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Dear Patrons,
Greetings!

We are pleased to share our monthly newsletter “Knowledge Initiative” for March 2021.

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.

Save Tax and Build Wealth with ELSS Funds



1. Tax saving - ELSS:

An Equity Linked Savings Scheme (ELSS) is a diversified equity mutual fund that gives you the dual benefit of tax saving along with the growth potential of equities.

Unlike other tax saving investments, ELSS has a lock-in period of just 3 years!



2. SIP – Impact of Delay in Investment:

Waiting to begin your savings plan may have an important impact on your results. A delay of even a few years could cost thousands of rupees.

Postponement in investment 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.



3. LIST OF TOP MUTUAL FUNDS:

Most of us either Google for it or asks his/her friend or colleagues about it. So, here we have collated a list for you.

Check the best performing funds in their respective categories.



1. Tax saving - ELSS:

Most of us have a tendency to wait until the last moment in the financial year to start making tax saving investments, and more often than not, we end up making the wrong decisions.

The key here is to begin investing at the start of the financial year and change the notion of “tax saving” into “tax planning”. This involves creating a strategy to help you maximize your tax savings together with wealth creation.

ELSS SIP!

- A good way to invest in ELSS is through a Systematic Investment Plan (SIP). An SIP helps you to take advantage of market ups and downs through rupee cost averaging. This involves a process through which a fixed amount is invested every month.
- Lump-sum investments carry greater risk; they also offer the potential of higher returns in favourable markets. In unfavourable markets losses are comparatively lower when you invest through SIP. In a rising market, the average cost of purchase of a lump-sum investment will be lower than that of a SIP. The opposite happens in a bearish (falling) market.

GROW YOUR INVESTMENT WITH THE TAX YOU SAVE!

Investing in Equity Linked Savings Scheme (ELSS) helps you to save tax upto Rs 46,800 and build wealth through the growth potential of equities at the same time!

| <p>The illustration compares the investments of two investors over a 25-year period.</p> <div style="border: 1px solid #ccc; padding: 5px; margin: 5px 0;">Mr. A invests in non-tax saving instrument</div> <div style="border: 1px solid #ccc; padding: 5px; margin: 5px 0;">Mr. B invests in ELSS offering tax benefits under section 80C</div> | <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; border: 1px solid #ccc; border-radius: 10px; padding: 5px;">Mr. A</th> <th style="width: 20%; border: 1px solid #ccc; border-radius: 10px; padding: 5px;">Mr. B</th> </tr> </thead> <tbody> <tr> <td colspan="3">SIP at 12% annual rate of return</td> </tr> <tr> <td>Monthly Investment</td> <td style="text-align: center;">Rs 5,000</td> <td style="text-align: center;">Rs 5,000</td> </tr> <tr> <td>Potential additional investment from tax saving</td> <td style="text-align: center;">Nil</td> <td style="text-align: center;">Rs 1,500</td> </tr> <tr> <td>Total Monthly Investment</td> <td style="text-align: center;">Rs 5,000</td> <td style="text-align: center;">Rs 6,500</td> </tr> <tr> <td>Value of Investment after 25 years</td> <td style="text-align: center;">Rs 84,31,033</td> <td style="text-align: center;">Rs 1,09,60,342</td> </tr> </tbody> </table> | | Mr. A | Mr. B | SIP at 12% annual rate of return | | | Monthly Investment | Rs 5,000 | Rs 5,000 | Potential additional investment from tax saving | Nil | Rs 1,500 | Total Monthly Investment | Rs 5,000 | Rs 6,500 | Value of Investment after 25 years | Rs 84,31,033 | Rs 1,09,60,342 |
|---|---|-----------------------|-------|-------|---|--|--|--------------------|----------|----------|---|-----|----------|---------------------------------|-----------------|-----------------|---|---------------------|-----------------------|
| | Mr. A | Mr. B | | | | | | | | | | | | | | | | | |
| SIP at 12% annual rate of return | | | | | | | | | | | | | | | | | | | |
| Monthly Investment | Rs 5,000 | Rs 5,000 | | | | | | | | | | | | | | | | | |
| Potential additional investment from tax saving | Nil | Rs 1,500 | | | | | | | | | | | | | | | | | |
| Total Monthly Investment | Rs 5,000 | Rs 6,500 | | | | | | | | | | | | | | | | | |
| Value of Investment after 25 years | Rs 84,31,033 | Rs 1,09,60,342 | | | | | | | | | | | | | | | | | |

Thus, Mr. B ends up with a larger amount due to a small increase in monthly installments from his tax saving!

