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Five Keys to Retirement Investment

Five Keys to Retirement Investment

Introduction

Everybody's ideal retirement life looks different. To achieve our various goals, we work hard and save to pave the way for a worry-free retirement life. Suppose a person starts working at the age of 25 and retires at the age of 65. Given the life expectancy of Hong Kong people of about 85 years, he or she has approximately 40 years to save enough to cover the needs of 20 years of retirement. To enjoy a certain level of protection after you have retired, it is important to start planning for your retirement as early as possible.

The Mandatory Provident Fund (MPF) is one of the key components in retirement protection. Under the five-pillar retirement protection framework proposed by the World Bank in 2005, the MPF System performs the function of Pillar 2. It is to be complemented by other pillars such as social welfare, personal savings, and insurance. In planning for retirement, you have to carefully plan and proactively manage your MPF and other retirement investments.

To help you plan systematically for your retirement savings, this booklet introduces the retirement planning process in **FIVE SECTIONS** in detail.

Retirement investment is a long-term investment. Whether you are a fresh face in the job market or a veteran about to retire, you should properly plan and proactively manage your MPF and other retirement investments.

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(Note: This booklet is designed to illustrate matters relating to retirement planning and the MPF in a simple way, for the easy reference of readers. It should not be regarded as investment advice or professional or legal advice. For details of individual MPF schemes or funds, please consult your trustee. If necessary, you can also seek advice from professional financial consultants.)

Planning for Retirement at Different Stages of Your Life

Retirement planning needs to take place over several decades, from your first job to the time of your retirement. It involves different life stages. By understanding the different circumstances of each stage, and being aware of the advantages that each stage offers, you will be better able to develop appropriate investment strategies for your retirement.

18 to 30 years old (Early adulthood stage)

- Being young and without heavy family burdens, young people who have just entered the workforce commonly like spending money on lifestyle things (such as travelling, or keeping up to date with trendy products) as well as on further study for self-improvement. Most people at this stage consider retirement as something so remote that there is no hurry to think about or prepare for it.
- However, young people should make good use of the power of time and the compounding effect. Being so far away from retirement, young people have an investment horizon for retirement savings that can be as long as 40 years. They should consider starting to save, even if in moderate amounts and make appropriate investments as early as possible, while their financial burdens remain light. If they do this, their investments will roll over and increase through the compounding effect, generating an even more significant outcome.
- The table below shows what happens if a young person starts making a monthly investment of $1,000 towards his or her retirement savings from the age of 20. Assuming that the annual net return rate is 5%, after 20 years of investment plus investment returns, he or she will have accumulated some $410,000 by the age of 40 due to the compounding effect. If the investment horizon is as long as 40 years, by the time he or she reaches 60, some $1,530,000 will have been accumulated. Although this investment horizon is only double the former, the additional amount accrued is almost three times as much! Similarly, the higher the monthly amount invested in retirement savings, the higher the amount that is accumulated due to the compounding effect.
- In addition, having a longer investment horizon generally provides more time to mitigate the impact of short-term market fluctuations on investments. As a result, young people can opt for more aggressive, higher-risk investment products (such as stocks) in their efforts to achieve better returns.

Investment horizon / Monthly investment for retirement savings	10 years	15 years	20 years	25 years	30 years	35 years	40 years
$1,000	$160,000	$270,000	$410,000	$600,000	$840,000	$1,140,000	$1,530,000
$3,000	$470,000	$810,000	$1,240,000	$1,790,000	$2,510,000	$3,420,000	$4,600,000
$5,000	$780,000	$1,340,000	$2,060,000	$2,990,000	$4,180,000	$5,700,000	$7,660,000

Total value compounded for different investment horizons with an assumed annual net return of 5%

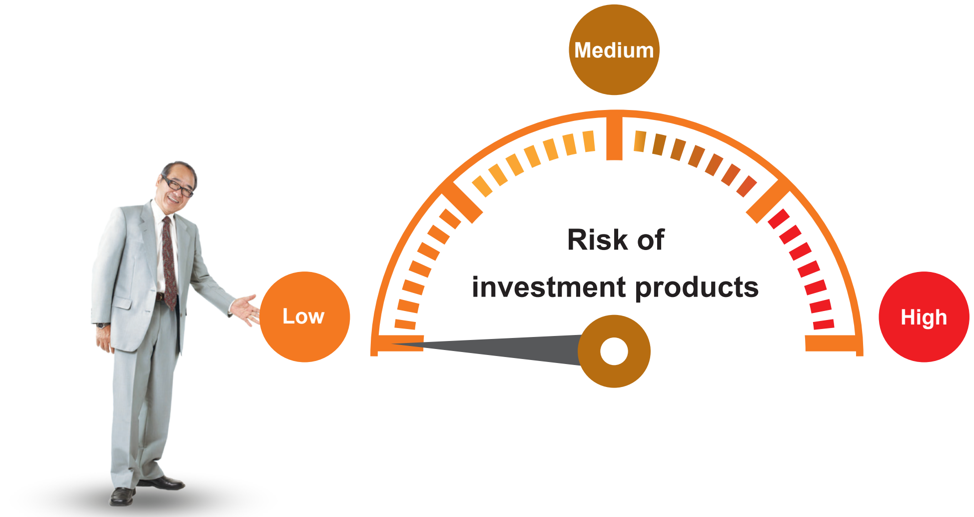
31 to 49 years old (Mature stage)

