READY FOR 100

Re-imagining 100:
Financial planning amidst a crisis

Written by ECONOMIST IMPACT

The covid-19 crisis has further deepened the anxieties of many, negatively impacting perceptions of their financial well-being and denting confidence in their ability to finance longevity.

Contents

Introduction

Not long ago, it was clear to many Singaporeans that financing their older age was growing more challenging as average life spans lengthened. A form of longevity risk—the possibility that people might outlive their financial assets—had become a prospect that working-age and older Singaporeans could not dismiss.[1] The covid-19 crisis has further deepened the anxieties of many, negatively impacting perceptions of their financial well-being and denting confidence in their ability to finance longevity.

About the research

This report analyses the finance-related findings of a survey of 1,218 residents of Singapore conducted in May-June 2021. The survey explores how the pandemic has impacted Singaporeans' prospects of living to 100 in terms of their financial situation and their personal health and well-being. The respondents fall into five age cohorts: 25-34, 35-44, 45-54, 55-64 and 65-74. The sample is split evenly between males and females and almost evenly split between people earning less than S$50,000 annually (49%) and those earning more than that (51%). For more details on the wider survey and the sample demographics, see *Reimagining 100: The pandemic's impact on longevity*.

In a recent survey by Economist Impact, just 29% of Singaporeans say they feel prepared to live to the age of 100 from a financial perspective. This is slightly higher than the 26% who said the same in a similar survey we conducted in 2018.[2] However, the 2021 figure is lower than the percentage saying they are prepared for 100 from a health perspective (31%). It is also a reversal from 2018 in that financial confidence then outstripped confidence about health.

The pandemic cloud may have a silver lining, however, if it leads Singaporeans to think more carefully about their long-term financial strategies. Experts we interviewed for this article see indications that this is occurring. Below we examine how the pandemic has affected Singaporeans' financial readiness for longevity.

1 See our earlier report, *Saving for 100: Funding longevity in a time of uncertainty*, for a detailed analysis of the financial challenges Singaporeans face in funding older age.
2 See *Ready for 100: Preparing for longevity in Singapore*.

A tougher struggle

A deterioration in people's financial situations is apparent in several responses to our 2021 survey:

- Nearly half the sample, 47%, report that their finances have worsened since the onset of covid-19, and about a fifth of these describe the deterioration as "considerable".

- The deterioration in finances is greatest among those aged between 35 and 44 (48%) and between 45 and 54 (54%).

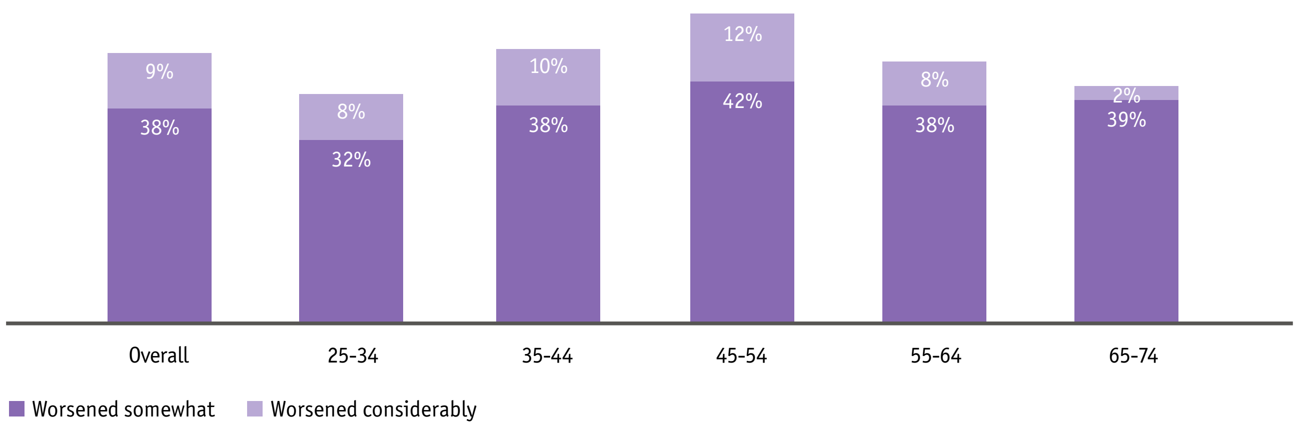
- Over half (54%) say they would struggle, or even be unable, to meet their financial needs in the event of an unexpected illness or job loss, a higher figure than the 42% who responded this way in the 2018 survey.

