SYFE RETIREMENT READINESS INDEX: 2021

What impact has COVID-19 had on Singaporeans' retirement planning?

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INTRODUCTION

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What impact has the coronavirus pandemic had on Singaporeans' retirement planning?

The COVID-19 pandemic has disrupted the lives and livelihoods of millions worldwide and sent global financial markets into a tailspin. Amid the continued uncertainty surrounding the pandemic and its economic repercussions, many Singaporeans are worried about the impact of the crisis on personal finances – some have lost their jobs or are grappling with financial losses – and many are concerned about how this volatile period either will affect, or has already affected, their retirement planning and savings.

The difficulty in predicting the financial toll on Singapore's economy caused by the health crisis and the accompanying headwinds of a global recession is compounded by other factors, such as rising costs of living. In order to future-proof their financial security, it is imperative that Singapore's future retirees act now to ensure financial security in the future.

To gauge the impact wrought by the pandemic on Singaporeans' retirement plans, Syfe has published its second annual **Syfe Retirement Readiness Index (SRRI)** survey. The data and the analysis offer an objective, multi-year assessment of the situation in the city-state.

Methodology

Consistent with our approach in 2019, the SRRI algorithm calculated the retirement preparedness of 1,000 adults aged 25 to 60 based on expectations around retirement needs, their current income, savings rate, investments, and other factors like home ownership.

Each individual was then given a SRRI score, essentially eliminating a "standard benchmark" of retirement that not everyone may consider relevant for their own needs.

While we sought to understand some of the ways in which the pandemic may have impacted Singaporean's retirement planning, the SRRI can only ever be representative of those that we surveyed and we are of course mindful of the wider economic situation within which our research was conducted.

We encourage Singaporeans to act now to future-proof their finances.

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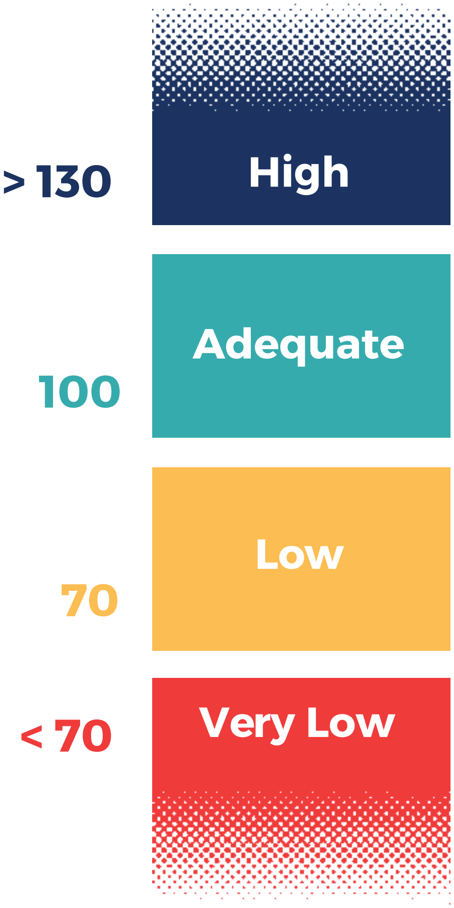
SRRI scores span the following four levels of retirement readiness. A score of 100 and above is considered an adequate level of retirement readiness.



LEVELS OF RETIREMENT READINESS

- **High: Scores above 130** – Respondents are very well-prepared for retirement, with a nest egg that can cover all their retirement needs across all market conditions.
- **Adequate: 100 - 130** – Respondents are likely to achieve their desired retirement, though market conditions may affect the value of their retirement nest egg.
- **Low: 70 - 99** – Respondents may not achieve their desired retirement lifestyles unless they take additional steps to boost their retirement savings beyond current levels.
- **Very low: Scores below 70** – Respondents are unlikely to achieve a retirement comparable to their current living standards unless urgent and immediate steps are taken to start building a retirement fund.

SYFE RETIREMENT READINESS INDEX (SRRI) SCORES

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71% of Singaporeans do not think they can currently retire comfortably.

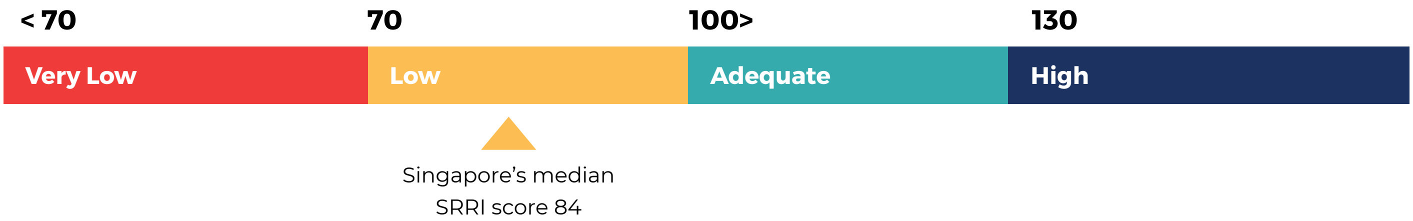
61%
Not adequately prepared for retirement

