

# The Future of Retirement

*Why family matters*



**Saudi Arabia 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 1,017 respondents in Saudi Arabia (including a significant minority of migrant workers), 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

- 62% of Saudi respondents feel that having a loving family and friends is somewhat or extremely important to enjoying a happy retirement
- Unlike the majority of countries surveyed, Saudi parents are more likely than those without children to associate retirement with negative connotations such as loneliness and financial hardship
- 29% of respondents in Saudi Arabia see themselves as living with their children in old age, making Saudi Arabians among the most willing globally on this course of action
- Saudi Arabians are among the least prepared in terms of planning for retirement: only 26% of those in their forties are protecting their assets
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- There is a significant gender gap with regards to risk perceptions: 33% of Saudi women rate investing in stocks and shares as very risky compared with only 22% of Saudi men
- Long-term investment risk appetites are quite low: 68% of women and 55% of men in Saudi Arabia class themselves as being conservative or moderately conservative when it comes to investment risk. Along with the UAE, these risk averse mindsets are at odds with other emerging markets

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

62% of Saudi respondents feel that having a loving family and friends is extremely important to enjoying a happy retirement. Unlike the picture in most parts of the world, not only are Saudi's keen to live near their children in retirement, (with 89% seeing this as very or somewhat important), but a significant proportion envisage living with their children in later life.

- Surprisingly, parents are more likely than those without children to associate retirement with negative connotations such as financial hardship (32% vs. 30%), and less likely to associate it with positive feelings such as freedom (39% vs. 43%)

- Not surprisingly, Saudi parents place greater priority on financial protection for the family than those without children, whilst almost half of all respondents see keeping in touch with friends and making new ones as a retirement priority (Table 1)

**Table 1: Parents have different aspirations in life than those without children**

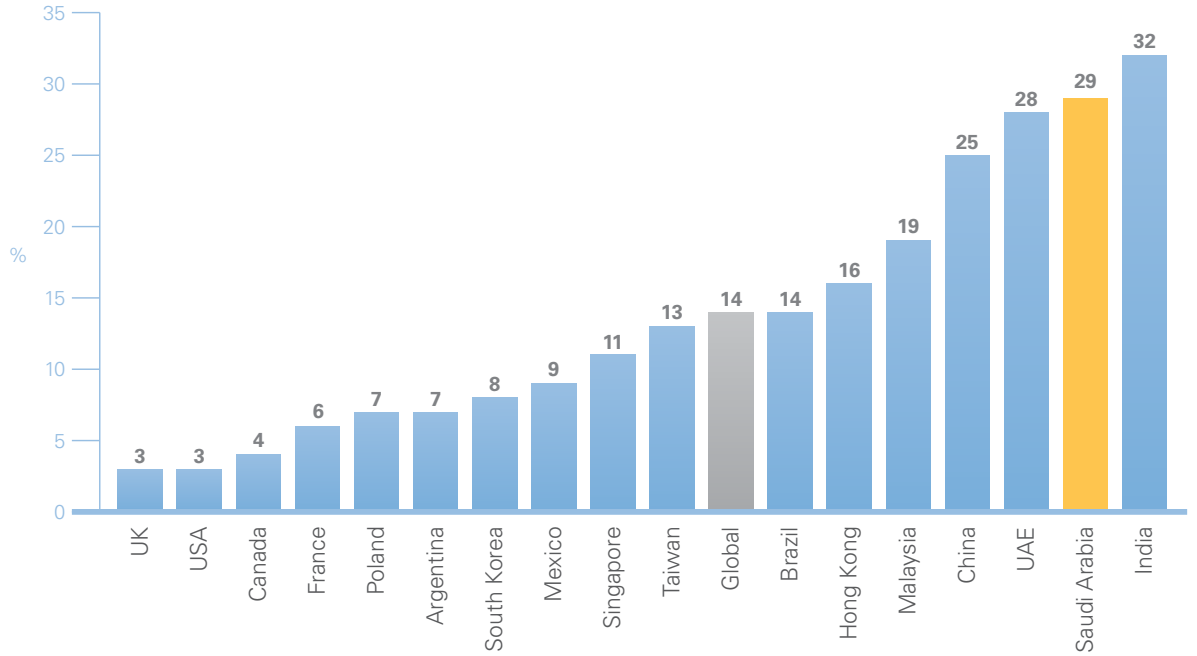
Q. People have different personal priorities in life. How important are the following to you today?

