

Financial security for Singapore's seniors

SG50 Scientific Conference on Ageing

Marina Mandarin Hotel

19 March 2015

Christopher Gee, Research Fellow, Institute of Policy Studies

(all views expressed here are personal and do not necessarily represent the views of the Institute of Policy Studies)

Our Ageing Population

- Rapidly ageing population with doubling in the number of 65+ in the past 20 years, and another doubling projected in the next 15
- Increased life expectancy amongst the elderly
- Adverse impact on old-age dependency and potential support ratios

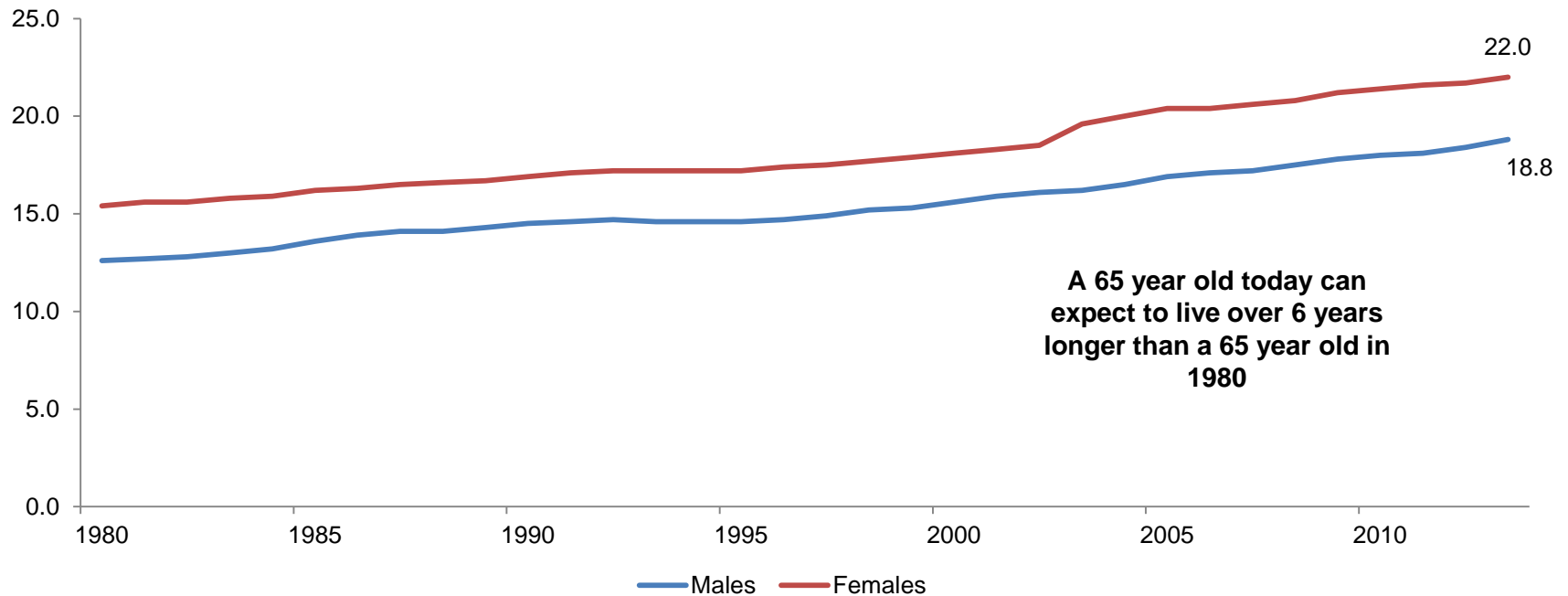
State of the Elderly Population

Year	Residents ^{1,2} Aged 65 Years & Over			Residents ^{1,2} Aged 85 Years & Over		
	(% of Resident Population)	(No. of Resident Population) ('000) ⁵	Sex Ratio (Males Per 1,000 Females)	(% of Resident Population)	(No. of Resident Population) ('000)	Sex Ratio (Males Per 1,000 Females)
1965	2.5		675			
1970	3.4 ³	68.5	790 ³			
1975	4.0		819			
1980	4.9 ³	111.8	820 ³			
1990	6 ³	164.2	818 ³			
1995	6.5	195.9	821			
2000	7.2	235.7	818	0.5 ⁴	17.5 ⁴	
2005	8.1	280.9	790	0.7	22.6	490
2010	9.0	338.4	792	0.8	29.2	490
2011	9.3	350.8	795	0.8	31.1	488
2012	9.9	378.7	802	0.9	33.6	493
2013	10.5	404.4	809	0.9	36.1	494

