

Live Long, Live Well

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Quick poll

How much is needed for your retirement?



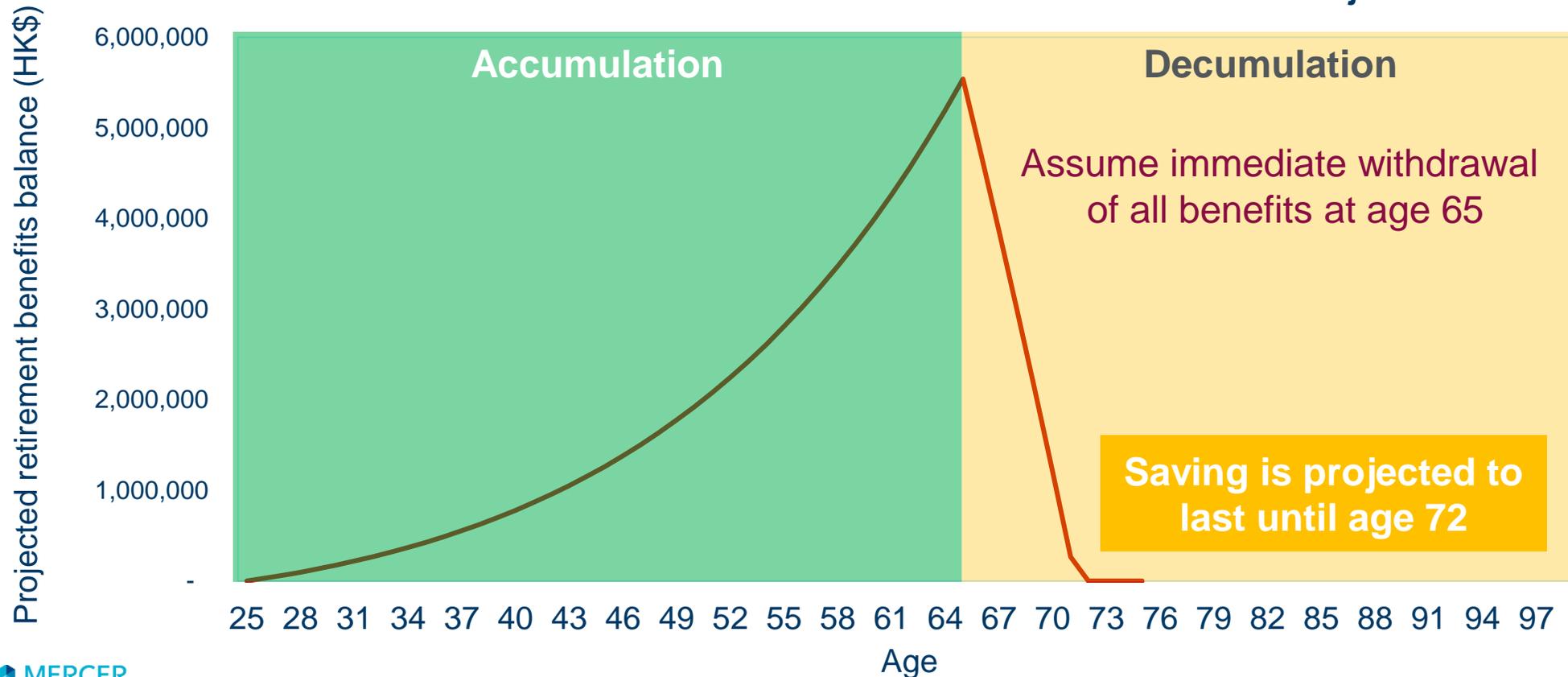
Are you focusing on reaching your million dollars for retirement?

Accumulation and Decumulation

Projection Assumptions

- Starting salary: HK\$20,000
- Contribution rates: 5% + 7.5%
- Annual salary increase: 3.0%p.a.
- Investment return: 4.0%p.a.
- Inflation: 2.5%p.a.
- Monthly spending at retirement: HK\$25,000 (today's value)

Retirement Benefits Balance Accumulation and Withdrawal Projection



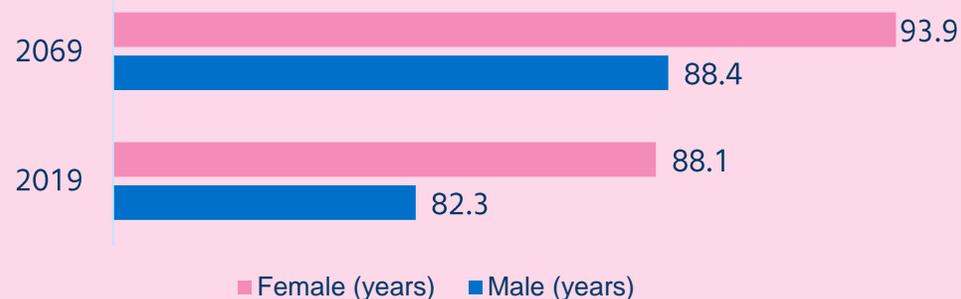
What are challenges to our quality of life in retirement?

