

# Global Investor Study

Redefining retirement



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# Overview

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The findings of the Global Investor Study 2020 show that retirement today looks rather different to how people imagined it a few decades ago. The majority of people today anticipate continuing to work to some extent into their 'retirement', and they don't foresee their level of expenditure reducing notably. Planning for retirement is gaining traction, with average savings for retirement remaining healthy, and for the first time in three years they are rated the highest priority for disposable income spending. In spite of this, people are still concerned their efforts won't be enough.

For those planning their retirement, it is paramount that they understand the options available to them in order to secure a stable future for themselves and their families.



## About this study

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In April 2020, Schroders commissioned an independent online survey of over 23,000 people who invest from 32 locations around the globe. The locations included Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. This research defines "people" as those who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years.

**Note:** Figures in this document may not add up to 100 per cent due to rounding.



# Our findings in a nutshell

## **Saving for later life is a top priority**

25% of people say that they would put their disposable income towards their pension as a first priority.

## **Is retiring in luxury a thing of the past?**

Retired people in 2017 were almost four times more likely (24%) to prioritise luxury purchases such as holidays, a nice new car, and celebrating special occasions, than their 2020 counterparts (7%).

## **Retirement savings are stable**

People's retirement savings from their income remain at a healthy 15.2%, following a significant increase (3.1%) between 2018 and 2019.

## **Retirement savings won't be enough**

41% still remain concerned that their retirement income won't be sufficient.

## **Life expectancy is the most common factor people use to calculate when they will retire**

Most people calculate their retirement savings based on their life expectancy first (65%), followed by fixed living (63%) and healthcare costs (62%).

## **No matter your level of financial knowledge, planning for retirement is confusing**

'Expert' or 'advanced' investors are actually more likely to be confused by the retirement options available to them (41%) than their 'intermediate' (35%) and 'beginner' or 'rudimentary' counterparts (39%).\*

## **People are aware that state provision won't be enough to support them in retirement**

55% of people claim state provisions where they live are insufficient.

## **People will work into their 'retirement'**

41% of non-retired people foresee themselves working the same or an increased number of hours per week in their 'retirement'.

## **Sustainable funds could be a missed opportunity**

Retired people are almost twice as likely as non-retired people to regard sustainable funds as unattractive because they won't offer higher returns (18%).



*\*These investment knowledge levels are self-purported*

# Putting later life first

Perhaps one of the most difficult aspects of saving for retirement is making it a priority, and picturing your 'future self'. How will the *future you* want to spend your time? How much money will you want to spend? And where will you want to live?

And if these answers aren't immediately clear, it's easy to fall at the first hurdle and simply never think about retirement savings until you really have to – until it's too late. Historically this has been true, with many people failing to make later life a priority.

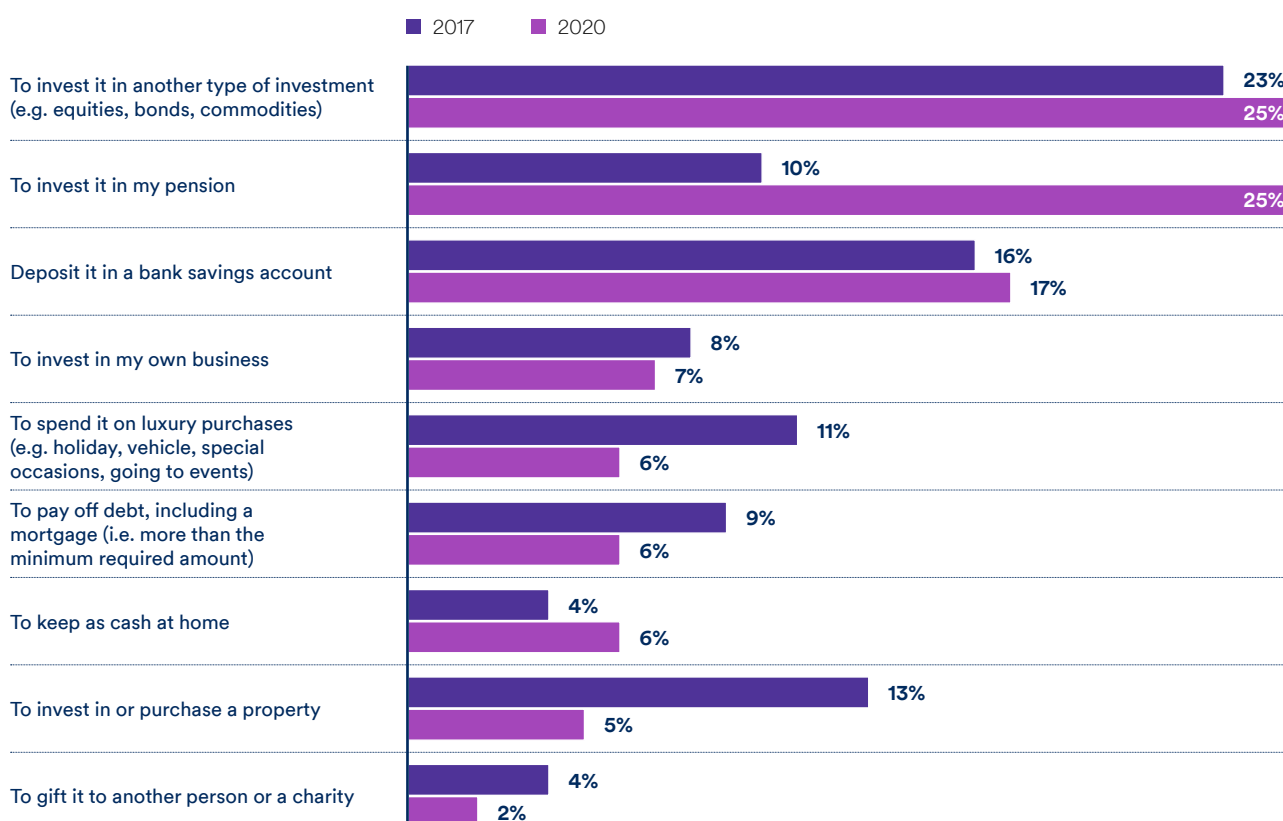
However, the Schroders Global Investor Study 2020 shows that this attitude is changing.

