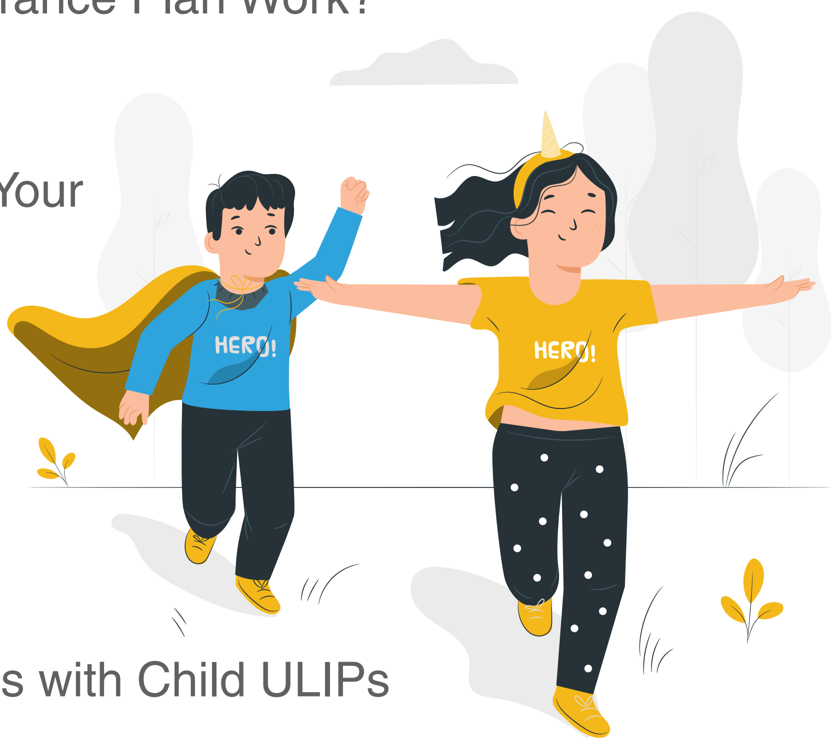
Canara HSBC
LIFE INSURANCE

Child Insurance

Life is full of uncertainties, but a few things shouldn't be left to chance. Child insurance plans ensure that your child's needs are looked after as per your plan. These plans will not only help you invest in your child's future but also safeguard it from the unforeseen. Having a child is one of the biggest joys you can experience as a parent. With more happiness comes more responsibilities. These responsibilities include raising your children well and ensuring a good education and marriage for them. As a parent, you would want to take care of all these goals. But what if something were to happen to you before you could take care of all these responsibilities for your child?

Content



What is a Child Insurance Plan?

A child insurance plan is a type of life insurance that aims to secure your child's future. These plans provide you with both a life cover as well as an opportunity to invest and build your corpus. Child insurance plans ensure that your child achieves his goals even when you are not present.

The following features make a child insurance plan a great investment option for funding your child's future:

01 Goal Protection

In normal cases, after your death, your family will receive the death benefit and your policy ends. But under this feature, the death benefit is received after your death and the policy continues. The remaining premiums are funded by the company.

This ensures your family doesn't have to pay extra premiums and goals can be achieved as intended.

02 Adjustable Sum Assured

The sum assured in these plans can be increased with time. For example, if you have received a raise in your salary or are planning a second child, you would feel that your coverage should be increased. But you don't have to buy a new policy for this. Some child insurance plans allow your sum insured to be increased in the middle of the policy.

03 Flexibility of Investment & Maturity

In premium Payments: You can pay your premium as per your preference in monthly, quarterly, or yearly modes. Also, limit the duration of investment while ensuring coverage for a longer term.

In Pay-outs: You can also choose how you will receive your pay-out. It can be a lump sum or yearly payment.

04 Partial Withdrawals

After the lock-in period of 5 years is completed, you can withdraw from your funds. This withdrawal is free from tax as well. These get deducted from the sum assured.

05 Loan Facility

You can use your child's insurance plans, such as money back and **endowment plans,** to take loans against them. These policies build cash value over time, which enables you to take a loan while keeping the policy intact.

Why should you Buy a Child Insurance Plan?

