

# The Future of Retirement

*The power of planning*



**Poland Report**

**HSBC**   
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## 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 1,095 Polish respondents, explores how households in Poland are likely to respond to the rapidly changing shape of retirement over the coming decades. All data used in this country report relates to Poland unless otherwise indicated. For further global and regional comparisons, please refer to the global report.

## Key findings

- Almost half of Polish respondents (45%) associate retirement with financial hardship. This is likely to be related to the fact that just 38% have a financial plan in place
- Concern about the ability to cope financially in retirement is significantly more pronounced amongst women; 80% are either very or slightly worried about how they will cope
- Over a quarter (27%) of Poles do not know what their main source of retirement income will be. This, combined with heavy reliance on the declining state pension, suggests a real lack of financial preparedness for the later life
- When making financial decisions, Poles show a strong preference for being self-sufficient and prefer to take informal advice from family and friends
- The group most likely to embrace financial planning is males in their 50s, half of whom have a financial plan in place. There is a clear gender divide, with just 19% of women in this age group having a financial plan in place
- Amongst respondents who have sought professional financial advice, the main port of call is an independent financial adviser (24%). Traditional financial institutions such as banks and insurance companies fare moderately well at 21% and 19% respectively
- 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 for the baby boomer generation, which is now entering retirement, will be quite different to the one that their parents enjoyed in the past and their grandchildren will experience in the future.

The United Nations Population Division reports that in the past 30 years Poland's demographics have been relatively stable, with the percentage of the population aged over 65 increasing from just over 10% to 13.5%. However, this has been coupled with a marked decrease in fertility rates which, it is predicted, will see the percentage of the population aged over 65 more than double to 29.9% by 2050.

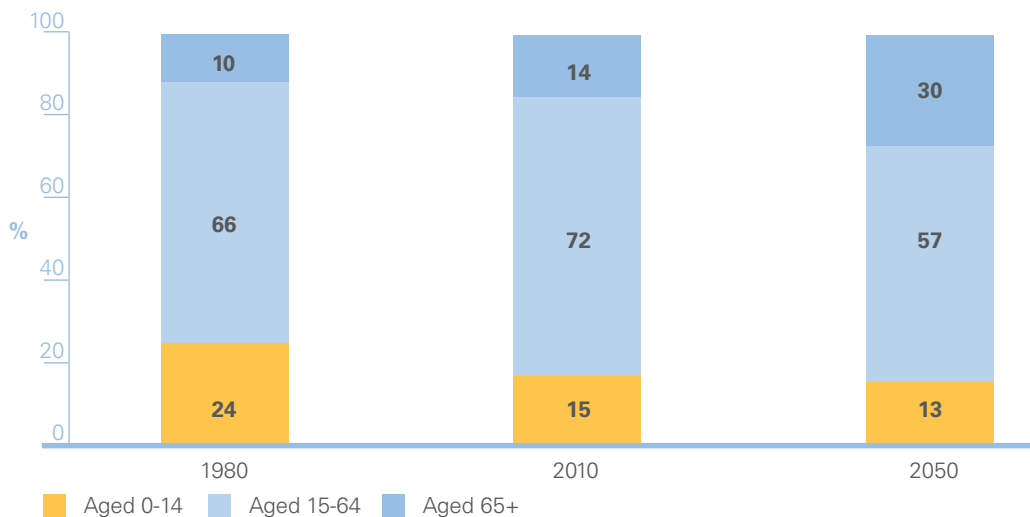
In the short term this can be viewed in a positive light, since a greater number of people will be working to

support the more financially dependent older and younger generations. However, in the future there will be increased pressure on those of working age, as they become outnumbered by retirees but have to provide retirement incomes and healthcare for them. Poland, like much of Eastern Europe, has seen an exodus of younger workers to other countries which may be exacerbating the situation.

Adequate planning and preparation for retirement will become more important than ever as dependence on individual retirement savings grows. Decreasing fertility rates will also mean that the growth of the working age population is insufficient to support this extra demand from older members of the population.