- Working people go through different life stages during this period. For many, this may involve them purchasing property for self occupation, getting married and raising children, and their family obligations and expenses will increase accordingly. At the same time, however, since they have already been working for quite some time, their income is likely to increase due to their increasing years of experience and job promotion. As a result, provided that they can carefully control their spending at this stage, they should be able to allocate more money to their retirement investment.
- At different stages of life, one's investment objectives and risk tolerance level may change. Working people should therefore review their retirement investment portfolio regularly – for example, every six months or every year - to make sure that it matches with their retirement objectives, risk tolerance level and any change in circumstances. As they grow older, they can gradually reduce higher-risk assets (such as stocks) and correspondingly increase lower-risk assets (such as bonds) to reduce investment risk and protect their returns in the long term.

50 to 64 years old (Middle age stage)

- Working people go through the "golden period" of their working life during the middle age stage. This is a time when their income and job position is very likely to reach a peak. They may also have a more concrete estimate of the budget they will require to meet certain obligations, such as repaying mortgage loans, or supporting their parents and children financially. Some of these obligations may even have been completed. On the other hand, as they grow older, their medical expenses are likely to rise.

- As they get closer to retirement age, their investment horizon becomes correspondingly shorter and their risk tolerance level gradually lowers. At this juncture, they can consider switching part of their retirement investment portfolio to lower-risk investment products (such as bonds) to ensure that the portfolio remains stable and healthy.

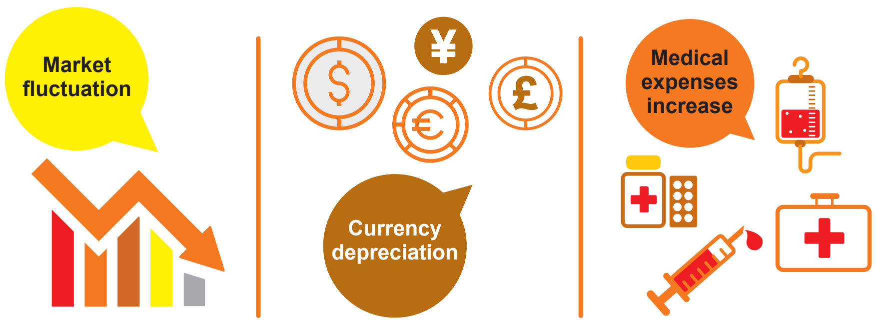


65 years old and after (Retirement stage)

- During retirement, without a regular income from a job, retirees' living expenses need to be covered by savings and irregular income (such as investment interest or returns, rental income, money from children). Market fluctuations or unexpected increases in personal expenses (such as medical expenses) may result in them facing a shortfall between income and expenses.

- The life expectancy of Hong Kong people is rising, and retirement life can now easily exceed 20 years. Retirees' purchasing power in the long run is also likely to be reduced due to currency depreciation caused by inflation. For this reason, it is important that retirees continue to make appropriate investment during their retirement years.

Situations that retirement savings may need to deal with:



- Apart from economic considerations, retirement planning should also take into account the quality of life and the psychological health of retirees during their retirement. Retirees might consider taking steps such as expanding their social circle, engaging in moderate exercise, working to maintain a positive mindset, and developing their personal interests.

2 Estimating Your Retirement Needs

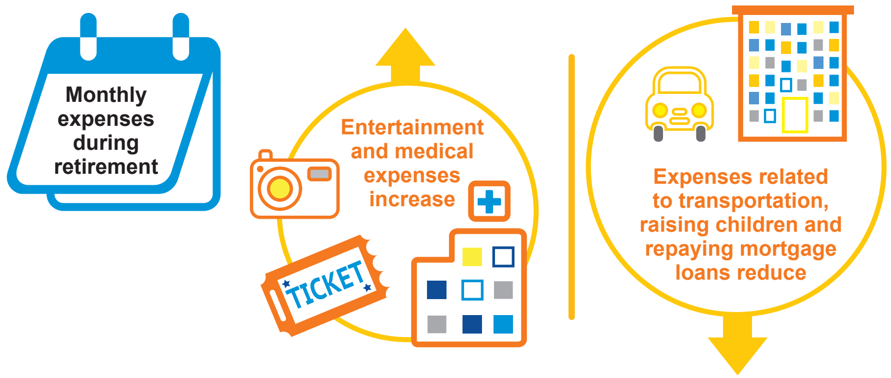
Different people have different retirement needs. If you want to design a retirement investment plan that will realize your own personal retirement objectives, the first step is to know what your retirement needs will be.

