

Beyond 'tax saving'

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'Insurance' is frequently referred to as a 'mis-sold' product—and is the most misunderstood product. We are all aware of our need for generating wealth and we do that in a number of ways – from rationalising expenses, creating savings to investing for growth. What evades us is the need for a safety net when we fall. Regular savings alone cannot compensate for sudden losses caused by death, disability or destruction of property, that too if those events happen at a very early stages of one's life. It is this need that insurance fulfils.

People tend to be disciplined investors under two circumstances:

1) When there is a tax-benefit and 2) When there is a contractual obligation to save with some regularity. Insurance falls under the second category where the investor has to contribute regularly for a given period of time. Thus apart from acting as a financial safety net, insurance serves as a disciplined saving/investing instrument. The need to create a financial safety net starts from the day you draw your first pay cheque. As your responsibilities grow, so grows the extent of your need for a 'financial safety net' or insurance. Insurance protects you from loss of life/health or property. It ensures that your family has the means to live a comfortable life and maintain similar standards of living through all circum-

KEY TAKEAWAY

Make sure your family's lifestyle isn't affected if you die, provide for your children's education to their becoming independent.

stances. Without insurance, you and your family would not have the means to tide over sudden financial contingencies, eroding net-worth in the process. As per a research done by DFID UK, lack of insurance aggravates poverty by 33 per cent. Thus it is a moral and social responsibility of each one of us to provide for unfortunate events and prevent loss of finances and the resulting hardships at the family and national level.

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