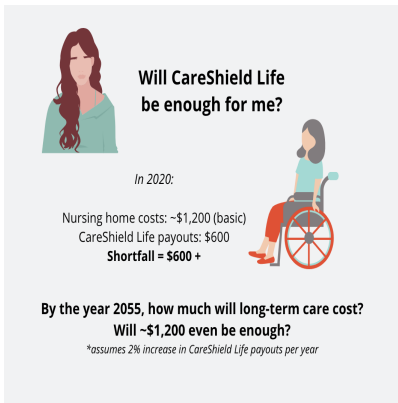


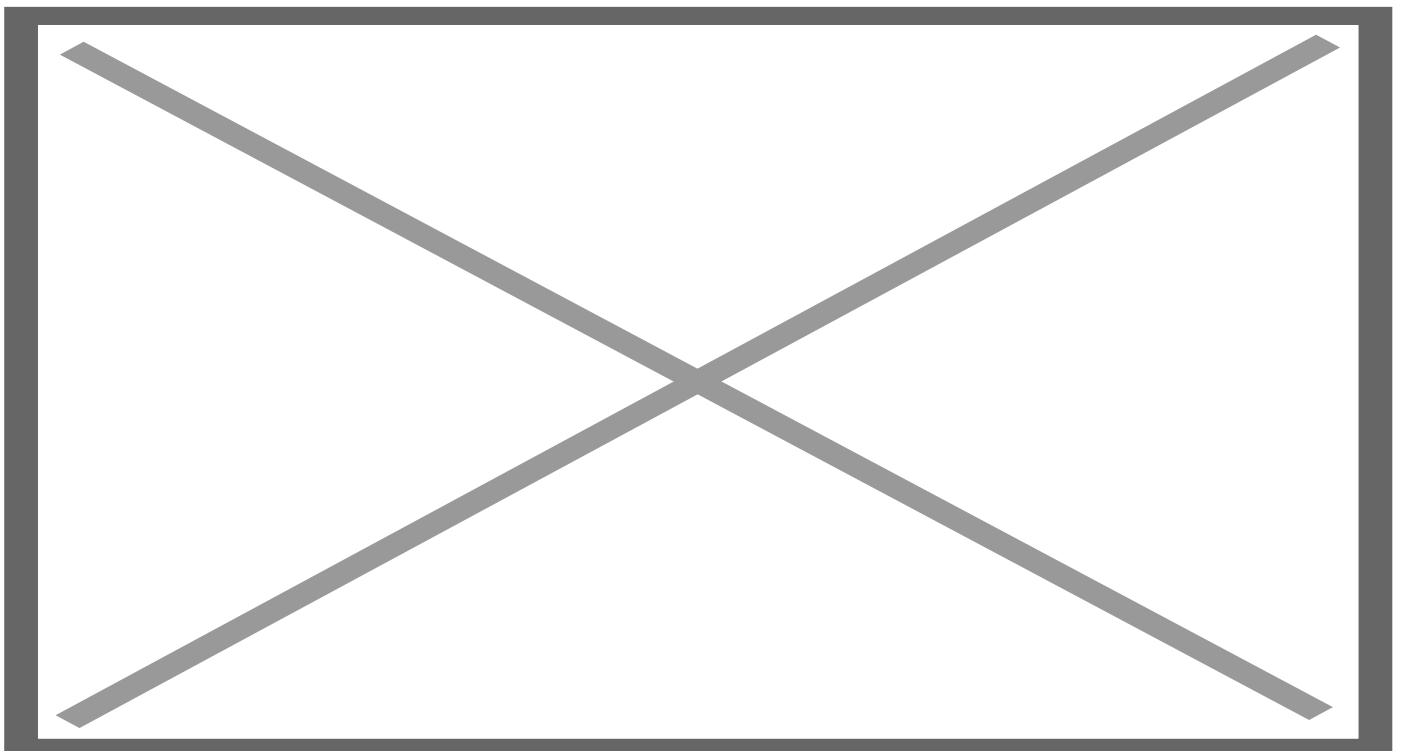


Guide to CareShield Life – Should I Buy Supplementary Insurance?

Description

If you think \$600 a month won't be enough in the event of disability, CareShield Life supplements by private insurers could help. This guide looks into CareShield Life, its limitations, and why additional coverage might just be necessary.

