

The Future of Retirement

Why family matters



India Fact Sheet

HSBC 



Introduction

HSBC's The Future of Retirement programme is a 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 global report *Why family matters*, which accompanies this fact sheet, is a supplementary report to the main 2011 report *The power of planning*, the sixth in The Future of Retirement series, and is based on a survey of more than 17,000 people in 17 countries in December 2010.

This country fact sheet, based on the views of 1,028 Indian respondents, explores how factors relating to family life influence attitudes to retirement, including:

- marital status, gender and generation
- the varying degrees of financial responsibility between the sexes
- how households undertake financial planning and where gaps in plans might arise
- attitudes to risk and what families can do to better prepare themselves

The *Why family matters* global report and all previous reports are available at www.hsbc.com/retirement/future-of-retirement.

Key findings

- India is unique in many ways, with our respondents confounding a number of the global findings. Having children makes less impact to people's feelings of retirement security and well-being compared with other countries in our survey
- Parents in India are actually more likely than those without children to see retirement as a time of financial hardship, which may explain why India tops our survey with the number of people (32%) who want to live with their children in retirement
- Retirement planning in couples is more likely to be fully undertaken by men: 43% of men claim to exercise sole household responsibility for managing retirement savings, compared to only 21% of women
- However, Indian women are much less risk averse than women in other countries: well over half (57%) of those in our survey hold mutual funds to save for retirement
- Indian women are more likely than men to focus on shorter-term financial goals: over one quarter of women (27%) exercise sole responsibility for managing the household budget although more Indian men than women are likely to take sole control even in this area of the household finances
- Household financial plans in India contain significant gaps: over one third (35%) of those in their fifties do not have retirement savings in their financial plan, while 32% of parents say they have no life insurance
- Despite the fact that 83% of Indian respondents are keen to pass on wealth to their children when they die, tax planning and inheritance planning remain low priorities, with 85% of parents never having made a will
- Only 30% of Indians in their fifties are undertaking tax planning, the age band when the value of assets typically peaks

Part 1: How family life influences attitudes to retirement – a time of happiness or loneliness

64% of respondents in India feel that having a loving family and friends is extremely important to enjoying a happy retirement. Many respondents are also keen to live near their children in retirement, with 84% seeing this as very or somewhat important.

- Even though 79% of those with children expect to be better off in retirement than their parents' generation, India reveals a different picture to other countries in the survey with parents being less inclined to see retirement as a time of happiness (37%). They are also more likely to see

retirement as a time of financial hardship (24%) compared to those without children (19%)

- While many parents wish to live near their children and grandchildren during their retirement, this is a greater priority for married fathers. This is contrary to our global findings, which show that it is generally women who are keener on this course of action in later life. Meanwhile, mothers place a greater priority on having an up to date financial plan in place (Table 1)

Table 1: Women with children have different aspirations for retirement and passing on wealth

Q. People have different personal priorities in life. How important are the following to you today?

| | Married men with children % | Married women with children % | All married with children (%) |
|--|-----------------------------|-------------------------------|-------------------------------|
| Living near my children or grandchildren | 56 | 51 | 55 |
| Having an up to date financial plan | 56 | 63 | 58 |

