Value Research

Your Guide to the Best Investments

2022-23

A comprehensive guide to all savings and investment alternatives

Incorporating Savings & Investment Yearbook 2022-23

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Incorporating Savings & Investment Yearbook 2022-23

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Scan this QR code to view the current rates on the schemes in this book.

Preface

Dear Reader,

The last one year has been both eventful and stressful for savers and investors. While the rally in the Indian markets more or less continued, new challenges emerged as well: the third wave, led by the Omicron variant; Russia–Ukraine war; and rising inflation worldwide. In one way or another, all these have made investors realise the importance of saving and investing.

It is important to save and invest, not just for the difficult phases of life, but also to meet distant goals. Creating a sufficient corpus for your kid's higher education and your retirement are just two examples to quote. But how does one start?

It's good to have a map and then make the start. But ensure that you have the updated one. The old ways may not be appropriate any longer. And what was probably the best route to reach your destination earlier is not the best-one today. I constantly come across savers to whom this applies. They keep investing in the same things in the same way and believe that they are making the best choice. Old-time PPF fans are a major example, as are the most basic savers who will not touch anything but bank FDs. Often, the choice is the best one, but only in the circumstances of twenty or thirty years ago. The world of personal finance has moved on. New things are possible now and many of the old ones are no longer such a great choice.

Most publications that my team creates at Value Research focus on specific types of investments. Before you subscribe to one of our magazines, you must decide whether you are interested in stocks, in which case you will choose 'Wealth

Insight' and if mutual funds are your choice, then it will be 'Mutual Fund Insight'. Of course some people are interested in both and they buy both.

Mutual funds and stocks are unique in that they are entire worlds in themselves. There's constant change and to keep up with your investments, you do need to read a monthly magazine. However, for many other instruments, while you do need to take an overview, a once-per-year update is quite enough. For something like the Sukanya Samriddhi Yojana or the Senior Citizens Savings Scheme, you should have an accurate idea of what they offer, what they are useful for and what the nuances are. For so many instruments, an occasional in-depth refresher is quite adequate.

That's exactly what this annual updater gives you. 'Your Guide to the Best Investments' consists of an easy-to-read listing of various types of savings and investment instruments that a typical investor is likely to invest in.

Presented in the simple way that is the hallmark of Value Research, this handbook brings together resources and information on various savings and investment options available, highlighting the factors that you should look out for before making any investment decision. As each product has unique features, common investor concerns such as risks, safety, guarantees, key benefits, minimum investments and lock-in are addressed in detail.

Last year, we added a map to guide you: a flowchart through which you can figure out the best investments for any purpose by answering some simple questions. This year, we have tweaked the format to make it more investor-friendly and an easy read for a layperson. In addition, we have also added new investment avenues that have emerged recently with all the necessary information that you may need. These include Portfolio Management Services, Alternative Investment Funds, REITs and Cryptocurrencies.

How would you use this book? The purpose of this book is to

provide an overview of the characteristics of each investment and suitability. My advice would be to rapidly read through it once, without trying to absorb each detail. That will build a map in your mind about what the whole landscape is like and help you narrow down to what all you might need. Then you can take your time and go through each option and move towards building a final route that you will follow.

Of course, as I said earlier, asset types like mutual funds and stocks will require further knowledge, but for almost everything else, this book should be enough.

Live long and prosper

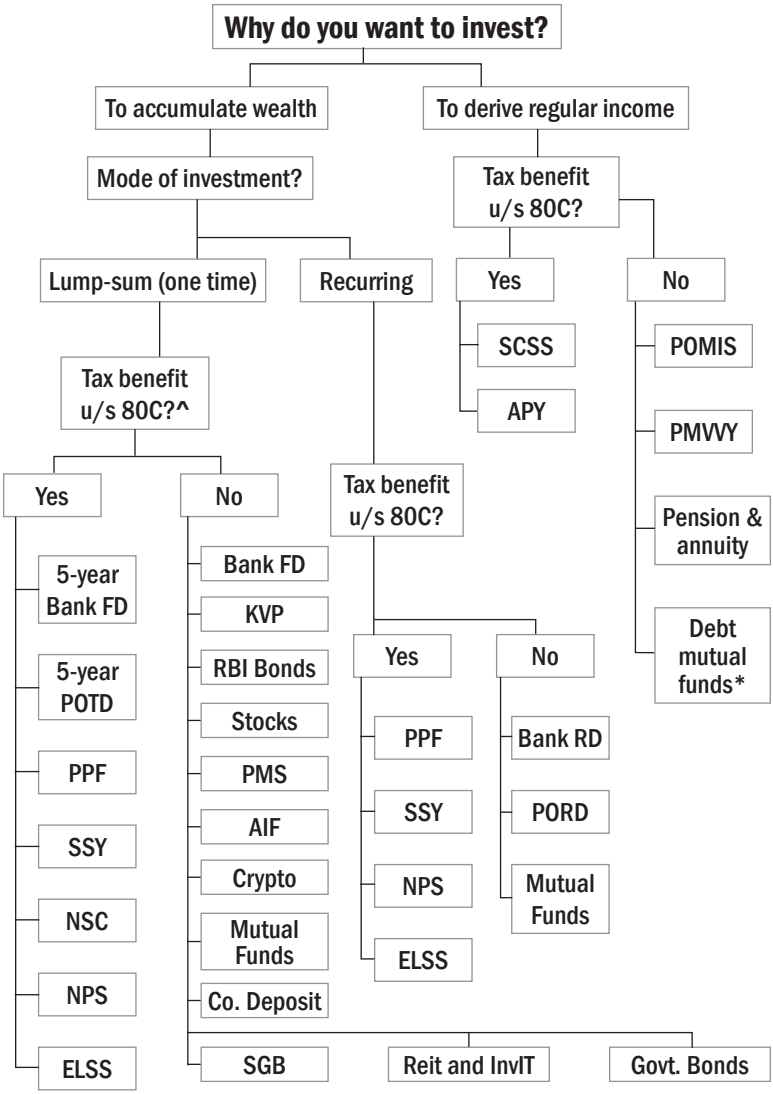
Dhirendra Kumar
CEO, Value Research

Choosing the right saving scheme

With so many investing options at your disposal, it can be daunting to choose the right one!

To make this job easy for you, here is a quick primer that can help you decide the most suitable saving and investing avenue as per your investing goals and preferences. Once you know which category of the flow chart you fall into, you can compare the available options within that category in summary tables below.

For more details on each scheme, please refer to the respective chapters.



*A systematic withdrawal plan from a debt-oriented mutual fund

^Section 80C of the Income-tax Act allows a deduction of up to ₹1.5 lakh from the taxable income on certain investments and expenses

FD – Fixed Deposit; **POTD –** Post Office Time Deposit; **PPF –** Public Provident Fund; **SSY –** Sukanya Samriddhi Yojana; **NSC –** National Savings Certificate; **NPS –** National Pension System; **ELSS –** Equity Linked Savings Scheme (Tax-saving mutual fund); **KVP** - Kisan Vikas Patra; **SGB** - Sovereign Gold Bond; **RD –** Recurring Deposit; **PORD** - Post Office Recurring Deposit; **SCSS –** Senior Citizen Savings Scheme; **APY –** Atal Pension Yojana; **POMIS –** Post Office Monthly Income Scheme; **PMVVY –** Pradhan Mantri Vaya Vandana Yojana; **Reit and InvIT** - Real Estate Investment Trust and Infrastructure Investment Trust; **PMS –** Portfolio Management Service; **AIF –** Alternative Investment Fund; **Co. Deposit –** Company Deposit

Table-1: Investment objective - Accumulation

Scheme	Mode of investment	Tax benefit u/s 80C	Rate of return	Nature of return	Investment amount (₹)	Tenure	Taxability of returns	Premature withdrawal
5-year Bank FD	One time	Up to ₹1.5 lakh	5.50% *	Fixed	Min: 1,000 Max: No limit	5 years	Taxable**	Not allowed
5-year POTD	One time	Up to ₹1.5 lakh	6.70%	Fixed	Min: 1,000 Max: No limit	5 years	Taxable**	Not allowed
NSC	One time	Up to ₹1.5 lakh	6.80%	Fixed	Min: 1,000 Max: No limit	5 years	Taxable#	Not allowed
PPF	Both one time and recurring	Up to ₹1.5 lakh	7.10%	Revised every quarter	Min: 500 p.a. Max: 1.5 lakh p.a.	15 years	Tax-free	Partially allowed from 7th year onwards
SSY (in the name of a girl child)	Both one time and recurring	Up to ₹1.5 lakh	7.60%	Revised every quarter	Min: 250 p.a. Max: 1.5 lakh p.a.	21 years##	Tax-free	Partially allowed in specified situations

* Rate of interest as offered by SBI as on April 25, 2022. ** Exempt up to ₹50,000 for senior citizens; # Interest earned on NSC can be claimed as a deduction under Section 80C as it is automatically reinvested; ## Deposits are to be made for the first 15 years

FD – Fixed Deposit; **POTD –** Post Office Time Deposit; **NSC –** National Savings Certificate; **PPF –** Public Provident Fund; **SSY –** Sukanya Samriddhi Yojana;

Scheme	Mode of investment	Tax benefit u/s 80C	Rate of return	Nature of return	Investment amount (₹)	Tenure	Taxability of returns	Premature withdrawal
NPS (Tier I)^	Both one time and recurring	Up to ₹2 lakh^^	Not guaranteed	Market linked	Min: 1,000 p.a. Max: No limit	Till retirement	Partially taxable^^	Partially allowed after 3 years and in specified situations
ELSS	Both one time and recurring	Up to ₹1.5 lakh	Not guaranteed	Market linked	Min: 500 Max: No limit	3 years	Gains above ₹1 lakh taxable	Not allowed
Bank FD (except 5 year FD)	One time	No benefit	2.9 - 5.5%*	Fixed	Min: 1,000 Max: No limit	Up to 10 years	Taxable**	Allowed with a penalty
KVP	One time	No benefit	6.90%	Fixed	Min: 1,000 Max: No limit	10 years 4 months$	Taxable	Allowed after 30 months with a penalty
RBI bonds	One time	No benefit	7.15%	Revised semi-annually	Min: 1,000 Max: No limit	7 years	Taxable	Allowed only for senior citizens after a minimum lock-in period with a penalty

^ In NPS (Tier II) account, there are no limits on deposits and withdrawals but there are no tax benefits as well; **^^** On maturity at 60 years of age, it is mandatory to buy annuity for at least 40% of the corpus. Regular annuity income received is taxable; ***** Rate of interest as offered by SBI as on April 25, 2022. For FD, the applicable rate depends on tenure ranging from seven days to 10 years; ****** Exempt up to ₹50,000 for senior citizens; **$** Fluctuates with the rate of interest

NPS – National Pension System; **ELSS –** Equity Linked Savings Scheme (Tax-saving mutual fund); **Bank FD** – Bank Fixed Deposit; **KVP -** Kisan Vikas Patra

Scheme	Mode of investment	Tax benefit u/s 80C	Rate of return	Nature of return	Investment amount (₹)	Tenure	Taxability of returns	Premature withdrawal
Stocks	One time	No benefit	Not guaranteed	Market linked	No limit	No fixed tenure	Taxable$$	No restriction on withdrawal
Mutual Funds (other than ELSS)	Both one time and recurring	No benefit	Not guaranteed	Market linked	Min: 100 Max: No limit	No fixed tenure	Taxable$$	No restriction on withdrawal
Company deposit	One time	No benefit	Depends on the tenure & issuer	Fixed	Min: 1,000 Max: No limit	Depends on the issuer	Taxable	Allowed with a penalty
SGB	One time	No benefit	2.5% + gold appreciation	Market linked	Min: 1 gm Max: 4 kg (in one FY)	8 years	Interest – taxable Capital gains -exempt if redeemed at maturity.	Allowed from 5th year onwards. However, units can be sold on stock exchange anytime.
Bank RD	Recurring	No benefit	4.4 – 5.5%*	Fixed	Min: 100 per month Max: No limit	Up to 10 years	Taxable**	Allowed with a penalty
PORD	Recurring	No benefit	5.8%	Fixed	Min: 100 per month Max: No limit	5 years	Taxable**	Allowed with a penalty

$$ Long-term capital gain from stocks and equity-oriented mutual fund schemes is exempt up to ₹1 lakh; * Rate of interest as offered by SBI as on April 25, 2022. For FD and RD, the applicable rate depends on tenure ranging from seven days to 10 years and 180 days to 10 years respectively; ** Exempt up to ₹50,000 for senior citizens

SGB - Sovereign Gold Bond; **Bank RD** - Bank Recurring Deposit; **PORD** - Post Office Recurring Deposit;

Scheme	Mode of investment	Tax benefit u/s 80C	Rate of return	Nature of return	Investment amount (₹)	Tenure	Taxability of returns	Premature withdrawal
Crypto-currency	One time	No benefit	Not guaranteed	Market linked	**Min:** No limit **Max:** No limit	No fixed tenure	Taxable	No restriction on withdrawal
Portfolio Management Service (PMS)	One time	No benefit	Not guaranteed	Market linked	**Min:** ₹25 lakh **Max:** No limit	No fixed tenure	Taxable	Depends on agreement
Alternative Investment Fund (AIF)	One time	No benefit	Not guaranteed	Market linked	**Min:** ₹1 crore **Max:** No limit	**Cat I & II:** 3 years **Cat III:** No fixed tenure	Taxable	Depends on agreement
Real Estate Investment trust (REIT) and Infrastructure Investment Trust (InvIT)	One time	No benefit	Not guaranteed	Market linked	No limit	No fixed tenure	Partly taxable	No restriction on withdrawal
Government Bonds	One time	No benefit	Depends on the tenure	Fixed	**Min:** ₹10,000 **Max:** ₹2 crore, per security per auction	Varied range	Taxable	Not allowed

Table-2: Investment objective – Deriving regular income

Scheme	Income payment frequency	Tax benefit u/s 80C	Rate of return	Nature of return	Investment amount (₹)	Tenure	Taxability of returns	Premature withdrawal
SCSS*	Quarterly	Up to ₹1.5 lakh	7.40%	Fixed	Min: 1,000 Max: 15 lakh	5 years	Taxable**	Premature closure is allowed with a penalty
APY	Monthly	Up to 10% of salary or 20% of gross total income subject to maximum ₹1.5 lakh	Monthly fixed pension varying from Rs.1,000 – Rs.5,000	Fixed pension	Based on the entry age and the minimum guaranteed pension required	Minimum 20 years^	Pension is taxable	Allowed with a penalty
POMIS	Monthly	No benefit	6.60%	Fixed	Min: 1,000 Max: 4.5 lakh	5 years	Taxable**	Allowed after 1 year with a penalty
PMVVY (available only to senior citizens)	Monthly/ quarterly/ semi-annual/ annual payout	No benefit	7.4% (FY 2022-23)	Fixed	Min: 1.57 lakh Max: 15 lakh	10 years	Taxable	Premature exit is possible in the case of critical illness

* Available only to senior citizens and retirees meeting specified conditions; ** Exempt up to ₹50,000 for senior citizens; ^ The minimum age of joining APY is 18 and the maximum age is 40. APY guarantees a minimum fixed pension to the subscriber after the age of 60

SCSS – Senior Citizen Savings Scheme; **APY** – Atal Pension Yojana; **POMIS** – Post Office Monthly Income Scheme; **PMVVY** – Pradhan Mantri Vaya Vandana Yojana

Scheme	Income payment frequency	Tax benefit u/s 80C	Rate of return	Nature of return	Investment amount (₹)	Tenure	Taxability of returns	Premature withdrawal
Pension & Annuity	Monthly pension after vesting period	Up to ₹1.5 lakh	Fixed pension	Fixed pension	Depends on the policy	Depends on the policy	Partially taxable^^	Depends on the policy
SWP of debt mutual funds	No fixed periodicity	No benefit	Not guaranteed	Market linked	No limit	No fixed tenure	Taxable	No restriction on withdrawal

^^ On maturity up to one third of the corpus can be withdrawn tax-free and the remaining paid out as an annuity is taxable

Savings Bank Account

Assured return | No lock-in period

Returns ▬▭▭ **Liquidity** ▬▬▬ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- A resident individual above the age of 18
- A guardian on behalf of a minor
- Minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: No minimum threshold; some banks may have a minimum balance requirement

Maximum: No limit

WHAT RETURN WILL YOU GET?

Usually in the range of 2.7% to 3.5% p.a.

Will it beat inflation? No

Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

The account can be maintained lifelong without any limitation on withdrawing money

Exit option: The account can be closed anytime

HOW IS IT TAXED?

Is 80C benefit available? No

Returns / Interest? Taxable but exempt up to ₹ 10,000

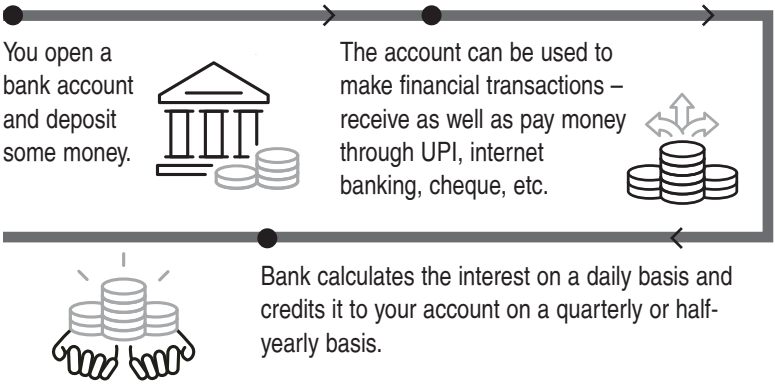
What is it?

A bank account is a financial account with a banking institution, recording the financial transactions between you (the account holder) and the bank. The purpose of a bank account is to encourage savings and bring financial transactions to the banking network. There are several types of bank accounts that you can opt for, depending on your needs.

For instance, a businessman will prefer a current account, while a salaried individual will opt for a savings bank account. Savings bank accounts are meant to promote the habit of saving among people while allowing them to use their funds when required.

The savings bank account is the traditional home for cash savings. Today, a savings bank account is a necessity and an essential component of an individual's finances.

How does it work?

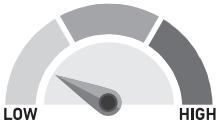


How much are the returns?

Banks are free to determine the interest on the balance in a savings bank account, which has to be uniform for all types of accounts up to ₹1 lakh but varies for the accounts with a higher balance. Although some banks may provide a higher annual interest of around 4 to 6 per cent on maintaining a balance of more than ₹1 lakh, most banks generally provide an annual

interest in the range of 2.70 per cent to 3.50 per cent in a savings bank account.

This may not be enough to beat inflation. Therefore, the account offers low or sometimes negative returns after factoring in inflation. These accounts are good for facilitating financial transactions and should not be considered an investment avenue.



How risky is it?
Savings bank account is reasonably safe and risk-free. A deposit of up to ₹5 lakh is insured by Deposit Insurance and Credit Guarantee Corporation (DICGC) to protect the investors money in the adverse cases of the bank going bankrupt.

What are the tax implications?

The interest from a savings bank account is added to the income and taxed as per the applicable slab. However, interest up to ₹10,000 in a financial year is exempt under Section 80TTA of the Income Tax Act.

What is the lock-in period?

There is no lock-in period. The money can be withdrawn even after a few minutes of investing.

What happens if the account holder dies?

The balance and accrued interest are paid to the nominee or legal heir.

How should one start investing in it?

Most banks now allow you to open a savings bank account from the comfort of your home. Visit their websites or install their mobile applications and look for a section to open an account online. You would be asked to enter some very basic details like your name, contact details, age, etc., and upload a copy of your PAN and Aadhaar. The process is likely to involve an OTP authentication through the mobile number registered and linked

with your Aadhaar.

Alternatively, you may visit any bank along with the above-mentioned documents and a passport-size photograph. In the absence of Aadhaar, you may also use any other address proofs like a utility bill, passport, driving licence, etc. But in such a case, it won't be possible for you to open an account online.

SUITABILITY AND ALTERNATIVES

Suitable for everyone. It is a must to make financial transactions and park a portion of savings to meet short-term needs and contingencies.

Not suitable for investments for medium- and long-term goals, given their low rate of returns.

Alternatives can be cash.

Bank Fixed Deposit (FD)

Fixed return | Flexible tenure | Premature closure allowed

Returns ▬▭▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- A resident individual above the age of 18
- A guardian on behalf of a minor
- Minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000

Maximum: No limit

WHAT RETURN WILL YOU GET?

Depends on the tenure; around 5 per cent for a tenure of one year by most banks as on March 23, 2022

Will it beat inflation? Only to a low level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

7 days to 10 years

Exit option: Can be closed prematurely at a penalty

HOW IS IT TAXED?

Is 80C benefit available? Only on a five-year deposit

Returns/Interest: Taxable

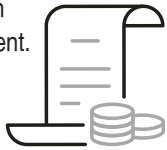
What is it?

This is a type of financial instrument in which, a certain sum of money is placed with the bank for a specified time period at a fixed interest rate which is usually higher than what an ordinary savings bank account offers. The main draw for fixed deposits is the guaranteed and risk-free interest that deposits earn.

How does it work?

You decide the deposit amount and tenure. Further, the investor has the option to either get the interest on a periodic basis, say monthly or together at the end of the tenure, along with the invested amount.

On investing, the bank gives you a certificate as an acknowledgement.



At the end of the pre-defined tenure, the invested principal, along with interest (if you did not opt for periodic payouts), is transferred to your savings bank account.

The bank either pays you the interest at the chosen frequency or adds it to the invested principal, as per the option selected by you.

How much are the returns?

The interest rates offered by banks on fixed deposits depend on the tenure of the deposit. There is great flexibility in the maturity period, which ranges from seven days to 10 years. The interest is higher in the case of a longer maturity period and can be compounded quarterly, half-yearly or annually. However, it varies across banks.

The interest paid by fixed deposit is added to the income and taxed as per the applicable slab. Depending on the tax bracket you fall in, the post-tax return may not be reasonably higher than

Interest rate offered by State Bank of India (SBI) on Fixed Deposit

Tenure	General	Senior Citizen
7 days to 45 days	2.90	3.40
46 days to 179 days	3.90	4.40
180 days to 210 days	4.40	4.90
211 days to less than 1 year	4.40	4.90
1 year to less than 2 years	5.10	5.60
2 years to less than 3 years	5.20	5.70
3 years to less than 5 years	5.45	5.95
5 years and up to 10 years	5.50	6.30

As on March 22, 2022 Source: Website of SBI

the rate of inflation. Therefore, fixed deposits provide low returns after factoring in inflation.

What are the tax implications?

The accrued interest on fixed deposit is added to the taxable income every year and taxed as per the applicable slab. Investments in a specific tax-saving fixed deposit that comes with a lock-in of five years are eligible for deduction from taxable income under Section 80C of the Income Tax Act. However, the interest income of up to ₹50,000 through deposits is exempt from taxes under Section 80TTB of the Income Tax Act for senior citizens.

What is the lock-in period?

A bank FD gets matured after completing the selected tenure. It can be closed prematurely at any time. However, a penalty of 0.50 per cent to 1 per cent is levied on the applicable rate of interest.

Many banks also provide an overdraft facility or a credit card

after pledging the fixed deposit to meet short-term needs. However, it is usually limited to 90 per cent of the money invested in the fixed deposit that is pledged with the bank.

What happens if the account holder dies?

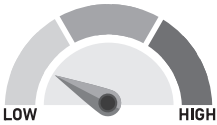
The invested money, along with accrued interest, is paid to the nominee or legal heir.

