HOPES AND ASPIRATIONS of the Middle Class in Asia

Report | NORTH ASIA
2015
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AIA Group meets the long-term savings and protection needs of people across the Asia-Pacific region since 1919. The Group comprises the largest independent publicly listed pan-Asian life insurance group with operations in 18 markets in the Asia-Pacific region. It is a market leader in the region (ex-Japan) based on life insurance premiums.

Through an extensive network of agents, partners and employees across the Asia-Pacific region, AIA serves the holders of more than 28 million individual policies and over 16 million participating members of group insurance schemes.

For more than 90 years, AIA has been helping customers realise their hopes and aspirations. AIA uses knowledge of our customers’ needs and the experience that we have gained over the years to continue to develop a range of products and services including life insurance, accident and health insurance, savings plans, employee benefits, credit life and pension services that support our customers and their families through every stage of their life, as well as our corporate clients throughout the region.
STUDY BACKGROUND
As the leading pan-Asian life insurance group, AIA created the AIA Survey on Middle Class Hopes and Aspirations to gain additional insights about the middle class and their priorities to strengthen our understanding of the middle class in the Asia-Pacific region.

The inaugural survey conducted in 2013 covered the Greater China markets of Mainland China, Hong Kong and Taiwan. In 2014, the survey focused on six Association of Southeast Asian Nations (ASEAN) markets, namely Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. In 2015, the study revisited the three Greater China markets and was expanded to include Korea. Collectively, these markets were grouped together as North Asia for the purpose of this survey.

The study provides an in-depth look at the fast-growing middle-class group across four key areas: quality of life, financial security, retirement, and family and education. It sheds light on how the middle class perceive their life, family and values, financial well-being, their career and retirement.

From the results of the study, it is clear that personal circumstance, culture, and the level of economic development in the market where respondents are living, are key drivers that greatly shape the hopes and aspirations of the middle class across the region.

This report provides insights to the survey findings for the four selected markets in North Asia, which were collected through interviews conducted between 18 February and 18 March 2015 with respondents in each market who identified themselves as middle class. The same methodology was applied across all surveyed North Asian markets in 2015 and markets covered in previous years:

• 400 online interviews were conducted with respondents aged 25 to 49 in each of Hong Kong, Korea and Taiwan. 800 online interviews were conducted in Mainland China, with 400 respondents in Tier 1 cities and another 400 in Tier 2 cities selected for the survey. These respondents are individuals who had previously indicated their willingness to participate in online surveys and who identified themselves as middle class.
• To improve age representativeness, an additional 100 face-to-face interviews were conducted with respondents aged 50 and older respectively in Hong Kong, Korea and Taiwan using a random sampling method. In Mainland China, 200 additional interviews were conducted with those aged 50 and older.
• The sample was evenly split between men and women.
• The margin of error for the study is within +/-4.4%.

In Hong Kong, interviews were conducted throughout the city. In Taiwan, interviews were conducted island-wide. Nation-wide sampling was adopted in Korea.

1,000 interviews were conducted in Mainland China. Among which, 500 interviews (400 online and 100 face-to-face) were conducted in Tier 1 cities, with 125 interviews each in Beijing, Shanghai, Guangzhou and Shenzhen. Another 500 interviews (400 online and 100 face-to-face) were completed in Tier 2 cities with 125 each respectively in the Northern region (Tianjin city, Liaoning province and Hebei province), the Eastern region (Jiangsu province and Zhejiang province), the Central region (Chongqing and Sichuan province) and the Southern region (Provincial cities in Guangdong excluding Guangzhou and Shenzhen).

The study was conducted by Ipsos, a leading global market research agency.
EXECUTIVE SUMMARY
KEY SURVEY FINDINGS ON NORTH ASIA’S MIDDLE CLASS:

A balance of health and wealth
North Asia’s middle class prioritises health, a comfortable retirement and peace of mind as their top goals in life

When asked to select their top goals in life, two-thirds (67%) of North Asia’s middle class prioritises being healthy, followed by a tie between saving for a comfortable retirement and having peace of mind at 41% each.

The life goals of middle-class millennials aged 34 and below include travelling the world (30%), having a successful career (35%) and starting their own business (17%). These percentages are higher than any other age groups among the surveyed respondents in North Asia.

Across the North Asian markets surveyed, making a better life for themselves (30%) is the main motivation in life for the middle-class respondents, while a further 23% of respondents cite making a better life for their children as their main motivation. This is followed, in the third place, by the need to be financially secure (18%).

Success and satisfaction
North Asia’s middle class is satisfied but many do not necessarily feel they are successful

Nearly four out of five (79%) of North Asia’s middle class are satisfied with life. In 2015, more respondents in Hong Kong (75%) and Taiwan (79%) express satisfaction with life compared with 67% and 53% respectively in 2013.

However, when asked if they consider themselves successful, there is a significant gap in opinion across the markets surveyed. Over half (54%) in Mainland China Tier 1 cities consider themselves successful, compared with the lowest number of respondents (38%) in Hong Kong and Korea.

Overall, the middle class in North Asia is more likely to think that their life situation will improve over the next 12 months, shown by the AIA Middle Class Index (MCI) score of 62.7, where 50 represents an equal balance of expectations for improvement and for worsening in their life situation.

Mainland China respondents have the highest MCI score of 69.0 (68.6 for Tier 1 cities and 69.4 for Tier 2 cities), while Hong Kong records the lowest MCI at 57.2.

Positive sentiments toward the improvement of life situation over the next 12 months are the highest amongst middle-class respondents who have won a big prize, purchased a new car or bought a new home, at an MCI score of 71.6, 70.1 and 69.9 respectively.

