



Value of Education *Higher and higher*

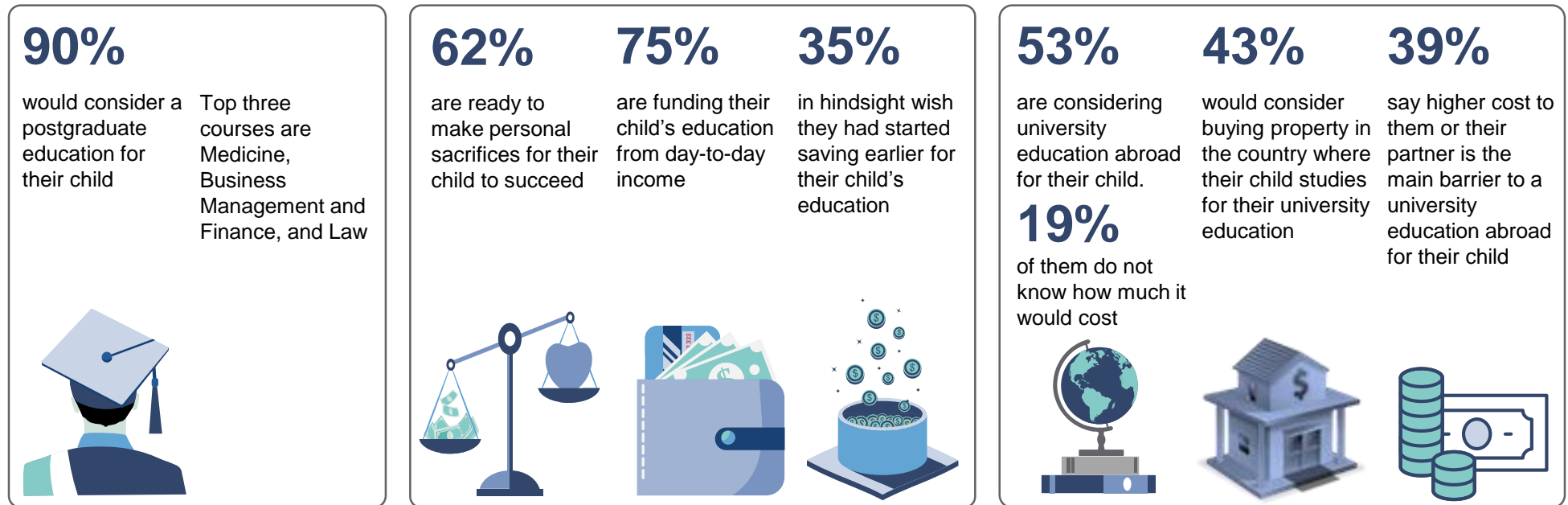
Conversation Starter June 2017

HSBC 

PUBLIC

Many parents value higher-education for their child but fulfilling these ambitions can be expensive

Parents' attitudes towards their child's education planning



Source: Value of Education *Higher and higher*, 2017

Things to consider:

- Plan early and estimate the cost you need. Invest suitably to achieve your goals
- Accumulate the foreign currency you need in regular batches if you are considering to send your child abroad for education
- Look for a bank that can help you exchange and transfer foreign currencies abroad efficiently, as well as give you mortgage advice on buying overseas property
- Put protection plans in place to safeguard their needs against any unexpected events
- Seek professional help to plan for your child's education and review your plan regularly to ensure you are on track to achieve your goals

Practical steps for your child's education planning

Start planning early

- Early planning and saving for education can help your children fulfil their potential and limit the strain on family finances. Seeking professional advice can help you plan and make better informed choices

Be realistic about the costs

- The costs of educating your children from school to university can be very expensive. Be sure to allocate enough money to support their development and attainment through all stages of their education

Consider university abroad

- A university education abroad can help your children to be independent and enhance their job prospects. Make sure to plan for all the implications including higher tuition fees, international travel and exchange rates

Prepare for the long term

- Parents can still be paying for their children's education well into their twenties. Understand the extra costs of them studying for longer and consider putting plans in place to fund these should the unexpected happen

Call your relationship manager for a financial review today.

