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How “retirement-ready” are you?

People in Hong Kong and mainland China aren't saving enough for retirement, running the risk of outliving assets during their golden years, according to **Franklin Templeton's 2019 Retirement Income Strategies and Expectations survey (the “survey”)***. Even so, most survey respondents are aware of their retirement funding options and are comfortable with what they mean.

You may think it is too early to plan, but it's never too early. **Here's some key findings from the survey:**

- More than **half** of the survey respondents of pre-retirement age in Hong Kong (57%) and mainland China (61%) **haven't started saving for retirement**. Most of those that are taking steps to prepare expect personal savings to be their main source of retirement income.
- **Concern about running out of money in retirement is high, but even those already saving may not have enough to generate the returns they need**. Most respondents recognize their expenses will change in retirement. Over half (52%) of the survey respondents in Hong Kong are worried about running out of money during this period.
- **Savers' narrow approach to retirement investing** means many could potentially miss out on opportunities to maximize their savings.

Hong Kong and Mainland China Aren't Retirement-Ready

Years of economic growth in Hong Kong and China have brought social, economic and demographic changes, including the challenges an aging population poses. Our latest research suggests that public attitudes towards saving aren't keeping pace with the likely needs of the future.

The survey reveals that 57% of respondents living in Hong Kong have not started planning or saving for retirement. While numbers of non-savers are highest among younger people, the survey shows significant numbers of people over 50—those closest to retirement—haven't started saving. In Hong Kong, 40% of respondents aged 50 and above haven't begun retirement preparations, while for those in mainland China the number is even higher at 54%.

Rising Savings Gap Awareness

In many parts of the world, a comfortable retirement requires a sufficient level of retirement savings and investments.

Respondents in Hong Kong (77%) and mainland China (68%) are stressed when they think about saving for the golden years.

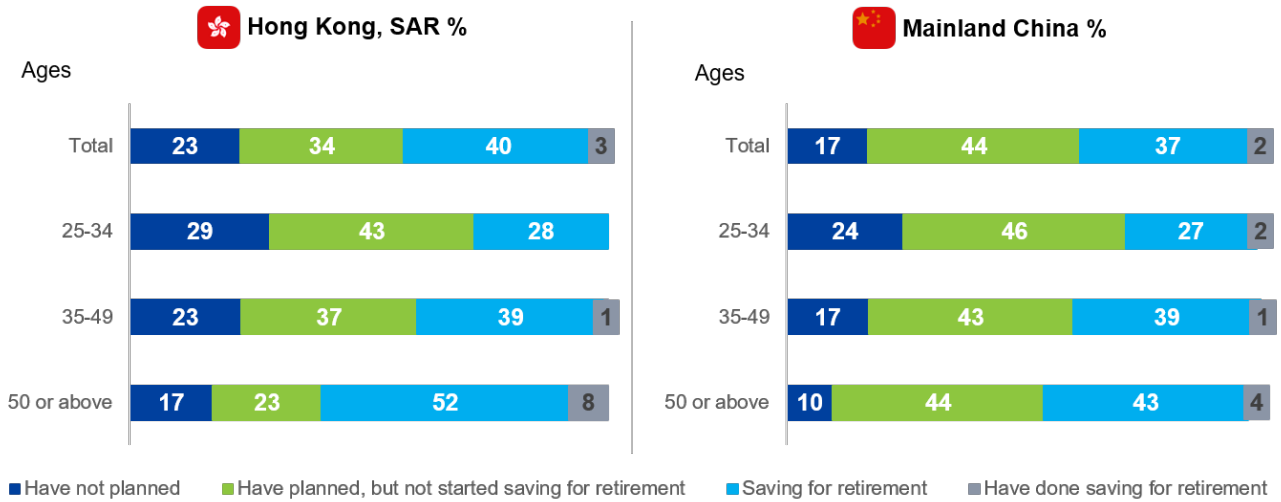
There are mixed signals about the extent to which respondents appreciate the implications of the retirement savings gap. This mindset is predominant among the youngest respondents in Hong Kong, who said they'd save the same amount for retirement as other age groups are now, despite acknowledging that in around 30 years' time, inflation could increase living costs.

The survey suggests many people are aware of their unrealistic expectations, both in underestimating the size of their post-retirement needs and in underestimating the amount of money they might require to save pre-retirement to service those needs. Potential health issues and related pharmaceutical expenses top the list of concerns during retirement, according to around half the respondents. This is clearly a global issue for pre-retirees— a similar survey we conducted in the US also showed that health expenses in retirement were a top concern.¹

In case funds saved are not enough for retirement, nearly half of Hong Kong respondents (49%) said they will continue working and postpone retirement. Those in mainland China said they would consider finding a second job to supplement income (40%) or continue working and postpone retirement (33%).

Stages of Retirement Savings

A remarkable portion of the mature group has not started in either market.



Base: All respondents.

Question: Which of the following best describes your stage of retirement saving?

Notes: Special Administrative Region (SAR).

The Hong Kong government raised the annual pensions tax break to HK\$60,000 in December 2018, in a bid to encourage more retirement saving through its Mandatory Provident Fund (MPF) scheme.² And with that, nearly half (44%) of respondents in Hong Kong said they’d consider topping up their MPF to benefit from tax concessions.

Meeting the Retirement Funding Shortfall

If respondents entered retirement with insufficient funds, those from Hong Kong would postpone retirement and reduce discretionary spending. Mainland Chinese respondents said they would work more hours, find a second job to supplement income or consider a high-risk investment strategy.



Base: All respondents.

Question: If you are unable to retire as planned due to not having saved enough, what adjustments would you make?

The survey clearly suggests people in Hong Kong and mainland China generally aren't saving enough for retirement. However, the evidence also shows they are becoming more aware of the savings gap. We believe shrinking the gap should be the main priority, but that needs more than one response—there needs to be greater use of retirement advice to understand what can be achieved while managing reasonable expectations in the retirement years.

If you are ready to get a head start to retirement planning, click [here](#) to stay abreast of market development and how to build an investment portfolio.

*The Franklin Templeton Retirement Income Strategies and Expectations survey was conducted online with a sample of 1,037 adults in Hong Kong, comprising 514 men and 523 women, and 1,114 adults in China with 583 men and 531 women. The target respondents were employed, aged 25 or above with a personal monthly income of HKD12,000 or above in Hong Kong and RMB5,000 or above in China. The survey was administered between April 16, 2019 to May 2, 2019 by the Nielsen Company (Hong Kong) Limited, which is not affiliated with Franklin Templeton.

1. The US Retirement Income Strategies and Expectations (RISE) survey was administered between January 17 to 28, 2019 by Engine's Online CARAVAN®, which is not affiliated with Franklin Templeton.
2. Employees and employers are required to make monthly payments to the Mandatory Provident Fund (MPF), a compulsory pension fund for Hong Kong residents.

Source: Franklin Templeton

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 FRANKLIN TEMPLETON

Franklin Resources, Inc. [NYSE:BEN] is a global investment management organization operating as Franklin Templeton. With employees in over 30 countries, the California-based company has more than 70 years of investment experience and over US\$698.3 billion in assets under management as of December 31, 2019.

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