

The Future of Retirement

Why family matters



UK 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 1,042 UK respondents, explores how factors such as marital status, gender and age affect attitudes to retirement; 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 adds to people's feelings of retirement security and well-being. People with children are less likely to see retirement as an age of loneliness, though only 3% of UK respondents want to live with their children in retirement – the joint lowest ranking of all the countries surveyed
- Retirement planning in couples in the UK is more likely to be fully undertaken by men: 37% of men claim to exercise sole household responsibility for managing retirement savings, compared to only 25% of women
- Women are more likely than men to focus on shorter-term financial goals: over two-fifths of women (43%) exercise sole responsibility for managing the household budget – the only area of household finances in which women are more proactive than men
- UK household financial plans contain significant gaps: nearly one-third (32%) of those in their fifties do not have retirement savings in their financial plan, while 48% of couples with children say they have no life insurance
- Despite around two-fifths of UK parents (42%) aspiring to pass on wealth to their children when they die, tax planning and inheritance planning remain low priorities, with 65% of parents saying that they have never made a will
- Only 27% of those in their fifties – the age band 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

Having a loving family and friends is somewhat, or extremely, important to enjoying a happy retirement according to 65% of UK respondents, and this is particularly important to women (74%). Many respondents are also keen to live near (but not with) their children in retirement, with 62% stating this as very, or somewhat, important.

- Parents in the UK are more likely to believe retirement will be a time of happiness (37%) and

less likely to see retirement as a time of financial hardship (34%) compared to those without children (41%)

- While many parents wish to live near their children and grandchildren during their retirement, this is a greater priority for mothers. Mothers also place a greater priority on leaving a financial legacy, with more women than men wishing to pass on wealth to their children when they die (see 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?

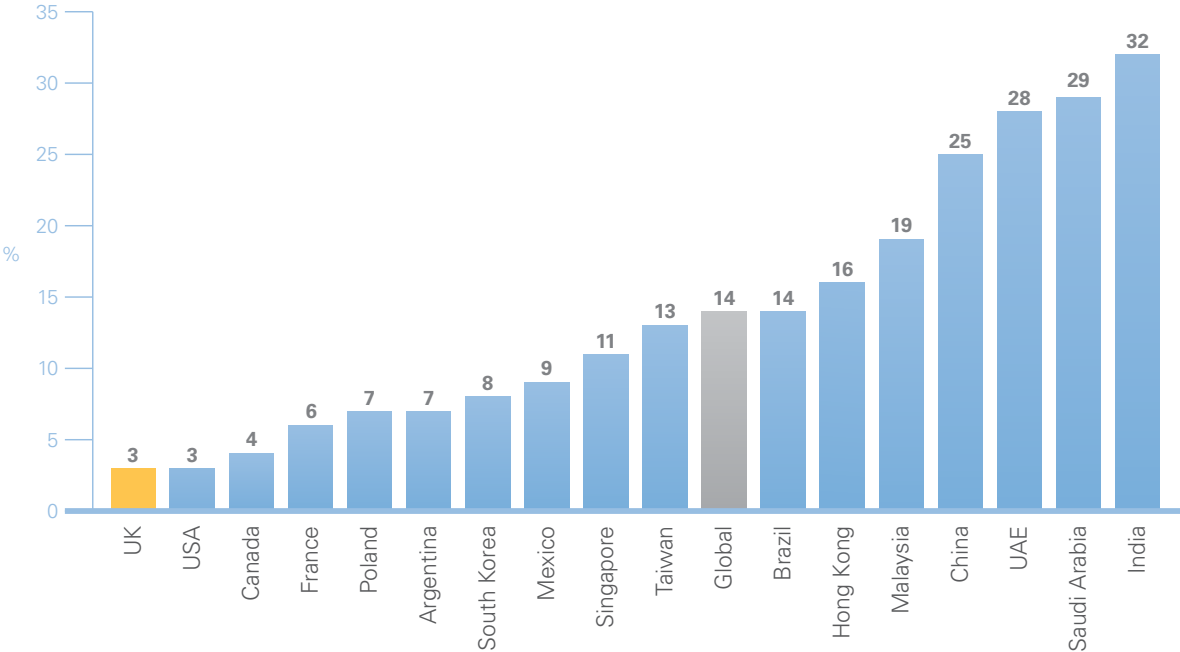
	Married men with children %	Co-habiting men with children %	Married women with children %	Co-habiting women with children %	All married with children %	All co-habiting with children %
Living near my children or grandchildren	44	44	56	48	50	46
Passing on wealth to my children when I die	41	26	46	35	42	30

