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Private Wealth Management
we know your investment needs

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Dear Patrons,

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for July 2018.

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.

1

ELSS - Investing to save taxes or grow your money: ELSS tax savings schemes are an open-ended equity mutual fund that helps one grow his/her money while saving taxes. Read on to understand why we invest in tax saving mutual funds.

2

Top essential steps for young couples: A couple gets married at an average age of 26 – 28 years. It is a new life for them. Let's understand some steps of managing and creating wealth.

3

Home loan transfers - Insights and facts: Home loan transfers have become extremely common in today's era. Educate yourself on the insights and facts about this home loan product.

4

SIP Returns: Check the best performing funds in their respective categories.

ELSS: Investing to save taxes or grow your money?

ELSS tax savings schemes are an open-ended equity mutual fund that helps one grow his/her money while saving taxes. This category of mutual funds qualifies for tax exemptions under section 80C of the India Income Tax Act 1961.

Here are reasons why we must invest in tax saving mutual funds:

HIGH RETURNS

Investing in tax saving mutual funds is an opportunity to grow your money, while saving taxes. In the last 5 years, ELSS tax saving mutual funds category average returns have been over 18.50% annualised (source: valueresearchonline)

TAX EFFICIENT

ELSS mutual funds are taxed only at 10% for long term capital gain, if the total capital gain for the year of withdrawal is over Rs 1 lakh. There is no capital gains tax, if the total profit is less than Rs 1 lakh in a financial year.

LOCK IN PERIOD

ELSS mutual funds has the least lock-in period of 3 years, as compared to PPF which is 15 years and NSC/bank fixed deposits which is 5 years.

DIVIDEND PAYOUT OPTION

The dividend payout option helps you give some potential gain in the lock in period of 3 years in an ELSS tax mutual fund. But, if the investment horizon is longer, then definitely the growth option should be chosen. Dividend payments are made from the NAV of the scheme.

SYSTEMATIC INVESTING

SIPs is the most popular way of investing (in order to save tax) in ELSS mutual funds, where a specific amount on a fixed date is invested in this category. This inculcates a saving habit and encourages a sense of discipline, rather than worrying about investing a lumps amount at the end of the year.

Tax saving mutual funds are subject to market risks, but they are the best investment option for a long term horizon. Annualised returns under this category are between 12% - 18%. Hence, knowing how to save tax is important, and investing for it while your money grows,is a win -win situation for an investor in the long term financial planning.

Top Essential Steps for Young Couples

A couple gets married at an average age of 26 – 28 years. It is a new life for them. Let's understand some steps of managing and creating wealth.

JOINT FINANCIAL DECISIONS

Both partners must sit together when it comes to money matters. The man must keep the wife informed about his investments in mutual funds, bonds, insurance policies and other avenues. Ensure you assign your wife as nominee or joint holder in all investments.

SPLURGING - A BIG NO

Let's not be impulsive in our buying, when we know the two incomes being clubbed is resulting in enough disposable money. Buy what you need and can afford within your budget. The car loan EMI should not exceed 10% of the total income. Make your savings before your spend your salary.

RETIREMENT PLANNING - JUST DO IT

Retirement planning is something that is ignored when you are young. Ideally, couple should save atleast 10% of their income as retirement savings. Extra cautious people can invest in PPF, but should not expect extraordinary returns. People who want to create wealth and have time on their side can start investing in equity funds through systematic investment plans (SIP).

SET UP AN EMERGENCY FUND

The first mandate is to have an emergency fund. This has to be at least 2-3 months of your savings kept aside as an emergency fund. It is a good idea to have a joint account, so that both have access in case of emergency.

BUY SUFFICIENT LIFE COVER

Buy a life insurance cover big enough to replace your income as well as repay your outstanding loans. The cover should be 8-10 times your annual income plus debt obligations. A term insurance policy is the best form of life cover.

APPROPRIATE HEALTH PLAN - A MUST

Medical insurance is a must. Get a family floater for at least 5 lacs, over and above the medical insurance provided by your employer. Buy a top-up plan to save costs.

THE RIGHT INVESTMENT MIX

A young couple has the benefit of time and age is in their favor. Being too risk averse may not act in their direction of creating wealth overtime. Invest in equity funds because you are young. Age- based allocation is a good strategy. To arrive at the equity exposure in your portfolio, subtract your age from 100.

Home Loan Transfers: Insights and Facts

Home loan transfers have become extremely common in today's era, All bank loans, including home loans are linked to a retail prime lending rate (RPLR), decided by the RBI. Whereas, non banking financial institutions (NBFCs) or housing finance companies (HFCs) have their own rates based on competition or cost of funds.

