The Power of Protection
Confidence in the future

UAE Report
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Foreword

We have called this first Power of Protection report Confidence in the future, as financial protection can help us not only to safeguard what we have now but also to achieve our own and our family’s future aspirations. Yet for many, protection is seen as a cost today rather than an investment in tomorrow.

This report reveals that the majority of us are optimistic, and that those with the strongest inclination to plan financially are the most confident about the future.

Our future health is revealed as our greatest concern, with far-reaching impacts on our lives and the lives of others. Those who are most active in taking care of their own health are among the most optimistic about the future.

A particular concern identified is that around a third of us feel financially unprepared for the unexpected, while around half do not understand the financial protection they have in place or do not think it is enough. The upside to this is that those that have planned are significantly less worried about how they will provide for themselves in the future.

At HSBC, we’ve worked with clients over many years to help chart their life goals and provide the relevant protection needed to achieve security and peace of mind.

I hope that you will find this first report valuable and that its insights and practical steps will help you take action to safeguard what you have today and achieve your aspirations for tomorrow.

Charlie Nunn
Group Head of Wealth Management, HSBC
Key findings

75% have high expectations for their future quality of life

59% of people take a ‘Pre-determined lives’ planning approach, believing their life is mapped out and they cannot influence it

47% say an unexpected life event would have a greater emotional than financial impact on them

56% say what they worry most about in life is their health

33% could not manage well financially or don’t have anything specific in place if something unforeseen were to happen

56% of those with life cover do not know what the pay-out would be or do not think it is enough

60% of those considering insurance say they have not taken it out because they expect or know it to be too expensive

46% of those considering insurance say they have not taken it out as they don’t know how to go about it or have concerns about the policy

65% believe that someone else should be responsible for ensuring their family’s financial stability if they are no longer able to earn

62% think that someone else should be responsible for the cost of their personal healthcare
A positive outlook

Most people have an optimistic outlook and have high expectations for their future quality of life. These expectations are highest among those who actively plan for their future, their finances and their families, and among those who take greatest care of their health.

Across all countries and territories surveyed, more than three quarters (77%) of respondents have a positive ‘glass half full’ outlook.

In the UAE, people are somewhat less optimistic (67%) than the global average.

Future quality of life

Three quarters (75%) of people expect their quality of life in ten years’ time to be very good or excellent, compared to 57% who rate their current quality of life similarly.

Less than 5% rate their current or future quality of life (4% and 2% respectively) as not very good or not good at all.

Most people expect their future quality of life will be better

Average

Current quality of life 57%
Future quality of life 75%

People’s optimism for the future declines with age

Over three quarters (78%) of people aged 25 to 34 expect their quality of life in ten years’ time to be very good or excellent, compared to their quality of life today (55%).

Those aged 55 and over are a little less optimistic about their future quality of life although a slightly higher proportion think that it will be very good or excellent compared to today (71% compared to 63%).

Q. Considering your quality of life, would you say this is…? A. Very good/excellent (Base: All)
Q. How do you expect it will be in ten years’ time? A. Very good/excellent (Base: All)
Planning for the future
Different planning approaches

There are five approaches to how people plan and live their lives. These approaches are characterised by the attitudes and behaviours associated with their finances and their lives, their inclination to think short or long-term, their willingness to take risks and their level of optimism or pessimism.

Pre-determined lives (59% of respondents) is the dominant planning approach in the UAE and just over three quarters (76%) are optimistic saying their future quality of life will be very good or excellent.

People with the Future Provision planning approach, accounting for 15% of respondents, plan most actively.

A further 7% with a Confident and in control planning approach are the most optimistic about the future. They are also least inclined to plan for the future along with those who are Insecure and uncertain (8%).

The five planning approaches

<table>
<thead>
<tr>
<th>Planning Approach</th>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-determined lives</td>
<td>59%</td>
<td>Their life is mapped out, little that they can do to influence the future</td>
</tr>
<tr>
<td>Confident and in control</td>
<td>7%</td>
<td>Confident about their ability to influence their future</td>
</tr>
<tr>
<td>Future provision</td>
<td>15%</td>
<td>A clear eye on the future and take pride in planning for it</td>
</tr>
<tr>
<td>Living in the moment</td>
<td>11%</td>
<td>Carefree and self-directed, living for the here and now</td>
</tr>
<tr>
<td>Insecure and uncertain</td>
<td>8%</td>
<td>A strong need to feel secure, limited ability to influence the future</td>
</tr>
</tbody>
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Outlook

- **Pre-determined lives**: Their life is mapped out, little that they can do to influence the future.
- **Confident and in control**: Confident about their ability to influence their future.
- **Future provision**: A clear eye on the future and take pride in planning for it.
- **Living in the moment**: Carefree and self-directed, living for the here and now.
- **Insecure and uncertain**: A strong need to feel secure, limited ability to influence the future.