Sources: Yearbook of Statistics Singapore, 2008, DOS; Key indicators on the elderly population, DOS; Population Trend 2013, DOS. 1 For 1965 and 1975, data refer to total population. 3 Data are based on Census of Population 2000. 4 Data are based on General Households Survey 2005.

Life expectancy at age 65 by sex

Life expectancy of Singapore residents at age 65 by sex, 1980-2013



Source: Population Trends, 2014, Department of Statistics, Singapore

Dependency and Support Ratios

Dependency and Support Ratios (Resident Population)

	1970	1980	1990	2000	2010	2011	2014
Total Dependency Ratio (Per 100 persons aged 15-64 years)	73.9	48.2	40.8	41.1	35.7	35.3	36.7
Child (Under age 15 years)	68.1	41	32.3	30.9	23.5	22.7	21.5
Old age (Aged 65 years and over)	5.9	7.3	8.5	10.1	12.2	12.6	15.2
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	7.9	6.6

Source: Population Trends 2014, DOS.

Future of the Aged Population

- Projections of the Aged Resident Population: over 900,000 65+ by 2030, 1.14 million by 2050
- 65+ population to be 20% and 23% of the resident population by 2030 and 2050 respectively
- Evolving family forms and globalisation will affect a major support structure

Projected Aged Population

Projected Aged Resident Population 2020-2050

	2020	2030	2040	2050
No. aged 65+ (000)	603.8	924.0	1,102.0	1,143.2
% of population	14.3	20.3	23.1	23.4
No. aged 80+ (000)	108.2	178.5	305.9	373.7
% of population	2.6	3.9	6.4	7.8

Source: IPS Resident Population Scenarios (Scenario 2), http://lkyspp.nus.edu.sg/ips/wp-content/uploads/sites/2/2013/06/SI_Yap-Mui-Teng_web.pdf

Dependency and Support Ratios

Projected Demographic Dependency Ratio, Support Ratio and Parent Support Ratio 2020-2050

	2020	2030	2040	2050
Old Dependency Ratio	20.3	31.1	36.6	36.9
Potential Support Ratio	6.4	3.2	2.7	2.7
Parent Support Ratio	11.6	20.0	34.3	37.1

Source: IPS Resident Population Scenarios (Scenario 2), http://lkyspp.nus.edu.sg/ips/wp-content/uploads/sites/2/2013/06/SI_Yap-Mui-Teng_web.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
2007¹	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.

