



註冊財務策劃師協會  
Society of Registered Financial Planners

**“HONG KONG UNDERGRADUATE FINANCIAL PLANNERS OF THE YEAR AWARD 2022”  
(香港傑出大學生財務策劃師比賽 2022)**

**Case Study**

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FHKFA, FHKSI, CMA CB, FCIB, FAIA, FIPA**

Note: Your report must be written in English and no more than 15 single-sided, single-spaced pages (font size: 12-point Times New Roman), including cover pages, tables, charts, diagrams, references and appendices. Please submit the electronic file of your excel spreadsheets, if any, with your report.

George Man, (49), is a senior digital marketing manager with a Taiwan based securities brokerage (licensed corporation of SFC) in Hong Kong. His wife Macy Suen, (42), is a SME owner with 1 kid Betty (12). They each earn an average monthly salary of HK\$35,000 (George may have 1 - 3 monthly salary as performance bonus, subject to company performance and his year-end evaluation). They live in a three-room flat of 85 m<sup>2</sup> in east Kowloon above a MTR station, purchased 12 years ago at HK\$8.5 million with 80% at 3-month HIBOR+2.0% p.a. bank mortgage. Due to a recent slump in the second-hand property market, their flat is currently valued HK\$7 million. They also have a car loan of balance HK\$120,000. Macy's SME was granted a revolving O/D credit limit HK\$1.5M secured by the above three-room property since mid-2020 after the pandemic Covid-19.

They plan to send Betty (12) for a 3-year degree program in UK or a 4-year local degree program, subject to her DSE results in 6 years' time. They plan to set aside a lump sum for the purposes. Monthly cash expenses for the Man's family are around HK\$34,000 to 40,000; these include mortgage repayment, car loan repayment (about 18-month outstanding car loan) and relevant insurance premiums (lending bank required borrower life insurance, property fire insurance, statutory car 3<sup>rd</sup> party liabilities insurance), excluding taxes.

George has purchased an endowment policy of sum assured HK\$400,000 when he started to work 25 years ago; the policy will mature when he reaches 60 years old with expected maturity value HK\$800,000. George and Macy each own a whole life policy with critical illness cover with a sum assured of HK\$2.5M

George and Macy each have an investment fund account HK\$1.15M and HK\$1.60M respectively which values have been decreasing since the Sino-US trade war, the Russia-Ukraine war and the Mainland-Taiwan (Nancy Pelosi's visit) dispute.

**Quote** The Hong Kong Monetary Authority (HKMA) today (29 July) published the unaudited financial position of the Exchange Fund at end-June 2022.

The Exchange Fund recorded an investment loss of HK\$144.2 billion in the first half of 2022. The main components were:

- losses on bonds of HK\$55.9 billion;
- losses on Hong Kong equities of HK\$8.5 billion;
- losses on other equities of HK\$73.2 billion;
- negative currency translation effect of HK\$12.8 billion on non-Hong Kong dollar assets ([Note 1](#)); and
- gains on other investments of HK\$6.2 billion ([Note 2](#)).

Fees on placements by the Fiscal Reserves and placements by HKSAR Government funds and statutory bodies were HK\$20.4 billion (Note 3) and HK\$10.6 billion respectively in the first half of 2022, with the rate of fee payment at 5.6% for 2022.

Total assets of the Exchange Fund stood at HK\$4,210.5 billion at end-June 2022, a decrease of HK\$359.7 billion from the end of 2021. Accumulated surplus stood at HK\$607.9 billion at end-June 2022.

Mr Eddie Yue, Chief Executive of the HKMA, said, "The global financial markets struggled in the first half of 2022, facing intensifying inflationary pressures, tightening of monetary policies by major central banks, geopolitical conflicts and global economic slowdown. As a result, the investment environment deteriorated sharply accompanied by the rare occurrence of simultaneous slump in global bond and equity markets. In particular, the Bloomberg US Treasury Index and the S&P 500 Index recorded the worst performance since 1973 and 1970 respectively. Moreover, the sharp appreciation of the US dollar against major currencies has also led to translation losses among foreign currency investments. In the face of the unprecedented difficult market conditions, the Exchange Fund's bond, equity and foreign currency investments suffered losses in the first half of this year. Overall, the Exchange Fund registered its biggest investment loss in this six-month period. Nevertheless, in terms of rate of return, the losses accounted for 3% of the Exchange Fund's assets, which is smaller than the losses registered by global bond and equity markets (14% and 21% respectively (Note 4)). The Exchange Fund's long-term asset allocation and defensive measures have helped stabilise medium and long-term investment return."

He added, "Looking ahead into the second half of 2022, challenging global investment conditions will continue to linger, such as further tightening of monetary policies by central banks amid persistently high inflation, further deterioration of geopolitical risks, and intensifying risk of recession in major economies. This may lead to higher volatility in asset markets. In this connection, we believe the investment environment will continue to be tough for the remaining part of the year.

Notwithstanding the volatile market conditions, the Exchange Fund will adhere to its investment principle of 'capital preservation first while maintaining long-term growth' without being distracted by fluctuations in short-term returns. The HKMA will continue to diversify investments to further stabilise the Exchange Fund's returns with a view to achieving its long-term investment objectives."

**Unquote** <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2022/07/20220729-8/>  
They want to seek your professional advices on their fund management and further investment planning proposals.

Mr Man has been discussing with his wife about selling their flat in six to eight years' time and moving to the northern New Territories region in preparation for their retirement at their age of 60. They are confident that they can retire very comfortably if they move to the northern New Territories to get along with the HKSAR government's Northern Metropolis Development Strategy (NMDS, see attached summary) advocated by the ex-Chief Executive Mrs Carrie Lam and supported by the current Chief Executive Mr John Lee.

