

Actively plan and smooth your way to retirement

Challenge for Asian investors: Possible saving shortfall

Placing deposits and property investment are popular investment tools among Asian investors. Given low deposit rates, declining rental yields, and rising living costs, the chance of running out of money during retirement is increasing.



Low-or-negative real interest rates

Real interest rates (the interest rate after inflation) in China, Hong Kong, Japan, and Vietnam are all below zero percent, which makes it impossible to generate income.

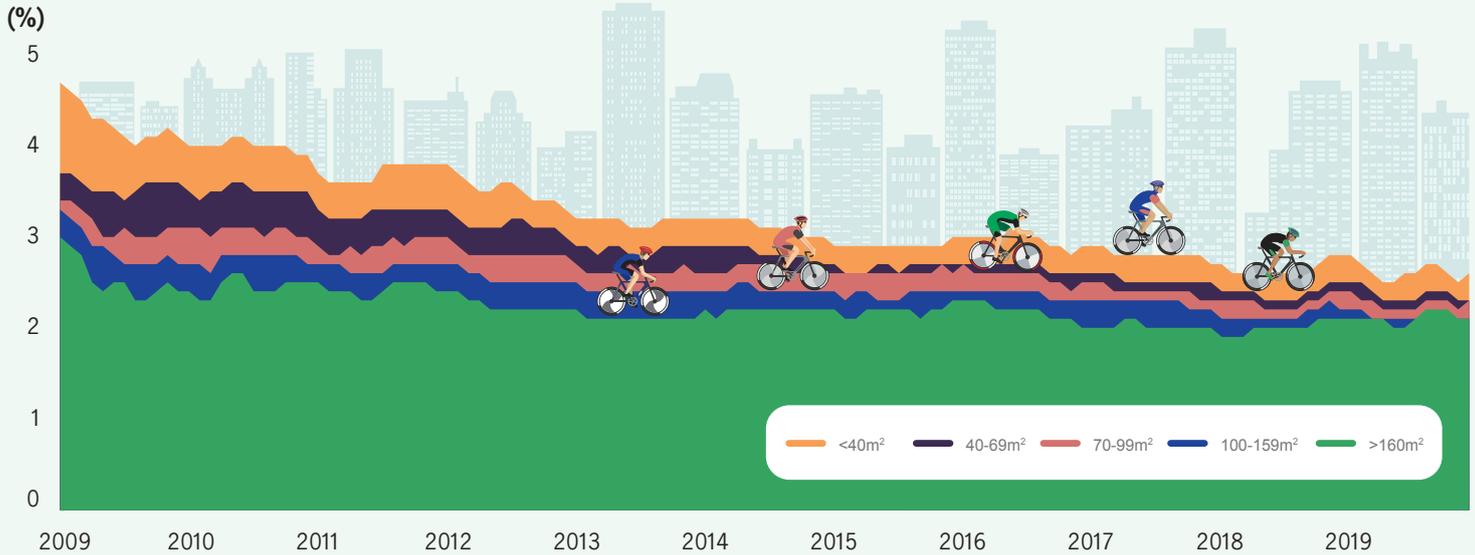


Real interest rates (deposit) in Asia are presented on per annum basis by subtracting average headline CPI inflation from average 3-month time deposit rate (October 2019-September 2020). Bloomberg, websites of Asian central banks and major banks; data as of September 2020. Over a one-year period, these markets are experiencing deflation: Malaysia (-0.508%), Taiwan (-0.053%) and Thailand (-0.645%).

Lower rental yields

Rental yields have also fallen steadily in recent years, as real estate prices have surged.

Rental yields in Hong Kong have fallen steadily over the past decade



Hong Kong Rating and Valuation Department, data as of December 2019

Tactics used in the retirement journey



• Start to save early and continue to build up a larger capital sum

The sooner you start to save and invest more, the lower the chance of a saving shortfall. If possible, reduce spending and continue to work

• Don't be too conservative with your asset allocation

• Actively rebalance in a downturn

• Stay healthy

Maintain and improve your mental and physical well-being

• Stay invested for longer

Stay invested for longer, aiming to maximise your capital by ensuring that any discretionary funds are placed where they can potentially grow and earn revenue

• Prudently draw down capital

Draw down only what's needed for your immediate spending needs

• Seek out innovative solutions to manage cashflow

Explore solutions, such as a reverse mortgage, and aim to generate extra capital that may support your retirement needs

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