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Saving for 100
Funding longevity in a time of uncertainty

Written by The Economist INTELLIGENCE UNIT

Saving for 100: Funding longevity in a time of uncertainty explores the financial challenges Singaporeans face as life expectancy rises and how they plan to manage their wealth in anticipation of living a longer life.

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Foreword

The global COVID-19 pandemic has dominated headlines for the first half of 2020 and is rapidly unfolding into a global economic crisis. The impact of COVID-19 on Singapore's economy has been underscored by the unprecedented series of four Budgets totaling S$193 billion announced by the government to bolster the economy and to save jobs.

This has been possible because of Singapore's strong financial foundation and tradition of saving and investing for the future. As an insurer and a key financial institution, Prudential has stood by our customers during times of need, and we continue to instill the importance and discipline of planning for the long-term.

We have been helping Singaporeans to prepare for rainy days and to achieve their financial goals for close to 90 years. COVID-19 has brought into sharp relief the importance for individuals and businesses to insure against uncertainty. That is why through our latest Ready for 100 research report, ***Saving for 100? Funding Longevity in Singapore***, we seek to understand how the pandemic has impacted Singaporeans and how we can continue to support their health and financial needs even in the most challenging of times.

Saving for 100? Funding Longevity in Singapore is a companion of our flagship research ***Ready for 100? Preparing for Longevity in Singapore***, which examines the opportunities and challenges of living longer lives. In our earlier research, we found out that while Singapore's residents are ardent savers, even the most devoted savers will struggle to retire at 62. In this report, you will learn more about the saving and investing attitudes of Singaporeans. Among the key features defining today's savers is a keen understanding of the need to diversify income sources to grow savings; a desire to plan for multiple occupations punctuated by breaks throughout their career span; and fierce independence in millennials who do not expect monetary support from their children in old age.

We're pleased to have once again partnered with the Economic Intelligence Unit (EIU) to research and to write the report. It explores the financial challenges that Singaporeans face in light of increasing life expectancy, and examines how people can re-evaluate their lifestyles, investment and saving habits to better prepare for longevity. The insights were derived from a survey of over 1,200 residents and interviews with experts from the finance industry and government.

We hope the findings of this report would help you start a conversation with your family and friends on the importance of financial health and helps you make sound financial decisions in preparing for your future.

Dennis Tan
CEO, Prudential Singapore

About the research

Saving for 100: Funding longevity in a time of uncertainty is an Economist Intelligence Unit report, commissioned by Prudential Singapore. It explores the financial challenges Singaporeans face as life expectancy rises and how they plan to manage their wealth in anticipation of living a longer life. It also considers the implications of the covid-19 crisis for people's ability to save for longevity. The analysis is based on a survey of 1,219 Singapore residents conducted in February and March 2020.

Four age groups are represented with equal weight (25% each) in the survey sample: 25-34, 35-44, 45-54 and 55-65 years old. The respondents fall into four income groups: S$60,001-100,000 (60%), S$100,001-150,000 (27%), S$150,001-200,000 (8%) and over S$200,000 (5%). The sample is split roughly evenly between men (51%) and women (49%). The vast majority of respondents (91%) are employees in organisations of different sizes, while 3% are company owners and the remainder are freelancers, home-makers or are retired. Most (86%) have dependents of some type, including children, parents, non-working partners or siblings.

Additional insights were obtained from in-depth interviews with subject matter experts: we would like to thank the following individuals for their time.

- Sumit Agarwal, Low Tuck Kwong distinguished professor of finance, National University of Singapore Business School
- Patrick Chang, wealth advisor, Phillip Securities
- Dawn Cher, financial blogger ("Budget Babe")
- Gregory Chia, group director (policy, statistics, research), Central Provident Fund Board
- Abel Lim, head of wealth management advisory and strategy, United Overseas Bank (UOB)
- Lim Sia Hoe, executive director, Centre for Seniors
- Sim Feng Ji, divisional director, income security policy, Singapore Ministry of Manpower

The report was written by Denis McCauley and edited by Charles Ross.

Executive summary

The effects of the covid-19 crisis gripping the world in 2020 will be felt by societies long after the virus is conquered. The toll in human lives has already been horrific, and some virus survivors could face long-term health issues. The impact on economies, including Singapore's, has also been grim, with negative knock-on effects on employment and incomes. Against this post-covid-19 backdrop, Singaporeans of all generations could be ustified in wondering about their long-term financial prospects. The population's long average life span ought to be seen as a blessing, but not all citizens may view it that way if their personal finances are in doubt.

As the crisis unfolded, we surveyed over 1,200 residents of the city-state to understand their hopes, worries and plans for financing their older age as many look forward to living into their 80s, 90s and even beyond.[1] Over half (56%) of respondents expressed confidence that they have already saved, or will be able to save, enough to support living until they die. That, however, leaves 44% who think otherwise, and the majority's confidence is likely to have been dented as the crisis has deepened. There are already real concerns evident in the survey, particularly among millennial-age Singaporeans, that financing older age will grow increasingly tough.

The main findings of the research are:

- **Millennials prepare for a financial squeeze.** Singaporeans aged 25 to 34 face the toughest challenges among today's working-age population in financing their older age. More millennials (21%) than in the sample as a whole (17%) expect to live 90 years or longer, and they are developing multiple income sources to fund it. They are also planning to save to support their ageing parents, but only 30% expect their children to do the same for them. This is not surprising given the ongoing decline in the size of Singaporean households, which means there will be fewer siblings to bear such costs.

- **Diversification is the order of the day.** There is recognition among Singaporeans of the need to diversify income sources well before reaching retirement age. Besides the Central Provident Fund (CPF), which 79% of respondents are relying on to help fund older age, bank savings, life insurance, health insurance and share investments feature in the financial plans of most respondents. Many (28%) are also creating income streams from real estate. The crisis shock, say experts interviewed for the report, underscores the even greater need to develop multiple sources of income.

- **Attitudes towards risk are loosening.** Millennials are more tolerant of risk in their financial strategies than older generations. Among the former, 72% (compared with 66% overall, and 58% among the oldest group in the survey—55-65 year-olds) say they will need to invest more of their savings to ensure funding a longer life. And 60% of millennials (compared with 57% overall) include investing in shares and other exchange-traded securities in their strategies.

- **Savers and investors have options to expand their portfolios.** Over half (59%) of respondents claim to have a financial plan in place to save for their older age. Such plans may include a variety of methods, but the experts we interviewed say Singaporeans can do more to maximise their savings. One method is topping up their CPF account and leaving it to work after 55 rather than withdrawing from it. Another is by including higher-yield assets, such as blue chip stocks and investment grade bonds, to complement lower-yield ones (for example, government bonds) in their saving portfolios.

- **Evolving lifestyles could impact retirement financing.** Millennials, more so than older groups (52% versus 47% overall), plan to take several career breaks amidst the traditional life-stages of work, education and retirement. Most millennials also expect to have three or more occupations during their working lives. And 53% believe it impractical to have more than one child, which helps explain why most do not expect their offspring to support them in older age.

