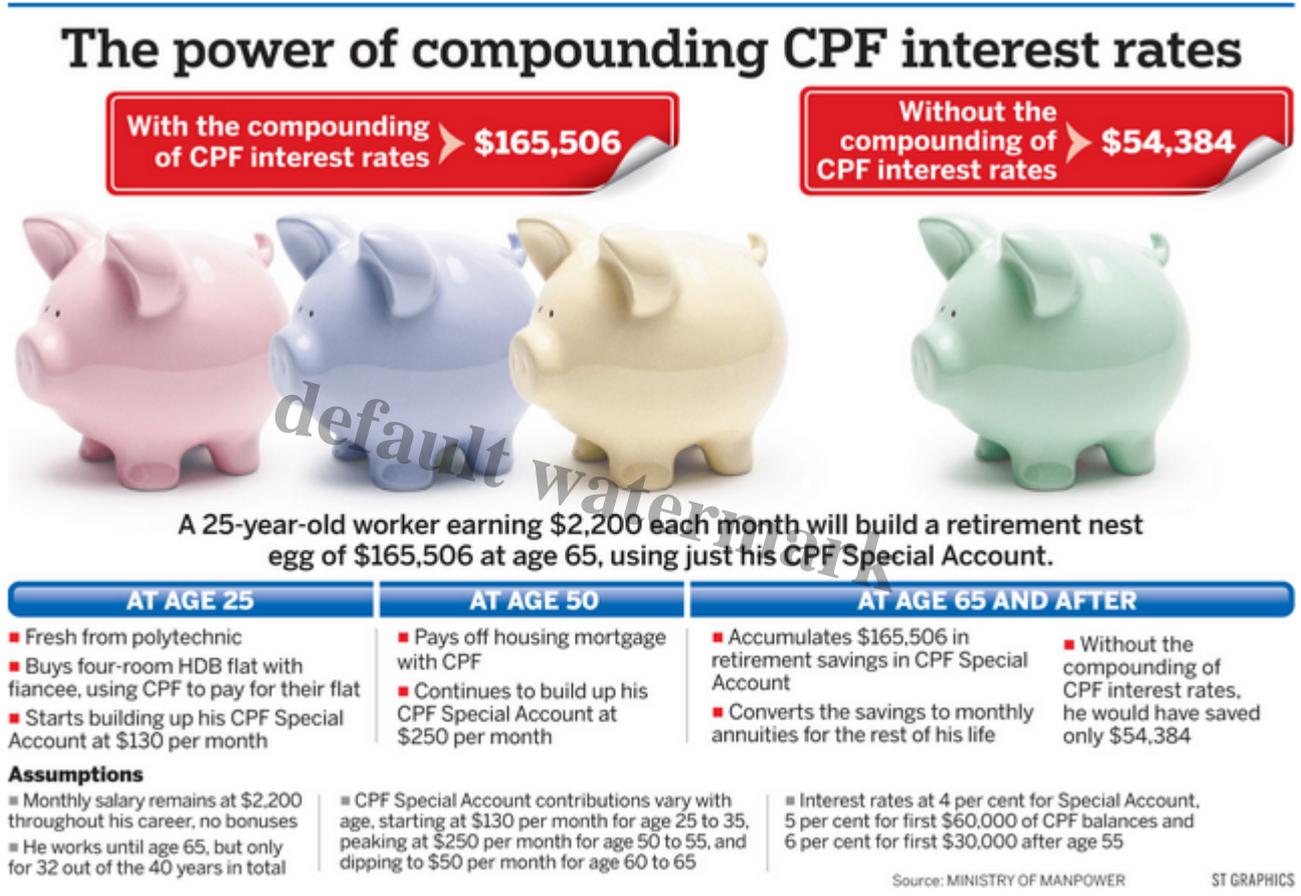


Can Younger Workers Really Save Enough to Retire?

Description



“The retirement picture for younger Singaporeans is relatively healthy,” said Manpower Minister Tan Chuan-Jin. “Most Singaporeans who work regularly, and make prudent housing options, should have no worries building up a comfortable retirement nest egg within the CPF system.”

