MassMutual FINANCIAL GROUP[SM]

2009 Retirement Life in Hong Kong

Survey Findings

1. The impact of financial tsunami on Hong Kong people's retirement life

- One in every five Hong Kong people have seen their planned retirement postponed from the average age of 54 to age 60 due to the financial tsunami, an increase of six years in working lives.

- Although over 60% of male and 50% of female respondents expected to retire at age 60 and above (Figure 1), the labor-force participation rate of those age 60 and above is actually less than 40% (Figure 2).

Figure 1: Comparison of projected retirement age (males and females)

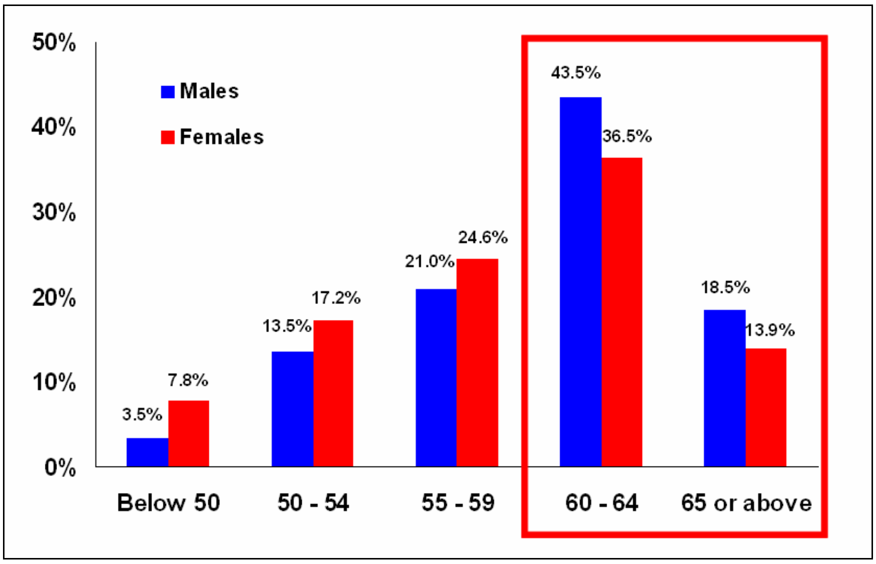


Figure 2: Labor-force participation rate (males and females)

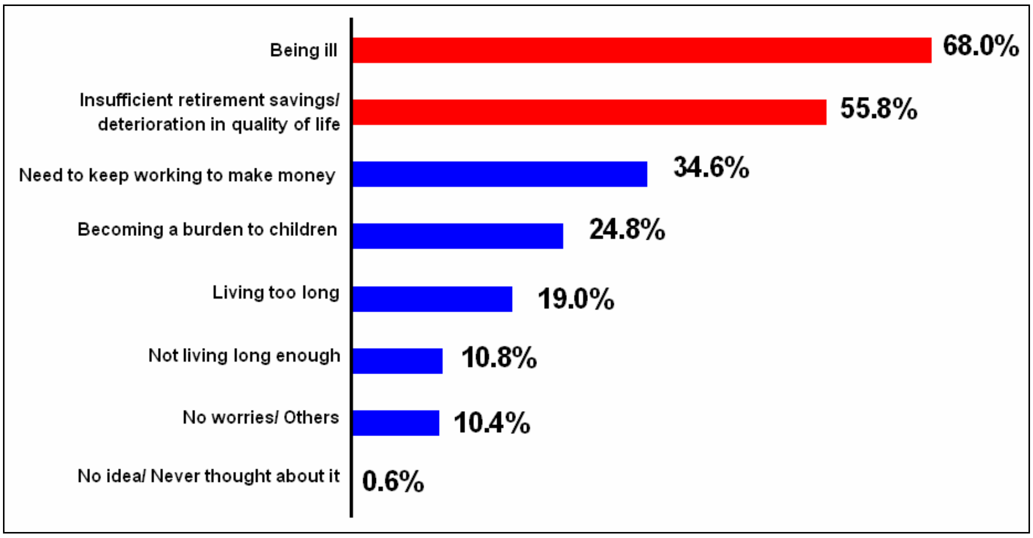
Labor-force participation rate 2007

Age Group	Males	Females	Overall
25 – 29	95.0%	87.4%	90.7%
30 – 34	97.2%	79.1%	86.8%
35 – 39	97.0%	73.4%	83.4%
40 – 44	96.3%	68.9%	81.2%
45 – 49	94.8%	64.2%	79.1%
50 – 54	88.9%	53.2%	70.9%
55 – 59	76.2%	38.4%	57.4%
60 – 64	48.5%	15.9%	32.7%
65 or above	9.2%	1.9%	5.4%

