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Knowledge Initiative

Dear Patrons,

Happy Independence Day!

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for August 2014.

We thank you for reading and acknowledging our newsletter month on month. Knowledge Initiative Team is committed to bring you more educative and informative articles in the New Financial Year 2014-15.

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

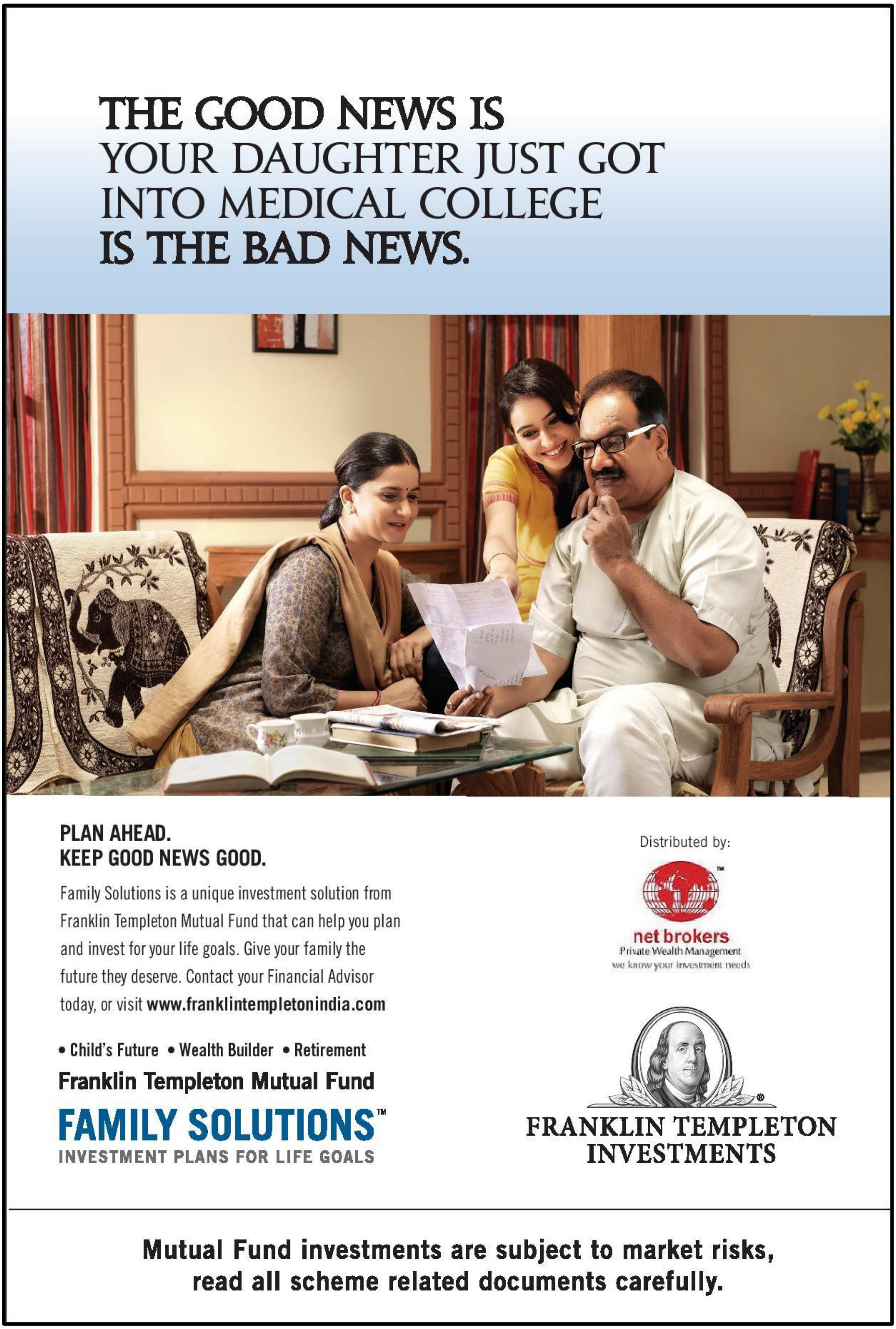
Also send us your questions or queries related to any financial product.

