

THE NEW AGE PARENTS E-BOOK SERIES

# *Baby Bonus Boosters*

OPTIMISE YOUR PARENTHOOD  
BENEFITS

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## 2. Baby Bonus Boosters

When I spoke at a workshop for first-time parents, I addressed a crowd of pregnant ladies and their husbands. But there was a lady who did not look pregnant. Curious, I asked her if her baby was at home. She replied, "I am here to find out how expensive it is for me to have a baby. If it's too expensive then I will reconsider."

The truth is, having a baby can be expensive. And some parents do think twice before having one. But most parents too, will come to realise that the joy of having a baby greatly outweighs the pains of bearing the financial costs. Having a child is an emotional asset, not a financial burden.

In this chapter, I will address the following concerns:

- What are the initial costs involved when you have a baby?
- Are you fully optimising your parenthood benefits?

### Know Your Priorities

All parents want to provide the best for their baby. Some of the parents I have spoken to did not believe in insurance. However, after their baby was born, they saw the need for family financial protection. Here are important factors to note.

### PRIORITY #1:

#### Are Both Parents Covered?

We all dislike to think of the unthinkable. But the future is uncertain. One of the first things to calculate is the sum needed for you or your spouse to tide through the growing up years of your child and yourself, should your spouse be no longer around.

One way of calculating this is to use the monthly expenses of your household as a gauge.

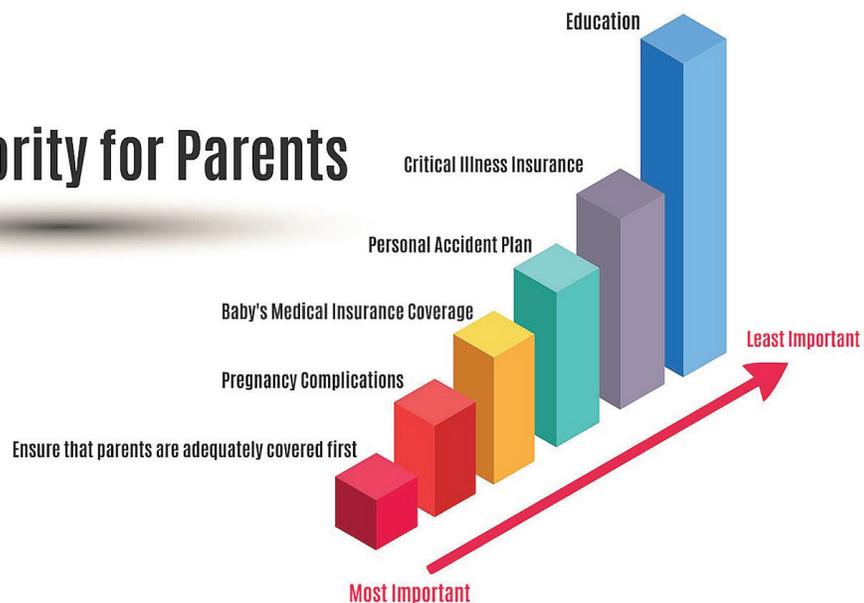
#### TO CALCULATE FAMILY DEPENDENCY NEED (FDN)

Your monthly household expenses x 12 months x Number of years that your child is dependent on you

Typically the no. of years of dependency is 25 years assuming your child is just born and he/she requires 25 years of your financial support before he/she starts working

Most families spend approximately \$1000/month for their baby's expenses. Typically, a household will spend approximately \$3,500/

### List of Priority for Parents



month for expenses, so  $\$3,500 \times 12 \times 25 \text{ years} = \$1,050,000$ . A term plan that can give you the most value for money would be a good consideration.

If you are in your 20s or 30s, you can get a \$1 million term plan at approximately \$50/month. You can also get a critical illness plan which covers critical illnesses like cancer, stroke, heart attack and many others. I have witnessed how money has helped many families tide through the toughest periods.