71%
Don't think they can retire comfortably

50%
Save less than 20% of their income

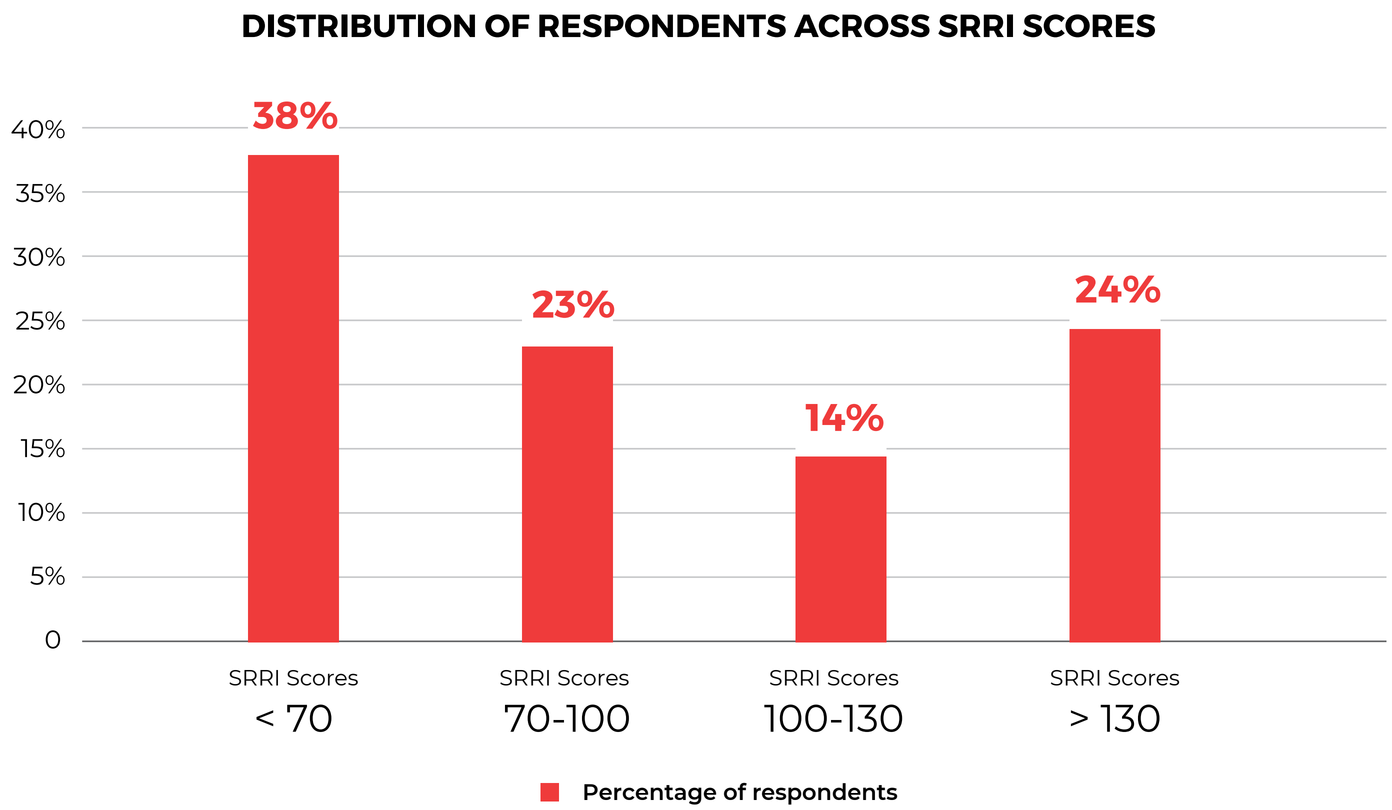
61% of respondents surveyed had an SRRI sco re below 100, indicating low levels of retirement readiness. While this is similar to the level in 2019, where 60% of respondents mentioned that they were not adequately prepared for retirement, the sentiment surrounding their readiness for retirement has worsened – 71% of respondents in 2020 do not think they can retire comfortably, compared to 69% in 2019.

Overall, the median SRRI score in Singapore is 84, compared to 82 in 2019, but a deeper analysis reveals a troubling disparity amongst Singaporeans.



The majority (62%) of respondents fell into two camps on the extreme ends of the retirement readiness spectrum. Nearly one quarter, or 24%, can be considered very well-prepared for retirement, with SRRI scores above 130. On the flip-side, 38% are significantly behind on their retirement preparations, with SRRI scores below 70.

There is a considerable variation in retirement readiness among Singaporeans



This trend may be a reflection of the widening income gap in Singapore. Left unchanged, it also suggests that retirement inequality will only worsen as people become older with varying levels of savings.

Millennials are the biggest savers when it comes to retirement.

Respondents across different age groups fared differently in terms of accumulated savings, current savings rate, investments, debt level, and years to retirement, resulting in generational differences in SRRI scores.

> **At this stage of their lives, millennial respondents aged 25 to 34 seem on track for a comfortable retirement – provided they maintain their current savings rate and relatively low debt levels until retirement.**

But this may not always be feasible, as the SRRI scores of respondents aged 35 to 54, the so-called sandwiched generation, indicate. Respondents within this age group had the lowest SRRI scores, which could stem from their lower savings rate and relatively higher debt levels.

