

# Avoiding short-sighted strategies to meet long-term goals

*As people in Hong Kong and Singapore get wealthier, Friends Provident International (FPI) is encouraging these individuals to take a rational and long-sighted approach to meet future savings and retirement goals, says James Tan.*

The latest FPI-commissioned research in Hong Kong and Singapore on sentiment and preferences towards investments and financial security provides a lot of scope for optimism among insurance companies.

In both markets, for example, the view across many of the 1,000 global expatriates and local nationals surveyed is consistent: that retirement is a top saving and investment priority.

At the same time, however, the majority of these affluent and emerging affluent individuals share similar concerns. Having insufficient funds for retirement and serious illness for themselves or loved ones cause most worry.

Tied to these views, the survey also exposes a relatively short-sighted approach to tackling these challenges.

For example, nearly 60% of individuals surveyed in Hong Kong believe that five

years or less is the most important timescale for savings and investments.

A combination of the concerns among individuals about their financial future and recent market volatilities, has in some cases caused a short-term focus with a short-sighted approach, says James Tan, managing director for FPI in Asia, of people in Hong Kong.

## MEETING LOCAL NEEDS

Ultimately, insights from the research and other sources can help firms like FPI better understand the retirement needs of customers. They can therefore develop solutions that are catered to their demands and preferences.

In Hong Kong, in particular, the continuous inflow of wealth provides great potential for the firm. Not only is this in terms of what the product is, but also what it does for the customer. "It is not always about chasing the highest returns," says Tan. "The wealth [of cus-



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Friends Provident International

tomers] is increasing and they want a bit more stability right now, so being able to preserve and maintain that wealth is important."

The 2015 research also highlights this pressing need.

So while Tan says specific solutions are required to grow wealth over time to build up retirement pots, a certain level of protection is also needed.

“These are the areas we are focusing on at the moment,” he adds.

This requires expertise, which plays to the firm’s strengths and experience over the last 35 years in dealing with expats and other internationally-mobile, affluent customers.

“The wealthy people now in Hong Kong have similar characteristics,” he adds.

For example, they are more mobile, so more exposed. Plus, they are increasingly looking for overseas investment opportunities, in multiple currencies, across multiple assets.

Yet Tan wants to steer them clear of short-sighted investment strategies, which are usually associated with taking higher risks.

“Investors should maintain a balanced and diverse portfolio, and look at investment vehicles that can even out their risks over time,” says Tan.

“Wealth management and preservation are important elements of retirement planning and they go hand-in-hand. Strategies should be well-planned and carefully crafted to include different tactics to fit the individuals’ needs and risk appetite.”

In line with this, the latest FPI survey shows that over half of the affluent respondents see insurance as a means of preserving and accumulating wealth.

Another significant – and growing – opportunity is coming from the inflow of Mainland Chinese funds into Hong Kong. This is where about 20% of FPI’s new business premiums came from in 2014, reveals Tan.

In trying to understand what these customers want, FPI’s approach is to talk to them and the brokers to identify and understand the specific solutions in demand.

As a true offshore company, FPI can offer a proposition that local insurance companies can’t compete with.

“The ability for customers to have their assets wrapped in a structure that is offshore in a highly-regulated jurisdiction is appealing,” explains Tan.

#### **DIVERSIFYING ITS OPTIONS**

To take advantage of the growth in the region, FPI sees opportunities in extending its reach via a broader distribution network.

Its core offering has traditionally been provided through IFAs in Hong Kong and Singapore. But Tan says the firm sees bancassurance as another key distribution channel to explore.

Its experience to date in this space has come from working with a leading bank in Singapore.

“Most customers in Asia have their first financial relationship with a bank, so it’s important for us to look into that,” explains Tan.

The 2015 FPI research findings also show that there is room for the majority of Hong Kong respondents to seek professional financial advice.

While 14% of the Hong Kong locals seek advice from IFAs or brokers, 43% seek advice from partners, families, friends and colleagues, 15% rely on newspapers/magazines and internet websites, and 13% seek no advice.

By contrast, those individuals who have worked globally are more inclined to seek advice and more so from IFAs or brokers (16%) than those who have only worked locally.

But partners, friends and families are still preferred (39%).

In Singapore, meanwhile, IFAs or brokers are the most relied upon as a source of advice, with 22% of local respondents opting for this channel, according to the research.

Looking more broadly at the overall FPI proposition, Tan says that the firm brings a certain value to the whole wealth ecosystem.

“We have been dealing with the expatriate market for a number of years now, and we are a quite a unique player in this way,” he explains.

To add to this brand awareness and overall reputation, he says that Aviva gives the firm more firepower – as a strong player which is clearly committed to the Asia region.

In combination with the continued competitiveness of the region’s insurance space, Tan believes this makes FPI more focused on the key aspects of the business which make it successful.

“We will continue to leverage on what we bring to expats and translate that into a meaningful proposition for our customers,” he explains. ■