

Charles Schwab Hong Kong Rising Affluent Survey

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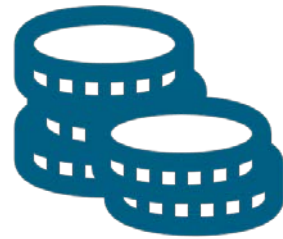
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Rising Affluent – A large group of investors who are not well understood



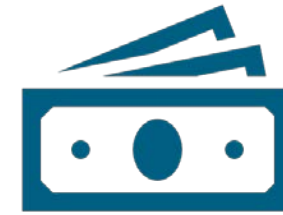
Building wealth



Aiming to become
“High Net Worth
Individual”



Tech focused



Strong
consumption and
investing power

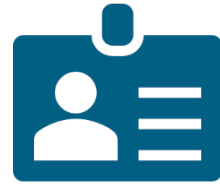


Feel a lot of
financial pressure

Who are the Rising Affluent?

18+

Age



Employed full or part-time



Currently holding a savings account, among other investment vehicles



Primary or joint decision-maker on financial decisions in the household

Annual Personal Income*

HK\$600K to HK\$1.2M

Personal Liquid Asset**

HK\$600K to HK\$5M



US\$100K to US\$225K

US\$100K to US\$1M

*Earning an income between the 25th and 5th percentiles based on data from the Census and Statistics Department of Hong Kong and US Census.

**Has investible assets equivalent to at least one year's salary at the 25th percentile, with a cap at the top 5th percentile of assets, estimated based on research from the Citibank Millionaire Survey and the US Federal Reserve.

#Information gathered from the participants was self-reported and was not independently verified by Schwab.

What we want to discover



Investment behavior
&
financial goals



Attitudes towards
diversification &
international investing



Drivers of investment
decision-making



Gender Differences



Advice



Comparison and Insight

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Key findings



Eager but nervous to diversify their portfolio internationally



Far more aggressive than they think they are



Typical sandwich generation: Financial Squeeze



Limited access to trustworthy information &
Lack trust in financial advisors

Unmet diversification needs

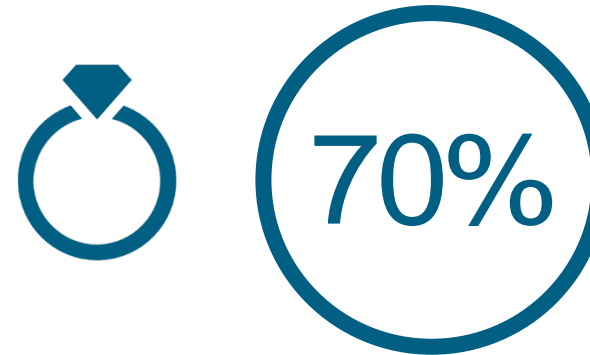
They are **MOSTLY YOUNG** and married, putting a **higher focus on diversification**

