

# AXA Retirement Scope Survey 2007-2008



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# Introduction:

## Objectives of AXA Retirement Scope Survey 2007-2008

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### AXA Retirement Scope Survey 2007-2008:

- Explores and understands attitudes towards retirement.
- Compares the perception of the working group towards retirement and the real life being experienced by the retirees.
- Analyzes the results for Hong Kong from an international point of view.
- Follows main trends over time.

# World-wide: 26 countries and regions surveyed

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The AXA Retirement Scope Survey 2007-2008 was conducted in the following 26 countries and regions:

Australia, Belgium, Canada, China, Czech Republic, France, Germany, Hong Kong, Hungary, India, Indonesia, Italy, Japan, Malaysia, Morocco, New Zealand, the Philippines, Poland, Portugal, Singapore, Slovakia, Spain, Switzerland, Thailand, UK and USA.



# Methodology

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## Sample structure

313 working people aged 25 and over / 307 retirees aged under 75

	Working	Retired
Distribution by gender (in %)	(Quotas)	(Quotas)
Male	49	52
Female	51	48

	Working	Retired
Distribution by age (in %)	(Quotas)	(Quotas)
25-34 years	27	1
35-44 years	33	3
45-54 years	31	11
55-64 years	8	41
65 years-75 years	1	45

## Fieldwork dates

July, 11<sup>th</sup> to August, 26<sup>th</sup> 2007

## Key Findings

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- **The Hong Kong working group:**  
**More positive and plan for retirement earlier but the least aware of future income after retirement**
- **The Hong Kong retirees:**  
**Rank highest proportion among surveyed markets in experiencing a deterioration in quality of life after retirement**

## **The Hong Kong working group: More positive towards retirement**

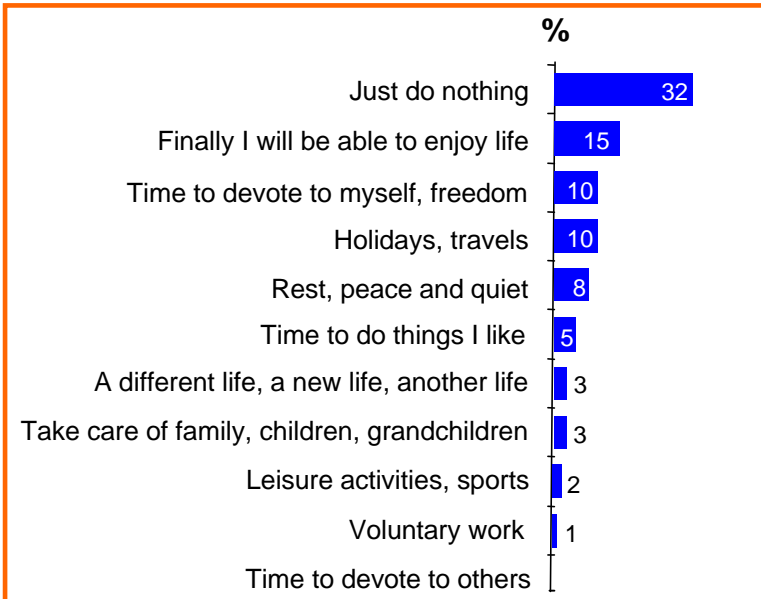
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- **The Hong Kong working group was more enthusiastic about retirement as compared with 2006.**
- **The monthly savings for retirement increased.**
- **The individual annuity had the most significant increase among the vehicles adopted to secure retirement income, as compared with 2006.**

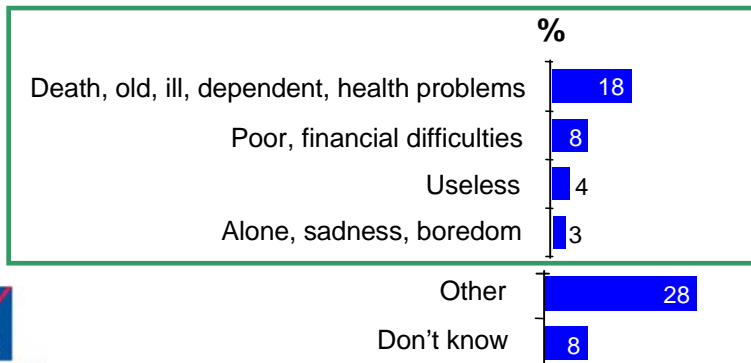
# The Hong Kong working group was more enthusiastic about retirement as compared with 2006.

