



# Child Insurance Plans

Secure your child's tomorrow! Discover how to pick the right child insurance plan in minutes.



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Every parent dreams of giving their child the best opportunities in life, whether that means access to quality education, a secure financial foundation, or support during important milestones. A child insurance plan is designed to make this dream more achievable. It offers a unique blend of protection and investment, ensuring that even if life takes an unexpected turn, your child's aspirations remain financially supported without interruption.

## **What is a Child Insurance Plan and Why It's Often Misunderstood**

A child insurance plan is a specialised financial product created to safeguard a child's future needs, particularly education and major life goals. It works as a dual-benefit plan by offering both life insurance cover for the parent and a systematic investment avenue for long-term wealth creation. In essence, it ensures that a child's financial journey continues smoothly, regardless of unforeseen circumstances in the parents' lives.

Despite its importance, child insurance is often misunderstood as some view it as just another savings tool, while others compare it to fixed deposits or education loans. This limited perspective overlooks the unique feature of these plans, which is the combination of protection and investment. If the parent (policyholder) passes away, the insurance element steps in to cover future premiums or provide an immediate payout, while the investment portion keeps growing to meet upcoming financial milestones.



This built-in safety net is what makes child insurance plans more comprehensive than conventional savings options.

## Common Misconceptions About Child Insurance Plans

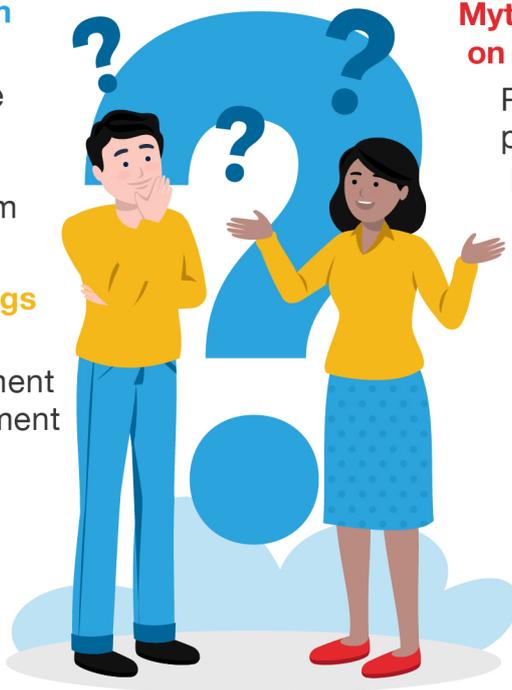
Because of the hybrid nature of these policies, there are a plethora of myths surrounding child insurance plans. Let's address a few common ones:

### Myth 1: It's the same as a term plan

Reality: A child plan covers the parent's life but is designed to provide funds at specific milestones, not just a lump sum death benefit.

### Myth 2: It is just another savings scheme

Reality: While it has an investment component, the insurance element ensures financial continuity in case of the policyholder's demise, something no ordinary savings plan guarantees.



### Myth 3: Payouts happen only on maturity

Reality: Depending on the plan, partial withdrawals, milestone payouts, or even systematic income benefits are possible.

### Myth 4: It is only for wealthy parents

Reality: Plans come in various premium brackets, often starting as low as ₹1,000 per month. The key is starting early and staying consistent.

## Types of Child Insurance Plans

Child insurance plans can be broadly classified into the following categories:



## 1. Child ULIPs (Unit Linked Insurance Plans)

Child ULIPs are among the most popular choices for parents who want their child's education fund to grow at a faster pace. These plans combine life insurance protection with market-linked investments. A portion of your premium goes toward life cover, while the rest is invested in a mix of equity, debt, or balanced funds, depending on the risk profile you select.

Parents can choose the type of fund allocation- equity-heavy for higher returns, debt for stability, or a balanced mix for moderate growth. Over time, the investment component grows with market performance.

Child ULIPs offer the potential for higher returns, flexibility to switch funds, and long-term growth to beat education inflation, making them suitable for parents with a 10–15 year horizon who are comfortable with market fluctuations.

