

# Things to consider before you invest

Chuin Ting Weber, chief executive and chief investment officer of Money Owl, a joint venture between NTUC Enterprise and Provident, was a recent guest on Money FM 89.3's Money and Me show, hosted by Michelle Martin

As an NTUC social enterprise, Money Owl is on a mission to help families make the best financial decisions. This has become more critical as many Singaporeans worry about money matters amid the coronavirus pandemic.

However, many people are bewildered by having to manage money or optimise their funds. "The pandemic has simply added to this and highlighted the gaps in many people's ability to manage their finances," said Ms Chiu, noting that four in 10 Singaporeans constantly worry about their finances. She shares her views on some common themes.

## FINANCIAL PRODUCTS

"When we talk about financial management, many people think immediately about savings products, investment products and insurance policies and such. This is probably how the financial industry has been going about providing financial advice for the retail segment."

One should not chase products, but instead view financial management in its entirety.

"Financial management has to be based on a foundation of good financial health. Before we make any investment decisions, we need to do some essential things. We need to do a budget, keep our expenses low, control our debt levels and save towards an emergency fund."

## PROTECTION

People must take measures to protect their income against life risks such as death, disability or medical crisis.

"Our most important financial asset is not our house, or our investments, but actually our ability to generate the income from which we can save and invest."

"Singaporeans spend a lot of money on insurance, but many are still under-protected, probably because they've been sold unsuitable or expensive insurance products. At Money Owl, we always advocate term insurance and fit-for-purpose products. So the idea is to buy as much protection as you need, and pay as little as you can."

## FINANCIAL HEALTH CHECK

This involves checking if the person has six months of emergency funds. The next thing is to check debt levels.

"A crisis is a good time to take a hard look at what you really need and what you don't need, especially among your variable expenses. You could restructure some of your insurance. But be cautious as we don't want you to lose coverage. Also, maybe there's a cheaper way of doing some things. For instance, instead of individual tuition for the children, consider group tuition. So these are actually very practical tips."

Money Owl recently rolled out a series of financial resilience workshops, which are free and can be signed up on its website. Its financial literacy trainers - who are all certified financial planners - will go through some of these tips about debt management and where to get help as well.

## THE USE OF CPF

"Do not invest your CPF Special Account money. At Money Owl, we are quite firm on this because at 4 to 5 per cent risk free, it is not worth taking the risk in the markets. So keep your Special Account money and let it compound towards your retirement sum. The CPF Ordinary Account pays 2.5 per cent interest. And yes, if you do it correctly, you can get a higher long-term return but there are some conditions. You must invest in low-cost, globally diversified funds that do not time the market and you must be able to stay in-

vested over the long term."

Funds in the Ordinary Account can be a buffer to pay your monthly mortgage during uncertain economic times like these.

"If you lose your job or suffer a pay cut, cash becomes very precious. And when cash becomes precious, you want to conserve cash for your daily expenses. So your

CPF can come in useful, like an emergency fund, to pay your monthly mortgage. If there's an obvious risk of a job loss, it is not worthwhile chasing extra returns. You may be forced to liquidate at a loss if you need those funds to pay your mortgage."

"There is much more to financial management than just investing or

getting a product. In fact, when it comes to financial wellness and peace of mind it is really best to start from a comprehensive approach."

\* For more of such financial tips, tune in to Money FM 89.3 Your Money with Michelle Martin, weekdays from 9am-12pm. #YourMoney.



Ms Chiu Ting Weber says that before we make any investment decisions, we need to do some essential things, such as setting up a budget, keeping our expenses low, controlling our debt and saving towards an emergency fund. PHOTO: MONEYOWL

SCAN FOR MORE ONLINE  
<https://str.sg/Lucq>



## Gateway to a Great Life This feature is the third of a four-part series by Great Eastern

Insure against uncertainty? Fresh grad believes...

# I can, with a plan

Best time to secure yourself is now, despite the gloomy Covid-19 jobs market, says 23-year-old. She explains why and how



Happy family (from left) Ms Chern Hui Ying, 23, with her mother, father and brother.

PHOTO: CHEN HUI YING

By KHALID HUSAIN

Like many among the young, Ms Chern Hui Ying, 23, fears she has little control over her future. Not in these times of uncertainty and in an economy crippled by the Covid-19 pandemic.

But she aims to calm her fears and hedge against potential health scares with a plan that gives her the financial flexibility to manage her current life stage needs.

As a fresh graduate entering a weakening jobs market, she decided to buy an investment-linked plan (ILP) because it offers her life insurance at affordable premiums with the option to grow her savings through investments.

"Purchasing an ILP was for the main purpose of being covered, but knowing that I have the option to adjust the coverage or convert it to investment after age 55 is assuring."

Ms Chern graduated with a degree in psychology and media analytics from Nanyang Technological University in August. In May, she secured a one-year traineeship with Singapore Sport Institute as part of the SGUnited Traineeship Programme, which offers fresh graduates training opportunities to build their network, skills and resumes, while they look for a permanent position at the end of the traineeship.

