MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

Hotline : 2918 0102
Fax : 2259 8806
Wesite : www.mpfa.org.hk

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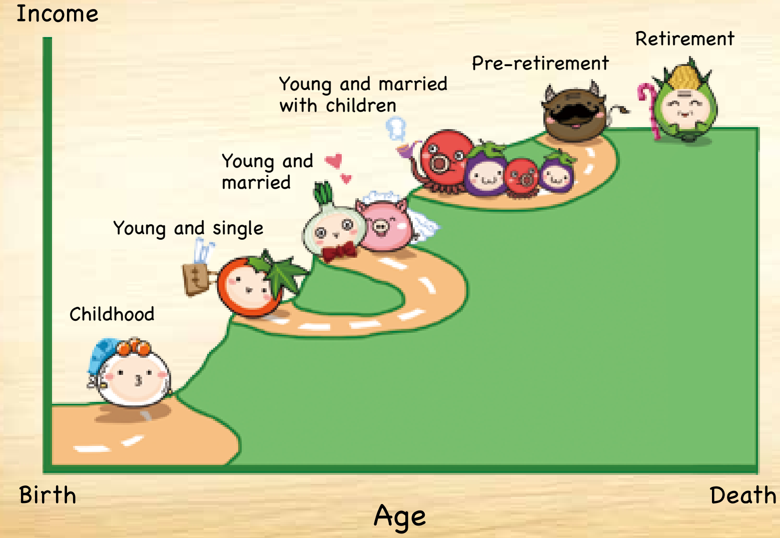
積金“實錄”

MPF SIXTEEN ★ 16

PREFACE

Different financial goals for different stages of life



Preface

What is the ideal life you dream of? Whether it involves owning your own home before you reach 30, starting your own business, or enjoying a worry-free retirement life, you must have good financial planning.

Over your lifetime you may change jobs, buy property, get married, raise children, and eventually retire. At each life stage, you will have different financial goals and needs. Financial planning involves adopting appropriate financial management and investment tools, such as saving, spending, insurance, and other kinds of investments and retirement plans, to achieve your personal financial goals.

In this "MPF Sixteen • 16" booklet, we introduce 16 topics relating to financial management, the MPF System and investment. They will help you learn more about the importance of financial planning for different stages of your life and get an early start on retirement planning.

"Youth is the best capital!" Let's get started on planning a brighter future! Start Your MPF Life Today!

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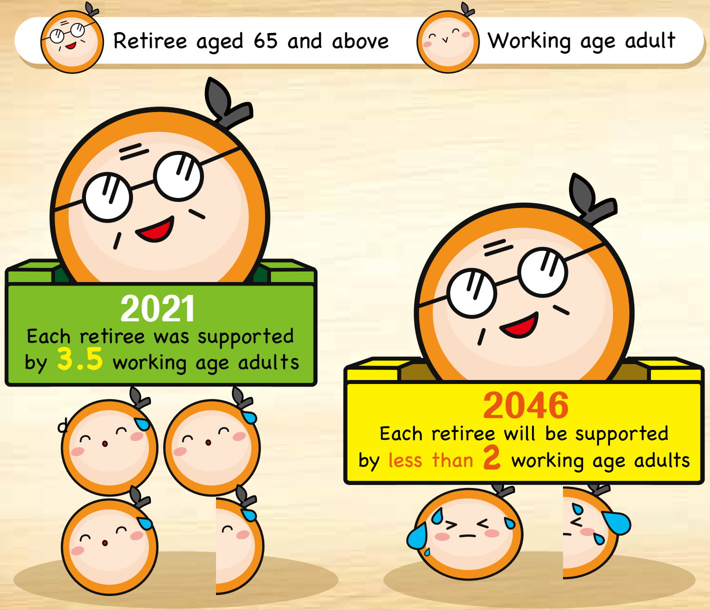


Our ageing population

We have to face the consequences of an ageing population

Have you noticed that services and ads targeting the "silver-hair" group have been mushrooming? Like many other developed countries, Hong Kong has an ageing population.

According to the World Health Organization, an ageing population occurs when the proportion of people aged 60 or above is growing faster than the other age groups. An ageing population is the result of improvements in medicine and health, which leads to longer life expectancy, coupled with a decrease in the birth rate.

Statistics showed that the age group 65 or above made up 20% of Hong Kong's total population in 2021, which meant that each person aged 65 or above was supported by 3.5 working age adults. By 2046, however, the ratio will increase to 34%, meaning that less than two working age adults will be required to support each person aged 65 or above.