**Figure 1: The baby-boomers enter retirement**

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



# The changing shape of retirement

Faced with the universal challenge of funding an ageing society, Poles are understandably concerned about the changing retirement landscape:

Almost half (45%) associate retirement with a time of financial hardship.

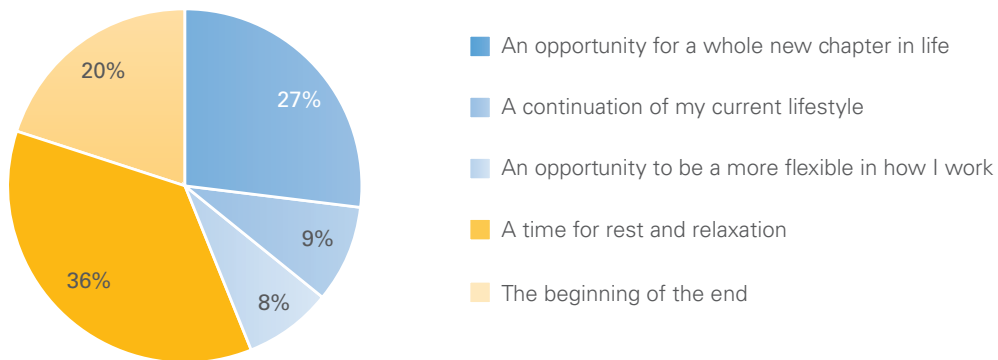
A fifth (20%) see retirement as 'the beginning of the end'.

However, there are some positive signs, with over a third (36%) associating retirement with rest

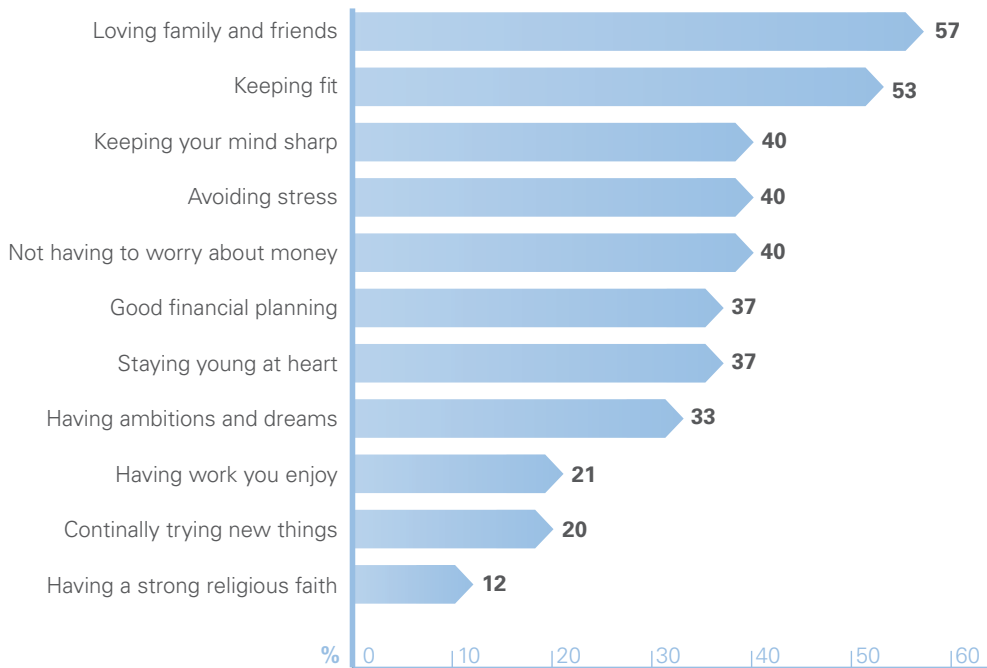
and relaxation, and over a quarter (27%) viewing retirement as an opportunity for a whole new chapter in life.

Although Polish respondents view keeping fit (53%) and having loving family and friends (57%), as the most important determinants of a happy retirement, good financial health in retirement (40%) and good financial planning (37%) are also seen as important.