AVERAGE AGE



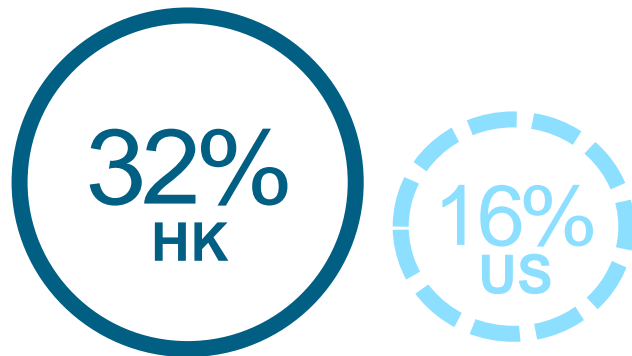
On average 10 years younger than US

MARITAL STATUS



76% of US are married

FINANCIAL GOAL FOR THE NEXT FIVE YEARS



Want to invest INTERNATIONALLY

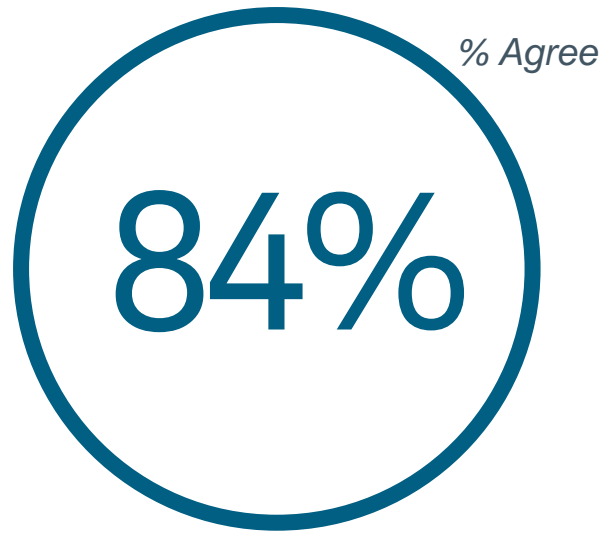


Want to pay off ALL DEBT

■ Hong Kong ■ US

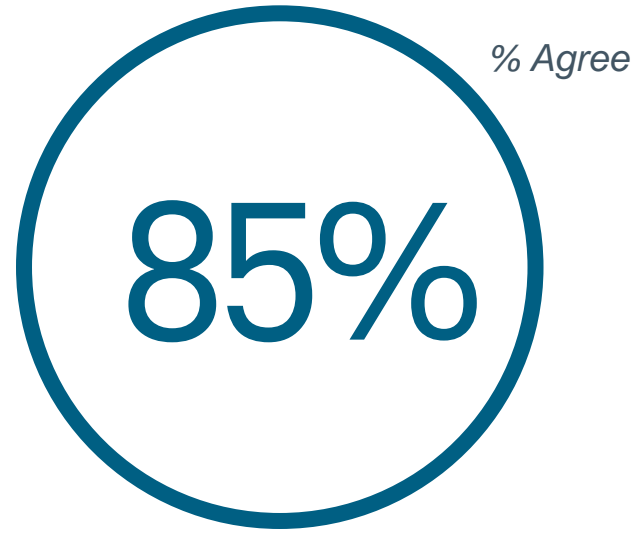
Q2: What is your current age?
Q8: Please indicate whether you want to accomplish the following in the short term (next 5 years) or the long term (next 15+ years)
Q9: What is your current relationship status?
Base size: HK N=1,000, US N=1,000

Diversification is key to reaching financial goals, and more diversified portfolios needed



Diversification is important to achieving **SHORT** term financial goals

86% in US



Diversification is important to achieving **LONG** term financial goals

87% in US

Women & 35-54 year-olds in HK overall see the importance of diversification:

Short term financial goals:

90% Women vs. 80% Men

86% 35-54 yo vs. 81% 18-34 yo

Long term financial goals:

88% Women vs. 82% Men

87% 35-54 yo vs. 82% 18-34 yo

Diversification cannot assure a profit or protect against a loss in any given market environment.

Q24: Please rate your agreement with each of the following statements.

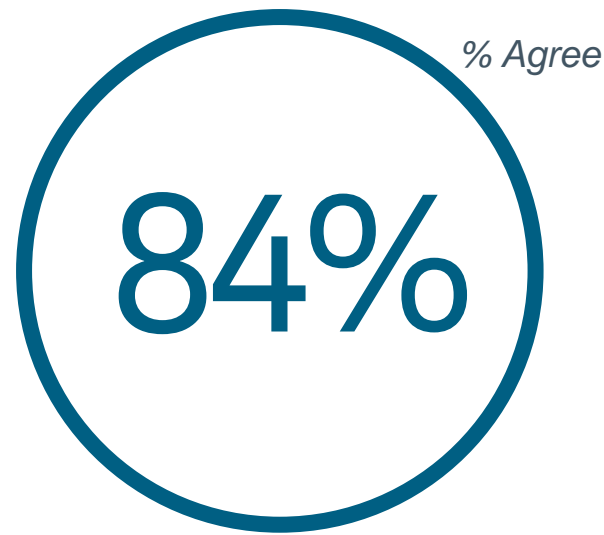
Diversification is important to achieving my short term financial goals (within the next 5 years).

Diversification is important to achieving my long term financial goals (within the next 15+ years).

I think my portfolio is adequately diversified.

