

Insure yourself before venturing out into the world of investments



ANUP RAU

AT every lifestage, our goals and dreams evolve. It starts from having a secured income, saving for a rainy day, planning for

children's future, acquiring assets like a car or a house and finally preparing for retirement.

These goals also motivate us to work harder and progress in our work. Planning for these dreams and goals can ensure that we fulfil them faster by growing our savings, protecting our risks and allocating funds to different objectives.

Fulfilling a goal is a lot like planting a seed in the garden. The first step is to decide which seed to plant and then it needs to be cared for over time to get optimum results. Similarly, successful fulfillment of life's goal requires prioritisation and proper financial planning.

The basic objective of financial planning is to secure yourself and your loved ones from any unforeseen exigencies — immediate and in the future. Life insurance is the first and most important element of any sound financial plan. It provides a unique sense of security that no other form of investment can deliver.

Life insurance is a versatile financial instrument that goes beyond "just protection" — making it an integral component of a comprehensive financial plan, providing leverage for wealth accumulation, wealth preservation, legacy planning and access to liquidity. It inculcates a habit of long-term systematic savings that not only aids in accumulating wealth but also in ensuring steady growth over time for future needs so that you do not fitter away and miss your long term financial goals.



GOALS THAT REQUIRE FINANCIAL PLANNING

SECURITY Ensuring a secure future for the family requires sustained financial support in the event of an eventuality to the family bread winner. Increasing incidences of lifestyle-related diseases due to changing lifestyles and increasing cost of medical treatment also makes protection against diseases and ill health a necessity.

CHILDREN'S FUTURE As a parent you always want to provide the best to your child. Whether it is best of education or a dream wedding, achieving these goals can be even more challenging due to steep inflation. However, with proper planning and timely investment, these goals can be well within reach.

WEALTH CREATION Planning for key goals such as buying a house, a bigger car, a holiday abroad, saving for a gift for spouse or parents. Wealth creation involves two key aspects: safety and returns. The allocation between the two depends on lifestage and lifestyle.

RETIREMENT PLANNING People of-

ten overlook the need for retirement planning till they have almost retired. Rising inflation, increasing costs of healthcare and a higher average life expectancy means a longer retirement period that makes retirement planning indispensable.

While there is no right age to start planning, starting early makes a significant impact in the long term. The premium of life insurance plans also increase with age. At a younger age, you are medically fitter and physically sound. This helps in reducing the insurance cost and in turn reduces your premium amount.

FINANCIAL PLANNING BASED ON LIFESTAGE

Any financial plan should start with defining the key goals you want to achieve. These goals depend on your lifestage:

SINGLE AND WORKING

Individuals in this lifestage are financially independent, don't have any liabilities. A single working individual may have aspirations to purchase a car, expensive consumer durables, an overseas adventure, first home,

plan for marriage and so on. At this stage, while a higher proportion of income may be utilised for self consumption, it is important that you build a disciplined savings habit to help you get settled.

At a younger age, you may invest to create a corpus to fulfil your aspirations, while maintaining liquidity to meet exigencies. Further, with increasing age, you need to create a corpus for retirement and a health cover to take care of medical exigencies.

MARRIED

Marriage means sharing of goals and aspirations as well as assets and liabilities. Individuals in this life stage are in a better position to invest for wealth creation goals in the medium term, a plan with a combination of investments and insurance is essential at this stage. The decisions you make at this lifestage have the greatest impact on future financial well being.

MARRIED WITH YOUNG CHILDREN

This is the time when your income is rising but so are the expenses. A bigger home, regular vacations with family and raising children can easily consume the increasing income.

At this stage, along with wealth

creation for yourself, you need to plan for your children's future. With increasing dependents, adequate life cover becomes more important and should be enhanced to protect spouse and children's future.

MARRIED WITH GROWN-UP CHILDREN

With children growing up, the responsibilities increase significantly and become top priority. At this stage, besides planning for children's higher education and marriage, an individual also needs to plan for retirement and being free from liabilities. A higher proportion of investments need to be allocated in safe assets as goals come closer. Also, you need a comprehensive health plan to take care of hospitalization and critical illnesses.

RETIRED

Post retirement, you want a comfortable and relaxed life. To ensure that golden years are the best years of life, you need to consolidate all your assets for a regular income, provision for health expenses and leave behind a legacy for your family, you should invest in a pension plan for life long income and a health cover.

It's fun to start by listing down your dreams and goals. Your financial planner or advisor can help you draw a plan to fulfill these dreams and goals. But don't forget to revisit this plan with changing lifestages.

The most important aspect of financial planning is sticking to your plan for the long term. Because the wealth that it creates with very small amounts paid as premiums can guarantee a secure and fulfilling life for your family; higher education for your children and even their marriage; and a fulfilling life after retirement for you.

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