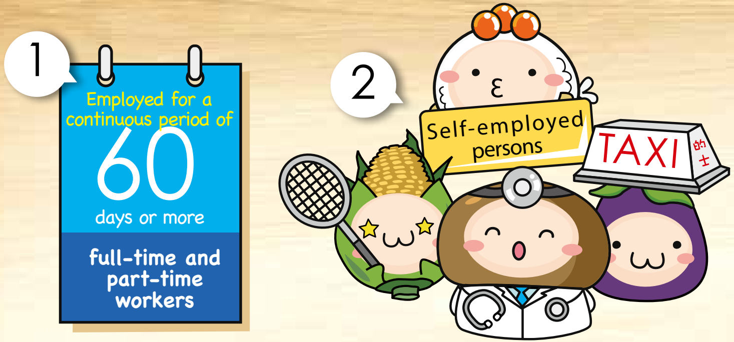
The MPF System

The MPF System serves as the second pillar of retirement protection

Though our ageing population has brought new business opportunities for some industries, it also places a heavy financial burden on society. In view of this, Hong Kong implemented the Mandatory Provident Fund (MPF) System on 1 December 2000, with the aim of assisting the employed population of Hong Kong to accumulate retirement savings.

The MPF, which is an employment-based, mandatory, privately managed contribution scheme, is one pillar in the multi-pillar retirement framework recommended by the World Bank. It should be complemented by other pillars (including a social safety net, personal savings and insurance, as well as other assistance and personal assets) to cover a person's entire retirement needs.

Under the MPF System, both employer and employee are required to make MPF contributions, which are held in the employee's contribution account for investment in a fund or funds chosen by the employee. The benefit of this arrangement is that the contributions of employers, employees and self-employed persons are pooled together for greater investment power. Under the supervision of the MPF Schemes Ordinance, the contributions are invested in one or more investment products and markets so that scheme members can enjoy the benefits of investment diversification and long-term capital appreciation.



Casual employees in the construction and catering industries
(even if they are employed for a fixed period of less than 60 days)

Joining an MPF Scheme

Whether you work full-time or part-time, you are required to join an MPF scheme

You may plan to work part-time while at school or take up a summer job to make some money or get some work experience to expand your horizons. Do you know that, either way, you must join an MPF scheme. Everyone from 18 to 64 in the workforce who meets the following criteria must join an MPF scheme:

1) Individuals who are employed for a continuous period of 60 days;

2) Individuals who are self-employed; or

3) Casual employees in the construction and catering industries (even if they work for a fixed period of less than 60 days).

Even if you work as an intern or take a summer job, you must join an MPF scheme.

The 60-day period is counted by calendar days, including public holidays. The employment period is determined by the employment relationship between the employee and employer. The number of the employee's actual working days or hours is irrelevant.

However, the 60-day rule is not applicable to casual employees in the construction and catering industries. In the light of high labour mobility in the construction and catering industries and most employees in these industries are casual workers, "Industry Schemes" have been established under the MPF System for their employers to choose from.

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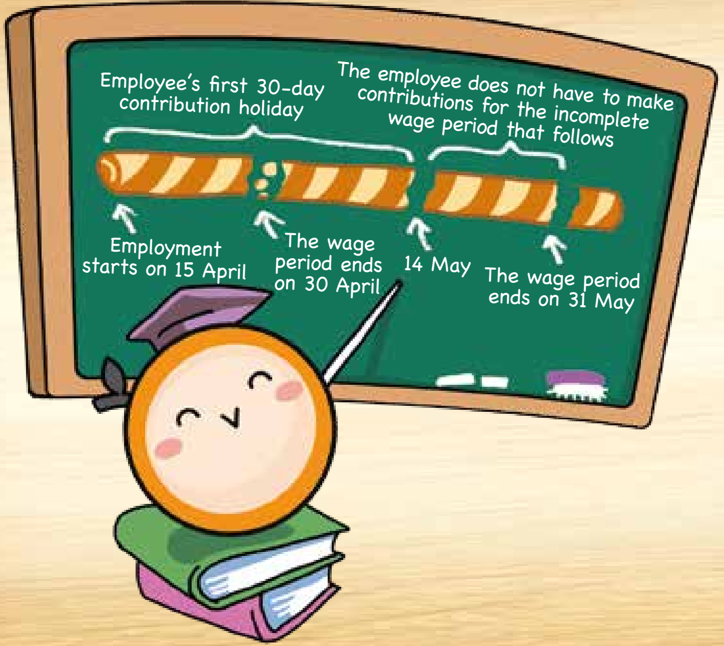

Determining the contribution period

MPF contributions start when the employee has been employed for a continuous period of 60 days

Employers	Employers are required to remit the contribution for the first 60 days, and make contributions on or before the 10th day of every month from then on. They are required to provide monthly pay records to their employees within seven working days from when the MPF contributions are made.
Employees	Employees are not required to make contributions for the first 30 days of employment and the incomplete wage period that follows.

