

(COVID-19 Questions) Should I Defer My Insurance Premiums and Mortgage Payments?

Description

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TLDR: It depends, and probably not for your property loans.

MAS has recently announced that you can apply to your banks and insurers to defer repayment of your property loans and premiums for (life and health) insurance plans.

However, should you?

Residential Property Loans

If you have an outstanding residential mortgage, you can opt to defer either the principal payment or both your principal and interest payments, up to 31 December 2020.

However, note that MAS has stated interest will continue to accrue on your deferred principal amount. The good news is that no interest will be charged on the deferred interest payments, but thatâ??s frankly a much smaller sum compared to on your principal anyway.

In other words, **deferring it now will mean you pay a larger sum at the end of the day.** But if you donâ??t have any other choices i.e. if youâ??ve been laid off and used up your entire emergency fund, then this might just be your last resort.

As long as you havenâ??t been in arrears for more than 90 days, your request for deferment is most likely going to be approved.

Request for Lower Interest on Personal Unsecured Credit Loans

If youâ??ve outstanding credit card debt, you may apply to the bank or the card issuers to convert your outstanding balances to a **term loan at 8% interest instead** for a maximum of 5 years**.** This is

significantly lower than the usual 25 to 26% charged, and should help prevent your credit card bill from snowballing to the point of no return.

You can apply as long as your monthly income has dropped by 25% or more after 1 February and youâ??re at risk of incurring arrears.

Defer Your Insurance Premiums

If youâ??re worried about paying your insurance premiums for the next few months, you can now apply to your insurer to **defer premium payments for up to 6 months.**

This is applicable for all individual life and health insurance policies if your policy renewal or premium due date falls between 1 April to 30 September 2020.

If youâ??re holding home insurance, car insurance or other general insurance policies, you can also **apply for instalment payment plans** without having your protection terminated. This will now allow you to pay your premiums in smaller amounts instead of a lump sum premium for the entire policy period at the start.

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Hence, if you can still afford it, you might want to consider continuing your mortgage payments but defer your insurance premiums instead.

Iâ??ve repeatedly emphasized and warned about the risks of getting too much insurance (such that you struggle to pay the premiums) and over-leveraging i.e. more than what you can (comfortably) pay for, highlighting the perils of ignoring future risks that may not exist today.

But if youâ??ve ignored my commentaries about the risks involved in the â??Sell One (HDB) Buy Two Condosâ?• strategy and The I Quadrant method, I sincerely hope this wonâ??t be your day of reckoning and that youâ??ll find a way to get through this.

And the next time, please be more skeptical whenever someone tries to sell you the idea of over-leveraging again.

Because good times donâ??t last, but tough people do.

All data referenced from the Monetary Authority of Singapore latest announcements. You can follow their news page for changes or further developments here.

With love,
Budget Babe

Category

1. Family
2. Insurance

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