



# The Future of Retirement

## *Shifting sands*

USA Report

PUBLIC

HSBC 

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The changing retirement landscape

Planning for retirement in a volatile age

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Retirement 2.0



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# 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



**26**

is the average age Millennials started saving for retirement



**58**

is the average age Millennials expect to retire



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**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

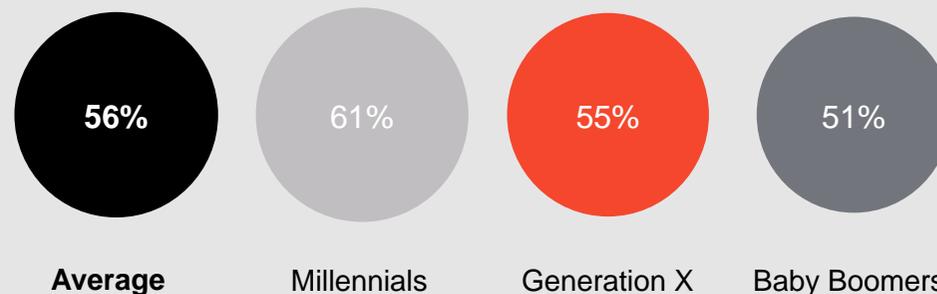
The world is changing and retirement is changing with it. Major political, social, economic and technological changes are having a significant impact on how people view their retirement prospects.

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%**).

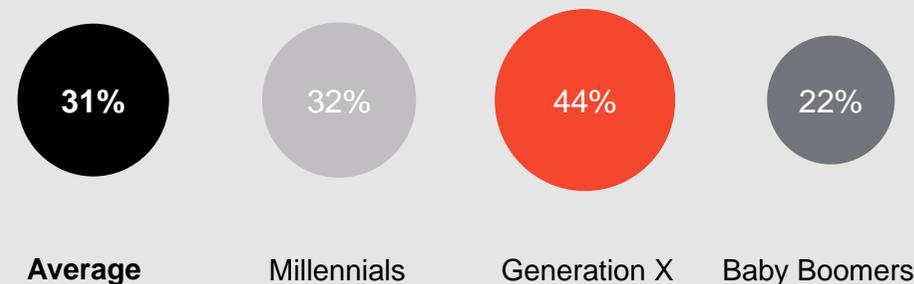


## Working age people concerned about declining state pensions/social provision



Q. To what extent, if at all, are you concerned about the following affecting your retirement?  
A. Declining state pensions/social provision (Base: Working age people)

