by RICHARD JACKSON
and TOBIAS PETER

From Challenge to Opportunity

THE FUTURE OF RETIREMENT IN Singapore

GAI Global Aging Institute

eastspring investments

About the East Asia Retirement Survey

The East Asia Retirement Survey is part of the multiyear Global Aging Preparedness Project, which was launched in 2010 by the Center for Strategic and International Studies (CSIS) with the publication of *The Global Aging Preparedness Index*, a unique new tool for assessing the fiscal sustainability and income adequacy of retirement systems around the world. When project director Richard Jackson left CSIS early in 2014 to found the Global Aging Institute (GAI), the project moved with him and since then has continued under the auspices of GAI. Prudential plc has collaborated with Richard Jackson on the project since 2010 and continues to support the ongoing work on the project being carried out by GAI.

As the world's societies age, governments and businesses are trying to look ahead and anticipate the needs of tomorrow's growing elderly populations. Nowhere is this more difficult than in emerging East Asia, where rapid development is transforming traditional retirement attitudes and expectations. The role of the family in retirement security is receding, while the importance of pensions and personal savings is growing. How well are retirees in East Asia coping with the changes? How prepared are workers for their own future retirement? And what type of retirement system would people actually prefer, if given the choice?

The purpose of the East Asia Retirement Survey, now in its second wave, is to help answer these questions. The first wave of the survey, conducted in the summer of 2011, was administered to representative samples of workers and retirees in China, Hong Kong SAR, Malaysia, Singapore, South Korea, and Taiwan. The second wave, conducted in the summer of 2014, was administered to representative samples of workers and retirees in the six first-wave countries plus Indonesia, the Philippines, Thailand, and Vietnam.* While the survey finds that there are many important differences across the region, it also reveals that citizens throughout East Asia have at least two important things in common. They are anxious about their retirement prospects and they are eager to improve them.

The results of the first wave of the survey were published in *Balancing Tradition and Modernity: The Future of Retirement in East Asia* (Washington, DC: CSIS, 2012). The results of the second wave of the survey are published in *From Challenge to Opportunity: Wave 2 of the East Asia Retirement Survey,* the overall project report, as well as in a series of ten shorter country reports, of which this is one. All of the reports, together with supplemental data, are available on GAI's dedicated project website at **gap.globalaginginstitute.org.** The results of the second wave of the survey are also featured on Prudential's dedicated project website at **www.prudentialcorporation-asia.com/eastasia-retirement-2015/.**

**For convenience, the term "country" is sometimes used in this report to refer to all ten distinct territorial and economic entities where the survey was conducted. Use of the term is not meant to imply any judgment about the sovereignty or status of any of the ten entities in international law or practice.*

ISBN 978-1-943884-08-7

Findings from Wave 2 of the East Asia Retirement Survey

Singapore

For today's retirees, the retirement years can be a time of considerable anxiety. Nearly one out of five say that they "could not get by at all" without the financial support of their grown children, while two out of five say that the income they have now is "a lot less" than when they were working. The retirement prospects for today's workers, although improving, remain uncertain. While a larger share of today's workers expect to receive benefits from the Central Provident Fund than is the case for today's retirees, the benefits that most of them receive will be quite modest. Meanwhile, most Singaporeans favor individual or government responsibility for retirement income over family responsibility, meaning that today's workers may not be able to fall back on their grown children to the extent that today's retirees can. With the share of Singaporeans who are elderly projected to double from 17 to 33 percent over the next twenty-five years, the rapid aging of the population will further complicate the challenge of ensuring retirement security.

Yet Singapore is nonetheless well positioned to meet its retirement challenge. Singapore is a highly market-oriented society in which the great majority of today's workers expect to receive income from financial assets when retired. Although Central Provident Fund benefits may not be generous, the system is fully funded, which gives Singapore a considerable advantage over East Asian countries with pay-as-you-go state pension systems, whose cost will grow by leaps and bounds as populations age and the ratio of retired beneficiaries to taxpaying workers steadily climbs. Large majorities of Singaporeans would support new government initiatives that encourage or require workers to save more for their own retirement. Meanwhile, the flexible attitudes of Singaporeans toward work and retirement are well-aligned with the needs of their aging society. In short, although many Singaporeans are not adequately prepared

SURVEY

Overview

Singapore

TODAY'S RETIREMENT Realities

Share of Today's Retirees Who…	
Retired before Age 60	68
Live with Their Grown Children[1]	70
Depend Financially on Their Grown Children[2]	29
Receive Income from the State Pension System[3]	65
Receive Income from Financial Assets[4]	51
Receive Income from a Job or Business	48
Have Received Professional Financial Advice	20
Have a Lot Less Income Now Than When Working	43
Worry More About Exhausting Their Savings Than 3 Years Ago	35