¹To 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

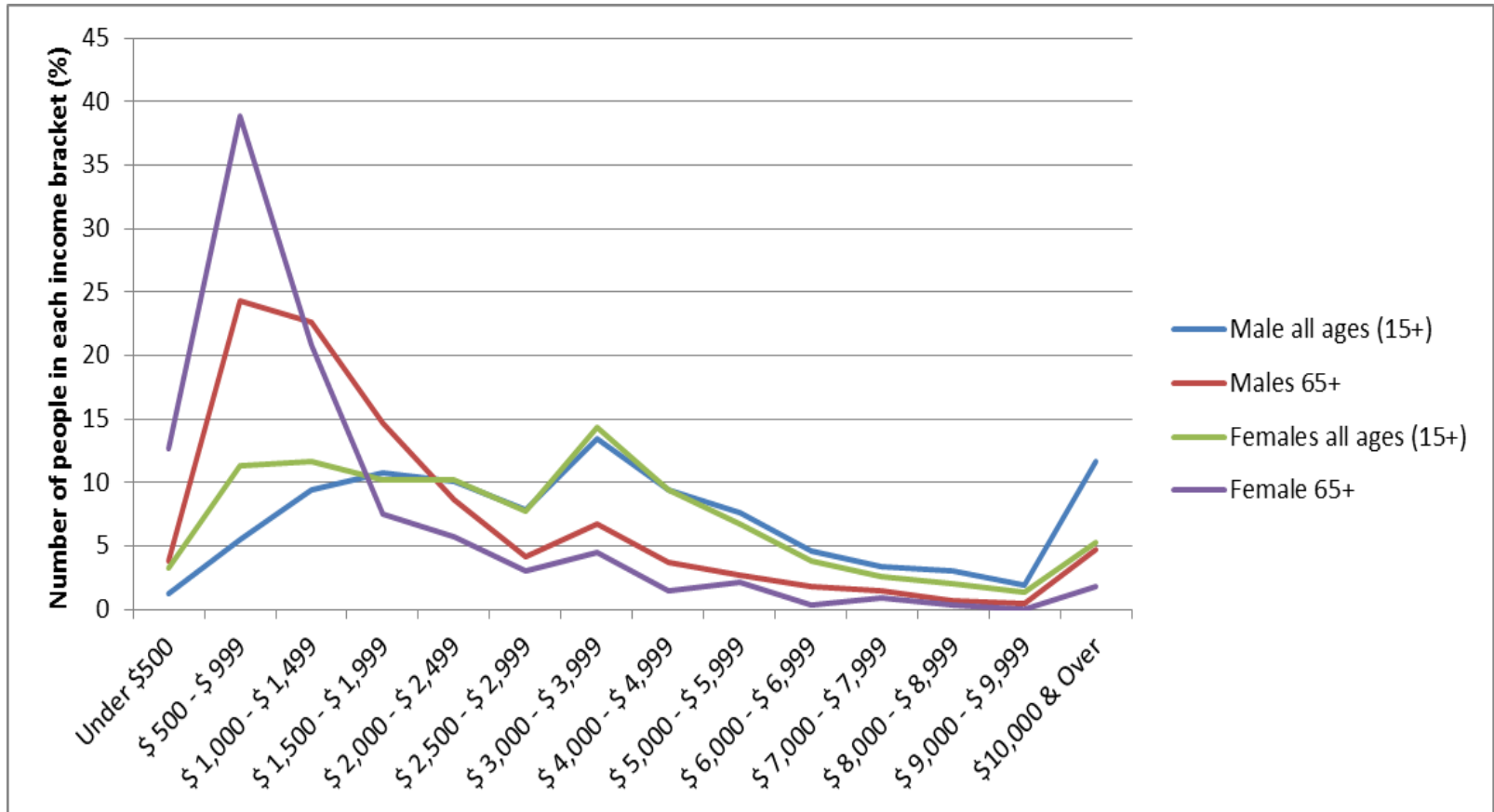
Occupational Distribution 2005 and 2011 (%)

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

Source: National Survey of Senior Citizens (NSSC) 1995, 2005 and 2011, Ministry of Social and Family Development (MSF).

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

Source: NSSC 2011, MSF.

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

Source: NSSC 2011, MSF Table 5.10 and 5.11 Pp 42-43.

