

# The Future of Retirement

*Why family matters*



**Malaysia 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 1,045 respondents in Malaysia, 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](http://www.hsbc.com/retirement/future-of-retirement).

## Key findings

- Malaysia emerges as one of the most positive countries we surveyed in terms of their views on retirement. People with children in Malaysia are even more likely to believe retirement will be a time of happiness (54%)
- Respondents in Malaysia are among the most likely to see themselves living with their children or grandchildren in later life (19%)
- Compared to other countries surveyed, people in Malaysia accept somewhat higher investment risks, with nearly two fifths of respondents classing themselves as moderate as opposed to conservative in terms of attitude to risk. This is reflected in the high levels of penetration of investment products like mutual funds
- Malaysians with larger families are more likely to understand the risks of not having life insurance than those with fewer or no children
- Although a relatively high proportion (72%) of Malaysians in their fifties have retirement savings, some gaps in financial planning did emerge, with 85% of this group not having made a will

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

73% of Malaysian respondents feel that having a loving family and friends is important to enjoying a happy retirement, and this is more important to women (75%). Respondents are also keen to live near their children in retirement, with 84% seeing this as very or somewhat important.

- People with children are more likely to believe retirement will be a time of happiness (54%)

- It is clear from table 1 that having financial protection is significantly more important to parents than people without children. On the other hand, people without children see keeping in touch with friends and making new ones as a slightly higher priority in retirement

**Table 1: Having children changes your retirement priorities**

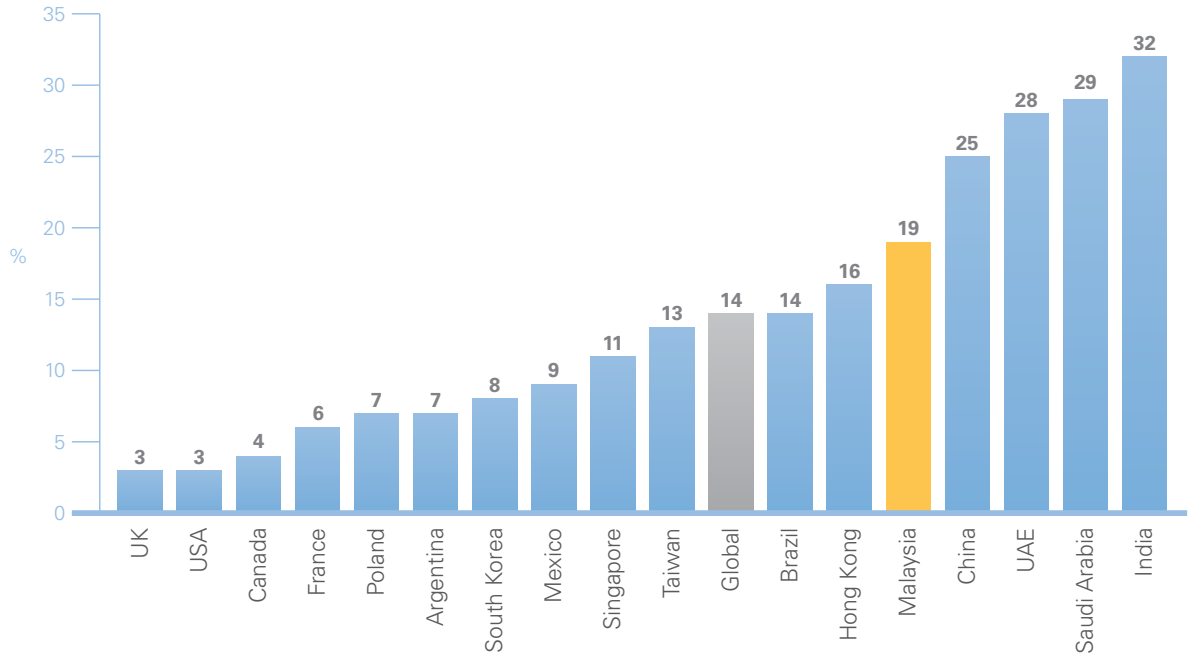
Q. People have different personal priorities in life. How important are the following to you today?