Retirement life can extend to 20 years or more, and during that period the spending mode of retirees tends to change. In the early period of retirement, retirees tend to lead more active lives. Apart from basic expenses, their spending may be focused on activities for enjoying life, such as developing personal interests or travelling. Later, as they get older, health problems may kick in and medical expenses rise, with entertainment expenses going down correspondingly. You should design your retirement life according to your actual situation.

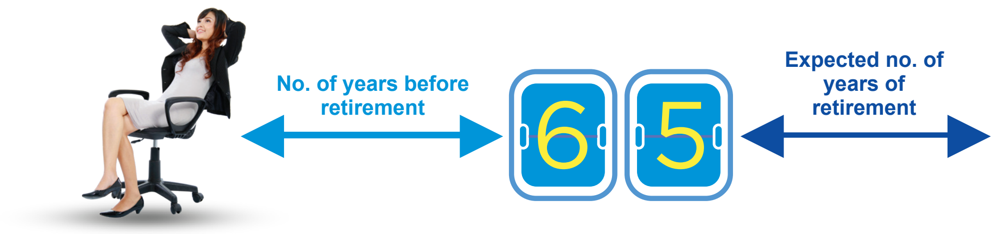
The "Rule of 123"

To realize your ideal retirement life, you should start by estimating the amount of retirement savings you will need. You may make reference to the **"Rule of 123"**:

1 stands for **your expenses in one month, i.e. your anticipated average monthly expenses during retirement**. You need to take into consideration that certain expenses (e.g. entertainment expenses and medical expenses) may increase after retirement. On the other hand, other expenses are likely to fall after retirement, such as transportation expenses for getting to work, or expenses related to raising children or repaying mortgage loans.



2 stands for **two numbers relating to years: first, the number of years before retirement, and second, the expected number of years of retirement**. The greater the number of years before your retirement, the longer you have for retirement investment. The greater the expected number of years of your retirement, the more retirement savings you will need to cover your retirement needs.



3 stands for **three percentages: the average inflation rate, the expected rate of return of your savings or investments before retirement, and the expected rate of return of your savings or investments during retirement**.

Retirement Planning Calculator

There are many online tools available that can help you estimate your retirement needs. The **Retirement Planning Calculator** on the MPFA website is one of them (www.mpfa.org.hk/en/calculator). After entering the data relevant on the webpage, you can work out if the MPF benefits and other retirement savings you will have at the age of 65 will meet your anticipated retirement needs. The Retirement Planning Calculator is also available in the MPFA's **Retirement Planning Mobile App** (in Chinese only).

The Mobile App also provides a spending tracker, to help you manage your daily expenses and achieve your savings goals.

Retirement Planning Calculator

MPFA website

Mobile app (in Chinese only)

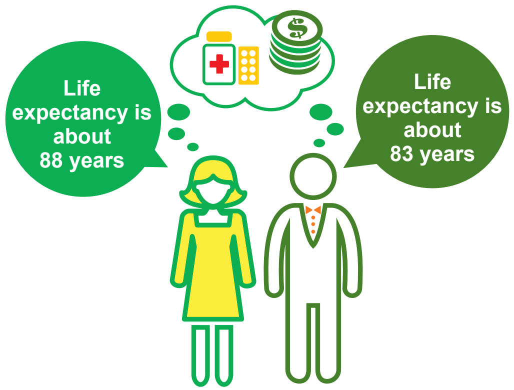
3 Accumulating Wealth for Your Retirement

To meet your retirement needs, you should start to accumulate wealth for your retirement as early as possible. When making plans for retirement investment, it is important to first understand the risks that you are likely to face, and take appropriate measures to manage them.

Risks associated with retirement planning

Longevity risk

At present, Hong Kong females have a life expectancy of about 88 years, while that of males is about 83 years. This level of longevity means that retirees may live for more than 20 years after retirement. The longer the retirement period, the higher living and medical expenses will be. Therefore, to obtain a certain level of protection for your retirement life, you should start planning as early as possible. It is also worth considering making MPF voluntary contributions to increase your retirement savings.



Inflation risk

Inflation exists in the normal economic growth environment. Inflation causes currency depreciation. If the returns from your savings or investments are lower than inflation, then in the long run your purchasing power will decrease. Therefore, when making plans for retirement investment, you must pay attention to the likely effects of inflation.

Investment risk

To increase retirement savings, some people choose to invest in investment products that have higher expected returns, such as stocks. However, investment products with higher expected returns also carry relatively higher potential risk. The Hong Kong stock market, which in the past has been very volatile at times, provides a good example. The difference between the highest and lowest levels of the Hang Seng Index exceeded 60% in a single year during the period of financial tsunami in 2008. When this happens, there is a chance of investors suffering a sharp depreciation in their investment portfolio due to market fluctuations.

