

# Striving for a Better Retirement Outcome

MPF Symposium 2022

Presenter – Calvin Chiu, Chairman of HKRSA

# Expectations from scheme members regarding retirement savings

# HKRSA Retirement Survey

- The Hong Kong Retirement Schemes Association (“HKRSA”) sponsored and conducted an in-depth research into the retirement readiness of middle-income households, their expectations and concerns about retirement, and collected feedback on how the retirement protection may be improved

## Background

- Many middle-income earners do not qualify for means-tested social security and do not have sufficient investments or savings to maintain a similar standard of living after retirement
- Retirement of this group of people are often overlooked by the society

## Purpose of research

- Help to raise awareness of the retirement issues faced by middle-income households
- Provide practical solutions to ensure that all of Hong Kong’s elderly can enjoy a happy and financially secure retirement

## Research subjects

- The survey respondents were aged 50 to 59 years and had an average monthly income of HK\$18,000 to HK\$30,000 in the second half of 2019

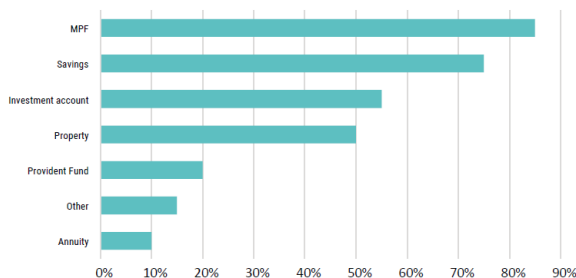


# Retirement plans

## Expected source of income

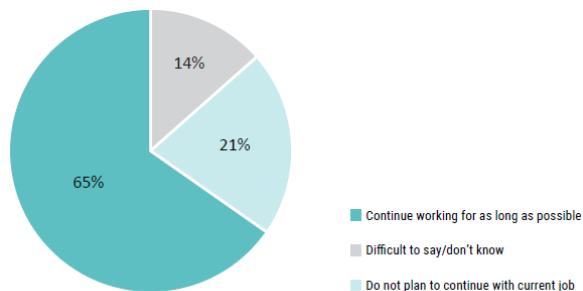
- Most respondents planned to fund their retirement with their MPF, savings and investment

Retirement provision



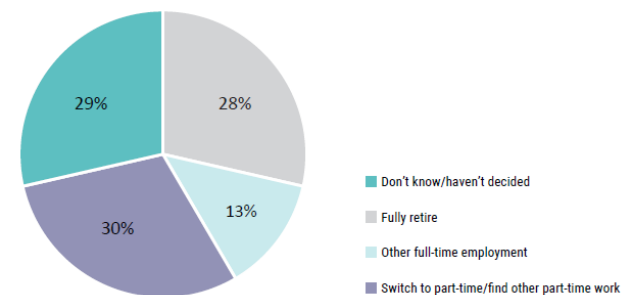
## Any plan to leave the current job

- Only 21% of respondents stated clearly when they planned to leave the current full-time job (on avg. 61.7 years of age to leave current job)
- 65% said that they planned to continue with their current job for as long as possible



## Post-retirement employment<sup>1</sup>

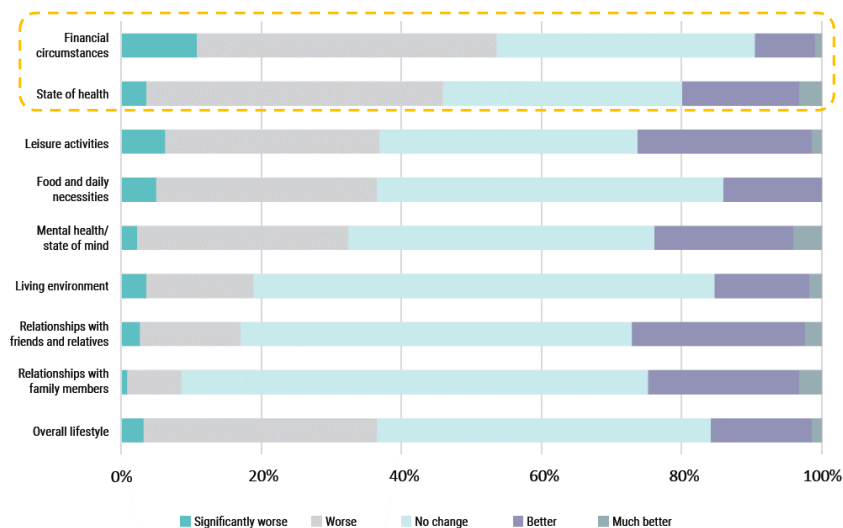
- 30% of respondents planned to work part-time after retirement to help fund their lifestyle



