

EXPERT SPEAKS

Estimating your need

Before purchasing, clearly articulate your long term financial objectives. Assess the amount of annual investment required to meet your potential long-term needs, and then assess your risk-taking ability to decide what sort of a product is more suited to your requirements and circumstances.

Take into account your lifestyle, your income, your spending habits, inflation etc. before you arrive at the corpus you wish your family should receive in case of your absence. Usually, the advice given is that the sum assured from a life insurance plan should be approximately 8 to 10 times the annual income of the insured.

In addition, you have to decide the expenditure you plan to do for your children. Keep in mind your children's career inclinations, what are the colleges you want your children to attend, whether you want your children to study in India or abroad, cost of inflation etc.

Finally, it is important to repeat this exercise around major milestones in your life, so that you can make changes as per your life stage requirements.