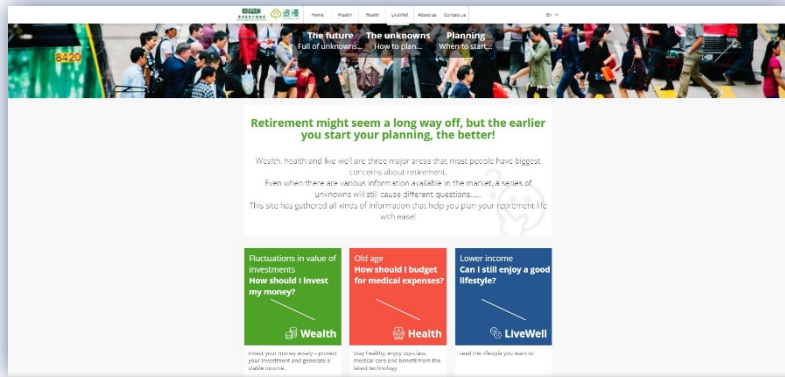




“Take-a-Tour”

28 Sep 2020 (Mon)

Retirement seems a long way away for most people. Yet it suddenly appears on the horizon much faster than some people have prepared for. Retirement planning can start at any time, but it always pays off the earlier you start - that's the best way to ensure a safe, secure, and enjoyable retirement. To most of us, wealth, health and live-well are the three key aspects in retirement planning and a lot of information are available from different corporations, portals, service providers, NGOs, etc. To make your retirement planning hassle-free, the HKRSA is launching a Dedicated Retirement Portal, retirehk.com. This site is designed to be one-stop-shop to host all the information you need to order to save your time to enjoy life. Happy planning!



To share the soft-launch excitement with you, please click [here](#) to participate in a short survey. The first **100** respondents will receive an e-Coupon with complimentary tall size coffee from Pacific Coffee as a token of thanks.

2020 Premier Sponsors



Retirement Planning and Education Programme Kicks Off

HKRSA's first radio programme (退休有術) began airing on Saturday, 22 August 2020, Metro Finance FM104. NEW EPISODE EVERY WEEK until the end of October. [Visit our website for details.](#)



Episode 1: Speakers and hosts gathered at the Metro Finance FM104 Studio for audio recording on 18 August.

Thanks to the speakers who kick off our radio series.

Helen Leung (Ninety One)
Lau Ka Shi, BBS (HKRSA)
Cheng Yan Chee (MPFA)

Together with Metro Finance FM104 as our media partner, we communicate with members and promote the programme through various outlets in the week of 17 August.



For latest news and information about the radio programme, visit our website and follow our LinkedIn page (#hkrsa) or Facebook.

ESG and Sustainability Investing in the context of pension investment

Speaker: Dr Steffen Hörter | Ms Dianna Enlund

As the world resets for growth beyond coronavirus, sustainable investing that couples competitive financial returns with wider environmental and social benefits has what it takes to reshape the future of investing, experts told a webinar.

Environmental, social, and governance (ESG) or commonly called Sustainability is quite a broad set of issues, from the Australia bushfires to “Black Lives Matter” protests to the accounting fraud of German payments firm Wirecard, said Dianna Enlund, Head of Sales of Australia Institutional and Sustainability Specialist for Asia Pacific at Allianz Global Investors, citing recent examples by way of illustration.

The webinar, themed “ESG and Sustainability Investing in the context of pension investment”, was organized by the Hong Kong Retirement Scheme Association and broadcast online on July 17th.

Once a niche practice, sustainable investing has become a large and fast-growing major market segment on a global scale.

Global sustainable investment assets are on track to grow to an estimated \$47 trillion in 2020 from \$23 trillion in 2016, as data from Global Sustainable Investment Alliance and JPMorgan Chase showed.

“Historically, it has been a European growth story. But today, it’s also pretty much a story seen in the United States, Canada and Asia,” said Steffen Hörter, Global Head of ESG Integration and Solutions at Allianz Global Investors.

Pension funds, in particular, has long “played a big role” in the momentum. “Especially in Asia, pension funds have spearheaded and set the trend of sustainable investing,” Hörter noted.

