



SECURITIES AND FUTURES COMMISSION  
證券及期貨事務監察委員會



# Financial Knowledge and Capability in Hong Kong: A Foundation Study

June 2013

A research report commissioned by the Securities and Futures Commission and conducted by the Nielsen Company for the foundation of the Investor Education Centre

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## Executive Summary

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### Executive Summary

The overall financial knowledge and capability in Hong Kong is reasonably good.

In general, most people have demonstrated a good understanding of basic financial knowledge and principles. Of the four key aspects measured, Hong Kong people were found to have the best knowledge and capability in relation to “financial control and making ends meet”, followed by “choosing and managing investment”, “financial knowledge and understanding” and the least in relation to “financial planning”.

In spite of reasonably good knowledge on the basics, certain investment and financial concepts, as well as the nature and benefits of financial planning, are not very well understood by some Hong Kong people.

The research also shows that the mature age (aged 50-64), lower education (secondary or below) and lower income groups (below \$10K monthly) consistently demonstrate a lower understanding of financial matters relative to the population as a whole.

Although some young adults (aged 18-29) have better financial knowledge than some other demographic groups, they also seem to have the least concern or attachment about their financial positions.

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## Background and Objectives

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### **Background and Objectives**

The Securities and Futures Commission (SFC) is the only regulator in Hong Kong with a statutory mandate to educate investors.

On 13 December 2010, the Secretary for Financial Services and Treasury announced the HKSAR Government's decision to establish what is now called the Investor Education Centre (IEC), as a subsidiary of the SFC, to cater holistically for the financial education needs of the public across the entire financial sector and improve their financial literacy and capability.

To prepare for the foundation of the IEC, in June 2012, the SFC commissioned the Nielsen Company to conduct a survey to understand Hong Kong people's financial knowledge, attitudes, behaviours and their abilities to manage finances effectively. The survey sought to measure financial knowledge and capability in four aspects, namely, "financial knowledge and understanding", "financial control and making ends meet", "choosing and managing investments", and "financial planning."

This research study was intended to help prioritise the direction of future investor and financial consumer education initiatives, shape strategy and track impact over time.

The research work was carried out in consultation with Professor Louis Cheng of the Hong Kong Polytechnic University.

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## Research Design

### Research Design

A total of 2,062 interviews (2,000 main samples, 62 booster samples) in the format of a questionnaire were conducted in central locations via street intercept during June and July in 2012.

A two-stage sampling approach was used for this research. The first stage was conducted among 2,000 members of the public aged 18-64 years old with respondents of different gender, age, residential districts and household income to achieve representativeness.

To ensure a robust sample base for sub-group analysis, booster interviews were also conducted to obtain at least 1,000 investors who own or trade investment products (including Hong Kong stocks, China and overseas stocks, funds, bonds, derivatives, but excluding insurance with investment component and MPF/ORSO investments in the past 12 months). A total 938 investor interviews were conducted in the first stage followed by an additional 62 interviews in the second stage.

Data in this report is weighted and projected to the general public.

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## Respondents Profile

### Respondents Profile

Figure 1 Respondent Profile

	Total %	Investor %	Non Investor %
<b>Gender</b>			
Male	46	49	43
Female	54	51	57
<b>Age</b>			
18-29	23	13	32
30-39	22	26	19
40-49	24	27	22
50-64	31	35	27
Mean	40.9	43.5	38.7
<b>Marital Status</b>			
Single	35	27	42
Married	62	70	55
Separated / Divorced	2	2	3
Widowed / Widower	*	*	1
Refused	*	*	-
<b>Education</b>			
Primary or below	12	9	15
Secondary school	46	38	54
Post secondary	22	25	19
Bachelor degree	17	24	11
Master degree or above	3	5	1
<b>Living District</b>			
Hong Kong Island	21	24	18
Kowloon	31	30	32
New Territories	48	46	50
<b>Occupation</b>			
Manager/ Executive/ Boss	7	12	3
White collar	21	26	15
Self-employed	11	14	8
Professional	12	15	10
Blue collar	22	16	28
Retired	4	5	4
Unemployed	2	1	3
Housewife	13	10	15
Student	8	1	14
<b>Full Time working experience</b>			
No experience	9	2	16
Below 5 years	15	10	20
5 – 10 years	17	18	17
11 – 20 years	23	27	19
More than 20 years	36	43	29
<b>Monthly personal income</b>			
Below \$10,000	36	19	51
\$10,000 - \$14,999	24	21	26
\$15,000 - \$19,999	18	23	14
\$20,000 - \$29,999	13	20	7
\$30,000 or above	10	17	3
Median	12986	17136	9916
Base	2062	1000	1062

## Research Findings

### Usage of Financial Products

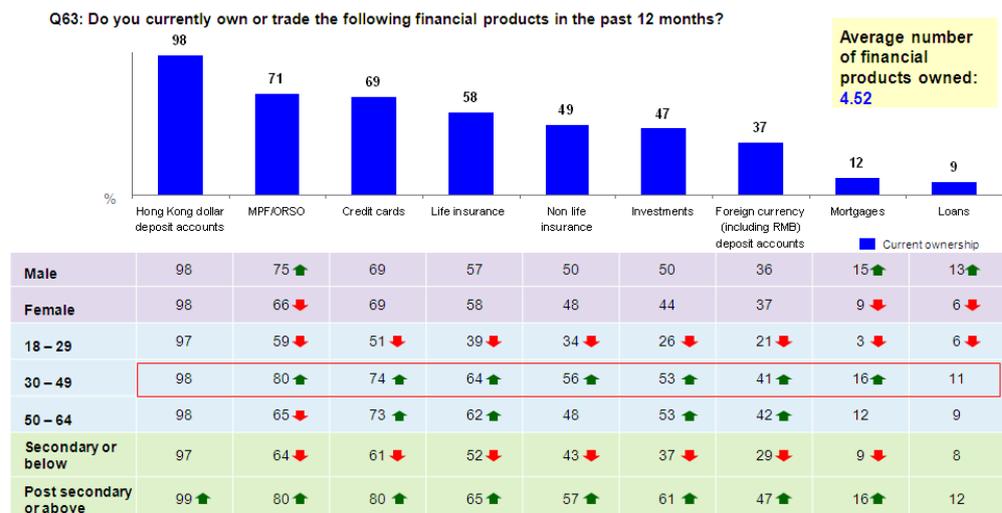
As shown in figure 2.1, a typical Hong Kong resident owns an average of 4.52 financial products with HKD deposit, MPF/ ORSO, credit card and life insurance at the top of the list.

There is no significant difference between men and women in terms of their usage of financial products with the exception of MPF / ORSO, mortgages and loans which are slightly higher for men.

As age and experience grows, a person gets more acquainted with different financial products and starts to realise their benefits. Hence, middle-aged (30-49 years old) and mature age (50-64 years old) groups hold more financial products than their younger counterparts.

The figure 2.2 shows that those with monthly personal income below HK\$10,000 primarily use HKD deposit and less than half of them have other product needs. Ownership of MPF/ ORSO, credit cards, insurance, investments and other financial products is more evident among middle to upper income segments.

Figure 2.1 Usage of Financial Products by Gender, Age, Education Level



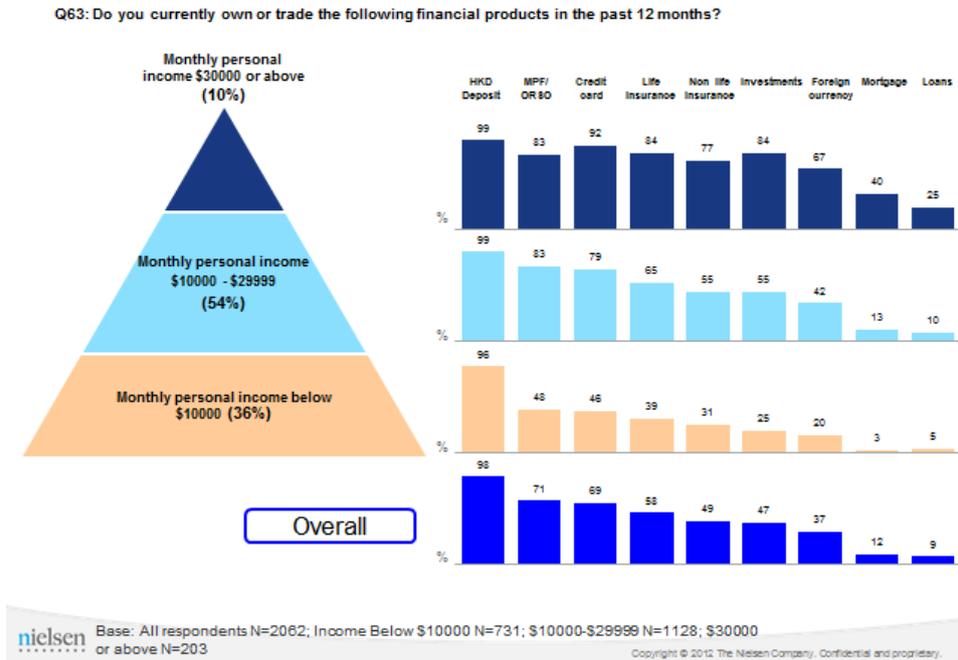
Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

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↑ ↓: Significantly higher/ lower than Total at 95% confidence level

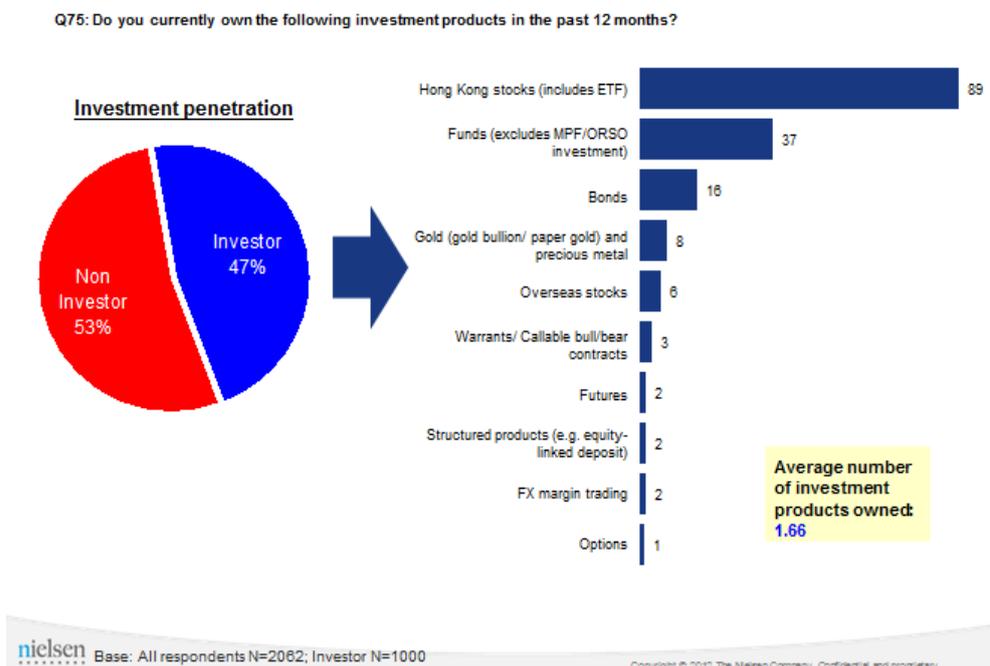
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Figure 2.2 Usage of Financial Products by Income Level



In figure 2.3, the survey found that a little less than half (47%) of the Hong Kong population aged 18-64 have engaged in various kinds of investment activities in the past 12 months. On average, they have invested in one to two products. Most Hong Kong people (89%) have invested in Hong Kong stocks, with funds (37%) at a distant second.

Figure 2.3 Investment Products Owned



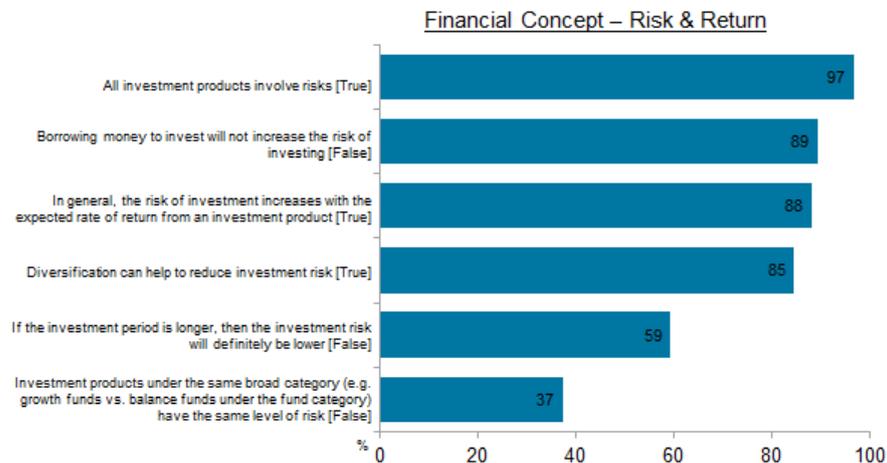
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## Financial Knowledge and Understanding

The overall financial knowledge and understanding in Hong Kong is reasonably good.

The basic concepts relating to risk and return are well understood, however some people misunderstand the potential risks involved in long-term investment and the risk difference across investment products under the same broad category (Figure 3.1).

Figure 3.1 Financial Knowledge and Understanding - Summary

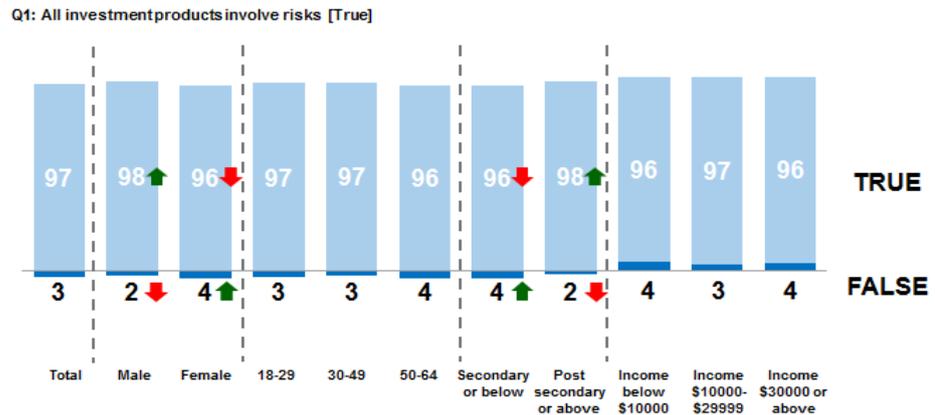


nielsen Base: All respondents N=2062

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As shown in figure 3.1.1, almost all respondents (97%) understand that all investment products involve risks. The same is true across all demographic groups.

