



# Towards a FinFit Hong Kong:

## A Future Fit for All

### ■ A Pressing Need

Economic uncertainty in the wake of year 2020 has brought into sharp focus the ever-present need for all individuals in Hong Kong to have robust financial plans and practices. We call this financial well-being “Financial Fitness” or “FinFit”.

As a key stakeholder in the financial well-being of Hong Kong and its people, HSBC recognises its responsibility to understand, promote and improve FinFit in Hong Kong in order to improve the quality of their lives.

This document outlines the issues impacting FinFit for Hong Kong banking population, along with a roadmap guiding these individuals towards financial fitness.

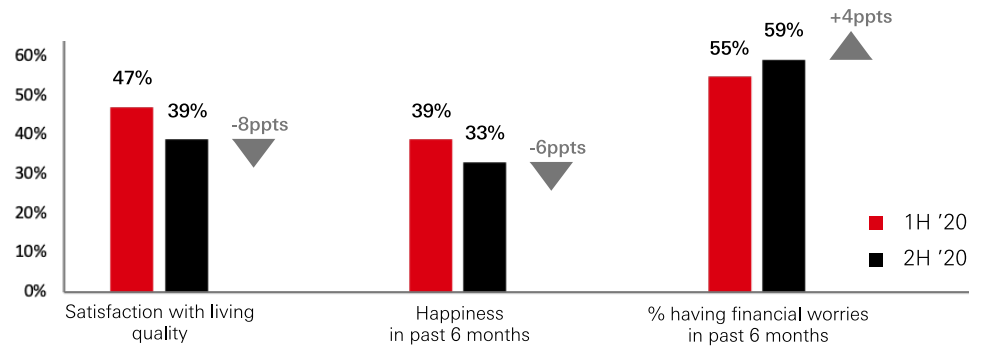
# Contents

<b>Preface</b>	<b>03</b>
<b>Hong Kong FinFit Index</b>	<b>04</b>
<b>Four Pillars of FinFit</b>	<b>05</b>
◆ Financial Habits	05
◆ Financial Knowledge	06
◆ Financial Planning	07
◆ Financial Security & Safety	08
<b>Financial Goals of the Hong Kong Banking Population</b>	<b>08</b>
<b>Property is the Top Priority</b>	<b>10</b>
<b>Retirement: Financial Goal No. 2</b>	<b>11</b>
<b>Eight Paths to a Better FinFit Future</b>	<b>13</b>

## Preface

### Most have anxiety about their financial futures

In 2H '20, one in three of Hong Kong banking population expressed general happiness and satisfaction with their lifestyle quality. This leaves two-thirds of those surveyed unhappy. As the longer-term impacts of the Covid-19 pandemic set in, and as the city continues to experience pay cuts, layoffs, business closures, and restricted outlets for lifestyle and entertainment, lifestyle satisfaction and level of happiness have gone into decline while worries increase. Of the unhappy two-thirds majority, 80% blamed financial worries as a contributing negative factor to their state of mind. Meanwhile, satisfaction with living quality dropped from almost 50% in 1H '20 to 39% in the last six months of the year.



Q. How satisfied are you with your quality of life? Percentages refer to those who are very satisfied or satisfied (Base: All)

Q. In the past 6 months, how happy do you feel? Percentages refer to those who are very happy or happy (Base: All)

Q. In the past 6 months, have you ever worried about your financial situation? (Base: All)

### Money woes have multiplied

People throughout the city are troubled by financial matters, with respondents citing an average of six to seven financial concerns on their minds in 2H '20 – an increase of 10% on the first six months of 2020. Among these concerns, impacts on livelihood loomed large. 59% agreed that they had concerns over reduced income, 39% were worried about unemployment and over half (52%) felt that the quality of life that they wanted was out of reach.

### Types of financial concerns



Q. How much do you agree that these are your concerns about your personal financial situation?

Percentages refer to those who strongly agree or agree (Base: All)

( ) denotes change vs. 1H '20

## Hong Kong FinFit Index

### Gauging Hong Kong's FinFit level

Amid this citywide uncertainty and concern, the HSBC Hong Kong FinFit Index gauges the financial resilience of Hong Kong's banking population by measuring its average FinFit level.