The Ministry of Health [estimates that 1 in 2 Singaporeans above age 65 could become severely disabled in their lifetime](#). And about [3 in 10 Singaporeans will live a decade \(or longer\) after they become severely disabled](#). With better medical care and longer life expectancy, more Singaporeans may become severely disabled in their old age and live with the disability for a longer duration.



Screenshot from [MOH Youtube](#)

As such, theyâ??ve introduced CareShield Life (as an [improvedâ?• version](#) of its predecessor, ElderShield) to help provide lifelong payouts starting at \$600 / month and increases annually until age 67, or when a successful claim is made. Premiums start from \$206 a year for men and \$253 for women at the age of 30, and are payable until age 67.

Designed as a long-term care and disability insurance scheme, CareShield Life is meant to support us by providing a stream of income upon severe disability.

Severe disability is basically defined as when you can no longer do 3 Activities of Daily Living (ADL) by yourself:

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If you're unable to do any 3 of these activities and this has been confirmed by [a MOH-accredited severe disability assessor](#), then you'll be eligible for CareShield Life payouts.

How is CareShield Life different from ElderShield?

Aside from higher payouts (which naturally come with higher premiums payable), I've summed up the main differences below.

A key benefit is that payouts are now **for the rest of your life**, and pre-existing conditions are covered, allowing for wider coverage as a social security net.

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**You may not end up paying until age 67 in the event of that you make a successful claim in your earlier years.*

Note that for CareShield Life, your premiums payable will increase over the years to keep up with inflation and rising long-term care costs.

I'm already on ElderShield. Should I switch to CareShield Life?

This was the question I asked myself in deciding whether to switch my parents over to the new scheme.

Given that ElderShield only provides **\$300 to \$400 per month** of payouts for a limited period (5 to 6 years), it is worth switching to CareShield Life which **offers you payouts for up to the rest of your life**.

If you have any pre-existing medical condition, switching your ElderShield to CareShield Life in end-2021 may be possible if you are not severely disabled then. Furthermore, you will not need to pay any additional premiums for pre-existing medical conditions.

If you decide to stick with your existing ElderShield, then you'll need to opt out by 31 December 2023.

What if my parents already have an ElderShield supplement?

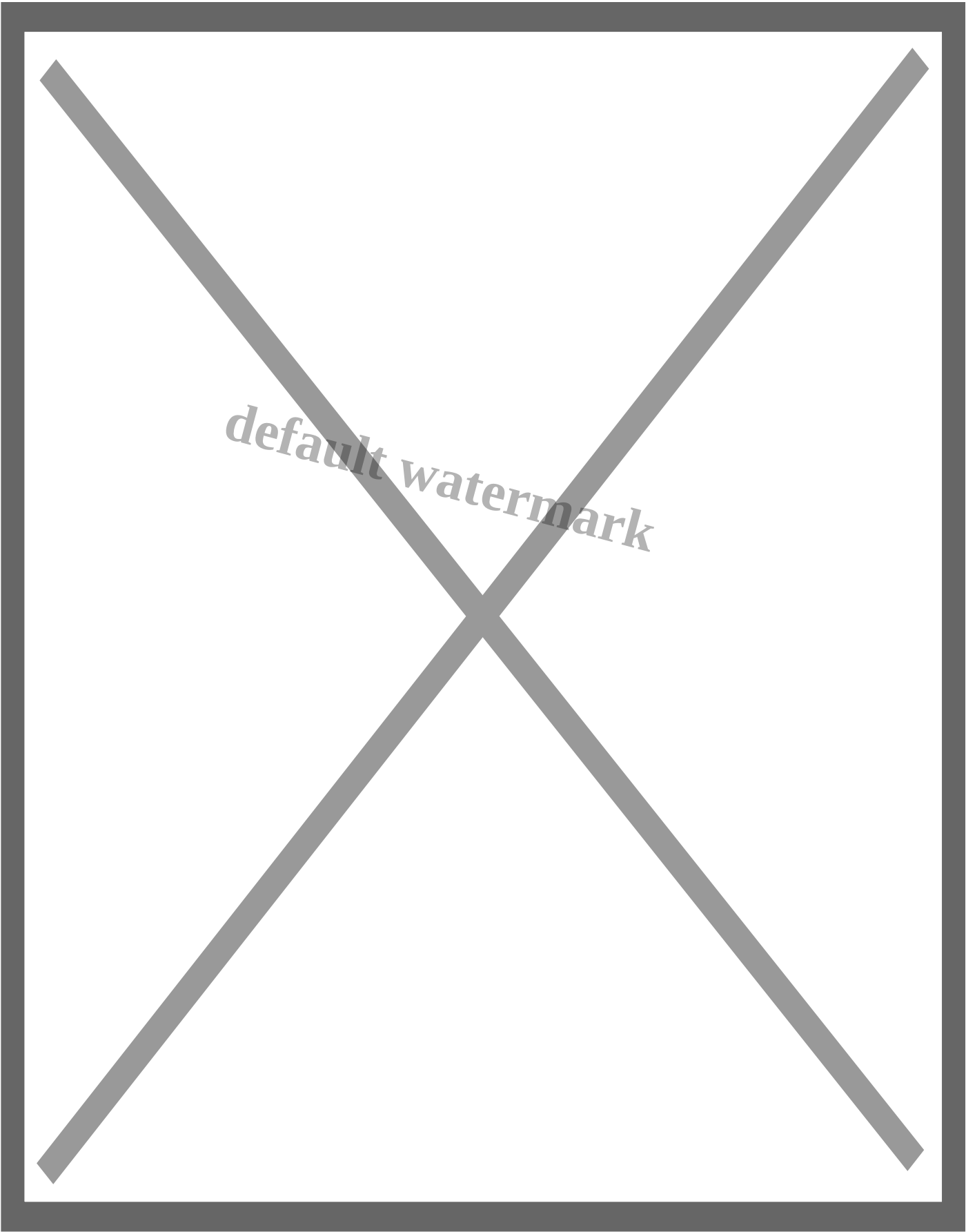
Some of our parents may have already bought ElderShield supplements previously. These policies will still continue to be in force.

