

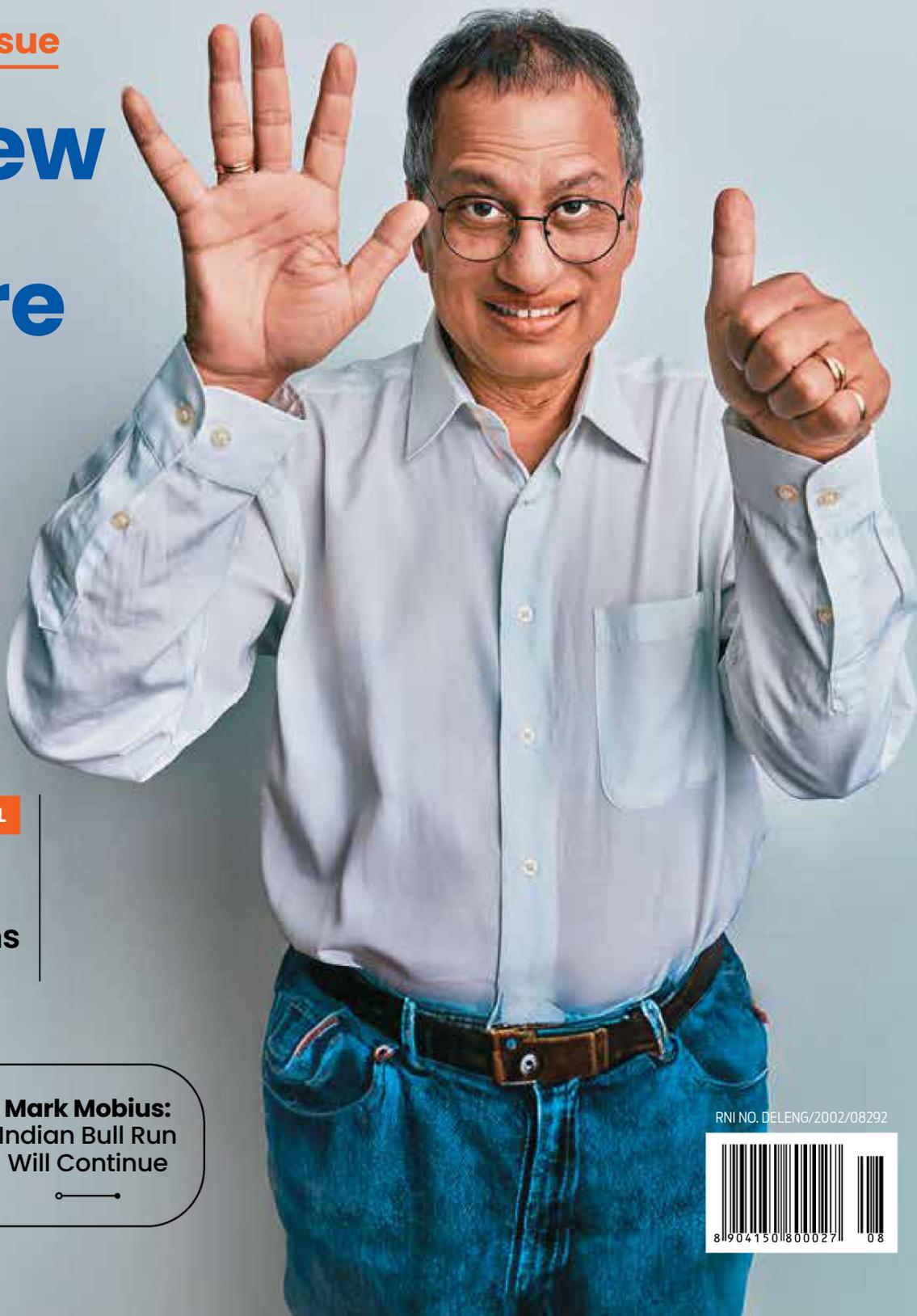
Outlook MONEY

AUGUST 2024 • ₹70 | NO.1 PERSONAL FINANCE MAGAZINE | WWW.OUTLOOKMONEY.COM

Freedom Issue

Renew Not Retire

That's the mantra a lot of retirees are adopting these days. We look at how they are making it possible



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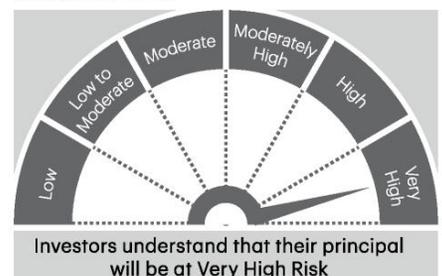


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CONNECTIONS WE NEED

A day before the Budget announcement, my phone went bust early in the morning, only to leave me in a day-long tizzy.

I am an active user of digital banking, so I hardly keep cash at home. The little sum that I had went to fund my son's morning cab to school and daily pocket money for lunch. I was unwittingly caught in a situation where I had no money in my hands and was left wondering how to reach office (for a business journalist, the day before the Budget is critical for last-minute planning to ensure the important news day runs smoothly). I couldn't access the cab-hailing or grocery apps, which are linked to my UPI and credit card. My spouse was travelling so I couldn't seek immediate help either.

Fortunately, my mother was visiting me at the time. I borrowed some money and the phone from her, but that was not the end of my troubles. Since she uses the phone mostly to make calls and exchange a few WhatsApp messages, she didn't have the common apps that I require. I downloaded them, but I could not link any of my digital wallets to her phone because, well, the one-time password would be sent to my registered number.

The day became more hectic as I had to rush to the nearest market for milk and groceries, then to the nearest ATM which does not happen to be in the nearest market for me, and leave the phone with the mobile repair shop before I could leave for office.

While most of us have some idea about how dependent we are on our phones, the extent to which its absence can affect our lives dawned upon me that morning, but by the end of the day, I viewed my day differently. I actually managed to survive the day with minor adjustments.

It was not that difficult to arrange cash, which I was used to doing only till a few years ago, before Covid hit, to be precise. I had to step out of the house to buy groceries and withdraw cash, which was not all that bad. I survived an important work day largely without any glitches even though I must have missed a ton of calls and messages (emails on my laptop kept me busy and updated of course). Secretly, I was also relieved that it was not incumbent upon me to answer all calls or messages, and I could choose who I wanted to contact that day. Still, I gave in to the constant feeling of missing out something important, and bought a new phone on my way back from office as the repair could take time.

On the other hand, my mother didn't seem to miss her phone all day. While I was using it, there were no missed calls, notifications or messages crowding the phone. I asked her about it later and realised why she wasn't perturbed when I borrowed her phone that day. She has her own routine for the day—when she is visiting, she likes to spend time on spiritual pursuits, a bit of cooking, and putting things in order that I, my spouse and my help so often miss out doing. Otherwise, even at 76, she likes to live independently in another city and manages the household alone along with a help. In her free time, she volunteers at a community-led spiritual place, as it gives her a sense of purpose and fulfilment, instead of spending time on her phone or watching television.

It made me realise how important it is to keep oneself engaged in old age, whether it is to earn money or to simply feel productive and fulfilled. Life is about the people we love and the things we do for them and ourselves. There's no retirement from living. ►OM



NIDHI SINHA

Editor, Outlook Money
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Nidhi Sinha



It is important to keep oneself engaged in old age, whether to earn money or simply feel productive and fulfilled. Life is about the people we love and the things we do for them and ourselves. There is no retirement from living

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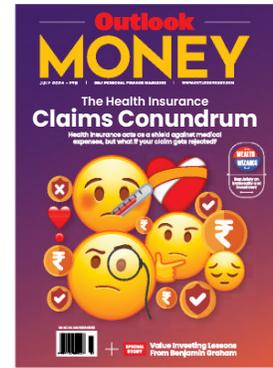
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Health Insurance Woes

An average healthy person will typically not have a major life-threatening disease when young. I feel, the treatment he/she might need would mostly relate to orthopaedics, because of some injury or accident, or will be cosmetic in nature (dental alignment), but insurance policies typically don't pay for cosmetic treatments. But if one starts paying for a policy today, and 30 years later, at age 55, when he suffers a major medical requirement, such as a heart surgery, and the insurer denies the claim on some ground, then what is the benefit of having an insurance policy at all. Some of the individuals featured in the cover story (*Lay Claim On Your Rights*, July 2024) seem to have faced such a situation. Perhaps the insurance regulator can do something about it to build trust among policy buyers.

Kartik Shankaran, email



JULY | 2024

Insurance Woes

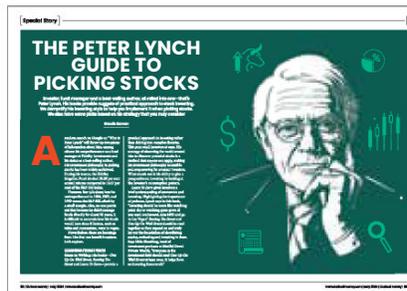
I can relate to this story on health claims. When one of my friends was denied claim settlement on his policy bought in 2019, he felt aggrieved. He then decided to discontinue his personal policy. It felt like a bad experience of being let down when one is the most vulnerable.

Rajesh Mohanty, email

Investing Tips

The special story on stocks, *The Peter Lynch Guide To Picking Stocks*, in May 2024 issue of the magazine was well crafted. It enriched readers like me with knowledge and self-confidence, and gave some interesting insights. After reading this story, I feel confident enough to try my hands at investing directly into stocks. I hope that through my investments, I can contribute to India's development and growth story.

Biswajit Das, email



Valuable Insights

I read *Outlook Money* magazine's July 2024 issue and learned about the details of purchasing land, health insurance-related information, mutual fund-related information, retirement plans, etc., which was very informative and useful. I would like to extend my sincere thanks for providing such a wonderful magazine. I wish success for all your future endeavors.

Murugappan S., email

Money Choices

I read '*Master Your Money Choices*' by Larissa Fernand in your magazine's May 2024 issue. I was thoroughly impressed by its content and writing style. Her ability to challenge common perceptions about wealth and spending, while encouraging readers to reflect on their own financial values and desires, is truly commendable.

Kongkon Gogoi, email

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Vanaprastha or retirement phase of life is a time of liberation, not limitation. It is about discovering your passion, learning new things and enjoying life fully, writes Deval Delivala

Disclaimer: Views expressed by various contributors in the magazine under the section 'Spotlight' are their own and not necessarily reflect the opinions, beliefs and view points of *Outlook Money* editorial. These are advertorial pages.

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BUDGET 2024-25

WHAT IT MEANS FOR YOU

Finance Minister Nirmala Sitharaman announced a few changes in the new tax regime, including increasing standard deduction, while leaving the old one untouched. The government also increased taxes on long-term capital gains on listed assets. We decode what Budget 2024-25 means for you how and how it will affect your money life



Photo: Tribhuvan Tiwari

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— Outlook —

MONEY

Retirement

Retire Right

PLAN WISELY, INVEST SMARTLY, SPEND CAREFULLY

CHOOSING THE RIGHT PLAN
WILL LEAD YOU TO INVEST IN THE
MOST SUITABLE PRODUCTS THAT
WILL, ULTIMATELY, ENSURE A
SMOOTH POST-RETIREMENT LIFE



New At 60 Again

Many seniors do not want to hang up their boots post retirement. We explore the windows of opportunity they have and the challenges on the way





Versha Jain

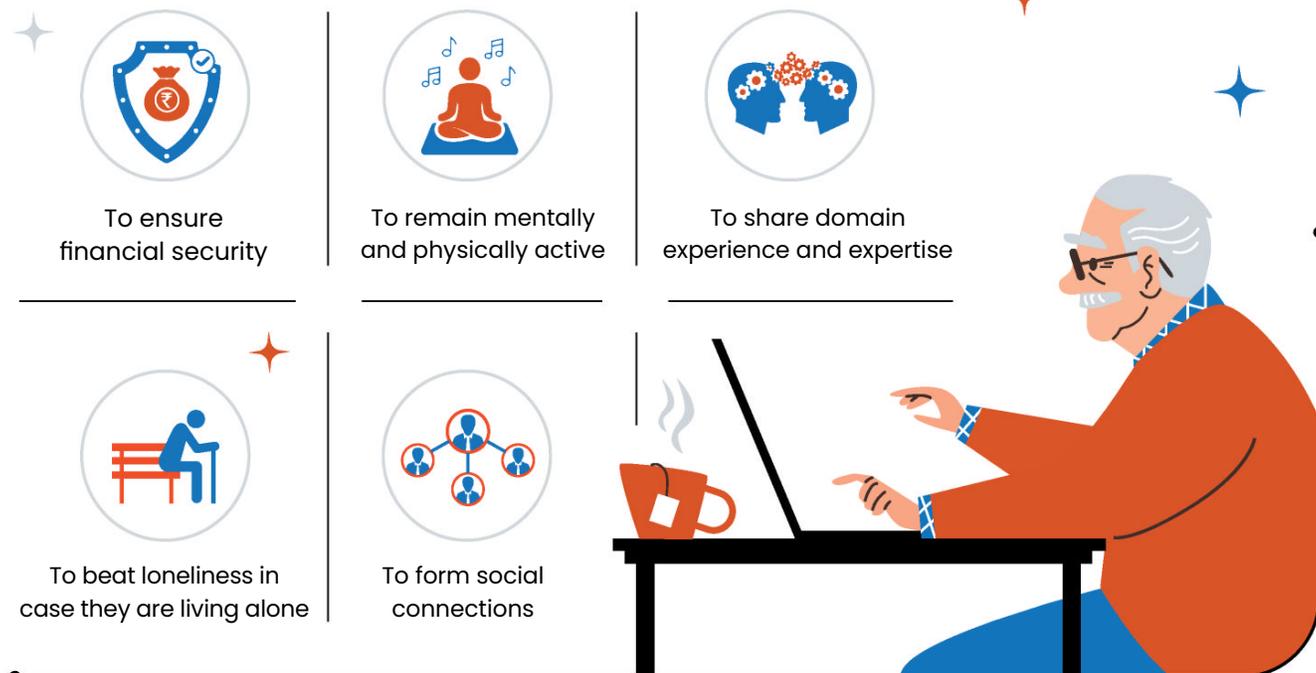
Who says 60 is the age to hang up your boots and do nothing thereafter?

Thanks to a healthy lifestyle and rising life expectancy, many seniors are now looking for options to work even after retiring from their regular jobs. The reasons range from their inability to sit at home after an active work life of 30-40 years and wanting to be actively engaged, to the need to remain socially connected, to ensuring financial security in the absence of an adequate retirement corpus, as well as fighting loneliness, especially those who stay alone or only with their spouse.

Neeraj Sagar, founder and CEO of WisdomCircle, a platform that helps retirees search for jobs, says: “I’ve observed that the motivations for rejoining the workforce are multifaceted. The primary reason is a profound desire to remain actively engaged and seek mental stimulation through purposeful pursuits in their second innings. Moreover, what truly resonates with senior professionals is the sense of fulfilment derived from sharing their invaluable knowledge and experience with the next generation.”

In fact, remaining active, mentally and physically, can be highly beneficial for seniors. According to the Asian Development Bank’s (ADB) *Aging Well In Asia: Asian Development Policy Report*, released in May 2024, four things that are critical for the well-being of older people are: health (physical and mental), productive work, economic security, and social engagement. These are interlinked and mutually reinforcing. “We see a growing trend of seniors keen to re-enter the workforce. While the numbers vary,

Why Seniors Prefer To Work



the success rate of retirees securing jobs often hinges on a combination of their unique expertise, the relevance of their skills to the roles available, and the willingness of companies to embrace age diversity,” Sagar adds.

The corporate windows for seniors, however, remains small, and only certain skills remain in demand in old age. However, there seems to be a policy push. Niti Aayog’s position paper *Senior Care Reforms in India*, in February 2024, suggests leveraging the knowledge and expertise of retired people and keeping them relevant in society by re-skilling them, while creating alternate employment opportunities for them.

Let’s look at what is available for seniors, and the challenges they may face while looking for a job.

What Makes Them Valuable

Retirees bring years of invaluable experience to the organisation. Once they are settled, they remain

loyal to the company and don’t switch jobs easily. In most cases, they even work for less than what they used to earn just to utilise their time and skills. So, they are a more dependable workforce.

S. Premkumar Raja, co-founder and secretary, Nightingales Medical Trust, a non-government organisation (NGO) in Bengaluru, has been conducting a ‘Job 60 +’ program and a job fair for senior citizens for 13 years now. He shares an example from his organisation: “I have a retired person in the finance department who brought in a lot of systems. Earlier, his experience was going waste. We have quite a few senior citizens in our NGO, and as an employer, I’m satisfied because they don’t look for other jobs. They are satisfied with the morning-to-evening jobs, timely salaries, and no stress.”

Windows Of Opportunity

Though the numbers of working seniors are still not enough, some

of the corporates are now realising the value that seniors can bring to the table.

Says Cynthia Gokhale, director of marketing, corporate communication, and customer service, ManpowerGroup, a workforce management solutions company, “There is a rising trend across sectors and geographies to hire senior citizens. They bring more stability and unmatched experience to the organisation. With the opening up of the gig economy, the sky is the limit for people having expertise in cybersecurity and other technical fields, manufacturing and production, and creative and academics field, among others.”

Gokhale lists out some other roles that seniors, typically, take up. There’s demand for ex-servicemen as invigilators in competitive exams, while banks and other financial institutions prefer retired personnel for security, both as consultants as well as guards, depending on their ranks and experience, she says.

For top or senior positions, companies seem to be open to people above 60 years of age. For instance, there are 15,112 individuals on the board of the National Stock Exchange (NSE)-listed 2,375 companies as on July 9, 2024, according to data from PRIME Database, a database aggregator. Around 39 per cent of these are 60 years and older, 50 per cent are less than 60 years, and the remaining 11 per cent's age data is not available.

However, these positions are limited, and are generally only available to highly qualified and well-experienced individuals. Data from PRIME shows that around 28

in supervisory roles." Age-related ailments may become an obstacle in the hiring process, adds Gokhale.

According to the survey report *Beyond Numbers: Intergenerational Insights on Ageism* released in June 2024 by Randstad, a talent solution company, people in the 55 years and above age group face issues such as lack of new job opportunities, difficulties in getting hired or being retained, despite their knowledge and experience, and are often left out due to preference for younger people. Sometimes, there's also under-utilisation of their abilities.

However, few companies are

published in the *International Journal of Creative Research Thoughts* (IJRCT) in 2021, highlights the same. It says that people who receive pension are less interested in working in old age than those who do not have pension income.

According to data shared by Naukri.com with *Outlook Money*, the job search portal received only 0.18 per cent of the total applications from people aged 60 years and above in the last one year. In May 2024, the figure was around 6,500, accounting for only 0.15 per cent of the total applicants.

But it would be wrong to consider that seniors look for work only because they are looking for a regular stream of income.

According to Raja, picking up work after retirement can bring purpose to seniors' lives and improve their self-esteem. "They meet people, and socialisation indirectly helps in improving the quality of life," he says.

Harsh Roongta, founder of Fee-Only Investment Advisers LLP, a Securities and Exchange Board of India (Sebi)-registered investment advisory firm, believes that if earning money is no longer a purpose, one should have or plan another purpose to lead one's retired life. "You need to start planning what you are going to do. So, if you are planning to do something completely different and it's a great opportunity for you to do so, then you ought to have cultivated those things. Suppose, you have a hobby that you want to convert into part-time work, you ought to have cultivated that in your working years so that you can take that forward in your second innings," he says.

Despite the challenges of fewer jobs, age-related issues, social taboo, among others, many seniors seem to have found a way to stay active and take up work after retirement. ►OM

Seniors take to work after 60 not just to earn income, but also to bring about a purpose to their life and improve their self-esteem and quality of life

per cent of people in directorship positions are management graduates, 11 per cent are chartered accountants, 9 per cent are lawyers, and 21 per cent are engineers.

The Challenges

Having the intention to find a job suitable to one's age, stamina, and skill set, and actually getting the opportunity to work are two different things.

Says Raja, "Age discrimination, physical limitations, adapting to new work environment, and technological adaptation are the primary challenges that seniors face in their second innings. While small businesses are more open to hiring senior citizens, corporates are still biased toward a younger workforce. Micro, small and medium enterprises (MSMEs) and industries have started hiring senior citizens

cognisant of the value these retired professionals bring, and have begun employing them to leverage their experience and expertise. Some of these companies are Blue Star, Suzlon Energy, Hitachi Energy, and Elgi Equipments, the report says.

Security And Purpose

Seniors prefer to work after retirement either because they need financial security, in the face of shortage of funds, or, when they are looking for a purpose during their retirement years.

Financial security plays a large role in seniors choosing to work after retirement. The ADB report cited earlier says that pension or economic security can affect a person's willingness to work.

