



From Challenge to Opportunity

Wave 2 of the East Asia Retirement Survey

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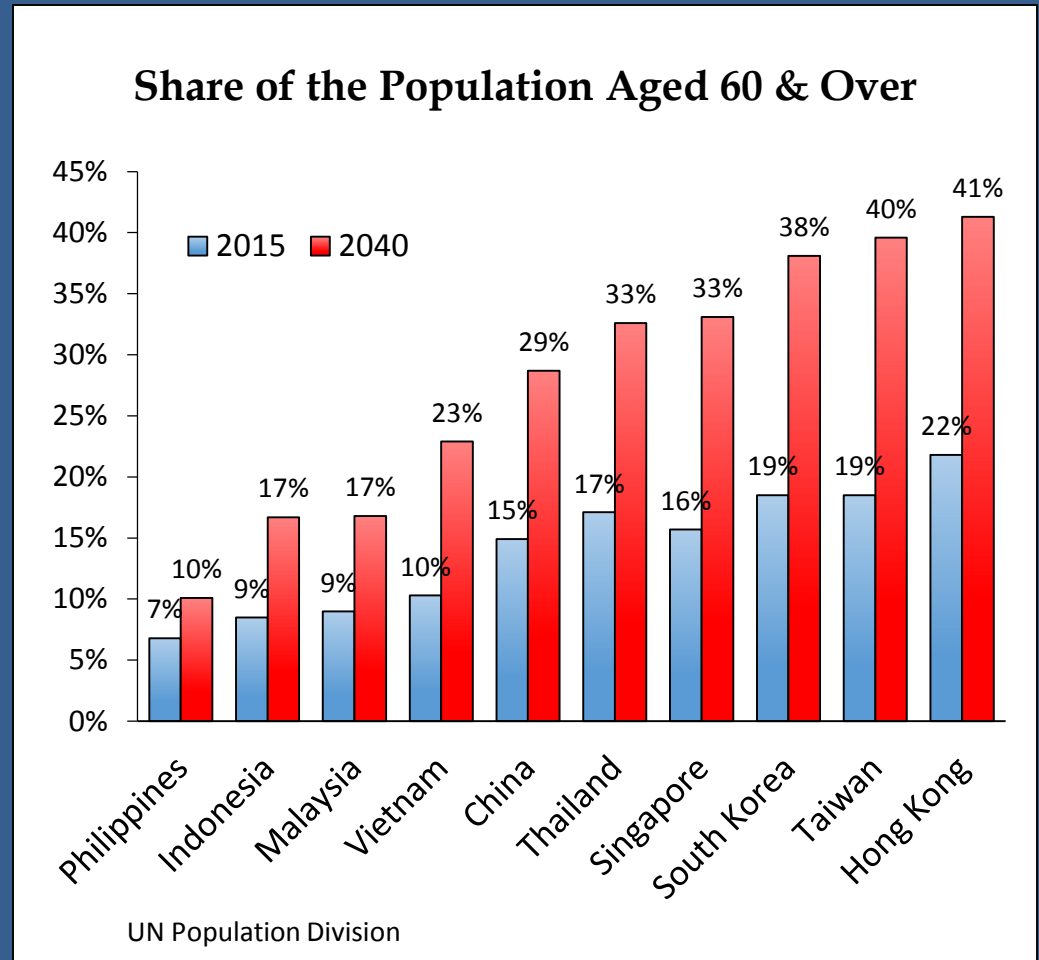
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Survey Framework

- ▣ The East Asia Retirement Survey is now in its second wave. The first wave was conducted in 2011 in China, Hong Kong SAR, Malaysia, Singapore, South Korea, and Taiwan. The second wave was conducted in 2014 in the six first-wave countries plus Indonesia, the Philippines, Thailand, and Vietnam.
- ▣ The survey is nationally representative, except that the samples for China, Indonesia, the Philippines, Thailand, and Vietnam were limited to urban areas.
- ▣ The survey universe consists of “main earners” aged 20 and over, including both current main earners and retired main earners.
- ▣ Respondents were asked about their general attitudes toward retirement, as well as about their own retirement experience and expectations.
- ▣ Current retirees were asked about their current retirement experience, while current workers were asked about their retirement expectations.

Although the ten countries surveyed differ in important respects, they also have important things in common.

- ▣ There are enormous differences in per capita income, institutional capacity, degree of market orientation, and extent of population aging across the ten countries surveyed.
- ▣ Yet all ten of the countries have at least two things in common: underdeveloped welfare states and retirement systems in which the extended family continues to play a far more important role than it does in the West.

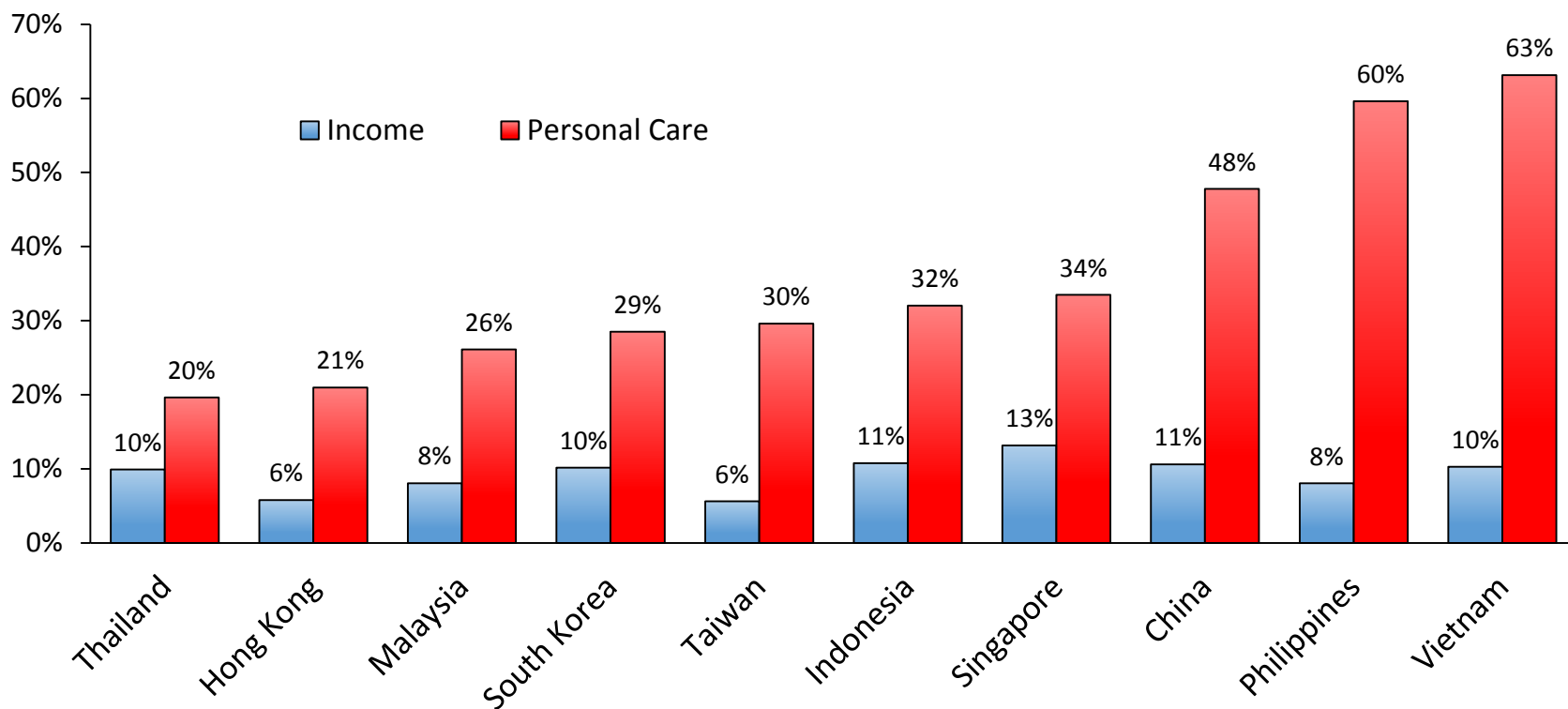


The Future of Retirement in Hong Kong

By overwhelming majorities, East Asians reject the traditional model of family-centered retirement security.

