

Basic FINANCIAL PLANNING GUIDE

for Working Adult

(Parent with children and supporting aged parents)

35 - 59 years old

You have many loved ones looking to you for support. A solid financial plan will help you navigate the challenges!



Key Needs	Rules of Thumb	What to Do
 <p>EMERGENCY FUNDS</p>	<p>Set aside at least 3 to 6 months' worth of expenses</p>	<p>Consider keeping money in a combination of:</p> <ul style="list-style-type: none"> Savings Accounts Singapore Savings Bonds (SSBs)* <p><i>*SSBs are guaranteed by the Government. You can exit your investment in any given month without penalty</i></p>
 <p>PROTECTION</p>	<p>Obtain insurance protection for:</p> <ul style="list-style-type: none"> Death & Total Permanent Disability: 9x annual income Critical illness: 4x annual income <p>Familiarise with national schemes that you are already covered under:</p> <ul style="list-style-type: none"> MediShield Life for large healthcare bills CareShield Life / ElderShield for long-term care in case of severe disabilities <p>Spend at most 15%** of take-home pay[^] on insurance protection</p>	<p>Consider Term Insurance Plans for affordable protection</p> <p>Scan to compare insurance products go.gov.sg/compare</p>  <p><small>https://go.gov.sg/compare</small></p> <p><i>**Purchase of bundled products (e.g Whole Life Insurance), may exceed 15% of take-home pay as they contain both investment and protection elements</i></p> <p><i>[^]Income after deducting CPF contributions</i></p>
 <p>INVESTMENTS</p>	<p>Invest at least 10%** of take-home pay[^] for retirement and other financial goals (e.g., children's education)</p> <p>Start your retirement planning now If you are 55 years old or above, explore options to monetise your property:</p> <ul style="list-style-type: none"> Silver Housing Bonus, Lease Buyback Scheme, renting out room/flat 	<p>Consider:</p> <ul style="list-style-type: none"> Short-term: Singapore Savings Bonds (SSBs), T-bills, Fixed Deposits Long-Term: CPF top-ups, diversified[#] Exchange Traded Funds and/or Unit Trusts <p><i>[#] Across asset classes, industries and countries</i></p> <p>Start planning using the CPF Planner go.gov.sg/retireplan</p>  <p><small>https://go.gov.sg/retireplan</small></p>
 <p>LEGACY PLANNING</p>	<p>Make your will and CPF nomination, and appoint trusted persons</p>	<p>Consider making your:</p> <ul style="list-style-type: none"> Will, CPF nomination Lasting Power of Attorney, Advance Care Plan <p>Learn more on My Legacy Portal with step-by-step guide go.gov.sg/legacyplan</p>  <p><small>https://go.gov.sg/legacyplan</small></p>


CASE STUDY

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Aishah, 49, is the proud mother of a 13-year-old boy. Providing for his future education is her priority. She is supporting her aged father, 77, who is no longer working. She works as a business development executive.

Here's a breakdown of her monthly cashflows for financial planning:

Monthly Salary	\$4,900
Employee CPF Contribution (20%)	\$980
Monthly Take-home Pay	\$3,920
Financial Planning Budget	\$920
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Monthly Expenses	\$3,000

Financial Planning Needs	Rules of Thumb	Product(s)	Amount per month
 <p>EMERGENCY FUNDS</p>	$6 \times \$3,000 =$ \$18,000	<ul style="list-style-type: none"> Savings Account Singapore Savings Bonds 	\$220¹
 <p>PROTECTION</p>	<p><u>Death & Total Permanent Disability (TPD)</u></p> $9 \times \$4,900 \times 12 =$ \$529,200	<ul style="list-style-type: none"> Dependants' Protection Scheme (DPS) (\$70,000 coverage) Term insurance plan for Death & TPD (\$500,000 coverage) 	\$8 from CPF²
	<p><u>Critical Illness</u></p> $4 \times \$4,900 \times 12 =$ \$235,200	<ul style="list-style-type: none"> Term insurance plan for critical illness (\$200,000 coverage) 	\$231⁴
	<p><u>Large healthcare bills</u></p>	<ul style="list-style-type: none"> MediShield Life (for self, child and parent) 	\$187 from CPF⁵
	<p><u>Long-term care</u></p>	<ul style="list-style-type: none"> CareShield Life (for self and parent) 	\$104 from CPF⁶
 <p>INVESTMENTS</p>	<p>At least</p> $10\% \times \$3,920 =$ \$392	<ul style="list-style-type: none"> Short-term: e.g. Fixed Deposits Long-term: e.g. Unit Trusts 	\$400⁷

TOTAL out-of-pocket \$: **\$920**

- \$300** on protection (about 8% of her take-home pay, within the recommended maximum of 15%)
- \$620** on savings and investments (about 16% of her take-home pay)

1. Aishah has set aside some money (\$16,000) having worked for a few years. She will save the recommended amount of 6 months' expenses (\$18,000) in less than one year.

