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Long-term study has polled 8,000 residents monthly for 16 months

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THE elderly are more likely to receive a diagnosis of a new chronic condition that will be a drain on their savings, and the poorest are more likely to be house-rich but cash-poor in retirement.

These are some of the nuggets unearthed by a new, first-of-its-kind longitudinal study by the Centre for Research on the Economics of Ageing (CREA), which was officially launched at a conference yesterday.

The study, which entails monthly surveys of more than 8,000 Singapore respondents aged between 50 and 70, aims to throw up insights on retirement adequacy in Singapore.

The monthly surveys, called the Singapore Life Panel (SLP), consist of detailed questions on, for example, employment, income, expectations and subjective well being. The profile of the participants reflects that of the Singapore population.

The surveys are now in the 16th month.

In a keynote address during the conference yesterday, Dr Amy Khor, Senior Minister of State for health, said: "Even as we empower the seniors of today to age successfully and gracefully, we want to plan forward to meet the needs of seniors of tomorrow.

"Research is key to helping us transform the experience of ageing in Singapore. This should be firmly anchored in a multi-disciplinary approach, to allow us to bring new knowledge across disciplines."

The team behind CREA is a multi-disciplinary one:

1. Rhema Vaithianathan, who specialises in health economics;
2. Denis Leung, a specialist in survey data methodology; and
3. Phang Sock Yong, an authority on global and Singapore housing issues.

Bryce Hool, CREA director and dean of the Singapore Management University's School of Economics, said that Singapore's ageing population creates new challenges for public policy and for individuals.

"The SLP provides a window into the circumstances of Singaporeans approaching or beyond retirement. It enables us to see how changes in their circumstances affect their behaviour and this will be used to predict their future situation and help to inform policy."

One of the key findings was that during the first 14 months of the survey, 18 per cent of the respondents received a "health shock" – a diagnosis of a new chronic condition; among those aged 65 and up, one in four had a health shock. Major shocks such as cancer, diabetes and stroke dealt households a double whammy – considerably higher healthcare spending and reduced work. Those with major shocks went through a spike in spending on healthcare, and this spending remained elevated for months after.

Another finding of the study was that respondents with insurance spent more on healthcare than those without.

The study also confirmed that a large fraction of household wealth is held in property for almost everyone, but this is especially so for households in HDB four-room flats or smaller, who have little else.

For those in the lowest 10 percentile in terms of net worth, their home equity makes up 84 per cent of their wealth; for the top 10 per cent, home equity accounts for 72 per cent of their wealth, but they have adequate cash cushions for retirement.

Channels exist for individuals to monetise their property, for example, by renting out a room, downgrading to a smaller flat or taking up the HDB's Lease Buyback Scheme. Around 1,600 households have taken up the Lease-Buyback Scheme in the last seven years.

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The preliminary finding is that a large proportion of the home equity is accounted for by long-term price appreciation.

Another finding is that few homeowners have a mortgage on their homes; those who do pay down the mortgage as they age.

In terms of findings relating to the labour market, just over a third (36 per cent) of those aged 50 to 59 say that they expect to work full-time at age 65. However, the proportion of 65-year-olds now working full-time is only just over a quarter (26 per cent).

About a fifth (21 per cent) say that they expect to work full-time at age 70, but only 16 per cent of the current crop of 70-year-olds now do so. This suggests that labour force participation among older workers will rise.

Singaporeans' level of financial literacy is comparable to Americans', but both fare somewhat worse than their counterparts in several European countries.

The study found that financial literacy is positively associated with respondents having more wealth and better diversified portfolios. Women also tend to be less well-informed about stock diversification.