

EXPERT SPEAKS

Choosing the Right Life Insurance Plan

There are different types of Life Insurance products available that meet different types of financial needs.

Traditional Insurance Plans include Term, Endowment & Whole Life policies and offer multiple benefits in terms of risk cover, return and safety, depending on the type of product purchased.

Unit Linked Insurance Plan- ULIPs provide similar benefits in terms of risk cover, return and safety. However, here the corpus is invested in market linked products and the returns depend on fund performance & are not guaranteed. Part of the premium is used to provide life cover & the remaining is invested in a fund as per your choice.

If your need is protection: taking care of your spouse or parents in your absence, you can evaluate:

Term Plan - With Term Plan, you can choose to have protection for a set period of time may be upto the age of 60 or 75 years. In the unfortunate event of you not being there, your dependants will be paid a lump sum or monthly income over a period of time or both depending on plan features. You must note, in Term Plan, no benefit is normally due if the life assured survives the period of insurance.

Whole Life Plan - With Whole Life Insurance, unlike a Term Plan you are guaranteed lifelong protection. You enjoy life cover through your life and can also create a legacy for your children/ heirs after you.

In case your need is to finance your children's education and other needs, some of the plan options for you are:

Savings Plan: These are plans with a specific maturity date. If an unfortunate event by way of death occurs during the period, the Sum Assured will be paid to your beneficiary. On your surviving the duration of the plan, the maturity proceeds of the plan will be paid to you, to help you achieve your financial goals.

Child Plan: These plans ensure that your children's needs are met with or without you. By such plans you can aim to get funds when your child reaches various milestones in life eg: College education or marriage.

Depending on your risk appetite, you may choose to buy a Traditional or ULIP product.

In case you want to get a savings plan for the future so that you have a constant source of income after retirement, you must consider:

Retirement Plans: Retirement means discontinuance of regular income flow, while the needs remain almost unchanged. Life Insurance is one of the most commonly used financial product for retirement planning. On one hand it encourages disciplined savings, on the other hand it also discourages early withdrawal of the savings for other life stage needs that occur before retirement.