

Life Insurance

And YOU

This is the fourth of a 6-part series aimed at educating readers on the various concepts of insurance. This series is produced by the Central Singapore CDC and the Life Insurance Association Singapore as part of the MoneySENSE national financial education programme.

In this issue, we will explain how annuities benefit you during your retirement.

Using annuities to meet your retirement needs

We are living longer nowadays. We must therefore accumulate enough wealth to see ourselves through a longer period of retirement. One way to manage this is to buy annuities.

Features of annuity products

An annuity is a type of insurance policy. The premium is usually payable as a lump sum but there can also be regular premium payments for a fixed period of time.

The most important benefit provided by annuities is the regular monthly income payable to you upon your retirement for as long as you live.

Using CPF minimum sum for purchase of annuities

CPF Board requires all Singaporeans to set aside a 'minimum sum' at age 55 (\$84,500 with effect from 1 July 2004). You can purchase annuities under the CPF Minimum Sum Scheme (MSS).

Some options for a CPF member when he reaches 55:

- 1. Leave minimum sum in the CPF -**
CPF Board's prevailing interest rate for the Retirement Account is 4%. You will get a fixed monthly payment from age 62 until the capital and interest payments are used up.
- 2. Put minimum sum in a Fixed Deposit -**
You will get a fixed monthly payment from age 62 until the capital and interest payments are used up.
- 3. Invest minimum sum in an annuity -**
You will get a regular income from age 62 for the rest of your life.

Among the three options, only an annuity will guarantee you a life-long income.

Considerations in buying an annuity

The product is meant to provide you with income over a long period of time. However, you should bear in mind the effects of inflation. If the level of income is fixed, inflation may reduce the future purchasing power of this income.

Annuity products usually do not provide for surrender value and may not include death benefits. As such, it may not serve the purpose of inheritance well.

Buying an annuity is a life-long commitment. Plan your finances and insurance needs carefully before committing a significant amount of savings to an annuity product. Review carefully any financial product recommended to you before you sign on the application form.

Interested to know more about Life Insurance? Log on to the Life Insurance Association website (<http://www.lia.org.sg>) or MoneySENSE website (<http://www.mas.gov.sg/consumer>) for a copy of the consumer guide "Your Guide to Life Insurance".

The information in this article is only of a general nature and may not apply to your personal circumstances. This article is not a substitute for legal advice on any issue.

For educational resources on personal financial matters and information on MoneySENSE events, visit <http://www.mas.gov.sg/consumer>.



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 December 2004. Winners will be notified by post.

Q1 : What is the most important benefit the annuities can provide you?

Q2 : Name the 3 investment options a CPF member can choose from under the CPF MSS when he reaches age 55.

(a) _____ (b) _____ (c) _____

Name: _____

IC: _____ Sex: M/F

Age: _____

Tel: _____

Email: _____

Address: _____

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