- Adding to the financial anxiety is a concern expressed by 43% of the respondents that their salary or wage-earning prospects have deteriorated as a result of the pandemic.

"The current environment, with low interest rates, price increases for food products and rentals, and broader concerns about inflation would negatively impact most people's ability to sustain an ongoing savings plan," says Susan Soh, chairman of the Investment Management Association of Singapore (IMAS) and co-head of Asia-Pacific at Schroders, an asset management firm.

Figure 1: The pandemic hits the finances of 35-54 year-olds the hardest

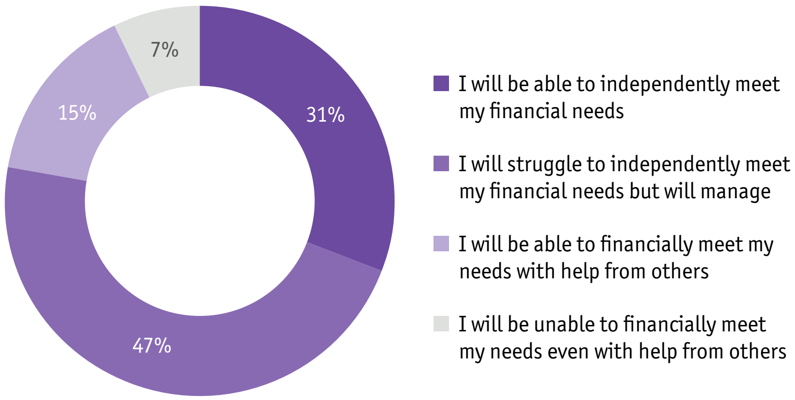
Share of respondents reporting a deterioration in their financial well-being as a result of covid-19 (by age group)



Source: Economist Impact

Figure 2: Straining to make ends meet

How respondents would fare financially after a life-changing event



Source: Economist Impact

Figure 3: Wage-earning prospects are worse for many

Share of respondents agreeing that their salary- or wage-earning prospects have deteriorated since the onset of covid-19 (by age group)

Source: Economist Impact

The pandemic appears to have led some Singaporeans to adjust their personal financial strategies. For example, Ms Soh says that her teams have observed higher activity and volumes on online wealth platforms in the past 18 months. According to Lim Sia Hoe, executive director of the Centre for Seniors, an advocacy and support organisation for seniors, some older Singaporeans have waded into online share trading during the pandemic, and many have taken steps to top up their Central Provident Fund (CPF) retirement savings.

Ms Soh has also seen changes in personal investment strategies in the past year among people of all age groups. More people, she says, have been actively managing their portfolios and diversifying their holdings as a de-risking strategy amidst share market turbulence. Investors approaching retirement have been particularly keen to de-risk, she says, as they are reluctant to tap into their retirement savings.

These developments encourage Ms Soh to believe that the crisis has increased awareness among citizens of the opportunities, as well as risks, of investing, and more broadly of the need for diversified financial strategies. "'Black swan' events such as these often lead people to adopt more resilient and disciplined investment strategies," she says. "People of different ages are more ready now to accept some risk to enhance their long-term returns."

A deterioration in people's financial situations is apparent in several responses to our 2021 survey

The march to digital

Singaporeans were avid users of digital channels to manage their finances even before the pandemic. For a large majority of our survey respondents, 83%, the preferred means of accessing bank accounts prior to covid-19 were digital—mainly mobile apps or websites accessed by a PC or laptop. The analogous figure for managing insurance was 53% and for managing investments—55%.

Not surprisingly, those figures have risen in each category of personal finance during the pandemic, as restrictions on mobility initially have made it difficult for people to visit their banks, insurance agents or investment advisors. Today, 86% prefer digital means for managing their banking, 61% for managing insurance (the steepest rise among the three categories) and 59% for managing investments.