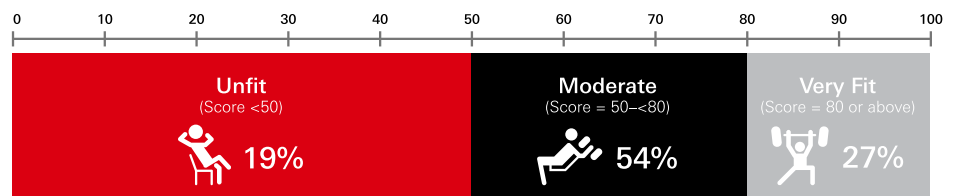
FinFit Index remains stable.

### FinFit Index sitting stable at 66/100

Despite the less optimistic mindset of many respondents, the actual Hong Kong FinFit Index has barely wavered, sitting at 66/100 in 2H '20 – a slight drop of one point relative to its 1H '20 score of 67.

Breaking down this result into three bands of fitness, less than one-fifth of respondents (19%) are classed as "Unfit", while over half (54%) fall into the "Moderately Fit" category and over a quarter (27%) are doing well with a FinFit level of "Very Fit".

### Distribution of FinFit Index

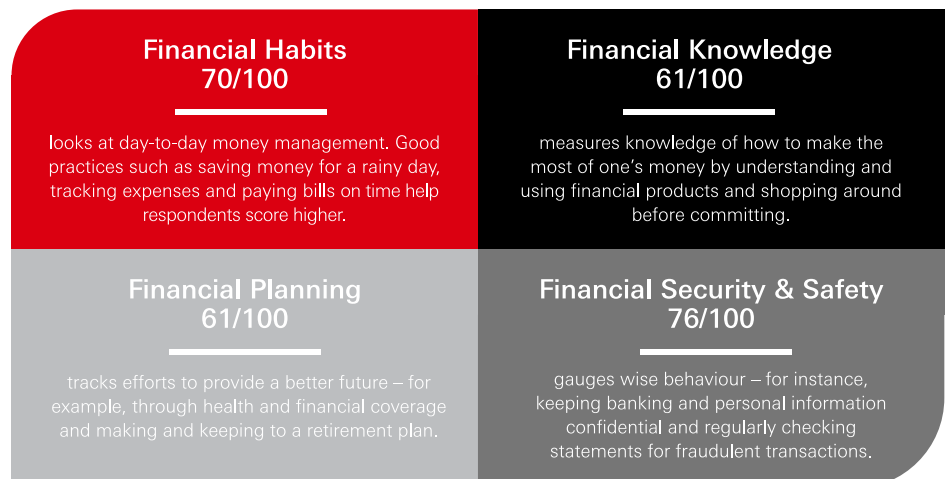


Hong Kong people are particularly strong and cautious about their financial security and safety, while weaker at financial planning and knowledge.

### A holistic snapshot of financial fitness

To ensure a complete appraisal of financial fitness, the FinFit Index comprises 36 indicators that are grouped under four pillars: Financial Habits; Financial Knowledge; Financial Planning; and Financial Security & Safety.

On average, Hong Kong people are stronger in Financial Security & Safety (scoring 76) and Financial Habits (70), while exhibiting less strength in Financial Knowledge and Financial Planning (both 61). This points to a tendency to place greater focus on current circumstances than on future and potential needs – for instance, not planning enough for retirement. It also indicates a preference for going it alone instead of seeking advice from financial professionals. A healthy FinFit level requires attention to both of these relatively neglected areas, especially given current market uncertainties.

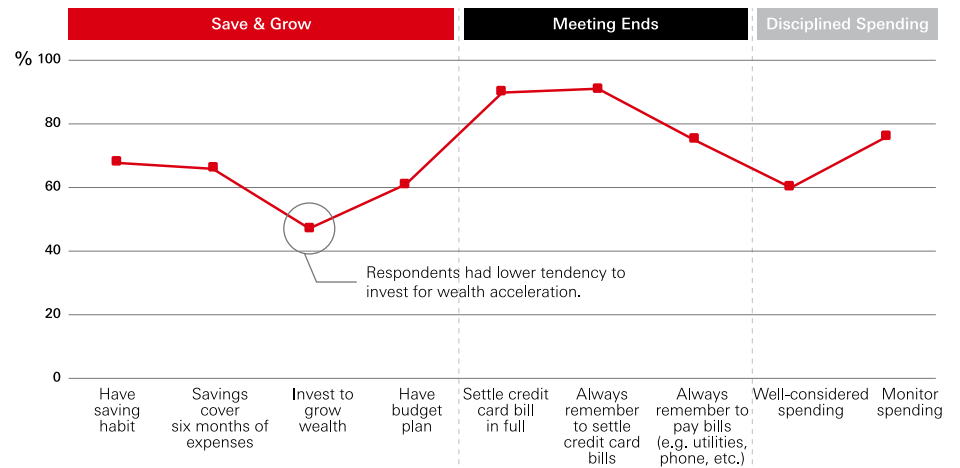


# Four Pillars of FinFit

## 1

### Financial Habits

In general, Hong Kong people keep a close eye on their bills and pay them on time. But a large number of individuals do not set a monthly budget and fail to take advantage of investment products to grow their wealth.



