

The Future of Retirement

Why family matters



China Fact Sheet

HSBC 



Introduction

HSBC's The Future of Retirement programme is a 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 global report *Why family matters*, which accompanies this fact sheet, is a supplementary report to the main 2011 report *The power of planning*, the sixth in The Future of Retirement series, and is based on a survey of more than 17,000 people in 17 countries in December 2010.

This country fact sheet, based on the views of over 1,027 Chinese respondents, explores how factors relating to family life influence attitudes to retirement, including:

- marital status, gender and generation
- the varying degrees of financial responsibility between the sexes
- how households undertake financial planning and where gaps in plans might arise
- attitudes to risk and what families can do to better prepare themselves

The *Why family matters* global report and all previous reports are available at www.hsbc.com/retirement/future-of-retirement.

Key findings

- Parents in China are more likely to associate retirement with loneliness (17%) than those without children. This marks a reversal on the findings in the West, where parents are more positive about retirement
- Chinese women are far less risk averse when compared to female peers in other countries, with only 13% claiming to be conservative investors
- There is greater equality in household financial decision making in China than in other countries, with Chinese men actually only slightly less likely to be in charge of household budgeting than women (35% to 38%)
- Despite being keen to pass on wealth to children and family, 95% of respondents have not made a will and only 22% of 50-59 year olds are engaging in tax planning
- Whilst 12% of respondents in China rated investing in stocks as 'extremely risky', twice as many (24%) saw not having any private retirement savings as equally risky, which shows they understand that the risk of doing nothing is equally if not more significant



Part 1: How family life influences attitudes to retirement – a time of happiness or loneliness

66% of Chinese respondents feel that having a loving family and friends is somewhat or extremely important to enjoying a happy retirement. Many respondents are also keen to live near their children in retirement, with 78% seeing this as very or somewhat important.

- Surprisingly, parents in China are more likely to associate retirement with loneliness (17%) than those without children (15%). Perhaps respondents associate retirement with grown

up children leaving home. Despite this, parents are less likely to see retirement as a time of financial hardship (16%) compared to those without children (18%). In contrast, parents in Western countries are much more positive about retirement

- Parents in China place a greater emphasis on financial protection and on having a good balance between work and leisure than those without children (Table 1)

Table 1: Having children changes your retirement priorities

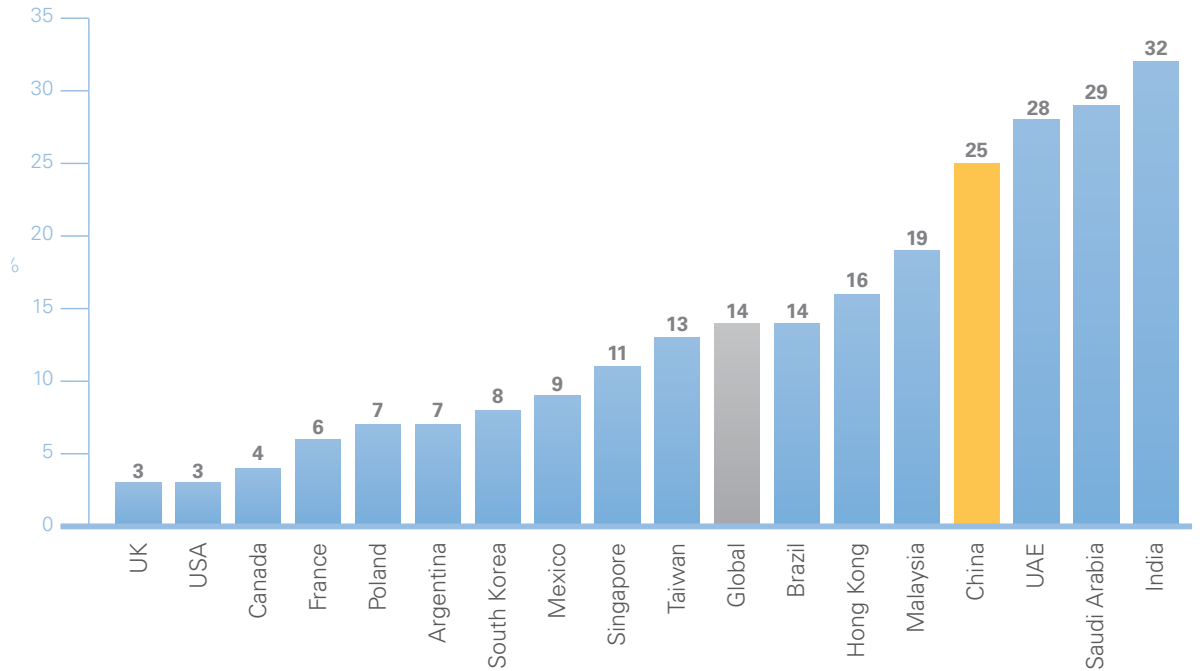
Q. People have different personal priorities in life. How important are the following to you today?

