



**Money Relationship
Monitor 2023 -
The Wealth Journey**



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Introduction

Welcome to the fourth edition of the **Money Relationship Monitor 2023** for Hong Kong by St. James's Place Asia ("SJP Asia"). In this report, we examine how moving along the wealth journey impacts Hongkongers' investment and lifestyle decisions, as well as the value they place on astute financial advice as a means to help them realise and secure their wealth aspirations.

In previous years, our study has looked at Hongkongers' money management practices in the context of the COVID-19 pandemic, inflation, and market volatility. This year, as investors face higher interest rates, continued cost of living pressures, and an uncertain geopolitical environment, we look at how financial planning, investment priorities, and lifestyle decisions are influenced by respondents' wealth levels.

The insights shed light on the varying financial priorities and challenges faced by individuals across five different stages of wealth, who are generally in a position to save and invest their income.

Firstly, the financially stable group who have sufficient income to save after covering their monthly expenses.. Financial security takes it a step further where they not only save but also have the capacity to invest if they choose to after paying their monthly expenses. The financially flexible have enough assets or investments to sustain their living expenses for up to a year if the need arises. Financial freedom goes even beyond this, signifying more than adequate investments or assets to generate enough passive income to support lifestyles on an ongoing basis. Finally, financial abundance represents the highest level of financial well-being, indicating not only stability and freedom but also a surplus of income beyond what is required for a comfortable life.

By examining each wealth level in turn, we have been able to paint a clear picture of the financial needs, challenges and opportunities for Hongkongers throughout their wealth journeys.



Welcome message



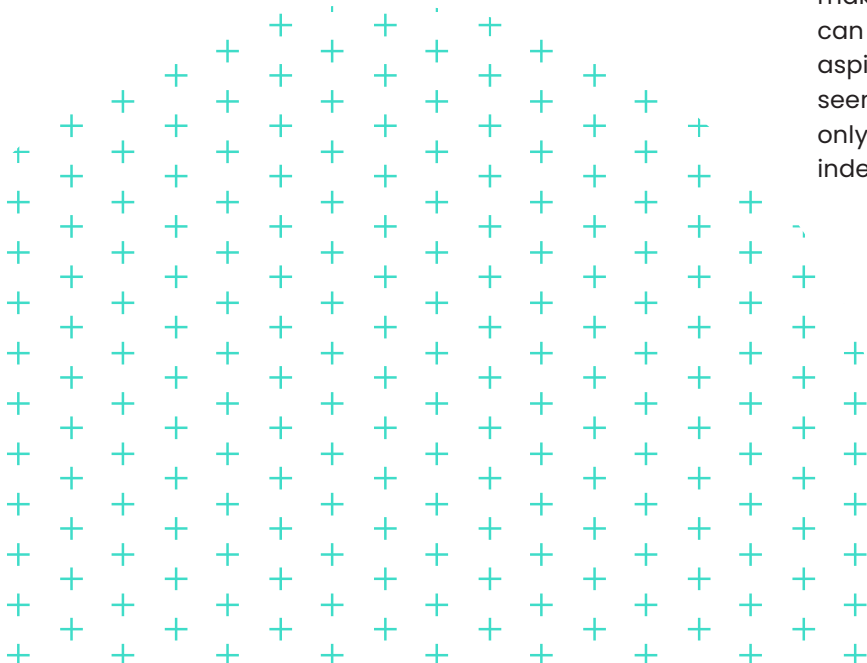
Oliver Wickham

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The past few years have presented significant challenges for investors around the world. In particular, the impact of global events over the past year will likely be felt long into the next one, particularly the ongoing crises in Ukraine, Israel and the Gaza Strip.

Hong Kong, a vibrant international financial hub, has also encountered its fair share of uncertainties. Volatile markets, political unrest, and the increasing impact of climate change have made navigating the wealth management landscape more complex than ever. These events highlight the need for investors to prioritize careful considerations when devising their investment strategies, and that is where a trusted financial advisor can come in to offer sound financial advice and help manage their wealth.

At St. James's Place (SJP), we are well aware of the unique challenges faced by our clients. Our team has always been committed to helping our clients, advisers, employees, shareholders and wider society create the futures they want. We do this by helping them cut through the noise to make informed financial decisions, so that they can ultimately achieve their long-term goals and aspirations in life. We understand that things may seem daunting in these times of uncertainty, but it only serves to reinforce the critical importance of independent financial advice.



We take pride in our holistic approach to wealth management which comprises of strategic planning, diversified investment strategies, and a deep understanding of our clients' circumstances. Guided by our beliefs, our highly qualified team of advisers and Partners are able to confidently navigate the markets with the broadest possible view of the investment landscape to make the most of emerging opportunities. We always strive to make the best decisions possible to help our clients keep their financial journeys on track. This is also why we run the Money Relationship Monitor report on an annual basis as it helps us better understand the complexities of today's wealth advisory landscape and how we can optimise guidance and support to our clients.

In closing, we hope this report's findings will help provide more clarity for our valued clients and readers as they navigate their individual wealth journeys.

Thank you for choosing to read it and we hope you find it useful.



About the research

The Money Relationship Monitor 2023 is an independent research study commissioned by St. James's Place Asia ("SJP Asia"), in partnership with Sandpiper, to understand the priorities and perceptions of investors in Hong Kong. For the report, we surveyed 1,000 people in Hong Kong through interviews conducted online in February and March 2023.