Start planning early – Four questions to help you plan for your child's education



Be realistic about the costs of education

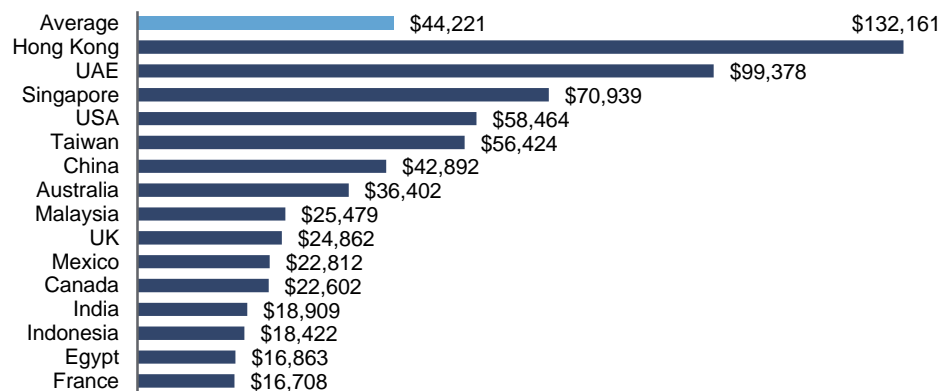
Spending on education

- On average, parents say they spend **US\$132,161** on their child's primary, secondary and tertiary education up to undergraduate level. Significant additional costs are expected for completing a postgraduate degree or attending university abroad
- **90%** would consider a postgraduate education for their child.
- **26%** wish they had put more money aside for their child's education

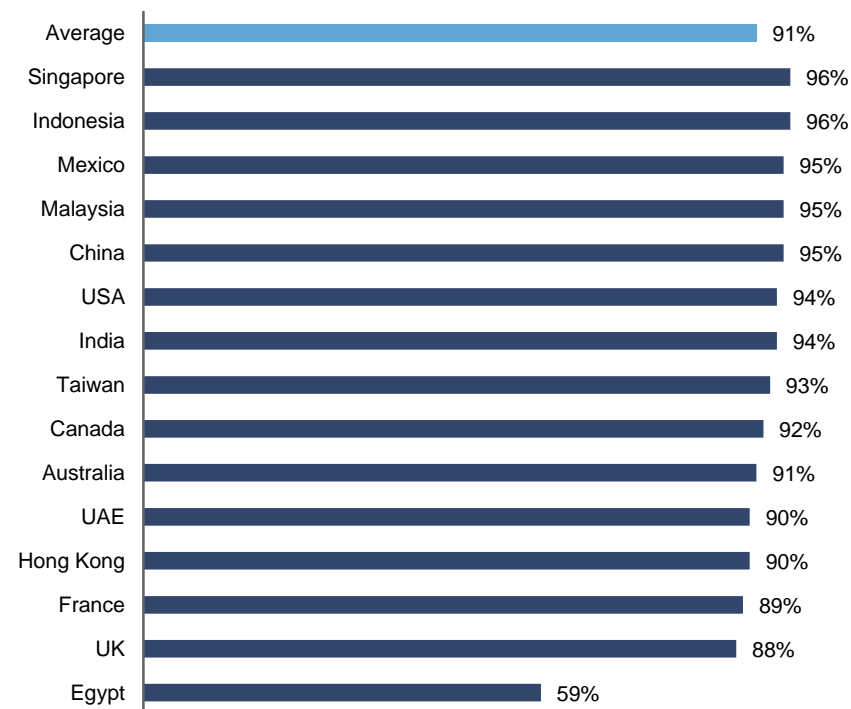
Average spending education

Education level	Average spend (USD) ¹
Primary school	32,874
Secondary school	44,275
University/college undergraduate	55,012
Total	132,161