What are challenges to our quality of life in retirement?

Challenges

- **Living longer**

Life expectancy at birth



- **Limited support from Pillar 0**

Old Age allowance from the Government

- **Less reliance on family**

Average household size is ~2.8 in 2020

Opportunities

- **Voluntary contributions**

More voluntary contribution being made, and a tax-deductible voluntary contribution launched in April 2019 to promote retirement savings.

- **Post retirement products**

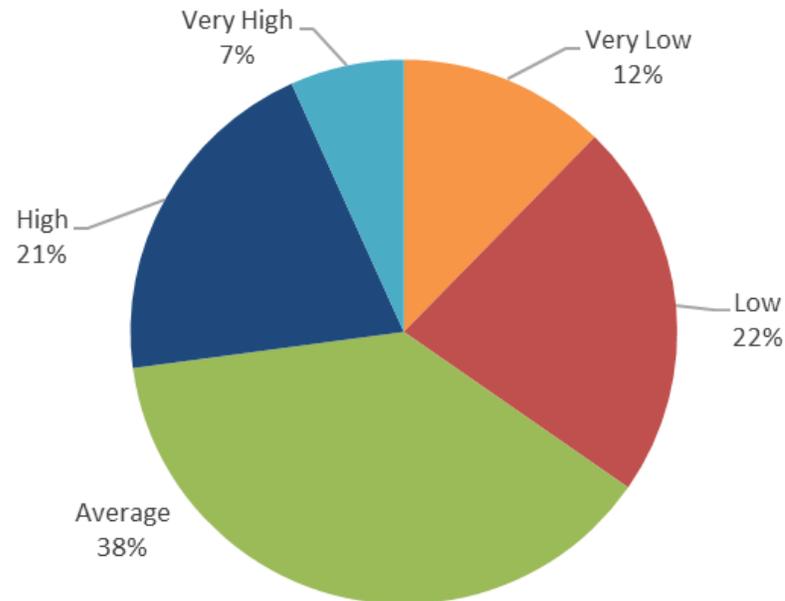
Post retirement products that pay an income stream are developing.

Source: Census and Statistics Department

What are challenges to our quality of life in retirement?

Adequacy

Post-Retirement Expense Coverage Expectation



What if you have insufficient retirement budget?

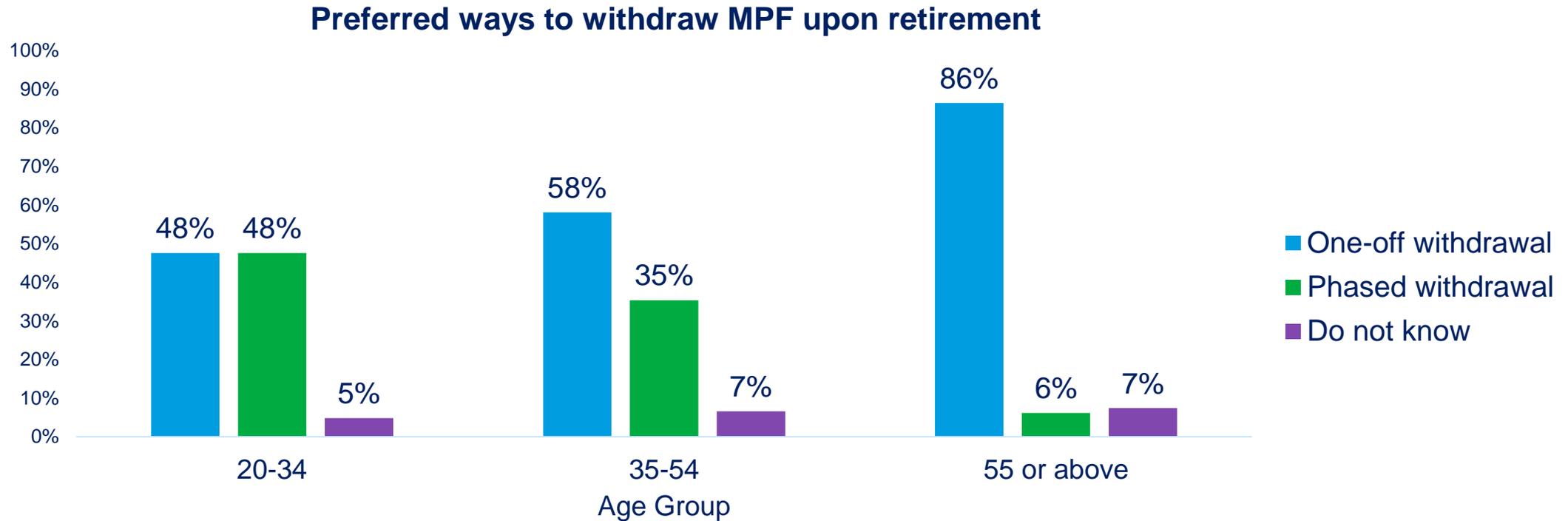
- **53%** would “**lower my living standard to meet my ends**”
- **52%** would “**delay my retirement and continue working**”
- **22%** would “**adjust my investment portfolio for higher returns**”

