

Do you really need Life Insurance & Critical Illness coverage? And how much is sufficient?

Why do you need life insurance when there's already CPF (Central Provident Fund)? And is critical illness coverage still necessary when you already have MediSave and MediShield Life? The key to these questions is understanding the purpose of life insurance and critical illness (CI) coverage.

While the government has ensured that we have some form of mandatory insurance, the coverage is extremely basic. Should anything major happen to you, those schemes will not be enough to act as a safety net to cover staggering treatment costs and mitigate the impact of income loss. Choosing to forgo insurance now could cause you and your loved ones to be saddled with bills. Remember, never risk too much for too little.

In essence, insurance is an investment in your future.

You pay premiums to the insurer such that in the case of an unfortunate event where your health is compromised, the insurer pays the sum assured so that the sudden huge costs do not cripple your finances. This in turn protects your standard and quality of life.

With life insurance, should you pass away or become permanently disabled and can no longer work, you and/or your loved ones are guaranteed a payout to help tide through tough times. This payout could even cover your estimated lifetime salary—it's up to you to choose the amount of sum assured! On the other hand, if you depend on CPF, the payout will be limited to however much you have accumulated up to that point.

As for CI, treatments are often long-drawn and costly which means that MediSave and MediShield will not be sufficient to defray the majority of costs. Furthermore, there are strict limits to the amount and type of medical expenses covered by MediSave and MediShield. For example, any hospital stay in private hospitals or wards above class B2 at public hospitals will barely be covered. Without a CI plan, you'll probably need to fork out the bulk of the amount from your pocket.

And don't forget, battling critical illness usually means a prolonged loss of income as well, while living costs and bills remain unchanging. This is why life insurance and CI coverage are particularly important and useful. Unlike MediSave, MediShield and hospitalisation plans, life insurance and CI plan payouts can be used as you wish—for household bills, long-term rehabilitation fees, kids' daycare etc. This helps you to better support your dependents such as children or elderly parents. There's a Chinese saying that says one should leave behind love, not debt—this sums up perfectly why the coverage is so necessary. Often, life insurance are not bought just for ourselves, but for the financial stability of our loved ones.

Don't think it'll happen to you?

Even if you're relatively young and healthy, the possibility of contracting critical illness cannot be 100% eliminated. While we are living longer (the average Singaporean enjoys a life span of 84.8 years), it doesn't mean that we are living healthier. As reported by the Ministry of Health, an increasing number of years (average of 10.6 in 2017 V.S. 9.1 in 1990) are spent in ill health.

Life expectancy and healthy life expectancy at birth, males and females, 1990 and 2017

	LE at birth in years		HALE at birth in years		Difference LE-HALE in years	
	1990	2017	1990	2017	1990	2017
Males	73.5	81.9	65.6	72.6	7.9	9.3
Females	78.8	87.6	68.5	75.8	10.3	11.8

(Source: [“The Burden of Disease in Singapore, 1990–2017”](#), Institute for Health Metrics and Evaluation, in collaboration with the Singapore Ministry of Health)

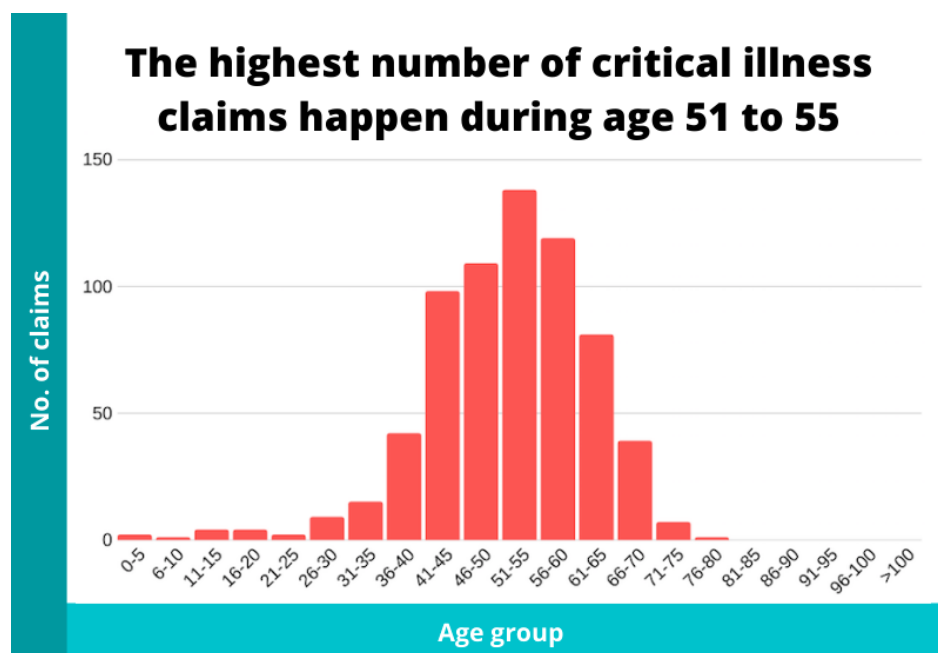
Statistics from the National Registry of Diseases also show that [1 in every 4–5 Singaporeans are at risk of developing cancer](#).