The Issue includes:

Akhil Chugh

Warm Regards,

Akhil Chugh
Director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INTO MEDICAL COLLEGE
IS THE BAD NEWS.
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Dinner Hosted in Honour of Finance Minister

Mr. Subhash Chugh, Director of Chugh Securities Private Limited and Net Brokers Private Limited hosted dinner in honour of Finance Minister, Mr. Arun Jaitley on 20th July 2014 at India International Centre.

Here are some of the pictures from the event:

(from Left to Right Mr. Akhil Chugh, Mr. Subhash Chugh & Hon'ble Finance Minister Mr. Arun Jaitely)

Save Additional Tax Under Sec 80 C

There is good news for investors as finance minister Arun Jaitley, presenting his maiden union budget, increased tax exemption limit for investments from Rs. 1 lakh to Rs. 1.5 lakh under Section 80 C of the Income Tax Act.

Following are the options to save additional tax:

Public Provident Fund (PPF)

The PPF is a good investment option and offers interest rate of 8.70% per annum. You can open an account in a post office branch or a bank. PPF comes with a 15 year lock in period which can be extended in blocks of 5 years each. You can invest Rs 1.5 lakh in a lump sum or as instalments on any working day of the year. Just make sure you invest the minimum Rs 500 in your PPF account in a year, otherwise you will be slapped with a nominal penalty of Rs 50. The PPF is useful for risk-averse investors, self-employed professionals and those not covered by the EPF.

Tax Saving Mutual Funds (ELSS)

Equity-linked saving schemes (ELSS) have the shortest lock-in period of three years among all the tax-saving options under Section 80C. Being equity funds, these schemes can generate good returns for investors over the long term. ELSS is a low cost product as compared to ULIPs, Endowment and Pension Plans. The minimum investment in ELSS funds is very low. Though regular equity mutual funds have a minimum investment of Rs 5,000, you can put in as little as Rs 500 in an ELSS scheme. Unlike Ulip, pension plan or an Endowment Plan, there is no compulsion in ELSS to continue investments in subsequent years. To make most of ELSS funds, stagger your investment over a period of time instead of putting a large sum at one go.

Unit Linked Insurance Plans (ULIPs) and Endowment Plans

One of the worst tax saving investments an investor can opt for. Agents often mislead people on triple benefits of ULIP/Endowment Plans – Life Cover, Equity/Debt Returns and Tax Saving. Both the plans are full of charges like Entry Load, Fixed Management Charge, Life Cover Charge and Policy Admin Fees. ULIP has a lock in period of 5 years whereas Endowment has plans of different maturities. High charges tend to eat up returns, thereby yielding very nominal returns in the hands of the investor. One should not mix insurance with investment. These are two separate products. As far as insurance is concerned, one should consider term insurance offering pure life cover with nominal premium charges.

Senior Citizen Saving Scheme (SCSS)

The Senior Citizens Savings Scheme (SCSS) is meant for those who want a regular source of income in the later years of their life. SCSS currently offers 9.2% interest per annum and is fully taxable. The interest rate is 100 basis points above the 5-year government bond yield. The maximum investment limit is Rs 15 Lakh. The interest is paid on 31 March, 30 June, 30 September and 31 December, irrespective of when you start investing.

National Savings Certificate (NCS)

NCS is a small savings instrument that combines tax savings with guaranteed returns. These are issued for five and ten year maturity and can be pledged to banks as collateral for availing loans. Currently the interest rate on NCS is at 8.50% on 5 year option and 8.80% on 10 year option. The interest earned is fully taxable and hence, NCS is not an attractive investment.

