NISM NATIONAL INSTITUTE OF SECURITIES MARKETS
An Educational Initiative of SEBI

INVESTOR EDUCATION update

Volume 9, April - June 2019

Inaugural Function of the Faculty Development Program on Mutual Funds at Bharathiar University, Coimbatore

MESSAGE FROM DIRECTOR

The School for Investor Education and Financial Literacy (SIEFL) has been doing various programs that create awareness among the target segments. Organising sessions on Mutual Fund Awareness for channel partners of Mutual Fund Houses result into better awareness on mutual fund operations and this would create positive effect in penetrating the investments in mutual fund. For retail investors, mutual fund investment helps in diversification of risk, and at the same time provide market return on their investments. Organising Faculty Development Programs in Mutual Funds for the teachers of colleges is another way to reach the targeted segment. Investor education sessions are carried out at various centres both for the public as well as for the college students. Under Mission Sidhika, investor education sessions were organised for the defence personnel. Through NISM Pocket Money program, school students were taught the financial literacy concepts that make a deeper impact on them in understanding the financial market.

Through SEBI Financial Education Resource Persons Program, NISM is engaged in identification of resource persons, empanelling them with SEBI, organising Training of Trainers (ToT) program, and make them fit to conduct financial education workshops to various target segments. Recently, SEBI has identified few agencies for creating awareness on commodity market derivative segment. NISM arranges ToT program to the resource persons of these agencies, thus creating a cadre of trained professionals in commodity market education.

Dr. M Thenmozhi
Director

EDITORIAL

The first budget announcement of the new government at Centre was made on 5th July by the Honorable Union finance minister. The budget announcements failed to impress the investors as Indian bench mark stock indices – BSE Sensex and NSE Nifty closed around one per cent lower on budget day. The proposal of raising public shareholding limit and extending buy back tax in listed firms spooked investor sentiments. The budget proposed to extend the share buy back tax at 20 percent to listed companies as well. Import duty on gold is hiked to 12.5 per cent from the current level of 10 per cent making gold costlier. The shares of jewelry companies fell 2 percent to 5 per cent consequent to this announcement.

The finance minister proposed to reduce the promoter shareholding in listed companies from the current level of 75 per cent to 65 per cent. This implies that the minimum public shareholding for listed companies has to be increased from the current level of 25 per cent to 35 per cent. This could affect around 1200 listed companies where promoters' holding are over 65 per cent stake.

Surcharge on high networth individuals with taxable income of over Rs 2 crores is increased. For individuals with income bracket of Rs 2-5 crores, the surcharge will be 3 per cent while those earning above Rs 5 crore, the surcharge of 7 per cent. Introduction of social stock exchanges is another measure which enables investors to make impact investing. Social enterprises and voluntary organizations could be listed in social stock exchanges. This measure is to take our stock markets closer to the masses and meet various social welfare objectives. The idea is new to India while Singapore's Impact Investment Exchange and London Social Exchange are global examples.

Prof K Sukumaran
Dean

Financial Literacy in Schools - Pocket Money Program

Investor Education Programs

Mutual Fund Awareness Program

Faculty Development Program

Investor Education Articles:

- How retail investors have steadily gained confidence in MF investments
- Beware of gold savings schemes!
- Winners and losers among small savings plans
- Four basic money lessons for your child
- Debt funds: Here are five factors you need to consider
- Investing your money? Four avenues to multiply your corpus
- How to use Net Present Value to determine your investments?
- Confused over investment plan? Follow these 5 solid tips
- Increase investments periodically in line with salary to meet your goals
- Investment tips: Why you need to go in for a goal-based plan
- Taking you through the SIP route
- Paying the price for unregulated deposits
- Five things to consider when taking a home loan
- The riddle that is retirement planning
- 'Rule of 72' tells you the time, rate of return to double your money
- Estate Planning: Ensure that your Will is registered

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POCKET MONEY PROGRAM – FINANCIAL LITERACY IN SCHOOLS

On 12th April 2019 NISM has arranged a Student Visit program for Tilak Junior College, Nerul where in 30 students visited NISM Vashi. NISM team arranged a session for the students narrating the various activities of NISM. A separate session on financial literacy was also conducted. The students raised questions on various aspects of NISM activities as well as on the topic financial literacy and the clarifications were made then and there. The concepts in financial literacy – time value of money, power of compounding, Rule 72, risk reward relationship etc were explained with examples. The trinity rule in investment – liquidity, safety and return is discussed.

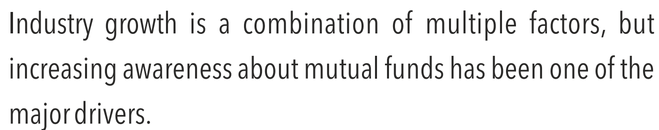
Student Visit program for Tilak Junior College, Nerul where in 30 students visited NISM Vashi.

How retail investors have steadily gained confidence in MF investments

By Ashwani Bhatia, CEO, SBI Mutual Fund, Livemint, 18 Apr 2019,

What comes to your mind when you think about an evolved investor? The maturity level of a retail investor can be broadly defined by three characteristics-investment tenure, asset mix and performance evaluation. I believe, retail investors in India have evolved over the years as is reflected by the changing investment trends in the mutual fund industry.

The mutual fund industry has witnessed phenomenal growth in the last few years with the assets under management (AUM) growing almost three times in the last five years.



Industry growth is a combination of multiple factors, but increasing awareness about mutual funds has been one of the major drivers.

Over the years, mutual funds have grown from being an alternative to direct equity investment to being recognised as a viable solution for different financial goals. From being focused primarily on equity-oriented schemes, retail investors now have diversified portfolios with investments also including debt-oriented schemes. The retail category has 67% of investor assets held in equity-oriented schemes and 26% in debt-oriented schemes, with the rest in liquid and money market schemes, exchange-traded funds (ETFs) and fund of funds (FoFs).

Besides diversification across asset classes, retail investors have also started understanding and accepting the benefits of long-term investing by staying committed to their investments by investing regularly through systematic investment plans (SIPs). In the past, it has been evident that retail investors were wary of market volatility and were the first to jump ship during such times. However, despite high market volatility in the financial year 2018-19, retail investors have shown faith in mutual funds by remaining committed to their investments. So far in the current financial year, the industry has seen net inflows amounting to ₹1.32 trillion. This trend can be further substantiated by the continued growth in the industry's SIP book. The SIP book size has registered a healthy annualized growth in the range of 12-15% per annum in the last four years and now stands at over ₹8,000 crore for February 2019. Thus, anecdotal evidence underlines the growing confidence of retail investors in funds.

Mutual funds have seen net inflows over the last seven consecutive fiscal, starting from FY13. One could argue, that the markets were on a growth trajectory hence the inflows have been positive. While markets logged gains* in six of the last seven years, FY16 was an odd year, wherein the S&P BSE benchmark index declined 9.4%.

Despite the subdued market performance in FY16, the industry recorded 13% growth in net inflows. This is contrary to earlier years where the industry saw net outflows in three of the four fiscal years in line with the equity markets registering losses in two of the four fiscals.

While asset mix and investment horizon hold paramount importance, regular performance evaluation in terms of risk-adjusted returns should not be ignored. Investors tend to get swayed by looking at short-term performance and end up taking hasty decisions, which can come in the way of their long-term goals. Investors need to assess the performance of their investments in line with the risk taken.

For example, having higher double-digit return expectations from a balanced or pure debt fund seems like an ideal recipe for disappointment. Imagine anticipating your favourite cricketer to score a 50 or a century in every match. Quite an improbable task, and chances of you getting disappointed are higher. Similarly, at times having unrealistic return expectations lead to wrong investment decisions.

