12 Reasons Why TEP is Attractive

With a high capital guarantee, low risk and great returns, it is not a surprise that Traded Endowment Policies (TEPs) have been popular with investors in England and Europe. It is now available in Singapore for you to invest in. Whether planning for children education, your retirement funds or simply to make your money work harder for you, TEPs can be catered to meet your different needs at different stages of your life.

In summary TEPs are:

1. Low product risk

You are investing in a with-profits endowment which is a low risk product. The maturity date of the traded endowment policy is fixed, policies can be found to match your preference. This can be very beneficial when planning for future financial needs, such as paying education fees, retirement plans, mortgage payments etc.

2. High Capital Guarantee

Every Traded Endowment Policy (TEP) that you invest in has a “Capital Guarantee” value in the form of the sum assured plus the attaching bonuses. These values once allocated cannot be reduced and removed. You can choose percentage of Capital Guarantee from 70% to 100%

3. Low market risk

You are investing in a product that is tightly regulated in the United Kingdom.

4. No yearly management & service fee

Once the policy has been legally assigned to you, you become the new owner of the policy. All bonuses declared by the insurance company go directly to you. Unlike Unit Trust/Mutual Funds, there is no yearly management or service fee to marginalise your returns.

5. Inflation Resistant

The Insurance Company's investment exposure to equities and property within the with-profit fund helps offset the effects of inflation.

6. Tax-Free Returns

If you’re non-UK resident, eg. If you’re a Singapore resident, returns on TEP are not taxed at all. Thus, your returns are not reduced by taxation.

7. Access to Investment Management Expertise

Investors in TEPs are capitalising on the Insurance Company's investment expertise accumulated over many years.

8. Less Volatile due to Smoothing of Returns

Conventional with-profit policies benefit from the 'smoothing' process that has always been one of the main attractions of the 'with-profit' principle. Each year bonuses are declared and the Insurance Company actuaries adjust the levels of bonus to take account of the fluctuating investment returns. In determining bonus rates, some of the investment profits achieved during good economic times are held in reserve to help maintain bonus levels during times of economic weakness. The result for policyholders is that, over the life of a policy, maturity payouts reflect the returns achieved on the underlying investments within the with-profits fund, despite short-term fluctuations in investment conditions.

9. Flexibility

TEPs are very flexible. Policies can be selected with a wide range of maturity dates from as short as 2 years to 15 years to suit your specific requirements. Investors are not tied-in as policies can normally be re-traded at any time.

10. Competitive Returns

Because the initial set-up costs have already been paid by the original policyholder, policies can sometimes be acquired at a discount to the underlying guaranteed value, enhancing the overall rate of return to the investor. Currently rates of return, which are all based on the current levels of bonus* for the particular insurance company, vary between 7% to 10% p.a., depending on the remaining term, and with careful planning it is often possible to achieve these returns net of tax.

11. Discounted policies

Many TEPs have been in force for years, some exceeding 20 years. As such, you don't have to pay hefty commission and administration costs, which come with setting up an endowment policy from scratch, thus leaving you to buy policies at a discount to their underlying value.

12. Windfalls

In addition to attractive low risk returns there is sometimes the possibility of additional benefits from demutualisation payments from some Insurance Companys and also 'orphan asset distributions'.