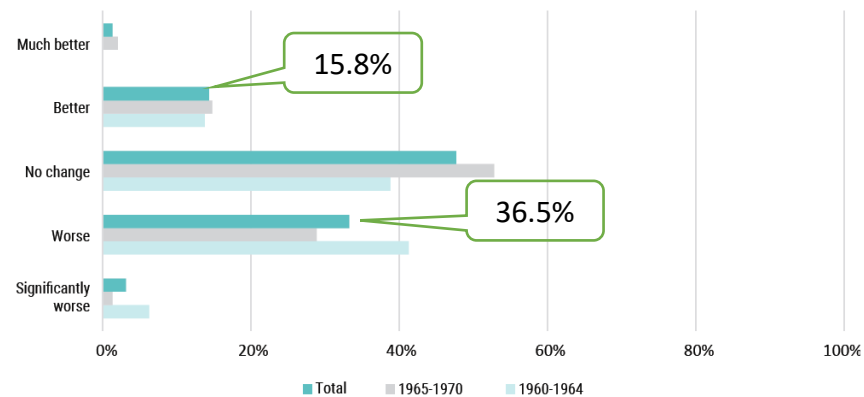
# Maintain quality of life after retirement

- Respondents believed financial circumstances (54%) and health (46%) were most likely to deteriorate after retirement
- More than 36% of respondents expected their quality of life after retirement to be worse off, whereas only less than 16% believed they will live better after retirement

Expected lifestyle changes post-retirement



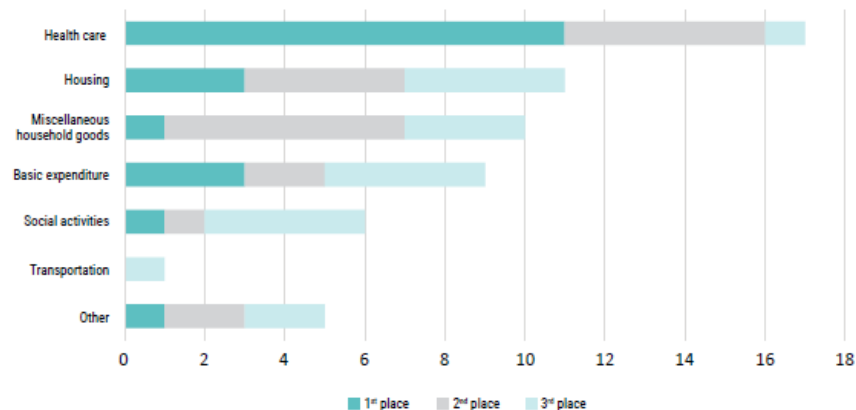
Expected changes to overall circumstances after retirement (sorted by year of birth)



# Sustainable retirement income

- The respondents expected healthcare to be their biggest expense after retirement, followed by housing and miscellaneous household goods
- Sustainable retirement income is required to cover these expenditures under inflation

