

10 REASONS YOU NEED TO BUY LIFE INSURANCE



Buying life insurance is one of the most important financial decisions, but believe it or not, only 10 per cent of the Indian population is insured. But why is it so important? Well, regardless of how much you earn, no one knows what the future holds. Lots of people die a premature death every year from illness or accident and, if you happen to be the sole breadwinner in the family and you were to pass away,

Young people think life insurance is something you need to think about when you get old. But, that's a myth.

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it could have devastating consequences on your loved ones – their ability to pay household expenses, pay off debts and maintain their standard of living. The least you can do, therefore, is to secure your family's financial future by buying life insurance policy. Besides, do not overlook the benefits of a life insurance during your lifetime, especially if you are young. Here, we list 10 compelling reasons for buying a life insurance policy.

Illustrations By AJAY THAKUR

1 **Looking after your loved ones even after you're gone.** This is the most important aspect of life insurance that one needs to factor in. Your family is dependent on you even after you're gone and you certainly don't want to let them down. Whether it's for replacing lost income, paying for your child's education or making sure your spouse get the much-needed financial security, life insurance could save the day for your surviving dependants.

2 **Dealing with debt.** You don't want your family to deal with financial liabilities during a crisis. Any outstanding debt – a home loan, auto loan, personal loan, or a loan on credit cards – will be taken care of if you happen to buy the right life insurance policy.

3 **Helps achieve long-term goals.** Since it is an instrument that keeps you invested for the long term, it would help you achieve your long-term goals, such as buying a home or planning your retirement. It also provides you with diverse investment options that come along with different types of policies. Some policies are tied to certain investment products that pay dividends based on their performance. If you are opting for an investment-linked policy, be sure to read the fine print to be fully aware of the potential risks and returns.

4 **Life insurance supplements your retirement goals.** Who wouldn't like their retirement savings to last until they do? With a life insurance plan, you can ensure you have a regular stream of income, every month. Putting money in an annuity is like a pension plan – put in some money regularly in a life insurance product and enjoy a steady income every month, even after retirement.



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5 **Buying insurance is cheaper when you're younger.** Not every millennial needs a life insurance policy. If you haven't created an emergency fund or you're still living off your parents' money, insurance shouldn't be a priority. However, if you do have dependants or you have co-signed a loan with your parents (or any other member of your family or friend), whether it be a student loan or a home loan, you need to start considering buying a life insurance policy. Besides, coverage costs are much lower when you're single.

Insurance agents may try to sell you a policy that you might not need. Therefore, do your due diligence or approach a financial planner to determine how much insurance you need, considering the other assets you may own. Even if you're single, there may be other dependants and you need to ensure they're taken care of.

Says Pradeep Pandey, Chief Marketing Officer, Future Generali Life Insurance: "The earlier the better. For instance, single people provide financial support for aging parents or a sibling with special needs. Insurability is another reason to consider life insurance when you're single. If you're young, healthy and have a good family health history, your insurability is at its peak, and you can get the best rates on your life insurance policy."

6 **Your business is also taken care of.** Life insurance isn't only for yourself and your family. Some insurance policies also take care of your business. If you own a business, then your business partner can purchase your portion of the business without hassle. Your business partner(s) will enter a buy-sell agreement and the payout would go to the deceased partner's nominees, but without giving them a stake in the company.

There are two types of life insurance

policies – a term insurance policy and a life insurance policy. While we are all aware of the death benefits these insurance policies provide, we know little about the various options it lays out that could help strengthen your financial position.

A term insurance provides protection for a specified period of time (eg: 10, 20 or 30 years) and pays out the benefits only if you die during the term. The policy will expire and coverage will end, if you outlive your policy.

An investment-cum-protection plan on the other hand, offers you a lump sum amount on the completion of the term of the policy. These plans also offer you protection but the cover is usually not as high as offered with term plans.

7 Tax-saving purposes. You could save taxes with insurance policies, irrespective of what plan you buy. The premium you pay on an insurance policy is eligible for a maximum tax benefit of ₹ 1.5lakh under Section 80C, and for tax-free proceeds on death/maturity under Section 10 (D) of the Income Tax Act, 1961.

8 A tool for forced savings. If you choose a traditional or unit-linked policy, you pay a premium each month, which is higher than what it costs to insure you. This bit of extra money is invested and it accrues cash value. This cash can then be borrowed against the policy or you can choose to sell it or draw income from it.

9 You may not be qualified for it later. Life insurance policies run on uncertainties. You may be healthy now and paying a premium for life insurance may seem to be an added financial burden, but if you suddenly fall ill, you may not be allowed to buy a life insurance policy. Therefore, it is imperative to buy one early on in your life because it remains in force if your

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health deteriorates later on.

Insurance companies allow you to attach certain 'riders' or benefits to your existing or new policy. These riders enhance the quality of your insurance. The accelerated death benefit rider, for instance, allows the policy owner to avail all or a part of the policy's death benefit if he or she has less time to live due to a critical illness, or wants to use the money for medical treatment or related expenses.

10 Peace of mind. Death is unavoidable. In the face of tragedy, the least you can do for your family is to secure their financial future. Even if it is a small policy, you know that you've done all you can to help them tide over difficult times.

Says Pandey: "Life insurance is a great tool for both protection as well as helping a consumer save in a disciplined manner which leads to creation of a good corpus. The need for life insurance changes at different stages of your lifecycle depending on the financial obligations and dependencies."

Insurance plans provides us with much more than just preparing us for an unfortunate event. They are good investment options. But the most important thing to do is to get advice on a policy that would serve your requirements best. For instance, if a 70-year-old with no immediate liabilities buys a unit-linked policy it would certainly not be wise. An insurance agent must know your spending habits, your needs, plans and future responsibilities thoroughly before suggesting the right policy. Also, be sure to ask the various riders you can avail of on your life insurance policy. Remember, the older you get, life insurance will only cost you more. ♦

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