

The Future of Retirement

Why family matters



South Korea 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 1,096 South Korean 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

- Relatively few South Koreans associate retirement with happiness but parents are more likely to associate retirement with happiness (15%) than those without children (10%)
- When it comes to making financial decisions regarding retirement savings, South Korean women (32%) are only slightly less likely than men (35%) to be in charge of household decision-making but this gap is far larger amongst respondents in their 50s
- Though there is greater equality on household decision making regarding retirement planning than in other countries, South Korean women are still far more likely to be solely in charge of household budgeting than men (45% vs. 28%)
- Despite being keen to pass on wealth to children and family, 97% of South Korean respondents have not made a will and only 16% of 50-59 year olds are engaging in tax planning
- South Korean respondents, unlike those in many countries surveyed, are not fully appreciating the 'risks of doing nothing'; only 6% see not having a private retirement fund as 'extremely risky'

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

43% of respondents in South Korea feel that having a loving family and friends is extremely important to enjoying a happy retirement. A majority of respondents are also keen to live near (but not with) their children in retirement, with 64% seeing this as very or somewhat important.

- As elsewhere in the World, South Korean parents place a greater emphasis on financial protection and passing on wealth than those without children (Table 1)

- Few South Koreans associate retirement with happiness (13%), but those with children are more likely to do so (15%) than those without (10%)

Table 1: Having children changes your retirement priorities

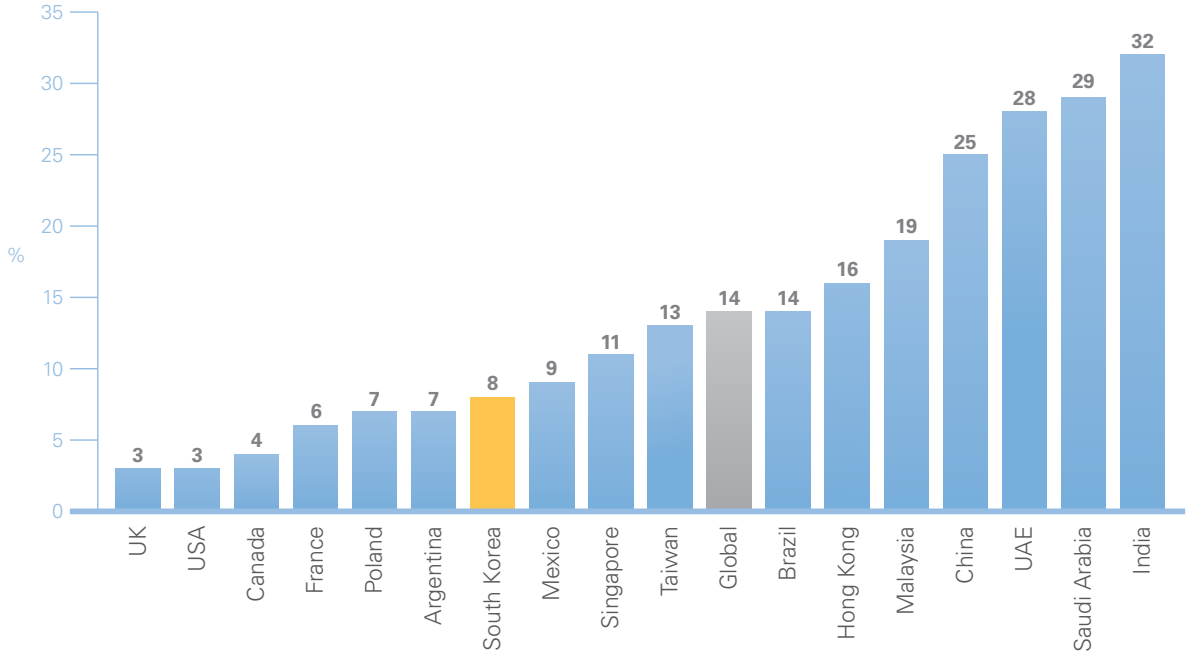
Q. People have different personal priorities in life. How important are the following to you today?