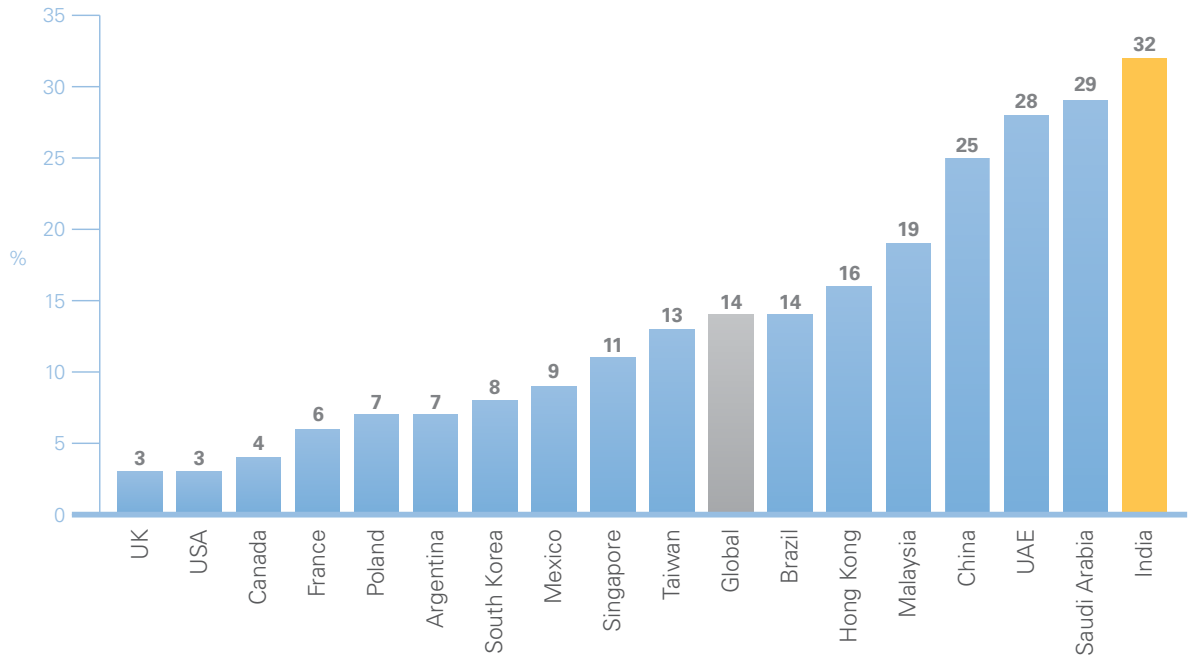
Base: Respondents who claimed 'Very important to me'

Respondents in India are the most likely among the countries surveyed to see themselves living with their children in later life. A massive one in three Indians prefer this course of action (Figure 1). This is more

than twice the global average and is ten times more than the number of respondents in the UK and US who felt the same way.

Figure 1: Living arrangements in retirement

Q. What do you hope will happen to your living arrangements when you retire?



Base: Respondents who answered 'I want to live with my children or other family members'

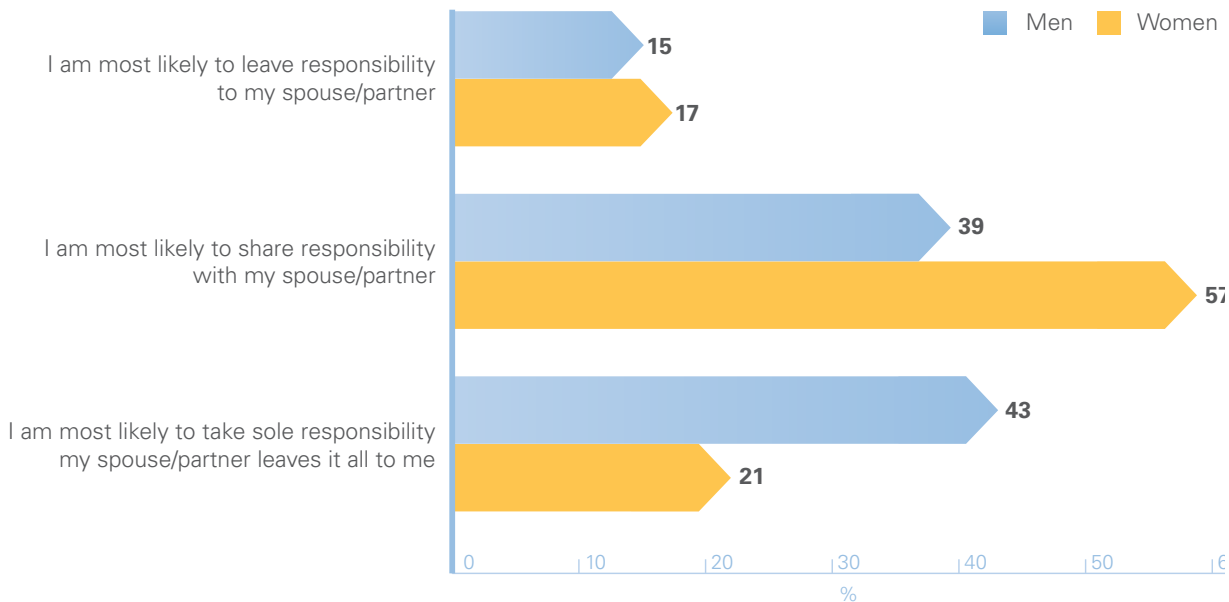
Part 2: Financial responsibility between the sexes – gender differences in household financial planning

