

Economic and financial preparedness for longer lives

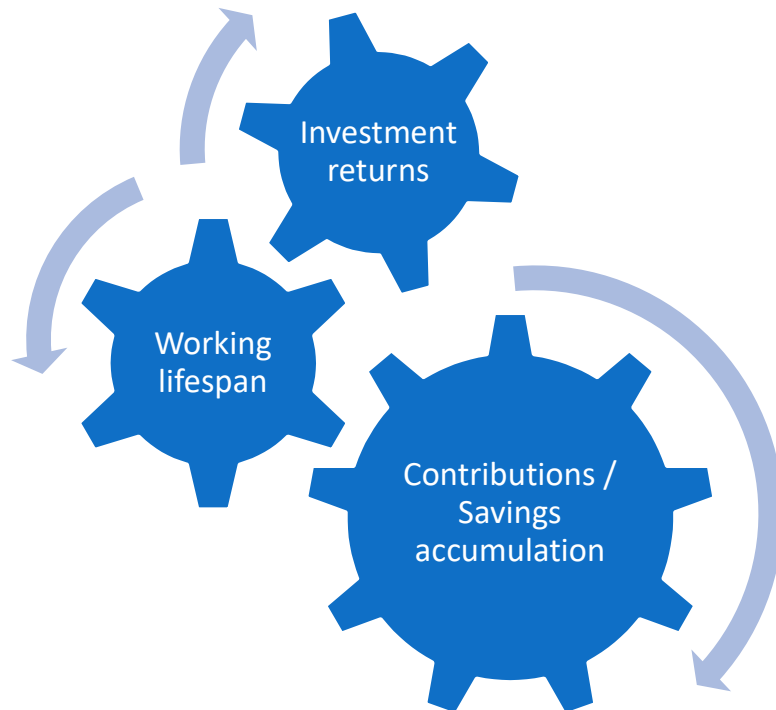
**Singapore Actuarial Society Health and Retirement
Conference 2016**

13 & 14 October 2016

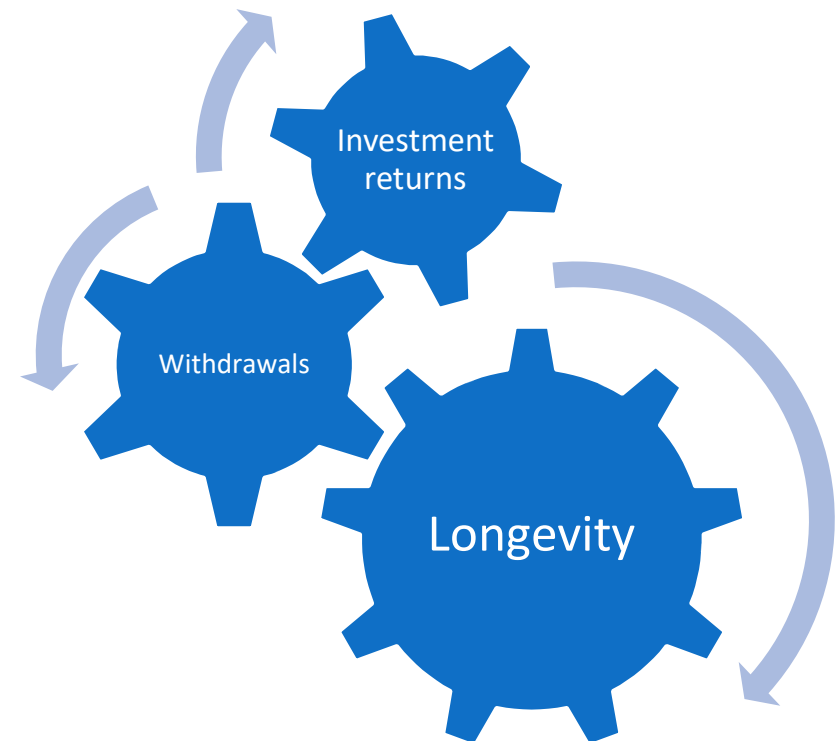
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The levers in retirement finance

Accumulation phase



Decumulation phase



Economic and financial preparedness of the nation

How will we pay for our longer lives?

