moneysense
money matters made simple

Before you invest, know what you're investing for

Your financial goals influence your investment product options



A step-by-step guide for new investors and anyone reviewing their financial plans

- How much you will need
- When you need the money
- How much risk you can bear

Set every financial goal with 3 details

Define what the money is for, how much you need, and when you need it.

1 Name the goal
What are you investing for?
Be specific

2. Set the target amount
How much do you need?
Factor in inflation

3. Fix the deadline
When do you need the money?
This is your investment horizon.

EXAMPLE
Vague: "Retirement"
Clearer: "Enough savings to stop full-time work at 62 and cover living costs of $2,000 per month."

Your goals change with circumstances

Your needs, risk tolerance, and suitable investment products change as you move through life stages



20s:
Set aside money for large expenses (e.g. downpayment on a first home)
Pick low-risk, liquid options like Singapore Savings Bonds (SSBs) if you need the money within 3 years.

30s:
Build a retirement portfolio and education fund for children
You can consider riskier asset classes, such as equities, because of your long time horizon. Choose investments based on your risk tolerance.

40s:
Grow retirement savings and fund children's education
Invest in a mix of growth and income assets, such as diversified ETFs and SSBs, to capitalise on your higher pay while being ready for short-term contingences.

50s:
Accumulate enough savings to cover living expenses throughout retirement
Preserve your wealth by reducing exposure to equities gradually and progressively. Ensure sufficient liquidity in your portfolio for sudden needs.

60s+:
Shield savings from inflation to maintain desired lifestyle
Focus on income-generating, low-risk products. Maintain some growth component to keep pace with inflation.

The right investment approach depends on what the money is for and when you need it.

Factor in government schemes when setting investment approach

1 CPF Ordinary Account
Earns 2.5% p.a. guaranteed
Any investment for goals covered by your OA should offer meaningfully better returns to justify the risk.

2 CPF Special Account
Earns 4% p.a. guaranteed
Voluntary top-ups to your SA can be a powerful, low-risk long-term savings strategy.

3 CPF LIFE
Provides monthly payouts from your retirement age
Plan your other savings to supplement these payouts.

4 Housing Choice
Be prudent
Aim to clear all debts, including mortgage debt, by your target retirement age.

Watch Out For
- Investing without considering risk appetite and horizon
- Treating CPF as your only retirement savings
- Inflation - future costs may be higher than today's estimates

Start with your top 3 financial goals

Remember
- Every investment decision should start with a clear financial goal.
- Your goal shapes what you invest in and for how long.
- Your goals, risk tolerance, and suitable products change across life stages.

Goal
Target Amount
Deadline

Do Next
- Write down your top three financial goals.
- Add a target amount and deadline for each goal.
- Use CPF's Retirement Payout Planner to estimate how much you need to save per month.
- Assess options to close the gap between projected savings and retirement income goals.
- Review "Your Financial Basics" rules of thumb for emergency funds, protection, and investments.

Investing becomes clearer when every dollar has a purpose.

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EXAMPLE
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Clearer: "Enough savings to stop full-time work at 62 and cover living costs of $2,000 per month."

A goal without a date is just a wish.

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1 20s — Starting out
Goals: *Building an emergency fund of at least 3-6 months of expenses; secure BTO downpayment; repay study loans*
Implication: *Short horizon to support HDB goal: Favour low-risk, liquid options (SSBs, fixed deposits). For longer goals: Can afford higher-risk, growth-oriented investments.*

2 30s — Building wealth
Goals: *Fulfil mortgage repayments; children's education fund; Ensure sufficient life and health insurance; Build investment and retirement portfolio*
Implication: *Take a balanced approach of holding a mix of growth and income products. Dollar-cost average into equities for long-horizon goals. Review insurance and healthcare coverage as family grows.*

3 40s — Peak earning years
Goals: *Build retirement portfolio; Provide for children's tertiary education; Settle care costs for ageing parents*
Implication: *Continue the balanced approach, while making plans to shift gradually towards a lower-risk allocation if immediate financial commitments increase*

4 50s — Pre-retirement
Goals: *Consolidate and protect retirement savings; ~~Review property assets (e.g. right-sizing); Support dependants (children and parents)~~*
Implication: *Preserve your wealth by reducing exposure to equities gradually and progressively. Ensure sufficient liquidity in your portfolio for sudden needs.*

5 60s+ — Retirement
Goals: *Retire with steady income from savings, investments and CPF LIFE; Set aside long-term medical and care costs for self; Complete estate planning*
Implication: *Focus on income-generating, lower-risk products. Maintain some growth component to keep pace with inflation*

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- Assess options to close the gap between retirement income goals and projected savings.
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