Mirroring the picture in most of the other countries surveyed, Indian women are more likely to say that financial decisions are shared with their partner, whereas Indian men are more likely to state that they make all or most financial decisions themselves. In addition, supporting the trend in many countries, Indian men seem to be more in charge of longer term financial decisions such as retirement planning (Figure 2), whereas women seem to be more focused on short term financial decisions such as household budgeting. In contrast to the picture globally however, slightly more men than women in India take sole charge of household budgeting (Figure 3).

Overall, there is a gender divide in India when looking at the types of financial decisions made by men versus women: men are much more proactive when it comes to retirement planning (Figure 2) being twice as likely to take charge of this financial decision solely. Crucially, this means that women are much more focused on short-term financial matters and are more likely to be overlooking the importance of planning for retirement in their own right.

Figure 2: **Men take greater responsibility for retirement planning**

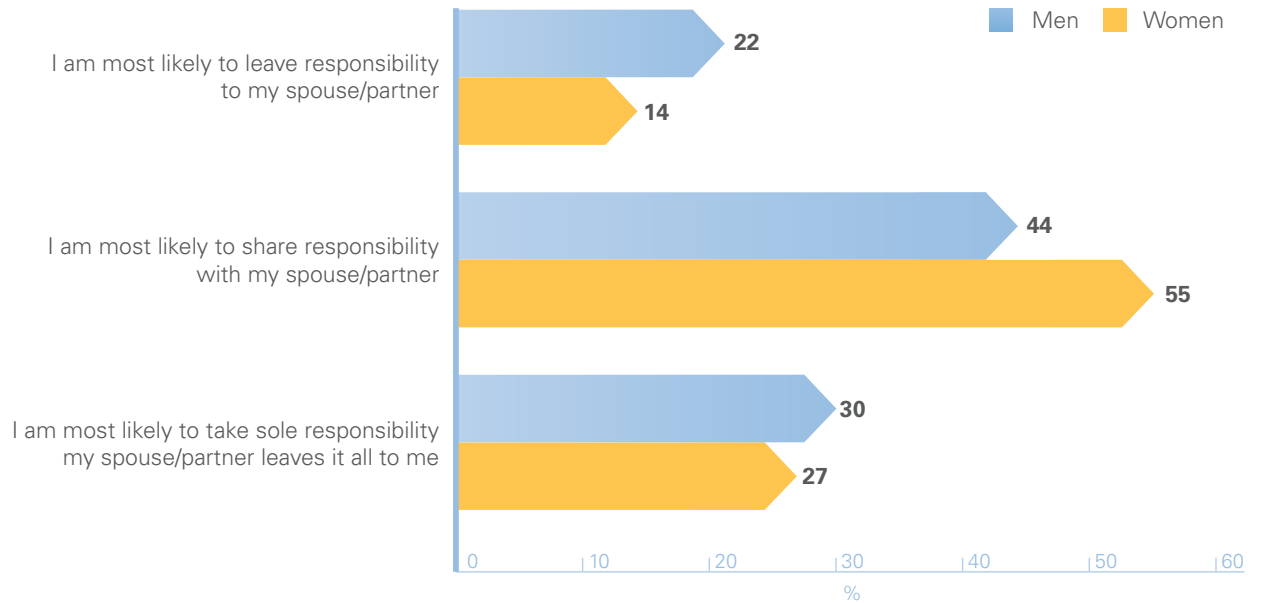
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

Figure 3: More Indian men take sole responsibility for household budgeting

Q. Who in your household is most likely to take responsibility for making decisions about managing the household budget?



Base: All respondents who are married or cohabiting



Part 3: Household financial planning – gaps in the family’s financial safety net

Figure 4 illustrates how individuals accumulate and consume wealth during the course of their adult lives. After entering work in early adult years, both income and wealth typically grow well into a person’s fifties and possibly beyond, depending on when they enter retirement and start to draw down on savings and investments. Across different societies

and households, the exact shape of this curve will vary depending on a range of factors – patterns of employment and home ownership, family life, retirement trends and life expectancy. However, all households need to protect their financial assets as an essential step in ensuring that retirement savings are not used up before retirement.