RETIREMENT READINESS ACROSS AGE GROUPS

	Age < 35	Age 35-44	Age 45-54	Age > 55
Accumulated Savings	Poor	Poor	Average	Average
Current Savings Rate	Good	Poor	Average	Average
Current Investment Exposure	Poor	Average	Average	Average
Current Debt Level	Poor	Poor	Poor	Average
Years to Retirement	Good	Average	Average	Poor
Median SRRI score	104	74	77	76

Performance ●●● Good ●● Average ● Poor

As a rule of thumb, financial experts recommend saving at least 20% of your salary each month. However, less than half of the respondents aged 35 to 44 (46%) say they are achieving that, and only 51% of those aged 55 to 60 say they do so.

In contrast, 66% of millennials currently save more than 20% of their salary. Respondents in the "sandwiched" generation (those aged 35-54) may have greater financial responsibilities as well; 44% of 35-44 year olds and 35% of 45-54 year olds are currently paying a mortgage loan.

This indicates that youth is a natural advantage when it comes to building wealth for retirement. With fewer, larger financial responsibilities like mortgages, millennials may find it easier to save more.

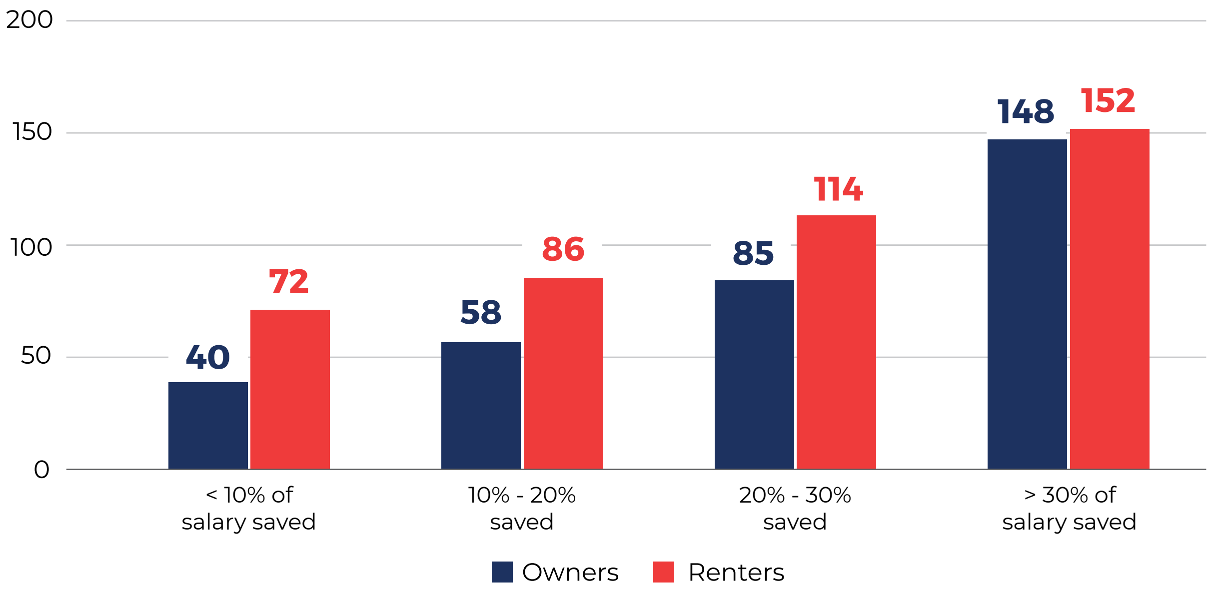
To continue staying on course for their desired retirement, **millennials should aim to save as much as possible in their 20s and early 30s and consider investing their surplus savings.**

Could home ownership be a double-edged sword?

Singapore has one of the highest home ownership rates in the world: as of 2018, that figure stood at 91%. But the success of Singapore's home ownership policies has also resulted in **many retirees finding themselves "asset-rich but cash-poor" during their golden years.** One commonly cited reason is that most Singaporeans spend a significant portion of their income and savings paying off mortgages during their working life.

Indeed, our survey found that nearly a quarter of homeowners (24%) saved less than 10% of their salary. Correspondingly, their median SRRI score was 40 – signifying a "very low" level of retirement readiness.

THE EFFECT OF HOMEOWNERSHIP ON SRRI SCORES



The survey further found that respondents who rent their homes generally had higher SRRI scores compared to homeowners. Even though 25% of home-renters surveyed saved less than 10% of their salary, they had a higher median SRRI score (72) as compared to their home-owning counterparts.

These results suggest that homeownership does not guarantee retirement security, particularly if an individual is not saving enough for retirement. While a house may represent a financial asset in the long-term, it is essentially a financial liability until the mortgage is paid off. An individual with most of their retirement savings tied up in property assets could be facing a less than ideal retirement since this property wealth does not contribute to retirement income.

For homeowners with lower SRRI scores, the myriad costs involved with home ownership could be preventing them from saving more. Home ownership also means a down payment and monthly mortgage payments for many Singaporeans. Servicing these payments could mean less money available for investments, which historically wins in terms of wealth creation.

2020 AND THE IMPACT OF COVID-19

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While COVID-19 did not have a material impact on Singaporeans' retirement readiness...

Singaporeans had serious financial concerns as a result of the coronavirus pandemic. The main worries from respondents were related to job losses and the general state of the economy.

