

The Future of Retirement

Why family matters



Singapore Fact Sheet

HSBC 



Introduction

HSBC's The Future of Retirement programme is a leading independent study into global retirement trends. It provides authoritative insights into the key issues associated with ageing populations and increasing life expectancy around the world.

The global report *Why family matters*, which accompanies this fact sheet, is a supplementary report to the main 2011 report *The power of planning*, the sixth in The Future of Retirement series, and is based on a survey of more than 17,000 people in 17 countries in December 2010.

This country fact sheet, based on the views of over 1,046 Singapore respondents, explores how factors relating to family life influence attitudes to retirement, including:

- marital status, gender and generation
- the varying degrees of financial responsibility between the sexes
- how households undertake financial planning and where gaps in plans might arise
- attitudes to risk and what families can do to better prepare themselves

The *Why family matters* global report and all previous reports are available at www.hsbc.com/retirement/future-of-retirement.

Key findings

- Having children adds to people's feelings of retirement security and well-being. Singaporeans with children are less likely to see retirement as an age of loneliness, though only 11% of respondents want to live with their children in later life
- As elsewhere globally, retirement planning in couples is more likely to be fully undertaken by men: 38% of Singaporean men claim to exercise sole household responsibility for managing retirement savings, compared to only 21% of women
- Women are more likely than men to focus on shorter-term financial goals, though even in the area of household budgeting, only 28% of Singaporean women exercise sole responsibility for managing the household budget compared to 32% of men
- Household financial plans contain significant gaps: over one third (34%) of those in their 50s do not have retirement savings in their financial plan, while 24% of couples with children say they have no life insurance
- Despite some 44% of Singaporeans aspiring to pass on wealth to their children when they die, tax planning and inheritance planning remain low priorities, with 80% of parents saying that they have not made a will
- Only 12% of those in their 50s are undertaking tax planning, even though this is the age band when the value of assets typically peaks

Part 1: How family life influences attitudes to retirement – a time of happiness or loneliness

73% of respondents in Singapore feel that having a loving family and friends is extremely important to enjoying a happy retirement, and this is particularly important to women (76%). Many are also keen to live near (but not with) their children in retirement, with 67% seeing this as very or somewhat important.

- Parents are more likely to believe retirement will be a time of happiness (53%). They are also less likely to see retirement as a time of loneliness (22%) compared to those without children (24%)
- Parents are also much more focused on issues of inheritance and financial protection than those without children (Table 1)

Table 1: People with children have different aspirations for retirement and passing on wealth

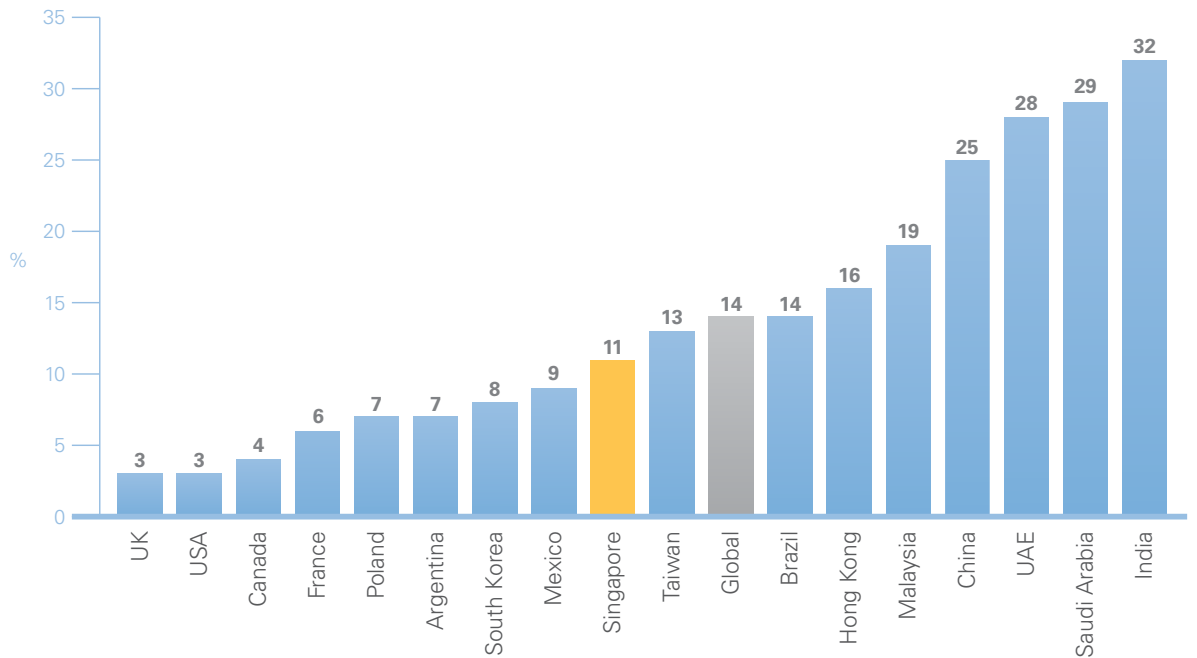
Q. People have different personal priorities in life. How important are the following to you today?