Rapid demographic transition

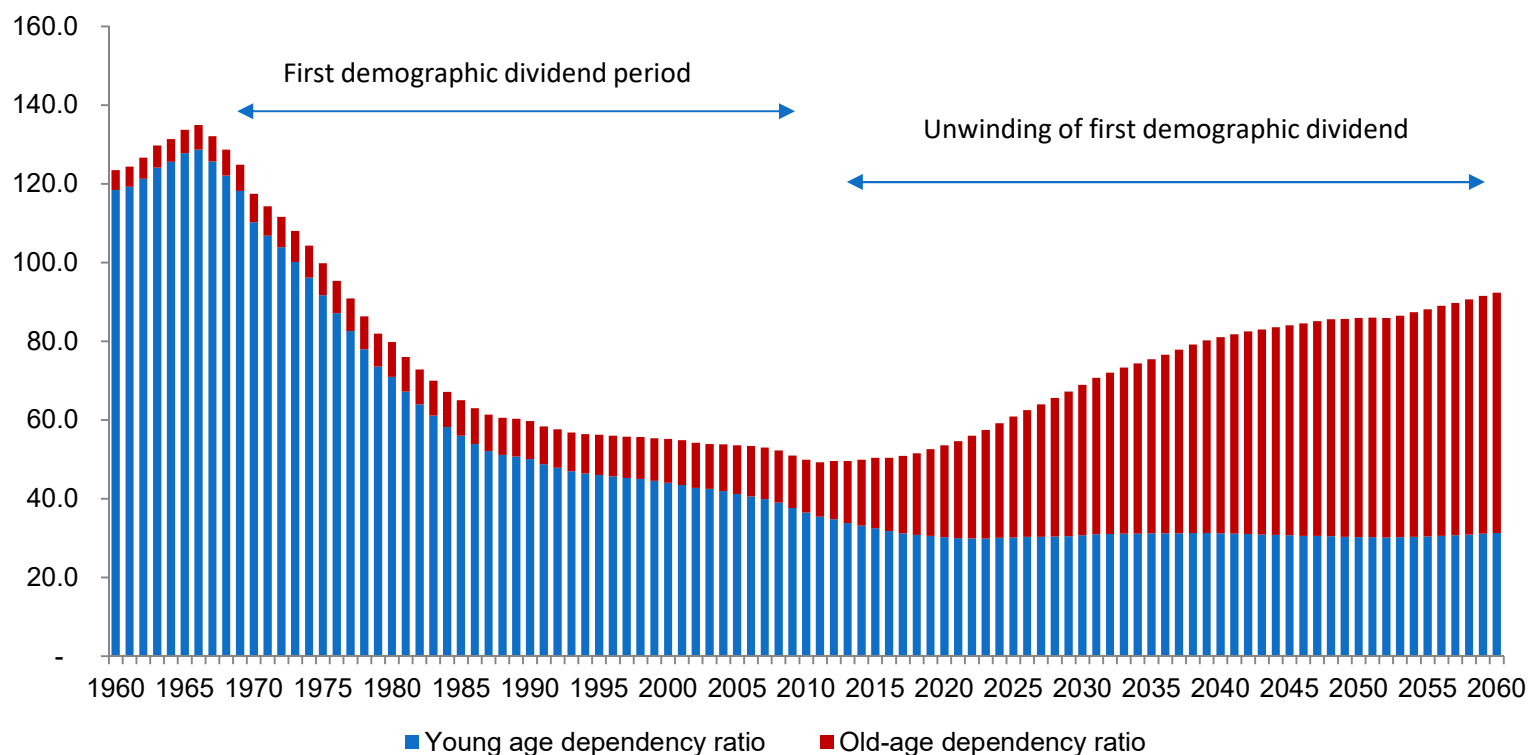
Dependency and Support Ratios

	1970	1980	1990	2000	2010	2015	2020	2030	2040	2050
Total Dependency Ratio (Per 100 persons aged 15-64 years)	73.9	48.2	40.8	41.1	35.7	37.4	41.2	53.7	58.2	57.9
Child (Under age 15 years)	68.1	41	32.3	30.9	23.5	21.2	20.9	22.6	21.6	21.0
Old age (Aged 65 years and over)	5.9	7.3	8.5	10.1	12.2	16.2	20.3	31.1	36.6	36.9
Old-Age Support Ratio (Number aged 15-64 years Per Elderly aged 65 and over)	17.0	13.8	11.8	9.9	8.2	6.2	4.9	3.2	2.7	2.7

Source: Population Trends 2014, DOS; 2020 and later from IPS Population Projections, scenario 2.

First demographic dividend unwinds

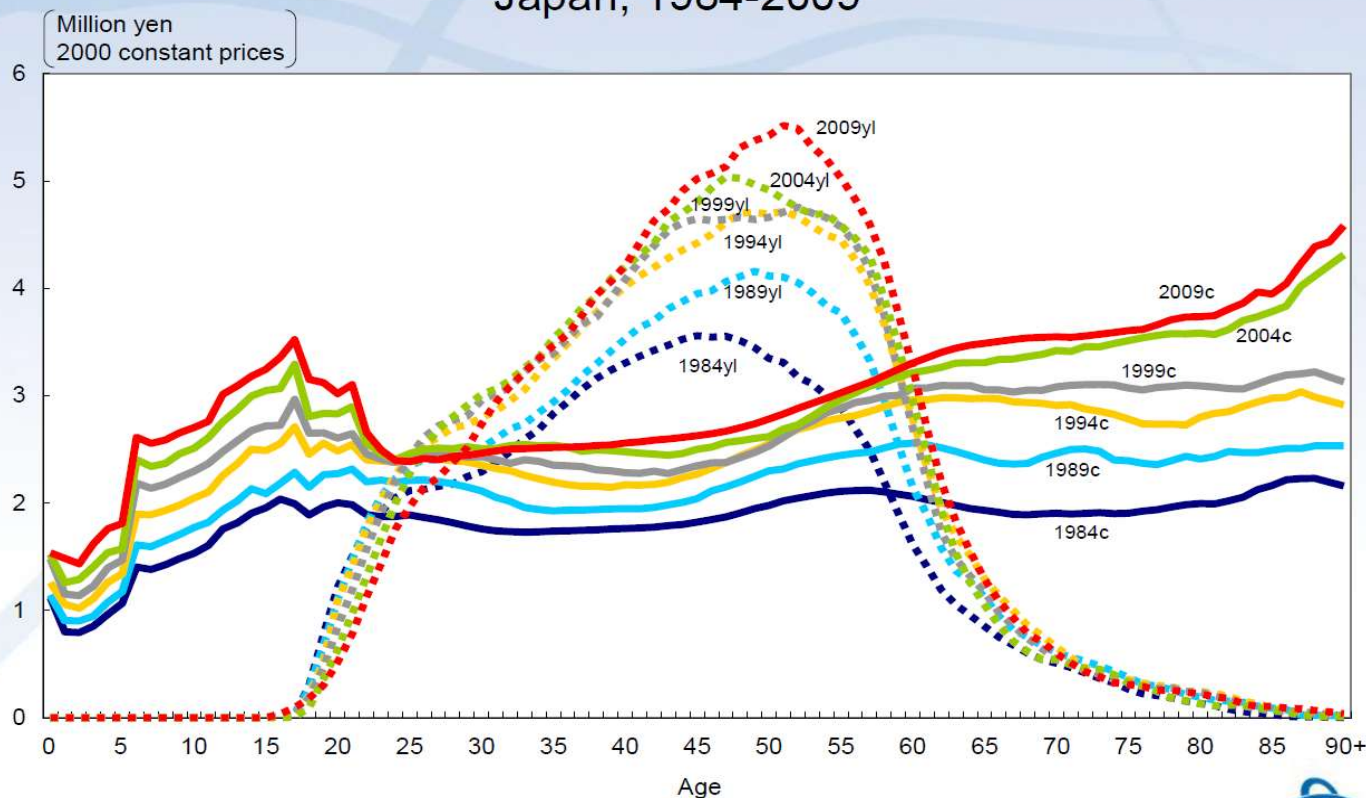
Singapore resident population age dependency ratios (1960-2060)



