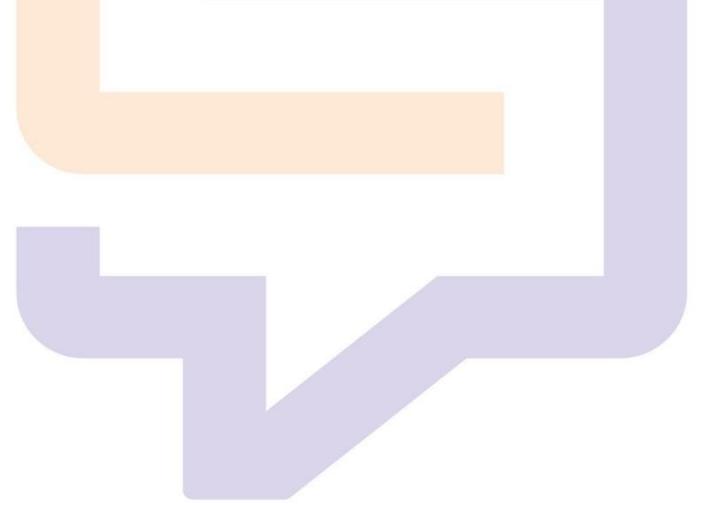


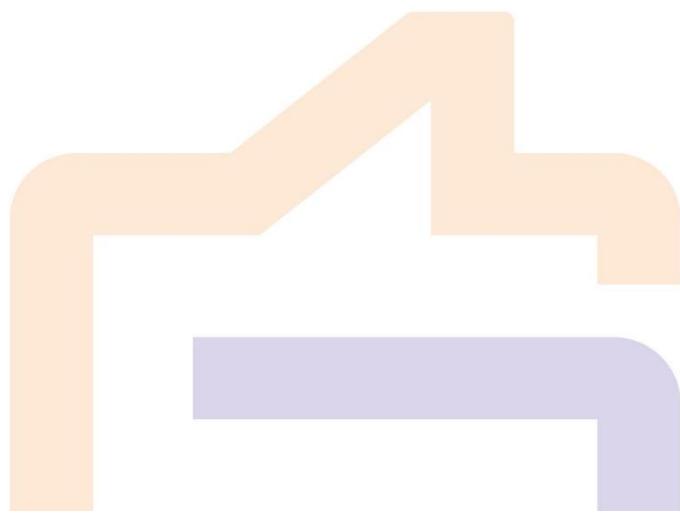


投資者及理財教育委員會
Investor and Financial
Education Council



Retirement Money Matters Study

September 2020



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Executive summary

The 2020 Retirement Money Matters Study describes working adults' attitudes and behaviours towards retirement planning, and the approaches taken by current retirees to prepare for and manage their own retirement. This study was conducted by the Investor and Financial Education Council (IFEC), an organisation dedicated to catering holistically to the financial education needs of Hong Kong people. It draws on data from 816 adults aged 18-64 working full-time, and 408 retirees aged 50-79.

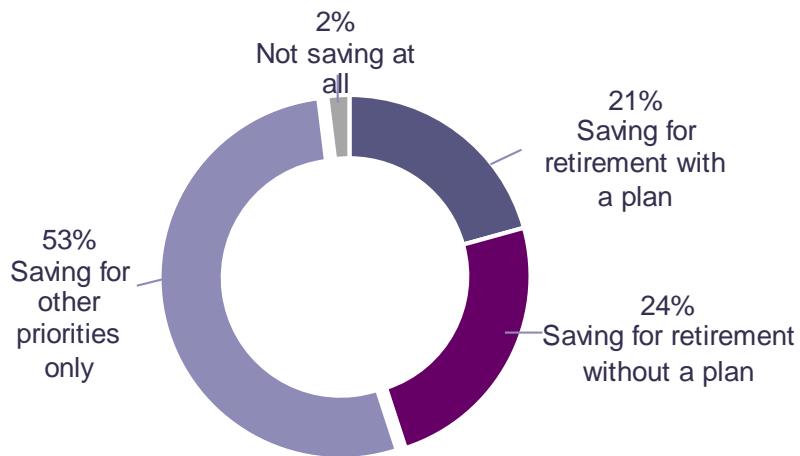
Main findings

Fewer than half of working adults are saving for retirement

Almost all working adults in Hong Kong save, but fewer than half (45%) are saving with retirement preparations as one of the purposes and most of those are doing so without any plan of action. Not surprisingly, most of those saving for retirement are older adults, while only 3% of young working adults aged below 30 reported saving for retirement, and 7% said they are not saving any money at all.

Among those who don't save for retirement, majority said they would only save for retirement after meeting other priorities. Of the reported saving purposes, saving for travelling and material desires ranked 2nd and 3rd respectively following saving for emergencies.

Overview of retirement saving and planning



Saving for retirement becomes relevant to working adults from around the age of 40

Life stage clearly plays a role in people's decision to save for retirement. Most working adults, whether they are currently saving for retirement or not, believe that people should begin to save for retirement when they are around 40 years old, and expect to work for another 20 years. This is consistent with the actual experience of current retirees, although the vast majority say that if they could start again, they would begin saving earlier (85%).

Worryingly, just 36% of working adults have attempted to estimate how much money they will need in retirement and among the two thirds who never made any estimation, 42% admit that they would not know how to make such an estimation. Similarly, only half of current retirees ever tried to work out the amount they would need for retirement (42%) and 47% say that if they could start again, they would make the calculation sooner.

Low confidence level for building up sufficient retirement reserves

When asked to make a simple estimate in today's prices, 54% of working adults said that they will need less than HK\$4M to live on in retirement (28% claimed they need less than HK\$2M). They expect this money to last into their late 80s.

However, only 37% are confident that they will actually build up sufficient funds and most acknowledge that they may need to cut down on expenditure to make up the shortfall. As a result, 30% believe that their standard of living will deteriorate in retirement – consistent with the 24% of retirees who report such a change. In the lowest income group, just 15% of working adults report that they are confident that they can save enough, and 90% expect to have to cut expenses.

More than half working adults are interested in working after retirement

In general, most working adults (73%) expect to rely on their personal savings (including benefits from MPF/ORSO schemes) as the most important source of funding in retirement, whilst a sizeable proportion (60%) also plan to draw on dividend income from stocks and other investments. Their expectations reflect the situation of current retirees, over half (57%) of whom are primarily living off their savings and many subsidize living expenses with dividend income from financial products (50%).

There are also quite a few generational differences. Among retirees, 70% currently receive financial support from children and 24% reported it as the single most important source of income in retirement.

Meanwhile, apparently for many working adults, children are less likely to be the best form of pension – only 43% expect financial support from their children and a mere 4% would count on it as the key source of income. About half (49%) expect to obtain old-age living allowance and 20% plan to have part-time work in retirement; this compared with around half (53%) of the retirees getting old-age living allowance and just 1% having income from part-time work.

In fact, echoing the low confidence for building up sufficient retirement reserves, more than half of working adults are interested in working after retirement if they can find a job (56%), and this option is especially important to low-income working adults and those who do not own their own property.

Insufficient awareness of the suite of financial schemes related to retirement planning

Among those who save with retirement preparations in mind, as high as 76% invest in financial products to achieve their goals. A quarter (25%) make voluntary contributions to MPF/ORSO while 19% also invest in properties for building up retirement reserves.

In fact, the incidence of investing in financial products in the past 12 months is fairly high among both working adults and retirees at 69% and 61% respectively, with stocks as the most popular investment vehicle followed by forex and mutual funds.

On the other hand, of the various financial schemes related to retirement preparations launched by the government in recent years, awareness level varies – while around 80% or more working adults are aware of the voluntary health insurance scheme (VHIS), MPF tax deductible voluntary contributions (TVC) and public annuities, less than half (45%) are aware of the reverse mortgage and just 22% have heard of policy reverse mortgage and tax deductible qualifying deferred annuity policy (QDAP). Interest level of the new schemes is not high in general (below 50% for any one scheme). Similar pattern is observed for retirees.

High financial stress is common among working adults

Almost 9 in 10 working adults (88%) are suffering from financial stress, making them feel anxious or irritable, and reducing the quality of their sleep and performance at work. The stress comes primarily from more imminent threats posed by the worsened economy and worries about things that cannot necessarily be avoided such as reduced income or job loss, unexpected expenses and an increase in the cost of living. Not surprisingly, the more distant threat of having insufficient savings for retirement ranks low in people's list of financial concerns with only about one in five (18%) of working adults reporting related stress, although this increases to 41% of those aged 50-64.

Implications of the research

It is well-known that people value the present more than they do the future because immediate needs are by definition more pressing than those we can only imagine. Therefore educating the public to plan ahead for their retirement which can be decades from now for the younger generations has always been a huge challenge for financial educators.

The research findings highlight various inadequacies and biases of Hong Kong people in relation to retirement preparations and have various implications for financial education:

- i. Given Hong Kong people's high life expectancy, using 20 years to save up for retirement may not be sufficient. While financial educators like to say it's never too early to plan for retirement, in reality one has different needs and assets as well as different "planning horizons" at different stages in life. It is understandable that a 25-year-old has a hard time processing the needs of her or his 65-year-old self. It follows that financial education about retirement planning should be tailored to meet the needs and psychographics of different age segments. It is important to help people realize that retirement planning should be done in parallel with other pursuits in life and according to the specific life stage one is at, and then be reviewed and adjusted regularly.
- ii. Majority of Hongkongers either do not see the benefits of estimating retirement funding needs or simply don't know how to do the calculation. Promoting the use of digital calculators to estimate one's retirement needs¹ may prove useful to help people set a clear financial goal for retirement which may in turn motivate them to take actions to save towards their goals. Of course, it goes without saying that a clear financial goal need to be

¹ Such as the Retirement Planner available on IFEC's website (<https://tool-retirement.ifec.org.hk/en/main/index.jsp>)

supported by effective financial education covering step-by-step guidance and possible solutions to build retirement reserves.

- iii. With the persistence of an ultra-low interest rate environment, many Hongkongers have turned to investing in the financial markets to grow their wealth and as a key means to build retirement reserves. Yet faced with growing economic uncertainties as well as increasingly volatile markets, educating investors the need to exercise caution and disciplines in making investment decisions is crucial. Helping retirees to protect their nest eggs with prudent investment is especially important.
- iv. The government has launched various schemes to help people better prepare for their retirement needs. It is essential to promote awareness of these schemes as well as the pros and cons of each tool so that people can assess suitability for themselves and decide if they want to include any suitable scheme as part of their retirement plans.
- v. Employers can have a key role to play in encouraging their staff to better manage their personal finance, including planning for their retirement, by providing workplace financial wellness programmes or resources. In doing so, employers will be fulfilling good corporate social responsibilities and they may also benefit from engaging with their staff to find ways to reduce financial stress and increase productivity, leading to a win-win situation. In particular, organisations/companies which currently offer workplace wellness activities may add financial wellness programmes to the repertoire of staff activities, and those that run Employee Assistance Programmes² may also include financial wellness programmes to aid staff in managing financial stress.
- vi. The high levels of financial stress reported by working adults indicate that caution is needed when discussing retirement planning in financial education initiatives amid the current economic downturn. Many working adults are already worried about their ability to manage financial shocks and may not cope well with reminders that they also need to take responsibility for their income in old age.

How to get oneself prepared for a dignified retirement, to avoid outliving retirement savings amid rising longevity is an imminent personal and social issue that concerns every member of our society. And it is exactly because retirement planning is a challenging life-long process that financial education in this area is all the more important. As a public organisation dedicated to improving financial literacy in Hong Kong, IFEC has always endeavoured to educate the public about sound retirement planning, and we shall continue to provide quality financial education to the general public to help Hongkongers plan for their golden years.

² An employee assistance program (EAP) is an employee benefit program that assists employees with personal problems and/or work-related problems that may impact their job performance, health, mental and emotional well-being. EAPs generally offer free and confidential assessments, short-term counselling, referrals, and follow-up services for employees and their household members.

Introduction

In Hong Kong, life expectancies at birth for both sexes has steadily increased over the past 50 years. In 2018, life expectancy was 82 for men and 88 for women, topping global rankings. While a long life means more time to enjoy life after retirement, it also brings along increased possibilities of outliving one's retirement fund. Retirement planning is therefore of significant personal and social significance.

Educating the public about retirement planning has always been one of the IFEC's key focuses and we have covered related topics in various research studies monitoring people's financial literacy. In view of the importance of retirement planning, we have dedicated a new research to understand Hong Kong people's retirement preparations.

The Retirement Money Matters Study describes working adults' attitudes and behaviours towards retirement planning, and the approaches taken by current retirees to prepare for and manage their own retirement. This study was conducted by the Investor and Financial Education Council (IFEC), an organisation dedicated to catering holistically to the financial education needs of Hong Kong people.

Research design and objectives

A total of 1,224 Hong Kong residents were surveyed via computer-assisted face-to-face interviews across different districts in Hong Kong between March 9th – April 23rd, 2020³. The sample is made up of 816 adults aged 18-64 working full-time, and 408 retirees aged 50-79. Respondents were selected via a street-intercept approach at high traffic locations across different districts in Hong Kong. To better reflect the population profile in the target age brackets, quotas were applied on age, gender, living district, income and asset level based on Hong Kong Census and Statistics Department data and two separate IFEC surveys conducted in 2019 (brand tracking and consumer monitor). All interviews were conducted in Cantonese.

This study has two objectives. The first objective is to describe working adults' attitudes and behaviours towards retirement planning. The second objective is to learn how current retirees prepared for their retirement and describe how they are managing their finances in retirement.

Structure of this report

This report has two sections, reflecting the two objectives of the study.

Section I describes the retirement saving behaviour of working adults in Hong Kong and their expectations about retirement. The report also goes on to describe the general money management behaviours and financial wellbeing of working adults, in order to put the study into a broader perspective.

Section II provides insights into the retirement preparation of current retirees in Hong Kong, their current situation and their expectations for the future.

The report draws general conclusions and highlights implications for financial education work.

³ Fieldwork was conducted during a period when the COVID-19 pandemic was eased off before a new wave of community outbreak took place in July 2020.

Research Findings: Working Adults

This section of the report describes the retirement preparations of Hong Kong residents aged 18-64 with full-time jobs (referred to as working adults in the text that follows). It is based on face-to-face interviews conducted with 816 respondents in March and April 2020.

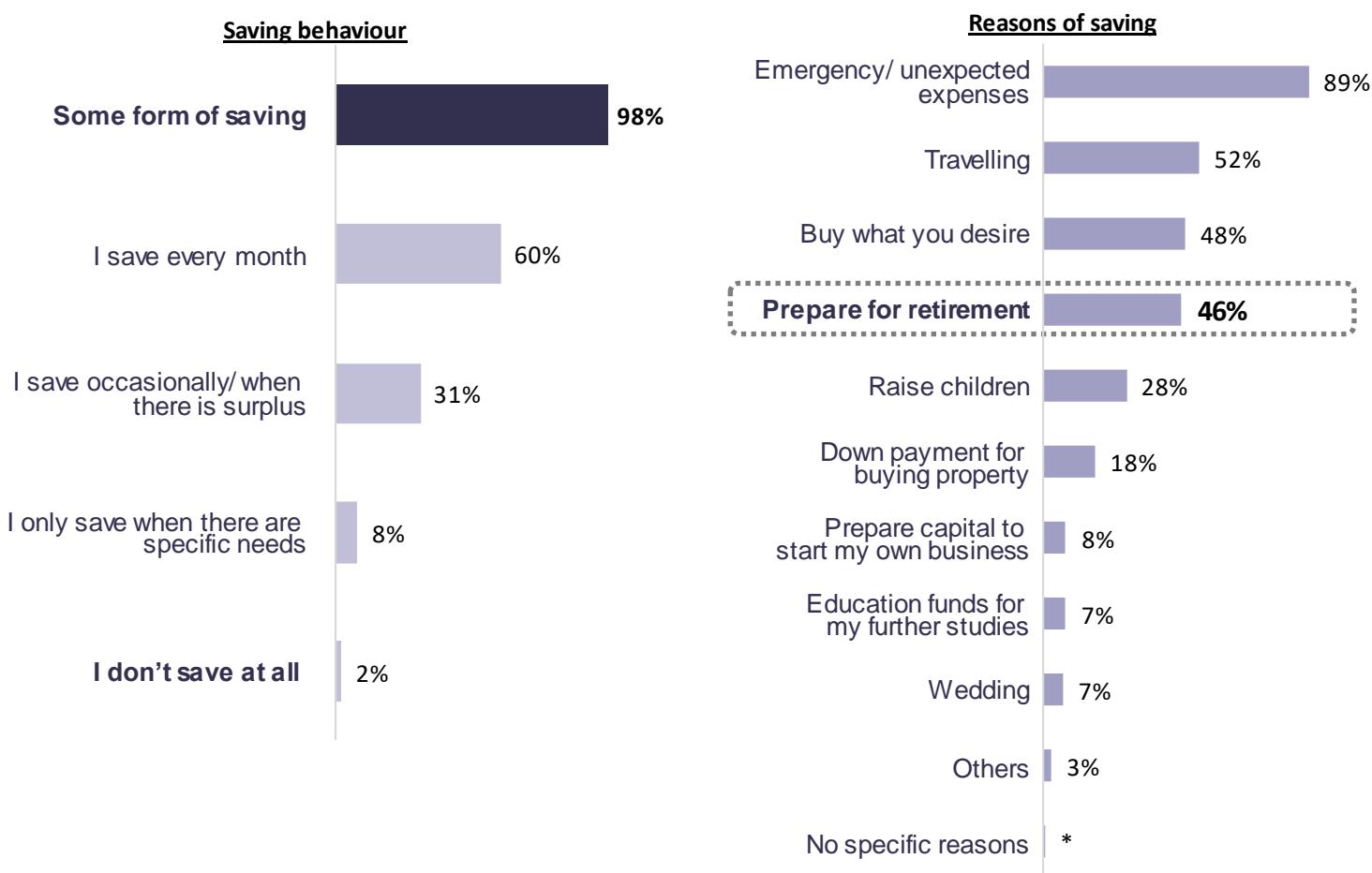
1. Retirement saving behaviour

Saving for a variety of reasons, including retirement

Almost all working adults save, and 60% put money aside every month. Most working adults have more than one reason for saving. Almost all hold at least some of their savings as an emergency or rainy-day fund (89%). Saving towards planned expenses such as travel (52%) or non-essential purchases (48%) is also relatively common. However, fewer than half (46%) are saving for retirement.

