wealth personal finance & investment

STOCKCALLS

HSUAN HSIN HOLDINGS (58 CENTS) — OUTPERFORM
Huan Hsin posted a 144-per-cent year-on-year rise in 4Q06 net profit to $7.1 million, in line with consensus, but 13 per cent below CIMB's forecast. CIMB cites flat sales at $211 million due largely to absence of contributions from Zhan Yun of which Huan Hsin diluted its stake to below 50 per cent in the fourth quarter, and sold its remaining stake to Quanta early this year. However, the brokerage raises the target price to 83 cents from 73 cents "for its undemanding valuations and recovery in core earnings". It keeps an "Outperform" call. — DOW JONES

SEMBCORP MARINE ($3.60) — BUY
Kim Eng Securities raises target price for SembCorp Marine to $4.38 from $3.70 on optimism over the company's earnings outlook for the next five years. It also upgrades its net profit forecasts for FY07 and FY08 by 14 per cent and 12 per cent to $296.5 million and $327.4 million, respectively. "FY07 is shaping up to be another stellar year for SembCorp Marine,"it said. The company's current order book stands at $7.1 billion. Its FY06 earnings increased 96.4 per cent year-on-year at $238.4 million due to strong demand for oil rigs, ship conversions and repairs. Kim Eng keeps a "Buy" call. — DOW JONES

SINGAPORE AIRLINES ($16.80) — BUY
UBS raises the target price for SIA to $22 from $19 and keeps a "Buy" call. UBS likes the carrier for its exposure to the strong global corporate travel market. "The regional and global economy remains in robust health and with global corporate profitability at 25-year highs, we see no sign of a material slowdown in underlying passenger demand." It adds that the airline is in very strong position to cope with further rise in oil prices. — DOW JONES

AQUA-TERRA SUPPLY (48.5 CENTS) — HOLD
Phillip Securities downgrades Aqua-Terra Supply to "Hold" from "Buy" on concerns over a possible dilutive effect from the company's proposed 1-for-2 rights issue of up to 117 million new shares at 38 cents each. The company will use the net proceeds of $43.9 million to repay loans and for future mergers and acquisitions. — DOW JONES

Here's looking at your future needs, kid

Once considered an unnecessary expense, insurance for children is now gaining in popularity

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SOMETIME back, many individuals would have baulked at the thought of buying insurance for children, claiming that it was an unnecessary expense on grounds that children do not have debts or dependants.

But as insurance products – and parents – get more sophisticated and the cost of living keeps creeping gradually upwards, many have come around to consider insurance as a good way to ensure there is some money set aside for future use.

One parent instinctively invested in a regular premium life insurance plan soon after her son was born because she felt it was the right thing to do.

"I didn't wait for the insurance agent to knock on my door, but bought a plan one day when I was at the bank," commented Ms Marian Ng, a marketing manager with a financial institution. Ms Ng, who is in her mid-30s, was driven by the need to have sufficient funds available for her son's future needs, particularly his education.

Insurers have come to recognise this need among parents, and many now offer plans that go beyond merely offering protection. The plan that Ms Ng invested in not only ensures that she sets aside a regular amount for her son's education in a disciplined manner, but also includes a potential upside through a link to investment funds.

Financial advisers confirm that insurance for children has gained in popularity, with many parents needing little persuasion to invest in one.

"Unless parents face affordability issues, child-related insurance is one of the popular services that we provide," said Mr Leong Sze Hian, president of the Society of Financial Service Professionals. He says many parents prefer investment-linked plans (ILPs), particularly lump-sum single premium investments, to build wealth for their children in the long term, as they are concerned about having insufficient cash to fund their child's tertiary education.

His views were echoed by Mr Peh Chee Keong, head of NTUC Income's Life Insurance Department, who noticed that among plans introduced specifically for children, ILPs were becoming increasingly popular.

"Such plans offer flexibility and allow a higher return on the savings, especially when invested for a long term, say for 10 years or more," he said.

Parents may feel the need to start planning for their child's education as early as possible due to funding needs calculated based on high inflation rates, added Mr Leong. On a projected inflation rate of 5 per cent, estimates indicate that a local undergraduate programme could cost about $46,929 and $54,326 in 18 and 21 years respectively. Faced with this scenario, starting later would only mean that parents would have to set aside a larger amount to achieve the required capital sum.

OOI BOON KEONG

Buying a whole life plan for the child is, in essence, protecting your future grandchildren.

— Mr Gilbert Koh (picture), an independent financial adviser with First Principal Financial

Mr Leong advises cash-strapped parents not to be swayed by such projections, and suggests using inflation rates of 3 per cent instead.

"Otherwise, they may be left with little surplus cash for other financial goals, like retirement planning. They should also go for an integrated investment planning approach, in that their entire investment portfolio could include education funding as well, instead of buying separate investment policies for each child," he advised.

While education seems to the motivating force for many parents to buy insurance plans, professionals on the other hand feel that medical insurance should be a more critical consideration, as hospitalisation costs for a child can be hefty. In fact, professionals say that it should be the first policy for parents to have, as injury or illness could strike anywhere and anytime.

Parents could include children into existing Medishield or approved private integrated plans, with premiums payable through Medisave, plus purchase a separate medical plan or rider to complement the areas not covered under the MediShield plan.

"As a minimum, I would recommend the CPF Shield Ward B plan, followed by a low premium renewable term insurance covering death, permanent total disability and critical illness," said Mr Leong.

Critical illness coverage, to cover medical expenses that might arise from child-related illness, such as rheumatic fever with valvular impairment, Kawasaki Disease, insulin dependent diabetes mellitus and leukaemia should also be considered.

Low on the priority list should be a whole life plan for the child.

"This is because the chances of a premature death, disability or one of the 30 covered critical illnesses affecting a child is rather low," said Mr Gilbert Koh, an independent financial adviser with First Principal Financial. "That is why the child's premium rises only marginally for the first 10 years. Buying a whole life plan for the child is, in essence, protecting your future grandchildren."

He feels it is still a good idea to get one, however, due to the cheaper premiums, but only if the child's medical and education needs have been addressed.

"The child is given a head start over peers, learning to save and invest earlier," said Mr Koh.

Parents with limited resources could consider level and convertible term, which is believed to be cheaper than a whole life plan. The plan can be converted to a whole life plan at later years without showing evidence of good health. Whole life plans that are payable only for a limited period, such as 10 or 20 years, after which the child can enjoy lifetime coverage without further premium payments, are another option.

However, there is one caveat for parents to bear in mind before even thinking about an insurance plan for their child.

"Parents have to ensure that they are adequately insured first, because the child's plan will only take effect when the child is either 18 or 21 years, depending on whether the child's a female or male," Ms Sara George, a financial planner, explained. "In the interim, should anything happen to the parent, there must have been adequate planning in place to ensure that the child has something to survive or even service the premiums."

Or as Mr Koh put it across, if you had a goose that laid golden eggs, which would you insure first: The goose or the egg?

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