

For Immediate Release

IFPHK Hong Kong Retirement Expense Index*Retiree Spends HKD15,000 per month and RMB1,350 in GBA per visit**Hong Kong Retirees Consumes Only Half of Pre-retirement Income**Advocating for a Joyful Retiring Life*

(Hong Kong – 18 April 2024) By engaging in early retirement planning, one can achieve financial freedom and relish a worry-free retirement. The Institute of Financial Planners of Hong Kong (IFPHK) is pleased to release the “IFPHK Hong Kong Retirement Expense Index” (Retirement Index) today. The Retirement Index has experienced a noteworthy increase of 8 basis points, reaching a score of 127, reflecting the rising trend of retirement expenses among respondents. The survey reveals that retirees now spend HKD14,700 per month, up by around HKD1,000 compared to the previous year. Notably, the high-spending retiree group spends HKD23,671. Additionally, retirees are increasingly indulging in travelling and cross-boundary trips within the Greater Bay Area (GBA). Retirees, on average, make a trip to the GBA once every two months, contributing an average of RMB1,350 per visit.

Commenting on the findings, IFPHK Chairman Chris Tse stated, “As anticipated, retirement expenses have increased, especially among the high-spending segment, which now allocates HKD23,671 per month, showing a significant rise of HKD3,000 compared to the previous year. Surprisingly, this amount surpasses Hong Kong’s average monthly salaries of HKD\$20,800 in Q4 of 2023. Moreover, each retiree spends RMB1,350 in the GBA, which is more than double the average expenditure of RMB673 for an average Hong Kong residents, as reported by media in Shenzhen. The trend of retirees showing increased enthusiasm for spending following the easing of border restrictions suggests that their confidence in spending is not directly influenced by changes in their asset values.

Tse further emphasized the importance of financial stability and the pursuit of happiness in retirement, stating, “Retirees, upon having sufficient assets, should prioritize their desire for greater happiness and enjoy their retirement life. The IFPHK’s four-year research study reveals that retirees typically spend only half of their preretirement income, while nearly 80% (79%) of respondents still express satisfaction with their current living standards. Therefore, retirees need not to worry if they cannot meet the Income Replacement Rate recommended by The Organization for Economic Co-operation and Development (OECD), which suggests aiming for 70% of preretirement income. Instead, retirement should be focused on happiness, and spending wisely can undoubtedly contribute to a more fulfilling life.”

The survey highlights are as follows:

- **Increase in retirement expenses:** following the lifting of all Covid-19 restrictions, retirees have shown a propensity to spend more, resulting in an increase of 8.2 points in the Retirement Index, from 118.8 in 2022 to 127 in 2023. The actual retirement expense for 2023 amounted to HKD14,687 per month, marking an increase of HKD922 compared to the previous year (HKD13,765).
- **The GBA spending enthusiasm:** with the resumption of normal travel between Hong Kong and Mainland China, retirees have exhibited a heightened interest in travelling, particularly within the GBA. 63% of the respondents reported visiting Mainland China last year. 24% make trips to the GBA every three months, with Shenzhen as the most popular destination. The average expenditure per trip to the GBA stands at RMB1,356, with over one-fifth of respondents spending RMB2,000 or more per visit.
- **Retirement expense consumes just half of preretirement income:** despite the OECD's recommendation for an Income Replacement Rate of 70% of preretirement income, the IFPHK survey reveals that actual retirement expenses in Hong Kong account for only half of retirees' preretirement income. (2023: 49.2%; 2022: 47.9%; 2021:46.1%; 2020: 42.5%). This indicates a unique situation in Hong Kong compared to other regions.
- **Liquid assets and fixed assets:** the survey highlights the preference of traditional Chinese retirees for cash and property investment. 59% of respondents reported possessing over HKD1 million in liquid asset, with cash and deposit comprising 68% of the total asset value, followed by local stocks at 20%. On average, retirees' hold fixed asset valued at HKD5.6 million, with four out of five retirees owning local properties, making it the most common type of fixed asset. Despite the prevalence of local properties, respondents' knowledge of reverse mortgage remains low, with only 14% indicating familiarity with the concept.
- **High-spending retiree group:** retirees with monthly expense exceeding HKD15,000 are categorized as high-spending segment. This group exhibits characteristics such as being relatively younger, expressing higher satisfaction level with their retirement life, enjoying a more stable financial situation and showing a greater willingness to engage the services of professional financial planners. The primary income source for this segment are property investment and investment return. On the contrary, the low-spending segment tends to rely more on support from family members.

