NATIONAL INSTITUTE OF SECURITIES MARKETS
An Educational Initiative of SEBI

INVESTOR EDUCATION update

Volume 6, July - Sept. 2018

Shri Ashwini Bhatia, Managing Director and Chief Executive Officer of SBI Mutual Fund, addressing participants of a workshop on Mutual Fund Awareness organized for Officers of State Bank of India at NISM Patalganga Campus

MESSAGE FROM DIRECTOR

National Institute of Securities Markets (NISM) is continuing its journey towards professionalizing the securities market industry with more and more academic courses added to its kitty. New certification courses are launched, improving the standards in tune with the requirements of the industry. The first batch of the AICTE approved two years Post Graduate Diploma in Management (Securities Market) is completing their course and getting into the market in early 2019. Currently they are undergoing internship with various market intermediaries as part of the requirements of industry exposure in the curriculum. Those aspiring specialized body of knowledge are undergoing various programs and these include P G Diploma programs in Quantitative Finance, Data Sciences, Financial Engineering & Risk Management, besides NISM's classic program - Post Graduate Program in Securities Markets.

On Certification front, NISM has launched SEBI mandated certification programs as well as non-mandated programs so that those professionals can choose their option from a variety of certification programs. These certifications ae valid for three years and can get it renewed either appearing for the examination again or attending the Continuing Professional Education (CPE) which is in workshop mode.

On Management Development Programs (MDPs), currently a series of programs are being conducted for professionals of market intermediaries. Among them, the programs on Mutual Fund Awareness for the officers of State Bank of India is unique in the sense, the participants of the program get a new fillip and enthusiasm to market mutual fund products, helping the investor community in their pursuit of searching right products for wealth creation.

Through this column, I appeal to the market participants to make best use of the facilities available in our Patalganga Campus.

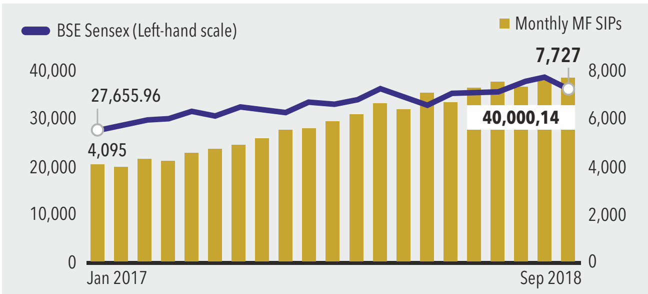
Dr. M Thenmozhi
Director

Editorial

The stock markets in India behaved volatile in the month of September 2018. The S&P BSE Sensex fell by 6.21 per cent, the highest monthly fall in the calendar year so far. The mid cap and small cap stocks suffered more as the S&P BSE mid cap index declined by 32.44 per cent and the S&P BSE small cap index fell by 15.95 per cent. Sector wise, real estate, telecom and banking suffered more, while IT and FMCG witnessed positive returns.

Many stocks which were highly valued has become reachable now. Investors should make use of this market scenario as in the long run, market is going to witness impressive growth.

In the mutual fund front also, the market decline is pronounced. However, the flow of SIPs continued and reached Rs 7,727 crores in the month of September 2018, as against Rs 4,095 crores in the month of January 2017. Total number of SIP accounts as on 30th September 2018 stood at 2.44 crores. While the equity market is expected to show turbulence in the coming days, investors need to take the route of SIPs for their long term wealth creation.



Prof K Sukumaran
Dean

Contents

Financial Literacy Certification in Schools – Pocket Money Program

During the period July-Sept 2018, NISM has organized 26 Pocket Money programs in various schools. Of these, 25 programs were conducted in Varanasi District of Uttar Pradesh. The programs were organized in Delhi Public School, Imperial Public School, Jagran Public School, Mount Litera Zee Public School, and Glorious Academy in Varanasi District. One program was conducted at Maharishi School, Chennai. The programs at Varanasi have been organized with sponsorship support from Axis Mutual Fund and implementation support from Krisha Educare.

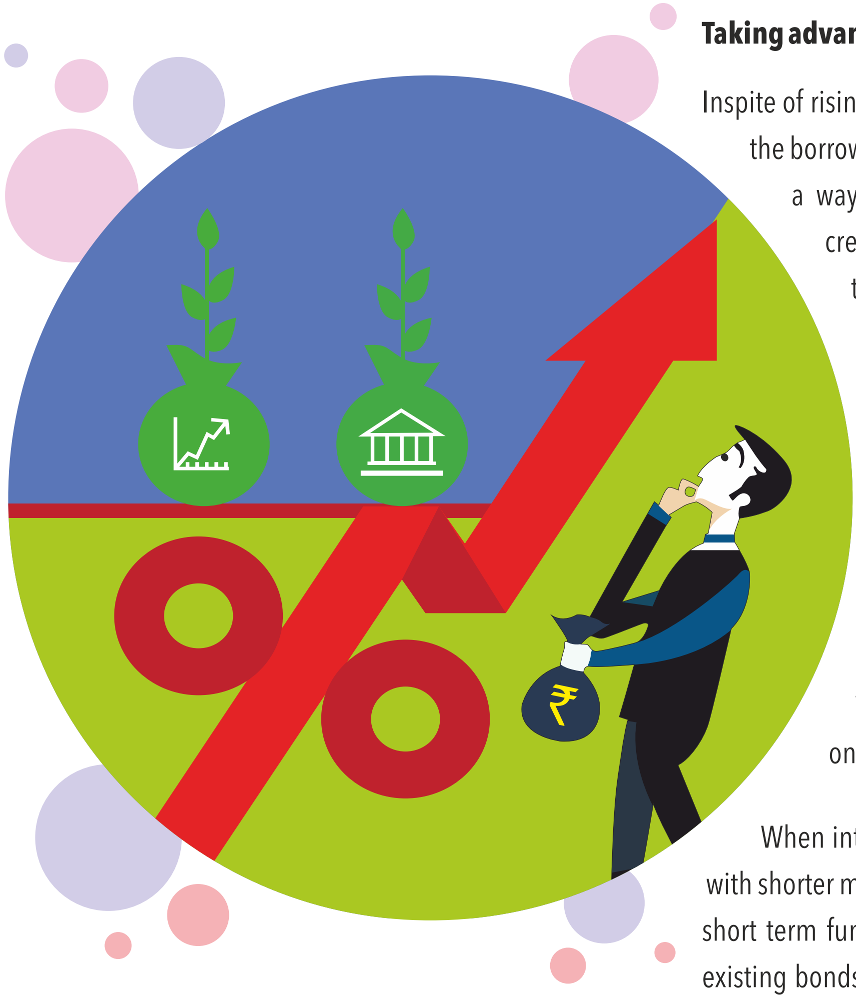
The details are as under:

Sl. No.	Name of the School	City	No. of Participants
1	Delhi Public School	Varanasi	691
2	Imperial Public School	Varanasi	174
3	Jagran Public School	Varanasi	183
4	Mount Litera Zee Public School	Varanasi	207
5	Glorious Academy	Varanasi	348
6	Maharishi School	Chennai	98
Total			**1701**

Financial Literacy Session at Delhi Public School, Varanasi

Kick off to the Financial Literacy Program in DPS Varanasi. Shri Milin M Vengurlekar, Sr Vice President, Axis Mutual Fund, Prof K Sukumaran, Dean, NISM and Prof Navin Punjabi, Mentor, Krisha Educare addressing the participants.

How mutual fund investors can benefit from rising interest rates



By: Sanjiv Bajaj, Financial Express, July 4, 2018

Inspite of rising cost of funds for the banks which would hurt the borrowers, debt investors may position themselves in a way to take advantage of the situation.

The fall in interest rates which we have witnessed since April 2014 seems to have taken a pause. And, thanks to rising oil prices and rising inflation, interest rates are on its way up. The 10-year G-Sec yield has already moved from 6.46% to 7.82% over the last one year and is all set to cross the 8%-mark anytime soon. Sensing the inflationary conditions, RBI, in its latest June policy monetary meeting had increased the repo rate by 0.25% after a gap of almost four years and is expected to increase it further in this calendar year itself.

Taking advantage of rising rates

Inspite of rising cost of funds for the banks which would hurt the borrowers, debt investors may position themselves in a way to take advantage of the situation. This is creating an opportunity for investors looking to generate competitive returns from debt investments. Such investors need to capitalise from such a rising interest rate scenario. Investing in debt mutual funds provide a better alternative during the rising interest rate scenario. However, investors need to be careful with the choice of debt mutual funds as not all of them may generate decent returns. Recently, Sebi had reclassified funds including debt funds into 16 categories based on the duration of the underlying securities.

When interest rates are looking to go up, choose funds with shorter maturity profile like the short-term funds or ultra short term funds. When the interest rate rises, the price of existing bonds fall as there is expectation of higher rates on newer bonds. As prices fall, so do the NAV of the debt mutual funds. The impact, however, is more pronounced in debt funds with underlying securities which have longer maturity profile than on the shorter term funds. Such funds, therefore, provide stable and steady returns in rising interest rate scenario.

In addition to these funds, the conservative investors may consider liquid funds and fixed maturity plans. Importantly, avoid long-term funds as they may even result in the loss of capital when rates show rising trend. Till the rates are on the upward swing, stay invested in shorter duration funds.

Bank deposits

While interest rates of certain bank fixed deposits have increased, the post-tax return and the real return post-inflation may still be low compared to other alternative investments. Conservative investors looking for fixed return may alternatively consider fixed deposits of reputed companies with decent ratings. Their return overshadows bank deposits yet provide safety to the principal invested.

When interest rates rise, the tendency of investors is to park funds in fixed income investments. But, during these times, when interest rate shows a rising trend, the investors needs to be re-looking at the risk-return equation.

As the G-Sec yield rises, so do the risk-free return and therefore the risk should be given importance over returns. As and when the interest rate cycle turns, investment in companies offering higher rate may face default risk.

Remember, debt funds are best suited for generating better tax-efficient returns when one's goals are short to medium term in nature. They, anyhow, are not meant for wealth creation over the long term. While retired and senior citizen investors may consider them as a part of their debt portfolio to meet their regular income needs, others may consider debt funds as a de-risking strategy when nearing their goals.

Financial Planning: Check your risk tolerance level before investing

By: P Saravanan, Financial Express, July 25, 2018

While assessing your risk tolerance, be realistic and honest.

In investment science, very often people use the term 'risk tolerance'. But, this term is alien to many investors as it is being used in portfolio construction to decide between investment in different asset classes and the like. Let us make an attempt to understand what is risk tolerance and how you should use the same in your wealth building mission.

What is risk tolerance?

Risk tolerance is the magnitude of the variability or volatility in the investment returns that one can bear or withstand. It is an essential concept in investing and every investor should assess his / her realistic risk tolerance level. If you do not assess your risk tolerance level correctly, in a volatile market you will panic and sell your holding at the wrong time and vice-versa.

Proper understanding and assessment of risk tolerance helps the investor to trade-off the investment returns for a better ride over a period of time.