We looked at their age, gender, income, employment status, the value of their investments and asset classes they invest in. Only respondents that were between the ages of 25–64 and who held personal investments in stocks, property, shares, funds, etc. were interviewed. All respondents were from households with a minimum annual income of between HK\$400,000 to over HK\$1,500,000.

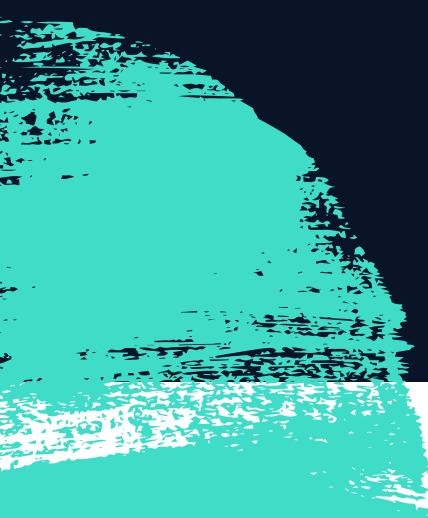
We asked investors about their decision-making and motivators driving their efforts to grow wealth over time, as well as their feelings around the ups and downs of the wealth journey. Financial literacy across the various wealth groups was also surveyed to assess levels of confidence around areas such as investments, property and mortgage, retirement, trust and estate planning, tax advisory and insurance. A key theme in this year's study is intergenerational wealth

transfer, for which respondents were asked about their level of awareness and preparedness as well as the importance they attach to this.

Sources of financial advice and the areas in which Hongkongers need it the most also feature prominently in this year's survey. In asking these questions, we uncover the factors that go in to selecting a financial adviser, the perceived value of such advice, and the preferred means of receiving it.

Staying abreast of current hot topics in Hong Kong, our study also looks into perceptions and planning around inflation and Environment, Social, Governance (ESG) investing. We looked into levels of concern around the rising cost of living and the impact this may have on financial planning and investing. Respondents were also questioned about their views on the state of play of ESG in Asia, the influence sustainability factors have on their investments, and their perceived barriers to greater engagement in investing sustainably.

Figures included within this research are rounded to the nearest whole number and may not add up to 100%.

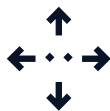




Stability (ST) – You have sufficient money after your monthly expenses are paid to ‘save’ a portion of your income.



Security (SE) – You have sufficient money after your monthly expenses are paid to ‘save’ a portion of your income and also invest money if you choose to.



Flexibility (FL) – You have sufficient financial investments and/or assets to cover your living costs for up to one year.



Freedom (FR) – You have sufficient financial investments and/or assets to generate enough passive income to live on if you needed to on an ongoing basis.



Abundance (AB) – You are financially stable and have more than enough income than you are ever likely to require in your lifetime. Considering how to transfer this wealth is high on your priority list.

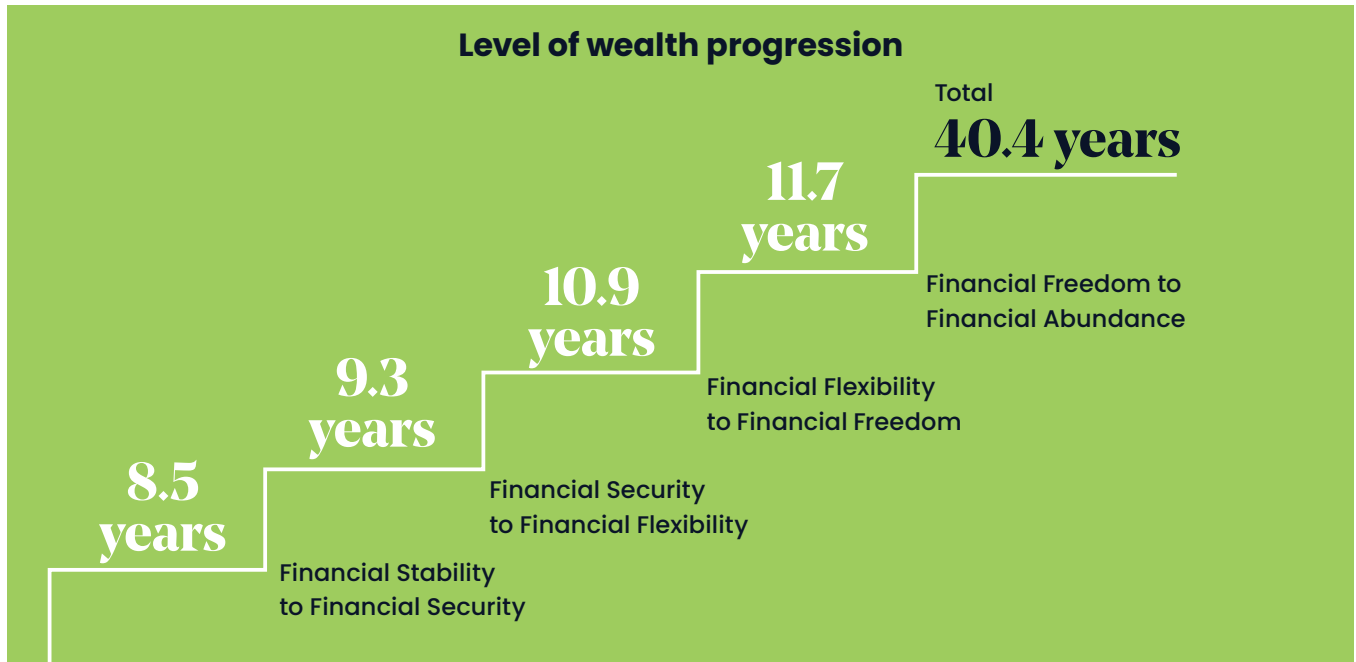
From stability to abundance – The wealth journey