**Figure 2: How people perceive retirement**



**Figure 3: What is extremely important to a happy retirement**



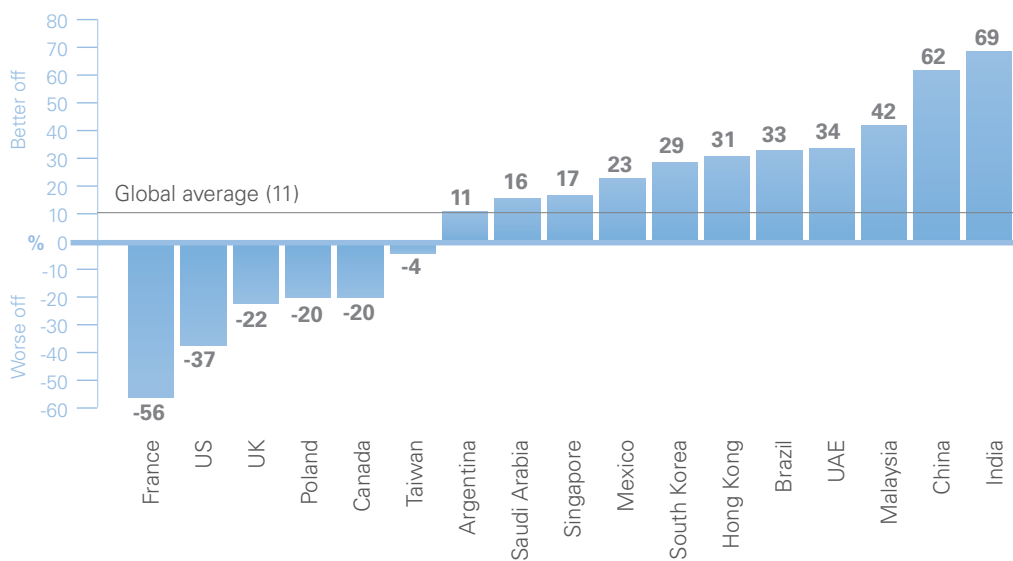
A significant number of Poles, particularly women, are worried about coping financially in retirement, with an alarming 80% either very or slightly worried about how they will cope. Despite the fact that the majority of respondents share these worries, only 40% consider 'not having to worry about money' and 37%

cite 'good financial planning' as important to achieving a happy retirement. Indeed, we find that almost two thirds (62%) of respondents do not have a financial plan in place for their family's future. These findings suggest a lack of understanding that proper financial planning would help to alleviate financial concerns.

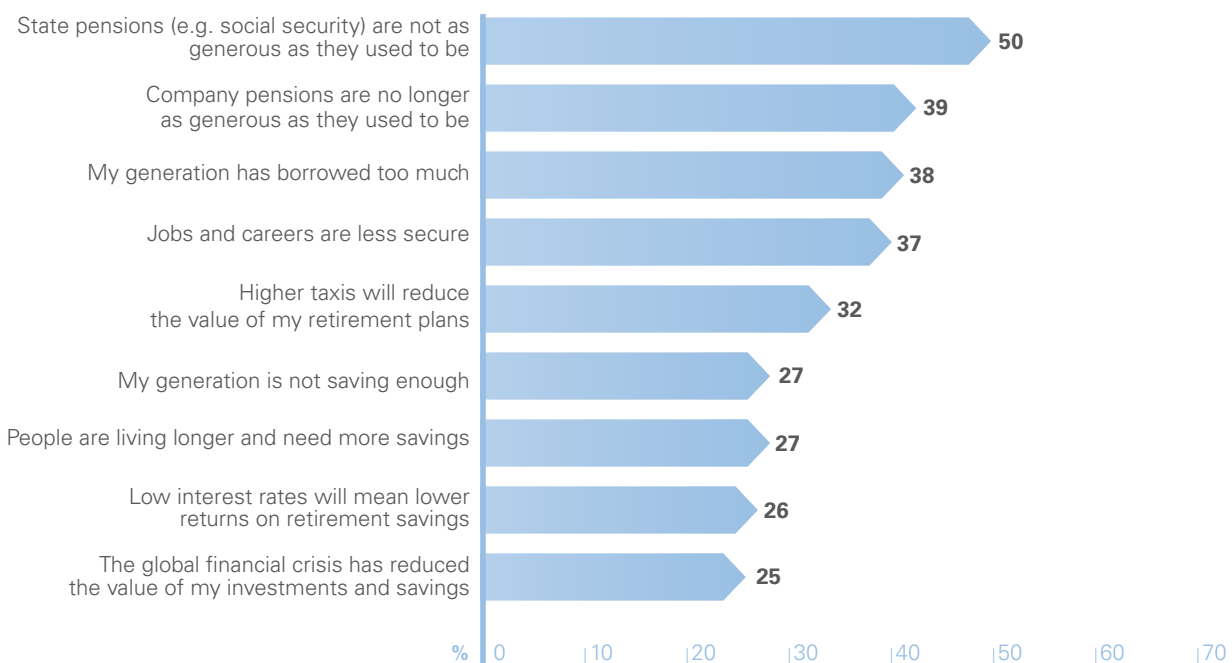
One-quarter of Poles expect to be much worse off than their parents in retirement. This rises to nearly one-third (31%) amongst those without a financial plan. Half of respondents blamed the increasingly inadequate state pension, and 39% said that company pensions are no longer as generous as they used to be. There is also an acknowledgment that levels of debt are partly to blame, with 38% saying that too much borrowing is an obstacle to saving for their generation.

