

# He has no qualms switching policies if it's prudent

▶ Leong Chan Teik

FOR insurance, many Singaporeans take out whole-life policies, which pay out a sum on their death to their loved ones.

Most are not acquainted with a less costly option, term insurance, which charges premiums of, say, \$330 a year instead of \$1,900.

Former Prudential insurance adviser Christopher Tan sparked a controversy last year when he said he "repented of my sins" in selling whole-life, instead of term.

Interviewed in the media, he gave various reasons why term is the way to go.

For example, your family does not need the lifelong cover that whole-life offers. Term policies allow you to pay for protection for a period of your choice, usually up to your retirement or until your children have grown up.

His remarks drew fire from the industry and former clients.

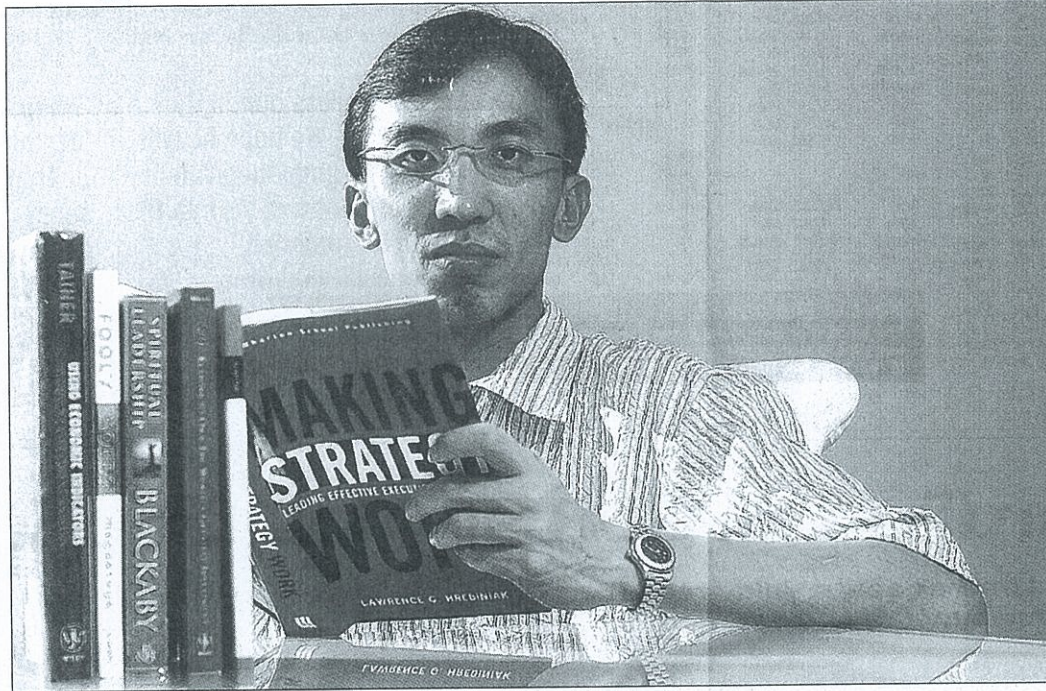
He is now chairman, chief executive and co-founder of Provident, which is licensed as an independent financial adviser — the first in Singapore to charge clients a flat fee for financial advice.

It does get commissions from the financial products it sells, but these are simply handed over to clients.

In an interview at his Raffles Place office, Mr Tan, 34, said: "We just want to give clients honest, independent and competent advice."

**Q** Are you a saver or spender?

**A** I am more of a saver. When I was an army officer from 1990 till 1996,



BOOKING IN PROFITS for clients means research, research and more research for financial adviser Christopher Tan.

PHOTO: DESMOND WEE

I saved about \$80,000 — enough to get married, and pay for my part-time degree and master's courses.

The only thing I really splurge on are books and magazines. I love to read, mainly financial and business stuff.

**Q** When you go to an ATM, how much do you usually withdraw?

**A** A couple of hundred dollars, about once a week. It's sufficient for my family and my expenses.

**Q** Growing up, what was your money situation like?

**A** My father was a SBS bus driver, and my mother, a housewife. I have three siblings.

Life was simple. The greatest luxury was eating chicken rice at

the hawker centre once a month.

**Q** At Prudential, you were earning \$200,000 a year. Moneywise, why would it have been more painful to stay on instead of leave?

**A** When I joined Prudential in 1998, I was enticed by the opportunity to practise comprehensive financial planning. After three years, I decided to call it a day because I

could not provide holistic and independent advice because of factors such as licensing and limitation of products.

By leaving, I had to forgo several hundred thousand dollars in commissions I was entitled to over the following few years from premiums to be paid by clients. But if I had delayed leaving, I probably would be forgoing an even greater sum as my client base grew.

**Q** Your new company started operations only two years after you left Prudential. In that interval, what personal and family expenses did you cut down on?

**A** We went for shorter holidays — to Malaysia, instead of the United States and Japan, as we used to previously. We sold our 2,000cc Ford Mondeo and switched to a 1,600cc Mitsubishi Lancer. And I bought fewer books.

It helped that my wife and children did not demand much luxury.

**Q** Some critics say that you and Provident advocate term insurance so clients will have surplus money to invest in products you advocate. What do you say to that?

**A** We advocate term insurance because it is the smartest thing to do. Besides getting the cover they need, clients save thousands of dollars each year.

Everyone knows we don't take a single cent in commissions from selling products. Instead, for managing a client's investment portfolio, we charge only about 1.1 per cent a year in fees.

Why would we want to advocate term insurance so clients save, say, \$5,000 a year in premiums, just so we earn an additional \$50 in fees a year?

**Q** Do you have term instead of whole-life?

**A** Last year, I surrendered all my whole-life policies, and lost money in doing so because the policies had not reached their break-even points. I switched to term policies, saving almost \$10,000 a year in premiums. I now have higher coverage for my family.

**Q** What is an example of a lousy investment you have made?

**A** When I was in my early 20s, I was talked into buying a membership at Fairway Country Club for investment. It cost \$15,000.

In all, I have visited the club fewer than five times. The membership is now worth almost nothing after deducting the transfer fee.

**Q** And a great investment?

**A** It is definitely Provident. I have invested my savings, sweat and passion in it. We now make in excess of \$1 million in fees a year, and manage about \$30 million of our clients' monies.

**Q** What is the best money lesson you have learnt?

**A** The love of money is the root of all evil. Families, friends and even colleagues fall out over money. The greatest lesson I have learnt is the importance of making decisions independent of money. Only then can we be accountable to our families, friends and colleagues.