

# The Future of Retirement

*The power of planning*



**Singapore Report**

**HSBC**   
The world's local bank

## Foreword



It has been our constant endeavour to make research available to our customers and distributors to create awareness for the need for financial planning. HSBC's Future of Retirement series is one such study, which has helped our customers to insightfully identify and prioritise their needs to enjoy a peaceful and healthy retirement life.

In this year's Future of Retirement report, the feeling of being under prepared for retirement and the need to start early on financial planning has been the predominant need highlighted by survey respondents. Reliance on personal retirement funding rather than government or employment aided pension funds has increased. A positive trend has also emerged as younger men and women begin their financial planning at early stages of their career.

The study also outlines potential revenue sources that people are willing to consider or prefer in supporting their retirement needs. It also helps to identify what activities influence people's decisions when considering financial products like savings, investments and insurance.

I am confident that this report will bring greater awareness and preparedness to gap the mental and financial perceptions towards retirement, and HSBC Insurance remains committed to providing solutions to help our customers address these.

**Walter de Oude**  
**Chief Executive Officer**  
**HSBC Insurance Singapore**



## Introduction

HSBC's The Future of Retirement programme is a world-leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world. The 2011 report, *The power of planning*, is the sixth in the series and is based on interviews with more than 17,000 respondents in 17 countries.

This country report, based on the views of 1,046 respondents from Singapore, explores how households in Singapore are likely to respond to the rapidly changing shape of retirement over the coming decades. All data used in this country report relate to Singapore unless otherwise indicated. For further global and regional comparisons, please refer to the global report.

## Key findings

- People in Singapore see retirement as both a new chapter in life and one that they intend to relax and rest in. Over half see retirement as a time of freedom (59%). Individuals also equate their later years with a time of happiness (50%) and wealth (34%)
- However, these positive connotations are mixed with some concerns about poor health (33%) and about potential financial hardship (26%). When considering what elements contribute to achieving a happy retirement, three quarters of respondents said 'not having to worry about money' is the most important element for a happy retirement
- Despite rising prosperity levels, 73% are either 'very' or 'slightly' worried about how they will cope financially in their later years
- Individuals acknowledge that increasing longevity will have an impact on their retirement and cite a lack of sufficient savings as a reason for concern
- Younger generations show increasing levels of concern about being able to cope in retirement, with a steady increase in the number who are 'very worried' as to how they will cope. This suggests that whilst people may have made some preparation for their later years, they are not confident that the steps they have taken are sufficient
- There is a fear of ill health in retirement, which is felt most strongly amongst people in their 50s. Across all age groups however, there is concern about the prospect of unforeseen events derailing retirement plans (65%). This is a particular concern for women (69%)
- 28% of individuals in Singapore have no financial plan in place suggesting that they are not preparing enough for their financial future
- Those who both plan and seek financial advice benefit far more than those who do not, with over two and a half times (264%) the retirement assets of those who haven't planned for retirement or sought financial advice. People who plan are also likely to feel more optimistic about retirement than those who have made little preparation
- Currently, those who seek professional financial advice show a preference for taking advice from an insurance company with 49% choosing this route, while a further 30% used an independent financial adviser
- For individuals who want to take action now to improve their financial well-being later in life, there is a simple 5-step checklist based on the research

# Retirement landscape

For those entering retirement today, their experience will be quite different to the one that their parents enjoyed in the past and their grandchildren will experience in the future.

