Advertisements may get people to overspend and not save for their future. Financial Planner David Choo tells us to ignore the allurement and not be complacent.

"Singaporeans ill-prepared for retirement"

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This headline in "Business Times" on Thursday, 27 April 2006, screamed for attention again.

The HSBC poll of 1,000 adults in Singapore showed that six out of ten Singaporeans are seriously worried about having too little money in their old age, but only one in ten has actually saved for retirement in the past year. Ironic but not surprising.

The other findings all pointed to a poor report card for Singaporeans when it comes to planning and doing something about their retirement.

Why this seemingly sorry state of affairs in Singapore, the aspiring financial hub of our region?

With the expected tripling of the numbers of residents aged 65 and over from the current 300,000 to 900,000 in 2030, the retirement problem has been alarmingly labelled a time-bomb, that overused word again.

For some older ones, this time-bomb will explode for certain, and any measure or slew of measures is too little, too late. Sorry, there will be no retirement and they have to keep on working and working and working until their batteries are dead.

The only question is whether there will be continuing employment for the silver generation. Hopefully, employers will get used to the idea of retaining and recruiting more older workers as a national service, if nothing else. The question is whether there are any other solutions besides working longer, or taking a chance on your children supporting you?

Out of the majority of Singaporeans who are not saving (90 per cent in the poll), the brutal fact is that some just do not earn enough to have any savings. Two-thirds of those who reach 55 do not have the minimum sum of $90,000. One way is to earn more, whether by finding a better paying job, or doing an extra job. Economic necessity will no doubt drive many who cannot make ends meet to work the second job. This economic problem is big and is for the government to solve.

My concern is with those who are able to save but are not saving because of lifestyle choices. Economists label them as those who will not go for delayed gratification (saving). One reason is that both young and old are bombarded with advertisements which make them unhappy if they do not spend and stressed after they have spent.

What holds these spenders in thrall and what can be done to free them?

IMPACT OF ADVERTISEMENTS

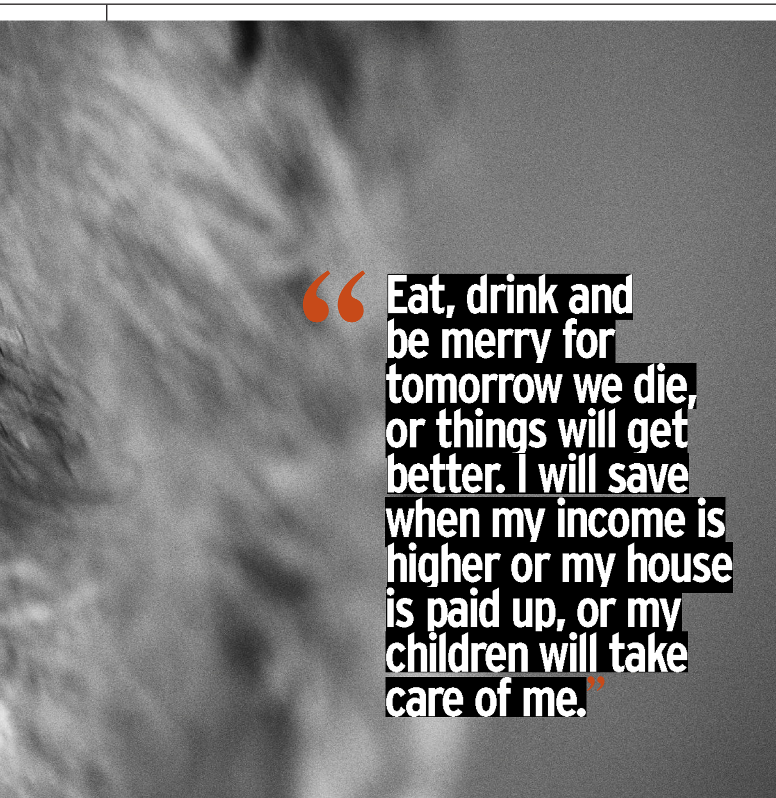
The late 20th and early 21st century saw the advent of advertising and marketing as the weapon of business and champions of spending. Advertisements skillfully get people to spend money, either cash or credit, in search of fun, happiness, success and fulfillment. Advertisers have a way of making people buy things they do not need with money they do not have to impress people they do not like. Advertisements generally create dissatisfaction with the status quo – whether it is looks, body shape, cars, house, education, etc. – and to goad people to spend to solve their problems.

