

Publication:	DNA	Edition:	Mumbai
Date:	05-Jan-2012	Page No:	13
Supplement:	Main	Size (cm2):	389.49
Title:	Child insurance as a hedge to protect saving capacity	Byline (Author):	Yogini Jogiekar & Aswathy Varughese

Child insurance as a hedge to protect saving capability

Yogini Joglekar & Aswathy Varughese ●

MUMBAI

Given rising education costs, parents in India seek to save enough to meet their children's educational and other needs. With expensive international schools opening in India, education has acquired a new dimension altogether, say insurance industry experts.

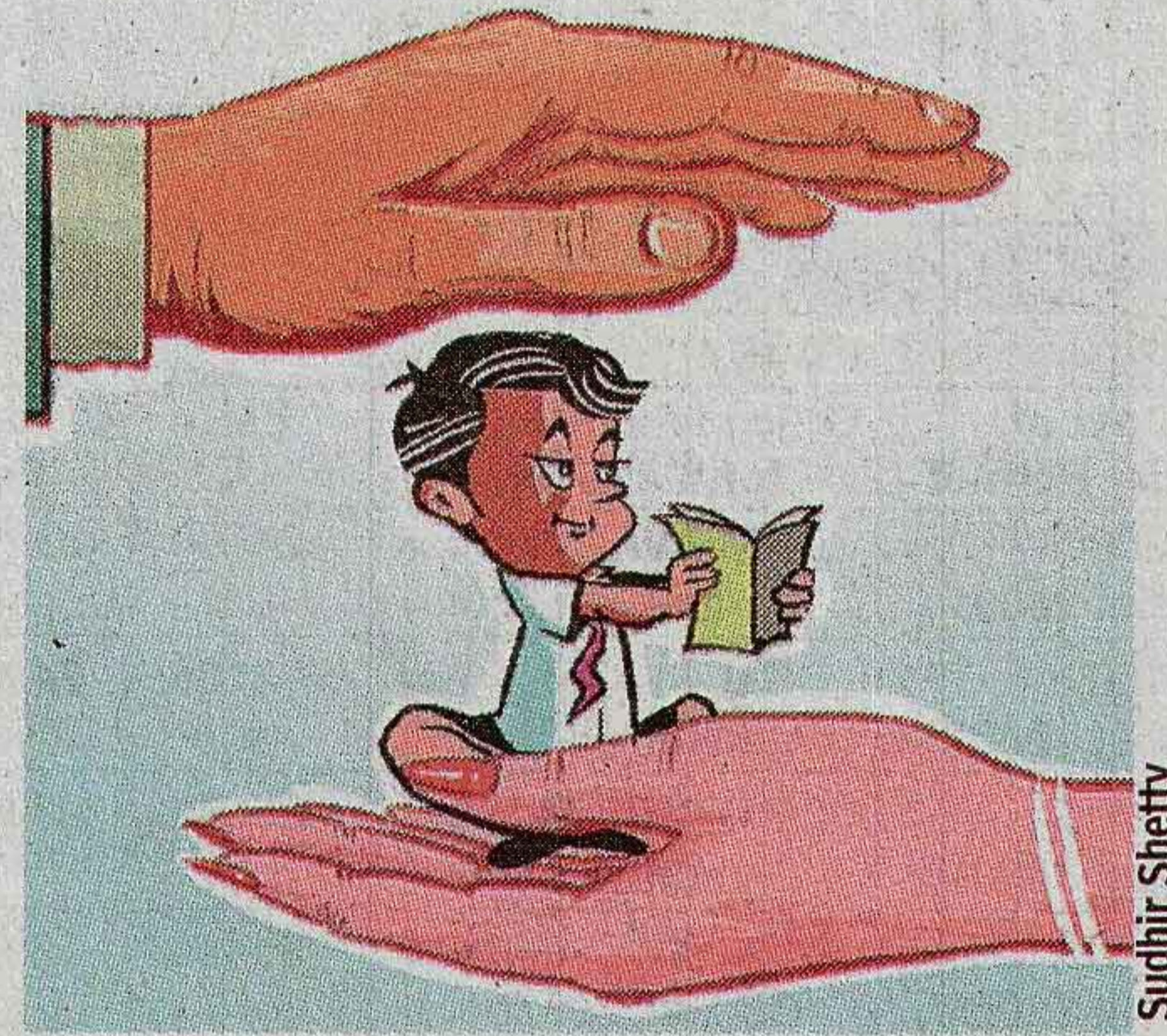
According to a survey on the concerns of young parents, conducted by Aviva Life Insurance, saving for children remains the top priority for 72% of Indian parents.

