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Headline: Asset-rich, cash-poor retirees speak up

Asset-rich, cash-poor retirees speak up

They live in landed property but some are so cash-strapped, they hope for low-wage jobs and Workfare. Amid many calls on the public purse, how can their needs be addressed?

Mr Wen Zhen, 70, who lives in a terraced house in Opera Estate, gets by on some savings and a monthly allowance of $500 from his son, who lives abroad. ST PHOTOS: NEO XIAOBIN, MARK CHEONG

By ANDREA ONG and MARYAM MOKHTAR

SEVENTY-YEAR-OLD Wen Zhen counts every cent. He eats two slices of bread for breakfast and lunch each. For dinner, he cooks a vegetable dish, paired with a $2 packet of rice that he ekes out over two nights.

Yet outwardly, the retired quality surveyor – who declined to give his full name – would seem to have no money worries. After all, he lives in landed property.

Home is a single-storey terraced house in Opera Estate in Joo Chiat constituency bought by his late father for $17,000 in the 1960s. The 150 sq m house is in original condition and is dwarfed by swanky three-storey homes, but it is worth $1.6 million.

This resident of a millionaire row gets by on some savings and a monthly allowance of $500 from his son, who lives overseas.

Not only that, but Mr Wen Zhen, who is separated from his wife, says his estranged brother has threatened to sell off the house: "I just hope nobody chases me out, because I will have nowhere else to go."

Living in a single-storey terraced house on the same estate, and worrying about financial stability in the future, is administrator Dai S. L., 48. She looks after her 75-year-old mother and 80-year-old father, a wheelchair user. Her firm is not doing well and she is afraid of losing her job.

Ms Dai knows downsizing will free up much-needed cash, but says: "There is no option of selling this house as long as both my parents are still alive. This house was bought by my grandfather, and it means a lot to them."

The retiree residents of Joo Chiat constituency were in the news recently when Acting Minister for Culture, Community and Youth Lawrence Wong held a dialogue session there and they highlighted their plight.

One retiree who spoke up was pioneer resident Chris Chen, 70. The neighbourhood committee chairman noted that those in the estate paid hefty property taxes though they bought their homes decades ago at "less than the cost of buying a car today". He says he is doing fine, but knows of many retired neighbours who feel the pinch from taxes or medical bills.

These seniors are the face of a growing group of Singaporeans who are asset-rich but cash-poor – they have not much savings or income, yet receive little in government help as their property assets mean they may not meet qualifying criteria.

Mr Wong assured residents the Government is "very mindful of this particular group of sandwiched Singaporeans" in designing its tax system, which is moving to a more progressive model.

Clearly, some of these asset-rich, cash-poor retirees are in need, but how can the Government identify those elderly who are truly less well-off, regardless of address, and where should it draw the line in giving assistance?

Too much invested?

SINCE Independence, home ownership has been linked to national identity and as a way for Singaporeans to own an asset that keeps giving as property values appreciate. But this may have created its own problem – putting too much money into homes and retiring with too little savings on hand.

Professor Benedict Koh, director of the Singapore Management University's Centre for Silver Security, says the asset-rich, cash-poor phenomenon is an outcome of over-investment in property. And the proportion of such seniors is only going to rise as the population ages, say Prof Koh and other observers.

Property price rises over the last 30 years have led to retirement savings being locked up in housing, he says.

A 2007 study he led found that 43.9 per cent of cumulative Central Provident Fund (CPF) savings have been invested in properties, based on CPF data from 2005. He also calculates that the average CPF balance for all age groups falls short of the current minimum sum of $148,000, based on data from CPF's 2012 annual report.

Ms Peh Kim Choo, director of Hua Mei Centre for Successful Ageing, is worried that the asset-rich, cash-poor problem will be exacerbated as baby-boomers retire over the next 20 years.

This is the generation that entered the workforce after CPF and the message of home ownership were introduced, she says.

As more of these folk retire, says Ms Peh, "that is where we will see a lot more of the asset-rich, cash-poor situation".