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

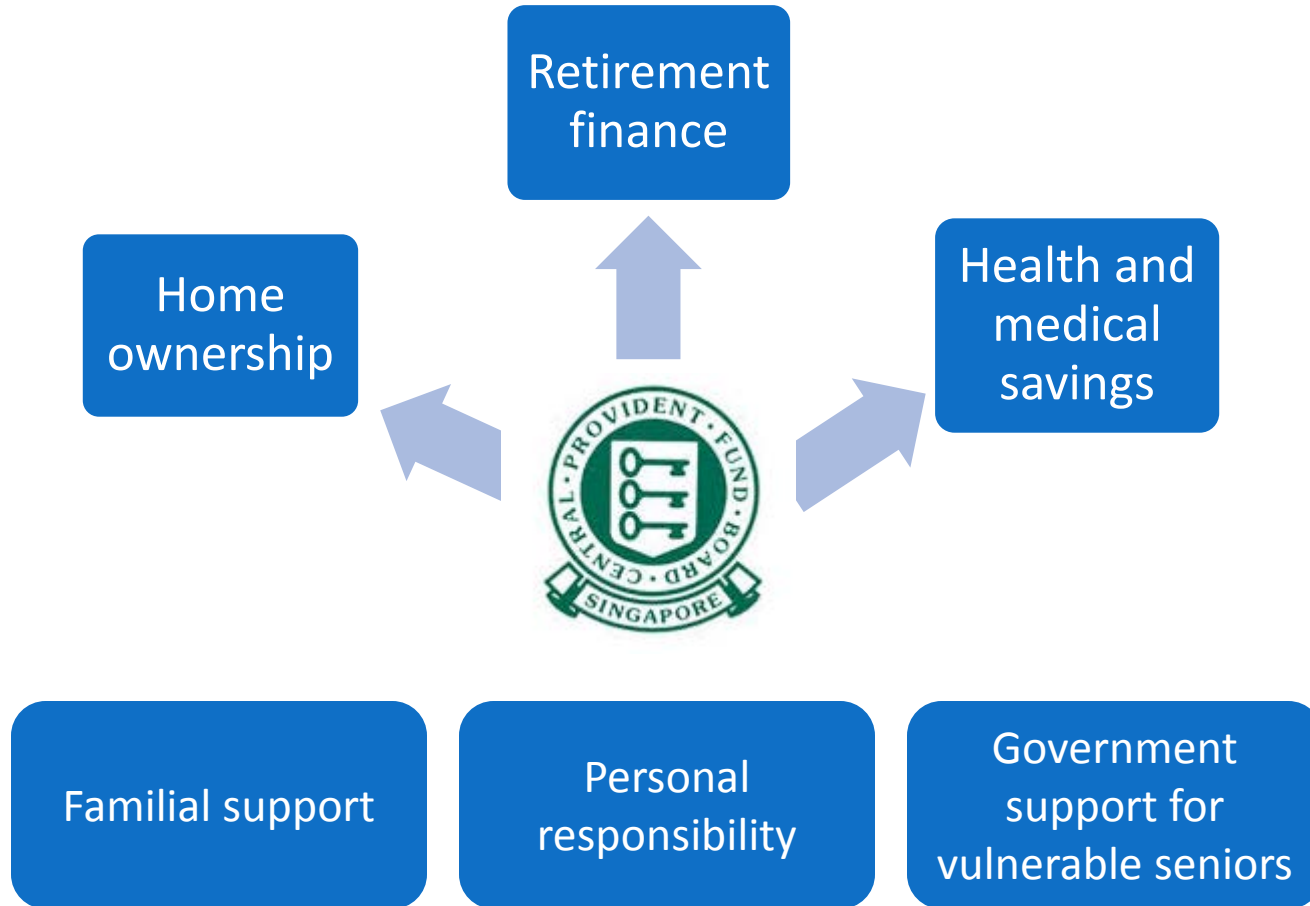
Source: NSSC 2011, MSF.