Figure 4: **The gaps in Indian households’ financial plans**

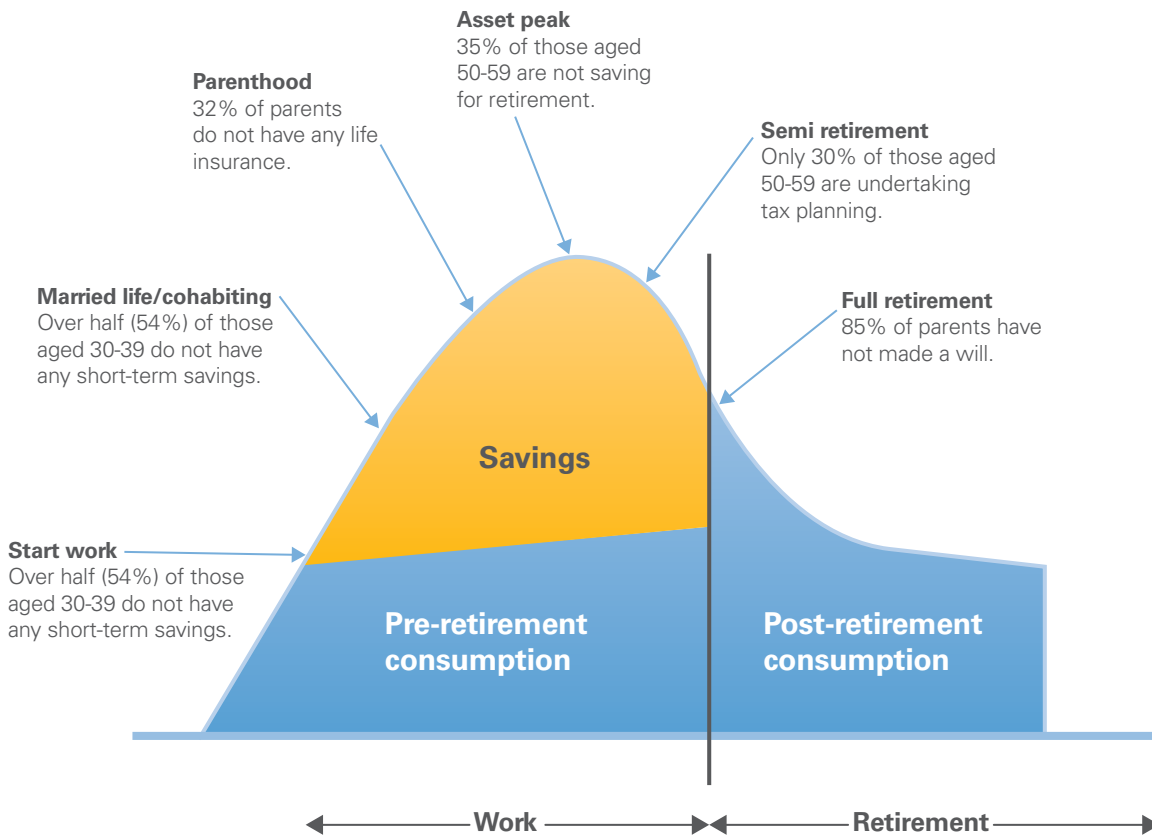


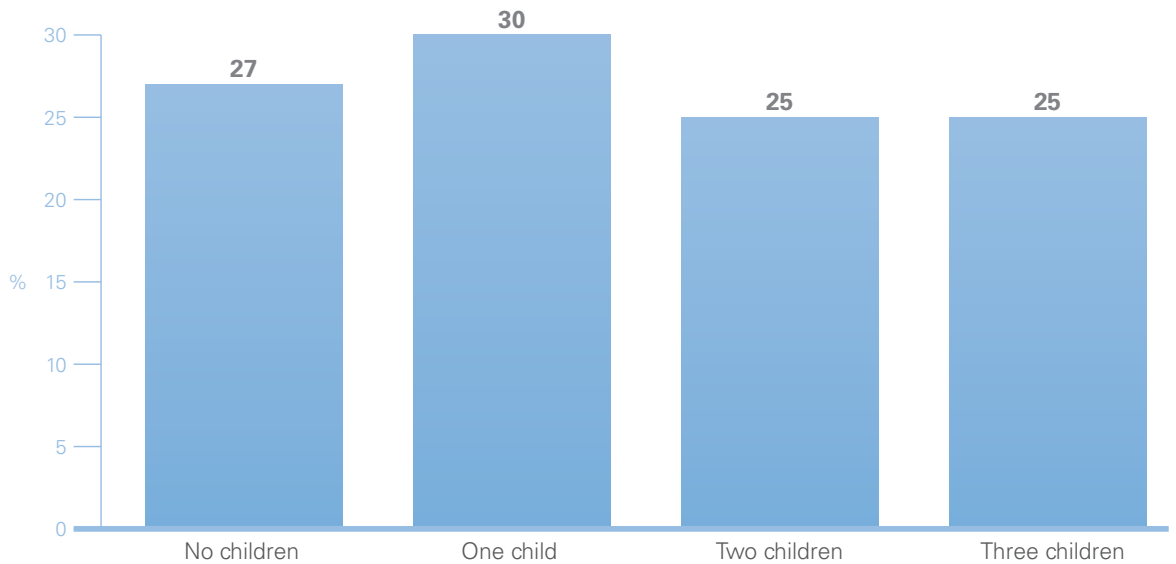
Figure 4 shows some of the key responses from the 76% of Indian respondents surveyed who have a financial plan in place. Even though these households are planning ahead, there are still significant gaps in the contents of their financial plans. For example, 35% of planners in their fifties are not saving for retirement. Despite the fact that life insurance is widely available and all working parents have a need for this kind of