If you still don't understand how to calculate MPF contributions, please refer to the example on the left:

- Assume that an employee commences employment on 15 April and the payroll day is the last day of every month;
- The first 30-day contribution holiday starts on 15 April and ends on 14 May. As the period from 15 to 31 May is the first incomplete wage period, the employee is not required to make an MPF contribution. The employee will start making contributions from the wage period starting on 1 June;
- However, the employer is not entitled to a contribution holiday. The employer's contribution should be calculated from the employee's first day of employment (15 April), and the first contribution for the employee should be made on or before 10 July.

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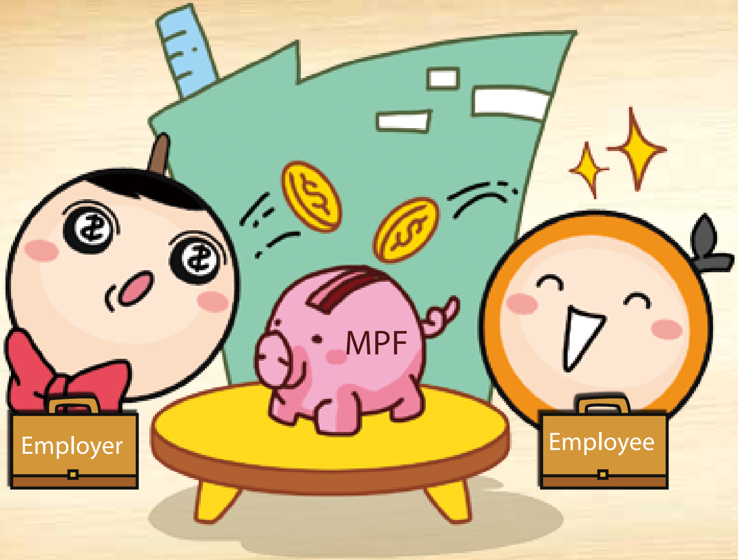

MPF contributions

Both employer and employee make MPF contributions

Once you have joined an MPF scheme, how much do you have to contribute? Generally, you and your employer have to contribute 5% each of your monthly "relevant income"*.

If your monthly relevant income is less than $7,100, you do not have to make a contribution. However, your employer still needs to contribute 5% of your relevant income. This arrangement is intended to protect the low-income group, balancing their financial capability and their future retirement needs. If your monthly income exceeds $30,000, you and your employer only need to contribute $1,500 each.

	Mandatory Contributions	
Monthly relevant income	Employer's contributions	Employee's contributions
Less than $7,100	Relevant income x 5%	Not required
$7,100 to $30,000	Relevant income x 5%	Relevant income x 5%
More than $30,000	$1,500	$1,500

* "Relevant income" refers to any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance, expressed in monetary terms, paid or payable by an employer, but excluding severance payments or long service payments under the Employment Ordinance.

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Calculating the contribution for a part-time employee

Non-monthly paid employees should remember two figures: 1,000 & 280

If you are a non-monthly paid part-time employee, how are your MFP contributions calculated?

Part-time employees are commonly paid on a daily, weekly or bi-weekly basis. To determine the contribution amount, employers should calculate the maximum and minimum relevant income levels in respect of different payroll cycles, based on the daily maximum level of $1,000 and the daily minimum level of $280. If an employee is paid weekly, his maximum relevant income level is $7,000 ($1,000 x 7 days), and his minimum relevant income level is $1,960 ($280 x 7 days). The following table illustrates the different contribution amounts for employers and employees in relation to the different maximum and minimum relevant income levels:

	Mandatory Contributions	
Relevant income	Employer's contributions	Employee's contributions
Lower than the minimum level	Relevant income x 5%	Not required
Between the minimum and maximum levels	Relevant income x 5%	Relevant income x 5%
Higher than the maximum level	Maximum level x 5%	Maximum level x 5%

However, if you are an employee or employer in the construction or catering industry under MPF Industry Schemes, the calculations will be different. For details, please visit www.mpfa.org.hk