In addition, the middle-class millennials are more likely than any other age group to believe that they will be able to achieve their dreams (81% among millennials vs 75% of those aged 35 or above).

Generational caretakers
The expectation persists that children should support their parents in their old age

Seventy-three per cent of North Asia’s middle class think that children should be responsible for financially supporting their parents in their old age. This is consistently high in markets including Hong Kong (81%), Mainland China (83%) and Taiwan (73%). However, in Korea, not even half (47%) of respondents think that children should be responsible for financially supporting their parents.
EXECUTIVE SUMMARY

Barriers to entrepreneurship
North Asia’s middle-class respondents are cautious about starting their own business

Twelve per cent of North Asia’s middle class desire to start their own business. This figure is particularly low in Hong Kong (8%) but is the highest in Mainland China Tier 2 cities (16%).

Just under half (47%) of those wanting to start a business find that the risk of not having a stable income is a key barrier. Having insufficient capital (46%) to start their own business is the next major barrier for budding entrepreneurs in North Asia to overcome.

The retirement challenge
Many of North Asia’s middle class are concerned with saving enough for retirement but are active financial planners

Over half (55%) of North Asia’s employed middle class plans to retire some day. A large majority in Korea and Taiwan hold the same view, at 76% and 75% respectively.

However, these two markets have the least number of respondents who feel confident that they will have enough savings for retirement – 23% in Korea and 49% in Taiwan.

Overall, North Asia’s middle class is very active in financial planning. The regional average of 57% think it is more important to make financial plans than to live for the moment. This is especially true for the middle-class respondents in Taiwan (70%) and Hong Kong (68%).

Commitment to children
The middle class in North Asia is highly involved in their children’s education

Middle-class parents in North Asia have high aspirations for their children. Almost all (95%) want their children to achieve university degrees, including 50% of respondents who want their children to achieve post-graduate education.

An overwhelming majority (90%) of respondents are involved in their children’s education. On average, every middle-class parent in the North Asian markets surveyed sets aside US$451 each month towards their children’s education. Savings for education starts early with over half of respondents (53%) starting to save before their children enter kindergarten. A great majority of respondents who start to save before their children are born are middle-class millennials (35% vs 17% of those aged 35 or above).

Beyond financial support, employed parents would like to spend even more time with their children. Over one-quarter (27%) of full-time employed parents would prefer to work part-time to spend more time with their family, with a further 17% of respondents wanting to quit their jobs altogether to be full-time stay-home parents. In Korea, 29% of employed parents desire to be stay-home parents, the highest percentage compared to the rest of the North Asian markets surveyed.

Of all surveyed respondents, the middle-class millennials who are currently parents tend to spend more hours with their children than do other respondents (4.1 hours vs 3.4 hours for those aged 35 or above).
KEY FINDINGS
**KEY FINDINGS**

**WHO ARE NORTH ASIA’S MIDDLE CLASS?**

The middle class in North Asia is affluent and well-educated

The self-identified middle-class respondents in the four North Asian markets surveyed have higher average household income compared to others approached for the survey. Regionally, the average monthly household income is the highest in Hong Kong, at US$8,437 (HK$65,413). This is followed by China Tier 1 cities where the middle class has an average household income of US$7,773 (RMB45,202) per month. Taiwan ranks at the bottom of the list, with an average monthly household income of the middle class at US$4,583 (NT$143,300).

Overall, the household income levels of the North Asian middle class surveyed in 2015 are generally higher compared to those of the six ASEAN markets surveyed in 2014, except in Singapore, where the average household income of the middle class was US$6,492 per month.

Average monthly household income of self-identified middle class in Asia (US$)

<table>
<thead>
<tr>
<th>North Asian market</th>
<th>Average monthly household income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>8,437</td>
</tr>
<tr>
<td>Mainland China (Tier 1)</td>
<td>7,773</td>
</tr>
<tr>
<td>Singapore</td>
<td>6,492</td>
</tr>
<tr>
<td>Korea</td>
<td>6,427</td>
</tr>
<tr>
<td>Mainland China (Tier 2)</td>
<td>5,936</td>
</tr>
<tr>
<td>Taiwan</td>
<td>4,583</td>
</tr>
<tr>
<td>Thailand</td>
<td>2,128</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2,011</td>
</tr>
<tr>
<td>Philippines</td>
<td>740</td>
</tr>
<tr>
<td>Vietnam</td>
<td>627</td>
</tr>
<tr>
<td>Indonesia</td>
<td>365</td>
</tr>
</tbody>
</table>

The middle class in North Asia tends to have high levels of property ownership and savings. Eighty-three per cent of those surveyed in North Asia own their homes, either with or without outstanding mortgages. This figure is the highest amongst the middle class in Mainland China Tier 2 cities (92%) and the lowest amongst Hong Kong’s middle class (70%). The middle class in Mainland China Tier 1 cities has the highest level of average liquid assets of about US$309,000 (RMB1.90 million), whereas those in Mainland China Tier 2 cities have the lowest level of liquid assets around US$203,000 (RMB1.26 million).