## Working

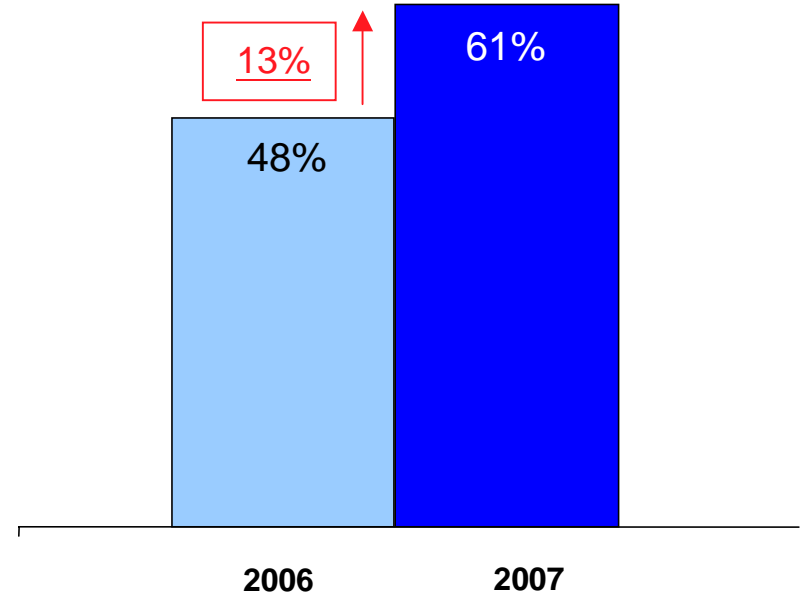
### Positive associations: 61%



### Negative associations: 25%



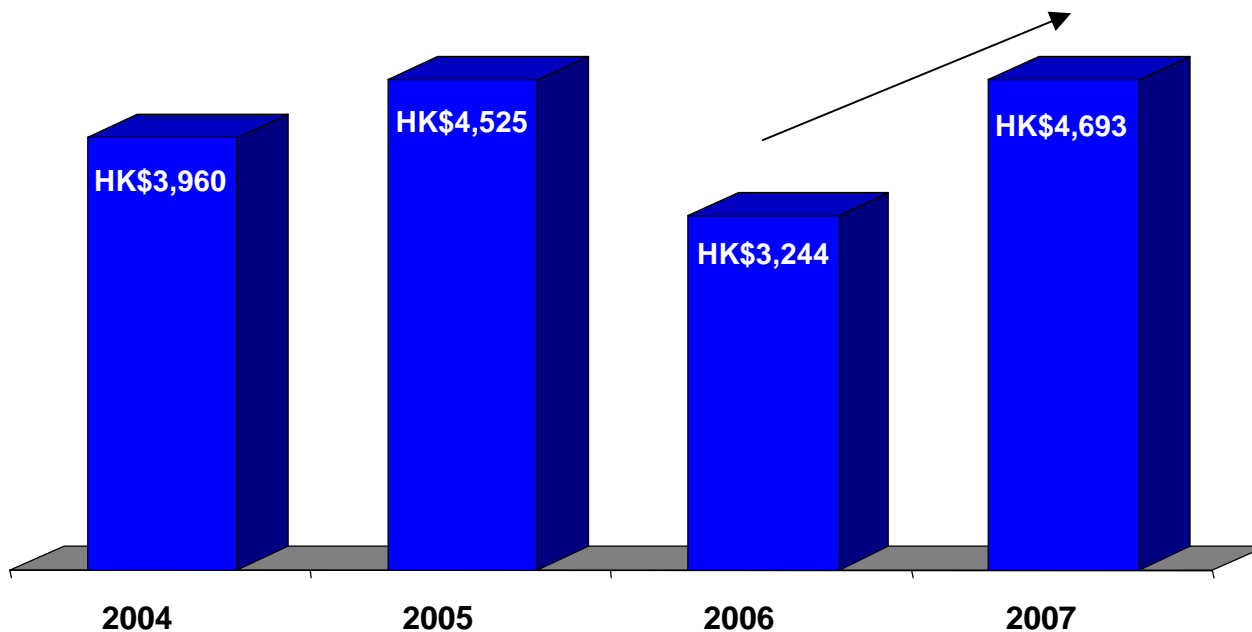
### Positive associations with retirement (%)



The monthly savings for retirement increased as compared with 2006.

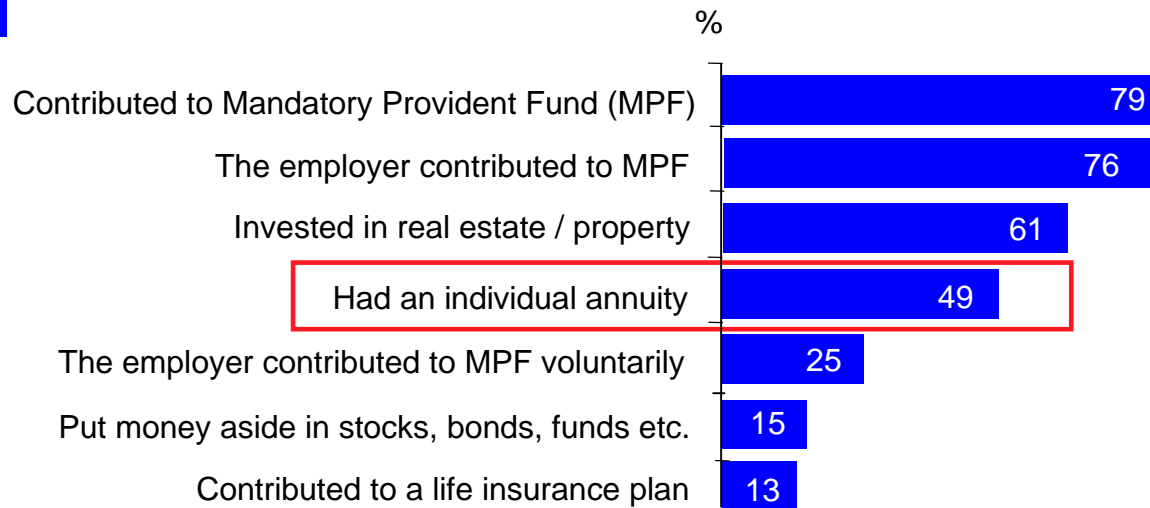
Working

Average monthly amount saved for retirement in HKD

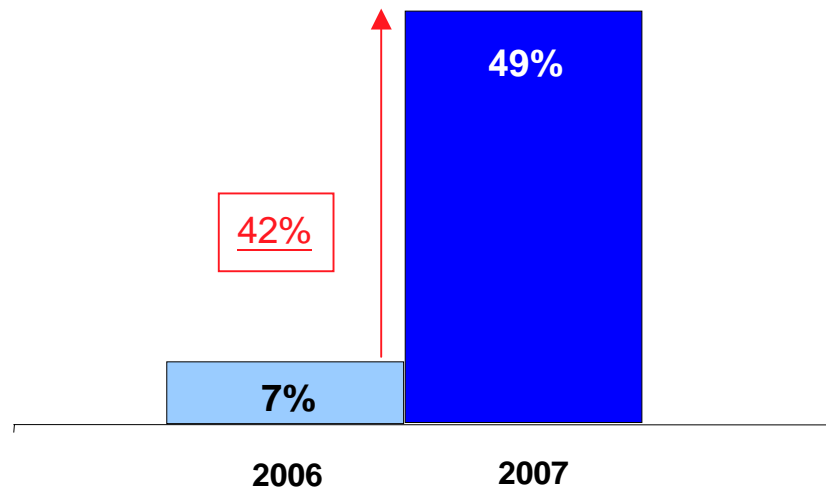


The employees and the employers' contributions to MPF were the 2 major sources to secure retirement income, but the individual annuity had the most significant increase among the vehicles adopted as compared with 2006.

## Working



## The working group who adopted the individual annuity to secure the retirement income (%)



**The Hong Kong working group started retirement planning at an early age of 33 on average, but was the least aware of future income after retirement.**

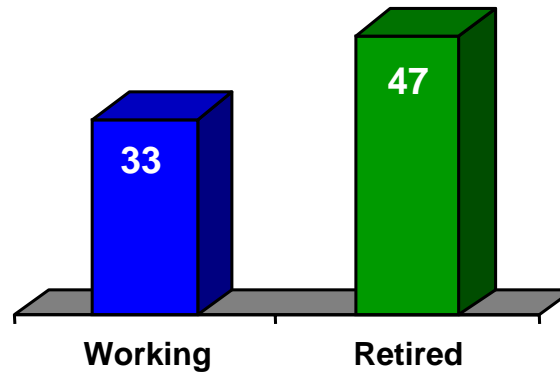
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- **Half of the Hong Kong working group believed their retirement income would be sufficient.**
- **But only 15% claimed that they knew the amount of their future retirement income.**
- **34% of them expected a deterioration in their quality of life after retirement – the highest ranked among all surveyed markets.**

65% have started preparing for retirement and they tended to start earlier than the retirees (33 vs. 47).