Figure 3.1.1 Financial Knowledge and Understanding  
- All investment products involve risk (True)



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



▲ - Significantly higher/ lower than Total at 95% confidence level

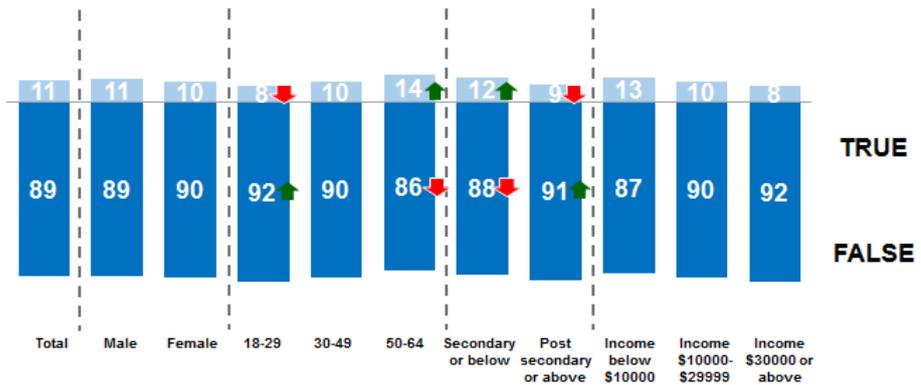
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Similarly, in figure 3.1.2, a large majority (89%) know that there is risk associated with borrowing money to invest. The remaining 11% who do not know mainly comes from the 50-64 year olds, low education and income segments.

There is a strong consensus that the risk of investment is directly proportional to the expected rate of return from an investment product, and this is even higher among high income earners (88% vs. 93%) as shown in figure 3.1.3.

Figure 3.1.2 Financial Knowledge and Understanding  
 - Borrowing money to invest will not increase the risk of investing (False)

Q6: Borrowing money to invest will not increase the risk of investing [False]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

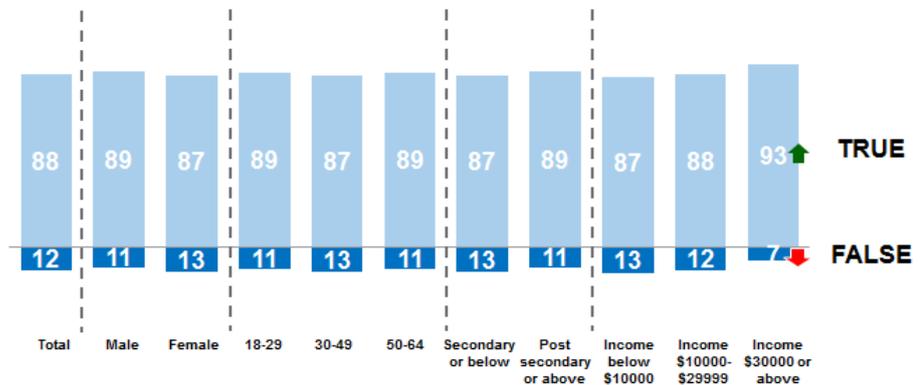


▲ ▼: Significantly higher/ lower than Total at 95% confidence level

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Figure 3.1.3 Financial Knowledge and Understanding  
 - In general, the risk of investment increases with the expected rate of return from an investment product (True)

Q3: In general, the risk of investment increases with the expected rate of return from an investment product [True]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

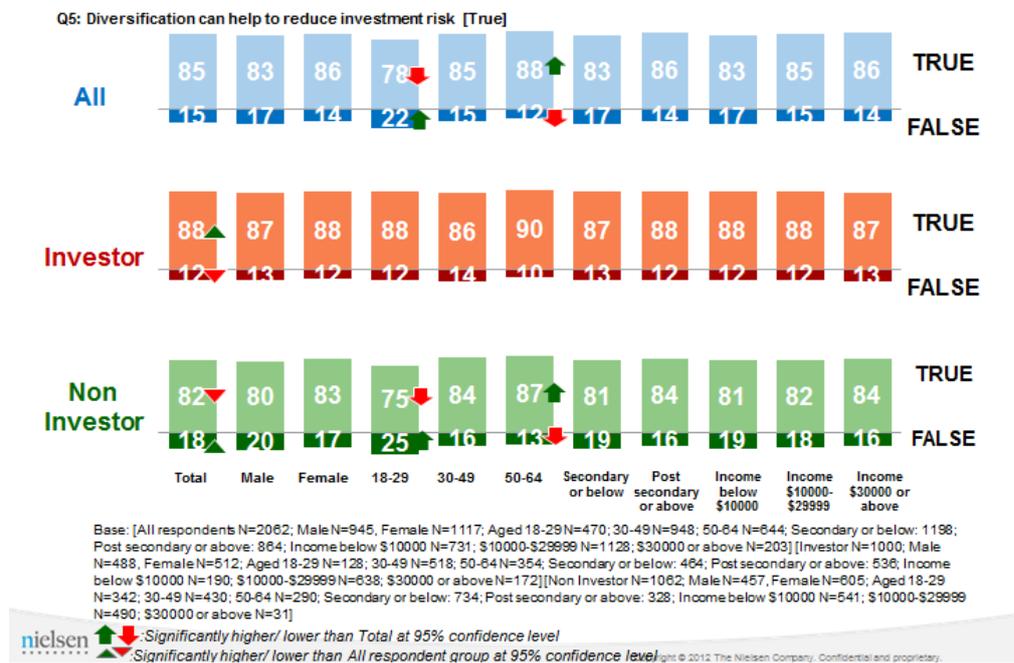


▲ ▼: Significantly higher/ lower than Total at 95% confidence level

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While there is high understanding of the benefits of diversification in reducing investment risk, young adults and non-investors have shown significantly lower understanding compared to all respondents (Figure 3.1.4).

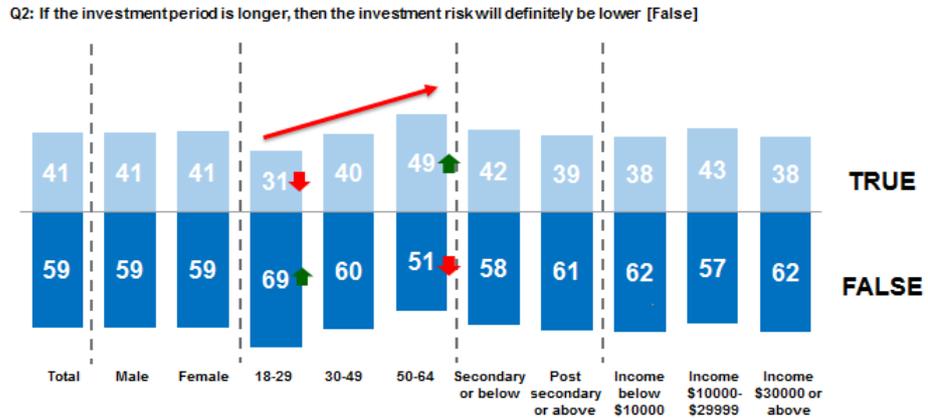
Figure 3.1.4 Financial Knowledge and Understanding  
- Diversification can help to reduce investment risk (True)



When asked about longer investment periods having lower risks, only 59% are able to recognise that this is incorrect. Misconception on this aspect increases with age (Figure 3.1.5).

From figure 3.1.6, the majority of Hong Kong people have struggled with the concept that investment products in the same broad category do not have the same level of risk as only about a third (37%) are aware of this. This awareness is even lower among older and low education groups, and this concept is more unclear among the non-investors.

Figure 3.1.5 Financial Knowledge and Understanding  
 - If the investment period is longer, then the investment risk will definitely be lower (False)



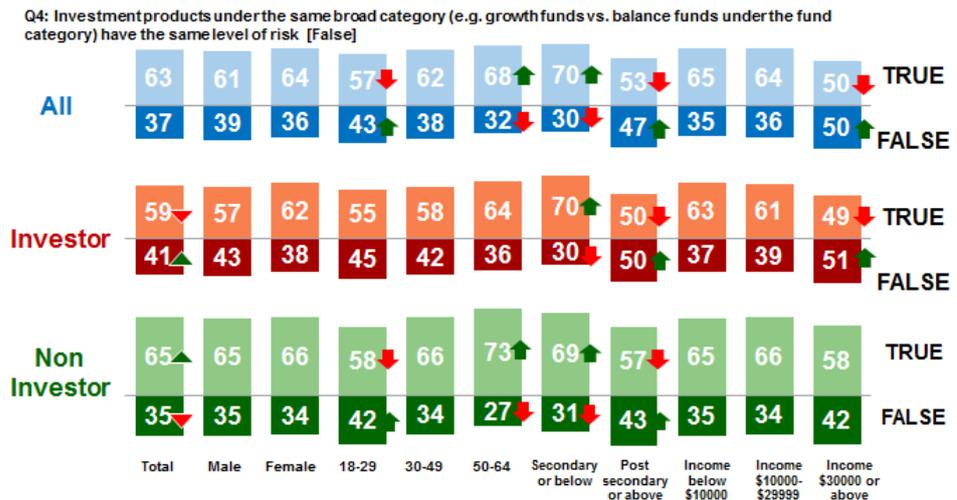
Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



▲: Significantly higher/ lower than Total at 95% confidence level

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Figure 3.1.6 Financial Knowledge and Understanding  
 - Investment products under the same broad category (e.g. growth funds vs. balance funds under the fund category) have the same level of risk (False)



Base: [All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: 1198; Post secondary or above: 864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203] [Investor N=1000; Male N=468, Female N=512; Aged 18-29 N=128; 30-49 N=518; 50-64 N=354; Secondary or below: 464; Post secondary or above: 536; Income below \$10000 N=190; \$10000-\$29999 N=638; \$30000 or above N=172] [Non Investor N=1062; Male N=457, Female N=605; Aged 18-29 N=342; 30-49 N=430; 50-64 N=290; Secondary or below: 734; Post secondary or above: 328; Income below \$10000 N=541; \$10000-\$29999 N=490; \$30000 or above N=31]



▲: Significantly higher/ lower than Total at 95% confidence level

▲: Significantly higher/ lower than All respondent group at 95% confidence level

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**Consumer Protection and Responsibility**

As shown in figures 3.2 - 3.5, regarding the awareness of regulatory bodies' responsibilities among the Hong Kong Monetary Authority (HKMA), the Securities and Futures Commission (SFC) and the Office of the Commissioner of Insurance (OCI), Hong Kong people have shown the highest level of awareness of OCI's scope of responsibility with a majority of respondents (84%) correctly identifying that the OCI is responsible for regulating insurance.

About two-thirds of the general public understand about the role of the HKMA (65%) and the SFC (69%).

Across subgroups, male, higher education and income groups have a better understanding of the HKMA's scope. Similarly, almost the same segments ie male, higher education and middle to upper income groups have a better knowledge of the responsibilities of the SFC.

While the knowledge of OCI's role is high across all demographic groups, the knowledge is relatively lower among the older age (78%) and lower education (79%) groups.

Figure 3.2 Awareness of Regulatory Bodies' Responsibilities

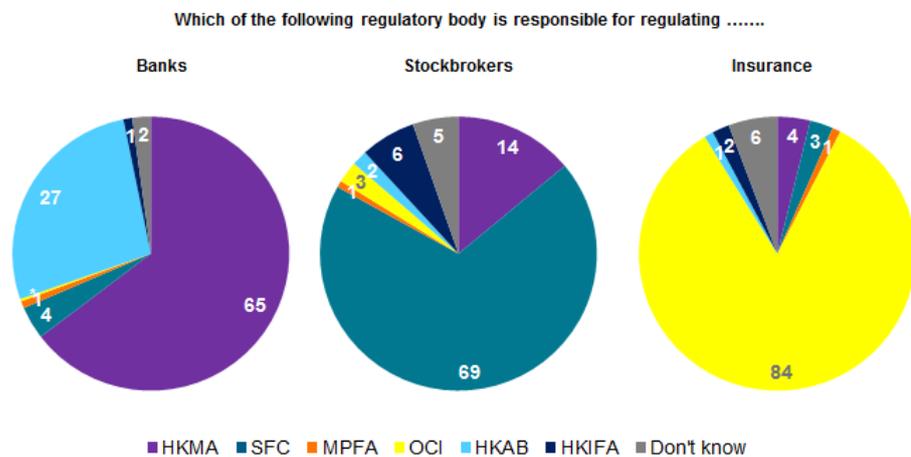
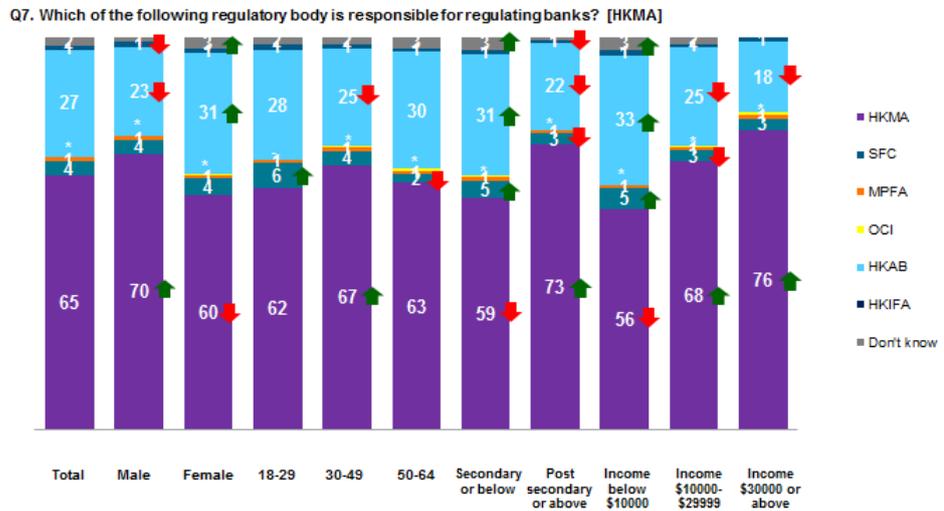