	All (%)	People with children (%)	People without children (%)
Having financial protection for my family – in case something happens to me	58	61	54
Being able to pass on wealth when I die	25	28	20

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 South Korea are among the most likely to see themselves as living independently in their own home when they retire, with only 8% of

respondents stating that they would like to live with their children in later life (Figure 1).

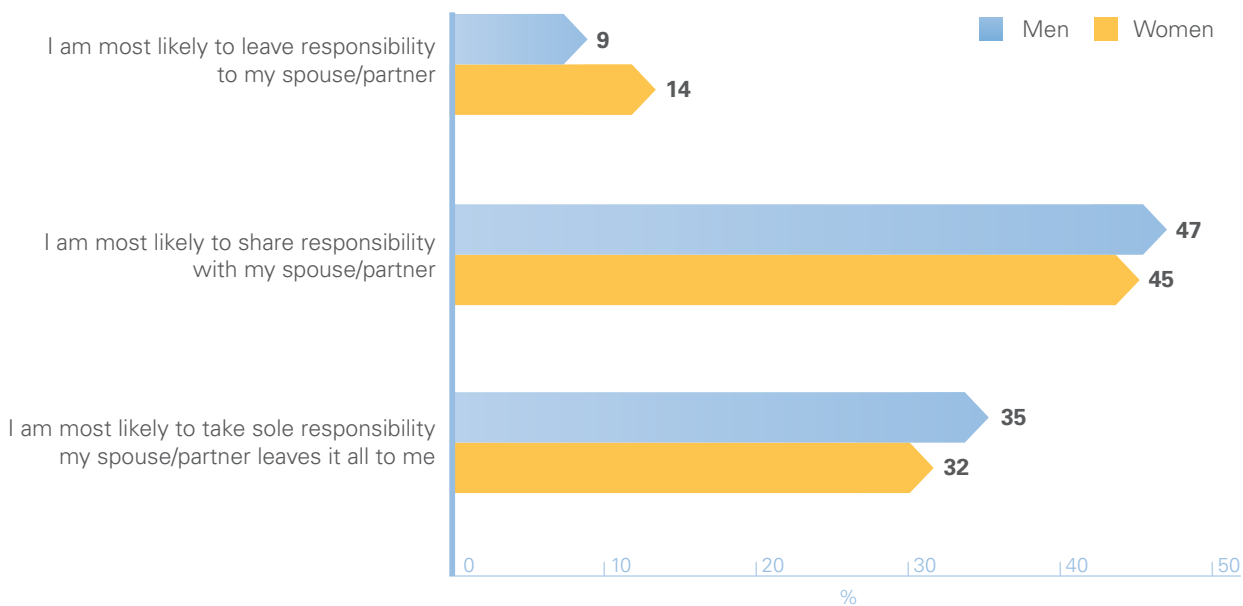
Part 2: Financial responsibility between the sexes – smaller gender differences in household financial planning

Whilst our global findings suggest a distinct gender divide on how households plan their finances, in South Korea the picture is significantly different. Here, similar numbers of men and women claim to be taking the lead on key financial planning decisions such as retirement savings (Figure 2), while women (as those elsewhere globally) maintain a clear lead in responsibility for more short-term financial decisions, such as household budgeting (Figure 3). Combined,

this suggests women in South Korea are significantly more engaged in household financial decision making than in the other countries we surveyed. Indeed, the only financial decision on which men are significantly ahead of women in terms of being the sole decision maker is automobile upkeep (46% of men to 23% of women), one of the most traditionally 'male' areas of household finances.

