

## Insurance Policies Are For Risk Coverage

**I want to invest my money for a short period of time like 5-6 years. I looked into AegonReligare IMaximise policy. Is it good and trust worthy? I don't have much knowledge in this regard and I just want high returns without much risk.**

—**Sonali Pandit,**

**Bandra** This is the BEST question I have ever received! You want the highest return without risk and you are planning to invest in a ULIP? Please understand certain Insurance facts: a Insurance is NOT an Investment. If you need an "Investment" with no risk coverage, it makes much more sense to opt for a pure investment plan like:

- ◆ Bank Fixed Deposits-for Low risk and moderate return
- ◆ Bonds/Debentures-for Low Risk and Moderate return
- ◆ Mutual Fund-for Medium to High Risk and Medium to High Return
- ◆ Stock Market-for High Risk and Medium to High Return
- ◆ Real Estate-High Risk and Medium to High Return
- ◆ Gold-High Risk and Medium to High Return
- Insurance should never be done with a horizon of 5-6 years only. The returns from an Insurance Policy are never comparable to a pure investment product like mutual fund. The key benefit of any insurance policy is the risk coverage and that purpose is completely defeated if the insurance policy is opted for a period of 5-6 years only. Insurance should be done for a minimum period of 10-15 years and not for a period



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lesser.  
□ Return is always associated with risk. You can never have return if you do not wish to take risk. The higher the return, the higher the risk. Thus, if you want HIGH returns, you need to take high risks. Else, if you want low risk, then you must be happy with low returns as well  
Now, about the plan you asked. IMaximise Plan from Aegon Religare Life Insurance Company is a good Unit Linked Insurance where the risk of investment is with the policyholder, i.e. you. Thus, you could gain or lose from the same depending upon which fund you choose. Thus, if you wish to have low risk, you must opt for Bank Fixed Deposits.

**My child is 16 years old and is studying in the 11th standard. I need to secure her Education Needs. Please advice.**

—**Rohan Chauhan, Malad**

You would typically have already planned

something for her because if you are looking at a short term solution, you are surely not looking to start from scratch. In such a case, investments and fixed deposits would be a better alternative than insurance because Insurance is a long term thing. If you invest in any insurance policy, you must continue it for 15 years before checking the returns.

Typically child plans are taken for 2 purposes, either for maturity at age 18 for higher education or at age 23 for marriage or estate planning, etc. Now, if you are looking to build a corpus at 18 years of age in the near future, then you need to invest in pure investment tools since insurance is a long term tool and short term returns would be low as insurance products are front loaded with charges and it takes quite a while to break even. Thus you need to opt for Mutual Funds, Bank Fixed Deposits, Gold, PPF, etc. for short term returns according to your risk appetite.

A Child Plan from LIC would be LIC Jeevan Ankur or LIC Komal Jeevan and from SBI would be SBI Life Scholar II Plan if you need traditional and SBI Life Smart Scholar Plan if you need ULIP. India First Young India Insurance Plan, Tata AIG Life United Ujwal Bhavishya Supreme Plan, etc. are plans that you can consider.

You can also opt to choose LIC Jeevan Saral Plan as a pure endowment plan with additional benefits of loyalty for long term accumulation of wealth.

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