Our study finds that moving up the wealth ladder becomes progressively more difficult, and yet it appears the wealthiest among us are well-aware of this and are the most willing to make compromises to secure long-term prosperity. A shift in decision-making around everything from schooling to the company one keeps also occurs as Hongkongers progress in their wealth journey.





As individuals accumulate more wealth, moving from one wealth level to another takes progressively longer. Our study finds that the average length of time to progress from financial stability to abundance is **40.4** years.

And yet, across the board, as many as 49% are not as wealthy as they would like to be. Patience is key – particularly as Hongkongers make strides in their wealth journey.



To attain financial stability and generate lasting wealth, most believe sacrifice is an essential ingredient for long-term investment success. There are a number of areas in which Hongkongers are willing to make sacrifices on the path to achieving

their wealth goals over the long term. The path to abundance tends to require greater compromise. The wealthier an individual is, the more likely they are to advocate for sacrifice in areas such as work-life balance or family time.

	Overall	ST	SE	FL	FR	AB
 Spending on luxury items	<u>50%</u>	<u>50%</u>	<u>58%</u>	<u>44%</u>	<u>52%</u>	<u>40%</u>
 Work-life balance	<u>39%</u>	<u>45%</u>	<u>36%</u>	<u>34%</u>	<u>37%</u>	<u>44%</u>
 Family time	<u>31%</u>	<u>33%</u>	<u>28%</u>	<u>23%</u>	<u>35%</u>	<u>42%</u>
 Hobbies and interests	<u>38%</u>	<u>39%</u>	<u>40%</u>	<u>38%</u>	<u>39%</u>	<u>31%</u>

Such decisions are increasingly influenced by wealth as Hongkongers move from stability to abundance. 75% of respondents believe that their level of wealth affects their decision-making processes in domains such as schooling, housing, and personal spending.

This is most prevalent in how people spend and invest, though the burden and influence of one's wealth grows with abundance – with 71% of the financially abundant saying their wealth affects their friendships.

	Overall	ST	SE	FL	FR	AB
 Schooling	63%	60%	63%	57%	63%	78%
 Housing	85%	86%	87%	86%	85%	76%
 Personal Spending	83%	86%	85%	81%	75%	83%
 Friendships	57%	56%	62%	46%	52%	71%
 Investments	87%	85%	91%	88%	86%	85%


Risk appetite towards investment and wealth accumulation

The wealthiest groups in Hong Kong express a slightly higher level of comfort around riskier investments, and underlying these attitudes to risk are differing wealth journey motivations across the groups surveyed. While most respondents prioritise financial stability and therefore invest more conservatively, those at the upper rungs of the wealth ladder are more focused on intergenerational wealth transfer as abundance may allow them more breathing room to contemplate their legacy.

Hongkongers at the abundance wealth level appear to have a greater risk appetite. Fortune seems to favour the bold and the willingness to invest in higher risk assets appears to pay dividends in many cases. On

the other hand, a conservative approach, which some may see as essential for capital preservation and reducing short-term volatility, may not provide the necessary growth to meet long-term financial goals such as retirement or wealth accumulation.

Investors with a longer time horizon and higher risk tolerance might benefit from a more balanced strategy to potentially achieve greater returns, albeit with higher short-term volatility. However, the choice of investment approach should align with an individual's financial objectives, risk tolerance and time horizon, rather than solely opting for a conservative strategy.

	High Risk	Medium Risk	Low Risk
Total	26%	38%	36%
 Stability	25%	38%	37%
 Security	26%	38%	36%
 Flexibility	24%	39%	37%
 Freedom	29%	41%	30%
 Abundance	29%	32%	39%

Portfolio returns achieved and terms differ significantly across wealth levels, based on respondents' descriptions of portfolio performance over the past two years. Across the wealth levels, Hongkongers tend to favour longer investment terms, affirming the adage that it is not about timing the market but about time in the market.

As for the motivators that drive Hongkongers' desire to build their wealth over the long term, our survey found that financial security and protection generally comes out on top and most are thinking more about the here and now rather than future generations. The abundance group stands out as an exception to this and tend to view wealth creation as an intergenerational exercise more often than other groups.

