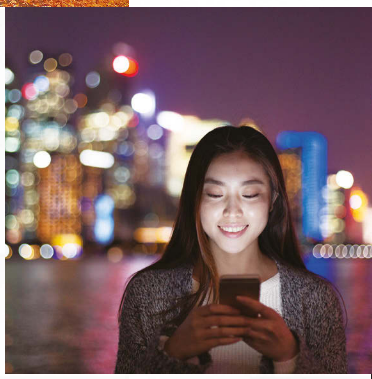
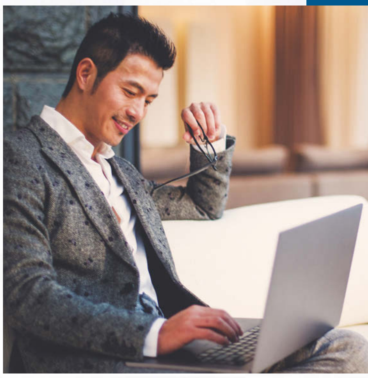
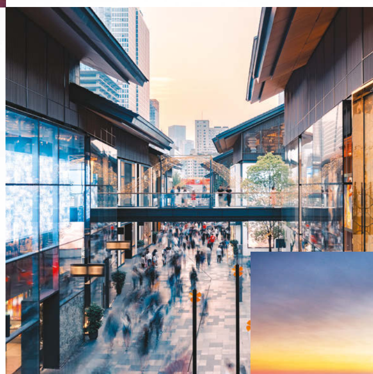
September 2019




China Retirement Readiness Survey 2019

Helping Millennials build financial confidence

Fidelity International 富达
蚂蚁财富 Ant Fortune

About Fidelity International

Fidelity International offers world-class investment solutions and pension expertise. As a privately-owned, independent company, investment is its only business. It is driven by the needs of its clients, not by shareholders. Fidelity International's vision is to deliver innovative client solutions for a better future.

Fidelity International is responsible for US$418 billion of client assets, of which US$309 billion is invested globally on behalf of clients in 25 countries and regions across Asia-Pacific, Europe, South America and the Middle East, and US$109 billion is in assets under administration. (As at 30 June 2019).

Fidelity International is a global leader in the pension space, providing investment management and administration services of defined contribution (DC) schemes to employers in Hong Kong, Germany and the UK, as well as multinational corporations.

It also offers retirement-focused investment products to private investors in all its markets. These include a wide range of multi asset, growth and income mutual funds, along with targeted lifecycle strategies that focus on a retirement date.

About Ant Fortune

Ant Fortune is a comprehensive wealth management platform of Ant Financial that allows users to manage their finances in one place. Users can access wealth management products like Yu'e Bao and funds on the Ant Fortune platform.

Ant Fortune has minimal entry requirements and is easy to use. Users can also enjoy services like financial newsfeeds, updates on stock movements, investor community and personalized investment recommendation.

At the same time, Ant Fortune is also a leader in leveraging Artificial Intelligence to allow merchants on their platform to provide better investment solutions, client services and sales and marketing tools tailored to the wealth management needs of individual consumers.

Contents

Daisy Ho

Managing Director
Asia (ex-Japan) and
Middle East
Fidelity International

Bigger and better

Fidelity International is very proud to once again partner with Ant Fortune on the second China Retirement Readiness Survey.

We are delighted to have received an even bigger response than last year, with 50,050 Ant Fortune users taking part over the course of one week, with most respondents (73 per cent) again being Millennials (aged 18-34).

The breadth of insight from this study, together with our retirement experience in other markets, will continue to help Fidelity International with our ongoing commitment of helping China's Millennials better prepare for retirement.

Small steps count towards retirement

Following on from the positive attitude towards retirement in last year's survey, there are encouraging signs that Chinese Millennials are starting to heed the importance of saving for their future.

This year's survey revealed that more Chinese Millennials are, in fact, setting a savings target for retirement, with 78 per cent having an idea of their retirement goal, compared with 65 per cent in 2018. There has also been a perceptible shift in the right direction for those taking that next step of putting money aside for retirement, increasing to 48 per cent of Millennials from 44 per cent in 2018.

Collectively, these are important first steps on the journey towards retirement, given action breeds confidence.

However, more than half of Millennials (52%) are still not saving for retirement, and for those that have started (48%), they continue to save at levels that will fall short of their targets. This underscores the continued importance of investor education and a wider offering of investment options to help the Millennial generation look beyond the government pension for retirement income.

Even the smallest steps can make a big difference and people often underestimate just how powerful consistent savings can be, in making a difference to returns over the long term. This is an area that Fidelity International has been actively promoting.

Retirement is not the end

In discussions about retirement planning, it can be easy to lose sight of the bigger picture. Fidelity International encourages people to view money as only a part of their total wellbeing and is fully committed to building greater awareness around financial health.

From helpful 'rules of thumb' for retirement goals, to addressing the challenges women face in investing and advocating the power of small amounts, our global initiatives could greatly benefit Chinese investors.

Together with Ant Fortune, we will continue to provide investor education material to help people understand how much they will have in retirement and the impact of different savings plans. By transforming awareness to knowledge, we hope to help Chinese Millennials make informed decisions to achieve their retirement goals.

Building a better future

As a global leader in retirement planning, Fidelity International is committed to helping Chinese people build a better future.

We look forward to our continued efforts with Ant Fortune over the coming years and sharing our market expertise and pension investment solutions like target date funds, to help China's Millennial generation better navigate and prepare for their retirement.

Daisy Ho

Daisy Ho

Wealth Management for Retail Investors and Retirement

Since its inception as a payment platform 16 years ago, Ant Financial has always strived to transform “every single transaction” into “a wealth management journey”, and we believe that the time has come for widespread access to wealth management.

Since last year, we have expanded our wealth management services to retirement planning. A Retirement Zone has been established on Ant Fortune’s platform, contributing to China’s nascent third pension pillar.

Our team mulled over two challenging questions last year: 1) How to arouse interest in retirement savings among ordinary citizens? and 2) How can retirement planning be simplified?

I am pleased to see from this year’s Retirement Readiness Survey that despite low average savings, more respondents have begun to save. Over half of the younger respondents started saving before reaching their thirties.

This data coincides with the trend that we’ve observed at Ant Fortune – notwithstanding the rather small investments in the initial stages, retirement wealth management is gaining traction among younger citizens.

Retirement wealth management is a journey that undergoes the phases of raising awareness, accumulating knowledge, long-term practice and formation of habits. We believe providing easy-to-follow retirement planning steps can facilitate this process, and we are willing to explore and grow alongside our clients.

Continued exploration with Fidelity International

2019 marks the second year of Ant Fortune and Fidelity International’s five-year plan for retirement investment education. It is evident from this year’s survey that besides nurturing basic awareness about retirement planning, Chinese citizens require personalised and professional services, professional tools for financial analysis, and a better understanding of retirement wealth management.

Converting awareness into knowledge will be the emphasis in the second phase.

As a world-leading asset and pension management firm, Fidelity International’s extensive overseas experience, and tried and tested methodology, are invaluable reference points for retirement investment education in China.

Our intention is to introduce more of Fidelity International’s global best practices to China, jointly seeking a retirement planning path more suited for Chinese citizens.

Creating a retirement planning community for younger generations

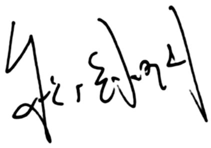
Investing can be seen as a type of performance art that challenges humanity, especially for younger generations. The complex social environment we live in, coupled with pressures from family, work and other sources are often daunting enough, let alone planning for retirement.

Coincidentally, retirement planning requires forward thinking and perseverance.

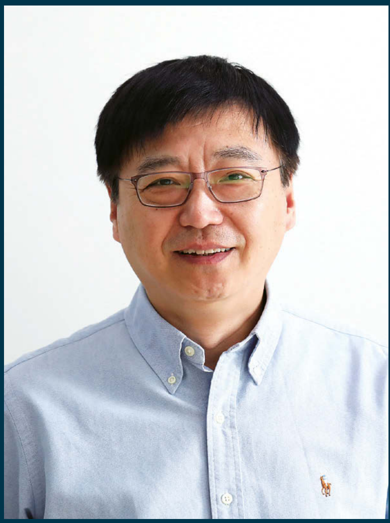
Primarily serving younger clients, Ant Fortune endeavors to offer services that better meet their needs. Our objective is to foster their capabilities and willingness to make saving a habit, which hopefully can develop into long-term investments.

The enthusiastic feedback received from younger people in this year’s survey provides insights on their status, attitude and concerns, helping us to enhance our services and address their needs more precisely.

Our vision is for Ant Fortune and Fidelity International to grow alongside the younger generation, sharing the joy and art of long-term investments.



Guoming Zu



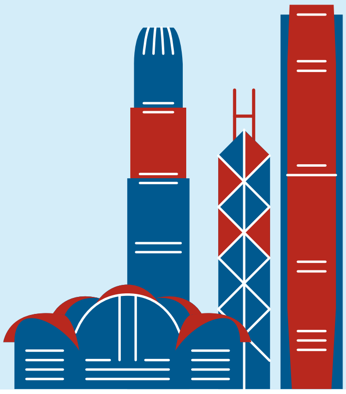
Guoming Zu

Vice President
Wealth Management
Business Group, Ant Financial

Pensions are part of Fidelity International's DNA

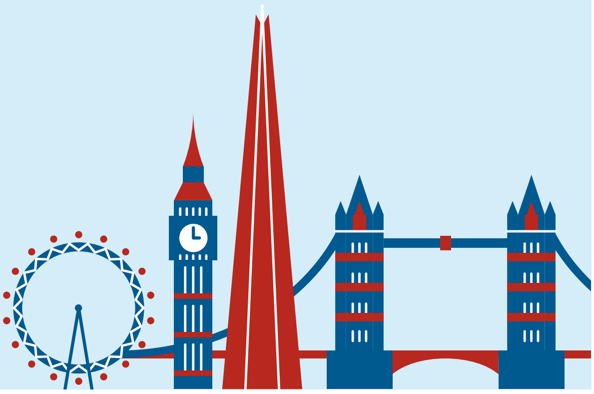
Hong Kong, China

- **30 years'** experience managing defined contribution schemes
- **400,000+** Mandatory Provident Fund members (as at 30 June 2019)
- Over **US$15 billion** in retirement assets (MPF and ORSO[1] as at 30 June 2019)
- **Biggest** pure asset manager by size, among the top 10 MPF service providers[2]



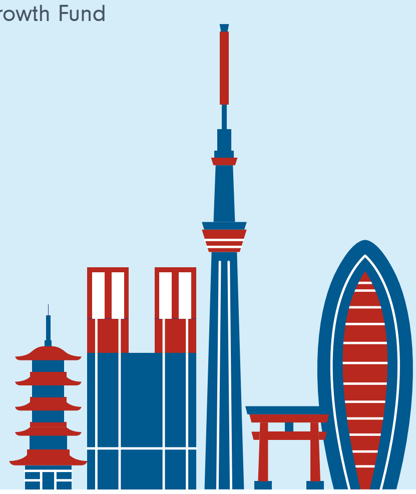
United Kingdom

- **400+** employer schemes administered
- **US$40 billion+** in retirement assets (as at 30 June, 2019)
- **First** DC pension provider to offer a guidance and advice service for annuities at retirement



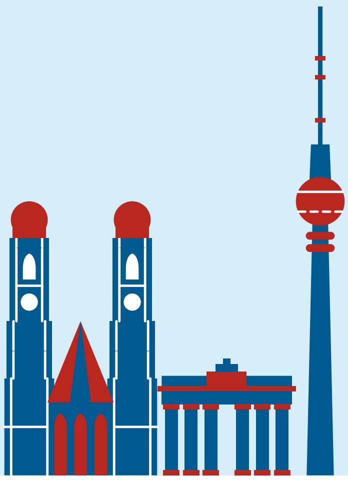
Japan

- **18 years'** experience providing investment products for DC pensions
- **US$3.4 billion** in DC assets managed
- **3,000+** corporate DC plans served
- **>40%** of all corporate DC plans in Japan have adopted our Japan Growth Fund



Germany

- **13 years'** experience providing DB and DC services
- **US$3bn+** in retirement assets (as at 30 June, 2019)
- **Lifecycle strategies** pioneer with respected partners
- **Top 5** provider for DC and time value account solutions[3]



Executive summary

For many of us, retirement is a point on life's horizon so far in the distance that we barely give it a second thought. For Millennials, in particular, it's too vague to be a current concern.

