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Will Indians' Attitude Towards Gold Change ?

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Conference
2015



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A TRANSFORMATIVE APPROACH TO GOLD



The Gold Monetization Scheme has the potential of channelising the gold lying idle with households into economic investments.

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A PEEK INTO TWO NEW GOLD SCHEMES



In the Budget for 2015-16, the Hon'ble Finance Minister had announced two gold schemes - Gold Monetisation (Deposit) Scheme and Gold Bond Scheme - meant to mobilise the gold held by households, temples, institutions etc.

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PROPERTY INVESTMENT



A lot of people are enticed to go in for an under-construction property due to substantial price difference between an under-construction property and a ready-to-move-in house.



Girish Aswani, CFP™

How much Health Insurance Cover is needed?

Cost of healthcare is rising and even a minor hospitalization can set you back by several thousands of rupees if not lakhs. Though medical insurance premiums are going up, it is worth investing that amount every year, in order to provide protection against the kind of money that you will otherwise have to shell out of our own pocket if you or your family members fall seriously ill. Buying a health cover will still be cheaper under any circumstances.

In order to understand the dynamics of health insurance we need to consider the value of purchasing health insurance. In this article we will look at how much insurance coverage is adequate, when is the ideal time to purchase insurance, the concept of health insurance and other related aspects.

Importance of Health

“If Wealth is gone nothing is lost but if Health is gone something is lost.” This statement infers that wealth can be regained if lost, but once health is lost you might not attain that previous state of health again.

The life experience of Mr. Pawar (name changed) is noteworthy. Mr. Pawar was an energetic, focused, self motivated, disciplined, organized and healthy gentleman working in a multinational company. He worked religiously and his job was the most important thing in his life. He led a hectic life. Every day he left for office at 7:00 a.m., traveled close to two hours before making it just before his office commenced work at 9:00 a.m. He set to work immediately, starting by answering his mails. By the time he finished work at 6 p.m. his stress levels had rocketed. Sometimes he worked overtime due to heavy work load and in order to reach his performance targets.

Stress was an overriding factor in his life. Being on time, battling through traffic, meeting his targets

at work and then the return commute home, all contributed to his stress. He couldn't spend quality time with family and friends and he suffered from lack of sleep. All of this took an inevitable toll on his health. For a few years the problem was not apparent as he appeared fit, healthy and energetic. Then one day suddenly he had a heart attack at night. He was rushed to the hospital where the doctor suggested a bypass surgery which cost him Rs. 4 lakhs plus additional hospital expenses and post hospitalization expenses which equaled his entire life's savings. Though he recovered from the attack it was clear that he would not be able to carry out his work at optimum level anymore. Since Mr. Pawar did not have health cover, he had to foot all the expenses. So he had lost his health and wealth, while his capacity to acquire wealth in the future was diminished.

Facts about Health and Surveys

According to various studies and surveys, the age of getting heart attacks has declined from 40 to 30 years in the last decade due to poor eating habits, a sedentary lifestyle, lack of exercise, and rising stress levels. India is already known as the diabetic and oral cancer capital of the world. Surveys also suggest that heart diseases have become the No.1 killer in India and cardiac problems are reaching epidemic proportions among Indians. Stress has become an inevitable part of

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our daily life from college students to working professionals and even among individuals who are not working but stay at home. It is a fact that even if we change our lifestyle and reduce our stress level during our middle years, we have to accept the fact that we may have damaged our health already to some extent. In this context it is important to understand the need for health insurance which can act as a savior, protect us financially and ensure that we do not bankrupt ourselves and our families during medical emergencies.

What is Health Insurance?

Health insurance is a plan which protects your savings, investments and other assets that can be impacted by any kind of a medical situation requiring hospitalization and extensive treatments. Having a comprehensive health insurance coverage is a vital part of financial planning as the above example of Mr. Pawar has shown.

How Much do you Need?

This is a very critical question that needs to be answered. There are two major factors to be considered here.

- **Affordability**

A big factor which decides how much health insurance a person requires is "Affordability" of the premium cost, that is how much of premium you are able to pay every year within the constraints of your income and liabilities. For example, if premium cost is fixed at 2.5% of yearly income and a person earns Rs. 10 lakhs a year, he should be comfortable paying an annual premium cost of Rs. 25,000.

- **Income, lifestyle and complete risk transfer**

An ideal health insurance cover should be commensurate with your expenses or the savings made from your income. Ideally 100% of your annual income should be the sum for your health insurance cover. This means that a person

earning Rs. 10 lakhs a year should buy Rs. 10 lakhs worth coverage. It is important to always take your lifestyle, your present medical expenses into consideration while taking a health cover. If you desire to transfer the complete risk of critical illness then you can opt for higher health insurance cover. However, an upper limit can be kept, say up to Rs. 30 lakhs, because a person may not need health insurance above that in normal circumstances especially at a young age. It is possible to increase the coverage over time after a critical evaluation of the various options available with insurance firms.

