HKRSA
香港退休計劃協會
The Hong Kong Retirement Schemes Association

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Retirement Beyond Dollars and Cents
HKRSA 2024

2024年11月21日(星期四)上午11時 – 中午12時正

AIA 健康長久好生活

Allianz Global Investors 安聯投資

Amundi 東方匯理 資產管理

bct

Fidelity 富達 INTERNATIONAL

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PGIM FIXED INCOME

T.RowePrice 普徠仕

泰康 Taikang 保險 資管 醫養 泰康資產（香港）Taikang Asset (HK)

Mercer CFA Institute Global Pension Index 2024

Pension systems are all different but important

Mercer
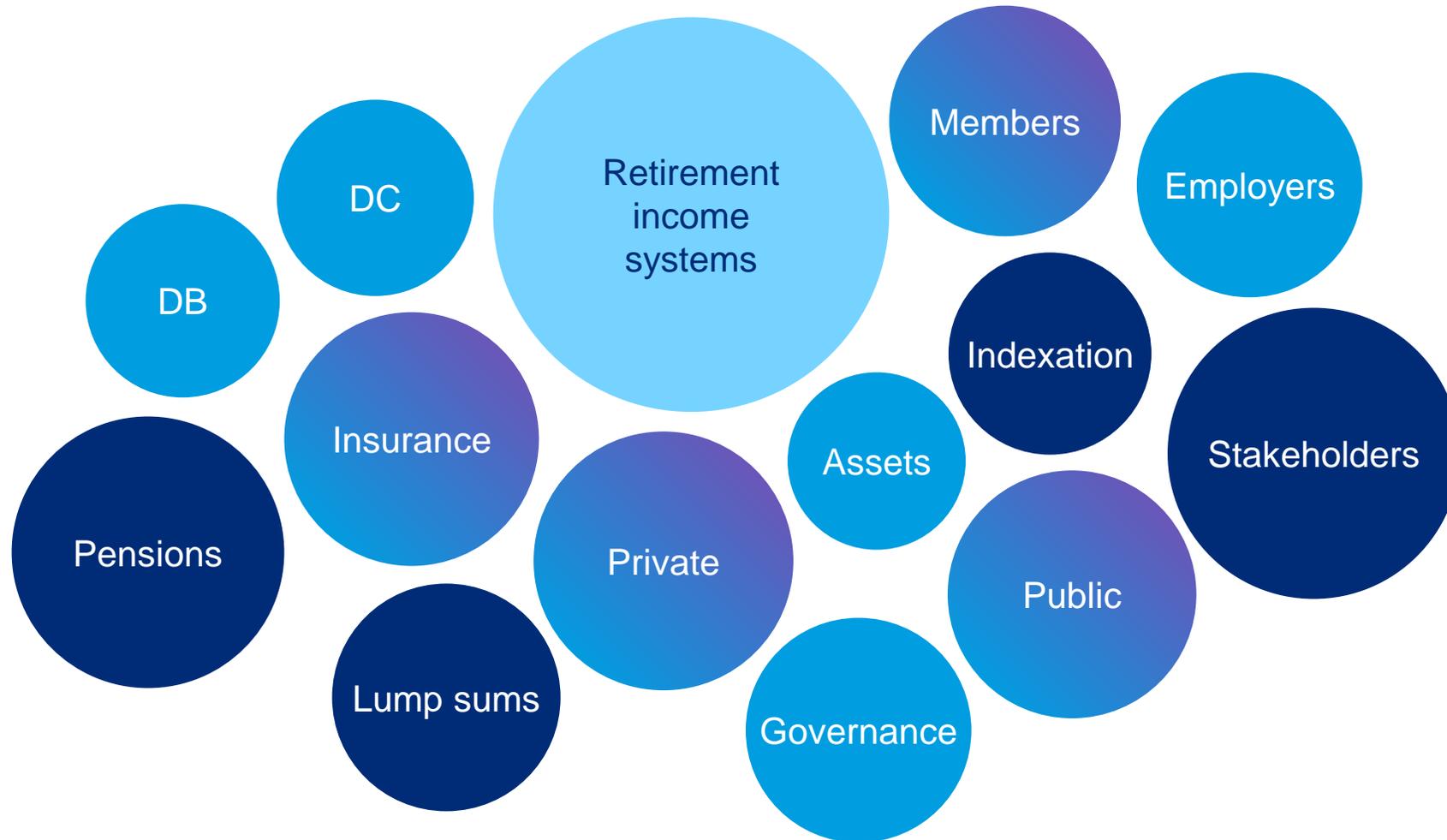
Macro trends affecting the financing of pensions

Changing workforce

Technology

Changing economy

What is retirement?

Aging populations

Falling birth rates

Political uncertainty

Widening savings gap

Increasing regulation

Individual offerings

Wellness

Government debt

ESG

Inflation

Mercer

It's too important to ignore

"The pension policy debate in OECD countries has (now) switched from pandemic responses back to a focus on more long-term structural issues. The question of how to address the impact of population ageing on pension systems has moved back to centre stage."

The starting framework — World Bank Model

The multi-pillar approach

Pillar 0	Pillar 1	Pillar 2	Pillar 3	Pillar 4
A basic public pension that provides a minimal level of protection	A public, mandatory and contributory system linked to earnings	A private, mandatory and fully funded system	A voluntary and fully funded system	Financial and non-financial support outside formal pension arrangements

Mercer

Some comments on our approach

We use objective data from international agencies and country experts.

It is comparative or relative — not absolute.

Subjective elements are important but very difficult to measure around the world.

Some desirable data is not available for every system.

More than 50 indicators used; inevitably, weightings are subjective.

