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Define Goals And Objectives Of Investment

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«INSURANCE

I would like to opt for 2 Education Policies for my 2 daughters aged 2 and 8 respectively. I would like ULIP for both of them. I need your help to suggest me the best options available.

—Munnawar Ansari, Mahim

It is good to know that your need is well defined that you need the 2 plans for both of your daughter's educational purpose. The MOST difficult part of Financial Planning is to define goals and objectives of investment. Now, since you have already decided on both, you must also realize that your tenure for investment would 'be 10 (for your 8 years old daughter) and 16 (for your 2 year old daughter) such that your corpus is ready for your daughter's Education when they are 18 years old.

Another thing you must decide is that Present Value of the Education that you intend to provide for them. For example, if you wish that they study engineering in a college where the present cost is Rs 10 lakhs, then the Future Value needs to be calculated at 12% p.a. education inflation which is always more than normal inflation, could be safely assumed at a standard of 7% p.a. Education Inflation has always been much more and not it is at a standard of 5% more than normal Inflation.

Now, for the Solution, as you rightly said, you could opt for ULIP with Triple Benefit where you would get the Fund Value as Maturity Benefit at the end of the Policy Tenure to meet the needs of the child's educational purpose. However, if you die within the policy tenure, the Sum Assured is paid as Immediate Death Benefit and the future premiums are waived off and policy continues. When the policy matures, the Fund Value is paid as per schedule to meet the needs of your daughter's Educational Purpose, the initial reason for opting for the plan. You could opt **for:**

1. Star Union Dai-Ichi Life Insurance Prabhat Tara 3 Plan where over and above the benefit mentioned, there is 1% Family Income Benefit payable every month after the death of the Life Insured.
2. AegonReligare Rising Star Plan
3. Aviva Young Scholar Advantage
4. ICICI Prudential Smart Kid Premier Plan
5. Tata AIA Life Insurance GyanKosh Plan- In this plan, there are 2 options Security Net or Safety Net.

I am a married woman aged 24. My husband's age Is 25. We both are working and are looking for an Insurance policy where we have Tax Benefits (80C) and get Rs 20-30 lakhs in return in 20 years.

-Sangita Ved, Marine Lines

Since you have mentioned that you are looking for a plan for the BOTH of you, you can opt for a Joint Life Term Plan, there is one such plan from HDFC Life Insurance called HDFC Life Term Assurance Plan. In this plan both husband and wife can be covered together but the minimum Sum Assured is Rs 25 lakhs.

However, if you wish to take a joint life term plan, you can do so, but it may not necessarily be lower premium, since this is an offline plan and the rates would be higher than online ones.

Hence it would be best if you compare quotations and then purchase. Some cheap online term plans that you can consider are:

Bharti AXA Life eProtect Plan
HDFC Life Click 2 Protect Term Insurance Plan
IndiaFirst Anytime Plan

Term Plans are pure protection plans. If you need investment as well, you can start a SIP or a PPF for the future. Or opt for an Endowment Plan like LIC JeevanSaral Plan.

I purchased SBI Life Unit Plus II Pension optlon-II in 2009 and I paid three premiums (Rs. 60000 per year) continuously. So I want to discontinue and surrender the policy. Should I wait for some more years to get back atleast what I Invested or should I surrender the policy now Itself?

—Namita Mahajan, Sion

There is no logic to discontinue your ULIP after 3 years. Please understand that you should never stop a ULIP before 10-15 years. The entire purpose gets defeated and then you would crib for not good returns. Please understand ULIP investment should be at least for 15-20 years else you would not get good returns. It breaks even over the costs only after the 7th year from the 10th year onwards for sure. Thus, if you need short term 5 years investment, then you must investment in pure investment products like Mutual Funds, etc.

ULIPs are very good if it is continued till a very longtime. ULIPs are long term plans and most of the policy charges are charged upfront. Even though the charges are usually r low in single premium policies, they are relatively higher than traditional insurance policies. But it is always a better deal to continue the plan till the end to get best returns.

If you shift from one ULIP to another only because of low Fund Value, let me assure you that you would have the same concern there, irrespective of the plan you opt for.

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If you had taken the policy from a long-term perspective then you should wait till the end of the policy term because once the markets start performing, your policy fund value will also go up. Do not panic or worry much if the value is not looking good currently.

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