Reliance Fixed Savings

This is a non-participating traditional endowment plan from Reliance Life Insurance Co. Ltd. Endowment plans are insurance-cum-investment plans that give you a lump sum at the end of the policy tenor. Being a non-participating plan, it guarantees the pay-out right in the beginning.

WHAT DO I GET?

There is a policy tenor and a premium payment tenor in the plan. The premium payment tenor, during which you pay an annual premium, ranges from 5 years to 10 years and the policy term ranges from 12 years to 20 years. Every year a percentage of the annual premium that you pay gets accrued as savings—8% in year one, 9% in year, and 10% from the third year. This money is paid to you on the first day of the last policy year. Suppose you decide to pay an annual premium of ₹1 lakh for a policy tenor of 20 years and choose a premium payment term of 10 years. In year one, 8% of your premium or ₹8,000 will accrue to you, in year two it will be 9% or ₹9,000 and from the third year till the 20th year ,10% of the premium or ₹10,000 will accrue and be payable on the first day of the 20th year. That day you will get a total of ₹1.97 lakh.

ENTRY AGE
8-60 YEARS
POLICY TERM
12, 15, 20 years
PREMIUM PAYMENT TERM
5, 7, 10 years

Also, at the end of the policy term, you will be paid a maturity benefit that is equal to the annual premium multiplied by the premium payment term along with a fixed maturity addition that will get decided by your age, policy term and death benefit. The death benefit will be higher of the sum assured or 105% of all the premiums paid till date. The sum assured in this policy till the age of 44 years is higher of 10 times the annual premium paid or the maturity benefit. The policy will also pay regular additions that would have accrued till the time of death. The plan also offers five riders that include term insurance, critical illness, family income benefit, major surgical benefit and accidental death and total and permanent disablement.

WHAT IS MY RETURN?

Staying with the above example, let us assume a 35-year-old male buys this plan. On the first day of the 20th policy year, he will be entitled to a benefit of ₹1.97 lakh and on maturity he will get ₹10 lakh (premium payment term multiplied by the annual premium) plus around ₹7.25 lakh, which is a fixed maturity addition. Calculation of the maturity addition is not mentioned explicitly in the brochure but depending on your age and other specifications, your benefit illustration at the time of buying the policy will state this amount. So, the investment return turns out to be a net of around 4%.

MINT MONEY TAKE

Plans with guaranteed benefits are the flavour of the season. However, despite the fact that the maturity benefits are guaranteed, these plans don't explicitly state the rate of return. This makes them difficult to understand and compare. If you are looking for a policy, we recommend you stick to a term plan. In terms of investments, you may be settling for sub-optimal returns. If you have a conservative risk profile and long-term horizon, you would be better off with a product like Public Provident Fund.

—Deepti Bhaskaran