Base: Respondents who claimed 'Very important to me'

Respondents in the UK are among the most likely to see themselves as living independently in their own homes when they retire, with only a fractional 3% of respondents stating that they would like to live with

their children in later life, making those in the UK (along with those in the USA) the least keen on this course of action (see figure 1).

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'

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

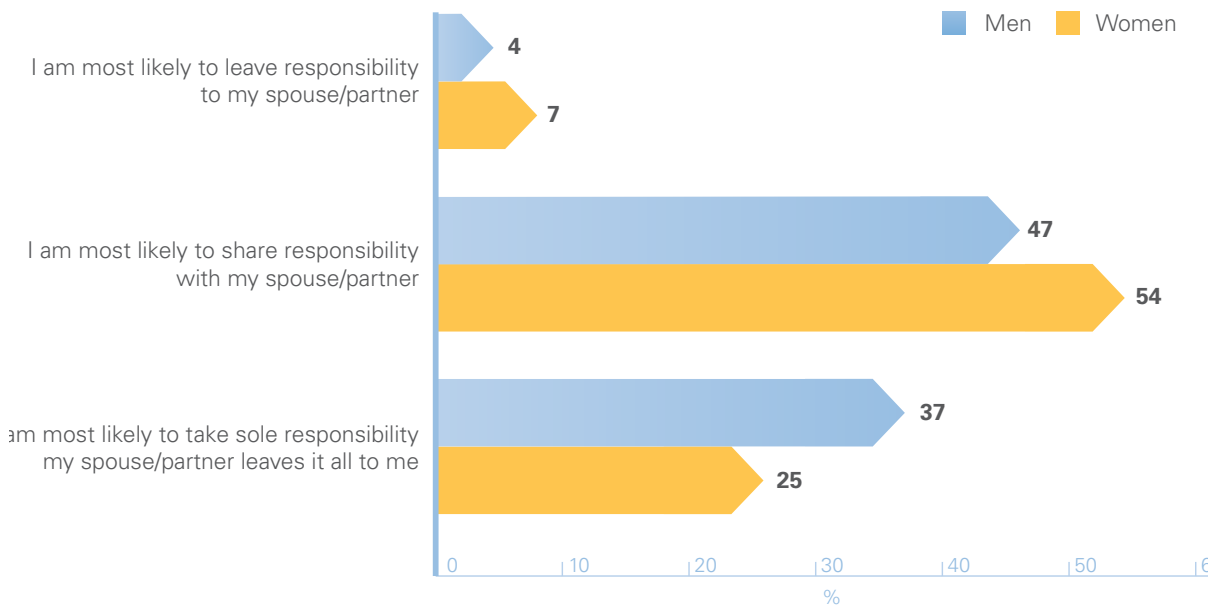
Mirroring the picture globally, while women in the UK are more likely to say that financial decisions are shared with their partner, men usually state that they make all, or most, financial decisions themselves. Men claim to exercise greater sole responsibility than women in nearly all financial decisions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

As in most countries surveyed, there is a clear gender divide in the UK when looking at the types of financial

decisions made by men versus women: men are more proactive when it comes to retirement planning (see figure 2), whereas women are more likely to take the lead in household budgeting (see 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 their retirement.

