

BONDS & ISSUES

FirstPrincipal
financial



Change is inevitable.
It impacts us all
personally and
influences the
decisions we
consequently make
in our lifestyle
choices and
investment decisions.

The MediShield Life scheme is a clear example of one area in which recent changes have made it necessary for Singaporeans to pay closer attention. With the increasing cost of medical treatments, we need to take heed and safeguard ourselves against the repercussions of having inadequate medical cover as we grow older.

At First Principal Financial, we recognise that change can be challenging. But our support goes much further than merely recognising these challenges. We are also here to help you understand the impact of these changes and how you can benefit from the various updated schemes and programmes to further your own personal journey to financial freedom and stability.

With this re-introduction of our First Principal Financial newsletter, we want to provide an additional channel to our financial advisory expertise for clients and investors. Through the in-depth analysis of our market experts, we will help you make sense of changes in the global and local financial landscape through clear and simple explanations - so you can make informed investment decisions.

In this edition of our newsletter, we have a Questions & Answers section on MediShield Life. We hope that this will help address some of the key questions in our clients' and investors' minds on the recent changes to the scheme. To complement this, we also have our in-house outpatient insurance plan, ClinicCare.

Finally, to lend a broader perspective on the outlook for financial markets, our "Investing Insights" report provides a visual round up of the year's performance to date in regional and global markets. As part of the report, we also share our views on market expectations for the second half of 2014 and our corresponding portfolio recommendations.

We hope that you will gain valuable insights through this brand new edition of our revamped First Principal Financial newsletter. We warmly welcome your feedback and thoughts on the new look-and-feel of the newsletter.

At First Principal Financial, we are committed to provide you with the necessary investment expertise and technical advice that helps you structure a comprehensive plan to meet your financial, investment and protection goals. You can rely on us for access to an extensive range of insurance-based wealth structuring solutions tailored to your specific needs. As we continue to prepare for the remainder of 2014, I look forward to furthering our relationship with you as your valued financial adviser, in supporting each step of your wealth journey.

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Principal Partner and Chief Executive Officer

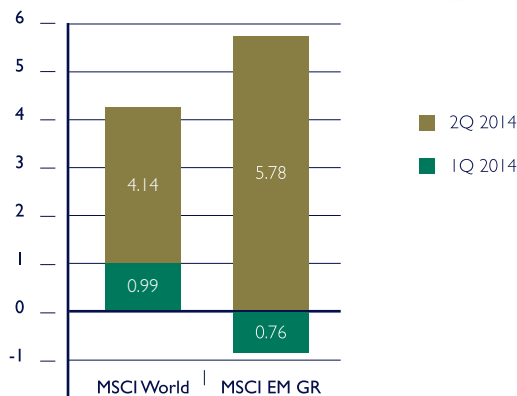
INVESTING INSIGHTS

We examine the past, current and future view of regional and global markets to reveal the upsides and downsides to watch for in your investment journey.

by **Isaac Low**, CFA, CLU, ChFC
Head Investment Advisory

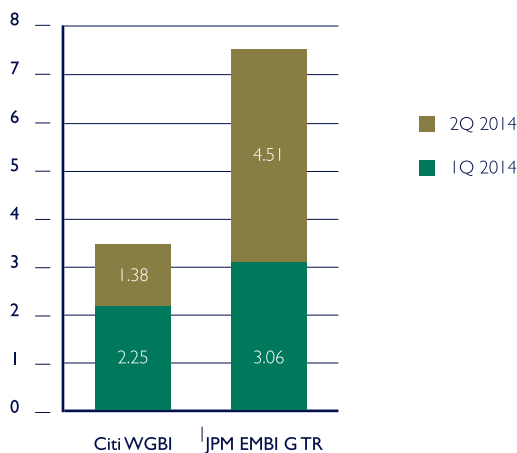
A HEALTHIER SECOND QUARTER FOR GLOBAL MARKETS

Global Equities



On the whole, the first half of 2014 has turned out a markedly positive performance for investors. After a decent first quarter, markets continued to rise in the second quarter of 2014. This is the first time in six quarters that emerging markets have outdone developed markets – and could mark a turning point for emerging market equities after having borne the brunt of capital flight in 2013.