Assessing risk tolerance

In Western countries, researchers have developed specific questionnaires which will ask several questions regarding market scenarios and gauge the risk tolerance level. For instance, questions such as what would be the reaction of the investor if the market fell by 15% during the last one year. The answer options could be (i) Do Nothing (ii) Sell the shares immediately (iii) Buy more shares (iv) Wait for a couple of months to take a decision. The answer for the questions like the above, brings out the risk bearing capacity of the investors.

For instance, a young, well-educated person who is at the beginning of his career with no loans attached is expected to work for the next 35-40 years. This person probably has a comfort level of investing and losing Rs 1,00,000 in a higher-risk portfolio. Contrary to the above, a retired person who has a limited budget for his monthly expenses may not be able to afford to book a loss of the same amount owing to his age, education, employment, etc.

Technically, through these questions one can elicit (a) How much risk are you able to handle, and (b) How much risk are you willing to handle? Once your risk tolerance is assessed, it is easier to build a portfolio of assets that make you comfortable during a longer period and even during volatile times in the market.

Be realistic

While assessing your risk tolerance, be realistic and honest. The questionnaire helps to understand your risk tolerance and any over-estimation or under-estimation will not be helpful. Often, many investors think that they are aggressive investors but in reality, they behave like a moderate investor. So, in this process they end up selling some shares in their portfolio when the market falls.

One easy way to understand your risk tolerance is that if the level of investment risk in your portfolio causes you more stress, then you may have accepted more risk than what you are willing to tolerate. To reduce your stress, you should consider making your portfolio less risky. Investors should be realistic with his/her preferences which will help to decide the right investment choices upfront, instead of correcting it later.

To conclude, abandoning a well-thought out investment strategy suddenly owing to an unfavorable stock market condition will never help an investor to achieve his or her goals in the long term. Proper risk tolerance will help you to anticipate and prevent poor investing behaviour by choosing the right investment mix.

The writer is professor of finance and accounting, IIM Tiruchirappalli

Borrowings: How to get a loan against property

Financial Express, By: Saikat Neogi | New Delhi, July 31, 2018

Public and private sector banks and even housing finance companies offer loans against property, usually providing around 60% of the value of the property as loan.

If you are in need of a loan, home equity can become handy. It is loan against a property-residential or non-residential-having clear title. The loan can be taken for various needs such as children's higher education, marriage or even buying a second property. In a home equity loan, the borrower uses the equity of his house as collateral.

Home equity loans are provided by public and private sector banks and even by housing finance companies. Banks usually offer around 60% of the actual value of the property as loan. However, the final approval of such a loan and the amount to be given will depend on the lender's policy.

Calculation of home loan equity

The eligibility of home equity loan is calculated based on the current market value of the property minus any amount the borrower owes on it. The amount sanctioned will be the borrower's equity. For banks, it is a secured loan as it gets the home as collateral.

The rate of interest for home equity loan is higher than a plain-vanilla home loan. However, the rates are much lower than other kinds of loan such as personal loan or credit card loan. One can repay the amount ranging from five years to 20 years, however, the earlier the loan is repaid, better it is.

The instalment on this loan is paid every month on top of the monthly instalment one already pays towards existing home loan. Unlike home loan which offers tax break of up to ₹2 lakh a year on interest payment and up to ₹1.5 lakh for principal repayment, a home equity loan does not offer any tax benefits on repayment.

Factors affecting home equity

The equity of a house varies from time to time depending on the real estate prices. As the real estate market depends on the economy's growth rate, demand and supply situation and the prevailing interest rates, home equity will vary accordingly. At the current stage, when home prices are stagnant and inventories piling up, home equity will not improve much, especially if the house has been bought in the last seven to ten years.

Location advantages such schools, hospitals, industries, highways and public transport facilities also help in augmenting home equity. The owner must ensure that the house is in good condition and all fittings are in place. Investments done in renovation of the house will help in getting higher value and raise the equity of the flat. Also, the owner must ensure that all bills, including house tax, are paid and there is no dispute over the property.

Loan conditions

For home equity loans, banks can give the money as lump sum, where the borrower will get the loan entire amount as lump sum.

The other option is when the bank will sanction the loan in parts depending on the borrower's needs.

The borrower will make the repayment every month. One can also make partial repayments of the principal amount depending on the surplus liquidity. Banks do not charge any pre-payment penalty on floating loan and the minimum amount of prepayment has to at least two months of EMI. A borrower should start prepaying some amount from the first year of the loan. Prepaying later does not save much in terms of interest payment. Stepping up the EMI also helps to reduce the total interest outgo in the long run. Increasing EMI is an effective way to make sure the loan is paid out early. Increase in EMI can be requested at any point of time during the loan and there are no charges for such a request. The borrower will have to give a fresh ECS mandate to the bank for the new EMI.

Documents required

Both salaried individuals and self employed can avail home equity loan. The borrower will have to provide identity and residence proof, six months' salary slips for salaried individuals, balance sheet and profit and loss account for two years for self employed individuals, income tax returns for two years, bank statement for last six months and the application form.

For the property, documents like registration deed, completion certificate, occupancy certificate, building approval plan, valuation report from bank's approved valuer and latest property tax paid receipt will have to be submitted along with application form and processing fees. So, home equity loan can be beneficial to an individual because of the ease of getting the loan.

Are you eligible for a loan? Here's what you must know

By: Adhil Shetty, Financial Express, July 9, 2018

Asking for a loan without having an idea about your credit worthiness may increase the chances of facing rejection and dent your credit score further.

For a first-time loan seeker, it's often not easy to understand his or her eligibility for a loan. And approaching a lending institution without having an idea about one's credit worthiness may only increase the chances of facing rejection. If enquiries and rejections happen repeatedly, it makes a dent on the credit score which in turn reduces the borrowing capacity further.

Let's take a quick look at the ways you can understand your loan eligibility before applying for a loan.

What's your EMI-paying capacity?

When you take a loan from a regulated lender such as a bank or NBFC, you need to repay the money with interest as per a monthly repayment schedule. The repayment is broken down into EMIs. When you apply for a loan, the lender takes into consideration several factors related to your profile and the purpose of borrowing before deciding on the loan amount that you can be given. Every lender sets his own parameters for lending. For example, say, your monthly salary is Rs 50,000 and you are paying a car loan EMI of Rs 7,000. Now, if you are seeking a home loan, the maximum EMI you are eligible for would be Rs 15,500. The maximum loan amount you would be eligible for is Rs 17.6 lakh. So if you go seeking for a loan higher than that amount, you might face challenges.

Take stock of existing loans

Banks and financial institutions look at the existing loans an individual holds among other things to arrive at his repayment capacity. The bigger your current loans are, the lower your EMI-paying capacity will be, thus affecting your eligibility for a new loan. If you have repayment pending for loans, you may want to reduce them or pre-close them before opting for a new loan.

Check loan criteria

For many lending products, the eligibility criteria is clearly mentioned on the lender's website or product brochure. For example, one lender may need you to be above 21 years and below 60 years. Another may need a minimum monthly income of Rs 25,000. Some may offer you a preferential interest rate if you're working with an MNC or a PSU, others may give concession on interest rates to women. Some banks may prefer candidates who have spent at least a year in their current jobs and have a minimum total work experience of two years. Also, the criteria will differ from one loan product to another. For example, the criteria for a home loan could be significantly different from that of a personal loan with the same lender.

Check credit score

Your credit report is something a lender will refer to in order to determine your credit worthiness and the interest rate applicable. A credit report is a collation of your borrowing history. It also mentions your credit score-a numerical expression of your creditworthiness. It typically ranges between 300 and 900, 900 being the perfect score. Many lenders today provide attractive interest rates to borrowers whose scores are at 750 or above. So what is your credit score? You need not be in the dark about it. Just Google for "free credit report", and get yours for free in two minutes. Refer to the report to understand your creditworthiness.

Use an online calculator

Lastly, there are many online loan eligibility calculators. They calculate your eligibility using your current income, current liabilities, and the EMIs on your existing loans. Use them to get an idea of how much you can borrow given your vitals.

The writer is CEO, BankBazaar.com

INVESTOR EDUCATION PROGRAMS

During the second quarter of the financial year 2018-19, NISM has organized 19 investor education programs. These include programs organized at 16 colleges for the benefit of students and two programs held for the benefit of school teachers.

One program was organized for Mutual Fund Distributors, a mega meet at the Mutual Fund Round Table (MFRT) Conference held in New Delhi. In all, 2829 participants got benefitted. The details of the program are as follows.

Participants of the Mutual Fund Round Table Conference organised by Ask Circle at New Delhi

Investor Education Programs			
Sl. No.	**Date**	**Venue**	**No. of Participants**
1	16 July 2018	Indian Institute of Science, education & Research, Chandigarh (IISER)	40
2	2 August 2018	Department of Economics, Kurukshetra University	70
3	3 August 2018	Dept of management studies, Northcap University, Gurgaon	92
4	3 August 2018	Mutual Fund Round Table Conference 2018 held at New Delhi (IFAs)	980
5	11 August 2018	Maharishi School, Chennai	40
6	21 August 2018	Takur College of Arts and Commerce, Kandivli, Mumbai	240
7	27 August 2018	Financial Literacy Counsellers of Karnataka State	48
8	28 August 2018	Financial Literacy Counsellers of Karnataka State	48
9	31 August 2018	Sagar Institute of Research and Technology, Bhopal	78
10	31 August 2018	Jagran Lake University, Bhopal	72
11	4 Sept 2018	KES Shroff College of Arts and Commerce, Kandivli	320
12	5 Sept 2018	Amrita School of Business, Coimbatore	112
13	6 Sept 2018	PSGR Krishnammal Women's College, Coimbatore	240
14	8 Sept 2018	SGT University, Gurgaon	82
15	11 Sept 2018	R.R Bawa DAV College for women, Batala Amritsar	105
16	11 Sept 2018	S L Bawa DAV college, Batala Amritsar	91
17	12 Sept 2018	Govt Sr. Sec School Batala Amritsar	33
18	17 Sept 2018	Gyan Ganga Institute of Engineering and technology, Jabalpur	118
19	17 Sept 2018	University Institute of Management, Jabalpur	20
Total			**1701**


Northcap University, Gurgaon


Maharishi School, Chennai


Financial Literacy Counsellers, Bangalore


Financial Literacy Counsellers, Bangalore


Sagar Institute of Management, Bhopal


Jagran Lake city Institute of Management, Bhopal

KES Shroff College, Kandivali

Amruta Business School, Coimbatore

PSGR Krishnammal College for Women, Coimbatore

SGT University, Gurgaon

Gyan Ganga Institute of Management, Jabalpur

Kurukshetra University, Kurukshetra

How to disclose capital gains in your income tax return

Ashwini Kumar Sharma, Livemint, July 10, 2018

If you have sold shares, mutual fund units, property or gold, you must disclose the gains in your income tax returns (ITR). Here's how to calculate your gains and disclose them

Profits or gains arising from transfer of a capital asset such as property, gold, shares and bonds are considered capital gains and taxed under the income head "capital gains". Graphic: Jayachandran/Mint

While filing your income tax return (ITR) for assessment year (AY) 2018-19, the deadline for which is 31 July, don't just look at the Form 16 you get from your employer even if you are a salaried individual. Make sure you disclose gains or losses made from selling shares or redeeming mutual fund (MF) units, or selling a property or jewellery.

