

The Future of Retirement

Why family matters



France Fact Sheet

HSBC 



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 global report *Why family matters* which accompanies this fact sheet is a supplementary to the main report, *The power of planning*, the sixth in the 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 1,022 respondents in France, 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

- Having children actually adds to people's feelings of retirement security and well-being. People with children in France are less likely to see retirement as an age of loneliness, though only 6% of French respondents want to live with their children in retirement
- Only half of married French people (46%) want to stay in their current home when they retire, with many others looking to downsize or buy a second home in later life
- Retirement planning in French couples is more likely to be fully undertaken by men: 28% of men claim to exercise sole household responsibility for managing retirement savings, compared to only 22% of women
- In France as elsewhere globally, women focus on shorter-term financial goals: almost two-fifths of women (38%) exercise sole responsibility for managing the household budget – the only area of household finances in which women are more proactive than men
- French women are also far more risk averse, with 59% claiming to have a very conservative risk appetite, compared to just 40% of men
- French household financial plans contain serious gaps: over two-fifths (44%) of those in their fifties are not saving for retirement, while 55% of couples with children have no life insurance
- In spite of the aspiration of 61% of French people with children to pass on wealth, tax and inheritance planning are low priorities, with 88% not having made a will
- Only 19% of those in their fifties, the age when the value of assets typically peaks, are undertaking tax planning

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

61% of French respondents feel that having a loving family and friends is important to enjoying a happy retirement, and this is particularly important to women (68% compared to 52% of men). People in France are also keen to live near (but not with) their children in retirement, with 78% seeing this as very or somewhat important.

- People with children are the most likely to believe retirement will be a time of happiness (27%). This peaks in larger families (those with 3 children) where 30% thought this

- Parents are also less likely to see retirement as a time of financial hardship (41%) compared to those without children (43%)
- Fathers are less concerned about the issue of leaving a financial legacy: fewer men than women – in particular married men – aspire to pass on wealth to their children
- Mothers are also more interested in living near their children and grandchildren during their retirement (table 1)

Table 1: Women with children have different aspirations for retirement and passing on wealth

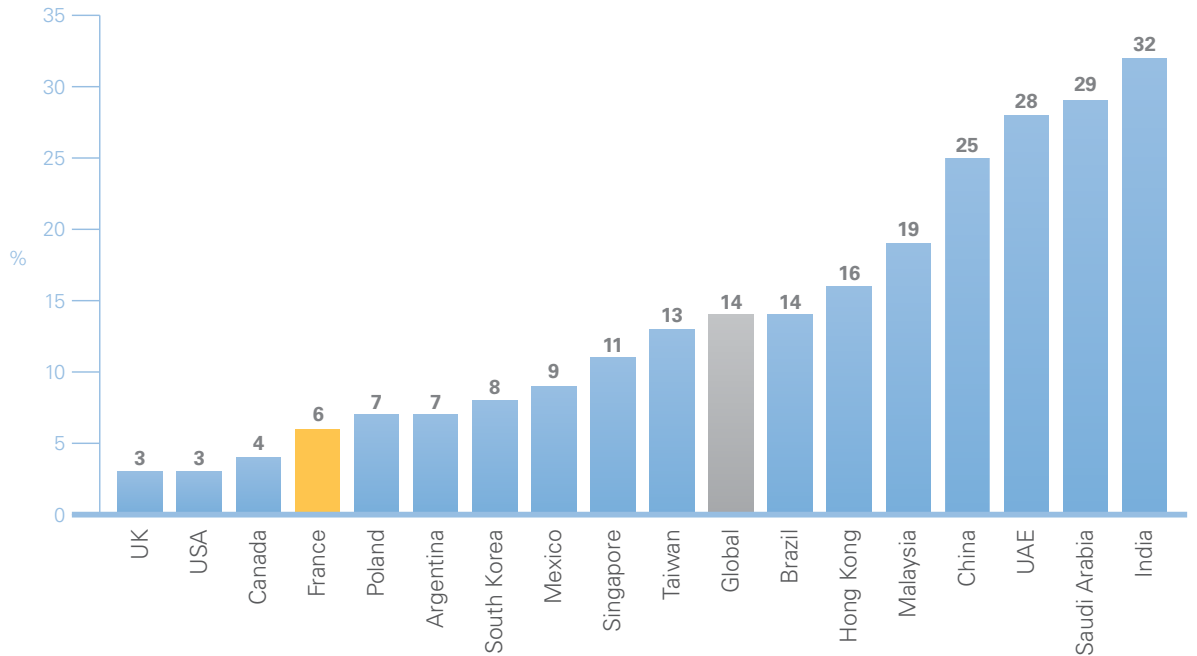
Q. People have different personal priorities in life. How important are the following to you today?