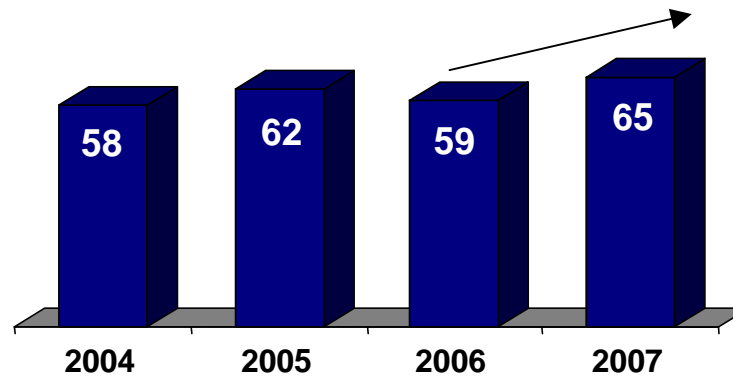
**Working**

Average age at which people began to prepare for retirement



Base: n=164 Working who began to prepare for retirement  
n= 298 Retired who prepared for retirement

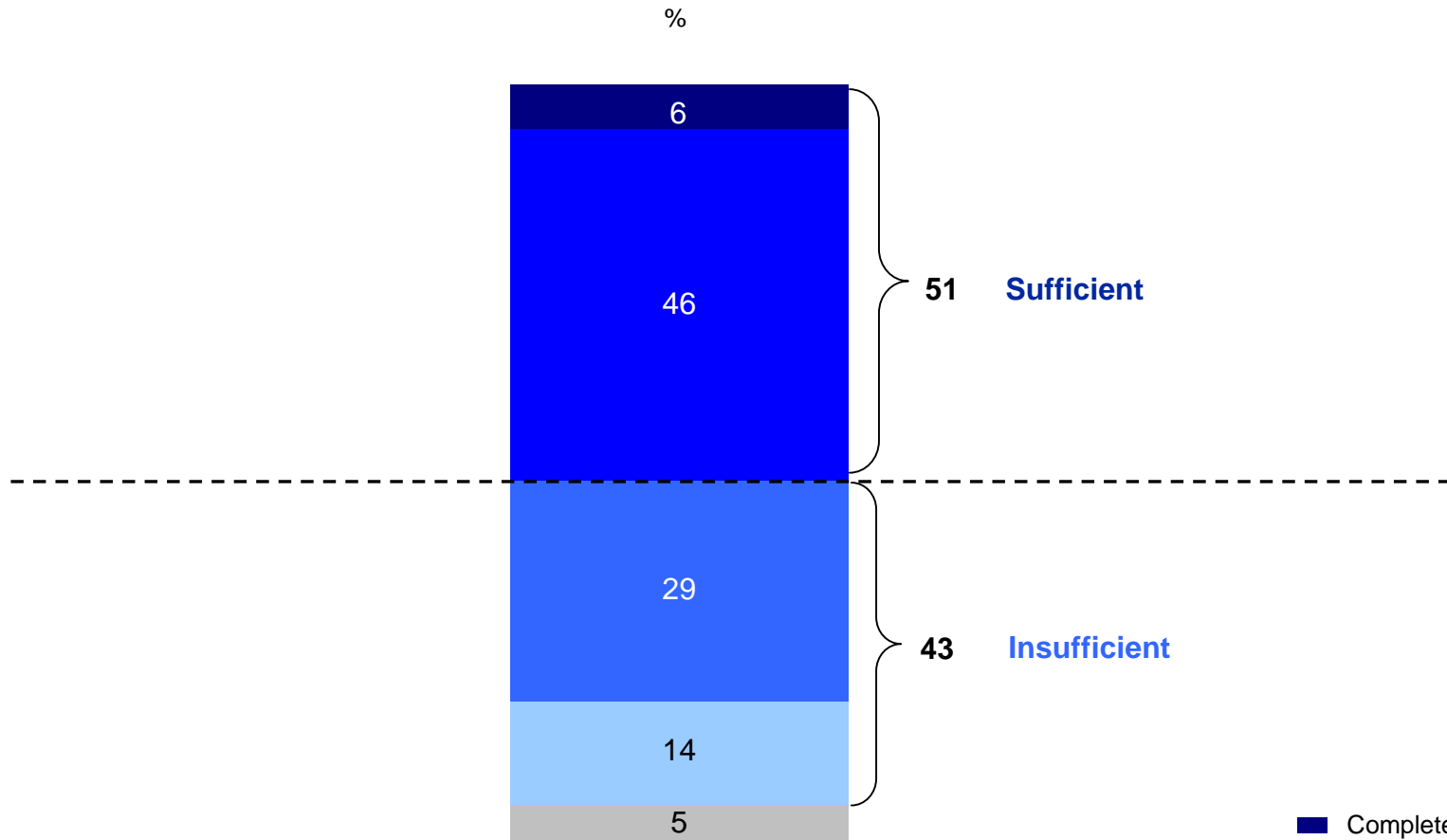
The working group who has already begun preparing for retirement (%)



Base: n=253 working

# 51% believed that their retirement income would be sufficient.

## Working



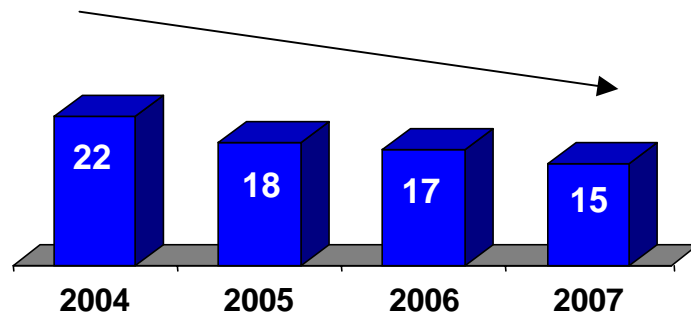
- Completely sufficient
- Sufficient
- Insufficient
- Completely insufficient
- No answer

A declining trend was noted in the awareness of retirement income in Hong Kong. Hong Kong had the lowest proportion of the working group who was aware of this amount among all surveyed markets.

