

Diversified investments key to achieving retirement adequacy

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While it's good to give Singaporeans greater flexibility to invest their CPF savings, it's equally important to ensure that they diversify their investments to mitigate risks.

That's the view of experts and an MP who spoke to 938LIVE on the topic of retirement adequacy.

Prime Minister Lee Hsien Loong said he'll talk about this at his National Day Rally on Sunday, including ways to improve the CPF system to give Singaporeans the assurance that their future needs will be taken care of.

At a recent forum on the CPF system, Deputy Prime Minister Tharman Shanmugaratnam said investing in private pension funds will remain an option for CPF members who want to try to grow their retirement savings.

Such plans can give higher returns, but Christopher Tan, CEO of financial advisory firm Providend, is concerned.

"There is always a danger that they get out of it at the wrong time. The CPF Investment Scheme is a good example. You give people that option to invest out of their CPF, but they go into all the wrong things, they get out the wrong time, they actually would have been better off if they had stayed in their CPF."

Separately, Social and Family Development Minister Chan Chun Sing said assets like HDB flats remain an important insurance against the needs of old age.

Speaking at a National Day Celebration Dinner on Wednesday, he said the government will continue to use housing grants to help Singaporeans become home-owners.

But Christopher Gee, a research fellow at the Institute of Policy Studies, warns against the danger of over-investing in property.

"Perhaps you've got this household that's into their late 50s, they're getting closer to their retirement age, but they still got property loans to pay down, especially when their Ordinary Account contributions have plateaued or are already starting to drop."

While plans like the lease-buyback scheme may give older Singaporeans a means to unlock the value of their homes, Mr Gee says the government has to provide more assurance.

"To cover for the possibility that you outlive the remaining lease, the government needs to step in and say very clearly, you will not be forced out of your home."

Meanwhile, sociologist Tan Ern Ser, an associate professor at NUS, says children are a major contributor to their parents' retirement funds.

So he says government agencies and the social services sector must continue to build strong family bonds.

"Let's try to emphasise the love part of it, because whenever duty is over-emphasised, I think it leads to resentment, and I really do not want to see that happening."

MP for Chua Chu Kang, Zaqy Mohamad, highlights a more practical concern.

"If children have to dig their own retirement savings early to help their parents, then they themselves may not have enough in time to come."

Still, he says it's heartening that family values continue to matter to Singaporeans, and he says schemes like the Pioneer Generation Package and MediShield Life will help ease their burden.