It cuts across both public and private housing, she notes. Her centre has counselled such seniors living in larger HDB flats.

However, the phenomenon is arguably more pronounced for elderly private estate residents. Typically, they bought their private homes at much lower prices in the 1960s or 1970s.

Retired principal Ho Chee Peng, 77, is a first-generation resident of Teachers Estate who bought his terraced house for $24,700 in 1969. He and his wife, retired teacher Ho Fong Oi, 71, live off their savings. But they have elderly and widowed neighbours without much savings and income who do not get the same government benefits as someone who may live in an HDB flat but drives a Mercedes or Maserati.

Such situations make retirees like them question: Who is to say that one group is better off than the other?

For richer or poorer

THE Government's means-testing for large-scale special transfers like the GST Voucher and CPF top-ups has two main criteria: assessable income (AI) and annual value (AV) of residence, or the estimated annual rental that could be collected for a property. They provide a proxy for assessing a person's income and wealth.

During his visit to Joo Chiat, Mr Wong said it is fair for those with more income and wealth to pay higher taxes to fund greater public spending.

He spoke of how the Government has moved on the means-testing and tax systems to better take into account the asset-rich and cash-poor elderly. It now uses annual value instead of HDB flat type as a qualifying criterion for Budget surplus transfer schemes as this benefits owners of lower-end private property and is a "fairer system".

The Ministry of Finance (MOF) tells Insight it switched to annual value as a means-testing criterion in 2003, when the Economic Restructuring Shares (ERS) scheme was introduced. That allowed those in private properties with lower annual value to benefit from the higher quantum of ERS, compared with the New Singapore Shares in 2001 which depended on HDB flat type.

"Our approach of using both AI and AV as criteria is a practical way of identifying those who are less well-off, from among the full population of adult Singaporeans. It is not perfect, but broadly equitable and progressive," said MOF.

Elderly private estate residents who bought their private homes at much lower prices in the 1960s or 1970s may be asset-rich but cash-poor today. They get little government help because of their landed property assets.

(From left) Mr Anthony Ng, 66, who has moved to an HDB flat, and his former neighbours from Teachers Estate, Mike Goh, 67; Vincent Tan, 77; Ho Chee Peng, 77, and Mr Ho's wife Fong Oi, 71.

That complements other schemes that are less broad-based, allowing for more customised assessment of individual needs, MOF said.

The Government is also moving towards a more progressive tax system, with measures introduced in this year's Budget giving an indication of future directions.

It is lifting property tax rates for the top-most tier of homes with AVs of above $59,000, as a form of wealth tax. But when the new rates kick in next year, 95 per cent of all owner-occupied homes will pay lower property tax, said MOF. This covers all HDB owner-occupiers, including retirees, and 74 per cent of owner-occupied private homes.

Responding to Workers' Party chairman Sylvia Lim at the Budget debate, Deputy Prime Minister Tharman Shanmugaratnam said the Government, in designing the new scheme, had studied where older Singaporeans owned private homes to ensure their situation was taken into account.

For instance, they looked at Opera Estate, Teachers Estate and Serangoon Gardens, which falls within Ms Lim's Serangoon ward in Aljunied GRC.

Mr Tharman said "at least 90 per cent of even the semi-detached properties in these older estates will not face higher property tax rates as a result of this move".

Marine Parade GRC MP Seah Kian Peng feels there has been a change in the Government's mindset, and the current means-testing methods "by and large are quite fair and address most of the residents who do need help".

But some gaps remain, said Mr Seah and other MPs with larger concentrations of retired residents living in private estates.

One sticking point is the annual value threshold of $13,000 for several subsidies and schemes.

As seen in the Joo Chiat dialogue, schemes that help alleviate the cost of health care are upper-most on retirees' minds.

Ms Lim has asked several times in Parliament if the threshold can be reviewed for the Community Health Assist Scheme (Chas), which subsidises care at private GPs. Chas looks at per capita household monthly income, or annual value for economically inactive households. The latter in effect disqualifies retirees living in property of higher annual value even if they are cash-poor.

