

Endowus

Singapore Retirement Report 2021

Survey on CPF and Retirement

July 2021





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Foreword

Over the past two decades, life expectancy has risen by six years to 83.8 years¹, and is projected to continue rising. Additionally, an estimated one in three Singaporeans will be aged 65 and above by 2035².

These glaring signs of an ageing population point at the possible implications of a lack of retirement adequacy, an increased dependency ratio, a decline in working-age population leading to a wage-price spiral, and Singaporeans running the risk of outliving their accumulated wealth.

As Singapore's first digital wealth advisor for cash, CPF & SRS savings, we are on a mission to help people build long-term wealth. We have seen first-hand that having a sufficient plan for a comfortable retirement is a requisite that cannot be ignored. However, we found that only one-tenth of Singaporeans are confident that they will have enough money for retirement.

One vital but often overlooked stream of retirement funds comes from the Central Provident Fund (CPF), a world-class social security system that sets out to provide stability and security for its members, extending beyond retirement to include other key tenets like housing and healthcare.

To better understand how we can help Singaporeans optimise the use of their CPF funds, we collaborated with YouGov to conduct a survey of over 1,000 CPF members to gain insight into the perceptions, misconceptions and challenges present in our society. We hope that the findings we share in this report will steer how we engage our clients: by improving CPF literacy through effective education and creating better tools to help them improve financial outcomes and take control of their CPF.

Sincerely,



Gregory Van
CEO



Samuel Rhee
Chairman & CIO

¹<https://www.macrotrends.net/countries/SGP/singapore/life-expectancy>

²<https://www.statista.com/statistics/713663/singapore-forecast-aging-population/>

Executive summary



39% of Singaporeans are not confident about retirement adequacy.



Women may be at higher risk of retirement inadequacy than men.



Only 1 in 2 Singaporeans plan to rely mostly on CPF for retirement.



Almost half of Singaporeans have not planned for retirement at all.



Lower-income Singaporeans are less likely to plan for their retirement with CPF.



Higher returns is the most important criterion in decision to use CPF for investment.



68% of Singaporeans are still not confident they can invest their CPF well by themselves.



Singaporeans are most keen on tools to quantify the impact of financial decisions on retirement income.

About the study

Background

This survey was conducted to better understand Singaporeans' attitudes toward the generational challenge of retirement, and the role that CPF plays in shaping a lifestyle that is closer to their individual retirement ideals. This is the first comprehensive study on CPF since the CPF Advisory Panel's own study in 2015-2016. **This new study examines Singaporeans' knowledge, intent, behaviours and motivations regarding retirement and the roles that CPF and CPF investing play.**

Methodology

All figures, unless otherwise stated, are from **YouGov Singapore Pte Ltd**. The total sample size of this study was **1,099**. Fieldwork was undertaken from **27-28 May 2021**. The survey was carried out online. The figures have been weighted and are representative of all **Singapore adults (aged 21+) nationally**.

YouGov is an international research data and analytics group with a proprietary panel of over 15 million globally, with operations within the UK, North America, Mainland Europe, the Nordics, the Middle East and Asia Pacific.

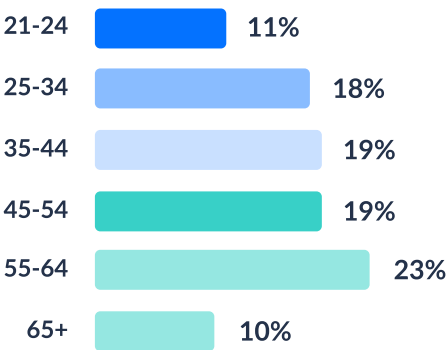
Profile of respondents

Total sample size of 1,099 respondents, representative of all Singaporean adults (aged 21+)

