

MAYBANK'S SMART WEALTH: AN EFFICIENT WEALTH TRANSFER VEHICLE

Smart Wealth, Etiqa's life insurance solution for Maybank's high net worth and affluent individuals, makes it easier to leave a legacy for the next generation.

Life insurance is usually acquired to protect one's income or to provide for loved ones in the case of an unexpected event. While these are good reasons to acquire this product, it can be utilised for other important objectives. For example, life insurance is increasingly used by high net worth (HNW) and affluent individuals as part of their legacy planning process. "Life insurance can and should be part of a financial legacy plan. Etiqa's latest investment-linked plan, known as Smart Wealth, is designed to meet the needs of the HNW and affluent market", says Kamaludin Ahmad, Group CEO, Etiqa Insurance and Takaful and Maybank Group CEO for Insurance and Takaful. "An example is to use Smart Wealth to create liquidity while leaving an inheritance. Launched last August, Smart Wealth has become one of our top investment-linked bancassurance products in 2018."

Smart Wealth is sold exclusively through Maybank, Etiqa's parent company. It is part of Maybank's holistic range of solutions for wealth distribution and customers are able to complete their legacy and estate planning process using these products along with trust and will writing services provided by Maybank Trustee.

According to Dato' John Chong, Group CEO of Community Financial Services (CFS), Maybank, life and health insurance are often put aside while estate and succession planning are completely forgotten.

"The HNW and affluent segment often think of legacy planning as wealth management and tend to focus on investing products," says Dato' John Chong.

"We believe that legacy planning considers all aspects in the creation, preservation and distribution of wealth to the right person at the right time."

In Dato' John Chong's opinion, the concept of wealth transfer was much more complex to grasp in the past due to an overall lack of expertise and very few professional advisors in the field.

Perhaps, this may explain one of the reasons why some faced difficulties in preserving their wealth over generations.

"While this was more pertinent back in the day due to lack of planning and resources, most individuals today are more aware of the benefits of

legacy planning. They may have a will but they still need to know which succession plans best fit their financial status, whether it is for their business or personal needs," says Dato' John Chong.

Here to explain about the unique characteristics of Smart Wealth, Kamaludin talks to The Edge about how Smart Wealth can be used by HNW and affluent individuals.

With regard to estate planning, how does life insurance come into the picture?

Kamaludin: The bulk of a person's wealth may be in a business, property, stocks or cash or in a combination of all these assets. In any case, the common goal is to provide for your loved ones by leaving them as much wealth as possible. One should also consider how to protect their wealth from eroding due to rising costs as well as economic and business uncertainties. Let us look at the many ways that life insurance can be part of an estate plan. Entrepreneurs can use life insurance to ensure that their businesses have access to large cash reserves in the event of a sudden demise. Clearly, this is aimed at supporting continuation of the business. Business owners can also use life insurance for wealth equalisation if, for example, they have family members that are not actively part of the business. This is an alternative approach to the traditional thinking of distributing shares in a business equally to all beneficiaries, regardless of participation in the business. The disadvantage of the traditional approach is that it can create friction in a family. Do note that upon making the first premium payment, beneficiaries will receive the full pay-out if the insured passes away after a year. This gives assurance and peace of mind to our customers that are concerned about their loved ones.

Can you describe the salient characteristics of Smart Wealth?

Kamaludin: Smart Wealth was crafted with the HNW and affluent market in mind and to serve those that are planning to leave a legacy. With this, we have made it easier for customers to enrol in this plan. As such, Smart Wealth is also included in our Maybank Premier Wealth Total Rewards programme, where 50,000 TreatsPoints are earned upon purchase.