These ElderShield supplements had a maximum limit of \$3,000 to \$3,500 monthly payouts (see [here](#) or [here](#)). If you wish to increase your monthly benefit, you can either switch to, or add on, a CareShield Life supplement.

In our case, we intend to switch our parents over to CareShield Life once they receive their letter(s) from the government.

How much will I get from CareShield Life?

If you haven't already received the brochure from MOH, here's a good illustration of how CareShield Life could work for different people:



Source: [MOH CareShield Life](#)

What happens if you recover from your disability, and subsequently become disabled again?

For CareShield Life, you will need to continue paying the premiums as long as you are not severely disabled in order to benefit from the continued coverage (*unless you're older than 67 years old at point of recovery*). The next question to ask is, will this be enough? To answer this, I first tried to find out how much long-term care would cost in Singapore. As it turns out, the costs aren't cheap.

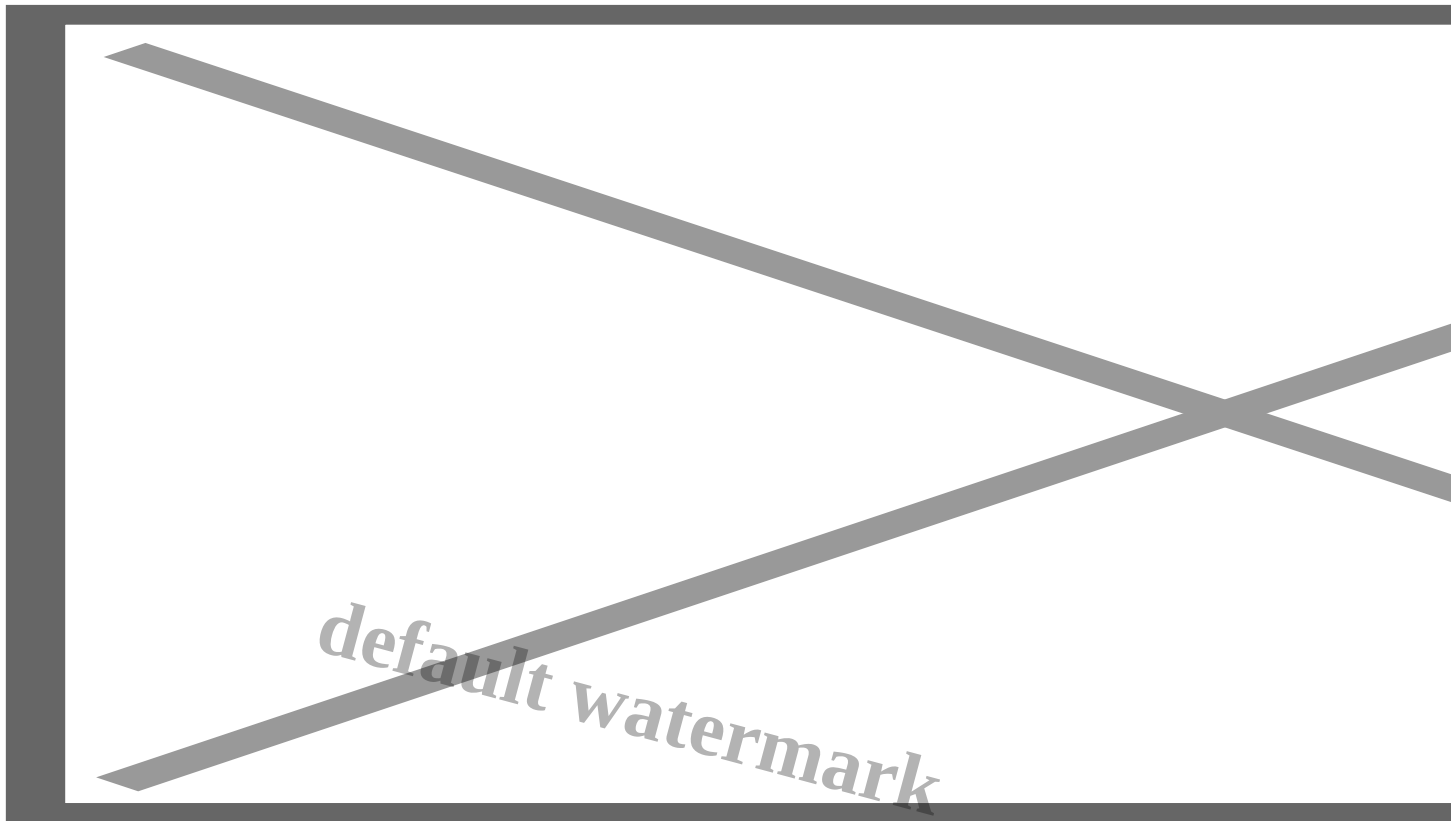
How much does long-term care cost?

