a seven year gap when they will be solely reliant on any state, employer or personal pension provisions they may have.

Among pre-retirees, women in particular do not have enough savings and investments (excluding pensions) to last them through their retirement. Women expect their retirement savings and investments will last just 10 years, but with an average

retirement period of 20 years, this leaves 10 years when women will be reliant solely on any pension provision they may have.

The situation may be better for men, who expect their savings and investments (excluding pensions) to last them for 11 years of an average 15 year retirement. However, if men retire early, before the age of 60, then their retirement funding gap will widen.

Future retirees face a 7 year retirement funding gap

11 Years of more retirement funds

7 Years of reduced retirement funds

18 Years of retirement

Q. For how long, if at all, do you expect your retirement savings and investments (excluding pensions) to last in retirement?
(Base: Pre-retirees)

Confidence returns for some, but retirement savings still affected

As the world recovers from the global economic downturn, financial confidence for many is rising, with 48% of working age people feeling more confident about their future financial prospects than they did a year ago.

However, for almost half (45%) of working age people, the cost of living is increasing faster than their income. This is a particular issue cited in France (62%), Singapore (58%) and Australia (55%).

In addition, more than a quarter (28%) of pre-retirees worldwide have seen their ability to save reduce over the past year. This too is most common in France, where nearly half (47%) of working age people have seen their ability to save decrease, followed by Australia (36%), Turkey (35%) and Mexico (35%).

The recent global downturn continues to affect how people save for their retirement.

Compared to before the downturn, two in five (40%) working age people have either stopped or reduced their retirement saving through investments (25%), cash deposits (24%) or annuities (21%). Around one in five have stopped or cut back on retirement saving via employer pension schemes (19%), personal pension schemes (19%) and insurance policies (19%).

Other savings have also been affected. Since before the downturn, pre-retirees across the world have either stopped or reduced their savings for their children's education (20%).

There is less money for luxuries too. A third (32%) of those who previously saved for a holiday have either reduced these savings or stopped altogether, while 30% have reduced or stopped saving for a new car, and 21% have cut down or stopped putting money aside for a second property.

48%

of working age people feel more confident about their future financial prospects than they did a year ago



Generating income for retirement

When it comes to good ways of generating income for retirement, retirees around the world are confident about a range of different methods. Around three in five are confident that cash deposits (61%), a second property (61%), employer pension schemes (60%) and personal pension schemes (58%) are good ways to generate income for retirement.

Men are more likely than women to have confidence in pension schemes as a good way of generating retirement income. For example, 63% of men have confidence in employer pension schemes, compared with 57% of women, and 61% of men have confidence in personal pensions, compared with 55% of women.

Working age people hold similar views to retirees on good ways to generate income in retirement. Two thirds of pre-retirees have confidence in cash deposits (67%) and in a second property (67%). They also have confidence in personal pension schemes (62%) and employer pension schemes (57%).

When retirees are asked about different ways to fund retirement, property features highly, with 40% owning or planning to own a second home in their home country or 15% overseas. In addition, around a third (32%) of retirees worldwide own or plan to own jewellery, gold or diamonds, while a smaller proportion own or plan to own antiques (15%), art (14%), classic cars (11%) and fine wines (10%).

Retirees in Asia are the most likely to fund their retirement in these less traditional ways. In Malaysia, 73% of retirees either already own or plan to own jewellery, diamonds or gold, with a similar proportion in Indonesia (72%). Antiques are a popular way in Indonesia (40%) and Turkey (23%), as are paintings and other works of art in Indonesia (36%), India (20%) and Hong Kong (20%), whereas classic cars are most likely to be used in Indonesia (35%) and India (28%).

While these alternative ways of funding retirement are less common outside Asia, retirees elsewhere already own or plan to