	Married men with children %	Co-habiting men with children %	Married women with children %	Co-habiting women with children %	All married with children %	All co-habiting with children %
Living near my children or grandchildren	47	43	65	64	57	56
Passing on wealth to my children when I die	50	60	67	67	59	64

Base: Respondents who claimed 'Very important to me'

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 France are among the most likely to see themselves as living independently in their own homes when they retire, with only 6% of respondents stating that they would like to live with their children in later life. French respondents, along with those in

other Western industrialised economies, are among the least keen globally to live with their children in retirement (figure 1), with 43% preferring to stay in their own home, which peaks at 46% among married people and women.

Part 2: Financial responsibility between the sexes – gender differences in how households plan their finances

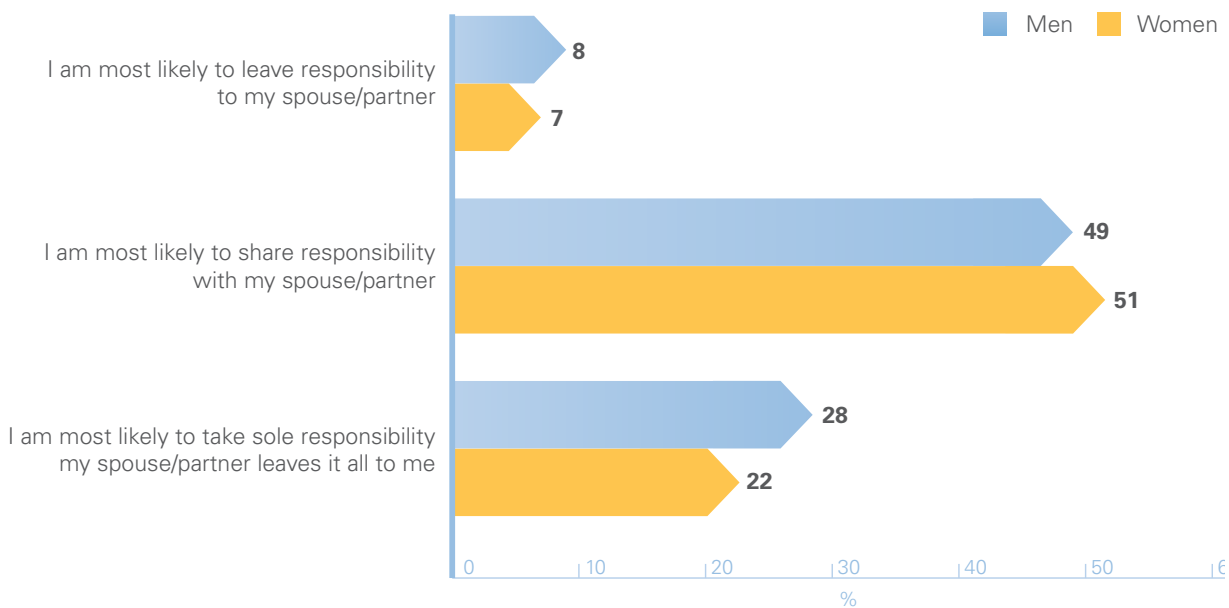
Whilst women in France are more likely to say that financial decisions are shared with their partner, men are more likely to state that they make all or most financial decisions themselves. Men claim to exercise greater sole responsibility than women in nearly all financial decisions made in the home.

There is a clear gender divide when looking at the types of financial decisions made by men versus women: men are more proactive when it comes to

retirement planning (Figure 2) whereas women are more likely to take the lead in household budgeting (Figure 3). Crucially, this means that women are much more focused on short-term financial matters and are more likely to be overlooking the importance of planning for retirement in their own right.