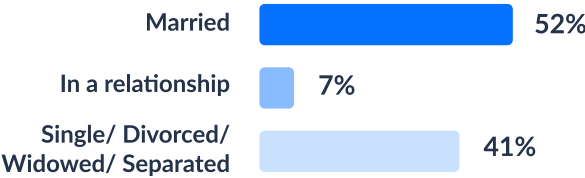
Gender



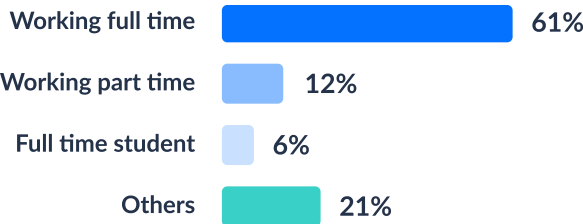
Age group



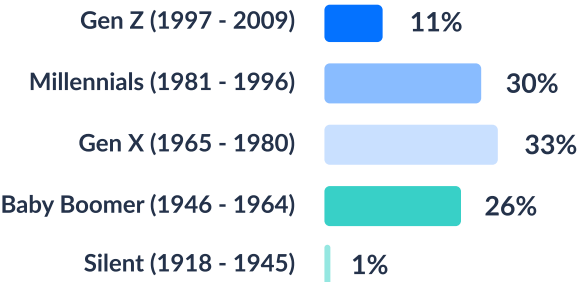
Marital status



Employment status



Generation



Highest education level



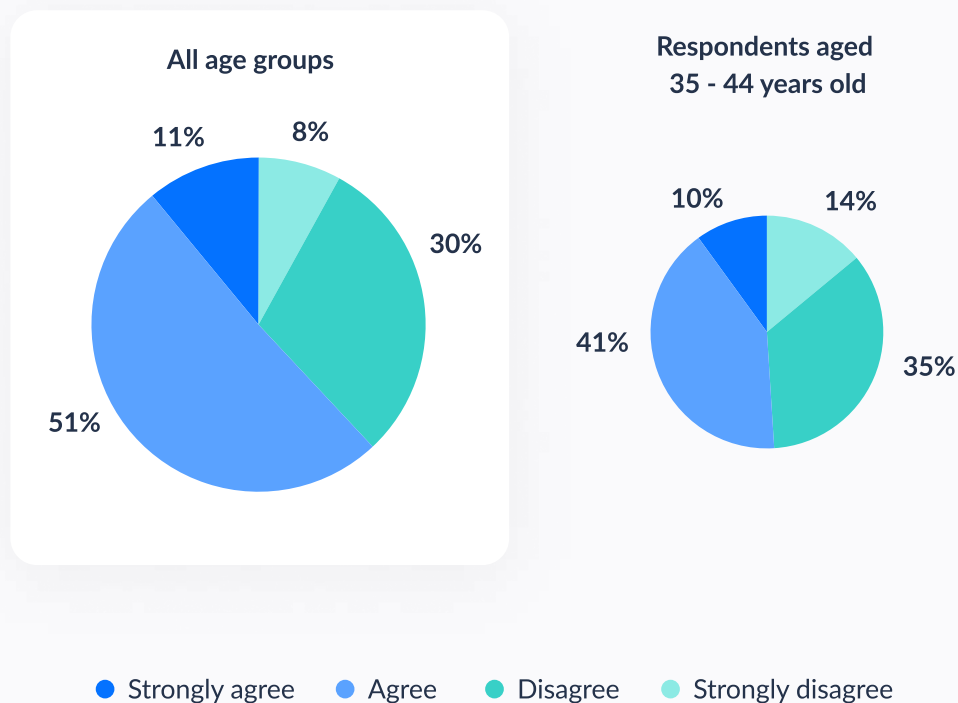
Monthly personal income



Sentiments on retirement

39% of Singaporeans are not confident about retirement adequacy.

