

The Future of Retirement

Investing in later life



Fact Sheet Japan¹

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 an interesting combination of optimism and uncertainty in Japan 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. Despite this general optimism, a significant proportion does *fear* illness, dependency and not having enough money in later life.

Investing in Later Life – Key Japan Findings

Preferred legacy is perspective on life – particularly knowledge

Low expectation and confidence in government retirement provision

Little support for increased taxes or reducing pensions

Highest levels globally of support for working longer

Lowest proportion in mature economies looking forward to retirement

Taking *Expectations, Choice, Preparedness and Inheritance* as its main themes, *Investing in Later Life* highlights the key ways in which individuals in Japan 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.

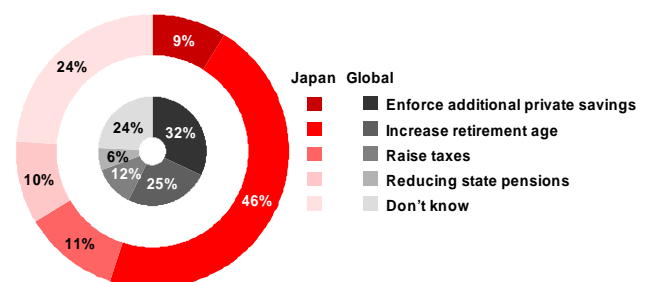
¹ Definition of household income variable high/low. Cut-off point: Japan: 5,000,000 Yen

Globally, 31 per cent of respondents feel that governments *should* bear most of the financial costs of supporting them in retirement. Japan mirrors other Asian economies surveyed in giving lower figures for this particular expectation – 23 per cent pre-retirement and 18 per cent post-retirement. Confidence in government living up to this is correspondingly low, with only 18 per cent pre-retirement and 20 per cent post-retirement feeling that governments *will* bear the costs.

2. Choice: how to provide for the ageing population

Given that expectation and confidence in government support is low in Japan, respondents were asked – 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 Japan, there is very little support for this measure, with only 8 per cent of the working population and 10 per cent of retirees seeing enforced additional savings as their favoured solution. Other options gain greater support: pre-retirement, increasing the retirement age is the majority option for the support of older populations with 49 per cent, followed by raising taxes (14 per cent) and reducing pensions (11 per cent).

Post-retirement working longer is also the preferred option (43 per cent), followed by enforced savings (10 per cent) and raising taxes/reducing pensions (both at 9 per cent). Only 4 per cent feel that government should reduce pensions. The Japanese preference for working longer is the highest globally and almost double the global average.

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Interestingly 18 per cent pre-retirement and 30 per cent post-retirement do not know how government should address the issue.

3. Preparedness: the four pillars

The majority pre- and post-retirement are *optimistic* about being able to cope financially into old age. But there is a sizeable minority who are worried and, pre-retirement, the majority of those surveyed do not know whether or not they have concerns about coping financially in retirement. So, with this mix of optimism and uncertainty over a comfortable later life being expressed, how are people in Japan planning, preparing and investing for their retirement?

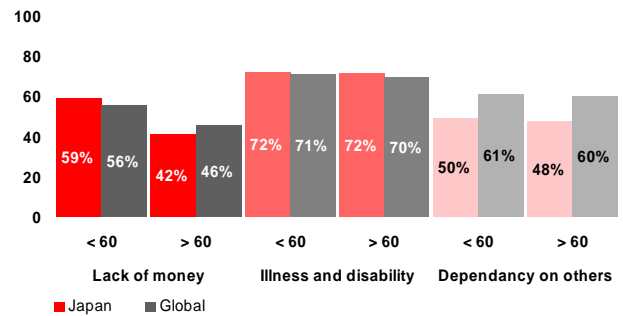
In Japan, each of the four pillars of support for later life (*government, employer, family and self*) is regarded as contributing to retirement income.

Both pre- and post-retirement, government is seen as the most important contributor to retirement income (the second highest proportion in Asia preferring this option), self is ranked as second most important contributor, with family and then employer seen as the least important. The pre-eminent placing of government is reflected across both high and low income households.

Relatively large proportions across the generations in Japan express apprehension concerning old age. 59 per cent pre-retirement fear a lack of money in older age, 50 per cent fear dependency on others and 72 per cent fear illness/disability. Post-retirement these proportions stand at 41, 48 and 71 per cent. Interestingly, more men than women fear dependency, illness and disability, despite the global trend for these concerns to be expressed by more women than men.

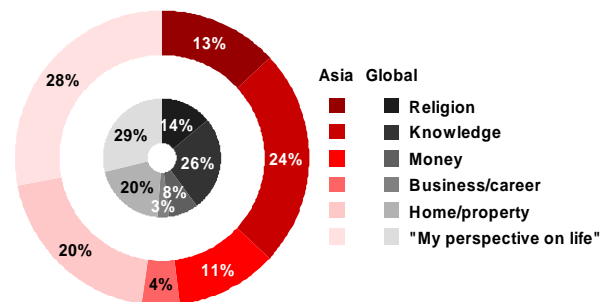
It is not surprising, then, that only 60 per cent of the pre-retirement generations surveyed in Japan are looking forward to retirement, the lowest proportion of the mature economies.

Main sources of fear in later life



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 clear greater tendency globally for people to choose the soft, less tangible values which we have termed *perspective on life*.

In Japan, the findings show that 61 per cent of the working population and 62 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, 39 per cent of those pre-retirement and 38 per cent of retirees wish to leave their heirs tangible or material legacies (*home/property, money and business/career*).