Source: Authors' calculations

Ageing effects on income and consumption

Per capita age specific profiles of consumption and labor income
Japan, 1984-2009



Note: "c" denotes consumption, and "yl" denotes labor income.

Source: Matsukura
(2015) available at
<http://asia.ntaccounts.org/doc/repository/AsiaNTA2015-JPN.pdf>



Employment and Financial Security

- Top reasons to continue working to cover living expenses or lack of income
- Two-thirds of elderly indicate main source of income from children
- A quarter of seniors perceive occasional or usual financial inadequacy

Labour and employment

Employment Rates by Gender (%)

	Males		Females	
	Age 65-69	Age 70 and over	Age 65-69	Age 70 and over
2006	34.4	12.4	15.0	4.2
2007 ¹	37.3	13.3	15.0	4.1
2008	37.9	15.6	16.2	4.8
2009	41.4	16.6	17.1	5.0
2010	42.4	17.3	18.6	5.9
2011	47.3	19.7	23.8	6.4
2012	49.8	19.8	25.4	7.1
2013	51.1	22.0	26.8	7.9

Source: Labour Force in Singapore, 2013 (as at June), MOM.

¹ To facilitate comparison with 2008 onwards, the 2007 data have been adjusted based on Singapore Department of Statistics' revised population estimates (released in February 2008) which exclude Singapore residents who have been away from Singapore for a continuous period of 12 months or longer.

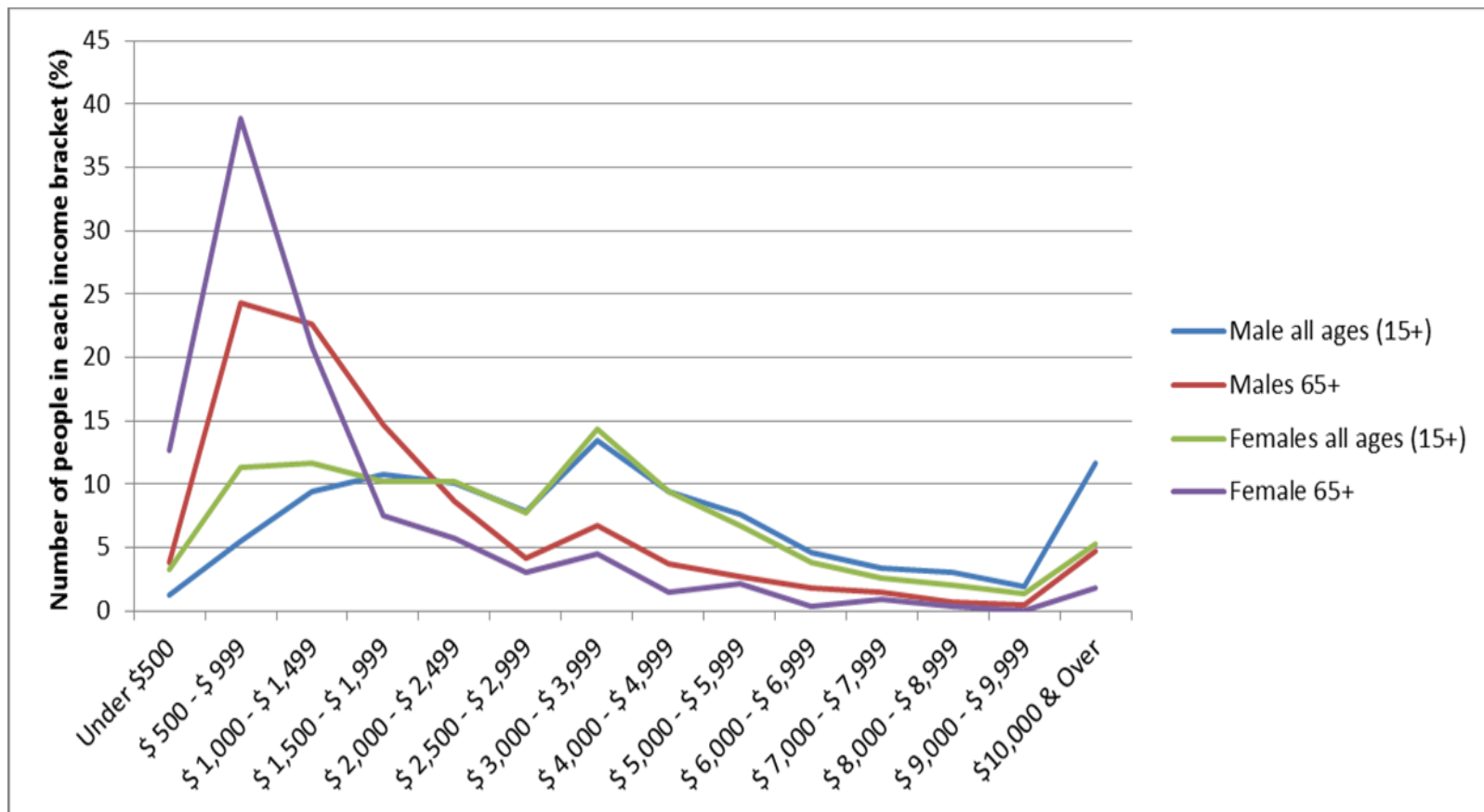
Occupations of the Elderly

Occupational Distribution 2005 and 2011 (%)

