



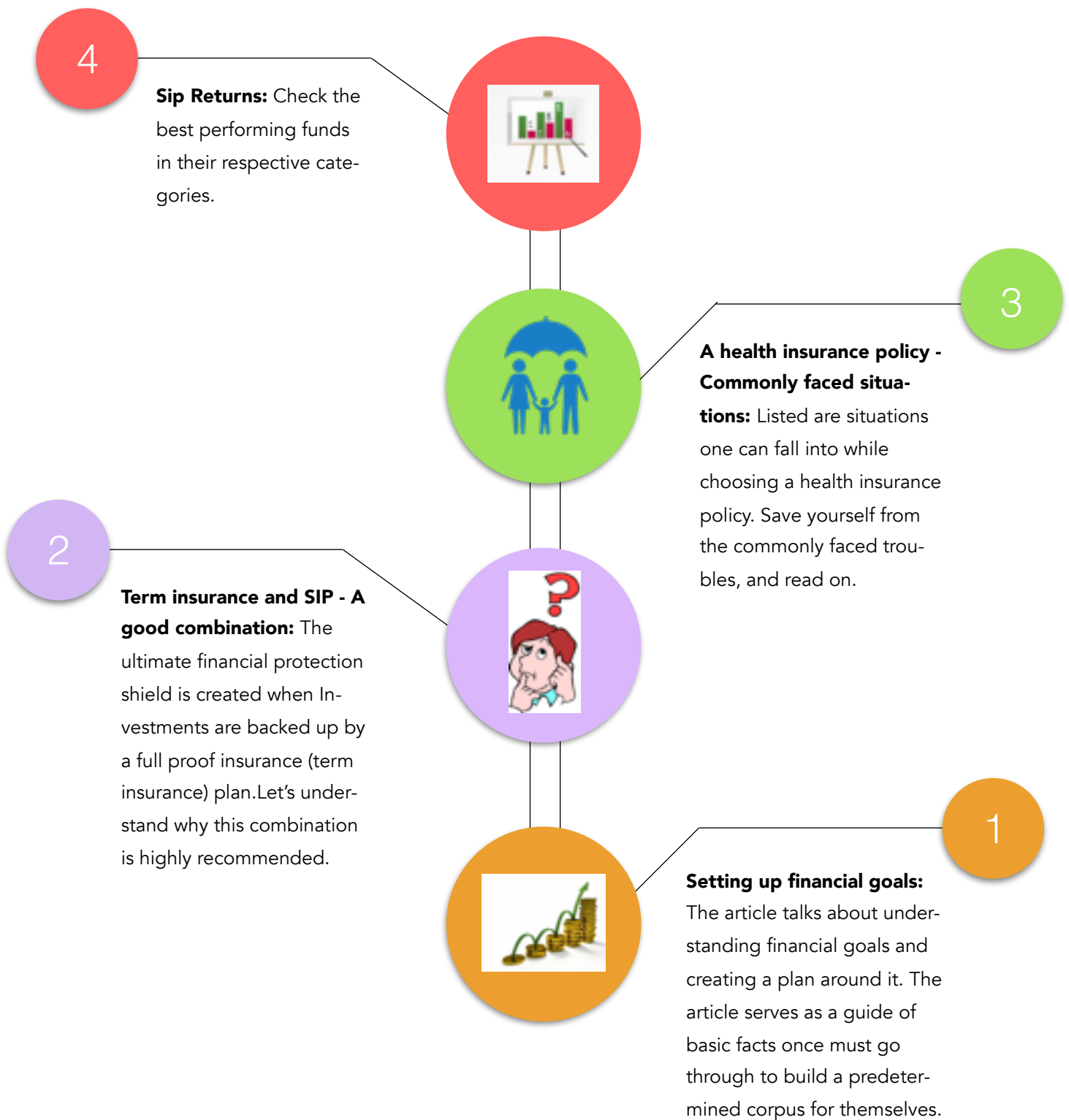
Dear Patrons,

Merry Christmas & Happy New Year !

We are pleased to share our monthly newsletter **“Knowledge Initiative”** for December 2017.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring to you more educative and informative articles.

AKHIL CHUGH
DIRECTOR - NET BROKERS



SETTING UP FINANCIAL GOALS

Setting up goals is one of the important steps in financial planning. Let us understand the important things we have to keep in mind.

