

HKRSA

香港退休計劃協會

The Hong Kong Retirement Schemes Association



29 August 2023 (Tuesday)
10:00 am – 11:00 am

Webinar: Essential tips for planning your retirement journey



How Employees Prepare for Retirement with Financial & Physical Wellness

Manus Chan, FSA CERA
August 2023



LOCKTON[®]

UNCOMMONLY INDEPENDENT

Important to Note:

- *You should consider your own risk tolerance level and financial circumstances before making any investment choices. When, in your selection of constituent funds or the Default Investment Strategy, you are in doubt as to whether a certain constituent fund or the Default Investment Strategy is suitable for you (including whether it is consistent with your investment objectives), you should seek independent financial and/or professional advice and make investment choices most suitable for you taking into account your circumstances.*
- *Investment involves risks and not each of the investment choices would be suitable for everyone. You should consider the risks associated with each of the constituent funds and the Default Investment Strategy and note that some of the investment choices may involve higher risks and your investments/accrued benefits investing in such investment choices may suffer significant loss.*
- *Before making your investment choices, you should read the Offering Document for details including risk factors, fees and charges of the scheme. You should not make your investment decision based on this document alone.*
- *Lockton does not accept any liability to any third parties in respect of the information or opinions contain herein. This presentation may not be shared, republished, or used for any other purposes without Lockton's prior written consent.*

The 4 Wellness Pillars for Employees

• **Physical Wellness**

- Fitness Training
- Health Talks
- Healthy Food & Diet
- Body Check-up
- Vaccination
- Medical Network Provider
- Medical Insurance
- Chronic Disease Management



• **Emotional Wellness**

- Mindfulness Training
- Stress Management
- Mental wellness check-up
- Employee Assistance Program
- Leadership Training

• **Financial Wellness**

- Life and Risk Insurances
- Income & Expense Management
- Retirement Planning
- Financial Clinic – planning and coaching



• **Social Wellness**

- Diversity & Inclusive
- Hybrid Work
- Workplace Health & Safety
- Pollution & Waste Management

Keep the Wellness Cycle Running

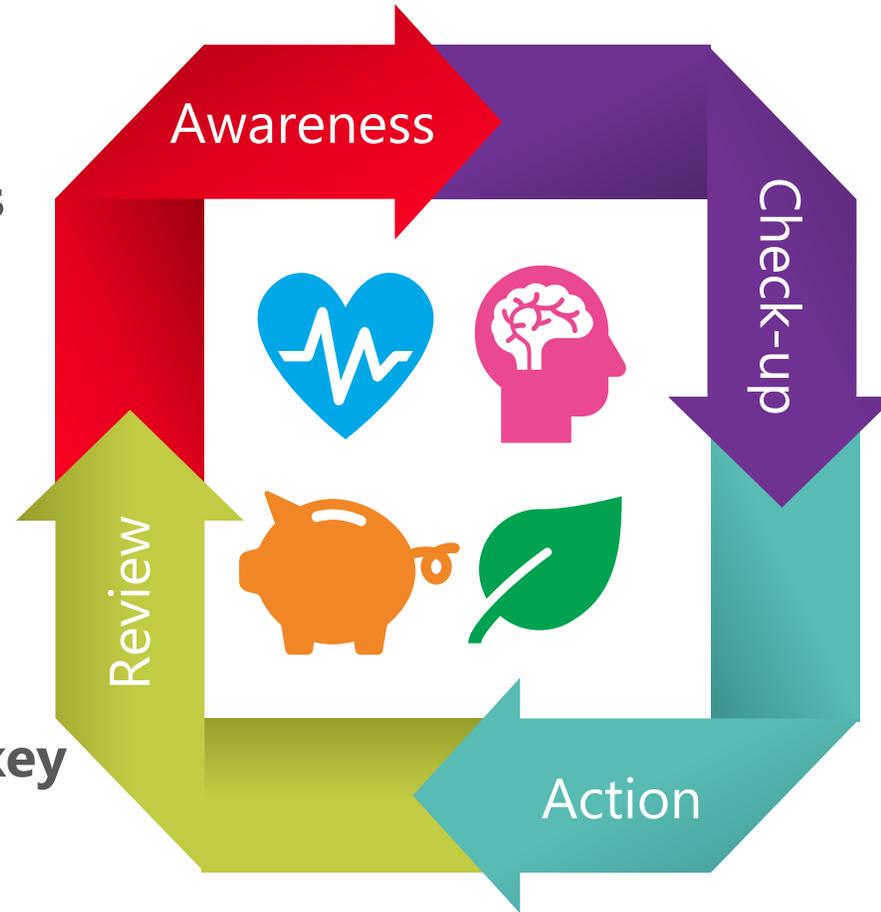
No matter you are an employer or employee