How should one start investing in it?

You need to fill up a form provided by the bank and provide a copy of your PAN and Aadhaar. In the absence of Aadhaar, any other address proof like a driver's license or a utility bill can work. However, the bank is likely to ask you to first open a savings bank account with them if you do not have already. But it is not mandatory.

If you already have a savings bank account with the bank you wish to open a fixed deposit with, just a simple form is required to be filled up, along with the identity proof. Giving address proof is not mandatory in such a situation.

Alternatively, you can also use your mobile-banking app and internet banking. It will only ask you for the amount, tenure and whether you wish to receive the interest at periodic intervals or at the end of the tenure. No additional documents will be required and your savings bank account will be deducted with the selected amount.



How risky is it?

Bank FDs are reasonably safe and risk-free. A deposit of up to ₹5 lakh is insured by Deposit Insurance and Credit Guarantee Corporation (DICGC) to protect the investors money in the adverse cases of the bank going bankrupt. DICGC is a wholly owned subsidiary of RBI.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns from a lump-sum investment for goals up to five years away.

Not suitable for long-term wealth creation, given its inability to provide any meaningful returns above the rate of inflation. Also, it is not suitable for investors looking to invest small amounts regularly.

Alternatives can be the National Savings Certificate, Post-office Time Deposit and a company deposit. Debt mutual funds can offer better, though not guaranteed, returns.

Bank Recurring Deposit (RD)

Fixed return | Flexible tenure | Premature closure allowed

Returns **Liquidity** **Taxability**

Snapshot

WHO CAN INVEST?

- A resident individual above the age of 18
- A guardian on behalf of a minor
- Minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: ₹100 per month

Maximum: No limit

WHAT RETURN WILL YOU GET?

Depends on the tenure; around 5 per cent for a tenure of one year by most banks as on March 23, 2022.

Will it beat inflation? Only to a low level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

Six months to 10 years

Exit option: Can be closed prematurely at a penalty

HOW IS IT TAXED?

Is 80C benefit available? No

Returns/Interest: Taxable

What is it?

A recurring deposit (RD) is a type of bank account wherein one can save a predefined sum of money every month for a fixed tenure. The committed monthly investment earns a higher interest as compared to that of a savings bank account. RDs provide an element of compulsive savings at a higher interest rate, depending on the tenure of the deposit.

The prime objective of the RD is to earn better interests on savings as compared to what an ordinary savings bank offers and instil discipline to save regularly.

How does it work?

You open an RD to invest a certain sum of money every month for a predefined period. The interest rate as applicable on the day of the deposit gets locked in for the entire tenure.

The bank calculates the interest on a quarterly or annual basis and adds it to the invested amount.

At the end of the predefined tenure, the accumulated amount, along with the interest, is transferred to your savings bank account.

How much are the returns?

The interest rates offered by banks on RDs depend on the tenure of the RDs. There is great flexibility in the maturity period which ranges from six months to 10 years. The longer the maturity period, the higher the interest rate is.

The interest paid by the RD is added to the income and taxed as per the applicable slab. Depending on the tax bracket you fall in, the post-tax return may not be reasonably higher than the rate of inflation. Therefore, they provide low returns after factoring in

The interest rate offered by State Bank of India (SBI) on recurring deposit

Tenure	General	Senior Citizen
180 days to 210 days	4.40	4.90
211 days to less than 1 year	4.40	4.90
1 year to less than 2 years	5.10	5.60
2 years to less than 3 years	5.20	5.70
3 years to less than 5 years	5.45	5.95
5 years and up to 10 years	5.50	6.30

As on March 22, 2022 Source: Website of SBI

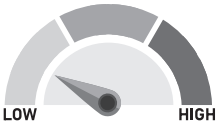
inflation. However, they are best to inculcate the habit of saving regularly.

What are the tax implications?

The accrued interest on an RD is added to the taxable income every year and taxed as per the applicable slab. However, the interest income of up to ₹50,000 through deposits is exempt from taxes under Section 80TTB of the Income Tax Act for senior citizens.

What is the lock-in period?

RDs get matured on completion of the selected tenure. It can be closed prematurely at any time. However, a penalty of 0.50 per cent to 1 per cent is levied on the applicable rate of interest.



How risky is it?

RDs with a bank are reasonably safe and risk-free. A deposit of up to ₹5 lakh is insured by Deposit Insurance and Credit Guarantee Corporation (DICGC) to protect the investors money in the adverse cases of the bank going bankrupt.

What happens if the account holder dies?

The balance and accrued interest are paid to the nominee or legal heir.

How should one start investing in it?

You need to have a savings bank account with the bank with which you wish to open the RD. It can be opened through internet banking or through the mobile-banking application of the bank. You do not need to give any additional documents and just need to select the amount you want to invest every month, the day of the month on which you want to get it deducted from your savings bank account and the tenure of the RD.

Alternatively, you may visit your bank and request the same. You need to fill up the application form and a copy of the identity proof, along with the details of your savings bank account. Your PAN, Aadhaar or driving licence should be sufficient as the identity proof.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns by investing regularly for medium-term goals up to five years away.

Not suitable for long-term wealth creation, given their inability to provide any meaningful returns above the rate of inflation.

Alternatives can be the Post-Office Recurring Deposit. An SIP in debt mutual funds is also a viable option and can offer better returns, though not guaranteed.

Post Office Recurring Deposit (PORD)

Sovereign guarantee | Fixed return | Premature closure allowed

Returns ▬▭▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- A resident individual above the age of 18
- A guardian on behalf of a minor
- Minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: ₹100 per month

Maximum: No limit

WHAT RETURN WILL YOU GET?

5.8% p.a. compounded quarterly for the deposits opened during April to June, 2022

Will it beat inflation? Up to a low level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

5 years

Exit option: Can be closed prematurely after three years

HOW IS IT TAXED?

Is 80C benefit available? No

Returns/Interest: Taxable

What is it?

The Post Office Recurring Deposit (PORD) is a systematic savings plan, where you can save small but finite equal sums of money each month for a period of 60 months. The savings in PORD earns fixed interest, which can be used to accumulate sizeable and predetermined savings over time.

How does it work?

You decide the amount that you wish to invest every month for the next five years and open a recurring deposit with the post office.

The interest is calculated and added to the invested amount every year.

After five years, you get back the accumulated amount, along with the interest.

How much are the returns?

The rate of interest applicable on a recurring deposit with the post office is revised every quarter. However, the new interest rate is applicable only to new accounts.

The interest rate for the recurring deposits opened with the post office from April to June, is pegged at 5.8 per cent per annum, compounded quarterly. However, the interest from the recurring deposit is added to the income and taxed as per the applicable slab. Depending on the tax bracket you fall in, the post-tax return may not be reasonably higher than the rate of inflation. Therefore, PORD provides low returns after factoring in inflation.

What are the tax implications?

The accrued interest on PORD is added to the taxable income every year and taxed as per the applicable slab. However, the

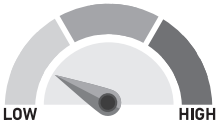
interest income of up to ₹50,000 through deposits is exempt from taxes under Section 80TTB of the Income Tax Act for senior citizens.

What is the lock-in period?

A recurring deposit with a post office can be closed prematurely only after three years from the date of opening. However, in such a situation, the interest as applicable for a savings bank account with the post office is paid instead of the interest rate applicable for a recurring deposit.

What happens if the account holder dies?

The balance and accrued interest are paid to the nominee or legal heir.



How risky is it?

Since it is a fixed-income investment avenue and backed by the government of India (the post office), investments in PORD are absolutely safe and risk-free.

How should one start investing in it?

Visit any branch of the post office, request the account-opening form and submit it along with the identity and address proof. Your PAN and Aadhaar should be sufficient for this purpose. In the absence of Aadhaar, one may also use any other address proof like a driver's licence or utility bill. A savings account with the post office would be preferred to transfer the money.

If you already have a savings account with the post office along with internet banking, then it can be also be used to open PORD from the comfort of your home.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns by investing regularly for medium-term goals up to five years away.

Not suitable for long-term wealth creation, given its inability to provide any meaningful returns above the rate of inflation.

Alternatives can be a bank recurring deposit. SIP in debt mutual funds is also a viable option and can offer better returns, though not guaranteed.

Post Office Time Deposit (POTD)

Fixed return | Flexible tenure | Premature closure allowed

Returns **Liquidity** **Taxability**

Snapshot

WHO CAN INVEST?

- A resident individual above the age of 18
- A guardian on behalf of a minor
- Minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000

Maximum: No limit

WHAT RETURN WILL YOU GET?

5.5% p.a. for a one-, two-, and three-year deposit. 6.7% p.a. for a five-year deposit

Will it beat inflation? Only up to a low level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

Option between one, two, three and five years

Exit option: Can be closed prematurely at a penalty

HOW IS IT TAXED?

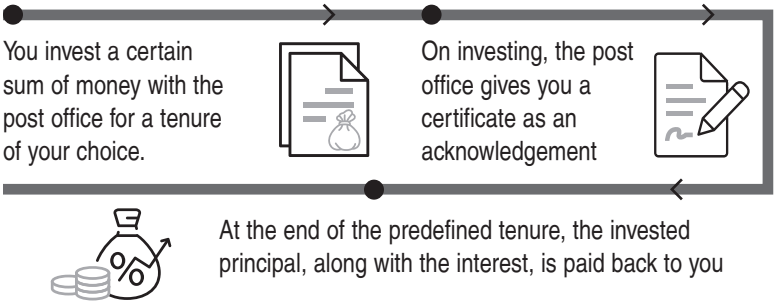
Is 80C benefit available? No

Returns/Interest: Taxable

What is it?

The Post Office Time Deposit (POTD) is similar to a bank fixed deposit where you invest money with the post office for a definite time period, earning guaranteed returns through the tenure of the deposit.

How does it work?



How much are the returns?

The interest rates offered by POTD depends on the tenure of your deposit. The post office calculates it on a quarterly basis but pays it on an annual basis. A one-year deposit made between April to June 2022 earns 5.5 per cent.

But the interest from POTD is added to the income and taxed as per the applicable slab. Depending on the tax bracket you fall in, the post-tax return may not be reasonably higher than the rate of inflation. Therefore, POTD provides low returns after factoring in inflation.

What are the tax implications?

The accrued interest on POTD is added to the taxable income every year and taxed as per the applicable slab. However, the interest income of up to ₹50,000 through deposits is exempt from taxes under Section 80TTB of the Income Tax Act for senior citizens.

What is the lock-in period?

POTD gets matured after completing the selected tenure. It can be closed prematurely only after six months. But if it is closed prematurely before completing one year, the interest equivalent to the savings account with the post office is paid instead of the interest applicable for the time deposit. If it is closed after one year, a penalty of 2 per cent is levied on the rate of interest.

However, POTD can be pledged with various institutions like a housing-finance company, a bank, the government or local authority and so on.

What happens if the account holder dies?

The invested money, along with accrued interest, is paid to the nominee or legal heir.

How should one start investing in it?

Visit any branch of the post office, request the account-opening form and submit it, along with the identity and address proof. Your PAN and Aadhaar should be sufficient for this purpose. In the absence of Aadhaar, one may also use any other address proof like a driver's licence or utility bill. A savings account with the post office would be preferred to transfer the money.

If you already have a savings account with the post office, along with internet-banking facility, then it can be also be used to open POTD from the comfort of your home.

How risky is it?

Since it is a fixed-income investment avenue and backed by the government of India (post-office), investment in POTD is absolutely safe and risk-free.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns from a lump-sum investment for goals up to five years away.

Not suitable for long-term wealth creation, given its inability to provide any meaningful returns above the rate of inflation. Also, it is not suitable for investors looking to invest small amounts regularly.

Alternatives can be the National Savings Certificate, bank fixed deposit and a company deposit. Debt mutual funds can offer better, though not guaranteed, returns.

Post Office Monthly Income Scheme (POMIS)

Sovereign guarantee | Fixed return | Regular income | Premature closure allowed

Returns ▬▭▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- An individual above the age of 18
- A guardian on behalf of minor
- Minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000

Maximum: ₹4.5 lakh

WHAT RETURN WILL YOU GET?

6.6% p.a. for the accounts opened between April and June, 2022.

Will it beat inflation? Up to a low level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

5 years

Exit option: Premature closure is allowed at a penalty

HOW IS IT TAXED?

Is 80C benefit available? No

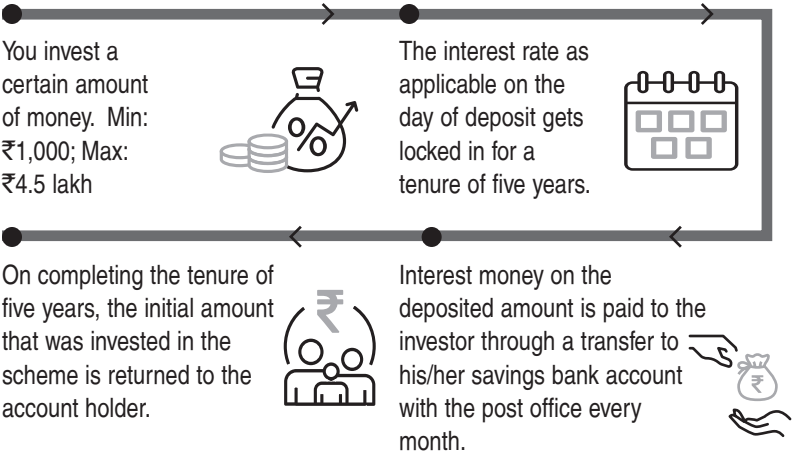
Returns/Interest: Taxable and added to the income

What is it?

The Post Office Monthly Income Scheme (POMIS) is a guaranteed-return investment available at the post office. On the deposit that you make with the post office, you get an assured monthly income.

The main objective of the POMIS is to provide an assured monthly return to account holders and help them create a guaranteed regular income. Although it offers no tax incentives, it is a preferred instrument amongst small savers as it is backed by the government.

How does it work?



How much are the returns?

The rate of interest applicable on a deposit in POMIS is revised every quarter. However, the new interest rate is applicable only to fresh deposits.

During the period between April to June 2022, the annualised interest of POMIS was pegged at 6.6 per cent. However, the interest from POMIS is added to the income and taxed as per the applicable slab. Depending on the tax bracket you fall in, the post-tax return may not be reasonably higher than the rate of inflation.

Therefore, POMIS provides low returns after factoring in inflation.

What are the tax implications?

The interest earned through POMIS is taxable and gets added to your income. However, the interest income of up to ₹50,000 through deposits is exempt from taxes under Section 80TTB of the Income Tax Act for senior citizens.

What is the lock-in period?

POMIS has a tenure of five years. But it can be closed prematurely after completing one year. If it is closed before three years, an amount equivalent to 2 per cent of the principal (the initial invested amount) is deducted as a penalty. If POMIS is closed prematurely after three years but before five years, a penalty equivalent to 1 per cent of the principal is deducted.

How risky is it?

Since it is a fixed-income investment avenue and backed by the government of India (post-office), investments in POMIS are absolutely safe and risk-free.

What happens if the account holder dies?

The account is closed and the money is paid to the nominee or the legal heir.

How should one start investing in it?

You can open a POMIS account at any branch of the post office. To open the account, you need to submit the following documents:

- A POMIS account-opening form provided by the post office
- Passport-size photographs
- A copy of Aadhaar. In the absence of the same, you can carry the acknowledgement of your Aadhaar application, along with any other address and identity proof like voter's id card, passport, driving license, etc.

- A copy of PAN or declaration in Form 60/61 if you do not hold a PAN

Also, while opening the account, carry the original identity and address proof for verification.

SUITABILITY AND ALTERNATIVES

Suitable for investors looking to derive assured regular income from their savings.

Not suitable for investors who do not need any regular income.

Alternatives can be Pradhan Mantri Vaya Vandana Yojana (if you are a senior citizen), annuity plan of a life insurance company and the Senior Citizen Savings Scheme (for senior citizens only). SWP from a debt-oriented mutual fund, which can offer better, though not guaranteed, returns is also a viable option.

Public Provident Fund (PPF)

Sovereign guarantee | Assured return | Tax benefit | 15-year tenure

Returns ▬▬▭ **Liquidity** ▬▭▭ **Taxability** ▬▬▬

Snapshot

WHO CAN INVEST?

- A resident Indian
- A guardian on behalf of a minor or a person of unsound mind

HOW MUCH CAN YOU INVEST?

Minimum: ₹500 per annum

Maximum: ₹1.5 lakh per annum

WHAT RETURN WILL YOU GET?

7.1% p.a. for the deposits made between April to June,, 2022.

Interest rate is revised every quarter.

Will it beat inflation? Up to a moderate level

Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

15 years

Exit option: Premature closure is allowed in certain situations

HOW IS IT TAXED?

Is 80C benefit available? Yes

Returns/Interest: Tax-free

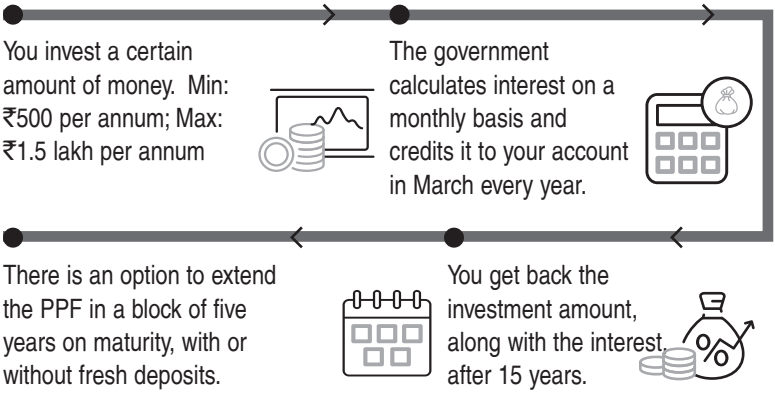
What is it?

Public Provident Fund (PPF) is a tax-saving cum investment avenue that helps accumulate a larger sum of money over a 15-year period.

It was launched by the government way back in 1968, with an objective to provide old-age income security to the self-employed and those working in the unorganised sector. The scheme offers guaranteed tax-free returns.

Although the scheme is voluntary, assured returns and income-tax benefits have fuelled its popularity. Many people prefer investing in PPF because of its risk-free nature. Besides, they can accumulate money for their long-term goals.

How does it work?



How much are the returns?

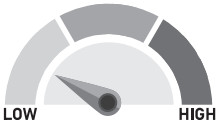
The rate of interest is revised at the beginning of every quarter – January, April, July and October – and are applicable to the existing, as well as fresh deposits.

It is the safest fixed-income avenue that comes with the government guarantee and offers assured tax-free returns. However, being a fixed-income investment, PPF offers moderate returns after factoring in inflation.

What are the tax implications?

The scheme has the exempt-exempt-exempt (EEE) status, where the deposits, the interest earned and the maturity amount are tax-free.

The sum invested in the PPF account is eligible for tax deduction under Section 80C, subject to a maximum of ₹1.5 lakh in a financial year. On maturity, the entire amount, including the interest, is tax-free.



How risky is it?
Since it is a fixed-income investment avenue and backed by the government of India, the investment made in PPF is absolutely safe and risk-free.

What is the lock-in period?

A PPF account matures after completing 15 years from the end of the financial year in which it was opened. It can be closed prematurely after a period of five years. However, a penalty of 1 per cent is levied on the interest. And it is allowed only for the treatment of a serious ailment to the account holder, spouse or dependent children. Further, it is also allowed if the money is required for the higher education of the account holder or the dependent children. Partial withdrawal of up to 50 per cent of the balance is allowed after completing six years.

If required, an investor may also avail of a loan against his PPF account between the third and the sixth financial year from the date of account opening. However, it cannot exceed 25 per cent of the account balance at the end of the second financial year immediately preceding the year in which the loan is applied. Annual interest is applicable at the rate of 1 per cent if the loan is repaid within 36 months. Otherwise, it is applicable at the rate of 6 per cent per annum.

What happens if the account holder dies?

The account is closed and the money is paid to the nominee or

the legal heir, as the case may be.

How should one start investing in it?

A PPF account can be opened at any branch of the post office or a bank. It usually requires a copy of PAN, Aadhaar, an account-opening form and passport size photographs.

One may also avail of the facility of internet banking with the existing bank to open and operate a PPF account online.

SUITABILITY AND ALTERNATIVES

Suitable for risk-averse investors seeking assured returns by investing regularly for long-term goals, which are 15 or more years away.

Not suitable for investors who can assume some risk by investing in equity-linked investments, which can generate much higher returns in a 15-year period.

Alternatives can be NPS (for retirement savings) and tax saver equity mutual funds (ELSS)/ direct stock investing (for those who can assume risk).

Sukanya Samriddhi Yojana (SSY)

Sovereign guarantee | Assured return | Tax benefits | For the girl child | 21-year tenure

Returns ▬▬▭ **Liquidity** ▬▭▭ **Taxability** ▬▬▬

Snapshot

WHO CAN INVEST?

- Parent or a guardian of a girl child aged less than 10 years
- Can be opened for a maximum of two girl child. More than two accounts are allowed only in case of twins or triplets

HOW MUCH CAN YOU INVEST?

Minimum: ₹250 per annum

Maximum: ₹1.5 lakk per annum

WHAT RETURN WILL YOU GET?

7.6% per annum for the deposits made between April to June, 2022. Interest rate is revised every quarter.

Will it beat inflation? Up to a moderate level

Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

21 years or till the girl gets married

Exit option: Premature closure is allowed on compassionate grounds after five years

HOW IS IT TAXED?

Is 80C benefit available? Yes

Returns/Interest: Tax-free

What is it?

Launched in 2015, Sukanya Samriddhi Yojana (SSY) is a special initiative aimed at encouraging saving for the welfare of the girl child.

The scheme helps accumulate a large corpus of money by regularly mobilising a small amount of money. It offers guaranteed return and tax benefits on both the amount invested and the interest earned.

How does it work?

You invest a certain amount of money. Min: ₹250 per annum; Max: ₹1.5 lakh per annum.

The government calculates interest on a monthly basis and credits it to your account in March every year.

The invested amount, along with the interest, is paid back after 21 years or at the time of the girl's marriage.

How much are the returns?

The rate of interest is revised at the beginning of every quarter – January, April, July and October and are applicable to the existing, as well as fresh deposits.

One of the safest fixed-income avenues, it comes with the government guarantee and offers assured tax-free returns. However, being a fixed-income investment, SSY offers moderate returns after factoring in inflation.

What are the tax implications?

The scheme has the exempt-exempt-exempt (EEE) model, where the deposits, the interest earned and the maturity amount are tax-free. The sum invested in the SSY scheme is eligible for tax

deduction under Section 80C subject to a maximum of ₹1.5 lakh. On maturity, the entire amount, including the interest, is tax-free.

How risky is it?
Since it is a fixed-income investment avenue and backed by the government of India, the investment made in SSY is absolutely safe and risk-free.

What is the lock-in period?

The scheme has a long tenure and matures only after 21 years from the date of account opening or at the time of the girl's marriage after the age of 18. It can be closed prematurely after completing five years only on the death of the guardian operating the account or if the money is required for the girl child's treatment of a life-threatening disease.

However, a partial withdrawal of up to 50 per cent of the account balance at the end of the preceding March can be withdrawn for the education of the girl after she attains the age of 18 or has passed the 10th standard, whichever is earlier.

What happens if the account holder dies?

The account is closed and the money is paid to the parent or the legal guardian.

How should one start investing in it?