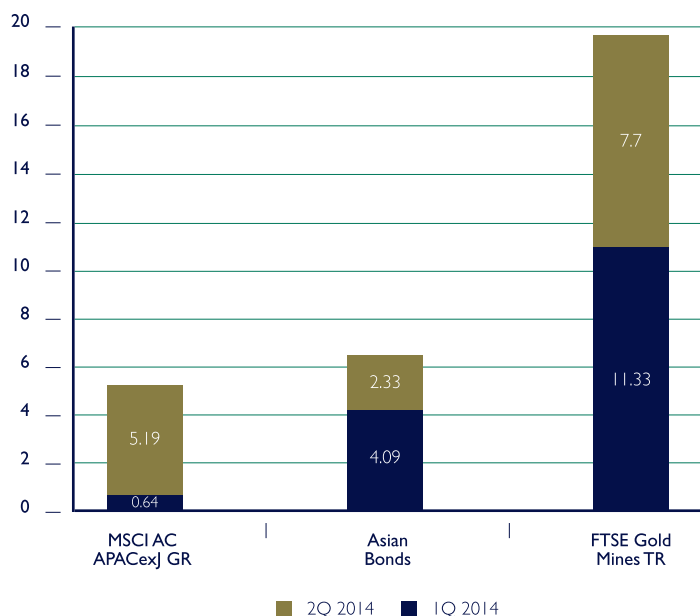
Global Bonds



Bond markets have also mirrored the performance of their equity counterparts. Key highlights include a 7.71% gain on the JPM Emerging Market Bonds Index Global TR, and Citi WGBI Index's gain of 3.67% over the first six months of 2014.

REGIONAL AND SECTOR MARKETS IN TANDEM WITH GLOBAL GROWTH

Regional Markets



At the regional level, Asia-Pacific ex-Japan – as measured by MSCI AC Asia Pac Ex Japan GR – grew 5.19% over and above the 0.64% last quarter. Asian bonds gained a total of 6.52% and the FTSE Gold Mines TR index outperformed with total returns of 19.9% in the first six months of 2014.

OUR PORTFOLIO PERFORMANCE

Global Market

Valuations in the developed markets are looking stretched and there are concerns over a slowing recovery in Europe. The jury is still out on the potential impact of negative interest rates. We believe there is potential for more upside from emerging markets, as opposed to developed markets which may be nearing their peak given the 31% growth in the last six months.

Regional Market

Historically, this series of Asian portfolios has proven resilient against the pressures of the recent global financial crisis. The highest risk portfolio has a 70/30 allocation between Asian equities and Asian bonds.

OUTLOOK FOR THE SECOND HALF OF 2014

Growing concerns around volatility in global markets

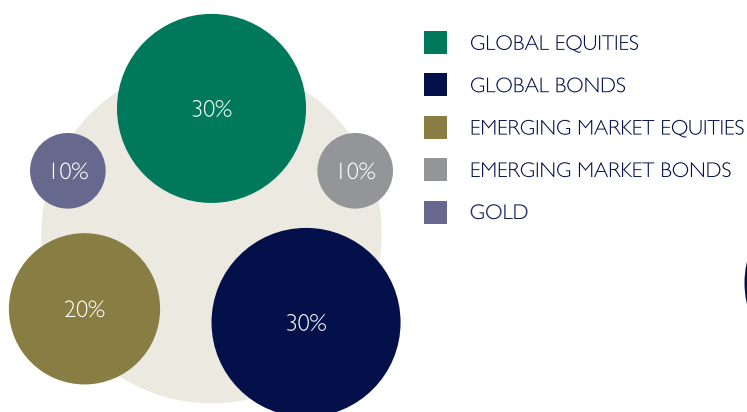
As we move into the second half of 2014, there are growing concerns that markets will become more volatile and could get into bubble territory. The VIX index has been quiet for some months now and looks ready to rear its head. With the low interest rate environment having persisted for such a long time now, interest rates are also poised for an eventual rise.