[According to this report, elderly health costs are expected to rise 10 times by 2030, and each senior in Singapore will need an average of \\$51,000.](#)

Ok, that sounds like a mind-boggling figure. How about what's required per month, or per year?

Costs differ based on the level of care required, but in general, monthly fees for the average nursing home can set you back by at least \$2k to \$3k. While there are government subsidies you can tap on, you'll be ineligible as long as your household per capita income is more than \$3,100 each month. Here's a consolidated table of nursing home charges in Singapore:

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Source: [MoneySmart](#)

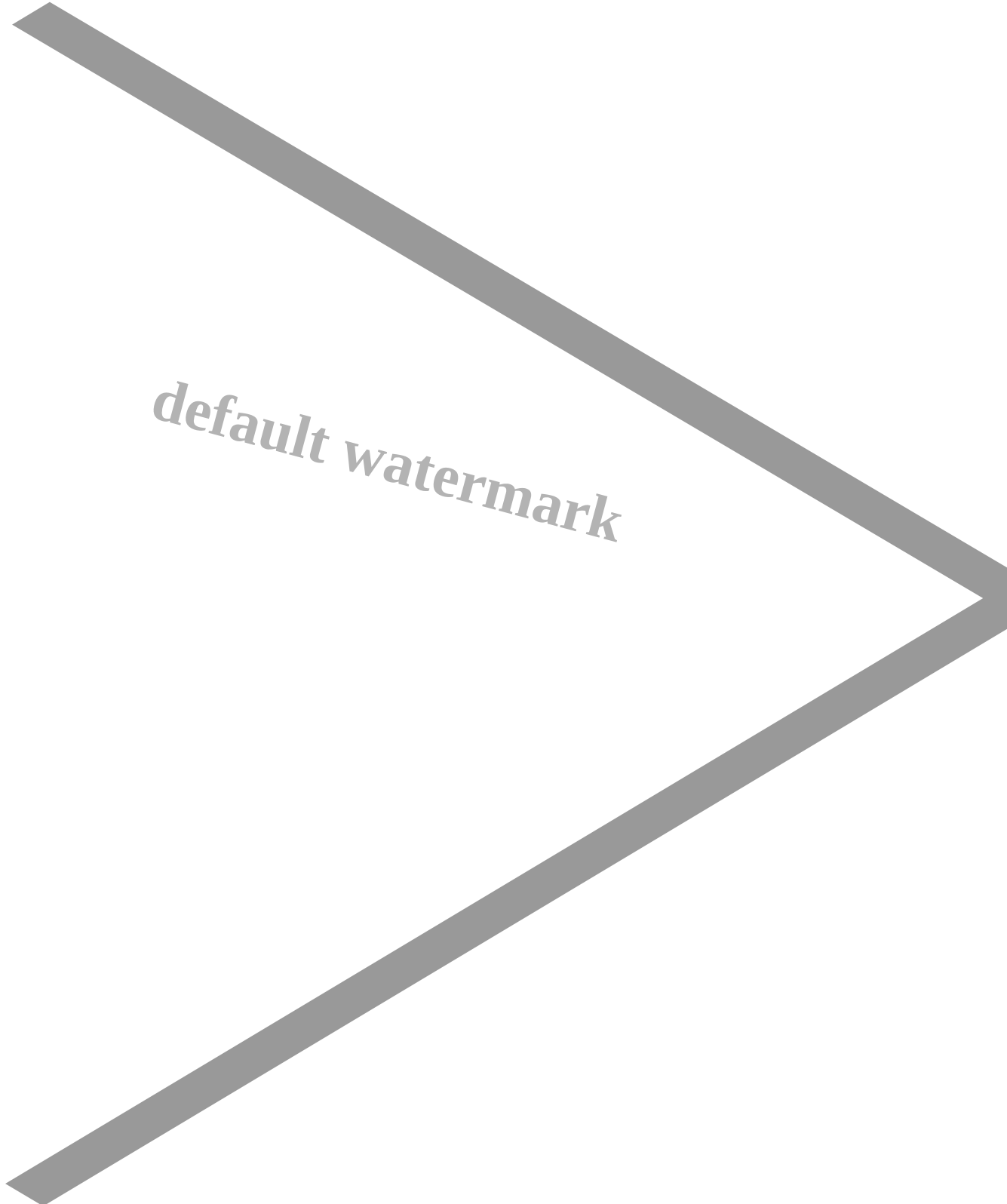
Another common option in Singapore is to hire a foreign domestic worker (FDW) together with receiving professional care at home regularly instead. In this case, the cost could easily add up to **\$1,850 per month**, which consists of \$800 (for an experienced FDW) + \$800 (1 x weekly home care nurse visit) + \$250 (1 x monthly home doctor visit).

If you're thinking of funding this with your savings alone, note that even a \$180,000 savings will only last you for 5 – 8 years, depending on the type of care you go for.

Hardly enough for the average of 10 years that MOH is projecting, and you'll likely run out of cash savings if you live beyond that.

And that's assuming today's numbers. Say if you were 30 years old today and expect disability costs to only set in when you're 65, projecting 2% inflation rate over the next 35 years will mean you'll be needing **\$3,700 a month for long-term care in 2055**.

With inflation, expect these costs to increase over time.



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Modified screenshot (figure

Is there duplicate coverage if I already have private disability insurance?

Not exactly. Most private disability income covers for your working years, and within your policy T&Cs, youâ??ll see that you have to be gainfully employed or drawing an income at the point where the disability occurred.

The exception would be for insurance policies covering total and permanent disability (TPD) such as through an accident or life plan, although the eligibility for claims would be a pretty detrimental state of disability that renders you unable to engage in any gainful activity henceforth.

This leaves behind a coverage gap in your later years. What happens if disability sets in after retirement?

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Some people rely on their savings, while others rely on their family members to foot the bill.

For my husband's grandmother who needed help with almost all the ADLs, they opted for a domestic helper and sent her for regular medical treatments. As she had 8 children who helped to contribute, the costs of long-term care was still manageable.

But what about for our generation, where we're having fewer kids or perhaps none at all? Even the government echos this sentiment, having said that

Coupled with shrinking family sizes, it will be challenging to rely solely on personal and family savings to pay for one's long-term care needs.

