Press Release

Global economic crisis strikes again as research unearths life-long financial hangover

HSBC report reveals the real lasting impact of the downturn

The long-term impact of the global economic downturn will be felt for many decades to come, according to a new report by HSBC.

Despite encouraging signs of economic recovery, the longer-term impact will cause waves for millions of people who have weathered the storm by raiding their retirement funds and amassing debt, reveals HSBC's latest report, The Future of Retirement *A balancing act.*

HSBC's survey of 16,000 people worldwide found that two in five working age people (40%) stopped or reduced their retirement savings during the downturn – whether through investments (25%), cash deposits (24%) annuities (21%) or employer or personal pension schemes (19% respectively).

This means that millions of people could enter retirement with savings diminished by a quarter or more after getting into debt or severe financial difficulty. In some countries this 'retirement savings shortfall' – the reduction in their retirement savings pot as a result of debt or financial constraint – rises to more than half, with people in the UK and Canada able to save significantly less than those who are unaffected by debt or financial hardship, by the time they reach retirement age.

And despite signs that the global economy picked up in 2014, debt accumulated in the tough times continues to blight people's abilities to save for their future. For 22% of working age people, debt repayment and slipping into severe financial difficulties have significantly impacted their ability to save for retirement.

These pre-retirees also blame the impact of becoming unemployed (26%) or a significant drop in earnings (22%) for preventing them from saving enough.

The long-term financial gloom is felt across the world, with nearly a quarter (23%) of working age people expecting their standard of living in retirement to be worse than it is today.

Two thirds (66%) of pre-retirees worldwide are concerned about not having enough money to live on day-to-day in retirement, rising to 88% in Malaysia, 83% in Hong Kong and 81% in Brazil. Women are more concerned than men (71% vs. 62%).

One in ten (10%, rising to 16% in Australia) go so far as to predict that they will never be able to fully retire from paid employment.

Things are set to worsen. Over two fifths (45%) of working age people globally (rising to 62% in France and 58% in Singapore) say that the cost of living today is increasing faster than their income, and 28% around the world (47% in France) say they are less able to save money today than they were just one year ago.

Commenting on the findings, Michael Schweitzer, Head of Sales and Distribution, Group Wealth Management, HSBC, said: "While the future health of the global economy still hangs in the balance, it seems that an as-yet unrealised impact of the past decade is still to come.

"It is worrying for the many people who have just about weathered the storm, to think that things could actually get worse – but our research shows that the cumulative effect of lost retirement savings and increased debt is going to be felt by people for many decades to come.

"There is no quick-fix solution – but the key for workers everywhere is to focus on finding the means to save a little for their future, now. We know the cost of living is up and budgets are increasingly stretched - but even the smallest amounts saved can help reduce the long-term effect of these challenging times, and make the likelihood of a comfortable retirement all the more real."

Bermuda's ageing population lends itself naturally to us sharing some of the same concerns that are being expressed globally through this report. While Bermuda's birth rate may not be comparable to the number of deaths, people are still living longer which inherently places additional strain on the country's infrastructure.

Taking all of this into account, this is what Renee Bullock-Cann, Head of Retail Banking at HSBC Bank Bermuda had to say: "For many of us, the thought of having a discussion about retirement in general can feel either a little premature or for some, simply overwhelming. Depending on each individual's personal circumstances, more often than not, there are other key life events such as paying for your child's university tuition, keeping on top of mortgage payments, etc. that can take precedence. However, if we look to recent economic history and the impact this has had both globally and locally on our lives, we can no longer rely solely on our pensions to guarantee the retirement we want. There really is no time like the present for each of us to take a good look at how prepared we are for this important life stage.

With this in mind, I urge everyone to consider the following four actions that HSBC's research identified for each of us to undertake, to improve our financial well-being in retirement:

Action 1. Start saving early.

Retirement can seem a long way off when you are young. Nevertheless, it is crucial to start making retirement plans as early as you can.

Action 2. Know how much you need.

Start thinking about the kind of lifestyle you want when you retire and how much you will need to fund it.

Action 3. Refill the pot.

It is easy for retirement savings to suffer when times are hard. With the worst of the global economic downturn behind us, start looking for advice on how to replenish any depleted funds in your retirement pot.

Action 4. Expect the unexpected.

Unforeseen life events can damage your retirement savings. No one can see into the future, but do consider what could happen and how this will impact your financial planning."

Read the latest Future of Retirement global report – 'A Balancing Act' at:

http://www.hsbc.com/about-hsbc/structure-and-network/retail-banking-and-wealth-management/retirement

- ***ENDS MORE*** -

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Notes to editors:

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