Investment products with higher expected returns carry higher potential risk

Investment risks and returns

In choosing your retirement investment portfolio, you should pay attention to the relationship between risks and returns. Generally speaking, investment products with higher expected returns (such as stocks) have higher potential risk of price fluctuations. Whilst stocks should on average deliver higher returns in the long term, there is no guarantee that they will deliver high returns over any given period. On the other hand, investment products with lower potential risks (such as fixed-term bank deposits) are less likely to suffer from significant price fluctuations, and can therefore be more reliable at preserving capital if that is the objective. However, the low expected returns may not keep up with inflation or preserve the purchasing power of capital. For these reasons, a good retirement investment portfolio needs to balance risks and returns.

Whilst there is no simple way to overcome the tradeoffs between risks and likely returns, one of the ways to manage investment risks is through diversification. This involves diversifying your capital across different asset classes (such as stocks and bonds) or regions (such as global markets), according to your risk tolerance level. Research has shown that good diversification is one way of achieving better investment outcomes for a given level of risk.

Choosing MPF funds

The MPF is one of the key components of retirement investment. Within an MPF scheme you can choose amongst different MPF funds. These MPF funds are the vehicle through which you can make decisions about asset classes and regional investment.

There are five major types of MPF fund, namely MPF Conservative Fund, Guaranteed Fund, Bond Fund, Mixed Assets Fund and Equity Fund. Some trustees also offer MPF retirement solutions aiming, like beating inflation or providing stable return or providing regular and stable income to meet the retirement needs of scheme members.

In choosing MPF funds, you should first assess your risk tolerance level, which is affected by factors including:

- **Investment horizon** – that is the number of years before your retirement. If your investment horizon is relatively long, you might consider choosing a more aggressive and higher-risk fund; otherwise, consider choosing a lower-risk fund.

- **Investment appetite** – this relates to your willingness to accept investment risks, and is usually shaped by factors such as your personality, past investment experience and investment objectives.
- **Other savings or investments for retirement** – if you have sufficient savings or investments from other sources for your retirement, you might consider taking a more aggressive MPF investment approach to target higher investment returns.

When it comes to asset allocation, generally speaking if your risk tolerance level is relatively high, you may consider a growth portfolio containing a higher proportion of higher-risk investments (such as stocks). If your risk tolerance level is relatively low, you may consider a conservative portfolio containing a higher proportion of lower-risk investments (such as bonds).

Some simple formulas (such as the "100-minus-age rule") are also commonly used to help assess how much stock content is appropriate for an investment portfolio. Using the "100-minus-age" formula, if you are 30 years old then stocks would make up 70% of your investment portfolio (because 100 minus 30 equals 70). This should, however, only be used as a reference.

The MPF investment horizon can be as long as 30 to 40 years, during which time you will go through different stages of life. You should review your investment portfolio regularly. You can gradually reduce your holdings of higher-risk assets (such as stocks) while correspondingly increasing your holdings of lower-risk assets (such as bonds) as you get older, in order to reduce investment risk and protect your returns in the long term.

Proactive management of your retirement investment portfolio

Retirement investment is a long-term investment. Investors of different ages should all proactively manage their retirement investment portfolios, and adjust them to match with their own needs and risk tolerance level at different times. Here are some examples for reference:

18 to 30 year old investors:

Having just started working, their MPF accounts form a large part of their retirement investments as they have not yet begun any other retirement saving. Since there is still a long time before their retirement, they have a very long investment horizon and there is more time available to mitigate the impact of short-term market fluctuations on their investments. They can therefore consider choosing more aggressive, higher-risk investment products, such as the Equity Funds or the Mixed Assets Funds with a higher proportion of stocks, in efforts to achieve better returns.

31 to 49 year old investors:

While their career is on track and their income is increasing with their experience or job promotions, at the same time their family obligations are probably increasing too. The period of time before their retirement is becoming shorter and so is their investment horizon. They can start considering investing part of their assets in lower-risk investment products such as bonds, to reduce their investment risks and protect their returns in the long term.

50 to 64 year old investors:

Approaching retirement, they have an investment horizon that is shorter than that of the investors at the two earlier stages, and their risk tolerance level also decreases further. This being so, there is an even greater need for them to properly manage investment risks as they approach retirement. If they continue to focus on investing in higher-risk products and the market slumps, they will not have enough time to make up for their losses and their investment returns at retirement will be adversely affected. Therefore, as they approach retirement, they can gradually increase the proportion of their investments in conservative assets to ensure that their retirement investment portfolio remains stable and healthy.