## Working age people who believe state pensions will no longer exist when they retire

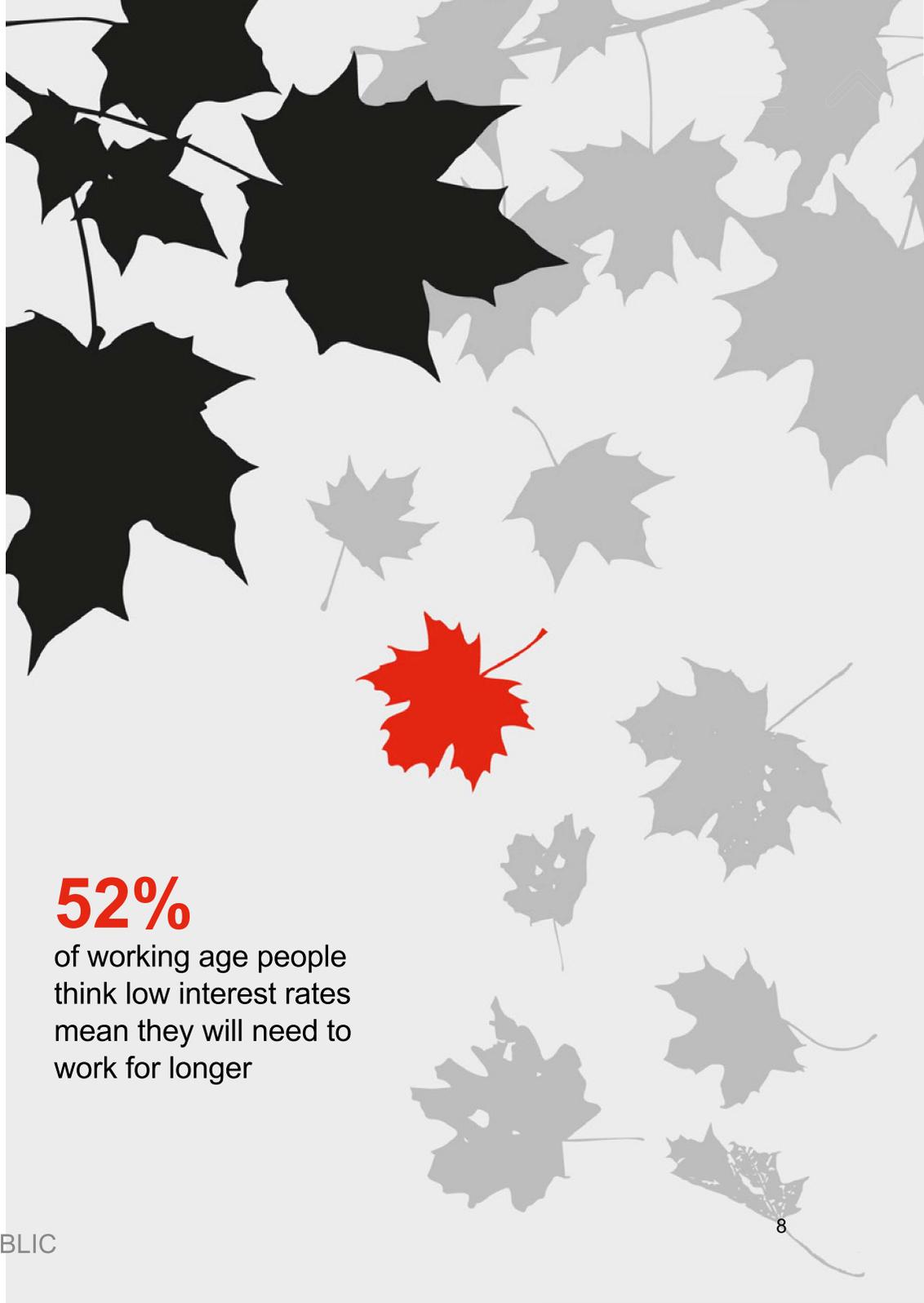


Q. Do you think state pensions will still exist when you come to retire?  
A. No (Base: Working age people)

## 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.



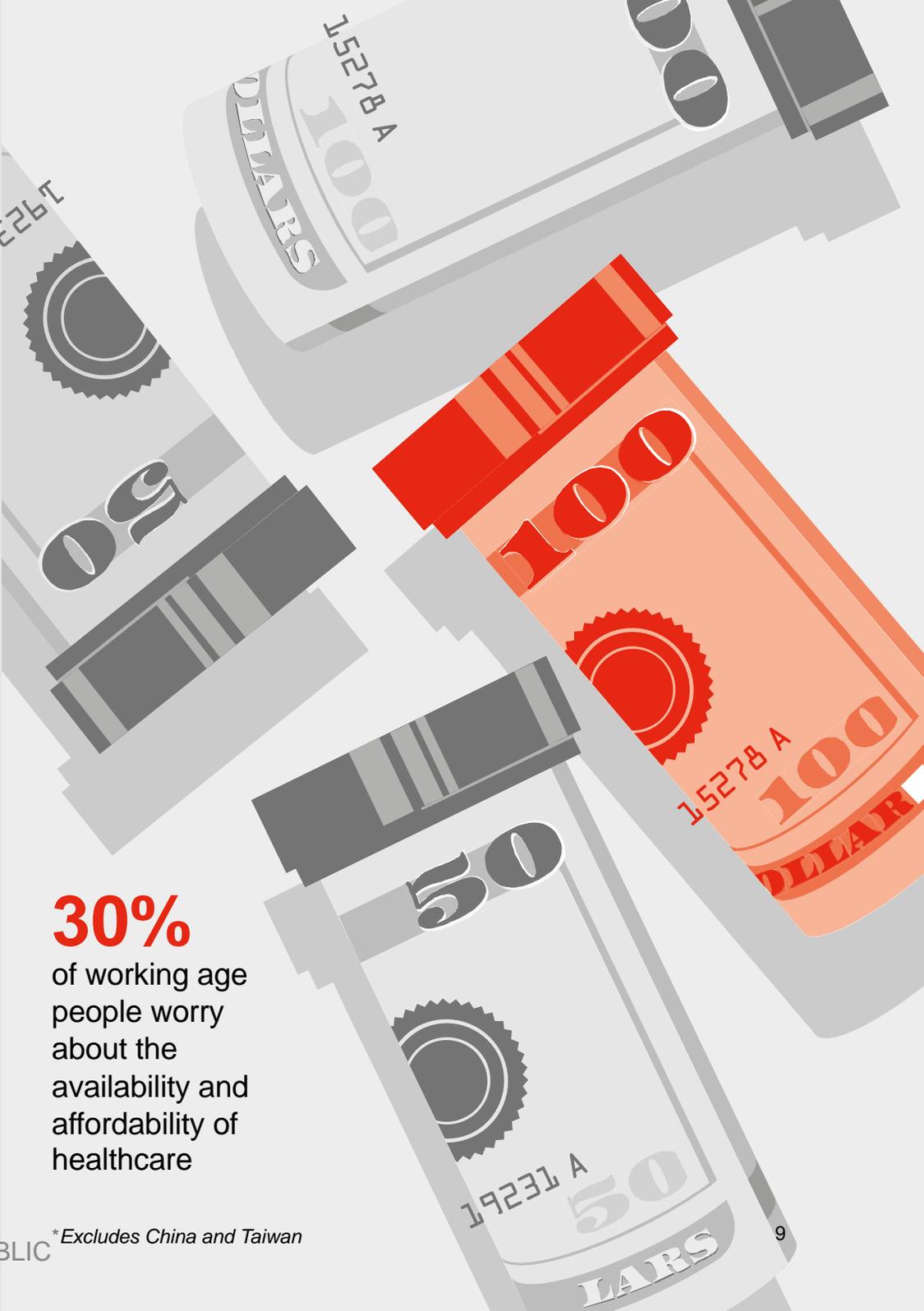
**52%**

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

## 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%\***.



**30%**  
of working age  
people worry  
about the  