Figure 3.3 Awareness of Regulatory Body Responsible for Banks



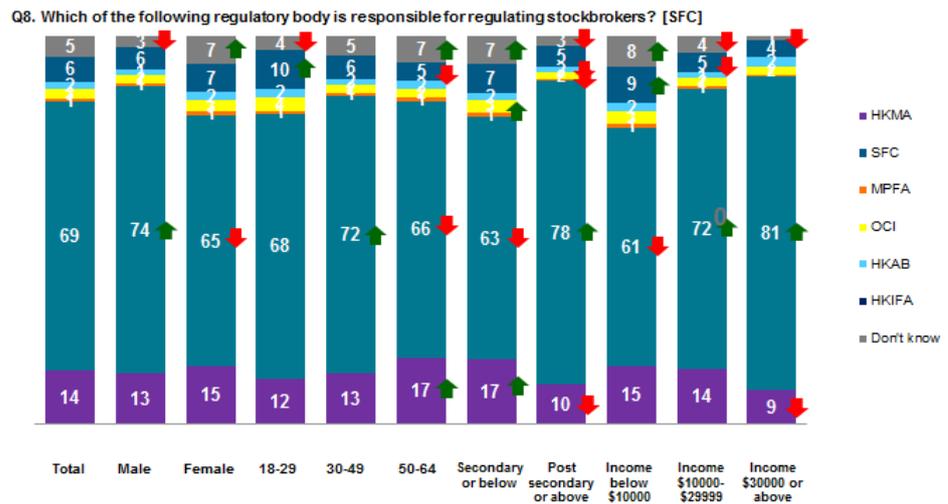
Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



▲-Significantly higher/ lower than Total at 95% confidence level

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Figure 3.4 Awareness of Regulatory Body Responsible for Stockbrokers



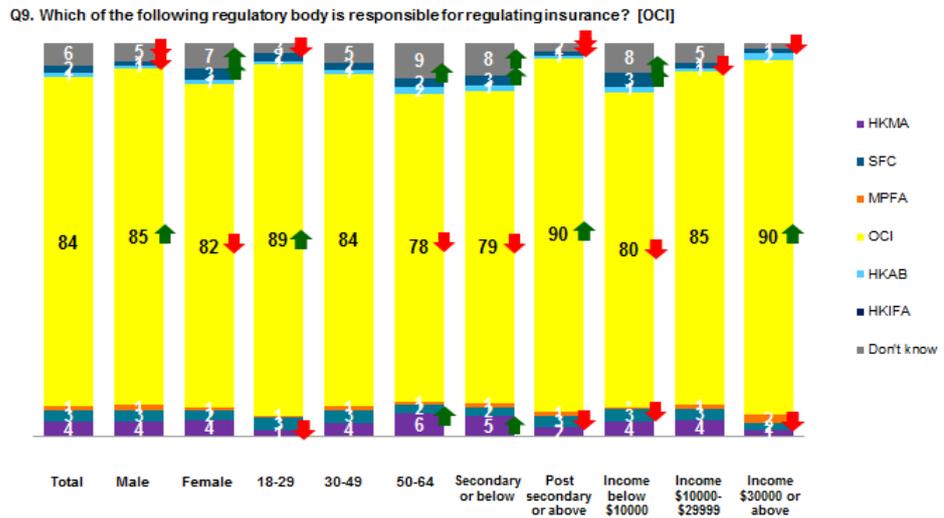
Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



▲-Significantly higher/ lower than Total at 95% confidence level

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Figure 3.5 Awareness of Regulatory Body Responsible for Insurance



Most Hong Kong people pay attention to account statements issued by financial institutions. The majority (70%) said they would actually read the statements in detail, and 37% would verify it against transaction confirmations (Figure 3.6).

Further, most (89%) people responded that they would follow up and verify with the financial institution if they find any discrepancies with their account statements, two-thirds of them would actually do this immediately as illustrated in figure 3.7.

Males, lower education and lower income groups are less likely to check account statements and report any discrepancies.

Figure 3.6 Attitude Towards Account Statements

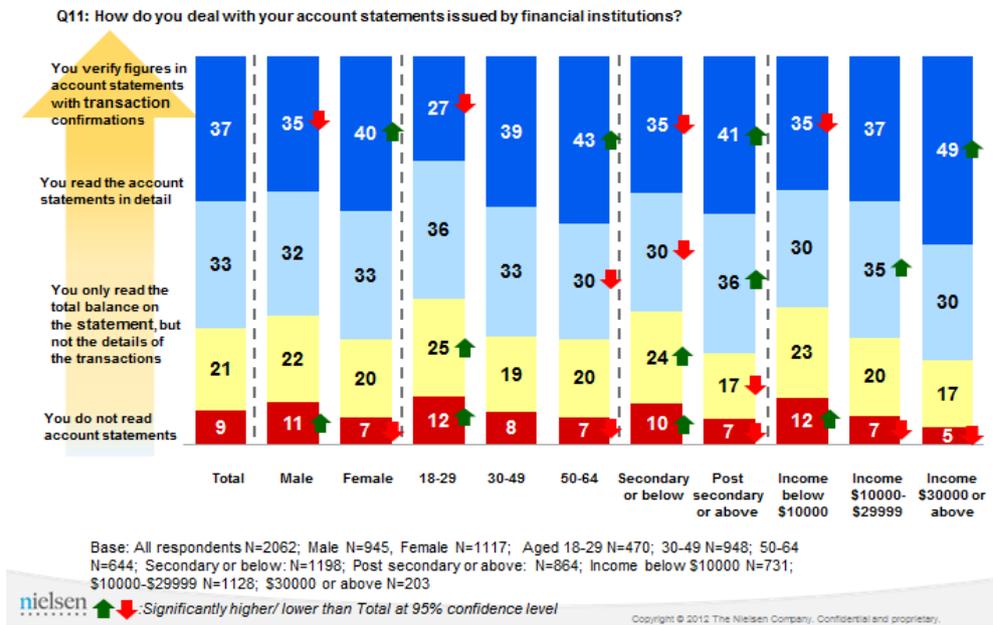
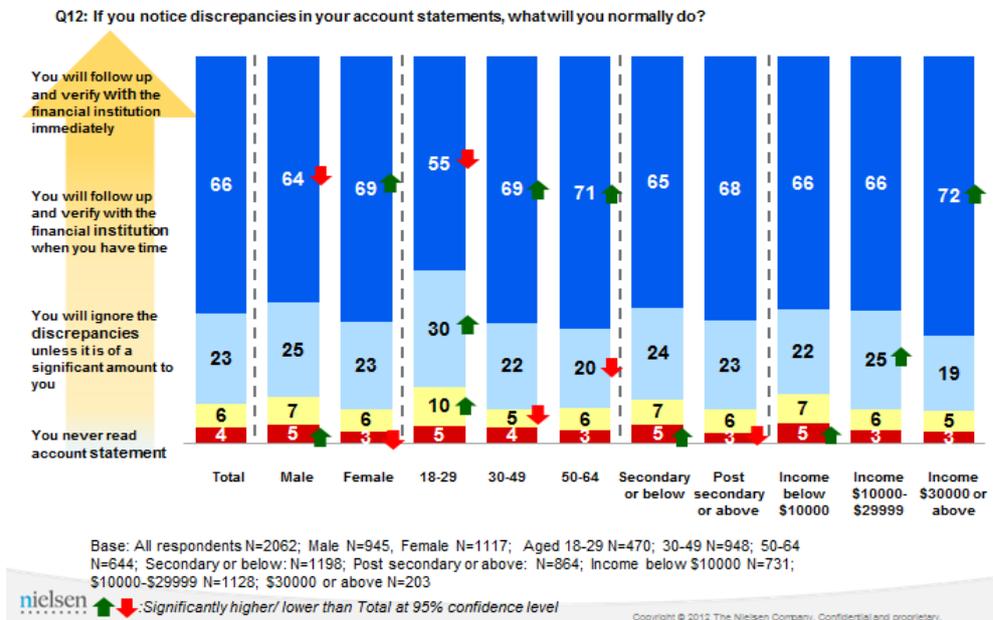


Figure 3.7 Attitude Towards Account Discrepancies

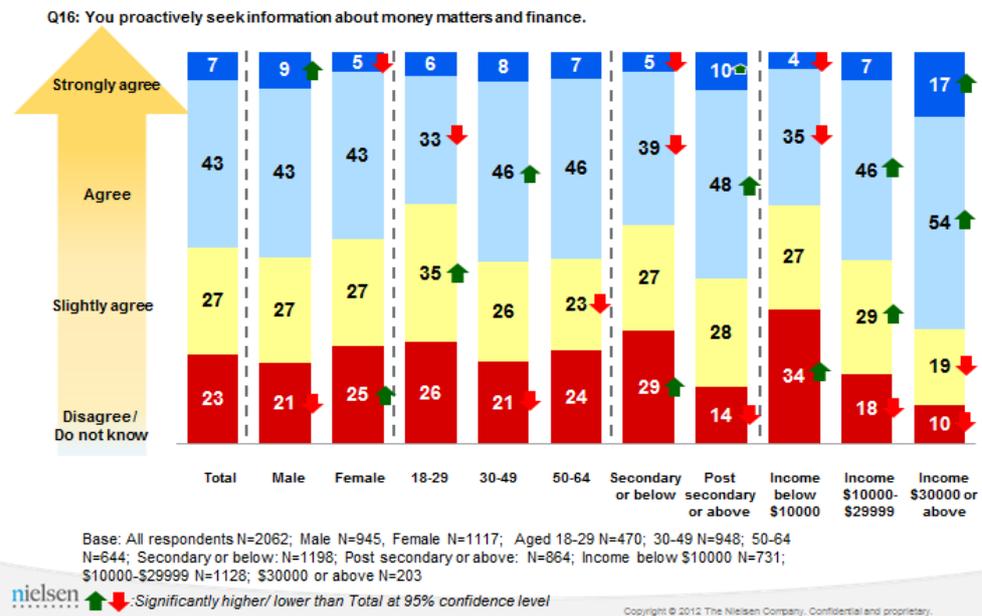


**Getting Information**

As shown in figure 3.8, the majority of Hong Kong people would like to be in-the-know when it comes to money matters and finance. Half of them strongly agree that they proactively look for information.

Young adults, low education and low income groups are less engaged in searching for information.

Figure 3.8 Degree of Activeness in Seeking Financial Information



Hong Kong people tend to conduct general investment information search rather than doing financial planning and looking up product information from issuers (Figures 3.9 – 3.10).

Between males and females, males are more willing to look for information themselves, while females prefer seeking advice from professionals. In the same way, higher education and income groups conduct research themselves rather than approach advisers/ brokers/ bank managers for advice.

Figure 3.9 Information Sources Before Making an Investment Decision

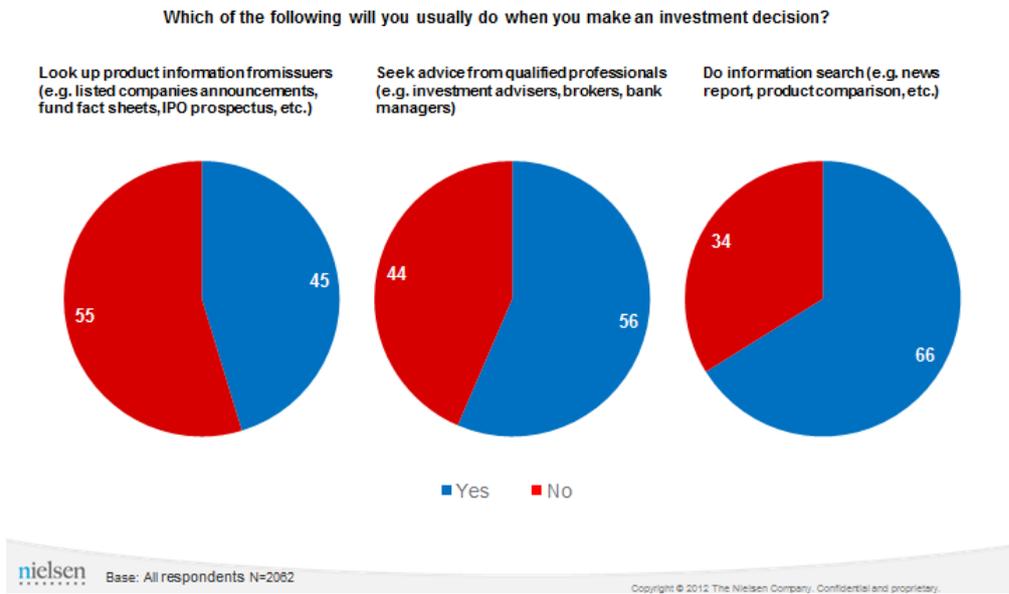
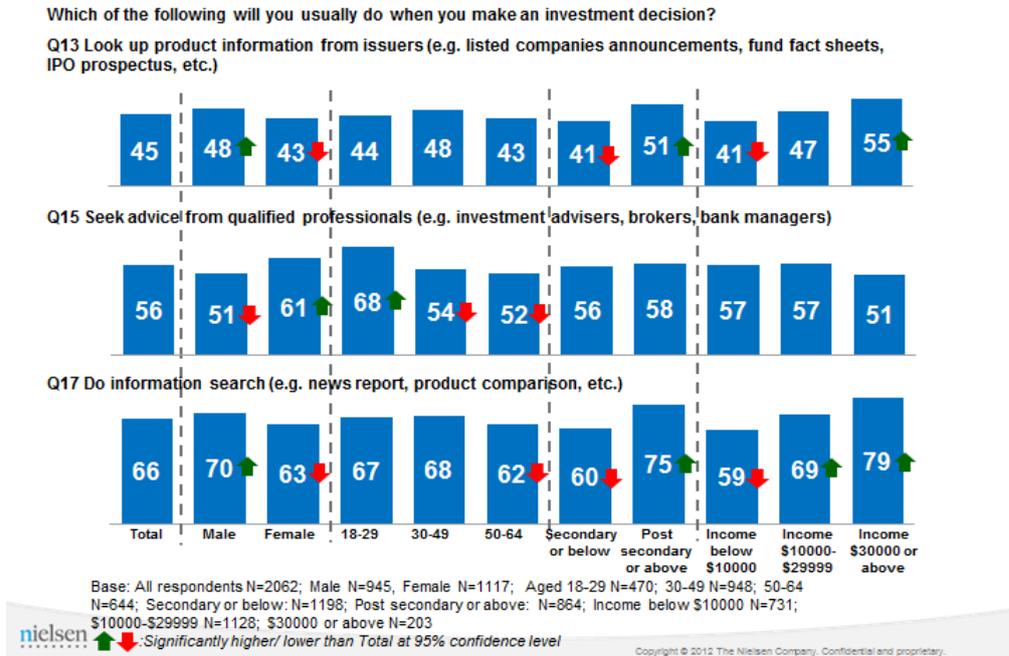


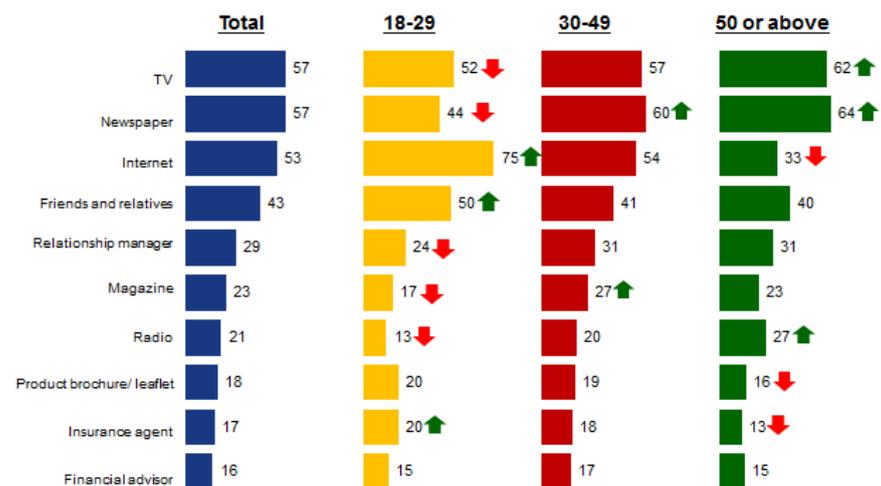
Figure 3.10 Information Sources Before Making an Investment Decision by Demographics



As illustrated in figure 3.11, traditional media channels like TV and newspaper are still the major sources of financial information, particularly for the older age segments. Being the more tech-savvy group, young adults rely heavily on the Internet to gather information, followed by word-of-mouth recommendations.