A small proportion of working adults have specific savings goals that are likely to contribute to their future financial wellbeing, such as saving towards a down-payment for a property (18%), building capital to start a business (8%) and funding education (7%).

Figure 1.1 – Saving behaviour and reasons



Base: Working adults (n=816); Working adults with saving habit (n=800)

*denotes less than 0.5%

Saving is common across all age groups and income levels. However, young working adults and those with a low income are slightly less likely than others to save, and far less likely to put money aside every month.

There are significant differences in the reasons for saving by key characteristics. Just 4% of young adults are saving for retirement compared with 78% of those aged 50-64. Similarly, just over one third of low-income working adults are saving for retirement (37%), compared with almost two thirds (64%) of those with a high income.

Young adults are more likely than older adults to save for a wide range of specific goals, including travel, specific purchases, down-payments on housing, education and weddings. In contrast, lower income adults are less likely than others to be saving for down-payments, and also less likely to save towards the cost of raising children or to build capital for self-employment.

Homeowners (69%) are twice as likely as non-owners (34%) to be saving for retirement. They are also more likely to build an emergency fund, save towards the cost of raising children and build capital for self-employment.

Table I.1 – Saving habits & purposes by key characteristics

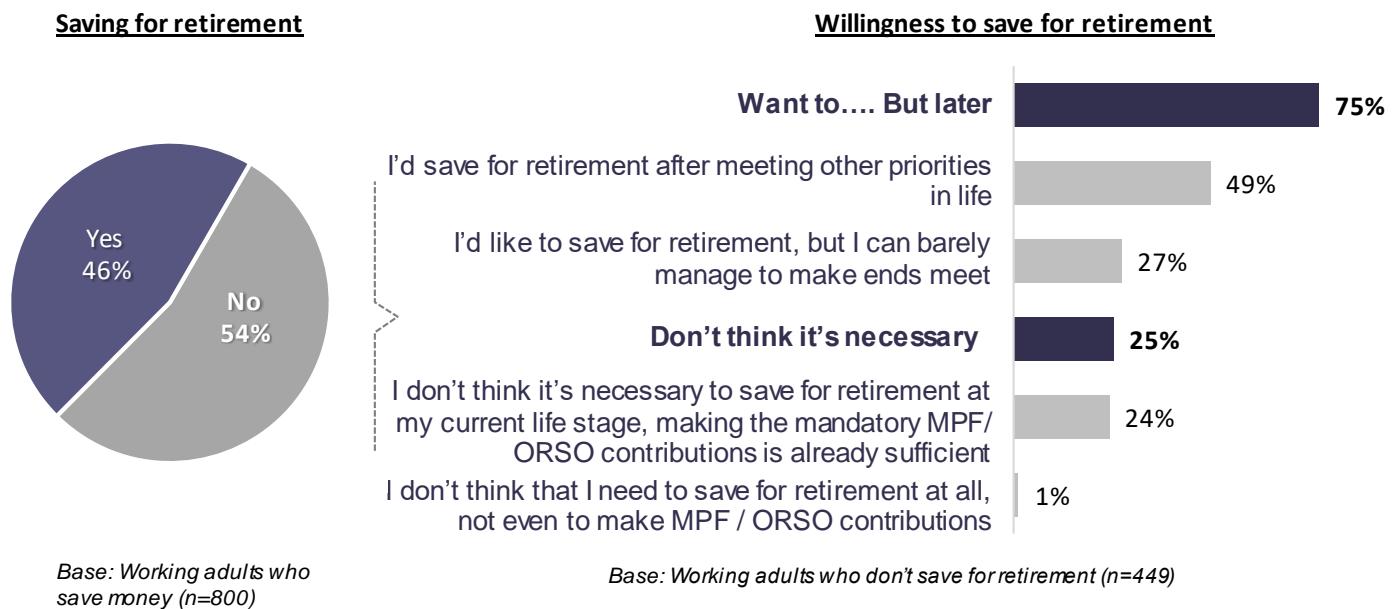
	Total	Age			Monthly personal income (MPI)			Housing ownership	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	816	152	403	261	270	358	188	278	538
Saving habits	%	%	%	%	%	%	%	%	%
<u>Some form of saving (combined)</u>	98	93 -	99	100	95 -	99	100	100 +	97
I save every month	60	45 -	61	66	38 -	63	85 +	91 +	43 -
I save occasionally/ when there is surplus	31	28	32	30	41 +	30	15 -	8 -	42 +
I only save when there are specific needs	8	20 +	5	4 -	16 +	6	- -	1 -	12 +
<u>I don't save at all</u>	2	7 +	1	*	5 +	1	-	- -	3
Base	800	142	398	260	256	356	188	278	522
Reasons	%	%	%	%	%	%	%	%	%
Emergency/ unexpected expenses	89	73 -	92	92	84	88	96 +	96 +	84 -
Travelling	52	84 +	51	37 -	49	54	54	49	54
To buy what I desire	48	82 +	46	32 -	49	47	46	38 -	53
Prepare for retirement	46	4 -	40	78 +	37 -	42	64 +	69 +	34 -
Raising children	28	2 -	42 +	20 -	18 -	29	39 +	40 +	22
Down payment for buying property	18	29 +	19	10 -	9 -	19	27 +	19	17
Prepare capital for own business	8	6	10	5	3 -	5	18 +	12 +	5
Education funds for further studies	7	23 +	7	- -	10	7	4	3 -	10
Wedding	7	15 +	8	- -	4	10	5	1 -	9
Others	3	2	2	3	3	1	5	5 +	1
No specific reason	*	-	-	*	*	-	-	-	*

Base: Working adults (n=816); Working adults with saving habit (n=800)

+ / - Denotes significant differences at 95% vs. Total; * denotes less than 0.5%; - denotes no mention

More than half (54%) of the working population who have some form of saving reported that they are not saving for retirement. Most of these say that other priorities (49%) and difficulties making ends meet (27%) currently prevent them from doing so. Meanwhile, a quarter do not think they need to save for retirement on top of the MPF/ORSO at their current life stage.

Figure I.2 – Attitudes towards retirement saving (among those not doing so)



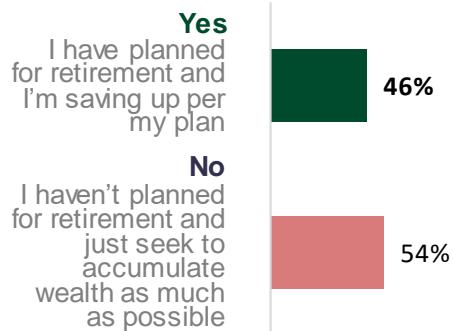
Making a retirement plan

Most people who are saving for retirement report that they have not made plans, but they aim to accumulate as much wealth as possible. Only 46% of working adults who are saving for retirement have made and implemented a retirement plan. On average these savers are putting aside 27% of their monthly income.

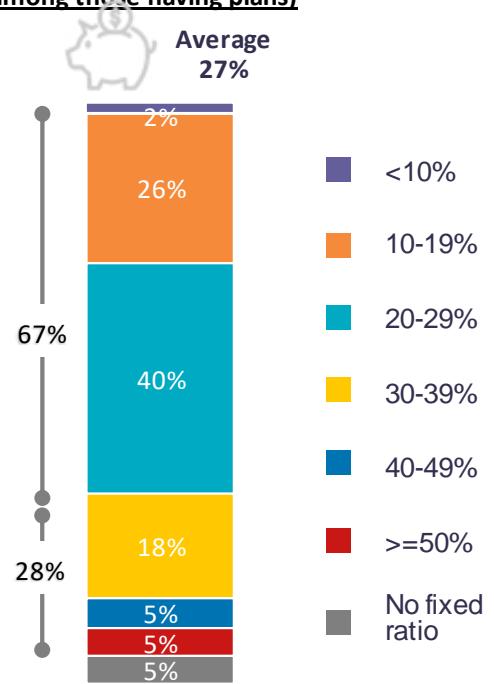
Compared to people who just seek to build up wealth as much as possible without a concrete plan, those saving for retirement with a plan tend to have built up more liquid assets – as much as 79% have over HK\$0.5M liquid assets (vs 55% for the former, and just 27% for those saving up for other priorities only).

Figure I.3 – Saving for retirement

Incidence of having a retirement saving plan



Proportion of monthly income saved (among those having plans)

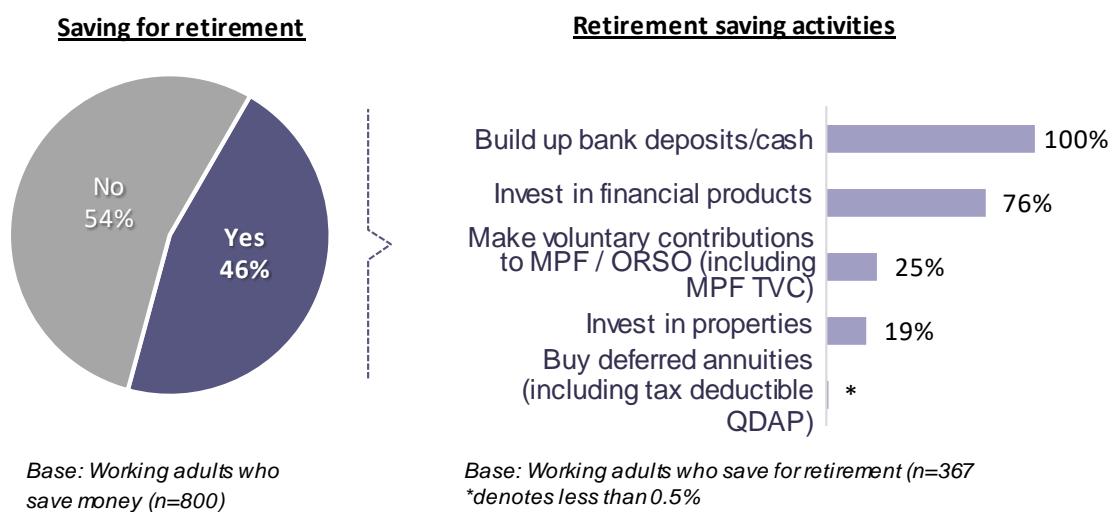


Base: Working adults who save for retirement (n=367); Working adults who have a retirement saving plan (n=169)

Ways of saving for retirement

All of the working adults who are saving for retirement keep some of their money as cash or in bank deposits (100%) and most also invest in financial products (76%). One in four is making voluntary contributions into a MPF/ORSO scheme including the tax deductible voluntary contributions (TVC); while the other tax deductible retirement saving tool, Qualified Deferred Annuity Policy (QDAP) saw minimal interest.

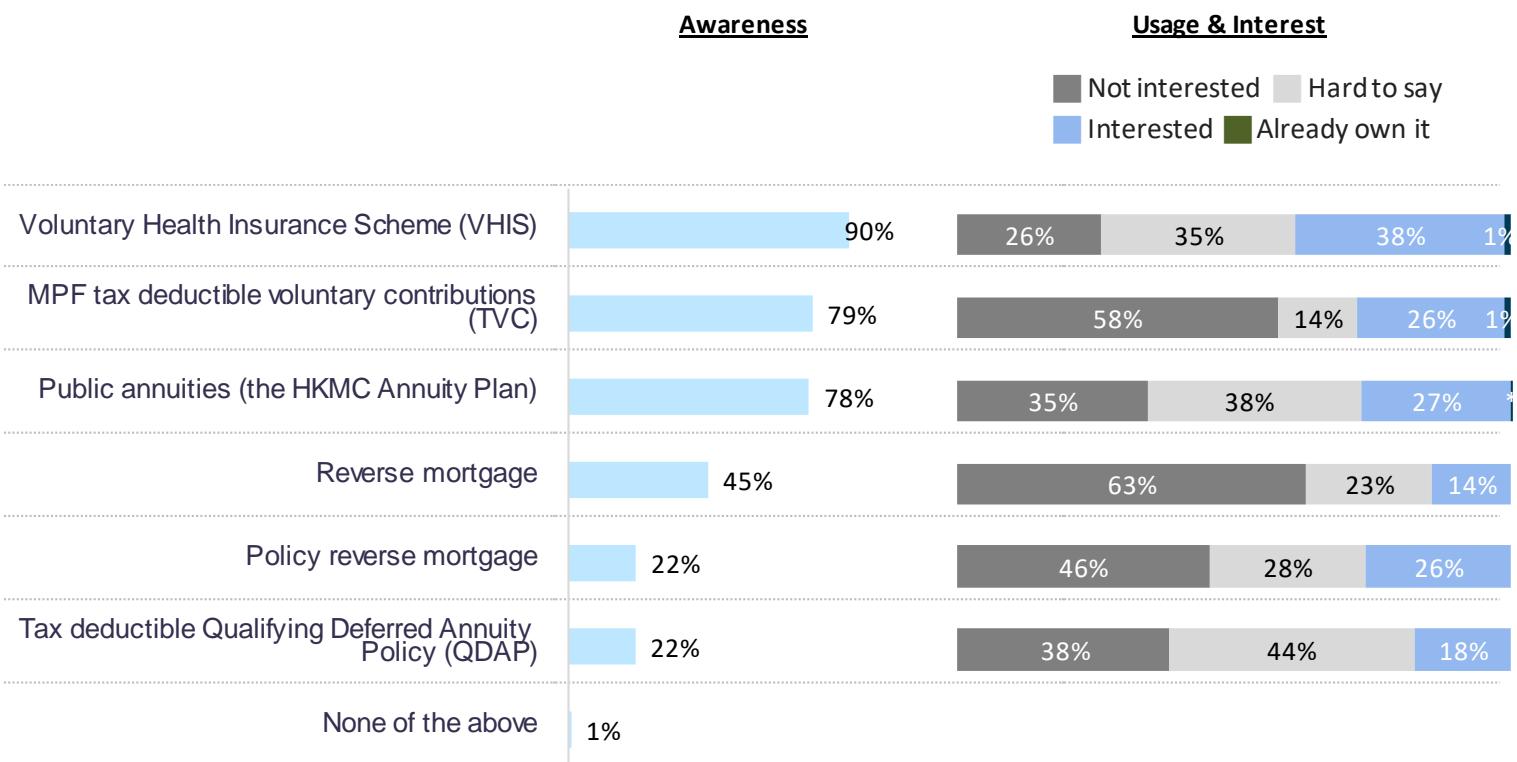
Figure I.4 – Ways of saving for retirement



Awareness and use of public schemes related to retirement planning

Working respondents were asked whether they were aware of various retirement products and schemes launched by the government in recent years. The results show significant variation in terms of awareness and low take-up. For example, whilst 9 in 10 respondents are aware of the Voluntary Health Insurance Scheme (VHIS), just 1% are current users, and a further 35% are interested. Almost 4 in 5 people are aware of MPF tax deductible voluntary contributions (79%) and public annuities (78%), but far fewer are interested in them. Fewer than half of respondents are aware of reverse mortgages (45%), policy reverse mortgages (22%) or tax deductible Qualifying Deferred Annuity Policy (22%).

Figure I.5 – Awareness and usage of retirement products/ schemes

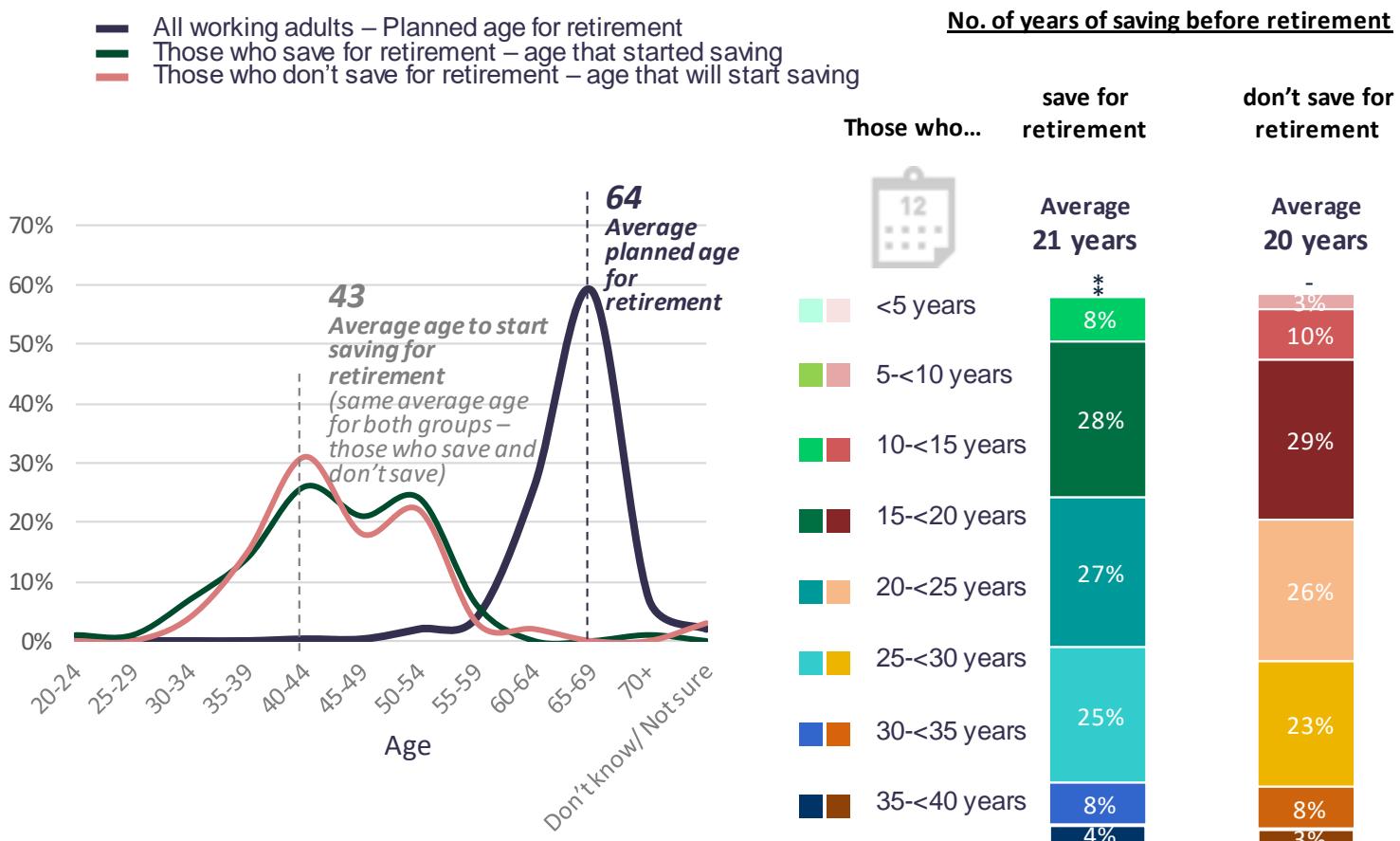


Base: Working adults (n=816); Working adults who are aware of any products/schemes: Voluntary Health Insurance Scheme (n=737), MPF tax deductible voluntary contributions (n=642), Public annuities (n=634), Reverse mortgage (n=368), Insurance policy mortgage life (n=178), Tax deductible Qualifying Deferred Annuity Policy (n=642)

Years of saving and planned age for retirement

On average, working adults plan to retire when they are around 60-64 years old and have started, or plan to start, saving for retirement in their early 40s. Consequently, they expect to save for 20 years regardless of their saving habit now.

