



# The Future of Retirement

*Investing in later life*

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## Definitions

### Mature economies

Those that industrialised early, have large service sectors, affluent populations, long-established pensions infrastructure and legislation and provide a comprehensive welfare 'safety net' for their citizens. Included are Denmark, Sweden, the United Kingdom, France, Germany, the United States, Canada and Japan.

### Mature Western economies

The mature economies of Europe and North America, excluding Japan.

### Transitional economies

Those that do not yet meet the definition of a mature economy. Included are Brazil and Mexico in Latin America; Russia, Poland and Turkey in Europe; India, the Philippines, Malaysia, Singapore, China, Taiwan, South Korea and Hong Kong in Asia, South Africa, and Saudi Arabia in Eurasia/Africa.

### Trendsetters

People who live mainly in towns and cities, and who work in the manufacturing, service sector and other modern areas of the economy, such as the information technology industry. They contrast with the greater numbers of people still in traditional, rural, family-based employment, or those working in primary industries such as mining, fishing or forestry.

# Foreword



Welcome to our fourth Future of Retirement report.

The world is changing. Several fundamental shifts are taking place that affect how countries, companies and people interact, conduct business and live our lives. HSBC's strategy is set in response to the long-term trends that we believe are shaping the future; one of the most profound of these being that longevity is increasing across the globe.

Over the next half century, we will witness an ageing population whose size and scope has no precedent in human history. But that is only half the story. People everywhere are not only living longer, but are expecting more out of their later years. This is a phenomenon seen around the world, aided by advances in medical science, an increasingly interconnected global community and a worldwide reduction in poverty levels.

Research is essential to planning for the resultant changes in society, and I am proud that The Future of Retirement, *Investing in later life* – the largest international study on ageing of its kind – can play a part.

HSBC commissioned this comprehensive research to provide an in-depth exploration of retirement issues across the globe. As a global corporation and the world's leading emerging markets bank, it is important to us that the survey investigate our customers' situations in all our markets; which means both mature and emerging economies. We have looked at retirement trends, attitudes towards ageing and how people across the world prepare for the 'golden years' of life – their expectations, the way they plan for their own lives, and the way they plan for their families.

Both the size and vitality of the coming ageing generations have implications for Governments, companies and individuals. This HSBC research is an invaluable resource. It is designed to encourage and contribute to a public dialogue about ageing – considering its related issues, and celebrating the economic and social contributions of the older generations.

I would like to thank the Oxford Institute of Ageing, to whom we are indebted for their continued work. Bringing ageing issues to the forefront of the public consciousness is important work, and I am grateful that our partnership helps promote discussion and understanding of how we will live our later years.

**Stephen Green**  
Group Chairman  
HSBC Holdings plc



## HSBC Insurance

I am delighted to share with you our latest Future of Retirement report.

Life expectancy is rising – but increased human longevity and a rapidly ageing world population present both opportunities and challenges to nations, corporations and individuals. As life expectancy has increased, so planning for the later years has meant planning for *more* later years. While this has an impact on today's younger generations, it presents particular issues to those generations entering into older age within the next decade or so.

To compound matters, planning for the future means different things to different people. Our attitudes towards retirement have changed – specifically, how long we choose to work – as has how we look at managing our assets. Our views on savings, pensions, insurance, investments and succession planning are different to those of the generations that came before us.

This report provides the basis for analysis of the effects of a shifting global demographic. It compiles the opinions of over 21,000 individuals from 25 countries and four generational groups – both pre- and post-retirement – and provides some surprising insights.

The data we have gathered shows particularly revealing differences of opinion between these generations, as well as between the genders, low- and high-income

households and different countries, across our four key themes: expectations, choice, preparedness and inheritance.

It is essential reading for any government, company or individual making important decisions about retirement and ageing issues.

The Future of Retirement survey is of immense value to HSBC, enabling us to tailor our financial solutions to provide support and address the wide-ranging needs of our 128 million customers worldwide. To meet the requirements of such a large client base would be challenging if it were homogenous; but meeting the needs of customers in 83 countries and territories, representing every point of the financial spectrum, would be virtually impossible without insight into their myriad wants and concerns.

The Future of Retirement research has helped establish HSBC as an authority on ageing issues, together with our partners, the Oxford Institute of Ageing, to whom we are grateful for their help and support. The result of this affiliation has allowed us to provide solutions to our own customers and information to countless others, and has done much to expand the public discourse on ageing issues.

**Clive Bannister**  
Group Managing Director  
HSBC Insurance



The Future of Retirement, *Investing in later life*, is the fourth report of a global study which started in 2004/5. It provides a unique opportunity to examine over time the way in which individuals and societies are preparing for later life and retirement in the light of ever lengthening lives.

The HSBC Future of Retirement research is undertaken by the University of Oxford and

provides a key data resource for the 21st Century by mapping attitudes, behaviours and expectations towards and amongst the globe's ever-increasing older population.

**Professor Sarah Harper**  
Director  
Oxford Institute of Ageing  
University of Oxford

# Executive summary

*Investing in later life* presents the results of the fourth phase of analysis of the HSBC Global Ageing Survey. Preparation for later life varies between the generations and genders, between countries and between regions. Yet clear patterns are emerging as more and more workers employed in advanced economic labour markets, even within less advanced economies, take up modern retirement lifestyles and patterns. Taking *Expectations, Choice, Preparedness* and *Inheritance* as its main themes, *Investing in later life* highlights the key ways in which individuals across the globe are preparing for their retirement.

## Expectations

Globally, more men than women believe that government *should* support them in retirement. In the mature economies, more of the younger pre-retirement generations believe that their government *should* bear most of the financial costs of supporting them in old age. Meanwhile in the transitional economies, it is the older post-retirement generations who express this. Notably, however, three-quarters of all surveyed said that, despite their wishes, their governments would not support them in old age and that they had to look elsewhere.

## Choice

Across the globe less than 10 per cent of the pre- and post-retirement age groups feel that their government should reduce pensions to finance and support the ageing population. Around 12 per cent feel that taxes should be increased and around 25 per cent feel that the retirement age should be increased. The majority of both younger and older generations, however, wished to see enforced private savings. Our analysis reveals a wish for individuals to be in control of their future financial security, combined with a willingness to work longer if necessary, and there is thus a need for structures to enable them to do this. This places the onus both on individuals to save to ensure financial security in old age and retirement, and on private rather than tax-financed savings. Overall, people are saying to governments that they do acknowledge the need to finance their old age; that they do not feel confident in governments; that they do not see increased taxes or lower pensions as the preferred means to provide financial security in old age.

## Preparedness

There is an encouraging degree of optimism, especially in the mature economies, with regards to financial security and living standards in old age. In all five regions, each of the four pillars – *government, family, employer* and *self* – is regarded as contributing to retirement income – and nowhere is any pillar regarded as redundant. However, there are significant differences in their relative importance across the regions.

In Europe, Denmark rates *government* as highest, while the UK and Germany place *family* as lowest. In the Americas, the US and Canada place the *individual* as highest, while Brazil and Mexico place *government* top. Across Asia, *families* and *individuals* come highest, with *government* and *employers* as lowest. While in the mature economies, those with high household income place emphasis on *themselves* and *employers* as the most important source of their retirement income, lower income households rate *government* and *family* as most important. By way of contrast in Asia, *individuals* and *families* are ranked highest regardless of household income.

We define vulnerability in a specific manner, identifying three groupings:

- ▶ A small proportion of people will be prepared for retirement and be completely protected. These live mainly in Europe and North America; they are more likely to be healthy men with a good source of working life income.

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*“In each generation, only around 10 per cent would like their heirs to inherit their money”*

- ▶ A larger proportion will be totally unprotected in retirement and these live mainly in Eastern Europe, Asia, Africa and Latin America. They are likely to be both men and women, in poor health, with a poor source of working life income and more reliant on families and communities for support.
- ▶ The largest grouping are neither totally prepared in terms of retirement nor totally unprotected. These individuals are vulnerable to falling into poverty in later life, unless they prepare. The risk of this varies between countries and depends upon the range of state provision offered, the role of families and communities as well as the possibility of finding work in later life. Individuals also have differing vulnerabilities depending on whether they are male or female, their health, skills and ability to undertake work.

Regardless of the weighting of the four pillars of retirement income, everyone is likely to have some form of own income when they retire – either planned or de facto, modest or substantial. This may be *savings, assets, rent from property, annuities* or income from *stocks/shares*. However, the survey reveals significant variation in the sources of retirement income across generations and between countries. While larger proportions of higher income groups and men tend to have more than one main source of retirement income, lower income groups and women tend to be reliant on just one source of retirement income.