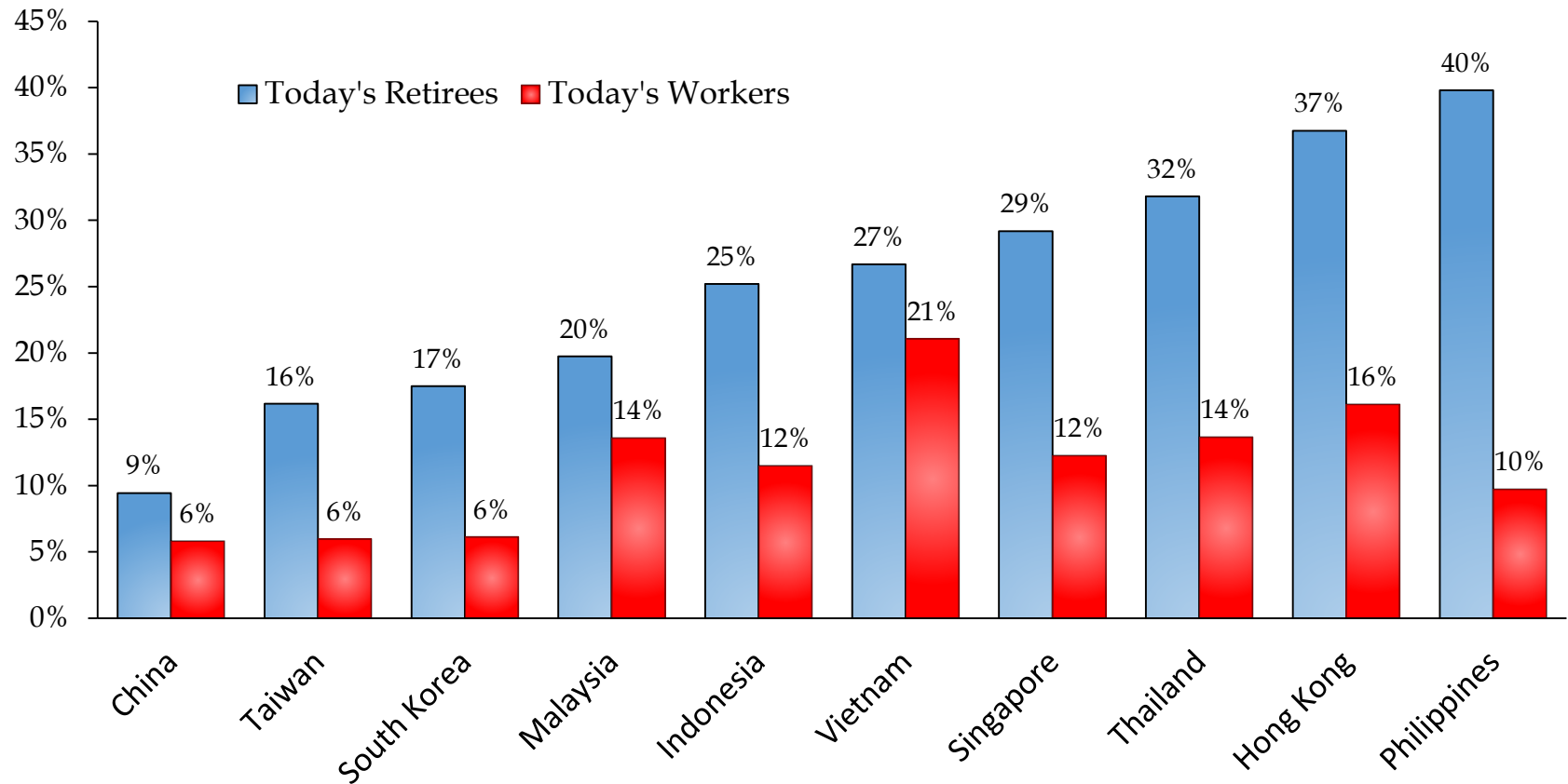
"Who, ideally, should be mostly responsible for providing *income* to retired people?" and "Who, ideally, should be mostly responsible for providing *personal care* to retired people?"

Share of Respondents Saying "Grown Children or Other Family Members"



Looking to the future, today's workers expect to be less dependent on the family than today's retirees are.

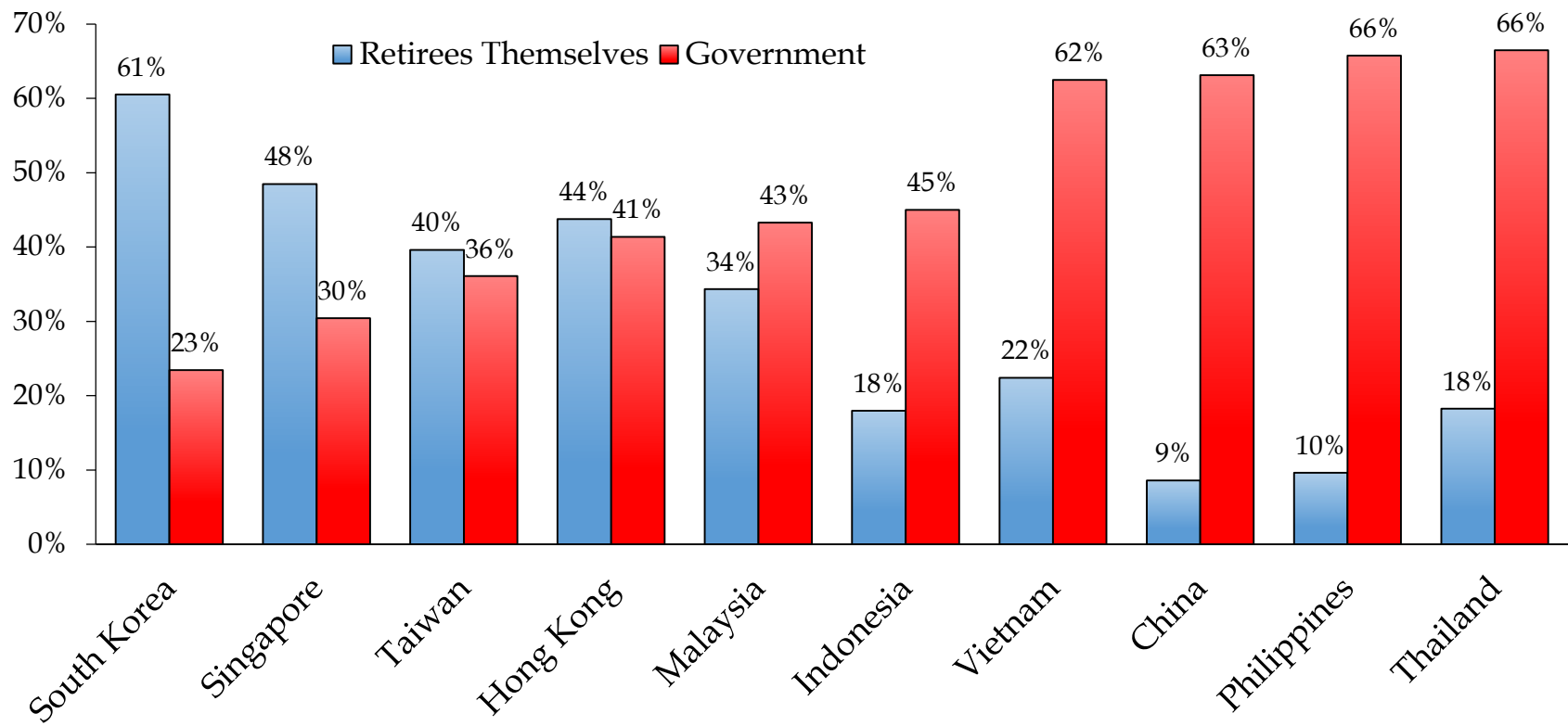
Share of Today's Retirees Who Are and Share of Today's Workers Who Expect to Be Financially Dependent on Their Grown Children



Views differ greatly across East Asia about who should replace the family as guarantor of retirement security.

