



ADITYA BIRLA
CAPITAL

Life Insurance

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How life insurance can offer dual benefit of assured returns and protection

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22-year-old Rajiv completed his engineering and has been working with an MNC for the past six months. However, his interest inclines towards photography, and like most millennials Rajiv wishes to retire by 40 and pursue his passion. For his dream to be realised, he needs to pay off his education loan, have enough savings as a fallback option and a minimum corpus of Rs 1 crore. While Rajiv has started evaluating several financial instruments, how should he manage his finances to get guaranteed returns? Most of us invest our hard-earned money to fulfill our goals. However, in today's economic scenario, it has become really difficult to ascertain that your savings or investments will be able to meet your non-negotiable

goals. Is there any instrument that can guarantee its return and that too at a competitive rate?

To bridge this gap and meet the requirement, life insurance offers a solution that not only gives assured returns but also provides financial protection or life cover. Such plans are known as guaranteed life insurance plans.

Do you need it?

The guaranteed return benefits of such policies act as a striking proposition for those who intend to get assured returns on their savings. The guaranteed plans offer returns as promised. In most of these plans, the insured pays the premium for a certain number of years and obtains guaranteed returns for the remaining of the policy term. While the life insurance coverage remains for

the full duration of the policy, such plans are appropriate for people who prefer stability over volatility.

Another striking feature of the plan is that individuals can choose tenures to match investment goals. If you need a specific amount for milestones such as your child's education, down payment for property purchase or your retirement, these plans can offer you returns that are fixed and guaranteed.

Assured return with protection

By virtue of being a life insurance solution, the guaranteed return plans, besides offering assured returns, provides the dual benefit of protection. The insurance cover provides a death benefit in case of the unfortunate demise of the insured during the policy term. In such a



case, the nominees not only receive the guaranteed amount accumulated until the said duration, but also the defined policy sum assured as a lump sum. The cover comes in handy as the guaranteed payouts act as a steady income for the beneficiaries. The long-term lock-in periods, higher tax savings, con-

tinuous cash flow and higher returns on investments are few of the other advantages of such guaranteed return policies.

How to opt for the most suitable guaranteed return plan?

One must purchase any financial instrument post

DOUBLE EDGE

■ In these plans, the insured pays the premium for a certain number of years and obtains guaranteed returns for the remaining of the policy term

■ The insurance cover provides a death benefit in case of the demise of the insured during the policy term

offer the flexibility to choose the policy term and enhance your insurance cover with suitable rider options, in case your goals evolve during the policy term and require more corpus.

Strengthen your plan with a waiver of premium rider

It is always prudent to take into account all probable risks. What if you are unable to pay your premiums due to accidents or serious illness? Will the failure to pay life insurance premiums result in annulment of coverage or impact your return?

Generally, insurance policies are inclusive of the premium waiver clause, but in some cases, a nominal extra fee is to be paid to attain a waiver of premium benefit. The waiver of premium rider is helpful in the occurrence

of any emergency resulting in a total or substantial loss of income to the insured. In such a case, the policy will not lapse even if the payment of premiums ceases.

A guaranteed return life insurance plan is definitely suitable for risk-averse customers who are accustomed to traditional modes of investment, as they have an opportunity to earn higher and guaranteed returns. Even for risk-taking customers, investing in equities can invest a portion of their corpus, given the current volatility in the markets. The money is guaranteed so there is no fluctuation. This indeed takes away a lot of stress for the policyholder while offering the dual benefits of assured returns and a life cover. The writer is chief distribution officer, Aditya Birla Sun Life Insurance