Parents' spending on their child's education



Most parents would consider postgraduate education for their child



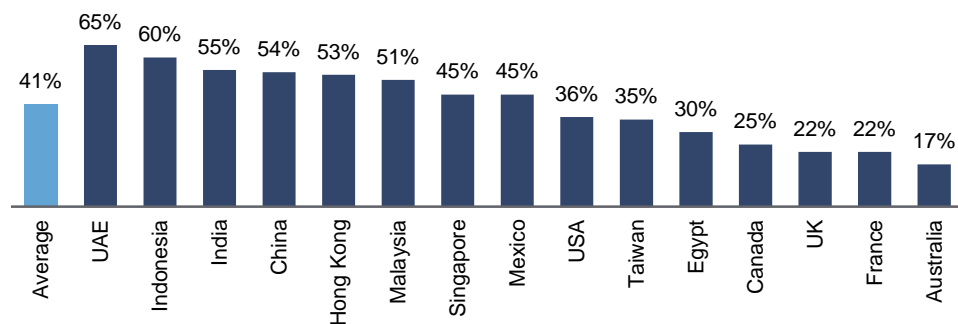
Note:
Source: Value of Education *Higher and higher*, 2017

Consider university abroad

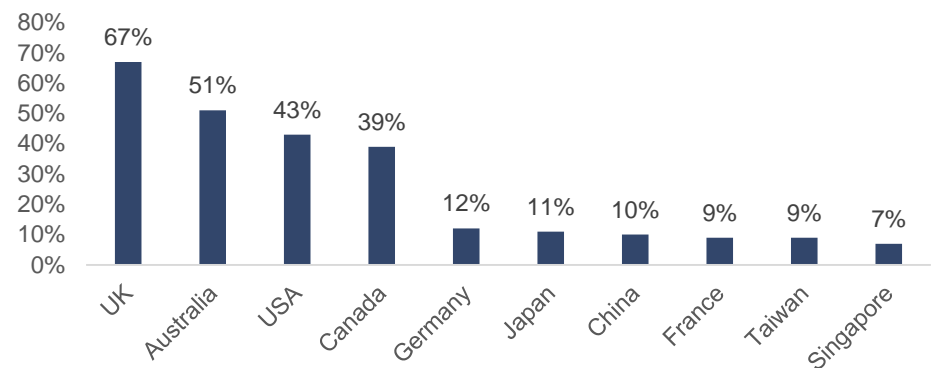
Understand your child's education needs

- **53%** of parents would consider university abroad for their child, yet **19%** of them do not know how much it would cost
- Foreign language skills, gaining independence and exposure to new experiences, ideas and cultures are viewed as the main benefits
- The **UK** is the top choice for parents who would consider university abroad for their child, followed by **Australia** and the **USA**

Many parents would consider university abroad for their child



Destinations that would be considered for university abroad



Source: Value of Education *Higher and higher*, 2017

Countries	Average annual tuition fee (USD) ¹	Average annual cost of living (USD) ²	Total cost of a 4-year undergraduate course (USD)
USA	33,215	12,054	181,076
Australia	26,136	14,502	162,552
UK	29,656	13,604	173,040
Canada	30,518	11,737	169,020
Germany	0	13,510	54,040
France	361	13,637	55,992
Japan	10,978	17,310	113,152
Singapore	21,674	17,310	155,936
Hong Kong	15,700	21,110	147,240
New Zealand	24,640	15,621	161,044

