

For immediate release

Save for Rainy Days
Hong Kong Investment Funds Association said Hong Kong workers have to plan better for their retirement

(Hong Kong, January 17, 2007) – Hong Kong Investment Funds Association (HKIFA) urges the working people in Hong Kong to rethink their financial plans and save more, and smarter, for rainy days. Compared to their counterparts in the US, most Hong Kong workers have not developed adequate plans to secure a comfortable retirement, a survey conducted by HKIFA recently showed. Furthermore, they are not making the most of the available saving and investment options.

The Quality Evaluation Centre (QEC) of City University of Hong Kong (CityU), commissioned by the HKIFA, conducted a telephone survey on the savings and retirement plans of Hong Kong workers and retirees. The university interviewed 800 workers and 200 retirees during August and September of 2006.

In the survey, 41% of retirees and 23% of workers had never thought or calculated the amount needed to live a comfortable retirement (Appendix 1). Of those workers who were on retirement plan (n=493), more than two-thirds (71%) said that their current contributions to the Employee Provident Fund or Mandatory Provident Fund (MPF) were inadequate for their retirement (Appendix 2). However, despite this, 70% said they did not make any voluntary contribution.

Not only are Hong Kong workers not saving enough, the survey shows they are not taking enough care of their existing investments. Of those workers who could select fund choice in retirement plan (n=388), 59% of survey respondents said they seldom or never reviewed their investments in the retirement plan (Appendix 3). Of 800 workers, 68% said they never seek assistance available in the market, such as information from bank or professional financial planner, for their retirement plans (Appendix 4).

“The results show Hong Kong workers are in the initial stage of financial planning and have yet to take full advantage of MPF, even though it has existed for several years,” said Elisabeth Scott, Chairperson of HKIFA. “We strongly urge Hong Kong people to rethink their financial planning and make sure they have enough saved for their retirement years. Hong Kong people need to make an extra effort to catch up with the international standard in terms of retirement planning,” she added.

The US 2006 Retirement Confidence Survey showed that nearly 9 out of 10 US workers (88%), had a clear idea about how much they needed for a comfortable retirement, compared to 69% of Hong Kong workers. While 19% of US workers sought professional assistance from a financial advisor to estimate the amount needed for retirement, only 4% of Hong Kong workers got professional help from a financial planner (Appendix 5). In another contrast, 68% of US workers were confident of a comfortable retirement, compared to only 56% of Hong Kong workers.

Hong Kong people, especially the older generation, prefer a more conservative asset – cash. Instead of more sophisticated investment vehicles such as funds and bonds, which may be better suited to helping individuals reach their retirement goals, many of the older generation prefer cash. According to the HKIFA survey, 21% of retirees and 29% of current workers said they would look at time deposit as a form of investment, followed by stocks (14% of retirees and 21% for workers) and funds (12% for retirees and 25% for workers).

Many retirees reported they still counted on financial support from their children as 42% of Hong Kong retirees said their main source of current income was “support from their children and other family members”(Appendix 6).

“The findings may explain why Hong Kong is behind the US in terms of retirement planning. Filial piety is a traditional Chinese virtue and we are glad to see many old people are well-supported by the younger generation at the moment,” said Dr. K.K. Leung, Director of QEC, CityU, who headed the survey.

Health, like wealth, benefits from planning, yet according to the survey, 43% of retirees and 34% of workers said they were not confident that they had enough money to take care of their medical and basic expenses during their retirement. 47% retirees and 39% of workers said they were not confident that they had the financial means to pay for long-term care if needed after retirement. Although 59% of workers were enrolled in medical insurance plans, only 18% of retirees had medical protection.

Ms Scott from HKIFA said Hong Kong people should think ahead and plan wisely for their retirement in order to ensure a happy life in their old age. She recommended that employers should hold seminars and talks to educate their staff on the importance of financial planning.

“We are at a stage where most Hong Kong workers have enrolled in MPF plan, which is a great improvement. The next step is to educate people about how to make use of different investment vehicles, such as funds, to achieve their retirement goals according to their needs,” said Ms Scott.



“An MPF plan is not something which takes up part of your income, but actually a powerful saving tool. Whether through voluntary contributions to their MPF plan or through other investments, Hong Kong people should use the available savings and investment tools to ensure a comfortable retirement, as well as prepare for the inevitable rainy days,” she concluded.