	All (%)	People with children (%)	People without children (%)
Having financial protection for my family – in case something happens to me	71	75	65
Keeping in touch with friends and making new ones	34	33	36

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 Malaysia are among the most likely to see themselves living with their children or

grandchildren when they retire, with 19% stating that they would like to live with their children in later life.

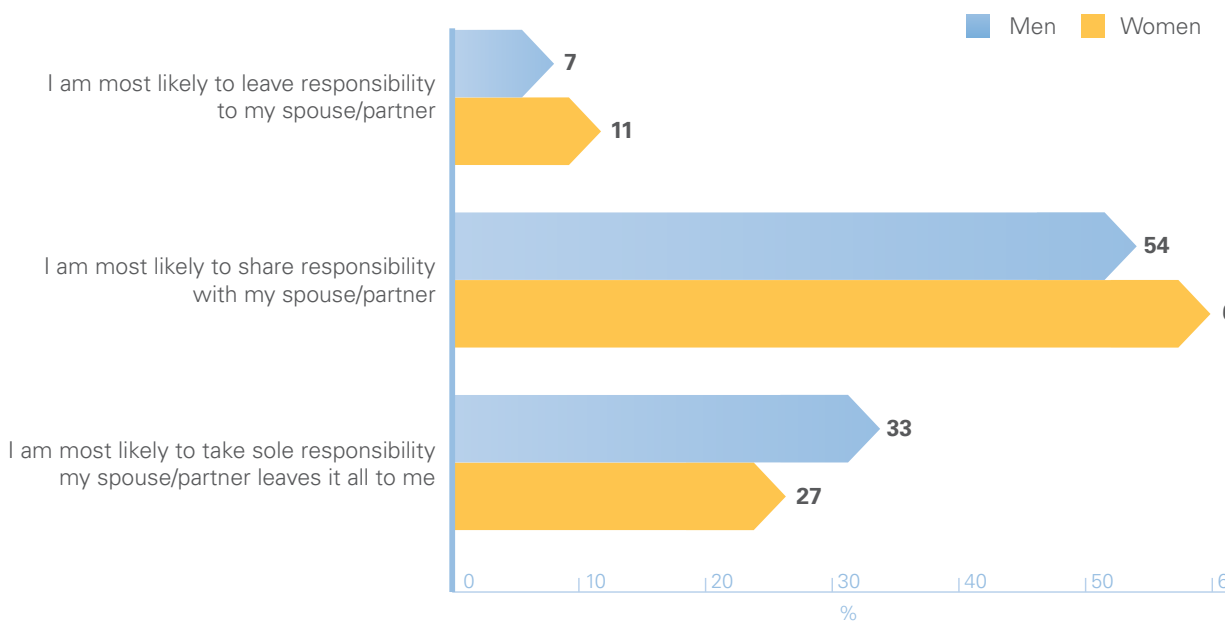
## Part 2: Financial responsibility between the sexes – gender differences in how households plan their finances

Mirroring the picture globally, there is also a clear gender divide in Malaysia 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). Men claim to exercise greater sole responsibility than women in nearly all financial decisions made in the home.

As in most countries surveyed, there is also a clear gender divide when looking at retirement planning – where men are more proactive (figure 2) – and household budgeting – which remains an area where women are likely to take the lead (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 more responsibility for retirement planning

