

The Future of Retirement

Investing in later life



Fact Sheet Hong Kong¹

HSBC's fourth annual Future of Retirement survey of older people's work and retirement reveals a positive picture of how people see their prospects and lifestyles in retirement. The survey shows a reasonable degree of optimism in Hong Kong with regards to financial security and living standards in old age. The majority of people pre-retirement do *not* expect their standard of living to get worse in retirement. *Nor* do the majority of people post-retirement feel that their standard of living is worse than it was before. Despite this optimism, the preparation for later life varies between the generations and genders, and geographic regions.

Investing in Later Life – Key Hong Kong Findings

Preferred legacy is perspective on life

Low confidence that government will fund retirement

Favour increasing the retirement age

Workers fear a lack of money in old age

Taking *Expectations, Choice, Preparedness and Inheritance* as its main themes, *Investing in Later Life* highlights the key ways in which individuals in Hong Kong are preparing for their retirement.

1. Expectations: state provision may not be enough

Many governments have promised generous public pensions from 60 or 65 years, but these are seen to be increasingly unsustainable as we live longer lives.

Globally, 31 per cent of respondents feel that governments *should* bear most of the financial costs of supporting them in retirement. In Hong Kong, our

survey shows that 10 per cent of working people and 13 per cent of retirees believe that the state should support them in later life. Given this low expectation, it is not surprising that confidence in governments living up to this obligation is equally low. In Hong Kong, only 14 per cent feel governments *will* bear most of the financial costs.

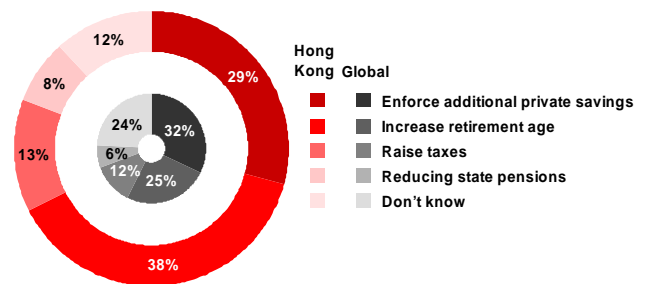
2. Choice: how to provide for the ageing population

Given the lack of confidence in governmental support, we asked respondents – what needs to be done to address the demands of ageing populations?

Although the most obvious revenue-raising avenues such as raising taxes, reducing state pensions or increasing the retirement age are generally rejected globally, there is varied support for these measures in Hong Kong.

39 per cent of Hong Kong citizens *favour* an increase in the retirement age, followed by enforced savings (29 per cent) as the preferred mechanisms to provide for the ageing population. Reducing pensions is the least preferred means.

What should the government do first of all to support the ageing population?



3. Preparedness: the four pillars

Around half of people pre- and post-retirement are *not* worried about being able to cope financially in the future. But how are people in Hong Kong planning, preparing and investing for their retirement? And is this optimism justified?

In Hong Kong, each of the four pillars of support for later life (*government, employer, family and self*) is regarded as contributing to retirement income.

¹ Definitions of a high and low household income cut-off point: 8,000 HKD (monthly)

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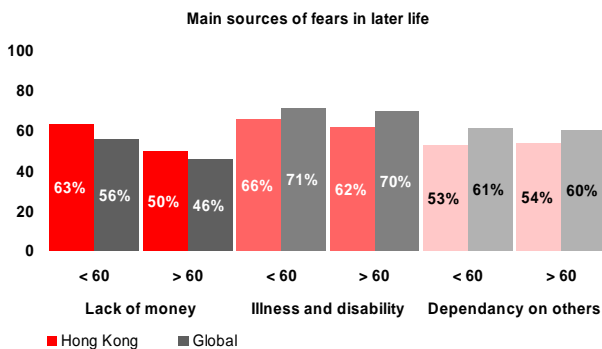
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Overall, *family* and *individuals* are seen as the most important contributor in Hong Kong by both pre- and post-retirement people, while *employers* are the least important. *Government* support is seen as a more important contributor for those with a low income, yet for households with a high income the *government* is regarded as the least important contributor, along with *employers*.

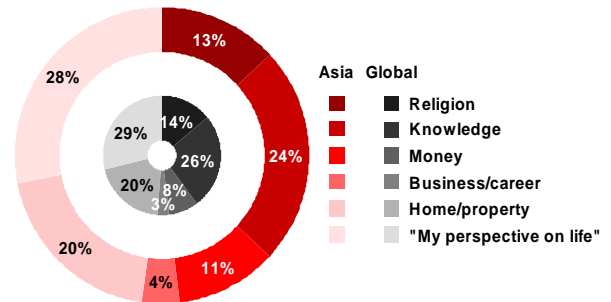
Although the Hong Kong respondents generally feel positive about later life with 70 per cent of people surveyed looking forward to retirement, at least half remain apprehensive about poor health, dependency on others, and about not having enough money in retirement.

In an Asian context, Hong Kong has average proportions of people fearing not having enough money, illness/disability and dependency. However, a significantly higher proportion of people (63 per cent) pre-retirement fear not having enough money in old age, decreasing to 50 per cent post-retirement.



4. Inheritance

What do people want to pass on to their heirs?



Globally, most people want to pass on something to their heirs and perhaps surprisingly a majority choose the 'soft', less tangible values which we collectively termed *perspective on life* rather than more tangible legacies such as money.

In Hong Kong, the findings show that 54 per cent of the working population and 59 per cent of retirees want their heirs to principally inherit their perspective on life (*spirit/sense of humour, knowledge, way of giving/supporting the community and religion*). 46 per cent of those pre-retirement and 41 per cent of retirees favour leaving behind tangible or material legacies (*home/property, money and business/career*).