

# **FINANCIAL PLANNING AND WEALTH CREATION**

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# About My Self In Brief

1. **Qualification** :Chartered Accountant
2. **Present Assignment** : Corporate Taxation
  - ❖ **Direct Tax** : Assessment , Appeal, ITAT , Advance Tax, TDS, 80IA Tax benefit 4000 Cr, Transfer pricing , Income Tax Notices
  - ❖ **Indirect Tax** : Statutory Compliances of total 70 GST Registration taken in all over India (36 POWERGRID + 34 Subsidiary) , Issue Circulars, Guide & Educate regions , Handling Notices , Department , Audit , Implementation in ERP , New development
3. **Previous Assignment** :Balance sheet, Internal Audit , Statutory Audit , CAG Audit , Consultancy , PF Pension, Banking, Bills, Foreign Bills, Establishment , CERC Cost data
4. **Author** : Two Books in GST
5. **Articles Written** : Many articles published in Tax Guru website , ICAI magazines, Office Magazines, Very popular Article on Taxability of Health services 1,50,000 viewers
6. **Speakers In various Seminars** : In office , other organization , CA institute etc.
7. **Hobby** : Singing , Sheron - Shayri , Helping People Personal Financial Planning & Taxation
8. **Spouse** : Practice of Chartered Accountancy

# TOPICS COVERED

## Part I

Planning for  
Emergency Fund

## Part II

Planning for Tax  
Saving Investment

## Part III

Planning for Protection  
of Family & Assets  
(Insurance Planning)

## Part IV

Planning for Loan  
Redemption

## Part V

Investment Planning

## Part VI

Planning for Financial  
Goal and fund  
Allocation

Fixed Income Product  
(Financial Assets)

Market Linked Product  
( Financial Assets )

Real Estate & Gold  
(Non-Financial Assets)



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Preliminary

**Basics of Financial Planning**

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# Basics of Financial Planning

(Part I)

1. Financial Planning at Two stages
2. Active Income & Passive Income (WB says create 2<sup>nd</sup> source of income)
3. What is financial Planning ?
4. Benefit of financial planning
5. Process of financial planning
6. Power of Compounding (Benefit of starting investment early)
7. Impact of inflation in Financial Planning and Investment



# What is Financial Planning ?

(To meet future financial obligation of family)

1. Emergency Fund
2. Protecting family against financial risks
3. Buying a home
4. Saving for children's education
5. Buying a car
6. Planning a foreign trip
7. Planning for retirement
8. Tax planning
9. Estate planning

# Benefits of Financial Planning

- ❖ Helps to achieve financial goals
- ❖ Teaching you to **spend, save & invest** money wisely
- ❖ To live **comfortably with financial security**
- ❖ Managing the milestones
- ❖ Enables discipline in lifestyle
- ❖ Proper asset allocation
- ❖ Helps retirement Planning



# Process of Financial Planning

## 1. Goal Setting

- Short Term: Buying a car after 4 year or foreign trip after 3 yr or
- Medium Term: Buying house after 7 years
- Long Term: Children education/marriage after 20 yrs. & RP

## 2. Estimate the time frame for each goal

## 3. Inflation impact

## 4. Estimate the available resources

## 5. Make Investment & Allocation of funds (Debt/Equity ) accordingly

# Impact of Inflation On Cost & Savings

Inflation Rate : Average CPI around 6%

## Impact of Inflation:

- An increase in the price of goods and services,
- Dent in your savings

Cost of Product In 2020	Inflation Rate (assumed)	Inflated Amount In 2030
1000	6%	1800

## **What to do to beat inflation?**

**Invest in financial products that have a higher rate of return than the rate of inflation (that may include equity, bonds, MF etc.).**

# Power of Compounding OR Time Value Of Money

## (Impact of Early Start of Investment)

Entry Age (Years)	Investment up to Age of Retirement	Investment for no. of Years	Investment of Rs. 2000 PM (@ 12%)	
			Investment (In Lacs )	Total Corpus (In Lacs )
30	60	30	7.20	70.59
40	60	20	4.80	19.98
Difference			2.40	50.61

**Warren Buffet :** If unmarried do not save 50 % & married 20 % of their income ,they will face serious danger of financial security

**Lack of financial literacy ( Youngsters, impulsive buying etc. )**



# Six Life Lessons by Warren Buffett

1. It's better to be a poor owner of a great business than a rich owner of a mediocre business.
2. It's better to be a poor owner of a great business than a rich owner of a mediocre business.
3. It's better to be a poor owner of a great business than a rich owner of a mediocre business.
4. It's better to be a poor owner of a great business than a rich owner of a mediocre business.
5. It's better to be a poor owner of a great business than a rich owner of a mediocre business.
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# Six Life Lessons by Warren Buffett

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# PART I

# Emergency Fund Planning

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# Emergency Fund

## Why Needed?

- Job loss
- Accident
- Medical emergencies
- Unexpected /unplanned scenarios

## How Much Funds ?

- Around 6–12 Months Expenses
- May be lesser for Government Employees

## Nature of Investments

- Liquid Funds
- Savings banks and FDR

## PART II

# Tax Saving Investment ( 80C & 80CCD )

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# Investment Under Section 80C

( Interest Rate Applicable from 01.07.2020 )

Instrument	Lock in period	Returns	Returns %	Interest Calculation	Return Taxable	TDS	Post Tax Yield
1	2	3	4	5	6	7	8
FDR (80C )	5 years	Fixed	6	Qtly	Yes	Yes	4.0%
NSC	5 years	Fixed	6.8	Half Yearly	Yes	No	5%
PO Time Depo.	5	Fixed	6.5	Qtly	Yes	Yes	5%
Sukanya Samriddhi	21 year Age	Fixed	7.6	Yearly	No	No	7.60%
PF	Till retire	Fixed	8.50	Monthly	No	No	8.50%
PPF	15 Years (Can withdraw from 7 <sup>th</sup> Year )	Fixed	7.1	Yearly	No	No	7.10%
Life Insurance	10+	Bonus based	3 to 5	Yearly	No	No	3 to 5%
ELSS (MF)	3 Years	Market based	12 –15%	Market linked	No	No	12%–15%
Sr Citizen Scheme	5 years	Fixed	7.4	Qtly	Yes	Yes	5.5%

**Interest Rate on Post Office Instruments Are Changed by the Govt on Every Quarter**



# PPF Vs. ELSS

## (10 Years Comparison IN RETURN )

Investment	Investment Amount	Investment Date	End Date	Fund Value	Annual Return (%)
PPF	1,00,000	26.08.2010	26.08.20	2,28,172	8.59%
ELSS ( Axis Long Term equity Fund)	1,00,000	26.08.2010	26.08.20	3,98,851	14.82%

# Investment in PPF Rs 1,50,000 p.a. @ 7.1% for 15 years

Year	Opening Balance	Amount Deposited	Interest Earned	Closing Balance	Loan (Max.)*	Withdrawal (Max.)**
1	₹ 0	₹ 150,000	₹ 10,650	₹ 160,650	₹ 0	₹ 0
2	₹ 160,650	₹ 150,000	₹ 22,056	₹ 332,706	₹ 0	₹ 0
3	₹ 332,706	₹ 150,000	₹ 34,272	₹ 516,978	₹ 40,163	₹ 0
4	₹ 516,978	₹ 150,000	₹ 47,355	₹ 714,333	₹ 83,177	₹ 0
5	₹ 714,333	₹ 150,000	₹ 61,368	₹ 925,701	₹ 129,245	₹ 0
6	₹ 925,701	₹ 150,000	₹ 76,375	₹ 1,152,076	₹ 178,583	₹ 0
7	₹ 1,152,076	₹ 150,000	₹ 92,447	₹ 1,394,523	₹ 0	₹ 258,489
8	₹ 1,394,523	₹ 150,000	₹ 109,661	₹ 1,654,184	₹ 0	₹ 357,167
9	₹ 1,654,184	₹ 150,000	₹ 128,097	₹ 1,932,281	₹ 0	₹ 462,851
10	₹ 1,932,281	₹ 150,000	₹ 147,842	₹ 2,230,123	₹ 0	₹ 576,038
11	₹ 2,230,123	₹ 150,000	₹ 168,989	₹ 2,549,112	₹ 0	₹ 697,262
12	₹ 2,549,112	₹ 150,000	₹ 191,637	₹ 2,890,749	₹ 0	₹ 827,092
13	₹ 2,890,749	₹ 150,000	₹ 215,893	₹ 3,256,642	₹ 0	₹ 966,141
14	₹ 3,256,642	₹ 150,000	₹ 241,872	₹ 3,648,514	₹ 0	₹ 1,115,062
15	₹ 3,648,514	₹ 150,000	₹ 269,694	₹ 4,068,208	₹ 0	₹ 1,274,556

\*\*Permanent Withdrawal after 6 Years out of the balance ( but excluding balance of immediately 3 years )

\*Loan can be 25% from the balance excluding balance from current year and previous year

(Source : Paisa Bazar .com)

# Investment In SSY

## Sukanya Samriddhi Yojana

### Details and Features

Account Holder	Girl Child Aged 0-10 Years
Who Can Open the Account	Parents/Legal Gurdians
Where to Open the Account	Post Office/ Authorised Banks
Number of Accounts	1 Account per Child/ Maximum 2
Minimum/ Maximum Deposit	Rs. 250/Rs. 1.5 Lakhs per Year
Current Interest Rate	8.5%
Tax Benefits	Upto 1.5 Lakhs under 80C
Maturity	21 Years from Account Opening or Marriage whichever is earlier



# Features of SSY

- ▶ A/C can be opened by her parents or legal guardians.
- ▶ Maximum 2 a/c, in case of twins, total of 3 a/c
- ▶ Min deposit Rs.250 pa. Max deposit Rs,1,50,000 pa.
- ▶ High interest rate of 8.4% p.a.
- ▶ Tax benefits Section 80C of the Income Tax Act 1961
- ▶ A/c can be prematurely closed on death of depositor.
- ▶ Upon attaining the age of 18 of child in whose name the account has been created, can withdraw up to 50% of the balance.
- ▶ Account will mature after 21 year from the date of opening or on the of marriage of child(not below 18 yr)
- ▶ Deposits need to be made only for the initial 15 years to keep account active.

