Allianz Global Investors
Understand. Act.

Press Release

Hong Kong, 6 May 2015

AllianzGI Unveils the "Golden Ten Years" Rule to Boost Retirement Confidence, from Survey Data

- *Hong Kongers are becoming more realistic in their retirement expectations, with expected shortfall reaching HK$1.5 million, down 16.7% from 2014*
- *Inertia in planning is widely reflected at pre-retirement and retirement stages*
- *Retirees' pension investment strategies are even more polarised than pre-retirees' – 53% pension investments are bet on stocks and fixed savings deposits, respectively*
- *Early retirement planners are nearly three times as confident about their retirement*
- *Making pension work harder – pre- and during retirement – helps in achieving desired retirement lifestyle*
- *RMB picks up in popularity (38%) as a preferred post-retirement product to beat inflation*

Catching the "Golden Ten Years" at the right time – both pre- and during retirement – helps in boosting retirement confidence of Hong Kong workers three times and in narrowing down the retirement gap, according to the Allianz Global Investors ("AllianzGI") Retirement Confidence Survey released today. In the second year since its inception, the annual survey looks into the changing perceptions, concerns and behaviours amongst pre-retirees and retirees towards retirement, especially during times of market volatility.

Elvin Yu, Head of Institutional Business, Greater China and South East Asia commented, "Compared with the findings last year, our survey this year shows that the members of Hong Kong's working population are becoming more realistic and pessimistic in their retirement expectations; they are turning passive – shifting from investment mode to cost-control mode – in retirement planning [possibly due to the volatility and uncertainties they see in the global market]. By taking proactive measures, especially at two critical stages in life, i.e. planning early before retirement and staying invested during retirement, the chance to achieve their ideal retirement can be significantly enhanced."

More realistic, pessimistic and passive retirement approach during times of volatility

Amid global market volatility, Hong Kong workers are becoming more **realistic** about their expectations towards retirement in terms of age and funding gap:

- On the average, people expect to extend their work life by two years (2015: 61.4 years vs. 2014: 59 years)
- While most people are still short for one-third (34%) of the expected fund for ideal retirement (i.e. HK$4.5 million), the gap between the average desired retirement funds required and the expected achievement has dropped by 16.7% to HK$1.5 million from HK$1.8 million last year.[1]

Pessimism towards retirement has escalated over the past 12 months. A lesser number of Hong Kong workers feel confident that they can achieve an ideal retirement life (2015: 31% vs. 2014: 34%). One-

[1] An average Hong Kong worker expects to accumulate up to HK$2.97million (2014: HK$3.1 million) by the time he or she retires, representing 34% (2014: 37%) less than needed amount for an ideal retirement, i.e. HK$4.5 million (2014: HK$4.9 million).

third (32%) of the members of the working population even believe that their quality of life would be worse when they retire.

Looking into the survey findings, AllianzGI sees a significant shift from "pro-active" to "**responsive**" retirement planning approach. When asked about what actions need to be taken to bridge the retirement gap, Hong Kongers' preference for cutting down on living expense has nearly doubled (2015: 55% vs. 2014: 30%) since last year, outgrowing their preference in increasing investing pre-retirement (2015: 20%) and during retirement (2015: 40%) by 1.75 times and 0.375 times, respectively. Less people have considered retiring overseas (2015: 37% vs. 2014: 43%) even when close to half (44%) of the respondents consider it as a cost-cutting option.

Inertia in pension planning at pre-retirement and retirement stages

Further investigating the source of this HK$ 1.5million retirement gap this year, AllianzGI observes that Hong Kong workers show a palpable lack of **satisfaction, knowledge, planning and management of their pension (MPF/ORSO) investment**. Only one-third of them see growing their pension wealth – either pre- or during retirement – part of their strategy in extending their pension life:

- **Satisfaction:** Less than half (44%) of the respondents find their current pension schemes useful.
- **Knowledge:** Only four out of ten respondents (41%) know more than four key MPF products.
- **Planning:** Few are **actively managing** their pension investments pre-retirement, with 36% frequently reviewing their MPF/ORSO performance and 30% adjusting investments every 6 to 12 months. Less than one-third (30%) have **planned** on how to exercise their pension rights upon retirement.
- **Management:** While six out of ten people (58%) opt for **one-off withdrawal** of MPF/ORSO benefits and prefer keeping the pension money in their own pockets, few have a **long-term, diversified strategy** in place to continuously grow their pension funds when they retire.
  For example:
  - The **underlying risk** they are taking for their retirement portfolio is highly polarised, with stocks (38%) and fixed savings deposits (37%) being the two most popular asset classes.
  - While **RMB** is gaining increasing popularity (55%) as an investment vehicle, it is picking up as a preferred post-retirement investment product (38%) to beat inflation.