The index represents the overall "system," *not* what an individual may receive or the best pension fund available.

Mercer

What's new in the 2024 report

New country

Vietnam

Updated data

OECD & UN

Updated data from the OECD and the UN may have caused some changes in the scores.

Feature chapter

HELPING DC MEMBERS

We examine how employers, governments, and pensions plans can help ensure DC members get the best outcomes.

The fundamental questions

Adequacy

What benefits are likely to be paid?

40%

Sustainability

Can existing systems keep delivering?

35%

Integrity

Are the systems encouraging confidence?

25%

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Adequacy

- Minimum (or base) pension

- Net replacement rate (weighted)

- System design features

- Household savings/debt

- Home ownership

- Level of "growth" assets

Adequacy

- Minimum (or base) pension
- Net replacement rate (weighted)
- System design features
- Household savings/debt
- Home ownership
- Level of "growth" assets

1 Netherlands 86.3	2 France 84.8	3 Uruguay 84.0

Hong Kong SAR	37th	61.1

Mercer

Sustainability

- Coverage of funded pension plans

- Level of pension assets as % of GDP

- Demographic issues

- Mandatory contributions with funding

- Labor force participation rate at older ages

- Public pension costs/Net government debt

- Real economic growth

Mercer

Sustainability

- Coverage of funded pension plans
- Level of pension assets as % of GDP
- Demographic issues
- Mandatory contributions with funding
- Labor force participation rate at older ages
- Public pension costs/Net government debt
- Real economic growth

1 Iceland **84.3**	**2** Denmark **82.6**	**3** Israel **82.6**

Hong Kong SAR	18th	61.1

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Integrity

- Regulation of private pension plans

- Governance requirements for pension plans

- Protection of members' benefits

- Communication to members

- Costs of the system

Integrity

- Regulation of private pension plans
- Governance requirements for pension plans
- Protection of members' benefits
- Communication to members
- Costs of the system

1 Finland **90.8**

2 Norway **88.3**

3 Hong Kong SAR **87.5**

Hong Kong SAR	3rd	87.5

Mercer

Overall results for 2024
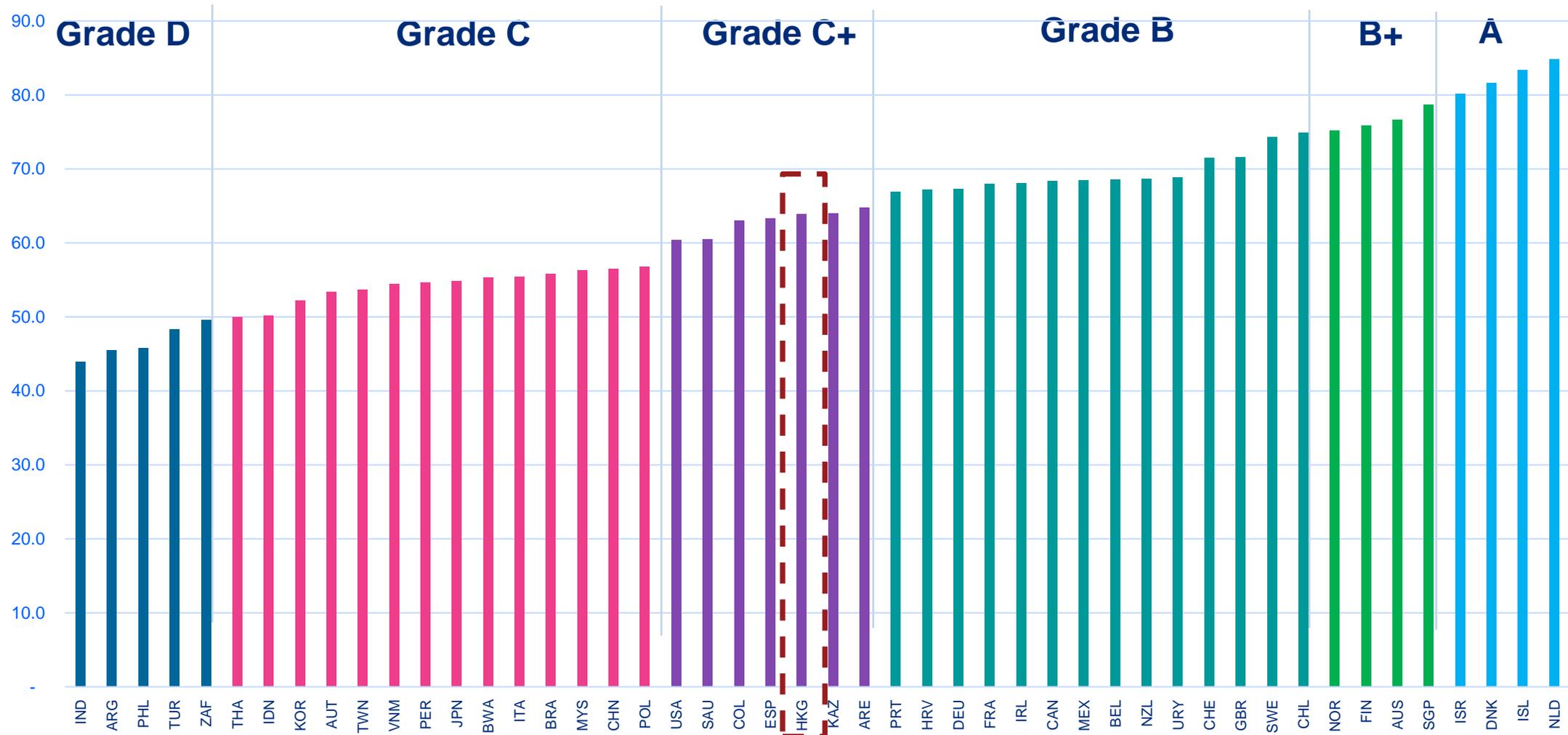
Suggested reforms for Hong Kong SAR
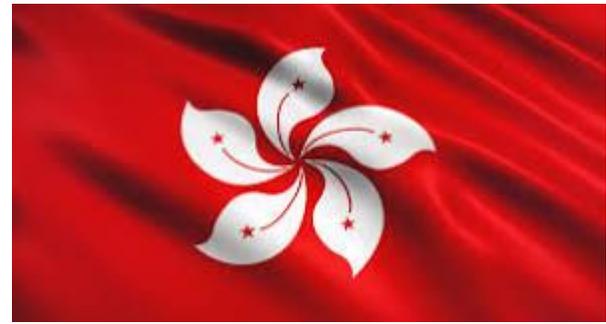
- Increase the base pension for the poor (now less than 15% of the average wage)

