

***Basic* FINANCIAL PLANNING GUIDE**

***for* Working Adult (Starting a family) 25 - 34 years old**

As you make plans to start a family, stability is important. Remember to inculcate good money habits in your children!

#### Key Needs Rules of Thumb What to Do

EMERGENCY FUNDS

#### Set aside at least 3 to 6 months’ worth of expenses

Consider keeping money in a combination of:

Savings Accounts

Singapore Savings Bonds (SSBs)**\***

*\*SSBs are guaranteed by the Government. You can exit your investment in any given month without penalty*

PROTECTION

**Obtain insurance protection** for: Death & Total Permanent Disability: **9x annual income**

Critical illness: **4x annual income**

**Familiarise with national schemes** that you are already covered under:

**MediShield Life** for large healthcare bills **CareShield Life** for long-term care in case of severe disabilities

Consider Term Insurance Plans for affordable protection

Scan to compare insurance products go.gov.sg/compare

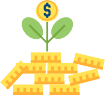
#### Spend at most 15%\*\* of take-home pay^

on insurance protection

*\*\*Purchase of bundled products (e.g Whole Life Insurance), may exceed 15% of take-home pay as they contain both investment and protection elements*

*^ Income after deducting CPF contributions*

**Invest at least 10%\*\* of take-home pay^** for retirement and other financial goals (e.g., children’s education, home purchase)



INVESTMENTS

Start your **retirement planning now**

Consider:

Short-term: Singapore Savings Bonds, T-bills,

Fixed Deposits #

Long-term: CPF top-ups, diversified Exchange

Traded Funds and/or Unit Trusts

*#Across asset classes, industries and countries*

Start planning using the CPF Planner go.gov.sg/retireplan

Prepare for **home purchase**

Prepare and budget for HDB purchase go.gov.sg/buyhdb



**$23 from CPF**6

CareShield Life (for self)

Long-term care

5

**$45 from CPF**

MediShield Life (for self and child)

Large healthcare bills

**$95**4

Term insurance plan for critical illness ($200,000 coverage)

Critical Illness 4 x $3,400 x 12 =

**$163,200**

PROTECTION

**$23**3

2

**$2 from CPF**

Dependants’ Protection Scheme (DPS) ($70,000 coverage)

Term insurance plan for Death & TPD ($300,000 coverage)

Death & Total Permanent Disability (TPD) 9 x $3,400 x 12 =

**$367,200**

# CASE STUDY

|  |  |
| --- | --- |
| **Monthly Salary** | **$3,400** |
|  |  |
| Employee CPF Contribution (20%) | $680 |
| Monthly Take-home Pay | $2,720  **-** |
| **Financial Planning Budget** | **$720**  **=** |
| Monthly Expenses | $2,000 |

“Mei Ling, 30, is a manager in a restaurant. Providing certainty for her daughter’s future, including her

education, is Mei Ling’s priority.

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

**Financial Planning Needs**

**Rules of Thumb**

**Product(s)**

**Amount per month**

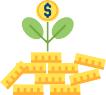
6 x $2,000 =

**$12,000**

Savings Account Singapore Savings Bonds

**$200**1

EMERGENCY FUNDS



In 18 years, she would have set aside at

least another **$30,000**

tertiary education.

8for her child’s

Retirement (Long-term): e.g. Exchange Traded Funds

**$252**7

INVESTMENTS

**At least**

10% x $2,720 =

**$272**

Children’s education (Long- term): e.g. Unit trusts

**$150**

**TOTAL out-of-pocket $: $720**

**$118** on protection *(about 4% of her take-home pay, within the recommended maximum of 15%)*

**$602** on savings and investments *(about 22% of her take-home pay)*

1. Mei Ling has already saved $10,000 having worked for a few years. She will save the recommended amount of 6 months’ expenses ($12,000) in less than one year.
2. Based on actual DPS annual premiums of $18 (coverage of up to $70,000 until age 60) or $18/12= $1.5 (monthly), according to [https://www.cpf.gov.sg/member/faq/account-services/dependants-](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)

[-protection-scheme/how-much-premium-do-i-need-to-pay-to-be-covered-under-dps](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.

1. Based on estimated annual median prices of term insurance plans for coverage until age 65 according to [www.comparefirst.sg](http://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.
2. 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.
3. Based on actual MediShield Life annual premiums (before subsidies) of $397.29 for Mei Ling and $147.71 for her child, or a monthly total of (397.29+147.71)/12=$45.42 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 and all Singapore Citizens are automatically covered for life by MediShield Life starting from birth. Premiums also increase with age.
4. 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.
5. Mei Ling invests remaining funds available.
6. $32,400 based on $150 x 12 (months in a year) x 18 (years), excluding interests and assuming no change in the amount set aside for 18 years.

***FIND OUT MORE FOR***

## Working Adult

### Starting a family

**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.

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.

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

Prioritise paying off high interest debts (e.g., credit card bills), to avoid high interest charges.

”

“

#### 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 to 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

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



**CPF and your retirement**

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!

You should start investing to grow your wealth too. Take advantage of your long time horizon and the powers of compounding interest!

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

***FIND OUT MORE FOR***

## Working Adult

### Starting a family

#### 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.

“

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.

**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.

Check out MOH’s comparison of IPs

go.gov.sg/compareip

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\*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 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**

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.

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

***FIND OUT MORE FOR***

## Working Adult

### Starting a family

#### 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

**Home purchase**

For many Singaporeans, a home will be the largest purchase and investment that one will make.



