

## TIME TO #TAKEONTAX. PICK ELSS THE RIGHT WAY.

If you are smart, you would be considering investing in Equity-Linked Savings Schemes (ELSS) to save Tax. But you can be smarter if you choose your ELSS scheme wisely. Here's why:

### Different schemes, different strategies

Every ELSS scheme gets you a Tax deduction of ₹1.5 lakh. But not every ELSS scheme may be the same. They can vary basis:

- Assets they invest in
- Structure of Fund
- Investment strategy
- Tenure of the Fund



### WHAT CAN ELSS INVEST IN?

A mix of either two or all three of the below  
Tries to diversify, thereby tipping the scale towards either risk or return

#### Thematic selection

Stocks selected on the basis of financial performance, economic or industry trends, investment period, or other factors

Investment strategy is clearly announced

Should match with investor's goals, and risk-return profile

#### Small-cap Equities

Comparatively newer companies

Higher risks

Potential for higher returns

#### Mid-cap Equities

Medium-sized companies  
Less risky than Small-cap Stocks

Better return potential than Large-cap Stocks

#### Large-cap Equities

Blue-chip companies with a proven track record

Less risky than Small- or Mid-cap Stocks

Can offer stable dividends

Ideal for investors with 'Buy and Hold' strategy

An example of how these sectors have performed:

CRISIL - AMFI Fund Performance Index	1-year returns	4-year returns	10-year returns
Small & Mid-cap Funds	16.87%	29.97%	12.87%
Large-cap Funds	13.94%	18.46%	9.30%
ELSS Funds	16.48%	22.79%	10.56%

\*As on September 29, 2017

### Can ELSS have different Fund structures?

Yes. ELSS schemes can either be Open-ended or Close-ended. In the case of the latter, the ELSS Fund can have a fixed tenure and make investment decisions accordingly.

### How you invest in ELSS matters

- You could invest ₹1.5 lakh in ELSS at the last moment to save Tax or you could spread your investments through the financial year with a Systematic Investment Plan (SIP). This can affect how many Fund units you are able to buy in a year.
- The lock-in period for ELSS is 3 years. Many confuse this as the maturity period and sell. Ideally, though, experts recommend ELSS investments for longer terms.

### Other factors that can affect your ELSS investments

- Tenure and experience of ELSS fund manager
- Expense ratio (can eat into your returns)
- The structure of the ELSS Fund

### The bottom line:

All the above factors can and do affect the returns you get from ELSS investments. In the long run, this matters more than the Tax you save. So, ensure you evaluate a Fund and then choose one that fits you.