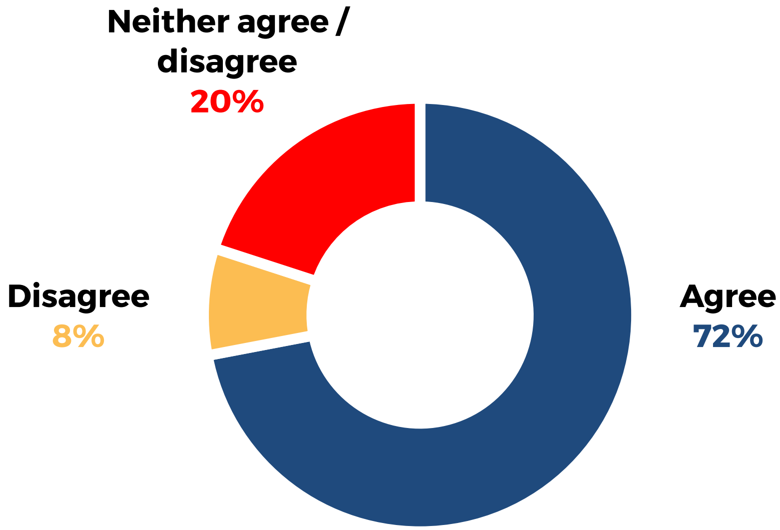
But retirement readiness scores did not materially change between 2019 and 2020. Comparing our yearly studies, the median SRRI score slightly increased from 82 to 84:

82% **2019 median SRRI score**

84% **2020 median SRRI score**

... COVID-19 has changed the way Singaporeans manage their finances.

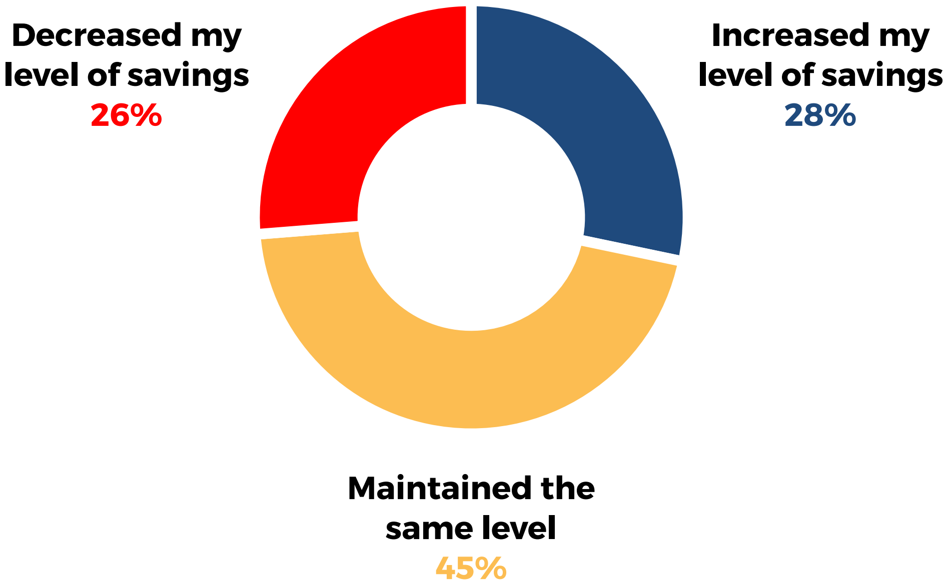
Did the uncertainty caused by COVID-19 lead to immediate steps toward financial future planning?



Seventy two percent (72%) of those surveyed agree with the fact that the pandemic prompted them to take immediate action towards planning for their financial future, something they were less focused on previously.

This compares to 8% who said that the COVID-19 pandemic did not urge them to take any immediate steps to enhance planning for their financial future.

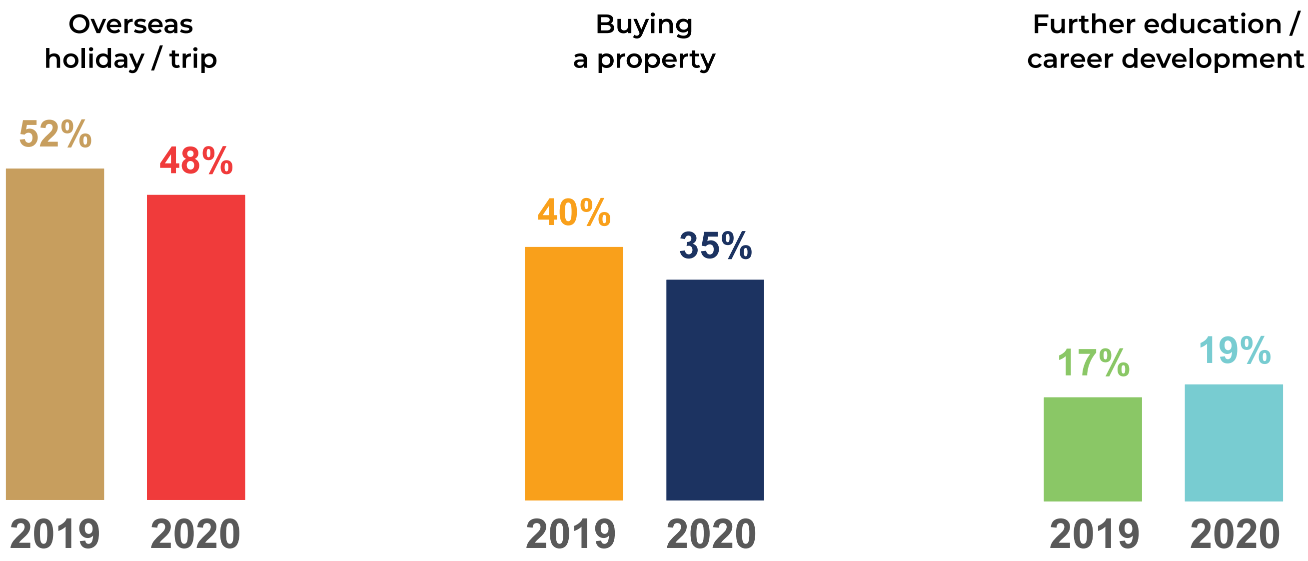
How has COVID-19 affected your level of savings (as a percentage of your income), compared to pre-COVID?