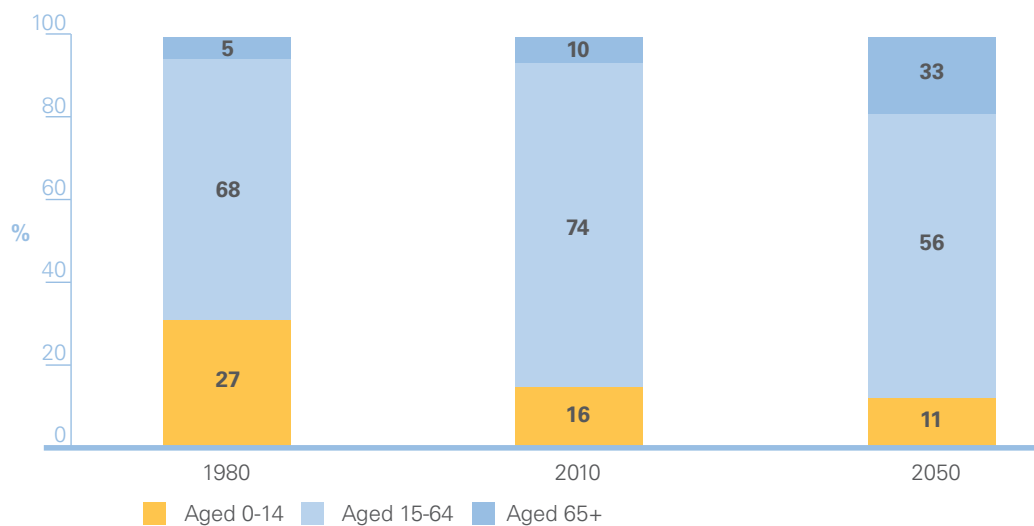
The United Nations Population Division reports that over the past 30 years there has been a significant change in the population make up of Singapore, with the percentage of the population aged over 65 doubling from just 4.7% in 1980 to 10.2% in 2010. However, by 2050 it is predicted that this figure will more than treble so that 32.6% - almost a third - of Singapore's population will be aged 65 or over.

This increase in the number of people over 65 has been accompanied by a substantial fall in the fertility rate. The number of people aged 0-14 in Singapore has more than halved in the past 30 years, although it is not predicted to decrease further by any substantial margin.

These changes in demographics represent a squeeze on those of working age and on the state as they look to provide retirement incomes and healthcare for the ageing population. As dependence on individual retirement savings necessarily grows to compensate and decreasing fertility rates work to exacerbate the picture, adequate planning and preparation for retirement will become more important than ever.

**Figure 1: The baby-boomers enter retirement**

Source: United Nations Population Division, World Population Prospects, The 2008 Division



## The changing shape of retirement

Despite facing the universal challenge of funding an ageing society, individuals in Singapore remain upbeat in their perception of retirement.

Many people in Singapore see retirement as both a new chapter in life and one that they intend to relax and rest in.

Over half see retirement as a time of freedom (59%). Individuals also equate their later years with a time of happiness (50%) and wealth (34%).

When considering what elements contribute to achieving a happy retirement, three quarters of respondents said 'not having to worry about money' is

most important for a happy retirement, while 73% felt having loving friends and family is important, and 74% thought keeping fit is.

However, these positive connotations are mixed with some concerns about poor health (33%) and about potential financial hardship (26%).

Despite rising prosperity levels, one quarter of respondents (26%) are concerned about potential financial hardship in retirement.

With 68% of respondents sharing the belief that 'good financial planning' is important, we see a good understanding that planning can help to prevent worry about money in retirement.

