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Covid and the world economy P12

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Money moves for hard times

Find out how to manage your finances in these difficult times. P2

This could be the right time to shift to direct plans P6

Put your assets through the stress test now P9

Learn the art of talent stacking P15

How to protect your privacy online P22

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Money moves for hard times

Find out how to take care of your wealth in these difficult times.

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By **Madhusree Mallik**

The ongoing lockdown is the new normal in our lives. As the country fights to keep the dreaded Covid at bay by staying indoors, the spending habits of households are undergoing a change. With little opportunity to spend, except on basics, many are finding out what actually construes necessities and what were purely discretionary expenses masquerading as essential costs.

The current situation has also taken a toll on the economy. With the prospect of job losses and slashed salaries very real, we focus on six steps every individual needs to consider to navigate these extraordinary times. From conserving cash to dealing with possible loss of income, from eliminating debt to making an inventory of assets, from learning something new to steering clear of pitfalls, we tell you how you can tide over this time with minimum pain.

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BILL

Be careful with cash

With no malls to go shopping to, no restaurants to eat out in, no fuel bills to take care of and no scope of online shopping, the lockdown would have seen your monthly household expenses nosedive. Treat this period as a rehearsal in frugal living. No one can predict with any certainty when life will be normal again. With the economy taking a huge hit, the spectre of job losses and pay cuts appear too close for comfort.

As a rule, one should have at least six months' of monthly expenses secured in an emergency fund precisely for uncertain times like these. "The utility of this contingency fund is only realised during such times. If you don't have that kind of corpus, it's very important to cut back on expenses and keep money aside to meet non-negotiable expenses," says Prableen Bajpai, Founder and Managing Partner, FinFix Research and Analytics.

The first step would be to put all discretionary spends on the backburner. "Keep the expenses at the minimum as if it is an emergency. Conserve the bank balance. For as long as needed," says Uma Shashikant, Chairperson, Centre for Investment Education and Learning. Every little expense cut down on is that much saved. Even during the lockdown, resist the temptation to order food online. Cooking basic meals from scratch at home is not only cheaper but safer too. Take this opportunity to review and prune myriad paid subscriptions. Hold on to only those you use regularly. Unsubscribe from the rest.

Brace for the pink slip or a pay cut

With production and consumption grinding to a halt, multiple sectors are facing rough weather. This translates to troubled times for those working already and those looking for employment. According to Devashish Chakravarty, Founder and CEO, *Quezex.com*, threats for employees include job loss, pay cuts and delayed salary. It can also mean partial deferred pay, cancellation or deferment of performance bonus for the previous year and conversion of fixed salary into performance based variable salary. Job seekers may have to deal with cancellation of interview, delay in interview and feedback, renegotiation of job offer, delay in joining date and cancellation of job offer.

Employees who have been furloughed/ fired should, first take solace that they have been victims of collateral damage and this turn of events is not due any innate shortcoming. "Prepare by budgeting for substantial or complete loss of income. Cut living costs, explore alternate personal income sources, continuously reach out to the market and network for new opportunities," is Chakravarty's advice.

While it is good to be prepared for the worst, the outcome may be different. "Whether or not this will come to pass, depends on how this pandemic 'ends' and the subsequent appetite for reverting to the 'old normal'. It may so happen that we will find equilibrium at some lower level for a few quarters, as everyone digests the impact of something so novel and pervasive," says Jayant Pai, Head, Marketing, PPFAS Mutual Fund. For some, new opportunities may appear. "As businesses try to cut costs, there would be a demand for freelancers and consultants," says Dhirendra Kumar, CEO, Value Research. Keep your ears to the ground for such opportunities.

Upskill to stay ahead

As you work from home, look for ways to learn new skills online and revamp your resume. In the long term, once the lockdown is over and the economy is on the path to recovery, look at classroom based skilling, formal certification, on-the-job training via internships and accepting additional roles in the organisation, says Chakravarty.

Upskilling can be vertical, lateral and unrelated. In the first option, you pick up additional or advanced skills related to your current line of work. In the second option, you learn skills adjacent to your line of work where you can train to perform dual roles. Unrelated learning will increase variety of jobs you can apply to with a view to changing careers when possible.

Deal with debt

Shun debt like a disease. Do not borrow, even from friends and relatives," says Shashikant. It might be a good idea to lock up your credit cards for a while and make all payments in either cash or by debit card. In most cases, it's not a home loan that creates a problem, but the personal loans, credit card bills or borrowings which throws one's personal finance off balance. "The first step to avoid and eventually eliminate debt starts when one stops to create more debt," says Bajpai. If there are too many high cost loans to be serviced, you can consider liquidating certain assets, even if those assets were earmarked for long-term goals like retirement. "It is recommended to liquidate low yielding investments like bank FDs or debt mutual funds to pay out high cost debts," says Raj Khosla, Founder and Managing Director, *MyMoneyMantra.com*.

Remember, liquidating assets to pay off debts is recommended only if you find it difficult to pay EMIs and the interest cost of debt is higher than returns you are earning on your investments. "One should never indulge in panic selling of stocks and equity funds or booking losses in haste. Wait for things to settle down before taking decisions," adds Khosla.

Take stock of your assets

Now would be a good time to make an inventory of your assets, should you need to liquidate these if your financial situation takes a turn for the worse. "In general, one ought to keep two to three months' salary in liquid assets (excluding equities) precisely to meet contingencies like the current one," says Pai. Before liquidating, reassess your expenses and make these leaner as far as possible by eliminating unnecessary expenditure heads. As far as your EPF corpus is concerned, withdraw with care. "Take out only a reasonable part of it if you have to. Be aware of your temperament and the tax implications," says Kumar. According to Pai, dispose of assets in order of liquidity. Bank deposits or liquid or gold funds first, followed by gold, stocks and real estate. "In the current market scenario, selling off gold funds would yield the best value. Consider liquidating fixed return products and lastly equity funds in case of extreme emergency," says Khosla.