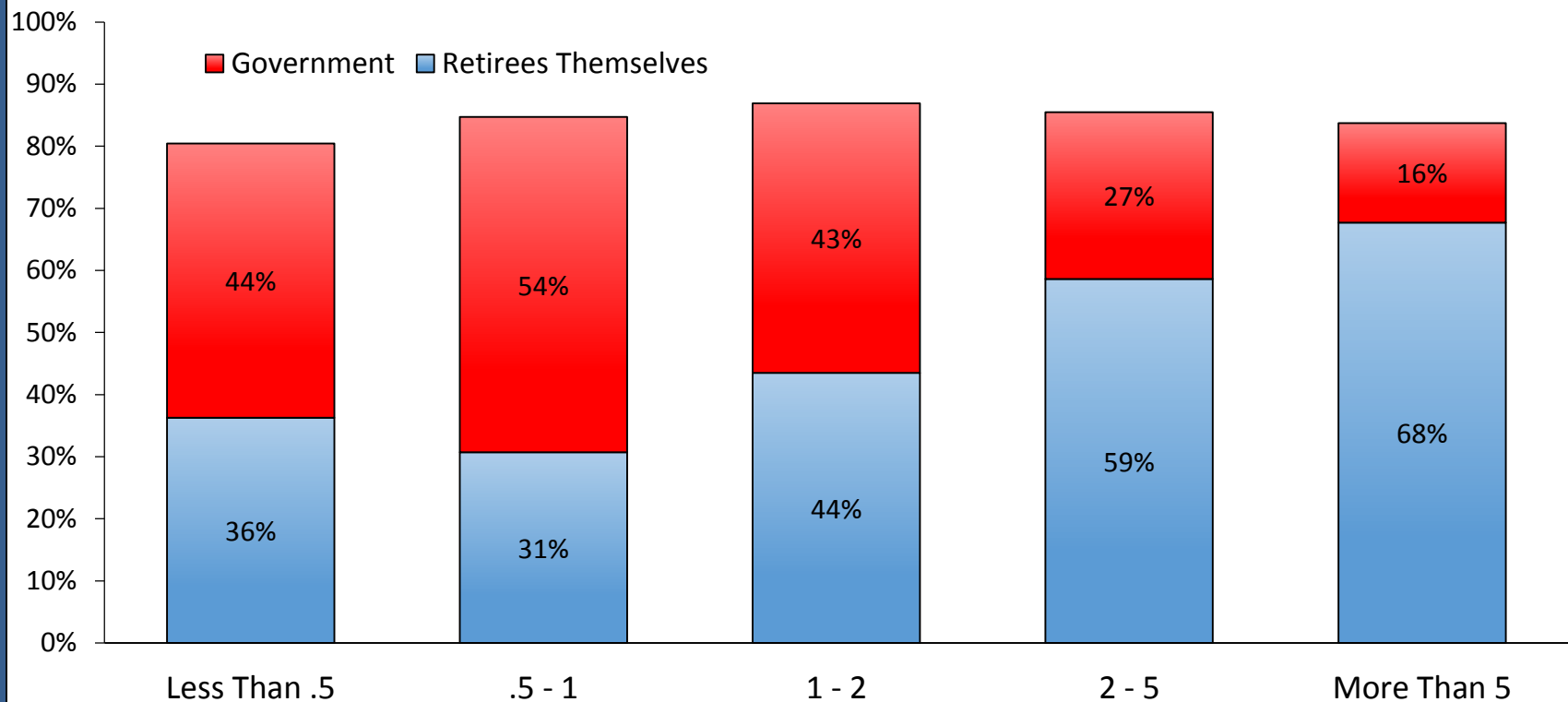
"Who, ideally, should be mostly responsible for providing income to retired people?"

Share of Respondents Saying "Retirees Themselves, through Their Own Savings" versus Share Saying "Government"



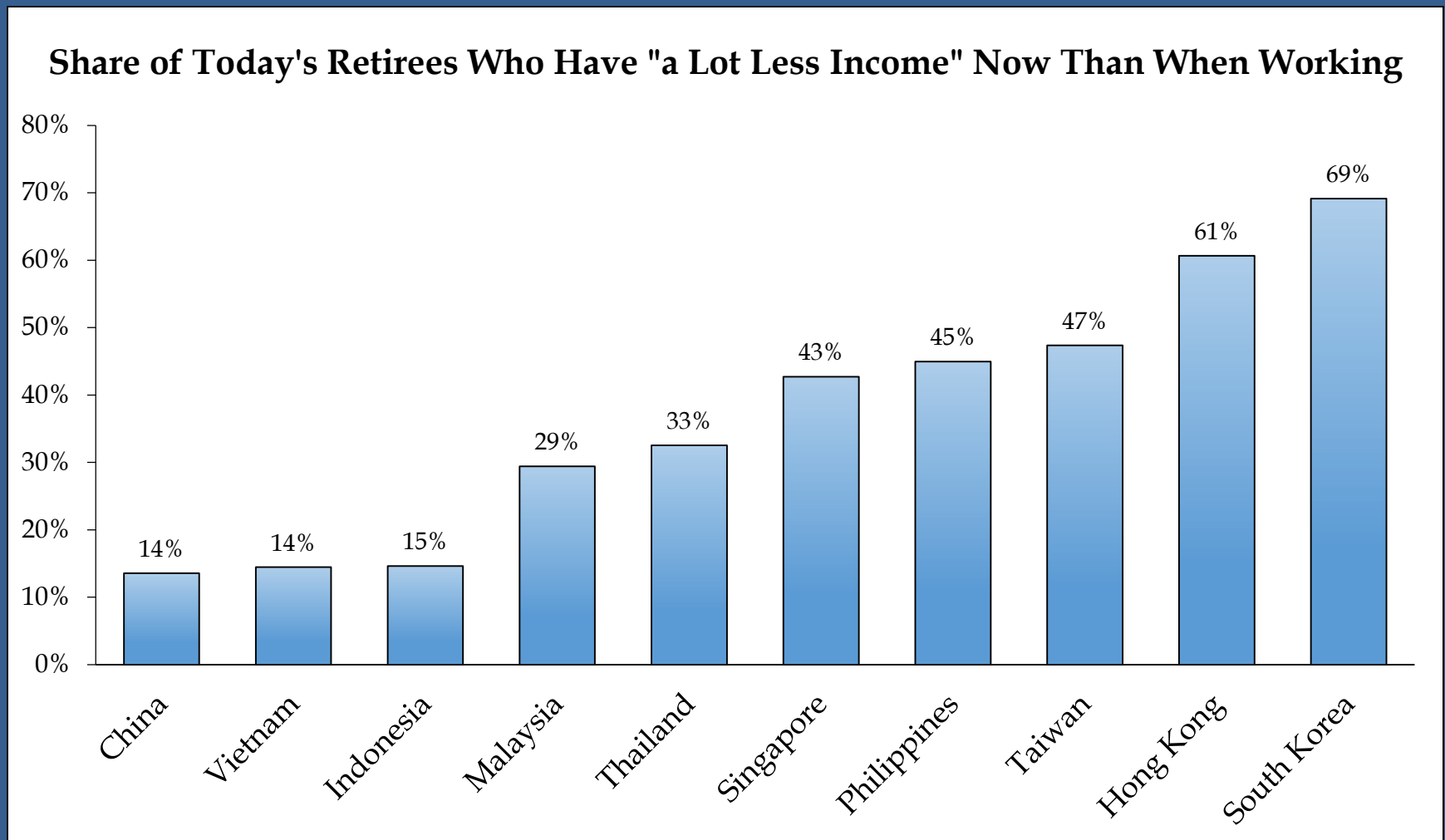
Hong Kongers are divided about who should be responsible for retirement income.

