

Spotlight On Retirement

HONG KONG



ASIA RETIREMENT SERIES



**SOCIETY OF
ACTUARIES®**



Spotlight on Retirement: Hong Kong

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Executive Summary

Hong Kong is going through a rapid demographic transition. The population will continue to age at an accelerated rate in the next 20 years. Along with demographic changes, life expectancy is increasing, while the birth rate is continuing to decline. These trends result in a shrinking population, especially among young workers. Changing socioeconomic dynamics have also resulted in smaller households across the region. The traditional cultural practice of younger family members supporting the elderly is giving way to socioeconomic and cultural pressures.

It took 20 years for Hong Kong to turn from an aging to an aged market, but it will turn from an aged to super-aged market in fewer than 10 years. This rapid pace allows insufficient time for the government and households/individuals to prepare effectively. By comparison, the United Kingdom and the United States will take 80 years or more to evolve from aging to super-aged markets. While this extended time span will allow for more preparation, there is doubt even this longer period will be sufficient.

Hong Kong's pension system is relatively comprehensive, but with only a relatively low level of protection. The current pension system is facing great pressure to provide adequate coverage and income replacement to retirees. The need for a comprehensive, adequate, and sustainable retirement and pension system has never been greater than now.

The research project jointly undertaken by LIMRA and the Society of Actuaries (SOA) provides in-depth information about the current as well as the future state of retirement in Asia overall and eight of its regional markets. The data delineate significant areas of opportunity for the industry.

Second in the series, the Hong Kong consumer study suggests that:

1. The confidence level of Hong Kong residents to live a stable and comfortable retired life is low; only 37 percent of respondents expect to have enough savings to last until the end of retirement, and only 43 percent think they will be able to live the retirement lifestyle they want.
2. Eighty-nine percent of respondents have taken at least one step to plan for retirement, although 65 percent do not have a formal written plan for managing income, assets, and expenses during retirement. In addition, more than half (57 percent) of the respondents do not work with financial professionals when making household financial decisions.
3. Fifty-seven percent of respondents regret delaying saving for retirement, and 82 percent expect a gap in retirement funds when they turn age 60. Furthermore, most have a tendency to underestimate their life expectancies, which means the funding gap is much wider than anticipated.
4. In view of the low-tax and low-social-benefit environment, Hong Kong residents do not currently expect much from their social pension and employers. Fifty-two percent of respondents consider retirement planning to be their own responsibility rather than that of the government, employers, or even family members. We can expect that the consumer themselves will search out ways to accumulate funding for retirement.
5. The financial institutions still have significant opportunities in the retirement market, as 70 percent of the respondents stated they do trust financial institutions with their money.
6. Guaranteed lifetime income is the most preferred product feature. Seventy-three percent of respondents are willing to convert a portion of assets into annuities to generate retirement income.

Introduction

The impacts and challenges brought on by an aging population are becoming increasingly serious for the Hong Kong Special Administrative Region (HKSAR) government and people.

Hong Kong, popularly known as the Oriental Pearl, is a major financial center of the East. One of the “Four Asian Tigers” in the decades leading up to the millennium, Hong Kong’s economy started to take off in the 1970s, and the “Golden 10 Years” laid a solid foundation for its industrial economy. Today, it remains one of the most economically developed regions of Asia.

However, one of the region’s most prominent drivers of economic growth, Hong Kong was hit hard by the global financial crisis in 2008. Prior to the crisis, economic growth was largely built on the sophisticated banking and financial services industry. It flourished through innovation policy, a lower tax rate, and a liberal policy on capital inflows or outflows. Once again, this friendly environment has helped the financial sector recover, accounting for as much as 17.7 percent of gross domestic product (GDP) as of 2016, and strengthened Hong Kong’s position as one of the most important financial centers of Asia.

The economic growth of decades brought with it many social and economic challenges, including a widening gap between the rich and the poor, inflated housing prices, and rapidly changing demographics. Together, these factors represent a significant stress on the pension system.

Aging is an inevitable global phenomenon, and eventually most markets will face its challenges. In fact, Hong Kong as a market has already started aging. According to the Hong Kong Special Administrative Region (HKSAR) government 2016 demographic statistics, the total population of Hong Kong was close to 7.34 million, of which 17 percent were age 65 and over. Given the declining birth and mortality rates, along with increasing life expectancy, the aging population of Hong Kong will significantly increase. According to the Census and Statistics Department (C&SD) of the HKSAR Government, the proportion of the elderly population is likely to exceed 31 percent in 2036.





Unlike some European countries and the United States, Hong Kong is not a universal welfare society, and a significant proportion of the aged today did not have high incomes when they were young. Consequently, they receive extremely low pensions now, and their post-retirement life is extremely difficult due to old-age poverty.

At present, the HKSAR Government continues to deal with the social security problem brought about by the aging population, but a lot more needs to be done. This need will undoubtedly increase the financial pressure on the government. Xinhua News Agency Hong Kong station issued a document on February 5, 2017, from the HKSAR Labor and Welfare department. In the report, Acting Secretary Stephen Siu Wai-keung said that the recurrent expenditure on the elderly (including elderly services, medical care, and social security) rose from HK\$42.1 billion to HK\$65.8 billion in the past four years, an increase of 56 percent.

The accelerating aging population, the decreasing working population, and the increasing burden of working-age dependency will undoubtedly exert tremendous pressure on the government and people (working labor and retirees). The need for a comprehensive, adequate, and sustainable retirement and pension system has never been stronger. This study aims to identify how consumers are planning to deal with their upcoming or current retirement challenges and what their aspirations are. This study is an extension of the China retirement study of 2015 – 2016 that was a collaboration between the Society of Actuaries and LIMRA.





About the Survey

The Hong Kong retirement study is a collaborative research project of the Society of Actuaries (SOA) and LIMRA. It aims to provide insight into the consumer perception of retirement across Hong Kong market covering a sample of 762 respondents. This study is the second in a series covering eight markets; the first covered mainland China.

The Hong Kong retirement study provides insights into the consumer perception of retirement across the Hong Kong market. The study targets three segments, “Young Workers” (30–45 years), “Pre-retirees” (46–60 years), and “Retirees” (60+ years). Young workers are essentially at an early stage of their careers and planning for marriage or planning to start a family. Pre-retirees are gradually approaching their retirements and planning to start saving for their future financial security, and retirees are either retired or are likely to retire soon (see Table 1).

The data were collected through online responses. This study focuses on the attitudinal differences across different regions, sub-regions, age bands, and genders to help insurers or financial organizations prepare the right solutions to address the future needs of consumers.

The study also highlights consumers’ levels of preparedness, retirement readiness, current and future income sources, risk tolerance, and preference of products and product features.

The study covers a sample of 762 online respondents divided into three sub-regions (see Table 2).

Since the intent was to gather a sample representative of the target market for insurers and other financial institutions, the study covers multiple sub-regions (see the Appendix).

The study also includes quotas based on income levels and other parameters to ensure better quality of data. Please note that the name “Hong Kong” refers to overall Hong Kong numbers and not Hong Kong Island.

Since the data from the consumer study are based on consumer perception, they may differ from reality.

Table 1 — Age Group

TOTAL Hong Kong	762
Young Workers: 30–45 years	315
Pre-Retirees: 46–60 years	267
Retirees: 61–75	180

Source: LIMRA-SOA Retirement Study, 2017.

Table 2 — Sub-regions

TOTAL Hong Kong	762
Hong Kong Island	252
Kowloon	254
New Territories	256

Source: LIMRA-SOA Retirement Study, 2017.

Demographic Transition

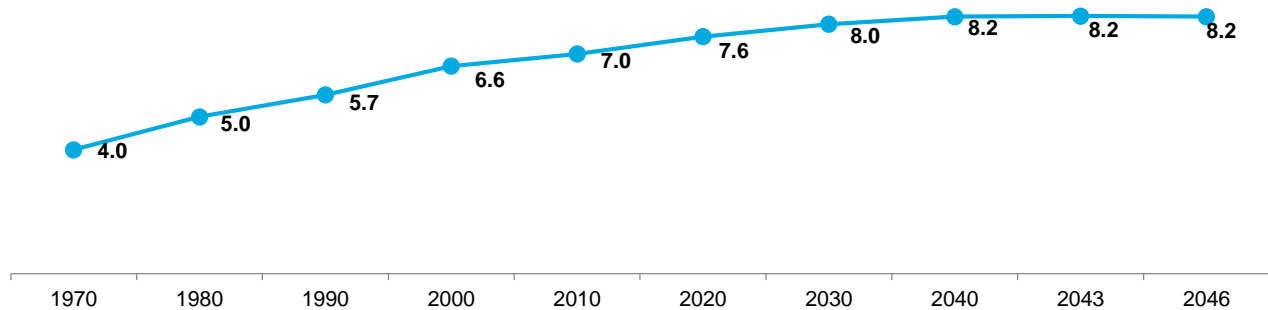
Aging Population

In the second half of the 20th century, the Hong Kong economy experienced a significant evolution and an increase in population. In the 1950s and 1960s, the economy gradually shifted from entrepot trading to export trading. Then, during the 1970s, Hong Kong started diversifying its economic growth engine. During those decades, the population rapidly increased from 1.5 million in 1950 to more than 5 million in 1980. By the end of 1995, Hong Kong had a population of 6.18 million. As of mid-2016, the total population of Hong Kong is close to 7.34 million.

The strong economic growth in Hong Kong has benefited greatly from the demographic dividend for decades. As the population ages, the demographic dividend has gradually become a burden on the population, raising various issues, and the challenge is likely to become increasingly serious over time.

However, in the future, the population is expected to grow at a slower pace. Estimates show that after peaking at 8.22 million in 2043, overall population is set to shrink to 7.72 million by 2066, while the proportion of the aged will rapidly increase. With post-war baby-boomers entering old age, the projection of the elderly population age 65 and above will more than double in the next two decades. The population of Hong Kong will continue to age rapidly in the next 20 years.

Figure 1 — Population Growth 1970 – 2046 (in millions)



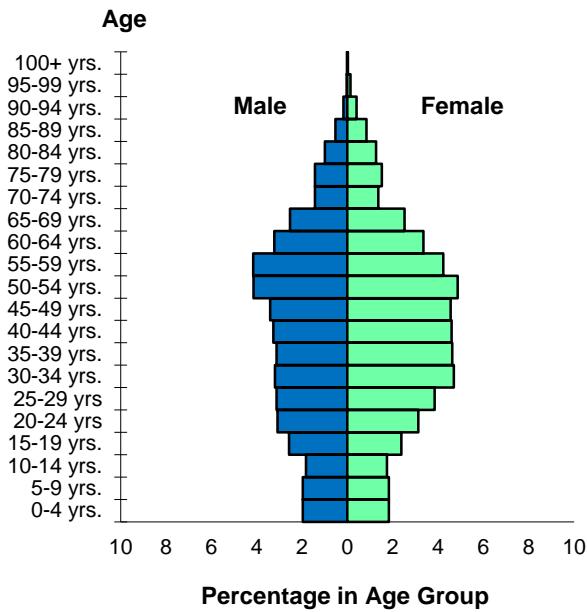
Source: Census & Statistics Department of Hong Kong SAR, 2017.

The population of Hong Kong will continue to age rapidly in the next 20 years.

The extent and pace of demographic transition is reflected in population pyramids. The population pyramids exhibit the distribution of various age groups in Hong Kong by gender across years 2015, 2030, and 2050. There is an obvious trend toward a top-heavy pyramid, which illustrates a rapid increase of the aging population.

