

SECTOR BRIEFING

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# The Best is Yet to Be

Retirement Planning in Singapore:  
Trends, Challenges, and Solutions



*Grow old along with me!  
The best is yet to be...*

A poem by Robert Browning

Produced by:  
Asian Insights Office • DBS Group Research

# The Best is Yet to Be

## Retirement Planning in Singapore: Trends, Challenges, and Solutions

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# Ageing Asia

## Introduction

**A**cross Asia, rapidly ageing populations represent a looming challenge to governments, employers, households, and financial institutions alike.

The number of older persons in the region is expected to triple from 438 million in 2010 to more than 1.26 billion by 2050<sup>1</sup>. By then, almost two-thirds of the world's older persons will be living in the region, with one in four people being over the age of 60. The proportion of "oldest-old" – those above 80 years of age – is also expected to increase and constitute 19% of the older persons in the region by 2050.

Retirement income security is one of the many areas this unprecedented "retiree boom" will negatively affect.

Indeed, many of Asia's retirement income systems are not prepared for rapid population ageing<sup>2</sup>. Many of the more prosperous Asian countries are having fewer babies, shorter marriages, and longer lives. Combined with generally low retirement ages, this demographic transition is already leading to the number of pension recipients outnumbering the number of contributors in certain developed Asian economies.

The situation is further aggravated by the fact that responsibility for retirement income security is increasingly falling on the shoulders of individuals besides that of the state<sup>3</sup>. As an advanced economy, Singapore faces similar challenges. This report explores these shifts that are already starting to become a major challenge for Asia as a whole and Singapore in particular.

## The number of senior citizens is set to double by 2030

### Understanding Retirement Planning

In light of these developments, DBS commissioned a survey<sup>4</sup> on Singaporeans' retirement planning to better understand the key trends and challenges that are taking shape in this rapidly ageing nation.

The study was conducted by combining quantitative and qualitative methodologies. On the quantitative side, online surveys were filled out by more than a thousand Singaporeans or Permanent Residents (PRs) aged 18 to 60 with minimum monthly personal incomes of S\$2,500. On the qualitative side, statistically representative focus group discussions were conducted with single and married Singaporeans aged 25 to 55.

From retirement aspirations to consumer habits and banking preferences, the topics explored by the survey revealed that a significant mismatch exists between people's expectations for their years in

retirement and the tangible steps they take to make their plan a reality. This finding is analysed in light of Singapore's current social, demographic, and economic dynamics in the first part of this report.

The survey also revealed that many people in Singapore see planning for retirement as a highly intimidating task that requires a lot of money, effort, and time yet will only pay off sometime in the far future. The second part of this report discusses the effects of this perception on saving patterns and its impact on the design of Singapore's public pensions scheme, the Central Provident Fund (CPF) system.

The report's concluding remarks focus on recommendations for individuals and households to work hand in hand with the banking sector to enhance their retirement planning strategies. From starting to save as early as possible to planning with a trusted support framework, there are many ways to reach the best that is yet to be. ❌

# What We Found

Most people have retirement as their main financial priority

- ✘ Respondents have very high ambitions for their future retirement life; financial sustainability, lifestyle upgrade, personal fulfilment, and social belongingness are the main self-actualising objectives they expect to achieve with their future retirement income.
- ✘ 76% of Singapore respondents say their main long-term financial goal is to provide for their retirement.

However, the majority do not have a concrete plan

- ✘ Only 25% of Singapore respondents have implemented a financial plan for their retirement, while another 25% are still at the planning stage. The rest (50%) do not have a concrete financial plan in place.
- ✘ On average, the respondents that have started planning for their retirement did so at age 28 while those that have not started planning yet expect they will do so when they are 38.

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Singapore residents aged 65 years and over:

6% 1990

11% 2013

## They are intimidated by the task of financial planning

- ❌ 24% of respondents feel that the main barriers to financial planning are confusion on the most appropriate and rewarding financial products, while 23% think they lack enough funds to get a good head start.
- ❌ Singapore respondents generally perceive planning for retirement as a highly intimidating task that requires a lot of money, effort, and time yet will only pay off sometime in the far future.

## They need more than they think

- ❌ 85% of respondents expect to receive an average of S\$3,500 per month for 15-20 years or more. Depending on the age group, they estimate they need about S\$480,000 to S\$700,000 to retire.
- ❌ This may be an underestimation. Calculations made by our financial experts on retirement suggest an even higher level of total funds required – S\$900,000 – for retirement at 65.

## They need to get better returns from their funds

- ❌ Respondents expect cash savings (73%), CPF savings (72%), and insurance/investment/annuity plans (64%) to be their key sources of retirement income.
- ❌ On average, the respondents contribute about S\$1,650 per month to savings accounts, S\$1,070 to fixed deposit accounts, S\$510 to ETFs, S\$440 to unit trust funds, S\$370 to annuities, and S\$360 to endowment plans.

Our financial advisors point out that many of the respondents are in effect holding onto cash and allowing inflation to chip away its value. They should consider allocating their financial resources into assets that are relatively safe and are able to deliver better returns in order to reach their retirement goals.

# How to Plan for Your Retirement

## Step 1: Start Now

Start as early as possible and with a clear plan ahead. It is very tempting to try to ignore the stress of preparing for old age, but the earlier one starts dealing with it, the easier it gets to put a plan into place and then having peace of mind.

## Step 2: Make a Plan & Start Saving

Of course, in order to be able to start early, one should have a plan first; having a financial plan and just saving something, however small the amount, can make a big difference in the long run.

Cashflow management, or making sure that you are not spending more than you ought to, is essential to charting up plans for the future. You should set aside cash amounting to 3 to 6 months of your living expenses before making any investment. You should aim to save at least 20%-30% of your monthly income.