Figure 2: **Men take responsibility for retirement planning**

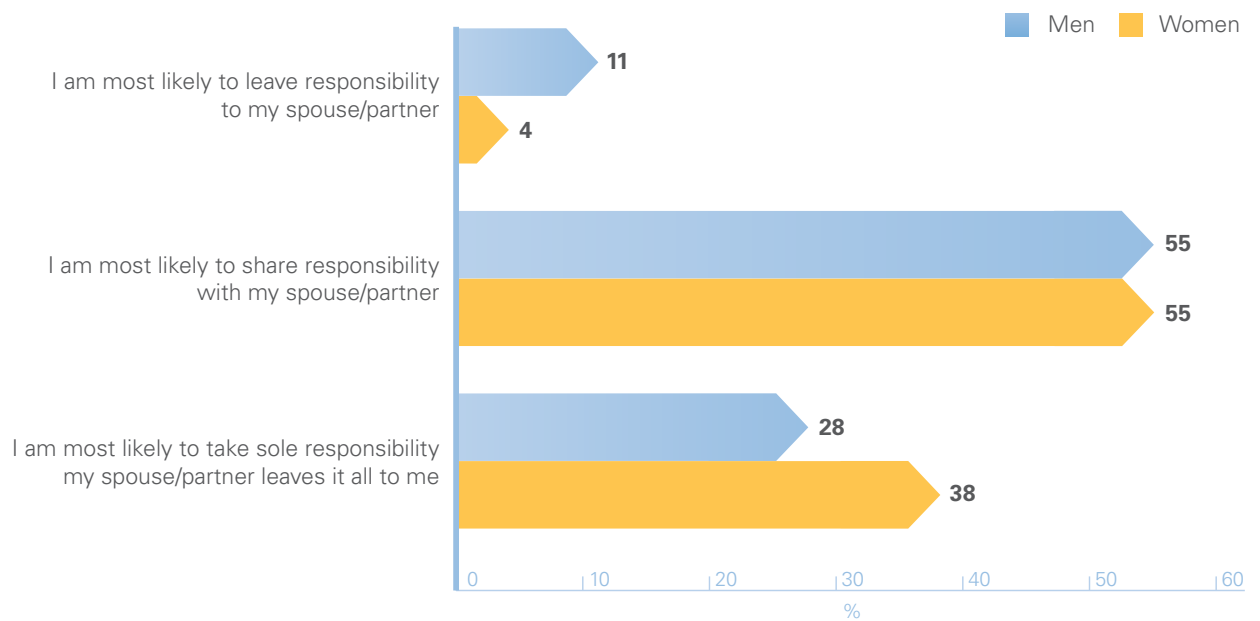
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

Figure 3: Women take 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 – where are the gaps in the family’s financial safety net?

Figure 4 illustrates how individuals accumulate wealth during the course of their adult lives. Upon entering work in early adult years we will find that both our incomes and wealth continue to grow well into our 50s and possibly beyond depending on when we enter retirement at which point we start to draw down our savings and investments. Across different societies

and in different households this curve will look different depending on a range of factors – patterns of work and home ownership, family life, retirement trends and life expectancy. Protecting household assets across this accumulation curve is critical to ensure that our retirement assets are not used up before retirement.

