Financial Projection

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1. Personal Data

Date	
Name	
Email	
Current saving	$0
Yearly saving	$6,000
Current age	25
Retirement age	65

Your current saving comprise of your saving in the Central Provident Fund (CPF) and your personal saving. The yearly saving is the amount that you expect to save in the CPF (net of permitted withdrawals) and your personal savings. We recommend your personal savings to be 15% of your earnings in each year.

2. Understanding the Projection

This financial projection has been prepared to show your situation in the future, after deducting the effect of inflation. We have assumed an inflation rate of 3% per annum in the future. This was the average inflation rate over the past years.

Instead of showing inflated figures representing higher cost of living in the future, this projection shows figures that have been adjusted to show the cost of living today. Most people can understand their financial situation better in this format.

3. Future savings

If you plan to save $Y a month, you are expected to increase your saving each year at the rate of inflation, so that the real value of your saving remain intact. This should be possible for younger people, as their earning is expected to increase each year to cover at least the inflation rate.

We have assumed that the earnings to stagnate after reaching age 50 and that you will continue to save the same amount each year after age 55. In the projection, the real value of the additional yearly saving will decline due to inflation.

4. Investment return

We will use an expected investment return of 5% per annum for the projection. This is the average return of the return earned on your savings in the Central Provident Fund on your personal savings that is invested to earn a higher return than CPF.

You can earn a higher return on your personal savings by investing it in the STI Exchange Traded Fund. This fund had earned an average return of 9% per annum over the past 20 years. We expect the return in the future to be lower but should be much higher than the return from CPF.

For the financial projection, we will deducted the inflation rate of 3% from the expected investment return of 5% to get a real rate of return, after deducting inflation, of 2% per annum.

5. Projected savings to retirement age

Here is the projected savings to the retirement age, based on the data that you have provided.

Investment return, net of inflation: 2%

Age	Acc Saving	Yearly Saving	Invest Return	Total
25	0	6,000	0	6,000
26		6,000	120	12,120
27		6,000	242	18,362
28		6,000	367	24,730
29		6,000	495	31,224
30		6,000	624	37,849
31		6,000	757	44,606
32		6,000	892	51,498
33		6,000	1,030	58,528
34		6,000	1,171	65,698
35		6,000	1,314	73,012
36		6,000	1,460	80,473
37		6,000	1,609	88,082
38		6,000	1,762	95,844
39		6,000	1,917	103,761
40		6,000	2,075	111,836
41		6,000	2,237	120,072
42		6,000	2,401	128,474
43		6,000	2,569	137,043
44		6,000	2,741	145,784
45		6,000	2,916	154,700

46		6,000	3,094	163,794
47		6,000	3,276	173,070
48		6,000	3,461	182,531
49		6,000	3,651	192,182
50		6,000	3,844	202,025
51		5,825	4,041	211,891
52		5,656	4,238	221,785
53		5,491	4,436	231,711
54		5,331	4,634	241,676
55		5,176	4,834	251,685
56		5,025	5,034	261,744
57		4,879	5,235	271,857
58		4,736	5,437	282,031
59		4,599	5,641	292,270
60		4,465	5,845	302,580
61		4,335	6,052	312,966
62		4,208	6,259	323,434
63		4,086	6,469	333,988
64		3,967	6,680	344,635

The above figures are after deducting inflation. The nominal figures before deducting inflation will be much higher.

6. Withdrawals after retirement age

If you total savings at retirement age is withdrawn over 15, 20 and 25 years, the annual and monthly withdrawals are set out below:

	Yearly	Monthly
Withdraw over 15 years	26,821	2,235
Withdraw over 20 years	21,077	1,756
Withdraw over 25 years	17,652	1,471

The yearly and monthly withdrawals are also shown net of inflation. This means that the cost of living during your retirement will be the same as today.

7. Adjusting your personal plan

If you find the withdrawals to be inadequate to live on, you can change your plan as follows:

a) Continue to work for a few more years and retire at a later date.

b) Increase your yearly savings by putting more of your earnings into your personal savings

You can prepare a new financial projection to show the withdrawals based on the changed parameters.

8. Lower investment return

Many people earn a lower investment return because they invest their personal savings in an investment that give a lower return, such as a life insurance policy. This could reduce the overall yield by about 1.5% per annum.

The following table shows the impact on your retirement income (i.e. the amount that you can withdraw from your accumulated savings:

	Yearly	Monthly
Withdraw over 15 years	17,416	1,451
Withdraw over 20 years	13,685	1,140
Withdraw over 25 years	11,462	955

The retirement saving and the retirement income would reduce by 35% due to the lower investment return.

9. Additional information

If you need additional information on how you can improve your personal financial plan, send an email to office@tankinlian.com.

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