

Press Release

For immediate release

## **HKU Survey: Hong Kong people Expect Public Annuity Return 5-6% Convoy's Advice: Save Early to Effectively Use the Public Annuity for Retirement**

*(31 May 2017, Hong Kong)* The Hong Kong government has proposed a public annuity scheme to provide an extra layer of retirement protection for the public. According to a survey conducted by the **Convoy Financial Group** ("Convoy" or the "Group"), it discovers that people are ambivalent about the scheme and 35.8% of the respondents states that they will not participate in the scheme mainly because of a low return rate (23.2%) and a high admission threshold (20.0%). A majority of the respondents expect that the public annuity can achieve a rate of return at 5-6% per year.

The survey has also found that nearly half of the respondents (47.3%) rely on MPF as an investment tool for retirement, whereas in the 55-65-year-old group who are about to retire, more than half of these respondents (55.6) have no other investment vehicles. As a result, these people are prone to use up their principals.

**Henry Shin, CEO of Convoy Financial Services**, states that, "The public has expectations for their retirement life, but MPF is insufficient to meet one's retirement expenses. Moreover, the return rate of the public annuity scheme announced by the government is not in line with the public's expectation. Hong Kong people have rich investment knowledge and therefore "One should plan one's own retirement reserves." They should create a wide range of retirement vehicles and create self-made pensions to establish various stable sources of income for retirement."

This survey was commissioned by Convoy to the Public Opinion Programme of The University of Hong Kong ("HKU") from 31 March 2017 to 21 April 2017 and successfully asked 801 employed people aged 35-65 through a randomized telephone interview to understand their views and attitudes on retirement vehicles, the MPF and the public annuity scheme.

### **55-65-year-old respondents only rely on MPF Could turn out to be "Silver-Hair Moonlight Clan"**

Regarding post-retirement expenses, the survey has discovered that respondents have expected an average monthly expenditure of \$11,900. Assuming a 55-year-old person who wishes to retire after 10 years, if he/she needs to maintain his/her current living standard, living expenses would cost about HK\$3.85 million. The survey has also found that respondents believe that the largest expenditures

after retirement would be daily expenses (59.7%), medical (45.1%) and housing (40.4%). Hong Kong people have expected these would be the largest expenditures after retirement, which is in line with previous survey results.

Moreover, more than half of the respondents (55.7%) expect to have a stable source of income after retirement. Of these, 43.6% state that they consider MPF as a stable income source. On the other hand, when asked about their opinions on MPF, most respondents (83.6%) think that MPF is insufficient in meeting retirement needs and is only sufficient for average 6.5 years of spending. As seen, respondents hold mixed attitude toward MPF. On one hand, they think it is insufficient. On the other hand, they are not taking proactive measures to explore other income sources for retirement.

The results also show that, except MPF as the retirement investment tool, their investment vehicles are mainly stocks (26.2%), insurance/insurance savings plan (18.6%) and funds (10.0%). As for the recently widely discussed public annuity scheme, it records 2.0% this year. However, nearly half of the respondents (47.3%) do not have any retirement investment tool, showing that they are not prepared enough for retirement life. More than half of the respondents aged 55-65-year-old (55.6%) express that they have no other investment vehicles other than MPF, and therefore they could turn out to be elderly people who live from paycheck to paycheck.

### **Biggest concerns over the public annuity scheme: low return rate and high admission threshold/cannot afford**

With regards to the public annuity scheme proposed by the government, the survey found that Hong Kong people are ambivalent about the scheme. Of the 801 respondents, only 38.9% of the respondents indicate that they would participate in the scheme, 35.8% express that they will not participate and the remaining 25.3% are unsure as they need more details before making an informed decision. The public is not familiar with this scheme and even annuity products and therefore they would like to have more information before deciding to join the scheme or not.

Among the respondents who will not participate in the public annuity scheme, a low return rate (23.2%) and high admission threshold/cannot afford (20%) are the two main reasons that inhibit them from considering the scheme. These reasons are also closely related to the respondent's education level, income level and job position. Respondents who have a lower education level (secondary school or lower), a lower income level (\$14,999 or below monthly), and work in civilian, service and labor work believe that the public annuity scheme has a high admission threshold/cannot afford. Respondents who have a higher education level (college or above), a higher income level (\$15,000 or above monthly) and work in administrative and professional work think that the public annuity scheme has low return and therefore is not attractive to them. The results reflect that the public

annuity failed to respond to the financial needs of the middle class and failed to protect retirement of the lower class.

Moreover, different age groups have varied concerns regarding the scheme. Respondents aged 35-44 (23.1%) explain that they do not understand the scheme thoroughly, those aged 45-54 (28.2%) justify that the return rate of the scheme is too low and respondents aged 55-65 (32.7%) state that the admission threshold of the scheme is too high for them. The above figures reflect that the public annuity scheme has not been recognized by the public.

The survey also asked the respondents factors they need to consider before joining the public annuity scheme. More than half of the respondents (50.4%) hope the scheme is principal-guaranteed, and this is what the majority, those aged 55-65 (51.8%), wants. What follows is low risk (47.1%) and high return (39.8%), as respondents aged 35-54 place more emphasis on withdrawal flexibility (55.5%). Furthermore, respondents expect that the public annuity scheme will have a return rate of 6% in terms of median and 5% in terms of mode. These figures are not in line with the public annuity scheme expected return rate proposed by the government.

### **Create a self-developed pension as a stable income source for retirement**

**Zuriel Fu, Director of Convoy Financial Services Limited**, commented, "There are many investment vehicles on the market that meet the 5-6% public expectation, but one needs to be strategic when it comes to preparing for retirement, as long as one has enough time to roll their Principal before retirement. With the use of compound interest, one can accumulate enough retirement reserves. On the contrary, one should protect their capital against inflation as their investment target after retirement." He also pointed out that private retirement products would have the same effect if they were expected to receive a stable cash flow similar to the public annuity scheme after retirement, and would be lower than the threshold for admission to the public annuity scheme. Therefore, the public should prepare for retirement early to enjoy life earlier on.

**Henry Shin** said, "the annuity products provided by insurance companies have not been recognized in the past, and these products only account for less than 2% of the individual life market share. It was only till the government implemented the public annuity scheme that Hong Kong people start to be aware of annuity products. Since the government announced that it will launch the public annuity scheme, the market will pay more attention to annuity products. Some insurance companies have also launched an enhanced version of their annuity products in order to get the public's favor. The future of the annuity market is expected to have intense competition." He added that the public annuity scheme proposed by the government should be more in line with the public's expectation, which will help develop the annuity market.

Photo 1:



Caption: Henry Shin, CEO of Convoy Financial Services Limited and Zuriel Fu, Director of Convoy Financial Services Limited announce the survey result.

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### **About Convoy Financial Group**

Established in 1993, Convoy Financial Group, the core business sector of Convoy Global Holdings Limited (1019), has major members including Convoy Financial Services Limited, Convoy Asset Management Limited and Convoy International Property Consulting Company Limited, Hong Kong Credit Corporation Limited. Since establishment, the group strives to provide corporate institutional as well as individual clients integrated financial services with its prudent management and professional service standard. Services include financial planning, life and general insurance, MPF, asset management, loans services, risk management, capital investment immigration consultancy and mortgage referral, etc.

Company website: [www.convoy.com.hk](http://www.convoy.com.hk)

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