



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 34 and have a four year old son. I have been investing ₹7,500 each per month in L&T Midcap, Motilal Oswal 35, Mirae Asset Emerging Bluechip and SBI Small Cap Fund and ₹5,000 each in Tata Equity PE, Aditya Birla BSL Frontline Equity, Canara Robeco Emerging Equities and Reliance Small Cap Fund for the past year. Should I continue with these funds or stop any? I have a time horizon of around 10-15 years. I also invest ₹1.50 lakh each in the PPF accounts of my son and my own. I recently opened a NPS tier 1 account and am planning to invest ₹1.50 lakh annually in it. I also invest ₹10,000 every month in an RD account. I want to build a good corpus for my retirement and my son's education and marriage. Am I on the right track? I also want to invest another ₹50,000 per month for 15 years. Please suggest investment options.

You can continue with your existing funds, except for Aditya Birla Sun Life Frontline Equity, which has been consistently underperforming its benchmark index and peers. Replace it with any of these better performing large cap funds—Axis Bluechip, Mirae Asset Large Cap or IDFC Large Cap Fund. You can consider investing your monthly surplus of ₹50,000 in your modified mutual fund portfolio in the same proportion that you have been investing till date. If the primary purpose of investing in PPF is to save tax, then I suggest you invest in ELSS instead. These are diversified equity funds with a lock-in period of just 3 years. You can consider any of these ELSS funds—Axis Long Term Equity, Mirae Asset Tax Saver, Aditya Birla Sun Life Tax Relief 96 or Kotak Tax Saver Fund. You can also consider investing in equity funds for creating a retirement corpus as mutual funds, as of now, offer greater flexibility, transparency and product diversity than NPS. You can route the annual investment amount meant for NPS to your modified fund portfolio in the same proportion that you have been doing.

**Naveen Kukreja**  
CEO and Co-Founder,  
Paisabazaar.com



I have ₹14 lakh remaining of a home loan of ₹46 lakh. If I continue paying the EMI of ₹50,000 per month, the loan will be cleared by March 2023. Both my wife and I are working and have around ₹20 lakh each in EPF. Can we withdraw ₹7 lakh each and close the loan? I am in the 30% tax slab and my wife is in the 20% slab.

EPFO allows a subscriber to withdraw a maximum of 90% of the accumulated corpus for repaying an outstanding home loan. The amount is not taxed after five years of continuous service. As EPF is usually the dominant product for building one's retirement corpus, you must re-evaluate the option to withdraw as it will impact the compounding of your returns. With around 2.5 years of your loan tenure left, you have already paid the majority of the 'interest' component, and further EMIs will have a higher share of the principal. You need to roughly calculate the EPF and home loan interest cost and benefit (and taxation) based on the occupancy of the house (rented or self-occupied) and loan holding (single or joint). The decision is further dependent on your overall financial position; what percentage of your salary goes as EMI? Are any other investments other than EPF available to make the repayment? If you repay, where and how do you plan to invest the money freed from EMI? Based on the answers, take the final call by factoring in your comfort level.

**Prableen Bajpai**  
Founder FinFix Research & Analytics



I am an NRI, but my wife and child are residents in India. My wife doesn't have any source of income. Can I open a Sukanya and PPF account for my child by keeping my wife as guardian? What would be the tax implications for the money that I transfer to my wife's account?

An NRI is not permitted to open a PPF account in India. However, as your wife is an Indian resident she is entitled to open a Sukanya account for an Indian girl child and become the guardian. There will be no tax benefit as she doesn't file ITR. There is no tax implication (in India) for transferring funds to your wife's account. An NRI is liable to file income tax return in India only if annual income exceeds ₹2.5 lakh in a financial year.

**Raj Khosla**  
Founder and Managing Director,  
MyMoneyMantra.com



For the financial year 2019-20, I incurred short-term capital loss on redemption of equity funds worth ₹1,53,400 and long-term capital gain on redemption of debt mutual funds worth ₹3,50,740. Can I write off the short-term capital loss against the long-term capital gain?

Short-term capital loss on equity oriented mutual funds can be set-off against long-term capital gains of debt mutual funds. There is no restriction on the type of mutual funds for setting off capital losses. The taxable long-term capital gains shall be ₹1,97,340 (set off of short-term capital loss of ₹1,53,400 against long-term capital gains of ₹3,50,740). The said long-term capital gains shall be taxed at the rate of 20%.

**Divakar Vijayasathya**, Founder and Managing Partner, DVS Advisors LLP



A friend passed away in a road accident recently. He had accident insurance policies from HDFC Ergo of ₹25 lakh and ₹10 lakh each in PM Sadak Bima Yojana and PM Jeevan Bima Yojana and also on his debit and credit cards. On contacting the bank, we were told the claim can be taken from only one policy from either the insurance company or bank. Is this right?

It is perfectly legal to buy and hold more than one policy. The beneficiary can rightfully claim from all the life insurance policies he holds in the unfortunate event of death. Multiple policies provide an extra layer of protection that a single plan might not necessarily provide. Keeping in mind that you've disclosed all the material facts and the combined sum assured should not exceed your human life value, you will be able to claim the sum assured from all the policies. However, the payment of sum assured will be in accordance of the terms and conditions.

**Yashish Dahiya**  
Co-founder & Group CEO,  
Policybazaar.com



I am 62. I bought a 10-year regular plan of UTI Ulip 71 in 1998 at an annual premium of ₹4,500. The policy matured in 2008. However, I left the units as it is. I plan to redeem in the financial year 2020-21. Its target amount is ₹45,000 and current value will be ₹2.56 lakh. I bought ICICI Prudential Lifetime open-ended regular plan (Maximiser Plan) in 2005, at an annual premium of ₹18,000, and with initial death benefit of ₹1 lakh. Till date, I have given 16 premiums (₹2.88 lakh) and the current market value of units is ₹5.25 lakh. Is the redeemable value of the units exempt from tax under Section 10(10D) in both cases? If it is taxable, how do I calculate the tax on it?

Investments in Ulips can be used to claim tax deduction under Section 80C till a limit of ₹1.5 lakh. Apart from this, the returns from the policy are exempt from taxation on maturity under Section 10(10D). In view of this, redemption of units of 10-year regular plan of UTI Ulip 71 in 1998 shall be exempt from tax. Similarly, the Maximiser Fund is also a Ulip and proceeds from this as well would also be exempt u/s 10(10D) on redemption.

**Amit Maheshwari**  
Partner, AKM Global



### Ask our experts

Have a question for the experts?  
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