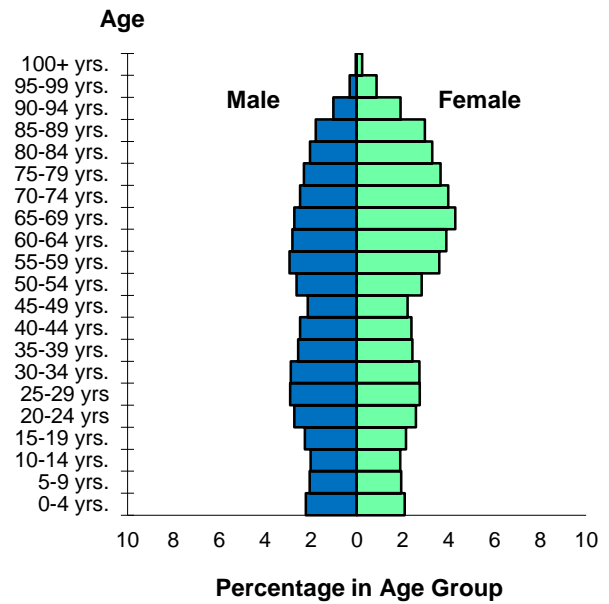


Figure 2 — Population Pyramid of Hong Kong: 2015



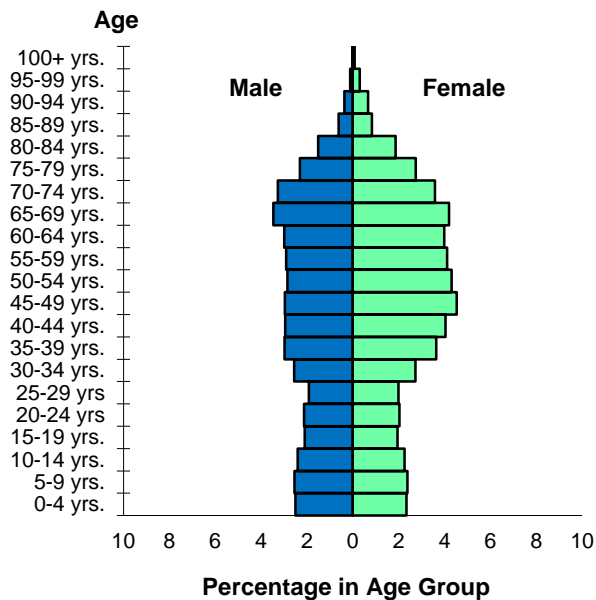
Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 4 — Population Pyramid of Hong Kong: 2050



Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 3 — Population Pyramid of Hong Kong: 2030



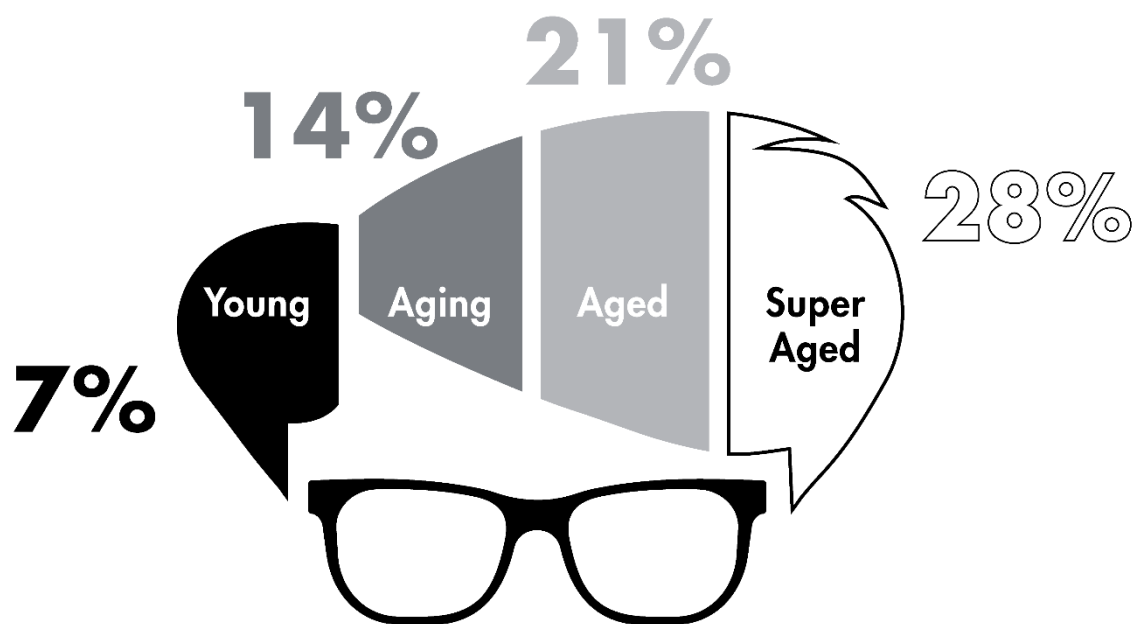
Source: UN Population Division — 2017 data, LIMRA International Research.



Another important aspect to consider is the speed of these changes. As the population pyramids demonstrate, Hong Kong's population is experiencing an accelerating speed of aging. The market took 20 years to transition from aging to aged, but will turn from aged to super aged in fewer than 10 years. This rapid pace is astonishing even in Asian countries, not to mention countries like the United Kingdom and the United States that will take around 80 years or more to move from aging to super aged. A slower pace of aging allows both governments and individuals more time to prepare for the coming challenges.

To measure the pace of aging, the study analyzed how many years each market in four sub-segments took to cross a demographic threshold:

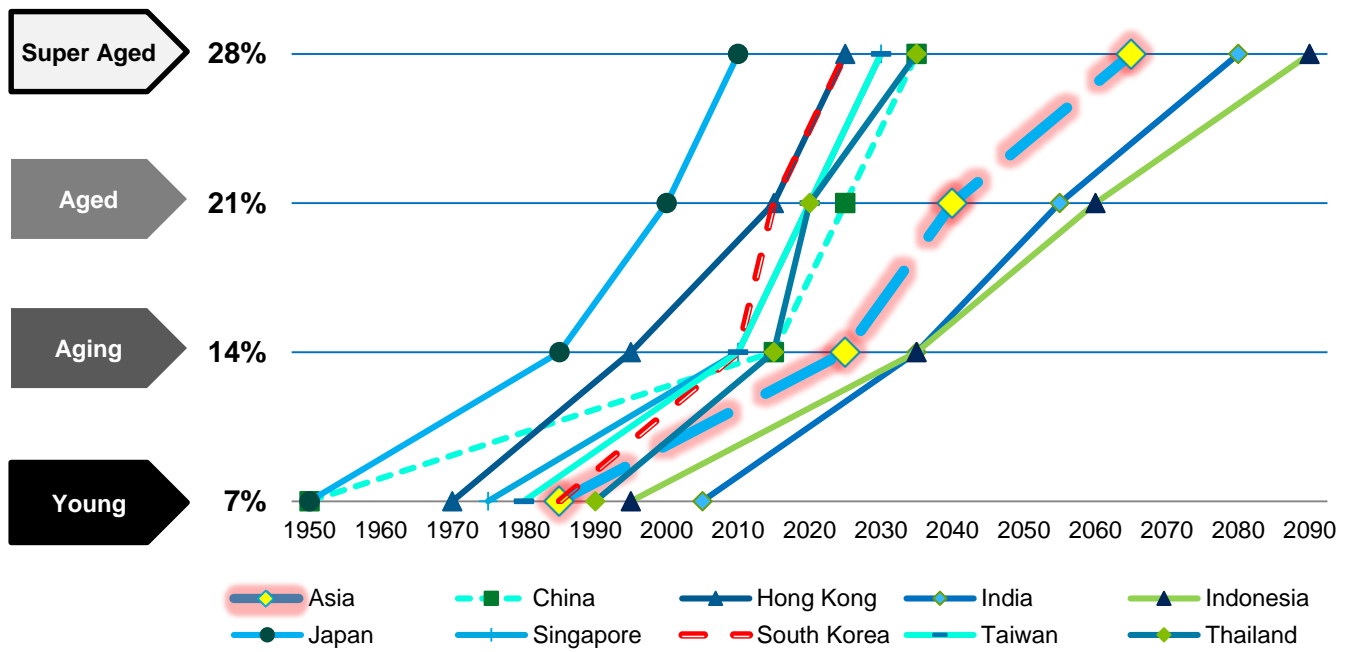
- Young — proportion of age 60+ crosses 7 percent of the total population
- Aging — proportion of age 60+ population crosses 14 percent of the total population
- Aged — proportion of age 60+ population crosses 21 percent of the total population
- Super Aged — when the proportion of age 60+ population crosses 28 percent of the total population



When the proportion of age 60+ versus the total population crosses the threshold of...



Figure 5 — Phases of Demographic Transition

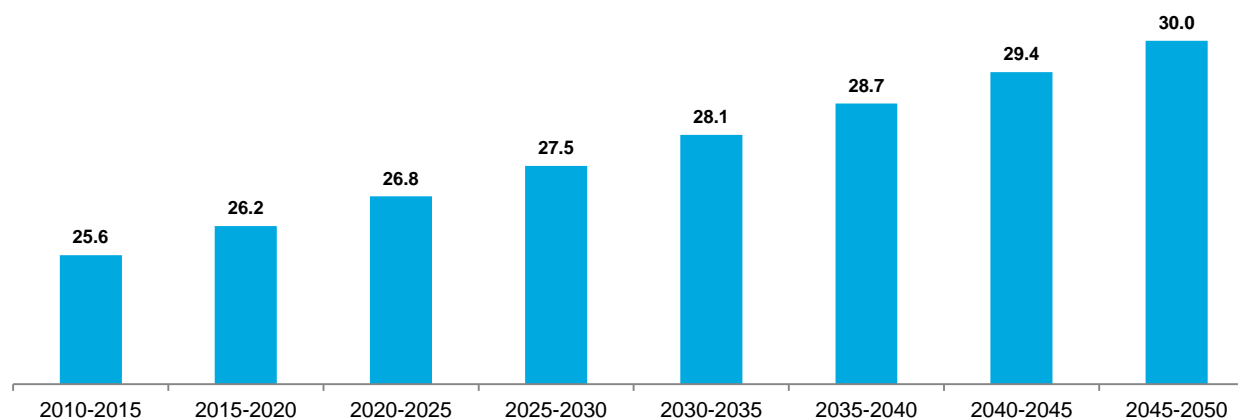


Source: UN Population Division — 2017 data, LIMRA International Research.

Life Expectancy, Birth Rates, and Size of Households at Age 60

The death rate in Hong Kong continued to decline between 1996 and 2016, leading to an increase in average life expectancy. According to the UN population division, the overall average life expectancy at age 60 for Hong Kong was 25.6 years in 2010-15, and it is likely to rise to 30 years by 2045-50. This trend means most people are likely to spend close to 30 years in retirement or live until the age of 90. For women, the average life expectancy at age 60 is expected to rise to 33 years by 2045-50 from 28.1 years in 2010-15. For men it is expected to rise to 27.1 years by 2045-50 from 23.2 years in 2010-15. With one of the highest life expectancies in the region and the world, the people of Hong Kong need to prepare well for the challenges of increasingly long lives.

Figure 6 — Life Expectancy at Age 60 (in years)



Source: UN Population Division — 2017 data, LIMRA International Research.

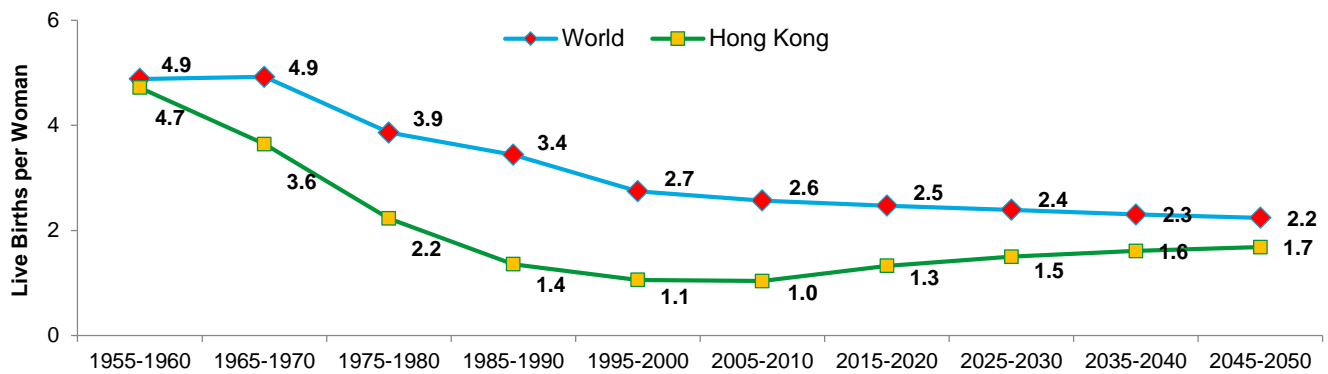
In the not too distant future, people may live up to the age of 90, and centenarians may be as common in Hong Kong as they are in other Asian countries.

