

# PREMIER SPONSOR ARTICLE SERIES



## Improving their financial wellness may help Hongkongers secure a happier life

As much of the world faces an uncertain economic outlook due to the global pandemic and volatile markets, many people are facing financial challenges. Hong Kong workers are not immune from suffering of financial problems, especially as Hong Kong’s unemployment rate rose to 7% in January 2021, the highest level since April 2004.

Many Hong Kong workers report being under significant emotional stress, with many facing a drop in wages or job loss during the economic downturn and the coronavirus outbreak. Fidelity conducted a financial wellness survey in 2020 during the pandemic period. The survey revealed that 21% of Hong Kong respondents felt “very” or “extremely” stressed about their financial situation, and 77% expressed that their happiness depends on financial security.

Achieving financial wellness can help Hongkongers feel more financially secure. However, Hong Kong’s median Financial Wellness Score is 65 out of 100, sitting at the lower range of the ‘Good’ category. It indicates that there is room for Hongkongers to improve their financial wellness.

### What is financial wellness?

Fidelity believes financial wellness is holistic and multi-layered with objective and subjective inputs across four key domains: Budgeting, Debt, Savings and Protection.

 <p><b>Budgeting</b></p> <p>Maintaining a budget and a positive cash flow are both necessary precursors to managing debt, saving for the future, investing, and protecting against risk.</p>	 <p><b>Savings</b></p> <p>This includes long-term savings and investing (e.g., for retirement) but also saving for short-term expenses such as home repairs or holidays.</p>
 <p><b>Debt</b></p> <p>High levels of debt relative to income can present a considerable barrier to savings. Prudent use of credit may be a good way to build a positive credit profile.</p>	 <p><b>Protection</b></p> <p>Without adequate emergency savings and/or financial protection against catastrophic health events, disability, or property loss one’s financial situation can very quickly move from comfortable to distressed.</p>

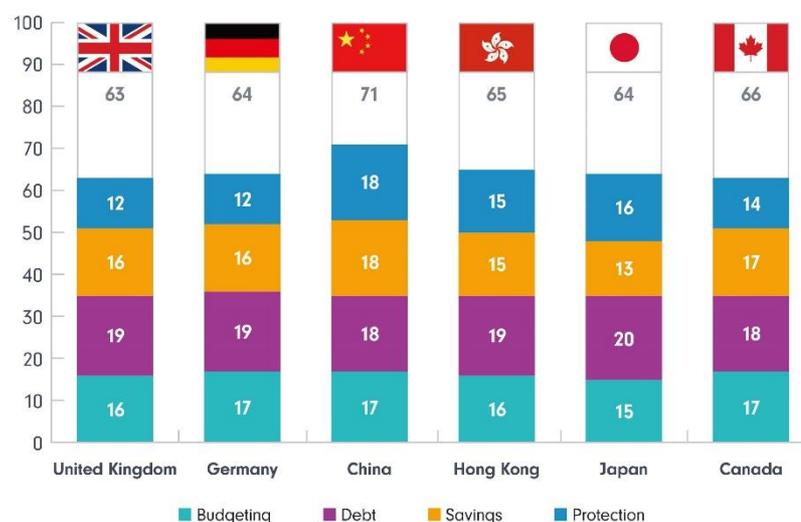
## The Fidelity's Global Financial Wellness Survey <sup>1</sup>

Fidelity's [Global Financial Wellness Survey](#) was conducted in six regions, including Hong Kong, China, Japan, the United Kingdom, Germany and Canada. By assessing people's financial situation across four domains – Budgeting, Debt, Savings and Protection – the Financial Wellness Score is assigned to each market, ranging from 0 to 100; the higher the score, the more financially well a household is.

Across the regions, the median Financial Wellness Scores fell mostly in the 'Good' range with China at the top end with a media score of 71 and the United Kingdom at the lower end, returning a median score of 63.

The median score for Hong Kong is 65 (Good). Most respondents are in the 'Good' or 'Fair' categories. Only 3% are in the 'Excellent' category.

### Median Global Financial Wellness Score by domain



Source: Fidelity Global Financial Wellness Survey, 2020. All Financial Wellness Scores are median scores. The sum of all four domains yields a total score that can range from 0 to 100, where 0 represents extreme financial distress and 100 indicates the maximum level of financial wellness. The total score is categorised into one of four discrete levels of financial wellness: Excellent (80-100), Good (60-79), Fair (40-59) and Needs Attention (0-39). Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9).

## Hong Kong financial wellness domain scores

In general, Hongkongers are in the 'Good' range across the four financial wellness domains.

The Debt domain scored 19 and indicates that Hongkongers are relatively good at managing their debts. However, the other three domains are at the low end of the 'Good' range which means there are significant opportunities to improve in Budgeting, Savings and Protection.

### Hong Kong financial wellness domain scores



Source: Fidelity Global Financial Wellness Survey 2020. All domain scores are median scores. Domain scores are categorised as follows and each has a maximum score of 25: Excellent (20-25), Good (15-19), Fair (10-14) and Needs Attention (0-9). And the sum of four domains score yields a total financial wellness score.

