

Issue no. 52

How the MPF enhances your financial wellness programme

MPF
EXPRESS

積金快線

A balanced perspective on your MPF



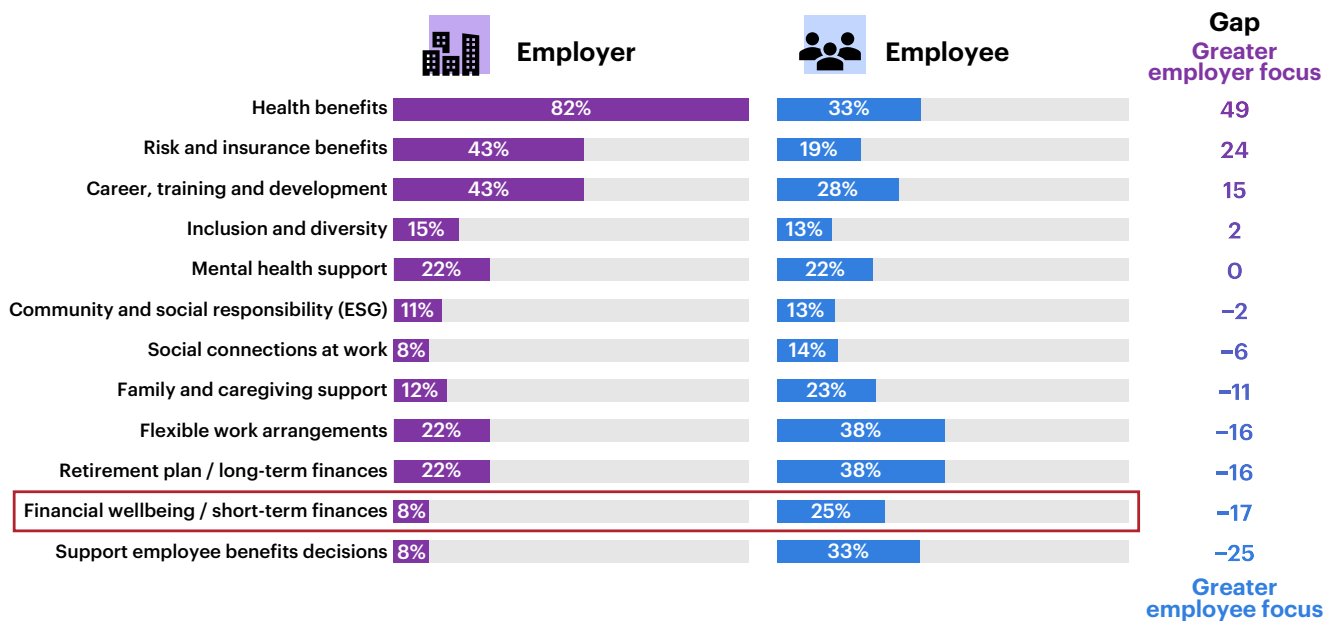


What is financial wellness?

There are many definitions. We would put forward that this is the sense that one’s finances are well managed (either by way of budgeting, saving, investing, insuring, etc.) such that one feels comfortable in terms of meeting present and future financial goals and contingencies.

Where are we on financial wellness?

Our 2022 Global Benefits Attitudes Survey (Hong Kong) for employees and our 2023 Benefits Trends Survey for employers highlighted the big gap in terms of priorities/expectations between employees and employers in relation to financial wellness:



What can employers do to address this gap?

We all understand that the mandatory level MPF alone is not sufficient to support our financial needs after retirement. To achieve a better savings outcome in retirement, we advocate 3 key themes – save early, save more and get higher returns.



Low hanging fruit for employees to save early and save more

We are referring here to Tax Deductible Voluntary Contributions (TVCs) and Special Voluntary Contributions (SVCs).

- **Tax Deductible Voluntary Contributions (TVCs):**

Launched in 2019, TVCs are the ONLY type of MPF voluntary contributions that are entitled to a tax deduction. The deduction limit is up to HKD60,000 per tax year (being an aggregate limit for TVCs and qualifying deferred annuity policies (QDAP) premiums). TVCs have the same withdrawal and preservation requirements as for mandatory contributions. As of 31 March 2023, there were over 68,000 TVC accounts, and TVCs accounted for 2% of all MPF assets. About one-third of these accounts are held by MPF scheme members below age 45, showing that many young scheme members attach importance to early tax-efficient retirement planning.

- **Special Voluntary Contributions (SVCs):**

SVCs is simply a contribution arrangement where employees can choose how much to contribute and when to contribute (including suspending or resuming contributions). Note that there are no tax benefits for SVCs. Account balances can be withdrawn at any time. The key advantage of SVCs is their flexibility. The disadvantage versus TVCs is that there is no tax deductibility.

Employee personal choice of MPF providers	TVC	SVC
Preserved in MPF?	✓	✗
Withdraw on employment termination?	✗	✓ Anytime, regardless of employment status
Tax benefits?	✓ Up to \$60,000 tax deduction per tax year*	✗

*In aggregate every tax year of the total of Tax-deductible Voluntary Contribution Account (TVC) and Qualifying Deferred Annuity Policies (QDAP)

Employees can make TVCs and/or SVCs with any provider they choose and in whatever manner they choose (lump sum, monthly contributions, etc.). The flexible manner in which these contributions can be made also means that TVCs and SVCs should make it easier for employees to start/reinforce their saving habits/discipline and also to take advantage of potential lower management fees in the MPF environment.

Although they are both personal saving programmes, employers can play a more proactive role in partnering with consultants or their MPF brokers to provide briefing sessions and flyers to remind employees about these retirement savings opportunities and the latest offers available from MPF providers.