The rule of thumb for critical illness coverage would be \$100K + 2-3 years of your annual income. This is in the event that you lose your income and need at least 2 to 3 years to fully recover. Ideally, the payment period should be before you stop work, instead of paying for a lifetime as most people will not work throughout their lifetime.

Another important point to note is that your insurance premiums should not exceed more than 10% of your income. This is to en-

sure you have enough to save and invest for your kids' education, and for your retirement.

## PRIORITY #2:

### Pregnancy Complications

Next, you will need to think of protecting yourself, or your wife, against pregnancy complications and protecting your baby against different types of congenital conditions.

There are currently five insurers providing these plans. The coverage provided is usually approximately \$5,000 or \$10,000. Some parents feel that it may not be sufficient but it helps to offset some of the expenses incurred in the event of such complications.

The cost of pregnancy complications plans are usually \$400 for a single premium. Some of them come with an investment-linked plan, and costs approximately \$100/month. It covers the baby for life insurance which can be transferred to your baby, after he or she is born.

### A breakdown of hospitalisation costs

MEDISHIELD LIFE BENEFIT AT A GLANCE		
	Previous: MEDISHIELD BENEFITS	Enhanced: MEDISHIELD LIFE BENEFITS
<b>Inpatient Treatment/Day Surgery Claim Limits</b>		
Daily Ward and Treatment Charges - Normal Ward	\$450 per day	\$700 per day
- Intensive Care Unit Ward	\$900 per day	\$1,200 per day
- Community Hospital	\$250 per day	\$350 per day
- Psychiatric	\$100 per day	\$100 per day
Surgical Procedures	\$150 - \$1,100	\$200 - \$2,000
Implants	\$7,000 per treatment	\$7,000 per treatment
Radiosurgery	\$4,800 per procedure	\$4,800 per procedure
<b>Outpatient Treatment Claim Limits</b>		
Chemotherapy for Cancer	\$1,240 per 21/28-day cycle	\$3,000 per month
Radiotherapy for Cancer - External for Superficial - Brachytherapy	\$80 per session \$160 per session	\$140 per session \$500 per session
Kidney Dialysis	\$1,000 per month	\$1,000 per month
Immunosuppressants for Organ Transplant	\$200 per month	\$200 per month
Erythropoietin for Chronic Kidney Failure	\$200 per month	\$200 per month
<b>Maximum Claim Limits</b>		
Per Policy Year	\$70,000	\$100,000
Lifetime	\$300,000	No Limit

Source: <https://actsadvisorygroup.com/articles/medishield-life-benefits/>

A premature baby is considered as one of the congenital conditions. Sometimes, babies have to be warded at least 20 to 40 days in the hospital after they are born. The hospitalisation cost\* for premature babies range from about \$6,000 (government hospital) to \$30,000 (private hospitals). The plans usually do not cover pre-existing conditions but they can help premature babies get a life insurance immediately for critical illness coverage.

\*You can only ward your premature baby into a B2 or C ward at a government hospital if you have financial constraints.

### **PRIORITY #3**

#### **Is Your Baby Covered?**

One of the most urgent plans you need to implement for your baby would be the “as-charged” medical plan which covers hospitalisation and surgical benefits. There are currently six insurers which can cover the medical costs of your baby for inpatient coverage which allows you to use your CPF Medisave and cash for the coverage.

Medishield Life covers your baby for some congenital and neonatal conditions. But Medishield Life alone is not sufficient for your ongoing baby’s hospitalisation, especially for conditions like fever in Government A wards and private hospitals. This is because Medishield is for B2 and C wards coverage only.

Based on experience, a 1 to 2 day stay at a hospital will approximately add up to \$2,000 to \$3,000 for Singaporeans. For foreigners, the cost can be even higher. For parents who are concerned about outpatient medical bills for your child, you can consider getting an outpatient plan to pay for your outpatient General Practitioner, Specialist and Paediatrician bills. I have met couples who spent more than \$10,000 in the first 3 years of the child’s life on outpatient bills.