- **Estate planning:** the survey reveals a prevailing pessimism among traditional Chinese retirees regarding estate planning. 69% of respondents expressed a future interest in considering estate planning (enduring powers of attorney, advanced directives, wills or legacy planning) in the future. However, less than one out of five retirees (15%) have already made plans for their estate or assets.
- **Professional financial planning advice and financial stability:** 83% of respondents who sought professional financial advice expressed satisfaction with their retirement life, which is 5% higher than the average (79%). Within this group, half (51%) of the respondents considered themselves to be financially stable, surpassing the average (43%). Moreover, they exhibited greater knowledge of financial products compared to other respondents.

About “Hong Kong Retirement Expense Index”

The Index is the first of its kind in Hong Kong to gauge the actual living expenses of retirees since 2020. Commissioned by IFPHK, the NielsenIQ (Hong Kong) Limited has conducted the research and interviewed approximately 300 retirees, who are aged between 55 and 74, on the phone. The Index is commissioned annually and takes reference to the Composite Consumer Price Index (CPI) and the expenditure weights published by the Census and Statistics Department of Hong Kong. With 2020 set as the baseline year, the year-on-year changes of the Index are published annually to provide a benchmark of retirement living expenses for the public. All respondents have not taken any social welfare benefits that require government approval and a personal income before retirement of HK\$18,000 or above. The survey also studies their income source, investment and wealth management habits, and retirement confidence.

About IFPHK

IFPHK was established in June 2000 as a non-profit organization for the fast-growing financial services industry. It aims to be recognized in the region as the premier professional body representing financial planners dedicated to upholding the highest professional standards.

The Institute is the sole licensing body in Hong Kong authorized by Financial Planning Standards Board Limited to grant the much-coveted and internationally-recognized CFP Certification and AFP Certification to qualified financial planning professionals in Hong Kong and Macau.

Currently there are more than 223,700 CFP certificants in 27 countries/regions; the majority of these professionals are in the U.S., Canada, China, Australia and Japan, with approximately 3,800 CFP certificants in Hong Kong.



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IFPHK has 6,700 members in Hong Kong including 1,200 Qualified Retirement Adviser (QRA) holders; and represents financial planning practitioners in diverse professional backgrounds such as banking, insurance, independent financial advisory, stock broking, accounting, and legal services.

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IFPHK HONG KONG RETIREMENT EXPENSE INDEX



SUMMARY

Survey period: Q4, 2023

Sample size: 304

Respondents: retirees aged 55-74

Objectives:

- To delineate the **current retirement life of retirees**
- To establish an index to reflect the **cost of living** level of retirees
- To understand their **sources of funds**



**Retirement
Monthly
Expenses**

\$14,700



**Retirement
Expense Index**

127 (↑8)



**PRE-RETIREMENT
INCOME**

VS

**ACTUAL RETIREMENT
EXPENSE**

Pre-retirement income (100%) →

OECD's income replacement rate (70%) →

Actual retirement expenses (50%) →



LIQUID ASSET

59%

of respondents possess
over **HKD1 million in liquid
asset**

FIXED ASSET

On average, retirees' hold
fixed asset valued at

HKD5.6MILLION



SPENDING IN GBA

Average expenditure is

RMB1,350

63% of respondents visited last year

ESTATE PLANNING



Less than 1/5 (15%) of respondents have
already made plans for their **estate or assets**

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