



**CHALLENGES OF RETIREMENT
PLANNING IN SINGAPORE**

BY TAN SENG CHUAN

What images appear in your mind when you think of the word “retirement”? Are they images of you enjoying your golden age with your loved ones; or are they images of you worrying and still hustling to provide for yourself? Or is it a daunting topic that you would not want to even think about it?

Whether one chooses to think about it or not, retirement is a fact of life, and it will come one day. Singapore is one of the most expensive cities to live in. It was reported in a 2016 Channel NewsAsia article that 1 in 3 Singapore working adults are not planning for their retirement according to a survey done by Nielsen.

In this article, we examine some of the challenges of retirement planning in Singapore. We hope that it would provide some tips & suggestions to help you plan your retirement journey.

MAIN TYPES OF RETIREMENT CHALLENGES

There are typically 2 main types of retirement planning challenges that one may face. The first type being those that affect or prevents from starting or doing their retirement; while the second type being factors that may affect one’s retirement planning after he/she has started. We will look at some of these challenges as follows:



GRINCH A : THOSE THAT PREVENT ONE TO START OR DO RETIREMENT PLANNING

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1ST CHALLENGE :

INADEQUATE FINANCIAL RESOURCES

Having inadequate financial resources is one of the main reasons that prevents people to start doing retirement planning. Many a time, it is common that one may have other commitments and immediate priorities to attend to, and they end up not having enough money to set aside to plan for their retirement after they have paid for their expenses, bills & utilities. In some cases, there are also some with debts issues; with problem repaying debts obligations; or having a lifestyle that is beyond their means and over-leveraging on credit & future money.

To overcome this challenge, one can adopt & practise good money management habits and budgeting. Working with a trusted & competent financial practitioner for cashflow management & financial planning is also a good way to manage this challenge. With this, it will prevent one from overspending and allow one to allocate resources to start their retirement planning. For those with debt issues, it will be good to seek financial counselling to reduce or pay off these debts as soon as possible.

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2ND CHALLENGE :

LACK OF KNOWLEDGE & LACK OF TRUST IN THE FINANCIAL PLANNING SECTOR

In the same survey conducted by Nielsen, 40% of the group (the 1 in 3 that has not started on retirement planning) stated the lack of understanding of available options for retirement planning as a reason for not starting their retirement planning; and another 25% of the group mentioned that they do not know how much is needed and when to start. In another Straits Times article, it is reported that Singaporeans are consistently ranked in the bottom three among 19 markets on their know-how and confidence in financial their financial strategy according to a poll.¹ It is also reported that 72% of the respondents do not know who to trust for advice.²

Retirement planning is indeed not a simple topic, and it requires extensive planning, knowledge and competency. One can overcome this challenge if he had the sense of responsibility and interest to research further. Information is readily available via financial institutions or on trusted web platform such as Moneysense. The best option would always be consulting a trusted financial practitioner who would be qualified to prepare for a seamless retirement planning process & journey.

GRINCH A : THOSE THAT PREVENT ONE TO START OR DO RETIREMENT PLANNING



3RD CHALLENGE : YOUNG BLOODS

At times, we hear remarks such as: "I am a fresh graduate who just started work, and I am too young for retirement planning" or "It is too late for me to start retirement planning". Regardless of age, retirement will come one day, and it is better for one to be prepared for it.

Everyone can take some retirement-related action. To overcome this challenge, one can start to practise good money management habits and budgeting. Beginning with an end in mind for their retirement nest, one can then take some action steps toward their retirement savings & planning. A new worker or fresh graduate may have lesser financial resources, but they can start by saving/investing a smaller amount. For those who started later, they can save & invest prudently and start to plan towards their retirement as well.

4TH CHALLENGE : RELIANCE ON GOVERNMENT / FAMILY

People may have the perception that they can rely on government or family for their retirement planning. According to a Today's article, it is reported that "a majority of those surveyed said the responsibility of taking care of older people in society lies with one's family and the Government" according to a poll by the Institute of Policy Studies (IPS).³

While it is good that the Singapore government has some initiatives, schemes and programs to help Singaporeans with their retirement, one should evaluate whether these arrangements are enough for themselves, and what they should do for their own retirement to compliment the various government schemes and initiatives. By relying on family or children, it may increase pressure on family or children and caused potential tension and conflict as well.