Irrespective of the amount gained or lost, one must disclose capital gains or losses while filing ITR. Here is how you can calculate capital gains from different assets and how to disclose them while filing ITR.

HOW MUCH TAX YOU PAY ON CAPITAL ASSETS?

For any capital asset you hold, you may need to pay tax depending on the period of holding. Here are the tax rates for various holdings over short-and long-terms for individuals for AY 2018-19

	Short-term capital gains tax rate	Long-term capital gains tax rate	What is longterm?
Stocks	15%	Exempt*	More than 1 year
Bonds	Slab rate	10%	More than 1 year
Gold	Slab rate	20%**	More than 3 year
Real estate	Slab rate	20%**	More than 2 year
Equity-oriented mutual funds	15%	Exempt*	More than 1 year
Debt-oriented mutual funds	Slab rate	20%**	More than 3 year
Sovereign gold bond	Slab rate	Exempt	1 year, if listed; 3 years, unlisted

Tax rates mentioned above exclude cess and surcharge. Only listed stocks and bonds are considered. 'Long-term capital gains exceeding ₹ 1 lakh on sale of equity shares and units of equity-oriented mutual funds will be taxable at 10.4% without indexation for assessment year 2019-20** With indexation

Source: Mint Research

Calculating capital gains

Profits or gains arising from transfer of a capital asset such as property, gold, shares and bonds are considered capital gains and taxed under the income head "capital gains". Such gains are of two types–short-term and long-term–depending on the period of holding. Capital gains are calculated by deducting the cost of acquiring the asset from its sale value. But the rules are different for different assets.

Real estate: Gains made from transfer of immovable property (land, house, apartment) within two years of purchase are considered short-term capital gains (STCG); after two years, they become long-term capital gains (LTCG). The LTCG rate is 20% with indexation, while STCG is taxed at the slab rate.

To calculate LTCG, first calculate the indexed cost of acquisition "by multiplying the cost of acquisition with the notified cost inflation index (CII) for the year of sale and dividing this by CII of the year of purchase," said Sandeep Sehgal, director-tax and regulatory, Ashok Maheshwary & Associates LLP, a chartered accountancy firm. But if the asset was bought before 2001, then you need to use the fair market value (FMV) as on 1 April 2001 and then calculate the indexed cost of acquisition. For instance, if the property was bought in 1995, you need to calculate the property's FMV as on 1 April 2001 and then arrive at the cost of acquisition. Read more on how to calculate FMV and indexed cost of acquisition at here and here.

The rules are different for inherited or gifted property. Here, the "cost of acquisition incurred by the previous owner and his or her period of holding is considered to compute gains," said Sehgal.

Any expense necessary at the time of the asset's acquisition or transfer can be added to the indexed cost of acquisition. For instance, stamp duty, registration fee, brokerage charges and legal fees.

However, you can avoid paying LTCG tax on property transfer or reduce the tax implication to some extent by reinvesting the capital gains into a residential property or specified infrastructure bonds, within a specified time period.

Shares and mutual funds: Gains from transfer of shares and equity oriented mutual funds within a year of purchase are considered STCG; after a year, they are considered LTCG. For the current AY 2018-19, STCG tax for such assets is 15%. Whereas LTCG from equity is exempt from tax.

But from next AY i.e. 2019-20, LTCG will be taxed. Because, the Finance Act, 2018 withdrew the exemption granted under Section 10(38). A new section, 112A, was introduced with effect from 1 April 2018. "It provides that LTCG from equity exceeding ₹1 lakh per year shall be taxable at the rate of 10% (plus applicable surcharge and cess) without any indexation benefit," said Taranpreet Singh, partner, TASS Advisors, a chartered accountancy firm. There is also a provision of grandfathering.

In case of short-term capital loss (STCL), it can be set off against other STCG. It can also be carried forward to subsequent financial years for set-off. Long-term capital loss (LTCL) are not allowed to be set off or carried forward.

Expenses incurred in transacting shares or equity mutual fund units can be claimed for deduction when calculating capital gains.

For debt-oriented funds, both holding period and tax implications are different. Gains made from selling debt-oriented fund units within 36 months of holding are considered STCG and taxed at the slab rate. "Sale of debt-oriented fund units shall trigger LTCG tax when the holding period is more than 36 months. The rate of tax is 20% (plus applicable surcharge and cess) with indexation benefit," said Singh.

Gold and bonds: "Jewellery or bullion are chargeable to capital gains tax, irrespective of the method of acquisition-self-purchased, gifted or inherited," said Sehgal. If sold before three years from the date of purchase, gains are considered STCG, else LTCG. STCG from sale of gold is taxed at the slab rate, and LTCG at 20% with indexation.

There are different rules for bonds depending on the issuer and other features. For instance, listed corporate bonds are considered short term if sold before one year from the date of purchase. STCG is taxed at slab rate. If such bonds are sold after a year, the gains are considered LTCG and taxed at the rate of 10% without indexation. Apart from these, specified tax-free bonds (listed or unlisted) are covered under Section 10(15) of the Income Tax Act and are exempt from tax.

Disclosing gains in ITR

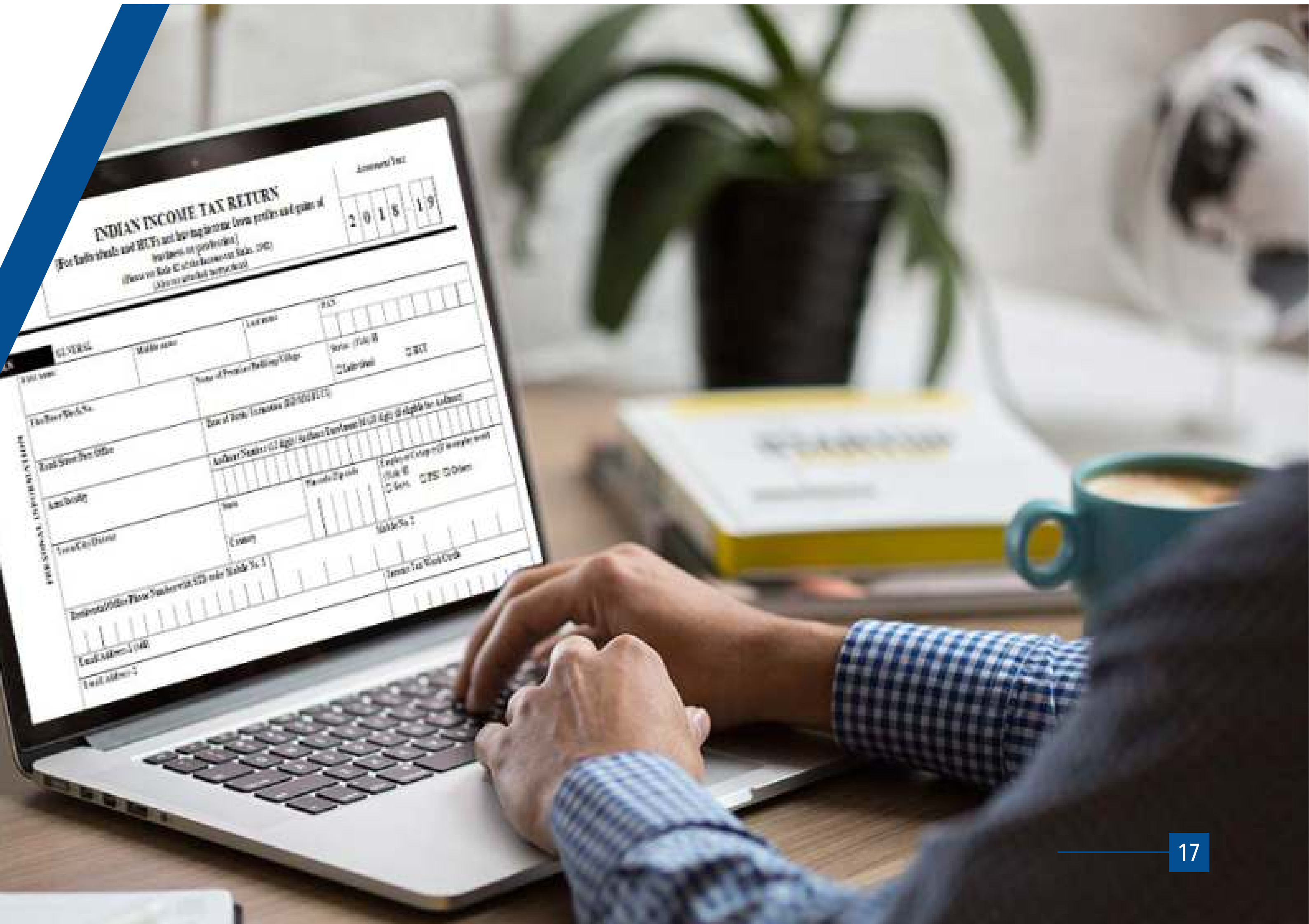
Once you have figured out what your capital gains or losses are, the next step is to include them in your ITR form. There are different ITR forms based on the type and amount of income. "Individuals with income from salary and capital gains are required to fill ITR-2," said Singh.

This AY 2018-19, you are required to put the details and break-up of each income in your return, including capital gains. "The requirements regarding capital gains in ITR-2 are extensive and depend upon the type of asset sold and period of holding, whether it is a long-term capital asset or a short-term capital asset. Generally, the details to be disclosed are the date of sale and purchase, purchase amount, sales consideration, type of asset, transfer expenses and so on. If the capital asset is a security, you need to furnish additional information like whether STT is paid or not, whether it's listed or unlisted," said Sehgal.

Apart from that, expenses claimed while calculating capital gains should also be mentioned clearly. For instance, "brokerage and other expenses in connection to transfer to compute the capital gain, also need to be mentioned," said Singh.

Even if capital gains earned are tax-exempt, they need to be disclosed in the return. There is a separate space in the ITR to mention details of exempt incomes. "It is also advisable to disclose all kinds of exempt income, including exempt capital gains. Such exempt incomes are to be disclosed in Schedule EI," said Sehgal.

Over the years, the tax department has become vigilant and tracks all transactions and compares them with the return filed by an individual. Misreporting or under-reporting income can be traced, and may result in penalty and fine. If you have transacted in capital assets or have any other type of income which you are unsure of how and where to disclose, take the help of chartered accountants or tax return preparers to help file your ITR



Equity outlook: As valuations look wobbly, stick to SIP

By: Atul Kumar, Financial Express, July 11, 2018

During the month of June, S&P BSE Sensex appreciated 0.50% on total return basis. S&P BSE Mid cap and S&P BSE Small cap indices continued their declining trend.

The economic situation in India continues to be more challenging than in the past few years.

During the month of June, S&P BSE Sensex appreciated 0.50% on total return basis. S&P BSE Mid cap and S&P BSE Small cap indices continued their declining trend. S&P BSE Mid cap index fell 3.47% whereas S&P BSE Small cap index declined much sharper by 7.03%. Small and midcap stocks were doing much better for the past three years compared to large cap indices. Many of such stocks were priced very high and seemed to be in bubble territory. In the six months of 2018 so far, S&P BSE Sensex rose 4.69%, whereas midcap and small cap indices fell by 13.1% and 16.5% respectively on total return basis.

