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## Media Release

### **The 10<sup>th</sup> AIA Desired Retirement Tracker A Brand-New Chapter in Life : Pseudo-Retirement**

**65% of respondents would have insufficient retirement reserves with a record-high shortfall of HK\$1.85 million**

**Over 90% of respondents would end up in pseudo-retirement, working part-time after retirement**

**Four “NOTiceable phenomena” observed with regard to MPF management**

**Nearly 30% of respondents neglect their medical needs after retirement**

**Hong Kong, 22 January 2019** – AIA Hong Kong today announced the results of the “10<sup>th</sup> AIA Desired Retirement Tracker” (the “Survey”) with the following key findings:

- 65% of respondents are expected to have insufficient retirement reserves and to face a shortfall of HK\$1.85 million in their retirement reserves, a record high among all previous Surveys
- 91% of respondents are likely to end up in pseudo-retirement, working part-time to cover their post-retirement living expenses
- 44% of respondents do not have a clear retirement savings or investment plan. Respondents allocate on average 44% of their monthly retirement savings or investment to savings/time deposits
- Four “NOTiceable phenomena” among respondents with regard to MPF management: They are NOT aware of their MPF investment portfolios (32%); they do NOT regularly or have never reviewed their MPF accounts (51%); they do NOT know their MPF investment returns (48%); they have NOT made any MPF voluntary contributions (67%)
- 29% of respondents have not budgeted or have no idea how much to budget for medical expenditure after retirement

#### **65% of respondents face insufficient retirement reserves, a record-high shortfall**

The Survey revealed that members of Hong Kong’s working population expect to have HK\$3.75 million (median) for retirement and, on average, consider 61 to be the desirable retirement age. After applying independent actuarial calculations<sup>1</sup> for each respondent, 65% of respondents would have insufficient retirement reserves to meet the living expenses required for their desired retirement and would face a shortfall of HK\$1.85 million (median), a record-high among all previous Surveys. These “Underachievers” will face two choices: either to postpone their retirement by nine years until the age of 70 or reduce their monthly living expenses by HK\$8,434 (median).

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<sup>1</sup> Independent actuarial calculations were applied to each respondent to project the retirement reserves he/she would have accumulated at retirement based on his/her current saving habits and retirement reserves. The calculations were then compared with the data provided by each respondent regarding his/her desired monthly living expenditure and the number of years that the reserves were expected to cover after retirement.

### **Over 90% of respondents may end up in pseudo-retirement, working part-time after they retire**

Over 60% of respondents (61%) are not confident about achieving their desired retirement goals, suggesting a pessimistic view of retirement. Over 90% of respondents (91%) believe they would have to find a part-time job after they retire to pay for their living expenses and end up in pseudo-retirement.

### **Lack of retirement planning and motivation to manage MPF accounts**

The Survey also revealed that 44% of respondents do not have a clear retirement savings or investment plan, and expect to start retirement planning at the average age of 50. In general, respondents tend to hold a rather conservative attitude towards financial management. Of their monthly savings or investment, they allocate 44% to savings/time deposits on average. This savings behaviour is particularly obvious among younger respondents (those aged 18-24 and 25-34) with a deposit ratio as high as 50%.

Moreover, citizens are not proactive in managing their MPF investments. Four “NOTiceable phenomena” were observed among respondents: 32% are NOT aware of their MPF investment portfolios, 51% do NOT regularly or have never reviewed their MPF accounts, 48% do NOT know their MPF investment returns, and 67% have NOT made any voluntary MPF contributions.

### **Hong Kong people neglect their medical needs after retirement**

Medical costs are necessary part of retirement expenses, yet the Survey revealed that 29% of respondents have not budgeted or have no idea how much to budget for their medical expenditure after retirement. Of respondents who claimed they had taken medical costs into account (71%), their expected post-retirement monthly medical expenditure is HK\$1,590 (median); 40% have not reserved funds for unexpected medical emergencies (such as cancer, stroke, heart disease, etc.) in their retirement reserves, while 23% said they had no idea how to budget for their unexpected medical needs.

Ms. Elaine Lau, Chief Corporate Solutions Officer for AIA Hong Kong and Macau, remarked, “Hong Kong people are living longer. To avoid starting their new chapter in life with pseudo-retirement, they should adhere to a few key principles: Start retirement planning as early as possible and avoid relying on a single investment tool or being too aggressive or conservative. Be proactive about managing MPF investments and make voluntary contributions where possible. Last, but not least, never neglect medical needs after retirement. Employees can consider topping up their existing

group medical insurance with portable medical protection<sup>2</sup> for more comprehensive cover and lifelong security. These rules of thumb are essential to ensuring a sound financial plan which will pave the way for an enjoyable retirement life.”

