

Press Release

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HSBC Wealth & Beyond 2017: Savings and deposits no longer sufficient for today's strategic financial planning

** PT Bank HSBC Indonesia encourages people to better understand Wealth Management services as well as investment and protection products to optimize financial management amid low interest rates **

Many people in Indonesia still choose savings and fixed deposit products as a funding solution for immediate and long-term needs as well as for emergency purposes. Unfortunately, the Deposit Insurance Corporation (LPS) has lowered its guarantee rates for commercial banks to 5.75% as of November 3, 2017, which is the second cut in 2017. The LPS rate stood at 7.50% early last year, which means that it has been slashed for six times or 1.75% in less than 2 years.

Considering the downward trend in interest rates, inflationary pressure and the dynamics of today's needs, HSBC is calling on people to supplement savings and term deposit with other investment portfolios, such as insurance and wealth management service that can stabilize their financial condition in the long run.

Steven Suryana, Head of Wealth Management, PT Bank HSBC Indonesia said, "The public's needs are getting complex in each passing day, with higher cost to fulfill such needs. Tuition fees for example, the latest HSBC Value of Education survey revealed that to finance children education up to S1 (Bachelor Degree) in Indonesia costs at least Rp250 million. This does not include funding for non-formal education - which is a trend nowadays - such as robotics, music, dance, coding, and foreign languages. However, this dynamic has not been supported by a strategic long-term financial management culture and the selection of appropriate financial products among the Indonesian."

Based on the HSBC Power of Protection 2017 study, only 35% of Indonesians claim to have good financial management. The others do not have adequate anticipation in case of unexpected events that have a significant impact on their financial stability. More than 70% said they are unprepared if they are suddenly diagnosed with a serious illness such as cancer or accidents that caused permanent disability and job loss.

The unpreparedness in long-term financial planning among the majority of Indonesian people has led them to sacrifice other equally important needs. In dealing with the educational needs of the children, 78% of parents claim to be willing to sacrifice the readiness of their pension funds. Sacrificing pension funds is also chosen by 70% of Indonesian people if their parents are severely ill and should receive health care at large costs at anytime.

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The unpreparedness of the majority people in preparing long-term financial planning also leads to a lot of concern and pessimism. According to the HSBC Future of Retirement 2017 study found that 38% of working-age people who rely on monthly income, savings, and deposits, they still have to keep working at the retirement age if the interest rate of the bank is still low. In fact, 55% people believe they still have to work during their retirement.

“Due to low financial literacy, most people have little knowledge about appropriate financial products to support their aspirations and anticipate unpredictable events,” Steven explained. “HSBC’s Wealth Management service was designed to address those challenges and people will obtain education and direction to make appropriate financial management strategies based on individual needs, including in selecting financial products as well as understanding their benefits and risks.”

Steven is optimistic HSBC’s Wealth Management service values will be favored more as young generation has more interest in saving and circulating money to obtain greater profit. According to HSBC’s study, Indonesian millennial generation averagely starts saving in their 27.

“The survey shows that in investment, property (56%) remains the best among Indonesian people, followed by savings (53%), and stocks (30%). Is the assumption correct? Through Wealth Management which also offers digital capability, we may help people analyze diverse needs they wish to meet, the size of the budget they should prepare, and the recommended financial products that can be used. Must be comprehensive and relying on savings and deposit alone is not enough,” Steven added.

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