

The Future of Retirement

The power of planning



Brazil Report

HSBC 
The world's local bank

Foreword



We know that saving enough money to enjoy the freedom that retirement can provide depends on a number of measures to be adopted throughout our economically active life. But above all, it depends on planning. Therefore, we at HSBC are concerned with understanding how the population is preparing

for this stage of life.

The Future of Retirement is a pioneering initiative that helps us to achieve our goal of offering the best in wealth management in the world. The survey this year reaches its sixth edition with the title "*The Power of Planning*", discussing the importance of establishing an investment strategy from the beginning of professional life - and this is not always an easy task. In Brazil, the publication shows that only

60% of respondents aim at saving enough money for retirement, against an average of 88% in other countries that are part of the study. So, this year's report becomes essential to show who are the people planning their future, how they are preparing for retirement and what are the difficulties faced along the way.

It is indispensable knowledge for a deeper understanding of current behaviors of the population with regard to aging, retirement and financial planning for the future so that we can, increasingly, better serve our customers.

Enjoy your reading.

Fernando Moreira
CEO
HSBC Insurance Brazil



Introduction

HSBC's The Future of Retirement programme is a world-leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world. The 2011 report, *The power of planning*, is the sixth in the series and is based on interviews with more than 17,000 respondents in 17 countries.

This country report, based on the views of 1,027 Brazilian respondents, explores how households in Brazil are likely to respond to the rapidly changing shape of retirement over the coming decades. All data used in this country report relates to Brazil unless otherwise indicated. For further global and regional comparisons, please refer to the global report.

Key findings

- More than a quarter of Brazilians see retirement as an age of freedom (29%), satisfaction (26%) and wisdom (26%). Women most strongly associated retirement with freedom (41%). Even so, 49% of respondents did not feel financially prepared for retirement
- Over 50% of women in Brazil are worried about coping financially in retirement compared to 46% of men. Despite this, 53% of Brazilians said that they expect to be better off than their parents in retirement, compared to just 18% who thought they would be worse off. Only 17% associated retirement with financial hardship
- 28% of Brazilians see retirement as a period of rest and relaxation, with a further 27% seeing it as an opportunity for a whole new chapter in life. 15% see retirement as a time of flexible working
- 36% of Brazilians believe that financial planning is important for a happy retirement, along with having loving family and friends (36%)
- Worryingly, one quarter of Brazilians do not know what their main source of retirement income will be, with 10% expecting income from paid employment to support them in their later years
- Financial planning behaviour in Brazil is above the global average with 51% of people having financial plans. However, just 43% of Brazilians have sought professional financial advice
- Those who make a financial plan for the future are more optimistic about their prospects generally and have 128% of the retirement assets of the average Brazilian
- Independent financial advisers are the largest source of advice in Brazil with 22% of respondents consulting one; banks and accountants were the second largest source of advice (18%)
- For individuals who want to take action now to improve their financial well-being later in life, there is a simple 5-step checklist based on the research

Retirement landscape

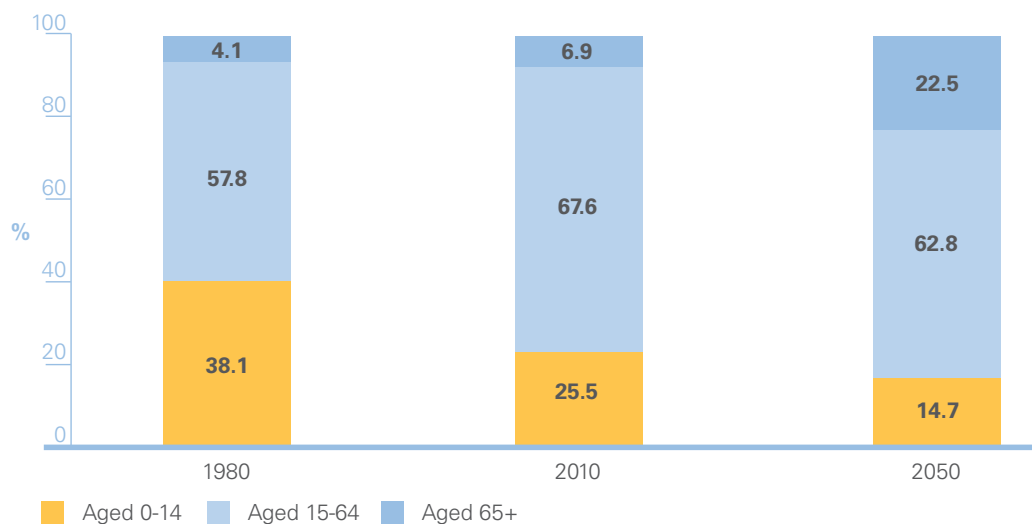
The retirement landscape in Brazil is shifting as the demographic profile of the country changes. This means that retirement today and in the future will be very different to that of the previous generation. Data from the United Nations shows that in the last 30 years, the demographic profile of Brazil has begun to evolve, with the population aged 65 and over increasing just slightly from 4.1% in 1980 to 6.9% in 2010. However, this is set to more than treble: by 2050, 22.5% of the population are projected to be over 65.