Confidence of Singaporeans in having sufficient funds for retirement



Observation

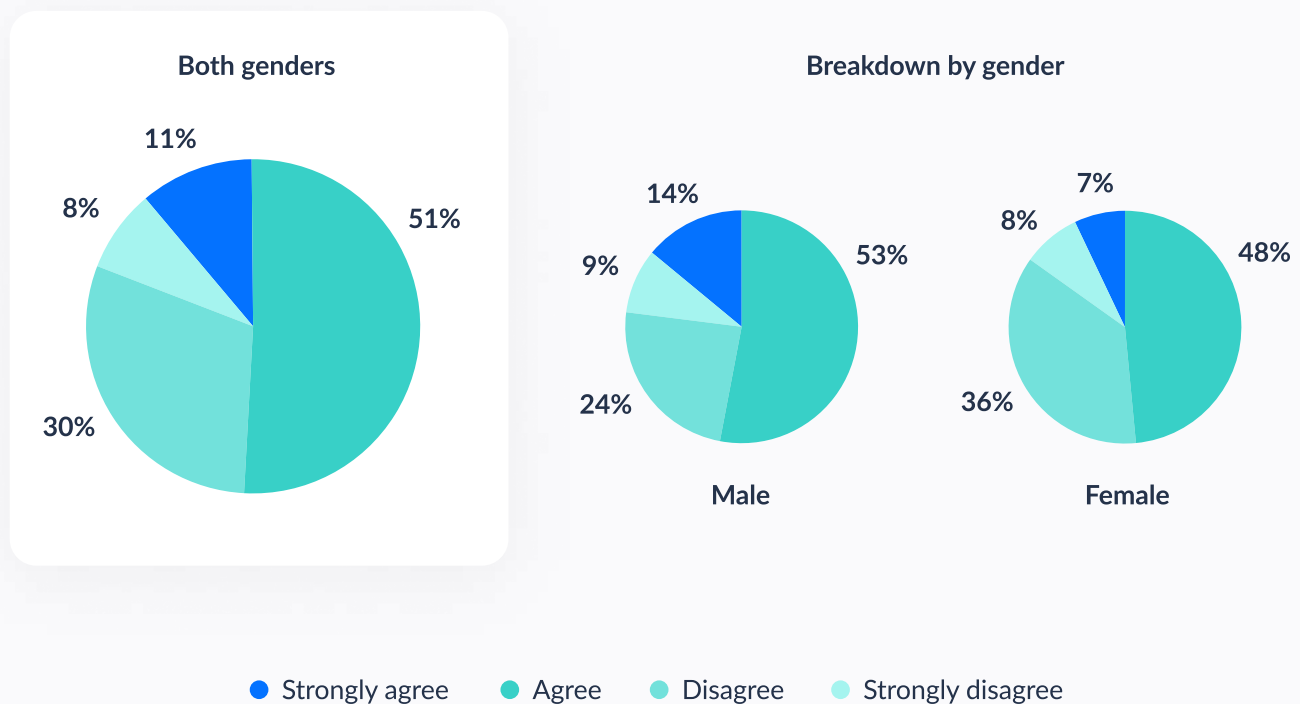
39% of Singaporeans think they will not have enough for retirement. This lack of confidence is most pronounced for those between 35 and 44 years old, with 49% not being confident.

Conclusion

For those between 35 and 44 years old (commonly referred to as the sandwiched generation), supporting both their children and their aging parents will take a toll on their finances and their ability to save up for their own retirement.

Women may be at higher risk of retirement inadequacy than men.

Confidence of Singaporeans in having sufficient funds for retirement



Observation

Women (7%) are half as likely as men (14%) to “**strongly agree**” that they are confident that they will have sufficient funds for retirement.