## Contribution of Rs.1.5 Lacs pa accumulates to Rs.73 lacs

Year	Age	Opening Balance	Investment during the year	Interest Income	Closing Balance
1	3	-	1,50,000	12,450	1,62,450
2	4	1,62,450	1,50,000	25,933	3,38,383
3	5	3,38,383	1,50,000	40,536	5,28,919
4	6	5,28,919	1,50,000	56,350	7,35,269
5	7	7,35,269	1,50,000	73,477	9,58,747
6	8	9,58,747	1,50,000	92,026	12,00,773
7	9	12,00,773	1,50,000	1,12,114	14,62,887
8	10	14,62,887	1,50,000	1,33,870	17,46,757
9	11	17,46,757	1,50,000	1,57,431	20,54,187
10	12	20,54,187	1,50,000	1,82,948	23,87,135
11	13	23,87,135	1,50,000	2,10,582	27,47,717
12	14	27,47,717	1,50,000	2,40,511	31,38,228
13	15	31,38,228	1,50,000	2,72,923	35,61,151
14	16	35,61,151	1,50,000	3,08,025	40,19,176
15	17	40,19,176	1,50,000	3,46,042	45,15,218
16	18	45,15,218	-	3,74,763	48,89,981
17	19	48,89,981	-	4,05,868	52,95,849
18	20	52,95,849	-	4,39,555	57,35,405
19	21	57,35,405	-	4,76,039	62,11,443
20	22	62,11,443	-	5,15,550	67,26,993
21	23	67,26,993	-	5,58,340	72,85,333

\*Assumed Rs 1.5 lac invested at the beginning of the year

\*\*Interest rate assumed at 8.3% p.a. for the entire duration



**NPS U/C 80CCD**

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# NPS STRUCTURE

Sl	Topic	Description
1.	Eligibility	<ul style="list-style-type: none"><li>❖ Initially introduced for the Govt employee.</li><li>❖ From 1st May, 2009, available to all on voluntary basis.</li></ul>
2.	Type	<ul style="list-style-type: none"><li>❖ Tier I Account : Non- withdraw able a/c meant for retirement. (With Tax benefit )</li><li>❖ Tier II Account :Simply a savings facility . (Without tax benefit )</li></ul>
3.	Tax Structure	<ul style="list-style-type: none"><li>❖ EET ( Partially taxable )</li></ul>



# Tax Benefits for Contribution in NPS

Sl	Topic	Section	Description
1.	Employee Contribution	80CCD (1)	<ul style="list-style-type: none"> <li>❖ Deduction up to 10% of (Basic + DA) for Govt Employee or employed by any other person</li> <li>❖ 20% of GTI for self-employed taxpayer (10% up to FY 2016-17)</li> <li>❖ Within overall ceiling of 1.5 Lac U/s 80C /80CCE</li> </ul>
2.	Employee Contribution (Additional Deduction)	80CCD (IB)	<ul style="list-style-type: none"> <li>❖ Additional deduction Rs.50,000</li> <li>❖ This is over and above of Rs 1.5 lacs</li> </ul>
3.	Employer Contribution	U/S 80 CCD(2)	<ul style="list-style-type: none"> <li>❖ 10%* ( Basic + DA ) as employer's contribution.</li> <li>❖ This can be claimed as business expenses u/s 36.</li> <li>❖ Limit is for % of salary. No upper limit of amount of deduction.</li> <li>❖ Employer Contribution is 1<sup>st</sup> added to employee salary then deduction is claimed up to 10% of salary ( &gt; 10% is taxable as perks in employee hands )</li> </ul>

\* 14% for Central Government Employees from FY 2019-20

# WHETHER NPS IS ATTRACTIVE?

If Additional Investment of Rs.50,000 u/s 80 CCD (IB) is made  
(Assuming Entry Age 25 Year & Retirement Age 60)

Investment PA	Rs. 50,000/- In NPS
Total Investment in 35 Years	Rs 17.50 Lacs
Return PA (Based on past history )	10%
Corpus After 35 years	Rs. 1.60 Cr.

# Whether Employer's contribution to NPS Is Included in Gross Salary ?

- ▶ Yes, It is part of Gross salary
- ▶ Then up to 10 % of (Basic + DA) is allowed as deduction
- ▶ Any Impact ? if same amount is added and deducted
- ▶ 4.5% perks
- ▶ Salary of Rs 2 Lacs, perks comes 10,000 pm ( One lac PA )



## Tax Treatment of Employer Contribution In NPS

Particulars	If Normal Pension	If NPS
Annual Salary (Basic 1,60,000 + DA 40,000 ) X12	24,00,000	24,00,000
Perks (35% x1,60,000)x12	6,72,000	6,72,000
Employer's Contribution 9% of Salary ( 9% x 24 Lacs )	–	2,16,000
Gross Salary	30,72,000	32,88,000
Deduction For Employer's Contribution u/s 80CCD (2)	–	2,16,000
<b>Net salary</b>	<b>30,72,000</b>	<b>30,72,000</b>
Additional Tax @ 4.5 % For Loading of NPS in Accommodation Perks (2,16,000x15% x30% =9720 )	–	10,000
Total Extra Tax for Remaining Service Say 10 years	–	1,00,000
Employer & Employee Contribution Till Retirement (24 Lacs x12% x10 Years )	30,00,000	30,00,000
Total Corpus With Interest Compounded @ 8.5% /10%	45,00,000	51,00,000
Tax Free Commutation In Normal Pension 33% /60%	15,00,000	30,00,000
Extra Corpus From Rs 50,000 u/s 80CCD (1B)	–	13,00,000

# Partial Withdrawal from NPS before retirement (Effective from 01.04.2017)

Particulars	Purposes
Withdrawal for specific purpose	<p><u>Purposes</u> : Higher education of children, marriage of children, Housing , Major disease</p> <p><u>Maximum Withdrawal</u> 25% of contribution of subscriber ( not of corpus)</p> <p>Say for example contribution is Rs.6 lacs and total corpus Rs 14 lacs .</p> <p>Here 25% of 6 lacs i.e. Rs 1.5 Lacs will only be allowed .</p>

# Exit Option Before Retirement

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# Exit Option Before Retirement

## On Death Of Subscriber

- ❖ Tax free LS withdrawal by nominee
- ❖ If annuitized, pension will be taxed

## Pre Mature Exit Before Retirement

- ❖ 20% of Corpus Tax Free withdrawn
- ❖ 80% of Corpus to be annuitized

# Exit Option After Retirement

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# Tax Benefit on Withdrawal At 60 (Retirement)

(Say Corpus of Rs 1 Cr.)

Sl	Up to 31.3.2018	From 01.4.2019	Description
1.	40%	60%	Totally tax free (Say Rs 60 Lacs here)
2.	40%	40%	Rs 40 Lacs to be Annuitized
3.	20%* (Taxable if withdrawn Otherwise to be annuitized)		



## **After Retirement 100% withdrawal allowed if Corpus is up to Rs. 2 lacs**

A Subscriber can claim 100% Withdrawal if the total accumulated corpus is less than or equal to Rs. 2 Lakh at the time of Superannuation/attaining age of 60 years.

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# Deferment option On Retirement

Topic	Particulars
Contribution up to 70 Yr age	❖ 60% and 40 % formula as applicable on 60 Years
Deferment of withdrawal of lump sum	<ul style="list-style-type: none"><li>❖ <b>After annuitizing 40% portion</b></li><li>❖ <b>60% withdrawal can be deferred in</b> maximum 10 annual installments up to the age of 70 yr.</li><li>❖ <b>Otherwise</b> accumulated amount would be automatically transferred to his bank A/c upon attaining the age of 70 Yrs.</li></ul>
Deferment of Purchase of annuity	<ul style="list-style-type: none"><li>❖ <b>Purchase of annuity can be deferred up to 3 years</b> on attaining the age of 60 years or superannuation</li><li>❖ Subscriber has to give 15 days notice for deferment before retirement. Then only then the benefit of investment income will be counted else the amount at the time of withdrawal will be counted without investment benefit .</li></ul>

# Joining in NPS after 60 Years

- ❖ Entry in NPS may be made after 60 but before 65 years
- ❖ Can continue up to 70 years of Age
- ❖ Minimum period of continuance 3 Years .
- ❖ Willing to exit before 3 years ? Subscriber will have to utilize at least 80% of corpus for purchase of annuity and balance 20 % can be withdrawn in lumpsum.

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# Other Issues

Topic	Particulars
Pension Taxable	Yes No TDS
Can an NRI open an NPS account?	Yes Subject to regulatory requirements as per RBI/ FEMA.
Can subscriber contribute more than Rs. 50,000 in year ?	Yes But No tax benefit

Taxable as perks If Aggregate Contribution by the employer in the retirement fund of employee > Rs 7.5 lacs in a year  
( Clause vii of Section 17(2) substituted (From FY 2020 -21)

**Existing Clause**

- ▶ Clause (vii) of Section 17(2) provides that the amount of any contribution to an approved superannuation fund by the employer in respect of the assessee, shall be treated as perquisite to the extent it exceeds Rs 1,50,000 in a year

**Substituted Clause**

- ▶ Above provision has been substituted to provide that the amount or the aggregate amounts of contribution made by the employer shall be treated as perquisite, to the extent it exceeds Rs 7.5 lakhs in a previous year

- (1) to the account of an assessee in a recognised PF
- (2) in the NPS
- (3) in an approved superannuation fund

**Accretion On Excess Amount Over Rs 7.5 Lacs Taxable**

- ▶ It is further proposed to insert a new sub-clause (viiia) in the said clause (2) so as to provide that annual accretion by way of interest, dividend or any other amount of similar nature during the previous year to the balance at the credit of the fund or scheme referred to in sub-clause (vii) may also be treated as perquisite to the extent it relates to the contribution referred to in the said new sub-clause (vii), which is included in total income and shall be computed in the prescribed manner.