The problem with this mindset is that, when it does become an issue, it can often be too late.

This year's China Retirement Readiness Survey found an expanding awareness in the country of the importance of planning and saving for later life.

Compared with 2018's inaugural survey, more people have started putting money aside, while their savings ambitions have become more realistic.

These positive trends, however, are tempered by other findings that demonstrate a persistent and growing need for professional financial planning advice, tools and expertise.

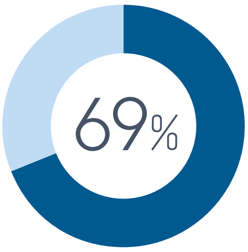
Steps forward but still work to do

	2018	2019	Millennials (Age 18-34) 2018	Millennials (Age 18-34) 2019
More people have started saving...	46%	50%	44%	48%
...and they are setting aside savings each month... Averge savings per month	RMB1,389	RMB1,052	RMB1,339	RMB994
...although their target retirement savings are now lower. Median	RMB1,822,000	RMB1,548,000	RMB1,714,000	RMB1,574,000
Although many are still starting late... Average age to start saving for those approaching retirement (50-59 years)	45 years old	46 years old		
...they want to retire even sooner... Target retirement age	57.6 years old	55.8 years old		
...meaning it will take them even longer to reach their goals. Years required to achieve target retirement savings	61.2 years	65.6 years		

Juggling priorities

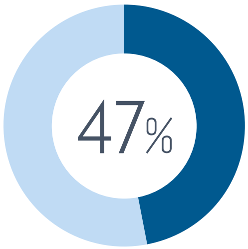
A lack of money remains the main obstacle...

Non-savers cite
lack of capital



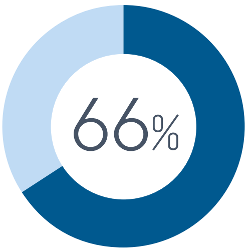
...and many are focused on increasing income to prompt saving.

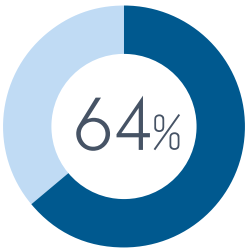
Non-savers would look
for a higher-paying job



People want to save, however family and career are the priorities.
Top 4 financial priorities:

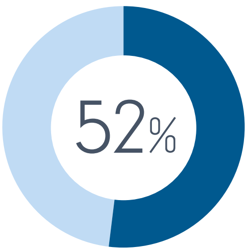
Secure a comfortable
life for parents

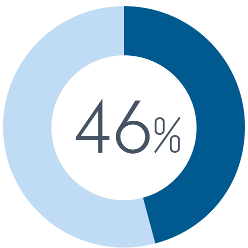




Secure a good
education for children

Achieve a successful
career/start own
business





Secure a comfortable
retirement

Women open to improving knowledge

Although financial challenges remain, women in China are well positioned to improve their retirement knowledge.

Female   Male

Their average incomes are significantly lower than men...

RMB64,000

RMB81,000

...with fewer having started saving for retirement.

43%

55%

Their targets are also higher, even though they are saving less...

RMB1,565,000

RMB1,535,000

...causing them to be less confident in their long-term financial futures.

Very/quite confident

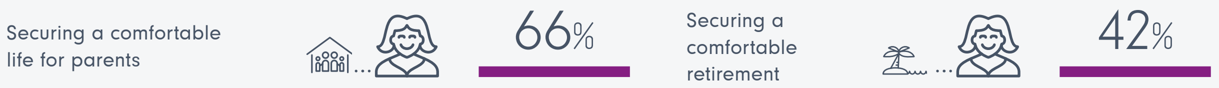
40%

2018

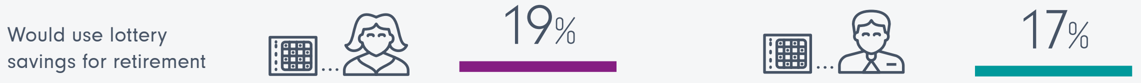
22%

2019

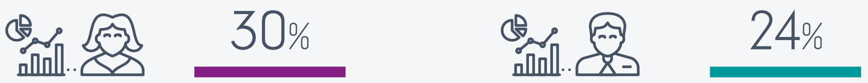
They are also more focused on family priorities.



Women are also more likely to save for retirement if they had the funds...



...and are more open to improving their financial knowledge...



...suggesting a receptive market for retirement planning, tools and education.

Savings-aware but priorities are a barrier

More people are saving…

There are encouraging signs that, compared with last year, more people in China are saving for their retirement.

Half of the 50,050 respondents in this year's survey said they had started putting money aside, up from 46 per cent in 2018.

Millennials and those aged 35-39 years saw the largest increase from last year, jumping four percentage points. Considering the enlarged survey pool this year, this represents a significant improvement.

Encouragingly, among Millennials that have already started saving, 54 per cent started saving for retirement before they turned 30.

However, the optimism of these results is tempered by ongoing challenges.

Among those who are approaching retirement (or already past their desired retirement age), it remains evident that they are starting to save too late. For those who have started saving, four out of five people in the 50-59 age group didn't begin their retirement savings until they were 50 or older, giving them limited time to grow their capital.

Almost half of the non-Millennials – those over 35 – haven't started saving for retirement at all. While that figure has improved from last year's survey, it shows that retirement planning remains a lower priority, even for those who may be at the peak or are close to the end of their working lives.

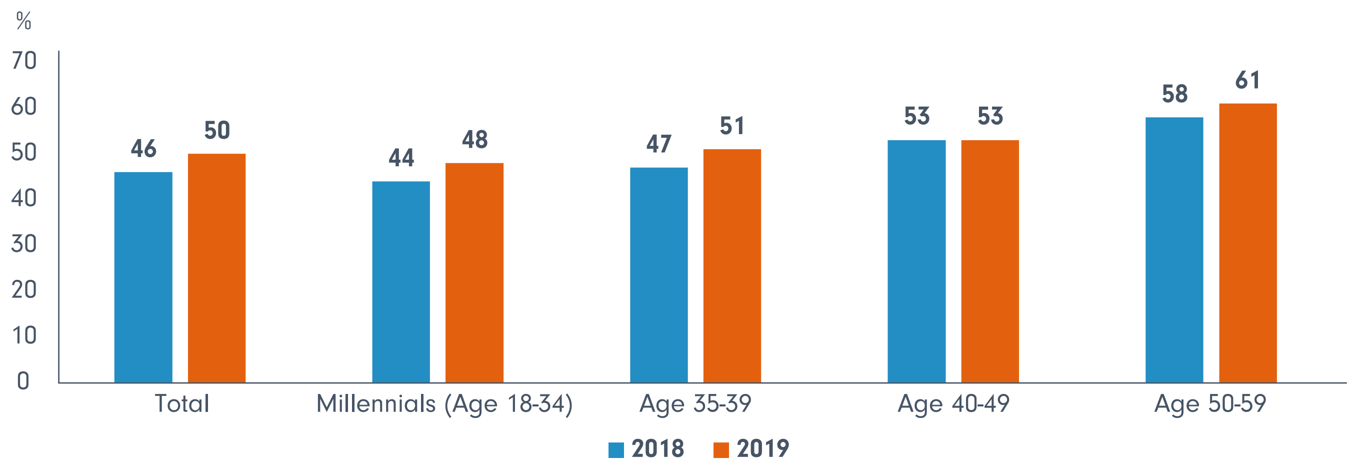
And though more people are saving, they are saving less. Last year, those who had started building up a retirement sum were on average putting 21 per cent of income (RMB1,389) away every month. This year, that figure dropped to 17 per cent (RMB1,052).

While this reduction was evident across age groups, it was more pronounced among Millennials, who are saving 26 per cent less than last year, with an average monthly amount of RMB994. The largest single group of savers (15%) sets aside less than RMB100 a month.

> "More people in China are saving for retirement…but retirement planning remains a low priority."

Green shoots for retirement savings

Proportion of all respondents who have started saving for retirement



Source: Fidelity International and Ant Fortune. Percentages do not total 100, as some respondents opted not to answer.

When we examine the monthly savings amount for those people that are setting aside money for retirement, more than half (52 per cent) are saving less than RMB500, compared to 41 per cent last year.

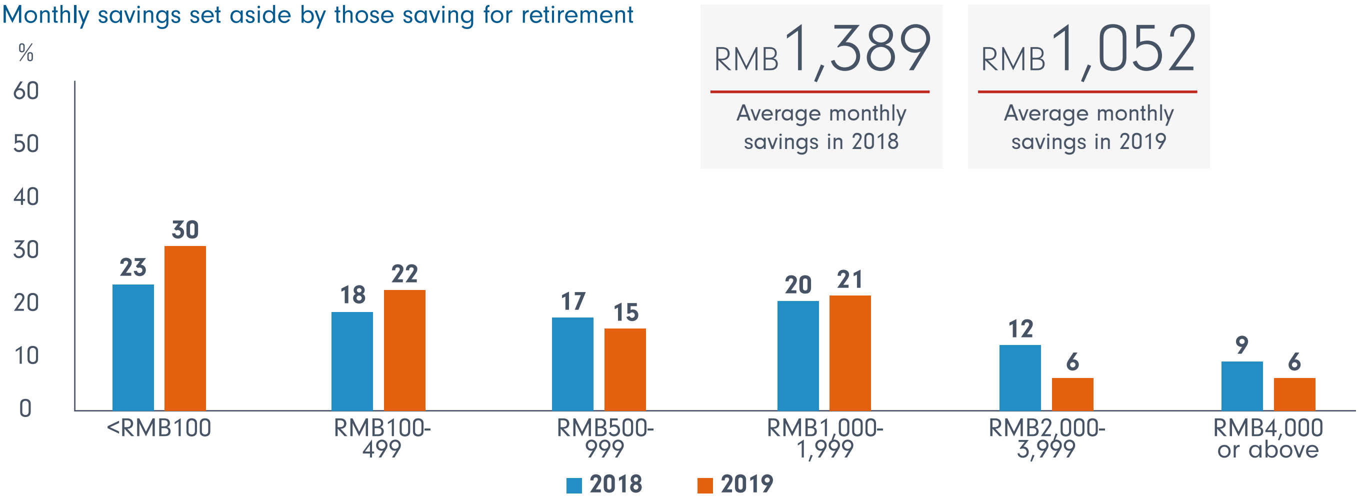
Given the larger number of respondents in this year's survey, it's likely that demographic factors may have contributed to this year-on-year drop in average monthly savings.

For example, a larger proportion of women participated in this year's survey, accounting for 39 per cent of all savers, up from 28 per cent in 2018. Given the average personal income for all female respondents is about 21 per cent lower (RMB64,000) than males, their monthly savings amount would likely be less.

There was also a significant difference in the marital status of respondents this year. The proportion that are married with children grew by 8 percentage points to 63 percent, while the proportion that are single dropped to 29 per cent, down from 37 per cent last year. With a rise in the number of savers that have more competing priorities, like securing a comfortable life for parents, securing a good education for children and achieving a successful career, their ability to save and the amount that they can save is likely to be lower.

Saving less each month

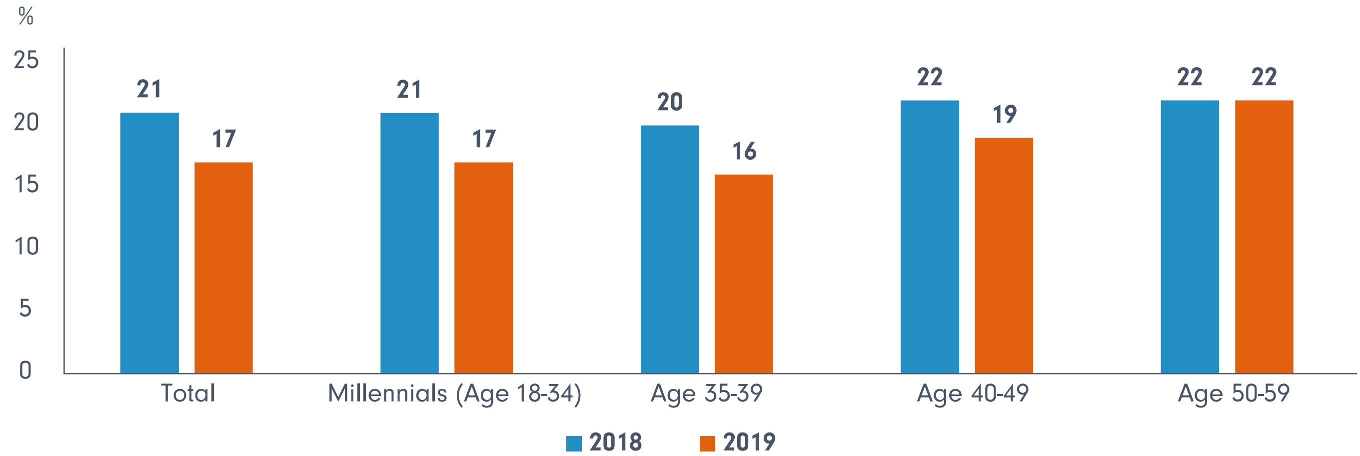
Monthly savings set aside by those saving for retirement



Source: Fidelity International and Ant Fortune. Percentages may not add up to 100 due to rounding.