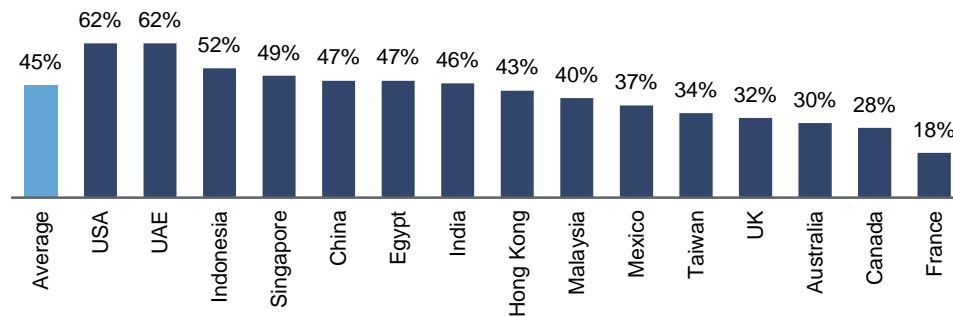
Notes: 1/ The average annual cost of tuition was calculated by obtaining international student undergraduate fees (where applicable) for each of the four courses that were the most popular among parents as revealed in 2016 The Value of Education *Foundations for the future* report (Medicine/Engineering/Business, management and finance/Computer and information sciences) from the top 10 universities in each country (by enrolment) which cover at least two of the four courses. For each course within each country a yearly average was produced based on these fees. This was then added together to obtain a yearly average fee for international students taking a four-year course in each country. Please note that public universities in Germany do not charge tuition fees The above fees are for reference only. 2/ The average annual cost of living for students in each country was sourced from www.expatistan.com on 3 August 2015

Consider university abroad

Many parents would consider buying overseas property for their child

- 43% would consider buying property in the country where their child studies for their university education

Would consider buying a property in the host country, if child studied abroad



Source: Value of Education *Higher and higher*, 2017

What to consider?

- Look for the mortgage plan that is most suitable for your needs. Compare the interest rate, repayment period, fees for setting up the mortgage as well as early repayment and cancellation fees
- Understand the financial and tax implications
- Be aware of exchange rate fluctuations
- Seek help from a bank that can provide the flexibility and convenience to exchange, accumulate and transfer foreign currencies abroad, as well as offer you advice on buying property abroad and all necessary assistance

HSBC offers ...

- a range of competitive non-resident mortgages in key education markets, such as the UK, US, Canada, Australia, Singapore and Hong Kong, for the purchase of the 2nd home <http://www.hsbcpremier.com/1/2/>
- an international mortgage referral via your domestic Relationship Manager
- credit history transfer from home market to the international market during the application process
- foreign exchange solutions to deal with currency fluctuations and manage mortgage repayments potentially in different currencies effectively
- efficient FX tools and services to help you accumulate and transfer currencies around the clock, such as Global Transfers

Prepare for the long term and protect what matters

Ensure your child's education needs are well protected against unexpected events

- **75%** are funding their child's education from day-to-day income
- With proper protection, you can ensure that your child's education plan is safeguarded
- Regular review of your overall insurance needs as part of your financial planning can help ensure that your child's education fund is not depleted to pay off debts or fund living cost in the event of death or serious illness:

Your family's lifestyle



The number of years your family would need support (eg until your youngest child finishes university) and the income needed to maintain their lifestyle

Mortgage



The amount you need to pay off your mortgage

Education



The cost of funding your child's education through university/postgraduate

Other expenses



Other outstanding debts (eg healthcare expenses) other than mortgage

Insurance can help you achieve and protect your child's education plans, and support them during education, in the following ways:

- **Dedicated education plans** combining security with growth potential
- **Flexibility** of payment and benefits: choice of once-off or regular premium payment terms, lump sum or regular pay-out options, international currency options
- **Protection for the continuity** of the education plan in the event of premature death or disability of the provider, through waiver of premium
- **Life protection** or **death benefit** to ensure your family members are financially protected against unfortunate events
- The **beneficiaries** can be named directly to ensure their personal education plan is protected in the unfortunate event of the death of the provider

Example: Start early and invest suitably to achieve your goals

(These examples are based on historical data for illustrative purposes only. In reality, most investment strategies will use a variety of instruments whose returns will differ from the global equity quoted below.)

