

Industry Good Practices: The Basic Financial Planning Guide (Guide)

Training of Financial Advisory (FA) Representatives

Equipping FA representatives with an understanding of the Guide, enabling them to explain key financial planning needs and the related rules of thumb in every client interaction.

Good Practice 1 – Establishing comprehensive training materials

1.1 Developing training materials which cover all the information in the Guide, with **additional details** to empower FA representatives to conduct in-depth discussions with clients on the Guide's rules of thumb and actionable steps.

Illustrations

1.1a Covering the financial planning needs of all 6 archetypes, and highlighting differences amongst archetypes.

Rules of thumb

	Fresh entrants to workforce	Working adults looking to start a family	Working adults supporting aged parents	Working adults with children and supporting aged parents	Pre-retirees	Golden years
Emergency funds	At least 3-6 months' worth of expenses					
	Familiarise with national schemes					
Protection	Death & TPD: 9x annual income Critical Illness: 4x annual income Spend at most 15% of take-home pay on insurance protection				Review if your insurance plans remain affordable Insure your home	
Investments & Retirement Goals	Invest at least 10% of take-home pay Start your retirement planning now				Work out CPF Life plan payouts	
					If you are 55 years or above, explore options to monetise your property.	
Legacy Planning	Make your will and CPF nominations and appoint trusted persons					

1.1b Including Government schemes relevant to the FA firm's product offerings (e.g. Dependent Protection Scheme for mortality protection, MediShield Life for large healthcare bills, CareShield Life for long term care in case of severe disabilities, CPF Life for retirement planning).

Protection

Familiarise with national scheme – CareShield Life

A compulsory national long-term care insurance scheme that provides basic financial support when Singaporeans are unable to perform at least three Activities of Daily Living (ADL).

Emergency Funds	1 Eligibility	2 Lifelong worldwide coverage	3 Monthly cash payout	4 Activities of Daily Living (ADL)
Protection	Born in 1980 or after Automatically covered once you turn 35, or from 1 October 2020, whichever is later, regardless of any pre-existing medical conditions and/or disability	Covered for life once you have completed paying all your premiums at age 67 (or 10 years after you join, whichever is later), no matter where you live	A monthly payout starting at \$5600* per month in 2020 and increase at 2% per year Payout amounts increase annually until age 67 or when a successful claim is made, whichever is earlier Once a successful claim is made, monthly payout amount will remain fixed for the duration of your severe disability	Washing: The ability to wash in the bath or shower Dressing: The ability to put on, take off, secure and unsecure all garments and so accessories, any braces, artificial limbs or other prostheses or medical appliances. Feeding: The ability to feed oneself food after it has been prepared and made available Toileting: The ability to use the toilet or manage bowel and bladder function through the use of protective undergarments such as diapers or nappies Walking or moving around: The ability to move indoors from room to room on level surfaces Transferring: The ability to move from a bed to upright chair or wheelchair, and vice versa
Investments	Born in 1979 or earlier - Optional participation - Automatically enrolled if you are (a) born between 1970 and 1978 (b) insured under ElderShield 400 (c) not severely disabled			
Legacy Planning				

*Payouts will increase at 2% per year starting from 2020 to 2023
Source: CPF, retrieved on 10 Jun 2024

Protection

Familiarise with national scheme – MediShield Life

Emergency Funds	1 Lifelong coverage	2 Benefits	3 Premiums
Protection	A compulsory basic health insurance scheme All Singapore Citizens and Permanent Residents are automatically covered for life, regardless of age or health condition Helps to pay part of the medical bills	Hospitalisation or day surgery Reduce your cash outlay for large hospital bills Outpatient treatment Includes certain expensive treatments such as kidney dialysis and chemotherapy Long-term care Covers for costs incurred in community hospitals and inpatient palliative care services	\$5,147.71 to \$52,093.41 per year (depending on age) Individuals with serious pre-existing medical conditions need to pay an additional premium of 30% for 10 years
Investments			
Legacy Planning			

1.1c Explaining options and resources for legacy planning

Legacy Planning

Why is legacy planning so important

Proactive planning ahead can help you ensure your wishes are carried out as you planned.

Emergency Funds	Proactive planning ahead can help you ensure your wishes are carried out as you planned.			
Legacy Planning				
Investments	A will allows you to decide who will inherit your money, property and assets after your death	A CPF nomination allows you to decide who will inherit CPF savings after your death	An advance care plan allows you to state your preference for your future health and personal care if you become terminally ill or unconscious	A lasting power of attorney allows you to appoint someone to help you make decisions on your behalf if you lose mental capacity
Legacy Planning				

Legacy Planning

CPF Nomination

Unlike other assets, CPF savings are not covered by a will. This arrangement ensures your savings go to your nominees, not creditors.

