

HOPE Report: Baby-Boomers Heading into Retirement 1:
How Boomers will Use Their Retirement Benefits

Around half of retirement benefits will go into savings straight away. Another 15% will be invested. However, the proportion that will be spend across post-retirement life rises to close to 35%.

As investment vehicles for their retirement benefits, men favor stocks and women term deposits.

Top 3 uses for their money: Domestic travel, overseas travel, hobbies.

Top domestic destinations for both men and women:
Hokkaido & Okinawa.
Europe is top by a long way internationally.

Tokyo—May 16, 2007— HakuHodo's Elder Business Development Division (<http://www.h-hope.net/english/>) constantly monitors elder *sei-katsu-sha** (people aged 50 and over) through a variety of surveys and research. With Japan's baby-boomers beginning to head into retirement from this year, we conducted a lightning survey of 428 Japanese baby-boomers aged 58-60 to find out how they plan to spend their retirement benefits. Results of our analysis appear below.

Our survey results indicate that retirees will put around 50% of their benefits straight into savings, and another 15–16% each into investments, spending and paying back mortgages, indicating that most intend to invest at least part of their benefits from the very beginning. When we asked about how they would use the funds over the course of their retired lives, savings dropped to around 40%, while spending jumped to close to 35%. The proportion to be directed into investments rose slightly compared with immediately on receiving the benefits, while the proportion to be set aside for paying off the mortgage dropped. There

* *Sei-katsu-sha* are more than simply consumers, just as people's lives and lifestyles include more than just shopping. HakuHodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumer's lives.

was little difference in the responses of those who have already received their benefits and those yet to do so.

By gender, the top investment vehicles of those who said they would invest their benefits were stocks (70.4%), investment trusts (57.0%) and term deposits (45.9%) for men, and term deposits (58.4%), stocks (50.6%) and investment trusts (48.3%) for women. Although women seem to have a more cautious approach to their money, with stocks coming in as the second top scorer for women at over 50%, it is clear that baby-boomers are generally interested in stocks.

The top 3 future uses for their money were domestic travel (63.3%), interests (63.1%) and international travel (57.5%). Interest was also high in general in flat-screen TVs and other consumer electronics (49.8%) and renovating (46.0%), while cars (43.5%) and entertainment (40.7%) gained good scores from men and women, respectively.

Domestic and international travel both scored well with men and women, with Hokkaido (79.7%) and Okinawa (67.5%) coming out as the top domestic travel destinations, and Europe (84.6%) by far the most popular choice for international travel. It seems that now that they have the time and the money, many soon-to-be retirees are looking forward to relaxed trips to Japanese resorts and to Europe—which they have always had a soft spot for from the music and films they have enjoyed since their youth.

Detailed survey data are presented in the pages that follow.

Survey outline

Survey period:	March 2007
Territory:	40 km radius of Tokyo and Osaka / Kyoto / Kobe
Population:	Japanese baby-boomers (males and females aged 58–60) n = 428
Method:	Original Hakuodo Internet survey system “Hi-panel”