Don't speculate

This is not the time to speculate or gamble. Kumar warns against any kind of knee jerk reactions. "Don't rush into invest and don't rush out of investments either. Have a plan in place and don't forget the basic principles of investing," he says. Pai advises against fire-sales of illiquid assets like real estate, without exhausting other options. "Do not blindly purchase equities, merely because prices are more attractive now. Heed the warning of banks and do not fall for moratorium scams. Lastly, do not fall for any fancy job-related promises made by agents," he warns. As an investor, be wary of following unsolicited advice from unauthorised sources such as short messages and social media. "Continue investing as per your pre-defined goals and refrain from timing the market," says Khosla. Be particularly careful with any big ticket purchases. Do not fall for tricks and cons aimed at milking the crisis. It makes sense to lie low for a few months. As Pai says, "This is something we have not experienced before and may drag on for some time. Such times call for fortitude, and not bravado."

Five ways how not to save money

The looming uncertainty requires some belt tightening. However, don't try to cut corners in these expenses.

Health insurance

Everybody needs health insurance, but many people don't buy it because they are covered by group health insurance. At a time when jobs are on the line and companies are cutting expenses, the group health cover may not help too much. So, don't try to save on the premium by skipping health insurance. It is absolutely necessary that your family remains covered even if you have to close some investments or take a loan to pay the premium.

Life insurance

Life insurance is another thing that must continue even if you lose your job or suffer a pay cut. When you are facing financial difficulties, you might feel that the term insurance premium is a waste of money and can be avoided. But believe us, your term plan is the best insurance policy your money can buy. Don't let it lapse just because you are facing a temporary cash crunch. Buying afresh will be very tough and far costlier.

Opting for moratorium

Banks and other lenders are offering moratorium on payments. Before you opt for such a relief, keep in mind that the moratorium is only a grace period for payments, not a waiver. You will have to pay interest for the two-month payment holiday. Opting for the moratorium is like taking a loan. Take it only if you are in dire need and have exhausted all other options. Otherwise you will end up paying interest on a loan you didn't really need.

Household and other workers

Everybody has been affected by the pandemic, but the lower income strata is suffering the most. These people don't have to o much in savings and the loss of income has hit them very badly. At this critical juncture, laying off your household help or the driver will deprive their households of a lifeline.

Haggling with vendors

There are many others who need your support. If vegetable and fruit vendors are charging you a small premium it is because sales are down by almost 50%. Vegetables and fruits are low margin items and sellers depend on volumes. Since volumes are down by half, they are trying to hike margins. Don't haggle with them for a few rupees. They are risking a lot to bring foodstuff at your doorstep even as the pandemic rages on.

DHIRENDRA KUMAR
CEO, VALUE RESEARCH

MONEY MYSTERIES

Extreme times, whether extremely good or extremely bad or extremely uncertain, also hold extreme temptations of breaking the basics rule. At this time, do the least possible.

Once again the same mantra: Stick to basics

Under all circumstances, pandemic or no pandemic, it's better for investors to focus on what they can control, says **Dhirendra Kumar**.

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Revenge shopping. Have you ever heard this phrase? I bet you have not but it's one of the unique things to come out of China recently. According to a recent article in the Hong Kong-based *South China Morning Post*, the post-Covid opening up of retail in Chinese cities has seen a surge of 'revenge shopping', especially in luxury stores. One store of French chain Hermès had sales of $2.9 million on the first day after it reopened. Now, people are wondering whether 'revenge shopping' will spread to other types of stores too. Will the middle-class also participate in revenge shopping, or will it stay limited to the wealthy?

Anyhow, for the rest of the world, this stage is still some months away. As of now, people are looking for signals, anything that is visible in the tea leaves, for how exactly will businesses, the economy, and their own savings and investments do in the post-Covid world. There are plenty of signals visible, both positive and negative. Depending on your mood at the moment, you could pay more attention to one or the other.

Ensure that you have an asset allocation plan in which money that you might need for the next 3-4 years is in less volatile types of mutual funds.

While revenge shopping is yet to be seen only in China and only in a small segment of the population, stock markets around the world appear to be seeing a lot more positives than most other people can. As I write this column, the Indian equity markets haven't had a seriously negative day for two weeks. Even though the markets are down from the pre-Covid phase, the atmosphere of extreme doom has lifted. They could well be down again in a few days, and if the past is any guide, they could suffer yet another steep crash. However, the details of the ups and downs do not matter.

Under all circumstances, pandemic or no pandemic, it's better for investors to focus on what they can control. You have control over when you invest, what you invest in, what price you invest at. You can control whether you invest it in a great excitement in some bubble, or whether you run away from investing when some disaster strikes. You also have complete control over the money you are going to invest in. How important is that amount of money in the general scheme of your finances? How long can you invest it for? Will you need it suddenly, or is it for a planned expenditure? How stable are the rest of your finances?

That's the stuff about which you are in control, or you have real information. The veracity of the information and understanding you have over your own finances is (or should be) of a very high quality, a whole lot higher than that of your information about the course that Covid or its economic impact will take.

Some of my readers say that ever since the Covid crisis started, I've been guilty of repeating the mantra 'stick to the basics' too often. They are completely wrong. I have actually been repeating this mantra for the last 25 years, Covid has nothing to do with it! I hope to keep repeating it for decades to come. And, more importantly, beyond just me writing and you reading about it, I hope that all of us will continue to practice it in our investing.

Extreme times, whether extremely good or extremely bad or extremely uncertain, also hold extreme temptations of breaking the stock to the basics rule. At this time, do the least possible. Ensure that basics like term insurance and emergency money are in place. Ensure that you have an asset allocation plan in which money that you might need for the next 3-4 years is in less volatile types of mutual funds. If your asset allocation is well-thought out, don't mess with it. Don't mess with SIPs that are continuing.

Once again, stick to the basics!

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Time to shift to direct plans?

DIY investors who can manage their investments on their own can shift from regular to direct plans now.

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by **Sanket Dhanorkar**

The current stock market slump is a good opportunity for mutual fund investors to invest at lower prices. Should do-it-yourself investors also use this window to junk costly regular funds and shift to lower cost direct plans?

Direct plans are much cheaper versions of regular plans. Since these are sold directly to investors, there are no hefty distributor commissions involved and thus the expense ratio is lower. The 50-100 bps differential in expense ratio adds up to substantial cost saving over the years, fetching the investor a higher corpus. Direct plans have the same underlying portfolio as the regular plan variants. Only the NAV is different because of lower expense ratio. Launched in 2013, direct plans have since shown a marked difference in performance relative to regular plans (*see table*).