2. Based on actual DPS annual premiums of \$93 (coverage of up to \$70,000 until age 60) or \$93/12= \$7.75 (monthly), according to <https://www.cpf.gov.sg/member/faq/account-services/dependants-protection-scheme/how-much-premium-do-i-need-to-pay-to-be-covered-under-dps>. DPS premiums are payable yearly using CPF. Premiums also increase with age.

3. Based on estimated annual median prices of term insurance plans for coverage until age 65 according to www.comparefirst.sg. Please note that coverage is in multiples of \$100,000, rounded up or down depending on the individual's estimated insurance protection needs.

4. Based on estimated annual median prices of standalone term insurance plans which minimally cover the 37 critical illnesses defined in LIA's Critical Illness Framework.

5. Based on actual MediShield Life annual premiums (before subsidies) of \$534.81 for Aishah, \$147.71 for her child, and \$1,558.60 for her father, or a monthly total of $(534.81+147.71+1558.60)/12=186.76$ according to <https://www.cpf.gov.sg/content/dam/web/member/healthcare/documents/MediShield%20Life%20Premiums%20by%20Age%20Group.pdf>. MediShield Life premiums are payable yearly using CPF. Premiums also increase with age.

6. Based on estimated CareShield Life annual premiums. Refer to <https://www.cpf.gov.sg/member/healthcare-financing/careshield-life/careshield-premiums-and-subsidies> to check your premiums. CareShield Life premiums are payable yearly using CPF. Premiums also increase with age.

7. Aishah invests remaining funds available.

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Emergency funds

To work out how much you need in emergency funds, compile your household and personal expenses in a month, including loan repayments, credit card bills, insurance premiums, and taxes.

When budgeting for your expenses, a useful tip is to separate the essentials from the good-to-haves.

Aim to set aside enough to cover at least 3 to 6 months' worth of expenses. If your income is irregular, aim to have savings equivalent to 12 months of expenses.

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Prioritise paying off high interest debts (e.g., credit card bills), to avoid high interest charges.
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Coverage for death, total permanent disability and critical illness

The Life Insurance Association of Singapore recommends coverage of:

- 9x annual income for death and total permanent disability; and
- 4x annual income for standard critical illness.

Dependants' Protection Scheme (DPS) is a term life insurance scheme that provides a one-off payout (up to \$70,000 until age 60; up to \$55,000 from above age 60 to 65) in the event of death, terminal illness or total permanent disability. It is automatically extended to you upon your first CPF working contribution.

Term insurance policies are a cost-effective way to ensure protection, especially when lower premiums are “locked-in” at a younger age.

Premiums for term insurance policies are usually cheaper compared to whole life insurance policies, for the same level of protection. This is because most term insurance policies only provide insurance protection and do not have any investment element (i.e. no surrender value).

For more affordable options, explore:

- Group term insurance policies (e.g. MINDEF & MHA group term insurance policies applicable for Full-time National Servicemen and their dependants); and
- Direct Purchase Insurance. No commission is charged as this option does not come with any financial advice.

Learn more about DPS here
go.gov.sg/dps



Compare premiums and features of insurance products at compareFIRST
go.gov.sg/compare



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MediShield Life

MediShield Life is a national health insurance that covers large hospital bills and selected costly outpatient treatments such as cancer treatments and dialysis.

All Singapore Citizens and Permanent Residents are covered by MediShield Life and premiums can be fully paid using your MediSave.

If you prefer to choose your own doctor, or opt for private hospitals or Class B1/A wards in public hospitals, your hospital bill would be larger.

“ **Half of Singapore residents with IPs do not utilise their IP benefits fully** by choosing to stay in Class B2/C wards when hospitalised. In such cases, MediShield Life's coverage would be sufficient and additional IP may not be necessary.

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Private insurers offer Integrated Shield Plans (IPs)*, which provide additional coverage on top of MediShield Life to help with your out-of-pocket expenses.