	All (%)	People with children (%)	People without children (%)
Having financial protection for my possessions	54	56	51
Keeping in touch with friends and making new ones	47	49	44

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

Respondents in Saudi Arabia are among the most likely to see themselves as living with their children in retirement: 29% state that they would like to live

with their children in later life, making people in Saudi Arabia amongst the most willing globally on this course of action (Figure 1).

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

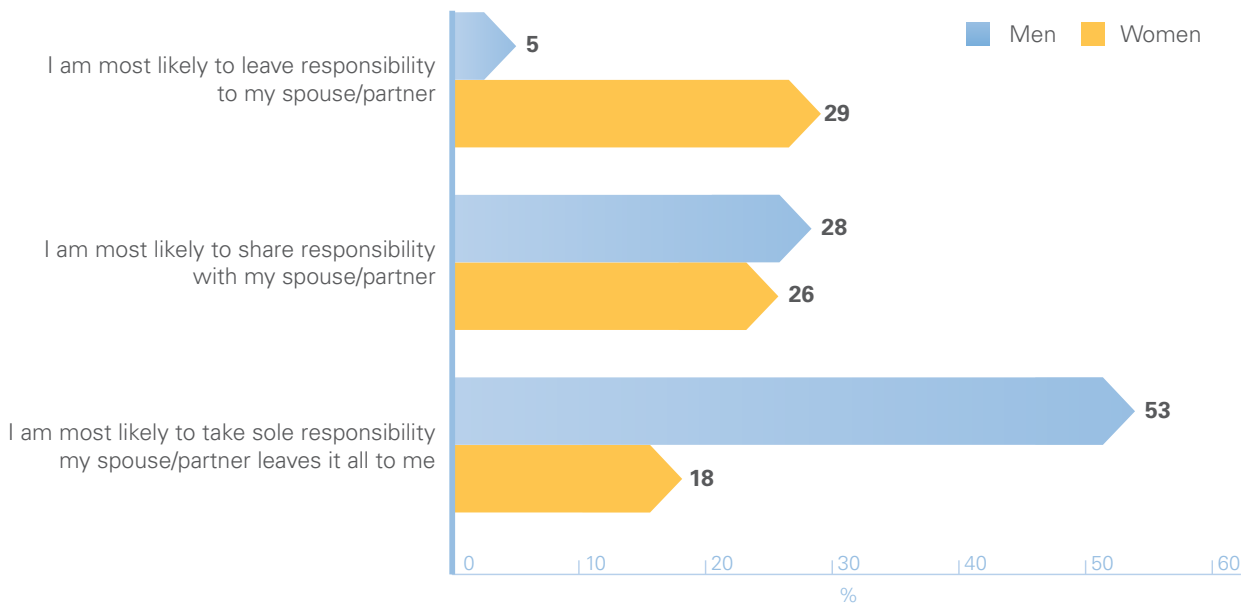
Whilst women in Saudi Arabia are more likely to say that financial decisions are shared with their partner, men usually state that they make all or most financial decisions themselves. Men claim to exercise greater sole responsibility than women in nearly all financial decisions made in the home.

In most parts of the world, 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, while women focus more on shorter term financial decisions as household budgeting. However, the picture is slightly different in Saudi Arabia, with men in charge of both longer term and shorter term areas of financial planning (Figure 2 and Figure 3). Crucially this means that women are more likely to be overlooking the importance of planning for retirement in their own right.

