

Year of the OX



Wishing all our readers good health and prosperity in the coming year of Ox!


2021 Premier Sponsors






Retirement Planning and Education Programme 22Aug – 24 Oct 2020



【退休有術】第三集

MPF developments		
		
Candy Ng Honorary Treasurer, HKRSA	Gabriella Yee Executive Director (Policy), Mandatory Provident Fund Schemes Authority	Bob Lee Chief Business Officer, BCT Group

【退休有術】第四集

Think Long Term and Start Early, Part 1		
		
Doris Ho Vice Chairman (2019-20), Chairman (2020-21), HKRSA	Florence Chan General Manager (External Affairs), Mandatory Provident Fund Schemes Authority	Elaine Lau CEO, AIA Pension and Trustee Co Ltd and Chief Corporate Solutions Officer, AIA Hong Kong and Macau

俗稱為懶人基金的「預設投資策略」(DIS) 適合那類型的積金供款人？你屬於以下3類型的哪一類？

- 1) 工作太忙冇時間處理強積金
- 2) 心多多有選擇困難的供款人
- 3) 對投資不太認識或者沒有概念的人

DIS又稱為懶人基金，是因為其設計可以令計劃成員少了後顧之憂。一方面基金的收費設有上限，基金亦會投資於環球市場，有助分散風險，而隨著計劃成員的年齡增加而降低投資風險。當DIS推出之後，每4個新開的強積金帳戶便有一個選擇預設投資策略或其下的基金。

事實上，認識DIS亦不代表你能夠成功部署退休計劃，退休策劃要成功，研究指出應具備以下4大因素，你認為哪個因素最重要：

1. 相對較高的儲備率
2. 有效的資產配置
3. 良好的理財策劃及監控
4. 優秀的投資表現

原來要安享退休，超過七成人認為具備相對較高的儲備率是最重要的。而在強積金平台作出額外的供款，尤其是可扣稅的供款，一方面可以減輕稅務開支，亦可以達到增加儲備的效果！

很多人覺得，退休是一件很遙遠的事情，往往採取一種拖得就拖（遲啲先諗）的心態。試想想，假設一位年青人25歲開始工作，到65歲退休；按香港人平均壽命85歲來計算，即是說，有40年的打工生涯為退休作儲備，但要去應付長達20年的退休生活需要。換句話說，即是打工仔每兩年的工作，便需要儲到最少一年的退休生活費。驟眼看，當然是沉重的財務負擔！不過，只要及早做好部署，一定有方法可以應付。利用時間的威力，透過複息效應，可以為儲蓄滾存增值。因此，若想擁有良好的退休保障，一定要及早作出部署。

一項理想退休生活調查顯示，有三分之二的被訪者，面對退休儲備不足的問題。他們面對的儲備缺口，平均超過二百萬港元！雖然很多人都知道，部署退休計劃很重要，但是打工一族往往沒有認真面對，以及沒有付諸實行。

很多打工仔對退休計劃部署的壞習慣是，儲得少及儲得遲。有近五成的受訪者，沒有明確的退休計劃，甚至打算到48歲才開始儲錢！如果想實現理想的退休生活，一定不能夠「HEA住」做準備，要時刻提醒自己：「早啲儲及儲多啲」。及早儲蓄及投資，發揮複息效應的威力，才有更高的機會儲蓄足夠的儲備，享受優質的退休生活。

Recording Replay:

<https://www.youtube.com/watch?v=T8BHPiTMqVA&feature=youtu.be>

Recording Replay:

<https://www.youtube.com/watch?v=kf5z84IJRGM&feature=youtu.be>

Investment Journey for Life 2.0

Part 1: Rich or Poor? Your Choice

Speaker: Mr. Bob Lee from BCT Group

With a growing importance of financial readiness for retirement in Hong Kong, Mr Bob Lee, Chief Business Officer, BCT Group gave a presentation on **“Rich or Poor? Your Choice”** and shared his insights on retirement planning and tips on building an adequate retirement nest egg.

To retire well is to plan well. Who doesn't want a rich retirement? In fact, it is solely investors' choice. Bob shared that among BCT's MPF scheme members having over HK\$1 million in their accounts as of August 2020: (1) 92.2% of them have employers making voluntary contributions to their account; (2) 11.7% of them also make tax deductible voluntary contributions (TVC); (3) 9.1% have special voluntary contributions (SVC). While similar percentages in the total member base remain in low single digit, this phenomenon reflects that **additional contribution is essential for building a bigger retirement savings pool** for an individual.