Figure I.6 – Years of saving and planned age for retirement

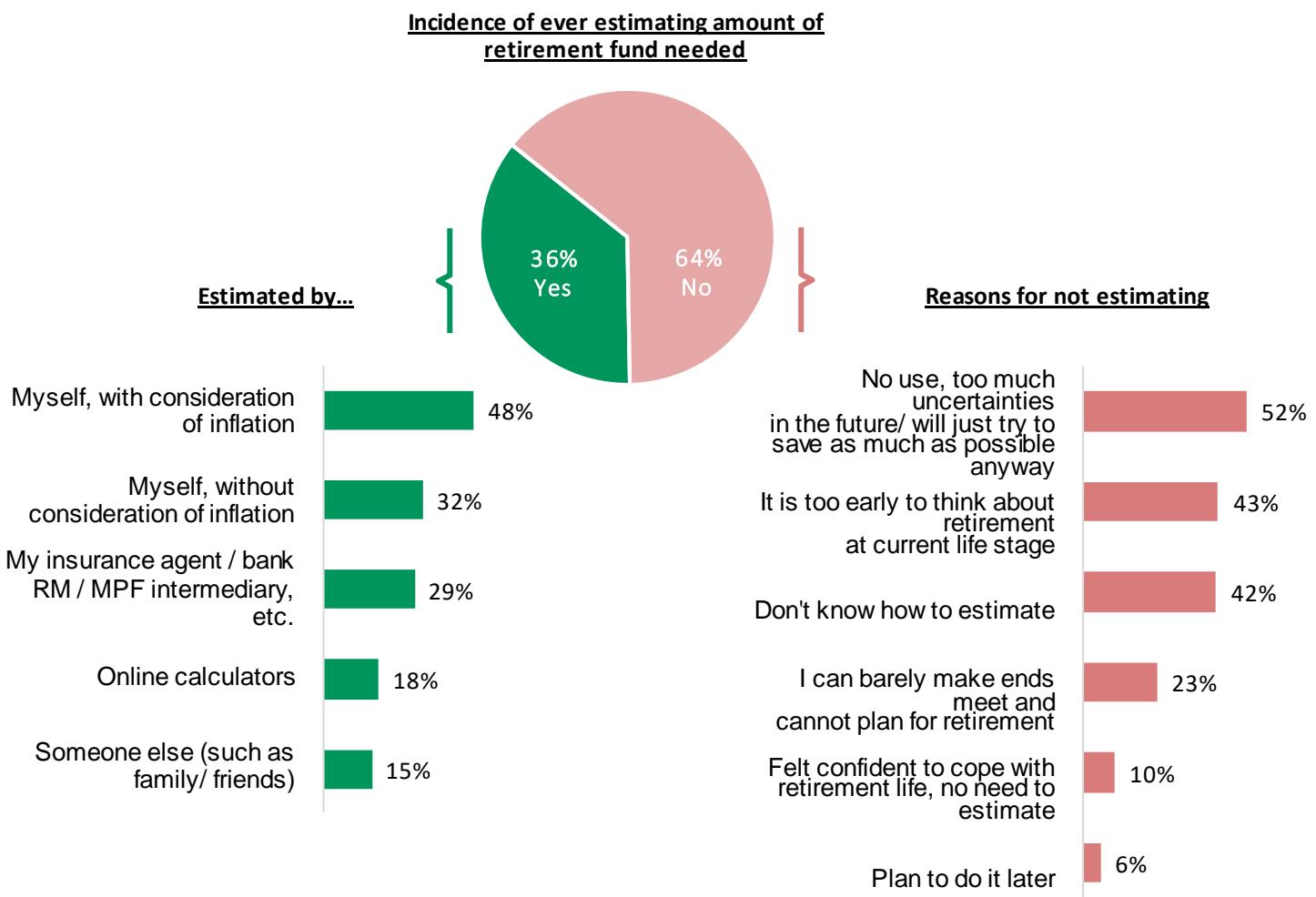


Estimating the amount needed for retirement

Fewer than 40% of working adults have estimated the fund size they require for retirement, either by themselves or with help. Around half of those who made any attempt to estimate their needs did so by themselves, taking into account inflation (48%), whilst a further 32% made a simplified calculation by themselves without considering the impact of inflation over time.

There are several reasons that most working adults have made no attempt to work out how much they would need. Most think that there are too many uncertainties in the future (52%) or that it is too early to think about retirement (43%). Many also admit that they do not know how to do the estimation (42%). Just 6% of those who have not made an estimate yet say that they plan to do so later.

Figure I.7 – Estimating retirement saving



Base: Working adults (n=816);

Working adults who have estimated the amount of fund needed for retirement (n=295);

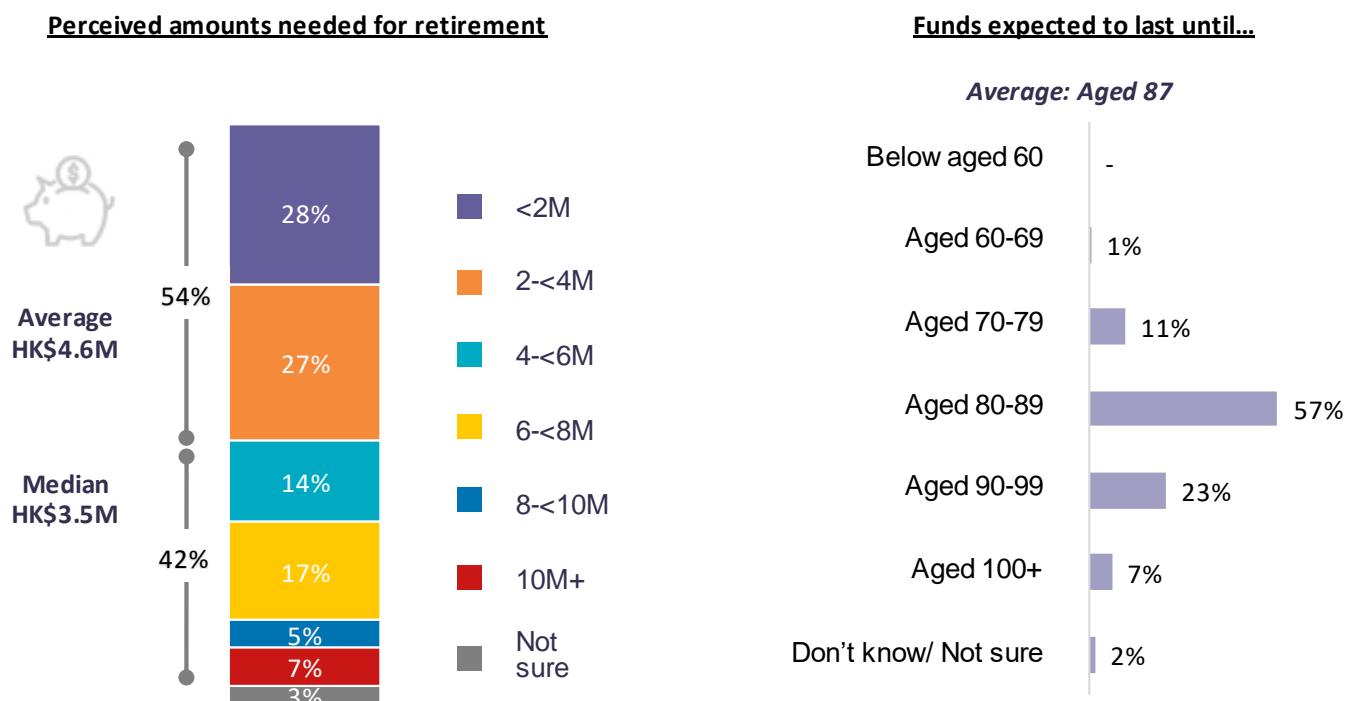
Working adults who have not estimated the amount of fund needed for retirement (n=521)

2. Expected situation in retirement

Perceived amount of retirement funds needed

For this study, all participating working adults were asked to think about how much money they will need in retirement, in today's prices. Their responses vary significantly, from less than HK\$2M to over HK\$10M. However, the majority think that they will need less than HK\$4M (54%). They expect to need the money to last until they reach the age of 87, on average, although almost 1 in 3 anticipate that their retirement funds could last until they are aged 90 or older (30%).

Figure I.8 – Perceived amount of retirement funds needed

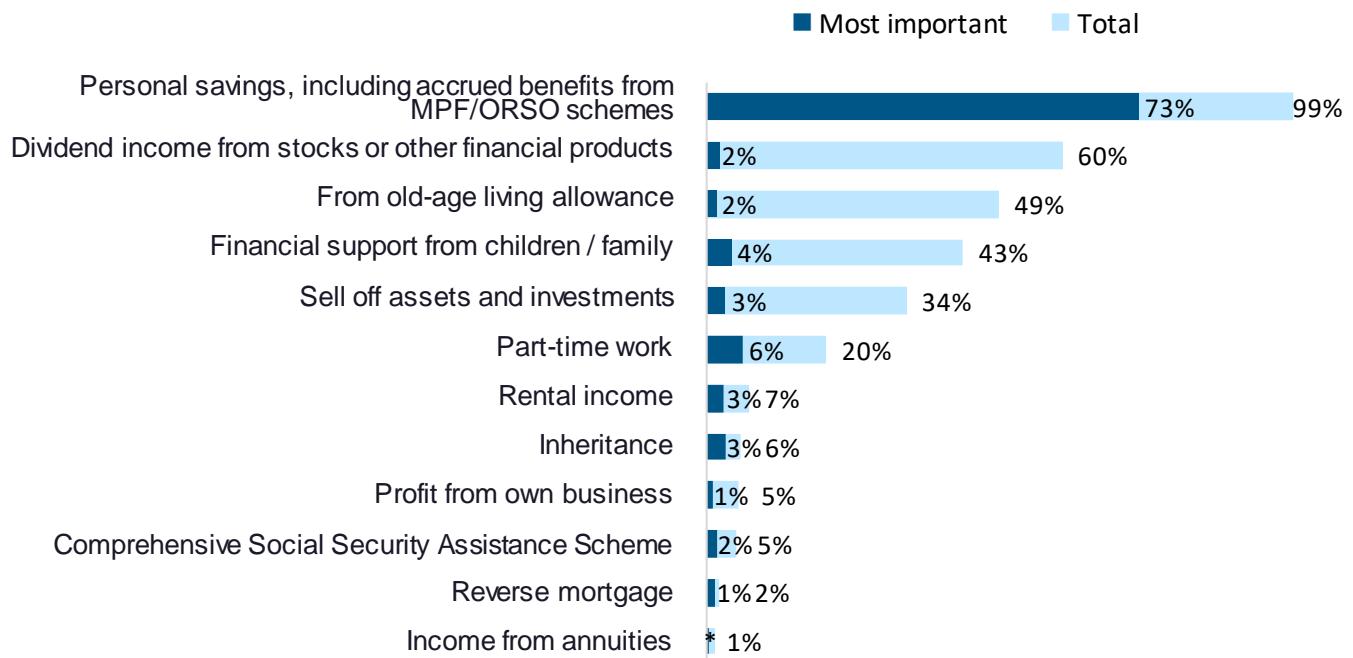


Base: Working adults (n=816); Working adults who provided an estimate (n=789)

Expected sources of funds during retirement

All working adults were asked about the sources of funds that they anticipate drawing on in retirement. Personal savings were mentioned by almost everyone (99%). Many people also anticipate drawing on dividend income (60%), an SSA scheme (49%), the support of family members (43%) or the sale of assets and investments (34%).

Figure I.9 – Expected key sources of funds during retirement



Base: Working adults (n=816)

There are some variations in expectations by key characteristics. Younger adults are most likely to anticipate an inheritance, whilst older adults report that they will benefit from the support of children or other family members or social welfare. Those with a higher income and homeowners are more likely to rely on dividend income, selling off assets and investment, and rental income. In contrast, the lower income group depends more on social welfare such as the Social Security Allowance (SSA) Scheme and Comprehensive Social Security Assistance Scheme.

Table I.2 – Expected key sources of funds during retirement

	Total	Age			Monthly Personal Income (MPI)			Housing ownership of private property	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	816	152	403	261	270	358	188	278	538
Key sources	%	%	%	%	%	%	%	%	%
Personal savings, including accrued benefits from MPF/ORSO schemes	99	99	99	99	99	99	99	99	99
Dividend income from stocks or other financial products	60	53	61	62	36	62	90	85	47
From old-age benefit – Social Security Allowance (SSA) Scheme	49	43	46	57	61	50	31	39	54
Financial support from children / family	43	28	39	58	47	45	34	45	42
Sell off assets and investments	34	30	34	34	21	32	53	48	26
Part-time work	20	25	21	15	30	19	7	5	28
Rental income	7	3	7	10	1	6	19	16	3
Inheritance	6	13	6	1	6	5	6	4	7
Profit from own business	5	7	8	1	3	5	9	6	5
Comprehensive Social Security Assistance Scheme	5	2	4	8	10	3	1	*	8
Reverse mortgage	2	2	2	2	2	2	3	5	1
Income from annuities	1	-	2	1	1	1	1	2	1

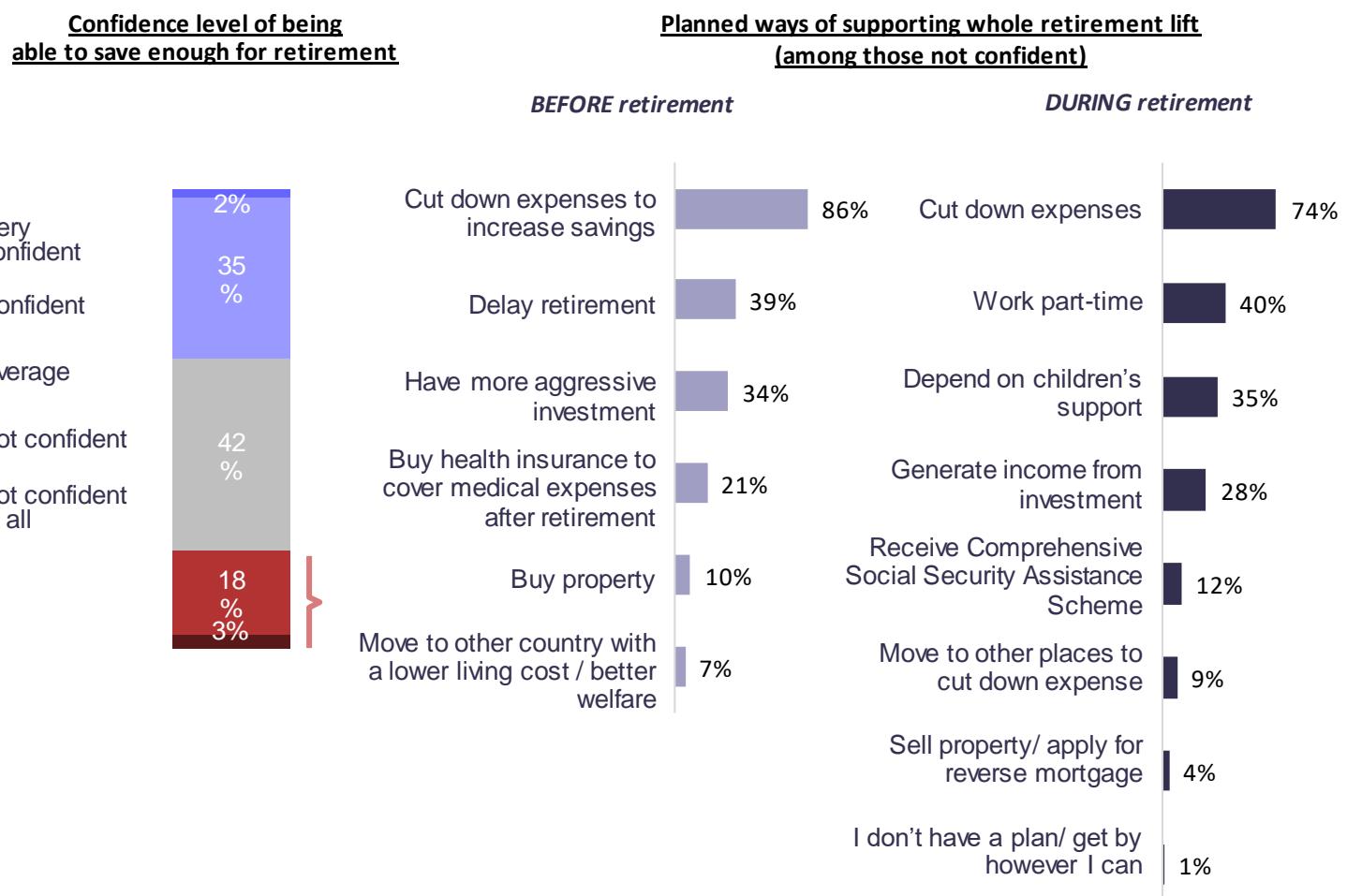
Base: Working adults (n=816)

+/ - Denotes significant differences at 95% vs. Total

Perceived sufficiency of retirement funds

Few working adults are confident that they will have sufficient retirement funds. Only 37% are confident or very confident, and at the other end of the scale, more than 1 in 5 lack confidence or report that they are not at all confident (21%). To cope with any shortfall, they would mostly cut down expenses before (86%) and after (74%) retirement. Some would delay retirement (39%), make more aggressive investments (34%), get part-time jobs after retirement (40%) or rely on their children's support (35%).