Figure 2: Men take greater responsibility for retirement planning

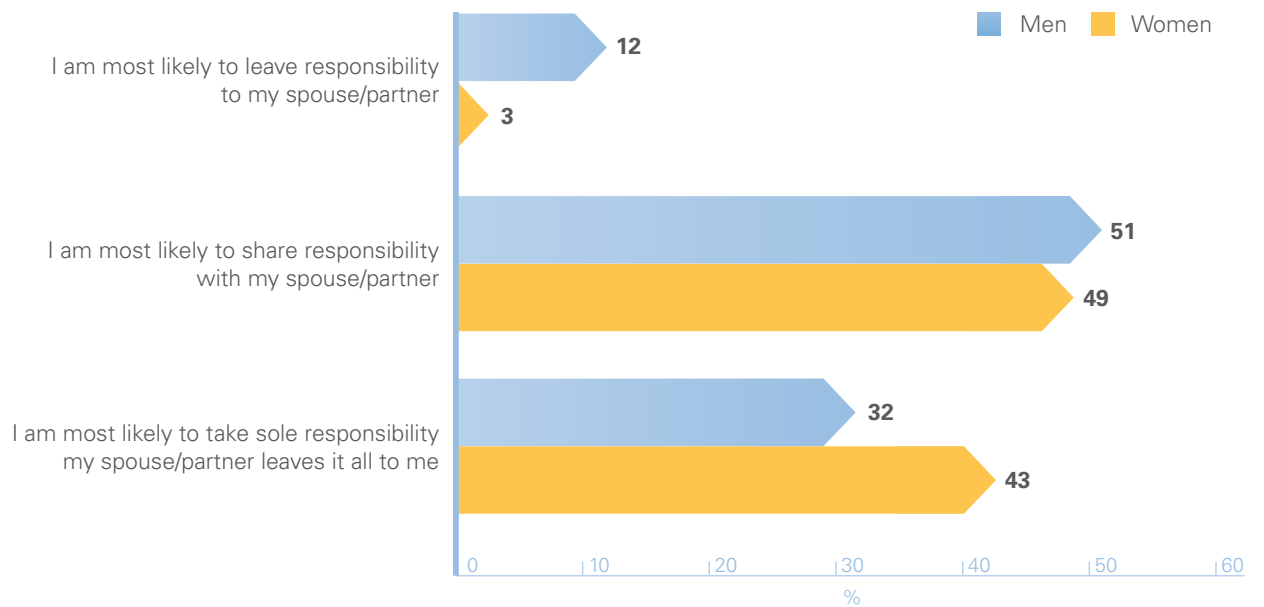
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: Respondents who are married or cohabiting

Figure 3: Women rule the roost on household budgeting

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



Base: 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 fifties and possibly beyond, depending on when they enter retirement and start to draw 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 UK households’ financial plans