## Example ( Mr. X has salary of Rs.50 lacs pa )

Particulars	Situation 1	Situation 2	Situation 3	Situation 4
<b>Contribution by employer in employee A/c of Mr X</b>				
• Recognised PF	6.00	6.90	-	-
• Superannuation Fund	1.50	1.70	1.50	1.70
• NPS	-	-	6.72	6.90
<b>Total contribution</b>	<b>7.50</b>	<b>8.60</b>	<b>8.22</b>	<b>8.60</b>

### Tax Consequences in FY 2019-20

Contribution in RPF in excess of 12% of salary ( u/s 17(1) vii)	Nil	.90	-	-
Employer contribution to NPS ( u/s 17(1)(viii))	-	-	6.72	6.90
Superannuation Fund > Rs. 1.50 lacs ( perk u/s 17(1)(vii))	Nil	.20	Nil	.20
Deduction u/s 80CCD (2) for contribution in NPS up to 10%	-	-	(-) 5.00	(-) 5.00
<b>Net Impact</b>	<b>Nil</b>	<b>1.10</b>	<b>1.72</b>	<b>2.10</b>

### Tax Consequences in FY 2020-21

Contribution in RPF in excess of 12% of salary ( u/s 17(1) vii)	Nil	.90	-	-
Employer contribution to NPS ( u/s 17(1)(viii))	-	-	6.72	6.90
Combined contribution > Rs 7.50 lacs ( Perks u/s 17(1)(vii))	Nil	1.10	.72	1.10
Deduction u/s 80CCD (2) for contribution in NPS up to 10%	-	-	(-) 5.0	(-) 5.0
<b>Net impact</b>	<b>Nil</b>	<b>2.00</b>	<b>2.44</b>	<b>3.00</b>



# Pension Fund Manager (PFM)

8 PFMs are empanelled with PFRDA (Pension Fund Regulatory & Development Authority ):

1. Birla Sunlife Pension Management Limited
2. HDFC Pension Management Company Limited
3. ICICI Prudential Pension Funds
4. Kotak Mahindra Pension Fund Limited
5. LIC Pension Fund Limited
6. Reliance Capital Pension Fund Limited
7. SBI Pension Funds Private Limited
8. UTI Retirement Solutions Limited

# Choice of Scheme : Auto v/s Active

- ▶ **Auto Choice** : Pre-defined portfolio ( E, C , G)
  - Aggressive, (Equity Max 75%)
  - Moderate (Equity Max 50%)
  - Conservative (Equity Max 25%)

(Proportion of equity decreases with increase in age)
- ▶ **Active Choice** ( Equity Max 75% )

# Aggressive Life Cycle Fund (LC 75 Auto )

Age (Years)	Asset Class E	Asset Class C	Asset Class G
Up to 35	75	10	15
36	71	11	18
37	67	12	21
38	63	13	24
39	59	14	27
40	55	15	30
41	51	16	33
42	47	17	36
43	43	18	39
44	39	19	42
45	35	20	45
46	32	20	48
47	29	20	51
48	26	20	54
49	23	20	57
50	20	20	60
51	19	18	63
52	18	16	66
53	17	14	69
54	16	12	72
55 Years & Above	15	10	75



# Moderate Life Cycle Fund (LC 50 Auto )

Age (Years)	Asset Class E	Asset Class C	Asset Class G
Upto 35	50	30	20
36	48	29	23
37	46	28	26
38	44	27	29
39	42	26	32
40	40	25	35
41	38	24	38
42	36	23	41
43	34	22	44
44	32	21	47
45	30	20	50
46	28	19	53
47	26	18	56
48	24	17	59
49	22	16	62
50	20	15	65
51	18	14	68
52	16	13	71
53	14	12	74
54	12	11	77
55 Years & Above	10	10	80

# Conservative Life Cycle Fund (LC-25 Auto )

Age (Years)	Asset Class E	Asset Class C	Asset Class G
Up to 35	25	45	30
36	24	43	33
37	23	41	36
38	22	39	39
39	21	37	42
40	20	35	45
41	19	33	48
42	18	31	51
43	17	29	54
44	16	27	57
45	15	25	60
46	14	23	63
47	13	21	66
48	12	19	69
49	11	17	72
50	10	15	75
51	9	13	78
52	8	11	81
53	7	9	84
54	6	7	87
55 Years & Above	5	5	90

# Active Choice

(Equity Allocation Matrix)

Age (years)	Max. Equity Allocation
Up to 50	75.00%
51	72.50%
52	70.00%
53	67.50%
54	65.00%
55	62.50%
56	60.00%
57	57.50%
58	55.00%
59	52.50%
60 & Above	50.00%



# NPS RETURN ON E, C & G Fund

(Source : NPS Trust as on 06.03.20)

SCHEME - E Tier-I	Pension Fund	Inception Date	AUM (Rs Crs)	Subscribers	NAV	Returns 1 Year	Returns 3 Years	Returns 5 Years	Returns 7 Years	Returns 10 Years	Returns Inception
	Birla Sun Life Pension Management Ltd.	09-May-17	57.31	11,343	11.7884	1.45%	NA	NA	NA	NA	5.99%
	HDFC Pension Management Co. Ltd.	01-Aug-13	3,263.92	513,086	21.5851	1.95%	8.04%	5.87%	NA	NA	12.36%
	ICICI Pru. Pension Fund Mgmt Co. Ltd.	18-May-09	1,662.81	231,910	28.2829	-0.69%	6.03%	4.61%	10.45%	9.07%	10.10%
	Kotak Mahindra Pension Fund Ltd.	21-May-09	347.36	42,648	26.3946	1.72%	6.94%	5.06%	10.53%	8.95%	9.39%
	LIC Pension Fund Ltd.	23-Jul-13	771.85	149,077	17.7862	-4.02%	4.11%	3.31%	NA	NA	9.08%
	SBI Pension Funds Pvt. Ltd.	15-May-09	3,014.09	584,108	24.1254	-1.78%	6.25%	4.76%	10.48%	8.69%	8.48%
	UTI Retirement Solutions Ltd.	15-May-09	444.53	73,412	27.6710	-3.60%	5.71%	8.10%	8.83%	9.73%	9.88%
	Benchmark Return as on 06/03/2020					-0.31%	7.57%	5.16%	10.45%	8.57%	
SCHEME - C Tier-I	Pension Fund	Inception Date	AUM (Rs Crs)	Subscribers	NAV	Returns 1 Year	Returns 3 Years	Returns 5 Years	Returns 7 Years	Returns 10 Years	Returns Inception
	Birla Sun Life Pension Management Ltd.	09-May-17	31.62	11,207	13.1934	14.58%	NA	NA	NA	NA	10.30%
	HDFC Pension Management Co. Ltd.	01-Aug-13	1966.47	508,127	19.3915	14.62%	9.19%	9.54%	NA	NA	10.55%
	ICICI Pru. Pension Fund Mgmt Co. Ltd.	18-May-09	1088.95	231,066	29.3029	12.09%	8.51%	9.34%	9.81%	10.44%	10.46%
	Kotak Mahindra Pension Fund Ltd.	21-May-09	232.08	42,208	28.9258	12.32%	8.29%	9.06%	9.53%	10.22%	10.32%
	LIC Pension Fund Ltd.	23-Jul-13	558.93	149,462	19.0350	13.58%	8.45%	9.03%	NA	NA	10.20%
	SBI Pension Funds Pvt. Ltd.	15-May-09	2157.36	582,807	29.7245	13.72%	9.01%	9.27%	9.70%	10.60%	10.60%
	UTI Retirement Solutions Ltd.	15-May-09	289.58	72,795	26.4921	13.00%	8.37%	8.94%	9.45%	9.90%	9.44%
	Benchmark Return as on 06/03/2020					14.20%	8.79%	9.04%	9.67%	9.50%	
SCHEME - G Tier-I	Pension Fund	Inception Date	AUM (Rs Crs)	Subscribers	NAV	Returns 1 Year	Returns 3 Years	Returns 5 Years	Returns 7 Years	Returns 10 Years	Returns Inception
	Birla Sun Life Pension Management Ltd.	09-May-17	43.51	10,917	13.1541	17.63%	NA	NA	NA	NA	10.18%
	HDFC Pension Management Co. Ltd.	01-Aug-13	3063.71	503,386	19.6800	18.13%	10.53%	9.72%	NA	NA	10.80%
	ICICI Pru. Pension Fund Mgmt Co. Ltd.	18-May-09	1566.80	226,765	26.4136	17.50%	10.39%	9.65%	9.95%	9.81%	9.40%
	Kotak Mahindra Pension Fund Ltd.	21-May-09	351.15	41,746	26.3399	17.98%	10.45%	9.94%	9.87%	9.90%	9.37%
	LIC Pension Fund Ltd.	23-Jul-13	980.93	152,043	21.2809	19.22%	11.71%	10.78%	NA	NA	12.08%
	SBI Pension Funds Pvt. Ltd.	15-May-09	4208.07	583,463	28.5065	17.36%	10.43%	9.77%	9.81%	10.17%	10.17%
	UTI Retirement Solutions Ltd.	15-May-09	466.90	69,771	25.5458	17.28%	9.91%	9.33%	9.51%	9.77%	9.07%
	Benchmark Return as on 06/03/2020					18.24%	9.73%	9.41%	9.44%	9.29%	



# Immediate Yearly Pension ( LIC Jeevan Shanti Table 850 )

Entry Age Ten	Payment of Pension on Investment of Rs 1,00,000 ( Ten Options)									
	( A )	( B )	( C )	( D )	( E )	( F )	( G )	( H )	( I )	( J )
40	6150	6140	6120	6100	6070	5370	4420	6770	6580	6280
50	6770	6750	6710	6650	6550	5400	5070	7200	6880	6310
60	7850	7890	7730	7530	7260	5450	6260	8040	7470	6350
Any Option chosen Can't Be Altered	Annuity payable for life at uniform rate.	Guaranteed Pension for 5 year.  If annuitant dies before 5 year pension will be payable to nominee	Guaranteed Pension for 10 year.  If annuitant dies before 5 year pension will be payable to nominee	Guaranteed Pension for 15 year.  If annuitant dies before 5 year pension will be payable to nominee	Guaranteed Pension for 20 year.  If annuitant dies before 5 year pension will be payable to nominee	Pension to annuitant for life  If annuitant dies ROC to be paid to nominee.	Pension for life with increase @ 3% p.a.  If annuitant dies no ROC to nominee.	Joint Life pension for life  If primary annuitant dies a provision of 50% of pension to Second person	Joint Life pension for life  If primary annuitant dies a provision for 100% pension to second person	Joint Life pension for life  If primary annuitant dies a provision of 100% pension to 2 <sup>nd</sup> person and ROC to nominee
	(without ROC)	(Without ROC)	(Without ROC)	(Without ROC)	(Without ROC)	(With ROC)	(Without ROC)	(Without ROC)	(Without ROC)	( With ROC)

# **Part III**

## **Protecting Family & Assets**

### **(Insurance Planning)**





# Insurance Need

- 1) Life Insurance ( Endowment , MB, ULIP, TP)
- 2) Health Insurance
- 3) House Hold insurance
- 4) Travel insurance
- 5) Car insurance

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# Premium Of Term Plan of Rs. 1Cr.