Emergency Funds	Unlike other assets, CPF savings are not covered by a will. This arrangement ensures your savings go to your nominees, not creditors.														
Legacy Planning	1 Faster distribution to your nominees	2 Ensure your CPF nomination is up-to-date	3 What happened if you do not have a CPF nomination?												
Investments	CPF nomination covers: • Savings in Ordinary Special, MediSave, and Retirement Accounts • CPF LIFE unused premiums • Discounted Singtel shares CPF nomination does not cover: • Properties bought using CPF savings • Payout from Dependents' Protection Scheme (DPS) • Investments and returns under CPF Investment Scheme	Review your nomination regularly, especially: • Marriage • Childbirth • Divorce • Death of a nominee Marriage will revoke your CPF nomination whereas divorce will not.	If you do not have a CPF nomination, the Public Trustee Office charges an administration fee to distribute your un-nominated CPF savings. <table border="1"> <thead> <tr> <th>Amount of CPF savings</th> <th>Charge</th> </tr> </thead> <tbody> <tr> <td>For the first \$1,000</td> <td>2.4%</td> </tr> <tr> <td>For the next \$9,000</td> <td>3.5%</td> </tr> <tr> <td>For the next \$240,000</td> <td>0.75%</td> </tr> <tr> <td>For the next \$250,000</td> <td>0.45%</td> </tr> <tr> <td>For amounts in excess of \$500,000</td> <td>0.3%</td> </tr> </tbody> </table>	Amount of CPF savings	Charge	For the first \$1,000	2.4%	For the next \$9,000	3.5%	For the next \$240,000	0.75%	For the next \$250,000	0.45%	For amounts in excess of \$500,000	0.3%
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Training of FA Representatives

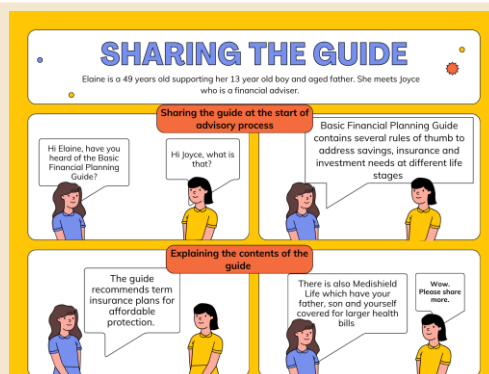
Equipping FA representatives with an understanding of the Guide, enabling them to explain key financial planning needs and the related rules of thumb in every client interaction.

Good Practice 2 – Utilizing effective ways to build knowledge on the Guide

2.1 Using interactive techniques (e.g. role-playing, real life case studies) to prepare FA representatives to incorporate the Guide into their conversations with clients.

Illustration

Incorporating interactive techniques in the training of FA representatives, such as role-playing to simulate how the guide would be incorporated in financial planning conversations with customers at different life stages.



Good Practice 3 – Emphasizing the Guide through targeted training strategies

3.1 Incorporating the Guide into ongoing mandatory training programmes to ensure FA representatives continuously refresh and deepen their knowledge and understanding.

3.2 Assessing FA representatives' understanding and ability to incorporate the Guide in their conversations with clients after training is conducted to drive home key learning points from the training materials/sessions.

Illustrations

3.2a Incorporating quizzes

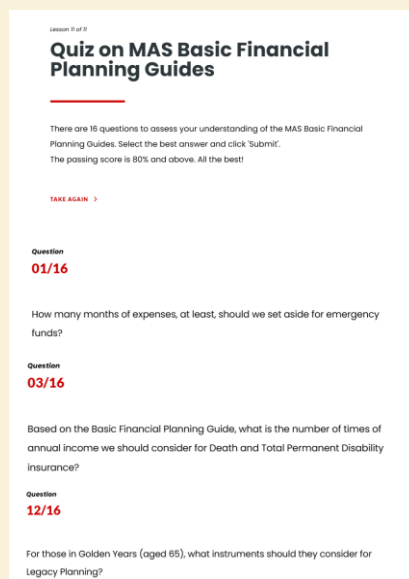
- Multiple-choice Questions
- Scenario-based questions
- Open-ended questions to assess application of knowledge

3.2b Setting minimum passing score

- e.g. 80% of correct answers

3.2c Covering all content in the guide, including different government schemes

- Rules of thumb
- Simple product options highlighted by Guide (such as term insurance plans and T-bills)
- Different government schemes



