



# READERS QUERIES



**Q. I am a 36-year-old married male, and have a daughter. I plan on buying a term life cover. I am a regular smoker and drink occasionally. How much death cover do you think I should buy? Will I be charged a higher premium since I smoke and drink? Also if I plan to shift abroad after few years, will this term life insurance be valid?**

The thumb rule on term insurance is to buy cover worth 10 to 12 times of your annual income. The objective is to ensure enough funds are available for your family to stabilize before they find an alternate source of income. Rates for smokers are significantly higher than non-smoker rates. The underwriting is stricter and requires additional tests. As you grow older, the gap between a smoker and non-smoker rate increases further. So it is recommend to buy a cover soon. Drinking within reasonable limits does not result in higher premiums.

In case you shift abroad, you can continue with the term plan as Life insurance coverage is a worldwide coverage. However if you intend to stay abroad for a very long time, you need to inform the insurance company about the same. So, you don't need to shift to a foreign insurance company & continue with existing Insurance with Indian Insurer.

**the base cover the same. Is it a good strategy?**

Keeping the rising cost of healthcare in mind, it would be good to get your coverage increased. Buying a top-up plan is a cost-effective way to increase your cover. A top-up cover reimburses expenses incurred above a certain limit which in your case can be Rs 3 lac since your current policy is of Rs 3 lac. This means that if there is a claim of Rs 5 lac, a top-up policy will pay the amount above Rs 3 lac and Rs 2 lac will be reimbursed. However, there could also be a situation wherein multiple claims of small value may exhaust your current policy and you will be left without insurance if more such claims come within the same policy period. A top-up cover will not pay these claims but a super top-up will. A super top-up cover reimburses any claims after the total of all the claims in a policy period exceeds the limit mentioned in the policy.

**Q. I am 35 years old and am keen to start building a retirement corpus. Which criteria do I need to consider before opting for a good retirement policy? Could you suggest suitable plans?**

Firstly, you need to assess the corpus that you will need at retirement. Keep in mind that inflation will reduce the value of your corpus by the time you retire. Consult a

**Q. I save around Rs 40,000 a month and want to invest the amount in mutual funds for the long term growth. Please advise.**

Create a portfolio made up of a core and a satellite component. The core must have solid funds with a long term, consistent track record. The core must also match your asset allocation needs and risk appetite. For example, if you have time on your side, and are willing to take short-term fluctuations in your stride, you may like to invest in diversified equity funds for the core. It is a proven fact that Equities deliver higher returns & is less risky when invested for long term. Assuming 40,000 per month invested in equity funds, you make 1.10 crores after 10 years considering 15% p.a returns on investments. You may consider ICICI Prudential Focused Bluechip, Birla SunLife Frontline Equity, Mirae Asset India Opportunities etc are good core funds. You can use an SIP to invest every month in these funds.

As satellite funds, choose those that you would like to hold for a medium term, review performance closely and make changes, depending on market conditions. SBI Global Fund, HDFC Midcap Opportunities, Tata Midcap etc are good choices at present. You can invest in these funds as you accumulate funds, keeping the flexibility to invest only if you like to. Choose a growth option. Don't keep more than 10 funds. Over years, you will find this simple strategy paying off very well, and easy to implement and stick to. Refer to Page 02 of this edition for actual performances of various Mutual Fund Schemes.

**Q. I have a family floater health plan of Rs 3 lac which covers my family. However, I feel that the cover is inadequate. I want to take a top-up plan of Rs 5 lac keeping**

qualified financial planner who can help you find out corpus required at Retirement considering various factors including inflation. You can put your savings in a combination of investment avenues-mutual funds, term insurance, Ulips, bonds and gold exchange traded funds (ETFs). For mutual funds, you can invest through a systematic investment plan (SIP) in Large Cap equity funds, such as ICICI Prudential Focused Bluechip, UTI Opportunities, Birla SunLife Top 100 etc and mid-cap funds such as SBI Magnum Global, Religare Invesco Mid N Small Cap, HDFC Midcap Opportunities etc.

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