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**SPEECH BY DR YAACOB IBRAHIM MINISTER FOR COMMUNITY
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AT THE MONEYSENSE SEMINAR "PROTECTING YOURSELF WITH
LIFE INSURANCE" ORGANISED BY THE LIFE INSURANCE
ASSOCIATION OF SINGAPORE AND THE CENTRAL SINGAPORE
CDC ON SUNDAY, 14 DECEMBER 2003, 9.45 AM AT HDB HUB
AUDITORIUM**

Distinguished Guests

Ladies and Gentlemen

A very good morning to all of you.

Over the years, Singapore has progressed economically because we are a hardworking people. And with better education, skills and a full employment situation we were also able to regularly upgrade our lifestyles. We bought bigger flats or houses, and spent more doing them up. More of us carried credit cards. Some of us bought newer or bigger cars, despite the huge instalments.

2 When the economic downturn hit us in the mid-1980s, we had to tighten our belts. However we were soon back to the big-spending ways in the 1990s. Over the past year or so, Singapore has been facing a downturn in the economic cycle. As we look to the future, we know that it is matter of time before the economy picks up and the employment situation improves. But this time round and into the future we may not be able to achieve the growth levels we previously achieved.

3 What does this mean to us as individuals and as heads of families? It means we can no longer put off planning the way we use our money. We have to learn to be in charge of our financial safety and destiny.

4 Some may feel that financial planning is more for the rich who have more money than they need so they have to plan how to spend it. Not true. Financial planning is even more important for the average folk and the less well-off who have to decide how our limited income should serve us and our loved ones for now and into the future.

5 Financial planning does not mean we should not enjoy some of the luxuries of life and not take an overseas holiday. Neither does it mean that our plans cannot change. It just means we have to prioritise our needs and make sure we can cope comfortably with the income we are getting. Whether we are well-off or just making do, it is indeed hard to earn money, but very easy to lose it, and be left in a lurch.

6 In Singapore, we are a fairly lucky lot. We are in a way protected because we have a compulsory CPF scheme. But we must realise that the current minimum sum of \$80,000 is only enough for basic needs when we retire.

7 In order to continue to have a better than basic lifestyle in our old age we have to do more and set aside additional funds. Singaporeans are living longer, and hopefully healthier as well. But as a population, we are aging fast. Now, we have a ratio of 10 working adults for every elderly person. In the next thirty years, this will change to a ratio of 3 working adults for every elderly person. I mention this figure because financial security is a key concern for a greying society. It is only by thinking through and planning early that we can age gracefully with less worry and lead wholesome lives.

8 If there are clear benefits to financial planning, why then do people not take the time to plan? Some say they are too busy with other

things and there is no time. Some say there is no need as they are healthy, have a steady income and confident of holding a job through to retirement. If we think this way and live on a day-to-day basis, we may be proven wrong sooner or later. Better to set aside time, monitor our finances and prepare for our own future. There are also others who feel that it is useless to plan because circumstances can change. This thinking is also unfortunate. Having a plan does not mean it cannot be modified. But having a plan and following that plan is assurance that you are monitoring your financial health, are better prepared for the future and less likely to be caught off-guard when unexpected events happen.

9 There are also others who feel that there is not enough information on how to manage their money. This is where the MoneySENSE national financial education programme comes in to fill the gap. The MoneySENSE programme will help us gather knowledge and develop skills to manage day-to-day budgets, plan for the long-term, and invest carefully so as to add to retirement savings. We must therefore appreciate the effort put in by the drivers of this MoneySENSE programme – the Monetary Authority of Singapore, the CPF Board, People's Association, the Ministry of Education, the Ministry of Manpower and my Ministry, the Ministry of Community Development and Sports. They have worked with associations like the Life Insurance Association, General Insurance Association of Singapore, Association of Banks in Singapore, Investment Management Association of Singapore, and Securities Investors Association of Singapore, to bring us a series of useful seminars related to financial education. To start off, today's is on life insurance. More of such MoneySENSE seminars and talks will be held in the neighbourhoods and at workplaces. There will also be some easy-to-understand guides published in the next few months to help us understand basic money management and financial products.

10 Today's Seminar on life insurance products will help us understand how life insurance can help us meet protection, healthcare and retirement needs. Indeed, life insurance is one important element in financial planning. However, I must add that an insurance policy alone cannot provide for all our retirement needs. We should do a personal health check of our current financial situation, and our long term needs. We should then include other savings and investment products to suit personal or family circumstances and retirement needs.

11 Just like when buying any other financial product, it is useful to look at the different types of insurance products available in the market and shortlist which ones are most suitable for our own circumstances. For all the financial products we put our money in, we should read carefully all the documentation, including the fine print in the policy, and make sure everything is explained to us. We should take the necessary time to consider, instead of being bowled over by free gifts and other sales incentives.

12 It is also useful to speak to a professional financial adviser. The Financial Advisers Act has certain requirements for persons intending to provide financial advisory services. Financial advisers must also have a reasonable basis for the recommendations they make. And they must ensure that they take into account the consumer's financial situation and needs when recommending a financial product. The Life Insurance Association has guidelines that complement the Financial Advisers Act such as a needs-based sales process and it also provides guidance for insurance companies to draw up their training and competency plans.

13 Let me sum up by making three points:

- Firstly, we have to learn to manage our money wisely. We must prioritise our spending and make sure we have enough for future needs.
- Secondly, we must be wary of being cheated by get-rich-quick schemes. If it is too good to be true, it is most likely not true. Never fall prey to scams and lose hard-earned money.
- Thirdly, no matter what other people say, we must be able to make our own judgement on how our money should be managed. We cannot delegate the responsibility of managing our money to someone else. We should be responsible for our own decisions.

14 In closing, I would like to thank everyone in the audience for being present for today's seminar and taking interest in financial planning. Clearly, we are here because we realise that this is important. Later, we should also tell our relatives and friends about the need for financial planning and the ways we can go about it.

15 I would also like to thank and congratulate the Life Insurance Association of Singapore, and the Central Singapore CDC for organising this useful seminar.

Thank you.