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Manulife

News Release

FOR IMMEDIATE RELEASE
August 20, 2008

Hong Kong people opt for higher equity investment to support retirement savings

Hong Kong — People in Hong Kong are worried that their retirement savings will be insufficient to sustain their standard of living during their retirement, according to an online poll conducted by Manulife (International) Limited. The findings also indicate that respondents welcome a higher level of equity investments in their retirement savings portfolios.

In the survey, in which more than 8,000 participants responded to questions on their retirement plans and expectations, an overwhelming 88 per cent of respondents said that they plan to retire before age 65. More than 60 per cent of them believe that they need to prepare for at least 15 years' worth of retirement living expenditure. This finding is in line with the latest life-expectancy figures from the Hong Kong Census and Statistics Department, which show that men in Hong Kong can expect to live up to age 79 and women to age 85, on average.

Most customers recognize the growing need for greater savings in order to support their retirement living and healthcare expenses, as life expectancy after retirement continues to increase. However, only 16 per cent of the respondents believe that they can accumulate enough capital for their retirement with their current pattern of saving, and some 25 per cent of them do not actively monitor their pension accounts.

More than 60 per cent agreed that their retirement savings should be kept invested to generate potentially more income to sustain spending after they stop working. Half of the respondents felt comfortable with having 40 per cent to 60 per cent of their investments in equities.

"Most of our customers acknowledge that, in general, investments that are too conservative may not generate enough retirement income, particularly in a high-inflation environment, and with low bank interest rates," said Alan Merten, Vice President of Employee Benefits at Manulife (International) Limited. "It would seem that people in Hong Kong have a higher appetite for risk, in return for potentially higher retirement savings, than was previously thought."

"From the survey, we observed that more people tend to want a more aggressive investment strategy at a relatively young age, but prefer an investment strategy with more stable growth as they near retirement. They do, however, recognize the need not to be too conservative in retirement investment."

On the other hand, 24 per cent of respondents indicated that they had no idea about how to construct an appropriate investment portfolio to achieve their retirement goals. "Seeking advice from professional financial advisors may help them to better manage their retirement investment," Mr. Merten suggested.

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Some investor behaviour studies have suggested that psychology can play a major role in the way investment decisions are made. People can let their emotions, rather than information, drive their investment approach. More than 40 per cent of the survey respondents indicated that market fluctuations, for instance, would trigger a decision to switch MPF funds.

"Investment decisions are best viewed through a long-term lens, rather than being influenced by short-term market fluctuations," said Mr. Merten. "Moreover, different types of investment have different patterns of returns, and it is important for investors to have a diversified portfolio with a level of risk that they are comfortable with, at specific stages of life. Investors should periodically review the spread of investment products and asset mix of their pension funds as their desired retirement date approaches."

In summary, the key findings of the survey show that Hong Kong people consider that:

- Retirement savings need further growth even after one retires, so as to sustain the desired standard of living;
- Higher equity investments are preferred, both before and after retirement, to generate potentially better returns;
- People tend to accept a more aggressive investment strategy at a younger age, but prefer a more stable growth investment strategy as retirement approaches.

Note to Editor:

Over 8000 Manulife customers between age 18 to age 73 completed an online research questionnaire via Manulife's customer website in July 2008.

About Manulife

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