Spotlight On Retirement

SINGAPORE

ASIA RETIREMENT SERIES

SOCIETY OF ACTUARIES®

LIMRA Secure Retirement INSTITUTE®

Spotlight on Retirement: Singapore

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Contents

Executive Summary 8

Introduction 9

About the Survey 10

Demographic Transition 11

Current Pension Structure 19

Sustainability of Pension Systems 21

Retirement From the Consumer Perspective 23

Industry Opportunities 45

Appendix 47

Acknowledgments 49

Tables

Table 1 — Overall Sample Split Across Singapore: Age Band 10
Table 2 — Overall Sample Split: Gender 10
Table 3 — Ranking of Pension Sustainability Index, Asia — Allianz 22
Table 4 — Financial Dependence 23
Table 5 — Retirement Concerns and Actions: Agree With the Following Statements 26
Table 6 — Anticipated or Current Income Source in Retirement 28
Table 7 — Method to Generate Income From Savings in Retirement 32
Table 8 — Key Concerns in Retirement 36
Table 9 — Preferred Method to Obtain Information on Investments, Financial Products, or Retirement Planning 39
Table 10 — Usefulness of the Information Gathered From Different Channels or Methods 40
Table 11 — Most Preferred Product Features 42
Table 12 — Top-Four Channels for Retirement Income Products 43
Table 13 — Important Aspects of Retirement Life 44
Table A-1 — Respondents by Working Status 47
Table A-2 — Respondents by Employer Type 47
Table A-3 — Respondents by Household Size 47
Table A-4 — Respondents by Gender 48
Table A-5 — Respondents by Pre-tax Total Annual Income 48
Table A-6 — Respondents by Current Housing Situation 48
Table A-7 — Respondents by Level of Education 48

Figures

Figure 1 — Overall Population Growth Versus Age 60+ Population Growth 11
Figure 2 — Population Pyramid: 2015 12
Figure 3 — Population Pyramid: 2030 12
Figure 4 — Population Pyramid: 2050 13
Figure 5 — Proportion of Those Age 60 and Over Among the Total Population 13
Figure 6 — Phases of Demographic Transition 15
Figure 7 — Additional Age 60+ Populations by 2050 Versus 2015 16
Figure 8 — Life Expectancy at Age 60 (in years) 16
Figure 9 — Total Fertility (live births per woman) 17
Figure 10 — Potential Support Ratio 17
Figure 11 — Pension Sustainability Index 21
Figure 12 — Respondents by Decision Authority 23
Figure 13 — Do Not Work With Any Financial Professionals to Help With Household Financial Decisions 24
Figure 14 — Initiatives on Retirement Planning 24
Figure 15 — Those Who Work With Financial Professionals, Work With… 25
Figure 16 — Retirement Planning 26
Figure 17 — Primary Responsibility for Providing Retirement Funds 27
Figure 18 — Retirement Plan Available Through Current Employer, Work, or Profession 29
Figure 19 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement Savings Plans 30
Figure 20 — Extent of Employer-Matching Contributions 30
Figure 21 — Adequacy of Income From Employer-Sponsored Pension or Social Pension to Cover Basic Expenses in Retirement 31
Figure 22 — Retirement and Retirement Planning 33
Figure 23 — Regret Delaying Saving for Retirement 34
Figure 24 — Anticipated Gap in Retirement Funds 34
Figure 25 — Anticipated Life Expectancy at Age 60 Versus Actual Life Expectancy at Age 60 35
Figure 26 — Self-Assessment of Knowledge of Investments or Financial Products 37
Figure 27 — Willingness to Convert a Portion of Assets Into an Annuity to Provide a Lifelong Income Stream 38
Figure 28 — Interest in Buying a Tax-deferred Annuity 38

Executive Summary

Singapore is going through a rapid demographic transition, and the speed of aging of its population is likely to be extremely rapid. Overall population growth is projected to grow by just 19 percent between 2015 and 2050, whereas the elderly population will likely grow by a massive 167 percent. The growth of the elderly population is expected to be particularly steep over the next couple of decades, more than doubling from 1 million in 2015 to 2.6 million in 2050. In the future, there will be fewer than two people in the labor force supporting every person age 65 and over.

This eventuality is clearly demonstrated by the finding that the potential support ratio indicates a steady and constant deterioration between 2000 and 2050. In fact, the ratio is likely to reach 1.7:1 by 2050 from 9.7:1 in 2000, and, by the end of this century, it is estimated to gradually reach the unimaginable level of 1.2:1.

Even though the Singaporean pension system is quite robust compared to other Asian markets, it has to deal with its own unique challenges such as rapid demographic aging and unplanned withdrawal from the CPF corpus.

This study, a partnership of the Society of Actuaries and LIMRA, explores how consumers of today are planning to face and plan for future challenges.

The results from the survey show that 72 percent of the respondents across Singapore consider it their own responsibility to fund their retirement. However, there is a marked difference across generations. The proportion of respondents who consider it their own responsibility is much higher among the young workers (75 percent) and pre-retirees (74 percent) than among retirees (63 percent). This finding suggests a change in mindset, where the younger generation is willing to be proactive and take care of their future needs, without depending on the government.

More than ninety percent of respondents said they would depend on their personal savings and investments. However, more than half regret delaying saving for retirement OR have not started saving for retirement at all, suggesting that they have not saved/will not be able to save enough for retirement.

A massive 80 percent of the respondents across Singapore anticipate a gap in retirement funds when they turn age 60, and only 20 percent expect to have more than 81 percent of the funds they need to lead a comfortable retired life. Respondents from the retiree and young workers segments expect a much wider gap compared to pre-retirees. Despite this anticipated retirement-funding gap, most respondents do not seek professional help.

On the bright side, 73 percent stated that they are willing to convert a portion of their assets to annuities to generate retirement income. This finding is marginally higher than the average of 71 percent for the Asia markets covered (including Singapore) and clearly underlines the huge untapped potential for the Industry.

Consumers showed a strong preference for more conservative product features — features that would give them predictable returns and help preserve capital. Banks emerged as the most popular channel to buy retirement income products.

Introduction

Singapore is in the middle of a rapid demographic transition. While its economy remains very strong, its population will age rapidly from its current state of maturity. Even though population aging is unavoidable, the speed of the transition is a special cause for concern. Singapore needs to prepare well to successfully deal with the challenges of funding retirement and supporting its elderly population.

Over the last few decades, Singapore's population (5.7 million in 2017) has been going through major demographic transitions and has been experiencing the typical demographic challenges of lower fertility, rising longevity, rising proportion of elderly, and lower birth rates, among many others.

Compared to some Asian markets, Singapore has a slightly more mature demographic profile. The median age of the population in 2015 stood at 40 years, compared to Hong Kong at 43.2 years, younger India at 26.7 years, or older Japan at 46.3 years. Singapore has already entered a phase of demographic transition where a majority of its population has started to age. The median age rose from 34.1 years in 2000 to 43.2 years in 2015 and is expected to continue to climb to 52.4 years by 2050.

It is the right time for Singapore to start preparing to face the challenges of an aging population — including a rapidly shrinking workforce, higher dependency on the working-age population, and a possible slowdown in economic growth due to aging — as these are likely to put immense pressure on future pension systems. Even though Singapore has one of the more sophisticated pension system[1] in Asia, it is not immune to the challenges of demographic transition, especially given the accelerated pace of change.

Other social and economic changes could further aggravate the challenges related to retirement funding. While the Singapore economy remains vibrant as one of the major financial centers of Asia, the changes in family structure due to aging should not be minimized. In addition, more and more couples have started moving out of their parents' homes after getting married, resulting in smaller households. There are also couples deciding against having children, delaying family planning, or having just one child.[2]

As in many Asian markets, a significant portion of Singapore's elderly is dependent on their family and children for funding their retirement and for care. The changing family structure will have an impact on how people spend their retired lives.

In the long run, all of these factors may contribute to further shrinking household size, potentially leaving the elderly alone to manage for themselves. Therefore, there needs to be a comprehensive, adequate, and sustainable retirement and pension system — one that can help sustain the future financial needs of today's pre-retirees.

This study identifies how consumers are planning to deal with their upcoming or current retirement challenges and what their aspirations are. It is an extension of the 2015 –16 research on retirement in China, a collaboration between the Society of Actuaries and LIMRA, targeted to uncover the challenges faced by major markets across Asia.

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[1] https://www.straitstimes.com/business/economy/spore-leads-asia-in-global-pension-index. Accessed 2018.

[2] https://www.channelnewsasia.com/news/singapore/commentary-smaller-families-in-singapore-leading-to-unhealthy-9112070. Accessed 2018.

About the Survey

The Singapore retirement study is part of the Asia retirement study series that is a collaborative research project of the Society of Actuaries and LIMRA. The larger study aims to define the consumer perception of retirement across major Asian markets such as Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China, with a sample of 9,384 respondents. Second in a series covering eight individual markets — the first covered mainland China — this report provides a perspective on consumer perceptions of retirement in Singapore through an online survey of 762 respondents.

This report explores consumers' retirement perceptions across three age segments: young workers (30–45 years), pre-retirees (46–60 years), and retirees (age 60+). Young workers are typically at an early stage of their careers and planning to marry or start a family; pre-retirees are gradually approaching retirement and planning to start saving; and retirees are retired or are likely to retire soon.

This study focuses on the attitudinal differences across age bands, income levels, and gender to help insurers or financial organizations prepare the right solutions to address the future needs of consumers. The study also highlights consumers' levels of preparedness, retirement readiness, current and future income sources, risk tolerances, and preferences of products and products features.

- The online study covered a sample of 762 respondents across three age segments to understand the population's diversity (see Table 1).
- Since the survey's focus was to gather a sample representative of the target market for insurers and other financial institutions, it covered respondents across different categories (see Appendix).
- It also included quotas based on income levels and other parameters to ensure reliable quality of data.
- References to "Asia" in the consumer-research data represent either the unweighted average of the nine markets covered in the study or eight markets, when a particular question or option is not covered in the earlier China study.

Table 1 — Overall Sample Split Across Singapore: Age Band

Age Band	Sample
Young Workers: 30–45 years	301
Pre-Retirees: 46–60 years	262
Retirees: 61–75	199
TOTAL	762

Source: LIMRA-SOA Retirement Study, 2017-18.

Table 2 — Overall Sample Split: Gender

Gender	Sample
Male	
Female	
TOTAL	

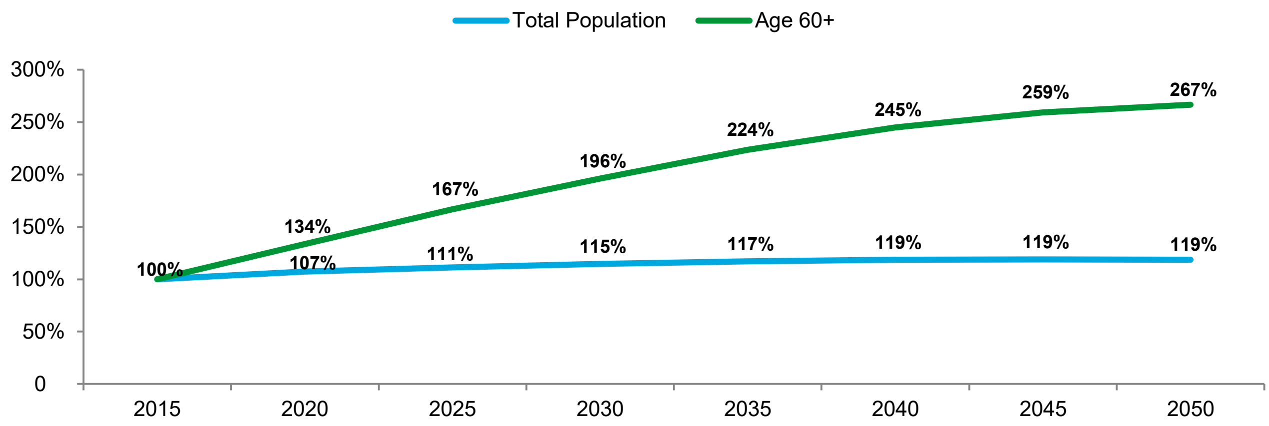
Source: LIMRA-SOA Retirement Study, 2017-18.

Demographic Transition

ROAD TO AN AGING POPULATION

Singapore has already entered a phase of massive demographic transition. The median age of the Singaporean population in 2015 was 40 years; by 2030, it is likely to be 47 years; and by 2050, it is likely to have continued its rise and reach 53 years. The overall population is likely to grow by just 19 percent between 2015 and 2050, whereas the elderly population is anticipated to grow by a massive 167 percent. The growth of the elderly population is expected to be particularly steep over the next couple of decades, with the elderly population more than doubling from 1 million in 2015 to 2.6 million in 2050.

Figure 1 — Overall Population Growth Versus Age 60+ Population Growth



Source: UN Population Division, 2017 data, LIMRA International Research.

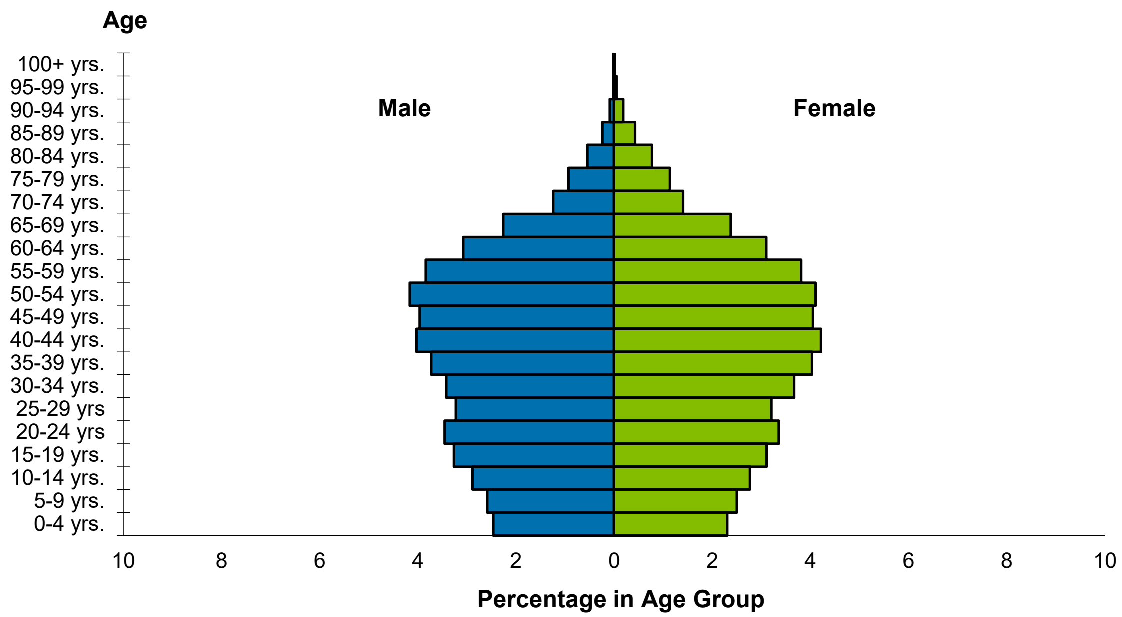
The overall population growth and growth of age 60+ population has been rebased to 2015.