And a smaller proportion of income

Savings ratio for those saving for retirement



Source: Fidelity International and Ant Fortune.

...with lack of capital still the largest obstacle.

So, what is driving this deficit?

Overwhelmingly, a lack of capital was cited as the number one problem. Among the half of survey participants who haven't started saving for retirement, 69 per cent said they simply don't have the money to do so, up from 63 per cent last year.

This is despite double-digit salary growth in China, an increase of more than 7 per cent in real-term disposable income, and an acceleration in minimum-wage rate increases in 2018[4].

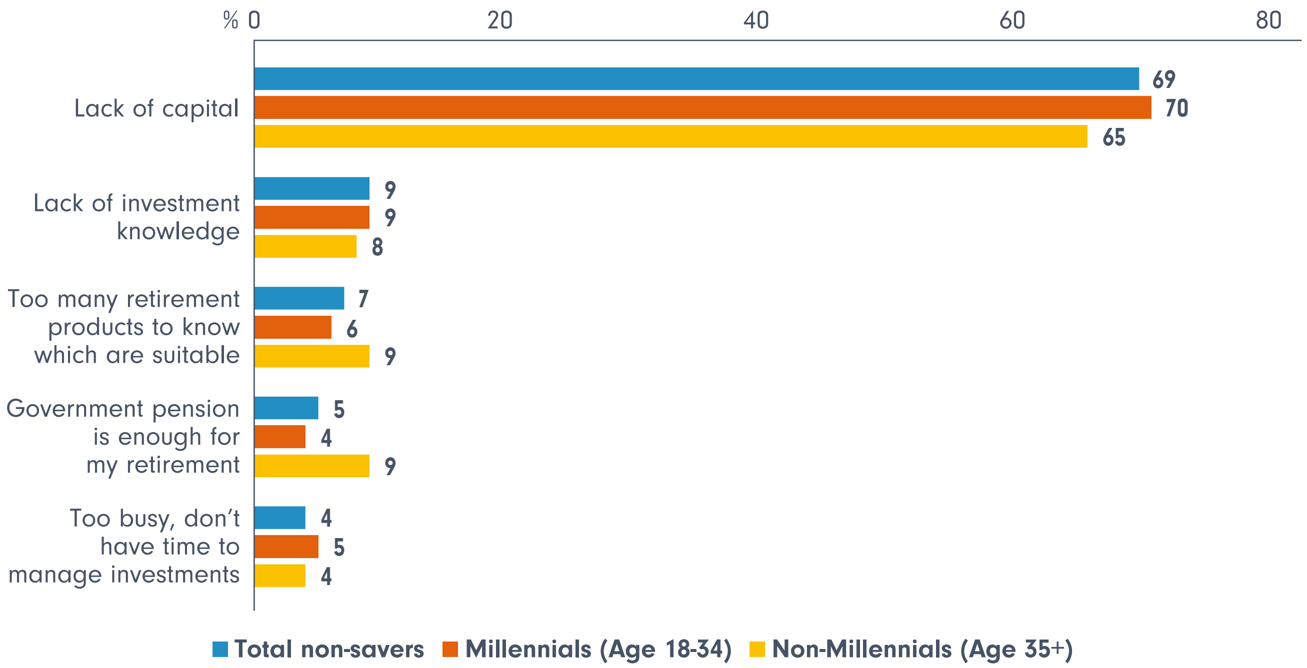
The findings could indicate growing financial pressures, or the fact that many respondents place a higher priority on supporting parents and children than they do on saving for their retirement *(see page 16)*.

Among all respondents, 38 per cent expect the government pension to be their key source of retirement income, compared with 32 per cent last year.

Almost every other category – cash savings, rental income, annuities (including insurance), support from children, sale of real estate – saw a decline.

People would save more, if they could

Key barriers to savings for those that haven't started saving for retirement



Source: Fidelity International and Ant Fortune. Percentages do not total 100, as some respondents opted not to answer.

Encouragingly, Millennial respondents were less likely to rely on the government pension than their older counterparts, with 34 per cent indicating it would be their key source of income in retirement compared to 51 per cent of non-Millennials.

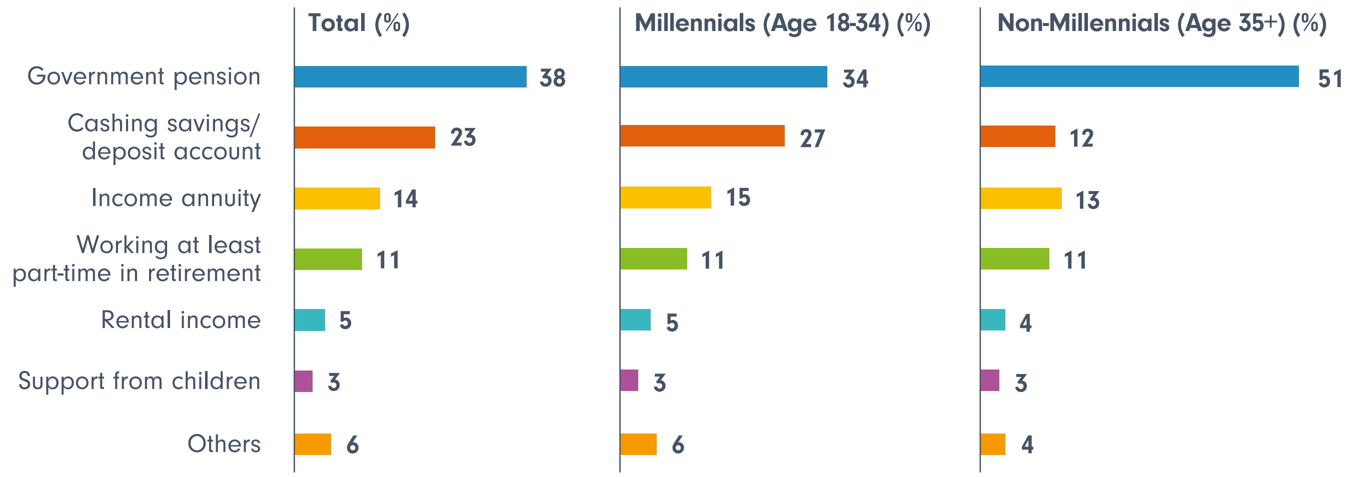
This suggests a greater awareness among Millennials of the need to secure multiple sources of income in retirement. The Public Pension Fund (PPF) and the National Social Security Fund (NSSF) amounted to only 14 per cent of GDP in 2015, compared with 121 per cent in the US[5].

China's government is also beginning to encourage a more dynamic approach to managing pension assets, as it looks to move away from the traditional mix of bank deposits and low-yielding government bonds[5].

It's clear then that employees in China, particularly Millennials who will not retire for at least another two decades, need to explore alternative, long-term savings strategies.

Government pensions still top of mind

Key expected sources of retirement income from all respondents



Source: Fidelity International and Ant Fortune.

> "It's clear that employees in China, particularly Millennials who will not retire for at least another two decades, need to explore alternative long-term savings strategies."

Can't, or won't?

Last year's survey raised an interesting point: are people in China either unable or unwilling to save?

To clarify this point, this year we devised a new question for respondents:

> ***If you won RMB1 million in the lottery, what would you do with the money?***

The results indicate overwhelmingly that people want to save.

Two-thirds of respondents said they would set aside at least 60 per cent of their winnings, and very few said they would spend most of the money on leisure and entertainment.

Among Millennials, 68 per cent said they would save or invest this money, and were the most inclined across all age groups.

More people would save if they had the cash

Distribution of a RMB 1M lottery prize by all respondents

	Total	Millennials (Age 18-34)	Non-Millennials (Age 35+)
At least 60% on savings/ investments	66%	68%	62%
At least 60% on leisure/ entertainment	6%	5%	8%
50/50 on saving and spending	28%	27%	30%

Source: Fidelity International and Ant Fortune.

Significantly, however, less than one in five of all respondents said they would use their lottery money for retirement purposes. Men and women were equally disposed to saving, with men only marginally more likely to spend the cash.

Perhaps unsurprisingly, the likelihood of using lottery winnings for retirement increased steadily through the age groups. Millennials were more inclined than other age groups to save the majority of their prize money, but less likely to save it for retirement.

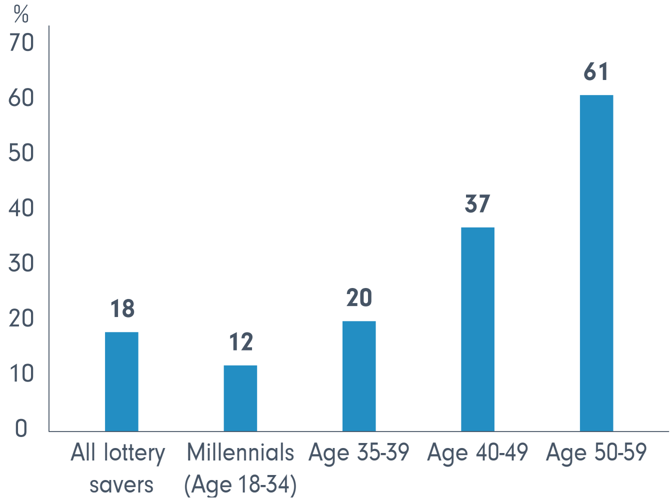
The 50-59 age group, meanwhile, were five times more likely than Millennials to use a lottery windfall for retirement. Curiously, they were also three times more likely than Millennials to spend most of the money on entertainment, but that reflects a deeper trend.

The survey found that those who were more likely to enjoy their lottery cash were those who, in real life, had already started saving for retirement and had much higher liquid assets. Conversely, those already looking ahead to retirement were much more likely to allocate lottery funds to pensions than other types of saving.

In summary, the survey clarifies that while the urge to save is clearly strong, the low priority given to retirement planning has deeper causes than a simple shortage of money.

But they would be less likely save it for retirement

Proportion of lottery savers that would put it towards retirement



Source: Fidelity International and Ant Fortune.

Financial priorities continue to cloud retirement goals

As the survey shows, people in China don't lack the desire or interest to save money. Most frequently, lack of capital is the primary obstacle, but the survey also revealed that when it comes to financial priorities, retirement ranks quite low.

Everyone juggles numerous competing financial concerns, regardless of their stage in life. Overall, less than half of all survey respondents said saving for retirement is one of their top three life goals, while two-thirds thought that providing for parents and children were among their most important targets.

Certainly, the survey pool's weighting towards Millennials influenced that outcome, but it also reflects the broader cultural imperative in China of caring for the family.

Among Millennials, the top three life goals among the 30,425 respondents in that age group were securing a comfortable life for their parents (84 per cent), a good education for children (77 per cent) and career success (71 per cent).

Almost three quarters named starting their own business as an immediate life goal, while only half prioritised retirement saving.