In what could be a response to concerns surrounding further strain on personal finances due to the pandemic, **73% of respondents** also said that they either increased or maintained their level of savings as a result of the COVID-19 pandemic. In comparison, **26% said that the level of their savings has decreased.** A higher proportion of Singaporeans also feel more dissatisfied with how much they are saving compared to 2019, 60% versus 57% respectively.

The negative economic outlook in 2020 has also shaped the small shifts in the reasons why Singaporeans are saving their money.

What are Singaporeans saving for?



On the whole, Singaporeans are saving more than they were 2019. Due to restrictions imposed on many areas of daily life as a result of the pandemic – including the Circuit Breaker, travel bans and social distancing measures – people are spending less on vacations and indicate that they are reallocating this money to savings and retirement.

The pandemic has also triggered concerns over job security, which may explain why 19% of respondents in 2020 said they were saving for career development or future education, compared to 17% in 2019.

In the real estate market, the rise in property prices may have discouraged some from buying a property, with only 35% of respondents saving for a property in 2020 versus 40% in 2019.

COVID-19 and digitalisation

In light of social distancing measures in place to combat the COVID-19 pandemic, the coronavirus has also accelerated a catalytic shift in the migration to digital services. Over three quarters, or 76%, of Singaporeans are now using digital services more often when planning and managing their finances, instead of visiting bank branches or meeting human advisors.

Singaporeans are also increasingly using mobile apps relating to finance, saving or investing – 60% used them in 2020, a 7% increase from 2019. Unsurprisingly, the number of respondents who had met with a financial advisor face to face in 2020 was down by 5% – 52% in 2020 as compared to 57% in 2019.

However, this is not to say that Singaporeans can largely do without human interaction when it comes to the management of their finances. The survey found that when respondents see market swings that have a negative impact on their investments, 56% of Singaporeans would like to consult a human advisor for reassurance and advice on next steps. This need for human advice was highest among millennials and low / very low SRRI respondents.

THE POWER OF SAVING

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Singaporeans are not saving enough for the retirement they want.

According to the survey, 2 out of 3 Singaporeans (71%) don't think they can retire comfortably, even though 76% say they are currently saving for retirement. This disparity could be explained by the fact that 50% of Singaporeans are saving less than 20% of their salary.

50%

Save less than 20% of their income

71%

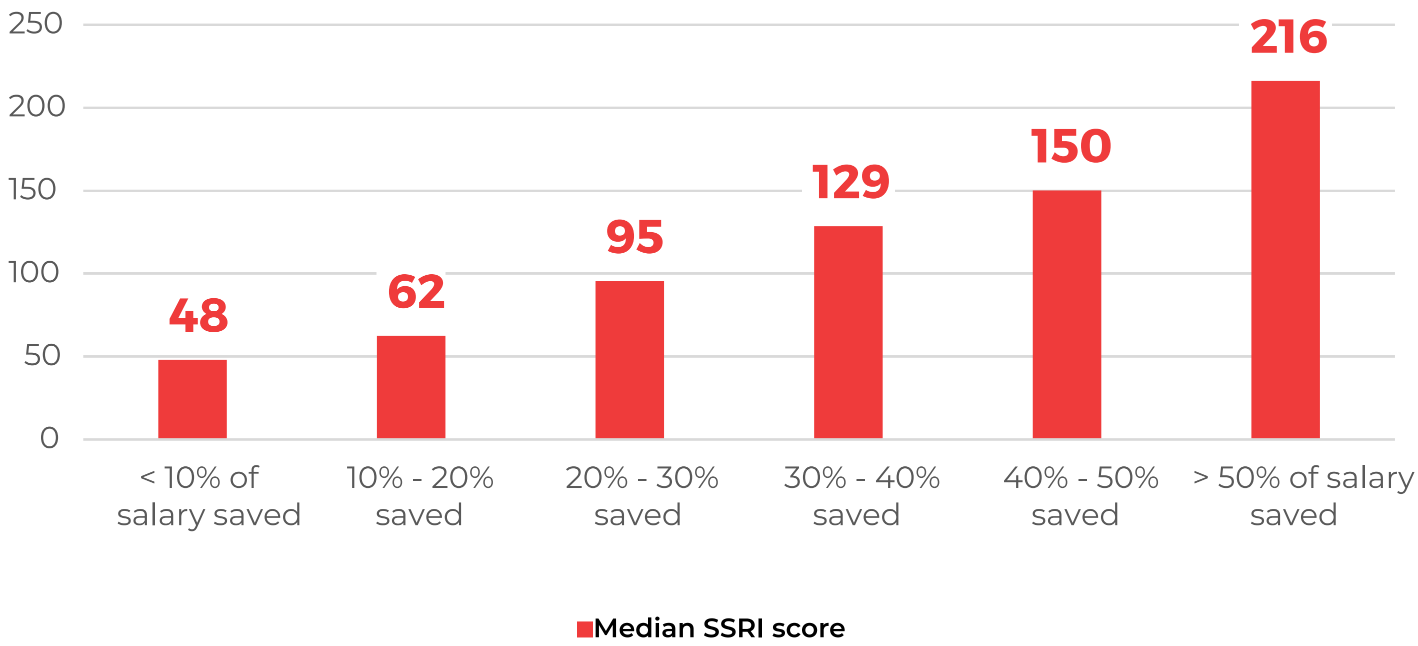
Are not confident of retiring comfortably