One of the key factors that has helped retail investors' expectations is the awareness created by fund houses and media alike. The Association of Mutual Funds in India's Mutual Fund Sahi Hai campaign has had a positive impact. They have started understanding mutual funds and the different benefits offered by this versatile investment option. Overall, we need to see a structural change, wherein every bank account holder becomes a folio holder, and every saver becomes an investor.

In this context, an interesting quote from Warren Buffett comes to mind, "The most important quality for an investor is temperament, not intellect."

*The period considered is FY13 till date; as of February 2019, the S&P BSE Sensex is up nearly 9% for the financial year 2018-19.

Ashwani Bhatia, managing director and CEO, SBI Mutual Fund

Beware of gold savings schemes!

By Rajalakshmi Nirmal, The Hindu BusinessLine, 8th April 2019

Cracking its whip on the Ponzi schemes in the market, the Centre in February introduced the 'Banning of the Unregulated Deposit Schemes Ordinance'. While it initially appeared that the ordinance would cover all unregulated schemes, it has turned out that gold schemes run by jewellers could be out of the net. Jewellers – big and small – continue to raise money through gold schemes in which customers contribute a fixed sum for 11 months, and at the end buy jewellery for the accumulated value. Many jewellers are sole proprietors or run the business as a partnership firm, thus operating in a regulatory vacuum.

This is not the first time jewellers have gotten away with law. In the new Companies Act that was notified in 2014, conditions were laid down for companies other than banks and NBFCs that want to raise deposits from public. It said that any registered company (including a jeweller) which raises money from public for a tenure of more than 365 days has to get itself rated for repayment capacity and take deposit insurance. Further, the rate of return on the deposit should not be more than what NBFCs offer, it said. But jewellers found an escape route by modifying their schemes to bring the tenure down to 11 months from 12/24/36 months earlier.

There have also been some instances of gold jewellers duping clients. A case in point is of Nathella Sampath Jewellery, a big name in the gold market in Tamil Nadu for over 75 years. In October 2017, Nathella shut shops across the State claiming financial troubles. It then also turned out that the company had fudged accounts, borrowed money from banks and defaulted on repayments. While customers who put money in Nathella's gold savings scheme waited for the repayment, in May 2018, the company and its promoters filed for insolvency

Note that in insolvency proceedings, when assets get liquidated, there is an order of payment – first, the cost of liquidation; second, salary dues to employees, and next the dues to secured creditors. Last to be paid – provided there is money left with the liquidator – will be the unsecured creditors. Legal experts say that law sees customers of gold jewellery savings schemes as 'unsecured operational creditors'.

The loophole

The new ordinance defines 'deposit' "as an amount of money received by way of advance or loan, by any deposit taker with a promise to return either in cash or in kind or in the form of a specified service, with or without any benefit." It doesn't matter who raises the deposit – it can be an individual, a proprietorship concern, a partnership firm, a company, a co-operative society or even a trust. So, money raised by jewellers through gold schemes can fall within the ambit of the ordinance. However, there are exceptions. Amounts raised as loan by individuals from relatives as well as advance payment for supply of goods in a business are excluded from the definition of a deposit. Jewellers claim that they sell their gold schemes to customers as instruments for planning their future gold purchase, which effectively makes the scheme a trade advance.

Anantha Padmanabhan, Chairman, All India Gem and Jewellery Domestic Council, said: "To our knowledge, the ordinance has nothing to do with savings scheme of our jewellers. The money jewellers raise is only trade advance; it can't be considered deposit. But we have written to the Ministry of Commerce asking for clarity on whether we can give discounts/gifts to customers under the schemes."

Legal experts, however, say there is still ambiguity on whether or not gold savings schemes of jewellers are covered under the ordinance.

In fact, one expert even said that it may not be possible for jewellers to escape through the 'trade advance' loophole.

CS Sikha Bansal, Senior Associate, Vinod Kothari and Company, Practising Company Secretaries, said: "If a customer puts in a generic payment for a certain number of months, and at the end of such period, he either decides on what he can buy, ordecides to take his money back, what he paid all those months was nothing but a deposit. For a payment to be an advance for goods, our view is that the advance has to be for identified, ascertainable goods. No one pays an advance for something that has not been identified as yet. In our view, the law does ban such schemes."

No recourse

If you burn your fingers by depositing money in a scheme run by a bank/NBFC or a company registered under the Companies Act or, say, a mutual fund, the respective regulatory bodies – the Reserve Bank of India, the Ministry of Corporate Affairs (MCA) and the Securities Exchange Board of India could address your grievance. But in case of gold schemes, there is no such regulatory body.

Many of these jewellers are not registered companies, so MCA can't step in. And given that now there is no clarity on whether these are covered under the unregulated deposits ordinance, there may not be any recourse if you lose money. You can register a police complaint, but it could end up being a long-winding process.

Winners and losers among small savings plans

Livemint 8th April 2019

A number of products from the stable of small savings schemes, whose rates are reviewed every quarter and some times reset by the government, help you save tax, and the start of a financial year is a good time for tax planning. On 29 March, the government announced that small savings rates will remain unchanged for the first quarter of FY 2019-20, from the previous quarter. How do these schemes stack up?

PPF

You will probably find Public Provident Fund (PPF) in the portfolios of your parents and even your grandparents and it's advisable to have it in your portfolio too. PPF has a relatively high interest rate of 8%. It has a tenure of 15 years and can be renewed indefinitely in blocks of five years. Partial withdrawals can be made in the seventh year and you can also avail loans against it. PPF balance is immune from attachment by any court decree.

The interest on PPF is calculated on the lowest balance between the 5th and last date of each month, so you should ideally invest in it before the 5th of each month. If you have the requisite lump sum, invest before 5 April to get interest on the entire amount for the entire year.

SCSS

This is only available to senior citizens (those above the age of 60; the limit is 55 years in case of superannuation or VRS). At 8.7%, SCSS carries the highest interest rate among small savings schemes. It has a tenure of five years which can be extended by another three years. With quarterly interest payment, SCSS can be a steady source of income for retirees.

SSY

Sukanya Samriddhi Yojana (SSY) is open to the parents of girl children. It can be opened for a girl less than 10 years old. It has a tenure of 21 years or until the girl is married after the age of 18, but deposits need to be made only for the first 15 years.

HOW SMALL SAVINGS SCHEMES STACK UP

The main features of the prominent small savings schemes and how suitable they are

	Public Provident Fund (PPF)	Senior Citizens Savings Scheme (SCSS)	Sukanya Samriddhi Yojana (SSY)	Five-year post office FDs	National Savings Certificate (NSC)
Tenure	15 years; can be extended thereafter	5 years; can be extended by another 3 years	21 years, but deposits only for the first 15 years	5 years	5 years
Minimum investment	₹500 per annum	₹1,000 (one-time investment)	₹1,000 per annum	₹ 200	₹ 100
Maximum investment	₹1.5 lakh	₹15 lakh but 80C limit of ₹1.5 lakh applies for tax purposes	₹1.5 lakh per annum	No upper limit but 80C limit applies for tax purposes	No upper limit but 80C limit applies for tax purposes
Tax on interest	No	Yes	No	Yes	Interest on first four years deductible*
Mint verdict	**This is an absolute winner. Invest before the 5th of each month and, if possible, in a lump sum before 5 April**	**Good for regular income for senior citizens in lower tax bracket**	**Good for parents of a girl child but the tenure can be daunting**	**Avoid. The interest rate is relatively low and fully taxable**	**Can work if you have a short time horizon and want a risk-free rate of return. But, tax status is not very efficient**

*under 80C, interest in 5th year taxable

Partial withdrawals up to 50% of the balance are also allowed after the girl attains the age of 18. At 8.5% this scheme earns a solid interest rate and the interest is tax-free.