In Denmark, the United Kingdom and France, savings are the main source of retirement income. In Germany, *annuities* are the main source of retirement income, while in the United States it is *stocks and shares*, and in Canada a mix of *savings* and *stocks and shares*. In Asia *savings* are the overwhelming main source. In South America, there are very different patterns in the two countries surveyed there. In Mexico it is *assets* and *savings*, while in Brazil it is *annuities*.

Clearly, those dependent on single source retirement incomes are more likely to fall into the so-called ‘*vulnerability trap*’. People therefore fall into three categories: a relatively small proportion who are prepared for retirement and protected; a larger proportion who are almost completely unprotected; and a substantial

middle group who feel they are protected and feel secure, but who in fact face the prospect of falling into the ‘*vulnerability trap*’ with limited amounts of *government* support, limited own income and *families* hard pushed to provide help and support. It is here that *governments*, communities, *individuals* and the private sector must act together.

## Inheritance

The Future of Retirement survey looked at the area of inheritance. Most people want to pass on something to their heirs. Perhaps, contrary to expectations, this is frequently not money. In each generation, only around 10 per cent would like their heirs to inherit their *money* and 20 per cent their *home* and *property*, whereas more would like to pass on their *perspective on life* (for example *spirit/sense of humour, way of giving to the community*). Overall, about 60 per cent would like their heirs to inherit their *perspective on life* and *knowledge*. Women are more likely than men to want to pass on their *perspective on life*, whereas men are more likely to want to pass on *money* or *home/property*.

The mature European and North American economies are examples of where it is surprisingly not *money* which individuals most want to leave to their heirs, but less tangible values such as *perspective on life* followed by *knowledge*. This is also the case in South America, where inheritance preferences centre inherently on ‘soft’ values, with *knowledge* being the most popular. In the Asian economies overall, people also most want their heirs to inherit their values including *religion, knowledge* and *perspective on life*. In the Eurasia/Africa region, *religion* is the main preference in terms of what to leave behind, with the exception of Russia, where people would most like to leave *property*.



# Introduction

Between 1950 and 2006, the proportion of the world's population aged 60 years and over increased from 8 to 11 per cent. By 2050, it will reach 22 per cent, equating to 2 billion people.

The scale of ageing is immense, and varying, across the globe. According to United Nations' forecasts, in the more developed regions the percentage of the population aged over 60 years is expected to increase from 20 to more than 30 per cent by the year 2050. In the less developed regions, the proportion is expected to increase from 8 to 20 per cent, and from just 5 to 10 per cent in the least developed regions.

The prospect of a relatively long and healthy life is real for many of us and therein lies both the challenge and the opportunity for every individual, country and government.

It is against this demographic backdrop that HSBC's Future of Retirement Survey was developed and run annually from 2004/05. The survey includes the *mature economies* of Canada, the United States, France, Germany, Japan, Denmark, Sweden and the United Kingdom. These economies industrialised early, have relatively large service sectors, affluent populations and long-established pension infrastructures and legislation. The *transitional economies* included in the survey comprise Brazil, China, Egypt, Hong Kong, India, Indonesia, Malaysia, Mexico, the Philippines, Poland, Russia, Saudi Arabia, Singapore, South Korea, South Africa, Taiwan and Turkey.

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*“There was clearly a global trend towards contributory and responsible retirement”*

The first wave of analysis in 2004 covered approximately 11,000 persons aged 18 years and over in 10 countries<sup>1</sup> and territories across four continents, and focused on their attitudes and expectations of ageing and later life. It was clear that people were predominantly positive across the globe with respect to their future in an ageing world.

The second wave of analysis in 2005 covered approximately 24,000 persons aged 18 years and over in 20<sup>2</sup> countries and territories across five continents. It focused not only on attitudes to ageing and later life but also to the family, workplace and state. There was clearly a global trend towards contributory and responsible retirement.

The third wave of analysis in 2006 covered 21 countries<sup>3</sup> and approximately 21,000 persons in the pre- and post-retirement age groups 40-49, 50-59, 60-69 and 70-79 years. It was clear that people generally feel good – in some cases even better – as they age. Key factors are independence, good health and control. In addition, it was clear that families are the foundation

of society, the entity with which we identify most and within which we exhibit significant feelings of intergenerational solidarity. Contrary to the popular myth, older generations are *not* simply passive recipients of increasing amounts of support. They provide huge amounts of support within the family, the community, and the workplace.

This report, *Investing in later life*, published in 2008, presents the results of the fourth phase of analysis and looks at preparation for later life, focusing on two pre-retirement generations, aged 40-49 and 50-59 years, and on two post-retirement generations, aged 60-69 and 70-79 years. As well as presenting new analysis, this report also brings together for the first time results from the first three waves of research, in the context of investment in later life.

It should be noted that, in the transitional economies, predominantly urban populations are covered by the research.

<sup>1</sup> Brazil, Canada, China, France, Hong Kong, India, Japan, Mexico, United Kingdom, USA

<sup>2</sup> Brazil, Canada, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Japan, Malaysia, Mexico, Poland, Russia, Saudi Arabia, Singapore, Sweden, Turkey, United Kingdom, USA

<sup>3</sup> Brazil, Canada, China, Denmark, France, Germany, Hong Kong, India, Japan, Malaysia, Mexico, the Philippines, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Taiwan, Turkey, United Kingdom, USA





The Future of Retirement *Investing in later life*

1

# Expectations

The global map of  
preparation for later life

*How am I preparing for later life and do I expect  
my government to bear the brunt of doing so?*

“Many feel that their government should, but won’t, support them in retirement”

The survey sought to answer key questions regarding preparation for later life. Across the globe, are individuals expecting *employers, governments, or families* to support them? Or are they increasingly reliant on *themselves*? And how does this vary between the regions and countries, between men and women, and in relation to source and amount of income?

Governments in the mature economies are worried that their ageing populations will increase public expenditure through increases in demand for pensions. Many governments have promised generous public pensions from 60 or 65 years of age, but these are increasingly unsustainable as we live longer lives. Pensions designed to support us in retirement for a decade are now expected to support us for 25 to 40 years.

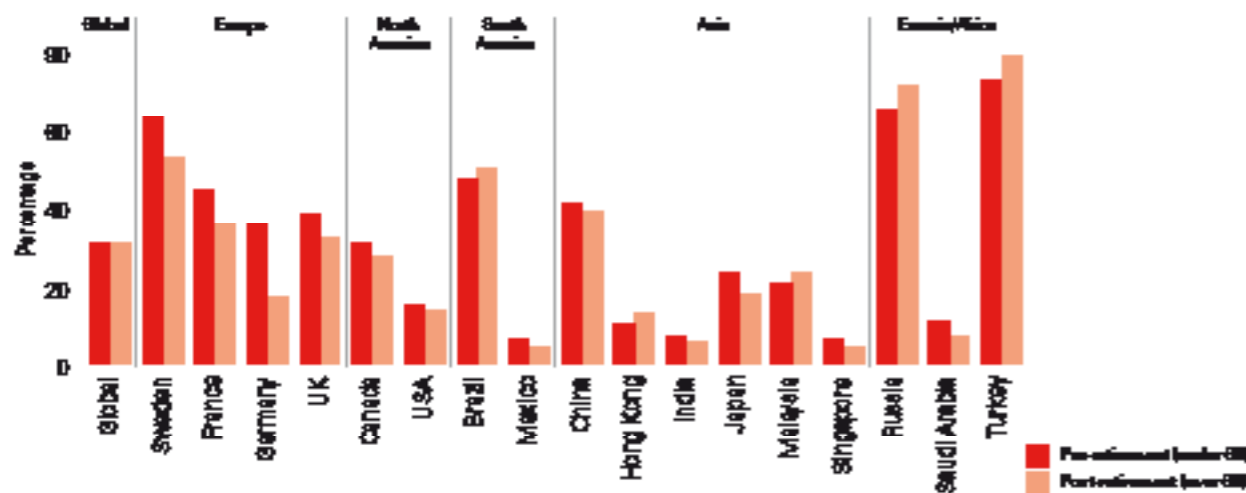
Many governments of transitional economies have yet to respond to the dramatic ageing of their populations over this first quarter of the 21st century. Without the benefit of universal provision, these governments and populations will have to find ways to combine state, community and family-based initiatives.