Average liquid assets, excluding property, of middle class in North Asia (US$)

<table>
<thead>
<tr>
<th>North Asian market</th>
<th>Average liquid assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia Average</td>
<td>259,323</td>
</tr>
<tr>
<td>Mainland China (Tier 1)</td>
<td>308,982</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>285,026</td>
</tr>
<tr>
<td>Korea</td>
<td>275,791</td>
</tr>
<tr>
<td>Taiwan</td>
<td>223,417</td>
</tr>
<tr>
<td>Mainland China (Tier 2)</td>
<td>203,397</td>
</tr>
</tbody>
</table>

The self-identified middle class in North Asia is also highly likely to be well-educated. Eighty per cent of respondents across the region have completed tertiary level education. This figure is the highest in Mainland China Tier 1 cities (85%) whereas only 70% of the middle class in Hong Kong hold the same qualification.

Percentage of North Asian middle-class respondents with tertiary education

<table>
<thead>
<tr>
<th>North Asian market</th>
<th>Percentage of respondents with tertiary education</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia Average</td>
<td>80%</td>
</tr>
<tr>
<td>Mainland China (Tier 1)</td>
<td>85%</td>
</tr>
<tr>
<td>Korea</td>
<td>84%</td>
</tr>
<tr>
<td>Mainland China (Tier 2)</td>
<td>84%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>77%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>70%</td>
</tr>
</tbody>
</table>
AIA MIDDLE CLASS INDEX (MCI)
The middle class in North Asia generally expects their life situation to improve over the next 12 months

The self-identified middle class in the four North Asian markets surveyed, namely Mainland China, Hong Kong, Korea and Taiwan, are more likely to think that their life situation will improve over the next 12 months. In each of the markets surveyed, the AIA Middle Class Index* (MCI) score is above 50, where 50 represents an equal balance of expectations for improvement and for worsening.

Mainland China recorded the highest MCI score of 69.0 (68.6 in Tier 1 cities and 69.4 in Tier 2 cities). The lowest score is in Hong Kong at 57.2. However, this is still slightly higher than Singapore’s MCI of 55.6, surveyed in 2014.

*The AIA Middle Class Index (MCI) is a summary score that focuses on ten aspects of respondents’ life to determine whether respondents think their life will improve, stay the same or worsen over the next 12 months from the time they are surveyed. An index score above 50 indicates respondents expect their life situation to improve, and an index score below 50 indicates they expect their life situation to worsen. The index is calculated using the formula \( [P1*1] + [P2*0.5] + [P3*0] \), where \( P1 \) is the percentage of respondents who believe their life situation will improve, \( P2 \) is the percentage of those who say it will stay the same, and \( P3 \) is the percentage of those who think it will worsen.
EXPECTATIONS RELATED TO LIFE EVENTS

New cars and homes are highly linked with positive expectations

Across the four markets surveyed in North Asia, the overall AIA Middle Class Index is 62.7.

Approximately one in six (16%) of the middle-class respondents in North Asia purchased a new car in the previous 12 months. These respondents are also among those who are most likely to think their life situation will improve, with an MCI of 70.1. The 13% of respondents who bought a new home in the previous year are also highly likely to feel their life situation would improve, with an MCI of 69.9.

Overall AIA MCI among those who have experienced different life events

<table>
<thead>
<tr>
<th>Life Event</th>
<th>MCI</th>
<th>Percent who have experienced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall MCI</td>
<td>62.7</td>
<td>3%</td>
</tr>
<tr>
<td>Won a big prize</td>
<td>71.6</td>
<td>3%</td>
</tr>
<tr>
<td>Purchased new car</td>
<td>70.1</td>
<td>16%</td>
</tr>
<tr>
<td>Purchase of new home</td>
<td>69.9</td>
<td>13%</td>
</tr>
<tr>
<td>Move to a new city</td>
<td>67.8</td>
<td>5%</td>
</tr>
<tr>
<td>Job promotion/pay increase</td>
<td>67.7</td>
<td>29%</td>
</tr>
<tr>
<td>Got married</td>
<td>67.5</td>
<td>5%</td>
</tr>
<tr>
<td>Came into money/inheritance</td>
<td>67.0</td>
<td>2%</td>
</tr>
<tr>
<td>Started a new relationship</td>
<td>65.3</td>
<td>8%</td>
</tr>
<tr>
<td>Started a new job</td>
<td>65.0</td>
<td>14%</td>
</tr>
<tr>
<td>Birth of a child</td>
<td>64.8</td>
<td>7%</td>
</tr>
<tr>
<td>End of a relationship/lack of one</td>
<td>63.0</td>
<td>6%</td>
</tr>
<tr>
<td>Death of a loved one</td>
<td>61.2</td>
<td>5%</td>
</tr>
<tr>
<td>Loss of job</td>
<td>58.9</td>
<td>4%</td>
</tr>
<tr>
<td>Increased debts</td>
<td>57.4</td>
<td>9%</td>
</tr>
</tbody>
</table>

GROWTH OF THE MIDDLE CLASS

There are mixed expectations among North Asian markets on the future growth of the middle class

When asked whether they think the middle class in their market will grow or shrink within the next 10 years, there are mixed views among the middle-class respondents in the North Asian markets surveyed. Those in Mainland China are most likely to think that the middle class will grow (81% in Tier 1 cities and 82% in Tier 2 cities).

By contrast, only 28% of respondents in Korea believe that the middle class will grow, with a majority of 72% thinking that the middle class will shrink. In Taiwan, 39% think the middle class will grow.