Figure 3.11 Information Sources for Financial Products

Q52: Which of the following sources do you usually use to obtain information of financial products?



\*Mentions less than 2% are not shown

Base: All respondents N=2062; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644

↑ ↓: Significantly higher/ lower than Total at 95% confidence level



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## Financial Control and Making Ends Meet

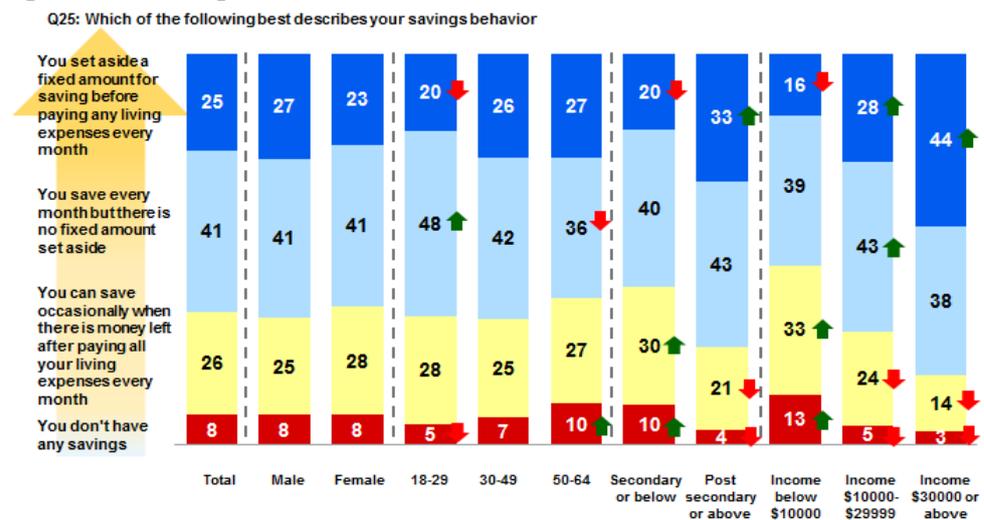
### Cash Inflow and Outflow

Of the four dimensions, Hong Kong people were found to have the best knowledge and capability in relation to “financial control and making ends meet.”

Having regular saving habits is a main contributor to this finding as two-thirds (66%) of Hong Kong residents make sure they set aside some money for savings every month (Figure 4.1).

Regular and fixed amount savings are more apparent among the mature age, high education and income groups.

Figure 4.1 Saving Behaviour



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

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▲ ▼: Significantly higher/ lower than Total at 95% confidence level

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**Awareness of Financial Position**

Most Hong Kong people have good control of their personal finances.

From figure 4.2, most (93%) said that they have a clear idea of their living expenses. However, across demographic groups, 18-29 year olds are less aware of it (87% vs. 93% of total respondents).

Almost all respondents (98%) said that they consider their financial positions before buying a big ticket item. The same holds true across all the subgroups.

Overall, a large number (81%) of Hong Kong people said that they have a personal budget. More women have an allocation plan for personal income than men. As regards to young adults, they do not have a clear idea of their living expenses, and they have less control over their budget. For low education and income groups, they also do not plan as much when it comes to budget allocation.

Figure 4.2 Awareness of Financial Position

I am going to read you a few statements about how people make their personal financial budget. For each statement, please tell me whether it describes you correctly.

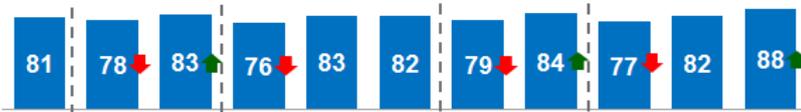
Q22 You have a clear idea of your living expenses



Q23 You usually consider your financial position before buying a big ticket item



Q24 You have a personal budget (i.e. a plan to allocate future personal income towards expenses, savings and debt repayment)



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



Significantly higher/ lower than Total at 95% confidence level

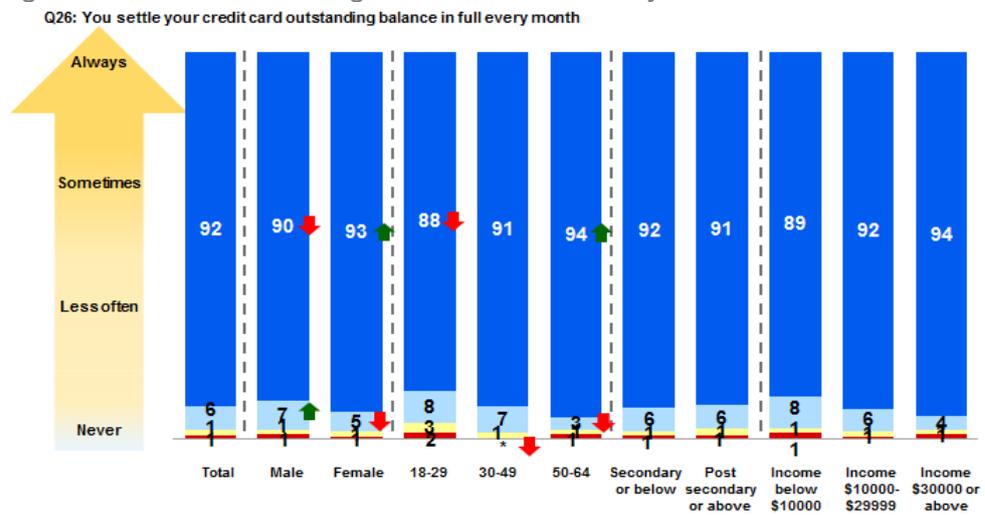
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**Extent of Using Credit Card/ Loan**

Figures 4.3 – 4.4 show that most Hong Kong people tend to use their credit cards wisely. Most (92%) usually try to avoid revolving and pay their credit card outstanding balance in full every month.

Hence, a large number (87%) do not agree with paying only the minimum payment requirement. Across all demographics, young adults, low education and income groups are more open to minimum payment.

Figure 4.3 Credit Card Usage Behaviour – Full Payment



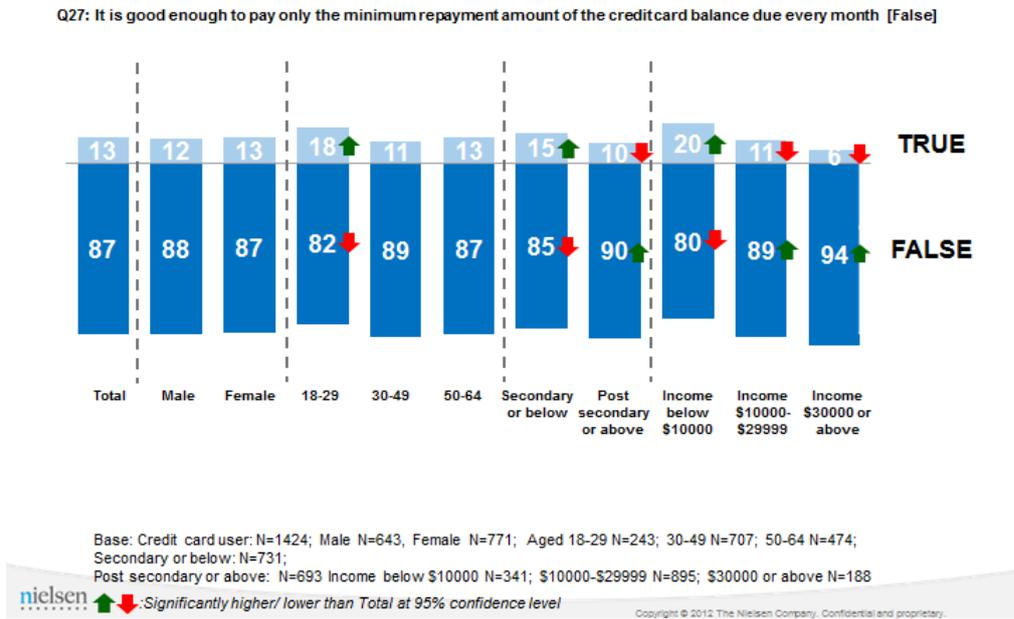
Base: Credit card user: N=1424; Male N=643, Female N=771; Aged 18-29 N=243; 30-49 N=707; 50-64 N=474; Secondary or below: N=731; Post secondary or above: N=693 Income below \$10000 N=341; \$10000-\$29999 N=895; \$30000 or above N=188



▲: Significantly higher/ lower than Total at 95% confidence level

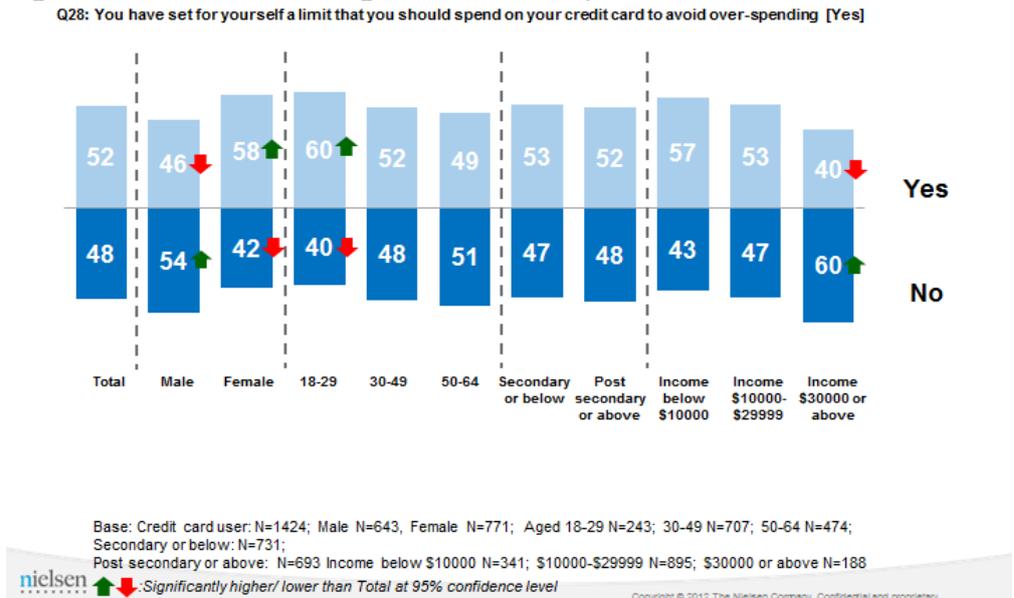
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Figure 4.4 Credit Card Usage Behaviour – Minimum Payment



From figure 4.5, the attitude towards setting a spending limit on credit card is divided (52% agree, 48% disagree). Women, young adults and lower income groups are more likely to set a spending limit.

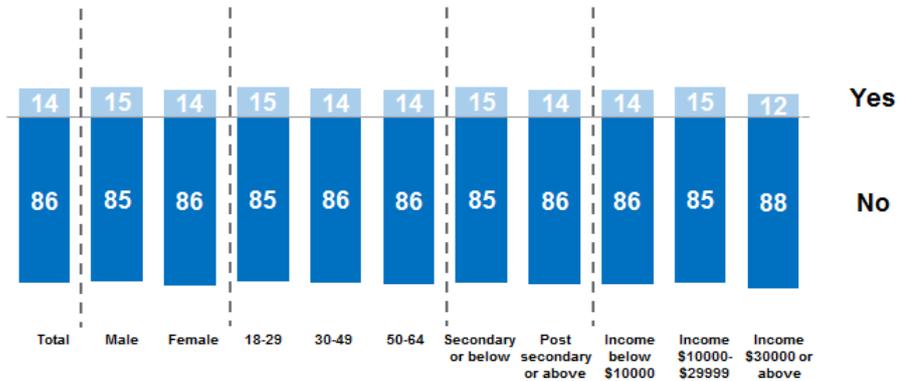
Figure 4.5 Credit Card Usage Behaviour – Spend Limit



When it comes to loan management, a short-term loan from a bank is preferred to having a cash advance from a credit card despite the convenience it offers (Figure 4.6).

Figure 4.6 Short-Term Loans – Bank vs. Credit Card Cash Advance

Q29: When both banks and credit cards can provide you with a short-term loan, you will prefer credit card cash advance for convenience sake [No]



Base: Credit card user: N=1424; Male N=643, Female N=771; Aged 18-29 N=243; 30-49 N=707; 50-64 N=474; Secondary or below: N=731; Post secondary or above: N=693 Income below \$10000 N=341; \$10000-\$29999 N=895; \$30000 or above N=188



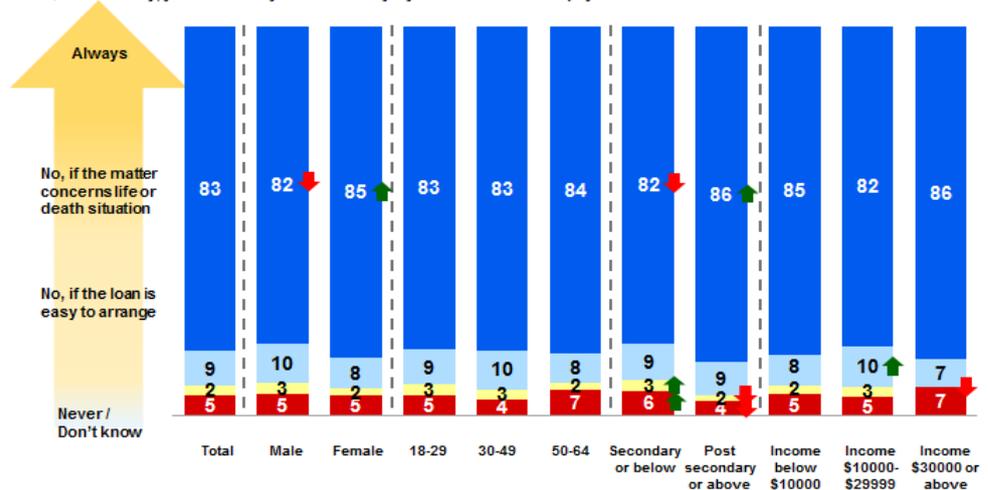
▲ - Significantly higher/ lower than Total at 95% confidence level

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In general, Hong Kong people would usually borrow money only when they could repay, this is more so among females and those with higher educational backgrounds (Figure 4.7).