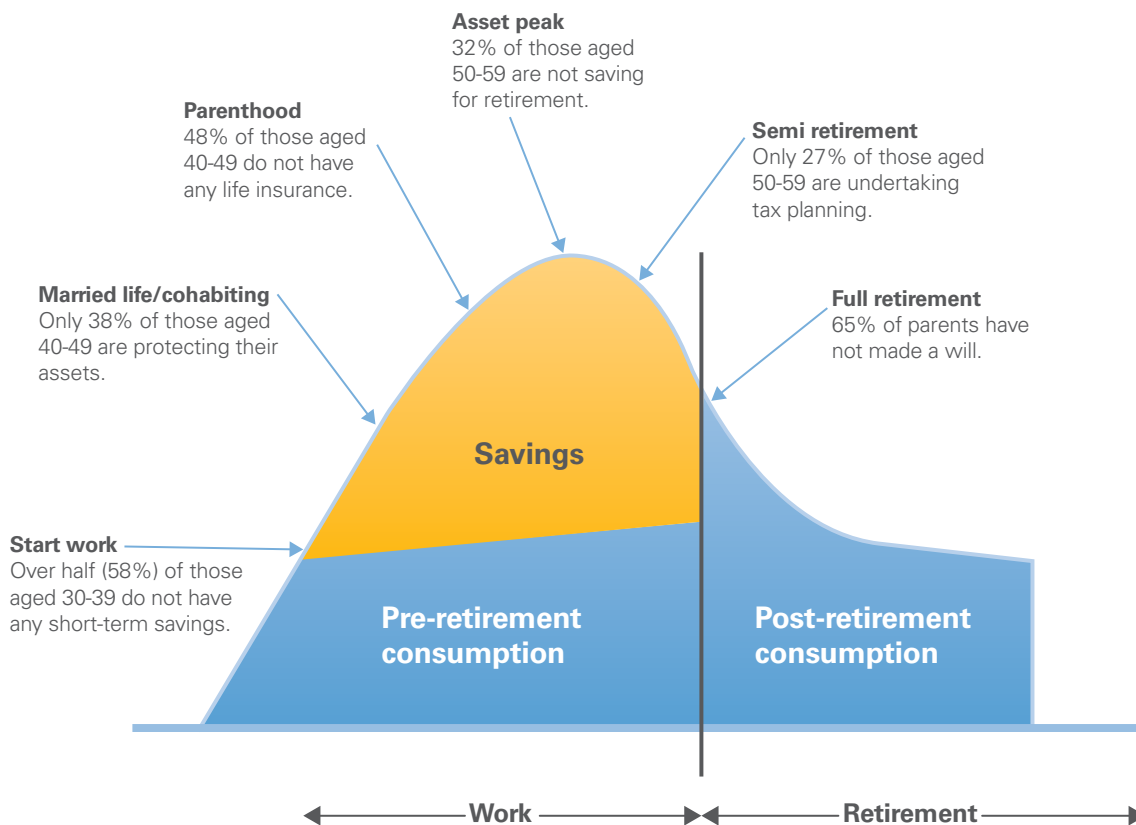


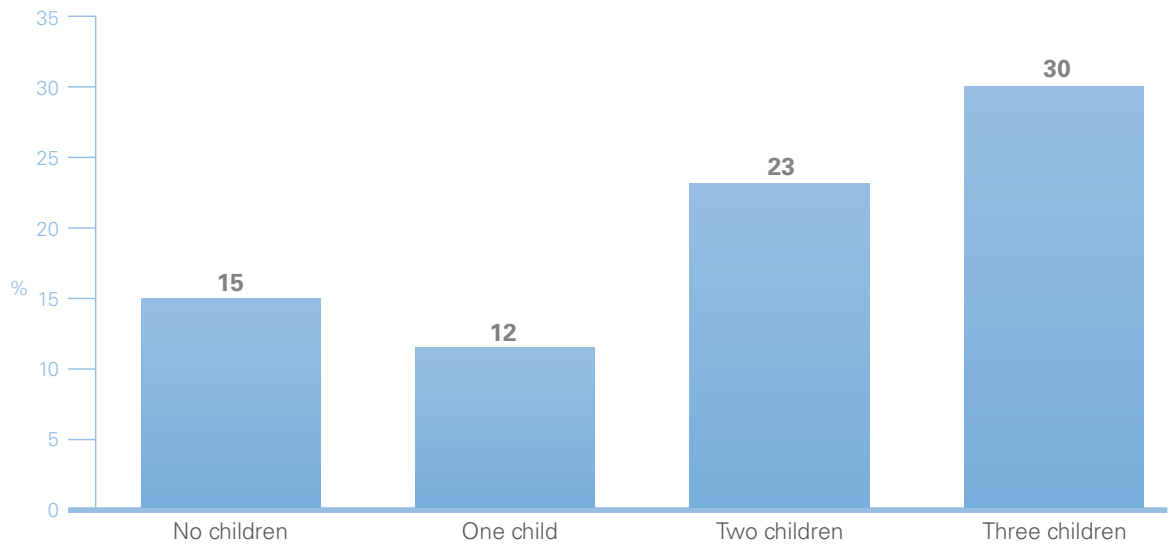
Figure 4 shows some of the key responses from the 40% of UK respondents surveyed who have a financial plan. Even though these households are planning ahead, there are still significant gaps in the contents of their financial plans. For example, 32% of planners in their fifties are not saving for retirement. Despite the fact that life insurance is widely available and all working parents have a need for this kind of

protection, 48% of those with children do not have a life insurance policy in their financial plans. Our survey found that 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, 12% of families with one child consider this extremely risky compared to 30% 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