Assuming your child will go to a US university in 15 years, the total cost is expected to be USD236,634 (future value) based on an inflation rate of around 1.8% pa¹

Example 1: Monthly contributions required for different investment horizons

With an expected annualised return of 7.2%², the monthly contributions required to achieve the financial goal (ie USD236,634) may vary considerably for different investment horizons

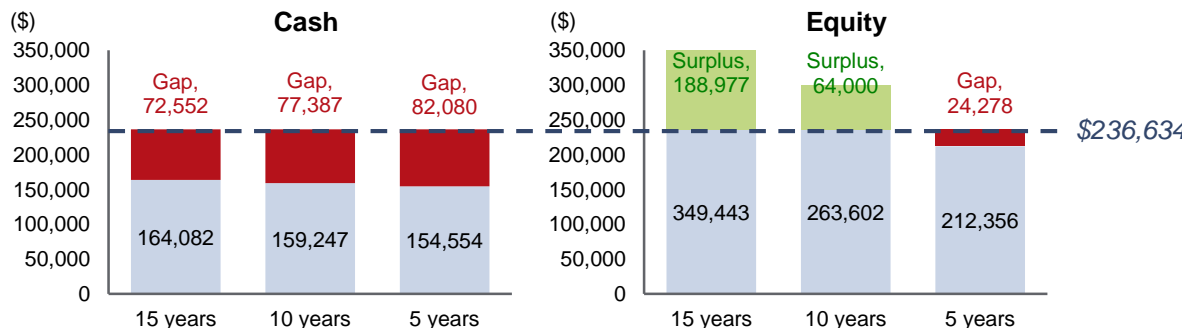
Investment horizon	15 years	10 years	5 years
Monthly contribution	\$729	\$1,344	\$3,269



The longer the investment horizon, the less the monthly contribution is required to achieve your goal

Example 2: Compare the outcomes for different investment strategies (Equity vs Cash)

Assuming that USD150,000 was invested in equity and kept in a cash deposit over the past 5 years, 10 years and 15 years, the total amount generated (grey area) from staying invested would potentially be higher than from deposit based on an expected annualised return of 7.2% and 0.6% respectively^{2, 3}



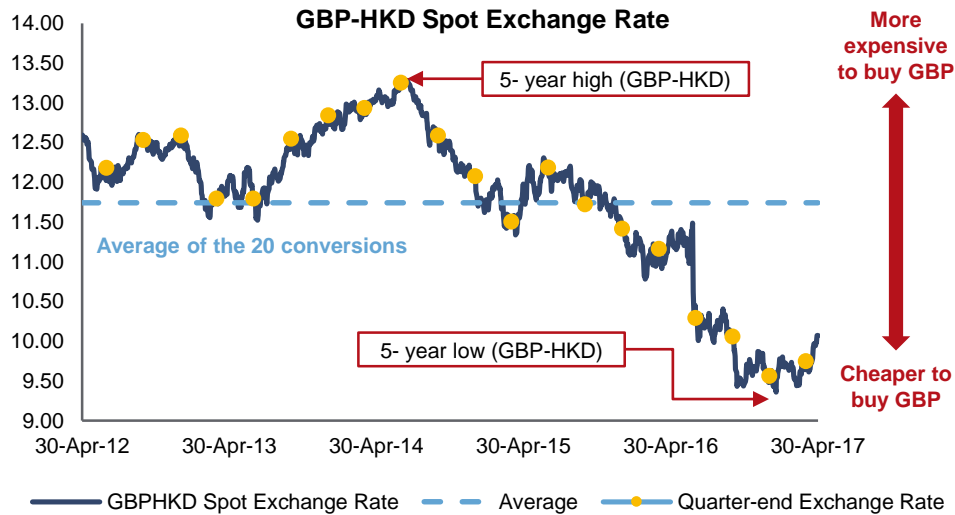
Staying invested to make your money work harder for you over the long term