Figure 4.7 Attitude Towards Loans

Q21: Generally, you would only borrow money if you could afford to repay



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



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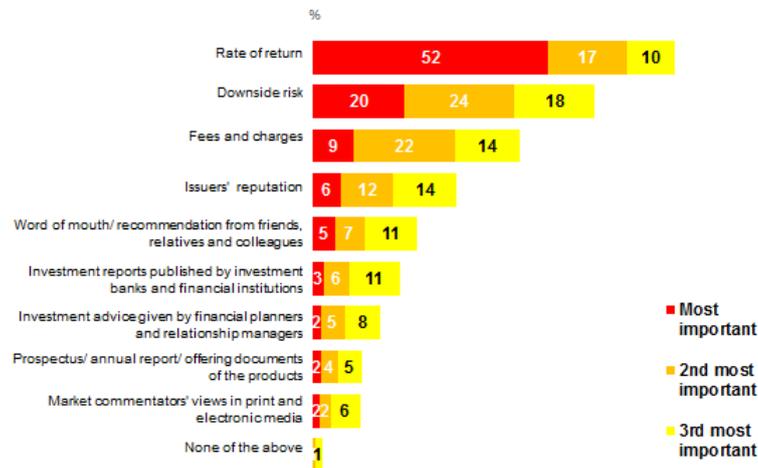
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## Choosing and Managing Investments

When it comes to investment decisions, as shown in figure 5.1, half (52%) of the Hong Kong people are primarily focusing on the rate of return. Only one-fifth (20%) of them would consider downside risk as the most important factor. Fees and charges as well as issuer's reputation are less important.

Figure 5.1 Most Important Factors in Making Financial/ Investment Decisions

Q53: People have different priorities/ considerations when they make financial/ investment decisions. Which of the following are the top 3 factors for your financial/ investment decisions?



nielsen Base: All respondents N=2062

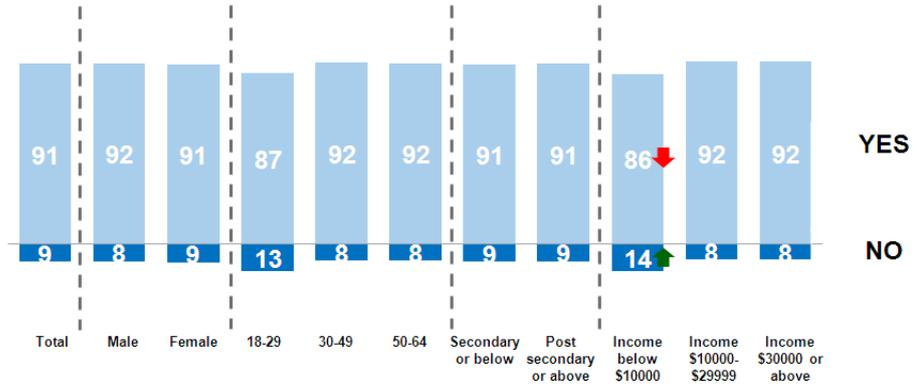
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## Monitor Investment Performance

Figures 5.2 – 5.3 show that investors in Hong Kong look out for their investments well. Most (91%) indicate that they monitor the performance of their investments while 93% agree that there should be a stop-loss strategy in stock investment. Interest in getting stop-loss strategy slightly decreases with age however.

Figure 5.2 Monitoring of Investment's Performance

Q37: Do you monitor the performance of your investment [Yes]



Base: Investor N=1000; Male N=488, Female N=512; Aged 18-29 N=128; 30-49 N=518; 50-64 N=354; Secondary or below: N=464; Post secondary or above: N=536; Income below \$10000 N=190; \$10000-\$29999 N=638; \$30000 or above N=172

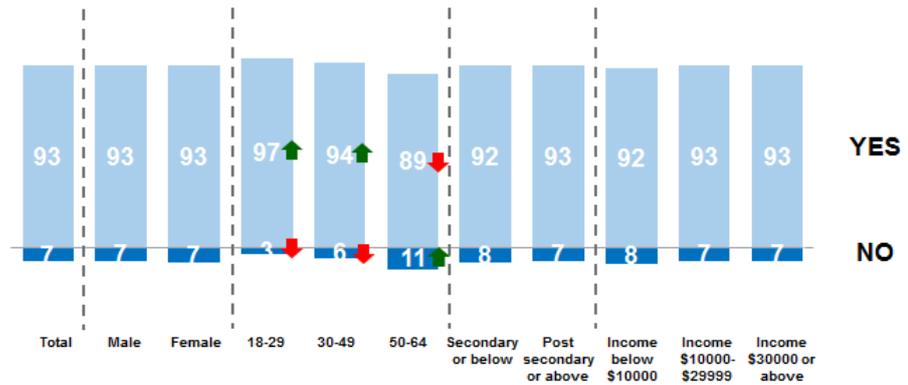


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Figure 5.3 Stop-Loss Strategy in Investment

Q38: There should be a stop-loss strategy when you invest in stocks [Yes]



Base: Investor and investment considerer N=1075; Male N=524, Female N=551; Aged 18-29 N=169; 30-49 N=546; 50-64 N=360; Secondary or below: N=503; Post secondary or above: N=572; Income below \$10000 N=216; \$10000-\$29999 N=685; \$30000 or above N=174



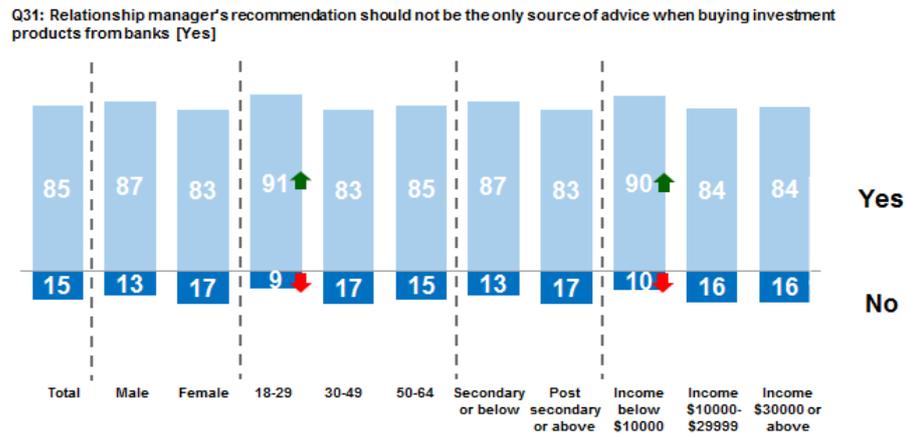
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**Investment**

Most Hong Kong people think that a relationship manager’s sole recommendation is not sufficient when making an investment, particularly among young adults and lower income group (Figure 5.4).

Figure 5.4 Relationship Manager’s Recommendation as Only Source of Advice



Base: Investor and investment considerer N=1075; Male N=524, Female N=551; Aged 18-29 N=169; 30-49 N=546; 50-64 N=360; Secondary or below: N=503; Post secondary or above: N=572; Income below \$10000 N=216; \$10000-\$29999 N=685; \$30000 or above N=174



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As illustrated in figure 5.5, a large number (80%) are aware that IPO shares are not always profitable. Females, 50-64 year olds and low income groups, however, have relatively greater belief in IPO’s profitability.

Similarly, slightly more people from the same segments (ie females, 50-64 age group, low income and low education) think that only the price of the underlying share has an impact on a warrant’s price. Nonetheless, the majority (68%) know that there are other factors affecting the price of a warrant (Figure 5.6).

Figure 5.5 IPO Shares

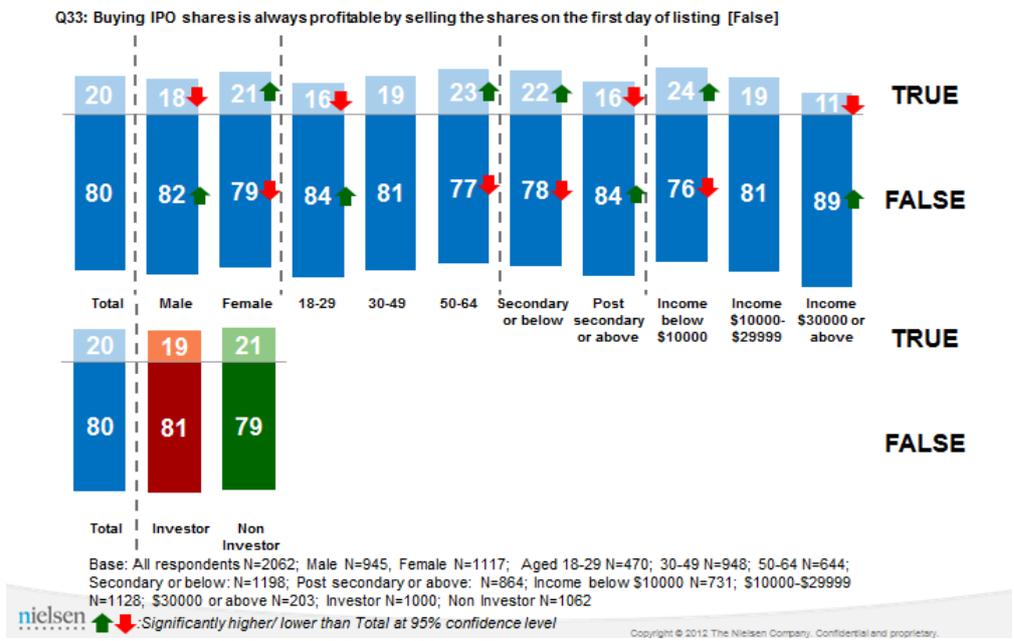
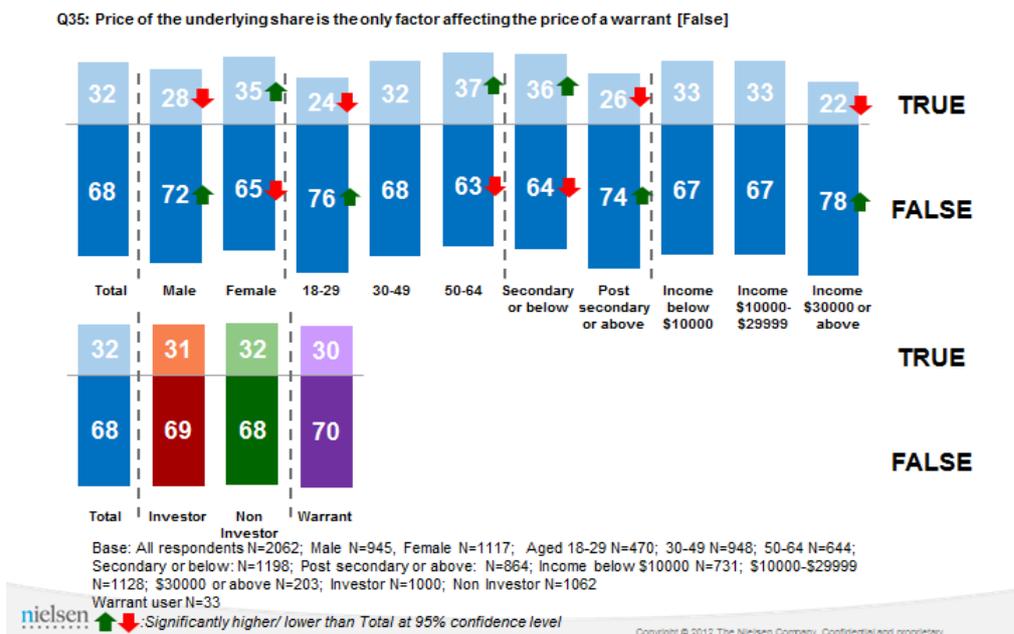
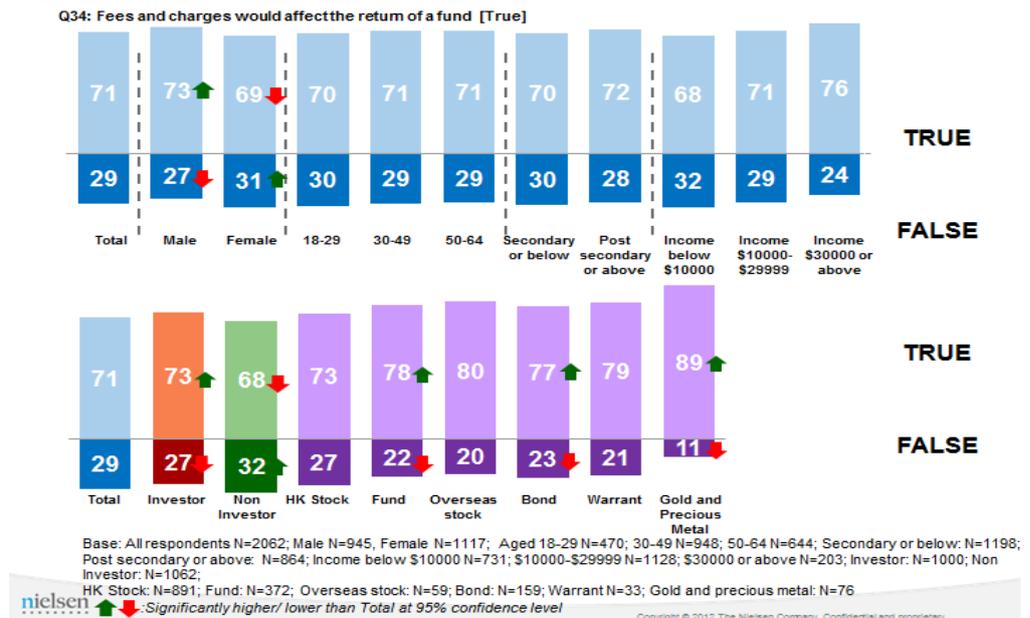


Figure 5.6 Warrants



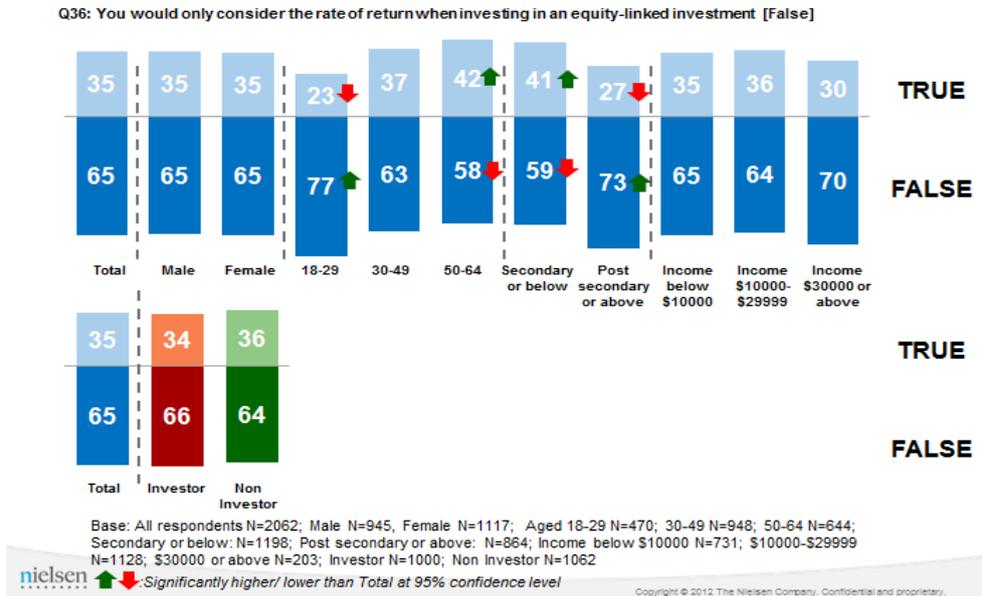
In figure 5.7, there is a strong understanding on the implications of fees and charges on fund performance particularly among those who own funds, stocks, gold and precious metals.