Figure I.10 – Perceived sufficiency of retirement funds



Base: Working adults (n=816); Working adults who are not confident that they will have enough money for retirement (n=174)

There is considerable variation in terms of confidence in retirement funds by age, income and housing ownership. Young working adults are significantly less likely to report being confident and are much more likely to see themselves as unsure than those in the oldest category. Older working adults are more likely than others to say that they are not confident (28%) and more of them will rely on their children's support. Working adults in the youngest age group are more likely than other age groups to anticipate buying health insurance to cover medical expenses, and to say that they will generate income from investments or work part-time to sustain their retirement funds.

A much higher proportion of high-income adults (69%) than those on a low income (15%) report that they are confident that their retirement funds will meet their needs. Similarly, many more homeowners are confident (63%) than non-owners (23%).

Table I.3 – Perceived sufficiency of retirement funds

	Total	Age			Monthly personal income (MPI)			Housing ownership	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	816	152	403	261	270	358	188	278	538
Confidence of having sufficient funds									
Confident	37	28 -	39	38	15 -	36	69 +	63 +	23 -
Unsure (neither/nor)	42	50	44	34 -	46	47	27 -	32 -	47
Not confident	21	22	17	28 +	39 +	17	4 -	5 -	30 +
Base	174	33	68	73	106	61	7 ##	14	160
Ways of sustaining retirement funds									
<u>Before retirement (combined)</u>	b	<u>94</u>	<u>97</u>	<u>97</u>	<u>97</u>	<u>95</u>	<u>100</u>	<u>100</u>	<u>96</u>
Cut down expenses to increase savings	86	85	87	85	90	80	71	86	86
Delay retirement	39	55	29	41	45	30	29	29	40
Have more aggressive investment	34	39	46	22	27	43	71	57	33
Buy health insurance to cover medical expenses after retirement	21	45 +	21	10 -	21	21	14	14	21
Buy property	10	21	16	- -	9	11	14	21	9
Move to other country with a lower living cost / better welfare	7	-	15	3	6	7	29	-	8
<u>Netting: During retirement</u>	<u>95</u>	<u>94</u>	<u>93</u>	<u>97</u>	<u>95</u>	<u>93</u>	<u>100</u>	<u>100</u>	<u>94</u>
Cut down expenses	74	82	66	77	78	66	71	79	73
Work part-time	40	67 +	38	30	49	28	14	21	42
Depend on children's support	35	- -	24	62 +	35	38	14	50	34
Generate income from investment	28	52 +	28	18	24	33	57	43	27
Receive Comprehensive Social Security Assistance Scheme	12	6	15	12	16	7	-	-	13
Move to other places to cut down expense	9	18	7	7	11	7	-	-	10
Sell property/ apply for reverse mortgage	4	9	6	-	6	-	14	-	4
I don't have a plan/ get by how ever I can	1	3	-	1	1	2	-	-	1

Base: Working adults (n=816); Working adults who not confident that they will have enough money put aside for retirement (n=174)

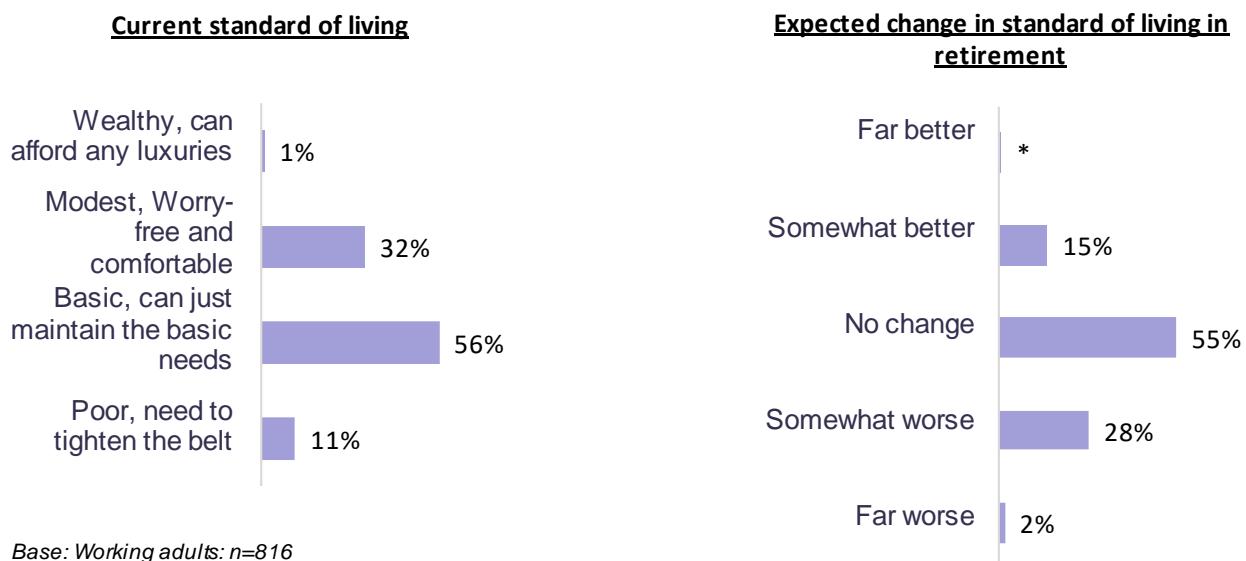
Denotes very small base (n<30), significance test is not conducted for subgroups with n<30

+ / - Denotes significant differences at 95% vs. Total

Maintaining current standard of living in retirement

Over half of the respondents (56%) reported that they currently have a basic standard of living and can just maintain their basic needs, whilst a further 11% consider themselves to be poor. On the other end of the scale, a third currently have worry-free or wealthy lifestyles (33%). Despite the fact that few working adults are confident that they will build sufficient funds for retirement, over half believe that they will just maintain their current standard of living after retirement (55%). Three in ten (30%) expect a deterioration, and 15% believe that things will improve.

Figure I.11 – Self-rated standard of living



Younger adults are more likely to consider themselves to be poor and less likely to be living worry-free than other adults. Adults on a higher income and those who own a home tend to report higher standards of living than others. Furthermore, those on the highest incomes anticipate that their standard of living will improve in retirement.

Table I.4 – Self-rated standard of living

	Total	Age			Monthly personal income (MPI)			Housing ownership of private property	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	816	152	403	261	270	358	188	278	538
Current standard of living	%	%	%	%	%	%	%	%	%
Wealthy, can afford any luxuries	1	1	1	2	-	1	4	3	*
Modest, Worry-free and comfortable	32	24	34	34	9	32	68	62	17
Basic, can just maintain the basic needs	56	59	56	53	66	63	28	35	66
Poor, need to tighten the belt	11	16	8	11	26	5	-	1	16
Retirement standard of living	%	%	%	%	%	%	%	%	%
Better	15	17	18	10	11	15	22	14	16
No change	55	53	55	57	45	58	64	63	51
Worse	30	30	27	33	44	27	13	23	33

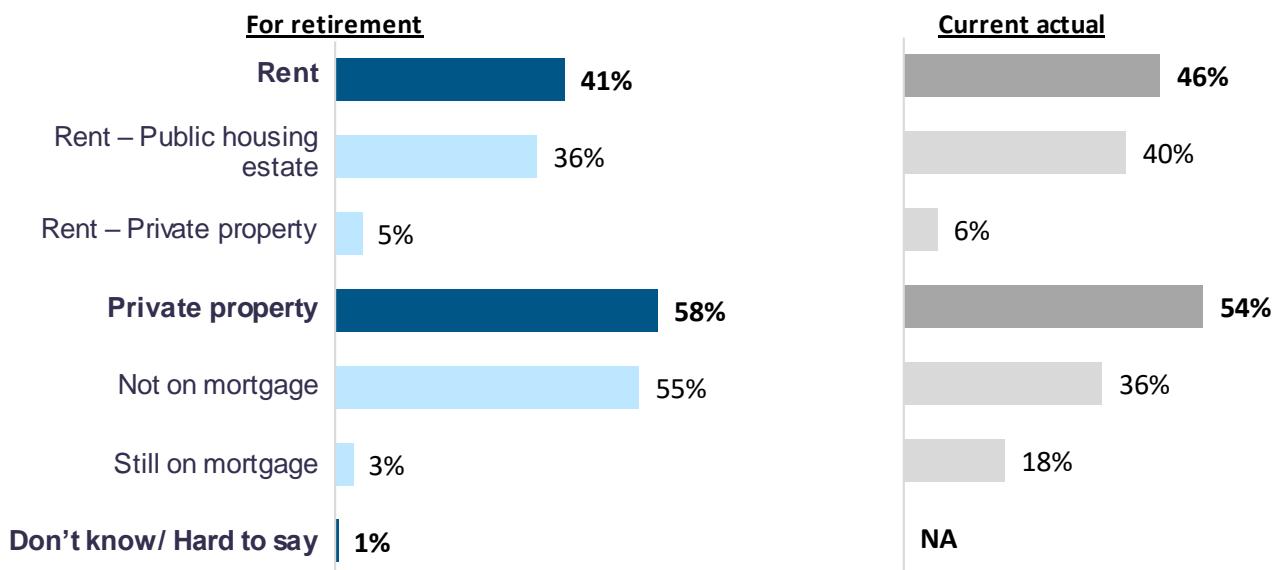
Base: Working adults (n=816)

/ Denotes significant differences at 95% vs. Total

Expected housing situation in retirement

Expected housing in retirement does not differ much from current housing type. However, many working adults anticipate a reduction in housing related expenditure. More than half (55%) anticipate living mortgage-free in a private property and over a third plan to rent public housing (36%) at low cost. On the other hand, 3% believe that they will still be repaying their mortgage and a further 5% imagine that they will be renting privately.

Figure I.12 – Expected housing in retirement



Base: Working adults (n=816)

Almost half of older working adults envisage renting public housing in retirement (47%), compared with just 27% of the younger age group.

High-income working adults typically expect to be living mortgage-free (91%), compared with only 26% of those on low incomes. Over a third of working adults living in rented accommodation (37%) see themselves in privately owned property by the time they retire.

Table I.5 – Expected housing type of living for retirement

	Total	Age			Monthly personal income (MPI)			Housing ownership of private property	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	816	152	403	261	270	358	188	278	538
Expected housing type for retirement	%	%	%	%	%	%	%	%	%
<u>Netting: Rent</u>	<u>41</u>	<u>34</u>	<u>39</u>	<u>49</u> +	<u>72</u> +	<u>38</u>	<u>4</u> -	<u>2</u> +	<u>62</u> +
Rent - Public housing estate	36	27 -	33	47 +	66 +	32	3 -	- -	55 +
Rent - Private property	5	7	5	3	6	6	2 -	* -	7
<u>Netting: Private property</u>	<u>58</u>	<u>63</u>	<u>61</u>	<u>51</u>	<u>27</u>	<u>62</u>	<u>96</u>	<u>100</u>	<u>37</u>
Not on mortgage – Private property	55	62 +	56	49 -	26 -	58	91 +	97 +	33 -
Still on mortgage - Private property	3	1	5	2	1 -	4	5 +	3 +	4 -
<u>Don't know / Hard to say</u>	<u>1</u>	<u>3</u>	<u>*</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>1</u>

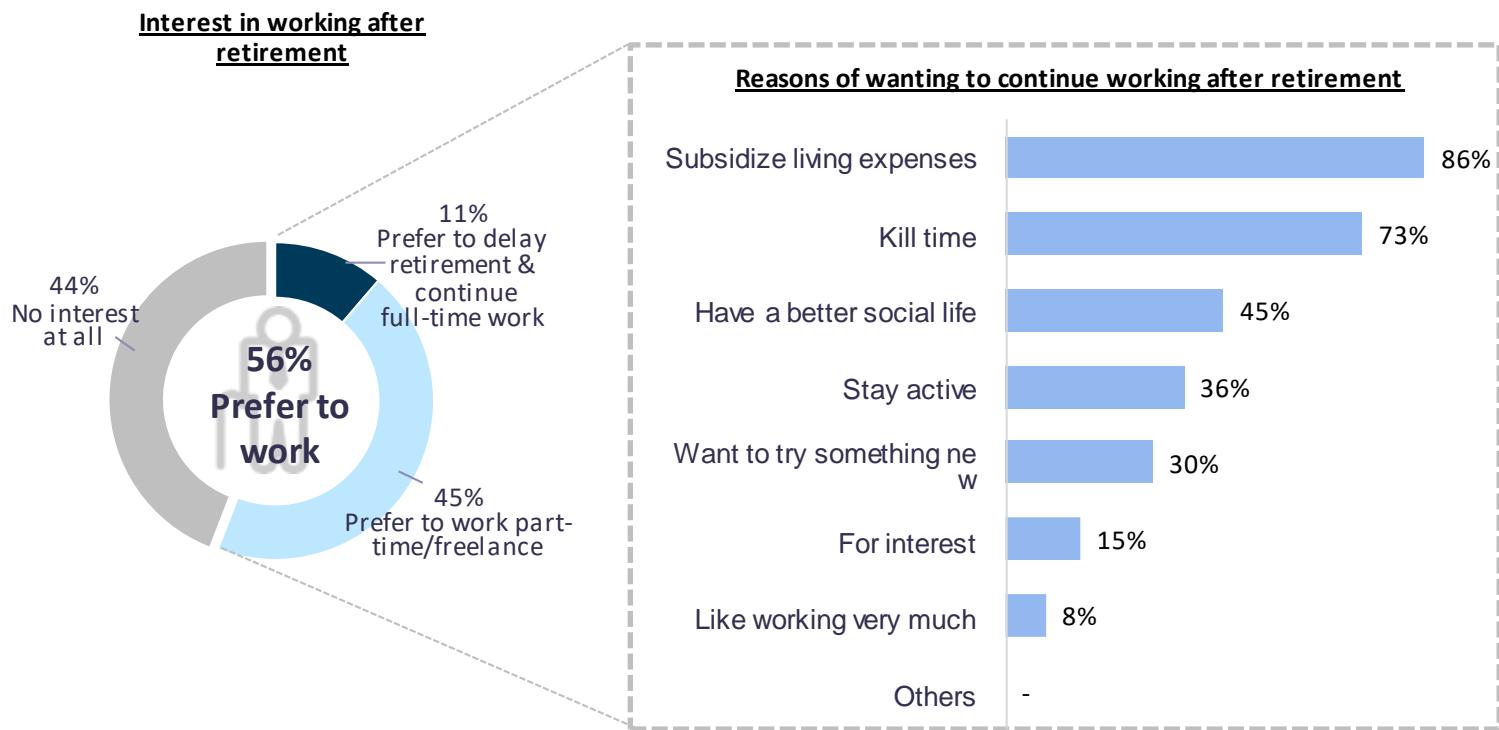
Base: Working adults (n=816)

+ / - Denotes significant differences at 95% vs. Total

Interest in working after retirement

More than half of working adults are interested in working after retirement if they can find a job (56%), especially in a part-time or freelance capacity (45%). They particularly see such work as an opportunity to subsidize living expenses (86%), kill time (73%), improve their social life (45%) and help them to stay active (36%).

Figure I.13 – Willingness to work after retirement



Base: Working adults (n=816); Working adults who are interested in continuing to work (n=456)

Willingness to work after retirement varies by income and homeownership. Low-income working adults and non-owners are more interested in working after retirement to subsidize their living expenses. In contrast, 59% of the higher-income group have no interest in working after retirement.

Table I.6 – Willingness to work after retirement

	Total	Age			Monthly personal income (MPI)			Housing ownership of private property	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/Partner	Others (Rent/non-owners)
Base	816	152	403	261	270	358	188	278	538
Willingness to work after retirement	%	%	%	%	%	%	%	%	%
<u>Netting: Willing to work</u>	<u>56</u>	<u>62</u>	<u>58</u>	<u>50</u>	<u>67</u> +	<u>55</u>	<u>41</u> -	<u>41</u> -	<u>63</u> +
Prefer to work part-time / become a freelancer	45	53 +	45	39	55 +	44	31 -	32 -	51 +
Prefer to delay retirement and continue working full time	11	9	13	11	12	11	10	9	12
<u>No interest at all to continue working after retirement</u>	<u>44</u>	<u>38</u>	<u>42</u>	<u>50</u>	<u>33</u> -	<u>45</u>	<u>59</u> +	<u>59</u> +	<u>37</u> -
Base	456	94	232	130	182	197	77	115	341
Reasons	%	%	%	%	%	%	%	%	%
Subsidize living expenses	86	85	85	86	95 +	86	62 -	71 -	90 +
Kill time	73	79	72	70	71	74	75	86 +	68
Have better social life	45	44	46	42	41	45	51	55 +	41
Stay active	36	39	35	37	32	35	51 +	42	35
Want to try something new	30	34	31	25	22 -	31	47 +	42 +	26
For interest	15	15	16	14	10	16	25 +	17	15
Like working very much	8	3	11	7	5	9	14	13	7

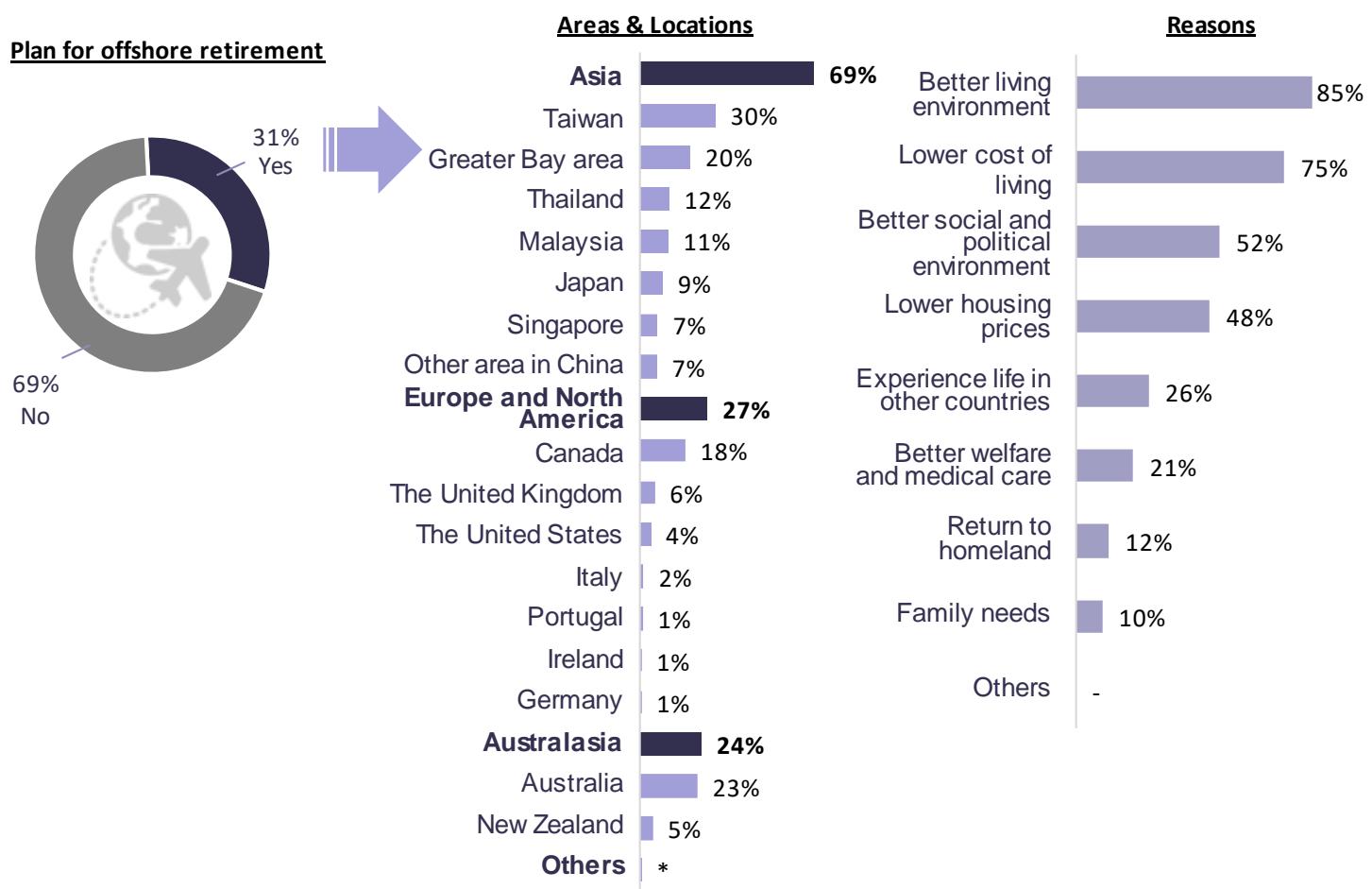
Base: Working adults (n=816); Working adults who are interested in continuing to work (n=456)

+/ - Denotes significant differences at 95% vs. Total

Retirement outside Hong Kong – plans & locations

Three in ten working adults currently resident in Hong Kong report that they plan to retire elsewhere (31%). Of these, most plan to stay in Asia (69%), particularly Taiwan (30%). About 1 in 4 are also interested in retiring to Europe or North America (27%) or Australasia (24%). A better living environment (85%) and lower cost of living (75%) are the major reasons that motivate people to retire abroad, followed by better social and political environment (52%), and lower housing prices (48%).