According to the Census & Statistics Department of HKSAR, the total fertility rate in Hong Kong (that is, the number of births in a lifetime per 1,000 women) stood at 1,191 in 1996, below the replacement level of 2,100. It has continued to fall over the past two decades. Live births dropped to a record low of 901 in 2003. While the total fertility rate has risen in recent years — it stood at 1,205 in 2016 — it is estimated to gradually drop from the current level to 1,166 in 2066.

Estimates suggest that the population level can be sustained if the average live birthrate is around 2.1. However, according to United Nations' statistics, the birth rate in Hong Kong is only 1.03, and it is clear that the birth rate will hardly reach the replacement goal in the next 30 years. Current data suggest that Hong Kong is certain to face a decline in its overall and young population over time.



Figure 7 — Live Births per Woman



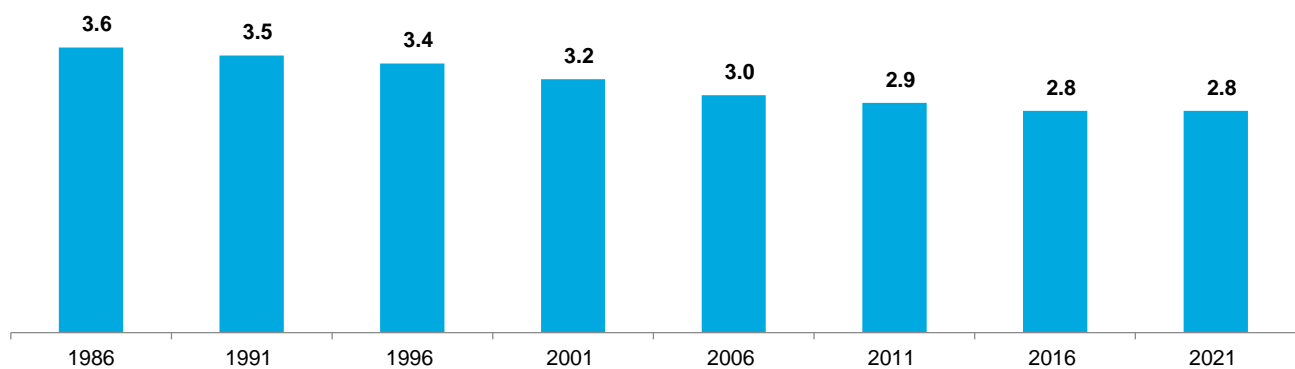
Source: UN Population Division — 2017 data, LIMRA International Research.

Hong Kong is experiencing a decline in the live birthrate, resulting in a shrinking overall population and young workforce.

Along with demographic changes, Asia is experiencing massive socio-economic changes. The majority of its markets have already moved from a traditional extended-family structure to a nuclear-family structure. However, the nuclear family structure has also been going through a transition over the last few decades. Factors like increasing divorce rates, postponing marriage, postponing children or not having them at all, and moving to different cities for work have become more and more common than ever before.

As a result, the average household size has been decreasing slowly and surely across the region. The average household size in Hong Kong has dropped from an average of 3.9 per household in 1982 to an average of 2.8 per household in 2016. It is expected to continue to drop to 2.7 in 2051.

Figure 8 — Average Size of Household



Source: Census & Statistics Department of Hong Kong SAR, 2017.

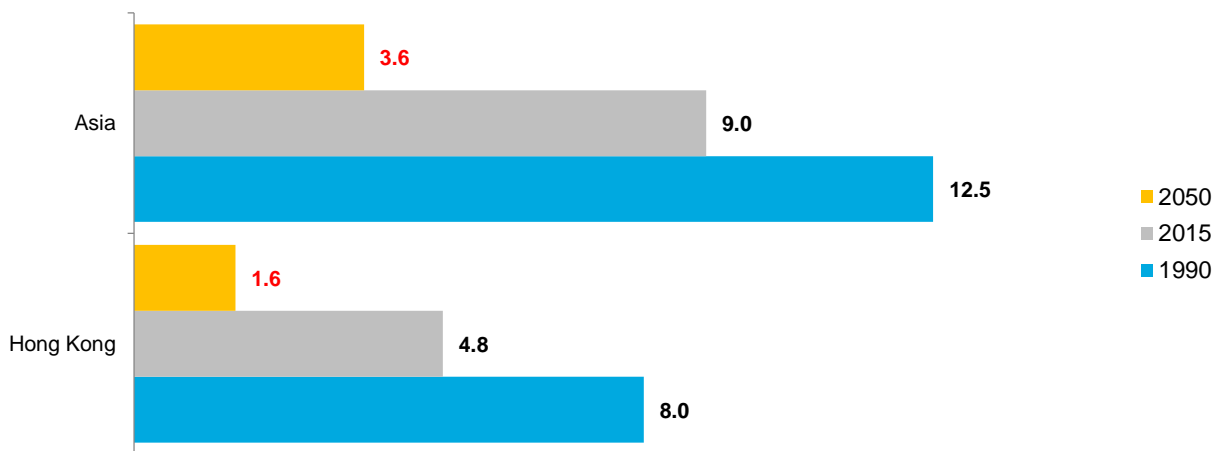
Over the decades, changing socio-economic dynamics have resulted in smaller households across the region.

The “potential support ratio” (ratio of population age 15–64 per population age 65+) is defined as the number of working people supporting the retired.

Along with the aging population, the number of working-age people supporting each elderly in Hong Kong is likely to drop from around 8.0 to 1.6.

The average size of households is set to shrink significantly across Asia, and Hong Kong is expected to be one of the most significantly affected. This trend will have a major impact on old-age support systems.

Figure 9 — Potential Support Ratio



Source: UN Population Division — 2017 data, LIMRA International Research.

Based on the updated labor force projections by C&SD¹, the total labor force (excluding foreign domestic helpers) is projected to rise from 3.62 million in 2016 to a plateau of 3.68 million in 2022. It is then expected to decrease to 3.51 million in 2038, before decreasing further to 3.13 million in 2066. The overall labor force participation rate (i.e., the proportion of the labor force in the population age 15 and over) is projected to decrease from 59.2 percent in 2016 to 49.6 percent in 2066.

¹Hong Kong population projections, 2017, www.censtatd.gov.hk/media_workers_corner/pc_rm/hkpp2017_2066/index.jsp.

Sustainability of Pension Systems

Current Pension System

At present, the HKSAR government continues to deal with the social security problem brought about by the aging population, but a lot more needs to be done. However, if the government is to contribute more, it will undoubtedly experience increased financial pressure.

By January 2017, the recurrent expenditure on the elderly (including elderly services, medical care, and social security) rose from HK\$42.1 billion to HK\$65.8 billion in the past four years, an increase of 56 percent. It is estimated that the public pension expenditures as a percentage of GDP will rise to 7.5 percent in 2050 from 4.5 percent in 2010.

The current pension systems in Hong Kong are divided into three pillars: public, occupational, and personal.

Figure 10 — Current Pension Structures of Hong Kong

THE PENSION SYSTEM IN A NUTSHELL:		
Public Pillar	Occupational Pillar	Personal Pillar
<ul style="list-style-type: none"> • Non-contributory pension, means tested (people aged 65-69) • Non-contributory flat pension, universal (people aged 70+) • Statutory Retirement Age: Men & Women: 65 	<ul style="list-style-type: none"> • Mandatory provident fund, MPF (mostly DC) • Withdrawals at age 65 • Contributions: ER 5% / EE 5% • Tax relief on contributions • Free choice options offered • Gross Replacement rate: 34.8% • Pension Assets (2013) – 37.5% of GDP 	<ul style="list-style-type: none"> • Fairly underdeveloped • No tax incentives • Generally low tax environment

Source: Allianz Pension System Worldwide Factsheet 2015.

Pillar I: The Comprehensive Social Security Assistance Scheme, or CSSA for short, is implemented by the Social Welfare Department of the HKSAR Government. Its purpose is to provide income-earning assistance to those who are affected by age, disability, illness, unemployment, low income, or other factors. The incomes of those with financial difficulties are supplemented to meet their basic life needs.

Pillar II: The Mandatory Provident Fund (MPF) was formally implemented by the HKSAR government in 2000 to help meet the challenges posed by an aging population. Mandatory contributions to MPF schemes are made by employers and employees with contributions of 5 percent based on employees' incomes. There are upper and lower limits for contributions.



Employees earning less than HK\$7,100 can choose not to contribute. However, employers still need to pay 5 percent if the monthly income of an employee exceeds HK\$30,000, while both the employer and the employee must pay 5 percent of the ceiling of the employee's income of HK\$30,000. When the amount is exceeded, the employer and the employee may pay the fee voluntarily.

All the accrued benefits from mandatory contributions must be retained until the scheme members reach retirement age. Employees must reach the statutory retirement age before they can withdraw their pensions in full as a lump sum.

Although the MPF seeks to protect retirees in their later years, it is not a universal coverage system. Some non-working mothers, such as homemakers, have no MPF, and their implementation time is too short. Some retirees have little or no pension, which makes it difficult to sustain life and health needs.

The MPF personal account system is self-financing. The system is designed to lead residents to withdraw portions of their money from the fund and invest in many countries, including Australia and Singapore. However, due to the low proportion of public funds and the relatively short implementation period, it is impossible to expect this system to immediately solve the problem of providing for the aged in Hong Kong.

Pillar III: The personal pension plan. Hong Kong is a relatively low-tax environment, and lower taxes result in lower benefits. As Hong Kong goes through a rapid aging phenomenon, many financial institutions are actively introducing pension products. However, due to the low-tax environment, there is no very favorable trend in the sales and development of individual retirement products due to the stimulation of tax-free policies.

Are the three pillars of the existing pension systems strong enough to sustain the looming challenges of the aging society? The Allianz Pension Sustainability index provides an indication of a country's need for reforms to maintain long-term financial sustainability. Hong Kong is ranked 13 among 54 countries, quite a good position. However, the impact on demographics on long-term sustainability cannot be ignored.

Hong Kong's pension system is relatively comprehensive when compared to other markets, but with only a relatively low level of protection. Its multiculturalism has created a diversified social security system combining government, third-party agencies, enterprises, families, and individuals, including pension insurance, social assistance, and pension services. This diversification is designed to promote cooperation in social welfare mechanisms, integrate social welfare resources, and effectively raise the level of social welfare.

The most significant feature of Hong Kong's pension-service system is its socialization, led and dominated by the government. Non-governmental organizations take 90 percent of the pension services and mobilize people from all walks of life to actively participate in social welfare undertakings. Private welfare agencies have their own advantages and characteristics. The government also vigorously supports its development through macroeconomic control to provide better social services for the elderly.