Sectoral watch

Among sectors, pharmaceutical space was a clear winner followed by IT services. One big healthcare company got approvals for its plant from US FDA. Some other pharma companies also got product approvals, giving a shot in the arm to their stock prices. IT services stocks also rose on depreciating rupee which would boost their revenues. Business prospects of IT companies are also improving.

Power, real estate and capital goods were the sectors that lost most during the month. Rupee maintained its depreciating stance as the US dollar strengthened.

FIIs were net sellers during the month of May. They sold stocks worth Rs 377 million during the month. So far in the current year FIIs have offloaded Rs 622 million worth of stocks. Appreciating dollar and reduced liquidity is leading to sale by foreigners in most emerging markets including India.

Domestic institutions have been buyers to the tune of Rs 2.1 billion for the month countering FII action. While MFs bought stock worth Rs 1 billion, insurers stepped up with purchase of Rs 1.1 billion. In 2018 so far, DIIs have been purchasers of Rs 9.45 billion.

Among global events, US Fed increased interest rates by 0.25% during the month of June. There are expectations of two other rate increases in 2018 by the central bank. Other central banks as Japan and Eurozone could also apply brakes. As expected, there has been withdrawal of foreign funds from most emerging markets. This could likely continue in future.

Domestic economy

The economic situation in India continues to be more challenging than in the past few years. RBI increased interest rates during the month by 0.25%. Inflation has also moved closer to 5% (4.9% for May) compared to benign environment earlier. The government has intention to increase MSP for food items, which could further fuel inflation. On the positive side, there has been a gradual improvement in performance of many companies. Several data points also suggest good growth in production from factories in recent month. However, some of this could be due to base effect.

Monsoon data so far points towards a normal rainfall. Given better farm prices with eye on the next general elections, agriculture sector could see better prospects. Another state joined the farm waiver bandwagon during the month, which will bring some respite to the stressed sector.

Barring a few sectors, valuations of stocks are at high levels. While share prices have run up, earning of companies are picking up now only after a four-year hiatus. High level of liquidity globally has driven up stock prices.

The writer is head, Equity Funds, Quantum Mutual Fund

MUTUAL FUND AWARENESS PROGRAMS

During the period, NISM has organized three programs under Mutual Fund Awareness, all to the officers of State Bank of India. The details are as under.

Mutual Fund Awareness Programs					
Sl. No.	**Name of Programme**	**Dates**	**Venue**	**Participants Profile**	**No. Of Participants**
1	Workshop on Mutual Funds Awareness	23-25 July 2018	NISM Patalganga Campus	Officers of SBI	62
2	Workshop on Mutual Funds Awareness	26-28 July 2018	NISM Patalganga Campus	Officers of SBI	62
3	Workshop on Mutual Funds Awareness	14-15, Sept. 2018	NISM Patalganga Campus	Officers of SBI	33
Total Participants					**157**

Program on Fixed Income Securities Awareness:

NISM has organized a One Day Program on Fixed Income Securities for the benefit of bank officers associated with SBI managing the Provident Fund Trust

Sl. No.	Name of Programme	Dates	Venue	Participants Profile	No. Of Participants
1	Workshop on Fixed Income Securities	10 Aug 2018	Chennai	Officers affiliated to SBI Provident Fund Trust	42

Workshop on
Mutual Funds and
Wealth Management
July 23-25, 2018
NISM Campus,
Patalganga

Workshop on
Mutual Funds and
Wealth Management
July 26-28, 2018
NISM Campus,
Patalganga

Participants of the Workshop on Fixed Income Securities held at Chennai

Dr M Thenmozhi, Director addressing the participants of the Program on Mutual Funds

Participants of the Program on Mutual Funds and Wealth Management organized during Sept 14-15 for SBI Officers.

Convert physical shares into demat at the earliest: All you need to know

By Priyadarshini Maji , Financial Express, July 13, 2018

Financial planners say there are many clients who keep shares in physical form. These investors believe that having them in bank lockers insulates them from any fraud. They are wrong. There is a big chance that such shares may be duplicated, and fraudsters might claim dividends and other benefits that would have been theirs.

Against this backdrop, the Securities and Exchange Board of India's (Sebi's) recent directive to shareholders that their share certificates should be converted into dematerialised (demat) form by December 5, 2018, comes at the right time.

The regulator has also amended the Listing Obligations and Disclosure Requirement (LODR) regulations, which state that transfers of securities will not be processed unless they are held in demat form with a depository. In other words, investors holding shares in listed companies need to meet the December deadline, or else they will not be able to transfer or sell securities.

Keeping shares in physical form is a major problem. According to a recent Asian equity strategy report by Morgan Stanley, the market capitalisation of Indian equities was at $2.3 trillion in 2017. Around $40 billion is held via physical shares.

Experts say this measure will affect senior citizens, especially because most of them still hold shares in physical form.

Sebi's step is mainly aimed at reducing fraudulent transfers. A recent investigation by the regulator showed several cases of agents fraudulently transferring shares from the accounts of deceased holders. These shares were in physical form and had not been claimed by the nominee or legal heir. "There have also been several cases where fraudsters have created forged documents to claim dividends that had remained unclaimed for years," says Rachit Sharma of Taxmann. He adds this change should have been made much earlier.

Dematerialising shares has many advantages. These shares can be transferred electronically, reducing transaction cost. "Dematerialisation allows for paperless trading where share transactions and transfers are processed electronically without involving any share certificate or transfer deed. Dematerialisation will save time and reduce transaction cost," says Bharat Anand, partner, Khaitan and Co. Another advantage is that dematerialised share certificates cannot be stolen.

The parties involved in dematerialisation include the issuer company, depository, depository participant, registrar and transfer agent, and shareholders. Depositories are institutions registered under Sebi to maintain accounts of shareholders' securities (shares, debentures, and mutual funds) held by them in dematerialised form. At present National Securities Depository Ltd (NSDL) and Central Depository Services Ltd (CDSL) are registered with Sebi and act as depositories.

They interface with shareholders through depository participants (Dps), with whom you need to open an account to deal in electronic form. By dematerialising share certificates, investors can also avoid the time-consuming and complex process of getting shares transferred in the buyer's name.

In another recent circular, Sebi had also simplified the process of notifying name change on securities held in physical form. This move will simplify the procedure for change of name in the individual Beneficial Owner's (BO's) account. "Simplifying the name change procedure will make it convenient for investors to change their name in situations such as marriage, divorce or rectification of name," says Sharma.

How to convert shares to demat

- Open a demat account with a depository such as NSDL or CDSL by filling a demat account form and submitting documents like PAN card and other identity proof
- Fill a demat request form and surrender the share certificates
- The depository will send an electronic request to the registrar and transfer agent (RTA), along with the physical shares
- The RTA will verify the physical shares and, if found in order, it will write "surrendered for demat" on them
- The RTA will approach the company. Once the register of members of the company has been amended, a confirmation will be sent to the depository
- Your demat account with the depository participant (DP) will be credited with the demat shares

CIBIL Score: Top tips to ensure a healthy credit footprint

By Hrishikesh Mehta, Financial Express, July 13, 2018

If your credit score is under 760, you will have to work towards building a better credit profile

A credit score ranges between 300 and 900, and helps lenders assess the probability of default of a borrower.

Until a few years ago, most people were unaware of how banks would evaluate their eligibility for a loan. Today, lenders are not only becoming increasingly transparent about their home loan underwriting processes but they are also rewarding those consumers who have demonstrated good credit behaviour–a CIBIL score of 750 or higher.

Preferential pricing

Preferential pricing is beginning to take root as the new mantra. This paradigm shift has been led by several public sector banks, giving this an added impetus. All have announced discounted rates on home loans for consumers with a CIBIL Score above 750. A moot point is that this paradigm shift is more visible in the housing loan space, with one bank having incorporated it in the retail loans space. However, it is but a matter of time before this concept gains traction across loan segments. Before the existence of credit bureaus, lenders lacked the ability to identify payment behaviour until the consumer developed a track record with that lender. That has changed with the wide usage of credit bureaus in the last decade.

A credit score ranges between 300 and 900, and helps lenders assess the probability of default of a borrower. A high score indicates credit-discipline and a higher probability of loan repayment. Hence, consumers with a high score have a better chance of getting a loan and can use this to negotiate a better deal with lenders.

However, if your score is under 760, you will have to work towards building a better credit profile. Here are some tips to help you on your journey to better credit health:

Build a positive credit profile:

Start small: Timely payments on a consumer durable or a short-term loan helps build a positive credit footprint–the EMIs are lower in amount and the loan period is shorter, making it easier to repay.

Apply for new credit in moderation: Lenders will be wary of a sudden increase in credit appetite.

Maintain healthy credit footprint

Pay your dues on time: Late payments are viewed negatively by lenders.

Keep your balances low: Control your utilisation.

Maintain a healthy mix of credit: It is better to have a healthy mix of secured (such as home loan, auto loan) and unsecured loans (such as personal loan, credit cards). Too many unsecured loans may be viewed negatively. Monitor your co-signed, guaranteed and joint accounts: You may be surprised to know that you can be held equally liable for others' negligence (such as missed payments) in co-signed, guaranteed or jointly held accounts. So keep track of loans and other accounts that you may have guaranteed.

Review your credit history frequently throughout the year: Monitor your credit score and report regularly to avoid unpleasant surprises in the form of a rejected loan application. So start tracking your credit profile regularly and working towards a higher credit score to avail of score-based preferential pricing discounts and loan offers when the opportunity arises.

Tax planning: Four tips for selecting tax - savings investments

By: Saikat Neogi, Financial Express, August 14, 2018

While the extended date of filing income tax returns for assessment year 2018-19 will end on August 31, it is time to start tax planning and investment for this year. It becomes even more important because of the volatile equity markets and rising interest rates. A proper tax planning helps a taxpayer to reduce tax liability and invest for various goals at different life stages.

For most individuals, tax planning comes as an afterthought. The earlier one plans, the more time one has to act. It also saves one from not investing in the wrong tax-saving products. For tax-savings related investments look at the tenure, returns offered and the taxability of the returns.

Since tax-savings related investments are for the long-term, one should look at the compounding benefits. Wealth is expected to meet certain requirements–family needs, security in emergencies, leisure spends and retirement needs. So, if your wealth is unable to meet these requirements in a timely manner then the purpose of wealth management is defeated.

Do not just look at good returns

While investing, most individuals look at the good returns promised in the sales pitch. Before buying a life insurance policy or equity-linked savings scheme for tax savings, understand your needs and whether the product is suitable or not.

Or else, the portfolio will be at the mercy of the products and this is certainly not wealth management. Even when setting objectives, clarity is the deciding factor. Several studies suggest that setting goals increases the success rate.