Figure 2: Men are only slightly more likely than women to take the lead on retirement saving

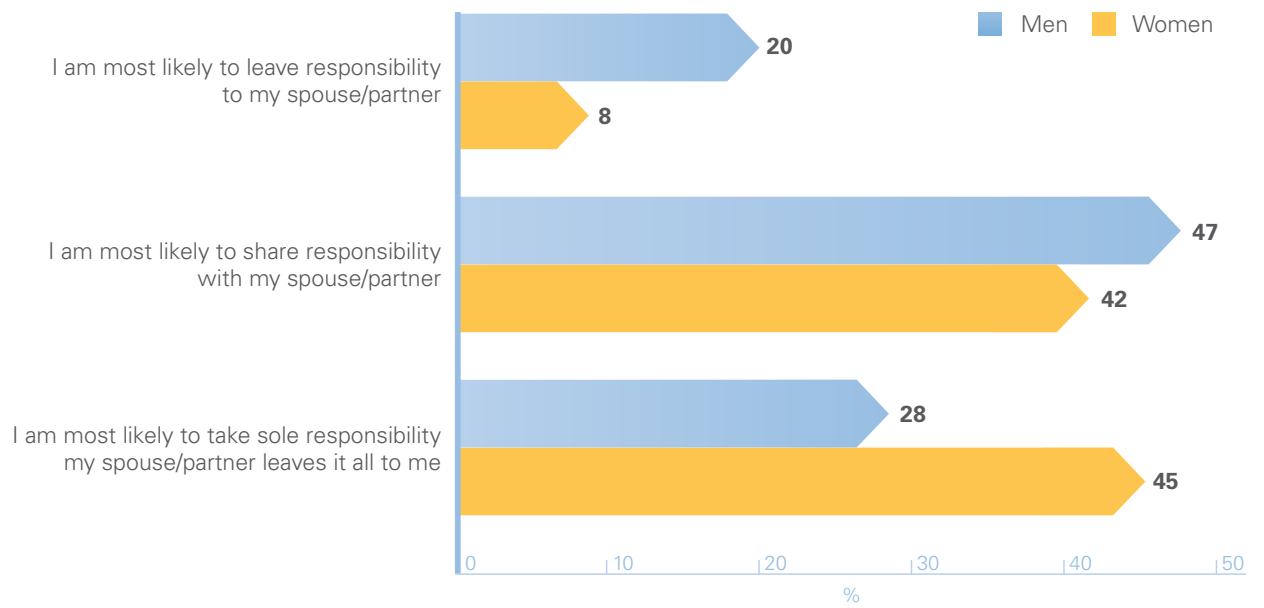
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

Figure 3: Women are 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 Korean households’ financial plans