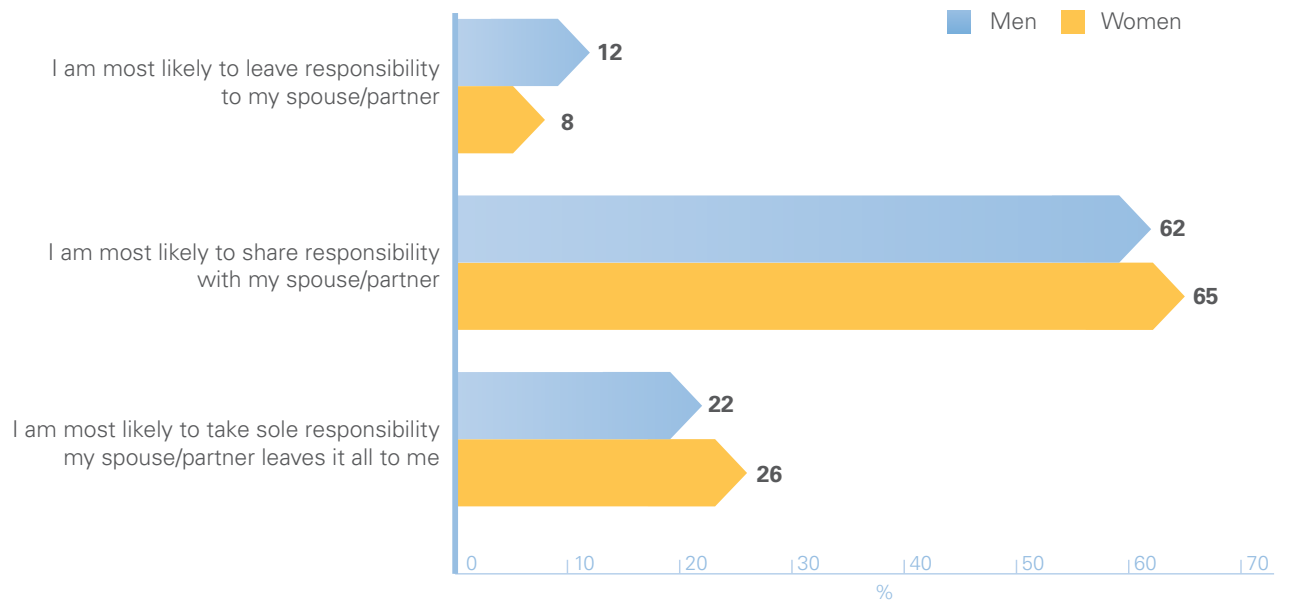
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



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 fifties and possibly beyond depending on when we enter retirement and at which point we start to draw down our savings and investments. Across difference

societies and in different households this curve will look different depending on a range of factors – patterns in 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 Malaysian households’ financial plans**

