Monetary Authority of Singapore | moneysense money matters made simple | abs The Association of Banks in Singapore | afas Association of Financial Advisers (Singapore) | Life Insurance Association Singapore LIFE IS WORTH PROTECTING. INVEST IN IT.

Your Financial Basics

Parents with children and supporting aged parents

35 to 59 years old

Savings

Set aside at least **3 to 6 months'** worth of expenses

Keep it in Savings Accounts and Singapore Savings Bonds (SSBs)

Protection

Spend at most **15%** of take-home pay on insurance

Understand MediShield Life, CareShield Life / ElderShield

Consider affordable term insurance

Insure your home

Coverage guide

9x annual income: Death & Total Permanent Disability

4x annual income: Critical Illness

Investments

Invest at least **10%** of take-home pay

Short-term
- SSBs
- T-bills
- Fixed Deposits

Long-term
Diversified Exchange Traded Funds & Unit Trusts

CPF & Housing
- Top up CPF
- Use PLAN with CPF
  - Explore planners for retirement payouts, health insurance, and home purchase

Legacy Planning

Make and review your
- CPF nomination
- Lasting Power of Attorney (LPA)
- Advance Care Plan (ACP)
- Will

Parents with children and supporting aged parents

Case Study

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
Monthly Expenses	$3,000

Financial Planning Needs	Rules of Thumb	Product(s)	Amount per month
Emergency Savings	6 x $3,000 = **$18,000**	Savings Account Singapore Savings Bonds	$220[1]
Protection	Death & Total Permanent Disability (TPD) 9 x $4,900 x 12 = **$529,200**	Dependants' Protection Scheme (DPS) ($70,000 coverage)	$8 from CPF[2]
		Term insurance plan for Death & TPD ($500,000 coverage)	$69[3]
	Critical Illness 4 x $4,900 x 12 = **$235,200**	Term insurance plan for critical illness ($200,000 coverage)	$231[4]
	Large healthcare bills	MediShield Life (for self and child and parent)	$239 from CPF[5]
	Long-term care	CareShield Life (for self and parent)	$95 from CPF[6]
Investments	**At least** 10% x $3,920 = **$392**	Short-term: e.g. Fixed Deposits Long-term: e.g. Unit Trusts	$400[7]

Total out-of-pocket:

$920

On protection

$300

(about 8% of her take-home pay, within the recommended maximum of 15%)

On savings and investments

$620

(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/service/article/how-much-premium-do-i-need-to-pay-to-be-covered-under-dependants-protection-scheme-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 $637 for Aishah, $200 for her child, and $2,027 for her father (assuming he is aged 76 to 78), or a monthly total of (637+200+2027)/12=$238.67 according to https://www.cpf.gov.sg/content/dam/web/member/healthcare/documents/MediShield-20Life-20Premium-20Table.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.

Find out more

Emergency Savings

To work out how much you need in emergency savings, 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."*

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 active service personnel, NSFs and NS men, 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

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. For individuals supporting parents in their golden years, consider paying your parents' MediShield Life and CareShield Life or ElderShield premiums 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.*"

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

Use the Health Insurance Planner for more informed health insurance decision go.gov.sg/healthplanner

*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. For individuals supporting parents in their golden years, consider upgrading your parents' ElderShield to CareShield Life or encourage them to join CareShield Life for higher and longer payouts.

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/supplementarycoverage

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! For individuals supporting 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.

You can withdraw any excess OA savings from age 55, after setting aside your Full Retirement Sum (FRS); or up to $5,000 if you cannot set aside the FRS. At age 65, you can further withdraw 20% of your RA savings (excluding cash top-up, CPF transfers and government grants), less the $5,000.

CPF LIFE (Lifelong Income For the Elderly) provides you with monthly payouts no matter how long you live. Choose from three CPF LIFE plans based on your desired retirement lifestyle when you want to start receiving your lifelong monthly payouts. For each year that you defer your CPF LIFE payouts, your payouts will increase by up to 7%. If you want to enjoy even higher monthly payouts, you can choose to use a part or all of your available withdrawable CPF savings to increase your payouts.

Consider housing monetisation options if you need to supplement your retirement income (e.g., Right-sizing with Silver Housing Bonus, Lease Buyback Scheme, renting out your HDB flat or spare bedroom).

Use the Retirement Payout planner to plan your retirement payouts to support your desired retirement lifestyle. go.gov.sg/retireplan

You can find planning tools on PLAN with CPF, your one-stop financial guidance platform. go.gov.sg/planwithcpf

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

Find out more about housing monetisation options at go.gov.sg/bfpg-monetise-flat

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. One should start investing early to grow your wealth. The earlier you begin, the more you can benefit from a longer time horizon and the power of compounding interest!

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.

There are diversified investment products such as Exchange Traded Funds (ETFs) and/or Unit Trusts (UTs), which can help you spread your investments 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.

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

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. The Home Protection Scheme (HPS) is a mortgage-reducing insurance that protects you and your loved ones by settling your outstanding housing loan, up to the insured sum, in the event of death, terminal illness, or total permanent disability.

Mandatory HDB fire insurance covers building fixtures and fittings provided by HDB. For wider protection, consider home insurance to cover renovations, furniture, and personal belongings.

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

You may also use CPF's Home Purchase Planner to view the impact of your home purchase on your retirement.

Find out more about the Home Protection Scheme go.gov.sg/homeprotectionscheme

Find out more from HDB's comprehensive guide go.gov.sg/buyhdb

See the impact of your home purchase on your retirement using CPF's Home Purchase Planner go.gov.sg/homeplanner

Legacy planning

Legacy planning is a process where you document and convey your preferences and decisions on your care, welfare and finances in case you lose mental capacity or pass on. With a clear plan, you avoid guilt, stress and conflict between loved ones – and ensure your wishes are duly respected and carried out in your best interest should the unexpected happen.

Complete these four planning instruments now to provide greater clarity and peace of mind for you and your loved ones.

In the event of a loss of mental capacity:

- A **Lasting Power of Attorney** lets you appoint one or more people (Donee(s)) you trust to act and make decisions on your behalf. Donee(s) may act in two broad areas: Personal Welfare, and/or Property and Affairs.

- An **Advance Care Plan** helps you communicate to your loved ones and healthcare team about your personal beliefs, values and how you wish to be cared for should you lose capacity to articulate your preferences.

Upon your passing:

- A **CPF nomination** ensures your CPF savings are distributed according to your wishes and at no cost. It also allows your loved ones to quickly receive your CPF savings upon death. To protect your CPF savings from potential creditor claims, CPF savings do not form your estate and cannot be covered by a will.

- A **will** sets out your instructions on how you want your estate to be distributed after your death.

To make a LPA, ACP or Will, you must be at least age 21;
To make a CPF Nomination, you must be at least age 16.

Plan your legacy today with our guide on go.gov.sg/mylegacy