(As on 20.08.2020 from Policy bazar.com)



iProtect Smart

₹ 17,190

annually



C2PP Life Option

₹ 12,601

annually



Smart Term Plan

₹ 11,800

annually



Maha Raksha  
Supreme

₹ 12,980

annually



Smart Protect Goal

₹ 10,911

annually



Mera Term Plan

₹ 10,148

annually



iSelect+

₹ 9,284

annually



e-Term Plan

₹ 8,260

annually



Kotak e-Term Plan

₹ 9,558

annually

# HOW TO SELECT BEST PLAN

(Source : Policy Bazar.com and IRDA Annual Report FY 2018-19)

			No of Claims		Claim (Rs. in Crores)		CSR in %				
S l	Life Insurer	Annual Premium On 1 Cr	Claim Recd.	Claim Settled	Recd.	Settled	Nos Based (%)	Amt Based (%)	Solvency Ratio	Average Ticket Size	Ranki ng
1	2	3	4	5	6	7	8	9	10	11	12
1	MAX Life	11800	15087	14897	479	452	98.74	94.27	2.42	303417	1 <sup>st</sup>
2	HDFC Life	12600	12946	12822	627	577	99.00	91.92	1.88	450000	2 <sup>nd</sup>
3	Bajaj Allianz	10900	12767	12130	390	349	95.01	89.37	8.04	287717	3 <sup>rd</sup>
4	SBI Life	15000	19902	18813	763	689	94.53	90.22	2.13	364300	4 <sup>th</sup>
5	ICICI Prud.	17200	10826	10672	893	827	98.58	92.51	2.15	774925	5 <sup>th</sup>
6	LIC	19700	750950	734328	13503	12871	97.79	95.32	1.60	175288	6 <sup>th</sup>

## Note

1. Total 24 companies ,6 has been picked up for further analysis
2. Premium as on 20.08.2020 from Policy Bazar .com
3. Coverage up to 70 years of age for male non smoker person
4. On purchase of on line policies discount are also offered ( 3% to 10% )
5. Solvency ratio to be 1.5 as prescribed by the IRDA ( means to be assets one and half times of liabilities)



# Term Plan Vs. Endowment

Yearly Premium For Sum Assured of Rs. 1Cr

S L	Entry Age	Up To Age	Term Period	Max Life	HDFC Life	LIC		Total Saving
				Term Plan	Term Plan	Term Plan	Endowment	
1	30	70	40 Yr.	11800	12900	19700	267000	256000
2	40	70	30 Yr.	22200	26400	36400	342000	320000

Sources: Policy Bazar .com  
As on 20 Aug 2020

# Don't Combine Risk and Investment

## Option 1: If we chose an endowment plan

Policy	Age	Term	Risk	Premium	Invested	Maturity
1	2	3	4	5	6	7
ICICI prudential (Endowment Plan)	25	20 yr.	5 Lac	50,000	10,00,000	18 Lac

## Option 2 : If we chose term plan ( Rs 50 lacs ) & remaining amount is put in another investment

Policy	Age	Term	Risk	Premium	Invested	Maturity
ICICI Prudential (Term plan)	25	20 yr.	50L	4,000	80,000	Nil
SIP @15%	25	20 yr.	-	46,000	9,20,000	58 Lacs
PPF @ 8 %	25	20 yr.	-	46,000	9,20,000	22 Lacs
NPS @ 10% +30% Tax benefit.	25	20 yr.	-	59,800	9,20,000	37 Lacs

# Various Options in Term Plan

1. Pure Life cover Policy
2. Return of Premium Policy ( ROP)
3. Payment of premium for limited period

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# Pure Term Policy Vs. Return of Premium Policy ( ROP)

## Total Premium Paid

Policy	Age	Term	Risk	Premium for Pure Life Cover (PA )	Premium Payable for ROP (PA)	Excess Premium (PA)	Total excess Payment in 40 Years	Total Premium Refundable in 40 Year
1	2	3	4	5	6	7	8	9
Max Life	30	40 yr.	1 Cr	11800	17800	6000	40x6000= 2,40,000	40 x17800= 7,12,000

## Whether ROP Policy To Be Opted (Compare ROP Vs. Return From Alternative Investment )

Policy	Age	Term	Extra Investment (Per year )	Total Extra Investment ( In 40 Years )	Total Return (In 40 years)
SIP @10%	30	40 yr.	6000	240000	32 Lacs
PPF @ 7 %	30	40 yr.	6000	240000	13 Lacs
NPS @ 10% +30% Tax benefit	30	40 yr.	8500	240000	42 Lacs

## Pure Term Policy Vs. Plan for Payment of Premium for Limited Period

(Policy for 1 Cr.)

Policy	Entry Age	Term	Annual Premium for Pure Life Cover	Annual Premium for limited period (say 10 Years )	Remarks
1	2	3	4	5	6
Max Life	30	40 yr.	11800	23800	12000 Excess Premium in 2 <sup>nd</sup> option
Total Paid (Entire Term )			11800x40 =472000	23800x10 =238000	234000 Total Savings in 2 <sup>nd</sup> option(i.e. 472000-238000)

**Remarks :** It looks that we can save Rs 234000 (around 50% (i.e. 234000/472000) in the 2<sup>nd</sup> option and we would have opted 2<sup>nd</sup> option. But this is not true . Let us understand.

**If we stay in 1<sup>st</sup> option & extra premium payable Rs 12,000 in 2<sup>nd</sup> option is invested in SIP of Rs 1000 @10%**

Investment	Tenure	Yearly Investment	Total investment	Maturity Value
SIP Rs 1000	10 year	12,000	1,20,000	2,00,000

**Remarks :** Now the above accumulated amount Rs 230000 keep invested in the equity Mutual funds at the assumed rate of return of say 10% for next 30 years till the whole policy term

Invest Rs. 2,30,000	30 Years		2,00,000	60,00,000
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**Conclusion :** If we take the basic plan ( option 1 ) and keep invested the extra amount Rs 12000 till whole tenure of the plan we would have Rs. 62 lacs . Hence opt 1<sup>st</sup> plan and save extra in SIP .



# Other Consideration In Insurance

- ▶ Policy for wife
- ▶ Amount of Insurance (10 to 15 times of Income)
- ▶ Adjustment in coverage in future on based on need
- ▶ May be 2 Insurer
- ▶ Compare on line ( CSR vs. Premium )
- ▶ See the T&C on Policy document
- ▶ Never rely on agent



# Main Reasons of Rejection of claims

- ✓ Non disclosure of facts for example
  - Existing disease
  - Existing policies
  - Not disclosing smoking
- ✓ Wrong disclosure of facts (correct amt of coverage)
- ✓ Death due to Drug overdose
- ✓ Death by accident due to intoxication
- ✓ Suicide within the 1<sup>st</sup> year of the policy term (after one year most of the insurer admit the claims )
- ✓ If policyholder is murdered and investigations reveal his involvement in criminal activity

# CALCULATE “IRR” FOR LIFE POLICY

(Agent says that on payment of Rs. 1 lac for 15 years will be returned double in the 25<sup>th</sup> year)

year 1	-1000000
year 2	-1000000
year 3	-1000000
year 4	-1000000
year 5	-1000000
year 6	-1000000
year 7	-1000000
year 8	-1000000
year 9	-1000000
year 10	-1000000
year 11	-1000000
year 12	-1000000
year 13	-1000000
year 14	-1000000
year 15	-1000000
year 16	0
year 17	0
year 18	0
year 19	0
year 20	0
year 21	0
year 22	0
year 23	0
year 24	0
year 25	30000000
<b>IRR</b>	<b>4%</b>

IRR(B1:B25)

# CALCULATION OF IRR FOR LIC POLICY

(Agent saying on payment of Rs1 lac for 15 year get refund of double amount in 25<sup>th</sup> Year)



Microsoft Excel  
Worksheet

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# Health Insurance Plans

Company Name	Policy Name	Incurred Claim Ratio (FY 2018-19)	Cover	For family of 3 person monthly Premium (Age 30,28,2)	For Parents (Sr Citizen) monthly Premium (Age 65,60)	Cashless Hospital Covered	Ranking
1.Max Health	Super Saver	54%	1 Cr	1500	6138	47	
2.Bharti AXA	Health Assure	77%	29L	1363	No	66	
3.Star Health	Health Optima	63%	5L	1172	3161	42	1 <sup>st</sup>
4.HDFC Ergo Health (Apollo Munich merged)*	Optima Restore	63%	5L	1247	3798	44	2 <sup>nd</sup>
5.HDFC Ergo General Ins.	My Health Suraksha Silver Smart	76%	5L	1573	No	121	

**ICR** : Total claims paid against the premium collected . 85% ICR means company is paying 85 against Rs.100 collected.

**CSR** : Number of policies for which claim settled vs. claims received.

**Sr Citizen Parents** : No such combo policy can be issued with parents .

**Apollo Munich** : Merged in HDFC ERGO Health ( 51:49 JV Co between HDFC & ERGO International AG, Germany). Now HDFC Ergo Health and HDFC Ergo General insurance to be merged in due course .