Although their property is currently valued below the purchase price, at HK\$7.0, they do not expect the property prices to fall further in the next 5 years. Mortgage current outstanding is about HK\$3.2M. In view of the pandemic Covid-19 in 2020 as well as there was good buffer of property net worth, a revolving standby overdraft facility of HK\$1.5 (Prime + 3.5%) was applied and granted

against their 3-room flat mortgage. Annual renewal of the O/D facility is normal for its no hardcore satisfactory utilization.

Up till present moment, they have been handling their financial planning by themselves. With the increased workload and family commitment, they plan to engage a professional financial planner to assist this year.

The Man's family goals include:

1. Prepare for their kid's higher education expenses overseas or locally in 6-years' time.
2. Determine the appropriate amount of life insurance they need for coverage
3. Further investment planning proposal regarding their investment funds; risk profiles indicate that Macy/George can tolerate medium-to-high/low-to-medium investment risk respectively.
4. Residential property planning, including the abovementioned NMDS move to the northern New Territories region
5. Make sure George and Macy are on track to enjoy a relaxing retirement at their ages of 60
6. Estate planning or tax planning is not their high priority

Relevant Financial data for the past 12 months

HK\$

Monthly Income from all sources (incl: SME sales revenue)	300,000 – 400,000
Monthly Expenses (business and household, incl: loan repaid)	220,000 – 350,000
Within which Monthly cash expenses for family/household	(34,000-40,000)
Home property (market value) purchased 8.5M 12 years ago	7,000,000
Mortgage outstanding; SME overdraft revolving credit 1.5M	3,200,000
Business value – going concern (Estimated)	3,500,000

Financial Statement

Current Assets	HK\$
• Savings/fixed deposit Account	205,000
• Business Checking Account with O/D limit 1.5M	370,000 Cr balance
Total Current Assets	<u>575,000</u>
Investment Assets	HK\$
George's Investment Fund Account	1,150,000
MPF Account	350,000
Endowment Policy assured amount 0.4M	500,000 estimate
Whole Life with critical illness assured amount 2.5M	310,000 guarantee Cash Value
Macy's Investment Fund Account	1,600,000

MPF Account	300,000
Whole Life with critical illness assured amount 2.5M	350,000 guarantee Cash Value
Joint Brokerage Securities Account	80,000
Total Investment Assets	<u>5,215,000</u>

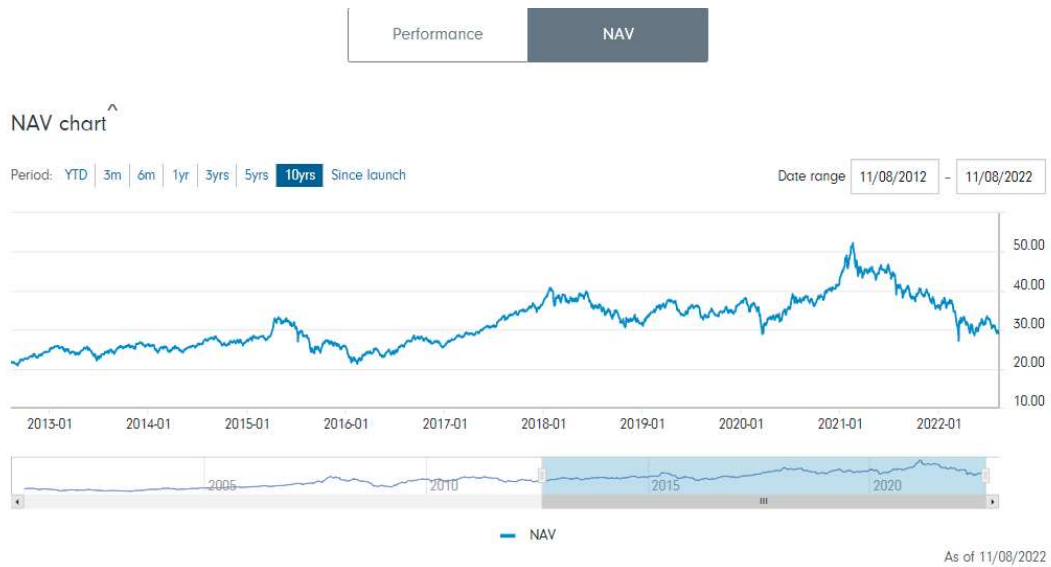
Fixed & Other Assets	HK\$	Liabilities	HK\$
• Home Property	7,000,000	• Mortgage	3,200,000
• SME – going concern	3,500,000	• Car Loan	120,000
	<u>10,500,000</u>	• Business Debt	445,000
		Total Liabilities	<u>3,765,000</u>
Total Assets	<u>16,290,000</u>	Net Worth	?

**Require:** As the financial planner to Macy and George, please provide the financial planning solutions for all of their life’s contingencies and have regular investment/savings plan to achieve their financial goals & dreams.

## Appendices

(1) Hong Kong Equity Fund NAV HK\$29.704 (11/8/2022)





(<https://www.fidelity.com.hk/en/funds/factsheet/CFHK/H> )

## (2) Northern Metropolis Development Strategy Summary

Note: 1. You may assume the male and female life expectancy to be 78 and 87 respectively.

2. You may make appropriate assumptions on economic growth, inflation, risk-free rate, Prime rate, deposit rate and HIBOR, etc.

"Northern Metropolis Development Strategy summary", please click the following link: <https://www.policyaddress.gov.hk/2021/eng/pdf/publications/Northern/Northern-Metropolis-Development-Strategy-Summary.pdf>