



ASK MINT MONEY

Amitabh Chaudhry

MD & CEO, HDFC Standard Life Insurance Co. Ltd

Whole-life insurance plans are costlier than pure term policies

I want to take a childcare plan for my five-year-old daughter. What kind of premium payment plans are available?

—*Meenakshi Sharma*

There are plans with regular premium option, where you pay premiums for the entire policy term, or with limited premium payments, where the premium payment term is less than the policy term or is restricted to certain age of the child. In either plan, you have the flexibility of payment modes—monthly, quarterly, half-yearly and yearly. There are a few child plans that offer single premium payment option as well. Take stock of your current and future cash flow positions and choose one that helps you remain invested for the long term.

I am 26 years old and had taken a term insurance plan. I will go abroad for higher studies. Does term insurance provide cover outside India?

—*Abhinav Kumar*

Yes, most term insurance plans provide cover during your

Life insurance

stay outside the country. However, I suggest you go through the policy features and understand the specifics.

I am 26 years old and my husband is 28 years old. Both of us have one traditional policy of ₹2 lakh each. Which one will give us maximum coverage—term plan or whole-life plan?

—*Mahek Karnik*

The premium for a pure term plan, which pays only death benefit, is the cheapest as compared with any other policy that provides some kind of maturity benefit. A whole-life offers coverage for 99/100 years along with a savings component which gets added to the policy in the form of bonuses declared by the company. These plans are costlier as compared with a pure term plan. I suggest you consult your financial consultant to understand and evaluate your immediate and future life insurance needs.

I am 30 years old and have five traditional policies worth ₹6 lakh. The total annual premiums are ₹35,000. Two policies will mature next year. Is it advisable that I take a unit-linked insurance plan (ULIP) next year?

—*Mohit Chanda*

In order to decide whether you should invest in a Ulip or a traditional plan, it is advisable that you understand your financial goals based on your risk appetite and your current portfolio. I am assuming you understand traditional plans since you have five of them. Unlike traditional plans, in Ulips, the entire investment risk is borne by the customer except any guarantee that may be provided by the insurer. But Ulips offer more flexibility in terms of choosing the investment fund, tracking fund performance, withdrawing partial sums and switching funds mid-stream. Please take the help of a financial adviser who can review your portfolio comprehensively.

*Queries and views at
mintmoney@livemint.com*