If you are a do-it-yourself investor, you may have considered shifting to the direct plans of your equity funds. However, such a switch can mean a tax burden as any capital gains realised from this transaction are taxable. From April 2018, any realised gain from equities in excess of ₹1 lakh in a year is liable to be taxed at 10% . From the taxability perspective, this may actually be the ideal time for you to shift a bulk of your mutual fund portfolio to direct plans.

After the sharp drop in stock prices, returns across equity funds have suffered. Since the slump has wiped out gains of the last few years, even returns of equity holdings in excess of 3-5 years are currently in negative territory or at best flat. If you switch out from the funds now, you will not face any capital gains tax. In fact, you will be able to carry forward the losses to be set off against any long term capital gains in future. "The shift will also allow you to shelter losses for the future in the form of tax harvesting strategy," says Rohit Shah, Founder, Getting You Rich. So if you shift to direct plans now, it will yield benefits in the long term due to saving on costs apart from reducing future tax liability. Investors should be mindful of exit loads that may be levied on such switches, particularly if done within a year of initial investment.

However, the decision to shift to direct plans should not be taken in haste. The prospect of saving a few thousand rupees in costs may seem enticing, but investors need to first ensure quality of funds and their own ability to monitor portfolio. There is no point switching if the fund itself turns out be a dud. First ascertain if the choice of funds is robust. Vidya Bala, Co-founder and Head – Research and Product, *Primeinvestor.in*, reckons investors can consider a move to direct plans as part of a clean-up exercise, not necessarily as a switch. "This is a good time to exit funds that were underperforming for long and start off with a clean portfolio in direct plans." Shah argues, "If you are fixing your portfolio amid the current market situation, why not give it a complete whitewash and make the transition towards low-cost index funds, apart from just direct plans?"

Experts caution against opting for the direct route without doing homework. Much of the investments in recent times have been under the DIY mode popularised by fintech platforms. Millennials have taken to these app-based channels that offer cheaper, convenient access to low-cost direct plans. However, much of this money is not being backed by the right intent. Ad-hoc investment choices relying purely on historical performance and low-ticket sums spread thin over multiple schemes points to a flawed approach. Any shift to direct must be a more informed decision.

Shah cautions investors against giving up professional advice to make the shift towards direct. "The right adviser can add a lot of value to your portfolio apart from helping identify the right funds," he insists. Only if you are confident of your ability to maneouvre your finances should you consider venturing out on your own. "The more important thing is whether the DIY investor has the discipline and capability to manage a portfolio. If they feel prepared then this can be a good time to clean up and start in direct," Bala asserts. If you are looking for professional advice, consult a fee-only Sebi registered adviser. He will charge an upfront fee, but will offer execution through direct plans.

Lower costs have helped direct plans clock higher returns

Shifting to direct plan can yield sizeable gains, but investors should exercise caution in fund selection and monitoring.

	7-YEAR RETURN (CAGR %)		₹1 LAKH WOULD HAVE GROWN TO		
FUND NAME	REGULAR PLAN	DIRECT PLAN	REGULAR PLAN	DIRECT PLAN	DIFFERENCE IN TER (% POINTS)
Mirae Asset Large Cap	13.1	**14.1**	2,36,283	**2,51,613**	1.10
Kotak Standard Multicap	13.1	**14.2**	2,36,136	**2,52,851**	0.94
Axis Long Term Equity	16.1	**17.4**	2,84,160	**3,06,648**	0.79
SBI Bluechip	10.2	**11.2**	1,97,616	**2,10,381**	0.74
HDFC Mid-Cap Opportunities	13.1	**14.0**	2,36,283	**2,50,688**	0.70
ICICI Prudential Bluechip	9.9	**10.9**	1,93,882	**2,05,790**	0.62
Aditya Birla Sun Life Frontline Equity	9.4	**10.4**	1,87,432	**1,99,633**	0.60
HDFC Equity	8.6	**9.4**	1,78,274	**1,88,032**	0.57
ICICI Prudential Value Discovery	11.8	**12.9**	2,18,867	**2,33,228**	0.55
HDFC Top 100	8.1	**8.8**	1,72,162	**1,80,237**	0.50

TER is Total Expense Ratio. The above list of funds are those with highest AUM. Funds sorted in descending order of difference in TER between regular and direct plan. Data as on 14 April 2020. **Source:** Value Research.

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Which tax option suits you?

Companies are asking employees whether they want to be taxed as per the old tax regime or the new one.

Claim over ₹2.5 lakh tax deduction? Don't opt for new system

by **Sanket Dhanorkar**

Employers have started rolling out investment declaration forms and are asking employees to indicate their choice of tax regime. This year's Budget has given taxpayers the option to shift to a new tax regime with lower tax rates, but without the usual tax exemptions and deductions. The Central Board of Direct Taxes issued a circular on 13 April directing all employers to obtain a declaration from employees if they wish to opt for the new tax regime.

If you wish to opt for the new tax regime, you will have to inform your employer through the declaration form. The employer will accordingly deduct tax at source (TDS). This declaration will be applicable for the entire financial year 2020-21. Those who do not give any indication to the employer will by default continue to be taxed under the old regime.

New tax slabs and rates

TAX SLAB	EARLIER RATE	NEW RATE
Up to ₹2.5 lakh	Nil	Nil
₹2.5 - 5 lakh	5%	5%
₹5 - 7.5 lakh	20%	10%
₹7.5 - 10 lakh		15%
₹10 - 12.5 lakh	30%	20%
₹12.5 - 15 lakh		25%
Above ₹15 lakh		30%

Once you make the choice, you cannot switch to the other during the rest of the financial year as far as TDS from salary is concerned. However, the employee will have the right to choose whether to go for the new tax system or stick with the old one at the time of filing the tax return. Keep in mind, however, that certain exemptions can only be claimed through the employer so these may not be available at the time of filing return. If more tax has been paid, the taxpayer can claim a refund in the return.

The new tax regime has multiple tax slabs with lower tax rates than the current regime but most deductions are not available (*see table on right*). Each individual will have to evaluate which regime is favourable to him depending on the deductions and exemptions he plans to claim. Anyone claiming more than ₹2.5 lakh deduction in a year (including the ₹50,000 standard deduction) will not gain from the new structure.