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

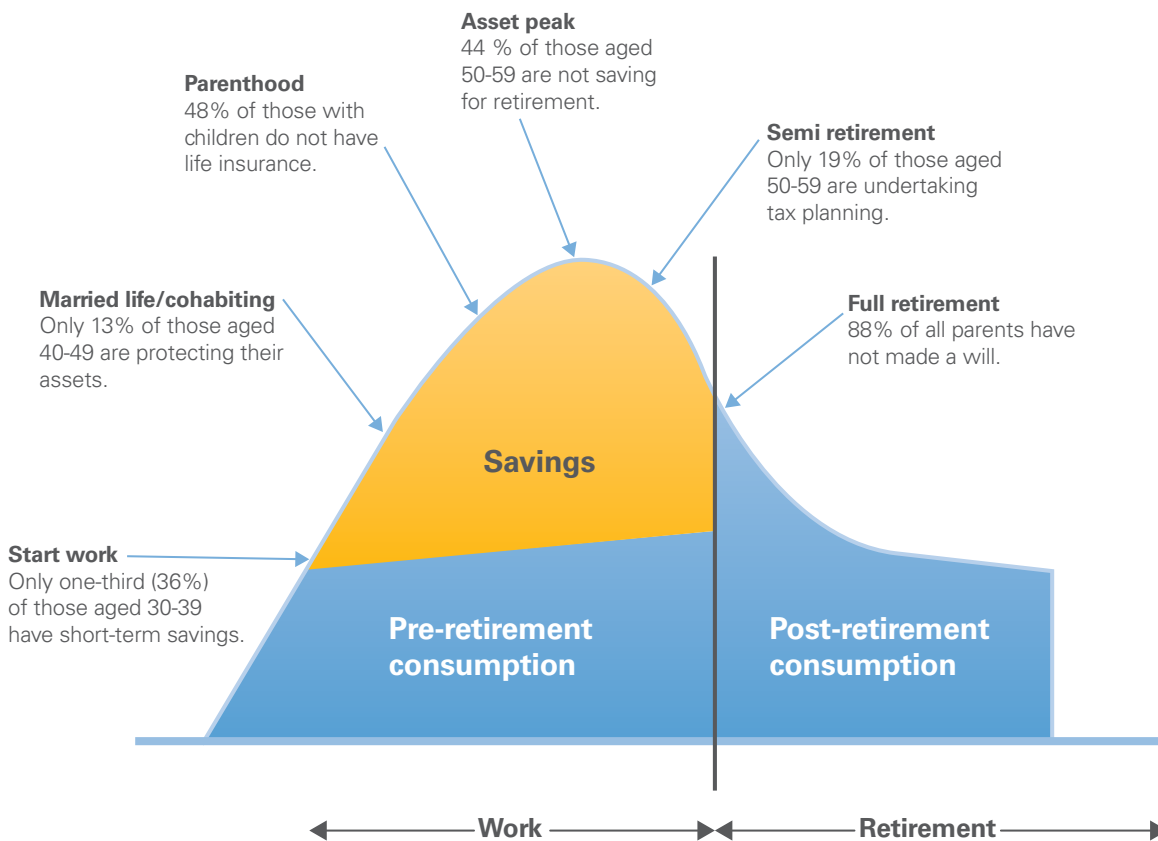


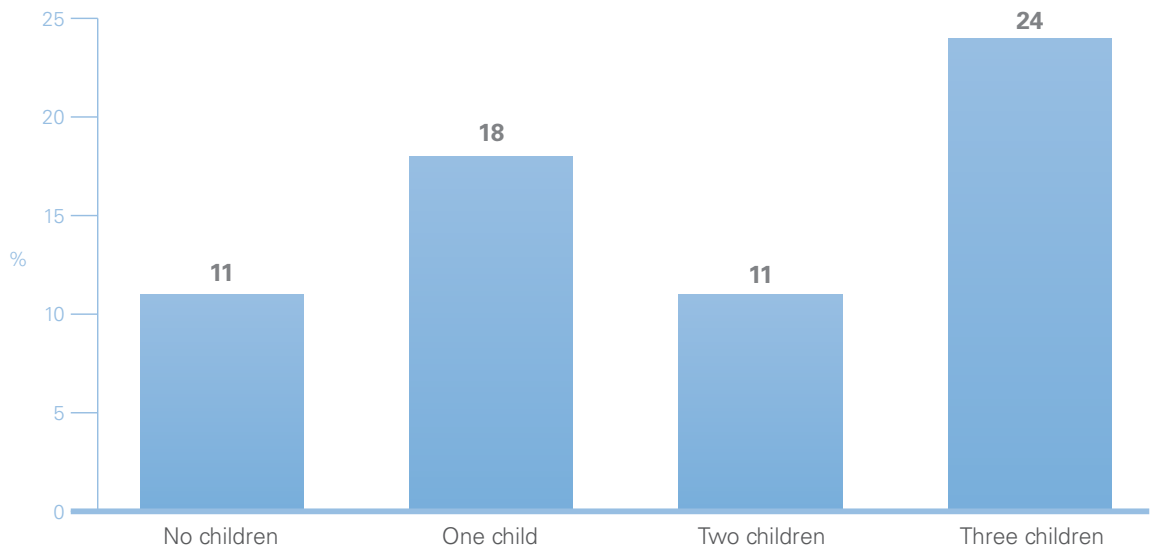
Figure 4 shows some of the key responses from the 30% of French respondents surveyed with a financial plan in place. Even though these households are planning ahead, there are still significant gaps in terms of the planning people are undertaking compared to their present needs. For example, 44% of French respondents in their fifties are not saving for retirement. Despite the fact that life insurance is widely available and all working parents have a need

for this kind of protection, 48% of French people with children do not have a life insurance policy in their financial plans. Our survey found that larger families with more children are more likely to understand the risks of not having life insurance when compared with the overall global average; as Figure 5 shows, 18% of families with only one child in France consider this extremely risky compared to 24% of those with three 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 answering 'Extremely risky'