	All (%)	People with children (%)	People without children (%)
Having a good balance between work and leisure	53	54	49
Having financial protection for my possessions	61	62	55

Base: Respondents who answered 'I want to live with my children or other family members'

Figure 1: Living arrangements in retirement

Q. What do you hope will happen to your living arrangements when you retire?



Base: Respondents answering 'I want to live with my children or other family members'

Respondents in China are among the most likely to see themselves as being dependent on their children

in retirement, with 25% stating that they would like to live with their children in later life.

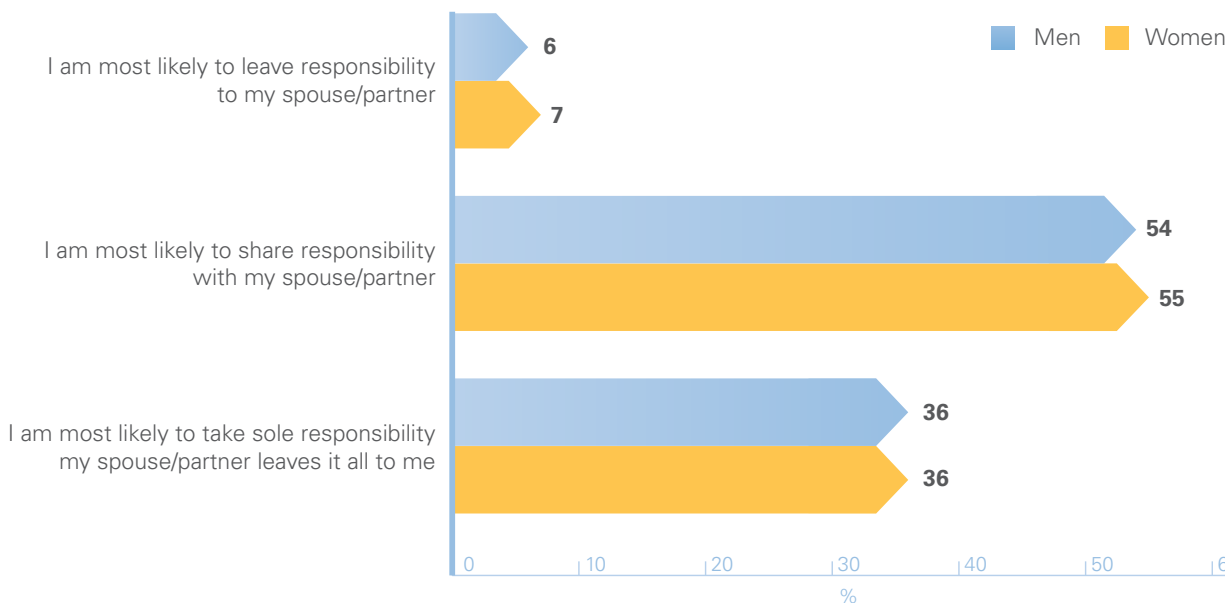
Part 2: Financial responsibility between the sexes – smaller gender differences in household financial planning in China