Figure 5.7 Fees and Charges



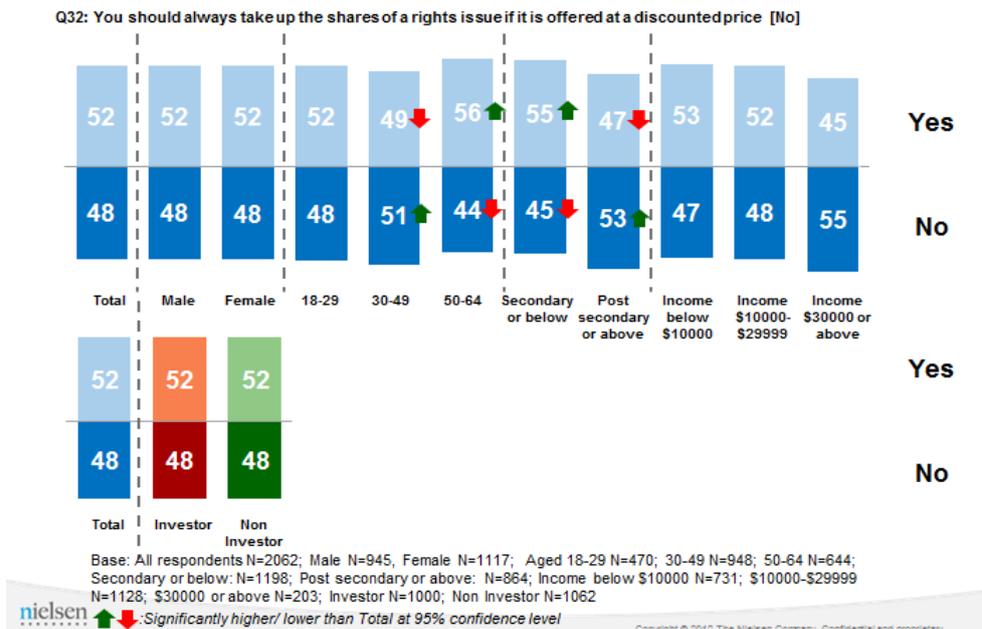
As shown in figure 5.8, two-thirds (65%) recognise the need to consider other factors apart from the rate of return when investing in an equity-linked investment. There is some confusion however within 50-64 year olds and low education groups as relatively more people from these segments only focus at the rate of return when buying equity-linked investments.

Figure 5.8 Equity-Linked Investment



Of all the types of investments, rights issue appears to attract the highest level of misunderstanding. A little more than half (52%) agree that one should always take up the shares of a rights issue if it is offered at a discounted price. This is even higher among 50-64 years old, low education and lower income groups (Figure 5.9).

Figure 5.9 Shares of a Rights Issue



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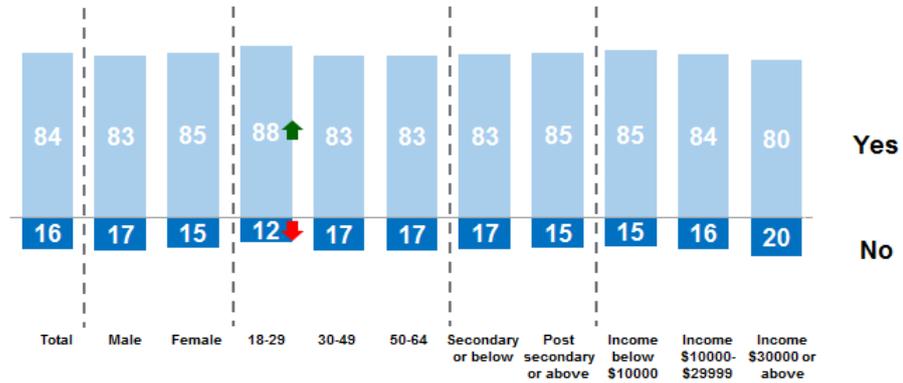
**Choosing  
Products**

Most Hong Kong people are cautious when buying investment products. Most (84%) would check if an unlisted investment product is regulated by a relevant authority.

They are also concerned about default risks as they consider this a major/ potential risk factor. Perhaps due to lack of awareness, young adults are not as worried about default risks compared to the other demographic groups (Figures 5.10 – 5.11).

Figure 5.10 Unlisted Investment Product

Q30: When you buy an unlisted investment product (which is not traded in HKEx, such as fund and equity-linked note), you would check whether it is regulated by an relevant authority [Yes]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

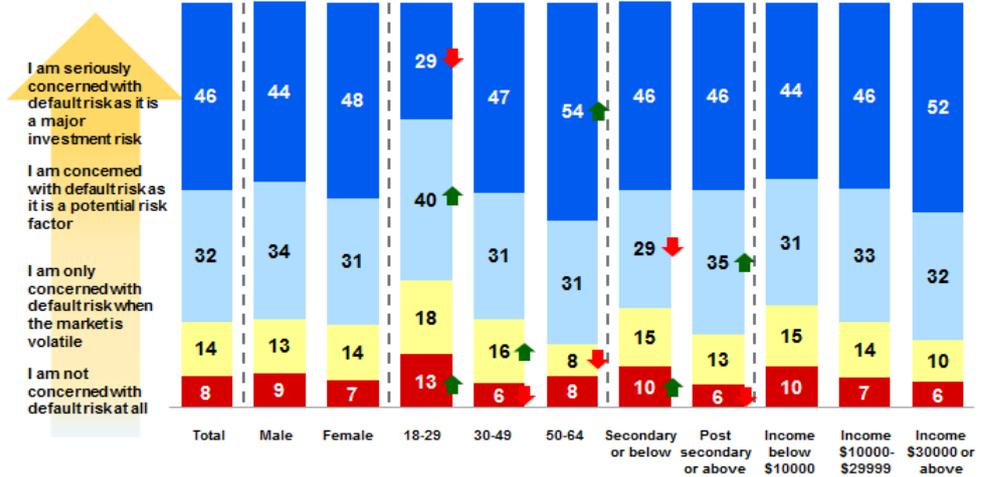


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Figure 5.11 Degree of Concern for Default Risks

Q20: How concerned are you with the default risk of your investment? What I mean default risk includes bankruptcy of issuers or intermediaries.



Base: Investor and investment considerer N=1075; Male N=524, Female N=551; Aged 18-29 N=169; 30-49 N=546; 50-64 N=360; Secondary or below: N=503; Post secondary or above: N=572; Income below \$10000 N=216; \$10000-\$29999 N=685; \$30000 or above N=174



↑ ↓: Significantly higher/ lower than Total at 95% confidence level

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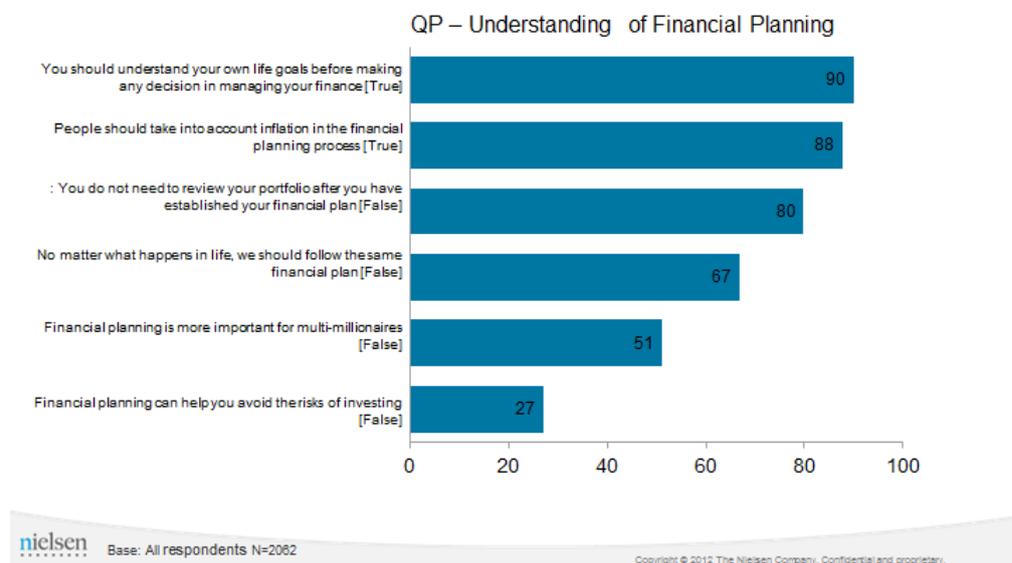
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## Financial Planning

Comparatively, Hong Kong people were found to have the least knowledge and capability in relation to financial planning among the four key dimensions measured.

In figure 6.1, most people recognise the need to take into account different factors in financial planning but the nature and benefits of doing this are not very clear to them.

Figure 6.1 Understanding of Financial Planning – Summary



### Under- standing of Financial Planning

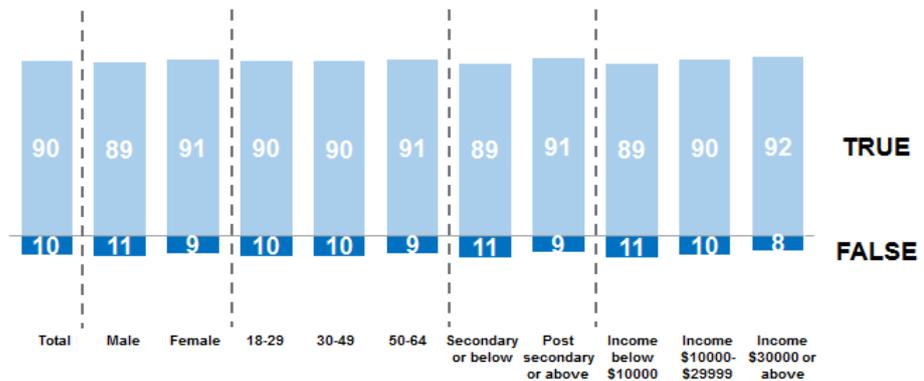
Most Hong Kong people (90%) are aware that they need to understand their life goals before making any decision in managing their finance. Likewise, most (88%) people know that it is important to include inflation in their financial planning process, this is more so among the 18-29 year olds (91%) and high education group (91%).

The majority (80%) also believe that there is a need to review their portfolio even after establishing their financial plans. Younger adults in particular have a stronger conviction about this.

In addition, two-thirds (67%) also recognise that there is a need to change financial plans should there be a change in personal circumstances eg getting married, starting a family, etc (Figures 6.1.2 – 6.1.4).

Figure 6.1.1 Understanding of Financial Planning  
 - You should understand your own life goals before making any decision in managing your finance (True)

Q42: You should understand your own life goals before making any decision in managing your finance [True]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

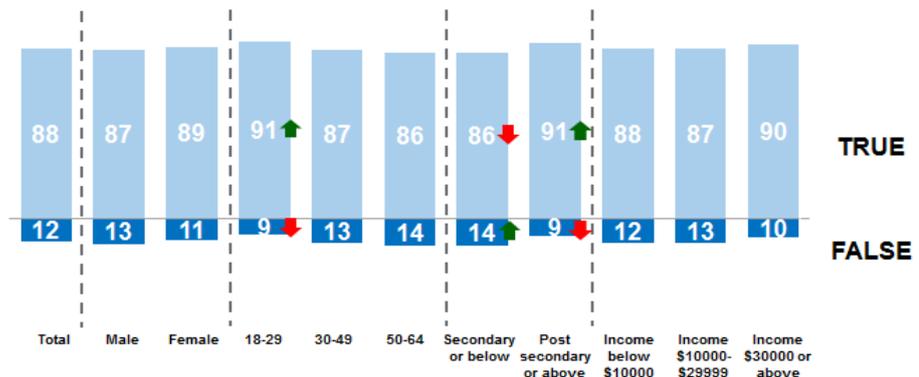


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Figure 6.1.2 Understanding of Financial Planning  
 - People should take into account inflation in the financial planning process (True)

Q46: People should take into account inflation in the financial planning process [True]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



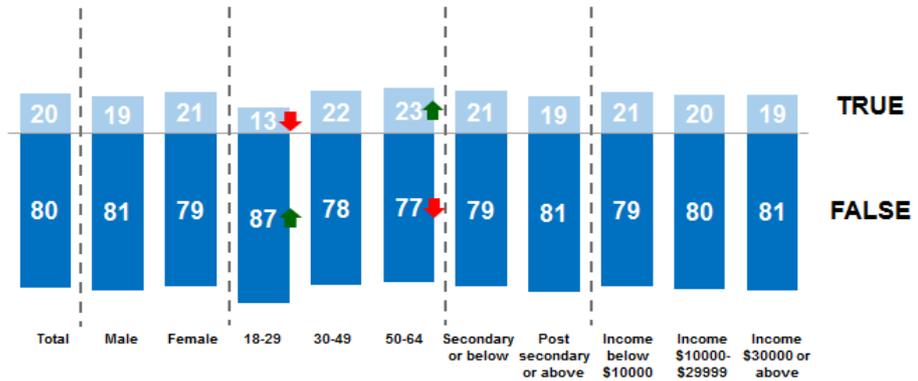
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Figure 6.1.3 Understanding of Financial Planning

