

Future Planner Model Assumption

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How can Future Planner forecast your future?

Future Planner runs 1,000 simulations with variations on both economic and life conditions. Economic conditions include multiple variables such as inflation, salary growth, investment returns. Life Conditions include aspects such as Critical Illness and General Illness.

Based on the simulation results, we can forecast your future net wealth, goal achievability and more, helping you to understand your goals and aspirations even better

The underlying assumptions utilised in the Future Planner Model will be reviewed on a regular basis, for example annually, or when there is a significant market event.

Goal Achievability

As part of helping you to understand the impact of your goals and aspirations, Future Planner also outlines your goal achievability.

Achievability refers to the likelihood of achieving the goal by calculating your current financial profile, simulated life protection and financial products. This allows for a quick view of your trajectory to meeting your goals and aspirations.

Achievability is classified into 3 levels:



Goal Achievability level

Level	Achievability	What it means
Easy	80% or above	It's very likely for you to achieve.
Medium	50% to 79%	It's likely to achieve this goal.
Hard	Below 50%	it's difficult for you to achieve this goal

Rates for simulation

Multiple parameters are utilised in the model to help you quantify and understand your goals and aspirations. The following categories outline key assumptions that are used for your projections.



The portfolios' investment returns of each risk tolerance level

Risk tolerance level	Risk tolerance	Average return rate	Volatility
0	Cash return/secured	3.2%	0%
1	Very cautious	4.3%	4%
2	Cautious	5.1%	7%
3	Balanced	5.9%	10%
4	Adventurous	6.7%	13%
5	Speculative	7.8%	17%



Assumptions provided by HSBC Asset Management

Item(s)	Value	Definition
Consumer Price Index (CPI)/ Inflation Rate	2.16%	CPI determined by the market research conducted by HSBC Asset Management on a 10-year period perspective. The inflation rate assumption uses this same CPI rate as well.
Salary growth rate	3.36%	Assumption set by analysing the historical data on the average real salary increment since 2012.



Property related

Item(s)	Value	Note
Mortgage rate	4.125%	A benchmark rate used to determine borrowing costs in Hong Kong. As this rate fluctuates daily, the Future Planner solution is using the rate on the 15th of Aug 2024 to determine the mortgage loan interest rate for the purpose of simulation only. This references the Prime Rate
Property & Rental Income growth rate	3.46%	Assumption is established by analysing the average property growth rate over CPI in past 10 years. Rental growth rate is aligned with property growth rate.
Rental yield of new property	3.95%	Assumption established by referencing the average property market yield in past 10 years from Hong Kong's Rating and Valuation Department.



Life protection related

Item(s)	Value	Note
General insurance premium growth rate	7.76%	Aligned with the medical cost growth rate as it's assumed that the major contributors of this value are medical and critical illness insurance premium.
Medical cost growth rate	7.76%	Assumption set by referencing the health expenditure annual expense growth rate from Hong Kong's Health Bureau.
Critical illness cost	HKD1,100,000	Assumption is established by referencing the cost estimator of major illnesses treatment from the public data.
Duration of critical illness	3 years	As advised by HSBC Life (International) Limited, referencing the common 3-year recovery period for cancer coverage of the critical illness insurance products in the market.
Duration of general illness	1 year	As advised by HSBC Life (International) Limited, the one-off cost is associated with general illness.

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