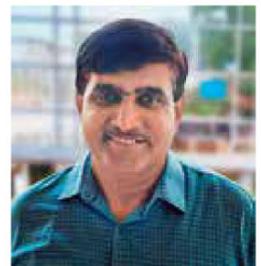
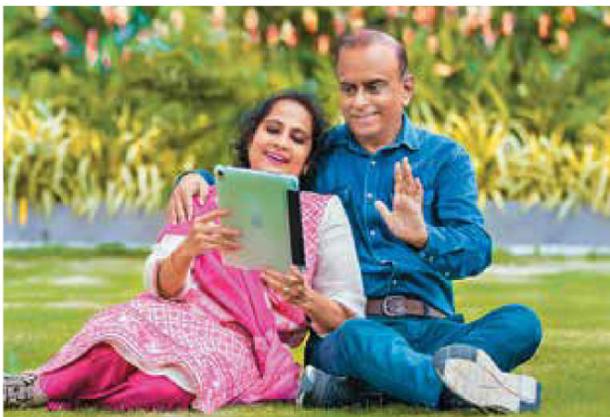
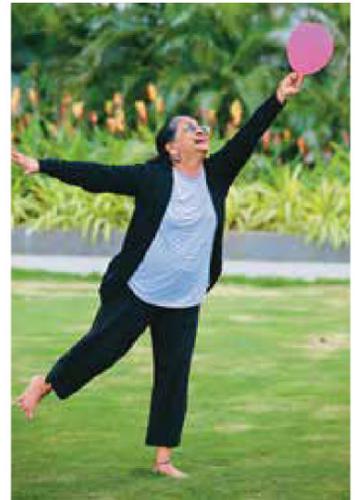
Another study, titled, *Employment After Retirement In India - An Empirical Study*,



IN PURSUIT OF HAPPINESS

We spoke to retired individuals who've broken the boundaries and are an inspiration to others approaching their senior years

Versha Jain



Guide To Persistence

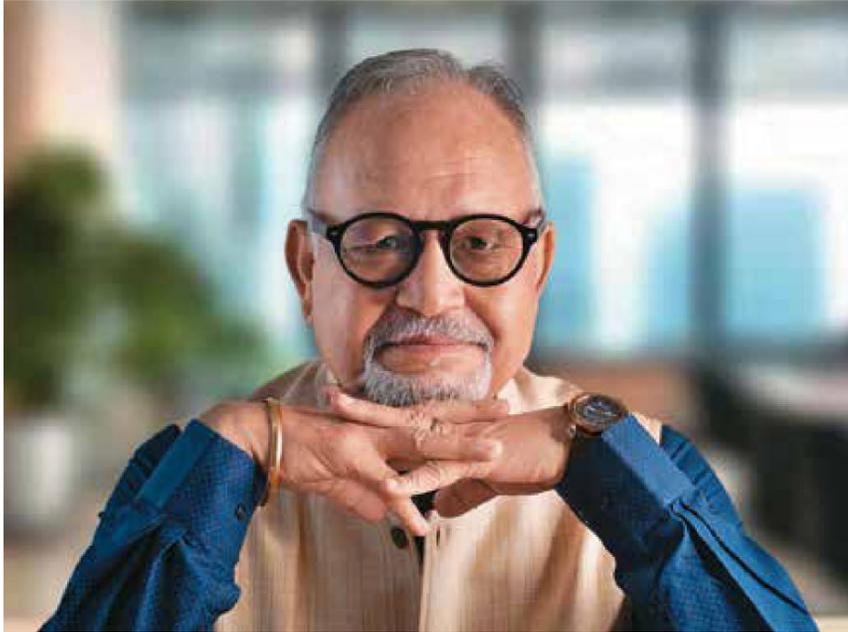


Photo: Dinesh Parab

At 62, Mumbai-based Suniel Gupta doesn't want to stop working. He works six hours a day and feels content with the contribution that he is making. He works as a business development consultant in a non-governmental organisation (NGO) during weekdays, and offers online coaching sessions on the weekend. He is primarily into training people in communication skills and personality development.

What makes him happy about his profile is that he is doing what he likes at his own pace. "I am not chasing a particular career goal, so there is no stress. Sometimes, there is stress, but it is only task-related," says Gupta.

The other part is that having a regular income eases him out.

"There could be times when suddenly some big expense comes along and you will have to dig into your savings. So, once you have a some sort of regular income, it

SUNIEL GUPTA

Age: 62, Mumbai

He works as a business development consultant in an NGO in his second innings, having previously worked as a sales and training personnel in a pharma company

provides ease. That is how I look at it. I can't say I don't need money, but how much is the question. That's an individual choice," he says.

Early Retirement

Gupta retired early, when he was in his early 50s, after working with a pharmaceutical company for around three decades. In that period, he

gained diverse experience in the fields of sales and sales training.

He later became a trainer when he was handpicked for the job because of his quality of helping others out. It proved to be a turning point in his life. Initially, he was sceptical, but later excelled in both sales and training, and the latter became his calling in retirement, too.

Though he always wanted to work independently, Gupta quit and started looking for independent assignments when he realised that his thought process had stopped aligning with the management's. He was able to take that decision because he was confident in his training skills.

That phase was not without its initial challenges and setbacks. "The first 2-3 months were difficult. I didn't get any assignments after quitting the job," says Gupta. But he didn't lose heart and persisted.

Beyond Challenges

When he realised that his 10-12 years of experience, specifically in training, was not sufficient, he decided to enrol in a relevant course, which cost him ₹1 lakh. The eight-month certification required classroom as well as practical training, including 100 hours of coaching, and a written exam.

"The only thing which helps you overcome the challenges is to start doing it. And that's exactly what I did. I am from Delhi and when I first moved to Bengaluru (for his job), it was a challenge. Coming to Mumbai was also a challenge, as was switching from sales to training, and leaving a job. Basically, whatever decision you take, believe in it, own it, and move forward," says Gupta.

What helped him a lot was being flexible about whatever came his way. Initially, he earned almost half of his salary at his coaching job than what he was earning at the pharma company, but that improved eventually. Now he is in a phase where he is not worried about his financial future. ►OM

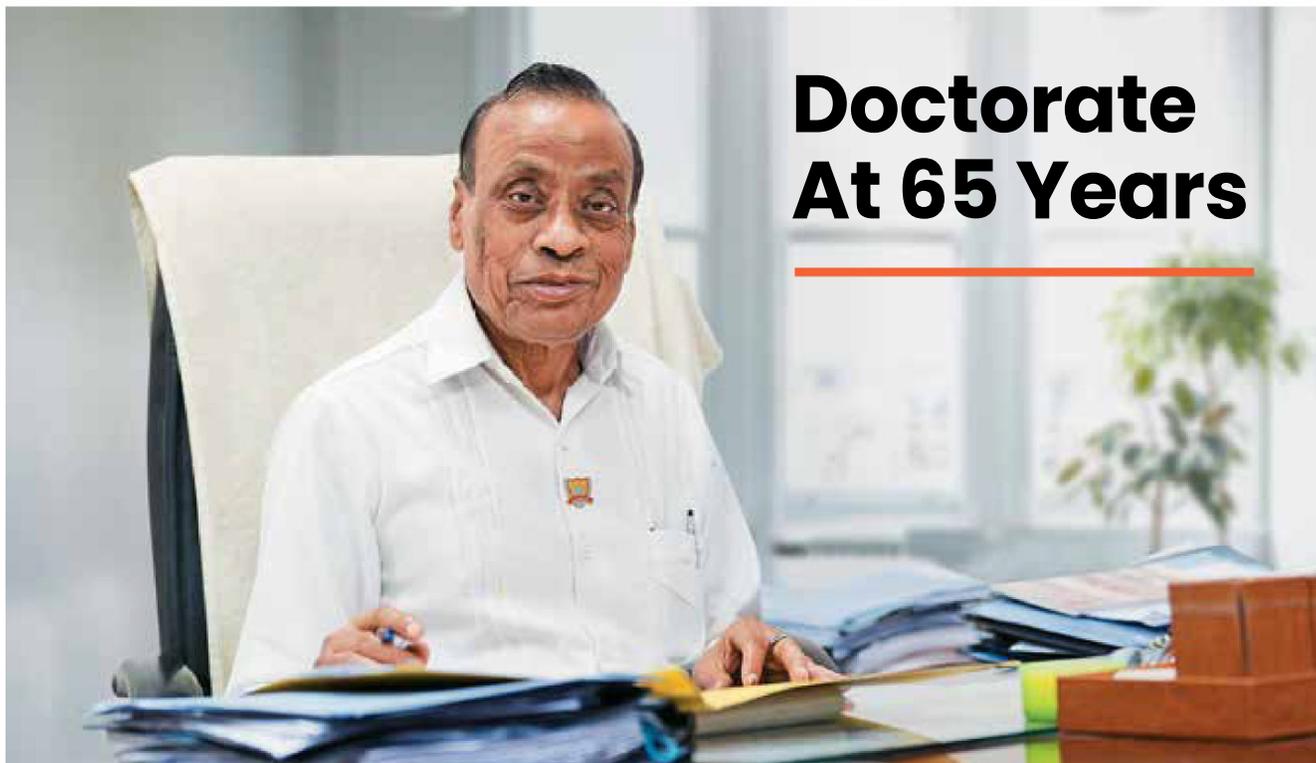


Photo: Tribhuvan Tiwari

Doctorate At 65 Years

VP. Gupta, 72, retired from the post of Registrar at the All India Institute of Medical Sciences (AIIMS), New Delhi, in 2012 at age 60. Though the government job offered him a generous pension, he chose to continue working even after retirement. "I joined a private university the very next day of my retirement, and did not take even a single day's break," says Gupta.

He started getting offers from many colleges during the end of his career of nearly four decades. Some of the offers also came from abroad, but he chose to stay in Delhi to be near his family. Since he had already made up his mind to continue working after retirement, it didn't take him much time to choose an institution.

One of the plus points for Gupta was the fact that his experience and skills are in high demand, and unlike many other retirees, he did not have to compromise on remuneration in his second innings. "The transition to a private set-up at 60 may be difficult for some retirees, but for me, it was a

★

V.P. GUPTA
Age: 72, New Delhi

He rose up the ranks and retired from a prestigious post. He joined a private university the very next day and is still working there. Being the workaholic that he is, he even got himself a PhD at 65

★

cultural change. I enjoy the absence of red-tapism here," he says.

Boundless Energy

Over the years, his energy hasn't waned. It's his 12th year at the same university, this grandfather is not ready to retire. "My grandchildren, who are into professional courses, are now on the verge of joining the workforce, but I don't want to retire," he says with a smile.

The septuagenarian likes to keep himself updated about the changes in his field and is still willing to work daily, provided there is flexibility and no fixed hours. In fact, he enrolled for a PhD after retirement and was awarded one when he turned 65.

He says he is someone who is never tired of working and equates himself with the workaholic protagonist of the 1970s' Bollywood movie *Anubhav*. "Being a workaholic, I never thought of retirement in my life. It's just a change of workplace," he says.

As the AIIMS registrar, he took several initiatives, such as moving certain processes, including the printing of degrees and certificates online to eradicate the menace of fake documents. He also supervised different sections, including the faculty cell, establishment section, research section, cardiac and neurosciences centres. What stands out is the fact that he worked hard all his life and rose among the ranks to acquire the top position eventually. That effort has paid off with a lucrative post-retirement career. ►OM



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Till Death Do Us Part



When Kanpur-based Veena Mishra lost two of her three sons within five-six years—a 27-year-old to an incurable disease and a 24-year-old to an accident, in 2006 and 2011, respectively—she was devastated and wanted to stop working. She was a 59-year-old school teacher in 2011, and was just about to retire.

But thanks to the support of her husband, her school principal, and colleagues, who counselled her about not quitting at this stage, she decided against staying back at home and instead doing something productive. She took on a new role as a coordinator, and moved on as the director of another school later.

“Initially, I felt what was the use of doing all the hard work every day, so I thought I should quit. Then I realised that if I don’t keep myself busy, I will be stuck, so I decided to continue working,” says Mishra.

Thirteen years after she lost her

VEENA MISHRA

Age: 74, Kanpur

She lost her two sons within five years, the last one a few months before her retirement. She continued working and now runs her own school with 1,400 children, along with a pre-school for village children

second son, she is 74 now, single (her husband passed away in 2020, due to kidney failure), and is still working.

A Long Story

Mishra first started working as a school teacher in Dehradun in 1973, but left it in 1977 when she got married to a doctor in Kanpur. As her family expanded, she decided to

continue as a homemaker to care of her children. In 1990, when she took her third son for school admission, she was offered a school teacher’s job and she took it. “I thought it was an opportunity to spend more time with my youngest child; the other two were a little grown up. Also, I didn’t have any other engagement then,” she says.

In 2011, when she retired, the school management decided to retain her as a coordinator. That was the year she lost her second son. She continued as the coordinator in the school before joining another one as a director in 2013.

That was a challenging position as it was a new school, which started with just about 400 children and a building that was still partly under construction. “A few years later, when I lost my husband in 2020, I completely devoted myself to the school and the children there,” she says. The school grew under her wings and has 1,400 children now.

A few years ago, she also started her own pre-school for village children at her farmhouse near Kanpur. “The experience teaches us a lot of things. To see a smile on the faces of children is actually the greatest motivator,” she says.

Bundle Of Energy

Besides being a school director and running her own pre-school, she also teaches two-three children at her home in the evening.

For her, taking up work after retirement makes one more energetic, organised, focused and confident. “If you start working after retirement, things are different, you are experienced and focused, so the decisions you make are well thought out yet fast,” says Mishra, who is thoroughly enjoying her second innings now. “I look forward to getting ready every morning and going to work. Age should not be counted. It is the heart and the brain that matter. I want to keep working for children till my last breath,” she says. ▶OM

Burn-Out To Busy

Being a workaholic is sometimes seen as an asset, but that's not always true. Shubha Apte, 64, describes herself as a workaholic during her working years, but that also led to a burnout much before her retirement age.

"I always liked being busy, and working across different functions and roles always excited me. But there was a time when I was so busy that my weekends became like an extended work week," says Apte, who donned many hats during her career and worked in departments ranging from IT, manufacturing, sales and marketing and so on. As a result, she took voluntary retirement when she was in her 50s.

"The allure of being my own boss, guiding others toward success, and making a meaningful impact on both individuals and organisations fuelled my determination to depart from the corporate sphere sooner rather than later," says Apte, who now works as a mentor with companies and goes for guest lectures at a B-School.

The Shift

The good part was this was not a sudden move and she had contemplated about her life and work after retirement for long. Apte had prepared for her second innings even before embarking on it. She wanted to explore herself, give back to the society, have something to look forward to every morning, spend her time productively, and pursue her diverse hobbies. Fortunately, finances were not a concern for her.

During the break between her job and second innings, she enrolled herself in professional courses, including a diploma in "CEO



SHUBHA APTE

Age: 64, Bengaluru

She was a workaholic and suffered a burn-out in her 50s, eventually taking early retirement in her 50s. She utilised her free time to enrol in a few courses, explore her creative side, and now works as a mentor for some companies and is a guest faculty at a B-School

Coaching". "These roles allowed me to mentor Gen Z and, in the process, learn new perspectives," she says.

Beyond Work

Besides changing her career course after retirement, Apte made time for her interests, such as reading, writing, gardening, and travelling.

"I wanted to spend time to re-ignite my passions, which I had long relegated to the sidelines." She has also enrolled for a diploma in a writing course.

Apte says she inherited those interests from her mother.

"My mother nurtured my creative side, while my father, who was a doctor, influenced my career decisions. He, too, continued to practice medicine and write in medical journals until he passed away at the age of 90," she says.

For Apte, a sense of purpose, lifelong learning, and social engagement are extremely important, and retirement is not a barrier to this pursuit.

"Life presents pivotal moments that force us to re-evaluate our priorities and redefine our paths. For me, that moment came during my last corporate assignment, where the relentless pursuit of success had consumed nearly every waking hour of my existence. As the days blurred into nights and weekends became an extension of the workweek, I grappled with a profound sense of emptiness. I had become trapped in a cycle of perpetual business, and my quality of life suffered," she says.

She has a word of advice for all busy professionals.

"Along with professional growth and financial gain, take out time for self-care, family, and hobbies. If you want to stay active after retirement, be very clear about what you want to do. Also, leverage your network, build your new identity, and devote more time to your family," she adds. It's all about reinventing oneself, she says. ►OM

Down, But Up And Strong Again

There are many people who are forced to work even after retirement, either because of their financial situation or because their verve to work doesn't retire with age. For Madhukeshwar Shiva Hedge, 60, who retired in 2022 at the age of 58, the reason to continue working was a combination of the two.

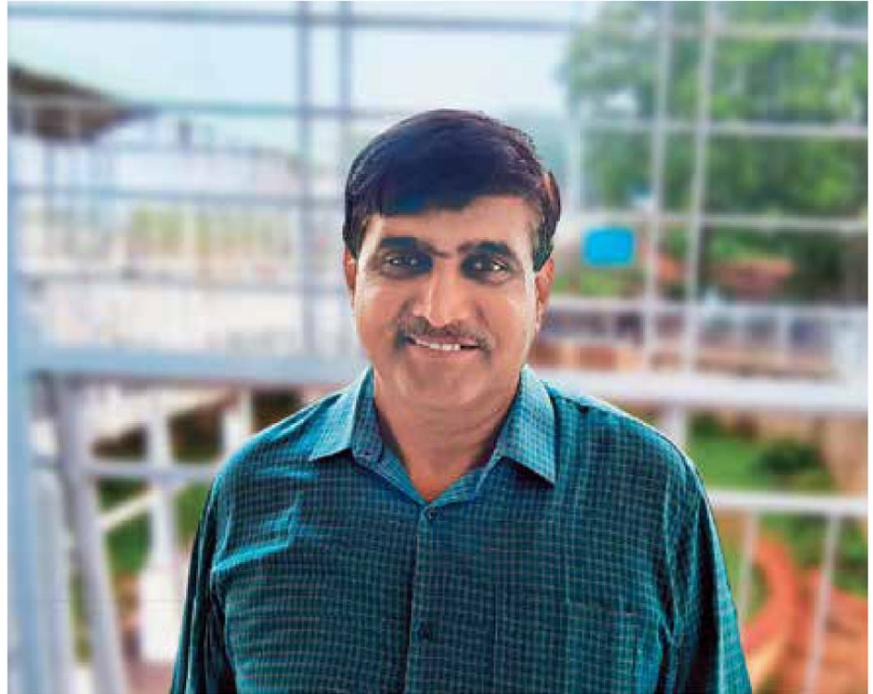
Tough financial situations often arise due to lack of proper planning during work years. Hedge, whose one child is married, and twin children are still in college and dependent on him, realises that now. "If I had done proper planning, I would have been in a better situation. I get a nominal pension, which is not enough to run a family of four," he says.

What dealt him a blow in his working years was the Covid-19 pandemic. It struck two years before he was about to retire, and his company changed its workforce policy and stopped giving extensions to individuals hitting retirement. There were lay-offs and fewer employment opportunities, but Hedge did not lose heart.

Work After Work

Soon after retiring, he joined an auditing firm through his contacts and worked for 3-4 months before joining the Bangalore Development Authority (BDA) as an auditor. The job was contractual, and as luck would have it, such employments were terminated after the state government changed.

He then approached a Bengaluru-based non-government organisation (NGO), which helps seniors get work and conducts annual job fairs for seniors. A few months later, he secured the position of a manager



MADHUKESHWAR S. HEDGE

Age: 60, Bengaluru

He retired in 2022 in the aftermath of Covid-19, as his employer did not give any extension. He later took up a job in a firm as an auditor to support his family of four

after sending multiple applications to various companies.

The work culture in his new organisation is different and so is his current work profile, compared to his corporate job before retirement, but he is not complaining.

Though what he gets is less than

half the salary he was getting in the company from where he retired, he is satisfied that it is enough to run his monthly expenses and doesn't need to touch whatever savings he has. Fortunately, he had paid off his home loan before he retired.

He is happy that he is productively engaged and wants to save for the future, too. "I want to work at least up to 65 years of age. By that time my son and daughter will also settle down."

There's an important lesson to imbibe from his story and situation: lack of planning can spell disaster later. He says: "When I started working, I did not plan what I will get after 40 years. I planned nothing. That is my mistake."

He now tells his children to start planning for their future as soon as they become independent. ►OM

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VEENA:

Age: 75, Mumbai

Veena retired as a banker after 30 years of work. At age 65, she pursued a diploma in dance movement therapy at the Tata Institute of Social Sciences. Now a certified therapist at 71, Veena continues to conduct awareness programs and workshops, working with special children and senior citizens, and finds great fulfilment in her new vocation.

