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## Should I go for Child ULIP Plan to secure my child's future?

Anil Rego October 20, 2009

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**AS** education gets expensive by the year, worry mounts for parents'. Higher education cost is

growing at a cost grossly higher than the average inflation rate applicable to a developing economy. With myriad options to specialise in, opting for the preferred vocation will be less of a headache, but funding the same could be more challenging.

For those who have started early, you have gamut of 'low-risk' options. However, for those would have missed the bus, we look at various options available for planning children's education.

### Factor-in the cost escalation

Stay realistic about your numbers

To arrive at the cost requirement, you need to look at the future rate of growth and arrive at a corpus. This corpus, however, depends on the current age of your child.

**Read:** [How to fund your child's future?](#)

Here's an example of how to arrive at the required corpus for a child:

Milestone	No. of years hence	Amount as of today	Cost escalation rate	Projected amount
Graduation	15	500,000	7.50%	1,479,439
Post-Graduation	20	750,000	7.50%	3,398,281
Marriage	22	500,000	6.50%	1,998,303
<b>Total</b>		<b>1,750,000</b>		<b>6,986,981</b>

### Options to meet the cost!

If you have a high risk taking appetite, Unit Linked Insurance Plans (ULIPs) is the popular choice. Since this is a long-term need, the equity risk may get averaged out. So, we suggest you go for Child Plan ULIPs that have the parent as the life assured. When this is the case, the Child Plan ULIPs provide life risk protection which is one of the most conservative of needs for most parents.

In case of the demise of the parent who is the life assured, the nominee is immediately paid out the sum assured. In addition, the maturity value is paid out as planned by the parent. This makes child plans unique.

**Also read:** [Should I invest in ULIPs?](#)

#### **Key features of Child ULIP Plan**

- It offers ample flexibility of withdrawal as per requirement, and you can also stop premium payments after the minimum period
- You can use a mix of debt–equity within the same plan to build the corpus
- You can take advantage of the market returns. However, keep in mind that they carry risk as well. As one approaches the need, one can switch into debt funds so as to avoid market risk
- You can choose both premium and sum assured as required. Unlike, traditional plan where you are required to pay a certain premium on the sum assured chosen by you. Depending on the sum assured you choose, the mortality charge will become applicable

#### **Note**

- This plan is best suited for children in the age group below 5 to 15 years.
- Look at this option only when the term under consideration is greater than 7 years. This is because of the higher upfront costs charged by ULIPs, which make it unviable in the short-term.

**Also read:** [Cap on ULIPs - How it affects you!](#)

#### **Tomorrow: Alternatives to Child ULIP Plans**

#### **Illustration: Vipurva Parekh**

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