Occupation Group	Total	Male (%)		Female (%)	
		Age 55-64	Age 65 and over	Age 55-64	Age 65 and over
Year 2011					
Professional/ Managerial	28.7	35.3	35.0	24.0	16.3
Technical	3.9	4.4	4.2	2.5	4.2
Clerical	9.7	9.8	7.8	13.7	6.1
Sales & Service	26.1	31.0	24.4	25.2	24.8
Production	7.8	6.3	6.3	10.9	8.9
Cleaners & Labourers	23.3	13.1	20.6	23.6	39.4
Year 2005					
Professional/ Managerial	16.4	21.0	16.9	8.1	9.4
Technical	5.3	6.6	5.2	3.0	1.6
Clerical	4.3	3.1	1.2	9.3	0.0
Sales & Service	36.3	36.4	35.0	39.0	25.0
Production	7.8	8.4	5.2	8.7	3.1
Cleaners & Labourers	13.4	17.1	31.0	26.7	54.7

Income from work by the elderly

Income from Work by Gender



Source: Report on the Labour Force in Singapore 2013, MOM.

Monthly income from all sources

Magnitude of Monthly Income from All Sources 2011

	Ages 55 and above	Age 55-64	Age 65-74	Age 75 & above
Total	100	100	100	100
Less than \$500	9.8	5.7	11.9	20.7
\$500-999	24.8	19.7	29.3	35.2
\$1,000-1,999	35.7	37.4	35.9	29.4
\$2,000 and above	29.7	37.2	22.9	14.7

Source: NSSC 2011, MSF

Sources of Financial Support

Main Sources of Financial Support 2011 (%)

Source	Age group (2011)			
	55 and above	55–64	65–74	75 and above
Income transfer from children	66.7	58.3	76.4	80.2
Income transfer from spouse	14.9	20.4	10.1	3.6
Income transfers from other family members	4.0	3.5	4.0	6.1
Personal savings	47.2	43.3	51.2	54.6
Paid employment	38.9	52.2	29.2	8.0
CPF savings	6.7	6.9	7.9	4.0
Profits	3.7	4.3	3.7	1.4
Workfare	1.8	1.8	2.8	0.4
Pension	2.3	1.4	2.5	5.3
Rental Income	2.6	2.7	1.9	3.1
Interest/Dividends	5.0	4.4	5.8	5.7
Annuities	6.1	5.6	9.2	2.4
Public assistance	1.1	0.8	1.3	2.1
CDC assistance/charity	0.7	0.7	0.7	2.5

Ownership of Assets

Ownership of Assets 2011 (%)

Assets	Ages 55 and above	Age Group		
		55 to 64 years	65 to 74 years	75 & above
Owner-occupied House	79.1	84.6	74.6	67.5
Second residential property	0.7	0.9	0.4	0.6
Commercial property	0.3	0.4	0.3	0.0
CPF savings	59.1	69.3	50.6	37.3
Savings/fixed deposits	77.9	76.5	79.8	79.6
Life/endowment insurance	10.2	13.9	6.9	2.5
Annuities	6.8	7.1	8.8	2.1
Stocks, Shares and bonds	7.6	8.6	7.3	4.8
Partnership/interest in business	1.0	1.2	0.7	0.6
Most Important Assets				
Owner-Occupied house	79.8	84.9	75.2	69.1
CPF savings	2.4	2.2	2.3	3.5
Savings/Fixed deposits	16.7	12.0	21.0	26.8

Financial Adequacy of Singapore's Seniors

Perceived current financial adequacy by gender and age, 2011 (%)

Financial adequacy	Total aged 55 and above	Gender		Age Group		
		Male	Female	55–64	65–74	75 and above
More than adequate	4.3	3.7	4.9	4.0	5.0	4.3
Adequate	69.9	74.5	65.9	74.7	66.1	59.4
Occasionally inadequate	17.5	14.4	20.2	12.6	21.8	27.7
Usually inadequate	8.2	7.4	8.9	8.6	7.2	8.5

Source: NSSC 2011, MSF.

26% perceive occasional or regular financial inadequacy

“Many Helping Hands”

The Many Helping Hands concept:

The community, family and seniors must work in partnership to ensure the well-being of the aged:

“Every individual has a personal responsibility to plan and prepare for his or her old age. The role of the family and the community is to provide the first and second line of support for those who need care and support; and the role of the State is to set out the policy framework, and provide the infrastructure and resources necessary for the other sectors to play their part.”

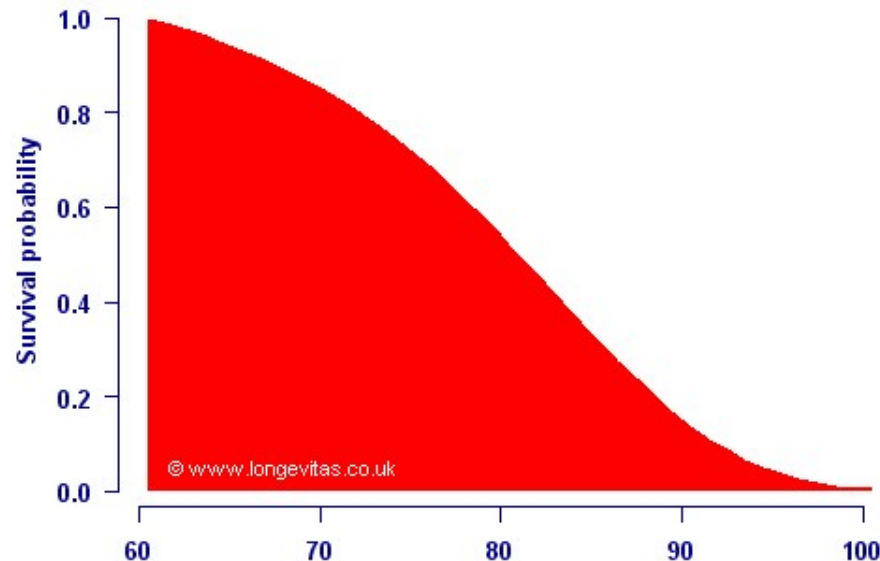
~ Report of the Inter-Ministerial Committee on the Ageing Population 1999