Figure I.14 – Retirement outside Hong Kong – plans & locations



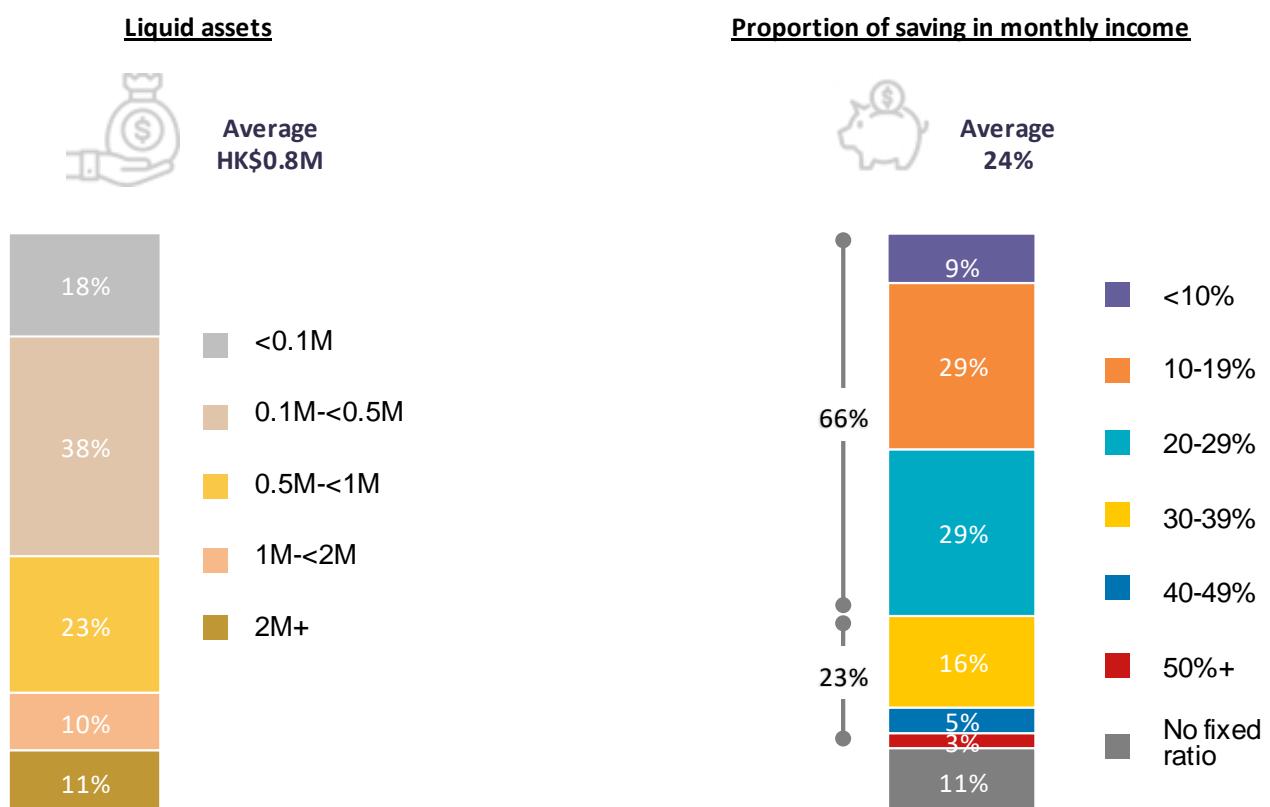
Base: Working adults (n=816); Working adults who have plans for a retirement outside HK (n=252)

3. General money management and financial wellbeing

Liquid assets and proportion of monthly saving to income

On average, working adults report holding HK\$0.8M of liquid assets, and more than one in ten hold HK\$2M or more (11%). Among those who save money, they typically put aside 20-39% of their income towards their various savings goals. Just 3% report saving more than half of their monthly income.

Figure I.15 – Proportion of saving in income



Base: Working adults (n=816); Working adults with saving habit (n=800)

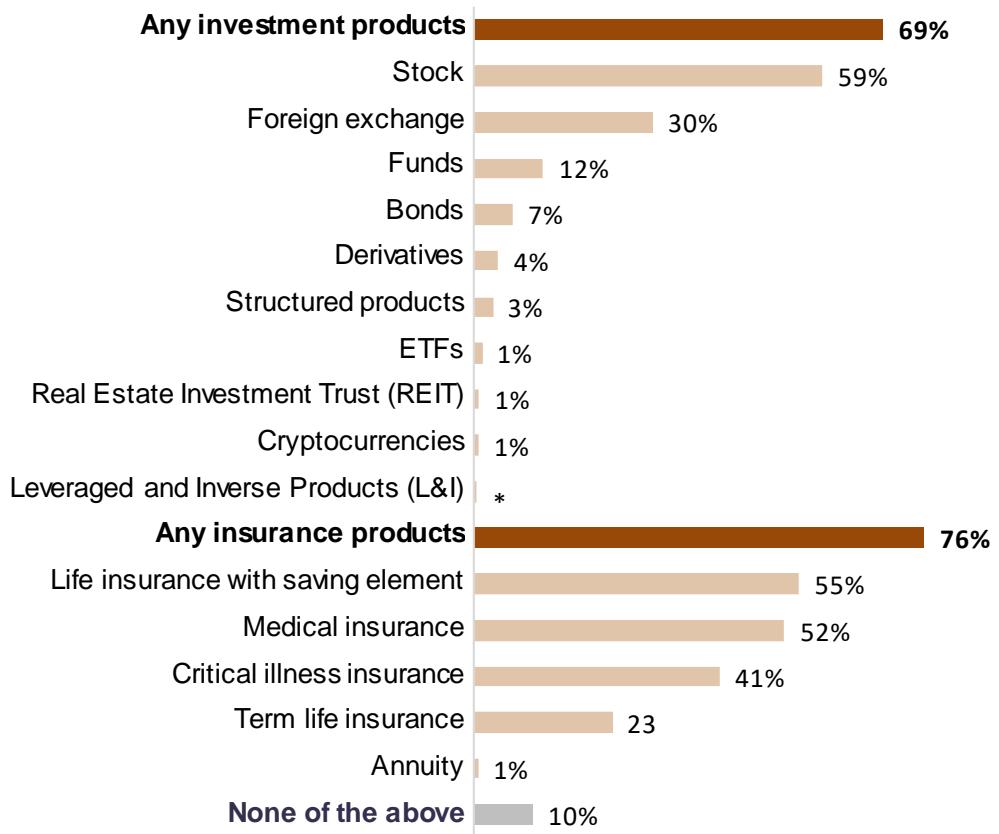
Holding of financial products

Working adults are active financial consumers. 90% reported that they had held or traded at least one financial product in the last 12 months, and on average, they held 3.5 products each. Stocks (59%), ILAS (55%), medical insurance (52%) and accident insurance (50%) are the most common ways to invest, whilst annuities (1%) and advanced products such as derivatives (4%), structured products (3%), ETF (1%), REIT (1%), virtual currencies/ cryptocurrencies (1%) and Leveraged & Inverted products (0.5%) are far less widely used.

Figure I.16 – Incidence of holding/trading financial products in past 12 months



Avg. no. of product types that a working adult held



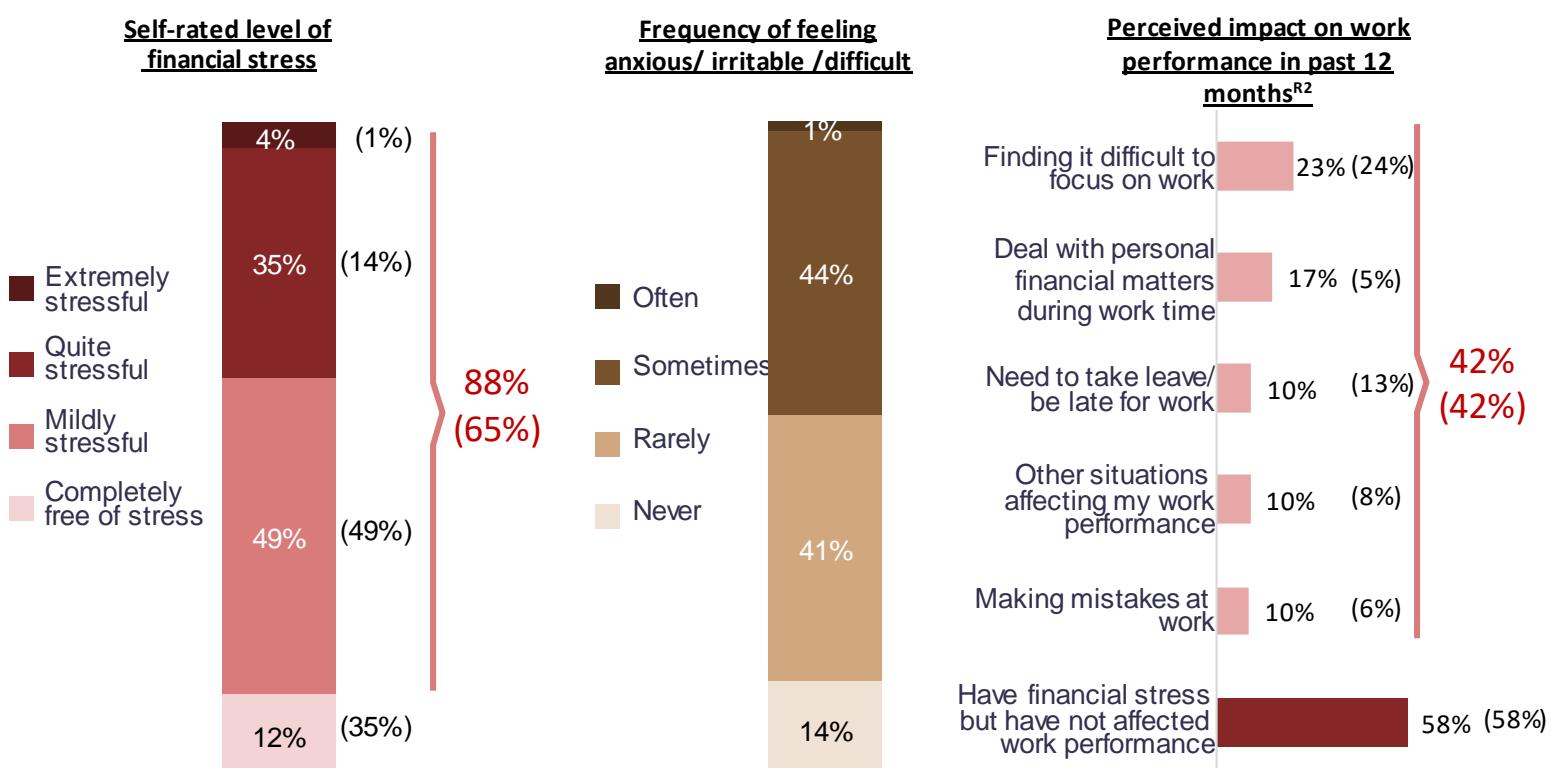
Base: Working adults (n=816)

There are significant differences in investment behaviour by key characteristics. Younger working adults are far less likely than others to hold most investment products, and well over half (60%) have none. In contrast, those on a high income and homeowners hold a variety of products, including less common ones such as derivatives and Exchange Traded Funds (ETFs).

Financial stress

Almost 9 in 10 (88%) working adults suffer from financial stress - which is significantly higher than the 65% reported in an IFEC study conducted in 2015⁴, among them 45% reported that they sometimes feel anxious or irritable or have difficulty sleeping. Almost as many (42%) stated that their work performance had been negatively affected by financial stress in the past year, with difficulties focusing at work being the biggest issue.

Figure I.17 – Financial stress



() Denotes numbers in 2015 survey

Base: Working adults (n=816); Working adults who feel stressed (n=715)

Financial stress is suffered across all age and income groups, and irrespective of homeownership. However, it is less common among higher-income working adults (78%) than among those on a low-income (93%).

⁴IFEC Segment Research (Working Adults)

https://www.ifec.org.hk/common/pdf/about_ifec/ifec-segment-research-working-adults-2015.pdf

Table I.8 – Financial stress

	Total	Age			Monthly personal income (MPI)			Housing ownership of private property	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	816	152	403	261	270	358	188	278	538
Stress on personal finance	%	%	%	%	%	%	%	%	%
Netting: Stressful	88	82	90	87	93 +	89	78 -	84	89
Extremely stressful	4	3	5	2	6	4	2	3	4
Quite stressful	35	22 -	37	39	36	36	33	35	35
Mildly stressful	49	57	48	45	51 -	49	44	46	50
Completely free of stress	12	18 +	10	13	7 -	11	22 +	16	11

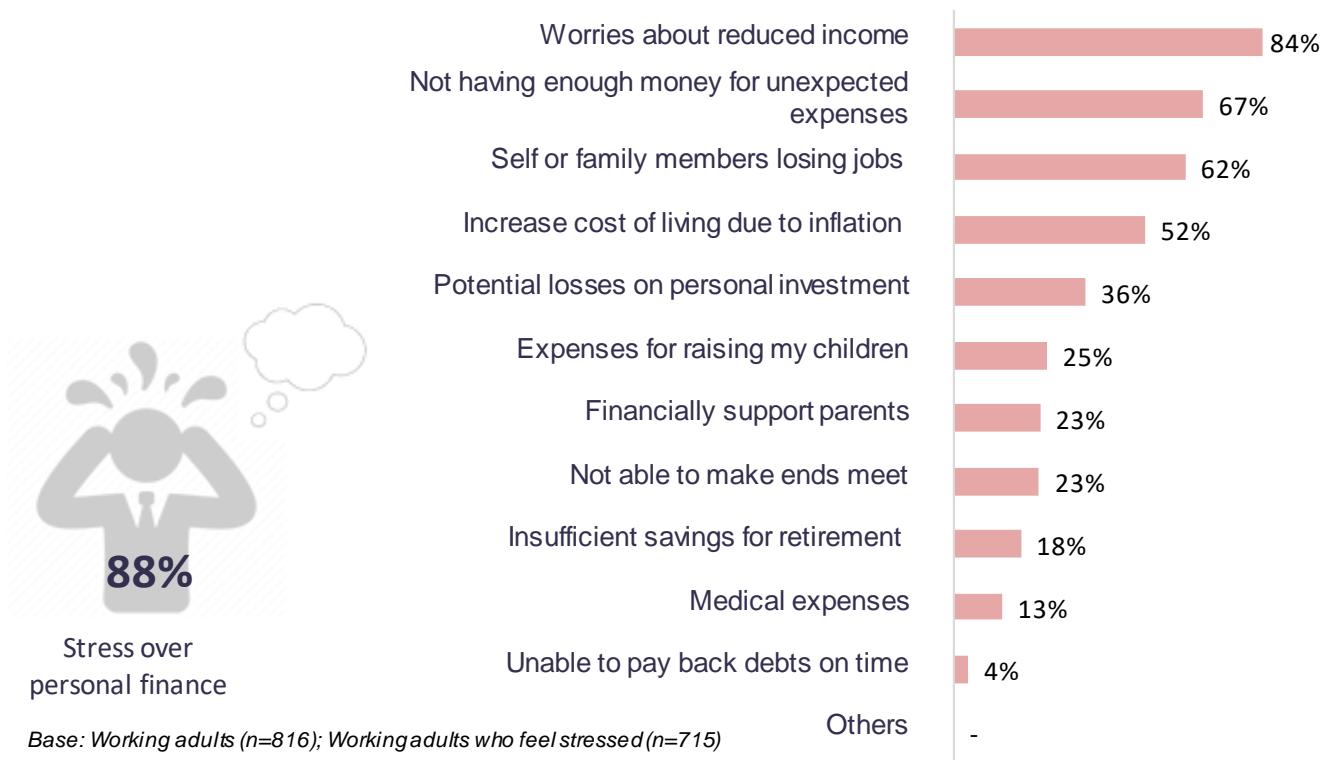
Base: Working adults (n=816)

+ / - Denotes significant differences at 95% vs. Total

Financial concerns

Most of the working adults reporting financial stress worry about reduced income (84%). Unexpected expenses (67%), job loss (62%), and increased cost of living (52%) are also common concerns. In contrast, fewer than 20% worry about insufficient savings for retirement.