Q. These sentences describe the financial situations and wealth management behaviour of different people. Are they applicable to you? (Base: All)

Increased cash-holding allows greater financial flexibility with a view to the market turmoil and employment uncertainty.

### During the pandemic, cash is king

Encouragingly, two out of three respondents have the habit of saving for a rainy day and can cover six months of expenses without income. This is up between four and five points over 1H '20. However, over the same period, the amount of average savings dropped 5%, to approximately HKD7,000. Regarding allocation of liquid assets, the proportion given to investments has dipped 3ppts in favour of keeping more cash on hand due to market turmoil and employment uncertainty.

**68% (+4 ppts)**  
Have saving habit

**66% (+5 ppts)**  
With savings covering 6 months' expenses

### Average mix of liquid assets holding in past 6 months

Cash/savings

Investment

**66% (+3 ppts)**

**34% (-3 ppts)**

Q. Among your liquid assets, what percent is in cash/savings and what percent is in investments? (Base: All) ( ) denotes change vs. 1H '20

This behaviour is especially prevalent among millennials, who are particularly investment-shy and hold 72% cash in their portfolio versus 66% for the overall population. Broken down into two profiles, both students (85%) and career starters (76%) exhibit this fondness for cash, likely for the reasons mentioned above.



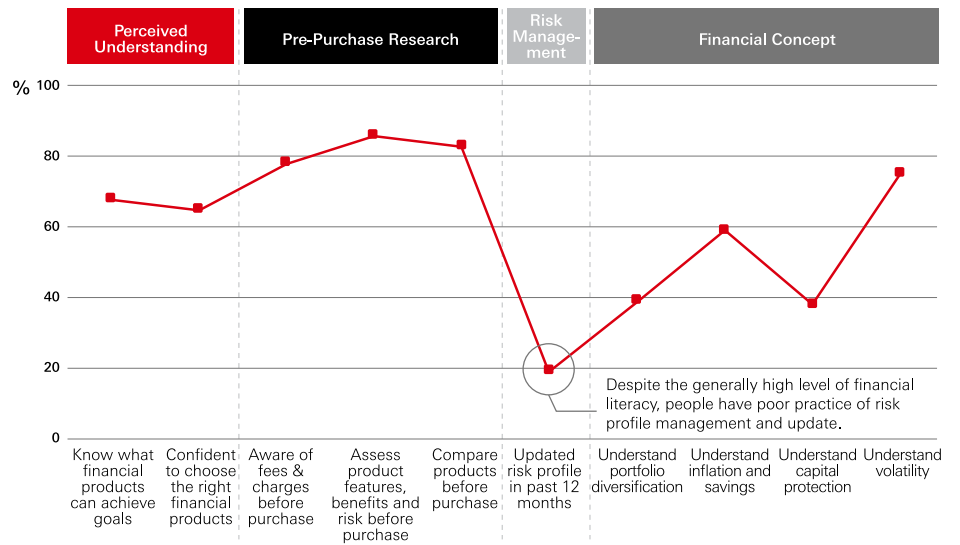
## Four Pillars of FinFit

# 2

### Financial Knowledge

It is said that shopping is Hong Kong’s national sport. While it is true that most Hong Kong people have a well-established habit of shopping around to get the best financial products, few people in 2H ‘20 choose to review their risk profile.

Another surprise that emerged was that even though many respondents claimed to be confident in choosing the right product to achieve a certain goal, their understanding of broad concepts fell far beneath this assurance. The most eye-catching deficits were seen in understanding “portfolio diversification” and “capital protection”.



Q. These sentences describe different people’s understanding of financial products and their habits on information search/different people’s understanding of financial concepts. Are they applicable to you? (Base: All)

People overestimated their actual financial knowledge and neglected the importance of regular review of their risk profile.