Percentage of North Asia’s middle class who think the size of the middle class will grow or shrink in the next 10 years

<table>
<thead>
<tr>
<th>Region</th>
<th>Grow (%)</th>
<th>Shrink (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia Average</td>
<td>56%</td>
<td>44%</td>
</tr>
<tr>
<td>Mainland China (Tier 2)</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>Mainland China (Tier 1)</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>39%</td>
<td>61%</td>
</tr>
<tr>
<td>Korea</td>
<td>29%</td>
<td>71%</td>
</tr>
</tbody>
</table>

% who have experienced the change in the past 12 months
HOPES AND ASPIRATIONS
North Asia’s middle class prioritises health, a comfortable retirement and peace of mind as their top goals in life

When asked to select their top five goals in life, 67% of the middle-class respondents in North Asia prioritise being healthy as one of their top goals. This is the goal most cited in each of the North Asian markets surveyed, including 72% in Tier 1 cities in Mainland China and 68% in Taiwan. Being healthy was also the most popular goal mentioned when the survey was conducted in ASEAN and Greater China respectively in 2014 and 2013.

Having peace of mind and saving for a comfortable retirement are the next most popular goals, with both selected by 41% of the middle class in North Asia. The middle class in Taiwan is particularly likely to have peace of mind as a life goal, with 55% of those surveyed prioritising this goal. Half (50%) of the middle class in Korea cite saving for a comfortable retirement as a top life goal – the highest percentage in the North Asian markets surveyed.

Respondents in Mainland China are more likely than those in other markets surveyed to select having a successful career as one of their goals. This is mentioned by 41% of the respondents in Tier 2 cities and 40% of those in Tier 1 cities in Mainland China.

Twenty-nine per cent of the middle class in Hong Kong list owning a home as one of their top life goals. Forty-one per cent of the respondents in the city who do not already own a home mentioned this as one of their top goals.

The middle-class millennials surveyed desire life goals such as traveling the world (30%), having a successful career (35%) and starting their own business (17%).

Top five goals in life

- Being healthy: 67%
- Having peace of mind: 41%
- Saving for retirement: 41%
- A happy marriage/relationship: 37%
- Having a successful career: 31%
- Enough finances for emergencies: 29%
- Travelling the world: 28%
- Being happy with who I am: 21%
- Owning a home: 20%
- Having a financial safety net: 19%
- Taking a vacation: 18%
- My children be successful: 17%
- Having close friendships: 12%
- Starting my own business: 12%
- Having children: 12%
- Paying for children’s education: 12%
- Owning a car: 7%
- Getting more education: 5%
- Paying off debts: 5%
SUCCESS AND SATISFACTION
North Asia’s middle class is satisfied but many do not necessarily feel they are successful

Nearly four out of five (79%) of the middle class surveyed in the four North Asian markets are satisfied with life, including 11% who say they are very satisfied. Those in Mainland China are most likely to be satisfied, with 85% of respondents in Tier 1 cities feeling satisfied and 86% of those in Tier 2 cities having the same view.

There have been positive shifts in the levels of satisfaction among the middle class of Greater China in this survey compared with the results from 2013. In Hong Kong, 75% are satisfied with life compared with only 67% in 2013. In Taiwan, 79% express satisfaction with life while only 53% did so in 2013.

![Percentage of respondents who are satisfied with life](image)

Although most are satisfied with life, less than half (41%) of the middle class in North Asia feel they are both satisfied and successful. Of this group, 89% feel financially secure and 87% feel confident that they will fulfil their biggest dreams.

However, there are still substantial variations among the middle-class respondents in the markets surveyed on whether or not they consider themselves successful. Over half (54%) of the middle class in Mainland China Tier 1 cities regard themselves as successful, whereas only 38% of those in Hong Kong and Korea hold that view.

By contrast over half (54%) of the respondents in the 2014 ASEAN survey considered themselves successful, including 66% of those surveyed in Indonesia.

![Percentage of respondents who consider themselves successful](image)
QUALITY OF LIFE

A BALANCE OF QUALITY AND QUANTITY
North Asia’s middle class is motivated to improve their own life, with financial security also important

When asked to select one thing that motivates them most in life, almost one-third (30%) of the middle-class respondents in North Asia mention that they want to make a better life for themselves. A further 23% of respondents say their main motivation is to make a better life for their children.

Achieving financial security is more important to the middle class in North Asia than becoming wealthy. On average, 18% of the middle-class respondents surveyed across North Asia list financial security as their main motivation in life, while only 10% are most motivated to become wealthy. The percentage of respondents who want to become wealthy is the highest in Hong Kong, with 13% having this goal compared with only 6% of respondents in Korea.

DREAMS AND ASPIRATIONS
North Asia’s middle class have dreams for the future

Ninety-seven per cent of the middle class in North Asia say they have or have had a dream for their future. This includes 9% who say they have already fulfilled their biggest dreams.

One in five (20%) respondents have dreams but do not feel confident that they will achieve their dreams within their lifetime.

By contrast, the middle-class millennials are more likely than any other age group to believe that they will be able to achieve their dreams (81% among millennials vs 73% of those aged 35 or above).

Dreams and achievements

<table>
<thead>
<tr>
<th>Motivations in life of North Asia’s middle class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making a better life for myself</td>
<td>30%</td>
</tr>
<tr>
<td>Making a better life for my children</td>
<td>23%</td>
</tr>
<tr>
<td>Becoming financially secure</td>
<td>18%</td>
</tr>
<tr>
<td>Becoming wealthy</td>
<td>10%</td>
</tr>
<tr>
<td>Advancing my career</td>
<td>8%</td>
</tr>
<tr>
<td>Being respected by my peers and family</td>
<td>5%</td>
</tr>
<tr>
<td>Making a better life for my parents</td>
<td>4%</td>
</tr>
<tr>
<td>Receiving a good education</td>
<td>2%</td>
</tr>
</tbody>
</table>

- I am yet to fulfil my biggest dream yet I think I’ll be able to achieve it
- I am yet to fulfil my biggest dream and I don’t think I’ll be able to achieve it
- I have never thought about what my biggest dream is
- Yes I have already fulfilled my biggest dream
Concerns about financing and risk are hindering the middle class from becoming entrepreneurs

Twelve per cent of North Asia’s middle class indicate that starting a business is one of their top life goals. This includes 16% of those in Tier 2 cities of Mainland China. By contrast, only 8% of Hong Kong’s middle class want to start their own business – the lowest percentage compared to any market surveyed in North Asia this year or in ASEAN in 2014. In Hong Kong, almost one-third (32%) of respondents think that starting a business is one of the most difficult goals in life to achieve, which is higher than the regional average of 25%.

