The Future of Retirement: Shifting sands

Foreword
The changing retirement landscape
Millennials and retirement
Retirement 2.0

Key findings
Planning for retirement in a volatile age

Practical steps
The research
Foreword

We live in interesting times. Unprecedented political, social, economic and technological change means it has never been more challenging or more important to save for a good retirement.

Our latest report in The Future of Retirement series, *Shifting sands*, looks at how important issues like the ageing population, rising healthcare costs and long term low interest rates are affecting the retirement plans of people around the world.

The report investigates how people are making sacrifices, exploring new sources of funding and adjusting their retirement expectations for a world that is very different even to that of ten years ago.

I hope that the new insights and practical steps in this report will help you to plan for the best possible retirement.

Charlie Nunn
Group Head of Wealth Management, HSBC
Key findings

47% of working age people think low interest rates mean they will need to work for longer

70% of working age people believe levels of national debt mean there will be less support for the elderly

74% of working age people believe retirees will have to spend more on healthcare costs in the future

29% of working age people think they will be financially comfortable in retirement, based on how their retirement saving is progressing

55% of working age people say they will continue working to some extent in retirement

38% of working age people think property offers the best returns for retirement saving
# Key findings

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td>Of people think Millennials are in the best position for a comfortable retirement, compared to 49% who think Baby Boomers are</td>
</tr>
<tr>
<td>25</td>
<td>Is the average age Millennials started saving for retirement</td>
</tr>
<tr>
<td>61</td>
<td>Is the average age Millennials expect to retire</td>
</tr>
<tr>
<td>54%</td>
<td>Of people believe that Millennials are paying for the economic consequences of previous generations</td>
</tr>
<tr>
<td>31%</td>
<td>Of working age people believe new technology makes saving for retirement easier</td>
</tr>
<tr>
<td>37%</td>
<td>Of working age people believe new technology will help give future retirees a better standard of living</td>
</tr>
</tbody>
</table>
The changing retirement landscape
A new world

The world is changing and retirement is changing with it. Major political, social, economic and technological changes are having a significant impact on how people view their retirement prospects.

Ageing populations and rising national debts are sapping confidence in the ability of economies around the world to continue supporting older people. Overall, 62% of working age people in Canada are concerned about declining state pensions/social provision and 61% about the growing number of older people requiring retirement funding/support. More than two-thirds (70%) of working age people agree that levels of national debt mean there will be less support for the elderly.

More than a fifth (21%) of working age people believe state pensions will no longer exist when they come to retire, and this view is more common among Millennials (28%) than Baby Boomers (8%).
Volatile economies

62% of working age people are concerned about the impact of economic uncertainty on their ability to save for retirement. 52% say it will be more difficult to save for a comfortable retirement following the financial crisis of 2007/8. Just less than half (48%) are also concerned about whether their employer pension scheme(s) will be able to pay out in full.

‘Lower for longer’ interest rates are also making it harder to save for a comfortable retirement. Almost half (47%) of working age people think low interest rates will mean they will need to work for longer (compared to the global average of 50%), while 36% say they need interest rates to rise if they are to save enough to be comfortable in retirement.

47% of working age people think low interest rates mean they will need to work for longer
Health cheque

The rising cost of healthcare is another important issue. **74%** of working age people believe that retirees will have to spend more on healthcare costs in the future, and **61%** are concerned about being able to fund their healthcare. **33%** of working age people worry about the availability and affordability of healthcare, compared to the global average of **25%**.*

* Excludes China and Taiwan
Planning for retirement in a volatile age
Expecting the worst

The changes in the retirement landscape are forcing people to adjust their expectations for retirement. Based on how their retirement saving is progressing, only 29% of working age people think they will be financially comfortable when retired.

Meanwhile, constant change is making it difficult to plan ahead, with 35% of working age people believing things change so much that their retirement plan won’t be applicable by the time they retire. 29% have not started saving for retirement.

In light of this, 55% of working age people say they will continue working to some extent in retirement; 66% would be willing to defer their retirement for two years or more to have a better retirement income; and 44% would work for longer or get a second job to sustain their saving for retirement.
Length of retirement

On average, working age people expect to retire at age 62, compared to the global average of 61, and expect to live to age 85 (global average 81), resulting in a retirement of 23 years, compared to the global average of 20.