- Introduce a focus on retirement income

- Increase the labour force participation at older ages, but with flexibility

- Introduce requirements to share pension assets in a divorce

How member use MPF as part of their retirement planning

Mercer MPF System Satisfaction Index ('MPFSI')

The MPFSI is a monthly index conducted by Nielsen Hong Kong, which surveys covers 2400 MPF members from the age of 20 to 65 per annum via online questionnaire and street interview. This study attempts to understand:

Satisfaction Level

- Understand employees' satisfaction level and the key element of satisfaction towards the current MPF system

MPF Knowledge Level

- Understand the knowledge level of employees towards MPF

Employee Need and Demand

- Recognize the need of employee and identify what employer's support can be offered regardless of MPF support and financial wellness

Mercer MPF System Satisfaction Index

56.6
Dec 2023

59.3
Mar 2024

67.2
Jun 2024

66.7
Sep 2024

Source: Mercer MPFSI

The More Engaged, The More Satisfied

Time Horizon Until Retirement

Members who are closer to retirement age are more satisfied.

67.0
Members who are age 55 or above

66.6
Members who are below age 55

Knowledge Level

Members who have better knowledge on MPF feel more satisfied.

73.4
Members who believe they have good knowledge on MPF

57.6
Members who believe they do not have good knowledge on MPF

Advice Seeking

Members who seek advice on MPF feel more satisfied.

72.2
Members who seek advice on MPF

52.7
Members who do not seek advice on MPF

Understanding of risk and return

Members who understand the risk and return of MPF investment are more satisfied.

73.4
Members who understand risk and return

59.7
Members who do not understand risk and return

Source: Mercer MPFSI September 2024

Mercer

64% of the workforce have not yet started their saving plans

According to Mercer's MPFSI 2024 Sep on HK MPF members…

28%
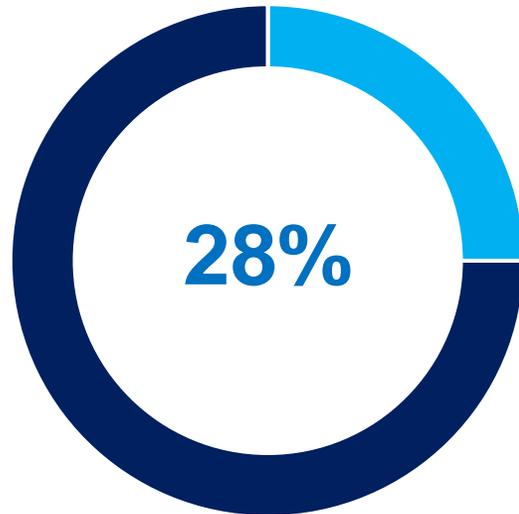
Never thought about it

36%
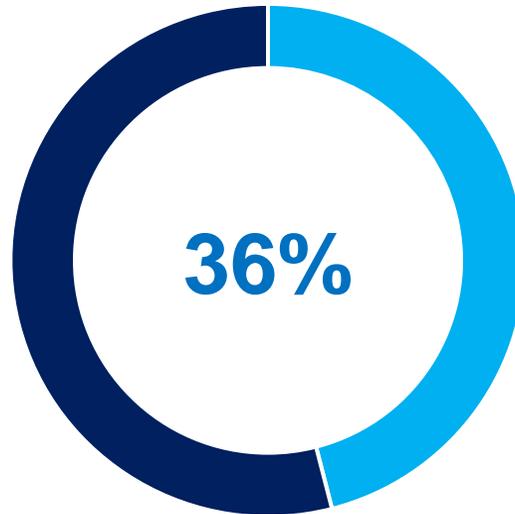
**Thought about planning** for post-retirement expenses but have **not really started**

36%
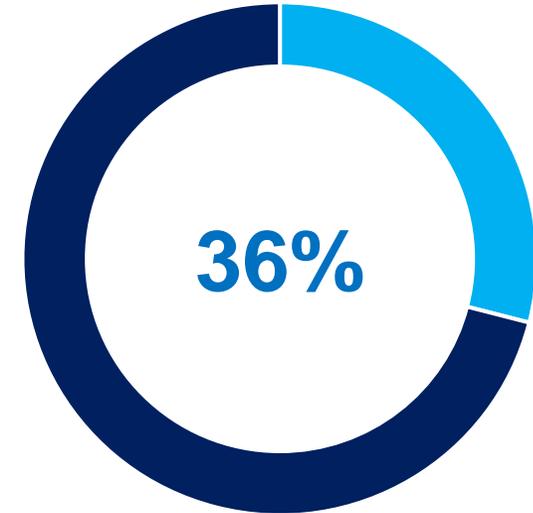
Actually started

How prepared are you for your retirement?