Actual knowledge of financial products is skewed. Taking investment products as an example, two-thirds of respondents claim to be familiar with local stocks, but less than a third understand other common investment products like funds, bonds or Equity Linked Investments (ELIs).

Perhaps predictably, this lack of knowledge is amplified among millennials who hold a larger proportion of their savings in cash. A weaker grasp of how inflation impacts savings – only 53% understand that “keeping money in a savings account is not an effective way to maintain buying power against inflation” versus 59% of the overall population – they face obstacles in growing wealth through wise investment choices.

## Four Pillars of FinFit

# 3

### Financial Planning

Respondents also posted a low score in Financial Planning. This can be seen in the lack of a) a retirement plan and b) understanding of how much money is required to maintain a plan and the importance of sticking to it. There is also room for improvement in seeking professional advice – a simple and direct first step towards addressing other shortfalls.

#### Covid-19 elevating urgency over importance

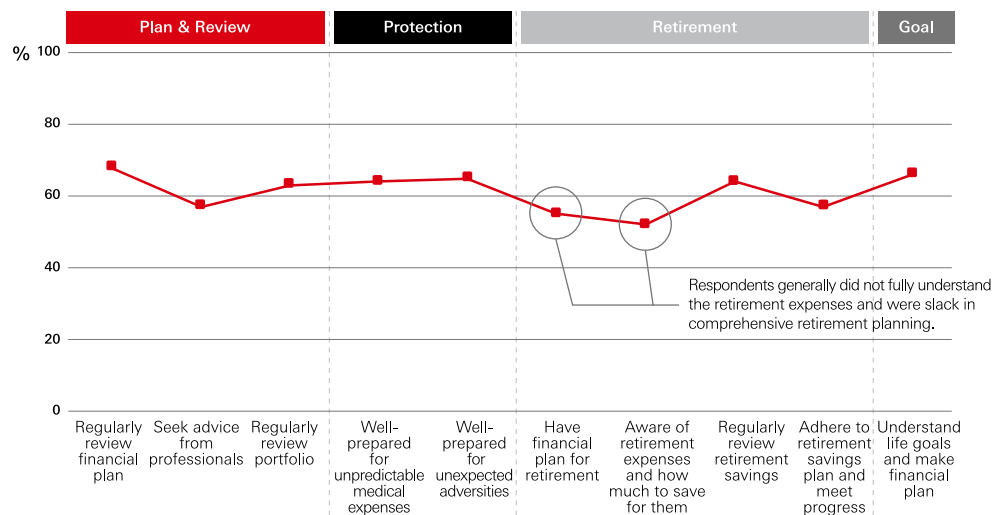
With real and urgent pressure on their financial circumstances, it is understandable that people are placing greater focus on the present at the expense of the future. Naturally, then, many are inclined to defer making a retirement plan and allocating money toward it, keeping more cash at the ready instead. 55% of respondents have formed a retirement plan, while just over half (52%) are aware of how much they need to commit to achieve their goals. Both scores are down five points compared to 1H '20.

Financial planning for retirement has dropped from 60% to 55%.



( ) denotes changes vs. 1H '20

However, preparing for retirement should also be regarded as an urgent priority. As seen among retirees in Hong Kong and pre-retirees aged 50 or older, the percentage of respondents claiming confidence or very high confidence in their retirement plunged from 48% in 1H '20 to a very low 35% in the latter half of the year.



