HSBC Insurance

News Release

26 May 2010

# MPF MEMBERS SEE ROOM TO RAISE SALARY CAP BY OVER 50 PER CENT, SAYS HSBC SURVEY

****Over 4 in 10 respondents say the current salary cap is insufficient****

****MPF members to need less than half of their salary post-retirement****

Two in three (66%) Mandatory Provident Fund (MPF) members who consider the current salary cap of HK$20,000 insufficient would like to raise it to HK$33,000, on average, according to a recent survey by HSBC Insurance. The majority of MPF members surveyed (77%) think that the current 10 per cent MPF monthly contribution shared by employer and staff is inadequate. Of this proportion, 41 per cent say the rate should be raised to between 16-20 per cent.

The survey, conducted across 1,000 MPF members in Hong Kong by the University of Hong Kong's Public Opinion Programme, pointed to a weakened level of preparedness in MPF planning and savings in the territory as members recover from the recent financial downturn. The study also showed that MPF members underestimated the income they need in retirement.

Forty four per cent of respondents believe that their MPF savings will last for less than five years compared to 27 per cent in 2008.

The majority (87% vs 89% in 2008) of respondents remained inactive in topping up their savings with MPF voluntary contributions and 74 per cent do not plan to make any voluntary contributions in the next five years. Of the 15 per cent who have plans to top up their MPF contributions in five years, they estimate saving an additional HK$1,900 per month on average.

MPF members expect they would need only 46 per cent, on average, of their current monthly salary for their retirement.

*more*

Alex Chu, Director and Head of Employee Benefits for HSBC Insurance in Hong Kong, said: “The MPF preparedness gap has widened as a result of the recent economic slowdown. But despite members’ continued passive approach to MPF, our survey shows that they are willing to consider other avenues to increase their MPF savings, among which are raising the salary cap and amount of monthly contributions. We believe these are important steps to help MPF members achieve a secure and comfortable retirement.”

Mr Chu noted that while support for reviewing the salary cap and contribution rate is gaining ground, he believes that these changes may not be immediately forthcoming. MPF members should consider additional voluntary contributions and not rely on MPF as their only source of retirement income.

The survey shows that four in ten (41%) of members rely solely on the MPF for retirement savings and that 43 per cent will wait until they make more money before increasing long-term savings such as the MPF.

With the introduction of member choice next year, the majority (72%) of MPF members covered by the survey still do not know what member choice is about compared to 45 per cent in 2009. The last time 29 per cent of the respondents reviewed their MPF portfolio was more than a year ago while around a quarter (24%) of respondents have never reviewed their MPF portfolio since their accounts were set up.

Mr Chu added: “Member choice will usher greater accountability on the part of the provider as well as the member. The challenge of preparing for retirement continues to grow as Hong Kong crosses the ageing threshold this year when those over 65 years old will outnumber those 14 years old and younger. Member choice will allow members greater flexibility and control over which MPF services provider best suits their needs, the choice of investments for their MPF savings based on their wealth goals and risk appetite as well as the monitoring and management of their MPF portfolio as their needs and financial circumstances evolve.

*more*

"A critical factor for the successful introduction of member choice also lies in educating members about their MPF accounts. HSBC is committed to run regular programmes to raise awareness as we prepare for the launch of member choice in Hong Kong."

*ends/more*

**Media enquiries to:**

| | | |
|---|---|---|
| Laine Santana | +852 2822 4918 | lainesantana@hsbc.com |
| Jane Yuen | +852 2822 4937 | janeyuen@hsbc.com.hk |


**Notes to editors:**

**HSBC Insurance (Asia-Pacific) Holdings Limited**
HSBC Insurance (Asia-Pacific) Holdings Limited is the parent company of the following underwriting companies: HSBC Insurance (Asia) Limited in Hong Kong; HSBC Life (International) Limited in Hong Kong; HSBC Insurance (Singapore) Pte. Limited; HSBC Amanah Takaful (Malaysia) Sendirian Berhad (49% stake); Hana HSBC Life Insurance Company Limited in Korea (50% less 1 share stake); Canara HSBC Oriental Bank of Commerce Life Insurance Company in India (26% stake) and HSBC Life Insurance Company Limited in mainland China (50% stake). In Hong Kong, HSBC subsidiary Hang Seng Bank manufactures and distributes insurance via Hang Seng Insurance Company Limited and Hang Seng General Insurance Company Limited. The HSBC Group also holds an 18% stake in Bao Viet Holdings in Vietnam and a 16.78% stake in Ping An Insurance (Group) Company of China Limited in mainland China. HSBC Insurance (Asia) Limited has a branch in Macau and three representative offices in Guangzhou, Shanghai and Beijing while HSBC Life (International) Limited has two branches in Taiwan and Macau and four representative offices in Vietnam, Beijing, Shanghai and Guangzhou.

**The Hongkong and Shanghai Banking Corporation Limited**
The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which, with over 8,000 properties in 88 countries and territories and assets of US$2,364 billion at 31 December 2009, is one of the world's largest banking and financial services organisations.

*ends/all*