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PENSIONS ‘PERFECT STORM’ LOOMS FOR UNPREPARED WORLD HSBC INSURANCE STUDY REVEALS

A ‘PERFECT STORM’ of demographic, individual and financial elements is poised to derail people’s retirement plans unless they prepare properly now, a global survey from HSBC Insurance reveals today.

The fifth annual Future of Retirement study, *It’s Time to Prepare*, shows:

- people’s short-term survival strategies in the midst of recession are creating a serious long-term pensions ‘downturn deficit’
- there is a continuing lack of pensions planning, even though people are aware that they are likely to live longer
- this is being exacerbated by poor levels of financial understanding, education and access to advice
- people are more concerned with protecting their possessions in the short-term than ensuring they can look forward to a financially secure retirement

The consequence of these combined factors is that many people will struggle to make ends meet when they come to retire, unless they urgently review their priorities and planning.

Stephen Green, Group Chairman of HSBC, said: “A perfect storm is confronting pensions planning, created by an ageing population, falling pension funds values, a drop in state and employer contributions and an economic downturn which is forcing people to make tough financial choices.”

The preparedness gap

It’s Time to Prepare has identified a ‘preparedness gap’ in people’s pensions planning across the world with nearly 9 out of 10 people not feeling fully prepared for their retirement.

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The Future of Retirement survey, which questioned 15,000 people in 15 countries, making it the largest study of its kind in the world, reveals:

- Only 13% of respondents feel fully prepared for their retirement
- 86% do not know what income they will receive in retirement
- Only a quarter (27%) feel they fully understand their long-term finances
- Approaching half (43%) have undertaken some planning for later life, but still remain unclear about what their retirement income will look like
- 14% have done no retirement planning at all.

Stephen Green continued: “The ‘preparedness gap’ reveals that families need greater support and guidance to effectively handle their finances, not simply in schools and colleges but through ‘trusted advisers’ providing professional financial guidance.

“If people prepare adequately for the long-term an extended later life can present a golden opportunity for many – but now is the time for people to seriously consider boosting their pensions contributions to improve their prospects of a comfortable retirement. The cost of procrastination is likely to be high.”

Advice gap opens up

It’s Time to Prepare also reveals a parallel ‘advice gap’ linking a lack of preparedness to insufficient financial education and guidance:

- 43% of respondents have never had any form of financial education
- And 29% also feel ‘fairly’ unprepared for their retirement
- Almost half (47%) have never had any form of professional financial advice

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Clive Bannister, Group Managing Director, HSBC Insurance, said: “This year’s Future of Retirement report reveals a need for people to have access to more and better financial advice and guidance to help them survive the downturn while making the right financial decisions for the long-term.”

Coping with the downturn – possessions not pensions?

People are paying little attention to long-term considerations such as their likely retirement needs, focusing instead on purely practical short-term concerns which they better understand, It’s Time to Prepare reveals.

General insurance solutions – motor, travel, home and even pet insurance – are seen as a greater priority than addressing longer-term needs around insuring health or income, even when job security is in question.

Despite global economic uncertainty, only 6% intend to take out income protection insurance in the next 12 months compared to 16% insuring their home.

The Future of Retirement survey shows that, as a result of the economic downturn:

- 92% of people have changed some element of their finances
- Only 19% will now retire as planned
- 17% are reducing retirement savings or stopping saving for retirement altogether
- 18% have used savings to pay off debt
- 9% expect to delay their retirement

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Mark Twigg, Director at financial services consultancy Cicero Consulting, which undertook the survey for HSBC Insurance, said: “It’s Time to Prepare reveals the lack of understanding people have around their long-term retirement needs. They are less well educated or aware when trying to understand these needs and to act on them, than with their short-term requirements.

“As the economic ‘perfect storm’ threatens it is important that people are encouraged to understand long-term risks and to manage them effectively. While people are taking more responsibility for themselves, there is also a definite role for financial institutions to continue, and to build on, their work to educate and inform.”

- Ends -

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Notes to editors:

1. The Future of Retirement -- For further information visit www.hsbc.com/retirement

2. HSBC Insurance provides policies in over 50 countries and territories to its personal, commercial, corporate, institutional and private banking customers. The diverse needs of its customers worldwide are recognised by HSBC Insurance and it offers products and services to suit them including: life assurance, general insurance, commercial risk and retirement provision.

Find out more at www.hsbc.com/insurance

3. HSBC Bank Canada, a subsidiary of HSBC Holdings plc, has more than 290 offices, including over 140 bank branches, and is the leading international bank in Canada. With around 9,500 offices in 86 countries and territories and assets of US\$2,527 billion at December 31, 2008, the HSBC Group is one of the world’s largest banking and financial services organizations.

4. Cicero Consulting is a leading UK and Brussels based financial services consultancy specialising in thought leadership and market developments in retirement planning and pensions issues.

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