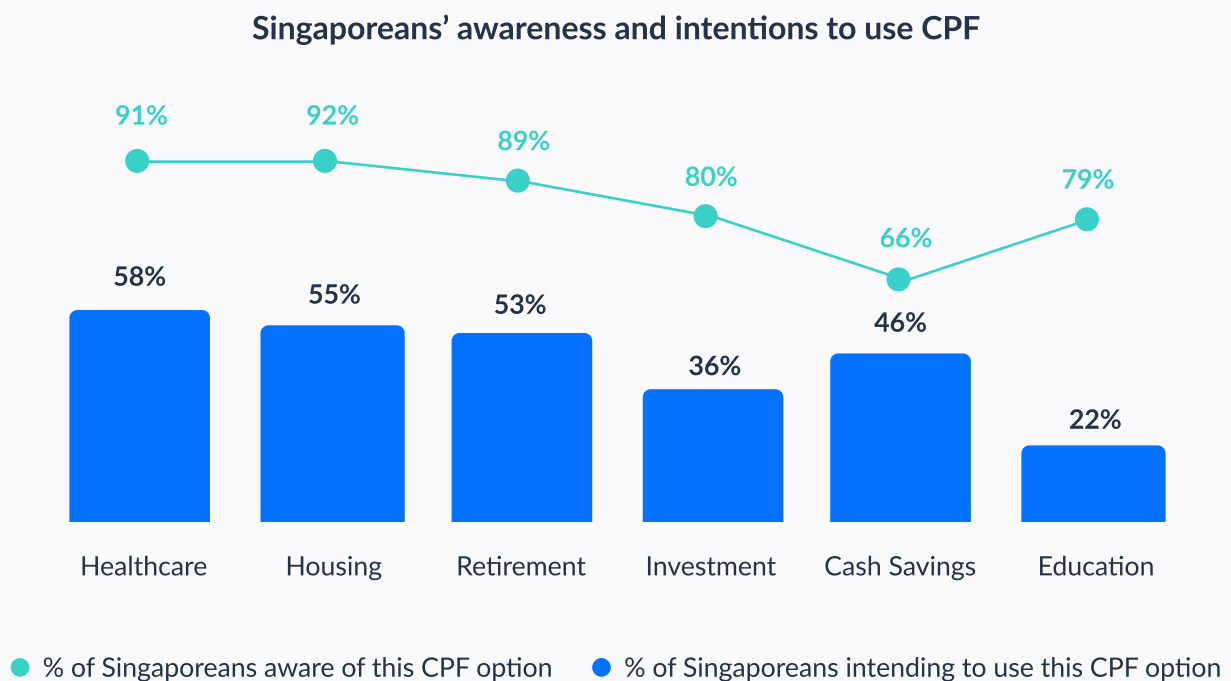
Conclusion

Women may be at higher risk of retirement inadequacy than men, but contrary to popular belief, this is not necessarily due to inherent behavioural differences between genders.

Explore the nuances in [our analysis](#) of the “gender investment divide”.

Attitudes towards CPF

Only 1 in 2 Singaporeans plan to use CPF for retirement.



Observation

Despite generally high awareness (89% to 92%) of the primary uses of CPF (healthcare, housing and retirement), many Singaporeans still do not use or plan to use their CPF for those purposes (53% to 58%). Notably, only around half (53%) plan to use CPF for retirement.

Conclusion

Many Singaporeans may not find these CPF usage options compelling or simple enough to implement. They may also choose to use their cash for these financial needs instead, given the guaranteed rates of CPF accounts.

Improved financial literacy around CPF usage can help cut through the complexities associated with using CPF.

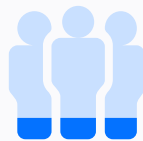
Almost half of Singaporeans have not planned for retirement at all.

