

GET THE FUNDAMENTALS RIGHT!

RETIREMENT FOR SINGAPOREANS 101

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THEBOTAKSAGE

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Author, Retirement for Singaporeans 101



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If you don't have time,
just read this page.

Singaporeans spend too much of their resources on properties, education and traveling. Parental, and basic transportation needs demands time and money to upkeep sufficiently. These are all real necessities.

However, in the fast moving age that we live in today, time will zoom by ever so quickly if we don't cherish and seize the time that we have today in order to do something for our future self.

This book explores what you can do.

FOREWORD

Will you be able to emerge victorious and live to enjoy your desired retirement lifestyle? This short book hopes to provide the essence for a viable and hopefully fulfilling retirement lifestyle in Singapore.

You may be retiring against this backdrop.

Retirement planning has been a buzz word for citizens all over the world, not just in Singapore. Many developed countries have an aging population, and a generation that finds it increasingly difficult to find the right person to start a family with because the economy is geared to overwork them. Unless families start having at least 2 kids, population replacement is going to be an issue and the government will be forced to bring in immigrants in order to replace the retiring workforce.

Generally, immigrants will be willing to accept a lower pay and thus exerting a downward force on the salary that Singaporeans may receive for the same work. Singaporeans have to compete on the quality of work that they deliver.

How will you be in control of your own retirement?

I started writing eBooks because I believe that as a Certified Financial Planner and a Chartered Financial Consultant, I can make an impact lives positively with the knowledge that I possess in retirement planning.

Hope you will be blessed!

CURRENT SITUATION

Everyone eventually retires. If you don't, death, total permanent disability or critical illness will eventually strike and force you out of a job. We desire to work when we want to and not because we have to. The notion of retirement has to be clearly defined by the individual and not by standards dictated by society.

For some individuals, it involves a monthly trip with a 10 hour flight duration and expensive dining. For the most of us, its mixed vegetables rice with extra toppings or the occasional zi-char. If we live conservatively, retiring in Singapore isn't that big of a nightmare.

Month	Singapore inflation rate (all items in CPI)	Core inflation measure (not counting rent / cars)
Jan 2019	0.4%	1.7%
Feb 2019	0.5%	1.5%
Mar 2019	0.6%	1.4%
Apr 2019	0.8%	1.3%
May 2019	0.9%	1.3%
Jun 2019	0.6%	1.2%
Average for 2019	0.63%	1.4%

[1] <https://blog.moneysmart.sg/budgeting/singapore-inflation-rate/>

CURRENT SITUATION

As you can see, Singapore's inflation rate[1] isn't as high as many of us think it is if we don't include property and transportation in the calculation. It is highly possible that most of our principle guaranteed fixed deposits or saving plans will be able to outperform 2% per annum.

So why are Singaporeans finding it difficult to retire?

I believe that Singaporeans are overly reliant on Central Provident Fund (CPF) to fund their retirement and using it to pay for everything else at the same time, such as children's education and properties. On top of that, there isn't enough education in the market on the implications of using CPF monies to pay for mortgage. We will touch on this later.

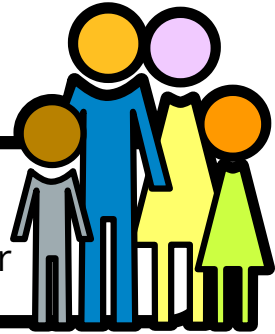
The 2nd reason is because we are a sandwich generation, and inherently an Asian society. We value filial piety and most of us take upon the responsibilities of caring for our parents. Although inflation rates are not high, the cost of goods are not cheap to begin with. This adds to our financial burdens when we need to care for our parents and provide the best we can for our kids.

We are a sandwich generation, because we are also responsible for our loved ones.

CURRENT SITUATION

Society places a pressure on us to maintain a certain image of success. I hope Singaporeans have moved past trying to run after the 5Cs but I think that social media generally makes human beings crave for even more attention to flaunt personal achievements. In this pursuit, it may be very well possible to live in the moment without much care and concern for future expenses.

Let's examine John's story.
John is a fictitious character



CURRENT SITUATION

John is a typical Singaporean who studied his way through to graduate with a bachelor's degree and also about \$30,000 debt in study loans. As a hardworking Singaporean, he saved up much of his income to pay up for his loans and go on occasion trips with friends and family.