Table 3 — Ranking of Pension Sustainability Index, Asia — Allianz

Markets	Total Score	Ranking	Demographics Ranking	Public Finance Ranking	Pension System Ranking
Hong Kong	7.1	14	43	10	13
Singapore	6.6	24	45	18	29
S. Korea	6.5	33	53	11	25
Indonesia	6.2	39	7	7	50
Taiwan	6.2	40	54	17	26
Japan	5.8	46	52	50	18
India	5.8	48	6	6	54
China	5.0	53	44	24	51
Thailand	4.9	54	47	19	52

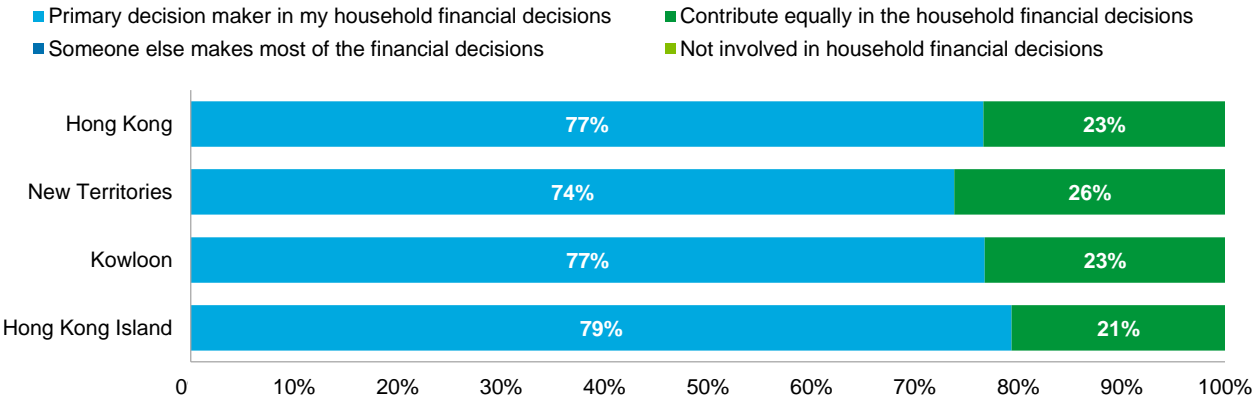
Source: Allianz Pension System Worldwide Factsheet 2015.

Retirement From the Consumer Perspective

To develop a healthy pension system, it is necessary to understand the current system in addition to consumer needs. This research incorporates feedback from the major financial decision makers in the families surveyed — those who contribute to financial decision making or those who tackle the challenges of retirement. It analyzes and compares the current status with the past to provide useful information on the market, government, and consumers.

Figure 11 — Respondents by Decision Authority

Responding to the question: How would you describe your role in making financial decisions for your household?



As Figure 12 illustrates, most respondents (89 percent) are involved in at least one retirement-planning activity. This finding shows that most people in Hong Kong have taken action to plan for retirement. Consumers are increasingly aware of the importance of retirement planning. Notably, residents in Hong Kong Island demonstrate the strongest awareness of the importance of retirement planning.

Unlike those in Asian markets who are more interested in determining what their retirement income will be, Hong Kong residents demonstrate strong interest in what their retirement expenses will be and how many years their assets will last.

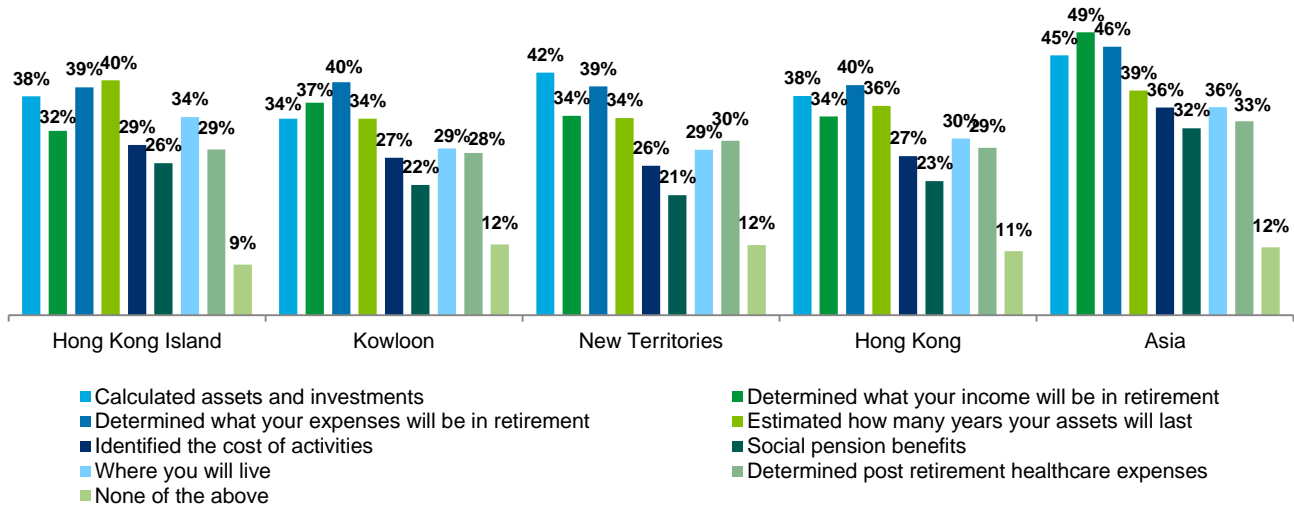
On the other hand, social pension benefits is the least-chosen initiative across all regions. This trend might be due to Hong Kong’s low-tax and low-social-benefits environment that lowers expectations of the social pension scheme.

However, despite its aged population, Hong Kongers have not implemented retirement initiatives at a rate comparable to the rest of Asia.



Figure 12 — Retirement Planning Initiatives

Responding to the question: *Which of the following retirement planning activities have you done?*

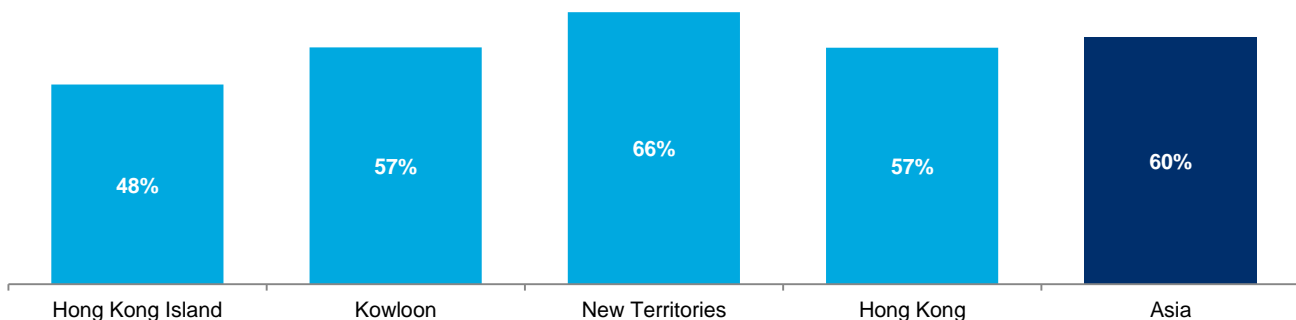


In addition, more than half of the respondents across all regions (Hong Kong Island is a little below half) indicate that they do not work with any financial professionals to help them with household financial decisions. This number is almost on par with the Asia average. The percentage across New Territories is the highest among the three regions.

In addition, those who do reach out for help from financial professionals most prefer a financial planner/advisor at a bank, followed by insurance agent / broker.

Figure 13 — Do Not Work With Any Financial Professionals to Help With Household Financial Decisions

Responding to the question: *Does your household typically work with any financial professionals to help with your household financial decisions? Results represent respondents who answered “no.”*



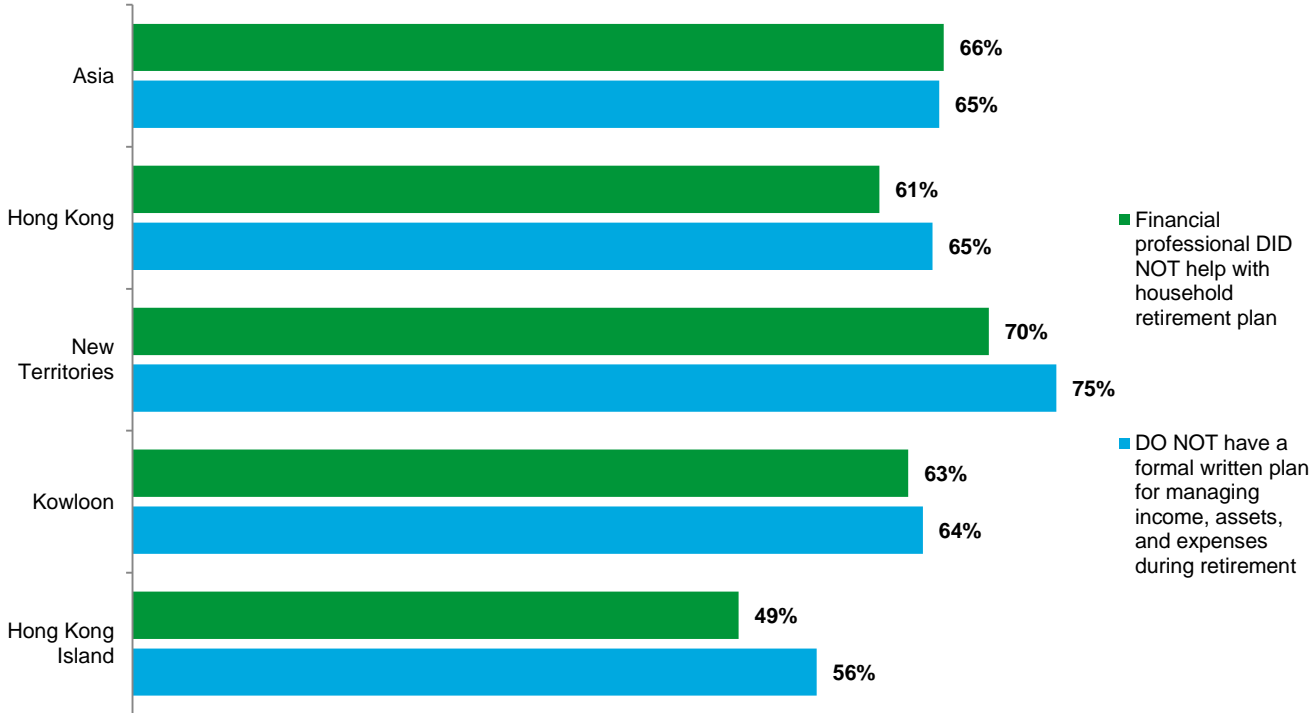
Almost 57 percent of respondents do not work with financial professionals for household financial decisions.



Similar to the Asian average, Hong Kong residents not only do not seek professional help for routine financial decisions, they also do not seek help from financial professionals for retirement planning. Sixty-one percent of respondents do not seek professional guidance for retirement planning. In addition, 65 percent do not have a formal written plan for managing income, assets, and expenses during retirement (see Figure 14). It is also alarming that pre-retirees (age 46 to 60) are the least prepared among all groups, as 73.4 percent stated that they do not have a formal written plan for managing income, assets, and expenses during retirement. Among the three regions, New Territories has the lowest preparedness with 75 percent unprepared, almost 20 percent less prepared than Hong Kong Island.

Figure 14 — Retirement Planning

Responding to the questions: *Does your household have a formal written plan for managing your income, assets, and expenses during retirement? Did a financial professional help your household create your plan?*





The reason why more than 60 percent lack a retirement plan or do not seek help from financial professionals may be found in the following retirement concerns and actions.

Table 4 — Retirement Concerns and Actions — Agree With the Following Statements

Responding to the direction: *For each of the following statements pertaining to your retirement concerns and actions, please indicate if you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree.*

	Hong Kong Island	Kowloon	New Territories	Hong Kong
Confidence Benchmark				
I will be able to live the retirement lifestyle I want	40%	43%	45%	43%
I have enough savings to last until the end of my retirement	40%	34%	38%	37%
Need Help				
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	45%	44%	45%	45%
Action Statement				
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	44%	46%	48%	46%
I am currently very involved in monitoring and managing my retirement savings	48%	51%	54%	51%
Challenge & Mindset				
It is rare to hear people talk about retirement planning in the workplace	39%	42%	37%	39%
I have/will inherit property from parents/relatives	31%	28%	21%	27%
I do not trust financial institutions with my money	31%	29%	30%	30%

More than half of the respondents are currently very involved in monitoring and managing their retirement savings. Yet, only 37 percent of them expect to have enough savings to last until the end of their retirement and less than half think they will be able to live the retirement lifestyle they want (see Table 4).