In 2017 this study revealed that, at 23%, people's top priority for their disposable income was to put it in another type of investment (e.g. equities, bonds and commodities). And while this still remains true today, with 25% of people saying this would be a top priority, a quarter of people would also now choose to put their disposable income towards their pension as a top priority.

This is a far cry from just three years ago when only 10% of people considered investing in their pension first.



## The top priorities for people spending their disposable income around the world in 2017 vs 2020



Examining how people are choosing to spend their disposable income across regions also paints a similar picture, with people ultimately prioritising investing in either their pension or another type of investment, no matter where they are based.

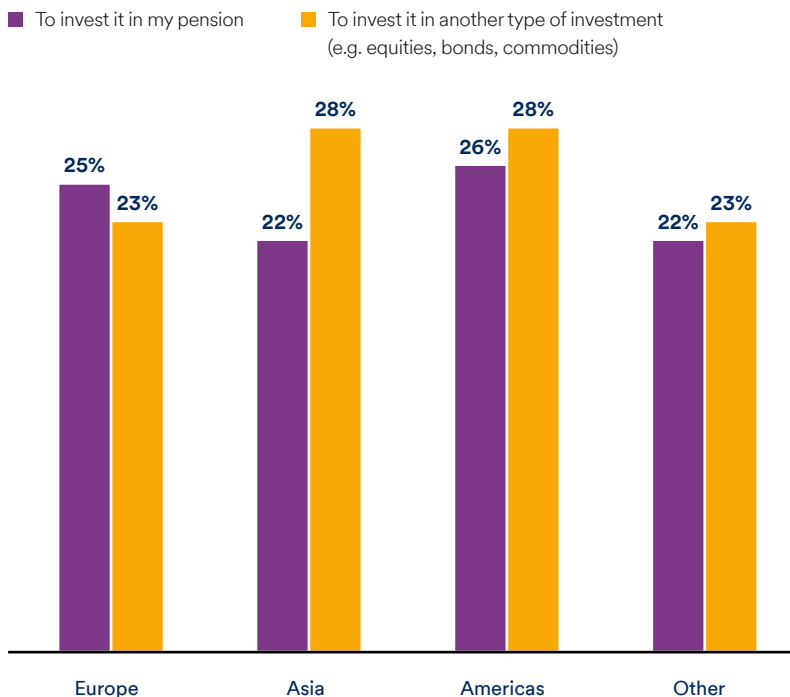
There is a slight preference, in Asia especially (28%), and even more slight in the Americas (28%) for people to prioritise other types of investment. But investing in pensions remains a close second in these areas.

As for disposable income spending by age group, it's encouraging to see that the message of saving for later-life seems to have hit home across all age groups, with 23% of millennials choosing to invest in their pensions as a first priority compared with 28% of generation X.

Priorities for disposable income spending interestingly didn't vary significantly between retired and non-retired respondents, showing that currently, whether you are retired or not, you are just as likely to prioritise putting money towards your pension.

### Top two priorities for disposable income, by region

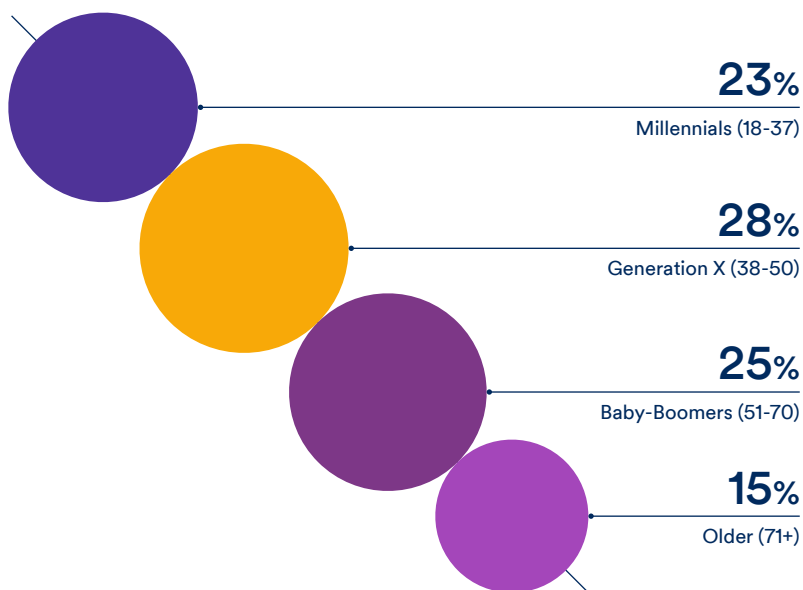
Investing in pensions and other types of investments emerged as first and second priority for respondents globally



“  
The message of saving for later life seems to have hit across all age groups

### Top priority for spending disposable income, by age group

To invest it in my pension



But what about how retired people choose to spend their disposable income? Has this changed over the years?

The answer is “yes”. Retired people today are almost five times more likely to continue investing their disposable income in their pensions (21%) than retired people three years ago (5%). And while investing it in other types of investment has remained a priority for retired people, there has been another notable shift in spending behaviour.

Retired people in 2017 were almost four times more likely (24%) to prioritise luxury purchases such as holidays, a nice new car, and celebrating special occasions, than their 2020 counterparts (7%). When looking at the global statistics, we can see that people today are generally more cautious around using their disposable income for ‘nice-to-haves’ than in previous years, with 11% of people likely to