Higher investment returns through better fee rebates and consolidation of MPF accounts

Employers (often with the help of their consultants or MPF brokers) can help negotiate better fee terms from their MPF providers. A higher fee rebate will directly contribute to a higher investment return. Employers should also review MPF providers regularly to ensure the provider(s) selected are providing adequate investment fund choices and are achieve good returns for their employees.

Another easy way to enhance investment returns is for employees to consolidate their Personal Accounts such that they can review and possibly adjust their investment strategy more easily..

Please contact us if you need more objective assistance with any of the above.

Other MPF resources

Member education resources

Given the defined contribution nature of the MPF scheme, it is vital to provide sufficient member education so that employees can obtain the best value from their contributions and their employer contributions.

At WTW, we are keen to provide regular short educational articles to members on hot topics and recent events. Recent articles published by WTW are available on MPFexpress [\[Click Here\]](#). Visit our website to find out more.

Article	Content
Switching MPF Funds too frequently is likely to be counterproductive	Due to the long-term nature of Mandatory Provident Fund (MPF) investments and the fact that funds can only usually be accessed upon retirement, many members do not actively manage their MPF portfolios. As a result, MPF providers often remind members to review their investment portfolios and make adjustments when necessary. A recent survey has shown an increase in the number of members who made changes to their MPF investments during the pandemic. However, frequent switching of MPF funds may not necessarily lead to better returns in the longer run.
Understanding the MPF arrangements for overseas employees	Being an international trade and finance centre, Hong Kong is home to many overseas employees across many different business sectors. Whether employers arrange for foreign employees to apply for work visas under Section 11 of the Immigration Ordinance or import foreign workers through the government's Supplementary Labour Scheme (SLS), understanding and becoming familiar with the MPF scheme is crucial.
MPF schemes are also offering ESG funds	In case you were not aware, ESG funds have recently been introduced by some providers within the MPF market, and some existing MPF funds have been transformed into ESG-themed funds. This move provides members with more investment options generally and it caters to those whose investment preference is to follow this latest investment market trend.
Refining MPF benchmarks – a more valid measure of your MPF's performance	Members evaluate MPF fund performance in different ways. Some compare against Hong Kong or US stock market performance, whilst others take a simpler approach and see whether a positive or negative return has been achieved. However, a more legitimate method to evaluate fund performance and determine if the manager has outperformed or underperformed is to compare against asset class benchmark performance.

MPF market share

Do you know how your MPF sponsor ranks in terms of the market share within the entire MPF market? This information is available on MPFexpress [\[Click Here\]](#). This section provides the latest MPF market distribution information and helps you understand the relative MPF asset sizes of different sponsors in the MPF market.

Highlight of investment performance up to 30 September 2023

The annualised performance over 1-year and 5-year periods ended 30 September 2023 of each MPF fund type was as follows:

Performance ended 30 September 2023		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.
Mixed Assets Funds	Equity content > 80% Funds	13.7	11.9	8.5	1.8	0.4	-1.0
	Equity content 60% - 80% Funds	11.9	9.3	6.5	1.4	0.1	-1.4
	Equity content 40% - 60% Funds	7.5	5.9	3.9	0.4	-0.5	-1.4
	Equity content 20% - 40% Funds	5.5	3.6	1.8	-0.3	-1.1	-1.8
Default Investment Strategy Funds	Core Accumulation Funds	12.4	11.4	10.6	3.9	3.3	2.3
	Age 65 Plus Funds	3.5	2.7	1.9	0.8	0.5	0.2
Equity Funds	Hong Kong Equity Funds	8.9	2.4	-1.6	-0.6	-5.2	-8.2
	Hong Kong Equity (Index Tracking) Funds	7.2	5.9	3.3	-4.9	-6.2	-6.8
	China Equity Funds	6.5	2.2	-4.0	-4.9	-6.8	-9.3
	Greater China Equity Funds	8.7	3.5	1.1	1.6	-0.7	-4.5
	Asian ex Japan ex HK Equity Funds	6.2	5.8	5.6	-0.2	-0.7	-0.9
	Asian ex Japan Equity Funds	12.6	7.2	5.9	1.3	-0.9	-5.0
	Pacific Basin ex Japan Equity Funds	16.9	8.7	4.2	4.5	-0.7	-6.2
	Global Equity Funds	25.2	18.3	13.6	6.4	3.8	1.3
	United States Equity Funds	22.9	19.0	15.1	8.2	7.0	5.5
	European Equity Funds	28.0	25.3	22.9	5.3	2.5	0.2
	Japanese Equity Funds	27.5	25.8	24.4	3.4	2.4	1.4
Bond Funds	Hong Kong Dollar Bond Funds	2.7	1.8	1.1	0.6	0.3	-0.4
	Asian Bond Funds	11.6	4.9	2.1	0.4	-0.7	-2.3
	Global Bond Funds	3.0	0.1	-2.0	-0.9	-2.5	-4.1
	RMB Bond	1.6	1.1	0.7	1.8	1.0	0.6
Money Market Funds	MPF Conservative Funds	3.2	2.6	1.5	1.7	1.0	0.4
	Hong Kong Dollar Money Market Funds	3.1	3.0	3.0	0.8	0.8	0.8
	RMB and HKD Money Market Funds	1.3	0.6	-0.2	1.6	0.7	0.2
Others	Guaranteed Funds	4.1	1.7	-0.1	0.7	-0.4	-2.3

Source: Based on unit price information downloaded from MPFA website

As of 30 September 2023

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 WTW 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.

About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success - and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).



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The WTW logo, consisting of the lowercase letters 'wtw' in a bold, purple, sans-serif font.