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Media Release

The 11th AIA Desired Retirement Tracker

Saving Too Little, Too Late – A Laissez-faire Approach towards Retirement Planning

Has Led to a Record High Retirement Reserve Shortfall of over HK\$2 Million;

46% of Respondents Lack a Clear Retirement Plan and Start Planning as Late as Approaching Their 50s;

Half of Respondents Find Tax Deductible Products Appealing but Have Not Taken Action

HONG KONG, 22 January 2020 – AIA Hong Kong today announced the results of the “11th AIA Desired Retirement Tracker” (the “Survey”) with the following key findings:

- 66% of respondents are expected to have insufficient retirement reserves with an individual shortfall of HK\$2.01 million, a record-high among all previous Surveys.
- “Saving too little, too late” is common among respondents: Respondents allocate only HK\$5,289 monthly to their retirement savings or investments, 8% lower than the amount in the previous survey; 46% of respondents do not have a clear savings or investment plan for retirement and will not start doing so until they reach the age of 48 on average.
- 26% of respondents have not budgeted or have no idea how much to budget for their medical expenses after retirement.
- Respondents have a positive view of the tax deductible products: About half of respondents agree that MPF Tax Deductible Voluntary Contributions (TVC) (47%), Qualifying Deferred Annuity Policy (QDAP) (44%) and Voluntary Health Insurance Scheme (VHIS) (50%) are appealing.
- Nearly half of respondents show interest in the tax deductible products, but they are “all thought and no action”: Although 45%, 51% and 33% of respondents say they would consider purchasing TVC, QDAP and VHIS respectively, they have not taken any action.

Ms. Elaine Lau, Chief Corporate Solutions Officer of AIA Hong Kong and Macau, remarked, “Hong Kong citizens have a laissez-faire attitude towards retirement saving, and the situation is getting worse. The Survey reveals several misconceptions regarding retirement planning that have led to people. They are saving too little and too late, resulting in a record-high retirement reserve shortfall of over HK\$2 million among nearly 70% of respondents. In addition, they have not prepared for post-retirement medical expenses, meaning their overall retirement plan would be affected if they are forced to draw from their retirement reserves prematurely due to health issues. Moreover, following the government’s launch of the tax deductions that encourage citizens to prepare for retirement and medical needs last year, while people in Hong Kong find such products appealing, yet as high as half of respondents are ‘all thought and no action’, missing out on the opportunity to enhance their retirement and medical protection.”

Ms. Elaine Lau, added, “We must correct these misconceptions as quickly as possible and remind ourselves to save more and start earlier. Starting to save early allows us to optimise returns by leveraging the compound effect over a long period of time. As 2019/20 Tax Year will end on 31 March 2020, it is time to turn thoughts into actions. We may actively consider starting our retirement planning with the tax deductible products as they offer great opportunities not only for retirement and medical protection enhancement but also for tax saving, helping us live Healthier, Longer, Better Lives.”

Details of Survey findings:

Nearly 70% of respondents face insufficient retirement reserves with a record-high shortfall exceeding HK\$2 million

The Survey reveals that respondents desire to have HK\$3.39 million (median) in retirement savings and, on average, consider 61 to be the desired retirement age. After applying independent actuarial calculations¹ on each respondent, 66% of respondents would have insufficient retirement reserves to meet the living expenses required for their desired retirement and would face a shortfall of HK\$2.01 million (median), a record-high among all previous Surveys. These “Underachievers” will face two choices: either to postpone their retirement by 10 years until the age of 71 or reduce their monthly living expenses by HK\$8,696 (median).

Saving too little, too late – a laissez-faire approach towards retirement planning

Saving too little, too late, an alarming phenomenon, is common among respondents:

- “Saving too little”- Respondents allocate only HK\$5,289 (median) monthly for retirement savings or investments, 8% lower than the amount in the previous survey.
- “Starting too late” – Nearly half (46%) of respondents said they currently do not have a clear saving or investment plan for retirement and will only expect to start doing so when they reach the age of 48 on average. The result is particularly pronounced among younger respondents - up to 69% of those aged 18-24 admit they do not have a clear saving or investment plan for retirement.