An SSY account can be opened at any branch of the post office or a bank. It requires filling up the account-opening form, a copy of the girl child's birth certificate and her photograph. The guardian is required to submit a copy of his identity and address proof. A copy of PAN and Aadhaar should be sufficient for this purpose.

It is not possible to open an SSY account online and one needs to visit the post office or bank personally. However, once the account is open, deposits can be made online.

SUITABILITY AND ALTERNATIVES

Suitable for the parents of a girl child looking to accumulate money for her in the long term by investing regularly.

Not suitable for parents who can assume some risk by investing in equity-linked investments, which can generate much higher returns in the long run.

Alternatives can be equity mutual funds/direct stock investment (for those who can assume risk).

Senior Citizen Savings Scheme (SCSS)

Government-backed scheme | Guaranteed and fixed-regular income | Tax benefit u/s 80C | Premature closure allowed

Returns ▬▬▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- An individual above the age of 60
- A retired civilian employee above the age of 55 provided the investment is made within one month of receiving the retirement benefits
- A retired defence employee above the age of 50 provided the investment is made within one month of receiving the retirement benefits

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000

Maximum: ₹15 lakh

WHAT RETURN WILL YOU GET?

7.4% p.a. for the accounts opened between April to June, 2022.

Will it beat inflation? Up to a moderate level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

5 years

Exit option: Premature closure is allowed at a penalty

HOW IS IT TAXED?

Is 80C benefit available: Yes

Returns/Interest: Taxable and added to income

What is it?

Senior Citizen Savings Scheme (SCSS) was launched by the government in 2004 with the objective of helping senior citizens create a guaranteed regular income flow.

Precisely, it is a five-year deposit scheme that pays out the interest at a fixed rate to the investor (senior citizens) on a quarterly basis. For senior citizens, it is the safest and highest yielding scheme that offers guaranteed and fixed-regular income.

How does it work?

You invest a certain amount of money, with the minimum amount ₹1,000 and the maximum ₹15 lakh

The interest rate as applicable on the day of deposit gets locked for a tenure of five years.

The interest money on the deposited amount is paid to the investor through bank transfer on the first day of every January, April, July and October.

On completion of the tenure of five years, the initial amount (the amount invested in the scheme) is returned to the account holder. However, he/she has the option to extend the deposit by another three years.

How much are the returns?

The rate of interest applicable on a deposit in SCSS is revised every quarter. However, the new interest rate is applicable only to fresh deposits. So, the rate of interest for the investment made in SCSS gets locked for the entire tenure of five years, as applicable on the day of the deposit.

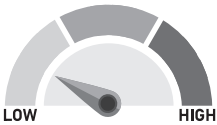
During the period between April to June 2022, the annualised interest of SCSS was pegged at 7.4 per cent. However, the interest from SCSS is taxable and for someone falling in the 30 per cent

tax bracket, the post-tax return gets reduced to 5.18 per cent. This may not be enough to beat inflation and hence, the product provides inflation-adjusted returns at a moderate level.

What are the tax implications?

The interest earned through SCSS is taxable and gets added to your income. However, the interest income of up to ₹50,000 through deposits is exempt from taxes under Section 80TTB of the Income Tax Act for senior citizens.

Further, the amount invested in SCSS is eligible for deduction from the taxable income under Section 80C. However, the deduction is restricted to the overall ceiling of ₹1.5 lakh of Section 80C.



How risky is it?
Since it is a fixed-income investment avenue and backed by the government of India, the investment made in SCSS is absolutely safe and risk-free.

What is the lock-in period?

SCSS has a tenure of five years. But it can be closed prematurely at any time by paying a penalty. If the account is closed within the first year, no interest is payable. Any interest that has already been paid out on a quarterly basis is deducted from the invested (principal) amount. If the account is closed after one year but before two years, an amount equivalent to 1.5 per cent is deducted from the principal. On closing after two years, an amount equivalent to 1 per cent is deducted as a penalty.

What happens if the account holder dies?

The account is closed and the money is paid to the nominee or the legal heir. However, if the spouse is a joint holder and a senior citizen, he/she has the option to continue the account till maturity.

How should one start investing in it?

You can open an SCSS account at any branch of the post office. Besides, most of the government and private-sector banks allow opening an SCSS account with them. To open the account, you need to submit the following documents:

- An SCSS account opening form, provided by the bank or the post office
- Two passport-size photographs
- A copy of Aadhaar. In the absence of the same, you can carry the acknowledgement of your Aadhaar application, along with any other address and identity proof like voter's id card, passport, driving license, etc.
- A copy of PAN or declaration in Form 60/61 if you do not hold a PAN

Also, while opening the account, carry the original identity and address proof for verification. You may also avail the facility of internet banking with your existing bank to open and operate the account online.

SUITABILITY AND ALTERNATIVES

Suitable for senior citizens looking to derive an assured regular income from their savings.

Not suitable for investors who do not need any regular income.

Alternatives can be Pradhan Mantri Vaya Vandana Yojana, Annuity plan of a life insurance company, Post Office Monthly Income Scheme, SWP from a debt-oriented mutual fund, which can offer better, though not guaranteed, returns.

National Savings Certificate (NSC)

Sovereign guarantee | Fixed return | Tax benefit

Returns ▬▭▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- An individual above the age of 18
- Guardian on behalf of a minor
- Minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000

Maximum: No limit

WHAT RETURN WILL YOU GET?

6.8% per annum for the deposits made between April to June, 2022.

Will it beat inflation? Up to a moderate level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

5 years

Exit option: Premature closure is not allowed

HOW IS IT TAXED?

Is 80C benefit available: Yes

Returns / Interest: Taxable

What is it?

Precisely, the National Savings Certificate (NSC) is a five-year deposit with the post office, offering a guaranteed return along with tax benefit. Investment in NSC is eligible for deduction from the taxable income.

The wide reach of the post office, the safety of being backed by the government and a guaranteed return, along with tax benefits, have made it quite popular.

How does it work?

You invest a certain amount for a tenure of five years at a specified rate of interest. The post office either gives you a certificate of the deposit or makes an entry in the passbook

The government calculates interest on a yearly basis and adds it to the initial invested amount.

On maturity after five years, you get back the investment amount, along with the accumulated interest.

How much are the returns?

The rate of interest applicable on a deposit in the NSC is revised every quarter. However, the new interest rate is applicable only to the fresh deposits. During the period between April to June 2022, the annualised interest of the NSC was pegged at 6.8 per cent.

This may not be meaningfully higher than the rate of inflation. And therefore, the NSC offers low to moderate returns after factoring in inflation.

What are the tax implications?

Investment of up to ₹1.5 lakh is eligible for deduction from taxable income under Section 80C of the Income Tax Act. Although the interest earned on the NSC is taxable and added to the income, it can be claimed as a deduction under Section 80C if reinvested.

What is the lock-in period?

The NSC comes with a tenure of five years and cannot be closed before that. However, it can be pledged as a security or transferred to certain authorities, including a bank, a housing-finance company and local municipal authority.

What happens if the account holder dies?

The nominee or the legal heir can opt for either the encashment of the NSC or get it transferred in his/her own name.

How should one start investing in it?

The NSC can be purchased from any branch of the post office. One needs to fill the NSC application form available at the post office and provide an identity and an address proof, along with a passport-size photograph. Your PAN and Aadhaar should be sufficient for this purpose. In their absence, your driving license or a utility bill can work as an address proof.

If you have a savings bank account with the post office, along with the facility of internet banking, NSC can also be purchased and held electronically

How risky is it?

Since it is a fixed-income investment avenue and backed by the government of India, the investment made in the NSC is absolutely safe and risk-free.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns from a lump-sum investment for goals up to five years away and tax exemption under Section 80C.

Not suitable for long-term wealth creation, given its inability to provide any meaningful returns above the rate of inflation. Also, it is not suitable for investors looking to invest small amounts regularly.

Alternatives can be five-year bank fixed deposit, five-year Post Office Time Deposit, debt mutual funds (which offer better returns but do not provide tax exemption), company deposits (though they do not provide tax exemption).

Kisan Vikas Patra (KVP)

Sovereign guarantee | Fixed return | Premature closure allowed

Returns ▬▬▬ **Liquidity** ▬▬▬ **Taxability** ▬▬▬

Snapshot

WHO CAN INVEST?

- An individual above the age of 18
- Guardian on behalf of a minor
- A minor above the age of 10

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000

Maximum: No limit

WHAT RETURN WILL YOU GET?

6.9% p.a. for the KVP bought between April to June, 2022

Will it beat inflation? Up to a moderate level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

10 years and 4 months if purchased between April to June, 2022

Exit option: Premature closure is allowed after 30 months

HOW IS IT TAXED?

Is 80C benefit available? No

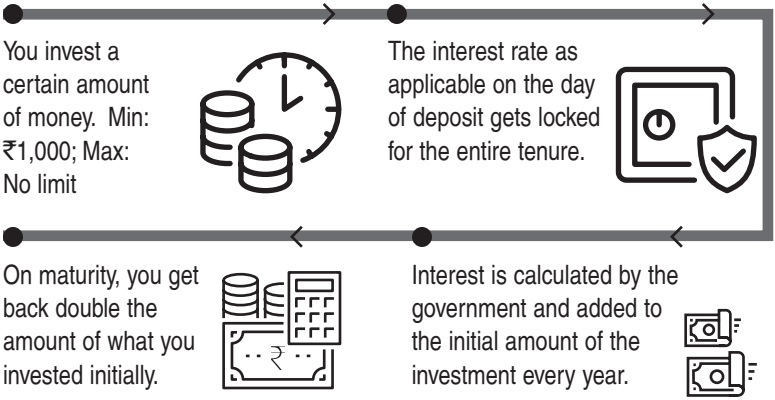
Returns/Interest: Taxable and added to income

What is it?

Kisan Vikas Patra (KVP) is a small-savings instrument with the post office that doubles the invested amount over a certain period of time. The tenure depends on the applicable rate of interest that is subject to revision by the government every quarter.

Precisely, it is a fixed deposit with the post office that matures when the invested amount gets doubled over a period of time, owing to the accumulation of interest.

How does it work?



How much are the returns?

You invest a certain amount of money. Min: ₹1,000; Max: No limit

The interest rate as applicable on the day of deposit gets locked for the entire tenure.

Interest is calculated by the government and added to the initial amount of the investment every year.

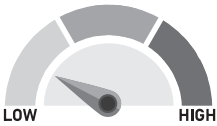
On maturity, you get back double the amount of what you invested initially.

How much are the returns?

The rate of interest applicable on a deposit in KVP is revised every quarter. However, the new interest rate is applicable only to fresh deposits. During the period between April to June 2022, the

annualised interest of KVP is pegged at 6.9 per cent.

However, the interest from KVP is taxable and for someone falling in the 30 per cent tax bracket, the post-tax return gets reduced to 4.83 per cent. This may not be meaningfully higher than the rate of inflation. Therefore, for those in the higher tax bracket, KVP offers low to moderate returns after factoring in inflation.



How risky is it?
Since it is a fixed-income investment avenue and backed by the government of India, the investment made in KVP is absolutely safe and risk-free.

What are the tax implications?

The interest accumulated every year is added to the taxable income and taxed as per the applicable slab.

What is the lock-in period?

KVP has a lock-in period of two-and-a-half years. Thereafter, the invested amount can be redeemed, along with the accumulated interest.

What happens if the account holder dies?

The KVP is closed prematurely and the invested amount, along with the accumulated interest, is paid to the nominee or the legal heir. The nominee also has an option to get it transferred to his/her name and continue till maturity.

How should one start investing in it?

KVP can be bought from any branch of the post office. You will have to fill out the application form available at the post office and provide a copy of identity and address proof, along with a photograph. Your PAN and Aadhaar should suffice as identity and address proof. In the absence of the Aadhaar, one may use a driving license, passport, utility bill, etc.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns from a lump-sum investment.

Not suitable for investors who can assume some risk by investing in equity-linked investments, which can generate much higher returns in the long term.

Alternatives can be RBI Floating Rate Savings Bonds, bank fixed deposits and company deposits. Equity mutual funds or direct investing in stocks if the investor can assume risk.

Pradhan Mantri Vaya Vandana Yojana (PMVVY)

Sovereign guarantee | Fixed return | Regular income

Returns ▬▬▭ **Liquidity** ▬▭▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- An individual above the age of 60

HOW MUCH CAN YOU INVEST?

Minimum: ₹1.57 lakh

Maximum: ₹15 lakh

WHAT RETURN WILL YOU GET?

7.4% p.a. for the deposits made during the financial year 2022-23.

Will it beat inflation? Up to a moderate level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

10 years

Exit option: Pre-mature closure is allowed only if the money is required for the treatment of a critical illness

HOW IS IT TAXED?

Is 80C benefit available? No

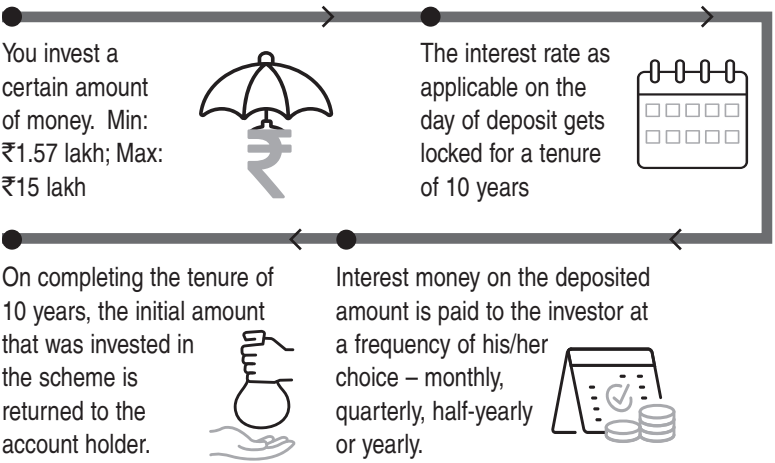
Returns/Interest: Taxable and added to income

What is it?

Prime Minister Narendra Modi announced his intention to launch a scheme for senior citizens in his New Year's eve address in 2016. This eventually translated into Pradhan Mantri Vaya Vandana Yojana (PMVVY).

The scheme (although marketed as a pension) is essentially a fixed deposit with LIC and the interest is paid out as a regular income to the investor at a frequency of his choice – monthly, quarterly, half-yearly or annually.

How does it work?

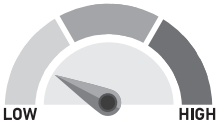


How much are the returns?

The rate of interest offered by PMVVY is revised every financial year. However, it gets locked in for the entire tenure of 10 years as applicable on the day of deposit. The rate of interest for the deposits made during the financial year 2022-23 is pegged at 7.4 per cent per annum.

However, the interest from PMVVY is taxable and for someone in the 30 per cent tax bracket, the post-tax return gets reduced to 5.18 per cent. This may not be meaningfully higher than the rate of inflation. Therefore, for those in the higher tax bracket, PMVVY

offers low to moderate returns after factoring in inflation.



How risky is it?
Since it is a fixed-income investment avenue and backed by the government of India, the investment made in PMVVY is absolutely safe and risk-free.

What are the tax implications?

The interest earned through PMVVY is taxable and gets added to your income. However, the interest income of up to ₹50,000 through the deposits is exempt from taxes under Section 80TTB of the Income Tax Act for senior citizens.

What is the lock-in period?

Investments in PMVVY get locked for the entire tenure of 10 years. Premature withdrawal is allowed only if the money is required for the treatment of self or spouse in the case of a critical illness. In such a scenario, 2 per cent of the invested amount is deducted as a penalty.

However, one may avail of a loan against PMVVY, if required. It can be availed on the completion of three policy years. The maximum loan amount that can be granted will be 75 per cent of the deposit. The rate of interest to be charged for the loan amount is determined periodically. For the loan sanctioned till April 30, 2021, the applicable interest rate is 9.5 per cent per annum and will be recovered from the pension amount payable under the policy. However, the loan amount will be recovered from the claim proceeds at the time of exit.

What happens if the account holder dies?

The amount that was initially invested is paid to the nominee or the legal heir.

How should one start investing in it?

One can invest in PMVVY through the offline as well as the online route. No matter whether you choose to invest online or offline,

broad requirements will remain the same. If you invest offline, you need to visit any branch of Life Insurance Corporation (LIC), fill out the subscription form and provide a copy of your PAN and Aadhaar. In addition, the details of the bank account are also required to be submitted where you wish to receive the regular income (pension) at your chosen frequency.

Scanned copies of similar documents are required to be uploaded while buying PMVVY online. Just visit the official website of LIC – www.licindia.com, visit the PMVVY page under the pension plans and follow the on-screen instructions.

SUITABILITY AND ALTERNATIVES

Suitable for senior citizens looking to derive assured regular income from their savings.

Not suitable for investors who do not need regular income.

Alternatives can be Senior Citizens Savings Scheme, Annuity plan of a life insurance company and Post Office Monthly Income Scheme. An SWP from a debt-oriented mutual fund that can offer better, though not guaranteed, returns is also a viable option.

Floating Rate Savings Bonds

Sovereign guarantee | Assured return

Returns ▬▬▭ **Liquidity** ▬▭▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- A resident individual
- HUF

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000

Maximum: No limit

WHAT RETURN WILL YOU GET?

7.15% p.a. for the six-month period ending on June 30, 2022. Interest rate is revised every six months.

Will it beat inflation? Up to a moderate level

Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

7 years

Exit option: Premature closure is allowed only in the case of a senior citizen

HOW IS IT TAXED?

Is 80C benefit available: No

Returns/Interest: Taxable and added to the income

What is it?

More commonly known as the RBI 7.15% taxable bonds, Floating Rate Savings Bonds are issued by the Reserve Bank of India (RBI) and come with a seven-year tenure.

In simple words, buying these bonds is like lending money to the RBI for seven years at a specified rate of interest and earning the interest twice a year.

HOW DOES IT WORK?

Once you buy a Floating Rate Savings Bond, a certificate of holding is issued as a proof of subscription

The government calculates applicable interest up to June 30 and December 31 and pays to the bond-holder at the beginning of January and July.

New interest rates are announced every January and July and these rates are applicable for the subsequent six months.

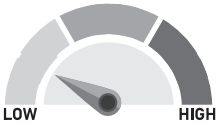
The cycle continues for seven years and at the end, the bond-holder gets the invested amount.

How much are the returns?

These bonds are called floating rate bonds because their interest rate is reset every six months. It is kept 35 basis points (bps) higher than the interest offered by the National Savings Certificate (NSC). For the six-month period ending on June 30, 2022, the rate of interest is pegged at 7.15 per cent.

However, the interest from these bonds is taxable and for someone falling in the 30 per cent tax bracket, the post-tax return gets reduced to 5 per cent. This may not be meaningfully higher than the rate of inflation. Therefore, for those in the higher tax

bracket, floating-rate bonds offer low to moderate returns after factoring in inflation.



How risky is it?
Since it is a fixed-income investment avenue and backed by the government of India, the investment made in these bonds is absolutely safe and risk-free.

What are the tax implications?

The interest earned through floating-rate bonds is added to the taxable income of the bond-holder and taxed as per the applicable slab.

What is the lock-in period?

Floating Rate Savings Bonds come with a tenure of seven years and cannot be closed pre-maturely except in the case of senior citizens. Senior citizens can redeem the bonds after a certain number of years. However, a penalty equivalent to 50 per cent of the interest amount for the preceding six months is applicable.

A lock-in period of six years is applicable for a senior citizen who is less than 70 years old for redeeming the bond prematurely. For someone who is in the age bracket of 70–80 years, the bonds can be withdrawn prematurely after a lock-in period of five years. If the bondholder is 80 years or more than that, the lock-in period further reduces to four years.

One must also note that these bonds are not tradeable on the stock exchange, thereby reducing their liquidity.

What happens if the bondholder dies?

The bond is transferred in the name of the nominee or legal heir on producing relevant documents and the subsequent interest payments are made to the beneficiary. On maturity, the proceeds are transferred to the bank account of the beneficiary.

How should one start investing in it?

The RBI has authorised certain nationalised and private banks as

the 'receiving offices' for accepting subscription requests. The subscription needs to be made in a prescribed form available with the bank, along with a copy of PAN and Aadhaar. In the absence of Aadhaar, any other address proof like a driving licence or passport, etc., is required. A leaf of cancelled cheque of the bank account must also be submitted in which the bond-holder intends to receive the half-yearly interest payments and the proceeds on maturity. The following are the banks that have been authorised to accept subscription requests.

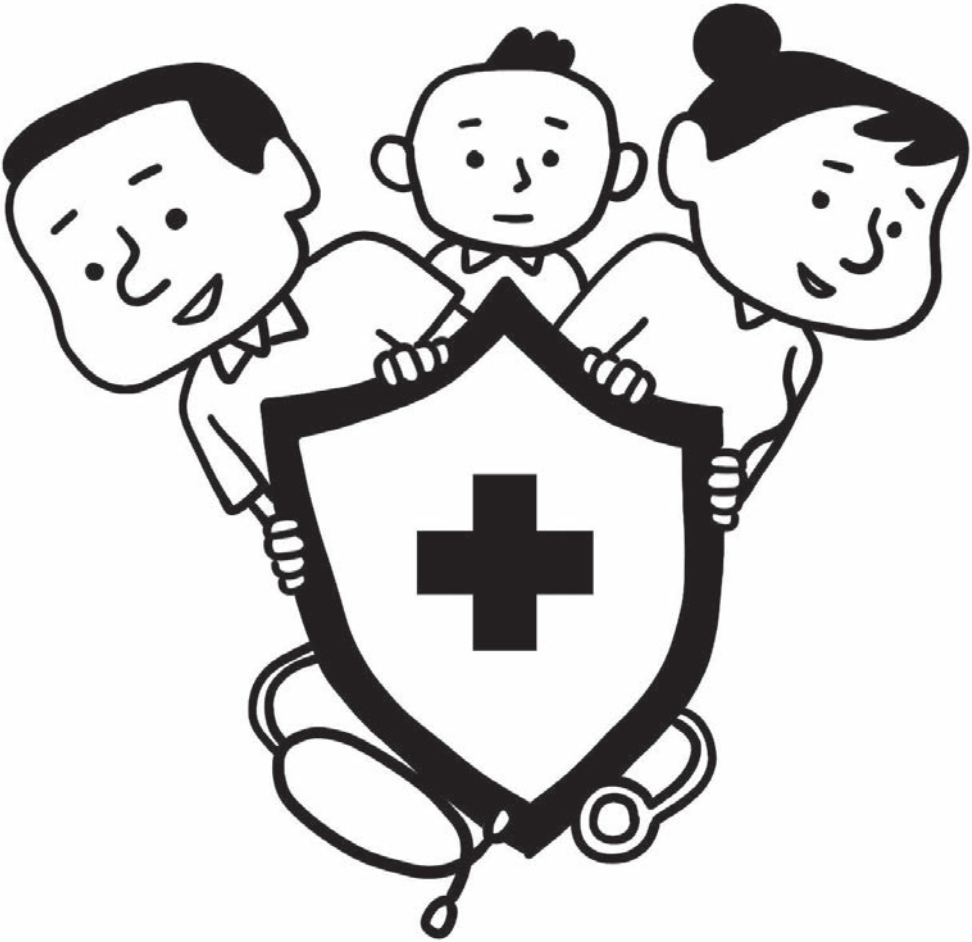
- State Bank of India
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Canara Bank
- Central Bank of India
- Indian Bank
- Indian Overseas Bank
- Punjab National Bank
- Punjab & Sind Bank
- Union Bank of India
- UCO Bank
- HDFC Bank
- ICICI Bank
- IDBI Bank
- Axis Bank

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns from a lump-sum investment.