**Please note: tax rate is assumed to be 30%. Amount saved in tax is assumed to be invested back at the same rate of interest. These calculations assume that investors get tax benefits on the full amount invested. Assuming 30% tax slab, one is able to save tax upto Rs 18,000 on total annual investment value of Rs 60,000. Monthly figure of Rs 1,500 saved is assumed to be invested as additional monthly investments*

We recommend the SIP route, especially if you are salaried and risk-averse. Connect with us for your tax planning requirements.

DELAY CAN COST YOU



2. SIP – Impact of Delay in Investment:

Each of us have unlimited financial goals- Retirement, Kids education planning, Marriage, vacation etc.. To fulfill these goals, one need to start saving money at right time , so that one can create desired fund. Sooner you start, lower the amount of savings you need to create fund. If you delay the investments today, you will require more money to invest to meet goal.

What will happen if you delay your investments?

- **Wealth will not be generated:** If you delay your investments then you won't be able to generate wealth.
- **Constant fear of an uncertain future:** A person who doesn't save has always a constant fear in their lives. They fear about what action they will take if there is a sudden unexpected event in life which requires a good amount of money.
- **No peace of mind:** Life is always unexpected. No one can predict what will happen the next second of our life. With such unpredictability we tend to take huge risk in life by not investing for our future.
- **Chances of getting into Debt Trap are very high:** If you don't invest now, in case of any emergency the only option you are left with is to take a loan by paying high interest.

Benefits of starting Early Investment:

- a) You can see the power of compounding well when you invest money for a longer period of time, say 10 years and more.
- b) You develop a habit of saving in life with early investment.
- c) By investing early one can improve the quality and standard of life because there are very less chances that an early investor will be caught in the trap of over spending in future.
- d) Investing early can help an individual to secure theirs as well as theirs families future.

Start Investing Early

Here is a Difference of just 5 Years of Investing

| | | |
|--------------|-------------------|-------------|
| 20 | Start Age | 25 |
| 10,000 | SIP(Rs) | 10,000 |
| 12% | Returns (CAGR) | 12% |
| 17,17,68,533 | At Age of 65(Rs) | 9,70,10,200 |



Those 5 years make a Difference of Rs.7,47,58,333

Disclaimer: The illustration above is merely indicative in nature and should not be construed as a promise on minimum returns and safeguard of capital. It does not in any manner imply or suggest performance of any Scheme. SIP does not assure a profit or guarantee protection against a loss in declining market.

We advice you to start your SIP now as there is no good or bad time to do it.

3. LIST OF TOP MUTUAL FUNDS

Check the best performing funds in their respective categories.

| CATEGORY | NAME OF SCHEME |
|-------------------------|--|
| LARGE CAP | Axis Bluechip Fund Mirae Asset Large Cap Fund |
| LARGE AND MID CAP | Tata Large & Midcap Fund Edelweiss Large & Midcap Fund |
| FLEXI CAP | UTI Flexi Cap Fund Parag Parikh Flexicap Fund |
| FOCUSED | Principal Focused Multicap Fund Axis Focused 25 Fund |
| MID CAP | Axis Midcap Fund PGIM India Midcap Opportunities Fund |
| SMALL CAP | Axis Small Cap Fund Kotak Small Cap Fund |
| ELSS | Axis Long Term Equity Fund Mirae Asset Tax Saver Fund |
| HYBRID AGGRESSIVE | Mirae Asset Hybrid Equity Fund SBI Equity Hybrid Fund |
| BALANCED ADVANTAGE FUND | Kotak Balanced Advantage Fund Edelweiss Balanced Advantage Fund |
| TECHNOLOGY | ICICI Prudential Technology Fund Tata Digital India Fund |
| GLOBAL | PGIM Global Equity Opportunities Fund Edelweiss Greater China Equity Off-shore Fund |
| DEBT - CORPORATE BOND | Kotak Corporate Bond Fund ICICI Pru Corporate Bond Fund |
| DEBT - BANKING & PSU | DSP Banking & PSU Debt Fund IDFC Banking & PSU Debt Fund |

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