# 24%

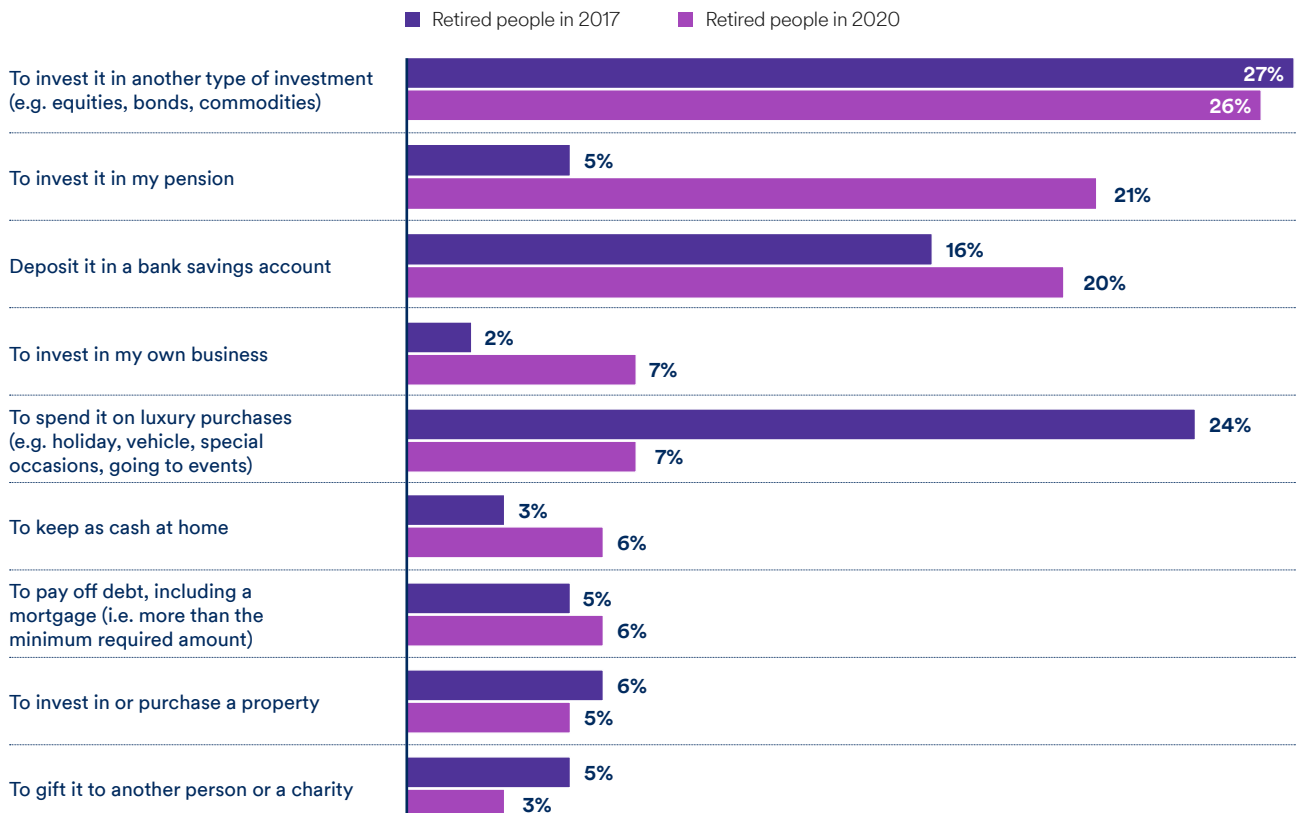


Retired people in 2017 were almost four times more likely to prioritise luxury purchases than their 2020 counterparts (7%)

spend disposable income on luxury purchases compared to 6% in 2020.

Retired people in 2017 were more than twice as likely to spend their disposable income on luxury purchases than the average person (24% vs 11%). Whereas retired people today are just as likely as the average person to prioritise their disposable income spending in this way.

## Top disposable income spending priorities for people who are already retired, 2017 vs 2020



# Saving behaviour

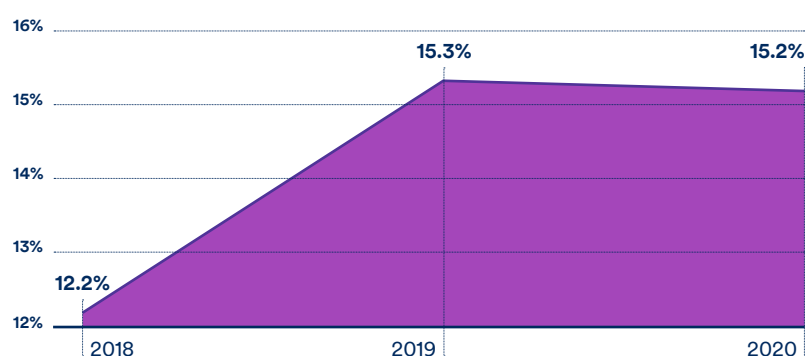
So if people today are cutting back on non-essential expenses like luxury purchases, both in working and retired life, and instead choosing to put their disposable income towards their pension, what does this mean for people's saving behaviour?

Encouragingly, people's retirement savings from their income remain at a healthy 15.2%, following a significant increase (3.1%) between 2018 and 2019.

When looking at retirement savings around the world, the Americas save the most for their retirement (16.8%), whereas Europeans save the least (13.8%).

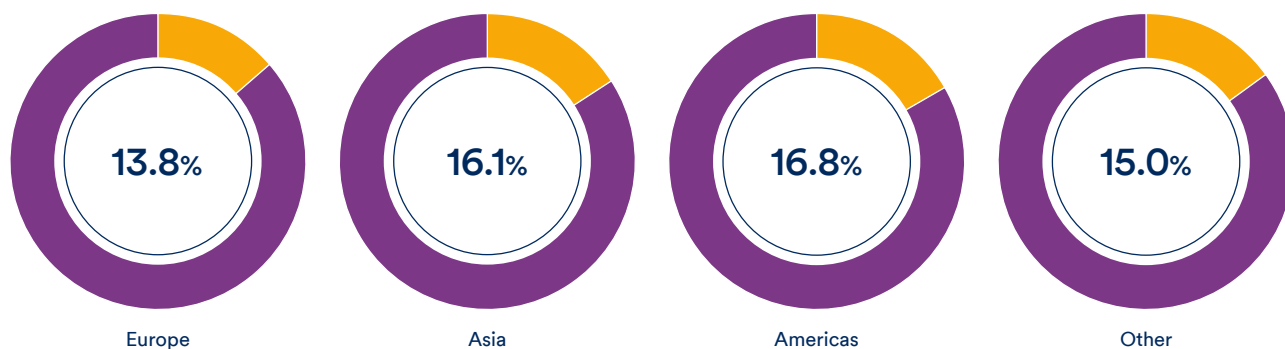
It's necessary to flag that the findings are based on people surveyed and therefore by definition are investing at least €10,000 (or the equivalent) in the next 12 months, much higher than median savings rates within most locations. Similarly, some locations may be saving a higher percentage as wages are lower, meaning they are building up the mandatory contribution rate using other means.