Whilst our global findings suggest a distinct gender divide on how households plan their finances, in China the picture is significantly different. In contrast to many countries where men are in charge of long term financial decision making and women take the lead in short term decisions, similar numbers of Chinese men

and women claim to take the lead on key financial planning decisions such as retirement savings (Figure 2). There is also a greater equality in household budgeting in China, with 38% of women taking sole responsibility compared to 35% of men (Figure 3).

Figure 2: **Men and women are taking an equal role in retirement planning**

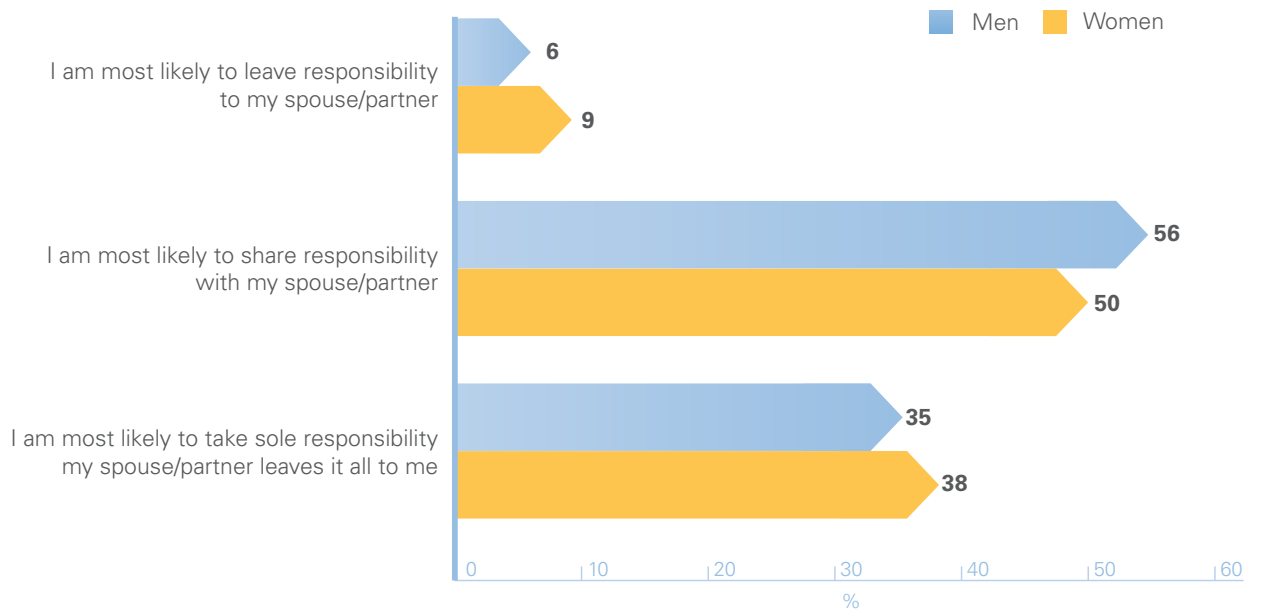
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

Figure 3: Women are only slightly more likely to be in charge of household budgeting

Q. Who in your household is most likely to take responsibility for making decisions about managing the household budget?



Base: All respondents who are married or cohabiting



Part 3: Household financial planning – gaps in the family’s financial safety net

Figure 4 illustrates how individuals accumulate and consume wealth during the course of their adult lives. After entering work in early adult years, both income and wealth typically grow well into a person’s 50s and possibly beyond, depending on when they enter retirement and start to draw down on savings and investments. Across different societies

and households, the exact shape of this curve will vary depending on a range of factors – patterns of employment and home ownership, family life, retirement trends and life expectancy. However, all households need to protect their financial assets as an essential step in ensuring that retirement savings are not used up before retirement.

