MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

Step-by-Step

Investing in MPF Funds

Start

Welcome to the MPF journey!

The MPF System can help scheme members increase the value of the assets. During this lifelong MPF investment process, you are going to make important decisions at the six major decision points. Your decisions will have an important impact on your saving outcomes. The clues provided at each decision point will guide you throughout the journey, where you will enjoy the fruits of your MPF investment.

1 Which fund(s) should I choose ?

Before you embark on your MPF journey, you should first assess your risk tolerance level, which is affected by your:

- Investment horizon – If the investment horizon (i.e. the number of years before retirement) is long, you might consider choosing more aggressive fund(s).
- Investment appetite – This is usually shaped by factors like your personality, past investment experience and investment objectives.
- Other savings and investments for retirement – If you have sufficient savings or investments for your retirement, you might consider taking a more aggressive approach in MPF investment.

Currently, some professional bodies and trustees provide questionnaires to help scheme members assess their risk tolerance levels.

Generally speaking, if your risk tolerance level is high, you might consider choosing a portfolio with a higher proportion of Equity Funds. If you have a lower risk tolerance level, you might consider choosing a portfolio consisting of more conservative funds.

Types of MPF fund :

Fund Type	Expected Return	Risk Level
Equity Fund	Relatively high	Relatively high
Mixed Assets Fund	Relatively high	Medium to high
Bond Fund	Low to medium	Low to medium
Guaranteed Fund	Relatively low	Relatively low (depends on the guarantee conditions)
Money Market Fund - MPF Conservative Fund	Relatively low	Relatively low
Money Market Fund - Other than MPF Conservative Fund	Relatively low	Relatively low

The finding of an MPFA study is also in line with a fundamental investment concept: the higher the expected return, the higher the associated risk (see graph). In addition, diversification across different asset classes (such as stocks and bonds) or regions (such as global markets) tends to lower investment risk.

Besides the above-mentioned funds, 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.

For details about individual MPF funds, you should refer to the MPF Scheme Brochures and Fund Fact Sheets, etc. provided by your trustee.

If you do not give your trustees any investment instructions for your MPF benefits, your MPF benefits will be invested automatically according to the Default Investment Strategy ("DIS"). You can also choose to invest your MPF benefits either according to the DIS or in the two individual funds under the DIS.

The DIS is a ready-made investment solution, made up of two mixed assets funds, namely the Core Accumulation Fund ("CAF") and the Age 65 Plus Fund ("A65F"). It has three key features: (1) automatic reduction of investment risk as members approach retirement age ("automatic de-risking"); (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); and (3) global investment for risk diversification.

Please note that 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.

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 trustees.

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2 Which MPF scheme should I choose ?

You will have to choose an MPF scheme under the following situations:

- When your employer has enrolled in two or more schemes for you to choose
- When you are a self-employed person
- When you want to make Tax Deductible Voluntary Contributions / Special Voluntary Contributions
- When you cease to be employed and prefer your MPF benefits under your former employment to be managed under another MPF scheme
- When you want to effect the right to transfer the employee's portion of mandatory contributions and investment returns in your contribution account to an MPF trustee and scheme of your own choice on a lump-sum basis once every calendar year (i.e. from 1 January to 31 December in any given year)

When choosing a scheme, you should consider:

- Range and quality of services of trustees and their service providers
- Sufficient choices and suitability of funds
- Fees and charges: Always compare funds of the same type

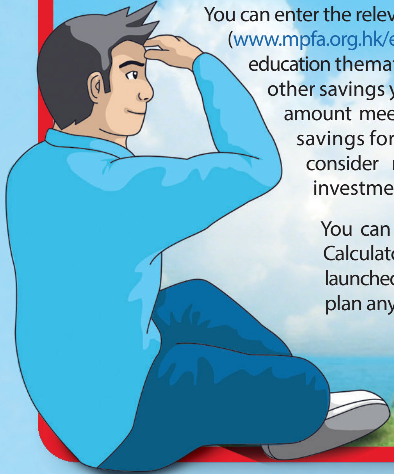
While some scheme members may try to choose an MPF scheme by looking at the fund performance of the scheme, you are reminded that past performance is not necessarily a guide to the future performance of an MPF fund.

Check relevant information in the "Trustee Service Comparative Platform" (tscplatform.mpfa.org.hk/scp/eng) and the MPFA's "MPF Fund Platform" (mfp.mpfa.org.hk/eng).

3 Should I make additional MPF contributions?

You should first assess your retirement needs by considering:

- Number of years before retirement
- Monthly expenses during retirement
- Number of years of retirement (i.e. life expectancy)
- Average inflation rate
- Expected rate of return on your savings/investments during retirement



You can enter the relevant data in the Retirement Planning Calculator (www.mpfa.org.hk/en/calculator) available on the MPF investment education thematic website to calculate the MPF benefits and other savings you will have at the age of 65 and assess if the amount meets your anticipated retirement needs. If your savings for retirement are insufficient, you may need to consider making additional contributions or other investments/savings now.

You can also choose to use the Retirement Planning Calculator inside the Retirement Planning Mobile App launched by the MPFA to devise your retirement saving plan anytime and everywhere.

4 What should I do with my MPF accrued benefits when I change employer ?

You should manage your MPF benefits accumulated during your previous employment when changing jobs or ceasing employment by one of the following ways:

- Transfer the MPF benefits to your contribution account opened under your new employment
- Transfer the MPF benefits to your existing personal account

If you do not have any personal accounts, or you are satisfied with the MPF scheme chosen by your former employer, you may consider retaining your MPF benefits in that account for continued investment.

If you change job or cease employment, don't forget your MPF. Consolidate them all in one account for easy management.

5 When and how should I adjust my MPF fund choices ?

Having chosen the funds that meet your needs doesn't mean that you no longer need to monitor your account. You should regularly review your fund choices during the lifelong MPF investment process.

If you enter into a new life stage, such as purchasing property, getting married or having children, you should consider reviewing your existing fund choices because your risk tolerance level may have changed. In general, it is a good idea to review your fund choices once every six months or once a year and consider making any necessary adjustments.

When considering switching funds, you should:

- Avoid redeeming funds just because of short-term price fluctuations
- Do not try to time the market
- Note the number of fund switches allowed for each scheme
- Make sure you understand the fund's terms and conditions, particularly the guarantee conditions of Guaranteed Funds, to avoid your entitlement to the guarantee being affected due to fund switching

You should refer to the Annual Benefit Statements and Fund Fact Sheets provided by trustees when reviewing your fund choices.

6 What should I do with my MPF accrued benefits when I retire ?

Congratulations!

Now you can enjoy the fruits of your MPF investment!

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
- 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 a 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.

[1] Other than necessary transaction costs which are incurred, or 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.

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WorkplaceIncredibles

office_meme_hk

Hotline: 2918 0102
Website: www.mpfa.org.hk

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