The nature of pension funds as long-term investors makes them “a good match” for sustainable investment strategies that focus on long-term value creation, Hörter reckoned.

Drawing on his 27 years of industry experience, Hörter said the overarching goals of pension funds are better risk-adjusted returns through sustainability integration and a real world impact.

But sustainable investing is more effective when its core activities are integrated into existing financial investment strategy, rather than carried out in parallel, he emphasized.

Hörter highlighted regulatory changes afoot in the world of sustainable investment. In European Union, he pointed out, sustainable investing is no longer “an optional thing”, as new rules that obligate pension funds, asset managers and insurers to integrate sustainability with investment strategies will kick in from 2021.

In Asia, for instance, the Securities and Futures Commission of Hong Kong has developed a framework for green and ESG funds and the list of compliant ESG funds is available on its website, Enlund added.

Citing a survey conducted by Allianz Global Investors last year, Hörter noticed remarkably growing investor appetite for ESG investing. Such findings move in line with the latest study from the World Economic Forum, which found out ESG risks are moving to the top of global agenda.

Dismissing the idea that sustainable investing [sacrifices performance](#), Hörter said “there’s overwhelming academic evidence that sustainable assets outperform non-sustainable assets, especially in times of market turbulence”.

As the coronavirus pandemic has wreaked havoc on capital markets particularly in March, with volatility spiking tremendously to levels beyond the Lehman Brothers collapse, Hörter underscored the outperformance of several MSCI ESG Indexes, compared with non-ESG MSCI Index over the first quarter of the year.

“Broadly speaking, sustainability aims to build more robustness and quality from an investment factor into portfolios. Quality factor pays in reduced volatility and reduced drawdown risk over the market cycle, especially throughout a turbulent market cycle,” he stressed.

Hörter believed that “sustainability is a tail risk. It needs to be actively managed and can be translated into financial performance of financial assets”.

Known as an active investor, Allianz Global Investors is also in active dialogues or engagement with corporates to “steer them into a more profitable and sustainable development part,” Hörter added.

We are delighted to have articles contributed by Franklin Templeton, Manulife and Willis Towers Watson to provide us insights on how can we better plan for our retirement. Stay tuned for more articles in Oct 2020!

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The Hong Kong Retirement Schemes Association

Aug 2020

PREMIER SPONSOR ARTICLE SERIES

Goal-based Wealth Management – the Future of Advice

FRANKLIN TEMPLETON

The Missing Connection

One of the most important tasks for a financial advisor is to listen to their clients and help them achieve their investment goals such as investing for retirement. However, while financial advisors understand the importance their clients place on saving and investing towards a goal, our research with City Research & Insights' revealed financial advisors lack the tools or framework to translate their client's needs and wants into portfolio strategies that will provide them with the best chance of success. In other words, they may start with detailed questions to identify and articulate client goals but then recommend a finite number of standard asset allocation models. Often, the client is placed in a portfolio or allocation that aligns with their risk tolerance and goal horizon that does not account for the importance of the goal or the likelihood that they will achieve it. Portfolios intended to be personalized are instead grouped and are often rebalanced periodically to the target asset allocation regardless of market conditions.

In addition, underfunded goals are often ignored, and critical goals may be over funded. When it comes to evaluating the success of the portfolio or strategy, advisors typically use standard financial industry performance indicators such as excess returns, alpha, tracking error etc. via a benchmark, rather than probability of attaining a goal.

Background

The expected improved outcomes of goal-based wealth management require a shift in the entire value chain of wealth management, technology infrastructure and asset management solutions. A trend that we are seeing in the industry right now.

Goal-based Planning vs Goal-based Investing

Instead of selecting a standardized portfolio and managing it through rebalancing, a goal-based approach portfolio that will move about on the efficient frontier, dynamically addressing changes to the market in order to optimize the goals.

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Aug 2020

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Lack of access to post-retirement solutions risks leaving Hongkongers out to dry

Manulife Investment Management

New research by Manulife Hong Kong has revealed that around one-third of working people in Hong Kong are likely to invest their retirement savings – including accrued Mandatory Provident Fund (MPF) benefits – in stocks when they retire, exposing them to the risk of high volatility. Manulife's findings underscore the lack of effective post-retirement solutions that offer retirees a regular, stable income stream.