## 2. Traditional Child Endowment Plans

For parents who value security and predictability over market-linked growth, traditional child endowment plans serve as a dependable choice. These are low-risk products that combine life insurance protection with assured returns, offering either a lump sum or periodic payouts at maturity.

The premiums paid are directed into the insurer's participating fund, and depending on the policy, parents receive a guaranteed maturity benefit along with potential bonuses that can enhance the overall corpus.

However, it is essential to note that while these plans guarantee payouts, the returns are typically modest, averaging around 4-6% per annum. As a result, they may not always keep pace with the rising cost of higher education.

## 3. Money-Back Child Plans

Money-back child plans are structured to provide payouts at specific milestones such as school admission, higher education, or college fees. These staggered benefits ensure that parents have access to funds when real expenses arise, while the plan also offers life cover for the parent throughout the policy term. At maturity, any remaining balance is paid out, combining both protection and milestone-based financial support.

This format is ideal for parents who want to align insurance benefits with their child's key life stages, whether it's school fees, overseas education, or marriage. The timely liquidity helps meet crucial expenses without financial stress, though it is important to note that since funds are released periodically, the final maturity corpus may be lower compared to lump-sum plans.

## Who Needs It and When

The real question with child insurance is not whether you need it, but when you should start. The earlier you begin, the stronger the financial safety net you can build for your child's future. Let's look at how the timing differs based on your child's age:

### 1. Young Parents (Child age 0–5 years)

This is undoubtedly the best time to start a child insurance plan. Since the child is very young, parents have a long horizon, typically 15 to 20 years, before major expenses like higher education or marriage arise.



#### Why it's beneficial:

**Lower premiums:** Premiums are more affordable when you start early, as the parent (policyholder) is younger and generally healthier.

**Power of compounding:** A long tenure allows your investment to grow significantly, helping you beat the rising cost of education (which is inflating at 10–12% annually).

**Flexibility:** You can opt for growth-oriented ULIPs or balanced plans, since you have time to absorb market fluctuations.

### 2. Middle Parents (Child age 6–12 years)

At this stage, your child's education expenses are not far away. School fees are already rising, and higher education costs are just a few years down the line. While the horizon is shorter than in the early years, it's still possible to build a sizeable fund with the right plan.

#### Why it's beneficial:

**Milestone planning:** Money-back or endowment plans can provide staggered payouts that align with upcoming school or college fees.

**Balanced growth:** You can choose a mix of low-risk traditional plans or short-to-medium-term ULIPs to strike a balance between safety and returns.

**Focused cover:** Insurance ensures that even if something happens to the parent, the child's medium-term needs, like coaching, school admission, or higher education costs, are not disrupted.



### 3. Teen Parents (Child age 13–18 years)

For parents of teenagers, the horizon is very limited. Higher education and other big-ticket expenses are only a few years away. In such cases, long-term compounding is no longer possible, but insurance can still play a crucial role in providing protection and short-term financial support.

#### Why it's beneficial:

**Single-premium or short-term ULIPs:** These are better suited since they require either a one-time investment or allow you to invest aggressively for 5–7 years.

**Liquidity-focused options:** Money-back plans or short-term endowment plans can provide funds right when your child enters college.

**Protection element:** Even with limited time, life cover ensures your child's immediate educational goals won't be compromised in case of an unfortunate event.

**Pro Tip:** As per a CRISIL study, higher education inflation in India is rising at 10–12% annually. That means a course costing ₹10 lakh today could cost ₹26–28 lakh in 10 years. The earlier you begin, the less pressure on your finances.



### How Much Cover Do You Really Need?

This is one of the most crucial decisions when buying a child plan. Under-insuring or over-insuring can both be problematic.





