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## **Knowledge Initiative**

**Dear Patrons,**

**Greetings!**

We are pleased to share our monthly newsletter "**Knowledge Initiative**" for April 2016.

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.

We would very much appreciate your feedback which consistently helps us in improving and upgrading the contents.

Also send us your questions or queries related to any financial product.

**The issue includes:**

- Optimism Born Out of Pessimism
- Cost of Delay in Investing
- Tax Planning...Start Early
- Portability in Health Insurance
- Investment Opportunities in Real Estate
- SIP Returns in Top Equity Mutual Funds



**Akhil Chugh**

**Warm Regards,**

**Akhil Chugh**  
**Director**

# Vatika Turning Point, Sector 88 B, Gurgaon

LOCATION IS EVERYTHING  
AND SO IS TIMING

2/3/4 BEDROOM  
HOMES - ALL UNDER  
1 CRORE

A VATIKA PROJECT  
17 MILLION SQ FT RESIDENTIAL  
DELIVERED

LAUNCHING SOON  
RIGHT ON  
NATIONAL HIGHWAY



For more information on Vatika Turning Point Project, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)



## Optimism Born Out of Pessimism

Majority of investors get disheartened when they don't see equity delivering good returns in 12-24 months of investment period. They lose sight of their financial goals like retirement, children education and wedding and decide to switch to traditional products like bank fixed deposits and insurance plans only to end up getting returns not even beating inflation. Such people often get carried away by the pessimism created by media.

A popular quote by Sir John Templeton:

***“Bull markets are born on pessimism, grow on scepticism, mature on optimism and die on euphoria”***

These days, pessimism is more on global front. There is lot of negative news flowing on account of US Fed rate hike, slowdown in China, oil producing countries facing pressure due to supply glut, recession in Europe and Japan, strengthening of dollar and many more factors. This has resulted in sovereign wealth funds of Middle East countries and Foreign Institutional Investors (FII) withdrawing money from emerging markets.

***So where does the opportunity lie? Gold does not look promising; real estate is going through a tough time and interest rates in fixed deposits are coming down. The equity market has become attractive post correction, but the global scenario is not looking good. However, strong inflows are coming every month into equities through systematic investment plans (SIP) of mutual funds as investors repose strong faith in India's growth story. Despite many up and downs in the market, SIPs in Top Equity Mutual Funds have delivered returns of more than 20% CAGR in last 5 years.***

Year 2016 is expected to be highly volatile due to global events. In the mist of global storm, India continues to be on strong foot. Thanks to the stable government at the centre, strong GDP growth, lower current account deficit (CAD) due to low oil prices, controlled fiscal deficit, low inflation, low commodity prices, strong dollar reserves, prediction of good monsoon, etc.

RBI in its last monetary policy cut the interest rate by 25 basis points and introduced several measures to boost liquidity into the financial system. The move will help banks to pass the rate cut benefit to end consumers, given the fact that banks were not transmitting the rate cuts citing tight liquidity conditions. Corporate India will benefit immensely as low lending rates will bring down interest liabilities and improve profitability of companies.

***With so much of optimism around, there is no room for pessimism. In such a scenario, every fall is an opportunity to buy. So hold on to your equity investments, buy on every dip and don't lose sight of your financial goals.***



## Cost of Delay in Investing

India is progressing and young professionals are getting handsome packages. People today are financially independent at a younger age. As a result, most of them become confident about their long-term finances. While everyone is aware of their financial needs and aspirations, only a few assess their ability to meet critical long term goals - saving for retirement and saving for child's education, to name two key ones. Postponement in planning can result in a higher financial burden in the later stages of life, and one may not be able to save enough for long term goals.

Let's understand the cost of delay in investing with the help of an example. Shikha – 25 years, Ajay – 30 years and Vijay – 35 years start investing Rs. 10,000 per month in equity diversified mutual funds till the age of 60 years for their retirement.