1 See "About the research" for details of the survey sample.

As Singaporeans live longer, assumptions they may have held about the traditional, sequential progression of life stages—education followed by work followed by retirement—no longer hold sway.

1. Living, studying and working longer

Singaporeans have one of the highest life expectancies in the world thanks to the island's continued improvement in public health and in the standard of living enjoyed by residents.[2] Accordingly, most of our survey respondents expect to live long lives—57% to 80 years of age or beyond and 17% to 90 or beyond. Among millennials—the youngest age cohort (25-34) in our sample—21% believe they will live into their 90s or longer.

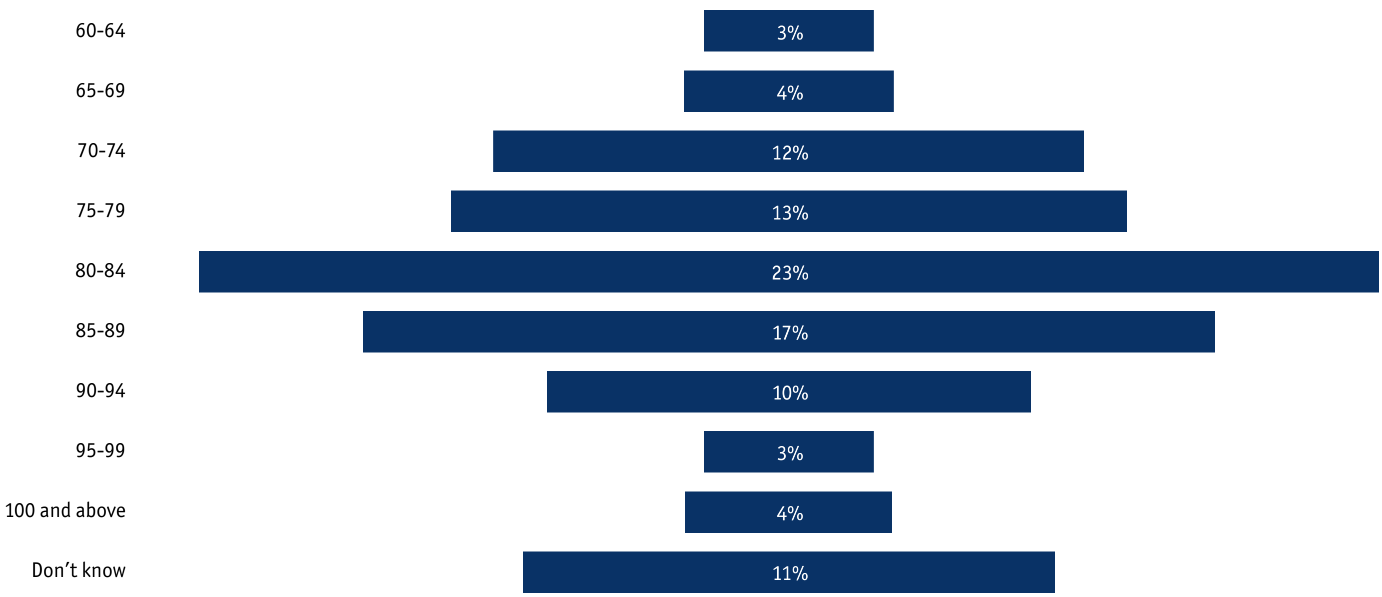
As Singaporeans live longer, assumptions they may have held about the traditional, sequential progression of life stages—education followed by work followed by retirement—no longer hold sway. According to Dawn Cher, a financial blogger known as "Budget Babe": "The traditional assumptions won't disappear overnight, but the separate life stages are increasingly blending together." The largest share of respondents in the survey—47%—expect those life stages to be interspersed with multiple career breaks taken for different purposes (which might involve study, retraining, travel, caring for family or other purposes). More millennial respondents (52%) have this expectation, and more women have it than men (49% versus 44%).

Lifestyles are also changing as people are making major life choices later than their parents. This includes starting a full-time career, getting married, having children, purchasing a home and retiring. Over half of millennials--53%--think it's impractical to have more than one child. This figure is higher than those of the older age groups (47% of 35-44 year-olds; 46% of 45-54 year-olds; and 42% of 55-65 year-olds).

See the world, study and put off retirement

Younger Singaporeans are clearly keen on the idea of taking multiple career breaks. Nearly 60% of millennials in the survey (compared with 43% overall) plan to voluntarily take multiple breaks, even if they've had one

Figure 1: Living for longer
The age to which survey respondents expect to live

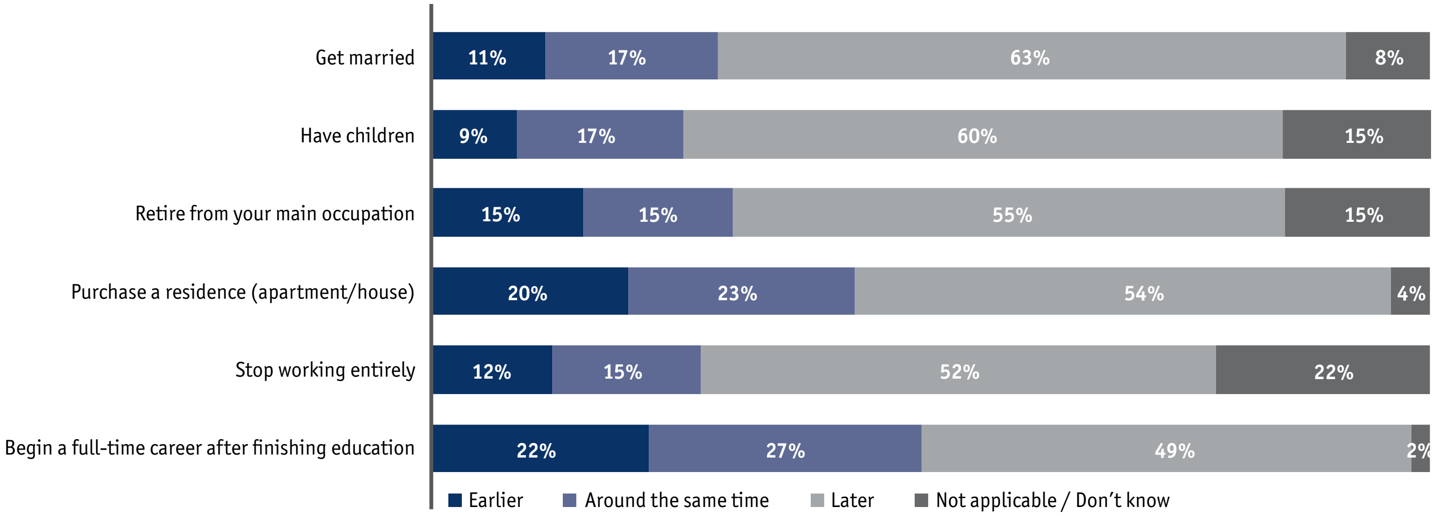


Source: The Economist Intelligence Unit

2 At 83 years, average life expectancy in Singapore was seventh highest in the world, according to the World Bank, an increase of over two years in less than a decade. The data is from The World Bank, World Development Indicators.