Figure 4: **The gaps in Chinese households’ financial plans**

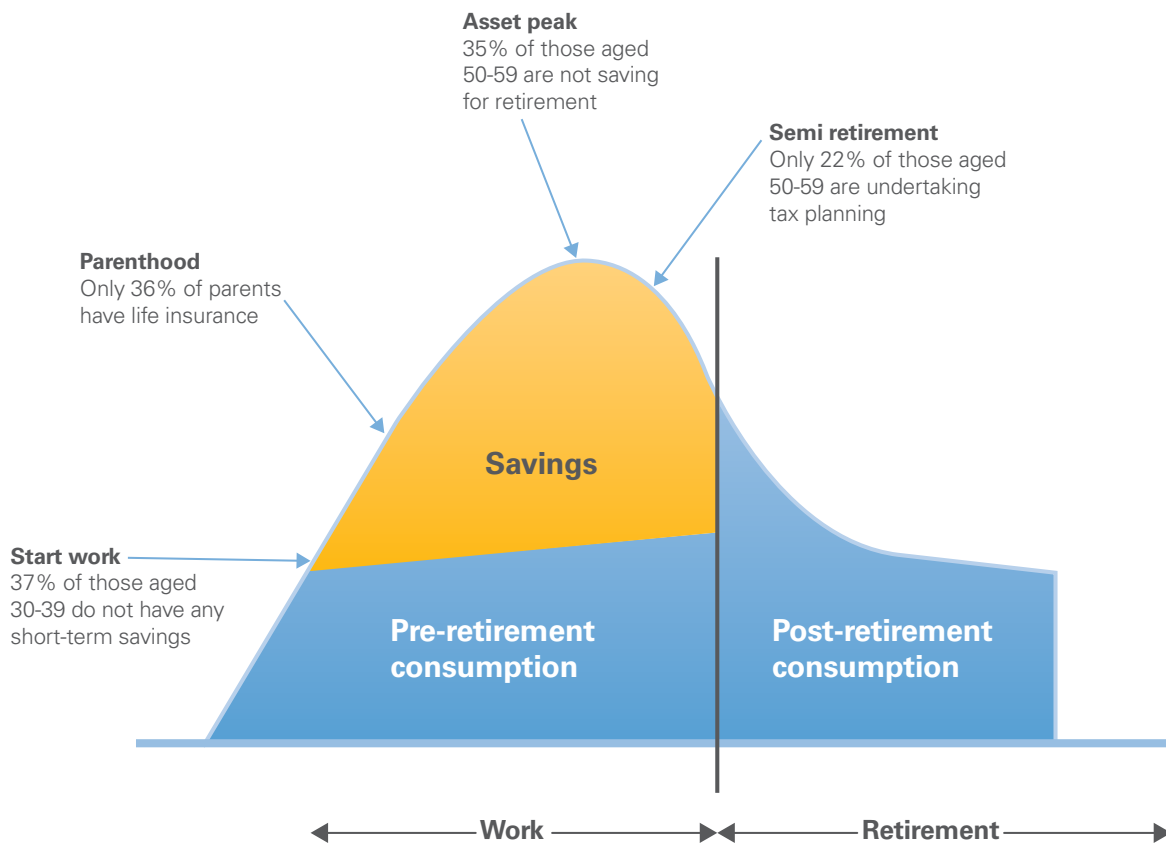


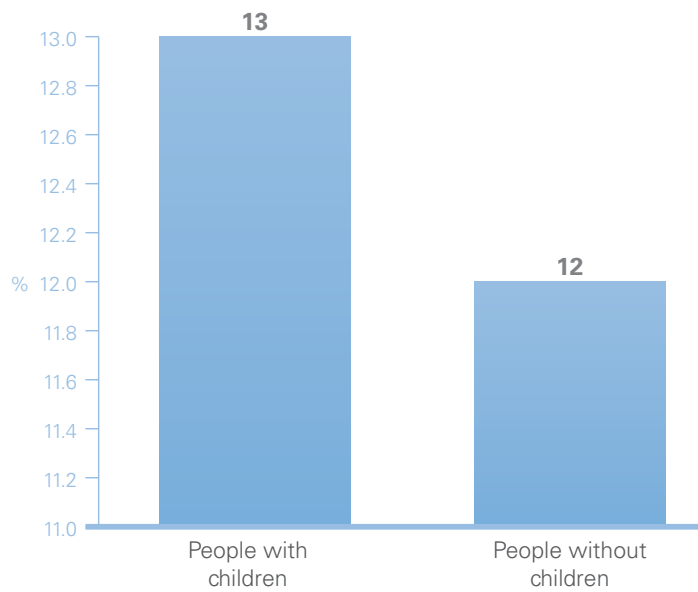
Figure 4 shows some of the key responses from the 76% of Chinese respondents surveyed who have a financial plan. Even though these households are planning ahead, there are still significant gaps in the contents of their financial plans. For example, 35% of planners in their 50s are not saving for retirement. Despite the fact that life insurance is available and all working parents have a need for this kind of