	Short Term			Med Term			Long Term		
	Low Return	Medium Return	High Return	Low Return	Medium Return	High Return	Low Return	Medium Return	High Return
Total	11%	9%	11%	7%	14%	11%	12%	13%	12%
Stability	10%	7%	11%	8%	12%	11%	14%	14%	13%
Security	11%	9%	11%	7%	15%	10%	14%	13%	11%
Flexibility	13%	11%	9%	8%	16%	9%	9%	14%	11%
Freedom	9%	10%	11%	8%	14%	13%	9%	13%	15%
Abundance	8%	11%	13%	8%	13%	13%	12%	10%	12%



Financial security and protection



Having a good personal lifestyle

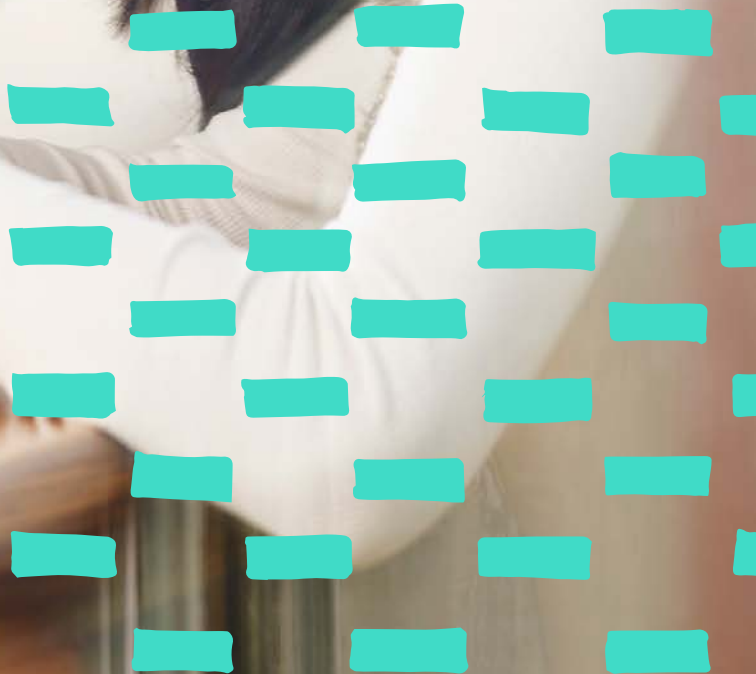


Providing a good life for my family



Intergenerational wealth creation

Overall	70%	67%	65%	39%
Stability	75%	69%	67%	38%
Security	70%	70%	70%	38%
Flexibility	73%	70%	72%	33%
Freedom	64%	61%	62%	44%
Abundance	58%	59%	45%	48%



Leaving behind a legacy for future generations

Planning for wealth transfer is an extended and ongoing process. It is an important step in building wealth as it allows families to consider how their collective wealth can be a source of support during their lifetimes, be safeguarded and managed effectively so that generations to come are able to grow and preserve their inheritance.

Given the intricacies of family relationships, it is essential to collaborate with an experienced and trusted wealth manager to allow for proper

preparation, smoother transitions, and effective governance. When it comes to the tax implications of intergenerational wealth transfer, awareness is most pronounced among the wealthiest groups. With respondents in the freedom and abundance groups having accumulated more wealth and some potentially considering how to transfer this wealth to their children, they should prioritise developing a comprehensive wealth preservation strategy that looks at areas such as estate and legacy planning.



Level of awareness around tax implications of intergenerational wealth transfer

	High	Medium	Low / none
<u>Total</u>	<u>17%</u>	<u>38%</u>	<u>44%</u>
<u>ST</u>	<u>7%</u>	<u>36%</u>	<u>57%</u>
<u>SE</u>	<u>11%</u>	<u>45%</u>	<u>45%</u>
<u>FL</u>	<u>12%</u>	<u>36%</u>	<u>51%</u>
<u>FR</u>	<u>25%</u>	<u>40%</u>	<u>35%</u>
<u>AB</u>	<u>54%</u>	<u>30%</u>	<u>16%</u>

Taking a multi-generational perspective is crucial. This involves taking into account not only the immediate heirs' goals, values, and abilities, but also those of future generations. The vast majority of respondents (79%) express that it is important to them that their heirs protect and grow their wealth, but are they fully prepared to set the next generation up for success?

Our survey found that almost six in 10 (59%) Hongkongers do not have or do not believe in having a wealth transfer plan and concerningly, more than three quarters (82%) of those over 50 have not started any form of wealth transfer to the next generation.

Older generations often find it challenging to navigate the fine line between fairness and protecting their own interests. This can result in delays or avoidance when it comes to establishing a comprehensive and flexible system for guiding decisions and managing the family's wealth. Over half of the 21% of respondents who have already begun transferring wealth to the next generation do not have plans in place, indicating that reality can catch up to those who delay planning. The abundance group are significantly more likely to have started wealth transfer than others at 41%, as those with the most at stake are taking proactive strides to safeguard their legacy.

I have a wealth-transfer plan but I have not started transferring my wealth to the next generation **32%**

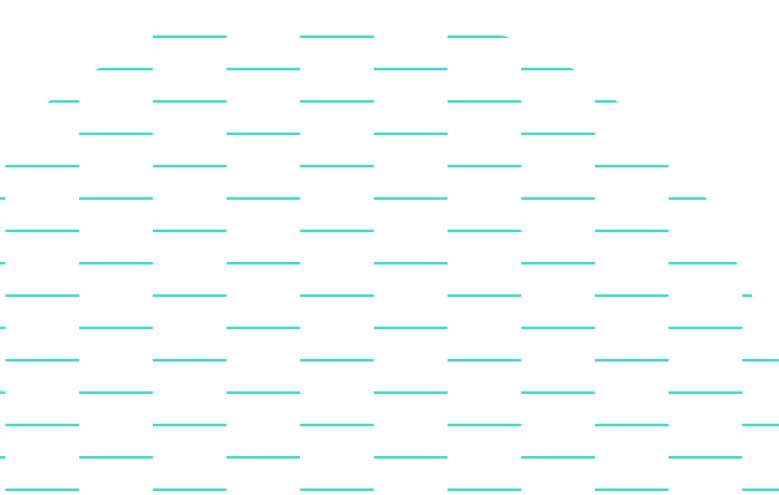
I do not have a wealth-transfer plan and I have not started transferring my wealth to the next generation **34%**