Three biggest expenses after retirement

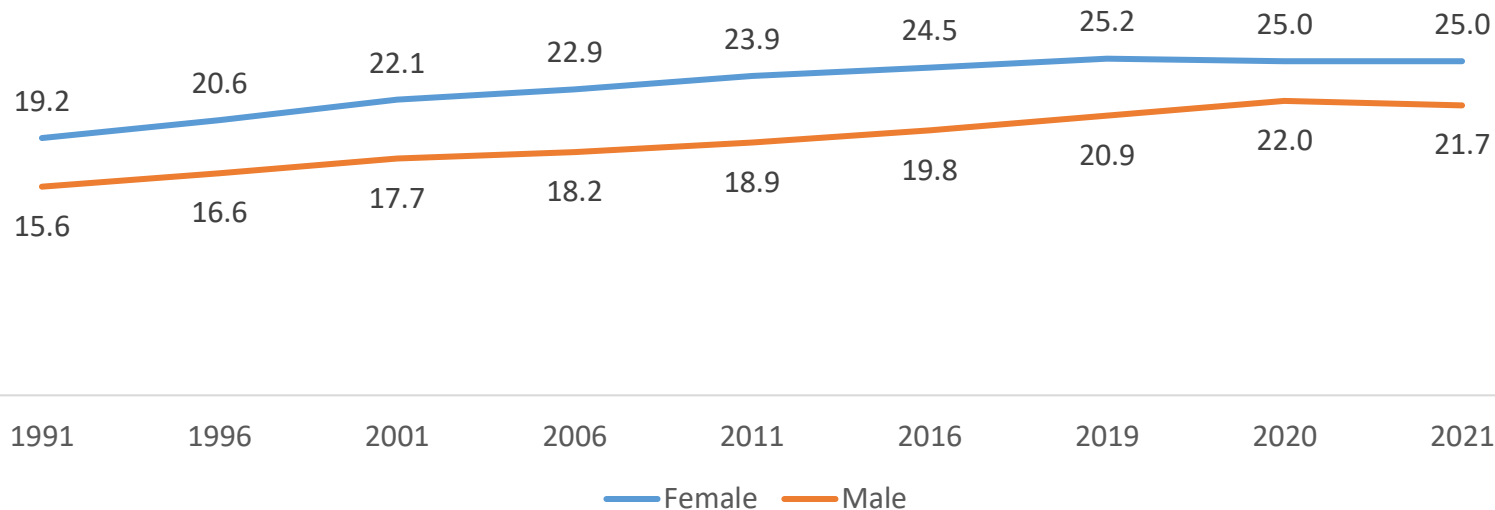


# Key risks faced by retirees and impact on retirement savings

# Longevity risk

- People in Hong Kong are now living longer than before, with better provision of medical services and greater health consciousness of the public
- Comparing 1991 and 2021, the expectation of life at age 65 for females and males in Hong Kong increased by 5.8 and 6.1 years respectively

Life expectancy at age 65

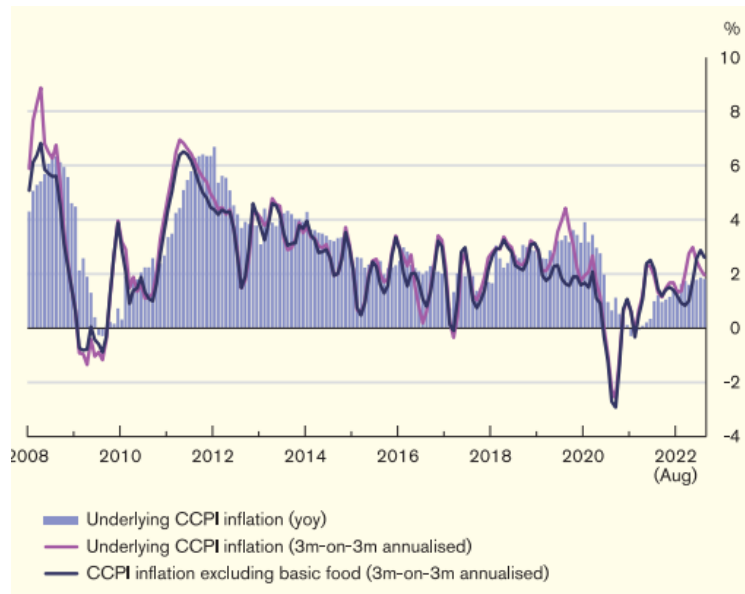




# Consumer inflation

- Affected by the pandemic, Hong Kong's inflation is rising steadily. According to the Composite CPI, overall consumer prices rose by 4.4% in Sep 2022 over the same month a year earlier