Not suitable for investors who can assume some risk by investing in equity-linked investments, which can generate much higher returns.

Alternatives can be bank fixed deposits and company deposits. Those who can assume risk can opt for hybrid mutual funds.



Health insurance

Provides for medical treatment cost | A must for everyone | Tax benefit

Snapshot

WHO CAN BUY?
Any adult can buy health insurance; children can also be covered under the policy.

WHAT IS THE PURPOSE?
It covers the financial risk of hospitalisation and major medical conditions.

WHAT IS NOT COVERED?
Medical conditions and situations that are mentioned under the 'Exclusions' clause. To seek the benefit of a policy, hospitalisation of at least 24 hours is required in most cases.

WHAT IS THE TENURE?
One year; can be renewed thereafter

HOW IS IT TAXED?
Eligible for deduction under Section 80D

- Up to ₹25,000* on the premium of the policy for self, spouse and dependent children
- Additional deduction of up to ₹25,000* for the policy of parents

*₹50,000 if the insured is a senior citizen

What is it?

Health insurance works as a financial-protection tool against medical expenses. It usually provides either direct payment or reimbursement for the expenses associated with illness, injuries and hospitalisation, as detailed in the scope of the policy cover. The cost and range of protection provided by a health-insurance policy depend on the insurer and the type of policy purchased by the policyholder. Some policies also cover pre- and post-hospitalisation expenses.

How does it work?

You buy a health cover where the insurance company promises to bear the cost of treatment in the case of hospitalisation and certain other situations up to a certain limit (the sum insured).

You pay an annual premium to the insurance company. The premium is dependent on your age, health condition and the sum insured.

The insurance company either facilitates cashless treatment or reimburses the cost when medical treatment is required.

What is portability?

Health-insurance policies are portable, which means that one can move from one insurer to another by transferring one's existing policies to a new insurer. Portability also enables the transfer of the benefit gained by the policyholder. For example, pre-existing conditions are covered only after a policy is held for a certain number of years. So, if a policy is ported to a different insurance company, the benefit of the number of years for which the policy has already been held is also transferred. Apart from the credit of the number of years, all other terms of the policy are at the discretion of the new insurance company. To port the policy, one must contact the new insurance company at least 45 days before the date of renewal.

What is not covered under a health-insurance policy?

It is important to go through the fine print of the health-insurance policy before buying. An insurance policy may exclude certain situations/conditions from its coverage. Here are a few common exclusions that are there in most health-insurance policies.

Types of Health Insurance

Insurance type	Offering
Individual health plan	These are traditional healthcare plans modelled on the old mediclaim-type policies offered by insurers. Typically, the benefits include room and other hospital services, such as X-ray, lab expenses and operating-room use. The cover extends to pre- and post-hospitalisation expenses on medication and diagnostics, subject to limits and conditions in the policy.
Family-floater plans	An extension of the individual plan, these cover a family by spreading risk across the members. For instance, a ₹10 lakh cover is spread across four family members: two adults and two children.
Arogya Sanjeevani plans	The IRDAI has mandated all insurance companies to provide these plans from April 2020. It is a simple and affordable health-insurance product with basic features that cover healthcare expenses up to ₹5 lakhs. This coverage includes pre- and post-hospitalisation expenses, hospital room rent, ICU services, etc. They are available in both individual and family-floater alternatives.
Senior-citizen health plans	Entry after the age of 60 but offer lower cover and more stringent terms and conditions.
Group health plans	For employees in organisations; these come with certain benefits tailored specifically to fit the needs of the group.
Critical-illness plans	It covers a host of high-cost, low-incidence critical-health conditions, such as heart attack, cancer, stroke or kidney failure.
Hospitalisation-cash plans	Pay a fixed sum for each day spent in the hospital; they are totally independent of the room rental and treatment costs.
Permanent total disability	A lump-sum payment in the case of loss of limbs, resulting in permanent total disability.

Insurance type	Offering
Permanent partial disability	A lump-sum payment in the case of permanent partial disability; for instance, partial vision or hearing loss.
Temporary disability	A lump-sum payment in the case of a temporary disability arising from an accident; for instance, a fractured leg.

No-claim/waiting period on pre-existing diseases: Diseases that have been in existence before the policy commencement are usually covered only after continuing with the policy for certain number of years. This is known as waiting period and usually varies between two to four years.

Cool-off period: This is the period when claims are not paid on the medical expenses incurred on the treatment of any health-related condition occurring within this period, usually 30 days of the policy coming into force. However, bodily injuries due to accidents are covered.

Eye-related expenses: Expenses on the laser treatment of eyesight and costs of spectacles or contact lenses are usually not covered. A cataract is covered after a certain number of years with a sub-limit on the total cost of the treatment.

Dental and cosmetic surgeries: Expenses incurred on dental treatment or cosmetic surgery are typically excluded.

War injuries: Injuries due to wars and invasions or any claim directly or indirectly caused or contributed by nuclear weapons are not covered.

Alternative medicines: Many insurance policies do not cover treatment through non-allopathic methods, such as Ayurveda or Unani medicine.

Sub-limits: There are also provisions that curb the facilities you can avail of during hospitalisation. Insurers restrict certain discretionary costs associated with hospitalisation by introducing sub-limits for reimbursement in the manner shown below.

- **Room rent:** 1 per cent of the sum insured per day. If your insurance cover is ₹5 lakh, the room rent will be capped at ₹5,000 per day.
- **ICU charges:** 2 per cent of the sum insured per day. If your insurance cover is ₹5 lakh, ICU charges will be capped at ₹10,000 per day.

What are the tax implications?

The premiums paid towards health insurance are eligible for deduction of up to ₹25,000 from the taxable income under Section 80D of the Income Tax Act. The premium will be for a health-insurance policy of self, spouse or dependent children.

An additional deduction of up to ₹25,000 is available for paying the premium for a health-insurance policy of parents. The deduction limit of ₹25,000 is enhanced to ₹50,000 in case the policyholder is a senior citizen.

How should one buy a policy?

A health-insurance policy can be bought online as well as offline. One may buy it directly through the insurance company or through an intermediary which can be an insurance agent or a bank. Once you have evaluated the amount of insurance you need and found the insurer offering the policy, you will need to fill up the proposal form provided by the insurer. The proposal form would ask about your medical history and lifestyle habits. You should be truthful while submitting these details as the false information can lead to a claim-rejection later.

In addition, you would be required to furnish a copy of your Aadhaar and identity proof like PAN. You may or may not be asked by the insurance company to undergo certain medical tests, depending on your age, medical history and the quantum of cover that you are seeking.

SUITABILITY AND ALTERNATIVES

Suitable for everyone to mitigate the financial risk of any unforeseen medical emergencies.

Not suitable for those who have sufficient health coverage for self and family under a government- or employer-sponsored plan. Also, it is not suitable for those who have sufficient accumulated wealth to comfortably provide for any medical costs that may arise.

There is no **alternative**.

Life insurance

Financial protection for dependents | Tax benefit

Snapshot

WHO CAN BUY?

- An individual above the age of 18
- The upper age limit varies across insurers and policy types

WHO IS THE PURPOSE?

It provides financial protection to the dependents in the event of the insured's death

WHO IS THE TENURE?

It depends on the type of policy. Usually varies between 10 and 30 years

Exit option: Premature termination is allowed.

HOW IS IT TAXED?

Eligible for 80C benefit. Maturity proceeds are tax-free.

What is it?

Life insurance is chiefly a risk-management tool meant to offer financial protection to the dependents in the event of the policyholder's death. It is a contract between the insurance company and the buyer. Under the contract, the insurance company would pay a certain sum of money to the dependents or the nominee in the event of the insured's death.

Having adequate life insurance for anyone with financial dependents is a must. It should be large enough to provide for the non-negotiable goals and the living expenses of your dependents in your absence.

Although various types of life-insurance policies are available in the market, it is best to choose only a pure term plan in order to provide financial protection to your dependents. They are the cheapest to buy.

How does it work?

You buy a life cover where the insurance company promises to pay a certain sum of money (the sum assured) to the nominee on the insured's death during the policy's tenure.

You pay an annual premium to the insurance company. The premium is dependent on your age, health condition and the sum assured.

The insurance company pays the sum assured to the nominee on the insured's death. If the insured survives through the decided tenure, the maturity benefit is paid as per the policy terms.

Riders

Riders are additional (protection) benefits attached to the basic (life) insurance policy. They are generally limited in size relative to the base sum assured and may have separate terms and conditions, possibly with additional exclusion clauses. Simply put, riders are options that allow you to enhance your insurance cover, qualitatively and quantitatively. Here are the most common riders

Critical illness: Added to a life-insurance policy, it provides an additional cover to the insured in the event of a 'critical illness'. In most cases, the extra cover is paid upon the diagnosis of a critical illness. The illnesses covered and the premiums you have to pay vary among insurers, but most insurers cover cancer, coronary artery bypass, kidney or renal failure, major organ transplant, paralytic stroke, etc.

Disability or dismemberment benefit: This rider provides for an additional cover equal to the sum assured on the base policy in the event of disability as a result of an accident. If the accident results in total and permanent disability, the rider provides for other benefits: a proportion of the benefits will be paid to the

Types of life insurance policies

Insurance type	What it offers
Term plan	This is a no-frills policy in which the nominee gets the sum assured if the policyholder dies during the tenure of the policy. Nothing accrues if you outlive the policy term, though there are some costly policies that pay premiums back. Term-insurance premiums are typically low.
Saral Jeevan Bima	This is a standard individual term-life-insurance policy that IRDAI has mandated all life-insurance companies to provide from January 01, 2021. With a maximum sum assured of ₹25 lakh, it has the same features across all insurers (though prices may differ) just like the standard health-insurance product 'Arogya Sanjeevani'.
Endowment plan	● If you die during the policy term, your nominee gets the sum assured plus some returns, depending on the policy performance. ● If you survive the policy term, you still get back the sum assured and returns earned by the policy.
Child plan	Similar to an endowment plan, it is a savings-oriented plan that is used to create savings for a child's education or marriage.
Money-back plan	In this variant of the endowment plan, a part of the sum assured is returned to the policyholder at periodic intervals throughout the policy tenure. The balance, along with profits earned, is returned at the end of the tenure.
Whole-life plan	A variant of the endowment plan, it provides cover to the policyholder throughout his lifetime and not just over a fixed term.

Insurance type	What it offers
Pension plan	The policy works in two ways. One, it is an accumulation tool that collects premiums and earns a return. Two, on attaining the vesting age (the year the payout happens), the accumulated fund is paid back as an annuity. Pension plans also offer insurance.
Annuity	● In an annuity, the insurer agrees to pay the insured a stipulated sum of money periodically. ● The purpose of an annuity is to protect against risks as well as provide money in the form of pension at regular intervals.
ULIP (Unit-linked insurance plan)	● ULIPs combine insurance and investments in equity and debt markets. ● ULIPs offer several fund-investment options with insurance and leave the asset-allocation decision in the hands of investors.

insured person every year until he recovers. Some insurers provide the 'waiver of premium' benefit as well in the event of a disability.

Waiver of premium: This rider gets activated in the event of a person (who has taken a life-insurance policy) becoming 'completely disabled,' (or loses his ability to earn a living due to the disability) owing to an injury. Even though the premium is not paid during this period, the policy cover is not terminated; it continues as if the premiums were being paid. In other words, this rider acts as 'disability insurance' against your life-insurance policy.

Accidental-death benefit rider: This rider comes into effect in the case of death due to an accident during the term of the policy. It adds to the sum assured in the life policy only in the case of death due to an accident.

What is the tenure?

Life-insurance policies are generally long-term contracts and their

tenure varies from 10 to 30 years or even more. Premature withdrawal or closure of life policies is permitted depending on the policy type. Some policies coming with an investment component offer premature withdrawal only after three or five full years of their existence. The premiums paid during this tenure, along with profits, if any, are paid back after penalties are deducted for the early closure of the policy. The penalties vary across insurers and policy types.

What are the tax implications?

Premiums paid towards a life-insurance policy qualify for tax deductions under Section 80C up to a limit of ₹1.5 lakh in a financial year. The sum assured received by the nominee is tax-free.

How to buy a life-insurance policy?

Life insurance can be bought online as well as offline. It can be purchased directly from the life-insurance company or through any other intermediary like an insurance agent, bank, etc.

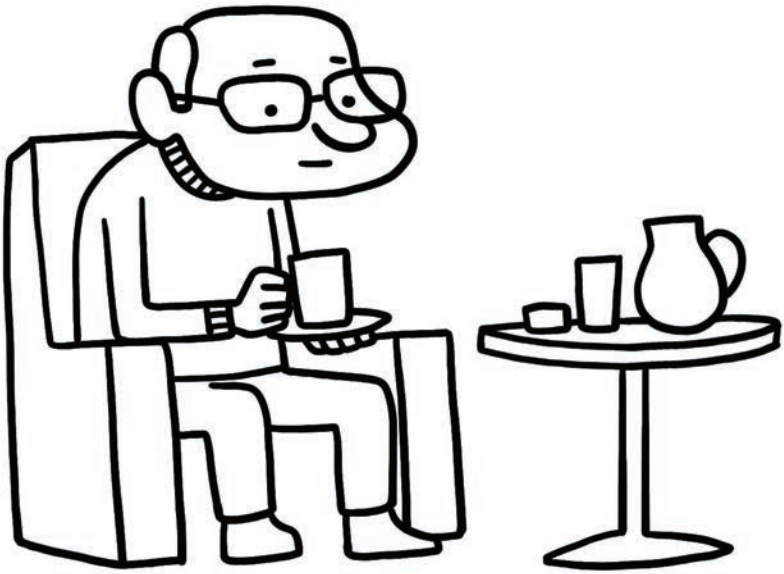
Once you have evaluated the amount of insurance you need and the insurer offering the policy, you need to fill up the proposal form provided by the insurer. The form would ask details like your annual income, medical history and lifestyle habits. Be truthful while submitting these details as a flase information may lead to a claim-rejection later. Besides, you will have to give a copy of your PAN and Aadhaar, along with a photograph. Depending on the quantum of the cover you seek, your age and medical history, the insurance company may or may not ask you to undergo certain medical tests.

SUITABILITY AND ALTERNATIVES

Suitable for those who have financial dependants.

Not suitable for those who do not have financial dependants. Also, it is not suitable for those who have sufficient accumulated wealth to provide for the future financial needs of their dependants.

There is no **alternative**.



Pension and Annuity

Regular income | Tax benefit

Returns **Liquidity** **Taxability**

Snapshot

WHO CAN INVEST?

- A resident Indian above the age of 18

HOW MUCH CAN YOU INVEST?

Minimum: Usually around ₹10 lakh for immediate plans

Maximum: No limit

WHAT RETURN WILL YOU GET?

A specified amount of money as regular income for the specified period

Will it beat inflation? Up to a moderate level
Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

Usually lifelong. A fixed tenure as per the investor's choice is also available.

Exit option: Premature closure is generally not allowed.

HOW IS IT TAXED?

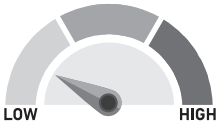
Is 80C benefit available? Yes

Pension/Annuity: Taxable

What is it?

'Annuity' means a fixed sum of money that is paid out to the purchaser periodically in return for a lump sum. The main objective is to provide income during retirement. An annuity can be purchased on retirement or earlier. It can be structured to provide fixed as well as variable income. Annuities can be divided into two categories – deferred and immediate.

- **Deferred annuity:** A deferred annuity requires you to first build a corpus, which you then use to buy an annuity at the time of retirement. Most insurers enable the building bit through a pension plan. When the tenure of the pension plan ends, you use the accumulated money to buy an annuity. If at the accumulation stage, you have invested in a pension plan from an insurance company, then it is compulsory to invest at least one-third of the amount that you get from this instrument in an annuity at the time of retirement.



How risky is it?
Most pension plans invest in fixed-income instruments and are reasonably safe.

- **Immediate annuity:** An immediate annuity refers to an annuity for which you pay a lump sum, rather than a number of premiums over time. This instrument then makes regular guaranteed payouts. An immediate annuity is purchased by someone who is about to retire and would like to receive a monthly income right away.

How does it work?

You buy an annuity plan with a life-insurance company.

You receive a certain amount of money as the regular income at the chosen frequency and for the chosen tenure.

The payout options offered by annuity plans can be broadly summarised as follows:

- **Life annuity:** Annuity is paid lifelong.
- **Life annuity with the return of the purchase price:** Life annuity for the annuitant with the return of the originally paid amount on death of the annuitant to the beneficiary
- **Joint life, last survivor without return of purchase price:** The annuity is first paid to the annuitant. After the death of the annuitant, the spouse receives a pension equal to the annuity paid to the annuitant.
- **Joint life, last survivor with the return of the purchase price:** The annuity is first paid to the annuitant. After the death of the annuitant, the spouse receives a pension equal to the annuity paid to the annuitant. After the death of the last survivor, the originally paid amount is returned to the nominee.
- **Life annuity guaranteed for five/10/15 years and thereafter:** A guaranteed annuity is paid for the chosen term (five, 10 or 15 years) even if the annuitant is not alive. After that, the annuity continues as long as the annuitant is alive.

How much are the returns?

The returns provided by annuities are usually low because the insurance company issuing the annuity is taking the risk of providing the periodic income for a long period of time, until the time the annuity purchaser is alive in most cases.

Further, the annuity received is added to the taxable income and taxed as per the applicable slab. So, depending on the tax

slab of the annuitant, the post-tax returns can be quite low specifically after factoring in inflation.

What are the tax implications?

Investments of up to ₹1.5 lakh made in pension plans are usually eligible for a deduction from the taxable income under Section 80C. However, the annuity is added to the taxable income and taxed as per the applicable slab.

What is the lock-in period?

Annuities typically do not have exit options. Certain types of annuity contracts may offer some level of liquidity.

What happens if the account holder dies?

It depends on the pay-out option selected while investing.

How should one start investing in it?

Annuity plans are provided by life-insurance companies. Once you have evaluated the amount of annuity needed, look at the available options and fill up the appropriate form provided by the insurance company. You will need to provide the following documents:

- Date of birth and identity proof, such as the Aadhaar card, passport, driving licence, PAN or voter ID card
- Nominee details
- Bank account details where the annuity payout will be transferred

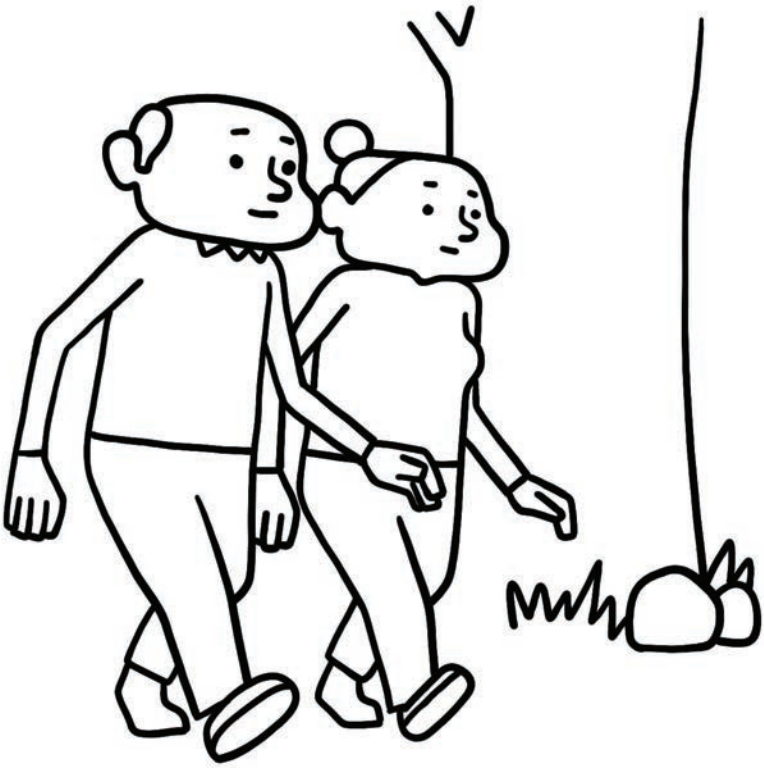
You can also buy an annuity plan online by uploading a similar set of documents.

SUITABILITY AND ALTERNATIVES

Suitable for investors looking to derive an assured regular income from their savings.

Not suitable for investors who do not need any regular income.

Alternatives can be Pradhan Mantri Vaya Vandana Yojana (for senior citizens only), Post Office Monthly Income Scheme and Senior Citizen Savings Scheme (for senior citizens only). An SWP from a debt-oriented mutual fund, which can offer better, though not guaranteed, returns is also a viable option.



National Pension System (NPS)

Government pension scheme | Market-linked return | Tax benefit

Returns ▬▬▬ **Liquidity** ▬▭▭ **Taxability** ▬▬▬

Snapshot

	NPS Tier I	NPS Tier II - Regular	NPS Tier II - Tax Saver Scheme
Who can invest?	An individual between the age of 18 and 70. Once the account is open, contributions can be made till the age of 75	An individual with an NPS Tier-I account	A central government employee with an NPS Tier I account
How much can you invest?	Minimum: ₹1,000 per annum Maximum: No limit	Minimum: ₹250 per contribution; not mandatory Maximum: No limit	Minimum: ₹1,000; not mandatory Maximum: No limit
What return will you get?	Market-linked return **Will it beat inflation?** Yes, provided reasonable portion is allocated to equity **Will it change during the tenure?** Yes	Market-linked return **Will it beat inflation?** Yes, provided reasonable portion is allocated to equity **Will it change during the tenure?** Yes	Market-linked return **Will it beat inflation?** At a moderate level as the equity allocation cannot exceed 25% **Will it change during the tenure?** Yes
Can the invested money go down in value?	Yes	Yes	Yes
What is the tenure?	Matures on attaining the age of 60. **Exit option:** Premature closure is allowed after 10 years	Money can be withdrawn any time	Three years
How is it taxed?	**Is 80C benefit available?** Yes **Returns/Interest:** Tax-free	**Is 80C benefit available?** No **Returns/Interest:** Taxable	**Is 80C benefit available?** Yes **Returns/Interest:** Taxable

What is it?

National Pension System (NPS) is a government initiative to extend pension benefits to all Indian citizens. It is a defined contribution scheme where one can accumulate a corpus for retirement by regularly mobilising a small amount of money over a period of time. On retirement, 60 per cent of the corpus is allowed to be withdrawn as a lump sum and the balance is mandatorily paid out as a pension annuity.

The NPS is regulated by the Pension Fund Regulatory and Development Authority (PFRDA) and is mandatory for the employees of central government and some state governments. It has three different types of accounts:

- **Tier I:** This is the most widely used variant of NPS and a mandatory account for anyone who wants to join NPS. It has restrictions on withdrawals and comes with tax benefits.
- **Tier II Regular:** It's a voluntary-savings account from which, individuals can withdraw money anytime. It has no tax benefits.
- **Tier II TTS:** It offers tax benefits and allows withdrawals after a lock-in period of three years. This scheme is available only for central-government employees.

How does it work?

Select your pension fund manager from the list and decide the mix of equity, fixed-income and alternative assets that you wish to maintain for your investment.

You invest a certain amount of money. Min: ₹1,000 p.a.; Max: No limit

The money is managed by the chosen pension fund manager in return for a small fee

On attaining the age of 60, up to 60 per cent of the corpus can be withdrawn as a tax-free lumpsum. It is mandatory to buy an annuity plan with the remaining 40 per cent of the corpus. However, the investor can defer the maturity and continue investing till the age of 75.