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

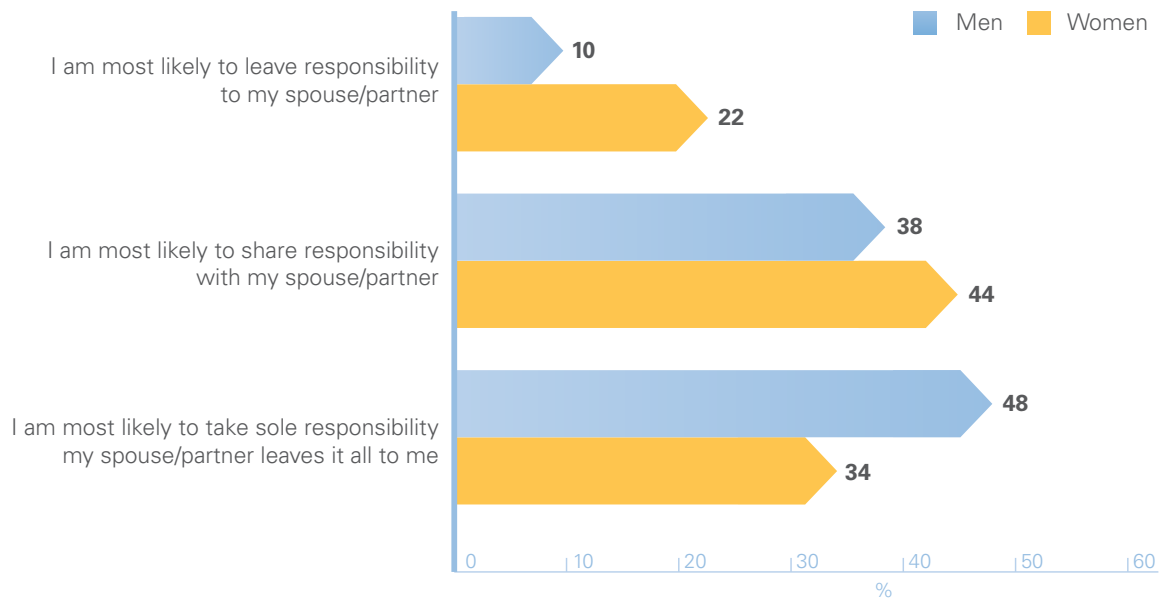
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