OFERA: Age: 62, Ernakulum

At 62, Ofera from Ernakulum in Kerala exemplifies how life-long learning can enrich one's quality of life in each stage. She takes online classes and uses dance, art, and cultural exchanges to give direction to her creativity. She has come a long way from the time when shyness prevented her from exploring her hobbies.

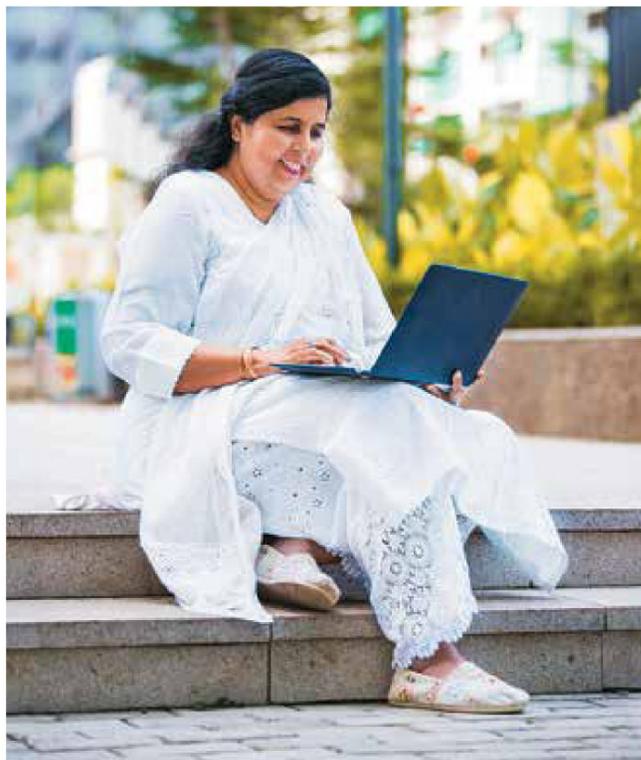


ANITA: Age: 55, Pune

Anita is an English literature graduate with a background in administration and event management. Now, she works as a community manager at GetSetUp, runs a voluntary service for the underprivileged, and works with a local counselling helpline. Her interests range wide, from poetry and travelling to theology.

RODA: Age: 72, Chennai

When Roda looks back on her athletic journey, she sees a lifetime of sports woven through the decades. Originating from a rowing lineage in Chennai with her brothers becoming champions at the Madras Boat Club and winning numerous trophies across cities, Roda excelled in running and ball games through school and college, captaining teams to victory. Prompted by a sports-loving friend, she took up athletics training at 65.



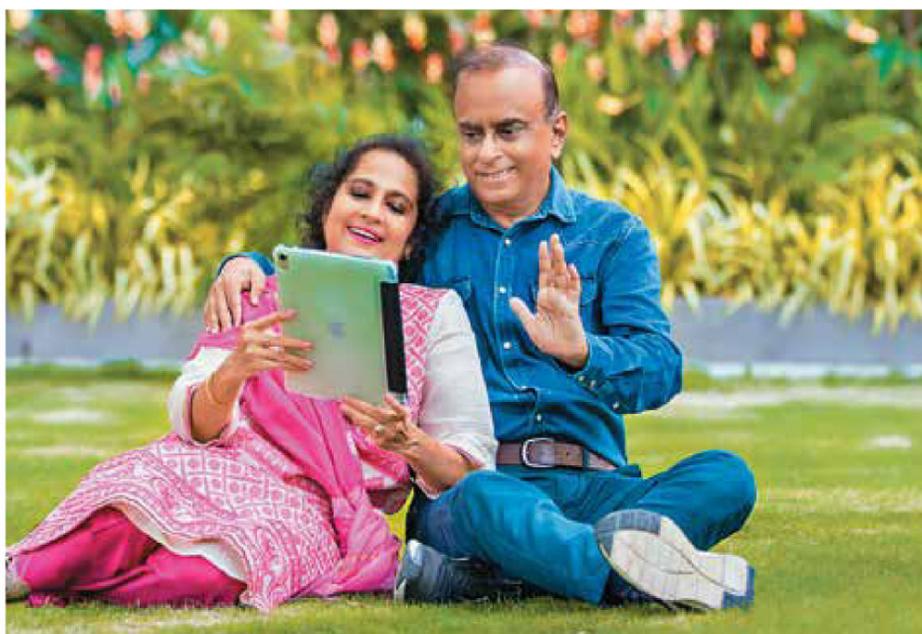
MARYAM: Age: 62, Mumbai

After working as a designer for over 20 years, Maryam decided to retire and pursue her long-cherished passion. Now, at 62, she indulges herself through daily walks, learning new recipes by watching online cooking shows and classes, while also planning for her next travel destination.

AJAY & ANJOO:

Age: 66, 58 Mumbai

Ajay is a retired finance professional with 40 years of corporate experience. Anjoo has been a banker for 15 years. Ajay now spends his time mentoring finance professionals. He is also passionate about cricket, Indian history, and retro Hindi film music. Anjoo, on the other hand, has been leading a large health educational library for the last 15 years that aims at helping people make informed choices on their health.



Source: GetSetUp for these six profiles; Only first names have been used for privacy reasons



BY DEVAL DELIVALA, Co-founder and CEO India, GetSetUp

How To Redefine Active Ageing

Vanaprastha or retirement phase of life is a time of liberation, not limitation. It is about discovering your passion, learning new things and enjoying life fully

If we go by the ancient Vedic principles of life cycle, the early years of retirement can be equated to the Vanaprastha stage and the latter years to the Sanyasi stage. These are the last two of the four stages of life. One enters these stages after satisfactorily crossing the earlier two stages, that are the Brahmacharya and the Grihastha stages.

The Vanaprastha stage is more about giving back and finding a new purpose or meaning in life. At this stage, typically, family responsibilities come to an end, with children settling down. Usually, it's only at this stage that individuals begin to live for a purpose, reflecting upon and integrating the learnings from their earlier phases and applying that towards a purpose they want to fulfill in their lifetime.

In modern-day society, the second innings can often become an exciting new phase of life, with several new avenues opening up in keeping with the skills and passions of individuals. This phenomenon is often referred to as active ageing, which is being discovered and embraced by several seniors these days. In our experience, many now prefer spending time meaningfully rather than biding it.

Take the case of Bharathi, who is based in Bengaluru and is in her 60s. A few years ago, Bharathi and her spouse found themselves with fewer responsibilities as her children moved out of the country. What started with making premix recipes in her free time to send to her children eventually became a business idea for her when she won a competition. It boosted her sense of self-worth. "I had the urge to learn new things and the opportunity to start my business. It was an excellent opportunity to learn alongside other entrepreneurs; we all together learned from the basics of starting a business."

Like Bharathi, when we start seeing this phase of life as an evolution, we open ourselves to more opportunities and experiences. But more than that, it lays the foundation for "active ageing" and offers an opportunity to share lessons learned through a lifetime of experiences.

If we start seeing the Vanaprastha phase as an evolution, more opportunities and experiences will open up

With lifespans increasing and the ageing population living longer lives, their valuable experiences and expertise can power social good through community contribution, fostering social connections and community involvement, reducing loneliness and isolation, and promoting a sense of belonging as well as a purpose.

That was what happened with former banker Anjoo from Mumbai, who, in her late 50s, is actively taking her passion for learning to the next level by sharing her knowledge as a guide online, "Teaching is helping me connect and remember old skills and pick up new ones. Peer-to-peer learning allows one to share experiences with others, of like-minded thoughts and interests."

Whether you want to pursue a long-held dream of painting, writing, travelling, starting a venture, or picking up a new career, reflect on the Vanaprastha stage as a time of liberation than a limitation, and discover what you want to do. It is not the time to await the end but to enjoy life fully. And with increasing life expectancy, there may be a lot of time left. As Mahatma Gandhi says, "Live as if you were to die tomorrow. Learn as if you were to live forever." ► OM



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INVEST DIRECTLY IN STOCKS IF YOU HAVE ADEQUATE KNOWLEDGE

Queries

I am 42 years old. I have a mutual fund portfolio of about ₹18 lakh, fixed deposits worth ₹1.8 lakh and liquid funds worth ₹2 lakh. I also have life insurance worth ₹1 crore. I have vested restricted stock units (RSUs) of a NASDAQ-listed company worth ₹28 lakh, and non-vested RSUs of another company worth ₹10 lakh. As company stocks are a large part of my annual compensation, how should I liquidate this amount?

You have non-vested RSUs of ₹10 lakh, which are in the vesting period and, therefore, cannot be utilised or sold until they are vested. Your vested RSUs of ₹28 lakh in a NASDAQ-listed company can be sold and the money invested in other assets. The investment of ₹28 lakh in a single stock increases the concentration risk. If the growth of the company declines in the future, then it would have significant impact on your portfolio, as you have only one stock.

So, you can sell the 70-80 per cent of the RSUs either in a staggered manner or in one go, and invest the same in other equity instruments, such as mutual funds and direct stocks for managing concentration risk. You can keep 20-30 per cent of



the RSU of the company if you think that a NASDAQ-listed company has good fundamentals and significant growth ahead.

In the prevailing volatile market, you can sell your vested RSUs in a staggered manner and start systematic investment plans (SIPs) in mutual funds. If the markets go down significantly, say 10 per cent or more in the near future, then you can also invest a lump sum in mutual funds on the basis of your risk profile.

I am 35 years old and started saving for retirement two years ago. I have invested in several mutual funds, mainly flexi-caps, debt funds and fund-of-funds (FoFs). I also have a family health insurance plan. I would like to know if I should invest in stocks also to fast-track my portfolio growth. If so, how do I identify the right stocks, and what should be my approach?

Investing directly into stocks depends on multiple factors, such as the investor's financial knowledge, knowledge of the market and sectors, understanding of the company's business, and so on. It also requires periodic monitoring and rebalancing based on research.

These include understanding financial factors that drive stock returns, such as earnings growth, return on equity (RoE), return on capital employed (ROCE), and operating cash flows.

If you have gained the required knowledge of the stock market, then you can go for direct stock investing. Else, you may consider investing in mutual funds, where the mutual fund manager will select the sector and stock, and periodically monitor and rebalance the portfolio, based on market conditions.

Answers by: **Bharat Pareek**, Head - Product & Segment (Private Wealth Management) of ICICI Direct

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WHAT BUDGET 2024-25 MEANS FOR YOU

Finance Minister Nirmala Sitharaman announced a few changes in the new tax regime, while leaving the old one untouched. The government also increased taxes on long-term capital gains. We decode what the Budget means for you

Outlook Money Team

When finance minister Nirmala Sitharaman reached

Parliament with her red folder, which she has been carrying since 2019 when she presented her first Budget, and departed from using the traditional suitcase that other FMs carried before her, individuals waited with bated breath for substantial tax relief on salaries and investments.

That's because the new tax regime doesn't offer benefits other than the standard deduction, and the popular Section 80C benefits under the Income-tax Act, 1961, hasn't seen the limit increased since 2014. Also, the introduction of long-term capital gains (LTCG) tax of 10 per cent in Budget 2018 has been upsetting investors, who did not have to pay this tax since 2004 when LTCG tax was removed though securities transaction tax (STT) was levied on the gains. None of the two expectations saw fruition as Sitharaman had some other plans.

The Budget didn't fulfil expectations and doesn't offer a lot of benefits to the salaried class, but some of the measures may simplify taxpayers' lives in the long term. Let's look at the major



Photo: PTI

announcements in detail and how they affect your money life.

PERSONAL TAX

Slab Rates And Deduction:

Sitharaman hasn't tinkered with the slab rates of the old tax regime for the last seven years. On the other hand, the new tax regime slab rates have been changed once, in 2023. This year too she has slightly tinkered with the slab rates in the new regime, while keeping the old tax regime unchanged (See *Income Tax Slabs*).

She has also increased the standard deduction from ₹50,000 to ₹75,000 for salaried taxpayers in the new tax regime, but not for the old regime for which it stays at ₹50,000.

Another change that she announced was meant for the new tax regime only. She increased the deduction on family pension from ₹15,000 to ₹25,000. Family pension is payable to the family when a government servant dies, subject to certain conditions.

"As a result of these changes, a salaried employee in the new tax regime stands to save up to ₹17,500 in income tax," Sitharaman said in her Budget Speech.

TDS Relief: Sitharaman has proposed to bring down the rate on tax deducted at source (TDS) from 5 per cent to 2 per cent for certain categories that will benefit the common man. These include payment in respect of life and health insurance policy, payment of rent by an individual or Hindu Undivided Family (HUF), payments relating to commission or brokerage and others under various parts of Section 194.

Moreover, credit of tax collected at source (TCS) is proposed to be given on TDS deducted on salary. TDS on salary is deducted on the basis of an employee's actual tax liability. But employees have to pay TCS on other transactions, such as when they

buy a car or send money outside India under LRS and so on. Let's understand this with an example.

Says Kunal Savani, partner, Cyril Amarchand Mangaldas, a law firm: "Earlier, such TCS paid was not considered by the employer, and the employee had to claim it as a credit or refund while filing their tax returns. The proposed amendments will allow employers to take into account such TCS paid by the employee while computing the average rate on which TDS is to be deducted on salary." He explains with an example: If the tax payable by employee 'A' on his salary during the year is ₹1.20 lakh, TDS on salary



THE GOVERNMENT INCREASED THE STANDARD DEDUCTION AND MADE CHANGES TO THE SLAB RATES IN THE NEW TAX REGIME

would have been deducted at ₹10,000 per month. However, if the employee has already deposited TCS of ₹36,000 on some purchases during the year, TDS on his salary will reduce to ₹84,000 annually (or ₹7,000 per month). This will mean more cash flow for the employee and reduce compliance for the government, which would have had to refund the extra tax collected at the end of the return filing process.

Sitharaman also proposed to decriminalise the delay in the payment of TDS up to the due date of filing statement and provide a standard operating procedure for TDS defaults and simplify and rationalise the compounding guidelines for such offences.

Says Savani, "At present, failure to deposit TDS can lead to a jail term of up to seven years. Generally, TDS needs to be deposited on or before the 7th of the month following the month in which TDS is deducted. Now, the government proposes respite from initiating criminal proceedings if TDS is deposited any time before the due date of filing TDS return. TDS return is filed quarterly, and thus, taxpayers get more time to deposit it." However, interest and penalties on delayed deposits will continue to apply.

Rental Income Change: The proposal on rental income could lead to higher tax outflow for homeowners who have income from house property. The move is mainly meant to curb misreporting.

Sitharaman said in her Budget Speech: "It has been observed that some taxpayers are reporting their rental income generated by letting out their house property, under the head 'Profits and gains of business or profession' in place of the head 'Income from house property'. Accordingly, they are reducing their tax liability by showing house property income under the wrong head of income." From April 1, 2025, this income will have to be reported under the head, "income from house property".

"This change aims to prevent tax reductions through incorrect classification and will apply to the assessment year 2025-26 and onwards," says Abhishek Soni, CEO, Tax2Win, an income tax portal.

This move is also expected to reduce litigation. "Taxpayers often prefer to classify rental income under 'business and profession' to claim all business-related expenses, while tax authorities argue it should be taxed as 'income from house property', allowing only a standard 30 per cent deduction and interest deductions under Sections 24(a)

When New Regime Works For You

Even if you have certain investments and spends that count as deductions under the old tax regime, you may be better off in the new one

If you are earning up to **₹7 lakh**, there is Nil tax payable.

If you are up to **60 years**, earn **₹16 lakh or more** with deductions of up to **₹4.75 lakh*** in old regime.

For the **60+** with deductions of up to **₹4.75 lakh*** in (old regime), tax payable under the new and old regimes are on a par for incomes of **₹16 lakh or more**.

For **all ages**, if you have deductions of up to **₹2.75 lakh** (minus ₹2 lakh under Section 24(b)) under old regime, for **all incomes** considered.

For those **up to 60 years** and earning **₹13 lakh or more**, with deductions of up to **₹4.25 lakh*** (minus ₹50,000 under Section 80CCD(1B)) in old regime.

For the **60+**, with deductions of up to **₹4.25 lakh*** in old regime, both regimes are on a par between **₹13 lakh** and **₹14 lakh**. From **₹15 lakh**, the new regime is better.

*For the comparison, you would have availed of deductions worth ₹4.75 lakh, which includes ₹50,000 standard deduction, ₹1.5 lakh under Section 80C, ₹50,000 for NPS under Section CCD (1B), ₹25,000 under Section 80D for health insurance premiums and ₹2 lakh under Section 24(b) on interest paid on home loan. For the new regime, we have taken a standard deduction of ₹75,000; Applicability of marginal relief on surcharge may change the analysis from case to case basis

When Old Regime Works For You

Tax Payable

Income* (₹ lakh)	Individuals Under 60		Individuals Between 60 And 80 (Impacts Only Old Regime)	
	Tax Payable Under Old Regime (₹)	Tax Payable Under New Regime (₹)	Tax Payable Under Old Regime (₹)	Tax Payable Under New Regime (₹)
10	-	44,200	-	44,200
11	-	55,900	-	55,900
12	33,800	71,500	31,200	71,500
13	54,600	88,400	52,000	88,400
14	75,400	1,09,200	72,800	1,09,200
15	96,200	1,30,000	93,600	1,30,000
16	1,17,000	1,53,400	1,14,400	1,53,400
17	1,48,200	1,84,600	1,45,600	1,84,600
18	1,79,400	2,15,800	1,76,800	2,15,800
19	2,10,600	2,47,000	2,08,000	2,47,000
20	2,41,800	2,78,200	2,39,200	2,78,200
25	3,97,800	4,34,200	3,95,200	4,34,200
30	5,53,800	5,90,200	5,51,200	5,90,200
35	7,09,800	7,46,200	7,07,200	7,46,200
40	8,65,800	9,02,200	8,63,200	9,02,200
45	10,21,800	10,58,200	10,19,200	10,58,200
50	11,77,800	12,14,200	11,75,200	12,14,200

All the assumptions for this table are the same as considered for the Tax Calculator on the facing page

The FM's move to limit most benefits to the new tax regime have confirmed the writing on the wall: that the old regime is on its last legs. Deloitte India and *Outlook Money* compared the tax payable under both the tax regimes for various salary

brackets to figure out when old tax regime is better.

For the new tax regime, a standard deduction of ₹75,000 is considered. For the old tax regime, we have taken a standard deduction of ₹50,000; ₹1.5 lakh under Section 80C for EPF, PPF, life insurance premiums,



Tax Calculator For FY2024-25

Here's a sample of how a person who earns ₹20 lakh per annum is better off in the old tax regime

	Resident Individual Less Than 60 Years Of Age				Resident Individual Between 60 And 80 Years Of Age (Impacts Only Old Tax Regime)			
	Regular (Old)		Simplified (New)		Regular (Old)		Simplified (New)	
Income From salary:		20,00,000		20,00,000		20,00,000		20,00,000
Less:								
• House Rent Allowance	1,25,000		NA		1,25,000		NA	
• Standard Deduction	50,000		75,000		50,000		75,000	
Taxable Income From Salary		18,25,000		19,25,000		18,25,000		19,25,000
Loss From House Property Under Section 24(b)		(2,00,000)		NA		(2,00,000)		NA
Gross Total Income		16,25,000		19,25,000		16,25,000		19,25,000
Less: Deductions								
• Section 80C (capped)	1,50,000		NA		1,50,000		NA	
• Section 80D (capped)	25,000		NA		25,000		NA	
• Section 80CCD(1B)	50,000		NA		50,000		NA	
Total Income		14,00,000		19,25,000		14,00,000		19,25,000
Tax On Above		2,32,500		2,67,500		2,30,000		2,67,500
Less: Rebate u/s 87A		-		-		-		-
Add: Surcharge		-		-		-		-
Add: Cess @ 4%		9,300		10,700		9,200		10,700
Total Tax Payable		2,41,800	<	2,78,200		2,39,200	<	2,78,200
Favourable Tax Regime	Regular (Old)				Regular (Old)			

This table is only for illustration purposes; Income implies gross income before standard deduction from salary, HRA exemption, Chapter VI-A deductions, and set-off of loss from house property; Calculations for Indian resident; Source: Poorva Prakash, Partner, Deloitte India

children's tuition fees and others; ₹50,000 under Section 80CCD(1B) for NPS; ₹25,000 under Section 80D for health insurance premium for self; ₹2 lakh for housing loan interest under Section 24(B)); and exemption of house rent allowance (HRA) of ₹1.25 lakh.

We considered the above deductions and exemptions as we believe these are the most common deductions that individual taxpayers generally avail of.

Given the above deductions and exemptions, the old tax regime is better for all the income

levels considered in the tables above for all the age groups. However, as you change the deduction level in the old tax regime, depending on where you invest and spend and what is your salary structure, the choice between the old and new tax regimes will change.