Q. These sentences describe different people's habits on financial planning. Are they applicable to you? (Base: All)

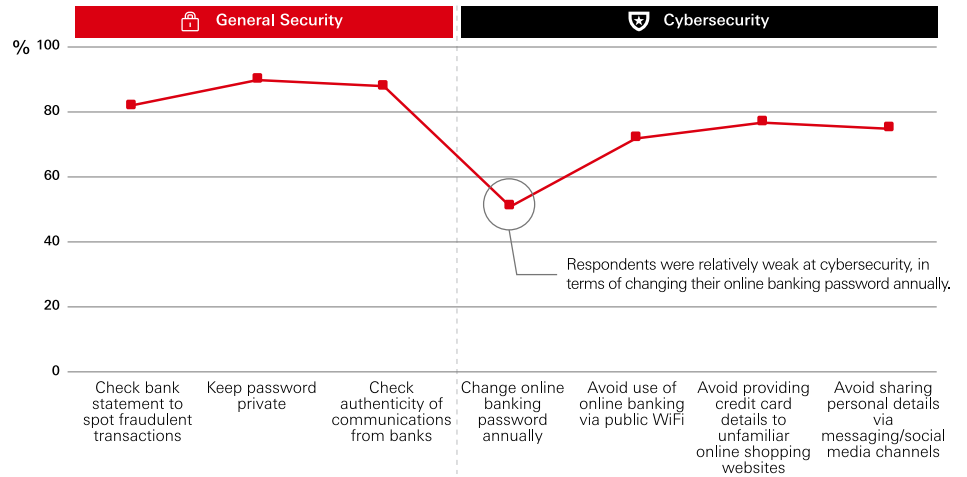
# 4

## Four Pillars of FinFit

### Financial Security & Safety

In a city proud of its financial and tech prowess, respondents showed a mostly reassuring performance in the Financial Security & Safety FinFit pillar with an average score of 76/100. The sole glaring outlier is one of the golden rules of cybersecurity and perhaps the most difficult of good habits to form: changing one's password regularly.

Hong Kong people are highly cautious about password privacy.



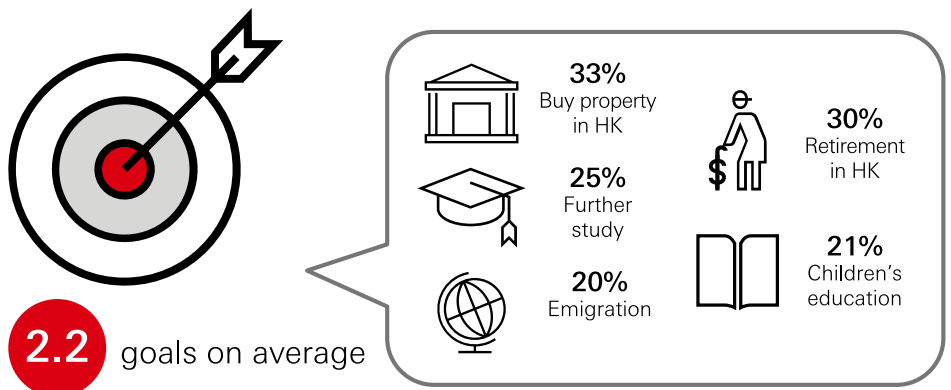
Q. These sentences describe the approaches in handling financial security of different people. Are they applicable to you? (Base: All)

## Financial Goals of the Hong Kong Banking Population

### Few goals and few successes to match

Hong Kong people don't ask for the world. Their financial goals seem reasonable, and they have an average of 2.2 of these goals. Among them, owning property is topmost at 33%, closely followed by retiring comfortably in Hong Kong at 30%. However, despite these seemingly sensible life milestones, only one-third of Hong Kong's banking population is confident that they can manage these objectives, which may be competing for stretched savings over different time horizons.

### Financial goals in the next 10 years



Q. What are your life/financial goals in the next 5 years? What are your life/financial goals in the next 6–10 years? (Base: All)

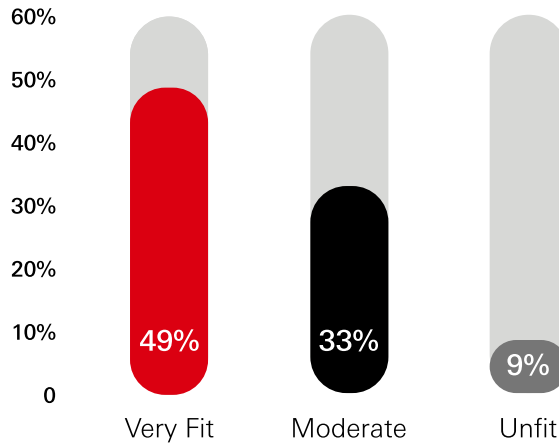


The fittest group has higher confidence in achieving financial goals.

