

## 'Guaranteed income plans can go long way in your financial planning'



NEW DELHI: Modern is a mix of careful investment management and planning for the uncertainties of life. The start of any financial plan is always a sufficient and tailored insurance cover for life and health which protects you and your family from drastic unforeseen events.

However, achieving financial goals smoothly requires that a person covers the uncertainty in investment plan as well, for the most critical and non-negotiable financial goals.

Current market situations can lead to an unpredictable financial outcome in the time ahead and that applies to each one of us. In such tricky times, guaranteed income or guaranteed savings plans are one of its kind insurance plans, which provide a guaranteed and sustained income for the life stages when financial support holds the prime importance.

Market conditions in the equity markets can be very unpredictable and your investment outcome may vary based on the timing of entry and exit; however, with guaranteed income plans the best part is, these plans are not impacted with equity market conditions or rising or falling interest rates.

Guaranteed plans have sufficient long tenure and ensure the insured person gets fixed returns with a clear 'give and get' as guaranteed by an insurance company. Alongside sustained income, such plans also provide the added benefits of life cover and tax benefits as applicable.

### **Let's understand guaranteed income plans:**

A guaranteed income plan is a traditional saving plan that provides insurance coverage together with guaranteed earnings in the form of periodic payouts.

First, the customer needs to assess his/her financial appetite & savings goal to decide the duration and payment options from the given insurance policy.

One main point a customer has to keep in mind, to achieve a target financial goal after n years, you would need to pay higher premium per year if you choose a shorter payment period, but the total premium paid over the policy term may be lower in this case as compared to if you choose to pay for the entire policy term. Guaranteed income plans also empowers the customer to decide income payout duration and choose the payout structure –on the basis of monthly, quarterly, annual or as a lump sum.

The income is defined as percentage of sum assured or a multiple of customer's annual contribution and remains fixed throughout the payout period.

A guaranteed income plan is best suited for people who have started planning for their financial goals such as retirement when there is sufficient number of years left for the goal, as the power of compounding works in your favour. It is also easier to manage finances and pay premiums when a person has regular flow of income.

### **Benefits of guaranteed income plans**

\* **Guaranteed payouts:** It provides a guaranteed income for a fixed period of time to address expenses and planned outgoes to maintain lifestyle.

\* **Flexibility in benefit payout:** There are various plan options available which provides the flexibility to avail income as per the requirement of the buyer. One can opt to receive income for a fixed period of time or for whole life depending upon the financial needs. One can also choose to have the entire benefit in one go.

\* **Ensures family security:** It also extends life cover in addition to financial protection not just for the buyer after retirement but also to their family. The plan is especially beneficial for those families who have a solo bread earner.

\* **Tax benefits:** Through the guaranteed income plan, one can save tax on contributions made as per Section 80C. Most importantly, the income received under the plan is exempted from tax as per the applicable tax laws.

#### **Here's how you can make the best of a guaranteed income plan:**

\* Choose a plan that best fits your financial needs. The product should have enough flexibility to align the benefits as per your life needs and stages.

\* Check for additional features in the product like Waiver of premium where premiums are waived off in case of Insured's death. Spouse cover feature is also beneficial as it takes care of the financial need for the surviving spouse post demise of primary life. It is important to check for the option to receive money in monthly, quarterly or any frequency as per your needs or option to convert into lump sum in case of any financial crisis.

\* Provisioning the money is of utmost importance. The income plan is generally considered as a replacement to retirement income, but is undeniably a very good secondary source of income. It can act as a booster to your existing income or pension provisions. The immediate years after retirement are the most crucial years actual years as money outflow is generally higher. This is the time when people pick up their missed hobbies, follow their passion, and plan to explore. For a short period of say 5/10 years, such plans can act as a supplement income provider.

\* While your primary income plan will fund your life, a guaranteed income plan can double up as a health cushion.

\* One should be regular with their premium payment to ensure a smooth financial goal planning. Ensure that you inform your spouse or loved ones about the insurance cover in the plan and how to claim in case the need arises.

A guaranteed income plan unlike market linked options will give fully certain pay-outs along with life cover and your benefits will not vary due to any market uncertainties.

These plans offer guaranteed benefits right at the start of the policy; hence Interest rate fluctuations do not impact the policy benefits or returns -- making these plans a valuable and unique hedge against change in interest rates impacting your returns.

Guaranteed income plans can thus go long way in your financial planning, removing uncertainty of returns and providing security to your family and ensuring peace of mind.

-By Anuj Mathur

(The author is managing director and CEO of Canara HSBC Oriental Bank of Commerce Life Insurance.)

<https://timesofindia.indiatimes.com/business/wealth/savings-and-investment/guaranteed-income-plans-can-go-long-way-in-your-financial-planning/articleshow/86760897.cms>