

The Future of Retirement

Why family matters



Hong Kong Fact Sheet

HSBC 



Introduction

HSBC's The Future of Retirement programme is a leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world.

The global report *Why family matters*, which accompanies this fact sheet, is a supplementary report to the main 2011 report *The power of planning*, the sixth in The Future of Retirement series, and is based on a survey of more than 17,000 people in 17 countries in December 2010.

This country fact sheet, based on the views of 1,077 Hong Kong respondents, explores how factors relating to family life influence attitudes to retirement, including:

- marital status, gender and generation
- the varying degrees of financial responsibility between the sexes
- how households undertake financial planning and where gaps in plans might arise
- attitudes to risk and what families can do to better prepare themselves

The *Why family matters* global report and all previous reports are available at www.hsbc.com/retirement/future-of-retirement.

Key findings

- 50% of Hong Kong respondents feel that having a loving family and friends is extremely important to enjoying a happy retirement
- When it comes to making financial decisions regarding retirement savings in Hong Kong, men (38%) are more likely than women (28%) take sole responsibility
- Although there is greater equality on household financial decision making than in other countries, HK women are still more likely to be in charge of household budgeting than men (36% to 33%)
- Despite being keen to pass on wealth to children and family, 94% of Hong Kong parents have not made a will and only 10% of 50-59 year olds are engaging in tax planning
- While 17% of Hong Kong respondents rated investing in stocks as extremely risky, even more (24%) saw not having any private retirement savings as equally risky



Part 1: How family life influences attitudes to retirement – a time of happiness or loneliness

50% of Hong Kong respondents feel that having a loving family and friends is extremely important to enjoying a happy retirement. Unlike many other countries surveyed where this priority is more important to women, this view is evenly balanced between men (50%) and women (51%) in Hong Kong. Many respondents are also keen to live near (but not with) their children in retirement, with 61% seeing this as very or somewhat important.

- Hong Kong parents are more likely to believe retirement will be a time of happiness (34%). They are also less likely to see retirement as a time of poor health (36%) compared to those without children (39%)
- Surprisingly, people in Hong Kong without children see having financial protection as slightly more important than those with children. Also, people without children are slightly more likely to place greater importance on living a healthy life (Table 1)

Table 1: Financial priorities of parents and those without children

Q. People have different personal priorities in life. How important are the following to you today?

	All (%)	People with children (%)	People without children (%)
Having financial protection for my family – in case something happens to me	49	48	49
Living a healthy life	67	66	69

Base: Respondents who claimed 'Very important to me'

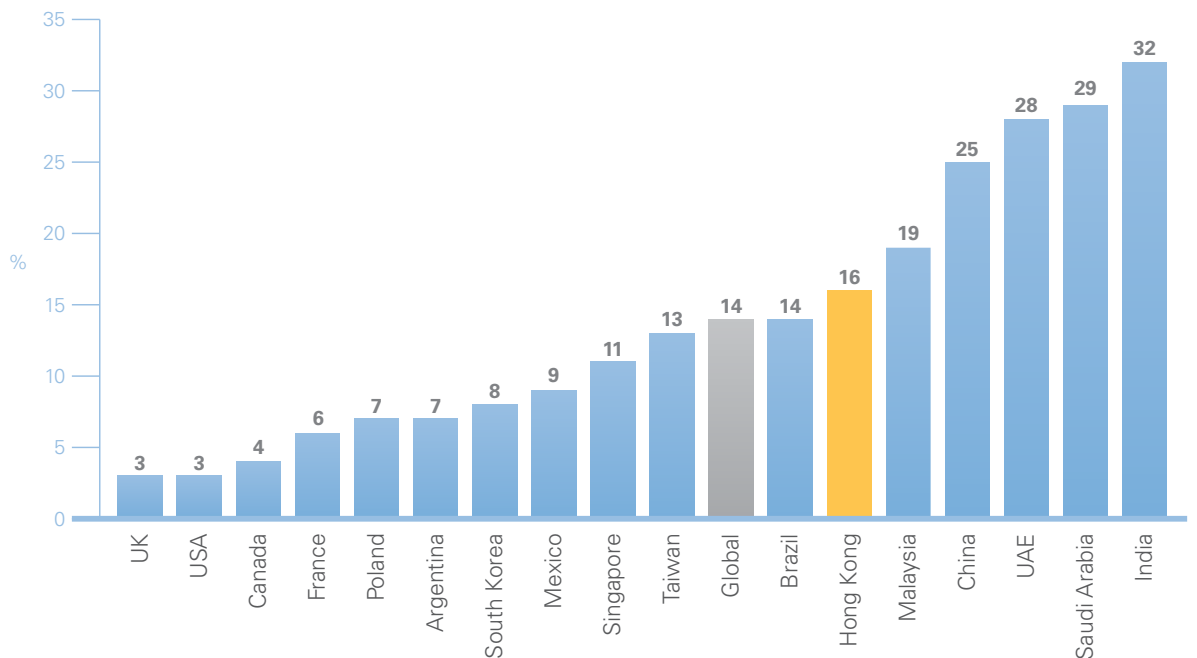
Echoing the lower focus of parents on financial protection in Table 1, respondents in Hong Kong are among the most likely to see themselves as relying on their children in later life, with 16% of respondents stating that they would like to live with their children when they retire (Figure 1).