Adjust taxes deducted at source

For salaried taxpayers, the employer will deduct taxes at source after calculating all deductions on investments done. Inform your employer about your investments at the start of the financial year so that your employer can deduct only taxes that you are liable for. Review with your employer at least twice a year to understand withholding tax. The extra money on hand can be wisely invested and earn you compounding returns.

Spread out long-term investments

As investments to save tax will be done every year, spread out the long-term investments for compounding benefits. One of the advantages of long-term investing is that inculcates a habit of regular savings and investing in a disciplined manner. It will help to accumulate a sizeable corpus for long-term needs such as children's education and retirement. Staying invested for the long-term will also help an investor to understand the market cycles and can be used later to one's advantage by booking profits.

Exhaust Section 80C limit

Under Section 80C of the Income-Tax Act, 1961, an individual can invest up to `1.5 lakh, which includes investments in Employees' Provident Fund, Public Provident Fund (PPF), life insurance premiums, national savings certificates of India Post, tax-saving mutual funds, five-year bank and post office fixed deposits.

Public Provident Fund is the most popular tax-saving instrument and the interest rate is linked to bond yields. Currently, PPF gives a return of 7.6% per annum compounded yearly. The rates may change every quarter depending on the bond yield. The National Pension Scheme is an ideal investment tool for retirement planning. While it is market-linked, it is less volatile than mutual funds in the long run because of asset mix of equity, government debt and corporate debt. Tax benefit is available on investment of up to `50,000 in a year under Section 80CCD, which is over and above the benefit available on `1.5 lakh under Section 80C. After maturity, 20% of the corpus is taxable and 40% is invested for annuity.

Equity-linked savings scheme (ELSS) is a more risky option than provident fund. However, being market-linked product, it can give higher returns provided one invests in a good fund. Tax-wise, ELSS scores over other market-related investments as returns are tax free and one gets tax benefit under Section 80C.

To maximise returns, an investor must plan tax-savings investments at the beginning of set timelines for investments. Any last moment planning will mean that the individual will buy unsuitable products.

5 mistakes you should avoid when setting financial goals

By Sunita Abraham, Financial Express, Aug 14, 2018

Setting goals is just the first step in the disciplined journey that will secure your financial future. If you don't want to leave anything to chance where your security is considered, then you need to be aware of the big and small errors and oversights that can trip you up. Here are five mistakes you should avoid when setting goals to give yourself the best chance.

Seeing financial goals in isolation

One of the biggest errors in financial planning is not seeing your goals as linked to your overall finances, namely, income, savings, investments and the other goals you may have.

Your goals should be an essential factor in all the financial decisions that you make. For example, the success of your retirement goal is linked to how well you are able to budget and save from your current income to invest for the future.

Each goal should also be seen in conjunction with other goals that you may have. Prioritising the goals so that the focus is on those that are important to your financial situation will stand you in good stead.

If building an emergency fund to cover six months of income and emergencies is a goal, then you may have to cut back on other closer-term goals so that your savings can be better used to meet the more important target.

The goals you set must be feasible given the level of income and savings of the household. For instance, early retirement may not be a practical goal for a single-income household with multiple members.

Not aligning goals with investments

Delinking the goal from the process of accumulating the corpus required to meet it is another frequent error people make. The investment options you choose to accumulate the funds required has to be aligned to the features of the goal.

You may put a near-term goal at risk if you channel savings into equity products for higher returns and your savings lose value in a market downturn. Similarly, you may be condemning your long-term goal to being underfunded if you ignore the time horizon available to take some risk for better returns and your savings are invested in low-risk fixed income products.

Other investment features that need to be aligned to the goal include the ability to generate income, liquidity, volatility in value, ability to make periodic investments and others.

For example, a product such as the Public Provident Fund (PPF), which does not pay out regular income or allow regular withdrawals, is unsuitable to hold a corpus accumulated to meet regular monthly education expenses at the stage when the goal has to be met.

Not defining specific goal posts

Just stating the need but not defining the goal posts to work towards is unlikely to give the results you seek. For example, if your goal is accumulating the down payment for a home in five years but you fail to quantify the amount required, you will not have a target to work towards.

Goal posts also allow you to measure your progress towards a goal and take corrective action if you are falling short before it is too late. This is particularly important for long-term goals of large value, where you are tempted to give preference to immediate goals in the hope that you can catch up later. Break large, long-term goals into smaller short-term goals to make it easier for you to measure progress and make it seem less daunting and achievable. As you get to each short-term post, it will motivate you to stay the course.

Similarly, "I want to retire early" is unlikely to get you to your goal since you are leaving it open-ended. But "I want to retire at 50" gives you an end date to work towards.

Ignoring the importance of flexibility

Another common error that most people make is not realising that needs and goals are dynamic and their features change over time. This necessitates changes in financial actions taken for the goal. For example, a goal that you see as long term will reduce in term as time passes. Accordingly, the investments made also need to be rebalanced to reflect the risk that you can now take given the shorter holding period.

Similarly, you have to be flexible about goals. You may have to consider postponing your retirement if some of the savings have been diverted to, say, sports coaching for your child. Or, existing goals may cease to be relevant and new ones may take their place. The savings already made for the erstwhile goals may now be assigned to others.

But remember, the investments have to be rebalanced to reflect the needs of the new goals for the fit to be right.

"A financial plan made today is based on the information available now, which will not be relevant forever," said Suresh Sadagopan, founder, Ladder7 Financial Advisories.

Not building review into the planning process

Setting goals require making assumptions about a number of factors. The cost of meeting the goal is estimated based on the current cost and estimated inflation. The savings is based on the assumption on your income and ability to control expenses. The investments are selected based on the expected performance. If any of these assumptions change it leads to a change in your goal post.

A periodic review of these assumptions will help spot deviations early and take corrective action. It will also help you plan ahead if you find that you are going to fall short on your requirements. It is important to build a review process into your financial plan to account for the dynamic nature of goals and to translate the changes into actions.

Set a review cycle, say, annual or semi-annual, to assess the relevance of the goals themselves and the validity of the assumptions made.

Before you include a goal into your plan, ask yourself why it is important to you. If your goals are not driven by the right reasons, then it may be difficult to be committed. Don't let setbacks in the journey to your goals take you off track. Stay focused and seek help from a financial planner or others, if required, to get back on course to make a success of your goals.

Investing for the long term? Here are five tips to follow

Manish Kothari, By: Financial Express Bureau| New Delhi | August 13, 2018

Every investor must realise the magical power of compounding.

Apart from the long term capital gains (LTCG) tax that garnered a lot of attention after this year's budget announcement, another 'LTCG' which everyone must consider in their financial plans is 'Long Term Commitment to Goals'. Here's how to adopt an LTCG approach while planning to invest for long-term wealth creation:

1. Start investing early

Every investor must realise the magical power of compounding. Investing early is as important as investing wisely.

And when you begin investing early, you enable the power of compounding to start working to accumulate greater wealth over the long term. The later you begin to invest, the lesser you would be able to reap the benefits of compounding, and therefore get lower returns on your investment.

2. Time-frame for each goal

Each investment you make should have a specific goal allotted to it so that you know the exact corpus and time you need to achieve it. Not tying your investment to any financial goal may lead to wrong investment decisions. For example, investments for retirement would have a time horizon of 30-35 years for a 25-year old.

Investing for child's higher education may have a horizon of 10-15 years.

3. Asset allocation strategy

Asset allocation is key for efficient long-term financial planning. It simply means distribution of your savings across different investment types, such as debt, equity, gold, real estate, etc. Over the long term, asset allocation has a greater impact on your investment's returns, than market timing. Earmarking a portion of your portfolio for emergency funds and short-term goals would help in maintaining liquidity in your asset mix. Make sure your asset allocation strategy is in alignment with your risk appetite, returns expectations and financial goals.

4. Invest in equity SIP

Equities have, for long, been the most suitable asset class to invest for long-term goals (5 years and above). They not only outperform almost all other asset classes, but also provide inflation-beating returns over the long term. For the dual benefit of tax saving and long-term equity investment, explore the option of equity linked saving scheme (ELSS).

Whether you are a new investor or an existing one, to avoid the risk of market timing, it's wiser to invest in equities through SIP (Systematic investment plan) route. SIPs allow you to maintain a disciplined approach towards creation of the desired corpus, by auto-debiting the set amount on the preset date and frequency.

5. Do not disturb emergency fund

Creation of long-term wealth not only involves fulfillment of long-term financial goals, but also the maintenance of an adequate emergency fund. While you stay invested for long term, make sure you have built a sufficient emergency fund, which should ideally amount to at least six times your monthly expenses. No matter what actions you take regarding your investments, whether it's rebalancing your portfolio or a change in financial goals, your emergency fund shouldn't be disturbed.

For long-term wealth creation, patience is the biggest virtue. Short-term market movements shouldn't be the driving force behind your investment decisions or related actions. Practising patience and staying invested would ultimately reap the desired benefits and returns. Re-evaluate your investment decisions, like choice of funds, only if they underperform for a significant period of time.

(Manish Kothari is director & head of mutual funds, Paisabazaar.com)

Where should you invest after retirement? Making savings last a challenge

Priyadarshini Maji, Financial Express, August 8, 2018

Invest one part of your retirement corpus in fixed income products to generate a regular income, and the other in growth assets to combat inflation

With life expectancy going up due to the availability of better healthcare, most people can easily expect to live for another quarter century or more after retirement. Hence, it is important that they invest their retirement corpus with due care. Not only should it last throughout their lifetime, but it should also help them deal with inflation so that they do not have to compromise on their lifestyle due to lack of funds. When people retire, the nature of expenses they incur changes. "Conveyance expenses and lifestyle-related expenses are likely to go down. Most loans would hopefully have been paid off, so the burden of repaying them is usually not there. However, medical expenses can go up," says Suresh Sadagopan, founder, Ladder7 Investment Advisories. Financial planners say that post-retirement, household expenses are about 80 per cent of what one spent during working years.

Where should you invest? The retirement corpus should be divided into two parts: One portion should generate a regular income, while the other should be invested in growth-oriented instruments that will help the corpus grow and be able to combat inflation. "Senior Citizen Savings Scheme, Pradhan Mantri Vaya Vandana Yojana, bank fixed deposits, and National Savings Certificate are some of the safest instruments for generating a regular income for senior citizens," says Sadagopan. Growth options can include equity saving schemes, balanced funds, and large-cap funds.

If you have a corpus of Rs2.5 million: Puneet Yadav, a school teacher in Chandigarh, will retire next month with a corpus of Rs2.5 million. His wife, Sunita, is also a teacher in the same school and has five more years before she retires.

The first thing Yadav should do is create a contingency corpus for large expenses, such as medical emergencies, that can arise suddenly. He should put Rs500,000 in an ultra-short-term mutual fund.

Since Yadav's wife will work for the next five years, the income generated by her will suffice to meet their monthly household expenses. As Yadav will not need his retirement corpus for the next five years, he may invest the balance amount of Rs2 million in equity savings schemes of mutual funds, which have an equity exposure of 20-40 per cent, with a time horizon of five years.

But imagine a situation where, soon after Yadav's retirement, Sunita too decides to quit her job due to say, health-related reasons. In that case, after creating a contingency fund, Yadav should invest Rs1.5 million from his corpus in Senior Citizen Savings Scheme, which will generate a regular income for him.