Five-year Post Office FD

The five-year post office fixed deposit (FD) decidedly falls short when it comes to utilising your tax-saving money efficiently. The current rate of interest at 7.8% for this quarter is at the bottom of the tax-saving small saving schemes pile and the interest is fully taxable. FDs are typically favoured for their safety, but this factor doesn't matter against other small savings schemes since the government administers them all.

SCSS and SSY earn the highest rates but are only open to certain groups

Average interest rates (%)

	FY 17	FY 18	FY 19
5-year FDs	7.85	7.575	**7.6**
5-year SCSS	8.55	8.325	**8.5**
5-year NSC	8.05	7.775	**7.8**
PPF	8.05	7.775	**7.8**
SSY	8.55	8.275	**8.3**

Rates are reviewed every quarter

Source: National Savings Institute

NSC

The National Savings Certificate (NSC) is an oddly structured savings instrument. It matures after five years and the interest gets reinvested in the instrument. However, this reinvested interest is not tax-free though it is deductible under Section 80C for the first four years. The interest earned in the fifth year is fully taxable. The interest, even in the years in which it is tax deductible, uses up a part of your Section 80C limit. Also, the tax deduction has to be claimed in your income tax return or you do not get its benefit. The interest rate at 8% is on par with that of PPF and the tenure of five years is shorter than PPF.

Experts have come out against NSC due to its tax inefficiency. "I do not recommend NSCs, especially to people in higher tax brackets. This is because the interest is fully taxable," said Mrin Agarwal, founder director of Finsafe India Pvt. Ltd and co-founder of Womantra.

Small savings schemes are good tax-saving options for risk-averse investors. Within the small savings basket, PPF ranks foremost for investors' debt allocation. SCSS is good for senior citizens in the lower tax bracket and SSY for parents of a girl child, but both are restricted to these groups. If you can bear more risk, go for equity-linked savings schemes.

Four basic money lessons for your child

By Amar Pandit, Financial Express, May 20, 2019

Don't shy away from letting your child withdraw money from an ATM, let them have a new experience while learning the basic financial lessons

Encourage your kids to save from their pocket money.

One of the finest quotes to stumble upon on the internet in reference to financial lessons for children is: "One of the greatest gifts you can give your kids is to be responsible empowered adults around money." Most parents talk to their kids about savings at an early age, imparting them the wisdom of savings and its importance. Even then, most parents tend to think it's best for the children to receive their financial education once they are of an appropriate age. Indian parents tend to leave their children a lot of money as inheritance which, contrary to their thinking, will only harm the children without any financial education. Children are known to be most receptive when they are between 5-12 years of age. So it would be advisable to start their financial education in these years itself, when it still is education and not a task they need to accomplish.

As they grow, they can learn more complex concepts. This way the children will be prepared to take big money decisions as adults. So this summer vacation when your children indulge in other extracurricular activities, make sure financial education is one of them too. There are various ways to make your child financially independent, but here are a few things you can start with.

Importance of savings

Encourage your kids to save from their pocket money. Explain to them the difference between want and need. Give them reasons to save money, for example, a birthday present for a friend or buying a trinket can serve as long-term goals.

You can also reward your kids for saving a certain amount of money in a given time which acts as a target. With these targets, they will also learn to treat all money with equal respect.

Creating a colourful sheet for them to track their expenditure, a kid's version of a passbook is another way for them to inculcate the habit of tracking their expenses.

Banking

The best way to educate your kids about banking and banking tools is by opening an account in their name. Take them with you to the bank to teach them how to deposit money. Familiarise them to banking tools at an early age like a cheque, cheque book, passbook, ATM card, and account statements.

Don't shy away from letting your child withdraw money from an ATM, let them have a new experience while learning the basic financial lessons. Children often don't understand the difference between a debit and a credit card. Another great way to teach them a difference is to demonstrate a purchase from both cards and explaining the intensity and procedure of credit card when the statement arrives and hefty penalties if you don't pay the credit card bill.

Insurance and investments

Talk to your kids about investments, how they work, and why you need them. Help them understand basic insurance plans and the plans and policies you have taken. This will give them an objective view of which insurance plan is a good purchase.

Documents

Show them a PAN card and what it looks like. You can also apply for a child's PAN card to let them know the importance of it and how it will help them in the future. Explaining the importance of tax is an integral part of financial education. A guide to financial education will help your children be a responsible citizen as well as a responsible individual. It will secure their future and it will better equip them to take smart money decisions. In Bob Talbert's words: "Teaching kids to count is fine, but teaching them what counts is best."

NISM INVESTOR EDUCATION PROGRAMS

During the period, NISM has organized four investor education program wherein 745 participants were benefitted. The details are as under.

Sl. No.	Name of Institutions	Dates	No. of Participants
1.	K LN Engineering College, Madurai	11.05.2019	30
2.	K P R College of Arts, Science and Commerce, Coimbatore	03.06.2019	30
3.	Police Training Centre, Gurgaon	25.06.2019	600
4.	Assocham, New Delhi	26.06.2019	85
Total			**745**

At KLN Engineering College, Madurai

At KPR College of Arts, Commerce and Science, Coimbatore

Assocham, New Delhi

Debt funds: Here are five factors you need to consider

By: Naveen Kukreja, Financial Express, March 4, 2019

However, YTM is not the sole indicator of the possible gains from a debt fund as the actual return would also depend on the mark-to-market valuations and changes in the portfolio.

With 16 debt fund categories and about 330 individual debt funds (excluding fixed maturity plans) to choose from, finding the best debt fund for generating optimal risk-adjusted returns can be trickier vis-à-vis equity funds. Wrong choice can lead to sub-optimal returns or even capital erosion. Here are some factors that should be considered while selecting debt funds:

Optimum debt fund category

Identify your risk appetite and time horizon of financial goals. The Sebi circular on mutual fund categorisation is an excellent tool as it categorises debt funds on the basis of risk rating, residual maturity and portfolio constituents of fund portfolio. For example, corporate debt funds, as per the circular, have to invest at least 80% of their corpus in highest rated corporate bonds, whereas at least 65% of a credit risk fund's portfolio has to be invested in below highest rated instruments. Once you find out the appropriate fund category, consider the following quantitative indicators in various debt fund portfolios within selected fund category.

Average maturity

Average maturity is the weighted average of maturities of debt instruments held in its portfolio. Modified duration refers to the sensitivity of a debt fund's portfolio to changes in interest rate. Higher the average maturity and modified duration of a debt fund, higher would be its sensitivity to changes in interest rates. Thus, those with higher average maturity and modified duration do well in falling interest rates whereas those with lower average maturity and modified duration perform better during rising interest rates.

Expense ratio

Consider the expense ratio–proportion of a fund's assets used to meet its total expenses–while choosing debt funds, especially liquid, ultra-short and low duration funds, as they come with limited upside potential when compared with equity funds. Opt for direct plans of debt funds as they have lower expense ratio than their regular counterparts.

Yield to maturity

Yield to maturity (YTM) of a debt fund is the weighted average yield of its portfolio constituents. Funds investing in debt securities with higher coupon rate would have higher YTM than others. Thus, YTM of a debt fund will give fair idea about the interest income that can be accrued in a stable interest rate scenario if all its portfolio constituents are held till their respective maturity dates. However, YTM is not the sole indicator of the possible gains from a debt fund as the actual return would also depend on the mark-to-market valuations and changes in the portfolio. Investors should consider net YTM of the portfolio, which is the function of gross YTM minus the expense ratio.