To start the habit of saving, a person must first learn to overcome the habit of overspending, and one way is to immunize against advertisements. Spend only on necessities and planned luxuries, and only then can you start saving for important things like your children's education and your retirement.

One way is to plan your spending and ignore the alluring advertisements in the papers, magazines, radio and television.

COMPLACENCY

Complacency is not being concerned when you should be. Retirement is one matter which is often



viewed by the complacent as important but not urgent. There is time yet, they say. Complacency may be manifested by the extreme of "eat, drink and be merry for tomorrow we die", or "things will get better. I will save when my income is higher or my house is paid up", or "my children will take care of me".

Many people underestimate the amount needed for retirement because they do not factor in inflation and their increasing longevity. When I see a 70-plus lady doing office cleaning or cleaning tables in the hawker centre, I am reminded of the destiny of those who do not plan for their retirement. Many of the older generation did not have the opportunity to make good. The present generation has the opportunities, but the complacent are not making the effort.

There is no easy cure for complacency. Retirement planning is the weakest of the pillars of financial planning because it is seen as still future. But the future is upon us sooner than expected, and if we do not throw money into the future, we have a future without money. The best wake-up call is to talk to retirees who have not planned and saved for their retirement and to see their plight firsthand. There ought to be a balance of present need against future need, and starting a disciplined savings plan. It is interesting that insurance cash value is the only savings many retirees can count on, even though they have many other savings account, because they viewed insurance as the only "compulsory savings".

FUTILITY

There is a growing group of people who have decided that there is little they can do to provide for their retirement. With a limited income, they might as well enjoy life while they can and "let tomorrow worry about itself". These are the ones who view it is futile to think that far and prefer the pleasures of today compared to the uncertainty of deferred pleasures.

Is there any remedy for this sense of futility? This is a lifestyle choice which would cause grief and hardship to many families. If these people are able-bodies and prepared to keep on working, no dependency would be created. But woe to the family of those who have to bear the financial burden of the bohemian.

THE FAITHFUL

The people who think it futile to save do not save because they have no faith in the future. On the other hand, there are the faithful ones who do not save because of their belief that God will provide for them. It is all God's responsibility. While we admire the faith of those who have really chosen the path of trust, we cannot help thinking that it may be due to the wrong understanding of their religious teaching. For example, while the general Christian principle is to live by faith that sovereign God is the ultimate provider, Christians are exhorted to work hard to provide for their families and relatives, and to save for the future (e.g. learn from the ants). While hoarding is condemned, saving is commended. Giving to the needy and living a simple life that others may simply live are held up as virtues. But this is in order that we also provide for our children and our children's children. While the love of money is the root of all evils, money gained is also to be used wisely to do good works, and to be saved and invested wisely, and not to be squandered or hoarded.

THE WILL TO SAVE

In my earlier article – "Retirement – Time For Multi-prong Approach" – I have mentioned some of the measures which can be adopted to tackle the retirement problem. Many of these measures still require the individual's decision to want to solve his retirement problem, e.g. Supplementary Retirement Scheme (SRS), private pension plan.

The battleground is the individual's mind and the lifestyle choices he makes. The government encourages each one to take charge of his retirement and start early. CPF is not sufficient for the majority of Singaporeans because a big chunk goes into owner-occupied property. So, the responsibility rests on each of us to save adequately for our retirement, or we can kiss it goodbye and continue working, or worse have to live off others in our old age and take what is dished out, literally. **SI**

David Choo, ChFC, CFP, is the managing director of PromiseLand Independent Pte Ltd, a licensed Financial Adviser. He can be contacted at email: davidchoo@promiseland.com.sg or telephone no. 62942461.