



# The Future of Retirement: Bridging the Gap

UK factsheet

## The cost of ageing

Almost half (45 per cent) of working age people in the UK expect a comfortable retirement but they are in for a shock as only (33 per cent) pay into a retirement account every month. Planning for life after work is crucial and many are not making adequate, or even any, financial plans.

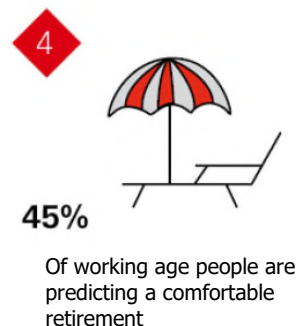
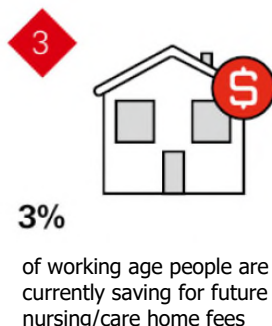
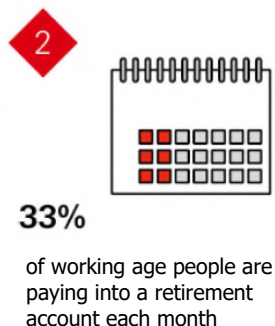
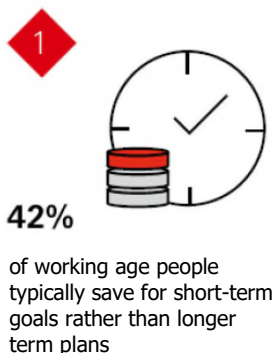
The Future of Retirement is a world-leading independent research study into global retirement trends. It provides authoritative insights into key issues associated with ageing populations and increasing life expectancy around the world.

These findings are from the fifteenth edition in the series and represent the views of 17,405 people in 16 countries and territories.

This factsheet represents the views of 1,002 people in the UK.

There are also some practical tips to help people plan for the retirement they want.

## UK key findings



## Planning for the long haul

### The road ahead

The reality of the here and now often takes precedence over preparing for life after work. One in three people (31 per cent) agree it's better to spend money on enjoying life now than saving for retirement. And two in five (42 per cent) of working age people typically save for short-term goals rather than longer term plans.

With two in five people (38 per cent) saying they live on a day-to-day basis financially, this approach could be storing up problems for later.

Many need to act now to secure a happy future retirement. Only a third (31 per cent) of working age people have a financial plan in mind and just under a quarter (23 per cent) have sought financial advice to help plan for retirement. In addition, just under a third (29 per cent) of working age people are currently saving for their retirement.

One in six working age people anticipate no difficulty independently managing their finances in retirement

### Peter Pan pension planning

Could a hesitation to see themselves as old lie behind a reluctance to plan? Almost two in three working age people (59 per cent) don't see themselves as 'old', and just under three out of five (58 per cent) feel younger than their actual age. What's clear is that many people, whether young or old, are not adequately anticipating the financial requirements of later life. Only one in six (16 per cent) working age people anticipate no difficulty independently managing their finances throughout retirement.

### Talking care

Financial planning for potential care costs is not top of mind for many. Around a third of working age people are aware of the cost of living in a residential home (37 per cent) or the cost of home social care (32 per cent). This is despite over half (56 per cent) claiming to be concerned about affording residential care when in retirement.

Those approaching retirement are better informed. Fifty-one per cent of those aged between 55 and 64 are aware of the costs associated with care. This proportion grows as people get older, with 59 per cent of 65 to 74 year olds aware of residential care costs.

### Concerns about affording care costs in retirement are common



**67%**  
Worry about having enough money to live comfortably



**65%**  
Are concerned about running out of money while in retirement



**56%**  
Worry about being able to afford residential home care



**65%**  
Worry about the rising costs of healthcare



**45%**  
Worry about being reliant on family or friends for financial support

Over half of working age people worry about covering care costs when in retirement

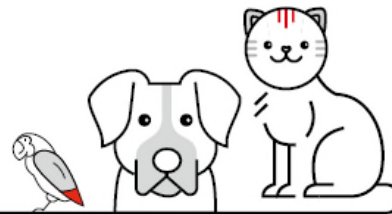
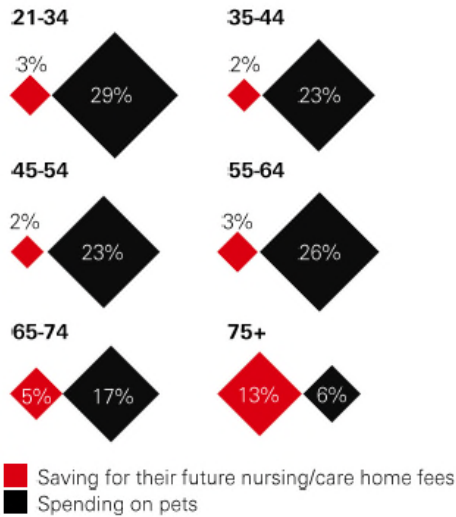
Q. To what extent, if at all, are you concerned about the following affecting your retirement? (Very Concerned/Fairly concerned) Base: All working age people

**Pet Priorities**

Few are actively preparing for potential care costs. Only 3 per cent of working age people are saving for future nursing or care home fees. In fact, people are more likely to spend money on their pets (25 per cent) than on saving for future nursing or care home costs.

