

# Take cover when investing in property



According to our research,<sup>1</sup> investing in property is one of the main goals for Indian expatriates.

Popular locations for buying property are Mumbai, Bangalore and Delhi as Indian expatriates are encouraged by the rupee exchange rate and in some cases, the intention to retire in India.

More permanently settled Indian expatriates are looking further afield, to the UK, USA and Canada, either for long-term investment opportunities, a retirement home or simply somewhere new to live.

<sup>1</sup> Expat research study on savings and investments conducted by Insight Discovery among 565 expat respondents in the UAE from October to November 2017.

## Protect your property investment and safeguard your lifestyle

When buying property, you could look for funding through a mortgage. While you may be in a position to fund a purchase from cash, taking out a mortgage may better suit your circumstances better. When buying in India, you could consider a mortgage from a local company or you could take out a foreign loan where more competitive interest rates might be available. Many Indian finance companies have now set up offices in key Indian expatriate centres including the UAE, the USA, Singapore and the UK. When taking out a mortgage or a series of mortgages, you should also consider taking out a life and critical illness plan. This could protect your property investment, if you become unable to meet the repayments in the event of:

- being diagnosed with a critical illness
- becoming permanently disabled
- premature death.

Most international lenders or specialist brokers that provide mortgages to expatriate customers insist on this type of insurance.

You will understandably want to ensure that the right cover is in place to give you and your loved ones financial peace of mind in the event you are diagnosed with a serious illness, or if you die.

### What the cost could look like

The average value of a two bedroom apartment<sup>2</sup> in metropolitan cities in India is approximately USD 290,986 (INR 2.1 crore)<sup>3</sup> and desirable properties in the country's main cities sell for much higher prices. The average price of residential property in Mumbai is USD 528,597 (INR 3.7 crore),<sup>3</sup> which compares with the average for Delhi and Bangalore which is USD 290,322 (INR 2 crore).<sup>3</sup>

Let's now consider the kind of mortgage you will need to buy a property and how much it will cost to insure yourself against death and total permanent disability: here are two examples.

#### Example 1

For a two bed room apartment in Bangalore costing USD 276,884 (INR 1.9 crore), life cover with a repayment mortgage over 20 years.

Apartment value: **USD 276,884 (INR 1.9 crore)**

Deposit: **USD 55,377 (INR 39 lakh)**

Mortgage value: **USD 221,507 (INR 1.5 crore)**

Life cover with total permanent disability on a level basis against the mortgage would cost you **USD 56.43 (INR 4,035)<sup>4</sup>** per month.

On a decreasing term basis the monthly cost to you would be **USD 29.53 (INR 2,112).<sup>4</sup>**

#### Example 2

For a two bedroom apartment in Mumbai costing USD 528,597 (INR 3.7 crore), life cover with a repayment mortgage over 20 years.

Apartment value: **USD 528,597 (INR 3.7 crore)**

Deposit: **USD 105,719 (INR 75.5 lakh)**

Mortgage value: **USD 422,878 (INR 3 crore)**

Life cover with total permanent disability on a level basis against the mortgage would cost you **USD 95.88 (INR 6,856)<sup>4</sup>** per month.

On a decreasing term basis the monthly cost to you would be **USD 52.10 (INR 3,726).<sup>4</sup>**

Your financial adviser will be able to provide guidance about the suitability and availability of decreasing term and level term assurance.

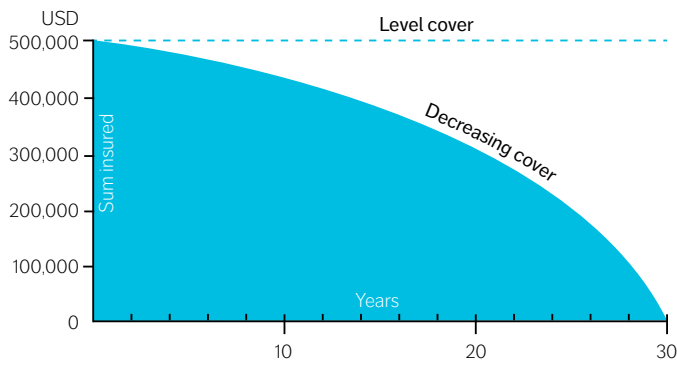
<sup>2</sup> Approximate size of a two bedroom is estimated to be 1200 sq ft.

<sup>3</sup> The average price of the residential property is calculated by taking an average of the highest and the lowest property prices listed for each metropolitan city in the Knightfrank report -<https://content.knightfrank.com/research/659/documents/en/india-real-estate-january-june-2019-6498.pdf>

<sup>4</sup> Premiums are based on level and decreasing life cover for a 40 year old Indian male expatriate, non smoker, living in Dubai, 20 year term and assume a 11% interest rate.

Assumed exchange rate is 1 US Dollar (USD) equals 71.51 Indian Rupee (INR).

## Mortgage cover terms explained



Level cover will pay out a fixed sum on death at any time during the term of the plan. Decreasing cover, which will generally cost less, will more closely mirror your outstanding loan, meaning that the sum payable on death will reduce as your mortgage is repaid. Whichever cover option you choose, you and your lender will be reassured that you can repay the loan. And your family won't have to bear the burden of the mortgage repayments if you die prematurely.

Your financial adviser will be able to advise on the suitability and availability of decreasing term and level term assurance.

## Enjoy comprehensive cover

While it's important to safeguard your home and mortgage, it's equally important to protect yourself, your family and your lifestyle.

Adding critical illness cover and/or total and permanent disability benefit to your life insurance plan will ensure that your mortgage is paid in the unfortunate event that you become seriously ill or experience a life-changing accident.

## Protection at a glance

Cover type	What does this mean?	Benefits for you and your loved ones
<b>Life cover</b>	A cash lump sum will be paid if you die.	Peace of mind that your loved ones could survive financially without you and security for them, knowing they won't have to worry about financial matters.
<b>Critical illness cover</b>	Pays a cash sum if you are diagnosed with one of a defined set of critical illnesses.	You can concentrate on recovering, rather than worrying about your finances as your plan will cover any liabilities.
<b>Life or earlier critical illness cover</b>	Pays a cash sum if you die or are diagnosed with one of a defined set of critical illnesses – whichever happens first.	Financial protection for both scenarios.
<b>Terminal illness benefit</b>	Pays a cash sum if you are diagnosed with a defined terminal illness.	You can spend quality time with your family, with the help of financial support.
<b>Total and permanent disability benefit</b>	An optional addition to life cover, paying a cash sum if you are diagnosed with a defined total and permanent disability.	You will receive financial support, if you are totally and permanently disabled.
<b>Single and joint life</b>	The plan can be set up on either a single or joint life basis.	Financial security that you or your spouse are covered.

It's worth investigating the different protection plan options, to make sure you're sufficiently covered. With the right plan, you can have confidence that your family, your home and other financial commitments are taken care of, wherever you choose to live and work.

As an expatriate, you will want your plan to be portable, so that it will continue to provide the cover you need if you decide to move to another country. It is likely that your needs can be met by an international protection plan.

Many financial providers offer a choice of either level or decreasing cover while you are repaying a loan.

We offer a range of financial planning solutions, designed with your specific needs in mind. These can help you protect your property investment portfolio.

[www.fpinternational.com](http://www.fpinternational.com)

Visit our website to learn more about our range of flexible savings, investment and protection plans.

Speak to your financial adviser to see how we could help you protect your property portfolio.

### About Friends Provident International

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Friends Provident International has over 40 years of international experience and our heritage dates back over 180 years.

All currency conversions correct as at October 2019.

All figures are rounded off to nearest zero.

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