TOMORROW'S RETIREMENT Expectations

Share of Today's Workers Who…	
Expect to Retire before Age 60	24
Expect to Live with Their Grown Children[5]	52
Expect to Depend Financially on Their Grown Children[2]	12
Expect Income from the State Pension System[3]	89
Expect Income from Financial Assets[4]	74
Expect Income from a Job or Business	78
Have Received Professional Financial Advice	54
Expect to Have a Lot Less Income When Retired	28
Are Saving More for Retirement Than 3 Years Ago	37

VIEWS ABOUT THE RETIREMENT Challenge

Share of Respondents Agreeing (+) and Disagreeing (−) That…	+	−
Supporting the Growing Number of Elderly Will Be a Large Burden for…		
Tomorrow's Workers and Taxpayers	41	31
Tomorrow's Families	43	32
People Can Trust Financial Services Companies to Help Them Prepare for Retirement	42	29
Government Is Doing Enough to Help Workers Prepare for Retirement	42	31

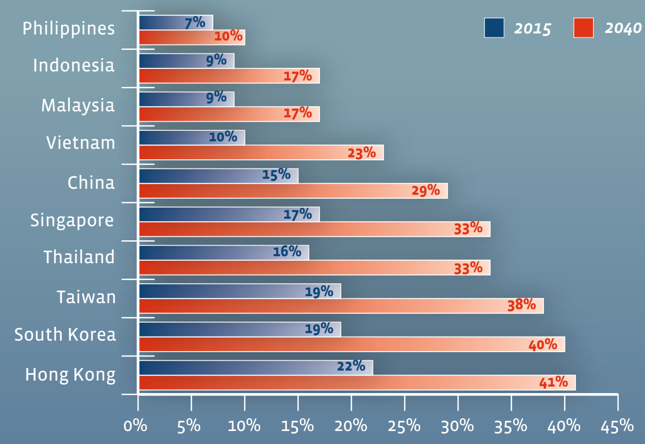
VIEWS ABOUT RETIREMENT Reform

Share of Respondents Saying Government Should…	
Increase Taxes to Provide a Basic Pension Benefit to Those Elderly Who Are in Financial Need	60
Increase Worker Contributions to Government Pension Programs	57
Raise the Retirement Age	54
Require Workers to Save More for Their Own Retirement	89

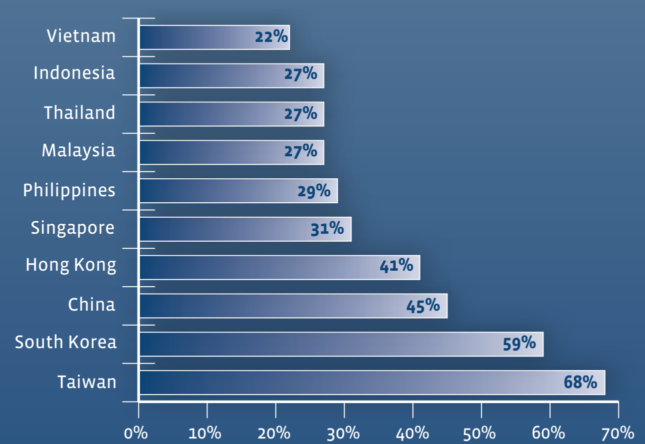
[1] Refers to elderly aged 60 and over who have grown children.
[2] "Depend" means net recipient of income from children.
[3] State pension system includes the Central Provident Fund and civil service and military pensions.
[4] Financial assets include insurance and annuity products and stocks, bonds, and mutual funds, but exclude bank deposits.
[5] Refers to workers who have or expect to have children.

Notes: All data are from Wave 2 of the East Asia Retirement Survey, except for demographic data, which are from *World Population Prospects: The 2012 Revision* (UN Population Division: New York, 2013). Questions in the "Views about the Retirement Challenge" section used a five-point scale, with 1 being strongly disagree and 5 being strongly agree. "Agree" = 4 + 5 and "Disagree" = 1 + 2.

Share of the Population Aged 60 & Over



"Both parents and children are generally happier when they are more independent and self-sufficient."



"Who, ideally, should be mostly responsible for providing income to retired people?"