Economic and financial preparedness of the people

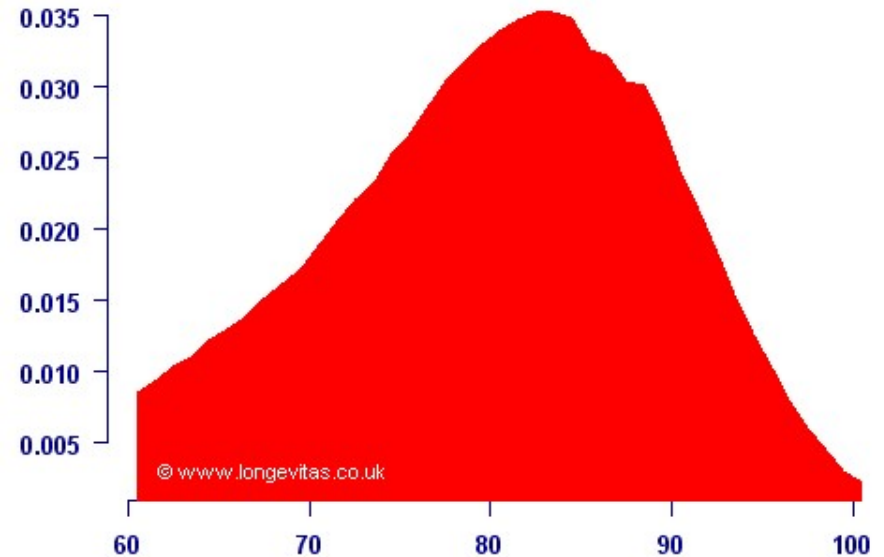
How will I pay for my longer life?

How insurers think about longevity risk

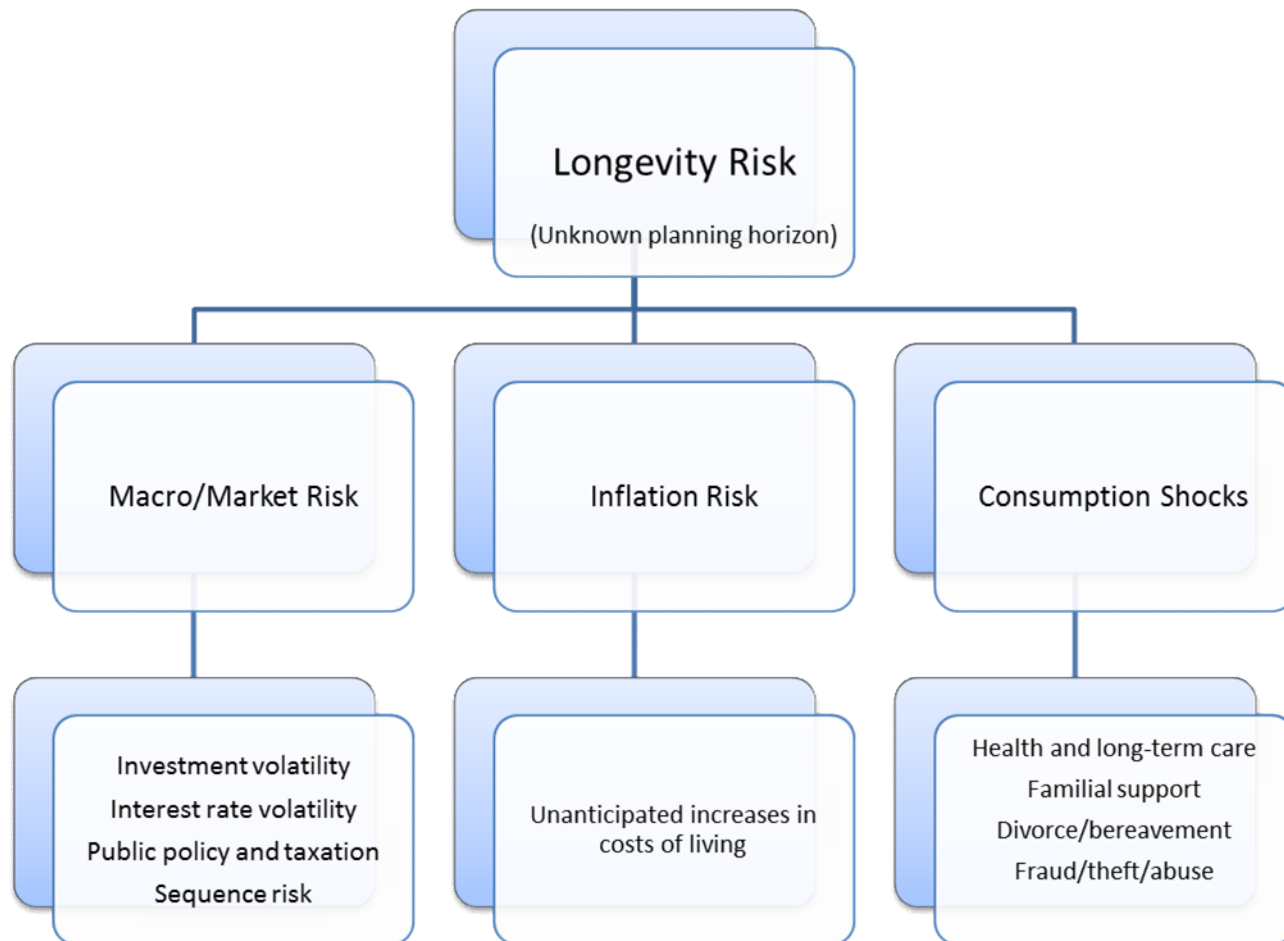
Survival curve



Distribution of age at death



Individual's view of longevity risk



“Pillars of retirement adequacy”