There is little variation between generations’ expectations of when they will retire and how long they will live. Millennials expect to retire at age 61, Generation X at 63 and Baby Boomers at 64. Millennials expect to live to age 86, while Generation X expect to live to 83 and Baby Boomers to 85, resulting in expected retirements of 25, 20 and 21 years respectively.
Funding retirement

In a time of continuing economic volatility, property is viewed as a good way of saving for retirement, with 38% of working age people thinking it delivers the best returns. This compares to 26% for stocks and shares, 23% for employer pension scheme(s), 22% for cash savings and 20% for personal pension schemes.

This is not yet fully reflected in retirement plans, with only 16% of working age people expecting property to help fund their retirement. 44% expect employer pension schemes to be a source of funding, state pensions/social security 40%, cash savings 37%, and their own income 31%.

Q. Which of the following do you think offers the best returns for retirement saving?
(Base: Working age people)
Risk appetite

With interest rates at historic lows, 45% of working age people think they will need to move their money from savings into investments and 27% actively move their money around to get the best return/deal.

There is not a particularly high appetite for risk, with 21% of working age people being very willing to make risky investments to ensure their financial stability and 22% being willing to risk financial losses.

42% of working age people say they actively seek information to guide their financial decisions.
Millennials & retirement
A perfect storm

The economic challenges facing the Millennial generation (those born between 1980 and 1997) are starkly reflected in their retirement prospects.

52% of people believe that Millennials have experienced weaker economic growth than previous generations, while 54% agree that Millennials are paying for the economic consequences of older generations, such as the global financial crisis and rising national debt. Also, 41% of people believe that employer pension schemes may go bust or be unable to pay out to Millennials.

However, 46% of people say that Millennials don’t know how good they have it, enjoying a better quality of life than any generation before them.
Retirement prospects

When it comes to retirement, Millennials are seen as less fortunate than previous generations. Only 5% of people think Millennials are in the best position for a comfortable retirement, compared to 49% who think Baby Boomers are.

In terms of life expectancy and retirement planning, 64% of people – and 64% of Millennials themselves – believe the Millennial generation will live much longer and will need to support themselves for longer.

Expected length of retirement

- **Average**: Age expect to retire - 62, Age expect to live to - 85
- **Millennials**: Age expect to retire - 61, Age expect to live to - 86
- **Generation X**: Age expect to retire - 63, Age expect to live to - 83
- **Baby Boomers**: Age expect to retire - 64, Age expect to live to - 85

*Q. What age do you expect to retire? Q. What age do you expect to live to? (Base: Working age people)*
Taking action

On average, Millennials started saving for retirement at age 25. However, 38% of Millennials have not yet started saving for retirement, compared to 23% of Generation X and 12% of Baby Boomers.

With 71% of Millennials concerned about running out of money affecting their retirement, 68% are prepared to cut back on their present expenses in order to save, compared to 57% of Generation X and 48% of Baby Boomers.

75% of Millennials see saving as a difficult but necessary task (Generation X 68%, Baby Boomers 70%).

There is little difference across generations in terms of financial risk aversion. 22% of Millennials are very willing to make risky investments to ensure their financial stability, compared to Generation X (23%) and Baby Boomers (14%).

56% of Millennials actively seek information to guide their financial decisions, as do 53% of Generation X and 60% of Baby Boomers.
Defining the generations

Baby Boomers
Born 1945 to 1965

- 1945: End of WWII
- 1953: Discovery of DNA
- 1957: European Common Market established

Generation X
Born 1966 to 1979

- 1969: Moon landing
- 1969: Woodstock festival

Millennials
Born 1980 to 1997

- 1989: Fall of Berlin Wall
- 1991: Launch of Internet
- 1997: First Harry Potter book

1960s
US Civil Rights movement

1957: European Common Market established

1953: Discovery of DNA

1945: End of WWII

The Future of Retirement Shifting sands
Retirement 2.0
Saving time and money

Technology is changing the way people save for retirement. 31% of working age people agree that new technology makes it easier to save for their retirement.

People are using new technology in different ways to plan for and manage their retirement.