**The role of governments**

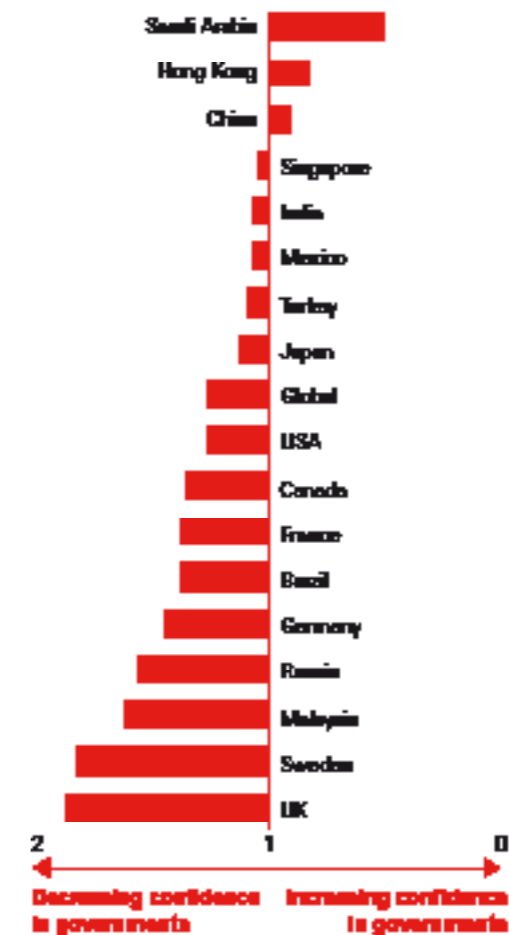
Figure 1.1 illustrates the proportions of individuals pre- and post-retirement in each country who believe that their government *should* bear most of the financial costs of supporting them in retirement.

Across the countries/territories surveyed, expectations of, and confidence in, governments varies a great deal. For example, in the USA, Japan, Mexico, India, Malaysia, Singapore, Hong Kong and Saudi Arabia only a modest proportion of individuals both pre- and post-retirement believe that their government *should* bear most of the financial costs of supporting them in retirement (at most 25 per cent depending on country). However, this proportion is larger in Scandinavia (up to almost 65 per cent), Europe (up to 45 per cent), Brazil (up to 50 per cent) and China (around 40 per cent).

**1.1 Proportions who believe their government should bear most of the financial costs of supporting them in retirement by generation and country**



**1.2 Ratio of number who believe that government should support them in retirement, to those who believe that government will**



In the mature economies, the data reveals that more of the pre-retirement generations than the post-retirement ones believe that their governments *should* bear the financial costs of supporting them in old age, while the reverse is generally the case in the transitional economies.

Globally, there is a general tendency for a larger proportion of males than females to believe that the government *should* support them in retirement. This pattern is present in both transitional and mature economies, with the reverse only found in Turkey, Japan and India.

Figure 1.2 illustrates that, across the majority of economies, the proportion who think that their government *will* bear most of the financial cost of supporting them in retirement is far smaller than those who believe that they *should*.

Ratios greater than 1 indicate that attitude (*should* bear the costs) is greater than belief (*will* bear the costs) and this is interpreted as a lack of confidence in governments to meet these costs.

Interestingly, more people post-retirement than pre-retirement believe that their governments *will* bear these costs. For example, in Sweden 24 per cent of 40-49 year olds believe governments *will* bear these costs; this rises to around 40 per cent of 60-79 year olds.

In terms of gender specifics, in the majority of economies there is a tendency for larger proportions of males than females to feel confident of government support. The reverse is seen in Japan, India, Singapore and Russia.

In mature economies, with their long histories of government preparation and provision of pensions, up to two-thirds of the pre-retirement generations feel that governments *should* take responsibility, but only around a quarter believe they *will*. Contrastingly, in most of the transitional countries, where there has been far less time for government preparation and provision, and hence there are far less well-developed systems of state provision, less than a quarter believe governments either *should* or *will* provide support – notable exceptions here are Russia, Turkey and China.



The Future of Retirement *Investing in later life*

2

# Choice

Global retirement  
and work choices

*How am I preparing for later life  
and what are my options?*

“Each of the four pre- and post-retirement generations strongly supports enforced additional private savings as a first step”

The survey sought to answer key questions regarding attitudes to preparing and saving for retirement. For those expecting to look after themselves, how are they preparing, and how does this vary? The three main options available are working longer, saving more, or accepting higher taxation.

Given the obvious lack of confidence in governmental support, particularly where these governments have traditionally played a key role in provision for old age – what needs to be done to address the demands of ageing populations?

The usual mechanisms of government, such as raising taxes, reducing state pensions or increasing retirement age are rejected almost universally. Many clearly believe it will ultimately be up to individuals to secure their own later life, and their message to governments is that they should enforce additional private savings. When given the choice of enforced additional private savings, raising taxes, reducing pensions or increasing retirement age, 34 per cent feel that governments should initially enforce additional private savings to support and finance their ageing populations. This proportion decreases with the increasing age of the respondents, from 38 per cent of the 40-49 year olds to just 26 per cent of the 70-79 year olds. At the global level, males are more inclined than females to recommend this to governments, slightly more so post-retirement.

Globally, the survey showed that only a minority of individuals favour reducing state pensions as the principal means of supporting an ageing population and nowhere is it the most preferred option. In fact, only around 7 per cent of respondents feel that governments should reduce pensions to finance the increasing number of retirees. Around 12 per cent feel that taxes should be increased and around 25 per cent feel that the retirement age should be increased. Between 20 per cent pre-retirement and 28 per cent post-retirement are not sure which of these initiatives government should pursue as their first priority.

The survey findings illustrate that each of the four pre- and post-retirement generations strongly supports enforced additional private savings. However, although this strategy is popular amongst respondents globally, it is not the preferred option in all regions.

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

Enforce additional private savings		Increase retirement age	
Germany	68%	Japan	46%
Saudi Arabia	58%	Singapore	41%
France	48%	Hong Kong	38%
Brazil	45%	UK	37%
India	37%	Turkey	28%
Mexico	35%		
USA	33%		
Malaysia	32%		
Canada	32%		
Raise taxes		Unsure	
Sweden	33%	Russia	42%
		China	42%

**Savings, taxes or work – The younger generations**  
**40-59 year olds:** Enforcing additional private savings was not the preferred option in two areas, namely, in Northern Europe and some parts of Asia. In the Northern European economies of Sweden and the United Kingdom, together with China, the 40-49 year olds are more inclined to recommend raising taxes than enforcing additional private savings. This was especially the case with males. Meanwhile, respondents (especially females) in Japan, Singapore and Hong Kong, chose increasing the retirement age. A similar picture was seen in the 50-59 age range, with Mexico and USA also marginally favouring increasing the retirement age.

**Savings, taxes or work – The older generations**  
**60-69 year olds:** For this generation, Sweden is the only economy where the favoured option is that governments should raise taxes to support the ageing population (29 per cent). Seven economies favour enforcing additional private savings (predominantly developed economies) and six economies favour increasing retirement age (predominantly transitional economies plus Germany and France). The gender picture shows variation between countries, with all options being favoured more by women in some economies, and by men in others.

Among those economies favouring enforced additional private saving, females were more inclined to choose this option than males in Mexico (53 compared with 12 per cent), Saudi Arabia (77 compared with 67 per cent) and Germany (82 compared with 69 per cent). The reverse is found in Brazil, Malaysia and France. In Sweden, where increasing taxes to support the ageing population is the favoured option, females again show relatively stronger support (37 compared with 23 per cent). Among those economies favouring increasing retirement age, Japan, Singapore and Hong Kong have a stronger inclination among males (37-49 per cent compared with 32-48 per cent), while in the United Kingdom, the USA, Canada and Turkey there is a larger proportion of females favouring this option (30-56 per cent compared with 29-46 per cent). In India, where increasing retirement age and enforcing additional private savings are equally favoured options, savings is preferred more by males while increasing retirement age is predominantly a female option. In Russia and China, females are particularly unsure of their favoured option for governments.

**70-79 year olds:** In this generation, there is more uncertainty about what governments should do first to tackle the financial implications of the ageing population. This is the case in Brazil, Russia, Turkey, Malaysia and China. Surprisingly in this generation, the preferred option in Sweden is *not* raising taxes. Indeed, raising taxes – along with enforcing additional private savings – is the preferred option only in the United Kingdom. Elsewhere, enforcing additional private savings is

preferred by five countries (France, Germany, USA, Malaysia and Saudi Arabia,) and increasing retirement age by seven (Sweden, Canada, Japan, Mexico, India, Singapore and Hong Kong). Again, the gender picture is mixed, except with regards to increasing retirement age, which is chosen more often by men in all countries.

