

Sensible approach to retirement savings

Table 1: The Bucket approach

	INCOME BUCKET	BUCKET 1	BUCKET 2	BUCKET 3	BUCKET 4	BUCKET 5	BUCKET 6	TOTAL
Bucket's purpose	Gives safe retirement income floor for life	Money needed for immediate draw down for 5 years	Money needed in 5 years' time	Money needed in 10 years' time	Money needed in 15 years' time	Money needed in 20 years' time	Money for legacy or to hedge against longevity risk	
Allocation (S\$)	S\$340K	S\$329K	S\$184K	S\$220K	S\$104K	S\$95K	S\$207K	S\$1.479 million
Portfolios expected returns (pa)	S\$340K to buy immediate annuity	1.5%	3.5%	5.5%	6.5%	6.5%	6.5%	
Years invested			5	10	15	20	25	

Table 2: Asset allocation

	ASSET CLASSES	BUCKET 2 Expected return: 3.5%	BUCKET 3 Expected return: 5.5%	BUCKET 4 -6 Expected return: 6.5% pa
Allocation	Global Bonds	40%	30	20%
	Global Equities & Singapore Equities	60%	60	65%
	Emerging Markets	—	10	15%

Table 2: How the various buckets are invested

Table 3: Portfolio returns

	BUCKET 2	BUCKET 3	BUCKET 4 -6
Portfolio expected returns	3.5% pa	5.5% pa	6.5% pa
Portfolio actual return in 2016 (net of all fees)	3.1%	6.99%	7.59%

Table 3: Portfolio returns across buckets

Chart 1: 2016 event timeline

MSCI ALL COUNTRY WORLD INDEX

205

Dow, S&P500 make worst ever start to a year

Trump wins US presidency

Britain votes to leave EU

165

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2016

Sources: Bloomberg. Chart: MSCI All Country World Index (net div)