INVESTOR EDUCATION update

Volume 2, July - Sept 2017

NiSM NATIONAL INSTITUTE OF SECURITIES MARKETS
An Educational Initiative of SEBI

Shri G.P.Garg, Head, NCFE addressing the participants during the inauguration of Interactive Kiosk and Informative Digital Display on Financial Education at Canara Bank, Dharavi, Mumbai, in the presence of Shri S. S. Mundra, Dy Governor, RBI and Shri Sandip Ghose, Director, NISM

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Editorial

Mutual funds as a vehicle of retail investment has picked up recently showing deep penetration into the savings habits of the people. The assets under management (AUM) of mutual funds has crossed Rs 20 lakhs crores in August 2017. In August 2017, the industry has witnessed the highest ever flow of Rs 20,362 crores in equity oriented schemes of mutual funds, pushing the AUM to record level. In fact, the AUM of mutual funds has doubled over the past three years. With reduction in interest rate of bank deposits, investors are finding mutual funds as an alternative savings and investment vehicle. Systematic Investment Plan (SIP) of mutual funds, as a savings tool, is picking up fast, as the net inflow through SIPs hit an all-time high of Rs 5,206 crore in August 2017. The media reports reveal that the AUM of mutual funds is to register a CAGR of 22 per cent to touch 125 lakh crores over the ten year period.

The total investment in mutual fund assets from top 15 cities in India account from 82.4 per cent of the total assets, leaving 17.6 per cent from the B15 cities. Concerted efforts are required to take the mutual fund penetration to B15 cities, for which investor education can play a vital role. It is commendable that Association of Mutual Fund Institutions in India (AMFI) is taking all out efforts in spreading investor education to various regions in India.

Prof. K. Sukumaran
Dean, School for Investor Education & Financial Literacy, NISM

INVESTOR EDUCATION PROGRAMS

During the quarter July -Sept 2017, NISM has organized thirteen programs under - NISM Investor Education in Colleges, as per the details furnished below.

NAME OF COLLEGE	PROFILE OF PARTICIPANTS	NO. OF PARTICIPANTS
Bishop Jerome Institute, Kollam	MBA Students	62
TKM Institute Of Management, Kollam	MBA Students	60
Christ Institute Of Management, Ghaziabad	MBA Students	72
SJ Institute Of Technology, Chikkaballapur	B.com and BBA Students	96
Guruvayurappan Institute Of Management, Coimbatore	MBA Students	67
SNMV Institute Of Management, Coimbatore	Students of Commerce and Management	450
M Kumaraswamy College Of Engineering, Karur	MBA Students	74
AFSA College, Karaikudi	Students of Commerce, Economics and Management	215
Sri Saradaniketan College For Women, Sivaganga	Commerce students	65
J J College Of Arts And Science, Pudukottai	MBA Students	60
Narsee Monjee Institute Of Management, Navi Mumbai	MBA Students	60
Amrutvahini College of Engineering, Sangamner	MBA Students	60
Gokhale Education Society's RNC Arts, JDB Commerce & NSC Science College, Nashik	Commerce students	120
	Total	**1461**

Bishop Jerome Institute, Kollam

TKM Institute of Management, Kollam

Christ Institute of management, Ghaziabad

Guruvayurappan Institute of Management, Coimbatore

Saradanikean College, Sivaganga

J J College of Arts & Science, Pudukottai

At NMIMS, Navi Mumbai

At Ghokhale Edn Society,
Nasik

AFSA College, Karaikudi

Kumaraswamy Engg College, Karur

SNMV Institute of Management, Coimbatore

FINANCIAL LITERACY PROGRAM IN SCHOOLS - POCKET MONEY

During the quarter July-Sept, 2017, NISM has organized nine programs in schools wherein 463 students are benefitted.

NAME OF THE SCHOOL	PROFILE OF PARTICIPANTS	NO. OF PARTICIPANTS
Indian Model School - CBSE, Solapur	Class IX Students	50
Indian Model School - State Board, Solapur	Class IX Students	50
Model Public School, Solapur	Class IX Students	50
Little Flower Convent High School, Solapur	Class IX Students	50
St. Thomas School, Solapur	Class X Students	50
SVCS High School, Akkalkot	Class IX Students	50
Shanti English Medium School, Solapur	Class IX Students	50
SVCS 2, Solapur	Class IX Students	50
Tilak Jr College of Science & Commerce, Nerul, Navi Mumbai	Class IX Students	63
	TOTAL PARTICIPANTS	**463**

Households should have a set of readily available financial products

In order to effectively harness the benefits of the formal financial markets, Indian households should have a minimum set of readily available financial products - assets, insurance, liabilities, savings, and easily annuitising land and homes, according to the RBI's 'Report of the Household Finance Committee'.

