

# Can You Afford to Have a Baby? Is This a Good Time?

Anne Tay  
Group Wealth Management

29 November 2008



Ask OCBC  
[www.ocbc.com](http://www.ocbc.com)





# ST Headline News: Go Home Early to Make Babies

- Sounded crude but it became a ‘headline’ on 23 Nov
- Japanese firms are urging workers to help nation stem falling birth rates
  - Japan whose population is fast ageing
  - Dwindling birth rates of 1.34 last year well below 2.1 needed to stabilize the population
  - Urgency to educate the next generation that ‘falling birth rate’ has become their problem and nobody else’s



# Singapore

- Singapore's population is ageing rapidly. The first batch of post-war baby boomers will reach 65 years of age by 2012
- Today, one out of every 12 Singaporeans is aged 65 or above which is like 8%
- By 2030, this ratio will become one out of five which is 20%
- Singapore's population is not reproducing itself
- Family has traditionally been the main source of support for elderly in Asia, and Singapore is no exception

# Having a Baby

- Pregnancy is tough job
- Raising a child is an even tougher job
- Being a mother is often challenging
- Fast forward

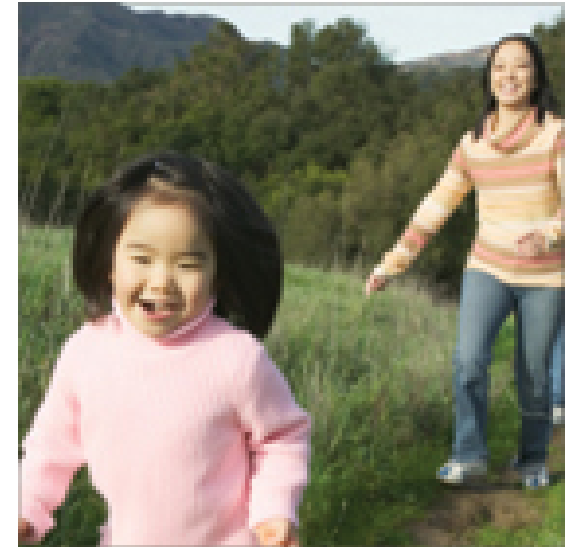


...from pregnancy, childbirth, babyhood, child's life...

- Most seldom regret the decision to have a baby
- They are often challenged but somehow managed
- Journey is a rewarding one
- Above all, they survived or will survive

# 'Prepared Hearts' Taking the First Step

- Babies are for the brave hearts?
- Babies are for the 'prepared' hearts
  - Once you set your heart to have a baby, half the battle is won
- Feeling the presence of baby all over your life
  - Preparing for the bundle of joy
  - Preparing for lifestyle change
  - Preparing everyone
  - Equally important is getting prepared financially





# How Much Can a Baby Cost?

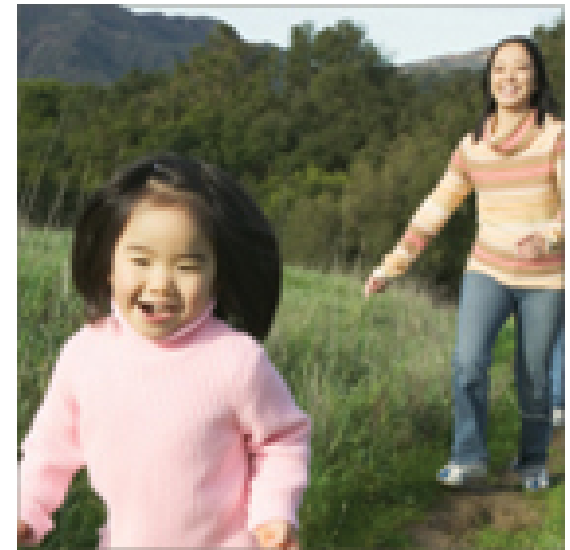
- You often hear people say wait till you are financially secure before having children
- There is never a perfect time, things change even the best laid plans can be challenged