Present regional tensions such as the Ukraine-Russia conflict could become serious headwinds due to a potential for it to escalate into a "Russia versus the West" global crisis. In the Middle East, the conflict in Gaza is also keeping the world on its toes. In Iraq the actions of the Islamic State of Iraq and the Levant (ISIS) are also a cause for concern.

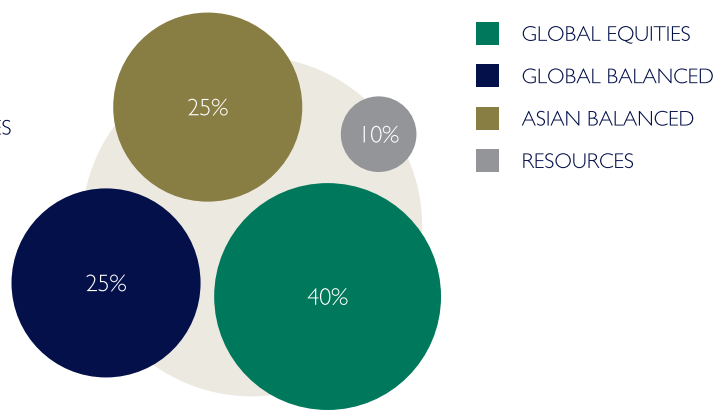
A diversified portfolio with allocations across various asset classes can help provide risk protection against the hazards of economic and political currents that could cause drastic falls in asset prices. We continue to advocate a diversified portfolio of equities and bonds with a small allocation to sector funds.

Our recommendation is to add to both emerging market equities and emerging market bonds as below.

Recommended Portfolio Allocation



Central Provident Fund Allocation



NEW ASIAN MARKETS TO CONSIDER



The Abe government in Japan is poised to launch its 'third arrow' targeting reforms in corporate taxes, the agricultural and healthcare sectors and also a shift towards an equity-bias for the government pension investments.



China continues to push through with its reforms. Investors with a long term view may want to consider entering the market of this Asian giant.



Investors with a higher risk appetite may want to look at India which is currently riding on a crest of optimism with the new government.

HOW MEDISHIELD LIFE HELPS YOU REDUCE COST OF HOSPITALISATION

Questions & Answers

By **Gilbert Koh**

There has been a lot of news coverage recently on MediShield Life. Coming into effect from end 2015, MediShield Life will take over the present MediShield scheme.

At First Principal Financial, we see this as a positive change. The shift to MediShield Life enhances the level of protection for all Singaporeans and Permanent Residents, for life, regardless of changes in their

health or life circumstances. Key changes include extending coverage to individuals older than 92 and those with pre-existing conditions. Coverage for hospitalisation, surgery and eligible outpatient treatments will also be significantly expanded to extend better subsidisation on medical bills.

I. What is MediShield Life and how different is it from MediShield?

The key benefit of MediShield Life is its provision of universal healthcare for your entire lifetime with improved benefit limits. This means that MediShield Life will cover pre-existing conditions such as cancer, stroke and heart disease for life. It will also cover you even if other insurers may have previously rejected you.

The table below outlines the key differences between the two plans.

Table of Benefits

BENEFIT PARAMETER	MEDISHIELD	MEDISHIELD LIFE
Daily Limits	\$450 / \$900 (Normal / ICU Ward)	\$700 / \$1200 (Normal / ICU Ward)
Surgical Limits	\$150 - \$1,100	\$200 - \$2,000
Community Hospital Limit	\$250 per day	\$350 per day
Outpatient Cancer Treatment Claim Limits	Chemo: \$1,240 per 21/28 day cycle Radio: \$80 - \$160 per session	Chemo: \$3,000 per month Radio: \$140 - \$500 per session
Deductibles (B2 / C)	80 and below: \$2,000 / \$1,500 Above 80: \$3,000 / \$2,000	No change
Co-Insurance	Inpatient: 10 - 20% Outpatient: 20%	Inpatient: 3* - 10% Outpatient: 10%
Annual Limit	\$70,000	\$100,000
Lifetime Limit	\$300,000	Removed

