

# The Future of Retirement

## Investing in later life



### Fact Sheet Brazil<sup>1</sup>

HSBC's fourth annual Future of Retirement survey of older people's work and retirement reveals a positive picture of how people see their prospects and lifestyles in retirement. In Brazil, the survey shows a surprising degree of optimism with regards to financial security and living standards in retirement. Despite this optimism, the preparation for later life varies between the generations, genders, and geographic regions and a sizeable proportion of Brazilians worry about being in a vulnerable situation in later life.

Taking *Expectations, Choice, Preparedness and Inheritance* as its main themes, *Investing in Later Life* highlights the key ways in which individuals in Brazil are preparing for their retirement.

#### Investing in Later Life - Key Brazil Findings

Preferred legacy is perspective on life

Government is seen as most important contributor to retirement income

High preference for enforced additional savings

Little support for reducing pensions or increasing taxes

High proportion in Americas fearing ill health and lack of resources in retirement

#### 1. Expectations: state provision may not be enough

Many governments have promised generous public pensions from 60 or 65 years, but these are seen to be increasingly unsustainable as we live longer lives.

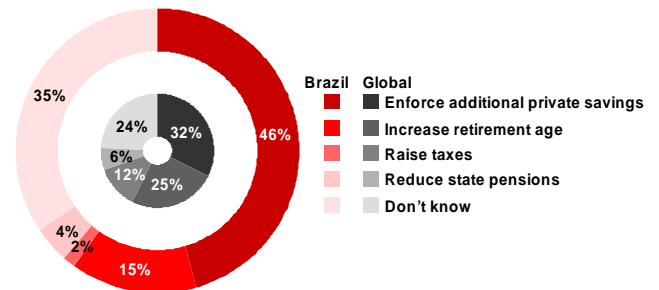
Globally, 31 per cent of respondents feel that governments *should* support them later life. In Brazil, 48 per cent of working people and 50 per cent of

<sup>1</sup> Definition of high and low household income variables – respondents not asked about household income but about possessions of various consumer goods from which a social class categorisation was made.

retirees believe that the state should carry this burden. However, in Brazil as in many countries, confidence in governments living up to this obligation is lower, with only 36 per cent of respondents confident of adequate state provision in retirement.

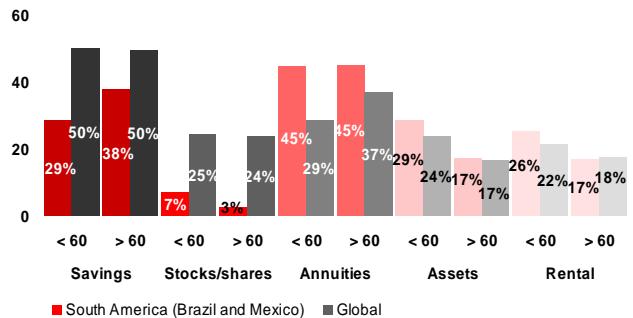
#### 2. Choice: how to provide for the aging population

What should the government do first of all to support the ageing population?



Given the lack of confidence in governmental support – what needs to be done to address the demands of ageing populations? The usual mechanisms of government, such as *raising taxes, reducing state pensions or increasing retirement age* are rejected globally and in Brazil too there is little support for these measures.

Main sources of own retirement income by region and pre/post-retirement age



Globally, 36 per cent pre-retirement (and 29 per cent post-retirement) feel that governments should *enforce additional private savings*. In Brazil, *enforced additional private savings* is the preferred means of providing for the ageing population, with 50 per cent of pre-retirement and 40 per cent of post-retirement respondents favouring this approach while 15 per cent of respondents select increasing the retirement age. Increasing taxes or reducing pensions are deeply

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unpopular options, with only 1-2 per cent choosing the former and 3-5 per cent opting for the latter.

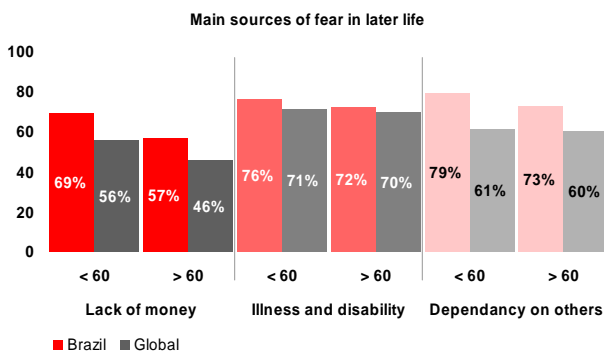
It is notable that relatively large proportions of respondents in Brazil – 28 per cent of pre-retirement individuals and 40 per cent of retirees – are unsure about their favoured government initiative aimed at financing a growing number of retirees.

### 3. Preparedness: the four pillars

There is a surprising degree of optimism in Brazil with regards to financial security and living standards in later life. People pre-retirement do *not* expect their standard of living to get worse in retirement. *Nor* do the majority of people post-retirement feel that their standard of living is worse than it was before. But how are people in Brazil planning, preparing and investing for their retirement?

In Brazil, each of the four pillars of retirement income (*government, employer, family and self*) is seen as making a contribution, with *government* seen as the most important contributor to retirement income and *family* as the least significant. For retirees, *employer* ranks second in terms of importance and *self* is in third place, while for pre-retirement individuals *self* ranks as a more important contributor than *employer*.

Despite this general optimism about prospects in later life, a sizeable proportion of Brazilians fear poor health, dependency on others, and not having enough money in retirement. Over 70 per cent of respondents across the age groupings fear dependency on others and ill health in retirement. More of the pre-retirement group (69 per cent) fear lack of money in later life than retirees (57 per cent).



Relative to other countries, Brazil has the highest proportions in the surveyed economies of the Americas fearing illness/disability and dependency, and along with Mexico, it has the highest proportion fearing not having enough money for a comfortable retirement.

### 4. Inheritance

Globally, most people want to pass on something to their heirs and, perhaps surprisingly, a majority choose the 'soft', less tangible values which we collectively termed *perspective on life* rather than more tangible legacies such as money.

In Brazil, the findings show that 82 per cent of respondents want their heirs to principally inherit their *perspective on life* (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). Only 18 per cent favour leaving behind tangible or material legacies (*home/property, money and business/career*).