## Step 3: Set a Target

Articulate your retirement goals, aspirations, and priorities. Overall, a sound financial plan will allow you to progressively shift your priorities towards longer-term savings. A financial plan requires some thinking and

preparation. Plans may vary from person to person, but they all usually include the following steps:

- ❌ Define your retirement: When do you expect to retire? How long do you expect to be in retirement? How do you see yourself spending your time? Where do you want to live, with whom, and doing what?
- ❌ Take stock of your assets: Do you own any properties? Do you have any outstanding debt?
- ❌ Evaluate your health: Do you have any medical conditions that may worsen over time? Can your current lifestyle affect your future health?
- ❌ Create a retirement budget: How much money do you want to live with? How much will you need to live comfortably for as long as you want to?
- ❌ Find ways to cut some of your expenses: Can you save more money than you're currently saving? Are there any unnecessary expenses you could do away with?

You should always plan for many unpredictable events that can affect your plans. Many life events, positive and negative, have an impact on retirement savings. Marriage, divorce, births, deaths, accidents, illnesses, and freak accidents are some of the major life events that can radically change one's priorities in life. It is important to include extra funds in savings plans so that such events do not necessarily negatively affect the entire retirement savings.

## Make an appointment with a DBS expert today to start a conversation about your retirement planning

### Step 4: Refine Your Plan

There are many useful retirement tools out there. In order to avoid running out of funds halfway through retirement (or earlier), it is important to use these available tools.

Remember, however, that some tools are only indicative; for better results, use them with the guidance of a specialist who can further personalise your retirement plan. Not only are they trained to find the most adapted product that will fit your specific needs, they can also help plan and achieve your life goals.

### Step 5: Save, Protect & Grow Your Retirement Fund

#### Save

The later you start, the more you'll need to pump in every month due to the cost of waiting. Start early and allow your money to grow over time with a regular savings programme that offers an acceptable rate of return corresponding to your risk appetite.

#### Protect

During the accumulation or drawdown phase of your retirement plan, you may face the risk of financial loss due to a range of events such as death or loss of income due to illness or disability that may derail the plan. High medical bills as a result of illness must

also be taken into consideration. Insurance is about transferring this financial risk to insurers. In the event that the insured event occurs, the insurer will pay you a pre-agreed amount of money to cover your loss.

#### Grow

Investing can be a good way to give your money a real chance to grow faster during the accumulation phase. With investing, you can put your money in a variety of assets, each with the potential to increase in value at a level higher than the current interest rate.

Here are some investment advice suited for the purposes of retirement planning from our experts and advisors:

#### ✘ Have a Regular Savings Plan (RSP)

An RSP is a monthly subscription plan that enables you to start small and affordably invest a fixed amount of money into a certain asset type on a regular basis. It uses the concept of dollar cost averaging, an effective strategy that eliminates the need to time the markets.

Some potential asset types to consider investing through an RSP include endowment, annuities, exchange traded funds (ETF), and unit trusts.

#### ✘ Set Up an Investment Portfolio

Depending on your risk appetite, you could set up an investment portfolio consisting of different assets (e.g. cash, equities, fixed incomes, unit trusts, etc.) to diversify your investments.





# Facing Reality

**S**ingapore's economic development, institutional apparatus, and human resource mobilisation have made it a model to follow by many countries. Yet even this well-oiled machine is now facing a new set of challenges that could potentially disrupt its formula for economic success. One of the most pressing challenges concerns the rapid ageing of the population and its impact on the economy. Such a demographic change is bound to affect the nation's solid yet vulnerable pensions/retirement system.

## Rise of the Silver Tsunami

The number of elderly people is indeed increasing in Singapore, and as their number swells so does their socio-economic impact on the labour market, healthcare system, and budget planning.

The already significant number of elderly Singaporeans is set to keep growing in the next 20 to 30 years. The number of senior citizens is set to double to 900,000 by 2030 and is estimated to reach 38% of Singapore's total population by 2050<sup>5</sup>. According to recent population

projections<sup>6</sup>, elderly Singaporeans aged 65 and above may constitute one in every three citizens and PRs by 2050.

The proportion of Singapore residents aged 65 years and over reached 11% in 2013 (from 9.9% in 2012 and from 6% in 1990) and the median age of the resident population went up to 38.9 years in 2013<sup>7</sup>. The old-age support ratio, meanwhile, continues to dip: in 2013 there were 6.4 residents aged 20-64 years for each elderly resident aged 65 years and over (from 6.7 in 2012 and from 13.5 in 1970).

This unprecedented increase in proportion is due to the fact that Singaporeans are living longer. In terms of life expectancy at birth, a Singapore resident born in 2012 could expect to live to an average of 82.3 years (up from 81.9 years in 2011), whereas women could expect to live to 84.5 years and men to 79.9 years. Life expectancy at age 65 is also constantly increasing: in 2012, it was 18.5 years for men (up from 18.1 in 2011) and 21.9 years

for women (up from 21.6 years in 2011).

Another important factor is the declining number of births, a direct consequence of people remaining single for longer, marrying later, and having fewer babies later in life. This trend is not likely to change anytime soon: if current patterns continue, Singapore's total fertility will remain under the 2.1 replacement rate well up to the year 2100<sup>8</sup>.

The growth of Singapore's elderly population is further aggravated by the fact that they are also growing older<sup>9</sup>. The proportion of the very old (aged 85 and over) grew from 4,500 in 1980 to over 27,800 in 2009.

In other words, the looming "silver tsunami" is unavoidable and all the government can do is try to minimise the strain that it will put on its socio-economic foundations.

One way to do this is to be able to anticipate the habits, needs, and priorities of those who will one day retire in Singapore.