Investors of 65 years old and above:

At this stage, investors have already begun their retirement life. They need to withdraw their MPF benefits and other retirement savings to cover their retirement expenses. Since they have no regular income during retirement, generally speaking the proportion of conservative assets in their retirement investment portfolio should be higher than that of investors at the three abovementioned stages. This will help preserve their accrued retirement savings as much as possible. On the other hand, longevity may mean that their retirement life lasts for more than 20 years. If their investment returns are lower than inflation, their purchasing power will fall in the long term. Therefore, retirees still need to make appropriate investment during retirement with the aim of ensuring their investment returns can at least keep up with inflation.

The Default Investment Strategy and retirement investment

The Default Investment Strategy ("DIS") represents a major reform of the Mandatory Provident Fund ("MPF") System. It aims to provide scheme members with better retirement protection. The DIS standardizes the default arrangements of the MPF schemes, and also addresses the concerns about the high fee levels of MPF funds and scheme members' difficulties in making fund choices.

If, for any reasons, scheme members do not give their trustees any investment instructions for their MPF benefits (for example, because they do not know how to or are not interested), their MPF benefits will be invested automatically according to the DIS. Scheme members can also choose to invest their MPF benefits either according to the DIS or in the two individual funds under the DIS.

The DIS

Is 1 Ready-made Investment Solution

MPF is a long-term investment and scheme members should review their fund choices regularly. Experts from the Organisation for Economic Co-operation and Development (OECD) recommend that younger scheme members consider taking on relatively more investment risks to achieve higher expected returns, because they have a relatively longer time horizon to ride out the ups and downs of the financial markets. By contrast, scheme members who are closer to retirement typically have a relatively lower risk tolerance level, because they have less time to ride out fluctuations in the investment cycle and make up for any sharp drops in the value of their investments. For this reason, they should consider investment options that bring less investment risks.

The DIS is primarily designed for scheme members who do not choose MPF funds. It helps these scheme members manage their retirement savings over a period of several decades by providing them with a ready-made investment solution. The DIS will invest MPF benefits in different asset classes according to a pre-set proportion automatically so that scheme members do not need to worry about adjusting their MPF investment portfolios over time. Other scheme members can also choose to invest according to the DIS.

Uses 2 Mixed Assets Funds

The DIS is made up of the Core Accumulation Fund ("CAF") and the Age 65 Plus Fund ("A65F").

- CAF: about 60% of the assets of the fund is invested in higher risk assets (mainly global equities), and the rest in lower risk assets (mainly global bonds).
- A65F: about 20% of the assets of the fund is invested in higher risk assets (mainly global equities), and the rest in lower risk assets (mainly global bonds).

Has 3 Key Features

1. **Automatic reduction of investment risk as members approach retirement age ("Automatic de-risking")**
   - Below age 50: All MPF benefits in a scheme member's account are invested in the CAF.
   - From age 50 to 64: Once the scheme member turns 50, the trustee will gradually reduce the scheme member's investments in the CAF while increasing those in the A65F. Each year the trustee will automatically reduce the proportion of the CAF in the scheme member's investment portfolio by approximately 6.7%. In other words, the scheme member's investments in higher risk assets are reduced gradually as the scheme member increases in age. The last automatic de-risking will be carried out when the scheme member reaches the age of 64.
   - After age 64: All MPF benefits in the scheme member's account are invested in the A65F.

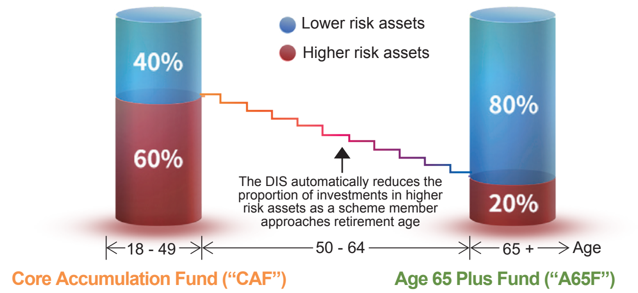
   The automatic de-risking strategy can help reduce the impact of large market fluctuations on a scheme member's MPF investments as the scheme member approaches retirement age.

2. **Fee caps set as 0.95% (and it will be further reduced to 0.85% after individual trustees and schemes have onboarded the eMPF Platform)**
   - Management fees: not more than 0.75% per annum of the net asset value of the fund (calculated on a daily basis).
   - Recurrent out-of-pocket expenses: not more than 0.2% per annum of the net asset value of the fund (and it will be further reduced to 0.1% after individual trustees and schemes have onboarded the eMPF Platform).

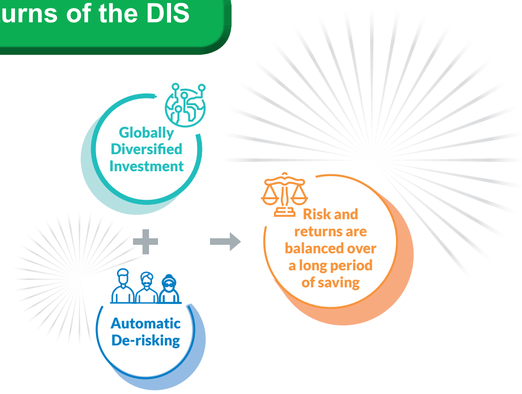
   When fees are lower, then a fund's net returns will improve, all other factors remain unchanged.