How much are the returns?

The returns from the NPS are market-linked and depend on which fund you invest in. The NPS offers different funds with varying exposure to equity (E), corporate debt (C), government securities (G) and alternative investment schemes (A).

Of these asset classes, equity carries the maximum risk (and the chances of maximum returns) and government securities carry minimum risk (and least returns). The following are the investment options available:

- **Active-choice investment:** Investors can mix the E, C and G options as per their choice. The maximum allocation towards alternative investments is 5 per cent. For equity, it can be 75 per cent till the age of 50. This limit reduces by 2.5 per cent per year as the person grows older and thus, it becomes 50 per cent at age 60 years and above.
- **Auto-choice investment:** Here investment allocation is done based on the investor's age. In the default version of this scheme (moderate life-cycle fund), the equity portion is 50 per cent till age 35, after which it reduces 2 per cent per year until it becomes 10 per cent by age 55. The corporate debt portion is 30 per cent till age 35, after which it reduces 1 per cent per year until it becomes 10 per cent by age 55.

How risky is it?
Since it invests in equity and market-linked fixed-income instruments, investment in NPS carries risk. However, its long tenure reduces the associated risk.

Other options within auto-choice are the aggressive and conservative life-cycle funds, which begin with an equity allocation of 75 per cent and 25 per cent, respectively. These are reduced as the NPS subscriber's age advances.

The Tier II- TTS scheme has a fixed mandate of investing

between 10 and 25 per cent in equity and the remaining in fixed income for pension funds. Exposure to cash and money-market securities has been restricted to a maximum of 5 per cent. There is no investment choice for the subscriber here.

What are the tax implications?

Tax deduction on investments up to ₹1.5 lakh (under Section 80CCD) and ₹50,000 (under Section 80CCD(1B)) can be availed in a financial year. 60 per cent of the amount received at the completion of the term is tax-free. It is mandatory to buy an annuity plan with the remaining 40 per cent. The pension from the annuity plan is added to the income and taxed as per the applicable slab.

Investment in Tier-II regular account is not eligible for tax benefit. There is no clarity on how gains from investments in the Tier-II account are taxed. However, most tax experts prefer adding them to the taxable income if the investment is sold within three years. Otherwise, if the investment is sold after three years, the gains are taxed at 20 per cent after providing the benefit of indexation.

What is the lock-in period?

- **Tier I:** If you wish to exit before age 60, you must use 80 per cent of the corpus to buy an annuity. You can withdraw 20 per cent of your corpus, but it will be taxed as per your income-tax slab. 60 per cent of withdrawals from the NPS are tax-free for those who retire at 60 years. You will have to use the balance to purchase an annuity. However, if the total corpus does not exceed ₹5 lakh, the entire amount can be withdrawn as a lump sum without any need to purchase an annuity.

After three years of being in the scheme, you can withdraw up to 25 per cent of the contributions for defined expenses. These defined expenses are children's higher education or wedding, the construction or purchase of the first house, and treatment of critical illness for self, spouse, children or dependent parents. The regulations have defined 13 critical illnesses and have extended this facility to accidents or other

ailments of a life-threatening nature.

The point to note is that the 25 per cent limit will be calculated on the contributed amount, not on the account balance. Suppose you have contributed ₹5,000 per month for 10 years, you will be eligible to withdraw ₹1.50 lakh, i.e., 25 per cent of ₹6 lakh. You can make up to three withdrawals during the tenure.

- **Tier II Regular:** In this voluntary account, you are free to withdraw your savings whenever you wish. There are no limits on deposits and withdrawals.
- **Tier II TTS:** You can withdraw your money after a lock-in period of three years without any limit.

What happens if the account holder dies?

The account is closed and the entire corpus is paid to the nominee or the legal heir. However, the nominee or the legal heir has the option to buy an annuity plan, if he wishes.

How should one start investing in it?

An NPS account can be opened through most private and public sector banks or by visiting any other PoP (Point of Presence). PoPs are precisely intermediaries that help you open the NPS account. You would be asked to fill up an account-opening form and provide a copy of your PAN and Aadhaar. In addition, a passport size photograph and a cancelled cheque would be required. While opening the account, one needs to decide between the investment choices with the pension fund manager.

Alternatively, one may open the NPS online directly with the Central Record Keeping Agency (CRA). Currently, there are three CRAs that facilitate opening an NPS account. These include protean (formerly NSDL), KFINTECH and CAMS. They can be accessed by visiting the following link: https://www.npstrust.org.in/content/open-your-nps-account-online

A similar set of scanned documents would be required. However, make sure that your mobile number is registered with Aadhaar as an OTP would be sent to the same mobile number during the process.

Charges associated with the NPS

Subscribers opting for POP for investing in the NPS will incur both POP and CRA charges

Charge head	Point-of-presence (POP)	Central Record Keeping Agency (CRA)*		
		Protean (Formerly NSDL)	Karvy	CAMS
Initial subscriber registration/ Account opening	₹200	₹40	₹39.36	₹40
Making contribution	0.25% of the contribution amount. Min: ₹20 and Max: ₹25,000	₹3.75 per transaction	₹3.36 per transaction	₹3.50 per transaction
Non-financial transaction	₹20 per transaction	₹3.75 per transaction	₹3.36 per transaction	₹3.50 per transaction
Persistency/ Annual maintenance	₹50; only for non-government account holders	₹95	₹57.63	₹65
Asset servicing (per annum)	0.0032% of assets under custody			
Investment management (per annum)	0.01% to 0.09% of assets under management			
Reimbursement of expenses (per annum)	0.005% of assets under management			

* A subscriber can open NPS directly with CRA and choose any of the three

LIST OF PENSION FUND MANAGERS

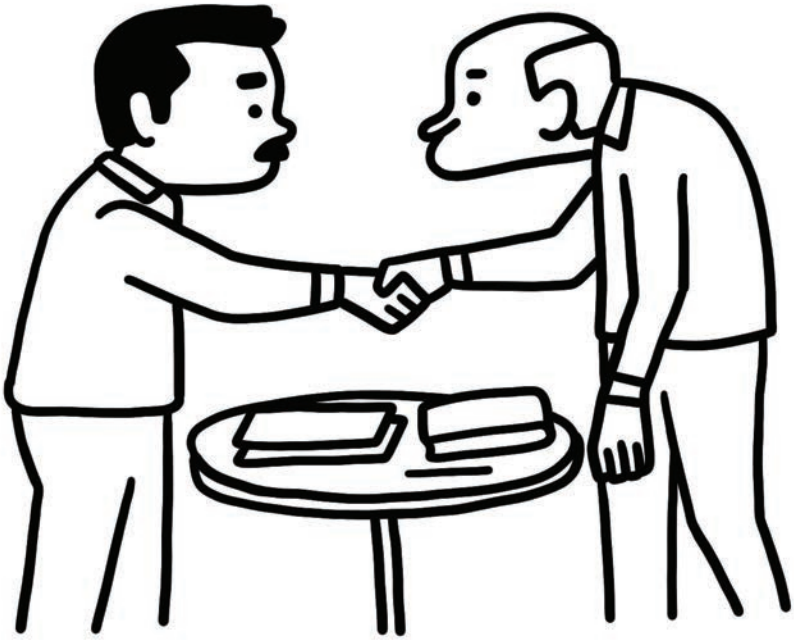
- SBI Pension Funds Pvt. Ltd.
- LIC Pension Fund Ltd.
- UTI Retirement Solutions Ltd.
- HDFC Pension Management Co. Ltd.
- ICICI Prudential Pension Fund Management Co. Ltd.
- Kotak Mahindra Pension Fund Ltd.
- Aditya Birla Sunlife Pension Management Ltd

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking to build their retirement corpus and claim the tax exemption under Section 80CCD.

Not suitable ffor investors who can assume more risk by investing in equity mutual funds, which can generate better returns in the long term.

Alternatives can be equity mutual funds/direct stock investment.



Other Pension Schemes

Sovereign guarantee | Fixed monthly pension | Meant for low-level income earners in unorganised sectors

Returns ▬▬▭ **Liquidity** ▬▭▭ **Taxability** ▬▬▬

Snapshot

WHO CAN INVEST?

Atal Pension Yojana (APY)

- An individual between the age of 18 and 40
- Should not be a subscriber to any other statutory social security scheme
- Should not be a income-tax payer, to receive government co-contribution

Pradhan Mantri Shram Yogi Maandhan (PMSYM)

- Unorganised workers between the age of 18 and 40 years
- The monthly salary should be less than ₹15,000
- Should not be an income-tax payer
- Should not be a subscriber to any other statutory social security scheme

National Pension Scheme for Traders & Self Employed Persons Yojna (NPSTSY)

- Individual between the age of 18 and 40
- Self-employed shop owners, retail owners and other vyaparis whose annual turnover does not exceed ₹1.5 crore
- Should not be an income-tax payer
- Should not be a subscriber to any other statutory social security scheme

HOW MUCH CAN YOU INVEST?

Atal Pension Yojana (APY)

Minimum: ₹116 per month for a pension of ₹1,000 if you enter at the age of 30

Maximum: ₹577 per month for a pension of ₹5,000 if you enter at the age of 30

Pradhan Mantri Shram Yogi Maandhan (PMSYM)
₹105 at the age of 30

National Pension Scheme for Traders & Self Employed Persons Yojna (NPSTSY)
₹105 at the age of 30

WHAT RETURN WILL YOU GET?

Atal Pension Yojana (APY)
Guaranteed monthly pension after the age of 60; varies between ₹1,000 to ₹5,000 depending on contribution.

Pradhan Mantri Shram Yogi Maandhan (PMSYM)
Guaranteed monthly pension of ₹3000 after the age of 60.
National Pension Scheme for Traders & Self Employed Persons Yojna (NPSTSY)
Guaranteed monthly pension of ₹3000 after the age of 60

WHAT IS THE CO-CONTRIBUTION BY THE GOVERNMENT?

Atal Pension Yojana (APY)
The government also made a co-contribution of 50 per cent of the total contribution, or ₹1,000 per annum, whichever is lower, to all eligible subscribers who joined between June 2015 and December 2015 for a period of five years, i.e., for the financial years 2015-16 to 2019-20.

Pradhan Mantri Shram Yogi Maandhan (PMSYM)
Equal contribution by the government.
National Pension Scheme for Traders & Self Employed Persons Yojna (NPSTSY)
Equal contribution by the government

WHAT IS THE TENURE?

Atal Pension Yojana (APY)
Matures on attaining the age of 60

Exit option: Voluntary exit is possible. In that case, only the contributions made by the subscriber are paid, not the contribution made by the government.

Pradhan Mantri Shram Yogi Maandhan (PMSYM)
Matures on attaining the age of 60
Exit option: Voluntary exit is possible. However, only the subscriber contribution, along with the interest equivalent to the

savings account is paid if exit is made within a period of less than ten years from the date of joining the Scheme.

National Pension Scheme for Traders & Self Employed Persons Yojna (NPSTSY)

Matures on attaining the age of 60

Exit option: Voluntary exit is possible. However, only the subscriber contribution, along with the interest equivalent to the savings account is paid if exit is made within a period of less than ten years from the date of joining the Scheme.

What is it?

The Atal Pension Yojana (APY) and the Pradhan Mantri Shram Yogi Maandhan (PMSYM) and the National Pension Scheme for Traders & Self Employed Persons Yojna (NPSTSY) are pension-oriented savings schemes focused on people in the unorganised sector. APY was launched in 2015. On the other hand, PMSYM was launched in the Budget 2019-20 (I) followed by NPSTSY (also called Pradhan Mantri Karam Yogi Maandhan Scheme) in the second Union Budget 2019-20 following the Lok Sabha elections.

Under all these schemes, people aged 60 or above are eligible for the pension. Aimed at bringing retail traders, small shopkeepers and self-employed persons under an organised pension system, the NPSTSY scheme offers pension benefits to crores of beneficiaries with an annual turnover of less than ₹1.5 crore. Apart from the eligibility criteria, both the PMSYM and NPSTSY are similar to each other. However, you can take benefit only under one of the two schemes.

How does it work?

You invest a predefined amount of money every month based on your age. In the APY, it also depends on the amount of monthly pension you wish to receive.

The government co-contributes wherever applicable.

On attaining the age of 60, the government pays a fixed monthly pension of ₹3,000. In the case of the APY, it can go up to ₹5,000.

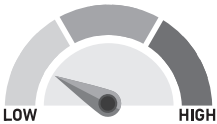
How much are the returns?

The APY guarantees a minimum fixed pension to the subscriber once he reaches the age of 60. This pension amount varies from ₹1,000 to ₹5,000, depending on the contribution made by the subscriber.

The PMSYM and the NPSTSY assure a fixed monthly pension of ₹3,000 once the subscriber reaches the age of 60 at a negligible contribution.

What are the tax implications?

Investments in APY are eligible for deduction of up to ₹1.5 lakh and an additional deduction of up to ₹50,000 under Section 80C and 80CCD (1B) of the Income Tax Act.



How risky is it?

Since it is a fixed-income investment avenue and backed by the government of India (post-office), investments in POMIS are absolutely safe and risk-free.

What is the lock-in period?

Being pension schemes, all these mature once subscribers reach the age of 60. In the case of a voluntary exit before the age of 60 in the APY, only the contributions made by the subscriber are returned with an accrued income. All other contributions, comprising the government contributions and the income accrued on them, are withdrawn.

On the other hand, if a subscriber of the PMSYM or the NPSTSY exits voluntarily before the age of 60, only the subscriber contribution, along with the interest equivalent to the savings account, is paid if the exit is made within a period of less than 10 years from the date of joining the scheme. After that, the subscriber's contribution, along with the interest equivalent to the savings account or accumulated interest thereon as actually earned, whichever is higher, is paid. The government contribution, as well as the accrued income on it, is not paid.

What happens if the account holder dies?

The account is closed and the money is paid to the nominee or the legal heir.

How should one start investing in them?

Many nationalised and private banks offer the APY. The subscriber needs to have a bank account and an Aadhaar card. Also, the Aadhaar card needs to be linked to the bank account. For the PMSYM and NPSTSY, the beneficiary needs to visit the nearest Customer Service Centre (CSC), along with his Aadhaar card and bank account details. Once the beneficiary is enrolled and the first instalment is paid, the monthly contributions can be put on auto-pilot through the ECS mandate.

SUITABILITY AND ALTERNATIVES

Suitable for blue-collar workers looking for a guaranteed pension at a negligible contribution.

Not suitable for investors with a higher income who can afford to invest a higher amount.

Alternatives to Atal Pension Yojana can be Pradhan Mantri Shram Yogi Maandhan and National Pension Scheme for Traders and Self Employed Persons Yojana.

Stocks and Equity

Market-linked returns | No lock-in period | Inflation-adjusted returns

Returns ▬▬▬ **Liquidity** ▬▬▬ **Taxability** ▬▬▬

Snapshot

WHO CAN INVEST?

- Any individual above the age 18
- Any individual below the age of 18 can invest through a guardian
- Non-individuals (HUF, trust, companies, firms, LLP, etc.)

HOW MUCH CAN YOU INVEST?

Minimum: Price of one share. No defined limit

Maximum: No limit

WHAT RETURN WILL YOU GET?

- A share in the underlying profits of the business.
- Entitlement for dividend, bonus shares and other shareholder privileges
- Voting rights on major issues which need shareholder approval

Will it beat inflation? Yes

Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

Yes

WHAT IS THE TENURE?

While there is usually no requirement to hold a share for any particular period, it is still recommended that only that portion of the investments which can be set aside for long periods should be invested in stocks.

Exit option: No restriction on withdrawal

HOW IS IT TAXED?

Is 80C benefit available? No

Returns/Interest: Taxable as capital gains

What is it?

A stock is an actual share in the ownership of a business. If you buy 10 shares of a company whose ownership is divided into 1,000 shares, then you are the owner of 1 per cent of the company. Since your share is tiny, you don't have any say about the company's operations. But you can gain financially from your ownership.

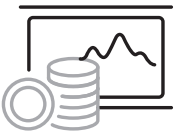
A share entitles the shareholder to a proportionate share in the residual profits of a business enterprise after other claims are paid out in full. If the underlying business prospers, the shareholders' wealth will multiply manifold. But if the business fails, shareholders may lose everything, unlike creditors who will have the first claim on the assets of the company.

How much are the returns?

Being residual owners in an enterprise necessarily means that

How does it work?

Let's assume that you want to purchase 10 shares of Infosys for ₹1,800 each. Here is a generalised working of the transaction:



You either contact your broker or use its online trading terminal to create an order for the transaction.

Your broker would pass your order to the stock exchange (BSE or NSE). Within the stock exchange, computers are used to match the order with a willing seller to enable the transaction to take place. Both parties will be intimated after the transaction takes place.

The transaction amount will be debited from your trading account immediately and share certificates will be delivered to your Demat account within two days.

Variants of equity

IPO

An initial public offering (IPO) is a process wherein a company offers its shares to the public for the first time. There are many reasons for a company to list its shares on the stock exchanges. For example, the company wants to raise capital to fund its capital expenditures, repayment of debt, etc. At times, companies initiate IPOs as they simply want to enjoy the prestige associated with being a listed company.

But for an investor with a long-term horizon, IPOs are, generally, not good, as both the timing and the share price of the IPO are chosen by the company. If that is not an issue, then the investor may have to contend with the fact that he/she might not get the shares allotted.

International Stocks

As the name suggests, international stocks are the stocks of companies domiciled outside India. Prominent examples are Apple in the USA, Unilever in the UK, Nestle in Switzerland, etc. The main reason for an Indian investor to invest in foreign stocks is diversification. However, it should be noted that under the Liberalised Remittance Scheme of the RBI, a resident Indian individual can only invest up to $2,50,000 per financial year in international markets.

One can invest directly in international companies either by having a Demat account with an India broker that has a tie-up with an international broker or by having a Demat account with an international broker operating in India. Recently, both the NSE and BSE have enabled investing in foreign stocks.

SME equity

The SME platform of both NSE and BSE was set up for small and medium-sized companies to be able to access equity capital more transparently and propel their growth. However, to be eligible for listing on the SME platform, an SME company must fulfil certain conditions like the post-issue paid-up capital should be less than or equal to ₹25 crore.

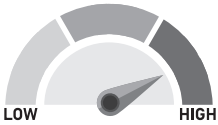
While their small size and high-growth potential may sound alluring to investors, many of these companies are notoriously famous for being a sham. It is, therefore, very important for an investor to be extremely diligent in the research. Therefore, in all fairness, only highly sophisticated and resourceful investors should consider pursuing companies in this segment.

New-generation companies

While there isn't a consensus on how to define new-generation companies, these companies are known to everyone by name. Some examples include Zomato, Paytm, Nykaa, CarTrade Tech, Policybazaar, etc.

Mostly funded by venture capital and private equity investors, most of these companies have not been profitable yet. These companies are keen on maximising revenue and market share and then capitalising on their position and scale to generate profits. These companies present a high-risk, high-return opportunity. However, an investor needs to be well-equipped to understand the operations of these businesses before investing in them.

shareholders can have no guarantee regarding the quantum of returns. Different companies operating in different sectors perform differently under different business cycles. But a well-diversified portfolio of high-quality stocks held for a long period of time should deliver higher returns than the nominal GDP growth of the country and by implication, other generally available fixed-income alternatives. The returns generated from equities are expected to be superior to other alternatives, even on a risk-adjusted basis.



How risky is it?
Equity investment is a risky venture, with no guarantees in stock and a possibility of the permanent loss of the capital. Hence, conducting in-depth due diligence is an integral part of the equity-investment process.

What are the tax implications?

Gains from Indian equity stocks are taxed as capital gains. If the shares are held for more than one year, the gains beyond ₹1 lakh in a financial year are taxed at 10 per cent. If the stocks are sold within one year, the gains are taxed at 15 per cent. Dividend, if any, is added to the taxable income of the recipient and taxed as per the applicable tax slab.

In the case of international stocks, the gains are taxed at 20 per cent after providing the benefit of indexation if they are sold after two years. If they are sold within two years, the gains are added to the taxable income and taxed as per the applicable slab.

What is the lock-in period?

As a general principle, no lock-in period is prescribed for holding shares. But investors must be mindful that the ability to sell one's shareholding is also dependent on market conditions, i.e, the availability of liquidity and a favourable price quotation.

What happens if the account holder dies?

The nominee mentioned in the Demat account receives all the shares that are held in the Demat account and the account is closed. However, if there is a joint account holder, then such a holder will become the sole owner of the shares.

How should one start investing in it?

While the simplest way to get exposure to equity as an asset class would be to purchase mutual funds, investors looking to buy shares directly need to open a trading account as well as a DEMAT account. The DEMAT account is for holding shares digitally. In other words, it is the equivalent of a bank account for the money. KYC norms will be applicable. Now, investors will be able to purchase and sell all the shares that are listed on stock exchanges which will be executed on a T+2 basis, i.e, the actual delivery of shares will be within two days from the date of the transaction. Documents that are generally needed include:

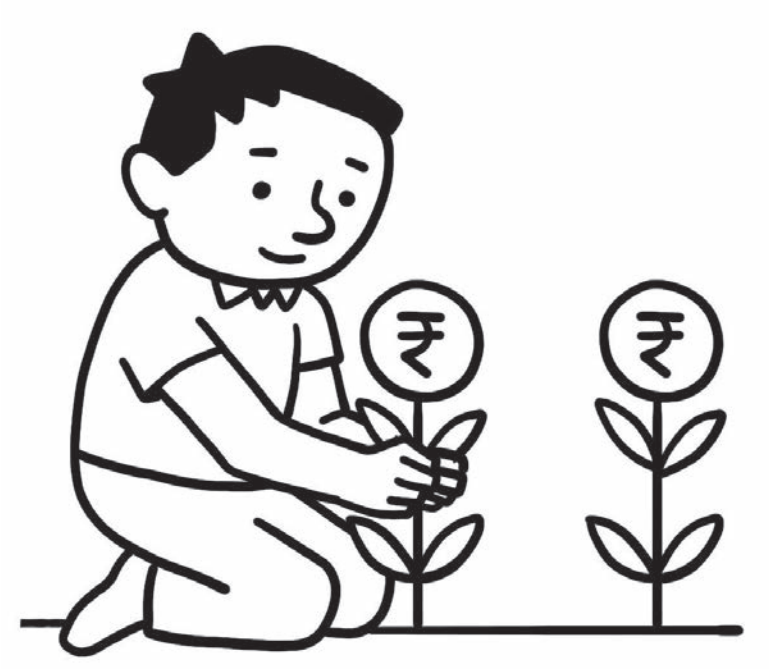
- Aadhaar
- PAN
- Bank-account statements

SUITABILITY AND ALTERNATIVES

Suitable for investors in most age groups who have long investment horizons.

Not suitable for investors who are looking for regular income. It may also not be suitable for senior citizens who have short investment time frames.

Alternatives
While it may seem that international socks, IPOs, etc., are viable alternatives, all of them are actually variants of the equity asset class.



Mutual Funds

Market-linked returns | Regular income | Tax benefit | Premature closure allowed

Returns ▬▬▬ **Liquidity** ▬▬▬ **Taxability** ▬▬▬

Snapshot

WHO CAN INVEST?

- An individual above the age of 18
- A minor through parents or a legal guardian
- Legal entities like an HUF, company, trust, etc.

HOW MUCH CAN YOU INVEST?