Figure I.18 – Financial concerns



There are some concerns that vary considerably with age. Younger working adults worry about making ends meet, whilst those aged 30-49 are more likely to be concerned about the cost of raising children and supporting parents. The older group are far more likely than their younger counterparts to be stressed by worries of retirement.

Higher-income working adults are more worried about the potential losses on investment, whilst unexpected expenses and debts are putting extra stress on homeowners.

Table I.9 – Financial concerns

	Total	Age			Monthly personal income (MPI)			Housing ownership of private property	
		Age 18-29	Age 30-49	Age 50-64	Low MPI (<15K)	Mid MPI (20-29K)	High MPI (>30K)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	715	125	364	226	250	318	147	234	481
Financial concerns									
Worries about reduced income	84	85	87	77 -	84	83	85	88	82
Not having enough money for unexpected expenses	67	67	67	67	61	70	71	76 +	63
Self or family members losing jobs	62	68	63	58	66	61	59	66	60
Increase cost of living due to inflation	52	48	53	51	50	52	54	51	52
Potential losses on personal investment	36	15 -	39	41	19 -	37	59 +	56 +	26 -
Expenses for raising my children	25	- -	38 +	18 -	18 -	23	42 +	35 +	21
Financially support parents	23	29	30 +	10 -	18	25	28	22	24
Not able to make ends meet	23	32 +	23	19	35 +	21	7 -	8 -	31 +
Insufficient savings for retirement	18	1 -	10 -	41 +	22	16	16	21 +	17
Medical expenses	13	2 -	10	23 +	10	13	18	16	11 -
Unable to pay back debts on time	4	1	6	2	2	5	6	10	1

Base: Working adults who feel stressed (n=715)

+ / - Denotes significant differences at 95% vs. Total

Research Findings: Retirees

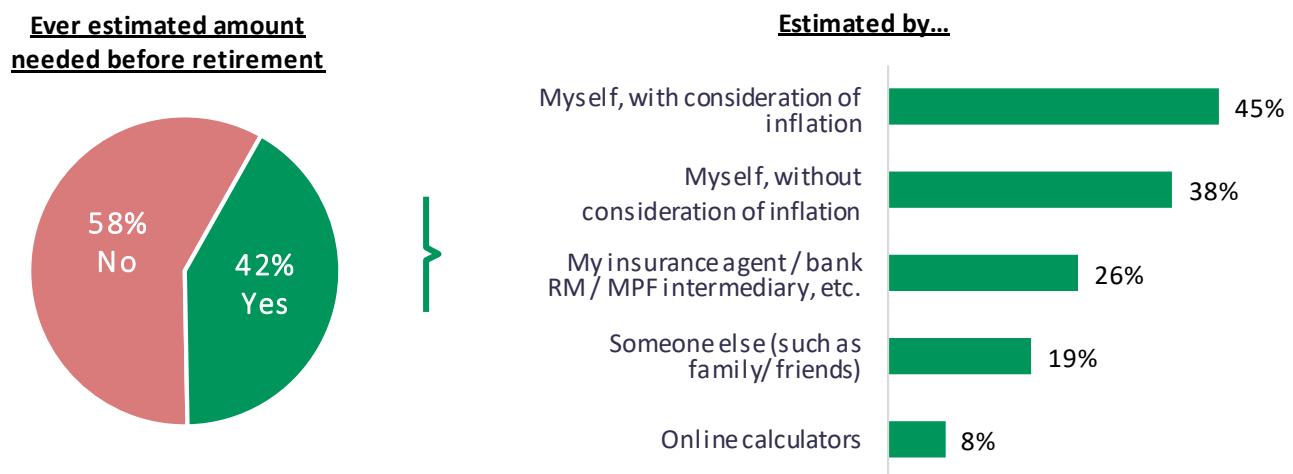
This section of the report describes the situation of retired Hong Kong residents aged 50-79. It is based on face-to-face interviews conducted with 408 respondents in March and April 2020.

1. Retirement preparation

Estimation of retirement saving

Only about 2 in 5 current retirees have ever estimated the amount needed for retirement (42%). Among those who have done it, most made the estimation themselves (83%) whilst about a quarter sought advice from financial intermediaries (26%).

Figure II.1 – Estimation of retirement saving

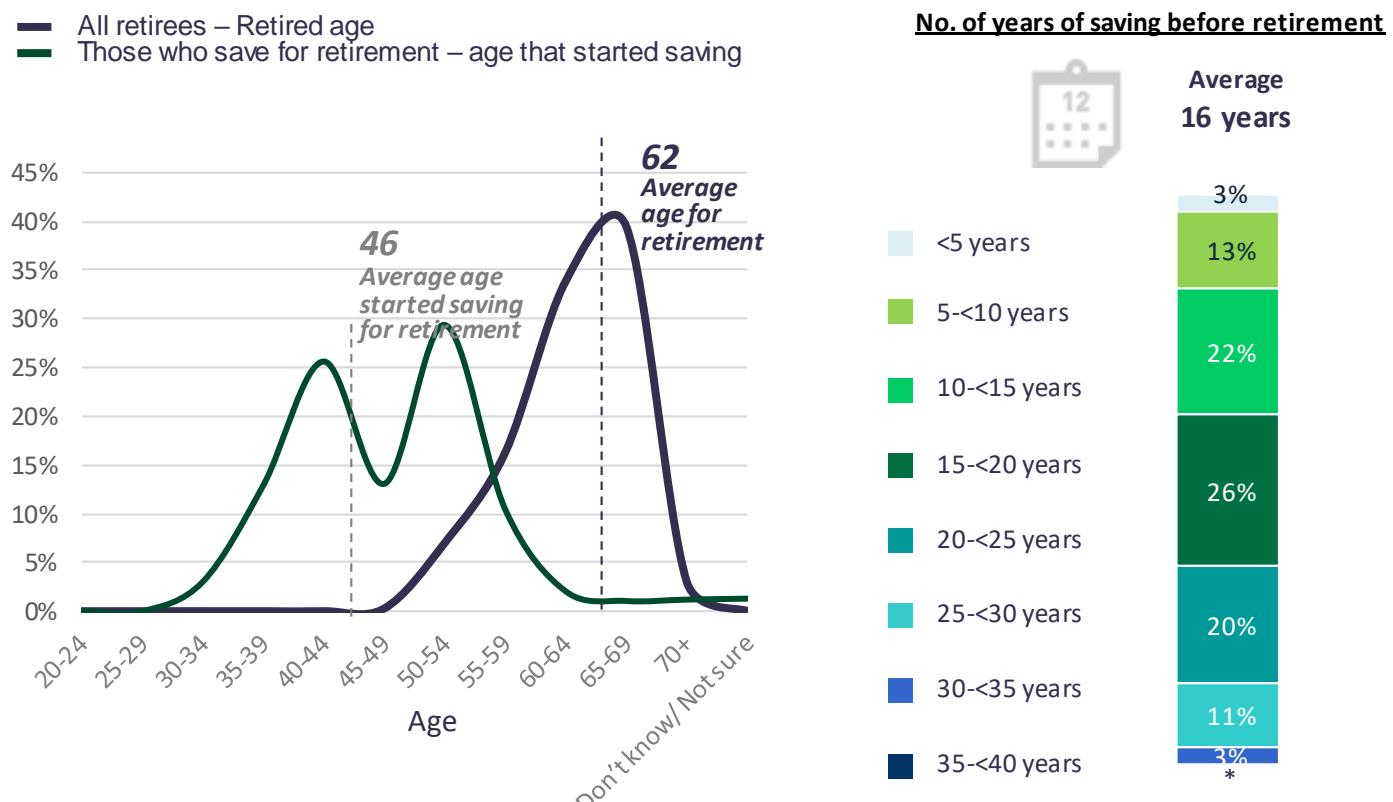


Base: Retirees (n=408); Retirees who had estimated the amount of fund needed for retirement before retirement (n=209)

Age started saving for retirement and actual retirement age

On average, current retirees started saving for retirement at 46 years of age and retired at 62, giving them less than 20 years to save. About one in six (16%) saved for less than 10 years for their retirement.

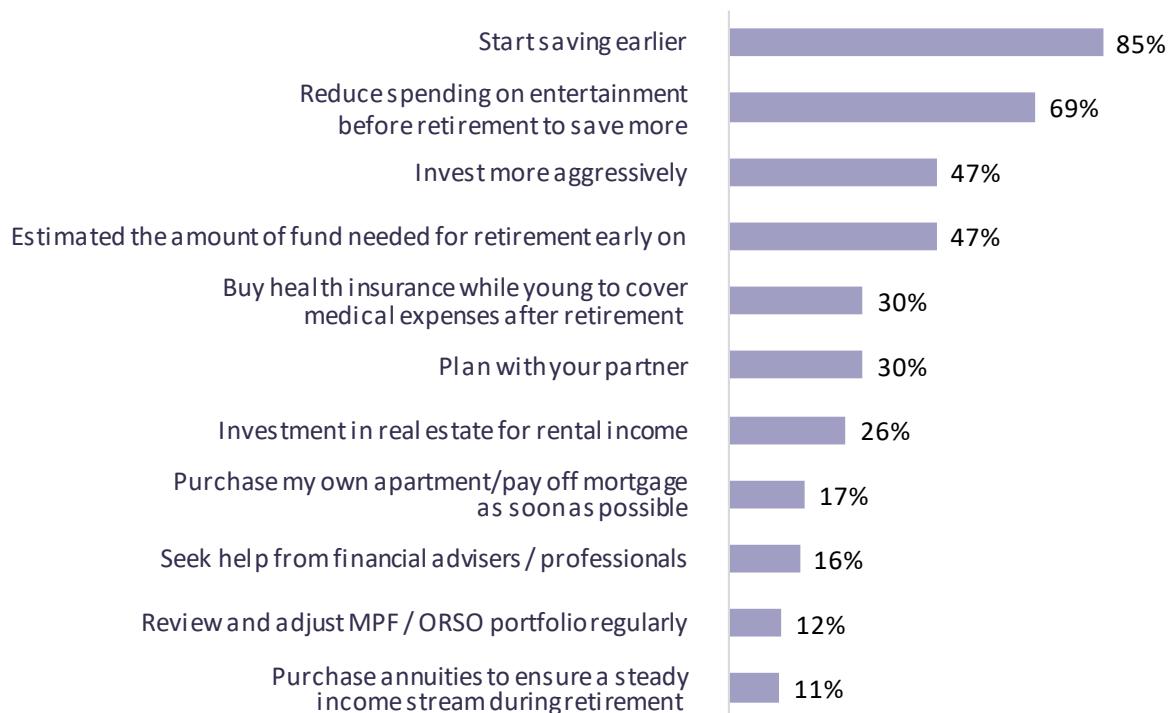
Figure II.2 – Age started saving for retirement and actual retirement age



Reflections on retirement preparations

Most retirees say that if they could start again, they would estimate the amount needed for retirement sooner (47%) and begin saving earlier (85%). They would take practical steps to improve the size of their retirement fund by reducing spending on entertainment (69%) and invest more aggressively to better prepare for retirement (47%). About 1 in 5 would invest in real estate for rental income (26%).

Figure II.3 – If starting over with retirement preparations



Base: Retirees (n=408)

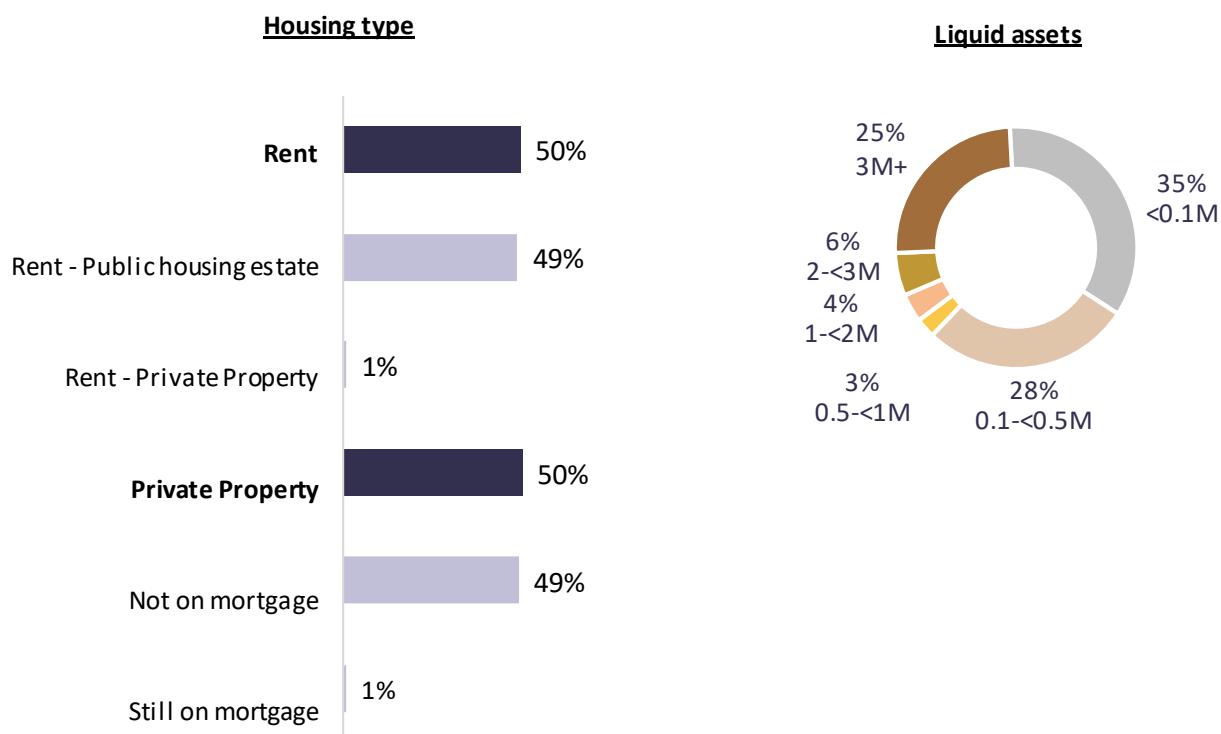
2. Current situation

Living arrangements and liquid assets

Half of retirees live in a private property (50%) and the rest live in public housing estates (50%).

There is a wide variation in the amount of money held in liquid assets among retirees. Whilst a quarter have more than HK\$3M or more (25%), nearly two-third hold less than HK\$0.5M (63%).

Figure II.4 – Current living arrangement

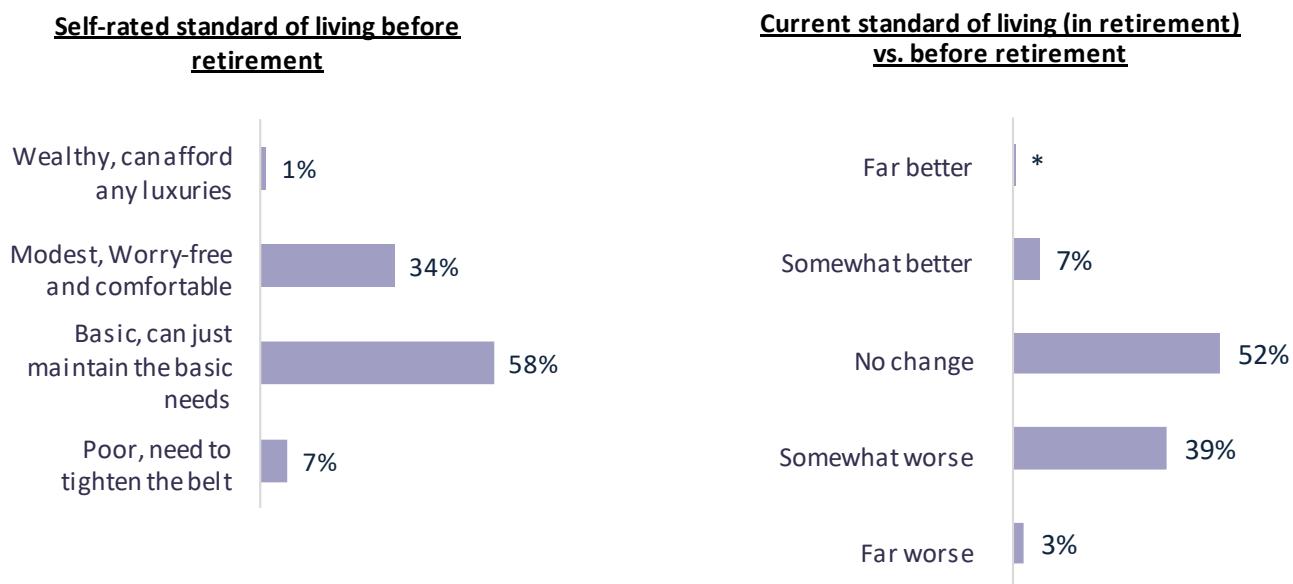


Base: Retirees (n=408)

Changes in standard of living

Around one-third of retirees reported that they had a worry-free lifestyle before retirement (35%), while 65% had poor to basic standard of living. Most report that they have maintained their standard of living since retiring (52%), but most of the rest report that it is worse than before (42%).

Figure II.6 – Self-rated standard of living



Base: Retirees (n=408)

There are only small differences in standard of living by age among retirees. However, those with the most money in liquid assets are more likely to have maintained a worry-free standard of living into retirement than less wealthy retirees. In contrast, more than half of those with the least money in liquid assets (57%) and 56% of renters report that their standard of living worsened after retirement. The majority of retirees in these two categories only had a basic standard of living before retirement.

