FULLERTON FUND MANAGEMENT

Rethinking Retirement

How digital technologies and COVID-19 are reshaping the way Singaporeans approach retirement

Foreword

The COVID-19 pandemic caught the world by surprise. The impact on governments, communities, economies, and individuals, was unprecedented. The pandemic changed how we lived, worked, and played. Technology also played an increasingly important role in our daily lives.

The lasting effects of COVID-19 and the acceleration of digital technologies are also having an impact on the financial landscape. As Singapore faces the reality of an ageing population, there is a growing sense of urgency to ensure that individuals have sufficient funds to see them through retirement.

This report sheds light on what Singaporeans think about retirement, as well as how digital technologies and COVID-19 have altered their approach. It explores their evolving aspirations, expectations, and priorities when it comes to financial management and retirement planning.

The key findings suggest that Singaporeans are redefining the whole idea of retirement and how to get there. Retirement is no longer viewed as a door closing. In fact, more people now look forward to it as having the financial freedom to pursue an ideal retirement lifestyle, and to learn and grow.

There are significant shifts in attitudes towards risk, with Singaporeans increasingly counting on investment returns to fund their retirement. Technology and digitalisation are also influencing the way in which Singaporeans make investment decisions.

In order to build their nest egg and achieve their retirement goals, Singaporeans will need to plan ahead and develop a sound investment portfolio.

Jenny Sofian
Chief Executive Officer
Fullerton Fund Management

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About the study

Background

Fullerton Fund Management commissioned a study amongst Singaporeans to understand and assess:

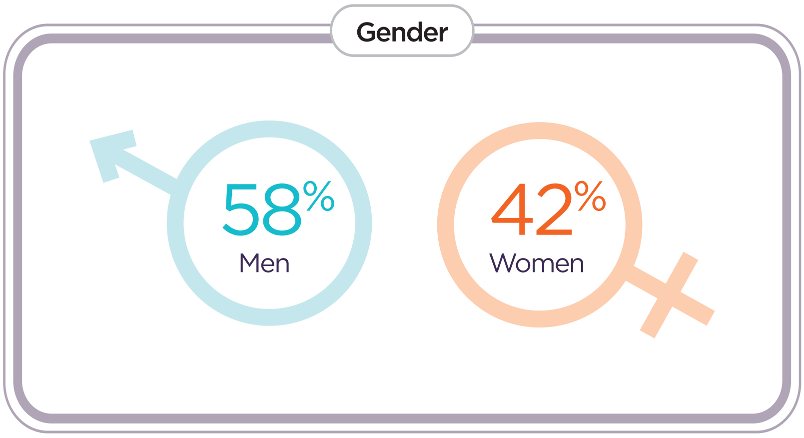
- Evolving retirement aspirations and goals
- Retirement and financial planning journey
- Shifts in attitudes towards retirement resulting from COVID-19

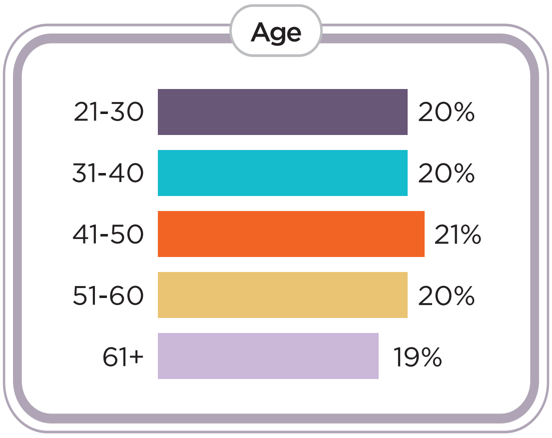
Survey methodology

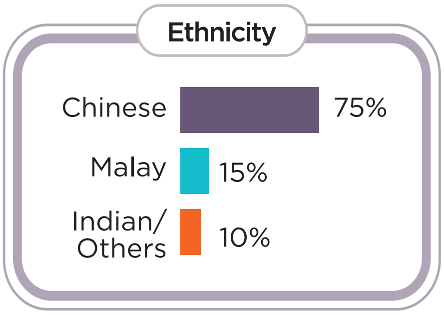
An online survey of 1,000 Singaporeans and three focus groups were completed in the first quarter of 2021. Respondents polled were aged 21 and above, with minimum personal monthly incomes of S$3,000, and own some form of investment.

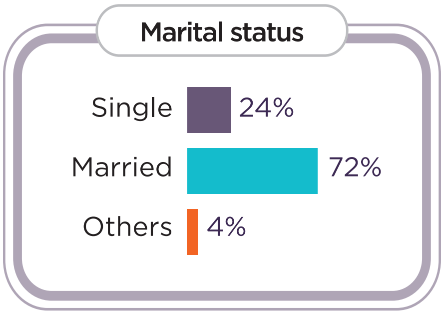
Respondents were selected to get a good cross-section across age, gender, ethnicity, marital status and monthly household income.

