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Private Wealth Management
we know your investment needs

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Dear Patrons,

Happy New Year!

We are pleased to share our monthly newsletter "Knowledge Initiative" for February 2020.

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

Have a plan to retire rich: You may be working hard for a comfortable present and better future, but with little planning you can retire rich and have a luxurious life. Enrich your knowledge on how one can do so.

2

Financial vows for 30 year olds: The concept of savings and investment comes in an individual's life, when one finishes their education to start working in an organisation. But, during this time, one can make haste financial decisions. Lets understand the vows one must take in this period of life.

3

Common mistakes while tax planning: Tax planning is an important aspect for any working professional, in order to reduce tax liability by way of exemptions, deductions and benefits. Let's understand in detail what mistakes one should avoid while doing tax planning.

4

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

Have a plan to retire rich

You may be working hard for a comfortable present and better future, but with little planning you can retire rich and have a luxurious life. It is important to start early in life and you may be surprised that by simply saving a modest amount every month, you may end having crores as savings.

The first step is to have a **RETIREMENT PLAN**.
This will help to identify the retirement corpus, current monthly expenses and risk taking capability based on which you will get a rough idea of how much you would need for your retirement.

INVESTMENT OPTIONS AVAILABLE	Selection of *investment products* plays a very crucial role in the retirement plan. You have plenty of options like Public Provident Fund (PPF), Employee Provident Fund (EPF), Bank Fixed Deposits, Traditional Insurance Plans and other Post Office Schemes. All these are fixed income options with returns ranging from 6.00 - 8.70% p.a. Apart from PPF, EPF and Insurance Plans, the interest earned in all other schemes is taxed as per slab. With interest rates heading south, all these options will become unattractive. Therefore, it is important to choose products which are tax efficient and deliver inflation beating returns.
IDEAL INVESTMENT	Equity and Debt schemes of Mutual Funds are ideal investments to be included in your retirement plan. Equity diversified schemes have the potential to deliver tax free returns of 12-15% CAGR provided you have a minimum tenure of 10 years. A longer tenure helps to reduce risk and overcome market fluctuations. Debt schemes offer good tax efficient returns with the help of indexation benefit.
OUR RECOMMENDATION	Systematic Investment Plan (SIP) on monthly basis is the best way to invest in mutual funds. The earlier one start starts saving and investing, the more time your money will have to grow. If you delay, you may have to invest much more to achieve a similar corpus.

VALUE OF INVESTMENT (RETURNS @12% CAGR)

	VIRAJ	SIRAJ
Start investing at the age of	25 years	30 yeard
Invest till age of	60 years	60 years
Number of years in a SIP	35 years	30 years
Monthly SIP amount	10,000	10,000
SIP date	**1st of every month**	**1st of every month**
Cost of investment	**42 lacs**	**36 lacs**
Value of investment	**5.51 crore**	**3.08 crore**

Financial vows for 30 year olds

The concept of savings and investment comes in an individual's life, when one finishes their education to start working in an organisation. They are self dependent and ready to take care of their earned income. The time when you're in a position to save is typically in your late 20s or early 30s for starters. But, during this time, one can make haste financial decisions. Lets understand the vows one must take in this period of life:

Avoid Debt Traps: Spontaneous purchases are most common mistakes that one commit when they start to earn. Multiple credit cards and multiple loans with regular EMI payments becomes a regular affair. Debt traps can lead to undue stress and pressure and thus, must be avoided. A consistent approach must be adopted to grow money in the long run.

A good retirement plan: Investing in equities through SIP is a great way to channelise savings, but this works best when you link it to a financial goal such as retirement. It is necessary to have a fixed income post the working period of life, in order to maintain the same standard of living.

Start investing early: Investing comes into play when one starts saving and accumulating their monthly income. The earlier you start in your working career, the better it is for one to secure their future. Systematic investment plan (SIP) is the perfect way to investing in equities and adopting a disciplined approach to make wealth in the long term.

Insured: Insurance is indispensable in today's times. Life and health insurance are the products one needs to invest to secure their life and for the ones who are dependent on them. But, one must not link these to their investment products. Life insurance such as a pure term cover is best suited in such as case.

Budgeting: Socialising is necessary to keep a balance along with a professional career. It helps one to make new connections and a change from the regular routine. Alongside, it is extremely important to keep party budget for the month and not try to exceed it. This helps in keeping the savings in track. Also, a personal financial budget helps you to balance leisure and work at all stages.

The above mentioned financial vows allows one to fulfil their present dreams and aspirations and lead to a secure period post retirement. A disciplined approach to investments is as important as a disciplined lifestyle.