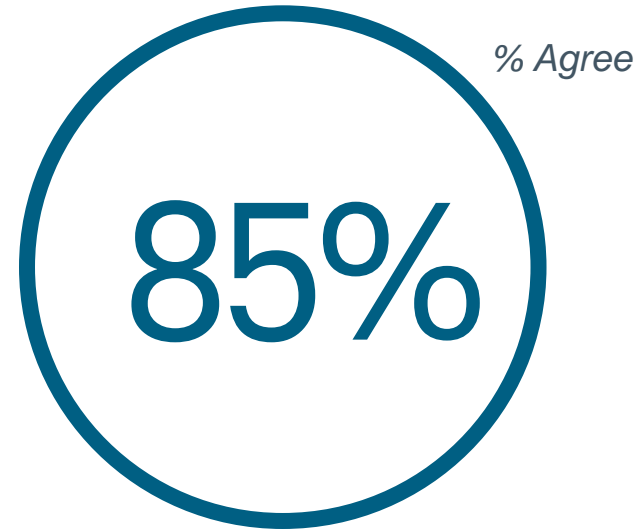
Base: HK N=1,000, HK Men N = 595, HK Women N=405, HK 18-34yo N = 372, HK 35-54yo N = 575, US N=1,000

Diversification is key to reaching financial goals, and more diversified portfolios needed



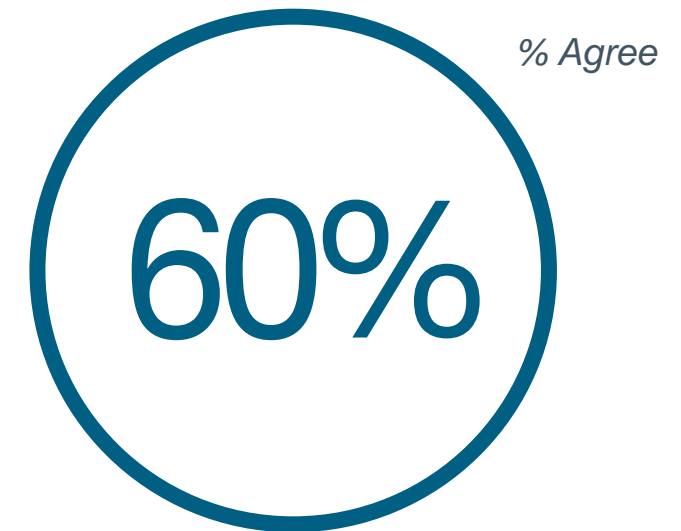
Diversification is important to achieving **SHORT** term financial goals

86% in US



Diversification is important to achieving **LONG** term financial goals

87% in US



Think portfolio is **adequately diversified**

80% in US

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Diversification is important to achieving my short term financial goals (within the next 5 years).

Diversification is important to achieving my long term financial goals (within the next 15+ years).

I think my portfolio is adequately diversified.

Base: HK N=1,000, HK Men N = 595, HK Women N=405, HK 18-34yo N = 372, HK 35-54yo N = 575, US N=1,000

International investing is on the horizon; Perceived opportunities remain limited

