

WHERE TO INVEST TO SAVE TAXES?

AMONG THE TAX SAVING INVESTMENT PRODUCTS, THE CHOICE IS PRIMARILY BETWEEN ELSS, PPF AND TAX SAVING BANK FDS

People who pay income tax are often found asking financial planners and advisors about the best tax saving option. There are several financial instruments investments in which allow people to save on taxes. These instruments include Equity Linked Savings Schemes (ELSS) offered by mutual fund houses, public provident fund (PPF) floated by the government and specified bank fixed deposits (FDs).

HERE'S A COMPARISON OF SOME OF THE KEY FEATURES OF THE TAX SAVING INSTRUMENTS

PRODUCT	LOCK-IN	MIN/MAX INVESTMENT	DURATION WITHDRAWAL	RETURN	PREMATURE
ELSS	3 years	Rs 500 and above	No maximum limit	Expected at 12-15% per annum over long run	Possible with tax sops reversal
PPF	15 years	Rs 500	Rs 1.5 lakh	Decided by the Govt, currently 7.6% per annum	Restricted withdrawal after seventh year
FD	5 years	Rs 100	Rs 1.5 lakh	6.75% to 7.50% per annum	Not allowed



As the name suggests, ELSS by mutual funds are diversified equity schemes which are suitable for long term investment. In addition to tax savings they also offer capital appreciation. PPF is a government-sponsored scheme which is also aimed at promoting savings and investments for the long run. Tax saving bank FDs are aimed at saving tax and also offering inflation-linked returns with the money lock-in for five years.



Are you saving taxes the right way? **SCAN THIS QR CODE TO FIND OUT.** <http://www.beswatantra.com/sip-calculator>

STEPS TO DOWNLOAD AND SCAN A QR CODE

- Download QR code app on your phone
- Run app and scan the QR code
- Your smartphone will read the code & navigate to the destination



GURU SPEAK

SAVE WITH EYE ON POST-RETIREMENT LIFESTYLE



Most savers in India, do last minute tax planning without evaluating-

1 Real Return (Inflation adjusted) & capital appreciation

> **GURMEET CHADHA**

CO-FOUNDER & CEO COMPLETE CIRCLE CONSULTANTS

2 Tax Efficiency in totality. Section 80C of the Income Tax Act, allows exemption on investments upto Rs 1.5 lakh in popular schemes like Public Provident Fund (PPF), Fixed deposits and Equity Linked Savings Scheme (ELSS).

FD TAX SAVING FDS HAVE A LOCK IN PERIOD OF 5 YEARS AND ARE POPULAR AMONGST SENIOR CITIZENS.

- Interest is taxable as per slab.
- Premature or partial withdrawal is not permitted
- Loans cannot be availed against FD.

PPF PPF IS A FAVOURITE INVESTMENT OPTION IN VIEW OF-

- Attractive interest rate of 7.8% that is fully tax exempt.
- Lock-in period of 15 years and extendable for blocks of 5 years. Partial withdrawal is permitted from 6th year.
- Balance in a PPF account cannot be attached under a court decree and Loan can be availed against PPF.
- Risk free investment backed by Government.

ELSS A DIVERSIFIED EQUITY MUTUAL FUND INVESTING PRIMARILY IN EQUITY WITH A LOCK IN OF 3 YEARS IS THE FASTEST GROWING CATEGORY.

- Returns either through capital appreciation or dividend income, are tax exempt.
- High risk, high potential return as it is market linked.
- Triple benefits of capital appreciation, Real return and tax saving.
- One can invest lumpsum or through SIP. SIP can spread tax burden throughout the year and has benefit of averaging out the cost.

An Investor can select a combination of PPF and ELSS depending upon the goals, risk appetite and investment horizon.