Start with Awareness



Regular Review is key



Check on current situation



ACCCTION!



Key Areas in Financial Planning

Areas		Employment Stage	Retired Life
Income		Monthly salary, Regular pay, Commission, etc.	"How to generate a stable income in retirement?"
Expense		"Do you know how much you are spending each month?"	Around 70% of your current spending
Savings & Investment		"What else I need to know besides investment return and risks?"	Where can I still invest to beat inflation?
Risk & Time Focus		Company paid insurance, Running out of time	Living too long

How much you are spending now and then?

Financial
Wellness



Learning **how much** you spend, and **where** you spend are important, as it helps you to understand **WHY** you are spending.

Expense Tracking App:

- Investor and Financial Education Council (IFEC) Money tracker
- Money Tracker – The Chin Family Hong Kong
- [樂享退休GPS] by MPFA, also include **retirement planning calculator** and other retirement resources



When shall employees start?



- **Start a tracking habit now** to know how much you are spending
- Provide references on how much you need in retirement life
- Help set a practical goal for savings, investments, and risk management

70%

Median Wage as
Retirement Spending
Estimate
(HK\$13,800 at 2022)

I have a goal, how to reach it before retirement?

Financial
Wellness



Quick **Tips** on a few popular long term investment vehicles available in Hong Kong.



Bank Savings Account / Certificate of Deposit

- Direct way of savings

-  Earnings may not be able to beat inflation, while the default risk is relatively lower



MPF / MPF Top-up / ORSO

- *Retirement Plans under Employment*

- Employer and employee both contribute (except for some ORSO schemes)

- MPF is mandatory, important to put some time to understand and manage it

- Upcoming MPF arrangements can further enhance accrued benefits at retirement for employees

- If your company provides a “matching” on MPF / ORSO contribution, **consider it** as additional funding towards your retirement

-  *Tax Deductible Voluntary Contributions (TVC)*

- Tax benefit towards current year salary tax (sharing HK\$60,000 limit with Qualifying Deferred Annuity Policy (QDAP) per individual for Tax Year 2022/23)

I have a goal, how to reach it before retirement?

Financial
Wellness



Quick **Tips** on a few popular long term investment vehicles available in Hong Kong.



Whole Life or Universal Life Insurance with Savings or Investing elements

- Make sure you have the insurance needs
- Make sure you understand the surrender value vs cash value, and other terms & conditions
-  Some policies can charge loan interest when you partially take the money out at retirement



Real Estates

- Primary residence: If you do not own a residence or do not entitle to public housing, make sure you include **the rental expense in** the Retirement Planning Calculator during retirement period
-  Make sure you take into account liquidity and additional risks, **e.g. housing mortgage is one of the biggest leverages an employee may take in his lifetime**



Stocks / Bonds / other financial investment products

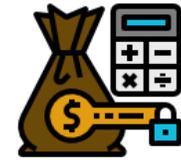
- There will be new investment products coming up throughout your career and even retired life
-  Make sure you understand before putting your money in

Getting closer to retirement...

Financial
Wellness



Besides investment returns, income replacement would also be important.