In Poland, the changing nature of personal pension schemes, coupled with significant reforms to the Polish state pension system, suggest that the Poles have more reason to be pessimistic than some about their retirement prospects. The retirees of tomorrow face a more uncertain future; as a result, there is a sense that a 'golden age' has passed and that the future will hold greater challenges.

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



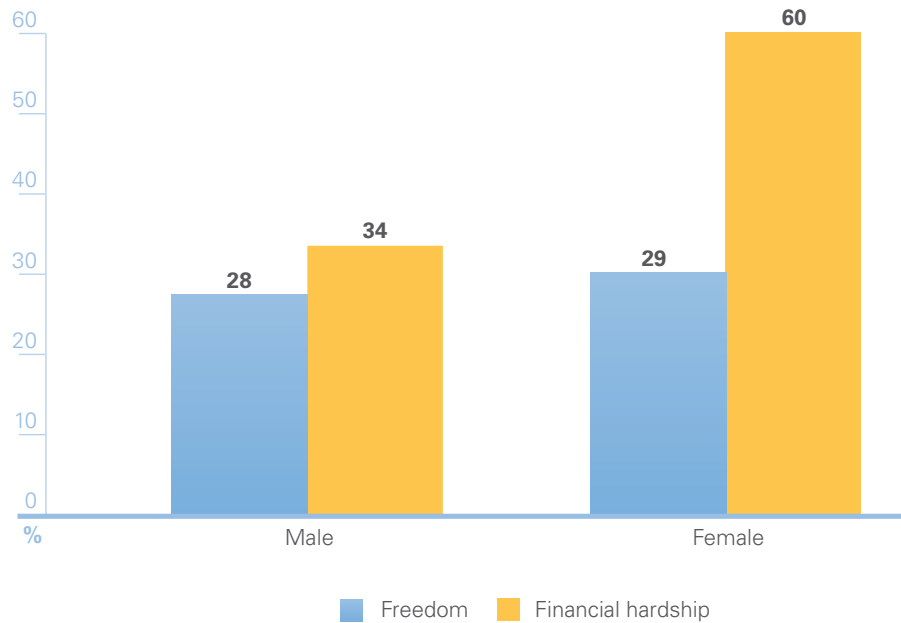
**Figure 5: Why will you be worse off in retirement than your parents' generation?**



The shape of retirement is changing rapidly in Poland, as the population ages and the previously generous state and company benefit schemes become leaner. The financial crisis has worked to exacerbate these challenges, with increasing public debt and large government deficits leading to cuts in public services.

Men are decidedly more upbeat than women about their fiscal futures; the latter are nearly twice as likely to associate retirement with financial hardship. They are also 18% less likely to have a financial plan in place.