I have a wealth-transfer plan and I have started transferring some of my wealth to the next generation **9%**

I do not have a wealth-transfer plan but I have started transferring some of my wealth to the next generation **12%**

I do not believe in intergenerational wealth transfer **12%**

There is a growing urgency around intergenerational wealth transfer with increasing numbers looking to family wealth to secure their future, possibly due to wages failing to keep pace with inflation. Close to half (47%) believe that the next generation will have higher expectations for intergenerational wealth transfer than their own generation. Interestingly, younger respondents at higher levels of wealth are more likely to think this, indicating that those closer in age to future generations are keenly aware of these growing expectations.





The investment dilemma

Despite the advent of AI-assisted investing and robo-advisory solutions, few believe that their financial affairs will become simpler. This complexity only heightens with more wealth, with the vast array of financial products and assets, along with a possible accruing of global assets, posing a challenge to financial literacy and highlighting the need for wise counsel.

Around eight in 10 Hongkongers forecast that their financial affairs will remain the same or become more complex in the next one to five years. The wider array of financial products available, tech-related concerns such as digital security and ever-evolving fintech, the volatile economic landscape, and regulatory changes are all likely contributors to this phenomenon.

The stability group is most likely to believe their financial affairs will grow in complexity (53%) in the next five years, compared to 50% for other groups, indicating that those with less wealth are in the greatest need of counsel.

The myriad of financial products on offer is often at the heart of this perceived complexity, with the know-how to allocate funds, financial literacy, and large numbers of assets and liabilities often cited as challenges.

Factors which make managing personal finances more complicated:

Balancing allocation of funds between investment, saving and spending	64%
Balancing the needs of my dependent family members with my own	55%
Level of financial literacy being a barrier	50%
High number of assets	46%
High number of loans / liabilities	34%
Don't have sufficient time to manage personal finances	33%
Tax situation and considerations	19%

Despite the wealthiest groups managing more complex and diverse assets, they are least likely to cite time as a barrier (30% compared to 34% for other groups). This is likely due to their greater propensity to engage financial advisers, as detailed later in this report. Indeed, engaging qualified financial advisers, along with boosting one's own financial literacy and setting clear goals are all essential components to navigating the growing complexity of managing money in the future.

Financial advice coming into play

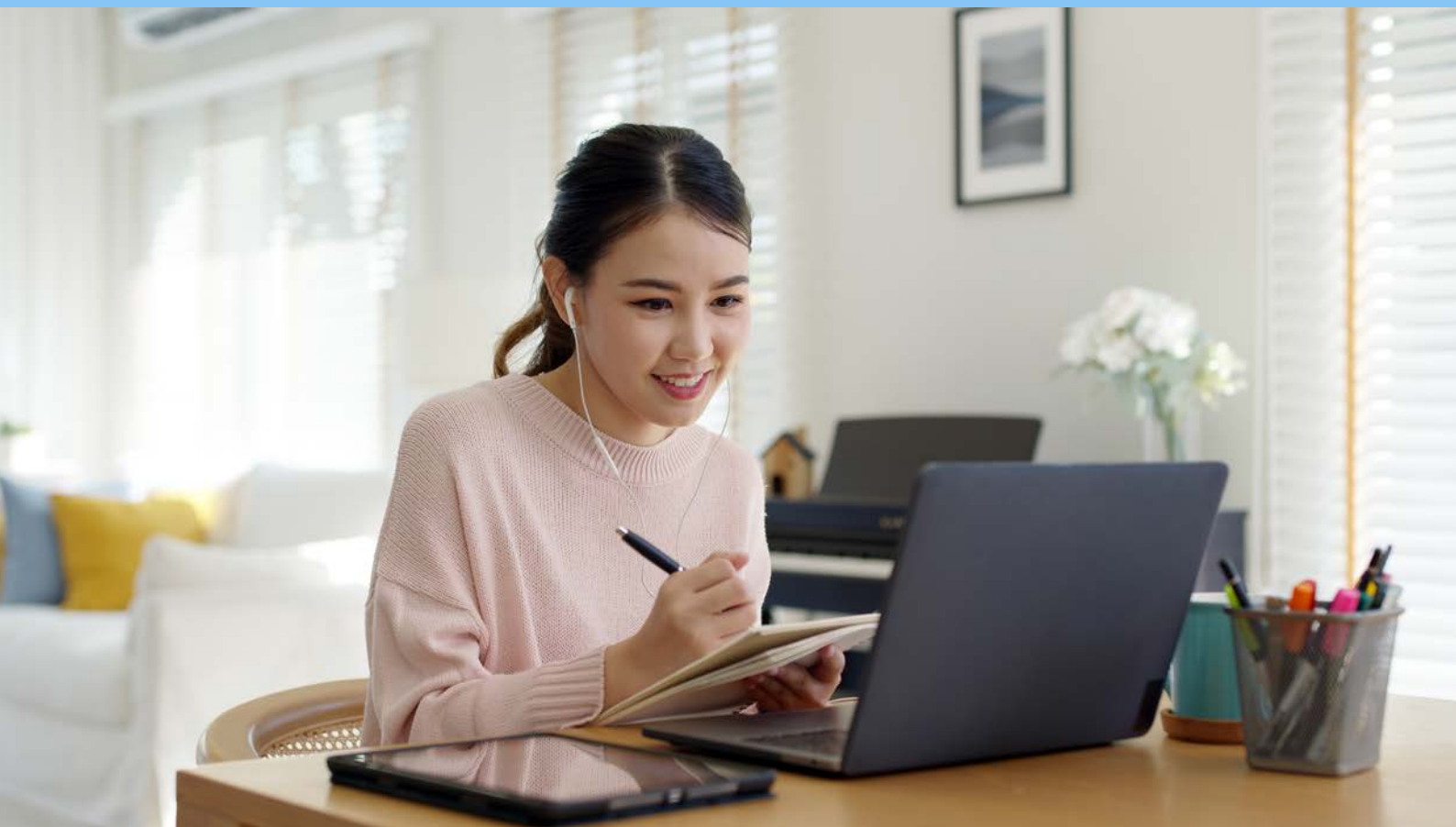
Financial advisers play a crucial role in helping individuals and businesses manage their finances effectively. Hongkongers at all wealth levels appear to recognise this, with the majority viewing them as the most trusted sources of financial advice.