Figure 2: Leaving it for later

Share of respondents expecting to embark on selected life activities later than their parents



Source: The Economist Intelligence Unit

already. Among this group and the overall sample, travel is the main purpose, although the border restrictions that governments have put in place to deal with the pandemic are likely to limit travel ambitions in the near term and possibly longer if visa regimes are tightened. Caring for family is another major reason for taking breaks (particularly among women).

Considerably more millennials than the wider group plan to use their breaks for study and skills training, mostly with an eye to changing their occupations. Of the youngest cohort, 28% expect to have three occupations during their lifetime and 27% expect to have four or even more.

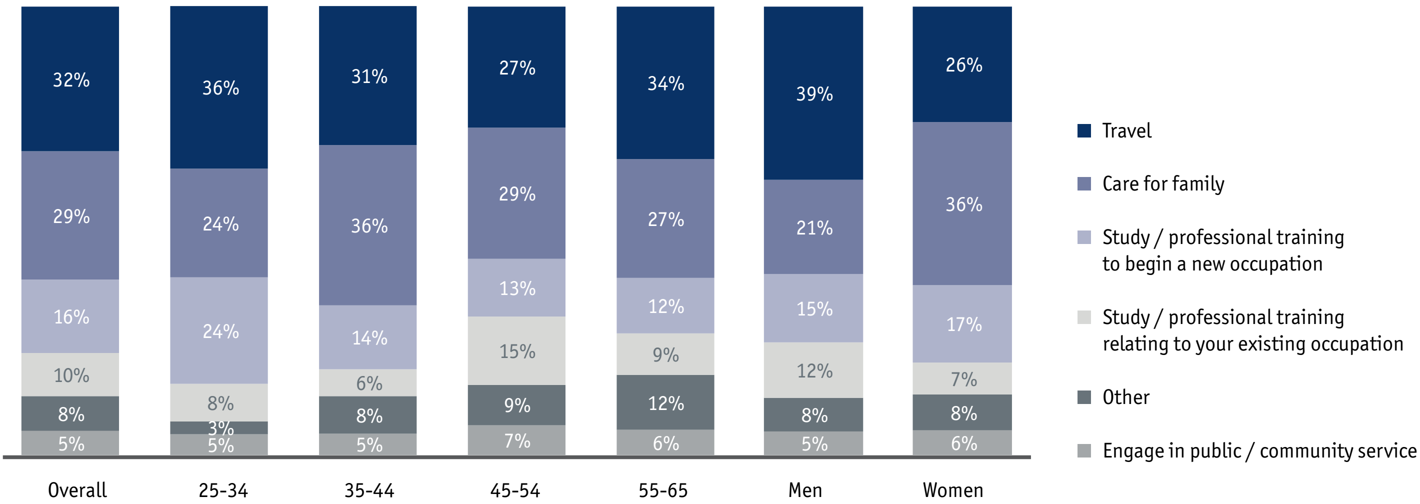
"Due to disruptive technology change and how the marketplace is shifting, people are realising that they need to go back to school to upgrade their skill sets," says Sumit Agarwal, Low Tuck Kwong distinguished professor of finance at the National University of Singapore Business School. "The government is nudging them in this direction," he adds, a reference to its heavily subsidised SkillsFuture programme and other lifelong learning initiatives. Over 6 in 10 respondents (62%, and 65% of millennials) believe generations after theirs will be taking courses continuously until the end of their working lives.

"People are realising they need to 're-tyre'—to adopt and master new technology, new forms of communication and new ways of doing business. Lifelong learning is no longer an option but a must."

PATRICK CHANG, WEALTH ADVISOR, PHILLIP SECURITIES

Figure 3: Making a change

The main purposes of career breaks (% of respondents)



Source: The Economist Intelligence Unit

Judging by the survey, the working lives of around half of Singaporeans will extend well beyond the statutory retirement age of 62 (the government plans to increase this to 63 in 2022 and to 65 by 2030). Among the overall survey group, 49% expect to work to the age of 65 and above and 19% into their 70s or longer. Those expecting to work the longest are the oldest group in the survey—people aged 55-65. This is no surprise to Lim Sia Hoe, executive director of the Centre for Seniors, a not-for-profit advocacy and support organisation for senior citizens. "Today's seniors feel they need to work longer," she says. "Some want purpose in their life and some want the social engagement. But many have no choice because they fear that they won't have enough to retire."

In the short term, at least, older Singaporeans' plans to work longer are at risk, believes Ms Lim. "The disruptions caused by covid-19 are being felt across all age groups," she says, "but older Singaporeans in the workforce face greater risk of being, and remaining, displaced." According to Patrick Chang, wealth advisor with Phillip Securities, the crisis has been a rude shock for older workers. "Many now realise they are unlikely to carry on working at similar jobs into their 70s or 80s," he says. Existing job descriptions are likely to disappear quickly, he adds, and older workers urgently need to adapt, including by learning new technologies and skills.

We need to guard against instances of ageism [amidst the covid-19 crisis] and ensure that seniors are given sufficient support and opportunities to rebound with greater confidence when the situation improves.

LIM SIA HOE, EXECUTIVE DIRECTOR, CENTRE FOR SENIORS

Never too early to plan for longevity

"As life expectancy rises, Singaporeans will need to plan more deliberately to ensure they meet their retirement income expectations," says Sim Feng Ji, divisional director of income security policy at Singapore's Ministry of Manpower (MoM). "The earlier they do so, the better." The government has sought to help citizens meet this challenge. For example, the Central Provident Fund (CPF), which operates under the aegis of Ministry of Manpower, has introduced a number of schemes in the past decade designed to help Singaporeans stretch their retirement income.[3] And one of the aims of SkillsFuture—a lifelong learning initiative launched by the Ministry of Education in 2015, is to help those close to retirement age learn new skills which will help them extend their working lives and continue to earn.

Lim Sia Hoe of the Centre for Seniors thinks the government can be more innovative in helping Singaporeans plan for older age. She cites the example of a national programme offering citizens the chance to undergo a life-stage review once they turn 55 years old. "By the time people reach this age, they need help in understanding their financial and career situation and advice on what their options might be," says Ms Lim. "Structured career advice is provided to students before they enter the workforce. Why shouldn't older people benefit from something similar as they move toward retirement age?"

Ms Lim emphasises that such a review should be holistic and not limited to financial matters. "It also needs to address people's well-being, their psychological resilience to change, the challenges they will face in acquiring new skills and other facets of ageing," she says.