**Figure 3: Men are 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 Saudi Arabian households’ financial plans

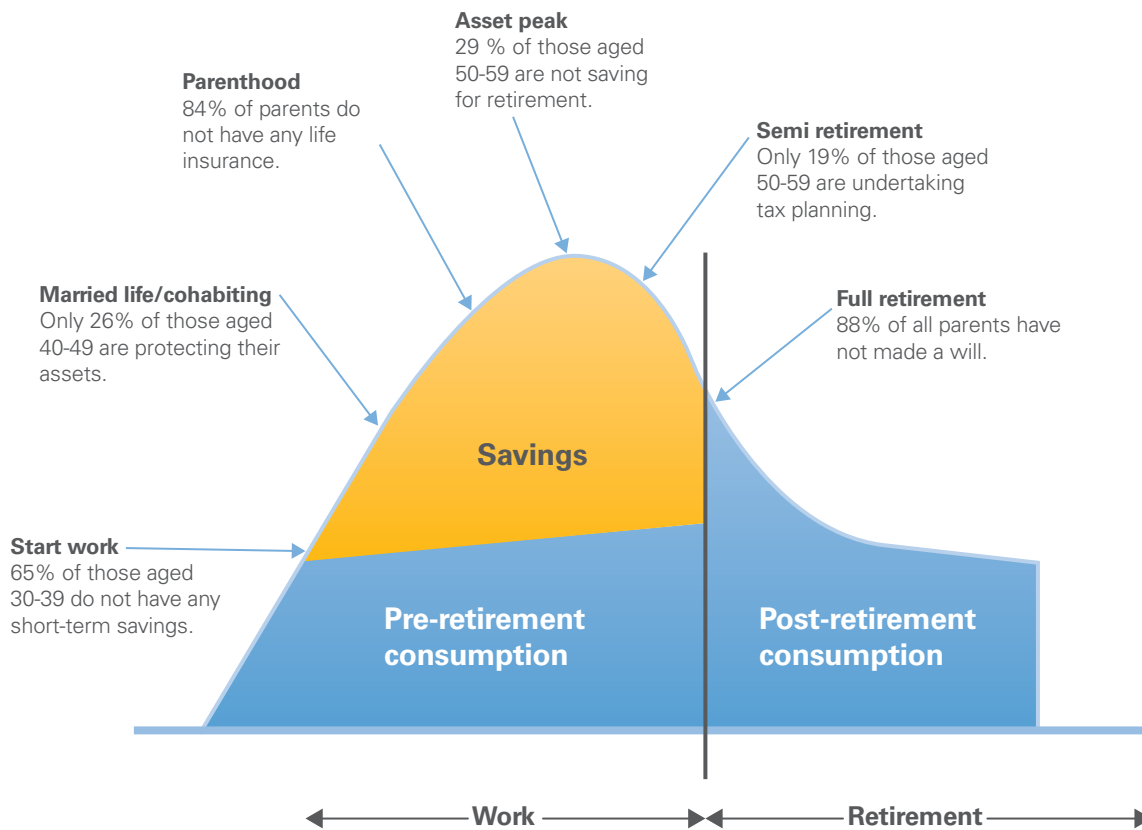


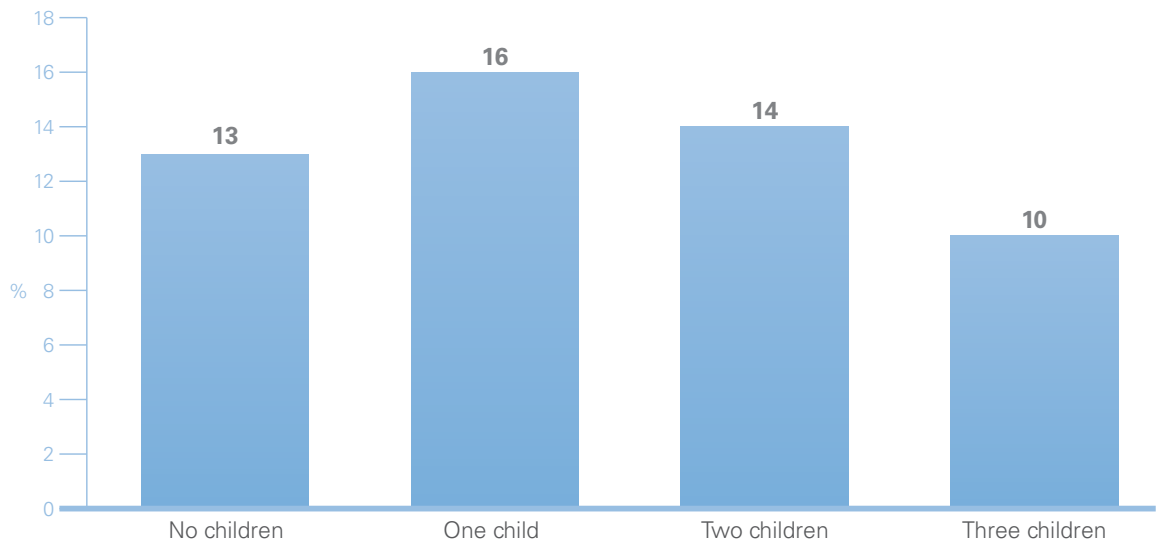
Figure 4 shows some of the key responses from the 56% of Saudi Arabian respondents surveyed who have a financial plan. Even though these households are planning ahead, there are still significant gaps in the contents of their financial plans. For example, 29% of planners in their fifties are not saving for retirement. In Saudi Arabia, the past few years have seen a growth in the availability of protection products

which all parents could benefit from, yet 84% of those with children do not have a life insurance policy in their financial plans. Our survey found that Saudi parents are only as likely to understand the risks of not having life insurance when compared with those without children; as Figure 5 shows, 13% of respondents with no children consider this extremely risky compared to 10% - 16% of those with 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'

