Money Matter$ - 2 March 2023

By Standard Chartered Bank

Title: Protecting What Really Matters

Most people only find out late in life that they are over-insured but under-protected. You don't have to be among them. It's very important to ensure that your loved ones are protected financially should you be unable to do so due to death, disability or serious illness.

To ensure that you are adequately protected, you need to review your protection coverage, how much you should be covered for, the different types of coverage and your protection plan.

Your protection needs consist of 3 key areas- Medical, Life and Disability.

Medical protection provides coverage for costly hospitalisation bills and other related medical expenses. When considering medical coverage, consider your current plan and if it needs to be upgraded. You would need to consider what happens if you have any critical illness. You would also need to ask yourself whether your company benefits are the only form of protection you rely on. Many people rely heavily on their employer's benefits. However, few realise that they may lose the coverage once they leave the job. In today's competitive business environment, there is always the possibility of restructuring. As such, considering taking up a private medical insurance plan will be a viable option for coverage of medical expenses regardless of the person's employment status.

Life protection protects dependants against loss of income resulting from a breadwinner's death. Here, you would need to consider if your dependants are adequately provided for and if you are paying too much in premiums. While insurance purchase is often based on how much we can afford to pay, it is also vital to ensure adequate coverage for dependants, especially for a young family with high financial commitments. Determine protection amount by calculating the "gap"- the difference between your current protection needs and the coverage of your existing policies.

Disability protection provides coverage for loss of income as a result of a disability, whether through illness or an accident. It is important to consider if any of your existing policies can replace your income in the event of disability. A disability income plan is usually designed to replace one's monthly income (usually 60% to 75% of one's salary). This ensures a continuing source of income even if you are unable to return to work as a result of disability. It is a different plan from the "Total and Permanent Disability" cover found in most life insurance plans.

At your current stage in life, how should you allocate your protection coverage between Disability, Medical and Life Plans?

For those getting started, usually single and in early stages of career, medical insurance is important as it may be difficult to get medical coverage later in one's life. Despite what others may tell you, life protection need not be the key focus, although some coverage is advisable to protect against unforeseen emergencies. Disability is worse for a young person who has little savings but requires income to meet his expenses for the rest of his life. The split here would be something along the lines of 25% for medical, 25% for life and 50% for disability coverage.

In the next stage of building life- usually newly-weds or young couples married with children, medical coverage is equally important. At this stage, life insurance is also critical to protect dependants against loss of income resulting from breadwinner's death. With high financial commitments, any disability may cause a loss in income and difficulty in fulfilling financial obligations. The split here would be something along the lines of 25% for medical, 45% for life and 30% for disability coverage.

The growing nest stage when one is married with teenage children and established careers calls for an increased focus on medical insurance as it is important for both oneself and dependants. Life insurance continues to be a focus depending on the financial commitments and disability becomes less important if the individual has built some savings. The split here would be something along the lines of 45% for medical, 30% for life and 25% for disability coverage.

As individuals plan retirement in the living life stage, medical insurance is the focus as the probability of falling sick is greater. Life insurance is less important unless it's needed for estate planning purposes. The split here would be something along the lines of 70% for medical and 30% for life.

Understanding your protection needs and needs of your loved ones is important towards planning, building and protecting your future. At Standard Chartered Bank, we are able to provide you with relevant and useful advice to work towards this.