

# Choose guaranteed plans to get maximum benefits

**Guaranteed plans essentially remove the risk inherent in investing**

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**A**s a customer, you may be seeing a number of guaranteed plans in the market... the natural question that arises is - are such plans good for you and in the long run, do they help you build your financial strength and immunity over a given period of time?

Let us understand how guaranteed plans can be useful to help meet your targeted financial goals and the important considerations to keep in mind when investing your hard earned money in guaranteed plans.

There are two key considerations you should keep in your mind before opting for an insurance plan - A) what is the nature of the financial milestone or life stage goal that I am targeting, and B) your personal appetite on risk, that is, the possibility of variable returns including incurring a capital loss on your investment.

How critical is the financial milestone or goal that you are targeting through this investment and how many years away, is what determines suitability of whether you should go for guaranteed plans. Say, your child is planning for college entry in 5 or 10 years from now and will require a significant corpus of money which is top priority, there are no other alternative saving pools which can be employed - then you would like to minimise any chances of your investment missing the goal or the value of your investment falling short due to market uncertainties.

Your personal appetite for risk and volatility in your investments is an equally important consideration and you should be conscious of what your inherent appetite is. Some customers are comfortable with high volatility and the chance of capital losses/low returns, in expectation of possible superior outcomes; however, others would be more comfortable with a lower targeted return but lesser or nil chance of variability. Lower variability

also means that your planning can be accurate and focused. Work out with your financial advisor or through online resources what your own risk appetite is, in the context of your / your family's financial context.

Guaranteed plans essentially remove the risk inherent in investing by providing an upfront guarantee and clearly specifying at the beginning of the plan - the 'get' in the give vs. get equation. The amount to be received at maturity of the plan or where the amount is paid out in the form of income or lump sum tranches is specified upfront for a given premium to be paid, along with the benefit to be paid in case of an unfortunate event for the life assured. Hence, if you are A) targeting a critical and non-negotiable financial goal which is at a defined timeframe not too far in the future (say within 15 years); and B) your personal risk appetite is conservative, then you should go for guaranteed plans.

With increasing uncertainty on economy particularly due to the impact of the ongoing pandemic, volatile capital markets and sharp drop in interest rates, many customers have shown preference for guaranteed plans this year. There are some unique benefits offered by guaranteed plans:

**Life cover** - The first priority before any investment should always be to protect your family from uncertainty in your absence, and hence the life cover in insurance plans is invaluable since it provides certainty and peace of mind for a long term.

**Lock in of benefits irrespective of interest rate movements** - Interest rates are volatile and by purchasing a guaranteed plan, you not only lock in the guaranteed return for the money paid at purchase but also for all premiums to be paid during the term of the plan. This is a valuable benefit

if interest rates are expected to be lower in future.

**Tax benefits** - Normally the maturity amount and any payments such as guaranteed income benefits or regular payouts during the policy and post maturity are all tax free provided the benefit on unfortunate death is at least 10 times the premium paid. Hence, do check that the guaranteed plan offers you the tax free advantage on your investments, which makes guaranteed plans very competitive against alternative guaranteed return options which may not have tax advantages.

**Ability to take benefits in lump sum or as regular income** - This is a useful way to help structure the benefits from your investments in line with your needs. For example, if you want to create a guaranteed second income for your family, then you could opt for taking the return in the form of guaranteed income, but you could also choose to take the same as lump sum for a specific milestone.

**Long term guaranteed returns** - Life insurance plans offer the option of taking long term guaranteed returns for tenures as long as 20, 30 or 40 years. This long term guaranteed return is not easily available in other investment options which are typically within 10 to 15 years.

In summary, guaranteed plans are very relevant in today's uncertain times with their many advantages and must form a key part of your investments - in particular, for each of your critical life time goals and if you have a conservative risk appetite. Guaranteed plans can help you protect and nurture your promises to your family with the confidence and certainty of guaranteed returns.

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