How Much Does it Cost?

Health insurance has a wide range of features and options that cater to the diverse needs of individuals. There are conditions and exclusions associated with various illnesses so it's important to know what features and options are available and how they would suit your unique health insurance needs. It is important for you to do some preliminary checks before you purchase any health insurance policy.

- **Do Some Research about Available Health Covers**

One of the most important steps is to consider carefully all the options available in the market and provided by the various insurance firms. There are many different policies; so it is important to check with each provider to find the one which suits your needs.

- **Compare Prices**

There are different policies, providers and options available in the health insurance segment with different costs attached to them and it is important to compare the prices and know what type of coverage you are getting for your money. Do not forget to read the terms and conditions of the coverage before purchasing.

Health insurance is a plan which protects your savings, investments and other assets that can be impacted by any kind of a medical situation requiring hospitalization and extensive treatments.

- **Cut the Costs with Medical Top-up Policies**

There are many ways that you can combat expensive premiums by taking a few cost cutting measures. One option is adding a top-up to reduce premiums. This means that you will effectively pay for minor treatments but your insurer will cover the open-ended costs of more serious illness.

- **Family Floater Policy**

If there is a shortage of funds then purchasing a Family Floater Medical Policy instead of taking Individual policies for every family member would bring policy premiums down substantially. This works out cheaper than taking individual policies for every member of the family. In family floater policies all the family members are covered and all the names mentioned in the policy share a common health insurance cover. You have to remember though that once any member or all members of the family spend the sum assured, for the rest of the year all other insured members will be left with no cover until the annual policy is renewed or they obtain cover from another policy provider.

Price Range (Illustration/ Example)

For an individual (self) under 40 years, for a sum assured of Rs. 10 lakhs, premium would come to around Rs.11,000 and if going for a floater with self & spouse then a sum assured of Rs. 10 lakhs premium would be around Rs.16,500. The premium will be much less if the age of the insured is 25 years and below.

Technically speaking if an individual purchases a health insurance for 15 years this means a outlay of of Rs.1,65,000 (11,000 x 15 years) throughout the period, assuming the premium rates remain constant. So for those 15 years the individual has effectively protected himself against expenses running into

several lakhs of rupees with a relatively minor monetary outlay. Even something as common as a Caesarian operation could cost you up to a lakh of rupees in a private city hospital.

What All Does a Health Insurance Cover Provide?

- **Medical Expenses During Hospitalization:**

Medical expenses incurred following advice from a doctor as an in-patient in a hospital which includes accommodation cost; boarding expenses including patient's diet provided by the hospital or nursing home, supervision of medically qualified staff, etc.

- **Pre-hospitalization:**

Medical Expenses incurred in respect of the medical treatment of an illness during the consecutive 60-day period which precedes hospitalization. It should be noted that for the same illness the 60 day period must start and end within the policy period.

- **Post-hospitalization:**

Medical expenses incurred in respect of medical treatment and investigations which may be required to be carried out for a period of up to 90 days after discharge from the hospital.

- **Emergency Ambulance Charges:**

The policy also covers costs up to a maximum of Rs. 1000 per valid hospital claim for transferring to, or between, hospitals in the hospital's ambulance or in an ambulance provided by any ambulance service provider.

What are the Health Insurance Exclusions?

Exclusions include a waiting period of 4 years for pre-existing diseases before you can claim expenses on them., For example, joint replacement surgery,

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Health insurance coverage through employers has both benefits and challenges for workers. It is important to understand the pros and cons of getting your insurance from your place of work.

