Are Resale Endowment Policies (REPsÂ®) A Good Investment?

Description

Resale endowment policies as an investment option â?? higher returns in a shorter duration.

Thanks to several financial advisors on Seedly, I recently found out that a secondary market for insurance policies actually exists in Singapore, with the most reputable being REPs Holdings Pte Ltd. In the event where youâ??re thinking of surrendering your policies, you could in fact sell it to a company like REPs Holdings, and get more money back than the surrender value offered by the insurer.

So when their team from **RepsInvest** (REPs Holdings Pte Ltd) reached out to me to say that one can **buy** resale endowment policies as well, I was intrigued and met them several times to find out more. This article shares my findings.

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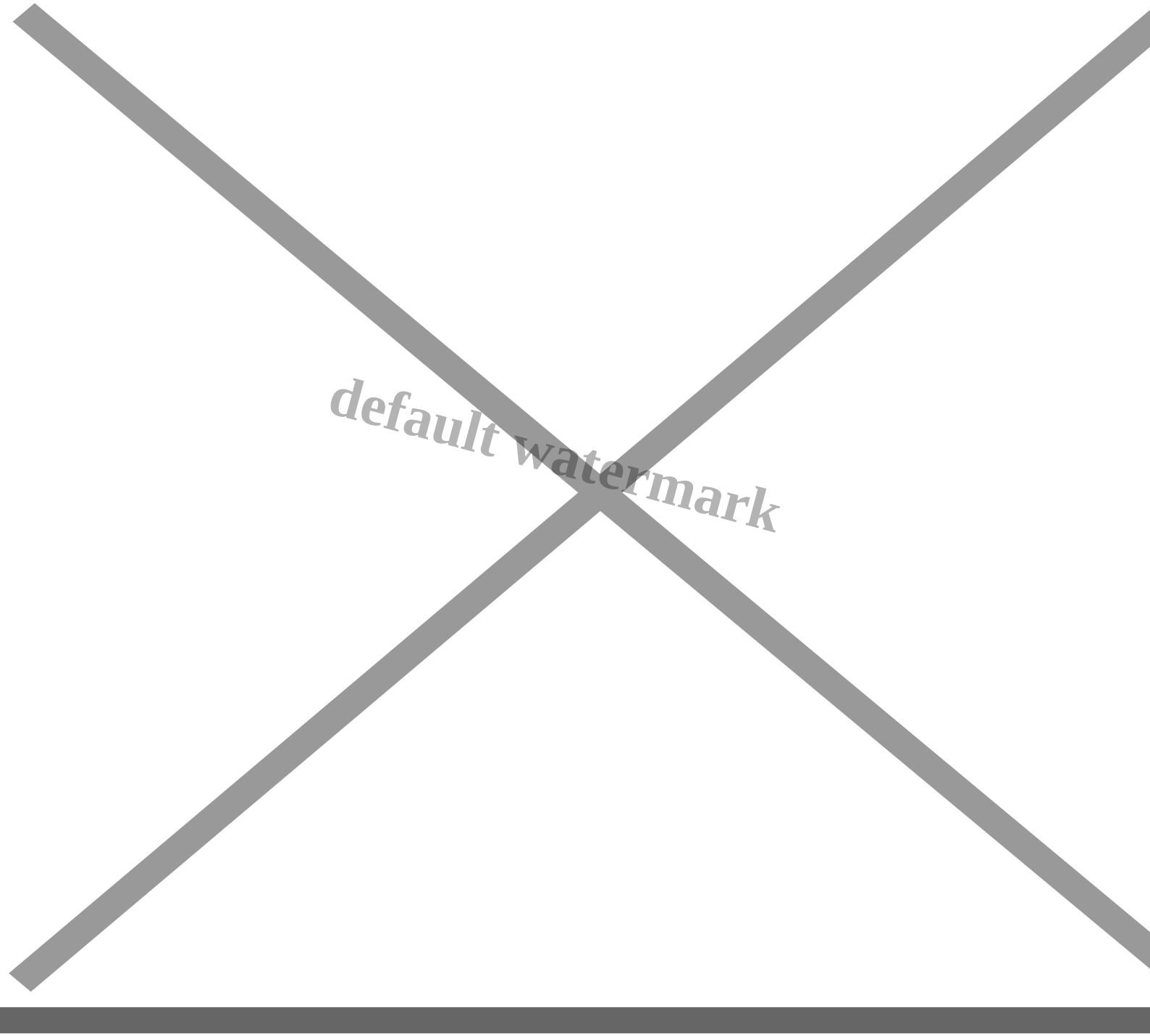

What are resale endowment policies? (REPsÂ®)

These are basically traded/secondhand endowment policies which provide opportunities for new investors to take over and continue the remaining term to maturity.

The process of taking over the ownership will be done through absolute assignment. And yes, it is

perfectly legal. If you look closer into your insurance policy documents, youâ??ll find this same clause allowing for you to transfer the policy to a third party in this manner.