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### Estimating Future Education Costs

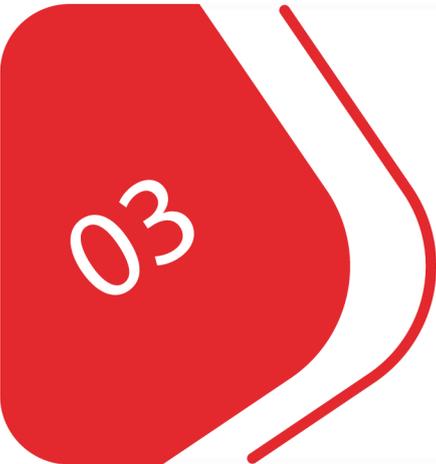
The foundation of a child insurance plan is understanding how much money you will actually need. In India, pursuing higher education at premier institutes like IIM, IIT, or in fields such as medicine can cost anywhere between ₹20–25 lakh today. If your child aspires to study abroad, the figure rises sharply, with international education in countries like the US, UK, or Australia often ranging from ₹50 lakh to ₹1.5 crore, depending on the course and location.



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### Accounting for Inflation

Education inflation is significantly higher than general inflation, often around 10% annually. This means that a course costing ₹20 lakh today may cost close to ₹52 lakh a decade later. Ignoring this factor can leave a huge gap in your financial planning, making it critical to project costs in future value, not just present terms.



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### Beyond Tuition Fees

While tuition fees make up a large portion of expenses, they are not the only costs parents need to prepare for. Living expenses, travel, accommodation, books, extracurricular activities, and personal development programs all add to the overall financial burden. In some families, parents also wish to account for marriage expenses or even provide seed capital if their child chooses an entrepreneurial path.



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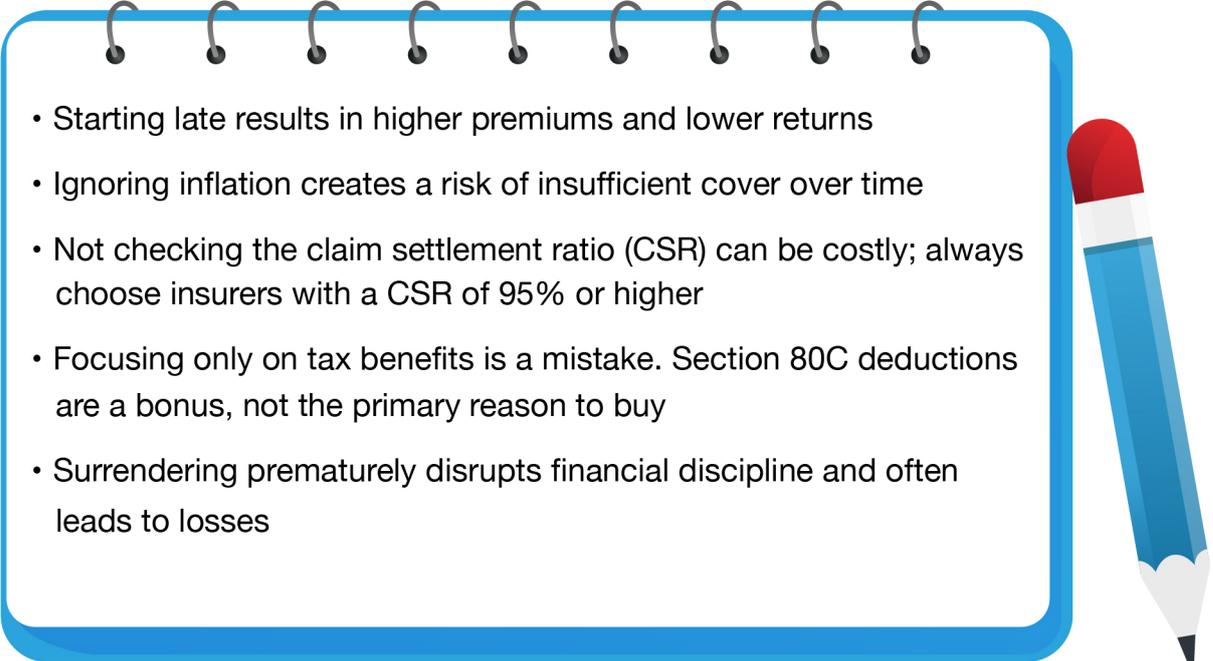
### The Rule of Thumb

A simple framework to avoid being underinsured is to select a sum assured that is 10 to 15 times your annual income, and then add the estimated education costs on top of it. This ensures that your child's critical milestones remain financially secure even if something unforeseen happens to you. By combining income replacement with projected expenses, you create a robust financial shield that aligns with your child's future aspirations.