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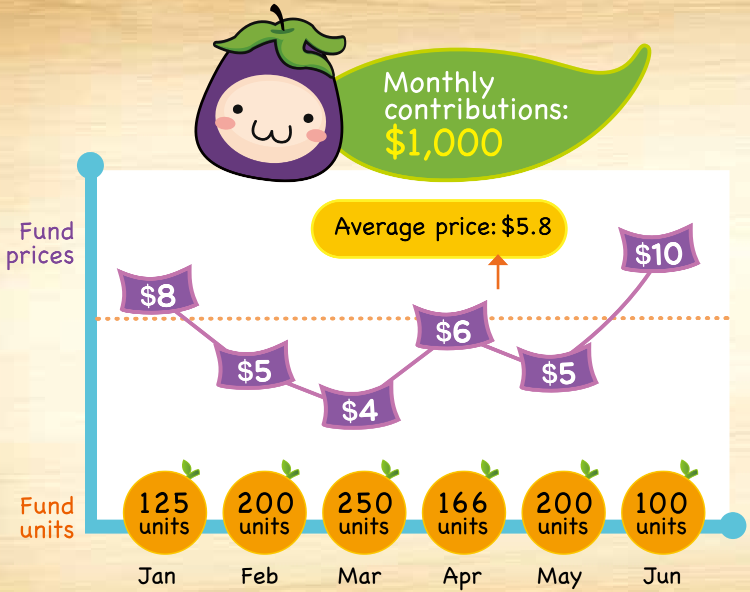

Dollar cost averaging

This helps mitigate short-term market fluctuations

Your MPF is a long-term investment. What kind of long-term investment strategy can help reduce investment risk? The answer is dollar cost averaging.

If you invest a fixed amount of money in your MPF fund(s) every month at the prevailing market price, you can avoid trying to predict market movements. When the fund price goes up, fewer fund units will be purchased. When the fund price drops, more fund units will be purchased with the same amount of money.

Over the long term, this strategy averages out the unit cost and mitigates the impact of short-term market fluctuations.

Dollar cost averaging does not, however, guarantee any gain, which is determined by the market price at the time you sell the fund.

The compounding effect

This leads to the exponential growth of investment returns

"Youth is the best capital!" Don't dismiss your monthly MPF contributions because they are only a small amount. As long as you start your MPF life early, you will benefit from the compounding effect, which is the growth of an investment when the return on your invested capital is reinvested to generate even greater returns. This roll-over effect is like a snowball rolling downhill, getting bigger and bigger.

Note: the compounding effect is not so obvious at the beginning, because your investment return needs time to grow. Therefore, the longer the saving/investment period, the more significant this growth effect will be.

This is why it is important to make an early start in your savings and investment plans to maximize the power of time.

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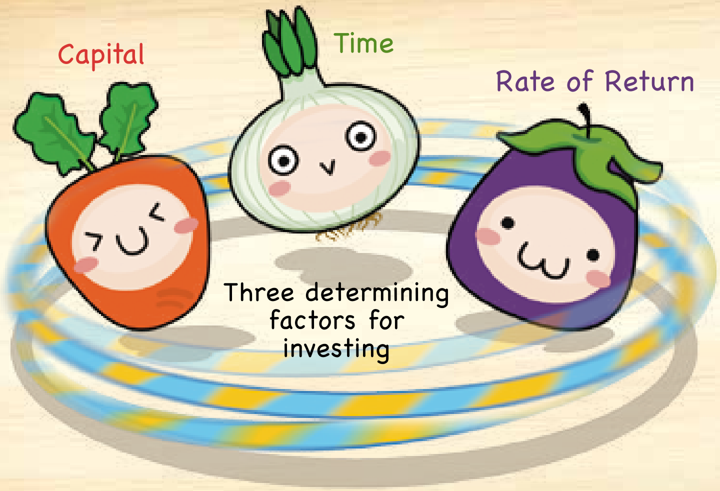