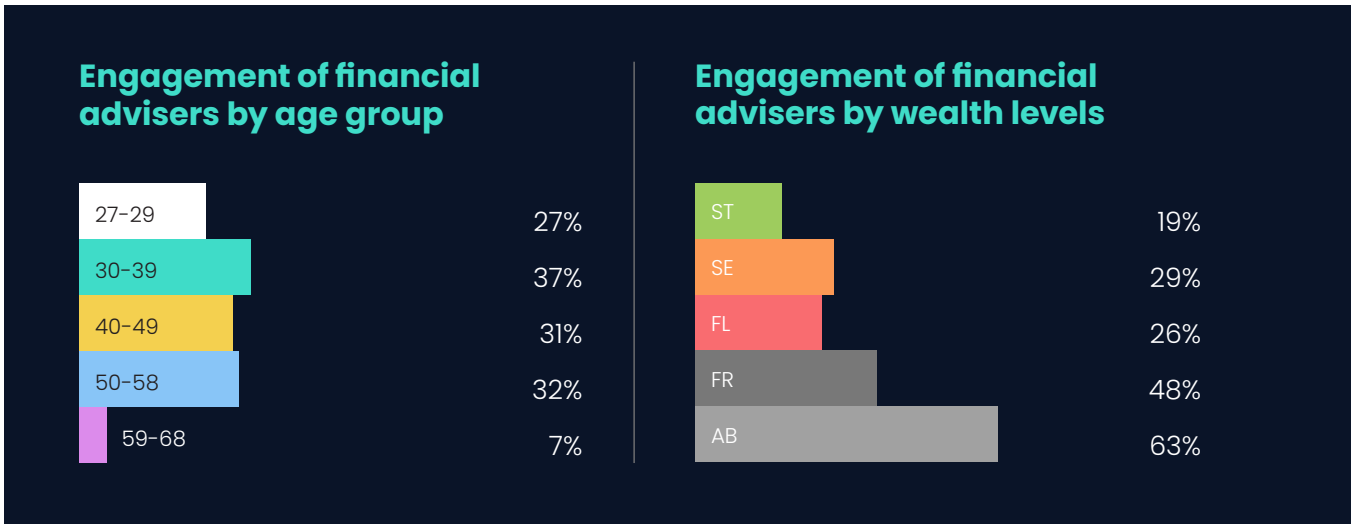
Despite this, an advice gap emerges as we see the numbers of respondents actually engaging advisers concentrated among wealthier groups. Those at earlier stages of the wealth journey stand to gain significantly from seeking out financial advisers, as they can provide clarity and peace of mind in setting goals, managing debt, and saving for major expenses.

Financial advisers are leading the way as the go-to sources of advice for Hongkongers at all wealth levels. Respondents most

commonly rank independent financial advisers (46%), blogs and websites (46%) and family (42%) among their top three sources of financial advice. Hongkongers appear to be more discerning in their sources of advice as they age, with the preference for financial advisers increasing while family and friends are consulted with decreasing frequency.

While Hongkongers recognise the value of financial advisers, the wealthiest groups are the most likely to engage them. Overall, 32% of respondents have engaged professional financial advisers to manage investments on their behalf. Wealthier cohorts exhibit a stronger preference for advice from financial advisers and are more likely to engage them.