The products could be made readily available, either automatically "seeded" at the point of Pradhan Mantri Jan-Dhan Yojana (PMJDY) account opening (or added later to PMJDY accounts as a default but "opt-out" option), or automatically pre-qualifying households to be able to access all of them at the point of e-KYC for any one of them.

"While households will have access to the essential minimum 'kit' of assets by default, we should require either or both of explicit opt-ins and mandatory education... of all households before they access more complex products.

"...products not on this list could have 'speed breakers' associated with their take-up and widespread distribution. This is not to inhibit households from portfolio optimisation, but rather to permit an opportunity for households to reflect before taking decisions to participate and use more complex products," said the committee, chaired by Tarun Ramadorai of Imperial College, London. In order to move investments towards financial assets, the committee advocated removal of the tax exemption for income from house property.

It also recommended that the tax exemption which provides for deductions on the capital gains made on the sale of residential property not be tied specifically to re-investment in the property sector.

This should allow households that wish to sell real estate and move the proceeds into financial assets, greater incentives to do so. Given that legitimate collateralised lenders refuse to lend to small borrowers - leading to a greater reliance on non- institutional sources of debt such as moneylenders - the committee felt the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) provisions be made applicable to smaller loan sizes in an attempt to bring "underground" collateralised lending into the mainstream..

Digital applications

Given that over the coming decade and a half, the elderly cohort is expected to grow 75 per cent and only a small fraction of this cohort has saved in private pension plans, the committee suggested the pension regulator issue regulations to enable fully digital end-to-end applications for pension products and also authorise Aadhaar-enabled enrolment for the process.

Among sector-specific proposals, the panel said to help easy comparison of loans, banks should quote loans to customers using the RBI repo rate (the interest rate at which banks borrow short-term funds from the central bank) rather than based on their own marginal cost of funds-based lending rates (MCLR). Further, all banks should use the same reset period - one month. The panel is of the view that households should be allowed the choice to shop for the best annuity plan, and recommended segregating annuity investment from insurance investment. It also believes there should be increased transparency in the Indian annuity market in terms of expenses, commissions, annual fees and surrender charges, which could reduce payouts to households. Moreover, a more focussed regulatory mechanism will benefit the market.

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The proposals were made in the backdrop of: a large fraction of the wealth of households being in the form of physical assets (particularly, gold and real estate); households tend to borrow later in life and are more likely to reach retirement age with positive debt balances; debt taken from non-institutional sources; and low levels of insurance penetration (life and non-life).

(Source: Business Line dt. 25th Aug 2017)

Mutual funds systematic withdrawal plan: From ways to use SWP to benefits; here is what you can profitably learn

When we withdraw a defined amount every month (or some other interval) from a mutual fund scheme as a standing instruction, it is referred to as systematic withdrawal plan (SWP). In a way it is the reverse of SIP; while investments are done through a systematic investment plan, redemptions are done through SWP. We will discuss here how it can be used by you vis-à-vis lump-sum redemptions.

Regular cash flow

When there is a requirement of a regular cash flow, say a defined amount every month, from a portfolio of MF investments, the common solution is to opt for dividend option in a fund that has a history of monthly pay-out-MIPs, Arbitrage Funds, Short Term Bond Fund, etc. The question arises when the amount of expected dividend does not match the cash flow requirement per month. In such a situation, the solution is to do a SWP.

To be noted, some investors believe that capital should not be used for regular expenses. However, if you require that money for your day-to-day expenses, it was anyway not an investible surplus and there is no issue in withdrawing it for your requirements.

To look at it from a different perspective, for the period it was invested, you earned the returns and then withdrew it.

Funding retirement

SWP is typically used by retired people for their cash flow purposes. The estimated amount of expenses per month is put in the form of SWP. The SWP amount per month is consumed and the remaining corpus continues to earn the fund returns, which provides the sustenance for future.

Let us take an example. Let us say a 60-year-old retired gentleman has a corpus of Rs 1 crore in mutual funds and requires Rs 70,000 per month for his expenses. He does an SWP of Rs 70,000 per month. Apparently, at a withdrawal rate of Rs 8.4 lakh per year, his kitty would last for approximately 12 years and he may outlive his savings.

NEWS CORNER

However, the remaining corpus continues to earn and the longevity of his corpus is extended to that extent. Building the cash flows in an Excel, assuming a rate of return of 8% pre-tax and post-tax return of 30%, i.e., net return of 5.6%, the corpus lasts for 20 years. This is conservative; there is tax efficiency in debt funds for a holding period of three years and a holding period of one year for equity funds.