Planning

- **Pre-determined lives**: 48% plan actively, likely to have made financial provision.
- **Confident and in control**: 41% plan infrequently, not natural planners.
- **Future provision**: 36% plan infrequently, very occasional planners.
- **Living in the moment**: 73% expect future quality of life to be very good/excellent.
- **Insecure and uncertain**: 52% plan infrequently, not natural planners but will do whatever they can to mitigate risks in their lives.

Optimism

- **Pre-determined lives**: 76% expect future quality of life to be very good/excellent.
- **Confident and in control**: 76% expect future quality of life to be very good/excellent.
- **Future provision**: 84% expect future quality of life to be very good/excellent.
- **Living in the moment**: 73% expect future quality of life to be very good/excellent.
- **Insecure and uncertain**: 53% expect future quality of life to be very good/excellent.

Q. What is your outlook on life? (Base: All)
Long-term poor health touches almost every aspect of people’s lives.

Three quarters (75%) view the family as likely to be most impacted by long-term poor health.

These impacts extend beyond the immediate personal and physical.

People believe that long-term poor health would also impact quality of life (70%), the ability to earn a living (66%), relationships with partners (62%), state of mind (51%) and social life (48%).

Q. From the list, which five aspects of life do you think would be most impacted by long-term poor health? (Base: All)

Sufficiently prepared?

One third (33%) of people say they could not manage well or at all financially or have nothing specific in place if something unforeseen were to happen. The remaining 67% claim to have either savings and investments or insurance in place to cover them.

More than half (53%) of people who have an Insecure and uncertain approach to planning to say that they could not manage well or at all financially if something unforeseen were to happen, or have no specific financial cover in place.

This compares with people with other planning approaches, where around two thirds say they have either savings and investments or insurance in place.

Q. If something unforeseen were to happen, how well could you manage financially? (Base: All)

Q. What do you have that would help you manage financially if something unforeseen were to happen? (Base: Those who say they could manage well financially)
Levels of financial preparedness and understanding

Many people say they could not manage well financially or have nothing specific in place for their biggest concerns.

More than two in five (43%) say they are financially unprepared should something unforeseen happen to their job/career or business and around a third feel financially unprepared should something unforeseen happen to their home (39%), their quality of life (36%) or their children (33%).

In relation to their financial security, people are a little less likely to be well prepared for their immediate financial security than for their long-term financial security (40% compared to 36%).

More than half (56%) of people with life cover they have paid for themselves do not know what the pay-out from their policy would be or do not think it is enough.

Where the policy was taken out by an employer, this figure is higher (61%).

Q. If something unforeseen were to happen to (your concern), how well could you manage financially? (Base: Those with that concern)

Q. What do you have that would help you manage financially? (Base: Those who say they could manage well financially)

Many people say they could not manage well financially or have nothing specific in place for their biggest concerns.

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Many are financially unprepared for their biggest concerns

<table>
<thead>
<tr>
<th>Concern</th>
<th>Could not manage or at all financially</th>
<th>Nothing specific in place but would find a way to manage financially</th>
</tr>
</thead>
<tbody>
<tr>
<td>My job/career/business</td>
<td>30%</td>
<td>13%</td>
</tr>
<tr>
<td>My immediate financial security</td>
<td>23%</td>
<td>17%</td>
</tr>
<tr>
<td>My home</td>
<td>24%</td>
<td>15%</td>
</tr>
<tr>
<td>My long-term financial security</td>
<td>24%</td>
<td>14%</td>
</tr>
<tr>
<td>My quality of life</td>
<td>26%</td>
<td>10%</td>
</tr>
<tr>
<td>Providing for my children</td>
<td>17%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Most people with life insurance do not know what it will pay out or do not think that it is enough

- 32% Understand what the pay-out would be and do not think it is enough
- 24% Don’t know what the pay-out would be
- 44% Understand what the pay-out would be and think it is sufficient

Q. Thinking about the policy you have that would pay out a sum of money to your family/beneficiaries if you died, do you...? (Base: Those with a self-paid life policy)
Taking responsibility

Cost is the main factor influencing people’s decisions about whether or not to put in place financial protection for the future. Another factor is the belief that it is not their responsibility.

