

Retirement Saving Plans in Singapore – A Good Deal Or No?

Description



If you aren't already confused about all the different insurance plans available, here's a new type of plan to befuddle you further: retirement savings plans.

AXA, Manulife and Tokio Marine are just some of the insurers who have launched new plans to cater to the growing demand for retirement products in Singapore. The plans generally promise regular payouts over 10 to 30 years to provide you with income that can supplement your retirement expenses. The main difference between the plans which you probably need to consider lie in their type of payout (fixed, variable or increasing) and the duration of premiums paid.

How they compare

Retirement insurance products	Payout type	Annual payout	Aggregate cash payout (\$)	Projected maturity payout (\$)	Projected total payout (\$)	Annual premium	Projected IRR (%)	Features
TM Retirement Secure	Fixed income	\$6,000 from age 59 for 20 years	120,000	121,044	241,044	\$7563 x 10 years	4.15	Optional cancer income rider available. Additional lump-sum payout at maturity.
Aiava MyRetirement	Fixed income	\$6,000 from age 59 for 20 years	94,000	416,78	95,670	\$3,135 x 14 years	4.01	Optional premium waiver rider available. Additional lump-sum payout at maturity.
Axa Retire Happy (Level)	Fixed income	\$6,000 from age 60 for 20 years	120,000	80,392	200,392	\$5,076 x 15 years	3.77	Choice of single or regular premium. Additional lump-sum payout at maturity.
Income SP Sail	Variable Income	\$6,000 from age 61 for 20 years	120,000	-	120,000	\$35,424 (one time)	4.18	SRS-approved.
Manulife RetireReady (Limited pay)	Variable Income	\$5,304 from age 60 for 20 years	106,080	-	106,080	\$3,832 x 10 years	4.07	SRS-approved. Double the guaranteed monthly income if unable to perform at least 3 out of 6 ADLs*. Premium waiver in the event of TPD.
Income FlexRetire	Variable Income	\$6,000 from age 60 for 20 years	114,000	18,000	132,000	\$3,805 x 15 years	3.62	Allow to change your payout duration even after policy inception. Optional premium waiver rider available.
Axa Retire Happy (Inflated)	Increasing Income	\$6,000 from age 60. Payout increases at 3.5% for 20 years.	169,815	100,527	270,342	\$6,345 x 15 years	4	Income payout increases at 3.5% yearly. Additional lump-sum payout at maturity.
Aiava MyRetirement Plus	Increasing Income	\$6,000 from age 59. Payout increases at 3.5% for 20 years.	169,672	104,030	273,702	\$7,352 x 14 years	3.7	Income payout increases at 3.5% yearly. Offers withdrawal options at retirement age. Additional lump-sum payout at maturity.

NOTE:

- The above figures are based on a 40-year-old male who requires a payout of \$6,000 per year.
- "Fixed income" - payouts are guaranteed.
- "Variable income" - payouts comprise guaranteed and non-guaranteed amounts.
- "Increasing income" - payouts are guaranteed and increase by 3.5% yearly. For example payout for Year 2 is \$6,210.
- Axa Retire Happy - single premium option is SRS-approved.
- The higher the level of capital protection, the more costly the plan.
- ADLs refer to activities of daily life like feeding, eating and dressing.
- The projected total payouts are based on the higher projected investment return of 4.75%.
- The plans in the above table are not exhaustive.

Source: DIYINSURANCE, STRAITS TIMES GRAPHICS

Source: DIY Insurance & [The Straits Times](#). [Click here for a bigger image.](#)

With the fixed payouts under the AXA RetireHappy plan, for instance, you pay \$76,140 over 15 years and get an aggregate cash payout of \$6,000 a year when you hit 60 to 80. The total amount you get back will therefore work out to be \$120,000.

While that does sound attractive, remember that money naturally grows over time when you factor in compounded interest. Your CPF and index investing are 2 other options that can yield pretty good returns thanks to the magic of compound interest at work. Considering how most of these retirement saving plans come with a projected yield column as well, could these plans be another form of Investment-Linked Plans (ILPs)? I'll probably have to delve deeper into the calculations, fees and

benefits of the policy before I know for sure.

Rather than focusing on the \$120,000 and how you can gain \$43,860 on the AXA RetireHappy plan by not doing anything after you've paid your premiums in full, look at it this way: \$6k a year works out to be only \$500 a month.

If you're 28 this year, you'll only start receiving your payouts in 2048. By then, I bet \$500 will be peanuts; there's a low chance you can possibly get by with just \$500 a month. If you were thinking of relying solely on this plan at these projected figures for your golden years, ask yourself if \$500 a month will be enough.

One advice I would give to you is to look beyond the numbers. Many Singaporeans tell me that they reckon they need \$1.5 million to \$2 million in order to retire, but when I ask them where they got such a figure, the answer is always "oh, my FA told me".

Remember that the best financial policy you can get for yourself is one that benefits YOU; not your agent nor your insurer.

You also need to think of other factors including: how long you think you can reasonably live for, projecting your possible state of health when you're older (if you think your body is physically weaker, then your retirement expenses will probably go up in order to account for medical treatments), and the lifestyle that you'll be happy with.

If you can't even survive on \$500 a month now (let's factor out family expenses for now), I doubt the sum will be enough for you in the year 2048 and later.

So before you rush to commit to these plans because they look and sound attractive, do your own homework first.

With love,
Budget Babe

Category

1. Insurance
2. Investing