- You do not need to review your portfolio after you have established your financial plan (False)

Q47: You do not need to review your portfolio after you have established your financial plan [False]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203



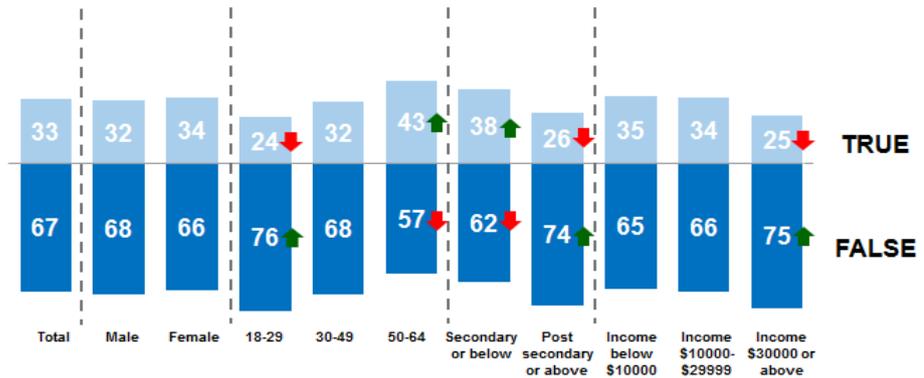
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Figure 6.1.4 Understanding of Financial Planning

- No matter what happens in life, we should follow the same financial plan (False)

Q45: No matter what happens in life, we should follow the same financial plan [False]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=2030



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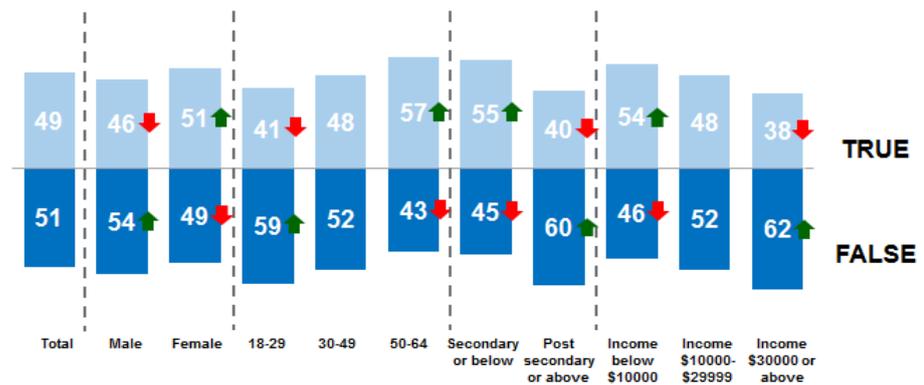
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Nonetheless, there are still misconceptions about the nature and benefits of financial planning.

About half (49%) believe that financial planning only becomes necessary for multi-millionaires as shown in figure 6.1.5. This impression is greater among the females, older age segments, low education and lower income groups.

Figure 6.1.5 Understanding of Financial Planning  
- Financial planning is more important for multi-millionaires (False)

Q39: Financial planning is more important for multi-millionaires [False]



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

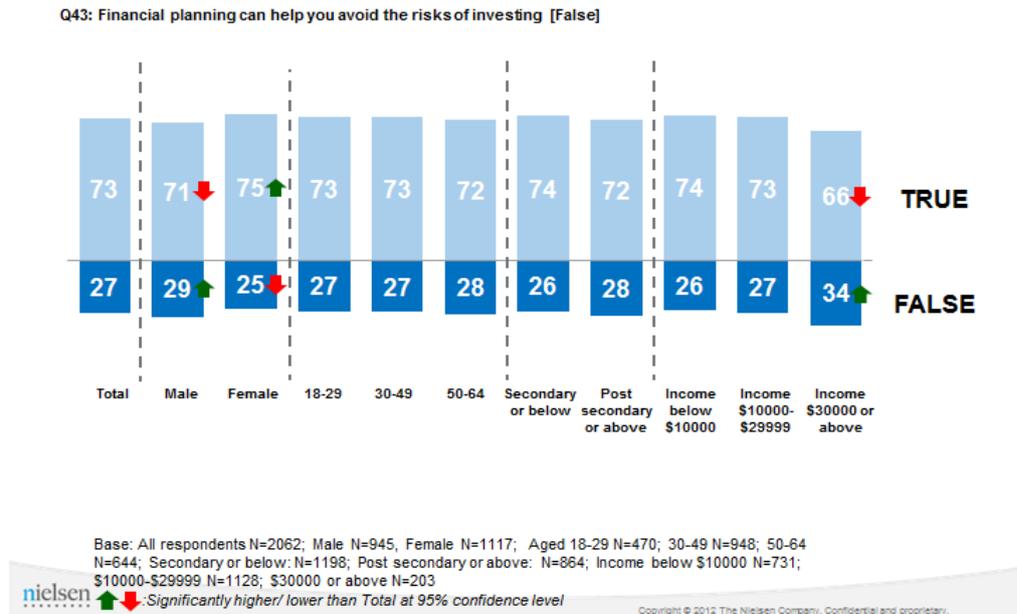


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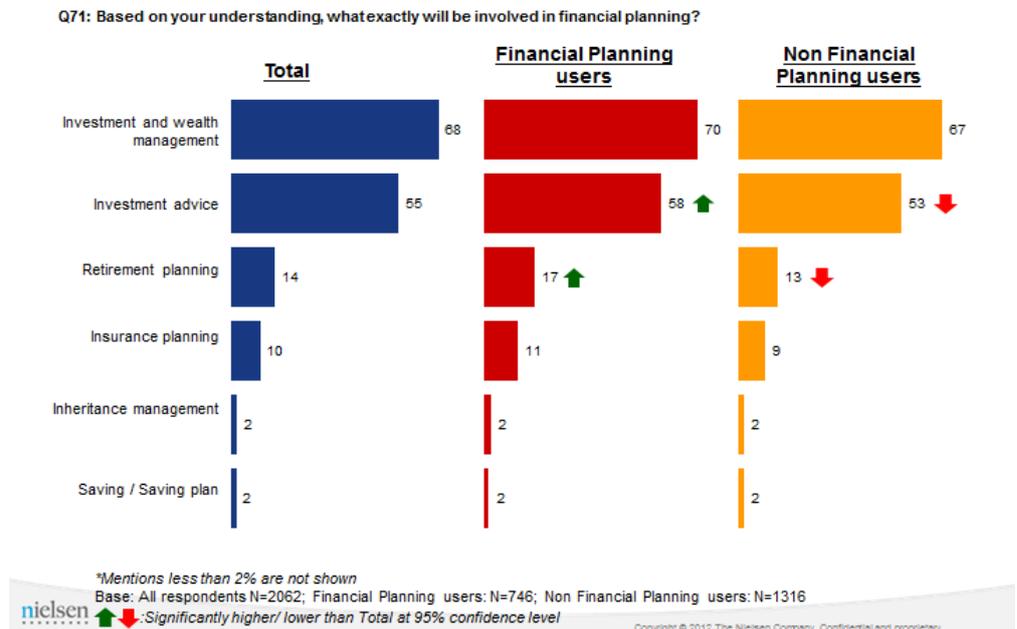
Moreover, the majority (73%) think financial planning can avoid the risks in investments (Figure 6.1.6).

Figure 6.1.6 Understanding of Financial Planning  
- Financial planning can help you avoid the risks of investing (False)



Further, majority of people believe that financial planning only involves investment and wealth management advice (Figure 6.2).

Figure 6.2 Elements Involved in Financial Planning

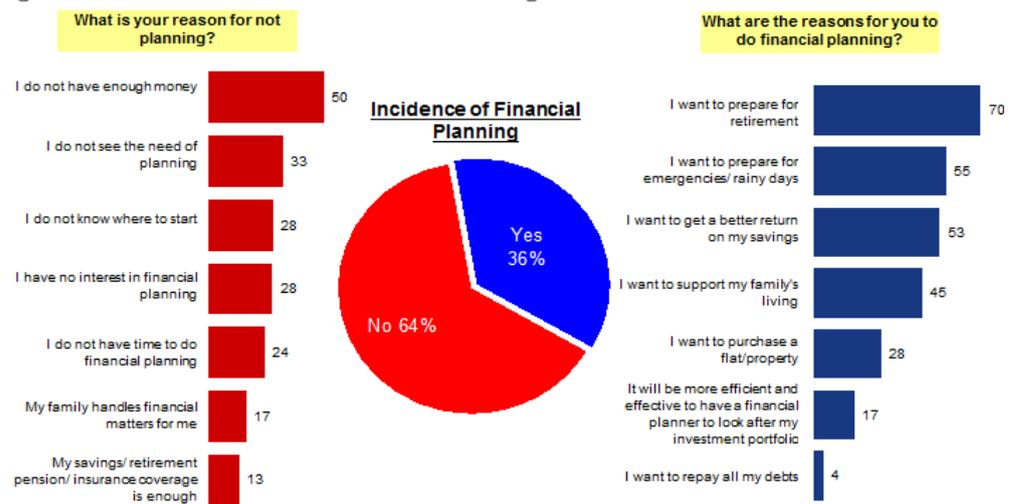


As shown in figure 6.3, only a little more than a third (36%) of respondents have chosen to do financial planning.

With the belief that financial planning is only tailored for multi-millionaires, half of the non-financial planners have cited not having enough money as a reason for not planning their finances. Others mention that they don't need it (33%), they don't know where to start (28%) or don't have time for it (24%).

The top motivator to perform financial planning is preparation for retirement (70%). More than half state they are doing it to prepare for emergencies (55%) or get a better return on their savings (53%).

Figure 6.3 Incidence of Financial Planning



Q70: Have you ever done any financial planning with qualified professionals (e.g. investment advisers, insurance brokers, bank managers)?

Q57 What are the reasons for you to do financial planning?

Q58 What is your reason for not planning? \*Mentions less than 2% are not shown

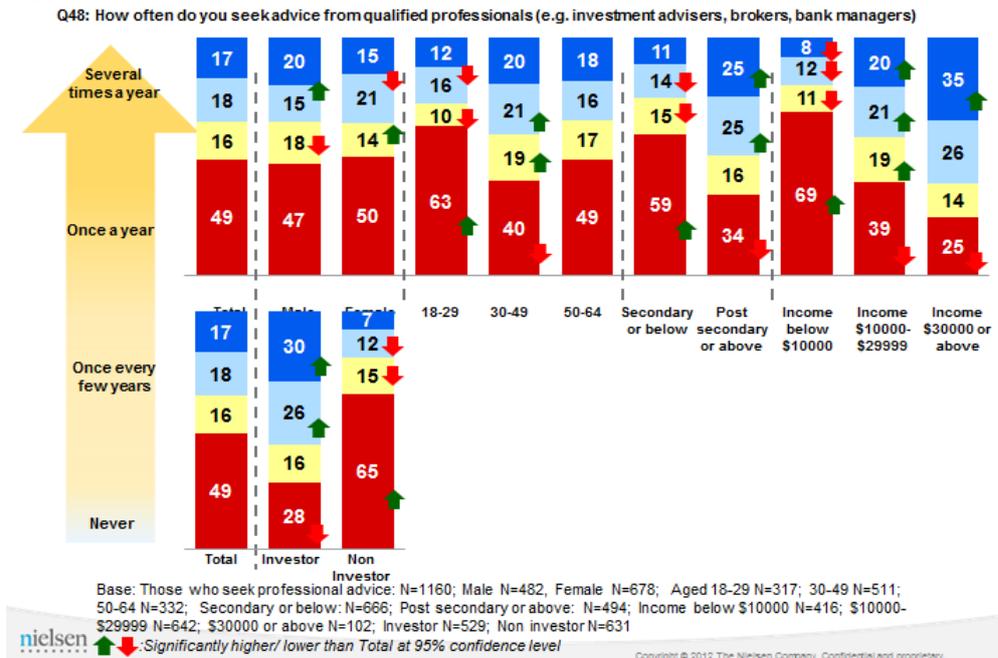
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Base: All respondents N=2062; Financial Planning user: N=746; Non Financial Planning user: N=1316

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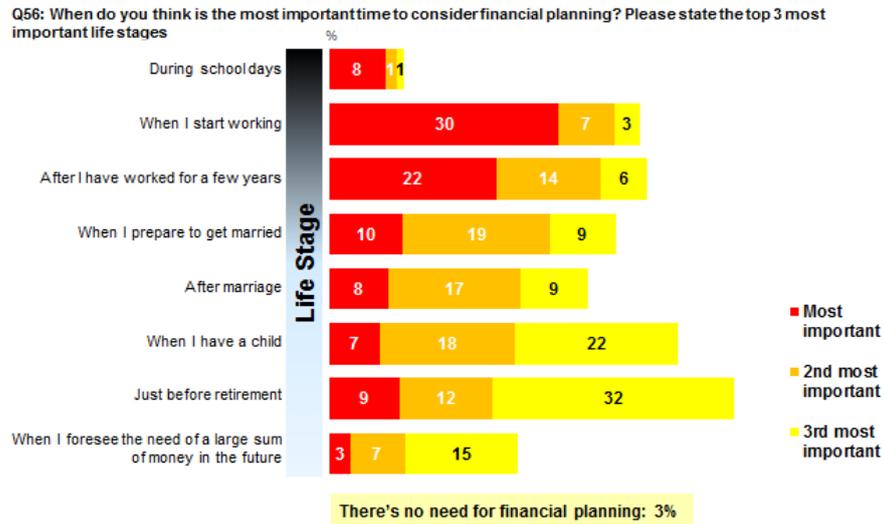
Among those who seek advice from qualified professionals, investors, more educated and high income individuals talk to financial advisors more often (Figure 6.4).

Figure 6.4 Frequency of Seeking Advice from Qualified Professionals



In figure 6.5, when asked about which life stage a person should consider financial planning, 30% feel it is most important to start once a person joins the workforce. Another 22% say it is most important when a person has already worked for a few years.

Figure 6.5 Most Important Time to Consider Financial Planning



nielsen Base: All respondents N=2062

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**MPF/ ORSO**

One-third of the general public have not reviewed the performance of their MPF/ ORSO investments, especially for low education and low income groups.

Therefore, a third of them also do not know approximately how much investments they already have accumulated. Engagement with MPF/ ORSO investment increases with age, education and income levels (Figures 6.6 – 6.7).