Notes: The total cost is based on HSBC's international university education league table, August 2016. 1/ The future value of the total cost of taking an undergraduate university course in the US in 15 years is calculated based on the course's current value (ie USD181,076), and an inflation rate based on the 10-year average US Urban CPI yoy% NSA during April 2007 to April 2017. 2/ The expected annualised returns for equity and cash are proxy based on the 10-year annualised return of S&P 200 Index (equity) and Bloomberg Barclays U.S. Tr Bills: 1-3 Months TR Index Value Unhedged USD (Cash/Deposit) during April 2007 to April 2017 respectively. 3/ The gap/surplus is the difference between the financial goal and the total amount generated from investing in equity or deposit during the specified periods. Past performance is not an indicator of future return. The performance may go up as well as down

Example: Accumulating the foreign currency you need in regular batches

(These examples are based on historical data for illustrative purposes only)

Parents in Hong Kong plan to save for their child's education in the UK and have converted HKD1 million to GBP on a regular basis over the past five years



Amount of HKD	Date of conversion	Exchange rate (GBP-HKD)	Amount of GBP converted
1,000,000	16-Jan-2017	9.3595 (5-year low)	106,843
	1-Jul-2014	13.3029 (5-year high)	75,142
	Every quarter-end over the past 5 years (Total 20 conversions)	11.7428 (Average of the 20 conversions)	85,908

Source: Bloomberg, as of 30 April 2017. These examples do not take interest rates of the currencies and the cost in converting currency at different points of time into consideration. The average exchange rate is calculated based on the exchange rate at the quarter end over the past 5 years. These examples are for illustrative purpose only

FX market is unpredictable. By accumulating the foreign currency you need in regular batches, you can minimise the risk of acquiring a lump sum of that currency at the wrong time

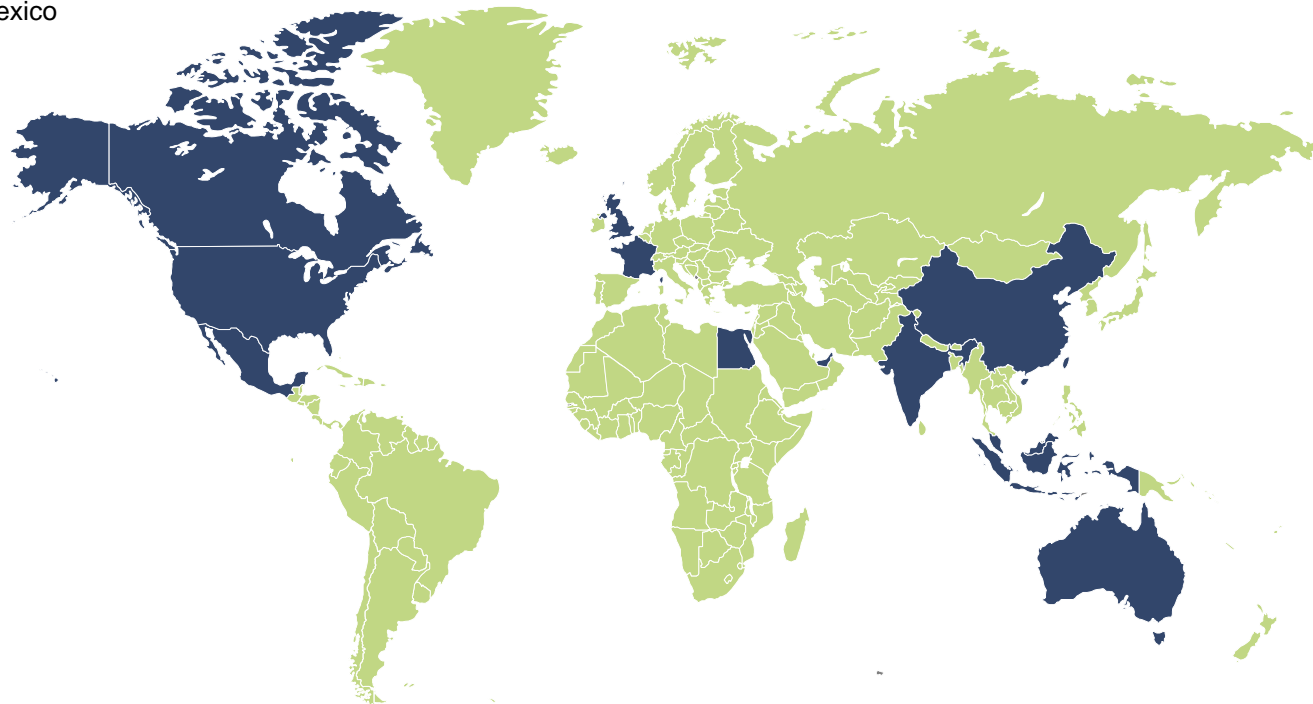
HSBC offers investment and insurance solutions to achieve your goals