### Illustration:

	SHIKHA	AJAY	VIJAY
<b>Starts Investing At The Age</b>	<b>25 years</b>	<b>30 years</b>	<b>35 years</b>
<b>Monthly Savings</b>	<b>10,000/-</b>	<b>10,000/-</b>	<b>10,000/-</b>
<b>Returns (Assumed)</b>	<b>12 % CAGR</b>	<b>12 % CAGR</b>	<b>12 % CAGR</b>
<b>Both Invest Till The Age of</b>	<b>60 YEARS</b>	<b>60 YEARS</b>	<b>60 YEARS</b>
<b>Total Investment</b>	<b>42 Lacs</b>	<b>36 Lacs</b>	<b>30 Lacs</b>
<b>Wealth Accumulated At 60</b>	<b>5.51 Cr</b>	<b>3.08 Cr</b>	<b>1.70 Cr</b>

**Note: SIPs in Top Equity Mutual Funds have delivered returns more than 20% CAGR in last 20 Years**

While the winner is obvious, the difference in retirement corpus is the clincher. Shikha ends with a higher corpus because she started early and benefitted from the power of compounding.

The biggest tool you have in your journey to become rich is **Time**. If you have time on your side, even small amounts can become huge. Start planning for future financial needs without any further delay. Judicious and proactive financial planning will make sure that you have enough resources with you in the future, to fulfil your child's aspirations and take care of your retirement needs. Remember, while the key to successful planning is to start early, at the same time, it is never too late to get started.

**For more information on Systematic Investment Plans, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**



## Tax Planning...Start Early

People have the habit of rushing and looking for tax saving investments in the last quarter (January – March) of the financial year. During this process, they end up buying wrong investment products that they don't need. Think of tax planning as a financial planning exercise. Tax planning is not only about saving taxes, but selecting the right investment product based on your financial goals. Therefore, it is important to start early and invest time and thought in the tax planning exercise. Most people delay and wait until the last minute. The result is a portfolio full of insurance schemes and investment decisions made in a hurry.

There are lot of options available for us under section 80C of Income Tax Act which allows tax deduction of Rs 1,50,000. You may like to invest in a single product or a combination of 2 -3 depending upon your financial goals.

### Tax Savings Instruments u/s 80 C

- |   |   |   |
|---|---|---|
| <ul style="list-style-type: none"> <li>▪ Market Linked                             <ul style="list-style-type: none"> <li>▪ ELSS</li> <li>▪ ULIP</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▪ Fixed Income                             <ul style="list-style-type: none"> <li>▪ Public Provident Fund (PPF)</li> <li>▪ NSC</li> <li>▪ Tax Saving FDs</li> <li>▪ Senior Citizen Saving Scheme</li> <li>▪ Employee Provident Fund</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>▪ Others                             <ul style="list-style-type: none"> <li>▪ Life Insurance Premium</li> <li>▪ Repayment of House Loan (Principal)</li> <li>▪ Children's Tuition Fees.</li> </ul> </li> </ul> |
|---|---|---|

Among all, Equity Linked Saving Scheme (ELSS) is one product which not only helps you save taxes, but also has a potential to deliver high returns and create wealth.

Advantages:

- Being equity oriented and low cost product, it has the potential to outperform all tax saving instruments in terms of returns. Moreover, returns are tax free.
- Has a lowest lock - in period of 3 years as compared to Unit Linked Insurance Plan (ULIP) – 5 Years, Public Provident Fund (PPF) – 15 Years, Bank Fixed Deposit – 5 Years, National Saving Certificate (NSC) – 5 Years.
- You have the option of investing through systematic investment plan (SIP) on monthly basis to spread your risk and take advantage of rupee cost averaging.

To sum up, Tax Planning is an essential part of financial planning and should be done at the start of the financial year. You should evaluate your overall tax liability and decide on the right tax saving instrument with the help of a financial adviser. You can consider ELSS to save taxes and grow your investments as equity has the potential to deliver high returns and helps in achieving financial goals. Moreover, you can opt for SIP route in ELSS to take advantage of ups and downs of markets.

**For more information on Tax Planning, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**



## Portability in Health Insurance

Portability in Health Insurance provides flexibility to individuals to switch insurers at their own free will without worrying about their No Claim Bonus and Pre-existing disease cover. Thus, if you are not happy with your insurer, you can move to another insurance company who promises better service.

### Benefits:

- You can move from one insurer to another without having to worry about time bound exclusions.
- You can choose a different insurance policy based on your changing lifestyle and varied requirement.
- For transfer of the policy, the new Sum Insured would be existing Sum Insured + Accrued Bonus.
- Even No Claim Bonus would be added into the Sum Insured that is transferred.

### Porting Procedure:

- Application for porting health insurance from one company to another should be made at least 45 days before the renewal date of existing policy.
- Policy holder should correctly fill and submit the portability form available on IRDA website – [www.irda.gov.in](http://www.irda.gov.in)
- Company will then send your portability form and all the policy related documents on the IRDA website.
- Other documents include all the previous policies, claim experience, proof of age and others. If any other documents are required then the new company will contact you.