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Singapore's total  
fertility will remain  
low well up to the  
year 2100

Indeed, from a pragmatic policy-making point of view, knowing what working-age people want from their retired life makes it much easier to adjust or transform the institutional system they will grow old in.

## Wants, Needs, and Desires

The higher income middle class is one of the fastest-growing segments in the region and a rising economic force in Singapore. They generally have assets under management comprising S\$80,000 to S\$350,000 and this is projected to grow by 10% annually in the next few years. This group of people represents between 15% to 25% of the working population in Singapore<sup>10</sup>.

In our primary research, we found that the majority of this segment tend to have ambitious aspirations for their retirement years (travels, purchases, hobbies, investments, etc.), yet about half of them do not know when to start planning for their future retirement, where to find useful information and advice to make the

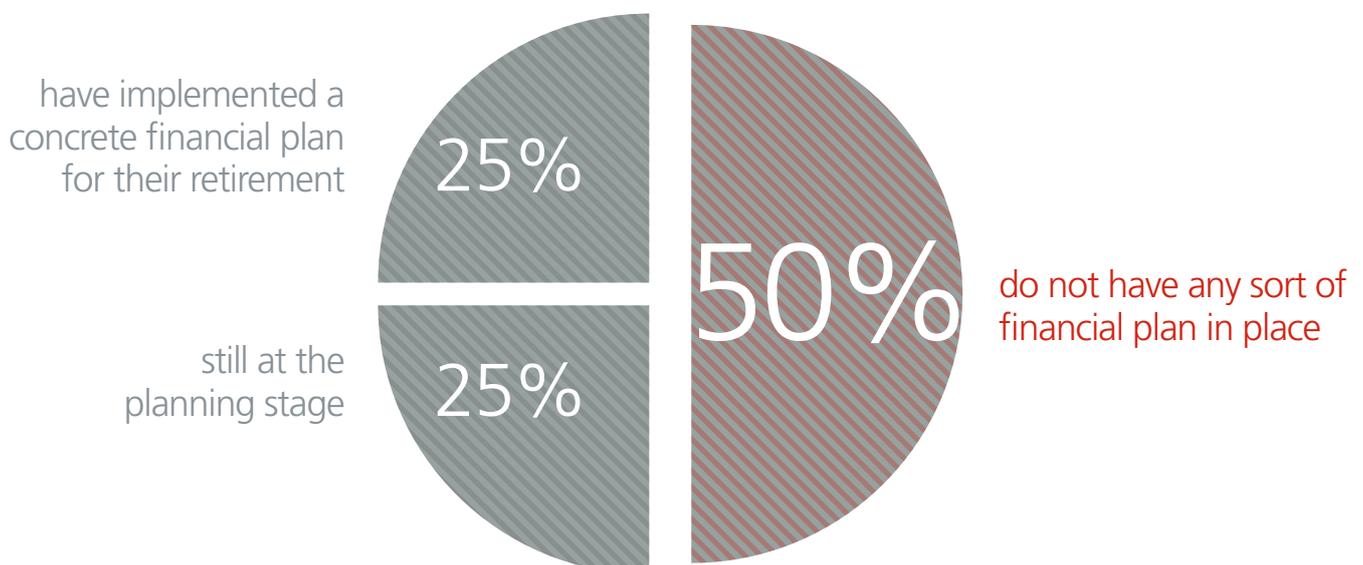
most out of their existing wealth, nor how to plan realistically.

This is particularly true for the younger end of this demographic spectrum who, according to the survey, tend to not take a holistic or long-term view of their overall finances despite looking to become financially independent. Those who are older, meanwhile, tend to underestimate the amount of planning required to manage their wealth and to provide for their dependants.

## Objectives vs Strategies

The vast majority of people surveyed by DBS say their primary financial goal (two years and beyond) is to provide for their retirement. From a short-term perspective (up to the next two years), their goal is to be able to get a regular additional monthly income and to have enough money to beat inflation and recession.

Those in the 35-49 and 50-62 age groups both put their retirement as their main long-term priority, but differences appear when it comes to short-term priorities;



those between the ages of 50-62 prioritise growing their money to face inflation and other unpredictable market factors, while those between the ages of 35-49 focus on getting a regular additional monthly income that can help them to quickly pay for their day-to-day expenses.

In this regard, those between the ages of 18-34 seem to give more importance to their present and immediate financial needs, as getting regular additional monthly income is both their long- and short-term goal.

Yet the survey also shows that only 25% of respondents have implemented a concrete financial plan for their retirement, while another 25% are still at the planning stage. The rest (50%) do not have any sort of financial plan in place.

This is a particularly worrying trend considering the fact that many Singaporeans do not set aside a single dollar for retirement because the rising costs of living take large parts of their disposable incomes<sup>11</sup>.

### Age of Retirement

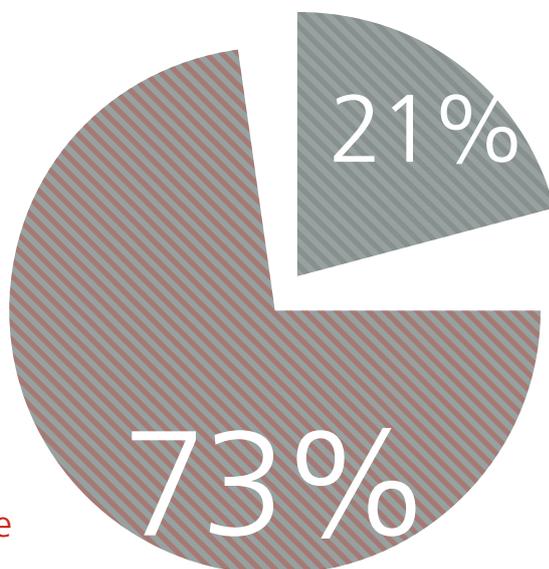
The DBS survey shows that 73% of all respondents say they plan on retiring between 55-65 years of age and that 21% hope to be able to retire before they are 55 years old, seven whole years before the official retirement age of 62, although a more realistic retirement age some countries adopt is around 65.