	All (%)	People with children (%)	People without children (%)
Passing on wealth to my children when I die	35	44	24
Having financial protection for my family	67	75	57

Base: Respondents who claimed 'Very important to me'

Figure 1: Living arrangements in retirement

Q. What do you hope will happen to your living arrangements when you retire?



Base: Respondents who answered 'I want to live with my children or other family members'

Respondents in Singapore are likely to see themselves as living independently in their own home when they retire, with only 11% stating that

they would like to live with their children in later life (Figure 1).

Part 2: Financial responsibility between the sexes – a clear gender difference in how households plan their finances

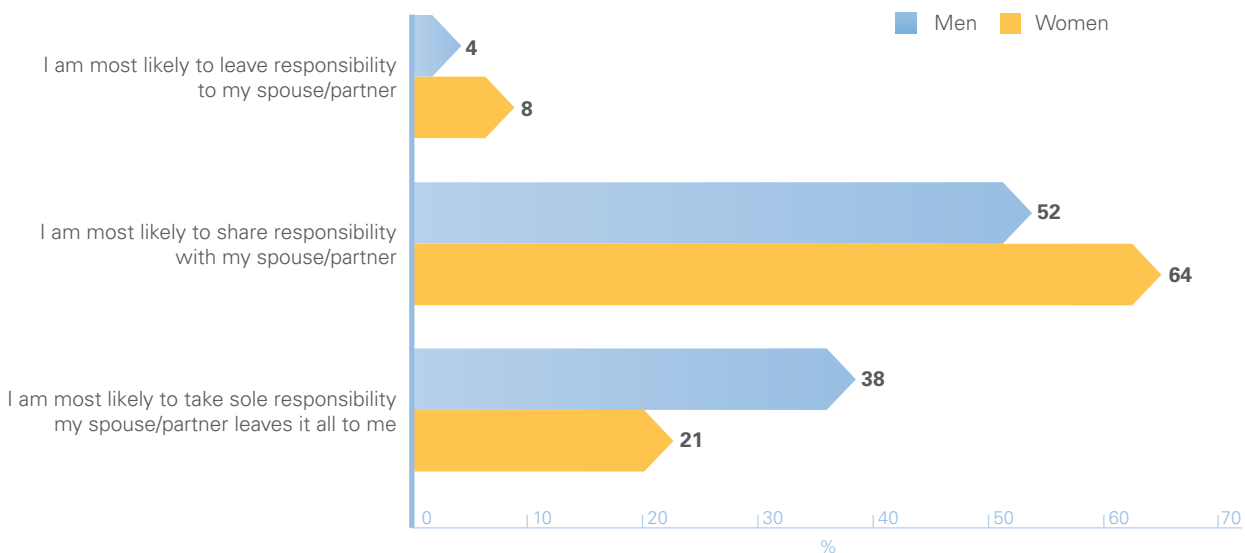
Whilst women in Singapore are more likely to say that financial decisions are shared with their partner, men usually state that they make all or most financial decisions themselves. Men claim to exercise greater sole responsibility than women in nearly all financial decisions made in the home.