Massive growth of the elderly population, coupled with a relatively slower growth of the overall population, will quickly alter the population structure.

Medical advances and improved lifestyle have resulted in prolonged life expectancies. Coupled with the relatively slower growth of the overall population, this trend will result in a massive shift in the age structure of the population.

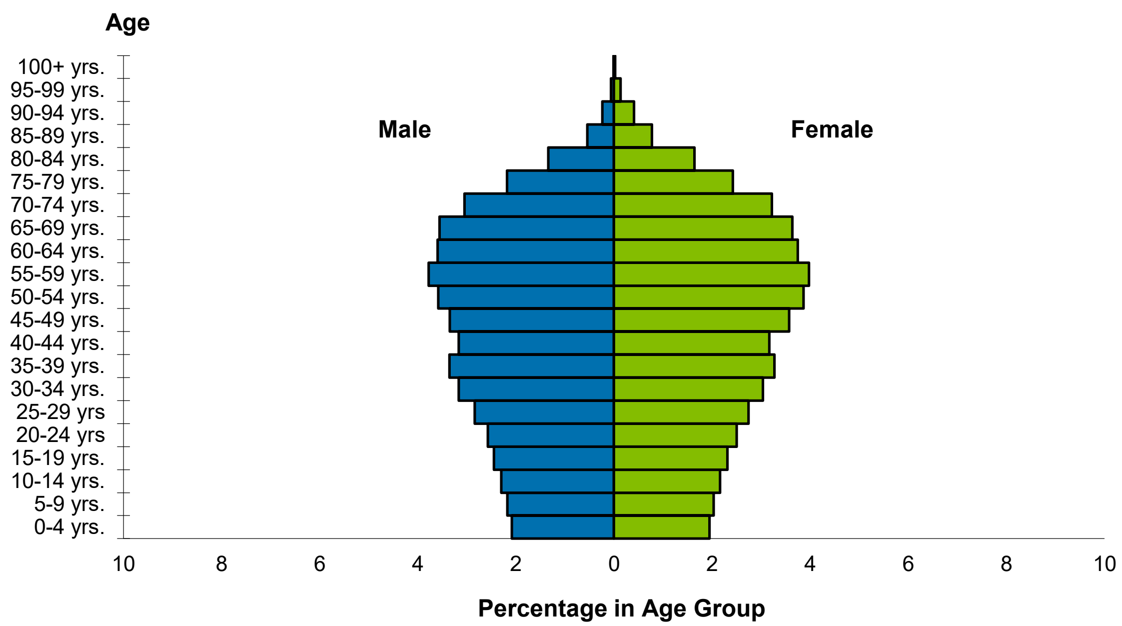
The population pyramids illustrate the distribution of various age groups of the Singaporean population by gender across 2015, 2030, and 2050. The population pyramid of Singapore clearly illustrates a shift in the population structure, as the age of the largest proportion of the population moves upward. This trend strongly indicates that the country needs to adapt to the changing needs of an aging population.

Figure 2 — Population Pyramid: 2015



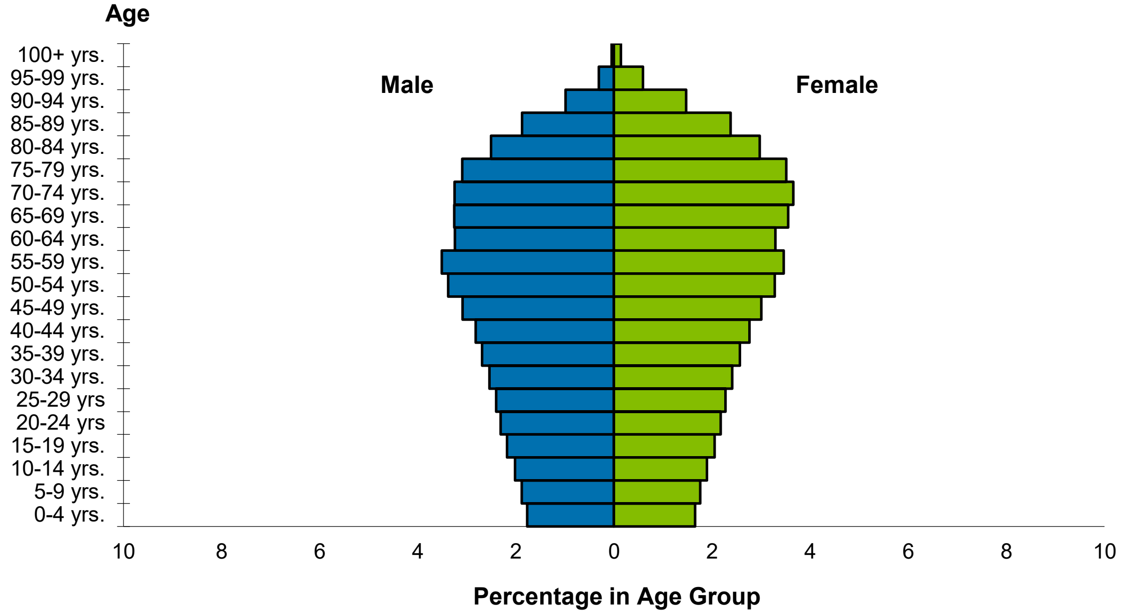
Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 3 — Population Pyramid: 2030



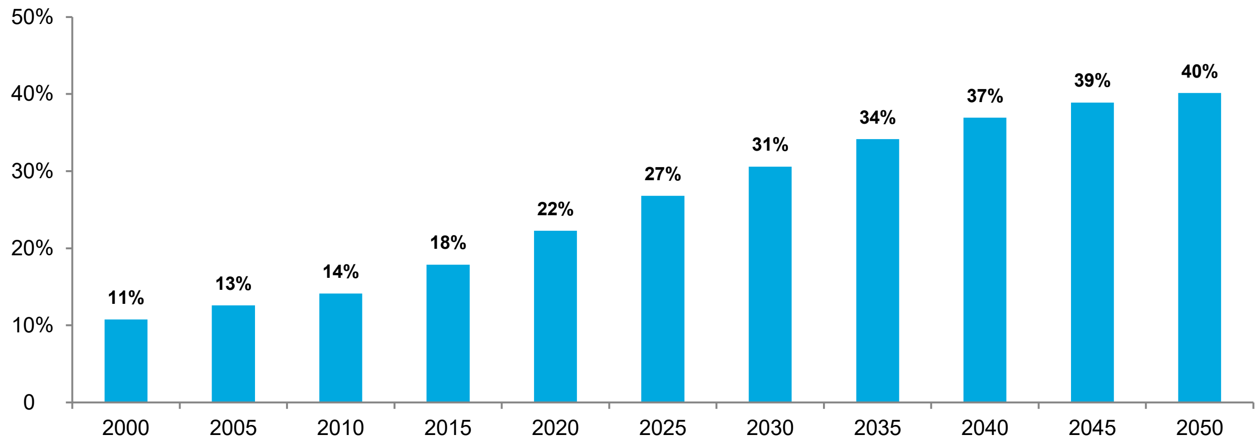
Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 4 — Population Pyramid: 2050



Source: UN Population Division — 2017 data, LIMRA International Research.

Figure 5 — Proportion of Those Age 60 and Over Among the Total Population



Source: UN Population Division — 2017 data, LIMRA International Research.

The share of elderly (age 60+) population segment is likely to likely to increase more than three times from the turn of the century to 2050.

As the population structure of Singapore changes, the proportion of the elderly is also going to change. The proportion of the elderly (age 60+) is likely to increase from 11 percent of the overall population at the turn of the century to 40 percent in 2050, and, as we stated above, this rate of increase is outpacing overall population growth, suggesting that the change will be very rapid.

Another important aspect to consider is the speed at which these changes are occurring. To measure the speed, we looked at four tipping points and identified when each of the selected markets would cross those thresholds (Figure 2). The four tipping points are:

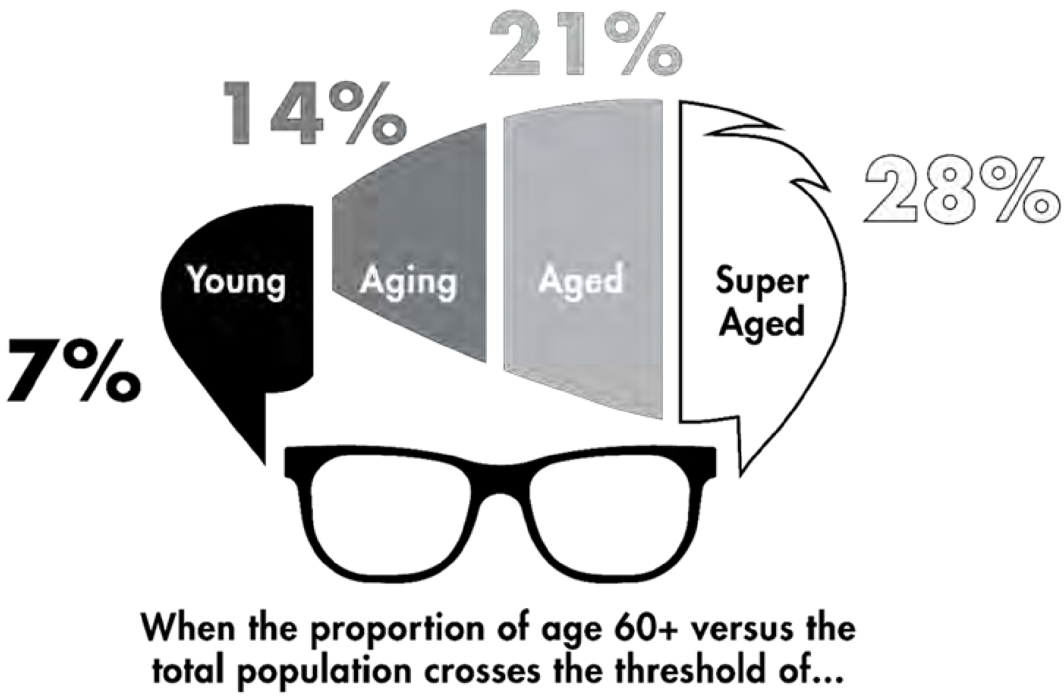
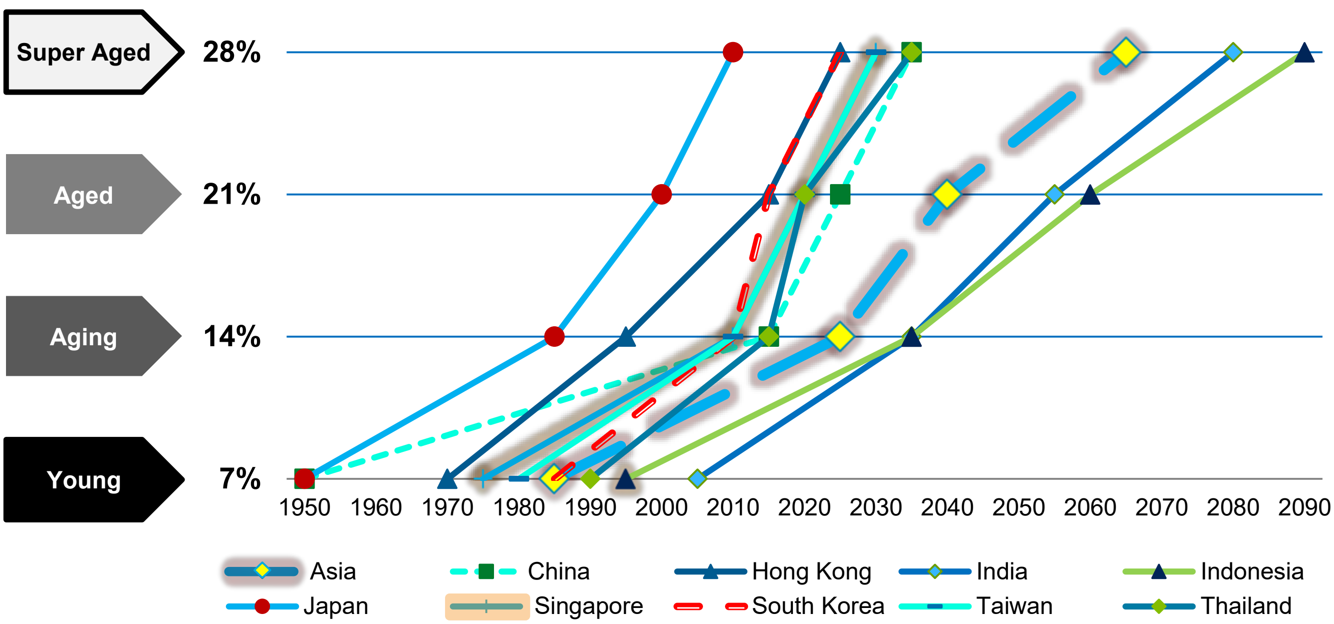


Figure 6 — Phases of Demographic Transition

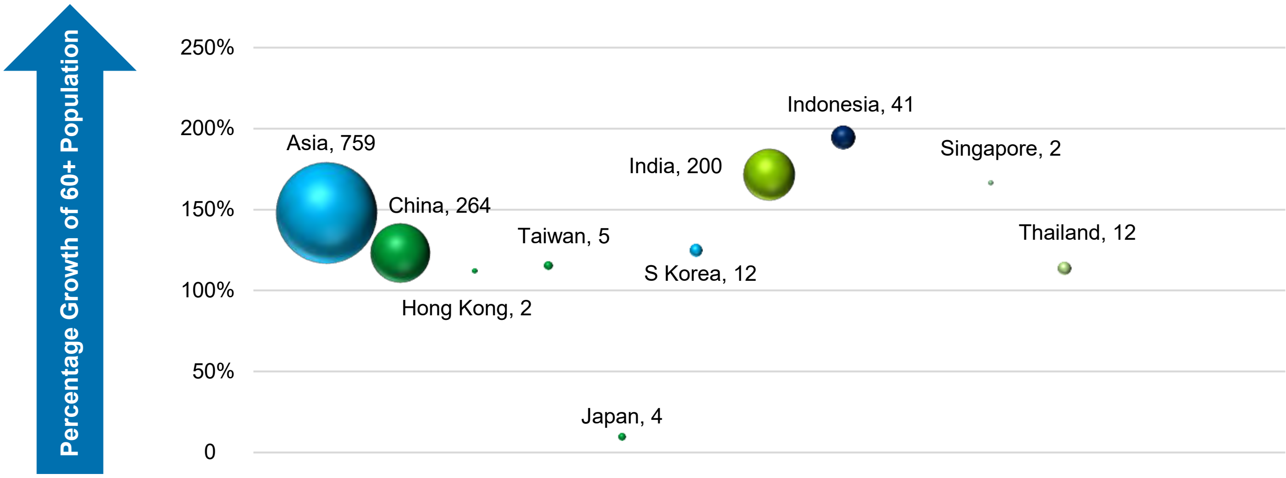


Source: UN Population Division — 2017 data, LIMRA International Research.