Mercer

Coverage of Post-retirement Expense from Preparation

- Can MPF cover at least 50% of their post-retirement expense?

32%

Of participants believe MPF covers >50% post-retirement expense

52%

Of participants believe the below covers >50% post-retirement expense

55%

Of participants believe the below covers >50% post-retirement expense
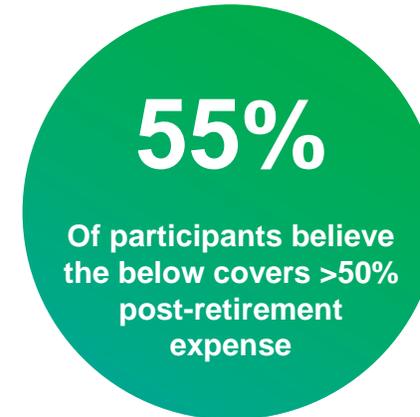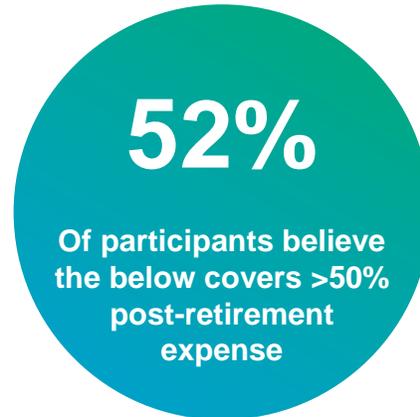
Legend:
- ■ All expense
- ■ 75%-99% Expense
- ■ 50%-74% Expense
- ■ 25%-49% Expense
- ■ Less than 25% Expense
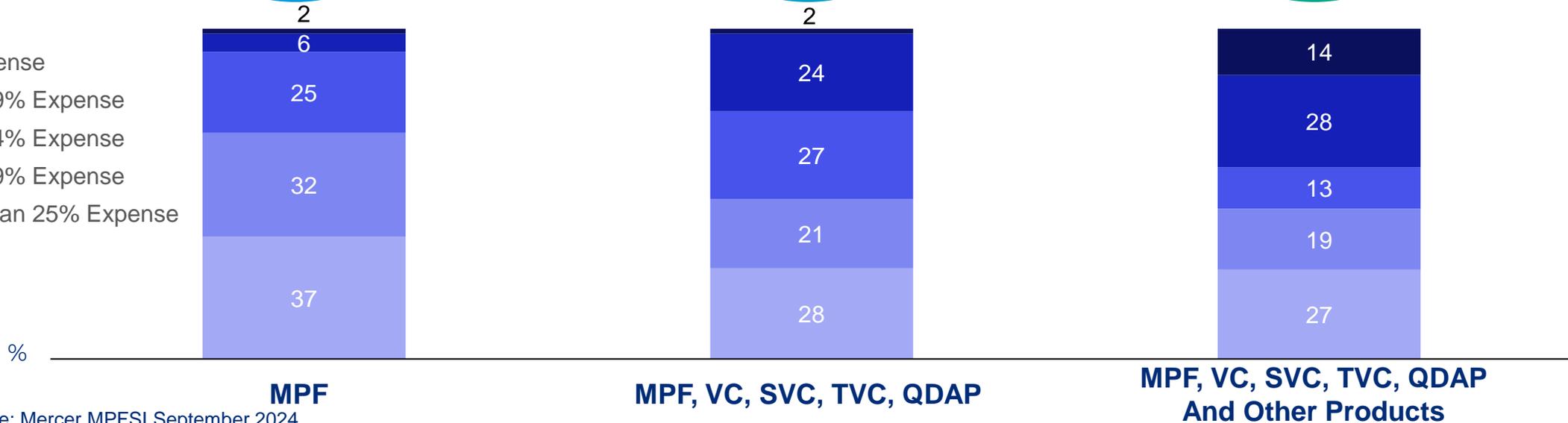
MPF
- 2
- 6
- 25
- 32
- 37

%

MPF, VC, SVC, TVC, QDAP
- 2
- 24
- 27
- 21
- 28

MPF, VC, SVC, TVC, QDAP And Other Products
- 14
- 28
- 13
- 19
- 27

Source: Mercer MPFSI September 2024

Mercer

Voluntary contribution for retirement

- Among those who are having contributions, it shows an increase of contribution from previous fiscal year to this fiscal year, and from this fiscal year to next fiscal year shifting from lower to higher contribution amount category.

Legend:
- No Contribution
- Below HK$ 5,000 (2500.0)
- HK$ 5,000 - 9,999 (7499.5)
- HK$ 10,000 - 19,999 (14999.5)
- HK$ 20,000 - 29,999 (24999.5)
- HK$ 30,000 - 39,999 (34999.5)
- HK$ 40,000 - 49,999 (44999.5)
- HK$ 50,000 - 60,000 (55000.0)
- Above $60,000

Fiscal year	No Contribution	Below 5,000	5,000-9,999	10,000-19,999	20,000-29,999	30,000-39,999	40,000-49,999	50,000-60,000	Above 60,000
Previous fiscal year (Average $25,735)	39	8	6	13	12	12	5	5	3
This fiscal year (Average $26,348)	39	6	7	11	10	9	7	8	5
Next fiscal year (Average $28,404)	38	8	9	9	6	5	11	8	8

Source: Mercer MPFSI September 2024

主持人及主講嘉賓

鄭恩先生

美世(香港)有限公司強積金業務主管

The "W"s to ask yourself when it comes to retirement planning

Where
- Where are you going to retire, and what will the associated living costs be?