- 47% of those with children do not have a life insurance policy in their financial plans - If you want to add 'parenthood' to figure 4

- Final key finding: % of people surveyed in Hong Kong rated investing in stocks as extremely risky, more (13%) saw not having any private retirement savings as equally risky, showing that people understand that doing nothing is an even riskier strategy

Figure 1: Living arrangements in retirement

Q. What do you hope will happen to your living arrangements when you retire?



Base: Respondents who answered 'I want to live with my children or other family members'

Part 2: Financial responsibility between the sexes - gender differences in how households plan their finances

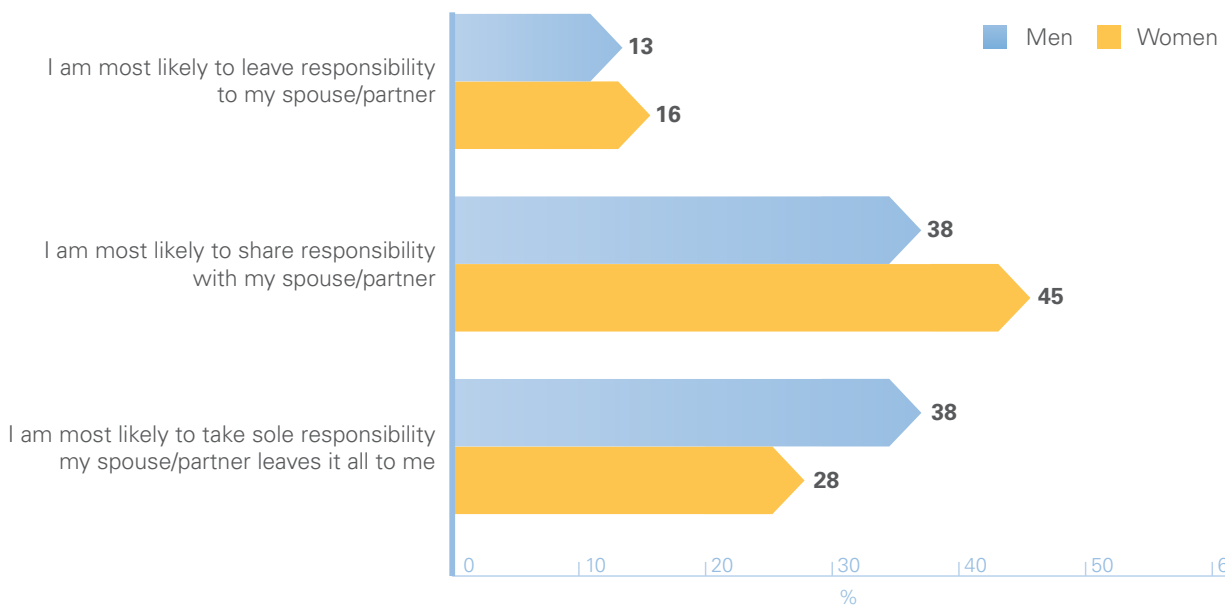
Like the pattern in most parts of the world, women in Hong Kong are more likely to say that financial decisions are shared with their partner, while men usually state that they make all or most financial decisions themselves. Men claim to exercise greater sole responsibility than women in nearly all financial decisions made in the home.