Singaporeans' plans and sentiments for retirement



45%

have not planned for retirement



20%

plan to rely on their spouse or family members for it



50%

plan to rely mostly on their CPF payouts for it



70%

have other personal financial plans for retirement



61%

are confident they will have sufficient funds for it

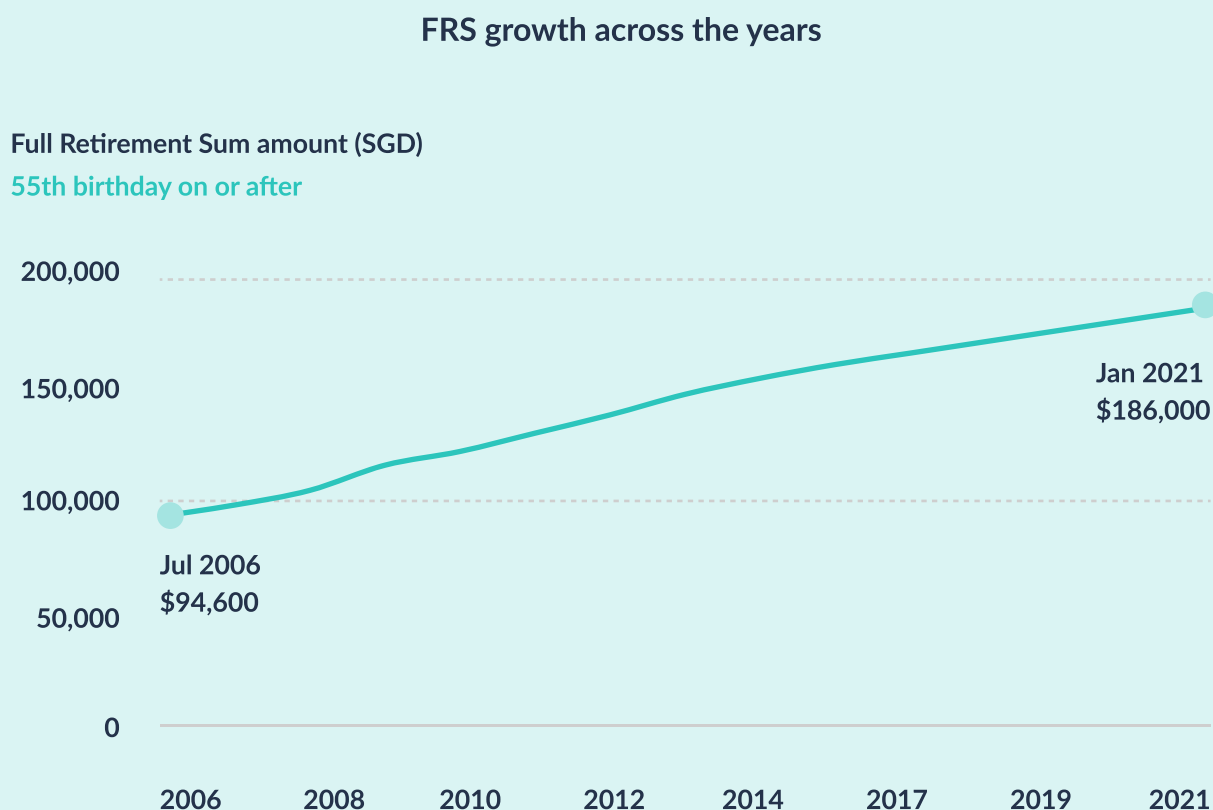
Observation

While only 53% of Singaporeans plan to use CPF for retirement (page 10), what is greater cause for concern is that 45% have not planned for retirement at all — a finding more apparent in younger demographics.

Conclusion

Many Singaporeans may be underutilising their CPF for retirement. Increased financial education can help them better utilise their CPF through investing or taking advantage of higher interest options (such as CPF Special Account) to compound their wealth.

A brief history of the CPF Full Retirement Sum



The Full Retirement Sum (FRS), is the amount that Singaporeans must transfer to their Retirement Account (RA) before they have access to the remainder of their CPF OA and SA balances³. The amount in their RA is effectively the premium for CPF LIFE, which will provide a lifelong stream of retirement income from the age of 65.

The FRS amount was introduced at \$30,000 in 1987, and has since increased to \$186,000 in 2021 — to ensure that Singaporeans' future retirement payouts are able to keep up with inflation, a sustained standard of living and longer life expectancy.

³ The FRS can be fully in cash, or with cash (at least the Basic Retirement Sum) and property. CPF members can still withdraw up to \$5,000 from their OA and SA even if they do not meet FRS requirements.

35.4% of eligible members fell short of the CPF FRS in 2020, placing them at higher risk of retirement inadequacy



63.6%

of active CPF members

were able to set aside the Full Retirement Sum (FRS)