1 In Every 4 to 5 Singaporeans May Develop Cancer By Age 75



(Image Source: [SmartWealth Singapore](#))

And if you think you're too young to worry about this, keep in mind that between 2013 to 2017, the National Cancer Centre Singapore saw a [spike of 60% in the number of skin cancer patients under the age of 50](#). And looking at the general trends across all cancer types from 2014 to 2018, [the proportion of individuals diagnosed with cancer under age 50 is 10.5% for males and 21.4% for females](#). The bulk of CI claims also happen from age 41 to 65, peaking at age 51 to 55.



(Source: [SmartWealth Singapore](#))

How much coverage is sufficient?

The amount of coverage needed differs for each individual but the [Life Insurance Association Singapore \(LIA\)](#) recommends basic life coverage of about 9 to 10 times of your annual earnings.

For CI, the road to recovery may involve costs such as surgery, drugs, therapy and supplements. At the same time, you'll need to ensure that you're financially prepared for income loss as you take a break from work to focus on recovery, and also for the likelihood of CI recurrence.

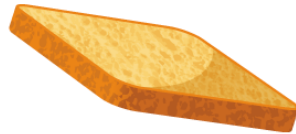
The [LIA reported in 2018](#) that it is recommended to prepare for 5 years of income loss based on the average CI recovery period. However, Singaporeans are strikingly short of coverage, with policies that meet a mere 20% of these needs.

Are you among those leaving their future up to chance? None of us want such misfortune to befall ourselves or those we love, but it's best to be prepared for possible realities. As a general rule of thumb, it is recommended to spend 10% of your income on insurance to ensure financial stability should anything unfortunate happen.

Most CI plans in Singapore cover you for 37 critical illnesses (e.g. cancer or heart attack) and provide you a lump sum when you are diagnosed with one. Multipay plans also provide multiple payouts for various stages of illness and recurrent illnesses. If you're relatively young and healthy, it's actually a good time to consider getting CI coverage as the premiums are generally more affordable and you're less likely to have pre-existing conditions which exclude you from coverage or subject you to higher premiums.

Be the last Sandwich Generation

WHAT IS SANDWICH GENERATION?