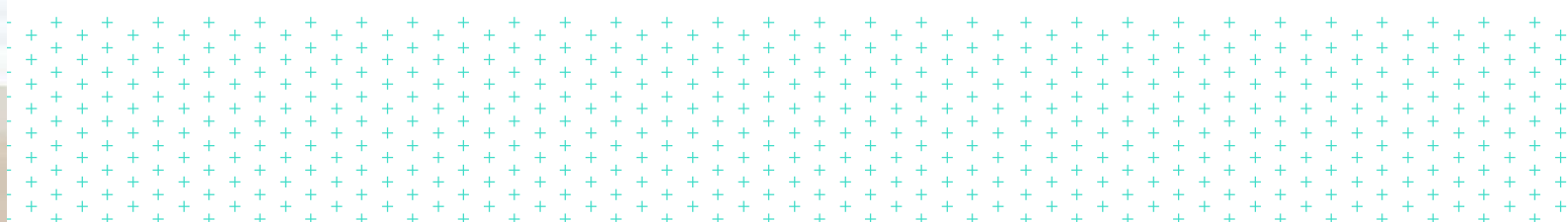


The greater propensity by the wealthiest groups to seek out financial advice is unsurprising given that they are more likely to describe their financial affairs as complex in various

domains. With greater wealth comes greater responsibility and many of Hong Kong's wealthiest are turning to financial advisers to manage this complexity.

Areas in greatest need of financial advice

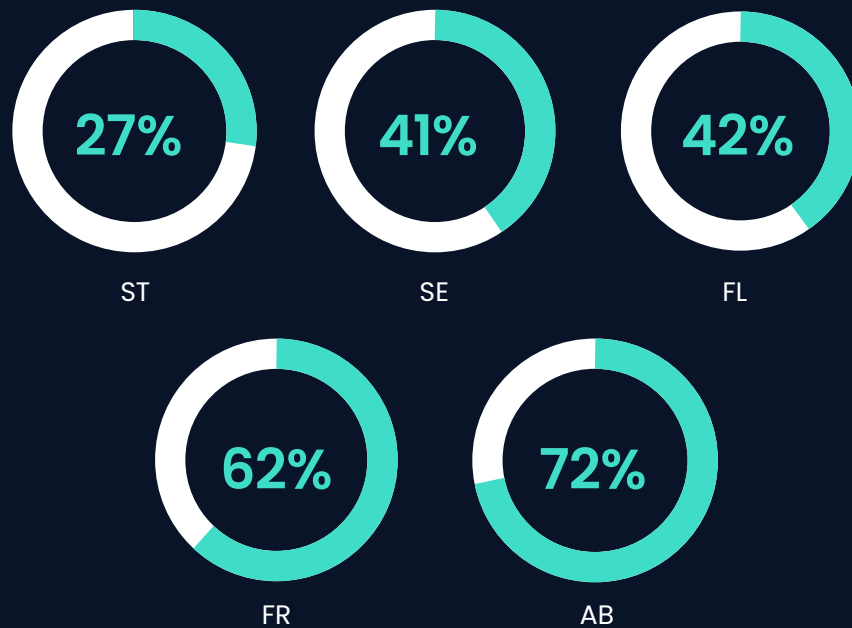
	 Investments	 Property & mortgage	 Retirement	 Trust & Estate	 Tax	 Insurance
ST	87%	68%	78%	51%	54%	73%
SE	91%	69%	76%	63%	62%	77%
FL	89%	70%	76%	59%	60%	75%
FR	92%	72%	87%	67%	76%	86%
AB	89%	78%	84%	76%	73%	81%
Overall	89%	70%	79%	61%	63%	77%



Playing the long game with ESG investing

What was once considered a niche area, investing with ethical considerations is now a mainstream practice, largely influenced by a focus on Environmental, Social, and Governance (ESG) factors. Across wealth levels in Hong Kong, interest in responsible investing grows apace, with those at the upper end of the wealth spectrum placing particular emphasis on ESG and sustainability factors. 82% of respondents in the abundance group prioritise ESG and sustainability in their investments, compared to just 65% in the stability group.

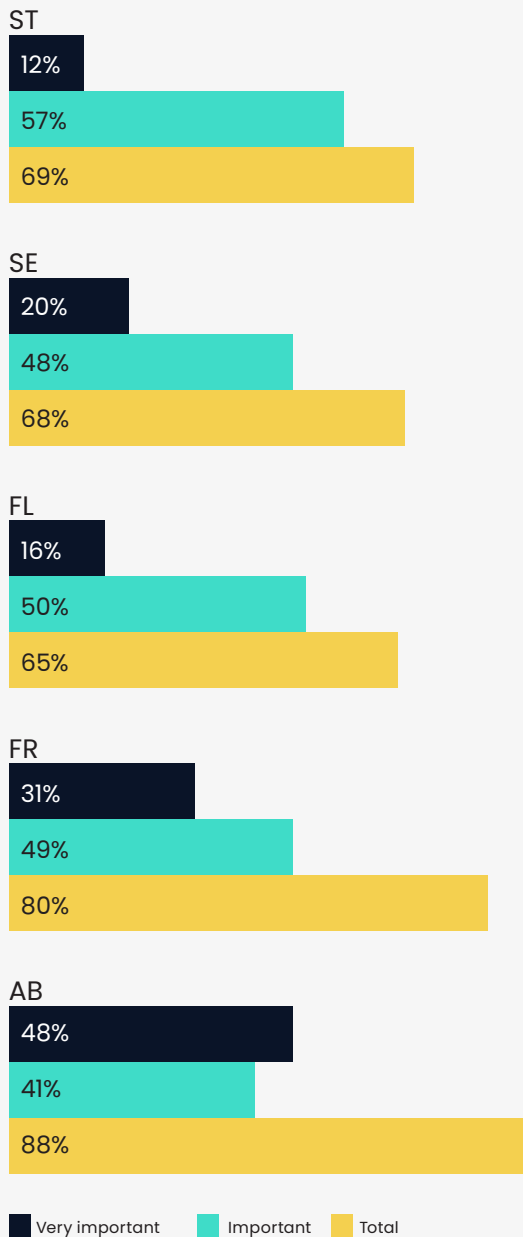
Increasing interest in ESG and sustainable investments:



This growing interest is driven by a fundamental concern among Hongkongers that companies are not doing enough to assist with solving environmental issues in Asia, a view held by 57% of our respondents.