Figure 2: How people perceive retirement

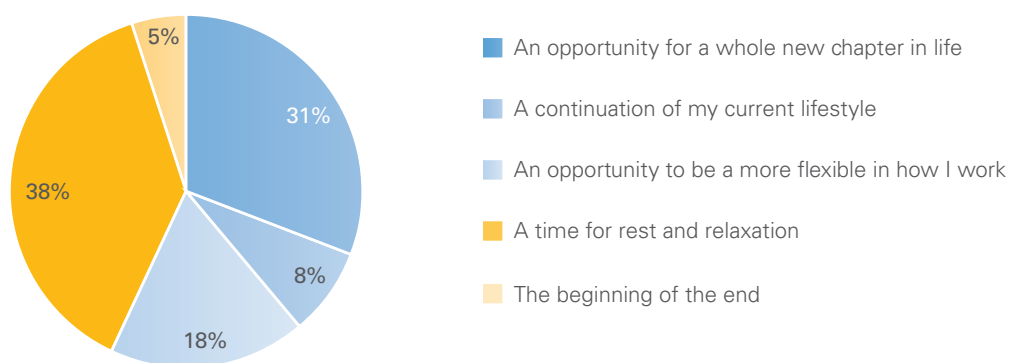
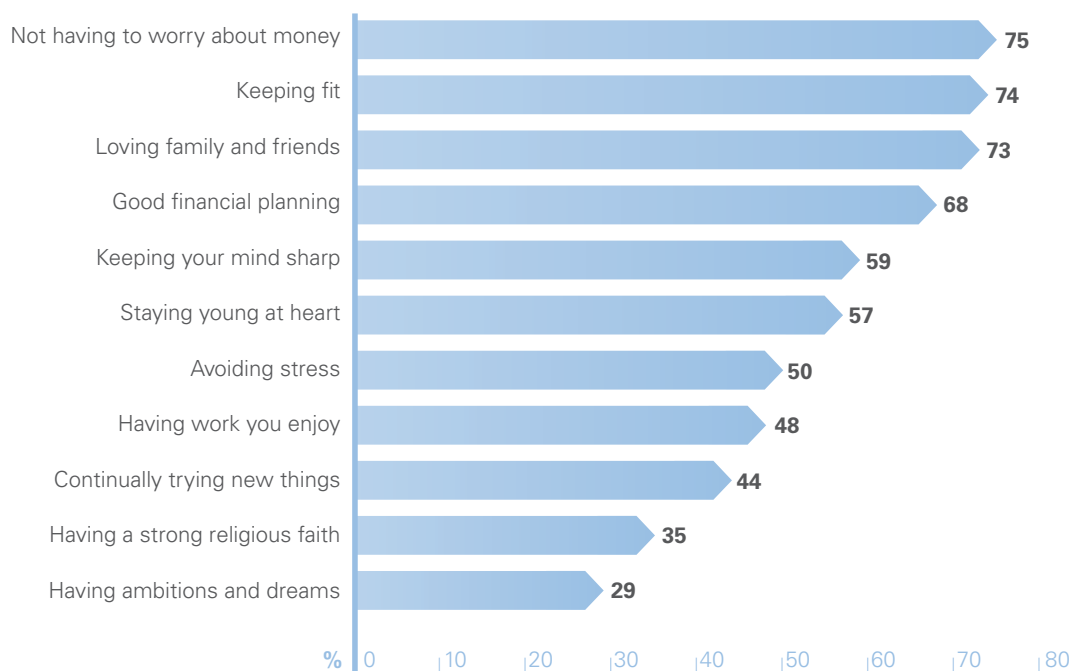


Figure 3: What is extremely important to a happy retirement

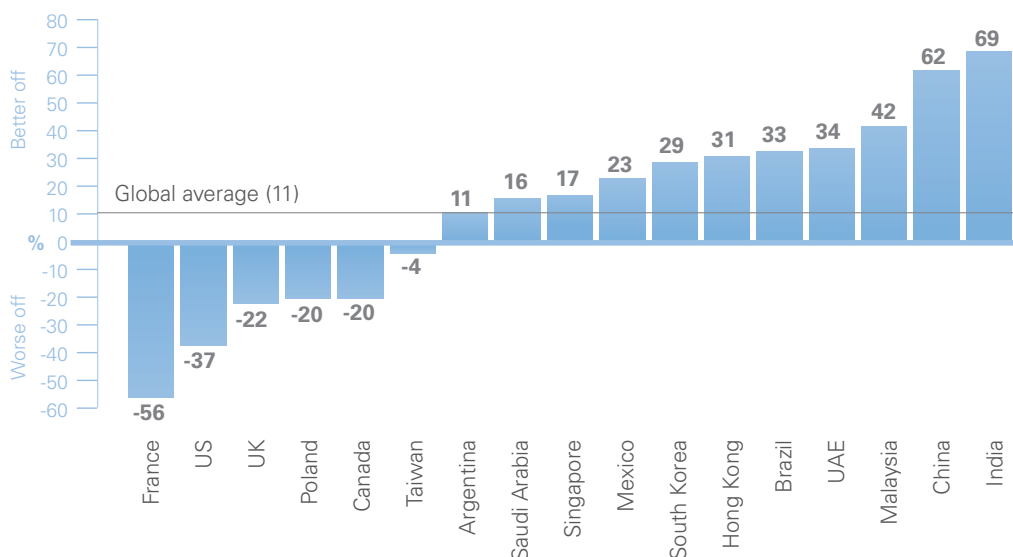


Although 48% of respondents believe that having work they enjoy is an important component of a happy retirement, this is a more pressing concern for women than men. With an ageing population, it may be necessary for all workers to adapt to the new reality - one in which working into later years is not unusual.