The government is listening, says Ms Lim. As indirect evidence she points to meetings of the Citizen Panel on Work-Life Harmony, which the prime minister's office and several ministries convened during 2019. The panel's recommendations did not specifically address older employees. But Ms Lim believes the model of convening experts from different walks of life to discuss practical measures for improving employee well-being lends itself well to the challenge she has outlined. She and her organisation intend to keep pushing for such an approach to instituting life-stage reviews for older employees.

3 Examples include CPF LIFE, an annuity introduced in 2009 that guarantees a monthly pay-out to citizens from age 65 until the end of their lives. CPF members aged 55 and above also earn interest at rates of up to 6% per annum on their retirement balances. For more details, see the CPF website (www.cpf.gov.sg), the page "Retirement Sum Scheme". According to Sim Feng Ji, contribution rates for those between ages 55 and 70 will also be increased gradually over the next decade.

2. Can Singaporeans afford longevity?

More than half of Singaporeans—56%—have at least some degree of confidence that they will be, or have already been, able to save enough to support living until they die. However, that still leaves a large number—44%—in need. Confidence is likely to be further dented as projections of the pandemic's economic impact grow more dire.

Not surprisingly, considerably more respondents in higher income brackets (earning S$150k or more annually) are confident than those in lower income ones. Considerably more men are confident than are women, possibly a reflection of their greater earning opportunities.[4] Comparing age groups, confidence is highest among those closest to retirement age and lowest among those aged 35 to 44. The older group's confidence may reflect the clearer picture they would be expected to have of their financial situation and their longer years of saving. The dimmer views of 35-44 year-olds, meanwhile, may reflect the twin financial burdens of raising families and supporting ageing parents.

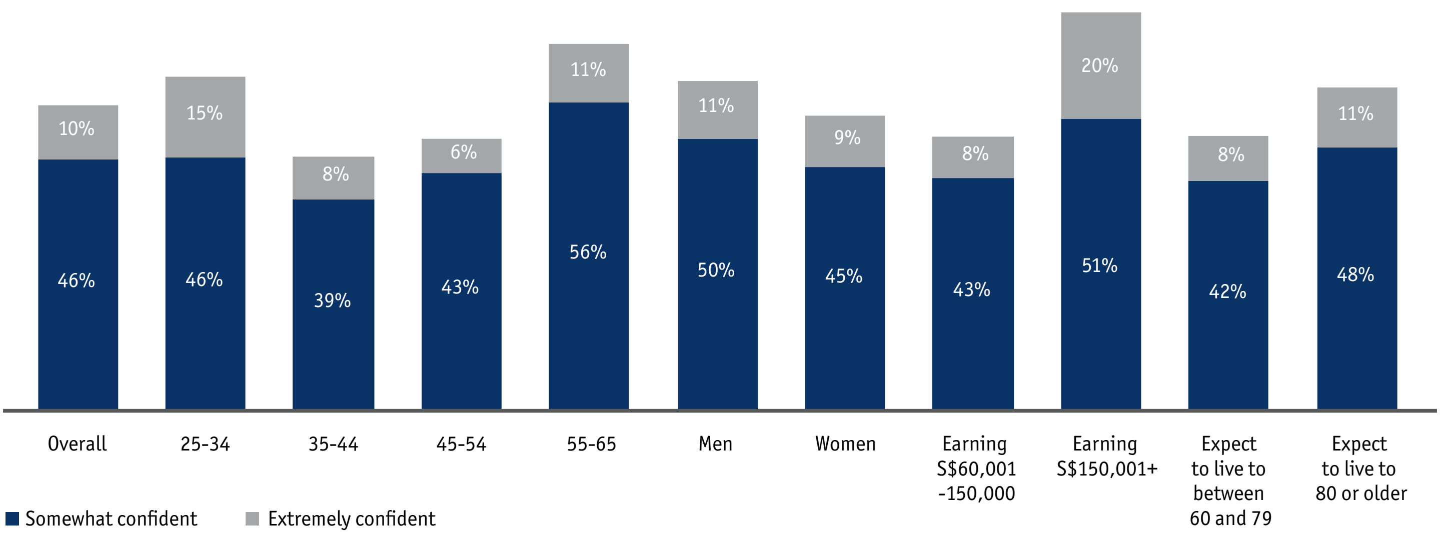
Interestingly, confidence in being able to save for longevity is higher among respondents who expect to live into their 80s and beyond than those anticipating shorter life spans. This may be partly explained by the finding that those expecting to live past 80 years old are more likely than others to have a financial plan in place (61% versus 56%). This figure is 59% among the broader survey group and 64% among millennials.

> *It's very difficult to estimate what living longer will cost. Our financial planners or agents give us estimates but the numbers change fast and are moving targets.*
>
> **DAWN CHER**, FINANCIAL BLOGGER ("BUDGET BABE")

Planning financially to support longevity is far from an exact science. This helps to explain

Figure 4: Will we have enough?

Share of respondents saying they are confident of saving enough to support living until they die



Source: The Economist Intelligence Unit

4 The long-standing gender pay gap in earnings has reportedly narrowed in recent years, but as of 2018 women in Singapore still earned on average 6% less than male counterparts performing similar roles. See the report "Singapore's Adjusted Pay Gap," published on the Ministry of Manpower website, January 9, 2020.

Costing one's older age is complex at the best of times; doing so reliably amidst an unprecedented global crisis may be impossible.

the large numbers of Singaporeans who lack confidence in being able to do so. According to Mr Agarwal, "most people, and not just in Singapore, have difficulty understanding how to think about future savings". Costing one's older age is complex at the best of times; doing so reliably amidst an unprecedented global crisis may be impossible.