#1

Life Expectancy for
Hong Kong among
the world
(M: 83 / F: 88)

Continue to invest

- Catch up with inflation
- Age specific investment tool: **Silver Bond** issued by HKSAR Government
- Relatively lower risk investment in MPF

Longevity

- Convert lump sum cash, primary residence, or insurance policy to annuity payments for life
- Post Retirement Fund offered by MPF providers
-  Hong Kong Mortgage Company (HKMC): Retire 3, with entry age as low as 60
- Other annuity products issued by insurers



Key areas in Medical Expenses

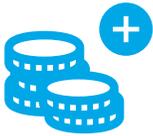
Areas	Employment Stage	Retired Life
Hospitalization 	4% to 7% of HK people from Age 25 to 64 stayed in hospital in a year	13% of HK people over Age 65 stayed in hospital in a year
Company paid Benefit Coverage 	41% of employees in private sectors enjoy medical benefits 27% of employees enjoy hospitalization coverage	Not a prevalence in Hong Kong to provide post-retirement medical benefits to retirees
Individual medical insurance 	41% of Economically Active HK people purchase individual medical insurance	16% of Retired HK people purchase individual medical insurance (<i>raising from 13% in Year 2017</i>)

Bridge the Benefit Coverage Gap

Physical
Wellness



Quick **Tips** on a few medical insurance products available besides generic individual insurance.



Voluntary Top-up medical insurance plan during employment

- Allow you to purchase an individual medical insurance with privilege
-  Check with your company and see whether the company medical plans have such arrangements



Conversion plan after employment

- Allow you to purchase an individual medical insurance with **guaranteed acceptance with pre-existing medical condition covered**
-  Check with your company and see whether the company medical plans have such arrangements

Voluntary Health Insurance Scheme (VHIS)

- Cover unknown pre-existing condition
- Guaranteed renewal up to Age 100
-  Tax benefit towards current year salary tax (HK\$8,000 limit per individual for Tax Year 2022/23)

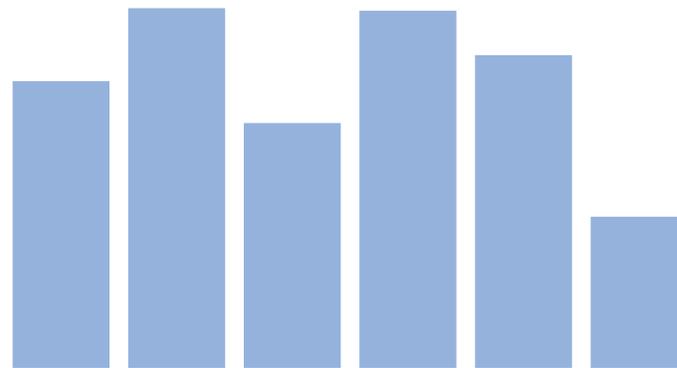


Two Ways to Pick the Insurance Coverage

Physical
Wellness



A typical local medical insurance plan provided by employers in HK on hospitalization would have benefit sub-limits for each item, e.g. surgeon's fee, operating theatre fee, Room & Board charges, etc.



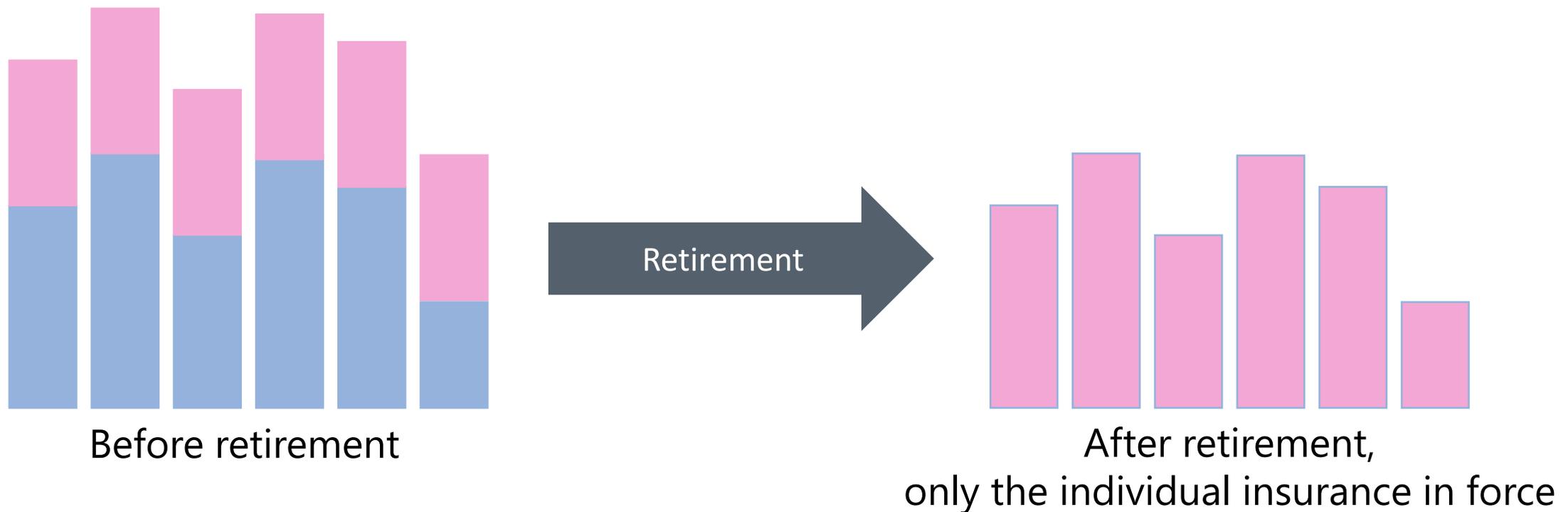
Current employer provided
hospitalization insurance coverage

