

Are you financially prepared for your retirement?

Don't delay, start today!

## Will life after you finish working be everything you dreamed it would be?

When you start work, one of your first savings goals is likely to be buying your first car. As time goes by your focus may turn to buying a first home, getting married and starting a family. Then it's a case of saving for family holidays, children's education and perhaps a larger and more expensive home.

While all of these things are important, you should never overlook the most important aspect of financial planning and that is to ensure you have saved enough to enjoy a comfortable retirement - which would be the longest holiday you will ever have.

Retirement is a time to relax and enjoy life after all the hard work you have put into your career and possibly raising a family.

The one thing that could hold you back is not having enough money to make the most of the opportunities available.

**In association with YouGov, we surveyed expats living in the UAE on their retirement plans and expectations. The results make for some disturbing reading.**

**Read on to find out more.**

# Retirement readiness:

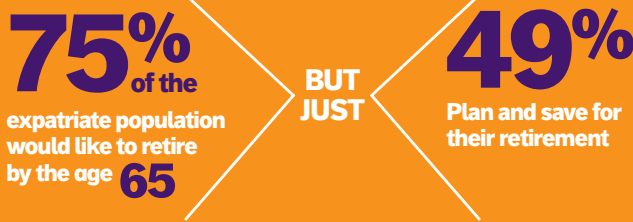
There is no one-size-fits-all, when it comes to retirement planning. It all depends on when and where you want to retire and the income you think you will need to sustain the lifestyle you have planned for yourself when you retire.

## According to our research<sup>1</sup>

### 75% of UAE expatriates plan on retiring by the age of 65.

However, less than half are making specific provision for their retirement.

Whatever age you plan on retiring - even if it seems many years away - the sooner you start to save the less it will cost you in the long run, and the greater your retirement fund will be. You may even be able to consider retiring earlier, so you can get the most out of life when you finish working.



### 81% of UAE expatriates plan to retire in their home country.

Whether you choose to retire abroad or in your home country, it is important to consider whether you made adequate provision to help you live comfortably when you are no longer receiving a regular salary.

The lack of a formal pension scheme for expatriates living and working in the UAE means that you must make your own arrangements in terms of saving for your future.



### People are unsure how much income they will need.

It's important that you identify the amount of income you are likely to need when you retire as soon as possible.

An appropriately qualified financial adviser will be able to help you to calculate this, and to determine how much you should be saving regularly and for how long to make your retirement dreams a reality.

Remember, you need to consider the impact that inflation will have on the value of your savings and the cost of living at your retirement date.



### 58% of respondents plan on saving for retirement for the last 10 years of their working lives.

That is highly unlikely to be enough time to build an adequate retirement fund.



Intend to save for just one to 10 years prior to retiring

<sup>1</sup> Research on behalf of FPI - undertaken by YouGov between 28 January and 4 February 2019 – total number of UAE expatriate respondents: 874

## We have put together a list of things for UAE expatriates who are interested in preparing for life after they finish working to consider.

- **Start early**

The single most important thing you can do is to start saving early. The earlier you start, the more time you have for your investments to grow—and to recover from the market’s inevitable downturns. Retirement may seem a long way off when you are young, and it’s easy to postpone making plans to save for your golden years when you have 30 or 40 years of work ahead of you.

However, the more time your money has to grow, the bigger your retirement nest egg will be and the less it will cost. To illustrate this point, let’s assume you are targeting a retirement fund of USD1 million. You could reach your target in 30 years by investing USD10,000 per year, assuming a return of 7% per year. However, if you planned your savings over 40 years, you would have to save just USD5,000 per year assuming the same 7% growth rate.