There is a gender divide when looking at the types of financial decisions made by men versus women: although men are more proactive when it comes to

retirement planning and household budgeting (Figure 2 and Figure 3), the gap is much smaller when it comes to household budgeting. Crucially, this means that women are much more focused on short-term financial matters and are more likely to be overlooking the importance of planning for retirement in their own right.

Figure 2: Men take greater responsibility for retirement planning

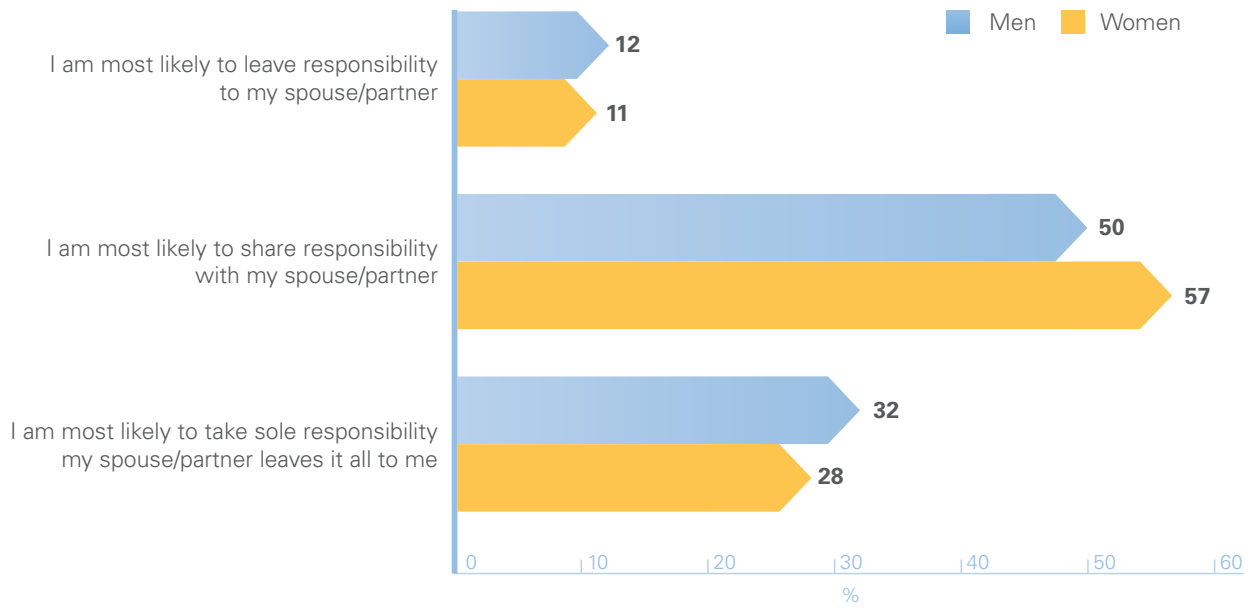
Q. Who in your household is most likely to take responsibility for making decisions about saving for retirement?



Base: All respondents who are married or cohabiting

Figure 3: Men also take charge on household budgeting

Q. Who in your household is most likely to take responsibility for making decisions about managing the household budget?



Base: All respondents who are married or cohabiting



Part 3: Household financial planning – gaps in the family’s financial safety net

Figure 4 illustrates how individuals accumulate and consume wealth during the course of their adult lives. After entering work in early adult years, both income and wealth typically grow well into a person’s 50s and possibly beyond, depending on when they enter retirement and start to draw down on savings and investments. Across different societies

and households, the exact shape of this curve will vary depending on a range of factors – patterns of employment and home ownership, family life, retirement trends and life expectancy. However, all households need to protect their financial assets as an essential step in ensuring that retirement savings are not used up before retirement.

