Foreword

We live in interesting times. Unprecedented political, social, economic and technological change means it has never been more challenging or more important to save for a good retirement.

Our latest report in The Future of Retirement series, Shifting sands, looks at how important issues like the ageing population, rising healthcare costs and long term low interest rates are affecting the retirement plans of people around the world.

The report investigates how people are making sacrifices, exploring new sources of funding and adjusting their retirement expectations for a world that is very different even to that of ten years ago.

I hope that the new insights and practical steps in this report will help you to plan for the best possible retirement.

Charlie Nunn
Group Head of Wealth Management, HSBC
Key findings

52% of working age people think low interest rates mean they will need to work for longer

76% of working age people believe levels of national debt mean there will be less support for the elderly

82% of working age people believe retirees will have to spend more on healthcare costs in the future

41% of working age people think they will be financially comfortable in retirement, based on how their retirement saving is progressing

65% of working age people say they will continue working to some extent in retirement

37% of working age people think property offers the best returns for retirement saving
# Key findings

- **9%** of people think Millennials are in the best position for a comfortable retirement, compared to **38%** who think Baby Boomers are.

- The average age Millennials started saving for retirement is **26**.

- **58** is the average age Millennials expect to retire.

- **57%** of people believe that Millennials are paying for the economic consequences of previous generations.

- **47%** of working age people believe new technology makes saving for retirement easier.

- **49%** of working age people believe new technology will help give future retirees a better standard of living.
The changing retirement landscape
A new world

The world is changing and retirement is changing with it. Major political, social, economic and technological changes are having a significant impact on how people view their retirement prospects.

Ageing populations and rising national debts are sapping confidence in the ability of economies around the world to continue supporting older people. Overall, 56% of working age people in the USA are concerned about declining state pensions/social provision and 63% about the growing number of older people requiring retirement funding/support. Over three-quarters (76%) of working age people agree that levels of national debt mean there will be less support for the elderly.

More than three in ten (31%) working age people believe state pensions will no longer exist when they come to retire, and this view is common across some generations (Millennials 32%, Generation X 44%). However Baby Boomers are less likely to hold this view (22%).
Volatile economies

Seventy-two percent of working age people are concerned about the impact of economic uncertainty on their ability to save for retirement. Fifty-eight percent say it will be more difficult to save for a comfortable retirement following the financial crisis of 2007/8. Almost three in five (59%) are also concerned about whether their employer pension scheme(s) will be able to pay out in full.

‘Lower for longer’ interest rates are also making it harder to save for a comfortable retirement. Over half (52%) of working age people think low interest rates will mean they will need to work for longer (compared to the global average of 50%), while 46% say they need interest rates to rise if they are to save enough to be comfortable in retirement.
Health cheque

The rising cost of healthcare is another important issue. **Eighty-two percent** of working age people believe that retirees will have to spend more on healthcare costs in the future, and **75%** are concerned about being able to fund their health care.

**Thirty percent** of working age people worry about the availability and affordability of healthcare, compared to the global average of **25%**.*

*Excludes China and Taiwan
Planning for retirement in a volatile age
Expecting the worst

The changes in the retirement landscape are forcing people to adjust their expectations for retirement. Based on how their retirement saving is progressing, only 41% of working age people think they will be financially comfortable when retired.

Meanwhile, constant change is making it difficult to plan ahead, with 43% of working age people believing things change so much that their retirement plan won’t be applicable by the time they retire. Twenty-one percent have not started saving for retirement.

In light of this, 65% of working age people say they will continue working to some extent in retirement. Seventy-three percent would be willing to defer their retirement for two years or more to have a better retirement income. Forty-six percent would work for longer or get a second job to sustain their saving for retirement.
Length of retirement

On average, working age people expect to retire at age 61, (global average of 61), and expect to live to age 83 (global average of 81), resulting in a retirement of 22 years, compared to the global average 20.