This five-year scheme will give him an assured return of 8.30 per cent per annum with quarterly interest payout. It will generate Rs10,000 per month that will help him meet his day-to-day expenses. The balance Rs500,000 should be invested in equity savings funds with five years' horizon This part of the corpus will keep growing and help Yadav deal with inflation. Ideally, around 35-40 per cent of a retiree's corpus should be invested in growth assets.

Yadav started saving for retirement late, so his funds may not suffice to meet all his expenses. They will have to be supplemented by his wife's savings. Another option before Yadav is to take up tuitions or other part-time jobs to supplement his monthly expenses. He may also need to curtail his day-to-day expenses. "If property is a large portion of Yadav's wealth, he should bring down exposure to it. This will unlock the money from this rather illiquid asset and enable him to meet the shortfall in his corpus," adds Sadagopan. Rahul Jain, head, Edelweiss Personal Wealth Advisory suggests that retired individuals who are not able to manage the lifestyle expenses associated with a big city may consider shifting to a smaller city which can accommodate their retired life more comfortably.

Invest strategy for ₹ 10 million corpus

Name of schemes	% to be deposited	Amount (₹)	Return %
Senior Citizen Saving Scheme	15	1,500,000	8.3
Pradhan Mantri Vaya Yojana	15	1,500,000	8
Bank Fix Deposit	15	1,500,000	7.35
Ultra short-term MF (contingency fund)	5	500,000	7.96
large-Cap/Hybrid equity fund(SWP)	20	2,500,000	10.68 10.81
Corporate Deposit (AAA rated)	30	3,000,000	8.3-8.5

Indiapost For mutual funds, 10-year category average returns considered,
Source: Value Research

If you have a corpus of Rs10 million: Shisir Kumar Pandey, 61, worked as an accountant in a business firm. He retired a month ago with a corpus of Rs10 million. His wife, 54, Kiran is a freelancer. Kiran's income can take care of their day-to-day household needs. After keeping aside around 5 per cent in a contingency fund, Pandey should invest the rest of his corpus in balanced or large-cap equity funds for the next five-seven years. He should make no withdrawals from this corpus and allow it to grow while Kiran is working.

Once Kiran also retires, Pandey should assess how much he will need each month. Rental income from a house or two should be used to meet household expenses. He should then invest a part of his corpus, including Kiran's, in SCSS, PMVVY and Systematic withdrawal plans (SWP) of debt funds to generate a steady monthly income (see table). The balance portion should be invested in corporate deposits (cumulative option), and in index, hybrid and large-cap mutual funds so that the corpus keeps growing and provides a cushion against inflation.

Investment planning: Know how to set 'SMART' financial goals

By: Financial Education Bureau, August 15, 2018

SMART where S=Specific, M=Measurable, A=Achievable, R=Relevant and T=Timely, is the simple logic that helps in setting your financial goal.

When it comes to planning finances, one of the most critical things is identifying financial goals. Specific goals are needed or else an individual would be investing in randomly different financial products. Everybody has a goal in their lives and many of the goals require money. For instance, we can manage our children's monthly school fee from our salary but can we meet the requirements of children's higher education from our salary? We need to save for it for years. That is why, first we need to identify financial goals.

Set smart goals

There is a popular acronym for goal setting. It is SMART where S=Specific, M=Measurable, A=Achievable, R=Relevant and T=Timely. This is the simple logic that helps in setting your financial goal. Let's go through one by one.

First, the Specific goal. We all have our life goals like buying a house, funding children's education and marriage, retirement money, etc. But we have to list our goals.

Second is differentiating between need and desire. For example, I have a car which is five years old. I am looking for buying a new car but do I need the car right now? Is it need or desire? I don't have any need to buy a new car as my old car is working fine. So we have to differentiate essential and non-essential goals.

Now that we have categorised our goals into needs and wants, the next step is how much of it is measurable and achievable. We have to categorise our goals according to their time horizon. Does our goal come under immediate financial goals like less than one year or short term (1-5 years) or medium term (5-10 years) or long-term (10+ years). The advantage of this is that a time period gives a lot of clarity when doing financial planning. That's because a major factor that decides where we should be investing in is time available for the goal.

Assign priorities

All our goals are needs but we have to assign priorities too. Repairing a house may take priority over children's education when the house is in dire need to repair in terms of safety. Clearing short-term loans may take precedence over saving for children's marriage. There are plenty of examples where you have to assign priorities to your goals.

We don't have an unlimited supply of money. We cannot have everything we want and we need to accept trade-offs. The categorisation helps us in ensuring that important goals are taken care of first.

As Janet Evanovich says, "The best we can do is prioritise our needs and make choices accordingly." Or as Stephen R. Covey said, "Most of us spend too much time on what is urgent and not enough time on what is important."

Cost of each goal

Finally, we have to know the cost of each goal today. Yes, we know we need ₹10 lakh for children's wedding or ₹8 lakh for children's education but an MBA degree which costs ₹8 lakh today may cost much more in five years. It may become ₹10 lakh. So we need to adjust for inflation and anticipate how much it will cost in future. There is no point in saving for ₹10 lakh when the actual cost would be ₹15 lakh.

So, to set our financial goal we need to follow this simple approach where we have listed our goals, differentiated between need and desire, categorised them into short-, medium- or long-term goals, assigned priorities to them and have identified the cost for each goal.

Now is the time to take action. Many investors prioritise tax savings. Tax saving should be secondary. According to our needs, priority and time duration, we can find the right balance of debt and equity investment. Remember one should be investing correctly keeping in mind goal-specific requirements. We would be like a rudderless ship, going nowhere if we invest randomly without any goal.

SEBI COMMODITY MARKET AWARENESS PROGRAM

The Preamble of the Securities and Exchange Board of India (SEBI) describes the basic functions of SEBI as "...to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto". As per the Securities Contracts Regulation Act (SCRA), 1956 amendment dated September 28, 2015 the definition of securities also includes commodities derivatives. "Education and Awareness initiatives of SEBI are based on the primary mandate of SEBI i.e. "investor protection". Taking this thought forward into the commodities derivatives segment in line with the backdrop of IOSCO principles which say that commodities derivatives market serves the purpose of price discovery and hedging, SEBI now plans to embark upon a Commodities Derivatives Awareness Campaign. Accordingly, Securities and Exchange Board of India has initiated Commodities Derivatives Awareness Programs (CAPs), and for this purpose, empaneled firm/training institutions to impart training on commodity derivatives market.

The various stakeholders in the commodity market are Farmers, Farmers' Associations, Farmer Producers Organizations (FPOs), Hedgers, Producers, Manufacturers, Processors, Traders, Exporters, Importers, End-users, Consumers etc. A Scheme has been formulated whereby eligible entities interested in conducting commodities awareness programs may approach SEBI for recognition. SEBI may, under this scheme, recognize entities which can impart education in the field of commodity derivatives on topics such as forward/ futures contracts, hedging, risks etc., related to the commodities derivatives market.

Recognized Commodity Trainers (CoTs) are expected to organize programs in small towns/ rural areas or places where majority of target participants are concentrated so as to provide easy access to farmers cooperatives/ groups etc. in various parts of the country.

NISM has organized two Training of Trainers programs for the representatives of SEBI Empaneled firms for conducting commodity derivative market awareness. These were conducted in two cities viz. New Delhi and Chennai.

Commodity Market Training of Trainers Program

Sl. No.	Region	Dates	Venue	No. Of Resource Persons attended
1	Northern	August 09-10, 2018	New Delhi	21
2	Southern	August 13-14, 2018	Chennai	26
Total Participants				**47**

Participants of the workshop on Commodity Derivative Market

Shri Sunil Kadam,
Regional Director, SEBI,
Northern Regional Office,
New Delhi and
Prof K Sukumaran, Dean,
NISM addressing the
participants of the Training
of Trainers Program on
Commodity Market held in
New Delhi Aug 09-10, 2018.

Dr M Thenmozhi, Director addressing the participants of the Chennai Program

Mr B Rajendran, Regional Director, addressing the participants of the Chennai Program

Participants of the Training of Trainers Program on Commodity Markets held at Chennai during Aug 13-14, 2018

Mr. Krishnanand Raghavan, General Manager, SEBI addressing the participants.

Investing in rural women's leadership

Our world is beset by seemingly unconquerable challenges- food insecurity, unsustainable livelihoods and sparse incomes. On one hand, the governments, UN and organisations of every size and type are pouring in resources to realise scalable solutions, and on the other, media projections and studies fail to capture the everyday challenges that compel rural women to innovate and find solutions as they wage an incessant battle just to ensure food, fuel, fodder and water for their families.

Rural women are the human face of poverty and development. They figure as a statistic-women comprise 70% of all agricultural workforce and the number seems to be growing. They toil on their farms, but lack access to land titles and are, therefore, not recognised as farmers.

This, in turn, denies them access to updated farm technology, training, finance and markets. And yet, if India's farmers have to double their incomes, rural women need to be counted as farmers and mass-level job-creators.

It's time for the world to view rural women for who they really are–as the new generation of dynamic entrepreneurs, job-creators and economy drivers, committed to bringing a change in their communities.

It's time for the world to view rural women for who they really are–as the new generation of dynamic entrepreneurs, job-creators and economy drivers, committed to bringing a change in their communities.

Who are they? They are ordinary women who are managing their farms, enterprises and households. As women in poor and marginal farmer families whose lives are directly impacted by climate change, their approach is remarkably innovative, guided by local wisdom, and shows a deep appreciation of ground reality. Today, more than two decades after a disastrous earthquake in Maharashtra nearly wiped out their lives, several hundreds among them are recognised as transformational leaders, as they have broken not only their boundaries, taken stances, dreamt the impossible and shattered the metaphorical glass ceiling.

So, what is their story, and what are the lessons we can learn from the stories of these extraordinary women?

Resilient women create resilient communities, especially in areas impacted by climate change: In the aftermath of the earthquake, there was destruction all around. As reconstruction began, the affected women said, "Crisis can either push us back or forward… if we are to rebuild our lives, we have to step out of our homes."

The work in disaster-hit areas following earthquakes in Latur (1993), Bhuj (2001), tsunami in Tamil Nadu (2004), floods in Bihar (2009) and drought in Marathwada (2013-14) taught that disasters break walls built by caste, religion, social and cultural norms for women.

'Swayam' (self-empowerment) and 'shikshan' (self-learning) go hand in hand: What is it that they learn? Building resilient communities in flood and cyclone-hit regions, problem-solving and forging relationships, forming peer learning networks are all 21st century skills that have helped women create their own ecosystems of support.

When women learn and move forward, they leave no one behind: These leaders take other women along and create powerful peer learning networks for sharing information and ideas. In the last many years, thousands of women are part of these networks, and as organic farmers and social entrepreneurs, they, in turn, have impacted millions of people in low-income communities. Across the suicide-ridden backward districts of Marathwada, these women have carved out many pathways by walking the talk, for others to follow.

When women lead change, they come up with unconventional solutions: In water-scarce areas, where men would have voted for water for their farms, women have fought successfully for drinking water, thereby choosing family, safe water and health over water-guzzling crops.