I don’t know about you, but I spotted at least 3 assumptions here:

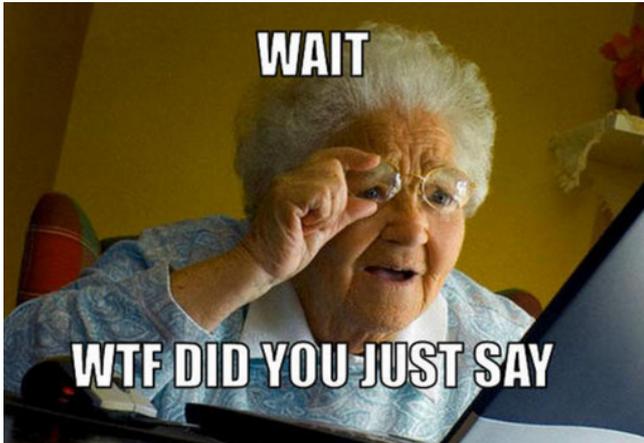
Assumption 1: The cost of living will not rise.

However, given inflation rates, this is unlikely to happen. 40 years ago, you could get a plate of chicken rice for just 50 cents. That amount has risen by at least 400% today. Who’s to say the price will remain the same 40 years from now on?

He uses a conservative example of a \$165,000 retirement sum to illustrate this point. But in reality, \$165K may not be enough. Presuming a person retires at 65 and caps monthly spending to under \$1,500 (including any debts, insurance or loans he has to service), this sum will barely last him 10 years.

Disclaimer: This is a simplified analysis based on the assumption of \$165K as a lump sum for retirement. It does not take into consideration your monthly payouts or CPF Life.

With the average life expectancy now at 85, how will having just \$165,000 for retirement be enough? Clearly, we can't just depend on CPF alone to support us fully for our retirement. More needs to be done.



When we're old, we are also more prone to falling sick, which needs even more money. If we take an average hospital bill for an elderly person as \$30K, this retirement sum may only be able to last us 9 years at most!

Also, we must not forget that "comfortable" means different things to everyone. With rising expectations and materialism, just having a roof over our head and being properly clothed and fed is no longer enough; people today want much more.

Assumption 2: You will not be hit by emergencies which require cash.

I wrote about some potential situations where you might find yourself needing cash urgently [here \(and the case for why you need an emergency fund\)](#). Hospitalization will probably be the most likely for most of us, regardless of whether this happens due to an external accident or us falling sick.

Aside from that, you probably already know about the very real threat of cancer, especially in developed countries like Singapore where "lifestyle cancers" have been on the rise. Although the statistics haven't been updated since 2012, you can probably extrapolate them and get a rough idea for yourself.

Cancer is the Number 1 Killer in Singapore

* 1 in 3 Singaporeans dies of cancer

* 14 people die from cancer every day

33 people are diagnosed with cancer every day

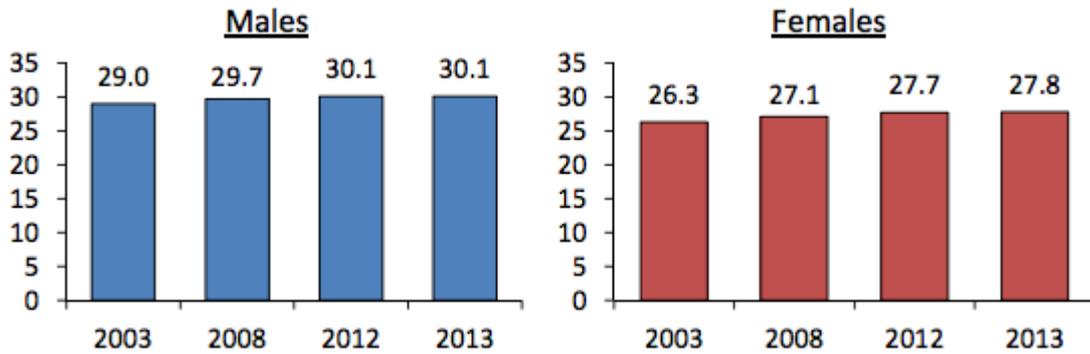
* Ministry of Health, Singapore Health Facts, Principal Causes of Death, updated 30 Jan 2012.