Of the 71% who are not confident of retiring comfortably, 38% are unsure while 33% feel they will retire less comfortably compared to those asked the same question in 2019 (29%) – a shift of more than 10% of those surveyed.

A worrying finding is that across age groups and genders, respondents who saved less than 10% of their salary had median SRRI scores below 50, indicating that these individuals are very unlikely to achieve a retirement lifestyle comparable to their current living standard. Unless they take immediate steps to start building up their retirement savings, they would face the prospect of having to downgrade their lifestyles once they stop working.

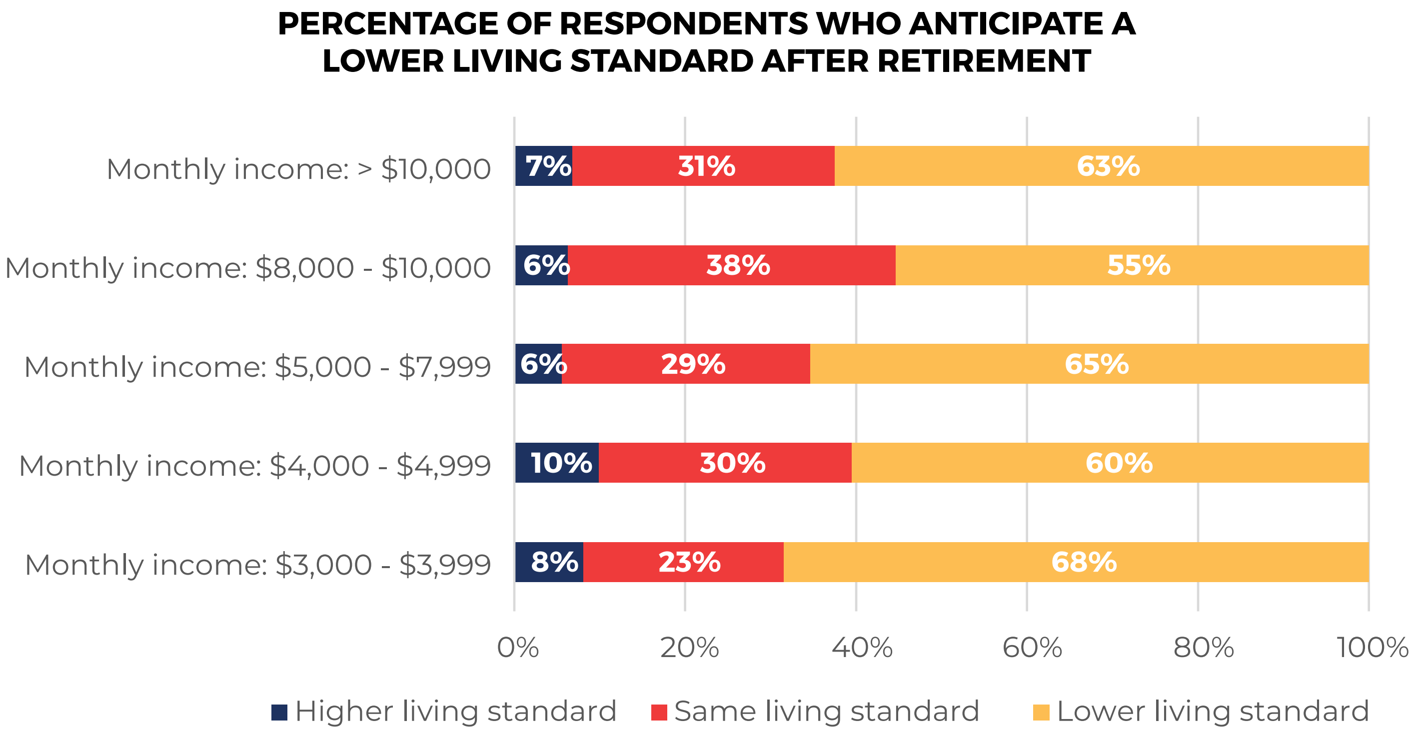
Our survey also found a strong connection between an individual's savings rate and their retirement outlook. Respondents who are at least adequately prepared for retirement (median SRRI scores beyond 100) are also those who save 30% or more of their income.

MEDIAN SRRI SCORES ACROSS DIFFERENT SAVINGS RATE



Cost of retirement is a worry among all income brackets

Surprisingly, 63% of respondents earning more than $10,000 per month anticipated a lower standard of living after retirement. In fact, **this trend is fairly consistent across all income brackets with the majority of respondents within each income group saying that they expect not to be able to maintain their current lifestyles in retirement.**



The data reveals a worry among all Singaporeans that retirement will be a costly undertaking. Even among those who should be sufficiently prepared for a comfortable retirement, there is still an expectation that a larger nest egg is needed to retire well.