**Average percentage of income people around the world are saving for retirement**



**“The Americas save the most for their retirement (16.8%), whereas Europeans save the least (13.8%)”**

**Average percentage of income people save for retirement, by region**





As is to be expected, self-purported 'expert' or 'advanced' investors save a higher proportion of their income specifically for retirement (17%) compared to both 'beginner' or 'rudimentary' investors (14.4%) and 'intermediate' investors (13.7%).

The generational differences aren't so stark here, with millennials actually saving a similar proportion of their income for retirement than non-millennials (15.4% vs 15%).

And encouragingly there is a similar picture when we look at the income savings for men and women as well, with women saving 15.1% of their current income specifically for retirement, compared with 15.4% for men.

15.4%



The average percentage of income that millennials save specifically for retirement

**As a percentage of their current income, how much are people currently saving specifically for their retirement (including employer contributions)?**

Investment knowledge group\*

Beginner / Rudimentary



Intermediate



Expert / Advanced



\*self-purported

# But will these savings be enough?

People are now saving encouraging amounts of money to put towards their retirement, but are they confident this will be enough?

Despite their very high expectations of investment performance (the average expected return on investments over the next 12 months is 8.8%), 41% still remain concerned that their retirement income won't be sufficient.

And perhaps these concerns are well placed, with those already in retirement far less likely to expect a high rate of return based on previous returns.

The level of concern about retirement income also varies depending on location. People in Belgium for instance, are more than twice as likely to be concerned that their retirement income won't be enough (52%) compared to those in Russia (24%).

**"I have received these returns in the past, so it is very likely this will continue in the future"**



Location	People who are concerned that their retirement income is not / will not be sufficient
Belgium	52%
Taiwan	51%
Japan	51%
Denmark	50%
USA	48%
Australia	47%
Portugal	46%
Sweden	46%
Germany	46%
Thailand	46%
Hong Kong	45%
South Korea	44%
China	43%
Switzerland	43%
Argentina	43%
UK	42%
South Africa	42%
Mexico	41%
Netherlands	40%
France	40%
Austria	40%
India	39%
Spain	38%
Brazil	33%
UAE	32%
Italy	31%
Indonesia	30%
Singapore	29%
Poland	28%
Canada	28%
Chile	27%
Russia	24%

## “I am concerned that my retirement income is not / will not be sufficient”

Investment knowledge group\*

Beginner / Rudimentary



Intermediate

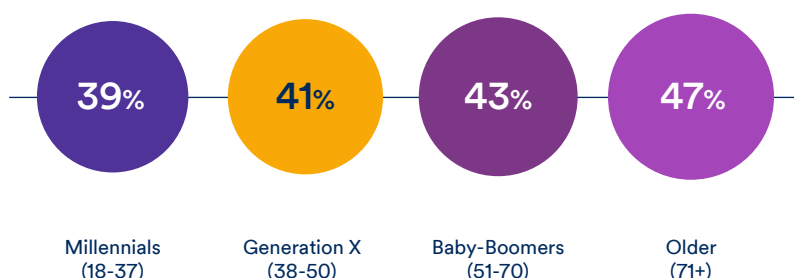


Expert / Advanced



\*self-purported

## People who are concerned their retirement income will not be sufficient, by age group



And while a person's location seems to determine how concerned they may feel about their retirement income, this concern is felt equally across investment knowledge groups, implying that no matter how savvy or knowledgeable you might be, retirement futures are difficult to predict.

There is also a subtle but notable trend of people becoming more concerned about their retirement income being sufficient as they get older. In order to maintain a constant level of optimism about their retirement income, people need to be sure they have planned for multiple scenarios to ensure they don't outlive their savings pot.

Perhaps this mounting concern increases with age because most people calculate their retirement savings based on their life expectancy first (65%), followed by fixed living (63%) and healthcare costs (62%).

A point to note, is that family's needs (42%), more luxury expenses such as holidays (38%) and leaving an inheritance (27%) aren't factored into people's calculations to the same extent as the 'necessities'.

If people are to enjoy their retirement and feel financially secure, they must be realistic about their expenditures when calculating the point at which they can retire for good.

## Factors people consider when calculating when they can retire

The three most likely factors for consideration

Life expectancy



Fixed living costs e.g. house, bills, food



Healthcare costs



My family's needs



Unfixed living costs e.g. holidays, entertainment



Leaving an inheritance



Other



# Obstacles to retirement

The people surveyed find that the sentiment of concern that seems to overshadow their retirement planning has its roots in inconsistent government planning, insufficient state provision and a general lack of clarity about options.

Looking at countries across the globe, it is clear that people's governments have a large influence over their attitudes to retirement planning.

One could observe that in areas where people feel their governments are constantly changing the rules about retirement planning, they are more likely to be disillusioned by the whole prospect. In Thailand for example, 57% of people report feeling this way compared to 25% of people in Japan.

**“  
It is clear  
that people’s  
governments have  
a large influence  
over their attitudes  
to retirement  
planning**

Location	
Thailand	57%
Austria	55%
China	54%
India	53%
Sweden	51%
Indonesia	50%
France	47%
Denmark	45%
USA	45%
Belgium	43%
Taiwan	43%
Hong Kong	43%
Russia	42%
Germany	42%
Brazil	42%
Mexico	42%
Spain	41%
South Korea	41%
UAE	40%
Switzerland	38%
Netherlands	38%
Australia	37%
Singapore	37%
Italy	36%
Poland	36%
Chile	36%
Argentina	35%
Portugal	34%
UK	32%
South Africa	30%
Canada	27%
Japan	25%

“The government keeps changing the rules about how people should save for, and fund, their retirement, so I don't see the point in trying to save specifically for my retirement”

Concerns about state provisions not being ample enough are also up for consideration in the retirement planning debate, with 55% of people claiming state provisions where they live are insufficient. People in South Africa feel this most sharply, with 65% concerned that state provisions alone won't be sufficient to support them in retirement. At the other end of the scale are people in Switzerland with still a significant minority (42%) echoing these concerns.