availability and  
affordability of  
healthcare

# 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.



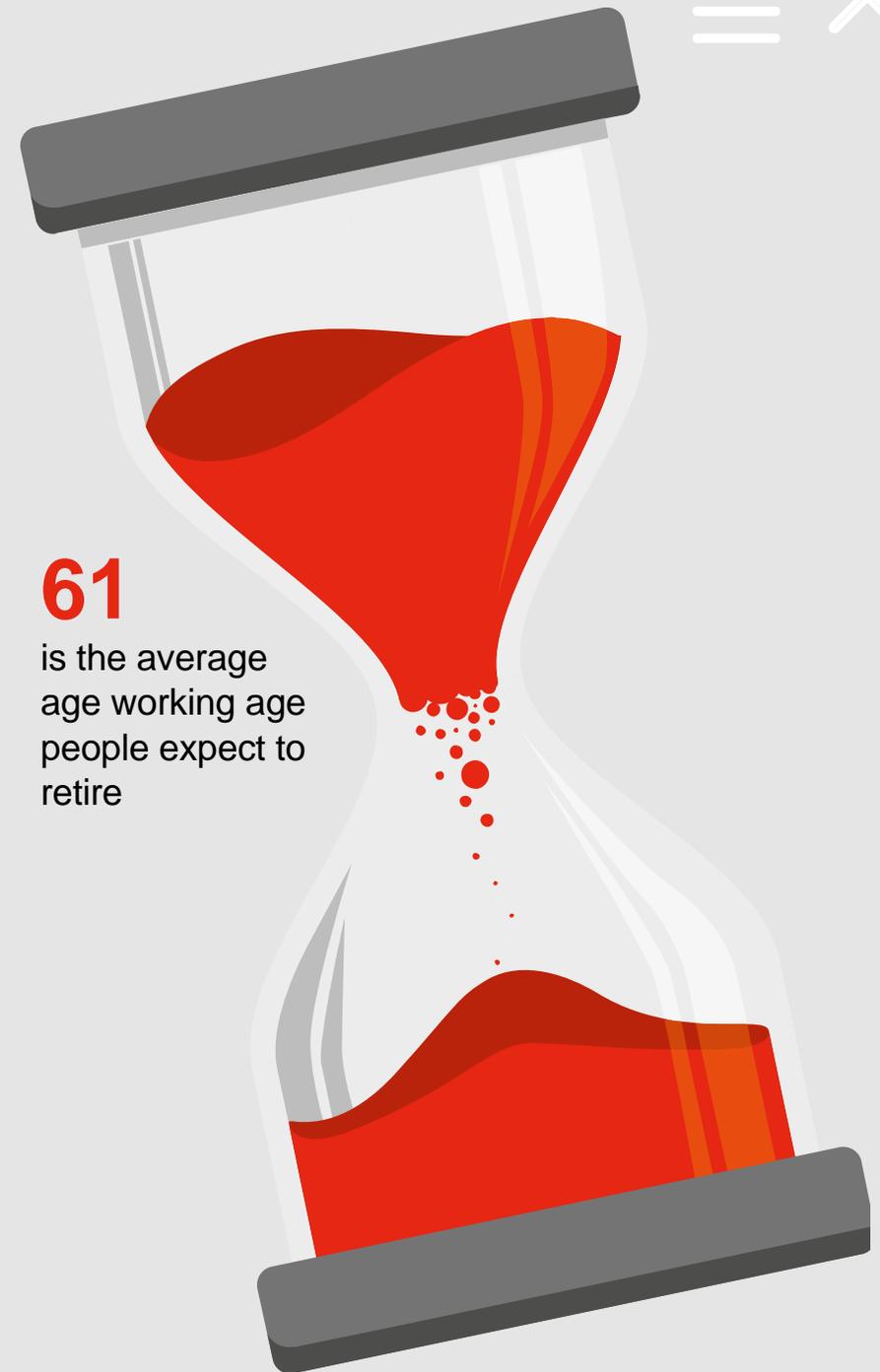
**65%**

of working age people say they will continue working to some extent in 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.

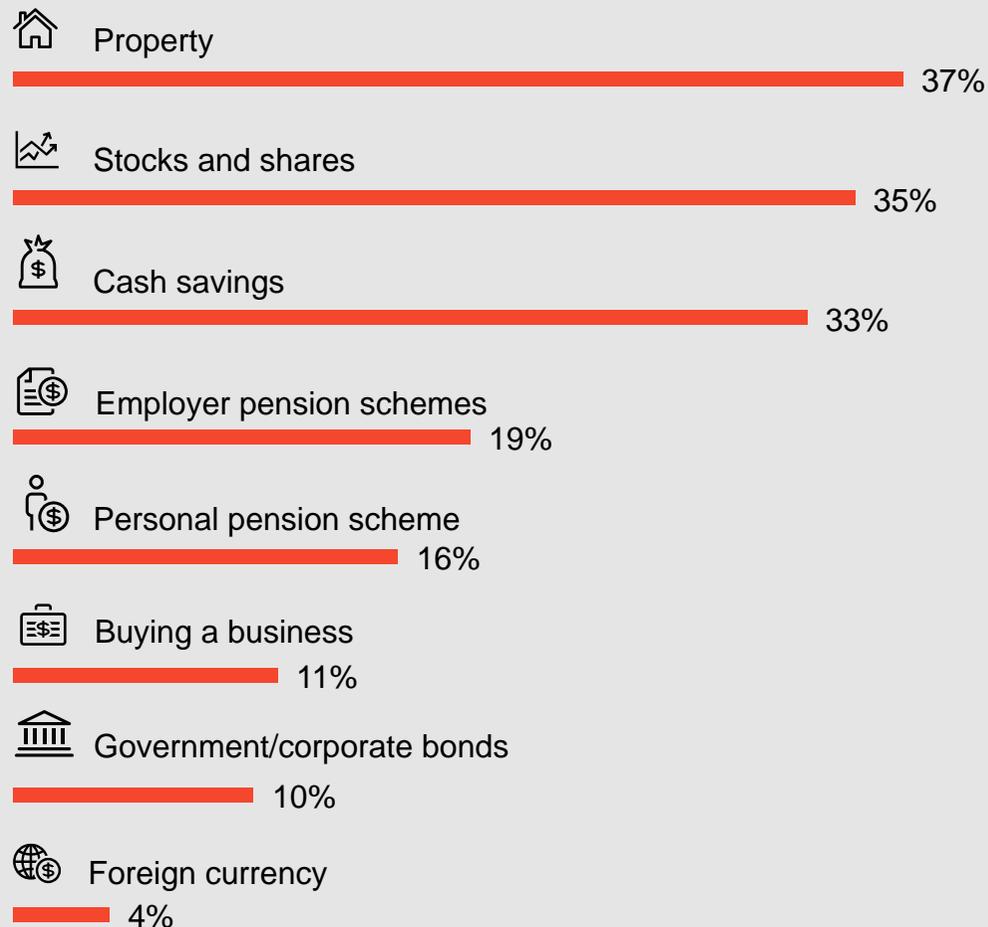


# Funding retirement

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%**.

## Property is viewed as offering the best returns for retirement saving



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.