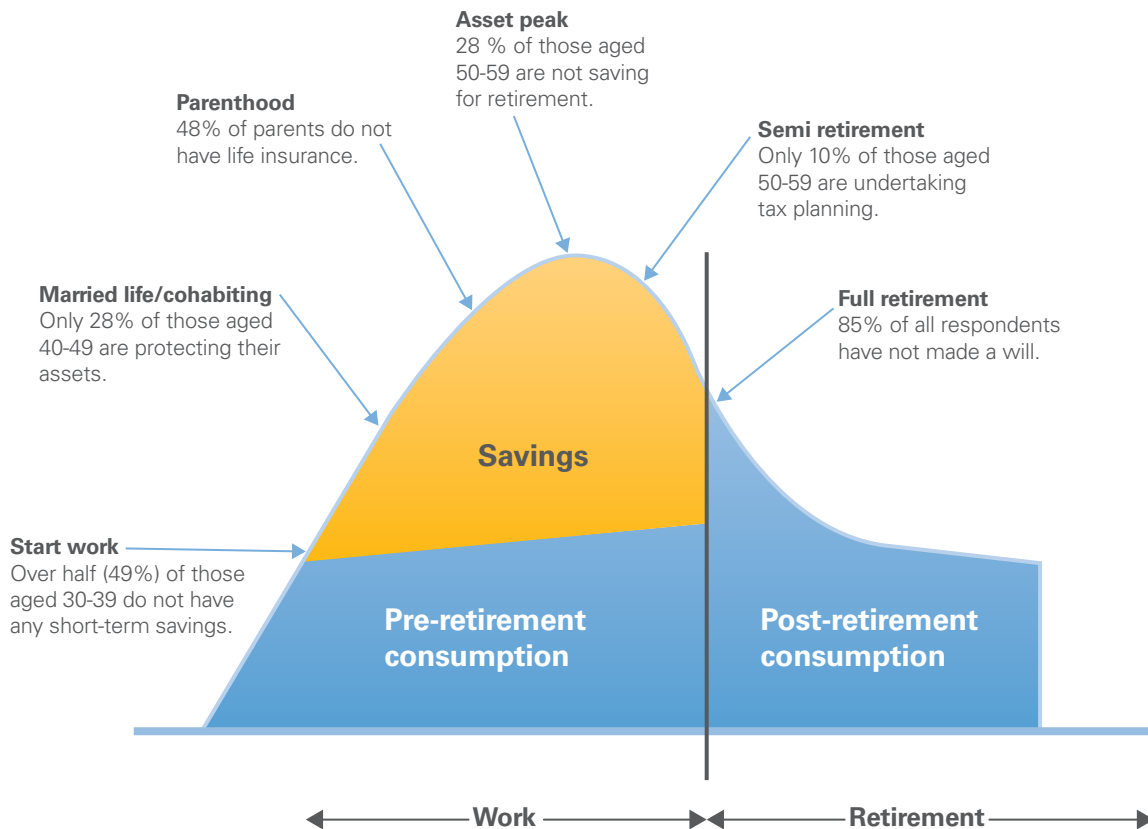


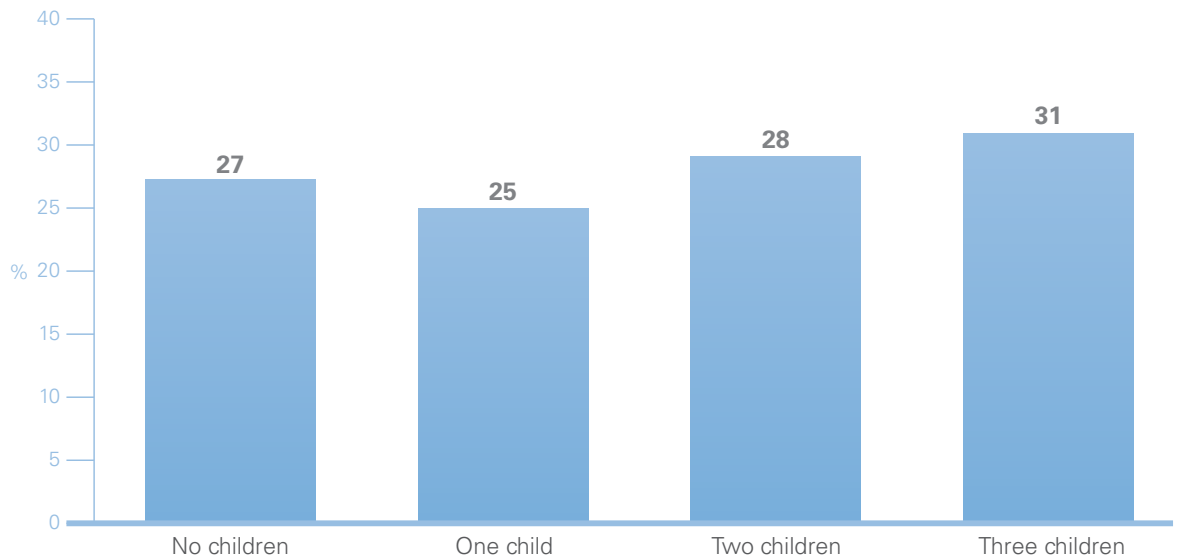
Figure 4 shows some of the key responses from the 84% of respondents surveyed with a financial plan in place. Even though these households are planning ahead, there are still significant gaps in terms of the planning people are undertaking compared to their present needs. For example, 28% of those aged 50-59 are not saving for retirement.