The primary reason **why you should buy a child insurance plan** is that it will take care of your child's goals even when you are not present to do so. But this is not the only reason. Here are other reasons why you must consider buying a child insurance plan.

01 It will Ensure a Good Education

With the help of child insurance plans, you have a chance to build a large corpus to take care of your child's higher education:

- Invest in multiple asset classes including equity
- Actively take advantage of market performance with automated strategies
- Bonus additions for long-term investments.

02 Helps in Emergencies

The best child plans covers your goal for:

- Your untimely death
- Permanent total disability

The disability cover is above the base sum assured for death.

03 Can be Used as Collateral for a Loan

Often, if you have a high performing asset like a child ULIP plan, you may find borrowing more beneficial for the child's expenses.

04 Helps Build a Saving Habit

All child insurance plans involve a regular premium payment over a long period. When you pay your premiums regularly you also develop a habit of savings.

This ability to save can help you create a large enough corpus that will not only help your child, but you and your spouse as well.

Types of Child Insurance Plans

Child insurance plans have been classified based on their unique investment characteristics. The safety feature of all child insurance plans remains the same. As of now, you can invest in the following three types of child insurance plans:

- **Child Endowment Plans**
- **Child Money Back Plans**
- **Child Unit-Linked Insurance Plans (ULIPs)**

Child endowment and **money back plans** are traditional life insurance plans customised to suit a child's cash flow needs. These plans offer guaranteed benefits and bonus additions should you choose the option.

Child ULIPs, on the other hand, are purely market-linked investments. You can only invest in a debt fund for more stable returns. However, the investment will remain linked to the market.

How Does a Child Insurance Plan Work?

A child insurance plan includes both investments and insurance. Here's how the policy works after you have purchased it. The premium is allocated towards the fund you have chosen.

Early you Start, More you Save

If you invest early, you can create the desired savings horizon to meet your financial obligations such as your child's education and marriage.

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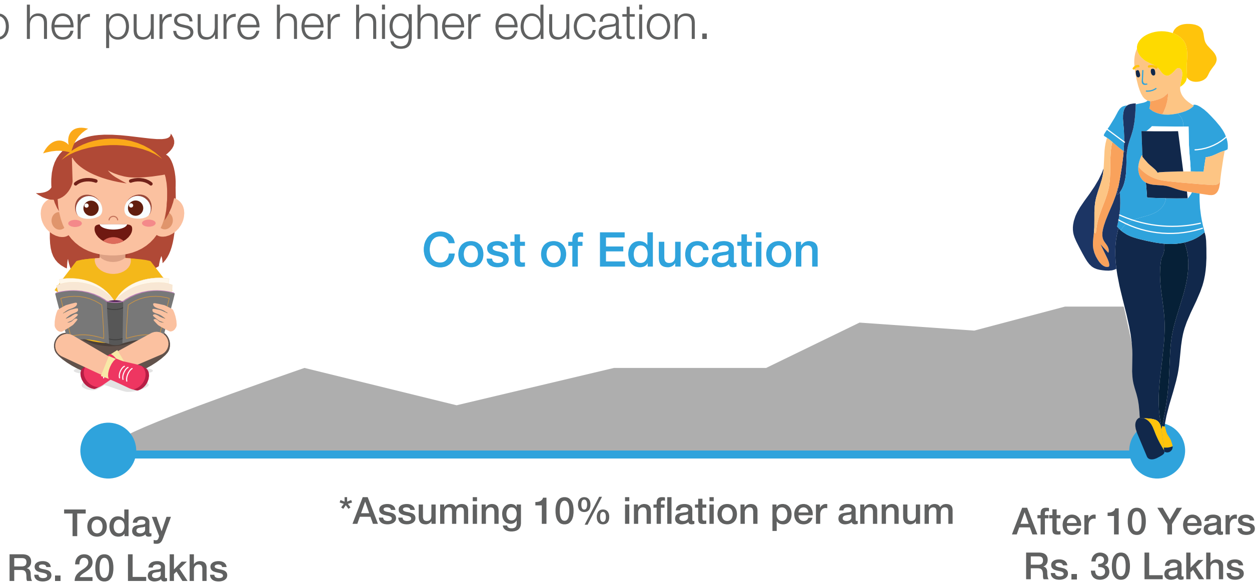
Let us consider this example to understand the benefit of investing early in child insurance plans:

Mr. Gupta is in his mid 30s and has a 5-year old daughter - Bhoomika. Mr. Gupta wants to **build an education fund** for his daughter, which will help her pursue her higher education.