It is important that you plan your finances and budget for a flat purchase carefully with HDB’s ABCs of financial planning and financial tools.

Find out more from HDB’s comprehensive guide

go.gov.sg/buyhdb



***Basic***

# FINANCIAL PLANNING GUIDE

***for***

**Pre-Retiree**

**55 - 64 years old**

Start thinking about your future income and expenses now, as you plan for your desired lifestyle in your golden years.

#### Key needs Rules of Thumb What to Do

EMERGENCY FUNDS

#### Set aside at least 3 to 6 months’ worth of expenses

Consider keeping money in a combination of: Savings Accounts

Singapore Savings Bonds (SSBs)**\***

*\*SSBs are guaranteed by the Government. You can exit your investment in any given month without penalty*

**Start your retirement planning now** Work out how much savings you need

RETIREMENT GOALS

for your desired monthly payouts

under your preferred CPF LIFE plan go.gov.sg/lifeestimator

#### Invest at least 10% of take-home pay^ for retirement

*^ Income after deducting CPF contributions*

Consider：

Short-term: Singapore Savings Bonds (SSBs),

T-bills, Fixed Deposits #

Long-term: CPF top-ups, diversified Exchange Traded Funds and/or Unit Trusts

*# Across asset classes, industries and countries*

Explore options to **monetise your property** Silver Housing Bonus, Lease Buyback

Scheme, renting out room/flat

#### Make your will and CPF nomination, and appoint trusted persons

LEGACY PLANNING

Consider making your: Will, CPF nomination

Lasting Power of Attorney, Advance Care Plan

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

**Familiarise with national schemes** that you are already covered under:

**MediShield Life** for large healthcare bills

**CareShield Life/ElderShield** for long- term care in case of severe disabilities

Check if you have switched to CareShield Life and encourage your loved ones to do so too! go.gov.sg/csl

PROTECTION

Insure your home

Review if your insurance plans remain affordable

Consider fire and home content insurance, even when you have fully paid off your mortgage



**$8**

5

**$87 from CPF**

**$54 from CPF**6

CareShield Life

Long-term care

MediShield Life

Large healthcare bills

Fire and Home Content Insurance

PROTECTION

4

**$95**

Term insurance plan for critical illness ($100,000 coverage until age 65), bought when he was 45

Critical Illness 4 x $2,500 x 12 =

**$120,000**

3

**$25 from CPF**2

**$47**

Dependants’ Protection Scheme (DPS) ($55,000 coverage)

Term insurance plan for Death & TPD ($200,000 coverage until age 65), bought when he was 45

Death/Total Permanent Disability (TPD) 9 x $2,500 x 12 =

**$270,000**

RETIREMENT GOALS

**$610**1

CPF Retirement Account top-ups, T-bills

**At least**

10% x $2,237.50 =

**$223.75**

# CASE STUDY

|  |  |  |
| --- | --- | --- |
| **Monthly Salary** |  | **$2,500** |
| Employee CPF Contribution (10.5%) |  | $262.50 |
| Monthly Take-home Pay |  | $2,237.50  **-** |
| **Financial Planning Budget** |  | **$760**  **=** |
| Monthly Expenses |  | $1,477.50 |

“Kumar, 61, is a supervisor in a cleaning company. His children are already working and he has begun planning his retirement in a few

years’ time.

Here’s a breakdown of his monthly cashflows for financial planning:

#### Financial Planning Needs Rules of Thumb Product(s) Amount per month

**TOTAL out-of-pocket $: $760**

**$150** on protection (*about 7% of his take-home pay, within the recommended maximum of 15%*)

**$610** toward retirement goals (*about 27% of his take-home pay*)

1. Kumar has set aside some money as his emergency funds ($10,000), having worked for a few years. This is more than the recommended amount of 6 months’ expenses ($8,865). Kumar also invests excess monthly funds in low-risk investments such as T-Bills and tops up his CPF accounts in order to reach his retirement goals.
2. Based on actual DPS annual premiums of $298 (coverage of up to $55,000 from above age 60 to 65) or $298/12=$24.83 (monthly), according to [https://www.cpf.gov.sg/member/faq/account-](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) [services/dependants--protection-scheme/how-much-premium-do-i-need-to-pay-to-be-covered-under-dps](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](http://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 premiums (before subsidies) of $1,039.07 (annual) or $1,039.07/12= $86.59 (monthly) 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.



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.

“Prioritise paying off high interest debts

(e.g., credit card bills), to avoid high

interest charges.

”

CPF helps you meet your retirement needs in two ways:

Under CPF LIFE, you will get monthly payouts for life starting from 65. Choose from three CPF LIFE plans that suit your needs.

You can withdraw up to $5,000 after 55, or leave your savings in your CPF account to earn interest.

Consider making small and regular cash top-ups or CPF transfers to your Special or Retirement Account to grow your retirement savings. Check if you are eligible for Matched Retirement Saving Scheme with dollar-for-dollar matching from the Government up to $600.

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

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

***FIND OUT MORE FOR***

## Pre-retiree

**Emergency funds**

**CPF and your retirement**

**Legacy planning**

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.

Check if you have switched to CareShield Life and encourage your loved ones to do so too! go.gov.sg/csl

***FIND OUT MORE FOR***

## Pre-retiree

#### MediShield Life

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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.

**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.

”

\*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**

***FIND OUT MORE FOR***

## Pre-retiree

#### Investments

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go.gov.sg/regulatedfis