



*Sar utha ke jiyo!*



# HDFC Life - Life Freedom Index (LFI)

Pandemic piques interest in financial products

*Study conducted by NielsenIQ • Aug 2021*

# INDEX

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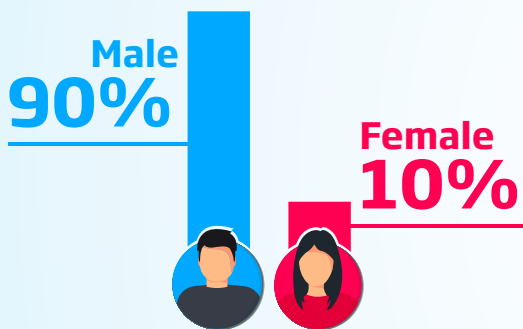
▣ STUDY PARAMETERS & PROFILE COMPOSITION	1
▣ WHAT IS LIFE FREEDOM INDEX?	2
▣ LIFE FREEDOM INDEX 2021: KEY HIGHLIGHTS	2
▣ COVID IMPACTING FINANCIAL FREEDOM	3
▣ LIFE FREEDOM INDEX	5
▣ FINANCIAL SUFFICIENCY AND ADEQUACY INDEX	6
▣ FINANCIAL PLANNING INDEX	6
▣ FINANCIAL AWARENESS INDEX	7
▣ FINANCIAL LIBERTY INDEX	7
▣ LIFE INSURANCE CONFIDENCE INDEX	8

*How truly free is an individual from a financial perspective? The Life Freedom Index assesses the current state of financial freedom of urban Indian consumers, their awareness about available products, sufficiency and adequacy of financial planning, and above all, their current state of financial freedom.*

*Established in 2011, the Life Freedom Index (LFI) is a proprietary study by HDFC Life that enables the measurement of 'financial freedom' of consumers across four key segments: Proud Parents, Wisdom Investors, Young Aspirants and Smart Women. The previous edition of the LFI was conducted in 2019, capturing consumer confidence on financial preparedness for the future.*

## STUDY PARAMETERS & PROFILE COMPOSITION

Sample size: 1987 • Methodology: Face-to-face interview



**Metros :** More than 40 Lakh population  
Ahmedabad, Bengaluru, Chennai, Delhi, Kolkata, Mumbai

**Tier 1 :** 10-40 Lakh population  
Kochi, Indore, Ludhiana, Bhubaneswar

**Tier 2 :** Less than 10 lakh population  
Rohtak, Jalgaon, Ballari, Raebareli

### Segment Definition & Composition



**22%**

#### YOUNG ASPIRANT

Male, Age: 20-30 years, SEC A or B, who have invested in at least one financial product



**29%**

#### WISDOM INVESTOR

Male, Age: 46-60 years, SEC A or B, who have invested in at least two financial products



**39%**

#### PROUD PARENT

Male, with kid/s, Age: 31-45 years, SEC A or B, who have invested in at least one financial product