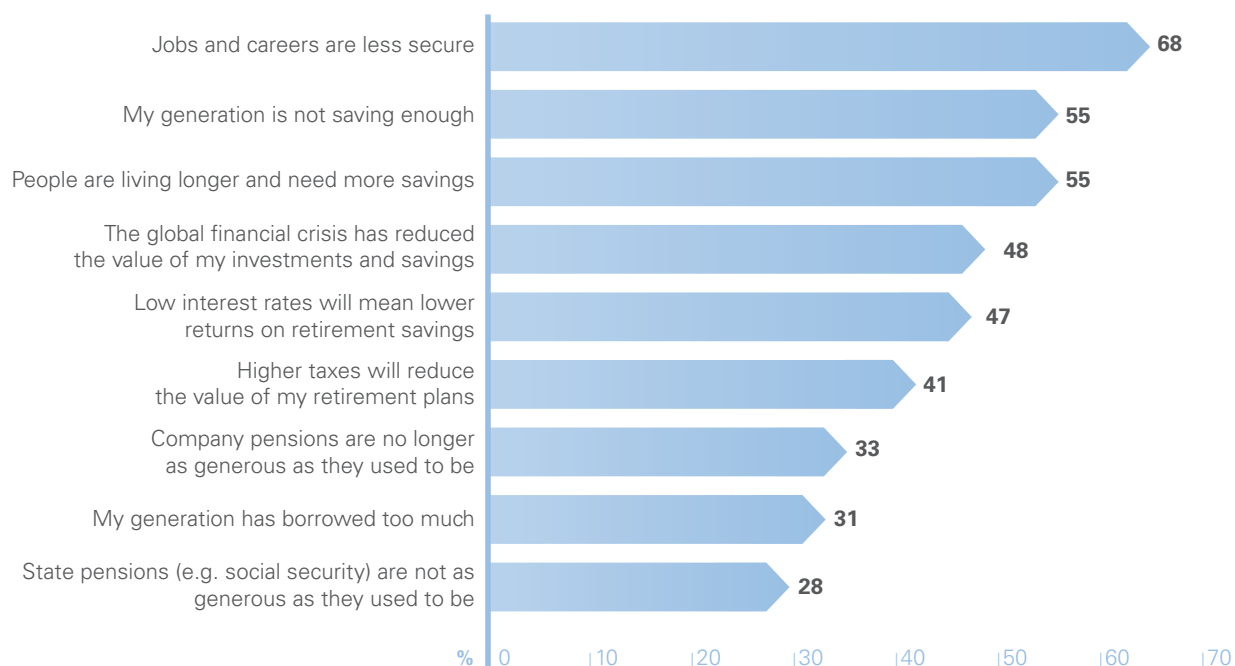
Like people in other emerging markets, individuals in Singapore are increasingly optimistic about the quality of life they will enjoy in retirement. Half of respondents said they expect to be 'much' or 'slightly' better off in retirement than their parents.

However, 17% of individuals in Singapore believe their retirement will be of a similar standard to their parents' generation and 33% believe they will be worse off. People in Singapore appear to be acutely aware of the demographic challenges they face. 55% of respondents concerned about funding retirement, pointed to the fact that people are living longer and need more savings. Furthermore, there was a general feeling that people in Singapore were not saving enough (55%). The global financial crisis has obviously been strongly felt in Singapore with job insecurity being cited as a reason for concern when thinking about retirement (68%).

**Figure 4: Better or worse off than your parents' generation in retirement? (net score)**



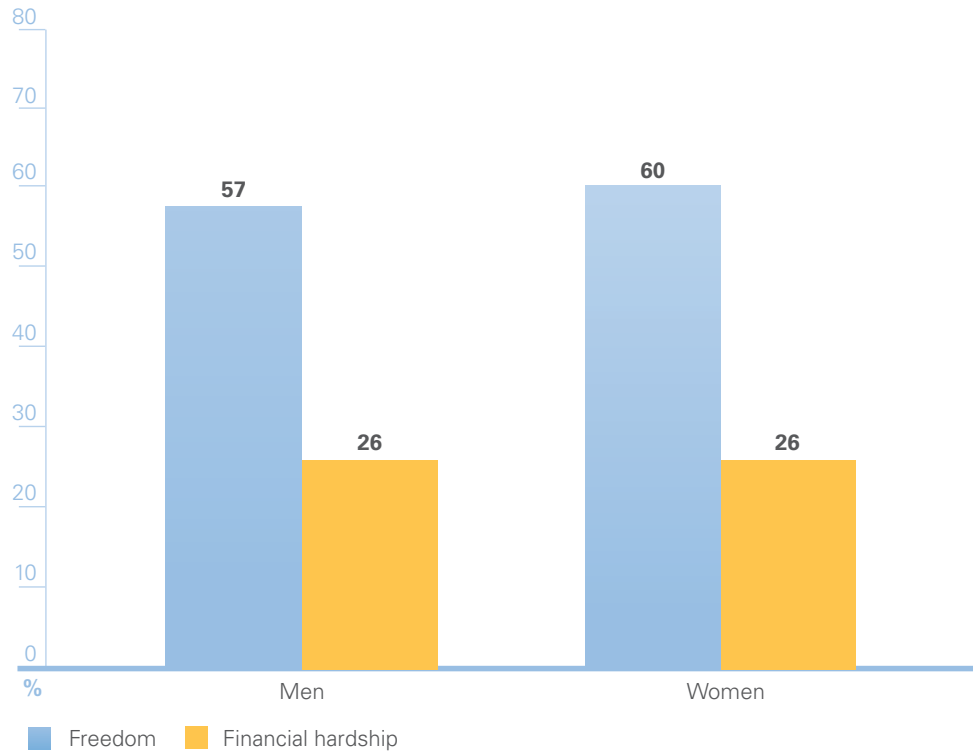
**Figure 5: Why will you be worse off in retirement than your parents' generation?**



