

## **Investment-linked products beneficial in the long term**

I REFER to last Saturday's Forum Online letter by Mr Larry Haverkamp, 'Cheaper to invest in unit trust than regular-premium investment-linked products'.

It is true that all front-end loaded investment-linked products (ILPs) will invest only a small percentage of premiums paid in the initial years of the policy.

But it is also true that some ILPs do invest more of the premiums paid over the years, even exceeding the premiums paid in later years.

Mr Haverkamp focused all attention on the ILP charges, as well as the single benefit of investing in unit trusts, that is, incurring much lower charges.

But he failed to mention or realise the valuable insurance benefit the plan provides, which is the other reason why ILPs are an attractive product, as opposed to buying a standalone term policy and investing in unit trusts.

I own an ILP from AIA, and I believe ILPs can work to my benefit in the long term.

Twelve years later, having paid \$14,400 in premiums, incurred initial premium charges of \$2,280 (that is, \$12,120 invested), and insurance charges averaging \$24 a month for a \$50,000 coverage for death, total and permanent disability, and critical illnesses, my prevailing policy value stands at almost \$17,000 (after all mentioned charges).

No traditional plans, including term plans, can provide me such cover at my age, 38, with \$24 monthly premium, for three insured events.

I am insured for three events, the policy yields satisfactory returns, and I have the flexibility of making monetary and investment decisions that no other traditional plans can offer (partial withdrawal, premium holiday, free switching funds and so on).

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