### FinFit shapes confidence in achieving goals

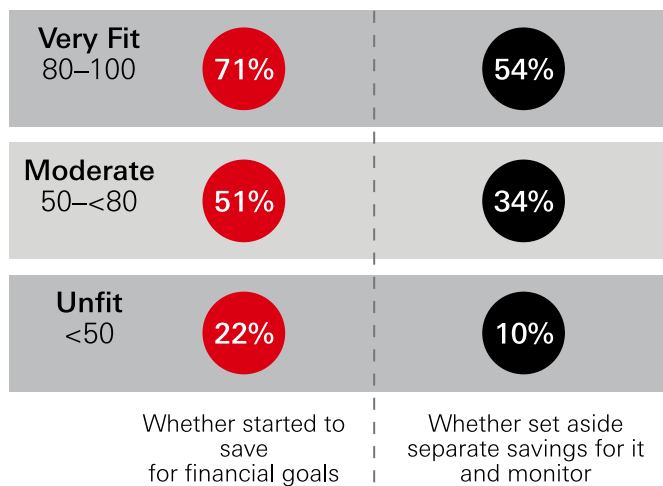
In stark contrast, “Very Fit” respondents have, on average, as much as five times the confidence in achieving their goals (49%) as the “Unfit” group (9%). Likely due to their greater FinFit standing, the former group has also started to actively save towards their financial goals (71% of “Very Fit” versus 22% of “Unfit”) and set aside separate funds that they monitor (54% of “Very Fit” versus 10% of “Unfit”).

### Confidence level in managing financial goals



Q. How confident are you to manage different financial goals that may be competing for your savings over different time horizons?

Percentages refer to those who are very confident or confident (Base: All)

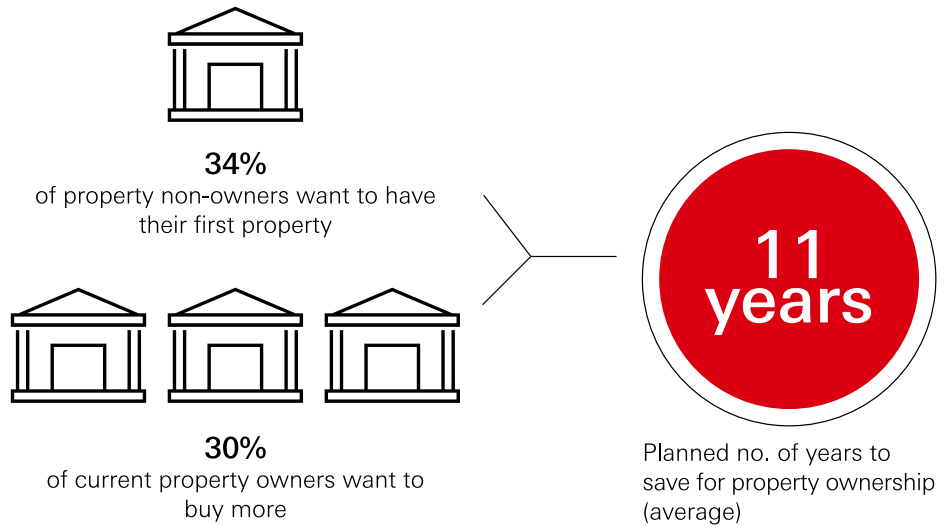


## Property is the Top Priority

### The no. 1 goal is to own property

Owning property is consistently the top goal for many Hong Kong people. Over a third of those without property (34%) are focused on making their first purchase. Existing property owners (30%) are on the hunt for their next place.

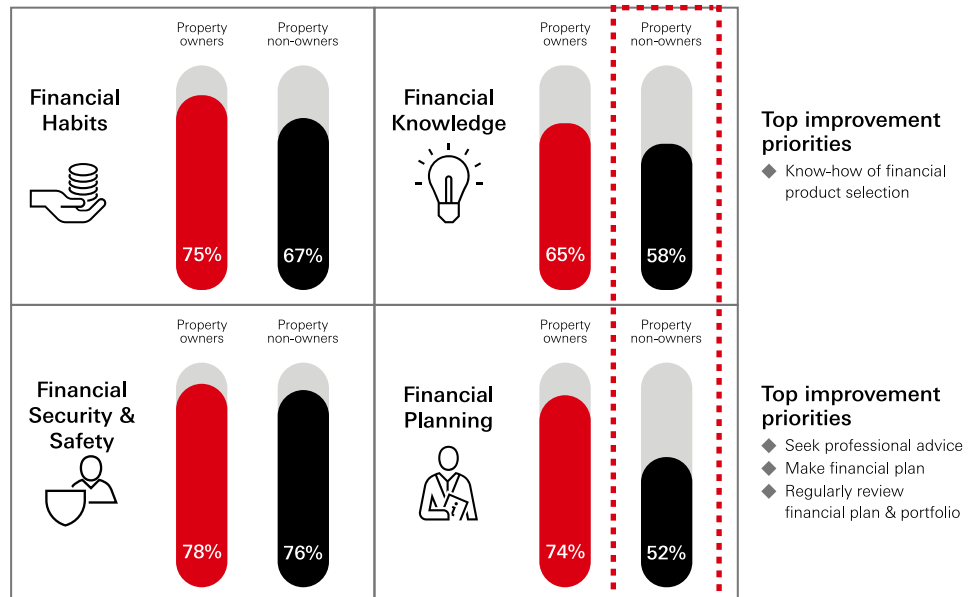
On average, FinFit Study data show that Hong Kong people save for 11 years to buy a new property, with those savings likely going towards the down payment rather than buying the property outright.