If you are a Singaporean or a PR, you can use the CPF Medisave of your baby to pay for the “as-charged” plan. The cost is approximately \$150/yr for the CPF Medisave component for private hospitalisation. The coverage ranges from \$500,000 to \$2 million. If you are a foreigner, you can pay using cash for a similar plan but the premiums will be higher depending on which ward you choose.

### **PRIORITY #4**

#### **What Happens When Your Child Gets Into An Accident?**

Young children love to explore. And they should.

But sometimes, their sense of adventure can also cause them to get into accidents. Consider a personal accident and infectious diseases plan for your baby, especially when they go into childcare as the risk of getting Hand, Foot and Mouth Disease is higher.

These plans are offered free by certain insurance companies for only 6 months as the chances of having a personal accident claim in the first 6 months are not as high. The amount that you can set aside for the personal accident plan would be around \$100-\$200/year. Some companies have family package coverage where there is free coverage for children.

### **PRIORITY #5**

#### **Critical Illness And Child Related Illnesses**

A common question I get asked from parents is, “Should you buy your child’s plan now? Or wait till they are old enough to buy for themselves?” My answer is, the younger your child is when you buy the plan, the cheaper the plan will be.

Babies can be born with cancer, and cancer can develop in children during their infancy. The KK Hospital website states that 90 to 100 new cases of childhood cancers are detected in children less than 15 years old in Singapore each year. Common cancers among children include: Leukaemia 35%, Brain tumour 20%, Lymphoma 10%, Eye tumour 7% and Kidney tumour 6%.

A friend was diagnosed with cancer at the age of 16, had a relapse at 18, and a third relapse while in university. Her parents did not get any insurance for her and she chalked up a lot of medical bills. After she started working, she had to spend all her savings on paying the bills for 5 years after her graduation, before she could start saving her own money.

If you have budget constraints, a term plan would be more affordable for the next 20 years or until the child starts working. If you can afford approximately \$100+/month and above for a \$200 - \$250K coverage, a limited

whole life plan would be ideal as the payment term is only 20-25 years and coverage is for lifetime.

For parents concerned about child related illnesses, there are insurers who can cover the following conditions within the life insurance plans for a greater peace of mind.

- Severe Juvenile Rheumatoid Arthritis (Stills Disease)
- Severe Haemophilia
- Rheumatic Fever with Valvular Impairment
- Osteogenesis Imperfecta
- Insulin Dependent Diabetes Mellitus
- Kawasaki Disease
- Glomerulonephritis with Nephrotic Syndrome
- Type 1 Juvenile Spinal Amyotrophy

## PRIORITY #6

### Your Child's Education

Once the health and protection concerns are addressed, the next thing parents would be most anxious about is their education.

One of my clients was diagnosed with cancer and all the savings plans for her daughter's education were fully waived so she could focus on her recovery. Her daughter would still be able to have her education fees.

For people who prefer guaranteed returns, an option to consider for your child's education

is an endowment plan. Generally, the returns would be 3 - 4% per annum and there are plans that only require payment for 5 to 15 years. The plan is fully paid until the child enters university at age 21 for boys and 19 for girls. If you prefer investments for your child's education, you can get typical returns of 6 - 9%.

During my growing up years, my mother was most concerned about whether I could do well enough get into a local university. She started an endowment plan as she was very risk averse and wanted to set aside a portion of her monthly income for our education fees in the university.

If you know how to invest well, your returns could be 15% per annum or more. Some of the investments would be collective investments such as funds, ETFs, stocks and shares or even properties.

To determine which investments are most suitable for you, you need to consider your own risk profile, time frame, liquidity, together with your acumen in investing. If you prefer more passive investing, then you can go for indices or dollar cost averaging into collective investments.

If you prefer active management, there are portfolios to help you monitor your investments for you using a trusted and proven system or you can do your own research and picking a basket of undervalued stocks.