Figure 4: **The gaps in Singaporean households’ financial plans**

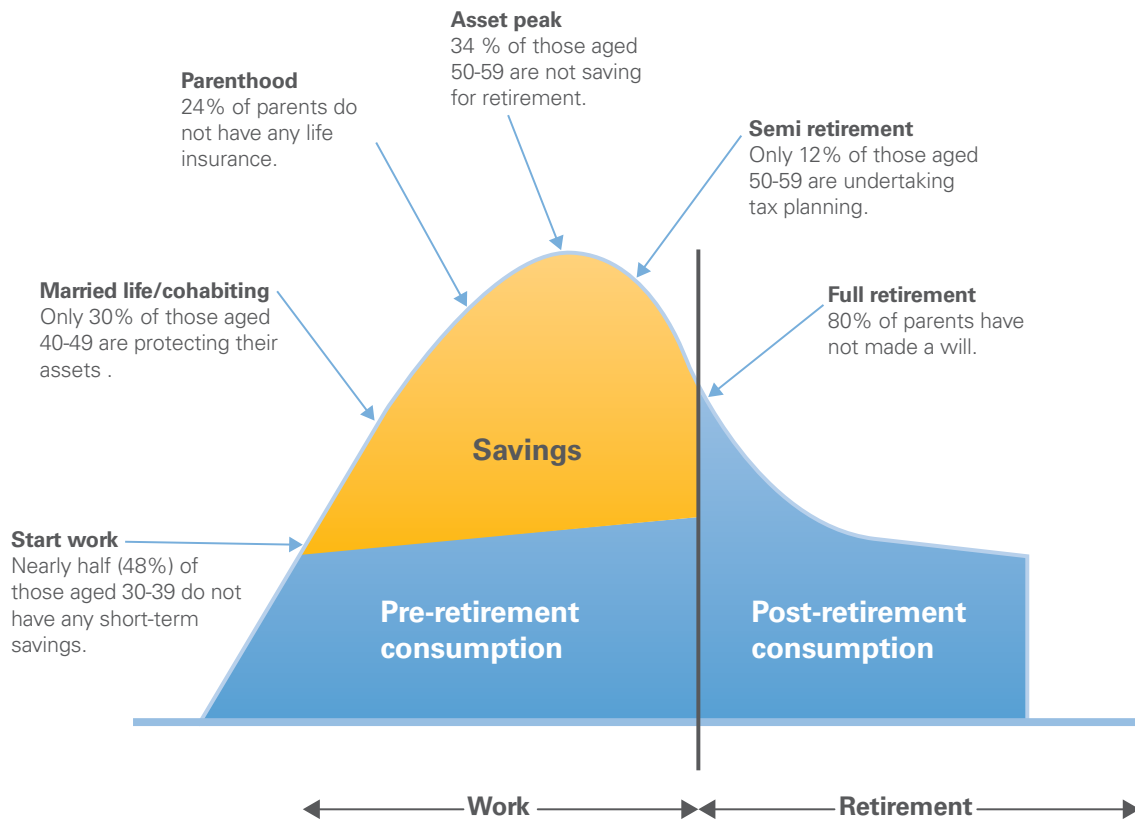
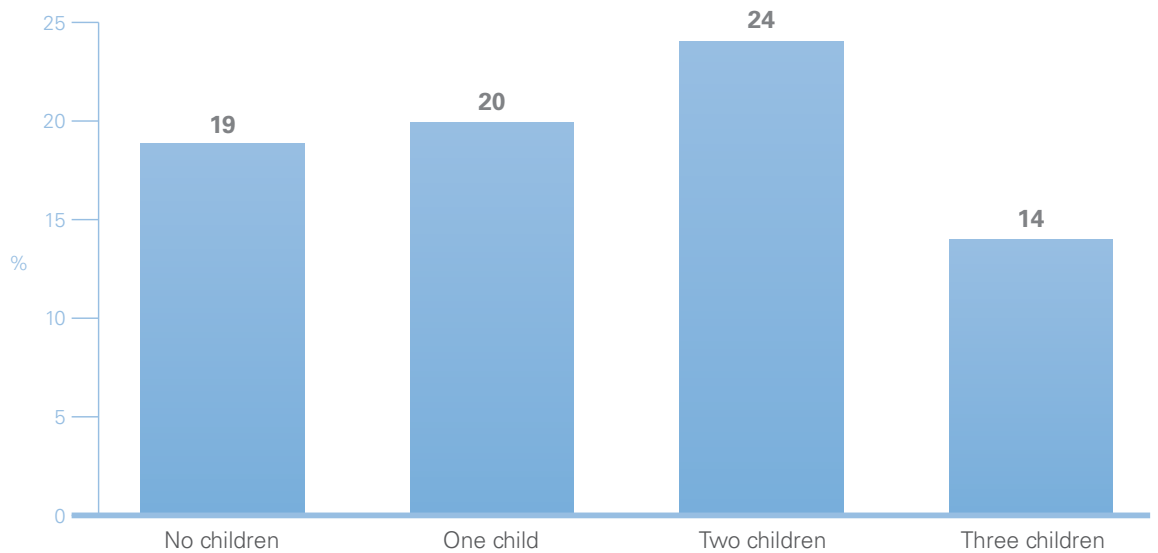