Nevertheless, one in two Singaporeans (50%) believe they will have to work beyond the normal retirement age, according to another study<sup>12</sup>. It showed that many Singaporeans understand they will have to extend their working years in part- or full-time activities that allow them to complement their retirement incomes.

### Underestimated Needs

When asked to estimate their future retirement income needs, 85% of all DBS respondents declare they expect to receive an average of S\$3,500 per month, a sum that they feel should be enough to cover their daily expenses, make big

say they plan on retiring between 55-65 years of age



hope to be able to retire before they are 55 years old

ticket purchases, fulfil social activities, and contribute to the community for 15-20 years or more of their retired life.

When asked to estimate the amount they think they will need to set aside to generate a stable monthly retirement income, all respondents declare that an average of S\$523,306 should be an adequate sum. At S\$480,268, those aged between 18-34 set the bar a little lower, probably because they do not yet foresee big expenses such as cars and children's tuition fees. At S\$532,749, those between the ages of 35-49 seem to take into account the fact that big – and oftentimes unexpected – expenses are likely to take place. At S\$702,128, the estimate for the group between 50-62

reflects the fact that medical expenses represent a big share of retirement incomes.

They face a significant retirement funding shortfall. Based on their estimated retirement expenses, the retirement savings would last for only around 12 years, leaving an expense shortfall of almost 6 years (using the average age span of a resident of Singapore), or approximately S\$250,000 per person.

Simply put, if Singaporeans do not make major changes to their savings strategies, they face the prospect of having to work during their retirement and thus downgrading their lifestyles when they are at their most vulnerable.

## How Much Do You Really Need?

Calculating how much is necessary for retirement is not as easy as it seems, and many people run the risk of underestimating what they truly need. Essentially, it involves looking into the future and making informed guesses on how long one would live, how inflation is going to look like in 20 to 30 years' time, and the expected returns on one's investment further down the road. These variables make it difficult to plan ahead and make meaningful assumptions.

Life expectancy, which is often based on the national average, is one concern. About half of the population can expect

to live up to the average life expectancy of 82 years, while the other half that practices active ageing may very well live beyond that.

Inflation and rates of return used in both the accumulation and decumulation phases of retirement can influence the output of any retirement calculators out there in the market. Yet the inputs could also range widely and are difficult to predict.

As mentioned earlier, respondents from the DBS survey declare that an average of S\$523,306 should be an

adequate sum to set aside for retirement. However, there seems to be a disjoint between how much one needs for retirement versus how much one needs to have set aside at their retirement age.

Using DBS' Retirement Planner, a tool which presents a simple chart illustrating what an individual needs versus the funds they will have at retirement based on several inputs, a male aged 50, expecting to receive S\$3,500 a month (in today's dollars) till 81 years old, will need S\$1,050,000 at the retirement age of 65. This is based on a 100% income replacement ratio from the current monthly income. If one expects a much higher retirement lifestyle (e.g. by adjusting a higher income replacement ratio), it will have a corresponding effect on the total funds required at age 65.

Other variables such as higher salary associated with higher retirement expectations, the desire to set an early retirement age that shortens the accumulation period, and healthy active ageing may also cause individuals to misestimate the total funds required at the age of retirement.

Despite healthy levels of savings in Singapore, one may still struggle to estimate sufficient funds for their retirement due to the unwillingness to take risks, uncertainty about inflation and life expectancy assumptions.

The Retirement Planner helps to minimise ambiguity and provides flexibility by allowing the individual to adjust these variables to suit their needs without necessarily requiring them to have an in-depth understanding of finance.

### Working through Retirement

Working past the age of 65 has become more commonplace than ever before, but more often than not ageing workers are paid very little and are physically limited by the amount of hours they can put into remunerated activities.

Generally speaking, opportunities for ageing workers remain quite limited in Singapore despite many recent policy advancements<sup>13</sup>.

Indeed, in 2013, 59.7% of Singapore's resident elderly population aged 60 to 64 was in the labour force, more than 25 percentage points more than a decade

earlier (34.2% in 2003). Similarly, 40.2% of Singapore's resident elderly population aged 65 to 69 was in the labour force in 2013, more than double the 19.5% in 2003. The trend also applies to residents aged 70 and over who at 14.4% were more than double than in 2003 (6.3%).

A big part of the increase was driven by older women whose employment rate continued its underlying uptrend to a record 50.9% in 2013 from 48.1% in 2012.

