

HOW does paying your premium help

Once you have purchased a life insurance policy, your only duty is to pay your premiums regularly and gain the maximum from it. How does paying your premium regularly help? Take a look:

1) Start early, keep your premium low: As per the policy terms, life insurance companies offer to insure your life for decades at a time. However, you have the right to decide whether you want to be insured every time your premium is due. Every time you pay your premium, your life is covered till the next premium is due; though insurance companies maintain your life cover through the grace period. It still makes financial sense to pay your premiums every time and avoid discontinuing your cover. This is because the next time you purchase insurance, your age of entry will be higher and so will be the premium that you are locked into paying for the rest of the term.

2) Delivers gains over the long term: For those who use insurance as a wealth building tool, some very beneficial laws of mathematics apply to your premium payments, especially if begun early and continued regularly. Compounding: The law of compounding makes sure that even if you pay out small sums of money you will gain substantially over the long term.

Systematic investing: This insures that even if your money is being put into investment avenues like stocks, where the value fluctuates, your capital grows at the best possible rate. This happens because by investing regularly, your money commands more investment units at lower prices and fewer at higher prices. The net effect is that your average purchase price is as low as possible. So, naturally, your appreciation over the long term is the best possible. Long-term investment option: While there are a number of investment options available to meet immediate and medium term requirements, insurance can effectively help you beat inflation over the long term. Planning for the future is essential as what costs you Rs 100 today, will cost you Rs 105 next year and as much as Rs 200 within 15 years, even if inflation remains at a moderate rate of 5 per cent per annum. Insurance is the only long-term investment avenue that offers you the option to grow your wealth over the long term and beat inflation.

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