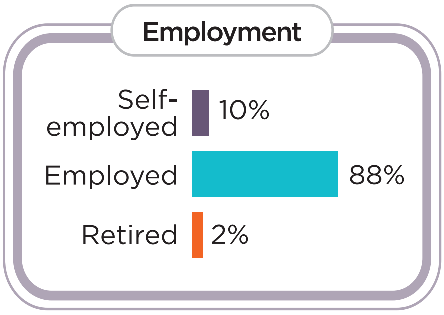
Profile of respondents

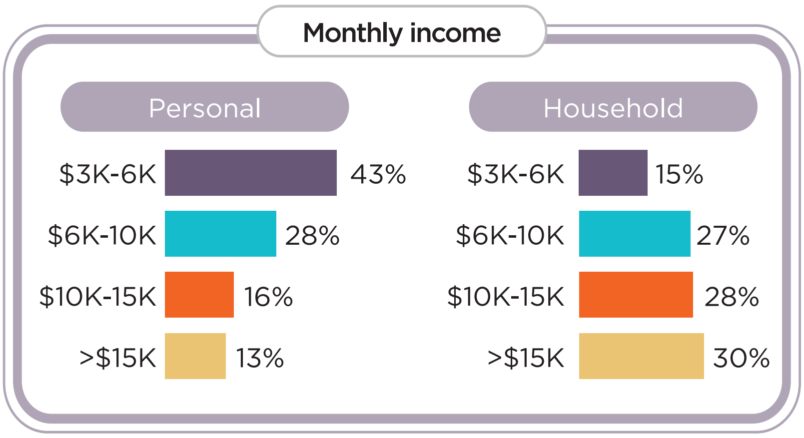


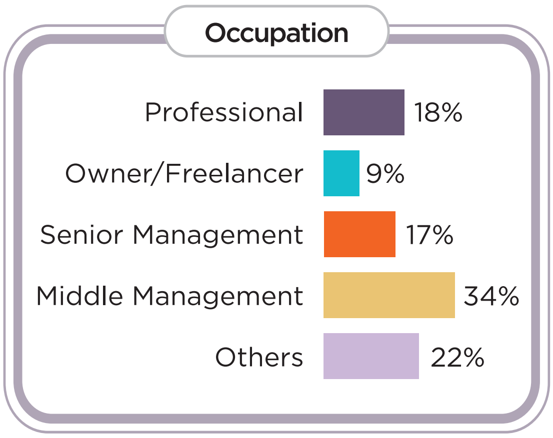












Executive summary

Rethinking retirement in a post-pandemic world

The COVID-19 pandemic has impacted all aspects of people's lives. Like many others around the world, Singaporeans have had to embrace a different normal. This pandemic has also led many to re-evaluate their long-term plans, creating an impetus to think about retirement.

To understand the pulse of the nation, Fullerton Fund Management surveyed Singaporeans to better understand their evolving aspirations, expectations, and priorities when it comes to financial management and in particular, how they are planning for retirement. Certain findings stood out when examining Singaporeans' changing habits, perceptions, and attitudes towards retirement in a post-pandemic world.

Singaporeans are re-defining the whole idea of retirement and how to get there

Attitudes towards retirement are changing. Retirement is not simply characterised as the end of working life anymore. Instead, retirement signifies a new beginning and the chance for a new sense of financial freedom to pursue an ideal lifestyle. Retirement goals vary greatly by person, and the overall approach to planning for retirement is undergoing a dramatic rethink.

COVID-19 pandemic has triggered more Singaporeans to plan for the future

The COVID-19 pandemic has highlighted economic and financial uncertainties, prompting Singaporeans to kick-start the retirement planning process earlier, especially for those aged 31 to 40 years old. This is promising as Singaporeans generally tend to delay retirement planning, and would benefit from starting much earlier.

Understanding of risk and return is evolving; Singaporeans looking to investment to generate retirement income

There has been a shift in attitudes towards risk and return. In particular, Singaporeans aged 21 to 40 years old have a higher appetite for risk because of a longer time horizon. They tend to look to investment sources to generate returns for retirement income. The pandemic has further prompted some investors to turn to low risk investment products. They have also realised that it's not wise to put all their eggs in one basket given the economic and market volatilities. As a result, Singaporeans appear to be moving from a risk-aversion to a risk-diversification mind-set.

Growing importance of digital tools in facilitating financial decisions

More Singaporeans are turning to digital tools to assist their investment decisions. In this context, integrated and personalised digital tools will play an increasingly vital role in Singaporeans' financial literacy and retirement planning. Digital tools and intelligent technologies will be key to helping consumers manage and formulate their financial decisions more effectively.