Minimum: ₹5,000 per month if making a one-time investment, otherwise ₹500 per month for six months
Maximum: No limit

WHAT RETURN WILL YOU GET?

Market-linked returns
Will it beat inflation? At a moderate to high level
Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

Yes

WHAT IS THE TENURE?

No fixed tenure or lock-in period except in the case of tax-saving funds and solution-oriented funds
Exit option: Money can be withdrawn anytime; tax-saving funds cannot be redeemed before three years

HOW IS IT TAXED?

Is 80C benefit available? Only on tax-saving funds
Returns/Interest: Taxed as capital gains

What is it?

Mutual funds combine the savings of a large number of investors and manage them as a single pool of money. Instead of investors worrying about what stock, bond or commodity to invest in, professional fund managers do the job. Mutual funds are run by mutual-fund companies, also known as asset management companies (AMCs). Each AMC operates several fund schemes that suit different types of investment needs. In most funds, it is possible to start investing with as little as a few hundred rupees. Also, unlike many other investments, mutual-fund investments are highly liquid and can be withdrawn without any delay.

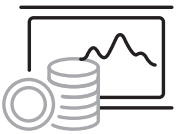
There are various mutual funds, with a wide range of risk levels, profit potentials and the qualities of fund management. As you

How does it work?

You invest a certain amount of money in the mutual fund scheme of your choice

The mutual fund company allots units of the fund representing your proportion of investment vis-à-vis the total investment made by several people.

The fund company calculates the price of these units on a daily basis (NAV) and adjusts them for any appreciation or depreciation in investments made by them. The expenses and charges of the fund company are also charged before declaring the final NAV.



NAV changes on a daily basis, depending on the performance of the investments made by the fund company.

Investors are free to redeem these units at any time and they get money worth the latest price of their units.

SEBI categorisation of mutual fund schemes

Equity schemes	Debt schemes
Large-cap Fund: Invests at least 80% in large caps	**Overnight Fund:** Invests in securities having maturity of one day
Large & Mid Cap Fund: Invests at least 35% each in large and mid caps	**Liquid Fund:** Invests in debt and money-market securities with maturity of up to 91 days
Mid-cap Fund: Invests at least 65% in mid caps	**Ultra-short-duration Fund:** Invests in instruments with Macaulay duration between three and six months
Small-cap Fund: Invests at least 65% in small caps	**Low-duration Fund:** Invests in instruments with Macaulay duration between six and twelve months
Dividend-yield Fund: Invests predominantly in dividend-yielding stocks	**Money-market Fund:** Invests in money-market instruments having maturity up to one year
Value Fund: Follows the value strategy	**Short-duration Fund:** Invests in instruments with Macaulay duration between one and three years
Contra Fund: Follows the contrarian investment strategy	**Medium-duration Fund:** Invests in instruments with Macaulay duration between three and four years; one year to four years if the fund manager expects the interest rates to move adversely
Focused Fund: Does not invest in more than 30 stocks	**Medium- to long-duration Fund:** Invests in instruments with Macaulay duration between four and seven years; one year to seven years if the fund manager expects the interest rates to move adversely
Sectoral/Thematic Fund: Invests at least 80% in a particular sector or theme	**Long-duration Fund:** Invests in instruments with Macaulay duration greater than seven years
ELSS: Invest across large, mid and small caps	**Dynamic bond Fund:** Makes investments across durations
Flexi-cap Fund: Dynamically invests in large, mid and small caps	**Corporate-bond Fund:** Invests at least 80% in AA+ and above-rated corporate bonds
Multi-cap Fund: Invests at least 25% each in large, mid and small caps	**Credit-risk Fund:** Invests at least 65% in AA and below-rated corporate bonds
	Banking and PSU Fund: Invests at least 80% in the debt instruments of banks, PSUs, public financial institutions and municipal bonds
	Gilt Fund: Invests at least 80% in government securities
	Gilt Fund with 10-year constant duration: Invests at least 80% in those government bonds where the average maturity of the portfolio is 10 years
	Floater Fund: Invests at least 65% in floating-rate instruments (including fixed-rate ones converted to floating rate)

Hybrid schemes	Solution-oriented schemes	Other Schemes
Conservative hybrid Fund: Invests 10–25% in equity and the rest in debt **Balanced hybrid Fund:** Invests 40–60% in equity and the rest in debt **Aggressive hybrid Fund:** Invests 65–80% in equity and the rest in debt **Dynamic asset allocation or balanced advantage:** Ensures dynamic asset allocation between equity and debt **Multi-asset-allocation Fund:** Invests in three different asset classes, with a minimum 10% in all three **Arbitrage Fund:** Invests in arbitrage opportunities **Equity Savings:** Invests at least 65% in equity and equity related instruments and at least 10% in debt	**Retirement Fund:** The scheme has a lock-in for at least five years or till retirement age whichever is earlier **Children's Fund:** The scheme has a lock-in for at least five years or till the child attains the age of majority, whichever is earlier	**Index Funds/ETFs:** Invests minimum 95% of assets in securities of a particular index which is being replicated **FOFs (Overseas/ Domestic):** Invests minimum 95% of assets in the underlying fund

Benefits of mutual funds

Instant and easy diversification
A tenet of safe investing is to spread your money across different investments. Mutual funds are an easy way to do this. Funds spread money across a large number of investments.

Professional research and investment management
There are hundreds of companies to track and their prospects could change without warning. Mutual funds employ professional, full-time investment managers and research staff. Their cost and effort get shared 'mutually' among all the investors of a fund.

Variety
Mutual funds are available for all kinds of returns and risk levels and suitable for all kinds of time horizons. No matter what kind of investment you want, you can choose one as per your requirements.

Convenience
You can easily make investments and withdraw any amount that you like. Investments can be made by filling up a simple form or by going online with direct debit from your bank account. Similarly, redemptions can be made directly into your bank account within three working days. If you want to directly buy shares to have a diversified set, you will need a lot of money. However, through a mutual fund, you can invest in a diversified set of stocks for far less.

Tax efficiency
When you buy or sell any investments, you have to pay tax on the profit you make. However, this doesn't happen when the buying and selling are done on your behalf by a mutual fund. To maximise profits, the fund manager could keep buying and selling stocks as needed, but you have to pay tax only when you redeem your investments from the fund.

Transparent, well-regulated industry
Mutual funds are obligated by law to release comprehensive data about their operations and investments. Almost all funds release net asset values (NAVs) daily and most release their complete portfolios every month. SEBI regulates the fund industry very tightly and is constantly refining the applicable rules to protect investors better.

Providing access to inaccessible assets
Some investments can be made only through mutual funds. For instance, it's not easy for individuals to buy government bonds but they can buy funds that invest in such bonds. While investing directly in foreign stocks could be tricky, you can easily invest in global markets by investing in funds that reside in India but invest in international markets.

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would expect, funds that invest in equity offer the highest potential returns with the highest levels of risk. On the other extreme, some funds invest in short-term bonds and deposits, which offer returns that are in the range of what bank deposits offer with a higher degree of safety than equity funds. Moreover, funds are quite diverse in terms of their quality. This means that not all funds are able to deliver what they promise and investors also have to keep an eye on the track records of specific funds, the fund manager and AMCs.

How much are the returns?

There are a wide variety of mutual funds. Some invest in equities, some invest in bonds and some invest in a mix of both. Accordingly, they have different return potentials. Also, it depends on the fund manager's efficiency in managing your money. Usually, equity funds have a higher return potential than debt funds which invest only in bonds and deposits. The category of flexi-cap funds has returned 13.17 per cent over the last five years as on March 30, 2022. Equity-oriented funds have the potential to generate meaningfully higher returns after factoring in inflation over the long term.

Value Research makes it easy

One potential problem for mutual-fund investors is the bewildering choice of funds available. This problem is easily solved by using Value Research's publications and website. Value Research analyses every mutual fund in India and rates it on a scale of one to five stars.

Moreover, Value Research's analysts maintain a list of funds under the banner of 'Fund Analyst's Choice'. This is a carefully chosen list of funds, which have been classified according to common investing needs.

Once you have invested in funds, you can use www.ValueResearchOnline.com to track your investment portfolio through the most-advanced portfolio manager available in India. Investors can access ValueResearchOnline.com and the portfolio manager for free. One may also subscribe to the premium account which assists investors in many more ways. For instance, you can use the Portfolio Planner tool which suggests suitable funds as per your investment objective.

We also publish a monthly magazine, Mutual Fund Insight. Every issue of it has news, data, analysis and interviews of interest to mutual-fund investors as well as a complete scorecard containing up-to-date information on every mutual fund.

Our annual, Best Funds, is a handy guide to investing in mutual funds. It contains detailed guidelines on building a winning portfolio and tracking your portfolio. It also has expert analysis and detailed data on more than 42 handpicked funds and performance data on every mutual fund in India.

Go to www.ValueResearchOnline.com to start with all these immediately.

On the other hand, funds investing in bonds and deposits provide moderate returns. The category of short-duration funds has returned 5.89 per cent over the last five years as on March 30, 2022. However, the returns from debt mutual funds enjoy a favourable tax treatment if held for more than three years and hence, the post-tax returns can be reasonably higher vis-à-vis the returns of a bank deposit.

What are the tax implications?

Investments up to ₹1.5 lakh in equity-linked savings schemes (ELSS) qualify for tax deductions under Section 80C of the Income Tax Act. Apart from this, investments in any other mutual fund scheme are not eligible for tax benefits.

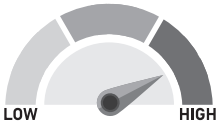
Gains from mutual funds are treated as capital gains for the taxation purpose and are liable to tax only when they are realised, that on redeeming invested money. The following are how different types of mutual funds are taxed:

Type of fund	Holding period	Capital gains	Taxation
Equity funds: Invests at least 65 per cent of the corpus in Indian equities	More than one year	Long-term	10% on the gains exceeding ₹1 lakh in a financial year
	One year or less	Short-term	15%
Non-equity funds: Does not invest a minimum 65 per cent of the portfolio in Indian equities	More than three years	Long-term	20% after indexation
	Three years or less	Short-term	Added to taxable income and taxes as per the applicable slab

Dividends from any fund are added to the taxable income of the investor and taxed as per the applicable slab

What is the lock-in period?

ELSS and solution-oriented funds have a lock-in period of three and five years, respectively. No other open-end fund has a lock-in period. Open-end funds are the ones that are perpetually open for investment and redemption. On the other hand, some funds, for example fixed maturity plans (FMPs), are open for subscription only for a limited number of days and have a fixed tenure. Such funds are called closed-end funds and cannot be withdrawn before their maturity date. Although closed-end funds are mandated to be listed on the stock exchange, liquidating them before maturity depends on their trading volume on the stock exchange, which is usually low.



How risky is it?
Different type of mutual funds carries different levels of risks, depending on where they invest. Equity funds are riskier than debt funds. But all of them invest in market-linked securities and are riskier when compared with non-market-linked investments.

What happens if the account holder dies?

The mutual-fund units are transferred in the name of the nominee or the legal heir on producing the required documents.

How should one start investing in it?

One needs to be a KYC (Know Your Customer) compliant to invest in mutual funds. It's a one-time process and valid across fund houses. It's a simple process where the investor needs to fill up a simple form with basic details like age, contact details, name, etc. Besides, the investor needs to provide a copy of PAN, as well as Aadhaar. The process requires in-person verification for which, the investor either needs to visit the investor centre of any fund house or take help from an intermediary. However, some fund

companies now facilitate the KYC process online with the help of a video call.

On completion of the KYC process, an investor can invest either directly through the AMC or through an intermediary.

Directly through the AMC: To invest directly, one can visit the website of the AMC and invest online. Besides the details of the scheme you want to invest in, it will ask you to register your bank details.

Alternatively, you can also invest offline by filling and submitting the required form, along with a cancelled cheque, at the investor centre of the fund company.

Intermediaries: If you face the dilemma of choosing a mutual fund scheme, going through an intermediary would be a better option. Not only would he help you choose the right fund but would also facilitate the paperwork.

There are a wide variety of intermediaries available. These include banks, stockbrokers and a large number of individuals and small financial-advisory companies. All intermediaries have to be registered with the Association of Mutual Funds of India (AMFI), which also maintains a searchable online directory at www.AmfiIndia.com. The website also has a list of intermediaries who have been suspended for some malpractice.

Suitability and alternatives

Type	Liquid funds	Short-duration debt funds	Equity-oriented funds
Suitable for	Investors looking to park their money for a few days to about six months	Investing for goals one-five years away	Investors looking to accumulate wealth over long-term horizon of five years or more
Not suitable for	Investing for a time horizon of more than six months, given their low return potential	Investing for a time horizon of more than five years	Investment horizon of less than five years and for investors who cannot withstand temporary declines in the value of their principal
Alternatives	Savings bank accounts	Bank fixed deposits Post Office Time Deposits National Savings Certificate Recurring deposits (for accumulating gradually)	Direct stock investing, provided you have the required skills and can devote time to research

Portfolio Management Service (PMS)

Market-linked return | Customised service | Professional management

Returns ▬▬▬ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- An individual above the age of 18
- Any legal entity like a company, HUF, Trust, etc

HOW MUCH CAN YOU INVEST?

Minimum: ₹50 lakh
Maximum: No limit

WHAT RETURN WILL YOU GET?

Market-linked returns
Will it beat inflation? At a moderate to high level
Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

Yes

WHAT IS THE TENURE?

No defined tenure; depends on the agreement terms
Exit option: Depends on the agreement terms. An investor may or may not be allowed to withdraw prematurely before the agreed tenure.

HOW IS IT TAXED?

Is 80C benefit available? No
Returns/Interest: Taxable as capital gains

What is it?

It is a customised service where a professional invests and manages your portfolio across stocks, fixed income, cash, structured products and other securities. The portfolio can be tailored to meet the specific needs of the investor.

How does it work?

The investor enters into an agreement with a professional portfolio manager for getting his/her money managed. The agreement lays down the objective and other terms of the investment which are customisable to suit the need of the individual investor.

Investor entrusts their money or the portfolio of investments with the portfolio manager. Min: ₹50 lakh; Max: No limit

The portfolio manager takes all the investment decisions like – when to invest, where to invest, how much to invest, when to sell, etc.

The money is managed by the portfolio manager on a continuous basis until the term mentioned in the agreement comes to an end.

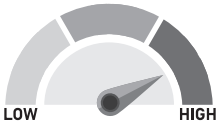
Depending on the specific agreement, the portfolio manager either charges a fixed percentage of the portfolio's worth or takes a share in the profits.

How much are the returns?

The returns from an investment in a PMS are market-linked and depend on the performance of the particular portfolio of securities. However, since the portfolio manager takes all the crucial decisions like – where to invest, when to invest, when to sell, etc.,

his skill and ability play an important role in influencing the performance.

Although PMS is tailored to specific needs, it is usually used for investing in equities with a long-term perspective and has the potential to give high returns after factoring in inflation and taxation.



How risky is it?
Although a professional manages the portfolio, it mostly invests in market-linked securities and the portfolio manager's skills and ability influence its performance. It is, therefore, as risky as an investment in equities.

What are the tax implications?

The investor is taxed for the income generated through each and every security in the portfolio on an individual basis. So, if the portfolio manager has a portfolio of stocks and sells a few or even one, for whatever reason, the investor is liable to pay capital gains even if that amount is invested in another stock.

Mutual funds are at an advantage here. The investor is not taxed on the gains until he actually redeems the money. Capital gains on whatever transactions are made by the fund manager within the portfolio are exempt from taxation.

What is the lock-in period?

There is no defined tenure for a PMS and it may vary with each investor and portfolio manager, depending on the terms of the agreement that both the parties agree to at the beginning.

What happens if the account holder dies?

The agreement signed at the beginning usually has a clause on how the investor would want his/her investments to get transferred to the nominee. Generally, securities in the Demat account are

transferred in the name of the nominee.

How should one start investing in it?

Identify the portfolio manager you want to entrust your money with. Besides standalone portfolio managers, many mutual fund companies also provide PMS. Having a Demat account, as well as a trading account, is a must. If you do not have one, your portfolio manager would assist in the same. It will require copies of your PAN, Aadhaar, photograph and bank details. Ensure that the portfolio manager and you are on the same page in terms of your requirements and do read the agreement carefully before signing.

SUITABILITY AND ALTERNATIVES

Suitable for High-net-worth individuals (HINIs) looking for a customised investment-management service.

Not suitable for investors with less than ₹50 lakh for investing.

Alternatives can be mutual funds.

Alternative Investment Fund (AIF)

For high-net-worth individuals (HNIs) | Privately pooled investment

Returns ▬▬▬ **Liquidity** ▬▬▬ **Taxability** ▬▬▬

Snapshot

WHO CAN INVEST?

- An individual, HUF, family trust or sole proprietorship with an annual income of at least ₹2 crore ; or net worth of at least ₹7.5 crore, out of which not less than ₹3.75 crore is in the form of financial assets; or annual income of at least ₹1 crore and minimum net worth of ₹5 crore, out of which not less than ₹2.5 crore is in the form of financial assets.
- A body corporate (company) or a trust other than a family trust with a net worth of at least ₹50 crore.
- A partnership firm where the each partner individually meets the above criteria.

HOW MUCH CAN YOU INVEST?

Minimum: ₹1 crore
Maximum: No limit

WHAT RETURN WILL YOU GET?

Returns are not fixed or guaranteed. Depends on the portfolio
Will it beat inflation? At a moderate to high level
Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

Yes

WHAT IS THE TENURE?

Usually three years or more in the case of a Category I and II fund. Category III fund may be an open-end or a closed-end fund
Exit option: Not possible in Category I and II funds.

HOW IS IT TAXED?

Is 80C benefit available? No
Returns/Interest: Taxable

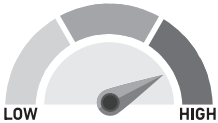
What is it?

Alternative Investment Fund (AIF) is a privately pooled investment vehicle that collects money from high-net-worth individuals (HNIs) and invests in assets other than conventional stocks and bonds. For example, start-ups, early-stage ventures, social ventures, etc. The Securities and Exchange Board of India (SEBI) divides AIF into the following three categories.

Category I: Invests in start-up or early-stage ventures or social ventures or small- and medium-sized enterprises (SMEs) or infrastructure or other sectors or areas that the government or regulators consider as socially or economically desirable. These include venture-capital funds, SME funds, social-venture funds and infrastructure funds.

Category II: SEBI defines it to be a fund that doesn't fall under the first and the third categories and does not undertake borrowing other than to meet day-to-day operational requirements. These usually include private-equity (PE) funds, debt funds and fund of funds (FOFs).

Category III: These funds employ diverse or complex trading strategies and may also employ leverage through investment in listed or unlisted derivatives, for example, hedge funds.



How risky is it?

It depends on where the fund invests. An AIF investing in debt would be less risky than the one investing in unlisted or listed equity shares. At the same time, if a fund invests in start-ups or venture capitals, it can be much more riskier.

How much are the returns?

The returns from an AIF are not fixed or guaranteed. Besides the securities in the portfolio, the returns are also dependent on the fund manager – whether his investment calls go right or not.

Since AIF also invest in start-ups and venture capitals, they have the potential to give meaningfully higher returns after factoring in inflation.

How does it work?

You invest a certain amount of money in the choice of your AIF.

Units of the AIF worth your investment is allotted, quite like in the case of mutual funds.

The price of units appreciates or depreciates based on the performance of the securities in the portfolio

In a closed-end fund, the value of the investment is transferred to the investor after maturity. If it's an open-end fund, the investor may retain the investment as long as he/she wants.

What are the tax implications?

The tax treatment varies from category to category. In the case of a Category I or II fund, gains from all the portfolio securities are taxed at the individual level. Category III funds are taxed at the fund level at the marginal tax rate.

What is the lock-in period?

Category I and Category II funds are closed-end funds and usually have a tenure of at least three years. It is not possible to redeem the investment in them before the completion of the tenure. However, their units may or may not get listed on the stock exchange at a minimum tradeable lot of ₹1 crore.

Category III funds can be closed-end or open-end. Open-end AIFs usually do not have a fixed tenure but may have a minimum lock-in period, depending on the specific terms of the AIF you invest in.

What happens if the account holder dies?

The investments are transferred in the name of the nominee or

the legal heir on producing the required documents.

How should one start investing in it?

Several AIFs have come up over the last couple of years. One can search online or access their list on the website of SEBI. Visit the link https://bit.ly/3r2E3Uk. Once you choose the AIF, visit its website and drop in your details as an interested customer. You would soon receive a communication from the AIF with all the assistance to get you on board.

SUITABILITY AND ALTERNATIVES

Suitable for ultra HNIs looking to invest in other than the conventional methods of investing.

Not suitable for risk-averse investors or someone with a huge portfolio of stocks simply looking for someone to manage it.

Alternatives can be Portfolio Management Service (PMS).

Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT)

Real estate & infrastructure investing | Income generation and capital appreciation | Tax benefits

Returns ▬▬▭ **Liquidity** ▬▬▭ **Taxability** ▬▬▭

Snapshot

WHO CAN INVEST?

- Any individual above the age 18
- Any individual below the age of 18 can invest through a guardian
- Non-individuals (HUF, Trust, Companies, Firms, LLP etc.)

HOW MUCH CAN YOU INVEST?

Minimum: Price of one unit on the stock exchange
Maximum: No limit

WHAT RETURN WILL YOU GET?

- A share in the underlying net income of the trust
- Possibility of capital appreciation

Will it beat inflation? At a moderate level
Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

Yes

WHAT IS THE TENURE?

While there is usually no requirement to hold a trust unit for any particular period, there is some degree of liquidity risk on the stock exchanges.
Exit option: No restriction on withdrawal

HOW IS IT TAXED?

Is 80C benefit available? No
Returns/Interest: Partly taxable

What is it?

REITs/InvITs are somewhat similar to a mutual fund as far as their structure and functioning are concerned. REITs are companies that own or finance income-producing real estate across a range of property sectors, such as residential, industrial, office, retail, mortgage, hotels, etc. InvITs, on the other hand, own or invest in infrastructure projects, such as roads and highways, power distribution networks, telecom towers, etc. Thus, these trusts invest in a bunch of properties/ infrastructure projects, earn income from them and distribute dividends out of the income to their investors (who are allotted units in return for the investment made). REITs/InvITs can be listed on stock exchanges to offer liquidity.

REITs and InvITs are regulated by SEBI and mandated to disclose their operations, portfolio, inflows generated, distributions made to the unitholders and such other relevant information. Hence, they have a strong governance framework. Structurally, REITs/InvITs are trusts created and sponsored by a real-estate company/infrastructure-development company. They may further form one or more special-

How does it work?

You invest either at the time of the initial offer wherein the minimum required investment amount is ₹10,000–15,000 or you buy one or more units at the stock exchange by paying the prevailing price.

REITs/InvITs manage a portfolio of assets and distribute the net income to unitholders at least on a semi-annual basis in the forms of dividends, interests, etc.

You can withdraw your invested amount anytime by selling units on the stock exchanges. Also, you stand a chance to earn capital appreciation if the value of underlying assets increases and gets reflected in the trading price.

purpose vehicles (SPV) in which it owns a controlling stake. This SPV holds properties/projects on behalf of the trust. The portfolio is managed by a manager who takes care of all the investment decisions and charges a fee for the same.

How risky is it?
It is a risky venture, with no guarantees of returns and a possibility of the permanent loss of the capital. Hence, conducting in-depth due diligence is integral before investing in REITs/InvITs. Also, their liquidity is currently low so one may not be able to make an exit in the case of an emergency.

How much are the returns?