Property owners score higher in financial planning than non-owners.

### FinFit helps close the deal

Deciding factors in the ability to achieve one's goal of property ownership include: seeking professional advice, early and at key stages; formulating a plan and reviewing it frequently to take advantage of changing market conditions (in the "Financial Planning" FinFit pillar, property owners score 74/100 versus 52/100 for non-owners); and selecting the most appropriate financial products (in the "Financial Knowledge" FinFit pillar, property owners score 65/100 versus 58/100 for non-owners).



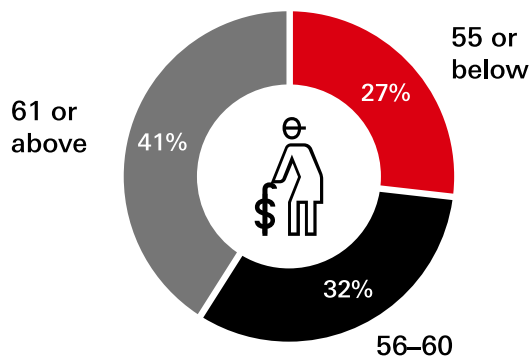
A quarter of the Hong Kong banking population plans to retire by aged 55.

## Retirement: Financial Goal No. 2

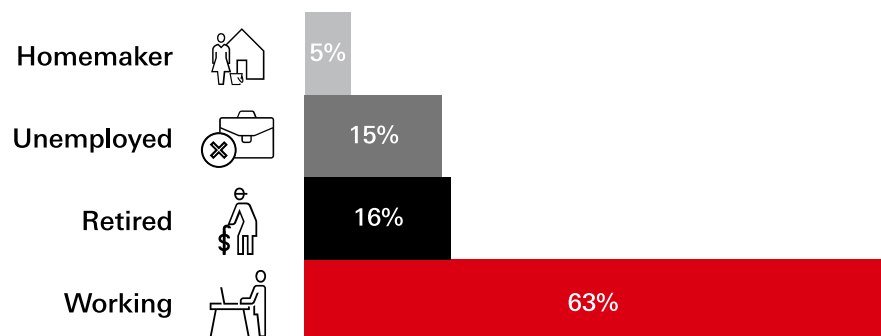
### Early retirement: a pipe dream for most

Even though as much as a quarter of the Hong Kong banking population plans to retire by aged 55, most do not get to enjoy this happy scenario. In fact, just 16% of respondents aged 55 to 64 managed to retire, while most of their peers are still working. The situation is even worse for the 15% of Hong Kong people aged 55 to 64 who consider themselves to be unemployed. Not only do they need to keep working to achieve their goal of retirement, but they also need to *find* work first. It is very likely that not preparing their finances sufficiently – and therefore not being adequately financially fit – is the reason why they cannot retire early.

### Planned retirement age among aged 18–49 individuals



### Personal status among aged 55–64 individuals

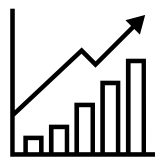


Only 36% are confident in having sufficient funds for retirement.

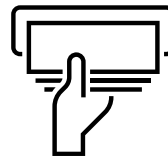
### Being FinFit paves the way to early retirement

Many Hong Kong people look to passive income such as stock dividends and time deposit interest to provide funds that will see them through retirement. However, these are susceptible to economic downturns and low-interest-rate environments, respectively. Starting earlier with a more diversified portfolio of investments allows individuals to grow wealth over time and enables the “Very Fit” of the Hong Kong banking population to savour the pressure-free environment of a comfortable, early retirement. In fact, the “Very Fit” are clearly confident that they will have these funds for retirement – 53% are very confident or confident versus 36% for the overall population.