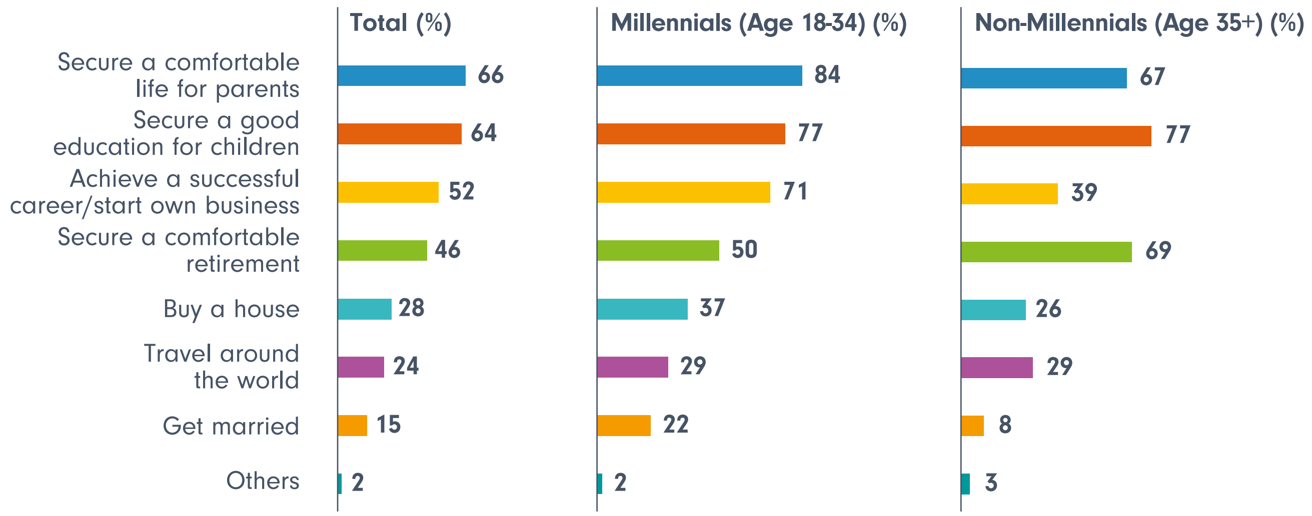
People were generally more focused on their earnings than their savings as a means to provide for their futures, suggesting a tendency to postpone planning in favour of short-term goals. Almost half of non-savers said they needed a higher-paying job in order to start putting money aside.

Indeed, the data shows a steady shift in attitudes through the different age groups. Around three-quarters of the over-40s said securing a comfortable retirement was among their most important life goals, with 36 per cent of the over-50s naming this as their top target.

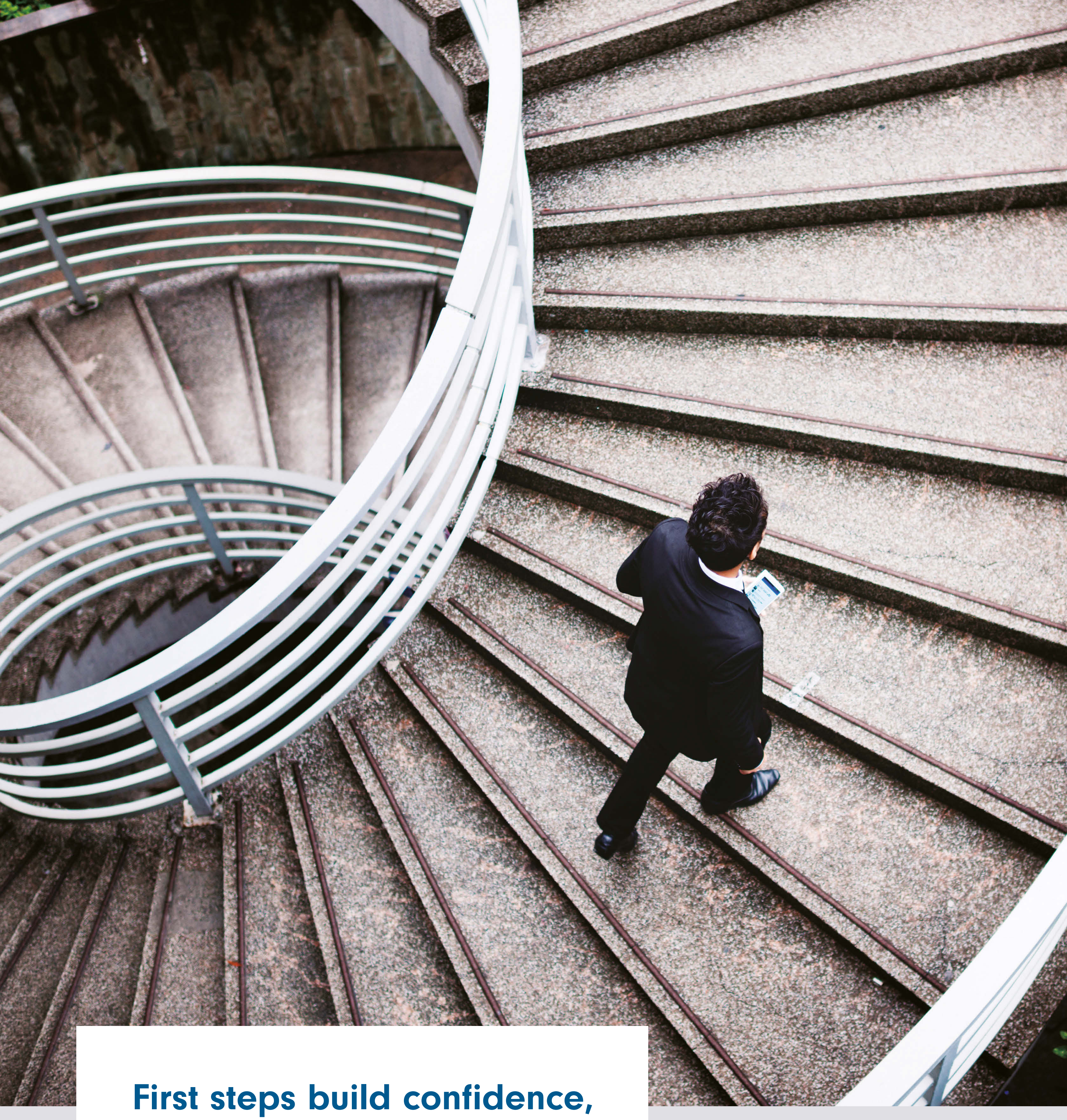
> "People were generally more focused on their earnings than their savings as a means to provide for their futures."

Juggling financial priorities

Top 3 life goals for all respondents



Source: Fidelity International and Ant Fortune. Percentages do not add up to 100 due to multiple responses.



First steps build confidence, but challenges remain

Setting a savings target is vital...

A journey of a thousand miles begins with a single step.

However, it can be challenging to make that first move, and even harder if you don't know where you're going.

When it comes to saving for retirement, the journey begins by starting to put money aside regularly. Action builds confidence. It's equally important to set targets, however small, so that there is a goal in sight.

The survey revealed that Millennials in 2019 are more likely to have set savings targets than they were a year earlier; 78 per cent had an idea of their retirement goal, compared with 65 per cent in 2018.

That mirrored a broader trend in the survey, which found the overall percentage of people who lack a savings target dropping from 29 per cent to 22 per cent. That still means close to one-fifth of all people have no retirement target.

Targets were broadly similar across age groups, with Millennials being slightly more ambitious; 17 per cent of Millennials thought they would need more than RMB2.9 million for their retirement, compared with 14 per cent of non-Millennials.

More Millennials have a retirement target

Target retirement savings from Millennials (age 18-34)

	2018	2019
<RMB 1M	15%	22%
RMB 1M-1.9M	25%	30%
RMB 2M-2.9M	9%	10%
RMB 3M-3.9M	4%	4%
RMB 4M-4.9M	4%	5%
RMB 5M-6.9M	5%	2%
RMB 7M+	4%	6%
Don't know	35%	22%

Source: Fidelity International and Ant Fortune. Percentages may not add up to 100 due to rounding.

...but the gulf between ambition and achievability remains...

While there are encouraging signs that more people in China are setting targets and saving money, one of the prominent issues raised by last year's survey has become more acute: respondents' goals are moving further out of reach.

Certainly, more people are saving, and their median target total has reduced, but they are saving less and want to retire earlier.

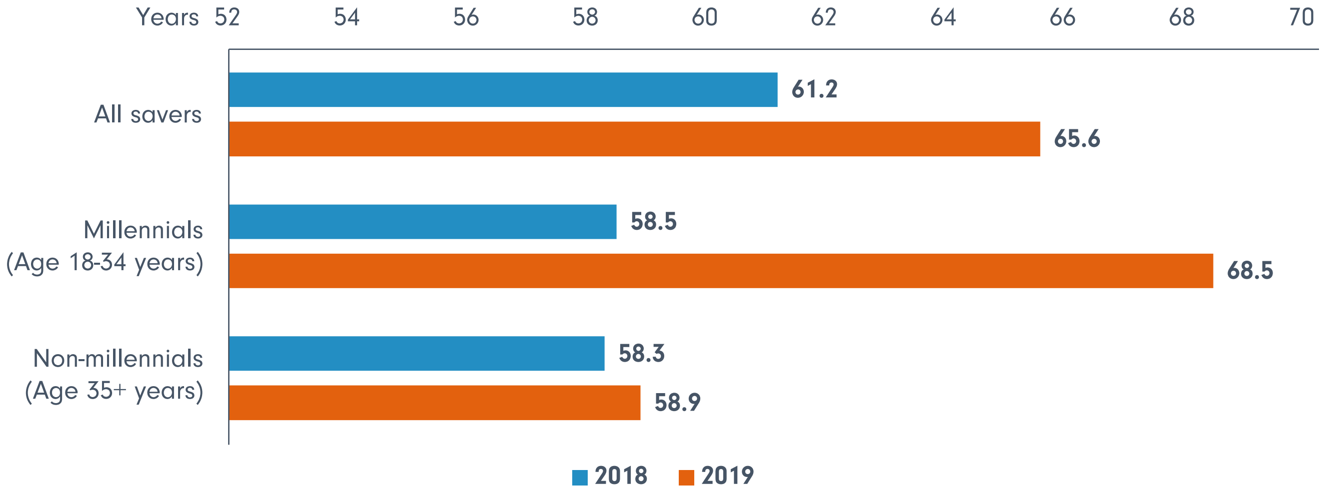
Last year, the survey found it would take an average of 61.2 years for respondents to reach their target retirement fund. This year that has gone up to 65.6 years.

Among Millennials, the number of years required to achieve their target also increased to an average of 68.5 years, up from 58.5 years last year.

> “Close to one-fifth of people have no savings target, and could benefit from retirement planning services.”

The need to start earlier continues to be important

Years required to reach target retirement savings based on the monthly savings mean for those saving for retirement



Source: Fidelity International and Ant Fortune.

...leading to a confidence deficit.

It's perhaps inevitable, then, that when it comes to retirement readiness, self-assurance has fallen sharply.

Overall, considerably fewer people (32 per cent) said they are confident (Very confident/Quite confident) of having sufficient savings at the end of their working lives, compared with last year (44 per cent).

Even among those who have started putting money away, the percentage who are confident in their retirement savings dropped to 40 per cent, from 55 per cent in 2018, with very few respondents (6 per cent) expressing a high degree of confidence.

The survey also revealed an income gap, with those on lower salaries less likely to have a retirement goal than people on higher pay.

The most notable difference was between men and women. More than a quarter of women (27 per cent) didn't have a retirement target, compared with 18 per cent of male respondents. Women were also slightly less assured that they will have enough money to retire.

With less clarity about their targets, women were also less likely to have started saving and hence, have lower confidence in having savings by the time they retire.

