FOR A Rainy Day

Are you suffering from "Carrie Bradshaw syndrome" (a closet full of fab shoes, and no money in the bank)? It's time to start saving...

Words by Yi-Hwa Hanna

When I was 18, my older brother sat me down and put my earnings—at the time, a meagre hourly wage from my twice-a-week admin job after school—into a very complicated looking Excel spreadsheet. He showed me exactly how much money I should be saving if I wanted to retire at a decent age. It was scary, to say the least—and it was in that moment that I faced the harsh reality of how soon—and how much—I should be putting money aside for my future.

Yet despite the fact that I, like so many others, am fully aware that I need to build up a solid pool of savings and think about a proper retirement plan, I'm afraid to start—after all, this isn't just stashing money under a mattress. The mere mention of stocks and bonds intimidates me, and putting away a monthly portion of your salary sounds *so* much easier than it is.

Unexpected, seemingly unavoidable costs always seem to crop up, and I keep telling myself I'll start saving next month instead. And I'm not the only one who feels this way: According to recent figures from HSBC's annual The Future of Retirement Survey—the bank's long-running, world-leading study into global retirement and ageing issues—46% percent of people claim that they are held back from saving due to the costs of day-to-day living.

It's an understandable excuse, given the economic setbacks of recent years and the ever-increasing cost of living in so many parts of the world, but none of this changes that fact that saving for our future is just as important—if not even more so—as ever.

"The biggest mistake people make when it comes to preparing for retirement is that they do not start saving from an early age, [making] it difficult to develop a formal plan for this goal," says Rick Crossman, Head of Retail Banking and Wealth Management for the UAE division of HSBC Bank Middle East Limited. While there are probably 101 excuses for why we can't start saving "just yet," many people simply feel that retirement is too far away to begin saving for or thinking about. The study found that many cite more pressing concerns taking precedence to saving for retirement, with 43% of people describing their desire to buy their own home as a major obstacle, while 34% say the high fees required for their children's education is what's stopping them. These are important concerns, no doubt; but they still don't give us a valid excuse to put off thinking about retirement until it's too late—after all, we're only hurting ourselves in the long run by not leaving ourselves enough for a comfortable life until the end of our days.

"We cannot emphasise enough the importance of starting early and developing a formal financial plan for retirement. The direct impact of this is visible as respondents in the UAE expect this phase of their lives to last fifteen years, while [in reality] their savings are only expected to last nine years on average. This clearly highlights how unprepared people are for retirement, and that they need to take concrete steps in order to be ready for this part of their lives," says Rick. In other words, by ignoring the elephant in the room, we're only shooting ourselves in the foot down the line.

"Many people feel retirement is too far away to think about"

START 'EM YOUNG

So what is the right age to begin saving for retirement, then? The survey reveals that, on average, people see the age of 37 as the latest by which they can start planning financially and still expect to maintain their standard of living in retirement—and unfortunately, they're way off the mark. "The global average age at which people start saving for retirement is 26, which is

considerably lower than the average age in the UAE," says Rick.

According to Rick, UAE residents are among the last to start preparing for this phase of life. "It is surprising to see that the starting age for saving is much later in the UAE despite much higher taxation rates or lower levels of income in other countries; factors that should make saving more difficult," he continues, adding: "Saving for retirement is an endeavour that people must plan for and commit to for years. Our survey has shown that people in the UAE are dangerously unprepared for this phase of their lives."

Indeed, the country has a surprisingly low number of people saving money, even if it's just for a rainy day: A recent survey by SouqAlMal.com, the leading price comparison site in the Middle East, found that of 900 respondents, 4 in 10 saved less than 10% of their monthly income, while half claimed not to save anything at all. Yet this lack of responsibility for our financial future isn't for lack of wanting to pad our piggybanks—according to the SouqAlMal survey, 65% of respondents admitted that they should be saving more than they currently do, and 44% claimed that unfortunately, they save less now than they did three years ago,

While this attitude demonstrates an apparent desire to save, I can't help but wonder what it is that makes it so hard for us to save, despite the grudging knowledge that it's a problem that can't be ignored. Is it the glamorous and luxurious lifestyles so many of us lead here that lull us into a false sense of security, thinking that we don't need to start quite yet?

SPENDTHRIFT PRESSURES

Ambareen Musa, Founder and CEO of SouqAlMal.com seems to think so: "The combination of high living costs, the perception of 'being rich' due to no taxes and a lack of education on how to manage income and debt could explain the results of our survey. We found that many UAE residents do not have clear management of their monthly incomings and outgoings," she says. "While enjoying a good quality of life now is important, saving adequate amounts for the future is even more so, especially as people typically do not accrue social benefits while working in the UAE," Ambareen adds. And she's not the only one who agrees: Carey Kirk, Counselling Psychologist at The Lighthouse Arabia, believes that social pressures to live a lavish lifestyle are paramount in the UAE, with glamorous meals out, fancy cars and countless opportunities for shopping presented to us left right and centre. Aside from making it easy for us to unconsciously adjust our expectations of life and how much money we are willing to spend, this can lead not only to severe amounts of stress but also, a considerably drained bank account. It's a problem that can only escalate, and that can result in a pretty miserable retirement.