Redefining retirement

"Retirement these days is all about having the financial freedom and being able to pursue my dreams and goals."

– Investor aged between 31 to 40 years old

Singaporeans are re-defining the whole idea of retirement and how to get there

Singaporeans tend to see retirement as the ability to live life at a slower, more peaceful pace. However, this could be changing as life expectancies rise and people's expectation of the lifestyle they want to lead during their silver years evolve.

Retirement goals vary greatly by person – retirement no longer means the same thing to everyone and is not simply characterised as the end of working life. Retirement increasingly signifies a new beginning and the chance for a new sense of freedom in life, away from mundane day-to-day constraints.

Most importantly, Singaporeans' retirement dreams evolve over time and are also dependent on the life stages that the individual is in. At first, goals could centre on the desire to grow and pursue passions (e.g. learn new skills, start a business, etc.) and then transition into more practical needs (e.g. seek additional or alternative income sources). Eventually priorities may settle around the pursuit of leisure and relaxing activities (e.g. hobbies, travel, time with loved ones).

84%

now say retirement is a **life stage**

vs. 16% who perceive it as an end point

80%

say retirement is a time to **learn & grow**

vs. 20% who view it as a time to stop/relax

71%

say **new experiences** create a meaningful retirement

vs. 29% who focus on asset accrual

Impact of COVID-19 on retirement planning

"The financial uncertainty brought about by the pandemic has opened my eyes to the need to be more financially literate and to plan ahead for my future."

– Investor between 31 to 40 years old

COVID-19 pandemic has triggered more Singaporeans to plan for the future

One of the most interesting observations is that COVID-19 has been an important trigger to kick-start retirement planning, especially for Singaporeans between 31 to 40 years old. This is mainly due to a deepening realisation that it's better to plan early in uncertain times.

	Retirement Planning Triggers	Total Avg.	21-30	31-40	41-50	51-60	61+
CIRCUMSTANTIAL	Overall uncertain economic outlook	32%	33%	**36%**	**43%**	26%	22%
	COVID driven financial uncertainties	30%	**34%**	**42%**	**38%**	19%	21%
	Suffered from health scare/set-back	14%	17%	**21%**	16%	8%	12%
RECOMMENDED	Recommended by peers/family	23%	25%	**30%**	**28%**	17%	16%
	Approached by a financial advisor	22%	22%	**32%**	**28%**	17%	10%
	Saw retirement planning ad	17%	**25%**	**25%**	14%	13%	10%
	Encouraged to start by employer	16%	18%	**28%**	17%	10%	7%
MILESTONE	Reaching retirement soon	29%	12%	18%	25%	**39%**	**49%**
	Done with all other responsibilities	23%	**28%**	16%	18%	24%	**28%**
	Got married/had a child	13%	**18%**	24%	12%	8%	6%
	No particular trigger	18%	12%	9%	19%	23%	27%

Percentages may not equate to 100% as respondents are allowed to select more than one option

Retirement planning needs to be further prioritised

In general, Singaporeans retire later than they want to and with less money than they desire. This is mainly due to people starting their retirement planning much later than they should.

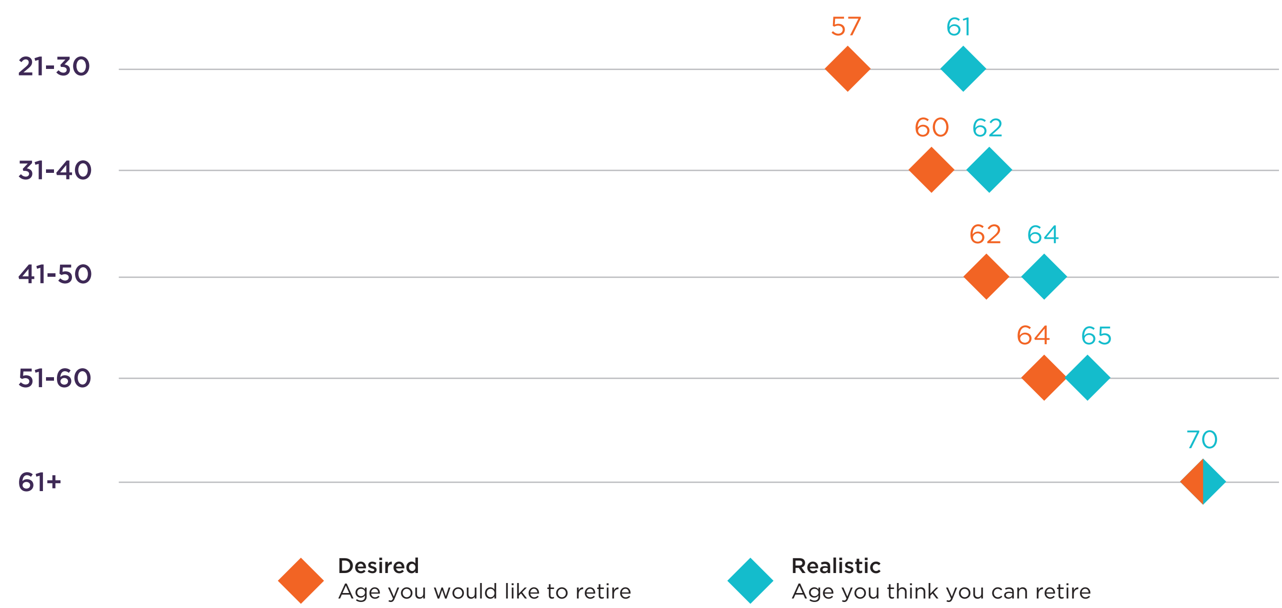
Over the course of their life, Singaporeans tend to prioritise financial planning over retirement planning. According to the survey, 81% have started the financial planning process versus 69% for retirement planning. They associate retirement planning with the last stage of financial planning, and they perceive the best time to begin retirement planning is during their empty nest / pre-retirement stage – when they have fewer financial commitments.

