HSBC

News Release

27 April 2017

MILLENNIALS: WAKING UP TO RETIREMENT REALITY

HSBC calls for Millennials to wake up to living and working longer, as research finds only 1 in 10 expects to work past 65

Working age people around the world show concern about declining state pensions

Most Millennials have an unrealistic view of their retirement prospects according to a new report from HSBC.

The latest report in The Future of Retirement series, *Shifting sands*, finds that on average Millennials expect to retire younger than other working age generations. Millennials expect to retire at 59, two years younger than the working age average of 61.

The survey of over 18,000 people in 16 countries finds that only 10% of Millennials expect to continue working after 65 – even as their generation faces unprecedented financial pressures and state retirement ages continue to rise around the world.

This is despite 59% of Millennials agreeing they will live much longer and will need to support themselves for longer than previous generations.

A perfect storm

Millennials are seen as having the worst retirement prospects of any generation. Ten percent of people around the world think Millennials are in the best position to have a comfortable retirement, while 42% see Baby Boomers as best placed.

Fifty-three percent of people believe Millennials have experienced weaker economic growth than previous generations, while 58% agree that Millennials are paying for the economic consequences of older generations, such as the global financial crisis and rising national debt.

Nonetheless, 54% of people believe Millennials don't know how good they have it, enjoying a better quality of life than any previous generation. Sixty percent also believe Millennials will have more flexibility in retirement, with more options to semi-retire and continue to do some work to support themselves.

The end of the state pension?

Thirty-seven percent of working age people are expecting a state pension or social security to help fund their retirement. But in the light of ageing populations and stretched government budgets, 65% are concerned about declining state pensions/social provision affecting their retirement. Twenty-four percent think state pensions will no longer exist when they come to retire.

Additionally, 77% of working age people believe retirees will have to spend more on healthcare costs in the future.

With regards to Vietnam, the country starts to feel the heat of the problem. According to Vietnam Social Security, people have a tendancy to take early retirement despite the fact that Vietnam's official retirement age is lower than that of many countries[1]. Vietnamese lifespan has been increasing, being recorded at 75.6 – the second highest in ASEAN countries, following Singapore (82.6) and ahead of Malaysia (74.7)[2]. Early retirement in the context of increasing life expectancy is a big burden on the nation's social security fund. Vietnam Social Security expects that by 2020 the country's social security funds will be equal to spending and by 2037 will be depleted and require government funding if the retirement age is not raised.

Meeting the challenge

Despite the apparent 'reality gap' in Millennials' retirement expectations, most (68%) have started saving for retirement, at an average age of 26.

In a time of continuing economic volatility, property is viewed as a good way of saving for retirement, with 47% of working age people thinking it delivers the best returns. This compares to 38% for cash savings, 29% for stocks and shares, 22% for personal pension schemes, 20% for employer pension schemes and 13% for government/corporate bonds.

Millennials are more likely than other generations to take investment risks to boost their retirement saving, with 39% being very willing to make risky investments to ensure their financial stability, compared to 33% of Generation X and 22% of Baby Boomers.

Sixty-five percent of Millennials are prepared to cut back on their expenses in order to save (Generation X 59%, Baby Boomers 54%), while 61% actively seek information to guide their financial decisions (Generation X 56%, Baby Boomers 50%). One in two (51%) actively moves their money around to get the best return/deal (Generation X 45%, Baby Boomers 39%).

Sabbir Ahmed, Head of Retail Banking and Wealth Management, HSBC Vietnam, said:

"Millennials have shown they are broadly aware of the economic and demographic challenges they face, and more willing to take investment risks to improve their retirement fund compared to the previous generations. However, to secure their

[1] Vietnam Social Security's Periodical Conference – Oct 2016

[2] World Economic Forum – WEF 2016

retirement future, they should have full implications for this stage of life such as the rising healthcare costs and potentially less state support for retired people.

Furthermore, it is more important than ever to start planning and saving for retirement as soon as you can. Making retirement saving a priority could help you avoid having to work into old age. The best way is to have a financial plan in place for retirement – and stick to it."

Practical steps

HSBC's research identified four actions that people can take to improve their financial well-being in retirement:

1. Be realistic about your retirement
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.

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

3. Plan for the unexpected
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.

4. Take advantage of technology
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.

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Notes to editors

Millennials are those born between 1980 and 1997.
Generation X are those born between 1966 and 1979.
Baby Boomers are those born between 1945 and 1965.

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. Since The Future of Retirement programme began in 2005, over 177,000 have been surveyed worldwide.

Shifting sands is the fourteenth report in the series and represents the views of 18,414 people from 16 countries and territories: Argentina, Australia, Canada, China, Egypt, France, Hong Kong, India, Indonesia, Malaysia, Mexico, Singapore, Taiwan, United Arab Emirates, United Kingdom and the United States of America.
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.

For more information about The Future of Retirement, visit www.hsbc.com

HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 4,000 offices in 70 countries and territories in Europe, Asia, North and Latin America, and the Middle East and North Africa. With assets of US$2,375bn at 31 December 2016, HSBC is one of the world's largest banking and financial services organisations.

HSBC Vietnam

HSBC has been in Vietnam for more than 140 years – the bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The bank's current network includes two branches and five transaction offices in Ho Chi Minh City, one branch and four transaction offices in Hanoi, and three full-service branches in Binh Duong, Can Tho, and Da Nang. HSBC is one of the largest foreign banks in the country in terms of investment capital, network, product range, staff and customer base.

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