Figure 4 shows some of the key responses from the 58% of Singapore respondents surveyed who have a financial plan. Even though these households are planning ahead, there are still significant gaps in the contents of their financial plans. For example, 34% of planners in their 50s are not saving for retirement. Despite the fact that life insurance is widely available

and all working parents have a need for this kind of protection, 24% of those with children do not have a life insurance policy in their financial plans. Our survey found that people with children, even in larger families where the benefits of protection are even more apparent, are not appreciating the benefits of life insurance (Figure 5).

Figure 5: The risk of not having life insurance

Q. How risky do you rate the following activities?
A. Not having life insurance



Base: Respondents who answered 'Extremely risky'

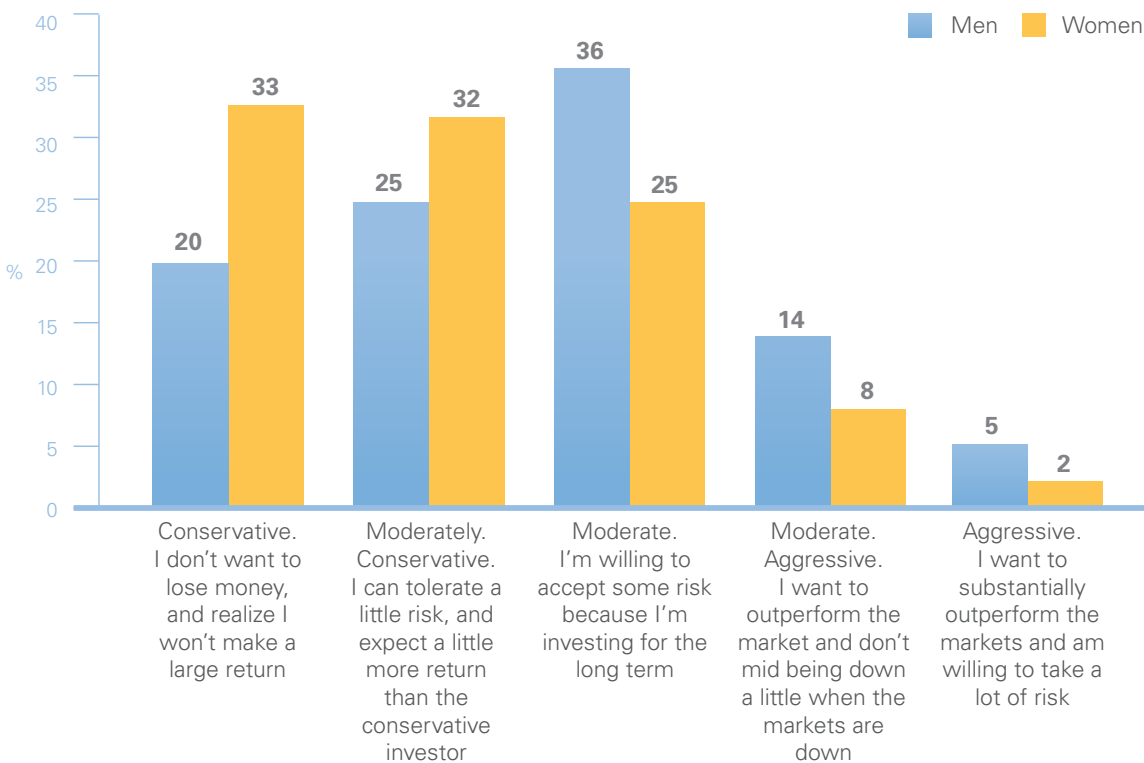
Part 4: Attitudes to risk – the need to change household risk appetites