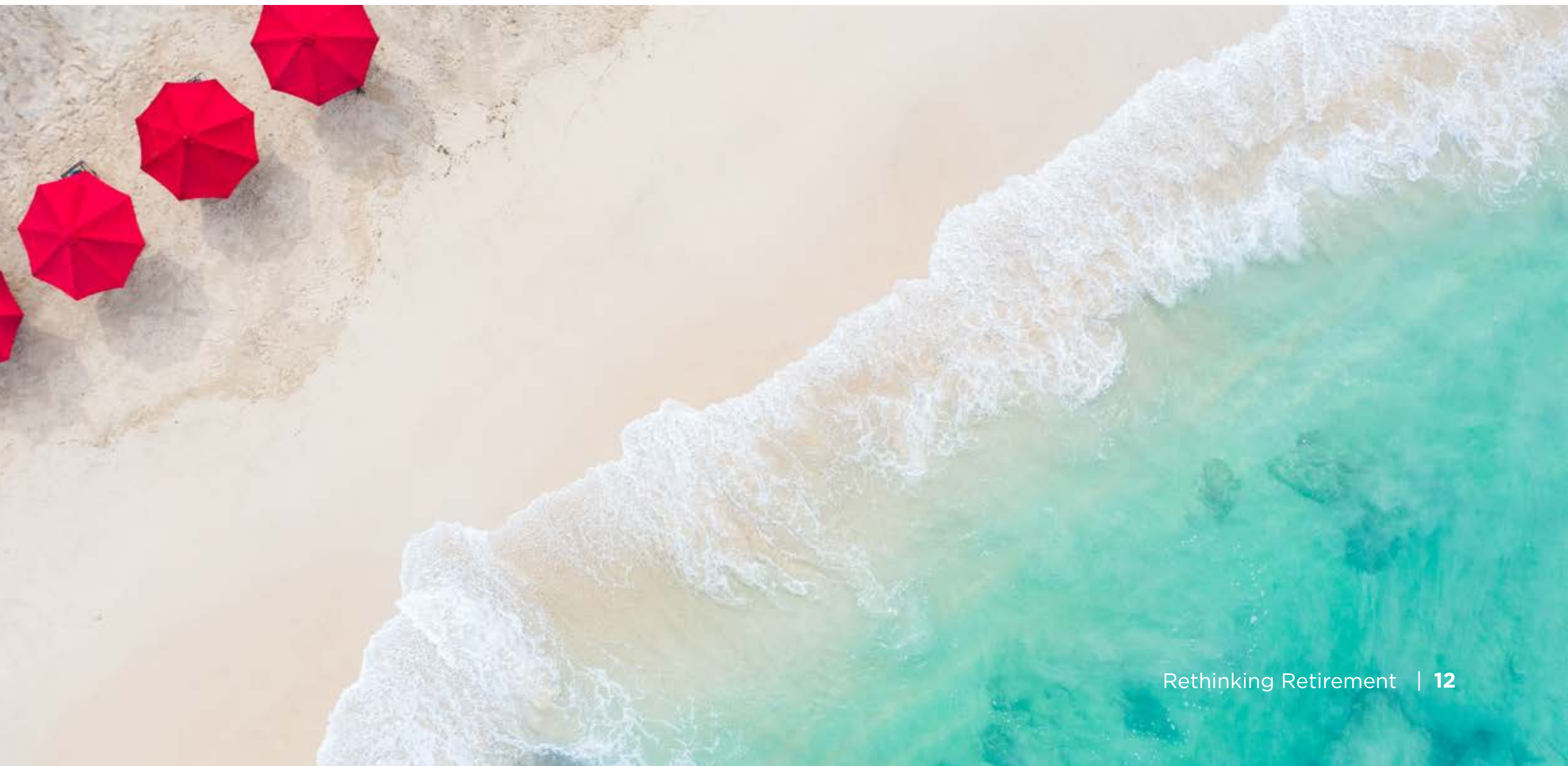
Financial planning, which includes retirement planning, incorporates multiple life goals such as saving for marriage, saving to pay off a home mortgage, saving for children's education needs or building up a nest egg for retirement. Often, retirement planning is a life goal which is realised towards the later stage of life when income ceases.