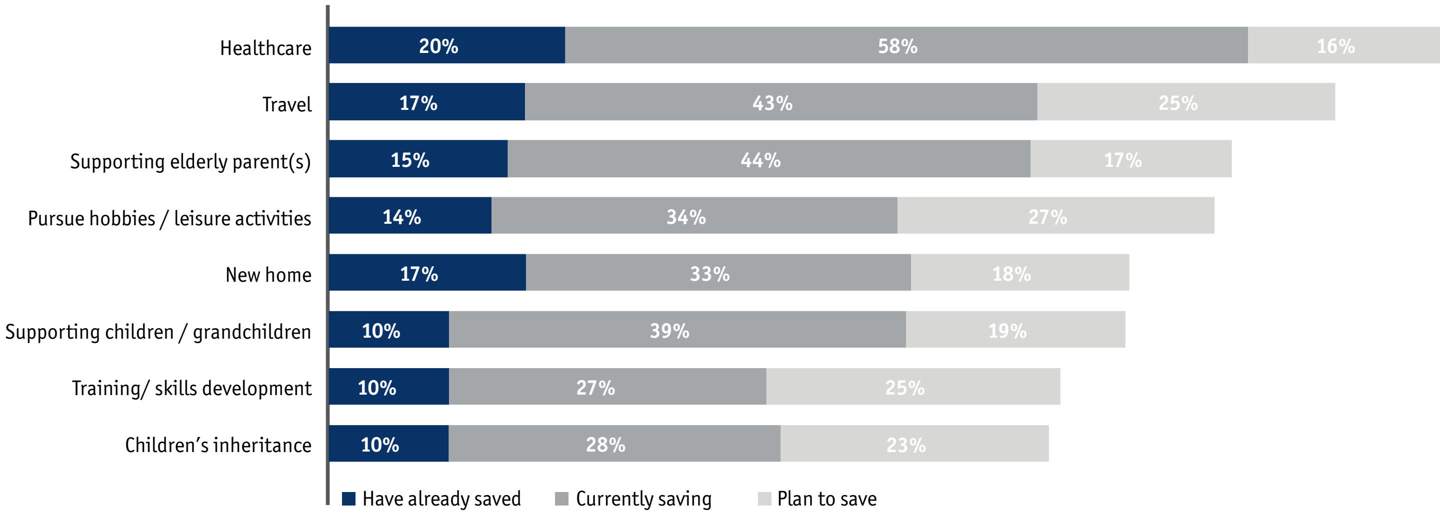
Healthcare and family—key priorities

What specifically are Singaporeans saving for ahead of older age? At the top of the respondents list, cited by 78%, is healthcare. This may seem counter-intuitive. After all, according to Abel Lim, head of wealth management advisory and strategy at United Overseas Bank (UOB), "Singapore has a very robust healthcare system that is highly affordable for elders, and the government is likely to continue bearing most of the costs." Those costs, however, are rising: National health spending reportedly rose by 11% per annum between 2012 and 2017 according to the health minister.[5] Seniors and other citizens must pay some medical costs themselves, even if Medisave, the contributory national health savings plan, help them to cover part of these. The respondents heightened concern about healthcare expenses in older age could be based on an assumption of continued inflation of medical costs. They may also be saving against the possibility that much of their older age will be spent in ill health, for which additional expenses will need to be borne. Many medical practitioners in Singapore believe such concerns are legitimate: around half of those we surveyed in 2019 stated the belief that Singaporeans are unprepared for the health-related expenses of living to 100.[6]

Aside from supporting travel (another saving priority) two other objectives on the respondents' list stand out. The first is the need to support elderly parents. This is a long-accepted cultural norm among Singaporeans, and millennials clearly consider it no less of a responsibility than other generations. In fact, more millennials (65%) than other age groups cite this among their saving priorities and another 24% (also more than any other group) say they plan to support their parents needs and desires in old age.

Figure 5: Health comes first

The objectives respondents are saving for when they reach older age



Source: The Economist Intelligence Unit

5 "Speech by Mr Gan Kim Yong, Minister for Health, at the Ministry of Health Committee of Supply Debate 2020, on Thursday 5 March 2020," Ministry of Health website, March 5, 2020.
6 *Healthy for 100: Healthy care in Singapore* (written by The Economist Intelligence Unit), 2019.

This obligation, however, is likely to squeeze millennials and their offspring more than previous generations. A major reason is the declining size of Singaporean families, meaning fewer siblings to bear the cost of supporting parents. It leads to low expectations that their children will help to support them in older age. Just 30% of the millennials in the survey expect their children to do so. In the future, says Mr Chang, “parents must plan to take care of themselves as their children will have their own commitments”.

At the bottom of the respondents’ list of savings objectives is building a legacy, whether in cash or other assets, to leave to their children. According to Ms Lim, this practice is likely to decline among older Singaporeans. The government, she says, is helping to drive the trend by encouraging lease buybacks of older people’s homes which frees up cash for seniors but removes the home as an inheritable asset. “Leaving a legacy to pass on to future generations is a really nice notion,” says Mr Lim. “But a lot of Singaporeans may not be able to retire as comfortably as they originally thought”.

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ABEL LIM, HEAD OF WEALTH MANAGEMENT ADVISORY AND STRATEGY, UOB

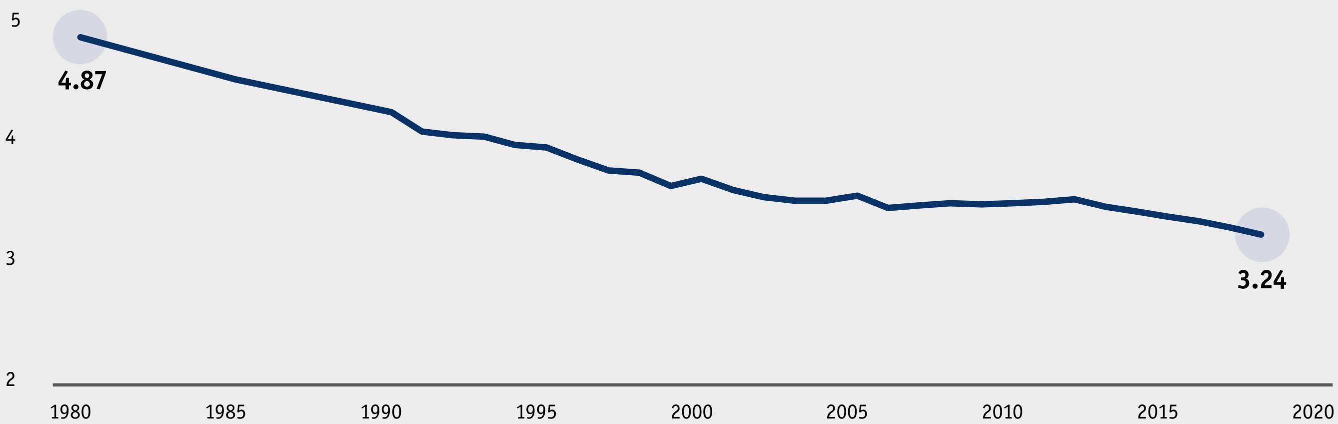
Millennials prepare for a financial squeeze

The term "sandwich generation" refers to middle-aged people in a society, in their 40s or 50s, who carry two main burdens of care and financial obligation—towards their children and elderly parents. In Singapore, as in many Asian societies, cultural norms have long meant that younger people accept the obligation to care for their parents. The latter, meanwhile, have felt good reason to count on it—a sort of "payback" for holding up their part of the bargain in earlier years. For millennial Singaporeans, however, the equation appears to be changing to their detriment.

Part of the change is simply the impact of longer life spans. The bigger part of the problem, however, is the shrinking size of the average Singapore family. Between 1980 and 2018 the average household size declined from 4.87 to 3.24 (Figure 6). "We are not having as many children, and some of my friends are opting not to have children at all," says financial blogger Dawn Cher. "This is going to be a huge problem. Who will they rely on when they retire?"