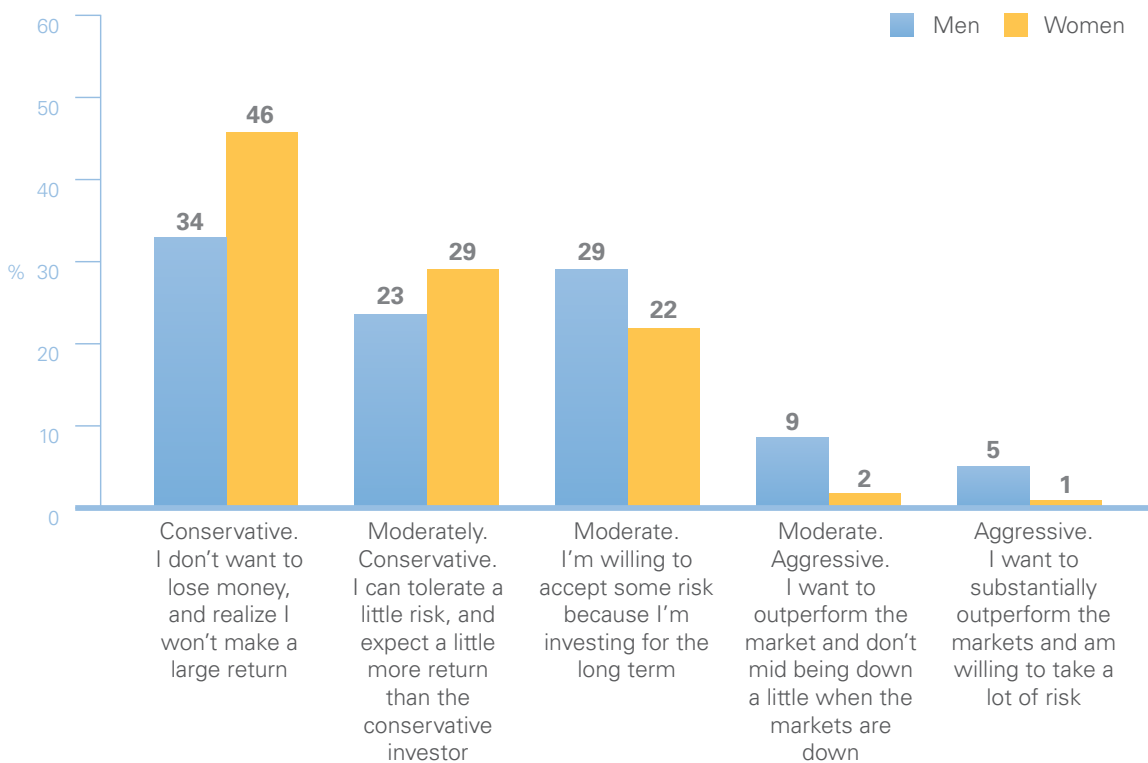
As figure 6 shows, women are significantly more likely than men to describe their attitude to risk as conservative, and this is reflected in their reluctance to hold more sophisticated savings and investment products. For example, 16% of men compared to 8% of women invest in mutual funds and investments to

build their retirement savings. However, both men and women show a strong 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?



While the risk of investing for the long term may be a major concern to some households in the UK, 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 respondents perceive the risk of not having retirement funds as slightly higher than the risk of investing for the long term: 15% of UK respondents thought that investing in stocks and shares was extremely risky, whereas 17% thought that not having

a private retirement fund was extremely risky. Not having life insurance was seen as being extremely risky by a similar number (17%) of respondents. However, going on holiday without travel insurance is seen to be extremely risky by one quarter (26%) of all respondents, rising to one third (32%) of women. The fact that people in the UK 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