Claim Limits for Various Surgeries

EXISTING MEDISHIELD CLAIM LIMITS	RECOMMENDED MEDISHIELD LIFE CLAIM LIMITS
\$150	\$200
\$360	\$480
\$720	\$900
\$800	\$1,150
\$840	\$1,400
\$960	\$1,850
\$1,100	\$2,000

- Removal of the lifetime claim limit
- Increased annual claim limit by 40%
- Increased daily claim limits for normal wards and ICU wards by up to 55%
- Increased claim limits for surgical procedures by between 25% and 93%
- Increased claim limits for outpatient cancer chemotherapy and radiotherapy treatments
- Increased daily claim limits for community hospitals by 40%
- Lower co-insurance rates

Example: Patient who had a heart attack

Hospitalised for 10 days in B2 ward

	CURRENT MEDISHIELD BENEFITS	PROPOSED MEDISHIELD LIFE BENEFITS
Bill after Government Subsidy		\$8,100
Maximum coverage based on hospitalisation and surgical claim limits	\$6,050	\$8,100
Deductible		\$2,000 for B2
Co-insurance	\$605	\$455
MediShield/MediShield Life Pays	\$3,445 (43%)	\$5,645 (70%)
Patient Pays (Medisave/Cash)	\$4,655 (57%)	\$2,455 (30%)

2. How do I apply for MediShield Life coverage?

You do not need to apply for MediShield Life coverage. All Singapore citizens and Permanent Residents will be automatically covered when MediShield Life is implemented in end 2015.

3. How are premiums paid?

Premiums can be paid fully through Medisave.

4. What is the premium amount payable?

Due to the better benefits and coverage, MediShield Life premiums will be higher than the current MediShield amounts. The table below shows a summary of the MediShield Life premium schedule for Singaporeans Citizens in selected age groups – before and after Government support.

The Government will provide Transitional Subsidies – for Singaporean Citizens only – over four years from 2015 to 2019 to phase in the impact of the premium increases.

To find out what your estimated MediShield Life premiums would be after the applicable premium subsidies, you can go to http://www.moh.gov.sg/content/moh_web/medishield-life/premium-calculator.html

Annual Premium Table

AGE NEXT BIRTHDAY	CURRENT MEDISHIELD PREMIUMS (\$)	MEDISHIELD LIFE PREMIUMS BEFORE SUBSIDY (\$)	MEDISHIELD LIFE PREMIUMS (\$)¹							
			LOWER-INCOME²		LOWER-MIDDLE-INCOME³		UPPER-MIDDLE-INCOME⁴		HIGH INCOME⁵	
			2015	2019	2015	2019	2015	2019	2015	2019
1-20	50	130	60	98	61	104	62	111	66	130
31-40	105	310	131	233	134	248	137	264	146	310
51-60	345	630	364	441	371	473	377	504	402	630
61-65	455	755	462	491	470	529	477	566	515	755
71-73⁶	560	885	491	491	491	491	491	491	491	491
81-83⁶	1,123	1,250	566	566	566	566	566	566	566	566

Note: 2019 premiums include premium subsidies but no transitional subsidies

¹Premium and subsidy details are provided by the Ministry of Health. Applicable for Singapore Citizens staying in residences with an Annual Value (AV) of \$13,000 or less. Permanent Residence receive half of the applicable premium subsidies for Singapore Citizens and no Transitional subsidies.