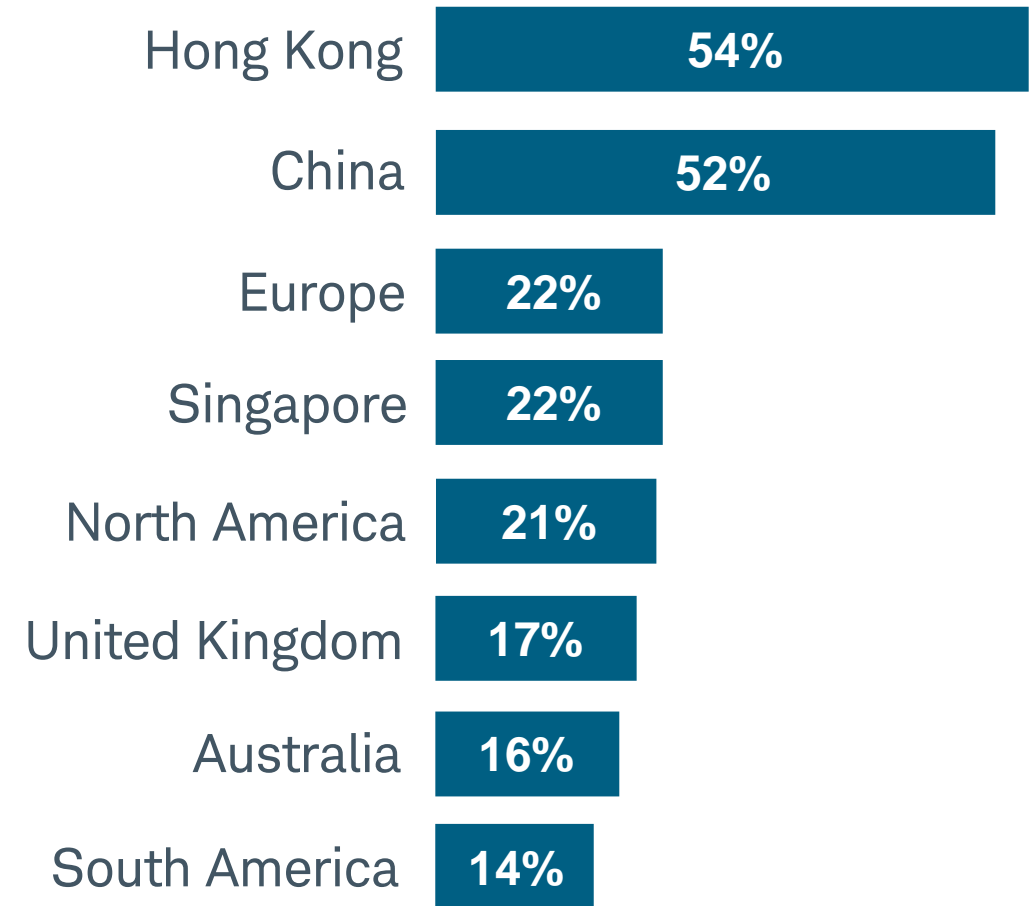


76%

are willing to diversify portfolio with international investments

vs. 67% in US

% THINK there is a lot of investing opportunity in markets



International investments involve additional risks.

Q24: Please rate your agreement with each of the following statements.

I am willing to diversify my portfolio with international investments

Q26: How much investing opportunity do you think each of the following markets has for you right now?

Base: HK N=1,000, US N=1,000

Financial education is needed to improve the understanding of **Global Diversification**

ATTITUDES TOWARDS DIVERSIFICATION

64%



Do not know how to begin
vs. 39% US

62%



Nervous to take the first step
vs. 40% US

Women need resources:

They are more likely to not know how to begin (71% vs. 58% Men) and be nervous to take the first step (66% vs. 59% Men)

TOPICS WHICH INTEREST THEM

85%



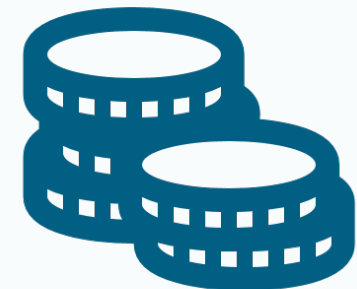
How to diversify investment portfolio
vs. 81% US

81%



Global market outlooks
vs. 68% US

68%



Investing internationally
vs. 51% US

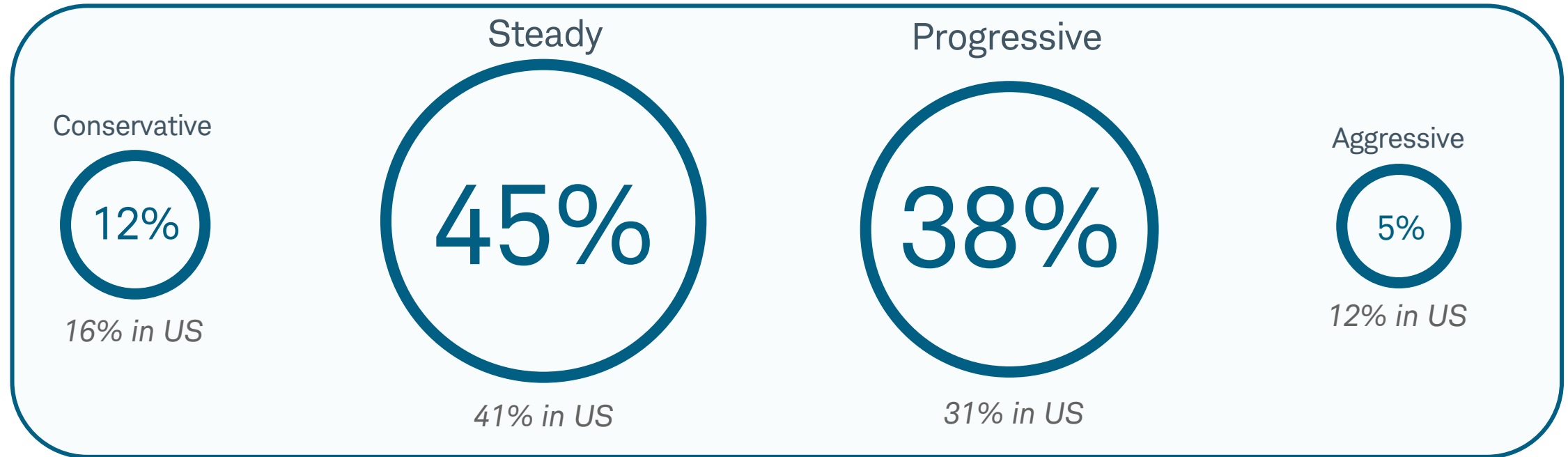
Q24: Please rate your agreement with each of the following statements.
I would like to diversify my portfolio, but I do not know how to begin
I would like to diversify my portfolio, but I am nervous to take the first step
Q18: How interested are you learning about the following investment areas?
Base sizes: : HK N= 1,000, HK Men N= 595, HK Women N=405 US N= 1,000

