



# UNIT LINKED INSURANCE PLANS (ULIPs)



Insurance is a financial product that has quite a few variants depending upon what exactly is being insured and what use will the premium amount be put to. Life insurance plans, health insurance plans, loan insurance plans are some of the most common insurance plans that we come across when we learn about insurance policies.

A unit-linked insurance plan is a widely acclaimed investment cum insurance instrument across the globe. Unit-linked insurance plans or ULIPs as they are generally called is an integrated financial product that has features of both insurances as well as investment.

## What is ULIP?

ULIP is a financial instrument that offers customers the best of both the insurance and the investment world.

ULIPs are provided by insurance companies to customers who want to avail insurance as well as grow their money while at it.

ULIPs offer customers insurance cover as well as a choice to capitalize on various investment tools like stocks, bonds, and mutual funds.

The double benefit of protection combined with the freedom to choose your investment avenue makes ULIPs a truly popular financial instrument among customers.

## Why you Should Buy ULIPs:

A ULIP provides investors with several advantages, which are listed below:

- **Flexible:**

ULIPs offer investors the option of switching between funds, resulting in better choices for the investor. Investors can choose to invest in either debt or equity funds depending on their risk appetite and market conditions.

- **Risk appetite:**

ULIPs offer investors to pick choose their investments based on their risk appetite. Low-risk appetite investors can choose to invest in debt funds and those who are willing to take a higher risk can opt for equity funds.

- **Tax benefits:**

With ULIPs being life insurance products, they offer tax benefits in the form of tax-free maturity. However, this tax benefit depends on the type of ULIP invested, as equity funds could be taxed 15% under certain conditions.

- **Low charges:**

ULIPs do not have high charges associated with them. IRDA has capped the annual charge on ULIPs at 2-2.25% p.a. for the initial 10 years, with the charges on par with those of mutual funds.

- **Long term investment:**

ULIPs are a long term investment option due to the increased lock-in period which also reap bigger returns.

## How Do ULIPs Work?

A ULIP or a Unit Linked Insurance Plan is a financial instrument that provides risk cover as well as investment options for the policyholder.

ULIPs permit the policyholder to invest in stocks, bonds or mutual funds.

The policyholder can choose the investment type based on his risk appetite as all option guarantee returns.

Initially, ULIPs did not assure returns and were primarily positioned as a long term wealth generation product.

Nowadays, however, almost all ULIPs offer investors assured returns of double or more their initial investment.

When policyholders invest money in ULIPs, the insurance company invests half in the equity markets (shares, bonds, etc.) while the other half is set aside towards providing.

The investments are managed by fund managers from the insurance company, taking away the need to track the investments.

ULIPs allow the policyholder to invest in multiple options, ranging from low-risk to high-risk as the case may be.

ULIPs also allow the policyholder to switch between their investments, allowing them to maximize their gains when market conditions are conducive.

## Features/Benefits of ULIP:

ULIPs offer incredible features and benefits to customers and hence are great investment tools especially in today's fast-paced world where returns matter as much as security.

Here are a few highlighting features of unit-linked insurance plans that make these instruments stand out among a host of investment options.

### Flexibility

ULIP schemes offer flexibility that is not just applicable to one aspect of the policy but is comprehensive. The following are the kinds of flexibility that you get to avail of your ULIP schemes.

#### **Life cover can be chosen**

Life cover that comes with the insurance part of ULIPs can be chosen by customers depending upon their financial capabilities.

#### **Premium amount can be changed**

After a certain period, almost all ULIPs provide their customer's option to change the premium amount. This amount can either be increased or decreased by customers depending upon their current financial status.

The top-up facility is also offered by most ULIP schemes so that customers who want to maximize their gain can invest higher additional amounts whenever they want.

## **Riders can be opted for**

Riders are additional benefits that can be availed by paying a marginally higher premium. Examples of such riders are a critical illness rider, major illness rider, etc.

ULIPs allow customers to avail additional optional riders for added benefits and enhanced protection.

## **Fund option can be chosen**

ULIPs are insurance policies where a part of your money is put into an investment avenue like mutual funds, stocks, bonds, etc.

Most insurance providers offer customers the flexibility to choose the fund type in which they want their money to be invested.

These funds range from aggressive to conservative variants to cater to the need of almost all kinds of customers.

## **Transparency**

Transparency is one of the key features of ULIPs. Unlike other investment tools, ULIPs offer high flexibility to customers and hence they control their ULIP policies to a good extent.

Clear benefits and features, illustrative brochures and free-look period make sure that customers are doubly sure before they start investing in their ULIP schemes.

## Liquidity

ULIP schemes offer liquidity to customers depending upon the insurance provider from which they have been availed. Most insurance companies offer a lock-in period of 3 or 5 years after which customers are free to make either full or partial withdrawals.

## Multiple Benefits out of a Single Scheme

The best feature of ULIPs is that these policies offer not just insurance benefit but also an avenue for people to grow their money through investment in shares and funds. This investment tool is ideal for customers who have a lower risk appetite but want to grow their money, nonetheless.

## Tax Benefits

ULIPs offer not only protection and returns but also tax exemption under section 80C of the Income Tax Act for life insurance and health insurance plans and section 80D for life insurance and critical illness riders. Also, ULIPs are a great way to save in a disciplined way and to also ensure the growth of the saved amount.

## Risk mitigation

Since ULIPs invest money in various funds and also offer protection, these products are low-risk investment tools. These policies are great for customers who wish to avail of the advantage of market growth without actually participating in the stock market.

## Death and Maturity Benefits:

The following are the death and maturity benefits associated with ULIPs. These benefits are central to any ULIP policy irrespective of the insurance provider the scheme is availed from. The benefits may, however, slightly differ from one insurance company to another.

### **Death Benefits**

Death benefits of ULIPs are offered in case of the unfortunate demise of the policyholder. Generally, the death benefit is equal to the sum assured plus fund value. However, depending upon the cause of death (accidental or natural) death benefits may vary.

### **Maturity Benefits**

Maturity benefits are offered to policyholders when the policyholder survives beyond the maturity period. Maturity benefits are equal to the amount of fund value. However, certain insurance companies may offer additional benefits subject to policy terms and conditions.

ULIP Scheme	Category	3M	6M	1Y	2Y	3Y	5Y
<b>Bharti AXA Life - Future Secure Pension - Grow Money Pension Plus</b>	Debt short term funds	3.40%	11.50%	16.20%	5.20%	13.70%	9.30%
<b>Bharti AXA Life - Spot Guarantee Builder - Grow Money Pension Plus</b>	Debt short term funds	3.40%	11.50%	16.20%	5.20%	13.70%	9.30%
<b>Bharti AXA Life - Dream Life Pension - Grow Money Pension</b>	Debt short term funds	3.30%	11.40%	16.10%	5.30%	13.60%	9.10%
<b>Bharti AXA Life - Spot Guarantee Builder - Growth Opportunities Pension Plus</b>	Large-cap oriented funds	4.70%	13.90%	18.40%	3.60%	13.30%	9.30%
<b>Aditya Birla Sun Life Classic Life Plan - Super 20</b>	Large-cap oriented funds	3.00%	8.60%	16.10%	6.20%	13.30%	7.30%