HAVE SPECIFIC GOALS

People have a tendency of assigning aimless figures to their goals without understanding whether the amount invested will be sufficient in future or not. It is very important to have specific financial goals assigned to investments. For example, a systematic investment plan (SIP) of Rs 10,000 per month done for 20 years with an assumption of 12% CAGR return to create a retirement corpus of Rs 1 Crore is a specific goal. Do your calculations properly and set specific goals. If you assign a figure and date to each goal and write it down, you will feel more motivated to save.

GOAL PRIORITIZATION

It is important to assign a priority to each goal. This will depend upon how important the goal is, what is the time horizon and how will you arrange the funds for it. For example, a retirement goal should be given more priority over a child's higher education plan because you can always get a loan for education, but you won't be able to get one for your retirement.

TAKE SMALL STEPS

A person should start and save early in life. This is because he will have more numbers of years to invest and achieve his goal. SIP in mutual funds is one of the best ways to invest in equity markets on monthly basis. You can start with any amount based on the calculation of your financial goal and then increase the investment in line with the rise in your income.

INFLATION

One should always factor in inflation while calculating the amount you require for goals. This will decide the amount you will need to invest for each goal. For example, if the cost of your son's higher education is Rs 20 Lacs today, 6% inflation will increase the figure to Rs 36.38 Lacs in 10 years. You should also review your financial plan on half yearly basis to ensure it is on track.

MATCH DURATION WITH INVESTMENT

Every goal has a different time frame. So you need to match the investment avenue with the time available for that goal. If you have less than three years to save for your child's college admission, you should invest in debt rather than equity to ensure the safety of your capital.

A HEALTH INSURANCE POLICY: COMMONLY FACED SITUATIONS

With the increase in pollution levels and diseases in the country, health insurance is no longer an option but a necessity. Below are certain situations, that one can fall into while choosing a health insurance policy. Let's understand:

Increase in renewal premiums

A major concern for customers in the health insurance schemes is the sudden increase in renewal premiums. Although, it is understood that with increasing age and medical detections / inclusions, the premium amount increases. But, unaffordability of hiked premiums at some point, can be a big pinch. Ageing individuals have no option but to continue. Also, the tedious task and elongated paperwork of changing health insurance companies for better premiums is not an option

Missing payment of insurance premiums year on year

Health insurance companies are not bound by any regulations to send renewal reminders for insurance premiums to their clients. But, due to increased technology advancement, gentle email and telephonic reminders are a regular feature incorporated by each service provider. In case, one misses payment of premium for a single year in the entire term of health insurance taken, he will be forced to buy a new one. Also, if you have a health condition or issue, the insurance company will factor in the same in the health policy being issued.

Cashless format: Not so organised

Health insurance policies come with various deductibles, hence the policy holder needs to be aware of paying directly to the hospital. Also, in case of cashless option, the hospital may take 30 to 45 days to settle the bills with the insurance companies. This is because of the delay in insurance amount approvals and the unorganised format of this sector working in the current scenario.

Lack of communication

A major issue facing this sector is the lack of communication and transparency between the insurance company and the policy holder. A client with multiple medical conditions should wait longer for the financial decision from the insurance company. Even grievance cells are not equipped with the right solutions and answers for these cases and there is an over-dependency on standard responses.

Contract renewal

Insurers may exclude expensive treatments from their payer's list. Health insurance policies may have added features, but it becomes mandatory for the client to read very carefully through the list of inclusions and exclusions. This way they could manage their finances accordingly, in case of medical emergency.

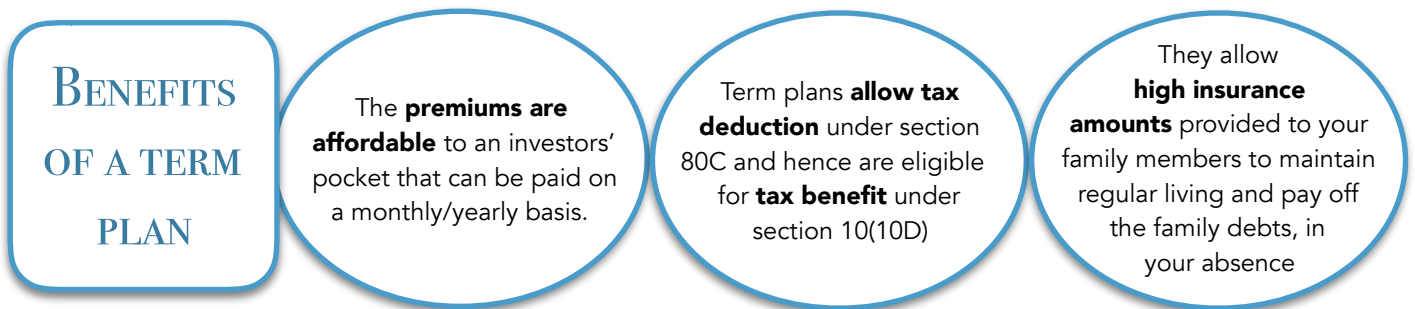
TERM INSURANCE AND SIP: A GOOD COMBINATION