It is also worth noticing that though respondents do not seek help from financial professionals, almost half of them would like to have more information and advice from their employer on retirement savings and planning. In addition, 70 percent state they do trust financial institutions with their money. The fact that 46 percent are willing to purchase a financial product that will provide guaranteed lifetime income suggests that financial institutions would have a significant opportunity in the retirement market, if consumers had more knowledge and professional advice on suitable products.

Consumers are willing to trust financial institutions, and almost half are willing to purchase a financial product that will provide guaranteed lifetime income.

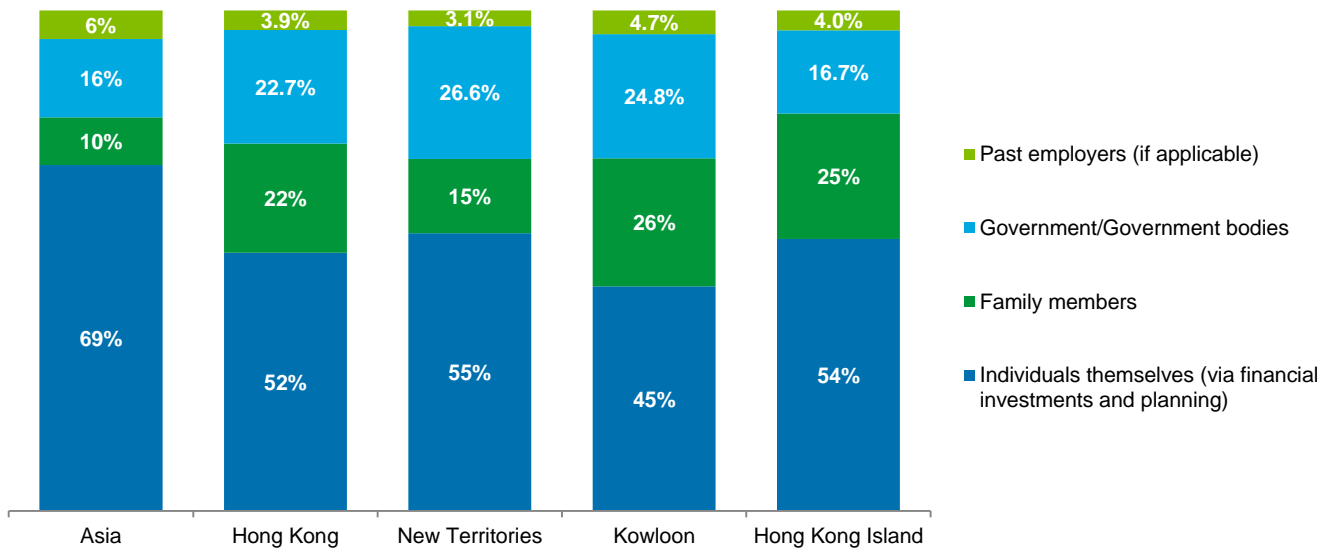
Since the No. 1 action statement of Table 4 data is, “*I am currently very involved in monitoring and managing my retirement savings,*” it is not surprising to see 52 percent of respondents consider it their own responsibility to plan for retirement and do not want to depend on family members (see Figure 15).



Notably Hong Kong people stated that they would like to depend on family members for retirement at a rate 12 percent higher than the Asia average and the highest across the Asian region. This trend is possibly driven by Chinese cultural sentiments, which stress family and family values. However, those who would like to be self-reliant still constituted the largest portion.

Figure 15 — Primary Responsibility for Providing Retirement Funds

Responding to the question: *Who should primarily be responsible for providing retirement funds?*



The majority (95 percent) of respondents depend primarily on their personal savings and investments in retirement. Social pension, full time/part time job, and life insurance follow, all at 84 percent.

While the current social pension doesn't resolve the pressures related to population aging, it nevertheless is an income source for almost 80 percent of Hong Kong pre-retirees. However, it is worth noting that young workers rely more on this income source than today's pre-retirees do.

In addition, young workers are willing to work longer, effectively ruling out retirement. They especially plan to work longer, and they are much more likely to anticipate full/part-time job earnings as an income source in retirement compared to retirees. This finding aligns with the finding that they are relatively less willing to depend on their family members for financial support either during retirement or for any kind of inheritance. Furthermore, reverse mortgages, which are relatively popular in the West, have not found too many takers and are the least anticipated source of income in retirement. This trend holds despite the fact that Hong Kong real estate prices are among the highest in the world and can deliver a significant income stream.

Table 5 — Anticipated or Current Income Source in Retirement

Responding to the direction: *For each of the following statements pertaining to your retirement concerns and actions, please indicate if you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree.*

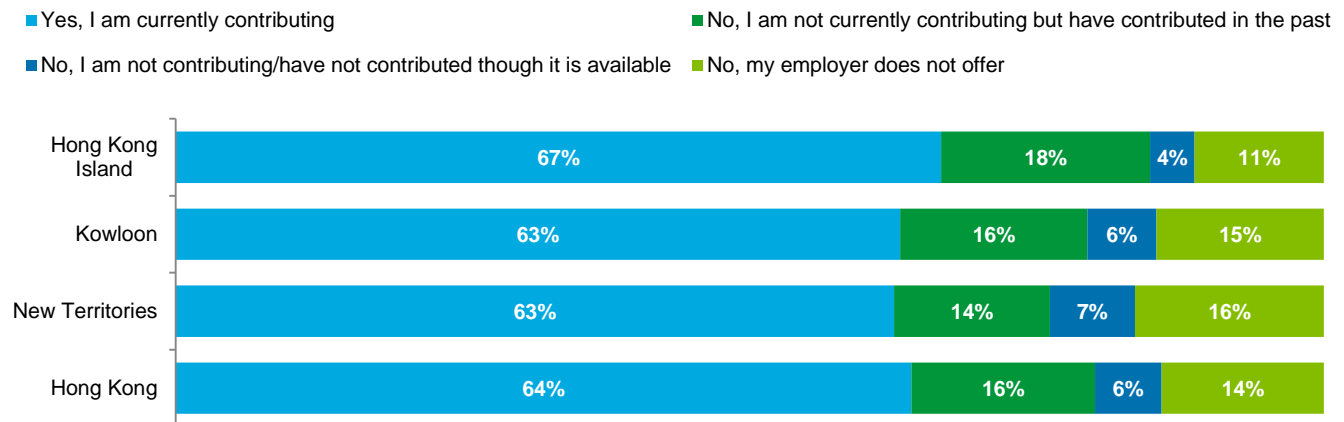
	Hong Kong Island	Kowloon	New Territories	Hong Kong
Personal savings an investments	97%	94%	95%	95%
Social pension	85%	81%	86%	84%
Rental property	71%	63%	59%	64%
Voluntary Enterprise Annuity	74%	71%	68%	71%
Full/part time job earnings	82%	84%	85%	84%
Inheritance from death of a family member	64%	57%	54%	58%
Family member assistance	70%	65%	61%	65%
Life insurance plan	85%	87%	81%	84%
Reverse mortgage	60%	59%	55%	58%

Note: Above numbers represent summed-up options of "Major Source" and "Minor Source" out of the overall options of "Major Source," "Minor Source," and "Not a Source."

Hong Kong has created a diversified social security system including employer-sponsored retirement saving plans/enterprise annuity. As a result, the majority of employees have the option of an employer-sponsored retirement savings plan. Only 14 percent of respondents said their employers do not offer employer-sponsored retirement savings plans, which is low compared to other Asian countries. Only 6 percent are not contributing/have not contributed though the option is available. The majority are either currently contributing or have contributed in the past.

Figure 16 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement Savings Plans

Responding to the question posed to those who are working full time for pay or are self-employed/family business: *Are you currently contributing or have contributed to any employer-sponsored retirement savings plans, like an enterprise annuity (or provident funds)?*



Less than half of the Hong Kong residents contribute to employer-sponsored retirement savings plans, while 54 percent of respondents stated that their retirement savings are invested outside their employer-sponsored savings plans. This trend creates an opportunity for financial institutions to play a more important role in meeting a consumer need, as employer schemes do not seem sufficient. The study also finds that pre-retirees from New Territories have the highest percentage for retirement savings outside employer-sponsored plans — 63 percent — which is about 10 percent higher than other groups.

Figure 17 — Share of Household Retirement Savings From Employer-Sponsored Retirement Savings Plans

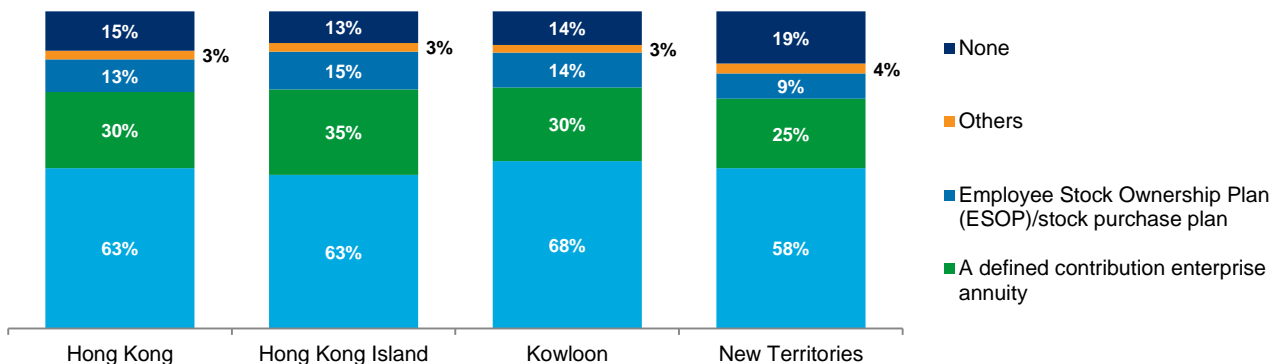
Responding to the question: *What percent of all of your household's savings for retirement are from employer-sponsored savings or outside employer-sponsored savings?*



Across all regions, the majority of respondents claim that they receive or received a traditional pension plan or a defined benefit (DB) plan from their employer, and another third benefited from a defined contribution (DC) plan. This finding demonstrates the degree of “personal pension” availability in Hong Kong. Nevertheless, 15 percent of respondents state that none of the above plans is currently available to them. In addition, pre-retirees who claim that their retirement savings are from outside their employer-sponsored savings plans have the least coverage among all age groups. New Territories has the lowest coverage compared with any other region.