**33%**  
of working age  
people actively  
move their money  
around to get the  
best return/deal

# Millennials & retirement

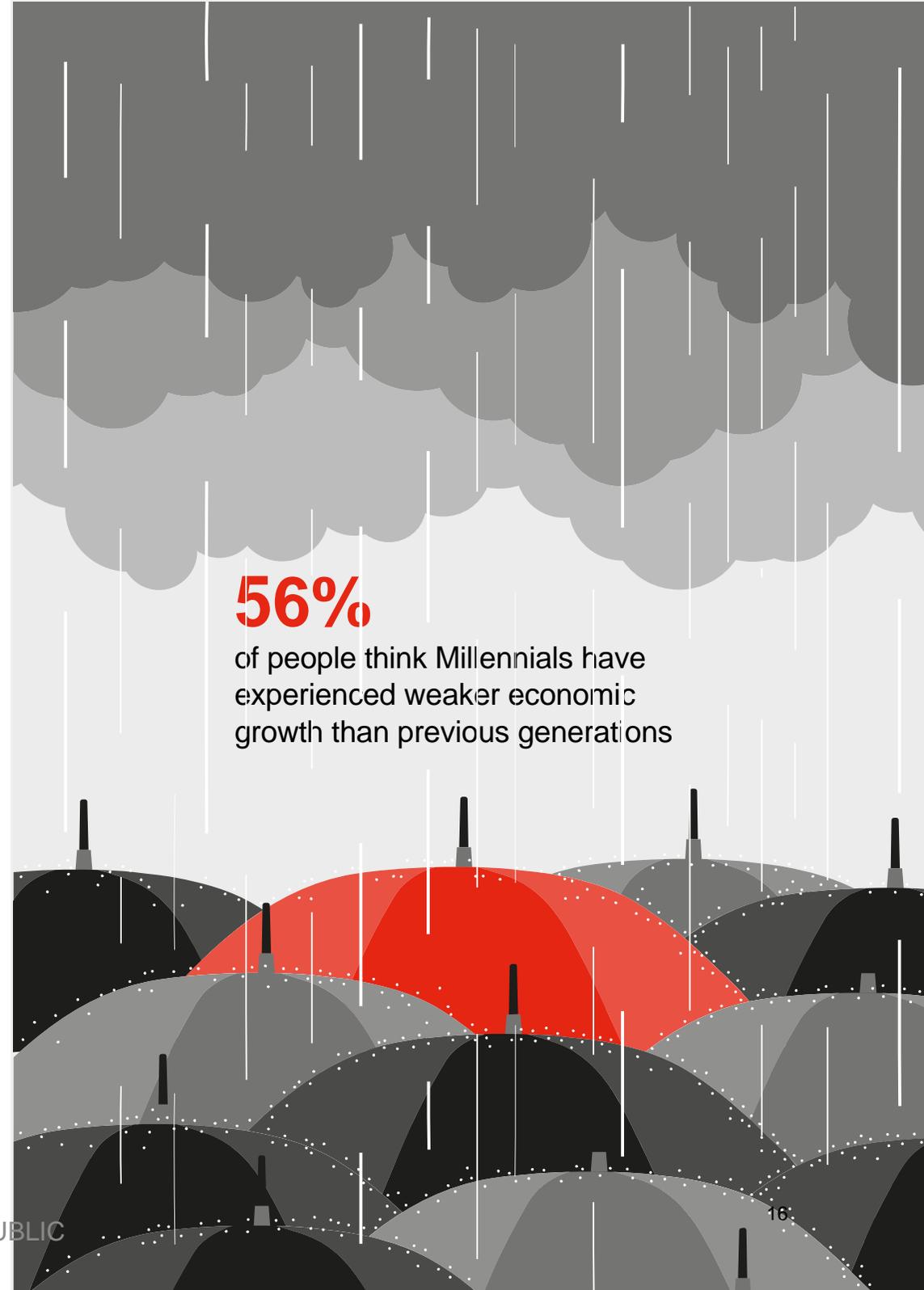


## A perfect storm

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.



**56%**

of people think Millennials have experienced weaker economic growth than previous generations

# Retirement prospects

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



### Millennials



### Generation X

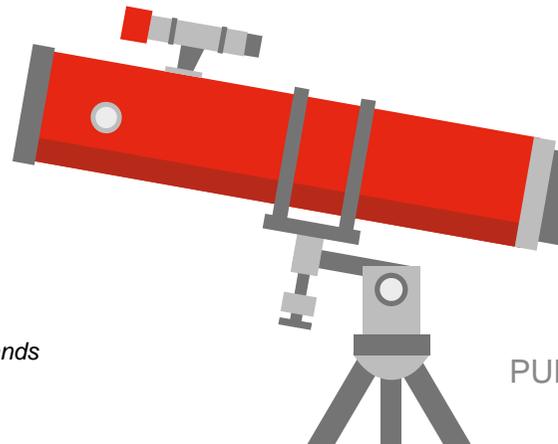


### Baby Boomers



- Age expect to retire
- Age expect to live to

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



## Taking action

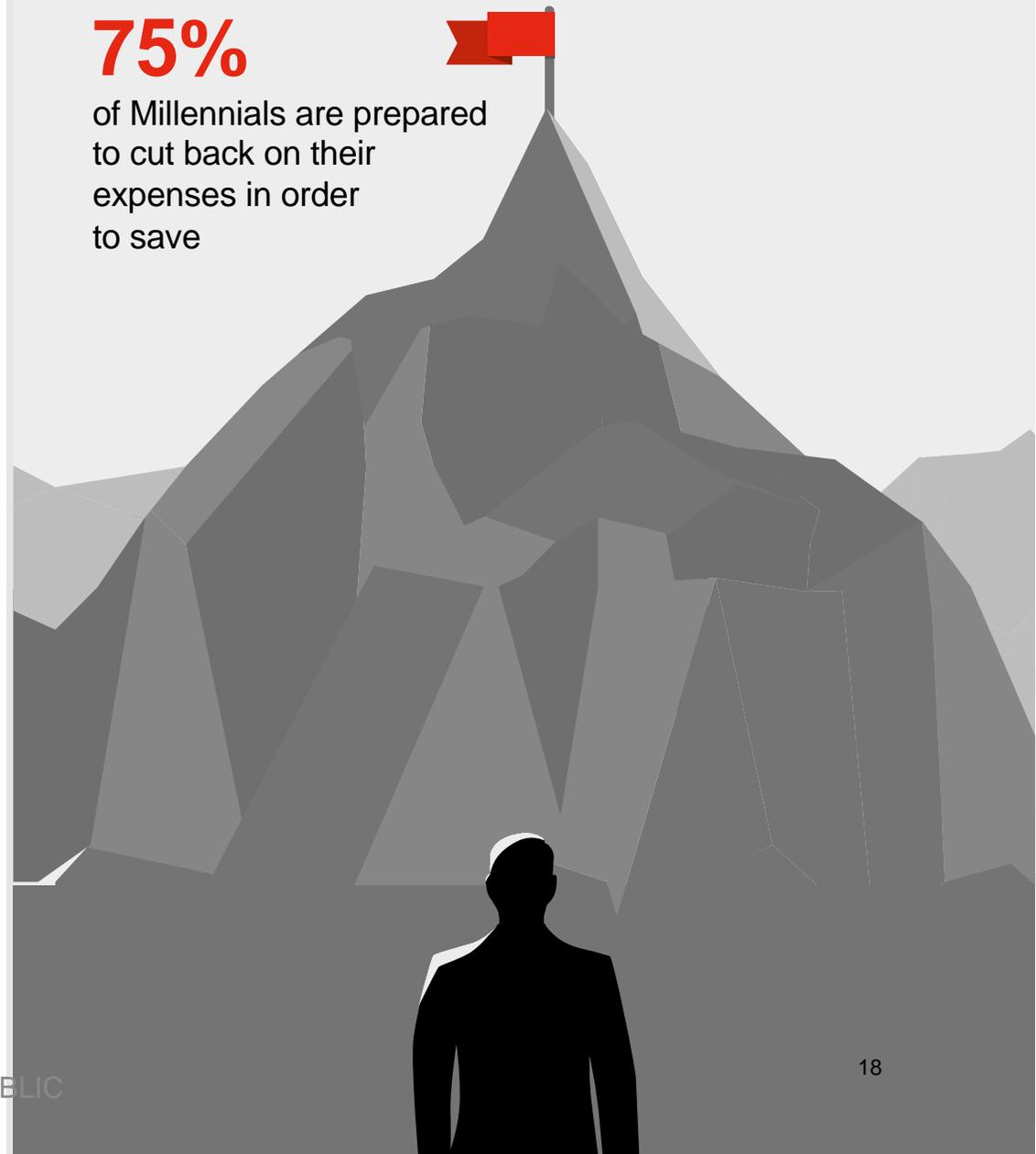
On average, Millennials started saving for retirement at age **26**. However, **20%** of Millennials have not yet started saving for retirement, compared to **19%** of Generation X and **17%** of Baby Boomers.