The concept of retirement has changed markedly over the last twenty years, with continuing economic

growth and demographic changes working to continue this trend. As the population ages more rapidly going forward, there will be a squeeze on those of working age, and on the state, to provide retirement incomes and healthcare for this growing group of retirees. The net result of these changes mean that Brazil has until around 2030 before the number of adults surpasses the number of children for the first time, while the rapidly expanding numbers of retired citizens places a growing burden on the Brazilian economy. Adequate planning and preparation for retirement will become more important than ever as dependence on individual retirement savings grows.

Figure 1: An new era of retirement

Source: United Nations Population Division, World Population Prospects, The 2008 Division



The changing shape of retirement

Despite being faced with the universal challenge of funding an ageing society, people in Brazil remain upbeat in their perception of retirement

28% of Brazilians see retirement as a period for rest and relaxation, with a further 27% seeing it as an opportunity for a whole new chapter in life. Additionally, more than a quarter associate it with freedom (29%), satisfaction (26%) and wisdom (26%).

When considering what constitutes a happy retirement, 36% of respondents said it was having

loving family and friends, while 36% of Brazilians felt that good financial planning is extremely important.

Only 17% associate retirement with financial hardship. However, men were more optimistic (15%) than women in their 40s (32%).

There is very little difference in attitudes between married and single people in Brazil as to how secure they feel about their finances in retirement. However, people who are divorced were much more concerned about financial hardship in retirement (35%).

Figure 2: How people perceive retirement

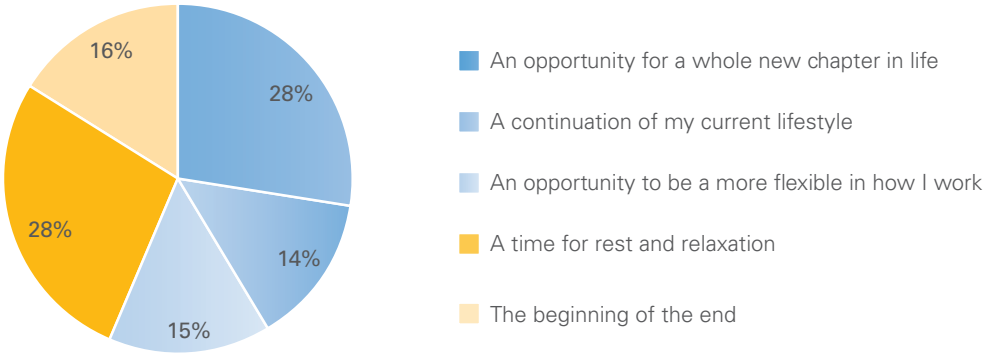
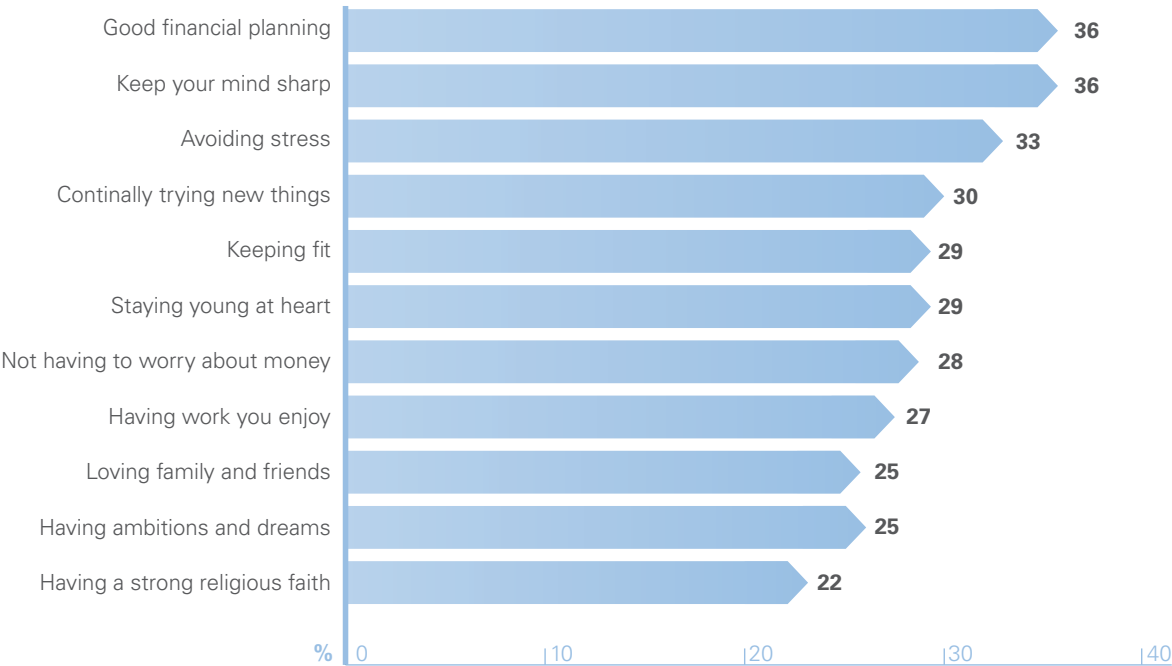


