# How to retire comfortably

WHEN you read this article, take a moment to imagine your life after retirement — are you reclining in your lounge chair by the beach or travelling and enjoying a holiday?

Now ask yourself this: "Can I afford it?".

You may be able to, provided you start planning early.

Retirement is an issue that every one of us will have to deal with in our lives. Some will retire comfortably, and others will not.

What makes the difference?

Intuitively, the answer is in a person's salary. But ultimately, the answer may lie in having the discipline to save and invest early and wisely.

Some may say that they have already begun saving early, with monthly CPF contributions growing at 2.5 per cent per annum. Consider a yearly inflation rate of close to 2 per cent and that figure may not seem so appealing.

Since the start of this month, the CPF minimum sum was raised to $90,000. Meeting that figure earns you an annuity of $711 a month for 20 years after age 62.

Is that sufficient? Probably not.

So clearly, you cannot rely on your CPF savings to retire comfortably.

Even in terms of cash savings, many Singaporeans seem ill-prepared for retirement.

A recent study by the Singapore Management University found that many Singaporeans aged 55, only have $40,000 in liquid assets and $20,000 in investment assets to help fund their retirement.

Even more shocking was the fact that the average amount invested in liquid assets (savings, current account and fixed deposits), across all age groups, was found to be only about $35,000.

But how much do we really need to retire comfortably? Much depends on the lifestyle that you desire to have after retirement.

To give you an idea, let us take the example of a 40 year-old female who desires $2,000 per month (in today's dollars) when she retires at 62.

Let us assume an annual investment return of 4 per cent, inflation rate of 2 per cent and wage increment of 2 per cent.

To keep herself going till 80, she would need a lump sum of about $569,000 at the point of retirement. For a monthly income of $3,000, a larger lump sum of about $854,000 is needed.

These figures are not impossible to meet. Living within your means is climbing the very first rung of this proverbial ladder.

To get to the top, requires a bit of sacrifice and discipline. Once again, it means making sure that you save and invest early so that you will be able to build up a comfortable retirement nest-egg.

Implementing a monthly savings plan may be a good way to start.

Even if the amounts you set aside each month are small, it is a healthy practice to adopt and will leave you in good stead in the future.

But be sure to invest your savings if you want it to grow.

Investments in structured deposits, unit trusts, endowment plans and other alternatives should be considered, depending on your own appetite for risk.

The bottom line is that the earlier you start, the smaller will be the amounts you will need to save and invest to meet your retirement goal.

*Next week, we shall look at some ways in which your CPF savings can be used and the implications of these.*



# AN INVESTMENT IN GLOBAL INFRASTRUCTURE

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taking STOCK
analysis•gossip•opinion

WITH the listing of Mapletree's real estate investment trust (Reit), Singapore investors are spoilt for choice when deciding on which property trust to put their money in.

But there's another option worth considering if you are looking for a similar investment platform.

The listing of the Macquarie International Infrastructure Fund (MIIF) last month opened up a special opportunity for investors to participate in the growth of the world's infrastructure sector.

Despite being the first of its kind here and having a rather complex structure, MIIF – which has interests in airports, communications infrastructure, utility and energy assets, water and gas distribution assets and transport infrastructure assets – found almost immediate favour with investors.

Within days of its listing, MIIF had hit a high of $1.24 from its issue price of $1 before easing to $1.12 yesterday.

MIIF appears very much like a Reit, but it lets investors own and participate in a collection of infrastructure assets and businesses, as opposed to properties.

It is also important to note the differences, particularly if adopting a buy-and-hold strategy. As a Reit relies on the rentals from its property portfolio, its distributable income is dependent on the state of the local economy.

MIIF is a more defensive investment, as the good geographical spread of its infrastructure assets – such as toll roads, utilities, airports – makes it less vulnerable to the economic ups and downs of any single country or region.

Moreover, infrastructure is controlled by government concessions, which means the assets are usually monopolies that have a built-in hedge against inflation.

On the flip side, government involvement may result in MIIF having less flexibility to liquidate or add to its investment portfolio. In comparison, a Reit can readily sell its properties or achieve growth through acquisition in the open market.

Not only are there fewer infrastructure assets available, securing and financing the acquisition of infrastructure is a totally different ball game to that of properties.

While MIIF should generate a more stable and predictable distributable income stream than a Reit over a longer period, the trade-off is that there are relatively less opportunities to grow revenues substantially in the short term. Investors should consider this when choosing between the two instruments.

*The writer is a freelance contributor and has done extensive research of Asian markets.*

*Mapletree Reit IPO launched: Page 26*

## STOCK calls

**United Overseas Bank ($14.40) — HOLD**

The bank has agree to buy an additional 30-per-cent stake in Indonesia's Bank Buana, in which it now has a 23-per-cent stake. The 1.65-trillion-rupiah ($285-million) purchase price of is equivalent to 2.59-times its book value as at June. We believe that Buana will eventually be used by UOB as a platform to expand into Indonesia, possibly through buying other Indonesian banks. Given Buana's small size, the financial impact on UOB is not material after taking into account the funding costs. For the six months to June, Buana made a pre-tax profit of 307 billion rupiah, or about 5 per cent of UOB's group pre-tax profit. There is no revision to our earnings estimate and our "Hold" recommendation is maintained. — *Kim Eng Securities*

**CSA Holdings ($2.01) — SELL**

Sias Research initiated its coverage on CSA Holdings with a "Sell" and no target price. Substantial shareholder Computer Sciences Corp (CSC) is offering $2.05 per share to buy over CSA and privatise it after a 75-per-cent majority vote. Sias Research said that there was little "meat" left in the stock after a surge since the privatisation announcement on June 13. There is a notes stalemate for now as shareholders wait out to accept CSC's offer, while investors are denied a buying chance. — *Dow Jones*