According to Bob, TVC launched in 2019 plays a key role in helping people to channel retirement savings into MPF funds. Members who contribute additional HK\$60,000 to their MPF accounts can save up to HK\$10,200 of taxes annually.

When Life 1.0 is our working life, Bob reminded us we are progressing towards retirement through 4 phases called **“Earn, Save, Grow, Preserve”**. When applying the concept for an MPF member, “Earn” means making mandatory contributions that riding on the salary earned. We can then “Save” and “Grow” the assets through making different sorts of additional contributions. Bob also said more members would make SVC and TVC when they reach their 40s or 50s with higher salaries. Lastly, “Preserve” means actively manage the pension savings and make suitable adjustments at different life stages.

On the concluding notes, Bob reminded the audiences that **“Start Early”** and **“Being Engaged”** are also keys to retirement success. “e” tools available nowadays definitely can help people achieve the above goals. Lastly, **“Stay Invested”** even after retirement in light of longer life-expectancy. Making appropriate choices during accumulation phase helps one move on to decumulation phase smoothly with sufficient retirement savings, ultimately leads to a rich retirement.

Source: BCT Group

Part 2: Live Long, Live Well

Speaker: Ms. Mandy Chan from Mercer HK

People are living longer and longer, with expect life expectancy at birth increasing from age 82.3 in 2019 to age 88.4 in 2069 for male, and from age 88.1 to age 93.9 for female. While a longer life poses threat on outliving our planned wealth, Mercer's 2020 street-level survey shows that more than 50% respondents will scale back living standards or delay retirement. Mercer also observed that majority of the older age group prefer to withdraw MPF all at once upon retirement, and they indicated that they cannot accept any loss or can only tolerate less than 5% of loss.

The longevity risk and risk aversion attitude are challenges to the quality of our life at retirement. While many focus on accumulating wealth for retirement, the decumulation phase is often receiving less attention.

Post-retirement investment should consider the spending need, horizon and risk tolerance. A variety of retirement saving vehicles are available, such as by continuous investment under MPF with members to opt for partial withdrawal, MPF income stream products, Qualified Deferred Annuity Plan, annuity plan from HKMC, reverse mortgage program and insurance policy mortgage program from The Hong Kong Mortgage Corporation Limited.

Keep investing after retirement can consider a diversified portfolio with conservative assets for short-term needs with lower risk, and moderate risk portfolio for potential returns for a longer term though with greater uncertainty.

Given the risk-averse attitude, a product/strategy which provides a steady income with a potential gain is favourable. The MPF income stream products is one of the vehicles that structure steady and regular income by distribution of dividend to meet monthly expenses, while allowing continuous capital growth.

We observed that respondents from 2020 street-level survey are more aware of employee voluntary contribution and tax deductible voluntary contribution in MPF. This is encouraging and has proven the tangible impact of MPF providers and employers on employees' awareness of the various retirement saving vehicles.

Going forward, we believe there is a strong foundation to raise awareness and familiarity among individuals to think about their retirement plans. We think that employers can play a significant role on this journey such as by more financial education. It is also time for employer to consider redesigning their retirement scheme to strengthen the retirement protection level and flexibility design, such as extension of retirement age and flexible working arrangement. Employer can also provide platform for members to access and purchase own retirement saving products at own decision

Source: Mercer Hong Kong

We are delighted to publish articles by two of our Premier Sponsors, First Sentier Investors and Mercer, offering insights on how we can better plan for our retirement. Stay tuned for more articles in Feb 2021!

香港退休計劃協會
The Hong Kong Retirement Schemes Association

Dec 2020

PREMIER SPONSOR ARTICLE SERIES

Gaming or Investing today to become a Millionaire?

First Sentier Investors
首源投資

Let's assume that we are not greedy – we will settle for \$10 million retirement fund before we can quit our job and enjoy our retirement. We have two ways to achieve this target, one is through buying a Mark Six ticket and hopefully we will win the jackpot. Another way is through a regular investment that typically generates return over longer time period.