Figure 3: What is extremely important to a happy retirement



In terms of the key determinants of a happy retirement, Brazilians focus on maintaining good health and a sharp mind: only 25% of respondents feel that not having to worry about money is essential. Meanwhile, the role of the family (and possibly the support network it signifies) is still perceived as a cornerstone for a happy retirement in Brazil. Traditionally, many in Brazil would choose to continue working in later life and this remains the case today; 27% believe that having work you enjoy is extremely important for a happy retirement.

53% of Brazilians said that they expect to be better off than their parents in retirement, compared to just 18% who thought they would be worse off. This sense

of optimism is undoubtedly fuelled by the impressive economic growth in Brazil over recent years and the opportunities that this has brought with it for many Brazilians.

For those who thought that they would be worse off in retirement, the main worry related to the decline in state pension provision. Respondents in Brazil also expressed concern over low interest rates and higher taxes, citing them as reasons for being worse off in retirement. Whilst the strength of the Brazilian economy is a source of optimism, the changing demographic profile means that the retirees of tomorrow will experience a markedly different retirement to their parents.

Figure 4: Better or worse off than your parents' generation in retirement? (net score)

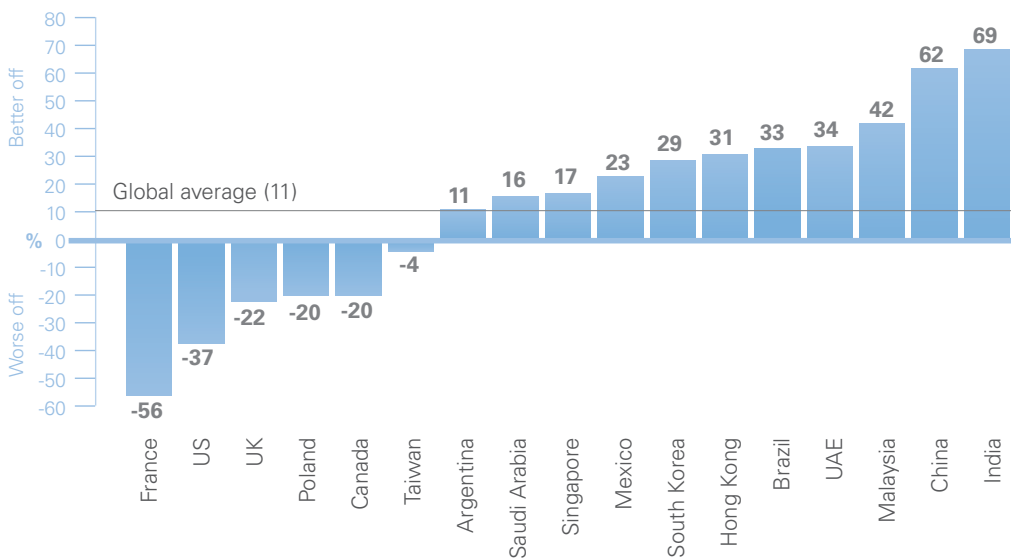
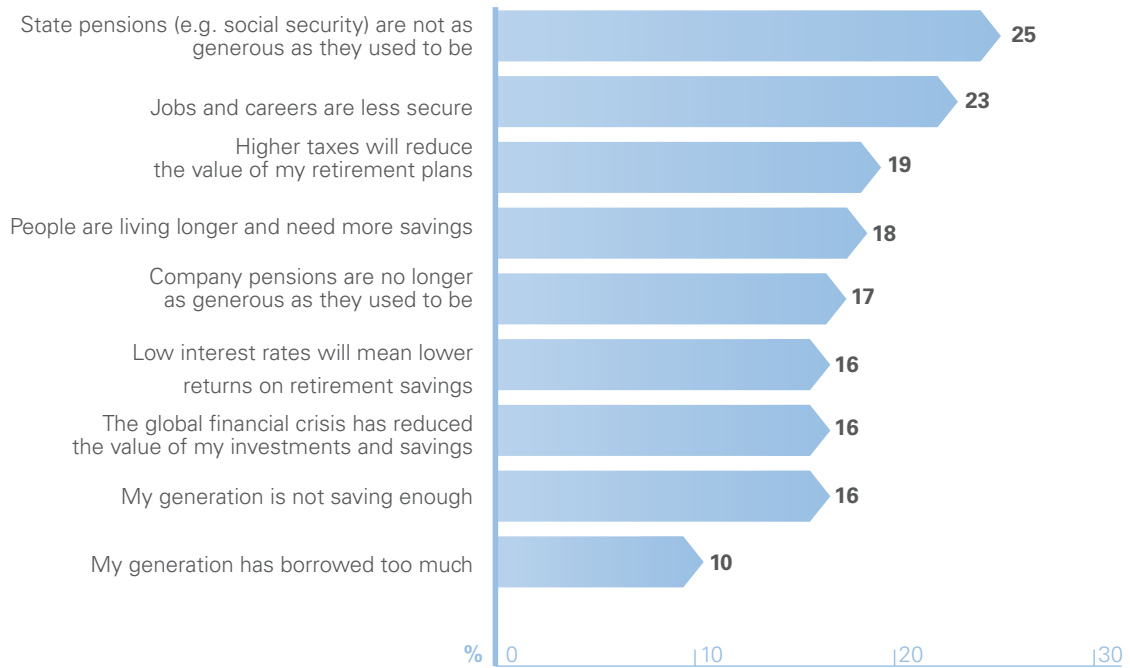


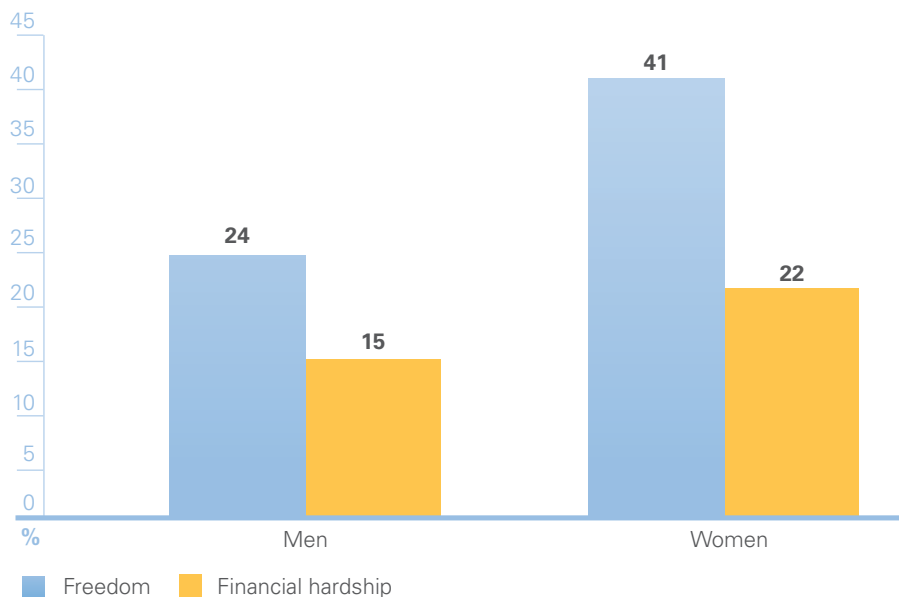
Figure 5: Why will you be worse off in retirement than your parents' generation?