3. **Global investment for risk diversification**
   - The CAF and the A65F are mixed assets funds. Both funds invest globally in different markets and in different asset classes (e.g. equities, bonds, money market instruments).

   The globally diversified approach of asset allocation in different markets and in different asset classes can help diversify investment risks.



Risks and returns of the DIS



Like other investments, investing according to the DIS involves investment risks, and returns are not guaranteed. In addition, although the DIS under different MPF schemes all adopt similar investment objectives, they may deliver varying investment returns. This is because of differences in their asset allocation approaches, and in the investment holdings and markets they invest in.

However, the diversified approach to asset allocation and the automatic de-risking strategy adopted by the DIS can help reduce investment risks over a long MPF contribution period. Scheme members should read the scheme MPF Scheme Brochures carefully to learn more about the investment risks and likely returns associated with the DIS under individual schemes.

Selecting the DIS, or the individual funds under the DIS

To manage your retirement investment effectively, it is important that you allocate your assets appropriately, no matter what stage of life you are at. In the fast-changing and highly volatile financial markets, allocating your retirement assets appropriately amongst different types of investment tools will help you manage investment risk, and achieve long-term capital appreciation.

If you are an MPF scheme member and consider that the DIS or the individual funds under the DIS suit your needs, you can choose to invest the accrued benefits in your MPF accounts, and/or any future MPF contributions made into the accounts, as follows:

1. Entirely according to the DIS; or
2. Entirely in one or more MPF funds (including in the CAF, the A65F and other funds)*; or
3. In a combination of the DIS and other MPF funds (the availability of this option is subject to the governing rules of the respective MPF schemes; please contact your trustee for details).

* **Please note:** If you invest in the CAF and/or the A65F as standalone investments, rather than as part of the DIS, your investments in these two funds will still benefit from the fee caps and the globally diversified approach, but the automatic de-risking will not apply to these investments.

You should consider your personal needs, investment goals and risk tolerance level when choosing MPF funds. You may consider selecting the DIS, or the individual funds under the DIS, in the following circumstances:

1. If you do not have much investment knowledge or experience, or you do not want to spend time and effort in choosing your MPF investment portfolio, the DIS provides a ready-made investment solution for you. It also helps balance the risks and returns of your MPF investment in the long run.
2. If you are interested in investing in mixed assets funds with globally diversified investments, CAF and A65F under the DIS are subject to fee caps and their fees may be lower than other mixed assets funds of a similar nature. This helps improve the net return of funds if other factors remain unchanged.

For more information on the DIS, please refer to the DIS webpage on the MPFA website (minisite.mpfa.org.hk/DIS/en) or contact your trustee.

DIS webpage

4 Reviewing Your Retirement Investment Portfolio

Your retirement investment can span three to four decades, during which you may go through different stages of life. You should regularly review your retirement investment portfolio (including your MPF portfolio) to ensure that it remains in line with your investment objectives, your preferred asset allocation and your risk tolerance level. In general, it is good to review your portfolio once every six months or once a year, or when you enter into a new life stage (e.g. purchasing property for self occupation, getting married and raising children) and if necessary consider making timely adjustments to your retirement investment portfolio.

Factors to consider when reviewing your retirement investment portfolio

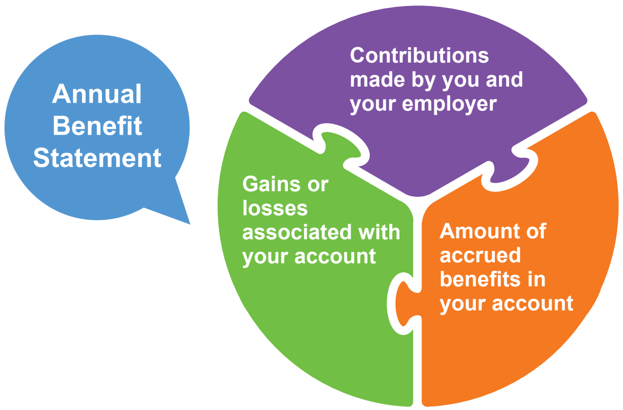
When reviewing your retirement investment portfolio, you can consider the following points:

- Whether the accumulation of assets is progressing in line with your expectations.
- If the accrued value of your assets is much higher than expected, whether it is necessary to reduce your holdings in higher-risk assets with a view to reducing the risk of the investment portfolio and balancing the investment risks and returns in the long run.
- If the accrued value of the assets is far lower than expected, whether it is necessary to adjust your investment portfolio according to your risk tolerance level and investment horizon with a view to making up the deficiency in your retirement investment. In addition, you should review the feasibility of your investment objectives, reassess your retirement needs, and consider reducing your expenses or increasing your savings (for example by making MPF voluntary contributions).

