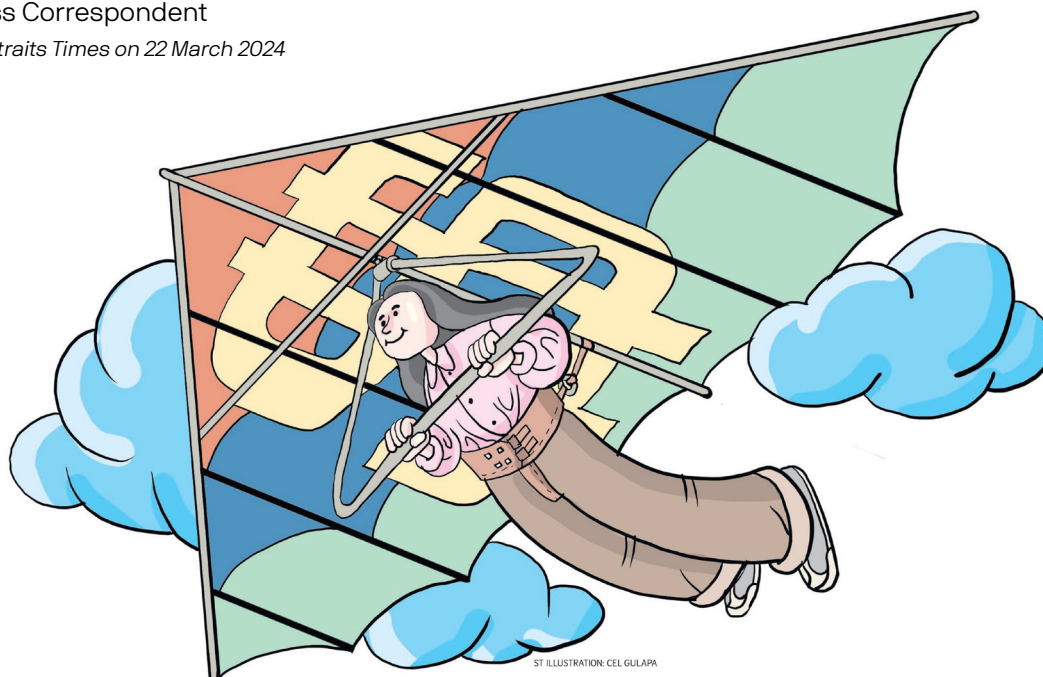


Is it possible to glide your way to retirement?

Chor Khieng Yuit

Senior Business Correspondent

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Retirement may seem a long way off for some of us, but it is never too early to plan for when we stop working.

And, for those of us who are close to retirement, it is never too late to start planning either.

After all, who would want to end up in old age living hand to mouth, struggling to get by?

I, for one, would want to be adequately prepared for my golden years.

It was with this in mind that I set out to find out more about the DBS Retirement digiPortfolio launched by DBS Bank in collaboration with JP Morgan Asset Management on March 20.

I was told that this digiPortfolio automatically rebalances its allocation into equities, fixed income and cash according to an individual's investment time horizon – or how far away he is from his desired retirement age.

To illustrate, someone in his 30s who set his retirement age at 65 has a long time horizon – about three decades or so – to retirement.

At this age, his portfolio will be tilted more towards riskier assets like equities (65 per cent) and less towards fixed income (32 per cent) and cash (3 per cent).

As he gets older, the portfolio will be adjusted to reflect the shorter investment time horizon. His allocation to equities drops to 57 per cent, while that for relatively safer assets like fixed income goes up to 40 per cent and cash remains at 3 per cent.

When the individual approaches his desired retirement age of 65, his portfolio gets even more conservative, as the allocation to equities drops to 15 per cent and that for bonds goes up to 82 per cent.

Mr Ling Seng Chuan, head of financial planning, insurance and investment at DBS, said that with the Retirement digiPortfolio, one is “able to glide down into retirement as his portfolio will automatically start to de-risk its asset allocation gradually as he approaches his preferred retirement age”.

This is useful for busy people like me who invest but don't have the time to track their investments.

I can let my portfolio grow and adjust on its own with the right mix of investments.

Even in retirement when I start to take out some cash monthly, the rest of the money in my Retirement digiPortfolio remains invested in lower-risk fixed-income instruments and cash equivalents.

That money, therefore, continues to earn a return and grow, essentially leaving me with a pot of savings that can last me for a longer period.