% Response by Country	Government	Retirees Themselves	Grown Children	Former Employers
China	63	9	11	16
Hong Kong	41	44	6	8
Indonesia	45	18	11	25
Malaysia	43	34	8	10
Philippines	66	10	8	17
Singapore	30	48	13	2
South Korea	23	61	10	2
Taiwan	36	40	6	16
Thailand	66	18	10	4
Vietnam	62	22	10	5

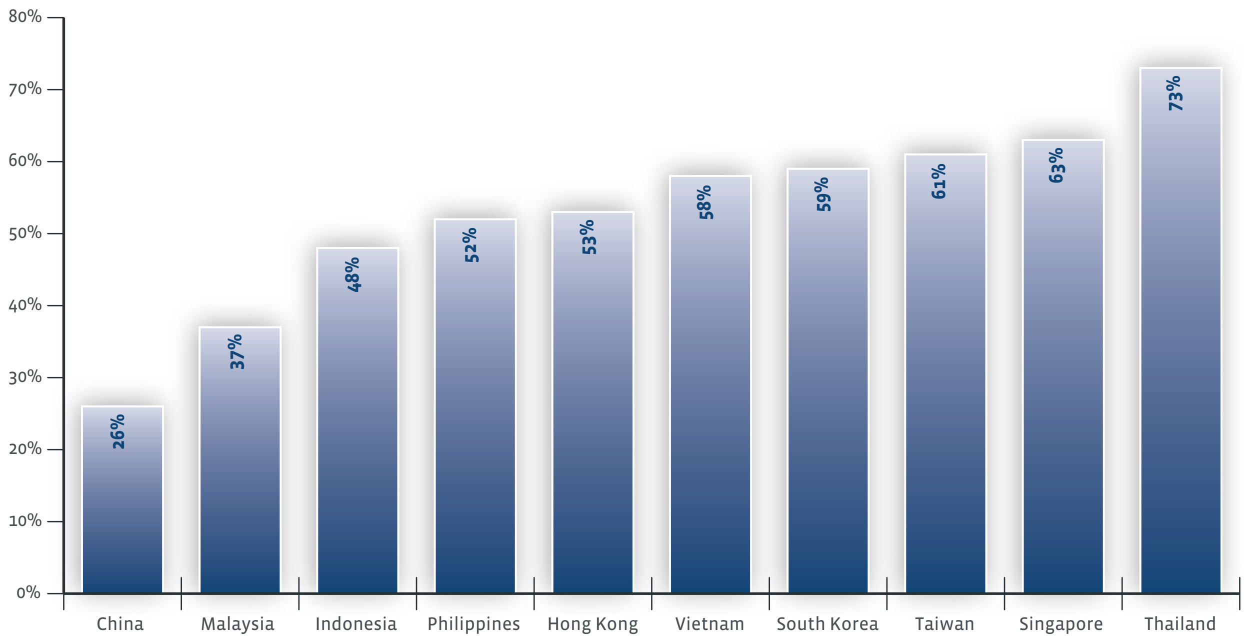
for retirement, the building blocks for a solution are already in place.

Today's Retirement Realities

The economic circumstances of today's retirees are far from secure. To be sure, roughly two-thirds report receiving at least some income from the Central Provident Fund or a civil service or military pension. A large share of today's retirees also own financial assets. Fifty-one percent report receiving income from insurance or annuity products and/or stocks, bonds, or mutual funds, more than in any other country surveyed. Including bank deposits in the total, the share with asset income rises to 65 percent. Yet at the same time, dependence on the extended family remains high. Seventy percent of today's retirees report living with their grown children, while 29 percent report that they depend on them financially. Overall, the median household income of the elderly is just 60 percent of the median income for all households, a lower ratio than anywhere else surveyed except Hong Kong, Malaysia, and South Korea. Forty-three percent of today's retirees say that they have "a lot less income" now than they did before retiring. Nor do the economic circumstances of today's retirees appear to be improving. When asked to compare their circumstances now with three years ago, just 11 percent reported that they have more income while 63 percent reported that they have less.

Tomorrow's Retirement Expectations

The retirement prospects for today's workers, although clearly brighter than those for today's retirees, nonetheless remain uncertain. On the positive side, Singapore's already high rate of asset income receipt is due to rise still further.



The economic circumstances of today's retirees are far from secure in Singapore.

Share of Today's Retirees Saying That They Have Less Income Now Than Three Years Ago

While 51 percent of today's retirees report receiving income from insurance or annuity products and/or stocks, bonds, or mutual funds, 74 percent of today's worker expect to receive income from these financial assets when they retire. Meanwhile, 89 percent expect to receive income from the Central Provident Fund or a civil service or military pension, up from a current receipt rate of 65 percent for today's retirees. Yet there is some bad news along with good news. Although a larger share of tomorrow's retirees expect to receive retirement benefits, experts agree that those benefits will be relatively small. In fact, for typical workers, projected Central Provident Fund benefits would, if annuitized, only replace around 25 to 30 percent of preretirement income.[1] While Singaporean workers have higher net financial asset-to-income ratios than workers in most of the other countries surveyed, it is doubtful that their personal savings can make up for their inadequate retirement benefits.