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About Hong Kong Investment Funds Association (HKIFA)

Established in 1986, the Hong Kong Investment Funds Association ("HKIFA") is a professional body that represents the asset management industry in Hong Kong. HKIFA has two major roles, namely the promotion of Hong Kong managed investment products and consultation with the authorities to relay views of our members on issues that have implications for the asset management industry. The objective of HKIFA is to enable Hong Kong people to understand more about the characteristics of mutual funds; and to use them effectively for retirement investment and other financial planning purposes. HKIFA has 41 fund management companies as full/overseas members. They manage about 1,100 active SFC-authorized funds as at the end of October 2006, involving total assets of about to US\$580 billion. HKIFA also has 52 affiliate and associate members.

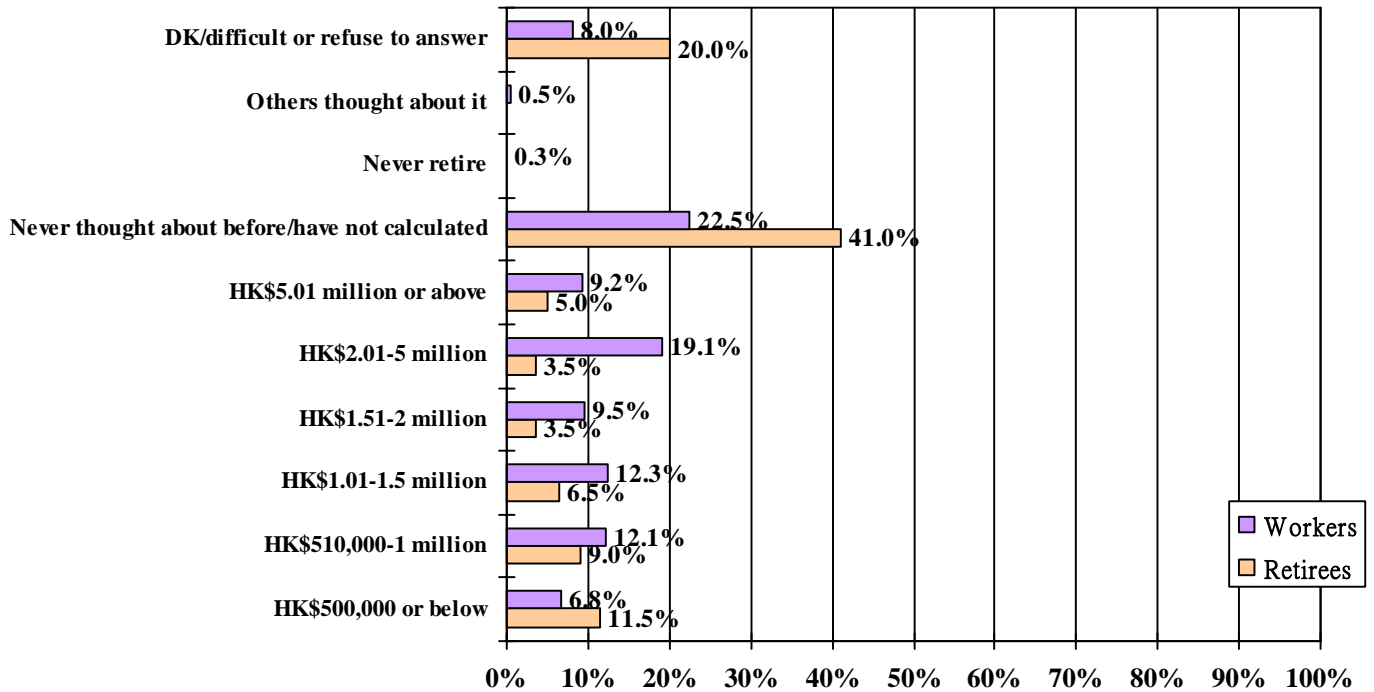
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Appendix 1