Income Tax Slabs For FY25

Old Tax Regime



**Individuals
Under 60 Years**

Slab Of Income (₹)	Rate
Up to 2,50,000	Nil
2,50,001 to 3,00,000	5%
3,00,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%



For FY24

Slab Of Income (₹)	Rate
Up to 3,00,000	Nil
3,00,001 to 6,00,000	5%
6,00,001 to 9,00,000	10%
9,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%
Above 15,00,000	30%



**Senior Citizens
(60-79 Years)**

Slab Of Income (₹)	Rate
Up to 2,50,000	Nil
2,50,001 to 3,00,000	Nil
3,00,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

**Surcharge (For All)
(As % Of Basic Income Tax)**

Slab Of Income (₹)	Rate
50 lakh to 1 crore	10%
1 crore to 2 crore	15%
2 crore to 5 crore	25%
Above 5 crore	37%

New Tax Regime

For FY25

Slab Of Income (₹)	Rate
Up to 3,00,000	Nil
3,00,001 to 7,00,000	5%
7,00,001 to 10,00,000	10%
10,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%
Above 15,00,000	30%



**Very Senior Citizens
(Above 80 Years)**

Slab Of Income (₹)	Rate
Up to 2,50,000	Nil
2,50,001 to 3,00,000	Nil
3,00,001 to 5,00,000	Nil
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Nil tax if total income is
₹5 lakh or less

**Surcharge
(As % Of Basic Income Tax)**

Slab Of Income (₹)	Rate
50 lakh to 1 crore	10%
1 crore to 2 crore	15%
Above 2 crore	25%

Nil tax if total income is
₹7 lakh or less

and 24(b). This had led to numerous litigations,” says Rahul Singh, senior manager, Taxmann, tax and corporate advisor.

Simplification: The other major measure the government proposed is the simplification of the tax processes, including tax rates, filing, reassessment, litigation and so on. “We will continue our efforts to simplify taxes, improve taxpayer services, provide tax certainty and reduce litigation while enhancing revenues for funding the development and welfare schemes of the government,” Sitharaman said in her Budget Speech.

The biggest announcement that came in this regard is that the government proposes to review the Income-tax Act, 1961, comprehensively, in the next six months. It may be noted that the complexity in the wording of the law, currently, leads to various interpretations in various cases, especially where there is a dispute. The purpose of the review is to ensure that the Act becomes “concise, lucid, easy to read and understand” to “reduce disputes and litigation”.

Reduction in Litigation: Sitharaman emphasised that the government will also make a concerted effort to reduce litigation related to tax disputes.

There are two measures that promise to reduce litigations and disputes. First, Sitharaman has proposed that a case will be reopened for reassessment after three years from the end of the assessment year (AY) only if the income in question is ₹50 lakh or more. This will drastically bring down the number of disputes, as several cases, involving small amounts, also take a long time for resolution. Says Rohinton Sidhwa, partner, Deloitte India, “This prevents the cycle of litigation from being perpetuated as the income tax department will

otherwise mechanically appeal every case it loses at lower level forums.”

For amounts more than ₹50 lakh, the upper limit has been restricted to five years. At present, the limit for these cases is 10 years. “Reduction in the time limit for reopening past assessment from 10 years to five years will provide certainty to the taxpayers for past periods, thereby enabling ease of doing business,” says Savani.

Even in search cases, a time limit of six years before the year of search, as against the existing time limit of 10 years has been proposed.

Second, Sitharaman has also brought back the “Vivad Se Vishwas Scheme”, which was first introduced in Budget 2020. “VSV 2024 is similar to VSV 2020 and is meant to cut litigation. It’s a new scheme and requires taxpayers to concede cases by depositing a lower amount of tax, interest or penalty than originally computed,” says Sidhwa.

INVESTMENT

While LTCG tax on listed entities has gone up from 10 per cent to 12.5 per cent, short-term capital gains (STCG) tax has gone up from 15 per cent to 20 per cent. According to the Budget document, “Listed financial assets held for more than a year will be classified as long-term, while unlisted financial assets and all non-financial assets will have to be held for at least two years to be classified as long-term. Unlisted bonds and debentures, debt mutual

funds and market-linked debentures, irrespective of their holding period, however, will attract tax on capital gains at applicable rates.”

Shares: Capital gains tax has been increased by a sizeable amount for listed shares. While the culture of investing in the market has increased in India, the additional tax burden is a dampener, especially for those entering the equity markets for the first time. However, the good news is that the tax-free portion of profits from stocks has been increased from ₹1 lakh to ₹1.25 lakh for investments held for at least one year.

The increase in the STCG tax rate, though, may discourage people from switching too soon, and may put a spanner on trading activities that the market regulator has been cautioning against when it comes to retail investors. Exiting market investments before one year gives rise to STCG tax liability. The proposal to increase STT on futures and options (F&O) to 0.02 per cent and 0.1 per cent, respectively, may also help curb trading in F&Os to some extent.

Says Suresh Soni, CEO, Baroda BNP Paribas MF: “The rationalisation of the capital gains tax structure was somewhat anticipated by the markets and other stakeholders. These measures are an attempt by the government to cool down the increasing retail interest in the equity derivatives markets, a concern voiced by multiple regulators.”

It may be noted that capital markets regulator, the Securities and Exchange Board of India (Sebi) has conducted a study on intra-day trading, which has given some eye-opening results. It said that more than 70 per cent of individual intra-day traders in the equity cash segment have incurred losses in FY 2022-23. Showcasing the contrast, the study also found that there is a surge of over 300 per cent in the number of individual traders participating



LTCG TAX ON LISTED ASSETS HAS GONE UP FROM 10% TO 12.5%, WHILE STCG TAX HAS GONE UP FROM 15% TO 20%

in intra-day trading in the equity cash segment in the same period compared to FY 2018-19.

Mutual Funds: The Finance Act, 2023 introduced Section 50AA, which redefined the treatment of capital gains tax on mutual funds. It categorised mutual funds into equity-oriented and non-equity or “Specified Mutual Fund” categories. As per the definition, the special MF category included debt-oriented funds, fund of funds (FoFs), gold funds and gold exchange-traded

funds (ETFs), among others. Budget 2024 has changed its definition, which ensures that categories such as FoFs, gold funds and gold ETFs will stand to gain.

Let’s understand the change. The Finance Act of 2023 stated that the gains on “Specified Mutual Fund” shall be deemed as STCG, irrespective of the period of holding. The requirement of investment of not more than 35 per cent in equity shares impacted funds like gold funds and gold ETFs which are not

debt-oriented, but invest below 35 per cent in equity. But there is ambiguity in the case of equity-oriented domestic FoFs, wherein the underlying funds invest in other instruments. For instance, domestic equity FoFs invest in units of other equity funds, while gold FoFs invest in the units of gold ETFs and so on.

The Budget 2024 document, therefore, saw “a need to redefine the term ‘Specified Mutual Funds’ for the purposes of Section 50AA, to provide clarity regarding the

LTCG And STCG On Different Instruments

Instrument	STCG			LTCG		
	Holding Period (Amended)	Old Rate (%)	New Rate (%)	Holding Period (Amended)	Old Rate (%)	New Rate (%)
LISTED						
Stocks	< or =12 months	15	20	>12 months	10	12.5
Equity-Oriented MFs	< or =12 months	15	20	>12 months	10	12.5
Debt MFs (Bought After April 1, 2023), Market Linked Debentures	N/A	Slab Rate	Slab Rate	N/A	Slab rate	Slab rate
Reits/Invits	< or =12 months	15	20	>12 months	10	12.5
Gold/Silver ETFs	< or =12 months	Slab rate ¹	Slab rate ²	>12 months	Slab rate ¹	12.5 ²
Equity FoFs	< or =12 months	Slab rate ¹	20 ²	>12 months	Slab rate ¹	12.5 ²
International FoFs	< or =12 months	Slab rate ¹	Slab rate ²	>12 months	Slab rate ¹	12.5 ²
Gold MFs	< or =12 months	Slab rate ¹	Slab rate ²	>12 months	Slab rate ¹	12.5 ²
Bonds (Other Than Zero Coupon, Capital Indexed and SGB)	< or =12 months	Slab rate	Slab rate	>12 months	10%	12.5
UNLISTED						
Real Estate	< or =24 months	Slab rate	Slab rate	>24 months	20 ³	12.5
Gold/Silver	< or =24 months	Slab rate	Slab rate	>24 months	20 ³	12.5
Mutual Fund (Other Than Equity-Oriented Fund And Other than Specified Mutual Fund) ⁴	< or =24 months	Slab rate	Slab rate	>24 months	20 ³	12.5
Stocks	< or =24 months	Slab rate	Slab rate	>24 months	20 ³	12.5
Bonds (Other Than Zero Coupon, Capital Indexed and SGB)	N/A	Slab rate	Slab rate	N/A	20 ⁵	Slab rate ⁶

¹Assuming it will qualify as Specified Mutual Fund (MF) as per definition under Section 50AA till March 31, 2025; ²Assuming this may not qualify as Specified MF as per new definition under Section 50AA w.e.f April 1, 2025; ³Indexation benefit may be available; ⁴Considering old and new definitions of Specified MFs; ⁵Assuming it will not qualify as market-linked debentures; ⁶Unlisted bonds come under Section 50AA on or after July 23, 2024; Note: Assumed STT is paid on transfer, wherever required for availing beneficial rate under the Act; Source: Poorva Prakash, Partner, Deloitte India

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proportion of investment being made in terms of debt and money market instruments, and also to clarify the investment requirements in the case of FoFs.”

According to the new definition, it is a mutual fund “which invests more than 65 per cent of its total proceeds in debt and money market instruments or is a fund which invests 65 per cent or more of its total proceeds in units of a fund which invest more than 65 per cent of its total proceeds in debt and money market instruments”.

This means that predominantly debt-oriented funds will come under the ambit of STCG taxation for the specified holding period, beyond which the gains will be taxed at LTCG rates. In effect, ETFs, gold MFs, gold ETFs and domestic FoFs, which were taxed like debt funds, will now enjoy equity taxation of 12.5 per cent if held for more than 12 months. However, international funds will need to be held for 24 months to enjoy LTCG tax.

Says BNP Paribas MF’s Soni, “The changes to the capital gains taxes will lead to an increase in the tax rates for equity and equity MFs. However, funds in other categories like gold and international equity would benefit from the comparatively favourable rates and holding periods.”

Real Estate: The Budget removed indexation benefits on the sale of property while reducing LTCG tax from 20 per cent to 12.5 per cent.

Indexation benefit allowed sellers to adjust the property’s cost for inflation, effectively lowering their taxable profits. Now, investors will have to pay capital gains tax based solely on the difference between the purchase and selling prices, without any inflation adjustment. The new rules are effective from July 23, 2024.

We did the numbers and found out that even with a lower LTCG tax

LTCG Tax On Property Sale



The Budget has removed the indexation benefit on property sale. We have an illustration that shows how you will now pay more as LTCG tax

Particulars	Old Rule	New Rule
Holding Period (Years)	10	10
Purchasing Cost (₹)	25,00,000	25,00,000
Indexed Purchasing Cost (₹)	36,25,000	Nil
Tax Rate (%)	20.00	12.50
Assumption: House Price		Increase At 7.5% CAGR
Current Market Value (₹)*	51,52,579	51,52,579
Long-Term Capital Gain (₹)	15,27,579	26,52,579
Long-Term Capital Gain Tax (₹)	3,05,516	3,31,572
Difference In Tax (₹)		26,057

* Indexed Cost of Acquisition Based On Government’s Cost Inflation Index; The results may change depending on factors such as cost, inflation, and so on. Source: Vestian Research

rate, the removal of the indexation benefit will be a disadvantage for sellers in some cases (see *LTCG Tax On Property Sale*). LTCG is applicable on real estate after a period of 10 years.

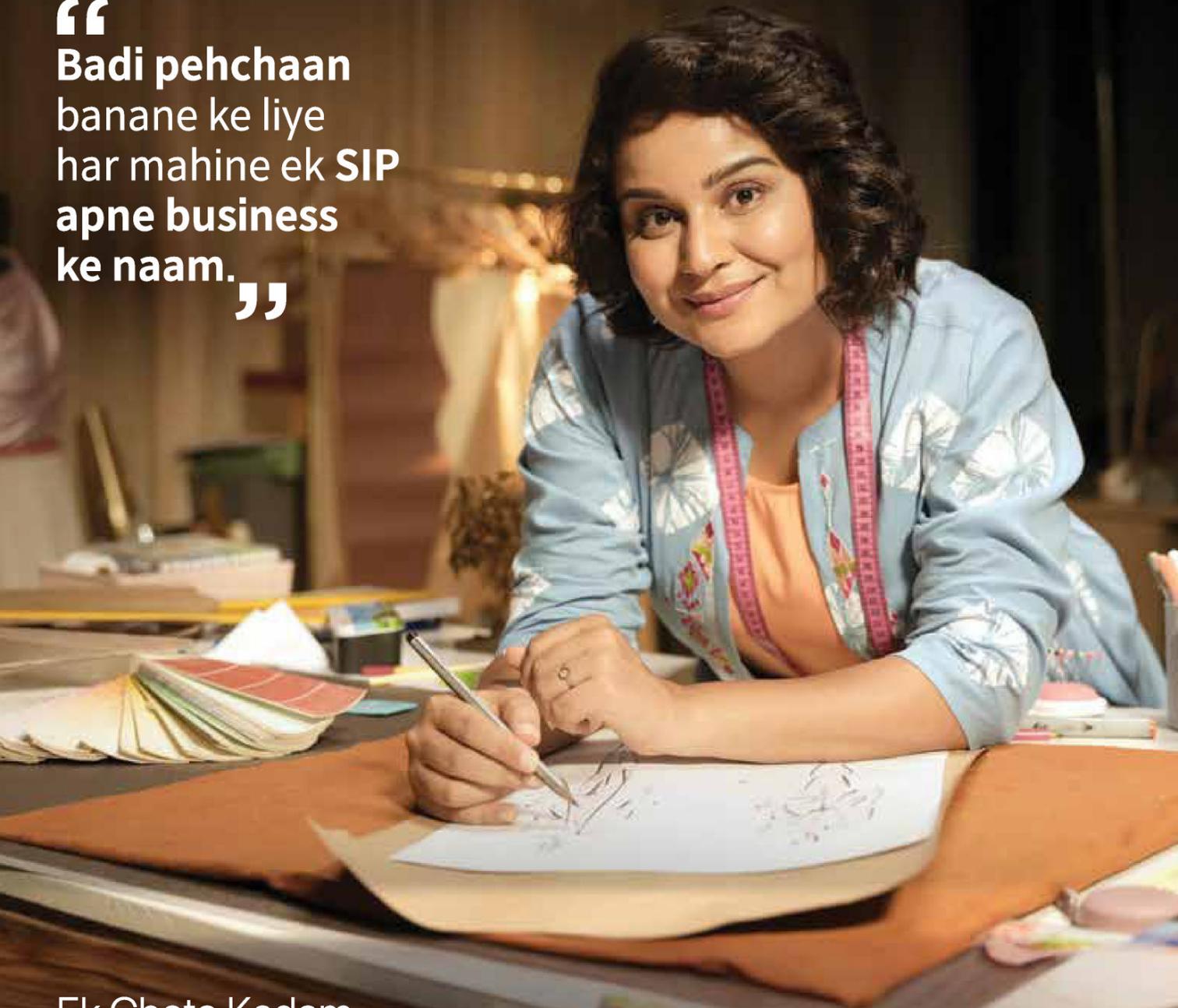
But some factors may change the results, say experts. Says Hemal Mehta, partner, Deloitte India: “Indexation was designed to give the benefits to the seller on the time value of money. When the same is removed, the home buyer selling a residential house and buying another will need to make sure two things (i) transaction value is less than ₹10 crore and (ii) the seller will have comfort in investing a larger share of sale proceeds in another residential house. Removal of indexation will result in higher capital gains and resultantly higher amounts of tax at 12.5 per cent vis-a-vis 20 per cent post-indexation benefit. One will need to weigh the pros and cons of each deal.”

“The overall effect depends on several factors, such as the rate of appreciation in asset value, inflation, and tenure of holding the asset. It will be interesting to see how buyers, sellers, and developers adjust to the new tax rules,” says Shrinivas Rao, FRICS, CEO, Vestian, International Property Consultants.

“The impact of these proposed changes can vary, depending on circumstances. For instance, if you bought a house in 2014 for ₹5 lakh and sold it in 2024 for ₹7 lakh, you would have a long-term capital loss if indexation benefits were allowed. However, under the new budget proposals, you would need to pay tax at 12.5 per cent on the ₹2 lakh gain,” says Singh from Taxmann.

“There may be situations where homebuyers will benefit from the removal of the indexation benefit. This would occur when the property price significantly increases over a short period. In this case, tax liability

“
Badi pehchaan
banane ke liye
har mahine ek SIP
apne business
ke naam.”



Ek Chota Kadam...

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would be lower under the new Budget proposals,” adds Singh.

Reits and InvITs: Investment in units of real estate investment trusts (Reits) and infrastructure investment trusts (InvITs) have been made more attractive. The long-term holding period has come down to bring these assets on a par with listed equity shares. “Thus units of listed business trust will now be at par with listed equity shares at 12 months instead of earlier 36 months,” the document noted.

Says Vimal Nadar, senior director and head of research at real estate company Colliers India, “Retail investor participation in REITs and InvITs will receive a boost from the parity in treatment with other listed equity classes (in terms of holding period for LTCG). Also, the increase in the capital gains exemption limit to ₹1.25 lakh is a positive.”

Subahoo Chordia, head, real assets strategy, Edelweiss Alternatives, feels investors looking at risk-adjusted returns will be attracted to these instruments.

Gold: The Budget reduced the customs duty on gold and silver from 15 per cent to 6 per cent, which may lead to a decline in prices and increase in demand. Anyway, the festive season is around the corner.

The cut in gold import duty will promote the manufacturing of gold and silver jewellery and prevent smuggling, said Union Minister of Commerce and Industry Piyush Goyal, reacting to the Budget. He added that the decision will reduce the price disparity between domestic and international markets.

Says Hareesh V., head of commodities at Geojit Financial Services, “The reduction in customs duty may lead to a decline in domestic prices and lift demand. The existing 15 per cent duty comprises 10 per cent of basic customs duty and 5 per cent as agricultural infrastructure

development cess.” The total import duty is down, including cess.

INSURANCE AND NPS

Insurance: TDS on life insurance payouts is to be reduced from 5 per cent to 2 per cent. TDS on the payment of bonuses on policies and funds other than the amount not included in the total income under Section 10D will also be reduced to 2 per cent, effective October 1, 2024.

Simply put, the policyholder will receive a larger payout from their life insurance policies when they mature. Says Krishan Mishra, CEO, FPSB India: “Policyholders will gain a higher value from their term policies, while those dependent on income from annuity will gain the

**THE NPS VATSALYA
SCHEME WILL ALLOW
PARENTS TO INVEST
FOR THEIR CHILDREN
IN NPS TILL THE TIME
THEY ARE MINORS**

most from this reduction in TDS.”

NPS: Two major announcements were made regarding the National Pension System (NPS), indicating the government’s seriousness in strengthening the retirement ecosystem in India through NPS.

The first was introducing a new scheme called NPS Vatsalya, which will allow parents to open an account and contribute on their minor children’s behalf. The account can then be transferred to the children, once they turn 18. Says Sriram Iyer, CEO, HDFC Pension: “NPS Vatsalya is a notable innovation. It will allow parents or guardians to contribute to a child’s pension from birth,

ensuring a strong foundation for future retirement savings through compounded returns.”

Considering India’s growing elderly population, pension reforms have been long overdue, however, how effective NPS Vatsalya will be is something that remains to be seen, given that a lot of Indians are not saving for their own retirement.

Another shortcoming is the withdrawal option due to which parents will not be able to use the scheme to fund their children.

Says Mrin Agarwal, a Sebi-registered investment advisor (Sebi-RIA), “The NPS Vatsalya scheme needs to have good withdrawal options versus the existing rules.” At present, NPS allows partial withdrawal only after three years. She also feels to cater to the retirement goal, “the limit of ₹7.5 lakh on aggregate of contributions made by an employer to recognised provident fund, NPS and an approved superannuation fund should have been increased.”

The second announcement was the expansion in the deduction limit for NPS. “Deduction of expenditure by employers towards NPS is proposed to be increased from 10 to 14 per cent of the employee’s salary. Similarly, deduction of this expenditure up to 14 per cent of salary from the income of employees in the private sector, public sector banks and undertakings, opting for the new tax regime, is proposed to be provided,” Sitharaman said.

“This favours only the salaried. Inclusion of Section 80CCD 1(B) in new tax regime would help self-employed to also avail of tax deduction and improve the attractiveness of NPS,” says Agarwal.