The ₹2 lakh threshold will be very easily crossed if you live on rent and claim HRA exemption or have taken a home loan and claim deduction for the interest. Taxpayers who claim the full deduction under Section 80C would be better off sticking to the older tax regime.

Why the old regime is beneficial

The deductions ensure financial wellbeing of taxpayers, says **Sudhir Kaushik**

When this year's Budget proposed a new tax regime with lower tax rates, the intent was to give individuals the benefit of a short term cash flow. However, the new tax regime does not allow most of the tax exemptions and deductions that taxpayers usually claim to meet the family's financial needs.

We recommend that taxpayers stick with the old tax regime that existed in FY 2019–20. The old tax regime is better because the various tax deductions and exemptions can effectively reduce the tax on a CTC of ₹10 lakh to nearly zero. Moreover, the deductions help in utilising the money to ensure your family's financial well being. There is also a standard deduction of ₹50,000 for salaried individuals and those drawing a pension from employers. There is no need to submit any bill for this deduction.

We believe it is better to channelise your hard-earned money into tax-saving options that fulfil your family's financial needs. To understand this better, let us look at the tax saving options available in the old tax regime and the role they play in the financial plan of the individual.

House rent allowance

Many taxpayers, especially young people, live in rented accommodation. A taxpayer can claim exemption for the rent paid, thus reducing the full impact of the expense.

Saving for financial goals

Investments under Sec 80C are not eligible for deduction under the new tax regime. It is universally accepted that these tax breaks push people to save more.

Buying or building your own house

Owning a house is everyone's dream. But the interest paid on a home loan is not eligible for tax deduction like in the old tax regime. Similarly, the principal repayment amount is also not eligible for deduction in the new tax regime.

Medical insurance premium

In a medical emergency, a health plan helps avoid sale of assets or borrowing from relatives. Without medical cover, one may not be able to afford the best treatment available.

Life insurance

People do dream to live up to 100 years but in reality life has no expiry date. Under the old system, you can buy life insurance and claim deduction for the premium paid.

Children's education & marriage

All parents aim to give the best education to their children. The old tax regime offers deduction for children's tuition fee as also for various investments done for that purpose. Even the interest on education loans is deductible.

Travelling with family

After the lockdown is over and the Covid scare subsides, won't you want to take your family for a holiday? You can get up to 30% off on the air and railway ticket if you get LTA. But LTA is not tax free under the new regime.

Common deductions and exemptions that taxpayers forego under the new tax system

DEDUCTION OR EXEMPTION	HOW MUCH IS TAX FREE
Standard deduction	Flat ₹50,000 deduction for salaried taxpayers and pensioners.
House rent allowance	Least of the following three is exempt from tax: 1. HRA received. 2. Actual rent paid minus 10% basic. 3. 50% of basic (40% in non-metros).
House rent under Sec 80GG	If not getting HRA but paying rent, up to ₹5,000 a month can be claimed as deduction.
Home loan interest under Sec 24	Up to ₹2 lakh interest paid on home loan can be claimed as a deduction.
Home loan interest under Sec EEA	Additional deduction of up to ₹1.5 lakh interest paid on home loan for affordable housing.
Tax saving investments under Sec 80C	Deduction of up to ₹1.5 lakh can be claimed if invested in specified options, including PF, PPF, life insurance, Post Office schemes, ELSS funds and pension plans.
Contribution to NPS under Sec 80CCD(1b)	Up to ₹50,000 put in NPS.
Medical insurance under Sec 80D	Up to ₹25,000 premium paid for medical insurance of self and family and ₹25,000 for parents (₹50,000 if they are senior citizens).
Education loan interest under Sec 80E	Entire interest paid on education loan for self or dependant can be claimed as deduction for up to eight years.
Leave travel assistance	LTA is tax free if claimed once in a block of two years for travelling on vacation with dependents.

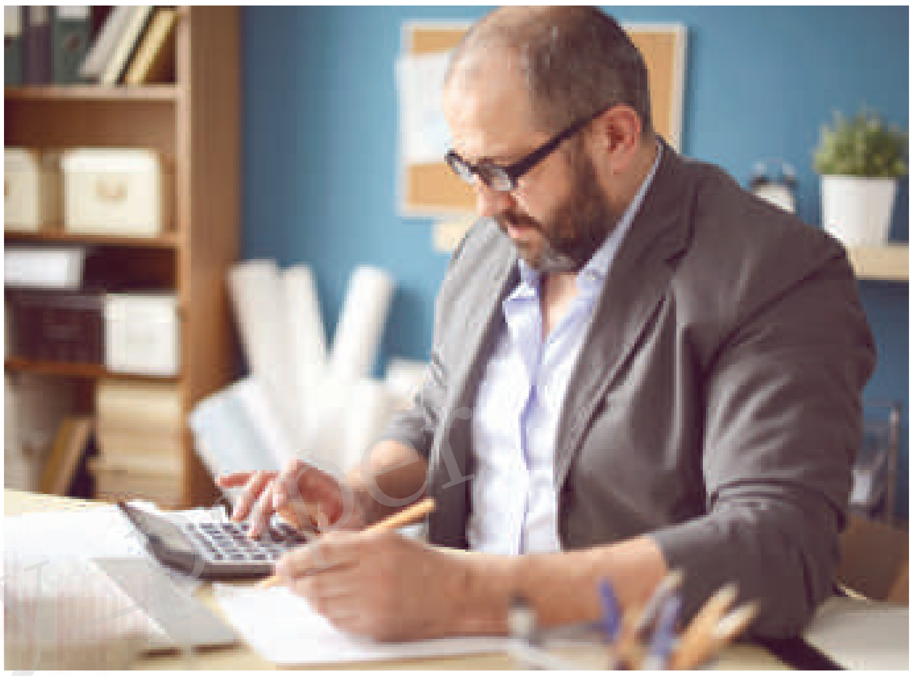
SUDHIR KAUSHIK
CO-FOUNDER OF
TAXSPANNER.COM

It is universally accepted that tax breaks on investments nudge people to save more. The new tax regime has taken away the incentive to save.