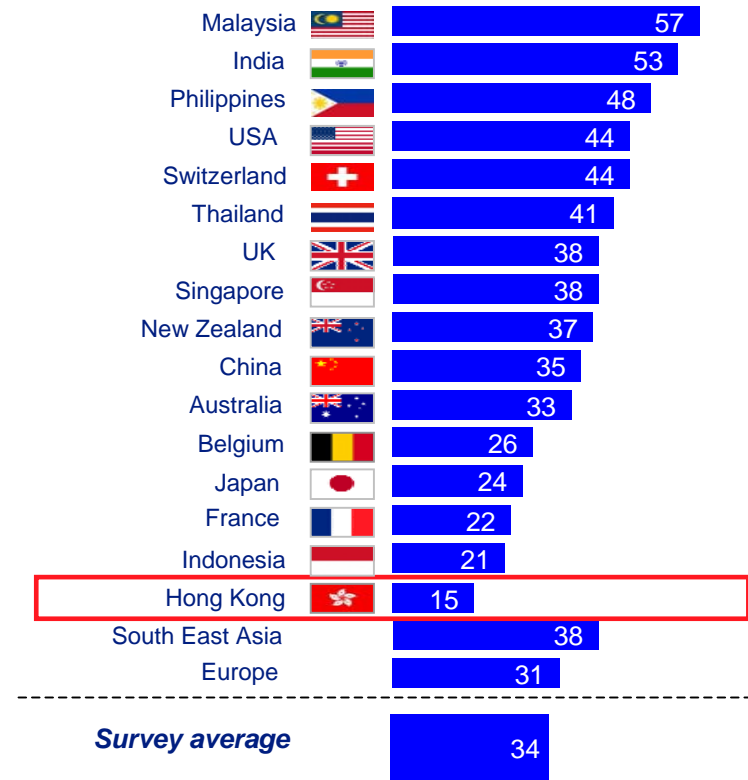
## Working

### The working group who knew the amount of future retirement income (%)

Only 15% of the working group knew the amount of their future retirement income



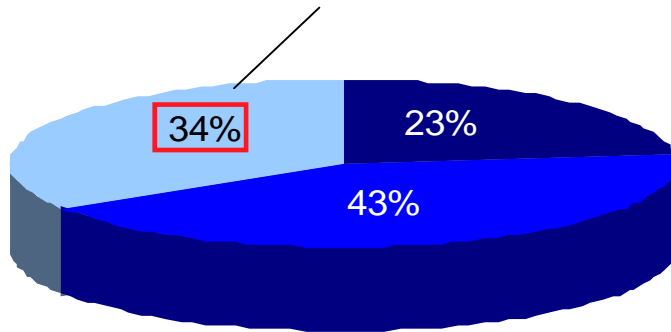
### International comparison



# 34% expected a deterioration in their quality of life after retirement - the highest ranked among all surveyed markets.

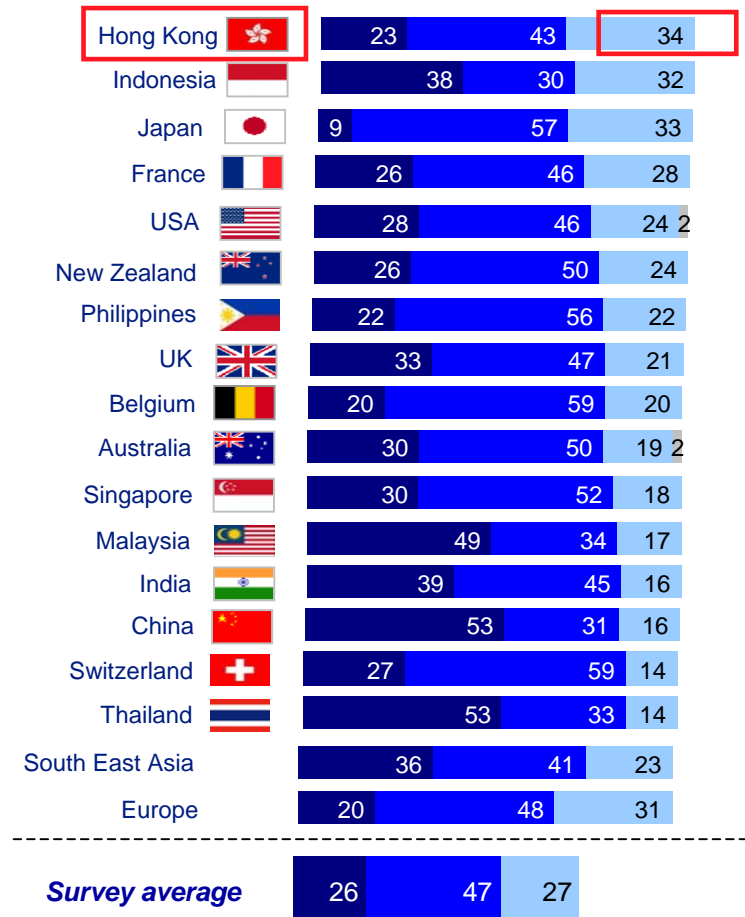
## Working

Expected the quality of life would decrease after retirement



- Will improve
- Will remain the same
- Will decrease
- Don't know

## International comparison (%)



## **The Hong Kong Retirees: Rank highest proportion among surveyed markets in experiencing a deterioration in quality of life after retirement**