Share of Hong Konger Respondents Saying "Government" Should Be Mostly Responsible for Providing Retirement Income versus Share Saying "Retirees Themselves, through Their Own Savings," by Income Bracket*



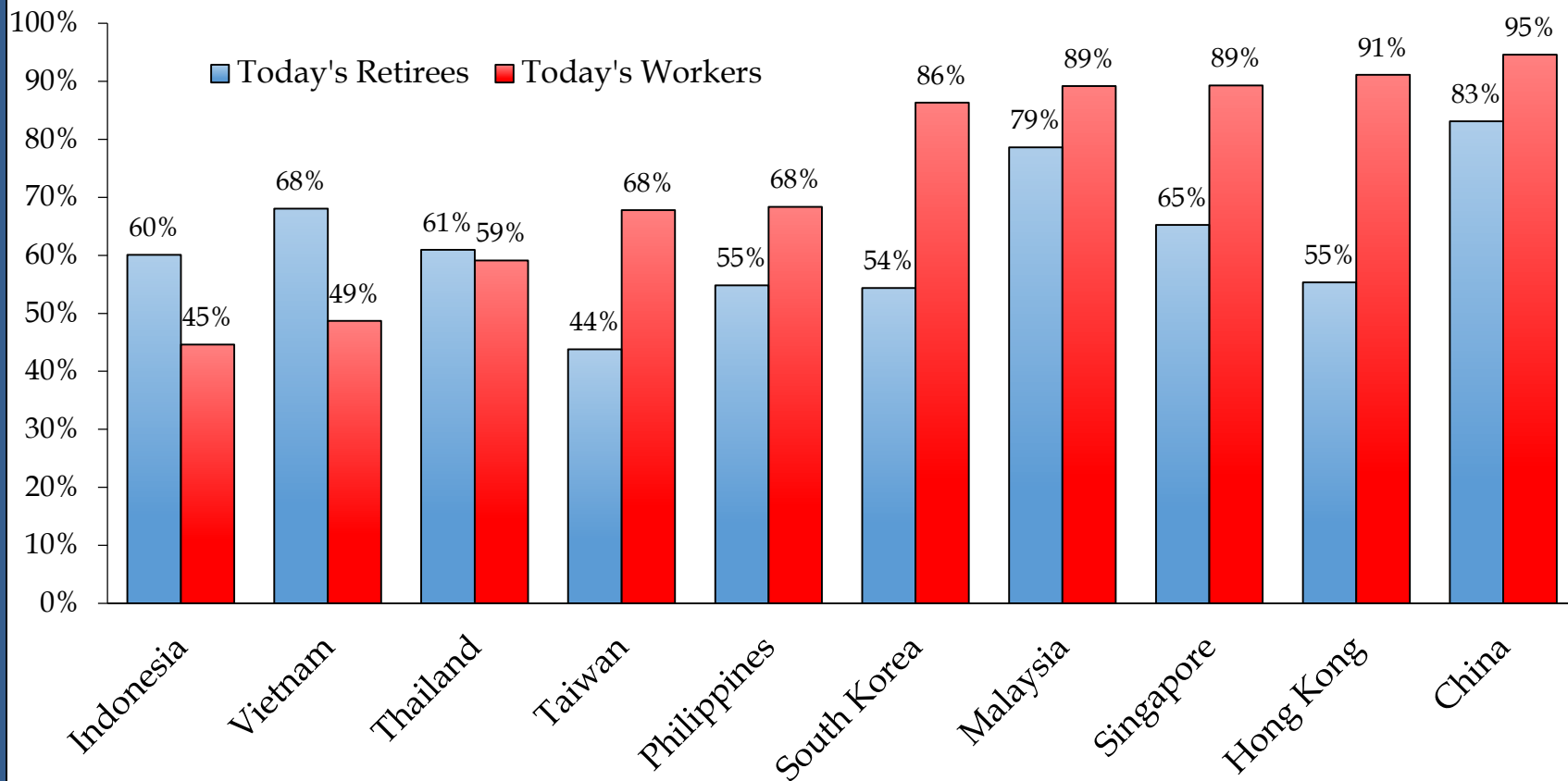
* Income brackets are defined as multiples of the median household income.

For today's retirees, retirement can be a time of insecurity in Hong Kong.



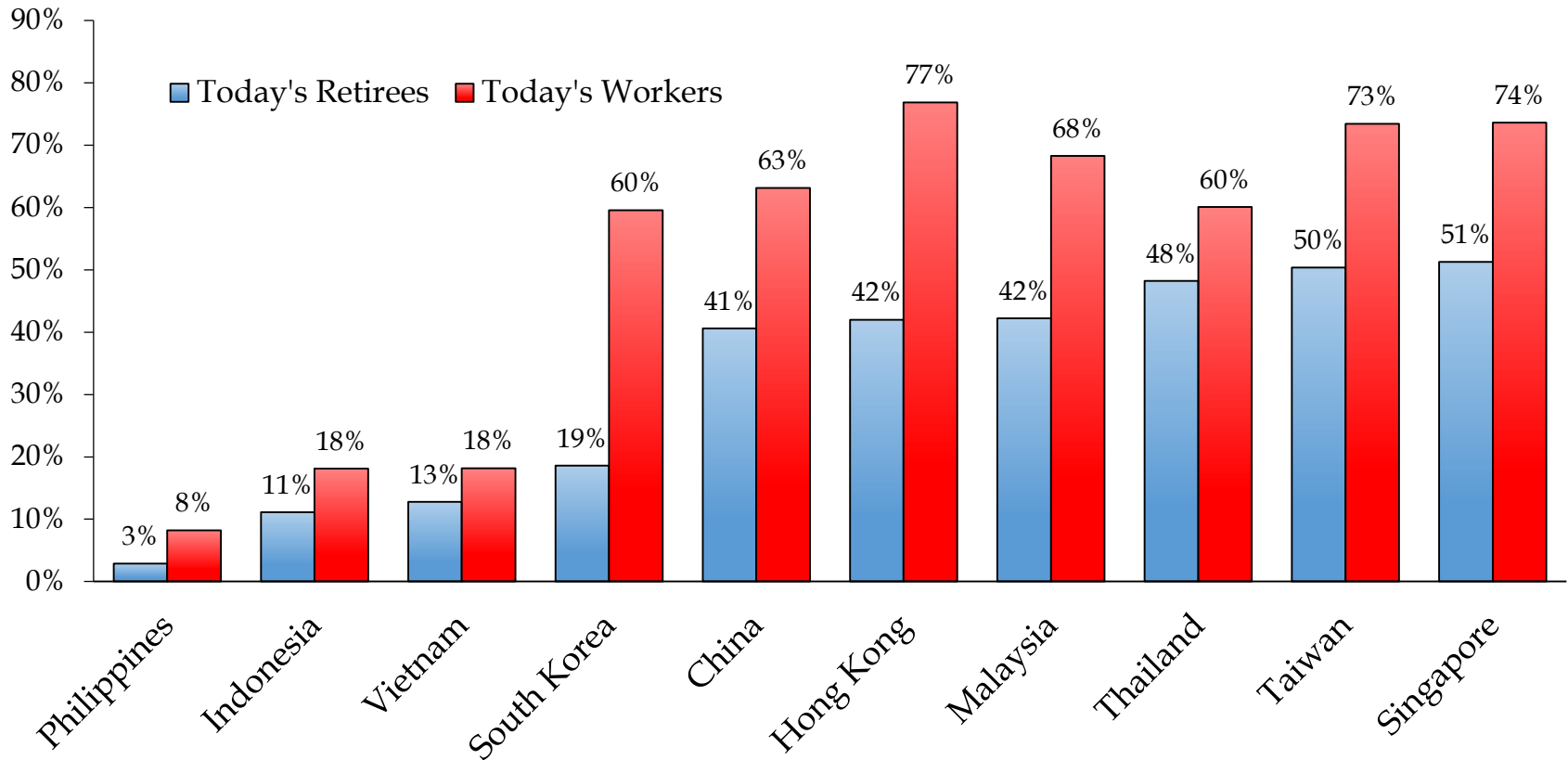
With rates of pension receipt due to rise as the MPF matures, the outlook for today's workers is improving.