Portfolio constituents

Debt instruments with credit rating of AAA denote lowest credit risk while those with C have high default risk. As securities with lower credit ratings have the potential to generate higher returns, analysing the fund's portfolio constituents would also help you in assessing the fund's upside potential. Go through the portfolio section of debt fund's fact sheet to decide whether its credit risk profile suits your own risk appetite and return expectations.

Current interest rate regime

Price of debt securities increases during falling interest rate regime, given that their coupon rate tends to be higher than the ones offered by newly issued debt securities. The opposite happens during rising interest rate regime as investors prefer to invest in newly issued securities with higher coupon rates. As a result, debt funds register higher returns during falling interest rate regime and vice versa. The degree of increases or decreases in their NAV would also depend on the maturity of their constituent securities.

Investing your money? Four avenues to multiply your corpus

Financial Express, March 4, 2019

These four sources of investment will help you expedite your decision-making process and figure out the best course of action that can be taken to maximise your return on investment.

As growth-oriented investments, mutual funds are always subject to market risks, which may directly impact your investment amount.

Most people get rich by making sound investments that yield substantial returns. Here are some investment avenues that you can opt for, if you want to multiply your finances.

Fixed deposits

For investors seeking stability of returns and safe earnings – without being affected by market fluctuations, fixed deposits are the most preferred investment option. When investing in fixed deposits, you invest a lump sum amount for a specified time period. Over this time, the interest accumulates, and you can either choose to gain your interest at maturity or go for periodic pay-outs instead.

While both banks and companies offer fixed deposits, you may get higher interest rates when investing in company FDs, which offer higher returns. However, it is important to invest in a company with high safety ratings, as there may be risks involving loss of capital or delays.

Recurring deposit

A recurring deposit scheme is similar to that of a fixed deposit, with a few key differences. A recurring deposit mandates investment of a specific amount every month, as opposed to an initial lump sum amount. Again, recurring deposits provide comparatively lower returns, as compared to fixed deposits. This is because unlike the case of a fixed deposit where the interest is accrued on the entire amount over time, recurring deposits have interest calculated for each subsequent instalment. Ultimately, the level of income generated would be lower than that of a fixed deposit.

Mutual funds

As growth-oriented investments, mutual funds are always subject to market risks, which may directly impact your investment amount.

While it's possible for you to attain decent returns on your investment, the chances of your investment going down due to unfavourable financial conditions are always there.

A systematic investment plan (SIP) is a form of mutual funds, albeit with monthly investments as opposed to a lump sum amount. SIPs share the same drawbacks as recurring deposits and mutual funds – along with being unstable in terms of returns, the overall income will also be lower, as compared to if you choose to go for the usual system of mutual funds.

Stocks

Companies that go public enable people to invest in their shares to obtain a profit. On paper, this might seem like a good deal, but company stocks have a higher level of risk. Your investment can take a turn for the worse if you are unable to analyse the stock market properly. Every individual wants to select a viable investment avenue that will help them make the most of their current income or savings. These four sources of investment will help you expedite your decision-making process and figure out the best course of action that can be taken to maximise your return on investment.

How to use Net Present Value to determine your investments?

Hemanth Gorur, Financial Express, June 11, 2019

Discounting Factor allows us to compare all future cash flows-both positive and negative-generated by an investment decision and arrive at one consolidated value in the present, which is the Net Present Value (NPV) of all the cash flows considered

Rajyavardhan has a 10-year-old son who is very inquisitive about money. Wanting to test his son's savviness, he showed his son a Rs 2000 note and gave him a choice: his son could either opt to take the note immediately; or, he could take it after a month. His son promptly chose the first option.

Investors are familiar with this choice-money in the hand is worth more than the same money available in the future. This is due to the uncertainty the future presents. More importantly, money has the power to earn over time. So it becomes more valuable if available earlier in time.

In the above example, the Rs 2000 if available today can earn interest for one month, leaving you with more money in hand than if the same Rs 2000 were to be available one month into the future. This is called 'compounding'.

Let us see what happens when the process is reversed.

The concept of discounting and Net Present Value

The reverse process is called 'discounting'. That is, money available in the future is less valuable than the same amount of money available now, so it has to be discounted by a factor to arrive at your money's current value, which is called 'Present Value'. The factor used in this discounting process is called 'Discounting Factor'. This can be based on various rates like rate of inflation, or rate of return of an alternate investment opportunity. This allows us to compare all future cash flows-both positive and negative–generated by an investment decision and arrive at one consolidated value in the present, which is the Net Present Value (NPV) of all the cash flows considered. If the NPV is positive, then the decision taken to generate these cash flows is a sound one, else that decision is to be avoided.

Using NPV in investment planning

NPV can be a powerful tool in your investment strategy. The basic idea is to denote all invested amounts as negative cash flows and all generated income as positive cash flows. These cash flows could occur at different points in time and could

involve various rates of return, yet you can convert all these into their Present Values and compute their NPV to take an informed investment decision.

For instance, let us say you need to decide between investing ₹1 lakh in a three-year fixed deposit (FD) that pays monthly interest and in a company stock that you plan to resell in three years. The FD investment represents one negative cash flow now (so no discounting required) and 36 positive cash flows occurring at the end of each month. The stock investment represents one negative cash flow now and one positive cash flow after three years. Calculate the NPV of both investments using inflation for the Discounting Factor and invest in whichever has higher NPV, provided the NPV is positive.

Similarly, if you need to compare a five-year recurring deposit (RD) investment and a mutual fund SIP investment for five years, both the RD and the SIP have 60 negative and one positive cash flows each. You can use the above method again to decide. Alternatively, use the RD's stated rate of return to compute the discounting factor for the SIP investment. If the NPV of the SIP investment is positive, SIP is better; else the RD is better.

Take informed decisions by doing your own analysis. If required, consult a qualified investment adviser, but optimise your investment decisions at all times to become a successful investor.

Confused over investment plan? Follow these 5 solid tips

By: P Saravanan, Financial Express, June 12, 2019

Investments have three characteristics: safety, income and growth. The first thing you need to decide is which of these three characteristics is most important

Make a list of all investment choices that meet your stated goal. Then take the time to understand the pros and cons of each instrument. Then, narrow down your final investment choices to a few that you feel confident about (Illustration: Rohnit Phore)

Though the concept of investing is simple, the process of implementing it and succeeding is not so simple. This is primarily due to our emotions. Whenever the market falls, fear tempts us to sell and when the market rises, greed tempts us to take more risk.

To keep your emotions in check, it is essential to have a solid investment plan. Here are a few suggestions for writing an investment plan (yes, you should write it down) so that you can refer to it during the investment process.

Objective of investment

Any investment must be chosen with a specific goal in mind. Generally, investments have the following characteristics: safety, income or growth. The first thing you need to decide is which of those three characteristics is most important. Do you need current income to live on in your retirement years, growth so the investments can provide income later, or is safety, i.e., preserving your capital or investment amount your top priority? Here age plays a major role. If you are young and just started your career your investment plan is different than that of a person who is nearing retirement.

Be realistic

Many investment choices / vehicles have minimum investment amounts, so before you draw up your investment plan, determine how much you can invest. Decide whether you can invest in lump sum, or make regular monthly contributions. Many mutual funds permit you to do an investment (under systematic investment plan) as low as `500 per month.

It is always a good idea to go give a standing instruction to your bankers where you have salary / checking account. Investing monthly in this way is called as dollar-cost-averaging which helps to reduce market risk in the long term. If you have a larger sum to invest, more options are available to you. In that case, it is a good idea to invest in variety of asset classes and investment vehicles to minimise risk.

Decide the holding period

In any investment plan, holding period or establishing a time frame for investment and sticking to it is of the utmost importance. If you need the money to buy a car in a year or two, you will create a different investment plan than if you are putting money into a retirement savings plan on a monthly basis for the future. In the first case, your primary concern is safety, i.e., not losing money before the purchase of car. In the second case, you are investing for retirement, and assuming retirement is many years away then your investment should help your account be worth the most by the time you reach retirement age. In general, significant growth typically requires a commitment period of at least five years or more.