## Various stages of your 'parenthood' journey:

- (A) Pre-delivery and delivery costs
- (B) Infant care ( 2 to 18 months)
- (C) Child care ( 18 months to below 7 years )
- (D) Primary, Secondary and JC
- (E) University

# (A) Beginning your Motherhood Journey

- Pre-Delivery Medical Expenses
- Delivery Expenses
- Daily Hospital Charges
  - Estimated \$3,000 to \$5,000



# (A) Other Costs of Motherhood

## Mother care

- Maternity help
- Maternity clothes
- Books/library

## Baby Care

- Car seat
- Baby crib
- Baby stroller
- Baby clothes, milk powder, diapers
- Sterilizer, bottles
- Cord blood banking

- Estimated \$1,500 to \$3,000



# Medisave Withdrawals & Maternity Package

- Medisave withdrawals to cover delivery & daily hospital charges
- Medisave Maternity Package to cover pre-delivery charges too

Type of Operation	Medisave Limits for Delivery Procedure (\$)	Medisave Limits under the Medisave Maternity Package (\$)
Vaginal Delivery (Normal)	450	900
Caesarean Section (Normal)	1,400	1,850

Delivery Procedure	No. of days of Hospitalisation	Medisave Withdrawals for delivery procedure  (Hospitalisation charge + Medisave limit)	Medisave Withdrawals under Medisave Maternity Package  (Hospitalisation charge + Medisave limit)
Vaginal delivery (normal)	3	Up to \$1,800	Up to \$2,250
Caesarian delivery (normal)	4	Up to \$3,200	Up to \$3,650



# Enhanced Baby Bonus Scheme

To lighten your financial cost of raising a child

## For Parent

### Cash Gift

1<sup>st</sup> child: \$4K  
2<sup>nd</sup> child: \$4K  
3<sup>rd</sup> child: \$6K  
4<sup>th</sup> child: \$6K

Parent's Preferred Savings Account

Parents can use this for any purpose; and can be withdrawn freely

## For Child

### Matched Contributions

1<sup>st</sup> child: \$6K  
2<sup>nd</sup> child: \$6K  
3<sup>rd</sup> child: \$12K  
4<sup>th</sup> child: \$12K  
5<sup>th</sup> child onwards: \$18K

Children Development Account (CDA) at OCBC or SCB (6 years)

Savings to child's CDA will be matched \$ for \$ by Government

Approved institutions e.g. childcare centers, kindergartens



# Getting House in Order Before Arrival of Baby

## 1. Protection against your own liabilities

- Outstanding mortgages
- Car loans

## 2. Protection against critical illnesses

- Comprehensive health plans to cover pregnancy risks
- Critical illnesses

## 3. Control your debts

- Not more than 35% of your take-home pay to service your debt payments

## 4. Start being thrift

- “In” thing to be frugal and thrifty
- Essential versus non-essential
- Look for alternatives/substitutes

## (B) Infant Care Cost [2 to 18 months]

- Average full-day fees
  - Range from \$1,000 to \$1,200
- Average half-day fees
  - Range from \$780 to \$840





## (B) Infant Care Subsidy [2 to 18 months]

- Infant care centers eligible for infant care subsidy
- Infant care subsidy for non-working/working mothers
  - Full-day care \$150 - \$600
  - Half-day care \$150 - \$300
- Infant care subsidy for the non-working/working mothers (less than 56 hours)
  - 12 hrs to 24 hrs \$ 55 - \$220
  - Above 24 hrs to 36 hrs \$110 - \$330
  - Above 36 hrs to 48 hrs \$150 - \$440
  - Above 48 hrs \$150 - \$600