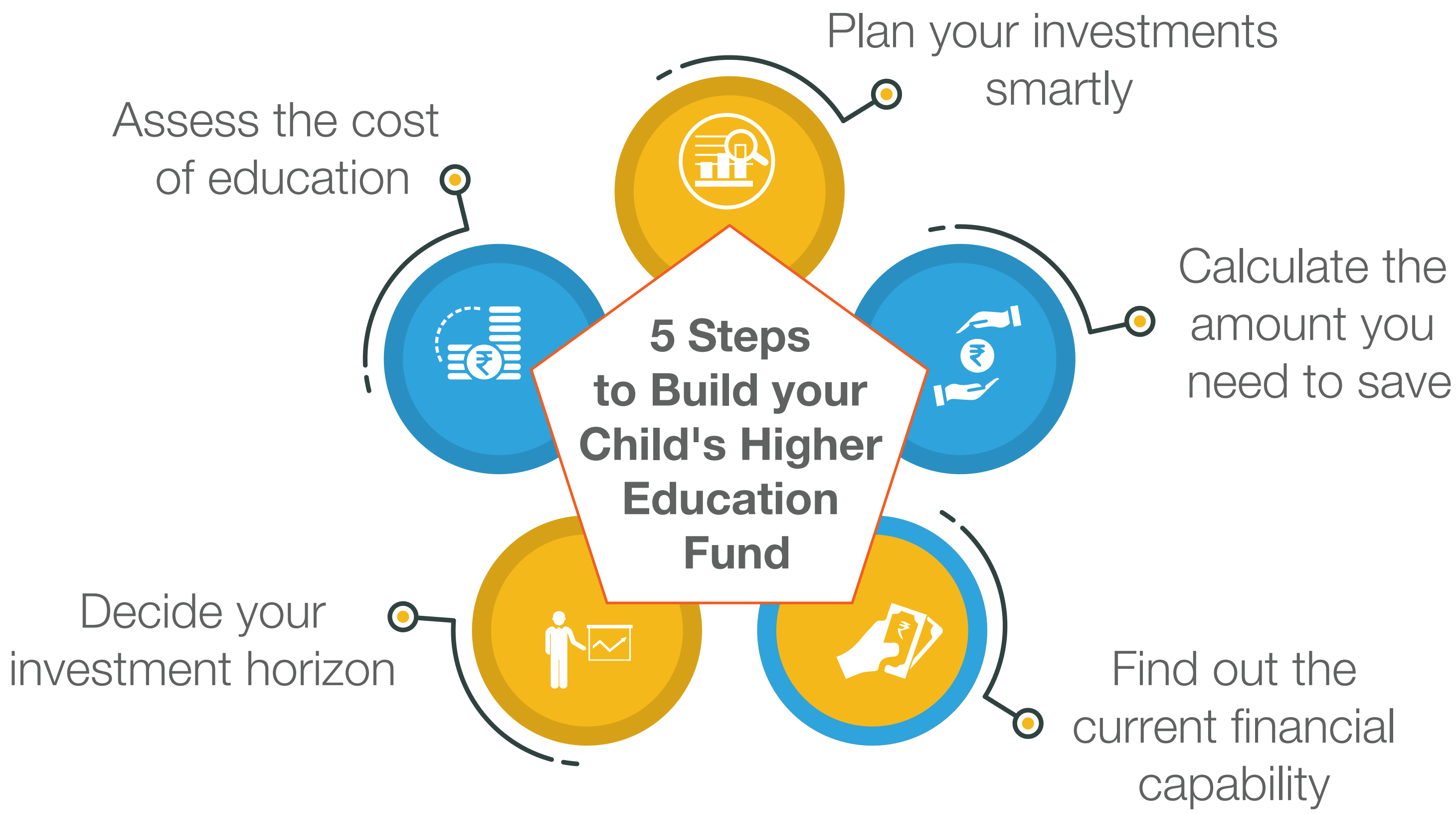
Start Saving Now!

