ASK MINT MONEY

Surya Bhatia
Certified financial planner and principal consultant, Asset Managers

Online term insurance provides higher cover at a low cost

Financial planning

I am 36 years old and earn ₹9 lakh annually. I have five insurance policies—Aviva Dhan Varsha, LIC Bima Gold 2, HDFC Young Star, HDFC Sampoorn Samridhi and LIC Market Plus 2. I have invested lump sum in five mutual funds—HDFC Long Term Advantage; HDFC Tax Saver, Kotak Tax Saver, DSP BlackRock Tax Saver and Reliance ELSS. I started systematic investment plans (SIPs) two months ago in DSP BlackRock Small and Mid Cap (₹2,000), ICICI Focused Blue Chip (₹2,000). I will buy a term insurance of ₹75 lakh from Aviva online. In June, I will get ₹80,000 from an insurance policy taken earlier, out of which I can reinvest ₹60,000. From another, I will get ₹60,000 out of which I can reinvest ₹50,000. My goal is to buy a car in 2015 for which I need ₹7 lakh. I need a retirement corpus of ₹1 crore and ₹50 lakh for my child's education. Are my investments on track?

—Nitin Saxena

You have not planned your investments, including insurance, well. There is a lot of scope for improvement and it requires a change in asset allocation.

You have five policies with different themes. Aviva Dhan Varsha is a traditional investment-cum-protection plan that gives you guaranteed addition on the sum assured along with life protection. LIC Bima Gold is a plan where the premiums paid are paid back during the policy term in instalments along with life cover. HDFC Young Star and LIC Market Plus are typical unit-linked insurance plans. HDFC Life Sampoorn Samridhi is a traditional plan with options of enhanced cash and enhanced life cover.

At your age and for your goal what you need is regular and consistent savings which can be backed by adequate insurance cover to ensure your family is protected. As you are aware of online term insurance, this is one of the better products which will give you a high cover at a low cost. Once you have a term plan, you don't have to look at life insurance. The only other aspect you can consider is health insurance even if your employer provides you with a medical cover. Once your insurances are in order, you need to concentrate only at investments. Here also, you have five equity-linked savings scheme—tax saving schemes. One is more than enough.

Your monthly investment in SIP is quite low. You can consider increasing your monthly investments in mutual funds. Here you should consider funds across asset classes. You already have exposure in large-cap funds and mid-cap funds. You can also consider multi-cap funds where HDFC Equity and DSP BlackRock Equity are good options. Another category which has some debt exposure is hybrid and dynamic equity where HDFC Prudence, FT India Dynamic PE Ratio FOF are good options.

Queries and views at mintmoney@livemint.com