

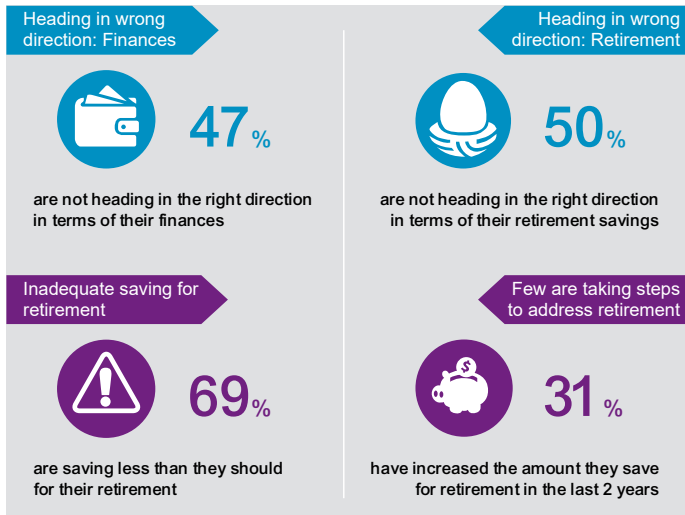
# Middle-income Hongkongers are not retirement ready

Only 20% of Hongkongers believe that the various forms of government-backed support, including MPF, social security and public healthcare are sufficient to fund their retirement, according to the recently released (May 2021) Survey on Retirement Readiness of Middle-income Group sponsored by The Hong Kong Retirement Scheme Association (“HKRSA”).

# Middle-income Hongkongers are not retirement ready, survey finds

## Retirement readiness

The employee perspective



Sample: All employees  
Source: 2019 Global Benefits Attitudes Survey, Hong Kong

Whilst the HKRSA survey focused on Hongkongers aged between 50-59 who are employed in Hong Kong with an average monthly salary of HK\$18,000 ~ HK\$30,000, findings reinforced the results of the Willis Towers Watson 2019 Global Benefits Attitudes Survey (GBAS)<sup>#</sup> for Hong Kong which also shows that 70% of employees are saving less than they should to meet their retirement expectations. Further, we understand that just over 30% of employees have increased the amount they save for retirement.

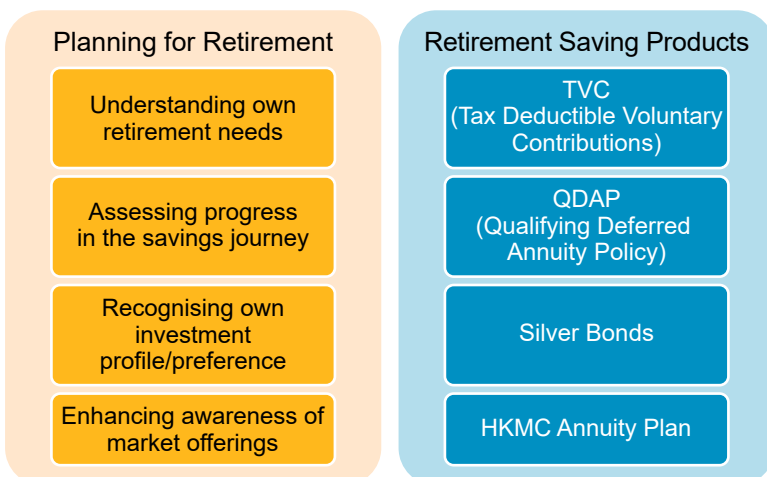
<sup>#</sup> GBAS is a global survey sponsored by WTW biennially since 2013, covering various employee benefits.

## HKRSA survey results corroborate WTW GBAS findings in the following manner:

- Most respondents stated that the MPF/ORSO would be an important part of their retirement income but believed that this would NOT be sufficient.
- Allowing for both social security benefits and MPF/ORSO entitlements, the research estimated that the income replacement rate for an individual in the group would be about 30% after working for 40 years. *Note that for middle to high income earners, a replacement ratio of 50% - 70% is required to maintain a similar standard of living after retirement, depending on where one lives.* The research also determined that if an individual saved an additional 5% of salary via tax-deductible voluntary contributions, they would have 50% more in their MPF account at retirement, increasing the income replacement rate from 30% to almost 50%.
- Most respondents had no knowledge of, or interest in, private pensions or retirement-focused investment vehicles (such as tax-deductible investment or private retirement saving products).

## What can you do for your employees?

We believe the answer lies in the areas of **Communication & Education**.



It is about improving employees' understanding of what they need/want for a comfortable retirement, being able to gauge how close/far they are from this target, what else they can do to increase their chances of achieving their target and what tools/products are available to help them reach their goals.

We believe the journey to fulfilling retirement goals is about linking what they need and what is out there in the market to help them succeed.

Retirement planning is an ongoing process requiring a strategy, visibility and perseverance. Although the above-listed retirement saving products are targeted at individuals, employers should still support employees' financial wellness by offering member communication and briefings/webinars on specific areas/topics. Talk to us and we can work with you to tailor-make a program for you.