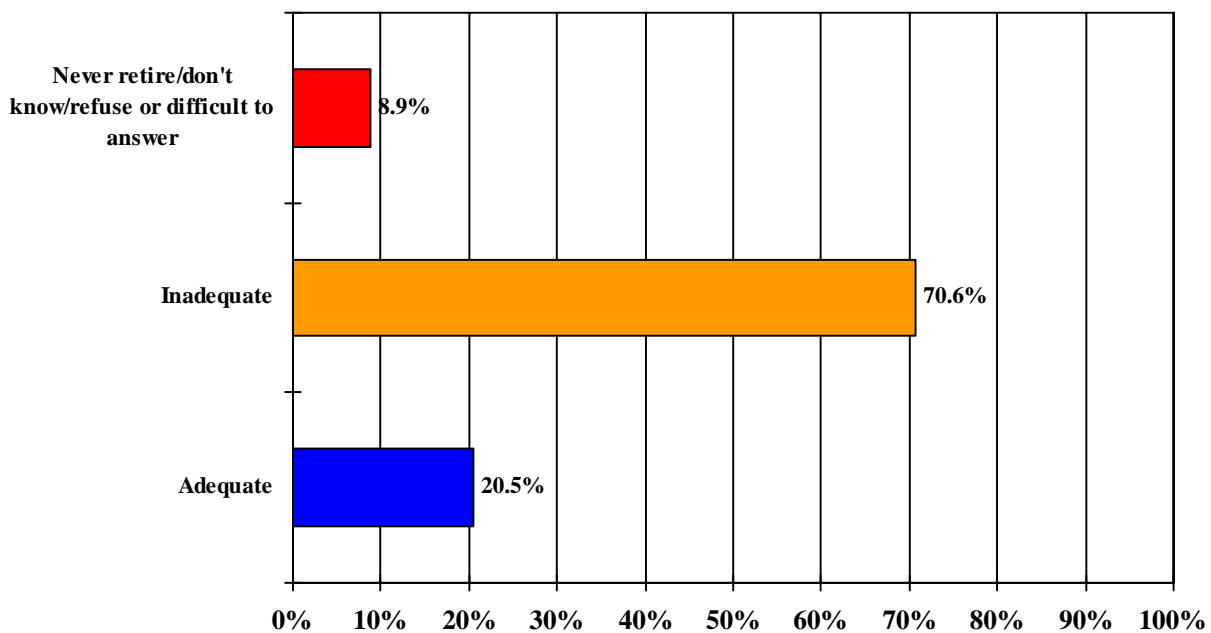
Amount needed to live a comfortable retirement

(N=1,000)