How much risk can you bear?

Some investments have a higher level of risk which means that probably you could lose all your money. These investments are too risky for many people. Be cautious about buying only high risk and high return asset. There is no such assets called as high returns with low risk. Better to earn moderate returns than swing for the fences. If you decide to swing, remember, it can backfire, and you can incur big losses.

Where you should invest

Generally, people buy their first investment product as a tax shelter. Better make a list of all investment choices that meet your stated goal. Then take the time to understand the pros and cons of each instrument. Then, narrow down your final investment choices to a few that you feel confident about. To conclude, the key to successful investing is to stick to your investment plan.

Increase investments periodically in line with salary to meet your goals

BY: Sarbajeet K Sen, Business Standard, 9th May 2019

Investors also need to provide for financial shocks. Things do not always go as planned, and hence one needs to build a margin of safety

Most double-income couples today have a wide variety of financial goals: vacationing at exotic locations, buying a car and a home, kid's education, and providing for retirement. The list of goals is long and saving and investing for all of them usually appears a daunting task. There is one solution to this issue, though. Both you and your spouse's income will grow, and so will your capacity to save and invest. If you increase your investment in tandem with the rise in your income, goals that appear insurmountable at present will become achievable.

People are reluctant to start investing early because they have high aspirations and believe they will not be able to meet their goals, as their income falls short. "People wait to fall in the ideal income bracket to start saving and investing. However, one must start saving and investing as early as possible. Start with a small amount now and increase it gradually. This will help you inculcate the long-term approach to investing and enable you to build a large corpus," says Milin Shah, head, product development and planning, Happyness Factory.in. Adds Rachit Chawla, founder and CEO, Finway: "Start early and invest regularly. If investments increase with time, that is a very healthy sign."

Increasing one's investments periodically is essential for a variety of reasons. The first is inflation, which increases the price of everything you consume. What may appear easy to achieve in today's price terms may prove too costly once you factor in inflation. An MBA degree that costs Rs 15 lakh today will cost Rs 38.9 lakh after 10 years, at 10 per cent inflation.

The second reason is lifestyle inflation. Over time our standard of living changes, as we aspire to live better. For example, a person may want to buy a car after completing a year in job, even if he was happy commuting by public transport in his college days. To be able to enjoy the same standard of life after retirement, one needs to keep hiking the amount invested.

HOW TO MAKE CORPUS BIGGER

Rate of return (%)	12
Time available in years	15
Monthly SIP (₹)	10,000
Accumulated amount (₹)	47,59,314
Accumulated amount (₹) if SIP hiked 5% every year	61,91,090
Accumulated amount (₹) if SIP hiked by 10% every year	82,74,718

The third factor is rising income. As you progress in your career, you earn more, and can hence save and invest more. "Identify the amount or percentage by which you want to increase your investments. This should typically be in proportion to the salary hike you receive each year," says Shah.

Investors also need to provide for financial shocks. Things do not always go as planned, and hence one needs to build a margin of safety.

Finally, you need to enhance your investments to maximise the benefit of compounding. The interest earned today also starts earning interest and the corpus, along with the principal amount invested periodically, increases at a faster pace. The longer the tenure, the higher will be the compounding.

An example will demonstrate the benefits of hiking one's investment periodically. Ramesh is able to save Rs 10,000 every month after meeting all his expenses. To support his current lifestyle he needs a corpus of Rs 54.63 lakh when he retires in 15 years. At 12 per cent annual rate of return on equity mutual funds, Ramesh has to invest Rs 11,480 each month to reach his target. If he invests Rs 10,000 per month for the next 15 years he will be able to accumulate Rs 47.59 lakh. But if he increases his SIP by 10 per cent at the end of each year, he will be able to create a corpus of Rs 82.74 lakh. Even a 5 per cent increase per year will create a kitty of Rs 61.91 lakh at the end of the 15th year.

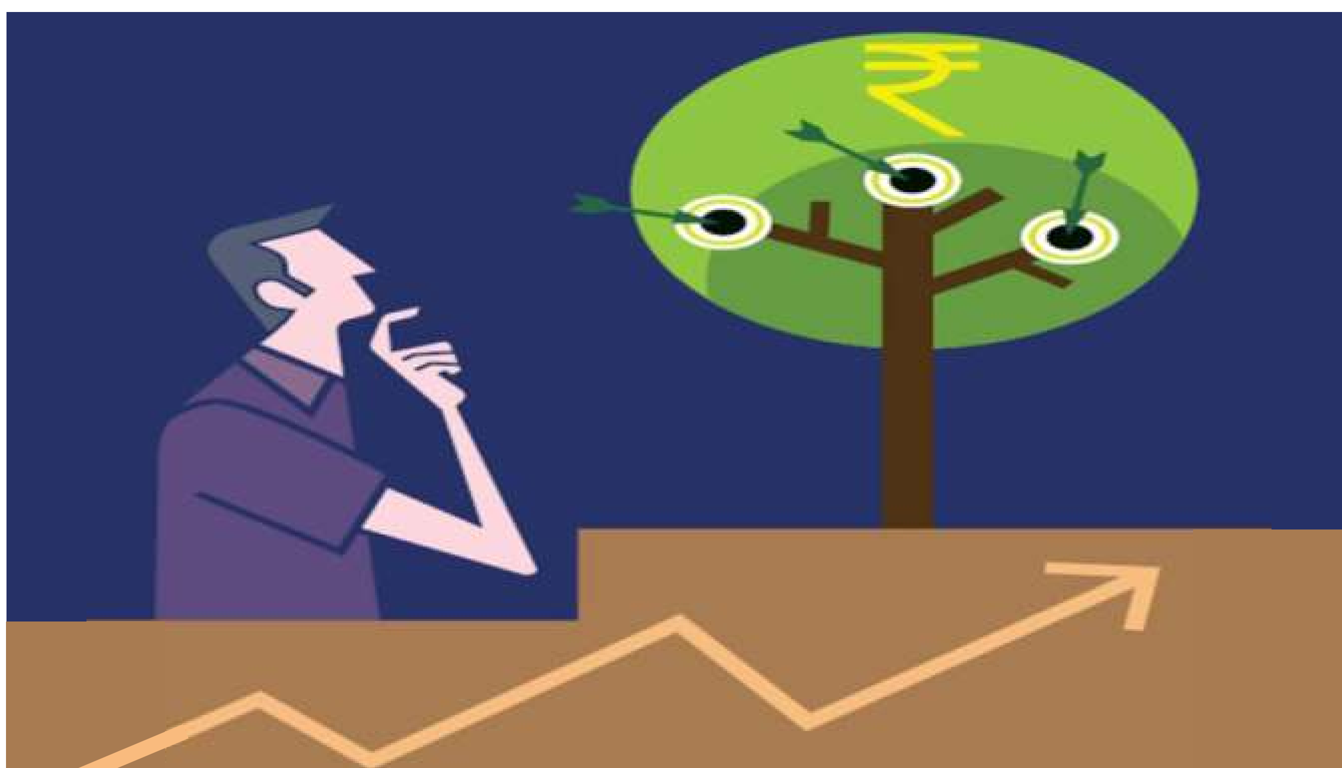
Investment tips: Why you need to go in for a goal-based plan

Amar Pandit, Financial Express, June 19, 2019

We work very hard to earn money and save it for the future, only to end up accumulating a plethora

of financial products that serve little or no purpose. Most of us do this thinking it will get us the right returns or because it worked for someone else.