Soon after, he fell in love and decided to get married with his partner. Being atypical graduates with an image to protect, they held their wedding banquet at a 5-star hotel and incurred even more debt after their red packet collection was insufficient to cover the cost of the banquet.

Just like everyone else, John and his partner decided to purchase a 5 room HDB flat and spent a hefty \$60,000 on their renovation. They proceeded to use their CPF OA account for the down payment and also the regular monthly payment. After some time, John became a father and his expenses continued to snowball as his family expanded.

Sounds like someone you know?

CURRENT SITUATION

Finally, it was time for his kids to enter into tertiary education and once again, being the generous and responsible family man that he is, John paid for their tertiary education from his OA account. Now that they are nearing retirement, John realized that not only does he not have sufficient savings in his CPF accounts to meet his Minimum Sum Scheme, he also doesn't have enough cash due to all the frequent trips and purchase of new gadgets every now and then.

On top of that, the elderly couple realized that they need to repay the interest accrued to their OA account when they decided to downgrade their HDB flat.

John's story is not unique. There are many like him.

It was not just one mistake; it was a series of bad financial decisions that resulted in his retirement fund being in jeopardy.

How can John win in this situation?



CURRENT SITUATION

In order for us to answer that question, we need to understand the problems and implications caused by the knowledge gap in terms of the resources available to all of us. We have to ask ourselves, "What could John have done better?".

In the next few chapters, we will explore:

1. What a viable retirement lifestyle should be?
2. What should John have done when he was in his 30s /40s?
3. Common knowledge that you should know
4. Practical tips that you must remember by heart

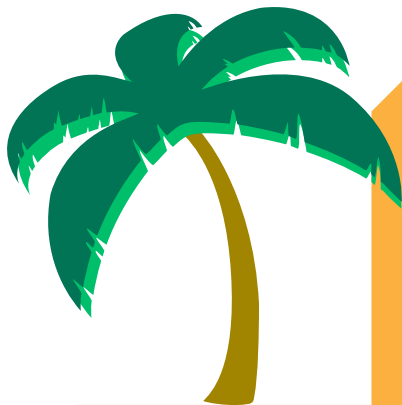


ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

What is a beach front retirement?

Truthfully, if spending the majority of your days in a beach front resort is your ideal retirement, you may find that it can be hard to fulfil. In fact, most Singaporeans would. If you think that it is possible for you to accomplish this, then this e-book is not for you and you should read another one of my eBooks: "Retirement for the affluent".

Why is a beach front retirement difficult to accomplish in Singapore? Simple answer, property prices for such beach front properties. Of course, you may consider Bali or Lombok as a potential retirement location. Even Iskandar, Malaysia offers sea view retirement houses. Then, you will have to leave the comfort of familiarity and venture to a new environment and potentially pick up a new language. How's that for retirement?



ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

Now, how then should a viable retirement lifestyle look like?

We should qualify it as 3 main points:

1. Adequate Medical Coverage
2. Predictable and Structured cash flow System
3. Home Ownership and Family Protection

Why?

Adequate Medical Coverage

This is required because you need to be sufficiently protected against rising medical costs when sickness and diseases hit. Any brain or heart related ailment can easily push the medical bill to about \$100,000 even if it is at a government hospital. Getting an integrated shield plan in Singapore is a must considering that falling ill is so much more costly. If you do not wish to get a shield plan, please stand by a cash pool in case of hospitalization.

Please prepare minimally \$250,000.



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Predictable and Structured cash flow System

The best example of this will be CPF life. Why? It is predictable, every month you can be assured of the pay-outs that you will receive. And it is structured in a manner that allows you to choose of the various schemes[1]:

- a. Standard (default)
- b. Escalating
- c.. Basic

We will provide more information further down the book. CPF life alone may not be sufficient to maintain a healthy cash flow for your retirement years. It all depends on your lifestyle and expenses.

[1]

<https://www.cpf.gov.sg/Members/Schemes/schemes/retirement/cpf-life>



ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

Home Ownership and Family Protection

What exactly does home ownership have to do with retirement? Well, for starters, ensure that your property has already been paid up by the time you wish to retire so that you don't have to worry about mortgage loans. And if the need arises, you can even rent out a room to gain positive cashflow to make ends meet. Home ownership is a critical part of retirement because it represents a degree of security and stability for your life and you know that for sure, your lodging needs are well taken care of.