Encouraging more Singaporeans to invest to build up their retirement savings could provide that peace of mind: our survey found that 40% of all assets are still in savings accounts.

SINGAPOREANS ARE LARGELY STILL SAVERS

Assets kept in savings accounts

Respondents who keep 100% of cash savings in savings accounts

SUCCESSFUL RETIREMENT: THE CRUCIAL ROLE OF INVESTING

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How regular investing can pay off in the long run

Singapore's retirement landscape has shifted significantly over the past decades. Rising healthcare costs and longevity have intensified the need for individuals to self-fund a greater portion of their retirement - and ensure those savings last for longer periods of time.

The SRRI indicates that while retirement readiness remains a concern for Singaporeans, significant progress can be made by incentivising individuals to start saving and investing regularly for their retirement today.

INVESTING CAN BOOST RETIREMENT READINESS

Current median SRRI score

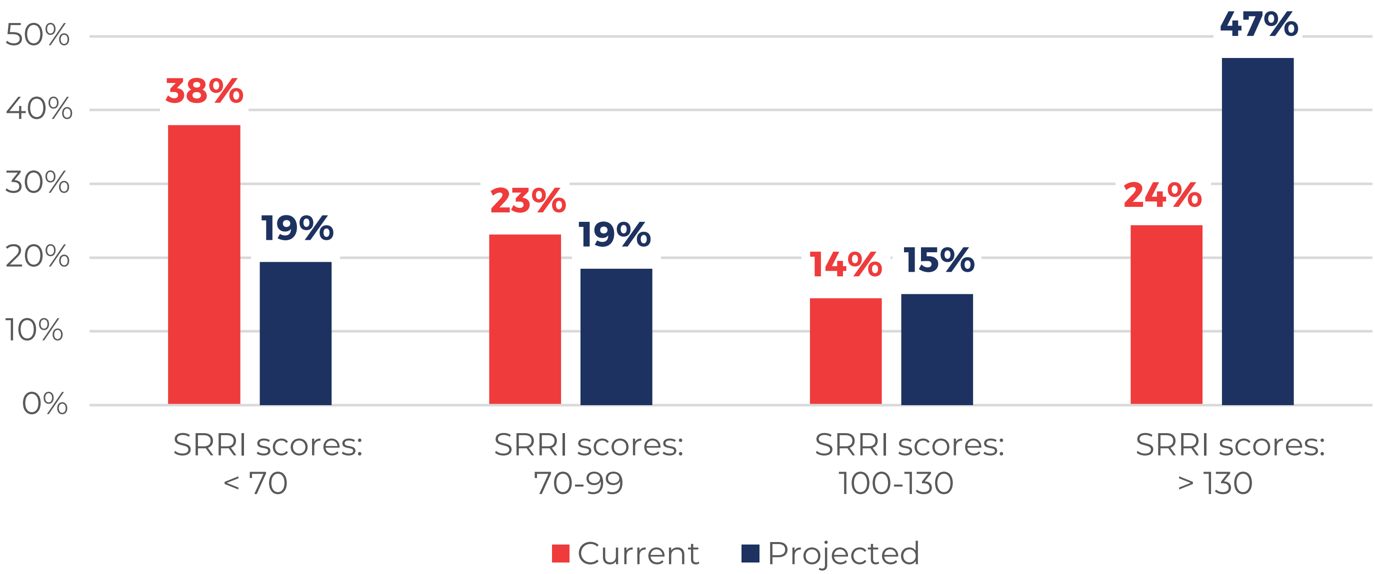
Median SRRI score if all respondents save and invest

By rerunning our SRRI algorithm with the assumption that all respondents now invest 80% of their current cash savings in an investment that delivers 6.25% annual returns, we find that the median SRRI score in Singapore **increases from 84 to 124**. Instead of having a low level of retirement preparedness, more respondents will now be adequately prepared for retirement.

The investment period is assumed to stretch from the respondent's current age to the end of their life to simulate the impact of long-term investing and reduce the effects of retirement drawdowns. Over the long investment horizon, an average annual return of 6.25% is reflective of a relatively low-risk investment which we have assumed to be suitable for most investors.

By moving from saving to investing, the proportion of respondents with SRRI scores below 100 falls from 61% to 38%. This is encouraging since a score below 100 is indicative of a low level of retirement readiness. Just as fewer respondents will be at risk of not retiring well, more respondents will also become very well-prepared for retirement. If everyone saves and invests, the proportion of respondents with SRRI scores above 130 nearly doubles.

INVESTING SIGNIFICANTLY INCREASES RESPONDENT'S LEVEL OF RETIREMENT PREPAREDNESS



It's clear that putting cash savings to work through investing significantly boosts retirement readiness. Our simulation also suggests that regular investments could level the retirement playing field for a greater segment of the population, and could potentially reduce some of the impact savings rate and income level have on retirement readiness.

THE LINK BETWEEN FINANCIAL LITERACY AND RETIREMENT SECURITY

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Financial literacy positively impacts retirement readiness

When it comes to seeking investment advice, the most common avenues are conducting their own research by reading online blogs or websites, speaking to a financial advisor, reading books, newspapers or publications, and consulting family or friends.

