

# It's never too late to start saving for your retirement

*She may not have a retirement plan in place but this manager in an engineering firm isn't out of options to grow her savings*

Jennifer Tan has mixed feelings about the importance of starting to save early for retirement, and it's a question many people have probably found themselves considering at some point in their lives.

"If you start saving earlier when you have fewer financial commitments, you have a better chance of building up your savings," Jennifer said.

"But at the same time, if you start later when you have more disposable income, you may be able to invest in other instruments that can grow your savings better."

## GET AHEAD WITH AN EARLY START

The reality is that starting to save earlier for your retirement, no matter how small the amount, helps you take advantage of compounding interest to build up your savings, and it's probably something that Jennifer realises now.

The 56-year-old works as a manager in an engineering firm and has two children aged 25 and 28. She plans to retire in four years' time at the age of 60 and spend "as long as possible" in retirement. Her desired monthly retirement income is S\$6,000.

Jennifer still supports her elderly parents and intends to move to a smaller home when she retires.

She is presently setting aside S\$500 every month to help build her savings. She also has an investment-linked policy and some money in a fixed-deposit account.

## LONG ROAD AHEAD

By her own admission, Jennifer is "far" from meeting her retirement goals.

Naturally, she does not wish to have to tighten her belt when she retires, but this may be unavoidable, especially when inflation is factored into the equation.

Her greatest retirement concerns are health expenses and the cost of living.

Said Jennifer: "Inflation is very high in Singapore, as are health expenses."

Statistics from the Monetary Authority of Singapore bear this out. Over a 30-year period from 1981 to 2011, healthcare costs in Singapore



To help grow her savings, Jennifer can consider other options such as reviewing her investment portfolio regularly and enjoying the HDB's Silver Housing Bonus. PHOTO: KOH MUI FONG

## FINANCIAL GOALS AND CONCERNS

Jennifer is concerned about healthcare expenses and rising costs of living. Her retirement goals are:

- Retire at the age of 60
- Spend 25 years in retirement
- Have a monthly retirement income of S\$6,000

have increased by 176 per cent\*.

Inflation means that expenses such as these are likely to continue rising.

What this means for the man in the street is that if you do not have enough coverage, you could face high medical expenses should you fall seriously ill or be involved in an accident.

While Jennifer does have some savings, she doesn't have "any specific savings plan for retirement", and feels that it just "may be too late" for her to start.

Fortunately, she still has some options available to her. It also helps that her two children are grown up and plan to help her with some of her living expenses.

"I have money in a fixed-deposit account that is due for maturity. If there are good returns, I will re-invest it,"

she said.

Re-investing may help Jennifer grow her savings further before she retires. She may be able to enjoy better returns and build up her retirement savings over a few years.

**This is the fourth story in a 10-part collaboration between TODAY and POSB. Visit [www.todayonline.com/voices/posb](http://www.todayonline.com/voices/posb) to read this story online.**

\*Source: <https://secure.mas.gov.sg/calculator/goodsandservices.aspx>. The health cost is based on the percentage increase between 1981 and 2011 derived from the Goods and Services Inflation Calculator.

^ Source: <http://www.hdb.gov.sg/fi10/fi10325p.nsf/w/MaxFinancesOverviewDowngrading?OpenDocument>

## Explore all your retirement savings options



FROM  
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Head of POSB

We spoke to Jennifer to find out if we could help her meet her financial goals. After analysing her financial needs, we learnt that while she faces challenges, there are still options that will help her when she retires.

She wants to retire in four years — at the age of 60 — and have a monthly retirement income of S\$6,000 for the next 25 years. But her current assets and additional retirement savings of S\$500 each month would only last her five years from the age of 60.

## AN ACTIVE RETIREMENT

We suggested some alternative strategies that could help Jennifer enjoy her retirement. The first of these was that she could consider retiring at the age of 65 instead of 60. Doing this would give her nine years to save instead of four years.

Retirement doesn't only involve looking after your finances. It's important to lead an active lifestyle to help you stay healthy and reduce your medical expenses. You could also try engaging in volunteer work.

## REVIEW GOALS AND EXPENSES

Jennifer could consider reviewing her targeted monthly retirement income of S\$6,000 as her current monthly expenses (which includes basic spending needs, her car loan and supporting her elderly parents) are much lower.

She could take a closer look at her monthly expenses and car loan to try and improve her cash flow and save more for her retirement.

## BETTER RETURNS

Jennifer can set aside funds in her Supplementary Retirement Scheme (SRS) so she pays less tax while earning interest on her cash balance. She can invest her SRS funds as the investment gains are tax-free. When she retires, only 50 per cent of the amount withdrawn will be taxable.

To supplement her retirement income, she could factor in her CPF savings, which will help meet her basic retirement expenses. She should review her investment portfolio at least once a year to ensure its potential yield is maximised and consider using her children's allowance to help provide for her parents.

## HOUSING OPTIONS

Jennifer could also unlock assets like her home by exploring government options such as the Silver Housing Bonus<sup>^</sup>. This plan helps households move from larger to smaller HDB homes. They can receive up to a S\$20,000 cash bonus. Some of their net sale proceeds can be used to enhance their retirement income.

## WANT TO KNOW MORE ABOUT RETIREMENT PLANNING?

● Visit [www.posb.com.sg/retirement](http://www.posb.com.sg/retirement). Product terms and conditions apply.