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.

**75%**  
of Millennials are prepared  
to cut back on their  
expenses in order  
to save

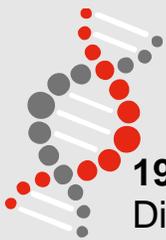


# Defining the generations

**Baby Boomers**  
Born 1945 to 1965



**1945**  
End of WWII

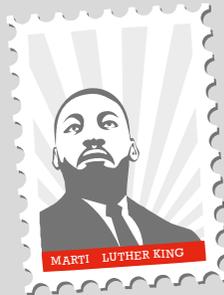


**1953**  
Discovery of DNA



**1957**  
European Common Market established

**Generation X**  
Born 1966 to 1979



**1960s**  
US Civil Rights movement



**1969**  
Woodstock festival



**1969**  
Moon landing

**Millennials**  
Born 1980 to 1997



**1989**  
Fall of Berlin Wall



**1991**  
Launch of Internet



**1997**  
First Harry Potter book



# Retirement 2.0

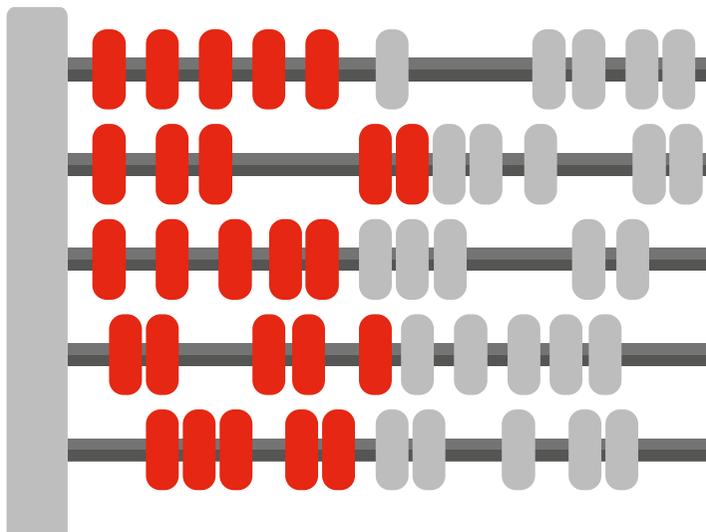


# Saving time and money

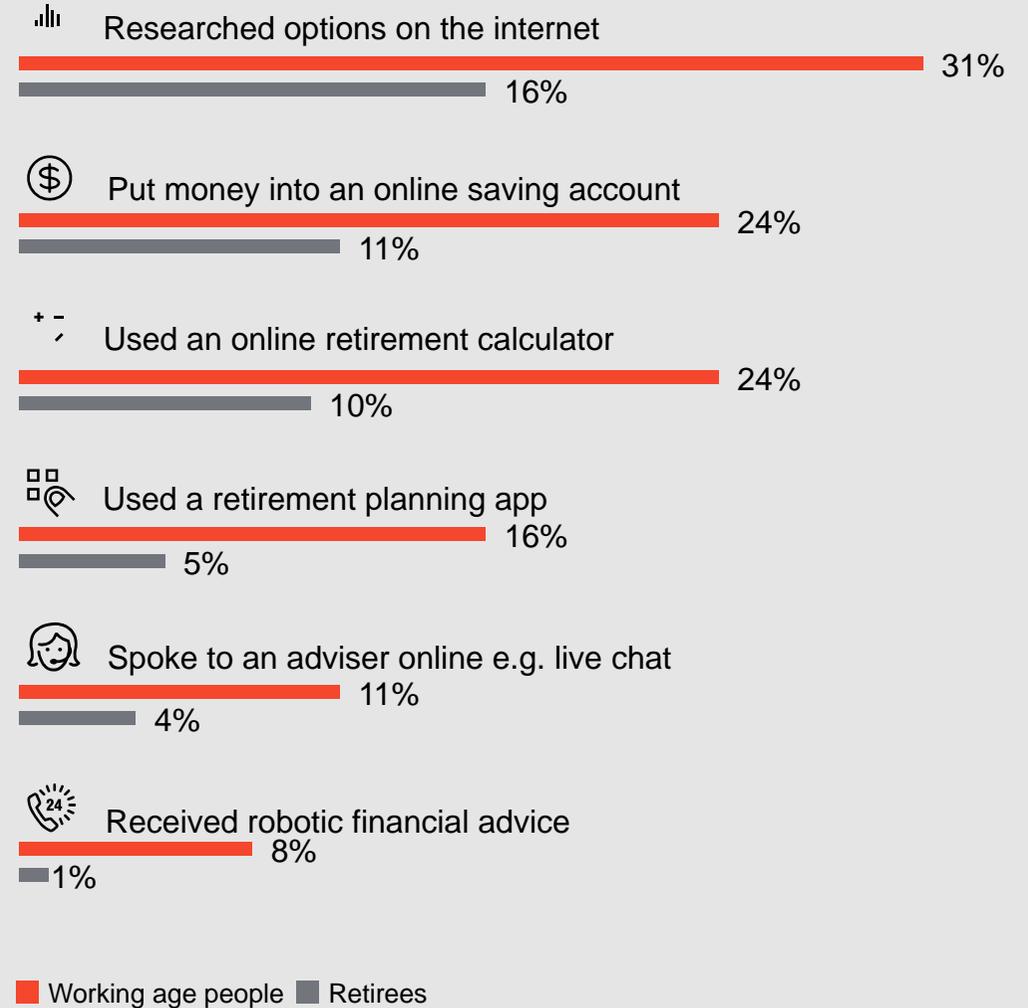
Technology is changing the way people save for retirement.

