

# The Future of Retirement

## Investing in later life



### Fact Sheet Germany<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. The survey shows a surprising degree of optimism in Germany with regards to financial security and living standards in old age. People pre-retirement do *not* expect their standard of living to get worse in retirement. *Nor* do retirees feel that their standard of living is worse than it was before. Nevertheless, despite this general optimism, a significant proportion does *fear* dependency and not having enough money in later life.

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

Preferred legacy is perspective on life

Low expectation and confidence in government retirement provision

Little support for increased taxes or reducing pensions

Overwhelming support for enforced additional savings

Amongst highest proportions in Europe fearing disability and dependency

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

#### 1. Expectations: state provision 'confidence gap'

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* bear most of the financial costs

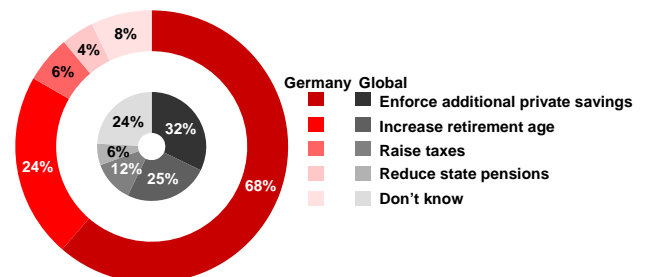
<sup>1</sup> Definitions of a high and low household income cut-off point: 40,000 EUR (annual)

of supporting them in retirement. In Germany, our survey shows that 36 per cent of working people and only 18 per cent of retirees believe that the state *should* support them in later life. There is also a marked difference between the working and retired population's confidence in government living up to this obligation. Only 19 per cent of the German working population feels government *will* bear this burden while 22 per cent of retirees believe the state will provide for retirees.

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

Given that both expectation and confidence in government support is low in Germany, we asked respondents – what needs to be done to address the demands of ageing populations?

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



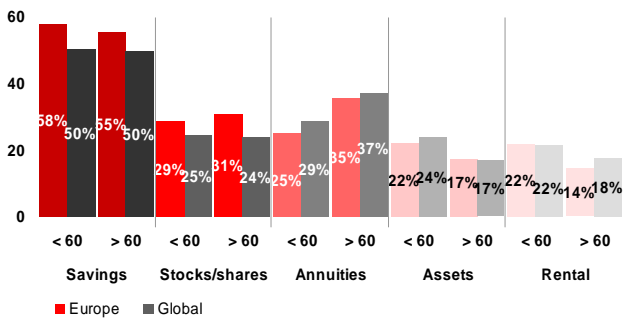
Globally, 36 per cent pre-retirement and 29 per cent post-retirement feel that governments should *enforce additional private savings* as the preferred means of providing for the ageing population. In Germany, there is overwhelming support for this measure, with 71 per cent of the working population and 65 per cent of retirees seeing enforced additional savings as their favoured solution. There is relatively little support for the other options: 10-16 per cent would increase the retirement age, 6-7 per cent would increase taxes and only 3-5 per cent would opt for a reduction in state pensions.

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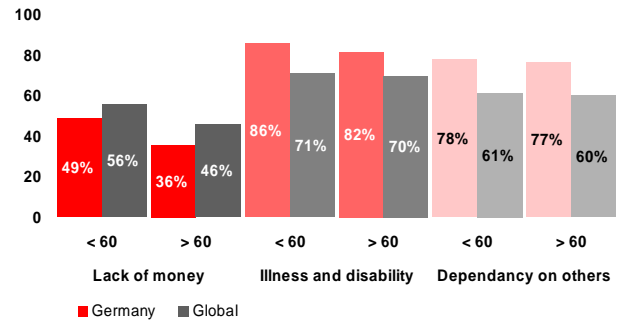
## Investing in later life



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



Main sources of fear in later life



### 3. Preparedness: The Four Pillars

The majority pre- and post-retirement are *not* worried about being able to cope financially in the future. But how are people in Germany planning, preparing and investing for their retirement? And is this optimism about a comfortable retirement justified?

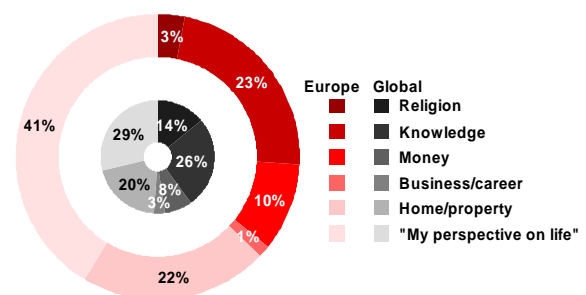
In Germany, each of the four pillars of support for later life (*government, employer, self and family*) is regarded as contributing to retirement income.

Overall, government is seen as the most important contributor to retirement income, self is ranked as second most important contributor while family and employer is seen as least important. Pre-retirement, individuals regard themselves as the most important contributor, while retirees feel that government and self are most important. In Germany, it is interesting that the government is seen as most important by both high income and low income households.

Not surprising perhaps, 82 per cent of the pre-retirement generations surveyed in Germany are looking forward to retirement: this is the highest level in Europe. However, Germany also has amongst the highest proportion of citizens in Europe fearing illness, dependency and a lack of money in later life. Thus, 49 per cent pre-retirement fear not having enough money in old age, 85 per cent fear dependency, and 78 per cent fear illness/disability. Post-retirement these proportions are 35, 76 and 81 per cent respectively. It is notable that the proportion of Germans fearing a lack of money in later life is greater pre-retirement, namely 49 per cent compared with 35 per cent post-retirement.

### 4. Inheritance

What do people want to pass on to their heirs?



Globally, most people want to pass on something to their heirs. Perhaps surprisingly, this is frequently *not* money. There is a greater tendency globally for people to choose the soft, less tangible values which we have termed *perspective on life*.

In Germany, the findings show that 62 per cent of the working population and 56 per cent of retirees want their heirs to inherit their perspective on life (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). Correspondingly, 38 per cent of those pre-retirement and 44 per cent of retirees wish to leave their loved ones tangible or material legacies (*home/property, money and business/career*).