What
- What is you retirement goal to cover your post-retirement expense?

How
- How to achieve your retirement financial goal?

Retirement life in a nutshell

Changes Of Personal Finance: Source Of Income And Expenditure

Before Retirement

After Retirement

Income

Savings and Investment

Full-time Job Income

Rental Income

From Children

Social Security

Retirement Fund

Expenditure

Mortgage/ Rental Expense

Life Essential Expense

Other Consumptions

Life Essential Expense

Medical/ Healthcare Expense

Leisure Expense

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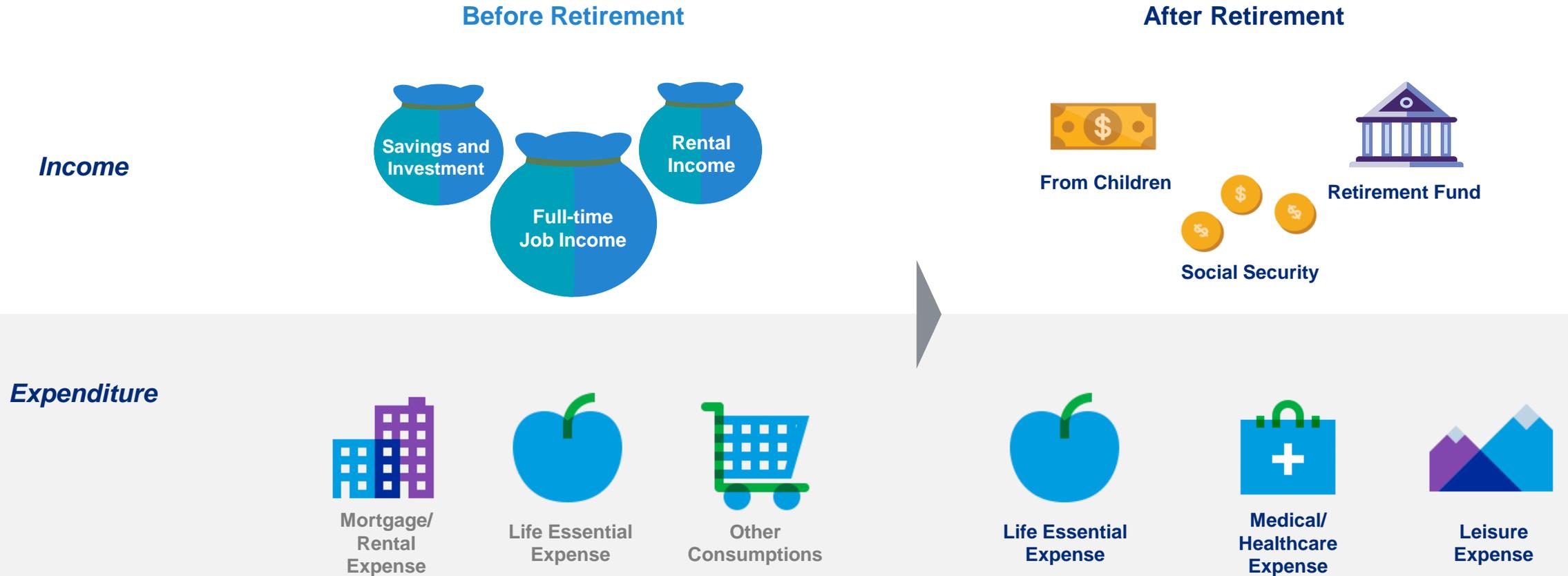
Where

Where are you going to retire, and what will the associated living costs be?

Where are you going to retire?

Different countries has different standard of living!

The standard of living refers to the level of wealth, comfort, necessities, and material goods available to a particular geographic area.

<u>Standard of Life</u> :

- Purchasing Power
- Safety
- Health Care
- Cost of Living
- Property Price to Income Ratio
- Pollution
- Climate
- Traffic Commute Time

2024 Cost of Living City Ranking

Ranking	City	Location
1	Hong Kong	Hong Kong SAR
2	Singapore	Singapore
3	Zurich	Switzerland
4	Geneva	Switzerland
5	Basel	Switzerland
6	Bern	Switzerland
7	New York	United States
8	London	United Kingdom
9	Nassau	Bahamas
10	Los Angeles	United States
23	Shanghai	China
25	Beijing	China
34	Shenzhen	China
71	Guangzhou	China
105	Nanjing	China
125	Chengdu	China

- Asia has the top two cities (Hong Kong and Sinapore) with the highest cost of living, primarily driven by high rental accommodation costs due to a large number of expatriates, further driving up the cost of goods.

- Five European cities are in the global top ten ranking. However, the European Central Bank forecasts that the annual inflation rate in the Eurozone will continue to fall, meaning that costs could stabilize as European economies recover from recent setbacks.

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Price movement of goods

With continued inflationary pressures across the globe, it is important to take a closer look at how the cost of selected goods has evolved.