\$17.3 billion

withdrawn from CPF OA savings

to pay for housing by 972,000 members in 2020



\$1.48 billion

refunded through Voluntary Housing Refund

in 2020, a 189% increase compared to 2019



\$3 billion

topped up into Retirement Sum Topping-up Scheme

in 2020, a 39% increase compared to 2019

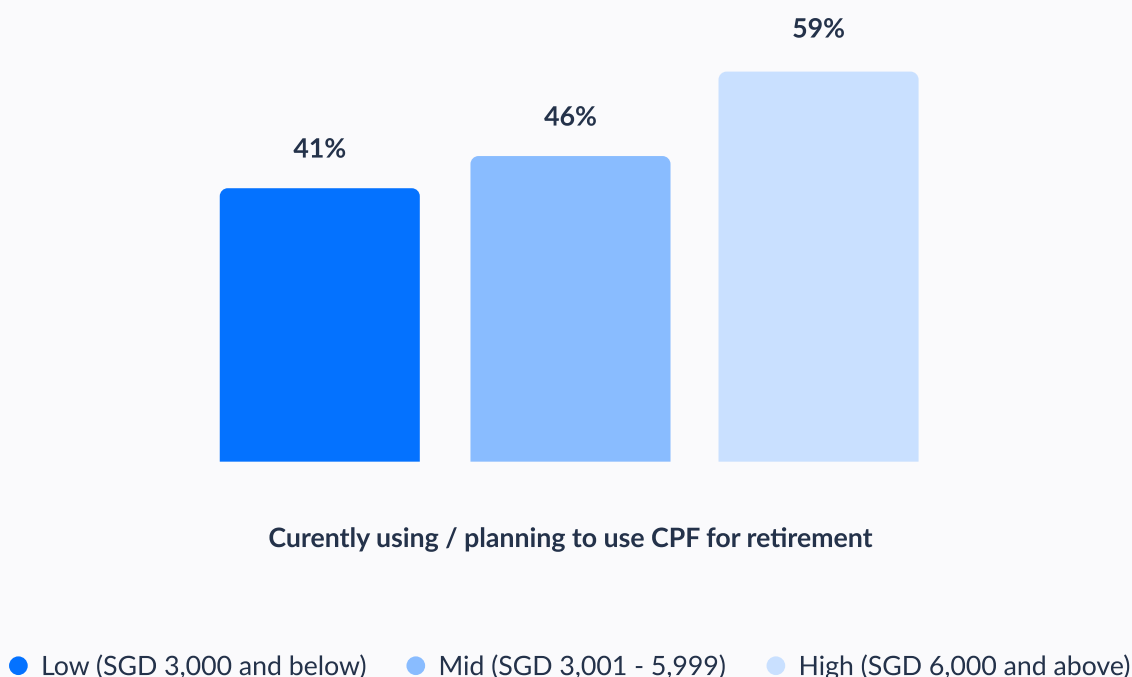
While 63.6% of the 40,000 active CPF members who turned 55 in 2020 were able to set aside their FRS⁴, many were unable to meet this threshold, leaving them at risk of retirement inadequacy if they do not have supplemental cash savings or investments outside of CPF. One factor could be rising housing costs, with a substantial value withdrawn from CPF for housing purposes yearly. Despite Singaporeans' efforts to refund CPF used for housing and top up CPF, significantly more money is used for housing than deposited back.

To meet CPF FRS, other than using less CPF for housing payments, Singaporeans should consider managing and growing their CPF earlier and more actively to ensure baseline retirement adequacy, especially before they need to take on additional family obligations. This may include transferring from CPF OA to SA to enjoy the higher interest rates, cash top-up into CPF, or investing their CPF OA monies for greater returns.

⁴CPF Annual Report 2020 Annex F

Lower-income Singaporeans are less likely to plan for their retirement with CPF.

CPF usage for retirement based on monthly personal income



Observation

Low monthly income (SGD 3,000 and below) Singaporeans are less likely than high income (SGD 6,000 and above) Singaporeans to use/plan to use their CPF for retirement (41% and 59%, respectively).

Conclusion

While Singaporeans may be underutilising their CPF (page 10), this trend is even more prominent among lower-income Singaporeans. This is a cause for concern because this group is also less likely to hold additional savings and investments outside of their CPF — leading to greater risk of retirement inadequacy.

CPF investing sentiments

Higher returns is the most important criterion in decision to use CPF for investment.

% of respondents ranking various CPF investing criteria as more important (within top 3 of 7 choices)



Observation

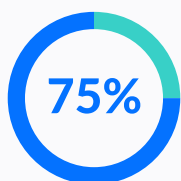
High percentages of Singaporeans favor higher returns (72%) and guaranteed returns (70%). Beyond that, low cost/fees (45%) and simple to understand investment solutions (36%) are also important to many Singaporeans.

Conclusion

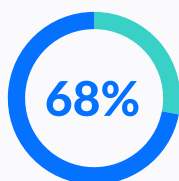
Basic principles of investing show that there is always a tradeoff between achieving higher returns and guaranteed (low/no risk) returns. Reducing cost/fees and managing risk through diversification are two realistic yet simple ways to improve returns relative to an individual's risk tolerance.