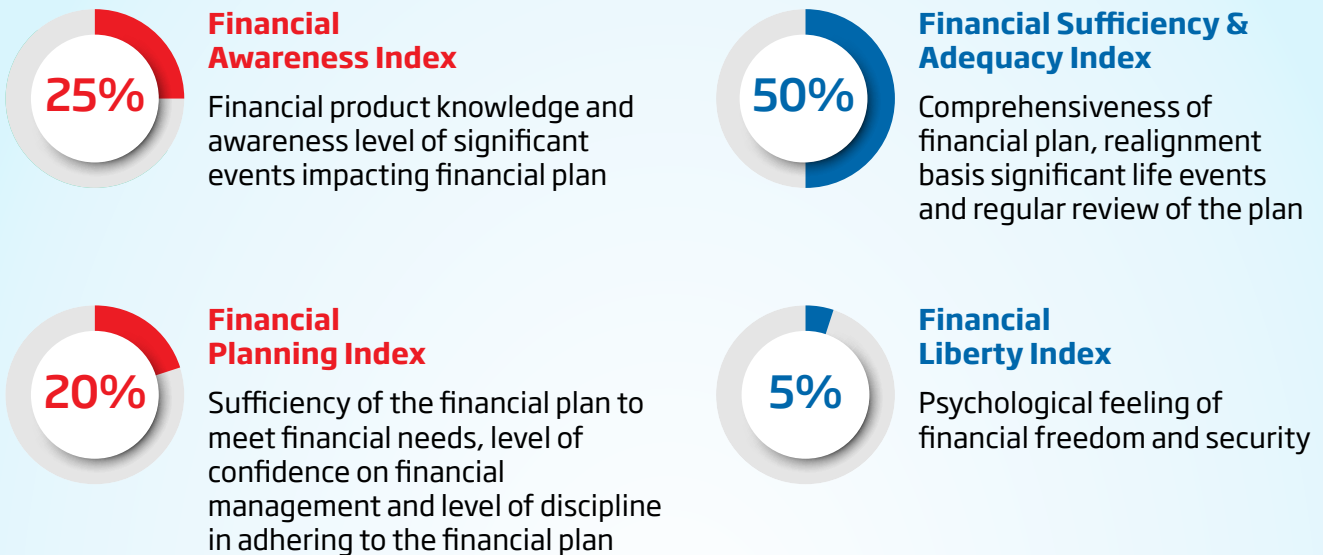
**10%**

#### SMART WOMEN

Female, Age: 25-45 years, SEC A or B, who are working and have invested in at least one financial product

## WHAT IS LIFE FREEDOM INDEX?

4 indices, each with its unique contribution to the overall score



## LIFE FREEDOM INDEX 2021 - KEY HIGHLIGHTS

### Consumers are less confident about their financial preparedness

- Life Freedom Index drops by **4.8 pts** compared to **2019**, majorly driven by a loss in Financial Sufficiency and Adequacy Index
- Financial Sufficiency and Adequacy Index drops by **8.7 pts** indicating that consumers feel that their current financial plans might not be adequate
- Financial Awareness Index increases by **2.1 pts** compared to 2019, with customers looking to empower themselves with better understanding of financial planning and products

### Metros and nuclear families are more impacted and show the highest drop in LFI, while smaller cities and joint families more stable

- The impact of COVID on customer confidence is more severe among metros with a significant drop of **6.4 pts** in the Life Freedom Index, compared to 2019
- **Tier 1 (-2.7 pts)** and **Tier 2 (-2.6 pts)** cities show relatively less impact
- Nuclear families have been the most impacted with the Life Freedom Index dropping by **10.5 pts**, while joint families (**-3.3 pts**) have been stable possibly due to a better support system in the time of crisis

## Financial health a priority too - people are worried about economic growth, their jobs and piling of debt due to no income at all

- Almost 90% of consumers have faced salary cuts/ business loss to some extent
- Economic Slowdown (**67%**), job instability (**51%**) and increased debt due to slowdown (**48%**) are the top concerns for customers

## COVID is transforming the engagement of the customer with the Life Insurance category and driving high product familiarity and preference

- Increased product familiarity and high preference for life insurance products with an increase of **10 pts** in familiarity of Life Insurance Endowment, **11 pts** in Term and **10 points** in ULIPs as compared to 2019
- **41%** consumers have taken an insurance policy to prepare themselves for second wave of COVID

## COVID IMPACTING FINANCIAL FREEDOM

The health pandemic has transformed into a financial crisis too, with the LFI dropping in 2021 as consumers grapple with economic growth, employment, income and piling debt.



### A rethink on financial planning & preparedness

The unexpected nature of the situation has pushed consumers to consider many more factors and plan for emergencies. Health expenses score jumped by 13 pts compared to 2019, driven primarily by tier 1 and tier 2 cities. Loss of an income source was felt more in metros and tier 1 cities with 15 pts increase from 2019. Unexpected factors like accident or critical illness due to disability and loss of assets due to natural calamity shot up by 10 pts. External factors too have contributed to the revaluation of the financial plan as inflation (7 pts), economic downswings (11 pts), interest rates (10 pts) and government regulations (11 pts) add to the uncertainty.

### Waves dent consumer confidence

The COVID scenario has made consumers less confident about their current financial preparedness for the times ahead compared to the last wave. The looming questions have compelled consumers to become more aware of financial products. With high exposure to equity markets, Young Aspirants and Wisdom Investors are actively searching for new products to diversify portfolio or protect accumulated capital to manage risks.





### Financial health a priority too

90% of consumers have had to manage some form of income cuts and business loss. Economic Slowdown at 67%, Job Insecurity at 51% and Debt at 48% are the top concerns on financial future. Lockdowns have further affected the negative spiral as 68% of the people are still concerned about the pandemic and in turn altering financial planning. 51% of Young Aspirants are concerned about daily expenses compared to the other segments.