Many members will scale back living standards or delay retirement.

Source: Mercer MPF Satisfaction Index and Employee Pulse Survey 2020

What are challenges to our quality of life in retirement?

MPF withdrawal



Majority of the older age group prefer to withdraw MPF all at once upon retirement.

Source: Mercer Employee Pulse Survey 2020



What are challenges to our quality of life in retirement?

Investment and risk-taking behavior

Bank deposits & Stocks are the Top 2 choices.

65% male respondents and **77%** female respondents indicated that they **cannot accept any loss / can only tolerate < 5% of loss.**

Many tend to be risk averse.

What are challenges to our quality of life in retirement?

Longevity risk

Inflation risk

Investment risk

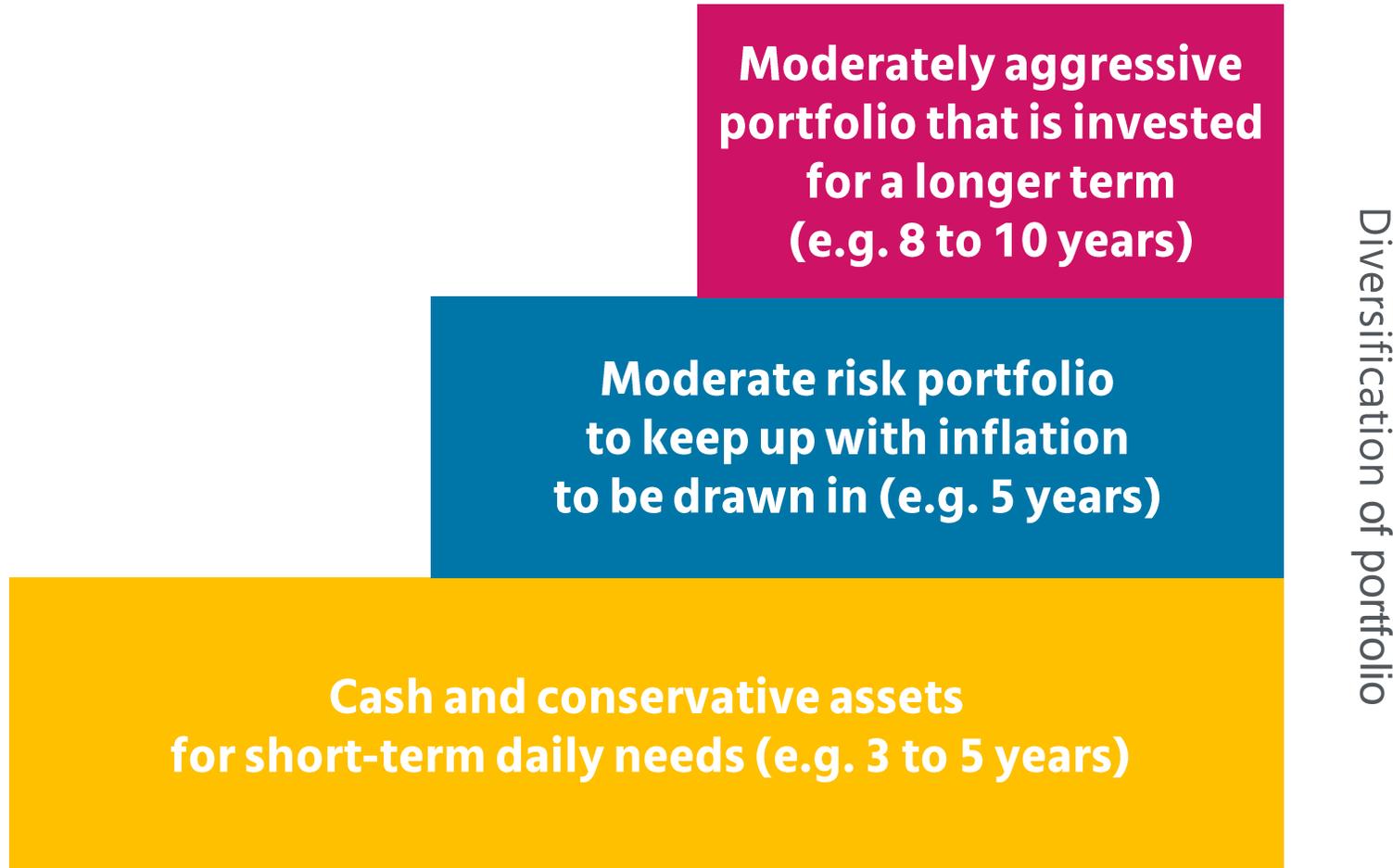
Risk aversion attitude



Decumulation – investment during retirement

Decumulation

What if you keep investing after retirement?



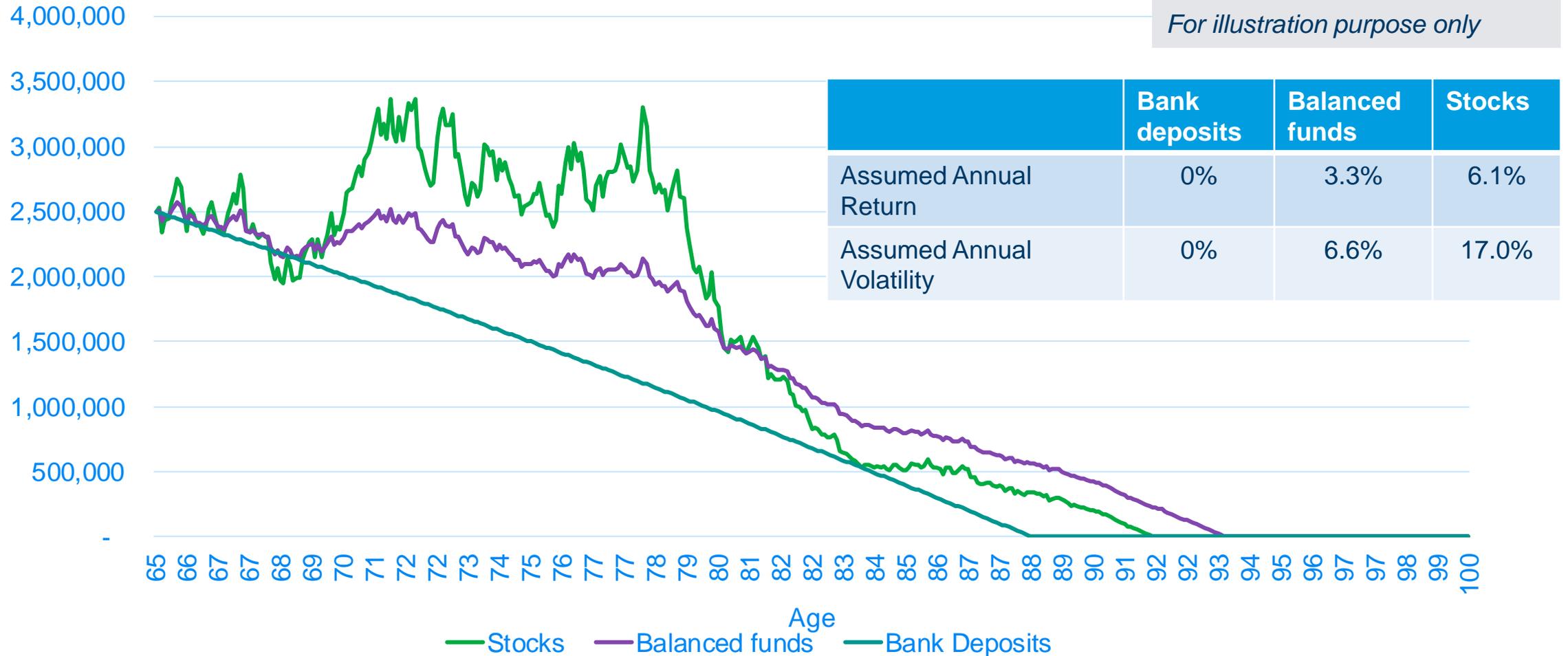
Decumulation

What if you keep investing after retirement?

