

FINANCIAL planning though insurance

■ IN the wake of increasing inflation and changing lifestyles, it is imperative for every individual to focus on financial planning at an early stage. A financial plan of an individual should be customised to meet one's individual needs at different stages of life and it is important to have a balanced mix of instruments to address the various needs of protection, savings and wealth creation. It is observed that people tend to focus on the 'wealth creation' aspect of financial planning and the 'protection' element often gets compromised or neglected.

■ Why life insurance?: Life insurance is still a nascent idea and most people do not think about it until a major change causes them to consider what might happen to their loved ones in case of any unforeseen circumstances. While the main objective of buying a life insurance policy is to protect oneself from unforeseen circumstances, it can also help in wealth accumulation and preservation and give access to liquidity at the right time. Life insurance is a good investment tool, which is comparatively simpler, more affordable and most importantly caters to the different stages of the individual's lifecycle. You can buy a pure protection plan (a term-plan) at an early stage, which is most affordable, or a unit-linked plan at a later stage, which gives you the opportunity of earning higher returns, but involves market risk.

There are specific education plans that ensure that your child's education is not compromised in case of an unfortunate situation and you can also plan your retirement through pension plans.

■ Disciplined saving: Apart from being a protection tool, life insurance also helps a consumer save in a disciplined manner, which leads to creation of a good corpus. While other financial instruments may give you exciting returns, but there is no other instrument which benefit with consumer's little involvement, investment or expertise.

■ Addresses multiple needs: The key objective is to secure your family's financial needs in your absence. These needs should be scientifically assessed depending on the life stage at which the individual is, along with current liabilities, expectation of future liabilities, number of dependents, financial goals, life style etc.

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