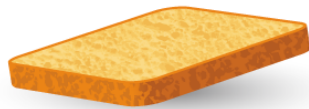
PARENTS

Cost of retirement



SANDWICH GENERATION

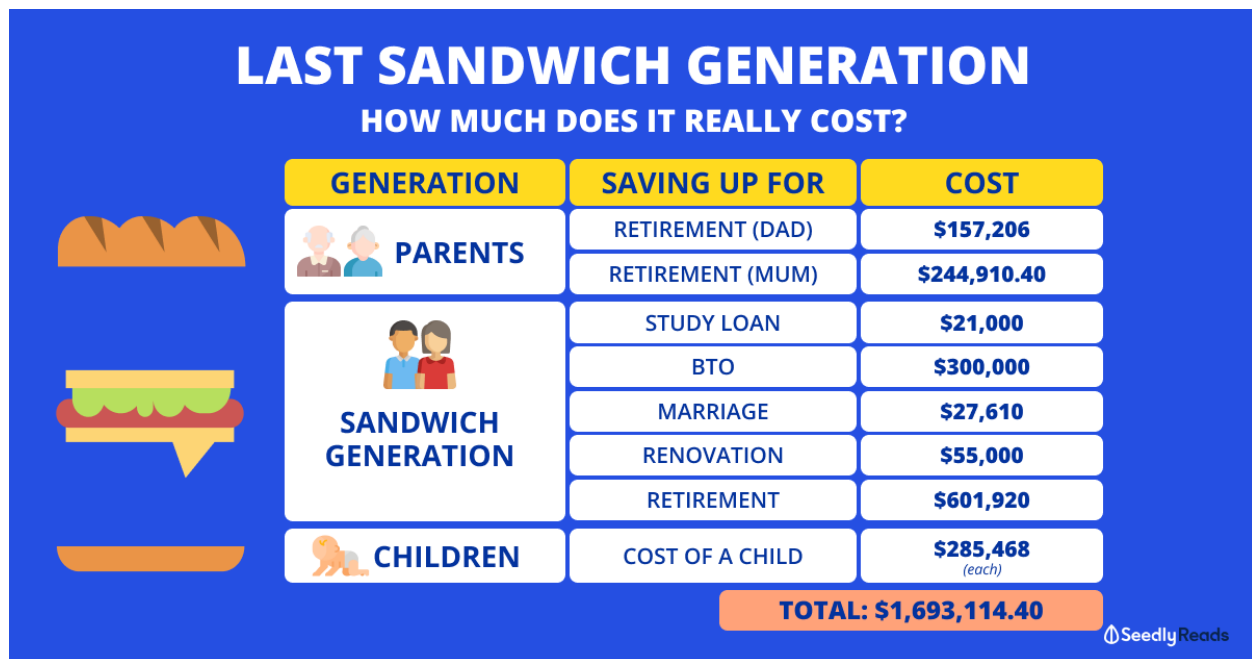
94% of parents (35-55 years old)
are facing the pressure of
-supporting their children financially
-ageing parents



CHILDREN

Cost of raising a child:
\$285,468

The term Sandwich Generation refers to working adults who are financially responsible for their children, as well as their parents. This can be especially pressurising as they are their parents' retirement plan, and their children's future. As a result, it is easy for those who fall in the Sandwich Generation to neglect their own retirement planning.



(Source: [Seedly](#))

According to a [2018 NTUC Income Survey](#), only 1 in 5 Singaporean youths believes their parents have enough for their own retirement. The same survey also found that 70% of young people were sure they would need to downgrade their lifestyle in order to care for their parents, while 67% of parents were expected to run out of savings during their retirement years.

Singapore youths found to have low confidence that their parents can rely on savings for retirement

Research commissioned by Income and conducted by Nielsen



KEY FINDINGS ARE AS FOLLOWS

YOUTHS ARE NOT CONFIDENT ABOUT THEIR PARENTS' RETIREMENT READINESS



believed parents can rely on personal savings for retirement



believed parents have already planned for retirement

YOUTHS BELIEVED THEY NEED TO FINANCE THEIR PARENTS' RETIREMENT



ONLY 8% were very confident of supporting them financially

To support their parents' retirement needs:

70% of youths foresaw downgrading their current lifestyles

48% of youths would indulge less in personal hobbies and interests

44% of youths expect to make career-related sacrifices



PARENTS FELL SHORT OF RETIREMENT FUNDS



of parents were expected to outlive their savings during their retirement years

ONLY 6% were confident of maintaining their current lifestyle when they retire



Parents believed they need **\$3,314** MONTHLY for retirement



But they had only set aside **35%** of the intended amount (\$1,146)

(Source: [NTUC Income via The Straits Times](#))



of young Singaporeans believed they will be the next Sandwich Generation because they:

- ➔ Feel financially responsible for retired parents
- ➔ Expect parents to live longer
- ➔ Believe that parents have insufficient retirement funds



of parents believed their children will be the next Sandwich Generation, while 59% felt their grandchildren will also be so.



of young Singaporeans worry that their parents would look to them for financial support after they retire.