To better understand the magnitude of the transition the study compared it to those in developed Western countries. Markets such as the United Kingdom and the United States are forecasted to move from aging to super-aged within a span of approximately 80 years. Despite this relatively extended period, they have not managed to prepare as fully as needed. The study also compared Singapore's trending to those of other Asian markets that may have started the process of aging earlier (see Figure 7). The transition for Singapore particularly will be very rapid. It has journeyed from young to aging in 35 years; the journey from aging to aged will take 10 years; and the journey from aged to super-aged is likely to take only 10 years. In fact, this is an unprecedented rate of aging, making Singapore one of the fastest-aging markets.

Before stabilizing after 2050, the elderly population of Singapore will rise from 1 million in 2015 to 2.6 million in 2050. This huge increase in just 35 years has the potential to destabilize the economy of a city-state with a relatively small overall population like Singapore. Clearly, more policy initiatives must be initiated in a timely fashion.

Figure 7 — Additional Age 60+ Populations by 2050 Versus 2015



Source: UN Population Division — 2017 data, LIMRA International Research.

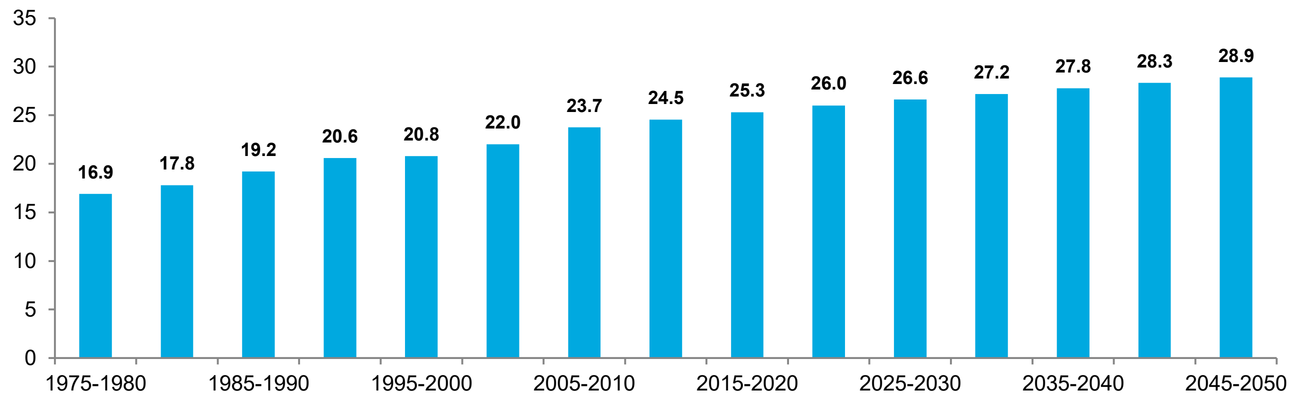
Note: Size of bubble represents absolute increase in age 60+ population (in millions)

LIFE EXPECTANCY, BIRTH RATES, AND POTENTIAL SUPPORT RATIO

Another reason for the growth of the elderly population is rising life expectancy. Over the last few decades, life expectancy has increased and may continue to increase because of medical advances, improved lifestyle, and affordable healthcare, along with a decline in both communicable and non-communicable diseases, among other factors.

Over the years, the life expectancy of the elderly population has increased gradually. Life expectancy at 60 years of age in 1975 – 80 was 16.9 years. It is likely to reach 28.9 years by 2045 – 50 from 24.5 years in 2010 – 15. Life expectancy in particular was higher for the female cohort than the male cohort. In 2010 – 15, life expectancy at age 60 for males was 22.7 years versus 26.3 for females. With increased access to medical facilities and rising penetration of health and medical insurance, it may increase at a slightly more rapid pace in the future.

Figure 8 — Life Expectancy at Age 60 (in years)



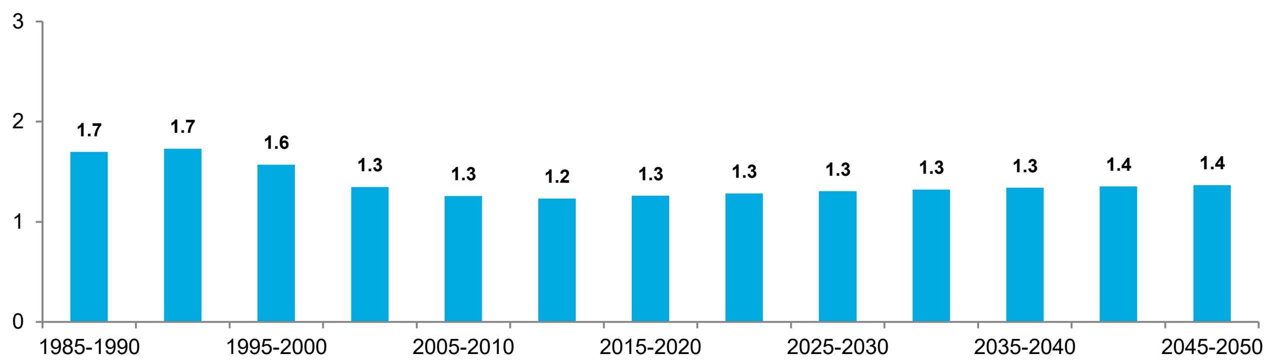
UN Population Division — 2017 data, LIMRA International Research.

Singapore is going through a cycle of significant change, as seen in the rates of both fertility and mortality. Fertility declined from a high of 6.6 births per woman in 1950 – 55 to 1.7 per woman in 1985 – 90 and will yet again to 1.26 in 2015 – 2020. While the trend toward low birthrate is likely to continue, it may go up marginally to around 1.4 in the middle of this century. However, to maintain a constant level of population, the fertility rate must be at least 2.1. If this minimum rate of 2.1 is not maintained, the population is likely to decline in the long term.

In addition, Singapore has a lower crude death rate of 4.6 per thousand in 1985 – 90 and 4.7 per thousand in 2010 –15 in Singapore compared to the Asia average of lower crude death rate of 8.6 per thousand in 1985 – 90 and 7 per thousand in 2010 –15. In this phase of the aging cycle, a birthrate below the minimum replacement levels of 2.1 combines with a lower death rate and increased life expectancy to trigger population aging.

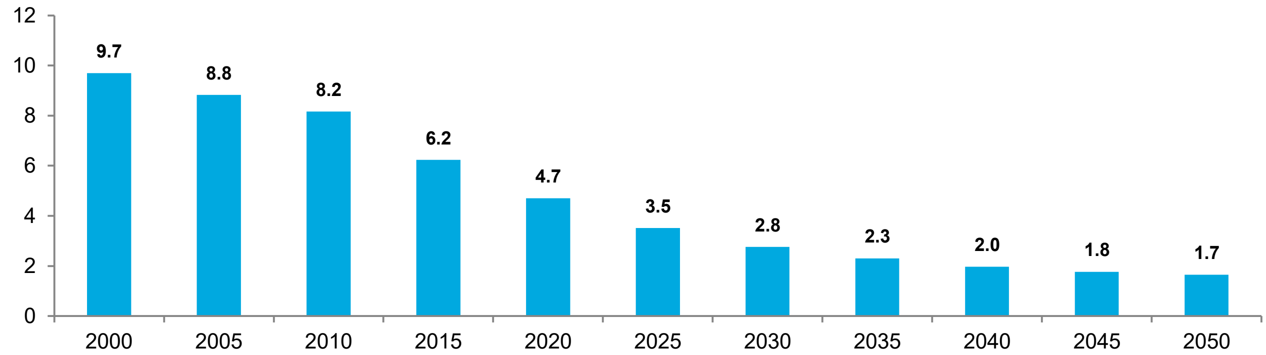
Declines in birth rate and relatively lower death rates, along with rising life expectancies, will trigger population aging.

Figure 9 — Total Fertility (live births per woman)



UN Population Division — 2017 data, LIMRA International Research.

Figure 10 — Potential Support Ratio



UN Population Division — 2017 data, LIMRA International Research.

Note: Potential support ratio = ratio of population 15-64 per population 65+.

The potential support ratio suggests that the responsibility of supporting the needs of the elderly population is likely to increase on the relatively younger working-age population. The potential support ratio shows a steady and constant deterioration between 2000 and 2050. In fact, the ratio is likely to fall to 1.7:1 by 2050 from 9.7:1 in 2000, and, by the end of this century, it is estimated to fall gradually to the unimaginable level of 1.2:1. This means that in the future there will be fewer than two people in the labor force supporting every person aged 65 and over. This is likely to pose tremendous challenges to the nation's health, retirement, and pension systems, which to a large extent are not mature enough to handle a crisis scenario.

In addition, the social fabric of an unstructured family-dependent pension system is also likely to change with greater and greater aging. This phenomenon is not as pronounced as in other parts of Asia, but is still clearly indicated. The average size of households has been on a very gradual decline from 5.4 members per household in 1982 to 4.5 in 2017 and is projected to decline further to 4.3 members per household by 2025.[3] Even though some of the elderly may continue to receive financial support from their children, many geriatric needs may remain unmet.

KEY CHALLENGES DUE TO AGING OF THE POPULATION

- Socioeconomic challenges due to aging will become more and more pronounced. Population aging combined with rising longevity, declining morbidity, and medical care inflation risks will pose immense challenges.
- Singapore is in the middle of a phase of rapid aging. The economic implications resulting from a shrinking labor force are critical and cannot be overstated.
- The demand for healthcare, long-term care, and pension provisions will definitely rise. There is clearly an increasing need to prepare for retirement through provision of pensions, personal savings, and healthcare benefits.
- As a market goes through an aging cycle, it needs to prepare by offering bespoke insurance products in life protection, savings, pensions, and health segments to fit individuals' unique needs. There is a huge opportunity for the insurance industry, as the country needs to start preparing before it is too late.

[3] Timetric Data 2017.

Current Pension Structure

As per the statistics shared by the Central Provident Fund (CPF), half of Singaporeans age 65 are likely to live to age 85, and a third will live at least to age 90. Hence, it is of prime importance that the Singaporean people prepare well for retirement. Singapore has already undertaken a series of reforms to introduce or fine-tune the existing pension options available to its citizens. However, a lot more needs to be done so that coverage and adequacy levels include a majority of the Singaporean people. Singapore is heavily dependent on the CPF.

CENTRAL PROVIDENT FUND

One of the key pillars of the pension system in Singapore, the CPF was established in 1955 as a compulsory social security system for citizens of Singapore and permanent residents. It is designed to meet needs related to retirement, housing and healthcare. Funded mainly by contributions from employers and employees, it operates primarily through three accounts, while a fourth account is structured to provide support at certain life stages. The key accounts are:

S.no	Account type	Coverage
1	**Ordinary Account (OA)**	Targeted for housing, insurance, investment, and education.
2	**Special Account (SA)**	Targeted for old age and investment in retirement-related financial products.
3	**Medisave Account (MA)**	Targeted for approved hospitalization expenses and medical insurance.
4	**Retirement Account (RA)**	The fourth account, i.e., the Retirement Account (RA), is automatically established for individuals when they reach age 55 and distributes monthly retirement payouts.

Individuals can choose to invest their funds among more than 200 funds under the CPF investment scheme or invest in the upcoming Lifetime Retirement Income Scheme (LRIS). Details on LRIS are yet to be shared, but it is likely to encourage long-term investment through low fees, simple investment choices, and passively managed investments. It is primarily targeted at individuals who do not have either the time or financial acumen to manage their investments. However, for the totally risk-averse investors, CPF subscribers can earn up to 3.5 percent in the Ordinary Account and up to 5 percent in the Special Account. This includes an additional interest of 1 percent per annum on the initial SGD60,000 of combined balances in CPF and SGD 20,000 from the Ordinary Account.

In addition, from January 2016 onwards, those aged 55+ would also receive an additional interest of 1 percent per annum on the first SGD30,000 combined balances, with up to SGD20,000 from the Ordinary Account, totaling an approximate 6 percent rate of interest on the retirement funds.[4] Both employer and employee contribute towards CPF, but the rate of contribution changes with age. The overall contribution rate goes down as an individual approaches retirement age. The allocations to the Ordinary Account and the Special Account go down with age, whereas the allocation to the Medisave account increases.[5] A monthly salary of up to SGD6,000 is eligible for CPF contributions.[6]

[4] https://www.cpf.gov.sg/Members/AboutUs/about-us-info/cpf-interest-rates

[5] https://www.cpf.gov.sg/employers/employerguides/employer-guides/paying-cpf-contributions/cpf-contribution-and-allocation-rates. Accessed 2018.

[6] https://www.cpf.gov.sg/Members/Schemes/schemes/other-matters/cpf-contribution-for-employees. Accessed 2018.