“... we have good schemes to provide assurance in retirement and ***the CPF (Central Provident Fund) scheme and home ownership are the twin pillars of our retirement adequacy.***

Home ownership is critical. The Government has worked hard to help Singaporeans own their homes. Therefore, Singapore is not just a place to live, but a home. But just as importantly, this home, your home, is a valuable nest egg when you retire.”

~ Prime Minister Lee Hsien Loong’s National Day Rally speech, 17 August 2014 (*our highlights*)



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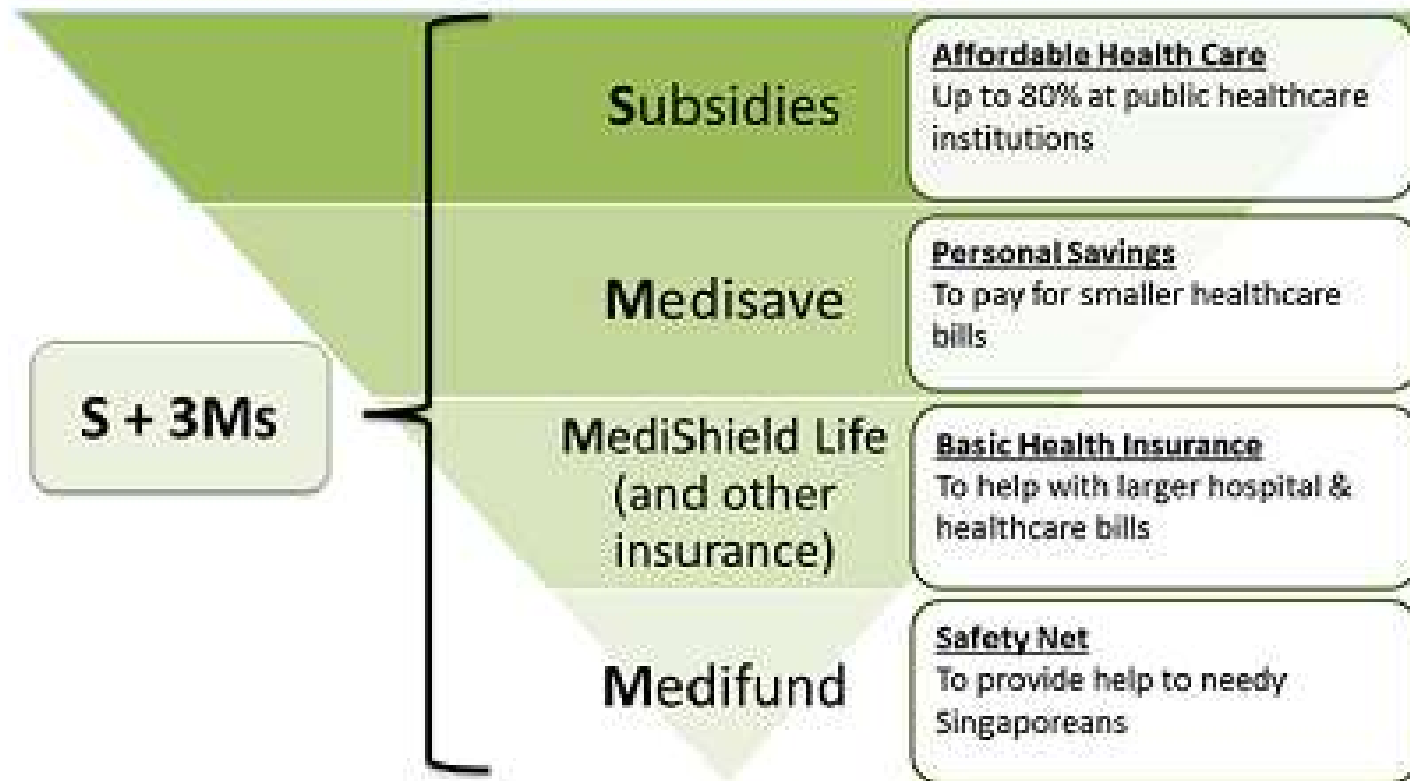