Budget 2024-25 offered almost nothing to taxpayers. As such, it is up to the taxpayers now to make the best of the available provisions to save for their long-term goals. ►OM

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Managing Market Volatility With STP

Systematic Transfer Plan (STP) enables investors to transfer funds in a disciplined manner regularly, within the same fund house, to manage market volatility or rebalance their portfolio while taking the advantage of the power of compounding.



Mutual Funds (MFs) are known for their role in helping investors achieve their financial goals. Beyond this, they also provide convenience in investing through a range of facilities to suit different cash flows and financial needs. Here, we will explore how the Systematic Transfer Plan (STP) offered by mutual funds helps you manage market volatility with ease.

What is STP?

A systematic transfer plan is popularly known as STP which is operationally similar to your SIP. The only difference here is instead of being transferred directly from our bank account, in a Systematic Transfer Plan, the funds are systematically transferred from one mutual fund scheme to another within the same fund house at regular intervals.

How STP Helps?

In STP, the investor first invests his funds for e.g., in a liquid fund and then gets it transferred to a scheme (say an equity or hybrid fund) of his choice at regular intervals. STP works well for investors who have a large sum of money or irregular cash flow and wish to invest systematically in a fund. This approach helps investors avoid timing the market. While you are invested in the liquid fund, your investment earns returns while you systematically transfer to an equity or hybrid fund of your choice thus averaging out the cost of

your investment and optimising your overall returns.

Different Types of STP

A Systematic Transfer Plan comes in three variants tailored to different investor preferences.

Fixed STP

As the name suggests, Fixed STP allows you to transfer a fixed amount from one mutual fund scheme to another. For instance, if you invest Rs. 1,00,000 in a liquid fund and wish to systematically transfer this amount to an equity fund over some time, Fixed STP facilitates this process. In this case, you can transfer a fixed sum of Rs.5,000 from your liquid fund to your equity fund in 20 instalments, say monthly.

Flex STP

In Flex STP, the investor has a choice to transfer a variable amount. The fixed amount will be the minimum amount and the variable amount depends upon present market triggers i.e., market valuations or levels. Through Flex STP, helps you take the best advantage of volatile market conditions so when the preset market trigger is lower, a higher amount gets transferred from your source scheme (debt scheme) to the target scheme (equity/hybrid scheme) and when the preset market trigger is high, a lesser amount gets transferred.

Capital Appreciation STP

In Capital Appreciation STP, you can

the capital gains from one scheme and invest in the other scheme. For instance, if you have invested in an equity fund and the Net Asset Value (NAV) of your fund has appreciated by 10 per cent, you can take advantage of Capital Appreciation STP to transfer the gains from say an equity or hybrid scheme to a debt scheme. This variant of STP allows investors you to realise capital gains of by systematically moving the gains from one scheme to another scheme.

Swing STP

In Swing STP, investors have the option to decide a specific target market value for their investments on each transfer date into the target scheme. Based on the target investment value and the actual value of the investments, funds are transferred between schemes. This feature allows reverse transfer into the source scheme if the market value is higher than the targeted value, thus allowing the investors to pre-set their exposure in the schemes.

Final Word

Thus, STP is particularly suitable for investors who have lump sum money and wish to invest in equity funds but are wary of timing the market. They can then choose to park the lump sum money in a liquid or debt fund and use the STP option to systematically transfer a fixed amount of money at regular intervals into the target equity fund.

Disclaimer

Investors may incur tax liability on capital gains based on prevailing tax laws at the time. The above content intends to demonstrate the benefit of STP and its variants and is not an assurance of profit or guarantee protection against loss in a declining market. These views alone are not sufficient and should not be used for the development or implementation of an investment strategy. Please consult your investment advisor before making an investment decision.

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By **SANKARAN NAREN**
ED & CIO, ICICI Prudential AMC

Building On Macro Strengths

Budget 2024-25 builds on India's existing macroeconomic strengths. Investors should focus on diversified asset allocation and maintain a cautious stance on equity

The government's efforts in maintaining macroeconomic stability and growth have resulted in India boasting some of the world's strongest macroeconomic indicators. Budget 2024-25 builds on this progress, focusing on eight key areas: agriculture, employment, human development, manufacturing, energy security, innovation, infrastructure, and next-generation reforms.

India's external position is also robust, on the back of lower external debt-to-gross domestic product (GDP), higher forex reserves, and improved import and export. Corporate debt has also fallen from 65 per cent to 52 per cent of the GDP. The economy is also on a strong wicket, due to private consumption and improving rural growth.

Strong capital expenditure on infrastructure has also led to a virtuous cycle of growth.

Overall, this Budget supports growth and maintains a positive stance. It significantly benefits the banking sector with provisions to enhance stability and investor confidence. It supports the micro, small, and medium enterprises (MSME) industry with measures for enhanced credit during periods

of stress. The government's focus on sustainable energy is evident through initiatives to shift small and micro enterprises to cleaner energy, energy audits, and advancements in nuclear energy.

Although India's economic outlook is bright, market valuations remain rich, with the market cap-to-GDP ratio at 140 per cent, much above the historical average of 89 per cent. Investor interest in the equity market has been a dominant theme since Covid-19 until now. When liquidity is excessive and valuations are elevated, there is little or no margin of safety. Consequently, this is a time for a cautious investment strategy.

Equity Approach: Market valuations in mega and large-caps are not excessively high. However, there is a gradual movement from fair value to slightly above fair value across the board. So, it is advisable to adopt a cautious stance on small and mid-cap stocks and keep a stock-specific approach.

Investors should now focus on asset allocation, distributing their investments across equities, debt, commodities, and cash. Such a multi-asset strategy balances risk and return, which is a suitable response to the present

market conditions.

Given India's fundamentals and the long-term growth story, existing investors should stay invested.

Equity investors should focus on large-cap, flexi-cap, business cycle, manufacturing, energy, or hybrid categories, such as multi-asset, balanced advantage, equity and debt, and asset allocation schemes.

Fixed-Income Approach: Fixed-income markets were neutral to the Budget announcements. But given that economic growth will remain buoyant and inflation will stay within the Reserve Bank of India's tolerable range, our outlook on fixed income remains consistent—accruals continue to be the predominant source of return. We prefer the shorter end of the duration curve and maintain a neutral stance on the longer duration. Active duration management is crucial at this economic cycle point.

India's structural reforms chart a unique economic growth trajectory for the coming decades. The Budget builds on the government's reform achievements over recent years. The key challenge is that Indian markets are not inexpensive, which highlights the need for conservative investing strategies. ►OM



Functions



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Rain Intense



Mist



Dual Waterfall

WISDOM NEXGEN

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By **SUDHAKAR SETHURAMAN**
Partner, Deloitte India

Six Key Features Of Budget 24-25

The Union Budget 2024-25 focuses on simplification of the tax laws, ease of compliance, standardisation of capital gains tax, and lays greater emphasis on the new tax regime

The Union Budget 2024-25 presented on July 23, 2024 set out a distinct futuristic vision for India, focusing on sectors, such as agriculture, employment, skilling, and urban development, among others.

The focus was on simplifying the tax law, ease of compliance, while also bringing about certainty.

In an effort to enhance the coverage of the new tax regime, the government increased the standard deduction on salary from ₹50,000 to ₹75,000, and on pension from ₹15,000 to ₹25,000. Along with a widened income tax slab, this will lead to a tax savings of ₹17,500.

Here are the six key takeaways from Budget 2024-25.

NPS Deduction At 14%

The Budget increased the employer's contribution to the National Pension System (NPS) to 14 per cent of the salary at par with what is available to government employees. However, this is applicable only for those who have opted for the new tax regime.

TCS Offset Against Salary

Employers can now consider tax collection at source (TCS) on various transactions, such as

remittance of funds outside India, and purchase of car for employees, while withholding taxes on their monthly salary. For individuals, this will imply better take-home pay, while for employers, it will do away with the processing of TCS refunds when the employee files the tax returns.

Capital Gains Tax

Long-term capital gains (LTCG) tax has been fixed at 12.5 per cent as against 10 per cent on equity and 20 per cent on others. Further, LTCG taxed under Section 112A of the Income-tax Act, 1961, which was exempted up to ₹1 lakh, has been increased to ₹1.25 lakh. Indexation benefit has also been abolished.

STT On F&O

The securities transaction tax (STT) on sale of options has been increased from 0.0625 per cent to 0.1 per cent, while that on futures has been increased from 0.0125 per cent to 0.02 per cent.

Black Money Act

Effective October 1, 2024, penal provisions under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act,

2015 will apply only if the aggregate value of foreign assets not disclosed exceeds ₹20 lakh. While the Budget is favourably looking at the penalty provisions, no changes have been made to the current prosecution provisions. It means, technically, the regulators have the power to prosecute even though there may not be any penalty considering the revised threshold.

TDS Changes

Any tax deduction at source (TDS) is typically remitted within the prescribed due date (the 7th of the following month) along with the eTDS return. The Budget proposes to decriminalise the delay in payment of TDS up to the due date for filing the eTDS return. The details of the compounding scheme and guidelines were still awaited at the time of publishing.

With India being the fourth largest economy in the world, achieving a fiscal deficit of 4.9 per cent of the gross domestic product (GDP) is no easy feat. The Budget directionally strives to bring in appropriate measures to ease, and simplify and ensure compliance of taxpayers and propel the economy towards greater heights. ►OM

Factor Investing In Mutual Funds

A blend of active and passive fund management approaches, factor investing offers diversification, but investors should ensure these factors align with their goals and risk profiles

ICICI ETF
EXCHANGE TRADED FUNDS

Outlook MONEY

FACTOR INVESTING

MR. CHINTAN HARIA
Principal – Investment Strategy,
ICICI Prudential AMC

PRATEEK SINHA
Director – Deep Wealth

MS. VERSHA JAIN
Moderator
Outlook Money

- ICICI ETF is part of ICICI Prudential Mutual Fund and is used for exchange traded funds managed by ICICI Prudential Asset Management Company Limited.
- Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

said Mr. Haria. Talking about the risk, he explained, “Different factors work in different market conditions”, and shared that value investing shines when the market is undervalued and recovering, while momentum investing performs well in trending markets.

Practical Tips for Investors

Mr. Sinha recommended a long-term view, stating, “Factors provide premiums over the long term, so it’s crucial not to take a short-term view”.

Mr. Haria added that factor investing is suitable for all types of investors. “Even those new to investing can start with factor-based funds. It’s about understanding the factors and aligning them with your risk profile and investment goals.”

Outlook Money recently hosted a webinar as part of its “Investment Made Easy” series, spearheaded by ICICI Prudential Asset Management Company. The session, moderated by Versha Jain, featured experts Mr. Chintan Haria, Principal Investment Strategy at ICICI Prudential AMC, and Mr. Pratik Sinha, Director, Deep Wealth a seasoned advisor with extensive experience in asset management.

Understanding Factor Investing

Versha Jain kicked off the session by explaining the concept of factor investing.

Mr. Haria elaborated on the principles of factor investing, stating: “Factor investing is about selecting stocks based on defined factors such as momentum, alpha, low volatility, and value”. He emphasised that it blends passive and active management strategies, thereby offering a diversified approach to mutual fund investments.

The Mechanics of Factor Investing

The session delved into how factor investing is implemented in mutual funds. Mr. Haria highlighted that factor-based funds follow a rule-based methodology where stocks are selected and weighted according to specific factors. He also noted that factor investing strategies are becoming popular in India.

Mr. Sinha provided further insights, explaining, “Mutual funds already have quant-based funds that consider factors to form portfolios on the active side. Passive funds, on the other hand, replicate indices based on defined parameters, offering transparency and predictability to investors.”

Benefits and Risks of Factor Investing

The experts discussed the benefits of factor investing, emphasising its transparency. “The transparency in factor investing allows investors to see exactly where their money is going”,

Future Trends in Factor Investing

Looking ahead, the experts identified emerging trends in factor investing. Mr. Sinha predicted more innovative products and customised offerings in the market, allowing investors to build diversified portfolios using factors. He noted, “Portfolio construction using factors can help align investments with risk profiles more accurately.”

Conclusion

The webinar concluded by highlighting that factor investing reduces human bias, and provides diversification. It’s essential for investors to have a long-term perspective and understand the market cycles and risk factors involved.

As the “Investment Made Easy” series continues, Outlook Money remains committed to providing valuable insights and practical advice to help investors navigate the complexities of mutual fund investments. Stay tuned for more episodes to enhance your financial knowledge and investment strategies. ■



‘Regardless Of Who Is In Power In Delhi, India Will Grow Rapidly’

Billionaire investor **Mark Mobius**, the chairman of Mobius Emerging Opportunities Fund, is known by many names, such as the *Indiana Jones* of Emerging Markets, the *Godfather* of Emerging Markets and the *Pied Piper* of Emerging Markets. A recent comic even called him the ‘Bald Eagle’. Mobius particularly likes being called the *Indiana Jones* of Emerging Markets, perhaps because he is known to go out of his way to find “undervalued stocks” before other investors do. In an interview with **Nidhi Sinha**, editor, *Outlook Money*, as part of its *Wealth Wizards* series, he spoke about his latest book that addresses the younger generation and the potential of the Indian markets, among other things.

➔ You are known by many names, such as the *Indiana Jones* of Emerging Markets, the *Godfather* of Emerging Markets and the *Pied Piper* of Emerging Markets. Which one do you like the most and how do you react to these sobriquets?

I get excited when I hear these names, and they are quite amusing. I like the one called *Indiana Jones* of Emerging Markets. It’s a good one.

➔ You have recently come out with your new book, *The Book of Wealth: A Young Investor’s Guide to Wealth and Happiness*, which addresses younger investors and their needs. What message do you want to convey to them?

I want to convey to the young people is that it’s (life is) not only about

wealth, but it’s about happiness. This (happiness) is, of course, connected to health. It’s important for young people to think about their health over the long term. When you’re young, you feel healthy. But as you get older, you must realise that if you don’t take care of yourself, your life will be shortened, and the best way to get wealthy is to live longer because you have more time to get wealthy.

You know the compounding effect

is very important. The longer you are able to stay invested, the richer you become. What is more important is that the longer you live and the healthier you are, the more you can enjoy your wealth.

So, that was one of the things I wanted to put across to the young people that health is wealth, and wealth does not lead to happiness automatically. You have to think about other factors, too.

India should be a very important part of any investor’s portfolio because of the growth you see here. A lot of Indian companies pop up in our analysis



Mark Mobius, Chairman, Mobius Emerging Opportunities Fund

➔ You have a very interesting example in your book about this gentleman who had acquired a lot of wealth but ended up committing suicide. Exactly. That's a good example of when people can have tremendous amount of wealth, but are still not happy with themselves. It's tragic because they spend all their lives trying to acquire wealth, but forget about their own health, and relationships with other people.

➔ You've also talked about frugality, and how wealth can get created in the long term. If you're healthy and live longer, then you can enjoy the fruits of that. But a lot of the Gen Z and the younger millennial generation want immediate gains or returns. What do you have to say to them? One of the first things that people have to remember is that the Bill Gates of this world and the other

wealthy people of this world are one in millions. The chance or probability of becoming very wealthy at a young age is very, very low. So you may get lucky and become wealthy when you're young, but it's very unlikely. It doesn't happen very often.

So they've got to remember that in order to become wealthy they need to have a plan and think about how to do so, and more importantly, think about their own life. What do they really like? What do they enjoy? That's because you can get very wealthy and then be very miserable at the end of the day. So these are the kinds of things I try to convey in the book. You've got to think about your happiness and know what makes you happy and what's your objective.

Some of the most successful people in the world say they have never worked a day in their lives. But what does that mean? Of course, they've been working. They may be an investment banker, or a carpenter, or a waiter in a restaurant, but they enjoy their work so much that it doesn't feel like work to them. That's the kind of thing I would like to convey to the young people. Try to get yourself in that position.

➔ Coming to investments, one of the interesting things you have said in your book is that long-term stocks can be more stable than even bonds, which are believed to be more reliable. What do you really mean by that?

People usually think that bonds are safe, but they aren't. Talk to the people who bought Argentine bonds, and ended up with nothing. Interestingly, I have on the walls of my rooms here in Dubai the bonds of the Chinese Republic, which were never paid back. If you see (older) bonds with coupons (bonds came with coupons clipped on and these coupons were used at the time of claiming the interest), you will see some of the coupons are missing

(were claimed), but most of them are still there. That's because they were never paid.

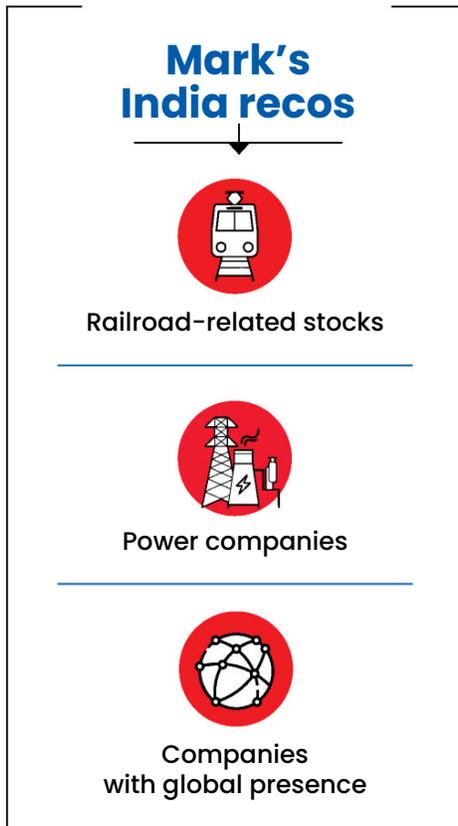
So (though) people think bonds are safe; that's not necessary. They may be safe in the short term, but over the long term, they may not be so. But if you invest in companies with good balance sheets, strong finances, growing earnings, high return on capital, your chances of success are much better. If you take the bond index and compare it to the stock index, you will find that over the long term, equities outperform bonds by a wide margin.

One of the things I try to convey in the book is that there are a lot of fluctuations in the stock market just like anything else. But it's very important for people to stay put, even when things look bad and always reserve some cash to go in when the stock market goes down. It's the best time to buy when everyone else is selling, because you will then gain the upside.

➔ You have also written that bonds, though important for diversification, are not so popular among retail investors yet, but baby boomers moving towards retirement might see merit in them. Could you elaborate on that, especially because life expectancy is increasing worldwide, including India?

When you're young, you can take more chances and maybe go into more volatile stocks or investments. But as you get older you have to be careful to ensure that you maintain your assets. For that reason, some people do buy bonds, but I would say that you're better off with good dividend-paying stocks companies because at the end of day that would probably be a better investment for your retirement.

➔ One of the worries in retirement is about having



regular cash flow, especially for people who do not get a pension. What should they do?

I would say to them, first of all, keep about half of your assets in cash to earn interest from the bank. Keep the other half in dividend-paying equities of strong and financially viable companies. Maybe (you could have) a list of 20 companies, so that you have enough variety and diversification. I think that's a good formula to have for people in retirement.

➔ Coming to the markets, the third Modi government has already taken oath, but it is an alliance government. You had earlier predicted that under Modi 3.0, the markets will reach the 100,000 mark. Does your take remain the same now that it's a coalition government?

Yes, I think things will remain the same, because at the end of the

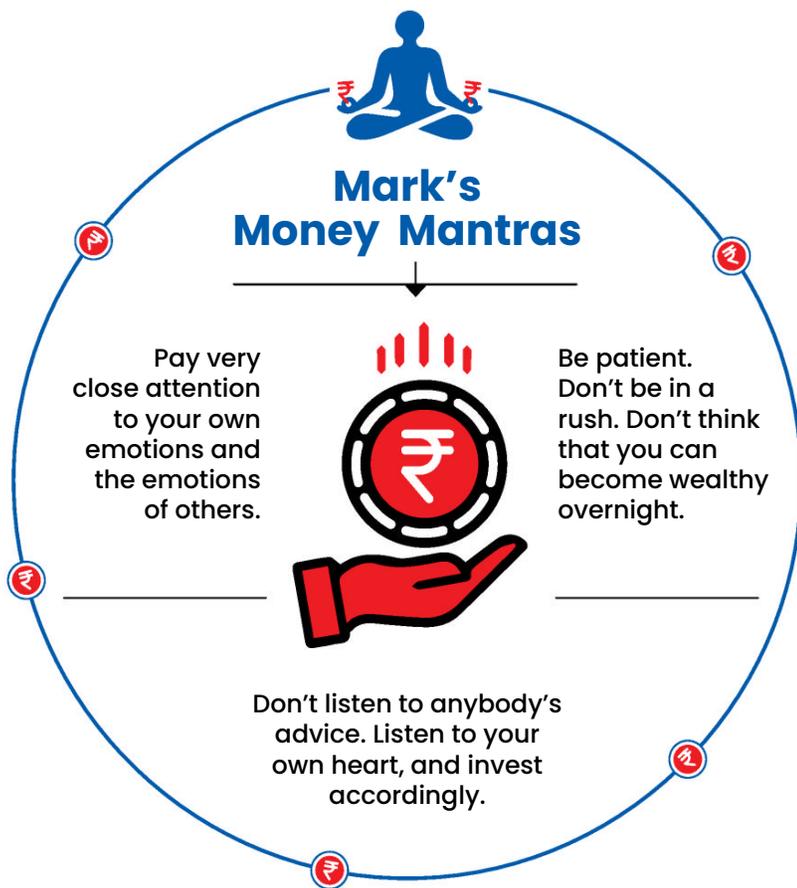
day, even if you have a coalition government, the Modi (government) policies on digitisation of the economy for advanced technology will continue. The great thing about India is that you have a variety of states who are relatively independent and do things on their own. And many of them are now competing to develop technology, because they've seen the benefits of doing that. So I think, regardless of who's in power in Delhi, progress will still be seen in various states, and you will see the country grow rapidly.

