

Retirees' average spend at HK\$11,500 per month amid pandemic

Aging society and fewer children Underline the need to expand passive income sources

(Hong Kong – 13 April 2021) **The Institute of Financial Planners of Hong Kong (IFPHK)** have recently commissioned a professional research institute to conduct a research on **the actual expenses of the retirees in Hong Kong**. The findings reveal that the COVID-19 have casted a substantial drop on retirees' travelling and dining-out expense, with their actual monthly expense averaging HK\$11,500. Also, close to 80% of the retirees rely on financial support from family, indicating that some of their living expenses are probably paid by family members.

The survey is the first-of-its kind in Hong Kong to gauge the **actual living expenses and income modes** of retirees. Unlike those surveys conducted by commercial organisations that target the working population to come up with estimates of after retirement expense, the IFPHK survey seeks to address realistic scenario and provide reference for the Government and the public. Alongside the IFPHK launches the **first Consumer Price Index on Living Expenses after Retirement in Hong Kong** that uses the same methodology of calculation of the Census and Statistics Department's composite consumer price. The Index measures the price movement of consumption items and services for retirees and serves as an inflation indicator. Taking 2020 as the baseline year and 1,000 as the basis point, the Index reflects the actual living expenses of retirees. IFPHK will publish Index movements annually as a timely indicator for the public.

Conducted in 2020, the survey found **five major phenomena** in wealth management among the retirees in Hong Kong :

1. Family members, on average, paid 30% of the living expenses

- **Children or family members support is commonly seen.** Four-fifths of retirees (close to 80%) are supported by family members and the supported amount stands at more than 30% of their daily living expenses on average (33.5%).
- Also, **over 10% (13%) of the retirees contribute financially to others**, mainly their own parents or the parents of their spouses, implying that Hong Kong shares with Japan the same phenomenon of "elderly taking care of elderly", thus creating financial strain on retirees.

2. Annuity and retirement products made up less than 30% of passive income

- **Penetration of annuity is extremely low.** The survey indicates, of the monthly income that retirees used to pay their expenses, only 1.3% was from annuity, totaling 28% of passive income including insurance and investment returns **which seems unsatisfactory**.

3. Around 30% of the remaining expenses were paid by personal savings and assets

- Personal savings is the most often "income source" of retirees. According to the survey, 26.4% and 5.4% of the daily expenses of retirees are paid by personal savings and MPF respectively, that is, more than 30% in all.

4. **Close to half of the respondents remained vigilant about their financial status**

- Retirement life should be comfortable and carefree, but the survey sees **close to 50% (45%) of the retirees remained vigilant and unsettled about their financial status**. Those numbers may correlate with the income sources they rely on after retirement.
- Only 14% of the respondents said they felt secure and had no sense of crisis.

5. **Three-quarters of the respondents "ask others" for wealth management information**

- Although almost half of the respondents were not confident of their financial status, **close to three-quarters (74%) of them choose to "ask others"** (family and friends) when it comes to wealth management information.
- This percentage far exceeds other channels (such as wealth management practitioners/consultants, the media, banking or insurance professionals, etc.).

Ray Lee, Chairman of IFPHK, said, "The greying population and declining birth rate has moved into the mainstream, the survey has already set off alarm bell that retirees are rather deficient in financial planning, especially in creating passive income. The penetration rate of annuity among retirees is extremely low, which means related promotion and public education have much catching up to do."

"Despite the fact that close to half of the retirees have stayed vigilant about their financial status, family or friends were still whom they turn to for wealth management related information. This suggests that there is more work to do on promoting professionalism of the wealth management sector in Hong Kong. Decumulation, that is, using pre-retirement savings smartly to support life after retirement, is a vital aspect that the retirees face. The aging population in Hong Kong is making that risk even more pressing. Over the years, the IFPHK is committed to promote financial planning, a professionalism that aims to create asset for a lifetime and expand sustainable passive income sources for clients."

IFPHK has the following recommendations for retirement planning:

- Wealth management is about professional expertise, but the survey shows that retirees tended to ask friends for financial advice instead of going to professionals, suggesting of over-reliance on the opinions of family or friends. Thus, IFPHK recommends expanding different wealth management information channels, plus improving the opinion seeking and product purchasing experiences.
- The low penetration of annuity urges the need for better investor education on decumulation. In the past, savings and investment are the main focus on investor education, whereas using accumulated resources wisely has been slighted.
- The financial planning sector should also pay more attention to the financial needs of retirees. Apart from providing professional advice, more care should be given to support their mental wellness and living needs.
- To address the aging population problem in the long run, the Government may consider further increasing tax reduction as an incentive, such as separating the calculation of MPF and tax deductible annuity.

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Chris Tse, Board Member of IFPHK, said at the press conference, “Retirement planning should be forward-looking. Retirees of today, who planned for their retirement 10 or 20 years ago, probably took account of the average lifespan back at that time. So there is bound to be discrepancy when compared with today’s situation. Hence, we have to make up for the ‘longevity risk’ and the possibility of living longer-than-expected when drawing up the plan.”