Share of Today's Retirees Receiving and Share of Today's Workers Expecting to Receive Income from the State Pension System



Compared with today's retirees, a much larger share of today's workers also expect to receive income from financial assets.

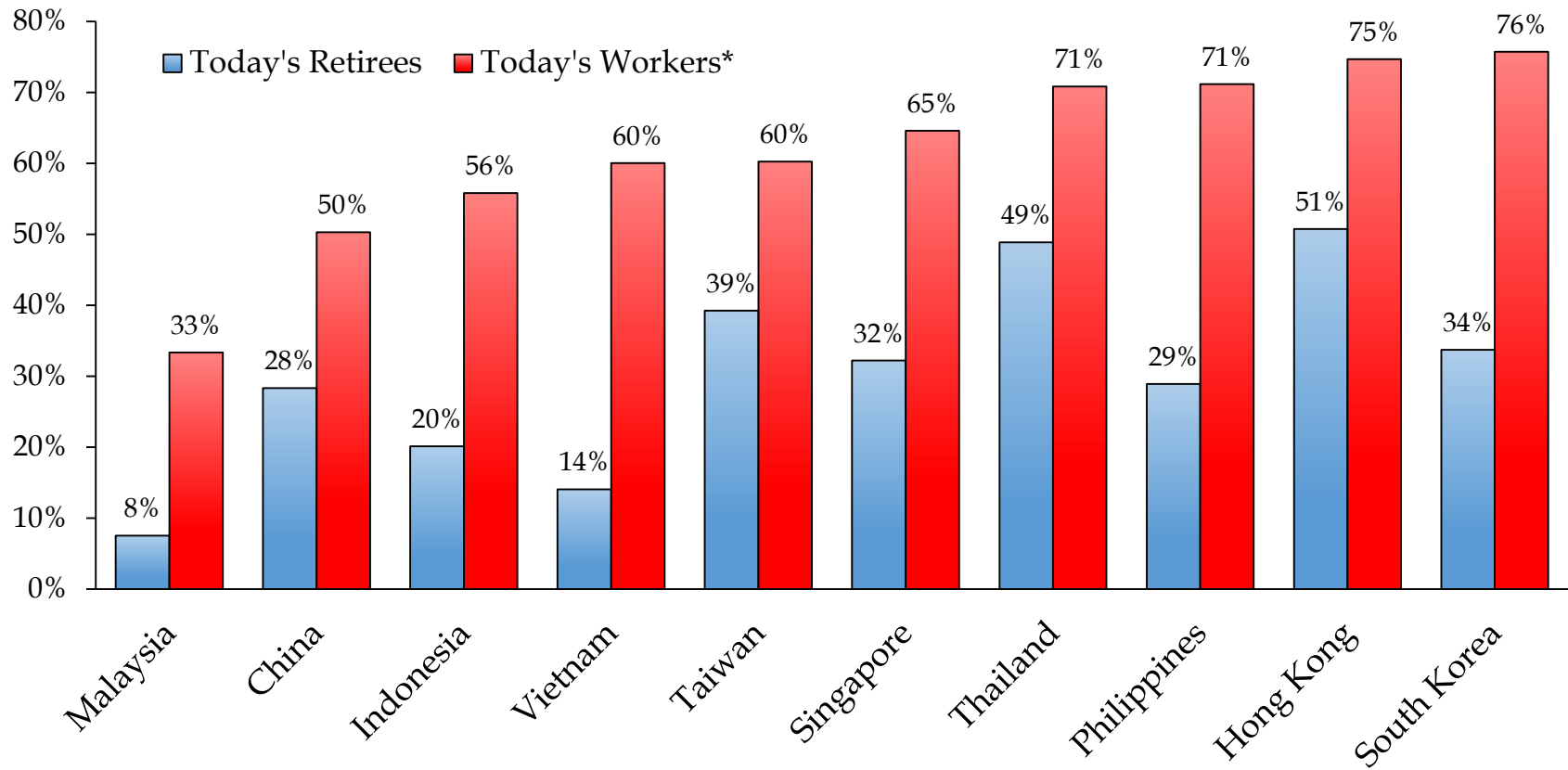
Share of Today's Retirees Receiving Income and Share of Today's Workers Expecting to Receive Income from Financial Assets*



* Includes insurance and annuity policies and stocks, bonds, and mutual funds, but excludes bank deposits.

Today's workers expect to work longer than today's retirees did, which should further improve their retirement prospects.

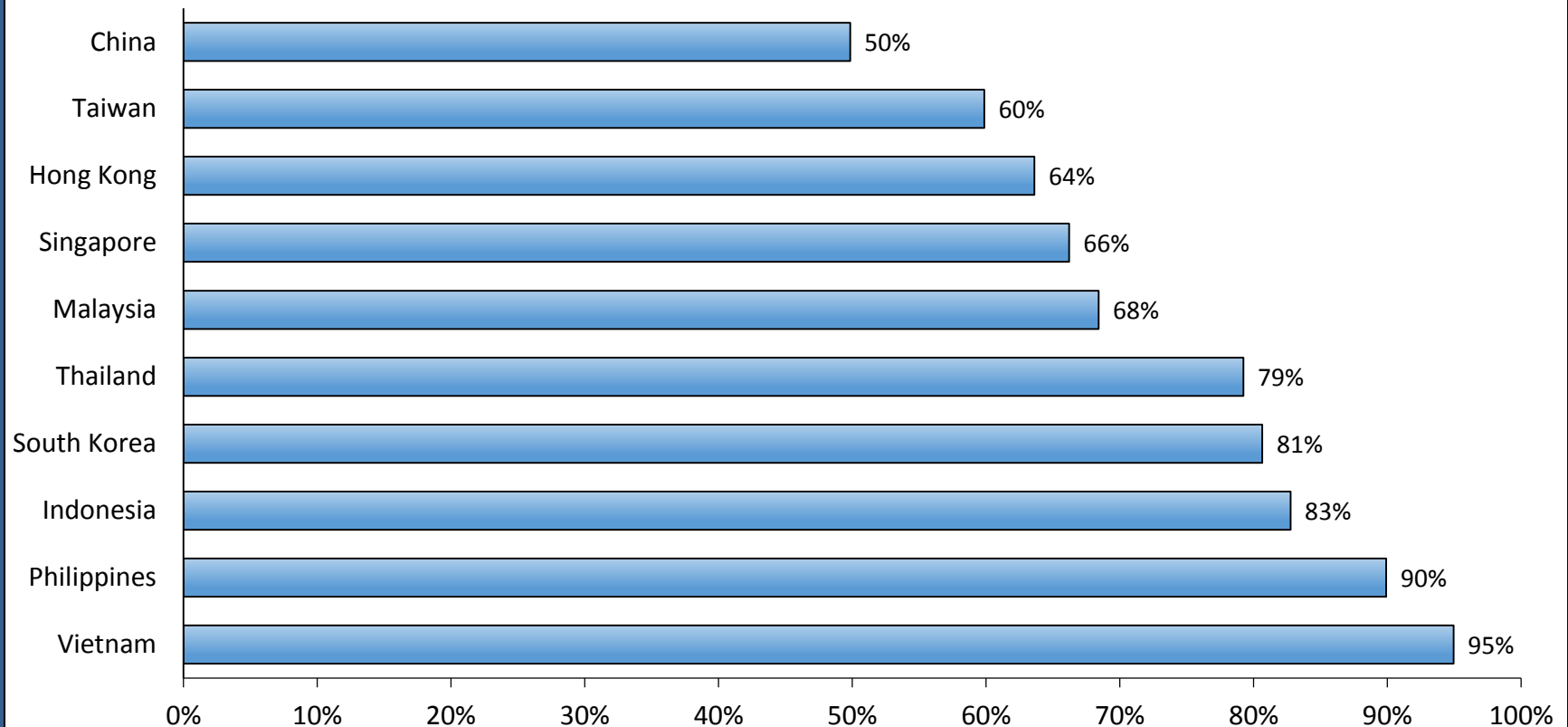
Share of Today's Retirees Who Retired at Age 60 or Later and Share of Today's Workers Expecting to Retire at Age 60 or Later



* Includes workers who never intend to retire.

