

Life insurance—A key avenue for legacy planning

SANJAY TRIPATHY

FINANCIAL planning is imperative in today's world. With an increased life expectancy, every phase of our life has been impacted, be it stretching out middle age or delaying retirement. This trend in tandem with family dynamics that have evolved and changed from joint family to nuclear family invariably demands that we plan our legacy. Legacy planning is the most prudent method of honouring your life, your contributions and achievements.

In West and financially advanced countries, legacy planning is an important component of managing regular finances. Planning for your legacy includes answers to some of the following questions.

- How do you want your personal assets and property to be distributed after your death
- Maintaining contact details of your legal heirs and charitable trusts where you may want to contribute
- Repository of your financial documents, legal instruments and relevant information - passwords, codes, keys etc.

In certain countries, planning for funeral and prayer service is also funded by the deceased using their own funds that they have left behind for



this specific occasion. Traditionally, life insurance has been an important avenue for legacy planning. However, in India, because of the joint family system and high financial dependence on children, this concept has not evolved. But we believe, with the changing social structure, life insurance can play a vital role in helping a person plan his legacy. Whole life insurance plans are especially ideal for such a scenario. They are long-term insurance plans that include a unique combination of death cover, accumulated survival benefits, guarantees and tax advantage that last all your life.

How a whole life policy works?

With a whole life insurance plan, the policyholder has the option to pay premiums for a regular or a limited term and receive a lump sum benefit on maturity and keep the life cover in

force till 100 years or death, whichever is early. In case of death or survival till 100 years, the plan pays out another lump sum benefit that can be passed on as legacy. Whole life covers qualify due to the following reasons:

Cover for entire life

Unlike a term cover that has a limited policy term, whole life plans provide life cover throughout your life (or till the age of 100). This is a feature that not only differentiates it from other insurance plans, but also makes sure you or your family will definitely receive a lump sum amount in their lifetime even after maturity.

Living benefits

A whole life participating plan also includes a savings component that increases on a year-on-year basis and accumulates over a lifetime due to the addition of bonus. The premium payment also remains constant and affordable, allowing you to save without feeling any pinch.

Key milestones

The cover can be considered as a tax-free income to fund your key milestones. You can time your maturity payout to match your children's higher education, business requirements or arrange a wedding.

Loan options

Many whole life plans allow you to avail loan under the policy, ensuring that you are at a financial advantage while facing an emergency. This is usually borrowed against the surrender value of the policy, which builds over time like an increase in the value of an asset.

For today & tomorrow

If you and your spouse take a whole life cover each, it would provide an additional financial resource that you can depend upon during retirement years and can also be bequeathed to your children.

If one predeceases the spouse, the policy death benefit will provide extra financial support for the surviving spouse. The policy on the spouse may then help ensure a minimum bequest to children after the death of the insured.

Tax advantage

Tax benefits are also available under Section 80C and Section 10(10D), allowing you to bequeath a substantial amount to your family.

The author is Senior EVP - marketing, products, digital & e-commerce, HDFC Life. The views expressed in this article are his own.

