

ARE YOU RECESSION PROOF? DO YOU HAVE A PLAN?



By Magicgyan Team,

"The saving man becomes the free man"..... old Chinese proverb

Recession; Europe has been through it, America and the Gulf have been through it. Even India has seen recession in 2008-2009.

Recession means a significant decline in activity across the economy lasting longer than a few months affecting industrial production, employment, real income and wholesale-retail trade.

According to recent news report by PTI, youngsters in UK which is currently undergoing an economic recession are resorting to desperate measures for survival such as selling their hair, lapdancing and skipping meals. More than 2,000 young adults, including graduates, students and unemployed school leavers, were questioned in an Institute of Commercial Management (ICM) poll.

Nearly a quarter (22 per cent) said they knew of someone who had gone without food because they could not afford three meals a day, the 'Daily Express' reported.

Let us understand how you can make a pre-plan to save yourself from the pitfalls of a recession in future.

Create an emergency fund.

Nobody knows when a recession can strike. Having an emergency fund in bank can be a life saver in such times. Ideally an emergency fund should be equal to a sum of your salary for six months.

Buying life insurance

It is a wise decision to buy life insurance when you are young and healthy and have the financial capacity to do so. Remember if you are jobless due to recession, you cannot buy life insurance no matter how much you wish to do so because of lack of money. Many life insurance policies also offer regular income in the form of survival benefits for a lifetime after completion of the chosen accumulation period.

One such plan is LIC's Jeevan Tarang which offers annual survival benefit at a rate of $5\frac{1}{2}$ % of the sum assured after the chosen accumulation period. The vested bonuses in a lump sum are payable on survival to the end of the accumulation period or on earlier death. Further, the sum assured, along with loyalty additions, if any, is payable on survival to age 100 years or on earlier death.