It's time to move away from this approach and look at ways in which our money can actually make a difference. Even before you begin with where you need to invest and which product will give you the best results, you need to take a step back and ask yourself, "Why am I investing?", "What do I want my money to do for me?"



Think before investing

Before investing, you need to know why you want to invest. For example, it can be for a new car, a home or children's education. Once you have the goals in place, you should think about how you will achieve these goals. Today, you have several options such as mutual funds, stocks, fixed deposits, insurance, etc. You need to choose the ones that will work best for you and help you meet your goals.

If you take the right approach towards your savings and make the most of what the market offers, you will be able to create a larger corpus, allowing you to meet your goals. Let us understand why a goal-based approach works the best:

You customise your goals based on your needs and the things you want to achieve in life, which allows you to see your growth. Your goals are very important to you and you are emotionally invested towards meeting them. Investment recommendations could be tailored to meet those goals.

List of financial goals

To start with, make a list of your financial goals. Quantify them based on time; short-term goals for 0-2 years, mid-term goals for 2-5 years and long-term goals for 5-25+ years. The priority you give to each becomes important because that will help you decide which goals are to be achieved first.

After you have adapted to a goal-based planning approach towards your finances, you need to keep a few crucial things in mind to remember:

Haste makes waste:

Remember, when you are investing in goals, especially the long-term goals, do not calculate everything in terms of profits. Short-term performance is not the best indicator of your overall position. Think about it as progressing towards your goal. Sticking to your goal-based investment plan will allow you to spend a lot more time in the present rather than worrying about your future.

Know what your goals are: In a competitive world, we are always looking to match up to specific standards or commonly decide what's right. Make sure the goals you determine for yourself are based on what you want. Do not listen to all the advice you get: Family, friends, insurance agents–everyone has an opinion on what you should do with your money, but that does not make it the best option.

Review your plan annually:

In an ever-changing world, our priorities can also change. This makes it essential to continually review both short-term and long-term goals. Annual reviews are also a good time to go back to your portfolio to check if any changes need to be made.

Choosing a goal-based investment plan will not only help you achieve your goals, but also allow you to live a tension-free life. You will be in control of your savings, understand how your money is structured and know that your future is sorted. Besides, it will help your money grow towards what you really want.

Taking you through the SIP route

By K Venkatsubramanian, The Hindu BusinessLine, 8th April 2019

Before setting up a SIP, be clear of the operational aspects.

The systematic investment plan (SIP) has become the chosen route for investing in mutual funds for as many as 2.59 crore people. Equity, debt and hybrid schemes of all kinds allow you to invest sums every month. To make the best of these investments, you need to be aware of certain operational factors while investing via the SIP mode.

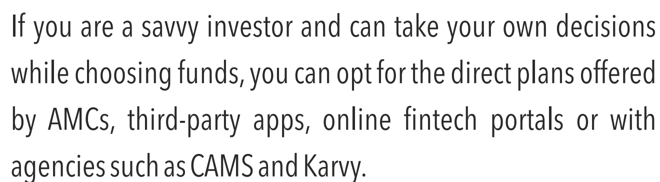
These include setting up a SIP, minimum number of instalments to be paid, goals you must save towards, stepping up or reducing amounts, and so on. Also, you must be clear on whether you wish to invest in direct plans of funds or route them through an advisor to regular plans. Here, we discuss these aspects in detail.

Getting started

Starting a SIP is very simple, with asset management companies (AMCs), online distributors, offline financial advisors and apps allowing you to select funds to invest in. Many banks, too, allow you to set up SIPs via their netbanking facilities.

You can start SIPs online or offline by filling up the physical application forms. As a first-time investor, you will be asked to comply with the know-your-customer (KYC) norms and may have to produce proof of identity and address, and PAN.

The KYC process is a one-time affair and, once done, you can invest in the schemes of all fund houses.



If you are a savvy investor and can take your own decisions while choosing funds, you can opt for the direct plans offered by AMCs, third-party apps, online fintech portals or with agencies such as CAMS and Karvy.

Direct plans charge 50 to 100 basis points less compared to regular plans as there are no commissions payable to distributors. But if you are a first-time investor, it would be in your best interest to take the help of a financial advisor to choose the right fund.

Linking accounts

You must link your bank account with your mutual fund house and set up a mandate to transfer sums on a monthly basis. This can be done by giving a standing instruction or using the electronic clearance facility of your bank. Then, you need to specify the dates on which you want the amounts to be debited from your account. Many tend to have their pay day as the debit date. But it would be better to have the debit a few days after the salary day, as any delay in pay due to weekends or public holidays on those dates can be avoided.

Most fund houses have specified dates on which SIP debits are allowed; you can choose the date that suits you. Online portals and investment websites allow you to invest on many other days as well. Just to illustrate the importance of dates, if you set 29 as your debit date, you could face a challenge during non-leap years in the month of February!

Choosing amounts

Ensure there are funds in your account on the debit day. In case your investment account is different from your salary account, remember to transfer the SIP amount without fail.

Set up an automatic mode of transfer if you tend to be forgetful.

In case your bank account is not adequately funded, your SIP investment would fail. If there are repeated failures – say, for three continuous months – your SIP would be cancelled by the fund house. Besides, your bank may levy charges as penalty for not honouring the SIP mandate.

Every fund has a minimum investment amount for every scheme – typically ₹5,000. Therefore, you must run SIPs at least till the minimum amount threshold is reached. Usually, fund houses insist on six instalments.

SIPs can be started for as little as ₹500 every month, making it affordable for many to invest.

Investments and timelines. You can increase or decrease yo. ur SIP investments. If you wish to increase them, you need to fill the online form and fund your bank account.

In case you want to reduce your SIP amount, you need to cancel the present mandate and create a fresh one with the reduced amount, by filling up the SIP form of the respective fund house.

Another important aspect to note is the time for which you wish to run the SIPs. Financial advisors typically ask investors to coincide the SIPs with specific financial goals – children's education, their marriage, your retirement, and so on.

You can give a specific number of years or choose the 'perpetual' option that will ensure that investments continue till you decide to stop them.

Paying the price for unregulated deposits

Milan Mody/Amit Munot , The Hindu Business Line, April 29, 2019

The Banning of Unregulated Deposit Schemes Ordinance aims to tackle the menace of illicit deposit-taking activities

There have been rising instances of unscrupulous people duping the greedy and gullible through illicit deposit-taking schemes.

The Banning of Unregulated Deposit Schemes Ordinance, effective from February, 21, aims to tackle such rapacious operators. It is a Central legislation to help deal with the menace of illicit deposit-taking activities, and overrides the existing State laws.

The ordinance imposes a complete ban on Unregulated Deposit Schemes (UDS) at inception. The offences as per the Ordinance are: (a) soliciting or accepting of deposits under a UDS, (b) fraudulent default under a Regulated Deposit Scheme (RDS), and (c) wrongful inducement under a UDS. All the offences under the ordinance are cognisable and non-bailable. The offences will attract severe penalties ranging from ₹2 lakh to ₹25 crore, and imprisonment of 1-10 years.

Coverage

A scheme or an arrangement of acceptance/solicitation of deposits "by way of business" which is not a RDS is considered as an offence.

Will a single transaction of accepting/soliciting a deposit be considered an offence? Since the definition of UDS includes the word "arrangement", it would be difficult to exclude one off-transactions unless some clarification or notification is issued in respect of the same.

Having stated that, such an erratic transaction may not fall within the definition of "by way of business". The onus of proving that the transaction is not covered by the Ordinance is on the deposit taker, and hence, one needs to be watchful while interpreting the law in the initial days when precedents under the law are not available.