Note: Investments have potential downside risks. The value of any investment can go up as well as down, which means you may not get back the amount originally invested. Investors can refer to relevant materials (e.g. product brochures) to understand the risks associated and evaluate the suitability before making decisions. Past performance is not an indicator of future returns.

	Features	HSBC's solutions
Bonds/ CD	<ul style="list-style-type: none"> Principal, coupon and maturity are the key components Investors earn coupons as interest payments. At maturity, issuers will pay back the principal value and the last coupon to investors Holding to maturity provides a solid base against a volatile stock market 	<ul style="list-style-type: none"> All investment grade bonds, including corporate and government bonds Certificates of Deposit (CD) High yield bonds and subordinated bonds via Dedicated Bond Service for a particular group of customers
Insurance	<ul style="list-style-type: none"> A wide range of savings and protection solutions allow clients to achieve and secure their child's education plans, whatever may happen Personal circumstances, educational needs and ambitions can change over time. It is important to regularly review education plans and protection cover to be able to take corrective action if needed 	<ul style="list-style-type: none"> Savings and investment plans including dedicated education plans (country specific), some with embedded protection Protection plans should cover education funding
Structured Products	<ul style="list-style-type: none"> Help investors gain exposure to a set of securities or asset classes of their choice (eg equities, indices, currencies, etc) whilst optimising the upside and/or downside potential, depending on investors' market views Structured products can be customised according to investors' objectives, risk profiles and investment horizons Some structured products provide capital protection while some can provide enhanced returns with partial buffer against loss 	<ul style="list-style-type: none"> Capital Protected Investment Deposit Deposit Plus Equity Linked Investment
Unit Trust	<ul style="list-style-type: none"> Invest in a diversified pool of equities, bonds, and/or other financial instruments with a clearly defined investment objective Making regular contributions to fund investments can enable you to leverage the dollar cost averaging effect to lessen the risk of investing a large amount in a single investment at an inappropriate time 	<ul style="list-style-type: none"> Portfolio Allocation Service for eligible customers Delegated offering, such as Managed Solutions/ World Selection Equity funds, bond funds, multi-asset funds, ETFs, alternatives
FX	<ul style="list-style-type: none"> Acquire foreign currency Enhance yield Transfer fund 	<ul style="list-style-type: none"> FCY Wealth Products FCY TMD

Value of Education

- The Value of Education (VoE) is an independent consumer research study into global education trends, commissioned by HSBC. It provides authoritative insights into parents' attitudes and behaviour towards their children's education around the world
- Since The Value of Education programme began in 2014, more than 24,000 parents have been surveyed
- This report, ***Higher and higher***, is the fourth in the series and represents the views of 8,481 parents across 15 wealth countries and territories around the world
 - Asia Pacific: Australia, China, Hong Kong, India, Indonesia, Malaysia, Singapore, Taiwan
 - EMEA: Egypt, France, UAE, UK
 - North America: Canada, US
 - Latin America: Mexico



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- Currency conversion risk – the value of your foreign currency and RMB deposit will be subject to the risk of exchange rate fluctuation. If you choose to convert your foreign currency and RMB deposit to other currencies at an exchange rate that is less favourable than the exchange rate in which you made your original conversion to that foreign currency and RMB, you may suffer loss in principal
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