HSBC Insurance

News Release

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HONG KONG PEOPLE BELIEVE MPF SAVINGS WILL LAST ONLY 8 YEARS IN RETIREMENT, AN HSBC INSURANCE SURVEY SHOWS

** The survey also showed Hong Kong people may not be saving enough for their retirement and they lack knowledge about retirement planning **
** HSBC Insurance commits HK$20 million to retirement education to increase awareness of how to plan for retirement **

Most MPF members in Hong Kong expect their MPF savings to last less than ten years in retirement. In a survey commissioned by HSBC Insurance, MPF members said they expected their MPF funds to last an average of about eight years in retirement.

The survey was conducted by the Public Opinion Programme at the University of Hong Kong in January of this year. The survey tested the views of 505 MPF members in the territory aged between 18 and 65 years old with a monthly personal income of more than HK$5,000.

In summary:

- About a third of respondents (34%) expected their MPF savings to last them between 5 and 10 years. Twenty-seven per cent of those surveyed believed their MPF savings will support less than 5 years of their basic needs after retirement.
- Only 11 per cent of respondents believed their MPF savings will last more than ten years after retirement, of which 5 per cent believed their funds will last between 11 years and 15 years and 6 per cent expected their funds to last beyond 15 years.
- Twenty-eight per cent of the respondents said they do not know how long their MPF savings will last in retirement.

Jason Sadler, Managing Director - Hong Kong, HSBC Insurance, said: “Our survey suggests that a majority of MPF members recognise that their MPF savings may not be sufficient to support them in their old age. As a general rule, people in retirement need two thirds of their pre-retirement income to maintain their standard of living. With increasing longevity, people need to build a retirement fund that will support them for at least 20 years after they retire. Unless Hong Kong people take additional measures to build their retirement nest eggs, they will be unable to sustain their desired quality of life after retirement. Their current level of MPF savings is simply not sufficient at present.”

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The survey also reported that after enrolment many MPF members slip into passive management of their MPF savings. A third (33%) of the respondents said they have never reviewed their fund allocation since they began making MPF contributions. In addition, the survey also found that the vast majority or 89% of respondents said they do not make voluntary contributions to their MPF schemes and over half (57%) said they do not know what a preserved account is.

In more detail:

- Of those who had reviewed their portfolio within the last 12 months (44%) and more than one year ago (19%): about 41 per cent reviewed their accounts using their statements, 34 per cent reviewed their arrangements using an online service and 12% visited a branch in person to make an enquiry.
- Only 10 per cent of those surveyed made voluntary contributions to boost their MPF savings. The average additional voluntary contribution reported was HK$1,200 a month.
- Over four in ten respondents (44%) said that they have not made any plans aside from their MPF scheme to cover their retirement needs. Of the 56 per cent with plans in addition to their MPF arrangement: 48 per cent bought insurance, 40 per cent invested in mutual funds and 39 per cent invested in stocks.
- Only 16 per cent of respondents have talked to a financial planner about their retirement plans in the last 6 months. Over half (52%) of respondents admitted that they have never consulted a financial planner about their retirement savings.
- Only 37 per cent of respondents knew what a preserved account was and how many they maintained. Of those with knowledge of preserved accounts, over half (56%) said they have one preserved account; 19 per cent had two and 4 per cent had three.

"Unfamiliarity about managing your MPF investments can translate into missed opportunities, whether these cover options to grow MPF savings when people move jobs or the additional leverage that voluntary contributions will provide for building bigger retirement funds. The survey results support HSBC's recent launch of 'SimpleChoice', which provides automatic asset allocation based on age, ensuring that MPF savings work harder for members," said Mr Sadler.

Drivers of provider and fund choice

Eighty per cent of respondents would like to choose their own MPF provider with 47 per cent and 45 per cent, respectively, saying that brand and professional advice are the two most important factors in making their choice. The level of service fees ranked third in importance regarding making a choice between MPF providers, with 40% citing it as an important factor.

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Regarding MPF fund choice, 45 per cent of respondents said that “fund performance matching target returns” was the most important factor. Only 8 per cent said that they would choose a fund because it charges the lowest fees.

The critical role of education

Mr Sadler added that education is important in raising people’s knowledge about retirement in general and MPF members’ understanding of their scheme arrangements.

To help address this issue in Hong Kong, HSBC Insurance has set aside HK$20 million to carry out programmes to support MPF education.

“Our survey shows that there is still an urgent need to educate Hong Kong people about retirement planning. Our education programme is a long-term investment that HSBC is committed to making. We are working to roll out a creative and engaging retirement education programme to reach different stakeholders, including parents, teachers, students and the general public at large. We want everyone to join in the discussion about retirement planning and the benefits of taking responsibility of your own financial security, of starting to plan for retirement early and the need to take professional guidance when necessary,” said Mr Sadler.

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Notes to editors:

1) More details of the survey
Please see the document titled *MPF Survey 2008* for more information.

2) HSBC Insurance (Asia Pacific) Holdings Limited
HSBC Insurance (Asia Pacific) Holdings Limited, a wholly owned subsidiary of The Hongkong and Shanghai Banking Corporation Limited, is the parent company of four underwriting companies, collectively known as HSBC Insurance: HSBC Insurance (Asia) Limited; HSBC Life (International) Limited; HSBC Insurance (Singapore) Pte Limited; and HSBC Amanah Takaful (Malaysia) Sdn Bhd (49 per cent held). HSBC Insurance offers customers the security, confidence and convenience of doing business with one financial services organisation. It has offices in the Hong Kong Special Administrative Region (SAR), the Macau SAR, Singapore and Malaysia. In mainland China, it has representative offices in Beijing, Shanghai and Guangzhou. HSBC Life also opened a representative office in Hanoi, Vietnam in January 2007. HSBC Insurance (Asia Pacific)’s total assets stood at HK$116 billion as at 31 December 2007.

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