²Lower-income refers to individuals with monthly per capita household income of \$1,100 or less

³Lower-middle-income refers to individuals with monthly per capita household income of \$1,101 to \$1,800

⁴Upper-middle-income refers to individuals with monthly per capita household income of \$1,801 to \$2,600

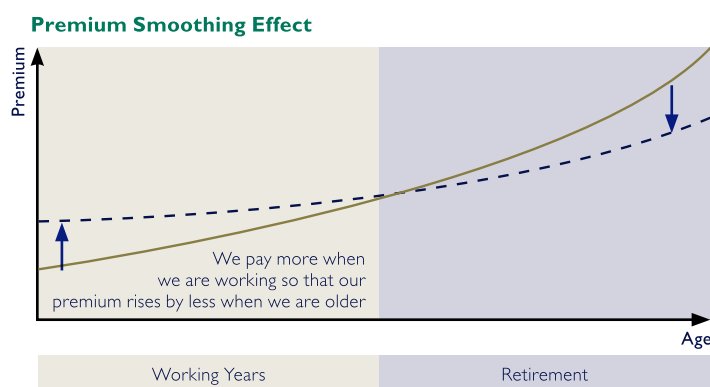
⁵High income refers to individuals with monthly per capita household income above \$2,600

⁶Net premiums shown are for Pioneer Generation Singaporeans

5. Why do the premiums increase with age?

MediShield Life premiums increase with age to reflect the higher incidence of hospitalization and higher bills incurred among older age groups.

However, MediShield Life also provides you the benefit of having premiums distributed more evenly throughout your life. While it is true that you pay more premiums during your working years, you will enjoy the benefit of premiums rising less steeply in your old age. This ensures that your premiums remain affordable during your retirement years.



*Figure is for illustration purposes only, and does not take into account other factors such as medical inflation

6. If I have a pre-existing illness when I apply for MediShield Life, would I still be eligible for coverage? Would the degree of my illness prevent me from being covered?

If you have pre-existing conditions, you will be covered but you may be subject to an additional premium loading of 30% for 10 years, reflective of your higher risks.

7. If I can't afford to pay the premiums in my old age, will my coverage cease?

The Government has given its assurance that no one will lose coverage due to financial need. The following subsidies will be provided to keep premiums affordable.

- Premium subsidies for the lower- to middle-income including the Pioneer Generation aged 80 and above in 2014 (covering up to two-thirds of households)
- Medisave top-ups for the Pioneer Generation over their lifetime and for those aged 55 to 64 in 2014 (over a five-year period)
- For the needy who are unable to afford their premiums after premium subsidies, the Government will provide additional premium support.
- Transitional subsidies to ease the shift to MediShield Life (for Singapore Citizens only).

8. Can I stay in Class C or B2 ward regardless of my income and be covered under MediShield Life when I am hospitalized?

Yes, you are free to choose your preferred ward class, regardless of your income level. However, the subsidy amount you receive will be dependent on your income level.

While all patients in Class C and B2 will be subsidized to ensure their bill is kept affordable, higher-income patients will receive less subsidies than lower-income patients. The hospitals' system will extract your income information from the CPF Board's system and automatically calculate your applicable subsidy level.

9. What is the difference between MediShield Life coverage and an Integrated Shield Plan (IP) coverage?

MediShield Life targets Class B2/C wards – these are non-airconditioned six and nine bed wards respectively – and subsidised treatment in the public hospitals. You will receive the same level of benefits, pegged to the estimated B2/C class expenses, if you choose to stay in a A/BI class ward in a public hospital or in private hospitals. However, you may find that the benefit limits may be inadequate as compared with IPs.

An IP is essentially a private plan that has been integrated with MediShield to form a single integrated plan. IP policyholders enjoy the benefits and coverage of the MediShield tier, plus enhanced coverage provided by private insurers for higher ward classes such as Class A/BI and private hospital stays.

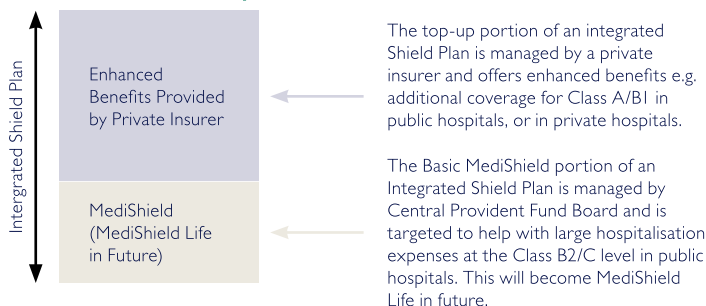
IP premiums are higher than MediShield Life premiums as IP premiums include a component for the MediShield tier and a top-up component offered by the private insurer. Hence, with IPs, you can expect a more comprehensive range of benefits and significantly higher claim limits. These may better address the costs in a A/BI class ward in a public hospital or in private hospitals.

