They also don’t have enough for retirement and are heavily-reliant on CPF savings: SMU survey

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“How long can I survive with the cash on hand?” is one of the first questions you will ask yourself if you are suddenly out of a job.

Chances are, you will need enough money to last at least six months, which is the average length of time it takes to find a new job in Singapore.

But a survey by the Singapore Management University (SMU) shows that nearly two out of 10 Singaporeans are unable to cover more than a month of expenses upon retrenchment.

This means they will have to resort to borrowing to meet their immediate cash flow needs.

On average, Singaporeans have enough cash to last about 5.24 months, according to the 922 respondents to survey drawn from different segments of society.

“Singaporeans are not well-prepared for structural unemployment,” said Professor Francis Koh, Associate Dean of the SMU’s Lee Kong Chian School of Business, at the press briefing yesterday to release the survey results.

While a person does not generally expect to be retrenched, he or she can better prepare for rainy days and ultimately, retirement, says Prof Koh.

The problem, however, is that many Singaporeans will not have as comfortable a retirement as they would like to believe.

According to the SMU survey, the average Singaporean at 55 years old has only $120,000, comprising a Central Provident Fund (CPF) balance of $60,000 plus cash and investment assets of $60,000.

This amount will yield about $600 per month for 20 years, taking into account an annual inflation rate of 2 per cent and an interest income of 4 per cent per annum.

This is far from the expectations of the poll’s respondents.

They want to retire with about $1,800 per month, which comes up to a lump sum of $350,000 for 20 golden years. Some, like sales trainer Gary Tan, want a cool $1 million for retirement at the age of 55.

“When you are older, your health isn’t as good. And you need to enjoy!” said the 34-year-old, who diligently saves half his monthly salary besides investing in various financial products.

But he only started managing his money when he hit 30, an age which veterans from the wealth management industry reckon is a bit too late to prepare for a cushy retirement.

“That gives me the goosebumps,” said Mr Nicholas Tan, head of wealth management at Oversea-Chinese Banking Corp, which commissioned the SMU survey.

“Because when you are in your 30s and starting a family, that is when commitments really pile up. Unless you are in a high-paying job, chances are that you are not going to make it,” he said.

While many survey respondents indicated that they relied solely on CPF savings to tide them through retirement, Professor Koh said: “Saving alone is not enough. Investment will bring more creation of wealth.”