SG PERSONAL FINANCE.COM

THIS BOOK WAS SPECIALLY WRITTEN FOR CLIENTS OF BIONDI GOH. IT IS MEANT TO BE AN GENERAL INFORMATIONAL GUIDE FOR THOSE WHO HAVE NOT STARTED ON THEIR RETIREMENT PLANS

IPP

Note: TinyUrl is just a Link Shortener.
You will be directed to SGPersonalFinance.com upon clicking on the links

Financial tips for those close to retirement

If your retirement is less than 10 years away, you're naturally focused on making sure you'll have enough money to live the lifestyle you've envisioned. After all, your retirement could last 30 years or longer. Fortunately, there's still time to make adjustments so you can more confidently move toward your retirement dreams.

> **Your retirement income needs will depend on lifestyle choices, your health, years spent in retirement and inflation**

> **Retirement income can come from a variety of sources, including your CPF, pensions and your investments**

This article covers eight important factors to consider, along with some of the questions you should be asking to help bring your retirement goals more within reach.

1. CALCULATING RETIREMENT INCOME

How much money will I need?

The closer you get to retirement, the more important it is to stay on track — or get back on track — toward your retirement income goal. The actual amount of income you'll need in retirement depends on several variables, including your lifestyle choices and expenses, your health, the number of years you might spend in retirement, how well your investments perform and inflation.

It's not easy to attach a dollar figure to each of these categories, but you need to make some estimates. Once you have a rough target, add up what you can expect to receive from all income sources, including your savings, investments, CPF and any other pensions you may have. Any shortfall will have to be addressed by adjusting your financial plan.

Following are some of the key factors to consider to help you determine how much money you may need to save between now and retirement:

> **Retirement time horizon.** You can control when you retire, but beyond taking good care of yourself, you can't control how long you'll live. The good news is people are living longer than ever. So it's possible you could live up to 30 years in retirement — or even longer. In general, it's better to plan for a lengthier retirement to ensure you don't run out of money. Any money you don't use can go to your heirs.

> **Annual retirement income.** You can generally plan on needing 70% to 90% of your pre-retirement income each year in retirement, depending on your lifestyle choices and other obligations. For example, you may want to travel extensively, or you could still have a mortgage to pay off. You may also need to take care of elderly parents. These factors could mean your income needs to be higher.

> **Current savings.** When you add up your retirement savings, take into consideration your Central Provident Funds (CPF) Savings, personal assets accumulated such as the home , personal savings, SRS, company sponsored pension plans, insurance policies and other investments.

TO SEE AN EXAMPLE OF A RETIREMENT PLAN YOU CAN WORK WITH YOUR FINANCIAL ADVISOR, PLEASE GO TO:

http://tinyurl.com/sgretirementplan

To read the 10 part series writeup on retirement planning in Singapore, go to : www.tinyurl.com/sgretireearly

2. INVESTING FOR SAFE GROWTH

How can I continue to invest for my goals and still sleep at night?
Your portfolio should include a mix of stocks, bonds, cash, real estate and other assets, both domestic and international. Spreading your money across multiple types of investments can help reduce volatility. This is because investment types typically perform differently from one another. So if your portfolio is diversified, a portion of it will always be invested in the assets performing the best, which can help to balance out the assets that are lagging behind.

Also, now is the time to contribute as much as possible — ideally the maximum allowed — to your SRS account so as to save on your tax. Contributing more now during your peak earning years can help your SRS account grow faster even if your investments are producing only modest returns. The Supplementary Retirement Scheme is a voluntary scheme that provides individuals tax deferred savings and this can give a real boost to your savings. For more information about the SRS, please go to tinyurl.com/sgpf02

One of the biggest fear of retirees is that of outliving their income. This risk can be be managed by getting an annuity. An annuity is a policy whereby the annuitant, (the person receiving the payment) will make specific payments to their clients and the insurer will give lifetime regular payments to the annuitant.

There are many types of annuities available in the market and the purchase of annuities is permissible by using the cash component of the the minimum sum scheme. Over here in IPP Financial Advisers, since we are not owed by the insurers, we are able to source from a variety of annuities from different providers that gets you maximum income. Feel free to ask me about a particular instrument that uses your CPF to give you a guaranteed inflation hedged rising income for life. Simply contact me on my website and I will get back to you shortly.