Consumer price inflation

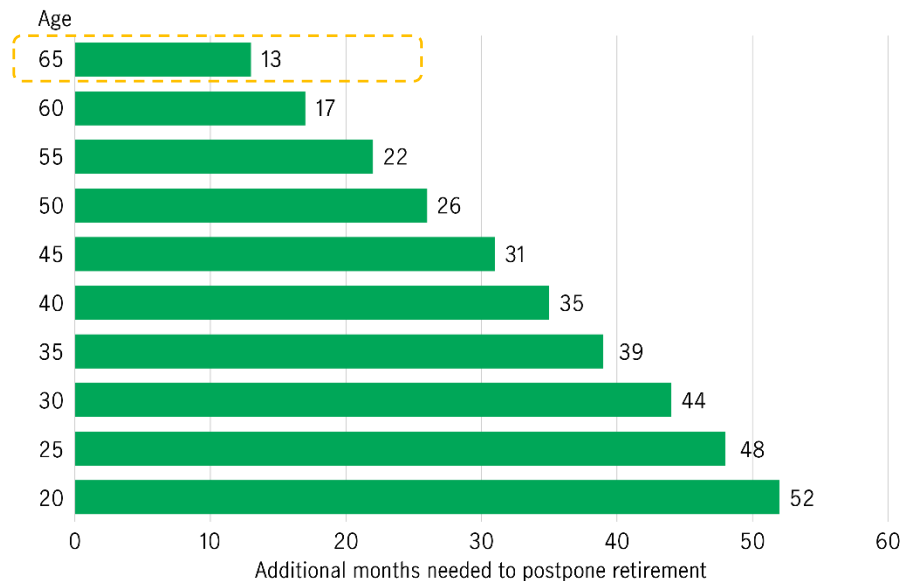


# The effect of rising inflation on retirement

- Even a slight increase on inflation (which compounded over the years) can lead to a heavy burden in retirement
- Retirees at age 65 would have to postpone retirement by 13 months to accumulate enough savings to cover their post-retirement expenses, if expected inflation rises by 40bps

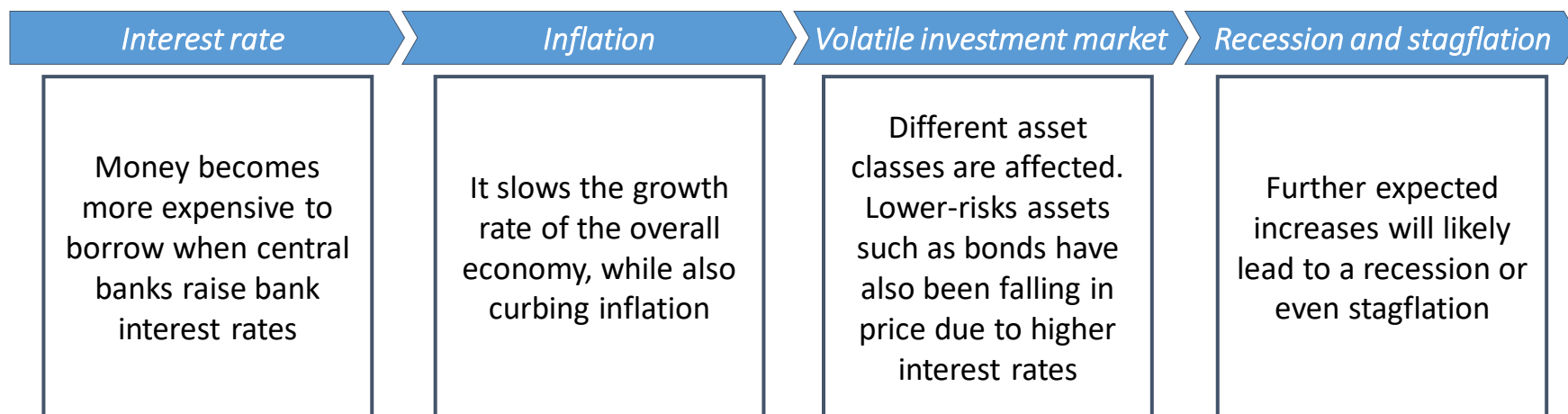
Hypothetical example: Estimated additional months needed to postpone retirement due to rising inflation