The types of business respondents want to start varies by market. In Tier 1 cities in Mainland China, 60% of the middle class who want to start a business are interested in starting a technology start-up, along with 55% of those from Tier 2 cities wanting to start such a business. In Taiwan, those wanting to start a business are most likely to want to open a food and beverage outlet (36%). Forty-five per cent of those interested in starting a business in Hong Kong would like to establish a retail store. In Korea, 31% of those interested to start a business prefer to offer professional services.

The biggest challenges to starting a business cited by respondents are the risk of losing a stable income and the lack of capital. Forty-seven per cent of those wanting to start a business find that the risk of not having a stable income is a key challenge for them. A similar number of budding entrepreneurs (46%) list the difficulty in having enough capital to start their own business as a barrier.
For the budding entrepreneurs, 62% of them plan to raise capital from their own savings with Hong Kong topping the regional average at 78%. Bank loans (59%) and borrowing from family (44%) are also likely sources of capital. Only a few have considered crowd-sourcing (10%) as a way to raise capital for business.

**Sources for acquiring capital to start a business**

- **Your own savings**: 62%
- **Bank loan**: 59%
- **Family**: 44%
- **Friends**: 27%
- **3rd party private loan**: 19%
- **Government or charitable grant**: 14%
- **Crowd-sourcing**: 10%
- **Lottery winnings**: 9%
FINANCIAL SECURITY

FINANCIAL SECURITY - A CONSTANT PURSUIT
More than two-thirds of North Asia’s middle class think they are financially secure

Sixty-nine per cent of the middle class in North Asia currently consider themselves to be financially secure. This percentage is the highest among the middle class in Mainland China, with 75% of those in Tier 1 cities and 77% in Tier 2 cities feeling they are financially secure. By contrast, respondents in Korea are the least likely to consider themselves to be financially secure (55%).

Compared with the 2013 survey conducted with the middle class in Greater China, there is a slight downward movement in respondents’ perception towards financial security. In that survey, 84% of those in Mainland China regarded themselves as financially secure (compared with 76% in 2015), while 76% of those in Hong Kong felt financially secure (compared with 70% in 2015) and 71% of those in Taiwan held the same view (compared with 67% in 2015).

Percentage of North Asia’s middle class who consider themselves financially secure

- North Asia Average: 69%
- Mainland China (Tier 2): 77% (-8%)
- Mainland China (Tier 1): 75% (-6%)
- Hong Kong: 70% (-4%)
- Taiwan: 67% (-4%)
- Korea: 55%

Change in percentage points compared with 2013 Greater China survey
FINANCIAL PLANNING

The middle class in North Asia takes a long-term view on wealth

Over half (57%) of the middle class in North Asia think it is more important to have a long-term financial plan than to enjoy living for the moment. The middle class in Taiwan are most likely (70%) to think it is more important to have a financial plan and those in Mainland China are least likely to think so (46% in Tier 1 cities and 40% in Tier 2 cities).

Percentage of respondents who think it is more important to make financial plans than to live life for the moment

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia Average</td>
<td>57%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>70%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>68%</td>
</tr>
<tr>
<td>Korea</td>
<td>59%</td>
</tr>
<tr>
<td>Mainland China (Tier 1)</td>
<td>46%</td>
</tr>
<tr>
<td>Mainland China (Tier 2)</td>
<td>40%</td>
</tr>
</tbody>
</table>

Although most are likely to think that financial plans are important, there are sizeable percentages of the middle class in each market who think that luck has a large part to play in financial security. Forty-one per cent of those in North Asia think that luck plays a very big part in achieving financial security. A further 50% of respondents think that luck plays at least some part in financial security and only 9% believe that luck plays no part at all. Those in Mainland China are most likely to think luck is critical to financial security (48% in both Tier 1 cities and Tier 2 cities) whereas those in Taiwan are the least likely to think so (29%).

How much luck is thought to play a part in financial security

<table>
<thead>
<tr>
<th>Region</th>
<th>A very big part</th>
<th>Some part</th>
<th>No part at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia Average</td>
<td>41%</td>
<td>50%</td>
<td>9%</td>
</tr>
<tr>
<td>Mainland China (Tier 1)</td>
<td>48%</td>
<td>42%</td>
<td>9%</td>
</tr>
<tr>
<td>Mainland China (Tier 2)</td>
<td>48%</td>
<td>44%</td>
<td>8%</td>
</tr>
<tr>
<td>Korea</td>
<td>42%</td>
<td>47%</td>
<td>11%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>39%</td>
<td>53%</td>
<td>8%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>29%</td>
<td>63%</td>
<td>8%</td>
</tr>
</tbody>
</table>

(Due to rounding effect, the percentages may not add up to 100%.)
Overall financial prudence is reflected in what North Asia’s middle class would likely do if they were lucky enough to win the lottery. Over one in five (22%) would invest their winnings, with a further 12% likely to put the money into bank savings. Notably, a significant number in Mainland China (31% in Tier 1 cities and 22% in Tier 2 cities) would opt to invest their lottery winnings, indicating that financial planning is an important step in ensuring financial security.