Not surprisingly, worries about retirement security persist. Twenty-eight percent of today's workers expect to have "a lot less income" in retirement than they do today, more than anywhere else surveyed except Hong Kong, South Korea, and Taiwan. The share of today's workers who expect this to be the case, moreover, is double the share (13 percent) who did when the first wave of the survey was conducted in 2011. Meanwhile, when today's workers were asked whether they are more confident that "they are preparing adequately for retirement" than they were three years ago, just 27 percent answered more confident while 73 percent answered less confident or about the same.

[1] See "Mukul G. Asher and Amarendu Nandy, "Singapore: Pension System Overview and Reform Directions," in *Pension Systems and Old-Age Income Support in East and Southeast Asia: Overview and Reform Directions*, ed. Donghyun Park (Manila: Asian Development Bank, 2011).

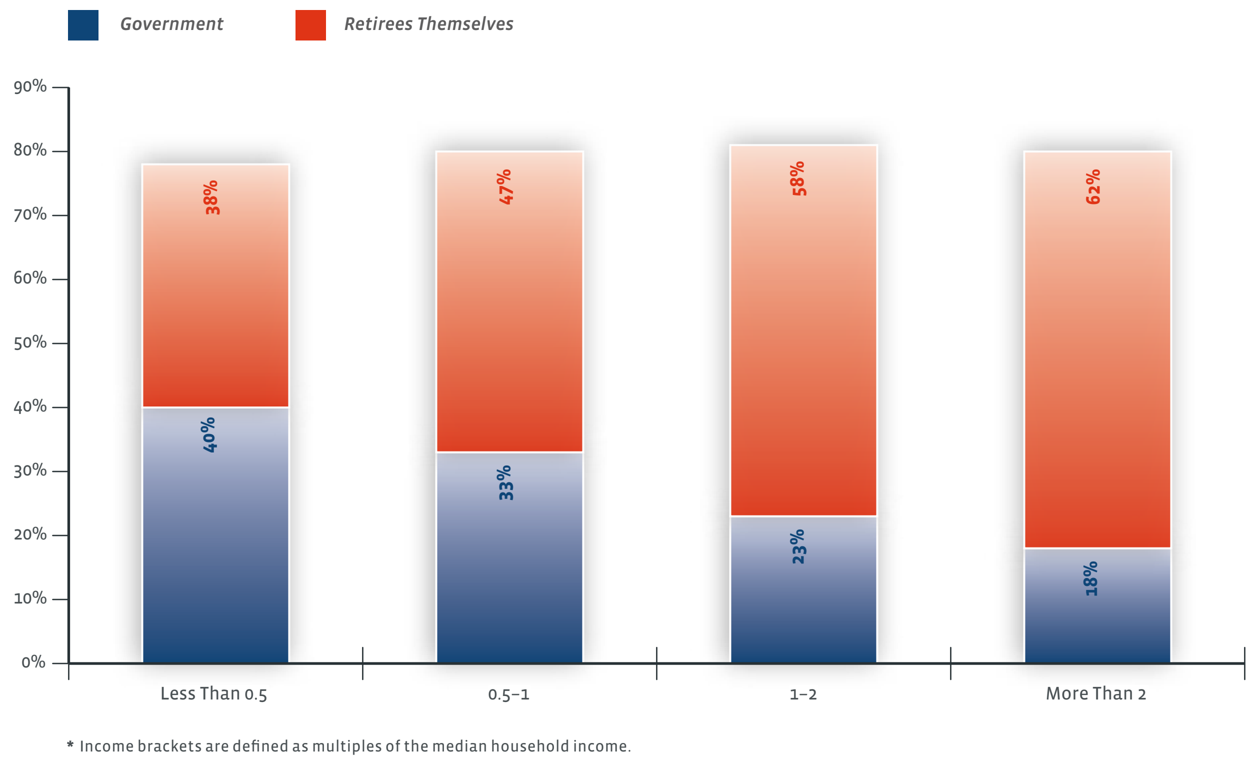
Rates of asset income receipt in Singapore are high and rising.

Share of Today's Retirees Receiving and Share of Today's Workers Expecting to Receive Income from Financial Assets

The Changing Role of the Family

Traditional family support networks for the elderly are weakening throughout East Asia as societies develop and modernize. At least compared with the other high-income countries surveyed, however, Singapore appears to be more wed to the Confucian ideal of family-centered retirement security. Just 31 percent of respondents agree that "both parents and children are generally happier when they are independent and self-sufficient," compared with 41 percent in Hong Kong, 59 percent in South Korea, and 68 percent in Taiwan. Rates of multigenerational living in Singapore are still high, net income transfers within families still flow from the young to the old, and the elderly are still likely to be personally cared for by their grown children if they are in poor health or disabled.