40 basis points increase in expected inflation



# A surge in global interest rate

- Faced with inflation that keeps soaring to new levels, central banks in many countries are responding by raising interest rates
- The HKMA raised its base rate by 0.75% to 3.5% in Sep 2022, the highest level since Mar 2008, following the US central bank's third straight 0.75% point hike



- For longer-term investors who invest for retirement in the MPF, market fluctuations along the way are inevitable

# Recommendations to strive for a better overall retirement outcome

# Recommendations on key retirement pillars

## Pillar 1: Social Security

Considering the respondents' concerns and a lack of preparedness for retirement, the fastest way to improve the post-retirement livelihoods would be focusing on the social security pillar

We recommend the government to

- Relax the eligibility criteria for the Old Age Living Allowance and give all claimants the higher allowance
- Lower the age at which the elderly can claim the Old Age Allowance to 65

## Pillar 2: the MPF system

The government has introduced DIS, ECA and planned implementation of eMPF platform to reduce MPF fees

In addition to the numerous reforms in recent years, we also recommend the following to improve the MPF system

- Raise employees' awareness of their MPF investment plan
- Continue to improve the MPF schemes to enhance overall retirement provisions
- Encourage the launch of more innovative fund choices that generate stable returns

Annuity-like option

Post-retirement investment solutions

## Pillar 3: Voluntary Contributions

Reverse mortgage

QDAP

TVC

The uptake of these pillar 3 voluntary pension schemes is low as they are generally targeted at high-income earners. We recommend the government to

- Monitor the uptake of these schemes among different income groups
- Target middle-income individuals and introduce products that offer tax benefits and stable return
- Education and promotion to raise public awareness and encourage a higher level of participation of these schemes

# Other recommendations



## Retirement education

Many people fail to start early enough with their financial planning due to insufficient knowledge

- Improve education to emphasize the importance of preparing early for retirement
- Raise awareness and equip people with the requisite knowledge and skills to plan for retirement



## Employment opportunities for the elderly

Only a small minority of respondents planned to stop working after retirement

- The government could lead by example and raise the retirement age for civil servants
- Recommend employers to continue making MPF contributions for employees aged 65 or above



## Health care & well-being

Respondents were concerned about their state of health after retirement, and quality of life would be affected by a lack of public health care resources

- Increase transparency of the health care system
- Collaborate with the private sector to reduce waiting times
- Provide social network support to protect physical and mental well-being of the elderly



