

UNLOCKING THE VALUE OF YOUR HOME

Housing types	Schemes	Monthly payout to joint owners
Two-room	Lease buyback	\$376
	Reverse mortgage	\$422
Three-room	Lease buyback	\$502
	Downsize	\$270 – \$635 (Avg \$452)
	Sublet	\$414 – \$549 (Avg \$481)
Four-room	Downsize	\$410 – \$1050 (Avg \$730)
	Sublet one room	\$414-\$549 (Avg \$481)
	Reverse mortgage	\$574

These payouts are only estimates, and subject to other provisions like the flat owner's age, which determines how the annuities are calculated, as well as property-centric factors like geographical location.

SOURCE: PROF CHIA, DEPARTMENT OF ECONOMICS, NUS
*BASED ON A 4-PER-CENT PROPERTY GROWTH RATE
** FOR FLATS LEFT WITH A 30-YEAR LEASE



YENYOK

The best option for elderly flat owners

THE Housing and Development Board's (HDB) lease buyback scheme appears to be the best option for the elderly who wish to "unlock" the value of their homes.

The lease buyback scheme, which the HDB will implement next year, provides the highest monthly payouts compared with other plans that enable the elderly to monetise their flats for retirement income.

Under the lease buyback model, HDB will buy back the tail end of the flat's lease from elderly owners at market value. It will be offered only to low-income elderly living in three-room or smaller flats.

"For a three-room HDB, the average present value of retirement income from subletting and downsizing is smaller than that under the lease-buyback scheme," said Associate Professor Chia Ngee Choon from the National University of Singapore during the Singapore Economic Policy Conference. "Hence, it is more attractive."

Many Singaporeans use their Central Provident Fund savings for their mortgages, reducing the amount of funds left for retirement. This has created a class of asset-rich

but cash-poor Singaporeans, whose "savings are plastered over the wall", said Prof Chia.

Based on her calculations, the lease buyback scheme would give two 62-year-old joint owners of a three-room HDB flat a monthly payout of \$502. This estimate is based on the average resale value of \$200,000 for a three-room flat with 30 years of lease remaining. The couple can unlock a housing equity of about \$92,000, which includes HDB's \$10,000 cash subsidy.

The alternatives to the lease buyback scheme are downgrading to a smaller flat, subletting and taking a reverse mortgage. Reverse mortgages allow customers to obtain loans in the form of retirement annuities, using their homes as collateral.

Comparing the monthly payouts among these different schemes, Prof Chia said: "Reverse mortgage is the worst option."

After seeing the results of Prof Chia's study, the Institute of Policy Studies' adjunct senior research fellow Manu Bhaskaran said the monthly payouts of between \$270 and \$635 per couple appear inadequate for the living expenses for the elderly.

He said: "There seems to be a gap in the public policy, perhaps the authorities can explore rental options."