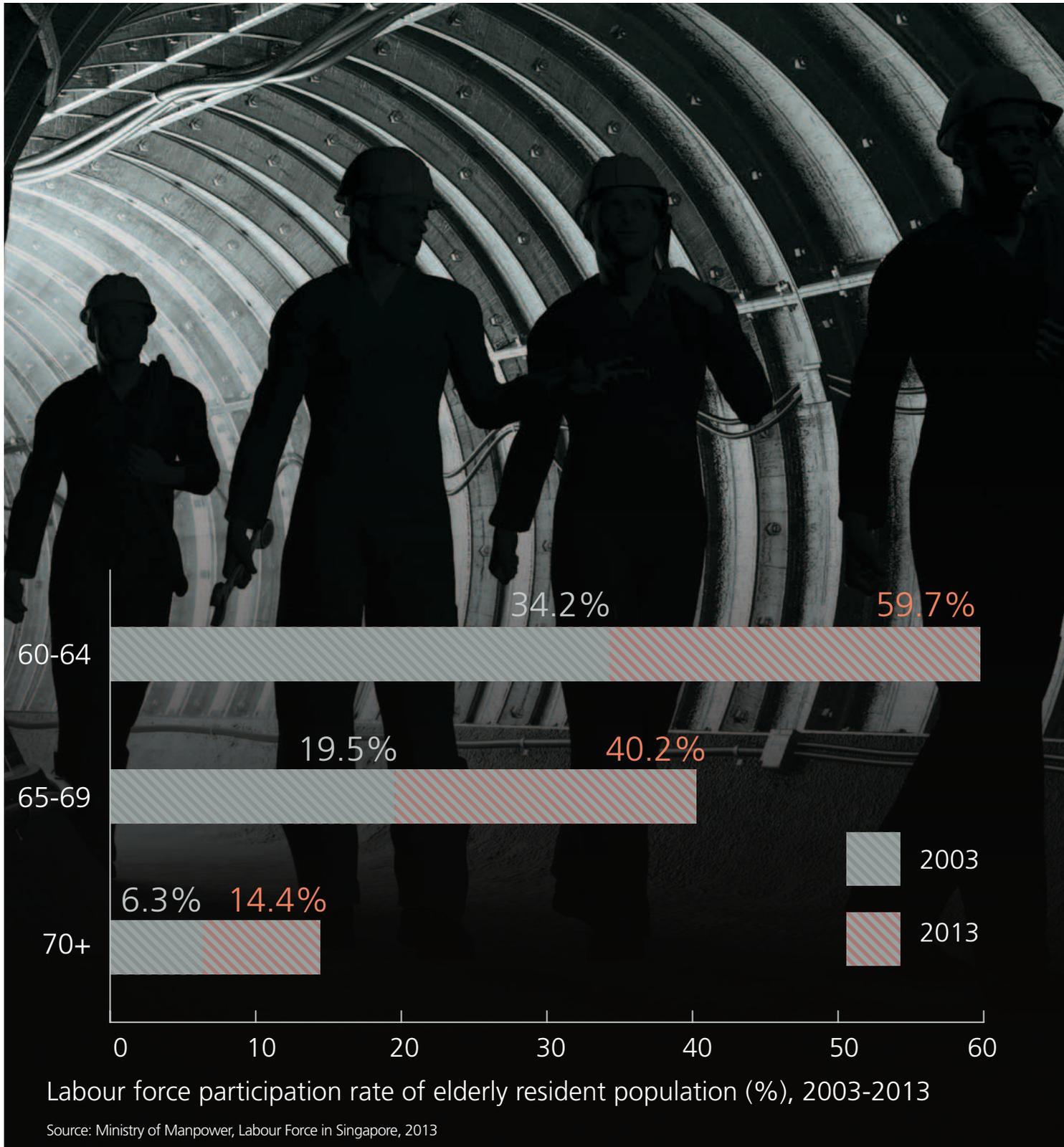
### Income Inadequacies

Despite being gainfully employed in their old age, the majority of the elderly who were employed in 2013 drew gross

in 2013

**59.7%**

of Singapore's resident elderly population aged 60 to 64 was in the labour force



monthly incomes of less than S\$1,500; 19.8% of those aged 60 to 64 years old made between S\$1,000 and S\$1,499, while 25.9% of those aged 65 to 69 and 35.1% of those aged 70 and over made between S\$500 and S\$999. Overall, the elderly remain heavily under-represented among those earning S\$2,000 and higher.

What's more, older Singapore residents tend to be in lower-skilled jobs<sup>14</sup>; production & transport operators and cleaners & labourers have the highest incidence of older residents, with nearly two in three (63%) of them aged 50 and over in 2013. In stark contrast, only one in four (24%) Professionals, Managers, Executives, and Technicians (PMETs) are aged 50 and over.

As a result, in 2010, 62.8% of all elderly residents aged 65 and over depended on their children's allowances as their main source of financial support<sup>15</sup>. This trend remains true throughout all age groups; the older the person gets, the more he/she depends on allowances given by children/relatives (from a low of 48.3% for people in their 50s to a high of 83.3% for people in their 80s).

## Unsustainable Ambitions

Overall, the higher income middle class surveyed by DBS have very high ambitions for their future retirement life such as financial sustainability (long-term provision of basic necessities), lifestyle upgrade (taking the time to enjoy the finer things in life), and personal fulfilment (travelling, and leisurely activities)<sup>16</sup>.

Yet the survey reveals a lack of financial preparedness. Not everyone will be able to secure a recurring income stream in retirement to maintain current lifestyles or to upgrade the quality of their retired life.

Interestingly, this lack of planning comes at a moment when more and more avenues are becoming available to mobilise personal assets, savings, and investments in a durable and sustainable way to supplement social transfers from the government.

This gap between aspirations and reality can be detrimental to individuals, households, and the country's system of social safety nets, which is why policy-makers are doubling their efforts in instilling a sense of personal responsibility for preparing for old age income. ❌

a sense of personal responsibility  
for preparing for old age income



# Savings and the Future of CPF

**L**aunched in 1955, the Central Provident Fund (CPF) system was designed as a compulsory savings plan for working Singaporeans and Permanent Residents to fund their needs when they retire or when they are no longer able to work.

Fully funded by both workers and employers, the contribution scheme has become the bedrock of Singapore's social security system, progressively evolving into a comprehensive social security savings scheme that not only takes care of CPF members' retirement needs, but also their housing, healthcare, insurance, education, and family protection needs<sup>17</sup>.

In recent years, however, socio-demographic changes in Singapore's society have led to a number of adequacy and flexibility challenges. The current CPF system is able to provide entrants to the workforce with adequate retirement savings as long as members work consistently and choose a housing type that is within their financial means<sup>18</sup>.