### Estimated costs University tuition fees

Tuition Fee Comparison Among Top Universities	Arts / Architecture / Law	Business / Accountancy	Engineering / Science / Computing	Annual Estimated Accommodation / Living Cost (on-campus)	Total Cost of Candidature (Tuition Fees & Cost of Living)
National University of Singapore	S\$29,350 - S\$38,450	S\$31,800	S\$37,500 - S\$37,550	S\$10,386	S\$39,736 - S\$48,836
National University of Singapore (With MOE Tuition Grant Subsidy, carrying a 3-year bond)	S\$17,100 - S\$18,500	S\$20,100	S\$17,100 - S\$18,950	S\$10,386	S\$27,486 - S\$30,486
Australia Universities	S\$34,135 - S\$45,398	S\$37,851 - S\$40,108	S\$37,851 - S\$43,866	S\$18,987	S\$53,122 - S\$64,385
Hong Kong Universities	S\$21,121 - S\$25,693	S\$21,121 - S\$25,693	S\$21,121 - S\$25,693	S\$14,236	S\$35,357 - S\$39,929
UK Universities	S\$33,186 - S\$41,657	S\$33,186 - S\$45,848	S\$45,848 - S\$55,068	S\$16,463	S\$49,649 - S\$71,531
US Universities	S\$56,086 - S\$66,134	S\$56,086 - S\$66,134	S\$56,086 - S\$66,134	S\$35,283	S\$91,369 - S\$101,417

\*\* 2016 Annual Tuition Fees

Source: <https://actsadvisorygroup.com/articles/tuition-fee-comparison-among-top-universities-2016/>

### Summary of Baby Bonus

1) Cash Gift ** Born on or after 1 Jan 2015 (for each child)		2) CDA ** Born on or after 24 Mar 2016 (for each child)		3) CPF Medisave ** Born after 1 Jan 2015 (each child)	4) Medishield Life
Birth Order	Government's Contribution	Your Contribution	Government's Contribution	Government's Contribution	Government's Contribution
1st and 2nd	\$8,000	\$3,000	\$6,000	\$4,000	All Singapore Citizen babies are automatically covered by MediShield Life from birth, including those with congenital and neonatal conditions, for life.
3rd and 4th	\$10,000	\$9,000	\$12,000	\$4,000	
5th and subsequent	\$10,000	\$15,000	\$18,000	\$4,000	

### Summary of Baby Bonus

One major complaint of the cash gift is that it is barely sufficient to cover the costs and responsibilities of being a parent. Even though the amount offered may not cover all the costs involved, you can still make full use of the money to compound it to something meaningful.

To help first-time parents have a better idea of the costs involved, I designed a "First-Year Baby Costs Calculator" which helps parents to understand one-time costs as well as possible ongoing costs. You can download the baby cost calculator here.

### Child Development Account

I noticed most parents are confused about the Cash Gift with the Child Development Account (CDA). Cash Gift is a sum of money given to you by the government that does not

require your contribution while the CDA is a matching contribution by the government for the amount that you save in the account.

After you register your baby's birth, you can open your child's Child Development Account (CDA) online with either DBS, OCBC or UOB within 3 to 5 working days. You have up to 12 years to save in your child's CDA and the government will match your savings within 2 weeks.

### How you can use your CDA

Most parents use the CDA for child care, kindergarten fees, and Medisave approved plans. It can also be used for special education schools, providers of early intervention programmes, providers of assistive technology devices, hospitals, clinics, pharmacies and optical shops. Most families will use up their CDA within 1 to 2 years, especially if they use it mainly for child care fees.

### Summary of Child Development Account

		Monthly Fees	Registration	Annual Insurance	Uniform(4 sets)	Mattress Cover (2 sets)
Infant	Singaporean	\$1,342.85 - \$1,364.25	85.6	5.35	107	17.12
	Permanent Residents	1678.56				
	Foreigners	2014.28				
Toddler Playgroup Nursery Kindergarten	Singaporean	\$678.31 - \$770.40	85.6	5.35	107	17.12
	Permanent Residents	\$874.88 - \$926.89				
	Foreigners	\$1,017.45 - \$1,112.27				

Source: <https://actsadvisorygroup.com/articles/childcare-fees-table-for-year-2017/> and <http://www.babybonus.msf.gov.sg/>