> **To reduce volatility and help increase potential returns, your portfolio should include a mix of stocks, bonds, cash, real estate and other assets**

> **Consider contributing as much as possible to your retirement plans, particularly if you qualify for employer-matching contributions and catch-up contributions**

> **It’s important to keep some money invested in the stock market to help make up for any losses suffered during the recent recession and to provide growth to keep up with inflation throughout retirement**

> Staying invested is key — history shows that missing as few as 10 of the stock market's best performing days over 20 years could significantly impact your investments

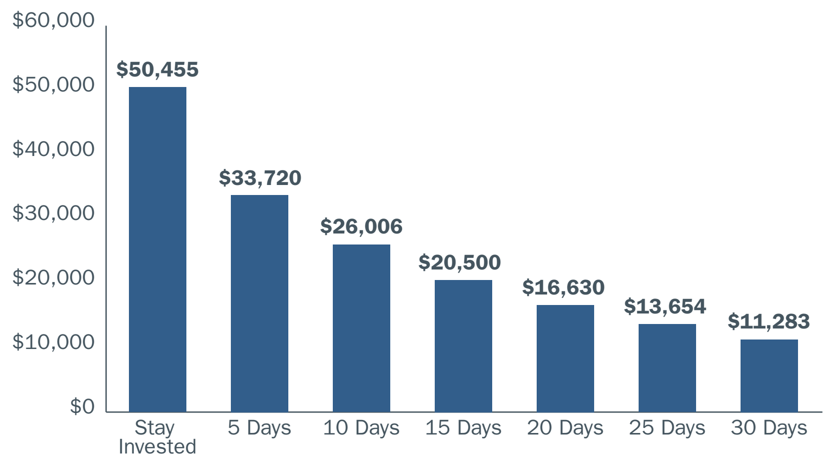
> Consider inflation when projecting your income and investment performance needs by factoring in an average rate of 2% to 4%

> Even though you may need to invest more conservatively as you age, don't forget that your investments need to at least keep pace with inflation

Should I get out of stocks to protect my savings from losses?
Even though retirement is getting closer for you, it's important to keep some of your assets in the stock market for two reasons:

- **Promote long-term growth.** Your retirement date marks the beginning of what could be 30 years in retirement and therefore 30 more years of investing. You'll need moderate investment growth over that lengthy time horizon to keep up with inflation and maintain your standard of living as expenses rise.
- **Recoup losses.** Staying in the market will help you rebuild any savings you may have lost during the recent recession as stocks continue to recover. And history shows that missing even a few of the best-performing days in the market can significantly lower your long-term returns, as shown in the chart below.

The Effect of Staying Invested vs. Missing Top Performance Days for Stocks — 1989 to 2008



Missing the market's top-performing days can prove costly. This chart shows how a $10,000 investment would have been affected by missing the market's top-performing days over the 20-year period from January 1, 1989, to December 31, 2008. For example, an individual who remained invested for the entire time period would have accumulated $50,455 over the period, while an investor who missed just the 10 top-performing days during that period would have accumulated only $26,006

It is not possible to invest directly in an index. The Standard & Poor's 500 Index (S&P 500 Index), an unmanaged index of common stocks, is frequently used as a general measure of market performance. The index reflects reinvestment of all distributions and changes in market prices, but excludes brokerage commissions or other fees.

Source: Standard & Poor's Financial Communications. Copyright 2010.

How do I keep up with inflation?
Inflation has been a consistent factor in our economy. While the inflation rate varies from year to year, since the mid-1980s it has hovered in the 2% to 3% range. An annual inflation rate of 3% may not seem like a big deal, but over 10 years, it would raise the price of a $20,000 car to $26,878. And after 20 years, it would raise that car's price to $36,122. So the longer you live, the more inflation will affect your day-to-day income and living expenses — especially if your retirement income stays the same. Always account for an inflation-adjusted rate of return when you are projecting income and investment performance needs. Read more at tinyurl.com/sgpf03

> Keep a cash reserve of at least six months' worth of expenses to cover emergency needs

> Cash reserves should be in liquid investments, such as savings or money market accounts

3. PREPARING FOR EMERGENCIES

How much cash should I have at my fingertips?

