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Brits face 12 years of hardship in retirement after savings run out

UK tops global savings gap league table as worst-prepared for later life

Today's workers will run out of savings just seven years into their retirement according to new research from HSBC.

HSBC's The Future of Retirement: *A new reality* study found that the average retirement in the UK is expected to last **19 years**, but that average retirement savings will be used up after a third of that time (37%) – leaving people entering a period of significantly reduced living standards.

This **12 year shortfall** in Britain is the worst identified by the international study, which covers over 15,000 people in 15 countries around the world.

HSBC predicts that the situation is only likely to worsen as life expectancy continues to rise around the world, and people fail to face up to reality of making up the shortfall while they can.

Christine Foyster, Head of Wealth Development, HSBC UK said: "The concept of retirement is evolving all the time, and we know many people aren't prepared. But now we know by just how much.

"People are living longer, through tougher economic times, but their expectations about their standard of living in retirement remain unchanged. They are putting off the inevitable, which is the reality of significant cuts to their living standards in their twilight years, after their savings run out."

Worldwide, the study found that people will on average run out of retirement savings just over half-way into their retirement. This will leave many unable to fund the great aspirations they have for their retirement years, such as taking frequent holidays (49%), home improvements (31%) and learning new hobbies (30%). It also leaves people potentially unprepared for additional living expenses in later, or frail, retirement, such as funding long-term care.

Currently 56% of the global working population is not preparing adequately for later life, rising to 66% in the UK. Of these, one in five (19%) people across the globe are not preparing at all, rising to one in three (34%) in the UK. Financial concerns are people's greatest fear about living in retirement, with 63% in the UK saying they fear financial hardship (compared to 57% globally), and 31% worrying that they will have to work longer then they want to.

But while they recognise their inadequate savings, people in Britain are still adamant that they will be able to retire punctually at the age of 65.

And in further juxtaposition, over half (57%) of those not yet fully retired in Britain would willingly prioritise saving for going on holiday over saving for their retirement (compared to 43% globally).

The study also showed how vulnerable retirement savings are to being raided to cover shorter term needs, with 14% of those yet to retire in the UK admitting they would dip into their retirement pot to cope with major life events such as buying a home or paying for children's education.

Christine Foyster continued: "People throughout history have faced the question of how to provide for the future, and today's savers are no exception. Yet as daunting as the current challenges may seem, the solution is simple: the earlier you start to plan the better prepared you will be.

"For some this may mean beginning to save more, whereas others will choose to work longer. The key is for everyone, regardless of age or income, to make small changes now to ensure they get the retirement they expect."

HSBC's research identified five actions that individuals can take to improve their financial well-being in retirement.

Action 1: Get real about your retirement needs

Through education and guidance from financial advisers, you will be able to better understand how much income you will need in retirement and how to better prepare for all the financial risks associated with growing older.

Action 2: Put your savings priorities in order

Work out a realistic budget that works for you and make sure that your long-term financial planning, including the need to save for retirement, isn't overlooked against what might seem like more pressing financial needs. Ring-fencing even a small amount of monthly income towards retirement planning can help to make a major difference in the future.

Action 3: Be aware of how major life events affect saving for retirement

You never know when a life event may impact your savings, so where possible, you need to ensure that you have access to some emergency savings and investments as well as appropriate insurance to deal with periods of unemployment and long-term illness which may prevent you from working.

Action 4: Make a plan for the future

Any type of financial planning for retirement, including informal ways such as using online planning tools or 'to-do' lists, is a good starting point. Eventually you should seek to draw up a detailed written plan for the future, which should be reviewed regularly.

Action 5: Use professional advice to improve your savings position

Reviewing your savings situation and retirement potential with a professional financial adviser now can help to ensure that all your future retirement needs are identified and that comprehensive plans are put in place.

HSBC

Retirement savings shortfall by country*

		Length of retirement expected (median, years)	Time when savings are expected to run out (median, years)	Retirement savings shortfall (years)	Retirement savings shortfall (% of retirement covered by savings)
Ranking	Global	18	10	8	56%
1	UK	19	7	12	37%
2	Egypt	11	5	6	45%
3	France	19	9	10	47%
4	China	20	10	10	50%
5	Taiwan	18	9	9	50%
6	Brazil	23	12	11	52%
7	Australia	21	11	10	52%
8	Mexico	17	9	8	53%
9	Singapore	17	9	8	53%
10	Canada	19	11	8	58%
11	UAE	15	9	6	60%
12	Hong Kong	17	11	6	65%
13	USA	21	14	7	67%
14	India	15	10	5	67%
15	Malaysia	17	12	5	71%

To download a copy of *The Future of Retirement: A new reality* go to www.hsbc.com/retirement

An online tool is available to allow individuals to see how they compare against the global findings, at http://financialplanning.future-of-retirement.hsbc.co.uk/tool.html?country=gb&language=english

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Notes to editors

HSBC's The Future of Retirement programme is a world-leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world. The latest Future of Retirement campaign is the seventh in the series and is based on interviews with 15,866 people in 15 countries. Since the Future of Retirement programme began in 2005, more than 125,000 people worldwide have been surveyed.

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For more information about The Future of Retirement, and to view previous reports, visit: http://www.hsbc.com/retirement

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As a market leader in pensions and retirement research, Cicero designed and analysed the research and wrote this report, with Mark Twigg as author and Paul Middleton as research director.

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