The percentage increases are fairly uniform across all age groups in the sample, with a few exceptions: for example, the share of 65-74 year-olds using mainly digital means to manage insurance rose from 39% pre-covid to 51% today, a larger increase than among younger respondents. The explanation is that the growth in this group is from a considerably lower base compared to the younger groups, in all of which 50% or more managed their insurance online even before the pandemic.

Although generally less comfortable with digital technology than younger people, senior citizens have had little choice but to manage more of their financial affairs online, says Ms Lim. She believes peer influence and the assistance of adult children have been decisive in helping many seniors make the shift to digital. More generally, she credits the government and banking institutions for long-standing initiatives to encourage consumer finance digitalisation and the growth of a cashless society. One example she cites is PayNow, a peer-to-peer payments platform launched in 2017. As of January 2021, there were just under 5m PayNow registrations, representing around 85% of the country's population.[3]

Mobile is by far Singaporeans' favoured means of managing their bank accounts, judging by the survey. Just over half, 51%, of respondents say this is their preferred banking channel, with 32% using PC- or laptop-accessed websites. (The latter are preferred for managing their insurance or their investments.) Small numbers, 8% and 4% respectively, prefer in-person and telephone banking.

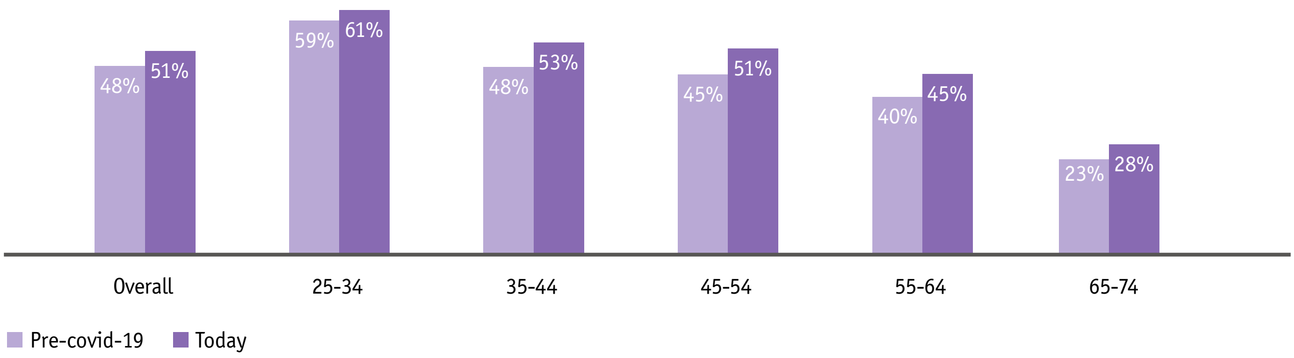
Older Singaporeans have also been migrating to mobile apps for banking, although those older than 55 remain considerably less comfortable doing so than younger respondents. According to Ms Lim, seniors need considerable prodding to do more than check their bank balances with mobile apps, although many, she says, now use their smartphones in other ways, for example, to pay for food and other household goods.

3 Media release of The Association of Banks in Singapore, 8 February 2021.

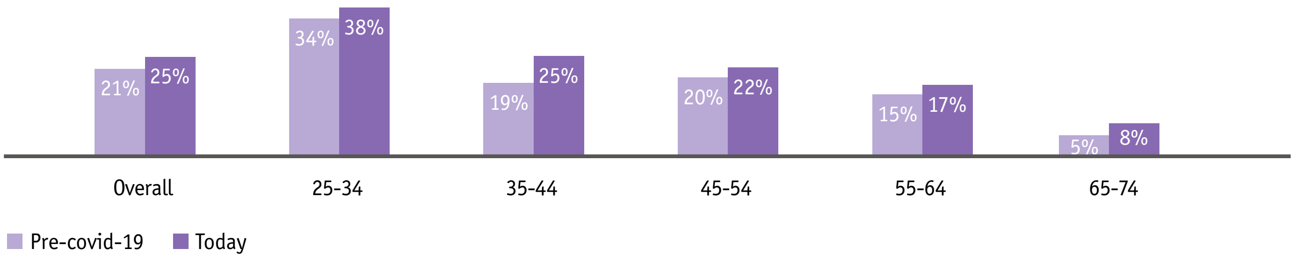
Figure 4: Managing with mobile

Share of respondents using mobile apps as their preferred means of managing their personal finances, pre-covid-19 and today (by age group)