Source: Annual Digest of Statistics 2008, Census and Statistics Department

- The two major worries at retirement are "being ill" and "insufficient retirement savings / deterioration in quality of life" (Figure 3).

Figure 3: Worries when reaching retirement age



- Nearly 60% of respondents budgeted monthly retirement expenses of less than HK$10,000. More than 20% even budgeted monthly retirement expenses of less than HK$5,000, an increase of 5 percentage points compared with the findings in 2008 (Figure 4). The average monthly retirement budget significantly reduced by some 10%, from HK$10,813 in 2008 to HK$9,851 in 2009 (Figure 5).

Figure 4: Comparison of monthly retirement budgets

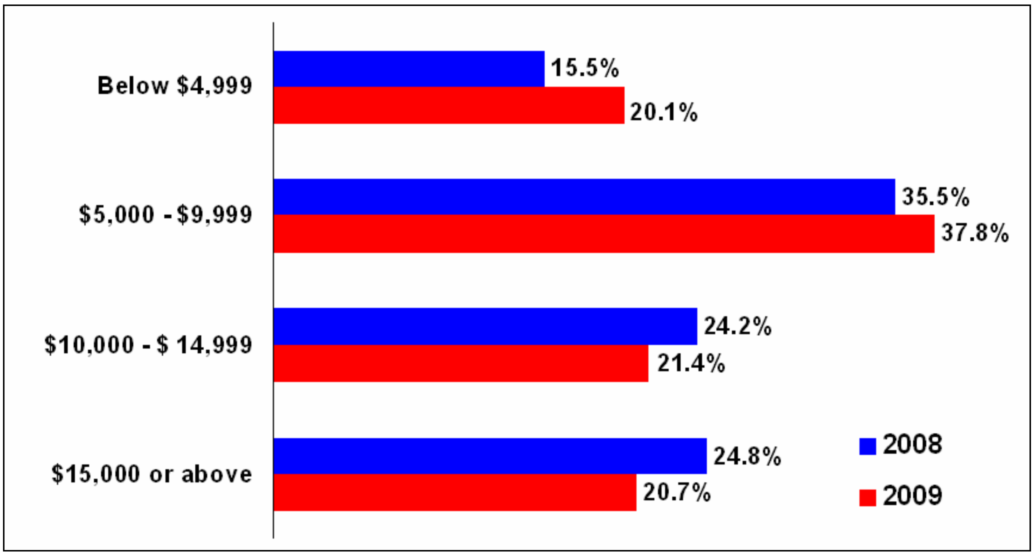
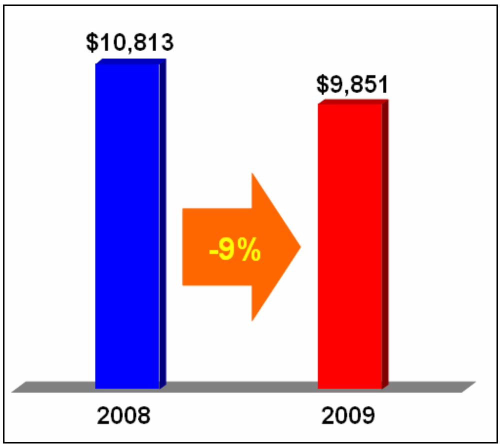
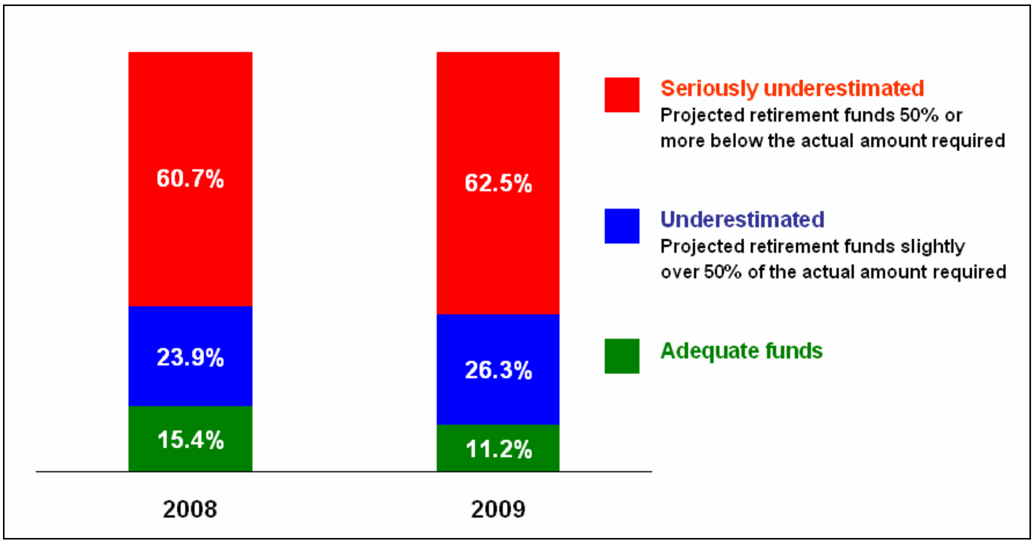