Thus, in summary, across the economies and generations surveyed, enforcing additional private savings to support the ageing population is the preferred option in the majority of cases, followed by increasing retirement age. Increasing the retirement age to support the ageing population is the favoured option in Japan, Singapore and Hong Kong, while raising taxes only finds support with some generations in the Northern European economies of Sweden and the United Kingdom. Individuals appear to be mature in their approach to addressing the challenges of an ageing population – and the implications of their own increasing longevity. There may be a feeling that governments *should* provide most of the financial support for older people, but individuals frequently doubt that governments *will* provide this financial support.

Our analysis has demonstrated that individuals want to be in control of their future financial security and they are willing to work longer if that’s what it takes. This highlights the need for structures that enable them to do this. It is also clear that the onus is on an individual’s private savings rather than tax-financed ones. This places the burden of responsibility both on individuals to save and ensure financial security in old age, and on private rather than tax-financed savings.

The Future of Retirement research shows that people are saying to governments that they do acknowledge the need to finance their old age; that they do not have confidence in governments providing support during retirement; that they do not see increased taxes or lower pensions as the preferred means to provide financial security in old age.



## “Optimistic and realistic – people are preparing for their financial future”

### Financial preparedness – The four pillars

There is a surprising degree of optimism, especially in the mature economies, with regards to financial security and living standards in old age. This section will address how people are planning, preparing and investing for their retirement, and whether their optimism is justified. It will analyse people’s expectations of the potential financial contribution from the four pillars of support – *government, family, employer* and *self*.

Figure 2.2 shows the relative importance of the four pillars in contributing to financing retirement globally and in each of the five regions of the survey, namely Europe (Denmark, the United Kingdom, France and Germany), Asia (Japan, India, the Philippines, Malaysia, China, Taiwan, Singapore, South Korea and Hong Kong), North America (Canada and the United States), South America (Brazil and Mexico) and Eurasia/Africa (Turkey, Russia, Saudi Arabia and South Africa<sup>4</sup>).

In all five regions, each of the four pillars is regarded as contributing to retirement income. Nowhere is a pillar regarded as redundant. However, there are significant differences in their relative importance across the regions.

In Europe, there are some interesting differences both within certain countries, and across the countries, due to their differing welfare regimes<sup>5</sup>.

For example, in Denmark there is a reasonably stable ranking across the generations. *Government* is seen as the most important contributor to retirement income in all four generations (a weighting of around 0.35) while *heirs/family* is seen as the least important (a weighting of around 0.16). Individuals rank *themselves* as the second most important contributor to retirement income.

Elsewhere in Europe, namely in the UK, France, and Germany, there is a tendency for the importance of *government* to rise with the age of the respondent. In both Denmark and France, *family* has the lowest weighting (0.15 to 0.19), while in the UK and Germany, there is a more or less equal weighting of the pillars but with *family* slightly less than the other pillars.

There is a clear difference in the relative importance of the four pillars between North and South America. In Canada and the USA, individuals regard *themselves* as the most important (or equally important along with *government*) contributor to their retirement income (a weighting of around 0.30), while in Brazil and Mexico there is a clear ranking of *government* as the most important contributor (a weighting of around 0.31).

Across both Europe and the Americas (excluding Turkey and Russia), the contribution of the *employer* and the *family* to retirement income is seen as less important.

<sup>4</sup> Respondents are asked to rank each of the four pillars separately as the most important, second most important etc. Scores of 4 are given to the most important, 3 to the second most important etc. The sum of scores for each is then expressed as a percentage of the total of the sum of all scores and this is regarded as the importance weight of the pillar.

<sup>5</sup> Esping-Anderson 1990.

<sup>6</sup> Definitions of low and high income vary from country to country and are found in the Appendix.

The relative importance of the four pillars changes quite dramatically in Asia, compared with Europe and the Americas. Across Asia – China and Japan being the only exceptions – individuals rank *themselves* or their *families* as the most important contributor, with the contribution from *family* and *individuals themselves* always ranked as more important than that of *employers* and the *government*.

In South Africa and Saudi Arabia, *government* is seen as the most important of the four pillars contributing to retirement income, this is followed by *family* and *individual* contributions. In Turkey, *family* is regarded as the most important contributor (a weighting of around 0.33), while *individuals* and *government* rank around equal second (a weighting of around 0.25), and *employers* have the least importance. In Russia, *government* and *family* are regarded as the most important, with *employers* again having the least importance.

Thus, there are strong and clear regional differences, with regard to the contribution of the four pillars, to retirement income.

In summary, *government* is seen as the most important contributor in South America and Denmark, while *government* and the *individual* dominate in the rest of Europe. The *individual* is seen as the dominant contributor to retirement income in North America, while in Asia *family*

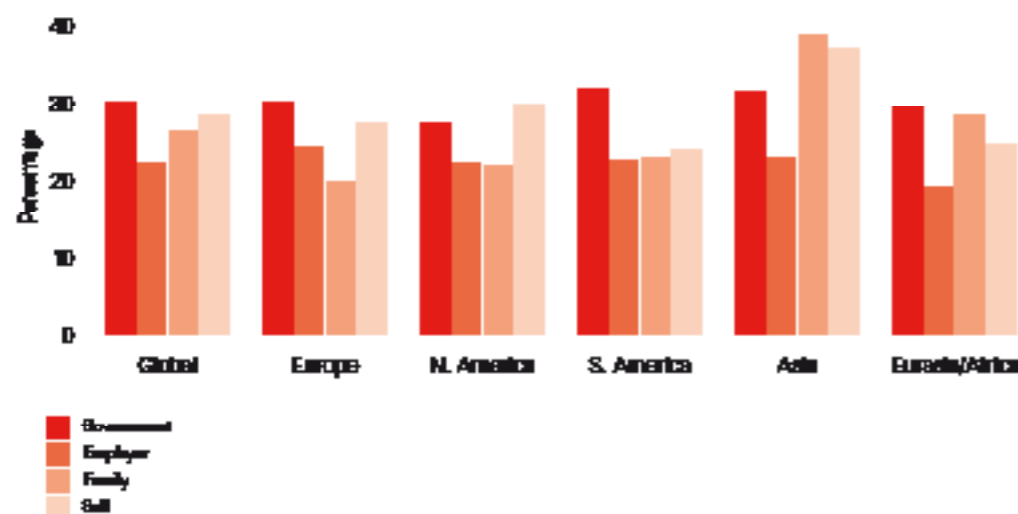
and the *individual* are jointly regarded as the most important contributors (China and Japan are exceptions with *government* seen as the most important contributor). Nowhere are *employers* seen as the most important contributor to retirement income, but nowhere is their contribution completely insignificant.

There are also strong and clear gender specifics. In Asia, the *family* and the *individual* are regarded as the most important contributors to retirement income. Women place *families* highest, while men place the *individual* highest. In those economies where *governments* are regarded as the most important contributor, men tend to rank *governments* as more important than women do. In North America, where *individuals* are regarded as the most important contributor, women particularly state this.

We can also consider the effect of household income<sup>6</sup> on the relative importance of the four pillars of retirement income.

In the mature economies of Europe and North America (Figure 2.3, see overleaf), there is a clear tendency for high income households to rank *employers* and *themselves* as the most important sources of their retirement income, while low income households are more inclined to rank *government* and *family* as most important.

### 2.2 Relative Importance of the four pillars of retirement income



“Employers are no longer seen as the most important contributor to retirement income”

For example, in Denmark 60 per cent of low income households rank *government* as the most important source of their retirement income compared with 37 per cent of high income households, while 24 per cent of low income households compared with 44 per cent of high income households rank *themselves* as the most important source of their retirement income.

Figure 2.4 illustrates the effect of income on the importance of the pillars of retirement income in the Asian economies.

In Asia we find a very different picture from that seen in the mature economies of Europe and North America. With the exception of Japan and China (and to some extent Taiwan) both low and high income households rank *themselves* and their *families* as the most important sources of their retirement income, while the role of *government* and *employers* is reduced dramatically in both income groups. Furthermore, in most Asian economies (including Japan, China and Taiwan), the effect of income on ranking of the pillars is quite modest, with the exception of Hong Kong and Malaysia.