I also requested to interview several clients who have gone down this (non-traditional) path of securing their investments, and learnt more about how REPsÂ® can be tailored to different types of investor profiles. Here are a few examples:

Investor Profile: PARENTS with babies/toddlers

Since endowment policies are usually bought by parents as a form of educational fund for their children, I looked at how a brand new endowment policy would stack up against a resale option. Hereâ??s the math:

	(Brand new) Endowment Policy from Company X	**Resale Endowment Policy**
Policy duration	15 years	15 years
Capital outlay	$43,980	$43,750
Payment mode	$2,932 x 15 years	1 lump sum $17,395 + $1,757 x 15 years
Maturity value	$54,918	$72,960
Compounded returns (yearly)	2.73%	4.5%
Absolute gains	$10,939	**$29,210**

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For the same duration (15 years), I can in fact get much higher returns on my policy if I opt for a resale endowment policy!

Investor Profile: PARENTS who didnâ??t plan earlier for their childâ??s university fees

However, while it is common knowledge that if you want to be able to afford your childâ??s university fees you will need to start planning and saving much earlier on, but not every family has the luxury to do so. Some forget to save right from the beginning or do not realise the importance of saving until it is almost too late, while others do not have the capital for it *(for us, my pregnancy clashed with our first home purchase, and our finances only allowed us to choose between paying for delivery fees vs. the downpayment of a house, so we obviously chose the formerâ?¦).*

For instance, one of RepsInvest clients includes a father of an 11-year-old girl who did not buy any education policies previously and is unable to start a new endowment policy as it will not mature in time for his daughterâ??s university studies. He could look at shorter-term structured deposits or fixed deposits, but the returns wouldnâ??t be high enough. In contrast, RepsInvest was able to get him an 8-year endowment policy instead, which had been surrendered and sold to them by another customer.

If that describes your situation too, then you might want to consider if resale endowment policies can similarly be a solution for you.

Andrew* is another such customer of theirs, who works as an engineer and was looking for an endowment policy with a shorter duration. With two children, he told me (during our interview) that ideally, he wanted a plan with a lump-sum payment that also offers a higher rate of return than the banks. He initially considered getting a new endowment policy for this purpose, but in the end, decided to go with REPsÂ® instead as he could get better returns in a shorter time.

Investor Profile: RETIREES looking for shorter-term policies

Thereâ??s also another group that would benefit most from this strategy â?? those who are looking to build an annuity REPsÂ® ladder to ensure a continuous stream of income during your retirement.

I spoke with Mr. Tan*, whoâ??s 65 years old with 4 grandchildren. Two years ago, his daughter introduced him to REPsÂ®, which she felt was better for him in contrast to the rates offered by fixed deposits (~1.75% or less). RepsInvest offered him higher returns for short-term plans, and Mr. Tan was able to get several plans which are due to mature in 2 â?? 6 years time.

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> *â??They give me a much **higher yield** than fixed deposits and structured deposits. I prefer REPs as it **suits my risk profile** and **I do not have to monitor**. I like the **flexibility** of being able to choose the duration and premium amount, and it gives me a higher return in a shorter term.*
>
> ***At 65, I have no intention to start a brand new policy**, as I do not need the insurance coverage now.â?• â?? Mr. Tan**

If not for REPsÂ®, he would have put his savings into fixed deposits instead, which would give him a lower rate of return and also more hassle as heâ??ll need to keep renewing them.

Investor Profile: RETIREES building an â??annuityâ?• using REPsÂ®

Another RepsInvestâ??s client, Mr Ong* invested a total of $400,000 into 30 policies which were staggered to mature between 2021to 2033, thus providing him with a stable source of retirement income. His total premiums due is $9,000yearly, which he finds a manageable sum of expenses. For every year from 2021 to 2033, there will be policies maturing and Mr Ong* can enjoy continuous stream of income during his golden years.

Retirees / if you have parents who would benefit from this mode of planning, REPsÂ® might be the way to go, especially if theyâ??re not keen to take on any risks with their money at this life stage.

Investor Profile: Retail Investors

A key part of portfolio management includes hedging your risks by having a mix of safe, risk-free investments and other more volatile instruments. In my case, I personally use my CPF as the â??bondâ?• element of my portfolio (read more here), however, I have friends who are not keen on this approach because they donâ??t like the idea of locking up their funds in an account whereby withdrawals are determined by the government.

If that describes you too, then other close substitutes would be to use the Singapore Savings Bonds, government or (reliable) corporate bonds, fixed deposits or endowment plans to form the low-risk portion of your financial portfolio. REPsÂ® are a compelling option as well, as they donâ??t require you to lock up your funds until age 55 and yet can give you similar returns.