Use an Education Cost Calculator or Term Plan Calculator to estimate coverage more accurately.

# Common Mistakes People Make When Buying a Child Insurance Plan

Even with the best intentions, many parents fall into avoidable traps when purchasing a child insurance plan. These mistakes often reduce the effectiveness of the policy and may even derail long-term financial goals. Some of the most common ones include:

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- Starting late results in higher premiums and lower returns
  - Ignoring inflation creates a risk of insufficient cover over time
  - Not checking the claim settlement ratio (CSR) can be costly; always choose insurers with a CSR of 95% or higher
  - Focusing only on tax benefits is a mistake. Section 80C deductions are a bonus, not the primary reason to buy
  - Surrendering prematurely disrupts financial discipline and often leads to losses

## Add-ons That Actually Matter

Not every rider is worth paying for, but a few can significantly strengthen your plan:

### 1. Waiver of Premium Rider

This rider ensures that if the parent (policyholder) passes away during the policy term, the insurer takes over the responsibility of paying future premiums. The plan continues as if nothing has changed, and the child's benefits remain intact. It safeguards long-term goals without burdening surviving family members.

### 2. Accidental Death & Disability Rider

In case of death or permanent disability due to an accident, this rider provides an additional payout over and above the base sum assured. It acts as an extra layer of financial protection for the child. This cushion ensures that sudden, unforeseen events do not derail planned milestones.