Despite the positive trends, today's workers remain anxious about their retirement security.

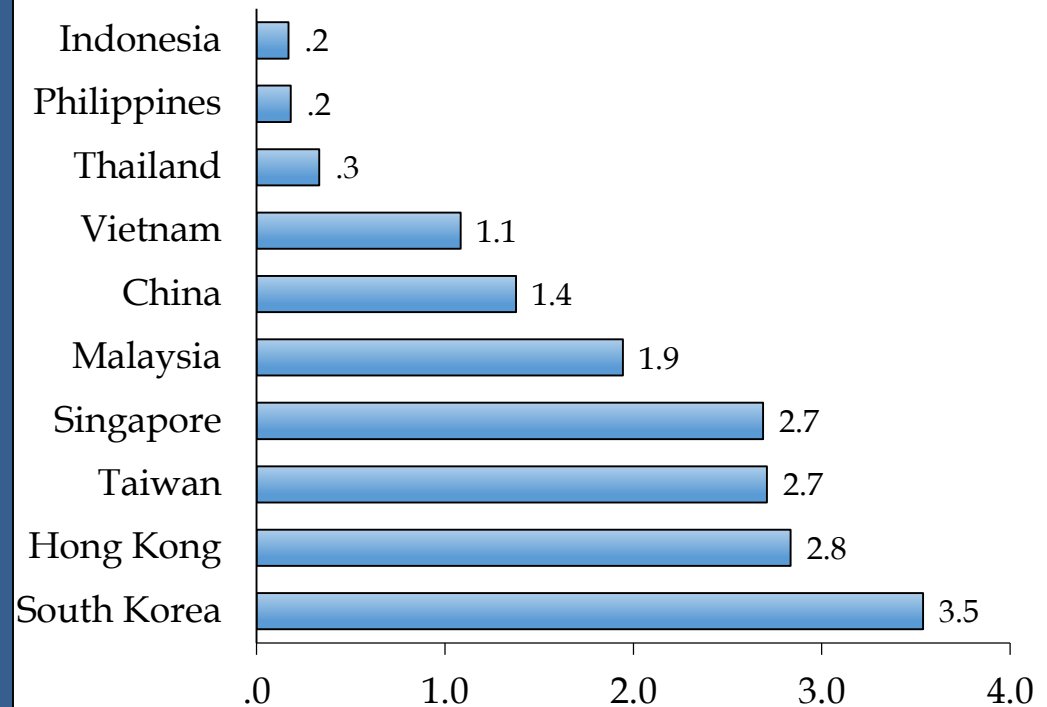
Share of Today's Workers Who Worry about Being "Poor and in Need of Money" during Retirement



Three Reasons for Workers' Retirement Insecurity

- ▣ Although pension receipt rates are rising in most countries, replacement rates are generally low.
- ▣ Most workers are not saving enough for retirement on their own to make up for the likely gap in pension income.
- ▣ In countries with pay-as-you-go state pension systems, workers are concerned about the security of government benefit promises.

Average Net Financial Asset-to-Income Ratio of Survey Respondents at Age 50*

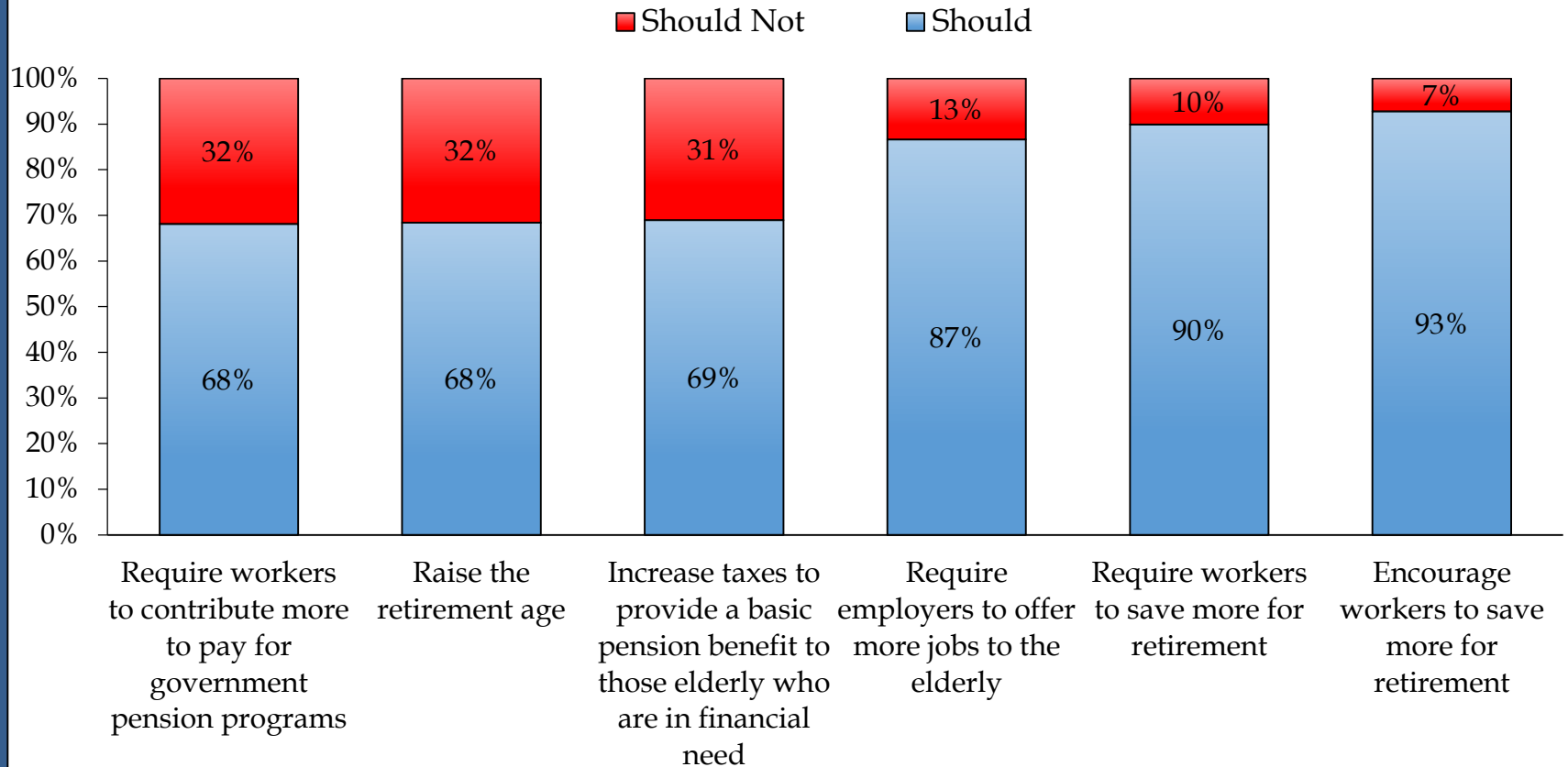


* Includes all classes of household financial assets; ratios are averages for respondents aged 45-54.

