

Press Release

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AllianzGI: HK's Working Population Seek Return to Bridge the Retirement Gap as Saving Alone Can't Save their Future

Despite saving 20% of income, financial security in retirement is five times more important than bonding with families for today's working population in HK

- *Two-third of HK's working population feel financially insecure about retirement*
- *"Generation Y", "property-less" and "kid-less" amongst the most concerned*
- *Expected average retirement shortfall reaches HK\$1.8 million*
- *Discipline and knowhow in investment is key in bridging the gap*

Hong Kong's working population are prepared to save or invest more to bridge their retirement reality gap. However, discipline and knowhow in investing, not just saving will be key to success, according to the inaugural Allianz Global Investors ("AllianzGI") Retirement Confidence Survey released today.

At the launch of a year-through retirement planning and education campaign, the AllianzGI Retirement Confidence Survey looks into the changing perceptions, concerns and behaviours amongst individual towards retirement especially at the time when the city has officially become an "aged" population, following Japan.

Elvin Yu, Head of Institutional Business, Greater China and South East Asia commented, "The survey helps us understand that while the average Hong Kong worker is looking for a relatively practical and modest lifestyle in retirement, the average minimum amount required for retirement (i.e. less than HK\$5 million) really keeps them awake at night. As the cost of living in Hong Kong continues to rise, it is clear that income from existing pension systems will only cover the tip of the iceberg of costs for today's working population when they retire. To "plan for your future, today" is therefore more important than ever especially for those who want financial security upon retirement."

Financial assets and property: sources of [in]security for retirement

When asked about what defines an ideal retirement lifestyle, the majority of Hong Kong's working population cited financial security with sufficient assets (64%) and a property (56%) as the most critical component relative to other fulfillments in life (traveling: 31%; pursuing personal interest: 33%; and even bonding with children and grandchildren: 12%). At the same time, financial independence with minimal support to (35%) and from (11%) children also seems to play a key role to an ideal retirement.

As much as financial security is important to the respondents, many of them feel financially insecure when it comes to retirement. Only one third (34%) of the respondents are confident that they can acquire

sufficient financial assets, and less than one third (30%) of those who do not currently own a property believe they are likely to own one by the time they retire.

“Generation Y”, “property-less” and “kid-less” suffer from the widest retirement reality gap

The lack of financial confidence is further endorsed by the significant retirement gap between the amount Hong Kong working population wish and expect to accumulate by the time they retire.

Based on the survey findings, an average Hong Kong worker with a monthly income of HK\$29,000 typically expects to accumulate up to HK\$3.1 million by the time he or she retires, which equals to close to HK\$10,000 monthly savings on top of the standard MPF scheme. Setting inflation aside, the amount would still be 37% (HK\$1.8 million) less than needed for an ideal retirement (i.e. HK\$4.9 million).

Specifically, the following three groups stand out with their retirement concerns and reality gap:

- **Generation Y:** Amongst all age groups those working population aged 25-34 see having a strong financial backing the most critical for achieving their ideal retirement life, with other fulfilments in life the least important. They are also the least financially confident, and suffer from the widest retirement reality gap compared with other age groups (aged 25-34: HK\$2.1 million, aged 35-44: HK\$2 million, aged 45-54: HK\$0.6 million)
- **Property-less:** For the working population who do not currently own any property, retirement priorities are even more polarised: financial security appears to be even more critical than other fulfilments in life compared with those who currently own a property, and their retirement reality gap appears to be wider than those who have a property (With property: HK\$1.7 million and without property: HK\$2 million)
- **Kid-less:** Interestingly, contrary to expectations, the survey finding shows that respondents without children seem to be more worried financially and their retirement reality gap appears to be much wider than those who have children (With children: HK\$1.5 million; without children HK\$2 million)

“Even for individuals with decent monthly income and regular savings habits, their ideal retirement still seem to be a fantasy from a funding perspective. An average individual who makes HK\$ 29,000 per month would need to increase their monthly savings up to HK\$16,000 in order to reach his ideal retirement amount, which is more than half of his monthly income. It is reasonably fair to say that relying on savings alone will not get you anywhere close to your ideal retirement,” **Elvin continued.**

Discipline and knowhow to investment is key in bridging the gap

When asked about what actions to be taken to bridge the retirement gap, the majority of Hong Kong workers acknowledge saving or investment (73%) is the way to go as compared with cutting back on existing living expenditure (30%) or delay in retirement (40%). Interestingly, Four out of five (78%) generation Y are prepared to save or invest more, which is the highest amongst all age groups.

Looking into their savings and investment behaviour, respondents on average dedicate almost 20% of their monthly income to savings and investment respectively:

- Reactive pension management: About 27% of their existing savings contribute to their respective pension scheme (ORSO / MPF) which 48% of the respondents manage on reactively basis, without changing their investment portfolio over the past two years due to the lack of technology or investment knowhow
- Equity focused investment portfolio: On active investment, five years on from the global financial crisis, stock (74%) remains a more popular investment vehicle than bond (34%) and mutual fund (43%). Amongst 60% of respondents who own property, only 11% see property as investment

“When it comes to growing your financial assets for retirement, discipline and knowhow are key. As a multi-asset investment manager, we encourage those who care about their retirement to constantly review their pension and investment portfolio to ensure they are in line with your risk reward profile. Discipline in asset and risk diversification are critical to achieve return amid the increasingly volatile economic cycle. Upon retirement, one should also look into ways to stay invested in order to seek stable yields and keep growing assets in a long run,” **Elvin concluded.**

During the period from December 2013 to January 2014, a total of 806 working adults aged between 25-54 were interviewed online through Yahoo Hong Kong, a portal which reaches 95% of Hong Kong internet users (Source: comScore Media Metrics February 2014). Among the respondents, 51% are males, 49% females. 43% are aged 25-34, 42% are 34-44, and 15% are over 45 years old. Over 60% of the respondents are well-educated with university or above.

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Allianz Global Investors (“AllianzGI”), an integral part of Allianz Group’s global asset management business, is a diversified, multi-asset active investment manager with a culture of risk management. With 23 offices in 18 countries, we provide global investment and research capabilities with consultative local delivery. As of 31 December 2013, we have more than EUR 345 billion in asset under management for individuals, families and institutions worldwide and employ over 500 investment professionals.

Understand. Act.

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MPF business in Hong Kong

As a pension specialist in the Hong Kong market for almost 30 years, AllianzGI currently serves over 78,000 MPF members through its strong pension investment management team with on average over 22 years of experience as well as a comprehensive and accessible client service support platform. It has a strong, proven track record with majority of the funds outperformed the industry median over the past three and five years and over 30 pension-related awards over past five years.

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

About Allianz Global Investors Retirement Confidence Survey

As the kick-off of AllianzGI’s retirement campaign 2014, the inaugural 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 2013 and January 2014, where AllianzGI commissioned Nielsen, a leading global provider of information and insights into what consumers watch and buy, to interview a random sample of 806 respondents aged 25-54 with monthly personal income of HK\$12,000 or above. It serves as a “reality check”

for Hong Kong population in achieving their retirement goal, which forms a basis for AllianzGI to act, or to provide them with appropriate retirement solutions.

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