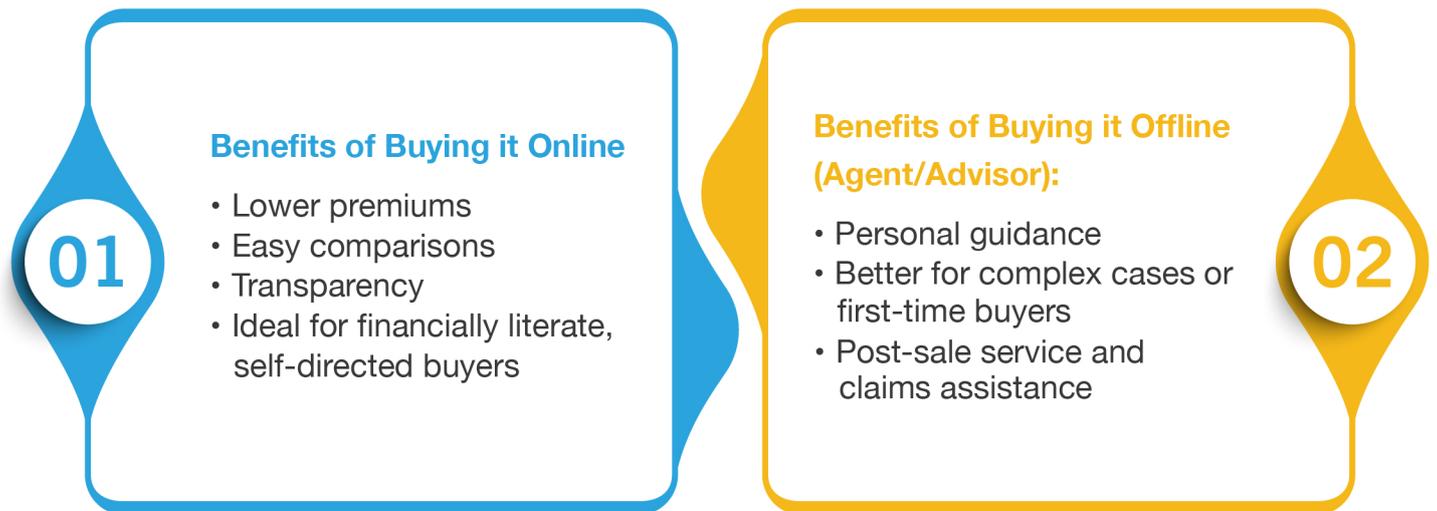
### 3. Critical Illness Rider

This rider offers a lump-sum payout if the policyholder is diagnosed with a serious illness such as cancer, heart disease, or kidney failure. The amount can be used to cover medical costs, recovery, or to maintain financial stability. It prevents treatment expenses from eating into funds earmarked for the child's future

Skip unnecessary add-ons that inflate premiums but don't align with your family's needs.

# Buying Online vs Offline - A Practical Decision Tree

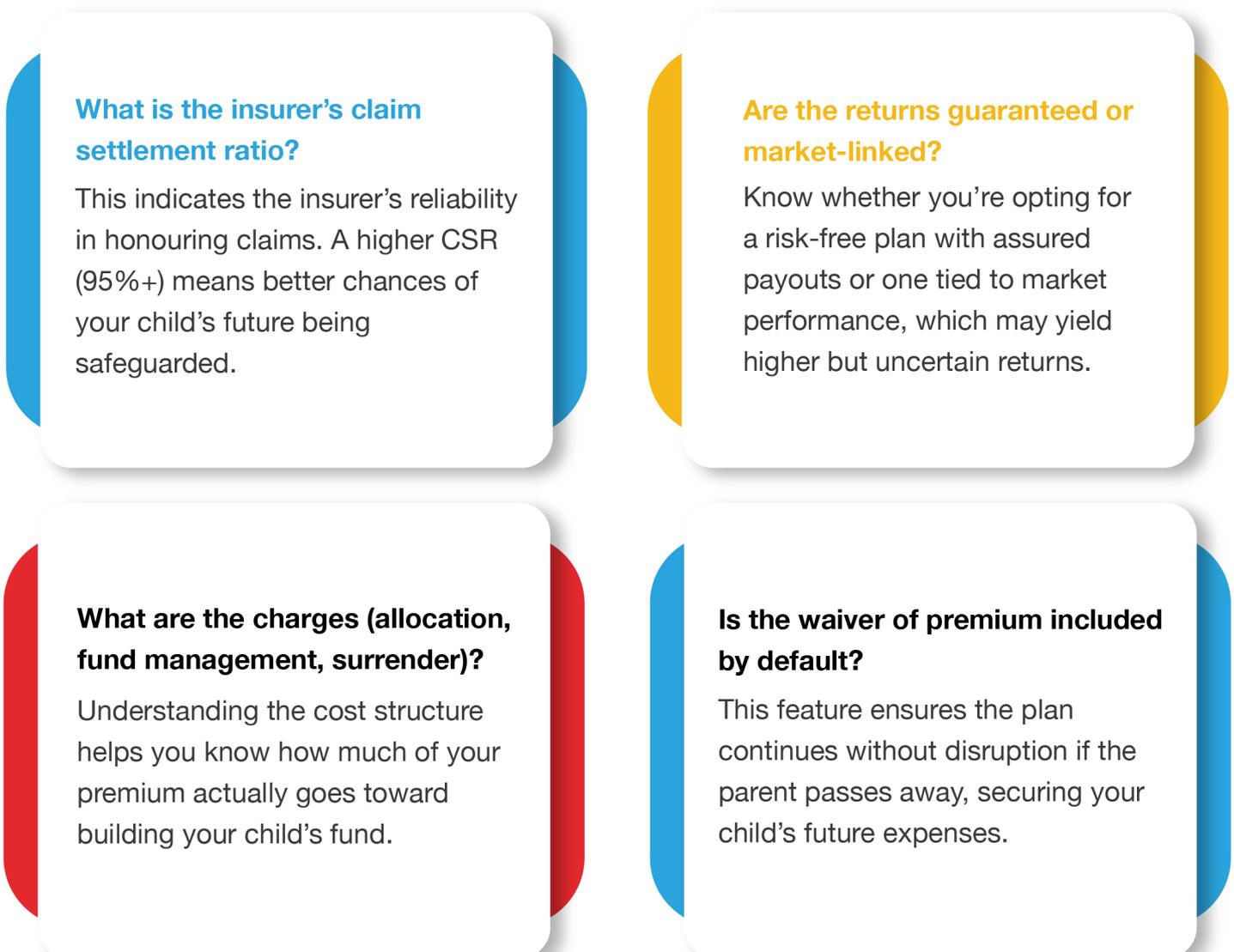
Let's quickly weigh which option is better: buying the policy online or offline.



