feature STORY

Ensuring A
Lifetime Of Income

Annuities may be the answer for retirees who don't want to outlast their nest egg. A common concern among retirees these days is that they will outlive their retirement funds. If you are reaching retirement age and have a substantial sum of money awaiting you, one of the things you can do to ensure that you don't outlast your nest egg is to invest in an annuity.

Usually offered by insurance companies or banks, this is a financial instrument designed to provide a constant stream of income to retirees.

There are two types of annuities: the immediate and the deferred. For the former, annuity income will start immediately after a lump sum is paid by the annuitant. For deferred annuities, payment of income will only commence at the end of a pre-defined period of time, such as 10 years.

The allure of annuities

According to Tan Beng Lee, president of the Life Insurance Association of Singapore (LIA) , an annuity is a "pretty simple and worry-free" investment for retirees. "When you are retired after having worked hard all those years, would you want to trouble yourself with sorting out the investment issues of your money? With an annuity, a constant sum of money will be automatically credited to your bank account every month. The best part of it is that it guarantees you income as long as you live," Tan explains.

The risk of outliving one's retirement funds is a genuine issue among retirees today as life expectancy, boosted by advanced medical technology and better-quality healthcare, is gradually rising.Lately, demand for annuities in Singapore has been climbing. According to LIA's latest quarterly report, sales of annuities surged 77 per cent from S$86 million in 1Q2001 to S$152 million in 1Q2002 while sales of most other insurance products slumped over the period. The better sales of annuities, says Tan, indicate that Singaporeans are becoming more aware of the importance of a regular stream of income during retirement.

"The concept of leaving it to the insurance company to manage your money and pay you a fixed income for life is an attractive proposition," Tan points out. "Most annuities have a 10 to 15-year minimum guarantee period but if you outlive that period and live up to 100 years old, the insurance company still has to pay you," Tan notes.

The main shortcomings of annuities

Like any other investment product, annuities, despite having many attractive features, have their shortcomings. One commonly cited disadvantage is their fixed payable amount, which can be eroded by inflation over time. The high initial investment of an annuity can be another "put-off" for investors. It may cost the investor several thousand dollars to invest in an annuity in Singapore. For example, the minimum investment for Central Provident Fund (CPF)-approved annuities that can be bought using CPF savings can be as high as S$70,000. Although income from all CPF-approved annuities is tax-exempt, income from non-CPF (or cash) annuities, like any other income source, is subject to tax.

Death during and after the guarantee period

If the annuitant dies after the guarantee period of an annuity, the insurance company will cease the annuity payment. So annuitants generally will benefit most if they live longer than the period they are expected to live. On the other hand, should death occur during the guarantee period, the annuity stream of income will be passed on to the annuitant's beneficiary until the expiration of the guarantee period.
Alternatively, the remaining annuity payments can be converted into a lump sum to be paid to the beneficiary.

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At UOB, we offer a comprehensive range of annuities by UOB Life Assurance. Speak to our UOB Personal Bankers for more details.

product HIGHLIGHT

Turning Uncertainties
Into Opportunities

It has been a challenging past 12 months or so for financial markets, with the tragic events of September 11, global economic weakness and concern with company profits pushing equity markets sharply lower.

While you may be concerned about the recent volatility, history reminds us of several points:

■ 'Time in' is more important than 'timing'. There is nothing unusual about stock market falls - stock market returns generally revert to the 'average' with the best gains often occurring after big falls.

■ It is important for you to manage your savings and diversify your portfolio. Consider taking advantage of what we currently define as "sweet spot" of the investment cycle and stay focused on your long-term investment objectives.

Overall, equities are expected to rise in value in 2002. They should benefit from improving company profits, which should pick up on the back of the global economic recovery. To help you build a prosperous future, you can invest in the range of funds managed by Henderson Global Investors in this opportune time. What's more, these funds are now also included under the CPF Investment Scheme, a chance to better maximise your CPF savings and obtain best possible returns. And if you participate in our latest "Choose a Prosperous Future" promotion before 31st July 2002, you will enjoy greater savings.

You may use your cash or CPF funds or sign up for a Regular Savings Plan (RSP). RSP provides you with the benefit of "dollar cost averaging" which will help you to capitalise on investment opportunities in today's volatile climate.

Discounts for Henderson's "Choose a Prosperous Future" promotion
- Ongoing 1.5% discount for monthly RSP (for investments through CPF only);
- Up to 1.5% discount for lump sum investments.

Have you heard about the seminar that will change your investment outlook? Check the Promotions Page for more information. Don't miss out on this opportunity!!