Timing is key: the "golden ten years" rule – pre- and during retirement – in boosting retirement confidence

Rule 1: Early Pre-retirement Planning

More than three-quarter (77%) of Hong Kong workers agree that "retirement should start earlier". However, few put it into action. Only one-third (33%) of Hong Kong workers are contributing to their retirement plan through investments or savings on a monthly basis. The majority is still at planning (24%), thinking (20%) and talking stage (4%). Almost one-fifth (19%) simply have done nothing about retirement.

Comparing those Hong Kong workers who have retirement plans in place with those who do not, the survey observes a "**golden ten years rule**" in boosting retirement confidence: on the average, these retirement planners started planning approximately ten years earlier than the date that those who do not have retirement plans think they are planning to start (36 years vs. 47 years). As a result, these retirement planners are nearly three times (42% vs. 16%) more confident than their peers, and they also have a relatively brighter outlook on the quality of their retirement life (75% vs. 59%).

Rule 2: Staying invested during retirement

According to the survey, for an average individual with a monthly spending of HK$17,500 post-retirement, the expected retirement funds would only support him / her for 14 years after retirement. Therefore, taking advantage of these **"ten golden years"** during retirement not only for enjoying life but also for further wealth accumulation is crucial to prolong the lifespan of retirement funds.

Currently, many Hong Kong retirees are adopting an even more polarised wealth accumulation strategy – focusing on stocks (53%) and fixed savings deposits (53%) – than pre-retirees. Coupled with their relative lack of product knowledge (retirees: 15% vs. pre-retirees: 41%), Hong Kong retirees are achieving a lower average return on investment (ROI) of 7.3% (i.e. 2.4% p.a.) for the past three years at a rate that could hardly beats inflation.

Elvin Yu elaborates "Moving onto the retirement stage, as retirees transition from being "in" the workforce to "out" of the workforce, it is important for them to adjust their mentality moving onto the retirement stage when they are to protect and preserve their pension wealth in a disciplined and risk-controlled manner. It is also important to implement a low-volatility investment strategy that generates stable income in the "golden ten years" post retirement to further extend the life of their pension."

The AllianzGI 'Retire Plus' Service enables clients to stay invested after retirement while enjoying flexible financial arrangements. "We expect this service could effectively achieve continued capital growth for retirees and extend capital depletion post-retirement by as much as 70%, which allows retirees to achieve their desired retirement lifestyle in many more golden years to come."

– End –

For further information, please contact:

Vikki Ng
Allianz Global Investors
Tel: +852 2238 8694
Email: vikki.ng@allianzgi.com

Francis Lee
Finsbury
Tel: +852 3166 9816
Email: francis.lee@finsbury.com

About Allianz Global Investors

Allianz Global Investors is a diversified active investment manager with a strong parent company and a culture of risk management. With 23 offices in 17 countries, we provide global investment and research capabilities with consultative local delivery. We have more than EUR412 billion in AUM[1] for individuals, families and institutions worldwide and employ over 500 investment professionals.

At Allianz Global Investors, we follow a two-word philosophy: Understand. Act. It describes how we look at the world and how we behave. We aim to stand out as the investment partner our clients trust by listening closely to understand their challenges, then acting decisively to provide them with solutions that meet their needs.

MPF business in Hong Kong

As a pension specialist in the Hong Kong market for more than 30 years, AllianzGI currently serves over 82,000 MPF members through its strong pension investment management team with an average of over 18 years of experience, as well as a comprehensive and accessible client service support platform. It has a strong, proven track record with over 15 pension-related awards over the past three years.