protection, 32% of parents do not have a life insurance policy in their financial plans. Counterintuitively, our survey found that larger families with more children perceive the risks of not having life insurance as lower when compared to those with fewer or no children; as Figure 5 shows, 30% of Indian families with only one child consider this extremely risky compared to 25% of those with three children.

Figure 5: The risk of not having life insurance

Q. How risky do you rate the following activities?

A. Not having life insurance



Base: Respondents who answered 'Extremely risky'

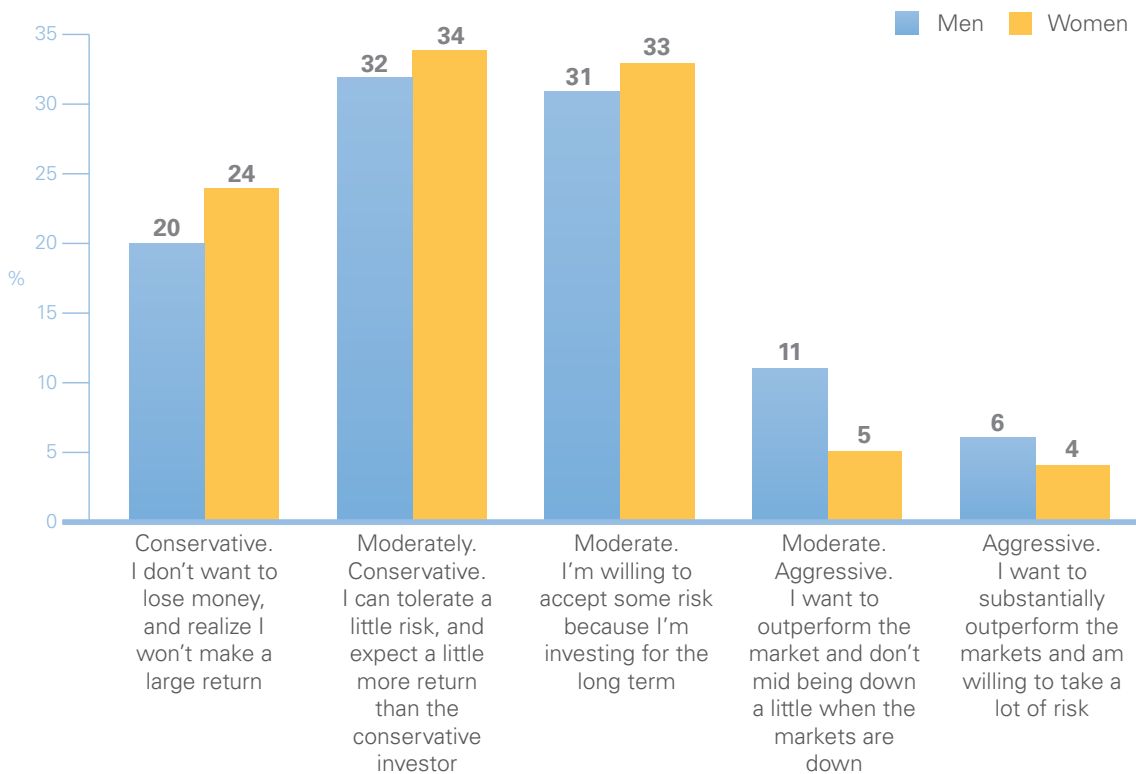
Part 4: Attitudes to risk – similar attitudes among men and women