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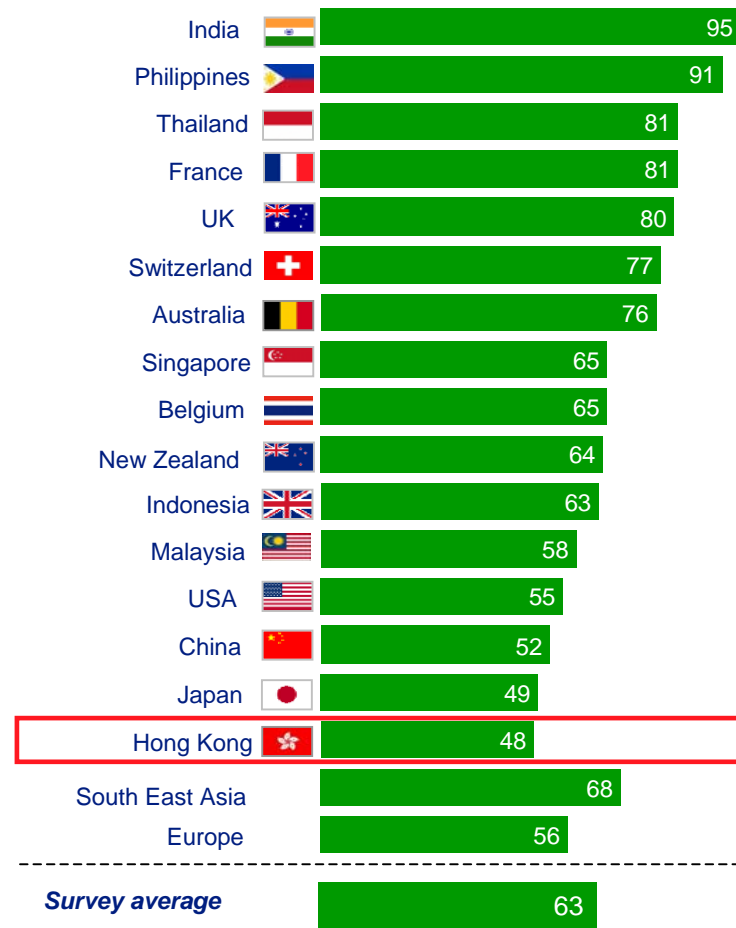
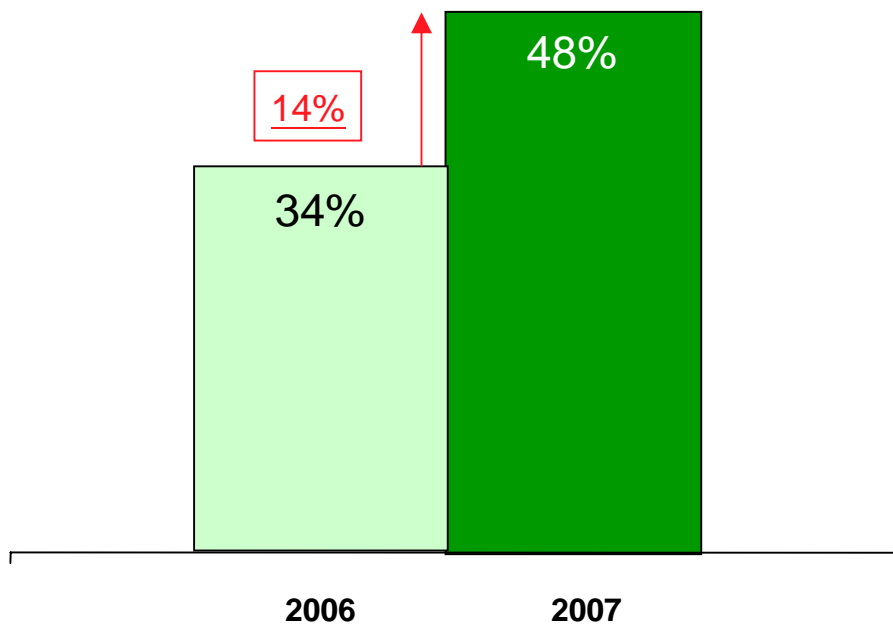
- **The Hong Kong retirees were more positive towards retirement as compared with 2006, but the proportion of retirees having positive associations remained the lowest among all surveyed markets.**
- **The monthly retirement income increased.**
- **But nearly 60% of retirees claimed an insufficient retirement income.**
- **44% of retirees claimed a deterioration in their quality of life after retirement, the highest among all surveyed markets.**

The Hong Kong retirees were more positive towards retirement as compared with 2006, but the proportion of Hong Kong retirees having positive associations remained the lowest among all surveyed markets.

Retired

Positive association with retirement (%)

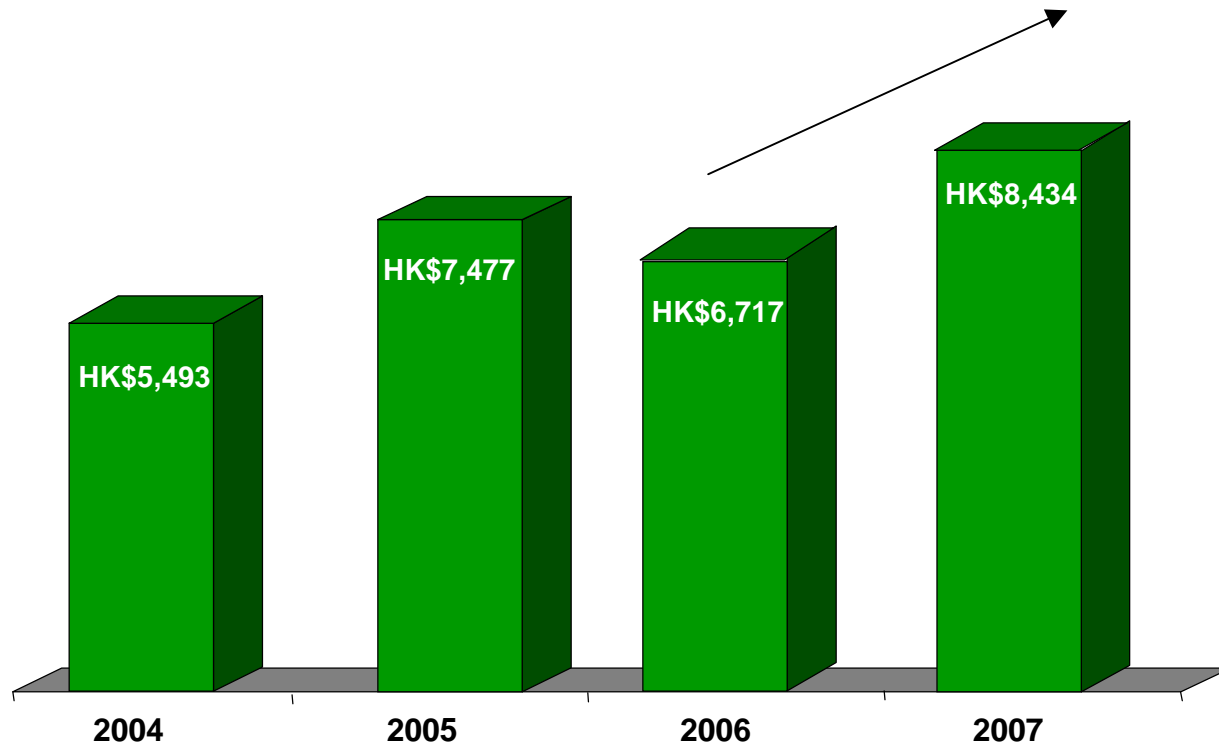
International comparison



The monthly retirement income increased by 26% against 2006.