Table II.1 – Self-rated standard of living

Table 1.1 – Self-rated lifestyle

	Total	Age		Liquid assets			Housing ownership of Private Property	
		Aged 50-69	Aged 70-79	Low (<500K)	Mid (500K-<3M)	High (3M or above)	Owned by Myself/ Partner	Others (Rent/ non-owners)
Base	408	246	162	85	106	217	320	88
Lifestyle before retirement	%	%	%	%	%	%	%	%
Wealthy, can afford any luxuries	1	1	2	-	1	5	3	*
Modest, Worry-free and comfortable	34	33	35	12	57	77	65	3
Basic, can just maintain the basic needs	58	64	51	78	42	18	32	84
Poor, need to tighten the belt	7	2	12	10	1	-	*	13
Lifestyle after retirement	%	%	%	%	%	%	%	%
Better	7	7	6	1	11	18	12	1
No change	52	54	48	42	69	70	61	43
Worse	41	39	45	57	20	12	27	56

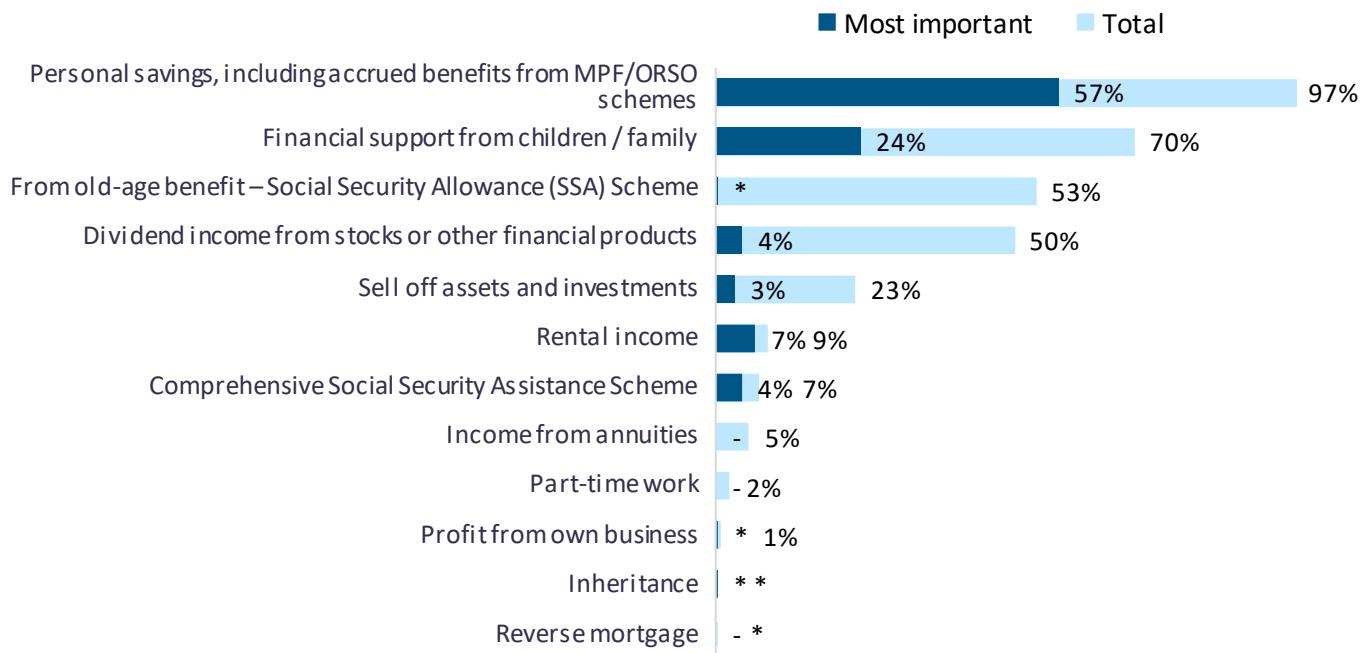
Base: Retirees (n=408)

/ Denotes significant differences at 95% vs. Total

Key sources of funds during retirement

More than half of current retirees consider their personal savings (57%) to be the most important source of income in retirement. Financial support from children or family (70%), old-age living allowance from the government (53%), and dividend income (50%) are relatively common secondary sources.

Figure II.7 – Key sources of funds during retirement



Base: Retirees (n=408)

Whilst most sources of income do not vary widely by age in retirement, old-age benefit is key for majority (72%) of retirees aged 70-79. Those with the most money in liquid assets are more likely than others to rely on dividend income, funds from selling off assets and investment, and rental income. Those with fewer liquid assets and people who do not own their own home rely more than others on social welfare.

Table II.2 – Key sources of funds during retirement

	Total	Age		Liquid assets			Housing ownership of Private Property	
		Aged 50-69	Aged 70-79	Low (<500K)	Mid (500K- <3M)	High (3M or above)	Owned by Myself/ Partner	Others (Rent/ non- owners)
Base	408	246	162	85	106	217	320	88
Key sources	%	%	%	%	%	%	%	%
Personal savings, including accrued benefits from MPF/ORSO schemes	97	97	96	95	99	100	100	94
Financial support from children / family	70	71	68	77	65	54	58	81
From old-age benefit – Social Security Allowance (SSA) Scheme	53	40	72	69	43	18	33	73
Dividend income from stocks or other financial products	50	53	46	28	78	92	83	17
Sell off assets and investments	23	25	21	11	35	50	38	9
Rental income	9	10	8	-	9	30	18	-
Comprehensive Social Security Assistance Scheme	7	1	15	11	-	*	*	14
Income from annuities	5	7	3	3	10	8	6	4
Part-time work	2	3	2	3	1	*	*	4
Profit from own business	1	1	1	-	-	3	1	-
Inheritance	*	*	*	-	1	1	*	*
Reverse mortgage	*	*	-	-	-	1	*	-

Base: Retirees (n=408)

/ Denotes significant differences at 95% vs. Total

Investment in financial products

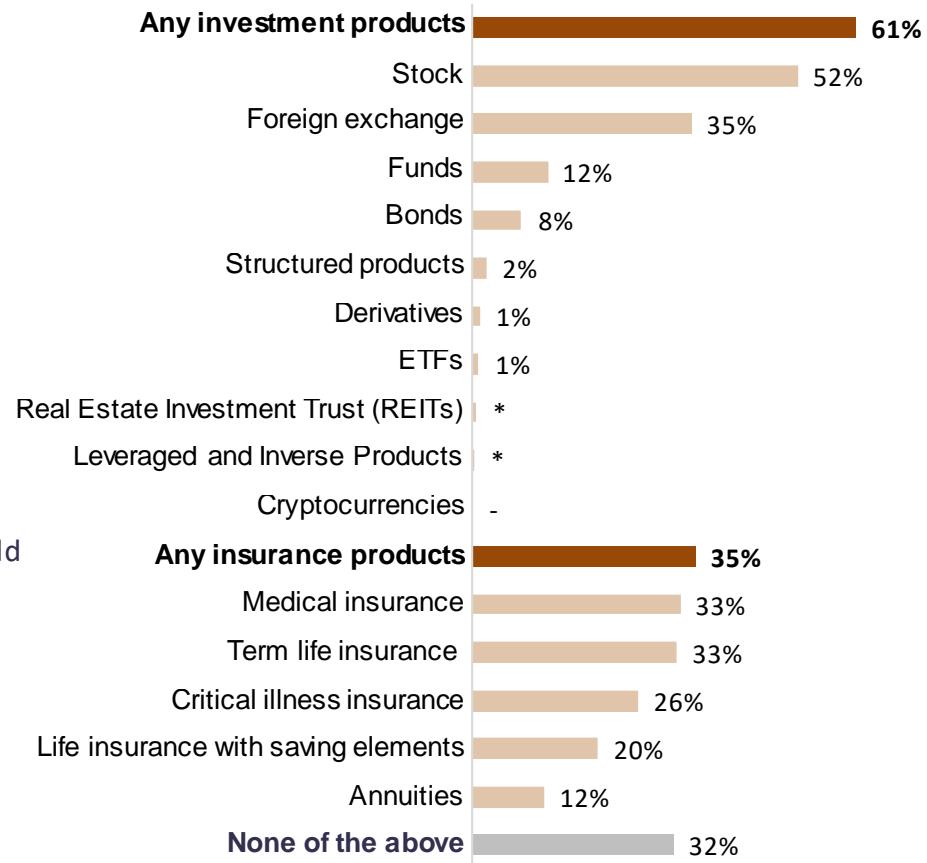
In the past year, well over half (61%) of retirees held or traded at least one type of investment products. Stocks (52%) were the most common, followed by foreign exchange (FOREX) (35%). Advanced products such as derivatives and structured products are not common among retirees.

Insurance products such as medical insurance (33%) and term life insurance (33%) also represent an important part of their portfolios.

Figure II.8 – Incidence of holding financial products



Avg. no. of product types that a retiree held



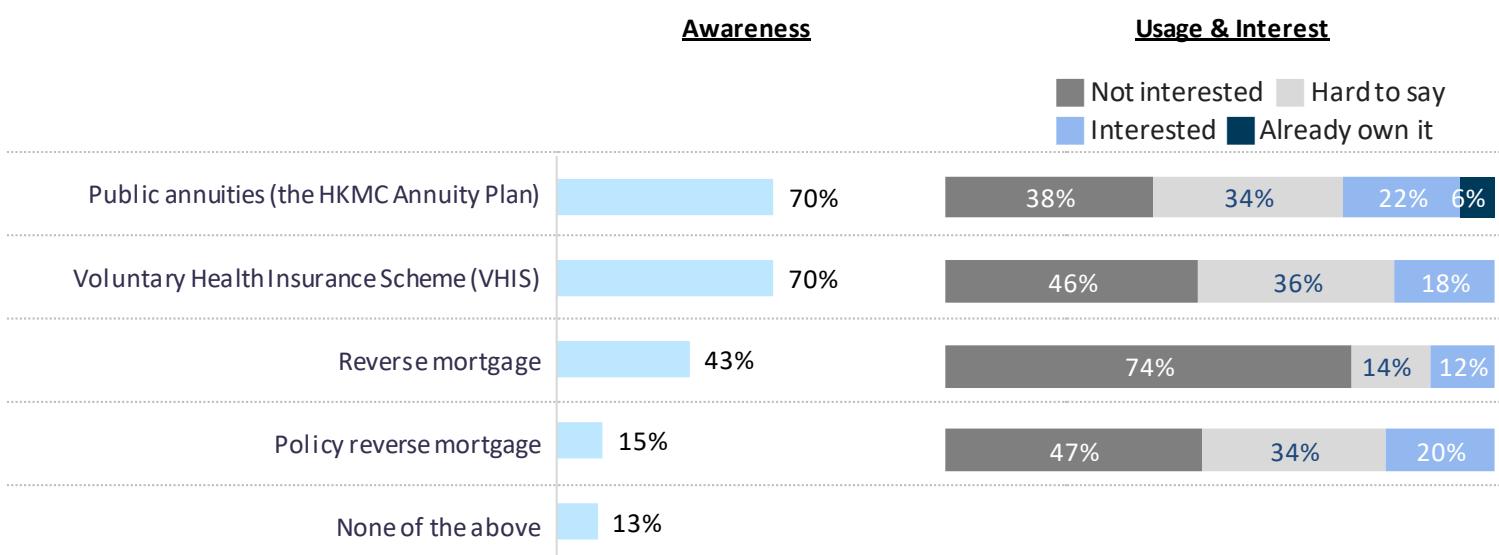
Base: Retirees (n=408)

Older retirees are less likely than the younger age group to hold medical insurance or critical illness insurance. Those with the most money in liquid assets are more likely than others to invest in most of the products discussed.

Awareness and use of specific retirement products and schemes

Whilst most retirees are aware of the public annuities and the Voluntary Health Insurance Scheme (VHIS), less than half have heard of the reverse mortgage and just 15% are aware of the reverse policy mortgage. Only a small minority hold public annuities (6% of those who are aware), and nobody holds the other products. However, about one in five say they are interested in holding public annuities (22%), policy reverse mortgages (20%) and VHIS (18%). Conversely 74% of retirees who are aware of reverse mortgages say that they are not interested in such products.

Figure II.9 – Awareness and usage of retirement financial products/ schemes

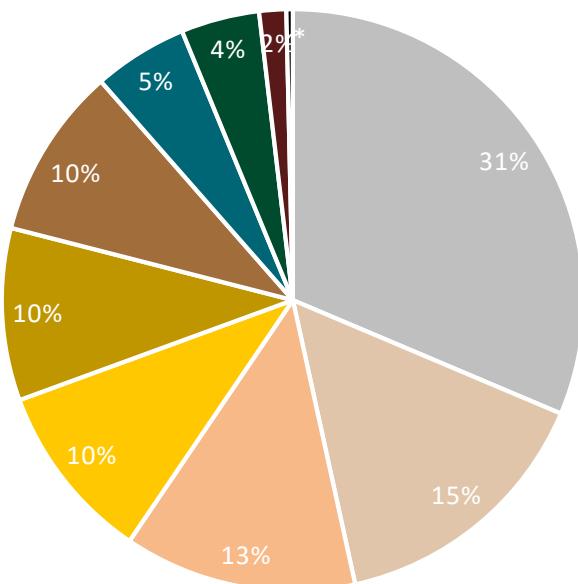


Base: Retirees (n=408); Retirees who are aware of any products/schemes: Voluntary Health Insurance Scheme (n=325), Public annuities (n=319), Reverse mortgage (n=247), Policy reverse mortgage (n=85)

Average monthly expenses

Retirees spend HK\$6,244 per person* in a month on average, of which food (31%) makes up the largest proportion of the expenses, followed by housing (15%) and entertainment (13%).

Figure II.10 – Average monthly expenses (per person*)



Items	Average monthly expenses
Food	HK\$1,959
Housing	HK\$948
Leisure & Entertainment	HK\$807
Misc./Others	HK\$620
Water, electricity, gas & communications	HK\$598
Health care/Personal care	HK\$596
Care service (domestic help/ elderly home)	HK\$327
Transportation	HK\$272
Financially support parents	HK\$94
Financially support children	HK\$22
Total	HK\$6,244

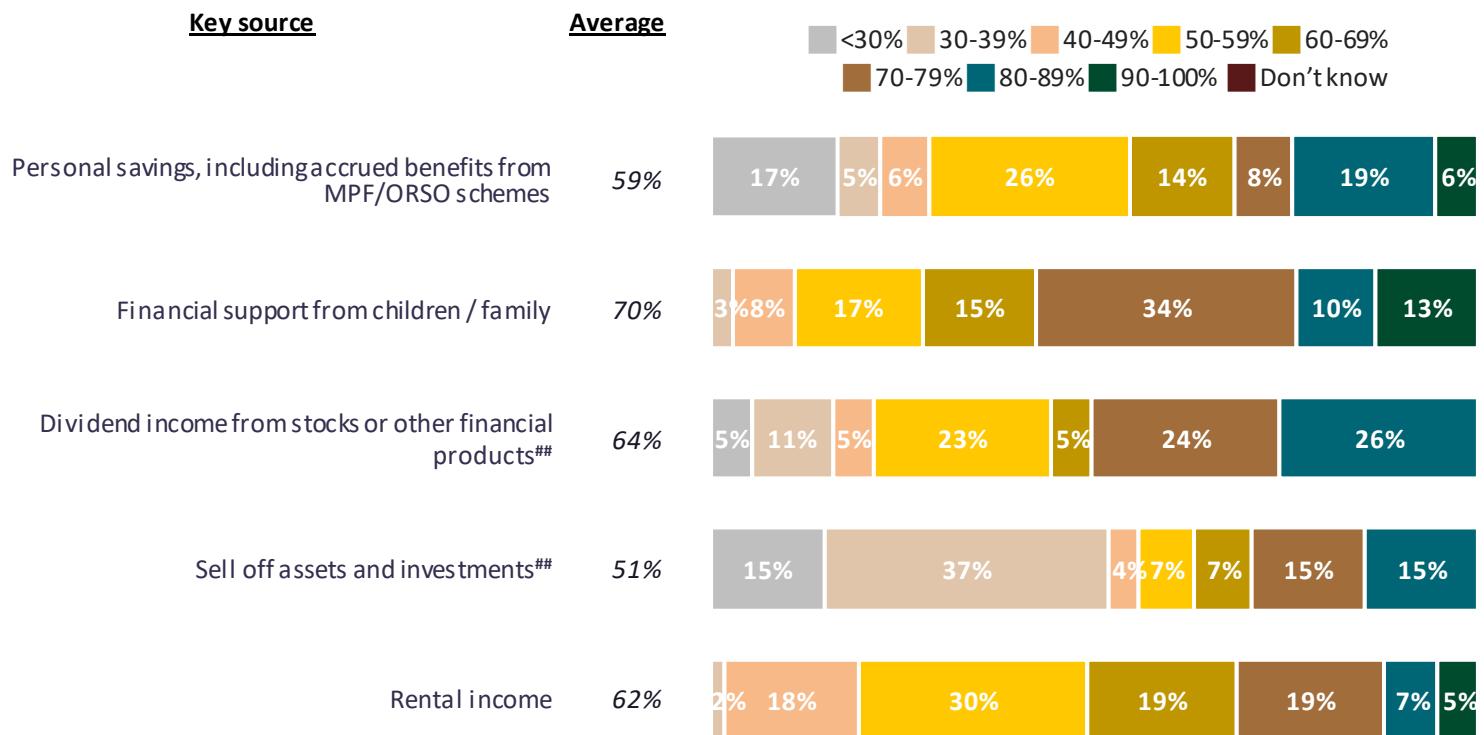
Base: Retirees (n=408)

* For retirees who are living with their spouses, expenses of the couples are asked and then divided in half to obtain the per person monthly spending.

Proportion of monthly expenses covered by key income source

Whilst most retirees have more than one source of income, on average the key source covers 60% of monthly expenses.

Figure II.11 – Proportion of monthly expenses paid by primary source of income



denotes small base ($n < 50$);

denotes very small base ($n < 30$), significance test is not conducted for subgroups with $n < 30$;
Results will not be shown if $n < 10$.