There are several perceived barriers to retirement planning. For example, those aged 21 to 30 years old feel they lack capital, while individuals between 31 to 50 years old lack an understanding of how to approach retirement planning and view it as an additional commitment. Meanwhile investors above 50 have the misconception that it's too late to start.

As they tend to start retirement planning later, Singaporeans are largely unprepared for retirement. Their perceptions on when they can retire, also differ across age groups. For example, Singaporeans aged 21 to 30 desire to retire at 57 years old, but think that they can realistically retire at 61 years old. Meanwhile Singaporeans aged 61 years old and above expect to retire at 70. The difference in expectations indicates that younger Singaporeans might have an overly-optimistic view on when they can retire, versus Singaporeans who are much closer to retirement age.

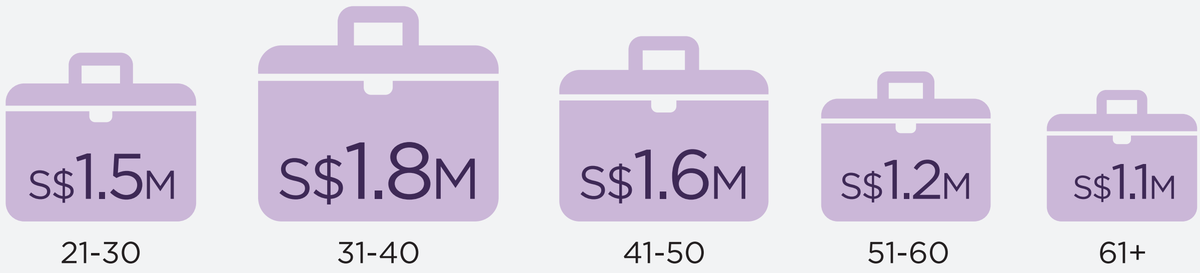
Expected Retirement Ages



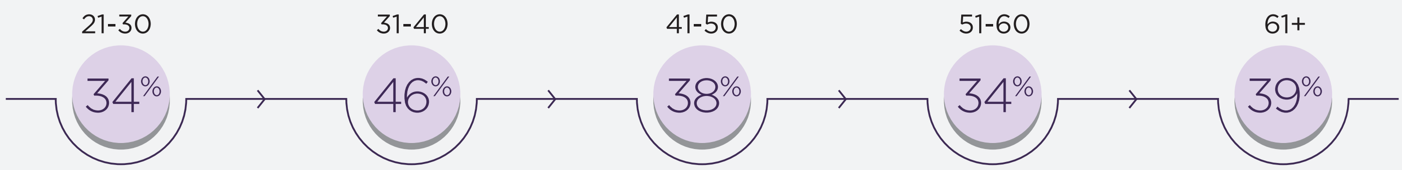


A majority of Singaporeans are also concerned that they will not have sufficient funds for retirement. Singaporeans estimate that they would need around S$1.4 million for a comfortable retirement. Less than half of the people surveyed were confident that they can achieve what they desire for retirement, with Singaporeans aged 21 to 30 and 51 to 60 being the least confident.

On average, Singaporeans estimate **S$1.4M** would be sufficient for a desired retirement



On average, **38%** are confident they can achieve their retirement income



Confidence in achieving desired retirement income

Evolving attitudes to risk and return

"Having sufficient money is the key to enjoying retirement life which is meant to be calm and peaceful. Instead of working for money, your money should work for you."

– Investor aged between 21 to 30 years old

Understanding of risk and return is evolving; Singaporeans looking to investment to generate retirement income

The COVID-19 crisis has increased Singaporeans' focus on building a sustainable investment cushion while mitigating the effects of financial market volatility.

- Building a cash cushion during volatile times: Following the pandemic, Singaporean investors appear less keen on committing to long-term investment products, and look for flexible products that will allow them to convert their investment into cash quickly and easily.