Understandable. For, "parents will have to shell out close to ₹5 lakh every year", says Aditya Patil, chief executive, Ascend, a Bandra-based international school. "Our costs increase in the range of 10-15% year-on-year."

To meet such financial challenges, parents usually save and invest for their kids in instruments like fixed deposits, National Saving Certificates (NSCs) and stocks. Experts say there are better alternatives now.

For example, you can invest in a child plan through the traditional Ulip (unit-linked insurance plan) route. The key advantage is that child plans not only fulfill the investment objective but provide protection after unfortunate developments.

"Unlike other savings instruments, Ulip ensures that the corpus you had planned to save for the child's future, is available



when your child is 18 or 21. The policy also offers a lump sum payment upon death of the policy-holder. All future premiums are waived off," says Gaurav Rajput, director, marketing, Aviva India.

Even if the policy is stopped because of death of the policy-holder, the insurer will pay the remaining premiums and will continue to invest this money on behalf of the policy-holder. The child would get the money at specified intervals as planned under the policy.

Suresh Sadagopan of Ladder 7 Financial Advisory Services says that along with a child plan, "you shouldn't forget to invest in fixed-income products. While choosing a child

Child insurance plan - an alternative investment option

Features	Max New York Shiksha Plus II & Flexi Fortune	Birla Classic Child Plan	ICICI Pru Smart Kid Premier	Bajaj Allianz Child-Gain	HDFC Young Star Super premium	Aviva Young Scholar Advantage
Flexibility in choosing term and sum assured	✓	✓	✓	✓	✓	✓
Choice of longer term	✓	✓	✓	✓	✓	✓
Systematic Transfer Plan	✓	X	X	X	X	✓
Waiver of premium in children's plans	✓	X	✓	✓	X	✓
Age based allocation	✓	X	✓	X	X	✓
Accidental Rider Options	✓	✓	X	X	X	X

plan, you should compare two important factors: the benefits and its cover".

Starting early and assessing the child's needs carefully (keeping in mind the hidden costs) is crucial. Parents need to adopt a long-term and systematic approach to savings, say experts.

While comparing child plans, there are some factors that you must bear in mind:

Defined guarantees and time of payouts: You have to be aware when the policy gives out the payouts to the customer. It is also important you choose a traditional or Ulip child plan according to your risk appetite.

"One should also check if the policy adopts a systematic transfer plan or a life stage-based allocation of fund. Alternatively, for a traditional plan, are the re-

turns market-linked? Or, are returns bonus-related? Fund performance in case of Ulip becomes a large parameter while comparing various plans," says Akshay Mehrotra, chief marketing officer, Policybazaar.com

Accidental benefits: They could be in-built or as a rider. It helps protect against loss of income, particularly due to disability of parent. The premium paid should be in line with the cover one gets.

Benefits are payable at different stages of the tenure, and will vary for different products and companies. You should compare similar products and then choose the policy accordingly.

But, more often than not, most parents try to invest in child plans without understanding them. It is important to build regular savings for your child's future. You need to protect this saving capability by using insurance as a hedging instrument

"It is impossible to replace a term and mutual fund for the work that a child Ulip plan can do. Our newly launched child Ulip has elicited a great response because it is a product that fulfills the child's future needs, be it education or marriage. It is the need of the hour, as education costs are rising at an alarming rate. Hence, one should take a long-term view and invest in appropriate instruments," says Aneesh Khanna, senior vice president and head-marketing, IDBI Federal Life Insurance.