



Press Release

For Immediate Release

Principal Supports Raising the Level of Financial Literacy of Hong Kong Employees

Hong Kong, [19, July 2016] – An independent study from CREATE-Research commissioned by Principal Financial Group®, “Financial Literacy: Smoothing the path to improved retirement savings”, has found that increasing life expectancy, coupled with the rapid adoption of defined contribution pension plans such as MPF schemes in Hong Kong, is driving the need for more basic investment education.

The study identified the most common missteps in retirement planning can be helped through increased employee education that emphasizes the basics of investing – key techniques, common risks and investment principles – which the report found missing from much of the guidance provided to employees. It revealed that Hong Kong is the latest country to implement a far-sighted initiative aimed at raising financial literacy.

Mrs. Carmen Lam, Managing Director of Principal Investment & Retirement Services Limited, highlighted some key findings in this study in the Gain Miles MPF Forum 2016 today in the context of the upcoming launch of the Default Investment Strategy (DIS). “Although DIS can help those employees with less investment experience or knowledge to make fund choice, higher financial literacy is needed to tackle two common investor traits that conspire against better retirement outcomes such as short-termism and herding,” said Mrs. Carmen Lam.

“Today, employees are bearing the risk and responsibility of managing their retirement savings, and we must do more to help ensure they aren’t going to outlive their pensions,” said Jim McCaughan, CEO of Principal Global Investors. “Plan features such as auto-enrolment and default investment options have been an important first step at increasing participation, but they should be supplemented with education around the basic rules of investing.”

“New government education initiatives are helping to close the knowledge gap, but a holistic approach is needed that includes plan sponsors, participants, financial advisors and asset managers,” said Dr. Amin Rajan, CEO of CREATE-Research and author of the report. “Participants need objective, jargon-free, emotionally-inspired education that shows how knowledge of investment basics can benefit their retirement nest egg.”

Principal will continue to work with regulators and the industry to promote the importance of financial literacy and investor education. Riding on the study mentioned above, Principal has published the “Principal Retirement Guide” to educate employees about key investment principles with simple language. “Principal puts investor education as one of the key priorities in our business strategy. We hope this guide will help employees to acquire basic investment knowledge relating to retirement planning, ultimately enabling employees to be more confident in actively managing their MPF and other retirement savings accounts,” added Mrs. Carmen Lam.

For more information, please read following documents:

[“Financial Literacy: Smoothing the path to improved retirement savings”](#)

http://www.principal.com.hk/allweb/pdf/FinancialLiteracy_Eng.pdf

[“Principal Retirement Guide”](#)

http://www.principal.com.hk/allweb/pdf/principal_retirement_guide.PDF

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About CREATE

CREATE-Research is an independent think tank specializing in strategic change and the newly emerging business models in global asset management. It undertakes major research assignments from prominent financial institutions and global companies. It also undertakes advisory work for senior decision makers in reputable organizations across Europe and the U.S. Its work is disseminated through high profile reports and events which attract wide attention in the media. Further information can be found at www.create-research.co.uk.

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