Retired

Mean amount of monthly retirement income in HKD

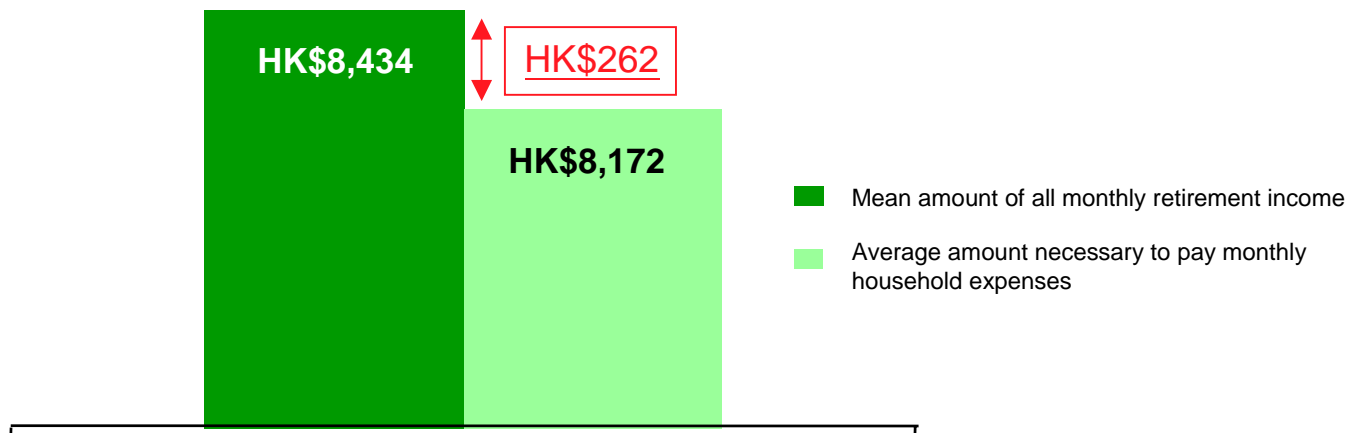


Base: n=298 retired

# The monthly retirement income was barely enough to cover household expenses.

## Retired

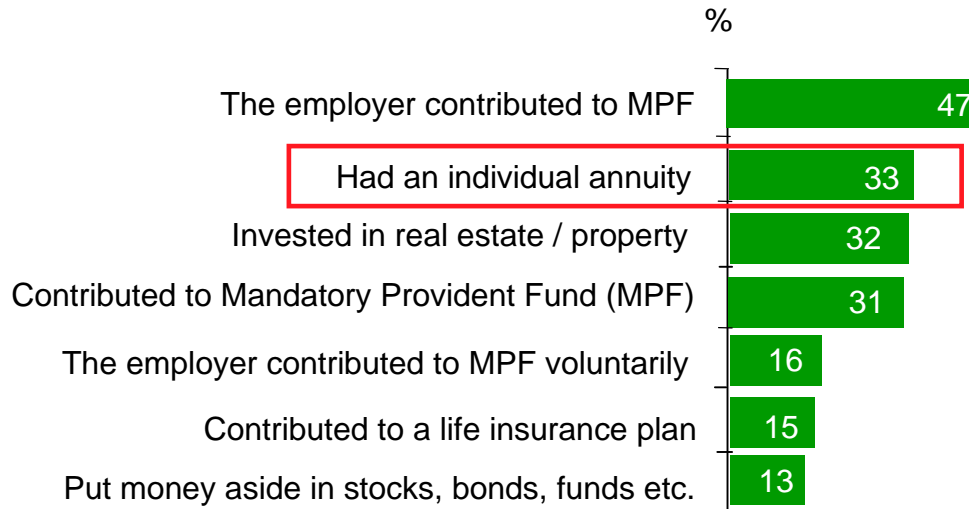
### Mean amount of monthly retirement income and household expenses in HKD



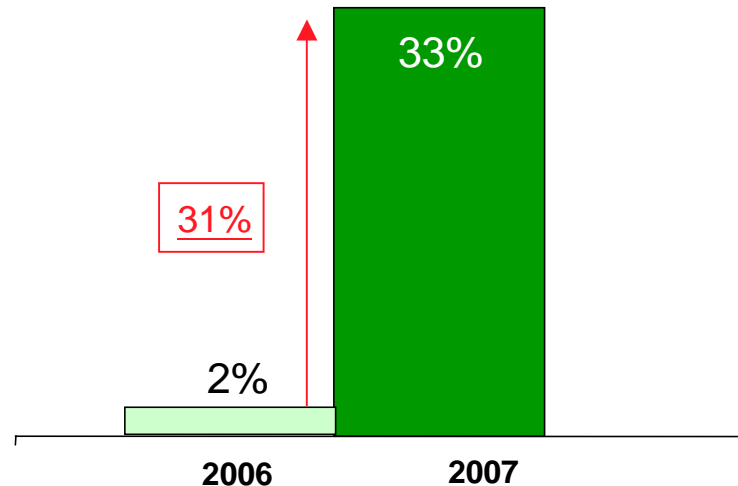
Year	Monthly Retirement Income	Monthly Household Expenses	Monthly Retirement Income – Monthly Household Expenses
2007	HK\$8,434	HK\$8,172	HK\$262
2006	HK\$6,717	HK\$7,738	- HK\$1,021
2005	HK\$7,477	HK\$7,151	HK\$326
2004	HK\$5,493	HK\$8,635	- HK\$3,142

The employers' contributions to MPF and the individual annuity were the 2 major sources to secure retirement income. The individual annuity had the most significant increase among the vehicles adopted as compared with 2006.

