

The Future of Retirement

Investing in later life



Fact Sheet United Kingdom¹

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 the UK 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 the majority of people post-retirement feel that their standard of living is worse than it was before. Despite this optimism, the preparation for later life varies between the generations and genders, and geographic regions.

Investing in Later Life – Key UK Findings

- Preferred legacy is perspective on life
- Biggest 'confidence gap' in government
- Highest preference for working longer
- Highest support for raised taxes to fund later life
- Lowest proportion in Europe fearing illness/disability and dependency 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 the UK are preparing for their retirement.

1. Expectations: state provision may not be enough

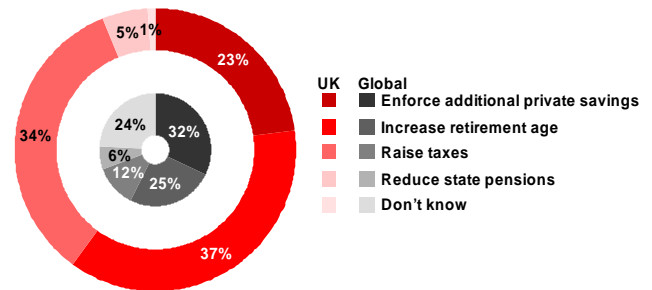
Many governments have promised generous public pensions from 60 or 65 years, but these are seen to be increasingly unsustainable as we live longer lives.

Globally, 31 per cent of respondents feel that governments *should* bear most of the financial costs of supporting them in retirement. In the UK, our survey shows that 39 per cent of working people and 33 per

cent of retirees believe that the state should support them in later life. However, confidence in governments living up to this obligation is low. In the UK, only 19 per cent feel government *will* bear most of the financial costs.

2. Choice: how to provide for the ageing population

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



Given the obvious lack of confidence in governmental support, we asked respondents – what needs to be done to address the demands of ageing populations?

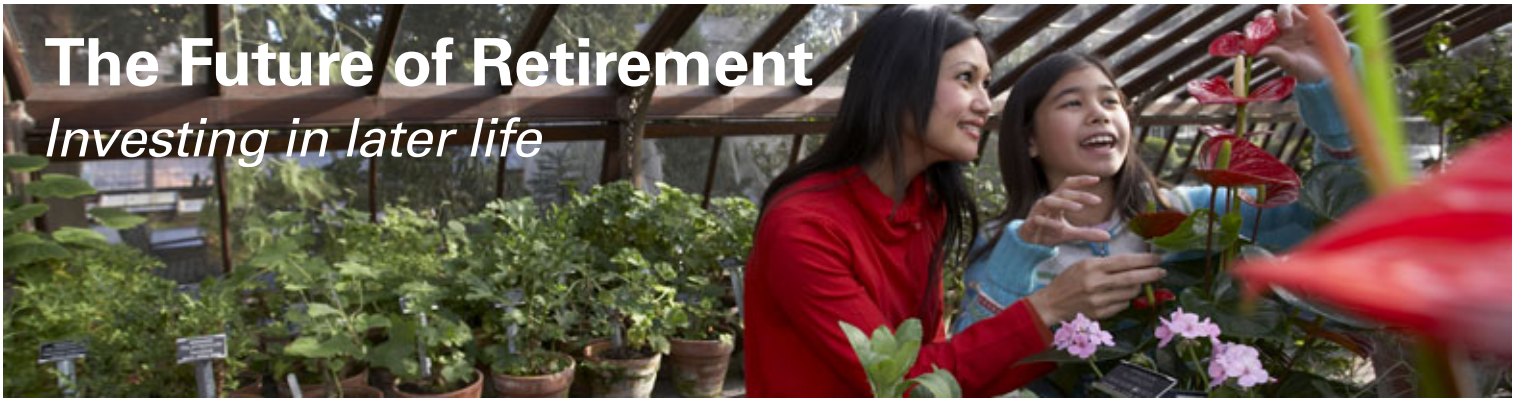
Although the most obvious revenue-raising avenues such as raising taxes, reducing state pensions or increasing retirement age are generally rejected globally, there is a surprisingly strong support for some of these measures in the UK.