(1) Purchase insurance with similar structure

Physical
Wellness



You may choose to purchase another medical insurance coverage with a similar sub-limit structures, to **start cover the next dollar exceeding** your company provided insurance coverage



(2) Purchase insurance with high deductible

Physical
Wellness



You may choose to purchase another medical insurance coverage with a high deductible features, to cover big hospitalization expenses. **Insured person would need to pay for the expense below the deductible.**



Before retirement



After retirement,
only the individual insurance in force

What to do next?

Start with Awareness



Make sure stakeholders understand why they need to care, and what are important to know.



Regular Review is key



Life is full of new challenges and surprises, calibrate your plan and keep moving!



Check on current situation

Time to check and understand what is your priority.



ACCCTION!

Set a plan.
Do it Right!





The Four Phases of Retirement: How to Squeeze All The “Juice” Out

Riley Moynes



Everyone says you have to get ready to retire financially. Of course you do, but what they don't tell you is that you have to get ready **psychologically**.



WHEN WE'RE FINISHED

- You'll know The Four Phases of Retirement.
- If retired, you'll know which Phase you're in now.
- If you're not, you'll know what to expect when the time comes.



Two assumptions



PHASE #1 Vacation Phase

- 1-2 years
- “Bucket List” activities predominate.
- You appreciate having no set routine for the time being.
- **Freedom!!**



BUT THEN...

- Get a bit bored.
- Miss a routine.
- **“Is that all there is to retirement?”**



**RETIREMENT: “a plunge into the
abyss of insignificance”**

One of life’s Top Ten Traumas.



PHASE # 2 Feeling Loss and Feeling Lost

Five Significant, Unavoidable Losses

We lose:

- Structure
- Identity
- Relationships
- A sense of purpose
- A sense of power



PHASE # 2 Feeling Loss and Feeling Lost

At greater risk for:

- Depression
- Decline
- Divorce

In North America, divorces among people over 50 have doubled; for those over 65, the rate has **tripled** since 1990.

THE RESULT OF ALL THIS...



File photo: TNP



Fear...

Uncertainty...

Anxiety...

Buckle up!

AND SO THE REHAB BEGINS...





PHASE #3 Trial and Error

You Know You're In Phase Three When...

- You ask, “What can I do to make my life meaningful and productive again?”
- You ask, “How can I still contribute?”
- You understand it often involves false starts.



PHASE #4 Reinvent & Rewire

Not everyone breaks through and reaches
Phase Four...



**...but those who do are some of the
happiest people I've ever known.**



PHASE #4 Reinvent & Rewire

Breakthrough requires answering these questions:

- What's my mission here/my purpose?
- How can I squeeze all the juice out of retirement?