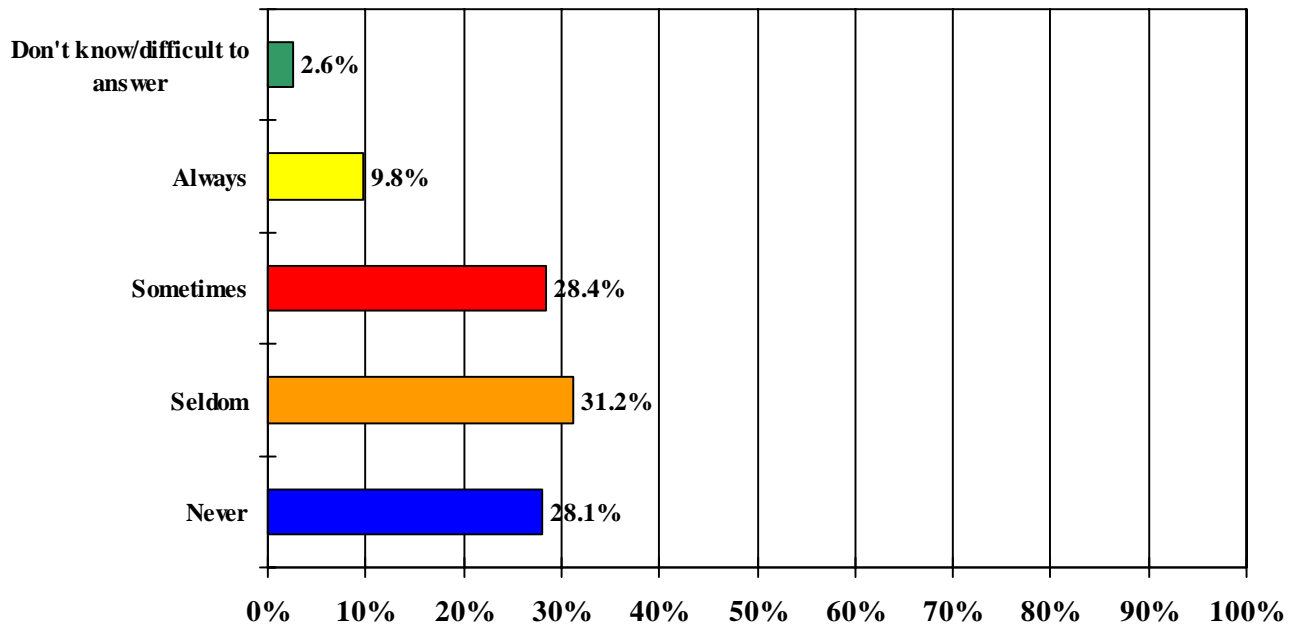
Appendix 2

Do you think the current contributions to Employee Provident Fund/MPF are adequate for your retirement? (N=493)



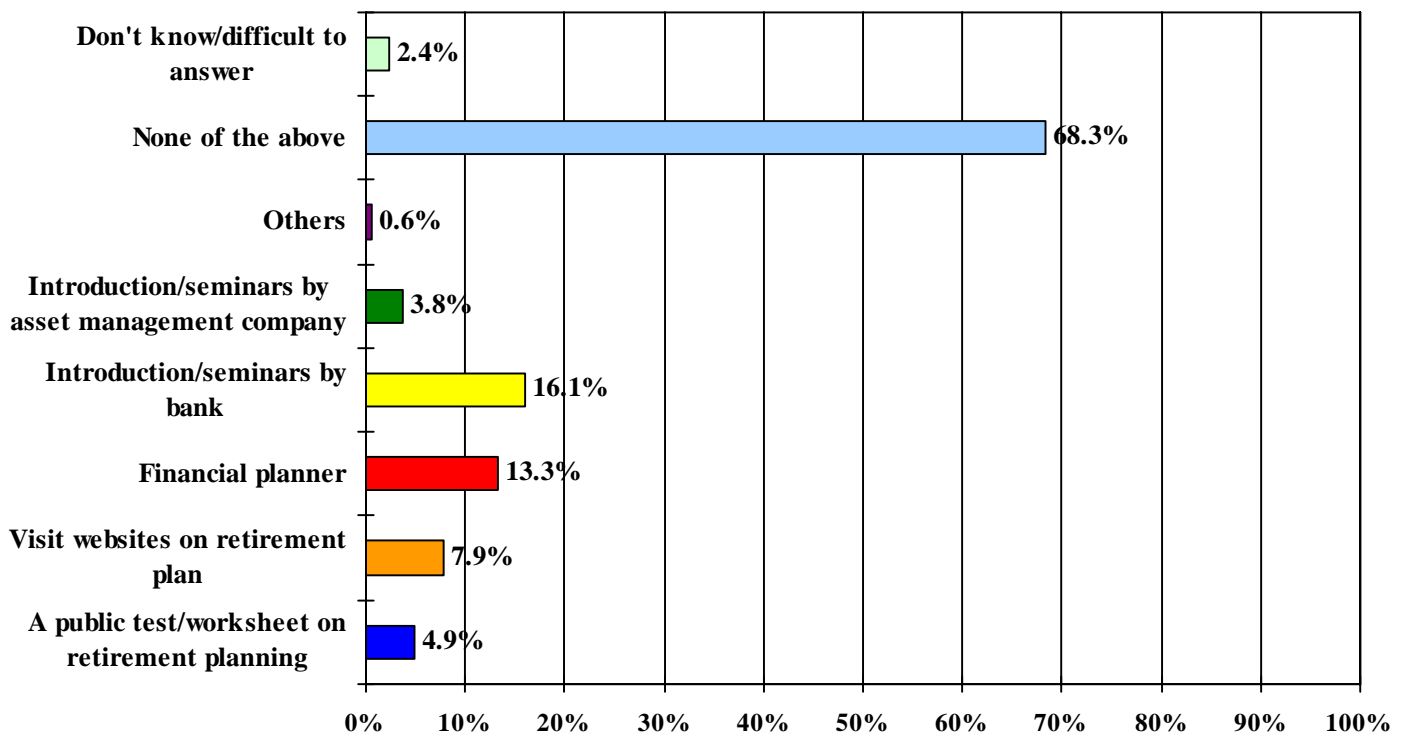
Appendix 3

How frequent do you review your investment in the retirement plan? (N=388)



