



LIFE INSURANCE

A gesture that you Care

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Most of us live in a belief of immortality; to us early deaths, families going through bad times are only stories that we hear from a friend or about our friends or distant relative or a neighbor. We sympathize with them but ignore the odds that something similar can happen to us which will leave our family in despair and financial deprivation.

The irony is that we buy car insurance without a second thought but ignore life insurance which is much more important for the family. Life insurance is needed for everyone who makes an economic impact to somebody else's life. At any point in time one should have planned in such a manner that in one's absence, the family will not need to compromise on their current lifestyle and yet-to-be fulfilled needs.

In an ideal scenario, one should at least have a life insurance cover equal to one's annual income multiplied by number of years to retirement. However, this amount is just a starting point and must be put into the context

of other liabilities, expenses, inflation and present ability to set aside money for it.

The tendency to over-scrutinize or ignore the decision to purchase a life insurance puts the family in a great risk of financial hardship in absence of the bread winner. Here are ten most common mistakes people make regarding buying (or not) buying life insurance.

1. I am single. I don't need life insurance!

Life insurance is a necessity if you have any sort of financial obligation or people financially dependent on you. You may be running some loans or have credit card outstanding at any point of time. In your absence your family will have to repay them back to bank. Life insurance can help you cover such liabilities and relieve your family from your financial obligations.

It's also reasonable to expect that your income improves the standard of living for your parents and siblings. The expenses you incur for the household, financial support

you provide for the important family functions like your sister's marriage etc., in effect creates the financial dependence on you. Your parents may not be currently dependant on you but may rely on your income once they retire. Your absence can put their retirement at risk. Life insurance ensures that the lifestyle of your family is not impacted and the financial goals do not remain unfulfilled.

2. I am young and fit. Why should I take life insurance?

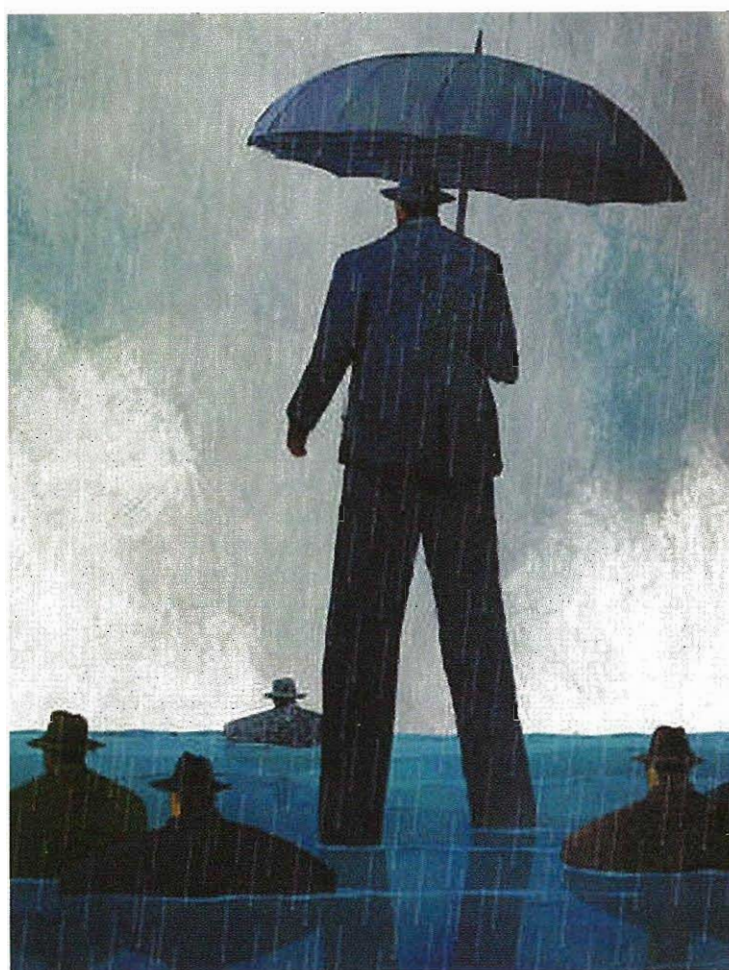
Life Insurance is all about covering the financial void in your absence for your family - a sudden death of young and healthy person due to an accident or disease can deprive the family of sound financial future. On the contrary, it actually makes a financial sense to buy life insurance if you are young as it helps you lock in lower rates and guaranteed coverage. This especially helps because later in life you may develop health issues and will not be eligible for insurance or will have to pay a heavy price for it.

3. I don't have kids. Why do I have to think of life insurance?

You may not have kids now, but you prefer to drive a car instead of a - two- wheeler, because it's safer for you and your spouse, it's comfortable, and if your family - expands in the future, your car will still serve the purpose. Similarly, you should consider life insurance because it secures that comfortable lifestyle and

With regard to the need of life insurance, here are some key points:

- One, you shouldn't leave Life Insurance out of your financial plan unless you have enough assets for your family after you are gone.
- Two, now with the internet, it's so convenient to search for term plans, understand right amount of cover for you using online human life value calculators, compare premiums, and purchase a plan which best suits your needs. Explore these plans at your own pace with no high pressure sales tactics.
- Three, remember to review your life insurance coverage every 3 to 5 years. Choosing a Life insurance is a smart and cost effective way to financially secure your family.
- Buying a life insurance plan is a gesture that shows you really care for your family.



provides a safe financial future for your spouse in your absence. Your spouse will still have to manage the loan EMIs and monthly expenses. This will be more difficult if your spouse is not working as it will take time for a career onset, which may further require education or training. With life insurance, your spouse can cope up and move ahead in life.