The wealthiest cohorts in particular are translating this concern into their investment decisions and are taking a long-term view by directing their resources towards investments that can positively impact the world around them. 71% of those in the abundance group would divest from a company that is not operating sustainably as compared to the average of 37% across other groups. Furthermore, we see the perceived importance of investing in companies that contribute to mitigating the effects of climate change increasing alongside wealth levels.

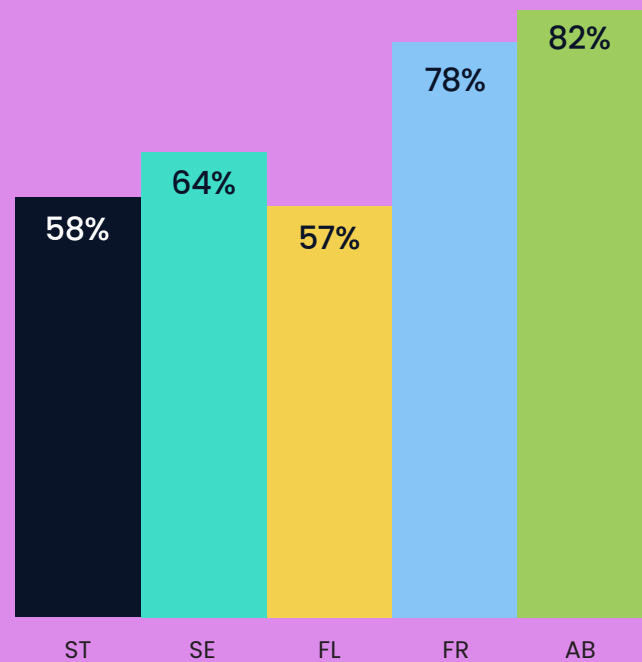
Perceived importance of investing in companies that mitigate the effects of climate change



ESG investors naturally place greater importance on non-financial indicators when making decisions to identify companies that positively impact both the community and economy.

69% of respondents express this need for better information around sustainable investing, with the abundance group emphasising this at 78%. Yet the abundant group are also playing the most proactive role in screening their sustainable investments by taking measures such as reviewing sustainability reports before deciding whether to invest in an equity or asset.

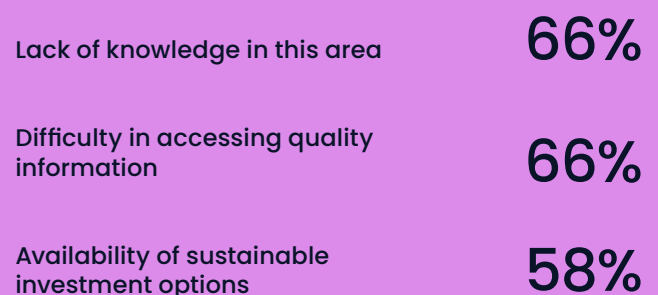
Actively review sustainability reports before investing in an equity or asset



In the past, it was believed that socially responsible investing might lead to reduced profits. While it is commendable that 64% of respondents said they are willing to sacrifice profits to create impact, increasingly companies with a social conscience can in fact be more financially successful over the longer term. The aforementioned lack of information translates into an awareness gap, as nearly half (46%) of respondents express the misconception that they will have to compromise on returns in order to invest responsibly.

Overall, the lack of knowledge around ESG investing (66%), the difficulty of accessing quality information (66%), and the lack of sustainable investment options (58%) form key barriers to responsible investing.

Key perceived barriers to sustainable investing:



Summary

The last few years have taught us that we have never lived in an era of absolute financial certainty. In the midst of continued economic volatility, the importance of long-term financial planning cannot be overstated especially for those striving to ascend the wealth ladder.

In 2023, we have witnessed major bank woes and rising interest rates. When it comes to the markets, it is safe to always assume that more volatility will be in the forecast. However, it is important to remember and focus on what we can control. By staying invested in the markets and riding out these storms, there is a better chance of success when it comes to achieving one's long-term investment goals.

In our report, even though it may seem no easy feat to progress through the levels of wealth, with the right counsel there are opportunities for investors to scale the wealth ladder and achieve their financial ambitions.

Financial advisers bring to the table a wealth of expertise, enabling individuals to navigate the unpredictable terrain of financial markets with confidence and ease. Regardless of which life stage the individual is at, having trusted financial advice provides valuable support and resources to expedite wealth accumulation, enabling investors to take confident steps towards unlocking their financial potential.

We hope our **Money Relationship Monitor** serves as a valuable tool for investors in Hong Kong from all walks of life and different stages of wealth. It is crucial for investors at all levels to consistently evaluate their investment and wealth management strategies so that they are in a good position to enjoy their wealth and leave a lasting legacy for the future.





SJP



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