Taking a net return of 7% for the purpose of our illustration, post the tax efficiency, the corpus lasts for 26 years, adequate for the investor in our example. The SWP amount in our example, i.e., Rs 70,000 per month, may be a combination of dividend and SWP. Dividends in Arbitrage Funds are tax-free, hence for the first one year, this may be used for generating tax efficiency. For debt funds like MIP or Short Term Bond, for a holding period of more than three years in the growth option, the amount withdrawn in a year will get indexation benefit.

Building defensive assets

There may be another use of SWP, apart from the post-retirement sustenance discussed above. When a market, typically equity market, has run up and we are not sure whether to stay invested, SWP may be used for a gradual withdrawal into a defensive asset class. Normally, market based triggers are used for this purpose. However, SWP also may be considered for this purpose. If SIP gives you the benefit of cost averaging while entering a fund when the market level is on the lower side, SWP would impart the benefit of exit cost averaging when the market is on the higher side. You may like to re-allocate a part of your portfolio to make it less prone to volatility in a phased manner.

Joydeep Sen

(Source: Financial Express dt. 22nd Aug 2017)

Benefits of SWP

- SWP is a form of mutual fund redemption where a fixed amount is withdrawn every month
- SWP is typically used by retired people for their cash flow purposes
- The SWP amount per month is consumed and remaining corpus continues to earn the fund returns
- Since remaining corpus continues to earn, the longevity of the corpus is extended to that extent
- SWP also imparts the benefit of exit cost averaging when the market ison the higher side
- SWP may be used for a gradual withdrawal into a defensive asset class

FINANCIAL EDUCATION TRAINING PROGRAM (FETP)

National Centre for Financial Education (NCFE) has organized three Financial Education Training Program for Teachers during the second quarter of 2017-18. These are at Ghaziabad (NCR Delhi), Chandrapur (Maharashtra) and Kozhikode (Kerala).

Participants of the FETP event at Ambuja Vidyaniketan School, Chandrapur, Maharashtra held during July 28-29, 2017

Participants of the FETP event at Indirapuram Public School, Ghaziabad, held during July 19-20, 2017

Participants of the FETP event held at M K Trust Public School, Kozhikode held during Aug 11-12, 2017

The 5 financial secrets you should never reveal

Vivina Vishwanathan

Words of advice like, 'it is good to share' and 'sharing is caring' often come up in conversations, especially when we are spending time with children. Whether it is lunch, toys or sweets-sharing can bring more joy, we like to tell them. While that may be true, it is not always so when it comes to information about your finances. So, while sharing has its benefits, here are five things you should never share with anyone-even your spouse and children.

Card details: Information such as expiry date of your credit or debit card, its number, and your full name are prominently displayed on the card. Your name would be known to most people, but you should not share any other information printed on the card. It is printed there for you, not for others. These details are needed to carry out online transactions. And this information is the first level of security. Without access to it, there is no way to misuse your card. Safeguard these details and don't reveal them to any unauthorised person.

CVV: Every debit and credit card has a card verification value or CVV number on its reverse. This number is vital for completing online transactions.

This too is clearly printed on your card, and you should not share it with anyone.

Password: If you use net banking or credit cards for online transactions, you know that the transaction cannot go through without confidential details such as your customer identification number, card details and the password.

While other details, such as those on your card, may have been compromised without your knowledge; the password is completely under your control. Do not tell others about it. And just to be sure, change the password at regular intervals.

PIN: Personal identification numbers (PIN) of credit and debit cards are needed at ATMs and merchant establishments to withdraw money and complete transactions. It is a secret number and a vital security feature. Never share it and be careful while using it at ATMs and PoS machines to ensure that nobody is looking over your shoulder to steal this secret from you.

OTP: One-time passwords (OTP) are a more recent second-factor authentication tool, which make your online transactions more secure. When you purchase anything online using your card, net banking or your e-wallet; an OTP is generated and is usually sent to your registered mobile number. This is the last level of authentication, and is applicable only if you have successfully cleared the other security challenges.

Should your confidential data be compromised, this is your last defence. If you share it with someone else, the OTP may be used to clean out thousands from your account, instead of the ₹500 debit you may be expecting.

Therefore, always be suspicious if anyone asks for it. Your bank or financial service provider never will.

(Source: Livemint 1st Aug 2017)

Income Tax returns: 10 things you should know about Form 26 AS

Form 26AS is a statement issued under the Income Tax Act, 1961. Here are the top 10 things you should know about Form 26AS.

