Hong Kong affluent approaches long-term retirement goals with short-sighted approach

- Friends Provident International Investor Attitudes Report finds nearly 60% of respondents regard less than five years as the most important timescale for savings and investments
- Report finds consistent pattern of retirement being a top saving and investment priority for Hong Kong people for three consecutive years
- Insufficient funds for retirement (41%) and serious illness for themselves, partner, children or parents (49%) are the greatest causes of concern

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Friends Provident International (FPI) today announced the findings of its 2015 Investor Attitudes Report. Commissioned by FPI, the survey interviewed 1,000 affluent and emerging affluent respondents in Hong Kong and Singapore to learn about their sentiment and preferences towards investments and financial security. The survey findings show that Hong Kong respondents see retirement as a top reason for saving or investing, which has been consistent for three consecutive years between 2013 and 2015. Despite that, 57% of Hong Kong affluent respondents consider ‘less than five years’ as the most important timescale when thinking about savings and investments.

Many Hong Kong respondents are concerned about retirement funds and are more risk-friendly with investment tools

James Tan, Managing Director for Asia at Friends Provident International, said, ‘With customers at the heart of our business, FPI’s Investor Attitudes Report is our on-going flagship initiative that takes a deep-dive into understanding their retirement needs to create solutions that are catered to their demands and preferences. Findings from our latest report indicate that Hong Kong people are most conscious about their retirement needs where the most (55%) respondents surveyed see it as a reason for saving or investing, while having insufficient fund for retirement (41%) is a key concern. This could imply the individuals’ insecurity about their financial future, and together with recent market volatilities, people may adopt a less rational and short-sighted investment window approach to reach a long-term goal.’

Survey results also show that opinions on residential property investment are split. Among affluent Hong Kong respondents, 44% believe that it is a good long-term investment and will continue to go up. Furthermore, 35% believe that it is a bad/very bad time to invest in residential property, while only 23% think it is a good/very good time. This compares to 36% of respondents last year who thought it was a good/very good time to invest. In 2014, more than half of those interviewed turned towards property investment and investment-linked products to make up for the shortfalls from the perceived insufficient retirement funding. The decline observed this year could be attributed to the rapidly grown and sky-high property prices in Hong Kong, which has now become difficult for most people to afford.

Sentiment towards risk taking is also split. 30% of the respondents agree they are more willing to take financial risks compared to others, with an almost equal proportion believing that they are less willing (29%). Equities/Shares (43%) – traditionally considered as riskier investment tools – are among those considered a good/very good time to invest in, followed closely by Money/Currency markets (31%).

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1 Hong Kong’s residential property price index rose 21.27% (17.91% inflation-adjusted) from April 2014 to April 2015. Source: Global Property Guide http://www.globalpropertyguide.com/Asia/hong-kong/Price-History
‘Short-sighted investment approaches are usually associated with higher risks. With that in mind, investors should maintain a balanced and diverse portfolio, and look at investment vehicles that can even out their risks over time. Wealth management and preservation are important elements of retirement planning and they go hand-in-hand. Strategies should be well-planned and carefully crafted to include different tactics to fit the individuals’ needs and risk appetite. Our survey shows that the majority (51%) of affluent respondents see insurance, as a means of preserving and accumulating wealth, as important now as compared to seven years ago. To ensure that they are planning for their retirement effectively, they should conduct thorough assessments of their risk tolerance with financial professionals who can evaluate their financial situation and highlight risks that may not be previously apparent to them,’ James Tan added.

**Hong Kong people are more content with individual financial situations but less optimistic about the future economic outlook than Singaporeans**

The Investor Attitudes Report also investigated the respondents’ attitudes towards future economic outlook and their perception of their own financial circumstances in Hong Kong and Singapore.

42% of Hong Kong respondents believe that the economy will worsen in the next 12 months. However, 88% expect the financial position of their household to stay the same/get better. Overall, they are relatively content with their current financial situation, as 77% of respondents find themselves ‘living comfortably/doing alright.’ On the contrary, Singaporeans surveyed are more optimistic about the economic outlook but less so about their current financial situation. While 31% of Singaporean respondents believe that the economy will get worse in the next 12 months, 71% feel that they are ‘living comfortably/doing alright.’ The majority of respondents (58%) in Singapore expect the financial position of their household to stay the same in the next 12 months.

Contentment about their own financial situation is seen across the board in Hong Kong, with more respondents in the all affluent (74%), local workers (72%) and the general public (63%) groups who feel ‘comfortable/Alright’ about their current financial situation than their counterparts in Singapore (65%, 61% and 47%, respectively). These numbers may also explain why Hong Kong people seem to be less risk-averse, with only 29% Hong Kong respondents being ‘slightly/much less willing to take financial risks’ vs. 35% in Singapore.