Figure 1

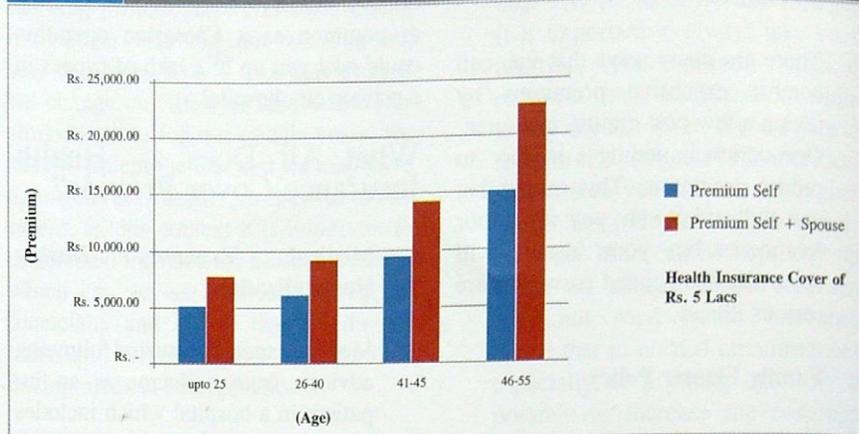
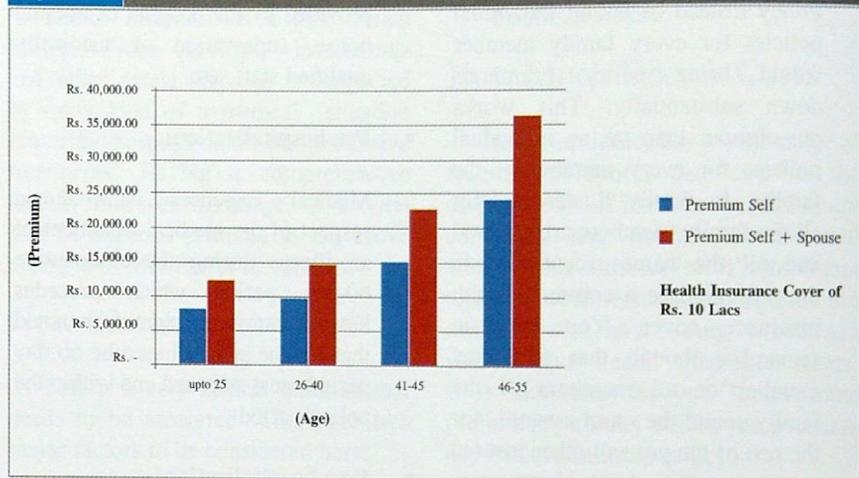


Figure 2



for reasons other than due to accident, shall have a waiting period of four years from the time of commencement of the policy. At the time of policy proposal all existing diseases or injuries will be excluded if any claim arises. In case any disease is contracted during the first 30 days of commencement of the policy the claim for those medical expenses will be excluded and considered as void. Health insurance does not cover cosmetic, aesthetic or any related treatments.

What if you are Medically Covered by your Employer?

Health insurance coverage through employers has both benefits and challenges for workers. It is important to understand the pros and cons of getting your insurance from your place of work. For instance, buying your health care plan through employer can lower your costs, but it can limit your choices as well.

- **Lower Costs**

Employers might be able to negotiate lower group rates with insurance companies playing on volumes and bulk rates. When you buy your own health insurance, you might get standard rates applicable for retail insurance policies. In addition to the lower group rates, employers might pick up at least part of the coverage for their employees but if you buy a plan on your own you will have to pay the entire cost for all features.

- **Easier Access**

Getting coverage through your employer provides you with one stop-solution and makes it easier to find the plan which might suit your needs. If you shop on your own you will need to carry out considerable research on health

insurance coverage, compare prices and benefits and take necessary decisions. The process of identifying the best health care plans and choosing the right one can be both complicated and time-consuming. Simply choosing a plan from your employer is much simpler and faster though on the flip side it may not be according to your needs.

• Limited Choices

Perhaps the biggest disadvantage of employer-based health insurance policies will be in the limited choices available to you. You will have to go with the plan which the employer has chosen. Even if there is the flexibility of access to more than one plan, the choices with regard to the features may be restricted. If you buy instead from the retail market, you can have access to a wide range of plans, from comprehensive to add on features, very low to high deductible health plans with complete coverage for the entire year, sometimes even covering loss of job, retirement, change to part time or switching jobs which is an added advantage. Further disadvantages to employer-sponsored coverage is that employers are not obligated to offer coverage, not all workers have access to it and due to any reason if

the job is terminated or one decides to start up a personal business loss of coverage may occur.

Tax Benefits

Health Insurance comes under the tax saving provision under section 80D of the income tax act 1961. The tax benefit can be enjoyed for paying the insurance premium for health insurance where tax deduction can be as high as Rs. 60,000 under Section 80D.

You can get a tax deduction of maximum Rs. 25,000 on the health insurance premium for self and family. If you are a senior citizen, you can claim tax deduction on the premium of up to Rs. 30,000 for yourself and family. If the parents are senior citizen then maximum limit is 30,000. So technically Rs. 55,000 (Rs.25,000 + Rs. 30,000) deduction is available for premium payments if you are not a senior citizen and Rs. 60000 (Rs. 30,000 + Rs. 30,000) is the tax deduction available in case you yourself are a senior citizen. That provides an extensive saving of up to Rs. 18,000 (if you come under the 30% tax slab).

All of this makes buying health insurance a wise decision.

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