Individuals can also top up their Special Account (when subscribers are under age 55) or Retirement Account (when subscribers are age 55+) to the full retirement sum or enhanced retirement sum respectively. Subscribers are also eligible for tax exemption of up to SGD7000 for their contributions.

Further, the government supplements the CPF savings of individual low-wage workers by making an additional contribution through Workforce Income Supplement (since 2007) and also makes an additional contribution to Medisave for senior citizens.

In 2013, the Singaporean government introduced the Pioneer Generation Package to reduce the burden of healthcare costs among the elderly. The scheme was targeted to provide higher subsidies for higher Medisave top-ups, more subsidies for outpatient treatment, and premiums assistance for MediShield Life.

Upon reaching the age of 55 years, the accumulated savings from Special Account and Ordinary Account are transferred to the retirement account to create a retirement sum, which is eventually used to enroll in a life annuity scheme of CPF life. However, the payout starts 10 years later, at the age of 65 years (for those born after 1953) or 70 years, depending on when individuals want to retire or receive the benefit.

The level of payouts are also segregated by:

- Basic retirement sum
- Full retirement sum (2 x basic retirement sum)
- Enhanced retirement sum (3 x basic retirement sum)

CPF life also allows an individual to choose the type of annuity between Standard (payouts are higher for self), Basic (payout are higher for family or loved ones), or Escalating (payouts are higher for future).[7, 8, 9, 10]

[7] Act now for a better retirement: Central Provident Fund Board Singapore. Accessed 2018.

[8] https://www.cpf.gov.sg/Members/AboutUs/about-us-info/cpf-overview. Accessed 2018.

[9] http://www.mom.gov.sg/employment-practices/central-provident-fund/what-is-cpf. Accessed 2018.

[10] https://www.cpf.gov.sg/Members/AboutUs/about-us-info/history-of-cpf. Accessed 2018.

Sustainability of Pension Systems

The Pension Sustainability Index (PSI) of Allianz analyses the fundamentals of pension systems and the key changes that impact them. To arrive at a ranking that reflects the long-term sustainability of a pension system, Allianz analyzed 54 markets across the world, including Singapore, based on an extensive list of parameters.

The PSI primarily uses the following three sub-indicators to measure the sustainability of a specific pension system:

- Demographic changes
- Public finances
- Design of the pension system

Figure 11 — Pension Sustainability Index

Sub-indicators	Status (0.75)**	Dynamics (0.25)**
Demographics	**Old-age dependency ratio (OAD)***	**Change in OAD* until 2050**
Pension system	**Level of pension benefit from 1st pillar and coverage of workforce**	**Change in level of pension benefit**
	Legal /effective retirement age	
	Strength of funded pillar and reserve fund (as % of GDP)	**Reforms passed**
Public finances	**Pension payments / GDP** **Public indebtedness / GDP** **Need for welfare support**	**Change of pension payments / GDP until 2050**

**Ratio of ≥ 65 years of age to 15 to 64 years of age*

***Weighting*

Source: Allianz Asset Management, International Pensions.

Singapore ranks the 24th out of the 54 markets that are included in the overall Pension Sustainability Index. Within the sub-parameters of the index, Singapore ranks a relatively impressive 18th in public finance. However, it ranks a dismal 45th in demographics, due to an aging population, and a mediocre 29th in pension system.

Table 3 — Ranking of Pension Sustainability Index, Asia — Allianz[11]

Region	TOTAL		Demographics	Public Finance	Pension System
	Score	World Ranking	World Ranking	World Ranking	World Ranking
Hong Kong	7.1	14	43	10	13
Singapore	6.6	24	45	18	29
S. Korea	6.5	33	53	11	25
Indonesia	6.2	39	7	7	50
Taiwan	6.2	40	54	17	26
Japan	5.8	46	52	50	18
India	5.8	48	6	6	54
China	5.0	53	44	24	51
Thailand	4.9	54	47	19	52

Note: Only those markets covered in the study are represented in the above table.

[11] https://projectm-online.com/app/uploads/Allianz_2016_Pension_Sustainability_Index.pdf.

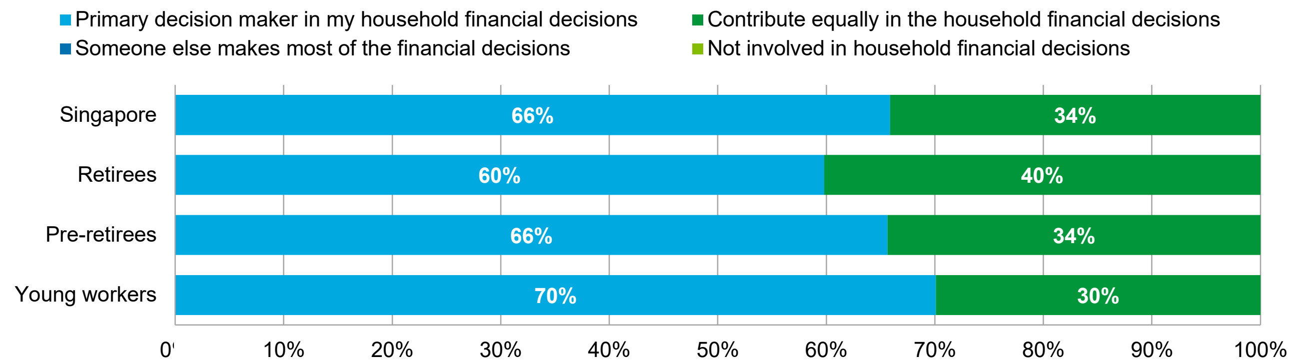
Note: The sub-indicators consider both the present status and future outlook to assign a score of 1 – 10 (1 indicating the lowest sustainability and 10 indicating the highest sustainability).

Retirement From the Consumer Perspective

This research explores how the decision makers or people who contribute to financial decision making plan to tackle the challenges of retirement and specifically surveyed these groups.

Figure 12 — Respondents by Decision Authority

Responding to the question: *How would you describe your role in making financial decisions for your household?*



All of the markets covered in the study differ from one another in terms of maturity, economic growth, and demographics, among many other factors. Singapore as a market is also unique as a city-state. There may be significant cultural differences within a particular market as well. Historically, across most regions in Asia, individuals have depended on children and family for retirement income. This dependence is especially important for those who are not a part of a formal pension schemes. In Singapore, financial dependence on family varied by age. Seventy-three percent of parents of young workers are dependent on them. However, that proportion is significantly lower among retirees, possibly because parents may not be alive. Conversely, retirees have the highest proportion of dependent spouses.

Table 4 — Financial Dependence

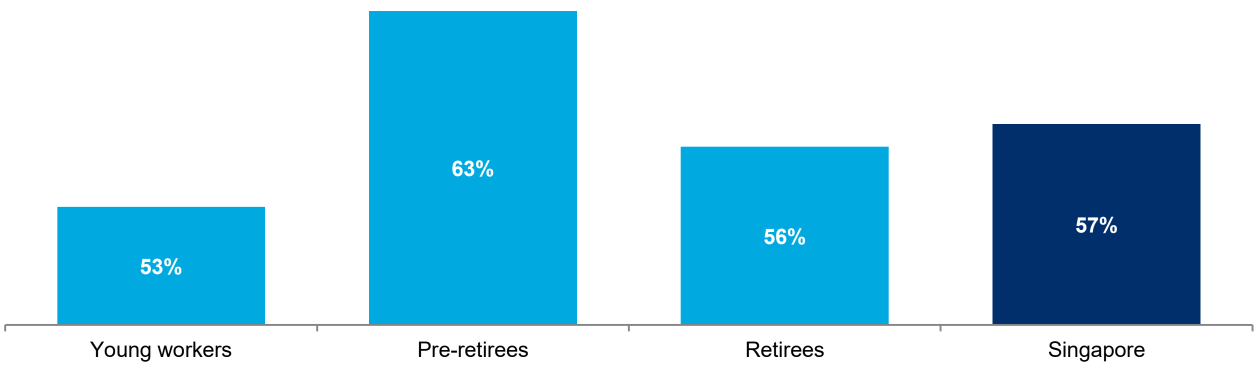
Responding to the question: *Which of the following individuals are financially dependent on you?*

	Young workers	Pre-retirees	Retirees	Singapore
Spouse	31%	33%	37%	33%
Child/Children	52%	57%	28%	48%
Own Parents (Father and Mother)	73%	38%	15%	46%
Siblings (Brother/Sister)	4%	4%	3%	4%
Spouse’s Parents	8%	8%	4%	7%

It is a heart-warming scenario when the younger generation takes care of its elderly parents. However, to do that successfully over an extended period requires prudent financial planning. Yet, when we asked the respondents across Singapore if they work with financial planners for household financial decisions, more than half of them (57 percent) indicated that they do not work with any financial professionals. This tendency is stronger among the pre-retirees (46–60 years), followed by retirees (61–75 years), and young workers (30–45 years).

Figure 13 — Do Not Work With Any Financial Professionals to Help With Household Financial Decisions

Responding to the question: *Does your household typically work with any financial professionals to help with your household financial decisions? Results represent respondents who answered "no."*



Around only 13 percent of respondents have not taken any retirement-planning initiatives whatsoever, suggesting a high awareness of the need to prepare for a financially secure retirement. Across all age segments, the majority of respondents, especially the younger segment, claimed to have determined their expenses in retirement. They have also taken steps to calculate their assets and investments and determined their income in retirement. However, the concerns on post-retirement health expenses is not as high on a relative basis. In general, though, most have taken some action.

Figure 14 — Initiatives on Retirement Planning

Responding to the question: *Which of the following retirement-planning activities have you done?*

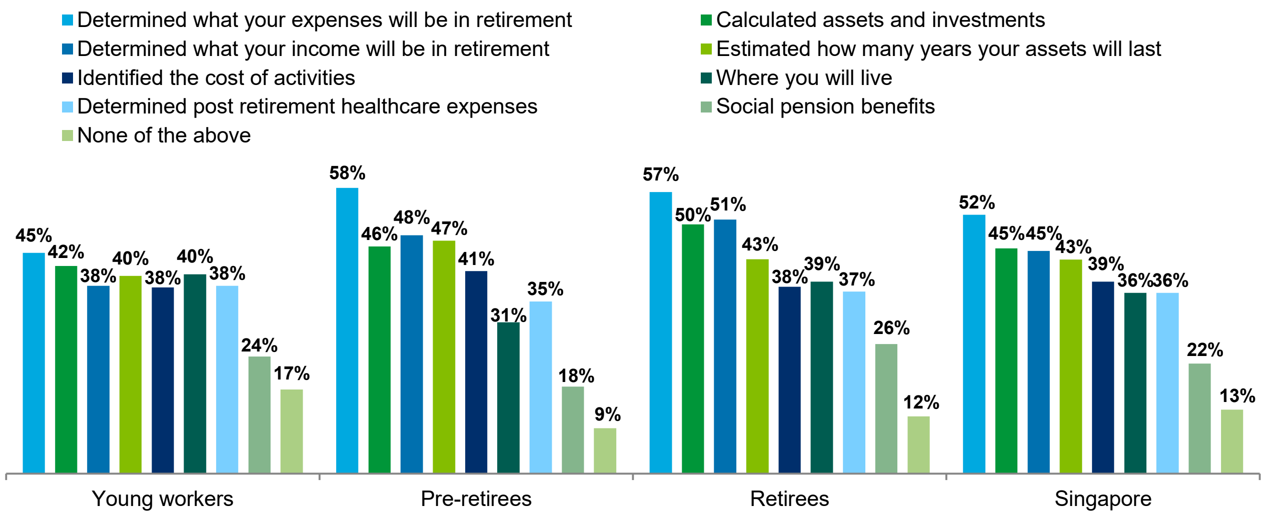
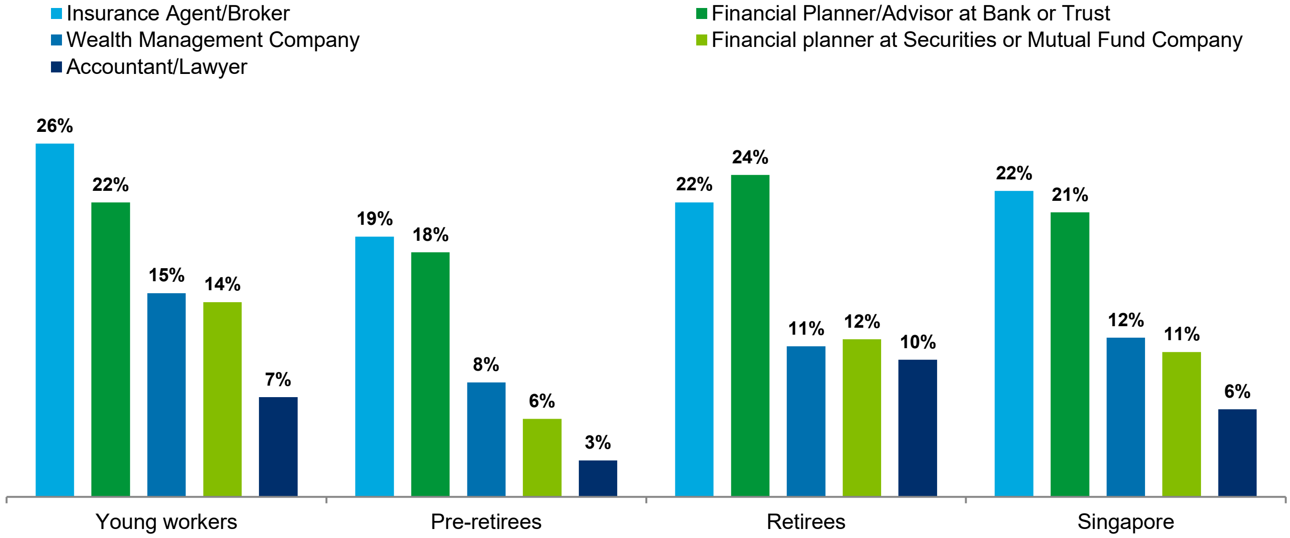


Figure 15 — Those Who Work With Financial Professionals, Work With…

Responding to the question: *Does your household typically work with any financial professionals to help with your household financial decisions?*



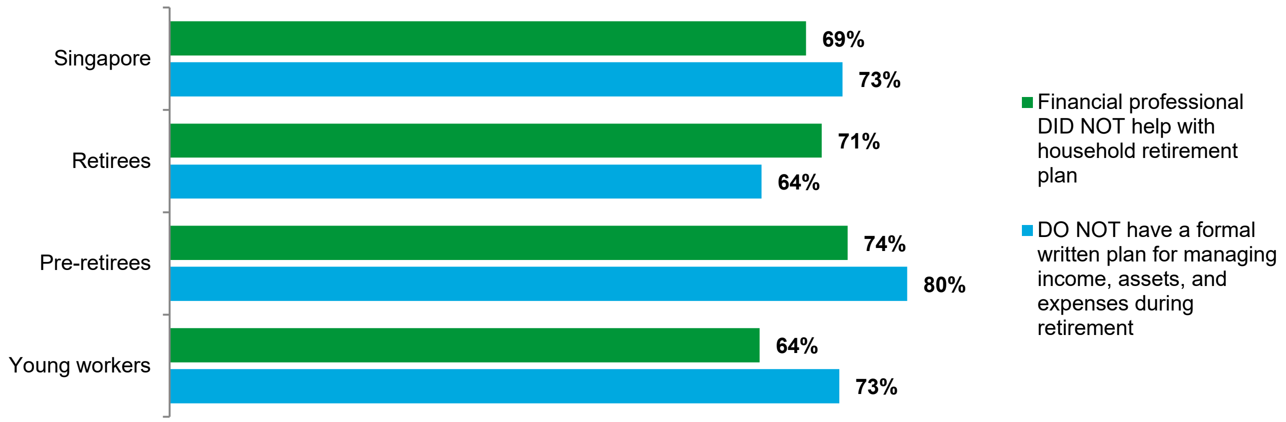
As observed above, a significant proportion of respondents do not reach out to financial professionals for financial decisions. However, those who do, choose most often to reach out to an insurance agent/broker, financial planner/advisor at a bank or trust company, followed by a wealth management company.