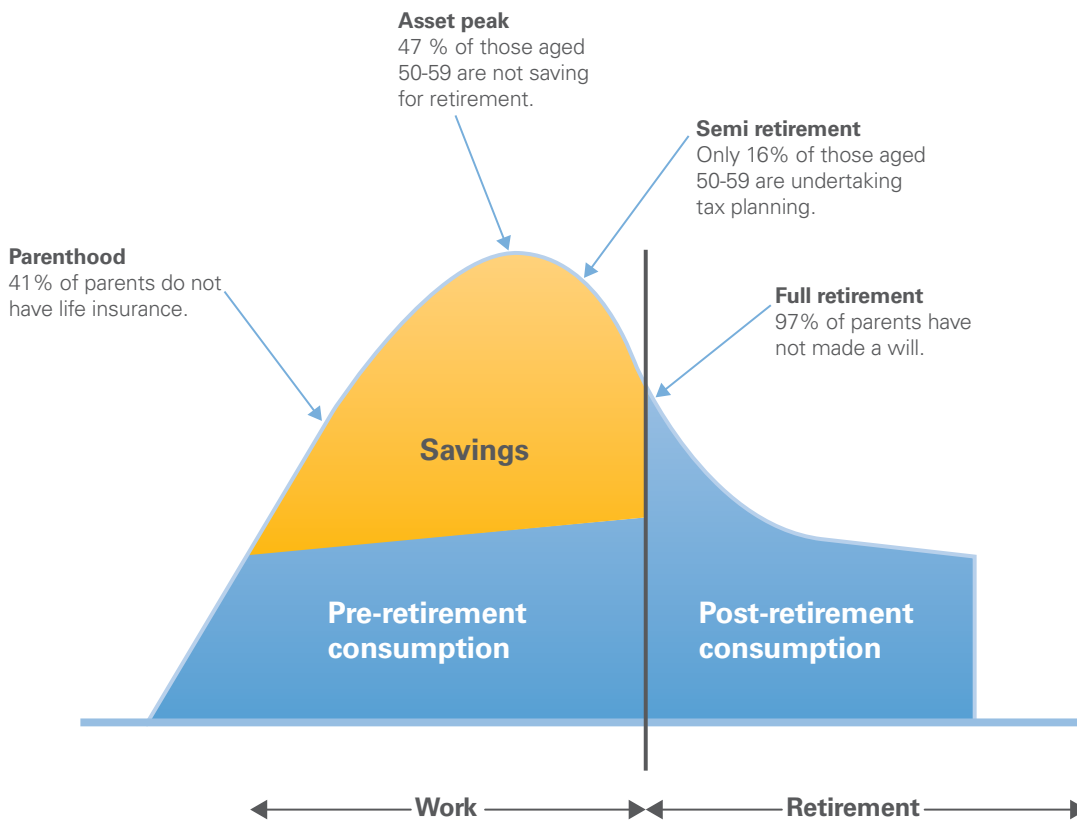


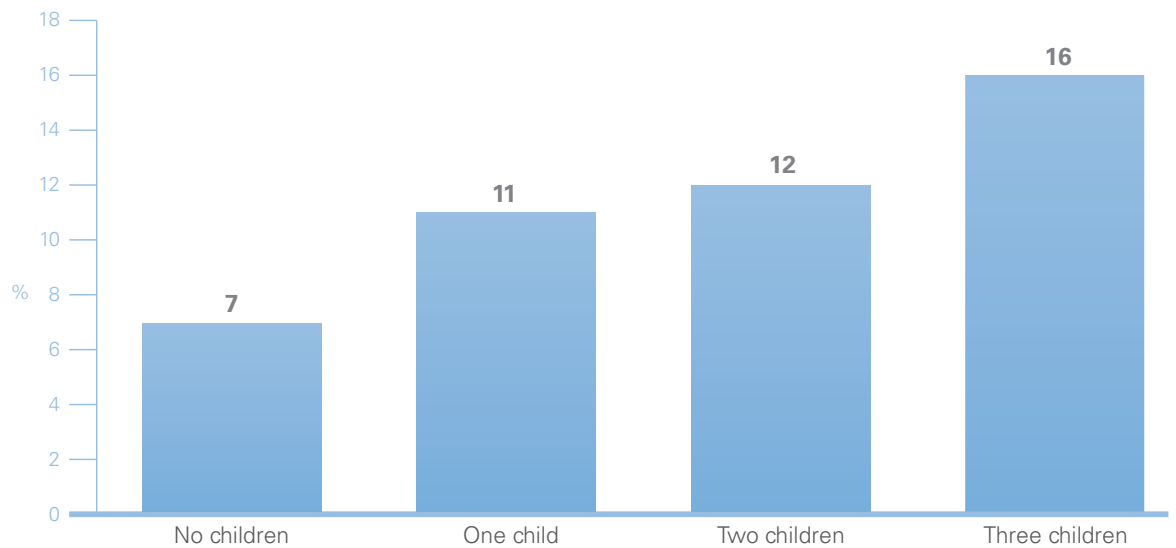
Figure 4 shows some of the key responses from the 59% of South Korean respondents surveyed who have a financial plan. Even though these households are planning ahead, there are still significant gaps in the contents of their financial plans. For example, 47% of planners in their 50s are not saving for retirement. Despite the fact that life insurance is widely available and all working parents have a need for this kind of

protection, 41% of those 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, 11% of South Korean families with only one child consider this extremely risky compared to 16% 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'