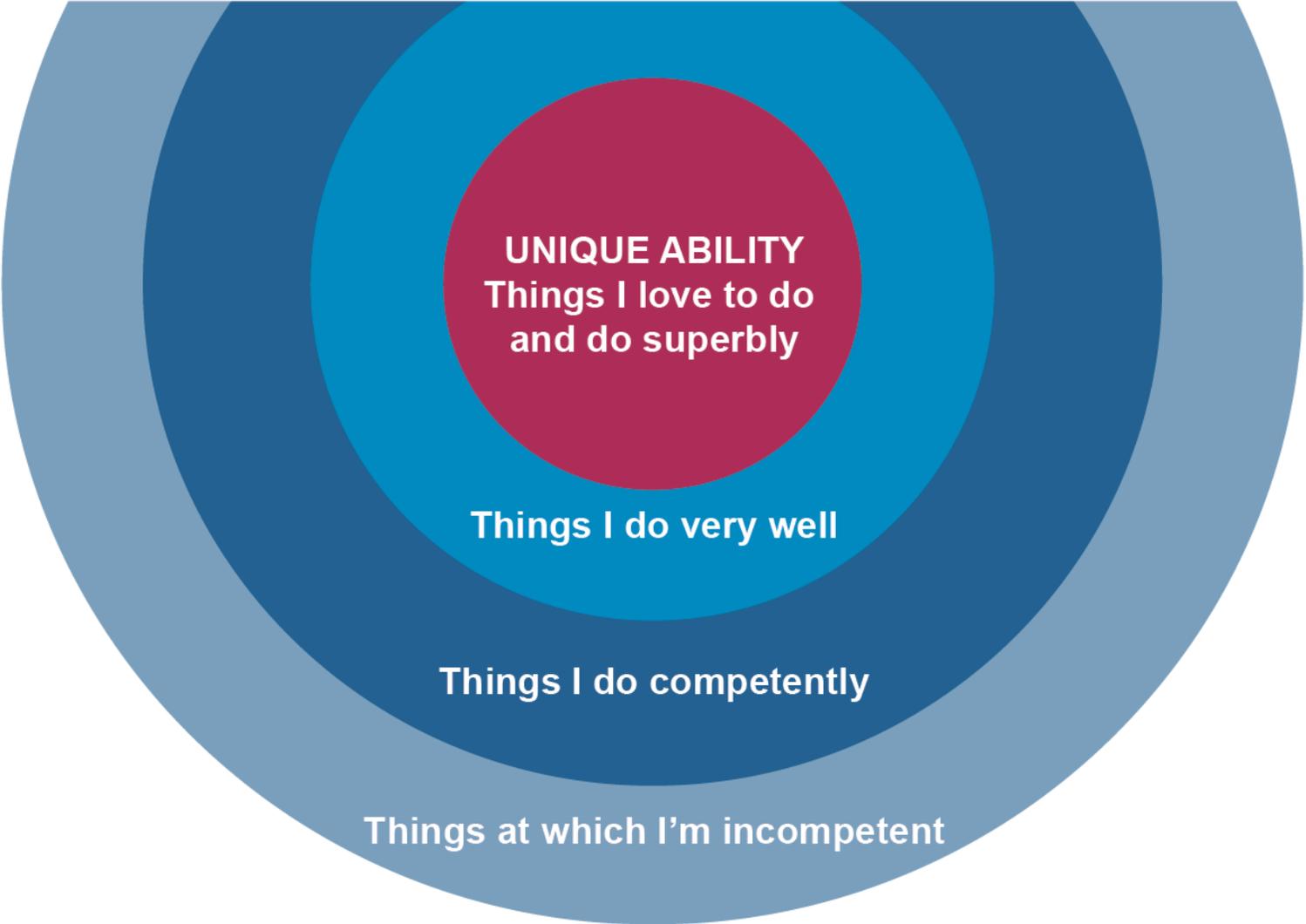
HINT: *It almost always involves service to others.*

**“We make a living by what we get;
we make a life by what we give.”**

Winston Churchill



TOOL #1 Unique Ability





TOOL #1 Unique Ability

What's My "Unique Ability"?

- What do you love to do?
- What do you do really well?

TOOL #2 High Points

- Five successes, highlights, breakthroughs, or victories.