Figure 6: **Women associate retirement with financial hardship more than men**

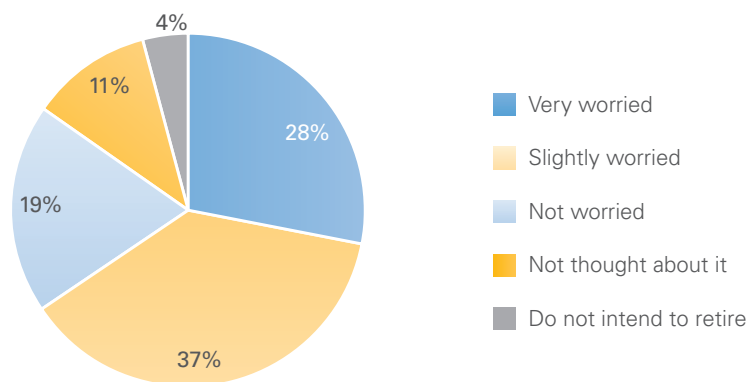


# Shortfalls in retirement preparedness

Our findings reveal a significant 'preparedness gap' amongst respondents; 93% view having enough money to live on in retirement as important, but only 60% say they feel financially prepared. This leaves a gap of 33% who are not adequately prepared.

The preparedness gap in Poland is further evidenced by how worried people are about being able to cope financially in retirement: 65% said they were either slightly or very worried.

**Figure 7: Levels of concern about coping financially in retirement**

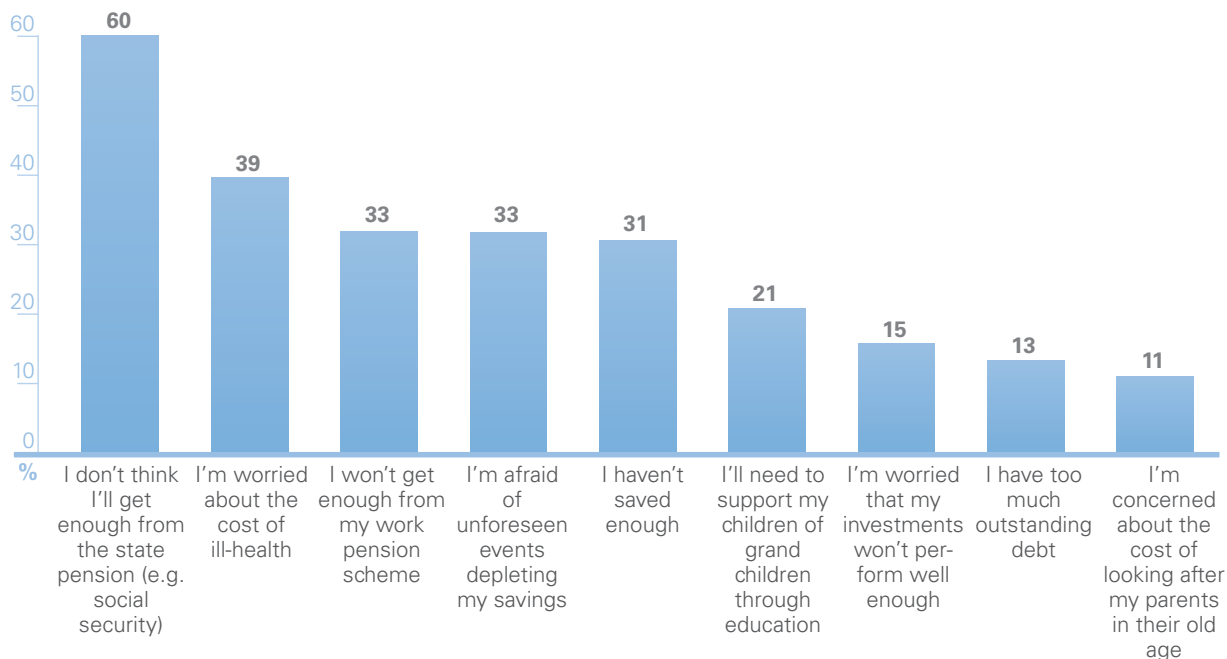


The biggest cause for concern regarding the funding of retirement centers on the adequacy of the state pension (60%). This worry is more significant amongst women at 71%, rising to 80% of women in their 40s. Despite this backdrop presaging the need for individuals to compensate by saving more, almost a third (31%) of Poles say they aren't saving enough for retirement. In general, it seems that people in Poland (especially women) are more concerned about the prospect of ill health (39%) than their finances in retirement.