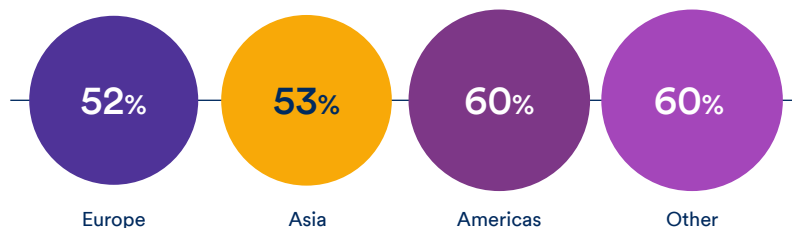
At a regional level the results simply reaffirm that no matter where people live, the state alone cannot be relied upon to provide enough for people to live on in their retirement.

Another obstacle to a secure retirement cited by respondents is the confusion about the options available to them (38%). This year's Global Investor Study found that the main life event that would trigger someone to seek professional investment advice was 'nearing retirement' (34%).

And no matter what your level of financial knowledge, it seems planning for retirement is a confounding process across the board. In fact, 'expert' or 'advanced' investors are actually more likely to be confused by the retirement options available to them (41%) than their 'intermediate' (35%) and 'beginner' or 'rudimentary' counterparts (39%).

Given that the majority of people place responsibility on financial providers (62%) and on independent financial advisers (61%) to ensure that people have sufficient knowledge on personal financial matters, it's evident that these institutions could be doing more to offer clear and actionable advice about later life financial planning.

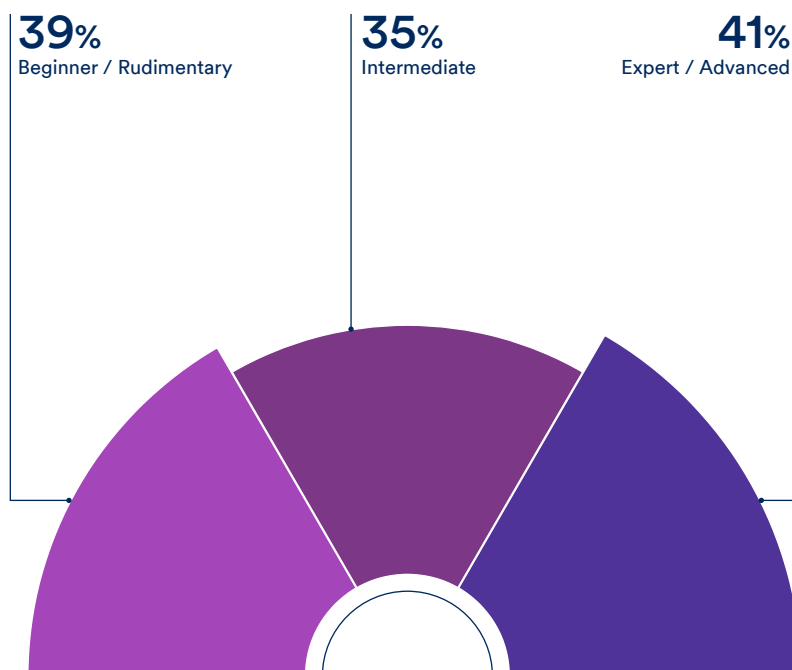
#### "The state provision for retirement is not enough for me to live on"



## “It seems planning for retirement is a confounding process across the board

#### "I don't understand the options available to me with my retirement savings"

Investment knowledge group\*

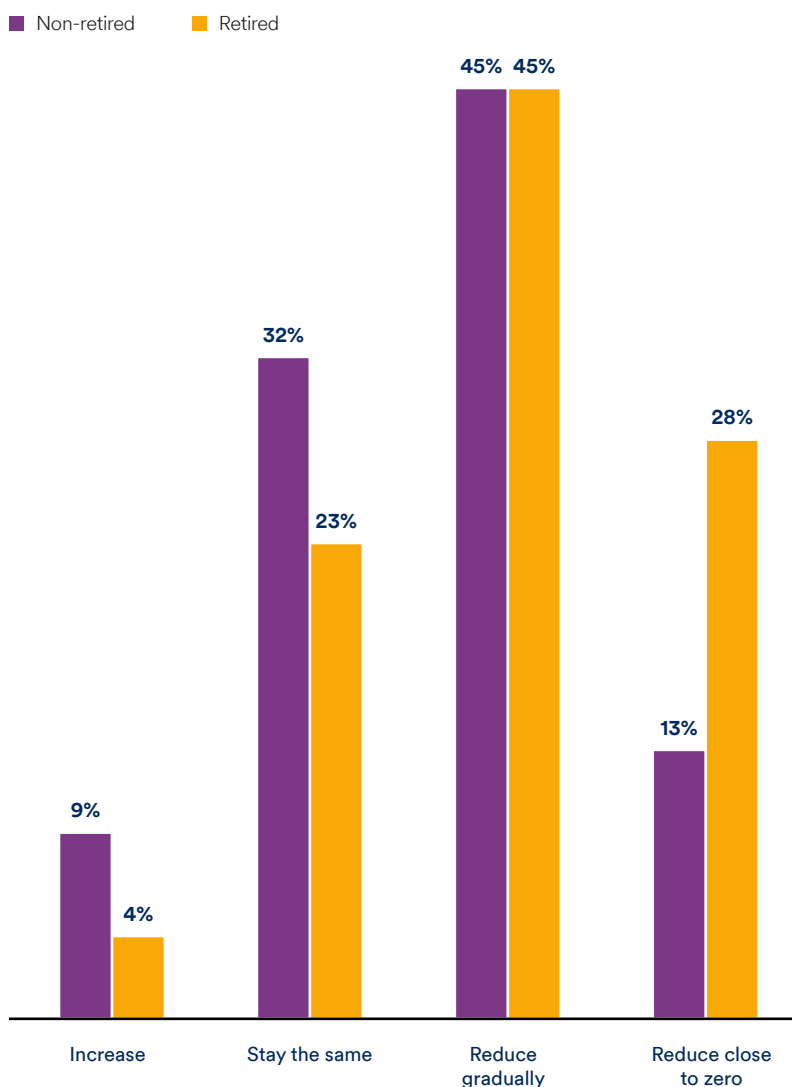


\*self-purported



# Rebuffing retirement

Anticipated number of hours worked per week in 'retirement'  
(expectation vs reality)



Amidst these concerns around retirement income, it makes sense that the majority of people foresee themselves working into their 'retirement'. Retirement now is undergoing a transformation, with many people carving their own paths.