Compare insurance plans across multiple providers before deciding.

## Real Questions to Ask Before You Buy

Before committing to a child insurance plan, it's important to ask the right questions to ensure the policy truly meets your child's future needs.



### Can payouts be aligned with specific milestones (school, graduation)?

Check if the plan allows money-back or milestone-based benefits, so funds are available exactly when your child needs them.

### What happens if you miss a premium?

Understand the grace period and revival rules, as missed payments can reduce benefits or even terminate the policy.

## Glossary

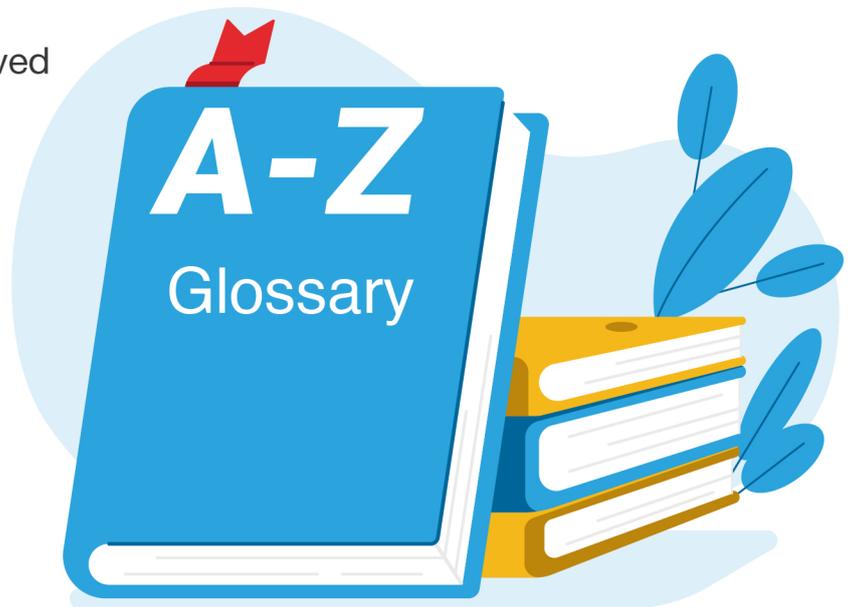
**Sum Assured:** Guaranteed amount payable to the nominee in case of the parent's death

**Maturity Benefit:** Lump sum received at policy maturity

**Premium:** The amount you pay to keep the policy active

**ULIP:** A financial product that combines life insurance coverage with market-linked investment opportunities

**Surrender Value:** The amount payable if you terminate the policy before maturity



## Checklist: Your 5-Minute Child Insurance Readiness Test

Use this quick checklist to see if you're ready to buy:

- ✓ Have you calculated your child's future education cost (with inflation)?
- ✓ Do you know your family's financial needs if you are not around?
- ✓ Did you check if the plan includes Waiver of Premium?
- ✓ Are you starting early enough to benefit from compounding?

If you answered 'Yes' to all five, you are ready to buy. If not, pause and re-check before committing.

## Next Step:

- [Compare Child Insurance Plans Now](#)
- [Speak to a Certified Advisor](#)
- [Use Our Calculator](#)
- [Download the PDF Guide for Future Reference](#)

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