Unforeseen events derailing retirement plans are also unnerving respondents (33%), yet only 17% of Poles feel that their family is very prepared should something happen to them. This suggests that there is a lack of widespread availability of asset protection and life insurance products.

Debt is also an issue for many in Poland, particularly amongst people in their 30s. Half of women and 41% of men suggest that over-borrowing will be a cause of their generation being worse off than their parents' in retirement.

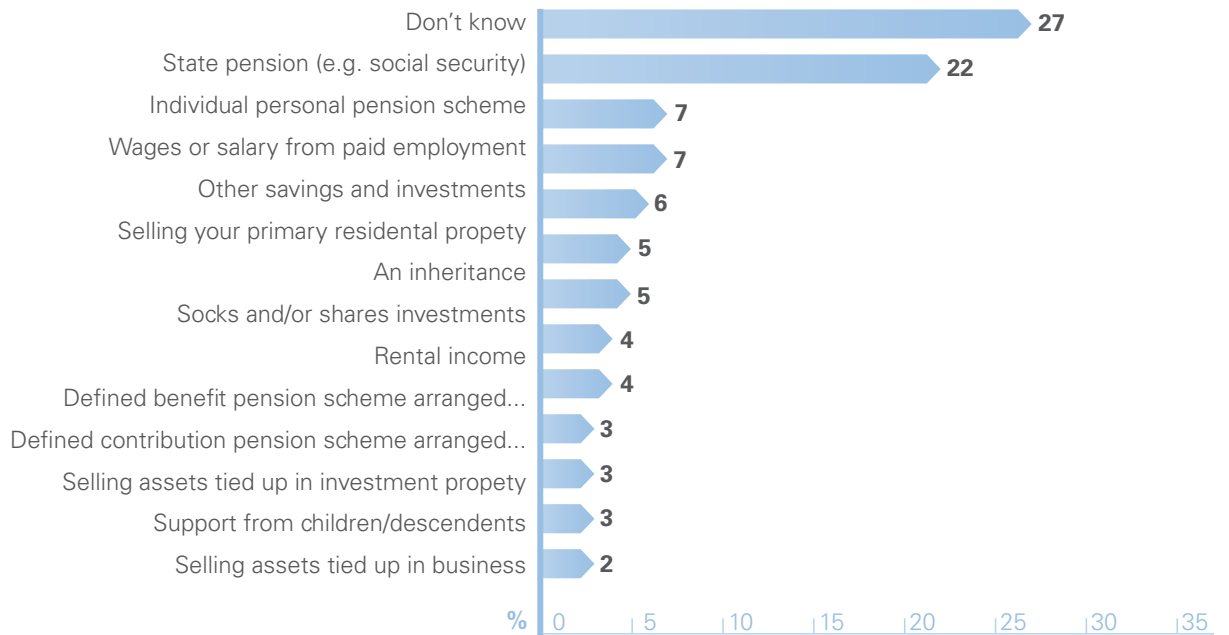
**Figure 8: Why people worry about coping financially in retirement**



A worrying finding was that 27% of respondents do not know what their main source of income will be in retirement. Moreover, despite question marks surrounding the adequacy of state provision going forward, it remains the most popular primary source of retirement income in Poland.

Our findings show that there is at least recognition amongst our respondents that there is cause for concern and this awareness is the first step on the way to taking action.

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



As elsewhere in the world, the pattern of retirement is changing in Poland. 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 respond- ents)	Poland (% of Polish respond- ents)	Consumer types
38%	44%	<b>Non-planners: disengaged.</b> 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%	18%	<b>Non-planners: advice-seekers.</b> 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%	11%	<b>Planners: active self-guided.</b> 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%	27%	<b>Planners: advice-seekers.</b> These people have a financial plan in place and also seek professional financial advice to help manage their finances. In many respects they are very well prepared for retirement.

