



Retirement Reinvented:

Unlocking Success in Act Two



HSBC

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Retirement Reinvented: Unlocking Success in Act Two

In sum:



- ▶ **Plan for a secure future:** Consider financial security, protecting your health, and paying off mortgages. Align your financial portfolio with your purpose.



- ▶ **Address healthcare and inflation concerns:** Be mindful of declining physical health and increasing healthcare expenses. Mitigate the impact of inflation on your savings and plan for the future cost of living.



- ▶ **Embrace active retirement:** Pursue fulfilling activities and find purpose to reduce cognitive decline and spend your time meaningfully.



Planning for retirement has always been a crucial financial goal for individuals, and it remains important across generations. It ranks as the second most important priority for Boomers¹ and Gen X, following immediate financial security.² Even Millennials, for whom retirement is still some time away, consider it an important financial objective, after achieving financial security, providing for the family, and generating additional income.



¹ Millennials - age 25 - 39, Gen X - age 40 - 54, Boomers - age 55 - 69.

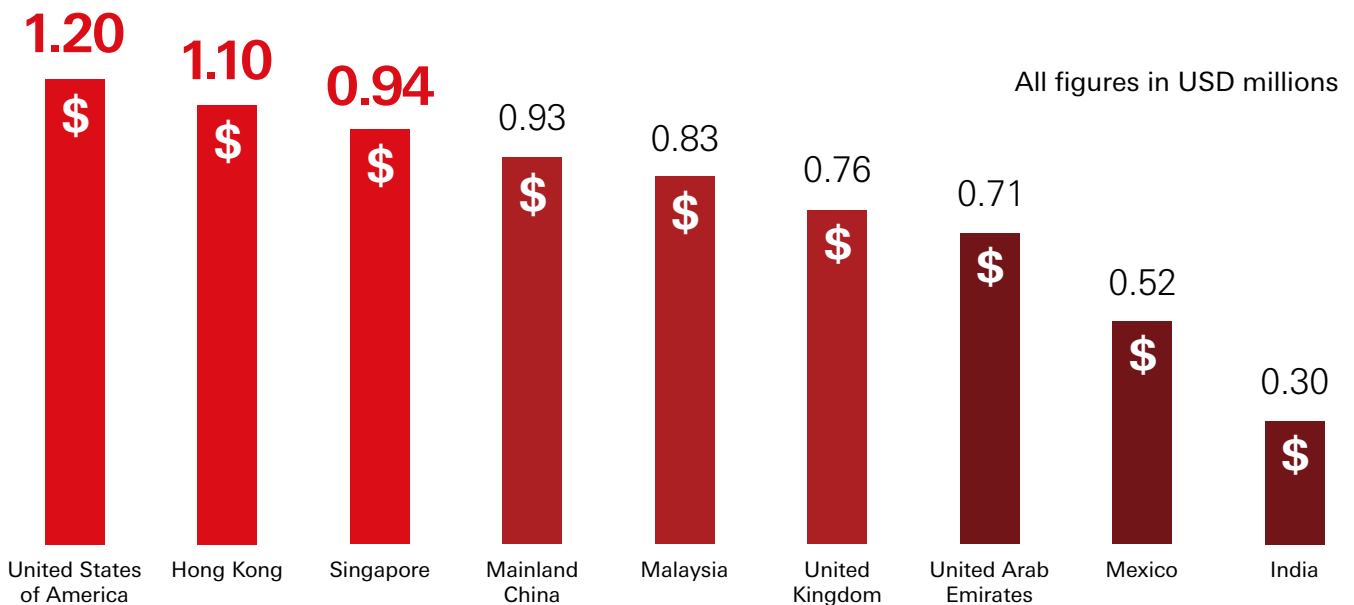
² HSBC and Bloomberg Media Studios conducted the HSBC Quality of Life Report, 2023 in nine markets globally with a total sample size of 2,250 individuals. The data for this article is from the ~1,800 respondents in the survey with investible assets of between USD100,000 and USD2 million. international.services.hsbc.com/qualityoflife



The amount of savings perceived to be required for retirement varies significantly across markets, ranging from USD302,000 in India to USD1.2 million in US, with Hong Kong, Singapore, and mainland China not far behind.