Your harvest depends on your retirement plan

By the time they retire, respondents expect to have saved HK\$3.97 million. Based on their expected retirement age (63 years old) and the average lifespan in Hong Kong (85 years old), their average monthly disposable income would be about HK\$15,000 for a total of 22 years during their retirement. However, this is below their HK\$17,013 expected average monthly expense in retirement, which means they either have to delay their retirement, save more, or find additional sources of income.

What do people think of their MPF?

The survey revealed that on average only about a quarter of respondents were happy with their MPF's performance. However, the satisfaction level was much higher among those who review their MPF performance at least once every 6 months. This suggests that those who keep a tab on their MPF accounts may have a higher interest in their MPF investments and may make adjustments to fit their evolving preferences or risk appetite.

The survey also found that more than half of the respondents indicated they would not withdraw their MPF accrued benefits in a single lump sum when they retire, or they have yet to make their decision. And those who have said they would withdraw their MPF benefits are likely to put them in general savings or fixed deposits, investments, or for travelling abroad.

For those thinking of investing, 79% of them would put their money in stocks and the top reason to do so is for potential capital gains, followed by inflation protection and regular income stream (see chart 1).

When asked why they would invest their MPF benefits in stocks, close to half of the respondents think they will eventually make up for the losses if they stay invested long enough. Nearly a third of respondents who admitted to having experienced stock investment losses said they still prefer to put most of their assets into stocks. This type of mentality might put a greater risk for their retirement shortfall, as they are essentially putting all their eggs in one basket – despite some having dropped the basket before – and potentially without the safety net of a job or income to help recoup the some of the losses.

Some respondents, however, are prepared to make their retirement savings work for them. About one in five said they plan to invest in annuity products or purchase insurance policies to potentially provide some level of income in retirement or help cover recurring costs such as healthcare.

These respondents are thinking in the right direction, and one way to help them prepare for a comfortable retirement is knowing how to effectively utilize and reap the most benefit from their MPF investments.

After retirement, withdrawing one's MPF investment and putting it in cash savings is not ideal, because inflation will erode their worth. Investing in stocks is not ideal either, as it exposes retirees to volatility risk.

Hence, it is important to think of the best ways to preserve and grow one's nest egg, especially if we expect to live longer than the expected average.

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How satisfied are you with the services offered by your MPF provider?

Willis Towers Watson

Although investment performance is often the most eye-catching measure of an MPF's overall performance, we believe that a provider's employee and employer service offerings are also important factors, and can make a significant impact on the running of a scheme. As a result, Willis Towers Watson has recently conducted an MPF Service Satisfaction Survey to collect feedback from around 100 employers in Hong Kong. In this article, we highlight the key findings of the survey and share some insights, which will hopefully help you to improve the experience you receive from your MPF provider.

About 100 employers, covering over 37,000 employees, participated in the survey

The MPF Service Satisfaction Survey was opened to clients of Willis Towers Watson for the period from 14 May 2020 to 25 June 2020. During this period, about 100 employers, covering over 37,000 employees, responded to the survey questionnaire.

The respondents provided feedback on MPF schemes sponsored by 12 different providers, including the top 10 MPF providers in the market, based on assets under management.

Member services – Dedicated member services are available but are not common in the market

MPF members enjoy a variety of services provided by MPF providers, including hotline inquiries, website, interactive voice response systems, etc. These services are usually open to all members, and are broadly similar amongst different MPF providers. In addition to these publicly available services, members of some MPF providers receive additional dedicated member services:

Dedicated member services available to the employees of the respondents

Regular employee briefing seminar	6%
Dedicated member hotline	1%
Regular employee investment seminar	10%
Onsite helpdesk assistance	1%
Onsite employee enrollment assistance	1%

Source: Willis Towers Watson

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Upcoming HKRSA event

Webinar Register now

Date & Time: 8 October 2020 3-4.30pm

Topic: Investing Strategies During the Time of Pandemic and Beyond

Language: Cantonese

Fee: Free