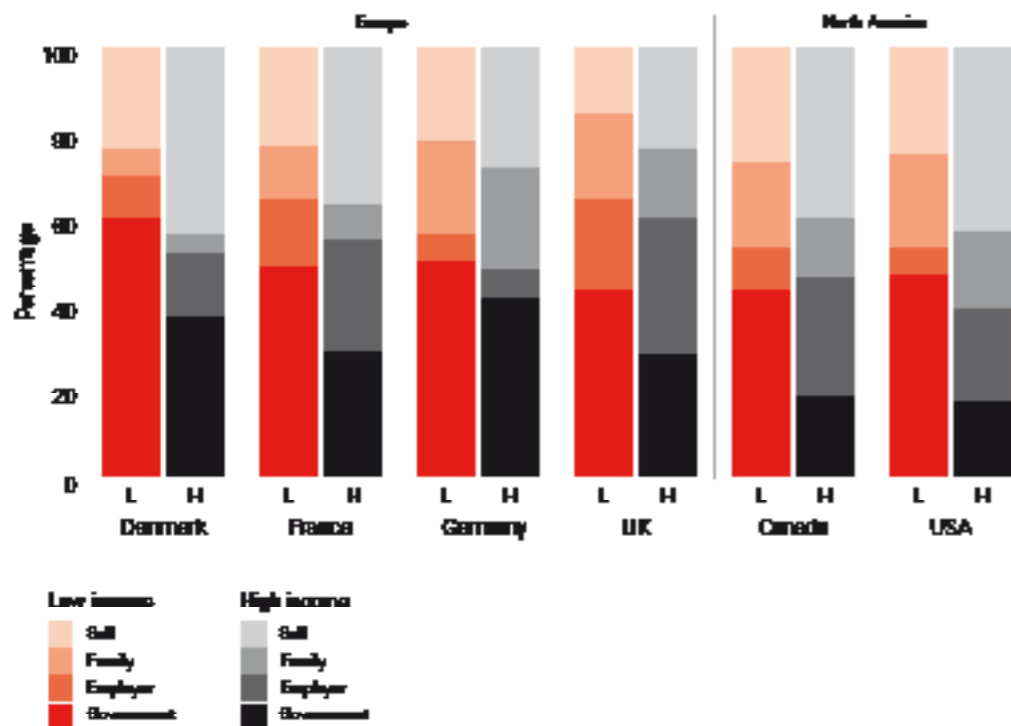
For example, in India, 22 per cent of low income households and 25 per cent of high income households rank *government* and *employer* as the most important sources of their retirement income, while 78 per cent and 75 per cent respectively choose their *family* or *themselves*. Conversely, in Hong Kong, 19 per cent of low income households rank *government* as the most important source compared with only 3 per cent of high income households, and 41 per cent of high income households rank *themselves* as the most important source compared with 27 per cent of low income households.

Figure 2.5 illustrates these household income effects in the remaining economies of the survey.

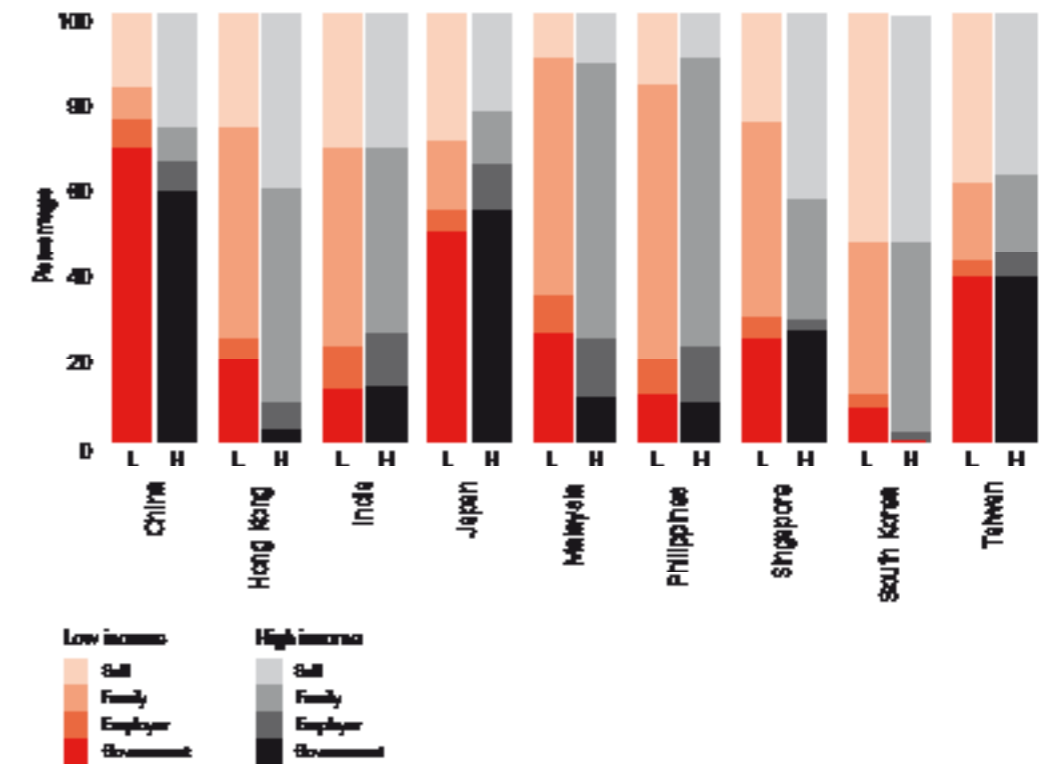
Turkey is seen to have an ‘Asian’ characteristic in respect of the importance of the pillars, with *family* being ranked as the most important source of retirement income.

Elsewhere in Europe, *government* is ranked as the most important source, except in Russia where high income households are more likely to rank *family* and *themselves* as most important. Low income households are more likely to choose the *government*.

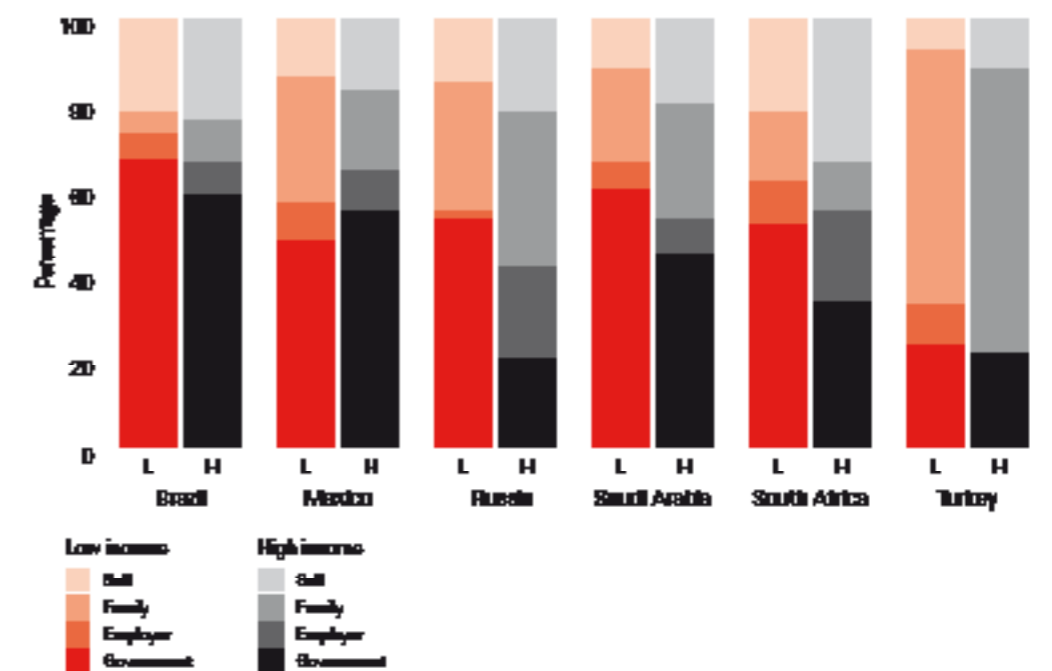
2.3 Relative Importance of the four pillars of retirement income (Europe and North America)



2.4 Relative Importance of the four pillars of retirement income (Asia)



2.5 Relative Importance of the four pillars of retirement income (Other countries)





The Future of Retirement *Investing in later life*

3

# Preparedness

Income in retirement

*How prepared will I be for later life  
and will it be enough?*

“Those dependent on single source retirement incomes are more likely to fall into the ‘vulnerability trap’”

Across the globe a small proportion of people will be well prepared financially for retirement and will be completely protected.

**Of these people:**

- ▶ They live mainly in Europe and North America
- ▶ They are more likely to be healthy men with a good source of working life income.

**Across the globe a larger proportion will be totally unprotected in retirement:**

- ▶ They live mainly in Eastern Europe, Asia, Africa and Latin America
- ▶ They are likely to be both men and women, in poor health, with a relatively low working life income and reliant on families and communities to support them.

**In between lie the biggest group – those vulnerable to falling into poverty in later life, unless they prepare.**

- ▶ Different countries have different levels of risk for men and women depending on the range of state provision they offer, the role of families and communities and the possibilities for work in later life.
- ▶ Individuals have differing vulnerabilities depending on whether they are male or female, their health, skills and ability to undertake work.