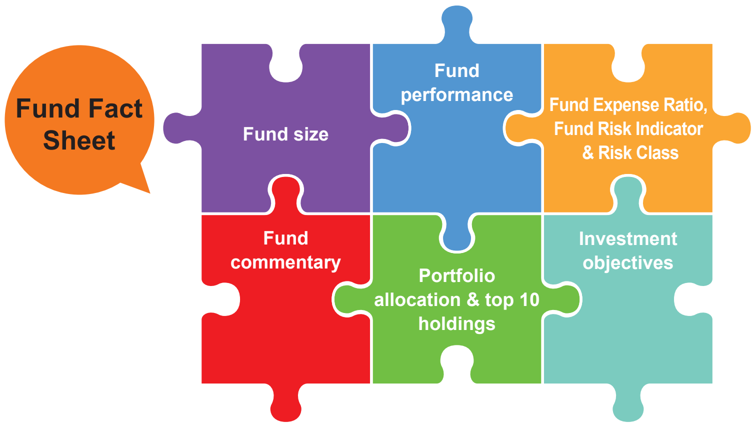
Reviewing your MPF investment portfolio regularly

The MPF is an important part of your retirement investment. MPF scheme members may refer to the Annual Benefit Statement and the Fund Fact Sheet provided by trustees when reviewing their MPF investment portfolio.

The **Annual Benefit Statement** is the "report card" of your MPF account. Your trustees will provide you with an Annual Benefit Statement once a year, together with the latest Fund Fact Sheet. The Statement sets out the contributions made by you and your employer in the previous financial period, the amount of accrued benefits in your account as at the end of the financial period of the scheme, and the gains or losses associated with your account over that financial period as well as since inception. You should refer to the Annual Benefit Statement to check your investment performance, and also read the investment manager's commentary in the Fund Fact Sheet to consider whether you need to adjust your investment portfolio.



A **Fund Fact Sheet** is like a resume of a fund. It provides an overview of major information, such as the fund size, investment objectives, portfolio allocation, major holdings in the portfolio, fund performance, Fund Expense Ratio, Fund Risk Indicator, Risk Class, and fund commentary (market review or outlook), for each constituent fund in a scheme. MPF trustees must make available a new Fund Fact Sheet to scheme members at least once every six months. You should read the information carefully and check if your fund is still performing in line with your original investment objectives. If it is not, you should consider whether to adjust your investment portfolio.



However, it is important to be aware that a fund's past performance is not necessarily a guide to its future performance. You should not choose funds solely based on their short- or medium-term historical performance. To compare the fee levels and other information relating to the performance of individual funds, you can visit the MPFA's "**MPF Fund Platform**" (mfp.mpfa.org.hk/eng).

MPFA website

Mobile app

Points to note when changing your MPF investment portfolio

The MPF is a long-term investment that spans some 40 years. You should not switch funds simply because of short-term price fluctuations. Moreover, never try to predict market movements, for example by setting a low target price at which to switch to a fund, or setting a high target price at which to redeem a fund. It is important to assess the performance of an MPF fund from a long-term perspective.

You should also pay attention to the number of fund switches allowed for each scheme. In addition, many Guaranteed Funds have guarantee conditions. The most common one requires you to hold the fund for a certain period of time to ensure your entitlement to the guarantee will not be affected. If you need to redeem a Guaranteed Fund, you should read all the relevant guarantee terms and conditions carefully beforehand to avoid unnecessary loss.

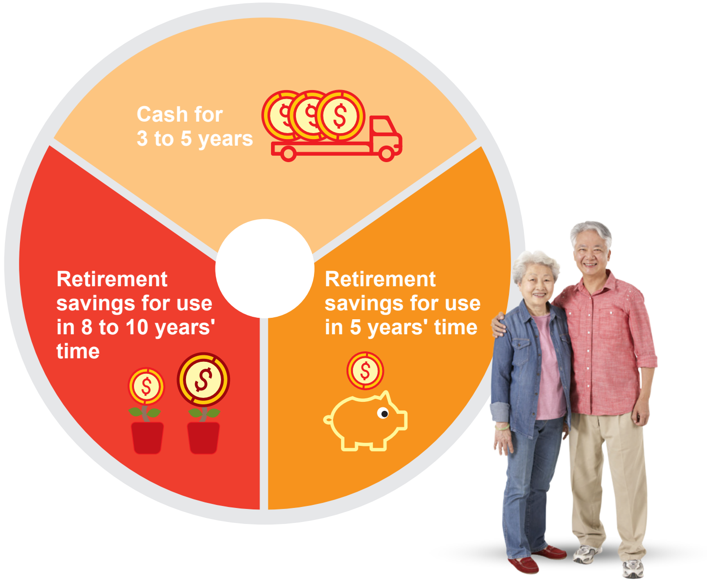
Furthermore, it is important to be aware of the potential out-of-market risk. The transfer of MPF benefits between schemes involves the buying and selling of units in funds. The transfer process generally involves an investment time-lag of one to two weeks between the time when the trustee of your original scheme redeems the units in funds and the time when the trustee of your new scheme subscribes to units in new funds for you. During this period, your MPF benefits will not be invested in any fund. Since fund prices may change due to market fluctuations during this period, there is a chance of "selling low, buying high". Be mindful of this risk before making a transfer.