Why you must not rush for the Ulip settlement option

Weigh factors like liquidity, cost structure, market risks and alternatives available before you opt for it.

by **Narendra Nathan**



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One of the biggest disadvantages of unit linked insurance plans (Ulips) is the redemption structure. Though policyholders make payments over several years, maturity proceeds are paid out at one go when the policy matures. If a policy matures during a bear market like the current one, the policyholder makes big losses. On an average, Ulips have lost 23%, 18% and 21% respectively over the last 3, 6 and 12 months. The annualised 5-year NAV returns of the best performing schemes are between 4-5% now. Since insurance companies charge several expenses by deducting the number of units, the actual returns for investors will be lower than this.

To address the concerns of Ulip holders, the Insurance Regulatory and Development Authority of India (Irdai) has introduced a new settlement option that allows investors to receive maturity proceeds in instalments. This is similar to the systematic withdrawal plans (SWPs) of mutual funds. As of now, this option is applicable only for Ulips maturing till 31 May. However, this facility is expected to be extended. So should Ulip investors opt for the new settlement option? Experts advise caution. The following factors need to be considered.

Liquidity

Like any other investments, liquidity needs of the investor is of prime importance. Opt for lump sum redemption if you need money immediately. Staggered payments are okay otherwise. The terms of the new settlement option are restrictive. Payment can be staggered for a maximum 5 years (5 annual instalments, 20 quarterly instalments, 60 monthly instalments, etc). "Since the first instalment starts on policy maturity date, staggering will work only up to 4 years for investors who opt for annual instalments. Go for monthly options if you want to stagger it further," says Vivek Jain, Head – Investments, *Policybazaar.com*. Decide on the instalment tenor at the onset as no changes will be allowed later. For those who may face a cash crunch later, Irdai will allow withdrawal of all remaining units at one go, and not any specific amount.

Emotional issues

Most policyholders bought Ulips without realising that these are market linked products with associated risks. Such investors, though familiar with low returns from endowment policies, would be shocked if they receive less than what they have paid as premium. "Investors should have the maturity to book losses. However, if they are not emotionally ready to accept the loss, let them continue with it," says Melvin Joseph, Founder, Finvin Financial Planners.

Market risk

Though this facility is being given to all Ulip holders, it is meant for those who have invested in equity options. Investors in debt or money market options can stick to one-time withdrawal. Equity Ulip holders opting for the settlement option should understand they will continue to bear the market risk. "The stock market may fall further and if that happens, future redemption proceeds will be lower," says Jain.

Other options

Instead of continuing with an Ulip, you can also redeem and invest the money elsewhere. This will not impact your overall portfolio allocation because you are selling one equity scheme at a lower price and getting into another scheme also at a lower price. However, do consider tax advantages under Section 10 (10D) offered to Ulips. Future capital gains will be tax free in Ulips, but the same will be taxed at 10% for equity mutual funds. Secondly, returns from Ulips are tax free and losses from Ulips can't be set off against other gains. Wait for the money to come back to green before selling.

The best performing Ulip schemes in the past 5 years

	RETURNS (%)				
Scheme	3-month	6-month	1-year	3-year	5-year
Tata AIA Life Whole Life Aggressive Growth	-18.11	-12.26	-10.00	3.55	5.49
Bharti AXA Grow Money Plus	-19.68	-13.95	-13.45	3.26	4.68
HDFC Diversified Equity Fund	-23.98	-18.90	-19.61	0.82	4.45
Tata AIA Life Whole Life Mid Cap Equity	-19.79	-11.64	-13.69	-1.41	4.23
PNB MetLife Virtue II	-13.77	-8.81	-10.10	3.05	3.93

The worst performing Ulip schemes in the past 5 years

	RETURNS (%)				
Scheme	3-month	6-month	1-year	3-year	5-year
ICICI Prudential Life Growth	-27.65	-22.21	-24.83	-7.16	-3.85
IDBI Federal Midcap	-28.61	-19.31	-30.30	-9.46	-3.01
Shriram Life Maximus Gold	-19.71	-17.55	-19.82	-6.82	-2.21
Aditya Birla Sun Life Insu. Value & Momentum	-26.41	-20.76	-29.05	-12.65	-2.00
Future Generali Future Opportunity	-29.62	-24.33	-27.95	-5.35	-1.67

Source: Value Research; Data as on 15 April. **Note:** Absolute returns for 3 months & 6 months; CAGR for other periods; Sorted on 5-year returns.

Cost structure

This is important because maturing Ulips may be from different time periods. The rule is simple—redeem if the cost structure is high and continue if the cost structure is low. Refer to policy documents to get the exact cost structure. "Cost structure of new Ulips—the ones coming up for redemption after 5 years of holding—is low. However, the cost structure of Ulips coming up for redemption after 10 or 15 years of holding, is high," says Abhishek Mishra, CEO, Bonanza Insurance. Since there is no policy allocation charges (no new investments) or mortality charges (no insurance cover during settlement period) during the extension period, the cost will be the asset management charges—1.35% for most insurance companies for equity schemes. While 1.35% is low compared to regular plans of mutual funds, it is comparable to that of direct plans.

Switching facility

Intermediate switching between asset classes, without any tax incidence, is one advantage offered by Ulips. However, investors should check whether their insurance company is giving this facility at the time of extension. If you are an active investor and your insurance company is not offering switches in the middle, it is better to redeem and invest the money somewhere else.

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Do your assets pass the test?

You should be able to liquidate your assets without difficulty should the need arise, says **Uma Shashikant.**

IMAGESBAZAAR

UMA SHASHIKANT
IS CHAIRPERSON, CENTRE FOR INVESTMENT EDUCATION AND LEARNING

Stores of value are worthwhile only if they can step up and be useful when we need them. Not if they also lose value, freeze up, or get locked when you must access them.

Do we really need these things? Moments of self-awareness are triggered from being socially isolated and living indoors with our stuff surrounding us. The grocery stocks in the shelves remind us that we are better off storing those things. But the objects that lie around vainly passing off for décor, we think we overdid that. Assets are like that only—accumulated for some continued pleasure of use, or for a distant and unknown tomorrow. Except that many turn out to be so wasteful.