There is also a clear gender divide when looking at the types of financial decisions made by men versus

women in Hong Kong: men are more proactive when it comes to retirement planning (Figure 2) whereas women are more likely to take the lead in household budgeting (Figure 3). Crucially, this means that women are much more focused on short-term financial matters and are more likely to be overlooking the importance of planning for retirement in their own right.

Figure 2: Men take greater responsibility for retirement planning

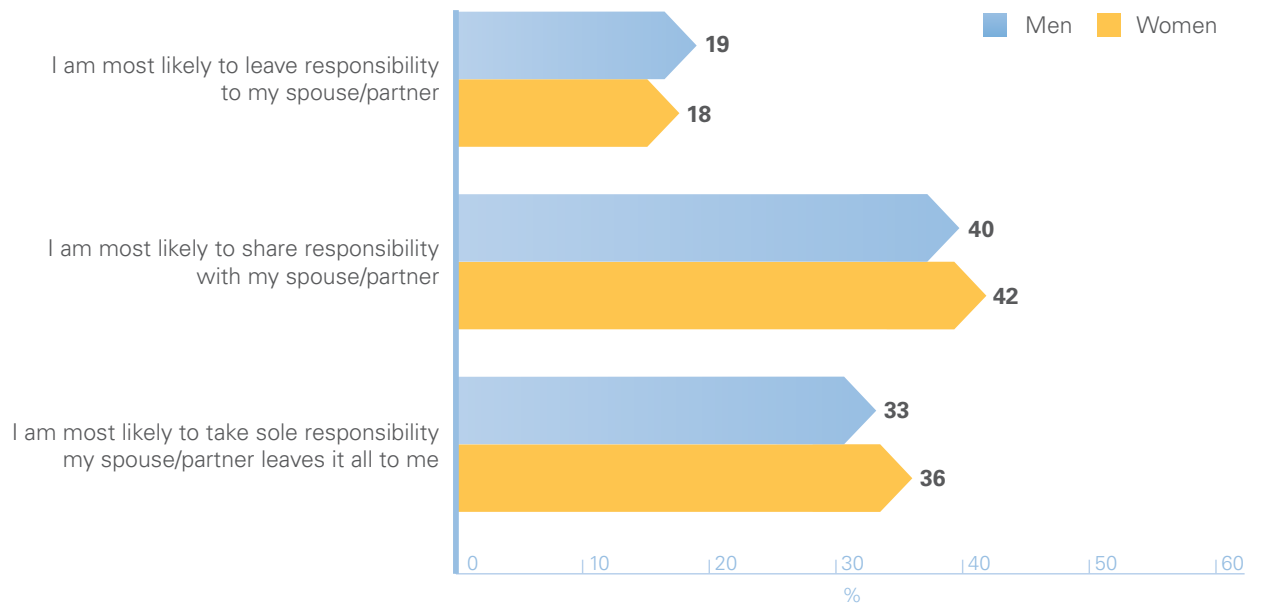
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

Figure 3: Women rule the roost on household budgeting

Q. Who in your household is most likely to take responsibility for making decisions about managing the household budget?



Base: All respondents who are married or cohabiting



Part 3: Household financial planning – gaps in the family’s financial safety net

Figure 4 illustrates how individuals accumulate and consume wealth during the course of their adult lives. After entering work in early adult years, both income and wealth typically grow well into a person’s 50s and possibly beyond, depending on when they enter retirement and start to draw down on savings and investments. Across different societies

and households, the exact shape of this curve will vary depending on a range of factors – patterns of employment and home ownership, family life, retirement trends and life expectancy. However, all households need to protect their financial assets as an essential step in ensuring that retirement savings are not used up before retirement.