Yet even in Singapore, attitudes and expectations are changing. When asked, "who, ideally, should be mostly responsible for providing income to retired people, just 13 percent of respondents answered "grown children or other family members." Although this share is still larger than the share in any of the other countries surveyed, it has fallen sharply from 22 percent in the first wave of the survey. Meanwhile, the share of respondents who believe that the elderly have "little to contribute to society and are mostly a burden" has risen. Sadly, this view is most likely to be held by the elderly themselves. Among respondents aged 70 and over, 23 percent believe that the elderly have little to contribute and are mostly a burden, more than in any other country surveyed except Malaysia and Thailand. Looking to the future, fewer of today's workers expect to live with their grown children when they retire than is the case for today's retirees (52 percent, down from 70 percent).



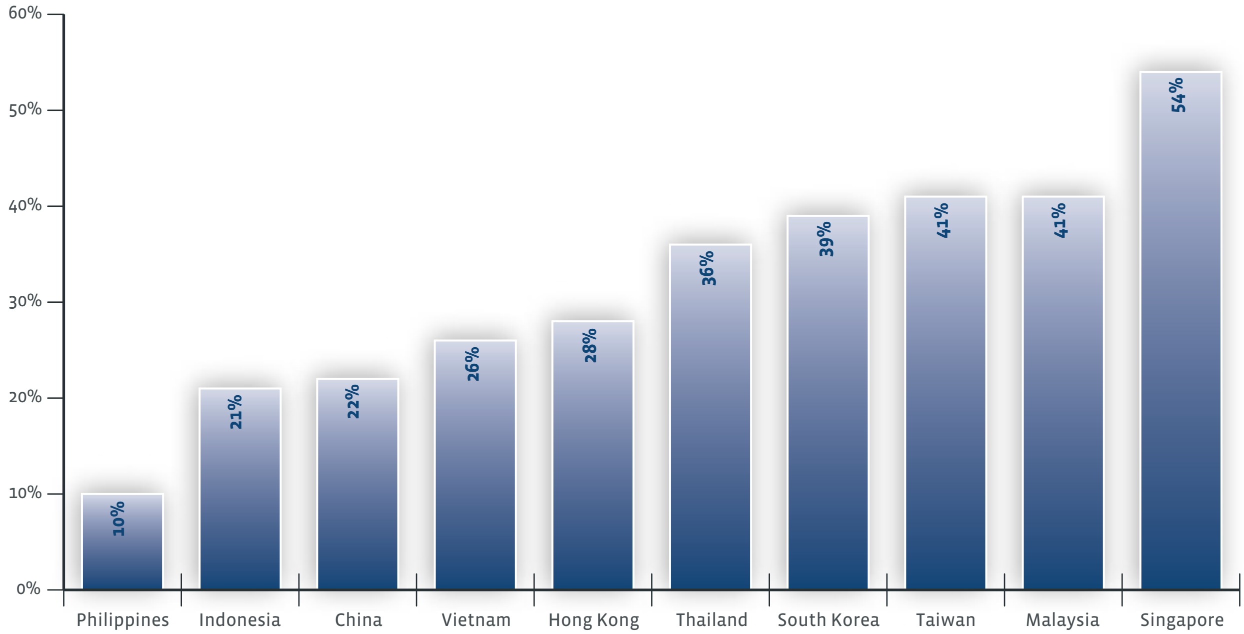
Support for individual responsibility for retirement income is broadly based in Singapore.

Share of Singaporean Respondents Saying "Government" Should Be Mostly Responsible for Providing Retirement Income versus Share Saying "Retirees Themselves, through Their Own Savings," by Income Bracket*

Fewer also expect to be financially dependent on them (12 percent, down from 29 percent).

Responsibility for Retirement Provision

If not the family, then who, ideally, should be mostly responsible for providing income to retired people? While citizens in many East Asian countries look to government to ensure retirement security, a large plurality of Singaporeans look to individuals themselves. Forty-eight percent of respondents believe that "retirees themselves, through their own savings" should be mostly responsible for providing retirement income, a larger share than in any other country surveyed except South Korea, while just 30 percent believe that government should be. The support for individual, savings-based retirement provision, moreover, is broadly based, with Singaporeans favoring individual over government responsibility by a wide margin at all income levels above the poverty line. In addition, compared with respondents in Hong Kong, South Korea, and Taiwan, which also have high levels of support for individual responsibility, respondents in Singapore are much more likely to believe that government is already doing enough to help workers prepare for retirement. When Singaporeans do support additional government initiatives, it tends to be initiatives that reinforce individual responsibility. Large majorities of Singaporeans believe that government should encourage or require workers to save more for their own retirement. A large majority also believe that government should require employers to offer more jobs to the elderly.



