

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
<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>RETIREMENT GOALS</p>	<p>Start your retirement planning now</p> <p>Invest at least 10% of take-home pay[^] for retirement</p> <p>[^] Income after deducting CPF contributions</p> <p>Explore options to monetise your property</p>	<p>Work out how much savings you need for your desired monthly payouts under your preferred CPF LIFE plan go.gov.sg/lifeestimator</p>  <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>[#] Across asset classes, industries and countries</p> <ul style="list-style-type: none"> Silver Housing Bonus, Lease Buyback Scheme, renting out room/flat
<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>PROTECTION</p>	<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>Insure your home</p> <p>Review if your insurance plans remain affordable</p>	<p>Check if you have switched to CareShield Life and encourage your loved ones to do so too! go.gov.sg/csl</p>  <p>Consider fire and home content insurance, even when you have fully paid off your mortgage</p>



CASE STUDY

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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:

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

Financial Planning Needs	Rules of Thumb	Product(s)	Amount per month
 <p>RETIREMENT GOALS</p>	<p>At least $10\% \times \\$2,237.50 =$ \$223.75</p>	<ul style="list-style-type: none"> CPF Retirement Account top-ups, T-bills 	<p>\$610¹</p>
 <p>PROTECTION</p>	<p><u>Death/Total Permanent Disability (TPD)</u> $9 \times \\$2,500 \times 12 =$ \$270,000</p>	<ul style="list-style-type: none"> Dependants' Protection Scheme (DPS) (\$55,000 coverage) Term insurance plan for Death & TPD (\$200,000 coverage until age 65), bought when he was 45 	<p>\$25 from CPF²</p> <p>\$47³</p>
	<p><u>Critical Illness</u> $4 \times \\$2,500 \times 12 =$ \$120,000</p>	<ul style="list-style-type: none"> Term insurance plan for critical illness (\$100,000 coverage until age 65), bought when he was 45 	<p>\$95⁴</p>
	<p><u>Fire and Home Content Insurance</u></p>		<p>\$8</p>
	<p><u>Large healthcare bills</u></p>	<ul style="list-style-type: none"> MediShield Life 	<p>\$87 from CPF⁵</p>
	<p><u>Long-term care</u></p>	<ul style="list-style-type: none"> CareShield Life 	<p>\$54 from CPF⁶</p>

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-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 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/caeshield-life/caeshield-premiums-and-subsidies> to check your premiums. CareShield Life premiums are payable yearly using CPF. Premiums also increase with age.

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Pre-retiree

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.

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

CPF and your retirement

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.

Work out how much savings you need for your desired monthly payouts under your preferred CPF LIFE plan
go.gov.sg/lifeestimator



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



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



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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.

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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.

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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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



<https://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



<https://go.gov.sg/regulatedfis>