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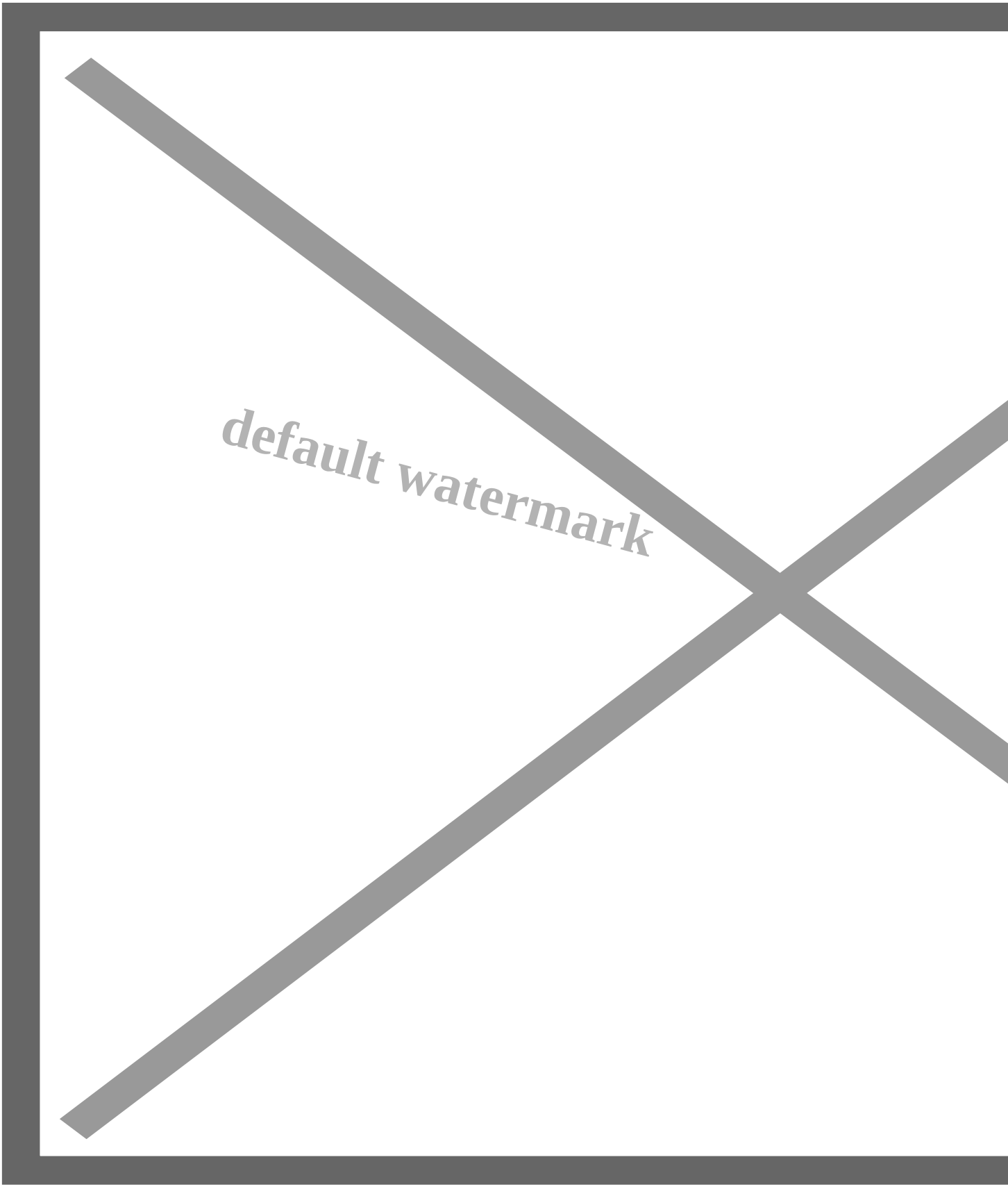

TLDR:

Are resale endowment policies REPsÂ® a good investment?

Key benefits offered by REPsÂ® include:

- **Low risk and lesser volatility** *as compared to bonds and stocks*
- **Higher returns** *vs starting a new endowment plan and/or fixed deposits*
- **No need to monitor the markets**
- Income earned is not taxable
- No background checks needed â?? you do not need to undergo any health checks or profiling for the insurer to approve your policy

In essence, if youâ??re looking to reap **higher returns in a shorter duration** than a traditional endowment plan, then taking over REPsÂ® could be more beneficial.

However, this should not serve as a substitute to your other investments, and should only be used to construct the risk-free / low risk portion of your portfolio.

**Names have been changed to protect the interviewees â?? privacy, as some of the interviews contained information of their financial circumstances and net worth*

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RepsInvest is the leader in resale endowment policies REPsÂ®, and we have transacted over millions worth of policies. Whether youâ??re looking to plan for your retirement, your childâ??s education, or more, we can help you out.

Find out why more Singaporeans are turning to resale endowment policies to jumpstart their savings and plan for retirement. Contact us to find out more today!

Disclosure: This article is sponsored by REPs Holdings Pte Ltd, who provided their resources and linked me up with their clients for interviews. All opinions are that of my own.

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