**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

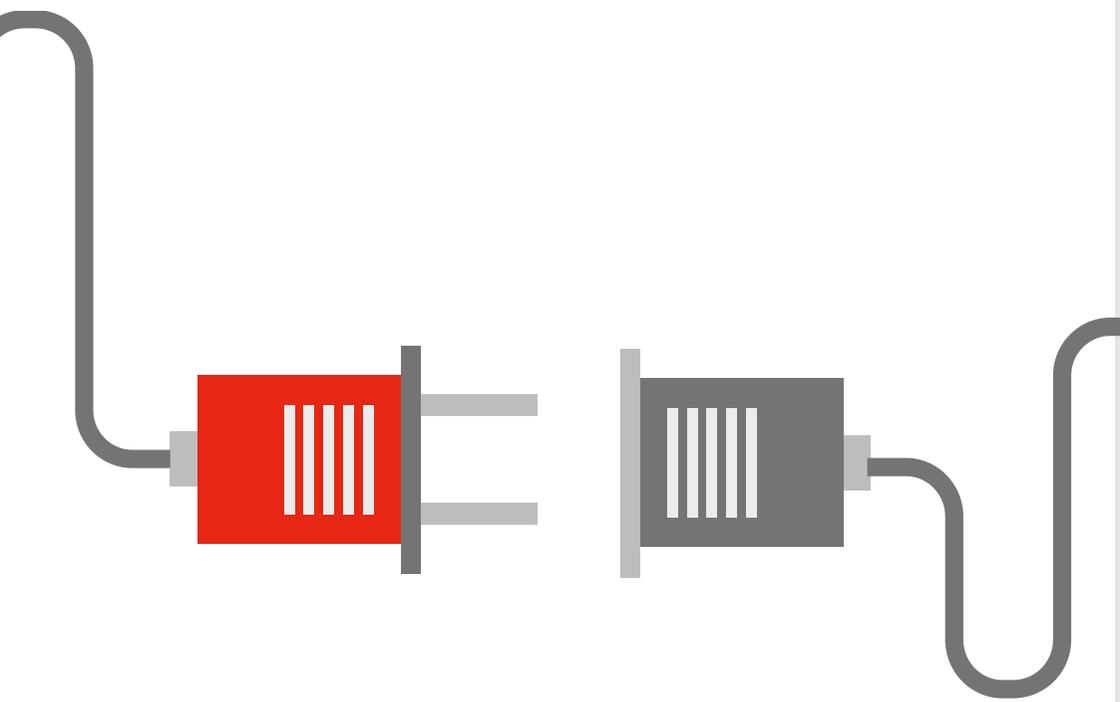


Q. What role, if any, has new technology played in helping you plan for your retirement? (Base: All)

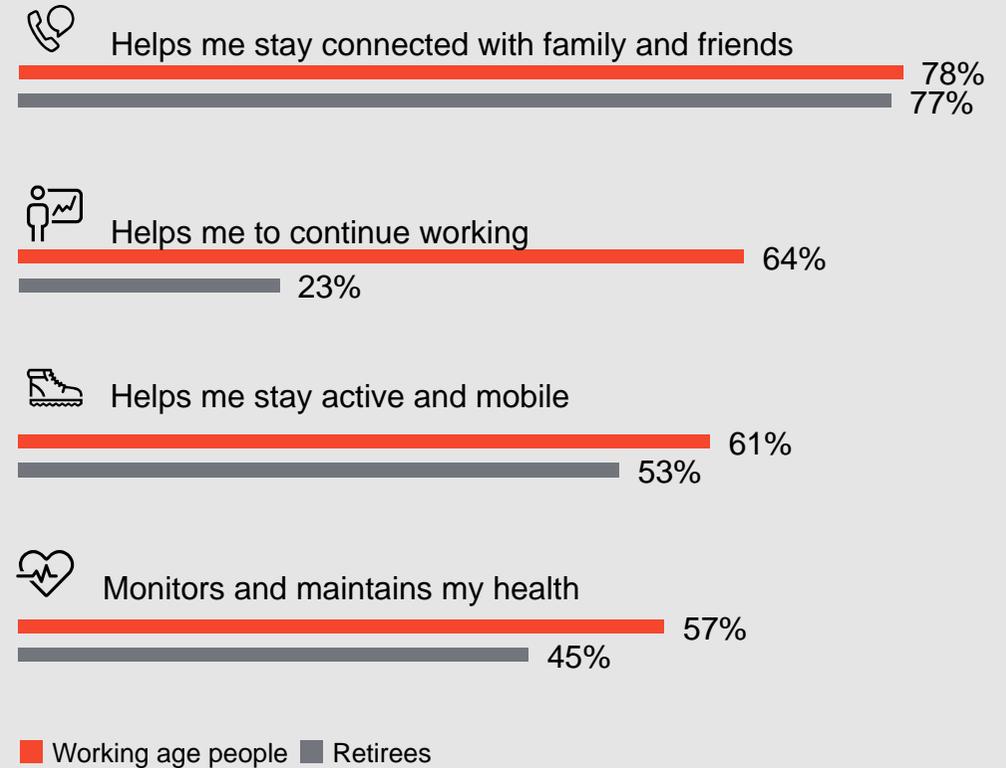
# Stay connected

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

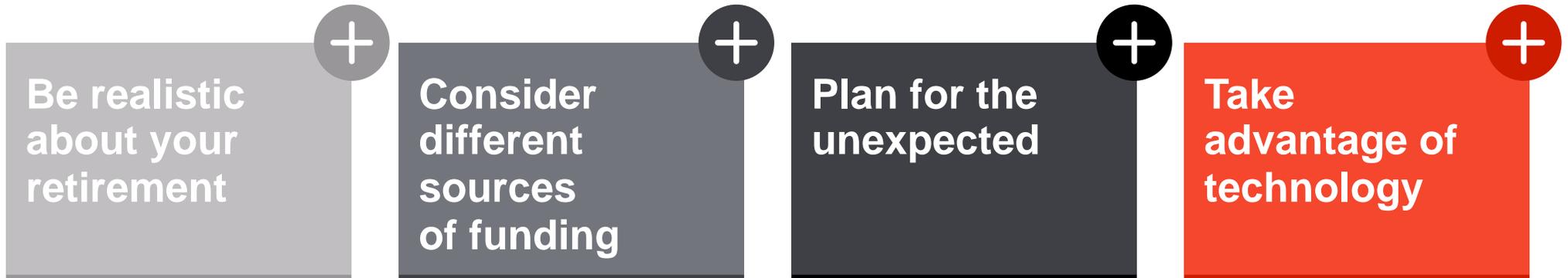


Q. Do you think you will use/are you using any of the following new technologies in your retirement? (Base: All)



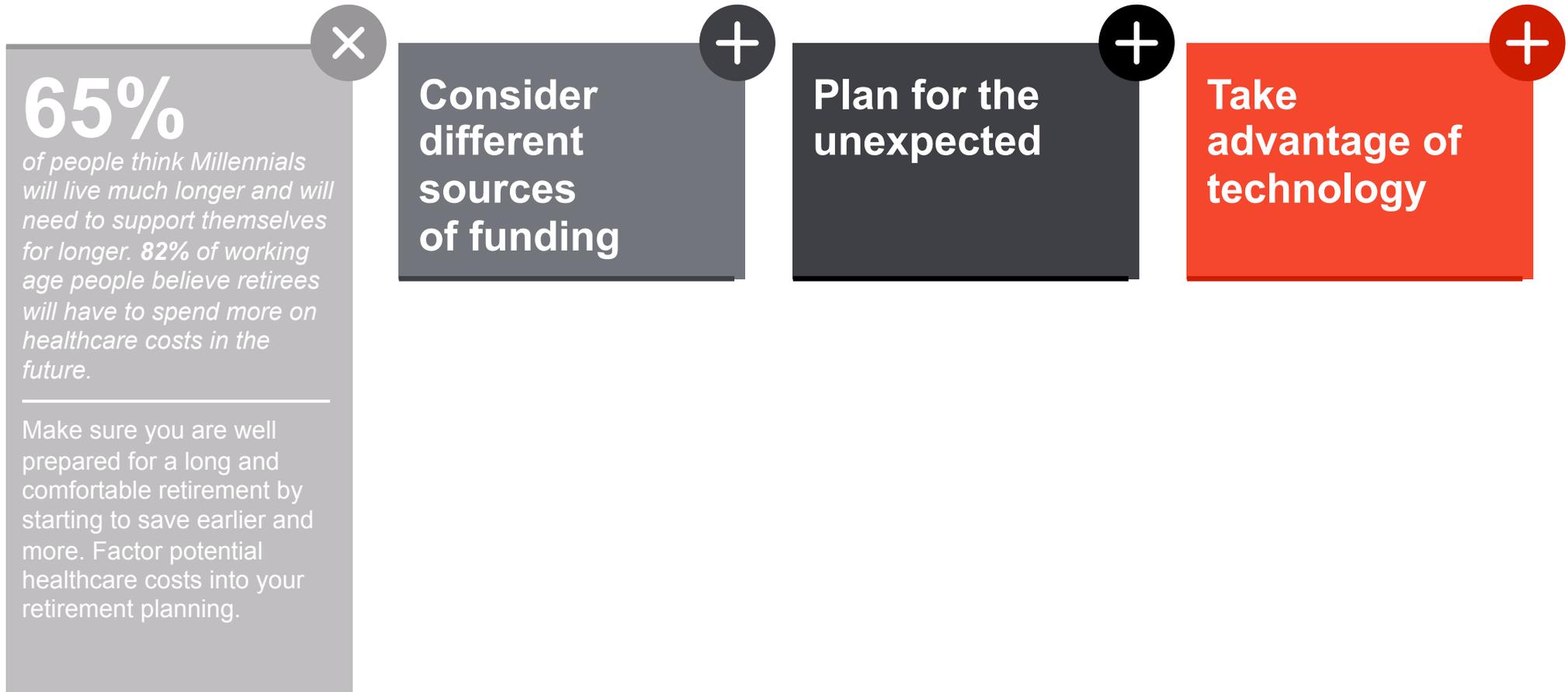
