

An illustration of a family of four standing under a large, light blue and white striped umbrella. The family consists of a man, a woman, and two children. The man is holding the umbrella handle. They are standing in front of a dark blue silhouette of a castle. The background is a solid light blue.

# What Do You Need to Know About Life Insurance?



**IFE Academy**

Education Simplified

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**IFE Academy**

Education Simplified

# Financial Literacy

**Prepare kids for the real world.**



## Want vs. Need

By the time kids are seven or eight, they can understand that things like food, shelter and clothing are “needs”, while the latest toy is a “want”. It’s important to teach kids that wanting an item is not wrong, but that “needs” always come before “wants”.



## Money is finite

Give them a list and some money, and have them pick out and pay for everything on the list. Do not help them out if they go over - they will have to choose something to put back if they don’t have enough money to pay for everything.



## Paying bills

Explain how much money you have in income and let them look at each of the bills that need to be paid. This exercise will help them understand that things like satellite TV, Cell phones and a place to live all cost money, and that you need sufficient income in order to pay those bills.



## Value of money

Letting our kids make unwise decisions sometimes, will help them understand how quickly we spend money.



## How credit cards really work

Make sure your kids understand that the inability to pay down a credit card or a student loan on a timely basis can destroy their creditworthiness for years.

# What Do You Need to Know About Life Insurance?



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### **About this book**

Most people know that life insurance can provide their families with a death benefit if the unexpected should happen. But Life Insurance can also be used to meet a number of future planning needs — for both their families and themselves. Choosing the right type and amount of coverage is the key. We have designed this brochure to make it easier for you to get the right protection while planning for your specific needs.

Happy Reading!

**Rs.40/-**

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T.Nagar, Chennai - 600 017.

## Why do I need Life Insurance?

We are living in the world of uncertainties and risks. An individual's life is subject to risks of varied nature and business too is no exception. In fact, a kind of search for the protection has become inevitable. Various devices have been developed over time, to protect from all sorts of risks to which they are exposed. Of the various means developed by him, Insurance is an avenue, which protects against the risks of loss. Everyone is working hard to build a solid financial foundation for the individual, their family and the business as well. So you want to be sure that everything is protected. Accidents and disasters can and do happen, and if you aren't adequately protected, it could leave you in financial calamity. Insurance is a way to protect your life, your ability to earn income, and to keep a roof over your head. Apart from protecting individuals and businesses, the Insurance sector contributes significantly to the general economic growth. Insurance sector also encourages the virtue of savings among individuals and generates employments.



## « Insuring the times of your life. »»

Many people think that they are young and it won't happen to them. Hypothetically they may be right. It all depends on the people you love and who depend on you, or you have financial obligations to meet. You need life insurance to protect against the “what ifs” at every stage in life.

Yesterday, my friend asked me, “Did you know that our friend Kumar has passed away yesterday due to cardiac arrest?”

“Yes. It was really shocking and he was just 46,” I said.

“Everything happened over minutes and he was dead before he was rushed to hospital.”

“He is survived by his wife and 2 children of age 14 and 11” he said.

Life Insurance is the only way of protecting the future of your loved one's in your absence. In the absence of a Life Insurance cover many problems can arise for you and your family like:

- 1. You leaving your family in the financial crisis**
- 2. Leaving your family in a debt trap**



3. **The possibility of not letting your child live his dream**
4. **You leaving your family with no proper finances or retirement planning**
5. **You will be a person with a missed opportunity**

You can assess your requirements. And learn about various types of life insurance plans. Then, as per your needs, select the most suitable life insurance policy to secure your family. Because family comes first.

Happy living.

Here are just a few reasons you may need life insurance, or more of it, throughout your life.

### **Single:**

You may think that you don't need life insurance, since you are single and have no dependents, but if you owe money, you need it. It ensures that your debts, including student loans and funeral expenses, won't be passed on to your family. Additionally, sometime you are taking care of aging parents or a special-needs sibling, or know you will in the future, life insurance is a smart way to make sure that care can continue uninterrupted.