UK citizens *favour* taxation and an increase in retirement age followed by enforced savings as the preferred mechanisms to provide for the ageing population, while reducing pensions is the least preferred means. Across the generations, people in the UK are the most willing to work longer in order to fund their later life.

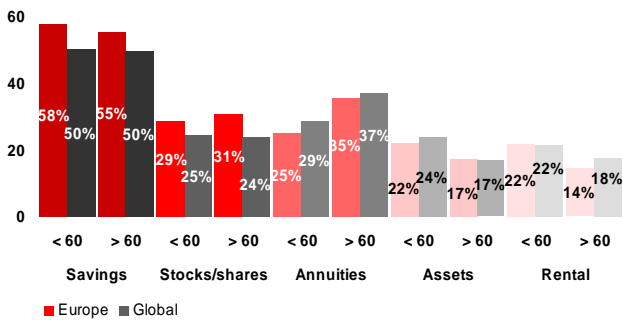
¹ Definition of high and low household income cut-off point: 17,500 GBP (annual)

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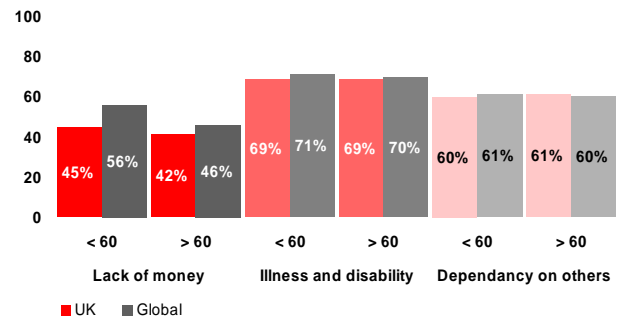
Investing in later life



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 the UK planning, preparing and investing for their retirement? And is this optimism justified?

In the UK, each of the four pillars of support for later life (*government, employer, family and self*) is regarded as contributing to retirement income. The importance given to the four pillars across generations in the UK is generally equal.

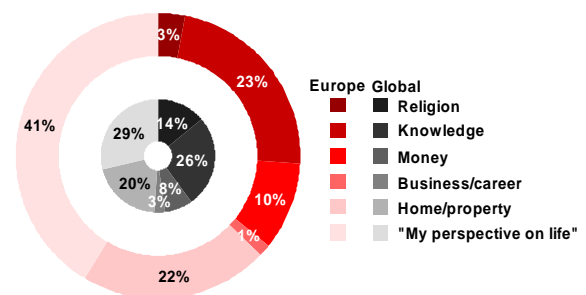
Overall, *government* is seen as the most important contributor in the UK by those post-retirement and those with a low income, while *the individual* is seen as the most important contributor for those pre-retirement and those with a high income. Family is generally seen as the least important contributor.

Although the UK respondents generally feel positive about later life, a significant proportion remains apprehensive about poor health, dependency on others, and about not having enough money in retirement. In a European context, the UK has the lowest proportion fearing illness/disability and dependency but it has amongst the highest proportion fearing not having enough money in later life.

With regards to these fears, there are no significant differences between pre- and post-retirement groups.

4. Inheritance

What do people want to pass on to their heirs?



Globally, most people want to pass on something to their heirs and perhaps surprisingly a majority choose the 'soft', less tangible values which we collectively termed *perspective on life* rather than more tangible legacies such as money.

In the UK, the findings show that 70 per cent of the working population and 61 per cent of retirees want their heirs to principally inherit their perspective on life (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). Only 30 per cent of those pre-retirement and 39 per cent of retirees favour leaving behind tangible or material legacies (*home/property, money and business/career*).