Opinion | Is the Mandatory Provident Fund Emerging as a New Catalyst for Investment?

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The Mandatory Provident Fund (MPF) scheme, established at the close of 2000, has been in operation for over 24 years with the government's aim of providing retirement security for employees through professional investment management. After more than two decades, do citizens truly grasp the purpose of the MPF? Have they effectively leveraged its benefits to aid pre-retirees in planning for retirement and enhancing their quality of life in their later years? Additionally, has the Mandatory Provident Fund Authority (MPFA) successfully conveyed the narrative of the MPF?

Historically, there has been a notable lack of awareness among the public regarding the MPF's function. As Hong Kong's statutory retirement pension framework, the MPF is designed to assist individuals in accumulating funds for their post-retirement needs. Its benefits include shared contributions from both employers and employees, providing a stable income for retirees, and allowing individuals to retain their savings when changing jobs. However, many citizens may not fully comprehend how the MPF operates or the associated risks, which could hinder their ability to effectively utilize the MPF in preparing for retirement.

For pre-retirees facing a challenging economic landscape and unsatisfactory MPF performance, are they left without viable options? According to MPF Ratings, which specializes in assessing Hong Kong's MPF institutions, as of October, the estimated total assets within the MPF stand at approximately HKD 1,293 billion, translating to an average account balance of about HKD 271,900 per member, with an average decline of roughly HKD 7,200 per account after contributions.

As the governing body of the MPF, the MPFA must diligently uphold its responsibilities to ensure effective management. It is essential to clearly communicate the operational principles, benefits, and limitations of the MPF to the public. The existing "eMPF" platform could incorporate risk assessments to help individuals better understand their investment objectives and risk appetites, guiding them in selecting appropriate funds for their investment choices. This approach would be instrumental in ensuring that retirees can enjoy a comfortable and secure life while implementing effective risk management, thereby honouring the principles of safeguarding citizens' assets. Regulatory authorities should lead by example by managing risks effectively before entrusting professional investment managers with the responsibility of making informed decisions on behalf of MPF scheme members.

Another significant concern is the excessively high administrative fees, which diminish the overall returns of the MPF. The MPFA anticipates that within two years of launching "eMPF," administrative fees can be reduced by an average of 30%, with projections of a 45% to 69% reduction in fees over the next decade. However, it raises the question: is the concept of administrative cost synonymous with administrative fee expenses? This is certainly worth considering. Nonetheless, lowering MPF administrative fees would have a positive impact on contributors. It is hoped that the MPFA and other stakeholders will collaborate to reduce MPF charges and enhance its performance, effectively narrating the story of the MPF and integrating the "eMPF" platform into the broader narrative of Hong Kong's development. We eagerly anticipate the potential of the "eMPF" platform to revitalize the MPF market and provide new momentum to the investment landscape.

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