Abel Lim, head of wealth management advisory and strategy at United Overseas Bank, believes cultural attitudes will remain unchanged in later generations but will be difficult to uphold. "If current trends continue," he says, "nearly one in three Singaporeans will be 65 and older by 2035. With a smaller workforce, this is going to put huge strain on the younger generations to be able to support both their children and their parents while saving to support their own needs in older age". The strain is exacerbated, he adds, by the inability of children to spread the burden among non-existent siblings. Not so long ago it was the norm for three, four or more children to share the costs in a manageable way. "This strain is going to be like a huge barbell, both sides weighing young people down as they reach middle age."

Figure 6: Fewer to share the burden
Average household size, 1980-2018



Source: Singapore Department of Statistics, Population Trends 2019

In Singapore, as in many Asian societies, cultural norms have long meant that younger people accept the obligation to care for their parents.

3. Saving and investing for 100

The pandemic-induced crisis has had the salutary effect of awakening Singaporeans to the need to shore up their financial planning, says Mr Chang. He points to two areas in particular: the importance of having an emergency fund with 6 to 18 months of reserves, and the need to develop a stream of regular, passive income.

"Singaporeans save, but they need to save more aggressively," believes Ms Cher. Most of those in our survey favour conventional financial methods to help them save for older age, but they are also taking a diversified approach and using a range of instruments. The CPF is the most popular, cited by 79% of respondents overall, and is the top-ranked instrument in every demographic group in the survey. Savings accounts, life insurance, cash and health insurance follow in order of preference—all used by a majority of respondents. The more aggressive method of investing in shares and other exchange-traded instruments also features in most financial strategies (cited by 57%).

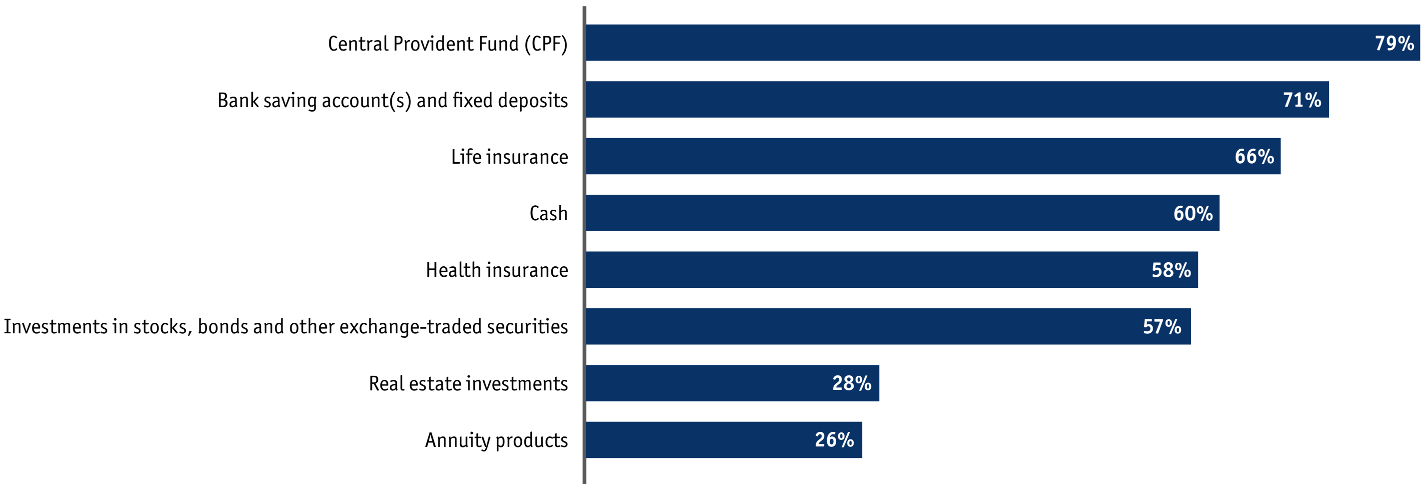
An additional attraction of the CPF is that it allows Singaporeans to top up their accounts (and those of family members) and earn interest of up to 6% per annum.[7] According to the CPF Board, the amount of top-ups has grown significantly in recent years, the annual total under the Retirement Sum Topping-Up Scheme increasing from S$934m in 2015 to S$2.15bn in 2019.[7]

This crisis presents an excellent opportunity for people, especially younger generations, to learn [about the need to save]. The situation is similar to an unplanned retirement: suddenly no work, no income and little saving.

PATRICK CHANG, WEALTH ADVISOR, PHILLIP SECURITIES

Figure 7: Strength in diversity

The financial methods and instruments respondents are currently using or plan to use to save for their older age (% of respondents)



Source: The Economist Intelligence Unit

7 The 2019 figures were communicated to us directly by the CPF Board.

The pandemic-induced crisis has had the salutary effect of awakening Singaporeans to the need to shore up their financial planning.

Most people in the CPF are earning the baseline 2.5 to 4% return. That’s probably not enough [to fund longevity].

SUMIT AGARWAL, LOW TUCK KWONG PROFESSOR OF FINANCE, NATIONAL UNIVERSITY OF SINGAPORE BUSINESS SCHOOL

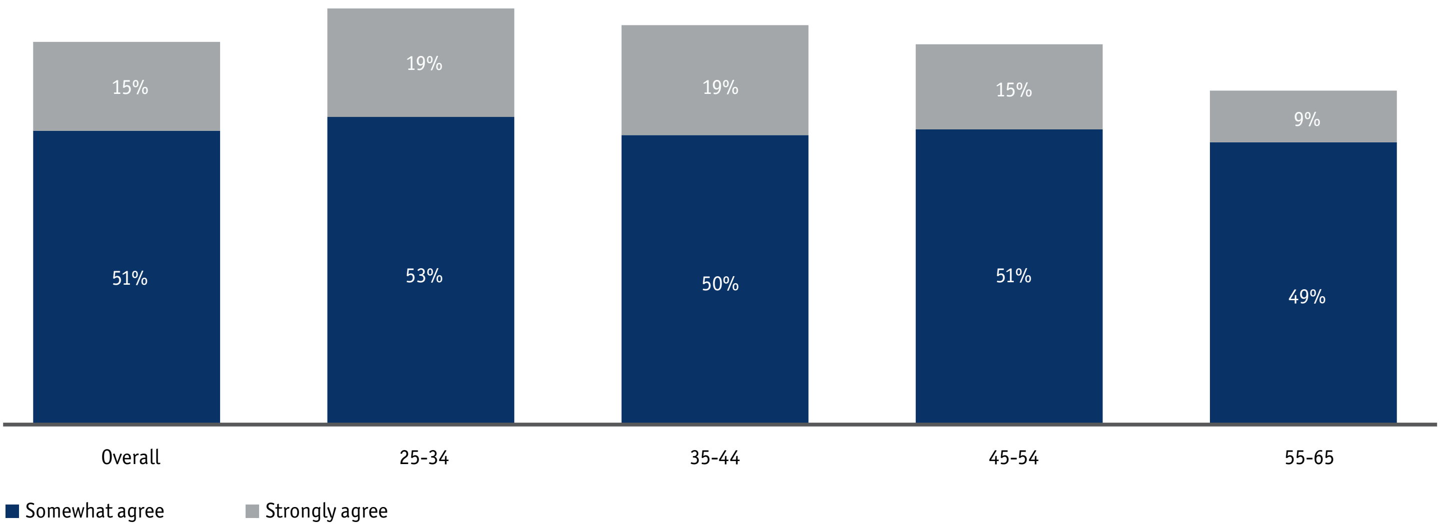
The CPF should be prominent in every individual’s portfolio, but Mr Agarwal warns that it will only go so far to fund a long retirement. “Most people in the CPF are earning the baseline 2.5 to 4% return. That’s probably not enough [to fund longevity],” he says. “There are probably four ways to solve this problem: one is working longer. Another is housing, if people can cash out. A third is through government subsidies. The fourth is investing in more market-based portfolios.”

