



Planning for the future starts now.

Photo from AAPR Global Network

## *Key to Surviving the Silver Tsunami...*

- *Medication and Nursing Care Expenses*
- *\$0 Medical Expenses*
- *Retirement Planning*

## Silver Tsunami hitting Singapore: can we survive?

Silver Tsunami is a term used to describe the enormous financial resources required to support the high proportion of senior citizens age 65 years old and above in a country. It will attack most developed countries like Singapore in near future. The daunting truth is, by 2030, about 23% of Singapore population will be aged 65 and above, lagging behind Japan only. The median age will be 41 then and will rise to 54 by 2050, trailing behind only Japan, South Korea and Macau<sup>1</sup>.

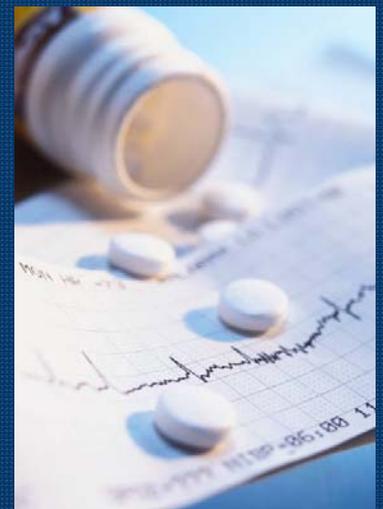
With lower birth rate and medical advancement in drugs and implants that leads to longer life expectancy, Singapore will face a huge challenge in 20 years times with fewer young people supporting the elderly. To weather the silver tsunami, the easiest and most fundamental things we can do is to keep ourselves physically healthy and mentally active. Inevitably, we also need to be prepared financially so as to cope with the increasing medical, retirement expenses and even nursing care in time to come.

## Face-off with the Silver Tsunami

Old age is not the only challenge we will face. What we need to deal with is the fact that though we are living longer, we have more people suffering from chronic illnesses such as high blood pressure, high cholesterol and diabetes...etc., no thanks to the affluence and our sedentary lifestyle. The current average hospitalization cost and treatment for some of the ailments are as shown in Table 1: Average Hospitalization Cost.

Source for 1: [http://www.atimes.com/atimes/Southeast\\_Asia/KH27Ae01.html](http://www.atimes.com/atimes/Southeast_Asia/KH27Ae01.html)

*By 2030, about 23% of Singapore population will be aged 65 and above...*



Saving for medication expenses for chronic illnesses is one important area to look into.

## Challenges in Silver Tsunami...

- Hospitalization Expenses
- Medication Expenses
- Nursing Care Expenses
- Retirement Expenses

*'...having more money, more capacity for nursing homes and community hospital, improve capabilities of the long-term care sector ...' (are vital to prepare Singapore to cope with the Silver Tsunami).*

- Khaw Boon Wan

Table 1: Average Hospitalization Cost for Common Diseases

Heart Attack	\$ 39, 505
Stroke	\$ 7, 889
Lung Cancer	\$ 30, 806
Dengue Fever	\$ 3, 413
Breast Cancer	\$ 29, 201
Colon Cancer	\$ 55, 211

Extracted from NTUC Income website (www.haveaplan.com.sg)

The hospitalization cost is only for the initial treatment. If we do not have a comprehensive hospital and surgical plan that insured against such hospitalization cost, we may be saddled with a huge medical bill that can easily wipe out most if not all our Medisave savings and cash savings meant for retirement.

These long term illnesses need long term medications and care too. When these illnesses lead to complication that requires long-term care from the family or professional, more cost will be incurred. This may include expenses for home medical, home nursing, home rehabilitation, dementia day care service, renal dialysis and cost for hiring a maid or engaging medical services. As a matter of fact, "The cost of care in nursing homes and assisted living has been and continues to be high and in the past year, the increases have even outpaced medical care inflation of about 3 percent," said Sandra Timmermann, director of the Mature Market Institute, in a prepared statement in 2010<sup>2</sup>.

Even if we can live to ripe old age without chronic illness or being severely disabled, we will still need money to support ourselves through our old age. Hence, it is crucial to start early so as to accumulate enough savings for retirement.

## Surviving the Silver Tsunami

Back in 2009, in his speech on Singapore's needs to be prepared for the Silver Tsunami, Mr Khaw Boon Wan, our former Health Minister, had highlighted that 'having more money, more capacity for nursing homes and community hospital, improve capabilities of the long-term care sector and have better integration of the healthcare providers' (are vital to prepare Singapore to cope with the Silver Tsunami).

In this regard, the government has been actively encouraging Singaporeans to keep healthy lifestyle and to go for health screening early to detect any ailment early. In October 2011, Health Promotion Board launched a community screening programme to detect diabetes, high blood pressure, high blood cholesterol and obesity at only \$2! Test for cervical cancer is merely \$10, \$30 for breast cancer and free for colorectal cancer screening! The recent parliamentary debates and changes in healthcare policies also show that the government is sparing no effort in getting us ready for the tsunami.

On our part, we also have to start planning for the expenses needed in the following areas:

- Medication
- Hospitalization
- Home Nursing or Nursing Home
- Retirement

The estimated expenses in each of the area and possible sources of income or savings to cover the expenses are summarized in Table 2: Estimated Expenses and Sources of Savings.