protection, 36% of those with children do not have a life insurance policy in their financial plans. It is also clear that people with children are not understanding the risk of not having life insurance as 13% of people with children believe not having life insurance is extremely risky compared to 12% of people without children.

Figure 5: The risk of not having life insurance

Q. How risky do you rate the following activities?

A. Not having life insurance



Base: Respondents who answered 'Extremely risky'

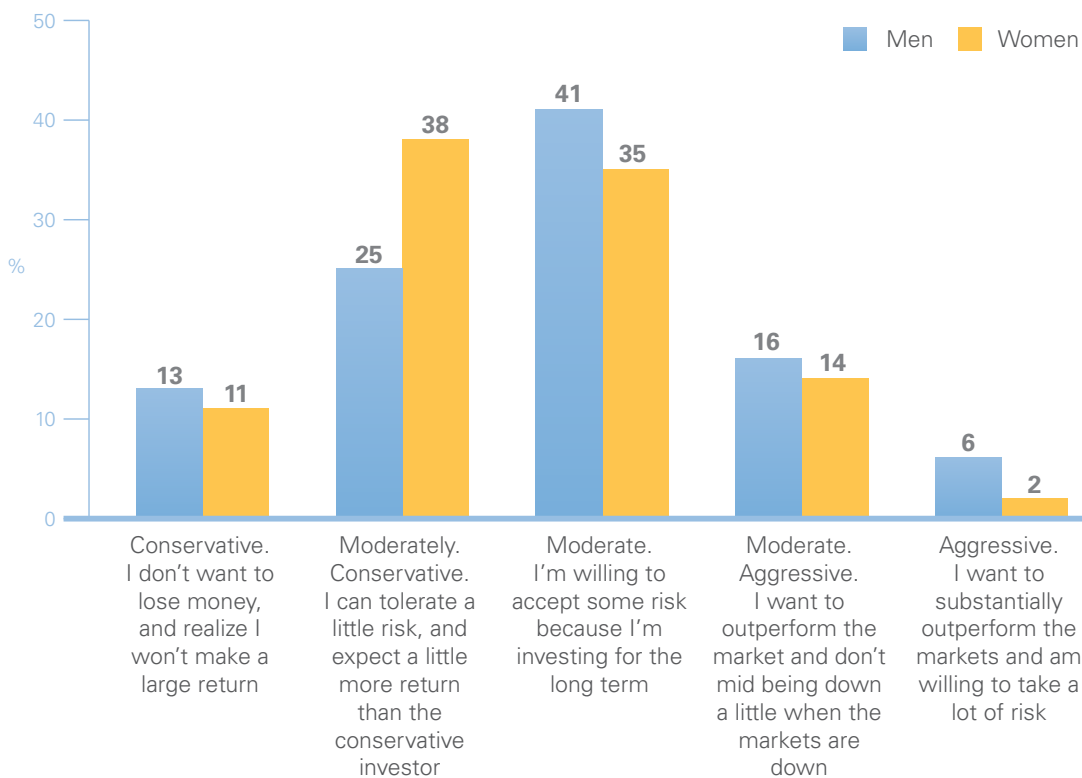
Part 4: Attitudes to risk – similar attitudes among men and women