The retirees in particular have the strongest preference towards reaching out to financial planner/advisor at bank or trust, whereas the young workers and pre-retirees prefer insurance agents/brokers the most.

Sixty-nine percent of respondents do not work with financial professionals for a household retirement plan.

Figure 16 — Retirement Planning

Responding to the question: *Does your household have a formal written plan for managing your income, assets, and expenses during retirement? Did a financial professional help your household create your plan?*



The respondents do not seek professional help for regular financial decisions; they also do not seek help from financial professionals on retirement planning. More than two-thirds of the respondents did not seek help from financial professionals for their retirement planning, especially respondents from the pre-retiree and retiree segment. In addition, 73 percent of respondents do not have a formal written plan for managing income, assets, and expenses during retirement. In particular, pre-retirees (80 percent) seem to have the least interest in creating a formal written retirement plan, followed by young workers (73 percent).

Table 5 — Retirement Concerns and Actions: Agree With the Following Statements

Responding to the direction: *For each of the following statements pertaining to your retirement concerns and actions, please indicate if you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree.*

	Young workers	Pre-retirees	Retirees	Singapore
Confidence Benchmark				
I will be able to live the retirement lifestyle I want	47%	52%	67%	54%
I have enough savings to last until the end of my retirement	35%	45%	66%	47%
Need help				
I would like my employer to make available more comprehensive information and advice on retirement savings and planning	56%	51%	58%	54%
Action Statement				
I would be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income	62%	60%	53%	59%
I am currently very involved in monitoring and managing my retirement savings	56%	65%	71%	63%
Challenge and Mindset				
I do not trust financial institutions with my money	30%	27%	34%	30%
It is rare to hear people talk about retirement planning in the workplace	50%	48%	53%	49%
I have/will inherit property from parents/relatives	35%	30%	31%	32%

Note: Above numbers represent summed-up options of "Somewhat Agree" and "Strongly Agree." The top-three options per market are highlighted.

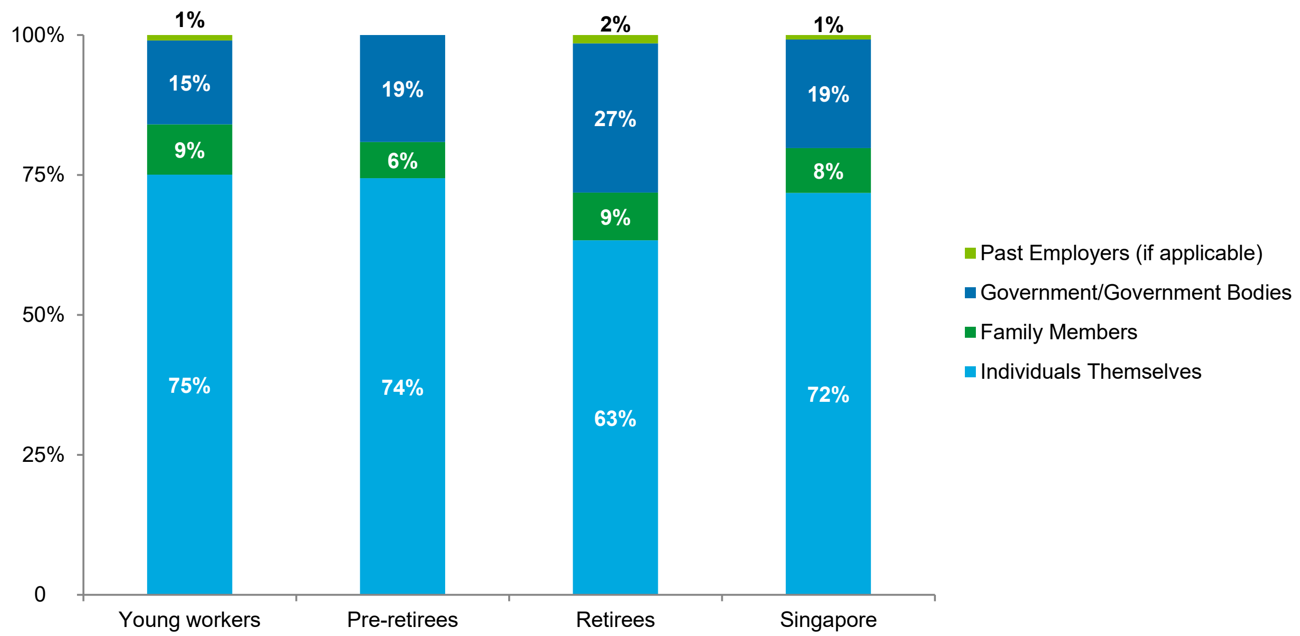
Most are willing to trust financial institutions; however, it appears that they are planning for retirement without any help from professionals.

Most of the respondents are quite confident about their future retirement. More than half of respondents are confident about maintaining a similar lifestyle in retirement, but the confidence level is slightly below the Asia average of 59 percent. The level of confidence is also higher among retirees; they have either found a way to manage their expenses in retirement, or they can still rely on the younger generation for their expenses. The retirees were also very confident that they had enough savings to last until the end of their retirement. In fact, retirees (66 percent) are almost twice as confident compared to the young workers (35 percent). Close to two thirds of respondents claimed that they are currently very involved in monitoring and managing their retirement savings, while 73 percent do not have a formal written retirement plan, and 69 percent do not seek help from financial professional for retirement planning. This is a clear indication that they are planning for their retirement on their own and do not seek significant help from financial professionals to guide them in retirement planning.

This behavior is worrying, as respondents show trust of financial services company. However, on a positive note, six out of ten respondents were willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income.

Figure 17 — Primary Responsibility for Providing Retirement Funds

Responding to the question: Who should primarily be responsible for providing retirement funds?



Dependence on government for retirement income is quite low, especially among the younger generation.

Seventy-two percent of the respondents across Singapore consider it their own responsibility to fund their retirement. However, there is marked difference across generations. The proportion of respondents who consider it their own responsibility is much higher among the young workers (75 percent) and pre-retirees (74 percent) than among retirees (63 percent). This finding suggests a change in mindset, where the younger generation is willing to be proactive and take care of their future needs, without depending on the government. Young workers (15 percent) are also least likely to want to depend on the government for post-retirement income, whereas the retirees (27 percent) are most likely to depend on government for their retirement funds. Dependence on past employers is almost negligible across all age segments.

Most agree it is their own responsibility to arrange for funding in retirement. Individuals are also planning to generate retirement income from personal savings and investments. However, respondents indicated a high level of acceptance across most options, suggesting awareness that one income stream might not generate adequate retirement income.

Respondents, especially young workers, indicated that they would depend on full/part-time job earnings, suggesting they will extend their working lives well into retirement, or take up part time jobs. Further, the conventional or traditional mode of retirement income in the absence of a structured pension system, i.e., dependence on family, does not rank among the top-five sources of income. Even though most respondents indicated that it is not the primary responsibility of government /government bodies to fund retirement income, almost 90 percent like to depend on social pension/other local pension for retirement income.

There is also some interest in life insurance (86 percent), especially among the young workers. In addition, a few are also interested in Voluntary Enterprise Annuity/Voluntary plans set up by an employer (69 percent). However, other sources of income such as inheritance from death of a family member, reverse mortgage, and family member assistance draw less interest.

Table 6 — Anticipated or Current Income Source in Retirement

Responding to the direction: *Indicate which of the following sources of income your household currently receives: [IF WORKER], Indicate which sources of income you expect to receive during retirement.*

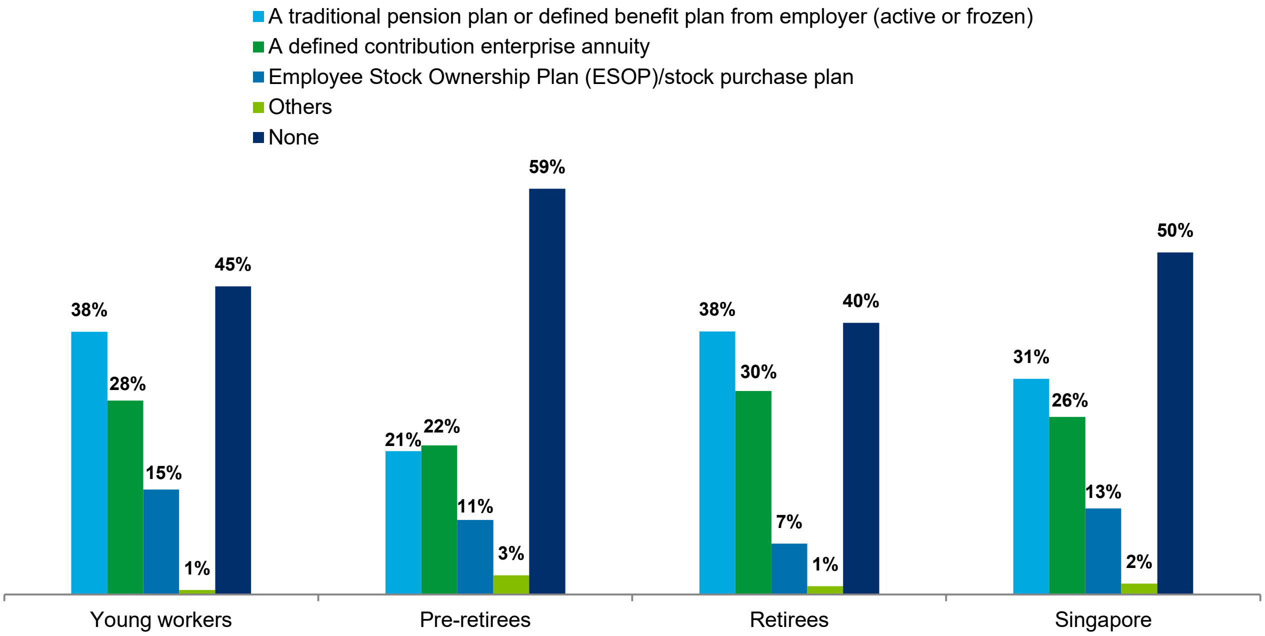
	Young workers	Pre-retirees	Retirees	Singapore
Personal savings and investments	96%	95%	95%	95%
Social pension/Other local pension	92%	90%	87%	90%
Full/Part-time job earnings	92%	90%	77%	88%
Life insurance	91%	89%	75%	86%
Voluntary Enterprise Annuity/Voluntary plans set up by employer	76%	66%	62%	69%
Rental property	71%	60%	45%	61%
Family member assistance (including children)	63%	52%	67%	60%
Reverse mortgage	57%	46%	34%	47%
Inheritance from death of a family member	58%	42%	35%	46%

Note: Above numbers represent summed-up options of "Major Source" and "Minor Source" out of the overall options of "Major Source," "Minor Source," and "Not a Source."

Eighty-eight percent of respondents indicated that they would depend on full/part-time job earnings to support their retirement; this is an early warning sign.

Figure 18 — Retirement Plan Available Through Current Employer, Work, or Profession

Responding to the question: *Which retirement savings plans are available to you through your current employer, work, or profession? Please select all that apply.*

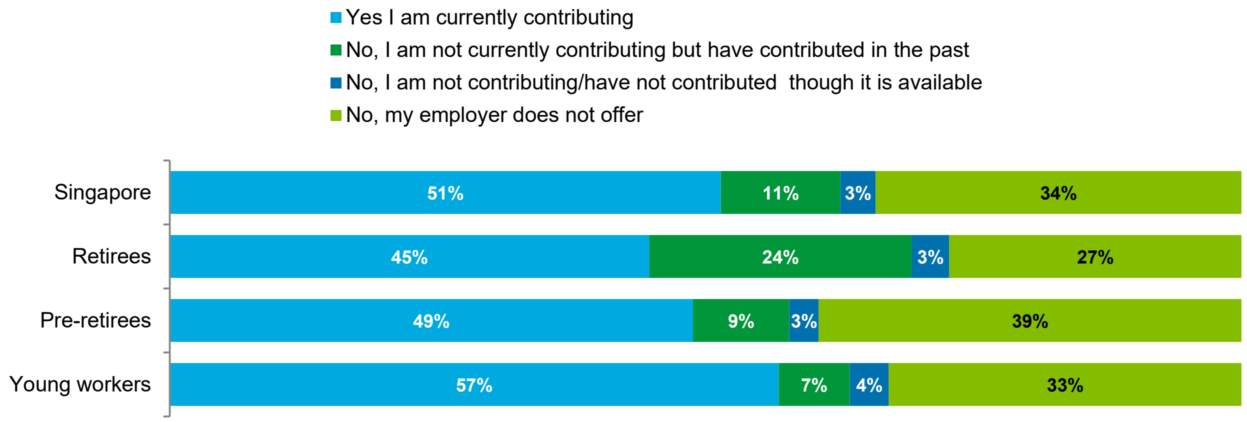


Definitions: Defined Benefit: A defined benefit plan is a retirement plan that an employer sponsors, where employee benefits are computed using a formula that considers factors such as length of employment and salary history. Defined Contribution: A defined contribution plan is a retirement plan in which a certain amount or percentage of money is set aside each year by an employee and a company for the benefit of its employees. Employees contribute to the plan and the sponsor company generally matches the employee contributions. The defined contribution plan places restrictions that control when and how each employee can withdraw these funds without penalties.