68% of Singaporeans are still not confident they can invest their CPF well by themselves.

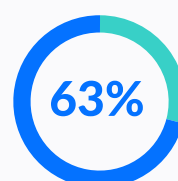
Sentiments on why Singaporeans are not investing their CPF



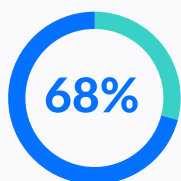
are not investing their CPF currently



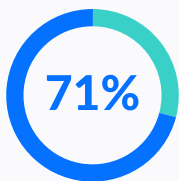
are not confident in investing their CPF money well by themselves



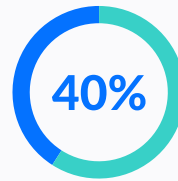
would rather not invest their CPF as they may have other financial plans (i.e., housing) that depend on CPF



would rather focus on non-CPF options (i.e., cash investment) because they can only withdraw their CPF at 55



are happy with the current CPF interest rates



have heard from external parties that it is a bad idea to invest their CPF

Observation

Many Singaporeans (68%) are not confident that they can invest their CPF well by themselves, and an equally high percentage (71%) are happy with CPF interest rates.

Conclusion

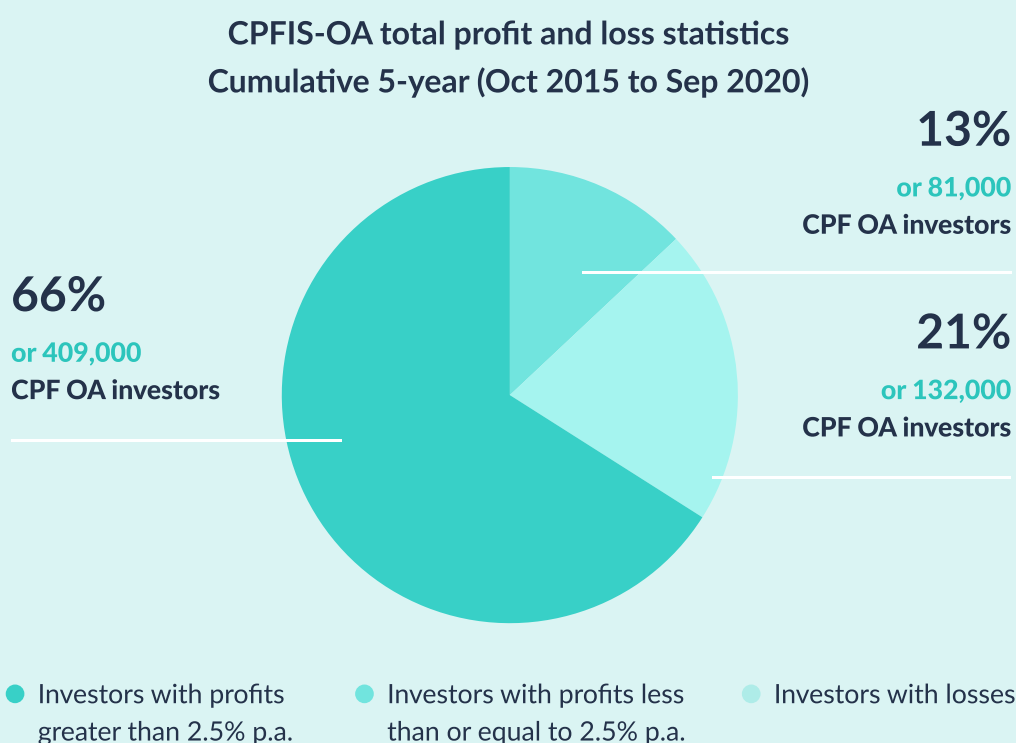
While the CPF Board considers factors such as investment-related fees and track records of products before approving their inclusion under the CPF Investment Scheme (CPFIS), many Singaporeans still lack the confidence to invest by themselves.

Better access to investment advice as well as wider investment options on wealth platforms are still needed to help investors achieve the higher returns they seek.

Past CPF investing sentiments persist despite significant improvements to CPFIS system.

