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OVER 55s FACE RETIREMENT CASH SHORTFALL OF ALMOST £70k

Under 24s plan to save cash pot of less than half of what over 55s hope to build

Savers aged 35 and above have high targets for a cash savings pot to supplement retirement income but are failing to put enough away. In contrast, younger people are aiming low, but stand to accumulate larger pots if they keep up their good habits, according to HSBC¹ (Table 1).

After the age of 35 people fall increasingly short of their targets for a cash nest egg. The over 55s feel they need a large pot and are aiming to save almost £100,000 (£99,495) for their retirement, perhaps as they are more aware of the significant cost involved. However, at current rates of saving, they will only manage to accumulate £31,900, missing their goal by an average of £67,600 or 70%.

16 to 24 year olds are less ambitious, aiming to save only £48,400 - less than half that of the over 55s. However, with an average of 45 years to retirement, if they keep up their current good savings habits they will achieve more than double their ideal pot and even match the higher targets of the older age groups.

Table 1. Gap between expected and ideal liquid retirement savings pot by age group

Savings Pot Gap	16-24	25-34	35-44	45-54	55+	All
Value of current pot	£4,187	£6,085	£5,980	£11,385	£15,464	£10,040
Regular annual saving	£1,033	£1,526	£1,402	£1,857	£1,991	£1,702
Pot value on retirement	£99,982	£104,538	£62,409	£52,299	£31,874	£70,087
Ideal pot value	£48,395	£78,267	£88,467	£101,790	£99,495	£91,769
Savings Pot Gap	£51,587	£26,271	-£26,058	-£49,491	-£67,621	-£21,682
Savings Pot Gap %	Surplus 107%	Surplus 34%	-29%	-49%	-68%	-24%

Over 35s playing catch up as savings dip

After the age of 35, savings habits dip, possibly affected by changing priorities and increased financial responsibilities such as the cost of raising children, mortgage repayments and higher debts. 35 to 44 year olds see annual deposits drop £100 to £1,400 as well as a fall in the value of their current savings pot.

While regular savings amounts pick up again towards retirement, with the over 55s making the largest yearly deposit (£1,990) in a bid to boost their final sum, savings pot growth has already fallen behind, suggesting people are also dipping back into their savings. At this late

stage, people are unable to put away enough to achieve their higher targets given the number of years they have left to save (Table 2).

Table 2. Gap between actual and required annual saving by age group

Regular Savings Gap	16-24	25-34	35-44	45-54	55+	All
Actual regular annual saving	£1,033	£1,526	£1,402	£1,857	£1,991	£1,702
Required regular annual saving	£420	£1,077	£2,121	£4,467	£12,036	£2,410
Regular Savings Gap	£613	£449	-£719	-£2,610	-£10,045	-£708

Cash nest egg can boost standard of living

The benefits of building a cash nest egg to supplement retirement income are highlighted by State and private pension statistics. The full Basic State Pension for 2012 to 2013 pays out £107.45 per week or £5,587.40 per year,² while the private pension pot for the average retiree (£27,207) provides an annual income of just under £1,400.³ These give a combined annual income of £6,987.

The average supplementary cash nest egg of £70,100 will add an extra £3,689 per year⁴ – a 53% increase.

Bruno Genovese, Head of [Savings](#) at HSBC, comments:

“The increased financial responsibility that many people face around their mid 30s, such as buying a house, having children and taking on more debt, seems to be hindering long term savings habits, despite the good intentions. This divides UK savers between younger generations with the potential to meet their long term savings goals and older generations who have higher and more realistic aspirations but have often left it too late to achieve them.

“Retirement is expensive and people will appreciate having a decent cash savings pot to supplement any regular income. It is important that they start saving early and getting into a good savings habit, not just to meet short term goals but to help cover unexpected expenses and secure their desired standard of living later in life.”

Women are less ambitious but see greater shortfall

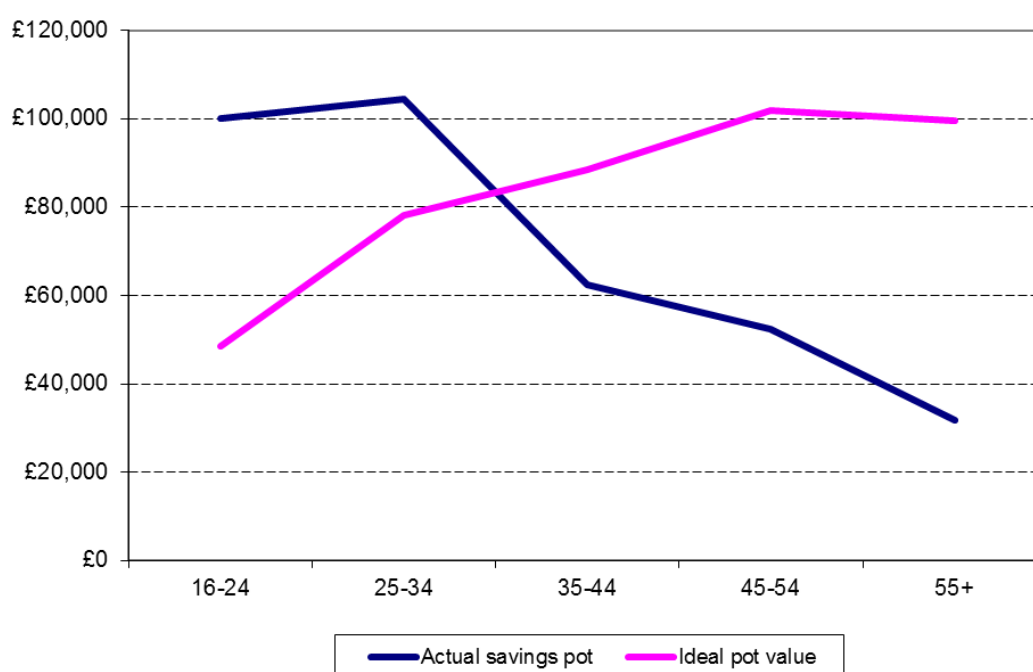
Despite having slightly lower aspirations for cash nest egg savings than men (£86,700 vs. £97,800), women are likely to have a greater shortfall on retirement. At their current rate of

saving, they are set to raise £53,800, falling £32,900 short of their goal, whereas men look likely to accumulate £94,800, leaving them only £3,000 under.

This discrepancy is down to women having slightly lower starting pots at £7,700 compared to £12,900 for men and saving almost £1,000 (£881) a year less than men at £1,300.

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Graph 1. Expected versus ideal liquid retirement savings pot by age



Notes to editors:

¹ Research conducted among 2,200 UK adults by Opinion Matters between 27 July and 10 August 2012.

² According to the Pensions Advisory Service:

<http://www.pensionsadvisoryservice.org.uk/state-pensions/how-much-will-you-get>

³ Aviva data 2011. Assumes an average 15% lump sum is taken before income is calculated. Income calculated using pensionscalculator.com

⁴ ONS statistics suggest people's life expectancy at 65 is 19 more years.

Methodology

- Consumers were asked about a liquid savings pot (i.e. accumulated savings from cash, bank and building society accounts) that they would like to supplement retirement income from a pension(s) when they retire.

- Calculations assume that savers continue to pay the same amount into savings each year for this purpose until they retire and that the interest rate remains the same over this period.
- Savings pots are calculated using the average interest rate of best buy notice savings accounts – 3.22% (Moneyfacts, August 2012) – minus the 20% tax subtracted at source.

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