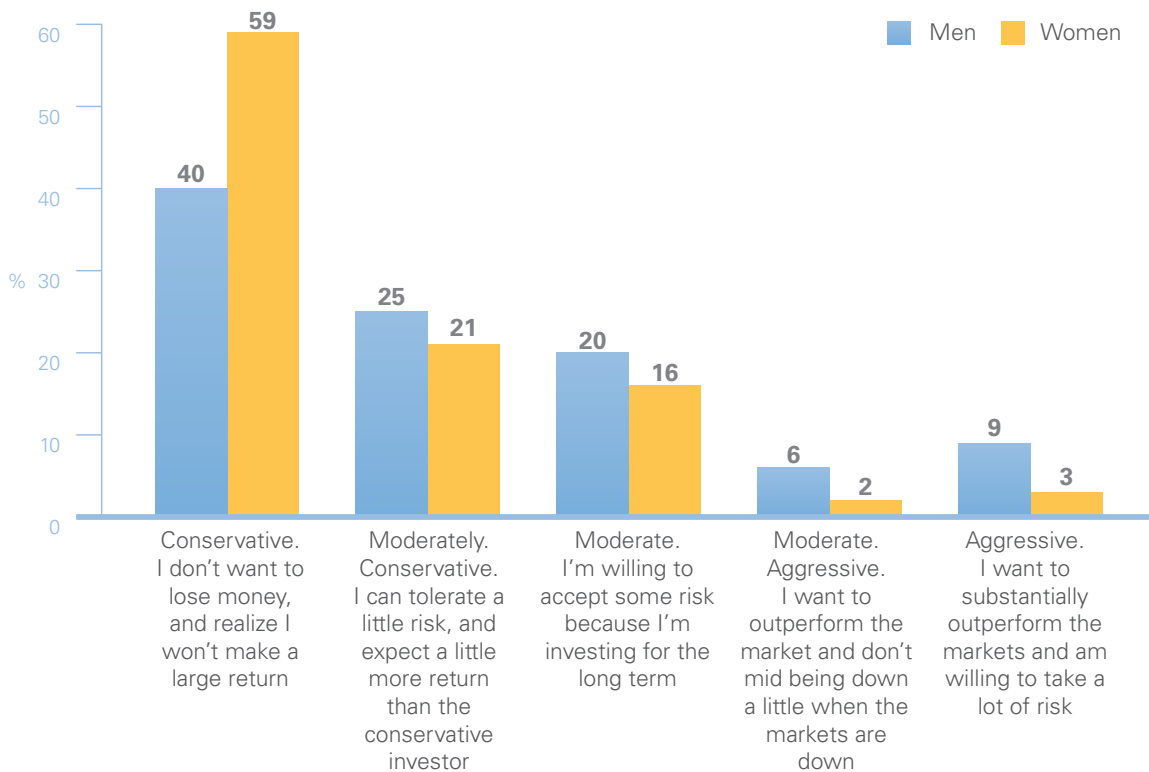
Part 4: Attitudes to risk – the need to change household risk appetites

As figure 6 shows, French women are significantly more likely than men to describe their attitude to risk as 'conservative', and this is reflected in their reluctance to hold more sophisticated savings and investment products. For example, 9% of men compared to 5% of women are likely to invest in a mutual funds and investments to build their retirement

savings. However, compared to global averages, both men and women in France show a marked preference for conservatism and risk aversion in their savings attitudes. Consequently, encouraging households to accept more risk in order to secure their financial futures presents a major challenge.

