

# 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 you can achieve your goal
Medium	50% to 79%	It's likely you can achieve your goal
Hard	Below 50%	it's difficult for you to achieve your 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 projecting your future wealth.



## The portfolios' investment returns of each risk tolerance level

Risk tolerance level	Risk tolerance	Average return rate	Volatility
0	Cash return/secured	3.5%	0%
1	Very cautious	4.6%	4%
2	Cautious	5.4%	7%
3	Balanced	6.2%	10%
4	Adventurous	7.1%	13%
5	Speculative	8.1%	17%



## Assumptions provided by HSBC Asset Management

Item(s)	Value	Definition
Consumer Price Index (CPI)/ Inflation Rate	2.10%	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	3.30%	Assumption set by analysing the historical data on the average real salary increment since 2012.



## Property related

Item(s)	Value	Note
Mortgage rate	3.50%	Assumption is used to determine mortgage loan costs in Hong Kong. As this rate fluctuates daily, Future Planner uses the HIBOR rate on 7 February 2025 to determine the mortgage loan interest rate.
Property & Rental Income growth rate	3.40%	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 is established by referencing the average property market yield in past 10 years from Hong Kong's Rating and Valuation Department.



## Education related

Location	Annual education cost (approximate in HKD)	Note
Australia	HKD 335,600	Assumptions are established by referencing the mean annual tuition fee in the " <a href="#">Education booklet</a> " issued by HSBC Life (International) Limited.
Canada	HKD 390,950	
Hong Kong	HKD 45,775	
United Kingdom	HKD 469,750	
United States	HKD 490,750	



## Retirement related

Retirement lifestyle and monthly budget	Below age 80	Age 80 and above	Note
Basic	HKD 8,495	HKD 7,805	Assumptions are established by referencing the " <a href="#">HSBC Retirement Monitor</a> " issued by The Hong Kong and Shanghai Banking Corporation Limited.
Modest	HKD 12,990	HKD 14,235	
Comfortable	HKD 24,720	HKD 24,960	
Affluent	HKD 43,655	HKD 35,565	



## Life protection related

Item(s)	Value	Note
Medical cost growth rate	8.00%	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.
General illness cost	HKD 39,000	Assumption is advised by HSBC Life (International) Limited in view of the latest market 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	Assumption is advised by HSBC Life (International) Limited, referencing the common 1-year recovery period for general illness.
General insurance premium growth rate	2.10%	Assumption set to be in line with Consumer Price Index (CPI).



## Other assumptions

Item(s)	Value	Note
Personal loan rate	6.00%	Assumption is referencing the latest lending market conditions.
Discount rate for shortfall calculation	3.50%	Assumption uses the Secure risk tolerance level as the rate of return to determine the present value of future wealth.

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