



AIA Singapore

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Media Release

AIA Singapore reveals Singaporeans spend 2.5 times more on their children's needs than their retirement planning

60% of Singaporeans face an uncertain future by not prioritising their retirement planning

SINGAPORE, 7 July 2021 – AIA Singapore today unveiled that young families in Singapore have deprioritised planning for their retirement because they are spending at least 2.5 times more of their monthly expenses on their children's needs rather than taking charge of their own retirement planning. Parents spend almost 20%¹ of their income on their children but less than 7% on their own retirement planning. 70% also said they intend to either maintain or increase the amount of income allocated to their children's expenses.

In two studies² conducted among 1,000 and more members of the general population of Singapore in January 2021 and June 2021 respectively, the leading life insurer identified three factors driving these financial priorities among young families:

- **A lack of financial understanding has led to the over-reliance on bank savings.** For 92% of Singaporeans, bank deposits are the most popular savings instruments, while 21% supplement their bank savings with investment tools. Nearly 1 in 3 Singaporeans' savings was negatively impacted in 2020. Singaporeans use at least 3 tools to manage their savings, with a median amount of between S\$251-S\$500 set aside monthly for retirement.
- **Savings priorities tend to be more short term** focusing on family needs and emergency spending instead of longer term goals like retirement. In terms of savings goals, emergency spending is the top priority (64%), followed by ensuring financial security for the family (56%). Among young families with kids, 76% intend to leave an inheritance for their children, but only half have started planning for it.
- **The nest egg required to maintain a desired retirement lifestyle is increasingly expanding, but most are underestimating the amount needed.** Singaporeans have one of the longest life expectancies in the world at 84.8 years³. On average, Singaporeans plan to retire at 60 years old, which will require at least 25 years of retirement income. Close to half of respondents want to maintain their current lifestyle after retirement, but more than two-thirds (66%) underestimate the actual retirement amount needed by S\$967 per month. Among families with children, the underestimated amount is slightly higher at S\$1,020 per month.

As a simple rule of thumb, monthly income is recommended to be split using 50/30/20 rule⁴. Allocate the first 50% of one's take-home income pay on necessities such as housing, food, and transport. The remaining half should be split up between 20% for long-term savings and investments and with 30% for "wants" like hobbies and travel. However, research shows that Singaporeans are 13% below the target for their retirement planning.

Ms. Melita Teo, Chief Customer and Digital Officer, AIA Singapore, said, "Retirement planning is an essential part of securing our longer term financial security, not just for parents, but for the entire family, so everyone can look forward to a brighter future with peace of mind."

"We recognise this is not an easy balancing act, especially amid growing financial insecurity as a result of COVID-19. Many also fear becoming a burden on their children later on in life. As part of AIA's brand promise of enabling Singaporeans to live healthier, longer, better lives, we want to help people better manage their financial priorities when preparing for their golden years. We are committed to

¹ Parents spend almost 20% of their income on their children's needs, encompassing education and saving for their children's future.

² AIA Save Smarter Study 2021 surveyed general consumers across eight markets – Hong Kong, China, Thailand, Malaysia, Vietnam, Indonesia, Philippines, and Singapore – in January 2021. AIA360 Retirement Study 2021 surveyed 331 customers in Singapore in June 2021.

³ <https://www.straitstimes.com/singapore/health/singapore-tops-in-life-expectancy-at-848-years>

⁴ <https://www.moneysense.gov.sg/articles/2018/10/how-much-of-your-salary-should-you-save>



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continuously innovating our suite of customisable solutions with the goal of ensuring that a golden retirement is within reach for Singaporeans, no matter the circumstances,” added Ms. Teo.

From pre-pandemic to endemic COVID-19: The shortfall between expectations and reality of retirement is widening

In March 2020, the AIA Retirement Quotient (RQ) survey⁵ showed that 54% of Singaporeans were 14-years short when it comes to adequately planning for their retirement, when compared to the national average life expectancy of 84.8 years old. While most Singaporeans have started planning for their retirement, 70% felt underprepared.