As Figure 6 shows, Singaporean women are significantly more likely than men to describe their attitude to risk as conservative, and this is reflected in their reluctance to hold more sophisticated savings and investment products. For example, 32% of men compared to 26% of women invest in mutual funds

and equity-related investments to build their retirement savings. However both men and women show a strong preference for conservatism and risk aversion in their savings attitudes, and encouraging households to accept more risk in order to secure their financial future presents a major challenge.

Figure 6: Women are more likely to sacrifice returns to protect investments

Q. When it comes to investing, which of the following best describes your risk tolerance?



Base: All respondents

While the risk of investing for the long term may be a major concern to some Singapore households, and particularly to women, it is equally clear (see Table 2) that many people are just as concerned about the risk of doing nothing towards planning for retirement. Our findings show that respondents perceive the risk of not having retirement funds as significantly higher than the risk of investing for the long-term: 12% of all respondents thought that investing in stocks and

shares was extremely risky, whereas 18% thought that not having a private retirement fund was extremely risky. Not having life insurance was seen as being extremely risky by similar numbers of respondents (20%). The fact that people in Singapore already understand the danger of not planning sufficiently for retirement should help efforts to encourage more people to prepare adequately.

Table 2: The risk of not planning household finances

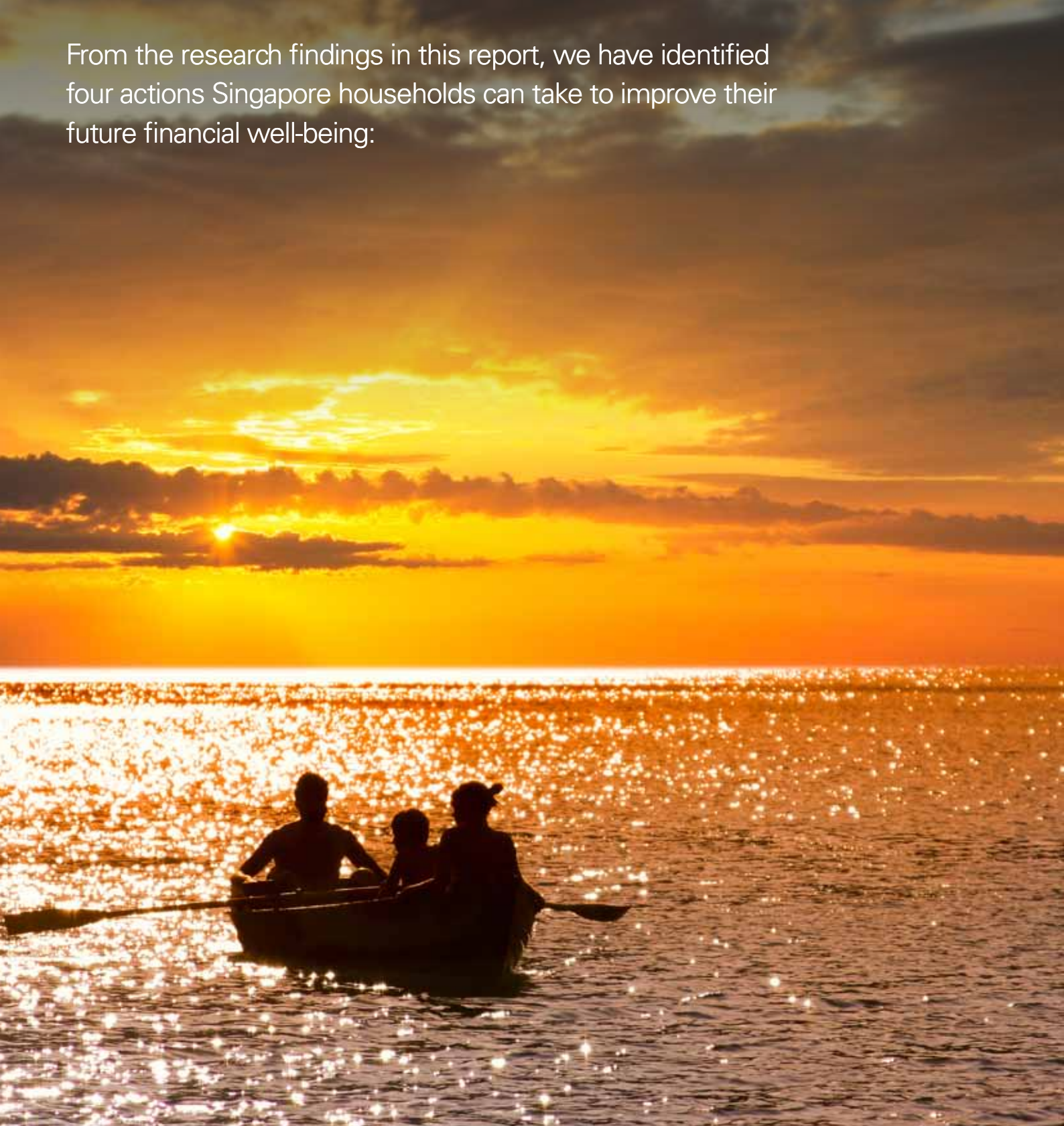
Q. How risky do you rate the following activities?

	Male (%)	Female (%)	All (%)
Investing in stocks and shares (equities)	10	14	12
Not having life insurance	17	22	20
Not having a private retirement fund	15	21	18
Going on holiday without travel insurance	13	17	15

Base: Respondents who answered 'Extremely risky'

What families can do to better prepare for the future