# Practical steps

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.



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## 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.*

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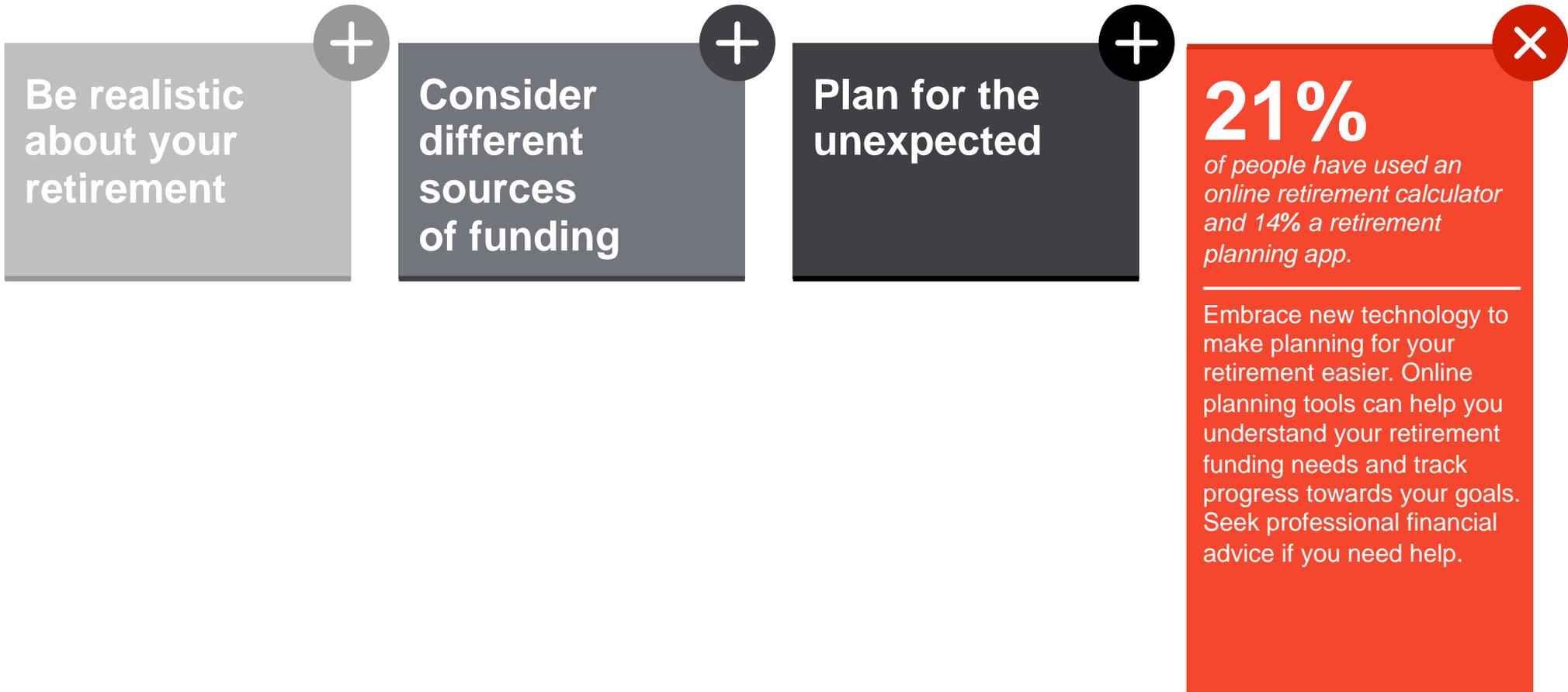
Unexpected events can have a major impact on retirement funding. Include worst case scenarios when planning your retirement and consider putting protection in place to help secure your retirement income.



