

# The case for annuities to supplement MPF retirement savings

In order to improve retirement protection, Government officials have recently raised the idea of integrating annuities with the MPF to enable retirees to access a regular source of post-retirement income. This has naturally led to some debate.

This article covers how annuities and the MPF system can work together, and builds upon the discussion on post-retirement investment in our [last article](#).

## **Annuities provide stable long-term income**

The debate as alluded to above focused mainly on whether the conversion of retirees' MPF balances into an annuity should be mandatory or voluntary. We believe it would be preferable to let people choose, thereby allowing flexibility within the system.

For most people, income reduces in retirement. With a relatively high cost of living in Hong Kong, many people feel anxious about making their money last, even those who have accumulated savings in the MPF or via other means. Given this backdrop, the availability of annuity products which can help to provide a stable long-term retirement income is clearly positive and should be positively encouraged.

## **Wide variety of annuity products available**

HKMC Annuity Limited is one of the largest providers of annuities in Hong Kong. After payment of a single premium, the annuitant will receive a lifelong guaranteed monthly annuity income. The amount of annuity payment is set at the beginning of the policy and remains unchanged thereafter. The internal rate of return of the annuity plan is currently about 4%, which is higher than the bank deposit interest rate. However, the actual return depends on the how long the annuitant lives. We believe this annuity product is worthy of consideration to help generate a stable long-term income in retirement.

Another feature of this annuity is the special withdrawal for medical or dental expenses. Under this arrangement, the annuitant can make one withdrawal (only) during his or her lifetime, with a withdrawal limit of HK\$300,000 specifically for medical or dental treatment. After the special withdrawal, the monthly annuity amount will be reduced. A further feature of the annuity is that during the guarantee period, the annuitant may surrender the annuity (without having to provide a reason) and may cash out the guaranteed cash amount. These features provide members with flexibility to help with unexpected expenses.

Some Hong Kong insurance companies also offer annuity products, with different terms and features. We are unable to list them all here as there are many to choose from. Potential purchasers should carefully study the product details and select the product or products which are suitable for their particular retirement needs.

MPF providers and the MPFA are also starting to make an effort in broadening the range of post-retirement investment funds. Currently, a small number of MPF providers offer such kind of investment fund.

## **Cash value of an annuity is not included in OALA asset limit**

Some Hong Kong people are eligible to receive a degree of financial protection from the Government, known as the Normal / Higher Old Age Living Allowance (OALA). The Chief Executive's 2021 Policy Address noted that the Normal and Higher OALA will be merged in the 2nd half of 2022 and a higher amount of HK\$3,815 per month will be paid. Applicants must pass an asset review test (the Policy Address also proposes to revise the upper limit in the 2nd half of 2022, with single persons and couples at HK\$365,000 and HK\$554,000 respectively). Note that accumulated MPF balances or other investments in cash, stocks and shares are included as "assets" under the review test, but the cash value of an annuity is exempted.

By contrast, the income generated from an annuity is included in the definition of income when determining eligibility to receive OALA, and the total monthly income limit is HK\$10,330 and HK\$15,620 for a single person and a couple respectively. As an example, if a 65-year-old male purchases an annuity for a single payment of HK\$1 million, the annuity income is currently HK\$5,800 per month. The equivalent annuity for a 65-year-old female is HK\$ 5,300 per month.

Assuming the couple retires and each uses their HK\$1 million MPF balances to purchase annuities, and their remaining assets are within the allowable OALA limits, they will be eligible for the OALA plus the annuity payments, totaling HK\$18,730 per month (2 x HK\$3,815 + HK\$5,800 + HK\$5,300).

By providing members more products and choices, we hope that Hong Kong people can better plan for retirement and enjoy a more comfortable life after retirement.

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# 強積金與年金的配合

近日關於強積金及年金的討論頗為熾熱，源於政府官員提及應思考如何令年金與強積金接軌，從而使成員的退休保障更具效益。

承接本欄上期關於退休後的投資部署，本文將探討強積金與年金如何配合。

## 年金提供穩定長期收入

社會大眾的討論大多圍繞會否「強制」將強積金轉成年金，而我們認為保留一定彈性讓成員選擇可能更能切合不同的需要。

對於大部份成員來說，退休等於失去收入。尤其是在香港生活指數頗高的情況下，即使於強積金計劃累積一定的權益，成員於退休時感到不安仍相當普遍。有見及此，能夠提供穩定及長期退休收入的年金計劃，的確是一種不錯的退休投資選擇，值得鼓勵成員自願參與。

## 不同的年金產品

香港年金公司屬現時本港最具規模的年金供應商之一。繳付整付保費後，只要保單仍然生效，受保人將收取終身的保證每月年金金額，此金額在保單開始時訂定，在有生之年維持不變。年金計劃的內部回報率大約為 4%，可謂高於銀行存款息率，但實際回報取決於受保人的壽命。我們認為這對退休人士來說是個不錯的投資產品。

它的年金另一項特點是醫療和牙科開支特別款項提取，受保人有生之年可提取一次，上限為 30 萬港元，以應對醫療和牙科治療及檢驗，提取特別款項後，每月年金金額會相應調低。此外，於保證期內，受保人無需任何理由，可申請退保以提取現金。這些安排為成員提供靈活性，以應對突如其來的開支。

不同的保險公司也有提供年金產品，條款各異，未能盡錄。成員應仔細研究細節，揀出合適自身退休規劃的產品。

另外，強積金受託人及積金局可以更大力度擴闊強積金的產品種類，提供更多於退休後派息的產品，成為年金外的另一個選擇。現時只有極少數強積金受託人提供這類產品。

## 年金現金價值不計入長者生活津貼的資產

若成員符合資格，其實還可得到政府提供的公共保障。香港政府現時提供長者生活津貼(下稱長生津) 分為普通及高額兩種，今年發表的施政報告建議於 2022 年下半年將兩者合併，統一發放高額 3,815 港元。申請者要通過資產審查(施政報告建議於 2022 年下半年劃一上限，單身人士及夫婦分別為 36.5 萬及 55.4 萬港元)：強積金滾存權益或其他現金、股票及股份投資等，均被視為「資產」，但年金的現金價值則獲豁免。

年金所產生的收入，會被計入長生津申請資格中的每月總入息限額，單身人士及夫婦分別為 10,330 元及 15,620 港元。一名 65 歲男性整付 100 萬港元保費後每月可得年金為 5,800 港元，65 歲女性每月可得年金為 5,300 港元。假設夫婦退休時二人的強積金權益各為 100 萬港元，只要將其換為年金，而剩餘資產總值不超出資產限額，就符合申請長者生活津貼的資格，合共每月共可穩定地獲得 18,730 港元。

藉由剖析成員退休後的選擇，我們希望大眾能更早為退休作打算，及更舒適地享受退休後的生活。