**More aggressive than they
envision**



Very high financial expectations and assertive strategy

HOW THEY SEE THEMSELVES AS INVESTORS



FINANCIAL GOAL FOR THE NEXT FIVE YEARS



Q11: Which of the following best describes you as an investor?
 Q8: Please indicate whether you want to accomplish the following in the short term (next 5 years) or the long term (next 15+ years).
 Base sizes: HK N = 1,000, US N = 1,000

The sandwich generation



Family is a key driver for investment decisions

FINANCIAL GOAL FOR THE NEXT 15+ YEARS



Real Estate Investments



Children's education



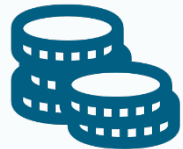
GOAL TO PROVIDE FUNDS FOR ELDERLY PARENTS/FAMILY MEMBERS



Women more focused on taking care of elderly family members (HK) (63% vs. 54% Men)

GOALS THAT NEED 10 YEARS TO ACHIEVE

75%



Invest in funds for elderly parents/family members

57%



Invest in or purchase real estate for children

55%



Invest in funds to pass onto children

Past performance is no indication of future results.

Q9: Are the following financial goals for you ?

Provide funds for elderly parents/family members


Base size: HK N= 1000 , HK Men N = 595, HK Women N=405, HK 18-34yo N = 372, HK 35-54yo N = 575, US N=1000

Q10: How long do you think you will need to save for to reach these goals?

Base sizes: : HK N= 1,000

Q8: Please indicate whether you want to accomplish the following in the short term (next 5 years) or the long term (next 15+ years)

Base: HK N = 1,000, US N=1,000.