Q. What role, if any, has new technology played in helping you plan for your retirement? (Base: All)

- Researched options on the internet: 23%
- Put money into an online saving account: 22%
- Used an online retirement calculator: 15%
- Used a retirement planning app: 4%
- Spoke to an adviser online e.g. live chat: 6%
- Received robotic financial advice: 2%

Working age people  Retirees
Stay connected

Additionally, more than a third (37%) of working age people believe that new technology will help give future retirees a better standard of living.

People are using or think they will use new technologies in different ways in retirement.

The role of technology in retirement

- Helps me stay connected with family and friends: 78% (Working age) vs. 82% (Retirees)
- Helps me to continue working: 27% (Working age) vs. 66% (Retirees)
- Helps me stay active and mobile: 61% (Working age) vs. 57% (Retirees)
- Monitors and maintains my health: 55% (Working age) vs. 49% (Retirees)

Q. Do you think you will use/are you using any of the following new technologies in your retirement? (Base: All)
Practical steps

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.

- Be realistic about your retirement
- Consider different sources of funding
- Plan for the unexpected
- Take advantage of technology
Practical steps

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.

64% of people think Millennials will live much longer and will need to support themselves for longer. 74% of working age people believe retirees will have to spend more on healthcare costs in the future.

Make sure you are well prepared for a long and comfortable retirement by starting to save earlier and more. Factor potential healthcare costs into your retirement planning.

Consider different sources of funding

Plan for the unexpected

Take advantage of technology
Practical steps

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.

Be realistic about your retirement

34% of working age people think low interest rates mean they will need to move their money from savings into investments. 40% think property offers the best returns for retirement saving.

Balance your ways of saving and investing for retirement to spread the risk and maximise the returns. Be realistic about your expected returns.

Plan for the unexpected

Take advantage of technology

The Future of Retirement Shifting sands
Practical steps

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.

- **Be realistic about your retirement**
- **Consider different sources of funding**
- **41% of people believe that employer pension schemes may go bust or be unable to pay out to Millennials.**
  - 42% of working age people would go back to work if their retirement income could no longer provide the standard of living they were used to.
- **Unexpected events can have a major impact on retirement funding.** Include worst case scenarios when planning your retirement and consider putting protection in place to help secure your retirement income.
- **Take advantage of technology**
Practical steps

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.

Be realistic about your retirement

Consider different sources of funding

Plan for the unexpected

13% of people have used an online retirement calculator and 7% a retirement planning app.

Embrace new technology to make planning for your retirement easier. Online planning tools can help you understand your retirement funding needs and track progress towards your goals. Seek professional financial advice if you need help.
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, *Shifting sands*, is the fourteenth in the series and represents the views of 18,414 people in 16 countries and territories.

Since The Future of Retirement programme began in 2005, more than 177,000 people have been surveyed worldwide.
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, *Shifting sands*, is the fourteenth in the series and represents the views of 18,414 people in 16 countries and territories.

Since The Future of Retirement programme began in 2005, more than 177,000 people have been surveyed worldwide.

The findings are based on a representative sample of people of working age (21+) and in retirement, in each country or territory.

The research was conducted online by Ipsos MORI between November 2016 and January 2017, with additional face-to-face interviews in Egypt and the UAE.

The 16 countries and territories are:

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

This country report represents the views of 1,003 people in Canada.

Retirees are people who are semi or fully retired. Working age people are those who have yet to semi or fully retire.

Figures have been rounded to the nearest whole number.
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, Shifting sands, is the fourteenth in the series and represents the views of 18,414 people in 16 countries and territories.

Since The Future of Retirement programme began in 2005, more than 177,000 people have been surveyed worldwide.

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 4,000 offices in 70 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,375bn at 31 December 2016, HSBC is one of the world's largest banking and financial services organisations.
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, *Shifting sands*, is the fourteenth in the series and represents the views of 18,414 people in 16 countries and territories.

Since The Future of Retirement programme began in 2005, more than 177,000 people have been surveyed worldwide.
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, *Shifting sands*, is the fourteenth in the series and represents the views of 18,414 people in 16 countries and territories.

Since The Future of Retirement programme began in 2005, more than 177,000 people have been surveyed worldwide.