

The financial guarantees of unit-linked life products

The current economic-monetary situation with its low interest rates, is leading savers and investors to look for alternative investment solutions offering higher prospective returns.

Marco Croci, federally certified expert in private insurance, federally certified financial consultant and lecturer in insurance economics at the Centro studi Bancari in Vezia, says:

It is true that the financial guarantee offered by insurers provides security, and not only through risk benefits, well above the vast majority of financial products.

Nevertheless, that doesn't mean savers and investors should view all unit-linked products from insurers in the same light.

There are basically two things to bear in mind regarding the financial guarantee:

➤ **Temporal**

When the guarantee actually comes into effect.

It's easy to focus on the protection and financial guarantee aspect without necessarily realising when the guarantee actually becomes valid.

With most unit-linked insurance products offered by insurers (with a guaranteed capital sum) the guarantee is ONLY valid on expiry of the contract.

Therefore, if the contract is surrendered or amended prior to the stipulated date and if the markets are in decline, the client bears the full brunt of the investment loss.

➤ **Who provides the guarantee**

Insurers offering unit-linked products through insurance policies often delegate the financial guarantee to banks or external managers, thus only retaining responsibility for guaranteeing cover against the risk of death or disability (unlike traditional insurance products where the payout is based on the technical interest rate and the insurer also acts as guarantor of the savings component).

It is thus advisable to be sure about **who** is guaranteeing **what**.

The two considerations (concepts) above are fundamental to making the correct choice of unit-linked insurance product.

In order to obtain detailed information about the different aspects (guarantee, maturity dates and special conditions in the event of early redemption) as well as the tax implications, it is advisable to consult an independent professional who has no interest in selling the product, but who can provide comprehensive advice on all the different aspects.

Our advisors will be pleased to assist you when making your choices.