

The Future of Retirement

Investing in later life



Fact Sheet Turkey¹

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 Turkey 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 Turkish 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 Turkey Findings

Preferred legacy is perspective on life

High expectation and confidence in government retirement provision

Increasing taxes or reducing pensions to provide state provision unpopular

Strong support for enforced additional savings and increasing retirement age

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 Turkey 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.

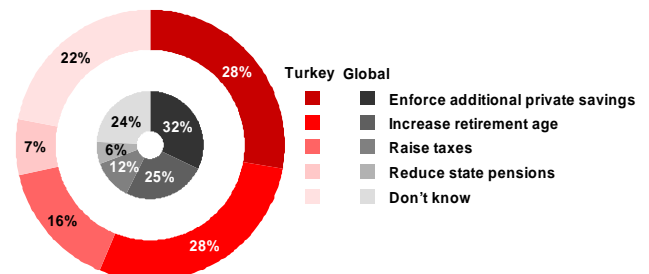
¹ Definition of high and low household income: 30,000 TRY (annual)

Globally, 31 per cent of respondents feel that governments *should* bear most of the financial costs of supporting them in retirement. In Turkey, the level of this expectation is significantly higher, with 73 per cent of working people and 79 per cent of retirees believing that the state *should* support them in later life. Unlike the survey findings in many countries, a correspondingly high proportion across all age groups in Turkey are confident in their government's ability to live up to this obligation: 70 per cent of the working population and 72 per cent of retirees believe the state will provide for retirees.

2. Choice: how to provide for the ageing population

Although both expectation and confidence in government support is high in Turkey, the increasing burden of a growing number of retirees is a global problem. Therefore, we asked Turkish 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?



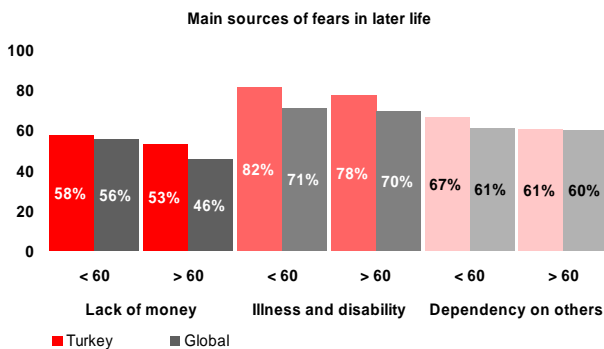
Globally, 36 per cent pre-retirement and 29 per cent post-retirement feel that governments should *enforce additional private savings* as the preferred means of providing for the ageing population. In Turkey, there is also widespread support for this measure, with 31 per cent of the working population and 24 per cent of retirees seeing *enforced additional savings* as their favoured solution. *Increasing the retirement age* is another popular choice in Turkey, with 28 per cent of the pre-retirement group and 29 per cent of the post-retirement group opting for this solution. There is less support for the other options: 13-17 per cent would *raise taxes*, and 3-10 per cent would opt for a *reduction in state pensions*. Around a quarter of respondents across the age groups were unsure as to their preferred mechanism for state provision.

3. Preparedness: the four pillars

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

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

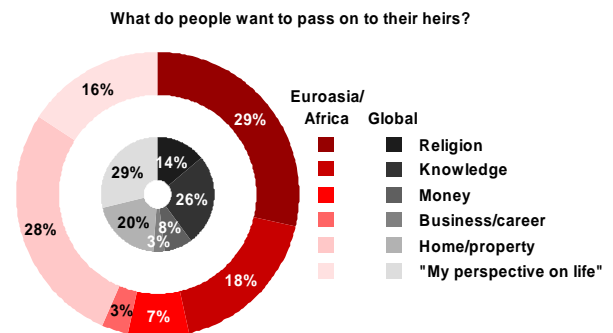
Despite the large proportion of Turkish respondents who feel *government* should/will support them in later life, *government* is *not* seen as the most important contributor to retirement income. In fact, *family* is seen as the most important source, while *employers* are seen as least important. *Self* and *government* are ranked as less important than *family* but more important than *employer* in terms of their contribution to retirement income. In Turkey, it is interesting that there are limited household income effects on the relative importance of the four pillars, with *family* regarded as most important by both high income and low income households.



The Turkey 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, 66 per cent fear dependency, and 81 per cent fear illness/disability. Post-retirement these proportions are 53, 60 and 78 per cent respectively. It is perhaps surprising in view of these figures that 77 per cent of the pre-retirement generations surveyed in Turkey 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 Turkey, the findings show that 67 per cent of the working population and 54 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 39 per cent of the pre-retirement group and 28 per cent of retirees hoping to pass their religion to their heirs.

Correspondingly, 33 per cent of those pre-retirement and 46 per cent of retirees wish to leave their heirs tangible or material legacies (*home/property, money and business/career*).