Figure 18 — Retirement Plan Available Through Current Employer, Work, or Profession

Responding to the question and direction: *Which retirement savings plans are available to you through your current employer, work, or profession? Please select all that apply.*



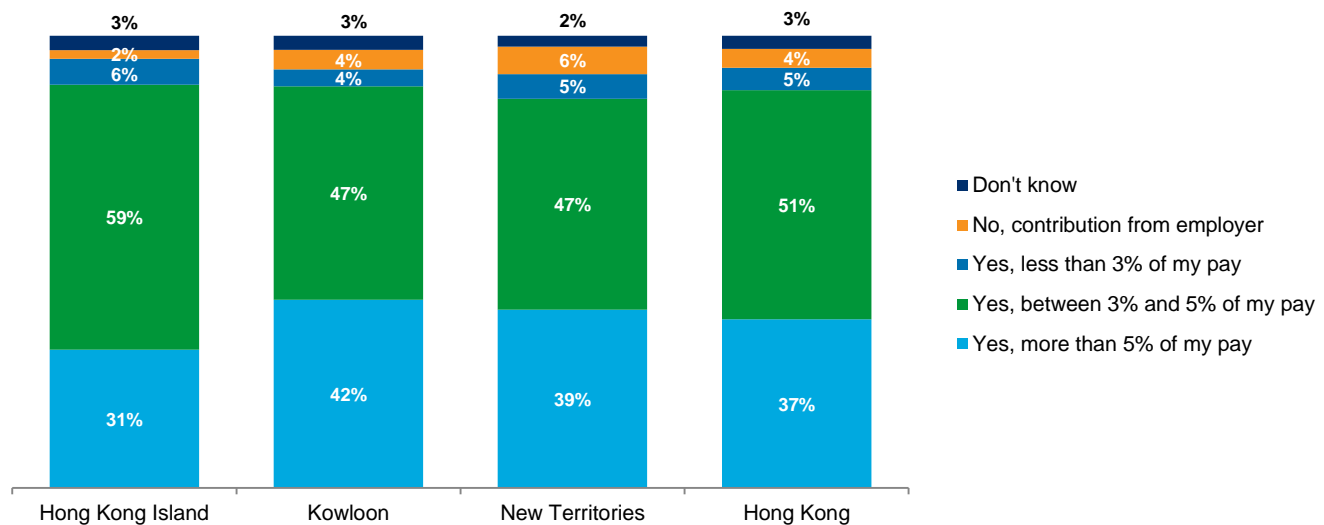
Defined Benefit: A defined benefit plan is a retirement plan that an employer sponsors in which employee benefits are computed using a formula that considers factors such as length of employment and salary history. Defined Contribution: A defined contribution plan is a retirement plan in which the employee and/or the employer contribute to the employee's individual account under the plan. The amount in the account at distribution includes the contributions and investment gains or losses, minus any investment and administrative fees. The sponsor company may match the employee contributions. The defined contribution plan places restrictions that control when and how each employee can withdraw these funds without penalties.



A majority of the employers (51 percent) across the region are matching employee DC contributions at 3 percent to 5 percent. In addition, 37 percent state their employers match contributions at more than 5 percent. This finding is in line with the MPF scheme that mandates employer matches of 5 percent based on employee income.

Figure 19 — Extent of Employer-Matching Contributions

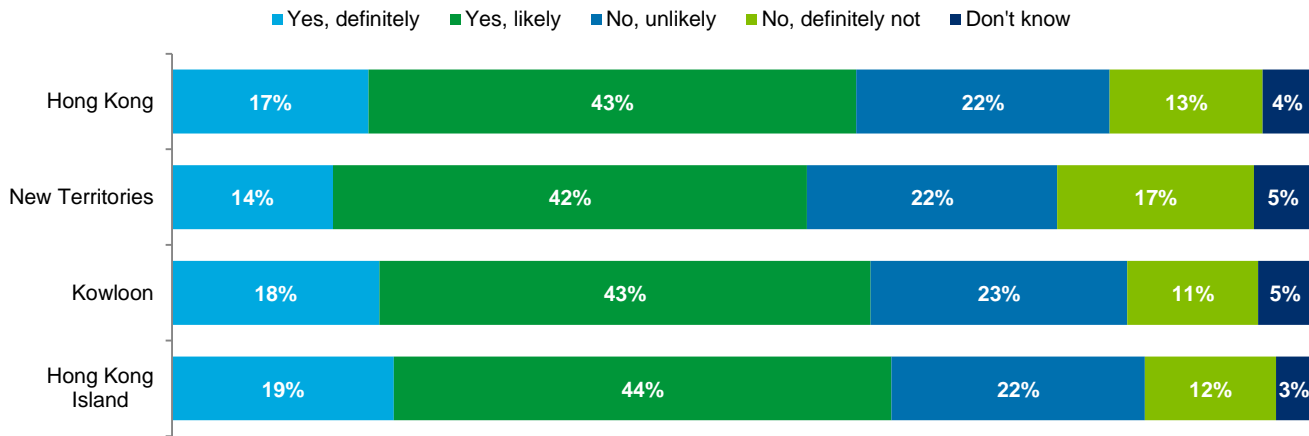
Responding to the question: *At what level does your employer currently match your contributions to the defined contribution retirement savings plan(s) it offers (e.g., 50 cents on the dollar for the first 6 percent of pay contributed)?*



Hong Kong's pension system is relatively comprehensive, but with only a low level of protection. Therefore, even though a majority enjoy a social pension and receive an employer-sponsored DB pension, 35 percent of Hong Kong people think the pension system is inadequate. Only 17 percent are very confident about its adequacy. As more than half believe it is their own responsibility to fund their retirement, we can expect that consumers will seek out ways to accumulate enough for their retirement.

Figure 20 — Adequacy of Income From Employer-Sponsored Pension or Social Pension

Responding to the questions: *Is the amount of income obtained from a social pension and employer-sponsored defined benefit pension enough to provide for your basic living needs? Do you expect the amount of income obtained from a social pension and employer-sponsored defined benefit pension enough to provide for your basic living needs in retirement?*



Note: The answer options provided were "Yes, definitely," "Yes, likely," "No, unlikely," "No, definitely not," "Don't know." However, for ease of viewing only the options of "Yes, definitely" and "Yes, likely" are exhibited.

Over 30 percent of Hong Kong respondents prefer to invest in properties to generate rental income during their retirement. This preference might be due to the high value of real estate ownership in the Chinese culture. This tendency is highest in New Territories where there are more new properties available than in Hong Kong Island and Kowloon.

Significantly, there is a strong preference towards products that provide guaranteed lifetime income. This preference again echoes the previous findings that Hong Kong consumers believe they themselves need to be responsible for their retirement funding, are willing to trust financial institutions, and (almost half) are willing to purchase a financial product that will provide guaranteed lifetime income. Of course, the culture of saving is still very strong among Hong Kong respondents. Almost one third will choose to withdraw some principal and some interest on an occasional basis or when needed.

In addition, a corporate annuity with a tax benefit seems to be the least preferred method for generating retirement income, which is in line with the low-tax environment in Hong Kong.

Rental income from property is a popular mode of generating retirement income, apart from financial products with guaranteed lifetime income.

Table 6 — Method to Generate Income From Savings in Retirement

Responding to the question: *Which of the following best describes how your household plans to generate income from your retirement savings?*

	Hong Kong Island	Kowloon	New Territories	Hong Kong
Withdrawal preferences				
Withdraw some principal and some interest on a regular basis	28%	27%	23%	26%
Withdraw some principal and some interest on an occasional basis or when needed	34%	29%	24%	29%
Withdraw only interest and dividend earnings, but not withdraw any principal	29%	27%	28%	28%
None. My household has no intention of using retirement savings for income	3%	6%	5%	5%
Interest in buying properties or annuities for income or growth				
Buy or look for a product that will convert some or all of household savings into guaranteed lifetime income	29%	31%	33%	31%
A corporate annuity with a tax benefit	17%	19%	14%	17%
Invest retirement savings in property and generate rental income	30%	30%	35%	31%
Opt for a reverse mortgage	21%	15%	19%	18%
Don't know	7%	9%	8%	8%

Note: The top-three results per market are highlighted for easy reference.

In addition to investment preference, it is also important to understand when consumers plan to retire and if the time they spend saving for retirement allows them to accumulate sufficient funds to cover their and their partners' retired lives.

On average, Hong Kong respondents will start or started saving at age 38 and expect to retire or retired at age 61. This trend leaves them approximately 23 years to prepare for retirement.

Workers' expectations of retirement age is two years later than retirees', while the year to start saving is two years earlier than retirees'. This finding shows that workers have a greater sense of urgency about preparing for retirement compared to the older generation.

Table 7 — Retirement and Retirement-Planning Year

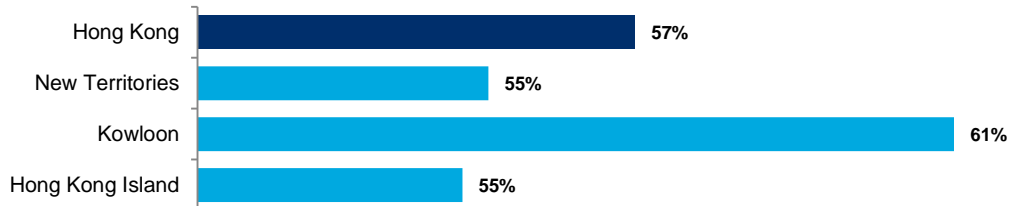
Responding to questions: *At what age do you expect to retire/How old were you when you retired?/At around what age will/did you start saving/investing for retirement/At around what age did you start saving/investing for retirement?*

	Start saving for retirement at the age of	Plan to retire/retired by the age of	Years in retirement preparation
Working	37	61	24
Retired	39	59	20

Fifty-seven percent regret delaying saving for retirement.

Figure 21 — Regret Delaying Saving for Retirement

Agree with: *I regret I started saving and investing for retirement a bit late OR I have not started saving for retirement at all.*

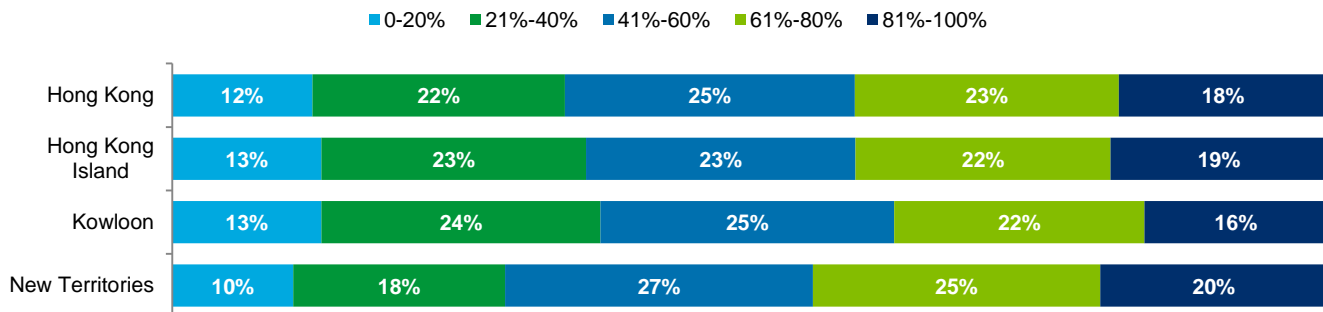


Although, it is difficult to determine the right timeframe to save for retirement, 57 percent of respondents wish they had more time to save for retirement and consider the current timeframe inadequate to prepare properly.

Eighty-two percent of respondents expect a gap in retirement funds when they turn age 60.

Figure 22 — Anticipated Gap in Retirement Funds

Responding to questions: *What percentage of total retirement funds (that you may need to sustain a comfortable retired life) do you anticipate to have when you turn age 60? What percentage of total retirement funds (that you may need to sustain a comfortable retired life) did you anticipate you would have when you turned age 60?*



It is easy to understand why respondents regret delaying retirement planning, since 82 percent of them expect a significant gap in their retirement funds when they turn age 60. Around 18 percent of respondents expect to have more than 81 percent of the funds required to lead a comfortable retired life.



Most people have a tendency to underestimate their life expectancies, which means the funding gap is much wider than anticipated.

In addition, Hong Kong consumers seem to significantly underestimate their life expectancies. The average expected years of retired life is 23, while it is estimated the life expectancy at age 60 in 2030 will be 28.7. This finding means the gap in retirement funds is even wider than anticipated.

Table 8 — Expected Years of Retired Life Versus Life Expectancy

Responding to the question: *How long do you expect to have a retired life, assuming you retire at age 60*

	Expected retirement life at age 60	Life expectancy at life at age 60
Young Workers: 30 – 45 years	23.8	29.4
Pre-Retirees: 46 – 60 years	21.6	26.8
Retirees: 61 – 75	25.3	24.8
Hong Kong	23.4	28.7

Please note, considering the age band and quota used in the study we have quoted the data from the UN Population Division from different years to compare expectations of different age bands, based on when individuals are likely to attain age 60. Young workers: 2040 – 45 data, pre-retirees: 2020 – 25 data, retirees: 2005 – 10, for the total dataset: 2035 – 40.

Paying for chronic illness becomes the top concern during retirement.