There is little variation between generations’ expectations of when they will retire and how long they will live. Millennials expect to retire at age 58, Generation X at 63 and Baby Boomers at 65. Millennials expect to live to age 80, while Generation X expect to live to 87 and Baby Boomers 86 resulting in expected retirements of 22, 24 and 21 years respectively.
Funding retirement

In a time of continuing economic volatility, property is viewed as a good way of saving for retirement, with 37% of working age people thinking it delivers the best returns. This compares to 35% for stock/shares, 33% for cash savings, 19% for employer pension schemes, and 16% for personal pension schemes.

This is not yet fully reflected in retirement plans, with only 11% of working age people expecting property to help fund their retirement. Forty-three percent expect employer pension schemes to be a source of funding, cash savings 40%, state/social security 35% and their own income 32%.

Q. Which of the following do you think offers the best returns for retirement saving?

(Base: Working age people)
Risk appetite

With interest rates at historic lows, 44% of working age people think they will need to move their money from savings into investments and 33% actively move their money around to get the best return/deal.

There is not a particularly high appetite for risk, with 31% of working age people being very willing to make risky investments to ensure their financial stability and 28% being willing to risk financial losses.

Fifty percent of working age people say they actively seek information to guide their financial decisions.
Millennials & retirement
A perfect storm

The economic challenges facing the Millennial generation (those born between 1980 and 1997) are starkly reflected in their retirement prospects.

Fifty-six percent of people believe that Millennials have experienced weaker economic growth than previous generations (compared to the global average of 53%), while 57% agree that Millennials are paying for the economic consequences of older generations, such as the global financial crisis and rising national debt. Also, 46% of people believe that employer pension schemes may go bust or be unable to pay out to Millennials.

However, 55% of people say that Millennials don’t know how good they have it, enjoying a better quality of life than any generation before them.
When it comes to retirement, Millennials are seen as less fortunate than previous generations. Only 9% of people think Millennials are in the best position for a comfortable retirement, compared to 38% who think Baby Boomers are.

In terms of life expectancy and retirement planning, 65% of people – and 62% of Millennials themselves – believe the Millennial generation will live much longer and will need to support themselves for longer.

**Expected length of retirement**

- **Average**
  - Age expect to retire: 61
  - Age expect to live to: 83

- **Millennials**
  - Age expect to retire: 58
  - Age expect to live to: 80

- **Generation X**
  - Age expect to retire: 63
  - Age expect to live to: 87

- **Baby Boomers**
  - Age expect to retire: 65
  - Age expect to live to: 86

*Q. What age do you expect to retire? Q. What age do you expect to live to? (Base: Working age people)*
Taking action

On average, Millennials started saving for retirement at age 26. However, 20% of Millennials have not yet started saving for retirement, compared to 19% of Generation X and 17% of Baby Boomers.

With 76% of Millennials concerned about running out of money affecting their retirement, 75% are prepared to cut back on their present expenses in order to save (compared to the global average of 65%), compared to 72% of Generation X and 57% of Baby Boomers. Seventy-three percent of Millennials see saving as a difficult but necessary task (Generation X 70%, Baby Boomers 65%).

There is some difference across generations in terms of financial risk aversion. 47% of Millennials are very willing to make risky investments to ensure their financial stability which is a higher proportion than Generation X (27%) and Baby Boomers (13%).

Sixty-three percent of Millennials actively seek information to guide their financial decisions, compared to 49% of Generation X and 34% of Baby Boomers.
Defining the generations

Baby Boomers
Born 1945 to 1965

1945
End of WWII

1953
Discovery of DNA

1957
European Common Market established

1960s
US Civil Rights movement

1969
Woodstock festival

1969
Moon landing

Generation X
Born 1966 to 1979

1969
Moon landing

1989
Fall of Berlin Wall

Millennials
Born 1980 to 1997

1991
Launch of Internet

1997
First Harry Potter book

1979
1989
1991
1997
1997
Retirement 2.0
Saving time and money

Technology is changing the way people save for retirement. **Forty-seven percent** of working age people agree that new technology makes it easier to save for their retirement.

People are using new technology in different ways to plan for and manage their retirement.