After the RBI's hike in repo rate in June,2018 and with cost of funds of banks going up, most bank's RPLR are rising. Bank of Baroda, Andhra bank, Syndicate bank amongst others have already raised their RPLR. The country's largest bank State Bank of India (SBI) had hiked its MCLR by 0.10% across all tenures with effect from June 1, 2018

WHO IS ELIGIBLE?

A borrower who has a paid at least 12 EMIs and has a decent credit rating is most likely to get balance transfer offers from other housing finance lenders. The lending institution may also prescribe minimum loan amount eligible for balance transfer.

WILL IT BENEFIT?

A home loan transfer may or may not benefit on certain conditions, even if a bank offers a lower interest rate.The following factors contribute to the decision-making when considering whether to transfer a home loan or not:

- Total cost
- Remaining loan tenure
- Outstanding principal
- Time and effort

WHAT'S THE CATCH?

In case you are wondering what the catch is, let me bring some light on the other charges involved in a bank transfer. When you transfer a home loan the cost involved includes the processing fees (charged by the bank taking over the loan), pre-payment penalty (may or may not be charged by the existing lender) and some charges like stamp duty etc. While pre-payment penalty is generally waived off by most banks as NHB and RBI discourage banks from charging it but other charges are unavoidable. Total savings can be determined after considering the total cost involved.

REASONS FOR SWITCH

1. High interest rates

If a bank is charging a high rate of interest (RPLR plus spread), then a transfer to a bank with a 1 year or 3 year ROI same option should be taken into consideration. You may have to incur costs such as one time processing fees, lawyer fees etc.

2. Prepayment penalties

Most of the banks have waived off prepayment charges to the customers, for payments as many times a year. This is as per RBI guidelines given to banks and NBFCs. But if your bank is still charging you prepayment penalty, it is time to get a balance transfer.

3. Option of lower ROI in the term of loan

Conversion option is given to existing clients for lowering their ROI within the term of the loan. This can be availed by signing certain documents and payment of a minimal fee at any centre, in order to lower the interest.

4. Online platform

In the current world of technology, if a bank is not offering online servicing of your home loan, then it is definitely time to switch. All banks offering online login to your home loan accounts, which allows you pay EMI's online, check amortisation schedules, download tax certificates and statements of accounts etc.

Do explore the option of a home loan transfer; it can benefit you in certain conditions. However the decision should be made after a careful cost benefit analysis.

SIP RETURNS IN TOP MUTUAL FUNDS

PLEASE NOTE : Returns over 1 Year are compounded annualised, as on 22nd July 2018

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	*CATEGORY*	*RETURN*	*%*	**RETURN**	*%*	**RETURN**	**%**
ICICI Prudential Bluechip Equity (G)	***Large Cap***	438,716	13.3	842,674	13.6	2,672,583	15.3
Axis Bluechip Fund (G)	***Large Cap***	487,070	20.7	915,155	16.9	N/A	N/A
Mirae Asset Emerging Bluechip Fund (G)	***Large & Midcap***	451,701	15.4	1,047,507	22.5	N/A	N/A
Principal Emerging Bluechip Fund (G)	***Large & Midcap***	458,042	16.3	1,013,076	21.1	N/A	N/A
Kotak Standard Multicap Fund (G)	***Multi Cap***	452,669	15.5	926,944	17.5	N/A	N/A
Motilal Oswal Multicap35 Fund (G)	***Multi Cap***	461,318	16.9	N/A	N/A	N/A	N/A
HDFC Midcap Opportunities Fund (G)	***Mid Cap***	442,329	13.9	965,207	19.1	3,731,042	21.5
L&T Midcap Fund (G)	***Mid Cap***	455,678	16.0	1,029,192	21.8	3,654,753	21.1
Franklin India Smaller Companies Fund (G)	***Small Cap***	423,066	10.8	960,092	18.9	3,856,505	22.1
HDFC Small Cap Fund (G)	***Small Cap***	480,436	19.7	993,413	20.3	3,198,868	18.7
Axis Focused 25 Fund (G)	***Focused***	510,224	24.1	1,001,079	20.6	N/A	N/A
IDFC Focused Equity Fund (G)	***Focused***	468,945	18.0	869,101	14.8	2,286,836	12.4
Principal Hybrid Equity Fund (G)	***Hybrid Equity***	451,416	15.3	879,792	15.3	2,527,653	14.3
ICICI Prudential Equity & Debt Fund (G)	***Hybrid Equity***	417,942	10.0	826,488	12.8	2,649,007	15.1
Axis Long Term Equity Fund (G)	***ELSS***	472,093	18.5	973,058	19.5	N/A	N/A
Motilal Oswal Long Term Equity Fund (G)	***ELSS***	479,241	19.6	N/A	N/A	N/A	N/A

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