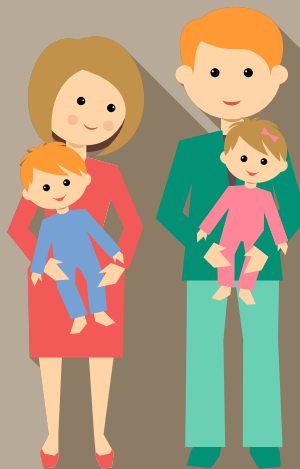
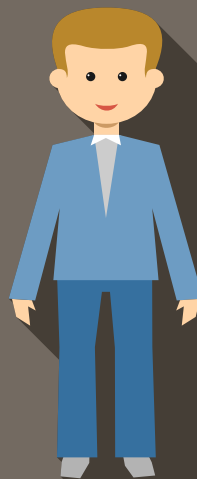
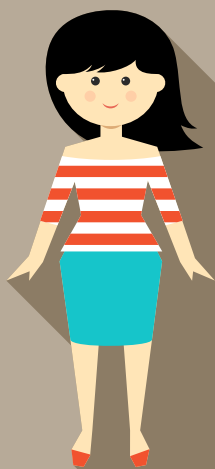
## **Married:**

Remember the old saying: First comes love, then comes marriage, then comes a comprehensive financial plan for the future. Marriage is the perfect time to start shopping for life insurance because it's when you start sharing your life – and your debt – with the one you, love.

The financial planning starts when the bondage begins. You have a lot of priorities to consider for going forward. The family budget becomes inevitable and all the more your future that is how you'll face the retirement as happily as you are, and every one of them can be derailed with an untimely death. When the question of debt comes it is totally different. The concept of "What's yours is mine" is never true.

## **Married with children:**

Life will not be easy as you start when once you have a child or children after some years of happy life. Now all your priorities will start changing and you may have to address new challenges. There will be shift in the minds of the loved ones. Financial obligations would start multiplying as you're in the



midst of this stage. Many couples rely on two incomes to make both ends meet and single parents may be their children's one-and-only. When the question of shouldering additional responsibilities like elderly parents along with marriable sinister, balancing of life is really a rough, rather a bouncy road to travel. The family budget has to be revised to suit to the needs and it would keep on changing with the age and time.

A planned Life insurance is critical at this point and you have tailor made schemes to suit your needs. When figuring out how much you need, remember that the economic impact you have on your family cannot be ignored. Your child / children is/are on their own and all your debts and loans are paid off, you may think you don't need life insurance. However, don't forget the hardest days are yet to come. You have to build a nest for your retired life, the second innings, where you may have to bat / bowl alone, because most of the time the batsman at the other crease or the bowler at the other end will not be able make an impact. Life insurance ensures that if something happens to you that your spouse or partner you can still play your game comfortably despite any handicaps.

## **Story of Sarala and her siblings**

Sarala, her two younger sisters, and their mom went out for their annual Mother's Day camping trip. During their stay, their mother consistently complained of breathing trouble bothering her. They never thought that it was a big of a deal and that it would pass in time. Later that night it became severe so they called an ambulance and sent her to the hospital. The next morning, she passed away. A tragic event to happen to the mom and her two younger daughters. The responsibility fell of Sarala and had to take care of herself and her two younger siblings. Though their mother only had a very small amount in the bank, and had a life insurance. This came up so handy for her family to survive. Sarala and her siblings are now living decently in their small two-bedroom apartment.

## **Story of Disha at the age of 26**

Disha was married at the young age of 21. Nobody would have ever imagined that she would become a widow at the young age of 26 taking care of a 9-month-old baby by herself.

Her husband discussed getting life insurance with her as soon as she became pregnant. She was hesitant and the last thing she



wanted to think about was one of them dying, but she knew that her husband was right and eventually gave in. Both lived a comfortable life until the tragedy that ensued 9 months after their baby was born. The husband died in a construction accident. As you can imagine, her heart sank into despair when she heard the news. The life insurance her husband persuaded her to get allowed her to support her and the baby as she adjusted to her new life. She was able survive off what their plan offered while she worked part time to take care of her child and look for a more flexible job. She couldn't imagine the difficulty of dealing with emotional and financial distress if it wasn't for the security blanket called life insurance.

