Basic Financial Planning Guide: Test Five Benchmarks

Description

Use the Basic Financial Planning Guide as a diagnostic, not a personalised prescription. Compare emergency savings, death and total permanent disability protection, critical-illness protection, insurance premiums and long-term investing, then work on the gap that creates the greatest household risk.

This guide is for a working adult or household wanting a neutral first financial health check. Its job is specific: compare current finances with five national rules of thumb and choose the largest practical gap. Use the table first, then the worked example and checklist; keep any calculation as a labelled estimate until the controlling body or live service confirms it.

Basic Financial Planning Guide Singapore: the decision table

Situation	Practical next step
Emergency cash below 3 months of expenses	Build accessible reserves before taking more market risk
Death/TPD protection below 9 times annual income	Test the dependant shortfall and existing cover
Critical-illness protection below 4 times income	Review treatment and income-replacement exposure
Premiums exceed 15% or investing is below 10% of income	Audit affordability and long-term allocation together

The table separates the common branches that lead to different outcomes. It is not a substitute for reading the current source: re-open the cited authority on the day the decision is made, especially where a deadline, rate, eligibility rule, opening condition or safety instruction is involved.

Start with the controlling rule

MoneySense presents three to six months of expenses as an emergency-fund rule of thumb. Use essential spending, not gross salary, and increase the runway for unstable income or concentrated household risk. MoneySense Basic Financial Planning Guide.

The guideâ??s death and total permanent disability benchmark is nine times annual income. Subtract usable existing resources and consider debts and dependant needs before translating the benchmark into a purchase. MoneySense first-job guide.

These two checks define the readerâ??s starting position. Record the date and the facts used, because a later application, booking or dispute is easier to resolve when the original basis is visible.

Apply the rule to the real decision

The critical-illness benchmark is four times annual income. It is an income-replacement planning reference, not a statement that every policy or diagnosis pays that amount. MoneySense Basic Financial Planning Guide.

MoneySense suggests keeping insurance protection spending within 15% of income. Define which premiums are in scope and avoid cancelling essential cover solely to hit a ratio. MoneySense first-job guide.

Do not compress separate conditions into a single yes-or-no answer. Work through the eligibility, timing, amount and evidence questions in that order, and stop if a live record does not match the assumption.

Build the evidence trail

The investing rule of thumb is at least 10% of income for retirement and other goals. Debt cost, emergency cash, time horizon and risk capacity still control the sequence. MoneySense Basic Financial Planning Guide.

Build one page using the same income period for every ratio. Mixing monthly premiums with annual income or gross income with net expenses creates false gaps. MoneySense first-job guide.

Save the relevant confirmation, receipt, official result or case reference. This is not administrative decoration: it is the record that allows the authority, provider or household to reconstruct what happened.

Know the limit of the answer

Run the benchmark twice: current position and position after one practical change. This shows whether the next S$100 a month belongs in cash, debt reduction, protection or investing. MoneySense Basic Financial Planning Guide.

Use a licensed adviser where regulated advice is needed, and ask how compensation affects recommendations. This article has no affiliate or product CTA. MoneySense first-job guide.

This guide resolves the general task for a Singapore reader. It does not replace an individual notice, contract, clinical assessment, legal advice or an officerâ??s direction at the point of service.

Worked Singapore example

A household earns S$96,000 a year and spends S$5,000 a month on essentials. Three to six months of expenses is S$15,000â??S$30,000; nine times income is S$864,000; four times income is S$384,000; 15% of income is S$14,400 a year; and 10% is S$9,600. These are labelled benchmarks, not recommendations.

The example shows the method, not a promised outcome. Replace its dates, balances, prices, route conditions or personal facts with the readerâ??s own information. Where the example performs arithmetic, it is an editorial calculation and should be reconciled against the live statement, bill or official calculator.

Action checklist

1. Annualise household income consistently
2. Calculate essential monthly expenses
3. Measure accessible emergency cash
4. List existing death/TPD and critical-illness cover
5. Total relevant annual premiums
6. Measure annual long-term investing
7. Choose one gap and set a review date

Work through the list in sequence. If one item cannot be verified, record the gap and use the official contact route rather than guessing. Keep screenshots only as supporting evidence; the live authority page and issued document remain controlling.

Two original tools in this guide

A five-benchmark household gap dashboard. This converts the source material into a reusable decision aid. Copy it into a note or spreadsheet and enter only verified personal inputs.

A worked S$96,000-income and S$5,000-expense calculation. This is the final control before an irreversible payment, submission, booking, journey or household decision. It is an editorial framework derived from the sources, not an official form.

Primary-source ledger

Official or primary source	Material claims checked
MoneySense Basic Financial Planning Guide	National rules of thumb across emergency savings, protection and investing.
MoneySense first-job guide	Application of the planning guide for early-career adults.

Each inline link sits beside the claim it is intended to support. Both source pages were opened during the evidence pass. If a page is revised after publication, use the latest controlling text and treat this articleâ??s worked examples as historical calculations rather than fresh official advice.

Errors that change the outcome

- Treating rules of thumb as personalised advice
- Using salary instead of expenses for the cash runway
- Adding policy face values without checking benefit definitions
- Cancelling cover to force the premium ratio
- Investing emergency cash needed in the next year

The recurring failure is to act on a familiar label without checking its definition. Preserve the original notice, policy wording, booking terms, eligibility record or authority response so that a later review starts from evidence rather than memory.

Continue with the next useful step

For the adjacent task, read calculating an emergency-fund runway. If the decision moves into another stage, continue with a separate CPF retirement top-up decision. These links were selected for reader progression, not as mechanical category links.

Questions readers ask

Are these guaranteed targets?

No. MoneySense presents rules of thumb; household facts and advice can change the appropriate level. MoneySense Basic Financial Planning Guide.

Should CPF balances count as emergency cash?

Accessible emergency funds should be available for near-term shocks; CPF access is governed by separate rules. MoneySense first-job guide.

Does 10% investing include every CPF contribution?

Define the calculation clearly and use the guideâ??s tools or advice for your circumstances. MoneySense Basic Financial Planning Guide.

Accuracy note: This article was checked against the linked primary sources on 2026-07-21. Individual facts and live services can change. No interview, first-hand use, first-hand meal, price check or field observation is claimed unless expressly stated.

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