

## Research

### Survey of Retirement Planning and Lump Sum Fund Investing

In order to better understand the average public behavior in terms of fund investing and retirement planning, the SITCA contracted Global View Poll Center to conduct a comprehensive poll. The “2008 Survey of Retirement Planning and Lump Sum Fund Investing” asked the general public who were over the age of 20 throughout 23 counties and cities. The poll had a 95% level of confidence with an overall +3/-3% sampling error. On the topic of “lump sum fund investors” the sampling errors was 3.8%.

#### Retirement planning and outlook Survey finds most retirement planning overly optimistic and lack of financial literacy

The poll showed that the overwhelming majority of those surveyed intended to retire between the age of 50 and 64, earlier than the governments projection. Males tend to set their target retirement age at 60 or later, which is later than than females in general. When asked about the size of the nest egg they would feel comfortable with before retiring, 32% of the surveyed said between NT\$10MM and NT\$19.99MM, though 20% said that NT\$5MM or less would be sufficient.

The survey also showed that in addition to the new Labor Pension system, 62% had some kind of retirement planning, a number similar to that of 2007. However, the percentage of those who actively seek investment knowledge dropped from 67% in 2007 to 52% in 2008 (-14.9%). When asked about the type of investment vehicles they currently use (multiple selections allowed),

the results were: endowment insurance (66.1%), mutual funds (63.6), time deposits (63.0%), investment policies, investment-oriented insurance, (54.1%), stocks (51.5). The rest were real estate (25.3%), foreign exchange (16.2), and Chinese Money Loans (15.1%).

The Chairman of the SITCA, Francis Tu commented that one of the results, 34% believe less than NT\$10MM would be sufficient for retirement, is overly optimistic. They overlook the impact of inflation, as well as the costs of medical care and long-term care. Also, 61% of the surveyed have not engaged in any kind of retirement planning. This group of people tends to have a lower income level and/or lower education level. This disadvantaged minority is not nearly as proactive as they should be. It also shows that much work still needs to be done on the investment promotion and education.

#### As a direct result of the global financial crisis, 71% are in favor of allowing individuals to choose their investment under the new Labor Pension system

The survey approached 408 participants of the new Labor Pension system. 77% of the surveyed believed that the Labor Pension and Labor Insurance payments would be insufficient for retirees. The overwhelming majority (71.4%) of the surveyed were in favor of allowing individuals to choose their investment under the new Labor Pension system. When asked if they still favor this scheme if individuals have to bear the prof-

its and losses, 61% still answered yes, while 31.1% could not accept such a scheme. Compared to the 2007 results, the number of the surveyed who was willing to bear the profits and losses dropped by 9.8%, while the number unwilling to do so increased by 9.5%. This can be interpreted as a trend toward a more conservative investment approach. However, the majority was willing to bear the profits and losses for the option of choosing their own investments.

### Lump sum fund investing

#### **Lacking the concept of stop-loss, over 40% of surveyed rely solely on recommendations made by investment advisor's or friends when making investment decisions**

The surveyed showed that 85.2% take the regular dollar-cost-average approach to investing, whereas 39.1% invest in lump sums. People who invest by lump sum increased by 2.5% compared to 2007. The reasons cited for investing in such a way were: idle funds available (19.3), recommendation by investment advisors (11.5%), and higher investment returns (11.0%). However, 65% of the surveyed said they did not set a stop-profit and 71% did not set a stop-loss. This demonstrates the concept of stop-profit/stop-loss is still very much lacking. Over a 40% of the surveyed relied on recommendations from investment advisors or friends, 22.1% relied on news reports, while only 10% based their investment decisions on investment performance. The results are similar to another survey where a 66.5% of the 600 said they based investment decisions on investment advisors. The lower the investor's level of education, the

more likely they were to base their decision on recommendations from investment advisors or friends. This group was also more likely not to set stop-profit/stop-loss than others.

#### **Lump sum investing and the level of sales representatives professionalism both have room for improvement**

As a direct result of the global financial crisis, 78% of those who invest in lump sums were unsatisfied with their overall returns. 51% of investors expressed that they would no longer purchase funds in lump sums. Vicky Hsiao, the SITCA's Secretary-General believes that investors need to improve their lump sum investing. Though lump sum investing may yield higher returns it may also generate a much higher associated risk and complexity. Investors must do their own research on the nature and risks of the investment vehicle before making their decision. They also need to be able to make basic market timing decisions. More importantly, investors must set stop-profit/stop-loss and make decisions independent of the current market trends. The survey shows that investment advisors wield a powerful influence over investors, which further highlight the importance of their level of professionalism. Establishing a supervisory mechanism to protect investors' rights should be a top priority for the authority-in-charge.

