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Financial Preparation and Needs of Older People

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When people enter the later phase of their lives, they are prone to have more uncertainties and face unique financial challenges in life. According to a report in 2014 from the Financial Consumer Agency of Canada (FCAC), there are roughly 10 money-related life events or changes in one's later life, namely: 1. planning for retirement; 2. changing housing needs; 3. starting another career; 4. coping with illness or disability; 5. converting savings into ongoing income; 6. losing partner; 7. dealing with attempted fraud or financial abuse; 8. caring for spouse or other family members; 9. travelling, and 10. making estate arrangements.

However, many research have found that elderly seldom have financial plans, and many households have little or no money at a time close to retirement. According to a study by Investor Education Centre (IEC) in Hong Kong in 2013, Hong Kong people aged 50-64 who receive lower education (secondary or below) and earn lower income (less than $10K) demonstrates a lower level of financial literacy. Deficiency in basic financial knowledge may negatively impact on the monetary decision making of the aforesaid group, such as saving and investment, leading to poor financial wellbeing in their later life. The low financial literacy would prevent them from future planning. They also have a higher tendency to pay bills and credit cards bills after the due day, which may bring them debts and lead to bad financial decisions. For the reasons above, many governments and non-governmental organizations have begun to help elders better adapt to their future financial needs by providing diversified financial education programmes to increase both their financial knowledge and skills.

The Concept of Elderly Financial Literacy Education

In academia, there is no universal definition of financial literacy. Some may define financial literacy in a more technical way. For example, in a study among older Americans by Lusardi in 2012, financial literacy was defined as the degree of understanding in fundamental finance and investment concepts, for instance, what is inflation, how to calculate interest rate, and how to accumulate wealth, etc. Some studies, such as those of the European Commission, took a more comprehensive view and regard financial literacy as “a combination of awareness, knowledge, skills, attitudes and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.

Areas Covered in Financial Literacy Education for Older People

The syllabuses of western financial literacy education usually focus on the following aspects: 1. personal financial status/personal finance, including social security programmes and elderly welfare benefits (i.e., pension, elderly services); 2. financial challenges faced by elders, which include retirement planning, health and long-term care, and estate planning; 3. financial knowledge and skills, such as providing financial information about investing, saving, and management; 4. preventing financial abuse, including financial fraud and scams targeted seniors, and ways to avoid these risks; and 5. accessing financial literacy resources, such as financial management support and related financial information.

Needs to Improve Financial Literacy of Older People in Hong Kong

With the increase of life expectancy, Hong Kong elderly need to face a complex financial market, as well as to plan and prepare for retirement life. Their knowledge, behavior, and attitude towards financial issues will have significant impacts on every aspect of their personal lives, for instance, individual and household finance, financial decision making, retirement preparation, and appropriate financial products selection. However, many elderly, because of the reasons such as being illiterate or having difficulty in coping with a new market system, tend to have lower financial literacy. In the existing literature, there are only few local research on elderly's financial literacy, particularly in-depth analyses on older people’s attitude, behaviour, retirement planning, as well as intergenerational transfer. These studies may not reflect the real needs of elderly and will directly affect the design and delivery of elderly’s financial literacy education.

In Hong Kong, the current financial literacy programmes for the public mainly concentrates on youth and adult employees. There are some programmes related to elders, but such tailor-made educational programmes and schemes are limited. In terms of the provision of resources and information, a great amount are on the internet (i.e., financial analytical tools provided by the Investor Education Centre), which are unfriendly to older users who rely on traditional mass media to retrieve information. Besides, financial attitudes and behaviours often reflect the interaction among socio-economic development, culture, traditions, and individual experiences. Therefore, people will have different financial needs across different stages of life.

To respond promptly to the rapid population ageing, it is necessary to systematically analyze older people's financial needs so as to acquire a better understanding of their financial knowledge, attitudes, and behaviours. This provides ground for the development of a comprehensive financial literacy education for local elders.

Pioneer to Investigate the Financial Literacy Education Needs in Hong Kong

In view of the aforesaid situation, Life Planning and Financial Education Centre of Po Leung Kuk, funded by Citi Foundation, has commissioned Asia-Pacific Institute of Ageing Studies of Lingnan University to conduct a research entitled “Financial Literacy Education Needs Assessment for Hong Kong Elderly,” to investigate the level of financial literacy, financial behaviors and attitudes, and to suggest suitable financial literacy education for older adults and soon-to-be-olds in Hong Kong. It is estimated that preliminary results of this one-year study will be released by the end of 2015.