market BULLS &BEARS

Equity and Bond Markets
Outlook for Q3, 2002

REGION/ SECTOR	CURRENT QUARTER OUTLOOK: Under-weight	Neutral	Over-weight	KEY REASONS FOR CURRENT MARKET OUTLOOK
EQUITIES				
US		■		• Economic outlook is improving with stronger than expected durable goods orders and stabilizing business investment spending • However, the continued corporate weakness remains a concern. • US economy is expected to lead the way towards a global recovery, but other markets offer better value.
Europe		■		• Eurozone equities provide an attractive long-term investment opportunity. Valuations relative to the bond market are attractive and there is an increasing focus on shareholder value from the corporate sector. • In addition, pension reforms can be expected in several Eurozone countries over the coming years and this should spur the broadening and deepening of capital markets. • The relative strength of the UK economy during the global slowdown has highlighted its defensive qualities. However, as the recovery takes place, it is unlikely to benefit to the same extent as the more growth-sensitive regions.
Japan	■			• The economy is still mired in a protracted recession amid rising unemployment and falling prices • The Moody's downgrade of Japan's sovereign rating reflects growing concerns with the banking sector's mounting bad debt problem and the slow pace of reforms in Japan.
Asia ex Japan			■	• Market valuations are relatively more attractive • Asian countries like Korea and China continue to be well-Japan supported by strong domestic demand and increased consumer confidence • Abundant liquidity due to global monetary policy easing should support the growth of the Asian markets in 2002 • On going government commitment towards economic reforms, greater corporate governance and transparency, should attract investments from institutions and MNCs. • The pre-emptive rate hike by the central banks of Australia and Korea should create an environment for a more sustainable economic cycle over time.
Emerging Markets			■	• Sector most likely to benefit from a rebound in global economic activity • Emerging markets have shown resilience in the face of Argentina economic collapse. • Economic fundamentals in these countries are improving. • Market valuation is attractive relative to other markets such as the US markets

REGION/ SECTOR	Under-weight	Neutral	Over-weight	KEY REASONS FOR CURRENT MARKET OUTLOOK
Bonds				
US		■		• Although much of the recovery has been priced into the US bond market, bonds will continue to struggle as the economic recovery gathers pace. • However, inflation has remained subdued. As such, the Fed may not be forced into interest rates tightening. • A recent Morgan Stanley report suggests that the Fed may opt to cut interest rate in bid to ward off recessionary pressures.
Europe		■		• The outlook for government bonds has become less positive. • Higher energy prices and wage demands could increase inflationary pressures.
Asia		■		• Improving economic outlook to provide strong support to Asian credits. • However, Japan's recent credit rating downgrade reflects the banking sector's bad debt problems and the slow pace of reforms in Japan
Emerging Markets			■	• Emerging markets have shown resilience in the face of Argentina economic collapse. • Credit fundamentals should continue to improve.

Source: Market outlook and portfolio weighting recommendations are compiled from a survey with various fund managers.

fund FEATURE

Interview with
UOBAM United Asia Fund Portfolio Manager

Asian economies and equity markets have rebounded strongly since the financial crisis in1998. We speak to Ms Janet Liem Bee Kwong, the Portfolio Manager for UOBAM United Asia Fund, for her insight to Asian equity markets and investment opportunities in the region.

Why should we invest in Asia?

To date, the MSCI Asia ex-Japan Index posted gains of 11.5%, massively outperforming the World Index which dropped 4.2% as of April 30th this year. There are various reasons to explain the renewed investors' interest in the Asian markets. Firstly, the Enron scandal and several other corporate shenanigans in the US have placed Asian companies in a better light. Secondly, macro-economic and corporate governance in Asia have generally improved since the 1997 Asian economic crisis. More importantly, stocks valuations are still well below the US and European markets while the earnings outlook has improved.

What is the outlook for Asian economies and equity markets?

We expect continued upgrading of growth forecasts in Asia based on strength of domestic private consumption.Given mixed signals from the US, we have seen some correction in Asian equities and this should be viewed as an opportunity to invest as cyclical global economic forces remain supportive of an upturn, albeit a mild one.

Going forward, what should be the investment strategy for the region?

We believe that earnings are at attractive levels should the global recovery take shape. The region trades on 15x '02 earnings and 1.6x book value. We continue to favour Korea, China and Thailand in particular. Given our view of a benign inflation environment and continued geo-political tension, our portfolio is broadly diversified, with a tilt towards dividend yield plays.

What are the risks involved?

Growth in the major economies of US, Europe and Japan is likely to remain slow. Meanwhile, valuation levels, quality of corporate earnings and corporate governance concerns are likely to hamper investment performance. Other major concerns are the continuing threat of terrorism and the Middle East conflict. While each of these has the potential to roil the financial markets, history has shown that such setbacks are usually temporary providing attractive buying opportunities for investors.

Why should we invest in UOBAM United Asia Fund?

The Fund is well diversified across countries and sectors in the Asia ex-Japan region and it focuses on companies with high growth potential, superior management teams and sound financial position. Investments in the Fund are driven by comprehensive bottom-up research and managed by a dedicated team of investment professionals with an average of 10 years' experience.

Performance of Fund

The Fund has consistently out-performed its benchmark and achieved returns of 100.52%* since its inception.

Performance @ 31/5/02	6 mths	1 Yr	3 Yrs	5 Yrs	Since Launch*
United Asia Fund	18.9%	16.2%	14.8%	-1.9%	100.5%
Benchmark Index #	17.3%	9.6%	-12.0%	-32.4%	95.7%

#MSCI AC FE Fr xJapan Grs USD. Source: S&P Micropal, Bid-Bid, Net, SGD.

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The New Look
of UOB Invest Shop

UOB Invest Shop has been given a new facelift. Renovation to Invest Shops is currently being carried out in phases and you will soon be experiencing greater ambience when you visit your Personal Financial Consultants at your favourite Invest Shop branch. With the new look, you can continue to look forward to friendly service from our Personal Financial Consultants who will do what they are best at, that is, to assist you in your financial planning and investment needs.

Here's a glimpse of how our new Invest Shop at our new location at Toa Payoh looks like!