National Pension Scheme (NPS)

Its low-cost structure, flexibility and other investor-friendly features make the New Pension Scheme an ideal investment vehicle for retirement planning. The scheme scores high on flexibility. The minimum investment of Rs 6,000 can be invested as a lump sum or in instalments of at least Rs 500. There is no limit. The investor also decides the allocation to equity, corporate bonds and gilts. Be ready for a lot of legwork before you can buy.

Bank Fixed Deposits

Don't get misled by the high interest rates offered on the 5-year bank fixed deposits. Interest income is fully taxable so the post-tax yield may not be as high as you think. In the 20 per cent and 30 per cent income tax brackets, it is not as attractive as the yield of the tax-free PPF.

Pension plans

The charges of pension plans offered by life insurers are significantly higher than those of the NPS. The difference can snowball into a wide gap over the long term. The other problem is that annuity income is still not tax-free, which makes pension plans rather unattractive for retirees.

Investors can consider Tax Saving Mutual Funds (ELSS) as equity markets are poised to deliver good returns in coming 4-5 years. Conservative investors can either invest 100% in PPF or in a mixture of both PPF and ELSS.

For more information on Tax Saving Options, contact us on mail@netbrokers.co.in

Taxation in Debt Mutual Funds Post Budget

The Finance Minister in his budget has increased the long term capital gain period in Debt Mutual Funds from 1 year to 3 years and has increased the tax rate from 10 to 20%. The indexation benefit of 20% on long term capital gain has been retained.

Withdrawals from debt funds between 1 April and 10 July 2014 will attract the old taxation rules of long-term capital gains of 10% (without indexation) or 20% (with indexation) if they are held for more than a year. Similarly, the old threshold for claiming the long-term capital gains tax for debt funds if held for a year will apply. They would be taxed at income tax rates if they are held for a period of less than a year. The new Budget 2014 rules on debt funds will apply to all redemptions made after 10 July 2014.

This has made Fixed Maturity Plans (FMPs) and Short term debt investments less than 3 years, less attractive. Mutual fund houses are providing roll over facilities to FMPs maturing in coming days or in the future to ensure that investors get to stay in them for three years so that they don't have to pay short-term capital gains tax. Unlike FMPs, there is no automatic withdrawal in short term debt investments and investors can extend their tenor to 3 years to get long term capital gains tax benefit.

Categories Impacted:

- All open and closed ended debt funds including FMPs
- MIPs, International funds, Gold Funds, Fund of Funds

As a result, Assets Under Management (AUM) worth INR 7.17 lakh crore (non-equity oriented) including INR 1.73 lakh crore of FMPs have been impacted.

To conclude:

- FMP investors should avail roll over facilities provided by the mutual fund house to claim long term capital gain tax benefit
- Investors should extend their tenor in short term debt investments like short term and medium term income funds, dynamic bond funds, gilts funds, etc to three years
- Avoid new 3-year FMPs by Mutual Fund Houses which could pose a liquidity challenge for investors. Consider open ended accrual based debt funds which provide liquidity and better returns as compared to FMPs.
- Investors whose marginal rate of tax is nil are not impacted by this change. Retired investor's whose income falls below the exempt limit for taxation, have a marginal rate of taxation of 'nil'. Therefore such investors are free to redeem or switch

For more information on Debt Funds Taxation, contact us on mail@netbrokers.co.in

Importance of Personal Accident Insurance

You need a life insurance policy to cover the risk of death and a health insurance policy as a cushion against hospitalisation expenses. While most readers are bound to be familiar with these essential covers, very few would have heard of the personal accident cover. Personal accident schemes cover the policyholder against death or disability due to an accident.

Personal Accident Insurance ensures you and your family's financial security at the hour of need. Death, Permanent Total Disability, Temporary Total Disability, Broken Bones, Burns and Ambulance costs are covered under the policy. The personal accident insurance plan can also be extended to include your entire family under a single policy.