## Does changing Jobs also mean a change in Life Insurance Coverage?

Changing jobs is a great way to get a fresh career start. Reasons Why People Change Jobs:



People change their job mainly for a better salary and financial stability. But whether they also change their financial planning is a million-dollar question. The psychology of spending plays its role over investment and savings. Luxuries are faster than you think. Again, the balancing act is a zig-saw. The law of reality is position changes geometrically but investments arithmetically. Here, insurance in any form plays its music. If you have the benefits of insurance in the earlier position the same can be continued as it is with or without any progression.

### **Why Life Insurance is Essential for Retirement Planning?**

The average life expectancy has risen in the last couple of years. Our lives will be longer on the average; giving us more time with our loved ones, to pursue our dreams and live life to the fullest after retirement. On the other hand, it also poses a very important question: “Have you planned for your post-retirement years”?

Increased life expectancy implies that there is a need for a retirement plan. It is also important to plan to ensure that you do not have to make any compromises after your peak earning years have passed you by.



Nobody likes to think about his or her death. But for the sake of your loved ones, take time now to arrange your accounts, making sure the proper plans and beneficiary designations are in place. If you're married, talk to your spouse about organizing her funds so that you are mutually protected. You worked hard for the money—now make it easy for your survivors to access it.

“Life insurance plays an important role in any financial plan. Unfortunately, many people do not fully understand nor appreciate the value and benefits that life insurance can represent as part of a retirement plan. Having the correct type of life insurance and the appropriate amount of life insurance coverage in retirement will accomplish multiple jobs.



A Woman, 58, has worked for herself for over 25 years, with no insurance. Insurance advisor offered to cover her, but she thought was too expensive, she decided against it. Five years later, she had a critical illness of her own and almost lost everything she had worked for. But the next two years after that didn't get any better, as she was hospitalized, she couldn't fully recover and was hospitalized again before undergoing surgery. She had to try and work through it all. Most of the time, it was impossible. She ended up having to downsize her house and pay off line of credit that had been keeping her going. If she had life insurance with the rider for critical illness, she wouldn't have had to do that. She would have also been able to work on her health without all of the stress and worry. True, critical illness coverage provides a lump sum payment to any policyholder who is diagnosed with a qualifying critical illness.

The importance of life insurance is greatly portrayed in these tragic life insurance stories. Don't let your loved ones become financially disabled if something ends up happening to you. It can help protect your income, provide tax-free cash flow, help manage tax, provide peace of mind to families, and even improve the total return in a portfolio.

## « How Much Life Insurance Do You Need? »»

We all have to go at some point—it's something we just can't avoid. When it comes to death, most of us probably aren't that keen to think about the end. Maybe it's because we don't want to think about what we'll leave behind for their loved ones, which may simply be a big donut—nothing at all. But others are better prepared, thinking about the income their loved ones may miss, and need, after they die. That's where life insurance comes into play. It's a way to make sure those who depend on you are taken care of after you die. Although it may sound unpleasant, it is something we all have to consider.

This is an important question, and you may find that you don't need any life insurance, or that you need or more in coverage. There are many factors that need to be considered before purchasing life insurance. A good place to start is to ask yourself what you need life insurance to do for you and your family. For example, you may just need enough coverage to pay for final expenses. Or, you may want to have enough life insurance to pay off the debts, put your kids through college and cover everyday living expenses for your family. Finding

out whether or not you need life insurance, and if so, how much is a good place to begin.

## « Evaluating Your Insurance Needs »»

A large part of choosing a life insurance policy is determining how much money your dependents will need. Choosing the face value—the amount your policy pays if you die—depends on a few different factors.

- Your Debt
- Income Replacement: One of the biggest factors for life insurance is to replace income.
- The standard-of-living.