Fifty percent of respondents claimed they do not have access to a retirement plan available through current employer, work, or profession, with the pre-retiree segment indicating lack of availability of such options. In general, a higher proportion of respondents indicated having access to defined benefit plans, while a slightly lower proportion indicated having access to defined contribution plans.

Figure 19 — Currently Contributing or Have Contributed to Any Employer-Sponsored Retirement Savings Plans

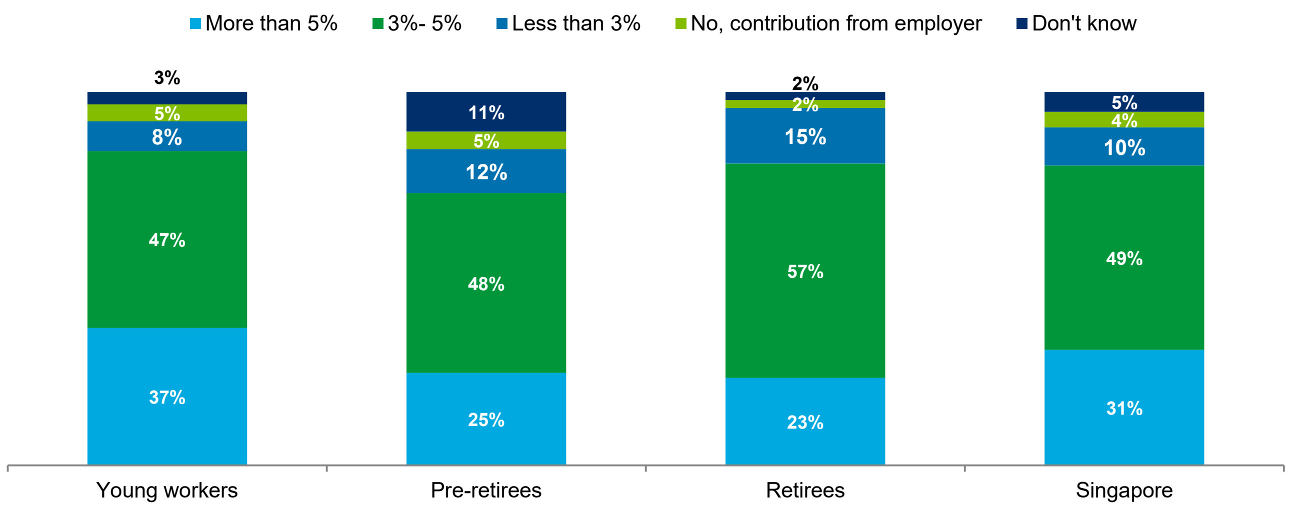
Responding to the question posed to those who are working full time for pay or are self-employed/family business: *Are you currently contributing or have contributed to any employer-sponsored retirement savings plans, like an enterprise annuity (or provident funds)?*



Across Singapore, 51 percent of the respondents claimed to be contributing towards an employer-sponsored retirement savings plan. This percentage is slightly lower than the Asia average of 59 percent. Young workers at 57 percent have the highest rate of participation. Among the pre-retirees and retirees, 49 percent and 45 percent respectively, stated they contribute towards employer-sponsored retirement savings. Such a high proportion of contributors within the retiree segment may indicate that quite a few might have extended their working lives and postponed retirement plans.

Figure 20 — Extent of Employer-Matching Contributions

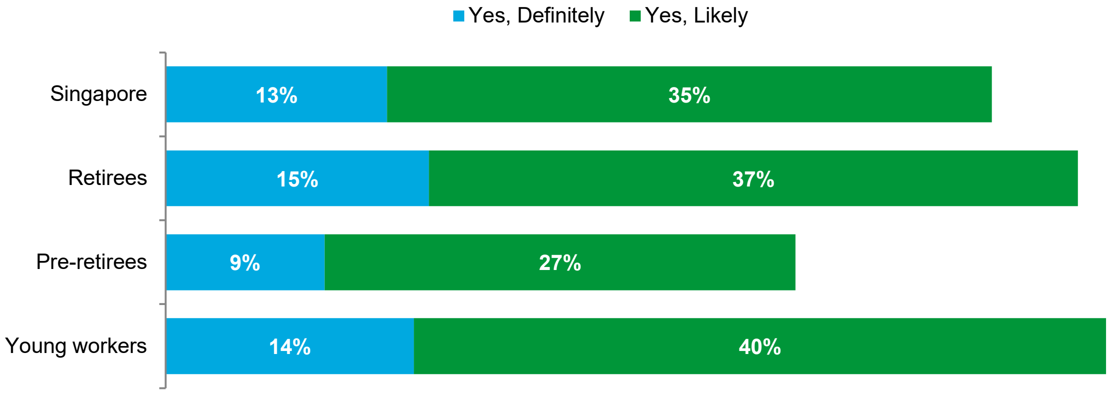
Responding to the question: *At what level does your employer currently match your contributions to the defined contribution retirement savings plan(s) they offer (e.g., 50 cents on the dollar for the first 6 percent of pay contributed)?*



Thirty-one percent of respondents revealed that they received an employer-matching contribution above 5 percent of their pay, and almost half of them said that they receive a contribution of around 3 percent to 5 percent of their pay. The young workers segment appeared to be receiving a more generous contribution from the employers, with 37 percent receiving greater than 5 percent. This may be the case because CPF contributions are higher when an individual is younger and become lower as an individual approaches retirement.

Figure 21 — Adequacy of Income From Employer-Sponsored Pension or Social Pension to Cover Basic Expenses in Retirement

Responding to the questions: *Is the amount of income obtained from social pension and employer-sponsored defined benefit pension enough to provide for your basic living needs? Do you expect the amount of income obtained from social pension and employer-sponsored defined benefit pension enough to provide for your basic living needs in retirement?*



Note: The answer options provided were, "Yes, Definitely," "Yes, Likely," "No, Unlikely," "No, Definitely Not," "Don't Know." However, for ease of viewing only the options of "Yes, Definitely" and "Yes, Likely" are shown.

Forty-eight percent of respondents said the income obtained from social pensions and employer-sponsored defined benefit pensions is "definitely" or most "likely" enough to provide for their basic living needs. The confidence level is especially high among young workers, where almost 54 percent said it is either "definitely" or "likely" to be enough to provide for basic living needs in retirement. Notably, the young-workers segment received the most generous employer-matching contributions.

The overall level of confidence does not appear bright regarding the number of respondents who are confident of the adequacy of such plans, but it's notable that respondents also chose multiple sources of funds for their retirement income. Given the willingness of some respondents to accept responsibility for retirement planning and the multiple sources of retirement income that the respondents aspire to have, it's safe to say that consumers should have an appetite for investments to fund their retirement years.

Withdrawing interest and dividend earnings and preserving principal has emerged as the most popular mode of generating retirement income.

Even though the preferred method for generating retirement income from investments varies across age segments, there is a strong preference towards financial products that provide guaranteed lifetime income and products with options to withdraw interest and dividend earnings, leaving the principal intact.

However, understandably, the retiree segment is in favor of withdrawing some principal and some interest on an occasional basis or when needed. On the other hand, the relatively younger workers and pre-retirees expressed a stronger desire to invest retirement savings in property and generate rental income. This phenomenon is common to a few markets, perhaps due to an expected growth in real estate prices driven by economic growth, a shortage of housing, or increased urbanization. However, reverse mortgages have few takers across the region.

Table 7 — Method to Generate Income From Savings in Retirement

Responding to the question: *Which of the following best describes how your household plans to generate income from your retirement savings?*

	Young workers	Pre-retirees	Retirees	Singapore
Withdrawal Preferences				
Withdraw some principal and some interest on a regular basis	28%	24%	22%	25%
Withdraw some principal and some interest on an occasional basis, or when needed	30%	31%	33%	31%
Withdraw only interest and dividend earnings, but not withdraw any principal	37%	40%	36%	38%
None. My household has no intention of using retirement savings for income	6%	5%	10%	7%
Interest in buying properties or annuities for income or growth				
Buy or look for a product that will convert some or all of household savings into guaranteed lifetime income	34%	32%	35%	34%
A corporate annuity with a tax benefit	18%	10%	16%	15%
Invest retirement savings in property and generate rental income	38%	33%	27%	33%
Opt for a reverse mortgage	17%	15%	14%	16%
Don't know	11%	13%	5%	10%

Note: The top-three results per market have been highlighted for easy reference.

In addition to identifying investment preferences, it is also important to understand when consumers plan to retire and if their savings are sufficient to fund their needs in retirement. The retirement industry also needs to understand the consumer perspective on length of time needed to save for retirement, how many years consumers expect retirement to last, and if consumers correctly estimate their life expectancies at age 60 when they are closer to retirement.

Across age segments, the time spent on retirement planning differs only marginally. Most respondents generally start saving for retirement around age 37 and spend approximately 25 years preparing for retirement. The young workers segment is likely to be the earliest to start saving for retirement and likely to spend the most time (27 years) in saving for retirement.

Respondents across Singapore stated that they plan to retire at age 62, which is aspirational considering the fact that a significant proportion of them also stated that they would either work full/part time to generate income in retirement. Even though young workers said they wish to retire by the age of 61 years, in reality, the retiree segment on an average ended up working until age 64. Further, those working after age 60 years plan to retire at age 70.

The retiree segment (61–75 years), who could not afford to retire, had to extend their working lives; they plan to retire at age 70.

Figure 22 — Retirement and Retirement Planning

Responding to questions: *At what age do you expect to retire/How old were you when you retired? At around what age will/did you start saving/investing for retirement/At around what age did you start saving/investing for retirement?*

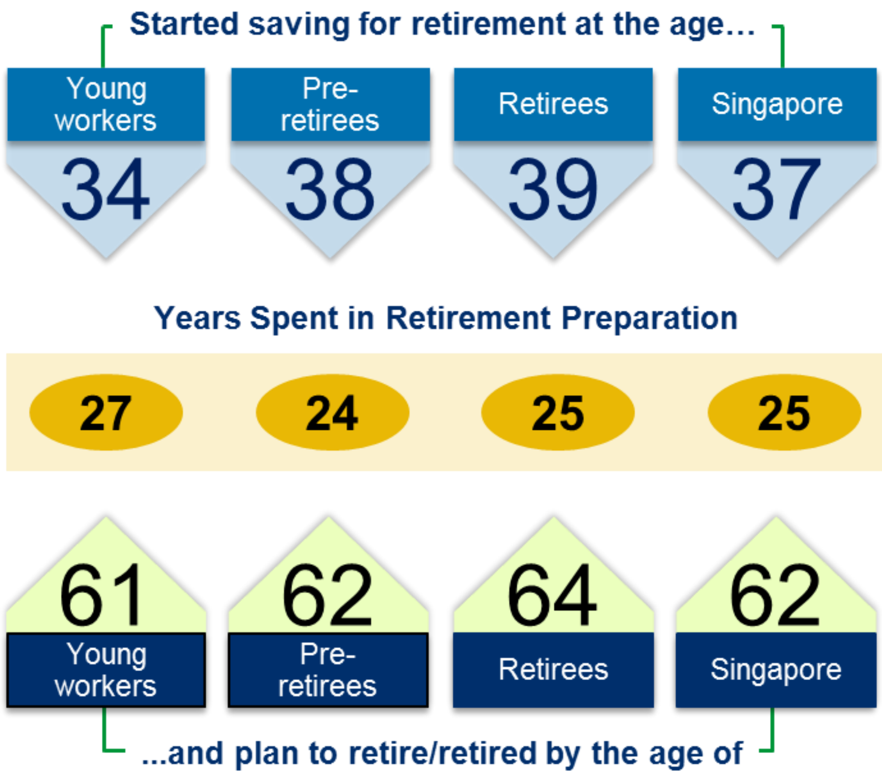


Figure 23 — Regret Delaying Saving for Retirement

Agree with: I regret I started saving and investing for retirement a bit late OR I have not started saving for retirement at all.

Fifty-four percent of respondents regret they started saving late for retirement or did not start saving at all.

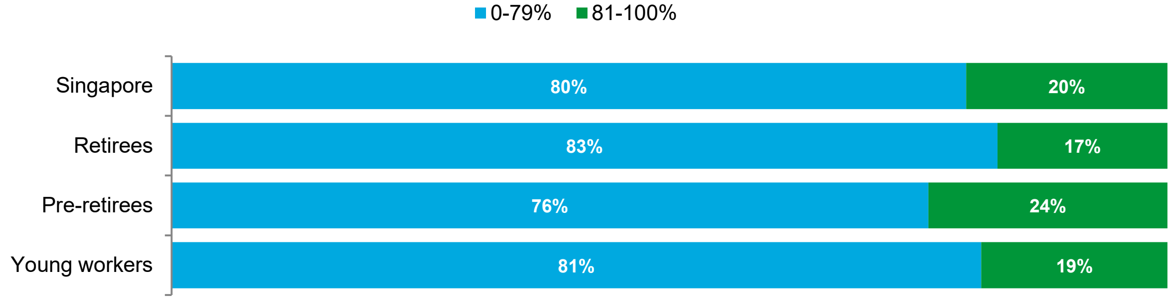
Not only do respondents regret delaying retirement planning, unfortunately, they also expect a huge gap in retirement funds when they turn age 60. Almost 54 percent respondents regret delaying saving for retirement or not having started saving for retirement at all. This proportion is even higher among young workers, where 63 percent of the respondents stated that they regret delaying retirement planning or not having started at all. There is also a clear indication that younger workers seem to be less prepared and have a higher rate of regretting delaying saving for retirement or not having started saving for retirement.