As Figure 6 shows, women are more likely than men to describe their attitude to risk as conservative. However, Indian women are much less risk averse when compared to the global average. This is reflected in their willingness to hold more sophisticated savings

and investment products. For example, 54% of men compared to 57% of women invest in mutual funds and other investments to build their retirement savings. This is far higher than the global average of 22%.

Figure 6: Women are slightly more likely than men to sacrifice returns to protect investments

Q. When it comes to investing, which of the following best describes your risk tolerance?



Base: All respondents

While the risk of investing for the long term may be a major concern to some households in India, it is equally clear (see Table 2) that many people are just as concerned about the risk of doing nothing towards planning for retirement. Our findings show that respondents perceive the risk of not having retirement funds as significantly higher than the risk of investing for the long-term: just 9% of Indian respondents thought that investing in stocks and shares was extremely risky, whereas 17% thought that not having

a private retirement fund was extremely risky, rising to 22% of women. Not having life insurance was also seen as being extremely risky by an even greater number of respondents (27%). The fact that people in India already understand the danger of not planning sufficiently for retirement and the necessity to accept some investment risk in achieving their retirement goals should help efforts to grow household financial provision and preparedness.

Table 2: The risk of not planning household finances

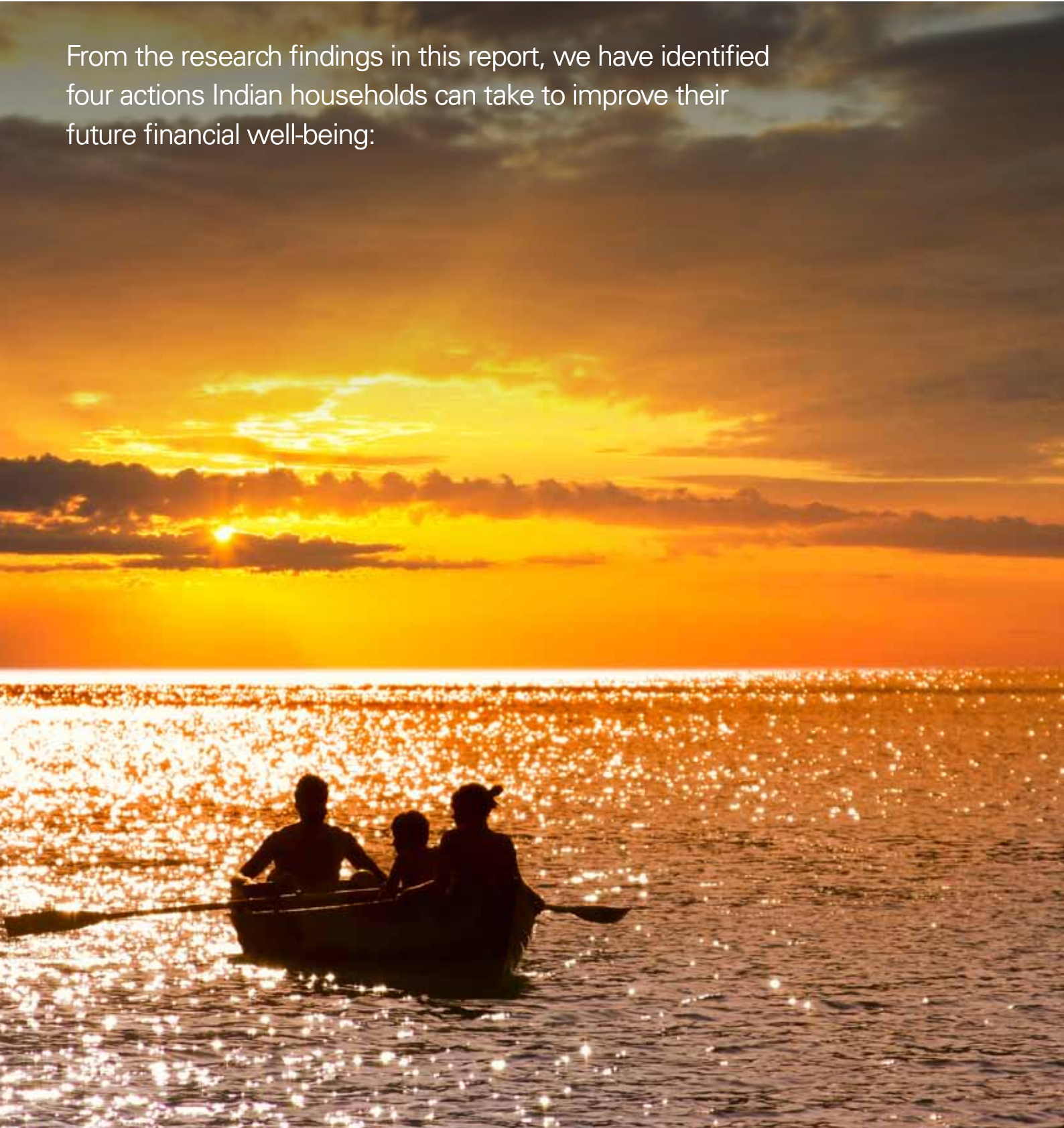
Q. How risky do you rate the following activities?

| | Male (%) | Female (%) | All (%) |
|---|----------|------------|---------|
| Investing in stocks and shares | 9 | 11 | 9 |
| Not having life insurance | 26 | 30 | 27 |
| Not having a private retirement fund | 15 | 22 | 17 |
| Going on holiday without travel insurance | 10 | 15 | 12 |

Base: Respondents who answered 'Extremely risky'