### Metros & nuclear families feel it more

The pandemic has jolted the cosmopolitan culture as seen in the highest drop in LFI at at 10.5 pts among nuclear families (couple). The decrease in financial planning, sufficiency and adequacy in nuclear families has increased their financial awareness on products and avenues. The priorities of Young Aspirants too has now shifted from materialistic needs to financial security against medical emergencies. The planning of Proud Parents and Smart Women has been affected the most this year as they look to review the near and far possibilities.



### Smaller cities & joint families more stable

People from tier 2 cities feel financially free and secure, with an increase of 7.2 pts compared to 2019. The situation has also made people from tier 2 cities pay more attention to fixed assets, health expenses and children's education. The spread of financial dependency within joint families makes them more secure, as reflected in the lowest dip in LFI compared to nuclear families.

### High familiarity and preference for life insurance

41% consumers have taken an insurance policy to prepare themselves before the next wave, a significant increase in familiarity and preference as people continue to search and educate themselves online on financial products. Compared to 2019, there is a 11 pt increase in familiarity for term insurance and in endowment insurance categories. 57% of Young Aspirants feel more confident about future financial needs, 54% are confident about maintaining a standard of living and 53% are confident about accomplishing longterm financial goals with the help of life insurance.

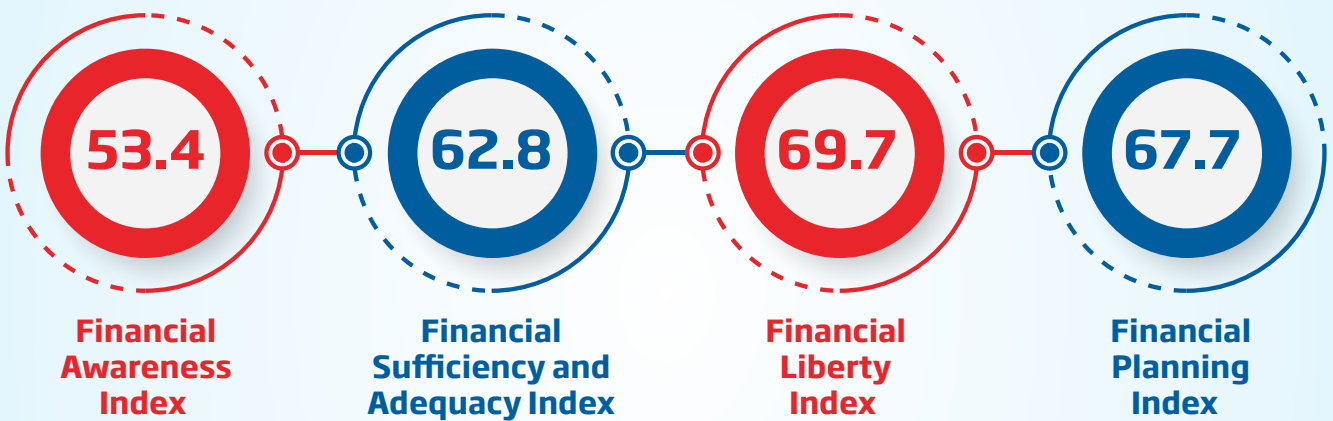


## LIFE FREEDOM INDEX (LFI) 2021

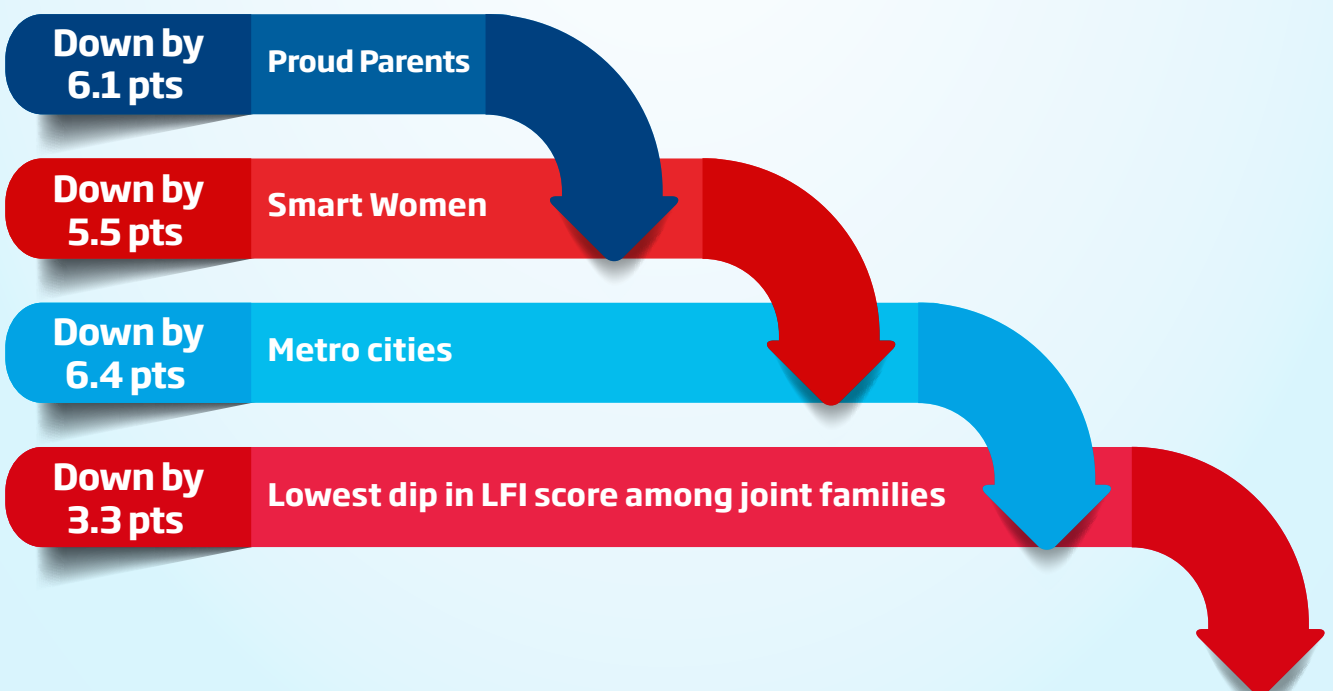
**Life Freedom Index (LFI) 2021: 61.8**

**Down by 4.8 points compared to 2019**

Just as the pandemic induced a drop in the index, it helped increase the awareness on financial products. Consumers have been educating themselves online on the different possibilities and options. The drop in the Sufficiency and Adequacy Index reveals the apprehension on the financial plan as compared to 2019 with metros and nuclear families more impacted, and show the highest drop in LFI. Parents in the age group of 31-35 years in metros have been the most impacted especially those in a nuclear family which might not have the same emotional and financial support system of a joint family.