People are slightly less confident about retirement

Confidence in retirement savings from all respondents

	2018	2019
Very confident	8%	4%
Quite confident	36%	27%
Not too confident	25%	29%
Not confident	14%	19%
Not sure	16%	21%

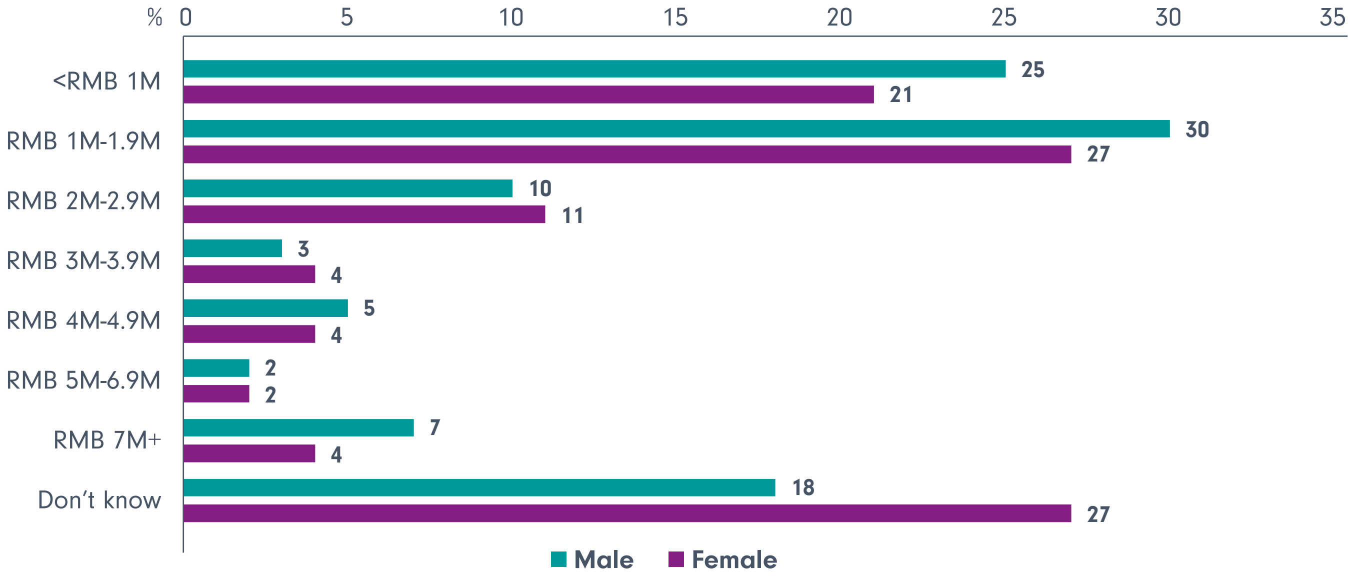
Source: Fidelity International and Ant Fortune. Percentages may not add up to 100 due to rounding.

On the one hand, the survey results could indicate a growing level of insecurity in an environment of slowing economic growth and global trade tensions. On the other, it could also demonstrate expanding awareness in China of the need to address shortcomings in financial planning.

The more uncertain people feel about their future security, the more likely it is that they will take action, seek advice or financial education, and be open to professional services that can help to improve their outlook.

Women could be more clear about their retirement target

Target retirement savings from all respondents



Source: Fidelity International and Ant Fortune.

Women are facing unique challenges

The 2019 survey's results indicate that, broadly, women in China continue to face financial challenges, and that in the area of retirement planning, the demographic differences between genders remain much more significant than income level.

Encouragingly though, the results also suggest that women are more receptive to learning more about retirement planning, and would likely save more for retirement if they had the funds.

Women in China face a retirement savings gap, compared to their male counterparts, as their average personal income is about 21 per cent lower (RMB64,000) than men. While fewer have started saving for retirement, they have a higher savings target, save less every month, and want to retire earlier in life.

As a result, on average, they would need a little over two years longer than men to reach their goals (64.7 years for men and 66.9 years for women).

Among female respondents, 69 per cent said they lack the capital for retirement savings, the same proportion as men, but they were much more optimistic about the government pension, with 42 per cent expecting the state fund to be their primary source of retirement income.

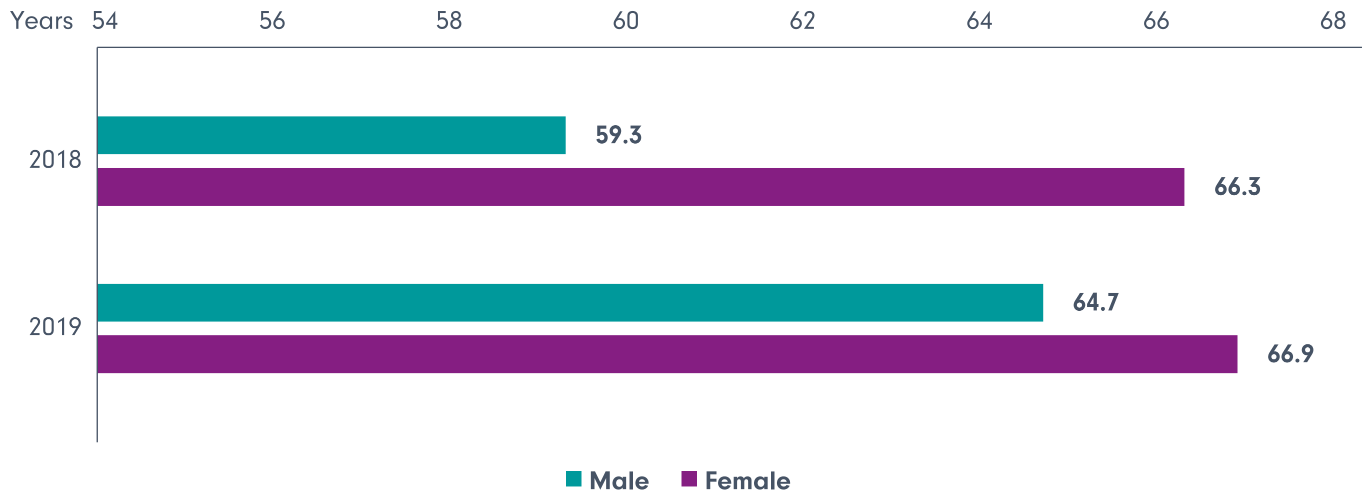
In terms of life goals, there were also some differences between genders.

Firstly, women tended to be more focused on family priorities than men. While 66 per cent of both genders said securing a comfortable life for their parents was among their top three goals, more women than men were focused on supporting their children and buying a house, while men paid more attention to furthering their careers and starting businesses.

More than one-fifth of women, the largest single group, said securing their children's education was their most pressing goal.

Bridging the retirement savings gap

Years required to reach target retirement savings based on the monthly savings mean



Source: Fidelity International and Ant Fortune.

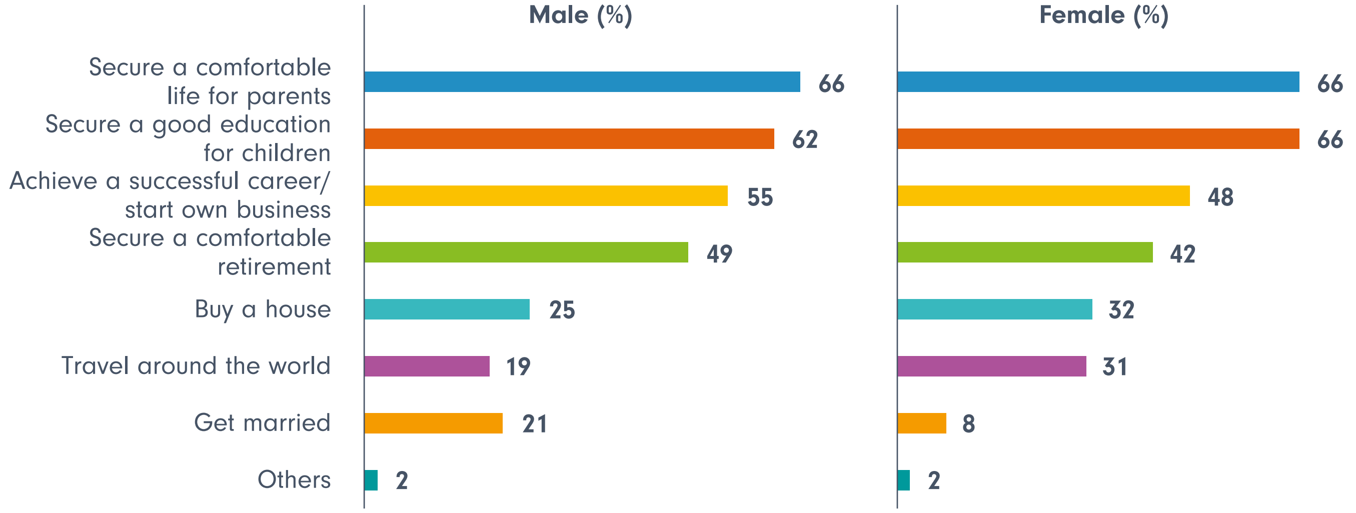
Secondly, and perhaps indicative of an accelerating social shift, women were considerably less interested than men in marriage (only 8 per cent named it as a top goal, as opposed to 21 per cent of men), and significantly more enthusiastic about travelling around the world (31 per cent, compared with just 19 per cent of men).

Promisingly, when it comes to planning for retirement, women who had no savings were more inclined than men to start if they had better investment knowledge. Close to one-third were open to learning more, suggesting strong demand for retirement planning advisory services. Equally, more women than men said they would use lottery winnings to save for retirement.

And once they begin saving, they set aside a higher percentage of their income than men. This suggests women are well positioned to make use of professional investment tools and advice that can help them take their first steps, or more effective next steps, towards a comfortable retirement.

Family priorities are top of mind for women

Top 3 life goals for all respondents



Source: Fidelity International and Ant Fortune. Percentages do not add up to 100 due to multiple responses.

Greater investor knowledge could prompt women to save

Actions to start saving for all non-savers

	Male	Female
Look for a higher-paying job	50%	44%
Start to understand investment/pension planning knowledge	24%	30%
Seek professional help in investments/ pension planning	11%	10%
Give up travel or hobbies/reduce shopping	7%	10%
Delay buying a house	3%	2%
Others	5%	4%

Source: Fidelity International and Ant Fortune.

Retirement is not the end

Small steps count

As the saying goes, failing to plan is planning to fail. Making the first step toward a comfortable retirement means setting a goal, however modest, and getting started. Although 22 per cent of surveyed participants in our China survey have yet to set a retirement savings target, it is still a significant improvement, down from 29 per cent last year.

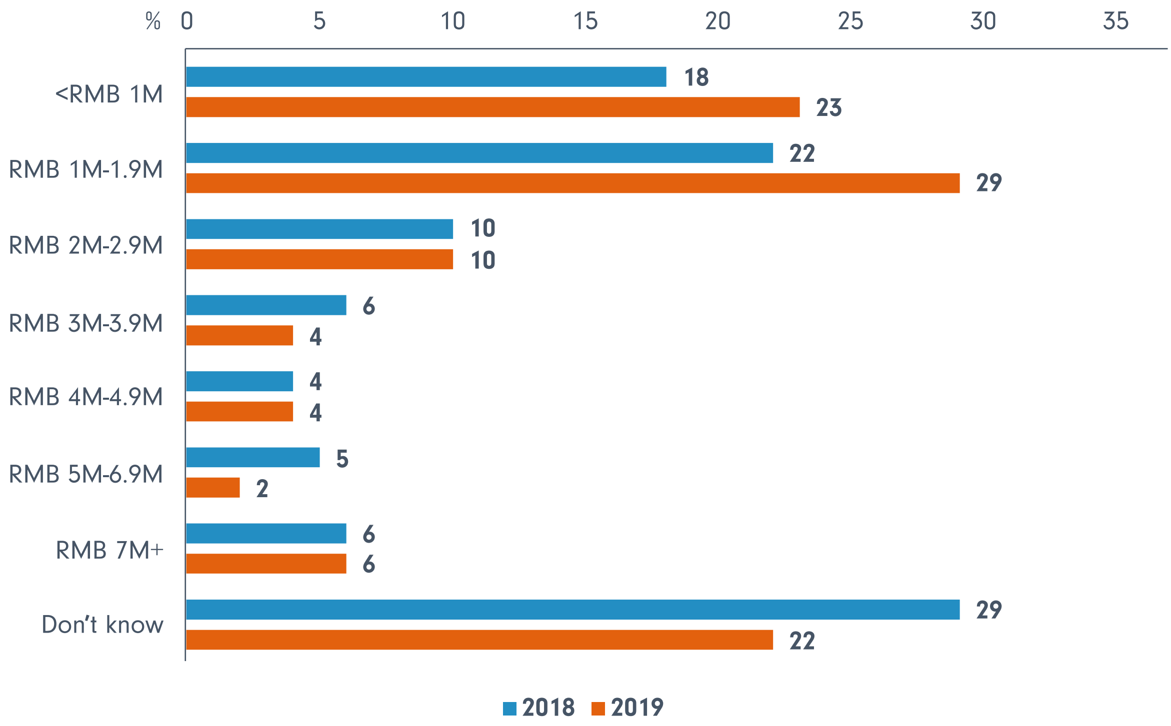
This is an encouraging trend, as taking that first step and gaining awareness of a financial target goes a long way towards improving confidence. However, the opposite scenario is highlighted by the still-present gender gap, with women being less likely to have a target.