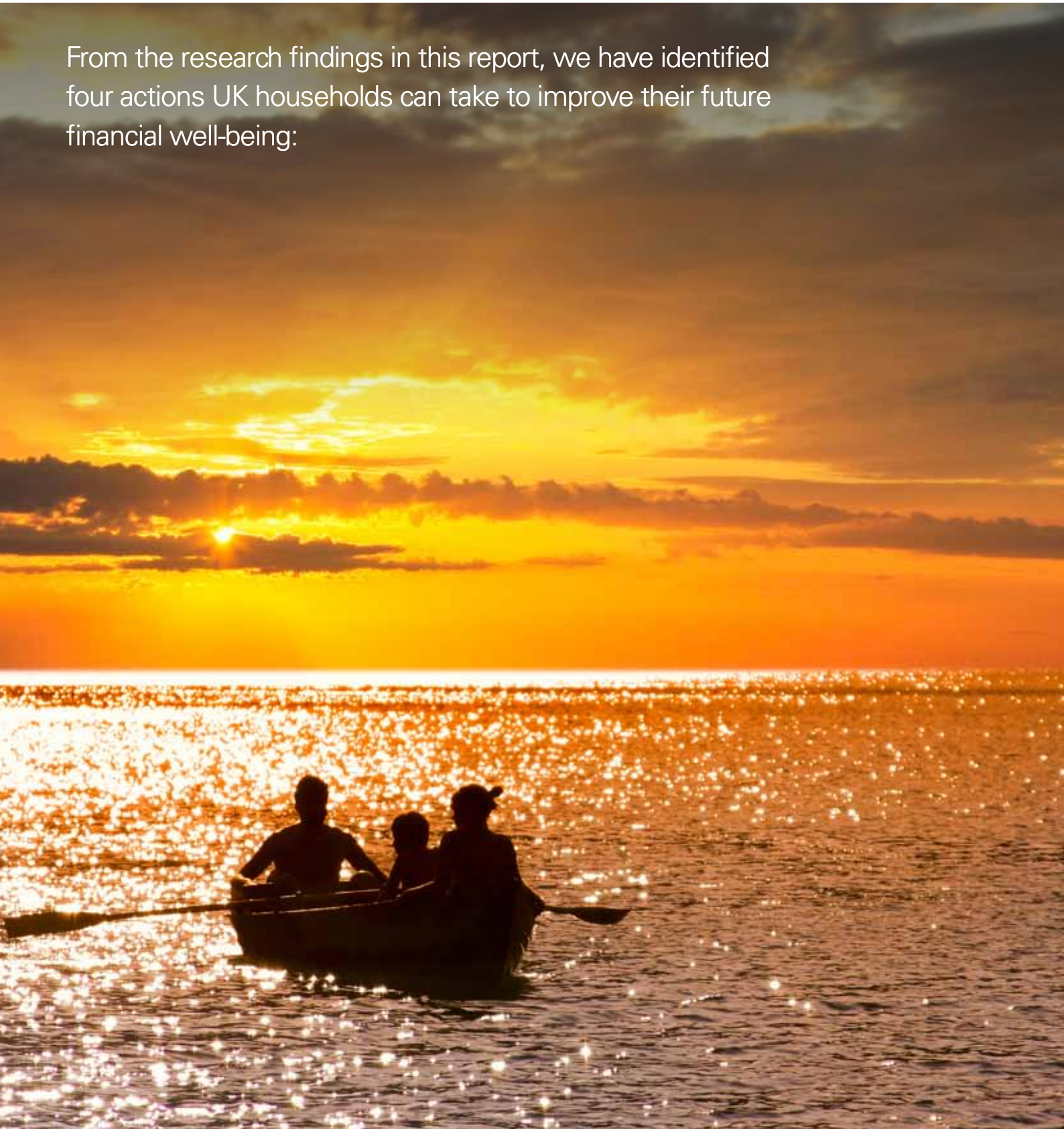
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares	15	15	15
Not having life insurance	15	20	17
Not having a private retirement fund	16	18	17
Going on holiday without travel insurance	22	32	26

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 UK 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 60% 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.

46% of women in the UK 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