Challenges

Here are our views on its impact:

Individuals: Though the law prohibits acceptance of deposit by an individual or a group of individuals from any person other than relatives, it is pertinent to note that acceptance of loans for personal or social commitments, medical or educational exigencies is not prohibited, as the same is not solicited/accepted "by way of business".

This fact has also been clarified by the Ministry of Finance in its tweet on banning of UDS with respect to individuals, firms, companies, LLPs, etc. Individuals who operate as a financial entity (such as a mini NBFCs without being registered) have to stop their activities immediately (these were prohibited earlier, too).

Finance brokers: They need to reconsider their roles and responsibilities as the risk may outweigh the rewards. In case of default, the broker is also liable along with the deposit taker.

Firms: Firms can accept loans from relatives of partners. In respect of accepting a loan from a partner, one can interpret that a loan transaction between a firm and its partner cannot be "by way of business" since the partner is lending to his own firm. Hence, such a loan transaction may not be considered an offence under the ordinance. A deposit given by one partnership firm to another partnership firm may attract the ordinance. However based on the argument that the deposit is for the purpose of business and hence view can be taken that ordinance would not apply to such inter-firm deposits.

Jewellers and real-estate firms: Schemes by such companies for their customers and investors will have to be evaluated on a case-to-case basis to determine whether the schemes can be continued or not. The pattern in which the initial transaction is concluded may also throw light on the intent of the original arrangement.

Despite ambiguities in its applicability, the ordinance is a saviour for investors who may not be financially savvy and are gullible to fancy and attractive investment schemes. The legislation has the potential to nip fraud schemes at an early stage and prevent widespread losses of the type we have witnessed in innumerable notorious schemes.

MUTUAL FUND AWARENESS PROGRAMS

NISM has organized three programs on Mutual Funds Awareness for the benefit of Officers of State Bank of India, as per the following details. The programs were held residential at NISM Patalganga premises

Sl. No.	Dates	No. of Participants
1.	May 14-16, 2019	45
2.	May 21-23, 2019	41
3.	June 12-14, 2019	35
Total		121

Five things to consider when taking a home loan

Financial Express, May 3, 2019 2

The interest component is higher during the initial tenure of the loan and the principal component is smaller.

It is advised to keep your credit card bills at the lowest and prepay any other loans, if possible, before you get a home loan.

Despite the easy availability of tools like EMI calculator, eligibility calculator and document checklists, most of the borrowers do not know how to use these tools to their advantage and select the right home loan for them.

Here are some key factors to consider when doing home loan research.

Eligibility

Your eligibility for a home loan depends not just on your income but on a lot of other factors. Your occupation, the organisation you are employed with, current financial obligations, employment history, age and several other factors come into play when deciding your eligibility. Banks judge your entire credit profile and not just the financial strength. Before you apply for a home loan, consider all these factors to judge whether you would fit into a particular bank's eligibility criteria.

By setting all these requirements, banks want to judge your repayment capacity and how much of a risk you would be for them. Higher income would make you eligible for a higher loan amount. However, the more financial obligations you have, the lower will be your eligibility. You can improve your eligibility by bringing a co-applicant with a good income and high credit score.

Loan amount

Banks usually fund up to 80% of the property's value but the

loan amount also depends on your income and some other eligibility factors. Most of the time, the banks would be ready to sanction an amount that would translate to an EMI of 40-50% of the applicant's basic salary plus dearness allowance.

In case you have existing liabilities such as a personal loan or car loan, the EMI of the same will be deducted from your income to arrive at the amount you will have left after servicing all these financial obligations. The loan amount is a factor of all these and you may not get as much funding as you expected. It is advised to keep your credit card bills at the lowest and prepay any other loans, if possible, before you get a home loan.

Loan tenure

When you contact the bank for a home loan, they would offer you a longer tenure and promote it as a method of reducing your EMIs. An important point to note here is that a longer tenure translates into more interest outgo.

The interest component is higher during the initial tenure of the loan and the principal component is smaller.

Interest rate and charges

Do not hesitate to negotiate a better rate, especially if you have had a banking relationship with the lender for quite some time. You should also use your good credit profile to find a lower rate. Banks would not like to lose a good customer so chances are that you can get a competitive rate of interest. You must understand the fee structure of the bank you have approached so that you have a fair idea of what all costs it entails.

The fine print

It is very important to read and understand the terms and conditions related to any financial product. The fine print has a lot of things that could make you regret in future. Do your research to find out what makes a good deal for you.

FACULTY DEVELOPMENT PROGRAM AT COIMBATORE

A Faculty Development Program on Mutual Funds at Coimbatore was organised by NISM at Bharathiar University Premises, Coimbatore in association with Aditya Birla Sunlife Mutual Fund. The faculty members belonging to Commerce faculty situated in and around Coimbatore and affiliated to Bharathiar University attended the program.

The program was inaugurated in a function attended by Dr M Thenmozhi, Director, NISM, Shri K S Rao, Sr Vice President, Aditya Birla Sunlife Mutual Fund, Shri N Jeyakumar, Registrar, Bharathiar University etc.

Dr Rupa Gunaseelan, Director, BSMED, Bharathiar University welcomed the gathering. Dr M Thenmozhi took an elaborative session on research interests in financial markets. Prof K Sukumaran, Dean, NISM handled the session on Securities Markets and Investor Sentiments. Shri K S Rao gave an interesting insights on Financial Planning and Wealth Management. Shri Anand Subramanian, Vice President, NISM took the session – Careers in Securities Markets.

The riddle that is retirement planning

By: Anshuman Verma, The Hindu BusinessLine, 6th May 2019

Despite all the talk surrounding the topic of retirement, very few in India who plan for retirement know what is in store for them. For most of us, that retirement number is a conundrum.

What's the calculation

Let's say, your current annual expense is ₹6 lakh, and you wish to retire next year. You would need to ensure that your accumulated savings can be 'de-cumulated' so as to yield at least ₹6 lakh per annum for the remainder of your life span. What are the options that are currently available to a retiree (age 60 years)?

Bank deposits

You can invest the money in a bank deposit. If you choose the longest tenure available in SBI -10 years - you will be eligible for an interest rate of 7.35 per cent (as of March 29, 2019). Thus, for receiving a yearly interest payout of ₹6 lakh, you will have to invest ₹81.63 lakh.

This income will be entirely taxable and at the marginal tax rate. If the interest rate declines after 10 years, you will then have to add to the corpus to get the same annual income.

Annuities

You can invest the entire money and buy an immediate annuity. This comes with multiple options; here are two.

a) Straight life annuity: Under this option, the entire investment is used to provide an annuity for the entire life time of the annuitant (the investor). Once the annuitant dies, the annuity stops and no amount is paid to the nominee.

Currently, under this option, LIC's Jeevan Akshay VI (the largest-selling annuity) pays 8.93 per cent of the invested amount annually to the investor.

This income will be entirely taxable at the marginal rate.

b) Life annuity with return of purchase price to survivor: Under this option, the entire investment is used to provide an annuity for the entire life of the annuitant. Once the annuitant dies, the annuity stops and the original invested amount is paid to the nominee. Currently, under this option, Jeevan Akshay VI pays 6.6 per cent of the invested amount annually. Hence, in order to receive a yearly payout of ₹6 lakh, you will have to invest ₹90.9 lakh. This income, too, will be entirely taxable.

Debt Mfs

You can make a systematic withdrawal (SWP) from a debt mutual fund. The catch here is that returns on an MF can fluctuate and are not guaranteed. You will have to pay 20 per cent LTCG (long-term capital gains) tax after indexation if you hold the units for more than 36 months.

Equity Mfs

You can make an SWP from an equity MF. However, the risk is much higher. This is more tax-efficient though, as all equity MFs held for a period of over 12 months are subject only to 10 per cent LTCG tax if the gains cross ₹1 lakh. However, the volatility again makes this unsuitable for many investors.