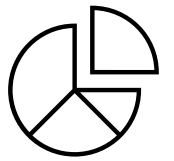
### Top 5 planned income sources for retirement



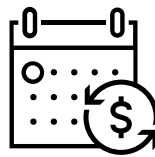
33%  
Stock dividends



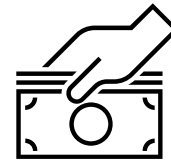
27%  
Time deposit interest



24%  
Partial withdrawal of MPF/ORSO

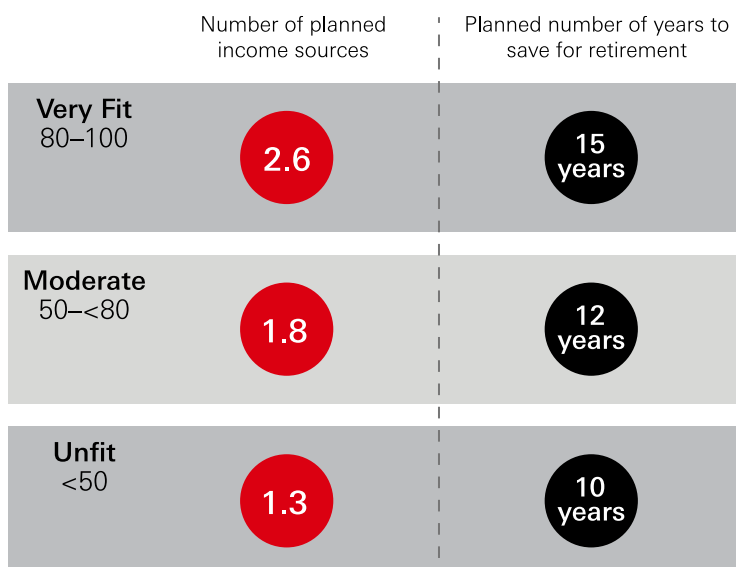


21%  
HKMC Annuity



17%  
Fund dividends

Q. What will be the main sources of your retirement income?  
(Base: Those who are aware of any retirement income sources)



## ■ Eight Paths to a Better FinFit Future

HSBC has prepared key insights and advice to help Hong Kong people hone strengths and balance deficiencies to improve their overall FinFit score. We have identified eight key drivers that, when followed, can help individuals be more FinFit.



Make your money work hard. The sooner you start planning and saving, the easier you can achieve your financial goals by leveraging on investment returns.



Emergencies happen! Always keep enough cash on hand to cover six months of expenses.



Maintain positive cash flow. Setting a budget and adhering to it to ensure that you are saving something for your financial goals.



Financial freedom. Plan well for your later life after you retire so you can enjoy the financial freedom that you deserve.



Knowledge is power. Build your financial know-how so you can make informed decisions.



The world is constantly changing. Review your financial plan, rebalance your portfolio and seek professional advice regularly to stay on track.



Lives change, too! Update your risk profile often to account for changes in your circumstances.



Avoid becoming a victim of cyber-crimes. Protect yourself by minimising your risk exposure and practising greater online security.



# The Research

In March and September 2020, two waves of consumer research were conducted for the **FinFit Study** to assess the financial fitness of the Hong Kong general banking population. A **FinFit Index** was established from the survey results and HSBC internal customer data, creating a **financial fitness benchmark** for the local community. It provides timely insights through a 360-degree review of behaviours and attitudes towards personal finances.

The findings are based on surveys of the general banking population aged 18–64 from a representative online sample in Hong Kong. The research was conducted by NuanceTree Ltd. with a sample size of approximately 1,500 per wave. Figures have been rounded to the nearest whole number.

## Disclaimer

This research study and its materials are for information only. All services provided by The Hongkong and Shanghai Banking Corporation Limited (the “Bank”) are subject to the prevailing applicable terms and conditions. In case of any discrepancies or inconsistencies between the materials from this study and the applicable terms and conditions, the latter shall apply and prevail. The Bank is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use or reliance of the information and materials available from this presentation. The information and materials available from this presentation are not intended to provide investment advice and do not constitute a solicitation or recommendation for the making of any deposit or investment. Such information and materials do not take into account any investment objectives, financial situation or personal circumstances or needs of any particular person. The Bank gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of such information and materials. Such information and materials are subject to change without notice. Investment involves risks.

© Copyright. The Hongkong and Shanghai Banking Corporation Limited 2002–2020. All rights reserved.