Table 9 — Key Concerns in Retirement

Responding to the questions: *How concerned are you about each of the following? How concerned are you about each of the following during retirement?*

	Hong Kong	Hong Kong Island	Kowloon	New Territories
Longevity risks				
Providing for your spouse/partner if you should die first	78%	81%	78%	75%
Providing for yourself if your spouse/partner should die first	78%	81%	78%	76%
The possibility that you or your spouse/partner will outlive your assets	78%	81%	74%	79%
Health care/Long-term care risks				
A chronic illness may drain my lifelong savings	93%	94%	90%	94%
Providing for healthcare costs beyond social insurance medical supplement	91%	90%	89%	92%
Finding available long-term care/nursing home care	84%	85%	80%	88%
Public policy risks				
Aging society will make it harder for the government to provide for the elderly	90%	91%	91%	89%
The government or company will reduce health or medical insurance benefits	87%	85%	89%	87%
The government or company will reduce social pension	84%	83%	82%	86%
Economic and market risks				
The value of savings and assets might not keep up with inflation	91%	89%	92%	93%
A prolonged stock market downturn	85%	87%	83%	84%
A decline in interest rates	80%	83%	80%	79%
Tax increases	73%	74%	74%	72%
Legacy/family related and other concerns				
Inability to find or maintain employment in retirement	80%	81%	82%	78%
Not yet started planning for retirement	76%	76%	80%	73%
You might not be able to leave money to your children or other heirs	67%	70%	66%	66%
My child/children may not take care of me and my spouse during retirement	66%	68%	67%	64%
My child/children are NEETs group (neither go to college nor go to work and still rely parents even when they are adults)	63%	65%	65%	61%

Note: The top-three results per market are highlighted for easy reference.



As the study shows, many people have specific hopes and aspirations for their retirement. Ninety-four percent of Hong Kong respondents indicate that maintaining their physical health and well-being is important or very important during retirement. Therefore, it is not surprising that chronic illness becomes the biggest concern during retirement. The second-most pressing concern is healthcare expense over and above a social insurance medical supplement. These are valid concerns, as past research has shown that 60 percent of an individual's lifetime healthcare expenses occur in old age, specifically after the age of 65.²

Inflation risk is always one of the biggest concerns around the world. Hong Kong residents are also concerned that their savings and investments may not keep up with inflation.

Again, the aging society has drawn the attention of most respondents across all regions. All believe an aging society is likely to make it harder for the government to provide for the elderly. In addition, as a corollary, many Hong Kongers are even concerned the government or company will reduce health or medical insurance benefits.

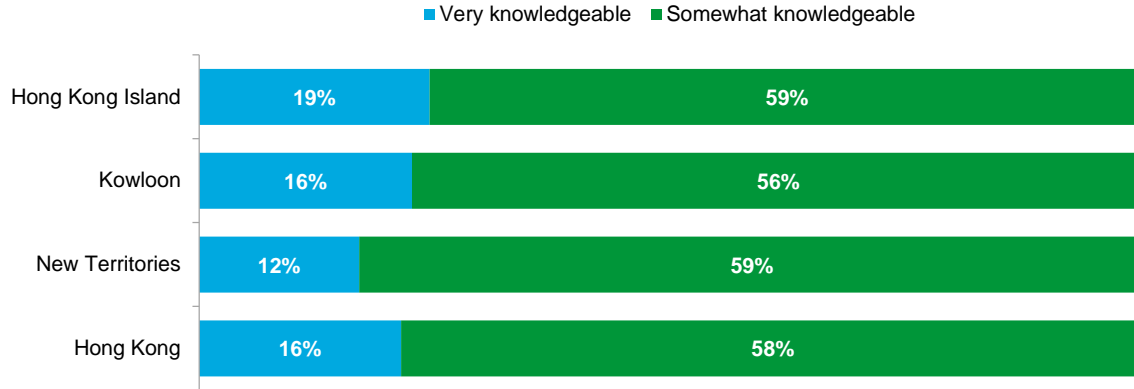
Hong Kong residents seem to be more independent than are those in the other markets of Asia. Children are becoming less of a concern when it comes to retirement. Most respondents are not worried if they fail to leave money for their children or other heirs. Most want to become self-sustaining in their retirement even if their child/children do not take care of them and their spouse during retirement. They are not worried even if their child/children are NEETs group (adult children not in education, employment, or training, who neither go to college nor work and still depend financially on parents).

Consumers need adequate financial and investment knowledge to plan their retirement well. In Hong Kong, the majority are confident in this respect. Three out of 4 believe they are somewhat knowledgeable or even very knowledgeable about investments or financial products. This finding explains why the majority of Hong Kong residents are currently very involved in monitoring and managing their retirement savings (see Table 4 and also why respondents consider it their own responsibility to plan for retirement. This level of confidence challenges financial companies to fulfill their role as investment advisors, especially since there is the possibility that consumers have overestimated their capabilities.

² Health Services Research, 2017, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361028/table/tbl4/>.

Figure 23 — Self-assessment of Knowledge of Investments or Financial Products

Responding to the question: *In general, how knowledgeable do you think you are about investments or financial products?*

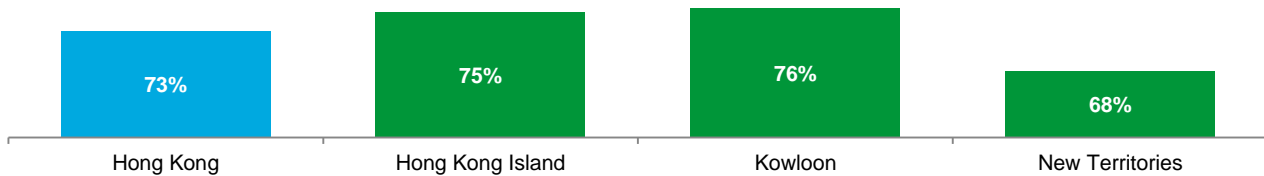


Note: Respondents were offered four options, namely: "Very knowledgeable," "Somewhat knowledgeable," "Not very knowledgeable," "Not at all knowledgeable." The above results indicate "Very knowledgeable" and "Somewhat knowledgeable."

Seventy-three percent of the respondents are willing to convert a portion of assets into an annuity to generate retirement income.

Figure 24 — Willingness to Convert a Portion of Assets into an Annuity

Responding to the question: *Annuities can provide a lifelong income stream in exchange for a premium payment. Individuals usually no longer have access to the assets used to pay for the annuity once it is purchased. Would you consider converting a portion your assets or an additional portion of your assets into a lifetime-guaranteed annuity in retirement?*



Note: Above results show people who responded "Yes."

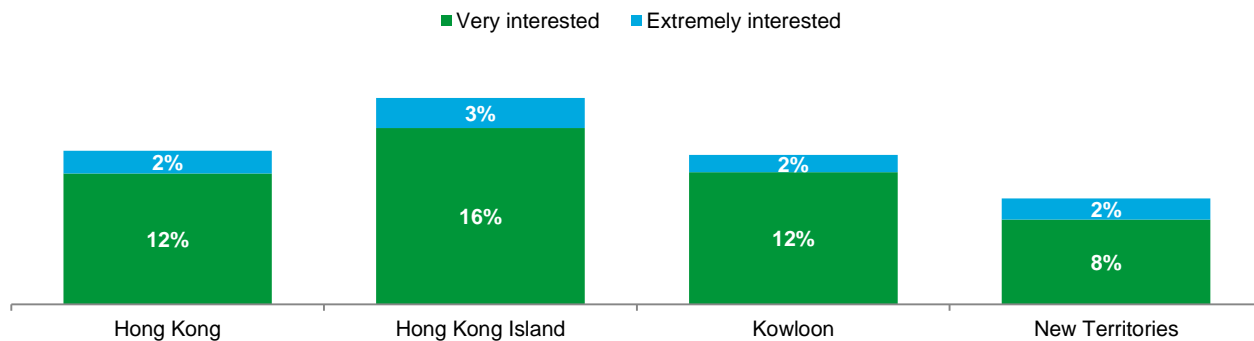
Equipped with the necessary financial knowledge, Hong Kong respondents are quite confident with their investment capabilities; 7 out of 10 are willing to convert a portion of their assets to an annuity to generate retirement income.

When asked if they would like to defer their tax payments to tax-deferred annuities, the level of interest seems extremely low, as only 2 percent state they are extremely interested; and 12 percent state they are very interested. This trend reflects Hong Kong's low-tax environment.



Figure 25 — Interest in Buying a Tax-Deferred Annuity

Responding to the question: *A tax-deferred annuity is a product issued by a life insurance company that allows you to save money for retirement. Taxes on earnings are not paid until you retire and begin withdrawing money from the annuity. Annuities also offer the ability to convert the balance into monthly income payments for life. If such products were available in your market, how interested would you be in purchasing one?*



Note: Above results are a combination of "Somewhat interested," "Very interested," and "Extremely interested." Respondents were offered the following options: "Not at all interested," "Somewhat interested," "Very interested," and "Extremely interested."

Consumers revealed an intention to buy retirement products to close the funding gap. What kind of product are consumers interested in, and are these products available in the market? A helpful place to begin answering these questions is to identify where consumers find the necessary product information.

The Internet and financial websites are the top source of information on retirement.

Table 10 — Preferred Method to Obtain Information on Investments, Financial Products, or Retirement Planning

Responding to the question: *Where do you obtain information on investments, financial products, or retirement planning?*

	Hong Kong	Hong Kong Island	Kowloon	New Territories
Internet/financial websites	44%	43%	44%	46%
Family, friends, or co-workers	39%	40%	43%	33%
My own financial advisor/planner/insurance agent	33%	29%	37%	34%
Social media/networking websites	31%	28%	32%	33%
Books, magazines, and newspapers	30%	29%	29%	31%
Television or radio programs	30%	26%	33%	29%
Website with information on my specific retirement account	25%	23%	23%	28%
Booklets, pamphlets, or other written materials provided by employer	18%	21%	17%	16%
Workshops and/or seminars	17%	22%	15%	14%
Representatives from the company managing my employer's defined contribution retirement savings plan	16%	18%	18%	12%
Employer (Human Resources)	16%	19%	15%	13%
Mobile apps	14%	17%	15%	11%

Note: This is a multiple choice question.

Recognizing that Hong Kong consumers are somewhat confident about their investment knowledge, the next step is to see how they are acquiring this knowledge. It is interesting to see that when asked where they obtain information on investments, financial products, or retirement planning, most preferred Internet/financial websites, not their own professional financial advisors/planners or insurance agents. Family, friends, or co-workers are listed second, and financial professionals come third. Even among the older population, the Internet/financial websites are preferred over financial professionals, next to family and friends. These findings demonstrate that Hong Kongers are more willing to trust themselves, people very close to them, or those who are like them than their financial professionals.

With the explosive growth of the Internet, people are more willing to find what they want to know and compare options online and then decide on their own. The convenience of finding information instantly without the constraints of time and place also contributes to why more people prefer to choose an Internet channel. This trend has the potential to be dangerous, as the information available on the Internet is not always accurate or easy to understand. That is why only 18 percent of respondents find the information from the Internet/financial websites useful.

Financial professionals are listed as the most useful, and 33 percent of respondents obtain information from them. However, only 20 percent of respondents find this information useful. Financial advisor/planner/insurance agents are trained, are expected to have strong products knowledge, and should be able to communicate in a way that is clear and easy to understand. In practice, respondents say otherwise — a worrying finding.

The study also found that information from employers, such as written materials from the employer, the plan's service provider, or the employer's Human Resources department, is listed among the least-useful information sources. In fact, fewer than 5 percent of respondents believe the information provided by these three sources is useful. This finding means that Hong Kongers have an extremely low expectation of their employers' usefulness regarding retirement planning.