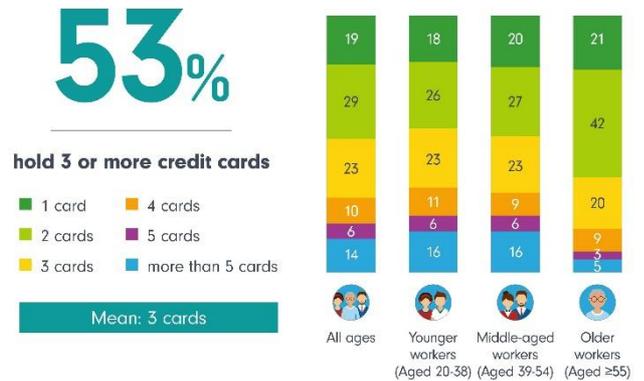
## Older workers are good at controlling budget and debts

The survey reveals that 70% of Hong Kong respondents expressed they had debts.

Older workers are better at controlling budgeting and debts. The median budget-to-income ratio of older workers is 41%, which is comparatively lower than middle-aged (52%) and younger workers (51%). And the median reported debt-to-income ratio of older workers is also significantly low at 4%. Most older workers hold two credit cards, lower than Hong Kong's average of three.

In general, credit card use is prevalent in Hong Kong, however usage behaviour is quite good. Nearly 80% of respondents report that they always repay their credit card in the full amount. It is worth reminding that high levels of debt may reduce financial flexibility and savings, and ultimately affect one's credit profile.

How many credit cards do Hongkongers own?



Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each age category.

## Effort to improve savings and protection

The median score of the Savings and Protection domains was both 15, the lowest score among the four domains.

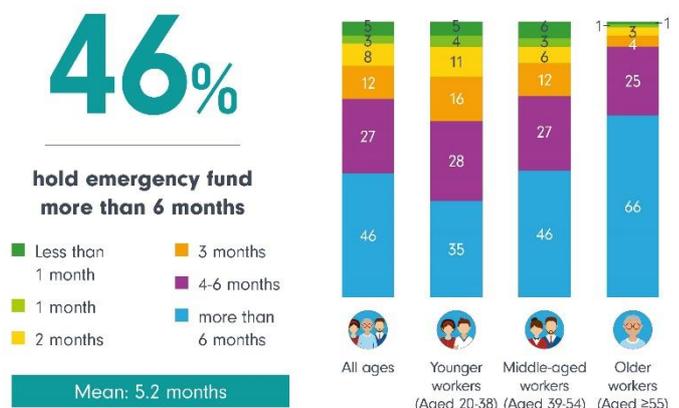
26% of respondents reported feeling only 'slightly' or 'not at all' confident in the ability to save for their goals. More than 30% of respondents reported they are only 'slightly on track' or even 'not at all on track' with their financial and retirement goals.

It is worth noting that 63% of respondents had low savings scores but half of them are subjectively "overconfident" which means they are more confident of their savings behaviours and actions than the objective scores suggest.

In addition, over half of respondents have less than six months of emergency savings. Only 35% of younger workers have an emergency fund of more than six months, significantly lower than middle-aged and older workers.

And younger workers tend to think about their financial needs in the short-term; 67% of them think about their financial needs no farther than the next five years. It is perhaps because young workers are more optimistic about their future.

How many months of emergency fund do Hongkongers hold?



Source: Fidelity Global Financial Wellness Survey 2020. The percentages represent the % of survey respondents in each age category.

Summing up, the Fidelity's Global Financial Wellness Survey revealed Hongkongers' financial wellness still has much room to improve. Amidst the challenges and uncertainties in the ever-changing world, it is important to recognise that being financial healthy is crucial to improving your personal well-being and happiness. Visit [here](#) to learn more about your own financial wellness!

#### Endnote:

1 Fidelity's Global Financial Wellness Survey consisted of respondents with the following qualifying conditions: individuals aged 20-75 years old; working full-time or part-time or have spouse working full-time or part-time; expecting to retire someday; the main financial decision maker or equal joint main financial decision maker in the household; a minimum household income of: United Kingdom: £10,000 annually; Germany: €20,000 annually; Mainland China: RMB 5,000 monthly; Hong Kong: HK\$15,000 monthly; Japan: ¥3,000,000 annually; Canada: CA\$30,000 annually.

2 Younger workers (aged 20-38), Middle-aged workers (aged 39-54), Older workers (aged 55 or above)

#### About HKRSA

The Hong Kong Retirement Schemes Association (HKRSA) was established in 1996 to promote the interests and best practices of retirement schemes in Hong Kong including provident and pooled retirement funds. The HKRSA is a not-for-profit, non-political association, which represents retirement schemes and their members, providing a forum for discussion of issues of current and topical interest.

#### About Fidelity International

Fidelity International offers investment solutions and retirement expertise to more than 2.5 million customers globally. As a privately-held, purpose-driven company with a 50-year heritage, we think generationally and invest for the long term. Operating in more than 25 locations and with \$706.3 billion in total assets, our clients range from central banks, sovereign wealth funds, large corporates etc. Data as at 31 Dec 2020. Please visit [fidelityinternational.com](https://www.fidelityinternational.com)

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