As Figure 6 shows, Chinese women are only slightly more likely than men to describe their attitude to risk as conservative, but much more likely to describe themselves as 'moderately conservative'. Compared to other countries surveyed, women in China are

more inclined to take risks in investment decisions. This is reflected in their ownership of products such as mutual funds and investments to build their retirement savings, at similar relatively high levels as men (28% versus 29%).

Figure 6: Women are only slightly more likely to sacrifice returns to protect investments

Q. When it comes to investing, which of the following best describes your risk tolerance?



Base: All respondents

While the risk of investing for the long term may be a major concern to some Chinese households, it is equally clear (see Table 2) that many people are just as concerned about the risk of doing nothing towards planning for retirement. Our findings show that respondents perceive the risk of not having retirement funds as significantly riskier than the risk of investing for the long-term: only 12% of respondents thought

that investing in stocks and shares was extremely risky, whereas twice as many (24%) thought that not having a private retirement fund was extremely risky. The fact that people in China already understand the danger of not planning sufficiently for retirement should help efforts to encourage more people to prepare adequately.

Table 2: The risk of not planning household finances

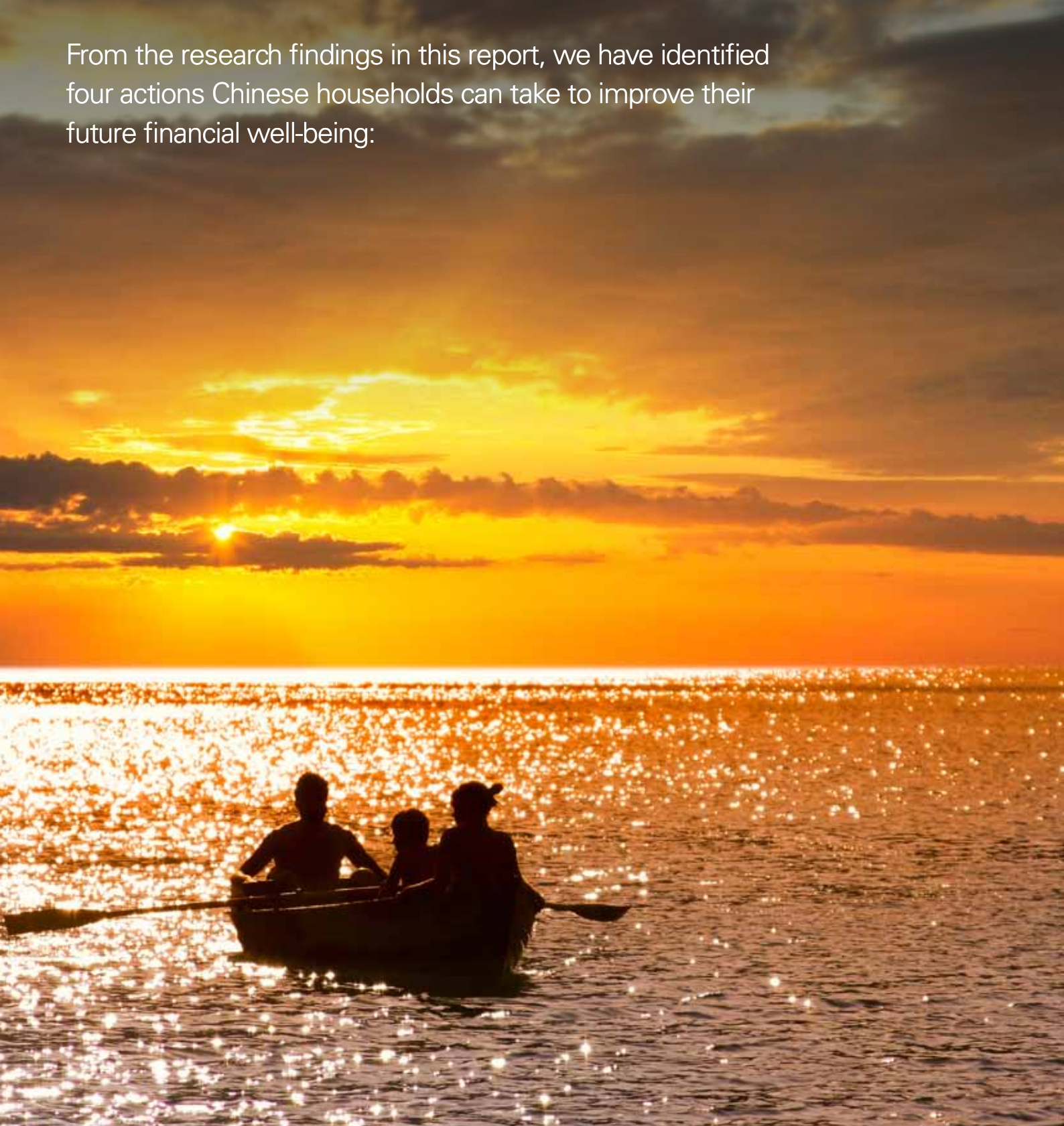
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares	11	14	12
Not having life insurance	14	11	13
Not having a private retirement fund	23	24	24
Going on holiday without travel insurance	12	9	11