Insurance is, but just a subset of family protection. Ensure that your family is well taken of in terms of their individual insurance needs so that their liability doesn't become yours. Of course, there are many areas in life that insurance will not be able to cover such as a loved one incurring gambling debts. That's not within your control. We can only exert our guiding principles onto our loved ones as much as possible so that they stay in the sunlight and rainbow.



ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

In summary, in order to enjoy a viable retirement lifestyle:

Ensure that medical bills don't have a chance to cripple you financially.

Ensure that you know when the next pay cheque is coming in.

Ensure that you have a roof over your head and your family members don't create problems for you financially.

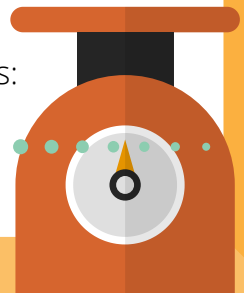
Now, how do we get there?

Budgeting.

Good old fashion budgeting.

Very often, people spend too much with too little on hand. It does not always mean that it will result in negative cash flow but it does mean that less is available now.

This is probably John's story over the years:



ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

His child runs into his arms in the morning, "Good morning Daddy!" Her eyes glazed lovingly into his, with all the hope in the world found in those black eyes. His wife prepared their daughter's Hello Kitty backpack with a stack of notes, water bottle and all the relevant necessities. As they walked towards the door, John's wife turned to him and said, "I had been so tired recently.

When will we have our own time together? You had been hard at work too, should we plan for something?" And John knew that his wife was right.

He had been working in the office till 9pm, sometimes even 10pm this week. The whole department was overworked and it hadn't been easy for all his colleagues. His wife had been teaching tuition and handling matters at home. He used to think that his wife had more breathing space. Then, there was once he stayed home due to a persistent flu and fever, and witnessed his wife at home. He was wrong

The culprit was the seemingly innocent society of a developed nation. The pressures of life.

ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

With the weight of his family on his shoulders, John decided that he will enjoy life a little more. It's time to enjoy the pleasures of life instead. He scrolled through the list of options, "Penang, Bangkok, Japan, Scotland, and USA." He selected Penang.

Long pause.

John pulled his mouse cursor over to Japan and confirmed on his selection.



It is not fair to accuse John of forgoing his "budget common sense". After all, we are all emotion creatures and it can be ever so easy to forget about that.

It is because budgets may not always be easy to keep. It can be hard to stick to your original budget plan. This is the reason why it may be wise to share with someone what your long-term goals are. This person may be your partner, a close friend or even your financial planner. Find one who is more advice driven than product driven.

ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

Key Steps to creating a budget:

1. Know your expenses well
 - a. Start by charting your fixed expenses. Those expenses that you know you will incur no matter what.
 - b. Have a reasonable expectation of your variable expenses. A lot of individuals fail at this part. If it has been obvious that the regular spending on food is a consistent \$400 a month, don't be overly generous with yourself and place budget only \$200. Humans are habitual creatures. Be optimistic, but not unrealistic.
 - c. Use apps like Wallet, by budgetbakers to help you keep track of your expenses. It even has a reminder function to warn you if you are nearing the limit for your budget.
2. After recording your expenses for about 3 months, you should have a good understanding on where the money is flowing to, or where the leak is. "I have no idea where my money went," should be a statement from the past.

ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

3. Do not assume that you already know your spending habits well even when you are at 40. At 40, there are even more expenses to keep track of.

4. There is always room for leisure and pleasure. Budget that in as well. You may be too harsh on yourself if you do not budget for fun. After all, if unhappiness extends over a long period of time, it may be possible to lose control on your spending and go extreme on big purchases.

5. Implement a suitable spending limit for each category of your life. Transport, food, leisure etc etc.

6. Work on keeping the budget until you lower your expenses to a rational level - able to sustain your lifestyle without forgoing too much leisure and pleasure. Develop a certain degree of being thrifty and not spend unnecessarily. I have a friend who spent \$800 a month even after he started work. He saves and invests the rest of his money. Now that he's a father, that spending has increased but it is well controlled till this date. He is a great example of being frugal.

7. Maintain your budget!

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The second rule that you need to have in order to keep pace to a viable retirement lifestyle is to take the necessary risks when these opportunities present themselves. Too often, people can be overly cautious and avoid all forms of risk altogether. In this case, how do you have enough money to afford a viable retirement lifestyle by simply putting money in your savings account?