Women from marginal farmer families in Maharashtra have pioneered an innovative 'one-acre farming' model to keep their farms and feed their families. What did they do? They said 'no' to cash crops and 'yes' to food crops. Demanding a parcel of land from their families, they began planting 7-10 types of organic food crops–staving off hunger for their families and help survive the last two years of drought across Marathwada.

Far from being passive beneficiaries, women leaders meet corporates and local governments on their own terms: Take the case of Kamal Kumbhar from Tuljapur (Osmanabad). She overcame personal crisis, and with her network of 3,000 women entrepreneurs has been supplying high-quality poultry, organic manure and green products to agencies for the past three years. Others like Kamal are meeting high-volume demands after successfully negotiating fair terms. "Rural women start small businesses, but they are never recognised as they don't keep sales records, have no financial or business plan. I help these women to start their business, learn skills and go to markets. My dream is to inspire and create 10,000 micro-entrepreneur women's network by 2018," says Kamal. She received the prestigious Women Transforming India 2017 award by the NITI Aayog with the UN in India and MyGov and Woman of Excellence by FICCI Ladies Wing (2018).

There is another example of how poor women think from abundance. As large corporations working in clean energy and rural women came together to review a range of products, women entrepreneurs at the last-mile shared valuable feedback on how solar energy works for many, but cooling devices don't work in really hot climate. Their holistic viewpoint saved millions marked for research by companies that had plans to sell new lines of products, yet untested in rural markets in India.

And the learning doesn't stop here.

More than two decades after the disastrous earthquake, one has come a long way but women are still not recognised as decision-makers in their own right–they are seen as helpers and workers.

They are without land, property or assets in their name, and have no savings or security to speak of. Yet one can be optimistic about our collective future because grassroots women leaders are gradually being recognised and supported. As enabling organisations and individuals, our role is to give unconditional support to these extraordinary women to pursue their passion and priorities. Looking into the future, one can see these powerful change maker networks evolving into a "Grassroots Women's University," where women are both teachers and mentors.

By- Prema Gopalan, the author is founder & executive director, Swayam Shikshan Prayog, a learning and development organisation that empowers grassroots women. Views are personal

SEBI FINANCIAL EDUCATION RESOURCE PERSONS REFRESHER WORKSHOPS

During the period NISM has organized three workshops for the SEBI Financial Education Resource Persons. Programs at Lucknow, New Delhi and Bhubaneshwar were organized wherein total 187 resource persons attended as per details furnished below.

SEBI Financial Education Resource Persons Refresher Workshops				
Sl. No.	**Region**	**Dates**	**Venue**	**No. Of Resource Persons attended**
1	Northern	August 11-12, 2018	Lucknow	60
2	Northern	Sept. 8-9, 2018	New Delhi	79
3	Eastern	Sept. 29-30, 2018	Bhubaneshwar	52
Total				**191**

Shri N Hariharan, Chief General Manager, SEBI addressing the participants of the Lucknow Refresher Program.

Facilitating the acheivers-SEBI NRO felicitating the achievers in implementation of SEBI Financial Education RP Program

Participants of the SEBI Financial Education Resource Persons Refresher Workshop held in New Delhi

Participants of the SEBI Financial Education Resource Persons Refresher Workshop held in Lucknow

National Pension System: NPS goes subscriber-friendly with new PoP norms

By: Saikat Neogi, Financial Express, August 22, 2018

The PoP will be responsible for receiving grievances of subscribers and upload then into the centralised grievance management system.

In order to expand the reach of National Pension System (NPS) and encourage independent and effective distribution channels, the pension fund regulator has notified new norms for Point of Presence (PoP). The new norms replaces the 2015 regulations. The PoPs are the the principal distributive points for NPS and they will be responsible for receiving and processing all subscriber requests.

They will receive filled application form along with Know Your Customer (KYC) documentation and conduct customer due diligence procedures as required under the Prevention of Money Laundering Act. They will also help subscribers if they put in a request for shift from one PoP to another PoP.

As on July 31, 2018 there are 11,758469 NPS subscribers with assets under management of Rs 2,50,758 crore. While the bulk of the subscribers are central and state government employees, the number of corporate and unorganised sector subscribers is growing fast because of additional tax breaks.

Collection of contributions

The PoP will be responsible for collecting and transmitting the initial contribution made by subscribers at the time of opening of an individual pension account and subsequent contributions made by them to the trustee bank on T+1 basis. They will also send the subscriber registration form and supporting documents to the central record keeping agencies- NSDL e-governance Infrastructure Ltd and Karvy Computershare.

The PoPs will also transfer the contributions received from the subscriber to the NPS Trust account maintained with the trustee bank and upload the subscriber contribution files with the CRA. If a subscriber puts withdrawal request, the PoP will be responsible for receiving and processing it.

If the Pension Fund Regulatory and Development Authority (PFRDA) cancels the registration of a PoP, then it will have to transfer all data, documents and money which have not been transferred to the trustee bank of subscribers to any other PoP authorised by the regulator. According to the new regulations, each PoP will ensure that all matters related to pension schemes including maintenance of accounts and flow of funds are maintained separately for other business activities.

Charges of PoP

The new regulations underline that a PoP will not collect any extra charges other than that specified/directed by the PFRDA. Last year, the regulator introduced a persistency charge, under which a PoP will receive an incentive of Rs 50 per account per year for every account which continues to contribute a minimum of ₹1,000 in a financial year.

The persistency charge will be paid by the subscriber and the amount will be deducted through cancellation of units.

Last year, the regulator also increased initial subscriber registration charges from Rs 125 to Rs 200, to be collected upfront. For subsequent contributions to e-NPS, the charges have been doubled to 0.10% of the contribution–minimum of Rs10 and maximum of Rs 10,000. This will be applicable for Tier I and Tier II accounts. Both initial subscriber registration and contribution charges are collected upfront by the PoPs. For non e-NPS subscribers, the PoP charge is for contribution is 0.25% of the amount subscribed, subject to minimum of Rs 20 and a maximum of Rs 25,000 and is collected upfront

Subscriber-friendly approach

The PoP will be responsible for receiving grievances of subscribers and upload then into the centralised grievance management system. The PoP will not collect personal information relating to a subscriber in excess of what is required for the provision of pension scheme. It has to maintain confidentiality of the information and not disclose it to a third-party. A PoP will also have to ensure that subscribers can obtain reasonable access to their personal information.

If the PoP fails to adhere to the service level standards as per the new norms, causing loss or inconvenience, then it will be liable to compensate the subscriber. PoPs will have to maintain absolute confidentiality in all records, data and information. Experts say such a clause in the Gazette notification will help subscribers and ensure the practices of PoPs are efficient and transparent.

Mutual funds: Stick to SIPs even if market remains volatile

While market volatility remains the most important risk in equity investment either directly or through mutual funds, one should look at equity investments for the long term

By: Saikat Neogi, Financial Express, September 12, 2018

The report underlines that the aftermath of GST dislocation and demonetisation created idle liquidity which found its way into the equity markets, creating a valuation distortion, especially in the mid- and small-cap space.

At a time when the benchmark indices have touched new highs, the broader market has seen steep correction which has led to over 70% year-on-year decline in net sales of equity mutual funds in August. The fall in net asset value (NAV) of many equity mutual fund schemes may see slowdown in inflows through systematic investment plans.

Debt mutual funds too continued to see outflows in August as yields hardened because of weakening rupee, rising oil prices and widening current account deficit. Debt mutual funds as a category saw net outflows of Rs 6,800 crore in August this year as against net inflows of Rs 9,810 crore in the same month last year. In fact, debt funds have seen net outflows in four out of five months in this fiscal so far.

Falling equity inflows

Net sales of equity-and equity-linked mutual funds (includes equity, arbitrage funds, and ELSS) have declined to Rs 5900 crore in August this year from the peak of Rs 20,400 crore a year ago. The average net sales during March to August 2018 stood at Rs 8900 crore, a decline of 50% from the average during the GST dislocation.

The available data, according to a report by Emkay Research, says that the appetite for mutual funds and possibly also direct investment of retail investors has peaked out around early 2018.

The report underlines that the aftermath of GST dislocation and demonetisation created idle liquidity which found its way into the equity markets, creating a valuation distortion, especially in the mid- and small-cap space. "The mutual fund allocation towards equity increased significantly in this period and has started tapering in last few months. The three-month lag correlation between net sales of equity mutual funds with mid-cap and benchmark indices was found to be high at 0.80 in the past two years. The sustenance of negative NAVs of equity mutual funds is a risk for the broader market," writes Dhananjay Sinha, head of research at Emkay Global in a note to clients.

Similarly, Rahul Parikh, chief executive officer, Bajaj Capital says SIP inflows seem to have contributed majorly to the dip as investors remained wary of expensive valuations amid rising concerns over high oil prices and rupee depreciation.

Market volatility

Only eight of the BSE-30 Index and 17 of the Nifty-50 Index stocks have outperformed their respective benchmark indices.

While market volatility remains the most important risk in equity investment either directly or through mutual funds, one should look at equity investments for the long term. If the volatility continues for a long time, then investors should be concerned as it may wipe out a large part of past gains. Ideally, to beat market volatility investors should invest via systematic investment plans (SIPs) of mutual funds. Investors must take note of the fund manager, his long-term track record, asset management company, its philosophy, fund expenses and investment style.

Brijesh Damodaran, managing partner of BellWether Advisors LLP, says short volatile phases should be looked at as an opportunity to increase equity allocations from a medium-to long-term perspective.

"Retail investors too need to understand that for any substantial wealth creation, especially in the context of equities; long-term investment is what they should be aiming for. Equities would always bear the risk of being volatile in the near term but as the investment horizon increases, the probability of consistent returns increase," he says.

Retail investors should invest in equity markets through mutual funds, ideally through the SIP route. Since they invest in a basket of stocks and actively manage it, investors get access to a portfolio, which is less volatile compared to direct stocks and do not need regular tracking or expertise. Moreover, investing through SIP averages the investor's cost of investment, which is an advantage in volatile markets.

Know the ideal time frame for a mutual fund investment

By: Adhil Shetty, Financial Express, September 4, 2018

Mutual fund investments have grown rapidly in recent years. Association of Mutual Funds in India (AMFI) recently revealed that in equity investment, a whopping 51% of the assets get withdrawn in under one year, and only 29% remain invested for longer than two years.

So while a tremendous number of new investors have come to the mutual fund marketplace recently, a very large number of them are in a hurry to pack off with their gains. This makes us wonder what the ideal time frame for a mutual fund investment is. Let's take a look at some other questions you should ask yourself before liquidating your investment.

Asset class

Every mutual fund invests as per a theme, in a variety of securities such as equity, bonds, and gold. Check the theme of your fund. What is it most suited for?

For example, a liquid fund or a short-term mutual fund is most suited to park your money in low-risk, low-return securities for a few days or months. If you've invested in a hybrid fund that invests in a mix

of debt and equity securities, you can remain invested longer–for example, two to three years. If you're investing in an equity fund, then for best results you should have a long-term outlook, ideally three years or longer.