As the population ages, the pattern of retirement is changing rapidly in Singapore. People understand the impact of rising longevity and the need to adequately prepare for an extended period in retirement. There

are rising levels of concern in the younger age groups about ability to cope in retirement, with a steady increase in the number who are 'very worried' as to how they will cope.

**Figure 6: People associate retirement with freedom more than financial hardship**

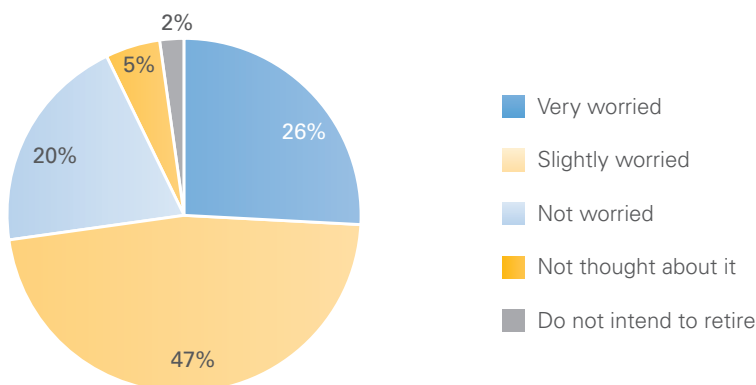


## Shortfalls in retirement preparedness

Our findings reveal a significant 'preparedness gap' amongst respondents. 95% of those we surveyed said that having enough money to live on in retirement was important, but only 57% said they felt adequately financially prepared. This leaves a gap of 36% who are not adequately prepared.

The 'preparedness gap' in Singapore is further evidenced by how worried people are about being able to cope financially in retirement: 73% said they were either slightly or very worried.

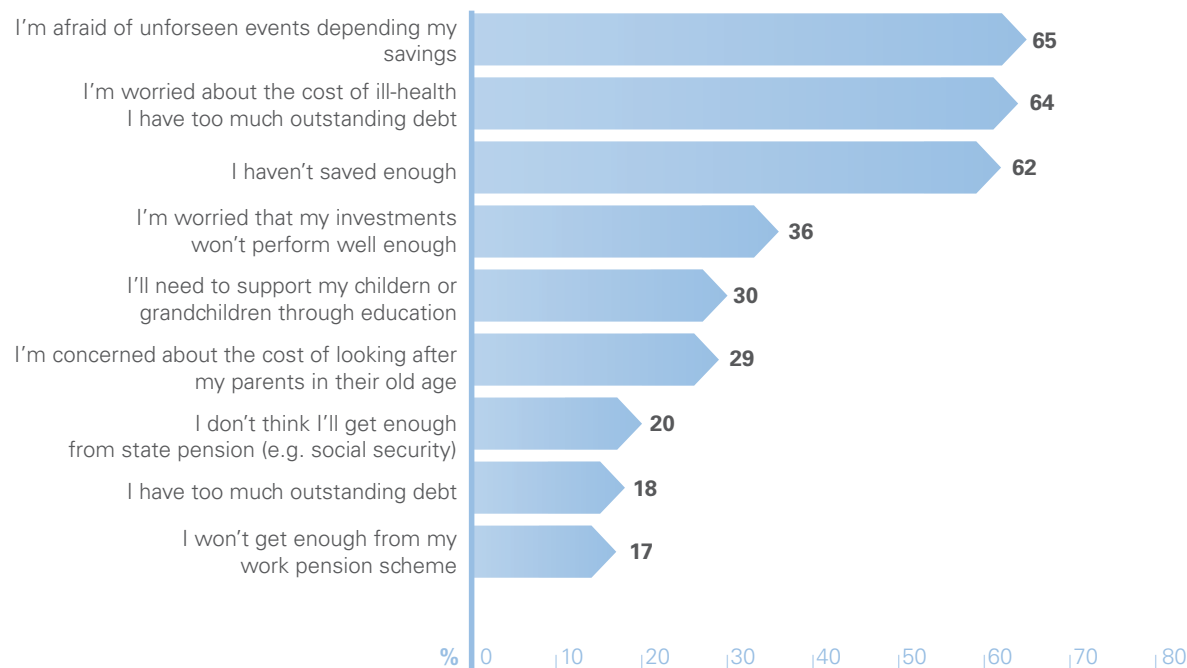
Figure 7: Levels of concern about coping financially in retirement