➔ So are you saying, whether or not there is continuity in the government, the Indian economy is robust and the markets will see good returns in the long term?

Exactly, you can see incredible growth. The education of the young population is growing at a rapid pace because of the widespread use of Internet. People are moving into the cities and there's more urbanisation. One of the problems, of course, is infrastructure. The government will have to continue, and maybe, even accelerate infrastructure development, whether be it railroads, bridges, highways, and most, particularly power. India needs more and more power as people become more wealthy. This is something that we have to account for.

➔ Besides the domestic factors and given the macroeconomic conditions, what's the way forward for the Indian market?

The Indian market is going one place, and that's up. Now I say that with some reservations, because you're always going to have corrections along the way. In a bull market, you will have corrections which will be opportunities for you to buy more stocks. But I would say that the Indian market is on a roll, and will continue that way going forward.



You've also called India the safe haven for investors. Why is that so?

I was referring mainly to the international investors who are investing in emerging countries. That doesn't mean they should put everything in India. All I'm saying is that India should be a very important part of anyone's portfolio because of the growth that you see here.

Of course, you've got to look at China, Brazil and other emerging countries, as well as the US. But India should be definitely a part of any investor's portfolio.

➔ You visited India earlier this year. How was your experience?

Well, first of all, the variety and richness of the (Indian) culture is amazing. It's just incredible as you travel through the country. I wish I could have spent more time in each place but it was an amazing

experience for me.

The other thing is the vitality of the people. The activity and the enterprise of people is so good. And, of course, I'm a big fan of Bollywood. I went to Hyderabad and visited the place where *Bahubali* was filmed.

For me, it's an incredible experience, and it also tells you something about the country, because this incredible richness of the society and the culture adds a lot to the enterprise (enterprising nature) of the people and to their ability to create new things.

➔ You are someone who has travelled across the world, about 112 countries, "in search of undervalued stocks". Are there any undervalued stocks that are on your radar in the Indian market?

There are quite a few. We always look at the return on capital, and we make sure we get companies with very little debt and with earnings

growth. We do global scans and look at all the thousands of companies around the world, and a lot of Indian companies pop up in that scan. It's quite exciting.

➔ Do you have any recommendations?

It would be a good idea for people to look at railroad-related stocks and power companies. One of the amazing things about Indian companies is that many of them are global in nature. Indians have been very good at going global, mainly because so many of them speak English, and they're very open to open up offices and to sell globally. Companies like that in India would be a good bet.

➔ Finally, what are the three big money mantras on stock investing that you have for the younger generation?

Number one, I would like to say is that emotion is the potion. In other words, pay close attention to your own emotions and the emotions of others, because that's what drives the market. Be careful about how you control your emotion and observe how other people are not controlling their emotions, because when people are selling, that's when you should be buying.

The second thing is that be patient. Don't be in a rush. Don't think that you can become wealthy overnight. Yes, there may be one out of a million people who will become rich overnight. But don't think about that. Think about your own ability to get rich over the longer term. So you have to be patient.

Number three, don't listen to anybody's advice. Listen to your own advice after your own study.

So, don't listen to Mark Mobius. Don't listen to any other guru who may suggest something. Listen to your own heart, and invest accordingly. ▶OM

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BY JOYDEEP SEN, *Corporate Trainer and Author*

Guide To Build Your MF Portfolio

There are 'n' number of funds to choose from and one has to scrutinise several factors, besides just past returns, to make a bouquet of funds that best aligns to one's goals

Most people who do not seek the advice of professional advisors, usually tend to look at the last one-month or one-year returns and go for mutual funds that are relatively giving higher returns in comparison with their peers.

However, this is a rather simplistic approach. Selecting your funds should be based on a lot of factors, such as your investment goals, tenure and risk tolerance, among others. Here is a guide on what to consider when choosing a portfolio of funds and how to maintain it.

Step I: Portfolio Allocation

To start with, you have to decide your overall portfolio allocation. This is basically about deciding how much you want to invest in equity, debt, gold, and so on. Zeroing in on a particular fund is the subsequent step. Your portfolio allocation will depend on your investment objectives, risk appetite, and investment time horizon.

Let us say, you decide on an allocation ratio of 60:30:10 in equity, debt and gold. This allocation ratio will provide you with the basic framework on which you will proceed with the next step towards

selecting the funds of your choice towards building your portfolio.

Step II: Category Allocation

There are multiple fund categories available, each with their own nuances. You have to understand either all the categories, or to keep life simple, know a few of them which you will go for. There are 11 equity fund categories, 16 debt categories, and six hybrid categories. Here are some relevant ones.

Equity Large-Cap: Large-cap stocks are the top 100 stocks according to market capitalisation. In other words, these are the leading 100 companies of the country. These are relatively less volatile than, say, small-cap stocks, but are subject to the usual market movements.

Equity Multi-Cap Funds: These funds have an allocation of minimum 25 per cent each in large-cap stocks (top 100 companies), mid-

caps (companies ranked 101-250), and small-caps (beyond the top-250 companies), with the rest 25 per cent left to the discretion of the fund manager. This fund category gives a balanced exposure to companies of various sizes, according to market capitalisation.

Equity Flexi Cap Funds: These funds allocate to companies of various market capitalisations, according to the discretion of the fund manager.

Equity Passive/Index Funds: These funds replicate the underlying index, such as the Nifty or the Sensex, and charge relatively lower expenses.

Debt Corporate Bond Fund: These funds invest in highly-rated corporate bonds. Usually, the portfolio credit quality is very high in these, but volatility is moderate.

Debt Government Securities Fund: The portfolio credit quality is of the highest grade, but volatility in these funds is relatively higher than other debt funds.

Liquid Funds: These are the most stable in terms of performance, and are also suitable for parking your money for short-term and/or for creating an emergency component for your portfolio.

Debt Target Maturity: These

Decide how much you want to invest in equity, debt, gold, and so on. Zeroing in on a particular fund is the subsequent step

funds have a defined maturity date. On that date, the fund is closed and money flows back to the investors. There are multiple maturities, such as three, seven, and 13 years, available in this category of funds. You can choose one according to your requirement of cash flow.

Step III: Fund Selection

Let us bifurcate the fund selection parameters into two broad categories: performance and others.

For performance, when you are looking at returns, look at long periods of time, as that captures the

For index funds, it is the tracking error which shows to what extent or how accurately the fund is tracking the underlying index. A simpler way to assess this is to look at the tracking difference which shows the difference between the returns from the index and the fund over that period of time. To compare your returns in the fund with the underlying index, such as the Nifty or the Sensex, look at the tracking difference.

For the non-performance parameters, you may look at the following: **AMC Pedigree And Fund History:** A proven asset manage-

If your fund is not doing well, do not chuck it out at the first instance. Give it a reasonable time, as funds go through cycles

grows too big, it becomes difficult to manage. However, in the case of large- and mid-cap funds, the market has the requisite depth to provide the necessary liquidity. That may not be case with small-cap funds.

Portfolio Liquidity: As long as you are investing for the long term, you need not worry about portfolio liquidity. Some fund categories have relatively lesser liquidity, such as small-cap funds in equity or credit-risk-oriented funds in debt. You may check if your fund has an exit load, and compare that with your investment time horizon.

Debt Funds' Credit Quality: This is gauged by the credit rating of the instruments in the portfolio. AAA is the highest rating, followed by AA+, and so on. This information is available in the fund factsheet, which is uploaded on the website of AMCs every month.

Debt Funds' Portfolio Maturity: The longer the portfolio maturity of the fund, the more it moves with the market. This volatility can work in your favour or against you, depending on the market movement. Government securities (G-sec) funds are more volatile, while liquid funds are the most defensive.

Final Step: Tracking

Tracking the funds in your portfolio is mostly about performance. But it could also be about any fundamental change. If your fund is not doing well, do not chuck it out at the first instance. Give it reasonable time to recover, as funds go through cycles. If it underperforms consistently for a long period of time, then you may consider switching your fund. ►OM



essence of performance over a long period. The market goes through cycles. Even fund managers go through cycles, in the sense that their decisions sometimes play out favourably and sometimes not. A longer timeframe, such as 10 or 15 years, captures the cycles.

Analysts use the parameter of volatility and volatility-adjusted returns, but for investors who are not finance professionals, this calculation is not essential. The annualised return over a long period of time is arrived at after calculating market cycles and volatility. This is a reasonably good parameter.

ment company (AMC) with a long history is better. This is not to say that a new fund or new AMC cannot do well, but a proven one would have already demonstrated what it is capable of. We mentioned earlier that a long performance history is desirable, as it shows what the fund manager can do across market cycles. **Fund Size:** Though not essential, a larger fund size shows that many more investors have reposed their faith in the fund. The volatility in corpus when the fund size is affected in case of sudden redemptions is lower in relatively larger funds. There is a notion that when a fund

Well-Suited In All Conditions

Kundan Kishore

The surge in valuation within mid- and small-cap segments has sparked caution among investors, leading them to tilt their portfolio towards large-cap funds, which are considered relatively safer. Also, if you are new to equity investing, you can start investing with large-cap funds. Among these, Nippon India Large Cap Fund would be a good choice, whether you are a new or an existing investor. It has demonstrated consistent performance across market cycles, coupled with consistent management team. Fund manager Sailesh Raj Bhan has been at the helm since 2007.

Portfolio

The fund sticks to its mandate to invest 80 per cent in large-cap stocks and the rest in mid- and small-cap stocks based on the fund manager's view. In terms of stock picking, it primarily invests in companies that are leaders or emerging leaders in their sectors, as well as those which have robust cash flows.

Bhan's ability to pick fundamentally sound stocks and holding on to them for the long term has paid off well. He also picks up growth stocks at reasonable prices. The fund has been overweight on the banking sector in the last two years, maintaining over 20 per cent in the last two years. At present, it invests 26.31 per cent of its portfolio in banks, such as HDFC Bank, ICICI Bank and SBI, among others.

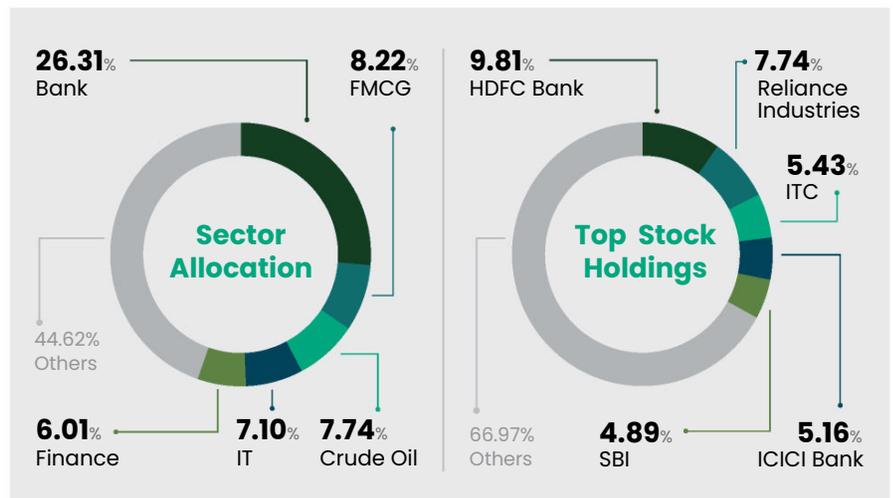
Performance

It has a long track record of superior performance and proven ability to protect against the downside better than its peers in times of market volatility. It has secured the top

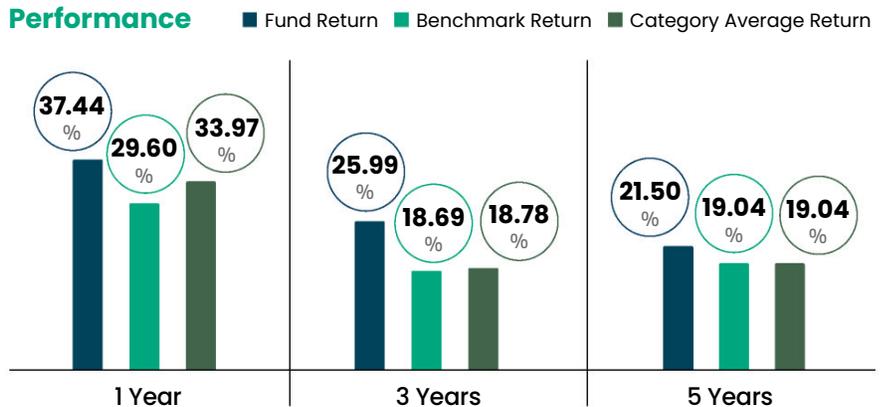
Fund Details

Name	Nippon India Large Cap Fund
Category	Equity-Large cap
NAV	₹96.41
Fund Manager	Sailesh Raj Bhan

Launch Date	January 1, 2013
Min Investment	₹100
Expense Ratio	0.74
Exit Load	1% on or before 7 days
AUM	₹29,533.68 crore



Performance



Return as on July 21, 2024

Source: Accordfintech

position in over the last five years and 10 years, with 21.50 per cent and 16.94 per cent returns, compounded annually, respectively.

To put this in perspective, if you had invested ₹1 lakh in this fund 10 years ago, your investment would be worth ₹4.78 lakh, while a monthly systematic investment plan (SIP) of ₹5,000 would have grown to ₹15.44

lakh during the same period. It has never given negative return on a yearly basis in the last 10 years.

OLM Take

Consistent performance and focused exposure to large-caps makes it well-suited for an investor's core portfolio in all market conditions. ►OM

kundan@outlookindia.com

Mutual Funds: Financial Friends For Life

Just as you invest on your relationships with friends, start investing in MFs and stay invested for the long term to enjoy the fruits of true friendship

Friendship Day is celebrated every year on the first Sunday of August. It's a beautiful reminder of the invaluable bonds we form in our lives. Friends are there to support us, guide us, and cheer us on as we move toward our dreams. They provide strength in times of need and help us celebrate our successes. When it comes to our financial lives, mutual funds can be our best friends by empowering us to achieve our financial goals. Let's understand how.

Financial Allies

Whether you have short-, medium-, or long-term aspirations, think of mutual funds as steadfast companions, providing the necessary support to realise your dreams.

Imagine having a friend who always has your back, helping you stay the course and encouraging long-term thinking. That's what mutual funds do. They don't just offer a platform to park your money; they help you cultivate the habit of staying invested. Like a friendship that grows deeper and more meaningful over the years, the real power of mutual funds lies in their ability to compound your investments over time.

What They Offer

Goal-Based Investing: They can fulfil all kinds of goals, whether you're saving for a short-term goal like a vacation, a medium-term goal such as buying a car, or a long-term aspiration like retirement.

Just as friends help us navigate life's difficulties, mutual funds assist us in navigating the financial markets. They provide diversification, professional management, and a disciplined approach



K S RAO, Executive Vice President & Head – Investor Education & Distribution Development, Aditya Birla Sunlife AMC Ltd



CONSISTENCY COUPLED WITH THE POWER OF COMPOUNDING CAN WORK WONDERS



needed to achieve our varied financial objectives.

Once these goals are set, staying the course and regularly investing is essential. Just as a strong friendship requires commitment, so does your investment plan.

The Power of Compounding: Albert Einstein once called compounding the "eighth wonder of the world," and both friendship and investments prove him right. In friendships, small acts of kindness and understanding compound over time to forge unbreakable bonds. Visualise a small contribution to a mutual fund—this is like planting a seed. Over time, and with regular nourishment (through additional investments), this seed grows into a sturdy tree, offering shade and

fruits. Similarly, your small but consistent investments can grow into a significant corpus, helping you accomplish your financial milestones. In mutual funds, the power of compounding works similarly—your returns generate earnings, which in turn produce their own returns. This snowball effect can significantly increase your wealth over time, turning modest investments into substantial sums.

Patience Pays: If there's one golden rule in both friendships and investments, it's that patience pays. Friendships aren't built overnight; they require years of trust, shared experiences, and mutual support. Similarly, achieving your financial goals requires time and patience. Resist the urge to make hasty decisions based on short-term market movements. Instead, stay the course. The rewards for your patience will become evident as your investment grows and brings you closer to your financial goals.

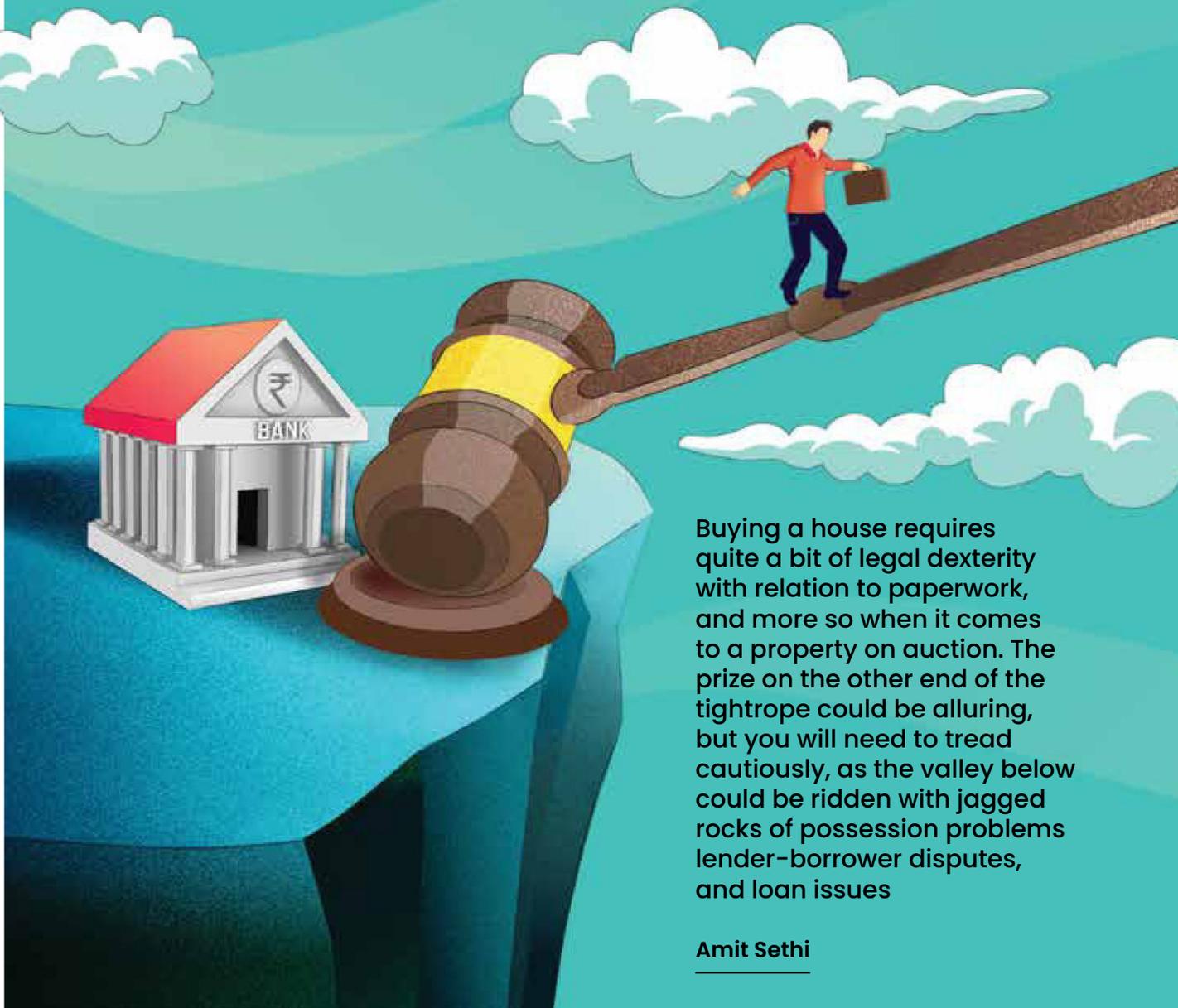
The secret to success lies in consistency and patience. Staying invested, even when market fluctuations tempt you to pull out, ensures that you reap the benefits of long-term growth.

