PROMOTIONS

• OCBC Bank is giving away hampers full of Mooncake Festival goodies worth $120! Simply invest in a single or regular premium insurance product at any OCBC Bank branch to walk away with the instant reward. Hurry, while stocks last! Terms & conditions apply.

• Want a free Nokia 7610, Sony Ericsson T630 mobile phone or a Nikon CoolPix 4200 digital camera? Just invest in MaxLink, an investment-linked insurance plan designed to protect your family with room for capital growth, and choose your free gift from the latest range of mobile phones or digital cameras! Terms & conditions apply.

QUIZ: TRUE OR FALSE?

1. Singles do not need any form of insurance at all since they usually do not have any dependants.

2. All things being equal, premiums for term insurance are lower than those of life plans as they do not accumulate any cash value.

3. You can make use of your mortgage insurance plan to pay off your outstanding home loan amount in the event of death or total and permanent disability.

Simply send your answers to us at Wealth_Mgmt@ocbc.com.sg by Wednesday. A lucky winner will win $30 worth of Takashimaya shopping vouchers.

Ask OCBC.

Q I am a 23-year-old undergraduate. As I do not have any dependants at this point in time, do I need any insurance at all? I have yet to enter the workforce and I depend on my parents for pocket money every month. As such, I would have difficulty paying for any insurance premiums.

A While it is true that you would need little death coverage at your current life stage, you should still look into other forms of insurance. Consider the event that you are struck by a critical illness or disabled as a result of an accident — you may then become a heavy financial burden to your loved ones.

If you are financially constrained at this point in time, you may wish to look at some term plans available in the market, which give you a high amount of coverage at relatively low premiums.

Besides coverage for critical illness and disability, you should also consider a hospitalisation and surgical plan. This is to help you or your family to meet the cost of treatment for prolonged hospitalisation. If you have funds in your CPF account, you can consider affordable plans like Medishield or Medishield Plus.

Once you start working, it is a good idea to set aside an amount of money every month to start on a whole life or endowment policy. Besides disciplining yourself to save regularly, you also benefit over the long term, as insurance premiums increase as you get older. There is also a risk that you may not be insurable if your health deteriorates in later years. So planning early and thinking long term can be helpful.

Singles need insurance too

Many plans available for different needs at various points in one's life

SO YOU'RE 35, single, and ready to take advantage of the relaxation of HDB rules to finally move into your 5-room bachelor's pad.

Even as you are eyeing that piece of property or planning for your holiday to Spain, you should also start planning for your financial future.

This is especially important to these singles, who have to support themselves for the next 30 years till retirement and possibly through bad health.

One misconception is that singles don't need any form of life insurance as they have no dependants. But this is a seductively dangerous thought that should be avoided.

First of all, you may not be single forever, said Ms Anne Tay, vice-president of wealth management at OCBC Bank.

"One day when you marry and decide to buy a life policy, you can't turn back the clock to the days of cheaper premiums," she said.

Premiums usually increase with age and health risks.

Secondly, a life policy — which is claimable upon death or total and permanent disability — is a form of forced savings. The cash value will accumulate to a substantial amount in the later years of the policy.

Generally, there is a lack of awareness of how different types of insurance products can work for us in the future, without robbing us of our present wealth. Here is a primer:

Life insurance

You may wish to consider whole-life insurance that gives you life-long protection. You pay premiums throughout your life, but these can be changed to a limited period. There are two kinds of whole-life insurance — participating and non-participating. The former pays dividends from the insurer's surplus, hence the higher premiums.

Term insurance

You are insured for a fixed period of time, say 10 years, but premiums are lower than life plans because you don't get back any cash when the policy expires.

Term plans are useful if you are on a tight budget. For instance, a mother may want to buy a life plan with a lower coverage, and enhance the protection with a term plan during a critical period, say, when her kids are young.

Some term plans are renewable, up to 65 years old, and may also be convertible into life or endowment plans, when their tenures end.

Such plans also favour those who are unhealthy. Premiums will only increase due to your age and not your state of health then.

> One misconception is that singles don't need any form of life insurance as they have no dependants. This is a seductively dangerous thought that should be avoided.

Endowment plan

You usually pay a single sum upfront, say $10,000, and are covered for $12,500. It pays this amount and any bonuses you have built up when the policy ends, say in 10 years, or upon death and total disability. The initial investment sum is guaranteed, although the bonuses may vary.

There is also much flexibility. OCBC's MaxSave Enhanced, for example, is a 20-year endowment plan that pays for its future premiums after the 10th policy anniversary.

You will receive an annual survival benefit (10 per cent of sum assured), which you can use to offset your subsequent premiums, re-deposit to earn more interest or simply receive in cash.

Investment-linked plan (ILP)

An investment-linked insurance plan is a hybrid life insurance plan which combines investment and protection. Your premiums buy life-insurance protection and investment units in a managed fund, similar to those of a unit trust. The price of your units depends on how the investment performs.

Mortgage insurance plan

For high net-worth individuals, a mortgage insurance plan pays a lump sum close to the outstanding home loan amount in the event of death or total and permanent disability.

In a mortgage reducing term assurance (MRTA), the amount insured goes down as the outstanding mortgage becomes smaller, but premiums remain fixed for the entire tenure. When it expires, there is no cash value.

For estate-planning purposes, you can assign your MRTA directly to the mortgagee bank. This way, you save on estate duties.

Critical illness plan

This plan kicks in when you are diagnosed with any of 30 types of illnesses, such as the top five killers in Singapore – cancer, stroke, artery bypass, kidney failure, and heart attack. The definitions of these critical illnesses are getting more stringent, which put late buyers at a clear disadvantage. So buy these plans as soon as you can afford to.

Hospital and surgical plan (H&S)

This helps you meet the costs of treatment or prolonged hospitalisation. There are affordable ones available such as Medishield (which is being revamped), but you still have to foot approximately 70 per cent of your hospital bill. There are two types of H&S plans — indemnity and reimbursement. The former covers you for a fixed amount, while the latter varies depending on the hospital bill.

Usually, this means footing 5 to 25 per cent of the bill, except in certain types of surgeries where reimbursement is 100 per cent. So when buying such plans, be mindful of the annual, lifetime and one-time limits.

So how much insurance do you need? OCBC WealthMap™ can help you draw up a financial plan by assessing your various needs and priorities through a structured and customised approach.

A mortgage insurance plan pays a lump sum close to your outstanding home loan in the event of death or total and permanent disability.