= Retirement adequacy

Other supplementary pillars

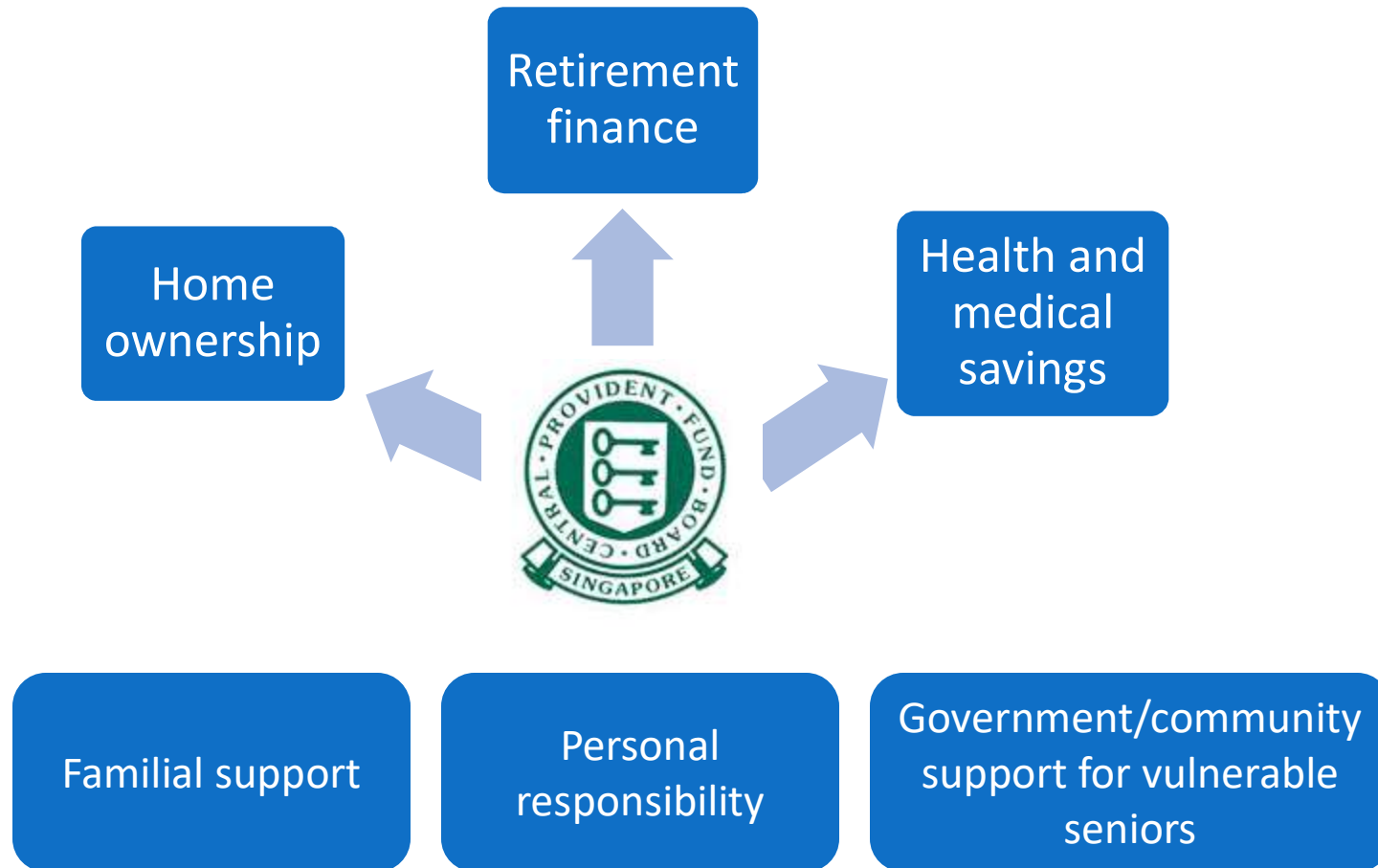
- Supplementary Retirement Scheme (SRS)
- Workfare Income Support (WIS)
- Silver Support Scheme (SSS)
- Comcare Public Assistance (PA)