From the research findings in this report, we have identified four actions Singapore households can take to improve their future financial well-being:





Action 1

Share your financial decision-making

Make sure that financial planning decisions which affect the household – in particular retirement and protection needs – are shared and discussed with your partner, to make sure you are both better prepared for retirement and other life goals.

Women across all age groups continue to lag behind their male peers when it comes to taking charge of their own retirement savings.

Action 2

Use life events to start and review your financial plan

Understand the importance of the life events and life stages, then use these events as prompts to take action (for example, having children, saving for college fees, dealing with bereavement, divorce etc). It is important to consider the whole family when planning for your own financial needs.

Large numbers of younger families do not have life insurance in place, while many still overlook the need to build retirement savings or undertake estate planning to ensure that their wealth is protected and managed as tax-efficiently as possible.

Action 3

Review your financial plan with a professional adviser

Sense-check financial decisions and plans with an expert, to make sure that all eventualities are covered. Many household financial plans contain gaps and omissions: get a professional review of your family's financial plan.

Many people still prefer to apply a do-it-yourself approach to financial planning, with 47% not having sought professional financial advice.

Action 4

Take a balanced approach to managing investment risk

Balance the need to protect your investments in the short- and medium-term with the need to generate an adequate retirement income in the long-term.

33% of Singaporean women describe themselves as being conservative, which may possibly lead to lower incomes in retirement if they fail to strike the right balance when choosing whether to save or invest.



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HSBC Insurance Holdings Limited
8 Canada Square
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