**Sources of retirement income**

Individuals may have a number of sources from which to derive their retirement income: *savings, assets, income* (including continuing to work), and *housing*. Of interest is how this varies between the regions and countries, between men and women as well as how it relates to health.

Low-income households, females and those whose health prevents them working into old age are particularly vulnerable financially in later life. Whilst many people may feel that *governments should* be securing their old age, they recognise that a large part of the responsibility falls on *them* and their *families*.

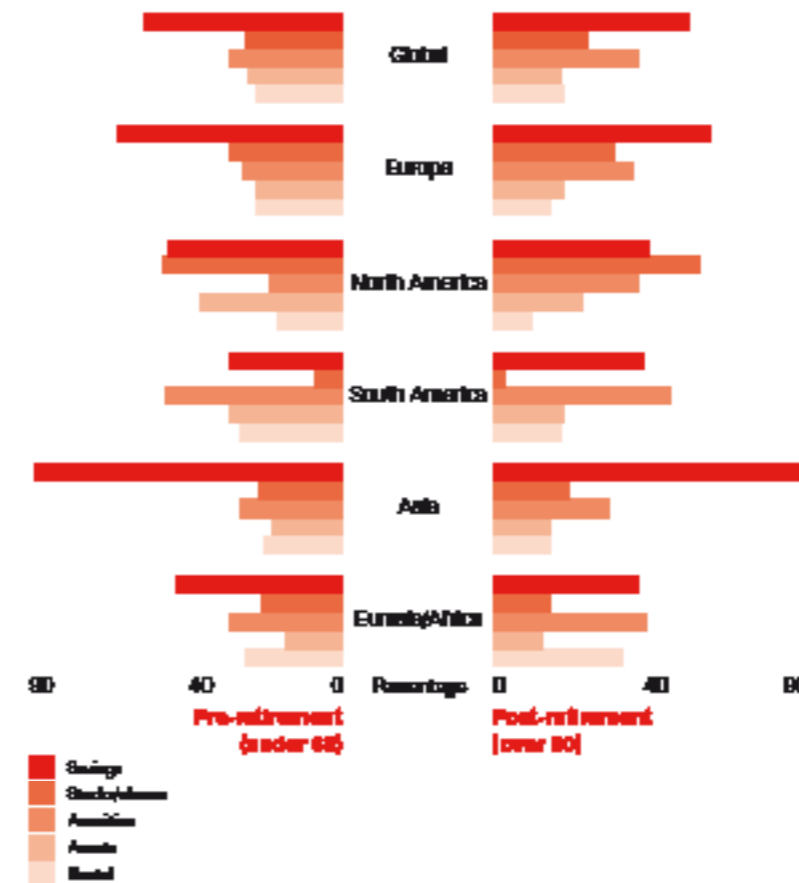
We have identified four groupings, or pillars, of retirement income. Most people will have some income in later life, whether it is planned and substantial, or de facto and modest. This income may be from *savings, selling assets, rent from property, annuities* or from *stocks/shares*. The survey reveals that depending on the age grouping and the economic region, individuals utilise a variety of income sources in providing for their retirement.

In this chapter we will examine the main sources of retirement income and their relationship to the ‘vulnerability trap’.

In the majority of transitional economies, between 50 and 80 per cent of various generations fear a lack of money in old age, and this is felt most often by women. In these countries, and even in some sections of the mature economies, large groups will be unprotected and reliant on their own efforts and the support of their families.

As can be seen from Figure 3.1, 40-60 per cent of individuals both pre- and post-retirement living in the mature economies of Europe and North America have *savings* as one of the main sources of their retirement income. This percentage does, however, vary enormously between countries, from a high of 80 per cent to a low of only 25 per cent.

**3.1 Main sources of own retirement income by region and pre-/post-retirement age group**



(47 per cent) and *annuities* (59 per cent) as one of the main sources respectively, and among the 70-79 year olds in Japan who name *annuities* (65 per cent). Elsewhere in Asia, *savings* is named as one of the main sources of own retirement income, ranging from 50 per cent of the 70-79 year olds in South Korea to 100 per cent of some of the generations in India, the Philippines and Malaysia.

In Japan, India, China, Taiwan, Singapore and South Korea, the proportions naming *savings* as one of their main sources of own retirement income decreases with age, while in the Philippines, Malaysia and Hong Kong, the reverse is true. All other sources of own retirement income are named by significantly lower proportions.

In Eurasia/Africa, there is a varied composition of sources. Half of the 70-79 year olds in Turkey identify *annuities* as their main source of income, and half *rent from property*. Around three-quarters of those aged between 50 and 79 in Saudi Arabia, also name *annuities*. The majority of all generations in Russia name *savings* as one of their main sources of retirement income, increasing with age from 50 per cent of the 40-49 year olds to 68 per cent of the 60-69 year olds. The same pattern is seen in South Africa with 50-66 per cent of the generations naming *savings* as one of their main sources of retirement income.

In South America, there are very different patterns in the two countries surveyed. In Mexico, the majority of the 40-59 year olds name *selling assets* as one of their main sources of own retirement income (50-65 per cent), while the majority of the 60-79 year olds name *savings* (46-69 per cent). In Brazil, however, *annuities* are named by between 79 and 91 per cent as one of their main sources of retirement income with less than 20 per cent naming other sources.

While larger proportions of higher income groups (and males) tend to have more than one main source of own retirement income, lower income groups (and females) tend to be reliant upon one source of own retirement income (and this varies across economies as outlined above). Clearly, those dependent on single source retirement incomes are more likely to fall into the ‘vulnerability trap’.

In Denmark, the United Kingdom and France, *savings* are the main source of retirement income for the largest proportion in each generation, followed by *stocks, shares* and *selling assets* in Denmark, and by *stocks, shares* and *annuities* in the United Kingdom and France.

In Germany, *annuities* are the main source of own retirement income, followed by *savings*, while in the United States it is *stocks and shares*, followed by *savings*, and in Canada it is *savings* for the 40-59 year olds, *stocks and shares* for the 60-69 year olds and *savings, stocks, shares* and *annuities* for the 70-79 year olds.

The figure above illustrates that in Asia, *savings* is clearly the main source and in only three instances is *savings* not one of the main sources of retirement income, namely among the 50-69 year olds in South Korea who name *rent from property*

People therefore divide into three main categories:

- ▶ Those who are well prepared for retirement and protected, but are in the minority;
- ▶ Those larger numbers who are almost completely unprotected;
- ▶ The large numbers of individuals who feel that they are protected and secure, but who in fact face the prospect of falling into the 'vulnerability trap' with limited support from their government, limited income of their own and families who often find it hard to provide help and support.

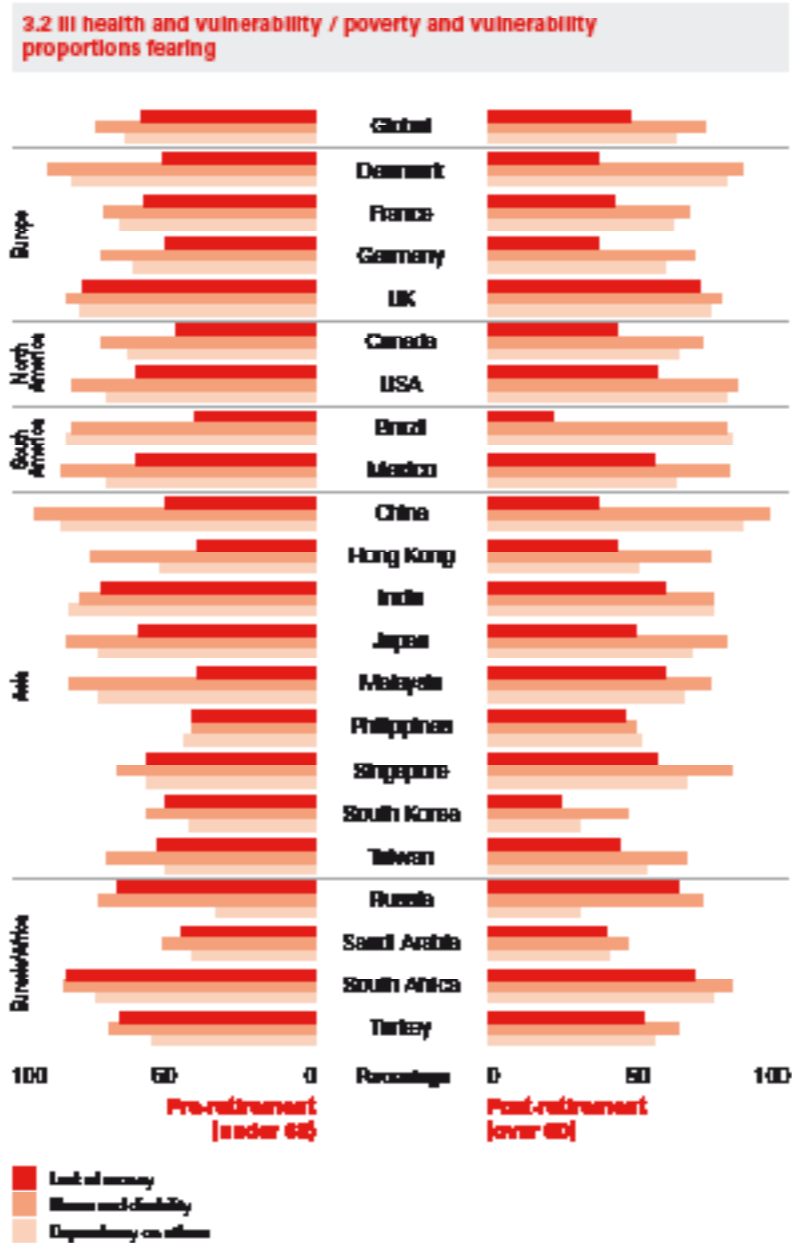
It is here that governments, individuals, communities and the private sector must act together.