Retired



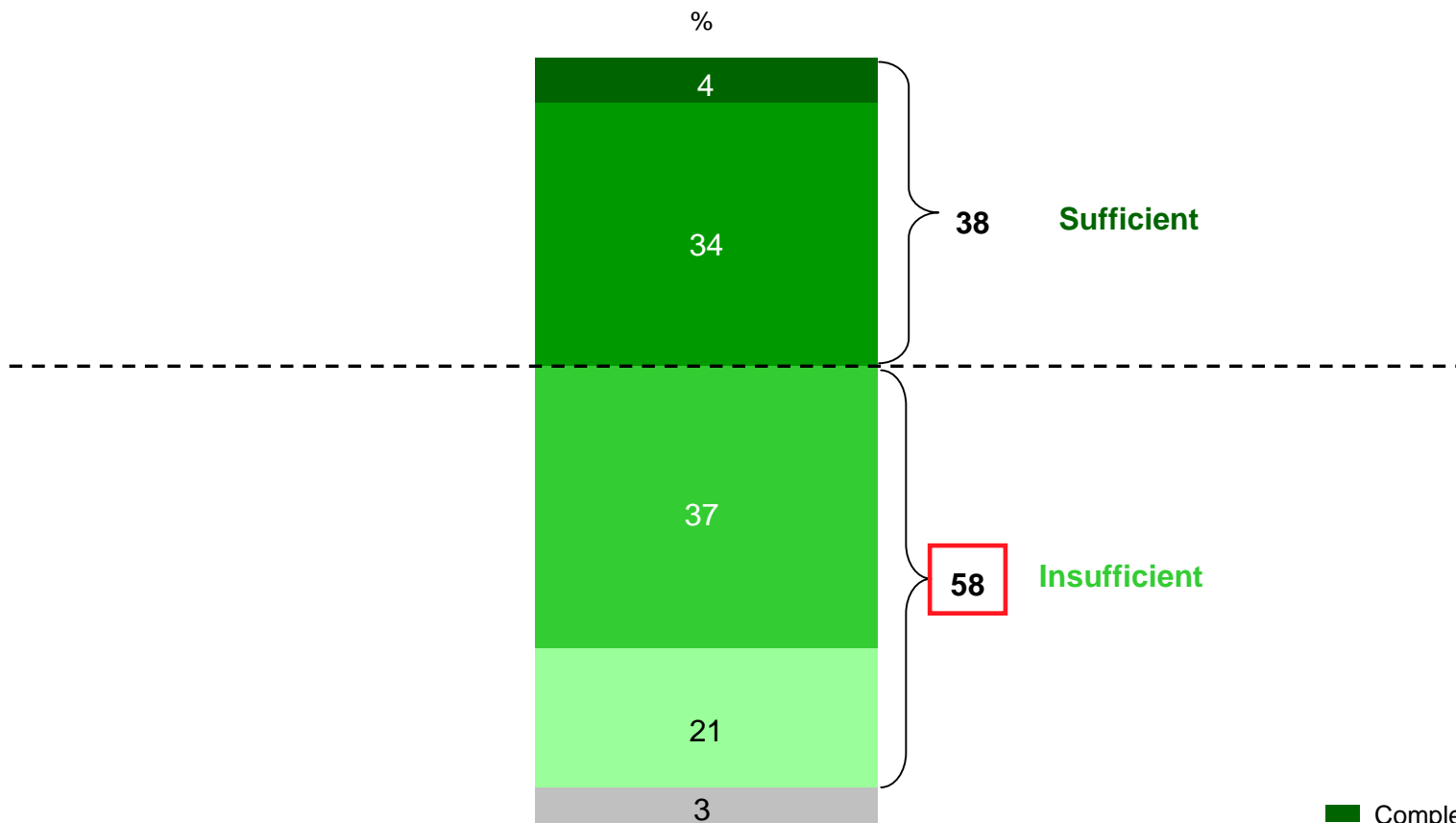
The retirees who adopted the individual annuity to secure the retirement income (%)



Base: n=298 retired

# Nearly 60% claimed an insufficient retirement income.

## Retired

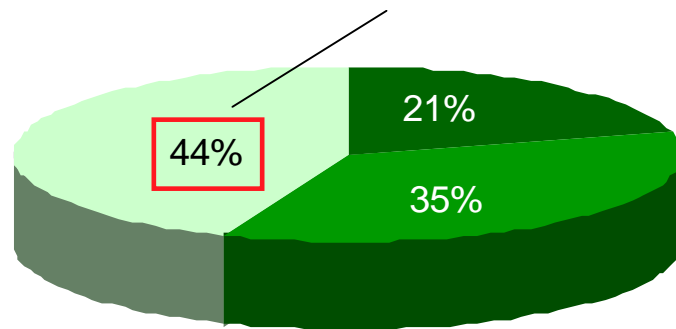


- Completely sufficient
- Sufficient
- Insufficient
- Completely insufficient
- No answer

# 44% claimed a deterioration in their quality of life after retirement - the highest among all surveyed countries.

## Retired

The quality of life had decreased after retirement



- Has improved
- Has remained the same
- Has decreased
- Don't know

### International comparison (%)

Hong Kong	21	35	44
Philippines	13	55	32
France	31	37	32
India	21	51	28
China	42	31	28
Indonesia	23	52	25
Malaysia	33	44	24
Australia	42	34	24
New Zealand	30	46	24
UK	41	36	24
USA	35	40	24
Singapore	30	48	21
Japan	17	62	21
Thailand	45	35	20
Belgium	28	56	15
Switzerland	35	54	11
South East Asia	28	45	28
Europe	24	44	32
<b>Survey average</b>	<b>27</b>	<b>44</b>	<b>30</b>

# Conclusions

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- Hong Kong working group was more positive and planned for retirement earlier, but was the least aware of future income after retirement.
- A significant proportion of Hong Kong retirees claimed an insufficient retirement income and a deterioration in their quality of life after retirement
- There is a gap between the perception of the working group towards retirement and the real life being experienced by the retirees.
- The first and most important step for retirement planning is to understand how much income one needs for retirement and the methodology to work out appropriate retirement solutions.

# AXA Retirement Scope Survey 2007-2008

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How much future retirement reserve is needed?

# How much future retirement reserve is needed?

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## Assume...

You are	33 years old
Current income	HK\$240,000 p.a. (Increased by 5.00% p.a.)
MPF contributions	Employee: HK\$12,000 p.a.
	Employer: HK\$12,000 p.a.
MPF return	Pre-retirement: 9.90% p.a. <sup>1</sup>
	Post-retirement: 5.00% p.a.
Non-MPF return	5.00% p.a.
Inflation rate	3.89% p.a. <sup>2</sup>

<sup>1</sup> The rate of return from MPFA MPF Schemes Statistical Digest December 2007

<sup>2</sup> The annualized composite consumer price index in the past 20 years (1988 to 2007)

# How much future retirement reserve is needed?

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If you are 33 years old...