# **Part IV**

## **Planning For Loan Redemption**

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# Buffet Says On Leverages

*I've seen more people fail because of liquor and leverage—leverage being borrowed money. You really don't need leverage in this world much. If you're smart, you're going to make a lot of money without borrowing," Buffett says.*



# Situation of Debt Trap

(A Case Study of Mr. X having Income of Rs. 2 lakh and expenses of Re.1 Lakh excluding EMI)

Assets		Liabilities				
Nature	Amount	Loan	o/s Amount (in Lacs)	Interest Rate	o/s EMI	EMI (Rs.)
Equity MF	18,00,000	Home Loan	50,00,000	8%	210	52,000
EPF	2,00,000	Car Loan	8,00,000	14%	48	20,000
FDR	5,00,000	Credit Card -1	1,00,000	30%	36	3,000
Flat in Delhi	75,00,000	Credit Card -2	1,00,000	36%	36	3,000
LIC	10,00,000	Personal Loan	10,00,000	15%	60	30,000
<b>Total</b>	<b>1,10,00,000</b>		<b>70,00,000</b>			<b>1,08,000</b>

Note :

1. Make proportion of your income in the ratio of 50:30:20 ( 50% towards need , 30% towards desire and 20% for savings and investment
2. Impulsive buying because of easy EMI every whereby we come debt trap
3. MF of Rs. 10 lakh may be sold to pay personal loan to save EMI of Rs.30,000
4. FDR Rs. 2 lakhs may be premature to discharge CC o/s to save EMI Rs.6000
5. Keep at least 6 months of expenses and EMI as a contingency fund.
6. FDR is liquid funds and 3 lacs more to be managed in liquid & cash balance
7. After reshuffling he has left with Rs 28,000 pm ( 100000-52000-20000)
8. He can start SIP of some amount in index fund and large cap from Rs.28000

# How to Reduce Interest Cost In Home Loan

## Options

- Take lower amount of loan
- Switching loan to lender offering lower interest rate
- Ad hoc / Lum sum payment against loan outstanding
- Increase in EMI every year by 5% to 10% based on increase in income
- Start SIP

# Option 1: If EMI for Home Loan is Increased by 10%

(Interest 7.5%, Property Cost 1 Cr , Home Loan Rs 80 Lacs )

Loan Tenure (Years)	EMI (Rs.)	Total Principal (In Lacs)	Total Interest (In Lacs)	Total Cost	If EMI is Increased Every Year by10%			
					Interest Now (In Lacs)	Interest Saved (In lacs)	Interest Saved %	Repayment Completed (In Years)
1	2	3	4	5	6	7	8	9
25	59,000	80	97	1.97	44	53	54%	10.5
20	64,500	80	75	1.75	40	35	47%	10
15	74,000	80	54	1.54	34	20	38%	8.5
10	95,000	80	34	1.34	25	09	26%	7



## Option 2: INVEST IN SIP BASED ON INCREASE IN INCOME SAY 10%

(Interest 7.5%, Property Cost 1 Cr , Home Loan Rs 80 Lacs )

Loan Tenure (Years)	EMI (Rs.)	Total Interest ( Lacs)	Interest if EMI is increase by 10% ( Lacs)	Substitute of Interest if 10% Increase in SIP (Return 10%) ( Lacs)	Remarks
1	2	3	4	5	6
25	59,000	97	44	136	Total Interest is saved
20	64,500	75	40	80	Total Interest is saved
15	74,000	54	34	47	Substantial Interest part is saved
10	95,000	34	25	27	Substantial interest part is saved

# **Part IV**

# **INVESTING PLANNING**

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# Investment Avenues

## Financial Products

- Fixed Income Product
- Market Linked Product

## Non Financial Products

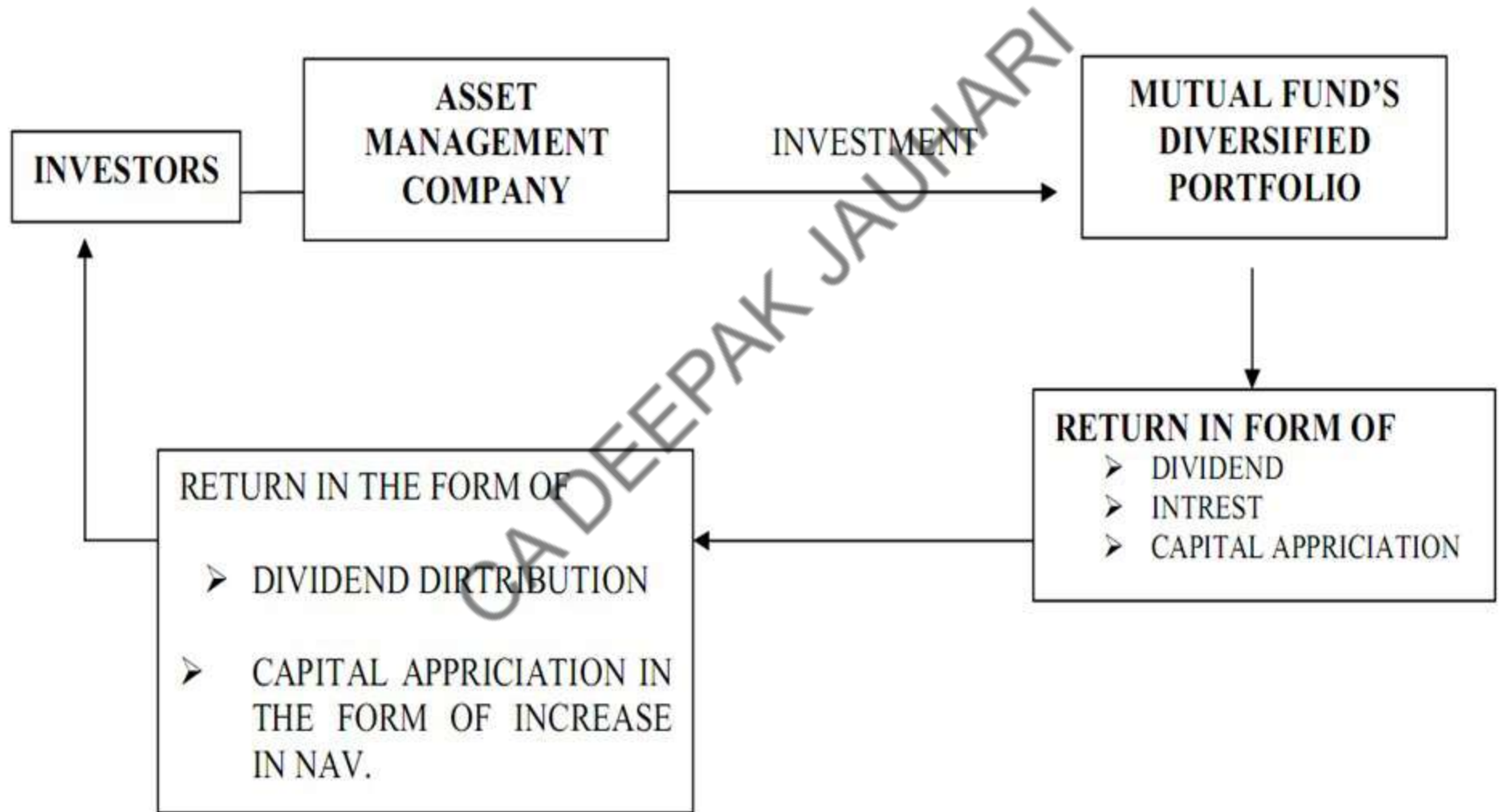
- Real Estate
- Gold



# Mutual Fund

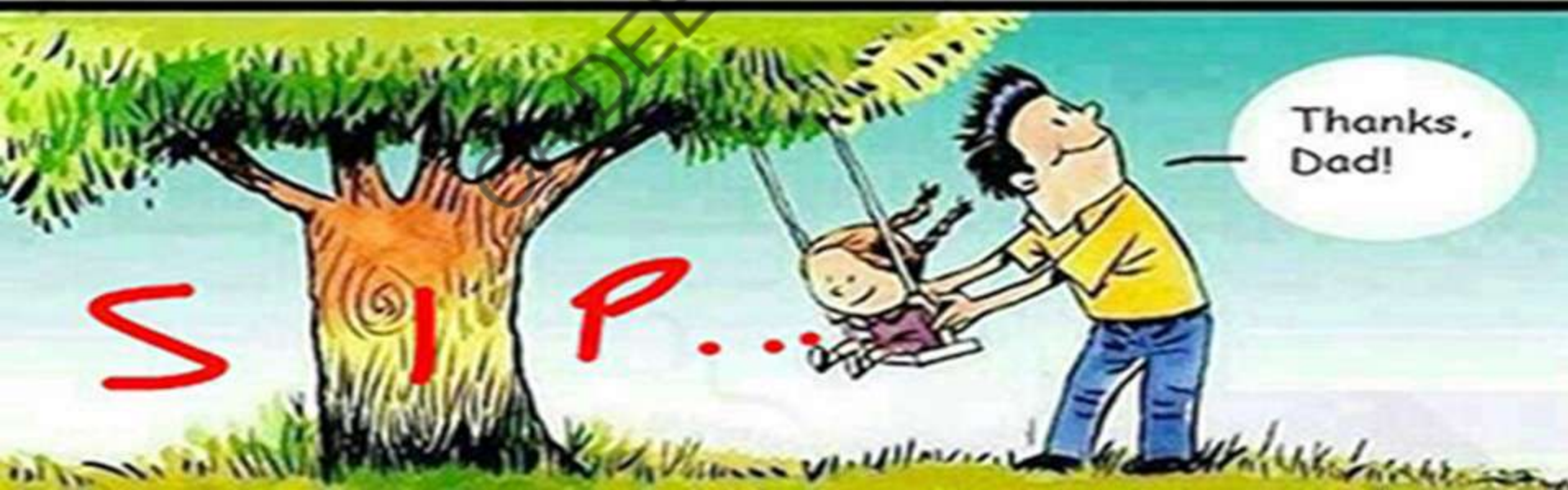
CA DEEPAK SAUHARI

# UNDERSTANDING THROUGH FLOW CHART ABOUT INVESTMENT AND RETURN FROM MUTUAL FUND



# SIP

## ( Best Way To Invest in Mutual Fund )





# Taxation Of Mutual Funds

## 1. Tax on Equity/Equity Oriented

- LTG after 1 year = 10% over Rs 1 lac
- STG @ of 15%

## 2. Tax on Debt/Debt Oriented

- LTG > 36 M, Taxable @20% with Indexation
- STG as per Slab Rate, without indexation