### Ill-health and vulnerability

The generations surveyed generally feel good – even as they age. However, at all ages surveyed, relatively large proportions are apprehensive about old age and finding themselves in poor health and dependent on others, while smaller proportions feel apprehensive about not having enough money. Figure 3.2 reveals how the generations feel about growing old.

Globally, around 70 per cent of those surveyed for the Report fear illness and disability in old age – a proportion which reaches as high as 90 per cent in France. Interestingly, India, China and Taiwan did not fit this mould, with levels of fear around 50%. In all countries (excluding Japan), the overwhelming tendency is for larger proportions of females than males to fear illness and disability in old age. This is also reflected in the UK, where 64 per cent of males aged 40-49 fear illness and disability in old age, compared to 75 per cent of females.

In terms of being dependent on others in old age, globally around 60 per cent fear this, but there is a large degree of variation between countries. Again we see a number of Asian economies (notably India, the Philippines, China, Taiwan, South Korea and Hong Kong) with low proportions (of between around 30 and 50 per cent) fearing



dependency in old age, compared with relatively high proportions (between 60 and 80%) in Denmark, France, Germany and even in the transitional economies of Brazil, Mexico, Russia, Turkey, Malaysia, South Africa and Saudi Arabia. With the exception of Japan, there is a general tendency for significantly greater proportions of females to fear dependency in old age.

“Pre-retirement generations do not expect their standard of living to worsen in retirement”

### Poverty and vulnerability

In most economies, the number of people who fear not having enough money in old age declines with increasing age, from 58 to 44 per cent globally. This trend is reversed in Singapore and India. This change in views as people age is quite striking in the majority of the mature economies and China.

In the majority of transitional economies between 50 per cent and 80 per cent of various generations fear a lack of money in old age. Exceptions are China, Taiwan and India. Meanwhile, in the mature economies of Europe and North America, the proportion fearing a lack of resources in retirement is below 55 per cent. Generally, there is a tendency for larger proportions of females in each generation to fear not having enough money in old age. There are, however, one or two notable exceptions: in China, Hong Kong and Singapore where, particularly amongst the oldest generation, there is a lower proportion of females worried about lack of resources in old age than males.

Overall, this analysis reveals that pre-retirement generations do *not* expect their standard of living to worsen in retirement – except in Russia. Nor do the majority of people post-retirement feel that their standard of living is worse than it was before – again with the exception of Russia. In the mature economies (excluding Japan), the majority of individuals pre- and post-

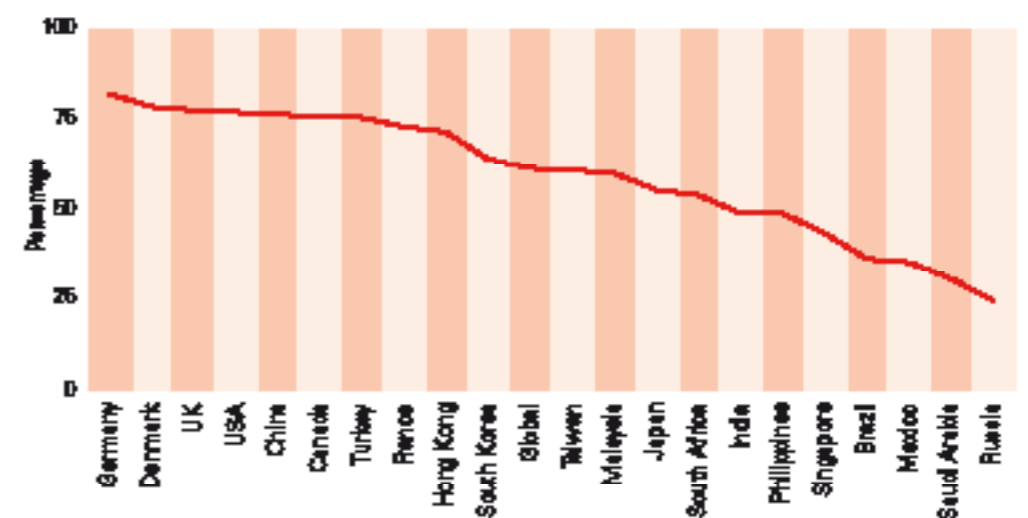
retirement are not worried about being able to cope financially in the future. For most people, retirement seems to offer the prospect of relatively good health, control and independence with few barriers to pursuing the life they would choose.

But are we looking forward to retirement? Figure 3.3 asks this question of the two pre-retirement generations across the economies surveyed.

It is worth noting in this respect that in a number of economies, the proportions (especially amongst the younger pre-retirees) who have not thought about whether or not they are looking forward to retirement are quite substantial. This is true in Brazil (45 per cent), Mexico (41 per cent), Russia (32 per cent), Singapore (30 per cent) and Taiwan (30 per cent). This may reflect a delay in the cultural acceptance of retirement as a life phase to be planned for. Only in two countries are the pre-retirement generations predominantly not looking forward to retirement, namely, Russia (43 per cent) and Saudi Arabia (59 per cent).

Generally speaking, in the mature economies of North America and Europe, large proportions of pre-retirees (over 70 per cent) are looking forward to retirement. This is also true in Turkey, China and Hong Kong. Overall, there are no significant differences in feelings about retirement between men and women.

3.3 Are you looking forward to retirement? Pre-retirement age group



# Inheritance

The global preferences of  
what to leave behind

*What do I want to pass on to my family?*

“Many want their legacy to be their perspective on life, not accumulated wealth”

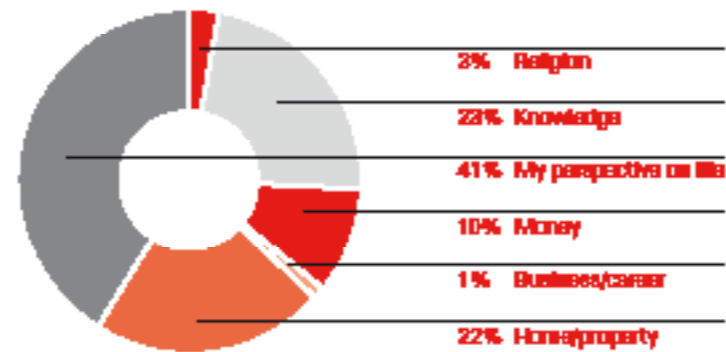
Most people want to pass on something to their heirs. Perhaps surprisingly, this is frequently not *money*. In each of the generations, only around 10 per cent would most like their heirs to inherit their money, whereas around 20 per cent would like to leave their heirs their *home/property*.

Overall, approximately 60 per cent of respondents would most like their heirs to inherit non-material values from them such as their *perspective on life* (*sense of humour/spirit, way of giving to the community*) and their *knowledge*. Women are more likely than men to want to leave their heirs their *perspective on life*, whereas men are more likely to want to pass on *money* or *home/property*.

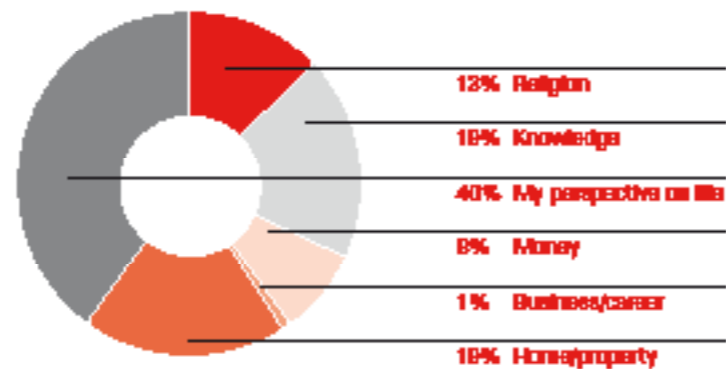
The following figures illustrate this inheritance preference across the regions of the survey.