The fears of young Singaporeans are not unfounded

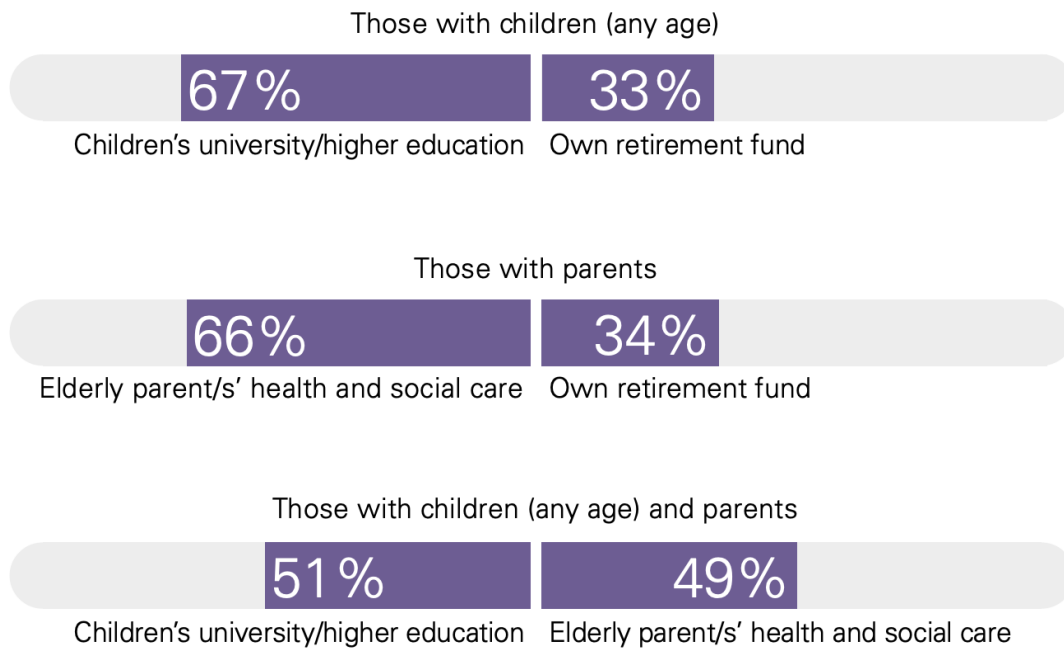
- ➔ 3 in 5 parents had not planned for their retirement.
- ➔ 59% of parents, who started retirement planning, did not plan for funds to last till 82 years old (estimated life expectancy).
- ➔ 34% of parents, who were confident about their financial situations, expected their children to financially support them when they retire.



(Source: [NTUC Income](#))

[The HSBC Power of Protection Global Report in 2017](#) similarly showed that 67% would choose to fund their children's university/higher education over their own retirement, and 66% would prioritise paying for their elderly parents' health and social care over their own retirement.

If they had to choose, people would prioritise their family over themselves



(Source: [HSBC The Power of Protection study, Facing the future, Global Report](#))

For the Sandwich Generation with two sets of dependents relying on them for support, getting themselves insured is essential to mitigate risks. This is not only to protect themselves, but also their loved ones.

If you fall into this category, be sure to get adequate protection while keeping to your budget. For example, for life insurance coverage, you may consider term plans which are more affordable compared to whole life insurance, allowing you to get the necessary coverage with a tighter budget. Hospitalisation plans are also especially important for elderly parents and young children who are likely more susceptible to illnesses.

To end the cycle of the Sandwich Generation, it is also crucial to grow your savings with plans within your financial constraints—this way, you'll be able to support yourself in your golden years and relieve your children of the pressures you are currently facing.

Feeling overwhelmed by the information and not sure how to get started? Indeed, with the abundance of financial plans in the market, you might be spoilt for choice. Ultimately, while all products are good in nature, the key in choosing the right plan is in figuring out what is most suitable for you.

Take your first step by understanding your own risk appetite and financial profile—our professional and experienced advisors are here to make the process easier. You may not know

what tomorrow will bring, but you can act today to protect your future. Get in contact with us now to find out more.