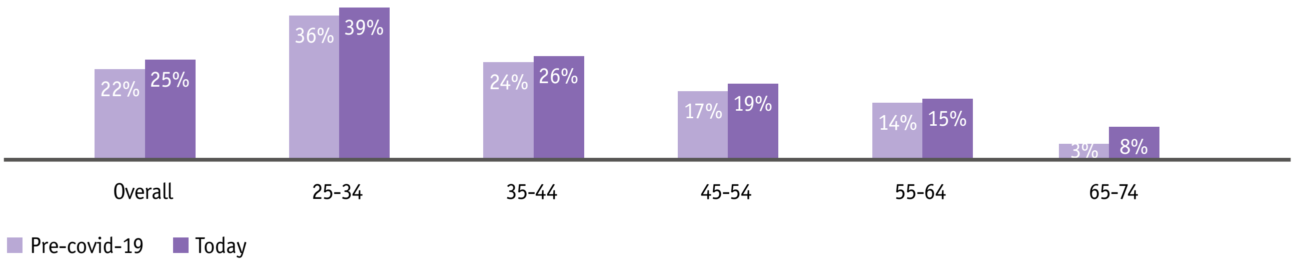
Banking



Insurance



Investments



Source: Economist Impact

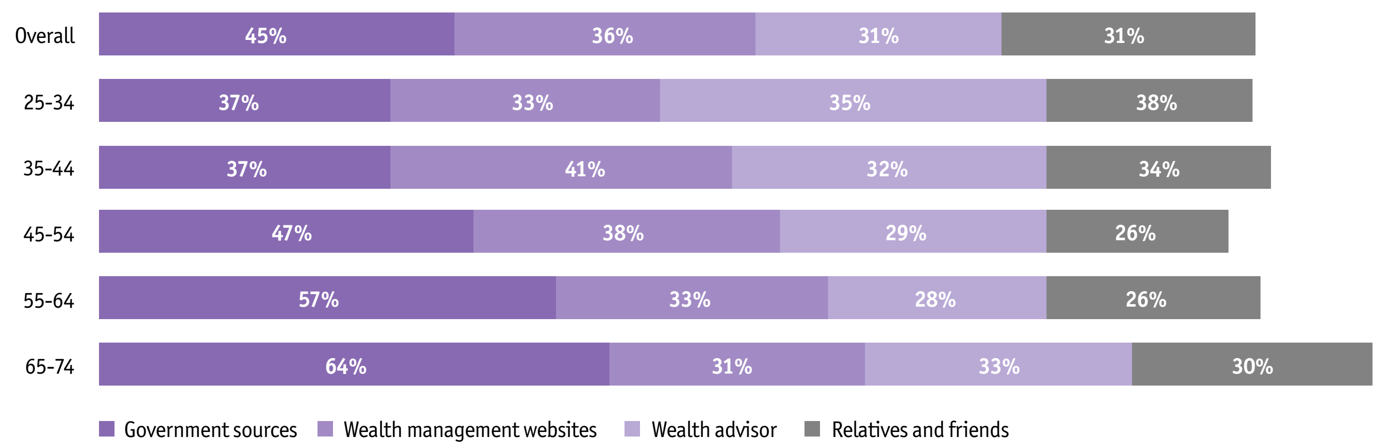
Getting good information and advice

During periods of great disruption, such as this pandemic, when personal and family budgets are tightening and markets are in flux, people turn to trusted sources for guidance in managing their wealth. In Singapore, those sources are most likely to be government agencies such as the CPF (the custodian of their retirement funds), the Ministry of Manpower or the Ministry of Finance. Among the survey respondents, 45% cite government agencies as their most valuable source of wealth-related information. Much further down the list are wealth management websites, wealth advisors, and relatives and friends.

There is a vast age divide, however, in the use of wealth-related information. The older the respondents, the more likely it is they will value government sources such as the CPF. The youngest ones in the survey (25-34 year-olds), by contrast, are as likely to value their relatives and friends as sources of information as they are the government. Singaporeans in this age group indeed appear to favour a balanced approach to obtaining wealth-related information, using a number of different sources in roughly equal measure.

