What is Endowment Plan?

An endowment policy is a life insurar contract designed to pay a lump sum afte specified term (on its 'maturity') or on ear death. Typical maturities are ten, fifteen twenty years up to a certain age limit. So policies also pay out in the case of criti illness.

Policies are typically traditional with-profits unit-linked (including those with unitis with-profits funds).

Endowments can be cashed in early 'surrendered') and the holder then receiv the surrender value which is determined the insurance company depending on h long the policy has been running and h much has been paid in to it.

Endowment insurance plans provide insurance cover for a specific period. T insured can get the sum assured plus a bonus or guaranteed additions that m accrue during the policy term.

Endowment plans provide life insurance cover for a specified period. The important aspect is that on maturity i.e. if the insured survives the term of the insurance, he/she receives the sum assured at the end of the term.

A variation of the Endowment plan is the Endowment plan with Profit or Unit Linked Endowment plan with Profit.
In such plans, in the event of death of the insured during the term of the policy, the nominee receives the sum assured plus the bonus/participating profit/guaranteed additions, if any. The bonus or profit is paid for the number of years that the insured survives in the policy term. In case of unit-linked plans, the nominee receives the value of the investments or the sum assured, whichever is higher.
If the insured survives the term of the policy, she/he receives the sum assured plus bonus/participating profit/guaranteed additions, if any, for the entire term of the policy or the value of the investments.
The premium for endowment plans is higher in comparison to term plans. If one purchases plans with GA, the premium is higher than that for a regular endowment plan. Many companies

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offer an option in choosing the premium paying term.
Endowment plans are advisable if the insured wants to purchase a product that provides both - insurance cover and savings. Many people prefer to buy such policies for terms that mature during their retirement period. Often, the maturity amount is utilized to supplement the pension income.
However, there are other ways to create/supplement your retirement income. A substantial part of the premium paid for such plans is used by the insurance company to generate the bonus or profit paid to the insured or the nominee. If one chooses to impose self-discipline and invest regularly, other saving/investment avenues, such as mutual funds, offer higher returns. Click here to learn why your insurance plan is not a good investment avenue as well.