Executive Summary

This survey was commissioned by MWYO, and the fieldwork was conducted independently by The Academy of Hong Kong at The Education University of Hong Kong. The survey aims to examine the situation of youth financial independence and their views on the subject.

The survey consisted of two parts: street intercept survey and focus group discussion. The street intercept survey was conducted between 9 May 2017 to 16 June 2017 at various public transport interchanges across Hong Kong. A total of 1,073 Hong Kong residents aged between 21 and 35 were successfully interviewed.

By inviting interested respondents from the street intercept survey, three focus group discussions were conducted during July 2017. Every group consisted of 6 to 10 people, with a total of 24 people. Each session is around 90 minutes.

Key Findings

<u>Perceived financial independence</u>
Most of the respondents from focus group discussions agree that being financially independent can provide a sense of security, as they do not need to rely on family, parents or others anymore. However, the results from the questionnaire show that more than half (55.8%) of the respondents think that they are not financially independent. For those who are full-time workers, 59.3% think that they are financially independent now, while only 17.1% of student respondents think so.

Even respondents with higher educational level might feel that they are not financially independent. From the cross-tabulation analyses, we found that a noticeable proportion of respondents with a post-graduate or undergraduate degree, 38.7% and 51.4% respectively, think that they are not financially independent now.

<u>What is financial independence?</u>
Youth from various backgrounds might have different understandings of the meaning of ‘financial independence.'

According to the results from the street intercept survey and focus group discussions, being financially independent means: (1) not relying on parents’ financial support; (2) having sufficient personal income to cover daily expenses, while also having enough savings for emergency; and (3) using their own wealth and money freely.

These three interpretations reflect different young people’s thoughts and needs. For those who are still relying on parents, ‘being financially independent’ means no longer relying on family fiscal support. For young adults who have already entered the workforce, ‘being financially independent’ means having enough income for daily spending and savings. The others think that being financially independent means having the freedom to use their wealth and money for whatever they want. To better understand the level of financial independence of Hong Kong youth, taking note of all three of the above perspectives is important.

<u>Dependence on parents</u>
Every young people will eventually transit from being financially dependent on their parents to being financially independent. Some respondents from focus group agreed that 'financial independence' means no longer rely on parents.

In the survey, only a small proportion of respondents depend on parents' financial support. The majority of those surveyed (88.6%) state 'personal working income' as their income source. Most of the respondents receive neither one-off financial support after 18 years old (70.8%) nor regular financial assistance (76.2%) from parents. For those who are full-time workers, only 4.2% are receiving regular financial assistance from parents, while 59.1% student respondents are now receiving regular financial assistance.

From the above findings, it might seem that young respondents are not heavily relying on parents' financial support. However, we cannot overlook other kinds of support from parents, especially in terms of housing.

From the focus group discussions, we find that while most of the respondents claim that they are not relying on parents' financial support, almost all of them are still living with their parents. Some agree that it is hard to define youth's status of 'financial independence,' as many of them are still living with parents. Respondents add that among the four necessities of life (i.e., food, clothing, housing, and transport), housing remains the biggest obstacles for young adults to achieve independence. Some respondents also mention other kinds of supports, including mobile services monthly fee, petty cash or other household expenses.

<u>Insufficient income</u>
With steady working income, young people can rely on parents' financial support less. However, results from the survey show that having insufficient income is a common challenge that most respondents are facing.

For those who think they are not financially independent, 42.8% state 'insufficient income' as the main obstacles. Only 54.4% of the respondents whose income source is 'personal working income' also claim that their earnings can cover daily expenses in the past three months.

So, what is the minimum amount of monthly income for one to achieve financial independence? Working youth and students might have different answers. Most of the respondents who are full-time workers prefer a monthly income of HK$20,001 to HK$30,000 (26.5%) or HK$30,001 to HK$40,000 (24.2%). For those who are students, they think that a monthly income of HK$20,001 to HK$30,000 (39.7%), HK$10,001 to HK$20,000 (21.8%) or HK$30,001 to HK$40,000 (18.8%) is sufficient to achieve financial independence.