### **Insuring Others**

Obviously, there are other people in your life who are important to you, and you may wonder if you should insure them. As a rule, you should only insure people whose death would mean a financial loss to you. The death of an income-earning spouse, however, does create a situation with both emotional and financial losses. In that case, follow the income replacement calculation we went through earlier with his or

her income. This also goes for business partners with whom you have a financial relationship. For example, consider someone with whom you have a shared responsibility for mortgage payments on a co-owned property. You may want to consider a policy for that person, as that person's death will have a big impact on your financial situation.

### Types of Insurance You Need

Before we discuss about the above you should know the concept of HUMAN LIFE VALUE.

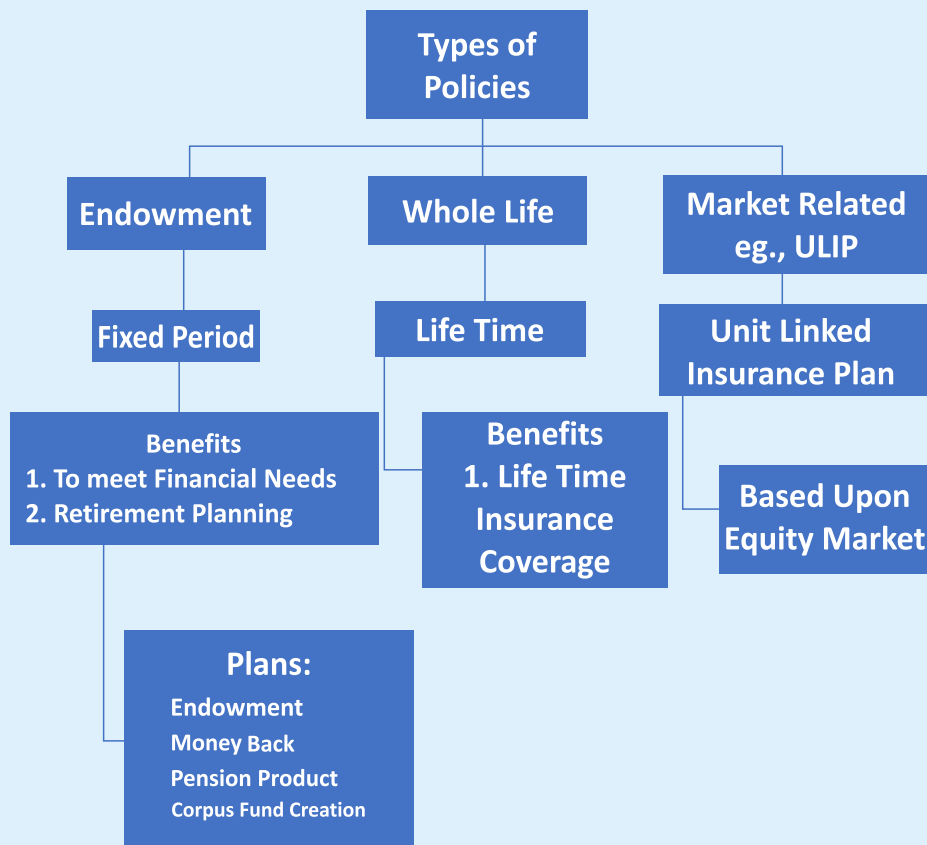
Human Life Value is the capitalized value of the net future earnings of an individual after taking into account appropriate costs for one's self maintenance. It is monetary worth economic value of an earning person and facts that determine it as training and education, character and health and above all his ability to work have and his ambition based own self-image as successful man. Higher these factors, higher his value; lower the value lower will be the economic value. This concept helps: When made aware of this concept the individual will be able to know his income potential in numeric value and consequently, will endeavour protecting self and dependents as well.

Try to reduce or control expenses to increase the Human Life Value.

The bread winner comes to know the increasing quantum of his HLV and continues the efforts to tailor the savings.

Dependents also come to understand HLV of his life and start realising the importance.

Here are a few strategic ways to utilize life insurance as part of a comprehensive plan:



**Endowment:** Save for a fixed period say 10 years to 35 years. Maturity value at the end.

**Money Back:** Save for a fixed period say 10 years to 25 years. Get money in frequent intervals, Balance at the end.

**Pension Products:** Save for a fixed period based on your retirement age and get pension after that age.

**Corpus Fund Creation:** To earn a determined corpus, Save 10% of your earning yearly for a longer term, so that the corpus is earned.