The findings in this report are consistent with the CPF Advisory Panel's findings⁵ in 2016. They concluded that CPFIS was not specifically designed to meet the needs of CPF members who wish to invest, with many members believing they lack the financial expertise, time or resources to actively manage their own investments. In a risk-managed, rate-guaranteed ecosystem such as CPF, it is natural for the general population to therefore not take steps to optimise their CPF. Yet the data below suggest that there is still a significant number of Singaporeans (622,000) who choose to invest their CPF.

Based on CPF Board's report⁶ on CPFIS-OA investments, over the latest 5-year reporting period (through September 2020), 66% of CPFIS-OA investors achieved returns greater than the guaranteed 2.5% p.a. With lowered CPFIS investment cost and removal of sales charges fully in effect from October 2020, it is expected that even better investment outcomes can be achieved by CPFIS-OA investors in the future.



⁵ Page 3 and 4, Chapter 5, CPF Advisory Panel's recommendation

<https://www.mom.gov.sg/-/media/mom/documents/employment-practices/cpf-advisory-panel/part-2-recommendations/chapter-5.pdf>

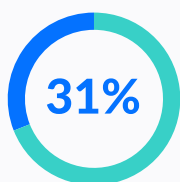
⁶ CPFIS Investment Scheme total profits and losses for investments held under CPFIS-OA period ended 30 September 2020

https://www.cpf.gov.sg/Assets/common/Documents/FY2020_CPFIS_OA_PL_Report.pdf

Desired tools to manage CPF better

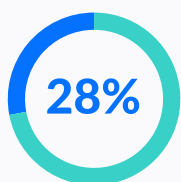
Singaporeans are most keen on tools to quantify the impact of financial decisions on retirement income.

Desired tools to help better manage CPF



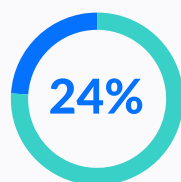
31%

A tool that can help them understand the impact of financial decisions around CPF



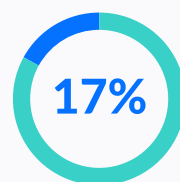
28%

A tool that can help them estimate retirement income from CPF



24%

A tool that can help them predict what CPF balances will be like in the long-term future (10 years or more from now)



17%

A tool that can help them predict what CPF balances will be like in the short-term future (less than 10 years)

● Top preference

● Lower preference

Observation

Nearly a third of Singaporeans prefer a tool that can help them understand the impact of their financial decisions around CPF (31%), with an equally high percentage seeking to gauge their future retirement income from CPF alone (28%).

Slightly fewer prefer a tool that can predict their long-term and short-term CPF balances (24% and 17%, respectively).

Conclusion

This suggests that Singaporeans care more about actionable advice related to long-term planning than near-term CPF balance amounts. With such indications of interest in planning CPF usage for the future, including for retirement, Singaporeans would be well-served by additional tools and resources to facilitate long-term outcomes for their CPF.

Summary & conclusion

Sandwich generation and women at risk of retirement inadequacy

Many Singaporeans, especially those aged 35 to 44 years and women, are concerned about whether they will have sufficient wealth for retirement. One possible remedy is for them to start managing their finances and CPF when they are younger, even with a smaller amount, so they are able take advantage on long-term compounding growth.

Singaporeans are underutilising their CPF monies

CPF usage is low despite high awareness of its broad usage around housing, retirement and healthcare. Improved financial literacy on issues relating to specific CPF uses, such as MediSave withdrawal limits and conditions for using CPF for housing purchases, can help alleviate this. Singaporeans have high interest in tools that help them quantify their financial decisions and estimate their retirement income. Such tools can encourage more Singaporeans to use CPF for retirement.

Investing is still not a preferred use of CPF funds

Most Singaporeans demand higher returns for taking investment risk, but also value guaranteed returns for CPF. This underscores the lack of confidence that Singaporeans have in investing their CPF well, a finding that is consistent to the ones made by the CPF Advisory Board in 2016. Interest in CPF investing remains low despite the improved prospects for CPF investors resulting from the removal of sales charges and wrap fees. An advised, low cost investment solution can help make CPF investing more attractive to Singaporeans, especially for those who lack the time, resources or confidence to do so themselves.

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