

# Actively plan and smooth your way to retirement

## Challenge for Asian investors: Possible saving shortfall

Placing deposits and property investment are popular investment tools among Asian investors. Given low deposit rates, declining rental yields, and rising living costs, the chance of running out of money during retirement is increasing.



## Low-or-negative real interest rates

Real interest rates (the interest rate after inflation) in China, Hong Kong, Japan, and Vietnam are all below zero percent, which makes it impossible to generate income.

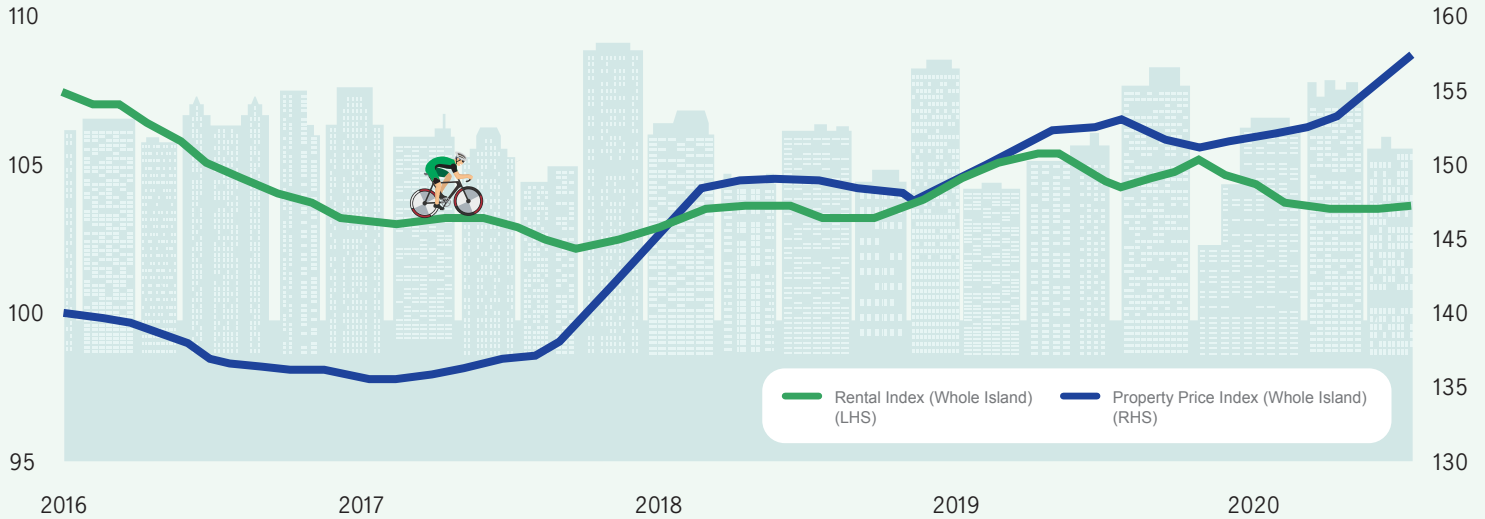


Real interest rates (deposit) in Asia are presented on per annum basis by subtracting average headline CPI inflation from average 3-month time deposit rate (October 2019-September 2020). Bloomberg, websites of Asian central banks and major banks; data as of September 2020. Over a one-year period, these markets are experiencing deflation: Malaysia (-0.508%), Taiwan (-0.053%) and Thailand (-0.645%).

## Lower rental yields

Rental yields in Singapore have fallen over the past five years, as property prices surged and rents declined.

## Rents in Singapore have declined while property prices have risen



Singapore Urban Redevelopment Authority Fourth Quarter 2020 real estate statistics, 22 January 2021. Rental yield is annual rental income divided by the property value.

## Tactics used in the retirement journey



### Pre-retirement

- **Start to save early and continue to build up a larger capital sum**  
The sooner you start to save and invest more, the lower the chance of a saving shortfall. If possible, reduce spending and continue to work
- **Don't be too conservative with your asset allocation**
- **Actively rebalance in a downturn**

- **Stay healthy**  
Maintain and improve your mental and physical well-being

### Post-retirement

- **Stay invested for longer**  
Stay invested for longer, aiming to maximise your capital by ensuring that any discretionary funds are placed where they can potentially grow and earn revenue
- **Prudently draw down capital**  
Draw down only what's needed for your immediate spending needs
- **Seek out innovative solutions to manage cashflow**  
Explore solutions, such as a reverse mortgage, and aim to generate extra capital that may support your retirement needs