### LFI score compared to 2019



## FINANCIAL SUFFICIENCY AND ADEQUACY INDEX

**Financial Sufficiency and Adequacy Index 2021 : 62.8**

**Down by 8.7 pts compared to 2019**

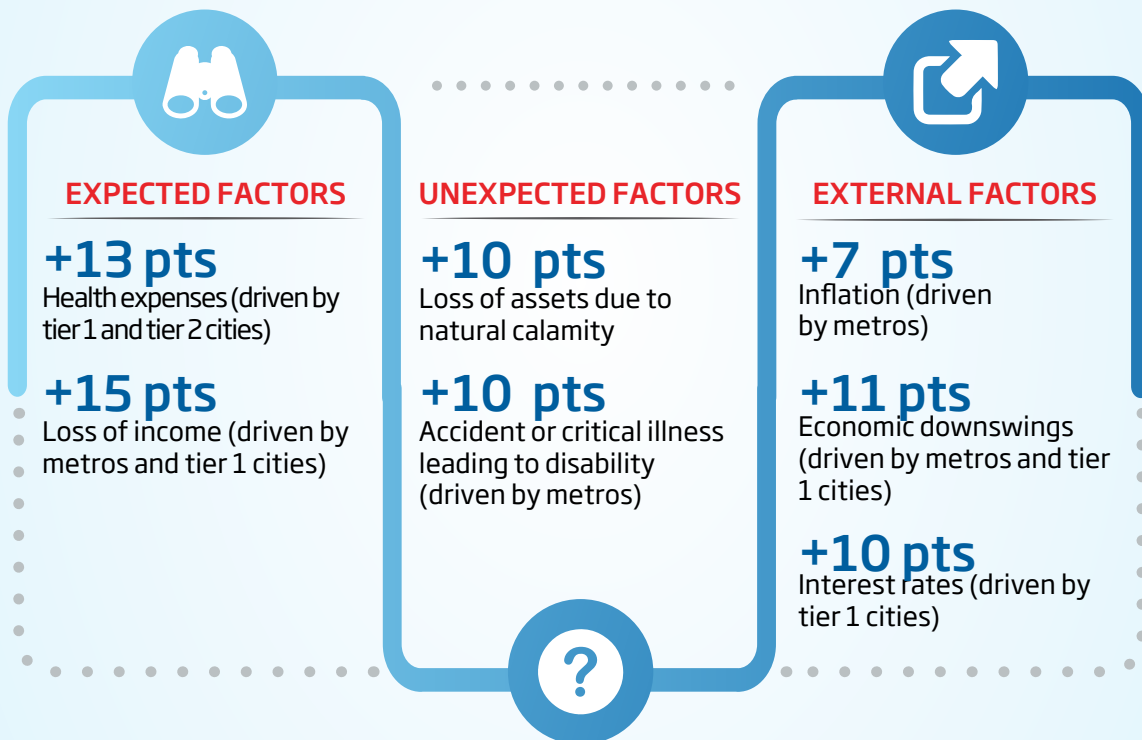


Average events considered increased to 5.8 in 2021 across metros, tier 1 and tier 2 cities compared to 4.3 in 2019



Sufficiency and adequacy of the financial plan down by 8.7 pts compared to 2019 due to frequent lockdowns with jobs/business getting impacted, especially in metros

**Factors considered while financial planning: Relative change in 2021 from 2019**



## FINANCIAL PLANNING INDEX

**Financial Planning Index 2021 : 67.7**

**Down by 4.2 pts compared to 2019**

Planning among Proud Parents and Smart Women was affected the most in 2021 compared to 2019 with a decrease of 5.9 pts and 4.1 pts respectively. A decrease of 4.9 pts and 6.1 pts respectively in metros and tier 1 cities drive the dip in this index, while tier 2 cities (0.1 pt dip) and joint families (2.2 pts dip) are the least impacted segments. The lowest drop of 2.5 pts among all segments is seen among Wisdom Investors as they actively realign and review their financial plan.



## FINANCIAL AWARENESS INDEX

**Financial Awareness Index 2021 : 53.4**

**Up by 2.1 pts compared to 2019**

Consumers are becoming more aware of financial products. This is borne out by a marked increase of 10 pts in familiarity on Life Insurance Endowment, 11 pts for Term Policies and 10 pts for ULIPs compared to 2019. Among the Wisdom Investors segment, there is a jump of 3.3 pts as they assess options to protect accumulated capital, diversify portfolio and manage risk. Financial awareness among Smart Women is still the lowest among all segments, with just a 0.1 pts increase from 2019. Tier 1 cities show the highest jump with an increase of 7 pts, as tier 1 and tier 2 cities narrow the gap with metros. With decrease in financial planning, sufficiency and adequacy, awareness among nuclear families has increased.

**Increased priority to provide financial security against medical emergencies, compared to 2019**



**Young Aspirants:  
+10 pts**



**Proud Parents:  
+8 pts**