Twelve per cent of the middle class in North Asia would likely buy a house or a car – this is particularly high in Hong Kong (28%), reflecting the high hopes and aspirations of home ownership in that market.

**Actions North Asia’s middle class would most likely take if they were to win the lottery**

- Invest it: 22%
- Put it in the bank: 12%
- Buy a house or car: 12%
- Going on vacation: 12%
- Share with family/friends: 10%
- Start a business: 10%
- Spend on children: 7%
- Give it to charity: 5%
- Spend it day-to-day: 3%
- Pay off debts: 3%
- Quit my job: 3%

**HEALTHCARE CONCERNS**

Despite its importance, “good health” is expensive to achieve

When asked about their biggest concerns regarding the cost of living, the middle class in North Asia are most likely to mention the cost of healthcare (41%). This is followed by the cost of saving for a comfortable retirement, mentioned by 36% of North Asia’s middle class.

Concerns about healthcare costs are particularly high in Hong Kong (48%) and in Mainland China (47% in Tier 1 cities and 44% in Tier 2 cities). By contrast, only 36% of those in Taiwan are concerned about healthcare costs – a number possibly linked to the extensive public health insurance available in the market. The middle class in Taiwan is more likely to be concerned about the cost of savings for retirement (45%) than about the cost of healthcare.

**Cost of living concerns among North Asia’s middle class**

- Healthcare: 41%
- Savings for retirement: 36%
- Unexpected emergencies: 34%
- Housing: 27%
- Raising children: 24%
- Children’s education: 23%
- Groceries: 17%
- Vacations: 14%
- Insurance premiums: 13%
- Credit card debt: 7%
- Buying technology/gadgets: 6%
- Transportation: 6%
- Clothing: 5%
THE RETIREMENT CHALLENGE
Many of North Asia’s middle class are concerned with saving enough for retirement and are active financial planners

Over half (55%) of the employed middle class in North Asia plan to retire some day. This figure is particularly high for Taiwan (75%) and Korea (76%).

In Mainland China, many of the respondents have not thought about retiring. About 63% and 61% of the employed middle class in Tier 1 and Tier 2 cities respectively do not have plans for retirement, with 37% and 32% of respondents in the respective Tier 1 and Tier 2 cities saying they have not really thought about retirement at all.

There are very different expectations across the North Asian markets surveyed on how much is needed for retirement. In Korea, the employed middle class think that they need on average approximately US$4 million in savings for a comfortable retirement – almost four times higher than the average sum thought necessary by their counterparts in Taiwan (US$0.92 million).

Retirement plans and sentiments of North Asia’s middle class

- I plan to retire some day
- I don’t expect to ever have enough savings to retire
- I have not thought about retirement yet
- I enjoy working too much to retire

[Due to rounding effect, the percentages may not add up to 100%.]
Although the respondents in Korea desire the highest amount of funds to retire, those who are saving are putting aside the least towards their retirement, at an average of US$595 per month, representing 6.1% of all the household income for the middle class surveyed in Korea. By contrast, the employed middle-class respondents in Tier 1 cities in Mainland China are saving, on average, about twice that amount towards their retirement, at US$1,245 per month, or approximately 5.4% of all the household income of the middle class in Tier 1 cities.

The relatively large sums of retirement funds thought necessary by those in Korea, along with the relatively low total that they are saving each month towards retirement, may indicate why many in Korea are worried about saving enough for retirement. Over three-quarters (77%) of the employed middle class in Korea are worried about saving enough for a comfortable retirement. Taiwan has the second largest percentage (51%) of respondents which shares that concern. By contrast only 25% in Tier 1 or Tier 2 cities in Mainland China are not confident about saving enough for retirement.

Overall in North Asia, the difficulty of saving for retirement is a shared concern where 45% of the respondents are concerned about not being able to save enough to comfortably retire.

As part of retirement planning, many of the middle class in North Asia are active financial planners. Many cite investing in equities, bonds or mutual funds (66%), investing in retirement savings plans (62%), contributing to regular savings accounts (53%), and investing in real estate (43%) as preferred ways of saving for retirement.
Worries over retirement are also likely to affect the age at which the employed middle class want to retire. In Korea, the employed middle class want to retire at an average age of 61.9 years – later than the other North Asian markets surveyed. The average desired age of retirement for the rest of the markets is 59.1 years in Taiwan, 56.1 years in Hong Kong, 55.7 years in Tier 1 cities and 56.4 years in Tier 2 cities in Mainland China.

Interestingly, middle-class millennials are more likely than any other age group to want to retire by the age of 50 (32%), where many (62%) in the other age groups generally see themselves retiring after they reach the age of 60.

**GENERATIONAL CARETAKERS**

*North Asia’s middle class believes that children should take care of their retired parents financially*

Seventy-three per cent of North Asia’s middle class believe that children should be responsible for financially supporting their retired parents. This view is consistently high across Hong Kong (81%), Mainland China (83%) and Taiwan (73%). However, less than half (47%) of the middle class in Korea hold that view.

Currently, 64% of the middle class in North Asia provide financial support for their parents, although only 43% of those in Korea do so. Among those supporting parents, the middle class in Mainland China is most likely to be supporting both their own and their spouse’s parents, with each respondent supporting an average of 2.5 parents.

