

The Future of Retirement

Investing in later life



Fact Sheet Saudi Arabia¹

HSBC's fourth annual Future of Retirement global survey of older people's work and retirement reveals a broadly positive picture of how people see their prospects and lifestyles in retirement. However, the Saudi Arabia findings show that individuals have limited optimism with regards to financial security and living standards in later life. Unlike the survey findings in many countries, the majority of Saudi people pre-retirement expect their standard of living to get worse in retirement, while a significant proportion of retirees feel that their standard of living is worse than it was before. In addition, most respondents *fear* being in a vulnerable situation in later life.

Investing in Later Life – Key Saudi Arabia Findings

Preferred legacy is perspective on life

Low expectation and confidence in government retirement provision

Increasing taxes or reducing pensions to provide State provision very unpopular

Overwhelming support for enforced additional savings

Little optimism about financial prospects 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 Saudi Arabia are preparing for their retirement.

1. Expectations: expectations versus confidence in state provision

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.

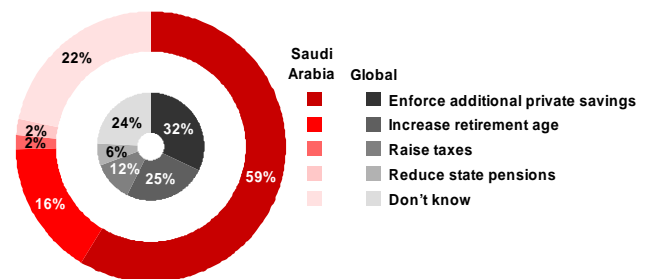
¹ Definition of high and low household income cut-off point: 5,000 SAR (monthly)

Globally, 31 per cent of respondents feel that governments *should* bear most of the financial costs of supporting them in retirement. In Saudi Arabia, the level of this expectation is significantly lower, with 11 per cent of working people and only 7 per cent of retirees believing that the state *should* support them in later life. Meanwhile, a correspondingly low proportion across all age groups in Saudi Arabia are confident in their government's ability to live up to this obligation: just 15 per cent of the working population and 12 per cent of retirees believe the state will provide for retirees.

2. Choice: how to provide for the ageing population

Given this low expectation of government retirement provision in Saudi Arabia, 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?



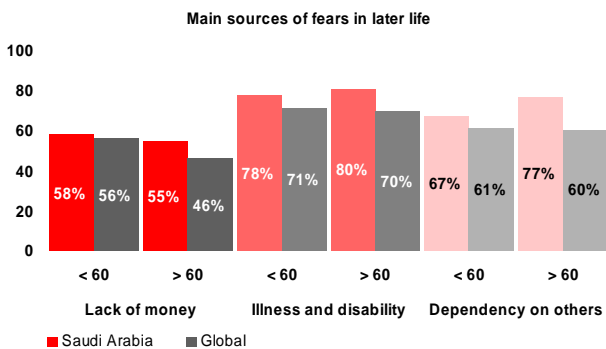
Globally, 36 per cent pre-retirement and 29 per cent post-retirement feel that governments should *enforce additional private savings* as the preferred means of providing for the ageing population. In Saudi Arabia, there is overwhelming support for this measure, with 52 per cent of the working population and 65 per cent of retirees seeing *enforced additional savings* as their favoured solution. *Increasing the retirement age* is the next most popular choice in Saudi Arabia, with 18 per cent of the pre-retirement group and 14 per cent of the post-retirement group opting for this solution. There is very little support for the other options: 0-3 per cent would *raise taxes*, and 1-3 per cent would opt for a *reduction in state pensions*.

3. Preparedness: the four pillars

In contrast to many other countries, only around half of those surveyed in Saudi Arabia are *not* worried about being able to cope financially in the future. This is reflected in the fact that there is limited optimism in Saudi Arabia with regards to financial security and living standards in later life. Almost two thirds of Saudi respondents in the pre-retirement generations actually expect their standard of living to get *worse* in retirement, while around one third of retirees feel that their standard of living *is* worse than it was before. Given these views, how are people in Saudi Arabia actually planning, preparing and investing for their retirement?

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

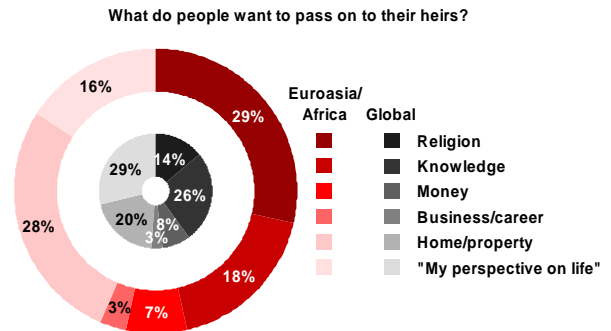
Despite the small proportion of Saudi respondents who feel government should/will support them in later life, government *is* seen as the most important contributor to retirement income. Meanwhile, family is seen as the next most important source, while employer is seen as least important. Self is ranked as less important than family but more important than employer in terms of their contribution to retirement income. In Saudi Arabia, it is interesting that there are limited household income effects on the relative importance of the four pillars, with government regarded as most important by both high income and low income households.



The Saudi Arabia survey reveals that a large proportion of the population is apprehensive about illness, dependency and a lack of money in later life.

Thus, 58 per cent pre-retirement fear not having enough money in old age, 67 per cent fear dependency, and 78 per cent fear illness/disability. Post-retirement these proportions are 55, 76 and 80 per cent respectively. It is perhaps not surprising in view of these figures that only 30 per cent of the pre-retirement generations surveyed in Saudi Arabia 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 Saudi Arabia, the findings show that 73 per cent of the working population and 75 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*). Within these findings, it is clear that religion is an important factor, with 51 per cent of the pre-retirement group and 52 per cent of retirees hoping to pass their religion to their heirs. Correspondingly, 27 per cent of those pre-retirement and 25 per cent of retirees wish to leave their heirs tangible or material legacies (*home/property, money and business/career*).