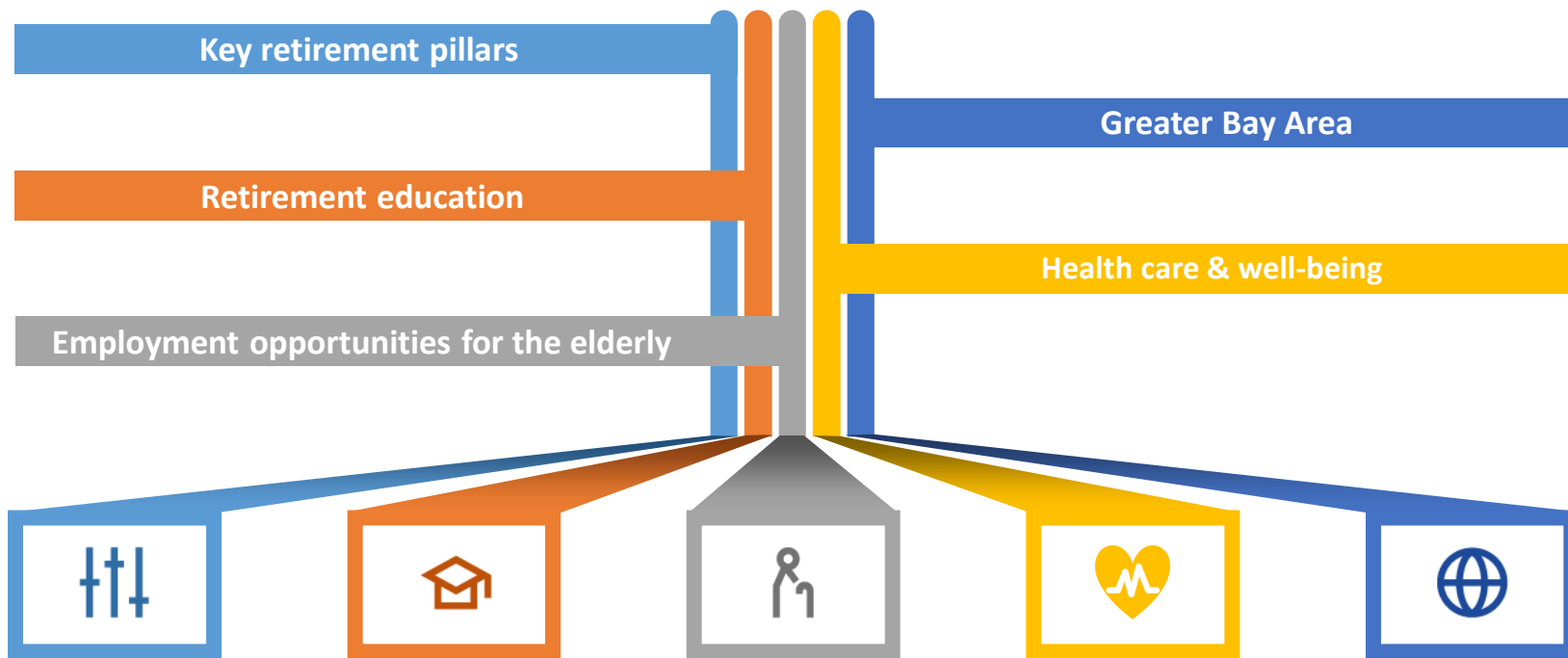
## Greater Bay Area

Travel within the GBA becomes more convenient, Hong Kong is likely to see an increase in the number of people from other areas in the region purchasing retirement products and services

- The government should take steps to protect the consumer right of Hong Kong's elderly
- Create a win-win situation and virtuous circle

# Key takeaways

Strive for a better overall retirement outcome



# A new chapter...RetireHK.com



covering the 3 most important elements surrounding retirement



Wealth



Health



LiveWell

## About RetireHK Limited ([retirehk.com](http://retirehk.com))

RetireHK Limited has been incorporated on 4 July 2022. Retirehk.com is a dedicated portal set up by the HKRSA, in line with its mission of promoting sustainable and better outcomes. With increasing longevity, ageing and the build-up of a potentially massive savings gap, an objective and one-stop resource will be invaluable for our individual planning and helps leading to the success of the retirement system.

## Purpose

To help retirees and people on their retirement journey in areas of financial security, physical and psychological health and wellness leading to a positive and energetic life.

A one-stop-shop portal that helps you plan your retirement with ease

developed by



香港退休計劃協會  
The Hong Kong Retirement Schemes Association

## Webinars in 2021 & 2022

Period	Topic	Co-host organization
<b><u>Year-2021</u></b>		
Apr	1st webinar of the "Plan for a Better Retirement" series	Happy-retired
Sep	"Investment Journey for Life 2.0" series: Multi-asset funds - One-stop retirement solution	BCT Group Franklin Templeton
Oct	"Investment Journey for Life 2.0" series: Goal-based investment - achieving your life goals	HKMC Annuity Franklin Templeton
Nov	"Investment Journey for Life 2.0" series: Greater Bay Area - What it means for your retirement?	GBA Economic And Trade Association Franklin Templeton
<b><u>Year-2022</u></b>		
Sep	"Good Life" series: The latest information on traveling in Japan under the pandemic	BCD Meetings & Events



Thank you!



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