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GENERATION FOR GENERATIONS

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GENERATION FOR GENERATIONS

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What do you want to leave your children after you're gone? How will your offspring cope in this world without you in it? What is your legacy to them?

It's something every person thinks about when faced with their own mortality. No matter our backgrounds, we all have one thing in common, a heritage. The legacy that we pass on to the ones who come after us, would be one they would have to live with for the rest of their lives.

This article shares about the importance of legacy planning to ensure your wealth is distributed among your loved ones as you intended, fairly and efficiently without any stress.

Legacy planning is about mindfully identifying, preserving, and distributing your wealth.

THINKING ABOUT THE LEGACY

My household just welcomed another family member, a newborn baby girl. Thereafter, my parents always showered my little girl with love and attention. These acts of care and kindness make me think about what precious thing I could leave my offspring other than just nice outfits.

A FINANCIAL STRATEGY

Legacy planning is a financial strategy that sees a person bequeath his or her assets to a loved one or next of kin after death. Legacy planning is important to consider before a person passes away. This article will discuss how one can utilise insurance to boost our assets' benefits and value. Such plans as universal life insurance and single premium whole life plans can bring the most benefits.

REASONS FOR LEGACY PLANNING

Giving to multiple generations

A well-managed legacy plan will see one's assets being distributed across multiple generations. This also ensures that history is shared and not forgotten by one's descendants.

Better Management

Lack of proper planning can cause one's legacy to become flawed and thus not fulfil its purposes. When legacy planning is well-managed, one can ensure that everything is in order and what is more important gets prioritised. It is crucial to start early so that we do not miss out or overlook important details due to memory lapses. This way, we can revise our planning regularly to include changes and amendments as we move along in life.

Maintaining Relations

A well-planned legacy can help avert quarrels among family members. It is therefore essential to find a suitable financial adviser who can operate with the trust of all beneficiaries.

INSURANCE COMPONENT OF LEGACY PLANNING

Let us now look at the case of Mr Liu, a 50-year-old non-smoker and CEO of a successful local enterprise. He is the father of two and has four grandchildren. He wants to add value to his assets which are as follows:

- Real estate (Personal property, investment property and industrial assets) worth \$2.5 million;
- Other investment portfolio (Shares, foreign currencies, futures, unit trust) worth \$2.5 million;
- Capital (Savings account, fixed deposits) worth \$2.5 million;
- Other capital (illiquid or intangible assets) worth \$2.5 million.

Mr Liu plans to keep half of what he owns for himself and Mrs Liu to use in their old age, while the remainder will be bequeathed to their children and grandchildren. If Mr Liu wants to add value to his assets, he can take up a life insurance policy of \$2.5 million with a potential payout of \$10 million or more which can then be distributed to his beneficiaries as legacy.

Alternatively, if he wishes to have a payout of \$2.5 million to be used as legacy for his beneficiaries, then he only needs to take up a \$625,000 life plan. This is, if he wishes to keep more of the assets for his own use.

It's noteworthy to highlight that nowadays, some banks also provide the service of financing which means that customers only need to put up 30 percent of the amount to be paid. For example, if Mr Liu is taking up a \$10 million policy and making use of his bank's financial servicing, then he will only need to make a payment of \$750,000 and the remaining amount will be provided as a loan.

ADVANTAGES OF USING INSURANCE FOR LEGACY PLANNING

Balancing Legacy

We possess different investment portfolio values at different times in our lives, and each portfolio's value will depend on the prevailing market conditions. For example, the value of a property will change from the time we acquire it to when it goes to our beneficiaries. Some investments, such as shares, will also see their values change over time. It is therefore helpful to separate our legacy through insurance so as to avoid any misunderstandings among our beneficiaries.

Simplify the ways of checking legacy

Most of the legacy checking should be approved by legal means, which can be prolonged depending on the intricacies involved. One of the advantages of incorporating insurance in legacy planning is that what is being bequeathed can be passed on directly without the need for court approval, hence saving time and hassle.

Giving to charity

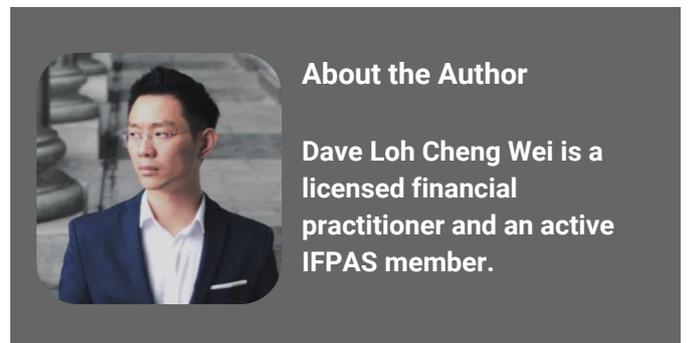
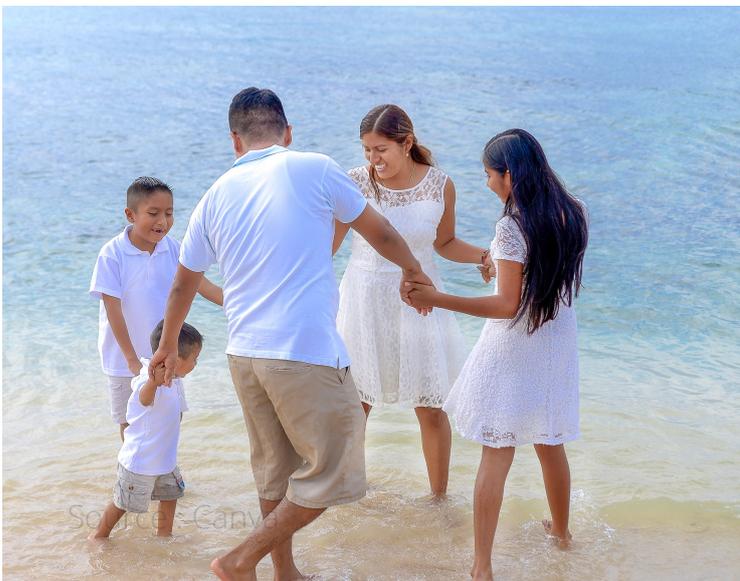
If the intention of 'giving back to society' comes to mind, the beneficiary can always donate what is bequeathed via legacy planning to charitable causes which, in turn, can be used for tax deduction.



NEVER TOO EARLY TO START

Legacy planning can be a complex process and requires much care and consideration as each individual's situation and circumstances are different. At the end of the day, the aim is to fulfil the needs and requirements of each person's legacy planning, based on assets and any financial servicing rendered.

However, it is never too early to start one's legacy planning, as it is safer to add in what is accumulated along the way rather than inadvertently leave out something that had been acquired earlier due to oversight.



About the Author

Dave Loh Cheng Wei is a licensed financial practitioner and an active IFPAS member.

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