On this Friendship Day, let's make a pact—not just with our friends, but with our financial future. Reflect on your financial goals today. Reach out to your financial advisor and explore how mutual funds can help you achieve them. Choose the right mutual funds to match your goals and commit to staying invested. Experience the transformative power of compounding. Start investing, stay invested, and watch both your friendships and your financial future flourish. Remember, consistency and the power of compounding can work wonders. Happy Friendship Day! 

Disclaimer

Mutual Fund Investments are subject to market risks, read all scheme documents carefully. This article provides general information and should not be considered financial advice. Consulting with a qualified professional is recommended to assess your individual circumstances and make appropriate financial decisions.

WHY BUYING A HOUSE IN A BANK AUCTION MAY BE A TIGHTROPE WALK



Buying a house requires quite a bit of legal dexterity with relation to paperwork, and more so when it comes to a property on auction. The prize on the other end of the tightrope could be alluring, but you will need to tread cautiously, as the valley below could be ridden with jagged rocks of possession problems lender-borrower disputes, and loan issues

Amit Sethi



Illustration: Saahil

Ever thought of buying a property being auctioned by banks? From time to time, banks put out auction notices for properties that turn into non-performing assets (NPAs) due to non-payment of loans. These properties are usually ready-to-move-in and are typically available at a discount to the current market rates.

Though that might sound attractive, yet there seem to be few takers for these properties. In 2022-23, scheduled commercial banks (SCBs) recovered ₹30,864 crore out of ₹1.11 lakh crore of NPAs through the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) recovery channel. This is one of the channels, besides lok adalat, debt recovery tribunal (DRT) and insolvency and bankruptcy code (IBC) from where NPAs are recovered. The recovery in 2022-23 was 27.6 per cent compared to 22.5 per cent in the previous financial year, shows the latest data.

So why is the recovery rate poor and why are there few takers for such properties? That's because the benefits of auction bidding are often overshadowed by the risks and uncertainty involved in the auction process. That's why, it's important to know the pain points should you decide to buy an auctioned property.

Lender-Borrower Dispute

One of the issues you may face is the intervention of the borrower whose property is put on auction due to non-payment of dues.

But are borrowers authorised to do so? According to experts, the individual may approach the DRT, a quasi-judicial body that handles matters with regard to the SARFAESI Act, 2002. Says Venket Rao, founder, Intygrat Law Offices LLP, a law firm with offices in Delhi, Chandigarh and Hyderabad: "The borrower's right to redemption is extinguished upon the lender issuing a notice for auction

under Section 13(8) of the SARFAESI Act, 2002. However, the borrower can exercise his right under Section 60 of the Transfer of Property Act, 1882 till the time the property is auctioned. In the event of contradiction between the two acts in a similar matter, the Supreme Court said that the SARFAESI Act, 2002 is a special enactment, whereas the Transfer of Property Act, 1882 is a general enactment, and so, the former shall prevail."

When the lender attaches the property of the borrower under Section 13(4) of the SARFAESI Act, 2002, the borrower may file a representation to the bank to explain the objections under Section 13 (3A). If the bank doesn't consider the representation, it has to specify the reasons of non-acceptance to the borrower.

Adds Rao: "One may also file an application for DRT to halt the auction or for grant of a stay order. In cases where the person is aggrieved with the decision of the DRT, one may prefer an appeal to the Debt Recovery Appellate Tribunal (DRAT) within 30 days from the date of receipt of the order of DRT."

In other words, the original borrower has several rights that may delay the bidding process or interrupt the successful bidder from getting timely possession of the auctioned property. However, after the auction, these rights are extinguished and even litigations are not looked at favourably by the courts. Though the SARFAESI Act, 2002 is a special Act, there have been situations where courts have granted relief to the original borrower. According to Rao, the borrower can get a relief even after bidding, if the bidding process is found to be illegal.

Possession Problems

Usually, banks auction a property after the title is legally transferred to them, but the problem arises at the time of possession. Says Ameet Hariyani, senior solicitor, arbitrator and mediator, Bombay High Court: "Buying a property auctioned under the SARFAESI Act, 2002 can be safe, as

the bank has already established its legal ownership. However, buyers must conduct due diligence on the property's title and any outstanding dues. The key is to get free, complete and clear ownership and possession with no hidden surprises."

However, in many cases, banks do not have the physical possession of the property even after the title transfer. Thus, knowing that the title is in the bank's name is not enough.

Says Rao: "It is the primary duty of the bank to give physical possession and title of the property after the auction proceedings have ended." But if that doesn't happen, and the bank passes the title and not the possession, the successful bidder may have to take another route. "It may so happen that the bank and/or mortgagee may auction the property without having physical possession over it. If the successful bidder has already purchased the said property, but does not get physical possession of the property, the purchaser may file a complaint against the bank or mortgagee under the Consumer Protection Act, 2019."

Banks may hold the possession even in other cases. Says Rao, "The bank or mortgagee shall give

possession of the property to the winning bidder or purchaser within six months of the auction, subject to terms of the payment between the purchaser and the bank. Only if the above is not fulfilled can the successful bidder have the right to get the refund of the bid amount along with interest and charges." However, in some cases, the bidders have to run from pillar to post to get their money back from the bank, according to some cases reported in the media.



Abhishek (43) and Vineeta Sharma (40) bought a property in auction in Moradabad. The process was long, but they are happy with the decision.

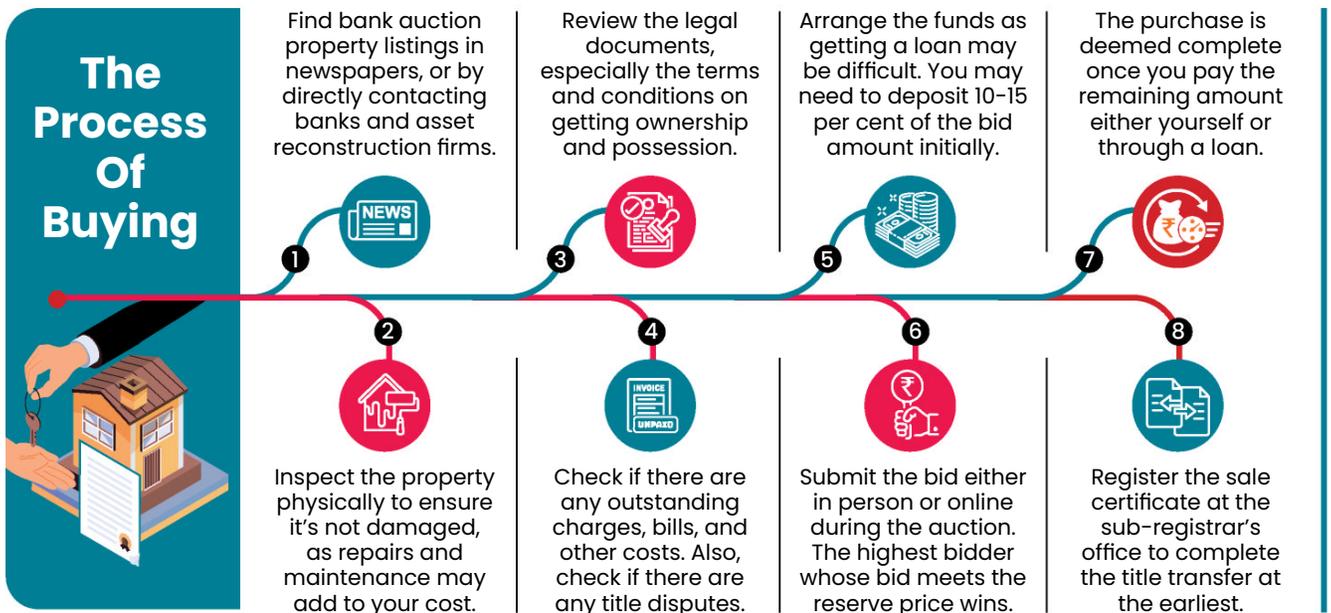
In one instance, Bengaluru resident P. Balaji Babu got entangled in a legal battle involving a property auction by the then State Bank of Mysore in 2010 and received relief after 12 years when the High Court Of Karnataka ordered State Bank of India to return the earnest money deposit (EMD) along with interest to Babu, according to a media report.

Loan Issues

It is not easy to get a loan to buy an auction property. Before providing a regular home loan, the bank conducts thorough due diligence, including gathering factual information, legal opinion and financial valuation.

Considering the risks associated with such auctioned properties, banks may run extra checks and balances, which means getting a pre-approved loan is difficult in these cases.

Says, Adhil Shetty, CEO, BankBazaar.com, an online aggregator: "Properties sold at auctions are typically those that are being sold by banks as distressed assets to recover unpaid loans. Many lenders are hesitant to finance such properties because they may not meet certain criteria required for loan approval. Sometimes, the



5

Things You Must Know Before Bidding

1

Physical vs Symbolic Possession

The latter can spell trouble for you if the previous borrower/owner raises a dispute.

2

Registered vs Equitable Mortgage

A property that is under a registered mortgage with the bank has a greater legal sanctity.

3

'As Is Where Is' Clause

Banks won't provide any respite if there are damages or other issues with the property. So, do your due diligence.

5

Property Title Status

Check if there are any legal disputes related to the property title.

4

Documentation Details

Ask for relevant documents, such as title deed, chain deed, bills for property tax, water and electricity bill, encumbrance certificate, approved building plan, occupancy certificate, and report of due diligence conducted by the bank, among others.



legal histories of such properties are uncertain, or, the documentation is incomplete. If the legal status of a property is ambiguous, or if there are pending disputes, then the loan approval process can get a lot more complicated. Moreover, buyers at auctions have a very short window to settle payments after winning the bid. Most lenders may not be willing to speed up loan processing and disbursement, as they consider loans on such properties a high risk.”

After successful bidding, if the bank rejects the bidder's loan application and there is a delay in payment of the remaining bid amount, it may put the bidder at risk of losing the EMD.

Other Impediments

There could be hidden surprises, such as pending tax and utility bills, maintenance and other charges, or regulatory issues.

It is also important to check the condition of the house. Properties are typically auctioned on an “as is where is” basis. The mortgagee or bank hardly makes any enhancement or improvement with regards to the restoration of the said property. Hariani explains the context of “as is where is”, which is frequently used in the auction process. “The property is

sold in its current condition and the buyer accepts all faults, without any warranties from the seller,” he says.

Also, don't forget to add stamp duty and registration fee to the cost of the property to get the real estimate.

What Should You Do?

Despite the risks, there could be lucrative offers that you may find. However, do your due diligence.

Says Samantak Das, chief economist and head of research and REIS, India JLL: “Before making a final decision about the purchase of an NPA property, it is essential to conduct thorough due diligence. It is necessary to visit the site and understand the reasons for the discount, if any. Also, the buyer must determine the market value of the property and explore the feasibility of a loan. Another aspect that the buyer must consider is ownership records. The government records, including municipal clearances and taxation, should be referred to ensure there are no encumbrances or disputes.”

One should also check if there have been previous legal disputes and whether they have been settled, and if there are outstanding taxes, dues, and charges payable on the property.

Even if all goes well, it is a lengthy

process. Abhishek Sharma, 43, a businessman from Moradabad, and his wife, Vineeta, 40, an HR consultant, won a property auction in Moradabad in 2023, but faced many challenges during the process.

“The bank took a long time to communicate after we made the initial deposit. We got the auction details after sending multiple emails. After winning the bid, there was no channel or coordinator for us to know like who would be authorised for the registry, who was handling the original registry documents, the date of registry, and so on. Overall, the process was very time-consuming,” says Abhishek.

However, at the end, the couple was satisfied because they got the property at a discount and at a good location.

Arranging funds in advance is important, but remember that the price may overshoot your estimate, depending on the bids that come in during the auction process. For Abhishek and Vineeta, the discount was not as high as they had expected.

If you are aware of the pain points and have a plan to overcome them, buying a property in a bank auctions may turn out to be beneficial for you. However, tread with care. ►OM

The author is an independent Financial Journalist

Here's How To Buy A Term Plan

Aaron Varghese Charly



1 Compare Claims Paid:

Visit the official website of the Insurance Regulatory and Development Authority of India (Irdai) and search for "individual death claims". Select the current year and compare the "claims paid" percentage or the claim settlement ratio with previous years.



2 Get Into Details:

Check if the claim settlement ratio has been consistent across years and successive quarters. Also, check claims pending at the start of the year. More claims at the start indicates the company is older and has a larger customer base.



3 Compare Premiums:

Compare premiums from a list of 3-4 companies, for a sum assured that's 15-20 times your annual income based on factors, such as your future needs, medical expenses, and loans.



4 Check Turnaround Time:

Visit the insurer's website and check if they have published the average settlement turnaround time. The lower the turnaround time, the better it is.



5 Check Solvency Ratio:

Check the insurer's solvency ratio to see if it can handle a huge volume of claims quickly, such as during events like natural calamities.



6 Buy Policy Online:

Contact the life insurer and apply for the product online to get lower premiums. Make sure to disclose your health or habits correctly. It's better to pay extra premium than hide facts and have the claim rejected later.



7 Consider Riders:

You may consider a premium waiver rider in case of disability due to accidents or critical illnesses. Riders, typically, come with disproportionate premiums, and standalone personal accident and critical illness policies may often be a better choice.



8 Check Final Details:

After purchasing the policy, verify the details and inform your nominee.

How To Help Your Ageing Parents

Experts discuss how financial conversations with parents need a big dose of sensitivity, and highlighted the needs of seniors to help those caring for their parents



involving grandchildren in teaching parents about digital banking to reduce the risk of cyber fraud and make the transition smoother. He also emphasised the need for safe living environments, whether in their own homes or senior living facilities, and discussed the financial goals for ageing parents, including regular income, medical expenses, and maintaining their dignity and independence.

Telang and Trivedi both stressed the importance of inheritance planning. Telang recommended professional guidance for creating Wills and ensuring smooth transitions of assets to avoid complications after a parent's death. She explained the complexities of succession laws and the benefits of having clear, legally binding documents.

The webinar also touched on the emerging trend of senior living facilities in India. Trivedi noted, "The best senior living facility would be the family home, but practical realities often necessitate other options." He advised considering factors like proximity to hospitals, safety features, and the overall environment of these facilities.

In conclusion, the webinar underscored that planning for ageing parents involves more than just financial provisions. It requires sensitive handling of emotional issues, proactive discussions, and ensuring access to professional services. Rao summarised, "It's not just about financial support but also emotional support. The care we give to our parents reflects the care they once gave us."

The "Retire Right" series by Outlook Money continues to provide valuable insights and practical advice, helping families navigate the complexities of retirement planning with dignity and respect for all involved. □

Outlook Money, in association with Aditya Birla Sun Life Mutual Fund, hosted a webinar as part of its "Retire Right" series. The episode, titled "How to Plan Right for Your Ageing Parents," focused on the pressing need for younger and middle-aged individuals to care for their ageing parents. Moderated by Nidhi Sinha, Editor at Outlook Money, the webinar featured three distinguished panelists: K.S. Rao, Head of Investor Education and Distribution Development at Aditya Birla Sun Life AMC; Kiran Telang, a certified financial planner, SEBI-registered investment adviser, and author; and Amit Trivedi, an author, speaker, blogger, and capital markets expert with over two decades of experience.

Rao emphasised the importance of holistic planning for parents, integrating both financial and emotional support. He cited a Sanskrit Subhashita, underline the moral duty of caring for parents. He noted the complexity of modern family dynamics, where children might reside abroad, and stressed the

“
PLANNING FOR AGEING PARENTS INVOLVES MORE THAN JUST FINANCIAL PROVISIONS. IT REQUIRES SENSITIVE HANDLING OF EMOTIONAL ISSUES, PROACTIVE DISCUSSIONS, AND ENSURING ACCESS TO PROFESSIONAL SERVICES
”

need for open conversations about finances to avoid misunderstandings.

Telang highlighted the emotional sensitivity surrounding financial discussions with parents, especially during their transition into retirement. She advised starting financial conversations early and gradually integrating them into family discussions to ease the transition and maintain the parents' dignity.

Trivedi focused on practical aspects, such as ensuring easy access to money for parents. He suggested



BY LARISSA FERNAND, Behavioural Finance Expert

Self Image: Ticket To Success?

Your capacity for success will be altered according to the image you have of yourself. So, set it on the right trajectory to move to a higher level

Q) When I say “dog”, what comes to your mind?

A) “English bull terrier, my favourite dog breed. White, with a patch over one eye, chunky, affectionate, and fun loving.”

When the word dog was uttered, the individual who answered instantly visualised the word based on his memories and experiences. He did not see the word D-O-G, he visualised it. That’s because humans predominantly think visually, in pictures and videos. This interaction is not something I made up. It took place on the podcast, *Diary of a High Net Worth Investor*, wherein Ravi Dua (guest) posed the question, and Graham Rowan (host) answered.

Take Coke. What comes to your mind when you hear the word coke? The pleasure of having a coke at a school friend’s birthday party because your mother would not keep it at home. The time you and your college friends shared a can of coke after a football game. The evening in a pub where you had a rum-n-coke on your first date with your wife. A glass of ice with the aerated drink poured over it on a hot summer day. That’s because Coca-Cola is not selling you

a drink, but a memory.

Coca-Cola as a company knows this, and has a behavioural science team to better understand consumer wants and needs, and enact more targeted marketing activations.

Boat. What comes to your mind? A cruise liner? A yacht? A fisherman’s boat? A sail boat? House. Do you immediately see your house or the dream house you aspire for?

If you read my monthly column, you may be wondering where I am heading with this. Yes, I am deviating slightly. This time I am not writing with the overt focus on saving, spending and investing. I am looking at the mindset of an entrepreneur or even someone ambitious in their career. And I am basing it on the insights of Ravi Dua, who was born in India, moved to Africa as a child and eventually headed to the West for studies and employment.

Our mindset can either turn out to be the ticket to success or the dominant factor that hinders it

Now, he is based in England, and mentors, coaches and strategises with entrepreneurs across the world.

Mindset Of An Entrepreneur

Now let’s make it personal. How do you view yourself? Here’s why this is so important. As we picture ourselves, it makes the 18-inch journey from the head to the heart, transforms our personality and this is who we eventually become. Or, as Ravi says, we oscillate around 10-15 per cent of the picture we carry of ourselves, and cannot move beyond that.

- Strategy is important.
- Knowledge is important.
- Technical skills are important.

But all play second fiddle to the mindset and the way you think. This can either turn out to be the ticket to success or the dominant factor that hinders it.

From over 400 entrepreneurs he has worked with, he claims that around 95 per cent of them do not believe that they have what it takes to deliver that vision. And he aims to get them to delete the picture in their minds and superimpose it with another. It is due to the reason that your capacity for achievement can either be limited or expand according

to how you view yourself.

Your mindset (the way you view yourself) is like the horse that pulls the carriage (strategy, skill and business plan).

You Can't Make A Blind Man See

Almost every entrepreneur starts with a vision board, goals, and plans to access capital. Ravi starts with identity because it fuels everything, including purpose and vision. You can't figure out where you are headed if you are not honest about what you believe about yourself. As he



incessantly harps, “you can't make a blind man see”.

If you are embarking on to an entrepreneurial project or a new corporate role, answer these three questions honestly.

1. Do you believe that you have what it takes to deliver the vision that you have laid out in your strategic 3-year business plan?
2. Do you really think it is achievable with you at the helm?
3. Do you believe that you have the capacity to take the existing business to greater heights?

Ravi gives the example of an individual called Michael who was running a software business in CRM

for 16 years. Michael was 49 and had bought out his business partner years ago. The company was reputable, doing well, and had good clients, but was just not saleable. Michael was frustrated because his dream to retire a millionaire did not seem to fructify.

In November 1999, Ravi and Michael began working together. Ravi quickly learned that though Michael knew the technology inside out, was well-versed in everything about the business and great at customer relationships, he failed to see himself as the CRM expert in the UK.

Despite having these mega

business plans, he could not visualise the bigger business that he was capable of managing and deserved. He kept disqualifying himself. Ravi could not make the blind man see. The first three to four months were on “radical transformation” because if that did not change, he would not make that leap.

Ravi did not look at strategy or funding or finances at this point, but started with the mindset. Only after a few months, they began to look at what the business was to grow into. This completely transformed Michael's dream. Long story short, the company got listed on London Stock Exchange (LSE) in April 2001,

bang in the middle of the dotcom crash, at 20 times the value of what it was in November 1999.