Projection Assumptions

- Retirement at 65
- Initial balance HK\$2.5 million
- Monthly spending HK\$16,000

For illustration purpose only



Decumulation

What if you keep investing after retirement?

Bank deposits	Balanced funds	Stocks
<ul style="list-style-type: none">• Low risk• Greater predictability• Limited upward potential	<ul style="list-style-type: none">• Medium risk• Gradual decumulation with fluctuations	<ul style="list-style-type: none">• Higher risk• Greater uncertainty• Potential high return in good markets

What are the available retirement saving vehicles?

A variety of retirement saving vehicles are available

Within and outside MPF / ORSO

Within MPF / ORSO

Continuous investment in MPF
(MPF partial withdrawals)

Tax-deductible Voluntary
Contribution

MPF income stream products

Outside MPF / ORSO

Annuity plan from HKMC

Qualified Deferred Annuity Plan

Reverse mortgage and insurance
policy mortgage program

A variety of retirement saving vehicles are available

Survey findings - Employee awareness

- Employees are more aware of those related to MPF:
 - **Employee voluntary contribution**
 - **Tax deductible voluntary contribution (TVC)**
- Employees are less aware of other retirement vehicles:
 - **Annuity plan**
 - **Reverse mortgage program & insurance policy mortgage program**

Providers and employers have a tangible impact on employees' awareness of the various retirement saving vehicles

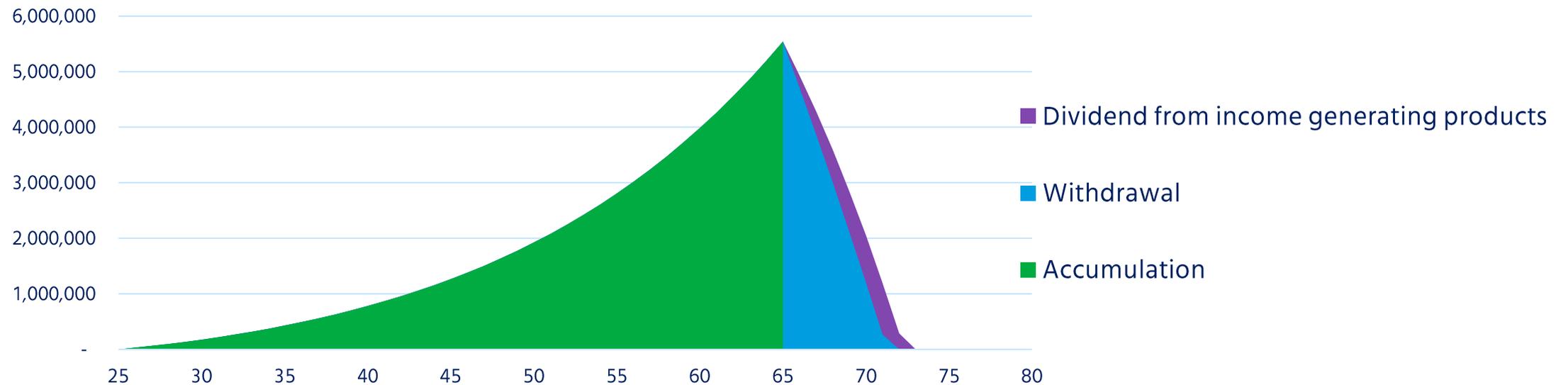
A variety of retirement saving vehicles are available

MPF income stream products

Attraction : Steady income stream with a potential gain!

Provide regular and stable income by distribution of dividend to meet monthly expenses

Continuous capital growth



What can we do more?

What employers can do more?

Reinvent retirement and be a caring employer



Member communication and engagement

- Remind individuals of pension benefits on offer
- Targeted communication
- Financial wellness workshop
- Retirement planning tools and calculator



Retirement plan redesign

- Redesign to strengthen retirement protection
- Frame retirement benefits offering in the context of total reward



Flexible retirement

- Extension of retirement age and flexible working arrangement



Enhance accessibility to retirement saving products for employees

- Provide information or platform for members to purchase retirement saving products as they please
- Negotiate bulk discounts

What can we learn from other markets?

Experience from other countries

- **Lifetime annuity conversion**

Requiring all of the benefit to be converted into a lifetime annuity

- Chile, Colombia, Finland, Israel, Netherlands, Norway, Peru, Saudi Arabia and Sweden

What can be done in Hong Kong?

- Widen scope of tax incentive
- “Group” annuity plan



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