To evaluate if an IP may suit your needs better, please contact your First Principal Financial adviser so we can analyse and discuss your options together with you.

10. Will I benefit from the introduction of MediShield Life if I am on an IP?

If you are currently already on an IP, you will still benefit from MediShield Life. MediShield Life replaces the MediShield component within the IP. The introduction of MediShield Life will increase the MediShield component of the IP premium. However, the top-up component from the private insurer is expected to remain the same or become lower. So the total IP premium will rise by the same amount as the rise in the MediShield Life premium, if not less.

Annual Premium Composition



11. I am not currently on an IP. Since MediShield Life will offer better benefits than MediShield, does it still make financial sense to purchase an IP?

MediShield Life is targeted to provide coverage for hospitalisation expenses at the Class B2/C level in public hospitals. If you are able to share a non-airconditioned environment with six to nine other patients, MediShield Life may cover you adequately enough. While it is true that you can technically still ward yourself into a private hospital with coverage by MediShield Life, you can only claim up to the limits it provides. If the benefits are inadequate to pay for the full bill, you'll have to pay the shortfall in cash which can amount to a significant sum.

An IP, however, allows you to enjoy the better comforts of Class A/BI wards at public hospitals and private hospitalization without needing to worry about any of the above concerns. It also extends you the benefit of higher claim limits for your hospitalisation bill, enabling enhanced coverage over and above what is offered by the MediShield Life tier, which has a limit on each surgical claim. An IP therefore allows you to claim the full cost of the surgery recommended by your doctor.

12. Why do I need a plan to cater to private hospitalisation?

In the event of a serious accident or illness that may require specialised surgery or treatment, it is common to consult two or more doctors before deciding on a preferred option. Having an IP plan that caters to private hospitalisation opens up an additional avenue in times of such need, and gives you the peace of mind that your bills will be adequately covered.

Through our partnerships with various insurance companies, First Principal Financial offers a range of private IPs to address varied individual needs and budgets. If you would like to find out more, please contact your adviser or call us at 6220 5333 so we can help walk you through the various plans and identify an IP that best meets your personal needs.

FINALLY, SAVINGS ON YOUR FAMILY'S MEDICAL BILLS

ClinicCare, Singapore's first and only stand-alone outpatient benefit scheme.

By **CAMILLE TAN**

Account Manager – Special Projects

HFMD. Dengue. Respiratory ailments caused by air pollution and the haze. Or even just the common cough and flu resulting from extreme climate changes. Afflicting both young and old, these illnesses cause disruptions to our daily lives and personal discomfort to us and our loved ones.

Statistics show that on average, an individual will visit a General Practitioner (GP) approximately five times a year and a Specialist (SP) three times a year, for consultation and medication on outpatient ailments such as those above. While the average cost of GP

consultations has remained fairly constant, the average cost of SP consultations has grown steadily over the last three years. Based on the average rate of clinic visits and the average cost per visit in 2013, an individual could potentially incur up to \$806 a year on medical consultations.

No problem, you say. I can tap on my MediSave and MediShield or private health insurance coverage to fund my bills for major illnesses. And I can enjoy subsidised consultation and medication rates at government polyclinics.

Average Cost of Medical Consultation from 2011 to 2013

	COST PER VISIT IN 2011	COST PER VISIT IN 2012	COST PER VISIT IN 2013	BASED ON AVERAGE FREQUENCY OF VISIT PER INDIVIDUAL IN 2013	TOTAL COST INCURRED
AVERAGE COST OF PRIVATE GENERAL PRACTITIONER CONSULTATION (PER VISIT)	\$50.46	\$50.10	\$50.00	5	\$250.00
AVERAGE COST OF PRIVATE SPECIALIST CONSULTATION (PER VISIT)	\$161.27	\$149.96	\$185.37	3	\$556.11

BUT WHAT IF YOU COULD HAVE ACCESS TO BETTER AND MORE?