Average savings needed for retirement by market (USD millions)

These anticipated savings needed align with the differing costs of living between Emerging and Developed markets. Markets like Hong Kong and Singapore rank as the most expensive in Mercer’s “Cost of Living City Ranking 2023”,³ while Emerging markets like Mexico and India are more affordable. Hence, when planning for retirement, it’s essential to consider the desired retirement location.



*The result is based on survey respondents’ view on how much savings they needed. The values are for reference only. How much is needed will be different for every individual. It’s advised to use professional tools such as a retirement calculator or seek financial planning advice for better assessment of individual retirement plans.

³ <https://www.mercer.com/insights/total-rewards/talent-mobility-insights/cost-of-living>

Addressing health and inflation concerns for a financially resilient future

The savings needed for retirement go beyond day-to-day costs and are influenced by concerns about declining physical and cognitive health, increasing healthcare expenses, and longer life expectancy.

Hong Kong, which now boasts the longest life expectancy in the world at 85.3 years, and Singapore, which ranks fifth at 84.1 years, show greater anxiety about health in retirement.⁴

Increasing healthcare costs are a significant concern in Hong Kong, Singapore, and Malaysia, while people in locations with universal healthcare, like UK, mainland China, and UAE, show less worry. Planning for retirement should also consider protection against healthcare expenses, especially coverage during retirement, and access to care services.

Inflation concerns are highest in US, Singapore, Hong Kong, Mexico, and Malaysia, reflecting recent inflation trends.⁵ It's important to note that the expected savings required for retirement may not adequately account for the future cost of living, creating a growing gap that needs attention.

There are several strategies that can be employed to safeguard your finances against inflation, including considering buying if you're currently renting property, and investing rather than saving. Inflationary times are often a good time to buy stocks, particularly in companies that can increase prices more naturally, such as companies that use commodities.

Retirement concerns

	Total	Hong Kong	Singapore	United States of America	United Kingdom	Mainland China	Malaysia	United Arab Emirates	India	Mexico
Decline of physical health	49	63	58	44	49	51	48	43	40	45
Inflation eating into the value of savings	42	47	52	54	40	31	46	26	35	45
Higher healthcare cost	40	53	50	40	21	27	47	33	44	41
Need to save more to achieve a comfortable retirement	36	30	35	41	36	26	38	40	39	38
Cognitive decline	26	27	21	24	39	27	29	20	18	29

⁴ <https://www.worldometers.info/demographics/life-expectancy/>

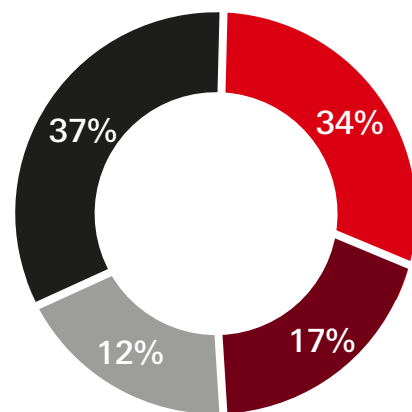
⁵ https://www.imf.org/external/datamapper/PCPIPCH@WEO/WEO_WORLD/VEN



Harnessing purpose and engagement in retirement

At a spontaneous level, retirement still evokes traditional dreams of spending time with family and friends, travelling the world, and a carefree life where one doesn't have to worry too much about finances. Increasingly retirement no longer marks the end of one's productive life, but the beginning of another chapter in the book of life. Just over half of working individuals intend to work beyond official retirement, motivated by a commitment to remain healthy, engaged, and financially secure.

Working after retirement?