Ms. Lau, added, “The Survey reveals two serious issues: namely, that Hong Kong people lack retirement reserves and neglect medical needs after retirement. If left unresolved, these issues can harm the quality of their retirement lives. A trusted partner for MPF and group insurance, we are one of the few financial institutions offering one-stop pension, group insurance and employee voluntary solutions. We meet the needs of both employers and employees by providing a full range of MPF and group insurance products and services with Value, Choice and Simplicity. By enabling our customers to easily plan for their retirement and medical needs, these offerings allow us to help people live healthier, longer, better lives.”

The Survey was conducted via online questionnaires and face-to-face interviews from 8 to 19 November 2018 to examine the goals and views of Hong Kong’s working population regarding their desired retirement as well as the possibility of achieving their retirement goals. The 1,001 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 representative, survey data and responses were weighted against the demographics of Hong Kong’s working population, including age, gender and monthly personal income. The Survey was conducted by Cimigo, an independent market research company.

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<sup>2</sup> Available to existing members of the AIA group medical insurance scheme

## Appendix:

### AIA Hong Kong's Six Recommendations for Retirement Planning<sup>3</sup>

Start retirement planning early

- **Start retirement planning as early as possible**: Hong Kong people are living longer. We should carefully examine our financial status, set long-term and clear retirement goals early, and start saving and investing for retirement as soon as we can. Starting to save early allows us to leverage the compounding effect to optimise investment returns over a long period of time, which can make the process of accumulating wealth easier.
- **Diversify your investments**: We should avoid relying on a single investment tool. Investing our money only in defensive assets like savings at banks is rarely enough to counter inflation, which erodes purchasing power. Young people who generally have a higher risk tolerance level may consider a relatively aggressive investment strategy for higher potential returns.

Make good use of MPF and other retirement tools

- **Be proactive in managing MPF investments**: We should be proactive in managing our MPF investments and in enhancing our financial planning knowledge. A more planned approach should include carefully choosing the funds which cater to our individual needs and financial situation. We can also reach out to a professional financial planner if necessary.
- **Make voluntary contributions**: After assessing our financial situation and risk tolerance, we may consider increasing our savings or investment allocation, for example through making voluntary MPF contributions or enrolling in a savings insurance plan, annuity, or reverse mortgage, etc.

Take into account potential post-retirement medical needs

- **Consider potential post-retirement medical needs when retirement planning**: A comprehensive retirement plan should take into account post-retirement medical expenses, not just daily living expenses. We should make adjustments to our medical insurance coverage, type and sum assured to ensure we enjoy protection that is appropriate for our stage of life and current needs
- **Consider additional medical protection**: Working employees generally lose eligibility for group medical protection upon retirement. Some insurance companies offer portable medical protection to employees of their group insurance clients. Working employees may consider purchasing these top-up plans to complement their existing group insurance and ensure they remain covered after they leave the company or retire.

<sup>3</sup> This content is for reference only. Investment involves risks. The performance or yield of investments may go up or down. Investors should seek appropriate professional advice regarding evaluation of any specific product, index, report, opinion, advice or other content.

### **About AIA Hong Kong and AIA Macau**

AIA Hong Kong and AIA Macau are subsidiaries of AIA Group Limited. AIA Group Limited established its operations in Hong Kong in 1931. To date, we have over 15,000 AIA financial planners<sup>1</sup>, as well as an extensive network of brokerage and bancassurance partners. We serve over 3 million customers<sup>2</sup>, offering them a wide selection of professional services and products ranging from individual life, group life, accident, medical and health, mandatory provident fund, personal lines insurance to investment-linked products with numerous investment options. We are also dedicated to providing superb product solutions to meet the financial needs of high net worth customers.

<sup>1</sup> as at 30 June 2018 <sup>2</sup> as at 31 March 2018

### **About AIA**

AIA Group Limited and its subsidiaries (collectively “AIA” or the “Group”) comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong, Thailand, Singapore, Malaysia, China, Korea, the Philippines, Australia, Indonesia, Taiwan, Vietnam, New Zealand, Macau, Brunei, Cambodia, a 97 per cent subsidiary in Sri Lanka, a 49 per cent joint venture in India and a representative office in Myanmar.

The business that is now AIA was first established in Shanghai almost a century ago in 1919. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$221 billion as of 30 June 2018.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia-Pacific, AIA serves the holders of 32 million individual policies and over 16 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code “1299” with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: “AAGIY”).

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## Photo Caption



The 10<sup>th</sup> AIA Desired Retirement Tracker reveals that 65% of respondents will have insufficient retirement reserves, with a shortfall of HK\$1.85 million. Meanwhile 29% of respondents neglect their medical needs after retirement. Ms. Elaine Lau, Chief Corporate Solutions Officer for AIA Hong Kong and Macau, recommended that citizens start retirement planning as early as possible and take potential post-retirement medical needs into account.