### Reasons for Porting:

- Unhappy with hidden fees, high premiums charged without any intimation.
- New insurer is giving benefits such as low premium with more coverage, large network of hospitals, fast claim process, etc.

### Important Points to Consider before Porting:

- Do a deep research for best health insurance policy with various insurers. Read the terms and conditions of the new company properly.
- The premium may change due to the increase in age, health conditions, etc. if you move to another insurer.
- Check claim settlement ratio.
- Opt for a company which offers good customer support.

**For more information on Portability, contact us on [mail@netbrokers.co.in](mailto:mail@netbrokers.co.in)**

## Investment Opportunities in Real Estate

The Real Estate Bill passed by parliament provides transparency and accountability in the realty sector. Its objective is to make known the status of building approvals, to enable customers to make accurate decisions. This apart, the bill aims to take steps to promote affordable housing for everyone.

Net Brokers presents to you lucrative options in Real Estate for April 2016:

Project	Type	BSP/Sq.ft /Sq.Yd	Cost
Godrej 101, Sector 79, Gurgaon	Residential	5255	75 Lacs onwards
Vatika Turning Point, Sector 88 B, Gurgaon	Residential	5130	59 Lacs onwards
Mahagun Meadows, Sector 150, Noida Expressway	Residential	4500	64 Lacs onwards
Civitech Sampriti, Sector 77, Noida – Ready to Move	Residential	5500	62 Lacs onwards
Vatika INXT High Street, Sector-83, Gurgaon- Retail Shops - Assured Returns @ 10.50% p.a	Commercial	13,333	1 Cr onwards
Vatika Towers, Golf Course Road, Gurgaon – Assured Returns @ 10% p.a	Commercial	16000	80 Lacs onwards
Vatika One India Next, Sector 82 A, Gurgaon - Assured Returns @ 10.50% p.a	Commercial	8667	43 Lacs onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 15% p.a & Assured Buyback	Commercial	6000	30 Lacs onwards
DLF Prime Towers, Okhla Phase- 1, New Delhi	Commercial	14,500	1.27 Cr onwards
DLF Galleria, Mayur Vihar, New Delhi - Retail Shops	Commercial	12,000	1.16 Cr onwards



For more information on Real Estate Projects, contact us on mail@netbrokers.co.in

## SIP Returns in Top Equity Mutual Funds

\* Returns as on 12<sup>th</sup> April, 2016

Current Value & Yield (XIRR) %							
Scheme Name  Monthly Investment: Rs 10,000	Category	Value & Return  (3 Yr)		Value & Return  (5 Yr)		Value & Return  (10 Yr)	
		360000	%	600000	%	1200000	%
Birla SL Frontline Equity Fund (G)	Large Cap	434,786	12.6	871,218	14.9	2,486,771	13.9
Religare Invesco Business Leaders Fund (G)	Large Cap	426,413	11.3	827,583	12.8	NA	NA
ICICI Prudential Value Discovery (G)	Multi Cap	491,578	21.3	1,028,317	21.7	3,349,992	19.5
Franklin India High Growth Companies Fund (G)	Multi Cap	482,768	20.0	1,018,885	21.3	NA	NA
IDFC Premier Equity Fund(G)	Mid Cap	476,280	19.0	972,900	19.4	3,334,054	19.4
Franklin India Prima Fund (G)	Mid Cap	515,729	24.8	1,095,920	24.3	3,116,461	18.1
Franklin India Smaller Companies Fund (G)	Small Cap	548,776	29.4	1,214,030	28.6	3,463,705	20.1
DSP BlackRock Micro Cap Fund (G)	Small Cap	609,340	37.3	1,263,544	30.3	NA	NA
HDFC Balanced Fund (G)	Hybrid Equity	457,970	16.3	900,080	16.2	2,728,764	15.7
Tata Balanced Fund Plan (G)	Hybrid Equity	457,996	16.3	918,015	17.0	2,657,423	15.2
Axis Long Term Equity (G)	ELSS	481,154	19.8	1,026,523	21.6	NA	NA
Religare Invesco Tax Plan (G)	ELSS	460,141	16.6	924,264	17.3	NA	NA

\*Returns over 1 Year are compounded annualized



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