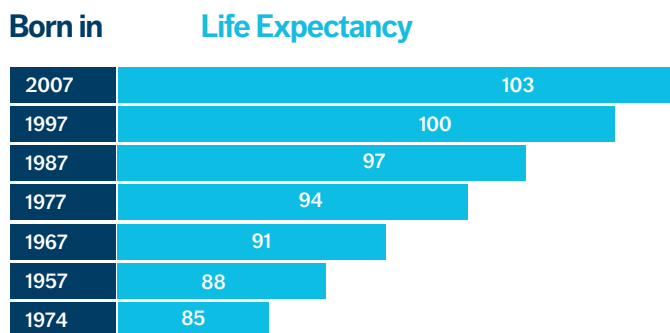
- **You are likely to live longer**

Something you need to consider is the fact that people are living longer these days, which in turn means they will have more retirement years to fund. Accordingly they will need a larger retirement portfolio to sustain themselves when they finish working.

‘In their book, *The 100- Year Life*, Professor Linda Gratton and Andrew Scott say that the chances of a 20 year old, living in a developed Western economy today, reaching the age of 100 are 50/50.

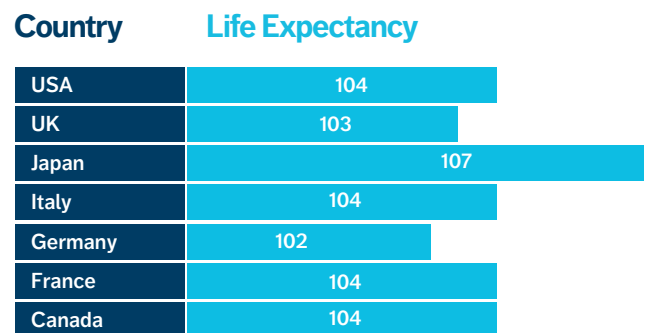
As a consequence people need to accept that, unless they make arrangements to start funding their retirement early on in their career, they may need to work into their seventies, or even eighties, to save enough for a comfortable retirement.’

### Longevity has been increasing steadily since the middle of the 20th century



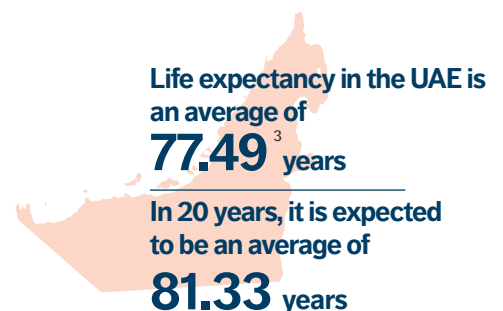
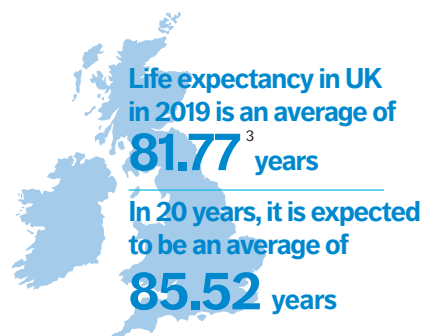
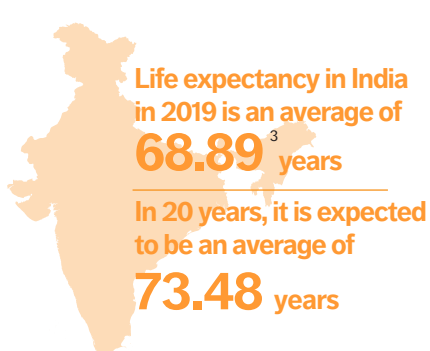
Source: www.100yearlife.com

### Life expectancy of children born in 2007



Source: Human Mortality Database, University of California, Institute for Demographic Research (Germany) Available at mortality.org

## There are approx 450,000 Centenarians Worldwide<sup>2</sup>



<sup>2</sup> <http://www.thecentenarian.co.uk/how-many-people-live-to-hundred-across-the-globe.html> centenarian.

<sup>3</sup> <http://data.un.org/Data.aspx?q=Life+Expectancy&d=PopDiv&f=variableID%3a68>

- **How much you need to save**

There is no simple answer as it very much depends on your age when you start saving, when you plan to retire and of course the income you are targeting in retirement. According to fund manager Fidelity, you should aim to save at least 15% of your income to fund your retirement, assuming you start at age 25 and retire at age 67. This increases to 18% at age 30 and 23% at age 35. As you can see, by delaying saving for just 10 years, the amount required increases by more than half.