We don't live a nomadic life that focusses on the present alone. That kind of existence is both romantic and tough. There is always an uncertain future to deal with. If the hunter gatherer woke to a raging storm, he needs some food held in storage, so he doesn't have to step out. We have specialised in techniques of preserving food, farming for seasons, storing money to last over time, and a well-developed system for preserving and drawing upon value locked up in assets.

Assets may generate income for us, when we let others use them for a fee; assets may enable repeated use, saving on expenses over a long period of time; assets can generate short term money, amenable to being liquidated at short notice; and assets may help hoard wealth and pass it on from one generation to another. Accumulated assets earn us a social status, as a marker of wealth, high-earning capability and prosperity that can last over time. But we overdo it, sometimes. Without a specific purpose and use in our lives, accumulated assets may be wasted. They may not pass a stress test of being of use when we need them the most.

Make a list of what you have around you. Markers of excessive consumption are quite likely to stare back at you. Those opulent dinner sets, overflowing wardrobes and shoe racks, innumerable toys and gadgets, stored boxes of sheets, drapes, curios and art are all testimony to your well-earned money spent on things you thought were necessary. As markers of status, style, or an imagined class of living, there are objects around you that have eaten up your income over the years. They are not assets, nor are they items of everyday consumption. In them you passed up the opportunity cost of having useful assets instead.

Now list the physical and financial assets that are worth a sizeable amount of money, and represent your resolve to provide for the future. List them all and find out what they are worth now. From that plot in the outskirts of your hometown which hasn't seen the development you envisaged, to the house that you bought as an investment and now cannot sell without a loss, to the various stocks you bought in IPOs and through various miscellaneous recommendations, to the mutual funds you bought based on persuasive talks offered by relationship managers, to the insurance policies that you bought to save taxes, list them all. Do not forget the provident fund, the bonds, deposits, post office savings and PPF and the gold and silver that lies in the lockers.

All of these are assets that are meant to be of use to you when you need them. Begin by asking when you last used them and when do you intend using them. Many of us think that the act of accumulating assets itself is a virtue and we do not have to anything beyond that. Assets must work for us. Put your assets to that test. If you needed to convert them to cash now, what would that entail?

If you find that selling the jewellery is likely to lead to severe marital discord, that asset is a write off for your purposes. You may not be able to realise its worth in money in your lifetime. You find that you cannot sell the stocks, funds or the property at the current market price, as that would result in a loss. The prices of stocks and funds have corrected so much in the crisis, that the gains made in the last few years have been wiped out. Some of the investments made earlier are still in the money, which is a consolation. The property you purchased can be listed for sale, but the demand is so weak that you do not know when you might have a deal. There is some interest flowing from the deposits andbonds. The PF and PPF are accumulating at a smaller but positive rate.

If you had a period of 12 months of no income—no salary to be earned, no income from the business or profession, but a household that still needs to run and expenses that still have to be met—how will your assets help you? Which one will you sell? If you cannot pay the EMI of the house you currently live in, where will you find the funds? You can bear the risks of the equity markets having fallen sharply, only if you have other assets that you can access when in need. If your assets are all locked in your business, and if that business is not generating any revenue now, how would you manage the coming recession?

Stores of value are worthwhile only if they can step up and be useful when we need them. Not if they also lose value, freeze up, or get locked when you must access them. Do your assets pass that stress test? Do you have enough in easily accessible assets like a bank FD, a liquid fund, or a short-term bond fund that will fund your household in a crisis? Can you get through this period without having to distress sell other assets at marked down prices?

Make a disaster plan for your household. On the one side, list the items of expense that you must incur. Everything from rents, fees, utilities, groceries, medicines, and such routine items that keep your body and soul together must figure there. Estimate these essential expenses for 12 months. On the other side, list the current value of your assets, and earmark which are the ones you will access to meet these expenses. Assume no routine income for the household. How are you faring? Without denial that crises only happen to others, take stock of your assets, as if you must liquidate them. Know how they stand that stress test.

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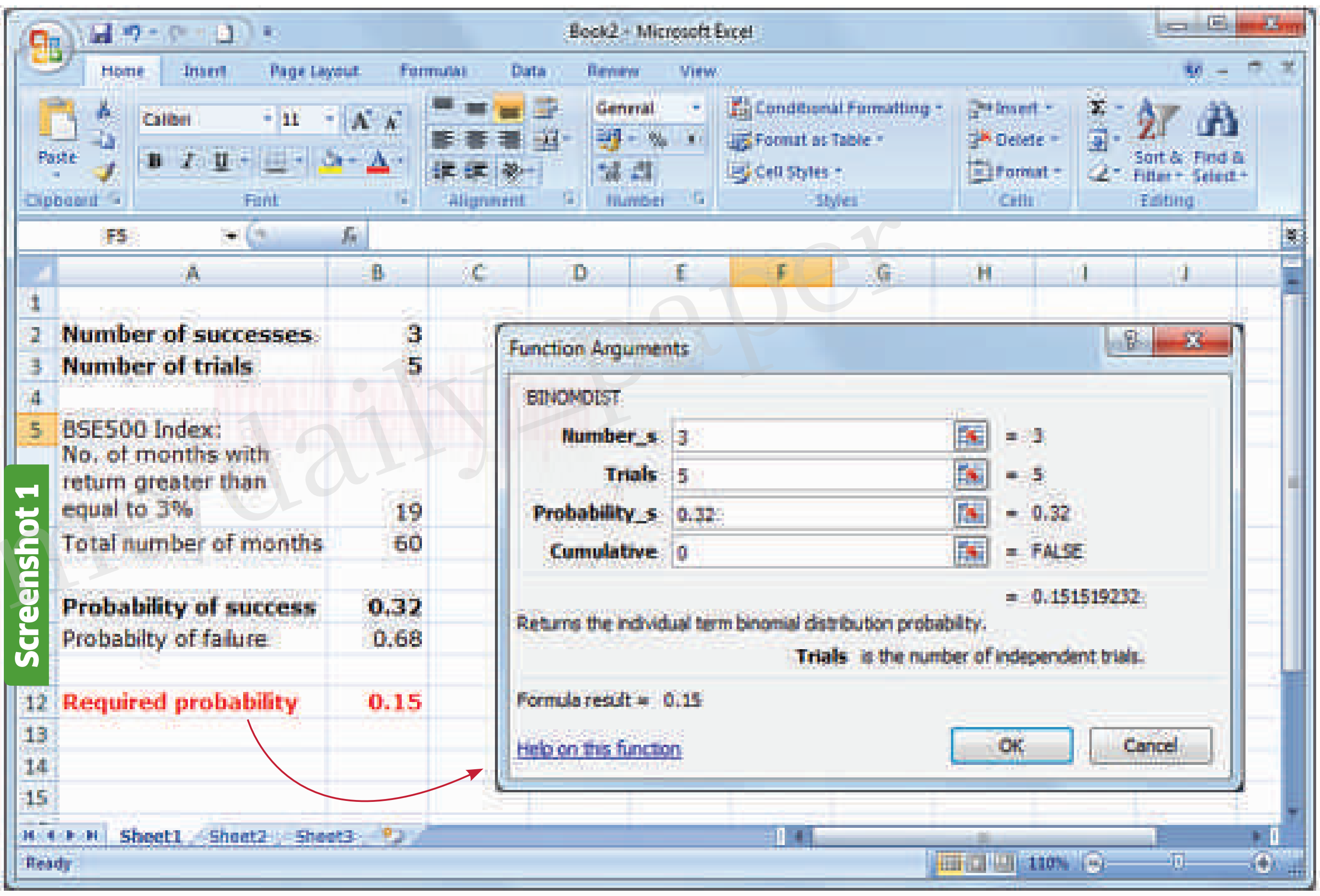
Apply binomial distribution to assess chance of success