In contrast, if I had sold off all my investments following my retirement, and received a lump-sum payout, I may not know how to manage that money optimally, since I am not a professional fund manager.

Of course, emergencies such as a major medical expense, and unexpected life events such as an unplanned baby, will crop up after we have made the best of plans.

When this happens, I was told that I can pause my investments or reduce the amount I invest monthly to free up my cash flow.

And when my financial situation improves, I can increase my monthly top-ups again.

I asked around and realised that the GrowthPath portfolios from UOB Asset Management (UOBAM) are similar in concept.

UOBAM launched five GrowthPath portfolios – Today, 2010, 2020, 2030 and 2040 – on Dec 2, 2002.

GrowthPath 2010 matured on Dec 31, 2010, and GrowthPath 2020 matured on Dec 31, 2020.

According to the last available factsheet for GrowthPath 2010, as at Nov 30, 2010, the net asset value of the portfolio rose 4.57 per cent on an annualised basis since inception.

As for GrowthPath 2020, as at Nov 30, 2020, the net asset value of the portfolio rose 4.48 per cent on an annualised basis since inception.

There are currently two GrowthPath series portfolios with maturity dates in 2040 (GrowthPath 2040) and 2030 (GrowthPath 2030).

They aim to provide long-term capital appreciation to investors by making higher-risk investments earlier on and gradually reallocating to lower-risk instruments so that the initial investment amount is not subject to volatile market movements and remains intact as the portfolio nears maturity.

Ms Rachel Ong, chief marketing officer at UOBAM, said the portfolios are open-ended funds and there is no lock-in period. Investors are thus free to buy into the fund and sell off at any point.

After the target or maturity date is reached, the funds will be terminated and the remaining units held will be automatically transferred to GrowthPath Today, she added.

If investors choose not to transfer their units to GrowthPath Today, they can request that these units be realised in cash, she said.

Those who continue to hold their units in GrowthPath Today will have access to a portfolio geared towards income and short-term capital appreciation.

They can sell off their units in the fund at any point, effectively creating an income stream for their retirement.

Unlike the DBS Retirement digiPortfolio, the ones from UOBAM currently do not cater to investors in their 20s or 30s.

I asked UOBAM if it will be launching GrowthPath 2050, GrowthPath 2060 and even GrowthPath 2070. Ms Ong said any decision to launch a new product will depend on demand and whether there is a compelling investment case for it.

So for now, younger investors who want to try out flexible target-date funds can do so with the DBS Retirement digiPortfolio.

Said DBS' Mr Ling: "We strongly believe that there is a gap that we can plug."

Young investors have a longer investment runway, so they can take on bigger risks to grow their wealth and ride out the market volatilities, he added.

Mr Daryl Leong, vice-president of Singapore funds at JP Morgan Asset Management, said the "glidepath" design helps deliver better retirement outcomes by ensuring that young investors take on adequate equity risk in their accumulation years.

Closer to their retirement years, the glidepath then shifts the focus towards protecting their retirement funds and, more importantly, ensures they stay invested post-retirement, he said.

As for me, both the DBS and UOBAM options are possible.

I can opt for the GrowthPath 2040, which has another 16 years to maturity, by which time I will be close to retirement.

Alternatively, Mr Ling said I can also try out the DBS solution. "If you come in later, you still have the flexibility to set a later retirement age to give you enough runway to grow and withdraw your funds."

If I set a later retirement age, say 70, then at my current age of 46, 65 per cent of my money will go into equities, 32 per cent into fixed income and 3 per cent into cash and cash equivalents.

However, if I stick to the current retirement age of 63, the allocation to equities is smaller at 58 per cent, with 39 per cent going into fixed income and 3 per cent into cash and cash equivalents.

Do I want to take on bigger risks by having more of my money in equities or should I just stick to a shorter time horizon and accumulate less wealth?

It boils down to individual risk appetite, family situation and financial objectives.

To help investors decide, DBS will launch capabilities in its digibank app in a few months that will give them a holistic view of all their income sources from insurance policies, Central Provident Fund savings, the Retirement digiPortfolio and other investments.

They will also be able to simulate how long their accumulated wealth in the Retirement digiPortfolio will last them if they choose different payout amounts.

For instance, if I choose to take out \$1,000 every month at retirement, the calculator could tell me that I can continue doing so until I am 75 years old.

If I drop my withdrawal amount to \$500, then I could extend my payouts till I am 85 years old, for example.

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