4. My employer provides me life insurance cover. I don't need more.

There is a difference between having a life insurance and having adequate life insurance. The right amount of life insurance can completely replace your future earning potential till your retirement age in your absence. Many companies provide a cover which is 2 times the annual salary of the employee. However, the benefit may be just enough to support the family for a year or two. Another consideration is how long you would want to stay with your present company. Life Insurance here is a prerequisite and will only last till you are with that company. When you leave your company it may be too late for you to take a new life insurance or too costly when you actually need it.

5. My Spouse is the primary earner and is adequately insured. Why should I buy?

Your spouse may be adequately insured and he or she

may not completely depend on your income. But as a career women or a homemaker you still in many ways do take on responsibilities and your income impacts the standard of living of the family. For instance, you save your income for your child's education or for the down payment of the house or as a homemaker you are running household, taking care of kids, cooking etc. In your absence, life will become more challenging and expensive for your spouse. He or she may have to hire help or change his or her work habits to accommodate a new lifestyle in your absence. Hence, you should buy life insurance as it can help in reducing the burden for your spouse and maintaining the standard of living.

6. I already have a life insurance policy purchased few years back. I am done.

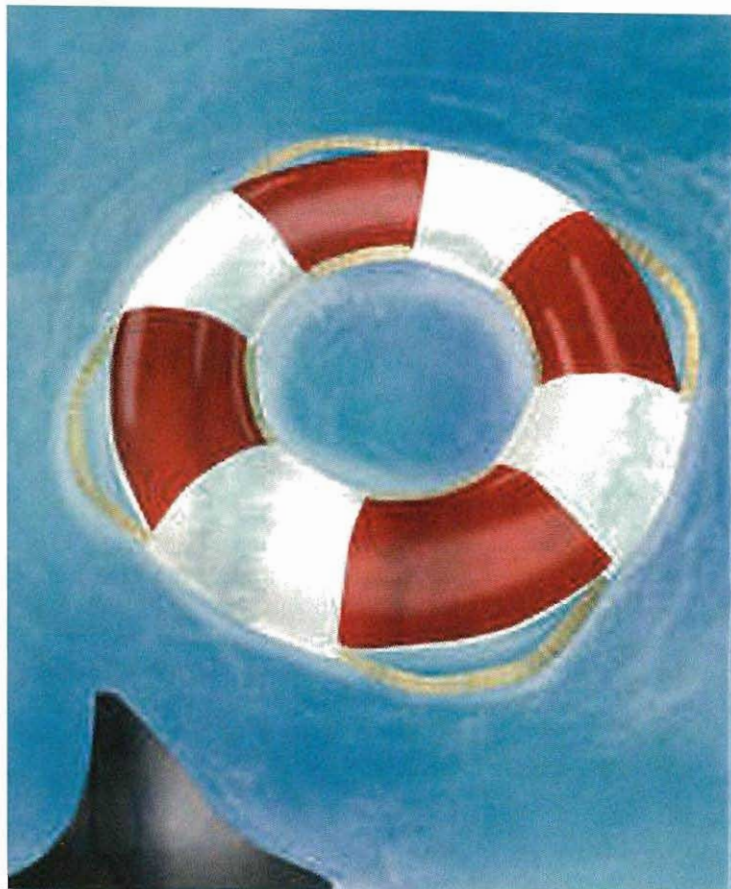
Life insurance isn't about 'Buy once and then forget about it'. Your coverage should be reviewed at every important milestone of your life like - marriage, birth of a child, purchase of an asset etc. Every important milestone should prompt you to revisit your insurance coverage. Even if there are no big changes, a review every 3 to 5 years will help you keep pace with inflation, change in standard of living and change in income. Such reviews of your life insurance coverage will help you get the best value for the premiums you pay as per your attained age.

7. Life insurance does not give any returns.

Many people compare life insurance with an investment product; however it's not about returns but about the peace of mind! Life insurance covers the risk of 'dying too early'; by paying a few thousand Rupees every year one could avail cover in lakhs and crores. Imagine a situation where the life insured dies after purchasing a policy, term insurance would give his or her family a big lump sum to sustain their lifestyle and unfulfilled goals.

8. Life insurance is very expensive.

Many times we believe certain things are expensive without really studying the price. Expensive is a relative term and for life insurance it has to be looked in the context of the cover you need, ability to put aside money for it and the provider you choose. The premiums for life insurance have almost become less than half of what was offered 10 years back. There are many affordable life insurance plans now available online. For - instance: A 30 year old male can get a cover of Rs 1 Crore by paying a premium around Rs 6500 for a 20 year term. This works out to be less than Rs 18 per day making it probably cheaper than your daily commute cost or mobile bill for a day or even expense for a cup of coffee.



9. I can defer buying this policy for a few years. What's the hurry?

Life insurance is like the spare wheel in your car, if you don't always have it along, you may repent at the time of puncture. Similarly one should not speculate death to decide on purchase of life insurance. You need life insurance till the time you accumulate sufficient liquid assets and/or have reduced dependence. By deferring the decision to purchase, you take a big chance when you depend solely on your savings in the early years of your life, especially if you have dependents. If you die without coverage for them there may be no other means of provision after the depletion of your current assets.

10. It's a hassle to take life insurance

It's another myth; in this age of the internet, you can apply for life insurance online through a simple application process which takes about 10-20 minutes. You can calculate the right amount of insurance by - filling in a few basic details on the web portal. Many online term plans now offer a non-medical option for a cover as high as Rs 50 lakhs and even more. In case the medical examination is required, the company representatives help you in getting your medical test done. The policy document is delivered on your email id. All of this is simple and done through a hassle free process. ■

The writer is Director, Sales & Marketing of Canara HSBC OBC Life Insurance. The views expressed are personal.