How new technologies help people plan for retirement

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researched options on the internet</td>
<td>16%</td>
</tr>
<tr>
<td>Put money into an online saving account</td>
<td>24%</td>
</tr>
<tr>
<td>Used an online retirement calculator</td>
<td>10%</td>
</tr>
<tr>
<td>Used a retirement planning app</td>
<td>5%</td>
</tr>
<tr>
<td>Spoke to an adviser online e.g. live chat</td>
<td>4%</td>
</tr>
<tr>
<td>Received robotic financial advice</td>
<td>1%</td>
</tr>
</tbody>
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Q. What role, if any, has new technology played in helping you plan for your retirement? (Base: All)
Stay connected

Additionally, nearly half (49%) of working age people believe that new technology will help give future retirees a better standard of living.

People are using or think they will use new technologies in different ways in retirement.

The role of technology in retirement

- Helps me stay connected with family and friends: 78%
- Helps me to continue working: 64%
- Helps me stay active and mobile: 61%
- Monitors and maintains my health: 57%

Q. Do you think you will use/are you using any of the following new technologies in your retirement? (Base: All)
Practical steps

Here are some important insights and practical actions drawn from the research findings, which may help today’s retirement savers plan a better financial future for themselves.

- Be realistic about your retirement
- Consider different sources of funding
- Plan for the unexpected
- Take advantage of technology
Practical steps

Here are some important insights and practical actions drawn from the research findings, which may help today’s retirement savers plan a better financial future for themselves.

65% of people think Millennials will live much longer and will need to support themselves for longer. 82% of working age people believe retirees will have to spend more on healthcare costs in the future.

Consider different sources of funding

Plan for the unexpected

Take advantage of technology

Make sure you are well prepared for a long and comfortable retirement by starting to save earlier and more. Factor potential healthcare costs into your retirement planning.
Practical steps

Here are some important insights and practical actions drawn from the research findings, which may help today's retirement savers plan a better financial future for themselves.

Be realistic about your retirement

44% of working age people think low interest rates mean they will need to move their money from savings into investments. 37% think property offers the best returns for retirement saving.

Balance your ways of saving and investing for retirement to spread the risk and maximise the returns. Be realistic about your expected returns.

Plan for the unexpected

Take advantage of technology
Practical steps

Here are some important insights and practical actions drawn from the research findings, which may help today’s retirement savers plan a better financial future for themselves.

Be realistic about your retirement

Consider different sources of funding

46% of people believe that employer pension schemes may go bust or be unable to pay out to Millennials. 45% of working age people would go back to work if their retirement income could no longer provide the standard of living they were used to.

Unexpected events can have a major impact on retirement funding. Include worst case scenarios when planning your retirement and consider putting protection in place to help secure your retirement income.

Take advantage of technology
Practical steps

Here are some important insights and practical actions drawn from the research findings, which may help today's retirement savers plan a better financial future for themselves.

- Be realistic about your retirement
- Consider different sources of funding
- Plan for the unexpected

21% of people have used an online retirement calculator and 14% a retirement planning app.

Embrace new technology to make planning for your retirement easier. Online planning tools can help you understand your retirement funding needs and track progress towards your goals. Seek professional financial advice if you need help.
The research

The Future of Retirement is a world-leading independent research study into global retirement trends, commissioned by HSBC. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world.

This report, *Shifting sands*, is the fourteenth in the series and represents the views of 18,414 people in 16 countries and territories.

Since The Future of Retirement programme began in 2005, more than 177,000 people have been surveyed worldwide.
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The findings are based on a representative sample of people of working age (21+) and in retirement, in each country or territory. The research was conducted online by Ipsos MORI between November 2016 and January 2017, with additional face-to-face interviews in Egypt and the UAE.

The 16 countries and territories are:
- Argentina
- Australia
- Canada
- China
- Egypt
- France
- Hong Kong
- India
- Indonesia
- Malaysia
- Mexico
- Singapore
- Taiwan
- United Arab Emirates
- United Kingdom
- United States

This country report represents the views of 1,287 people in the USA.

Retirees are people who are semi or fully retired. Working age people are those who have yet to semi or fully retire. Figures have been rounded to the nearest whole number.
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