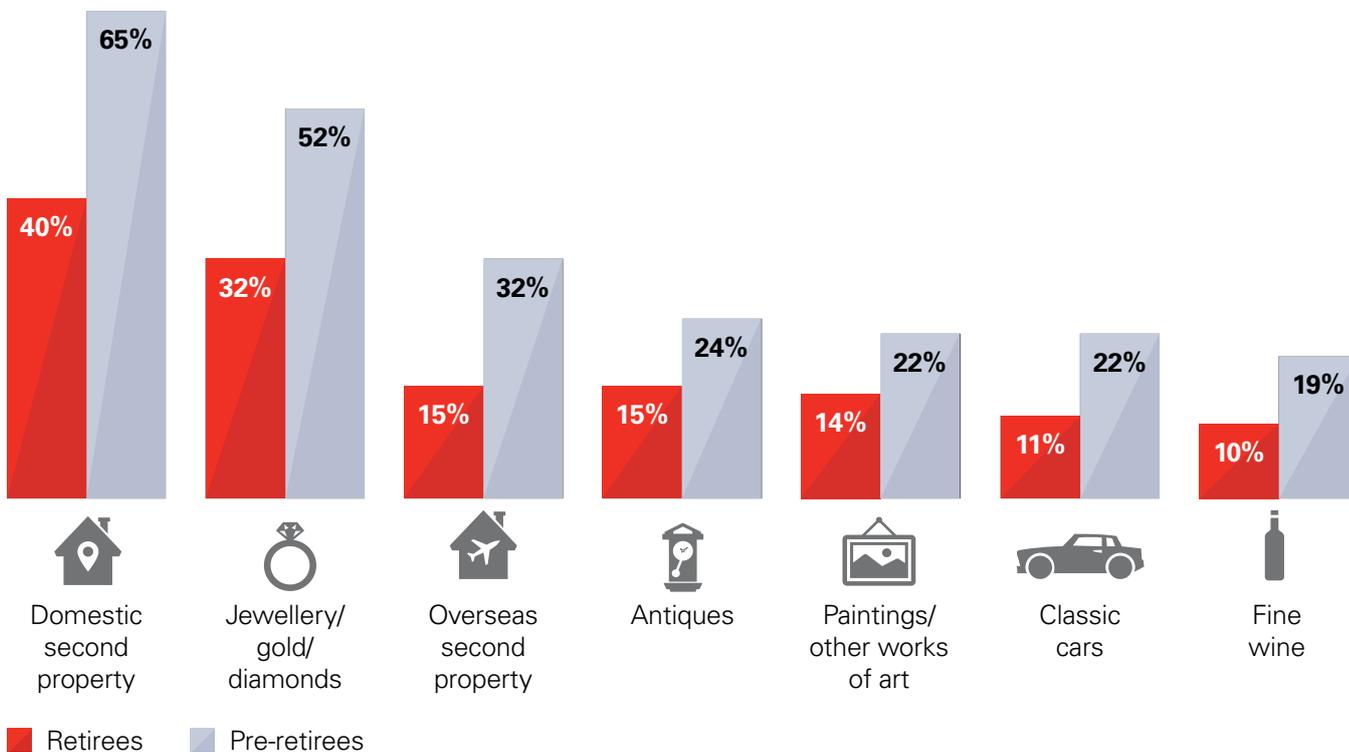
own jewellery, gold or diamonds too, most commonly in Turkey (41%), Mexico (31%) and the USA (29%).

For working age people worldwide, the idea of generating retirement income through these alternative methods is more popular than for today's retirees. Two thirds (65%) plan to fund their retirement through a domestic second property and half (52%) through jewellery, gold or diamonds. Others are turning to an overseas second property (32%), antiques (24%), art (22%), classic cars (22%) and fine wines (19%).





Working age people are more likely than retirees to consider funding their retirement in less traditional ways



*Q. Other than savings and investment plans or pension schemes, do you plan to generate income for your retirement in any of the following ways? A. Already own or plan to own.
(Base: All)*

Practical steps towards a better retirement

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

1 Start saving early

More than a third (36%) of retirees say that starting to save earlier would have improved their standard of living in retirement. Not starting to save early enough was amongst the top reasons for retirees (38%) and pre-retirees (38%) feeling insufficiently prepared for a comfortable retirement.

Retirement can seem a long way off when you are young. Nevertheless, it is crucial to start making retirement plans as early as you can.

2 Know how much you need

On average, people will need to fund almost 20 years in retirement. Almost a third (30%) of retirees say they did not prepare adequately for a comfortable retirement because they did not realise how much they needed to save for their retirement.

Start thinking about the kind of lifestyle you want when you retire and how much you will need to fund it.

3 Refill the pot

More than a quarter (26%) of working age people say the global economic downturn has had a significant impact on their ability to save for retirement. It has also had an indirect effect, with 26% saying that losing their job, seeing a significant drop in their earnings (22%) and getting into debt/having severe financial difficulty (22%) affected their retirement saving.

It is easy for retirement savings to suffer when times are hard. With the worst of the global economic downturn behind us, start looking for advice on how to replenish any depleted funds in your retirement pot.

4 Expect the unexpected

A fifth (20%) of working age people say that illness or an accident has prevented them or their spouse from working, and this significantly affected their ability to continue to save for retirement.

Unforeseen life events can damage your retirement savings. No one can see into the future, but do consider what could happen and how this will impact your financial planning.



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, *A balancing act*, is the tenth in the series and represents the views of more than 16,000 people in 15 countries and territories:



The findings are based on a nationally representative survey of people of working age (25 and over) and in retirement within each country. The research was conducted online by Ipsos MORI in August and September 2014, with additional face-to-face interviews in Indonesia and the UAE.

All references to retirees refer to people who are semi or fully retired. Due to limited sample size in the UAE, research findings on retirees are not available. All references to income refer to gross annual household income. Global figures are the average of all countries and territories surveyed. All figures are global unless stated otherwise. Figures have been rounded to the nearest whole number.

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from over 6,200 offices in 74 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US\$2,729bn at 30 September 2014, HSBC is one of the world's largest banking and financial services organisations.



The Future of Retirement programme

Since The Future of Retirement programme began in 2005, more than 141,000 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 retirement and 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%).

A further report, *Life after work?*, explored the transition into retirement, ensuring an adequate post-retirement income, leaving a legacy for future generations and achieving later life aspirations. Key findings included:

- Nearly two-thirds (64%) of semi-retirees wish they had worked full-time for longer.
- 66% of retirees saw their income fall on retiring, and 21% saw it fall by more than half.
- The majority (56%) of retirees are still saving while in retirement.
- 49% of non-retirees expect to receive an inheritance.
- 42% of those retirees who had not prepared adequately say that some of their aspirations will not be realised due to insufficient retirement preparation.

The Future of Retirement 2011

The power of planning was based on findings from 17,000 people in 17 countries. It focused 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 a survey of 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 was 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 2005 Future of Retirement report 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. The 2009-2013 reports were produced in partnership with Cicero Group. This report was produced in partnership with Ipsos MORI.

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