## 3. DDT on Debt & Equity Fund

- Abolished from FY 2020-21

## 4. Dividend in Investor Hand

- Taxable from FY 2020-21

## 5. Tax Free Bonds & Listed Securities ( i.e. Bonds, Deb, Govt Sec, NCD)

- LTG >12 M, Taxable @ 10% without indexation
- STG As per tax slab

# Benefits in MF

1. Tax Efficient

2. Professionally Managed (Less Risky)

3. Diversified

4. Liquidity

5. Convenient Investment (Lump sum or SIP)

6. Transparency

# Reaction on purchase and holding of shares (1000 Shares @ Rs. 200)

Share Price	Invested Value	Fluctuation in Share Price	Comments
200	200000	Purchased	I'm so excited
190	190000	Down	What's going? Tension
195	195000	Slightly improved	Somewhat tension reduced!
198	198000	Further improved	Much better
180	180000	Huge reduction	High BP & Tension increased
192	192000	Improved	Broker advice wait
205	205000	Above PP	Great going
210	210000	Further Above PP	Cheerful ☺
180	180000	Declined	Confused whether to average / sell
180	360000	Further invested for averaging	With hope further fund put in
170	340000	Further decline	Indigestion
160	320000	Further decline	Loss at the end



# TYPES OF MF

## BY LIQUIDITY

- (I) OPEN ENDED
- (II) CLOSE ENDED

## BY INVESTMENT OBJECTIVE

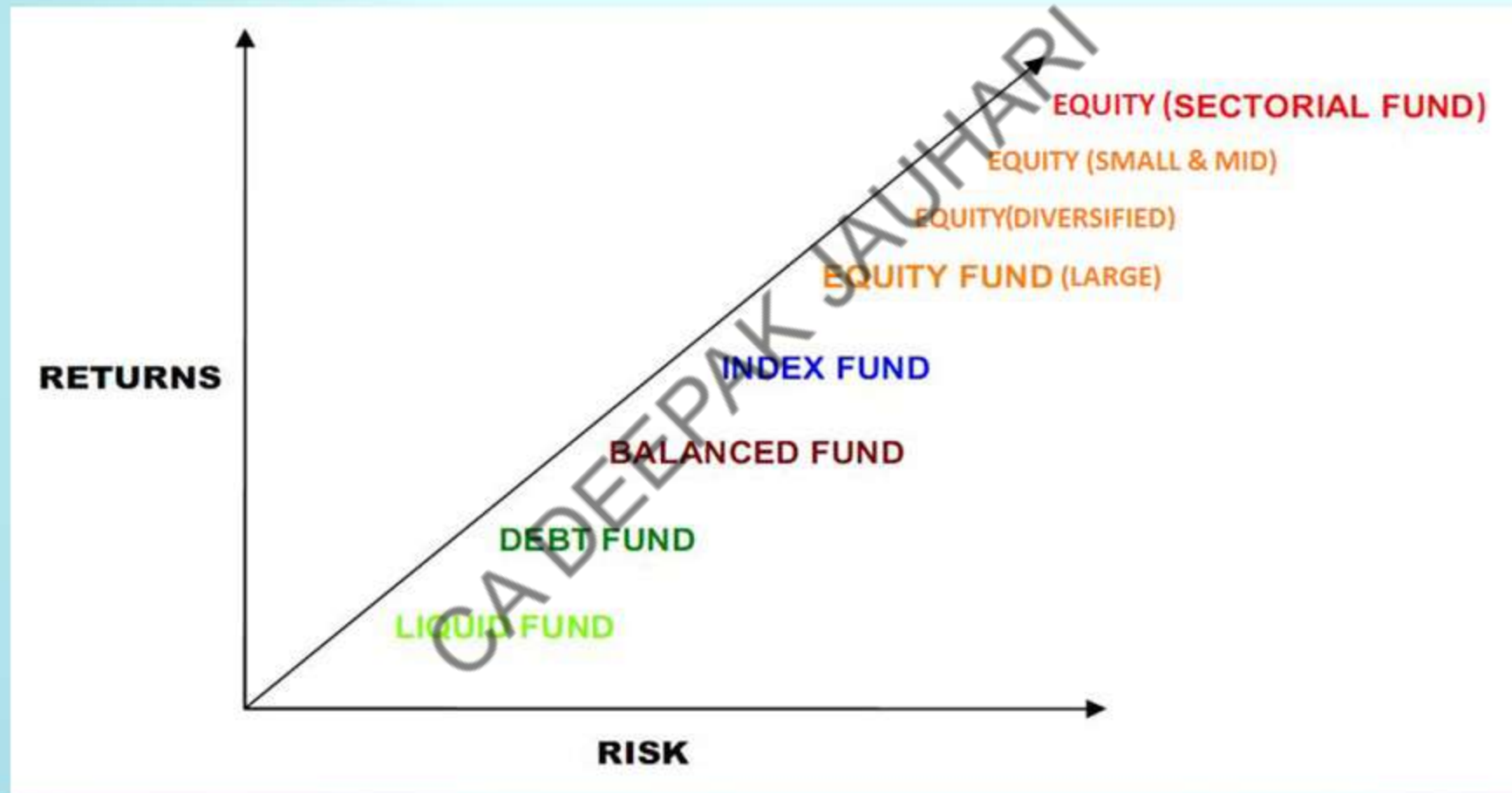
- (I) GROWTH SCHEME (G)
- (II) INCOME SCHEME (D)

## OTHER SCHEME

- (I) Index Fund
- (II) Gold ETF
- (III) Sector Funds
- (IV) Fund of Funds

EQUITY	DEBT	HYBRID
Large cap	Long Term Debt Fund	Equity Oriented
Small & mid cap	Short Term Debt Fund	Debt Oriented
Diversified (multi cap)	Monthly Income Scheme (MIS)	
Tax Saving Fund (ELSS)	Credit Opportunity Fund	
	Gilt Fund	

# Risk & Reward Graph



# Taxation In FDR Vs. Debt Fund ( A Comparison )

Description		Taxation of <b>FDR</b>	Taxation of <b>Debt Fund</b>
Investment (01.04.2017)	A	1,00,000	1,00,000
Return %		6%	9%
Fund value after 3 Yrs. on 31.03.20 ( Min 3 Yr.)	B	119500	130000
Interest/ Accretion	C=B-A	19500	30000
Indexed Cost for Debt fund *	D	NA	106250
Taxable Interest/ Gain	E=B-D	19500	23750
Tax in FDR (31.20%) : Debt Fund (20.8% )	F	6100	5000
Post Tax Maturity /Redemption	G=B-F	113400	125000
Annual return (CAGR)		4.30%	7.80%

## Note \*

Cost Inflation Index (CII) for the Purchase year (2017-18) is 272, for sale year (2019-20) is 289.  
For Fixed Deposit, assuming individuals is in highest tax slab, tax @ 31.20%



# Taxation In FDR Vs. Debt Fund

( Investment for 3 year but Indexation for 4 Year )

Description		Taxation of <b>FDR</b>	Taxation of <b>Debt Fund</b>
Investment (30.03.2017)	A	100000	100000
Return %		6%	9%
Fund value on 31.03.2020	B	119500	130000
Interest/ Accretion	C=B-A	19500	30000
Indexed Cost * ( <b>Indexation of 4 years</b> )	D	NA	109500
Taxable Interest/ Gain	E=B-D	19500	20500
Tax in FDR (31.20%) : Debt Fund (20.8% )	F	6100	4200
Post Tax Maturity /Redemption	G=B-F	113400	125800
Annual Return (CAGR)		4.30%	8%

## Note \*

**Cost Inflation Index (CII) for the Purchase year (2016-17) is 264, for sale year (2019-20) is 289.**

**For Fixed Deposit, assuming individuals is in highest tax slab, tax @ 31.20%**

# Mutual Fund Scheme

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# Selection of Debt Funds Based on Time Horizon

Category of Funds	Investment Horizon
Liquid Funds	1 day to 60 days
Ultra Short Term Fund	61 days to 180 days
Short Term Fund	181 days to 365 days
Corporate Bond Fund	1 year and more
Banking and PSU funds	1 year and more
Dynamic Allocation Funds	1 year and more
Gilt Fund (Invested in CG / SG Securities )	3 to 5 years
Fixed Maturity Plans ( Only in Debt )	Normally 1100 days ( 3 year +)
Capital Protection Fund ( Debt and Equity )	Normally 1100 days (3 year +)



# Past Performance of Good Debt Fund

Sl	Type of Debt Fund	Name of the Fund	AUM (Cr.)	Return ( As on 25.08.2020)			
				6 Month	1 Year	3 Year	5 Year
1.	Liquid Fund	1.HDFC Liquid Fund	80810	2.24	4.96	6.34	6.73
		2.SBI liquid Fund	56000	2.28	5.01	6.39	6.75
2.	Ultra Short Term Fund	1.Aditya Birla	14000	4.80	8.17	8.04	8.29
		2.SBI Magnum	12400	3.40	6.92	7.54	7.47
3.	Short Duration Fund	1.ICICI Prudential	17466	4.96	10.08	7.74	8.52
		2.SBI	15936	4.58	9.29	7.66	8.11
4.	Corporate Bond Fund	1.SBI Corp Bond Fund	23354	4.98	9.90	-	-
		2.HDFC Corp Bond Fund	21276	5.55	10.27	8.54	8.92
5.	Banking & PSU Fund	1.IDFC	17244	5.61	10.9	9.17	8.54
		2.Axis Bank	16434	5.07	9.87	9.03	8.67
6.	Dynamic Bond Fund	1.ICICI Prudential	3736	4.53	10.5	7.65	9.60
		2.IDFC	2560	5.29	10.40	8.05	9.10
7.	Gilt Fund	1.SBI Magnum	4107	4.22	9.25	9.87	9.63
		2.ICICI Prudential	3675	4.80	10.56	7.66	9.60

# Selection of Equity Funds Based on Time Horizon

Category of Funds	Investment Horizon
Arbitrage Fund ( Equity )	1 year to 3 years
Large Cap fund	3 Year +
Large and Mid Cap fund	3 Year +
Equity Linked Saving Scheme ( ELSS) ( Deduction u/s 80C )	3 Year +
Multi Cap Fund	3 year+
Small and Mid Cap Fund	5 Year +
Thematic Funds	5 Year +