Two key reasons for concern surrounding retirement relate to a fear about not saving enough for retirement (62%) and also about ill health in retirement (64%). The concern about funding retirement is greatest amongst the younger generations; however, this age group has time on its side to save more before they

reach retirement. The fear of ill health in retirement is greatest amongst people in their 50s. Overall, across all age groups there is a large concern about the prospect of unforeseen events derailing their retirement plans (65%) and this is a particular concern for women (69%).

Figure 8: Why people worry about coping financially in retirement



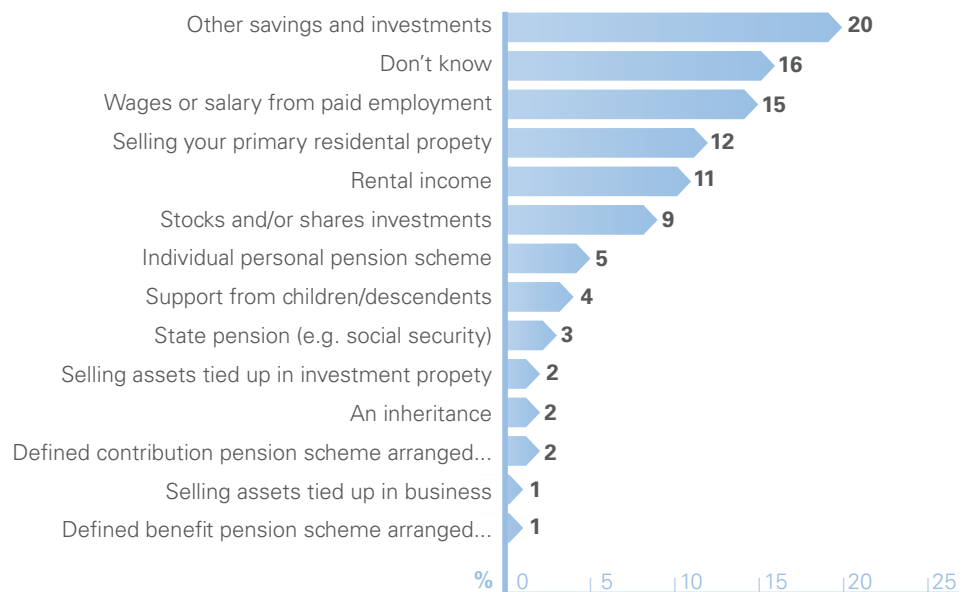
A worrying finding was that almost 16% of respondents do not know what their main source of income will be in retirement. This was a problem more evident amongst women in their 30s, with one in five unable to say what this would be.

Interestingly, traditional forms of retirement saving through personal, workplace or state pensions were not highlighted as the main source of retirement income. Rather, 20% of people expect to be reliant on other forms of savings and investments. In addition

to this, many people expect wages or salaries from employment (15%) to be their main source of income in retirement, suggesting that for many in Singapore the idea of working longer is their mechanism to cope with increasing longevity.

Overall, there is at least recognition amongst the majority of our respondents that there is cause for concern surrounding the demographic challenges ahead and this awareness is the first step on the way to taking action.