26% perceive occasional or regular financial inadequacy

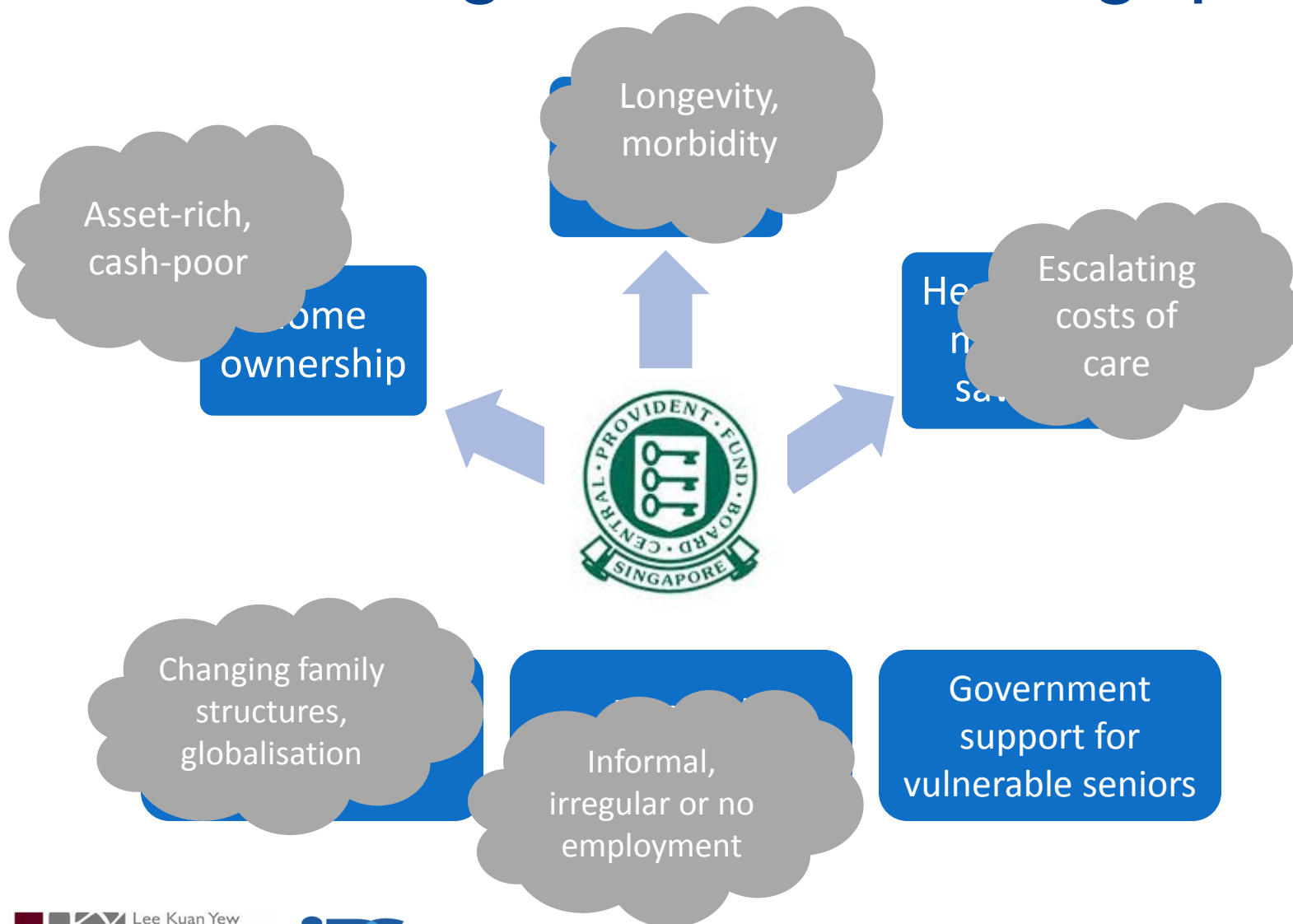
The system: principles, foundations and pillars

SINGAPORE'S RETIREMENT FINANCING SYSTEM

Diagram of the system



Challenges, issues and gaps



Government support

- Additional interest on initial balances
- Workfare Income Supplement
- Silver Housing Bonus and Lease Buy-back Schemes
- CPF Top-ups
- Public Assistance
- Silver Support Scheme (from 1Q2016)

Suggestions - 1

- Focusing the CPF system on retirement and health savings accumulation, de-emphasise housing finance function
 - For new HDB home-buyers, limit the use of CPF Ordinary Account balances to finance housing to the first home (buyers will still be entitled to existing subsidy and grants)
 - HDB BTO flat affordability calculated on basis that housing loan is paid off within 20 years
 - Subsequent purchases to be funded without tapping CPF OA
 - CPF withdrawals for housing restricted beyond age 55

Suggestions - 2

- Introduce CPF schemes and options to allow certain vulnerable groups to cope with longevity risk and irregular CPF contributions
 - Scheme to automatically share CPF contributions with a non-working spouse or retired parent
 - Extend the definition of “loved ones” for CPF Top-up Scheme
 - Spousal survivorship option in CPF Life; CPF Life annuity paid out for the lifetime of the longest surviving spouse



The Population Outcomes: Singapore 2050 Project (Revised, 30 September 2014)

Author/s: Yap Mui Teng and Christopher Gee

Year: 2014

Publication: IPS Exchange Series No. 1

<http://lkyspp.nus.edu.sg/ips/news/the-population-outcomes-singapore-2050-project>

<http://www.ipscommons.sg/helping-women-who-have-less-to-count-on-in-retirement/>

<http://www.ipscommons.sg/caring-for-singaporeans-in-the-long-term/>

To contact us, please visit our website at <http://www.spp.nus.edu.sg/ips/>
For permission to use, please contact ips.publicaffairs@nus.edu.sg