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5 things you should know about Term Insurance Plans



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I like to equate Term insurance with a Parachute – in simple words, it has your back. While it is not exactly a prevention measure and cannot stop any event from happening, it does protect the financial future of your kith and kin. A few things you should keep in mind while considering a pure protection cover like a term plan

Low Cost, but no Returns: It is designed and priced to provide a pay out in case of a demise only. It is not structured to be an investment or give you returns. The upside – it is low cost. The downside – there is none, because if you don't get a pay out, it means you are alive and kicking!

Do you need it? : Like I have mentioned earlier, it has your back. If you have a loan of any kind and would not want the liability to fall on any family member in your absence, you definitely need some form of term insurance. Al-

ternatively, you may be earning an income that sustains your family / their lifestyle. You definitely don't want them to compromise on the same. Do them a favour and get yourself some term cover.

How long should you keep paying for? : Start with covering yourself through your earning years. So you simply deduct your current age from your retirement age and take a term plan for that long. Also, if you are buying a term plan to cover you against a loan liability, you can take a reducing balance cover that reflects your loan schedule (its cheaper!).

Choose your Sum Assured and Pay



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same amount for many years: The beauty of individual protection covers is that they are structured to charge the same amount of premium through the term of the plan even though you grow older and your risks increase. Basically, if you start young and buy for a long period you pay a level amount through the period. No age based surprises! You can reassess your needs every 3-5 years and add more cover as needed.

Very Simple: If you are one of those who start sweating at the thought of crunching numbers or dealing with financial plans, you have nothing to fear. Unlike various insurance and investment options, there is not much rocket science when it comes to term plans. You know an amount you pay for say 15-20-25 years (as you choose) and you know an amount your family receives in case of the life assured's unfortunate demise. It is easy to compare as well as long as you keep total sum assured, age and term constant!

Term Insurance is the most selfless investment you make for your family. It is a very basic step in your journey of financial planning. It is a good place to start. After all, it's famously quoted "We can't plan life. All we can do is be available for it."