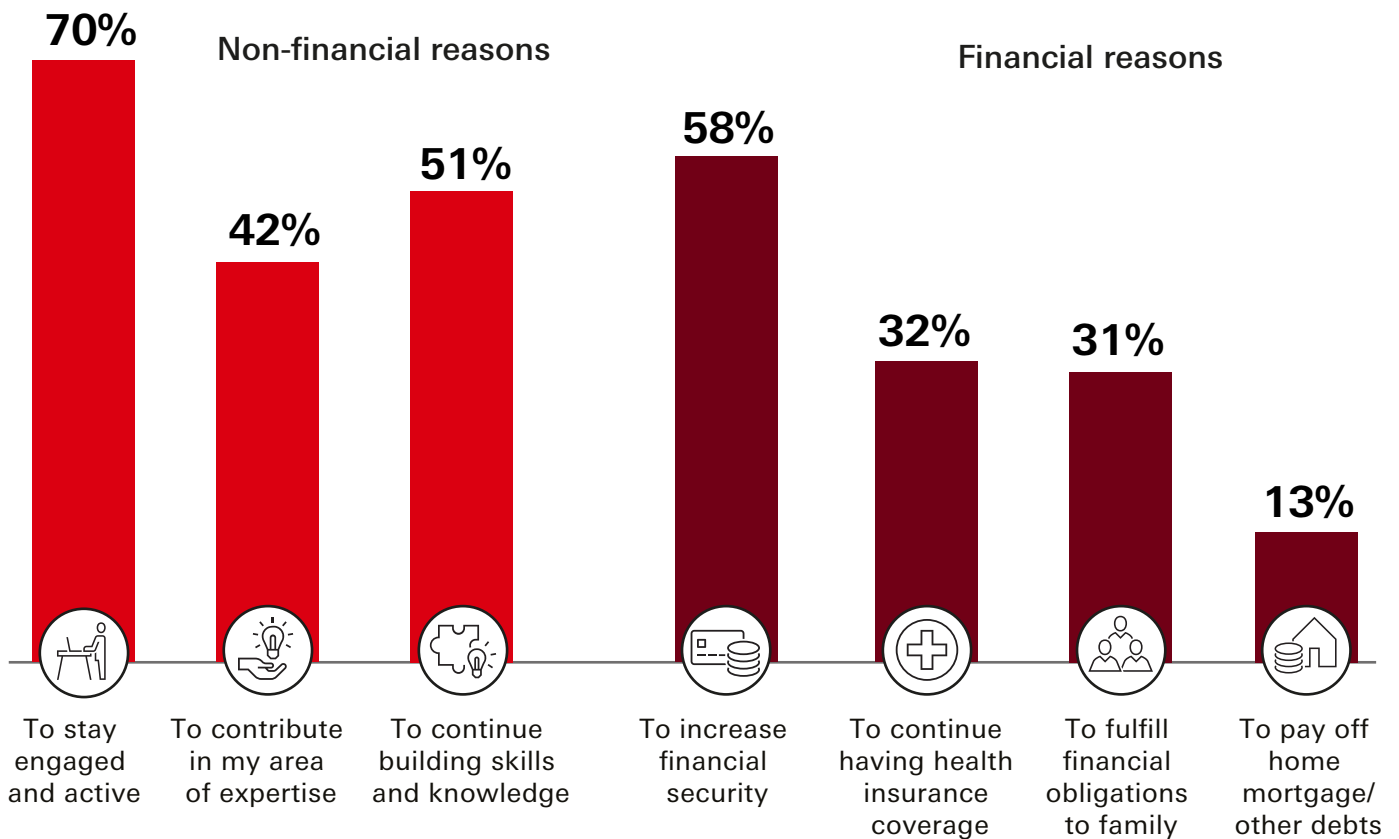


- I plan to work part time
- I plan to work full time
- Undecided
- I plan to fully retire and stop working

The top reason mentioned for planning to work beyond retirement is to stay engaged and active. Staying active can take many forms, including traditional retirement pursuits like spending time with family and friends, travelling or indulging in hobbies. However, people in retirement are looking for a sense of purpose and meaning in life. It's not about just passing the time, but about maximising the quality of that time. Research suggests that having a sense of purpose reduces the risk of cognitive decline in older individuals and can even delay the onset of Alzheimer's disease.⁶

While volunteer work and skill-building courses are good options, many look to utilise their years of experience and expertise by continuing to work in their field. It's important to consider retirement planning beyond finances and also focus on how your time will be spent.