Retirement age	Life expectancy	Monthly retirement income	Total future retirement reserve needed*
54 (Ideal age)	85	HK\$8,000	HK\$5,834,688
		HK\$15,000	HK\$10,940,041
58 (Expected age)	85	HK\$8,000	HK\$6,068,231
		HK\$15,000	HK\$11,377,934

\* Subject to the relevant assumed inflation rate and rates of return

# How much future retirement reserve is needed?

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If you are 33 years old...

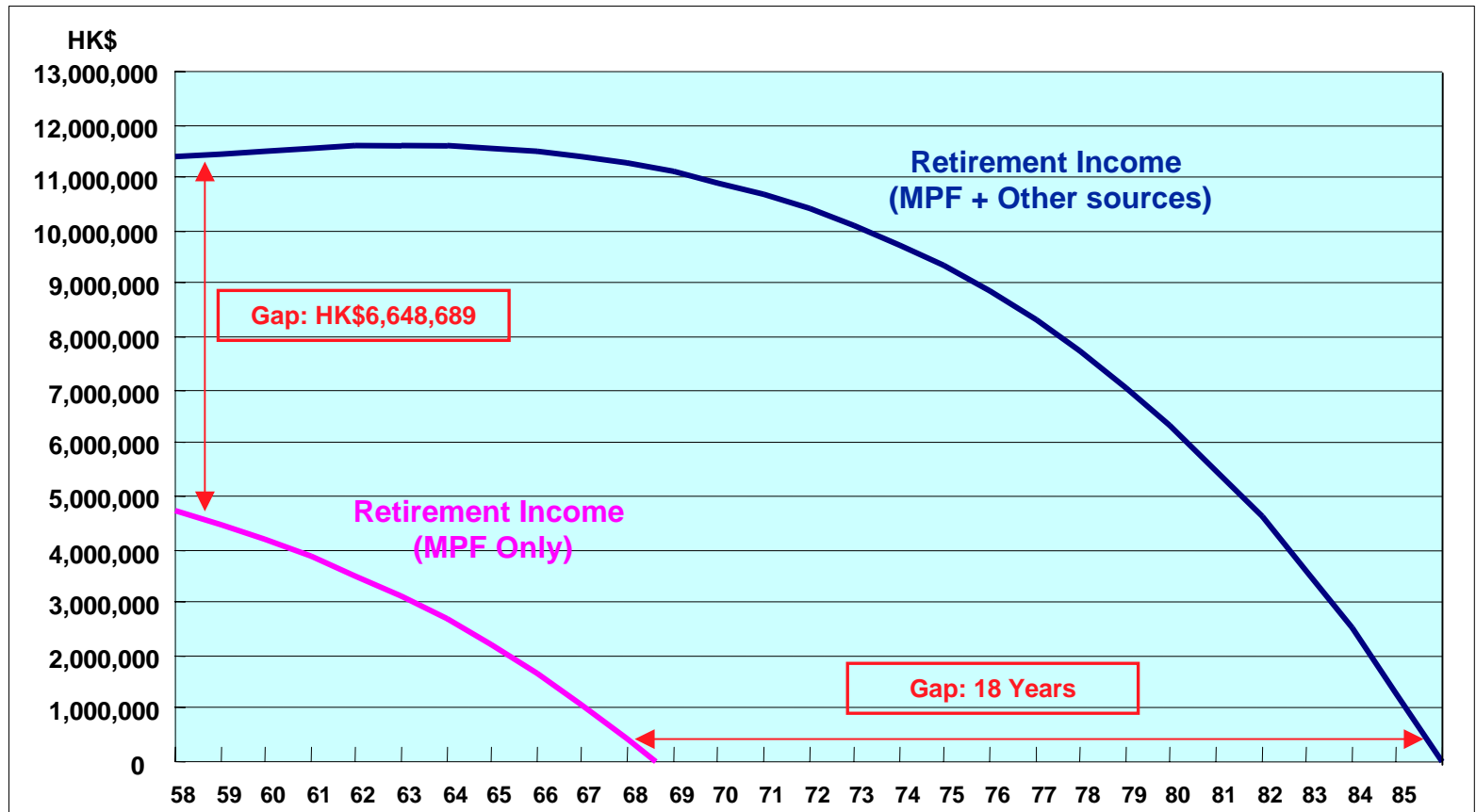
<b>Expected retirement age</b>	<b>58</b>
<b>Expected monthly retirement income in HKD (at current age)</b>	<b>15,000</b>
<b>Total future retirement reserve needed in HKD*</b>	<b>11,377,934</b>
<b>Total accrued benefits in MPF accounts in HKD*</b>	<b>4,729,245</b>
<b>Total future retirement reserve surplus / (Gap) in HKD*</b>	<b>(6,648,689)</b>

# If MPF is our sole retirement income source, the retirement income can only last for 10 years to 68 years old, ie Gap to the life expectancy of 85 years old = 18 years

If you are 33 years old...

Your expected retirement age = 58 years old. Your household expenses after retirement = HK\$180,000 p.a.

Total future retirement reserve needed*	Total accrued benefits in MPF accounts*	Income from other sources needed*
HK\$11,377,934	HK\$4,729,245	HK\$6,648,689



\* Subject to the relevant assumed inflation rate and rates of return

# AXA Retirement Scope Survey 2007-2008

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How to fill in the gap of the future retirement reserve?

# If the gap is filled by HKD savings deposit only, 43% of the monthly income has to be saved for the future retirement reserve.

If you are 33 years old...

Your expected retirement age = 58 years old. Your household expenses after retirement = HK\$180,000 p.a.

Total future retirement reserve needed*	Total accrued benefits in MPF accounts*	Income from other sources needed*
HK\$11,377,934	HK\$4,729,245	HK\$6,648,689

HKD savings deposit rate <sup>3</sup>	2.95%
Expected additional monthly savings for retirement in HKD (Increased by 5.00% p.a.)	8,619
Additional monthly savings / monthly income	43.1%

\* Subject to the relevant assumed inflation rate and rates of return

<sup>3</sup> HKD savings deposit rate is the annualized HKD savings deposit rate in the past 20 years (1988 to 2007). Source: HKMA Monthly Statistical Bulletin

# Make your ideal retirement life come true

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- **Adopt a long-term investment approach to secure your future retirement income.**
- **Consider purchasing insurance and investment-linked products for retirement planning in the market.**
- **Take your expected quality of life and sufficient medical protection into consideration when planning for retirement.**
- **Apart from the financial reserve, identify your ideal lifestyle after retirement to pave the way for an enjoyable retirement life.**

# AXA Retirement Scope Survey 2007-2008

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