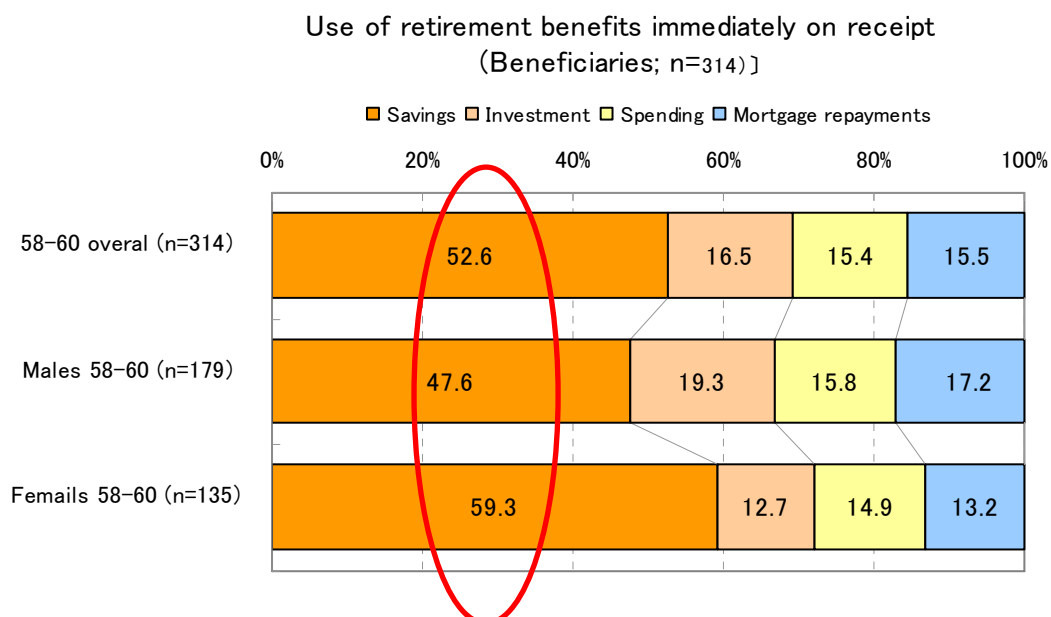
Appendix: Data

At the point of receipt, just over 50% of retirement benefits will be put into savings, and a further 16.5% into investments, showing that many want to invest a portion of their new wealth right from the beginning. The portion of benefits assigned to spending is modest at the point of receipt, but rises to close to 35% over the course of the retirement period

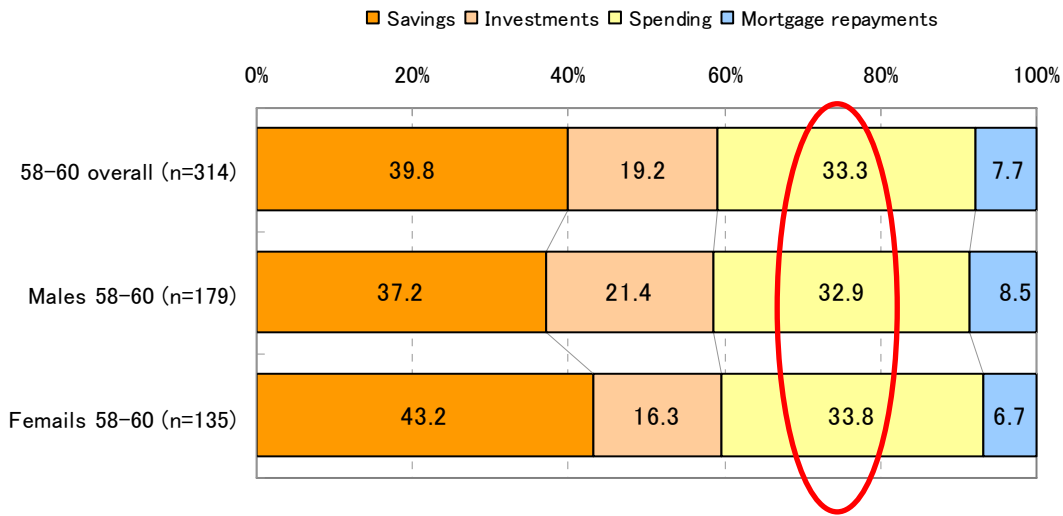
When asked how they will use their retirement benefits, we learned that most plan to invest at least part from the very beginning, with an average of around half to be put into savings and a further 16.5% into investment vehicles. However, over the course of their retirement, the ratio of savings drops, and spending, which accounts for just 15.4% at the point of benefit receipt, rises to over 30%.

While investing (16.5%) and paying off the mortgage (15.5%) are both low at the point of receiving benefits, over the course of retirement investing rises slightly to 19.2% and repaying the mortgage drops as low as 7.7%. This would indicate a shift in perceptions amongst the baby-boom generation, seeing them assign a little more of their wealth to spending as they pay off their mortgages and get a better feel for the cost of retirement living.

Interestingly, there was little difference in the scores given by those who had already received their retirement benefits and those yet to do so. By gender, there was a stronger trend toward saving among women than men.