Investments in REITs/InvITs do not yield guaranteed returns. Their return potential is affected by the sectoral outlook and different business cycles. By regulations, they should make 80 per cent of the investments in properties/infrastructure projects that are complete and capable of generating revenues. Further, they must distribute 90 per cent of their income (net of expenses) to investors on at least a semi-annual basis. However, the quantum of distribution may fluctuate, depending on the income generated by REITs/InvITs.

Moreover, investors can earn capital gains if the value of underlying properties rises which would get reflected in its NAV and price, although the latter may differ from the former based on the demand-supply mechanism of REITs/InvITs.

What are the tax implications?

The income received by the REITs/InvITs in the nature of dividend or interest from SPVs is distributed to its unitholders in the same nature and in the same proportion. Although a single payout is done to the investors, the breakdown of the distributed income is provided and the nature of income decides the tax liability in the

hands of unitholders. Here is a summary of the tax rules applicable to the income received from REITs/InvITs.

Tax liability on returns generated by REITs/InvITs

Nature of income	Tax liability for unitholders
Distribution of dividends earned from underlying investments in SPV	**If the SPV has not opted for the concessional tax regime on corporate tax (u/s 115BAA):** Tax-exempt **If the SPV has opted for the concessional tax regime on corporate tax (u/s 115BAA):** Taxable at the applicable slab rate
Interest earned on the loan given to SPV	As per applicable slab rate
Repayment of the loan given to SPV*	Tax-exempt
Other income earned and distributed by REIT/InvIT	Tax-exempt
Capital gain on selling of units by unitholder	**If units held for more than three years:** Long-term capital-gain tax @10%. However, gains upto ₹1 lakh in a financial year are tax-exempt. **If units held for less than three years:** Short-term capital-gain tax @15%.

*REITs/InvITs often give loans to SPV for carrying out business. The repayment of such loan forms part of the net distributable income of the REIT/InvIT.

What is the lock-in period?

As a general principle, no lock-in period is prescribed for REITs/InvITs. But investors must be mindful that the ability to sell one's units is also dependent on market conditions, i.e, the availability of liquidity and a favourable price quotation.

What happens if the account holder dies?

The nominee mentioned in the Demat account receives all the units that are held in the Demat account and the account is closed. However, if there is a joint account holder, then such a holder will become the sole owner of the units.

How should one start investing in it?

There are three listed REITs and InvITs each as of March 2022. After you decide the ones in which you wish to invest, you need to open a trading account, as well as a DEMAT account to be able to trade their units. The DEMAT account is for holding units digitally. In other words, it is the equivalent of a bank account for the money and KYC norms will be applicable. Now, investors will be able to purchase and sell units that are listed on the stock exchanges which will be executed on a T+2 basis, i.e, the actual delivery of units will be within two days from the date of the transaction. Documents that are generally needed include:

- Aadhaar
- PAN
- Bank-account statements

SUITABILITY AND ALTERNATIVES

Suitable for investors seeking regular income and having long investment horizons.

Not suitable for investors who do not need any regular income or have short investment time frames.

Alternatives can be directly buying properties or investing in shares of companies belonging to the real-estate/infrastructure sector.

Cryptocurrency

Digital currency| No lock-in period | Highly volatile

Returns ▬▬▭ **Liquidity** ▬▬▬ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- An individual
- An institution like a company, HUF, etc.

HOW MUCH CAN YOU INVEST?

Minimum: No defined limit
Maximum: No limit

WHAT RETURN WILL YOU GET?

Varies widely as the price of cryptocurrency changes every second.
Will it beat inflation? May or may not. Returns are not assured and sufficient history is not available
Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

Yes

WHAT IS THE TENURE?

No fixed tenure
Exit option: Can be sold on the crypto exchange any time

HOW IS IT TAXED?

Is 80C benefit available? No
Returns/Interest: Gains from cryptocurrency is taxable at 30 per cent.

What is it?

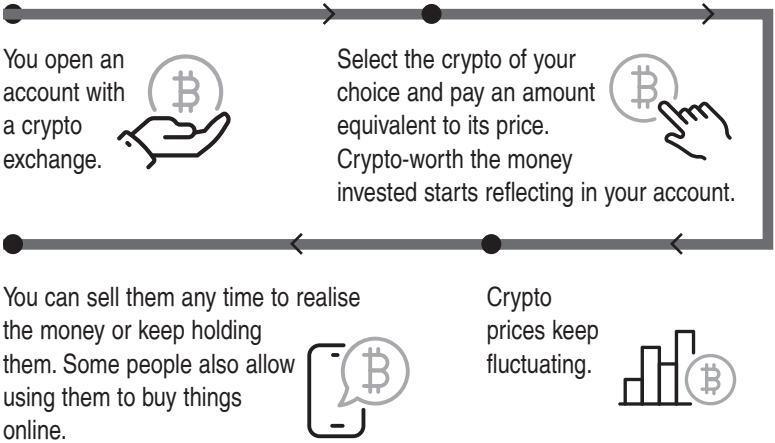
Cryptocurrency or crypto is a software-generated reward point – quite similar to what people get while playing video games. However, the difference is that cryptos are given as a prize only to those who can solve mathematical problems, which keep increasing in difficulty as the number of crypto-currency generated increases.

Nowadays, the difficulty level is so high that no person can solve it without using powerful computers. These players/competitors who generate crypto (called miners) are mainly those who can afford to purchase a vast network of computing resources, which are then continuously put to work in an attempt to solve the next big problem. Once the problem is solved, they receive crypto for their effort.

Many such companies have launched their respective cryptos, including Bitcoin, Ethereum, Tether, Binance, etc. All these have further emerged as virtual and digital currencies which are traded across many exchanges meant specifically for trading in crypto.

As you would wonder, cryptos do not have any intrinsic value and their price fluctuates only on the basis of their popularity, demand and supply.

How does it work?



How much are the returns?

Cryptos do not offer fixed or guaranteed returns. The return on investing in cryptos is only in the form of appreciation or depreciation in the price of the purchased crypto. The price of a crypto is primarily based on its popularity and is not backed by any intrinsic value like we have in the case of equity stocks or bonds.

Certain cryptos have given enormously high returns recently as they became popular. For example, Bitcoins returned close to 60 per cent in 2021.

What are the tax implications?

Gains from cryptos are taxed at a flat rate of 30 per cent. This is applicable even if the investor does not cross the minimum threshold of ₹2.5 lakh in terms of annual income. Further, investors are not allowed to claim a deduction against any expenses that they may have incurred while buying such cryptos.

What is the lock-in period?

There is no lock-in period or fixed tenure. Cryptos can be sold anytime on a crypto exchange, subject to liquidity.

How risky is it?

Cryptos are completely decentralised and do not have any regulating body. Time and again, the Indian government has raised concerns about the safety and legitimate usage of cryptos. There have been cases where the owner of a crypto company went absconding with the money of investors. They are extremely risky and volatile.

What happens if the account holder dies?

Usually, cryptos are transferred to the nominee or the legal heir on producing required documents. However, this may differ for each crypto exchange. Hence, make sure to go through its terms before investing.

How should one start investing in it?

Several crypto exchanges have opened up. Most of them also have a dedicated mobile app and it is possible to open your account with a tap. Select the exchange you want to trade with and visit the 'Register now' section. While the process differs with every exchange, you usually need to fill up a simple form with basic details along with the identity proof. Some crypto exchanges are CoinDCX, ZebPay, Bitstamp, etc.

SUITABILITY AND ALTERNATIVES

Suitable for aggressive people who want to speculate. However, one should limit their investment to the amount they would not mind loosing.

Not suitable for investors who believe in fundamentals and intrinsic value.

Alternatives can be equity stocks or mutual funds as they are much safer and have an intrinsic value.

Company Deposits

Fixed return | Flexible tenure

Returns ▬▬▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- An individual above the age of 18
- Minor through a guardian
- Legal entities like an HUF, company, etc

HOW MUCH CAN YOU INVEST?

Minimum: ₹1,000
Maximum: No limit

WHAT RETURN WILL YOU GET?

1 to 2 per cent higher than the rate of interest provided by bank fixed deposits. It varied between 6.75% and 8.50% for a one-year tenure as on March 28, 2022
Will it beat inflation? Up to a moderate level
Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

Multiple tenures available – less than one year to more than five years
Exit option: Premature closure may or may not be allowed

HOW IS IT TAXED?

Is 80C benefit available? No
Returns/Interest: Taxable and added to the income

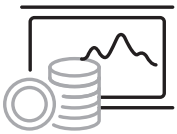
What is it?

Like a bank fixed deposit, a company deposit is a fixed deposit with a company, typically a non-banking finance company (NBFC) at a fixed rate of return over a fixed tenure. The rate of interest depends on the maturity of the tenure. In other words, it is like lending your money to a company at an agreed rate of interest for a certain period of time.

The prime objective of investing in a company deposit is to earn a higher interest rate compared to that of a bank fixed deposit. One may choose either to get the interest payout at regular intervals or to get it accumulated, along with the invested amount.

How does it work?

You invest a certain amount of money. **Min:** ₹1,000; **Max:** No limit.



The interest rate as applicable on the day of deposit gets locked for the entire tenure.

Interest money on the deposited amount is paid to the investor at periodic intervals if opted for the regular payout. Otherwise, it gets accumulated, along with the invested amount.

On completion of the tenure, the initial amount that was invested in the scheme is returned to the deposit holder, along with accumulated interest, if any.

How much are the returns?

The rate of interest provided by the company deposits depends on the tenure and their quality. A deposit by a company with weak financials will offer higher interest than that offered by a company with strong financials. Usually, the rate of interest offered by company deposits is higher by 1–2 per cent as compared to what

is offered by a bank fixed deposit for a similar tenure. As on March 28 2022, most one-year company deposits yield between 6.75 per cent and 8.50 per cent per annum.

However, the interest from company deposits is taxable and for someone in the highest tax bracket, the post-tax return gets reduced to 4.73 per cent to 5.95 per cent. This may not be meaningfully higher to beat inflation over the long term.

How risky is it?
Although the interest is guaranteed, a company deposit runs the risk of a default in the payment of both – interest and principal. The risk is higher on a deposit from a company with weak financials and vice versa.

What are the tax implications?

The interest accrued every year on a company deposit is added to the taxable income and taxed as per the applicable slab. Further, a TDS of 10 per cent is applicable if the interest income is more than ₹5,000 in a financial year.

What is the lock-in period?

Company deposits mature after the predefined tenure. One may or may not be allowed to close them prematurely, depending on the specific terms and conditions laid by the company with which you buy the deposit.

What happens if the account holder dies?

The deposit is transferred in the name of the nominee or the legal heir upon producing the required documents.

How should one start investing in it?

Company deposits can be bought offline as well as online. Deposits can be made directly with the companies offering them or through the distributors selling them. You need to fill up the deposit-

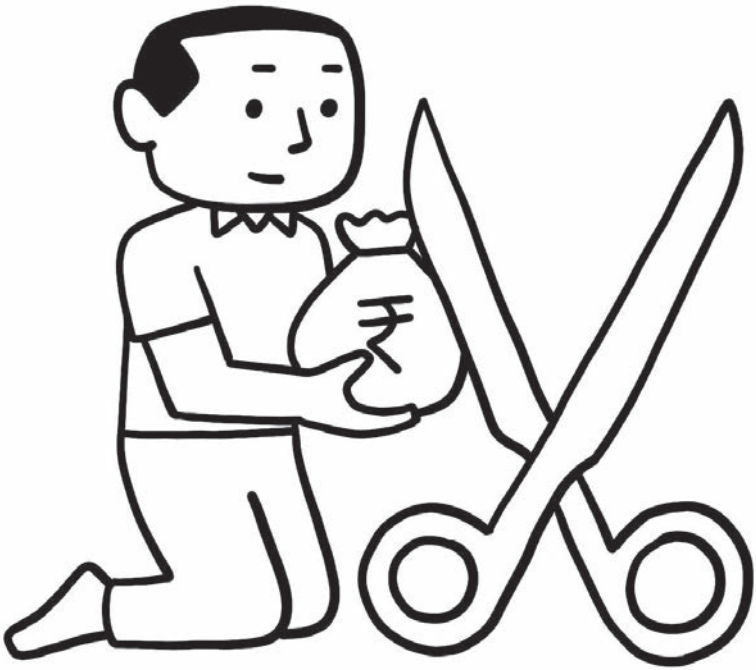
application form and submit it along with the identity proof, address proof and your bank details where you wish to receive the interest payouts and maturity proceeds.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking assured returns from a lump-sum investment for goals up to five years away.

Not suitable for long-term wealth creation, given their inability to provide any meaningful returns above the rate of inflation. And it is not applicable for those investors looking to invest small amounts regularly.

Alternatives can be the National Savings Certificate, Post Office Time Deposits and bank fixed deposits. Debt mutual funds may offer better, though not guaranteed, returns are also a viable option.



Capital-gain-tax-exemption Bond (54EC Bond)

Sovereign guarantee | Fixed return | Regular income | Tax benefit

Returns ▬▬▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- A resident individual

HOW MUCH CAN YOU INVEST?

Minimum: ₹10,000

Maximum: ₹50 lakh in a financial year

WHAT RETURN WILL YOU GET?

5% p.a.

Will it beat inflation? At a low level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

5 years

Exit option: Premature closure is not allowed

HOW IS IT TAXED?

Eligible for deduction from long-term capital gains on the sale of land, a building or both.

Is 80C benefit available? No

Returns/Interest: Taxable and added to the income

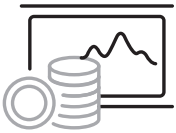
What is it?

The capital-gains-tax-exemption bond or the 54EC bond is a bond that grants the investor an exemption from the long-term capital-gain (LTCG) tax arising as a result of the sale of land, a building or both.

The main objective of this bond is to avoid paying income tax on LTCG. The gains made need to be invested in this bond within six months from the sale or transfer of a building/land.

How does it work?

You invest a certain amount of money.
Min: ₹10,000;
Max: ₹50 lakh



The interest rate as applicable on the day of deposit gets locked for a tenure of five years.

Interest money on the deposited amount is calculated and paid annually.

On completion of the five-year tenure, the initial amount that was invested in the scheme is returned to the bondholder.

How much are the returns?

As on March 28, 2022, the annual interest of capital-gain bonds was pegged at 5 per cent. The interest from capital-gain bonds is taxable and for someone falling in the tax bracket of 30 per cent, the post-tax return gets reduced to 3.5 per cent. This may not be sufficient to beat inflation. Therefore, for those in the higher tax bracket, capital-gain bonds offer low or sometimes negative returns after factoring in inflation.

What are the tax implications?

Investments in capital gain bonds are eligible for deduction under

Section 54EC from taxable gains on selling land or a building after a holding period of more than two years. However, these bonds must be purchased within six months from the day on which the land or building is sold. The amount exempted from tax under this section is the amount of capital gain or the amount invested in the capital-gain bond, whichever is lower, up to a maximum of ₹50 lakh. Interest from these bonds is added to the income and taxed as per the applicable slab.

How risky is it?
Since it is a fixed-income investment avenue and backed by the government of India, investment in capital-gain bonds is absolutely safe and risk-free.

What is the lock-in period?

Capital-gain bonds cannot be withdrawn before five years.

What happens if the account holder dies?

The bond is transferred in the name of the nominee or the legal heir.

How should one start investing in it?

Capital-gain bonds are issued by the National Highways Authority of India (NHAI), Rural Electrification Corporation Ltd (REC), Power Finance Corporation Ltd (PFC) and Indian Railway Finance Corporation Limited (IRFC). One can buy the bond directly from the issuer or through an intermediary. Many banks are authorised to sell these bonds.

You will need to fill up the form provided by the bond issuer. along with a self-attested copy of the PAN card and a cancelled cheque.

SUITABILITY AND ALTERNATIVES

Suitable for investors looking to save tax on long-term capital gains from the sale of land, a building or both.

Not suitable for investors who do not have any LTCG tax liability arising from the sale of a property.

Alternatives can be to invest in a residential property to claim a deduction under Section 54F, provided you don't have any other residential property.

Government Bonds

Sovereign guarantee | Fixed return | Regular income

Returns ▬▬▭ **Liquidity** ▬▬▭ **Taxability** ▬▭▭

Snapshot

WHO CAN INVEST?

- Any individual with a Retail Direct Gilt (RDG) account.

HOW MUCH CAN YOU INVEST?

Minimum: ₹10,000

Maximum: ₹2 crore per security per auction

WHAT RETURN WILL YOU GET?

It depends on the type of government security and bond you invest in. A bond maturing in 2032 held a coupon rate of 6.54 per cent as of April 6, 2022

Will it beat inflation? Up to a moderate level

Will it change during the tenure? No

CAN THE INVESTED MONEY GO DOWN IN VALUE?

No

WHAT IS THE TENURE?

Generally a long-term commitment, five to 10 years or even more

Exit option: Government bonds are traded in the secondary market through Negotiated Dealing System-Order Matching (NDS-OM).

HOW IS IT TAXED?

Is 80C benefit available? No

Returns/Interest: Taxable and added to the income.

What is it?

Investing in government securities or bonds precisely means lending money to the government for a specified duration and at a specified interest rate, which is generally known as the coupon rate. Although government bonds have been there for a long period of time, it wasn't possible for a retail investor to invest in them directly. But it is now possible through the RBI Retail Direct Scheme, which was launched in 2021. Through this scheme, individuals now have online access to the government securities (G-secs) market – both primary and secondary (through RBI's trading platform called Negotiated Dealing System-Order Matching Segment, or NDS-OM) – along with the facility to open their gilt securities account ('Retail Direct') with the RBI. The portal allows individuals to invest in central government securities, treasury bills, sovereign gold bonds and state development loans.

How does it work?

Open an RBI Retail Direct Gilt account by visiting www.rbiretaildirect.org.in

Place bids for new bond issuances as and when they are launched. You can also buy an already-issued bond or security through the secondary market—NDS-OM.

The purchased-government bonds are reflected in your account and the interest is transferred to your bank account as per the coupon rate and frequency of the purchased security.

The purchased bond can be sold in the secondary market anytime, subject to liquidity. One can hold it until maturity and then, the money is transferred to the linked bank account.

How much are the returns?

Returns depend on the type and duration of government bonds. For example, a government bond maturing in 2032 currently has a coupon rate (interest rate) of 6.54 per cent per annum. Likewise, a bond maturing in 2027 has a coupon rate of 8.26. Like equity stocks, these bonds are also traded in the secondary market and their price fluctuates depending on multiple factors.

How risky is it?
Government securities and bonds are absolutely safe and risk-free.

The interest received from bonds is added to the taxable income and taxed as per the applicable slab. A government bond maturing after 10 years has an interest rate of 6.54 per cent. For someone in the highest tax bracket, the post-tax return will reduce to 4.58 per cent. This may not be meaningfully higher than inflation over the long term.

What are the tax implications?

The interest earned through government bonds is taxable and gets added to your income. Listed government bonds attract capital-gain tax if sold in the secondary market. The gains are added to the taxable income and taxed as per the applicable slab if the holding period is 12 months or less. If the holding period is more than 12 months, the gains are taxed at 10 per cent.

What is the lock-in period?

Government bonds generally do not allow premature closure or withdrawal and mature only after the tenure for which they have been issued. However, they are tradeable in the secondary market and can be sold on NDS-OM, subject to liquidity.

What happens if the account holder dies?

The nominee is entitled to the government bond and subsequent

interest payments.

How should one start investing in it?

It is possible to invest in government bonds online and open an RDG account. To open an RDG account, you should have a savings bank account, a PAN number, a valid document for KYC, an email ID and a mobile number. Next, just visit www.rbiretaildirect.org.in and register there. Once you register, the portal will request you to initiate the KYC process. The post-registration window pretty much sums up the steps that one has to go through. Thereafter, your login credentials will be emailed to you.

Registered investors can use the portal to view their account statements, nominates, pledge/lien securities held in the RDG account, gift G-secs to other retail direct investors and for grievance redressal.

SUITABILITY AND ALTERNATIVES

Suitable for conservative investors seeking regular income and fixed retruns.

Not suitable for investors who do not need any regular income and seeking growth over the long term.

Alternatives can be Pradhan Mantri Vaya Vandana Yojana and Senior Citizen Saving Scheme if the investor is a senior citizen. Otherwise, the annuity plan of a life insurance company, Post Office Monthly Income Scheme and Gilt funds are good options. An SWP from a debt-oriented mutual fund, which can offer better, though not guaranteed, returns is also a viable option.

Sovereign Gold Bonds (SGBs)

Sovereign guarantee | Investment in gold | Assured interest

Returns ▬▬▭ **Liquidity** ▬▭▭ **Taxability** ▬▬▭

Snapshot

WHO CAN INVEST?

- A resident individual
- Resident entities, including HUF, trusts, charitable institutions and universities

HOW MUCH CAN YOU INVEST?

Minimum: Worth 1 gram of gold

Maximum: Worth 4 kg of gold for individuals and worth 20 kg of gold for other entities in a financial year

WHAT RETURN WILL YOU GET?

Fixed interest of 2.5% per annum, in addition to the change in the price of gold

Will it beat inflation? Up to a moderate level

Will it change during the tenure? Yes

CAN THE INVESTED MONEY GO DOWN IN VALUE?

Yes

WHAT IS THE TENURE?

8 years

Exit option: Premature closure is allowed after 5 years

HOW IS IT TAXED?

Is 80C benefit available? No

Returns/Interest: Taxable and added to the income

What is it?

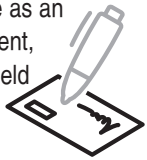
With the intent to provide gold-like returns, the government launched Sovereign Gold Bonds (SGBs) in 2015. These bonds are linked to the price of physical gold. SGBs are issued by the Reserve Bank of India (RBI) in several tranches during the year on behalf of the government. During the financial year 2021–2022, 10 tranches were witnessed.

SGBs offer a superior alternative to holding gold in the physical form, as the risks and costs of storage are eliminated. They are also free from issues like making charges and purity.

How does it work?

You invest a certain amount of money. **Min:** Worth 1 gram of gold; **Max:** Worth 4Kg if you are an individual otherwise worth 20 kg of gold.

The government issues a bond certificate as an acknowledgement, which can be held in the Demat form



The government pays out interest at 2.5 per cent per annum, semi-annually to the bank account of the bondholder.

The price of the bond is linked to the price of physical gold and accordingly appreciates or depreciates in value.

After eight years, on maturity, money worth the price of gold is transferred to the bank account of the bondholder.

How much are the returns?

The value of SGBs is based on the simple average of the closing

price of gold of 999 purity of the previous three business days, published by the India Bullion and Jewellers Association. So, the returns would be calculated over the period of holding. However, investors are entitled to a guaranteed interest of 2.5 per cent per annum.

Gold is not good as an investment and should not be considered a wealth creator. Unlike other asset classes like equity, appreciation in the price of gold is entirely dependent on more people demanding or needing gold. However, gold acts as a perfect store of value of money and shines whenever there is uncertainty in the market and for that reason, many investors prefer allocating a portion of their portfolio as a hedge against equities. One can expect low to moderate returns from SGBs. If gold prices, combined with interest payments, outpace inflation, the bond gives positive real returns but not otherwise.

How risky is it?
Although the bonds are issued by the government, their price is linked to the price of physical gold and hence carries some bit of risk, as the value may even depreciate if the gold prices fall.

What are the tax implications?

Capital-gain tax arising on the redemption of SGBs (i.e. at the time of maturity after eight years) to an individual has been exempted. However, the annual interest is added to the income and taxed as per the applicable slab.