Figure 6: Women are 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 might be a major concern to some households, and particularly to women, 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 French respondents see the risk of doing nothing as only marginally less than the risk of investing for the long-term. While 23% of French

respondents thought that investing in stocks and shares was 'extremely risky', 17% thought that not having a retirement fund was extremely risky. The fact that people in France 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

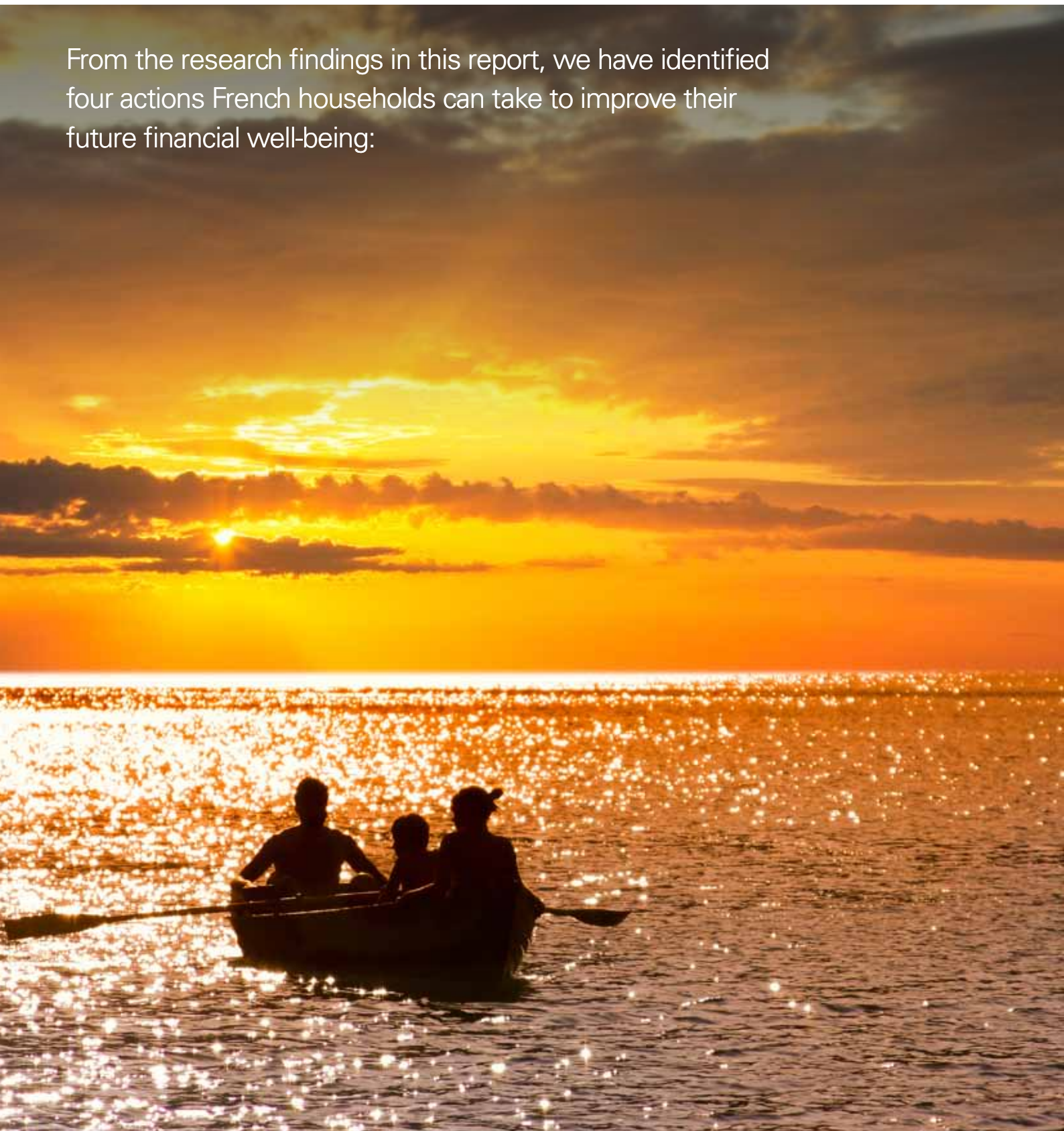
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares	20	26	23
Not having life insurance	13	15	14
Not having a private retirement fund	13	20	17
Going on holiday without travel insurance	13	13	13

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 French 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 across all age groups continue to lag behind their male peers when it comes to taking charge of their own retirement savings.

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 65% 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.

59% of French 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.



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Published by HSBC Insurance Holdings Limited, London

Designed and produced by Global Publishing Services

www.hsbc.com/retirement

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London E14 5HQ