In the mature European and North American economies (Figures 4.1, 4.2), no more than 17 per cent of respondents would most want to leave their heirs their *money* (particularly the oldest generation in Germany). There is a greater tendency for people to choose the ‘soft’, less tangible values as their legacies, such as *perspective on life* (particularly in Denmark, but also in the United Kingdom, the United States and Canada), followed by *knowledge*, and to a lesser extent their *home/property*. Generally in these economies, females are more likely to want their heirs to inherit these non-material values. It may be that these inheritance preferences reflect the relatively high living standards and welfare systems of the region, making the inheritance of hard capital values less vital.

4.1 What do people want to pass on to their children? (Europe)



4.2 What do people want to pass on to their children? (North America)



4.3 What do people want to pass on to their children? (South America)



4.4 What do people want to pass on to their children? (Asia)



In South America (Figure 4.3), the inheritance preferences are again relatively ‘soft’ values, with *knowledge* the preference for 48 per cent of respondents. Non-material values such as *money*, *business/career* and *home/property* are chosen by 11 per cent overall, with *home/property* being a more popular response in Brazil.

Asian economies overall (Figure 4.4), show a broadly similar pattern of inheritance preferences to that observed in South America. Again, people want to pass on ‘softer’ values, such as *knowledge* (approximately 35 per cent) and *perspective on life* (approximately 28 per cent). In the Philippines with around half of respondents choosing this option. In other Asian economies, popular choices are *religion* (particularly in Malaysia with 25-40 per cent) and *perspective on life* – particularly in China and Taiwan with approximately 30 per cent. *Money* and *home/property* are also popular, with the priority preference in India being *religion* (approximately 30 per cent). There does not appear to be a marked difference in inheritance preferences across gender in this region.

Finally, in Eurasia/Africa (Russia, Turkey, South Africa and Saudi Arabia), we see that *religion* plays an important role as an inheritance preference, particularly in Saudi Arabia (approximately 50 per cent) and Turkey (25-40 per cent – most among the young), along with *home/property*, particularly Russia (approximately 40 per cent) and among the older generations in Turkey.



# Conclusion

*Investing in later life* contains the clear message that most people now employed in western style labour markets, are preparing for their retirement and old age. They feel that *governments* are not going to look after them and that they and/or their *families* will have to bear the brunt of financial support for them in later life. Interestingly, there appears to be a growing disillusionment amongst pre-retirees that their *governments* will be able to provide adequate pensions and income compared to those that have already retired. They see *families* as playing a key role in their retirement support, but are also increasingly looking to *savings* and *assets* to provide a better standard of late-life income.

However, while many men in the advanced economies will be prepared, women and low income households in the transitional and developing economies will find themselves unable to financially secure themselves in old age. In between these two extremes is a large group – those vulnerable to financial hardship in later life, unless they prepare. It is here that governments, communities, individuals and the private sector need to act to prevent large numbers across the globe falling into the 'vulnerability trap'.

A second clear message is the importance of having more than one source of retirement income. Most older people now recognise that there are four pillars of late-life security – *government*, *self*, *employer* and *family* – and that all four may be relied upon at various times of later life and retirement, and under different circumstances. Working longer, may be an important part of the new security for later life for healthy individuals in all regions. Savings and pensions may play a larger part in those living in the mature economies of Europe and America, while the family may play a larger role in the transitional economies of Asia and Latin America.

In previous Future of Retirement reports we noted that older people were generally positive about later life and retirement. This report *Investing in later life* now highlights that they are also realistic.

The previous Future of Retirement reports also showed that it was not lack of money which the people surveyed feared most about their old age, but the 'softer' values of loss of status, power and the opportunity to contribute to their societies and communities.

This latest report now reveals that what most people would like to leave as their legacy is again not *money*, but non-monetary values such as their *perspective on life*, their *knowledge* and their *way of giving to their communities*.



# Appendices

## Survey methodology

HSBC's global Future of Retirement study, now in its fourth year, involved interviewing 21,000 people aged between 40 and 79, in 21 countries and territories around the world. It is the largest ever survey of its kind. The Oxford Institute of Ageing, Oxford University, designed the research and wrote this report. Harris Interactive carried out the interviews and fieldwork around the world.

## Age groups

Participants were divided into four age groups, each spanning ten years, to enable us to study the effect of age on attitudes and behaviour. This made it possible to compare those who are aged 40-59 with those who are aged 60-79. In this report, these two larger groups are often referred to as 'the under-60s' and 'the over-60s'. This second group roughly corresponds, in most of the places surveyed, to those participants who have reached retirement age.

## Mature and Transitional economies

The 25 countries and territories surveyed over the years for the Future of Retirement research include both mature and transitional economies. Mature economies are taken as those that industrialised early, have large service sectors, affluent populations, long-established pensions infrastructure and legislation and provide a comprehensive welfare 'safety net' for their citizens.

A transitional economy is one that does not yet meet the definition of a mature economy.

## Trendsetters

In the transitional economies, the survey interviewed 'trendsetters': people who live mainly in towns and cities, and who work in the service sector or other modern areas of the economy, such as the information technology industry. They contrast with the greater numbers of people still in traditional, rural, family-based employment, or those working in primary industries such as mining, fishing or forestry. These trendsetters are already taking on the behaviour and lifestyles of their peers in Western Europe and North America, and there are indications that they will also follow the mature economies in adopting the new forms of retirement and ways of living in later life. The attitudes and behaviour of this key group of individuals and employers may well influence those of the wider population in the transitional economies in the future.

## Regional groupings

Europe	North America	Eurasia/Africa	Asia
Denmark	Canada	Egypt	China
France	USA	Russia	Hong Kong
Germany		Turkey	India
Poland	<b>South America</b>	Saudi Arabia	Indonesia
Sweden	Brazil	South Africa	Japan
UK	Mexico		Malaysia
			Philippines
			Singapore
			South Korea
			Taiwan

## Definition of household income variable high/low by country:

The division between high and low income households was the median of the data set for each country.

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# Acknowledgements

## HSBC Insurance

HSBC Insurance provides policies in over 40 countries and territories to its personal, commercial, corporate, institutional and private banking customers. The diverse needs of its customers worldwide are recognised by HSBC Insurance and it offers products and services to suit them including: life assurance, general insurance, commercial risk and retirement provision. [www.hsbc.com/insurance](http://www.hsbc.com/insurance)

## Oxford Institute of Ageing

The Oxford Institute of Ageing designed and analysed the research and wrote this report with Professor Sarah Harper and Dr George Leeson as the authors. Dr George Leeson was the Principal Investigator.

Founded in 2001, the Institute is a multidisciplinary unit within the Social Sciences Division at the University of Oxford. It addresses the globalisation of ageing at the global, societal and individual level. Under the directorship of Professor Harper, it carries out research into population ageing, analysing the economic, social, political and demographic implications at both the national and international levels. It also works with the corporate, policy, media and governance sectors, advising on the implications of population ageing. The Oxford Institute of Ageing is in a strategic alliance with HSBC. [www.ageing.ox.ac.uk](http://www.ageing.ox.ac.uk)

## Harris Interactive

Harris Interactive is one of the largest and fastest growing market research firms in the world. Based in New York State, this global research company has significant experience in designing and managing multinational research projects. Harris Interactive have worked with HSBC throughout the Future of Retirement programme, providing a full range of research services. [www.harrisinteractive.com](http://www.harrisinteractive.com)

## Previous Reports



### The Future Of Retirement 2007

*The new old age* was released globally by HSBC and the Oxford Institute of Ageing on 22 May 2007.

This third annual report, was conducted amongst 21,000 people aged 40-79 across 21 countries and territories, and is part of the world's largest research programme that investigates attitudes towards later life, ageing and retirement.



### The Future of Retirement 2006

*What the world wants* was released globally in April 2006.

It is the world's largest individual survey on attitudes to ageing, longevity and retirement conducted amongst 21,329 individuals and 6,018 private sector employers in 20 countries and territories across five continents.



### Future Of Retirement 2005

The Future of Retirement research, commissioned and undertaken between September and October 2004, researches global attitudes and approaches to later life.

Available from [www.hsbc.com/retirement](http://www.hsbc.com/retirement)

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