Today, retirement goals have taken a backseat. COVID-19 uncertainties further necessitated the shifting of savings allocation towards their children and shorter-term needs such as emergency funds instead of themselves.

Pre-pandemic⁶	Today⁷
Average intended retirement age was 58.8 years old	Average intended retirement age widened to 60 years old
Median value set aside for retirement each month was S\$251 – S\$500	Median value set aside for retirement each month remains the same at S\$251 – S\$500
Expected monthly expenditure during retirement was S\$1,500	Expected monthly expenditure during retirement is now S\$2,000 For young families with kids, the expected amount is slightly higher: S\$2,100
Retirement expectation: <ul style="list-style-type: none">• Retirement no longer means stepping away from work entirely but is an opportunity to pursue hobbies and passion projects.• Three in five Singaporeans plan to reduce their workload or switch careers upon retirement. Only 38% intend to cease work altogether. 49% intend to continue working reduced hours and 13% want to switch career paths entirely.	Retirement expectation: <ul style="list-style-type: none">• 91% fear income loss and job instability. 95% think the economic fallout of the pandemic will last beyond the second half of 2021.• While close to half of respondents want to maintain their current lifestyle, an equal percentage also expect a much simpler lifestyle during their retirement.

No doubt a result of COVID-19 uncertainties as well as changing attitudes towards retirement, the retirement goals consumers are setting today have also become more modest. Most of these goals are still pegged almost exclusively to financial health and do not consider other aspects of wellness.

While the pandemic had accelerated the need to save more, Singaporeans’ focus, however, has been on short-term savings for their emergency and family needs, with little regard for their retirement, even though they are expecting an increase in their monthly expenditure during retirement. Their mindset still remains, which is worrying as they are still setting aside the same S\$251 to S\$500 median value for their retirement each month, while expecting to maintain their current lifestyle when they retire, while not forgetting the inflation rate which would affect how much your retirement dollars will really be worth in the future.

⁵ The AIA Retirement Quotient (RQ) survey studied 1,000 members of the general Singapore population mid-March 2020.

⁶ According to findings from the AIA Retirement Quotient (RQ) survey conducted in mid-March 2020.

⁷ According to findings from AIA Save Smarter Study 2021, AIA360 Retirement Study 2021, and AIA Health Matters Survey 2021 conducted in June 2021.



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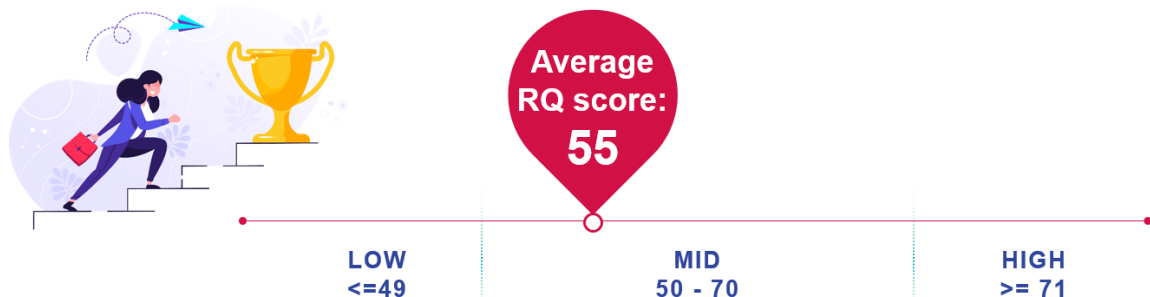
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“Achieving our desired retirement is not limited to being financially prepared, Singaporeans need to look beyond just their finances if they intend to truly enjoy their golden years. To help them on this journey, besides continuing to study the gaps in Singaporean’s retirement readiness, we have also developed a tool to help Singaporeans take a more holistic approach to retirement. By considering all aspects of retirement preparedness, we are empowering our customers to let their aspirations drive the structure of their retirement plans, rather than allowing their current finances dictate their future,” added Ms. Teo.