Another application is to find out the probability of a company reporting positive growth in the EPS.

by **Sameer Bhardwaj**

A tool to estimate probability of random events

MS Excel helps you compute the binomial distribution with the BINOMDIST function.



Screenshot 1

	A	B
1		
2	**Number of successes**	**3**
3	**Number of trials**	**5**
4		
5	BSE500 Index: No. of months with return greater than equal to 3%	19
	Total number of months	60
	Probability of success	**0.32**
	Probabilty of failure	0.68
12	**Required probability**	**0.15**
13		
14		
15		

Function Arguments

BINOMDIST

Number_s 3 = 3

Trials 5 = 5

Probability_s 0.32 = 0.32

Cumulative 0 = FALSE

= 0.151519232

Returns the individual term binomial distribution probability.

Trials is the number of independent trials.

Formula result = 0.15

Statistical distributions are extensively used to capture the randomness in investment management. Such randomness, which creates volatility, arises due to the interaction of factors such as economic growth, political uncertainty, epidemics, natural or man-made disasters, and investors' psychology. Statistical distributions help in estimating the probability of random events. Also, the variability of the occurrence of a random event can be estimated. This makes the investors confident of being able to manage the uncertainty.

There are several distributions in the statistical theory and it is important to choose the one that closely approximates the data pattern of a random event. Such random events can be the future return or the prices of financial assets like stocks, commodities, or corporate numbers (sales, profits, margins). Broadly, the statistical or probability distributions are classified as continuous and discrete. The former can take an infinite number of values between a defined range, whereas the latter can take a finite number of values. Normal distribution that is widely applied in stock market analysis is a continuous probability distribution. This is because a stock return can take infinite number of possible values in percentage.

However, to estimate probabilities when the random event can possibly take place, only two values, the binomial distribution, (a discrete probability distribution) is used. In other words, such distribution is helpful when there are only two outcomes, an event happening or not happening. A simple example is the tossing of a coin that has only two possible outcomes, a head or a tail. If getting head is defined as a success, the binomial distribution is simply the method of obtaining the probability of 'k' successes in a fixed number of trials (n). For instance, if one tosses the coin 10 times, what is the probability of obtaining exactly 4 heads? Here 'k' is 4 and 'n' is 10.

Applying binomial distribution to financial markets helps investors to determine their chances of success in a fixed number of attempts (or trials). Looking at the monthly returns of BSE500 index for the past five years, the index has generated a return greater than 3% in 19 out of 60 months. The binomial distribution will help to find out the probability of getting a monthly return greater than 3% in 3 ('k') out of 5 ('n') attempts. There are only two outcomes, return greater than or equal to 3% or return less than 3%. As the variable of interest is the BSE500 return, greater than 3%, therefore the probability of success is 0.32. Such probability is estimated using the historical data and calculated by dividing the number of months where the return was greater than or equal to 3% (19) by the total number of months (60). One can define different levels of 'n' and 'k' and also modify the success factor as per requirements. For instance, one can define success as BSE500 returns greater than 5% or any other percentage.

Another application of binomial distribution is to find out the probability of a company reporting positive growth in the EPS. Ultratech Cement has reported positive growth in adjusted EPS for six years out of the past 11 years. The binomial distribution will enable an analyst to find out the probability that the company will report positive EPS growth in 4 (or 'k') out of the next 7 (or 'n') years. There are two outcomes, positive growth in EPS and negative growth in EPS. The probability of success or positive growth in EPS is 0.54 (6 divided by 11).

The computations of binomial distributions involve mathematical applications of combinations and exponents. To manage such calculations, MS Excel's 'BINOMDIST' function appears very useful. The function requires four inputs; the first input 'Number_s' is the number of successes in trials or 'k'. The second input 'Trials' is the number of trials or 'n'. The third input 'Probability_s' is the probability of success (calculated using historical data). The last input cumulative takes either 0 or 1 as input. If the user input is 0, the function will result in a probability of exactly 'k' successes, whereas if the input is 1, the function will return the cumulative distribution function. For this article, only the former is relevant.

Let us look at the 'BINOMDIST' function using the BSE500 example mentioned above. After putting the values, the probability of obtaining return greater than 3% in exactly 3 out of the 5 attempts is 0.15 or 15% *(Screenshot 1)*. If the number of successes is reduced from 3 to 1, the probability jumps to 0.35 or 35%. This implies that there is a higher chance of obtaining a return greater than 3% in any one out of the five attempts compared to getting more than 3% in all of the three out of five attempts.

Irrespective of its usage, the applications of binomial distributions in financial markets are not free from imperfections due to the lack of independence in successive trials. One of the conditions of the binomial distribution is that the preceding trials have no influence on the succeeding trials. However, as stock or index returns in any period get influenced by the prior period returns therefore, the condition of independence of successive trials is not always fulfilled.