Over 50% of women in Brazil are worried about coping financially in retirement compared to 46% of men. Women cite a variety of reasons behind this concern: the financial crisis (24%), decline in state

provision (41%) and because people are not saving enough (31%). Despite this, women are more likely to associate retirement with freedom (41%).

Figure 6: Women associate retirement with freedom far more than men

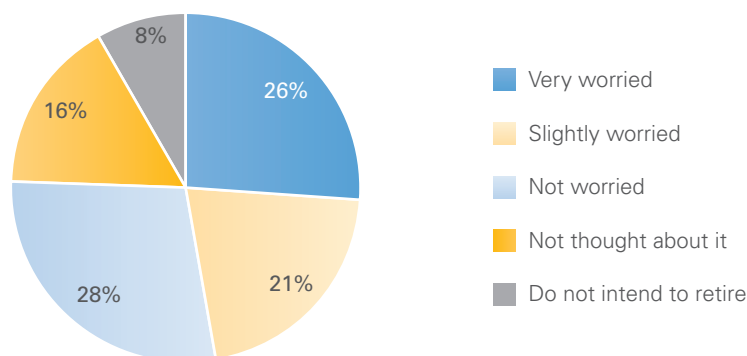


Shortfalls in retirement preparedness

Our findings reveal a significant 'preparedness gap' amongst Brazilian respondents. 60% of those we surveyed said having enough money to live on in retirement was important, but only 43% said they felt adequately financially prepared. The preparedness gap in Brazil is further evidenced by how worried people are about being able to cope financially in retirement:

47% said they were either slightly or very worried about being able to cope. Key concerns relating to retirement focus on the cost of ill-health (30%) and unforeseen events (23%) depleting savings. The worry about ill-health is greatest amongst those in their 30s; however, many women in their 50s (60%) share this fear.

Figure 7: Levels of concern about coping financially in retirement



Household debt remains an obstacle to saving in Brazil with 16% of people seeing too much debt as a barrier both for long and short term saving. The anxiety about not saving enough is shared by one in four respondents.

A worrying finding is that 25% of Brazilians simply do not know what their main source of income will be in retirement. Moreover, despite many respondents accepting that state pensions are declining in value, 10% still plan to rely on state provision as their main

source of retirement income. Many Brazilians are therefore over-reliant on a form of provision that may be inadequate for their retirement needs.

It is apparent that many people in Brazil accept that they will continue working in later life: 10% of people surveyed think that wages or salary from employment will constitute the largest proportion of their retirement income. Despite women associating retirement with 'freedom', 14% of women surveyed will continue working to support themselves in retirement.

