



Achieving retirement savings goals through tax-deductible voluntary contributions

The latest HSBC Quality of Life Report revealed that the ideal retirement savings amount of respondents in Hong Kong is HKD 8.6 million.

However, based on current savings levels, there is a gap of HKD 6.37 million or 74% required to achieve this goal. As such, it is fairly evident that members will not be able to achieve this savings goal based on their current savings strategy and must therefore seek alternative ways of approaching retirement.

Delaying retirement enhances security

Although there is significant work pressure in Hong Kong, many members wish to retire early. However, the retirement age has a profound impact on retirement savings.

The earlier a person retires, the shorter the accumulation and compounding period for retirement savings, which means a longer period of using retirement savings to cover post-retirement expenditure.

Let's consider a 30-year-old male who retires at age 60. He will have a 30-year accumulation and compounding period to age 60. Based on the average life expectancy for a 60 year old male of 84, his retirement savings will need to cover post-retirement expenditure for 24 years. If retirement is delayed to age 65, say, the accumulation period increases to 35 years, and the post-retirement period decreases to 19 years. Therefore, delaying retirement, if feasible in terms of health, can significantly improve the efficiency of one's retirement savings.

Mandatory contributions provide only a basic level of retirement security

In addition to possibly delaying retirement, members should consider increasing their retirement savings beyond the mandatory minimum level within the Mandatory Provident Fund (MPF) system. The objective of the MPF system at its simplest "mandatory" level, is to provide basic retirement income security. It is not intended to provide a retirement lifestyle equivalent to that enjoyed immediately prior to retirement. For example, with a monthly contribution of HKD 3,000 (the combined employer and employee mandatory contribution limit), and assuming an average return of 3.7% per annum (the average return of MPF mixed asset funds since inception), the accumulated balance after 40 years would be around HKD 3.3 million, less than a half of survey respondent's ideal target amount. To achieve this amount using the same investment return and timeframe, retirement savings contributions would need to increase to approximately HKD 8,000 per month.

Tax-deductible voluntary contributions - a suitable retirement savings vehicle



If one decides to increase monthly retirement savings, it is important to consider the suitability of the retirement savings vehicles that are available.

In addition to having a wide range of investment fund choices, it is important that fees and costs are reasonable and there is flexibility to allow for the easy adjustment between fund choices to allow for changes in members' risk tolerance. Among the many investment choices, Tax-deductible Voluntary Contributions (TVCs) is a vehicle within the MPF system which meets these criteria. According to data from the MPFA (Mandatory Provident Fund Schemes Authority), there were approximately 68,000 TVC accounts at March 31, 2023, representing 79% growth since inception in 2019. Of these, one-third of TVC accounts are held by members under 45 years old, indicating the significance and recognition of TVCs among the younger workforce.

Tax benefits and low-cost characteristics

TVCs are tax-deductible, allowing members the ability to reduce their

tax liability. The tax-deductible limit in any tax year is currently HKD 60,000 (in combination with qualified deferred annuity premiums). Additionally, TVCs are subject to the same withdrawal rules as MPF mandatory contributions and, being part of the MPF system, they enjoy similar benefits, such as low fees and a wide range of investment fund choices.

The annual tax deductible limit effectively translates to a monthly contribution of HKD 5,000, although most policies allow members to contribute in a flexible way during the tax year. If this amount is taken together with the mandatory minimum MPF contribution of HKD 3,000 (making HKD 8,000 per month in total), the target retirement savings of HKD 8.6 million mentioned by survey respondent is achievable based on the aforementioned timeframe and investment return assumptions.

If members are not yet participating in TVCs, they should consider this opportunity and take advantage of the tax deductibility and enhance their retirement security.



以可扣稅自願性供款 達成退休儲蓄目標

《2023年匯豐生活品質報告》顯示，香港受訪者理想的退休儲蓄金額為860萬港元。

但按目前的儲蓄水平，距離這個目標存在637萬港元或74%的差距。由此可見，成員以目前的儲蓄方式不能達成其退休儲蓄目標。他們必須尋找更多有效的儲蓄方式。

延遲退休有助提升安全感

雖然香港的工作壓力較大，很多成員希望儘早退休，但退休年齡對退休儲蓄目標影響深遠。越早退休，代表退休儲蓄累積及複息滾存的年期越短，換句話說動用退休儲蓄應付退休開支的時間則越長。以一位30歲的男士為例，假如他在65歲退休，儲蓄累積及滾存年期便有35年，以平均預期壽命為84歲計算，退休儲蓄只需應付19年的開支。如果退休年齡提前至60歲，累積年期便會縮減至30年，開支年期則會增加至24年。由此可見，於身體狀況許可下延遲退休，能大大提升退休儲蓄的效率。

強制金供款只提供基本保障

此外，成員可以增加強積金之中強制性供款以外的退休儲蓄金額及方式。強積金強制性供款的目標，只是為成員提供基本的退休生活保障，不能保障成員可享有等同退休前的生活水平。以每月供款3,000港元(即僱主及僱員合計強制性供款上限)為例，每年回報3.7%(即自強積金成立起混合資產基金的每年平均回報)計算，40年後的滾存金額大約330萬港元，不及上述調查所得數字的一半。若要達致調查的目標，以同樣的回報及年期計算，每月供款需遞增至大約8,000港元。