12 Large Eggs

City	%
Beijing	3.6%
Berlin	2.2%
Buenos Aires	403.7%
Dakar	19.2%
Dubai	7.0%
Hong Kong	13.7%
Istanbul	48.0%
Johannesburg	28.6%
London	3.6%
Los Angeles	−22.3%
Madrid	11.6%
Mexico City	−5.5%
Mumbai	2.4%
Nairobi	12.6%
New York	−6.0%
Paris	−8.9%
Rome	3.2%
Sao Paulo	13.7%
Seoul	0.1%
Singapore	3.1%
Sydney	7.0%
Tokyo	22.9%
Toronto	−2.6%
Warsaw	18.4%
Average	**24.1%**
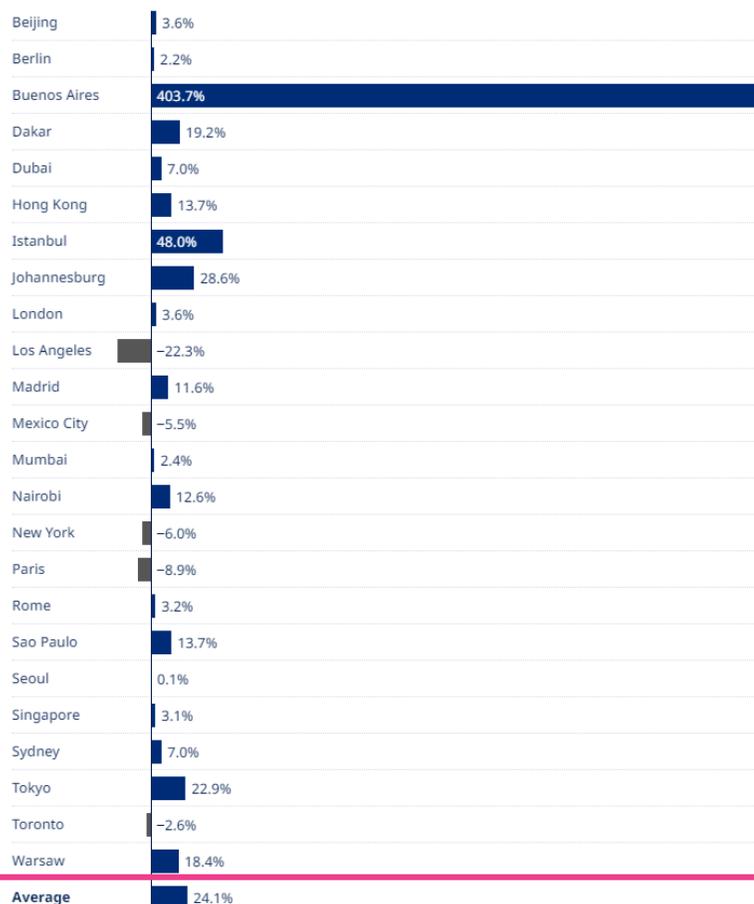
Espresso Coffee at Popular café

City	%
Beijing	−3.7%
Berlin	4.0%
Buenos Aires	282.0%
Dakar	−2.4%
Dubai	1.6%
Hong Kong	0.5%
Istanbul	134.8%
Johannesburg	6.3%
London	1.7%
Los Angeles	1.1%
Madrid	8.1%
Mexico City	8.7%
Mumbai	−6.6%
Nairobi	−4.7%
New York	3.8%
Paris	0.0%
Rome	−12.9%
Sao Paulo	4.2%
Seoul	−8.2%
Singapore	−5.3%
Sydney	22.9%
Tokyo	−9.4%
Toronto	0.0%
Warsaw	7.6%
Average	**18.1%**

1L of Gasoline

City	%
Beijing	−1.1%
Berlin	0.6%
Buenos Aires	376.4%
Dakar	0.0%
Dubai	−7.5%
Hong Kong	7.2%
Istanbul	109.3%
Johannesburg	−3.4%
London	−3.2%
Los Angeles	1.4%
Madrid	−2.0%
Mexico City	0.0%
Mumbai	−2.0%
Nairobi	16.7%
New York	−3.9%
Paris	1.9%
Rome	−13.9%
Sao Paulo	2.3%
Seoul	8.0%
Singapore	3.5%
Sydney	−0.9%
Tokyo	2.8%
Toronto	−3.8%
Warsaw	−1.0%
Average	**20.3%**

The average of the select goods record a price increase of ~18-24% comparing to 2023.

Mercer   Source: Mercer's 2024 Cost of Living Survey

Health Care Costs by Countries

What a hospital stay will cost you in different countries (in USD)?

$805 Canada	**$875** Australia	**$794** Singapore
$205 Hong Kong	**$121** Malaysia	**$42** China

Mercer

Other consideration for retirement

- **Lifestyle Choices, Food, Activities and Hobbies**

- **Social Connections and Community Engagement**

- **Healthcare**

- **Transportation**

- **Environment (Climate)**

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What

What is you retirement goal to cover your post-retirement expense?

Plan your retirement life goal – how much is enough?

Key questions to answer

1 How would my financials change after my retirement?

2 How much do I need for retirement Life?

3 I have currently saved … have I saved enough?

4 Am I investing wisely so that it's safe & could cover up my retirement expense?

How much do I need for retirement life?

Understand your potential expenses

According to the 2019/20 Household Expenditure Survey conducted by Census and Statistics Department (C&SD), With average number of 3 people each household, for families with the household head being retired persons, the monthly household expenditure is **HK$26,400**, in general each household member's monthly expenditure is **HK$8,800**, which could be generally categorized into:

- **Life Essentials**
- **Leisure Expense**
- **Medical Expense**
- **Legacy For Offspring**