- The cuts on deposit interest rates due to COVID-19 have pushed Singaporean investors to explore low-risk products with better returns when re-evaluating their investment portfolios.

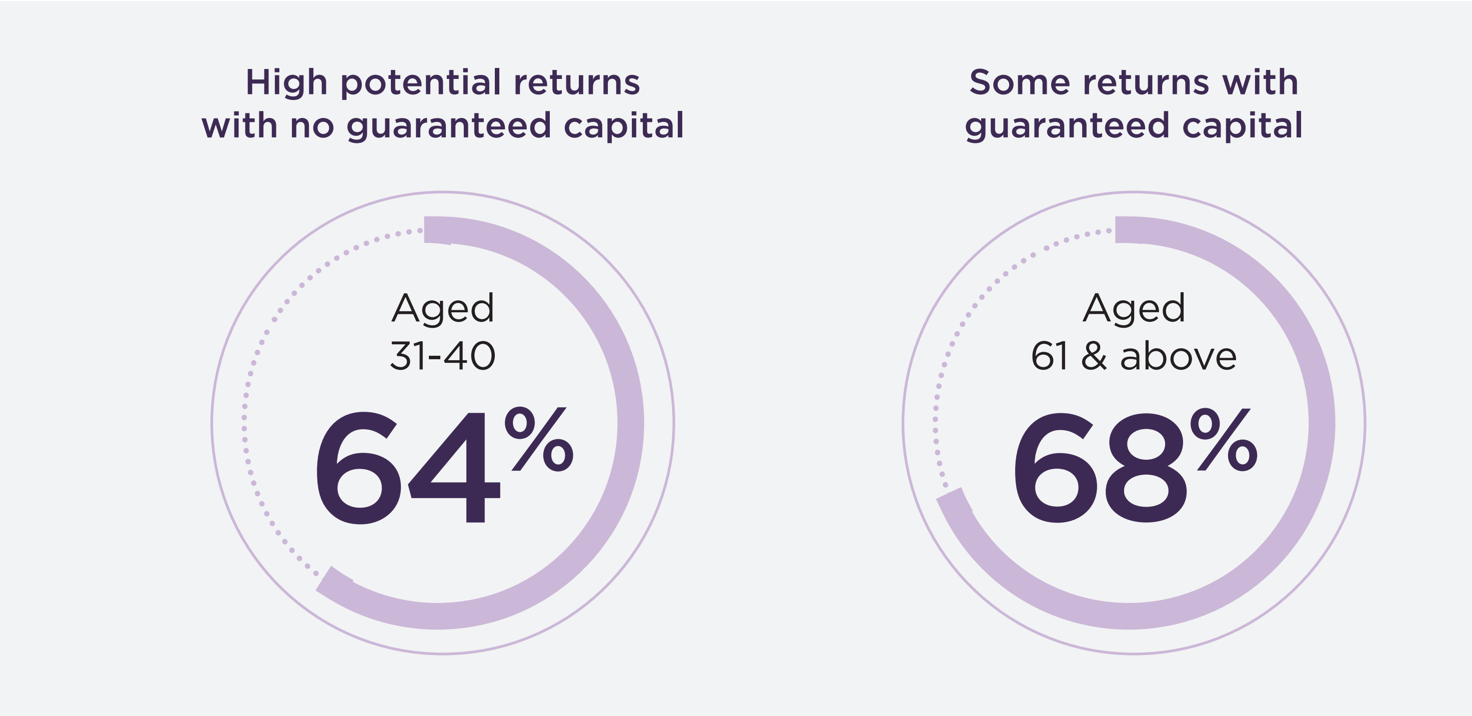
- There is an appreciation that risk reduction can be achieved by making investment portfolios more resilient through risk diversification.

Shifting attitudes to risk and return

In the near term, market volatility and the desire to create a cushion during volatile times may encourage investors to seek investment products with greater liquidity that can be converted to cash quickly and easily.

However, when looking at the longer term, the attitude towards risk and return appears to be shifting. More Singaporeans are willing to accept higher risk for higher return. Singaporeans with a longer investment time horizon are the most willing, with 59% of those aged 21 to 30, and 64% of those aged 31 to 40, prepared to give up guaranteed capital in exchange for high potential returns.

	21-30	31-40	41-50	51-60	61+
High potential returns with no guaranteed capital	59%	64%	45%	35%	32%
Some returns with guaranteed capital	41%	36%	55%	65%	68%



This coincides with their expectations for retirement income, as more Singaporeans look to investments to help fund their retirement.

On average, almost half of the respondents expect most of their retirement income to come from investment. This trend is more pronounced amongst those aged 21 to 40 with 53% of these age groups expecting to get most of their retirement income from investment returns, versus 68% of those aged 51 to 60 who cite CPF as a top source of retirement income. The data suggests that younger Singaporeans are reducing their reliance on CPF, and are more willing to take on risk to generate long term returns.