¹ 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.

Nearly 30% of respondents have not budgeted for their medical expenditure after retirement

In recent years, the rise in medical costs has outpaced the increase in the overall consumer price index. As the Hong Kong population continues to live longer, nearly one in every three people will be an elderly person by 2038², meaning the city's public healthcare system would face an increasing pressure while the people in Hong Kong would shoulder a greater financial burden due to medical expenses after retirement. Yet the Survey reveals that 26% of respondents have not budgeted or have no idea how much to budget for their medical expenditure after retirement. Among those respondents who claim they have taken medical costs into account, 59% have not budgeted or have no idea how much to budget for medical emergencies (such as stroke, cancer, heart disease, etc.) in their retirement reserves. These critical illnesses are associated with longer term and more expensive treatments, which may gradually eat away one's retirement reserves.

While they find tax deductible products appealing, half of respondents are “all thought and no action”

The tax deductible products, including TVC, QDAP and VHIS, were launched in 2019. The Survey reveals that around half of respondents agree that the product series is appealing, with 47%, 44% and 50% showing interest in the TVC, QDAP and VHIS respectively. Respondents also have a positive view of the tax deductible products:

- 70% of respondents agree that TVC and QDAP can enhance retirement protection.
- 65% of respondents agree that the launch of TVC and QDAP has encouraged them to start preparing for retirement earlier.
- 68% of respondents agree that the launch of VHIS has encouraged them to prepare for medical expenses.

Despite the appeal of the tax deductible products, only about 10% of respondents have made related purchases. As high as half of all respondents are “all thought and no action” - 45%, 51% and 33% of respondents consider buying TVC, QDAP and VHIS respectively but have yet to take any action. In fact, the majority of respondents who have purchased the tax deductible products are of older age (aged 39-43), indicating that the younger age group prefers taking a wait-and-see attitude, thus missing out on the opportunity to accumulate retirement reserves by saving and investing earlier.

² Census and Statistics Department: [Hong Kong Population Projections 2017 - 2066](#)

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The 11th AIA Desired Retirement Tracker Survey was conducted via online questionnaires and face-to-face interviews from 11 October to 21 November 2019 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 1,035 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.

Note: Tax deductions is one of the allowable deductions from assessable income, it does not equate to a direct deduction from total tax payable. For details of tax deductions, please visit Inland Revenue Department (IRD) of HKSAR website and consult your tax and accounting advisors for tax advice.

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The 11th AIA Desired Retirement Tracker Survey reveals that Hong Kong people adopt a laissez-faire approach towards retirement planning – saving too little, too late. Ms. Bonnie Tse, General Manager, Corporate, Strategy and Wealth Management, AIA Hong Kong & Macau (left) and Ms. Elaine Lau, Chief Corporate Solutions Officer of AIA Hong Kong & Macau (right), urge Hong Kong people to start saving early and more, and to make good use of tax deductible products to enhance their retirement and medical protection while enjoying the tax benefits.

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AIA Hong Kong reminds Hong Kong people to start retirement planning by exploring tax deductible products which offer great opportunities not only for retirement and medical protection enhancement but also for tax savings. As the 2019/20 Tax Year will end on 31 March 2020, it is time to turn thoughts into actions. Photo shows Ms. Elaine Lau, Chief Corporate Solutions Officer of AIA Hong Kong & Macau.

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 18,000 AIA financial planners¹, as well as an extensive network of brokerage and bancassurance partners. We serve over 3 million customers², 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.

¹ as at September 2019

² AIA Hong Kong internal data includes Hong Kong and Macau's individual life, group insurance and mandatory provident fund customers (as at 31 March 2019)

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