Figure 4: **The gaps in Hong Kong households’ financial plans**

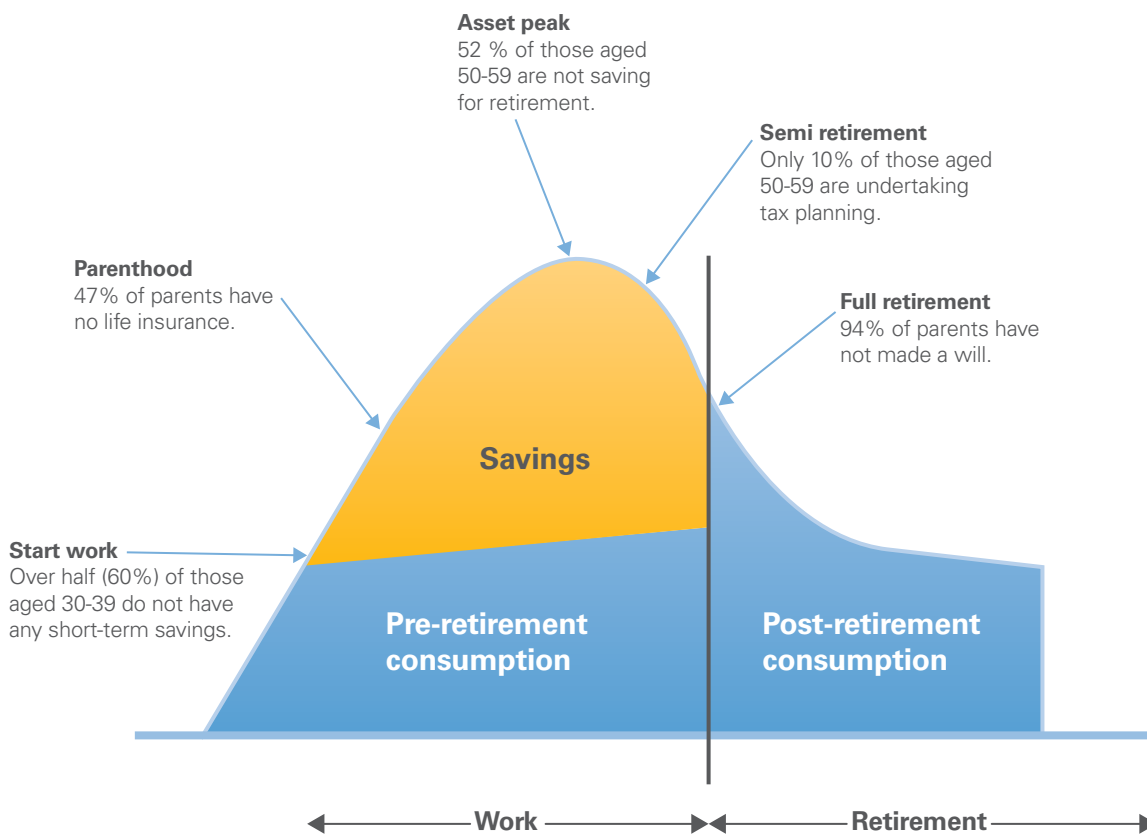


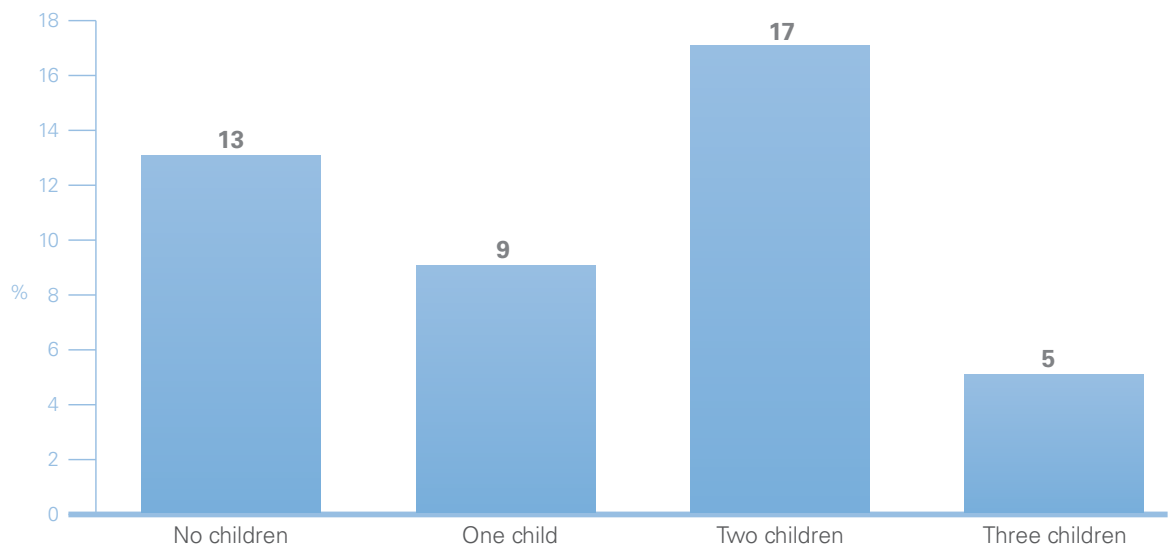
Figure 4 shows some of the key responses from the 46% of Hong Kong respondents surveyed who have a financial plan. Even though these households are planning ahead, there are still significant gaps in the contents of their financial plans. For example, 52% of planners in their 50s are not saving for retirement. Despite the fact that life insurance is widely available and all working parents have a need for this kind of