This attitude does change with age. Twice as many over 65-74 are saving for future care costs than those aged 45 to 54.

**Saving priorities shift as people get older**



Q. What financial outgoings, if any, do you/your household currently have? Base: All respondents

**Bank of son and daughter**

Many across the UK anticipate help from their family network. Around a quarter (23 per cent) of working age people expect their children will support them at some point in their retirement.

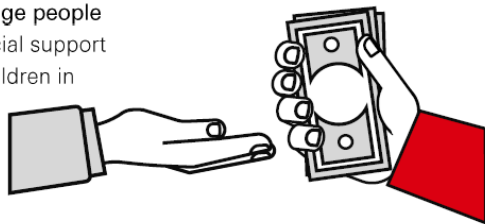
Evidence from current retirees suggests this may be optimistic. While two-thirds (65 per cent) of those already in retirement receive regular income from government pensions or social security, none receive financial support from their children.

With limited income, it's important to know what outgoings you may still have during retirement. Five per cent of retirees are still paying the mortgage on their primary home and 10 per cent are paying rent.

**Working age people may have unrealistic expectations of receiving financial support from their children**

23%

Of working age people expect financial support from their children in retirement



0%

Of current retirees receive financial support from their children

Q. What are the main ways you would expect to fund each of the following stages of retirement (Active and Slowing down stages)? Base: All working age people. Q. Which of the following are currently funding your outgoings? Base: Current retirees

# Understanding Retirement

## Slowing down

Most people don't realise their retirement will likely have two stages. Straight after finishing work people tend to be busy, independent, more agile and in better health. Half (51 per cent) think this active stage will be the longest phase of their retirement.

Indeed, for many it may not be 'retirement' at all, with half of working-age people (48 per cent) predicting they will continue working to some extent and a fifth (18 per cent) hoping to take advantage of the extra time to start a business or new venture.

Half of working age people expect to continue working during retirement

Later comes a second stage where some people may start to need assistance with day-to-day tasks such as physical activities and going abroad. This is when they are likely to incur most cost. Just below half (43 per cent) believe it will be the costliest phase of retirement.

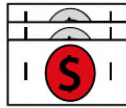
## Who pays?

Most people expect to pay for the first active stage of retirement themselves. Fifty-six per cent anticipate funding retirement through a pension scheme, and 39 per cent through personal savings.

### Most people expect to rely on a mix of pension schemes and savings



Employer pension scheme - Defined Benefit



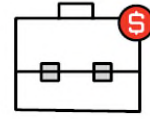
Cash savings/ deposit accounts



Personal pension scheme



Government pension/social security



Employer pension scheme - Defined Contribution

Expected ways to fund retirement	Employer pension scheme - Defined Benefit	Cash savings/ deposit accounts	Personal pension scheme	Government pension/social security	Employer pension scheme - Defined Contribution
In the active stage	56%	39%	32%	42%	37%
In the slowing-down stage	40%	36%	26%	45%	27%

Q. What are the main ways you would expect to fund each of the following stages of retirement. Base: All respondents

When asked how they would maintain their standard of living in later retirement (if required), 27 per cent would consider going back to work and 27 per cent would dip into savings.

### If needed, most people have a plan in mind for increasing their income while in retirement

65%

Would take some kind of action to recover their standard of living



27%

Go back to work



27%

Dip into savings



20%

Seek government support



20%

Sell possessions



20%

Sell/ release equity from my home



9%

Rent out a spare room



6%

Start a business



4%

Diversify my investments

Q. Which, if any, of the following would you do to recover your standard of living in retirement? Base: All respondents

**Anticipate the best**

Getting older brings uncertainty for many. However, most working age people feel hopeful about their retirement. They look forward to spending time pursuing old and new hobbies and interests (74 per cent), having more freedom and opportunities (71 per cent), spending more time with friends and family (66 per cent) and getting fit (37 per cent).

