

Case Study:

Can AI Replace a Human Adviser in a Divorce?

ChatGPT as a Financial Adviser

You said:

Hi ChatGPT. Today you will act as my financial adviser. I am Elaine, a 56-year-old senior marketing director at a multinational company, earning a take-home income of about \$250,000 a year. I am a single mother with two adult children, aged 25 and 28, and I live in a fully paid HDB maisonette worth around \$1.5 million.

Financially, I have accumulated about \$600,000 in cash, \$500,000 in a diversified investment portfolio, \$200,000 in retirement income products, and \$500,000 in critical illness insurance coverage. My CPF is also at the Full Retirement Sum.

Recently, I was diagnosed with stage 4 breast cancer and will need intensive treatment, including chemotherapy. Naturally, this has left me feeling overwhelmed and anxious about the impact on both my family and finances.

My main priorities are to ensure my family remains financially secure while I undergo treatment, maintain my lifestyle as much as possible, and protect my long-term plans, including my children's future and my retirement. If possible, I also hope to travel more with my children during the later stages of my treatment.

While I do have substantial savings, investments, retirement income products, and critical illness coverage, I am unsure whether they will be enough to cover treatment costs, potential long-term care needs, and any disruption to my income.

How can I ensure my family is financially protected, my treatment is covered, and my long-term goals remain on track despite this health crisis?

ChatGPT said:

Below is a structured financial response based on your situation, focusing on liquidity, income replacement, insurance adequacy, and long-term capital preservation.

1. Immediate financial reality check

Liquid resources available

- Cash: \$600,000
- Investments: \$500,000
- Total liquid pool: \$1.1 million

Existing buffers

- Retirement income products: \$200,000 (likely not fully liquid without penalties/constraints)
- CI coverage: \$500,000 (assumed lump sum payout upon valid claim)
- Fully paid housing: \$1.5 million asset (non-liquid unless monetised)

Key implication

You are in a strong *asset-rich, cash-flow-strong* position. The main risk is not insolvency, but liquidity depletion + income disruption during treatment and recovery uncertainty.

2. Immediate priority: stabilise cash flow (next 12–24 months)

A. Ring-fence 24 months of core spending

Estimate your annual spending requirement (not income):

- Lifestyle maintenance: housing, food, transport, support, insurance premiums, medical top-ups
- Travel + discretionary buffer (if still intended)

A conservative assumption for someone at your income level:

- Likely annual spend: \$120k–\$180k

➡ Set aside:

- \$250k–\$350k in cash as a “treatment + stability buffer”

This becomes your non-negotiable safety pool.

B. Use insurance first, not investments

Your \$500,000 critical illness payout (if valid and triggered) is central.

Typical allocation logic:

- Replace income disruption: \$200k–\$300k equivalent
- Medical and recovery buffer: \$100k–\$200k
- Emotional flexibility fund (travel, family time): optional portion

Key point:

Do not pre-commit this payout into investments or long-term products until treatment trajectory is clearer.

3. Medical cost coverage reality (Singapore context)

Even with strong insurance:

- Public hospital subsidies + MediShield Life + Integrated Shield Plan (if any) will likely cover major inpatient costs
- Out-of-pocket exposure usually comes from:
 - Private oncology consultations
 - Non-standard drugs or overseas treatment
 - Long tail complications or experimental therapies

Risk check

Your main financial risk is not routine chemotherapy costs. It is:

- extended treatment cycles
 - complications or recurrence
 - caregiver/support costs
 - income gap over 2–5 years if work capacity reduces
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4. Income strategy during treatment

Given your current income level, continuation may not be sustainable.

Option framework:

Option 1: Gradual work reduction (preferred if possible)

- Move from full-time → advisory/part-time
- Maintain partial income stream
- Preserves routine and identity

Option 2: Temporary full pause

- Use CI payout + cash buffer
- Focus on recovery and family time

Option 3: Hybrid withdrawal strategy

- Reduce workload immediately
 - Supplement with portfolio withdrawals
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5. Investment portfolio management (\$500k)

Objective shifts from growth → capital preservation.

Recommended structure:

- 70–80%: low-volatility instruments (cash, short-duration bonds, money market)
- 20–30%: existing equities (do not liquidate blindly unless needed)

Key principle:

- Avoid forced selling during market downturns triggered by medical liquidity needs
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6. Retirement income products (\$200k)

This requires careful review:

- If locked-in annuities: may already be solving part of future income risk
- If flexible: could be a secondary liquidity source later in treatment

Do not restructure unless:

- liquidity stress emerges, or
 - payout timing becomes mismatched with needs
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7. Property strategy (HDB maisonette, \$1.5m)

At this stage:

- Do not treat housing as a financial lever unless absolutely necessary
- Consider only:
 - future downgrade (if long-term income capacity changes)
 - lease monetisation options later if needed

For now:

- Keep stability and emotional security intact
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8. Family protection priorities

A. Immediate

- Ensure nominees and beneficiaries are updated
- Ensure children have access protocols for accounts if needed
- Centralise financial information (accounts, policies, contacts)

B. Medium-term

- Estate clarity (will, LPA, CPF nomination already in place but should be reviewed)
 - Consider setting up:
 - structured gifting plan for children now (not only later)
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9. Travel and quality-of-life goal

This should be explicitly budgeted, not treated as residual spending.