protection, 47% of those with children do not have a life insurance policy in their financial plans. Our survey found that families with more children aren't necessarily more likely to understand the risks of not having life insurance when compared with the overall global average; as Figure 5 shows, 9% of families with only one child in Hong Kong consider this extremely risky compared to 5% of those with three children.

Figure 5: The risk of not having life insurance

Q. How risky do you rate the following activities?

A. Not having life insurance



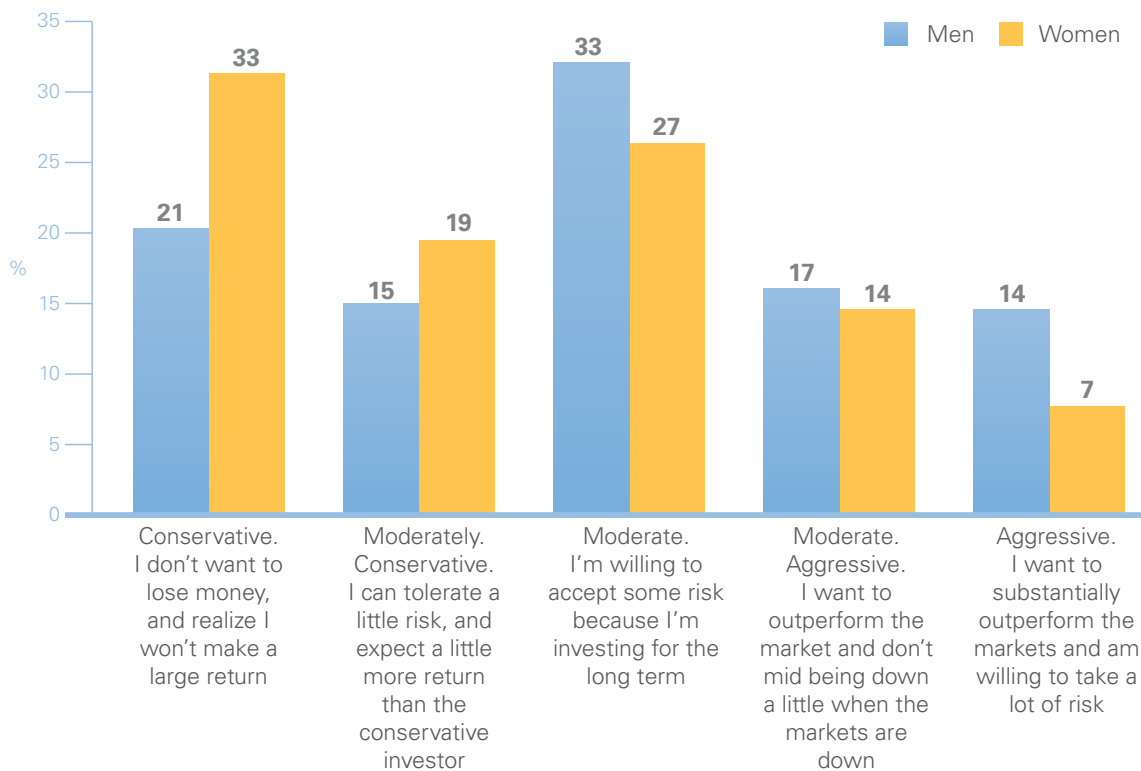
Base: Respondents who answered 'Extremely risky'.