The findings also show that the majority of Hong Kong respondents prefer informal sources of financial advice. Only 14% of the Hong Kong locals will seek advice from independent financial advisors (IFAs) or brokers, while as much as 43% seek advice from sources such as partners, families, friends and colleagues. 15% rely on newspapers/magazines and Internet websites and 13% even seek no advice. On the contrary, those who have worked globally are more inclined to seek advice and more so from IFAs or brokers (16%) than those who have only worked locally, but partners, friends and families are still more preferred (39%). IFAs or brokers, on the other hand, are the most relied upon as a source of advice in Singapore, with 22% of local Singaporean respondents relying on financial advice sought from them.

James Tan said, ‘Although Hong Kong respondents indicated a higher level of risk tolerance in investing, our findings reveal an alarming result as most people rely on informal sources of financial advice. Obtaining sound wealth management advice is important for making investment decisions for future financial planning. It is critical for individuals to seek professional advice from qualified IFAs that take into account their whole financial situation and evaluate the possible risks associated with each investment decision.’

**Healthcare provision is one of the key drivers for retirement saving as serious illness emerges as a concern**

The survey also reveals that serious illness (49%) is one of the other biggest concerns and healthcare provision is among the top five saving and investment goals for Hong Kong people. This is likely contributed by an aging population and its tremendous pressure on Hong Kong’s public healthcare system.² Hong Kong’s population is aging

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² According to the survey by the Elderly Commission of the University of Hong Kong, 7% of elders aged 65 or above are living in residential care homes, much higher than other Asian countries (2-3%) and most developed countries in the west (3-4%)
at a much higher speed than the world’s population. By 2041, approximately one in three persons in Hong Kong will be aged 65 or above (33%), while only 18.6% of the world’s population will be 60 or older in 2040 and thus, the awareness for saving for health care in the society is on the rise.

‘During the time when we collected data for this survey, the spread of MERS in Korea and the Middle East has heightened people’s anxiety, which may have led some respondents to be reminiscent of the SARS outspread in 2003. Aging population, together with the variant diseases and pandemics, have raised people’s health consciousness and awareness to reserve funds for healthcare. In addition to being an effective component in a long-term investment strategy, insurance is in essence a tool to protect oneself against the vicissitudes of life. It is best to start planning ahead, whether it is to meet goals or enjoy the benefits of having protection coverage early.’ James Tan concluded.

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Journalists requiring further information should contact:

Ann Hung  Senior Director  MSLGROUP
ann.hung@mslgroup.com

Ruby Lo  Senior Associate  MSLGROUP
ruby.lo@mslgroup.com

(t)  +852 2804 8139
(m)  +852 9231 7871

About the survey

i. This research was conducted by Ipsos MORI on behalf of Friends Provident International. All previous waves have been conducted by TNS. Any trend data needs to be viewed with caution. The fieldwork was conducted as an addition to Aviva’s Consumer Attitude Survey (conducted 24 June to 27 July), with a supplementary sample of affluent consumers (interviewed between 28 July and 17 August). N=500 respondents 18+ interviewed online, participated in the survey.

Affluent definitions were derived in response to the following question “Approximately what would you estimate the value of your savings and investments to be, excluding the value of your home?” Emerging affluent: (HK$ 500,000 – HK$ 1,000,000) (n=201 interviewed); Affluent (above HK$1,000,000) (n=299 interviewed). ‘Respondents’ refers to the combination of these two groups. Data is weighted to ensure an equal contribution from Emerging and Affluent groups.

Aviva’s Consumer Attitude Survey interviewed 1,000 adults centred on urban areas, 18+ interviewed online. Data was weighted to age, gender and region proportions. This research was carried out by Ipsos MORI in accordance with the requirements of the international quality standard for Market Research. ISO 20252-2012.

Globally mobile respondents are those who are currently living/have lived outside their home country for at least six months or more in the last five years (n=251). Those who have worked locally are not, nor have they in the last 5 years, lived outside their home country (n=249).
Singapore respondents: Emerging affluent: (S$ 76,000 – S$200,000) (n=219 interviewed); Affluent (above S$200,000) (n=281 interviewed). ‘Singapore respondents’ refers to the combination of these two groups.

Notes to Editors

About Friends Provident International
Friends Provident International (FPI) provides life assurance, pensions and investment products in Asia and the Middle East – and other selected markets – and is part of the Aviva Group.

We have over 35 years’ international experience, offices in Hong Kong, Singapore, the United Arab Emirates and the Isle of Man, and more than 500 staff worldwide.

See www.fpinternational.com for further information on Friends Provident International.

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• Aviva’s asset management business, Aviva Investors, provides asset management services to both Aviva and external clients, and currently manages over £245 billion in assets.

• Aviva helps people save for the future and manage the risks of everyday life; we paid out £24.6 billion in benefits and claims in 2014.

• By serving our customers well, we are building a business which is strong and sustainable, which our people are proud to work for, and which makes a positive contribution to society.

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IMPORTANT INFORMATION

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