This means they are less likely to save, which makes them less confident – a negative feedback loop that can have a significant impact on women's physical and mental wellbeing.

It is understandable why many people find setting targets, especially financial ones, a daunting task. It can be a source of internal stress and pressure, and the fear of failing to fulfil those goals can create a mental barrier that prevents people from forming concrete financial targets in the first place.

More are taking that first step

Target retirement savings from all repondents



Source: Fidelity International and Ant Fortune.

But even the smallest steps can make a big difference. People often underestimate just how powerful consistent compound returns can be over the long term.

For instance, how much of a difference can increasing monthly contributions to a retirement fund by an additional one to five per cent make?

Our forecast shows that for a 30-year old making RMB73,604 a year (the average among our survey participants), allocating an additional one to five per cent per month could result in an extra RMB76,525 to RMB382,627 in a retirement fund by age 60.

Put into context, saving just one per cent means saving less than RMB15 per week – the equivalent of a cup of coffee. This forecast only assumes a modest 3.75 per cent annual wage growth (lower than the actual current rate in China) and a 5 per cent average yearly return on investments.

Let's put this into perspective around the median target retirement savings of RMB1,548,000 among our respondents. This small increase in a monthly allocation to retirement savings could account for between 4.9 per cent and as much as 24.7 per cent of that total amount – a considerable benefit for a comparatively small sum.

A small difference in savings can add up to a big difference over time.

Each month, if you save an extra...	Which, on a weekly basis, is less than...	The same as a...	...then in retirement you can enjoy an extra...
1%	RMB15	Cup of coffee	RMB76,525
3%	RMB43	Fast food meal	RMB229,576
5%	RMB71	Movie ticket	RMB382,627

Based on a 30-year old retiring at 60 years, on the average survey salary of RMB73,604 p.a., and assumes a 3.75 per cent annual wage growth (2 per cent inflation + 1.75 per cent real salary growth rate) and a 5 per cent average yearly return on investments.

And saving earlier can make an exponential difference.

How big will your savings grow for the cost of one cup of coffee each week?

If you start saving RMB15 each week at age...	...then in retirement you can enjoy an extra...
25	RMB110,210
35	RMB51,671
45	RMB20,367

Based on a retirement age of 60 years, on the average survey salary of RMB73,604 p.a., and assumes a 3.75 per cent annual wage growth (2 per cent inflation + 1.75 per cent real salary growth rate) and a 5 per cent average yearly return on investments.

Education and knowledge still key

Notwithstanding the importance of setting financial targets and harnessing the power of compound returns in proper retirement planning, investor education and awareness must take top priority.

This is in line with our survey results, which showed that retirement planning did not fall within the top three life goals for Millennials, our largest surveyed group. Instead, this group was far more focused on earnings over savings.

While this attitude does reflect the longer time Millennials have until retirement, it also highlights the need for greater investor education and awareness.

A focus on earnings and savings should be complementary, not exclusive; saving more does not prevent anyone from earning more. The current survey findings indicate that short-term thinking may cloud long-term goals to the detriment of people's financial health.

Raising awareness of retirement planning around the world

China is far from alone in lacking proper awareness and education of retirement planning. Surveys conducted by Fidelity International in markets across the world all reveal a common finding; awareness levels must be increased across the board for people to hit their retirement goals.

This is a global issue we are dedicated to addressing.

We have continued to enhance our digital and social media presence to further educate investors, as well as members of the Mandatory Provident Fund (MPF) – part of Hong Kong, China's compulsory retirement savings scheme.

We are particularly focused on reaching and engaging younger investors who are still early in the accumulation phase of the investment lifecycle.

Japan is a country facing unprecedented demographic pressures, but the positive sentiment towards investing has improved over the years from 22 per cent in 2010 to 32 per cent by 2018.

To help bridge the gap that still exists, we have a comprehensive investor education programme targeted at both younger Millennials and more sophisticated investors. In particular, our popular 'Investment NAVI' portal, coupled with mass-market friendly campaigns and online simulation tools, have shown promising results.

In the UK, we have a dedicated microsite focused solely on supporting our clients at retirement. We offer a free retirement guidance service, a variety of user-friendly online retirement planning tools, as well as the latest relevant market insights.

We also recently launched the Global Retirement Savings Guidelines. These guidelines give investors easy and helpful 'rules of thumb' they can use as a starting point for setting retirement goals.

By providing them with a framework showing them approximately how much they would need to save and how much they can comfortably withdraw, investors can get a clearer picture of their current situation and what they need to do to move forward.

> “Awareness levels must be increased across the board for people to hit their retirement goals. This is a global issue we are dedicated to addressing.”

Moving from awareness to knowledge

Being aware of the necessity of retirement planning, and being more willing to save are no doubt important, but they are merely prerequisites.

To have the highest chance of success, people must progress beyond simple awareness into becoming educated investors who can make more intelligent and informed decisions about how best to achieve their financial goals.

For example, 38 per cent of survey respondents said they thought the government pension would be the main source of their retirement income, an increase of 6 per cent from the year before.

With this shifting age pyramid, China's pension system has undergone development in recent years, with a particular focus on enhancing the third pillar, and investors may be best served by improving their financial knowledge.

One alternative solution is target date funds. These are actively managed by professionals that invest in a diversified portfolio of asset classes. The asset allocation of these funds shifts over time, from growth-maximising assets such as equities in the earlier stages, to more conservative assets like bonds as the target date approaches.

Whichever option they choose, investors in China would do well to consider all the alternatives before acting carefully.

Money is only a part of total wellbeing

Amid all the discussions about retirement planning, it can sometimes be easy to lose sight of the bigger picture.

Retirement is not the end – far from it. Instead, it is a component of a holistic experience that encompasses money, health, work and life. Money is only a part of total wellbeing, not its sum.

Nonetheless, financial health, or rather the lack of it, can be a significant source of stress that can negatively affect physical and mental health. Addressing one's financial health is an important component as avoiding the topic of money or postponing action could equally have adverse effects.

A healthy financial life is an essential step to accomplishing the goal of a holistic and balanced life.

At Fidelity International, we are fully committed to building greater awareness around all aspects of financial health – from saving and planning, to investing and growing wealth.

We want to empower our clients to take charge of improving their financial wellbeing, so that they will be able to seek out greater balance in the other important areas of their life, like family and relationships.

> “Whichever option they choose, Chinese investors would do well to consider all the alternatives before acting carefully.”

Our global retirement expertise

The United Kingdom

The UK pension system is tiered, comprising both public and private tiers. Public tiers are funded by National Insurance contributions, a tax that funds state benefits.

The primary public pension is the new State Pension (nSP). It is redistributive, non-means tested and entitles qualified individuals to a maximum payout of £168.60 per week[6].

On top of that, there are various means-tested benefits such as Guarantee Credit for 'topping up' individuals' minimum income, Universal Credit for couples, council tax reduction, disability living allowance, winter fuel allowance, and housing benefit.

The private tier is entirely voluntary, although in some cases there is an aspect of soft compulsion because of automatic enrolment.

Private pensions can be funded by either the employer or the individual. Although commonly obtained through the workplace, individuals can opt to take out a private pension directly from a pension provider.

The types of pension schemes available under the private tier are highly complex because of various legislations and employment histories. Nevertheless, most private pension schemes fall under the umbrella of either defined contribution or defined benefit, with various subgroups within these two broad categories.

Retirement attitudes remain similar across countries

Echoing our China survey, UK Millennials also do not place a high priority on retirement security. As in China, it becomes an increasing priority after the age of 30[7].

However, perhaps reflecting cultural imperatives, UK Millennials ranked general costs and savings as their top two financial priorities, as opposed to supporting parents and children[7].

The gender gap also appears to span continents. In general, UK women surveyed placed saving for retirement at the bottom of their financial priorities.

The only exception to this were married women without children, who ranked it at the top of their list, the same as men. And just like the women surveyed in China, women in the UK were also uncertain as to how comfortable their retirement would be.

Challenges facing people planning for a well-funded retirement are consistent across the board. Those challenges, although they need to be adapted for different locations, require the same fundamental solutions.

> “Challenges facing those desiring a comfortable retirement are consistent across the board.”

Fidelity International: a trusted name for retirement

To address the UK's retirement challenges, Fidelity International provides customised solutions to the 1.1 million people who trust us with their savings, both directly and through their employers or advisers. Most of these savings are used for retirement purposes, cementing our credentials as one of the UK's top pension providers.

Our retirement services business, launched in 2014, helps people get the most out of their retirement savings, as well as assisting advisors and employers to guide their clients.

We provide a wide range of retirement income options, including defined-contribution pension schemes and individual pension products such as annuities, pension drawdowns, and other income-generating products.

We were the first defined-contribution pensions provider to offer a default 'shopping around' and comparison service for annuities at retirement.

Fidelity is also a leading retirement advisor, providing both free guidance and bespoke advisory services. Advisors working with Fidelity have a dedicated microsite that they can use to receive technical and product information, to help them support their clients at retirement in the best possible way.

Our retirement business services over 1.2 million individual investors, manages relationships with over 12,000 financial advisors and administers over 400 employer schemes. We only expect these figures to grow, given helping people to address their retirement challenges is one of our top priorities.

The global retirement savings guidelines initiative

We recently launched our Global Retirement Savings Guidelines in the UK. Based on a similar framework available in the US, these are a first for the industry, providing workers with simple 'rules of thumb' that they can follow to help them stay on the path to a comfortable retirement.

Our guidelines take the form of age-based savings milestones, yearly savings rates, income replacement rates, and sustainable withdrawal rates (refer to page 35 for more information). In general, UK workers should aim to save at least 13 per cent of their annual salary each year, with a target of saving seven times their total salary by retirement.

This will put them on track to replace 35 per cent of pre-retirement income. Combine this with state pensions, and we estimate they will be able to enjoy their pre-retirement lifestyle throughout their post-working lives.

In addition to these basic guidelines, we also have online interactive tools into which workers can input their basic details to obtain more specific recommendations based on their age, income, savings, and desired retirement lifestyle.

One of our most popular tools is the 'Digital 1% Challenge', which shows UK workers just how much of a difference saving an additional 1-5 per cent of their gross salary can make when they reach retirement age, helping to inspire them to save more.

This is all part of our mission to not only raise awareness of the importance of retirement planning, but also provide people with the tools they need to better plan their journey into old age.

> "We give workers simple 'rules of thumb' they can follow to stay on the path for a comfortable retirement."

Addressing the gender gap

To help address the worrying gender gap in retirement planning in the UK, Fidelity International launched a series of labs in July 2018, exploring what both individual women and the investment industry can do to help solve this pressing and persistent issue.

We brought together influential figures across the UK industry – from thought leaders to entrepreneurs, and women in the media and government – to discuss how we can together unlock potential, address the pensions gap and help facilitate change.

These labs, launched concurrently with our 'The Financial Power of Women' report, took an in-depth look at three areas and how they may be holding women back from participating in investing.

We named these the '3Ps' – Personal, Professional and Policy.

The first lab – **Personal** – investigated the situations that may prove to be barriers against investing. These include being time-poor, lacking financial education, overly complex industry terms, and a lack of confidence.

More importantly, we developed a set of key recommendations for addressing these issues, such as investment education programs in schools, a focus on jargon-free communication and providing strong role models of successful yet relatable women.

The second lab – **Professional** – turned the spotlight on the investment industry. How has the investment profession inadvertently created a barrier preventing greater female participation?

The key takeaway from this lab was the necessity of removing the misperception that the industry is binary; women don't have to be either an investor or saver; they can be in the middle.

Similarly, there is a middle ground in your retirement planning; being 'on track' or 'off track' are not the only options available. The insights drawn from this lab were the catalyst for our 'Digital 1% Challenge'.

The third lab – **Policy** – moved the focus to policy barriers. Ideas taken away from this session included how to deliver extra flexibility in pensions and understanding the needs of the increasingly large proportion of women participating in the 'gig economy'. While policy reforms are obviously the hardest to implement, we are confident that with persistence, these changes will come.

As we continue to process the findings and insights from these labs, Fidelity International will persevere to improve our tools, products, and services to ensure we help our clients – especially women – to achieve their retirement and financial goals.