Figure 5: Comparison of average monthly retirement budgets



- Up to 90% of respondents had underestimated the retirement funds they would actually require; and over 60% of respondents had seriously underestimated, their projected funds being 50% or more below the actual amount required (Figure 6).

Figure 6: Comparison of projected and actual retirement funds required



2. Retirement Planning of Hong Kong People

- Over 85% of respondents revealed that the pension from their Mandatory Provident Fund/ ORSO Scheme would not be enough to cover their monthly retirement expenses (Figure 7). However, over 30% of respondents had still not started to save for their retirement (Figure 8).

Figure 7: Adequacy of the Mandatory Provident Fund in covering monthly retirement expenses

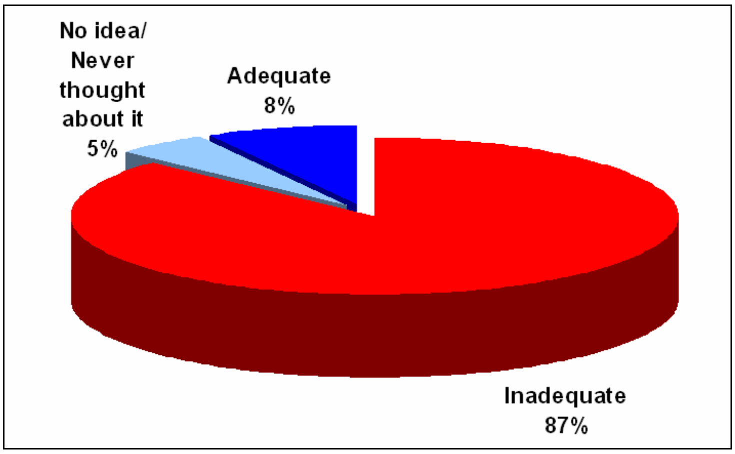
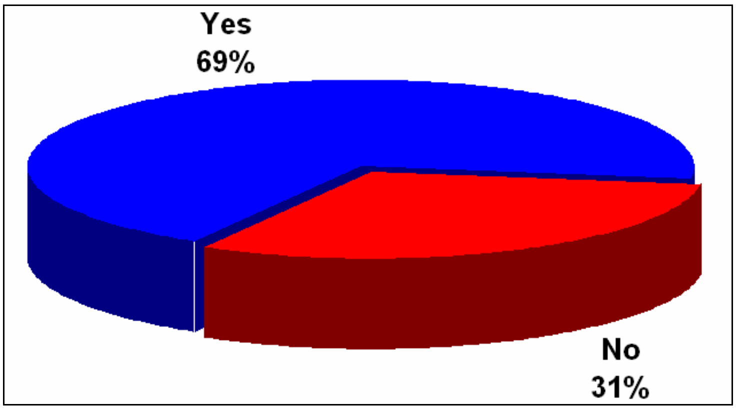
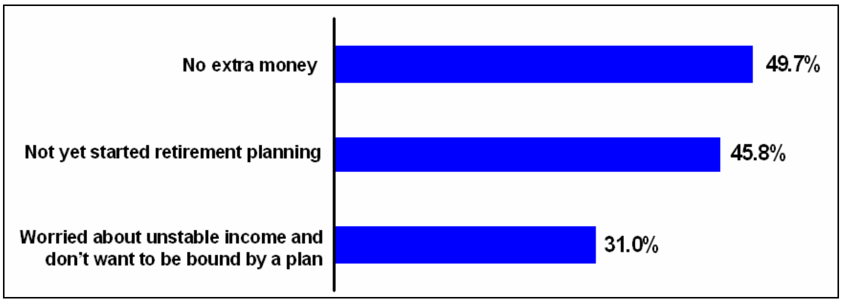


