STOCK PICK

Systematic transfer is its USP

Tata AIG's Invest Assure Optima has two features that might attract customers: its promise of guaranteed additions and the systematic transfer facility

SUNEETI AHUJA

INVESTMENT IN a staggered manner seems to be the mantra for good returns in these choppy times. And this is precisely what Tata AIG's latest unit-linked insurance plan (Ulip) Invest Assure Optima offers. The plan is no different from any other unit-linked plan available in the market, except for one feature — SMART (Systematic Money Allocation and Regular Transfer).

WHAT WILL THIS POLICY PAY YOU

POLICY YEAR	ANNUALISED PREMIUM	TOTAL CHARGES	GUARANTEED ADDITION	FUND AT THE END	SURRENDER VALUE	DEATH BENEFIT
1	50,000	50,000	—	—	—	2,50,000
3	50,000	5,127	—	97,254	—	2,50,000
5	50,000	6,029	—	2,20,699	2,00,836	3,00,699
10	50,000	10,337	—	6,38,405	6,38,405	7,18,405
20	50,000	30,925	80,000	2,301,466	23,01,466	23,01,466
Sum at maturity				23,81,466		

Assuming a return of 10% p.a.

IN CASE OF RETURN AT 10%		IN CASE OF RETURN AT 6%	
Amount at maturity	23,81,466	Amount at maturity	15,99,045
Yield	8.36%	Yield	4.68%

Features

Anybody in the age group between 30 days and 55 years can subscribe to this policy with a minimum premium of Rs 15,000 per annum. The policy offers a choice of several tenures: 10, 15, 20, 25 and 30 years. The cover on this policy can extend up to the age of 70. The minimum sum assured on the policy is Rs 75,000. This is a type I Ulip that pays the higher of sum assured or fund value as death benefit. Besides, the policy also promises guaranteed additions at the time of maturity. However, you will have to forgo the guaranteed benefits in case of lapsation, surrender or termination.

The policy comes with a choice of five riders. In case of an interim financial need, an investor is allowed to make partial withdrawals, of minimum Rs 5,000, after five policy years. You can also make top-up payments and thereby increase or decrease the life cover on the policy. The minimum top up allowed is Rs 5,000. If you are a savvy investor, you could make use of the 12 free switches in a year provided by the company.

Seven fund options

The plan offers a choice of seven funds: whole life mid-cap equity fund, whole life income fund, whole life short-term fixed income fund, whole life aggressive growth fund, whole life stable growth fund, large cap equity fund, and select equity fund. Besides, the fund has also introduced a SMART option in the plan, whereby the insured can redirect the premium paid to a particular fund in a staggered manner.

Let's say you have been investing in the whole life stable growth fund. But now, since equity valuations are attractive and large cap stocks are available at throwaway prices, you might want to redirect your accumulated investment to the large cap fund. Since no one knows the bottom, it is considered prudent to invest in the markets in a staggered manner to take advantage of rupee-cost averaging. This is what the SMART option will do for you. Instead of putting your money in another fund at one go, as in the case of the switch option, SMART option will automatically transfer your money from one fund to another over a period of one year. This option is also offered by a few other insurers like Kotak Life and ICICI Prudential Life in a few plans.

Comparable charges

The charges, on the whole, are comparable with that of other products in the same category. The company charges 100 per cent of the premium paid in the first year as premium allocation charge and in lieu offers guaranteed additions at maturity. The premium allocation charge is particularly high if the premium is below Rs 50,000 per annum.

Fund management charge, which ranges from 0.65 to 1.45 per cent, is again comparable with that of policies in the same category.

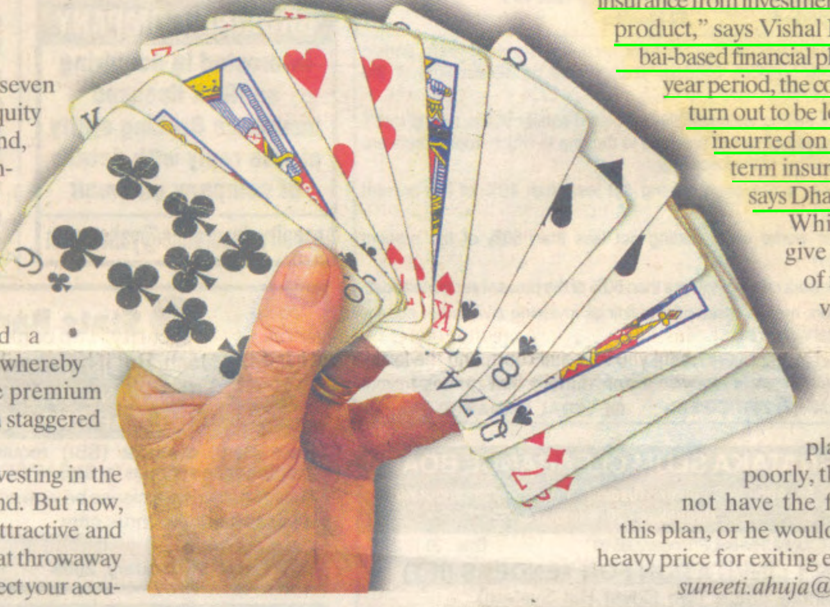
Returns

Assuming that a 35-year-old buys this policy and stays invested for 20 years, he will be able to break even on his investment in seven years. The policy will give him an 8.36 per cent yield at 10 per cent rate of return, and 4.68 per cent yield if his investments fetch him 6 per cent return *(see table)*.

What experts say

While there's not much novelty in this plan, the SMART option is one feature that might excite investors. On the cost front, compared with its peers, it looks like a medium-priced product.

"People who depend on forced savings, and those who do not want to separate their insurance from investment can consider this product," says Vishal Dhawan, a Mumbai-based financial planner. "Over a 20-year period, the costs of this plan will turn out to be lower than the cost incurred on a combination of term insurance and an SIP," says Dhawan.



While such plans do give you the comfort of insurance and investment in one, they compromise on flexibility. If the funds attached to this plan perform poorly, the investor would not have the flexibility to quit this plan, or he would end up paying a heavy price for exiting early. ◆

suneeti.ahuja@expressindia.com