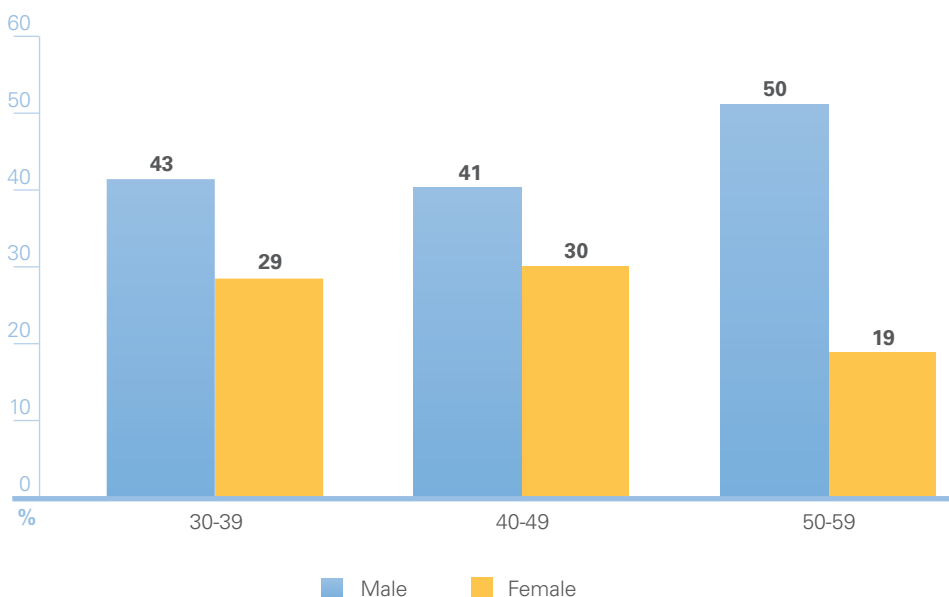
Much greater emphasis will be placed on individual preparations for retirement in the future, but financial planning behaviour in Poland falls short of the global averages, with only 38% having financial plans.

Worryingly, 44% of Polish respondents have no financial plan, nor have they sought financial advice. Coupled with a high reliance on the declining state pension and uncertainty as to their main source of retirement income, many are not planning adequately for their financial futures. Nevertheless there is an opportunity for individuals to increase their preparedness through making a financial plan or seeking professional advice which will go some way to plugging the preparedness gap. When making financial decisions, Poles show a strong preference for self-sufficiency and the informal advice provided by family and friends (37%). Over a third

of respondents said they read articles in the media (35%) and made their own financial calculations (32%). Bearing these factors in mind, it is perhaps unsurprising that a number of respondents also cite online research as a significant port of call for making financial decisions (29%).

Men in their 50s are most likely to embrace financial planning, with 50% doing so. There is a clear gender divide in Poland with only 19% of women in the same age group having a financial plan. On a positive note, female respondents in their 30s and 40s do seem to be becoming planners, although they remain behind their male counterparts. This suggests that a generational shift is taking place as younger people see that they are facing a long retirement with less state pension provision than their parents.