Private insurance companies offer a higher cover and a wider range of benefits. You can take a cover of up to 8 times your annual salary. Apart from the basic death and permanent disability cover, you can buy additional protection against partial and temporary disability, even loss of livelihood. A personal accident policy covers the buyer against costs that can shatter him financially.

Benefits and Coverage:

Benefits	**Coverage**
• No requirement of medical tests and documentation • Substantial cover for lower premium • Worldwide coverage • Can be bought by individual or by family • Easy and certified claim process • 24x7 support service • Legal and Funeral expenses • Child education benefit • Double indemnity for death/ disability while traveling in public transport	• **Accidental Death**: The Sum Assured under this plan is payable if death occurs from an accident. • **Accidental Disability:** It indicates that the policyholder is disabled from work, either partially or wholly. • **Accidental Dismemberment:** If the policyholder loses his hand or leg or eyes in an accident, then he would be eligible to get a claim under Accidental Dismemberment. • **Medical Expenses:** Medical expenses incurred during the treatment of accidental injuries.

Inclusions and Exclusions

Inclusions	Exclusions
• Accidental death • Permanent total/ partial disability • Accidental dismemberment • Medical expenses/ hospitalization charges • Child education support • Life support benefit • Burns, broken bones and Ambulance • Daily allowance	• Pre-existing disability or injury • Child birth or pregnancy • Suicide or self injuries or under non-allopathic treatments • Influence of intoxicants • Committing a criminal act, or being involved in war activities • Suffering from mental disorder • Participating in naval, military, air force, adventurous or sports activities

Claim Process:

In case of a claim one needs to inform the insurer about the event within the time frame specified by the company. You might be provided with a claim reference number. The following information is required to be submitted to the insurer when intimating your claim-

- Your contact numbers
- Policy number
- Date and time of accident
- Name and contact details of insured person who is injured
- Location of loss
- Brief description on how the accident/ loss took place with its extent and location details
- Extent of loss

In case of death/ disability claim, the documents required include- certificate for the same, admission/discharge summary, lab and doctor's report are the basic documents required for claim settlement.

Recommended Personal Accident Insurance Policies:

- **ICICI Lombard Personal Protect Policy**
- **L&T my:health Personal Accident Insurance**
- **HDFC ERGO Personal Accident Insurance**

For more information on Personal Accident Insurance, contact us on mail@netbrokers.co.in

Beyond Residential Investments

Nine out of ten chances are that property investors are looking for residential options in the market. Either it is a second home with scope for appreciation or it is an apartment with potential to rent.

Why's that? Largely because we all are comfortable dealing with residential real estate as an asset class. Typically, anyone looking to invest in another property would already own their present home and hence buying an investment with similar physical and commercial characteristics is just so much easier to deal with. Buying an office space or a retail store would not even cross the minds of most such investors. In fact, why even bother?

Well, there are a few good reasons why you should bother.

- Rental yields in commercial property tend to be much higher compared to residential. Such a property can pay you 9-12 % per annum of the property cost as gross rental income. A comparable number for residential properties would be in the 3-5 % range. If you are looking at the rentals to pay off your mortgage, it is easy to see which asset class makes more sense.

- Further, real estate is a cyclical business. Often, residential and commercial real estate cycles operate differently. If you have a significant investment in your existing home (residential), it may be wise to make your next investment into a commercial property that could move according to a somewhat different market cycle

- Other fringe benefits include leases that tend to be longer for commercial premises with built-in rent escalation clauses. Typically, commercial tenants would maintain the property better as it is their place of business. Finally, if you have an existing tenant, it is much easier to exit commercial as there is an established market for such properties.

- Another Factor to be considered here is FAR. FAR refers to floor area ratio, which refers to the allowable area available for construction. FAR is higher for a commercial construction as compared to a residential building.