# (C) Childcare Services Cost [18 months to below 7 years old]

No	Child Care Centre	Fees	
		Child Full Day	Child Half-Day
1.	NTUC CHILDCARE CENTRE	\$550.00	\$410.00
2.	BRIGHTSTAR CHILD DEVELOPMENT CENTRE PTE LTD	\$890.00	\$570.00
3.	YWCA OUTRAM CHILD DEVELOPMENT CENTRE	\$560.00	\$360.00
4.	YUQUAN PRESCHOOL	\$900.00	\$650.00

- Funds in CDA acct can be used to pay for such fees if they are approved institutions
- Matched contribution up to \$6K for the 1<sup>st</sup> child

# Childcare Subsidy [18 months to below 7 years old]

- Childcare centers eligible for childcare subsidy
- Child care subsidy for non-working/working mothers
  - Full-day care \$150 - \$300
  - Half-day care \$150
- Child care subsidy for non-working/working mothers who worked less than 56 hours
  - 12 hrs to 24 hrs \$ 55 - \$110
  - Above 24 hrs to 36 hrs \$110 - \$165
  - Above 36 hrs to 48 hrs \$150 - \$220
  - Above 48 hrs \$150 - \$300





# Other Enhanced Benefits\*

- **Extended paid maternity leave**
  - From 12 to 16 weeks for all Singaporean births
- **New infant care leave**
  - 6 days of unpaid infant care leave per year per parent if child is under the age of 2
- **Paid child care leave**
  - 6 days of paid child care leave per year per parent if child is under the age of 7
  - Regardless of the no. of qualifying children

\* Enhanced Marriage and Parenthood Package

# When Baby is Here? Medical Cost

## Medical (< \$50 monthly premium)

1. Shield plans to handle medical bills
  - Able to use CPF funds for your premium
2. Accident plan
  - Comprehensive cover against accident, fractures
  - Starts coverage for 15-day old baby
  - Dengue fever
  - Hand, foot and mouth disease (HFMD)

## Education

1. School plans
  - Insurance and sufficient funds to handle primary school education right to local university
2. Building for overseas education

# (D) Primary, Secondary & JC\*

## Education Cost prior to University



Projected Costs	Primary 1-6	Secondary 1-4	JC 1-2
Misc. Fees	\$66	\$192	\$204
School Fees	\$66	\$60	\$132
Meal Allowance	\$480	\$1,200	\$1,200
School Uniform	\$150	\$150	\$150
Cost of Textbooks	\$100	\$150	\$300
Student travel	-	\$630	\$630
<b>Total</b>	<b>\$862 p.a.</b>	<b>\$2,382 p.a.</b>	<b>\$2,616p.a.</b>
<b>Total per Category</b>	<b>\$5,172</b>	<b>\$9,528</b>	<b>\$5,232</b>
<b>Per Month</b>	<b>\$72</b>	<b>\$199</b>	<b>\$218</b>

\* Estimated

## (D) Primary, Secondary and JC

Education	No of Years	Cost Per Annum S\$	Total Cost S\$
Primary School	6	862	5,172
Secondary School	4	2,382	9,528
JC	2	2,616	5,232
Total Pre University Edu Cost			19,932

# Other Tuition Costs

## Estimated Tuition Fees (hourly)

<u>Level</u>	<u>Undergrads/Graduates</u>	<u>Full time</u>	<u>NIE trained teachers</u>
• Kindergarten	\$11 - 17	\$13 - 19	\$19 - 25
• Lower Primary	\$13 - 19	\$15 - 21	\$23 - 29
• Upper Primary	\$15 - 21	\$17 - 23	\$25 - 31
• Lower Secondary	\$19 - 25	\$21 - 27	\$29 - 35
• Upper Secondary	\$23 - 29	\$25 - 31	\$33 - 39
• A Level	\$27 - 33	\$29 - 35	\$43 - 50

<u>Activity</u>	<u>Cost</u>
• Swimming	\$ 50-\$ 80 per month
• Soccer	\$120-\$150 per month
• Piano	\$100-\$140 (4 lessons)
• Ballet	\$180-\$190 (3 months)