On average, the middle class in Hong Kong is contributing the most monthly to support their retired parents (US$789) or 7.2% of their average monthly household income, higher than any other market in North Asia. Across North Asia, those financially supporting their parents are spending on average US$463 per month or 4.5% of their monthly household income.

**Average monthly support among those contributing towards their retired parents’ finances**

<table>
<thead>
<tr>
<th>Market</th>
<th>Monthly Support (US$)</th>
<th>Percentage of Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia Average</td>
<td>463</td>
<td>4.5%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>789</td>
<td>7.2%</td>
</tr>
<tr>
<td>Mainland China [Tier 1]</td>
<td>421</td>
<td>4.4%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>359</td>
<td>4.4%</td>
</tr>
<tr>
<td>Korea</td>
<td>326</td>
<td>3.9%</td>
</tr>
<tr>
<td>Mainland China [Tier 2]</td>
<td>317</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

Percentage of all middle-class respondents’ household income
North Asia’s middle class wants to be adventurous in retirement

When asked to choose three activities that they would like to be able to do when retired, over half (54%) of the middle class surveyed in North Asia say they would like to sail around the world. A significant percentage would also like to be active in climbing mountains (24%), exploring the North or South poles (13%) or even travelling into space (9%).

A large percentage are also highly interested in being able to give back to their communities, with two in five (40%) saying they would like to volunteer when they retire.

Those in Hong Kong are particularly likely to want to explore the North and South poles (28%), whereas those in Korea are highly interested in mountain climbing (33%). Respondents in Mainland China and in Taiwan are highly interested in sailing around the world (71% in Tier 1 cities in Mainland China and 58% in Taiwan).

Only 7% of the middle class in North Asia hope to do nothing in retirement.

Top three activities that North Asia’s middle class would like to do when they retire

- Sail around the world: 54%
- Volunteering: 40%
- Climb a mountain: 24%
- Learn a new language: 21%
- Learn a musical instrument: 20%
- Explore North or South poles: 13%
- Travel into space: 9%
- Paint a masterpiece painting: 6%
- Hit a hole in one in golf: 6%
- Run a marathon: 5%
- Do a sky dive: 4%
- Act in a television play: 4%
- Do a bungee jump: 3%
- Do nothing: 7%
The high value placed on education among the middle class in North Asia is reflected in the level of involvement of parents in their children’s education. Ninety-one per cent of middle-class parents indicate they are involved in their children’s education, with 33% saying they are “highly involved”. Approximately half of middle-class parents in Mainland China are “highly” involved in their children’s education, with 48% indicating that level of involvement in Tier 1 cities and 51% in Tier 2 cities.

With an average of 3.6 hours per day spent with their children, employed middle-class parents in North Asia are strongly committed to spending time as well as money on their children. The middle-class millennials spend even more time with their children with an average of 4.1 hours a day compared with 3.4 hours a day for non-millennials. The strong commitment to education among North Asia’s middle class is also reflected in how much parents are saving towards their children’s education. On average, middle-class parents in North Asia are each saving US$451 per month towards their children’s education, surpassed by the average amount saved for retirement at US$871 per month. This figure is the highest in Hong Kong (US$538 per month).

Just over one in five (21%) employed middle-class parents save more towards their children’s education than they do for their own retirement.

**PLANS TO HAVE CHILDREN**

The middle class in North Asia are highly likely to have children

Across North Asia, 73% of the middle-class respondents have children, surpassed by 90% of respondents in Tier 1 cities and 93% in Tier 2 cities in Mainland China. Over one in four (27%) respondents have more than one child – although only 14% do so in Mainland China. Among those who are yet to have children, 27% of the middle class in North Asia do not plan to have children.

Sixty-nine per cent of North Asia’s middle class believe being financially secure is the main pre-requisite for having children.

**Plans for children among North Asia’s middle class who do not yet have children**

Forty-four per cent of the middle class in North Asia view the modern city as the best environment to raise a family. This figure is particularly high in Hong Kong, where 54% of respondents hold this view.

The preference for city life among North Asia’s middle class is reflected by 61% of respondents expressing the belief that urbanisation improves the quality of life, while only 27% of respondents view urbanisation as worsening the quality of life.

**Location viewed as the best to raise a family**

![Location viewed as the best to raise a family](image)

(Due to rounding effect, the percentages may not add up to 100%.)
HIGH EXPECTATIONS FOR CHILDREN’S EDUCATION
North Asia’s middle-class parents desire their children to be well-educated

The importance of education is paramount in North Asia with almost all (95%) of the middle-class parents wanting their children to obtain university-level degrees, including 50% who want their children to achieve a post-graduate education. In Mainland China, 61% of parents in Tier 1 cities and 64% of parents in Tier 2 cities want their children to achieve post-graduate degrees.

The educational goals that middle-class parents desire for their children are higher than their own. For instance, although a large percentage of middle-class parents hope for their children to achieve post-graduate degrees, only 14% have earned such degrees themselves.

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Just over one in five (21%) employed middle-class parents save more towards their children’s education than they do for their own retirement.
In the North Asian markets surveyed, the financial commitment to children's education starts from a very early stage, with almost one-quarter (23%) of parents starting to save for their children's education even before their children are born, including 31% of parents in Hong Kong. Over half (53%) of the middle-class respondents in North Asia start saving for education before their children attend kindergarten.

Middle-class millennials (35%) are more likely to start saving for children’s education before their children are born, compared to other age groups (17%).