Figure 8: Retirement savings by Hong Kong people



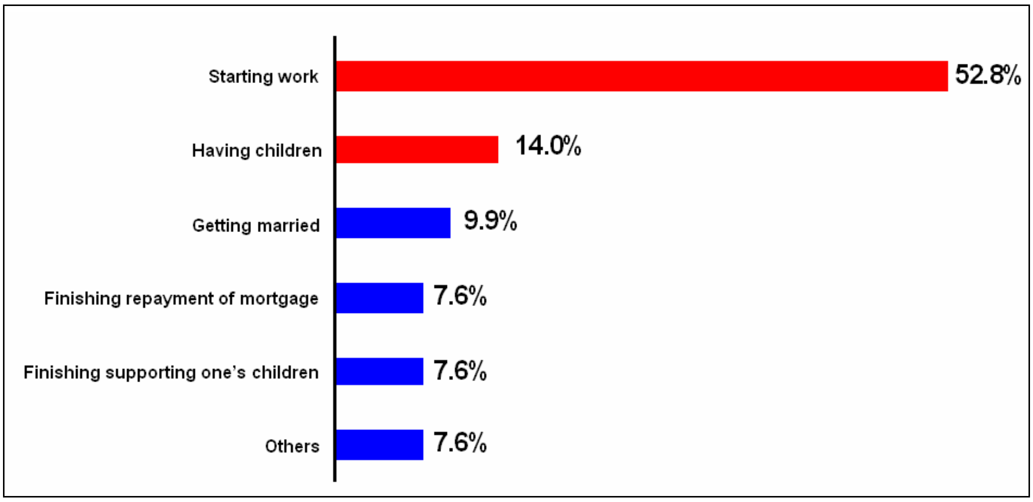
- The survey showed that "no extra money", "not yet started retirement planning" and "worried about unstable income and don't want to be bound by a plan" were the three main reasons why people had not yet started to save for their retirement (Figure 9); they expected to start at age 40.

Figure 9: Reasons for not saving for retirement



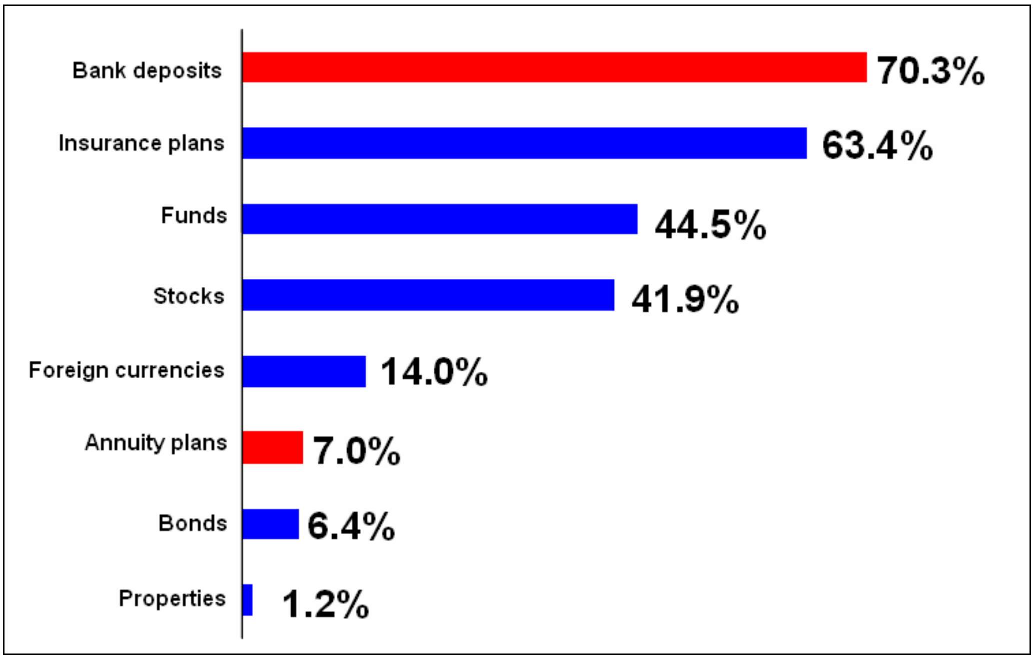
- As regards those who had already started their retirement planning, they generally did so at three important life stages, namely in sequence, "starting work", "having children" and "getting married" (Figure 10).

