

In the name of child welfare

HDFC STANDARD LIFE YOUNGSTAR SUPER

CASHING in on parents' desire of providing for their children's education, life insurers have been actively promoting child ULIPs. Recently, HDFC Standard Life launched its new child ULIP — Youngstar Super. The minimum premium for this policy is Rs 15,000. The policyholder can choose the sum assured (5-40 times of the annual premium) and seven fund options. You can also choose between double benefit and triple benefit options. Under the double benefit option, if the insured (parent) dies, the sum assured is paid to the nominee while the company directs 100% of the premiums payable to the policy. In case of the latter, 50% of the future premiums is paid to the nominee every year to ensure the regular flow of income while the balance goes into the policyholder's account. You can also avail of the critical illness benefit rider in this policy. A 30-year-old male, who has chosen the double benefit plan with an annual premium of Rs 25,000 and a sum assured of Rs 2.5 lakh, can expect the fund value to grow to Rs 2.83 lakh or Rs 3.53 lakh at the end of the 10-year term (rate of return of 6% and 10%, respectively). He will also get Rs 12,500 as bumper addition, if he has not made partial withdrawals. Bumper addition is being presented as one of the key features of the policy — a reward for completing the policy term. Those with 10-year term policies will get 50% of the first-year premium at maturity, and 100% of this amount for staying invested in longer tenure policies. The first year premium allocation is relatively high at 85-92% (for premiums ranging from Rs 15,000-20,00,000+). Currently, most ULIPs levy charges as high as 30-40% (premium allocation of 60-70%) in the first year. Post IRDA guidelines on capping charges, other child plans too could reduce their charges to a comparable level before January 1. While it doesn't seem to have any significant weakness compared to other child ULIPs, remember that child plan is not necessarily the best tool for achieving the goal. Those with time and inclination could also look at structuring a long-term plan through MF investments.

WHY GO FOR IT: Low initial premium allocation charges of 8-15% in the first year.

WHAT IS THE CATCH: Bumper additions may not mean much for those who choose to pay low premiums.