01 Adjustable Sum Assured

Now, depending on the type of policy, you have purchased, you will get **maturity benefits.**

02 Adjustable Sum Assured

A child insurance plan is a little more than just a normal investment and insurance plan. So, while the death benefit is payable, you have the option to choose premium protection at the time of purchase.

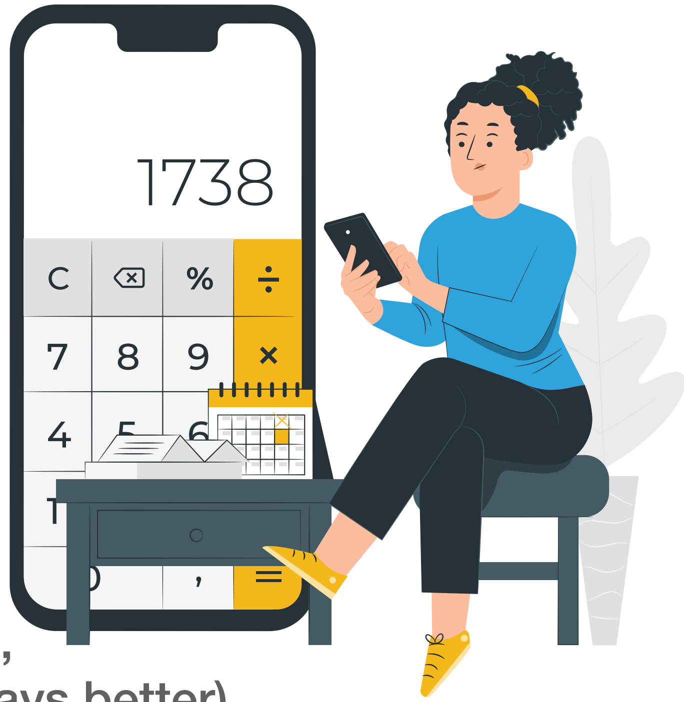


How Much to Invest in Your Child Insurance Plan?

The cost of education has been one of the fastest rising prices in the country and globally. This is also an area that is affected a lot by inflation. Thus, it becomes important to plan well ahead so that your child can fulfil his dream.

Before investing, you must try to ascertain how much you will require achieving the goal of education. You can use **online child education calculators** for this purpose.

Enter the following details in the calculator:



1. The current age of your child
2. Age he will attain he will pursue higher education and profession
3. The present cost of the education.
4. The expected inflation rate for the cost.
5. Enter the expected rate of return on the money invested in this goal (this will depend on your asset mix, however being conservative is always better)

After entering all these amounts, the calculator will give you:

- The total money you will need to fulfil the child's goal in future
- The money you need to save every month to build this corpus

Tax Benefits in a Child Insurance Plan

Child insurance plan tax benefits depend on the type of plan you invest in. It offers significant tax-saving benefits on both the premiums paid and on the policy benefits received upon maturity and during the policy term. The following table shows the different tax benefits and taxability of child insurance plans:

	Traditional Child Plan	Child ULIPs
Tax Deduction on Investment	Up to Rs 1.5 lakhs p.a. or as defined by section 80C limit for life insurance plans	Up to Rs 1.5 lakhs p.a. or as defined by section 80C limit for life insurance plans
Tax Benefits on Maturity Value	Exempt if annual investment throughout policy term remained up to 10% of the life cover sum assured	Exempt if annual investment throughout policy term remained up to 10% of the life cover sum assured. (except for policies bought after 1st Feb 2021)
Investment Limits for Tax Benefits	No limit	If aggregate annual investment exceeds Rs 2.5 lakhs in all the ULIPs, ULIPs bought after 1st Feb 2021 will lose the tax benefits.
Taxability of Maturity Value / Partial Withdrawals	Partial Withdrawals are not available. However, surrender value is not taxable.	Partial withdrawals will be taxable as short or long-term capital gains & treated as: Equity if equity fund allocation was more than 65% Debt otherwise

Maximising Tax Benefits with Child ULIPs

If you have not invested in any **ULIPs** before February 1, 2021, you only need to take care of the following conditions:

- **Make sure your annual investments do not exceed 10% of your life cover.**
- **Ensure that your aggregate investment in all ULIPs, including child plans, does not exceed Rs 2.5 lakhs per year.**

For example, assume that you have invested Rs 1 lakh and Rs 1.5 lakhs in two ULIPs before February 1, 2021. You have decided to use a child ULIP plan to build a corpus for your child and aim to invest Rs 2 lakhs per month in the plan.

