

## **Criterion For Selection**

Each and every wealth management plan demands regular evaluation of the financial goals and objectives. In order to achieve them, it is very important to implement and practice a well-designed approach. Talking about life insurance, though it is often overlooked as a financial planning tool, it can even serve a broad spectrum of needs for individuals with dependents. With a multitude of life insurance policies available, both offline and online, it is critical to choose the right life insurance policy with adequate sum assured.

It is important for each one of us to first understand that life insurance is a bond of trust and before researching or purchasing a term plan, it is imperative to evaluate what you actually want to accomplish with the policy. Though the basic purpose of a life insurance cover is to ensure that the dependents do not have to grapple with a financial crisis in the absence of the policyholder, it is equally important to understand what your short and long-term goals are. When planning to buy a life cover, you must estimate the size of your financial liabilities including education and marriage of kids, home loan, retirement savings, etc.

## **Evaluation**

- Once you have rightly identified your needs and constraints, it will become easier for you to select the best policy for your individual circumstances and needs. Not to forget, life insurance is an essential financial product to buy and you would never want to goof up while making a decision. Here are some things to consider while buying a life cover.

## **Be Sure Between Term and Whole Life**

- The first and foremost thing to consider is whether you need life cover for a specific length of time (term) or indefinite coverage (whole life). Term insurance is typically one of the cheapest short-term insurance options that pay the total sum assured to the dependents in case of death of the policyholder. If death of the policyholder happens after the term of the insurance cover, the coverage expires or becomes cost prohibitive. Some of the insurance policies come with a conversion feature wherein the policyholder can convert the policy from term to whole life by getting some recertification done.
- On the other hand, whole life insurance usually demands higher monthly premiums than term insurance and it pays a death benefit to the dependents regardless of when the policyholder dies. Additionally, whole term insurance even offers several other benefits, including flexibility in payment of premium and tax-deferred investing.

## **Don't Treat Term Insurance as Investment Product**

- Life insurance plans are not like traditional investment plans such as endowment or market-linked like the Unit Linked Insurance Plans. Though both the plans have an element of insurance, ULIPs are equity market-linked products with the potential to deliver returns as per equity market conditions. Life insurance is not a pure investment product because of the many charges associated with it. People purely looking for returns must not confuse life insurance with any kind of investment products.

## **Compare insurance plans**

- Since there are many insurance companies in the market offering a variety of plans, you need to be sure you select the most suitable one. The insurance advisor will do the homework by comparing life insurance plans from various insurers across relevant parameters recommending the most apt plan based on your needs.

## **Accept the 'Loading' By Insurer**

- Under many insurance policies, after making the policy seekers undergo medical tests, the insurers revise the premium. However, customers often do not accept the revised premium and rather go for another insurer. The revision in premium is usually done through the 'loading' process, i.e., asking extra premium on medical grounds. As a policy seeker in case you accept the loading, you can at least be sure that the insurer has accepted the medical grounds and the claims process will not be impacted because of it.

## **Engage an insurance advisor**

- While this may seem trivial, engaging a reliable and competent insurance advisor at the initial stage in your quest for life insurance is critical. Most individuals are not capacitated to take a decision by themselves and need the expertise of an insurance advisor.

## **Calculate the life cover**

- The insurance advisor will help you calculate the amount of life cover – or the sum assured. He will assess sources of your income, number of your dependents, your debts and liabilities and your expenses based on your lifestyle and arrive at a life cover. He will also decide the best plan be it – a term plan, endowment plan, unit-link plan or a combination of plans, to help provide you with an optimum life cover. Likewise, if you have other needs like planning for your child's education or marriage, pension for your retirement or a woman's insurance plan for women, trust your advisor to do the math and come up with an ideal solution.

### **Don't buy in the name of minor**

- Many people buy policies in the name of minor children as the mortality charges would be low and hence the premium. But as children don't have any earning capacity, it doesn't make sense to buy insurance in their name. Instead, it should be bought in the name of the earning member of the family.