What could not happen in years, took place in 16 months.

There Is A Time To Manage, And A Time To Lead

In 2019, Ravi began working with Steven (name changed). A corporate whiz kid, he was already running his private firm for five years in Frankfurt. It was a specialised bought firm advising hedge funds in retail real estate. When the retail real estate sector got hit during the pandemic, they decided that it was time to lead. It was not the time to survive, but thrive. When other companies were laying off and were downsizing, they got aggressive and dared to dream about growth. Ravi called this propelled thinking.

Not only did they get massive mandates, but a few years later closed their biggest deal by successfully executing and delivering on a half-a-billion euros shopping centre in Munich. A firm with under 20 employees beat big global players to get the deal.

Wrapping It Up

Your mindset is the foundation upon which you must build your entrepreneurial or professional journey. Or at least set it on the right trajectory. Delete the picture in your mind, if need be, and superimpose another. Your capacity for success will be altered according to the image you have of yourself in mind.

Frustration with circumstance is good because it signals that there is a gap concerning where you are and where you want to be. It was frustration that propelled Michael and Steven out of comfort zones. To achieve something, you have to change the way you think. You can't be moving to higher levels with the same thinking that got you there. Evidently, you can also apply these principles to manage finances. ►OM

Why are Manufacturing Funds Worthy of Your Portfolio?

India's manufacturing sector greatly impacts fields like logistics and maintenance, making this thematic fund a strong addition to your investment portfolio.

Manufacturing is a significant component of an economy's growth engine, alongside services and agriculture. For India, the services sector currently dominates, contributing 56% to the GDP, followed by manufacturing at 27%, and agriculture and allied sectors at 17%. Despite this progress, there is considerable room for growth in the manufacturing sector, which can play a critical role in the country's economic development.

The Crucial Role of Manufacturing

Manufacturing is essential for several reasons. Firstly, it plays a crucial role in import substitution by reducing the need to import goods, decreasing dependency on foreign products, and strengthening the domestic economy. Producing more goods locally helps conserve foreign exchange reserves and enhances self-reliance, which is vital during global trade disruptions.

Secondly, a robust manufacturing sector significantly boosts export growth. By developing manufacturing capabilities, a country can produce goods for both domestic and international markets, improving the trade balance, increasing foreign exchange earnings, and positioning itself as a competitive global player.

Manufacturing is also a major driver of job creation. This helps reduce unemployment and underemployment, contributing to social stability and economic growth.

Moreover, manufacturing stimulates growth in related sectors such as logistics, information technology, and maintenance services, enhancing the overall service sector.



PRAVEEN H K
Founder, UnnathiWealth



INDIA'S DEMOGRAPHICS, CHARACTERIZED BY A YOUNGER WORKING POPULATION, AND POTENTIAL FOR INCREASED CONSUMPTION, FAVOUR THE MANUFACTURING THEME.



Finally, manufacturing boosts overall productivity by utilizing resources more efficiently and scaling up production, crucial for sustainable economic growth and improving living standards.

Boosting Manufacturing

The Indian government has taken several strategic steps to bolster the domestic manufacturing sector. One such initiative is the "Vocal for Local" campaign, which aims to promote Indian manufacturing by encouraging the production and consumption of locally made goods. This initiative not only seeks to reduce reliance on imported products but also aims to strengthen domestic industries and create more job opportunities within the country.

Another significant measure is the Production Linked Incentive (PLI)

scheme. Currently, the Government has recognised 14 sectors where the scheme is applicable. This scheme offers financial incentives to select sectors, boosting production and exports. It enhances manufacturing capabilities, attracts investments, and positions India as a global manufacturing hub.

In addition to these initiatives, the Indian Government has introduced the National Logistics Policy. The policy focuses on reducing logistics costs, which in turn improves overall cost efficiency, better supply chain management, timely delivery of goods and profitability for businesses. This comprehensive approach not only benefits the manufacturing sector but also strengthens the entire economic framework by improving infrastructure and connectivity.

India's Advantage for Manufacturing

Globally, countries are increasingly aware of the environmental hazards posed by industrialization, leading to reduced investments in energy-intensive sectors. This global decarbonization trend may benefit India by attracting more manufacturing opportunities.

India's low labour costs make it an attractive manufacturing destination. Post-pandemic, global companies are diversifying supply chains outside China, presenting significant opportunities for India.

India's younger workforce and increasing consumption potential, favour the manufacturing theme. The strong domestic capital expenditure cycle, debt reduction, and high-profit margins indicate that manufacturing could perform well in the coming years. ▣

Mutual Fund SIP: Tool to Make The Impossible Possible

A mutual fund systematic investment plan allows you to reinvest the interest earned into the fund, thus helping you to build a big corpus even with small contributions over the long term.

Sarah is a young computer professional, who wants to gain financial independence. She has big dreams - travel the world, own a cosy home, and save good money for her future. But with a fixed salary, saving a huge amount for these goals is impossible.

SIP is the tool to make Sarah's impossible goals possible. With SIPs, Sarah can invest a fixed amount at regular intervals into her chosen mutual fund schemes.

In this article, we will explore whether investing in mutual funds through SIP is an effective strategy for wealth creation.

SIP AND WEALTH CREATION HERE'S HOW SIPs CAN HELP WITH WEALTH CREATION:

Compounding Interest

When a snowball rolls downhill, it starts small but then gathers momentum. It grows bigger with every turn. Compound interest in SIPs works similarly. When you invest your money in mutual funds through SIPs, your returns are reinvested, which gives you interest on the interest. Over a period, even small SIP contributions grow into a snowball - a significant corpus.

Benefit from Market Fluctuations

No one can guarantee success in the stock market. Even the experienced people face ups and downs. SIPs help you navigate this by employing rupee-cost averaging.

When the markets are down, the unit price i.e. the Net Asset Value (NAV) of the mutual fund also falls. When the



NIKHIL THAKKAR
Founder & Director,
We Care Freedom Wealth Pvt Ltd



SIPS ARE LIKE A WELL-OILED MACHINE WHICH REMOVES THE STRESS OF TIMING THE MARKET. YOU SET IT UP ONCE AND THEN FORGET IT, WHICH ENSURES CONSISTENT INVESTMENT REGARDLESS OF YOUR DAILY SCHEDULE.



NAV is low, you get more units, and when it's high, you get fewer units. This way you can balance market ups and downs, ultimately lowering the overall cost of your investments.

Make Wealth Creation a New Habit

SIPs are like a well-oiled machine which removes the stress of timing the market. You set it up once and then forget it, which ensures consistent investment regardless of your daily schedule. Whether you choose weekly, monthly, or quarterly contributions, SIPs make investing a seamless habit. This disciplined approach helps build wealth over time, leveraging the power of compounding

and providing peace of mind by spreading your investment across various market conditions. With SIPs, you can achieve your financial goals without constant market monitoring.

Ability to Start Early

The power of compounding is in time. If you want to get the most advantage of SIP, you should start early and stick with it.

For example, if Person A starts investing Rs 5000 per month for 20 years, he will go on to accumulate a higher amount than Person B who invested Rs.10,000 for 10 years. In this case, both A and B invested Rs 12 lakhs in their investment period at a 12% average rate of return.

However, Person A would accumulate around Rs 50 lakhs while Person B would accumulate Rs 23.23 lakhs.

That's the power of SIP and starting early.

Utilise Different Facilities Associated with SIPs

While SIPs are generally associated with a fixed sum of investment, SIPs can be quite flexible as well. The SIP amount can be increased. Step Up/Top Up SIP allows investors to increase their SIP amount by a certain fixed percentage or a fixed amount, periodically. As a result, the wealth creation process speeds up.

Thus, SIPs are a powerful tool for building wealth brick by brick. With discipline, patience, and a long-term perspective, you too can be like Sarah, SIPing your way to financial freedom.

Before investing in mutual funds, it is advisable to consult your mutual fund advisor. ■

EMI Vs SIP Debate: Which Path Aligns with Your Financial Goals?

Although EMIs may seem initially manageable, the final cost can be much higher; SIPs, on the other hand, focus on capital appreciation through market-linked investments rather than capital repayment.

Many Indians balance dreams of owning a new home with hopes for a secure retirement. The EMI versus mutual fund SIP debate is widespread. India's retail loans exceed ₹50 trillion¹, comparable to the country's total mutual fund assets. However, the immediate effect of EMIs and SIPs on the common man's wallet is quite the opposite.

EMIs: Building Assets, Shouldering Debt

EMIs as a financing option arrived in the late 1980s and early 1990s. Rising incomes and global exposure spurred consumer aspirations for assets like cars and homes. Instead of focusing on the Maximum Retail Price (MRP) of goods, EMIs caught the public imagination as they made costly items affordable through monthly payments.

Truth be told, EMIs are like the building blocks for big-ticket purchases. But remember, interest adds up, making the final cost of EMI much higher than the initial price. Home loan rates typically range from 8.5% to 9.5% per year, while car loans fall between 9% and 11%. Personal loan interest rates could be over 20% annually.

Also, missing payments can lead to penalties and harm your credit score.

SIPs: Investing for Growth, Cultivating Discipline

SIPs involve regularly investing a fixed amount in mutual funds, akin to planting a money tree. Through compounding, your returns generate more returns over time, while regular investments help smooth out market



AMAN VERMA
Director, Dhanvantri Capital
Services Private Limited



SIPS USE THE HIGHLY POPULAR INVESTMENT STRATEGY OF RUPEE-COST AVERAGING TO SMOOTH OUT MARKET UPS AND DOWNS. BUYING LOW AND SELLING HIGH WORKS FOR SIPS, LEADING TO THEIR POPULARITY.



fluctuations. While returns are not assured, achieving growth is easy with patience and persistence.

Spreading your investments across various mutual funds through SIPs cuts risk and potentially boosts returns. This is, especially, a crucial tactic in volatile markets to safeguard and stabilise your investment portfolio.

In the last decade or so, SIPs in mutual funds have become highly popular. Currently, the Indian mutual fund industry collects more than ₹21,000 crores monthly through SIPs. This is a glowing testament to the strong preference for disciplined investing among the 9 crore SIP accounts².

Returns too have been impressive. SIP returns for large-cap equity funds have generated 14-20% annualised return³. This means a mere ₹1,000 monthly SIP over 10 years would result in a total investment of ₹1.2 lakh nearly tripling to over ₹3.2 lakh.

Why SIP is The Right Choice

SIPs offer a compelling path to wealth creation. SIPs differ from EMIs in their focus on capital appreciation through market-linked investments rather than capital repayment.

The SIP approach capitalises on the power of compounding, where reinvested earnings can yield significant returns over time, potentially exceeding inflation and facilitating robust wealth creation.

SIPs are also incredibly flexible. One can start SIP with just ₹100 and increase investment as your income grows. One can stop or pause mutual fund SIPs whenever they want, giving complete freedom over personal finances. SIPs use the highly popular investment strategy called rupee-cost averaging to smoothen out market ups and downs. Buying low and selling high works for SIPs, and this has led to its popularity. EMIs, despite their asset-building ability, can jeopardise borrower's finances if not handled well, and this is the risk borrowers should be cognisant of.

1. Source: *Livemint Article: "The Rise and Rise of Retail Loans Now Over 50 Trillion"*
2. Sip source - <https://www.amfindia.com/mutual-fund>
3. Source - *Valueresearchonline.com, Equity Large Cap Fund Selector.* ▣

Asset Allocation Is Akin To Picking A Cricket Team; Here's Why

Judicious asset allocation will enable you to generate maximum gains and achieve different goals at different intervals by effectively positioning them according to the market situation.

Imagine your investment portfolio to be your cricket team. You wouldn't just pick all batsmen or all bowlers in your team, right?

You would want a mix of batsmen, bowlers, and some all-rounders. Asset allocation is similar to building a cricket team. It's about diversifying your money across different asset classes such as equity, debt, real estate, and gold to balance the risk irrespective of market ups and downs. So, ditch the one-dimensional approach and pick your investment team wisely with the help of asset allocation.

Factors Affecting Asset Allocation

Different investment goals demand different investing strategies. For example, saving for retirement which is 30 years away will have a different asset allocation strategy than saving up for your down payment which is just five years away. The former will have more equity, whereas the latter will have a mix of equity and debt. How long you want to stay invested also determines your asset allocation. A long-tenure investment should ideally have more equity as you have enough time to weather the market's ups and downs. Alternatively, a short tenure should ideally have more fixed-income investments to ensure steady returns with low risk.

Your risk tolerance level also plays an important role in defining asset allocation. If you are okay with short-term market fluctuations and are willing to take additional risk for a high return, you have a very high tolerance for risk. However, if you can't stomach the market ups and downs, you have a low tolerance for risk. Equity is an ideal



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ASSET ALLOCATION IS THE FOUNDATION OF YOUR INVESTMENT PORTFOLIO AND PROVIDES A FRAMEWORK TO MANAGE YOUR RETURN AND RISK BASED ON YOUR GOALS, RESOURCES, INVESTMENT TENURE, AND RISK TOLERANCE LEVELS.



asset class for high-risk tolerance, and debt is better for low-risk tolerance.

Popular asset allocation strategies

There are broadly four types of asset allocation strategies used by most investors in the market:

- **Strategic asset allocation:** After considering your goals and risk tolerance levels, you or your financial advisor can define the asset allocation. In this type of asset allocation, it is important to rebalance your portfolio as per the market movement periodically.
- **Constant weight asset**

allocation: In this strategy, you can fix the percentage for each asset in your portfolio and constantly rebalance it to ensure the original target weights are met. For example, if you want to invest 50% in equity, 20% in bonds, 20% in real estate, and 10% in gold, then as markets fluctuate, you must constantly rebalance your portfolio to ensure these weights are maintained.

- **Dynamic asset allocation:** Dynamic asset allocation is a strategy where you constantly change your asset allocation based on market conditions. There is no fixed asset allocation in this strategy, and only investors or experts who have market knowledge should follow it.
- **Age-based asset allocation:** A popular asset allocation strategy is investing based on the age of the investor. According to this strategy, the younger you are, the more you can invest in high-risk investments. One of the popular age-based asset allocation strategies is the rule of 100. As per this rule, you subtract your age from 100 and invest that amount in equities. For example, if you are 30, then you must invest 70% (100-30) of your portfolio in equity and the rest in different low-risk asset classes.

To sum up, asset allocation is the foundation of your investment portfolio and provides a framework to manage your return and risk based on your goals, resources, investment tenure, and risk tolerance levels. Hence, you must be careful before deciding on the asset allocation for your investment portfolio. ■

CHECK EARNING POTENTIAL AND RETURNS BEFORE EXITING STOCKS

Queries



After the recent demise of my father, I found out that he had some stock certificates in physical format. How do I go about dematerialising them?

You need to connect with the registrar and transfer agency (RTA) to update the name in the company records to dematerialise physical shares inherited from a deceased person.

Once the details get updated at the RTA, you (the client) can get in touch with the demat desk of the respective depository participant (DP) to find

out about the process and documentation needed for dematerialisation.

My money has doubled in the stock market over the last few years. Should I withdraw the money now or wait for further gains? I do not need the money now, and I think I can lock my gains into a guaranteed product. What should I do?

If you have invested in stocks, we would suggest to ascertain their earning potential and expected return before taking an exit call. In

case, you have invested in mutual funds, time spent in the market is more important than timing the market. For the past two to three decades, markets have given around 12 per cent annualised returns. Since you do not need the money in the near term, I would suggest holding on to your portfolio. You can plan your exit six months to one year before any planned liquidity requirement and switch to arbitrage funds, which are tax-efficient products with near similar return expectations like a fixed-income instrument.

Answers by: **Bharat Pareek**, Head – Product & Segment, Private Wealth Management of ICICI Direct

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Mistakes to Avoid in the Retirement Planning Stage

Not starting early, not looking at retirement planning holistically and not consulting a financial advisor are among the top mistakes one should avoid



planning isn't just for those approaching 55; it should begin as soon as one starts earning," he said. Highlighting common pitfalls, he warned against underestimating post-retirement expenses and the impact of inflation, stressing the need for diversified investment strategies.

Roongta added a broader perspective, stressing the need for a holistic approach. "Retirement isn't just about wealth. It's about health, purpose, and maintaining strong social ties. Neglecting any of these aspects can derail even the best financial plans," he noted. He urged viewers to treat exercise and adequate sleep as essential as financial SIPs (Systematic Investment Plans).

Subramanyam highlighted the importance of seeking professional advice. "The biggest mistake is thinking you can do it all yourself. A financial planner can provide crucial guidance on asset allocation, taxation, and withdrawal strategies," he explained. He also pointed out the necessity of having contingency plans for unforeseen medical expenses and market volatility.

The session concluded with a reminder from Sinha about the significance of a well-rounded approach to retirement planning.

The full webinar is available on www.outlookmoney.com. Watch it to avoid these common mistakes and pave the way for a financially secure and fulfilling retirement. ■

The latest episode of Outlook Money's "Retire Right" series featured insights from top experts on "Mistakes To Avoid In The Retirement Planning Phase". This session, moderated by Nidhi Sinha, Editor at Outlook Money, is part of the investor education and awareness initiative by Aditya Birla Sun Life Mutual Fund in association with Outlook Money.

The esteemed panel included K S Rao, Head of Investor Education and Distribution Development at Aditya Birla Sun Life AMC; Harsh Roongta, Personal Finance and Tax Expert; and PV Subramanyam, Author and Personal Finance Trainer. Each shared valuable insights on the importance of careful planning and the role of investments, particularly mutual

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”

funds, in securing a comfortable retirement.

Rao emphasised the significance of starting retirement planning early. "The earlier you start, even with small savings, the more powerful the compounding effect on your investments. Retirement

What Is Fiscal Deficit?

Tarun Bhardwaj

Union Minister of Finance Nirmala Sitharaman presented Modi 3.0's first Union Budget on July 23, 2024. The Budget pegged the fiscal deficit at 4.9 per cent of the gross domestic product (GDP), down from 5.6 per cent announced in the interim budget. During the Budget, the FM said, "For the year 2024-25, the total receipts other than borrowings and the total expenditure are estimated at ₹32.07 lakh crore and ₹48.21 lakh crore, respectively. The fiscal deficit is estimated at 4.9 per cent of GDP." Fiscal deficit refers to the difference between the government's income and expenditure for the year. Let's find out more about it.



WHAT IS FISCAL DEFICIT?

- Fiscal deficit happens when a government spends more than it collects in taxes and other income in a year. This gap is financed by borrowing, which may come from issuing bonds or taking loans.
- It is the total expenditure minus total revenue in which the expenditure includes revenue expenditure (salaries, pensions, subsidy, others) and capital expenditure (infrastructure and social programs, and so on).
- Revenue includes tax revenue (direct and indirect), non-tax revenue, and other receipts such as sale of assets.
- The major causes of fiscal deficit include higher spending by the government, economic downturn and inefficient tax collection.

IS IT GOOD OR BAD?

- Economic downturns can be tackled by increased government spending on infrastructure or social programs. In such situations, a larger fiscal deficit is not considered bad.
- It is also good when governments fund long-term investments in sectors like education, healthcare, infrastructure, which are expected to improve productivity and economic growth in the long term.
- However, when fiscal deficit is consistently high, it may lead to rise in national debt, discouraging private investment.
- Governments try to tackle deficits by printing more money, which can cause inflation that in turn will erode the purchasing power.



INDIA'S REPORT CARD

- In the last five years, India's fiscal deficit hovered between a minimum of 4.6 per cent of the GDP in 2019-20 to a maximum of 9.2 per cent in 2020-21.
- A stable global and domestic scenario saw India's fiscal deficit stabilise at 3-4 per cent between 2015 and 2019.
- It has now recovered to 4.9 per cent, up from 5.6 per cent announced in the Interim Budget.
- The government is seeking fiscal consolidation since 2021, and it aims to take the deficit to below 4.5 per cent next year.
- From 2026-27 onwards, India will strive to reduce the deficit each year by lowering the debt, according to the Budget.



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- An equity scheme that invests in Indian markets with focus on riding business cycles through dynamic allocation between various sectors and stocks at different stages of business cycles.

*Investors should consult their financial advisers if in doubt about whether the product is suitable for them.



Investors understand that their principal will be at Very High risk

The Risk-o-meter(s) specified above will be evaluated and updated on a monthly basis.

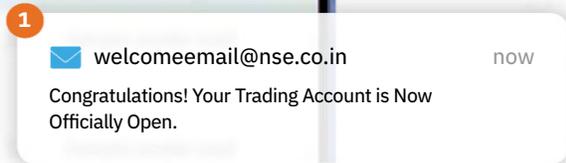
Please refer www.icicpruamc.com/news-and-updates/all-news for more details on scheme riskometers.

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