"We see an urgent need to raise awareness for the importance of starting to save early for retirement," says Rick. "People that do so can take advantage of the benefits of living in the UAE, such as the lack of a tax rate and high salaries. If people make a commitment to saving [from a young age], and make an effective financial plan, they will be prepared for retirement," he says. Wise advice and a very valid point, but what if—like me, and so many others—you're realising this a little too late? While it's too late to turn back the clock, we *can* start trying to make up for lost time beginning today.

Day by Day

Don't take a Robin Hood approach to your money, that is, "robbing" your other stashes to build up an immediate retirement savings account—start building it up sustainably by making some simple changes to your lifestyle.

1 CHANGE DIGS
Do you really need that extra bedroom or use all that garden space? If the answer is no, consider moving to a slightly smaller home. The money you save on rent each month could go towards your retirement.

2 LIKE CLOCKWORK
Saving is easier when it's part of a routine. Set up an automatic transfer from your salary account into your retirement savings account each month, or do it manually—and commit to it!

3 DON'T BE AN OSTRICH
Don't stick your head in the sand—record your daily spend, and you'll be surprised at how much you spend on things that you really don't need. It'll make you more conscientious, too.

TAKE THE PLUNGE

Once we're ready to move out of denial and start putting away those dirhams, it can be tough knowing where to start. "Among those who save, almost 40% rely heavily on a simple bank account to keep their extra cash, which seems to indicate a lack of awareness of available investment options," Ambareen says. "The second favourite way to save was property investment at 32%, and the least popular option was stocks and shares. Alternative investment instruments for hard-earned cash do not need to be high-risk, with options that include fixed deposits, bonds or online saver accounts," she continues.

"Investing in securities can often frighten people because of a perception that these instruments are overly complicated and risky. However, these products can offer great returns, a diverse portfolio and greater long-term savings if these investments are made correctly," says Rick. "Additionally, people concerned about the risks involved with these products can easily check [their] ratings, which are regularly evaluated by credit agencies. We urge anyone interested in these products to first speak to a financial planner, who [can] clarify these opportunities. The certified teams of financial advisers at HSBC [for instance] are trained to help customers learn about different solutions and how to invest in them."

Ambareen agrees that research is key—even the desire to save can often be thwarted, with misguided attempts to do so leading to failure or an ineffective retirement plan: "Many UAE residents clearly want to save more, yet few have a good understanding of all the potential products available and how they can receive good returns at relatively low risks. People tend to over-use a normal bank account, where a little homework could potentially provide many ways of saving for retirement."

SEEK OUT HELP

The underlying factor here? Seek professional help. "We have seen a marked difference in the level of retirement savings between people that have a formal plan for retirement and speak to an advisor, as opposed to those that do not," says Rick. Indeed, according to the HSBC survey, people who had a formal retirement plan or a finncial adviser amassed almost twice as much in savings as those who didn't.

"It is alarming to see that only 14% of people meet professional advisors, and as low as 7% regularly plan their savings with these advisors. Rather, people in the UAE tend to rely more on approximate calculations or their own thoughts when planning for retirement," Rick adds.

"While enjoying life now is important, saving adequately for the future is even more so"

If you have started building up retirement savings, it's important to remember that it is *only* for your retirement—as tempting as it may be to dip into it from time to time, this is to be strictly avoided. Even if you're struck by an unexpected hardship or serious financial trouble and your regular savings aren't enough, dipping into your retirement funds should only occur during truly dire circumstances. "People should not look for a quick fix, but should focus on looking for changes in their lifestyle that can help them save money by spending less," says Rick, continuing: "Reductive choices, such as using savings and borrowing money, should be avoided as much as possible, because this significantly impacts one's stability in the long run."

As advances in modern healthcare are continually being made, and we strive for healthier lifestyles, average life expectancy is increasing—and in order to live out the rest of our days with as little stress and as much comfort as possible, building up a generous nest egg is absolutely essential. "Planning for retirement does not have to be a complicated process, and there are few practical methods people can put into place to save for this important period of their lives," Rick concludes. ■

Before recommending options, financial planning advisors first review our needs, taking into account our current financial circumstances, risk attitudes, financial priorities and our future goals.

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4 TAKE A STAYCATION
Expensive holidays are a luxury. Consider a local break (no airfare!), and always be on the lookout for deals or coupons to cut costs. Try travelling abroad during off-peak-season.

5 HIRE HELP
Get a financial advisor on board, and one that you can trust and be honest with. They'll help identify gaps in your savings habits, and differentiate between necessary & unnecessary expenses.

6 BE HONEST
Admit what is *actually* necessary and what's a luxury. You don't really need 3 pairs of classic black leather pointy heels, especially when your first pair are still in great condition and timelessly chic.

7 DUST OFF THE CV
Feel like you don't earn enough to save a substantial amount? Look for a new, better-paid job, or try asking for a raise. Then celebrate, but don't be so dazzled that you forget that you still need to save!