- You can also consider virtual offices where an investor has no headache with regard to leasing agreements, maintenance, etc. Everything is managed by the builder. Assured returns are in the range of 11-12% p.a. Projects from reputed builders are Cyberwalk in Manesar, Vatika Mindscapes in Delhi/Mathura Road and World Trade Centre in Noida.

In case of Commercial Investments, two things to be kept in mind are good location and purchasing from a reputed builder. If the area is good, ultimately, the value paid will be realized now or later point of time. Also chances of getting tenants would be higher. Reputed builder gives a good name thereby making resale much easier.

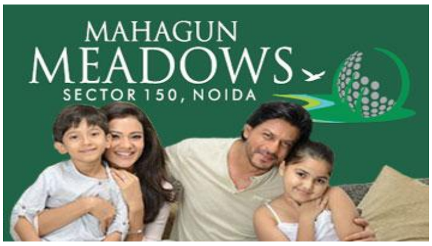
For more information on Commercial Property Investments, contact us on mail@netbrokers.co.in

Investment Opportunities in Real Estate

The budget 2014 has been quite favourable for the real estate sector. We believe that the new government will be able to formulate and revive the real estate sector growth in the coming years. We anticipate the real estate demand to increase by another 10 percent to 15 percent in the medium term and this will also give a boost to the other related industries.

Net Brokers presents to you lucrative options in the real estate for the month of August 2014.

Project	Type	BSP/sqft	Cost
ATS Pristine , Sector 150, Noida	Residential	6200	1.08 Cr onwards
Raheja Revanta, Sector 78, Gurgaon	Residential	7675	1.20 Cr onwards
Mahagun Medows, Sector 150, Noida Expressway	Residential	4270	60.84 Lakh onwards
Sunworld Arista, Sector 168, Noida Expressway- Assured Buyback, Returns @ 35% p.a	Residential	-	43.50 Lakh onwards
Sunworld Vedanta, Sector 22 D. Yamuna Expressway – Assured Returns @ 12% p.a	Residential	2990	27 Lakh onwards
Cyberwalk, Manesar, Gurgaon – Assured Returns @ 12% p.a	Commercial	6000	15 Lakh onwards
WTC Spire One, Noida – Assured Returns @ 12% p.a	Commercial	6800	30 Lakh onwards
Vatika Mindscape, Delhi – Assured Returns @ 9.5% p.a	Commercial	8210	41 Lakh onwards



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

FIXED DEPOSITS

Earn Assured Returns up to 12.20 % p.a.

Offered By Renowned Companies

S.No.	Company Name	Period			3 Years Yield	Senior Citizen	
		1 Year	2 Year	3 Year	(In %)	(additional Rate)	(Yield in %)
1	DHFL 14 Months/ 40 Months	9.75/ 10.10			10.08/11.66	0.40	10.50/ 12.19
2	Shriram Transport Finance Unnati Deposits	9.25	9.75	10.25	11.56	0.50	12.20
3	Mahindra & Mahindra Finance Ltd	9.25	10.00	10.25	11.34	0.25	11.64
4	Bajaj Finance LTD	9.25	9.40	9.65	10.61	0.25	10.91
5	HDFC LTD Platinum Deposit 15/22/33 Months	9.50%			10.34	0.25	10.64

* The rates of interest are applicable as on the data mentioned herein above. The rate may be revised at the sole discretion of the respective companies inviting the Fixed Deposits without Further Notice.