No one can be infallible. The fact is that we make different kinds of mistakes. We sincerely hope that investors can take away an important lesson from the current financial crisis.

## Survey of Retirement Planning and Lump Sum Fund Investing

Q1	When do you foresee yourself retiring based on your current situation?							Total	
	Between 30-49	Between 50-54	Between 55-59	Between 60-65	Over 65	Already retired	Don't know/ decline to answer	number	Percentage
Sub-total	4.5%	15.7%	13.4%	26.6%	12.5%	5.3%	22.0%	1017	100.0%

Q2	How much would you like to save before you feel you can retire?							Total	
	Under NT\$2MM	Between NT\$2MM and NT\$5MM	Between NT\$5MM and NT\$9.99MM	Between NT\$10MM and NT\$19.99MM	Between NT\$20MM and NT\$29.99MM	More than NT\$30MM	Don't know/ decline to answer	Number	Percentage
Sub-total	6.1%	13.5%	14.7%	16.8%	5.4%	7.2%	36.2%	964	100.0%

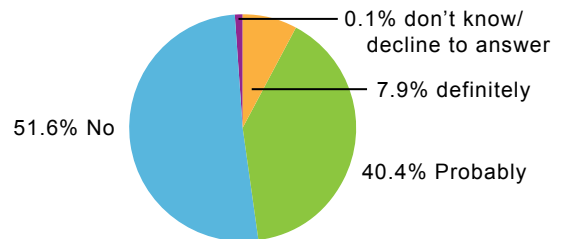
Q3	At what age did you start retirement planning?									Total	
	Before 20	Between 20 and 29	Between 30 and 34	Between 35 and 39	Between 40 and 44	Between 45 and 49	Between 50 and 54	After 55	Don't know/ decline to answer	Number	Percentage
Sub-total	3.4%	40.2%	20.7%	7.7%	10.3%	4.9%	4.1%	1.9%	6.9%	391	100.0%

Q4	Are you using the following instruments for your retirement planning?									Total	
	Endowment insurance	Mutual funds	Time deposit	Investment-oriented insurance	Stocks	Real estate	Foreign exchange	Chinese money loan	Don't know/ decline to answer	Number	Percentage
Sub-total	66.1%	63.6%	63.0%	54.1%	51.1%	25.3%	16.2%	15.1%	0.8%	391	100.0%

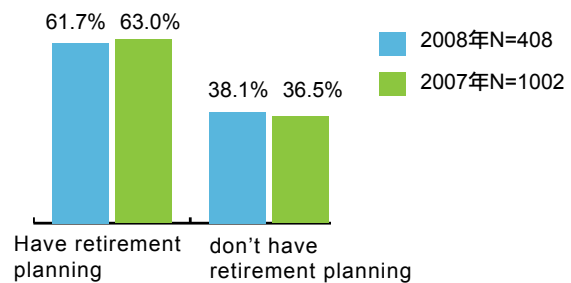
Q5	What percentage of your monthly income is allocated for retirement planning?						Total	
	Less than 9%	Between 10% and 19%	Between 20% and 29%	Between 30% and 49%	More than 50%	Don't know/ decline to answer	Number	Percentage
Sub-total	5.8%	9.0%	14.0%	27.8%	19.2%	24.3%	391	100.0%

Q6	Do you have a target return rate for your current investments?					Total	
	Lower than 5%	Between 5% and 9%	Between 10% and 14%	15% or higher	Do not have a target rate/decline to answer	Number	Percentage
Sub-total	0.9%	5.3%	6.4%	6.2%	81.1%	357	100.0%

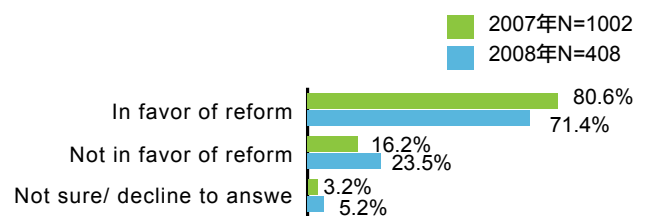
**Q7** Would you make investment or retirement planning decisions based on recommendations from experts?