**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.*

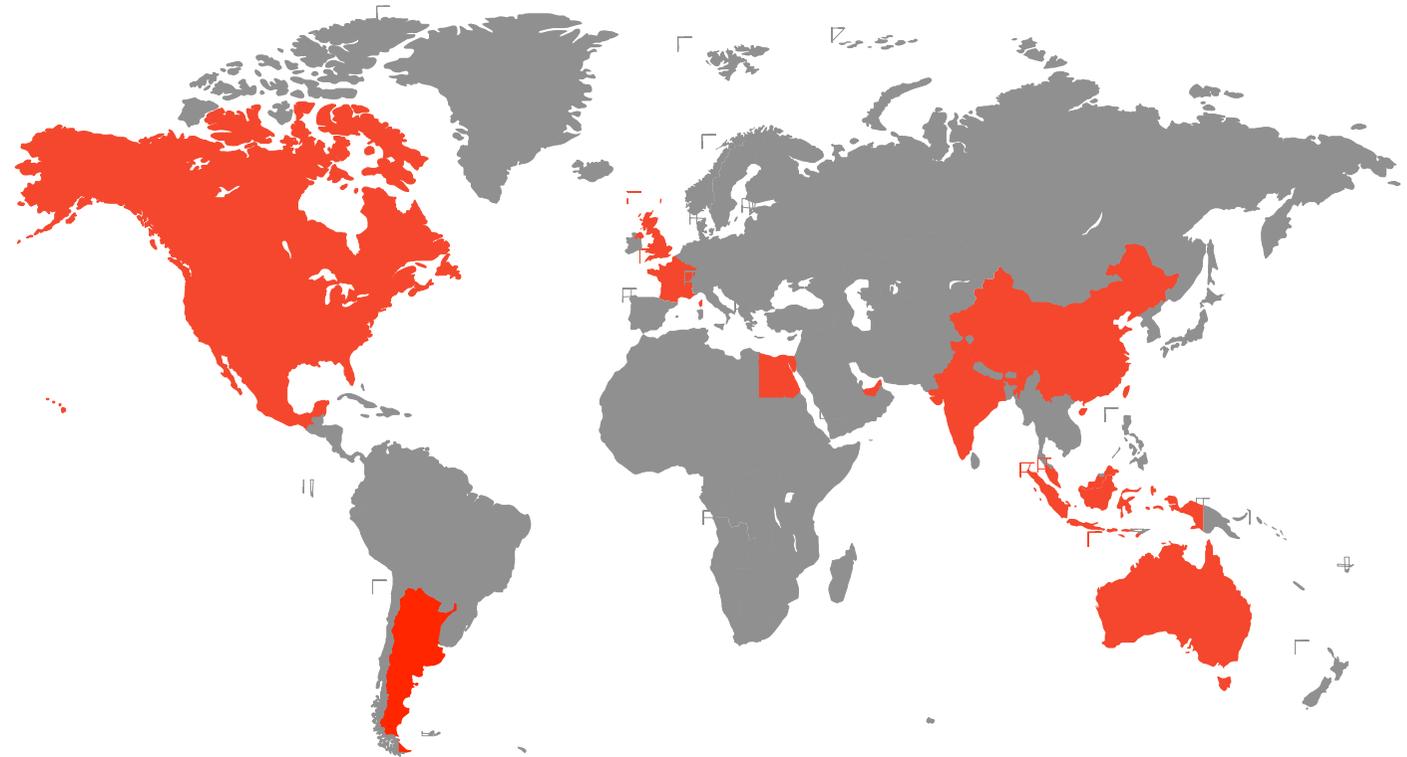
Embrace new technology to make planning for your retirement easier. Online planning tools can help you understand your retirement funding needs and track progress towards your goals. Seek professional financial advice if you need help.

# 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.



 Survey

 About HSBC

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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.

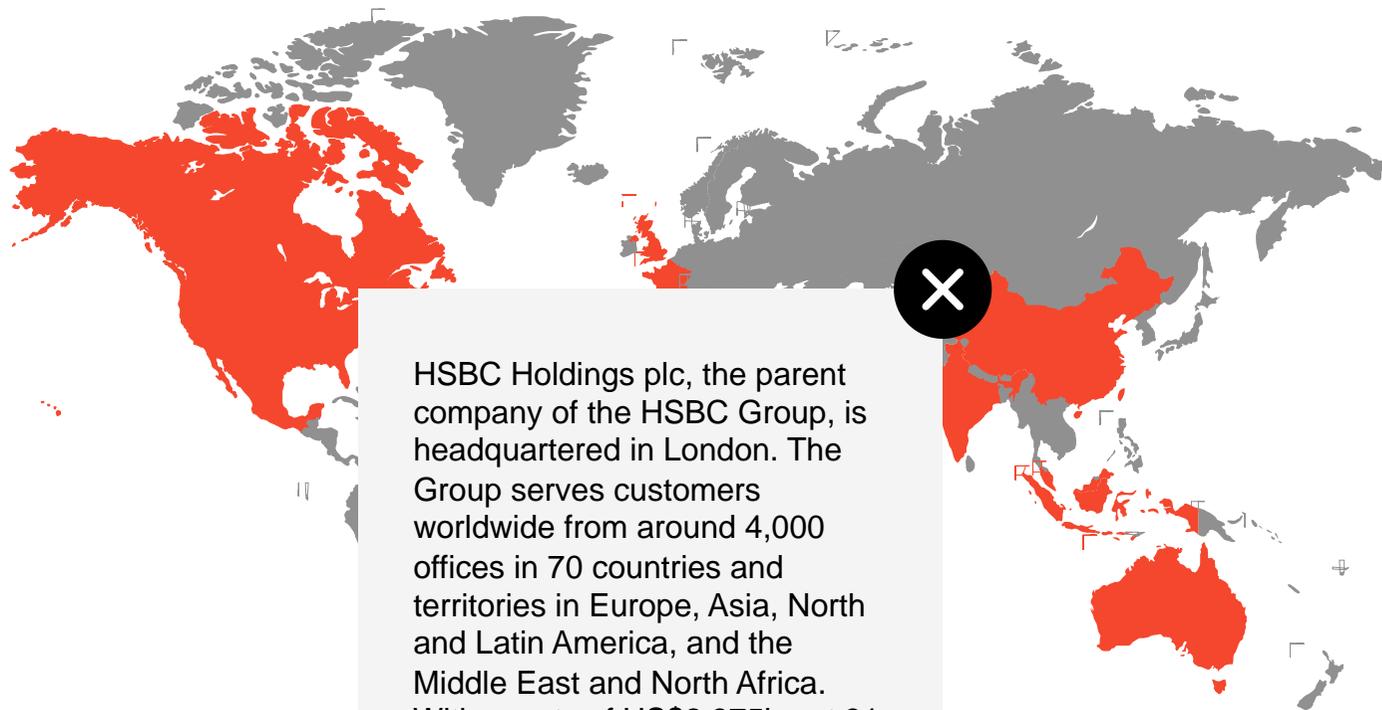


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*i* About HSBC

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