

Saving and Investing for the Future

In the midst of what remains a somewhat uncertain economy, many of us may be trying to figure out how best to continue to save and/or invest to keep our financial goals on track.

Described here are life insurance-based savings and investments products designed to meet different financial goals.

I'd like to save for my child's education.

An endowment policy is an option you can consider to set aside money for your child's education.

It is a life insurance policy with a maturity date. You can choose a policy term (duration) that will mature at the specific time when your child will enroll for tertiary education. The policy also aims to give a stable return, which grows in value over the years and may potentially offer higher returns than bank deposits. It serves as a good savings tool for parents who wish to be able to afford paying for their child's education.

Should death or disability happen to you during the term of the policy, the sum insured will be paid to your beneficiaries. Knowing this of an endowment policy grants you peace of mind.

I'd like to invest my money for the future and at the same time ensure that my family is provided for, financially, should I die.

An investment-linked insurance plan (ILP) is an option you can consider. It offers a combination of financial protection and investment return.

An ILP gives you the flexibility to decide how your premiums are to be invested. The policy provides you with a choice of funds into which you may invest. You can also switch between different funds during the life of the policy.

For an ILP, the policy value is linked to the prevailing value of the units and the price of your units depends on how the funds are performing. The amount of proceeds your family or you will receive depends on the price of the units at the time of death or total disability, or when you surrender them.

As you are bearing all the investment risks of an ILP, it is important to know how the funds you have invested in are performing. Consult your professional financial adviser regularly and review your own risk appetite and investment time horizon.

I'd like to save for retirement and be sure I don't outlive my savings.

To save adequately for retirement, the earlier you start planning the better it will be for you.

A general rule of thumb suggests that the amount of funds you need for retirement ranges from 50 per cent to 70 per cent of your last drawn annual income. If you aspire to have a very active retirement, involving frequent travelling and hobbies, you will need to have more savings.

To build up savings, an endowment or a whole life policy are options you can consider.

A whole life policy accumulates a cash value over time. It is designed for long-term savings during which your insurance company will make investments on your behalf. Whole life insurance pays a death benefit so you are assured that your family is protected against financial loss following your death.

An annuity is an option you can consider to ensure that you do not outlive your retirement savings. It offers a lifetime of guaranteed income for as long as you live.

Besides accounting for daily living expenses, you should bear in mind that a huge medical bill can wipe out a large portion of your retirement savings. It is very important for you to have appropriate and adequate health insurance.

Before I invest via an insurance policy, what factors should I be considering?

You need to identify your investment objectives and understand your investment risk profile before you are in a position to make an informed decision.

Insurance policies with an investment element bear both potential rewards and risks. Before signing on the dotted line, you need to be fully aware of the policy's benefits and risks. Be sure you understand the nature of the product you are purchasing.

It is prudent to check out any alternative products with similar benefits, and evaluate the pros and cons of each option.

It is important to take stock of how much you can afford to invest. Do not commit beyond your means, especially if the product requires you to make regular payments or to keep your principal invested over a minimum period.

You are strongly encouraged to consult a professional financial adviser who can provide more information and advice to help you make an informed purchase in favour of one or more appropriate products.

How equipped are life insurers in providing solutions for high net worth individuals?

There are life insurers that specialise in providing flexible and tailored solutions for wealth accumulation, wealth protection and wealth transference. These solutions offer a combination of life insurance coverage and a wide range of investment options.

For instance, you can customise a portfolio comprising onshore and/or offshore funds, or overseas assets. Such products are distributed through independent financial advisers, banks, private banks or international brokers.

These life insurers have international networks covering key global financial markets. As such, they can provide off-shore savings products and a range of investment solutions wherever their high net worth clients are located or relocated at different times of their lives.

I am a high net worth individual looking to invest my money.

You can turn to some life insurers that are able to assemble a portfolio type of plan with choice of a wide range of investments and assets available locally and internationally.

Known as an open architecture investment account, it allows high net worth individuals to take advantage of investment opportunities as and when they arise. This can potentially help to optimise gains and reap higher rewards.