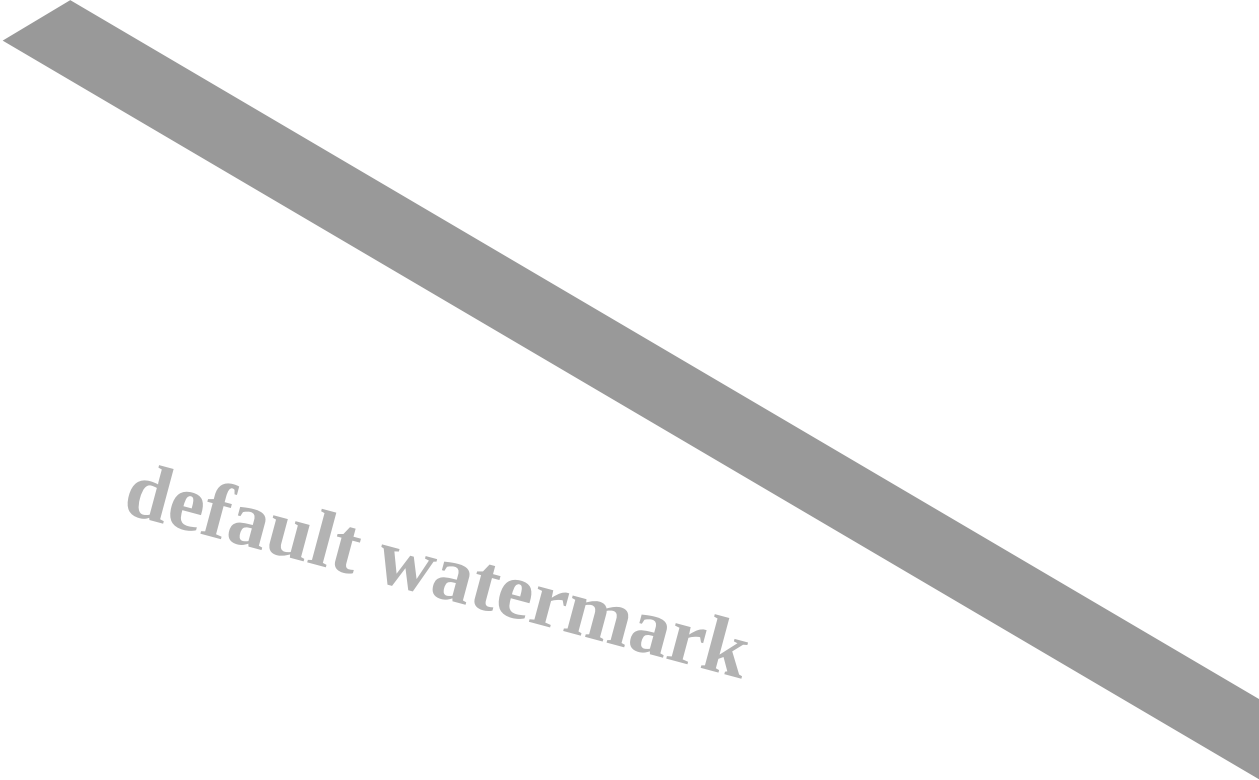
I definitely don't want to pass this financial burden to my child, so I'm planning early to try and mitigate any future costs.

Is a CareShield Life supplement necessary?

CareShield Life was designed as a **basic** long-term care plan. In reality, it is already hard to survive on just \$600 a month for food and transport, so the I don't expect the money to be enough for someone who is severely disabled, needs to pay for a caregiver, and cannot work for income all at the same time either.

And lest you think CareShield Life only benefits the older crowd, the truth is, being young does not mean we're immune to disability *especially as we are often more active* as disability can be caused by accidents or illness.

To finance such long-term costs of care, we need to adopt a 3-pronged approach of government subsidies, insurance and personal/family savings.



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This is where private supplementary plans come in handy.

Currently, only 3 insurers have been approved to offer CareShield Life supplement plans – Great Eastern, Aviva and NTUC Income.

These plans allow you to receive monthly payouts **at an earlier stage**, without needing to pay for your premiums in cash (as you can use up to \$600 from your Medisave each year to pay for it).

However, if you wish to have higher coverage, then you can always top up with cash for a higher monthly payout of up to \$5,000.

*Important Note: do check whether the monthly benefit offered by your insurer are **inclusive** or **in addition** to your CareShield Life payouts.*

For insurers like Great Eastern, the payouts are **on top of** your CareShield Life payouts (so you get a higher total sum).

To provide greater assurance, some insurers will also waive premiums upon your inability to perform at least 1 ADL.

What are the odds of being unable to perform 1 ADL?

If you feel that the claims criteria of 3 ADLs is too strict, and you’re thinking of getting a CareShield Life supplement plan to cover from 1 ADL onwards, [here’s a local research paper that you might find helpful](#).

This table shows how many individuals in Singapore currently live with the inability of 1 or 2 ADL (making them ineligible for CareShield Life payouts):

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That's **47%** of the total population with disability, or close to a 1 in 2 chance!

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This other table shows that as one gets older, the odds become stacked against you. If you're a female and past 85 years old, the chances are 16% to 29% of 1 or 2 ADL limitation.