Figure 8: Why people worry about coping financially in retirement

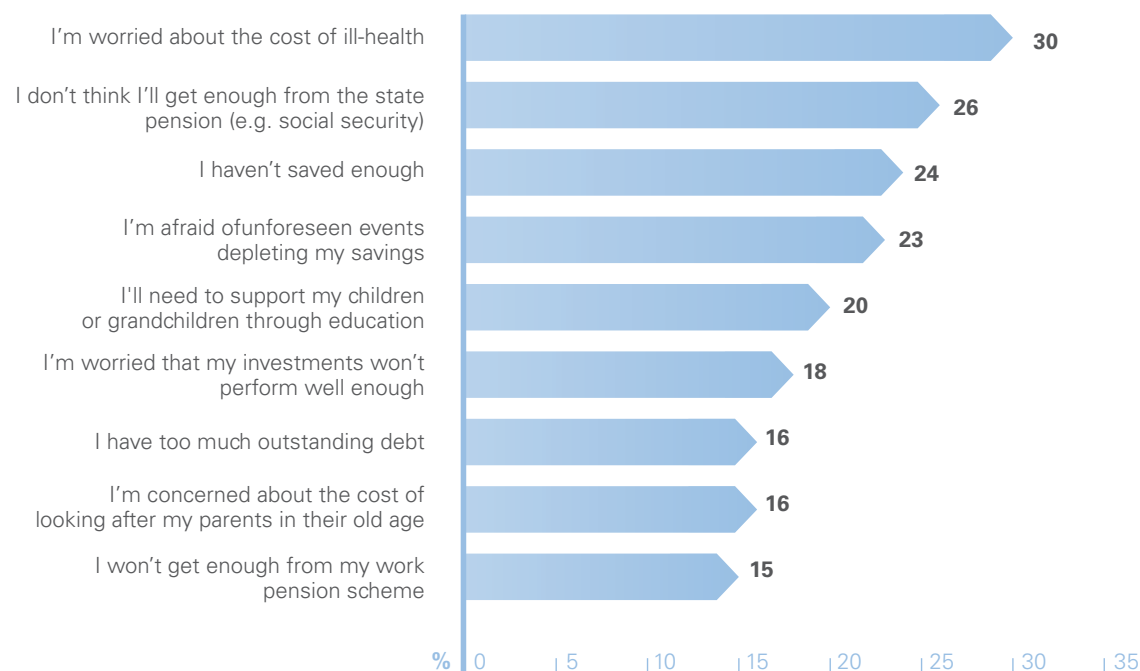
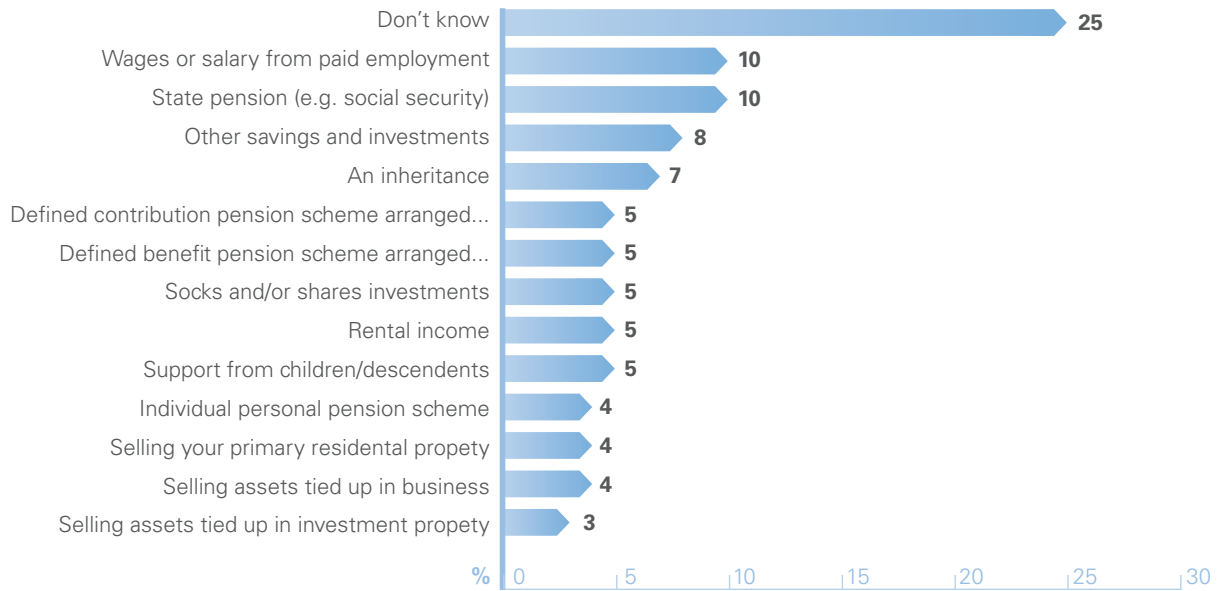


Figure 9: **Over-reliance on declining state and company pensions**



As elsewhere in the world, the pattern of retirement is changing in Brazil. A rapidly ageing population is putting increasing pressure on the existing system of

state provision and the onus will inevitably need to shift over time towards individual pension provision.