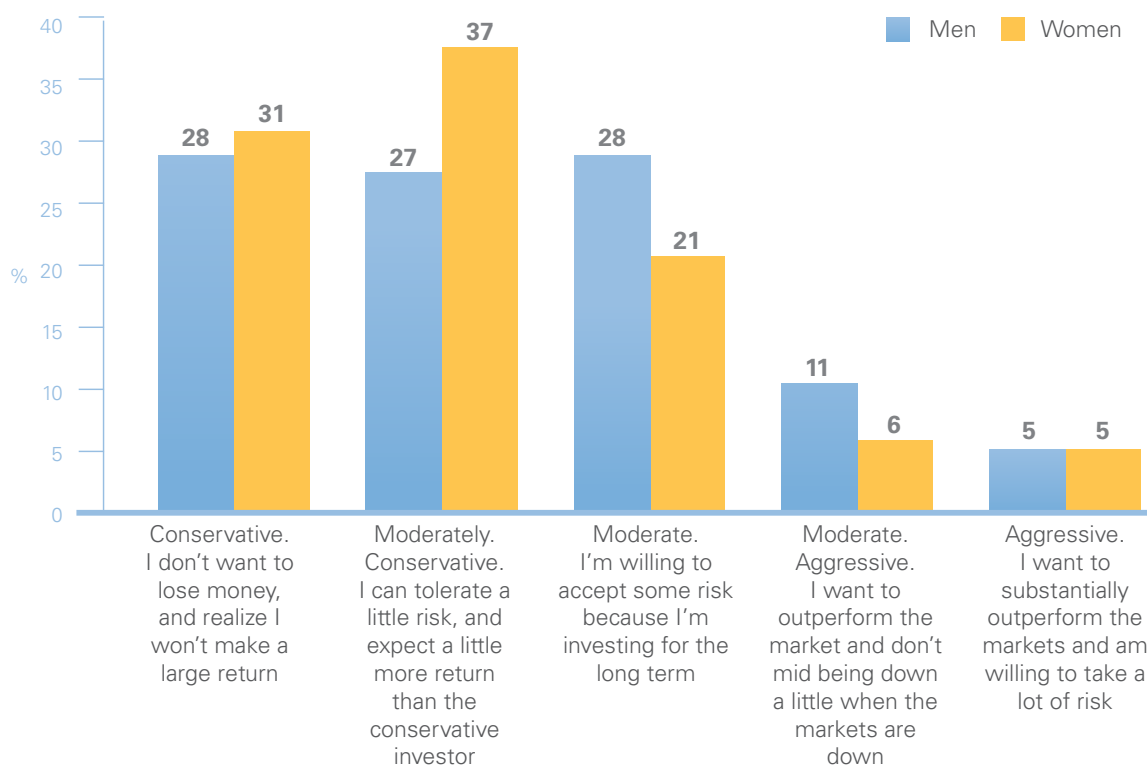
## Part 4: Attitudes to risk – the need to change household risk appetites

As Figure 6 shows, Saudi 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: 14% of men compared to 7% of women invest in mutual funds and equity-related investments to build their retirement savings. However both men and women in Saudi Arabia show a relatively

modest risk appetite, with only around one third of respondents being prepared to accept some risk when investing for the long term. Overall people in Saudi Arabia and the UAE seem to be more risk averse than other emerging markets, perhaps in part reflecting the presence of larger numbers of migrant workers in those countries, along with the generally higher economic growth rates in places such as China.

**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 may be a major concern to some Saudi 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 when planning for retirement. Our findings show that equal numbers of respondents perceive the risk of not having retirement funds as being extremely risky compared to the risk of investing for the long-term: 24% of Saudi respondents thought

that investing in stocks and shares was extremely risky, whereas 23% thought that not having a private retirement fund was extremely risky. Not having life insurance was seen as being extremely risky by women in particular, more than double that of men. The fact that people in Saudi Arabia 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 (equities)	22	33	24
Not having life insurance	11	23	13
Not having a private retirement fund	21	33	23
Going on holiday without travel insurance	10	19	12

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 households in Saudi Arabia 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 70% 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.

*31% of Saudi 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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