Figure 10: Life stages at which people start to save for retirement



- The survey also revealed that over 70% of Hong Kong people chose bank deposits as a retirement-planning tool (Figure 11).

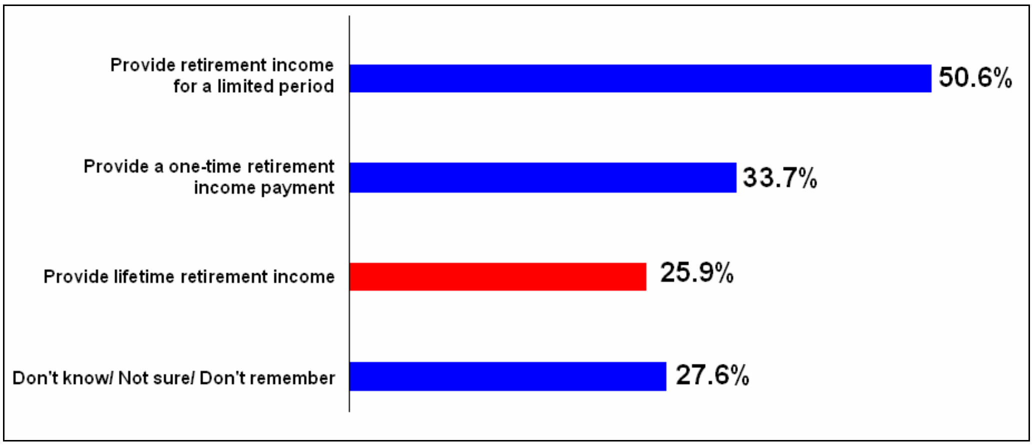
Figure 11: Non-MPF tools used to generate retirement savings



3. Hong Kong People's Understanding of Annuity Products

- Hong Kong people are generally aware of annuity/ retirement-savings plans. However, only 26% understand what a “genuine” annuity plan is, i.e., a tool that provides lifetime retirement income (Figure 12).

Figure 12: Understanding of retirement income provided by annuity/retirement-saving plans



<u>Conclusion</u>

The financial tsunami has wreaked havoc on Hong Kong people’s wealth, one in every five people in Hong Kong have seen their planned retirement postponed by an average of six years. Their average monthly retirement budget had also fallen by almost 10%. Besides, “being ill” and “insufficient retirement savings / deterioration in quality of life” are the two major worries for most Hong Kong people. In general, Hong Kong people had also underestimated the enormous sum in retirement funds actually required, and 30% had not yet started saving for their retirement, unaware of the need to plan early for retirement.

In fact, the actual retirement age of Hong Kong people is much earlier than expected, leading to a prolonged retirement life. Moreover, Hong Kong people generally underestimate the retirement funds required to cover their actual needs. As a result, they will face a much bigger financial challenge in coping with an increasingly longer life. MassMutual Asia suggests that Hong Kong people should adopt a strategy that includes an annuity plan as the core component, supplemented by MPF, insurance, investment and bank deposits. When facing an unpredictable life span, an annuity plan that guarantees the benefit of lifelong annuity income will serve as a safety net to cover at least the basic living expenses during the golden years. Therefore, the annuity plan should be designed to cover at least 50% of the total amount required.