## Highlight of investment performance up to 30 June 2021

The **annualised performance** over 1-year and 5-year periods ended 30 June 2021 of each MPF fund type was as follows:

Performance ended 30 June 2021		1-year period			5-year period		
Fund category	Fund type	Highest % p.a.	Average % p.a.	Lowest % p.a.	Highest % p.a.	Average % p.a.	Lowest % p.a.
<b>Mixed Assets funds</b>	Equity content > 80% funds	35.6	31.9	28.7	12.0	11.2	10.5
	Equity content 60% - 80% funds	27.7	24.9	20.7	10.3	9.1	5.3
	Equity content 40% - 60% funds	19.7	18.0	15.6	7.8	7.0	6.0
	Equity content 20% - 40% funds	13.1	10.7	9.1	5.3	4.6	4.1
<b>Default Investment Strategy funds</b>	Core accumulation funds	22.8	21.3	17.9	n/a	n/a	n/a
	Age 65 Plus funds	6.7	5.6	4.1	n/a	n/a	n/a
<b>Equity funds</b>	Hong Kong equity funds	43.2	31.1	19.8	16.5	12.6	10.3
	Hong Kong equity (Index Tracking) funds	26.5	20.6	18.1	11.4	9.4	8.5
	China equity funds	33.4	22.3	10.9	15.0	11.5	5.9
	Greater China equity funds	52.1	42.1	29.7	23.1	17.5	13.6
	Asian ex Japan ex HK equity funds	55.9	37.3	32.2	13.9	11.9	8.9
	Asian ex Japan equity funds	45.4	41.8	34.3	16.0	12.7	7.5
	Pacific Basin ex Japan equity funds	47.7	40.0	19.6	18.7	12.2	3.8
	Global equity funds	43.8	36.2	30.1	14.8	11.8	10.1
	United States equity funds	40.9	39.0	36.0	21.7	15.6	13.5
	European equity funds	42.3	31.9	19.7	14.3	8.8	6.9
Japanese equity funds	30.5	25.5	20.3	10.0	8.7	6.7	
<b>Bond funds</b>	Hong Kong Dollar bond funds	2.5	1.3	0.5	2.2	1.7	1.0
	Asian bond funds	5.0	2.1	0.0	2.8	2.2	1.5
	Global bond funds	4.3	0.6	-0.8	2.4	1.2	-0.2
	RMB bond funds	8.3	7.0	6.0	3.3	2.3	1.8
<b>Money Market funds</b>	MPF conservative funds	0.8	0.1	0.0	1.4	0.6	0.1
	Hong Kong Dollar money market funds	0.3	0.2	0.2	0.8	0.7	0.7
	RMB and HKD money market funds	7.8	6.9	6.5	2.7	1.9	1.4
<b>Others</b>	Guaranteed funds	10.0	3.3	0.2	4.6	1.8	0.2

Source: MPFA

Data as at 30 June 2021







Disclaimer: The information and data included in this table are provided for general information purposes only and do not constitute investment advice, nor should they be construed as an offer or solicitation or recommendation to invest in or deal in any scheme, fund, product, service provider or service referred to. As such, the information provided should not be relied upon for any investment or other financial decisions and no such decisions should be taken without seeking specific professional advice. Any use of or reliance on any information or materials contained herein is entirely at the reader's own risk and Willis Towers Watson and its affiliates accept no responsibility and will not be liable for any consequences howsoever arising from any such use or reliance. In addition, please be reminded that past performance is not an indication of future performance.

According to The Hong Kong Retirement Schemes Association's recent survey covering retirement readiness, most respondents had little knowledge of, or interest in, private pensions or investment products. Although the MPF system provides an important source of retirement income, the basic mandatory level of MPF savings is unlikely to be sufficient to maintain the same standard of living after retirement, especially for middle-income earners. Therefore, it is important not to disregard retirement savings opportunities which do exist.

Fortunately, it is never too late to start saving for retirement and there are several options available under the MPF system to enable you to make voluntary retirement contributions:

- Employee voluntary contribution through the employer's MPF scheme;
- Tax deductible voluntary contributions ("TVC"); and
- Special voluntary contributions ("SVC").

These retirement saving accounts have different characteristics which are summarised in the table below.

	Employee Voluntary Contributions through Employer <sup>1</sup>	Tax Deductible Voluntary Contributions ("TVC") <sup>2</sup>	Special Voluntary Contributions ("SVC") <sup>2</sup>
 <b>Contribution channel</b>	Through employer's MPF scheme	Direct to employee's preferred MPF provider	Direct to employee's preferred MPF provider
 <b>Contribution type/timing</b>	Regular and deducted from monthly salary	Regular or lump sum at employee's choice	Regular or lump sum at employee's choice
 <b>Contribution level</b>	As allowed by employer, usually as a percentage of salary	Employee to decide the contribution amount <sup>3</sup> , based on personal circumstances	Employee to decide the contribution amount <sup>3</sup> , based on personal circumstances
 <b>Fee rebates / bonus units</b>	As negotiated by employer	MPF provider may provide incentives for new contributions from time to time	Not generally
 <b>Tax deduction for employee</b>	No	Yes - the maximum tax-deductible amount (2021/22 tax year) is HK\$60,000 <sup>4</sup> under salaries tax and personal assessment	No
 <b>Withdrawal</b>	Upon leaving employment	Retirement at age 65, or upon other early withdrawal grounds as prescribed by MPFA <sup>5</sup>	Any time <sup>6</sup>

**Notes:**

1. Please check with your employer if Employee Voluntary Contributions may be made under the company's MPF scheme.
2. TVC and SVC accounts are not offered by all MPF providers.
3. Subject to minimum contribution amounts, which may vary between different MPF schemes.
4. The annual HK\$60,000 maximum tax-deductible limit is shared between TVCs and Qualified Deferred Annuity Policy ("QDAP").
5. Early qualifying conditions include early retirement, permanent departure from Hong Kong, total incapacity, terminal illness, small balance or death.
6. Subject to withdrawal policy of the MPF scheme.

**Before you decide which vehicle to use, you should consider your own financial situation or consult a licensed financial planner.**

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