Everyone is unique; Retirement is an individual responsibility. It will be good to do retirement planning with a trusted and competent financial practitioner and to evaluate the arrangement and action steps for each retirement planning.





GRINCH B : THOSE THAT AFFECT RETIREMENT PLANNING

5 **TH CHALLENGE :** **LONGEVITY**

According to the Straits Times, Singaporeans are living longer. It is reported that "Singapore's life expectancy at birth has risen from 59 to 80 years in males, and 63 to 85 years in females from 1960 to 2015."⁴ It is also reported that that Singaporean have an average life expectancy of 85.4 years in the year 2040 according to a study by the Institute for Health Metrics and Evaluation (IHME). With a longer lifespan, one may be faced with health & medical issues that may threaten to deplete their savings; and one may have the challenge of outliving their retirement fund & financial resources.⁵

7 **TH CHALLENGE :** **UNDERESTIMATION OF EXPENSES / MISCALCULATION OF RETIREMENT NEEDS**

There may be also a tendency of people underestimating their spending. Post-retirement expenses may rise instead of falling. During the years immediately preceding retirement, every day is a non-working day, and people may tend to spend more on things like eating out, entertainment or travels, just like during their weekends and off days while they were working.

As retirement planning calculation also relies on the assumption of certain parameters like (expenses or income replacement, inflation, life expectancy etc), there may also be a miscalculation of retirement needs. Certain changes in lifestyle or family situation along the way (eg. divorce, loss of spouse/family member etc) will also affect one retirement.

6 **TH CHALLENGE :** **RISING HEALTH & MEDICAL COST**

With longer life expectancy, there will be a greater need & demand for health care. Rising medical cost and medical inflation may threaten to deplete one's retirement savings & funds faster than expected when one is seriously ill. It is reported in a Channel NewsAsia article that Singapore is ranked high on medical inflation in Asia.⁶ Thus, it will be important for one to have adequate medical & health insurance, as well as long-term care/disability insurance to manage this challenge, so as not to have their retirement plans & fund being affected.



GRINCH B : THOSE THAT AFFECT RETIREMENT PLANNING



8TH CHALLENGE : INFLATION RISK

The inflation rate is an important parameter in the calculation of one's retirement needs, and inflation reduces the value of one's money. \$10,000 today will not buy you S\$10,000 worth of goods in the future during retirement. Inflation rates fluctuate and so it is important to keep track of inflation rate to prevent underestimation or miscalculation of one's retirement fund.

The generic way to minimize the second type of challenges would be to have regular reviews to one's retirement plan¹¹; and to have contingency plans like insurance. Having regular reviews ensure that one's retirement plan & funds are up to date and minimize the impacts of the above challenges. Having contingency arrangement like insurance plan helps to minimize the impacts of unforeseen circumstances and situation, and to protect one's financial well-being and minimize the impact of medical & healthcare cost & treatment.

In conclusion, retirement is an important reality for everyone. I hope this article draws your attention & awareness on the various challenges of retirement planning in Singapore, and that you can apply the various tips & suggestion shared above to overcome these challenges when necessary. Wait no longer and start your retirement planning now!

About the Author

Tan Seng Chuan is a licensed financial practitioner and an active IFPAS member. He holds the ChFC®/S, CLU®/S, IBFA and AEPP designations.

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Notes:

- 1 - <https://www.channelnewsasia.com/news/singapore/1-in-3-working-singaporean-adults-not-planning-for-retirement-su-8175450>
- 2 - <https://www.straitstimes.com/business/lack-of-trust-in-financial-planning-sector-poll>
- 3 - <https://www.todayonline.com/singapore/most-singaporeans-believe-family-and-government-should-take-care-elderly-poll>
- 4 - <https://www.straitstimes.com/opinion/a-lifetime-of-health-and-wealth-makes-for-good-retirement>
- 5 - <https://www.straitstimes.com/singapore/health/singaporeans-life-expectancy-to-reach-854-years-in-2040-third-highest-in-the-world>
- 6 - <https://www.channelnewsasia.com/news/singapore/medical-hospital-costs-singapore-inflation-aon-10112896>