Part 4: Attitudes to risk - the need to change household risk appetites

As Figure 6 shows, Hong Kong women are significantly more likely than men to describe their attitude to risk as conservative, and this is reflected in their reluctance to hold more sophisticated savings and investment products: 16% of men compared to 12% of women invest in mutual funds and equity-related

investments to build their retirement savings. However both men and women show a strong preference for conservatism and risk aversion in their savings attitudes, and encouraging households to accept more risk in order to secure their financial futures presents a major challenge.

Figure 6: Women are more likely to sacrifice returns to protect investments
 Q. When it comes to investing, which of the following best describes your risk tolerance?



Base: All respondents

While the risk of investing for the long term may be a major concern to some Hong Kong households, and particularly to women, it is equally clear (see Table 2) that many people are just as concerned about the risk of doing nothing when planning for retirement. Our findings show that respondents perceive the risk of not having retirement funds as significantly higher than the risk of investing for the long-term: 8% of Hong Kong respondents thought that investing in stocks and

shares was extremely risky, whereas 13% thought that not having a private retirement fund was extremely risky. Not having life insurance was also seen as being extremely risky by similar numbers of respondents (12% overall and 15% of women). The fact that many people in Hong Kong already understand the danger of not planning sufficiently for retirement should help efforts to encourage more people to prepare adequately.