The power of planning

Table 1: The four consumer types

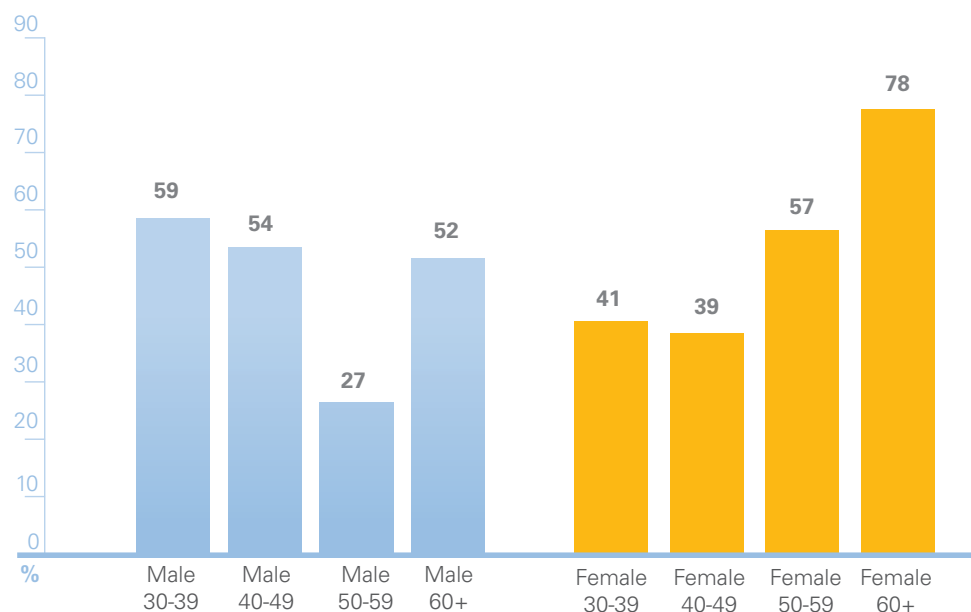
Global (% of global respondents)	Brazil (% of Brazil respondents)	Consumer types
38%	42%	Non-planners: disengaged. These people are doing nothing by way of financial planning or financial advice. There is a complex mix of reasons why they do not make a plan; many believe they lack the necessary household income.
12%	7%	Non-planners: advice-seekers. These people do not have a financial plan, though they do at least take professional financial advice from time to time. They are likely to seek advice around one particular need, rather than take holistic advice.
22%	15%	Planners: active self-guided. These people have a financial plan in place but do not seek professional expertise to help them make sense of their finances. They are likely to be younger, mid-to-high income and internet savvy.
28%	36%	Planners: advice-seekers. These people have a financial plan in place and also take professional financial advice to help manage their finances. In many respects they are very well prepared for retirement.

Much greater emphasis will be placed on individual preparations for retirement in the future. Encouragingly, financial planning behaviour in Brazil is above the global average with 51% of people having financial plans. However, just 43% of Brazilians have sought professional financial advice.

Planning is generally most prevalent amongst the younger segments compared to those approaching

retirement, with 54% of 30-39 year olds having a financial plan in place, compared to just 30% of 50-59 year olds. This demonstrates that younger Brazilians understand the importance of preparation for retirement and may also be financially more able to save given the recent period of rapid economic growth. Bucking this trend, older women in Brazil are more likely to make financial plans for their future than younger women and men.

Figure 10: Women more likely to embrace financial planning



The planning premium

Our findings reveal that those with a financial plan for the future enjoy several benefits over those who do not – the ‘planning premium’ - and that these benefits are both ‘hard’ and ‘soft’, including not only greater and more diverse retirement savings, but also a more positive outlook and fewer worries about later life.

Respondents who undertook financial planning were more likely than non-planners to associate retirement

with positive ideas such as freedom and less likely to associate it with negative ones such as financial hardship. Although it is difficult to separate cause and effect, these findings hold true even when controlling for age and income. Whilst these benefits may seem obvious, the extent to which they are present in our findings indicates a significant ‘soft’ benefit of planning for the future today; those with a plan have fewer sources of worry and stress.

