Insurance vs. Term Cover With Annual SIP

Scenario: Mr. A has received a proposal from a Life Insurance Advisor to invest in a traditional endowment plan with an annual premium of ₹5 lakhs, providing a life cover of ₹50 lakhs for a 20-year term. While the endowment plan offers a guaranteed return of 7%, Mr. A consults you for an opinion.

Your Recommendation: You suggest an alternative approach for Mr. A:

- **Term Insurance:** Opt for a term insurance policy with a similar life cover of ₹50 lakhs, which would cost significantly less in annual premiums.
- **Equity Mutual Fund SIP:** Invest the remaining amount from the ₹5 lakh premium into an Equity Mutual Fund SIP, assuming a 12% annual return.

Mr. A's Query: Mr. A wants to understand how much more he could potentially accumulate by following your suggestion of investing in a mutual fund SIP compared to the traditional endowment plan, over the 20-year term.

Insurance vs. Term Cover With Annual SIP

Insurance

Annual Premium	₹ 5,00,000
Sum Assured / Death Benefit	₹ 50,00,000
Policy Term	20 Years
Assumed Rate Of Return	7.00 %
Expected Maturity Value	₹ 2,19,32,588

Term Cover + Monthly SIP

Sum Assured / Death Benefit	₹ 50,00,000
Term Policy Premium	₹ 15,000
Monthly SIP Amount	₹ 40,417
Total Annual Outlay	₹ 5,00,000
Time Period	20 Years
Assumed Rate Of Return	12.00 %
Expected Fund Value	₹ 3,71,77,568

*This illustration and returns assumed are on the basis of the request made by you. These are neither indicative nor guaranteed returns. Mutual fund investments are subject to market risks. Do read all scheme-related documents carefully.