How to Develop the Right Attitude to MPF Management?

Kung Fu (martial arts) is an integral part of traditional Chinese culture. To become a proficient Kung Fu practitioner, however, it is not enough to learn punching and kicking techniques; one must also understand the mind-set of the art. Being skilful and having the right attitude are both prerequisites for mastering Kung Fu, and the same goes for MPF management. To effectively manage MPF assets, being knowledgeable about investment is not enough; one must also have the right attitude.

Understand the values of MPF to shape the right attitude

To create the right attitude for MPF management, there are four things to bear in mind. First, "members must perceive MPF as an important part of their wealth". Since MPF assets can only be withdrawn when a member reaches the retirement age of 65, and the size of accumulated benefits may be negligible in the early stages of investment, some members, especially younger ones, may not be able to grasp the importance of MPF investment. However, members should be aware of the power of compounding. Even if the amount of monthly contributions is small, the accumulated sum can grow into a large amount.

Secondly, you may have heard people in news reports saying things like: "I've burned through my MPF savings in just a few years. I don't have enough money to sustain my retirement expenditures anymore." This kind of story implies that some members treat their MPF investments as the sole financial arrangement for retirement. Members should understand that MPF is designed to be one part of their retirement arrangements, and that mandatory contributions alone are not enough to cover all retirement expenditures. Furthermore, members should have a thorough understanding of the risk and reward characteristics of MPF funds. For example, the potentially higher returns in equity funds are accompanied by higher risks. Members should select funds that cater to their own investment objectives and risk tolerance.

Consolidate accounts to avoid hassle

Thirdly, "members should not keep more than two MPF accounts". Account consolidation is essential for the effective management of MPF as it is unlikely members will have enough time to manage multiple MPF accounts. Account consolidation also means members have fewer account names and passwords to remember, making it less likely that they will be forgotten.

Finally, "perform regular reviews". MPF is a long-term investment. No matter what kinds of funds you have chosen, it is necessary to carry out periodic reviews to align the fund choices with your life stage. Getting into the habit of performing regular reviews can also help you develop a positive attitude towards MPF management. However, members must bear in mind that MPF is a retirement investment and should not be used as a tool to speculate on short-term market volatility. Developing the right attitude, therefore, is crucial to getting the most from the MPF scheme. ■