

MassMutual Asia announces key retirement survey findings: The 3 Highs and 3 Lows of Hong Kong people's retirement

- Record-low confidence level in living the dream retirement life
- Record-high average monthly retirement income

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MassMutual Asia Ltd. (MassMutual Asia) specially commissioned a telephone survey by the Public Opinion Programme of the University of Hong Kong during the second quarter this year in order to understand Hong Kong people's retirement dreams, their level of confidence in realizing their dream retirement life, and their actual planning for retirement. The findings revealed 3 highs and 3 lows of Hong Kong people's retirement.

Some 90% of Hong Kong people have specific dreams for their retirement. Their top five dreams were: "a worry-free retirement" (59%), "traveling around the world" (22%), "good health" (14%), "having abundant wealth" (13%), and "owning own home and car" (9%). However, respondents are facing "3 lows". The first "low": respondents' confidence level in realizing their dream retirement life hit an all-time low, an average level of 5.2 out of 10. The second "low", the results revealed that people's confidence level in securing a sustainable source of funds to support their retirement every month was quite low, on average 4.9 out of 10. The third "low": the results indicated that not only had over 70% of respondents underestimated the funds they would actually need for retirement, but also that over 40% of them had seriously underestimated this, with their projected retirement savings amounting to less than 50% of the actual amount required. (The survey calculated the actual retirement funds required by each of the respondents based on their expected retirement age and monthly retirement budget, and then compared this amount with their projected retirement funds.)

As for the "3 highs", the first "high": the findings regarding Hong Kong people's top retirement worries represented a significant increase, much higher than those in previous years. Their top retirement worry was "inflation/insufficient savings" (65%), up 10 percentage points from last year. Other retirement worries were: "health problems" (54%), "unemployment" (53%), "uncertainty about the future" (52%), and "unexpectedly long lifespan" (26%). The second "high": Hong Kong people now expect to retire at an average age of 61.1, an all-time high. The third "high": the results indicated that respondents would need an average monthly retirement income of HK\$14,799, hitting record high, and with an increase of 20% from last year.

With Hong Kong facing an increasing risk of ever-rising prices, inflation is now the biggest retirement worry. According to the findings, about half of the respondents were considering moving to mainland China or Taiwan on retirement, rather than staying in Hong Kong. After working hard their entire life, people naturally yearn for a comfortable retirement life. When considering retirement places, "living and natural environment (36%) and "standard of living and property prices" (34%) were the key selection criteria.

The survey also looked into people's awareness and understanding of "annuity". Although over 30% of respondents indicated that they knew about annuities, only 20% of them truly understood what a "genuine" annuity was, i.e., a monthly 'pension' providing the insured with a lifetime annuity payout, without any pre-set period, until the insured passes away. After the respondents learned about the "genuine" annuity, 60% of them indicated that they would consider taking out an annuity plan, with an average monthly premium of \$3,912, because they think that "it is easier by monthly installments" (62%), they "do not want to spend all their savings at one time" (19%) and "it helps foster a savings habit" (16%). On the other hand, some 10% of respondents preferred a single-premium annuity plan.

Ms Jeanne Sau, Senior Vice President & Chief Marketing Officer, MassMutual Asia, said, "Retirement is predictable as it is a stage of life that we will all have to face. However, we have no control over our lifespan. In fact, Hong Kong people's longevity is steadily increasing. Life expectancy at birth for males in 2064 will be 87 years¹ and for females will be 92.52¹. Without sufficient retirement funds in place, financing an unexpectedly long retirement will become a great challenge during our golden years. Fortunately, an annuity plan that offers a guaranteed lifetime annuity payout is instrumental in securing sustainable retirement funds, effectively hedges against the risk of 'living too long', and avoids hitting the retirement tipping point."

Currently there are two types of annuity plan in the market: the "genuine" annuity that provides the insured with lifetime annuity income, without any pre-set period; and one that usually provides the insured with pre-set installment income for a 10- or 20-year period, based on the accumulated value of the policy. As the latter provides no guarantee of lifetime income, it may not adequately cover the financial risk of prolonged life expectancy.

Sau added that a "genuine" annuity plan is unique because it guarantees a sustainable source of income throughout retirement, and is the answer in helping realize the respondents' dreams of "a worry-free retirement", "traveling around the world" and "having abundant wealth". At the same time, it is the ideal solution for eliminating the worry of insufficient retirement savings. She recommends first mapping out a retirement plan based on a financial needs analysis conducted by a professional consultant. She then suggests an annuity plan as a core component for ensuring lifetime retirement income, and that the annuity income should contribute at least 50% of the total retirement funds required to support basic needs during retirement.

MassMutual Asia Ltd. is a member of the MassMutual Financial Group. Headquartered in Hong Kong, MassMutual Asia has some 3,000

consultants. The company delivers professional one-stop risk- and wealth-management consulting services, including a series of flexible and innovative life insurance products, retirement plans, and investment services. Besides the life insurance business, MassMutual Asia also operates several subsidiaries in Hong Kong, including MassMutual Trustees Ltd., which focuses on MPF, and MassMutual Insurance Consultants Ltd., which handles general insurance.

MassMutual Financial Group is a marketing designation for the Massachusetts Mutual Life Insurance Company (MassMutual) and its affiliates. With US\$675 billion² in assets under management and 13 million customers, MassMutual Financial Group is a global, growth-oriented and diversified financial-services organization. Established in 1851, MassMutual enjoys exceptionally high financial ratings from major ratings agencies, including A.M. Best Company "A++" (Superior; top category of 15), Fitch Ratings "AA+" (Very Strong; second category of 21) and Standard & Poor's "AA+" rating (Very Strong; second category of 21)³ and is ranked by FORTUNE as one of the "Five Largest US Life Insurance Companies"⁴ and "FORTUNE World's Most Admired Companies"⁵.

- Note:
1. "Hong Kong Life Tables 2009 - 2064", The Hong Kong Census and Statistics Department (published in September 2015).
 2. Figure as of December 31, 2016.
 3. Ratings apply to Massachusetts Mutual Life Insurance Company and its subsidiaries, C.M. Life Insurance Company and MML Bay State Life Insurance Company. Ratings are as of March 1, 2017 and are subject to change.
 4. Ranked according to the aggregate results of [Insurance: Life, Health (Mutual)] and [Insurance: Life, Health (Stock)] on the total revenues for 2016, based on the FORTUNE 500 as published on June 8, 2017.
 5. Ranked according to the results in "Life and Health Insurance" category in the 2017 FORTUNE World's Most Admired Companies survey. The survey assessed nine reputation drivers considered to be crucial to a company's global success: financial soundness, long-term investment value, people management, social responsibility, use of assets, quality of management, quality of products/services, innovation and global competitiveness.



Ms Jeanne Sau, Senior Vice President & Chief Marketing Officer, MassMutual Asia announces key retirement survey results.