Table 11 — Usefulness of the Information Gathered From Different Channels or Methods

Responding to the question: *Which information source did you find the most useful?*

	Hong Kong	Hong Kong Island	Kowloon	New Territories
My own financial advisor/planner/insurance agent	20%	17%	22%	20%
Internet/financial websites	18%	16%	17%	21%
Family, friends, or co-workers	14%	14%	18%	11%
Website with information on my specific retirement account	7%	7%	6%	10%
Social media/networking websites	7%	6%	5%	9%
Workshops and/or seminars	6%	7%	4%	6%
Books, magazines, and newspapers	6%	6%	4%	6%
Television or radio programs	5%	2%	6%	6%
Employer (e.g., Human Resources or Benefits Department)	5%	7%	4%	4%
Representatives from the company managing my employer's defined contribution plan	5%	7%	6%	2%
Mobile apps	4%	7%	3%	2%
Booklets, pamphlets, or other written materials provided by my employer	3%	4%	4%	2%

Note: Respondents were allowed to choose only one option.

When asked to identify the most important features they consider when paying for a financial or investment product that could be used to create income in retirement, consumers name guaranteed lifetime income and guaranteed returns on investments. These responses demonstrate that conservative products with high financial stability and minimal risk are more preferred by Hong Kong consumers.

Guaranteed lifetime income is the most preferred product feature.

Income that has the potential for market growth is another preferred feature. Hong Kong was the only market in Asia that lists this feature as one of the top three. Another frequently selected feature is control over how investments are managed. These responses suggest that Hong Kong consumers are well aware of the range of available investment options and are also confident of their investment knowledge. They want more control over their investments, view the product as a fixed income replacement, and seek market returns.

There are differences across the region. Respondents in Hong Kong Island pay most attention to investment-management control and less to income flexibility. To the contrary, Kowloon respondents say they value income flexibility. In New Territory, the most important consideration is guaranteed return on investment.

Consumers do not express a very strong preference for tax benefits, due to the low-tax environment, or for the premium feature.

Table 12 — Most Preferred Product Features

Responding to the question: *Aside from issues of cost, when selecting among financial products or investments that could be used to create income in retirement, which of the following features are most important to you?*

	Hong Kong Island	Kowloon	New Territories	Hong Kong
Guaranteed lifetime income				
Income that is guaranteed for life	51%	51%	55%	52%
Income will remain the same or fixed throughout retirement	38%	40%	44%	41%
Income will continue after I die or my spouse dies	45%	40%	38%	41%
Guaranteed return on investments	51%	48%	57%	52%
Income flexibility				
Income has the potential for growth with market	50%	54%	49%	51%
Income amount can be changed as needs change	42%	48%	38%	43%
Income that is adjusted for inflation	48%	48%	45%	47%
Income can be converted into a lump sum	40%	37%	33%	37%
Capital/Principal preservation				
Initial investment amount is preserved or protected	45%	40%	43%	43%
Control over investments & flexibility				
Control over how investments are managed	52%	48%	49%	50%
Tax benefit	32%	36%	26%	31%
The ability to make withdrawals in excess of regular payment	38%	43%	38%	40%
Option to withdraw entire money as lump sum and manage on your own	46%	44%	45%	45%
Premium structure & other features				
Money for heirs or charities when I die	31%	28%	26%	28%
Single premium	32%	31%	31%	32%
Level premium	38%	31%	29%	33%
Stepped-up premium	34%	37%	29%	33%
Option to receive predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD)	32%	32%	32%	32%

Note: Respondents selected from these options: "Not at all important," "Somewhat important," "Very important," "Don't understand feature." The above results are the percentage of respondents who selected "Very important." Also note that the top-three are highlighted in blue.

Definitions — Single premium: An insurance plan in which a lump sum of cash is paid up front to guarantee payment to beneficiaries. Level premium: Level-premium insurance is a type of term life insurance for which the premiums remain the same throughout the duration of the contract. Stepped-up premium: Insurance premium is calculated on policyholder's age, meaning the younger the policyholder, the lower the initial cost and premiums, while premiums will increase over time.



Banks emerged as the most-preferred channel to buy retirement products.

Table 13 — Channels to Buy Retirement Products

Responding to the question: *If you were to buy a product with the features you selected, where would you like to buy it?*

	Hong Kong Island	Kowloon	New Territories	Hong Kong
Bank	57%	58%	59%	58%
Broker/Financial advisor (sells multiple products)/General	18%	15%	18%	17%
Agent/Tied agency	14%	16%	15%	15%
Phone call	4%	4%	2%	3%
Post office	1%	2%	0	1%
Insurer's website	2%	3%	4%	3%
Insurance aggregator's website	2%	1%	1%	1%
Mobile apps	2%	1%	1%	1%
Other channel (Please specify)	0	1%	0	0

Note: Responses under 5 percent may not be statistically significant.

Banks turns out to be the most preferred retirement-distribution channel among all channels and across all regions. At 58 percent preferred, it is far ahead of second-place broker/financial advisor and third-place agent. Moreover, other channels generate negligible levels of interest.



Industry Opportunities

The industry faces a great opportunity — and responsibility — to help address the looming retirement-funding gap that threatens Hong Kong social structures and individual consumers. Insights from this consumer research point to significant opportunities for effective solutions from the financial services industry. Some of them are as follows:

- **Responsibility:** Fifty-two percent of respondents consider that planning for retirement is their own responsibility, rather than that of the government, employer, or family members. In fact, young workers (55 percent) own up to that responsibility more than retirees (42 percent) do. This reflects a changing mindset, where the younger generation is more willing to be proactive and take care of their future needs and less dependent on external sources. The industry needs to seize this opportunity and help individuals build retirement funding.
- **Retirement Planning:** The retirement landscape is shifting with the ongoing demographic transition. Though Hong Kong residents are increasingly aware of the aging situation, there are still 65 percent who do not have a formal written plan for managing income, assets, and expenses during retirement. In addition, 57 percent of respondents do not work with financial professionals for household financial decisions. The Industry, along with other stakeholders, should step in actively to promote and educate people to seek information and advice from professional sources. Trained professionals are responsible for having greater knowledge and experience of how consumers can effectively plan for retirement and make the best use of available resources.
- **Procrastination:** Fifty-seven percent of respondents regret delaying saving for retirement. Eighty-two percent expect a gap in retirement funds when they turn age 60. While Hong Kong consumers may already be inclined to save money, they need to start saving earlier to narrow the gap in retirement funding. Even though individuals are willing to take responsibility, they may not be sufficiently “financially literate” to understand the impact of starting to save late. This is where the industry has to guide individuals on when and how to start saving and educate them about retirement-investment options.
- **Enterprise Annuity:** The enterprise annuity system will likely become an important source of supplementary retirement income for the middle class. Occupational Retirement Schemes Ordinance (ORSO) is a good example of a popular program. The industry should also work closely with government and employers to develop business in this area.
- **Information Source and Channel to Buy:** Banks turns out to be the most preferred (58 percent) retirement distribution channel among all channels and across all regions. More importantly, we should also notice the Internet and financial websites are the top sources of information on retirement, providing an opportunity to optimize multiple distribution channels. Online engagement could be a critical way to win in the market.
- **Diversified Product:** Paying for chronic illness becomes the top concern during retirement. For that reason, when evaluating financial products, more attention should be paid to principal protection and healthcare concerns, instead of a single focus on investment return. Long-term care products are a good example.
- **Product Segmentation:** Provide the right product to the right people:
 - 1) Respondents across regions show strong preferences for guaranteed lifetime income and control over how investments are managed.
 - 2) Young workers are keen to have the potential for market growth.
 - 3) Pre-retirees demonstrate strong preferences for products that have guaranteed investment returns.
 - 4) It is crucial for retirees that products allow them control over how investments are managed.

Appendix

Table A-1 — Respondents by Working Status

	Hong Kong	Hong Kong Island	Kowloon	New Territories
Working full time for pay	82%	80%	78%	88%
Retired and working part time for pay	11%	12%	14%	7%
Retired and not working for pay	7%	8%	8%	5%
Self-employed / Family business	0	0	0	0
Laid off or unemployed and seeking work	0	0	0	0
Disabled or unable to work	0	0	0	0
A homemaker	0	0	0	0
A full-time student	0	0	0	0

Source question: *Are you currently?*

Table A-2 — Respondents by Employer Type

	Hong Kong	Hong Kong Island	Kowloon	New Territories
Government	19%	29%	17%	11%
Public sector	15%	17%	19%	9%
Private company (enterprise)	65%	54%	64%	78%
Other	1%	1%	1%	2%

Source question: *Which of the following best describes your employer / From what type of employer did you retire?*

Table A-3 — Respondents by Household Size

	Hong Kong	Hong Kong Island	Kowloon	New Territories
1 to 2 persons	29%	25%	33%	29%
3 to 4 persons	56%	61%	52%	56%
5 to 6 persons	10%	8%	12%	10%
7+ persons	5%	6%	3%	5%

Source question: *What is your household size?*

Table A-4 — Respondents by Gender

	Hong Kong	Hong Kong Island	Kowloon	New Territories
Male	49%	45%	50%	53%
Female	51%	55%	50%	47%

Source question: *Are you?*

Table A-5 — Respondents by Pre-tax Total Annual Income Household Size

	Hong Kong	Hong Kong Island	Kowloon	New Territories
200,001HKD – 400,000HKD	26%	17%	35%	27%
400,001HKD – 800,000HKD	44%	45%	39%	49%
800,001HKD – 2,000,000HKD	24%	29%	21%	20%
2,000,001HKD – 6,000,000HKD	3%	5%	2%	3%
6,000,001+ HKD	2%	4%	2%	1%

Source question: *Which of the following ranges describes your household's pre-tax total annual income? Please include any income from employment earnings, investments, interest, dividends, social security, pensions, etc.*

Table A-6 — Respondents by Current Housing Situation

	Hong Kong	Hong Kong Island	Kowloon	New Territories
I own my apartment or house	69%	78%	61%	66%
I rent from a landlord	17%	12%	18%	20%
Live with parents, other family members, friends, or other	14%	9%	20%	13%
Others	1%	1%	1%	1%

Source question: *What is your current housing situation?*

Table A-7 — Respondents by Level of Education

	Hong Kong	Hong Kong Island	Kowloon	New Territories
High school or less	21%	17%	21%	25%
Technical/Vocational school	9%	7%	10%	9%
Two or three years of college/Associate's degree	6%	5%	8%	3%
College graduate/Bachelor's degree	38%	39%	39%	37%
Graduate school/Master's degree	25%	29%	19%	25%
Doctoral degree/Ph.D.	2%	2%	2%	2%

Source question: *Which of the following best describes your highest level of education?*



Table A-8 — Sub-region Detail: Hong Kong

Hong Kong Island	Kowloon	New Territories
Aberdeen	Tsim Sha Tsui	North District
Admiralty	Kwun Chung	Sai Kung
Ap Lei Chau	Yau Ma Tei	Sha Tin
Causeway Bay	Mong Kok	Tai Po
Central/Chong Wan	Prince Edward	Islands
Chai Wan	West Kowloon	Kwai Tsing District (Kwai Chung and Tsing Yi Island)
Cyberport	Tai Kok Tsui	Tsuen Wan
Deep Water Bay	Sham Shui Po	TuenMun
East Mid-Levels	Cheung Sha Wan	Yuen Long
North Point	To Kwa Wan	
Pok Fu Lam	Ma Tau Wai	
Quarry Bay	Hung Hom	
Repulse Bay	Ho Man Tin	
Sai Wan Ho	Wong Tai Sin	
Sai Wan	San Po Kong	
Sai Ying Pun	Hammer Hill	
Sandy Bay	Ngau Chi Wan	
Shau Kei Wan	Tsz Wan Shan	
Shek O	Diamond Hill	
Shek Tong Tsui	Kowloon Bay	
Sheung Wan	Ngau Tau Kok	
Siu Sai Wan	Kwun Tong	
So Kon Po	Sau Mau Ping	
Stanley	Lam Tin	
Tai Hang	Yau Tong	
Tai Tam	Tiu Keng Leng	
Tin Hau	Cha Kwo Ling	
Victoria Park	Lei Yue Mun	
Victoria Peak		
Wan Chai		
West Mid-Levels		
Wong Chuk Hang		



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