Miscellaneous services, 10%

Transportation, 7%

Food, 25%

Durable goods, 4%

Clothing, 2%

Miscellaneous goods, 3%

Housing, 49%
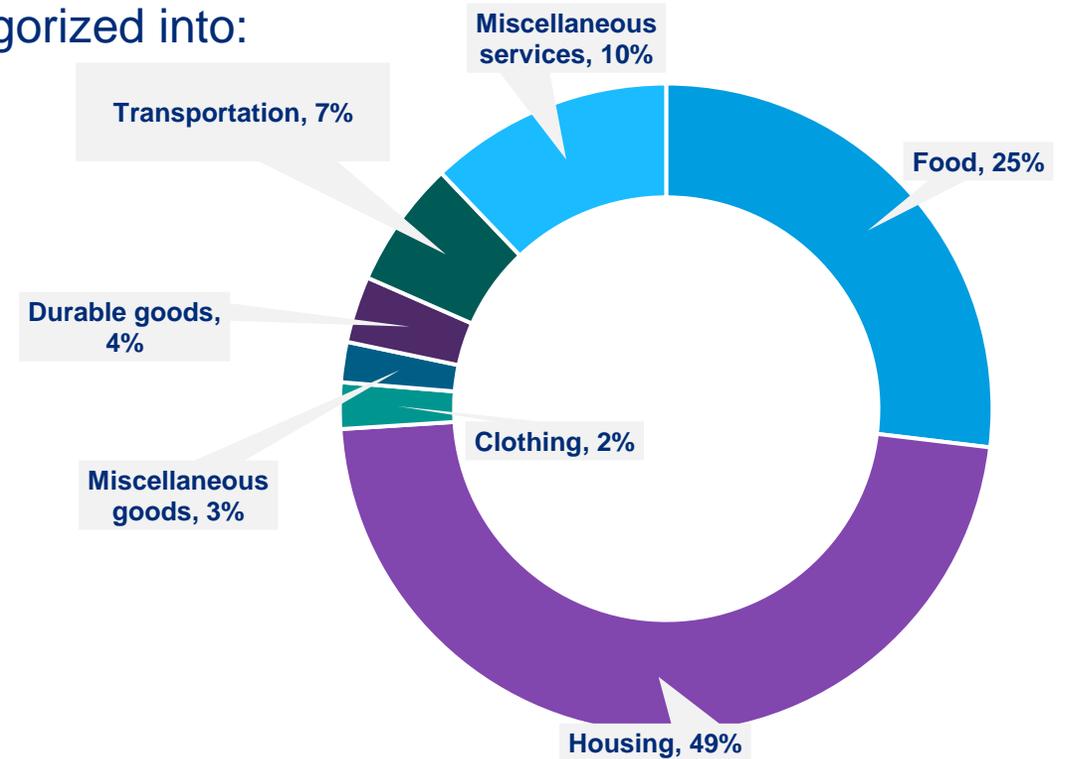
Source: Household Expenditure Survey and the Rebasing of the Consumer Price Indices, HK C&SD

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Am I on track to achieve my retirement goals?

Assuming a gentlemen's monthly post-retirement expense is HK$26,400, it costs **HKD6,336,000** …….

Assumptions	
Retirement Age	65
Expected Life Expectancy	85
Post Retirement Expense	HK$26,400
Total Retirement Expense in 20 years	**HKD6,336,000**

For illustration purpose only

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HKD6,336,000 is equivalent to…..

5.8M
CNY - China

3.6M
RM - Malaysia

1.0M
SGD - Singapore

1.1M
CAD - Canada

26.2M
TWD - Taiwan

1.2M
AUD - Australia

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Am I on track to achieve my retirement goals?

Assuming the expected return is 4%, monthly compounding, and monthly saving is HKD5,500, he should have **HKD 2,000,000 by age of 44**, **HKD 4,000,000 by age of 55 for retirement purpose**.

Retirement Portfolio Amount by Age

6% Expected Return

Amount required: HKD 6,336,000

4% Expected Return

2% Expected Return

— 2% expected return — 4% expected return — 6% expected return

For illustration purpose only

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40
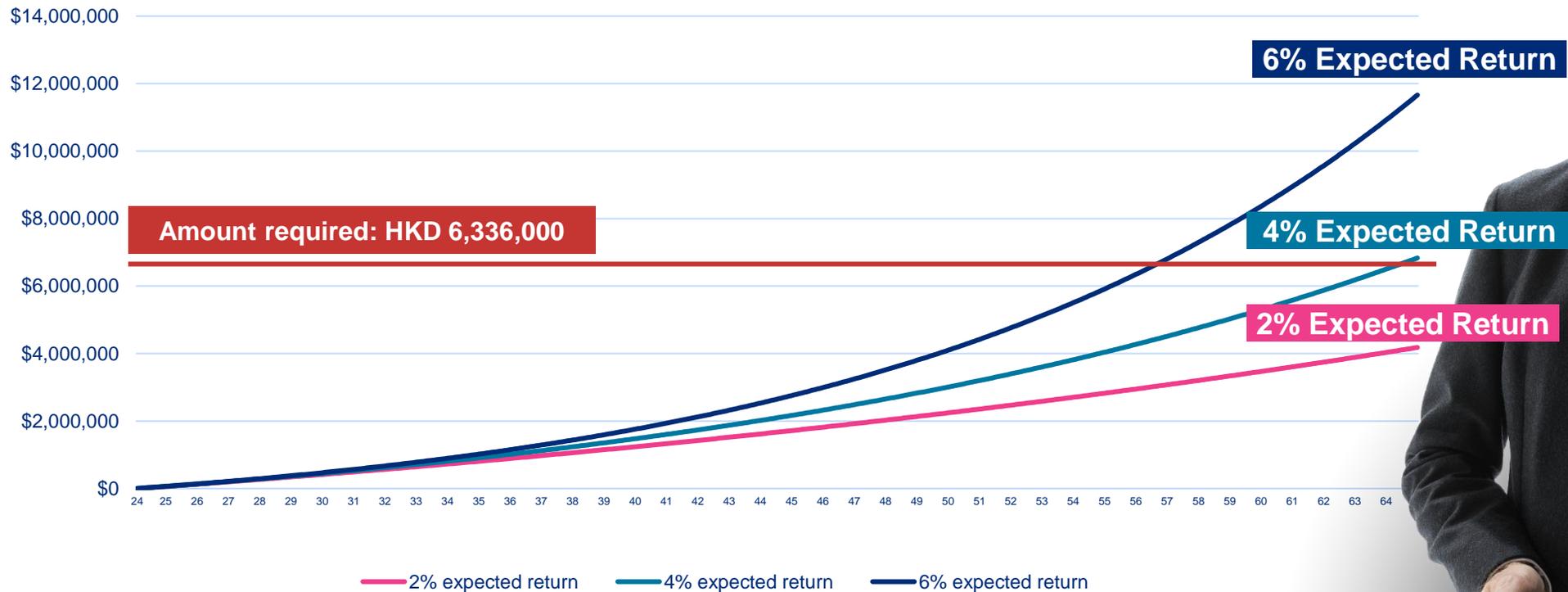
If there is shortfall between portfolio and retirement goal…..

