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Millennials in Egypt are not preparing for retirement despite realising challenges ahead

Property considered to offer the best returns for retirement savings for working age people

Cairo, Egypt: Given the complex macroeconomic conditions today, along with factors such as higher life expectancy, it has never been more challenging to save for a comfortable retirement. According to new research from HSBC, nearly 7 in 10 (68%) Millennials (born between 1980 and 1997) are concerned about running out of money for their lives after work, but despite this realisation, over half (55%) have not started saving for retirement.

The Future of Retirement 2017: Shifting Sands, a survey of 18,414 people in 16 countries and territories, including 1,083 in Egypt, provides insights into the key issues associated with ageing populations around the world. It segmented the views of working age people and retirees into Millennials, Generation X (born between 1966 to 1979) and Baby Boomers (born 1945 to 1965).

The research shows that the lack of impetus towards saving for retirement is not limited to Millennials as even a large proportion of Generation X (52%) and Baby Boomers (42%) have not started putting money aside for retirement. This is revealed to be the case despite people across generations saying that they appreciate the importance of saving for the future. In fact, over 8 in 10 (85%) of Millennials and those from Generation X see saving as a difficult, but necessary, task, in addition to 83% of Baby Boomers.

Identifying challenging retirement prospects

When it comes to retirement, Millennials are seen as less fortunate than previous generations. Only 12% of working age people think this generation is in the best position for a comfortable retirement, compared to 38% who think Baby Boomers are best suited for life after work. Even in terms of social security provisions, double the Millennials (16%) compared to those from Generation X (8%), believe that state pensions will no longer exist when they retire – further highlighting the challenges this group is expecting to face.

In terms of life expectancy and retirement planning, 50% of Millennials believe that their generation will live much longer and will need to support themselves for more years into the future. This is supplemented by the finding that, on average, young Egyptians expect to retire by 58 – among the earliest to say so globally. Coupled with factors such as, nearly two-thirds (65%) of people saying that Millennials have experienced weaker economic growth than previous generations, and close to 8 in 10 (78%) believing healthcare costs for retirees will increase in the future, it is evident that Millennials need to act now for the

challenging future ahead.

Commenting on these findings, **Mustafa Ramzi, Head of Retail Banking and Wealth Management of HSBC Bank Egypt**, said: “It is positive to see that not only do millennials recognise the difficulties they face today, but that they are also willing to cut back on their expenses in order to save – with nearly 7 in 10 (69%) citing they would do so. However, there is still work that needs to be done in putting these sentiments into action as over half have yet to start saving for retirement. At the same time, it is encouraging to see is that 77% of millennials are actively seeking information to guide their financial decisions, which is important given the present market environment.”

Funding life after work

HSBC’s research shows that while 60% of working age people actively move their money around to get the best return/deal, there is not much of risk appetite as only 28% are willing to risk financial losses. To that end, property (64%) is considered to offer the best returns for retirement, followed by cash savings (47%), but foreign currency (27%) and stocks (23%) are not as popular. In terms of means of saving, technology is changing the way people put money aside as 57% of working age people agree that advances in this area makes it easier to save for their retirement

“People are increasingly using new technology in different ways to plan for and manage their retirement and nearly two-thirds (63%) of working age people believe that it will help give future retirees a better standard of living. Internet penetration is 33% of the Egyptian population and 0.9 %¹ of World Internet Users, which provides a wide platform for the banking sector to excel in the Egyptian market and reach out especially to the young generation who represent 24.3%² of Egyptian population. As a result, our strategy at HSBC will continue to be focused around Digital and we will continue leveraging our global expertise in technology and supporting the economic development.” added **Ramzi**,

Practical steps

Here are some important insights and practical actions drawn from the research findings, which may help today’s retirement savers plan a better financial future for themselves:

1. Be realistic about your retirement

Make sure you are well prepared for a long and comfortable retirement by starting to save earlier and more. Factor potential healthcare costs into your retirement planning.

2. Consider different sources of funding

Balance your ways of saving and investing for retirement to spread the risk and maximise the returns. Be realistic about your expected returns.

¹ <http://www.egyptindependent.com/news/youth-are-quarter-egypt-s-population-and-half-them-are-poor>

² <http://www.internetlivestats.com/internet-users/egypt/>

3. Plan for the unexpected

Unexpected events can have a major impact on retirement funding. Include worst case scenarios when planning your retirement and consider putting protection in place to help secure your retirement income.

4. Take advantage of technology

Embrace new technology to make planning for your retirement easier. Online planning tools can help you understand your retirement funding needs and track progress towards your goals. Seek professional financial advice if you need help.

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For further information please contact:

Rola Nosseir
Media Relations Manager
HSBC Bank Egypt SAE
Tel: 202 2529 8387
Email: rola.nosseir@hsbc.com

Notes to editors:

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