# Past Performance of Good Equity Schemes

S I	Fund Type	Fund Name	AUM (Cr.)	Return % ( As on 25.08.2020)				Launch Date
				1 Year	3 Year	5 Year	Since Launch	
1	Arbitrage Fund	1.Kotak Eq. Arbitrage	15300	4.70	5.80	6.00	7.20	29.05.05
		2.ICICI Prudential	10300	4.50	5.60	5.80	7.30	03.12.06
2	Large Cap Fund	1.ICICI Pru Blue Chip	24200	6.40	4.05	8.70	12.40	01.05.08
		2.Mirae Blue Chip	21900	8.80	5.90	11.00	14.30	01.04.08
		3. Axis Blue chip	15900	9.05	9.90	11.20	11.30	01.01.10
3	Large & Mid Cap	1.Mirae Asset Emerging	10500	16.30	8.30	14.80	19.10	01.07.10
		2.Canara Robeco Emerg.	5500	18.70	5.60	11.70	16.10	01.03.05
4	Multi Cap Fund	1.Kotak Std Equity	29300	6.30	3.90	9.65	12.20	05.09.09
		2.Aditya Birla Sun Life	10700	9.00	2.20	9.20	21.40	14.08.98
5	Small Cap Fund	1.Nippon India	8300	22.90	3.30	12.00	15.50	05.09.10
		2.Axis Small Cap	2470	17.60	9.70	12.10	19.40	05.11.13
6	Mid Cap Fund	1.HDFC Mid Cap	20500	13.80	1.80	8.70	13.80	01,06.07
		2.DSP Mid Cap	7400	21,80	6.30	11.70	14.05	05.11.06
7	ELSS	1.Axis Equity	21000	9.8	7.70	9.40	15.70	15.12.09
		2. Aditya Birla	10300	13.70	5.00	9.20	9.80	05.03.96



# Past Performance of Good Hybrid Fund

S I	Fund Type	Fund Name	AUM (Cr.)	Return % ( As on 25.08.2020)				Launch Date
				1 Year	3 Year	5 Year	Since Launch	
1	Hybrid Aggressive Fund ( 70 E :30 D )	1.SBI Equity Hybrid	31400	8.10	6.70	9.00	13.60	01.12.95
		2.ICICI Prudential Debt & Equity	17400	6.20	3.60	8.70	13.30	05.11.99
2	Hybrid Conservative Fund ( 70 D :30 E )	1.HDFC Hybrid Debt Fund	2380	6.40	4.05	7.00	10.00	01.12.03
		2. ICICI Prudential RSF	1730	9.70	7.10	9.20	10.00	10.03.04

# Sectorial Fund

Sl	Fund Type	Fund Name	AUM (Cr.)	Return % ( As on 25.08.2020)				Launch Date
				1 Year	3 Year	5 Year	Since Launch	
1	Pharma Sector	Nippon India Pharma	3490	62.00	22.00	9.00	21.00	01.06.04
2	IT Sector	Aditya Birla IT Fund	490	27.00	23.00	14.00	9.80	15.01.08

## Exchange Traded Funds

4	Nifty 50	SBI ETF Nifty 50	73400	6.50	6.30	9.30	7.00	05.07.15
5	Sensex	SBI ETF Sensex	29200	6.70	8.30	9.80	11.50	08.03.13

# ALIGN YOUR INVESTMENT WITH YOUR GOAL

No of Years of Investments	SIP (Monthly)	Total Investment	Return @ 10%	Return @ 15%
20	3000	7.2 Lacs	23 Lacs	46 Lacs
20	5000	12 Lacs	40 Lacs	75 Lacs
25	3000	9.0 Lacs	40 Lacs	100 Lacs
25	5000	15 Lacs	67 Lacs	164 Lacs



# Shares

(SEP, High Dividend Stock, Frequent Bonus Stock )

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# Sensex Historical Data

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# Yearly Sensex In 40 Years

## ( Roller Coaster )

Year	Sensex	Annual Return	Year	Sensex	Annual Return
1979	100		2001	3604	-28%
1980	129	29%	2002	3,469	-4%
1981	173	34%	2003	3,049	-12%
1982	218	26%	2004	5,591	83%
1983	212	-3%	2005	6,493	16%
1984	245	16%	2006	11,280	74%
1985	354	44%	2007	13,073	16%
1986	574	62%	2008	15,644	20%
1987	510	-11%	2009	9,709	-38% ( USA economy collapsed )
1988	398	-22%	2010	17,528	81%
1989	714	79%	2011	19,445	11%
1990	781	9%	2012	17,404	-10%
1991	1,168	50%	2013	18,836	8%
1992	4,285	267%	2014	22,386	19%
1993	2,281	-47%	2015	27,957	25%
1994	3,779	66%	2016	25,342	-9%
1995	3,261	-14%	2017	29,621	17%
1996	3,367	3%	2018	32,969	11%
1997	3,361	-0.2%	2019	38,673	17%
1998	3,893	16%			
1999	3,740	-4%			
2000	5,001	34%			

Sensex [index](#) Values are calculated as on last trading day of March.



# CAGR in Longer Period

Period	CAGR
1979-1989	22%
1989-1999	18%
1999-2009	10%
2009-2019	15%

# Biggest Single Day Sensex Crashes In India

Date Of fall in Sensex	Fall in Points	Reason
09 Mar 2020	1942	Corona Virus , Yes Bank Crises
24 Aug 2015	1625	Fears of China Meltdown
28 Feb 2020	1448	News of Global Spread of Corona Virus
21 Jan 2008	1408	Subprime Crises, UK market Crash
24 Oct 2008	1071	Spread of Global Financial Crises

# Reliance -Systematic Equity Plan ( SEP) Of 10 Shares pm in 5 years

Date	Price	Qty	Amt		Date	Price	Qty	Amt		Date	Price	Qty	Amount
01/09/2015	431	10	4310		01/06/2017	690	10	6900		01/03/2019	1363	10	13920
01/10/2015	473	10	4730		01/07/2017	807	10	8070		01/04/2019	1392	10	13300
01/11/2015	483	10	4830		01/08/2017	797	10	7970		01/05/2019	1330	10	12530
01/12/2015	507	10	5070		01/09/2017	780	10	7800		01/06/2019	1253	10	11660
01/01/2016	517	10	5170		01/10/2017	940	10	9400		01/07/2019	1166	10	12840
01/02/2016	483	10	4830		01/11/2017	921	10	9210		01/08/2019	1284	10	13220
01/03/2016	522	10	5220		01/12/2017	921	10	9210		01/09/2019	1322	10	14640
01/04/2016	491	10	4910		01/01/2018	940	10	9540		01/10/2019	1464	10	15510
01/05/2016	478	10	4780		01/02/2018	954	10	8820		01/11/2019	1551	10	15540
01/06/2016	484	10	4840		01/03/2018	882	10	9630		01/12/2019	1554	10	14110
01/07/2016	507	10	5070		01/04/2018	963	10	9210		01/01/2020	1411	10	13280
01/08/2016	530	10	5300		01/05/2018	921	10	9720		01/02/2020	1328	10	11130
01/09/2016	541	10	5410		01/06/2018	972	10	11860		01/03/2020	1113	10	14520
01/10/2016	527	10	5270		01/07/2018	1186	10	12410		01/04/2020	1452	10	15760
01/11/2016	495	10	4950		01/08/2018	1241	10	12570		01/05/2020	1576	10	17040
01/12/2016	1027	10	10270		01/09/2018	1257	10	10610		01/06/2020	1704	10	20670
01/01/2017	522	10	5220		01/10/2018	1061	10	11670		01/07/2020	2067	10	21100
01/02/2017	619	10	6190		01/11/2018	1167	10	11210		01/08/2020	2110	10	21160
01/03/2017	660	10	6600		01/12/2018	1121	10	12270		30/08/2020	2116	Sale 830	-1756280
01/04/2017	697	10	6970		01/01/2019	1227	10	12310		Total share and payment		600	604080
01/05/2017	670	10	6700		01/02/2019	1231	10	13630		Bonus on 21.07.2017 (1:1)		230	
										Total share on 30.08.20		830	2116
										CAGR on 30.08.2020			56.01%



# Infosys -Systematic Equity Plan ( SEP) Of 10 Shares pm in 5 years

Date	Price	Qty	Amt		Date	Price	Qty	Amt		Date	Price	Qty	Amount
01/09/2015	580	10	5800		01/06/2017	467	10	4670		01/03/2019	743	10	7430
01/10/2015	567	10	5670		01/07/2017	505	10	5050		01/04/2019	751	10	7510
01/11/2015	543	10	5430		01/08/2017	457	10	4570		01/05/2019	737	10	7370
01/12/2015	552	10	5520		01/09/2017	449	10	4490		01/06/2019	732	10	7320
01/01/2016	582	10	5820		01/10/2017	488	10	4880		01/07/2019	793	10	7930
01/02/2016	542	10	5420		01/11/2017	521	10	5210		01/08/2019	814	10	8140
01/03/2016	609	10	6090		01/12/2017	575	10	5750		01/09/2019	805	10	8050
01/04/2016	604	10	6040		01/01/2018	586	10	5860		01/10/2019	685	10	6850
01/05/2016	624	10	6240		01/02/2018	588	10	5880		01/11/2019	696	10	6960
01/06/2016	585	10	5850		01/03/2018	565	10	5650		01/12/2019	731	10	7310
01/07/2016	536	10	5360		01/04/2018	599	10	5990		01/01/2020	775	10	7750
01/08/2016	517	10	5170		01/05/2018	615	10	6150		01/02/2020	731	10	7310
01/09/2016	518	10	5180		01/06/2018	653	10	6530		01/03/2020	641	10	6410
01/10/2016	498	10	4980		01/07/2018	682	10	6820		01/04/2020	715	10	7150
01/11/2016	487	10	4870		01/08/2018	720	10	7200		01/05/2020	691	10	6910
01/12/2016	505	10	5050		01/09/2018	730	10	7300		01/06/2020	735	10	7350
01/01/2017	464	10	4640		01/10/2018	686	10	6860		01/07/2020	966	10	9660
01/02/2017	506	10	5060		01/11/2018	667	10	6670		01/08/2020	947	10	9470
01/03/2017	511	10	5110		01/12/2018	658	10	6580		30/08/2020	935	Sale 960	-897600
										Total Paid		600	376590
										Bonus Shares on 04.09.18 (1:1)		360	