When making a decision to buy an IP, evaluate your needs and be mindful of the long-term costs that increase significantly with age. You can use MediSave to cover IP premiums, but it has withdrawal limits. If your IP premium (excluding MediShield Life) exceeds these limits, you may need to pay a portion using cash.

Check out MOH's comparison of IPs
go.gov.sg/compareip



*IP policyholders are also not eligible for Additional Premium Support (APS), which is a form of financial assistance for MediShield Life/CareShield Life premiums. If you are currently receiving APS to pay for your MediShield Life and/or CareShield Life premiums, you will stop receiving APS if you choose to be insured under an IP. This applies even if you are not the person paying for the IP.

CareShield Life

CareShield Life is a national long-term care insurance scheme that provides monthly financial support should you develop a severe disability. CareShield Life covers all Singapore Citizens and Permanent Residents born in 1980 onwards, and premiums can be fully paid by your Medisave.

CareShield Life provides enhanced benefits as compared to ElderShield. ElderShield policyholders who have not developed severe disability may sign up to join CareShield Life.

Severe disability is when you cannot perform at least 3 out of the 6 activities of daily living independently (e.g. feeding, dressing, toileting, washing, transferring and mobility).

If you would like higher payouts or additional coverage (e.g. for less severe disability), private insurers offer CareShield Life Supplements. Carefully consider your needs and the long-term cost of CareShield Life Supplements, which depends on your current age.

If you are born before 1980, check if you have switched to CareShield Life and encourage your loved ones to do so too!
go.gov.sg/csl



Find out more about CareShield Life Supplements
go.gov.sg/csllsup



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CPF and your retirement

Your CPF savings help to prepare for your retirement from the moment you begin working.

Grow your retirement savings by making cash top-ups and/or CPF transfer to your CPF Special/Retirement Account.

You can enjoy up to \$8,000 in tax relief on your cash top-ups and receive higher monthly payouts due to compounding interest when you retire!

Learn more about CPF top-ups
go.gov.sg/cpftopups



Explore housing monetisation options such as Silver Housing Bonus and Lease Buyback Scheme to supplement your retirement income.

CPF LIFE provides you with monthly payouts no matter how long you live.

Estimate your CPF LIFE monthly payouts based on your desired retirement lifestyle
go.gov.sg/lifeestimator



Explore options to monetise your properties
go.gov.sg/monetise



Investments

An important aspect of investing is understanding your own circumstances and the product before you put your money in it. Considerations include your financial goals, needs, investment horizon, risk appetite and budget, as well as the product's features, terms, benefits and risks.

Every investment bears risk. In some cases, you could lose some or all of the money you invested. Bear in mind that there is no free lunch - the higher the potential returns, the higher the risks!

For lower risk products, you may consider Singapore Savings Bonds, T-bills and fixed deposits that are capital guaranteed by the Government or banks.

Diversification is a way to manage investment risks, by allocating funds across different asset classes (e.g. stocks and bonds), different industries and different countries.

Learn more about how to build an investment portfolio that meets your needs here!
go.gov.sg/investments



There are diversified investment products such as Exchange Traded Funds (ETFs) and/or Unit Trusts (UTs), which can help you spread your investment across different asset classes, industries and countries.

There are also bundled products which have both investment and protection elements. Examples of such bundled products include whole life policies, investment linked policies (ILPs) and endowment plans.

Pay attention to the fees and charges incurred when purchasing investment products as these will reduce your returns. You are also strongly encouraged to purchase investment products through MAS regulated financial institutions.

Refer to MAS Financial Institutions Directory for a listing of the financial institutions regulated by MAS
go.gov.sg/regulatedfis



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Legacy planning

Legacy planning involves:

- A will: sets out your instructions on how you want your estate to be distributed after your death;
- A CPF nomination: allows you to decide how your CPF savings will be distributed when you pass on;
- A Lasting Power of Attorney: lets you appoint one or more people you trust to act and make decisions on your behalf should you lose mental capacity; and
- An Advance Care Plan: sets out your wishes for future health and personal care.

Learn more on My Legacy portal
with step-by-step guide
go.gov.sg/legacyplan



Supporting your parents in their golden years

Consider:

- Making cash top-ups and/or CPF transfers to your parents' CPF Special/Retirement Account to enable them to get higher payouts. You can enjoy tax relief of up to \$8,000 on your cash top-ups to your parents;
- Paying your parents' MediShield Life and CareShield Life premiums using your MediSave; and
- Upgrading your parents' ElderShield to CareShield Life or encourage them to join CareShield Life for higher and longer payouts.