

[For Immediate Release]

IFPHK Hong Kong Retirement Expense Index:
External Economic Condition Affects Income Replacement Rate
Only One-Fifth of Respondents Have Arranged the “Three Instruments of Peace”

(Hong Kong – 12 April 2023) **The Institute of Financial Planners of Hong Kong (IFPHK)** has released today the third “Hong Kong Retirement Expense Index” (Retirement Index) since its first launch in 2020. The Index has slightly increased by 1.4, with respondents spending \$13,800 monthly and up by \$300 compared to last year. As affected by the external economic condition, only 28% of respondents can maintain the income replacement rate, making it the most pessimistic year for respondents’ financial stability throughout the three years of survey. There is also a substantial increase in the tendency to move abroad.

In addition, the findings reveal that Hong Kong people are seldomly aware of estate planning. Only one-fifth of respondents have established the “Three Instruments of Peace”, namely the “Advance Directive”, the “Enduring Power of Attorney”, and the “Will”. **They are important legal tools to plan and prepare for our future financial and medical needs, and for the protection of family members who are mentally incapacitated persons.** 73% of the respondents who have adopted professional financial advice are more satisfied with their retirement life and are more confident with their financial situation.

IFPHK Chairman Chris Tse says, “the slight increase in retirement expense amount shows that in Hong Kong, the utility cost does not accurately reflect the surging international fuel prices. Meanwhile, the lifestyle and expenses of Hong Kong people have not changed much. The Institute has also noticed that the stock market turbulence might have caused the retirees a loss of income, therefore they cannot keep up with the income replacement rate. At this time, it is crucial to seek advice from financial planning professionals to maintain emotional and financial stability.”

Tse continues, “the findings also reveal a worrying situation that only one-fifth of the respondents have planned for their post-life affairs. For the peace of mind to retirees and their caregivers, we encourage the retirees to pre-arrange the ‘Three Instruments of Peace’, which is also a significant part of estate planning to help the elderly achieve their life goals.”

The survey highlights are as follows:

- **Slight increase in retirement expenses:** the actual retirement expense for 2022 is \$13,800 per month, a slight increase of \$300 compared to last year (\$13,500). The index has increased by 1.4, from last year’s 117.4 to 118.8 this year. The market turmoil have triggered the “wealth effect”, leading to Hong Kong people spending more vigilantly as they have less passive income. The respondents’ living condition is similar to last year and their expense has not gone up much.
- **Retirement income ratio not up to par:** 40% of respondents reflect that their retirement income is less than half of their pre-retirement income. Only 28% of respondents have met the Income Replacement Rate as stated by The Organization for Economic Co-operation and Development (OECD), which is 70% of preretirement income. This indicates that retirees would have to reduce their expenses during retirement.
- **Retirement satisfaction decline and financial alert:** As affected by the volatile global financial market, the retirement satisfaction level of respondents has dropped, from 75% in 2020 to 74% in 2021, and further downloads to 68% in 2022. In terms of financial stability, 32% of the respondents perceive themselves to be financially stable, which is the lowest in three years. The figures previously were 49% (2021) and 51% (2020); compared to 2022, there is a drop of more than 17 per cent.

- **“Three Instrument of Peace”**: Chinese tends to be more conservative and traditional thinking speaking of estate planning. The survey reveals that only one-fifth of respondents have pre-arranged their estates, including establishing the will and planning for their legacy. These respondents are often more well-off and aged. This reflects the need for Hong Kong people to raise their awareness in estate planning and inheritance.
- **Professional financial planning advice and financial stability**: Over 70% (73%) of respondents who have consulted professional financial advice are satisfied with their retirement life, which is five per cent higher than the average (68%). Amongst this group of respondents, half of them see themselves to be financially stable, which is higher than the average too (32%). At the same time, their current and fixed assets, as well as retirement income are found to be higher than the average number.
- **Higher tendency to move abroad**: As the pandemic subsides, the survey reveals that more respondents are thinking to move to mainland China or overseas. One-fifth of respondents have desired to move elsewhere, seeing an 11 per cent increment compared to last year (9%).

About “Hong Kong Retirement Expense Index”

The Index is the first of its kind in Hong Kong to gauge the actual living expenses of retirees since 2020. Commissioned by IFPHK, the NielsenIQ (Hong Kong) Limited has conducted the research and interviewed approximately 300 retirees, who are aged between 55 and 74, on the phone. The Index is commissioned annually and takes reference to the Composite Consumer Price Index (CPI) and the expenditure weights published by the Census and Statistics Department of Hong Kong. With 2020 set as the baseline year, the year-on-year changes of the Index are published annually to provide a benchmark of retirement living expenses for the public. All respondents have not taken any social welfare benefits that require government approval and a personal income before retirement of HK\$18,000 or above. The survey also studies their income source, investment and wealth management habits, and retirement confidence.

About IFPHK

IFPHK was established in June 2000 as a non-profit professional organization. It aims to be recognised in the region as a premier professional body representing financial planners dedicated to upholding the highest professional standards for the benefit of the public. The Institute is the sole licensing professional body in Hong Kong authorised by the Financial Planning Standards Board Limited in the US to grant CFP® certification and AFP® certification to qualified financial planning professionals in Hong Kong and Macau. Currently, there are more than 213,000 CFP certificants in 27 regions; the majority of these professionals are in the U.S., Canada, China, Australia and Japan, and approximately 4,000 CFP certificants are in Hong Kong. It represents more than 7,100 financial planning practitioners in Hong Kong, including 1,200 qualified retirement advisers (QRA). They are from such diverse professional backgrounds as banking, insurance, independent financial advisory, stockbroking, accounting, and legal services.

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