Top Retirement Income Sources	Total Avg.	21-30	31-40	41-50	51-60	61+
CPF	52%	45%	35%	53%	**68%**	**62%**
Investment returns	48%	**53%**	**53%**	48%	39%	46%
Drawing down on savings	31%	33%	22%	26%	34%	42%
Endowment plan/retirement insurance	31%	23%	29%	33%	38%	30%
Income earned from property rental	22%	20%	31%	18%	20%	19%
Supplementary Retirement Scheme (SRS)	21%	19%	22%	21%	38%	18%
Working through retirement	20%	20%	20%	19%	22%	21%

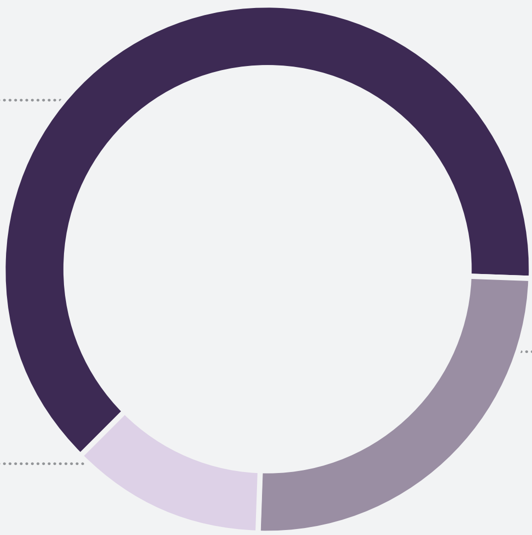
Percentages may not equate to 100% as respondents are allowed to select more than one option

For those depending on investment returns for retirement income, 63% want their investment to generate both capital appreciation and fixed monthly income; while 25% want only fixed monthly income; and 12% prefer capital appreciation only.

Singaporeans aged 21 to 30 years old display a stronger preference for capital appreciation, while Singaporeans in the 31 to 40 age group have a preference for fixed monthly income.

63%
Mix of both

This is more prevalent in Singaporeans aged 41 and above



25%
Fixed monthly income

This is more prevalent in Singaporeans aged 31-40

12%
Capital appreciation

This is more prevalent in Singaporeans aged 21-30

Importance of digital tools

“The digital tool should automatically keep track of my activities and provide risk-assessment and advice to help me with investment decisions.”

– Investor aged between 21 to 30 years old

Growing importance of digital tools in facilitating financial decisions

More Singaporeans are turning to digital tools to assist their financial and investment decisions. This is a notable trend amongst Singaporeans aged 21 to 40 years old. Over 90% of this pool acknowledge that supported by digital tools, they have much more confidence in their financial decisions. Over 80% in the same age groups noted that without these tools, they would have delayed financial planning.

Impact of Digital Tools	Total Avg.	21-30	31-40	41-50	61-60	61+
Supported by digital tools, I have much more confidence in my financial decisions	86%	**92%**	**91%**	87%	82%	79%
Without various services readily available online, I would have delayed my financial planning	74%	**84%**	**83%**	76%	64%	61%

Percentages may not equate to 100% as respondents are allowed to select more than one option

Digital tools and research also impact how Singaporeans make investments. With the increasing availability of financial information, more than half of those surveyed do their own research, while more than two-thirds make research-based decisions.

Digital platforms also encourage investors to purchase their financial products online, with almost 6 out of 10 of Singaporeans willing to buy directly through an app or website.

58%
research independently
Information sourcing

71%
make research-based decisions
Decision making

59%
purchase directly through app/site
Obtaining the product

Integrated and personalised digital tools will play an increasingly vital role in Singaporeans' financial literacy and retirement planning. Digital tools and intelligent technologies will also be key in helping consumers manage and formulate their financial plans more effectively.