S+3Ms for healthcare financing

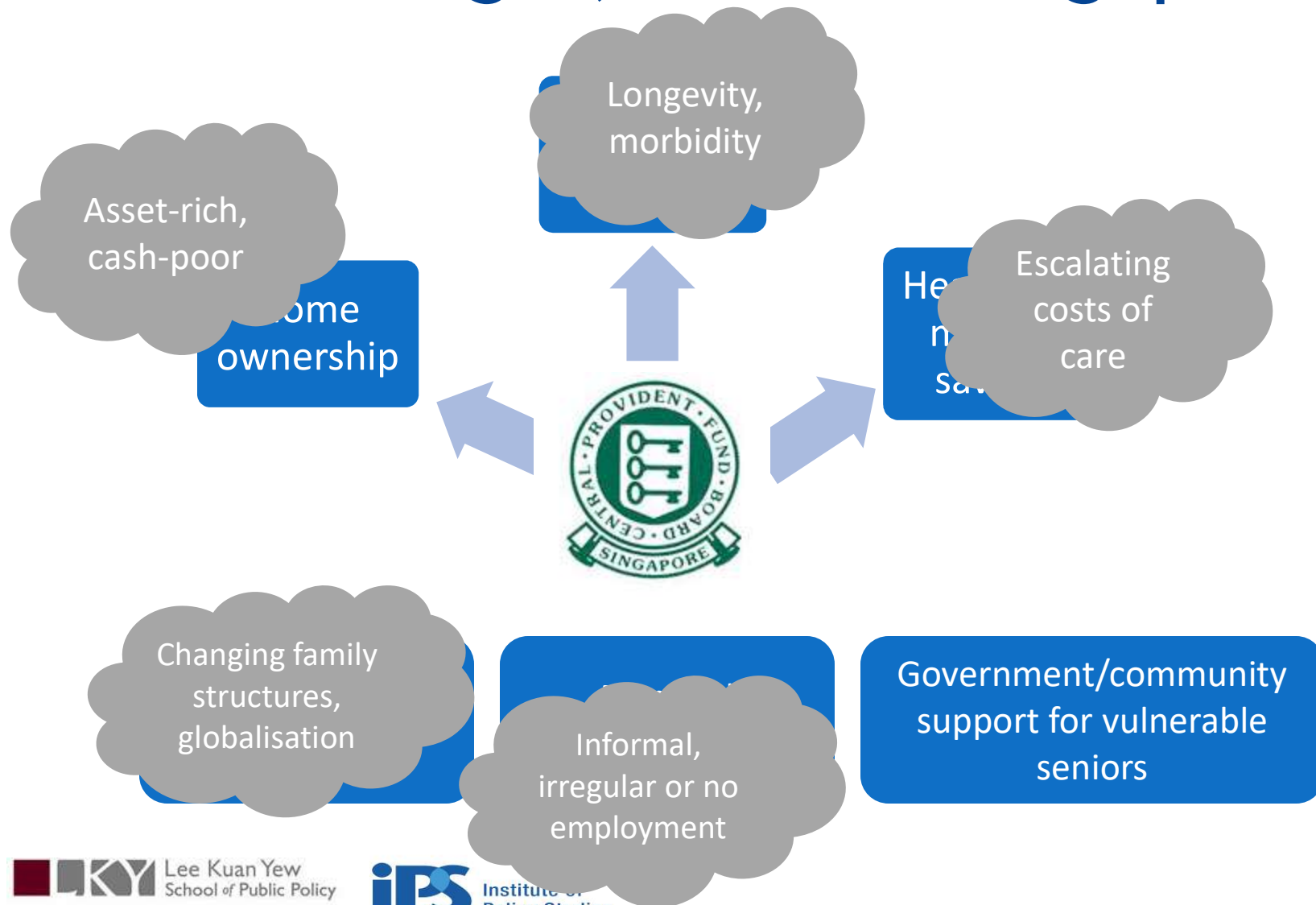


Source: Ministry of Health website; https://www.moh.gov.sg/content/moh_web/home/costs_and_financing/financing.html

Diagram of the system



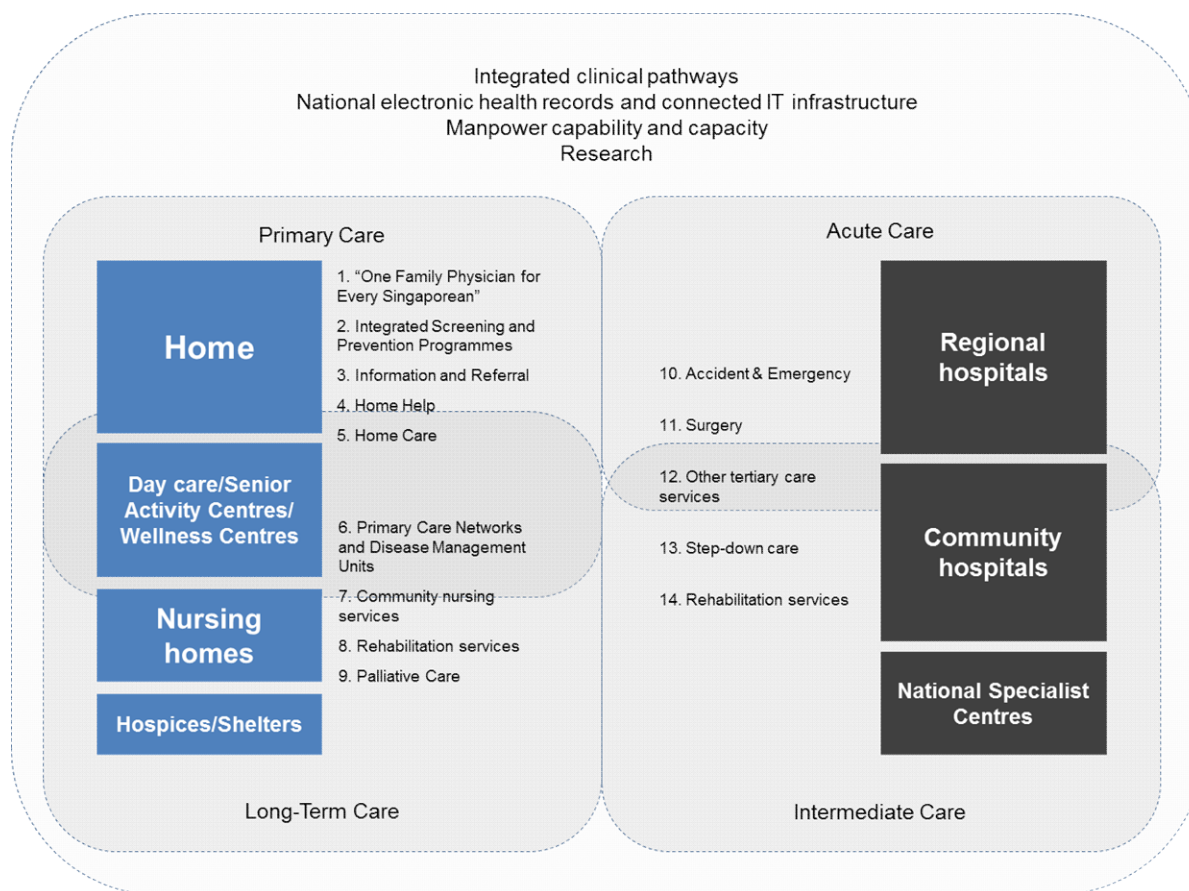
Challenges, issues and gaps



The challenges and gaps are

- Opportunities for the Insurance Industry
 - Introducing home equity monetisation options for seniors' private housing assets
 - Participating in the government's upcoming review of Eldershield and long-term care financing solutions
 - Acting as systems integrator in the care continuum

Institutions and Policies



Goal: Outcomes-oriented, patient/person/citizen-centric system (**insurers**, the state and the people are aligned in this respect)

Some recommendations:

- Health in the community
- Eldersshield coverage expansion (universal)
- Inflation-protection
- Review of subsidised primary and long-term care
- Prioritising the NEHR programme

Source: Population Outcomes: Singapore 2050 project (see: http://lkyspp.nus.edu.sg/ips/wp-content/uploads/sites/2/2014/09/POS2050_Web_Final_3009141.pdf)

END

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