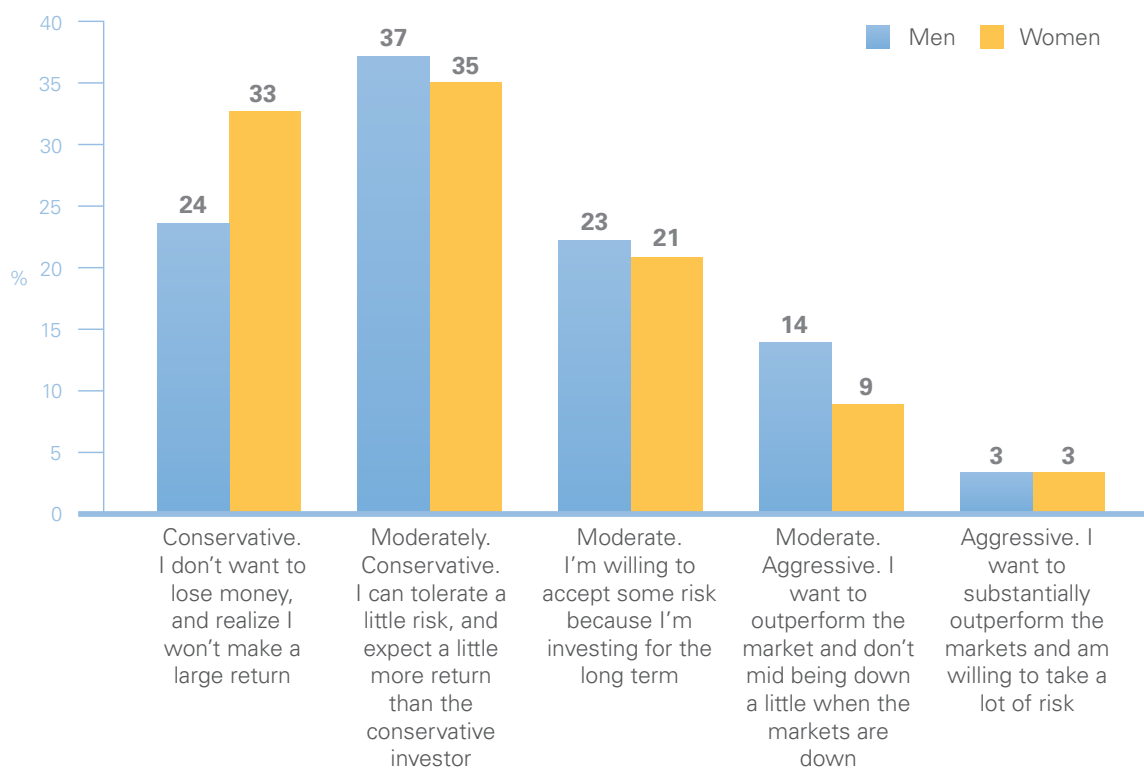
Part 4: Attitudes to risk – the need to change household risk appetites

As Figure 6 shows, South Korean 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 such as mutual funds and annuities. A majority of both men and women show a strong preference for conservatism and risk aversion

in their savings attitudes, and encouraging households to accept more risk in order to secure their financial futures presents a major challenge. Nevertheless, South Korea also includes a significant (22%) cohort of respondents willing to accept 'moderate' levels of risk in exchange for higher returns, which is an encouraging sign.

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 households in South Korea, and particularly to women, it is equally clear (see Table 2) that many respondents do not fully appreciate the risks of taking no action: only 10% of respondents

rate not having life insurance as extremely risky and only 6% believe not having a private retirement fund is extremely risky. These findings suggest that Koreans at present are not fully appreciating the 'risk of doing nothing'.

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)	10	11	10
Not having life insurance	10	11	10
Not having a private retirement fund	6	5	6

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 South Korean 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 planning responsibility, but women in their 50s are lagging behind on retirement planning – the age where engagement is most important for future security.

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 64% 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.

33% women in South Korea 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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HSBC Insurance Holdings Limited
8 Canada Square
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