Form 26AS has details of tax deducted at source (TDS) by employer (on salary), bank (on interest), tenant (on the rent), etc.

- When Form 15G or 15H is submitted, no TDS is deducted by bank on interest income. The interest details reflect in Part A1. If you have not submitted Form 15G or Form 15H, this section will display 'No transactions present'.
- If any property is sold during the year and TDS was deducted from your receipts, the details of amount paid and TDS deducted is summarised in Part A2.
- Part B contains the details of the tax collected at source (TCS) by the seller of goods. If you are a seller and tax is collected by you, entries will be present here.
- Part C of Tax Credit Statement has details of any taxes paid by you. Details of advance tax, self-assessment tax is also present here. It also has the details of the challan through which the tax was deposited.
- Any refund that is paid by Income Tax Department, along with Interest (if any) finds a place in Part D of Form 26AS.
- Additionally, the statement also contains details of high-value transactions based on report submitted by banks and other financial institutions to Tax Authorities. High-value mutual fund purchases, property purchases, and high-value corporate bonds are all reported here.
- Every taxpayer should verify whether the TDS deducted on income and taxes paid match with details in the Form 26AS.
- Any income that appears in Form 26AS should be reported in the Income Tax Return. Non-disclosure of these incomes in your return may attract income tax notice.
- Form 26AS can be downloaded on the TRACES website or via net banking facility of authorised banks. The password for opening Form 26AS is your Date of Birth (in DDMMYYYY format). You can view Form 26AS from FY 2008-09 onwards.
- Thus, having Form 26AS while filing your income tax return can go a long way while filing your income tax returns.

NEWS CORNER

By Archit Gupta

The author is founder & CEO, ClearTax

Participants of the workshop on Financial Awareness and Consumer Training at Goa on 16th August 2017

Shri Sandip Ghose, Director, NISM and Shri S S Mundra, Dy Governonr, RBI addressing the participants of the inauguration function of Interactive Kiosk and Informative Digital Display on Financial Education held at Canara Bank, Dharavi, Mumbai

How to improve credit score: 6 top steps to big relief

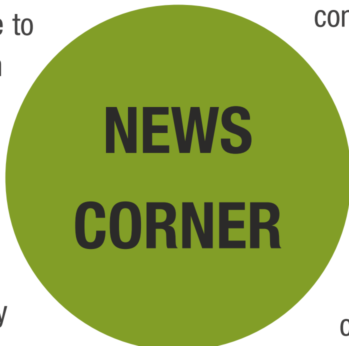
Radhika Binani

The use of credit score is no more limited to just lenders' evaluating their risk of providing you fresh credit facility or increasing your existing credit limits. They are being increasingly used for evaluating job applications and even for setting interest rates.

If you have a low score, or aiming to transform your good score to a great one, the following tips might help you.

Check report for inaccuracies

Your credit report lists your outstanding loans, EMIs, past credit accounts and your existing credit card balances. As these are used to calculate your credit score, any wrong or incomplete information, either due to clerical errors or due to fraudulent transaction or credit application, can bring down your credit score. Reviewing your credit report at regular intervals will allow you to detect such errors or frauds, and report them to credit bureau and lenders for rectification. A rectified credit report will then automatically post an improved credit score.



Pay your dues on time

Lenders report each default or delays in debt repayments to the credit bureaus, who then include them in your credit report. Although none of the credit bureaus have disclosed the weightage given to various credit criterion during credit score calculation, past debt repayment record is believed to receive the maximum weightage of all. Ensuring timely repayment of dues will steadily improve your credit score.

Use credit cards regularly

Using credit cards for making payments is equivalent to taking loans. Timely repayment of your credit card dues affects your credit score the same way as timely repayment of loan commitments do.

Thus, using credit cards and ensuring their timely repayments not only help existing borrowers to improve their credit score, it is also the most convenient way for establishing credit histories for those who have none.

Ensure a healthy credit mix

The composition of your credit mix also affects your credit score. As lenders prefer to lend to those having a higher share of secured loans like home loans and car loans, credit bureaus too score such borrowers higher. Thus, if you are planning to prepay some loan obligations, try prepay the unsecured loans first. Whenever you apply for a loan or a credit card, the lender will request your credit report from the credit bureaus. These requests are considered as hard enquiries and pull down your credit score. Thus, avoid applying directly for loans if you already have a poor credit score.

Monitor your credit utilisation

Credit utilisation ratio is the proportion of your credit card limit availed by you. Try to contain your credit utilisation ratio within 30%–40% of your total credit limit, as exceeding it will make you look like a credit-hungry person. If you are frequently exceeding the 30–40% level, ask your card issuer to raise your credit limit or get another credit card.