Gaming – “The odds are against us”

Assume there was a man who bought tickets worth nearly \$60. For sure, he had a better chance of winning than someone who did with just a basic \$10 ticket but, in truth, the odds were against them both. The chances of winning a Mark Six jackpot vary somewhat depending on the particular game, but are typically between 100 million to 200 million to one. Given the chances of winning a Mark Six is rather small, so it doesn't seem wise to give up one's day job, just yet.

How does investing into longer time period seem any better?

A person who consistently invests (\$60/week) on this kind of money every week in pursuit of big prizes and a possible fast track to retirement. Sixty dollars a week is around \$260 per month, or more than \$3,000 per year. That's a lot to spend on something where the odds are so heavily stacked against the “investor”.

As opposed to winning a “Mark Six” jackpot, a true investment – one where you actually own assets – typically generates positive returns over longer time periods. And the general rules of investing remarkably hold up well over time. For example, more risk, more return; there isn't no such thing as a free lunch; the magic of compound interest, etc. So, let's run the numbers...

Instead of “investing” in the Mark Six every week, let's assume a 25-year old puts aside \$60 a week and invests that money on a monthly basis with contributions of \$260 until their retirement, aged 65. Over those 40 years, the 460 monthly contributions of \$260 would add up to nearly \$125,000, the blue line on the chart.

Tel: (852) 2147 0090 Email: info@hkrsa.org.hk Website: www.hkrsa.org.hk

www.linkedin.com/company/hong-kong-retirement-schemes-association
www.facebook.com/hkrsa.hk

香港退休計劃協會
The Hong Kong Retirement Schemes Association

Dec 2020

PREMIER SPONSOR ARTICLE SERIES

Do I have enough to retire comfortably?

MERCER

How much do you need to spend while in retirement?

Discussions on retirement planning often focus on expectations of expenses post-working life. This correlates with lifestyles and earning aspirations prior to retirement. Mercer's 2020 street-level survey found those earning HKD20,000+ per month expect to spend an average of HKD25,000+ when they retire. We also observed a difference between age groups – younger group (age 20-34) expect to spend 103% of current monthly income when they retire, while older group (age 55+) expects to spend an average of 83%. The expectations may change if there is a desire to leave an inheritance to their offspring, particularly there is currently no estate tax in Hong Kong.

Converting that into today's money suggests that an individual retiring today, will need a pension payout of around HKD6.3m for males, and HKD7.5m for females. This is many times the maximum mandatory contributions to an MPF scheme over a full working lifetime, so the gap has to be closed through financial products. Products to address the accumulation phase through sustainable investment returns, and products that allow individuals to “lock in” a level of assured income while they draw down their wealth.

How can you save and invest for retirement?

Respondents to our survey considered bank deposits and company stocks are the top two choices for investing spare income. Interestingly, the choices do not differ significantly by gender and education levels. The traditional reliance on bank deposits (current typical retail offer ~0.5% APY) should be challenged in the low-yield world, as returns are not expected to go far in closing the retirement gap.

Among various retirement vehicles, respondents are more aware of voluntary contributions and tax-deductible voluntary contribution to the MPF. With the 20th anniversary of the MPF system, it would be heartening if the awareness is translated into action, with individuals taking initiative to save more, and review investments with a long-term view.

Respondents are less aware of other vehicles, such as the annuities from HKMC Annuity Limited, reverse mortgage program and insurance policy mortgage program from The Hong Kong Mortgage Corporation Limited. From regular surveys, there is scope to show how these vehicles may fit a conservative risk appetite, and potentially be a solution for retirement plans.

Mercer MPF Satisfaction Index, March 2020

Awareness of retirement investment vehicles

Tel: (852) 2147 0090 Email: info@hkrsa.org.hk Website: www.hkrsa.org.hk

www.linkedin.com/company/hong-kong-retirement-schemes-association
www.facebook.com/hkrsa.hk

https://www.hkrsa.org.hk/image/catalog/2020%20Dec%20First%20Sentier%20Investor_Final.pdf

https://www.hkrsa.org.hk/image/catalog/2020%20Premier%20Sponsor%20Column_Mercer_rev1_20201215.pdf



Upcoming HKRSA event

Webinar [Register now](#)

Date & Time: 28 Jan 2021 (Thursday) 10:00 – 11:00am

Topic: Retirement Planning – A Decumulation Strategy

Language: English

Fee: Free