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If you're a female like me, you might want to start seriously thinking about whether you need supplementary CareShield Life insurance to protect you in your later years.

Given the odds of being disabled in our golden years, if you're concerned about the rising cost of long-term care, a private supplementary plan can come in handy to offset the costs.

Review: GREAT CareShield â?? Enhanced / Advantage

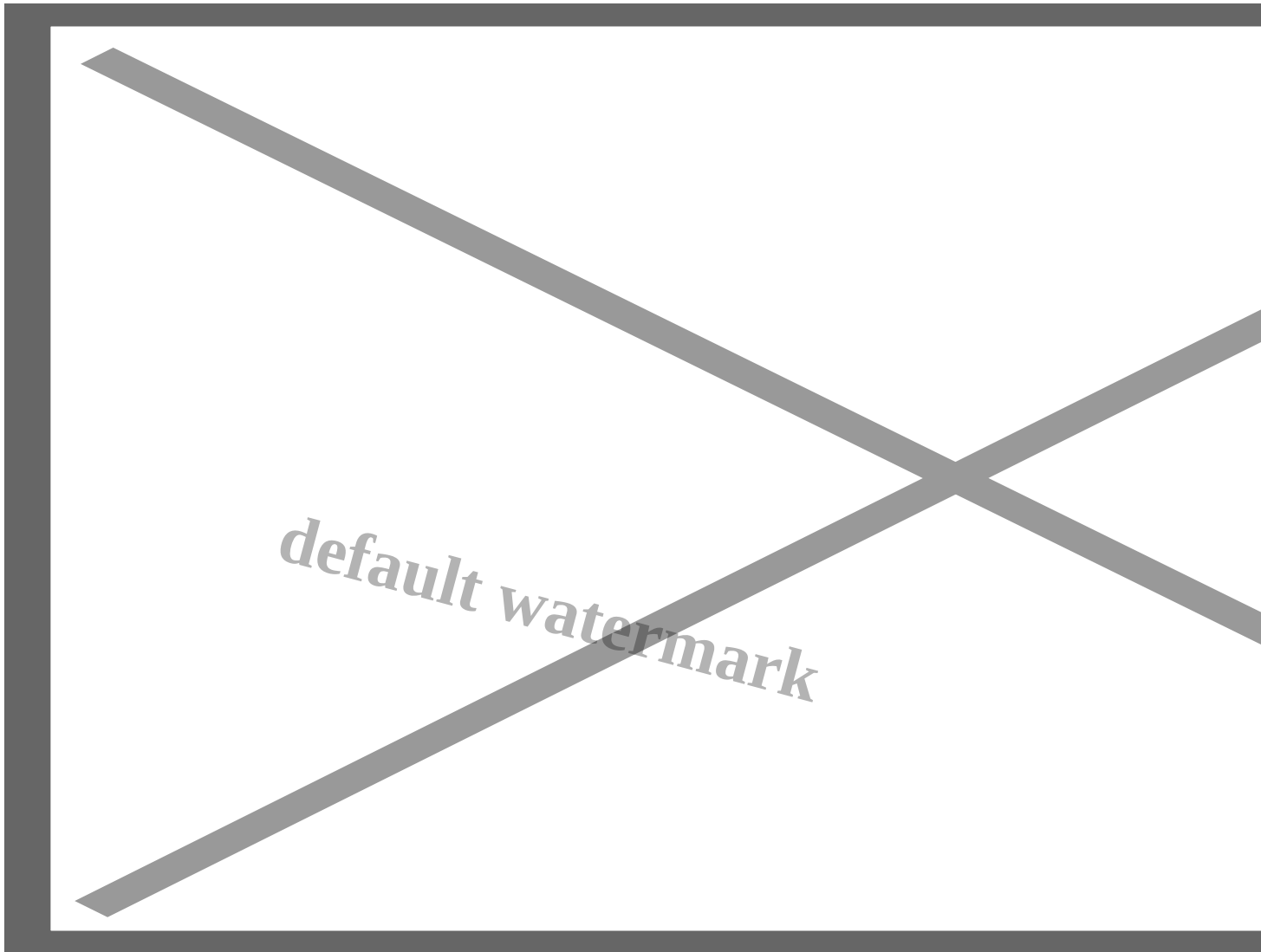
If you're looking for a plan that gives you a lump sum payout (*of 300% your monthly benefit*)^ from as early as the inability to perform 1 ADL, then there's only one insurer with this benefit, and that's Great Eastern.