If you are a Singaporean or Singapore Permanent Resident, you would indeed be able to draw on your MediSave and MediShield. However, individual private health insurance usually offers very minimal or limited annual coverage for outpatient benefits. It is designed to cover mainly inpatient and major illnesses, total and permanent disability, dread disease and death.

As for subsidised consultations – while it is true that polyclinics offer different levels of subsidies for citizens and PRs to keep medical costs affordable – at present, the 18 polyclinics provided by the public healthcare sector support only 20% of primary healthcare. The remaining 80% is provided by private practices, clinics and medical centres. Time spent queuing at polyclinics for registration, consultation and collection of medication is often very long. In contrast, waiting time is often shorter at private clinics. That being said, private clinic consultation expenses are not subsidised.

HOW TO LIMIT THE SIZE OF YOUR MEDICAL BILLS?

To address the need for better outpatient benefit coverage, First Principal Financial launched the ClinicCare Scheme in November 2013. ClinicCare is the first and only available stand-alone outpatient benefit coverage scheme in Singapore, and is exclusively available to members of FPConnects, our First Principal membership programme.

**UNLIMITED OUTPATIENT VISITS
AT 300 CLINICS ISLANDWIDE.
AND THERE'S MORE.**

ClinicCare provides you an unlimited number of outpatient GP and SP visits, covering both consultation and medication across 300 preferred clinics island-wide. You can purchase the scheme for yourself and your family including infants from 15 days old up to adults of 65 years old.

Your coverage will also include:

- Standard Diagnostic X-Ray and Laboratory Tests
- All other Diagnostic Scans such as MRI and CT scans
- Outpatient Physiotherapy treatment including Chiropractor
- Emergency Outpatient A&E treatment
- Overseas Emergency Outpatient Treatment
- Term life cover of S\$100,000

**IMMEDIATE APPROVAL.
READILY AVAILABLE.
AND MOST IMPORTANTLY, AFFORDABLE.**

Acceptance is guaranteed – no medical examination required, no medical underwriting and no pre-existing illness exclusions.

To be eligible for ClinicCare, all you need to do is become a member of FPConnects. More than just ClinicCare, FPConnects also provides our members with updates on insurance, investments, financial planning relating to wills and trusts, as well as access to First Principal Financial newsletters, and information on workshops and seminars.

Upon completion and processing of your membership, you will be provided with an access link to download the Aviva Preferred Care Plus (PCP) Mobile app. This app enables you to locate Preferred General Practitioners' clinics closest to your current location and also helps you keep track of your health records.

CALL US TODAY TO FIND OUT MORE.

To find out more about ClinicCare, please contact your First Principal adviser so we can walk you through the details of the scheme. You can also visit our website at www.firstprincipal.com and submit your application online at <http://202.42.146.76:8205/FPClinicCare>



Established in 1997, **First Principal** is a leading Independent Financial Advisory (IFA) firm. The group provides advice, financial products and services to individuals and businesses in the areas of investment, insurance, estate distribution, retirement, taxation, mortgage loans, corporate pensions, employee benefits and business continuation and general insurance brokering.

As an independent financial advisory group, we act in the sole interest of our clients. Through our network of actuarial, tax and legal experts, and our strategic alliances with various investment groups, fund managers, insurance companies, banks, stockbroking and private banking groups, we provide individuals and businesses with a comprehensive range of financial planning solutions.

Over the years, we have set ourselves apart and have established the reputation of a financial advisory group respected by both clients and industry practitioners alike. We take pride in honing the following attributes that have contributed proactively towards building a dynamic financial services industry.

Our experienced, client-centred and friendly advisers are committed to providing you with sound and objective advice. At First Principal, we are always on your side.



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