Figure 5: The value of information

Respondents' most valuable sources of wealth-related information (by age group)



Source: Economist Impact

Boosting financial literacy

The need for reliable information is also growing as people take on more risk in investing. Singaporeans need to become better educated about investing strategies, says Andrew Scott, professor of economics at London Business School and co-founder of The Longevity Forum, a not-for-profit initiative focused on healthy and secure ageing. Singaporeans' increased acceptance of risk in investing, he says, underscores the need for sustained efforts on the part of government, financial institutions and NGOs to improve financial literacy among all age groups.

Sharon Ang, director of social programmes in Singapore's Ministry of Finance, says there has long been recognition within government that financial literacy is an important enabler for people to be able to take charge of their own finances. This is the thinking, she says, behind the MoneySense financial education programme launched by the Singapore Government in 2003.

Ms Soh points to several other financial education initiatives run by the CPF, IMAS and other bodies. What's lacking, she says, is a programme or portal to link these resources together. "Something that synthesises the many sources of publicly available financial information and advice would help Singaporeans focus not just on short-term goals," she says, "but also the long-term ones that will help them support their longevity."

It remains to be seen whether the recent deterioration in many Singaporeans' financial situations is temporary or long lasting.

The road ahead

Improvements made over the years in living standards, in the quality of public services, in healthcare and in other aspects of public life have increased Singaporeans' chances of living to 100 and enjoying it. The ongoing pandemic, however, has raised the question of just how durable those gains are. Can Singaporeans be confident, for example, in their ability to save and invest for their old age?

It remains to be seen whether the recent deterioration in many Singaporeans' financial situations is temporary or long lasting. Major shifts in government policy or forms of support in this aspect of longevity do not currently seem warranted. Instead, maintaining and fine-tuning existing initiatives seems the wisest course. Our discussions with experts highlight three areas where such fine-tuning can be of greatest benefit to Singaporeans:

Ensure citizens understand the risk of outliving their assets. Public initiatives have raised citizens' awareness of the need to continue learning new skills as they grow older, in order to remain employable and be able to support themselves for longer. Efforts have also been undertaken in recent years to raise awareness of the importance of long-term financial planning, but more can be done, particularly in light of the pandemic's financial impact on people.

Integrate existing financial literacy initiatives. Coordinate a multi-stakeholder, cross-sector initiative that brings together existing programmes in the public and private sectors to make it easier for Singaporeans to access all the information related to financial literacy, with a focus on both the short term as well as the long term. Better access to resources can provide Singaporeans with the financial planning advice and information they need as they prepare to live longer lives.

Ensure older citizens do not retreat from digital finance. The pandemic will eventually abate, and when it does, senior citizens may be tempted to return to traditional means of managing their finances. Financial institutions and government agencies should find ways of incentivising them to stay and grow more comfortable with digital.

For Singaporeans, there seems little reason to stray from the strategies discussed in our earlier report *Saving for 100*[4]: diversification—whether of sources of income (from multiple jobs, share investments or real estate, for example) or types of investment; greater acceptance of some risk in investment portfolios, especially among younger people; and, for those approaching retirement age, topping up their CPF retirement accounts and delaying withdrawals for as long as possible to allow their funds to continue building. Even accounting for the pandemic, these approaches continue to give Singaporeans the best chance of assuring their financial well-being into their 80s, 90s and beyond.

4 Saving for 100: Funding longevity in a time of uncertainty.

ECONOMIST IMPACT

LONDON
20 Cabot Square
London
E14 4QW
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
E-mail: london@eiu.com

NEW YORK
750 Third Avenue
5th Floor
New York, NY 10017, US
Tel: (1.212) 554 0600
Fax: (1.212) 586 0248
E-mail: newyork@eiu.com

HONG KONG
1301 Cityplaza Four
12 Taikoo Wan Rd
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
E-mail: hongkong@eiu.com

SINGAPORE
8 Cross Street
#23-01 Manulife Tower
Singapore 048424
Tel: (65) 6534 5177
Fax: (65) 6428 2630
E-mail: singapore@eiu.com

GENEVA
Rue de l'Athénée 32
1206 Geneva Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 9347
E-mail: geneva@eiu.com