Singaporean workers are financially literate and highly engaged with the financial services industry.

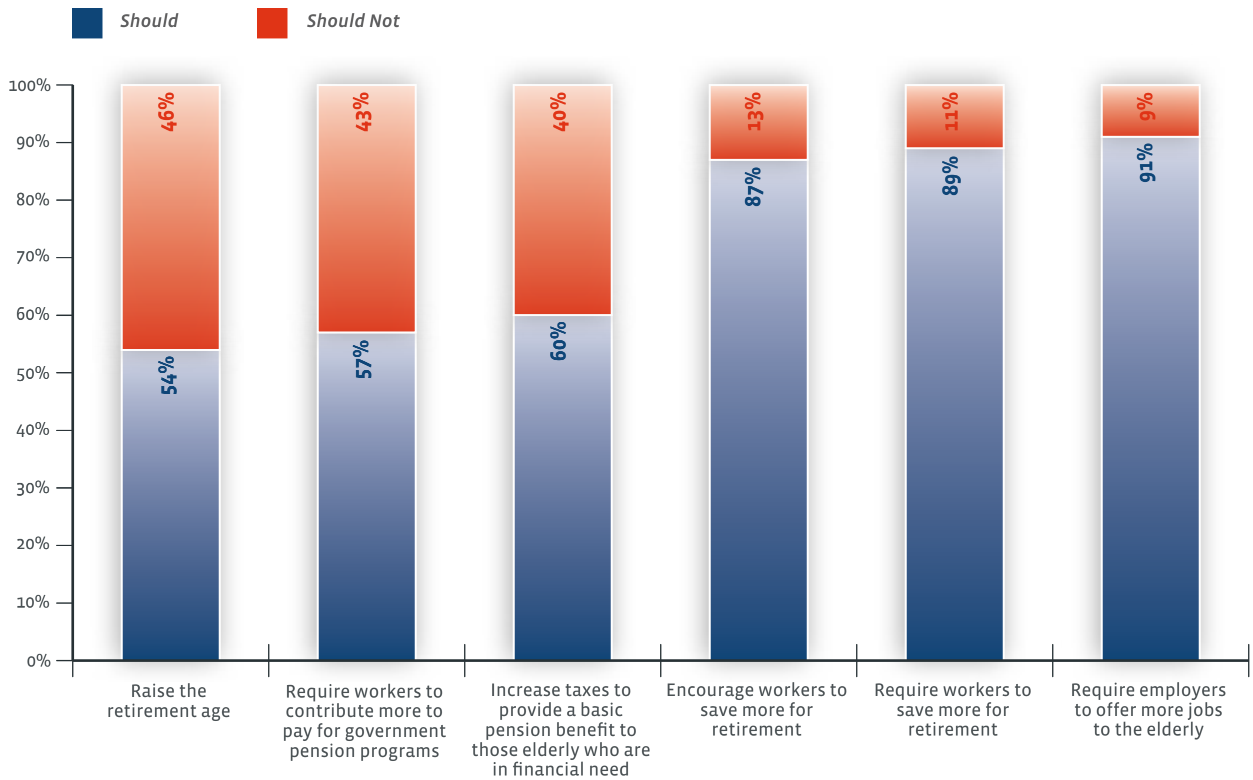
Share of Today's Workers Who Have Received Professional Financial Advice about How to Invest Their Retirement Savings

Attitudes toward Financial Markets and Services

Singaporeans' high level of support for individual responsibility for retirement income reflects their high degree of market-orientation. There are few other societies in the world where such a large cross section of the public is comfortable investing in financial markets. Along with their high degree of market-orientation, moreover, Singaporeans also tend to have favorable attitudes toward the financial services industry. When respondents were asked whether "people can trust financial services companies to help them prepare for retirement," 42 percent agreed or strongly agreed while just 29 percent disagreed or strongly disagreed. The contrast with equally market-oriented Hong Kong, where 50 percent of respondents disagreed or strongly disagreed and just 16 percent agreed or strongly agreed, could hardly be more striking. The share of Singaporeans who believe that investment professionals should be primarily responsible for making decisions about how retirement savings are invested, although just 24 percent, is nonetheless larger than the share anywhere else except Malaysia. Meanwhile, an astonishing 54 percent of today's workers report having received professional financial advice about how to invest their retirement savings, a far larger share than in any other country surveyed.