Conclusion

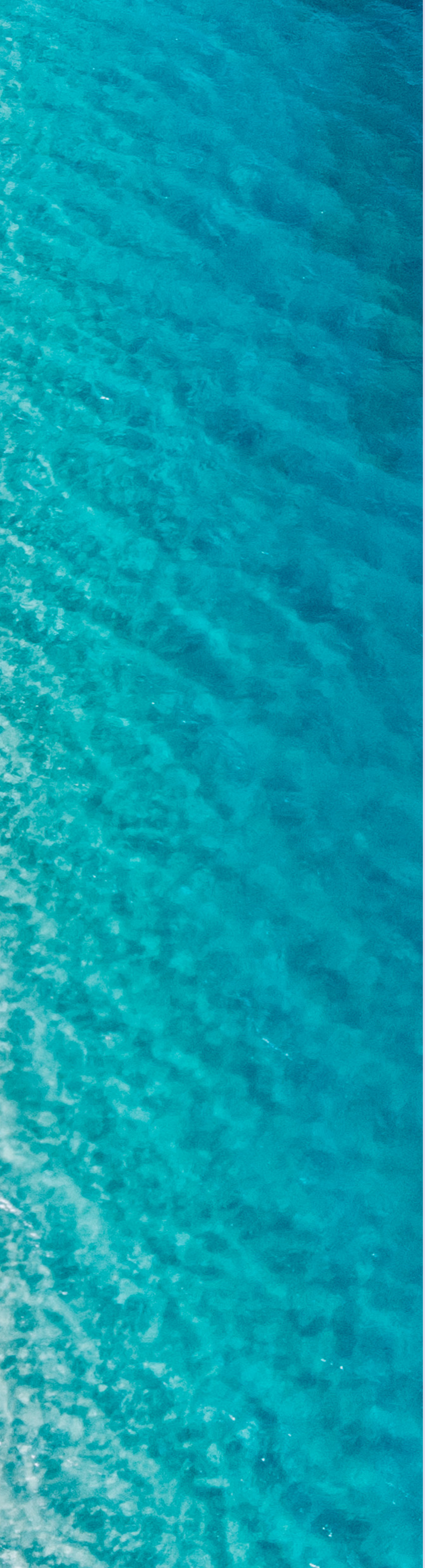
Retirement is less about endings and more about new beginnings

Retirement is viewed less and less as a door closing. With improving health and longer lifespan, most people can now look forward to retirement as an opportunity to renew and continue on with life with a new purpose.

But this requires planning and forethought. Singaporeans are looking for tools and platforms that will enable them to better navigate investment opportunities, as well as take more control over their finances.

Retirement planning should begin earlier rather than later

Singaporeans tend to associate retirement planning with the last stage of financial planning, and they perceive the best time to begin retirement planning during their empty nest / pre-retirement stage – when they have fewer financial commitments. Those who start late are largely unprepared for actual retirement, and 1 in 5 Singaporeans expects to work through retirement. The majority of Singaporeans are also not confident in achieving their desired level of retirement income. Starting earlier can help investors better prepare for the long term and allow them to benefit from the power of compounding.



Growth, income and diversification favoured to generate long term investment returns

Investors are evolving from risk-aversion to a risk-diversification mind-set. Low deposit rates have pushed investors to explore other investment products with better returns. On average, almost half expect investment returns to be a top source of retirement income. The trend is more pronounced amongst young Singaporeans between 21 to 40 years old. The majority of Singaporeans prefer their investments to provide a combination of income and capital appreciation.

More education needed to understand complex financial products

Investors want to receive more financial education in order to understand the complex design of various financial products (e.g. risk, return, pros and cons), and to have more clarity when comparing different options.

Need for effective digital tools

To make more efficient investment decisions in a volatile market, investors want easily accessible tools that allow them to better mitigate risk and maximise growth based on their investment performance. Investors are also increasingly receptive to advice generated from artificial intelligence, as this can offer an objective and customised recommendation based on personal data.

Ultimately, the goal is to approach retirement with anticipation, not anxiety. By planning ahead and preparing for retirement, Singaporeans can achieve their new beginnings and enjoy their retirement journey.

Vincent Chan
Head of Multi-Asset
Fullerton Fund Management

About Fullerton Fund Management

Fullerton Fund Management Company Ltd (“Fullerton”) is an Asia-based investment specialist, focused on optimising investment outcomes and enhancing investor experience.

We help clients, including government entities, sovereign wealth funds, pension plans, insurance companies, private wealth and retail, from the region and beyond, to achieve their investment objectives through our suite of solutions.

Our expertise encompasses equities, fixed income, multi-asset, alternatives and treasury management, across public and private markets. As an active manager, we place strong emphasis on performance, risk management and investment insights.

Incorporated in 2003, Fullerton is headquartered in Singapore, and has associated offices in Shanghai, London, and Brunei. Fullerton is part of a multi-asset management group, Seviora, a holding company established by Temasek. NTUC Income, a leading Singapore insurer, is a minority shareholder of Fullerton.

For more information, please visit www.fullertonfund.com

This survey is commissioned by Fullerton Fund Management and conducted by Blackbox Research.

About Blackbox

Blackbox provides clients with decision science solutions, offering consumer, business, and community-wide perspectives on contemporary problems and challenges. It gathers data, constructs advanced analytical approaches, and develops a deep understanding of Asia and its diverse people – monitoring emerging trends both regionally and globally with the main aim of signalling potential changes of significance before they occur.