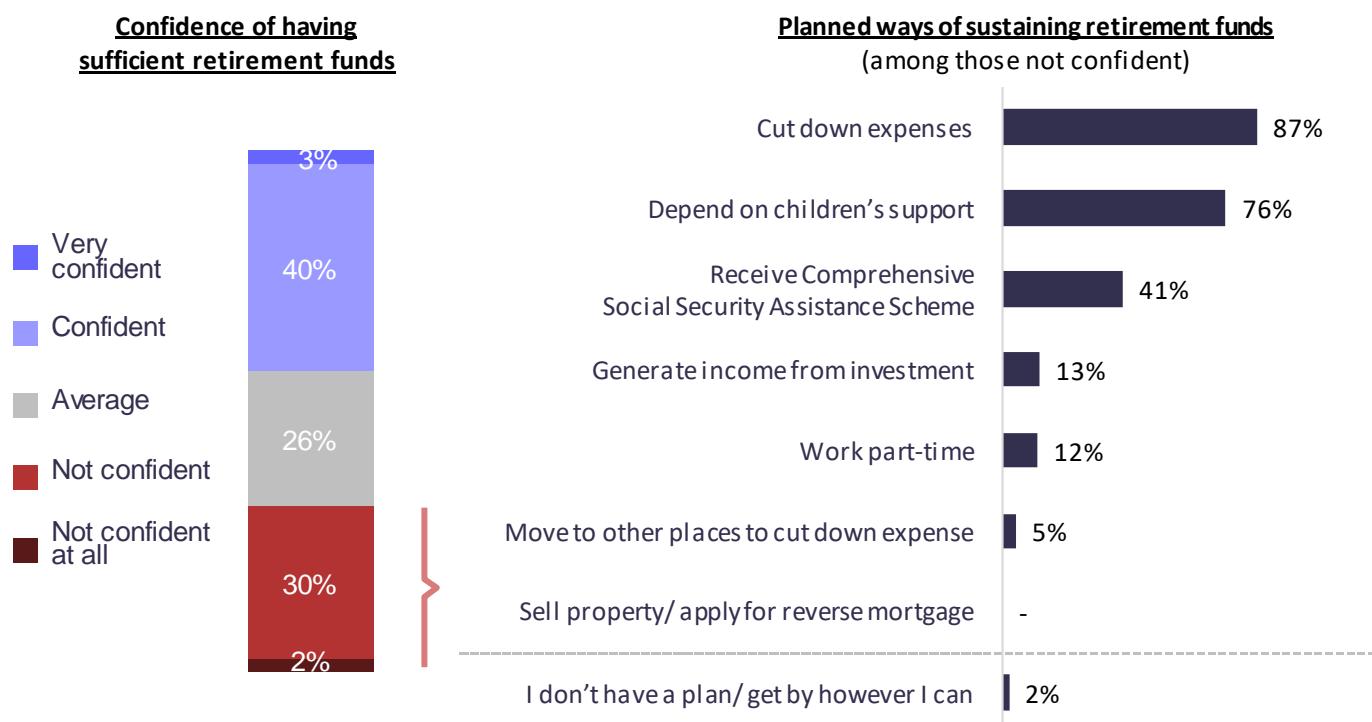
Base: Retirees who have the respective key sources to fund expenses: Personal savings ($n=234$), Dividend income from stocks or other financial products ($n=21##$), Financial support from children/family ($n=59$), Sell off assets and investments ($n=27##$), Rental income ($n=57$)

3. Future situation

Perceived sufficiency of retirement funds

Less than half of the retirees are confident that they have sufficient retirement funds (43%). Among those who are not confident (32%), most anticipate cutting their expenditure (87%) and getting support from their children (76%).

Figure II.12 – Perceived sufficiency of retirement funds



Base: Retirees (n=408); Retirees who don't have confidence to reserve enough to sustain retirement (n=49#)

The vast majority of retirees with high levels of liquid assets are confident that they have enough money for their retirement (82%). In contrast half of those with the lowest amount in liquid assets (50%) and more than half renters (61%) say they are not confident.

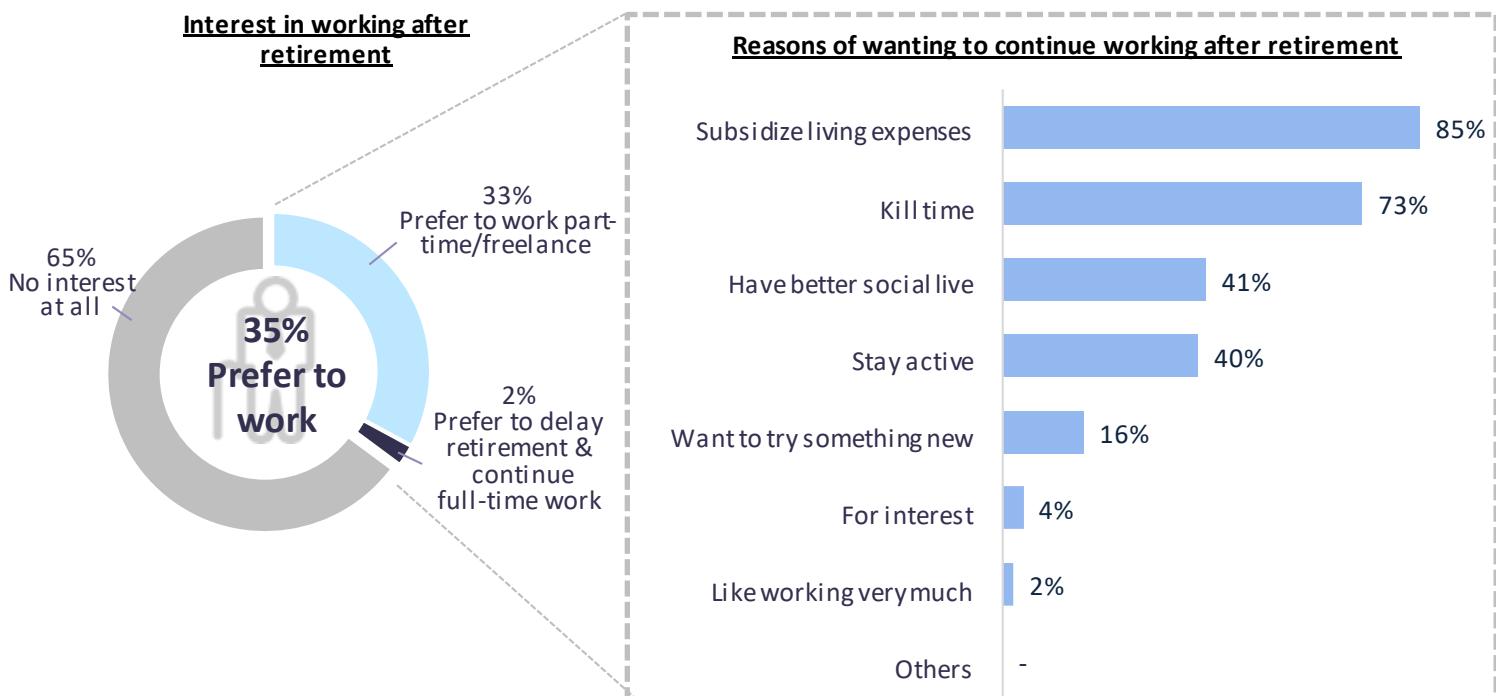
Table II.4 – Perceived sufficiency of retirement funds

	Total	Age		Liquid assets			Housing ownership of Private Property	
		Aged 50-69	Aged 70-79	Low (<500K)	Mid (500K- <3M)	High (3M or above)	Owned by Myself/ Partner	Others (Rent/ non- owners)
Base	408	246	162	85	106	217	320	88
Confidence of having sufficient funds	%	%	%	%	%	%	%	%
Confident	43	35 -	53 +	25 -	51	82 +	63 +	22 -
Average	26	33 +	15 -	25	44 +	17 -	33 +	18
Not confident	32	33	31	50 +	5 -	* -	4 -	60 +

Base: Retirees (n=408)

Interest in continuing work after retirement

Most retirees have no interest in working (65%). For those who would like to continue working (35%), they typically say that they wish to do so to subsidize living expenses (85%), kill time (73%), have better social life (41%) and stay active (40%).

Figure II.13 – Interest in continuing work after retirement


Base: Retirees (n=408); Retirees who are interested in continuing to work (n=110)

Retirees with low levels of liquid assets and renters are more likely than others to be prepared to work part-time or become a freelancer, and they primarily want to work to subsidize living expenses.

Table II.5 – Interest in continuing work after retirement

	Total	Age		Liquid assets			Housing ownership of Private Property	
		Aged 50-69	Aged 70-79	Low (<500K)	Mid (500K- <3M)	High (3M or above)	Owned by Myself/ Partner	Others (Rent/ non- owners)
Base	408	246	162	85	106	217	320	88
Willingness to work after retirement	%	%	%	%	%	%	%	%
<u>Netting: Willing to work</u>	<u>35</u>	<u>39</u>	<u>29</u> -	<u>42</u>	<u>23</u> -	<u>23</u> -	<u>27</u> -	<u>43</u>
Prefer to work part-time / become a freelancer	33	37 +	27	39	22 -	23 -	27 -	39
Prefer to delay retirement and continue working full time	2	3	2	3	1	-	* -	4
<u>No interest at all to continue working after retirement</u>	<u>65</u>	<u>61</u> -	<u>71</u> +	<u>58</u>	<u>77</u> +	<u>77</u> +	<u>73</u> +	<u>57</u>
Base	110	79	31 [#]	36 [#]	24 ^{##}	50	73	37 [#]
Reasons	%	%	%	%	%	%	%	%
Subsidize living expenses	85	83	88	94	71	48 -	63 -	99
Kill time	73	73	74	69	83	88 +	92 +	61
Have better social live	41	46	33	31	58	82 +	53 +	34
Stay active	40	43	34	41	50	28	25 -	49
Want to try something new	16	24 +	2	11	29	34 +	29 +	9
For interest	4	6	1	3	4	10	5	4
Like working very much	2	3	1	-	13	8	6	-

Base: Retirees (n=408); Retirees who are interested in continuing to work (n=110)

denotes small base (n<50);

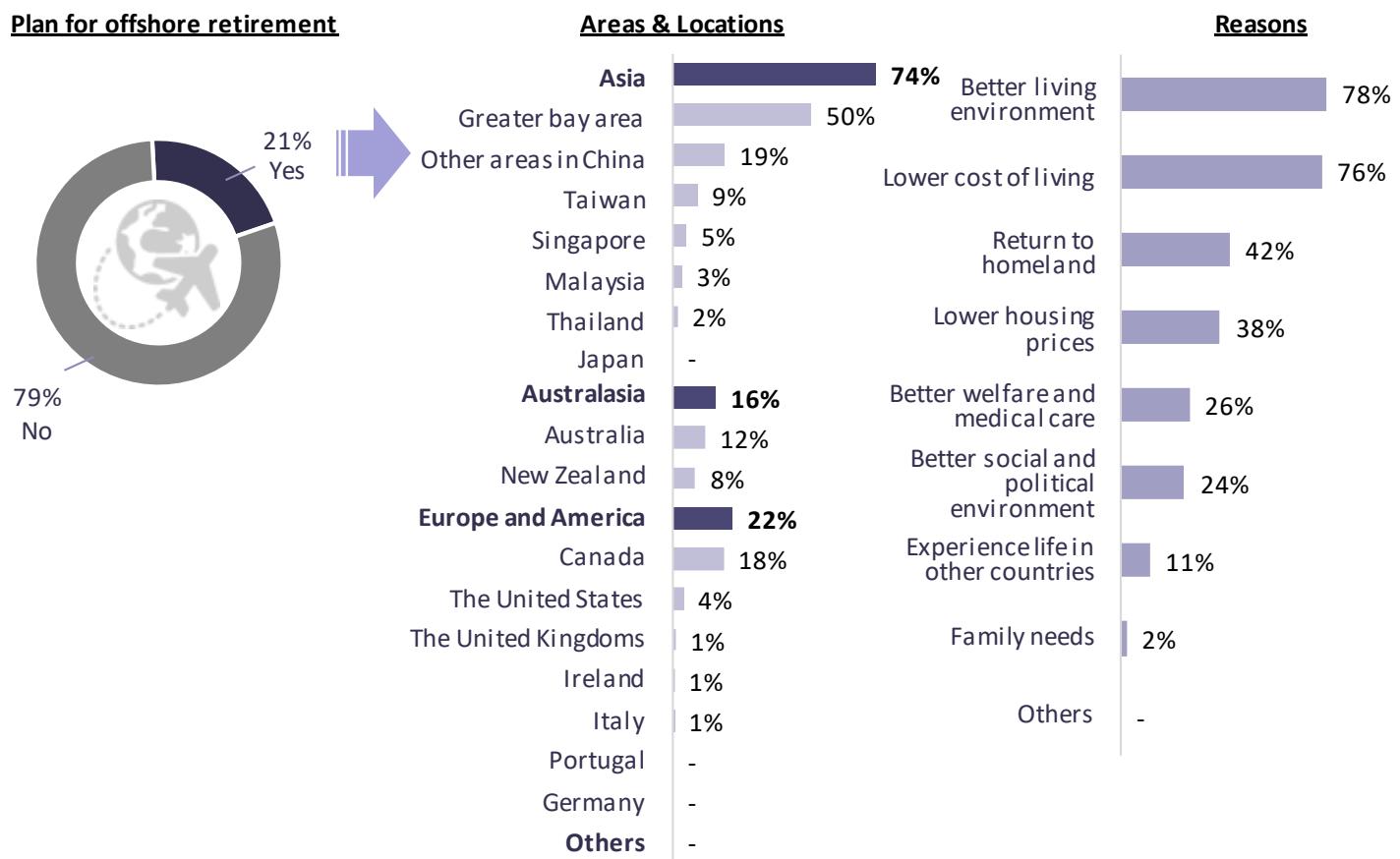
denotes very small base (n<30), significance test is not conducted for subgroups with n<30

+ / - Denotes significant differences at 95% vs. Total

Retirement outside Hong Kong

Fewer than a quarter of current retirees have any plan to leave Hong Kong (21%). Those who would like to move are most interested in going to the Greater Bay area (50%), other areas in China (19%) and Canada (18%). A better living environment (78%) and lower cost of living (76%) are the major reasons for considering offshore retirement, followed by returning to homeland (42%) and lower housing prices (38%).

Figure II.14 – Retirement outside Hong Kong



Base: Retirees (n=408); Retirees who have plans for a retirement outside HK (n=91)
 “-“ denotes no mention

CONCLUSIONS

The vast majority of working adults in Hong Kong are active savers. Many put aside money every month and 69% made at least one investment in the last 12 months. Almost all hold at least some of their savings as an emergency or rainy-day fund and it is also common to save towards goals such as specific purchases, travel or property down-payments.

However, relatively few of today's working adults are focused on their eventual retirement. Only 46% are currently saving for this important milestone, and most of these are doing so without a plan. Many working adults are waiting too long to work out how much money they will need to live on – and many never attempt to make the estimation. They are typically allowing themselves just 20 years to build up sufficient money for retirement and only a minority are confident that they will succeed in building a large enough savings pot. In this context it is unsurprising that many working adults are interested in continuing to work after retirement, with 86% admitting they want to subsidize living expenses with extra income from work (73% also justify it as 'killing time').

The approach taken to retirement planning by this generation of working adults is very similar to that taken in previous generations, even though current retirees regret that they didn't think about their retirement plans and start saving sooner. Younger working adults typically have other priorities that take precedence over retirement planning. Indeed, today's working adults report that they are financially stressed. In particular, they are concerned about life's uncertainties such as possible job-loss or unexpected expenses which is certainly exacerbated by the current economic downturn. For many, the stress is sufficiently high to have negative impacts on their performance at work.

There are some important differences in the retirement preparations of people with different key characteristics. For example, few of those on low incomes are confident that they will have enough money in retirement and almost all anticipate that they will need to cut their expenses. Along with people who do not own property, they are more likely to be interested in working in retirement to subsidize their living expenses.

The findings suggest that policy makers and financial educators need to think carefully about how to help Hongkongers make better retirement preparations. Some action pointers include:

- i. While it may sound reasonable for most Hongkongers to expect living till their late 80s according to the current average life expectancy, people may not be fully aware of the possibility of their living a very long life. According to statistics from the Census and Statistics Department, the number of centenarians has doubled (reaching over 3,600) in the five years between the census in 2011 to the by-census in 2016. It is expected that by the near future these long-lived individuals may become commonplace in Hong Kong society.

It's not news that it's never too early to plan for retirement. Yet at different stages in life, one has different needs and assets as well as different "planning horizons". It follows that financial education about retirement planning should be tailored to meet the needs and psychographics of different age segments. It is important to help people realize that retirement planning should be done in parallel with other pursuits in life and according to the specific life stage one is at, and then be reviewed and adjusted regularly.

- ii. Only about one third of Hongkongers ever made an attempt to estimate the size of retirement fund they need (and many of them failed to take into account the impact of inflation in their calculation). Majority either do not see the benefits of estimating retirement funding needs or simply don't know how to do the calculation.

However, setting concrete goals can be a source of motivation. In this regard, promoting the use of digital calculators to estimate one's retirement needs may prove useful to help people set a clear financial goal for retirement which may in turn motivate them to take actions to save towards their goals. It follows without saying that goal-setting should be coupled with clear guidance on steps that should be taken in building retirement reserves as well as tools and solutions available.

- iii. Hongkongers have always been active in stock market participation and other investment activities, and the findings show that majority of working adults are investing with a view to build their retirement reserves. Yet faced with the growing economic uncertainties as well as increasingly volatile markets, educating investors the need to exercise caution and disciplines in making investment decisions is crucial. Also, there are constantly new developments in financial services/products which call for the ability of financial consumers to understand product features and assess suitability for oneself. Needless to say, helping retirees to protect their nest eggs with prudent investment is a top priority in related investor education.
- iv. The government has launched the public annuity scheme for over a year, and the tax deductible schemes for voluntary health insurance policy, MPF and qualified deferred annuity policy are also in place since last year. Together with other schemes like reverse mortgage and the newly launched insurance policy mortgage, there are indeed many more tools that Hongkongers can choose to include in their retirement preparations. It is essential to promote awareness of these schemes as well as the pros and cons of each tool so that people can assess suitability for themselves and decide if they want to include any suitable scheme as part of their retirement plans.
- v. Workplace financial wellness programmes are a good platform to encourage working adults to take better care of their personal finance and make long-term financial planning. Yet it is still a relatively new concept for both employers and employees. To attract employers to introduce the programme at their workplace, more should be done to promote the benefits of workplace financial wellness programmes. Emphasizing the corporate social responsibility aspect of helping employees to get financially prepared for retirement can be a sensible appeal. Apart from promoting the programme as an addition to staff wellness initiatives, it also makes sense to target organisations/companies that offer Employee Assistance Programmes (EAP) – those which assist employees with personal problems and/or work-related problems that may impact their job performance, health, mental and emotional well-being. Financial issues are a common source of stress and programmes promoting sound money management practices can be complementary to other EAP services.
- vi. Since financial stress is so prevalent across the working population and seems to have worsened in the face of the economic downturn, policy makers and financial educators need to be mindful of how they talk about retirement savings. Many working adults are already concerned about their inability to meet financial challenges and may not cope well with reminders that they also need to take responsibility for their old age.

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