Suggested approach:

- Create a “life bucket” of \$80k–\$150k
- Ring-fenced separately from medical buffer
- Use during stable treatment phases

This avoids psychological conflict between “saving” and “living”.

10. Core financial risks (summary)

Risk	Severity	Mitigation
Income disruption	High	CI payout + work adjustment
Extended treatment	Medium–High	Cash buffer
Market volatility	Medium	De-risk portfolio
Long-term care needs	Medium	Insurance + asset liquidity
Emotional overspending or underspending	High	Separate buckets

11. Bottom-line position

- You are financially resilient with strong buffers.
 - The key shift is from accumulation planning → liquidity sequencing and emotional spending clarity.
 - The primary risk is not running out of money, but misallocating liquidity too early or too conservatively during an uncertain treatment trajectory.
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If useful, the next step would be to map:

- monthly cash flow during treatment
- exact insurance policy structure (CI conditions, payout triggers, exclusions)
- a “three-scenario plan” (smooth recovery / prolonged treatment / complications)

This would make the plan operational rather than conceptual.

Elaine: Please do all that you had suggested

Below is a structured continuation covering:

1. Monthly cash flow during treatment
2. Insurance deep-dive (what to verify)
3. Three-scenario financial plan

Figures are illustrative and should be calibrated to actual spending and policy terms.

1. Monthly cash flow during treatment

A. Assumptions framework

Income scenarios

- Scenario A: Full income continues (reduced workload but stable pay)
- Scenario B: 50% income reduction
- Scenario C: Income stops temporarily

Core annual spending (estimated)

- Base lifestyle: \$120,000–\$150,000 p.a.
- Medical out-of-pocket + support buffer: \$20,000–\$50,000 p.a.
- Travel / discretionary (optional): \$0–\$80,000 p.a.

Converted to monthly baseline

- Core living: \$10,000–\$12,500/month
 - With buffer: \$12,000–\$15,000/month
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B. Monthly cash flow structure (recommended)

1. Essential bucket (non-negotiable)

- Housing, utilities, food, transport, insurance premiums
- Estimated: \$8,000–\$10,000/month

2. Medical & contingency bucket

- Co-payments, medications not fully covered, transport, home support
- Estimated: \$2,000–\$5,000/month (variable)

3. Life quality bucket

- Travel, family activities, discretionary spending
 - Estimated: \$3,000–\$10,000/month (flexible)
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C. Funding hierarchy (order of use)

1. Monthly income (if still active)
2. CI payout (once received)
3. Cash reserves (\$600k)
4. Investment portfolio (\$500k)

5. Retirement income products (last resort / structured use)

D. Key control mechanism

Create 3 separate accounts (mentally or physically):

- Stability account (essentials)
- Medical account (treatment variability)
- Life account (travel, family time)

This prevents over-restriction or overspending in emotional periods.

2. Insurance deep-dive checklist

You already have strong coverage, but the *details determine real-world protection*.

A. Critical illness policy (\$500,000)

Verify:

1. Definition of stage 4 cancer

- Is payout triggered at diagnosis or severity confirmation?
- Any waiting period or staging requirements?

2. Claim structure

- Lump sum or staged payout?
- Any partial payout already triggered for earlier stages?

3. Continuation clauses

- Does payout affect other policies?
- Any exclusions for recurrence or metastasis?

4. Use flexibility

- Is there any restriction on usage (typically none, but confirm)?
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B. Hospitalisation / Integrated Shield Plan

Check:

1. Panel restrictions

- Must you stay within panel hospitals/doctors for full coverage?

2. Claim limits

- Annual limits vs lifetime limits
- Cancer drug caps or co-insurance rates

3. Pre-authorisation requirements

- Certain therapies may require approval
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C. Disability / income protection (if any exists)

If present:

- Verify definition of “unable to work”
 - Check whether cancer qualifies automatically or requires functional impairment
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D. Retirement income products (\$200,000)

Clarify:

1. Structure

- Annuity vs endowment vs CPF LIFE top-up equivalent

2. Liquidity rules

- Partial withdrawal allowed?
- Penalty structures?

3. Income timing

- Immediate vs deferred payouts
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3. Three-scenario financial plan

This is the core decision framework.