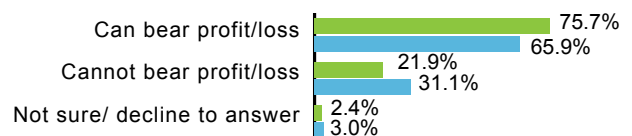
**Q8** Other than the Labor Pension fund and the Labor Insurance, do you have other sources of income for retirement, such as investments in mutual funds, stocks, and time deposits, etc? (Year-over-year comparison)



**Q9** Currently, the Labor Pension fund is fully managed by the government with a return guarantee matching that of the 2-year time deposit. Would you be in favor of reforming the law so that the scheme participants can make their own investment choices?



**Q10** Are you willing to bear all the profits and losses on your own if the Labor Pension allows you to make your own investment choices?





Q11	What is the main reason you choose to invest in lump sum?																Total	
	Idle funds available	Recommended by investment advisor	Higher investment returns	Low returns from regular dollar-cost averaging	Recommended by friends	Market timing	Diversify risk	Momentum investing	Treat it like time deposit	Simpler way to invest	Recommended by friends	Prefer not to pay fees multiple times	Invest in new funds	Easier to get in and get out of market	Other	Not sure / decline to answer	Number	Percentage
Sub-total	19.3%	11.5%	11.0%	7.5%	7.0%	6.1%	4.9%	4.3%	4.3%	2.1%	2.1%	1.5%	1.2%	1.2%	2.5%	21.9%	670	100.0%

Q12	Which channel do you use to invest in funds?								Total	
	Bank	Insurance company	SICE	Fund company	Securities company	Through the internet	Other	Not sure / decline to answer	Number	Percentage
Sub-total	76.4%	20.3%	4.5%	3.9%	3.1%	1.5%	1.0%	2.4%	670	100.0%

Q13	When investing by lump sums, what is the typical amount you invest in the funds?						Total	
	NT\$100,000	Between NT\$100,000 and NT\$300,000	Between NT\$300,000 and NT\$500,000	Between NT\$500,000 and NT\$1MM	More than NT\$1MM	Decline to answer	Number	Percentage
Sub-total	19.3%	23.1%	11.2%	13.4%	15.1%	17.9%	670	100.0%

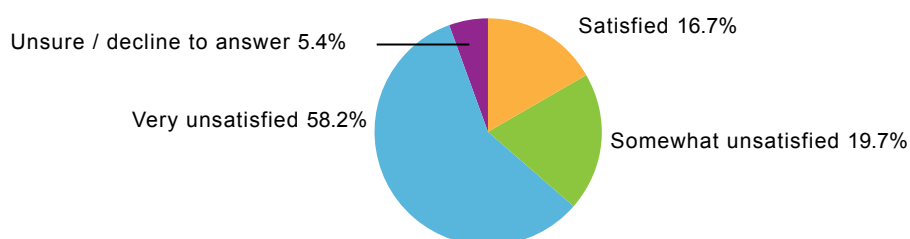
Q14	When investing by lump sum, how long do you hold the fund before redeeming it?								Total	
	Within 3 months	Between 3 and 6 months	Between 6 to 9 months	Between 9 months and 1 year	Between 1 to 2 years	More than 2 years	Depends/hard to say	Decline to answer	Number	Percentage
Sub-total	3.0%	4.0%	5.4%	7.3%	22.5%	24.3%	30.3%	3.1%	670	100.0%

Q15	When investing by lump sum, how do you determine when to get in and get out of the market? (please select up to 2 choices)															Total	
	Advice from investment adviser	Media	Recommendation from friends	Internet	Pst performance	Set stop-profit / stop-loss	Macroeconomics	Profit-taking	Advice from insurance advisor	Discuss with family	Research reports	Stock market trends	Bank websites	Other	Not sure / decline to answer	Number	Percentage
Sub-total	29.7%	22.1%	10.7%	5.2%	5.1%	5.1%	3.7%	2.8%	2.5%	2.5%	2.5%	1.6%	1.5%	4.3%	19.7%	670	100.0%

Q16	When investing by lump sum, do you set up stop-profit?						Total	
	Less than 9%	Between 10% and 14%	Between 15% and 19%	Between 20% and 24%	More than 25%	Not sure / decline to answer	Number	Percentage
Sub-total	1.8%	7.2%	7.6%	12.2%	6.4%	64.8%	670	100.0%

Q17	When investing by lump sum, do you set up stop-loss?						Total	
	Less than 9%	Between 10% and 14%	Between 15% and 19%	Between 20% and 24%	More than 25%	Not sure / decline to answer	Number	Percentage
Sub-total	3.1%	7.2%	3.4%	9.0%	6.0%	71.3%	670	100.0%

## Q18 Are you satisfied with your returns through lump sum investing?



## Q19 Are you still willing to invest in funds by lump sum?