When comparing expected working hours versus actual working hours in retirement, interestingly, non-retired people are far less likely to predict a reduction in working hours that is close to zero (13%). This has however, not been the case with more than a quarter (28%) of those who have already retired reporting they now barely work in their retirement.

The expectation that people will be able to gradually reduce the hours of their working week is realistic, with 45% of non-retired people predicting this and 45% of retired people confirming that their 'retired' lives resemble this.

A surprising scenario that has emerged from the study is that 32% of non-retired people envisage their working hours remaining the same, which hardly sounds like retirement at all. Perhaps more surprising still however, is the fact that almost a quarter of retired people (23%) are living out this scenario today, affirming that it's not an unrealistic expectation.

### How working in 'retirement' relates to concerns about retirement income, by country

Location	Work increasing/ staying the same	Concerns about retirement income not being enough
Belgium	42%	52%
Taiwan	43%	51%
Japan	27%	51%
Denmark	39%	50%
USA	37%	48%
Australia	28%	47%
Thailand	54%	46%
Germany	50%	46%
Sweden	38%	46%
Portugal	38%	46%
Hong Kong	44%	45%
South Korea	40%	44%
China	47%	43%
Switzerland	39%	43%
Argentina	37%	43%
UK	36%	42%
South Africa	22%	42%
Mexico	41%	41%
France	51%	40%
Netherlands	41%	40%
Austria	24%	40%
India	48%	39%
Spain	44%	38%
Brazil	34%	33%
UAE	39%	32%
Italy	44%	31%
Indonesia	50%	30%
Singapore	36%	29%
Poland	51%	28%
Canada	31%	28%
Chile	39%	27%
Russia	44%	24%

When examining the propensity for people to work the same number of hours or increase them at a country level, an interesting relationship begins to emerge.

One might expect that a key reason to continue working into 'retirement' is to allay any fears about having enough retirement income. You might predict that people who plan to continue working therefore feel more secure in their finances for retirement. However, there is no distinguishable pattern that implies working into later life makes people feel more confident about their retirement income. Could this be because true retirement and a complete stop to work seems too daunting for people planning their retirement today?

**“There is no distinguishable pattern that implies working into later life makes people feel more confident about their retirement income**

## Working hours increasing/staying the same in 'retirement', by investment knowledge group

Investment knowledge group\*

Beginner / Rudimentary



Intermediate



Expert / Advanced



\*self-purported

“  
Perhaps the more traditional view of retirement where working life comes to a complete halt is no longer realistic?”

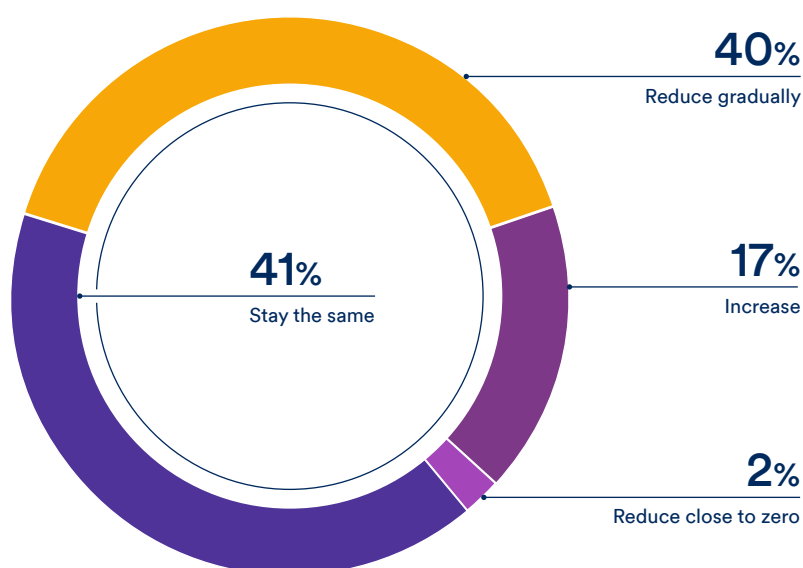
It seems that millennials are also more likely to favour working into 'retirement', potentially as a way to fill the retirement income gap with 46% expecting to increase or maintain the hours they work per week. This is compared to 35% of non-millennials.

When considering working into retirement across investment knowledge groups, it's also apparent that 'expert' or 'advanced' investors are more likely to increase or maintain the hours they work per week (45%) than 'beginner' or 'rudimentary' investors (31%). These findings are surprising, but perhaps the more traditional view of retirement where working life comes to a complete halt is no longer realistic?

People are also rebuffing the expectation to reduce their expenditure in retirement with 58% of people foreseeing their expenditure staying the same or increasing. This attitude is representative of people across regions, perhaps on account of people expecting to still be working to a certain extent.