Tax implications

When you liquidate your mutual fund investment, you must pay taxes on your capital gains. Consider the tax impact before you redeem your fund. From this perspective, your scheme is either in a debt fund or an equity fund. Your profits qualify as either short term or long term.

A debt fund investment is short term for three years from the investment date, and your Short Term Capital Gains (STCG) are taxed as per your income tax slab. After three years, your Long Term Capital Gains (LTCG) are taxed at 20.6% with indexation benefits.

On the other hand, an equity investment remains short term for one year from the date of investment, and the STCG is taxed at 15.45%. On April 1, a new LTCG rule on equity investment came into force, where long-term gains above `1 lakh are taxed at 10.3% without indexation, while gains before April 1, 2018 have been grandfathered. If your investment is via an SIP, your units are redeemed on a first-in-first-out basis and their tenures are decided as per the dates on which they were purchased.

Fund underperforming

If you have invested in a fund that's performing below your expectations, is lagging its peers, or is not able to beat its benchmark, you have a genuine reason to exit your fund. If you keep investing in such a fund, your long-term wealth creation plans may be hampered. Be sure that the fund has been a regular underperformer and isn't merely going through a tough phase, which all funds do. You can either liquidate the fund, or consider switching to a better performing scheme with the same fund house.

Liquidating units

Remember that you don't need to liquidate your own mutual fund investment at once. You can redeem small amounts as per your immediate cash requirement. If you have a large mutual fund corpus-such as a retirement fund- you now want to redeem it via an SWP (Systematic Withdrawal Plan), which is the opposite of an SIP. Every month a fixed amount or a fixed number of units are redeemed from your fund and enchased. This way, the rest of your units remain invested and continue to earn compounded returns.

Helping senior citizens cope with everyday digital life

Designing digital devices and user interfaces suitable for the elderly is essential.

By: Uma Ganesh, Financial Express, September 17, 2018

More than 90% of elderly internet consumers use social media platforms primarily to connect with family and friends as per the annual report of HelpAge India.

Blessed with the demographic dividend and 50% of India's population being below 25 years of age, the youth segment of the country has been viewed as an obvious target for the dazzling array of digital devises, apps and tools. The massive size of this segment and the immense potential to build a customer base has kept us away from focusing on the other large segment which has taken to digital devices and is growing rapidly. This segment, comprising senior citizens numbering over 110 million, has a literacy rate of 44% and the penetration of mobile phones and internet access in this segment has been growing. More than 90% of elderly internet consumers use social media platforms primarily to connect with family and friends as per the annual report of HelpAge India.

Yet, the older population faces some specific challenges in using technology. Jeff Johnson and Kate Finn in their book Designing User Interfaces for an Aging Population have listed some of these challenges. These include elders taking longer to learn new applications or devices, performing poorly on tasks relying on memory, having frequent challenges with the accidental movements with the pointer, making more input errors and having more trouble hitting on-screen targets. With the growing number of senior citizens as well as the increased lifespan of human beings and that most people are always online, designing digital devices and user interfaces suitable for senior citizens is extremely important. The user experience of senior citizens is very different from that of other generations and therefore appreciating their physical and mental state would be essential for designing the user interfaces and the applications.

Visual consistency and keeping things simple would be necessary to create comfort and trust with this user group. Large readable fonts should be used to make reading easy.

With hearing and sight related difficulties increasing with age, smartphones are not the ideal platform for accessing information as the screens are not made for reading or for navigation. Hence touchscreen PCs or tablets should be ideally considered for developing applications aimed at their frequent usage by senior citizens. It is also important to bear in mind that it would be necessary to explain icons and how to move between screens.

A sizeable percentage of our elderly population is in good health, and therefore the challenge faced is how to help them to gainfully engage with the society. Digital empowerment can pave the way to get them connected on the internet and provide them with opportunities to share their knowhow or competencies with the younger generation through online communities. This could lead to an excellent collaboration between the younger and the senior groups with the former benefitting from the wisdom and experience of the latter while the latter could be helped by the younger lot to learn to use technology and navigate through the array of applications. AI bots are predicted to become companions of lonely elderly persons, which can act on their command as well as support them for their daily chores. While currently there is a lack of digital literacy and there exists high levels of illiteracy amongst the elderly, in the next 20 years we are going to witness a sea change in their profiles. This group would be tech-savvy and demanding as compared to today's elders. Hence it is time we start paying more attention to the elderly segment and their needs. It is not just because this segment would have more paying power but also because this will help senior citizens to integrate and engage with society at large.

Three financial risks to plan for before retiring

Avinash Luthria, Livemint, Sept 18, 2018

Longevity risk is the risk of living much longer than average and, hence, exhausting one's savings during one's lifetime. Photo: Reuters

As with corporate strategy, the essence of personal finance strategy is to identify the one or two most important problems, and to find a solution to them. These issues could be visible, immediate and relatively simple, or they could be almost invisible, long-term and relatively complex. Both types of issues require attention.

To be able to focus one's limited attention on complex issues firstly requires that we stop over-complicating simple issues.

For example, to get equity exposure, one can simply buy a low-cost (10-15 basis points per annum) NSE NIFTY 50 index fund (direct plan). Also, complex real-world issues typically do not have an optimal solution and one must accept a satisficing solution i.e. a good enough solution.

Several top personal finance risks cannot be mitigated by financial products in India because such products almost do not exist. That makes these problems complex and amenable only to satisficing solutions. There are three such risks.

Longevity risk

Longevity risk is the risk of living much longer than average and, hence, exhausting one's savings during one's lifetime. Say, a couple, Mr X and Ms Y, are both currently 60 years old and have just retired.

They calculate that their average life expectancy is 80 and 83 years, respectively. Spreading their savings over roughly 23 years seems just about doable. But they also know that the average (50% probability) is deceptive. They find that the probability of X, Y, X and/or Y living beyond the age of 95 is 5%, 10% and 14%, respectively. Spreading their savings across 35 years and still having a 14% probability of failure naturally feels disheartening to them. For most people, the only financial product that can mitigate longevity risk is a life annuity which pools the longevity risk of many people. However, in India, life annuities do not sufficiently keep pace with inflation and they are extremely tax inefficient for a retired person in a high tax bracket. One out of several satisficing solutions for them is to put half of their net worth into sub-optimal life annuities. And with the other half, try to synthetically approximate a life annuity which starts at the age of 80 to compensate for inflation. This is complex because, if X and Y are still alive at the age of 80 and they check again, they are likely to find that the compound probability of X and/or Y living beyond the age of 95 has now crept up from 14% to 25%.

To mitigate this non-intuitive aspect of probability, they will most likely have to gradually cut down expenses during retirement.

Disability and critical illness risk

Pure term life insurance makes it possible to protect against the mortality risk of a primary breadwinner. But it is extremely difficult to protect against disability and critical illness risk which can also end the salary/business income. For various reasons, disability and critical illness insurance products cover only a small sum insured or an remely small range of issues.

For example, both kidneys functioning at one-ninth of normal or loss of 99% of vision in both eyes may not qualify as an issue. Accordingly, the premium to cover such risks is also very low.

A very limited financial solution is to start saving as much as one can when one is in his/her 20s or 30s, and reduce risk as much as possible–using many small non-financial solutions like closely monitoring one's health and wearing a seat belt even while travelling in the rear seat of a car.

Risk of unexpected high inflation

Unexpected high inflation will devastate the real value of one's long duration bond portfolio (for example, 10-year government securities or G-secs).

In the US, this is a lower risk, but individuals mitigate this by holding Treasury Inflation-Protected Securities (TIPS). However, in India, so far only a tiny amount of CPI inflation-protected bonds have been issued by the government and it was not tax efficient.

The partial mitigation is to own a suitable set of assets classes which have their own drawbacks but offset drawbacks of other asset classes. The assets classes that partially mitigate against unexpected high inflation, with their main drawbacks mentioned in parenthesis, are: equity (risky), real estate (illiquid and risky), short-duration fixed income such as overnight debt mutual funds (lower expected returns) and possibly, international investments such as a US S&P500 index fund (higher logistical overheads and risky).

Being a competent co-CEO of one's family's finances requires one to additionally grapple with the long-term complex problems that seem unsolvable and to find a good enough solution to them. And being a competent investor of one's family's finances requires that one be willing to wrestle with problems and solutions that most people will consider to be ridiculous.

PPF, NSC to fetch more as small savings rates hiked

Business Line 21 September 2018

Good news for savers. Small saving schemes such as Public Provident Fund (PPF), National Savings Certificates and Post Office Deposit Scheme will fetch more in the three months period starting October 1. The Government has raised interest rate on these schemes between 30 and 40 basis points (100 bps is 1 per cent).

PPF and NSC will earn interest at 8 per cent while Senior Citizens Savings Scheme, which has a tenure of five years, will fetch 8.7 per cent.

The country's largest bank SBI offers 6.85 per cent interest on deposit for five years and up to 10 years, while for senior citizens it is 7.35 per cent. On savings accounts, most banks offer 3.5 per cent interest. Post office savings account earns 4 per cent.

Based on the recommendations of the Shyamala Gopinath panel, interest rates on these schemes are reviewed before the end of every quarter and accordingly new rates are announced for the next quarter.

In an effort of to bring the rates according to the market, these rates are aligned to the rates on Government bonds of similar maturities with certain spread which will be maximum for Senior Citizen Saving Scheme. Since yield on 10 year Government bonds have gone up, interest rates on small savings have been revised upward. Many of these schemes offer tax benefit under the Income-Tax Act which is why these schemes are popular among salaried people. Another benefit is that one does not have to pay any tax even on withdrawal from Public Provident Fund (PPF) after maturity.

Revision in new rate means money accumulated till September 30 will get interest rate at existing rates while fresh deposit between October 1 and December 31 will get higher interest. Fresh accounts opened under Kisan Vikas Patra during this three month period will take less time to mature and money will double in 9 years and 4 months as against 9 years and 10 months for accounts opened till September 30.

New Interest rates (in%)	July 1-Sept 30 2018	Oct 1-Dec 31 2018
Savings Deposits	4.0	4.0
1-year time deposit	6.6	6.9
2-year time deposit	6.7	7.0
3-year time deposit	6.9	7.2
5-year time deposit	7.4	7.8
5-year Recurring deposit	6.9	7.3
5-year Senior Citizen Savings Scheme	8.3	8.7
5-year Monthly Income Scheem	7.3	7.7
5-year National Savings Certificates	7.6	8.0
Public Provident Fund	7.6	8.0
Kisan Vikas Patra	7.3 (Maturity: 118 months)	7.7 (Maturity: 112 months)
Sukanya Samridhi	8.1	8.5

Dr Ajay Mittal, Vice President, SBI Mutual Fund addressing the participants of the Workshop on Mutual Fund Awareness organized for Officers of State Bank of India

Shri Nagendra Parekh, Executive Director, SEBI delivering the inaugural address at the SEBI Financial Education Resource Persons Refresher Workshop held at Lucknow

Dr M Thenmozhi, Director, NISM, addressing the participants of the Mutual Fund Round Table Conference held at New Delhi during August 03-04, 2018

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