Attitudes toward Work and Retirement

Singaporeans' attitudes toward work and retirement are well-aligned with the needs of their aging society. To be sure, public support for raising the retirement age is not especially strong. Just 54 percent of respondents favor a government



What Singaporeans Think about Retirement Reform

Share of Singaporean Respondents Saying That Government Should or Should Not…

mandated increase in the retirement age, while in Indonesia and Thailand the share is around 60 percent, in Hong Kong it approaches 70 percent, and in South Korea it exceeds 80 percent. This does not mean, however, that Singaporeans favor early retirement. When asked for their views about work and retirement, respondents split about evenly between "people should continue working as long as they are able" and "people should be free to start and stop working whenever they are able and willing." Only a small minority (less than 10 percent) said that "people should retire at a fixed age and not work again." These positive attitudes are also reflected in the expectations of today's workers. Although 68 percent of today's retirees report that they retired before reaching their sixtieth birthday, just 24 percent of today's workers expect to retire that early.

From Challenge to Opportunity

Singaporeans worry relatively little about the impact of the aging of their population. When respondents were asked whether "supporting the growing number of elderly will be a large burden for tomorrow's workers and taxpayers," those who agreed or strongly agreed outnumbered those who disagreed or strongly disagreed by two-to-one in Hong Kong, by three-to-one in Taiwan, and by six-to-one in South Korea. In Singapore, the ratio was only slightly more than one-to-one. When respondents were asked whether "supporting the growing number of elderly will be a large burden for tomorrow's families," the level of concern was also much lower in Singapore than in East Asia's other fast-aging, high-income countries. In the first case, part of the explanation may lie in Singapore's funded pension system, which will help to take pressure off of the government budget. In the second case, part of it may lie in Singapore's more resilient family support networks.

Whatever the explanation, there is little question that Singaporeans remain optimistic about the future, and especially the income prospects of tomorrow's working generations. When respondents were asked whether "each new generation of workers will have a higher living standard than the previous one," those who agreed or strongly agreed outnumbered those who disagreed or strongly disagreed by six-to-one, a much wider margin than in any other country except Indonesia, Thailand, and Vietnam. Tellingly, however, this high level of optimism does not extend to the income prospects of tomorrow's retired generations. When respondents were asked whether "each new generation of retirees will have a more secure retirement than the previous one," those who agreed or strongly agreed outnumbered those who disagreed or strongly disagreed by less than two-to-one, a narrower margin than in any other country except South Korea.

Whether Singapore will succeed in improving tomorrow's retirement outlook remains uncertain. What is certain is that, unlike other East Asian countries, Singapore enjoys almost every possible advantage: a highly market-oriented culture, a fully funded state pension system, a high level of support for individual responsibility for retirement income, resilient family support networks, and flexible attitudes toward work and retirement. With all of this in its favor, turning challenge into opportunity should be relatively easy.

Technical Note

The second wave of the East Asia Retirement Survey was designed by the Global Aging Institute (GAI) and conducted during the summer of 2014 by Ipsos Observer, a globally prominent survey firm. The survey was conducted in China, Hong Kong SAR, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam. All survey samples were randomly selected and nationally representative, except that the samples for China, Indonesia, the Philippines, Thailand, and Vietnam were limited to urban areas. The interviews were conducted by telephone, except in the Philippines, Thailand, Indonesia, and Vietnam, where they were conducted in person. The survey universe consisted of household "main earners" aged 20 or older, including both current main earners and retired main earners. GAI weighted the raw survey data by age, gender, and educational attainment using census data and other standard national and international statistical sources. The survey analysis was carried out using SPSS statistical software.

Sample Size and Margin of Error

	Sample Size	Margin of Error (+ or –)*
China	1512	2.5
Hong Kong	749	3.6
Indonesia	1023	3.1
Malaysia	990	3.1
Philippines	997	3.1
Singapore	750	3.6
South Korea	997	3.1
Taiwan	998	3.1
Thailand	1008	3.1
Vietnam	995	3.1

* Margin of error at a 95 percent confidence interval.

The sample size for seven of the ten countries ranged from 990 to 1023. In China, the sample size was 1512, and in Hong Kong and Singapore it was 749 and 750, respectively. The margin of error for the survey at a 95 percent confidence interval ranged from a low of plus or minus 2.5 percentage points in China to a high of plus or minus 3.6 percentage points in Hong Kong and Singapore.

Glossary

Elderly: The elderly in this report are defined as adults aged 60 and over.

Financial Assets: Financial assets in this report generally refer to insurance and annuity products and stocks, bonds, and mutual funds. Unless otherwise noted, they exclude bank deposits.

Funded Pension Systems: A funded pension system is a system in which the contributions of current workers are saved and invested and benefits are paid out of the accumulated assets.

Household Income: Household income refers to the income of all household members. For retirees living in multigenerational households, it thus includes the income of their grown children.

Market-Oriented: Market-oriented refers to degree of engagement in financial markets. A market-oriented country or society is one in which a large and/or rapidly growing share of the population invests in financial markets and owns financial assets.