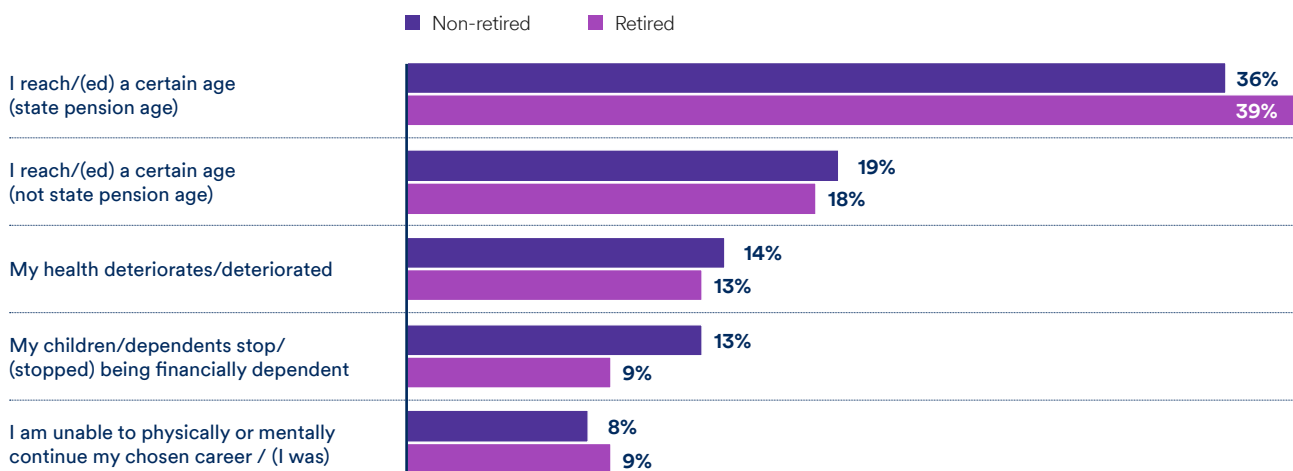
17% of people actually foresee their expenditure levels increasing in retirement, with 16% of retired people confirming this is a realistic prediction. People need to be cautious here though as they might be at risk of living beyond their means.

## Expected level of expenditure in retirement



# Why retire?

## The top 5 reasons people retire (expectation vs reality)

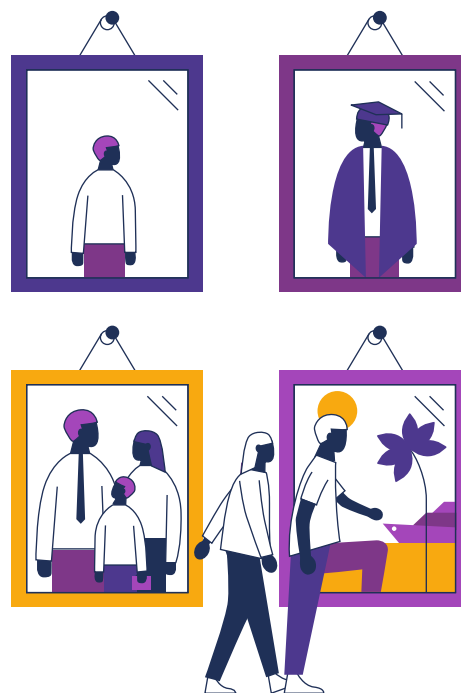


The most common reason people think they will retire is because they will reach state pension age (32%). Only 6% of people think they will retire because they have hit their financial target for retirement savings.

The results are variable when considering what event may trigger someone to retire, or indeed caused them to retire. However, people's predictions for why they might retire are accurate across the board when you compare their expectations with what actually caused people to enter retirement.

This pattern was also representative of people's choices and expectations to retire around the world, with reaching the state pension age the most popular reason to trigger retirement everywhere.

This was also the most common factor to trigger retirement when examining results across investment knowledge groups as well, demonstrating that the choice to retire is somewhat of an equaliser.



# 6%

of people think they will retire because they have hit their financial target for retirement savings

# The sustainability opportunity

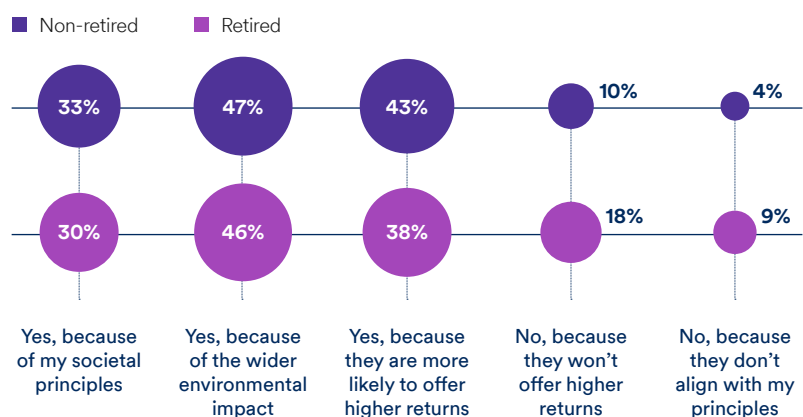
Sustainable investments present an interesting option, both for people planning for their later life, as well as for those who have already begun their retirement.

However, only 38% of those who are retired think sustainable funds are more likely to offer higher returns. Instead, while they do acknowledge the environmental and societal benefits in line with their non-retired counterparts, they are almost twice as likely to regard sustainable funds as unattractive because they won't offer higher returns (18%). They are also more than twice as likely to view them as unattractive because they don't align with their principles (9%).

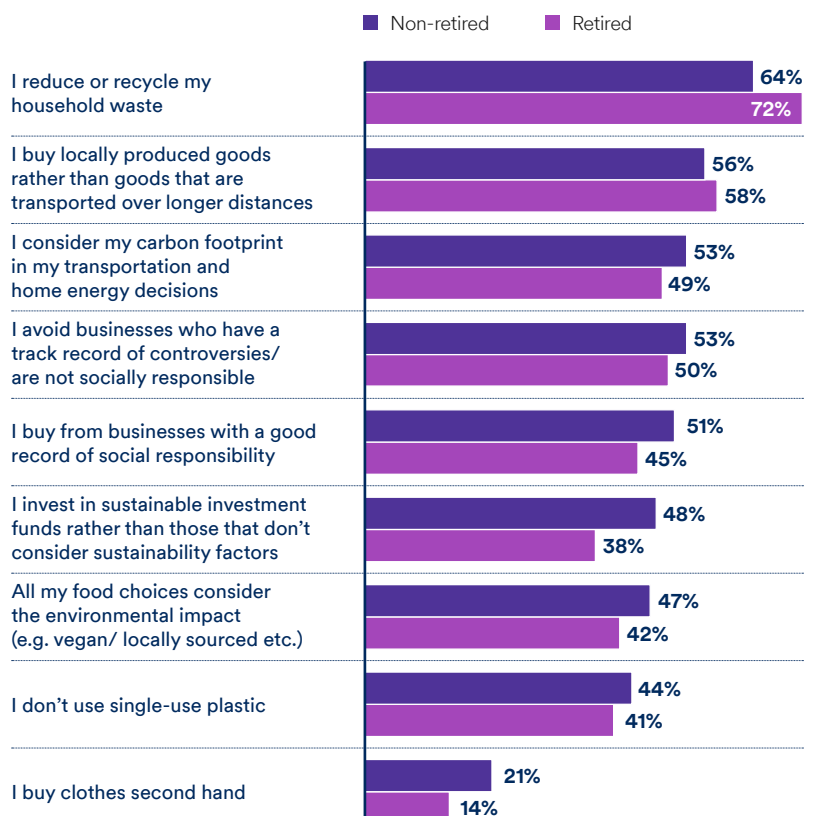
But the survey shows that retired people are no less caring about a sustainable society than their non-retired counterparts. In fact, retired people are even more likely to reduce or recycle their household waste (72%) than non-retired people (64%). They are also more likely to buy locally produced goods (58%) than non-retired people (56%).