# Edusave & PSEA Schemes

## Edusave Scheme

Edusave	Primary School (6 years)	Secondary/JC (6 years)	Total
Year 2009 onwards	\$200	\$240	
Total Edusave contributions	\$1,200	\$1,440	\$2,640

## Post-Secondary Education Account (PSEA)

- Balance in CDA when child is 7 years old
- Balance in Edusave when child is 16 years old
- Top ups of PSEA

Age of Child in 2008	Annual Value of Home as at 31 December 2007	
	\$10,000 or less <i>(1-room, 2-room, 3-room, 4-room, 5-room and Executive HDB Flats and some private properties)</i>	More than \$10,000 <i>(Most private properties)</i>
7 to 12	\$500	\$250
13 to 20	\$1,000	\$500

# (E) University Cost – Tuition Fees

TODAY • Thursday • February 14, 2008

## WHAT YOUR LECTURES WILL COST

*Subsidised tuition fee payable per annum for Singapore Citizens*

FACULTIES	APPLICABLE TO COHORTS OF	
	AY 2007/2008 AND EARLIER	AY 2008/2009
All undergraduate courses at NUS and NTU (except those below)	\$6,110	\$6,360
Business (NUS)	\$6,110	\$6,540
Law (NUS)	\$6,110	\$7,340
Music (NUS)	\$7,570	\$7,880
Medicine (Nursing) (NUS)	\$7,000	\$7,280
Medicine (except Nursing)		
Dentistry (NUS)	\$17,520	\$18,230
All undergraduate courses at SMU (except Law)	\$8,300*	\$9,130
Law (SMU)	\$9,000*	\$10,050

NOTE: As announced by the Singapore Government in 2006, with effect from AY2008/09, fees for Singapore Permanent Residents and international students will be 10% and 50% higher than those for Singapore Citizens respectively. \*For AY 2007/2008.

SOURCE: NUS, NTU AND SMU



Ask OCBC  
www.ocbc.com

OCBC Bank

# (E) Total University Costs\*

	Length of Course (Years)	Current (\$)	10 years' time (\$)	15 years' time (\$)	20 years' time (\$)
<b>Singapore</b>	4	54,392	65,104	71,699	79,190
<b>Australia</b>	3	126,105	193,374	237,680	292,604
<b>United States</b>	4	288,724	472,126	600,205	768,437
<b>United Kingdom</b>	3	201,111	312,296	393,191	500,981

Invest \$ 730/mth for 20 years at 5%= 300K (approx)

Invest \$1,100/mth for 15 years at 5% to accumulate \$300K

\* Tuition and living expenses

# Financing Children's University Education

- **Early Planning is key**
  - Create the discipline when the baby is here
- **Insurance Endowment plan**
  - Hassle free
  - Insurance cover as high as 10 times the annual premium
- **Diversified unit trust portfolio**
  - Appropriate risk taking
  - No insurance element
  - May need to pick up additional term insurance to protect yourself
- **Hedge against currency risk**



# How to create the extra budget?

- **Maintain your lifestyle when income increases**
  - Results in more savings
  - Use of an account to track such savings
- **Managing your debts**
  - Total debts/Total assets  $\leq$  50%

- **Good money management skills**
  - Reduce wastage in daily living
- **Prioritize your needs in life**