WHERE SINGAPOREANS SEEK INVESTMENT ADVICE

58% Read online blogs or websites

44% Read books, newspapers or publications

45% Speak to a financial advisor

41% Consult family and / or friends

In terms of effectiveness (as measured by median SRRI scores), respondents who carried out their own research (either through books, newspapers or publications) achieved the best median SRRI score: 94. Respondents who carried out their own research (either through online blogs, websites or news articles) and respondents who attended seminars, talks or events about investing scored well too, both with median scores of 91.

The data highlights the value of boosting financial literacy. By doing their own research and learning from the experts through seminars or events, respondents may have gained a better understanding of their own investing needs, which can explain their higher median SRRI score.

RECOMMENDATIONS

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Are you retirement ready?

We hope the findings of this year's Syfe Retirement Readiness Index survey will compel more Singaporeans to start thinking deeper about the lifestyle they want to lead in their golden years and take steps now to provide for their anticipated retirement needs.

To begin with, Singaporeans can check their own SRRI scores using this calculator on Syfe's website. And while a score below 100 indicates a low level of retirement readiness, it is important to note that one's SRRI score is based on current factors at this point in time. As such, it would be useful to periodically check your SRRI score as part of a regular review of your retirement readiness.

To boost your SRRI score, we have put together a few key suggestions based on our survey findings that could help get you ready for retirement. These are summarised below.

1. Retirement security starts with having adequate savings

Putting away as much money as you can towards your retirement savings places you in a better position to retire comfortably. To think more consciously about your spending habits, consider setting a budget. The 50/30/20 budget is a popular money management technique that espouses limiting your spending on necessities to 50% of your salary, your discretionary spending to 30%, and devoting 20% of your income to savings.

Apart from trimming any unnecessary monthly expenses, another option that allows you to save more is to try increasing your income. This could be a matter of finding the right job for your skill sets or creating multiple income flows for yourself.

2. Savings, combined with the right investment strategies, can accelerate the growth of your retirement nest egg.

As our survey revealed, many Singaporeans are not optimistic about maintaining their current living standards after they retire. Securing additional retirement income streams beyond cash savings and CPF payouts can change that perception and provide a greater peace of mind.

To that end, your financial portfolio should consist of not just cash savings but investments such as bonds, stocks, properties and / or other annuities as well. It is also important to tailor your portfolio to your risk tolerance so you can get into the habit of regular investing and commit to the investment strategy you have set for yourself over the long term.

3. Don’t hold all your wealth in one investment

Diversification is one of the most important principles of investing. Having most of your wealth tied up in one asset such as your house may mean that you miss out on other investment opportunities. Before buying a house, plan ahead to ensure that you can still manage your mortgage repayments even if your circumstances were to change in the future.

For individuals nearing retirement, they may consider monetising their housing to supplement their retirement income. There are options available for homeowners to downsize, rent out their property, or participate in the Housing Development Board’s Lease Buy-back Scheme (LBS).

About the SRRI Survey

The SRRI survey was conducted by 2CV, a global consumer research firm, into the retirement adequacy of Singaporeans. The survey findings are based on a representative sample of 1,000 adults in Singapore aged 25 to 60. The survey was carried out online in October 2020 and will be conducted annually to track Singaporeans' preparations and prospects for a comfortable retirement.

Methodology

The SRRI score is calculated by a complex model which includes factors such as age, income level, accumulated savings, savings rate, investments, debt, current expenses and expectations for their lifestyle after retirement. Simply put, the SRRI score can be understood as a percentage of an individual's Estimated Retirement Income over Estimated Retirement Needs.

SRRI score =

Estimated Retirement Income

- Current and projected savings
- Current and projected investment income
- CPF contributions

- **Estimated Retirement Needs**
- Current lifestyle
- Expected retirement lifestyle
- Average life expectancy and inflation rate

Key Assumptions

The SRRI score is calculated based on the following assumptions.

1) An individual's SRRI score indicates their level of retirement readiness based on the above-mentioned indicators at this current point in time, and assumes these factors remain unchanged till retirement. The score does not take into account possible future life stage milestones that could impact the indicators mentioned.

2) Secondary data is used to complement survey findings to arrive at the SRRI score. Projections about salary increases, investment returns and housing prices are based on secondary research.

3) The study assumes that the retirement age is 65. Further assumptions made about inflation and life expectancy are based on historical data.

4) The study factors in a working adult's Central Provident Fund (CPF) contributions over their working life, adjusted for inflation.

Please note that due to rounding, percentages in the report may not always appear to add up to 100%.

About Syfe

Syfe is the digital wealth manager for investors who expect more – greater transparency, smarter portfolios, and better investment outcomes.

Syfe's investment methodology and algorithms are built on Nobel Prize-winning research and grounded in the deep expertise of our financial research team. Our investment philosophy is defined by ARI, our proprietary Automated Risk-managed Investment strategy.

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Planning Your Retirement With Syfe

For individuals looking ahead to retirement, Syfe provides the help you need to grow and protect your retirement wealth. Work with our expert advisors to develop a clear plan of action for your retirement and enhance your investment returns with a sophisticated, yet low-cost investment solution once reserved for institutions and ultra-high-net-worth individuals.

Syfe's ARI methodology assembles your portfolio using Exchange Traded Funds (ETFs) that offer the best return for your risk profile, so you enjoy better risk-adjusted returns across all market conditions. With no investment minimums and low annual management fees, Syfe is the platform for all investors.

For more retirement insights, please download our free e-book Retire With Confidence.

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