Figure 6.6 Frequency of Reviewing MPF/ ORSO Performance

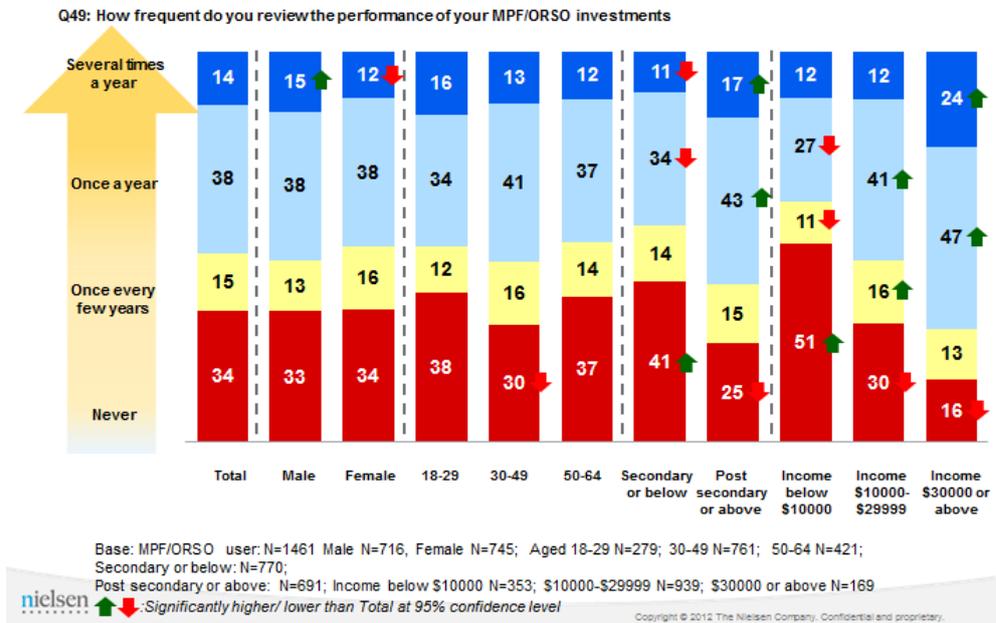
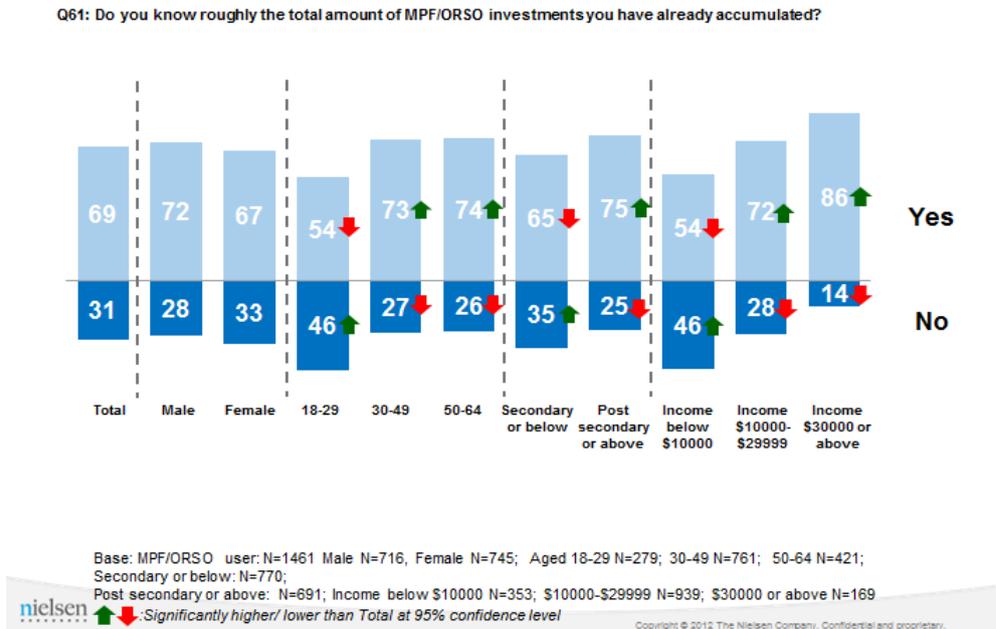


Figure 6.7 Awareness of MPF/ ORSO invested

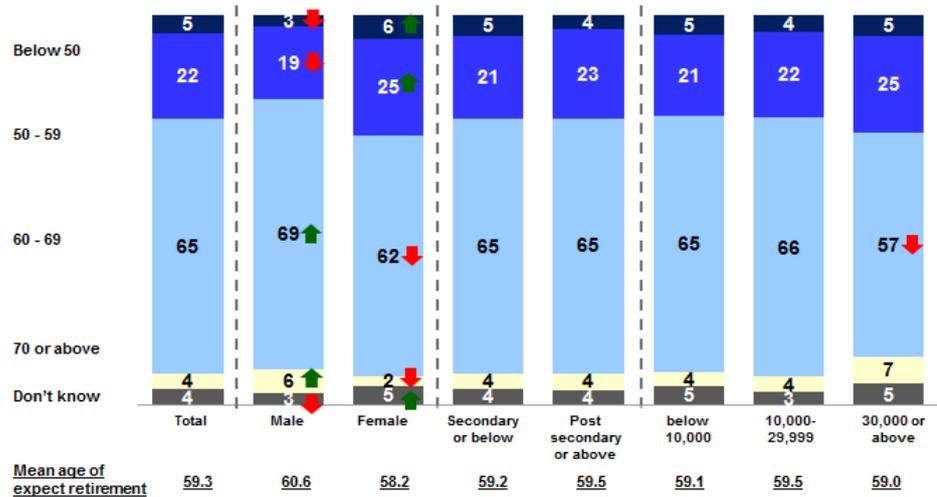


**Retirement**

In terms of retirement, women expect to retire earlier than men (Figure 6.8).

Figure 6.8 Assumed Age of Retirement

Q60: At what age do you expect to retire?



Base: All respondents N=2062; Male N=945, Female N=1117; Secondary or below: N=1198; Post secondary or above: N=864  
 Monthly personal income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above: N=203



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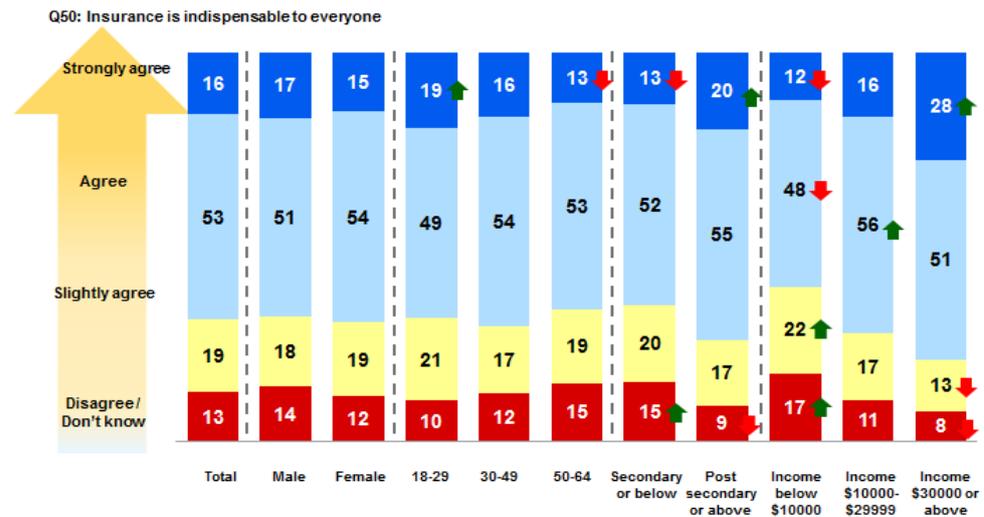
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## Insurance

As shown in figures 6.9 – 6.10, the concept of insurance protection is lower among the mature age, low education and income groups.

More than half (58%) have purchased a life insurance policy. The key reason for buying the insurance is to provide financial protection to family members (71%); saving money is next at 58%.

Figure 6.9 Attitude Towards Insurance



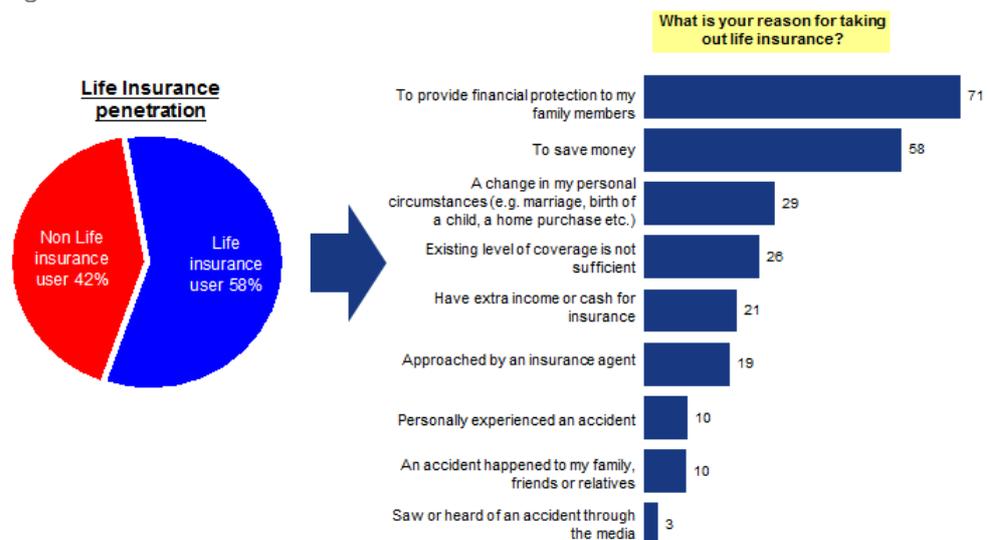
Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

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Figure 6.10 Life Insurance Penetration



Q62: What is your reason for taking out life insurance?

Base: All respondents N=2062; Life Insurance user N=1197 \*Mentions less than 2% are not shown

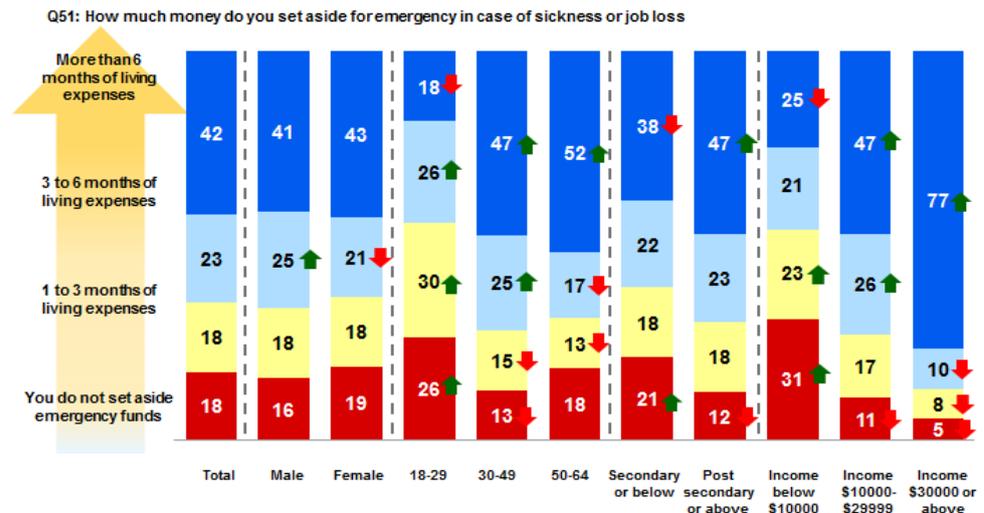
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## Emergency Fund

Older age and higher income groups have more funds kept aside in case of sickness or job loss. Young adults and low income individuals are more vulnerable to emergent financial needs (Figure 6.11).

Figure 6.11 Emergency Fund



Base: All respondents N=2062; Male N=945, Female N=1117; Aged 18-29 N=470; 30-49 N=948; 50-64 N=644; Secondary or below: N=1198; Post secondary or above: N=864; Income below \$10000 N=731; \$10000-\$29999 N=1128; \$30000 or above N=203

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## Conclusions and Recommendations

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The overall financial knowledge and capability in Hong Kong is reasonably good.

In general, most people in Hong Kong have demonstrated a good understanding of basic financial knowledge and principles and a majority seem to adhere to these principles in making financial decisions and managing their investments.

Of the four key aspects measured, Hong Kong people were found to have the best knowledge and capability in relation to “financial control and making ends meet”, followed by “choosing and managing investment”.

The high saving rate of Hong Kong people (eg 92% save regularly or occasionally), good control of their living expenses, and prudent spending mentality are relevant factors explaining higher knowledge and capability regarding “financial control and making ends meet”.

For the same reason, many people are active in “choosing and managing investment”. For example, 91% of respondents indicated that they monitor the performance of their investments.

In spite of their reasonably good knowledge on the basics, certain investment and financial concepts are not very well understood by some Hong Kong people, especially concepts which may be considered more advanced or complex. For example, 41% and 63% of respondents incorrectly responded that “longer investment period would involve lower risks” and “investment products under the same broad category have the same level of risk”.

When making financial decisions, Hong Kong people focus on the rate of return (52%) and downside risk (20%) as most important factors. The level of attention on other factors eg investment report (3%), investment advice from professionals (2%), and prospectus (2%) is low.

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Regarding investment concepts relating to more advanced or complex financial products, about one-third of respondents show a lack of understanding when asked about the “price of underlying shares is the only factor affecting the price of a warrant” (32%) and “I would only consider the rate of return when investing in an equity-linked investment (35%).

Most people in Hong Kong recognise the need to take into account different factors in financial planning but the nature and benefits of doing this are not very clear to them. As such, there is an overall lack of conducting financial planning across different demographic groups.

Across demographic groups, the mature age, lower education and lower income groups consistently demonstrate a lower understanding of financial matters, especially on investment risks and financial planning. On many occasions, these three groups are self-reliant decision makers. However, they also have a greater misunderstanding on potential risks involved in more advanced or sophisticated investment decisions.

Comparatively, the lower education and lower income groups are more vulnerable than others as they have a relatively lower saving habit, personal budget, and less clarity of their living expenses. Further, they do not seem to have a habit to read their account statements.

Although some young adults have established a reasonably good financial knowledge compared to other demographic groups, they seem to have the least concern or attachment about their financial position. Similar to other vulnerable groups, young adults also have the least engagement in financial planning.

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It is suggested that the IEC should conduct ongoing research into consumer and investor behaviours, attitudes, knowledge and understanding in general and in relation to specific groups identified as having lower levels of financial knowledge and capability.

The IEC should also conduct research to explore different communication means to effectively reach, engage and activate its various target audiences.

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