
High Cost of Living / High Cost of Education / High Insurance Premiums

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Although the CPI shows that our inflation is generally low on a long-term basis, I really felt that the cost of living in reality is extremely high. I say this based on the experience of doing financial planning for families. In the past, a household gross income of \$100,000 sounds like quite good. But over the past years, I found that a household income of \$100,000 for a family of 4 is hardly enough. Normally they don't have much money left. Most of the money left over actually goes to the CPF-SA and Medisave. In the CPF-OA, usually the bulk of the money goes to the HDB flat which has a long-term value of zero. I always check all the expenditure that my clients are spending and each item appeared to be reasonable on its own. Yet, when everything is added up the expenditure can be huge.

One of a significant problem area that caught many young families unaware is cost of education. I am not referring to tertiary education but the cost enrichment classes and tuition. Parents will agree that the schools system no longer emphasise on foundational learning. These days, Primary 1 children are expected to know how to read and write and have basic mathematical skills. To prepare them, parents have to put their pre-primary children to enrichment classes. When they go to Primary school, the school's emphasis on "teach less learn more" approach means parents have to take on the responsibility teaching. Don't ask me what the school is teaching because they are teaching less (can't complain about this since school fees are almost negligible. As the saying goes – pay peanuts and get monkeys). Almost every parent I know sent their children for tuition and enrichment classes, which are none other than advance learning. The cost of these extra lessons is huge. Parents who don't sent their children to these extra lessons will suffer as their children will not be able to cope with the school work and eventually placed in lousy classes taught by demoralized teachers.

To make things worst, these parents bought expensive and poor value for money insurance products. They bought these long ago when they just graduated. But these policies provide low coverage and high premium. Many people now wants to determine these policies because of cash flow constraints. If they terminate these policies, they will incur huge capital lost and the potential lost of insurability.

My advice to young people is this: Do not commit to expensive and good-for-nothing insurance products. It may only cost a fraction of your salary now. But when you setup a family, every single cent counts. Do not end up in the situation which you have to terminate these policies due to cash flow problems when you have a family. Cost of living in Singapore is getting very high. For those who are having surplus cash flow (like those who are singles or double income married couple with no children), it is better to save in anticipation for a huge cash outflow when you are older.