### « Add on Benefits one should be aware of »

-Tax benefits under appropriate Sections of Income-tax Act

#### **RIDER BENEFITS**

##### **1-Term Rider**

Eg., Life insurance for Rs 5,00,000

Period 35 years

Amount payable Rs. 5,000/year for 35 years.

Add another Rs. 50/year for Term Rider.

##### **Benefits:**

If the risk takes place during the term the Maturity amount to the beneficiaries would be doubled.

## **2-Double accident benefit Rider**

In the above example any risk due to accident happens during the life time Maturity amount to the beneficiaries would be doubled.

## **3-Critical Illness Rider**

In the above example if the continuity of the Insurance is disturbed due to any Critical Medical Emergencies the further payment for the remaining period is waived.

1. A small portion is provided to insured person for maintenance.
2. At end of the period the Maturity amount would be disbursed.



Life is full of uncertain events, without warning. A life insurance plan can act as a cushion for your family's financial security against such uncertainties. Such a plan will act as the income replacement for your family members. Buying life insurance is one of the most important financial decisions, but

believe it or not, only 10 per cent are insured. But why is it so important? Well, regardless of how much you earn, no one knows what the future holds. Lots of people die a prematurely every year from illness or accident and, if you happen to be the sole breadwinner in the family and you were to pass away, it could have devastating consequences for your loved ones-their ability to pay household expenses, debts and maintain their standard of living.

The least you can do, therefore, is to secure your family's financial future by buying a life insurance policy. Besides, do not overlook benefits of a life insurance during your lifetime, especially if you are young.

Unlike any other financial product, purchasing a life insurance policy affects our entire life and therefore, there are a few things that need to be kept in mind before buying a suitable plan. Here are a few ways that will help you in making an informed decision.

Planning, Evaluate your financial condition, Dependents and Term of the insurance with rider benefits.

- Think About Your Life Stage & Number of Family Members
- Think of How Much Your Family Will Need to Maintain Their Lifestyle
- Family's Needs & Not Just Your Income

### « Reasons for buying a life insurance policy. »»

- Looking after your loved ones even after you're gone
- Dealing with debt
- Helps achieve long-term goals
- Life insurance supplements your retirement goals
- Insurance is cheaper when you're younger
- You may not be qualified for it later
- Tax-saving purposes
- Peace of mind

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# MOST POWERFUL TOOL IN YOUR FINANCIAL PLANNING **A BUDGET**

## WHAT IS BUDGET?

A budget is a plan that helps you manage your money and avoid getting into financial trouble. It lists all of your income and expenses, and gives you a snapshot of your financial situation.

## 6 REASONS WHY A BUDGET IS YOUR MOST POWERFUL TOOL



**1. Allows you to stay on track**  
- a budget helps you track money coming in and going out.



**2. Reduces stress**  
- if you manage money and credit wisely, you can avoid financial shock



**3. Helps you identify what is important** - a budget helps you distinguish between needs and wants.



**4. Avoid debt** - when you create a budget, you are more likely to follow it and avoid unwanted debt.



**5. Save for tomorrow**  
- a budget helps you plan and save for an important financial goal, like your children's education or an every day goal like a new appliance.



**6. Be ready for sudden expenses** - a budget helps you plan ahead and put money aside for emergencies or unexpected expenses.

**Managing Money and Debt wisely : It pays to Know!**

**Find helpful tools and resources at  
[www.ifea.in](http://www.ifea.in)**



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### About IFE Academy

IFE Academy was established in 2011 as a Not-for-Profit entity to promote Financial Education. IFE Academy conducts Investor Awareness Programs across the country with the support of other market participants. [www.ifea.in](http://www.ifea.in) is a comprehensive website on Financial Education. It has various sections such as Videos, Puzzles & Games, Financial Calculators and Library. It gives a holistic view on financial education combining various aspects such as Savings, Investments, Credit, Insurance and Pension at a single place. IFE Academy periodically publishes Investor Educational materials and distributes it to general public.

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