Despite the fact that life insurance is widely available, and all working age parents have a need for this kind of protection, 48% of those with children have no life insurance policy in their plans. Our survey found families with more children better understand the risks involved in not having life insurance; as figure 5 shows, 25% of families with only one child consider this extremely risky compared to 31% 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 who answered 'Extremely risky'

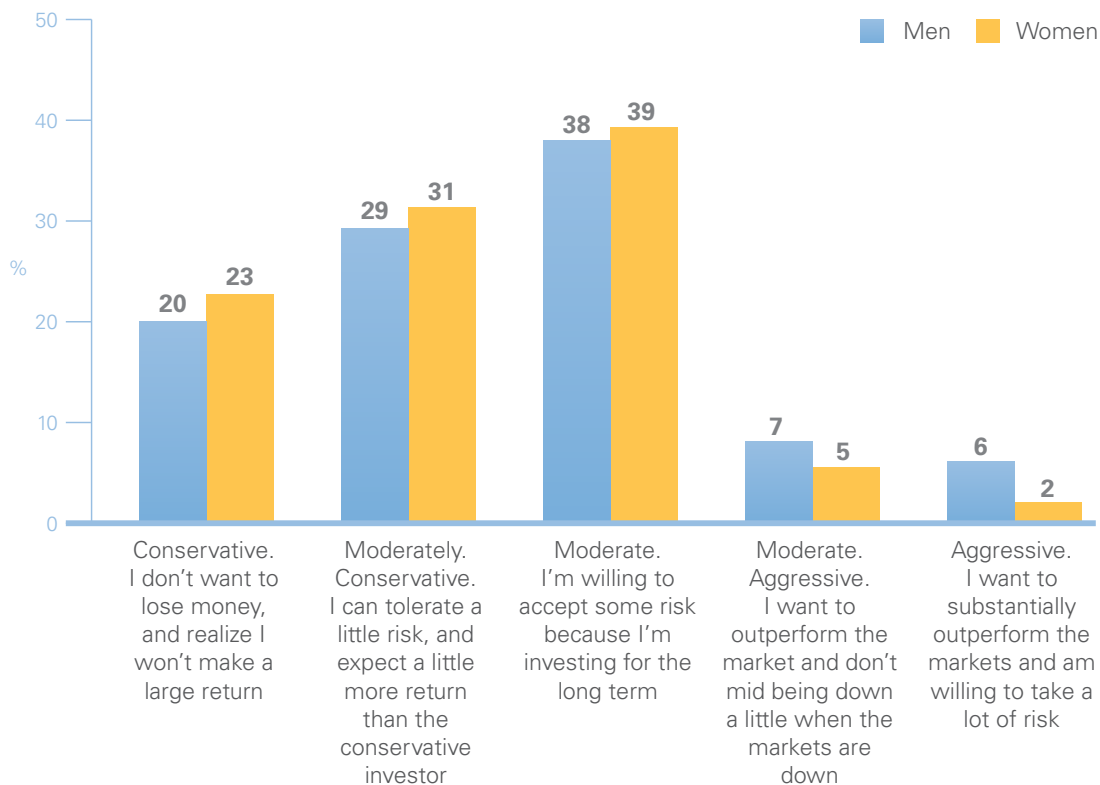
## Part 4: Attitudes to risk – the need to change household risk appetites

Compared to other countries surveyed, people in Malaysia are higher risk takers in terms of their savings, with nearly two fifths of respondents classing themselves as moderate as opposed to conservative in terms of attitude to risk. This is reflected in a willingness to hold more sophisticated savings products. As figure 6 shows, Malaysian women are only marginally more likely

than men to describe their attitude to risk as 'conservative': this is a closer gap than the global picture, which sees women as significantly more risk averse than men. For example, 47% of men compared to 39% of women are likely to invest in a mutual fund to build their retirement savings, this is far higher than the global average of 22%.