Means-Tested Programs: Means-tested programs are social assistance programs in which eligibility for benefits is limited to persons with income or assets beneath certain thresholds.

Pay-As-You-Go Pension Systems: A pay-as-you-go pension system is a system in which the contributions of current workers are directly used to pay for the benefits of current retirees.

Replacement Rates: Replacement rate refers to the share of a worker's income that pension benefits replace. If benefits are paid as a lump sum rather than in monthly installments, it refers to the share of income they would replace if annuitized.

Retirees & Workers: The division of respondents into "today's retirees" and "today's workers" is based on self-identification by the respondents themselves. Respondents were told that retirement means "no longer working or working less than when you were younger and having no plans to work full-time again." They were then asked whether they are "currently retired."

State Pension System: The term state pension system in this report refers to all mandatory pension systems or retirement savings systems established by the government, provided that the systems are contributory and are not means-tested. In Singapore, the state pension system includes the Central Provident Fund and civil service and military pensions.

About the Authors

Richard Jackson is the founder and president of the Global Aging Institute (GAI), a nonprofit research and educational organization dedicated to improving understanding of the economic, social, and geopolitical challenges created by demographic change, and especially population aging, in the United States and around the world. He is also a senior associate at the Center for Strategic and International Studies (CSIS) and a senior advisor to the Concord Coalition. Richard is the author or co-author of numerous policy studies, including *Lessons from Abroad for the U.S. Entitlement Debate* (2014); *The Global Aging Preparedness Index, Second Edition* (2013); *Balancing Tradition and Modernity: The Future of Retirement in East Asia* (2012); *Global Aging and the Future of Emerging Markets* (2011); and *The Graying of the Great Powers: Demography and Geopolitics in the 21st Century* (2008). Richard regularly speaks on demographic issues and is widely quoted in the media. He holds a Ph.D. in history from Yale University and lives in Alexandria, Virginia, with his wife Perrine and their three children, Benjamin, Brian, and Penelope.

Tobias Peter is a research associate at the Global Aging Institute. Prior to beginning his graduate studies, he worked with Richard Jackson on global aging issues at the Center for Strategic and International Studies, where he was successively an intern, research assistant, and program coordinator. Tobias is the co-author of several policy studies, including *U.S. Development Policy in an Aging World: New Challenges and New Priorities for a New Demographic Era* (2013); *The Global Aging Preparedness Index, Second Edition* (2013); and *Balancing Tradition and Modernity: The Future of Retirement in East Asia* (2012). He holds a B.A. in history and applied economics from the College of St. Scholastica and a Master of Public Policy degree from Harvard's John F. Kennedy School of Government.

About the Global Aging Institute

The Global Aging Institute (GAI) is a nonprofit research and educational organization dedicated to improving our understanding of global aging, to informing policymakers and the public about the challenges it poses, and to encouraging timely and constructive policy responses. GAI's agenda is broad, encompassing everything from retirement security to national security, and its horizons are global, extending to aging societies worldwide.

GAI was founded in 2014 and is headquartered in Alexandria, Virginia. Although GAI is new, its mission is not. Before launching the institute, Richard Jackson, GAI's president, directed a research program on global aging at the Center for Strategic and International Studies which, over a span of nearly fifteen years, produced a large body of cutting-edge research and analysis that played a leading role in shaping the debate over what promises to be one of the defining challenges of the twenty-first century. GAI's Board of Directors is chaired by Thomas S. Terry, CEO of the Terry Group and immediate past president of the American Academy of Actuaries. To learn more about the Global Aging Institute, visit www.GlobalAgingInstitute.org.

About Eastspring Investments

Eastspring Investments is a leading asset manager in Asia that manages US $134 billion (as at 30 June 2015) of assets on behalf of institutional and retail clients. Operating in Asia since 1994, Eastspring Investments is the Asian asset management business of Prudential plc, one of the world's largest financial services companies.

We have one of the widest footprints in Asia, with on-the-ground teams of 2,500 employees and more than 250 investment professionals located in 10 major Asian markets as well as offices in the US, Europe, and the United Arab Emirates. Our unparalleled knowledge and local insights allow us to deliver unique and tailored opportunities to our clients. We provide investment solutions across a broad range of asset classes including: equities, fixed income, global asset allocation, mezzanine debt, private equity, and infrastructure.

Eastspring Investments was Asia's largest retail fund manager in 2014 according to an annual survey by Asia Asset Management, and was named the Best Asset Management House in Asia in Asia Asset Management's Best of the Best Awards in 2014.

Prudential plc is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

Global Aging Institute

www.GlobalAgingInstitute.org

eastspring investments

www.eastspring.com