To retire comfortably, young Singaporeans must consider their housing choices as part

of their retirement planning; something that is much easier said than done when one knows that surveyed Singaporeans are not doing much planning or saving at all.

In terms of flexibility, many have started to call for a more supple approach regarding the time and the way CPF savings can be used<sup>19</sup>. Indeed, the CPF system has very strict rules about how much money can be withdrawn and what it can be used for<sup>20</sup>, an approach that has allowed more than 90% of Singaporeans to become home owners but that is also making them "asset-rich but cash-poor"<sup>21</sup>.

Housing remains the most important non-financial asset for most Singaporeans, which is why there is a need to strengthen policies that will facilitate the monetisation of these assets for those who need it in retirement.

If kept unaddressed, these challenges will aggravate the growing trend of working-age Singaporeans seeing financial planning in general and retirement planning in particular as a burden that they would rather deal with when it may already be too late.

Future retirees in Singapore face the grim prospect of their retirement savings running out halfway through their retirement



**24%**

feel that the main barriers to financial planning are confusion on the most appropriate and rewarding financial products

### The Burden of Saving

Our survey reveals that many people in Singapore see planning for retirement as a highly intimidating task that requires a lot of money, effort, and time yet will only pay off sometime in the far future.

Overall, the concept of retirement planning is seen as risky, complicated, and confusing; 24% of respondents feel that the main barriers to financial planning are confusion on the most appropriate and rewarding financial products, while 23% think they lack enough funds to get a good head start.

Other barriers include financial priorities such as children’s education or housing loan, unwillingness to compromise on lifestyle, a perceived lack of suitable retirement products, and the uncertainty of long-term investments.

Among those that have actually started

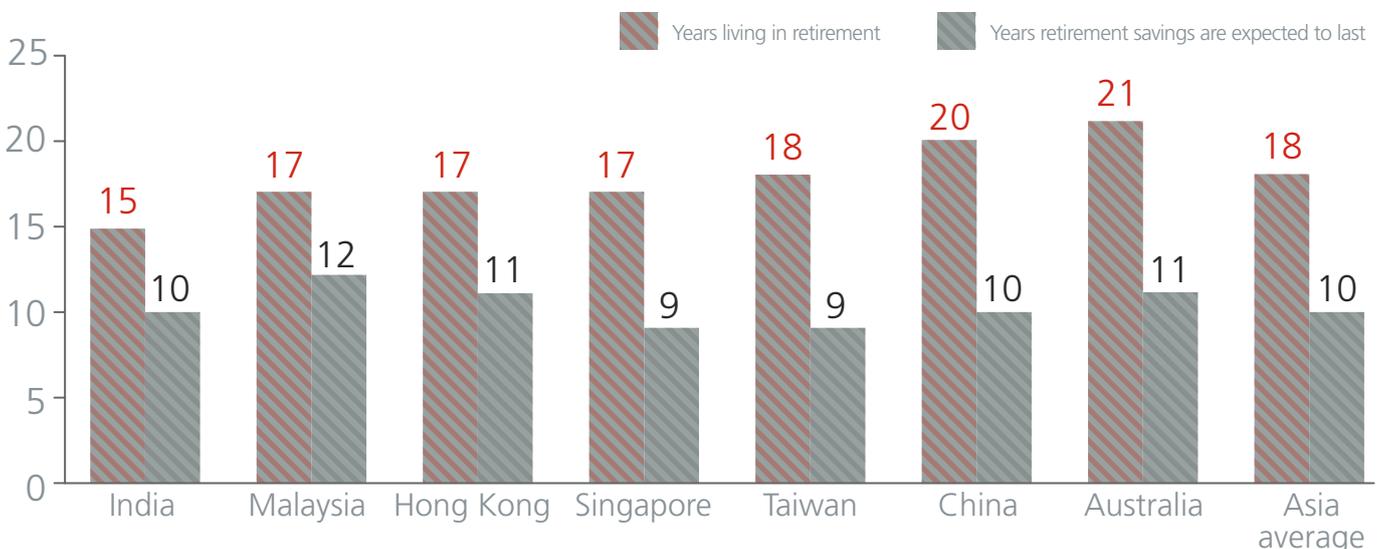
planning, some of the drivers included attractive financial/savings products, major life changes (having children or getting married), need for independence during old age, and influence of family and friends. Only 8% to 10% of respondents were driven to start planning for their retirement when they were prompted by their bank relationship managers or their financial advisors.

Unsurprisingly, this perception of retirement planning as a daunting burden translates into Singaporeans pushing back the moment they actually start doing something about it. On average, the respondents that have already started some form of planning did so at age 28 while those that have not started planning yet expect they will do so when they are 38.

### Timing and Income Gap

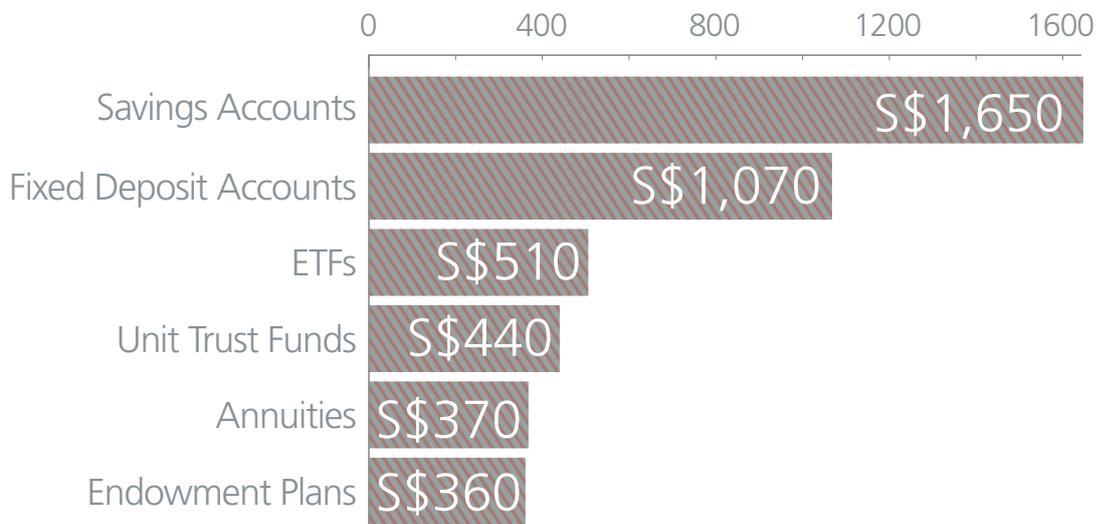
The barriers to retirement planning mask the fact that longer life expectancies and

