



友邦退休金管理及信託有限公司
香港司徒拔道一號
友邦大廈一樓

AIA Pension and Trustee Co. Ltd.
1/F, AIA Building
1 Stubbs Road
Hong Kong
T: (852) 2100 1500
F: (852) 2565 0001
MPF.AIA.COM.HK (MPF)
RETIREMENT.AIA.COM.HK (ORSO)

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Survey Reveals Three Trends Hindering Retirement Planning of Hong Kong People

- **Nearly 70% of parent respondents are willing to help their children buy a home, and over 50% of them are prepared to remortgage their own homes to do so**
- **Half of parent respondents have still provided financial support for their children who are in work; yet over 70% of children say they cannot support their parents in retirement**
- **Over 80% of respondents treat mortgage repayments as savings and lack a comprehensive retirement plan**

AIA Pension and Trustee Co. Ltd. (“AIA MPF”) conducts the “AIA MPF Desired Retirement Tracker” Survey (“The Survey”) annually. In order to have more concrete idea about the retirement readiness of Hong Kong’s working population, AIA MPF added the Retirement Quotient (“RQ”)¹ in the Survey in 2015, which was jointly developed with Professor Chou Kee-Lee, Chair Professor of Social Policy at the Education University of Hong Kong. **The latest Survey has revealed that the average RQ of Hong Kong’s working population is 65, while 26% of Hong Kong’s working population fails the RQ due to inadequate preparation, who will need to delay retirement by 13 years as a result.**

The Survey was conducted on behalf of AIA MPF by Cimigo, an independent market research company, via online questionnaires and face-to-face interviews, from 8 to 22 August 2017. The 1,010 respondents from the city’s working population were between the ages of 18 and 65 and possessed at least one MPF account. To ensure the Survey was sufficiently representative, data and responses were weighted against the demographics of Hong Kong’s working population, including age, gender and personal monthly income.

¹ RQ comprises of four key components including “Goal Clarity and Future Time Orientation, “Financial Knowledge”, “Social Influence from Family and Friends” and “Trust in Institutions”. It is an indicator reflecting Hong Kong people’s retirement readiness. RQ ranges from 10 to 100, 75 or above as high RQ, below 60 as low RQ, and below 55 as fail. A higher RQ rating represents a greater chance of having sufficient retirement reserves.



The Survey revealed three new trends that Hong Kong people should avoid to prevent compromising their own retirement security.

Trend 1: Helping children with home purchases risks parents' own retirement stability

In Hong Kong's environment of sky-high property prices, it is increasingly common for parents to help their children buy a home. The Survey discovered that 68% of parent respondents claim that nowadays in Hong Kong, they cannot avoid helping their children purchase a home. 50% of parent respondents agree that helping their children purchase home is more important than their own retirement, while 53% are willing to remortgage their own homes to get their children on the property ladder. For those who have provided such financial support, the average subsidised amount is HKD900,000, while the maximum subsidy is HKD10 million.

Trend 2: Financing children is placing a burden on parents' retirement funds

The Survey also found that the philosophy of "raising children for old age" is no longer relevant in Hong Kong. 44% of parent respondents believe they can rely on their children during retirement after helping them buy a home and 50% of parent respondents claim they still provide their working-age children with regular financial support, such as meals and money. However, there is a gap in expectations between parents and children. Despite 78% of child respondents agreeing they should provide their parents with regular financial support, 71% admit they have difficulty in making ends meet and cannot support their parents in retirement.

Trend 3: Mortgage repayments are seen as savings for retirement

Owning a home is the main goal for many people in Hong Kong. The Survey revealed that 83% of respondents treat mortgage repayments as savings, and 84% are of the view that buying a home is the best way to prepare for retirement, believing that "one will be worry-free if he/she owns a property". 85% of respondents wish only to own a property and do not care about its size.

Mr Stephen Fung, Chief Executive Officer of AIA MPF, said, "As life expectancy in Hong Kong continues to increase, the issue of proper retirement planning is becoming more and more important. This Survey has revealed new trends affecting Hong Kong people's views on retirement; the most notable of which is Hong Kong parents' mentality that helping their children buy an apartment is more important than their own retirement. We cannot fault parents for caring, but they should pay attention to the potential risks that arise when they neglect to prepare for their own retirement. We would like to remind them to keep an eye on their own retirement plans,



while helping their children buy a home. If parents use their retirement reserves to support their children financially, or even remortgage their own apartments to help their children realise their dream of owning a home, this could, at the very least, impact their quality of life after retirement or, at worst, saddle them with heavy debt during an economic downturn.”

Mr Stephen Fung continued, “We recommend that families communicate well with each other, and set clear goals for the future. Before deciding to support their children, parents should assess the risks and their own financial ability. Besides, owning a self-occupied property does not guarantee sufficient liquidity to finance post-retirement expenses. High risk is involved if one only relies on a single investment tool. It is imperative that, as part of a solid, comprehensive retirement plan, everyone complements their current and non-current assets to build their retirement reserves.”

Professor Chou Kee-Lee, Chair Professor of Social Policy at the Education University of Hong Kong, remarked, “The aging-tsunami has hit Hong Kong, making it more important than ever for people to plan for the future as early as possible and ensure a stable and financially secure retirement. To bridge the gap in expectations between parents and children, parents should not only prepare and save for their own retirement, but also focus on improving and increasing their children’s financial knowledge and encourage them to develop good saving habits. Meanwhile, members of the public should deepen their understanding of various investment tools, including MPF, annuities, reverse mortgage and insurance to reap the benefits of holistic retirement planning.”



Appendix:

New trends in Hong Kong people's home purchase and financial planning	Recommendations from AIA MPF
Helping children with home purchase risks parents' own retirement stability	<p><u>Goal Clarity and Future Time Orientation</u></p> <ul style="list-style-type: none"> Parents and children should communicate well with each other and set clear goals for the future <p><u>Financial Knowledge</u></p> <ul style="list-style-type: none"> Before deciding to help children buy a home, parents should analyse their financial situation objectively and assess their risk level
Financing children is placing a burden on parents' retirement funds	<p><u>Social Influence from Family and Friends</u></p> <ul style="list-style-type: none"> Parents should understand the financial challenges their children face and become role models for taking charge of their own retirement planning as early as possible to alleviate any financial burden they may place on their children Parents should teach children about financial planning and help them develop saving habits to reduce their reliance on parents
Mortgage repayments are seen as savings for retirement	<p><u>Goal Clarity and Future Time Orientation</u></p> <ul style="list-style-type: none"> Plan ahead as early as possible to ensure you can enjoy your preferred retirement lifestyle <p><u>Financial Knowledge</u></p> <ul style="list-style-type: none"> Understand that buying a home does not mean adequate savings for retirement, and having a self-occupied property does not guarantee sufficient liquidity to finance retirement expenses Understand that retirement reserves have to include current and non-current assets. One may make good use of MPF savings, annuities and insurance for retirement planning <p><u>Trust in Institutions</u></p> <ul style="list-style-type: none"> Consult professional financial planners before making any important financial decisions



Photo captions



Artist Mr Steve Lee shares his three mottos on retirement to encourage Hong Kong people to plan for their retirement as early as possible. In the photo are Mr Stephen Fung, Chief Executive Officer of AIA MPF (Second from left), Professor Chou Kee-Lee, Chair Professor of Social Policy at the Education University of Hong Kong (Second from right), Artist Mr Steve Lee and Ms Helen Tam (First from left).