All it takes is one unexpected event — such as a costly auto repair, a broken furnace, a property tax hike or, worse yet, a job loss — to underscore the importance of having access to emergency cash. Maintaining a healthy cash reserve — one that equals at least six months' worth of your living expenses — can provide a cushion in case of an emergency. This can keep you from raiding your long-term investment and retirement accounts just to pay the bills, which could require you to sell at a loss or potentially have to pay early withdrawal penalties. Your cash reserve may be a combination of savings accounts, money market accounts and other low-risk investment options that offer liquidity.

TO DOWNLOAD YOUR FREE BUDGETING SPREADSHEET, KINDLY GO TO
http://www.sgpersonalfinance.com/contact-2

> Your ability to earn an income is your most valuable asset

> Cash reserves may not be enough to prevent serious financial problems if an illness or injury prevents you from working

> Consider disability income insurance from your employer plus an individual disability policy to close any gaps in coverage

4. COPING WITH A LOSS OF INCOME

How can I protect my loved ones if I can't work?

Your ability to earn an income is your most valuable asset, enabling you to support your lifestyle and save toward your financial goals. But if an injury or illness prevents you from working, it could radically affect your family's lifestyle and your plans for the future.

Although you might be able to rely in part on a combination of CPF savings , your liquid assets as well as your emergency cash reserve to generate some of the income you need, this may not be enough to prevent serious financial difficulties.

To secure your income, take advantage of any employer-sponsored disability income coverage as well as an individual disability policy to help close any gaps in coverage. An individual disability income policy can be especially advantageous because it's portable, which means your coverage will remain in place even if you're laid off from work or change jobs. (You'll want to review the policy provisions if your situation changes.)

> Leaving a job could means giving up your employer-provided health care insurance

>

Medisave covers a portion of health care costs, but you'll need supplemental Medishield coverage to cover the rest

> The average husband and wife will need about $250,000 in savings to cover health care expenses in retirement

5. PLANNING FOR HEALTH CARE

How much will I need to save for health care expenses in retirement?

It's unfortunate that for many people, leaving a job to begin retirement also means leaving health care benefits behind at precisely the time when they may need them most. And although Medisave will cover a portion of those costs, it falls far short of covering everything. This is why most people purchase additional coverage to supplement their Medisave plan. Known as Medishield, this coverage helps close the insurance gaps that Medisave doesn't address, such as deductibles, coinsurance and copayments.

Health care costs can really add up over time and need to be considered when determining how much to save for retirement. According to the Employee Benefit Research Institute (EBRI), the average husband and wife turning 65 in 2010 will need about $250,000 in savings to pay health care expenses not covered by Medicare.[1] But the real issue is trying to plan for these costs because they can vary so significantly by individual. Consider factors such as your age and health status to help you estimate your costs. Also, consider calculating your costs using several different scenarios. Then include the most appropriate calculation in your health care savings goal.

[1] Employee Benefit Research Institute, ebri.org Notes (June 2009).

> Planning ahead and using tax-savvy strategies can help reduce the impact of taxes on your bottom line

> Look at opportunities such as charitable donations, and home-related tax breaks

> Create an investment portfolio that offers flexibility now and in retirement

6. PLANNING FOR TAXES

What are some of the lesser-known tax strategies I should consider?

Every year, taxpayers miss opportunities to make tax-smart moves. Planning ahead with tax-savvy choices may help you decrease the overall impact of taxes on your bottom line. Some of the opportunities you should consider are:

> **Charitable donations.** Most people know they can deduct 2.5x their contributions to IRAS-eligible charities as long as they keep their receipts and other documentation. But what you may not know is that you can also donate stocks to avoid paying any dividend gain tax, computers to approved institutions, public art, artefacts and others. For more info, you can check out IRAS website at tinyurl.com/iraspf1

> **Home-related tax breaks.** When computing your statutory income, under the portion of net rental income (for property investors) , you can deduct interest on loan principle, property tax management fees, comission on agent insurance as well as maintenance fees. It is best to check with your financial advisor other deductibles that can help you save money.

7. PROTECTING YOURSELF AND YOUR LOVED ONES

What would happen if I could no longer care for myself?
At some point, most people will require long-term care services. You can look at options such as the Eldershield which is an affordable disability insurance scheme that provides basic financial protection to the individual. especially during old age. It provides a monthly cash payout to help pay out of pocket expenses for a severely disabled person. There are currently 3 insurers offering it now. But no matter what type of long-term care service is selected, it will be costly should you neglect it during the planning of your retirement plan.