One thing can be a major blow to an individual's savings and a shock for the family members is Death. Saving is a good habit and doing it systematically is the ideal way to plan for the future. A Systematic Investment Plan does not cover anything in this scenario. Only a TERM INSURANCE can.

Unfortunately, the life insurance sector is very under-explored in our country till date. One would postpone this investment in general. Without realising that, this investment might be the only security for the family members, in case of any mishap in the bread earner's life.

SIP prepares you for the long term while a Term Plan can make you tension free from the moment you buy it. Term Plan comes with a dual advantage of securing your family's future and saving taxes as well.

SIP and term insurance are a brilliant combination in one's portfolio. Moving hand in hand with each other, these financial products can create a win-win situation for an investor. The investor is not only generating a huge corpus for him and his family, but also securing themselves from any unforeseen circumstances.



Let's illustrate this with an example:

Age of individual: **30 years**; SIP amount: **Rs 10000 p.m.**; Insurance premium: **Rs 1000 p.m.**

With high insurance coverage of up to Rs 1 crore at affordable average annual premium of Rs 12,000 for a 30-year old, a term insurance plan should be the first thing to buy once you have dependants. High insurance money helps your family members meet regular expenses and repay outstanding loans in your absence.

Age: 30 Years	SIP	Term Plan of <u>Rs 1 Cr</u>
Duration	30 Years	30 Years
Monthly Outflow	10,000	1,000
Annual Investment	1,20,000	12,000
Expected Annual Return	15%	NIL
Final Corpus	<u>Rs 7 Cr</u>	<u>Rs 1 Cr in case of death</u>

Evaluate your financial needs and family expenses when you finalise the best insurance plan for you. Remember, the period of coverage should be available till all your liabilities are over. Once you retire, you may not need a term Plan. For your retirement planning, you may choose a mutual fund via the SIP route.

SIP RETURNS IN TOP MUTUAL FUNDS

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)
Monthly Investment @Rs 10,000		360000		600000		1200000
SCHEME NAME	CATEGORY	RETURN	%	RETURN	%	RETURN
SBI Blue Chip Fund (G)	Large Cap	454,146	15.7	950,014	18.4	2,810,853 (16.3)
Mirae Asset India Opportunities Fund (G)	Large Cap	487,124	20.7	1,032,154	21.9	NA
Franklin India High Growth Companies (G)	Multi Cap	474,760	18.8	1,071,345	23.4	3,504,285 (20.3)
BIRLA SL Advantage Fund (G)	Multi Cap	494,475	21.7	1,093,504	24.3	3,137,881 (18.3)
Mirae Asset Emerging Bluechip Fund (G)	Mid Cap	539,629	28.2	1,333,466	32.6	NA
L&T India Value Fund (G)	Mid Cap	501,323	22.7	1,162,281	26.8	NA
Franklin India Smaller Companies Fund (G)	Small Cap	508,490	23.8	1,249,669	29.9	4,542,957 (25.1)
L&T Emerging Businesses Fund (G)	Small Cap	593,489	35.3	NA	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	459,575	16.5	964,971	19.1	3,067,789 (17.9)
L&T India Prudence Fund (G)	Hybrid Equity	450,794	15.2	943,874	18.2	NA
IDFC Tax Advantage (G)	ELSS	502,472	22.9	1,057,294	22.9	NA
Axis Long Term Equity Fund (G)	ELSS	460,467	16.7	1,023,579	21.5	NA

PLEASE NOTE : Returns over 1 Year are compounded annualised, as on 21st November 2017



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