- **Don't count on your end of service gratuity**

Our survey showed that 29% of respondents think their end of service gratuity (EOSG) will be sufficient to sustain them in retirement. People may not therefore be aware that EOSG is capped at a maximum of two years' pay, and is unlikely to be anywhere near enough to fund a comfortable retirement.

- **Think about inflation**

Money sitting in a bank account will lose value over time due to inflation. If you have accumulated a lump sum already you should ensure it is invested in a balanced and diversified range of investments so it continues to grow at a rate that beats inflation. Friends Provident International's Reserve portfolio bond can be used to achieve this as it offers access to an almost unlimited range of investments.

If you do not have a lump sum to invest you should start saving regularly in a savings plan - such as Friends Provident International's Premier Advance savings plan - which offers access to a range of investment funds, that can be used to build a balanced and diversified portfolio. Saving regularly allows you to benefit from 'dollar cost averaging', which means that the peaks and troughs of investment market performance are smoothed out over time, and you are less likely to suffer extreme falls in value.

- **Take personal responsibility**

Our survey showed that less than half of the respondents will qualify for a state pension in their home country when they retire. As there is no formal retirement scheme for expats in the UAE, the responsibility for funding your retirement is yours and yours alone. Overall, our research clearly shows that most people are not aware of the need to plan for their retirement, or are not saving enough or are not saving for long enough.



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## There's Power in a Retirement Plan:

1. **How much?**

Plan how much you will need in retirement and how much you need to save to achieve it.

2. **Invest**

People with some kind of retirement plan have more than three times<sup>4</sup> as much in their nest egg than those with no plan at all. Having a retirement plan is the first step to reaching your retirement savings goals.

3. **A marathon, not a sprint**

The purpose of retirement investing is to achieve your long-term goals. In that way, investing is much more like a marathon. Rather than focusing on coming in first, most marathon runners focus on cultivating the discipline and persistence necessary to achieve their personal goal.

Friends Provident International (FPI) offers savings and investment products that can be used to build a balanced and diversified retirement fund.

## Reserve

If you have a lump sum to invest and are seeking capital growth, you should consider investing in an lump sum Investment plan – such as FPI's Reserve – which offers a potential for capital growth over the medium to the long term (five plus years). It has two investment options – collective investments and personalised assets.

Reserve also gives you access to the world's investment markets through unit trusts and open-ended investment companies. The personalised assets version could also include international equities, fixed interest securities, structured notes and deposits. It can provide you with regular withdrawals.

**Your financial adviser will be able to help with which is the most appropriate structure for you.**

## Premier Advance

If you are interested in saving regularly, you should start a savings plan - such as FPI's Premier Advance. The plan offers you a range of features and benefits that can help you build your retirement fund. You can choose to make regular payments into your plan for between five and 25 years. When your payment term ends, you can choose for the savings you have built up to be paid to you or remain invested for potential continued growth.

**You should speak with a suitably qualified financial adviser to discuss your options, and to put in a place a robust retirement strategy.**

<sup>4</sup> Source: [www.hsbc.ae/content/dam/hsbc/ae/docs/en/wealth/uae-future-retirement-report.pdf](http://www.hsbc.ae/content/dam/hsbc/ae/docs/en/wealth/uae-future-retirement-report.pdf)

## Next steps:

### 01: Think

About where and when you would like to retire.

### 02: Calculate

How much income you would need to maintain a comfortable current standard of living in retirement?

### 03: Consider

The impact of inflation, medical costs and other expenses on your retirement fund.

### 04: Speak

With your financial adviser to find out more about how FPI's Reserve and Premier Advance can help you plan your future.

Find out more by visiting:

[www.fpinternational.ae/save/retirement-planning](http://www.fpinternational.ae/save/retirement-planning)

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