Govt securities

You can invest the entire amount in a 10-year G-Sec. Government securities are backed by sovereign guarantee and are risk-free, if they are held till maturity. The current rate for a 10-year G-sec (7.17% GS 2028) is 7.46 per cent (as of March 29, 2019). Hence, the amount required to be invested under this option is ₹80.53 lakh. However, the returns under this option are entirely taxable. It also exposes you to risk of more investment needed after 10 years.

SCSS

You can opt for the Senior Citizen Savings Scheme (SCSS). Its current rate of interest is 8.7 per cent.

Here, the tenure can be extended by another three years after five years, but the rate applicable shall be the one applicable at maturity (after five years).

You can take the redemption amount and open a fresh SCSS account if you are comfortable with the new applicable interest rate. The maximum amount that can be invested by you in SCSS accounts is ₹15 lakh.

Tax-free bonds

You can buy tax-free bonds from the secondary market, since fresh issue of such tax-free bonds has dried up after 2015.

However, the residual maturity will not be for a period of more than 15 years and the effective yield will be around 6.25 per cent. These are a good option if you are at the highest tax slab.

LIC Vaya Vandana

LIC's PM Vaya Vandana scheme provides a maximum annuity of ₹1.2 lakh per year, that is, you can invest a maximum of ₹14.45 lakh under this scheme.

However, the tenure is 10 years

POMIS

Post-Office Monthly Income Scheme or POMIS currently provides a return of 7.3 per cent per annum.

However, the maximum amount that can be invested in this scheme is ₹9 lakh. The tenure is just five years. .

Real estate

Buying real estate with the objective of creating rental income is another option that retirees consider.

But real estate comes with its attendant legal problems that a person looking for peace in his/her golden years may want to avoid.

The rental yields are very low in India and this problem is exacerbated by the attendant legal and maintenance problems that come with investing in residential real estate.

It is suggested that individuals choose an option(s) as per their circumstances and preferences. Don't forget to factor in inflation.

(The writer is Chief Marketing and Digital Officer, DHFL Pramerica Life Insurance. This should not be construed as financial advice; the reader is advised to consult a financial advisor before committing retirement funds.)

'Rule of 72' tells you the time, rate of return to double your money

By Dinesh Thakkar, Financial Express, May 22, 2019

If you are reading this article to double your money in a few months or years, then I would give you a spoilers' alert that you should stop right now. This article is not about giving you advice on how to double your money, but a simple rule which helps you to estimate how much time it takes to double your money.

Sometimes this simple rule also prevents you from falling into financial pitfalls when agents try to sell financial products to cheat you or take you for a ride telling that they will double your money in 'x' time.

Rule of 72

I am sure many of you are familiar with the 'Rule of 72'. It is a simple formula which can be used to answer your question as to when one can double your money. This rule will give you an answer to two questions: How long will it take to double your money? What is the required rate of return to double your money?

Let us see the first question. Many investors wants to know how much time will it take to double their money if they park it in fixed return instruments. Let us take a popular debt instrument like PPF which gives return around 8%.

The answer is to simply divide 72 by rate of return. In this case, it would be 72/8 and then the answer is nine years. If one invests for nine years in PPF bearing 8% return, he will get double the invested amount.

Future goals

Another advantage of this rule is that one can estimate how much rate of return one needs to fulfill a future goal. For instance, if one wants to get their 11-year-old child married at the age of 26, he has 15 years to double the money. For this, they have to calculate rate of return by dividing 72 by 15 (72/15 = 4.8%). So the given person needs to find an asset class which gives him approximately 4.8% return and the amount will double in 15 years. So the 'Rule of 72' gives a basic idea here.

The 'Rule of 72' is simple maths which helps to understand the financial estimates.

Many insurance agents try to fool you saying you can double your money in three years by investing in their product. They will say their product will give 18% return, but by dividing 72 by3, you know that they need to provide 24% annual return to double your money in three years. It sends a clear message to the person fooling you that you know enough maths not to be fooled.

Please note that the 'Rule of 72' is not 100% accurate, but gives you a fair idea. In real life, very few asset classes will give a fixed rate of return. Usually, rate of return in equity and commodity asset class varies so it would be difficult to arrive at exact duration for doubling your money.

I would like to end this article suggesting that all wealthy people had to take the slow lane to their riches. Keep your expenses in check, invest wisely and regularly and have a long-term orientation.

Estate Planning: Ensure that your Will is registered

Rajesh Narain Gupta, Financial Express, June 26, 2019

The sale of property/assets acquired by a wife under the Will of her deceased husband mandates adhering to certain legal formalities and procedures.

The passing away of a loved one can be a traumatic event for anyone. The case becomes especially tragic for a woman when she loses her husband. Indian men have traditionally not bothered to take their wives into confidence as regards property issues. Women also have been traditionally unaware of the monetary value of their spouse's tangible assets.

However, husbands are realising the importance of legal documentation procedures in facilitating the smooth transfer of property ownership rights to their wives especially with fading away of joint family culture and growth in nuclear families. A Will obliterates the hassles of legal complications while claiming property rights or assets in the event of a husband's death and ensures financial empowerment of the wife and children.

Writing a Will

The sale of property/assets acquired by a wife under the Will of her deceased husband mandates adhering to certain legal formalities and procedures. Depending on the nature and location of the property, the wife of the deceased person will need to apply for mutation/transfer of property in her name in the records of society/municipal corporation/revenue records. To facilitate this, a copy of the Will is required to be submitted supported by an affidavit and indemnity bond as per the prescribed formats.

The No-Objection Certificate (NOC) of other legal heirs comprising son, daughter and mother (if alive) is required in some states and in concerned departments.

Though the mutation and change of ownership based on Will is legally possible, it becomes necessary to furnish the Probate of a Will in most cases to eliminate any possible instance of fraud or objections from any legal heirs of the deceased husband. The Probate of the Will is also required to ensure clean title and ensure compliance with established market practices.

Probate of a Will

A petition needs to be filed through a lawyer before the District Judge or High Court for the grant of Probate. Once the petition is filed, the court issues notices to all legal heirs and schedules the matter for hearing. The beneficiary is required to prove the authenticity of the Will by recording her statement. She also needs to arrange the evidence of attesting witnesses before the court personally or by means of affidavits.

Following the completion of all formalities including putting public notices in newspapers, the court grants probate after considering the documents and evidence on record. The court generally requires the claimant/beneficiary to provide a surety at the time of grant of Probate.

In most of the cases, the beneficiary finds it difficult to provide the surety, however, in such cases, the orders of the court need to be complied with. In cases of property transfer ownerships, protecting the rights of wives of deceased persons from any potential fraud or violation assumes paramount importance. Recognising the absolute right of widowed women to secure their husband's property, various judicial pronouncements have ruled that a widow will continue to have rights over her former deceased husband's properties even after remarriage.

It has also been stipulated that the provisions of the repealed Hindu Widows' Remarriage Act, 1856 were no longer applicable and the provisions of the Hindu Succession Act, 1956, would reign supreme. It has also been stated explicitly that remarriage does not annul the status of the widow as a Class I heir of her deceased husband.

Will is an important document. One should ensure that it is registered with the sub-registrar of assurances and if possible, also video graphed. The High Court of Delhi in the matter of Sayar Kumari vs State, 2009, has accepted video recording as an important piece of evidence to prove the Will. One has to ensure that the witnesses to the Will are credible and would be available to prove the authenticity of the Will. There is no stamp duty payable on Will.

Prof. K. Sukumaran, Dean addressing the Police Officers at Police Training Centre, Gurugram as part of NISM Investor Education

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