Housing can be put to work in different ways to provide income. Through the CPF, for example, around 90% of Singaporeans own their home. “Many of these people have the flexibility to unlock value from their property to supplement their retirement income,” says Sim Feng Ji of the Ministry of Manpower. They can do so, he says, through the Lease Buyback Scheme, which allows seniors to convert part of their housing lease into a stream of retirement income and receive a bonus. They can also supplement their retirement income by exchanging their existing residence for a smaller one through the Silver Housing Bonus, another government programme that assists senior citizens.

Over one-quarter of respondents (28%, and 31% of 35-44 year-olds) also point to public and private real estate investment as an income source. “Singaporeans are asset rich, especially in terms of housing wealth,” says Mr Agarwal. “Housing Development Board flats have been appreciating in value because of land constraints and a growing population.” However, he notes that it is tricky to use their property for investment purposes because although they can unlock some of the equity

Figure 8: Making money work smarter

Share of respondents agreeing that they will need to invest more of their savings to ensure they can financially support living a longer life



Source: The Economist Intelligence Unit

in their home, it is difficult to fully cash out on it. People will need other significant sources of capital to fund the purchase of an investment property.

Learning to live with risk

Investing in shares and securities is easier to do—provided, of course, there are some cash reserves—as one can start with small transactions and build a portfolio gradually. This involves taking on risk, which millennials are more willing to do than older-age cohorts. Of the youngest group, 72% (compared with 66% overall) say they will need to invest more of their savings to ensure funding a longer life. And while, as noted above, a majority of Singaporeans (57%) include such investing in their efforts to save for older age, the figure is a little higher among millennials (60%).

"CPF members who do not want to take investment risk with their CPF savings can leave them in their accounts to take advantage of the attractive risk-free interest rates," says Gregory Chia, the CPF Board's group director of policy, statistics and research. Those with the knowledge and time to invest and are prepared to take on some risk have options to do so through the CPF Investment Scheme, he adds.

Several of the experts we interviewed believe that, once markets stabilise following the crisis, younger Singaporeans should be braver with their savings portfolios than their parents have been. According to Mr Lim: "This means including higher-yielding assets in their portfolios, such as blue chip stocks, investment grade bonds, multi-asset income solutions and other instruments to generate sufficient capital growth, at least in the early years, to meet their longer term needs. Lower yield instruments, especially government bonds, should be included to provide some portfolio balance."

Mr Agarwal believes the CPF could facilitate this development by allowing people to withdraw a portion of their funds on condition that they invest it in market-based funds. Currently they can withdraw up to 20% at age 55, but the funds usually just sit in people's checking accounts, drawing little or no interest, he says.[8]

Mr Lim is confident that younger Singaporeans possess the skills for share investing. "They have a better grasp of financial markets and concepts than earlier generations, and they understand risk a bit better. They will need to do this to garner sufficient capital for their long-term retirement goals."

[Amidst the crisis], younger investors with the right risk appetite can consider picking up assets that demonstrate strong fundamentals and that are better positioned to weather the storm and adapt to the new normal of the future. Those with shorter investment horizons may want to avoid the current market volatility by sticking to their original financial plans and not adding excessive risk to their current portfolios.

ABEL LIM, HEAD OF WEALTH MANAGEMENT ADVISORY AND STRATEGY, UNITED OVERSEAS BANK

8 https://www.cpf.gov.sg/Members/FAQ/schemes/retirement/withdrawals-of-cpf-savings-from-55/FAQDetails?category=retirement&group=Withdrawals+of+CPF+savings+from+55&ajfaqid=2190677&folderid=13458

How financial blogger "Budget Babe" is funding longevity

Dawn Cher is well-known to Singaporeans in her persona as "Budget Babe"—a blogger who doles out "financial lifestyle" advice to a large audience of mostly young and middle-aged readers. We asked her questions about how she and her peers are saving for their older age.

The Economist Intelligence Unit:
How does the covid-19 crisis change how people of your millennial generation should think about saving for their older age?

Ms Cher:
The crisis has shown us a few things: the importance of having an emergency fund, having more than one source of income and being sufficiently insured. I've repeatedly emphasised these points on my website in the past few years. We're seeing massive layoffs and pay cuts, few gig economy workers are now getting jobs (except in delivery services), and even people in previously high-paying roles are applying for government assistance because they've been caught off-guard. And health insurance has never been more important as the government won't be able to cover covid-19 hospital costs indefinitely.

The Economist Intelligence Unit:
More generally, what concerns you about Singaporeans' financial habits when it comes to funding their older age?

Ms Cher:
People worry openly about how they'll be able to afford retirement, yet they under-appreciate some great existing tools that help them save for it. The Central Provident Fund (CPF) is an example. It gives you risk-free interest at 2.5 and 4% which, if you top your account up, can rise as high as 6% once you get close to retirement.[9] That's a very compelling rate. But you have to let the interest compound over time, and too few start contributing early enough for the gains to be substantial. Too many also withdraw CPF funds early to pay for housing or other needs as soon as they're eligible. It takes a lot of discipline to leave one's savings alone to work for their retirement.

The Economist Intelligence Unit:
What gives you cause for optimism?

Ms Cher:
I'm seeing a lot more interest among people in their 20s, 30s and 40s in diversifying their sources of income. For some people, that means taking a side hustle. I have friends who are getting involved in e-commerce, dropshipping or providing curation services in social media. I know a banker who is also a home-baker, and another dentist who arranges flowers for weddings, all to provide a second income. That was not common in the past. A lot of people, even now in older generations, are starting to develop an interest in share investments, which can be another source of income. And market crashes [such as that of March 2020] create opportunities to buy the stocks of great businesses at cheaper prices. Most people who invested in March were sitting on significant gains once the markets rebounded. I'm a big fan of diversifying across multiple income streams. Because this is going to be for our retirement, the focus needs to be on building something now that will become a passive machine in the future.

The Economist Intelligence Unit:
How are you personally going about saving for your older age?