	Current Estimated Expenses	In 20 Years' Time*	In 30 Years' Time*	In 40 Years' Time*	Sources of Savings
Medication Expenses for Chronic Illness	Ranges depending on the chronic illness				<ul style="list-style-type: none"> <li>• Medisave</li> <li>• Cash Savings</li> </ul>
Hospitalisation Expenses	Ranges depending on the health condition				Private Medical Integrated Shield Plan with As-Charged features and the attached rider
Nursing Expenses per Month	\$2,000	\$5,307	\$8,644	\$14,080	<ul style="list-style-type: none"> <li>• ElderShield</li> <li>• CPF LIFE</li> <li>• SRS</li> <li>• Cash Savings</li> </ul>
Retirement Expenses per Month	\$2,000	\$3,612	\$4,854	\$6,524	<ul style="list-style-type: none"> <li>• CPF LIFE</li> <li>• SRS</li> <li>• Cash Savings</li> </ul>

\*Future nursing and retirement expenses are assumed to be at 5% and 3% p.a. inflation rate respectively.

**Medication Expenses** are mainly for chronic illnesses. These expenses can be partly paid from Medisave and partly from cash. The list of chronic illnesses that can be paid via Medisave annually are provided in my article *What can Medisave use for Chronic Illness Management and for Health Screening?* at [aboutfinancialplanning.net](http://aboutfinancialplanning.net) (aFp.net) website. Obviously, having sufficient Medisave saving is the first thing that we should take care of. Since Medisave is part of CPF contribution, retiring at a later age is the easiest way to accumulate more Medisave savings. Topping up our dependants' Medisave account is also a good alternative to increase their Medisave savings.

**Hospitalization Expenses** include the expenses for surgery and medical expenses incurred when one is hospitalized. These expenses are best addressed by enrolling in the Private Medical Integrated Shield Plan with As-Charged features with premium payable from Medisave, capped at \$800 per insured. These As-Charged features are critical in addressing the medical cost inflation in future, which is currently projected at 5% per annum. If possible, do include the rider to cover the deductible and co-insurance imposed by the main plan as this can effectively reduce the medical expenses to \$0, as illustrated in the aFp.net's Featured Article *\$0 Medical Expenses, is it possible?*

**Home Nursing or Nursing Home Expenses** are required when one is not able to take care of himself due to old age or illness. These expenses can be partly addressed by the government ElderShield Scheme which everyone of us are automatically enrolled in when we reach 40 years old. However, it is important to note that ElderShield is only claimable if the insured is not able to perform 3 of the 6 daily activities, i.e. bathing, dressing, feeding, mobility, transferring and toileting. Even so, the current basic allowance disbursed - \$400 per month for 72 months, is far from enough for the nursing expenses. The average nursing cost is about \$2000 per month currently, and will work out to \$5037 in 20 years' time based on 5% inflation rate.

Source for 2: <http://sg.finance.yahoo.com/news/Nursing-Home-Costs-Continue-usnews-1181023982.html?x=0>

Therefore, we need to supplement the shortfall by purchasing ElderShield Supplement plan from private insurers like Aviva, Great Eastern or NTUC Income as such plan pays up to \$2500 per month whole-life. For this, up to \$600 Mediasave can be used to pay for the premium for ElderShield Plan and another \$600 for ElderShield Supplement.

**Retirement Expenses** and planning have been discussed extensively in the aFp.net's Featured Article *Retirement Planning – Start right now the right way*. In brief, the earlier we start planning and savings now, the less money we will need to set aside monthly for future living expenses.

How much monthly allowance should we save depends on the lifestyle we wish to maintain after retirement. For example, if your current monthly expenses is \$2000, it will soar to \$3,612 in 20 years and \$4,854 in 30 years based on 3% inflation rate. Currently, there are two retirement government schemes - CPF LIFE and Supplementary Retirement Scheme (SRS), we can use to save for retirement.

**CPF LIFE** is the national longevity scheme which all Singaporean in the 40s now will be automatically enrolled into when we reach 55 years old. It is an annuity scheme that can be purchased using our money in CPF Retirement Account to provide us with monthly income, for as long as we live.

The **Supplementary Retirement Scheme (SRS)**, on the other hand, is a voluntary retirement saving scheme introduced by the government to encourage Singaporeans to save more for our old age. Participants can contribute up to \$12,750 to SRS yearly and also claim tax relief for the contributions made. The saving in SRS can be withdrawn from age 62 or the stipulated official retirement age when we open the SRS account. This will be part of our retirement monthly allowance for medical expenses or daily living activities. As 50% of the amount withdrawn is subjected to income tax, we should spread out the withdrawal amount for the next 10 years to minimize the chargeable income tax.

In addition to CPF LIFE and SRS, we can also consider saving in retirement or annuity plans such as the Save As You Like (SAIL) from NTUC Income to supplement any shortfall for the monthly expenses. For a comparison in the types of annuity plans, please refer to the aFp.net Featured Article *Reduce Income Tax with SRS*.

## Conclusion

The needs to prepare ourselves physically, psychologically and financially for the social economic issues arising from aging population are not something new. Singapore government has been proactive in helping the citizens to prepare for and combat these issues in time to come. Besides the effort by the government, we have to fend for ourselves for the potentially huge medical cost, daily living expense for the healthy or nursing care expenses for the "unlucky" ones. Take care of ourselves and everyone will be taken care of.

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Articles at  
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