Traditionally, to obtain a life insurance policy with RM1 million

coverage, the insured will be asked to undertake a medical test to rule out any underlying health conditions. With Smart Wealth, a "typical" customer with an age profile of below 50 can obtain coverage of up to RM2 million after completing a health questionnaire. As such, a medical test is not required unless there is health condition declared by the insured. Smart Wealth also provides protection from total and permanent disability prior to the policyholder turning 69. In addition to the lump sum pay-out, there is an additional pay-out of 5% of the sum insured payable for five years to cover the cost of medical treatments and any other related expenses. This avoids depleting the value of assets that were intended to be left to loved ones. There is also an option to further enhance protection by attaching an optional rider for critical illnesses. The lump sum pay-out from this additional critical illness rider will be paid upon diagnosis of a critical illness. This allows the insured to focus on receiving medical treatments and recovery and as mentioned, avoid eroding or depleting his or her assets. They also avoid becoming a financial burden to their family. Finally, flexibility is another salient characteristic of Smart Wealth as customers can customise the duration of their premium payments and investment-linked funds option to in line with their financial goals and plans.

You talked about insurance being part of a legacy plan. Do you have specific examples of how Smart Wealth can be used?

Kamaludin: Let us take an example of a 40-year old customer with total assets of RM3 million. Instead of setting aside RM2 million in cash for his loved ones, he can acquire a Smart Wealth plan and pay premiums, over five years, for a policy with a sum assured of RM2 million which means that this customer achieves the same objective of leaving RM2 million in his legacy plan. The difference is that he now has access to a pool of funds which can be used to fund his retirement or to further expand his investment portfolio. By nominating a beneficiary or assigning the policy, an immediate estate is created. The benefits of a Smart Wealth policy is payable upon satisfactory proof of claim. Generally, if the nominee/assignee is the policyholder's immediate family, the pay-out can be utilised to support the beneficiaries'

living expenses while the remainder of the deceased's estate is executed. This process may take up to a year or longer if the estate is contested or if the documentation is incomplete. Furthermore, the pay-out from Smart Wealth is protected against creditors if the policyholder has made a trust nomination to his immediate family members.

Why is the high non-medical limit offered in this plan important to your target market?

Kamaludin: For HNW and affluent individuals, high coverage in their life insurance plan enables their beneficiaries to continue living the lifestyle they are accustomed to. Smart Wealth has a high non-medical limit of up to RM2 million and customers can quickly and easily apply for this product as they do not need to go for a medical test.

Generally, how does the Smart Wealth investment-linked plan stand apart from other investment-linked plans for the HNW and affluent individuals?

Kamaludin: Most insurance investment-linked plans for this segment of the market are geared towards investing products that have an option for regular and guaranteed cash payment. These products serve to diversify an investment portfolio. Smart Wealth focuses on providing high protection coverage for the policyholder. This is ideal for legacy planning.

Can you give us an idea of the historical/expected returns of Smart Wealth's investment-linked fund?

Kamaludin: The allocated premium will be invested in customer's choice of investment-linked fund(s) that is managed by Etiqa, where depending on the fund – average returns since inception of the funds is up to 7% per annum. The benchmark also varies depending on the funds, however, as a general guide, our equity funds are benchmarked against the FBMKLCI Index, whereas our Fixed Income funds are benchmarked against the prevailing fixed deposit rate.

Please describe the range of life insurance solutions offered by Etiqa through Maybank in Malaysia?

Kamaludin: Etiqa offers a whole range of insurance and takaful solutions to cover life, accidents, travel, property, credit and cars. We also have insurance and takaful solutions for small and medium enterprises (SMEs). All these products are distributed through Maybank. Etiqa and Maybank strive to continuously understand our customers' evolving needs including their financial ones. We do this by listening to them. All our products, especially our life insurance solutions, are based on their needs. We also recognise that these needs can vary based on changes to their income level and reaching key stages in life such as marriage or starting a family.

Finally, how do interested parties find out more?

Kamaludin: For comprehensive and individually tailored advice, please contact our dedicated Relationship Managers or drop us an email at premierwealth@maybank.com.my or call us at 1300 80 5555.



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