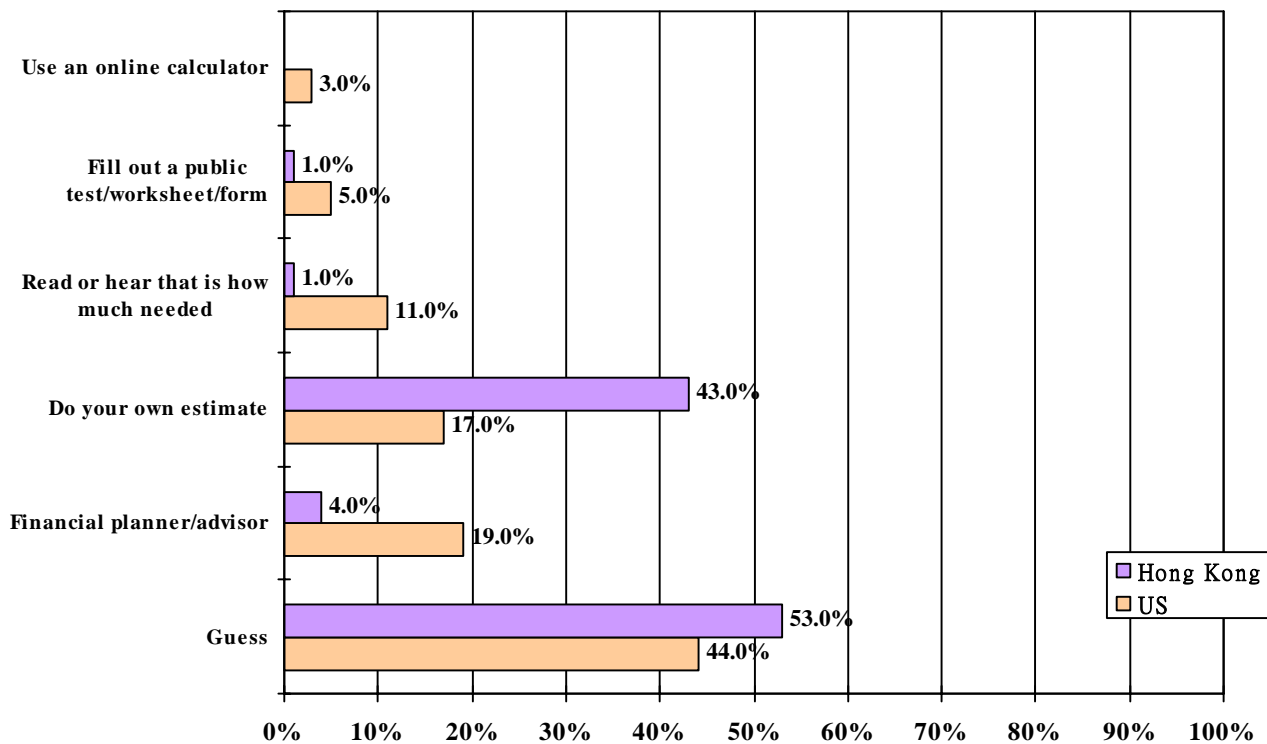
Appendix 4

Have you used any of these services or tools for retirement planning before? (N=800)



Appendix 5

Methods of determining the amount for retirement



Appendix 6

Main Source of Retirement Income

Source (Elements of each source are different in the Hong Kong and U.S. context.)	Workers (planned)		Retirees (actual)	
	HK (%)	US (%)	HK (%)	US (%)
Saving and investment returns	53	48	28	22
Social security/government support	2	20	9	43
Employer-provided pension/mandatory fund	24	14	13	20
Salary	4	6	3	2
An inheritance	<1	3	1	1
Support from children or other family members	10	2	42	1
Others	<1	4	1	4
Don't know/refuse	7	3	5	6