Table 2: The risk of not planning household finances

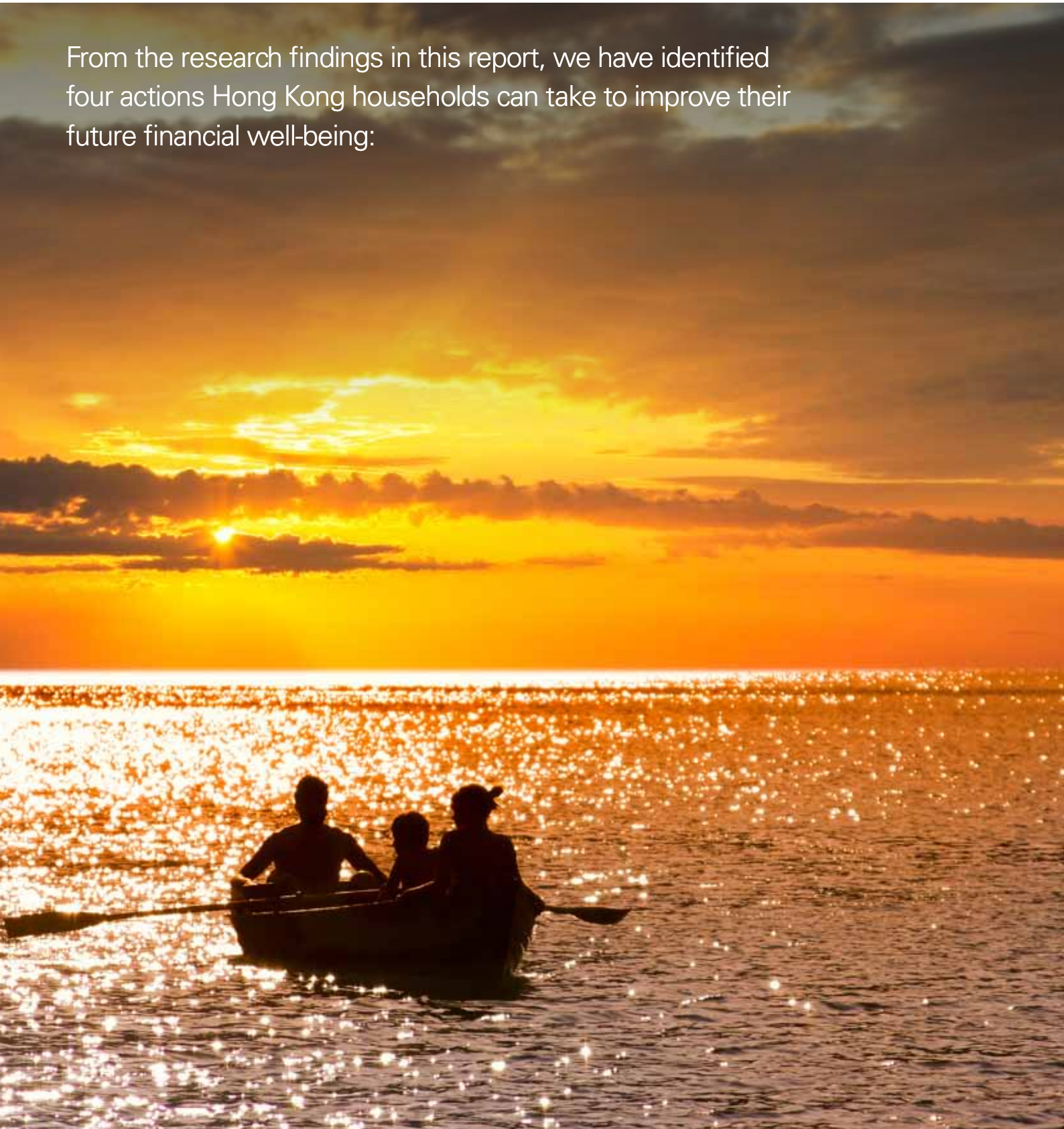
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares	7	10	8
Not having life insurance	10	15	12
Not having a private retirement fund	10	17	13
Going on holiday without travel insurance	13	18	15

Base: Respondents who answered 'Extremely risky'

What families can do to better prepare for the future

From the research findings in this report, we have identified four actions Hong Kong households can take to improve their future financial well-being:





Action 1

Share your financial decision-making

Make sure that financial planning decisions which affect the household – in particular retirement and protection needs – are shared and discussed with your partner, to make sure you are both better prepared for retirement and other life goals.

Women across all age groups continue to lag behind their male peers when it comes to taking charge of their own retirement savings.

Action 2

Use life events to start and review your financial plan

Understand the importance of the life events and life stages, then use these events as prompts to take action (for example, having children, saving for college fees, dealing with bereavement, divorce etc). It is important to consider the whole family when planning for your own financial needs.

Large numbers of younger families do not have life insurance in place, while many still overlook the need to build retirement savings or undertake estate planning to ensure that their wealth is protected and managed as tax-efficiently as possible.

Action 3

Review your financial plan with a professional adviser

Sense-check financial decisions and plans with an expert, to make sure that all eventualities are covered. Many household financial plans contain gaps and omissions: get a professional review of your family's financial plan.

Many people still prefer to apply a do-it-yourself approach to financial planning, with 74% not having sought professional financial advice.

Action 4

Take a balanced approach to managing investment risk

Balance the need to protect your investments in the short- and medium-term with the need to generate an adequate retirement income in the long-term.

33% of women in Hong Kong describe themselves as being conservative, which may possibly lead to lower incomes in retirement if they fail to strike the right balance when choosing whether to save or invest.



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