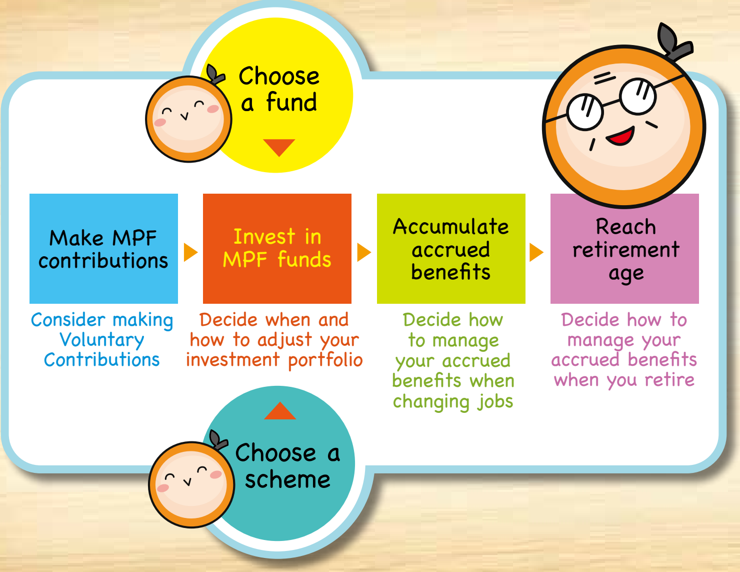
Three determining factors for investing

Capital, time and rate of return affect each other

Investment involves three determining factors: capital, time, and rate of return. Any variations in these three factors will have a significant impact on your investment.

Quiz time: Which factor is the easiest for an 18-year-old to control: capital, time, or rate of return? Yes, the answer is TIME.

The rate of return is affected by a number of factors, such as market volatility and various other investment risks, making it the most uncertain variable. Capital can be affected by various personal factors, including your income and financial needs at different stages of your life. Therefore, increasing capital isn't easy. The investment period, however, is easier to plan for and control. Young people should tap into the advantages of having a longer investment period ahead and start saving early.



Six major decision points on your MPF investment journey

Important decisions for different stages of life

You are required to join an MPF scheme as soon as you start working. Your MPF journey, from the first time you choose your fund(s) until you retire, can last several decades. Think of your MPF investment as a journey divided into six stages, each of which requires you to make some key decisions.

Each decision is a very important one, so you must be careful.

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The JJ Five Band

There are five major types of MPF funds, namely Equity Fund, Mixed Assets Fund, Bond Fund, Guaranteed Fund, and MPF Conservative Fund. To enhance your understanding of MPF investment and the main characteristics of each type of MPF fund, the MPFA has created five cartoon characters, the "JJ Five Band". Each one represents a key MPF fund. By understanding the features of the different funds, you will be able to better decide which investment portfolio is most suitable for you.

Funds with higher expected returns come with higher associated risks

In general, funds with higher expected returns come with higher associated risks, whereas funds with lower expected returns come with lower associated risks. Before making any decisions about your investment portfolio, you should be fully aware of the risk level of each fund and then check if the portfolio suits your risk tolerance level and meets your personal needs.

To view the features of the different MPF funds, please visit www.mpfa.org.hk/MPFIE

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 actively choose to invest your MPF benefits either according to the DIS or in the two 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 ("annual de-risking"); (2) fee caps; and (3) globally diversified investment.

For more information on the DIS, please refer to www.mpfa.org.hk/DIS

Consider the following factors before choosing an MPF fund:

- Your risk tolerance level
- Your asset allocation strategy in relation to your risk tolerance level

Which fund(s) should you choose?

Before choosing a fund, assess your risk tolerance level

Before choosing an MPF fund, you should first assess your risk tolerance level, which is determined by the following factors: investment horizon, investment appetite, and other retirement savings and investments you have.

Generally speaking, in terms of asset allocation, if your risk tolerance level is relatively high, consider a growth portfolio with a higher proportion of equity funds. If your risk tolerance level is low, consider a conservative portfolio with a larger proportion of conservative assets, such as Guaranteed Fund or MPF Conservative Fund.

"Contribution Account" vs. "Personal Account"

There's a big difference between a contribution account and a personal account

Do you have more than one job or a part-time job after school? Some students have a few part-time jobs and change jobs frequently, so they end up having several MPF personal accounts. Do you know what the difference is between a contribution account and a personal account?

Contribution Account	Personal Account
• accrues the MPF benefits derived from a scheme member's current employment; • new contributions are held in this account.	• accrues the MPF benefits derived from a scheme member's previous employment or self-employment; • accrues the MPF benefits transferred from a scheme member's contribution account under current employment by exercising the transfer right under the Employee Choice Arrangement; • new contributions are not held in this account.

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How to manage your MPF when changing jobs

Consolidate all your MPF personal accounts into one for easier management

After graduation, you will enter the workforce. During the 30 to 40 years of your working life, you will probably change jobs or cease employment from time to time. How should you manage your MPF accrued benefits?