Exploring your options

Extend retirement age?

Longer time horizon to save and invest

Lower your post-retirement standard of living?

Reduce retirement required amount

Finding an additional source of income?

Increase monthly income

Reduce my monthly expenses?

Increase monthly savings for retirement

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How

How to achieve your retirement financial goal?

Characteristics of good retirement portfolio

01

Clear Retirement Goal

It serves as a foundation for creating a comprehensive financial plan and helps you determine **how much you need to save**, **how long you have to invest**, and what **investment strategies are most suitable** to achieve your goal

02

Diversification

Diversification helps to spread risk and **reduce the impact of any single investment's performance** on the overall portfolio.

03

Long-term focus

Retirement portfolios are typically designed **for long-term growth and income generation**. Impulsive investment decision based on short-term market fluctuations should be avoided

04

Monitoring and Rebalancing

Regularly reviewing and rebalancing your portfolio ensures that it **stays aligned with your investment objectives**. Rebalancing involves adjusting the asset allocation by buying or selling investments to maintain the desired mix.

Common vehicles for investment, saving and protection

Common Investments / Saving & Protection Vehicles

1 Saving and Deposits

2 Stocks/ Bonds/ ETF/ REIT

3 Retail Mutual Funds

4 Insurance Products

Specific vehicles / tools in Hong Kong

5 MPF/ ORSO

6 Hong Kong Retail Government Bonds (iBond/ Green Bond/ Silver Bond)

7 Annuity (QDAP/ HKMC Annuity)

8 Insurance Products (VHIS)

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Save Early - Time is Money

The "when" for your investment saving plan plays a significant role…

Assume monthly contribution of **HKD 1,500** and investment return of **4% p.a.**

HK$ Mil

**+188%
(1.5m)**

**+75%
(0.6m)**

2.3

1.4

0.8

— Starting at 20 — Starting at 30 — Starting at 40
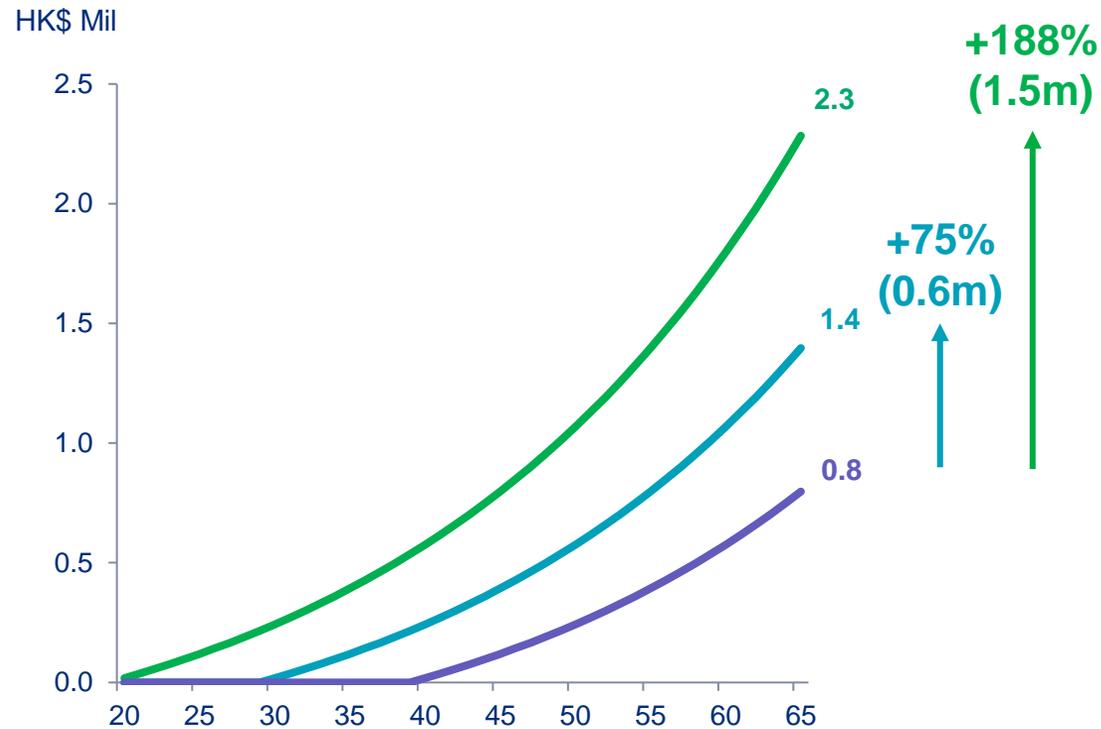
Early Saving and Investing Makes Significant Difference in Total Assets

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