Integrating the Guide into Advisory Process

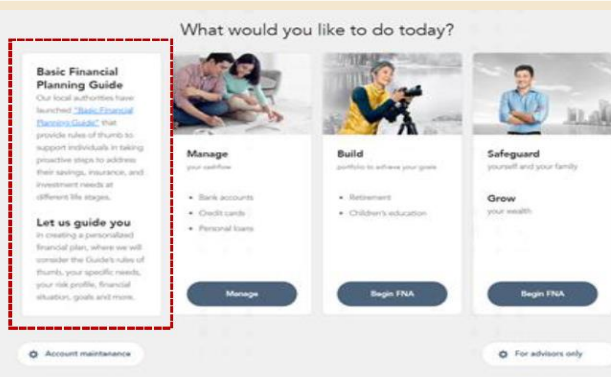
Helping clients understand and visualize their financial planning gaps vis-à-vis the rules of thumb in the Guide.

Good Practice 4 – Sharing the Guide at the start of the financial planning journey

4.1 Infusing the Guide into the start of the advisory process to help clients understand basic financial planning components and benchmarks, for a meaningful and holistic conversation

Illustration

Prompting FA representatives to go through the contents of the Guide with clients at the start of the financial planning journey.



Good Practice 5 – Infusing the Guide at targeted decision points of the financial planning journey

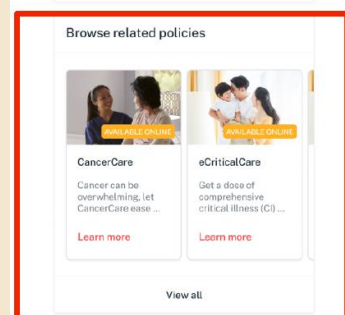
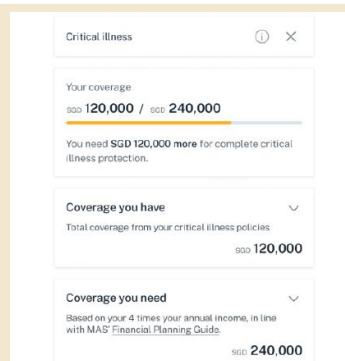
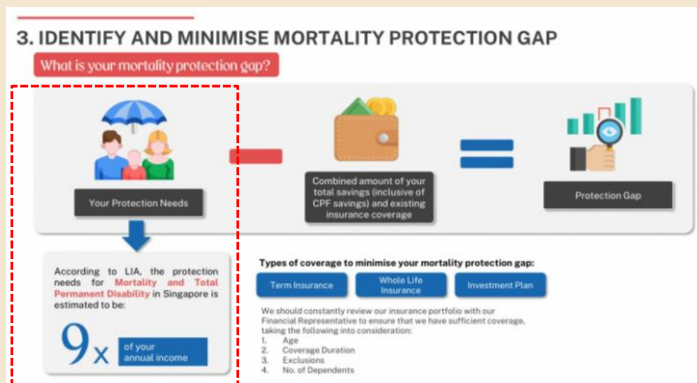
5.1 Using triggers and prompts at targeted points of the financial planning journey to educate clients on:

- the Guide's rules of thumb;
- simple product options; and
- existing government schemes,

and factoring these considerations into the client's financial plan.

Illustration

Highlighting the Guide's rules of thumb, along with useful information on simple product options and existing government schemes at targeted junctures of the financial planning process. This allows representatives to consider these information when drafting the client's financial plan.



Integrating the Guide into Advisory Process

Helping clients understand and visualize their financial planning gaps vis-à-vis the rules of thumb in the Guide.

Good Practice 6 – Incorporating the Guide into financial needs calculators

6.1 Having calculators that automatically populate clients’ financial planning gaps and FA representatives’ recommendations against the Guide’s rules of thumb. This helps clients identify financial planning gaps quickly and understand how their FA representatives’ recommendations help to meet their financial goals.

Illustration

Using client’s information obtained during the fact-find process to automatically calculate and compare the client’s current financial situation with the rules of thumb provided in the Guide, including how much of a client’s take-home pay is/will be allocated to his/her different financial needs.

Emergency Savings

Protection

Investments

Good Practice 7 – Facilitating clients’ legacy planning

7.1 Supporting clients through the legacy planning process by incorporating it as part of their holistic financial planning journey with the FA representative and firm.

Illustration

Bringing together expert resources (e.g. medical professionals), trained FA representatives and clients to facilitate the legacy planning process.



Acknowledgement

We express our gratitude to the following firms for contributing to the illustrations in this set of industry good practices.

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- **Income Insurance Limited**
- **Oversea-Chinese Banking Corporation Limited**
- **Prudential Assurance Company Singapore (Pte) Limited**
- **Ray Alliance Financial Advisers Pte. Ltd.**
- **The Great Eastern Life Assurance Company Limited**
- **United Overseas Bank Limited**