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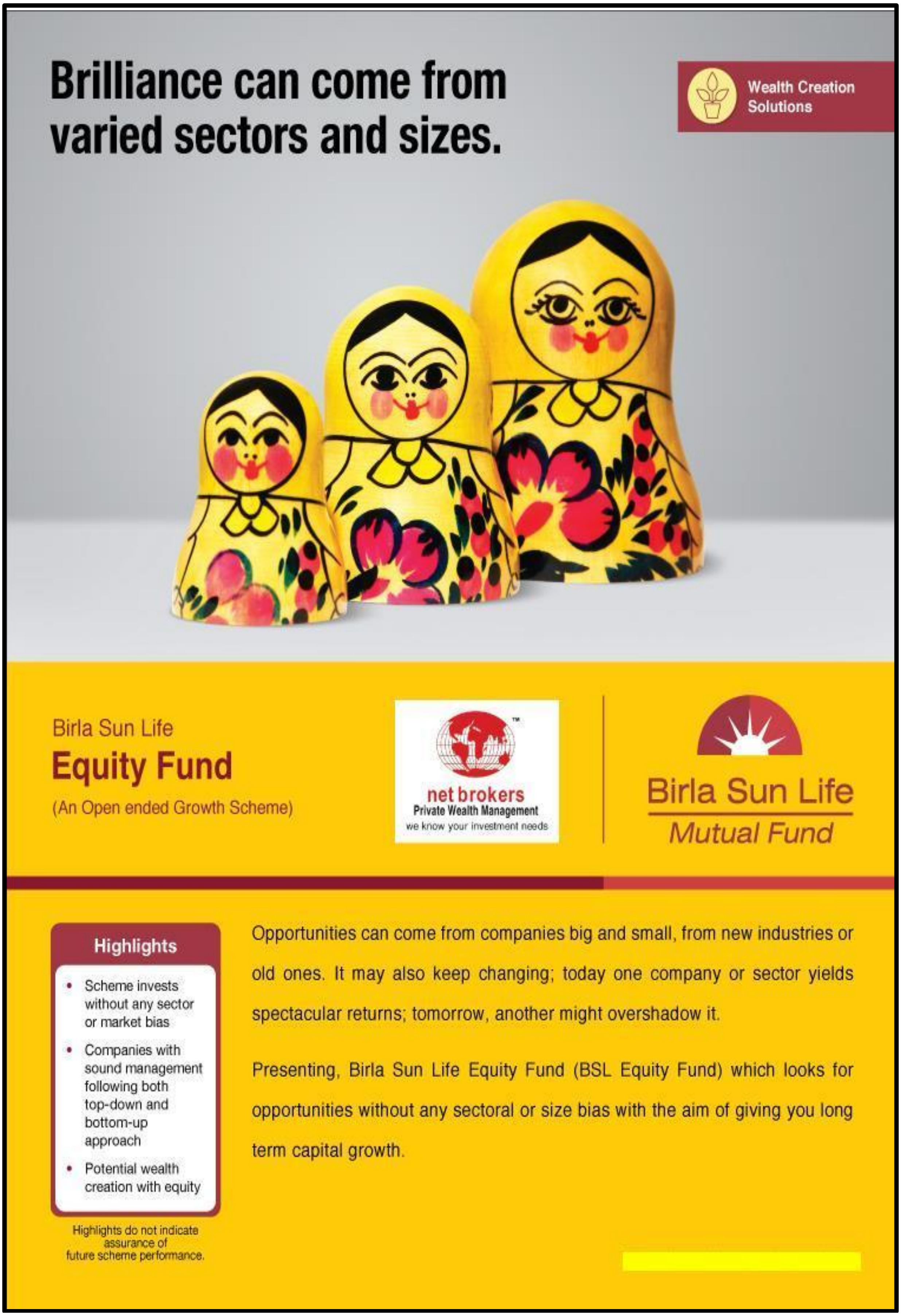
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Highlights
Scheme invests without any sector or market bias
Companies with sound management following both top-down and bottom-up approach
Potential wealth creation with equity
Highlights do not indicate assurance of future scheme performance.
Opportunities can come from companies big and small, from new industries or old ones. It may also keep changing; today one company or sector yields spectacular returns; tomorrow, another might overshadow it.
Presenting, Birla Sun Life Equity Fund (BSL Equity Fund) which looks for opportunities without any sectoral or size bias with the aim of giving you long term capital growth.