Common mistakes while tax planning

Tax planning is an important aspect for any working professional, in order to reduce tax liability by way of exemptions, deductions and benefits.

Tax planning in India allows a taxpayer to make the best use of the various tax exemptions, deductions and benefits to minimize his tax liability every financial year. As responsible citizens of the country, paying Income Tax on time, on your income is mandatory for the country to grow.

TAX PLANNING IN THE END

Many investors postpone tax planning till the last quarter of the year. They only start planning when the employer requests of section 80C deductions and other investment proofs for TDS purpose. Since salaried professionals know their fixed component of salary, they can assume the incentives and bonus for the year and do their tax planning from April itself. This will give them sufficient time to invest at the right avenues.

LAST QUARTER INVESTMENT

When an individual invests in the last quarter of the years, he/she forgoes the interest or return one could've earned in for the 9-10 months missed. For example Rs 1 lac invested @10% per annum (assuming) amounts to interest of Rs 8333. Over years, this interest amounts to Rs 5 - 8 lacs lost by the delay of investing in the first quarter of the year.

NO LINK IN TAX PLAN WITH FINANCIAL GOALS

Tax planning is not purely about saving tax. Different 80C investments have different risk/return profiles. One must always link their tax planning to their financial goals. It helps them to achieve their overall goal of creating wealth.

MIX TAX PLANNING WITH INSURANCE

Life insurance qualifies for tax saving u/s 80C. An insurance cover prevents your family from a considerable financial risk in the event of any unfortunate event. Hence, this must be priority and not mixed with tax planning. A pure life term cover with an annual premium, is what one needs. An endowment plan and ULIP along with life cover is a bad decision.

LIQUIDITY IMPLICATIONS

Factoring liquidity for all tax saving investment options s extremely important. Though we recommend long term for maximum wealth creation, we must know which option is available if urgent money is required. The following are the instruments and their maturity.

PPF - 15 years
NSC - 5 years
Life insurance policy - 15 / 20 / 25 years
ULIP - 5 years
ELSS (mutual fund) - 3 years

SIP RETURNS IN TOP MUTUAL FUNDS

INVESTMENT		VALUE (5 Year)		VALUE (10 Year)		VALUE (15 Year)	
Monthly Investment @Rs 10,000		600000		1200000		1800000	
SCHEME NAME	*CATEGORY*	*RETURN*	*%*	RETURN	*%*	RETURN	%
Mirae Asset Large Cap Fund (G)	*Large Cap*	798,882	11.4	2,599,667	14.8	N/A	N/A
Axis Bluechip Fund (G)	*Large Cap*	871,233	14.9	2,531,764	14.3	N/A	N/A
Kotak Equity Opportunities Fund (G)	*Large & Midcap*	798,471	11.4	2,434,121	13.5	5,540,250	13.8
Mirae Asset Emerging Bluechip Fund (G)	*Large & Midcap*	872,129	14.9	N/A	N/A	N/A	N/A
Kotak Standard MulticapFund (G)	*Multi Cap*	795,723	11.2	2,584,323	14.7	N/A	N/A
DSP Equity Fund (G)	*Multi Cap*	836,305	13.2	2,438,282	13.6	N/A	N/A
Kotak Emerging Equity Fund (G)	*Mid Cap*	792,545	11.1	2,868,961	16.6	N/A	N/A
Axis Midcap Fund (G)	*Mid Cap*	863,012	14.5	N/A	N/A	N/A	N/A
SBI SmallCap Fund (G)	*Small Cap*	1,660,590	12.9	7,135,283,	20.6	N/A	N/A
Axis SmallCap Fund (G)	*Small Cap*	884,821	15.5	N/A	N/A	N/A	N/A
SBI Focused Equity Fund (G)	*Focused*	860,676	14.4	2,843,131	16.4	6,930,728	16.3
Axis Focused 25 Fund (G)	*Focused*	868,194	14.7	N/A	N/A	N/A	N/A
SBI Equity Hybrid Fund (G)	*Hybrid Aggressive*	793,372	11.1	2,432,190	13.5	5,247,410	13.1
DSP- Equity & Bond Fund (G)	*Hybrid Aggressive*	795,849	11.2	2,292,750	12.4	5,122,767	12.8
Axis Long Term Equity Fund (G)	*ELSS*	841,283	13.5	2,999,465	17.4	N/A	N/A
Motilal Oswal Long Term Equity Fund (G)	*ELSS*	816,980	12.3	N/A	N/A	N/A	N/A

PLEASE NOTE: *Returns over 1 Year are compounded annualised

Returns as on date 24th February 2020

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