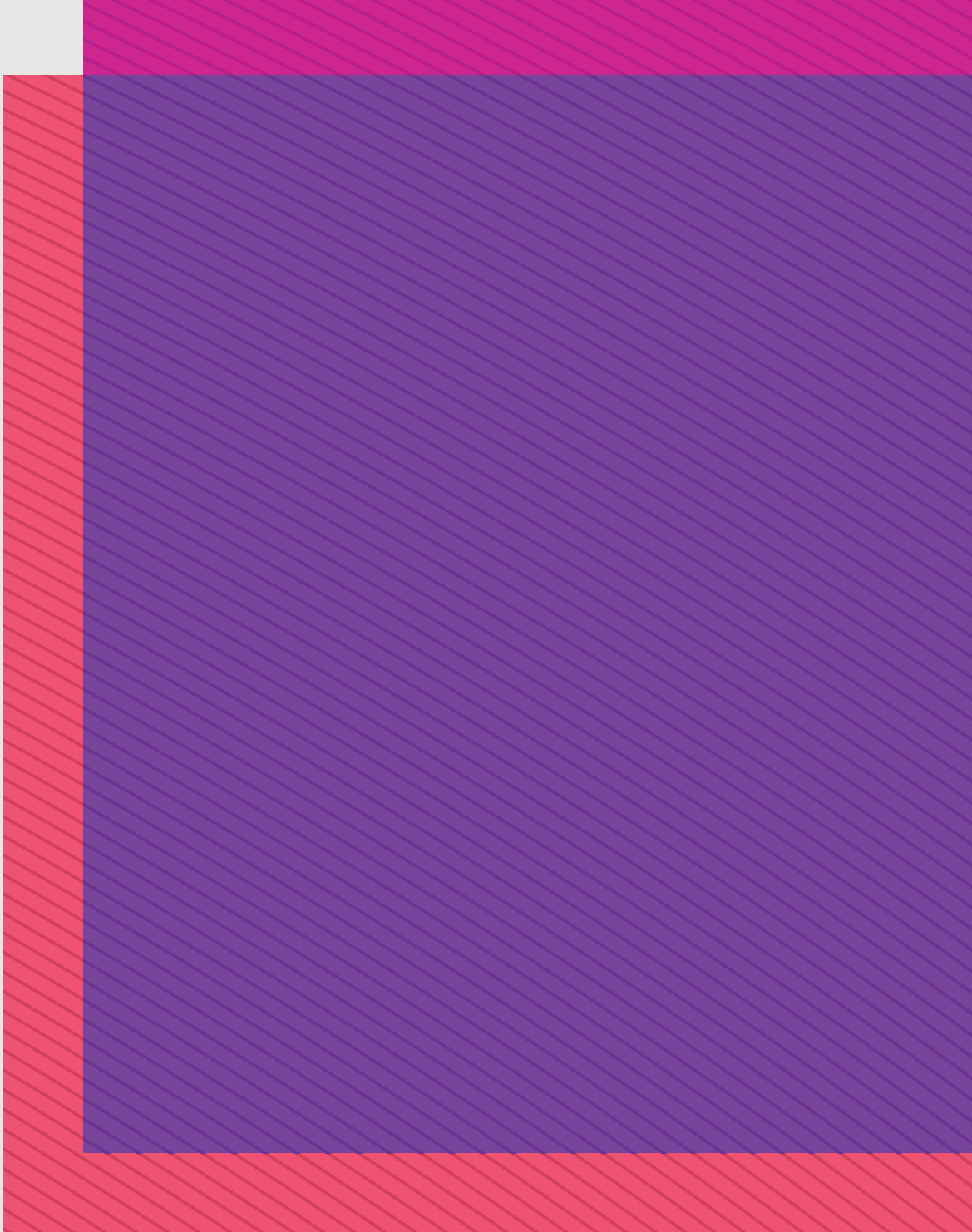
TVC屬於合適的退休儲蓄工具

當然，額外的退休儲蓄也需要尋找合適的工具，除了擁有廣泛的投資選擇以外，更重要是成本合理，並能輕易地調整投資組合以適應成員風險承受水平的變化。眾多投資選擇中，強積金可扣稅自願性供款(TVC)是一種符合上述條件的工具。根據積金局的資料，截至2023年3月31日，TVC帳戶數目共約68,000個，較推出第一年(即2019年)錄得79%的增長，而當中三分之一的帳戶更是由45歲以下成員持有，可見TVC深受打工仔的重視及認可。



具備扣稅及低成本特性

TVC具備扣稅特性，根據成員的稅階可以削減一部分繳稅的金額。此外，TVC屬於強積金體系的一部分，故能夠享受強積金制度的好處，包括低成本以及投資選擇廣泛等。雖然TVC的提取限制與強積金強制性供款相同，以每個課稅年度投資60,000港元作為扣稅額的上限為例(註：課稅年度是指每年4月1日至3月31日，上限需要和合資格延期年金保費合計)，即每月供款5,000港元，加上每月3,000港元的強制性供款，按上文提及的年期及回報計算，即可達致調查提及的退休儲蓄目標。如果成員仍未參與TVC的話，可以把握這個既可扣稅又可提升退休保障的機會。



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