5 Withdrawing Your Retirement Savings

You proactively manage your retirement investment before retirement in the hope that you will have sufficient savings to cover the needs of your retirement life. During retirement, you will also need to plan the best way of using your savings.

In general, the retirement savings you have when you retire should be made up of the following three parts:

1. Cash sufficient to meet your short-term daily needs for about three to five years;
2. A moderate risk asset portfolio that can keep up with inflation for use in five years' time (such as investment-grade bonds or Bond Funds, or endowment insurance policies); and
3. A moderately aggressive asset portfolio aimed at achieving a satisfactory value in the long term, for use in eight to ten years' time (such as Equity Funds or Mixed Assets Funds).



Ways to withdraw your MPF benefits

Once you reach the age of 65, you can choose any one of the following ways to manage your MPF benefits (including the MPF benefits generated from the mandatory contributions and the Tax Deductible Voluntary Contributions):

- Withdraw your MPF benefits by instalments;
- Withdraw all your MPF benefits in a lump sum; or
- Retain all the MPF benefits in your account for continuous investment.

Trustees are required to process free of charge[1] withdrawals for the first four instalments of an MPF scheme member in a year. If you intend to withdraw your MPF benefits by instalments, you should contact your trustee to find out more about the withdrawal arrangements before making an application. Information concerning the number of free withdrawals of benefits provided by trustees, and the fees charged each time thereafter, is available in the MPF Scheme Brochure for each scheme and from the "**Trustee Service Comparative Platform**" (tscplatform.mpfa.org.hk/scp/eng) on the MPFA website.

Trustee Service Comparative Platform

Points to note before withdrawing your MPF benefits

Before making a decision on how to handle your MPF benefits, you should take note of the following points:

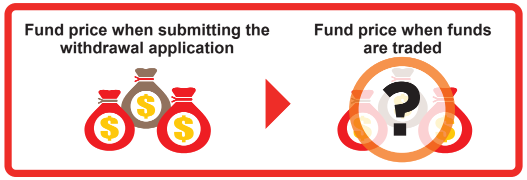
Consider your personal needs

Think about the amount of assets you have and the amount you will need when you retire. For instance, ask yourself whether you need money immediately to cover your daily expenses or for other purposes. MPF is only part of your retirement assets, so you should plan for your retirement well by considering your MPF together with any other retirement savings you may have.

[1] Other than necessary transaction costs which are incurred, or are reasonably likely to be incurred, by the trustee in selling or purchasing investments in order to give effect to the payment; and payable to a party other than that trustee.

Learn more about the operation of MPF funds

The MPF invests in funds. Fund prices change due to market fluctuations, and the value of your MPF assets depends on the prevailing price of the fund units. After you have filed a withdrawal application, your trustee will sell the fund units in your account at the current market price and pay you the relevant amount. However, be aware that the price obtained when the trustee sells your funds may be different from the price prevailing when you submit your withdrawal application.



Find out the withdrawal rules regarding voluntary contributions

Withdrawal of MPF benefits derived from voluntary contributions is subject to the governing rules of the scheme concerned. If your account includes voluntary contributions, you should check the MPF Scheme Brochures of your scheme or contact your trustee for the withdrawal rules regarding voluntary contributions.

Be aware of the conditions associated with a Guaranteed Fund

If you have invested in a Guaranteed Fund, you should check whether withdrawal in a lump sum or by instalments will result in the failure to fulfil certain qualifying conditions, such as the minimum investment period, which would affect your entitlement to the guarantee. Please contact your trustee for details.

Review your investment portfolio

Remember that any MPF benefits you do not withdraw will be retained in the account for continuous investment. You should therefore regularly review your investment portfolio, and consider whether you need to make any adjustments to it. Some trustees also offer MPF retirement solutions aiming, like beating inflation or providing stable return or providing regular and stable income to meet the retirement needs of scheme members.

Regardless of whether you choose to withdraw your MPF benefits by instalments or retain them all in your account, any benefits you do not withdraw will continue to be invested in your chosen fund(s). The value of these assets may change due to market fluctuations, and you should be aware of the investment risks involved. Your account will, as usual, be subject to management fees and other charges by the trustee, based on its total asset value.

You have worked hard for many years and naturally care about the quality of your retirement life. **To experience an enjoyable retirement life in the future, start your retirement planning today** by carefully planning and properly managing your MPF and other retirement investments.

My Notes on Retirement Planning