> "Our next initiative was to help address the worrying gender gap in retirement planning."

Australia

Australia has a well-established retirement system that is made up of three pillars. Though China has a similar three-pillar structure, the third pillar is still in its nascent stage having launched in 2018.

The publicly-funded component, the Age Pension, is available to all residents over 66 years of age. Paid fortnightly, the maximum rate is AUD926.20 for a single person and AUD1,396.20 for a couple combined. It is a means-tested pension, with both income and asset levels affecting the eligible amount.

The second pillar is known as Superannuation, which was introduced in 1992. Although privately funded by both employers and employees, the minimum contribution rate for employers is set by the government.

The current rate is 9.5 per cent of an employee's income (with plans for a gradual increase to 12 per cent by 2025), with voluntary top-ups possible by employees. The money is deposited into Superannuation funds, which currently hold approximately AUD2.8 trillion in assets under management[8].

The third pillar is voluntary savings, which are entirely individual. They can be via additional voluntary Superannuation contributions, or property, cash and mutual funds.

The decumulation shift is speeding up

Considering the relatively young history of Superannuation in Australia, most funds' assets have until recently been in the accumulation phase.

However, as Superannuation rapidly approaches its three-decade anniversary, the shift toward decumulation (when people begin drawing down on their retirement savings) is beginning.

The Australian Bureau of Statistics projects that by 2030, the 65+ demographic will have grown by 40% from 2017[9]. At that point, those in the 55-64 age group already held around AUD670 billion in Superannuation balances[10]. As this group begins moving toward retirement, they will be tapping into this as a source of income – leading to an increasing growth in decumulation volume.

This presents three keys risks. The first is sequence or timing risk. If the order and timing of investment returns are unfavourable, there is a danger that individuals might take a financial hit when they withdraw from a fund's underlying investments, jeopardising their retirement.

While this risk can be mitigated through various protective strategies, the right balance between protection and growth must be struck.

The second risk is inflation risk. Can returns from Superannuation funds keep up with inflation when looking at time horizons of more than 20 years? This comes down to the management of the funds themselves.

The third risk is longevity – the risk of people outliving their savings. While not as big of a problem as the other two, it is a lingering issue that could be managed by a more targeted decumulation structure.

The Australian government has recognised the need for more solutions to these decumulation challenges. It has developed several non-mandatory post-retirement model frameworks such as Comprehensive Income Products for Retirement (CIPRs), which are default products created by Superannuation funds for members that don't actively get involved in managing their investments. As at time of writing, the CIPR framework is still being developed and is subject to consultation between the government and industry.

Another one is trustee guidance; the use of trustees to provide general guidance (but not advice).

Lending our expertise to address these challenges

With over USD309 million in assets under management, USD109 million in assets under administration, and a history spanning almost half a century, Fidelity International is well-equipped to help Australians address their decumulation challenges.

In Australia, as we do globally, we partner with leading Superannuation funds and financial intermediaries to arrange the building blocks they need to help them achieve their goals for their members.

We specialise in designing and providing a suite of solutions that encompass different asset classes – from equity to multi-asset and fixed income – to give our clients something more advanced than pure equity alone can offer (currently 50.5 per cent of Superannuation assets are in equities[11]).

Given the increasing focus on the decumulation phase, we are also providing solutions for retirees placing a high priority on protection, such as products with tax benefits and those with exposure to strong markets.

Continual development of customised solutions

We are always looking beyond our current product offerings and are creating solutions for the accelerating decumulation phase.

As annuities are unpopular in Australia because of high cost and low flexibility, we are exploring a product design that behaves like an annuity but has the flexibility of an investment product – offering the best of both worlds.

We are also developing a comprehensive framework for the financial intermediary (financial adviser) market that will enable them to create even more tailored and personalised retirement investment solutions for their clients.

Continued investor education

Investor education continues to be a priority for us.

Less than 3 out of 10 Australians seek outside expertise when it comes to financial advice[12]. This leaves a large proportion of dormant investors who would typically have their money in Superannuation funds where they are not making decisions.

We want to encourage these investors to take a more proactive role in their retirement planning. To that end, we are studying better ways to engage with and help them. Across the board, we feel that Superannuation members need to be more engaged, and this is something the industry must help to achieve.

Addressing the gender gap in retirement planning and investing is of primary concern to us. For the 60-64 year old demographic, men have an average Superannuation balance of AUD270,710, compared with just AUD157,049 for women[13].

This is a gap of over 72 per cent, making this is a pressing retirement issue in Australia.

That's why in March 2019, we launched 'The Financial Power of Women Campaign', which focuses on reaching out to Australian women to address their common concerns and issues with the investment industry, such as unnecessarily complicated jargon.

This campaign is only the beginning, and we will continue to work together with both investors and other industry players to make a more level playing field, regardless of gender.

> "We want to encourage investors to take a more proactive role in their retirement planning."

Transforming awareness to knowledge

Personalised investor education

When it comes to planning for retirement, Fidelity International is committed to furthering investor education, as a way for people to learn more about their money and help them to make better retirement decisions.

We recently launched our Global Retirement Savings Guidelines, which give people easy 'rules of thumb' to use as a starting point for setting retirement goals – whether they are in the early stages of life or already well on the road towards their retirement goal.

This approach is supported by the 2019 survey result, where having a retirement savings target makes a difference when it comes to savings attitudes and confidence.

Fidelity International plans to create a similar retirement savings framework for China, as a way to help China's population put their future income needs into perspective and help them to plan for a comfortable retirement.

Fidelity's global retirement saving guidelines

	UNITED STATES	UNITED KINGDOM	GERMANY	HONG KONG, CHINA	JAPAN	CANADA
Savings milestone (multiple of final salary)	10x	7x	10x	12x	7x	11x
Yearly savings rate	15%	13%	21%	20%	16%	18%
Income replacement rate	45%	35%	45%	48%	36%	49%

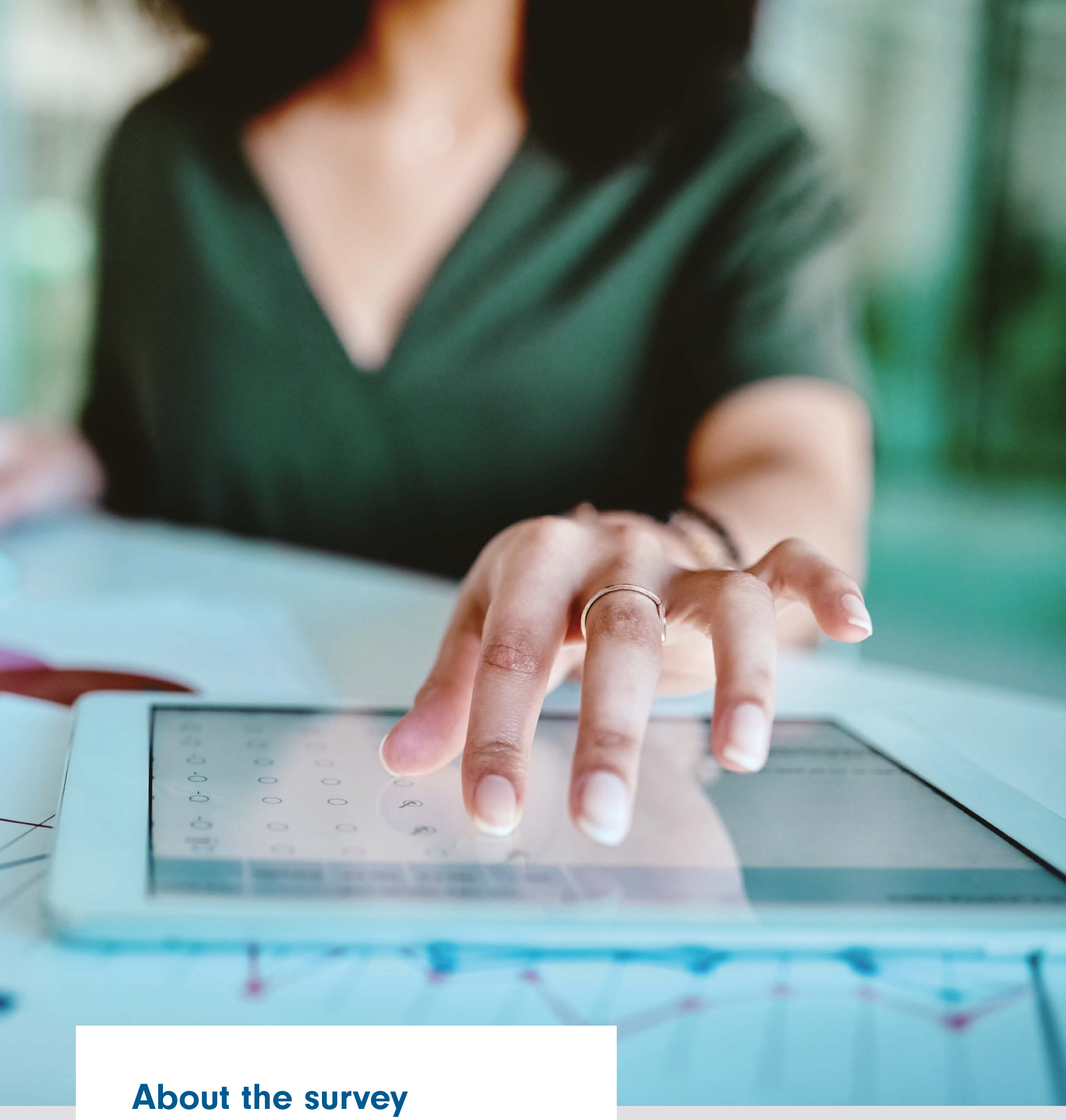
Definitions:

Savings Milestones: Age-based savings targets expressed as multiples of annual income at the statutory retirement age for each country.

Yearly savings rate: The suggested annual rate of (pre-tax) savings over a full working lifetime.

Income replacement rate: The percentage of pre-retirement income at the statutory retirement age, that an individual/household should target to replace annually as a percentage of the initial (at retirement) asset balance.

For a complete detailed summary of the methodology, please visit https://retirement.fidelityinternational.com/global-capabilities/retirement-savings-guidelines/



About the survey

Survey methodology

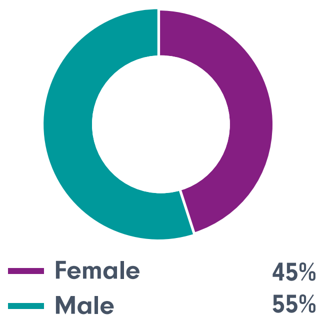
Fidelity International and Ant Fortune surveyed 50,050 members of the Ant Fortune platform in May 2019. The survey was completed online via the Ant Fortune platform, with all respondents from Tier 1 to Tier 4 cities.

Respondents polled online typically have higher incomes and higher liquid assets than the general population, a pattern that is consistent with the respondent profiles as the sample is drawn from members of an online investment platform.

