

Life Insurance

And YOU

This is the fifth of a 6-part series on insurance produced by the Central Singapore CDC and the Life Insurance Association, Singapore as part of the MoneySENSE national financial education programme.

How you can save for your child's education

In this issue, we explain various options relating to how you can save for your child's education. You should start planning for your child's educational needs as early as possible.

Plan early and be focused

First, give yourself enough time to build up your child's education fund. The earlier you start the better. Second, be focused. Draw up a special plan solely for this purpose.

Saving for your child's education

There are many ways to save for your child's education. You can put your savings in a bank deposit; invest in unit trusts or other types of investment; or buy a child education endowment policy. Each has its advantages and disadvantages.

Bank Deposit

Start by regularly saving a portion of your income either in a savings account or a fixed deposit with a bank or finance company. As a low risk option, the interest earned will generally be low. This may not allow you to hedge your savings against inflation.

Bank deposits are liquid and can be withdrawn when the need arises. However, this may detract you from building up the education fund.

Investments

Investments such as stocks, unit trusts and investment-linked insurance products can potentially give you higher returns. However, they carry higher risks as they are directly affected by market volatility.

Unit trusts and investment-linked insurance products allow you to benefit from the expertise of professional fund managers. An investment-linked insurance product has the additional feature of a death benefit.

When making investments, choose a product that matches your risk tolerance level and investment time horizon.

Child education endowment policy

You can buy an endowment policy, which is an insurance policy with a specific maturity date. Upon the maturity of the policy, the maturity value is paid to the surviving insured. You can choose a policy term which matures when your child is entering university. An endowment policy typically gives you a stable compounded return, which grows in value over the years. It also pays out a death benefit if the insured dies during the term of the policy.

For a regular premium endowment policy, you will enjoy the full benefit of the policy only if you pay the premiums faithfully over the term of the policy. If you terminate the policy prematurely, the surrender value payable may be less than the total premiums contributed.

There are many different types of endowment policies. Before you purchase a policy, study the Benefit Illustration and the accompanying product summary carefully. Do not buy anything you do not understand or which does not meet your needs.

If you are interested to know more about Life Insurance, log on to the website of the Life Insurance Association (<http://www.lia.org.sg>) or MoneySENSE (<http://www.moneysense.gov.sg>) for a copy of the consumer guide "Your Guide to Life Insurance".

For educational resources on personal financial matters and information on MoneySENSE events, visit the MoneySENSE website at <http://www.moneysense.gov.sg>.

The information in this article is of a general nature and may not apply to every situation or to your own personal circumstances. This article is not a substitute for seeking legal advice on any specific issue.



CONTEST

Win a \$50 book voucher!

Simply answer these simple questions and send the contest form to :
"Life Insurance and YOU"

Central Singapore Community Development Council
HDB Hub Biz Three, 490 Lorong 6 Toa Payoh, #04-10, S(310490)

3 Winners will be picked! Closing date is 15 February 2005. Winners will be notified by post.

Q1 : Name two ways to save for your child's education.

(a) _____ (b) _____

Q2 : What should one do in order to enjoy the full benefit of a regular premium endowment policy?

Name: _____

IC: _____ Sex: M/F

Age: _____

Tel: _____

Email: _____

Address: _____

Yes! Please update me on other MoneySENSE programmes through emails.