UNIT LINKED INSURANCE PLAN AND TRADITIONAL PLANS IN LIFE INSURANCE

ULIP

ULIP (Unit linked Insurance Plan) is where the policyholder pays an annual or monthly premium, where-in the ULIP acts as a life insurance product as well as an investment. It provides a life insurance cover to the policy holder along with investment options. A small amount of the premium goes to secure the life of the investor and the rest of the money is put into investments such as stocks, bonds or mutual funds.

Advantages of ULIP?

- Market Linked Returns
- Life Protection Investment and Savings
- Flexibility

- **Market linked returns**

Unit linked insurance plans give you an opportunity to earn market-linked returns as part of the premiums are invested in market linked funds which invest in different market instruments including debt instruments and equity in varying proportions.

- **Life protection, Investment and Savings**

Unit linked insurance plans offer the twin benefits of life insurance and savings at market-linked returns. Thus, you have the opportunity to invest your money to earn higher returns, while taking care of your protection needs. Investing in unit linked Insurance plans helps to inculcate a regular habit of saving and investing, which is important for building wealth over the long term.

- **Flexibility**

It has various offers for different ULIPs (Unit Linked Insurance Plans) which are just right for you and can help you meet your specific financial objectives.

- The option to switch between investment funds to match your changing needs.
- The facility to partially withdraw from your fund, subject to charges and conditions.
- Single premium additions to enable the policy holder to invest additional sums of money (over and above the regular premium) as and when desired, subject to conditions.

Traditional Insurance Plans

There are different types of insurance plans such as term insurance, whole life insurance, and endowment plans which all have a different purpose to serve.

- **Term Insurance Plan-** This plan can be availed for a fixed period of time. The policy terms can range from 5 years to 60 years and its aim is to provide protective cover to you. Unfortunately, in the unfortunate event of your death, the nominee will receive a lump sum called the death benefit. This plan is cheaper in nature.

- **Whole Life Insurance-** You are protected for a longer period of time. This plan is slightly expensive as compared to a term insurance plan. Apart from that, you are also eligible for various benefits as well. Various plans provide you with maturity benefit as and when your policy attains maturity. This kind of plan also makes you eligible for various tax benefits as well.

- **Endowment Plan-** If you avail an endowment plan, you are not only provided with a protective cover but a percentage of your money is kept aside as savings. This means that you are assured of a lump sum of money even after your policy attains maturity.

  - **Traditional Life Insurance,** also known as whole life insurance, money back or endowment insurance, provides multiple benefits like risk cover, fixed income returns, safety and tax benefits. These are considered risk-free on account of their fixed returns in case of death or maturity of the term.

  - This type of life insurance policies provides insurance coverage to the policy holder for his/her entire life. Unlike a term life insurance policy, this type of plan never runs out. In case of an inevitable death of the policy holder, the insurance pay-out is made to the policy's beneficiaries.

The money that you pay as premiums are invested in very low risk financial instruments. Since the risk is very low, the returns too are low. Don’t expect phenomenal returns when you buy into such plans. Most traditional plans will generally offer a return between 3% to 6% annually. You cannot decide or participate in how your money should be invested.

Such plans offer either a Guaranteed Maturity Amount or offer a bunch of Bonus Amounts which are declared at various points during the term of the policy. Though the Bonus amounts are not guaranteed, we can be fairly assured of a fixed rate of return.