Scenario 1: Stable treatment, controlled recovery

Assumptions

- Responds well to chemotherapy

- Minimal complications
- Work continues in reduced capacity

Financial impact

- Treatment costs covered largely by insurance
- Income reduced by 20–40%

Strategy

- Use CI payout to replace income gap
- Keep \$400k–\$500k invested (low volatility allocation)
- Preserve \$250k cash buffer

Outcome goal

- Maintain lifestyle + fund selective travel
 - Preserve retirement assets largely intact
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Scenario 2: Prolonged treatment, fluctuating health

Assumptions

- Multi-year treatment cycles
- Intermittent work ability
- Higher medical variability

Financial impact

- Income reduced by 50–80%
- Higher out-of-pocket costs over time

Strategy

- CI payout becomes primary income replacement tool
- Gradual drawdown:
 - Cash first (\$600k)
 - Then portfolio (\$500k)
- Shift investments to capital preservation

Outcome goal

- Maintain dignity of living standard
 - Controlled asset drawdown over 5–8 years
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Scenario 3: Severe progression / high dependency needs

Assumptions

- Extended care required
- Limited or no work capacity
- Higher caregiving costs

Financial impact

- Full income loss
- Long-term care or support required

Strategy

- Immediate restructuring:
 - Liquidate investments in staged manner
 - Use property only as last-resort liquidity source (if ever)
- Activate family support structure
- Prioritise care and legacy planning over capital growth

Outcome goal

- Ensure care quality and family financial stability
 - Preserve estate structure for children
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4. Key decision points (what matters most now)

1. Cash segmentation (immediate priority)

- Do not keep all \$1.1m liquid pool undifferentiated

2. Insurance payout timing clarity

- This is your main financial stabiliser

3. Work decision within 3–6 months

- This drives 50%+ of cash flow outcomes

4. Investment risk reduction

- Avoid equity volatility becoming forced liquidity risk
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5. Practical next step structure

If this were operationalised, the next 7–14 days would be:

1. Confirm insurance policy mechanics (especially CI trigger)
 2. Set up 3-bucket cash system
 3. Reforecast monthly spending baseline
 4. Decide work intensity reduction path
 5. Reallocate investments into defensive positioning
 6. Create a “life spending envelope” for travel and family time
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If needed, the next layer would be:

- exact drawdown schedule (month-by-month over 24–36 months)
- portfolio restructuring model (defensive allocation breakdown)
- estate and legacy instructions aligned with medical progression scenarios

Elaine: okay, give me the exact drawdown schedule (month-by-month over 24–36 months) Don't overwhelm me with so much data

Below is a simplified 24-month drawdown schedule based on a controlled treatment scenario (Scenario 2 blended with Scenario 1), assuming:

- CI payout: \$500,000 received early (Month 1–3)
 - Cash: \$600,000 available
 - Investments: \$500,000 (kept mostly defensive, not liquidated immediately)
 - Monthly spending need: \$13,000–\$15,000
 - Income: reduced or inconsistent, not relied upon
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Monthly drawdown plan (24 months)

Phase 1: Stabilisation (Months 1–6)

Focus: protect cash, absorb uncertainty

Month	Source of funds	Drawdown
1	Cash	\$15,000
2	Cash	\$15,000
3	Cash + CI (if received)	\$15,000 (cash)
4	CI	\$15,000
5	CI	\$15,000
6	CI	\$15,000

Summary (6 months):

- Cash used: ~\$45,000
- CI used: ~\$45,000
- Remaining CI: ~\$410,000+ buffer intact

Phase 2: Adjustment (Months 7–12)

Focus: CI becomes main stabiliser

Month	Source of funds	Drawdown
7	CI	\$15,000
8	CI	\$15,000
9	CI	\$15,000
10	CI	\$15,000
11	CI	\$15,000
12	CI	\$15,000

Summary (12 months total):

- CI used: ~\$135,000
- Cash used: ~\$45,000
- Remaining CI: ~\$365,000
- Portfolio untouched

Phase 3: Transition (Months 13–18)

Trigger: reduced CI availability or planned preservation

Month	Source of funds	Drawdown
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13	CI / Cash top-up	\$15,000
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14	CI / Cash	\$15,000
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15	CI / Cash	\$15,000
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16	Cash	\$15,000
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17	Cash	\$15,000
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18	Cash	\$15,000
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Summary (18 months total):

- CI used: ~\$180,000–\$200,000
- Cash used: ~\$135,000
- Investments still untouched

Phase 4: Buffer protection (Months 19–24)

Trigger: start using investment portfolio only if needed

Month	Source of funds	Drawdown
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19	Cash / Investments (if needed)	\$15,000
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20	Investments	\$15,000
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21	Investments	\$15,000
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22	Investments	\$15,000
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23	Investments	\$15,000
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24	Investments	\$15,000
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Summary (24 months total):

- Cash remaining: likely \$350k–\$450k range

- CI remaining: \$300k+ buffer
 - Investments lightly touched (~\$60k–\$90k max)
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What this schedule is designed to achieve

1. Liquidity sequencing discipline

Order of use:

1. CI payout
 2. Cash
 3. Investments
 4. Property (not included in this plan)
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2. Psychological stability

- First 12 months fully CI-funded → reduces stress on savings
 - Cash preserved early for uncertainty spikes
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3. Flexibility buffer

At Month 24, you still retain:

- Significant CI buffer
 - Large cash reserve
 - Majority of investment portfolio intact
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Key control rule (important)

If monthly costs rise above \$15,000 consistently:

- Increase drawdown slightly from CI first
- Only then tap cash
- Avoid early investment liquidation