To add on, what about the cost of cancer treatments? While I don't have fixed figures, you can take the average cost of a cancer pill at \$500 and chemotherapy for a few thousand dollars each time. Contrary to what most people believe (including my own parents), our Medisave cannot be used to foot the entire bill as there are limits to how much we can use from our CPF to pay.

Assumption 3: When you're retired, you no longer have to pay for your child.

Presuming that the whole sum of \$165K will all be used for oneself leaves out the possible scenario of us having to still pay for certain responsibilities even when we are retiring.

Chart 7: Median age of citizens at first marriage (years)



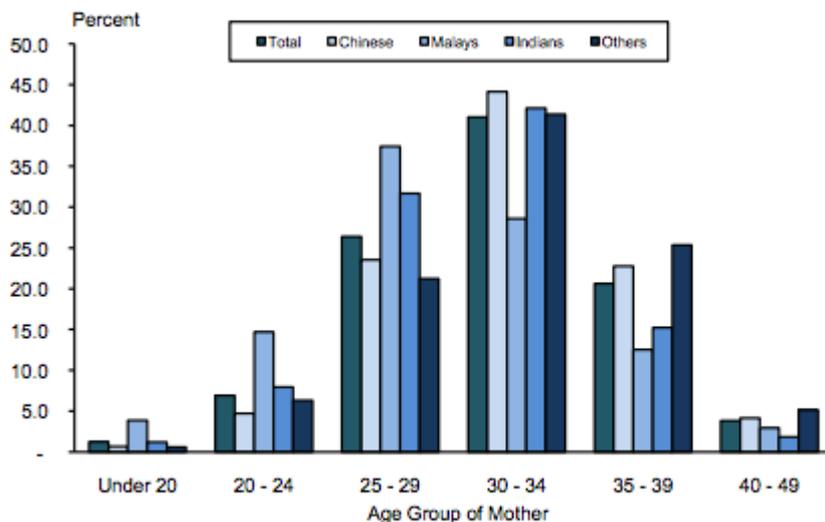
Source: Department of Statistics

Most Singaporeans are generally marrying later (males at 30, females at 28). If you asked me, I would actually project a more accurate age to be 32 for the men, and 30 for females today instead.

Age and Ethnic Group of Mother

13 The highest proportion of live births were born to mothers aged 30 - 34 years (41.0%), followed by mothers aged 25 - 29 years (26.4%) and 35 - 39 years (20.6%) (Chart 3).

**Chart 3
LIVE BIRTHS BY AGE GROUP
AND ETHNIC GROUP OF MOTHER, 2013**



2 of my ex-colleagues just gave birth to their first child. Their age? Above 34.

If we were to assume 35 as the average age that an educated Singaporean woman gives birth to her first child, this would mean her child has only just graduated from university by the time she hits 60. **It is unlikely that your child would be stable in their career by the time you retire, thus youâ€™ll probably still end up supporting them financially in some way or another for a few more years after your retirement.**

Take my parents for instance. They're both close to retirement age, but still have a number of years left on our housing loan to pay for. My sister and I aren't helping to pay, because on my part, my boyfriend and I are saving up to try and get our own HDB in 2 years time. At a bare minimum, even if we're working now, our parents are still supporting us in terms of housing (until we marry).

So you decide, will \$165,000 in our CPF be enough for retirement in 2060?



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Conclusion: Given current wage levels, I believe the CPF scheme is INSUFFICIENT for our generation (born 1980s - 2000) to save enough for retirement on its own.

Now don't get me wrong. I think the CPF is a great scheme. And I applauded when the government announced that our CPF interest rates would be increased by 1% this year during the SG50 budget. The returns from the money we have in our CPF account are also far more than if we put it in our bank, and has much lower risk than investments (pretty much zero risk actually).

But to say our CPF savings allows us save enough for our retirement? That, I respectfully disagree with. We have to combine CPF savings with more.

Uh oh! What should we do then?

More next time.

With love,
Budget Babe

Category

1. Savings