Start planning for your ideal retirement

While there is no way to control where life will take us, when it comes to our quality of life after retirement, we cannot depend on luck alone. We need a sound retirement plan.

Hong Kongers are unprepared for retirement

Our latest AIA Desired Retirement Tracker (the "Survey") reveals that when planning for retirement, Hong Kongers are "saving too little and starting too late," with Survey respondents allocating just HK$5,289 (median) monthly to their retirement savings or investments. Worryingly, nearly half (46%) of the respondents do not have a clear savings or investment plan for retirement and do not expect to start doing so until the age of 48.

Individual actuarial calculations for each respondent further revealed that 66% of respondents will have insufficient retirement reserves with an individual shortfall of HK$2.01 million, a record-high among all previous Surveys. These "underachievers" will either have to postpone their retirement by 10 years or reduce their monthly living expenses by HK$8,696 (median). It is therefore crucial that people start planning for retirement as early as possible

Three keys for successful retirement planning

So how should we start planning for retirement? Here are three key things to remember:

1) Set clear goals by thinking about your ideal quality of life after retirement. This will help you budget the retirement reserves you need;
2) Stick to your plan and be persistent with your contributions. The earlier you start saving, the more you will benefit from compound growth and optimise your returns;
3) Grow your financial management knowledge and learn about different financial management tools.

Start by being more active in managing your MPF, like regularly reviewing your investment portfolio, consolidating your MPF accounts, and adjusting your fund choices as market conditions change.

Take advantage of TVC and QDAP tax deductible products

There are ready-made, easy-to-understand financial solutions on the market that can help people enhance their retirement protection. Some even offer tax benefits, such as MPF Tax Deductible Voluntary Contributions (TVC) and Qualifying Deferred Annuity Policy (QDAP) introduced last year, with a combined tax deduction limit of up to HK$60,000 per taxpayer per year.

The TVC, for example, allows employees to adjust their contribution modes and amounts according to their own preferences and needs. With a variety of fund choices and a contribution amount as low as HK$300 per month, the TVC provides a flexible and convenient way to save for retirement.

Don't forget medical protection

Many people only consider post-retirement daily expenses when estimating how much they need to save, forgetting that medical costs are also a big part of retirement expenses. Our Survey shows that 26% of respondents have not budgeted or have no idea how much to budget for their medical expenses after retirement. Among those respondents who claim they have taken medical costs into account, close to 60% have not reserved funds for medical emergencies (such as stroke, cancer, heart disease, etc.) in their retirement reserves. These critical illnesses can often incur up to hundreds of thousands in treatment expenses, and can easily eat into one's retirement reserves.

Worth considering are a "portable" medical protection plan or a Voluntary Health Insurance Scheme (VHIS) policy. The former allows employees to pay an affordable premium to top up their employers' group medical insurance as needed, enjoying enhanced medical cover that will remain valid even when they leave the company or retire. Some "portable" medical protection plans require no medical underwriting, offering cover even to those with pre-existing conditions. A VHIS policy, on the other hand, is a government-approved medical protection plan that allows citizens to enjoy high-quality medical protection and tax deductions up to HK$8,000 per year.

Act now and safeguard the quality of your silver years with a comprehensive retirement protection plan. It's time to prepare for the future and live Healthier, Longer, Better Lives!

Source: AIA

About HKRSA

The Hong Kong Retirement Schemes Association (HKRSA) was established in 1996 to promote the interests and best practices of retirement schemes in Hong Kong including provident and pooled retirement funds. The HKRSA is a not-for-profit, non-political association, which represents retirement schemes and their members, providing a forum for discussion of issues of current and topical interest.

About AIA

AIA has provided employee benefit solutions to companies in Hong Kong and Macau for over 60 years. Our customer-centric values have made us an industry leader known for one-stop group insurance and pension solutions that stand for value, choice and simplicity. Our solutions benefit companies of all sizes, helping them meet their HR objectives in a flexible and cost-effective manner.