

Retirement planning starts early for this couple

While their daughter's future is their priority, this family has already taken steps to address long-term needs

Retirement planning is an important aspect of securing your family's financial future. For young families, this represents a real challenge. Immediate concerns like setting up a home, starting a family and providing junior with the best possible care take top priority — and the bulk of a family's financial resources.

Like most young married couples, 32-year-old Eric Lim and his wife Tannia Goh, 28, have several financial concerns. They have been married for two years, have just bought an executive condominium and are saving to renovate their home. They have a 10-month-old daughter, Arissa, and are keen to invest in an education plan.

The good news is that they have started building their nest egg. The couple sets aside S\$300 in cash savings every month and S\$1,000 for insurance and endowment policies.

Eric, who works in the civil service, already has life insurance coverage as well as a few endowment plans. He is a firm believer in the need to start saving earlier for retirement, as the benefits far outweigh the initial sacrifice.

"Firstly, you will need to set aside a small sum of money each month, meaning a small financial obligation. Secondly, it forces you to save regularly in a disciplined manner. The later you start saving, the more you have to contribute, to cater for inflation and increased cost of living," he said.

Tannia, who works in the corporate communications and brand management field, isn't as comprehensively covered as her husband but is interested in investing in a retirement plan.

AN EARLY START TO GROW YOUR SAVINGS

Some families plan to start saving for their retirement later, thinking that this will be easier since they will have more disposable income. In many cases, however, this isn't true.



Eric's and Tannia's immediate priority is an education plan for daughter Arissa. PHOTO: KOH MUI FONG

While you will earn more as you advance in your career, your financial commitments could also be considerably greater. You may have a bigger mortgage and car loan, or have to pay for your child's tertiary education.

Eric and Tannia have found a balance between saving for their immediate and long-term needs, thanks to a straightforward approach.

"It hasn't really been a problem, we just set aside different accounts for both purposes," Tannia said.

Saving earlier to meet retirement goals also means that young couples like them have to set aside less money each month to meet their target, while compounding interest gives them more time to grow their savings.

FRET NOT EVEN THOUGH THERE'S SOME WAY TO GO

While they have made a positive start to their retirement planning, Eric admits that they are still "rather far off" their goals. "I think we're at least 60 per cent to 80 per cent off our preferred retirement amount," he said.

They feel that setting aside cash and investing in insurance policies will not be enough to meet all their retirement needs. Eric says their retirement goal is to have between S\$4,000 and S\$5,000 each month for their ex-

penses and continue owning a car.

"A significant proportion of our income is usually set aside for expenses like the family's immediate and mid-term financial needs.

"To address the shortfall, we need to find alternate sources of income, like stocks and property."

Doing so would help minimise the risk of the value of their savings being reduced by inflation.

While it is common to assume that investing means buying stocks and shares, this could not be further from the truth. Banks like POSB can help you achieve your financial goals by adopting a holistic approach to review the key financial pillars covering these areas:

- Savings
- Health and medical protection
- Income and liability protection
- Loan management
- Wealth creation
- Regular payout/income

The bank's personal financial managers can help you as you decide how best to grow your savings to help meet your goals.

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

information on the types of benefits that are covered under the scheme as well as the limits of coverage, where applicable, please contact Aviva Ltd or visit the Life Insurance Association or SDIC websites ("<http://www.lia.org.sg>" www.lia.org.sg or "<http://www.sdic.org.sg>" www.sdic.org.sg).

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Singapore dollar deposits of non-bank depositors and monies and deposits denominated in Singapore dollars under the Supplementary Retirement Scheme are insured by the Singapore Deposit Insurance Corporation, for up to S\$50,000 in aggregate per depositor per Scheme member by law. Foreign currency deposits, dual currency investments, structured deposits and other investment products are not insured.

Helping a young family meet their goals



FROM POSB EXPERT
BRANDON LAM
Head of Bancassurance

We spoke to Eric and Tannia to find out how we could help them meet their financial goals. After going through our Financial Needs Analysis (FNA), we learnt they are focused on financial planning for their daughter Arissa, which would also include her education expenses.

They have a life insurance plan for Arissa and hope this will act as a back-up education policy when she goes to university, if they are unable to invest in additional products.

Their other financial commitments include a new executive condominium and saving to renovate their home. In three to five years' time, they would like to address the issue of retirement planning.

PLAN AHEAD FOR YOUR CHILD'S EDUCATION

Eric and Tannia want a plan that provides cash value when Arissa starts university. We suggested MyEduPlan[#] insurance plan as it offers streams of payout that meet their daughter's pre-university expenses.

ENSURE ADEQUATE RETIREMENT COVERAGE

Eric is covered for life and has a few endowment plans that will provide coverage until he retires. It would still help if he reviews his insurance plans regularly as his needs will change.

We learnt that Tannia isn't as well-covered as Eric. She wanted a guaranteed-issuance retirement plan that offers cash payout and does not require medical underwriting.

We suggested MyRetirement insurance plan[#] as it offers fixed monthly payouts for 10 years at retirement age and it requires no medical underwriting.

REVIEW SAVINGS GOAL

While Eric has a disciplined savings goal, he should review his savings needs regularly to maximise the interest rates for his savings. For example, he can look into the Multiplier Account[#] that gives an interest of up to 2.08 per cent per annum if his salary is currently credited to POSB account and if he holds POSB credit cards as well.

FREE UP CASH FLOW

While they are waiting for their new EC, Eric and Tannia may consider the POSB HDB Loan if they wish to switch their loan later. With interest rates lower than HDB Concessionary rate for the first 8 years, they can enjoy savings and free their cash flow so they can make other investments and let their money work harder.

WANT TO KNOW MORE ABOUT RETIREMENT PLANNING?

● Visit www.posb.com.sg/retirement

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