How much will your lifestyle cost when you turn 65?

Description

Have you ever wondered about how much your lifestyle will cost when you turn 65??

How much do you think youâ??ll need every month to get by? $800? $1000? $1500?

The folks at The Fifth Person ran a calculation on estimated living costs 30 years from now, and I thought itâ??ll make for a fun exercise to tweak it to something closer to us 90s kids.

Letâ??s work out the numbers.

To keep our calculations simple, we will assume that the overall rate of inflation is 3% (in line with existing data over the past decade, and what TFP referenced).

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Iâ??m not far from hitting 30, so letâ??s use that as a gauge.

In 35 years, weâ??ll be 65 years old, and getting $1,300 every month from my CPF payouts â?? assuming the full retirement sum remains constant at $166,000.

55th birthday on or after	Full Retirement Sum
1 July 2003	$80,000
1 July 2004	$84,500
1 July 2005	$90,000
1 July 2006	$94,600
1 July 2007	$99,600
1 July 2008	$106,000
1 July 2009	$117,000
1 July 2010	$123,000
1 July 2011	$131,000
1 July 2012	$139,000
1 July 2013	$148,000
1 July 2014	$155,000
1 July 2015	$161,000
1 January 2017	$166,000

Source : CPF

For those of you who would want to try making your own calculations, hereâ??s the formula:

Principal x (1 + inflation rate)^number of years

Essential living expenses

Food & Groceries
Current cost: $50/week, or $200 a month

Projected cost in 2052: $563

Utilities
Current cost: $100 per month (in our 3-room flat)

Projected cost in 2052: $281

Public transport
Current cost: $120 a month (based on my recent ez-link top-up statements), but letâ??s account for the likelihood that I probably wonâ??t have to travel as much once I cross my 60s, and that Iâ??ll also most likely be purchasing the $40 off-peak pass then

Projected cost in 2052: $113

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Concession Pass	Benefit	Price
Hybrid Concession Pass (HCP)	Unlimited rides on basic bus services and trains	$60
Off-Peak Pass (OPP)	Unlimited rides on basic bus services and trains during off-peak periods (start of service to 6:29am, between 9:01am and 4:59pm, and from 7:31pm till end of service on weekdays, and all-day on weekends and public holidays^)	$40

Source: Transit Link

Mobile phone plan
Current cost: $65 a month

Projected cost in 2052: $183

Healthcare
Current cost: $45 a month *(includes herbal drinks or one visit to the doctor each month)*
Projected cost in 2052: $127

I will also assume that my house and insurance premiums will be fully paid off by then.

Total for basic living expenses in 2052: $1,267

Leisure expenses

You didnâ??t expect me to NOT have a fun life after retirement, did you?

Movie once a month

Current cost: $40 a month. You guys already know how much I love my regular cinema visits!

Projected cost in 2052: $113

Food or drinks with friends once a week
Current cost: $15 a week, or the occasional cafe for $30. I donâ??t even know if our hawker centres will still be around in 35 years, so letâ??s just take an estimate of $80 a month.

Projected cost in 2052: $225

Shopping
Current cost: $100 a month

Projected cost in 2052: $281

Total for leisure expenses in 2052: $619

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Monthly expenses in the year 2052: $1,886

And this is just for my basic living expenses and the occasional leisure, which far exceeds the $1,300 Iâ??ll be getting from my CPF LIFE payouts, and assuming I continue to live an extremely frugal lifestyle even in my later years.

In fact, I would think that once Iâ??m older and retired, I would want to enjoy and spend more time out with my friends, so the estimates Iâ??ve used here are already pretty conservative in my scenario?!

We havenâ??t factored in healthcare costs or any other emergencies that might pop up, not to mention having money to give *ang paos* to my future kids and grandchildren for their weddings and every Chinese New Year. With more time on my hands, I would also want to go travelling with my spouse in our golden years and enjoy life together.

Some rough estimates in a year:

A 2-week vacation to Europe: $3,000 â??> $8,441 in 2052
A 1 week vacation in Asia: $500 â??> $1,406
2 hotel staycations in Singapore: $500 â??> $1,406

Ang paos for 2 children and 4 grandchildren every CNY and birthday: $50 x 6 people x 2 occasions = $600 â??> $1,688 in 2052

Total sum needed in 2052: $35,573 *excluding healthcare or medical costs*

Total sum realistically needed each month in 2052: $2,965

Still think your CPF savings are enough to cover you in your retirement years?

Conclusion

As you can clearly see, it would be foolish to rely completely on your CPF savings for your retirement, because the monthly payouts obviously wonâ??t be enough.

Other than your CPF, what are you doing to save up for your retirement years, when you might no longer have a job or be physically fit enough to work for an income?

Even if you save up cash, the value of your money will be eroded over time due to inflation. Remember how 20 cents used to be able to buy us a meal, but we now need at least $2.50 even for one at the hawker centre?

Unless you invest, your money may not be able to keep up with the increasing costs of living, and Iâ??m sure the last thing youâ??ll want is to find yourself running out of money in your golden years.
Letâ??s not talk about having financial support from your children yet, since not every couple today opts to have kids anyway, and even if you do, thereâ??s no guarantee how much theyâ??ll be giving you.

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How to invest?

While there are retirement saving plans or endowment policies offered in the market, theyâ??re not my cup of tea (often because the returns are too low for me), and neither are investment-linked plans (read about why I cancelled mine here). Presently, Iâ??m investing in bonds and stocks, and may look at adding in property investments when Iâ??m older and have a larger pool of capital.

But if youâ??re not careful, you could end up getting burnt and losing your cash savings in the stock market. To avoid this, make sure you equip yourself with the necessary skills and tactics to succeed in investing.

This will then serve as a compass and guide you whenever you enter the stock markets. You can get an insight into my personal investment approach in this post, but if youâ??ve always wished to **have a step-by-step guide with formulas and strategies for investing**, **hereâ??s a course which will teach you exactly that** for just a few hundred dollars. Iâ??ll also be attending this same course next month.

It is never too early / too late to learn how to invest safely.

With love,
Budget Babe
Note: This post was originally published on May 19, 2017 by The Fifth Person â?? a local financial education services provider â?? and I found the idea so intriguing that I asked to reproduce this with some tweaks of my own after seeking their permission. Lest it isnâ??t already obvious by now, this is NOT a sponsored post.

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