**Figure 10: Men more likely to have a financial plan**



### 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

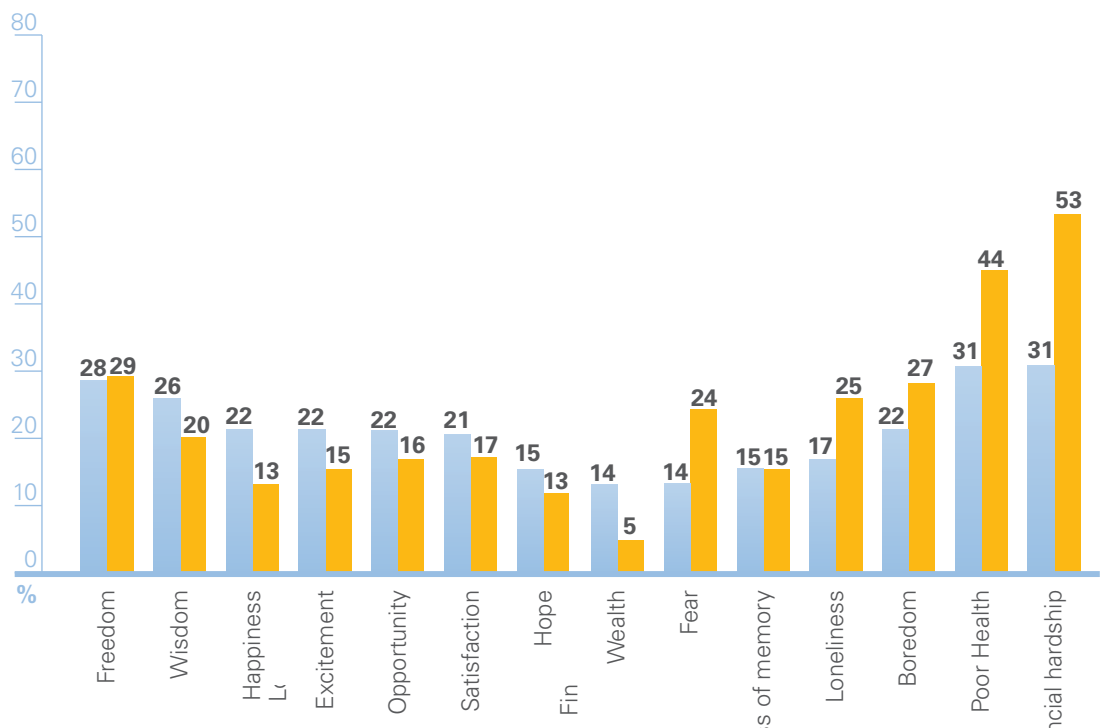


Table 2: Planners have more retirement savings and investments

	Poland average	Non-planners: disengaged	Non-planners: advice seekers	Planners: active self-guided	Planners: advice-seekers	All non-planners	All planners
Total retirement savings and investments (household median), nearest '000 zł	30,000	25,000	28,000	39,000	42,000	<b>25,000</b>	<b>40,000</b>
% of global average	100%	83%	93%	130%	140%	<b>83%</b>	<b>133%</b>

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

When we look at the retirement savings and investment levels of our respondents, we see that those with financial plans for the future have a third

more in retirement savings and investments than non-planners. This shows that there is a planning premium in Poland in material financial terms.

## The advice advantage

Alongside the planning premium, we also find that those who have a financial plan in place *and* seek professional advice are the best off financially. This group has the largest amount of retirement assets out of all our consumer types. This demonstrates that along with the planning premium, there is a further benefit for those who combine planning with professional advice – the advice advantage. Advice-seeking planners have 140% of the retirement assets of the average Pole. This advantage is not merely due to the planning advice-seekers being wealthier or older than the average; these findings hold true even when controlling for age and income - the advice advantage is still present.

Currently, those who seek advice are most likely to do so from an independent financial adviser (24%). Traditional finance institutions such as banks and insurance companies also fare moderately well with 21% and 19% respectively seeking advice from these sources.

Given the clear advantage enjoyed by the planners and those who have taken professional advice, many people in Poland would benefit from putting financial plans in place.

## Conclusion

Compared with many of its European contemporaries, Poland appears more negative in its attitudes towards retirement. It is a country with high levels of concern around financial preparedness for retirement, and yet simultaneously there is relatively little planning going on.

Despite awareness that it will not be possible to rely on the declining state pension in order to enjoy a comfortable retirement, Poles are failing to adequately make up for the emerging gaps in retirement income. Showing the clear advantages of planning and seeking advice may persuade more people to plan for their financial future.

In Poland we have seen a sizeable gender gap in retirement preparedness and planning. However, there are signs that younger women are waking up to the need to better prepare 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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HSBC Insurance Holdings Limited  
8 Canada Square  
London E14 5HQ