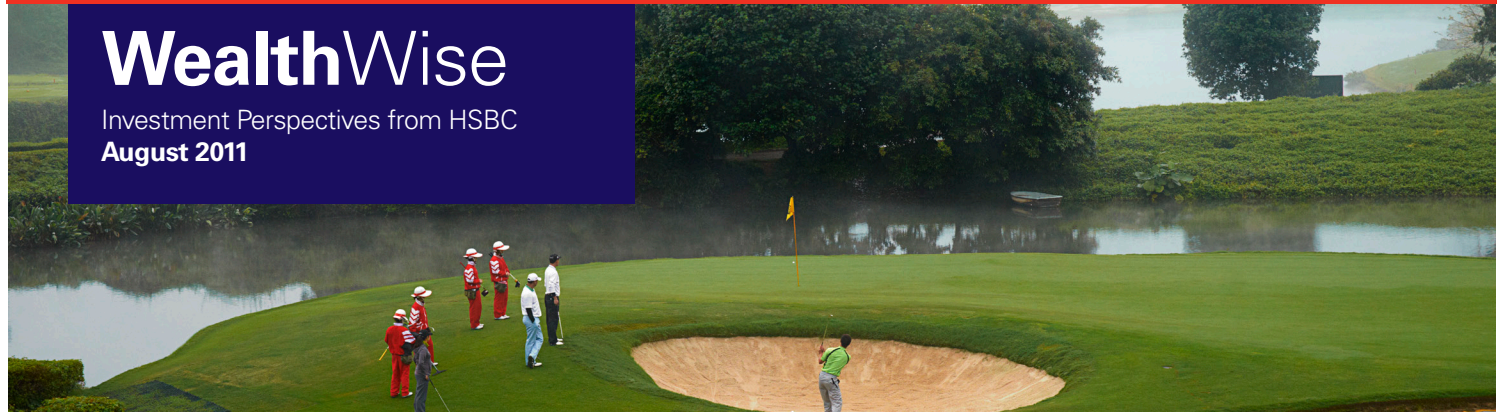


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Three Questions to Help You Get Your Retirement on Track

How will your answers compare with those of Americans surveyed in *The Future of Retirement 6*? The real surprise may be how they can help you improve your preparedness.

Why do American workers feel increasingly unsure about the source of their retirement “paycheck”? The answer involves more factors than just the economy. The good news: So does the solution.

By understanding what has changed the retirement picture and how it affects your future, you can get a feeling for where you stand. Start by asking yourself three fundamental questions and comparing your answers with those of respondents to HSBC’s sixth annual *The Future of Retirement* survey and report. You may find that improving your retirement confidence is more manageable than you expected.

Retirement’s Changed Landscape

Among the key findings: One in four people does not know what his or her main source of retirement income will be.¹ Times have definitely changed. For many workers in previous generations, employers rewarded a long career by financing a comfortable and stable retirement. Pension plans and Social Security guaranteed retirees’ income, and health benefits were part of the

package. As a result, a majority of Americans simply didn’t have to spend much time worrying about their retirement years.

In 2011, workers shoulder an increasingly large share of the retirement burden as they grapple with issues such as disappearing pensions; doubts about the future of Social Security; the need to save and invest in a low-interest, low-return environment; and when—or if—to stop working. “The responsibility for retirement planning has shifted,” says Patrick Cozza, CEO and Regional Head of HSBC North America Insurance. “People are finding it necessary to contribute more of their own money to retirement.”

But while 65% of Americans believe that financial planning is important to a happy retirement, only 36% are actively engaged in such planning.² Cozza finds that a worrisome proportion, but still sees hope in cultural factors: “People are thinking more about their retirement planning than they were a few years ago,” he says. “They are asking more questions and seeking more advice from professionals—and that’s good news.”



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1. How confident am I about my retirement?

Nearly 6 in 10 *Future of Retirement 6* survey respondents expect to be worse off in retirement than their parents.³ What's behind that pessimism? "The economic malaise has clearly affected everyone's economic situation, both short and long term," Cozza says.