Data Source : Yahoofinance.com

CAGR

38.26%

# IPO of 100 shares of Infosys Worth today Rs.10 Crs

As on 25 Aug 2020

Year	Ratio	Cum Bal
1993	Initial Investment as IPO @95	100
1994	1:1 bonus	200
1997	1:1 bonus	400
1999	1:1 bonus	800
1999	Splitting FV Rs 10 to Rs 5	1600
2004	3:1 bonus	6400
2006	1:1 bonus	12800
2014	1:1 bonus	25600
2015	1:1 bonus	51200
2018	1:1 bonus	102400

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Total worth = 1,02,400 x Rs. 950 = Rs.9.72 Cr ( As on 25.08.2020)

# STOCK WITH HIGHER DIVIDEND YIELD

Sl	Stock	Share Price			Dividend Yield As % of Price		
		52 Week High	52 Week Low	Current (As on 26.08.20)	52 Week High	52 Week Low	Current
1	NALCO	24	49	37	3	6	4.00%
2	REC	78	156	112	7	14	9.80%
3	ONGC	50	150	81	3.30	9.60	6.10%
4	IOC	71	156	87	2.7	6	4.80%
5	Oil India	63	175	97	6	16	10.85%
6	Coal India	120	218	142	5.50	10	8.50%
7	GAIL	65	148	100	4.30	9.70	6.40%
8	POWERGRID	122	211	185	4.70	7.70	5.40%
9	Infosys	510	986	950			1.88%
10	Hind Zink	116	258	226	6.30	13.50	7.30%
11	HPCL	150	328	209	3	6.30	4.60%
12	BPCL	252	549	410	3	6.50	4.00%
13	PFC	74	133	99	7	13	9.60%
14	PTC	32	68	61	8	17	9.00%
15	RITES	190	331	254	4.80	8.30	6.20
16	TCS	1505	2254	2237	3.30	5.10	3.50



# FREQUENT BONUS ISSUER COMPANIES (In The Oil & Gas Sector)

S I	IOC	Oil India	BPCL	HPCL	GAIL	ONGC	Riliance (RIL)
1	1994 (2:1)	1994 (2:1)	1994 (2:1)	1994 (2:1)	2008 (1:2)	2006 (1:2)	1983 (3:5)
2	1999 (1:1)	2012 (3:2)	2000 (1:1)	1999 (1:2)	2017 (1:3)	2010 (1:1)	1987 (1:1)
3	2003 (1:2)	2016 (1:3)	2012 (1:1)	2016 (2:1)	2018 (1:3)	2016 (1:2)	2009 (1:1)
4	2009 (1:1)	2018 (1:2)	2016 (1:1)	2017 (1:2)	2019 (1:1)		2017 (1:1)
5	2016 (1:1)		2017 (1:1)	2017 (1:1)			
6	2018 (1:1)						
T o t	7200	900	4800	2700	600	450	1280

## FREQUENT BONUS ISSUER COMPANIES (In The IT Sector)

Sl	Infosys	HCL	WIPRO	TCS
1	1994 (1:1)	2006 (1:1)	2004 (2:1)	2006 (1:1)
2	1997 (1:1)	2015 (1:1)	2005 (1:1)	2009 (1:1)
3	1999 (1:1)	2019 (1:1)	2010 (2:3)	2018 (1:1)
4	2004 (3:1)		2017 (1:1)	2017 (1:2)
5	2006 (1:1)		2019 (1:3)	2017 (1:1)
6	2014 (1:1)			
7	2015 (1:1)			
8	2018 (1:1)			
ToT	38400	800	2700	2400

# FREQUENT BONUS ISSUER COMPANIES (Other Sector)

Sl	<b>Mother Sumi System</b> (Auto Ancillary) World Largest manufacturers of wiring harnesses for commercial vehicles and rear view mirrors for passenger cars )	L&T
1	1997 (1:2)	2006 (1:1)
2	2000 (1:2)	2008 (1:1)
3	2005 (1:2)	2013 (1:2)
4	2007 (1:2)	2017 (1:2)
5	2012 (1:2)	
6	2013 (1:2)	
7	2015 (1:2)	
8	2017 (1:2)	
9	2018 (1:2)	
<b>Total</b>	<b>3840</b>	<b>900</b>



# Investment In Gold

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# Limit on Holding Of Gold

As per CBDT Instruction , during Search operations, no seizure of gold in a family up to following limit :

- ▶ Per Married women = 500 gm.
- ▶ Per Unmarried women = 250 gm.
- ▶ Per Male member = 100 gm.

Legitimate holding up to any extent allowed :

- ▶ Purchased from disclosed Income
- ▶ Purchased from exempt income(i.e. Agriculture )
- ▶ Inherited jewelry

# Gold Buying

## Physical Gold

- Gold bar, Gold coins , Gold jewelry

## Paper Gold

- Gold ETF
- Gold Mutual funds
- Sovereign Gold bonds



# Gold Prices In India in the Last 50 Years

This chart contains the average annual price for gold from 1964 – present.

Year	Price (24 karat per 10 grams)	Year	Price (24 karat per 10 grams)
1964	Rs.63.25	1992	Rs.4,334.00
1965	Rs.71.75	1993	Rs.4,140.00
1966	Rs.83.75	1994	Rs.4,598.00
1967	Rs.102.50	1995	Rs.4,680.00
1968	Rs.162.00	1996	Rs.5,160.00
1969	Rs.176.00	1997	Rs.4,725.00
1970	Rs.184.00	1998	Rs.4,045.00
1971	Rs.193.00	1999	Rs.4,234.00
1972	Rs.202.00	2000	Rs.4,400.00
1973	Rs.278.50	2001	Rs.4,300.00
1974	Rs.506.00	2002	Rs.4,990.00
1975	Rs.540.00	2003	Rs.5,600.00
1976	Rs.432.00	2004	Rs.5,850.00
1977	Rs.486.00	2005	Rs.7,000.00
1978	Rs.685.00	2006	Rs.8,400.00
1979	Rs.937.00	2007	Rs.10,800.00
1980	Rs.1,330.00	2008	Rs.12,500.00
1981	Rs.1,800.00	2009	Rs.14,500.00
1982	Rs.1,645.00	2010	Rs.18,500.00
1983	Rs.1,800.00	2011	Rs.26,400.00
1984	Rs.1,970.00	2012	Rs.31,050.00
1985	Rs.2,130.00	2013	Rs.29,600.00
1986	Rs.2,140.00	2014	Rs.28,006.50
1987	Rs.2,570.00	2015	Rs.26,343.50
1988	Rs.3,130.00	2016	Rs.28,623.50
1989	Rs.3,140.00	2017	Rs.29,667.50
1990	Rs.3,200.00	2018	Rs.31,438.00
1991	Rs.3,466.00	2019	Rs.35,220.00

# Taxation of Gold & Paper Gold

## Physical Gold

STG : < 3 Year

LTG :  $\geq 3$  Year

STG : Tax Slab

LTG : 20% with index

## Gold ETF & Gold MF

Same

Same

## Sovereign Gold Bond (SGB)

Same

Taxation Same

Exit Options :

1. Exit after 5  
Yr. from SGB

2. Sale in SE

3. Redemption  
Tax free after  
8 yr.

# Performance of Gold ETF

## As on 01.05.2020

Schemes	Price	Asset Size	NAV	Return			
	Rs.	(Rs. Cr)	(Rs.)	6mth	1yr	2yr	3yr
<u>Birla Sun Life Gold ETF</u>	4374	120	4,312	20.93	48.57	21.84	16.68
<u>SBI – ETF Gold</u>	4230	866	4,191	20.26	47.76	21.46	16.37
<u>Axis Gold ETF</u>	4130	137	4,068	19.84	47.56	21.59	16.55
<u>UTI Gold ETF</u>	4324	502	4,121	20.03	47.32	21.43	16.54
<u>HDFC Gold ETF</u>	4228	669	4,188	20.03	46.84	21.08	16.61



# Gold MF vs Gold ETF

- ▶ **Investment of Gold Mutual Funds** : They do invest in gold ETFs. NAV of gold MF change based on price of gold ETFs .
- ▶ **Demat Account** : Gold MF do not require a demat account whereas gold ETF requires a demat account.
- ▶ **Underlying Asset** : Directly or indirectly in both the cases it is gold
- ▶ **Investment Amount**: One unit of gold ETF means 1 gram of gold. Whereas gold funds are equivalent to SIPs and investments are done in rupees, in multiples of Rs 1,000.
- ▶ **Pricing**: Gold fund units are determined by way of NAV, which is disclosed at the end of the trading hours. However, as gold ETFs are listed on the stock exchange, one can get real-time updates about their price.
- ▶ **Charges** . The charges in investing in Gold MF via a broker is a bit expensive than compared to gold ETF.

## PART V

# Making Financial Goal & Fund allocation

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# GOAL SETTING & FUNDS NEEDED FOR THAT

(Assuming Present Age 30 Yrs. & Inflation Rate @ 6%)

Nature of Goal	Time Available for Goal Achievement	Present Cost (Rs. In Lacs)	Future Cost after adjusting Inflation (Rs. In Lacs)	Available Resources used (Assumed)
Foreign Vacation	5 Years	Rs. 6.0	Rs. 7.80	NIL
Child Education	18 Years	Rs. 20.0	Rs. 57.00	NIL
Child Wedding	24 Years	Rs. 20.0	Rs. 90.00	NIL
Retirement	30 Years	Re.1 Cr	Rs. 5.70 Cr	NIL



# HOW MUCH SIP REQUIRED FOR GOAL ACHIVEMENT (ASSUMING PRESENT AGE 30 Years)

Nature of Goal	Time Available for Goal	Funds Required ( In Lacs )	Moderate/ Aggressive	Conservative
			ELSS / Multi Cap/ Large Cap  15%	Debt Fund  10%
Foreign Vacation	5 Years	Rs. 7.80	Rs. 8600	Rs. 10000
Children Education	18 Years	Rs. 57.00	Rs. 5000	Rs. 9400
Children Wedding	24 Years	Rs. 90.00	Rs. 3200	Rs. 7500
Retirement	30 Years	Rs. 5.70 Cr.	Rs. 8000	Rs. 25000

**Every successful person has a  
painful story.  
Every painful story has a  
successful ending.**

**THANK YOU**

**Accept the pain and get  
ready for success.**