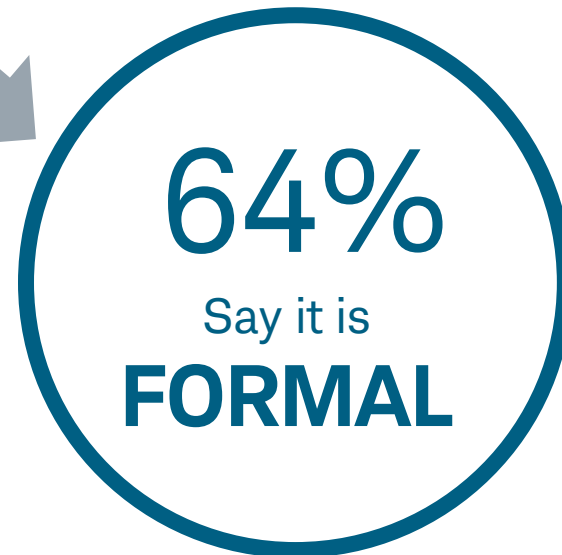


**More trustworthy
information is needed**

Financial Concerns are prevalent

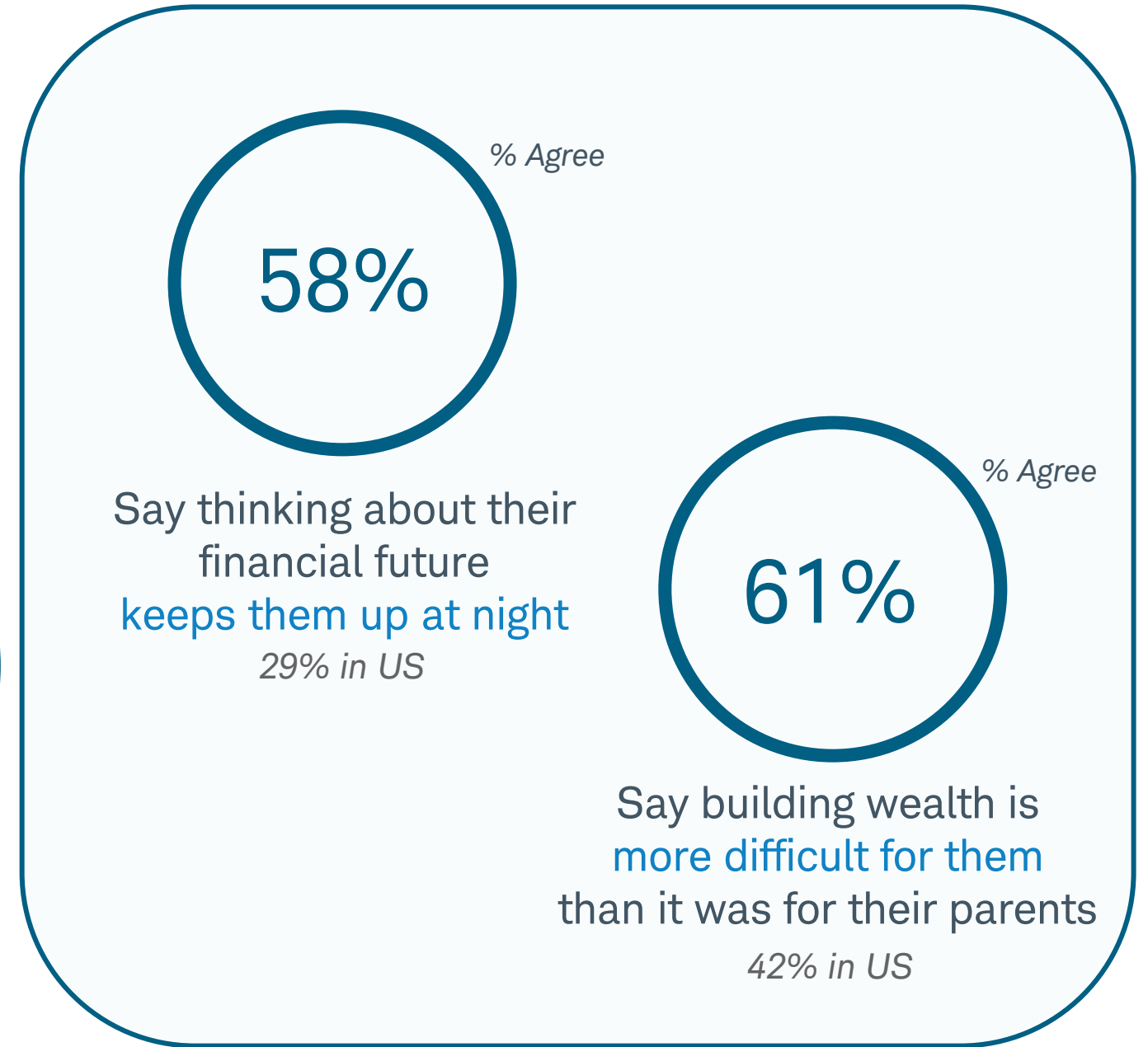


89% in US



37% in US

18-34-year-olds most likely to have a formal plan (75% vs. 59% 35-54 yo)



Q2: Do you currently have a plan (formal or informal) for your financial future?

Base :HK N=1,000, US N=1,000

Q3: Is your plan more formal or informal?

Base size: Have financial plan: HK N=831, HK 18-34yo = 325, HK 35-54 yo N= 466, US N=894

Q14: Please select the extent to which you agree or disagree with the following statements

Thinking about my financial future keeps me up at night

Building wealth is more difficult for me than it was for my parents

Q15: What aspects of your financial future keep you up at night? Please provide as much detail as possible.