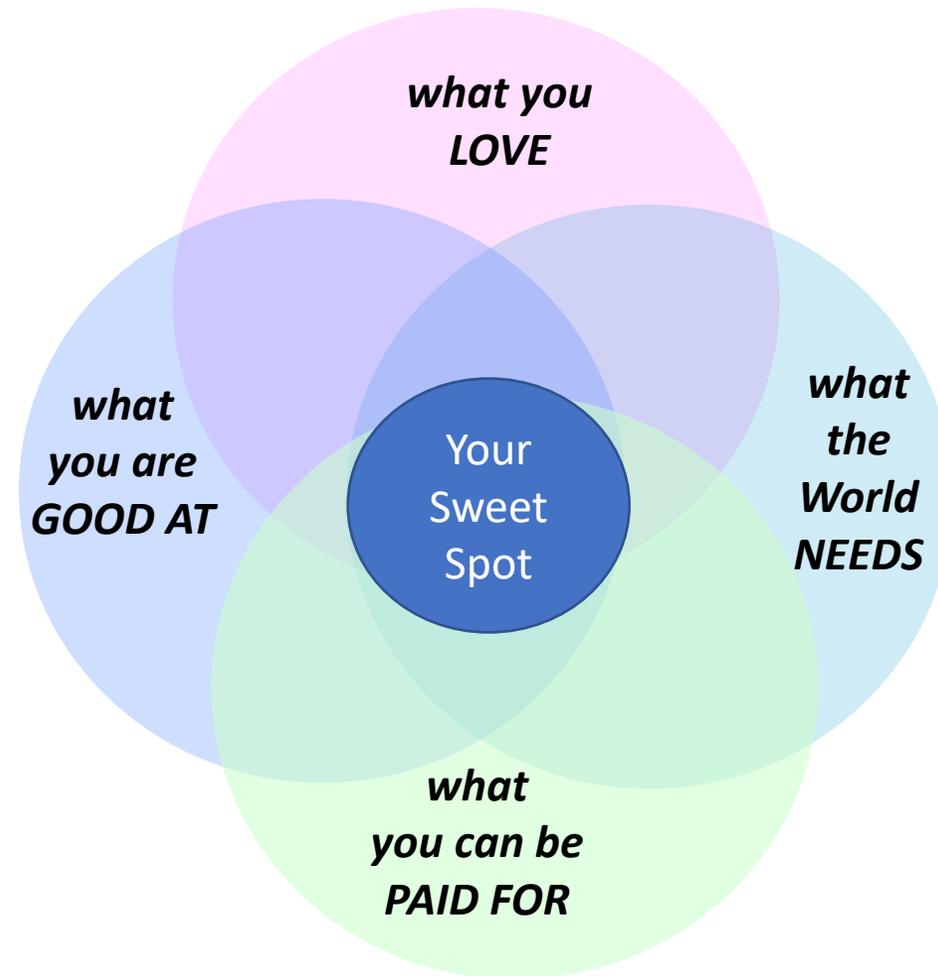


TOOL #3 Common Threads

What we love to do and do well
leads to success.



TOOL #4 Finding Your Sweet Spot



“The unhappiest retirees had not gone on to do anything productive beyond pleasing themselves.”

Harvard Business School Study





Most of us need to find activities we find
meaningful...that give us a sense of
purpose.

Put our own **dent in the universe.**









Anytime you use your gifts and abilities to help others, you're fulfilling your calling.