**Figure 6: Women are 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 might be a major concern to some households in Malaysia, it is equally clear (as table 2 below shows) that many more people are concerned about the risk of doing nothing. Our findings show that almost three times as many people in Malaysia view not having a retirement fund as extremely risky compared to investing in stocks

and shares: while 11% of all respondents thought that investing in stocks and shares was extremely risky, 29% thought that not having a retirement fund was extremely risky. The fact that many people in Malaysia 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**

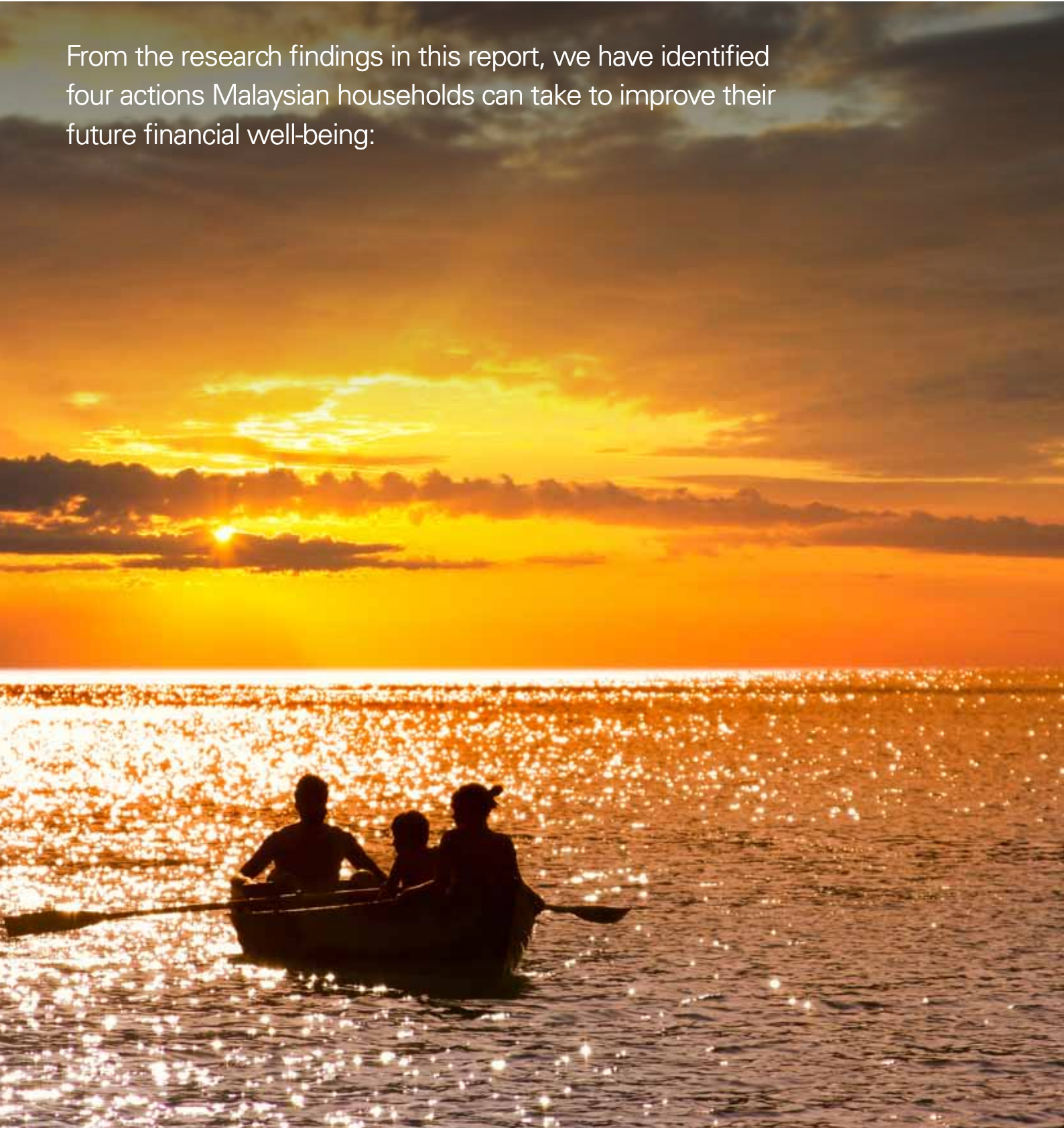
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares	10	11	11
Not having life insurance	28	26	27
Not having a private retirement fund	28	30	29
Going on holiday without travel insurance	18	19	19

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 Malaysian 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 78% 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.

*23% of Malaysian 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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