The following link contains the average cost of living in a nursing home. tinyurl.com/mohltc. (PDF File 346KB) It provides options for immediate and long-term care facilities in Singapore and provides the bed situation and charges in each of these facilities.

The cost of long-term care services often exceeds what the average person can pay from income and other resources. But by planning ahead and protecting yourself with long-term care insurance, you may be able to maintain quality of life for your spouse and other loved ones.

> **At least 70% of people who are 65 or older will require some long-term care services during their lifetime**

> **Long-term care services are costly and often exceed what the average person can pay from income and other resources**

> **Planning ahead by purchasing long-term care insurance can help you cover these costs so you can protect the lifestyle your spouse and loved ones have come to know**

Would my family be protected financially if I died?
If anyone relies on you for financial support, you need life insurance. Your loved ones likely depend on you to maintain their standard of living, from meeting daily expenses such as housing, food and clothing, to saving for long-term goals such as college or retirement. With life insurance, you can help ensure your family's standard of living and lifelong goals remain intact without them having to deplete savings accounts and liquidate investments.

Determine how much money your family would need to meet living expenses and long-term financial goals. Then, set up an insurance policy to cover at least that amount, if not more. You can also implement insurance strategies to help manage estate taxes and achieve other objectives, including charitable goals. Your advisor can help you evaluate all of your protection needs.

8. DEALING WITH LIFE CHANGES

> Ongoing planning will give you the confidence to navigate life changes and keep your goals on track

> An IPP financial advisor can help you make the smart choices that are right for you at each life stage

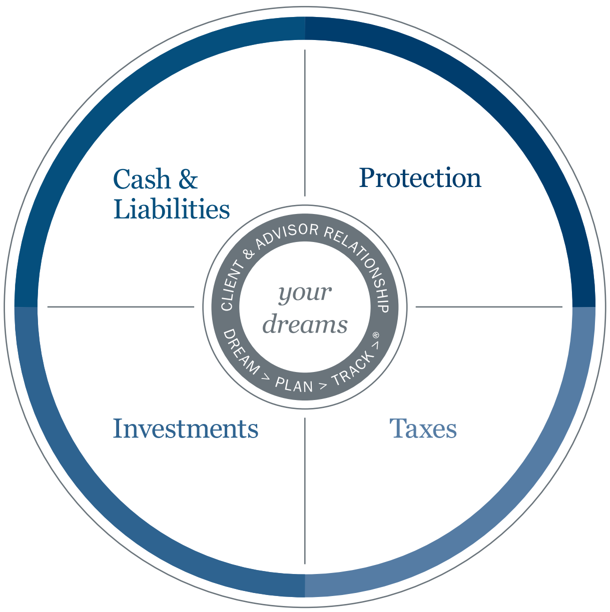
As my life changes, how can I stay on track to reach my goals?
From beginning a new career to leaving a legacy for your heirs, each stage of life comes with a new set of hopes and concerns. Ongoing financial planning can help you navigate all the changes in your life with more confidence. Planning can prepare you for the financial impact of life-changing events while keeping you on track toward achieving your long-term goals, including retirement.

Thank you for reading this guide.
I hope this guide has been of help to you!

> To contact me, simply use the contact me form at my website. Alternatively, you can drop me me a call.

Feel free to leave feedback by sending me an email at sgpersonalfinance@gmail.com

I would like you to understand that I can be with you along the way to provide the personal planning and advice you need to make smart choices that are right for you. And because I will work with you to gain a complete understanding of all the key areas of your financial life — what we call the Four Cornerstones, including your cash and liabilities, investment objectives, protection needs and taxes — you can be assured that the plan will be tailored to your needs.



This information is not intended to provide investment advice and does not account for individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. IPPFinancialAdvisers cannot guarantee future financial results.

International investing involves increased risk and volatility due to potential political and economic instability, currency fluctuations, and differences in financial reporting, accounting standards and oversight. Risks are particularly significant in emerging markets.

Investment securities are subject to market risks, including the potential loss of principal invested.

There are risks associated with fixed income investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. Non-investment-grade securities, commonly called "high-yield" or "junk" bonds, generally have more volatile prices and carry more risk to principal and income than do investment grade securities.

Diversification helps you spread risk throughout your portfolio, so investments that do poorly may be balanced by others that do relatively better. Diversification does not assure a profit and does not protect against loss in declining markets.