**Figure 9: Reliance on individual savings and working longer to fund retirement**



# The power of planning

**Table 1: The four consumer types**

Global (% of global respond- ents)	Singapore (% of Singapore respond- ents)	Consumer types
38%	28%	<b>Non-planners: disengaged.</b> These people are doing nothing by way of financial planning or financial advice. There is a complex mix of reasons why they do not make a plan; many believe they lack the necessary household income.
12%	14%	<b>Non-planners: advice-seekers.</b> These people do not have a financial plan, though they do at least take professional financial advice from time to time. They are likely to seek advice around one particular need, rather than take holistic advice.
22%	19%	<b>Planners: active self-guided.</b> These people have a financial plan in place but do not seek professional expertise to help them make sense of their finances. They are likely to be younger, mid-to-high income and internet savvy.
28%	39%	<b>Planners: advice-seekers.</b> These people have a financial plan in place and also take professional financial advice to help manage their finances. In many respects they are very well prepared for retirement.

As we have seen, a greater onus will be put on individuals to prepare for their own later lives and fortunately, 58% of people in Singapore have financial plans in place.

However, worryingly 28% of people in Singapore have no financial plan, nor have they sought financial advice. This suggests that many individuals are not preparing enough for their financial futures and there is an opportunity for individuals to increase their preparedness either through making a financial plan or by seeking professional advice which will go some way to plugging the preparedness gap.

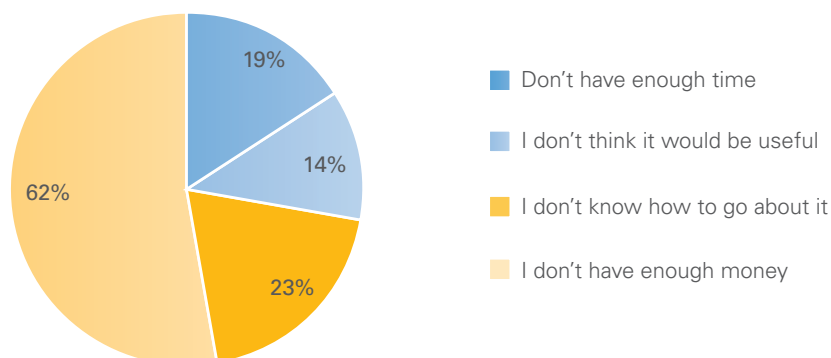
Individuals in Singapore also show a strong preference for retaining control of their financial decisions. 40% of respondents said they prefer to manage their own finances and make all decisions by themselves while

45% prefer to make decisions after receiving advice.

Among the high number of individuals without a financial plan in place, the overwhelming reason cited was that they lack sufficient funds to do so (62%) and 23% do not know how to go about making a plan. The belief that a lack of money was a preventative factor to making a financial plan was more prevalent amongst men than women.

Worryingly, 14% of respondents without a financial plan do not believe it would be useful to have one. This perception was greatest amongst people in their 30s, those who would typically benefit most from planning early for retirement. These individuals are potentially missing out on the opportunities which having a financial plan in place can bring.

**Figure 10: Lack of money and know-how reasons behind not having a plan**



### The planning premium

Our findings reveal that those with a financial plan for the future enjoy several benefits over those who do not – the ‘planning premium’ - and that these benefits are both ‘hard’ and ‘soft’, including not only greater and more diverse retirement savings, but also a more positive outlook and fewer worries about later life.

Respondents who undertook financial planning were more likely than non-planners to associate retirement

with positive ideas such as freedom and less likely to associate it with negative ones such as financial hardship. Although it is difficult to separate cause and effect, these findings hold true even when controlling for age and income. Whilst these benefits may seem obvious, the extent to which they are present in our findings indicates a significant ‘soft’ benefit of planning for the future today; those with a plan have fewer sources of worry and stress.