Years living in retirement vs. years retirement savings are expected to last, 2013



Source: HSBC, Retirees in Singapore Face 8 Years of Hardship After Savings Run Out, September 2013.

On average, Singapore respondents contribute per month:



changing expectations of retirement life are making it increasingly inevitable that Singaporeans start saving for retirement early.

Experts agree that the earlier one starts to save for retirement – even if it is with a small amount – the higher the probability of being able to meet one’s basic needs when retirement arrives. Conversely, the later one starts saving for retirement, the more difficult it is to maintain decent lifestyles during retirement<sup>22</sup>.

Indeed, many future retirees in Singapore face the grim prospect of their retirement savings running out halfway through their retirement, as they estimate their savings to cover only 12 out of the 18 years they expect to live in retirement.

During the remaining years depleted of retirement savings, they are left to grapple with rising healthcare costs and other burdens associated with old age as they transition from active retirement into the years of frail retirement.

### Saving Patterns

Cash remains a big part of surveyed Singaporeans’ wealth portfolio. Cash savings (73%), CPF savings (72%), and insurance/investment/annuity plans (64%) are their key sources of retirement income.

Twenty-nine percent of respondents think they will continue working after retirement age while 23% will downgrade to a smaller home for cash, 20% will count on financial support from family and children, and only 11% will reach out to government support and social organisations.

On average, Singapore respondents contribute about S\$1,650 per month to savings accounts, S\$1,070 to fixed deposit accounts, S\$510 to ETFs, S\$440 to unit trust funds, S\$370 to annuities, and S\$360 to endowment plans.

There is also increasing awareness of the importance to have sufficient protection as part of retirement planning. Over 50% of respondents own hospitalisation and surgical plans, whole life protection, as

well as critical illness plans. Those in the younger age group of this segment have a significantly higher ownership of whole life protection, critical illness, investment-linked plans, endowment, and savings plans compared with other age groups. Older respondents tend to hold a wider variety of protection plans including child education plans and long-term care plans.

When it comes to pay-outs, respondents who prefer lump sum pay-outs do so as they see this as an opportunity to reinvest part of the money to beat inflation and accumulate more wealth. Those leaning towards monthly pay-outs enjoy a sense of security knowing they will have a monthly income and are seeking lifetime coverage.

So how do these planning and saving patterns affect policies related to retirement, and income security?

## Individual Responsibility

Generally speaking, Singapore's social security framework is founded on the principles of self-provision and self-reliance; the responsibility to provide for one's own retirement needs lies primarily with the individual and his/her immediate family. This moderates reliance on the state and ensures fiscal sustainability for the long term.

The policy challenges regarding retirement are two-fold: first, there is the short-term challenge of addressing the urgent needs of the elderly who are increasingly struggling to get by (the pre-baby boomers). Second, there is the need to prepare the country's institutions for the looming wave of retired baby boomers.