The first question to ask yourself should be, "Am I having a healthy approach to risk management?"

In Singapore, there are generally 4 categories for risk profiling:

a. Risk Adverse

You just simply cannot tolerate any form of risk and likely prefer to keep your money in tin cans or saving deposits.

b. Cautious

You can tolerate some form of risk but generally prefer to a certain degree of guarantees. Fixed deposits work well for you.

c. Balanced

ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

You can tolerate more risk, with a longer time horizon to stay invested. You may understand that some form of risk is required to achieve higher returns.

d. Adventurous

This basically means that you are willing to take risks for the long haul in order to achieve high returns. Usually open to invest in stocks, forex or futures.

There are many risk profiling tools online for you to assess your personal risk profile. Financial planners in Singapore have to perform a compulsory risk profiling assessment every time you get a cash value policy from them. So, you may get a simplified version of a risk profile after that. Knowing your risk profile won't help much if you don't learn how to manage risk.

It is useless to expect high returns if you want everything to be guaranteed. If anyone promises you guaranteed returns of 9% per annum, I caution you to be wary of such schemes because there is a good chance it may be a Ponzi scheme.

There is nothing fishy about achieving 9% pa. However, boosting of a 9% pa while being able to guarantee both the capital and the returns is fishy.

ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

Your risk profile is like a mirror that shows you what could be your most comfortable range of investment choices. If you are risk adverse but wish to achieve high returns of approximately 10% pa, then you will need to be educated so that you can increase your risk tolerance to somewhere near to “balanced” or “adventurous”. Why? It is because at the risk adverse level, your choice of suitable instruments are very limited. Most of them will not be able to help you to achieve more than 3% pa. If you are able to accept it, there is no need to change the status quo.

There’s also the emotional aspect.

Most of the time, the key emotional difference between the risk adverse investor and the adventurous investor is the ability to handle stress. The latter usually is able to hold on to his or her investing principles even when his investments are seeing a sea of red, ie losing money. Generally, things will get better and the investor simply needs to hold on to his or her position within a reasonable timeline.



ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

Ultimately, the best way to increase your risk threshold is to be more educated. The higher your risk threshold, the higher the likelihood of you making better returns on your investment. It is important to note that you should not be running into risky ventures all the time. You should learn to balance the risk to return ratio and judge for yourself if the returns are indeed worth the risk.

Let's come back to John, our familiar figure.



John walks into the Kopitiam and finds a seat next to his school mates. The 5 of them had been buddies for so long that they always found time to catch up despite busy schedules. Their families met up often during festive seasons and it was always a good time of bonding and fellowship. "Hey John, how was your Japan trip?" asked one of them. "Well, I am officially broke now," came the prompt reply. John spent so much money on the Wagyu Beef and shopping that he failed to watch his budget and now he's staring at a credit bill the size of Mount Fuji.

John: "I enjoyed myself, and so did my family but right now, my wallet and bank account is feeling the heat. So yeah, I am feeling the stress."

ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

Random Buddy: "You know if you are worried about the bill, I might have the answer for you. A friend of mine introduced this forex account to me. Put in \$10,000 and the account manager will return you \$1000 every month until you decide to withdraw your capital. And it's guaranteed! How you wanna join or not? You join in and I will earn \$800 too. I don't mind splitting the \$800 with you."

John: "Wow! Sounds good, is it safe? Maybe I should place my savings there instead of the bank."

John knew little about the risk of such investments. Although his friend had been in the program for about 5 months and gotten half of his capital back, he was unable to provide details on how the forex account works. He was impressed by the grand looking office and attractive returns. John had no experience in any instruments other than the regular fixed deposits and the mutual funds purchased using his CPF OA account. But he knew that the extra money will help in paying off his credit card bills.

Trusting his friend, he went away to write a cheque of \$10,000 and started his account with the scheme.

ROADBLOCKS TOWARDS A BEACH FRONT RETIREMENT

6 months later, the forex company was placed on MAS' black list and the company's account was subsequently frozen. John lost about 40% of his money and he was in a much worse state than before this investment. He had no one to blame but himself.

John decided it's time to start educating himself on investing principles and instruments.



**BOOK A FREE
CONSULTATION
WITH
THEBOTAKSAGE
OR HIS
ASSOCIATES TO
RECEIVE**

PART TWO