In this case, your new ULIP will not enjoy the same tax exemptions on maturity and withdrawals as your old ULIPs. Since each year, your total ULIP outflow will be more than Rs 2.5 lakhs.

However, if you stop investing in the old ULIPs and only invest in the new child ULIP plan, you can continue to enjoy the tax exemption on the new plan.

Although, despite the tax advantages, leaving established investment plans for new ones is not a wise idea, unless:

- The old plans are very close to maturity.
- Old investments have already achieved their intended values.

ULIPs are long-term investments and provide many added benefits to long-term investors. So, unless you have already availed yourself of these benefits to the maximum, it is wiser to continue with your old investment. You can postpone the new investments until they mature.

Child Insurance Plans from Canara HSBC Life Insurance

Child Investment Plans	PPF	Endowment Child Plans	Moneyback Child Plans	Child ULIP	Mutual Funds
Investment Term	15 years extension in 5 year tranches afterwards	10 years and more	10 years and more	Min 5 years Max up to 100 years of age	No Limit
Return Type	Fixed Income	Mixed Portfolio, Investor choice	Fixed Income	Mixed Portfolio, Investor choice	Market Linked Only
Life Cover	Not Available	Available	Available	Available	Not Available
Financial Goal	Not Available	Available	Available	Available	Not Available
Tax Benefits	Fully Exempt	Fully Exempt*	Fully Exempt*	Fully Exempt with limits	Only for ELSS funds#
Frequency of Investment	Regular & One Time	Regular & One Time	Regular & One Time	Regular & One Time	Regular & One Time
Portfolio Management for equity investment	No Equity investment	No Equity investment	No Equity investment	Choice of Strategies (STP, SIP) or Manual	Choice of Strategies (STP, SIP) or Manual

*Provided investment in any financial year does not exceed 10% of the life cover sum assured
#Investment up to Rs 1.5 lakhs into ELSS funds is eligible for deduction u/s 80C. Withdrawals are taxable if the capital gain exceeds Rs 1 lakh.

Tax deduction for new ULIPs after 1st Feb 2021 is limited to a gross annual investment of Rs 2.5 lakhs. Check 'Tax Benefits in a Child Insurance Plan' to know more.

How to Buy a Child Insurance Plan?

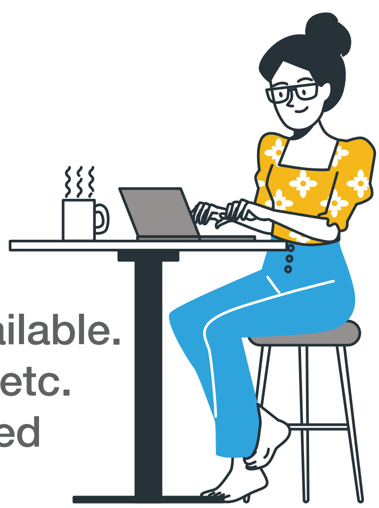
Canara HSBC Life Insurance offers a variety of child insurance plans both online and offline.

- Know your financial goal
- Judge your risk appetite
- Decide an investment tenure
- Check for features & riders
- Review and compare plans

You can buy a child insurance plan online or offline, as per your convenience:

ONLINE

- Select your child insurance plan
- Add premium protection benefit and select funds (if investing in Child ULIP)
- Calculate your premium
- Enter the basic details in the application form
- Undergo medical tests (If asked)
- Pay your premium from the various online modes available. You can pay via credit card, debit card, net banking, etc.
- After the verification of details, the policy will be issued to you



OFFLINE

- You can buy child insurance plans offline as well. This can be done through a direct walk-in at the office or through an advisor. The rest of the process remains the same.
- Advisor will take care of your application and paperwork
- You need to submit physical copies of all the documents

Charges Associated with a Child Insurance Plan

Traditional child plans like endowment and money back plans do not have explicit expenses on the invested money. You do not have to worry about expenses in traditional child plans as the insurer offers guaranteed benefits to you. Thus, child ULIP plans can include one or more of the following expenses:

01 Premium Allocation Charges

These are the fixed charges reduced from the premium even before allotting you the policy. This is levied to recover the expenses incurred on the allocation of the policy, such as initial and renewal expenses, underwriting, etc. These are high in the initial years, and we observe a fall thereafter.