**Smart Women:  
+11 pts**

**Wisdom Investors:  
A surge of 10 pts  
in prioritizing  
financial security  
for family members**

## FINANCIAL LIBERTY INDEX

**Financial Liberty Index 2021 : 69.7**

**Down by 3.7 pts compared to 2019**

There has been no major change across the four segments in this Index. However, compared to 2019, when it comes to feeling 'financially free and secure', there is a sharp increase of 7.2 pts among tier 2 cities while for metros it is a decrease of 7.3 pts.

Compared to 2019, there is a high gap between nuclear family (couple) at -11.7 pts and nuclear family with kids (-4.6 pts) and nuclear family with parents (-4.9), which indicates weakened planning that impacted sufficiency and adequacy of financial plan.

## LIFE INSURANCE CONFIDENCE INDEX

### Life Insurance Confidence Index 2021 : 58.8

To understand the role that life insurance plays in consumer's confidence towards fulfilling their goals, we added Life Insurance Confidence Index to this study.

- Financial concerns brought about by the COVID pandemic has brought a paradigm shift in customer engagement with respect to the life insurance category, which tops the list of financial steps undertaken to tackle the pandemic.
- Life insurance saw a marked increase in product familiarity and preference in 2021. Term insurance scored the highest on product familiarity with a surge of 11 pts compared to 2019, closely followed by traditional life insurance products with 10 pts. Maintaining standard of living during unexpected events through life insurance is the most important driver of this trend. For consumers, Life insurance has also emerged as the solution to achieving a sense of being financially secure as also giving them the confidence to achieve their future financial needs and long-term goals.
- At **60.4 pts**, Young Aspirants lead in the Life Insurance Confidence Index, followed by Proud Parents at **59 pts**, Wisdom Investors at **58.2 pts**. Women, however, remain less confident at 56.1 pts, in fulfilling future goals and maintaining standard of living with life insurance.



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