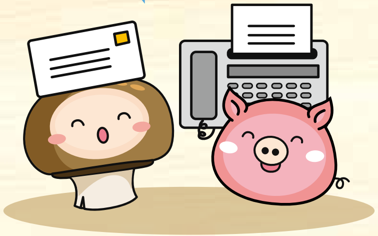
You should proactively manage your MPF benefits accumulated during your previous employment in one of the following ways:

- Transfer the MPF benefits to your "contribution account" opened under your new employment; or
- Transfer the MPF benefits to your existing "personal account".

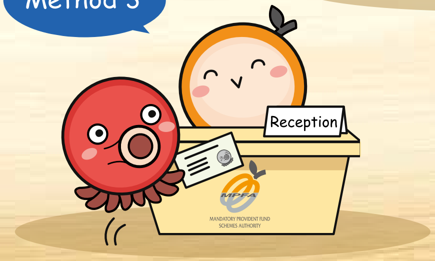
If you do not hold any "personal account", and you are satisfied with the MPF scheme chosen by your former employer, you may consider retaining your MPF benefits in a "personal account" under the scheme of your previous employment, for continuous investment.

Method 1

Method 2



Method 3



Checking your personal account information

There are three ways to check your MPF personal account information

If you want to check the number of personal accounts you hold, or obtain information about the related trustee(s), please contact the MPFA directly.

Method 1 : Apply for the ePA (e-Enquiry of Personal Account) service via MPFA website or its mobile app. The ePA is an electronic platform to provide an easy-accessible channel for MPF scheme members to look up their own MPF personal accounts at any time. For details, please visit https://epa.mpfa.org.hk

Method 2 : Download the request form from the MPFA website (www.mpfa.org.hk) and return the completed form by mail or fax (fax number: 3146 7367), together with a copy of your identity document.

Method 3 : Bring along your identity document to one of the MPFA offices, and our staff will conduct the check for you.

For details, please visit the MPFA website - www.mpfa.org.hk.

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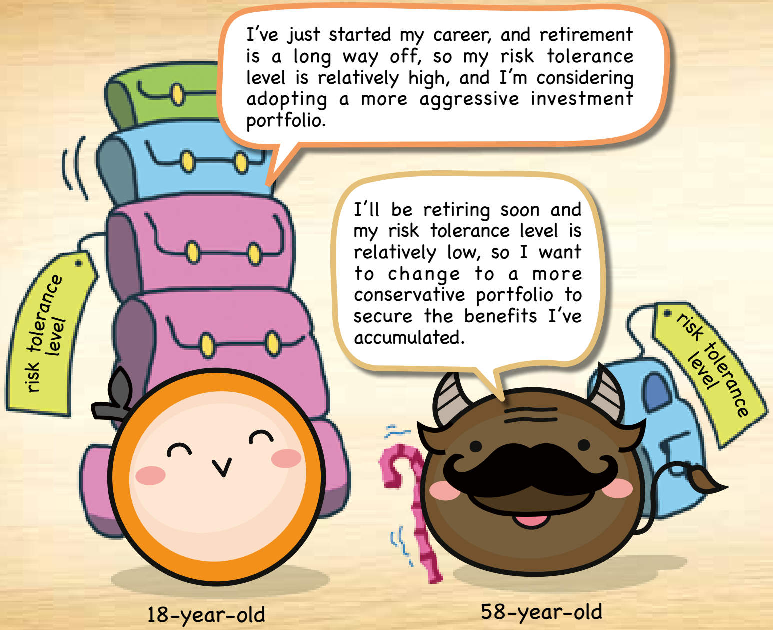


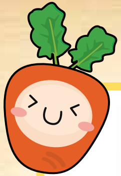
Regularly reviewing your MPF investment

Review your MPF investment portfolio every six or twelve months

Many people get a regular medical check-up to make sure they stay healthy. You should regularly review your MFP investment portfolio for the same reason to ensure it is aligned with your investment goals and risk tolerance level.

Over your working life you may change jobs, purchase property, get married, raise children, and then retire. At each of these life stages, you will have different financial goals and needs. As you grow older, your family status and work environment will also change, affecting your risk tolerance level. This is why you should review your investment portfolio from time to time. In general, you are suggested to review it once or twice a year and make any adjustments you deem necessary.

Saving for retirement is a life-long investment. The investment period is often over 40 years, during which there will be several investment cycles, so scheme members should not overly concerned about short-term market fluctuations.



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