Figure 11: Retirement associations of planners and non-planners

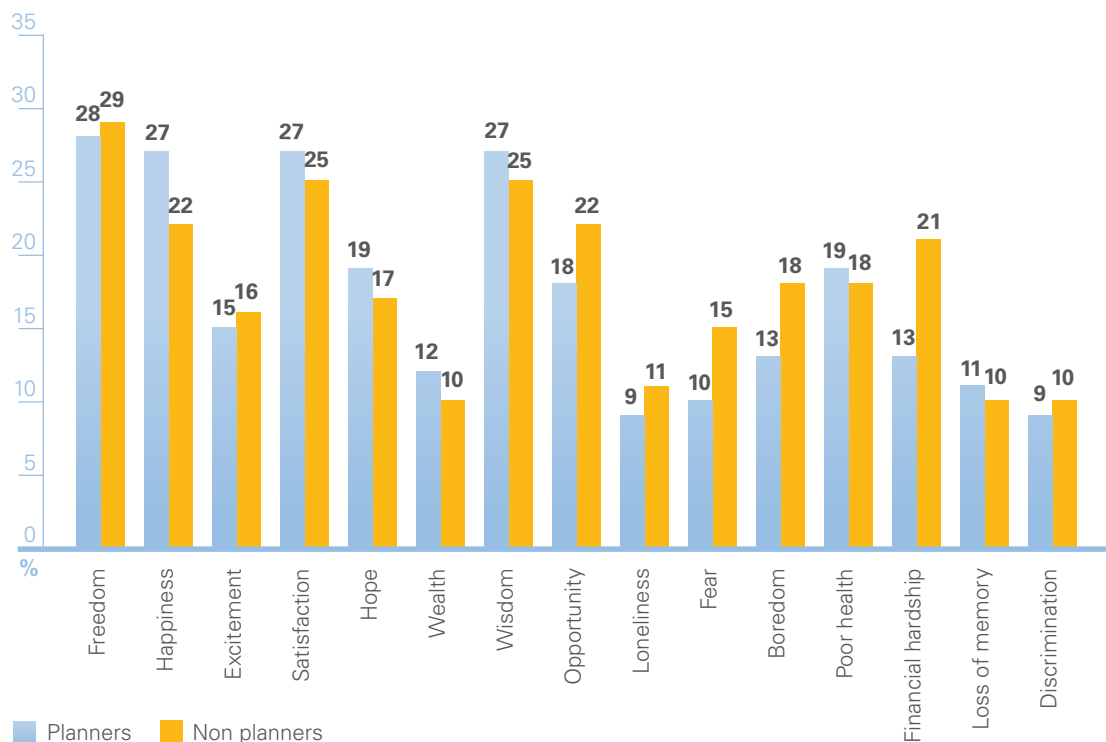


Table 2: Planners have more retirement savings and investments

	Brazil average	All non-planners	All planners
Total Retirement savings and investments (household median, in '000s) Brazilian Real	5475	5000	7000
% of global average	100%	91%	128%

These figures are calculated using median data, which can produce the same results in different categories

When we look at the retirement assets of planners versus on-planners, planners not only hold a wider range of retirement products than non-planners, but

also have on average 128% of the retirement assets of non-planners.

The advice market

Currently, those who seek advice show a preference for independent advice channels with 22% having visited an independent financial adviser, suggesting that Brazilians who take advice prefer a personalised approach. Banks (18%) and accountants (18%) were

the second most popular source of advice. As well as consulting formal sources of advice, many people in Brazil utilise informal sources such as the internet, speaking with family and friends as well as individual research when planning finances.

Conclusion

As elsewhere in the world, Brazil faces the challenges associated with an ageing population in the coming years, but for a country that has experienced such rapid economic development, it has impressively well-developed coping mechanisms.

Encouragingly, there is a strong trend towards higher levels of financial planning amongst the country's youth and a general willingness to continue working longer to fund retirement. Against this however, a worryingly high proportion of the population do not know where their retirement income will come from

The general Brazilian outlook towards retirement is one of optimism; however, there is no room for complacency and to ensure that this optimism is well founded, Brazilians need to continue to plan for retirement.

For individuals and households who want to take action now to improve their financial well-being in later life, we have devised a simple 5-step checklist based on the research:

1. Establish some clear goals, both short and long term
2. Benchmark yourself
3. Establish a comprehensive financial plan
4. Implement the plan
5. Keep your plan under review

Further details on the 5-step process can be found at the end of *The Future of Retirement: The power of planning* global report.



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