Pre-retirees have other reasons for not feeling as confident about their retirement prospects, including concerns about job security, saving rates and debt levels.⁴ Even improved longevity plays a role, since a longer retirement requires a bigger nest egg.

The decline in pensions, Social Security and other sources of guaranteed income also worries those who are still hoping to retire. Among U.S. respondents who believe their generation will be worse off in retirement than their parent's generation, 43% blame less generous private sector pensions, and 51% blame less generous state pension systems such as Social Security, the study notes.⁵

Asking yourself how confident you are in your retirement strategy can help you diagnose the areas where you have real concerns—for instance, the size of your nest egg or uncertainty about the best way to invest your savings. Those concerns provide a good starting point for a conversation with your Financial Advisor. "Just acknowledging uneasiness about retirement can serve as a valuable wake-up call," Cozza says.

2. What will be my main source of retirement income?

Generations of workers built their retirement on a "three-legged stool" of income sources: pensions, savings and Social Security. That approach is unrealistic for today's retirees.

According to the Employee Benefits Research Institute,⁶ just 39% of workers relied on pensions as their primary source of retirement income in 2009—a sharp decline from 1988, when 57% of workers relied primarily on pensions. The use of defined contribution plans such as 401(k)s has more than doubled during that period, with 60% of workers primarily relying on such plans.

Meanwhile, concerns continue over the health of the Social Security system. The Social Security Administration says at the current rate, the trust fund will be depleted by 2038, and by 2017 the benefits the system pays out will be greater than the revenue it takes in.⁷ "Many people are wondering just what Social Security will look like down the road," says Cozza. "Some are figuring that by the time someone who's now 30 or 40 years old retires, there won't be anything left."

Like many retirees, you may need to rely on your own savings to fund the bulk of your retirement income needs. Tax-advantaged plans such as 401(k)s, IRAs and annuities can be powerful tools to help you meet your savings targets. Each may offer tax benefits, such as tax-free growth on contributions, which potentially enables any earnings on those contributions to compound. Work with your Financial Advisor to help make the most of any tax-deferred savings vehicle. And if you have a workplace savings plan, consider how best to take advantage of its benefits, especially any contribution-matching program.

3. Am I getting the help I need?

According to *The Future of Retirement 6*, fewer than 4 out of 10 U.S. consumers have made a retirement plan.⁸ But there's literal value in taking the time to make a plan: The average planner has a retirement nest egg worth \$127,000, while the average nonplanner has set aside just \$23,000 for retirement.⁹

Fortunately, you don't have to plan alone. Together, you, your Financial Advisor and your tax professional can draw a realistic map to your retirement goals. "We need objectivity when we plan for our future, and a planner brings knowledge and objectivity to the process," says Cozza.

Developing a long-term relationship with a Financial Advisor may also help you stick with your plan: Regular checkups can help ensure that you're on pace to reach your goals, and your Financial Advisor can help you navigate difficult periods in the financial markets.

There's no one perfect way to build a retirement plan. A better target is developing a strategy that suits your personal goals and circumstances—and that keeps evolving as those change. "Everyone is unique and has special needs that a retirement plan must address directly," Cozza says. "Working with a professional can put you on the right course. It's a journey."

¹ HSBC, *The Future of Retirement 6 US Report*, 2011, p. 3, http://www.hsbc.com/1/PA_1_1_S5/content/assets/retirement/110520_for_report_us.pdf.

² Ibid.

³ Ibid., Fig. 4, p. 6.

⁴ Ibid., Fig. 5, p. 6.

⁵ Ibid.

⁶ Employee Benefits Research Institute, "Retirement Plan Participation: Survey of Income and Program Participation (SIPP) Data, 2009." *Notes*, Vol. 31, No. 11, Nov. 2010, http://www.ebri.org/pdf/notespdf/EBRI_Notes_Nov10_RetPart_HCS1.pdf.

⁷ Social Security and Medicare Boards of Trustees. "Status of the Social Security and Medicare Programs." Table: Key Dates for the Trust Funds, 2011, <http://www.ssa.gov/oact/TRSUM/index.html>.

⁸ HSBC, *The Future of Retirement 6 US Report*, 2011, p. 3.

⁹ Ibid., Table 2, p. 11.

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