

## Ask OCBC.

**Q** The price of oil has been volatile recently. Where do you see it heading and how will it affect economic growth in this region?

**A** Oil rose above US\$55 per barrel just before the United States presidential elections in early November, but it has since retreated to about US\$48 per barrel. The correction took place after China announced additional efforts to cool its red-hot economy. China raised interest rates on October 28 for the first time in nine years and hinted that it would do more to slow growth.

China has become the second-largest oil importer in the world after the US. China's strong economic growth in recent years has led it to overtake Japan, which was previously the second-largest oil importer.

As it is winter in the northern hemisphere, there is a risk that oil prices could resume their uptrend in the weeks ahead. Much depends on the weekly inventory numbers being unveiled in the US. The situation in the Middle East also looks dicey and continues to be a worry.

But the recent increase in oil prices has to be viewed in proper perspective.

Although nominal prices are close to record levels, real prices (i.e. adjusted for inflation) are far from the record high of about US\$80 per barrel. This may explain why the more than 60-per-cent surge in prices over the last year has not dented economic growth as much as they did in the previous oil shocks in the 1970s. Also many economies, especially the developed ones, have become more oil-efficient and alternative sources of energy have been developed, hence reducing the dependence on oil.

In its economic assessment of Asia earlier this week, the World Bank estimated that the impact of higher oil prices could shave 0.5 to 1 percentage point off growth rates in the region next year. It expects East Asian economies to continue growing at a healthy pace of 5.9 per cent next year.

Do you have a question on your financial situation? Send it to us at [Wealth\\_Mgmt@ocbc.com.sg](mailto:Wealth_Mgmt@ocbc.com.sg).

## PROMOTIONS

- Come join us at the Sun Plaza atrium today and tomorrow for Christmas Musical Festivities! Be rewarded with a fantastic Christmas hamper worth \$150, free with a minimum investment of \$2,000 p.a. in a Regular Premium product.

- Protect your family and grow your investments with MaxLink — an investment-linked insurance plan today! Be rewarded with the latest range of cool gadgets, such as the Samsung E800C mobile phone (picture), the Philips 17-inch LCD TV and the Creative MP3 player. Terms and conditions apply.



Artist's impression of the new Singapore Management University campus currently under construction at Stamford Road.

The world's top university, Harvard University, in Boston, Massachusetts.



# Planning for your child's higher education

Besides a regular savings plan, parents should consider specialised funds

IN A society where academic qualifications are seen as a premium asset, it is no wonder that education tops the list of the priorities of many parents in Singapore. And it is no secret that every parent hopes to see his or her child receive a good university education, be it here or overseas.

With the rising costs of university education worldwide, largely due to privatisation and increasing costs of operations, the burden of financing academic pursuit is getting heavier.

Under such circumstances, "it is doubly important that you have a carefully-mapped out savings and investment strategy to ensure that you have the resources to send your child to university," said Ms Anne Tay, a vice-president of Wealth Management at OCBC Bank.

Some parents may dismiss the idea of saving early for their children's education as being *kiasu*, but there is much wisdom in doing so.

"When you have a longer time to plan and save, you need to save a smaller amount each time, so it is less stressful on your wallet. The beauty of accumulation and the compounding effect of interest rates should not be ignored," Ms Tay explained.

"If you intend to send your child to a foreign university in 15 years, it can easily cost \$200,000 to \$300,000, depending on the country. If you intend to send your child to a medical school, the costs will be even higher," said Ms Tay.

Tuition fees for a typical 4-year non-medical course in local universities cost an average of \$5,650 per year. Factor in living expenses and inflation rates, total costs over the four years add up to an average of \$40,000.

A 3-year non-medical degree in Australia, Britain and the United States — the three most popular destinations for Singaporean students — typically costs \$82,914 to \$174,141.

But saving for your children's education need not be a Herculean task. Besides having a regular savings plan — it would be ideal to have one for each child — parents can also consider education funds, which include investment-linked products as well as endowment plans.

"For education funds, it is not advisable to buy products that have very high risk levels. A lower-risk investment product with steady growth is more ideal to ensure the safety of your funds," Ms Tay explained.

Parents can consider regular premium plans that allow them to contribute a little each month or endowment plans that offer protection plus savings, which "means you will be financially protected while your hard-earned money grows," Ms Tay said.

OCBC Bank's MaxLink, an investment-linked product, allows your funds to grow while giving you complete life insurance protection.

To cater to different needs, customers have a choice of MaxLink Protector for added protection or MaxLink Saver for more capital growth. The products provide you with the flexibility of redeeming your units, which means you can withdraw the required amount each year for your child's education without any penalties.

You may also consider the OCBC Bank's Accumulator™, which is an innovative fund that could help you save for your children's education. The Accumulator™ gives you the opportunity to tap into the potential growth of global equities, while aiming to safeguard your investments. It is a flexible savings plan that allows you to add or withdraw funds anytime and offers you a "minimum floor of 85 per cent of the last highest net asset value of the fund".

## TRUE OR FALSE ?

Send your answers together with your name, I/C number and telephone number to us at [Wealth\\_Mgmt@ocbc.com.sg](mailto:Wealth_Mgmt@ocbc.com.sg) by Wednesday. Please remember to indicate "TODAY Quiz" in the subject line. A lucky winner will win \$30 worth of Takashimaya shopping vouchers.

The answers to last fortnight's quiz are: True, False, True.  
The lucky winner is Ms Mary Low Bee Lee (IC S2623912E)  
Here are the questions for this week's quiz:

1. It is important to start saving for your child's education early, because when you have a longer time to plan and save, you need to save a smaller amount each time. (True/False)
2. For education funds, it is advisable to buy products that have high risk levels. (True/False)
3. OCBC Bank's Accumulator™ gives you the opportunity to tap into the potential growth of global equities, while aiming to safeguard your investments. (True/False)