Rick Warren

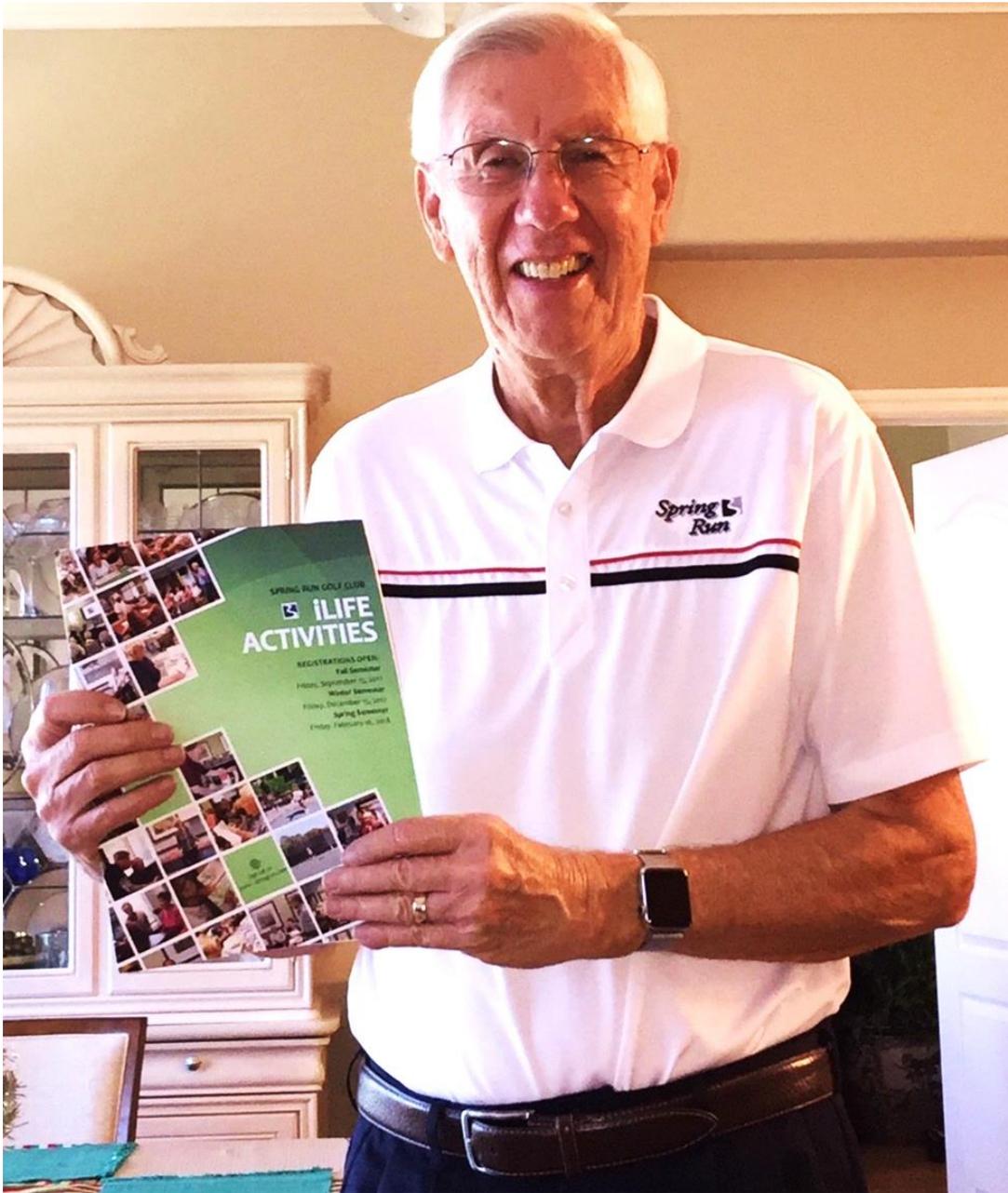
Author of: *The Purpose-Driven Life*

What on Earth Am I Here For?



REMEMBER...

- You are **not alone** in this transition.
- You have **more options** to consider, and **longer to do it** than ever before.
- You have a **huge** opportunity to combine your passions and your strengths to make the world a better place.





AND WHEN YOU DO you will discover you have...

- a new **STRUCTURE** for your life
- a new **IDENTITY**, connected to your passion
- new **RELATIONSHIPS**
- renewed **PURPOSE**
- a sense of enhanced **POWER** to make good things happen

That's Phase #4!



IN REVIEW

- You now know the Four Phases of Retirement.
- If you're retired, you know what Phase you're in.
- If you're not, you know what to expect when the time comes.



Don't retire...

Rewire!



Everyone says you have to get ready to retire financially. Of course you do, but what they don't tell you is that you have to get ready **psychologically**.



香港退休計劃協會

The Hong Kong Retirement Schemes Association

THANK YOU!

