

The Future of Retirement

Investing in later life



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HSBC INSURANCE STUDY REVEALS GLOBAL DESIRE FOR 'PERSONAL' RATHER THAN 'CASH' LEGACY

- *Leaving knowledge and a perspective on life is more important than leaving money and material wealth*
- *Pragmatic pre-retirement generations (40-60 years) have high expectations of later life but remain largely ill-prepared – the 'Ill-Prepared Generation'*
- *Enforced savings seen as the way to fund longer retirement years*

PRE (40-60 years) AND POST (60-69 years) RETIREMENT GENERATIONS across the world would prefer to leave their perspective on life rather than money or property to their heirs, according to a new global survey published today by HSBC Insurance.

HSBC Insurance's fourth annual The Future of Retirement study, was again undertaken with Oxford University's Institute of Ageing and, conducted among 21,000 people in 21 countries, is the largest of its kind in the world.

This year's research report, entitled The Future of Retirement *Investing In Later Life*, focuses on how people from across the world are preparing for their later life and retirement and examines four key themes – **Inheritance, Preparedness, Expectations and Choice.**

Leaving a sense of humour is more important than leaving money

Less than 10% of those people surveyed globally want to leave money to their heirs.

By contrast, 60% of those questioned want to leave their perspective on life. This preference for passing on human values rather than cash or property emerges across continents including Eurasia, Africa and the Americas.

- 64% of respondents in Europe want to leave behind their perspective on life (sense of humour/spirit, way of giving to the community) and knowledge.
- Only 30% want to leave money and property.
- In Eurasia/Africa, the role of religion rises in importance, reaching 50% in Saudi Arabia.
- The desire to ensure personal values were transferred is highest among women.

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Stephen Green, Group Chairman of HSBC, said: “The study highlights a growing desire for people to be in control of their own future financial security and identifies an acceptance of the need for pragmatism to fund later life. Another strong and surprising finding is that we want to pass on our perspective on life and our knowledge from generation to generation.”

There is a generation today which is ill prepared for retirement, the ‘IP generation’

The report reveals that it will only be a small proportion of people, mainly in Northern America and Europe who will be well prepared for later life.

But a larger group, mainly drawn from across Eastern Europe, Asia and Latin America, will be wholly unprepared and always struggle in retirement.

In between the two extremes of preparedness is a significant group of pre-retirees who, while optimistic and practical in their attitudes, may not be able to meet their expectations of later life but are still in a position to gain greater control over their retirement needs.

This group will typically face the prospect of limited government support, modest income and families that will be able to provide little help. Many of this group are also now seriously thinking about whether working longer is going to be a key strategy for the second half of their lives.

Taken together, it is possible to speak about a generation of pre-retirees who are currently ill-prepared for their retirement.

- In most transitional economies, between 50% and 80% fear a lack of money in later life; that number declines with increasing age, from 58% to 44% globally.
- In Europe and North America the proportion fearing a lack of resources in their later years drops below 55%.
- Globally, around 70% fear illness and disability in old age; this reaches a high of 90% in France, but falls to around 50% in India, China and Taiwan.
- Some 60% around the world fear being dependent on others in later life; again this figure falls to between 30% in some Asian economies and rises to 85% in parts of northern Europe and in some of the transitional economies, such as Brazil and Russia.

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The HSBC Future of Retirement study also shows that those dependent on a single source of retirement income run the greatest risk of being ill prepared.

Looking at sources of retirement income, the research shows that Europeans and Asians will broadly rely on savings. The North Americans will use stocks and shares. People in Latin America will fund their retirement through annuities (Brazil) and assets (Mexico). However, the survey shows substantial variations between countries.

Clive Bannister, Group Managing Director, HSBC Insurance said: “There is a potentially ill-prepared generation, the so called ‘IP’ generation, of pragmatic pre-retirees whose expectations of retirement are in danger of not being met unless they stop and consider now the ways in which they need to plan for the second half of their lives.

“Our study reveals that attitudes toward retirement are changing, particularly how long we choose to work, in comparison with those already enjoying retirement. The current generations coming up to retirement, the ones who need to broaden their sources of retirement income, accept that governments may play less of a supporting role in the future and recognise that longer working lives may become a reality.”

Enforced savings seen as the way to fund longer retirement years

Globally, nearly two out of three of those surveyed believe that governments *should* play a significant role in supporting them in their old age. However, three out of four people feel that this will not occur.

The report reveals people's view of the role of governments in supporting ageing populations:

- Globally, 34% of respondents are in favour of enforced private savings, reaching a high of 68% in Germany.
- Some 25% of those surveyed feel working longer is key.
- Around 12% feel the solution lies in raising taxes.
- Only in Sweden is raising taxes seen as the most important government role, with 33% support.

The importance given to the ‘four pillars’ of later life support (government, employer, individuals and family) varies across the globe. In the UK, France and Germany, the importance of government tends to rise with the age of the

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respondent. France places family as the lowest priority, while in the UK and Germany each source of support is given a similar weighting.

There are more marked differences between North and South America. In Brazil and Mexico people have the most confidence in their governments. While in the USA and Canada individuals regard themselves as the most important. In Asia, people believe that individuals or their families will provide support in their retirement years.

Professor Sarah Harper, Director of the Oxford Institute of Ageing and joint author of the Report said: “The latest Future of Retirement research reveals how realistic people are becoming about their old age. However, it also highlights the vulnerability of generations coming up to retirement. There is growing recognition of the importance of having a portfolio of support. Working longer is an acceptable solution to many healthy older men and women. In addition, people are increasingly looking to savings and assets to provide a better standard of late life income.”

- Ends -

Notes to editors

The Future of Retirement:

For further information visit www.hsbc.com/retirement

HSBC Insurance

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Find out more at www.hsbc.com/insurance

Oxford Institute of Ageing

The Oxford Institute of Ageing, founded in 2001, is a multidisciplinary institute within the Social Sciences Division at the University of Oxford. It addresses the globalisation of ageing at the global, societal and individual level. Under the directorship of Professor Sarah Harper, it carries out research into population ageing, analysing the economic, social, political and demographic implications at both the national and international levels. It also works with the corporate, policy, media and governance sectors, advising on the implications of population ageing. The Oxford Institute of Ageing is in a strategic alliance with HSBC.

Visit www.ageing.ox.ac.uk for more information.

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