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Retirement Planning: Money Matters

Derek Chun & Annie Ng | Edited by: Tony Lai

Retirement denotes a cut off from monetary income generated from employment, a change of lifestyle, and the emergence of specific healthcare and social needs. A comprehensive retirement plan could be a more feasible approach for pre-retirees and retirees to cope with challenges brought by retirement.

**Retirement Preparation of Elderly with High, Middle and Low Income**

APIAS was commissioned by Central Policy Unit of the HKSAR Government to undertake a research on “Retirement Planning for Pre-retirees in Hong Kong” from June 2014 through May 2015. The research used both quantitative and qualitative methods to collect data, including survey and focus group, to understand the retirement preparation of the soon-to-be retired employees aged 50 to 64 from low (below $18,353), middle ($18,353 - $56,811) and high (above $56,811) salary groups in Hong Kong.

The survey aimed to investigate the current retirement preparation of pre-retirees from the three salary groups, while the focus group interview supplemented and validated the data obtained from the questionnaire. 476 questionnaires, of which 59.7% (n = 284) from low salary group, 30.7% (n = 146)middle, and 9.7% (n = 46) high, were collected. Nine focus group interviews with a total of 49 pre-retirees from the three salary bands (from lower to higher: 19, 24, and 6) were conducted.

Our findings illustrated how the pre-retirees of the three salary group thought about retirement and retirement planning. Though retirement is a must-go-through process, retirement planning is not. Retirement, to a large extent, brings a mixed of feelings to the pre-retirees. Retirement causes uncertainties and may affect the soon-to-be retiree’s feelings towards retirement, as well as their planning motivation.

**Retirement Concerns Differ across Salary Groups**

People of the three salary groups had different perspectives on their worries on retirement. High salary group perceived physical and psychological health as their main concerns; middle salary group focused more on the residency in elderly homes, while low salary group indicated expenses and living environments are their main issues of retirement.

All three salary groups stated their retirement goals and confidence to accomplish such goals. The retirement goals varied across the three salary groups. High salary group set social participation and social and family relationship as the highest priorities; middle salary group regarded health and accommodation to be the most urgent items; low salary group ranked finance and health at the top of the list.

It is found that Middle salary group pre-retirees were most confident in maintaining a positive psychological status and being active in social participation; low salary group pre-retirees were discouraged by financial capacity and stability; high salary group pre-retirees possessed the highest level of confidence that they could accomplish all the planned retirement goals.

Generally, pre-retirees shared the same idea that there was a strong need to prepare a retirement plan, and it was best if retirement planning could be universally promoted in society. Yet, some viewed that retirement planning was not considered necessary because of traditional Chinese mentality: future is unpredictable. Though retirement planning aims at preparing for one’s life after retirement, there is no guarantee of having an ideal retirement life. It is only a way to facilitate better retirement life, and so pre-retirees should adjust their planning regularly to set realistic expectations so that disappointments can be avoided.

The intentions of retirement planning among the three salary groups were different. High salary group people, who had most resources for their retirement planning, would be more secured in all aspects when they retired, including health, finance, accommodation, social network, family relationship as well as social participation, such as leisure and continuing work. Those from the low salary group, however, were dispirited in making financial resources available to support their later livelihoods and would hence ask for more government aids. For middle salary group pre-retirees, they had both strong intention and confidence in participating into leisure activities after retired.

When pre-retirees were asked about their self-efficacy on retirement planning, low salary group did not have the confidence due to the toughness of making a living, while middle and high salary groups thought that their higher income allows that to have finance and accommodation security and can allow them to participate in leisure activities.

**Financial Capacity Pre-defined Retirement Planning Options**

Furthermore, the three salary groups of pre-retirees showed a variation of retirement planning actions. High salary group concentrated more on financial management, regular medical checkups, healthy habits building, as well as leisure activities. Middle salary group would take advice from friends and family seriously, and seek learning opportunities. They were confident in knowledge acquisition. Low salary group pre-retirees intended to establish stronger protection for their maintenance of daily necessities; hence their actions would be to search for opportunities of post-retirement work.

Middle and high salary group pre-retirees had also raised the ideas that post-retirement work might bring along positive impacts on the society. By extending the retirement age, it could not only keep the older employees active in the society, but also preserve their social networks. Nevertheless, income could be one of the most important determinants to influence pre-retirees’ retirement planning.