However, when it comes to buying from businesses with a good record of social responsibility (45%) and investing in sustainable funds (38%), retired people are significantly less likely to contribute to a sustainable society in this way, when compared to non-retired people.

## Why sustainable funds might be attractive



## The ways people frequently contribute to a sustainable society

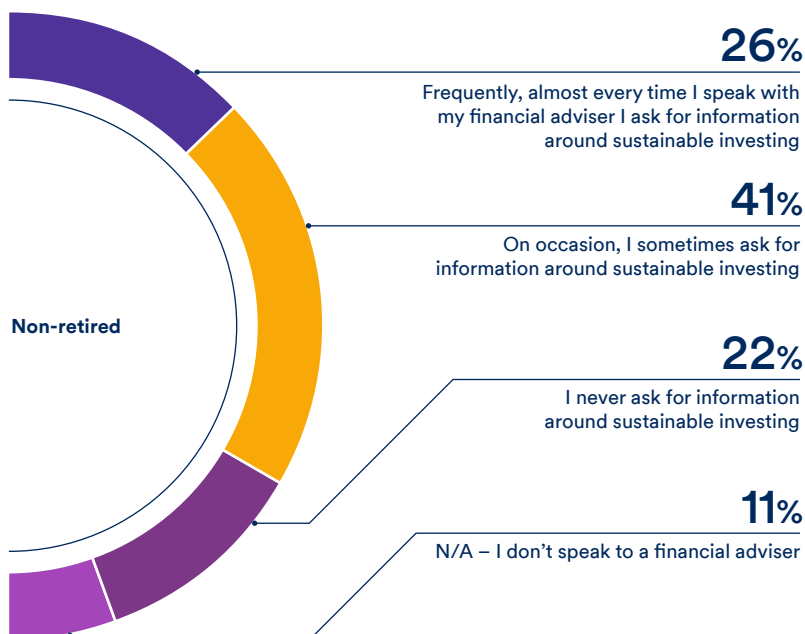




## Do people ask their financial adviser for advice on sustainable investing?

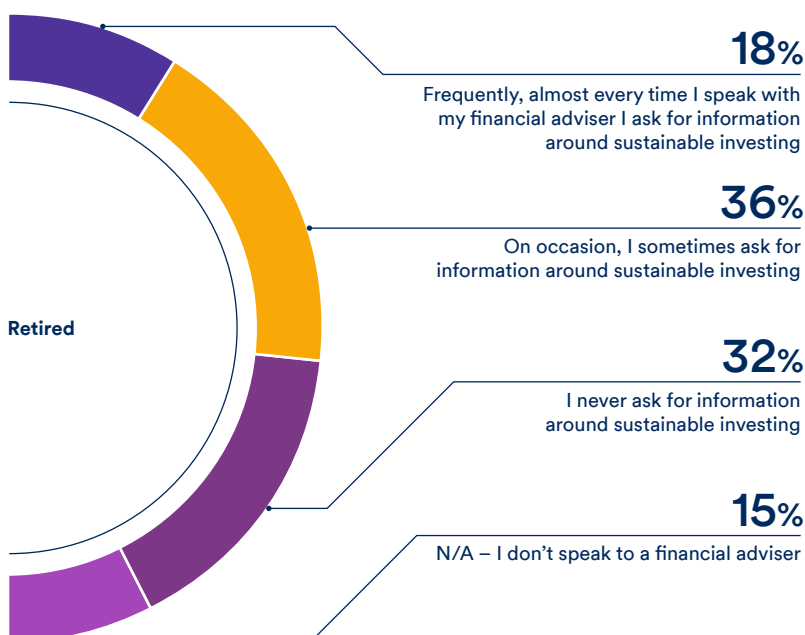


Retired people are twice as likely to say their financial adviser never speaks to them about sustainable investing than non-retired people



One possible explanation for this could be because of a lack of knowledge on this matter, with retired people less likely to frequently ask their advisers for information on sustainable investing (18%) than non-retired people (26%). A significant minority of retired people (32%) are likely to never ask for information around sustainable investing.

However, the relationship goes two ways and while 41% of retired people claim their financial advisers speak to them on occasion about sustainable investments if prompted, retired people are more than twice as likely (14%) to say that their financial adviser never speaks to them about sustainable investing than non-retired people (6%).



**“Retired people are less likely to frequently ask their advisers for information on sustainable investing than non-retired people”**

# Key takeaways

While the study results show a positive picture, with those across age groups and investment knowledge groups just as engaged in saving for retirement, the study also shows that concerns about savings are still felt around the world.

Levels of concern vary greatly depending on where people live, and even though information should be readily available, people are still confused about their retirement options.

Governments and financial institutions therefore need to help clarify communications around retirement planning. There is also a significant opportunity for sustainable investing to be more accessible as an opportunity to help fund retirement.



The value of investments and the income from them may go down as well as up and investors may not get back the amounts originally invested. Exchange rate changes may cause the value of any overseas investments to rise or fall. Schroders commissioned Raconteur to conduct, between 30 April and 15 June 2020, an independent online study of 23,450 people in 32 locations around the world. This research defines “people” as those who will be investing at least €10,000 (or the equivalent) in the next 12 months and who have made changes to their investments within the last 10 years.

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