What families can do to better prepare for the future

From the research findings in this report, we have identified four actions Indian households can take to improve their future financial well-being:





Action **1**

Share your financial decision-making

Make sure that financial planning decisions which affect the household – in particular retirement and protection needs – are shared and discussed with your partner, to make sure you are both better prepared for retirement and other life goals.

Women across all age groups continue to lag behind their male peers when it comes to taking charge of their own retirement savings.

Action **2**

Use life events to start and review your financial plan

Understand the importance of the life events and life stages, then use these events as prompts to take action (for example, having children, saving for college fees, dealing with bereavement, divorce etc). It is important to consider the whole family when planning for your own financial needs.

Large numbers of younger families do not have life insurance in place, while many still overlook the need to build retirement savings or undertake estate planning to ensure that their wealth is protected and managed as tax-efficiently as possible.

Action **3**

Review your financial plan with a professional adviser

Sense-check financial decisions and plans with an expert, to make sure that all eventualities are covered. Many household financial plans contain gaps and omissions: get a professional review of your family's financial plan.

Many people still prefer to apply a do-it-yourself approach to financial planning, with 43% not having sought professional financial advice.

Action **4**

Take a balanced approach to managing investment risk

Balance the need to protect your investments in the short- and medium-term with the need to generate an adequate retirement income in the long-term.

24% of women in India describe themselves as being conservative, which may possibly lead to lower incomes in retirement if they fail to strike the right balance when choosing whether to save or invest.



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