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OUR PARENTS TOOK CARE OF US,

NOW IT'S OUR TURN.

FINANCIAL PLANNING FOR OUR PARENTS.

BY KENNY TEY

Oftentimes, parents are more than happy to offer financial advice, as they like to ensure that you are financially stable and have enough to be able to live a comfortable life. However, most people tend to forget that it has to go both ways. We also have to ask them about their financial plan for the future - subjects such as retirement, their wills / estate planning, and long-term care if it becomes necessary. Asking about matters as such and discussing the topic of money with your parents can be an odd, maybe even sensitive, subject. However, life tends to move fast, and many find themselves at a loss of what their options are when it comes to family finance. Our parents' plans can, and will, affect our own, making it vital to begin the discussion.

The key to approaching a delicate subject at hand is to use tact, and to make sure that the other party (in this case, our parents) is aware that we are entering this discussion as we want to learn and help. We may use life events and milestones to begin the conversation about plans - such as a new job, house, or starting a family

It seldom comes to children's minds that their parent(s) may fall sick. When that happens, instead of relying on parents' support, the son or the daughter has responsibility for their wellbeing and possibly the family.

Topic 1 — Retirement

Beginning your first job may be an appropriate gateway to the conversation. It is beneficial to ask for advice as you make a start on CPF contributions and ask the following questions ; "how did you grow your money in CPF?", "What did you do with it?", "Did you have enough to buy house?" If not, "How did you overcome the down-payment?"

Another useful start to the conversation may be when looking for your first new house as the time comes to move out - just in case you may need an extra room for them!

Topic 2 — ElderShield / CareShield Life

Long-term Insurance such as ElderShield / CareShield Life (a new scheme coming up) helps to offset the cost of long-term care, which helps with routine activities (such as eating, bathing, dressing) whether at home or in assisted living. The cost of extended care varies, but the average is as follows:

- **Temporary Day Care**
  S$100 - S$150 per day
  S$3000 - S$4500 per month

- **Care Services at Home**
  S$80 - S$220 per day
  S$2400 - S$6600 per month
  S$28,000 - S$79,200 per year

- **Intensive Inpatient Care**
  S$7,000 per month
  S$84,000 per year

Long-term insurance usually gets more expensive with age, and most people who buy ElderShield Supplement, to get higher and more comprehensive coverage, tend to buy in their 50s or 60s, making it crucial to start the conversation around this early.

Eldershield starts automatically at age 40 unless one chooses to opt out. CareShield Life will start at age 30, and is compulsory. Asking direct questions such as *"How does CPF & ElderShield work?"*, *"Do you have any advice?"* or *"What did you do?"* may be most suitable. To ease into the conversation, you can also use someone else's experience as an example, then ask your parents if they have considered assisted living in the future, and how they would pay for it.

Topic 3 – Preparing Financially for Retirement

The official retirement age in Singapore is 62, and the re-employment age, at 67. CPF starts its monthly payouts at age 65. The average number of years for Singaporeans in good health is 73.65 years old. Most Singaporeans only start planning for retirement at 38 years old, but the longer you wait to start saving up for retirement, the amount that you need to save every month then increases exponentially. Basic monthly expenses for Singaporeans after retirement is at S$1,200 per month, working out to be $14,400 per year - this is without inflation, to provide an easier example.

Especially in a culture that is driven to continuously work hard, people may often lose sight of rapidly approaching time, therefore finding themselves at a loss when the time for retirement comes around as they haven't given it much thought before. It is therefore vital to ask our parents if they are aware of how much they need in order to be able to live comfortably during retirement, and if they are prepared for it. If the answer is no, chances are that the responsibilities will fall entirely on their children, who may also be at a loss of what to do at that point.

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Topic 4 – Estate Planning

Although not necessarily a merry conversation to be had, talking openly about wills, trusts,life insurance, and advance medical directives can give us a little bit of insight into our parents' intentions for the future. Knowing what to expect from them, or that they've done some planning, will certainly make an emotional eventuality a little easier. Setting up your own estate plan - which may come when you start your own family - gives you a chance to ask your parents about theirs, or find out if they have any in place.

Something you can use to start the conversation with is the example of a friend from work having a parent pass, but they could not find any paperwork. This allows you to transition into the question of whether your parents have all your paperwork together in one place, and who can access it should anything unexpected happen.

Lastly, your family might not be comfortable talking about finances just yet. While it is important to start the conversation early, it's also essential to respect others' boundaries especially around delicate topics like this. You don't have to have all the conversations about these topics all at once either; but it may be useful to make it clear that you feel that it's an important discussion to have and that you're willing to talk another time.