Premiums also remain level throughout* your policy term, which means you won't have to pay more for rising premiums as you grow older. This way, you can better plan your budget to account for this amount, since you know how much you have to set aside each year.

By getting covered at a younger age, your premiums are fixed at your entry age (i.e. younger starting age = lower premiums) and payable until you're 65 (you can also opt to stretch the payment duration until 80 years old).

Here's an example:

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Source: Great Eastern

Great Eastern's payouts are **on top of** what CareShield Life provides, for those of you who are looking for higher coverage:

The Enhanced plan provides, upon the inability to perform:

- 1 ADL: premiums are waived`
- 2 ADLs: 50% of monthly benefits
- 3 ADLs: 100% of monthly benefits (in addition to your CareShield Life payouts)

The Advantage is a more comprehensive plan designed for those who wish to have higher coverage from an earlier stage, and provides

- 1 ADL: premiums are waived` and you'll also receive a 300% monthly benefit (up to \$15,000)^
- 2 ADLs: 100% of monthly benefits (vs. 3 ADLs on the Enhanced plan)

If you're looking for a plan that gives you coverage from as early as the inability to perform 1 ADL, then there's only one insurer with this benefit, and that's Great Eastern.

Should I buy my CareShield Life supplement now or later?

First of all, the best way to answer this question would be to look at your (i) coverage gap and (ii) budget available.

With CareShield Life, we now have the assurance that at the very least, we will have a *basic* level of payout to help us with future long-term care costs. But at the same time, we also know that just a basic sum alone is hardly enough, which is why we need to get our own supplementary plans from private insurers to add more coverage.

So if you have the budget for it, you should definitely add on a CareShield Life supplement now while you're still young and healthy.

But if I buy later (when I'm older), I pay for fewer years of premiums!

That's correct, but don't forget that a shorter payment period does not mean you pay less.

In fact, using Great Eastern CareShield (Advantage) \$1,000 Monthly Benefit plan for a male profile as an example, you'll pay (rounded to the nearest dollar and excluding any promotional discounts)

- \$20,764 in total premiums (up to age 80) if you start at 30
- \$27,407 in total premiums (up to age 80) if you delay and start only at age 45

As you can see, delaying it does NOT actually help you to save money, and in fact leaves you with a protection gap during age 30 - 45 if you choose the latter scenario instead.

Conclusion: Should you buy a CareShield Life supplement?

While CareShield Life is certainly an improvement from its predecessor, the starting payouts of \$600 in 2020 is unlikely to be enough for anyone hoping to mitigate the full costs of long-term care.

Considering how the cheapest nursing home presently costs at least \$1,200 for the most basic level of care, **that's already a shortfall of at least \$600 in today's terms**. This is likely to increase in the coming years. As such, if your budget allows for it, it might be a good idea to add on supplementary insurance.

While premiums can be paid via your MediSave, do factor in the totality of your MediSave being used for other insurance premiums as well, including but not limited to

- MediShield Life premiums
- your hospitalisation (integrated shield plan) premiums
- your dependents' integrated shield plan premiums (e.g. Nate's premiums are being paid out of my CPF MediSave)
- CareShield Life
- CareShield Life supplement

Hence, before you commit to a CareShield Life supplement, you may want to consider if you have enough, and whether you'll be able to use cash to top up in the event that your MediSave balance runs low.

By planning early with the level premiums offered by Great Eastern CareShield, you can protect yourself against rising long-term care costs.

Sponsored Message:

#Lifeproof your financial future against long-term disability. Sign up for GREAT CareShield and enjoy 20% savings on your premiums for the first year! [Find out more or get a quote here today!](#)

Disclosure: This post is sponsored by Great Eastern. All opinions are that of my own, and information accurate as of 30 January 2021.

Footnotes:

* Premium rates are not guaranteed and they may be adjusted from time to time based on future experience.

^ Subject to Deferment Period and for Advantage Plan type only, and "mild disability" is the inability to perform one Activity of Daily Living (ADL). The Initial Benefit is a lump sum payment equivalent to three times of the Monthly Benefit. In the event the Life Assured fully recovers from the disability, the Initial Benefit may be paid again for subsequent episodes of mild disability. However, it is not payable if such subsequent disabilities arise from or are related to the cause of disability(ies) for which there was a previous claim for Initial Benefit.

` Subject to Deferment Period, and for as long as he continues to suffer from the disability.

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