Respondents from the focus group discussion add that a monthly income of HK$10,000 to HK$20,000 should be enough for daily expenses, but not including housing expenses. The others say that the actual income level might depend on many other factors, for example, the number of family members or age of parents, and noting that the income required tends to increase as one progresses into a later stage of life.

As for the minimum amount of savings for one to achieve financial independence, answers are quite extreme too. Respondents who are full-time workers prefer having a savings level of over HK$1,000,000 (18.6%). Meanwhile, respondents who are students expect a much lower level of savings for achieving financial independence, such as HK$50,001 to HK$100,000 (16.0%), less than HK$50,000 (15.7%) or HK$100,001 to HK$150,000 (15.7%).

The difference in the answers might be due to the various backgrounds, ages and saving purposes of respondents. While some respondents from focus group discussions say that a 'sufficient' level of savings should be enough for the down payment of housing, some also state that the savings only need to cover one's living cost for two to three months.

<u>Freedom in spending</u>
For some of the respondents, being financially independent means the ability to use their wealth and money freely.

In focus group discussions, some respondents with full-time jobs say that although they can afford daily expenses and accumulate savings based on their income level, it is still insufficient to buy a house and satisfy their wishes, such as further studying or traveling.

On the other hand, most of the respondents are dissatisfied with their current financial situation, and it is mainly due to the inability to purchase their own house and to do whatever they want. One of the respondents raised that he cannot afford the course and examination fee for some professional certificates.

<u>Parental support</u>
No matter what financial goal young people have, or how they interpret 'financial independence,' it is equally important to cultivate their good habits in money management.

Nearly half (49%) of respondents who think they are now financially independent agree that 'having good role models at home on financial matters' is the most important factor to their financial independence. Respondents from the focus group discussions also have similar views. Most of them agree that a good role model at home is crucial for developing good habits in money management. The others add that while parents can cultivate good habits in money management, friends might also affect their spending patterns.

Family background might be another important factor affecting young people’s money management skills and practices. A respondent with a disadvantaged family background said that he had been working since an early age, and it has helped him to develop a good sense of money management.

On the other hand, some respondents still consider financial support from parents as an important factor in achieving financial independence. For those who think they are financially independent, some agree that parents’ support in ‘buying a property’ (31.3%) and ‘paying education cost’ (30.0%) contributed to their financial independence. For those who are students, financial support from parents is also important. Some respondents from focus groups mention that parents’ financial support, especially tuition fee and money allowances, is necessary until they start working.

Financial education

Results from focus group discussions imply that financial education programs at school are somehow ineffective.

Numbers of respondents agree that financial education in school has 'zero' effect on their money management skills and habits. The others add that most of the financial education programs from school are not attractive to students.

It is important for schools and other related organizations to improve both the quantity and quality of financial education programs. First, schools should consider to incorporate financial education elements into the curriculum. Second, they should review those programs and make sure that they are attractive to youth, to motivate them to build a good habit and skillset on money management.

Conclusion

Young people are in transition from childhood to adulthood and face various challenges, which often include the ability to achieve financial independence.

With that being said, youth from different backgrounds might have different interpretations on 'financial independence.' Some want to be independent of parents' financial support; some want sufficient income to cover daily expenses and have enough savings for the emergency, and some hope to use their money and wealth freely. Although survey results show that respondents with full-time work do not heavily rely on parents' financial support, most of them have insufficient income and are dissatisfied with their financial situation, as they cannot yet purchase a property or use their money freely for their own leisure or further study.

To assist young people to reach their financial independence, it is important to cultivate their good habits in money management at early stage. Survey results show that parent as a good role model on financial matters is a major factor contributing to youth financial independence. It is also important for schools and other related organizations to review their financial education programs, and make it attractive to young people.