

Balancing current needs against future planning

Rising medical costs among immediate financial concerns for this senior account director

Retirement planning isn't high on Chiu Soug Cheng's list of immediate financial priorities, though she intends to address this in the near future. Her present financial focus is on enhanced coverage on her health-related policies.

Said Soug Cheng: "I've not really looked into my retirement portfolio. However, I may want to review this again in another year or two."

MEDICAL COVERAGE AND TRANSPORT

One of Soug Cheng's immediate concerns is medical and hospitalisation expenses.

A friend's recent illness has further highlighted the importance of adequate medical coverage. Said the 40-year-old: "My close friend was diagnosed with breast cancer. Even with insurance coverage, almost all her savings were depleted as a result of her medical expenses."

That got Soug Cheng thinking about extending her health coverage.

"I want enhanced health-related policies, especially as medical and hospitalisation fees seem to be getting higher.

"If you fall ill and do not have adequate coverage, the medical expenses will use up your savings."

Another priority for Soug Cheng is saving for a new car. She works in the sales industry and owning a car makes it more convenient to meet her clients.

Her current car's Certificate of Entitlement expires in three years and current financing regulations mean she'll have to pay at least 50 per cent of a new car's purchase price.

EARLY START

Even though retirement planning is not something Soug Cheng is focusing on at the moment, she has been investing in endowment and investment-linked policies since she was in her mid-20s.

She spends about S\$800 each month to service her policies and sets aside another S\$800 monthly in cash savings.

Getting an early start has proven to be a tremendous help. "If you invest in a savings plan later, the premium will increase proportionately.

"At least, I've budgeted this amount earlier and can stop worrying about it," she said.



One of Soug Cheng's immediate priorities is enhanced medical coverage. PHOTO: KOH MUI FONG

FINANCIAL GOALS AND CONCERNS

Soug Cheng's main retirement concerns are health and living expenses. Her immediate financial priorities are:

- Enhancing her health coverage
- Saving to buy a new car; her current car's COE expires in three years
- Retirement planning in one to two years

FUTURE PLANS

Soug Cheng initially intends to set aside an additional S\$100 to S\$150 per month for her retirement planning, though this is not a rigid goal. Her financial requirements could change — health issues could be an issue when she's in her 50s, or she may want to pursue new interests.

Soug Cheng is aware that her needs could change and this is something she's prepared to address.

"I will upgrade along the way as my retirement plans will probably change, perhaps when I'm in a different phase of my life, like when I'm in my 50s."

The final figure will depend on a professional assessment of her current policy status. "I intend to assess all my policies to determine how long it will take to achieve my goal of achieving financial freedom."

Tightening her belt financially post-retirement is something she is planning to avoid.

"I'd like to not have any major financial burden after I retire. Hopefully, this is something I can achieve."

This is the second story in a 10-part collaboration between TODAY and POSB. Visit www.todayonline.com/voices/posb to read this story online.

*Source: <https://secure.mas.gov.sg/calculator/goodsandservices.aspx>. The health cost is based on the percentage increase between 1981 and 2011 derived from the Goods and Services Inflation Calculator.

^This is only for applicants who have chosen Moratorium Underwriting and provided the applicant has not been declined /deferred for other insurance applications.

Planning for a more comfortable retirement



FROM
DERRICK GOH
Head of POSB

We spoke to Soug Cheng to find out how we could help her as she decides how to meet her financial goals. After going through an analysis of her financial needs, we learnt that her immediate financial needs are to review her healthcare coverage and save for a new car. She also indicated an interest in retirement planning in the next one to two years.

She has invested in several insurance products, including investment-linked products. She feels her investment knowledge is moderate, having learnt a fair bit about insurance and investments over the years.

REVIEW YOUR INVESTMENT PORTFOLIO REGULARLY

We suggested that she set aside another S\$500 to S\$1,000 for savings or insurance products. This would help her enjoy a more comfortable retirement. She is open to reviewing her portfolio and looking into new plans to make her money work harder.

HEALTHCARE COVERAGE

From 1981 to 2011, healthcare costs increased by 176 per cent*. This is likely to continue rising with inflation. People with insufficient coverage could face high medical expenses in the event of an accident or illness.

We suggested that Soug Cheng consider a medical plan that will help cover her hospital bills and allows renewal with unlimited lifetime cover. She can consider one that allows her to cover past medical concerns[^], includes a rider to cover deductible and co-insurance, and allows premiums to be paid using her Medisave funds.

AN EYE ON RETIREMENT

The key to retirement planning is determining your retirement goals. Soug Cheng should determine factors like whether she wants to maintain her current lifestyle, monthly retirement income, retirement age and years of retirement.

While there are online self-help retirement tools available, Soug Cheng, and others like her looking for help with retirement planning, could also talk to any of our relationship managers. They can use the bank's Retirement Planner to advise Soug Cheng of any shortfall or surplus in retirement funds based on her current financial situation.

It factors in her portfolio with the bank and retirement goals then determines the shortfall or surplus of her targeted retirement income. The personalised report can be emailed to customers so they can review their plan any time.

WANT TO KNOW MORE ABOUT RETIREMENT PLANNING?

● Visit www.posb.com.sg/retirement. Product terms and conditions apply.