

# The Future of Retirement

## Investing in later life



### Fact Sheet China<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 in retirement. The survey shows a reasonable degree of optimism in China with regards to financial security and living standards in old age. Despite this optimism, the preparation for later life varies between the generations, genders, and geographic regions and a sizeable group of Chinese people worry about being in a vulnerable situation in later life.

#### Investing in Later Life – Key China Findings

Preferred legacy is perspective on life

Confidence in government retirement support high and matching expectations

Preferred options – albeit with modest support – are raising taxes and increasing the retirement age

Many more of pre-retirement people worry about money in later life than the post-retirement group

Lowest proportion in Asia fearing poor health, dependency and shortage of money 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 China are preparing for their 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 in later life. In China, 42 per cent of working people and 40 per cent of retirees believe that the state should carry this

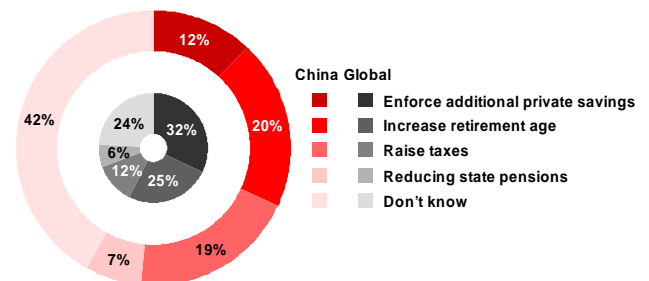
<sup>1</sup> Definitions of a high and low household income cut-off point: 2,500 RMB (monthly)

burden. However, unlike most countries surveyed, confidence in the government living up to this obligation is relatively high and matches expectations of support, with 43 per cent of the pre-retirement group and 45 per cent of the post-retirement group certain of adequate state provision in retirement.

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

Although levels of confidence and expectation of government provision are high in China, the growing number of retirees remains a financial issue for every government. Therefore we asked respondents in China – 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 generally rejected globally, and in China too there is only modest support for these measures.

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



Globally, *enforced additional private savings* is the most popular choice with 36 per cent pre-retirement and 29 per cent post-retirement opting for this approach. In China, however, support for *enforced additional private savings* is low, with only 13 per cent of pre-retirement and 10 per cent of post-retirement respondents favouring this government measure.

There are also distinct differences in the ranking of choices amongst the surveyed Chinese groups. In the pre-retirement group of respondents, raising taxes is the majority option for retirement provision, with 25 per cent choosing this measure and 19 per cent opting for an increase in the retirement age. In the post-retirement group however, 20 per cent favour increasing the retirement age while 15 per cent would raise taxes. The option of reducing State pensions is universally unpopular, with only 5-9 per cent seeing this as the preferred initiative. The other notable factor

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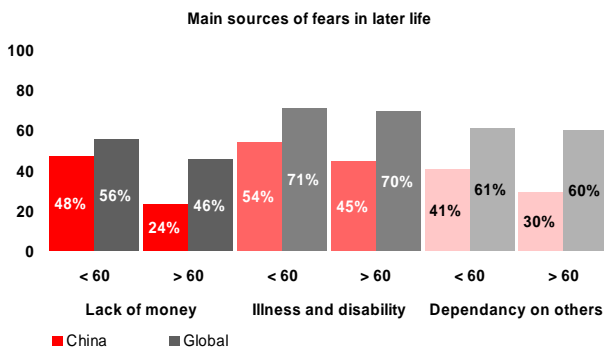


is that in both pre- and post-retirement groups, large proportions are uncertain what government should do to provide support for retirees (33 and 50 per cent respectively).

### 3. Preparedness: the four pillars

In China, the majority of respondents are *not* worried about being able to cope financially in the future and 76 per cent of the pre-retirement generations are looking forward to retirement. Among the Asian economies surveyed, China ranks highest in terms of the number of people looking forward to retirement. Despite this, it is noteworthy that a sizeable proportion *fear* dependency, ill-health or shortage of money in later years. We sought to discover how people in China are planning, preparing and investing for their retirement and therefore is their general optimism about later life justified?

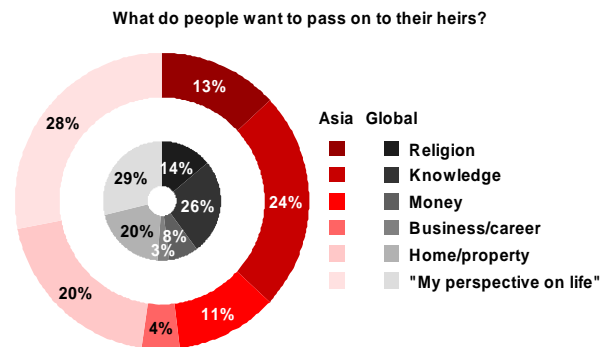
Each of the four pillars of retirement income (*government, employer, family and self*) is regarded as making a contribution. Overall, *government* is seen as the most important contributor to retirement income, *self* and *family* are seen as second most important, while *employer* is seen as the least important. It is interesting that there are only modest differences in the importance of these four pillars in relation to household income. For both low and high income Chinese households, *government* is easily the most important contributor followed by *self, family* and *employer*.



Despite the general optimism about their prospects in later life, many Chinese respondents fear poor health, dependency on others, and not having enough money in retirement. It is notable that a significantly larger proportion of the pre-retirement group worry about these three factors than the post-retirement group.

Thus, 47 per cent pre-retirement fear not having enough money in old age, 41 per cent fear dependency, and 54 per cent fear illness/disability. Post-retirement these proportions are 24, 30 and 45 per cent respectively. Nevertheless, within the context of all the Asian economies surveyed, China ranks lowest in terms of the number of respondents fearing these aspects of old age.

### 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 China, the findings show that 71 per cent of the working population and 70 per cent of retirees want their heirs to principally inherit their perspective on life (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). Correspondingly only 29 per cent of those pre-retirement and 30 per cent of retirees favour leaving behind tangible or material legacies (*home/property, money and business/career*).