A holistic approach to retirement preparedness

Retirement is an issue of national importance in Singapore, home to one of the most rapidly ageing populations in the world⁸. It is estimated that by 2030, one in four people will be aged over 65 years old, and by 2050, the number is expected to increase to almost one in two⁹. Despite the urgency of the situation, many of the retirement products available on the market only cater to financial and health preparedness and do not account for the emotional, mental, and social aspects of retirement.

AIA Singapore in partnership with Ipsos developed a Retirement Quotient (RQ) – an indicator to measure Singaporeans’ retirement readiness and guide them on a more holistic retirement planning journey. The RQ is made up of four distinct pillars to guide Singaporeans to achieve their golden retirement: financial preparedness, health preparedness, social support, and trust in institutions.



The average RQ score for Singaporeans is 55%, and 40% of surveyed Singaporeans scored below 50 - an indication that retirement preparedness has room for improvement.

Financial Preparedness

Financial preparedness remains the biggest but far from the only determinant of retirement preparedness. Financial preparedness is determined by the following attributes: having in place a clear financial plan that allows one to achieve their desired retirement lifestyle, and being confident in having made sufficient financial preparations to accumulate enough wealth to account for retirement.

Social Support

While the vast majority of Singaporeans opt to confide in a partner or spouse about their plans for retirement, one in five Singaporeans do not share their retirement plans with anyone. RQ respondents who scored poorly in the social support pillar tended to receive low scores throughout. The second largest pillar of retirement preparedness, the positive impact of social support indicates that retirement is not just a personal decision and that having deeper conversations with loved ones, whether they be family, dependents, or friends, contributes significantly to retirement preparedness.

Health Preparedness

Good health alone cannot drive retirement preparedness, but it enhances individual retirement preparedness when coupled with robust financial planning. In terms of health, 59% of Singaporeans

⁸ <https://www.weforum.org/agenda/2020/02/what-are-japan-and-singapore-doing-about-ageing-population/>

⁹ <https://www.simge.edu.sg/news/singapores-ageing-population-and-nursing-looking-to-the-future/>



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said that reducing the risk of illnesses was the primary motivator to keeping fit as opposed to enjoying their later years (41%). Of the 59%, married couples and families cited wanting to avoid financially burdening their loved ones as the reason, while others were keen to avoid depleting their nest eggs on additional healthcare costs.

Trust in Institutions

While trust comprised the smallest pillar, low scorers for this section tend to be the least prepared for retirement, are not financially-savvy, and have little access to professional advice from established financial institutions including banks and insurers.

Conclusion

While parents prioritise their children, almost 70% of young parents with children do not want to burden them and other family members and friends financially during retirement. However, the irony is that those who are facing a shortfall in their retirement planning might have to rely on their children for retirement eventually. Hence, as parents prepare their children and give them the best for their bright future, they should also consider proper retirement planning for themselves to avoid burdening their children during their golden years.

Understanding the gaps ahead of one's golden years and having a trusted partner are crucial elements in attaining a well-rounded retirement. AIA Singapore is committed to journeying with Singaporeans to help them be financially prepared by offering a comprehensive suite of innovative products and tools, while also inspiring them to lead healthier lifestyles. AIA Singapore's aim is to ensure everyone can have the financial freedom to live their desired retirement and be in pink of health to enjoy their golden years with their family.

For more information on AIA's comprehensive retirement proposition, please visit: <https://www.aia.com.sg/retirement>

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About AIA

AIA Group Limited and its subsidiaries (collectively "AIA" or the "Group") comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets – wholly-owned branches and subsidiaries in Mainland China, Hong Kong SAR, Thailand, Singapore, Malaysia, Australia, Cambodia, Indonesia, Myanmar, the Philippines, South Korea, Sri Lanka, Taiwan (China), Vietnam, Brunei, Macau SAR and New Zealand, and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai more than a century ago in 1919. It is a market leader in Asia (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US\$326 billion as of 31 December 2020.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia, AIA serves the holders of more than 38 million individual policies and over 16 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: "AAGIY").

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