What is the lock-in period?

SGBs can be redeemed prematurely after five years. To redeem the gold bond, investors can approach the intermediary concerned 30 days before the interest payment date. SGBs are also traded on the stock exchange and can be sold or transferred to any other person.

What happens if the account holder dies?

The bond is transferred in the name of the nominee or the legal heir on furnishing the required documents.

How should one start investing in it?

SGBs can be bought offline as well as online. Most banks facilitate buying them and one may even use the facility of internet banking for the same. In addition, it is also sold by post offices and the Stock Holding Corporation of India. Buying an SGB would require filling up the subscription form and providing a copy of your PAN, address proof and a passport size photograph (if not already available with the bank), along with your bank details where you wish to receive the interest payout.

SUITABILITY AND ALTERNATIVES

Suitable for investors who want to make a lump-sum investment in gold for a period of five to eight years.

Not suitable for investors who wish to buy gold in the physical form.

Alternatives can be gold exchange-traded funds and gold mutual funds.

Investing for NRIs

Who is a non-resident individual (NRI)?

Non-Resident Individual is an individual who is not a resident of India for tax purposes. An individual is treated as an NRI if he/she fulfils any of the following conditions:

- If he/she is in India for a period of 182 days, or more during the previous year or
- If he/she is in India for a period of 60 days or more during the previous year and 365 days or more during four years immediately preceding the previous year.

However, in respect of an Indian citizen and a person of Indian origin who visits India during the year, the period of 60 days as mentioned in second condition is substituted with 182 days. With effect from 2020-2021, the period of 60 days is further substituted by 120 days in the case of an Indian citizen or a person of Indian origin whose total income through Indian sources exceed ₹15 lakh.

Where can an NRI invest?

Most of the investment avenues mentioned in this book are not available for an NRI. These include the National Savings Certificate (NSC), the Public Provident Fund (PPF), Kisan Vikas Patra (KVP), Sovereign Gold Bonds (SGBs), the RBI Floating Rate Bonds and many others. If someone has invested in them before turning into an NRI, he/she must contact and inform the relevant issuing authority like the bank, post office, etc.

However, other investment avenues like stocks, equity and mutual funds remain open for an NRI.

What would you do with your investments once you become an NRI?

Here are the broad steps for you to follow:

- **Inform the investment issuer and update your residency status:** As a first step, you must visit the investor centre of the investment issuer and inform them about the change in your residency status from 'resident' to an 'NRI'. Then, the investment centre would inform you whether NRIs are allowed to continue with the

investment and show you the way ahead. In most cases, if NRIs are not allowed to invest in a particular scheme, the worth of the investment is returned or continued till maturity without allowing any fresh deposits. However, if NRIs are allowed to continue their investments, for example in the case of mutual funds, they need to update the KYC. This usually requires a copy of the passport, PAN and the address proof of the foreign country and a local address.

- **Convert your bank account into an NRE or NRO account:** Although many people continue with their regular savings-bank accounts in India even after becoming NRIs, it violates law under the Foreign Exchange and Management Act (FEMA). Contact your bank and get your regular savings-bank account converted into an NRE, NRO or an FCNR account.
- **Non-Resident Ordinary (NRO) account:** This is a rupee-denominated savings-bank account for non-resident Indians. It is a non-repatriable account, which means that the account holder cannot transfer the money in this account outside India. The interest on this account is added to the income of the NRI and taxed like other income. NRIs can also create fixed deposits (FDs) using the balance in the NRO account. However, the interest from such deposits is taxable.
- **Non-Resident External (NRE) account:** This is a rupee-denominated savings-bank account geared towards holding the foreign earnings of NRIs. Its interest is not taxable in India and its balance is fully repatriable (transferable) outside India. NRIs can also create fixed deposits (FDs) from the balance in the NRE account and the interest thereon is exempt from tax.
- **Foreign currency non-resident account (FCNR account):** This is a foreign-currency fixed deposit available to NRIs. The interest on this account is exempt from tax and the balance in the account is fully repatriable outside India.

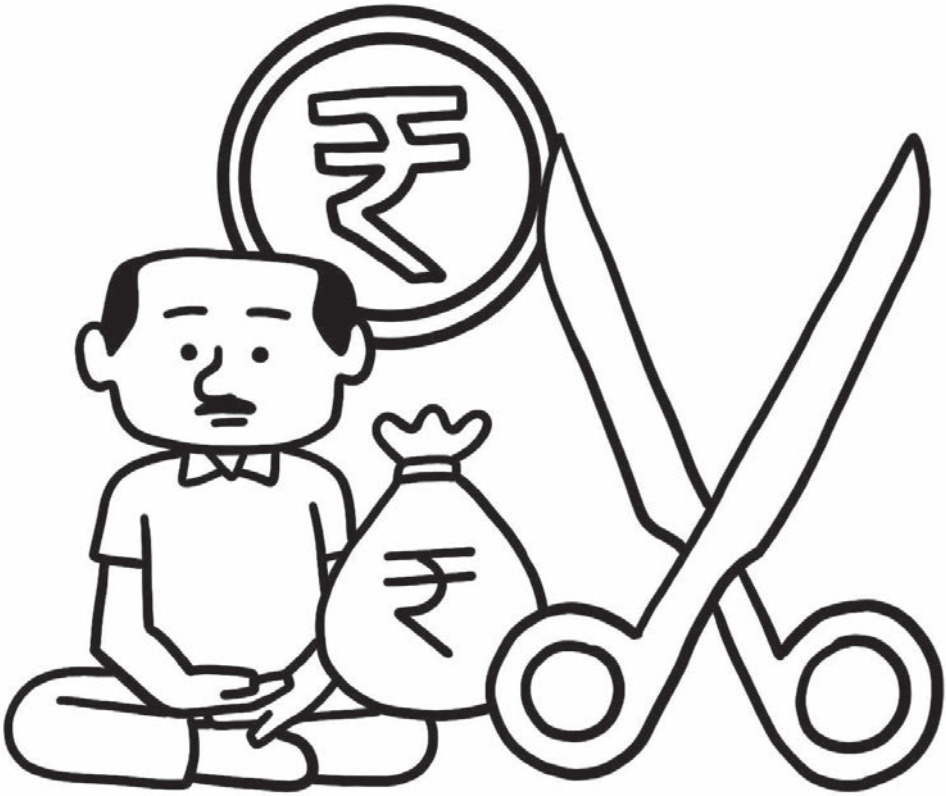
To convert your bank account, you will need to furnish your foreign address proof, a copy of PAN and proof of you being an NRI, such as your work permit or the visa stamps on your passport.

What are the tax implications?

NRIs are taxed only for the income earned or collected in India. For example, NRIs need to pay tax on the capital gains on redemption of mutual fund investments in India or interest received from banks. Depending on the tax laws of the country one resides in, the income earned by an NRI in India may also be taxable in the country of his/her residence. However, India has the Double Taxation Avoidance Agreement (DTAA) with more than 90 countries worldwide. If you reside in one of them, you will get at least partial relief from double taxation. But you should seek more clarity on the tax incidence vis-à-vis your country of residence from a tax expert.

Taxation of popular income sources for NRIs

Income type	Holding period	Type	Taxation	TDS
Capital gains on equity mutual funds and stocks	More than one year	Long-term	10% on gains exceeding ₹1 lakh	10%
	One year or less	Short-term	15%	15%
Capital gains on non-equity mutual funds	More than three years	Long-term	20% after indexation	20%
	Three years or less	Short-term	Added to the income and taxed as per the applicable slab	30%
Dividends	–	–	Added to the income and taxed as per the applicable slab	20%
NRO interest	–	–	Added to the income and taxed as per the applicable slab	30%
NRE interest	–	–	Exempt	–
FCNR interest	–	–	Exempt	–



Tax-saving strategies

Although it is not possible to avoid taxes completely, certain provisions of the Income Tax Act and strategies help lower the tax burden in a legitimate way. Here we talk about two very useful tax-saving strategies – tax harvesting and setting off and carrying forward losses.

What is tax harvesting?

Earlier, gains on selling equity after one year (long-term capital-gain) were tax-free. But the Union budget for FY19 imposed a 10 per cent long-term capital-gains (LTCG) tax on realised equity gains over ₹1 lakh in a financial year.

Tax harvesting revolves around using the tax-free window of ₹1 lakh to lower your overall long-term capital-gains (LTCG) tax on equity. What you are essentially advised to do is to redeem and simultaneously re-invest, a portion of your equity investments which are over one year old, and hence are long-term in nature, to the extent that the gains do not exceed ₹1 lakh in a given financial year. By doing so, your net investment remains unchanged, but you shield ₹1 lakh worth of long-term capital gains from the taxman each year. Thus, as the argument goes, when you finally sell all your investments, your overall tax liability will be lower.

But one must not bother too much about it. If you are going to invest for 15–20 years, you might think that it's a meaningful activity, but you would be actually saving just ₹10,000 on the gains of ₹1 lakh. And for this, you will be taking a lot of headaches.

However, if you don't mind doing this exercise for just ₹10,000, go ahead. The 'My Investments' tracker on Value Research gives a nice split of your investments long- and short-term gains. You can use it for this purpose.

Setting off and carrying forward losses

The Income Tax Act offers ways to reduce one's tax liability by offsetting losses that one may have incurred on investments. Broadly 'setting off' can be defined as adjusting the loss from a

particular source against the profit from another source. Two different types of loss adjustments can be made:

- Current-year loss adjustment (CYLA)
- Brought-forward loss adjustment (BFLA).

Current-year loss adjustment (CYLA) is the adjustment of the loss incurred this year from one source against the profits earned from another source. For instance, Ram who has a salary of ₹8 lakh per year can adjust his loss on house property of ₹1 lakh against his salary. His total taxable income now becomes ₹7 lakh. The table below explains what losses can be adjusted against what type of income or profit. The 2017 budget restricted the amount of loss from house property that can be adjusted against other income heads to ₹2 lakh.

Adjusting current loss against income

Income head	House-property loss	Short-term capital loss	Long-term capital loss	Business/profession loss
Salary	Yes	No	No	No
House property	Yes	No	No	Yes
Business/profession	Yes	No	No	Yes
Short-term capital gains	Yes	Yes	No	Yes
Long-term capital gains	Yes	Yes	Yes	Yes
Other sources	Yes	No	No	Yes

Inter-source adjustment: Of the five heads under which income falls, there cannot be a loss from salary and 'income from other sources'. But you could suffer losses under other heads of income. Loss under one head has to be adjusted against any gain under the same head. This is known as inter-source adjustment (ISA). For instance, if you have two businesses and one is making a loss and the other is making profits, then the loss from the first one can

be set off against the profit from the second one. Similarly, if you have two houses and one is self-occupied and the other on rent, loss from the first property can be adjusted against the income from the second property.

Inter-head adjustment: If there is some loss left over, even after setting it off with ISA, it can be adjusted against income from other heads. This is called inter-head adjustment (IHA). For instance, if you have a single self-occupied house property bought on a mortgage, it will show a loss, as the annual value of a single self-occupied property is taken to be nil and the adjustment of any interest will result in a negative value. Such a loss may be adjusted with salary or business income, if any. However, there are two exceptions to this rule: capital losses cannot be set off with the income from any other head and loss from business cannot be set off against salary income.

Brought-forward Loss Adjustment (BFLA) is the loss that is brought forward from the previous years in order to adjust it against the profits in the current year. For example, Lakshman, who owns a house property in the current year, earns a profit of ₹5 lakh from this house property. However, in the previous year,

Adjusting previous year's(s) loss against different income heads

Income head	House-property loss	Short-term capital loss	Long-term capital loss	Business/ profession loss
Salary	No	No	No	No
House property	Yes	No	No	No
Business/profession	No	No	No	Yes
Short-term capital gains	No	Yes	No	No
Long-term capital gains	No	Yes	Yes	No
Other sources	No	No	No	No

he suffered a loss of ₹2 lakh from this house property. He, therefore, decides to bring forward his previous year's losses and adjust them against this year's profit. The total taxable income now becomes ₹3 lakh instead of ₹5 lakh. At any current date, it is possible to bring forward the losses of the last eight years and adjust them against the current year's profit. The table below explains what losses can be adjusted against what type of income or profit.

Carry forward the loss: Any losses that cannot be set off against the same or other heads because of the inadequacy of income can be carried forward to the subsequent year. Such a carry-forward exercise can be done for eight years. After eight years, if the loss has still not been adjusted fully, it has to be written off.

Adjusting losses

Loss carried forward	Adjust against
House-property loss	House-property income
Business loss	Business gains
Short-term capital loss	Capital gains
long-term capital loss	Only long-term capital gains

*Losses can be carried forward for the next 8 years

Annexure and Resources

In this section, you will find investor-protection resources that will enable you to find recourse to grievances and complaints that you may have after investing in a financial product.

Contact for grievances

Authority	Approach them for grievance redressal related to	Link to online portal
Reserve Bank of India (RBI)	Ombudsman, Banks, Non-Banking Financial Company (NBFC) and RBI	https://cms.rbi.org.in/cms/indexpage.html#eng
Insurance Regulatory and Development Authority of India (IRDAI)	Insurance	www.igms.irda.gov.in
Securities and Exchange Board of India (SEBI)	Market securities and organisations dealing in them, including intermediaries like stock brokers, etc	https://scores.gov.in/scores/Welcome.html

Names & addresses of the Office of RBI Ombudsman

Ahmedabad
Smt. N Sara Rajendra Kumar
C/o Reserve Bank of India
4th Floor, "Riverfront House",
Behind H.K. Arts College,
Between Gandhi & Nehru Bridge,
Pujya Pramukh Swami Marg
(Riverfront Road - West),
Ahmedabad-380 009
STD Code: 079
Tel. No. 26582357
Email: crpc@rbi.org.in

Bengaluru
Ms Saraswathi Shyamprasad
C/o Reserve Bank of India
10/3/8, Nrupathunga Road
Bengaluru -560 001
STD Code: 080
Tel. No. 22277660/22180221
Email: crpc@rbi.org.in

Bhopal
Shri Hemant Kumar Soni
C/o Reserve Bank of India
Hoshangabad Road
Post Box No. 32, Bhopal-462 011
STD Code: 0755
Tel. No. 2573772/2573779
Email: crpc@rbi.org.in

Bhubaneswar
Shri Biswajit Sarangi
C/o Reserve Bank of India
Pt. Jawaharlal Nehru Marg
Bhubaneswar-751 001
STD Code: 0674
Tel. No. 2396207
Email: crpc@rbi.org.in

Chandigarh
Shri Rajeev Dwivedi
C/o Reserve Bank of India
4th Floor, Sector 17

Chandigarh
STD Code: 0172
Tel. No. - 2721109, 2721011,
2727118
Email: crpc@rbi.org.in

Chennai
Dr (Smt) Tuli Roy
C/o Reserve Bank of India
Fort Glacis, Chennai 600 001
STD Code: 044
Tel No. 25395964
Fax. 25395488
Email: crpc@rbi.org.in

Dehradun
Shri Arun Bhagoliwal
C/o Reserve Bank of India
74/1 G.M.V.N. Building, 1st floor,
Rajpur Road,
Dehradun - 248 001
STD Code: 0135
Tel No.: 2742001
Email: crpc@rbi.org.in

Guwahati
Shri Thotngam Jamang
C/o Reserve Bank of India
Station Road, Pan Bazar
Guwahati-781 001
STD Code: 0361
Tel.No. 2542556/ 2512929
Email: crpc@rbi.org.in

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Shri T Srinivasa Rao
C/o Reserve Bank of India
6-1-56, Secretariat Road
Saifabad, Hyderabad-500 004
STD Code: 040
Tel. No. 23210013
Email: crpc@rbi.org.in

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Ms. Rekha Chandanaveli
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4th floor Rambagh Circle,
Tonk Road, Jaipur - 302 004
STD Code: 0141
Tel. No. 2577931
Email: crpc@rbi.org.in

Jammu
Shri Ramesh Chand
C/o Reserve Bank of India,
Rail Head Complex,
Jammu- 180012
STD Code: 0191
Tel No.: 2477905
Email: crpc@rbi.org.in

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Shri P K Nayak
C/o Reserve Bank of India
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Kanpur-208 001
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Tel. No. 2305174/2303004
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Station,
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Tel No. 23022028
Email: crpc@rbi.org.in

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Railway Station, Byculla,
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Email: crpc@rbi.org.in

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Email: crpc@rbi.org.in

Raipur

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STD Code: 0771
Tel. No: 2244246
Email: crpc@rbi.org.in

Ranchi

Smt Chandana Dasgupta
C/o Reserve Bank of India
4th Floor, Pragati Sadan,
RRDA Building,
Kutchery Road, Ranchi Jharkhand 834001
STD Code: 0651
Tel No.: 8521346222/9771863111/ 7542975444
Email : crpc@rbi.org.in

Thiruvananthapuram

Shri G Ramesh
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Bakery Junction
Thiruvananthapuram-695 033
STD Code: 0471
Tel. No. 2332723/2323959
Email: crpc@rbi.org.in

IRDA Grievance Cell for insurance-related complaints

General Manager
Consumer Affairs Department- Grievance Redressal Cell,
Insurance Regulatory and Development Authority of India(IRDAI),
Sy.No.115/1,Financial District, Nanakramguda,
Gachibowli, Hyderabad-500032

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SEBI Bhavan BKC
Address :
Plot No.C4-A, 'G' Block
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400051, Maharashtra
Tel : +91-22-26449000 / 40459000
Fax : +91-22-26449019-22 / 40459019-22
E-mail : sebi@sebi.gov.in
Tel : +91-22-26449950 / 40459950
Toll Free Investor Helpline: 1800 22 7575

SEBI Bhavan II BKC
Address :
Plot no. C-7, 'G' Block, Bandra
Kurla Complex, Bandra(E),
Mumbai - 400051, Maharashtra
Tel : 91-22-26449000/40459000
E-mail : sebi@sebi.gov.in

REGIONAL OFFICES

Northern Regional Office (NRO)
Address :
NBCC Complex, Office Tower-1,
8th Floor, Plate B, East Kidwai Nagar,
New Delhi - 110023
Tel. Board: +91-011-69012998
E-mail : sebinro@sebi.gov.in

Southern Regional Office (SRO)
Address :
7th Floor, 756-L, Anna Salai,
Chennai - 600002, Tamil Nadu
Tel. Board: +91-44- 28880222 /
28526686
Fax : +91-44 -28880333
E-mail : sebisro@sebi.gov.in

Eastern Regional Office (ERO)
Address :
The Regional Director,
L&T Chambers, 3rd Floor, 16 Camac
Street,
Kolkata - 700017, West Bengal
Tel. Board: +91-33-23023000.
Fax : +91-33-22874307
E-mail : sebiero@sebi.gov.in

Western Regional Office (WRO)
Address :
SEBI Bhavan, Western Regional Office,
Panchvati 1st Lane, Gulbai Tekra Road,
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Tel. Board: 079-26583633-35
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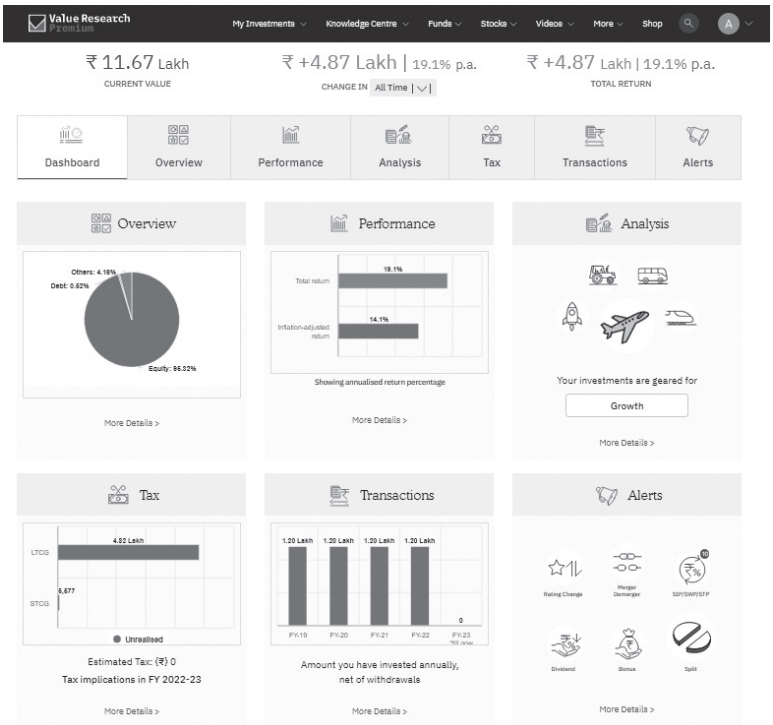
Tracking your investments is important because just having a suitable portfolio is not the end of your task. Portfolios have to be monitored and tracked because things change. Fund quality and your own goals may change with time, making it important for you to track and study portfolio performance.

Shortage of information and tools to analyse the information are major bottlenecks for investors to monitor their portfolios. To be able to track various aspects of your investments, you need an easy and automated way of analysing your investments. This isn't easy for individual investors to do by themselves.

Fortunately, Value Research provides a set of highly sophisticated web-based tools that do exactly that. The 'My Investments' feature (formerly, 'My Portfolio') on the new Value Research website is



simply unrivalled by any financial site in the world. Even professional portfolio-analysis tools that cost large sums of money do not have such powerful features. 'My Investments' allows you not just to track your investments but also do their evaluation and analysis. Our enhanced portfolio feature has six sections: overview, performance, analysis, tax, transactions and alerts. You can create multiple portfolios and track the investments of your near and dear ones as well. Please note that some of the features in 'My Investments' are available to premium customers only.

To ensure that your portfolio is on the right track to fulfil your goals, it has to be monitored regularly and changes should be made, if necessary.

Value Research provides a sophisticated 'My Investments' feature on ValueResearchOnline.com, which simplifies doing so.

Section	Description
Overview	The overview section lists all your investments and hence helps you compare them.
Performance	The performance of your investments reported in a highly descriptive way across multiple time periods and compared against several benchmarks.
Analysis	Get real, actionable insights to make your portfolio better suited to your needs and primed to deliver superior performance.
Tax	Know your tax liability based on the transactions made for each financial year.
Transactions	All the transactions that you have made in your portfolio over a period.
Alerts	Announcements, such as bonus, dividends, rating changes, etc., in your portfolio constituents. It even informs you when your SIP is about to expire.

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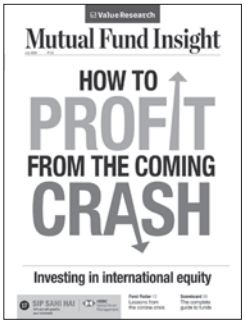

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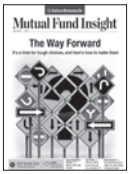

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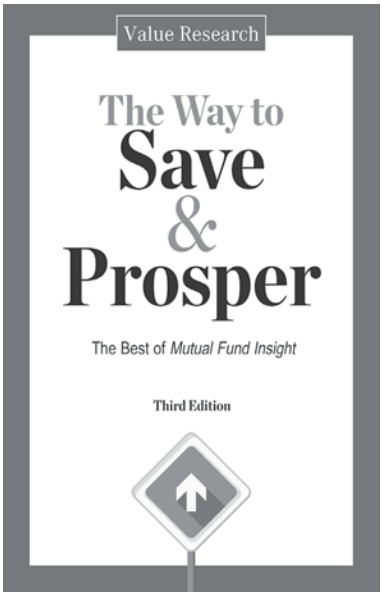

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