Monitor guaranteed loan accounts

Co-signing, guaranteeing or being a joint borrower makes you equally liable for any missed payments or defaults in those credit accounts. Your credit report will carry the same negative affect as the primary or other applicants. Hence, keep an eye on the repayments made in those accounts. Ensuring regular repayments of those accounts will also steadily improve your credit score.

Radhika Binani is Chief Products Officer,
Paisabazaar.com

Shri G P Garg, Head, NCFE inaugurating the FTEP event at Indirapuram Public School, Ghaziabad.

Participants of the National Level Symbosium on Financial Market held at Coimbatore, jointly by NISM and SNMV Institute of Management, Coimbatore.

Participants of the Financial Literacy Certification Program held at Tilak Higher Secondary School, Nerul

Financial Literacy Initiatives from National Centre for Financial Education (NCFE)

Financial Education Training Program (FETP) for School Teachers:

FETP is an initiative of the NCFE for providing unbiased personal financial education to people and organizations for improving financial literacy in the country. The program, based on two pillars; education and awareness, aims to establish a sustainable financial literacy campaign that can empower people's lives. NCFE is conducting FETP for school teachers of class 8 to 10 across India. After completion of the training, these teachers will be certified as "Money Smart Teacher" and would facilitate conducting financial education classes in schools and encourage students to obtain basic financial skills.

Money Smart School Program (MSSP):

This is an initiative of the NCFE to provide unbiased financial education in schools for improving financial literacy which is an important life-skill for holistic development of each student. The program is based on two pillars; education and awareness, and aims to establish a sustainable financial literacy campaign that will empower an entire generation.

SALIENT FEATURES OF MONEY SMART SCHOOL

- NCFE invites schools to voluntarily introduce financial literacy as a part of their existing curriculum for students of Class VI to X.
- We will provide the school, at free of cost, study material for students of Class VI to X, a set of five Financial Education Workbooks, jointly developed by the NCFE and CBSE.
- Schools can send their teachers to NCFE's Financial Education Training Program (FETP) for school teachers for training purposes. Alternatively, we can also arrange training program for interested schools separately at their own premises.
- These NCFE certified Money Smart Teachers would facilitate in conducting financial education sessions for students in their respective schools.
- Schools implementing this program will be certified as Money Smart Schools.
- A certificate and a badge will be issued by the NCFE which the schools can put up in their website and social networks.
- Training and development programs for its teachers at free of cost from time to time.
- Students will be better equipped to perform in the National Financial Literacy Assessment Test.
- NCFE will facilitate school/students visit to financial sector regulators where they can gain a perspective on how the regulatory mechanism in our country works.Schools shall get priority in future endeavors of NCFE and shall be part of social media campaign of NCFE regarding Money Smart Schools

Schools interested to organize the program may please gather the details from

Email: ncfe@nism.ac.in

Phone: +91 - 22 - 6673 5100 - 05

Summary of Interest Rates Applicable for Small Savings Schemes during Financial Year 2017–18

Summarised table of the revised rates of interest on various small savings schemes for the FY FY 2017-18 (i.e. Q1: 1 Apr. 2017 to 30 Jun. 2017, Q2: 1 Jul. 2017 to 30 Sep. 2017 and Q3: 1 Oct. 2017 to 31 Dec. 2017):

Instruments	Interest Rate (Q1 of 2017-18)	Interest Rate (Q2 & Q3 of 2017-18)
Savings Deposit (SD)	4.0	4.0
1 Year Time Deposit (TD)	6.9	6.8
2 Year Time Deposit (TD)	7.0	6.9
3 Year Time Deposit (TD)	7.2	7.1
5 Year Time Deposit (TD)	7.7	7.6
5 Year Recurring Deposit (RD)	7.2	7.1
5 Year Senior Citizens Savings Scheme (SCSS)	8.4	8.3
5 year Monthly Income Scheme (MIS)	7.6	7.5
5 Year National Savings Certificate (NSC)	7.9	7.8
Public Provident Fund (PPF) Scheme	7.9	7.8
Kisan Vikas Patra (KVP)	7.6*	7.5**
Sukanya Samriddhi Account Scheme (SSAS)	8.4	8.3

* will mature in 113 months. | ** will mature in 115 months.

Shri Sandip Ghose, Director, NISM delivering a talk on Enhancing Effectiveness – Skills for 21st Century at Christ Institute of Management, Ghaziabad.

Prof K Sukumaran, Dean, NISM delivering the key note address in the National level Symbosium on Financial Markets held at SNMV Institute of Management, Coimbatore

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