Economically inactive patients with property annual value above $13,000 get less subsidies for staying in B2 and C-class hospital wards.

The $13,000 annual value criterion also applies to the Workfare Income Supplement (WIS). Ang Mo Kio GRC MP Inderjit Singh told Insight that this disqualified some of his private estate constituents who wanted to take on low-paying jobs to support themselves after retirement.

In its response to Insight, MOF noted the $13,000 annual value threshold covers all HDB flats.

The $21,000 annual value criterion for GST Voucher, on the other hand, covers all HDB flats and about 15 per cent of all private properties – or about 80 per cent of all properties.

The MOF also said retirees living in properties with higher annual values can still benefit from "substantial health-care subsidies" at polyclinics and public hospitals as well as through Medisave top-ups. In this year's Budget, the Medisave top-up of $200 benefited 1.5 million Singaporean citizens aged 45 and above, regardless of where they lived.

However, there are those who feel the asset-rich are being too demanding. SMU's Prof Koh believes "it would be inequitable for well-off retirees to insist on holding on to their wealth in property but want handouts from the Government because they don't have enough cashflow".

In a letter to The Straits Times Forum Page this week, Mr Toh Cheng Seong said asset-rich, cash-poor seniors should "spare a thought for those who are in greater need of public help".

This echoes the more pragmatic line taken by the Government in the past: Cash-strapped seniors with high-value assets should monetise their property, whether by downsizing, sub-letting rooms or taking up a reverse mortgage.

But that is not always a viable option, say observers and MPs.

Ms Lim tells Insight: "To ask them to sell and downgrade is an emotional decision, not just dollars and cents."

Mr Singh, whose Kebun Baru ward includes Teachers Estate and Sembawang Hills, says: "Some mentioned to me that they want to spend their last years in their own house and it will be unfair for them to be asked to move to a new environment."

Uprooting and moving to an unfamiliar environment can also be traumatising for the old, say social workers and sociologists.

Dr Kang Soon Hock, head of the social science core at SIM University, says the elderly in private property may find it hard to find a cheaper, smaller home in the same area, though "it would be best if seniors, who choose to downsize, are able to remain close to the area they have been living for a large part of their lives".

It is a hard trade-off for those involved. Mr Seah tries to explore options for residents who say they are asset-rich and cash-poor, such as sub-letting a room.

Still, as Joo Chiat MP Charles Chong puts it: "The perception of heartlanders is that (asset-rich, cash-poor retirees) are better off. If the Government gives assistance to them, they would feel some sort of injustice. But we see it at at the micro and individual level, and we see how heartbreaking it is."

On top of that, economics don Chia Ngee Choon of the National University of Singapore says there could be other social or behavioural motives in play. For instance, the desire to leave a bequest to one's children is "very strong".

What can be done?

WHAT then can be done to improve the situation of these asset-rich, cash-poor retirees?

One suggestion is to extend the full benefits of some "essential" schemes to all seniors above a certain age, like the senior citizen concession card for public transport.

Retired senior lab technologist Vincent Tan, 77, who lives in Teachers Estate, says: "Why not cast the net wider to include everyone above a certain age?"

Mr Singh says this could be done under the Pioneer Generation Package announced at this year's National Day Rally: "Many bought properties a long time ago when there were no HDB flats and hence did not enjoy the subsidy of public housing. I think we can be generous and give them help like Chas and other subsidies."

Alternatively, he adds, the annual value criterion could be lifted for schemes like WIS and Chas.

Hua Mei Centre's Ms Peh suggests a "basic universal package" for the elderly, which would be in line with recent moves like removing the age limit for MediShield Life.

Mr Seah favours raising taxes on the rich – whether via income, property or luxury cars – to help the less well-off.

SMU's Prof Koh says, however, the Government should spend more effort tackling "the underlying cause of the asset-rich, cash-poor dilemma" – over-investment in property. He calls for a cap on how much CPF savings can be tied up in property.

Observers say greater financial literacy and education is needed. "I don't think anyone really knows how much we really need to grow old," says Ms Peh.

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