

# SMART INVESTORS NOT ONLY SAVE TAX BUT MORE

Did you know that you can plan for your retirement and save Taxes at the same time? By making smart and timely investments, you can not only save Tax but also invest in your long-term financial goals.

## Here's the story of Suresh!

Suresh was investing in Equity-Linked Savings Scheme (ELSS). He started his monthly Systematic Investment Plan (SIP) of ₹12,500 when he was 25. He was investing this amount to save Tax. At the age of 50, Suresh might have a corpus worth 2.13 crore\* at assumed rate of 12%. He's now planning to retire at the age of 50 and fulfil his passion goals. By just doing a Monthly SIP in ELSS to save Taxes, you can build a strong retirement corpus.

## It only happens with ELSS!

There are many more benefits of investing in Tax-saving Mutual Funds. These benefits are not available in other Tax-saving instruments. Here's a comparison of ELSS with other Tax-saving instruments:

GROWTH OF RS. 1.5 LAKH INVESTED EACH YEAR FOR LAST 10 YEARS (RS. 15 LAKHS IN TOTAL) IN VARIOUS TAX-SAVING AVENUE					
	PPF	NSC	FD	ELSS CATEGORY AVERAGE	
Investment to save tax every year on 1 April (since 2011 to 2020)	₹1.50 lakh	₹1.50 lakh	₹1.50 lakh	₹1.50 lakh	
CAGR over the last 10 year	8.01%	7.96%	6.86%	12.99% <sup>1</sup>	
Investment Value as of Nov 30, 2020	₹23.05 lakhs	₹22.97 lakhs	₹21.65 lakhs	₹30.28 lakhs	
Features					
Tenure	15 years	5 years	5 years	Perpetual with 3 years lock-in	
Liquidity	Premature withdrawal allowed*	Not Available	Not Available	Anyday post completion of lock-in**	
Yearly Returns Range**	Lowest	7.10%	6.80%	5.40%	-23.86%
	Highest	8.80%	8.60%	9.25%	54.19% <sup>14</sup>
	Average	8.22%	8.13%	7.44%	13.90%
Risk Profile	Low	Low	Low	Moderate to High	
Mode of Contribution	Lump Sum / Monthly#	Lump Sum	Lump Sum	Lump Sum / SIP	
Taxation on withdrawals	Interest accrued is Tax-free	Interest accrued is Taxable	Interest accrued is Taxable	LTCG taxable @ 10%	



Therefore, making smart investments through ELSS can help you save Taxes and plan for other goals at the same time. However, you can do this with ease only by not keeping Tax planning for the last moment.

Source: For FD rate - Fixed deposit rates of SBI, For NSC & PPF - Ministry of Finance, For ELSS - MFI Explorer. Assuming that the said investments (lump sum) are made on 1st April of each year from 2011 to 2020 in each of the tax savings options as mentioned above. ELSS - Average returns of 27 funds (having full 10 years track record) in the ELSS category (growth option) has been considered for calculation of returns. Past performance may or may not be sustained in future. <sup>1</sup> ELSS category returns based on the average returns over the 10 years period, there was high variation in returns among different schemes with highest & lowest CAGR being 18.17% & 9.19% respectively. <sup>14</sup> as of November 30, 2020 (8 months period). \* Premature withdrawal under PPF is available from 7th financial year. However, the full amount can be withdrawn after 15 years. \*\*Based on the last 10 years return history of respective tax-saving options. #Cannot exceed 12 contributions in a financial year. ##3 years lock-in for each of the investments made. SIP - Systematic Investment Plan; LTCG - Long Term Capital Gain; CAGR - Compound Annual Growth Rate. Data as of November 30, 2020

\*Calculations are based on monthly SIP investment with an assumed annual growth rate. Corpus at 12% - ₹2.13 Crores; Corpus at 10% - ₹1.55 Crores; Corpus at 8% - ₹1.14 Crores. Above is for illustration purposes only and not an indication nor guarantee of returns.