

The Future of Retirement

Time to Prepare

INDIVIDUAL RESPONSIBILITY AND FINANCIAL UNDERSTANDING LINKED TO RETIREMENT CONFIDENCE, ACCORDING TO GLOBAL STUDY

People in countries which overtly encourage them to take individual responsibility and save for their retirement feel far more secure about later life than those in countries where there is a greater expectation that others will support them in retirement and so lower levels of personal pension saving, a global survey by HSBC Insurance reveals today (June 10th).

The fifth annual Future of Retirement study, *It's Time to Prepare*, provides a snapshot of how prepared people across the world feel about their retirement and how levels of financial understanding affect how confident they are.

India, the UK and Canada have all moved away from high levels of state and corporate pension provision, in favour of greater personal responsibility and individual saving. The survey found people in these three countries are most likely to have sought financial advice and say they understand and are confident about their long-term finances.

However, in South Korea and Japan, where pensioners have traditionally been looked after by the state, their employer or family members, levels of understanding, preparation and confidence in retirement are far lower.

- 42% of people in India say they feel very prepared for retirement, followed by the UK (25%), and Canada (17%)
- In contrast, only 2% of South Koreans feel very well prepared, followed by Japan at 3% (a full country list is provided in Notes to Editors)
- India also has the highest percentage of people who have accessed financial guidance (87%) and understand their long-term finances very well (50%)
- 63% of UK citizens have taken financial advice and 38% understand their long-term finances, followed by people in Canada, where 35% understand their long-term finances.
- Meanwhile just 12% of South Koreans and 13% of people in Japan understand their long-term finances well
- And 79% of Japanese have never sought professional finance advice with South Korea third in the global list (54%)

The UK has had personal pension plans since the 1980s and Canada has popular individual savings plans offering tax relief. In India a direct contributions pension system has recently been introduced to cover 87% of the workforce.

However, there are no provisions for personal retirement savings in Japan and in South Korea voluntary personal pensions were only introduced in the mid nineties. Traditionally, South Koreans were supported by their children, who provided 55% of their retirement income in the 1990s, with public and private

pensions accounting for only 3%*. HSBC's survey indicates that saving for retirement is now a stronger motive for South Koreans to save (45%) than for their children (30%).

The report reveals that, globally, people have a stronger desire to save for their children (25%) rather than retirement (23%). This is particularly so in emerging economies such as Mexico, Brazil, India and Turkey.

Clive Bannister, Group Managing Director, HSBC Insurance, said: "This year's Future of Retirement report highlights the importance of financial education in helping people to understand how they need to prepare themselves financially for what will be a longer later life.

"It is apparent that financial education will only increase in importance as more individuals realise that they need greater financial knowledge and advice if they are to take responsibility for funding their retirement.

"Interestingly, the report reveals that in many cultures the family is an important source of advice on financial matters. With the attitudes and financial behaviour of parents shaping many younger people, improvements in financial education within the family should be a priority."

*Source: AllianzGI International Pensions 2007

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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

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