

The Future of Retirement

Investing in later life



Fact Sheet United States¹

HSBC's fourth annual Future of Retirement survey of older people's work and retirement reveals a positive picture of how people see their prospects and lifestyles in retirement. The survey shows a surprising degree of optimism in the US with regards to financial security and living standards in old age. People pre-retirement do *not* expect their standard of living to get worse in retirement. *Nor* do retired people feel that their standard of living is worse than it was before. Despite the fact that the majority pre- and post-retirement are not worried about being able to cope financially in the future, a sizeable proportion do fear being in a vulnerable situation in retirement.

Investing in Later Life - Key US Findings

Preferred legacy is perspective on life

Both expectation and confidence in government support is low

High preference for enforced savings to fund retirement

Highest proportion in Americas looking forward to retirement

Lowest proportion in Americas fearing illness/disability, dependency and lack of resources in later life

Taking *Expectations, Choice, Preparedness and Inheritance* as its main themes, *Investing in Later Life* highlights the key ways in which individuals in the UK are preparing for their retirement.

1. Expectations: state provision may not be enough

Many governments have promised generous public pensions from 60 or 65 years, but these are seen to be increasingly unsustainable as we live longer.

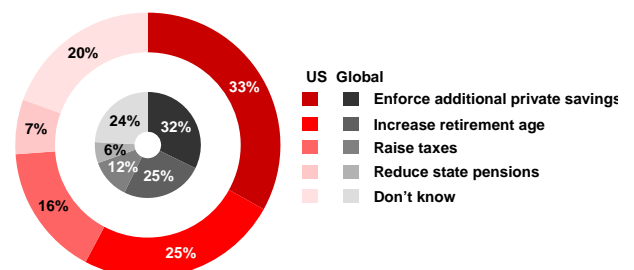
Globally, 31 per cent of respondents feel it is governments that *should* bear the financial costs of retirement provision. However, in the United States, expectation of government support is low, with only 14-15 per cent of respondents believing that government *should* bear this financial burden. Given these low expectations, it is perhaps not surprising that confidence is equally low: only 11 per cent of the working population and 14 per cent of retirees expect government to provide retirement provision.

2. Choice: how to provide for the ageing population

Given that both expectations and confidence in government support is low in the US, we asked respondents – what needs to be done to address the demands of ageing populations?

Globally, 36 per cent pre-retirement and 29 per cent post-retirement feel that governments should *enforce additional private savings* as the preferred means of providing for the aging population. In the United States, there is similar support, with 32 per cent of the working population and 34 per cent of retirees seeing enforced additional savings as the optimum solution. The next most popular approach is increasing the retirement age, with 22 per cent of the pre-retirement and 28 per cent of the post-retirement group opting for this initiative. The other mechanisms of state funding are markedly less popular: 12-20 per cent would increase taxes and 3-10 per cent would reduce state pensions.

What should the government do first of all to support the ageing population?



¹ Definition of high and low household income cut-off point: 35,000 USD (annual)

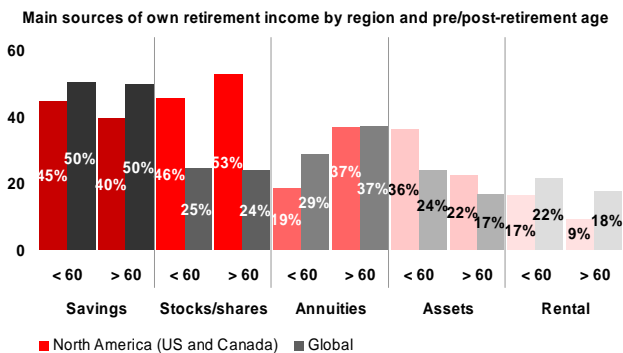
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3. Preparedness: the four pillars

The majority pre- and post-retirement are *not* worried about being able to cope financially in the future. But how are people in the United States planning, preparing and investing for their retirement? And is this general optimism about a comfortable retirement justified?

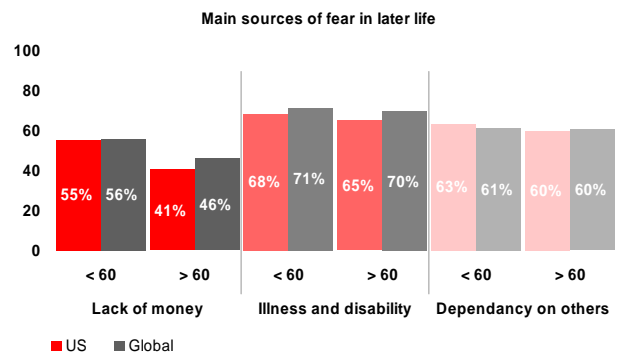


In the US, each of the four pillars of support for later life (*government, employer, family and self*) is regarded as contributing to retirement income. Overall, *self* is seen as the most important contributor, *government* is ranked as second most important, while family and employers are seen as making a lesser contribution to retirement funding.

It is notable that there are differences in the importance of these four pillars in relation to household income. For low income US households, *government* is easily the most important followed by *self, family and employers*. For high income US households, *self* is the most important followed by *employer, family and government* as the least important contributor to retirement income.

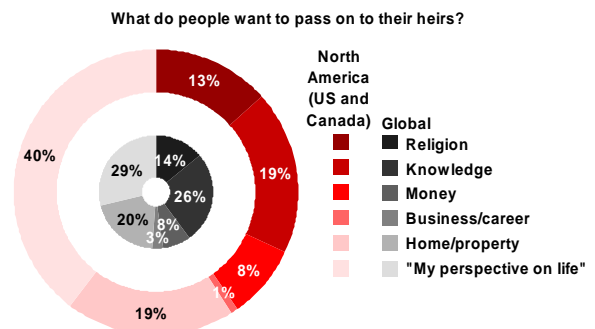
Not surprising perhaps, 77 per cent of the pre-retirement group surveyed in the United States is looking forward to retirement: this is the highest level of any country in the Americas. Nevertheless, many respondents do fear being in a vulnerable situation in retirement. In the context of the Americas however, the United States still has amongst the lowest proportions of respondents who are apprehensive about illness/disability, dependency and even lack of money in later life. Thus, 55 per cent pre-retirement fear not having enough money in old age, 63 per cent fear dependency, and 68 per cent fear

illness/disability. Post-retirement these proportions are 40, 60 and 65 per cent respectively. It is notable that the proportion of Americans fearing a lack of money in later life is greater pre-retirement, namely 55 per cent compared with 40 per cent post-retirement.



4. Inheritance

Globally, most people want to pass on something to their heirs and perhaps surprisingly a majority choose the 'soft', less tangible values which we collectively termed *perspective on life, spirit/sense of humour*, rather than more tangible legacies such as money.



In the United States, the findings show that 81 per cent of the working population and 74 per cent of retirees want their heirs to principally inherit their perspective on life (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). Only 26 per cent of those pre-retirement and 39 per cent of retirees favour leaving behind tangible or material legacies (*home/property, money and business/career*).