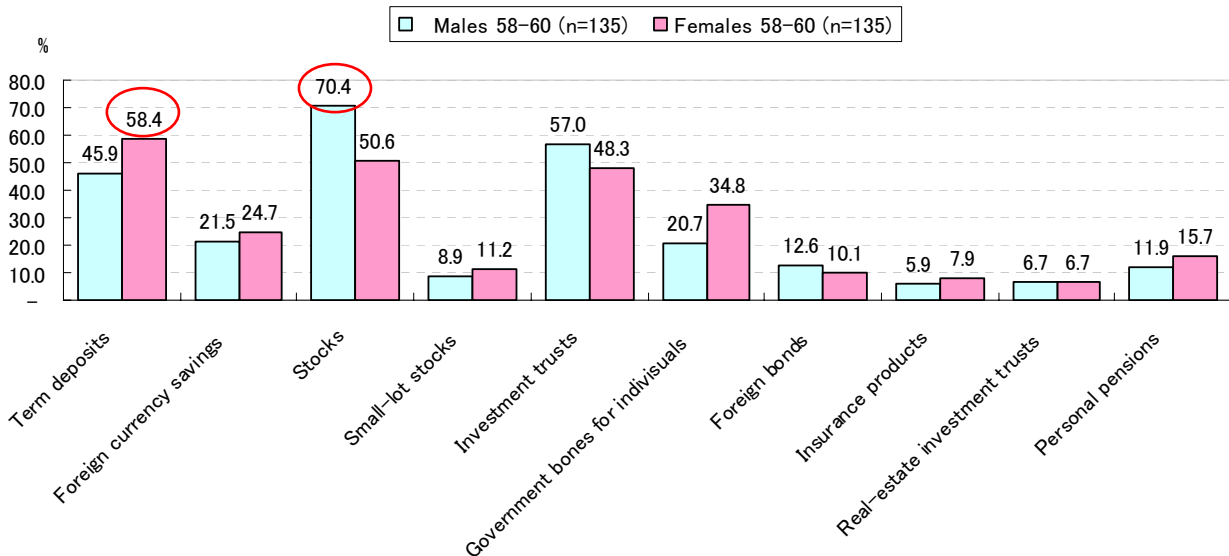
Use of retirement benefits over the course of retirement period
 [Beneficiaries; n=314]



- **In investment vehicles for retirement benefits, stocks are tops with men (70.4%), while term deposits are favored by prudent women (58.4%). Combined with investment trusts, these comprise the top 3 investment vehicles with the baby-boom generation**

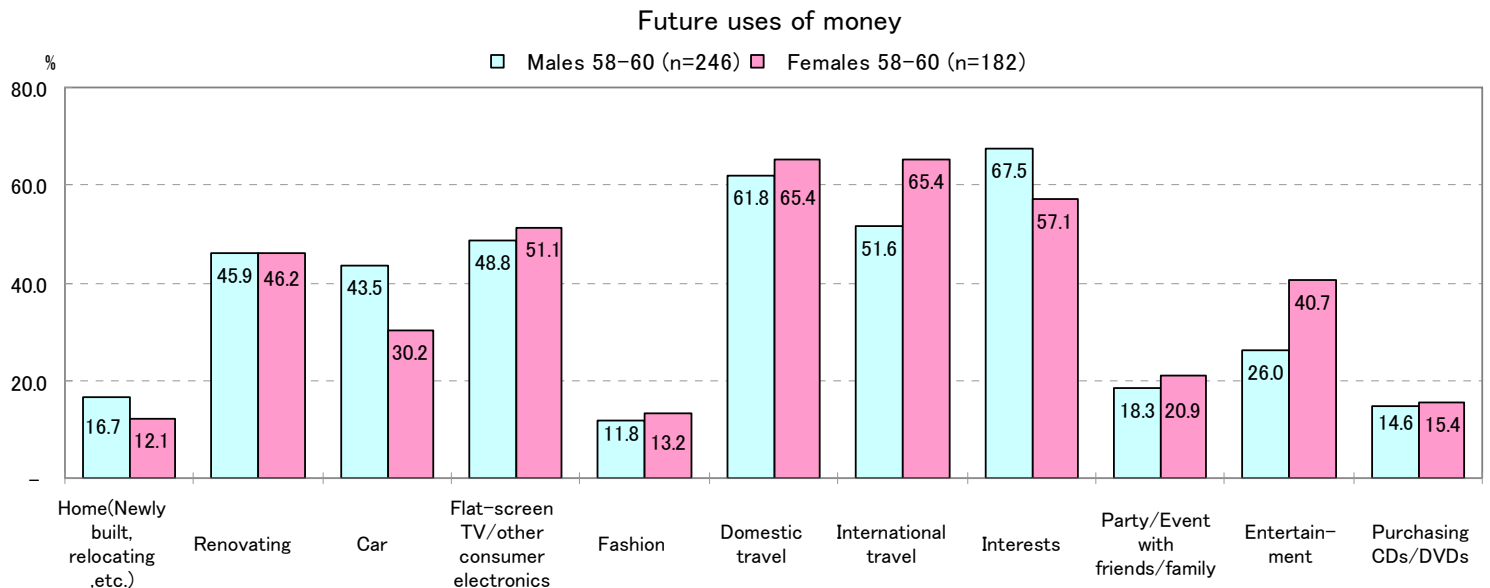
There were differences in the investments of choice of men and women. Stocks were the leading choice with men (70.4%), followed by investment trusts (57.0%) and term deposits (45.9%), while term deposits were the favorite of women (58.4%), trailed by stocks (50.6%) and investment trusts (48.3%). Even still, with half of women expressing an interest in stocks, it would be fair to say that Japanese baby-boomers are a generation generally interested in investing their money.