Reasons to continue working beyond retirement



⁶ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2897172/>



Ensure financial security in retirement with secure income streams

Some of the reasons quoted for working beyond retirement included general financial security, as well as having access to health insurance coverage and paying off mortgages. Access to healthcare is mentioned most in mainland China, Hong Kong, Malaysia, Singapore and US, while paying off mortgages is mentioned most in UK, followed by Malaysia, US, Singapore and India.

Financial security in retirement requires an objective assessment of how much savings you require, along with consistent monitoring and periodic reassessment of strategies to adapt to evolving circumstances. It's crucial to not solely rely on dividends and interest, but also explore avenues for generating a steady income that can withstand the impact of inflation. Explore creating additional income streams from rental income, establishing a small business, or investing, so that you can choose to work rather than being compelled to work.



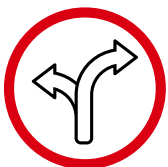
5 steps to a successful Act Two

As you plan for your retirement, it's crucial to have the right guidance and support. Here are some important points to consider:



1. Comprehensive retirement planning is critical

Retirement planning should consider not only finances, healthcare costs and services, but also what activities and routines will provide meaning, purpose and fulfilment. Plan for the location where you want to retire, considering the cost of living and healthcare access, as well as personal factors like where your family and friends are likely to be and how much you'll want to travel. Remember to factor in the elements which you are looking forward to – whether it's holidays, hobbies or home improvement.



2. Seek professional guidance

You might benefit from getting expert advice to create a personalised retirement plan that fits your needs and goals. You'll need an objective assessment of the savings needed to achieve your desired lifestyle in retirement – you could use one of the online calculators to make a start. It's never too early to start your retirement plan – and don't be afraid to start small. And take an interest - review your retirement plan regularly so it keeps up to date with your plans.



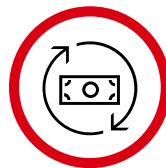
3. Address healthcare costs

As healthcare expenses rise, explore insurance options tailored for retirees and get guidance on managing healthcare expenses effectively. Ask your employer about options for retirees, as some allow you to continue your healthcare plan after you retire.



4. Protect against inflation

Consider specific products and investment strategies which could safeguard your savings from the impact of inflation over time. Look to develop alternate income streams such as rental income to increase financial security.



5. Explore debt repayment options

Concentrate on paying off what debts you can before you retire. Paying off your mortgage through equity release, refinancing or downsizing can be an option. Get professional advice from your bank or financial adviser on strategies best for you.

Remember, with the right guidance and a comprehensive retirement plan, you can confidently step into your 'Act Two'. In the context of finances, time really is money, so the earlier your start, the better. Talk to your HSBC adviser to see how we can help.

Hear from our expert



Willem Sels

Global Chief Investment Officer,
Global Private Banking and Wealth, HSBC

“When we plan for our retirement, we face three big uncertainties. There’s the future state of our health, the unknown investment returns on our savings, and the cost of living during our retirement.”



So, what can you do?

- ◆ Think about contributing to pension savings as early as possible: if markets go down for a while, there’s a very good chance they might rebound if you have a long-term investment horizon.
- ◆ Systematically contributing every month or quarter could help you grow your pot through the ups and downs in the market. And the tried and tested approach of investing in diversified portfolios (with stocks and bonds) continues to have the best track record if you want to beat inflation.
- ◆ It’s a good idea to ensure that you have adequate healthcare protection.

For more information about Quality of Life Report, visit internationalservices.hsbc.com/qualityoflife

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