Strategic Implications

What Hong Kongers Think About Retirement Reform

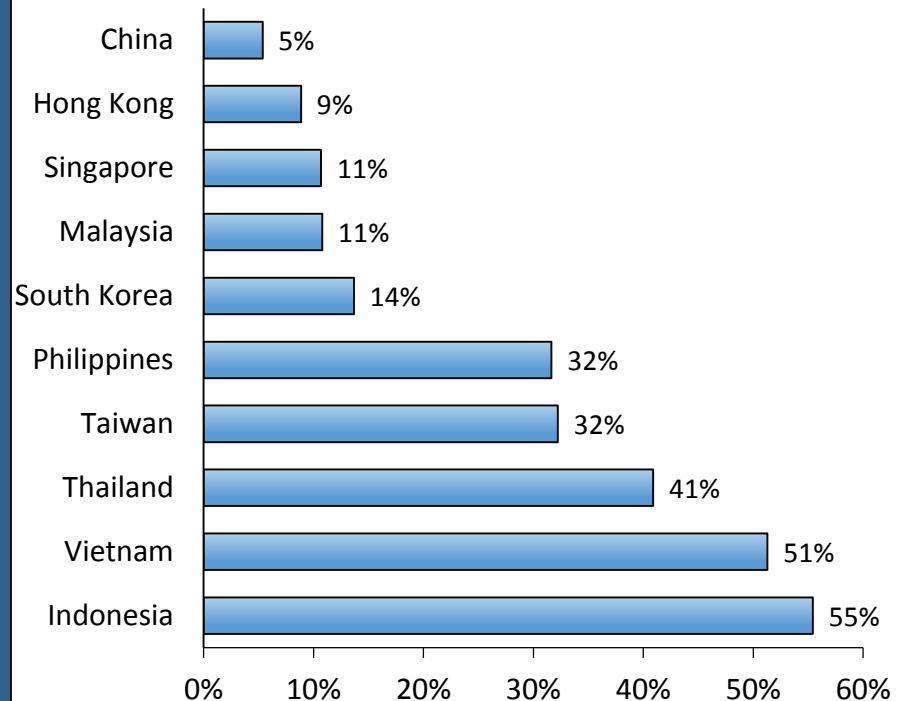
Share of Hong Konger Respondents Saying That Government Should or Should Not ...



Directions for Reform

- ▣ **Improve the adequacy of state pension systems**
- ▣ Encourage or require workers to save more for their own retirement
- ▣ Establish more robust floors of old-age poverty protection
- ▣ Raise retirement ages and encourage longer work lives

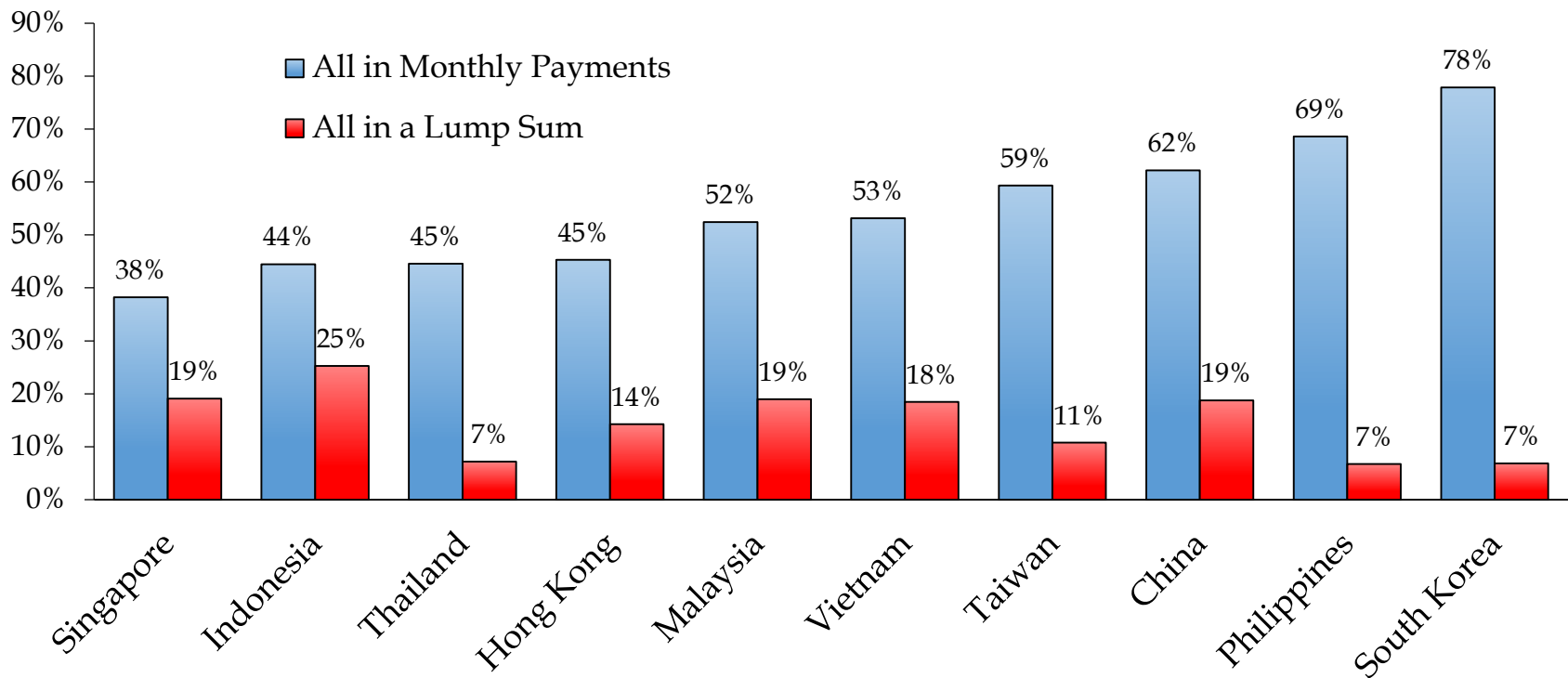
Share of Today's Workers Who Do Not Expect to Receive a State Pension Benefit



There is widespread demand for translating lump-sum pension payments into retirement income streams.

“If you could choose how pension benefits will be paid to you, please indicate which of the following ways you would prefer to receive the benefits.”

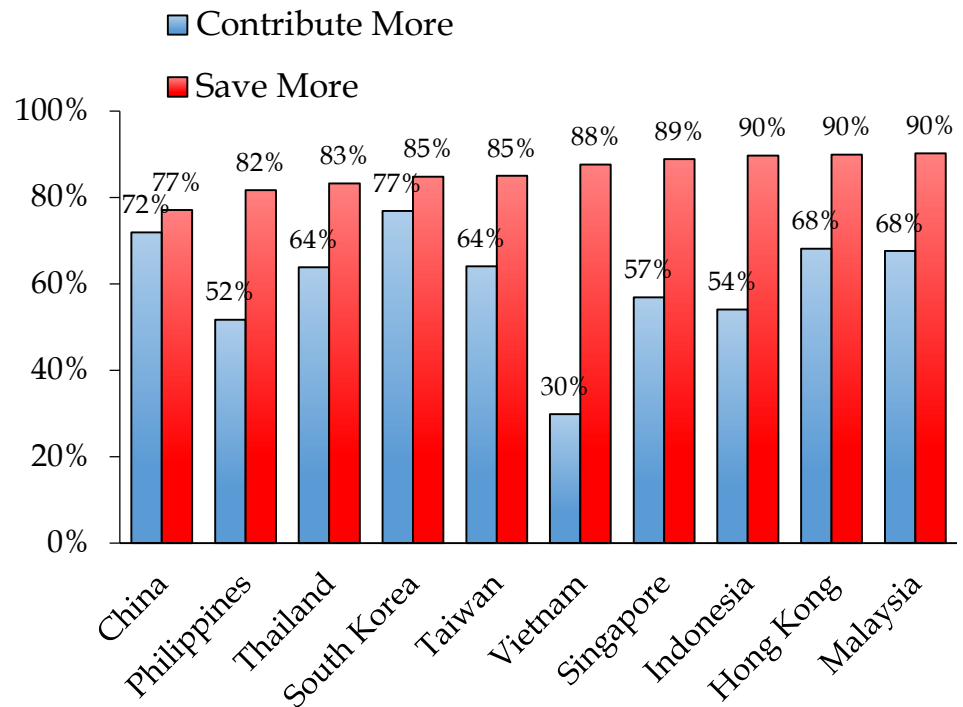
Share of Today's Workers Saying “All in Regular Monthly Payments” versus Share Saying “All in a Single Lump Sum”