Base: Respondents who answered 'Extremely risky'

What families can do to better prepare for the future

From the research findings in this report, we have identified four actions Chinese households can take to improve their future financial well-being:





Action 1

Share your financial decision-making

Make sure that financial planning decisions which affect the household – in particular retirement and protection needs – are shared and discussed with your partner, to make sure you are both better prepared for retirement and other life goals.

Women as a whole are equal or ahead of men in terms of household financial planning responsibility, but a more shared approach towards retirement savings could lead to both partners being more financially secure in the long run.

Action 2

Use life events to start and review your financial plan

Understand the importance of the life events and life stages, then use these events as prompts to take action (for example, having children, saving for college fees, dealing with bereavement, divorce etc). It is important to consider the whole family when planning for your own financial needs.

Large numbers of younger families do not have life insurance in place, while many still overlook the need to build retirement savings or undertake estate planning to ensure that their wealth is protected and managed as tax-efficiently as possible.

Action 3

Review your financial plan with a professional adviser

Sense-check financial decisions and plans with an expert, to make sure that all eventualities are covered. Many household financial plans contain gaps and omissions: get a professional review of your family's financial plan.

Many people still prefer to apply a do-it-yourself approach to financial planning, with 48% not having sought professional financial advice.

Action 4

Take a balanced approach to managing investment risk

Balance the need to protect your investments in the short- and medium-term with the need to generate an adequate retirement income in the long-term.

The vast majority of Chinese respondents accept a higher than global average level of risk. However, 13% of men and 11% women describe themselves as being conservative, which may possibly lead to lower incomes in retirement if they fail to strike the right balance when choosing whether to save or invest.



© **HSBC Insurance Holdings Limited 2011**

All Rights Reserved.

Excerpts from this report may be used or quoted, provided they are accompanied by the following attribution: 'Reproduced with permission from The Future of Retirement, published in 2011 by HSBC Insurance Holdings Limited, London.'

Published by HSBC Insurance Holdings Limited, London

Designed and produced by Global Publishing Services

www.hsbc.com/retirement

HSBC Insurance Holdings Limited
8 Canada Square
London E14 5HQ