In addition, a massive 80 percent of the respondents across Singapore anticipate a gap in retirement funds when they turn age 60, and only 20 percent expect to have more than 81 percent of the funds they need to lead a comfortable retired life. Respondents from the retiree and young workers segment expect a much wider gap in the retirement funds compared to pre-retirees.

Eighty percent anticipate a gap in retirement funds when they turn age 60.

Figure 24 — Anticipated Gap in Retirement Funds

Responding to questions: *What percentage of total retirement funds (that you may need to sustain a comfortable retired life) do you anticipate to have when you turn age 60? What percentage of total retirement funds (that you may need to sustain a comfortable retired life) did you anticipate you would have when you turned age 60?*



However, to make things worse, respondents underestimate life expectancy at age 60 by around 22 percent, which implies that the retirement funding gap is slightly wider than they anticipate (see Figure 25). Respondents expect to live around an additional 21.7 years upon turning age 60, versus the reality of 27.8 years.[12] This means that the respondents are underestimating life expectancy by around 22 percent, one of the highest percentages across Asia.

Respondents also underestimated life expectancy by around 22 percent.

Figure 25 — Anticipated Life Expectancy at Age 60 Versus Actual Life Expectancy at Age 60

Anticipated life expectancy at 60	Versus	Estimated life expectancy at age 60
21.7 years		**27.8** years

Note: For comparison, 2035 – 2040 data is from the UN Population Division for age bands and quotas.

Most respondents across Singapore are expecting a looming gap in retirement funds upon turning age 60; they are facing unique challenges and have valid reasons to be concerned about retirement. Most respondents are worried about the fact that the value of savings and assets might not keep up with inflation. In addition, they are also worried about affording healthcare costs beyond the social insurance medical supplement.

Some of respondents are worried about public policy risks as well. They indicated that they are worried that the aging society will make it harder for the government to provide for the elderly and the government or company will reduce health or medical insurance benefits, eventually making it impossible for them to afford healthcare costs beyond social insurance medical supplement.

Respondents are concerned about paying healthcare costs not covered by their social insurance medical supplements. Past research has demonstrated the validity of these concerns. In fact, 60 percent of an individual's lifetime healthcare expenses occur in old age, specifically after the age of 65.[13] In addition, among markets surveyed, Singapore tends to greatly underestimate life expectancy. It follows that outliving retirement savings is not one of their topmost concerns. Yet, a longer life not only not only requires additional retirement income, it also requires income for potentially increased healthcare expenses. Underestimating life expectancy therefore creates a dangerous scenario, where respondents may wait too long to take any action.

However, an interesting point to note is that working retirees stated that they might consider prolonging their working lives up to age 70 years. Some further indicated that they might struggle or be unable to find or maintain employment in retirement. That is certainly a cause for worry.

Respondents are most worried about affording healthcare expenses in retirement.

[12] Note: For comparison, 2035 – 2040 data are based on the UN Population Division for age bands and quotas.

[13] https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1361028/table/tbl4/ Date accessed: 2017.

Table 8 — Key Concerns in Retirement

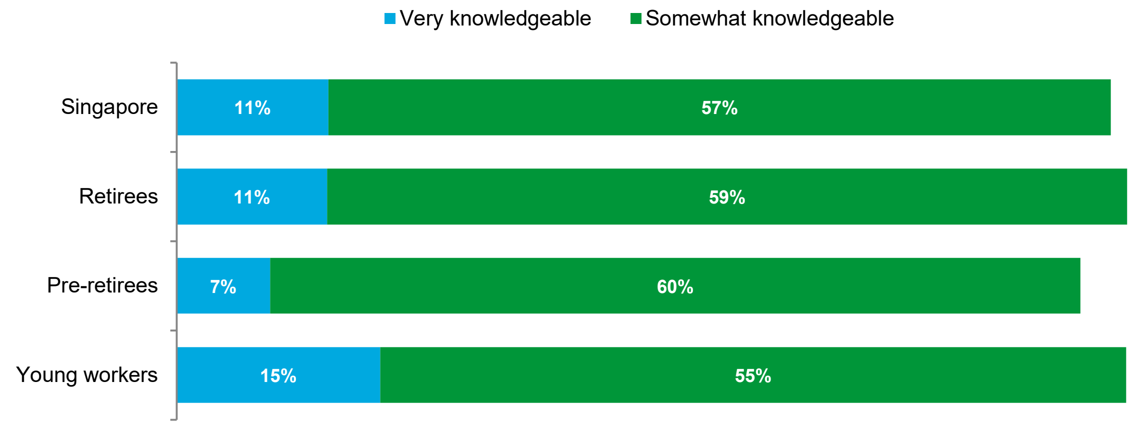
Responding to the questions: *How concerned are you about each of the following? How concerned are you about each of the following during retirement?*

	Young workers	Pre-retirees	Retirees	Singapore
Longevity risks				
Providing for your spouse/partner if you should die first	76%	73%	63%	71%
The possibility that you or your spouse/partner will outlive your assets	83%	82%	74%	80%
Providing for yourself if your spouse/partner should die first	79%	73%	61%	72%
Healthcare/Long-term care risks				
Providing for healthcare costs beyond social insurance medical supplement	94%	95%	88%	93%
A chronic Illness may drain my lifelong savings	96%	96%	88%	94%
Finding available long-term care/nursing-home care	86%	88%	80%	85%
Public policy risks				
Aging society will make it harder for the government to provide for the elderly	90%	90%	86%	89%
The government or company will reduce health or medical insurance benefits	92%	90%	81%	89%
The government or company will reduce the social pension	78%	81%	70%	77%
Economic and market risks				
Tax increases	87%	88%	73%	84%
A decline in interest rates	85%	87%	85%	85%
A prolonged stock market downturn	80%	79%	76%	79%
The value of savings and assets might not keep up with inflation	92%	95%	88%	92%
Legacy/family related, and other concerns				
Inability to find or maintain employment in retirement	90%	85%	67%	82%
Not yet started planning for retirement	81%	69%	-	75%
You might not be able to leave money to your children or other heirs	71%	61%	55%	64%
My child/children may not take care of me and my spouse during retirement	73%	59%	63%	66%
My child/children are NEETs group (neither go to college nor go to work and remain financially dependent on parents as adults)	75%	54%	48%	61%

Note: The top-three results per market are highlighted for easy reference. In cases where the third-ranked concern had similar results with the subsequent concerns, those have been highlighted too .Of the three options of "Major Concern," "Minor Concern," and "Not a Concern," the summed-up results of "Major Concern" and "Minor Concern" are shown.

Figure 26 — Self-Assessment of Knowledge of Investments or Financial Products

Responding to the question: *In general, how knowledgeable do you think you are about investments or financial products?*



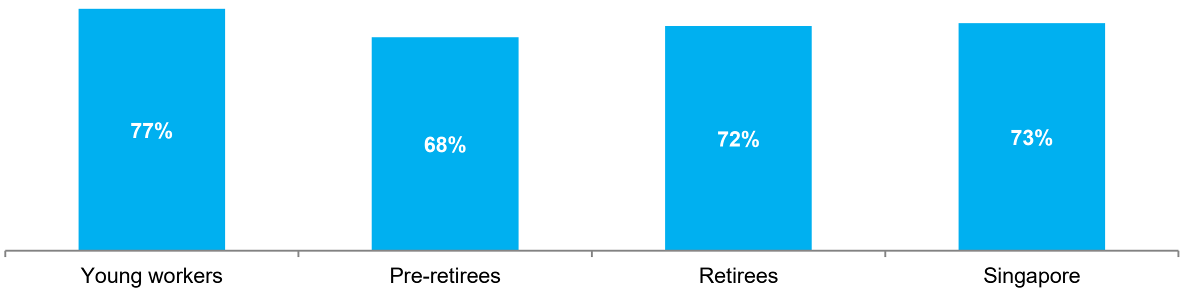
Note: Respondents were offerred four options: "Very knowledgeable," "Somewhat knowledgeable," "Not very knowledgeable," "Not at all knowledgeable." The above results represent "Very knowledgeable" and "Somewhat knowledgeable."

Most respondents across Singapore generally acknowledge their responsibility for generating their own retirement incomes and do not seek outside retirement-planning advice from professionals. Clearly, the need for a sound understanding of investments or financial products seems strongly indicated. However, based on their self-assessments, almost 7 out of 10 respondents across Singapore claimed to be fairly knowledgeable about investments or financial products (see Figure 26). The retirees and young workers claimed to be slightly more knowledgeable than pre-retirees do. It's important to note that these results are based on self-assessments. There is a distinct possibility that, while respondents are aware of available investment options, they may not have the ability to understand, analyze, and prudently invest in long-term investment products.

Consumers across Singapore generally expressed a relatively high level of confidence in their ability to make financial and investment decisions, and a significant 73 percent of the respondents expressed their willingness to convert a part of their assets to annuities to generate retirement income (see Figure 27). Respondents, particularly in the young workers segment expressed the strongest interest in annuities.

Figure 27 — Willingness to Convert a Portion of Assets Into an Annuity to Provide a Lifelong Income Stream

Responding to the question: *Annuities can provide a lifelong income stream in exchange for a premium payment. Individuals usually no longer have access to the assets used to pay for the annuity once it is purchased. Would you consider converting a portion your assets or an additional portion of your assets into a lifetime-guaranteed annuity in retirement?*



Note: Above results show people who responded "Yes."

Figure 28 — Interest in Buying a Tax-deferred Annuity

Responding to the question: *A tax-deferred annuity is a product issued by a life insurance company that allows you to save money for retirement. Taxes on earnings are not paid until you retire and begin withdrawing money from the annuity. Annuities also offer the ability to convert the balance into monthly income payments for life. If such products were available in your market, how interested would you be in purchasing one?*

Note: Above results represent responses of "Very interested" and "Extremely interested." Respondents were offered the following options: "Not at all interested," "Somewhat interested," "Very interested," and "Extremely interested."

Some of the respondents across Singapore also expressed interest in deferring their tax payments to a tax-deferred annuity (see Figure 28). The general level of interest in tax-deferred annuities was very high across all respondents. Overall, across Singapore, 24 percent stated they are either very interested or extremely interested in tax-deferred annuities, with pre-retirees expressing a slightly higher level of interest.

Table 9 — Preferred Method to Obtain Information on Investments, Financial Products, or Retirement Planning

Responding to the questions: *Where do you obtain information on investments, financial products, or retirement planning?*

Methods/ Channels	Young workers	Pre-retirees	Retirees	Singapore
Internet/financial websites	52%	56%	47%	52%
My own financial advisor/planner/insurance agent	50%	45%	44%	47%
Family, friends, or co-workers	40%	37%	50%	42%
Website with information on my specific retirement account	30%	40%	32%	34%
Social media/networking websites	34%	23%	22%	27%
Books, magazines, and newspapers	21%	26%	29%	25%
Workshops and/or seminars	20%	23%	21%	21%
Representatives from the company managing my employer's defined contribution retirement savings plan	23%	13%	16%	17%
Television or radio programs	16%	17%	21%	17%
Booklets, pamphlets, or other written materials provided by employer	14%	12%	15%	14%
Mobile apps	16%	12%	11%	13%
Employer (Human Resources)	16%	9%	11%	12%

Note: This is a multiple choice question. Top three are highlighted.

Digital channel/methods, along with financial advisor/planner/insurance agent and family, friends, or co-workers, are the primary source of information on investments, financial products, or retirement planning.

Given consumers' urgent need and strong interest, it is of paramount importance for the financial industry to refine its focus and work with government and other partners to create and deliver affordable products to help address the anticipated retirement-funding gap.

To this end, this study identifies retirement-planning behaviors and product preferences. Well before consumers make the decision to buy annuities/other financial products for retirement income, they need to reach out to different sources for information about investment options and related product features (see Table 9). It is very important for the industry to deliver easy to understand, easily accessible information where a majority are planning retirement on their own. It is also of critical importance that the information be accurate and helps lead consumers to take action for a positive retirement outcome.

There is a strong preference for face-to-face information gathering, including reaching out to financial advisor/planner/insurance agent or discussing with family, friends, or co-workers.

The personal touch notwithstanding, given the high Internet penetration (in excess of 90 percent for Singapore[14]), it is not at all surprising that digital channels have emerged as one of the popular sources of information for respondents. In fact, more than half of the respondents reach out to financial websites and use the Internet for their information needs. Some respondents are using websites with information on specific retirement accounts. In addition, social media/networking sites are strongly preferred, especially among the younger generation, compared to the older generation. Clearly, considering the changing preferences of consumers and different generations, the industry needs to explore new ways to share product and retirement-planning information in the future. It is important to note that this online survey required Internet access and surveyed a population segment that is more likely to buy financial retirement products. Accordingly, there may be a marginal bias towards digital channels. Nevertheless, the preference is too strong to ignore.

Table 10 — Usefulness of the Information Gathered From Different Channels or Methods

Responding to the question: *Which information source did you find the most useful?*

Methods/ Channels	Young workers	Pre-retirees	Retirees	Singapore
My own financial advisor/planner/insurance agent	28%	25%	32%	28%
Internet/financial websites	20%	23%	17%	20%
Family, friends, or co-workers	12%	11%	14%	12%
Website with information on my specific retirement account	11%	12%	10%	11%
Workshops and/or seminars	4%	7%	7%	6%
Representatives from the company managing my employer's defined contribution plan	6%	6%	3%	5%
Social media/networking websites	5%	6%	4%	5%
Books, magazines, and newspapers	4%	2%	6%	4%
Employer (e.g., Human Resources or Benefits Department)	3%	2%	2%	3%
Booklets, pamphlets, or other written materials provided by employer	3%	2%	2%	2%
Mobile apps	2%	1%	3%	2%
Television or radio programs	1%	2%	3%	2%

Note: Respondents were allowed to choose only one option. Results under 5 percent represent an option chosen by a sample of 10 or fewer.

[14] https://www.imda.gov.sg/industry-development/facts-and-figures/infocomm-usage-households-and-individuals. Accessed 2018.

Consumers also indicated that information from Internet/financial websites is their most preferred mode for gathering information but not the most useful choice for product information. It emerged as the second most useful channel for gathering information.