# Creating the Investment Discipline

Yearly Investment of \$2,500 at 4% p.a. for 20 years						
Age	A: Started at Year 1		B: Started at Year 5		C: Started at Year 5	
	Yearly Investment (\$)	Portfolio Value at End of Investment (\$)	Yearly Investment (\$)	Portfolio Value at End of Investment (\$)	Yearly Investment (\$)	Portfolio Value at End of Investment (\$)
1	2,500		0		0	
2	2,500		0		0	
3	2,500		0		0	
4	2,500		0		0	
5	2,500		0		0	
6	2,500		2,500		3,700	
7	2,500		2,500		3,700	
8	2,500		2,500		3,700	
9	2,500		2,500		3,700	
10	2,500		2,500		3,700	
11	2,500		2,500		3,700	
12	2,500		2,500		3,700	
13	2,500		2,500		3,700	
14	2,500		2,500		3,700	
15	2,500		2,500		3,700	
16	2,500		2,500		3,700	
17	2,500		2,500		3,700	
18	2,500		2,500		3,700	
19	2,500		2,500		3,700	
20	2,500	77,423	2,500	52,061	3,700	77,051

# Tax Benefits to Parents

- **Parenthood Tax Rebate (PTR) – mother & father**
  - \$ 5,000 for 1st child
  - \$10,000 for 2<sup>nd</sup> child
  - \$20,000 for 3<sup>rd</sup> child
- **Qualifying Child Relief (under 16/ studying full-time)**
  - \$4,000 per child
- **Working Mother's Child Relief (WMCR)**

Child order	Existing	Enhanced % of mother's earned income
First	5%	<b>15%</b>
Second	15%	<b>20%</b>
Third	20%	<b>25%</b> for each child
Fourth	25%	
Fifth & beyond	-	

# Income Tax Return - Sample

INCOME TAX RETURN		S\$
<u>Employment Income</u>		48,000
Total Income		48,000
<u>Less: Personal Reliefs</u>		
CPF contribution relief		9,600
Earned income relief		1,000
Qualifying child relief (QCR)		4,000
Working mother's child relief (WMCR)		7,200
Total Reliefs		21,800
Chargeable income		26,200
Tax Payable on Chargeable Income		217
Less: One-Off Personal Tax Rebate		43
Tax Payable/Repayable after One-Off Personal Tax Rebate		174
Less: <u>Parenthood Tax Rebate (You have up to \$5K)</u>		174
Net Tax Payable		0



# Other Educational Funding

- **CPF Education Scheme**
  - 40% of your CPF ordinary account balance after setting aside sum reserved for housing or any other schemes
  - Not available for overseas studies
- **Borrowing from banks**
  - Education loan
    - Joint income requirement e.g. \$24K
  - Tuition fee loan
    - Guarantor but no minimum income requirement
    - Local studies only
  - Overseas Student Programme (OSP) loan
    - In local universities but part of programme the students need to go overseas
- **Scholarships**
  - 80% to 100% of tuition costs. Some cover living expenses
- **Bursaries**



# Summary

- The decision to have a child is very personal
- If a child is loved, nothing matters
- Having a child does involve time, energy, financial commitment but the rewards that come with parenthood can never be expressed in words but only through your own personal experience.
- The cost to have baby may deemed high but through proper and early planning it is still manageable
- Your parents, especially your mothers, made the decision to have a baby. That's the reason for our existence today.
- Talk to any retiree, they all wish they have more children or grandchildren
- Can you afford not to have a baby? The decision is all yours.

# Websites/Hotlines

- Marriage & Parenthood
  - [fcd.ecitizen.gov.sg/MarriageNParenthoodPackage](http://fcd.ecitizen.gov.sg/MarriageNParenthoodPackage)
  - Hotline 1800 233 2229
- [mcys.com.sg](http://mcys.com.sg)
  - Baby Bonus Hotline 1800 253 7707
  - [www.babybonus.gov.sg](http://www.babybonus.gov.sg)
- OCBC (managing agent of the Baby Bonus CDA)
  - Hotline 1800 438 6088
  - [ocbc.com/babybonus](http://ocbc.com/babybonus)
- [iras.gov.sg](http://iras.gov.sg)
- [www.cpf.gov.sg](http://www.cpf.gov.sg)



# Thank you



Ask OCBC  
[www.ocbc.com](http://www.ocbc.com)

