Longevity is your friend in retirement planning

No need to fear a long life; commitment to a financial plan will help you look to the future with confidence and optimism. **BY GENEVIEVE CUA**

WHO'S afraid of a 100-year life? The longevity trend in Singapore is well-established and gathers pace every year.

Yet living to your 80s or well past your 90s evokes mixed emotions. While some may be optimistic and hopeful, the prospect of a long life may evoke trepidation or even dread.

But like most life challenges, how you feel about living to 100 may be likened to whether you see your glass as half-empty or half-full.

The biggest cause of anxiety is typically financial, or the fear that you might outlive your assets. That prospect is very real as life expectancy steadily lengthens, and crises like Covid-19 could derail your savings. Alongside this is the concern that you may live your senior years in poor health, further increasing the burden on your children and assets.

There are, however, levers within your control that can set you firmly in the camp that views the future with optimism. Rather than a burden, longevity is a gift, enabling you to devote time to nurture relationships with family and loved ones, to build your assets, and fulfil career and personal aspirations.

In the best-selling book *The 100-year Life*, co-authors Lynda Gratton and Andrew Scott posit that we need a sea change in mindset in order to realise the opportunities of a long life. We need to distance ourselves from the conventional view of life in three stages tied to age – that is, education as the first stage which may span 20 years, then career which stretches until the 60s, and then a long retirement which may last 30 to 40 years.

Instead, think of life phases as malleable. That means education could be pursued in the midst of working life. Work may be pursued even in the phase we traditionally think of as retirement. This way, instead of being resigned to the prospect of being older for longer, we could start to think in terms of being younger for longer.

In the quest to live a fulfilling life, financial planning is essential, says

Financial planning typically centres on growing our savings, but it is not limited to that. It is also important to take a holistic view of assets to also encompass personal attributes and talent that can be leveraged to further enhance your earning capacity far beyond the phase of formal employment.

BT FILE PHOTO

Financial wellness is about being in a positive state of financial health. It is not just the absence of financial issues such as debt, but being financially healthy to pursue our goals with confidence at any stage in life."

Goh Theng Kiat, chief customer officer, Prudential Singapore

Prudential Singapore chief customer officer Goh Theng Kiat: "Financial planning is crucial when we think about a multi-stage life where we pursue different goals at different stages – for example, returning to school in our 40s to further our knowledge in our interest area or returning to the workforce in our 70s to remain meaningfully engaged."

"We need to plan ahead to protect ourselves should unexpected events happen and to ensure that we have enough funds to achieve our life goals and last us for all of life," he says.

Essential building blocks

Financial planning typically centres on growing our savings, but it is by no means limited to that. Protection is a key element.

It is also important to take a holistic view of assets to also encompass personal attributes and talent that can be leveraged to further enhance your earning capacity far beyond the phase of formal employment.

First, let us look at the protection element of financial planning, certainly an essential building block. It is important that you ensure that life's major risks such as premature death and major illness are covered, particularly when you are younger and have liabilities such as a home loan and dependents. Insurance is therefore a must – to cover death, critical illness and hospitalisation.

Health and wellness are major concerns. The good news is there are tools to help you actively monitor and take charge of your health. The Pulse by Prudential app has an artificial intelligence-powered Health@Pulse component, enabling you to do a digital health check and to check for symptoms of illnesses; it also links you to a doctor for a digital consultation.

The second element of financial planning is financial wellness, of which saving and investing are important components. Mr Goh says: "Financial wellness is about being in a positive state of financial health. It is not just the absence of financial issues such as debt, but being financially healthy to pursue our goals with confidence at any stage in life."

In Prudential's Saving for 100 survey, 56 per cent of those polled have some degree of confidence that they will save enough to support themselves until death. But 44 per cent are not confident.

Confidence is highest among those nearest retirement – perhaps because they have been saving for a longer period. Confidence is also higher among those who expect to live till their 80s and beyond, because this group is more likely to have a financial plan than younger age groups, said the study.

Time on your side

With longevity, your investment horizon is counted in decades, whether you are currently in your 20s, 30s or 50s. Even at 60, living to your 90s means you have 30 to 35 years to ensure that your assets continue to generate an income, albeit at lower risk.

Time is a decisive advantage in your investment journey. Mr Goh says: "In general, the more time you give your investments to grow, the more you may be able to accelerate the income potential of your original investment. So, a longer lifespan would mean we have a longer runway for investment as well, if we start young and remain invested."

A long horizon enables you to harness the power of compounding. Over time, even a modest amount set aside regularly will grow to a substantial sum in 30 or 40 years. Time also blunts the jagged peaks and troughs of market volatility.

There are some key principles that will help you stay the course.

One, decide on a strategic asset allocation – how much to invest in stocks and bonds – and stick to it. This allocation should be reviewed periodically and adjusted as your circumstances change.

Two, be diversified. This means to have a blend of assets that are not highly correlated. This provides stability to a portfolio, so that a market crisis should not cause the entire portfolio to tank.

Three, make a commitment to invest regularly. Investing a fixed sum at regular intervals enables you to dollar-cost average your exposure to markets. This means your money buys more units or stocks when the market is down and less when the market peaks. This not only mitigates any timing risk but also helps to keep emotions at bay.

In addition to health, Pulse by Prudential has a wealth component, called Wealth@Pulse, to help you get started in financial planning. It features a digital assistant, Ruby, which can answer financial planning questions. It also has a goal-setting feature and a knowledge centre.

The third element of a holistic financial plan is to take steps to nurture your intangible assets – your talents and skills; family relationships; interests; even your reputation and network of friends and associates.

As Gratton and Scott wrote in *The 100-year Life*, personal intangible assets do not lend themselves to an easy valuation like your investment portfolio. But they may arguably be equally or more important to sustain you later in life. The value of intangible assets also does not decline with age.

Living a multi-stage life opens up a myriad of possibilities, of transitions and transformations. Commitment to a financial plan will help you look to the future with confidence and optimism – at the very least, a glass half-full.

gen@sph.com.sg
@GenCuaBT