Base size: HK N=1,000 US N = 1,000

What Schwab thinks a financial plan that addresses investor's obstacles should include



Comprehensive
roadmap



Examine and articulate an
investor's long-term and
short-term goals



Concrete
recommendations



Should not be only
designed for the wealthy

Strong distrust of financial advisors, yet they might be overconfident

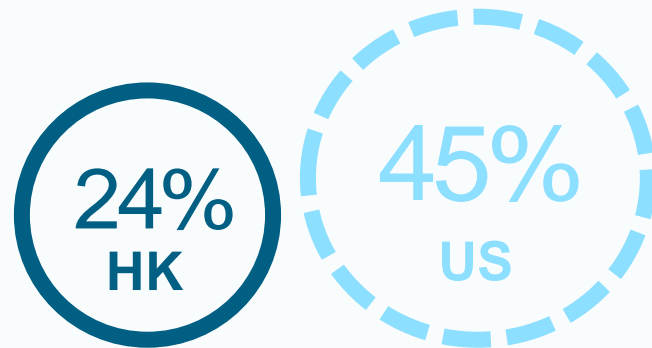
HAD EXPERIENCE WORKING WITH ONE



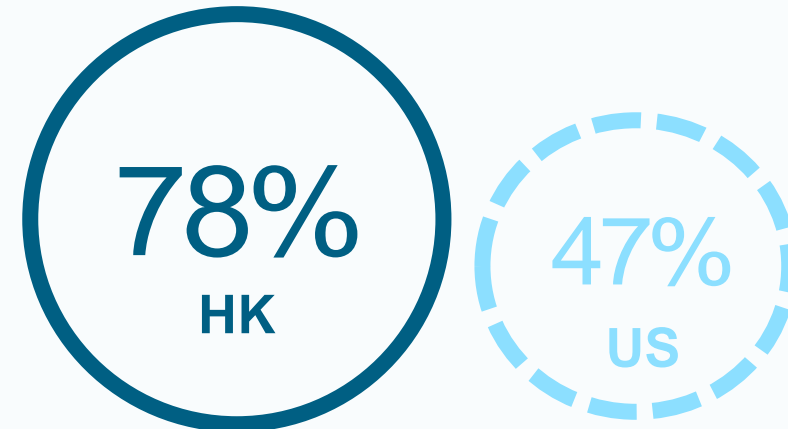
REASONS FOR NOT USING A FINANCIAL ADVISOR



TRUST

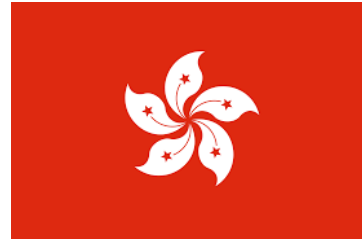


FEEL MORE KNOWLEDGEABLE



Q17: When you make any investment decisions, which of the following sources do you trust the most?
Base: HK N=944
Q19: Do you currently manage your own financial portfolio, or do you work with a financial advisor?
Base: HK N=1,000, HK Men N=595, HK Women N=405, HK 35-54yo, N=575 US N=1,000
Q20: Please indicate whether the following statements describe you...
I feel I'm more knowledgeable about my finances than a financial advisor
Base size: Do not use financial advisor, HK N=935, US N=761

Top two sources for investment decisions



71%

Family / relatives / friends

*Women more likely
(78% vs. 67% Men)*



70%

media



61%

Professional financial
management
consultant



55%

Financial management
company / platform



Hong Kong Rising Affluent

3.5X

more likely to use social media than US Rising Affluent as a source for investment decisions

(46% HK vs. 13% US)

Comparison to China Emerging Affluent Financial Well-being Study



Hong Kong Rising Affluent are more self-directed



More aggressive



- Aim at double investment yields



- Target a steady investment yield



Put both old and young generations as key investment priorities

- Every member of the family is equally important
- Put a higher priority on investing in children's education funding



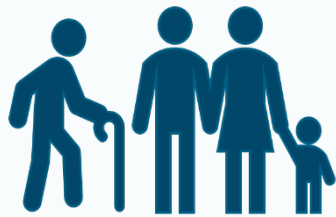
Distrusting financial advisors

- Only minority of them work with a financial advisor or mix of personal/advisor management
- See financial advisor as a source to go for financial advices

Key Takeaways



Global diversification yet lack knowledge and information on how to start



Multigenerational family is the key driver for investment decision



More trustworthy information and advice from investment experts and advisors are needed

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Questions

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