02 Policy Administration Charges

As the name suggests, these are levied for the management and administration of your ULIP maintenance costs. Paperwork costs, etc. are included in this charge. These are deducted after the policy has started every month.

03 Fund Management Charges

This is charged for the management of the funds invested by you. The charges vary according to the fund chosen. These are generally lowers the risk for death. This charge is levied daily on the value of assets. This is done before determining the **NAV (Net Asset Value).**

04 Partial Withdrawals

After the lock-in period, you can start withdrawing from your funds. The charges levied when you withdraw from your funds are known as "partial withdrawal charges."

05 Mortality Charge

These charges are for your insurance cover. After assessing all the risks, the insurance company calculates an expected age at which you will live. These charges are levied to compensate the company if you die earlier. This charge is also deducted each month.

06 Switching Charges

ULIPs give you an option to switch between the funds according to their preference. But switching also attracts charges. This varies with different companies.

07 Rider Charges

If the ULIP you purchase has an option to add riders, then the riders you pick will charge you extra. For example, critical illness riders and accidental death riders.

Jargons Related to Child Insurance Plans

Premium

A premium is the amount you pay to keep the policy running. As long as you pay the premiums, your policy is active and you are covered. If the premium is not paid, your policy can be terminated.

Sum Assured

It is the pre-decided amount that you are covered for. This is the minimum sum that your **nominees** will get if you die within the policy. The sum assured is chosen before buying the policy. Make sure it will be enough for your loved ones.

Death Benefit

This is the amount that your nominees ultimately receive after your death. The death benefit is usually higher than the sum assured and the fund value. The child insurance policy's death benefit can be either taken in a lump sum or in instalments.

Unit

Child ULIPs have a choice of a lot of funds you can invest in. Units are assigned to you against your investment amount in each fund. The number of units assigned to you is based on the fund's NAV at the time of investment. For example, if you have invested Rs 10,000 in the equity fund of a child ULIP, when the fund NAV is 100 Rs, you will be assigned 100 units.

Fund Switch

Chid ULIPs also provide you with an option to switch between funds during the term. These ULIPs include many fund options with different risks and return capabilities. You can switch from one fund to another if you like. However, some funds have a limit on the number of switches.

NAV

This stands for Net Asset Value. It is the value that a 'unit' possesses. Any fund you invest in contains investments of other investors as well. The whole pool is divided by the units to determine the NAV.

Lock-In Period

This is the period wherein you cannot withdraw from your funds. A lock-in period is usually 5 years. If you want to withdraw in this period then your policy is discontinued

Partial Withdrawal

After the ULIPs lock-in period is over, then you can withdraw from your funds without any charges. These are known as **partial withdrawals.** This gets deducted from your sum assured.

Policy Charges

Child ULIPs carry certain charges for the services they offer. Types of charges are

- Premium Allocation Charges
- Policy Administration Charges
- Fund Management Charges
- Switch charges
- Premium benefit charges

What charges are levied depends on the insurer.

Premium Protection

Also called the premium funding benefit, this is a feature that ensures that your child plan investments will continue even after your death. Under this option, the insurance company takes care of the remaining premiums after the policyholder's death. The investments will continue to grow until the intended maturity.

Portfolio Management Strategies

Child ULIPs offer certain strategies that tend to manage your portfolio automatically. These strategies have a pre-defined way of working. Once you select these strategies, they work on their own, and you don't need to do anything more.

Child ULIPs are a great tool for you to save and grow your money for your child's future goals. Such investment features in the child ULIP like **Invest 4G** make it one of the best options for investing in a child's higher education and marriage goals.

Child Support Benefit

Child support benefit is a rider available with life insurance plans which offers an additional sum of money for the child's financial goals.

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