For more information, please visit the company's website: www.allianzgi.hk

[1] As at 31 December 2014

About Allianz Global Investors Retirement Confidence Survey

At its second year, the annual Allianz Global Investors Retirement Survey is designed to understand the changing perceptions, concerns and behaviours amongst individuals towards retirement. The survey took place between December 2014 to January 2015, where AllianzGI commissioned Neilson, an independent market research company, to interview a random sample of 810 respondents aged 25 – 65 with monthly personal income of HK$12,000 or above. It also interviewed an addition of 116 respondents aged 55 – 75 who are retired. The survey serves as a "reality check" for the Hong Kong population in achieving their retirement goal, which forms a basis for AllianzGI to act, or to provide them with appropriate retirement solutions.

Understand. Act.

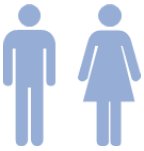
- All investment involves risks. Past performance is not indicative of future performance.
- The views and opinions expressed in this document, which are subject to change without notice, are those of Allianz Global Investors Hong Kong Limited and/ or its affiliated companies at the time of publication.
- Some of the information contained herein including any expression of opinion or forecast has been obtained from or is based on sources believed by us to be reliable, but is not guaranteed and we do not warrant nor do we accept liability as to adequacy, accuracy, reliability or completeness of such information obtained from or based on external sources.
- The information contained herein including any expression of opinion is for information purposes only without consideration given to specific investment objectives, financial status or particular needs of any person, and is given on the understanding that it is not a recommendation nor investment advice and any person who acts upon it or otherwise changes his or her position in reliance thereon does so entirely at his or her own risk without liability on our part.
- This is not a recommendation or offer to buy or sell or a solicitation or incitement of offer to buy or sell any particular security, strategy, investment product or services.

Issuer of this material: Allianz Global Investors Hong Kong Limited

Appendix:

What do the pre-retired and the retired population say?

In addition to the standard working population, this year, the AllianzGI retirement confidence survey specifically looks into how the pre-retirees and the retirees view retirement (using graphics to illustrate the following):



Pre-retirees fall short of retirement funds by only one-third but the absolute amount is significant. Time plays to their advantage in accumulating wealth, and so do awareness of early retirement planning and stronger financial literacy, which result in better ROI.

What they feel:

- Buying a property (42%) as a life goal
- Financial asset (66%) and property (53%) are most important
- Worried about health (67%) and mobility (54%), but also concerned about inflation (49%)

How they plan:

- 77% have retirement plans
- Those with retirement planning (42%) are nearly three times confident as those without (16%)
- Those with retirement planning started earlier (age 36) while those without plan to start later (age 47)
- A lesser number (33%) have started retirement contribution, falling short for the retirement funds by one-third (34%)
- The number of pre-retirees showing stronger preference for cutting down on living expenses represents 1.75 times and 0.375 times of the people who show preference in increasing investing pre-retirement and during retirement, respectively
- 77% think retirement planning should be started earlier
- Lacks MPF product knowledge (41% know four key MPF products or more)

What they do:

- Hold savings (77%), stocks (73%) and RMB (55%) as core assets
- Polarised pension investment strategy, with stocks (38%) and fixed savings deposits (37%) being the two most popular asset classes

Retirees fall short of retirement funds by half, although more of them are making contributions as they generally start planning relatively later and lack diversified investment strategy, resulting in lower ROI

What they feel:

- Staying healthy (65%) as a life goal
- Financial asset (53%), family (41%) and property (41%) are most important
- Worried more about health (75%) and mobility (59%); less so on inflation (32%)

How they plan:

- A lesser number (64%) have retirement plans
- Those with retirement planning (48%) are nearly three times fulfilled as those without (18%)
- Those with retirement started at age 43
- Despite more (40%) retirement contributions, they still fall short for the retirement funds by half (48%)
- The number of retirees showing stronger preference for cutting down on living expenses represents three times the number of people who show preference in continuing investment
- Only 64% think earlier retirement planning improves the living standard of retirement life
- Even less MPF product knowledge (15% know four key MPF products or more)

What they do:

- Hold mainly savings (93%), stocks (65%), time deposits (62%) and RMB (43%) as core assets
- Even more polarised pension investment strategy, with stocks (53%) and fixed savings deposits (53%) being the two most popular asset classes