



'Tis the season to spend your additional income wisely



“Interest on Debts grows without rain” – Pay off your Debt

First things first. Foreclose your Loan and reduce your Debt. Doing so may attract some charges. However, if you do some math, it is still wiser than paying interest on your loan reviews, portfolio rebalancing, etc.

Tip: Classify your Debt into 'high-interest' and 'low-interest'. Pay off high-interest Debt first.

“The only thing better than investing is investing more” – Top-up your SIP

A top-up SIP allows you to increase your ongoing Systematic Investment Plan or SIP by a fixed amount and at fixed intervals. The higher the SIP amount, the faster you can reach your goals.

Tip: If you expect an increment of 10% every year, top-up your SIP by 8-10% every year.

“Care shouldn't start in the emergency room” – Strengthen your Emergency Fund

You need extra savings to ensure that uncertainties don't disrupt your financial peace. Allocate some portion of your bonus to your Emergency Fund.

Tip: A quick and a safe way of strengthening such a Fund is investing in Liquid Mutual Funds.



SPENDING BONUS

SPENDING INCREMENT



“Death and Taxes are certain” – Invest to save Tax

While a bonus is an addition to your income, Taxes imply reduction. It is only wise to use your bonus for reducing your Taxable income.

Tip: You can invest in Equity Linked Savings Scheme (ELSS) and save Tax on investments up to ₹1.5 lakh annually.

“The question isn't at what age you want to retire; it's at what income” – Start investing for retirement



You get a salary now, and thus, an increment. But you will not have a regular source of income once you retire. Thus, you must aim to save your current income for your future expenses.

Tip: Invest your additional income in solution-oriented Retirement Funds to save for your second innings in a systematic manner.



“A stitch in time saves nine” – Upgrade your insurance plans

You don't realise the importance of insurance until you actually use it. Ensure you get additional coverage with your increased salary.

Tip: Ensure that the sum assured under your life insurance policy is at least 8-10 times your annual income.

*This content was created exclusively for UTI Swatantra. Visit <http://www.utiswatantra.com> for more information

For more details, follow us on Twitter @utimutualfund; Email queries or suggestions: utiswatantra2@swatantra.co.in

■ Please mention 'Swatantra in TT' in subject line. ■ For more such financial advice, head to our website: <http://www.utiswatantra.com>