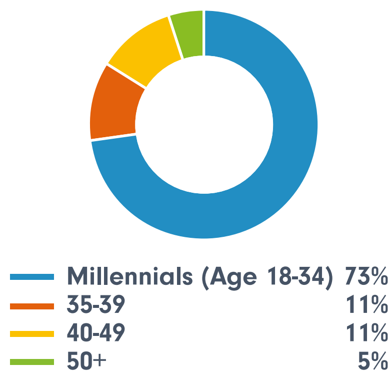
Demographics

Millennials were the largest responders

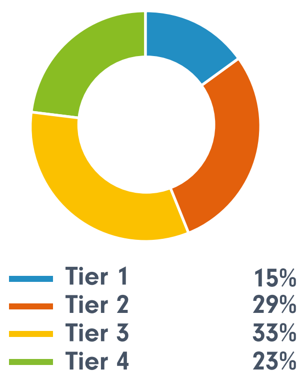
Gender



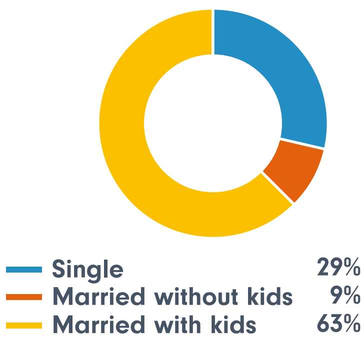
Age



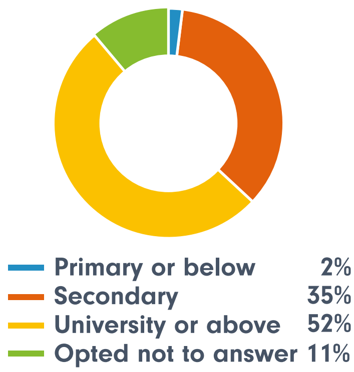
City Tier



Marital Status



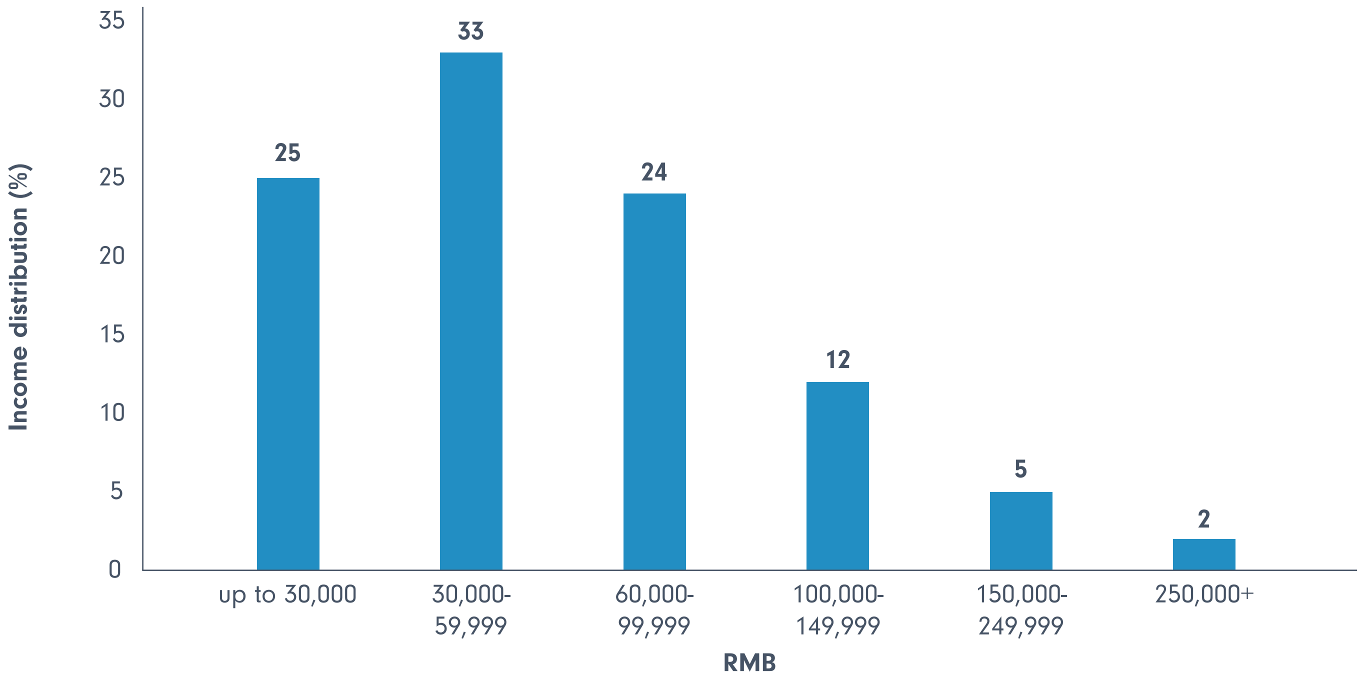
Education



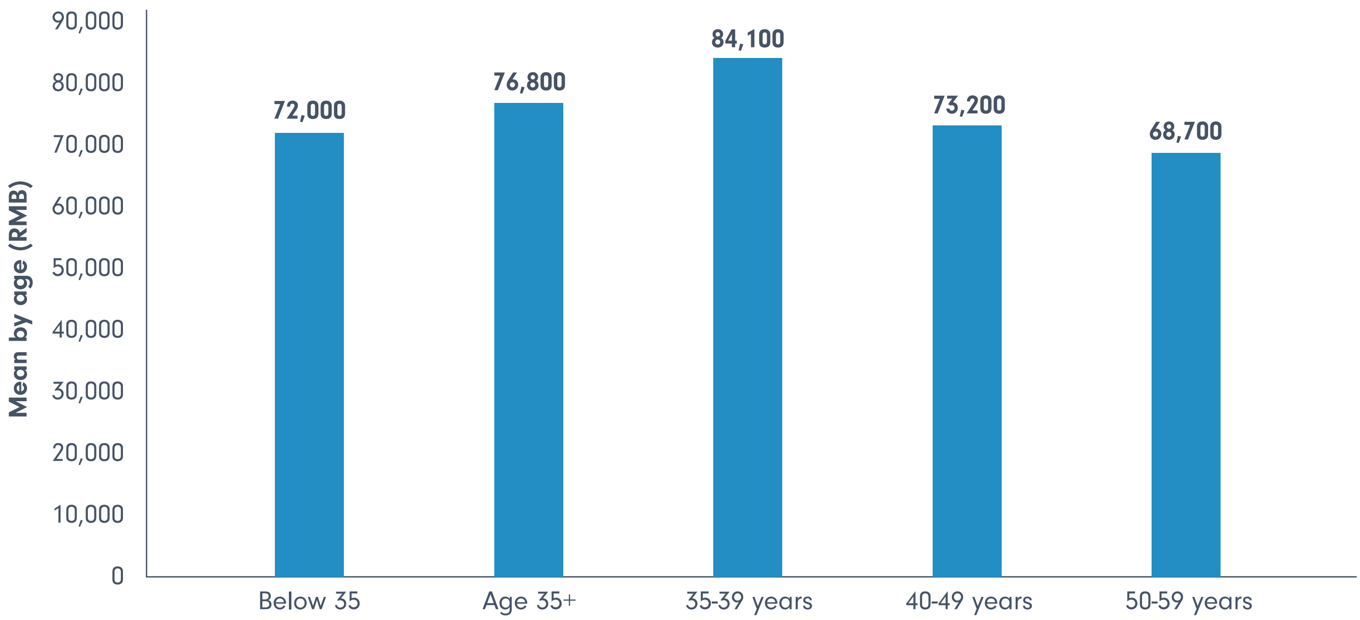
Source: Fidelity International and Ant Fortune. Percentages may not add up to 100 due to rounding.

High personal incomes and liquid assets

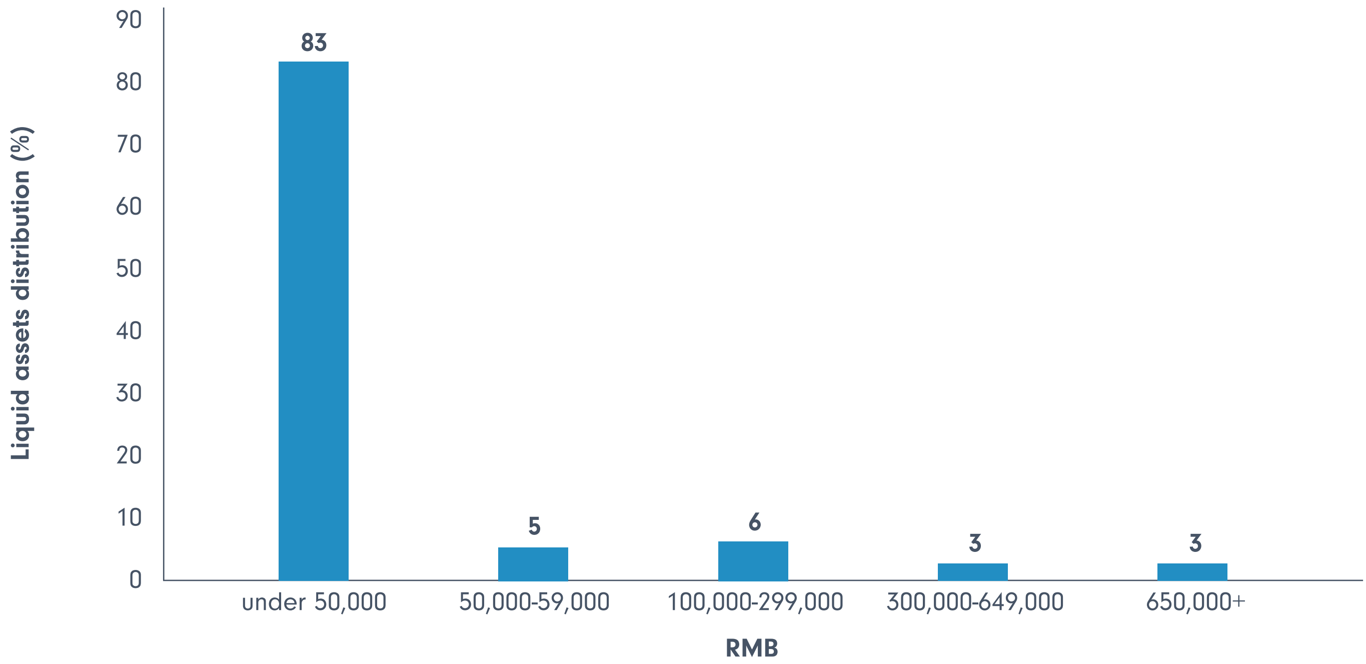
Annual personal income distribution (those that responded)



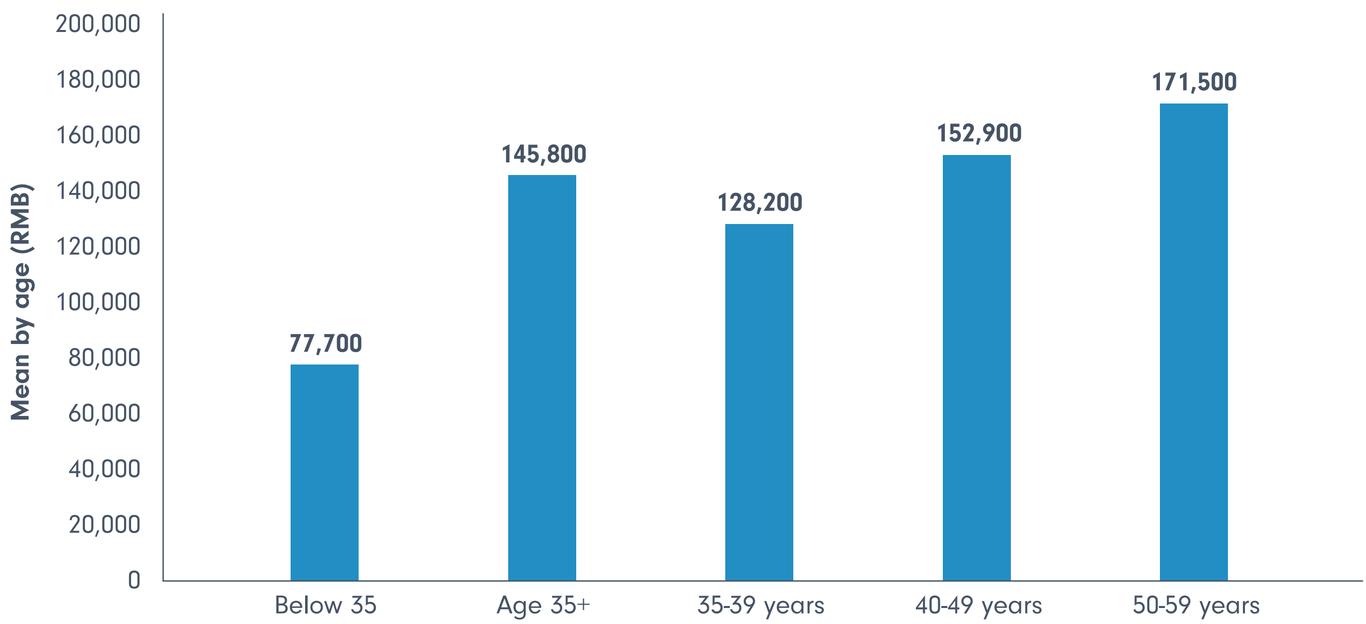
Annual personal income mean by age (those that responded)



Liquid assets distribution (those that responded)



Liquid assets mean by age (those that responded)



Source: Fidelity International and Ant Fortune. Percentages do not total 100, as some respondents opted not to answer.

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