Investment vehicles for retirement benefits (Those interested; n=224)



- **The top 3 uses for their money are domestic travel, international travel and interests**

For both men and women, the top uses for their money after retirement were domestic travel, interests and international travel. Interest in flat-screen TVs/other consumer electronics and renovating the home were also of interest to both men and women. The genders differed in interest in spending on cars (43.5% for men) and entertainment (40.7% for women). The results whisper of the start of a new lifestyle with a refurbished home sporting a new flat-screen TV and other electronic gear, and trips out in the new car.



- **The top domestic tourist destination was Hokkaido (79.7%), followed by Okinawa (67.5%). Europe (84.6%) is far and away the most popular destination for international travel**

Domestic and international travel were of great interest to both men and women, with the top destinations being Hokkaido (79.7%) and Okinawa (67.5%) domestically, and Europe (84.6%) internationally. It is notable that far off Europe trumped nearby Asia as the top international destination. With time and money at their disposal in retirement, many want

to enjoy a leisurely break at a Japanese resort or head off to Europe, immersing themselves in the world of the Beatles and French films, which have been an inspiration to them since their youth.

Travel destinations of choice

<Domestic>			<International>		
Intending domestic travelers (n=271)			Intending international travelers(n=24)		
1	Hokkaido	79.7	1	Europe	84.6
2	Okinawa	67.5	2	Australia	44.3
3	Kyushu	50.9	3	New Zealand	43.5
4	Kyoto	45.8	4	Hawaii	41.5
5	Shikoku	35.4	5	USA	41.1
6	Kanazawa/Noto	33.9	6	China	28.9
7	Nagano	26.2	7	Southeast Asia	27.2
8	Akita	25.1	8	Korea	17.1
9	Aomori	24.4	9	Taiwan	16.7
10	Chugoku region	19.6	10	Other	10.6

Analytical perspective: Investigating the potential for a third baby-boomer wave

At Hakuodo's Elder Business Development Division, we refer to the late 1960s—when the Japanese baby-boom generation gave birth to youth culture—as the first baby-boomer wave. It was a time of long hair for men, the miniskirt and jeans. We call the late 1980s—when boomers, known then as the New Families and the Sneakered Middle-Aged, took the lead of Japan's consumer market—the baby-boomers' second wave. It was the age of the station wagon. Now, in 2007, the baby-boom generation is beginning to head into retirement en masse, possibly giving rise to a third baby-boomer wave. Given that the first two boomer waves were both social phenomena affecting private lives, and that retirement is in principle a private life issue, the potential for a new wave is clear.

The baby-boom generation has made a habit of bringing about new phenomena, ushering in new cultures and consumer spending for the next era. The retirement of the baby-boomers could potentially result in new social phenomena affecting the next era. Our research paints a picture of perceptions and lifestyles far removed from the typical image of older people past retirement age. For this reason, we have made efforts to pick up as many indicators of new social phenomena as we can. This analysis has raised several hints of a new baby-boomer wave. We will keep a close watch to see whether these eventually lead to a major trend.

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■ About Hakuhodo Inc.

Founded in 1895, Hakuhodo Inc. (www.hakuhodo.jp) is the second largest advertising company in Japan, and the tenth largest core agency in the world according to *Advertising Age's* agency report 2007. Today, innovation and creativity are still at the heart of its operations. Hakuhodo shares with its clients an unmatched depth of knowledge about the relationship between people and brands – knowledge that has grown from the concept of *sei-katsu-sha* (“consumers with a heartbeat”) which Hakuhodo pioneered in advertising. Through its global network, Hakuhodo provides comprehensive marketing and communications services and solutions for some of the best-known brands in the world. Hakuhodo has 64 offices in 16 countries/regions, and approximately 5,000 employees.

Sei-katsu-sha insight is the foundation for Hakuhodo’s thinking, planning, and brand building. It reminds us that consumers are more than shoppers performing an economic function. They have heartbeats. They are individuals with distinct lifestyles. Hakuhodo introduced this term in the 1980s to emphasize our commitment to a comprehensive, 360-degree perspective on consumers’ lives.

Hakuhodo is one of three advertising agencies under the umbrella of Hakuhodo DY Holdings Inc. (TSE: 2433) (<http://www.hakuhodody-holdings.co.jp/english/index.html>) a holding company which was established in 2003 through the management integration of Hakuhodo Inc., Daiko Advertising Inc. and Yomiko Advertising Inc. Hakuhodo DY Holdings Inc. was listed on the first section of Tokyo Stock Exchange in 2005.