### Stage at which middle-class parents in North Asia start saving for their children’s education

- Pre-natal: 23%
- When less than 1 year old: 17%
- Before kindergarten: 13%
- In pre-school/kindergarten: 17%
- In primary school: 16%
- In junior high school: 6%
- In high school: 3%
- In university: 1%
Employed middle-class parents would like to spend more time with their children. Over one-quarter (27%) of full-time employed parents would prefer to work part-time so that they could spend more time with their families. A further 17% want to quit their jobs altogether so that they can become full-time stay-home parents. This includes 29% of employed parents in Korea who would like to become full-time stay-home parents.

If they had more time, the greatest desire for parents would be to simply talk with their children about their daily life (69%), play with them outdoors (65%), or help them in their studies (56%). Middle-class parents in Hong Kong spend the most time with their children among the North Asian markets surveyed, an average of 3.9 hours per day.

### Thoughts towards family and careers among employed middle-class parents in North Asia

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I do not want to change how much time I spend at work or with my family</td>
<td>52%</td>
</tr>
<tr>
<td>I wish to work part-time and spend more time with my family</td>
<td>27%</td>
</tr>
<tr>
<td>I wish to be stay-home parent to take care of my family</td>
<td>17%</td>
</tr>
<tr>
<td>I wish to spend more time at work and less with my family</td>
<td>4%</td>
</tr>
</tbody>
</table>

### EXPECTATIONS FOR CHILDREN’S SUCCESS

North Asia’s middle-class parents have varying views on whether it will be harder for their children to achieve success.

The middle-class parents in the markets surveyed are somewhat split on whether their children’s life will be harder (53%), easier, or the same (47%) than their own. However, the main reason parents believe their children’s life will be easier is their access to education (58%).

Across the markets surveyed, perceptions on whether their children’s life will be harder is highly varied, with the majority of respondents holding this view in Hong Kong (69%), Korea (68%) and Taiwan (64%). By contrast, only 39% of respondents in Mainland China believe so.

Although North Asia’s middle-class parents think their children’s life will be difficult, they recognise that they have had an easier time than their own parents (52%).

### Views of North Asia’s middle class on whether it will be easier or more difficult for their children to be successful than it was for themselves

<table>
<thead>
<tr>
<th>Region</th>
<th>Harder</th>
<th>Same</th>
<th>Easier</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Asia Average</td>
<td>56%</td>
<td>17%</td>
<td>27%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>69%</td>
<td>10%</td>
<td>21%</td>
</tr>
<tr>
<td>Korea</td>
<td>68%</td>
<td>15%</td>
<td>18%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>64%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Mainland China [Tier 1]</td>
<td>38%</td>
<td>24%</td>
<td>38%</td>
</tr>
<tr>
<td>Mainland China [Tier 2]</td>
<td>40%</td>
<td>20%</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>■</td>
<td>It will be harder for children to be successful</td>
</tr>
<tr>
<td>□</td>
<td>It will be about the same</td>
</tr>
<tr>
<td>▶</td>
<td>It will be easier for children to be successful</td>
</tr>
</tbody>
</table>

(Due to rounding effect, the percentages may not add up to 100%.)
Those respondents who believe that their children’s life will be harder than their own tend to think so because of concerns regarding job opportunities (75%), as well as rising costs of living (49%). More middle-class millennials feel they have had a harder life than their parents, compared to the other age groups (45% vs 29% of those aged 35 or above).

Conversely, respondents who believe their children’s life will be easier than their own cite both better education and a better living environment as the main reasons.

Reasons why North Asia’s middle-class parents believe it will be easier for their children to achieve success

- Education: 58%
- The environment where they live: 48%
- Job opportunities: 43%
- Entertainment: 37%
- Choice and quality of food: 34%
- Cost of living: 29%
- Health: 29%
- Working hours: 24%
- Maintaining relationships: 22%
- Choice and quality of food: 29%
- Health: 28%
- Working hours: 22%
- Education: 21%
- Entertainment: 5%

Conversely, respondents who believe their children’s life will be easier than their own cite both better education and a better living environment as the main reasons.
ASPIRATIONS FOR THE NEXT GENERATION
North Asia’s middle class strongly desires health and happiness for their children

While middle-class parents in North Asia do have high academic and career aspirations for their children, they place the highest value on their children’s health (77%) and happiness (66%).

North Asia’s middle-class parents also want their children to be independent. Over two-thirds (69%) think it is more important for their children to become independent than it is to support them to succeed in as many ways as possible. This is particularly true in Taiwan, where 81% prioritise their children’s independence over providing opportunities for success.

**Most important goals for children of North Asia’s middle-class parents**

- Good health: 77%
- General happiness: 66%
- Good virtues: 50%
- A good career: 41%
- Good friends: 26%
- Having family and children of their own: 23%
- Academic achievement: 22%
- Financial success: 21%
- Social status: 18%
- Nice possessions: 17%
- Romantic love: 15%
- Involvement in extracurricular activities: 11%
- Marrying someone wealthy: 4%

Finally, the middle class in North Asia wants their children to be ambitious. From a choice of different possible careers, parents are most likely to want their children to become entrepreneurs (28%). An equal percentage (17%) would want their children to be innovators of new technology or to become CEOs.

**Career goals that North Asia’s middle-class parents desire for their children**

- Entrepreneur: 28%
- Inventor of new technology: 17%
- CEO: 17%
- Librarian: 3%
- Movie star: 3%
- Sports star: 2%
- Pop star: 2%
- Astronaut: 2%
- Fireman/Firewoman: 1%
- Secret Agent: *
- None of the above: 25%

* = less than 0.5%