She pays for the plan with her monthly training allowance, which she declined to disclose.

## Why ILPs?

ILPs are essentially comprehensive whole life insurance plans that give policyholders the flexibility of investment returns.

Customers can adjust their coverage when their needs change at different life stages. Those just starting out can opt for basic protection coverage first and gradually increase their coverage based on their protection needs.

ILP policyholders can also opt to allocate more premiums to investments if they want to grow their wealth.

Take, for instance, Great Eastern's GREAT Life Advantage II. The regular premium ILP lets policyholders increase their coverage with no

medical assessment at any of eight milestones, including their third policy anniversary, marriage and birth of their first child.

"The plan is most appropriate for my life stage because I'm just starting out in my career and want to be covered for the future, come what may," says Ms Chern.

By adding a critical illness rider to the ILP, she gets additional coverage against 120 critical illness conditions across different stages.

"I believe that I will reap the benefits in the long term. Having this plan makes me feel more secure about the future as I know that my family is protected from large medical bills if I develop a critical illness or suffer a permanent disability."

Ms Chern lives with her parents - a lecturer and personal assistant - and younger brother in a three-room apartment in Pasir Ris.

She says that the plan's benefits and affordable premiums, starting from as low as \$100 a month, helps. "It's an affordable plan to get you started. This is important for young professionals, like me, and families with young children."

Aside from paying for insurance, her training allowance also goes towards funding her further studies. In September, she enrolled in a master's programme in counselling.

## What sets ILPs apart from other insurance policies?

To spread out the cost of paying for insurance, Ms Chern is looking to switch to monthly premium payments. She is now paying for her premiums yearly.

Like Ms Chern, Great Eastern ILP policyholders have the option of paying their premiums on a monthly, quarterly, biannual or annual basis.

If they are unable to pay the premium, the policy remains in force as long as they have enough funds in their plan to cover the policy charges and cost of insurance.

Policyholders can also choose to invest in a range of ILP sub-funds offered.

Other types of insurance plans such as a term life plan, which provides coverage for a certain period with no cash value, or a participating

## Difference between insurance plans

	Term Plan	Participating Plan (Whole/Life/Endowment)	Investment-linked Plan (Whole/Life/Endowment)
<b>What it offers</b>	Protection only with no cash value	Dependent on choice of plan. Can provide protection and/or savings with cash value*	Dependent on choice of plan. Can provide protection and/or savings with returns**
<b>Period of coverage</b>	Period specified by life assured	Dependent on selected plan	Dependent on selected plan
<b>Cash value</b>	None	Yes, comprises guaranteed and non-guaranteed values	Dependent on performance of funds
<b>Flexibility to choose sub-funds?</b>	N/A	No	Yes, able to choose funds to invest in and switch funds in tandem with market
<b>What happens if I am unable to pay my premium?</b>	Policy will lapse	Automatic premium loan kicks in if there is policy value in the policy. Policy lapses after cash value is exhausted	Policy remains in force while there is fund value to cover policy charges and cost of premiums. Policy will lapse after fund value is fully exhausted

\*Guaranteed and non-guaranteed

\*\*This plan will have an account value where the value is non-guaranteed and dependent on the performance of the selected fund(s)

policy such as a whole life plan, which lets you share the profits of the insurance company, do not offer the same option.

Ms Chern adds: "Having this option allows me to be in control of the decisions I make. It helps me to feel more secure amid an economic recession and pandemic."

contentStudio@sph.com.sg

## A piece of advice

Just what are ILPs? Great Eastern financial representative Ace Chan (left) answers your questions about the two-in-one life insurance plans.

### What are the key benefits of ILPs?

Essentially a comprehensive whole life insurance plan, ILPs offer protection with a component to allow you to fulfill your wealth accumulation goals depending on your choice of plan. Customers can adjust their coverage and investment goals depending on their needs.

### Are ILPs high-risk products?

ILPs are insurance policies inherently. The risk level depends on the weightage of protection-to-investment apportionment according to the plan and the funds you select.

ILPs do not have guaranteed account value and are dependent on the performance of the selected funds. You can scale your investment portion through dollar-cost averaging.

With Great Eastern's app, you can also actively manage these policies to make appropriate fund switches to balance your portfolio the way you want to.

### Complete this sentence. You should buy ILPs if...

You prefer flexibility and customisability as the plan can be tailored to your needs. For example, you can increase or decrease your insurance coverage and rebalance or change the funds you have invested in to align with your protection needs or wealth accumulation goals.

How do investment-linked plans help to life-proof your future? Scan to learn more.



Terms and conditions apply. Protected up to specified limits by Singapore Deposit Insurance Corporation (SDIC). This advertisement has not been reviewed by the Monetary Authority of Singapore.

One should not chase products, but instead view financial management in its entirety.

PHOTO: GREAT EASTERN