The survey, commissioned by **IFPHK**, was conducted in 2020 by the professional research institution The Nielsen Company (HK) Limited. The 302 respondents, who are retirees at the age between 55 and 74, were interviewed on the phone. They have not taken any social welfare benefits that requires government approval and had a personal income before retirement of HK\$18,000 or above.

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Photo caption:

<p>Photo 1</p>  <p>The photo shows three individuals standing behind a table. From left to right: a man in a suit holding a 'CFP' sign, a man in a suit holding an 'IFPHK' sign, and a woman in a dark top holding a sign with a person icon and the Chinese characters '退休真實開支'. Behind them is a backdrop with the IFPHK logo and the survey title in Chinese and English.</p>	<p>IFPHK released the first “Hong Kong Retirees’ Actual Expenses Survey”.</p> <p>(From left to right)</p> <p>Mr. Chris Tse, CFP®, Board Member of IFPHK</p> <p>Mr. Ray Lee, CFP®, Chairman of IFPHK</p> <p>Ms. Chloe Wong, Associate Director, The Nielsen Company (HK) Limited</p>
<p>Photo 2</p>  <p>Mr. Ray Lee, CFP®, Chairman of IFPHK, is shown from the chest up, wearing a suit and a face mask. He is seated at a podium with a microphone. The background features the IFPHK logo and the survey title.</p>	<p>Mr. Ray Lee, CFP®, Chairman of IFPHK</p>
<p>Photo 3</p>  <p>Mr. Chris Tse, CFP®, Board Member of IFPHK, is shown from the chest up, wearing a suit and a face mask. He is seated at a podium with a microphone. The background features the survey title in Chinese and English.</p>	<p>Mr. Chris Tse, CFP®, Board Member of IFPHK</p>
<p>Photo 4</p>  <p>Ms. Chloe Wong, Associate Director, The Nielsen Company (HK) Limited, is shown from the chest up, wearing a dark top and a face mask. She is seated at a podium with a microphone. The background features the survey title in Chinese and English.</p>	<p>Ms. Chloe Wong, Associate Director, The Nielsen Company (HK) Limited</p>

About IFPHK

IFPHK was established in June 2000 as a non-profit professional organization. It aims to be recognised in the region as a premier professional body representing financial planners dedicated to upholding the highest professional standards for the benefit of the public. The Institute is the sole licensing professional body in Hong Kong authorised by the Financial Planning Standards Board Limited in the US to grant CFP® certification and AFP® certification to qualified financial planning professionals in Hong Kong and Macau. Currently, there are more than 192,000 CFP certificants in 26 countries/regions; the majority of these professionals are in the U.S., Canada, China, Australia and Japan, and approximately 4,300 CFP certificants are in Hong Kong. It represents more than 7,500 financial planning practitioners in Hong Kong, including 1,100 qualified retirement advisers (QRA). They are from such diverse professional backgrounds as banking, insurance, independent financial advisory, stockbroking, accounting, and legal services.

About Consumer Price Index for Retirement Living

Commissioned by IFPHK, it was compiled by the professional research institution The Nielsen Company (HK) Limited taking reference of the calculation method of Composite Consumer Price Index (CPI) and the expenditure weights published by the Census and Statistics Department of Hong Kong. The research institute interviewed more than 300 local retirees to understand their CPI Basket and then calculated the first local consumer price index for retirement living that covers 16 categories, including housing, dining (meals at home and meals bought away from home), water, electricity and gas, local transport, medical services and drugs. With 2020 set as the baseline year, the year-on-year changes of the index will be published annually thereafter to provide an inflation indicator of retirement living for the public.

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Institute of Financial Planners of Hong Kong

Hong Kong Retirees' Actual Expenses Survey

Summary:

Survey Period: 2020
Sample Size: 302
Respondents: Retirees aged 55 - 74

Objectives:

- Look at Actual Expenses of Retirement Life
- Understand Retirees' Financial Sources and Behaviour
- Establish an First-ever Retirement Index as a Timely Indicator for the Public

SURVEY FINDINGS

Retirees' Actual Monthly Expenses:

HK\$11,500

Retirees' Channel of Funding Sources:

96% Passive Income

90% Personal Asset

86% Personal Saving

Supporters:

79% are supported by family members

21% have no family support

Financial Stability:

49%

Worried/ Alert

37%

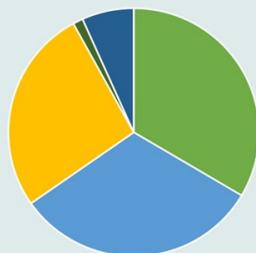
Safe but keep an eye

14%

Secure

Proportion of Financial Sources:

- Family Support 33.5%
- Personal Saving/ MPF/ ORSO 31.8%
- Passive Income 26.7%
- Annuity 1.3%
- Others



Source of Financial Information:

74%

Family/ Friends

51%

Traditional Media

50%

Financial Practitioner

ADVICE FROM IFPHK

*Expand
Information Channels*

*Decumulation
Planning*

*Expand Passive
Income Source*

*Realize Financial
Needs for Retirement*