

The Future of Retirement

Time to Prepare

PENSIONS 'PERFECT STORM' LOOMS FOR UNPREPARED UK HSBC INSURANCE STUDY REVEALS

A 'PERFECT STORM' of demographic, individual and financial elements is poised to derail people's retirement plans in the UK unless they prepare properly now, a global survey from HSBC Insurance reveals today (Wednesday 10 June).

The fifth annual Future of Retirement study, *It's Time to Prepare*, shows that globally:

- people's short-term survival strategies in the midst of recession are creating a serious long-term pensions 'downturn deficit'
- there is a continuing lack of pensions planning, even though people are aware that they are likely to live longer
- this is being exacerbated by poor levels of financial understanding, education and access to advice
- while people are more concerned with protecting their pets and possessions in the short-term than ensuring they can look forward to a secure life after work

The consequence of these combined issues is that many people in the UK will struggle to make ends meet when they come to retire, unless they urgently review their priorities and planning.

Stephen Green, Group Chairman of HSBC, said: "A perfect storm is confronting pensions planning, created by an ageing population, falling pension funds values, a drop in state and employer contributions and an economic downturn which is forcing people to make tough financial choices."

The preparedness gap

It's Time to Prepare has identified a 'preparedness gap' in people's pensions planning across the world with nearly 9 out of 10 people not feeling fully prepared for their retirement.

The Future of Retirement survey, which questioned 15,000 people in 15 countries, making it the largest study of its kind in the world, shows that in the UK:

- Only 25% of respondents feel fully prepared for their retirement
- 76% do not know what income they will receive in retirement

- Only 38% feel they fully understand their long-term finances
- Approaching half (43%) have undertaken some planning for later life, but still remain unclear about what their retirement income will look like
- 13% have done no retirement planning at all

Stephen Green continued: “The ‘preparedness gap’ reveals that families in the UK need greater support and guidance to effectively handle their finances, not simply in schools and colleges but through ‘trusted advisers’ providing professional financial guidance.

“If people prepare adequately for the long-term an extended later life can present a golden opportunity for many – but now is the time for people to seriously consider boosting their pensions contributions to improve their prospects of a comfortable retirement. The cost of procrastination is likely to be high.”

Advice gap opens up

It's Time to Prepare also reveals a parallel ‘advice gap’ in the UK linking a lack of preparedness to insufficient financial education and guidance:

- More than a third (37%) have never had any form of professional financial advice
- While a third (33%) feel ‘fairly’ or ‘very’ unprepared for their retirement
- More than half (56%) of respondents have never had any form of financial education
- Only 5% realised they would need to buy an annuity when they retire

Clive Bannister, Group Managing Director, HSBC Insurance, said: “The Future of Retirement report this year reveals the need for people to have access to more and better financial advice and guidance to help them survive the downturn while making the right financial decisions for the long-term.”

Coping with the downturn – pets not pensions?

People are paying little attention to long-term considerations such as their likely retirement needs, focusing instead on purely practical short-term concerns which they better understand, *It's Time to Prepare* reveals.

General insurance solutions – motor, travel, home and even, in the UK, pet insurance – are seen as a greater priority than addressing longer-term needs around insuring health or income, even when job security is in question.

Despite global economic uncertainty, only 2% in the UK intend to take out income protection insurance in the next 12 months, compared to 7% who will be insuring their pets.

The Future of Retirement survey shows, as a result of the economic downturn, that in the UK:

- 87% of people have changed some element of their finances
- Only 18% will now retire as planned
- 14% are reducing retirement savings or stopping saving for retirement altogether

- 19% have used savings to pay off debt
- 11% expect to delay their retirement

Mark Twigg, Director at financial services consultancy Cicero Consulting, which undertook the survey for HSBC Insurance, said: "It's Time to Prepare reveals the lack of understanding people in the UK have around their long-term retirement needs. They are less well educated or aware when trying to understand these needs and to act on them, than with their short-term requirements.

"As the economic 'perfect storm' threatens it is important that people are encouraged to understand long-term risks and to manage them effectively. While people are taking more responsibility for themselves, there is also a definite role for financial institutions to continue, and to build on, their work to educate and inform."

- Ends -

Notes to editors

The Future of Retirement:

The Future of Retirement programme is a key initiative, establishing HSBC Insurance as a market leader in the increasingly important retirement market. Now in its fifth year, the programme has positioned HSBC Insurance at the forefront of retirement 'thought leadership'.

The report findings are crucial to HSBC meeting the needs of its 128 million customers worldwide.

It enables HSBC to continue to produce innovative financial solutions, specific to the needs and aspirations of each gender and age group, in the many countries around the globe.

Countries surveyed for It's Time to Prepare include: Brazil, Canada, China, France, Hong Kong, India, Japan, Mexico, Saudi Arabia, Singapore, South Korea, Turkey, UAE, UK, and US

For further information visit www.hsbc.com/retirement/future-of-retirement

HSBC Insurance:

HSBC Insurance provides policies in over 50 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.

Find out more at www.hsbc.com/insurance

Cicero Consulting:

Cicero Consulting is a leading UK and Brussels based financial services consultancy specialising in thought leadership and market developments in retirement planning and pensions issues.

Visit www.cicero-europe.com

Further media information is available from:

Stuart Disbrey 020 7861 2495 or 07789 500 465; sdisbrey@bell-pottinger.co.uk

Lucy McCartney 020 7861 2507 or 07944 611 570 lmccartney@bell-pottinger.co.uk