

# The Future of Retirement

## Investing in later life



### Fact Sheet Mexico

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 reasonable degree of optimism in Mexico 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, high proportions do *fear* illness and dependency in later life.

#### Investing in Later Life – Key Mexico 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

Government seen as key contributor to post-retirement income

Highest proportions in Americas fearing illness/disability 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 Mexico 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 of supporting them in retirement. In Mexico, however, levels of expectation are much lower – 6 per cent pre-retirement and 5 per cent post-retirement. Confidence in government living up to this is correspondingly low,

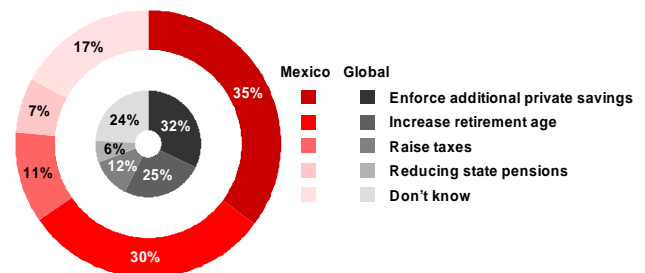
with only 6 per cent pre-retirement and 4 per cent post-retirement feeling that government *will* bear the costs.

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

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

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 Mexico this measure is supported by 41 per cent pre- and 30 per cent post-retirement. Pre-retirement enforced additional private savings is the most favoured option, followed by increasing the retirement age (27 per cent), with raising taxes (9 per cent) and reducing pensions (6 per cent) as the least favoured options. Post-retirement, most Mexicans would support increasing the retirement age (33 per cent) followed by raising taxes (13 per cent) and reducing pensions (8 per cent).

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



#### 3. Preparedness: the four pillars

Between a third and a half pre- and post-retirement are *optimistic* about being able to cope financially into old age. So how are people in Mexico planning, preparing and investing for their retirement? And is their relative optimism justified?

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

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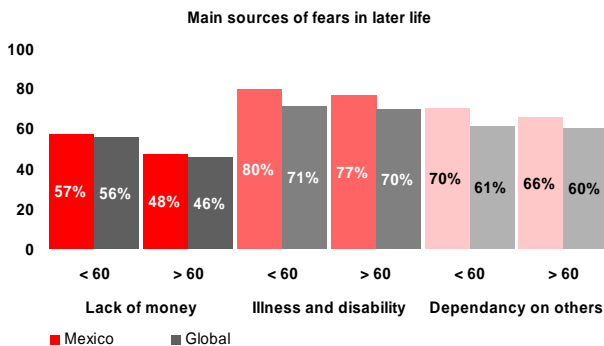
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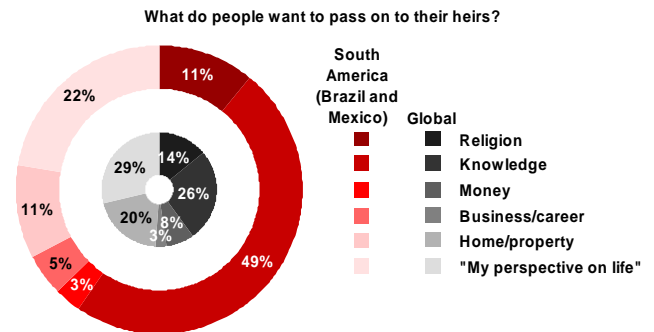
Both pre- and post-retirement, government is seen as the most important contributor to retirement income with children/family second, followed by self and then employers as the least important. The pre-eminent placing of government is reflected across both high and low income households.

Relatively large proportions across the generations in Mexico express apprehension concerning old age. Mexico has the highest proportions in the surveyed economies of the Americas fearing illness/disability (80 per cent pre-retirement, 77 per cent post-retirement). Alongside Brazil it also has the highest proportion fearing dependency on others in later life (70 per cent pre-retirement and 66 per cent post-retirement). When it comes to lack of funds, 57 per cent pre-retirement and 47 per cent post-retirement express this as an area of concern.

Despite a generally relatively optimistic outlook on later life, it is perhaps not surprising that only 36 per cent of the pre-retirement generations surveyed in Mexico are looking forward to retirement.



#### 4. Inheritance



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 Mexico, the findings show that 85 per cent of the working population and 80 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, 15 per cent of those pre-retirement and 20 per cent of retirees favour leaving behind tangible or material legacies (*home/property, money and business/career*).

Among the soft inheritance values, knowledge emerges as the preferred legacy across the generations in Mexico.