

Life insurance can protect what's important to you

Your needs and means determine what's adequate

Life is filled with uncertainties. Thus it is prudent to ensure that you and your dependents are protected as best as possible from the strife and hardship brought about by life's unforeseen events, like early death, disability or critical illness.

Life insurance is one form of protection against life's uncertainties.

More than just a security blanket

Life insurance offers benefits that work not just for today, but especially for the future and even after you pass on. Essentially, it pays a lump sum (death benefit) that is intended to cover the immediate and ongoing financial needs of your family members — say your parents, your spouse and your children. Without this buffer, their lives could be thrown in turmoil when the unexpected happens.

More than just for financial protection, life insurance can be used as a vehicle for savings or as an investment tool to help you achieve a number of financial goals. It can also play a significant role in long-term retirement planning, so that it provides a steady income during your retirement years.

In the event of emergencies, life insurance also acts as a financial buffer, ensuring you will not be at a loss in a time of need.

How much is enough?

There is a gamut of life insurance products available in the market today, and it can sometimes boggle the mind to figure out what's right for you. Equally tough is determining the amount of coverage that you actually need. If you do not work out the amount of coverage needed accurately, you might be defeating the purpose of life insurance.

Typically, one should aim to have at least 10 times one's annual earnings as basic life cover. This is generally deemed an appropriate amount to protect one's family and dependants against financial loss in the event of premature death or other unfortunate situations.



You need to take into account several factors, such as the number of dependants, the lifestyle you want to provide your family with, your investment needs and your children's education needs. Consider also your debts and mortgages as you do not want your family to be responsible for paying them off when you pass on.

Determining the amount of life insurance coverage needed can be a time-consuming process but nonetheless it will be time well-spent.

It is advisable to seek the help of a financial adviser. He or she will be able to do a needs analysis, which involves calculating and examining your current and future financial obligations, prior to recommending the products that would be appropriate to your needs and means.

This assessment is a systematic procedure that looks at your overall financial situation — in terms of your income and expenses — and assets and liabilities. The analysis helps to assess and identify your insurance needs so that you can be adequately insured, thus providing your family with the assurance that their financial needs are taken care of should an unfortunate event such as a premature death happen.

Do keep in mind, however, that over time your goals and circumstances will change, and so too will your life insurance needs.

Depending on the change, for example, marriage, new additions to the family or a change in job status which may affect your financial status, you may need either a higher or lower level of insurance protection, or additional 'riders'.

A 'rider' is a modification to an existing insurance policy that provides additional coverage and benefits. For example, you can take a rider that offers a disability waiver of premium, which allows you to stop paying premiums for a policy if you become disabled for a sustained period of time. Or you can take a rider for an accidental death benefit, which pays additional benefit in the event of a death resulting from an accident. You can also consider a family income benefit rider, which guarantees that your family will continue to receive your monthly income if you die.

It is best that you maintain a regular dialogue with your financial adviser to ensure that your current insurance protection, savings and investment plans are adequate and constantly aligned with your present and future needs.

If you need advice on protection planning, visit the Life Insurance Association website at www.lia.org.sg for the list of insurance companies in Singapore — and tell them you want to speak to one of their agents. If you wish to receive advice from an independent Financial Adviser (FA), visit the Monetary Authority of Singapore website at www.mas.gov.sg for a list of authorised FAs in Singapore. They will be able to guide you in protection planning so that you can enjoy the benefits in future.

Ms Lim Ee Ping, Widow, 43

I have a 12-year-old daughter and an 11-year-old son. My daughter is bright and in good health, however, my son was diagnosed with global developmental delay, a condition that affects all areas of his development such as his speech, motor skills and social abilities. He takes longer than most normal children to learn and understand things.

My husband and I were devastated when we were told about his condition. As with all parents, we had high hopes for him from the day he was born. But it never affected the overwhelming love we had for our son. We were determined not to deprive him of a normal life because of his condition.

Knowing that our son would not be capable of being financially independent, my husband and I bought some whole life and endowment policies for savings and coverage. We wanted to be assured that our son's future needs were taken care of in the event the unfortunate happened to us.

Life went on smoothly for us. And then my husband was diagnosed with advanced lung cancer. He passed away at 49. I was devastated, but I also knew I had to be strong for my two children, both of whom were below 10 years old at that time.

I became the sole bread winner of my family. Initially it was hard, having to juggle my time between work and home. I also had to be more conservative with my spending.



But with the help of God and the encouragement of my church friends, I pulled through this difficult time.

Another comforting fact was that the three insurance policies my husband and I purchased generated a combined insurance payout of more than \$350,000. My husband may have passed on, but with the payout, I have the peace of mind in knowing that there is still some savings for family emergencies, and most importantly, my son's future needs.