Directions for Reform

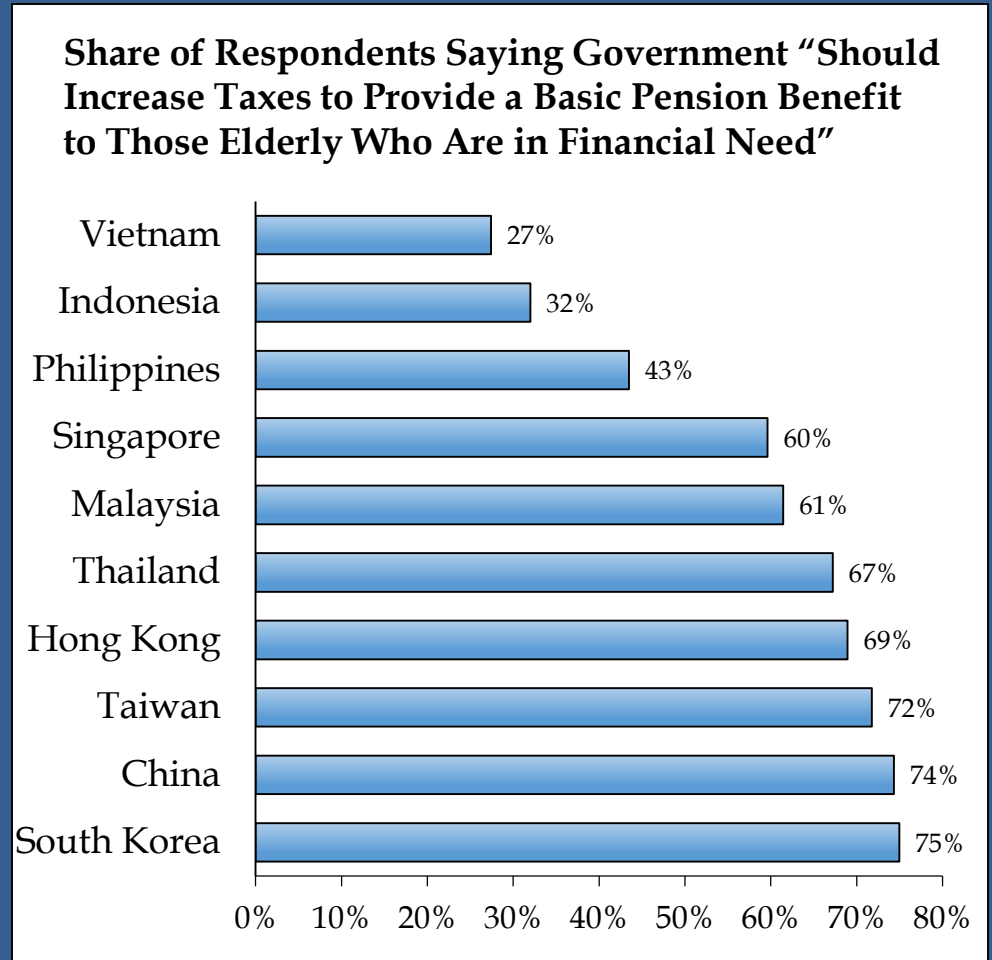
- Improve the adequacy of state pension systems
- **Encourage or require workers to save more for their own retirement**
- Establish more robust floors of old-age poverty protection
- Raise retirement ages and encourage longer work lives

Share of Respondents Saying “Require Workers to Contribute More to Pay for Government Pension Programs” versus Share Saying “Require Workers to Save More for Their Own Retirement”



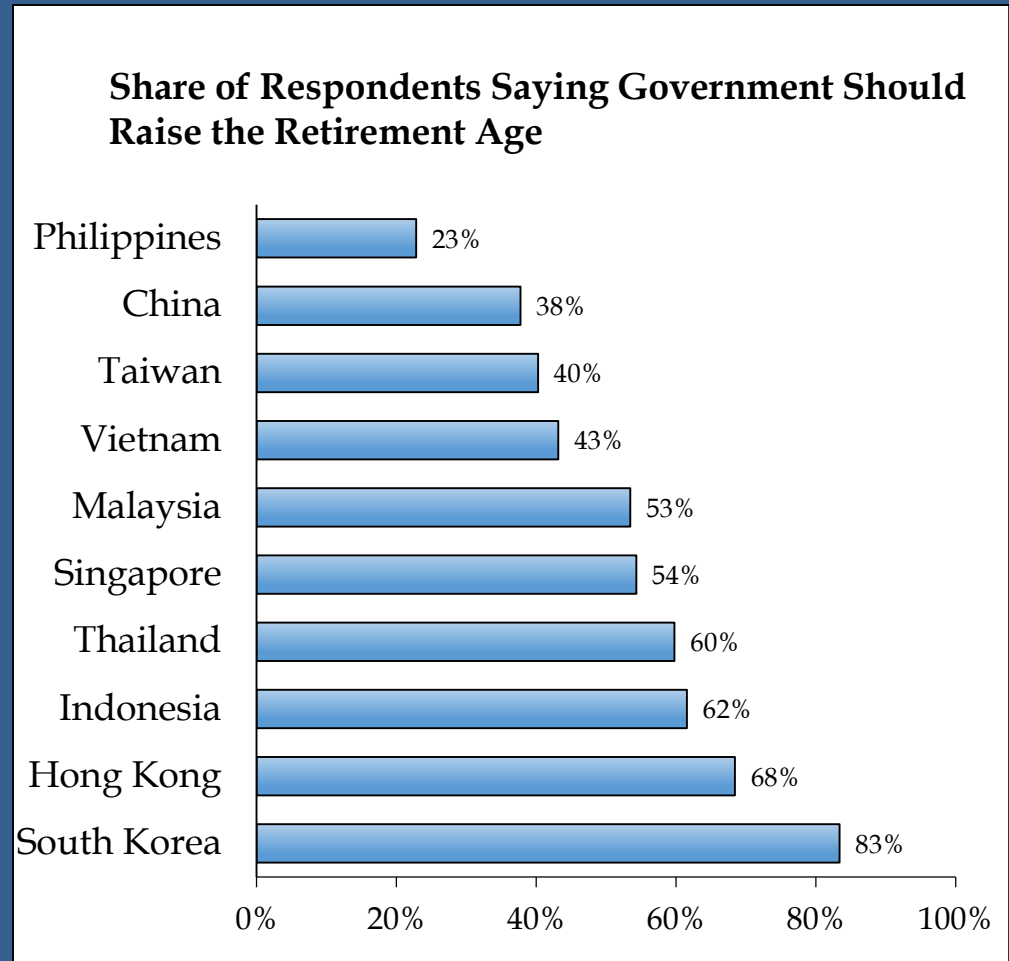
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Directions for Reform

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- ▣ **Raise retirement ages and encourage longer work lives**



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