Three in five (60%) of those currently considering taking out any type of insurance say that they have not yet taken out a policy because they expect or know it is too expensive.

Almost half (46%) say it is because they don’t understand how to go about it, are concerned about what is excluded, or are not confident it would pay out.

Just under one third (32%) say it is because they have been too busy or leave it to someone else to arrange and a quarter (25%) have not yet taken out a policy because either it has not been a priority or they have not needed it yet.

The main barrier to taking out insurance is cost-related

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expect or know it is too expensive</td>
<td>60%</td>
</tr>
<tr>
<td>Don’t know how to go about it / concerns about exclusions or pay-out</td>
<td>46%</td>
</tr>
<tr>
<td>Been too busy / someone else arranges it</td>
<td>32%</td>
</tr>
<tr>
<td>Haven’t needed it so far / not a priority</td>
<td>25%</td>
</tr>
</tbody>
</table>

Q. What has stopped you taking out a policy so far? (Base: Those considering taking out a policy in the next two to three years)

Responsibility for ensuring the family’s financial stability

Almost two thirds (65%) of people believe that someone else should take responsibility for ensuring their family’s financial stability should something happen and they are no longer able to earn.

Just under a third (30%) say that it should be their family, almost a fifth (19%) say that it should be their employer and 16% think that it should be the State.

People aged 55 and over are more likely to think that their family should take responsibility (35%) than people aged 25-34 (29%).

Many believe someone else should be responsible for ensuring their family’s financial stability

Responsibility for funding personal healthcare

Just under two thirds (62%) of people say that someone else should take responsibility for funding the cost of their personal healthcare.

More than a quarter (27%) believe it is their family’s role, 21% feel that it should be the responsibility of their employer and 14% say that responsibility lies with the State.

Just over a third (38%) believe that they should fund the cost of their personal healthcare themselves.

Many expect others to fund their personal healthcare

Q. Thinking about the cost of your personal healthcare, how much financial responsibility do you think that each of the different people/organisations should have? (Base: All)
Practical steps for a better prepared future

Here are some important insights and practical actions drawn from the research findings, which may help people to better prepare for the future.

1. Identify your biggest concerns
   
   People’s three main worries in life are their health (56%), their quality of life (52%) and their job/career/business (49%).

   Review the financial protection you have in place today. See if it is enough to cover any concerns you have about providing for you and your family’s lifestyle, home, health and future, if something unexpected should happen.

2. Know your future aspirations
   
   75% of people expect their quality of life in ten years’ time to be very good or excellent.

   Think about your aspirations for the future. Seeking professional advice could help you understand what protection you may need to put in place to achieve them.

3. Have an action plan
   
   33% could not manage well financially or have nothing specific in place if something unforeseen were to happen.

   Once you understand what protection you have and what you need, explore the options available and take action to bridge the gap.

4. Review it regularly
   
   65% believe that someone else should be responsible for ensuring their family’s financial stability if something happens and they are no longer able to earn.

   Employer and State provision may not be sufficient for all your needs, and your circumstances will change over time. Review your plan regularly so you can take corrective action early.

The research

The Power of Protection is an independent consumer research study into global protection needs and trends, commissioned by HSBC. It provides authoritative insights into people’s concerns about the future and how they are protecting themselves financially, around the world.

This report, Confidence in the future, is the first in the series and represents the views of 11,496 people in 12 countries and territories:

- Argentina
- China
- France
- Hong Kong
- Indonesia
- Malaysia
- Mexico
- Singapore
- Taiwan
- United Arab Emirates
- United Kingdom
- United States

The findings in this UAE Report are based on a nationally representative survey of 1,334 people aged 25 and over, and was conducted face-to-face by TNS in October and November 2015.

Definitions

All average figures are an average of those surveyed in the UAE.

Figures have been rounded to the nearest whole number.

Health insurance includes critical illness, hospital cash, long-term care, private medical and permanent health policies/plans.

Life insurance includes life, funeral and personal accident policies/plans.