## Short-Term Adjustments, Long-Term Transformations

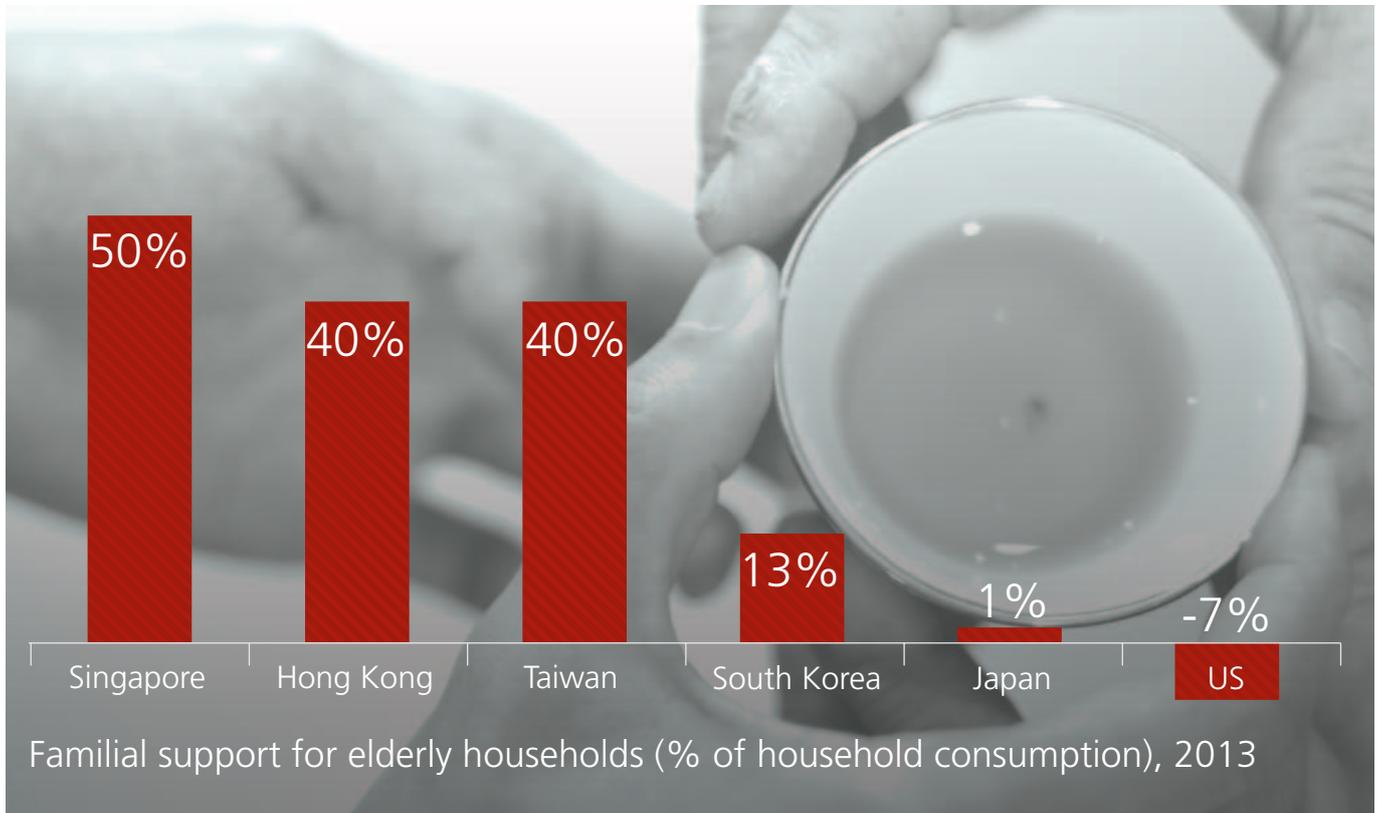
The first challenge can be tackled by adjusting the processes and tweaking the mechanisms of the pensions/retirement system, as is already the case. In 2014, for instance, an administration-wide rethink of strategies took shape in many different areas to address some of the day-to-day challenges faced by the country's growing ageing population<sup>23</sup>.

The second challenge requires a much deeper transformation of strategies, as the end goal is the enactment of policies that instil greater autonomy and independence in the way people plan their retirement lives.

"Successful Ageing", one of the government's many targeted public policy strategies to address future imbalances produced by a rapidly ageing population, was launched as early as 1999 by the Inter-Ministerial Committee on the Ageing Population to promote "healthy, active, financially secure, and independent senior citizens"<sup>24</sup>.

Recognising that "older Singaporeans will have to take on more personal responsibility, particularly in living healthy lifestyles and ensuring their continued employability and financial security", the committee emphasises various measures that call on each citizen to "Take Charge" and "Start Early" in planning their own future.

This strategy of building autonomy and security for future retirees independently of the government's CPF system has been refined throughout the various plans and packages specifically targeting older Singaporeans.



Source: Manulife Asset Management, Asset Rich, Income Poor? Key Components of Retirement Income Security for Ageing Asia, April 2013  
 Note: Elderly refers to individuals 65 years or older

This emphasis on personal responsibility is largely based on the fact that the elderly in 2030 will mainly consist of baby boomers who will be healthier, better educated, richer, and much more socially active than their predecessors, which means they will also be more vocal about a system that fails to let them fulfil their own personal retirement aspirations.

Moreover, late baby boomers are more likely to have fewer children, which means the traditional family network for old age support will be weakened. Up until today, familial financial support has played an integral role in retirement income security for elderly Singaporeans<sup>25</sup>.

Yet this vital form of support is under threat due to declining household sizes, declining fertility rates, and declining dependency ratios. The old age dependency ratio, which measures the number of older dependants to the working-age population, reached 14% in 2013<sup>26</sup>. Meanwhile, the old age support ratio, which measures the number of working age people to the number of older people, declined to 6.4% in 2013<sup>27</sup>.

In such a context, Singaporeans are increasingly encouraged to prepare for their retirement years as early and as autonomously as possible. ❌

# Conclusion

**O**verall, the DBS survey reveals that Singaporeans have very high expectations for their retirement years.

Those that have a clear plan for their retirement picture themselves earning a decent and regular income from their private and CPF savings. They hope to spend their time travelling around the world, playing golf, enjoying life with friends and family, and perhaps taking up lucrative side activities whenever needed.

Those that do not yet have a plan at least know that they want their retirement to allow them to fulfil a number of social, sentimental, and professional objectives. Financial sustainability (long-term provision of basic necessities), lifestyle upgrade (taking the time to enjoy the finer things in life), personal fulfilment (rekindling with friends and leisurely activities), and a deeper sense of social belonging (participating in community and family activities) are the key aspirations cited by all respondents.

While the respondents know what they want, they seem less certain about how to make it a reality. The survey findings clearly indicate that a majority of people we

polled and interviewed are unprepared for this important part of their lives and that some are even unaware of the simple steps they can take to get a good head start.

Luckily there is nothing inevitable about this situation and the steps to a satisfying retirement are within reach.

Like any other long-term project, one must first start by planning early. Financial experts agree that the earlier one starts to plan, the earlier one can set the plan in motion and start reaping the rewards. A second step is to make sure one is building solid foundations; an adequate and balanced retirement income requires trust, discipline, and most of all communication.

Trust means following the advice of people who have your best interests at heart. Discipline means sticking to the plan despite day-to-day distractions. And communication means not being afraid to ask the right questions to the right people.

If there is one single lesson to be learnt from the DBS survey results, it is that a stress-free retirement is within reach of Singaporeans as long as they take matters into their own hands and actively plan for the retirement they want and deserve. ❌



The steps to a  
satisfying retirement  
are within reach

## End Notes

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