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Wealth Guide: Why should students start investing in life insurance early? here are 4 benefits!

There are a few things in life that are guaranteed but long-term wealth and financial stability are not amongst them.

At the same time, aspects like taxes and inflation are way beyond one's control and should not be ignored while one is planning their long-term investment.

Investing in life insurance is one of the few investment options that can help secure your funds and life as well. If anyone starts saving for life insurance in the early years, they can protect their savings from both inflation and taxes in a given period of time.

You might want to question, "Can you buy life insurance at an early age or even while being a student?" Or "Does a young single person even need life insurance?" Let's understand this in a simpler way -

Rishi Mathur, Chief Digital and Strategy Officer at Canara HSBC OBC Life Insurance helped us decode why students should start investing in life insurance at an early stage:

When should a young person purchase Life Insurance?

Contrary to the popular belief, investing in life insurance while a person is young and studying or is about to kick start the career could be advantageous.

There are many situations in which life insurance can help, even when one prepares for life's numerous challenges. Let's consider a few scenarios

1. Do you have an education loan?

Education Loans in India are loans that one as a student can avail of with the help of a co-applicant to fund higher education. In most cases, the repayment is done post the completion of the course, once the applicant starts earning.

But what if an unfortunate event occurs and there is still a large portion of loan to be repaid? In the given situation, the co-applicant will have to bear the entire burden.

However, the sum assured of the life insurance policy can be used to pay off part or the entire amount of the education loan basis of the sum assured.

2. Do you have any dependents?

Situations can be different for all and while a few may get married while pursuing their higher education, some may be able to complete their higher studies later than others.

If an individual falls into any of the above scenarios, then they should think about getting a life insurance policy. This will take care of families because the money received can be used to pay for expenses in your absence.

3. To safeguard your parents' wellbeing

Our parents put in all the efforts to ensure that their kids enjoy a comfortable and stress-free life. As they age, it is the child's responsibility to look after them.

But what if an unfortunate event unexpectedly occurs and child is not there or is unable to ensure a good life for them? A life insurance policy here will provide them with a lump sum and/or a regular income that they can use to take care for themselves.

It can also be used to repay loans that they may have taken for any or sundry reasons.

Benefits of getting insurance at a young age

The early or mid-twenties are the time to have fun and enjoy life, and planning for future years may not be the first thing on one's mind. However, investments are done in the early stages of life usually give larger returns in later years owing to the compounding effect.

Advantages of 'Starting early and being smart' with your insurance planning --

1. Lower the age, lower the premiums

One of the most important reasons to purchase an insurance policy early is to save money on renewal premiums. The cost of insurance premiums, generally known in insurance parlance as 'mortality cost', rises continuously as one gets older.

This is because at a younger age, an individual is healthy and at a lower risk to have critical illnesses, thus reducing the chances of unfortunate events.

Life insurance companies, therefore, are able to provide the same benefits at lower costs basis the age of an individual. Note that this is true for all types of life insurance but is most evident in term insurance.

Even if one is investing in a traditional savings plan or unit-linked plan, the premiums or mortality charges taken will be lower given the young age and health condition.

2. Buying insurance is easier at younger ages

Normally, the process of purchasing life insurance requires a medical examination or health check-up to be done. However, at a younger age, it is likely that such requirements could be waived off, particularly if a person is in healthy condition.

Even if medical tests are required to be done, it may only require a basic sample rather than elaborative tests.

3. Make the power of compounding work for you

Compounding means when the interest earned on the principal is reinvested in the policy to earn additional interest. In other words, it is interest on interest.

By starting investments in a savings plan or unit-linked plan early, one would be able to provide time to help compounding work.

The longer the money is invested; the better would be the compounded growth. Starting a little early in life, say by 5-7 years, can make a huge difference to the corpus at maturity.

4. Tax benefits

Life insurance policies provide tax benefits subject to certain conditions. A person can make suitable investments under life insurance policies where there is a certain amount of tax rebates.

Hence investing in life insurance products can reduce tax liability, while at the same time giving the power to save more!

As the famous saying goes, “It’s never too early to start”. And it especially stands true to investing in life insurance as the benefits are immense – right from securing the future of one’s family to getting an edge in the race for investing for a better life in the golden years.

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