Ms Cher:
I use a combination of share investments as well as my CPF LIFE and, if I can, real assets to try to supplement that. In the stock market I'm trying to build a portfolio that will help sustain me in the future, and I focus on investing in growth companies or those that are unlikely to fail. In real estate it's about finding good property, in Singapore or overseas, and developing a rental income from them. So the aim is owning those properties for cheap and then being a landlord later on in life. CPF LIFE is of course central to my plan. I am probably among the minority of Singaporeans who top up their account every year.

9 https://www.cpf.gov.sg/Members/AboutUs/about-us-info/cpf-interest-rates and https://www.cpf.gov.sg/assets/members/documents/CPFIS_SAT_M2.pdf

People worry openly about how they'll be able to afford retirement, yet they underappreciate some great existing tools that help them save for it.

Conclusion: An age of unknowns

In much of the world, the turmoil caused by covid-19 is placing citizens' long-held assumptions about health and financial security in question. Even before the virus struck, Singaporeans were reflecting on the impact of trade wars on its successful economic growth model; of AI-driven automation on jobs and workforce structure; and of climate change on the physical environment in which they live.

The virus itself will sooner or later be conquered or contained, and the health effects on the population will hopefully not prove long-lasting. The economic shock of the crisis, however, will take longer to overcome.[10] The disruption caused by business closures (especially among small and midsize firms) and job losses[11] will lead many Singaporeans to question their personal financial prospects and their ability to save for older age, even as the government has stepped in to provide financial assistance during the crisis.[12]

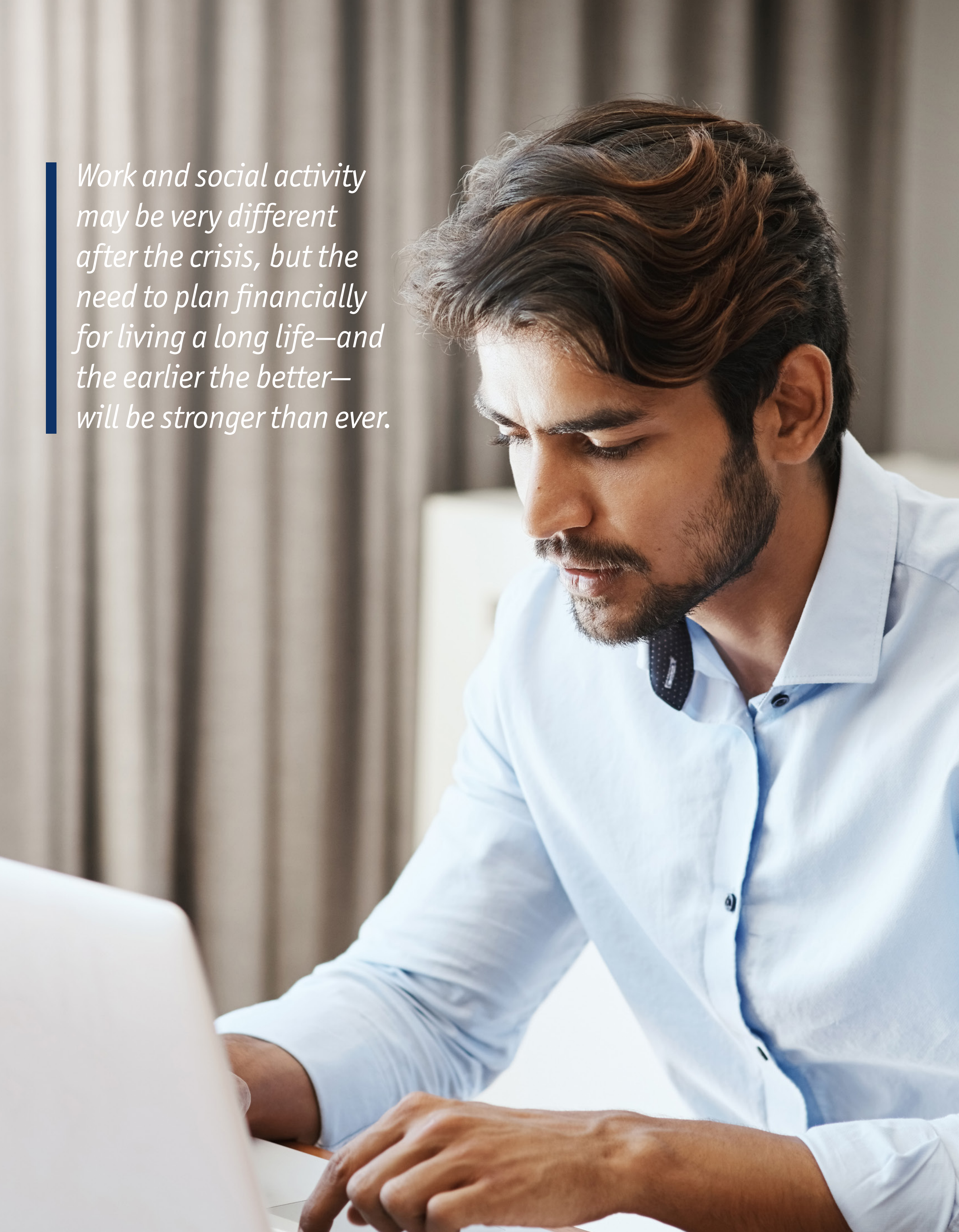
At a broader level, younger Singaporeans—like young people in all developed countries—may come to question the durability of the socioeconomic model that their parents and grandparents took for granted. They should not in any case assume they can rely on the government to cover all their needs in older age. They have already concluded that their children will be unable to provide much financial support. Millennials should be diversifying their income streams now with a view to building their savings for tomorrow.

The Singapore model is better placed than many others to weather the health and economic crises caused by the pandemic. But the uncertainty means that working-age Singaporeans must be ready to adapt to the change it will bring. Such adaptability has been in evidence as citizens take up government-sponsored reskilling opportunities and, as shown in this study, they have been diversifying their sources of income and methods of savings. Work and social activity may be very different after the crisis, and the need to plan financially for living a long life will be stronger than ever.

10 At the time of writing, the government was forecasting a GDP contraction of between 4% and 7% in 2020. "MTI Downgrades 2020 GDP Growth Forecast to '-7.0 to -4.0 Per Cent'", Ministry of Trade and Industry Press Release, May 26, 2020

11 A series of budgetary measures taken in the first half of 2020 include the co-funding of employees' wages, unemployment grants, rental relief, tax deferrals and other forms of support to individuals and businesses. For a summary of these, see "Budget Measures," Budget 2020 website.

12 In early June 2020, the government warned of an "uptick" to come in the number of business closures due to the covid-19 crisis, while in the first quarter of 2020, total employment suffered its largest contraction since the SARS epidemic. Singapore Parliament, "Parliament Highlights: June 5" (speech of Senior Minister of State for Trade and Industry Chee Hong Tat); and Ministry of Manpower, "Labour Market Report First Quarter 2020," Ministry of Manpower website, June 15, 2020



Work and social activity may be very different after the crisis, but the need to plan financially for living a long life—and the earlier the better—will be stronger than ever.

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