While many of us yearn to live to a ripe old age, we are not doing much to ensure we have enough funds to sustain us, notes ANNE TAY

Ready for the long haul?

Every day, we strive to do the right things to improve our health — eating right, controlling our caffeine intake, taking health supplements and hitting the gym. The sole purpose of all this is to ensure we live well and long to enjoy our children and grandchildren, and above all, the fruits of our labour for the past 40 years. Yet, while many of us are doing all we can to ensure longevity, we are not doing much to ensure that we have sufficient funds to sustain us.

Whether our retirement ends up as enjoyable golden years depends on the decisions made in the early part of our life. Even if you are years away from retirement, it is never too early to start planning.

Two important trends have emerged in the past 10 to 20 years — people are living longer and they are having fewer children to support them in old age. The number of years you spend in retirement could be longer than that of your parents. However, with the spiralling cost of living and fewer children, you may not be able to rely on your children to support you, unlike previous generations. So it is critical to ensure that you are sufficiently provided for during your retirement years.

A Singapore Management University and SCOR study last year on Singaporeans’ money management behaviour found that those aged 55 have only an average of $120,000 in liquid assets, including their CPF savings. The survey also found that 74 per cent of Singaporeans wish to retire before the current mandatory retirement age of 62. Yet, most of them are not prepared for their golden years.

Many may be tired of hearing the oft-repeated message that our CPF is not enough to see us through retirement. Imagining this: If you lose your employment income for one year, how are you going to carry on with your expenses? It can be a frightening thought if you have little retirement savings to sustain your living expenses. Imagine this: If you lose your employment income for one year, you may not be able to work until 62. You may have to stop work earlier due to lack of employment opportunities or bad health.

A common excuse people give for their lack of early preparation is that they can downsize their homes if they need to. This is an alternative but one uncertainty you may face is downsizing at a time when the housing market is in the doldrums. You may then take longer to unlock your home equity value.

Cash flow

Additionally, if you have to stop work at 55 due to unplanned circumstances and your mortgage runs till you’re 65, this imperfect matching of cash inflows versus cash outflows may be a problem. The other issue is how many are actually willing to downsize. The golden years may be the best time to truly enjoy your home.

You should also consider how exposed you are to the property sector. If you only have your home and no other investment income, you may be taking too much risk on one sector of the economy and not diversifying enough. With portfolio concentration, you’ll either make it or break it. Are you prepared to wait till your golden years to find out or would you rather play it safe and diversify your investments?

Do include annuity products in your retirement portfolio. You do not know exactly how long you are going to live. With an annuity in your retirement portfolio, you can hedge against living too long because such products pay you an income as long as you live.

By constantly accumulating and growing your wealth when you are young, you can build up the bulk of your retirement funds and have greater freedom in your later years.

You can also consider working as long as you can, health permitting. The later you start drawing on your retirement funds, the better. As longevity increases, you’ll never know how many years you may need to rely on your funds.

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