

your queries

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I am 59 and recently retired. I have a corpus of around ₹20 lakh, which I intend to invest in mutual funds. Should I invest all at once or gradually and where?

Do you have any other savings or investments apart from this money? What is your goal and time horizon? The answers to these questions are very important to accurately guide you. Since you are retired and almost a senior citizen, your investment strategy should be conservative with focus on capital preservation. You can consider high credit quality and well managed debt funds from the corporate bond and banking & PSU categories, with a minimum time horizon of 3 years. Next year, you can also look at Senior Citizens' Saving Scheme and Pradhan Mantri Vaya Vandana Yojana. You don't need to gradually invest in the fixed income space and can deploy your corpus all at once. If you have enough corpus and diversification already in the fixed income space, only then you can think of deploying around 10-20% surplus out of your overall investment kitty in a combination of large-cap, flexi-cap and dynamic asset allocation funds based on your goal, risk appetite and horizon. Currently the equity segment is in a correction mode and thus this is a good time to stagger your surplus corpus. Please keep in mind that equity is a very volatile asset class. Investing in this segment requires a lot of time and patience and will need you to be invested for a minimum period of 5 years.

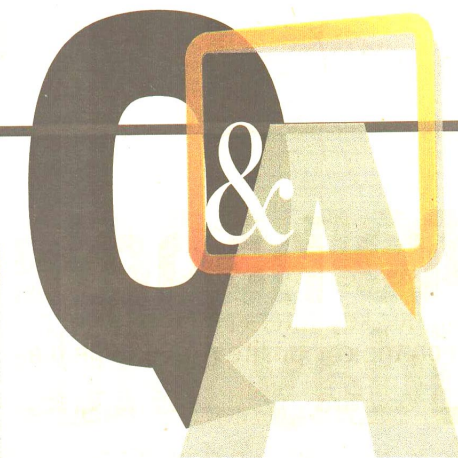
RUSHABH DESAI
Founder, Rupee With Rushabh
Investment Services



I want to save taxes with smart investments. I started working in February 2022 with an annual package of ₹15 lakh. I am paying employee TDS for the first time. How do I save taxes efficiently?

Tax planning is one of the aspects to be considered for investments but not all. It is not a year-end activity but a recurring process. One should assess the risk appetite and consider several factors like age, career stage, marital status, etc. and plan accordingly. The investments opted for should also be in sync with long-term investment objectives. Ulips and NPS are equity-linked investments that are allowed as deduction under Section 80C. For a safer option, you can look to contribute to the PPF or 5-year tax saving FDs. But all such investments are subject to certain lock-in periods. An additional deduction of ₹50,000 for NPS is allowed. Foremost, you should also look to avail a term insurance plan (allowed u/s 80C) and health insurance for you and your family. The deduction for health insurance premium is available u/s 80D up to the maximum amount of ₹50,000 (₹25,000 for self, spouse and children and remaining ₹25,000 for parents).

Amit Maheshwari
Partner, AKM Global



Our panel of experts will answer questions related to any aspect of personal finance. If you have a query, mail it to us right away.

QUESTION OF THE WEEK

I am 50. I am investing in mutual funds for my retirement 10 years away. I invest in equity mutual funds through SIPs and have lumpsum investments in debt funds. The debt fund corpus is my emergency fund. I have invested ₹3 lakh in SBI Dynamic Bond, ₹1.5 lakh in Axis Dynamic Bond, and ₹40,000 in Axis Banking and PSU Debt Fund. For the past two years, these funds have underperformed. I intend to redeem these investments and invest in other debt funds. I don't need money right now. As interest rates are expected to rise, I understand it would be prudent to invest in short term funds? If yes, can you suggest debt funds I can invest the proceeds in?

Ideally, the money kept for any contingency should be parked in a sweep-in fixed deposit, or liquid funds, or a combination of both. This bucket should be equivalent to expenses for 12 months, which includes household expenses, EMIs, premiums, and investment commitments. The money needed for short-term goals can be parked in a combination of other debt mutual funds and arbitrage funds. Hence, the three funds in which you're currently invested are not best suited for your emergency fund. As far as interest rate volatility is concerned, the modified duration of Axis Banking and PSU fund is now 0.77 years and thus it won't be affected much by interest rate hikes. Likewise, portfolio of the dynamic bond funds is currently towards longer end of the curve. All these funds have quality portfolios. You can continue with these funds if, a) you can create a separate pool for contingencies and keep these funds for any other short-term needs, b) you want to avail indexation benefit since you have already stayed invested for two years. If these reasons don't apply, then it's best to redeem and recreate the contingency bucket. Keep safety and accessibility as primary factors and don't look for returns.

Prableen Bajpai
Founder FinFix Research
& Analytics



I recently sold my property in Mumbai which fetched ₹1.5 crore, out of which the capital gain is ₹50 lakh. I intend to invest ₹1 crore in a liquid fund and start an STP in five mutual funds. Since I don't need this money for the next 5-7 years, the best option would be to invest the capital gain amount in 54EC capital gain bonds. However, since the interest earned from these bonds would be taxable as per the IT slab (30% in my case), the alternate option is to invest ₹50 lakh also in a large-cap fund for 5-7 years. This option would result in 20% capital gain tax. Since my investment horizon is long and I can take moderate risk, which option will yield better returns?

We suggest you invest ₹1 crore (67% of the total portfolio) in equity with a healthy exposure to large cap, large & mid cap, flexi cap, mid cap and value categories equally divided among ICICI Pru Large Cap, HDFC Large & Mid Cap, Axis Growth Opportunity Fund, Canara Robeco Flexi Cap, Kotak Emerging Equity Fund, Mirae Asset Mid Cap, IDFC Sterling Value Fund and SBI Contra Fund. This investment can be made through STP route over 6-8 months. Invest the capital gains in bonds which also offer tax benefits through Section 54EC. The investment in such bonds must be made within six months of the sale of property to avail the tax exemption. Shift bulk of the portfolio from equity to fixed income-oriented products at the time of your retirement.

Sanjiv Bajaj
Joint Chairman & MD-Bajaj Capital



I will be getting around ₹70 lakh in August 2022 from matured FDs. Since interest rates are quite low in banks, I am thinking of some alternate options. My target is to receive ₹20,000 per month as a regular income from this investment.

Your safest option would be a bank FD with a scheduled commercial bank. At an average of 5% returns, your corpus of ₹70 lakh would earn you an interest of approximately ₹30,000 per month. Remember the interest earned would be taxable as per your tax bracket. If you are willing to consider slightly more risky alternatives that will provide higher rate of returns, one alternative is a Systematic Withdrawal Plan (SWP) from mutual funds. While the risk involved here is more than FDs, you can stand to earn 8-10% returns depending on the funds you invest in. This means that at a rate of return of 10%, you may be able to get an income of ₹60,000 per month from an investment of ₹70 lakh and comfortably conserve your capital. If you keep your monthly expense low, you would be able to grow your capital as well as earn an income with ease. This can also help you increase your income from your investment over time keeping pace with inflation. Bear in mind that there may also be exit loads that may impact your returns. You will also need to pay capital gains. Make it a point to check the fund and fund house performance in detail before you invest. Use a calculator to check your returns and calculate your actual returns after tax so that you understand exactly how much income you stand to get.

Adhil Shetty
CEO, BankBazaar



Ask our experts

Have a question for the experts?
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