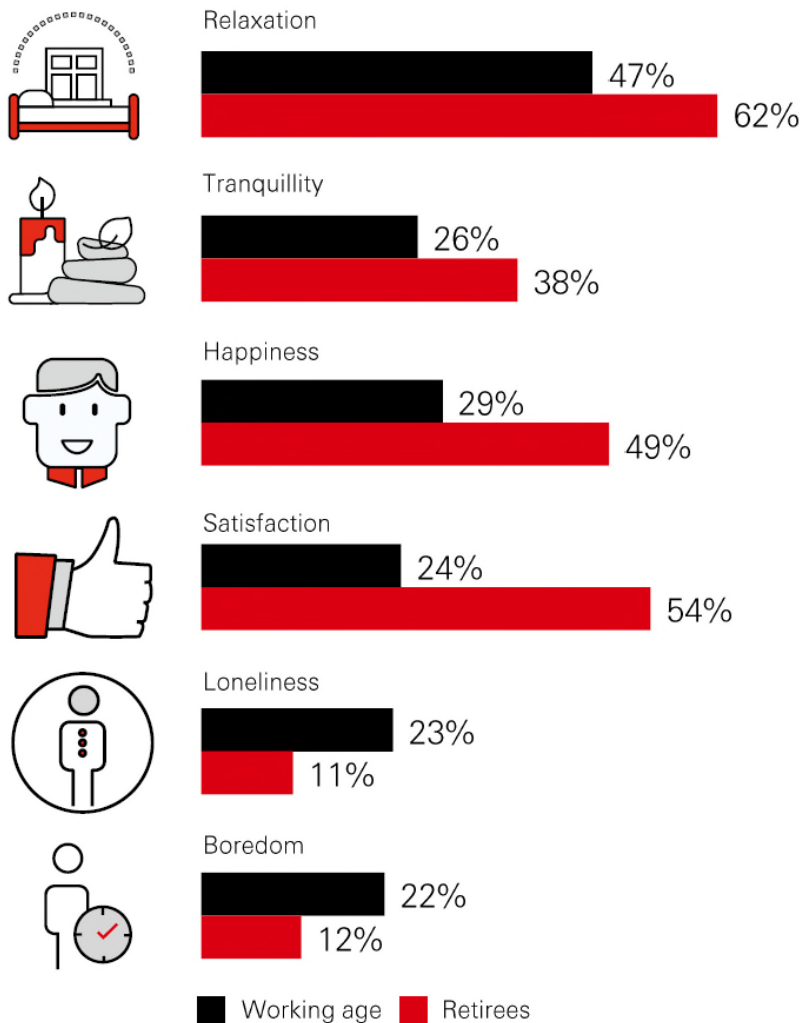
Reality often matches expectation. Seventy-one per cent of retirees regularly meet up with friends and family — a slightly larger proportion than working age people (66 per cent).

All in all, retirees describe retirement as a positive time. More than half (62 per cent) associate it with relaxation, 54 per cent with satisfaction and 38 per cent with tranquility. The proportion of those who think retirement is less idyllic is much smaller — around a tenth think retirement is boring (12 per cent) or lonely (11 per cent).

Despite the lack of certainty and worries, and the avoidance of planning because of it, retirement is far from doom and gloom. People should ensure they have planned and prepared for it, but look forward to one of the most relaxed and happy periods in their lives.

Current retirees describe retirement as a positive time associated with relaxation, tranquillity and satisfaction

**Associations with retirement are overwhelmingly positive**



Q. Below are some words people use to describe their feelings about retirement. To what extent do you think they will apply to you? Base: All respondents

## Practical Steps

Here are some practical steps drawn from the research findings, to consider when planning for the retirement you want:

1



### Reframe how you think about retirement

It's easy to put off planning your retirement so reframing how you view it is important. Think of it as a chance to pursue your passions and have new adventures. Make sure you make the most of it by planning ahead.

2



### Visualise the retirement you want

Think about the kind of retirement you want. Do you want to go travelling, move home, take up a new hobby or even start a new business? Having a broad idea of how you'd like your life in retirement to look, will allow you to plan for it more effectively

3



### Ask the experts

Nobody expects you to be an expert in savings and investments so use free online advice or seek professional financial advice to help you plan and cost out your retirement plans. This will help you decide on the right approach. Don't be afraid to ask questions- get clarity before making decisions

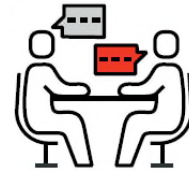
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### From managing to planning

Managing your finances is not enough – you need to plan where you can save money and how much. Use the online tools such as savings calculators and budgeting apps to help you identify the changes you can make today that will cut costs and the direct the savings to your future.

5



### Start an honest conversation

If you are anticipating support from your family or children during your retirement, start a conversation with them ahead of time. An upfront discussion on what kind of assistance might be needed and when, can help manage expectations and ensure your retirement goes smoothly.

### 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 is the fifteenth in the Future of Retirement series and represents the views of 17,405 people in 16 countries and territories. Since The Future of Retirement programme began in 2005, more than 194,000 people have been surveyed worldwide.

### The survey

The findings are based on a representative sample of people of working age (21+) or in retirement, in each country or territory. The research was conducted online by Ipsos MORI in November and December 2017, with additional face-to-face interviews in the UAE.

The 16 countries and territories are Argentina, Australia, Canada, China, France, Hong Kong, India, Indonesia, Malaysia, Mexico, Singapore, Taiwan, Turkey, United Arab Emirates, United Kingdom and United States.

Retirees are people who are semi or fully retired. Working age people are those who have yet to fully or semi-retire. Figures have been rounded to the nearest whole number

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