

## Industry/Representative FAQs on Basic Financial Planning Guide (“Guide”) Adoption

1. As a licensed or exempt financial adviser (FA) or representative, what is expected of me?

You are strongly encouraged to adopt the Guide by incorporating it into the advisory process of your representatives, where appropriate. This potentially includes conducting training for your FA representatives, and integrating the rules of thumb into your firms’ face-to-face or digital financial needs analysis (FNA) process. For example, elements of the Guide that can be integrated into the FNA process, either as validations or recommendations, include:

- set aside emergency funds of at least 3-6 months’ worth of expenses
- obtain insurance protection coverage of 9x annual income for Death & TPD and 4x annual income for Critical Illness
- spend at most 15% of take-home pay on insurance protection
- invest at least 10% of take-home pay for retirement and other financial goals

2. We already have processes in place that are aligned to/more stringent than the Guide recommendations. Do we need to do anything further?

FA firms are strongly encouraged to adopt the Guide recommendations in a manner most appropriate to their business and processes.

3. Are FA representatives in breach of MAS’ requirements if they share the Guide recommendations before conducting the full FNA process?

No, FA representatives who share the Guide with customers before conducting full fact-find are not in breach of MAS’ requirements. The Guide provides general advice, and not specific recommendation catered to any specific individual. FA representatives should go through the full FNA process before any transaction is completed, even if they are based on the Guide, to ensure that the product recommended to the customer is suitable.

4. Will FIs be able to adapt the Guide to suit their own internal communications/marketing guidelines?

Yes. FA firms must take steps to ensure that the adapted information remains true to the spirit of the Guide, and complies with the relevant rules and regulations on advertisements.



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## Financial Needs Analysis (FNA) Process

1. Will I be penalised if I do not (i) show the Guide to every customer, or (ii) the customer chooses to deviate from the Guide's recommendations?

The Guide is not a regulatory requirement, hence, there will be no regulatory penalty for not adopting the Guide. However, the FA Industry is strongly recommended to adopt the Guide by incorporating it into the advisory process of your representatives, where appropriate.

2. What happens if a customer would like to exceed the Guide's recommendations on insurance coverage amounts and/or budget?

As part of the FNA process, FA representatives are required take into consideration the customer's specific needs, and this could mean recommendations which deviate from what is in the Guide.

3. Must I follow the recommended insurance coverage amount for Death & TPD and CI based on 9x and 4x of a customer's annual income respectively, as recommended in the Guide, down to the last cent?

No, the FA representative may recommend insurance coverage by rounding the recommended coverage amount to the nearest multiples of \$100,000, after factoring in the customer's existing insurance policies<sup>1</sup>. This takes into account that on CompareFirst ([www.comparefirst.sg](http://www.comparefirst.sg)), insurance coverage is presented in multiples of \$100,000. Customers may access CompareFirst to compare products or self-help.

4. Can more sophisticated products be presented?

Yes. However, FA firms and representatives should ensure that the customer's existing insurance coverage and investment products (e.g., MediShield Life, CareShield Life, DPS, CPF etc) have been considered and affordability has been factored in, prior to presenting other options.

- Depending on customer's needs, additional cover such as Integrated Shield plans, CareShield Life supplementary plans, etc, can be considered if the customer can afford the payments, including the higher payment amounts at the latter stages of these plans.
- Depending on customer's needs and preferences (savings elements, expiry date), different protection products (such as whole life and term plans) can be presented to help bridge protection coverage gaps.
- Term insurance plans used in the Guide tend to expire at age 65. Customers who need partial coverage beyond age 65 (for instance for critical illness), can consider term plans with higher age expiry or whole life plans.
- Limited premium term plans can be considered if within customers' budget.

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<sup>1</sup> In the case of protection coverage for Death & TPD, a customer's existing insurance policies include his insurance coverage under the Dependents' Protection Scheme (\$70,000 until age 60 or \$55,000 from above age 60 to 65).



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5. If the customer does not follow through with the Guide's recommendations that require action on their part (e.g., purchase of DPS, CPF nomination, putting aside emergency funds), what should we do?

We acknowledge that some of the Guide's recommendations may require customers to act on their own, and FA representatives are unable to assist their customers to do so. Examples include checking for CareShield Life coverage, will writing, making CPF nominations, or purchasing financial products that are not part of the suite of financial products that the FA representative is able to sell.

The FA representative will not be penalised for not following through with their customers on such actions. Nonetheless, we strongly encourage FA firms to train their representatives to provide information that can help support their customers in taking actions that are helpful for their financial plan.

As part of added value service for customers, FA firms may also wish to consider establishing an action checklist to help customers stay on course.

6. How familiar should FA representatives be of the Guide's recommendations (including products)?

To provide customers with a meaningful experience, FA representatives should be prepared for their customers to have questions related to the Guide. That being said, many rules of thumb within the Guide are not entirely new. In fact, some FA firms already practice them today. All the products, government schemes and recommendations in the Guide are also basic financial products that notified FA representatives should already be well equipped to speak to customers on.

7. Where the customer does not meet the basic needs (e.g., emergency funds), can FA representatives still recommend for them to purchase other financial products?

The Guide's recommendations aim to provide customers with guidance on basic financial planning. They are not a regulatory requirement for FA representatives to determine recommendations. We also recognise that there are many approaches to building a financial plan. Therefore, while the Guide has arranged the financial planning areas in order of importance, starting with emergency funds, customers may start on their financial planning journey by budgeting for all the recommended areas at the same time, or by focusing on one goal at a time.

8. For customers who have not met the protection recommendations but already exceeded the 15% take-home pay guideline, can we still recommend for the customer to purchase more protection?

FA representatives must ensure that they comply with all the existing regulatory requirements, including having a reasonable basis of recommendation, when providing financial advice to their customers.



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