Figure 11: Retirement associations of planners and non-planners

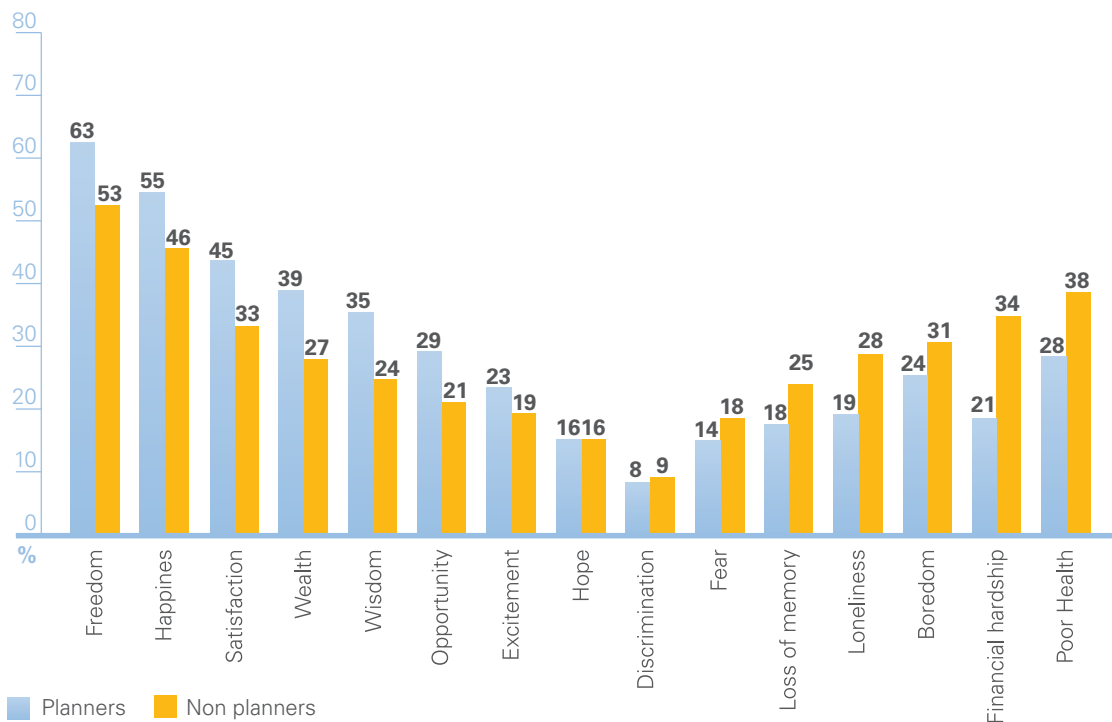


Table 2: Planners have more retirement savings and investments

	Singapore average	Non-planners: disengaged	Non-planners: advice seekers	Planners: active self-guided	Planners: advice-seekers	All non-planners	All planners
Total retirement savings and investments (household median, nearest '000) Singapore dollar	120,000	68,000	100,000	120,000	180,000	80,000	153,000
% of global average	100%	57%	98%	100%	150%	67%	191%

These figures are calculated using median data, which can produce the same results in different categories

Planners not only hold a wider range of retirement products than non-planners, but they also have nearly

twice (191%) the assets of non-planners.

## The advice advantage

Those who have a financial plan in place and sought professional advice are best off financially, with the largest retirement assets of all four consumer groups. This reveals a further bonus for those who combine financial planning with professional advice – the ‘advice advantage’. Whilst it is difficult to separate cause and effect, these findings also hold true across all age and income ranges.

Currently in Singapore, those who seek advice show a preference for taking advice from an insurance company (49%); a further 30% use an independent financial adviser. However, many people in Singapore rely on their own financial calculations (51%) and on informal advice provided by family and friends when making financial decisions (49%).

The rise of the internet as a means of gathering financial information is an emerging global theme, with 39% of respondents in Singapore using online financial websites, and a further 25% using informal online sources such as chatrooms and message boards when making financial decisions. The use of the internet is much more prevalent amongst younger age groups and is also more preferred by men than women.

Given the benefits enjoyed by planners and those who have taken professional advice, many people in Singapore would benefit financially later in life from putting financial plans in place.

## Conclusion

Singapore has an established and well respected retirement system. The Central Provident Fund Board system has been in place since 1955 and has evolved to help Singaporeans not only save for retirement, but to get on the property ladder and prepare for medical uncertainties.

However, to meet the financial aspirations of Singaporeans, this system must be complemented by additional, individual retirement planning. Increasing life expectancy and a declining birth rate will only add to the pressures on the system.

Our research in Singapore shows the benefits for those who organise their assets into a realistic plan for retirement, so that, as the population ages over the next thirty years and health services come under greater pressure, they are able to realise the tangible benefits of planning ahead.

For individuals and households who want to take action now to improve their financial well-being in later life, we have devised a simple 5-step checklist based on the research:

1. Establish some clear goals, both short and long term
2. Benchmark yourself
3. Establish a comprehensive financial plan
4. Implement the plan
5. Keep your plan under review

Further details on the 5-step process can be found at the end of *The Future of Retirement: The power of planning* global report.





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