Information gathered from financial advisor/planner/insurance agent emerged as the most useful mode of gathering Information on investments, financial products, or retirement planning. Even though consumers' most preferred channel or mode to gather information was not financial advisors/planners/insurance agents, when they did consult with these professionals, they found it very useful. These advisors/planners/insurance agents are trained and expected to have solid product knowledge and deliver it in a way that is clear and easy to understand. Their expertise enhances the value of a human touch and a face-to-face conversation, and their contribution should not be minimized.

Even though the contribution of financial advisors/planners/insurance agents make delivering information is valued, the industry needs to rethink not only how to help consumers find the right products but also to deliver information in a way that generates confidence. These industry professionals may then emerge as the most preferred source of information.

Information from financial advisors/planners/insurance agents is considered very useful, even though they are not the most preferred source of information.

The study asked respondents to share their preferences, aside from issues of cost, for product features of financial products or investments that could be used to create income in retirement. Perhaps unsurprisingly, consumers show strong preferences for guaranteed income for life, protection of principal investment, and fixed returns. In general, respondents are not keen on having greater control over their investments and having the ability to adjust their portfolios, with the exception of the pre-retiree segment that is keen to have this feature.

Specifically, the respondents have an affinity to features that guaranteed income for life and that offer guaranteed returns on investments.

Certain strong preferences vary by age segment, likely because individuals of different ages have different priorities. For example, retirees prefer products that allow the income amount to change as needs change; young workers prefer income that can be converted into a lump sum; and pre-retirees prefer to have stronger control over how investments are managed.

However, consumers do not show a very strong preference towards a specific premium structure, although young workers and pre-retirees expressed a similar interest in single premium and level premium, while retirees showed a slightly greater affinity for level premium.

It is also worth noting that some of these preferred products may already exist in the Singaporean market. However, awareness among the general public needs to improve. Banks, insurers, and insurance agents need to promote these preferred products as heavily as they do other financial products.

Across markets, consumers indicated a preference for the more conservative product features of guaranteed income and capital/principal preservation.

Table 11 — Most Preferred Product Features

Responding to the question: *Aside from issues of cost, when selecting among financial products or investments that could be used to create income in retirement, which of the following features are most important to you?*

	Young workers	Pre-retirees	Retirees	Singapore
Guaranteed Lifetime Income				
Income that is guaranteed for life	59%	63%	56%	60%
Income will remain the same or fixed throughout retirement	47%	43%	37%	43%
Income will continue after I die or my spouse dies	42%	42%	42%	42%
Guaranteed returns on investments	53%	63%	59%	58%
Income Flexibility				
Income has the potential for growth with market	52%	47%	45%	49%
Income amount can be changed as needs change	43%	44%	46%	44%
Income that is adjusted for inflation	50%	54%	47%	51%
Income can be converted into a lump sum	50%	37%	39%	43%
Capital/Principal Preservation				
Initial investment amount is preserved or protected	51%	59%	59%	56%
Control Over Investments and Flexibility				
Control over how investments are managed	46%	47%	43%	45%
Tax benefit	41%	37%	36%	38%
The ability to make withdrawals in excess of regular benefit payment	41%	44%	35%	41%
Option to withdraw entire money as lump sum and manage on your own	48%	46%	43%	46%
Premium Structure and Other Features				
Money for heirs or charities when I die	30%	20%	28%	26%
Single premium	34%	32%	21%	30%
Level premium	34%	32%	27%	31%
Stepped-up premium	30%	22%	21%	25%
Option to receive predefined lump sum or annuity payment in foreign currency (e.g., USD, AUD)	30%	23%	24%	26%

Note: The following options were given to the respondents: "Not at all important," "Somewhat important," "Very important," "Don't understand feature." The above results are the precentage of respondents who selected "Very Important." The top-six are highlighted in blue.

Definitions — Single Premium: An insurance plan in which a lump sum of cash is paid up front to guarantee payment to beneficiaries. Level premium: Level-premium insurance is a type of term life insurance for which the premiums remain the same throughout the duration of the contract. Stepped-up premium: Insurance premium is calculated on policyholder's age, meaning the younger they are the lower the cost and premiums, and premiums will increase over time.

Banks emerged as the most-preferred channel from which to buy retirement products.

Table 12 — Top-Four Channels for Retirement Income Products

Responding to the question: If you were to buy a product with the features you selected, from where would you like to buy it?

	Young workers	Pre-retirees	Retirees	Singapore
1	Bank	Bank	Bank	Bank
2	Broker/financial advisor (sells Multiple products)	Broker/financial advisor (sells Multiple products)	Broker/financial advisor (sells Multiple products)	Broker/financial advisor (sells Multiple products)
3	Agent/Tied agency	Agent/Tied agency	Agent/Tied agency	Agent/Tied agency
4	Insurer's website	Insurer's website	Insurer's website	Insurer's website

The top product features selected by respondents were largely similar across most sub segments, with a few exceptions. Most of the preferred product features were designed to fulfill basic needs, and some were reflective of the unique needs across life stages (see Table 13).

Even though online channels have gained popularity, offline channels were dominant across all sub segments, when it came to consumer preference for channels. However, it is perhaps somewhat surprising that banks emerge as the most preferred channel to buy retirement products, well ahead of the usually popular channels of agents. In fact, online channels are also preferred across age categories; however, offline channels still dominate.

Maintaining physical health and wellbeing remains a top priority for most.

However, respondents have their own unique retirement objectives, as evidenced by preferences and attitudes across age segments and life stages. Yet, respondents of all ages gave top priority to good health and wellbeing. All age groups also expressed a strong desire to spend more time with friends and family, financially support their families, and continue to live in their current residences. Few expressed the desire to move away from their homes into communities for retired persons or nursing homes.

Table 13 — Important Aspects of Retirement Life

Responding to the question: *Many people have specific hopes and aspirations for their retirement. How important is it for you to do each of the following in retirement?*

	Young workers	Pre-retirees	Retirees	Singapore
Maintain my physical health and wellbeing	66%	73%	72%	70%
Spend more time with friends and family	55%	48%	53%	52%
Financially support my family	44%	38%	32%	39%
Remain living in my current residence	34%	37%	39%	36%
Travel more	35%	29%	29%	31%
Learn a new skill/hobby	32%	29%	23%	29%
Get involved with some type of group/activity/community for retired persons	28%	23%	21%	24%
Save up for leaving a legacy	27%	21%	14%	22%
Move into a community for retired persons	15%	16%	14%	15%
Move into a nursing home	14%	5%	10%	9%

Note: The results represent "Very Important" responses out of the overall options: "Not at all important," "Important," and "Very important."

Industry Opportunities

The industry has a significant opportunity — and responsibility — to help address the looming retirement-funding gap and to develop and deliver the preferred products consumers have identified in this study. Insights from this consumer research point to compelling opportunities for the financial services industry to explore. Some of them are as follows:

- **Responsibility:** Almost three fourths of respondents across Singapore consider it their own responsibility to fund their retirement. The proportion of respondents who consider it their own responsibility is much higher among young workers (75 percent) and pre-retirees (74 percent) than among retirees (63 percent). This finding suggests a change in mindset, where the younger generation is willing to be proactive and take care of their future needs, without depending on the government. New thinking among the younger segment suggests they are eager to make choices and take action that will help them in planning for retirement. The industry needs to seize this opportunity and help individuals with accumulating a retirement fund.
- **Retirement Planning:** More than two thirds of respondents do not seek help from financial professionals for their retirement planning, especially respondents from the pre-retiree and retiree segments. In addition, 73 percent of respondents do not have a formal written plan for managing income, assets, and expenses during retirement; in particular, pre-retirees (80 percent) seem to have the least interest in creating a formal written retirement plan. Respondents may be willing to take action by themselves, but the question remains whether they are capable of doing so. The industry, along with other stakeholders, needs to step in and educate future retirees on how to plan for retirement and make the best use of available resources.
- **Key Aspiration:** Maintaining good health and wellbeing is a top priority among respondents. They also express a strong desire to spend more time with friends and families, financially support their families, and continue to live in their current residences. These goals are not impossible to achieve, provided individuals start saving prudently, and undertake structured retirement planning.
- **Procrastination:** Even though most respondents consider it their own responsibility to plan for retirement, they procrastinate, and more than half regret either delaying saving for retirement or not having started saving for retirement at all. Most do not take any or take only inadequate action. The sense of regret is higher among young workers, with almost 63 percent saying they regret delaying retirement planning. These responses also suggest that individuals often miscalculate how much and how long they need to save and invest, only to realize at a later age that they have not saved enough. Clearly, they could benefit from professional guidance and advice. Even though individuals are willing to take responsibility, they may not be sufficiently "financially literate" to understand the negative impact of starting to save late. This is where the industry must guide individuals on when, where, and how to start investing for retirement.
- **Retirement Funding Gap:** A massive 80 percent of respondents across Singapore anticipate a gap in retirement funds when they turn age 60, and only 20 percent expect to have more than 81 percent of the funds they need to lead a comfortable retired life. Respondents from the retiree and young workers segment expect a much wider gap in their retirement funds than pre-retirees. This shortfall is a result of inaction and not taking the right steps to secure their retirement. The industry must step in to train financial advisors and provide them with tools to assess individual retirement needs. Only then can the industry begin to close in on the retirement funding gap. A gap of this significance presents a huge opportunity for the industry to grow its share of business in a relatively untapped market with massive potential.

- **Underestimating Life Expectancy:** To make things even worse, respondents underestimate the life expectancy at age 60 by around 22 percent, which suggests that the retirement funding gap is slightly wider even than anticipated. Respondents expect to live around an additional 21.7 years upon turning age 60, versus the reality of 27.8 years. Singapore's incidence of underestimating life expectancy is one of the highest across Asia. It impacts not only the level of retirement income needed but also the level of potential healthcare expenses. While living longer is a wonderful boon, it requires adequate provision, as its consequences may affect both individuals and families.
- **Willingness to Buy Annuities:** Consumers across Singapore generally express a relatively high level of confidence in their ability to make financial and investment decisions, and a significant 73 percent of the respondents express their willingness to convert a part of their assets to annuities to generate retirement income. Respondents, particularly from the young workers segment, express the strongest interest in annuities. The fact that consumers would be willing to invest in such products, provided their concerns are met, represents a historically significant opportunity for the industry.
- **Preferred Product Features:** Respondents express strong preferences for products with features such as guaranteed income for life, protection of principal investment, and fixed returns. In general, respondents are not keen on having greater control over their investments and having the ability to adjust their portfolios, except pre-retirees who prefer this feature. Specifically, respondents reveal an affinity for features with guaranteed lifetime income and guaranteed return on investments. Singapore is one of the fastest-aging economies in the world, and since the key to successful retirement planning is to start early and save adequately, consumers and the industry need to act fast and act now.
- **Preferred Channels to Buy:** Even though online channels have gained popularity, offline channels are dominant across all sub-segments. However, it is perhaps somewhat surprising that banks emerge as the most preferred channel to buy retirement products, well ahead of the usually popular agent channel. Therefore, insurers and other financial institutions may do well to strengthen their partnerships with banks or look for newer partnerships with banks, if they are to seize the opportunity of closing the retirement funding gap.

Appendix

This study is an extension of the China retirement study of 2015 – 16, a collaboration between the Society of Actuaries (SOA) and LIMRA designed to identify the challenges faced by selected markets across Asia. It also aimed to provide insights into consumer perceptions of retirement across nine major regional Asian markets, including Hong Kong, India, Indonesia, Japan, Singapore, South Korea, Taiwan, Thailand, and China and provided an overall regional average. This current study focuses primarily on Singapore.

Table A-1 — Respondents by Working Status

Responding to the question: *Are you currently …?*

	Young workers	Pre-retirees	Retirees	Singapore
Working full time for pay	100%	95%	40%	83%
Self-employed/Family Business	0	0	1%	0
Retired and working part time for pay	0	3%	32%	9%
Retired and not working for pay	0	2%	28%	8%

Table A-2 — Respondents by Employer Type

Responding to the question: *Which of the following best describes your employer/From what type of employer did you retire?*

	Young workers	Pre-retirees	Retirees	Singapore
Government	10%	8%	35%	16%
Institution controlled by the government (public sector)	13%	7%	32%	16%
Private company (enterprise)	76%	83%	31%	67%
Other, please specify	0	3%	2%	1%

Table A-3 — Respondents by Household Size

Responding to the question: *What is your household size?*

	Young workers	Pre-retirees	Retirees	Singapore
1 to 2 persons	18%	22%	28%	22%
3 to 4 persons	58%	55%	54%	56%
5 to 6 persons	21%	21%	15%	19%
7+ persons	3%	2%	3%	3%

Table A-4 — Respondents by Gender

Responding to the question: *Are you. . .?*

	Young workers	Pre-retirees	Retirees	Singapore
Male	49%	55%	61%	54%
Female	51%	45%	39%	46%

Table A-5 — Respondents by Pre-tax Total Annual Income

Responding to the question: *Which of the following ranges describes your household's pre-tax total annual income? Please include any income from employment earnings, investments, interest, dividends, social security, pensions, etc.*

	Young workers	Pre-retirees	Retirees	Singapore
SGD30,001 – SGD60,000	21%	27%	33%	26%
SGD60,001 – SGD125,000	45%	44%	45%	45%
SGD125,001 – SGD300,000	30%	25%	18%	25%
SGD300,001 – SGD950,000	4%	3%	3%	3%
SGD950,001+	1%	0	2%	1%

Table A-6 — Respondents by Current Housing Situation

Responding to the question: *What is your current housing situation?.*

	Young workers	Pre-retirees	Retirees	Singapore
I own my apartment or house	71%	89%	90%	82%
I rent from a landlord	11%	4%	4%	7%
Live with parents, other family members, friends, or other	17%	6%	5%	10%
Other, please explain	1%	0	1%	1%

Table A-7 — Respondents by Level of Education

Responding to the question: *Which of the following best describes your highest level of education?*

	Young workers	Pre-retirees	Retirees	Singapore
High school or less	7%	16%	21%	14%
Technical/vocational school	11%	20%	12%	15%
Two or three years of college/Associate's degree	6%	6%	15%	8%
College graduate/Bachelor's degree	54%	39%	27%	42%
Graduate school/Master's degree	20%	16%	23%	19%
Doctoral degree/Ph.D.	1%	1%	2%	1%
Others, please specify	0	1%	2%	1%

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