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Q&A

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.

I have been investing ₹3,000 each in Mirae Asset Emerging Bluechip Fund and L&T India Value Fund since December 2018. I also invest ₹4,000 each in Reliance and SBI Small Cap. Given the current scenario, should I continue with the SIPs or put them on hold? Also, please suggest new funds I can invest in.

All your investments are in aggressive funds. This will mean significant hits in markets such as the present one. Continue with the Mirae and SBI funds and stop SIPs in the other two to reduce exposure to risky categories. Consider adding an index fund like the UTI Nifty Next 50 and possibly a fund like Motilal Oswal Nasdaq 100 FoF for global exposure. Make sure you have debt in other forms like FD, PF or post office schemes.

Vidya Bala,
Co-Founder, PrimeInvestor.in

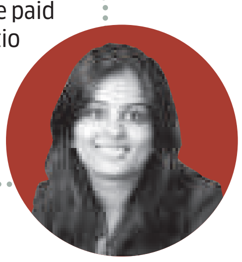
I have an SBI Max Gain home loan at 8.55% under the MCLR option. When I saw RBI had reduced the repo rate substantially, I checked with my bank for a lower interest rate. They told me to switch to EBLR and there is a ₹5,900 charge for the same. Should I make the switch? I also want to start investing in NPS Tier 2. Please advise.

I am surprised that a home loan is being linked to EBLR when it is meant for loans to SMEs as per a circular released by SBI. Assuming that home loans can be linked too, you should weigh the one-time cost of ₹5,900 against the long-term benefit of a lower interest rate and decide accordingly. If you feel the bank's demand is not in order, shift this loan to another bank. NPS is a good option and hence you may commence an SIP. Please note that every SIP instalment will attract some fixed charges, over and above the fund management charge. Hence, it is cheaper to undertake fewer transactions of higher value rather than several low-value transactions.

Jayant R. Pai
CFP and Head - Products, PPFAS Mutual Fund

We are three sisters. We bought a flat after selling our ancestral property in 2002. Now we wish to sell it. Can I tell the buyer to give the entire amount to my elder sister and then take my share from her by cheque and sign an agreement as gift to avoid capital gains tax? Does my elder sister need to pay the capital gains tax?

If a property is sold at a gain, capital gains tax needs to be paid on the gains by the title holders of the property in the ratio of their ownership. It does not matter in whose bank account the money is received. Therefore, if you hold the title to the property then you need to offer your share of gains to tax in your tax return. However, you may use investment modes prescribed in Section 54 of the Income tax Act to save this tax.



Shubham Agrawal
Senior Taxation Advisor, TaxFile.in

QUESTION OF THE WEEK

I am investing in mutual funds to create a corpus for my retirement which is 10 years away and my daughter's marriage in five years. I invest ₹5,000 each in UTI Midcap, UTI MNC, Invesco Growth Opportunity, HDFC Mid Cap and Axis Bluechip. I also invest ₹12,000 each in Invesco Contra and Motilal Oswal 35 Focused Fund. Am I on the right track?

You can continue with the funds you are already invested in. However, I would suggest two changes. You can substitute your investments in UTI Mid Cap and Motilal Oswal 35 Focused Fund with Mirae Asset Emerging Bluechip and Axis Focused 25 Fund, respectively. As Mirae Asset Emerging Bluechip belongs to the Large and Midcap category, investing in this fund will increase your large cap exposure. Axis Focused 25 invests in 25 companies from all market caps that are least likely to be affected by changing business cycles and short-term market volatility. While initiating SIPs in these funds, opt for direct plans. Additionally, I would suggest you top up your existing investments (barring UTI Midcap and Motilal Oswal 35 Focused Fund) in a staggered manner if you have surplus cash you will not need for at least 5 years. With equity markets having corrected by around 30% from their January peaks, topping your existing investments will further average your investment cost and help in restoring your original asset mix.

Naveen Kukreja
CEO and Co-Founder, Paisabazaar.com

I have a family floater policy taken five years ago. I developed hypertension two years ago. My policy document says I don't have any pre-existing diseases. Now I want to port to another insurance company. I will mention I am suffering from hypertension, but will that mean a longer waiting period? How will I let my insurer know that I developed the disease after taking insurance?

When porting health insurance, policyholders do not lose out on credits earned for not filing any claims, nor do they have to wait for a pre-existing disease to be covered. In your case, hypertension is not a pre-existing disease as you developed it after buying your current policy. Hence, there will not be any hypertension-specific waiting period. However, the new insurer does have the right to underwrite the case as per its specific conditions and then decide upon issuing you a policy. You must declare in the portability proposal form that you developed hypertension during your previous policy period, so that the insurance company is aware of the details.

Yashish Dahiya
Co-founder and CEO, Policybazaar.com

I am 46. I have been saving for my 17 year old son's education and my retirement. I invest ₹45,000 a month through SIPs in HDFC Mid Cap Opportunity, Top100, Small Cap and Retirement Savings funds, ICICI Prudential Multi Asset, Equity and Debt and Value Discovery funds and Franklin Equity Fund for the past two years. In the present scenario, should I continue with the SIPs? I need the money in 3-4 years.

With your goals just 3-4 years away, you have two tasks: 1) Systematically moving out of equity funds and managing portfolio risk, and 2) Earning returns and maintaining capital protection amid market fluctuations. In the present scenario, do not redeem your existing equity portfolio and book permanent loss. Staying invested can help you recoup the prevailing loss in investment value and earn better returns. You should hold your funds and continue SIPs in less volatile funds. Invest ₹20,000 through SIPs in aggressive hybrid funds like SBI Equity Hybrid Fund, DSP Blackrock Equity and Bond Fund and ICICI Prudential Debt and Equity Fund. Put ₹25,000 towards shorter debt funds like HDFC Short Term Debt Fund and Axis Short Term Fund. Once the market improves, use Systematic Transfer Plans to switch gradually from equity to liquid funds. This will ensure maximum returns from your portfolio.

Raj Khosla
Founder and Managing Director, MyMoneyMantra.com

Ask our experts

Have a question for the experts?
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Notes: *As on Dec 2019. **As on April 13, 2020. #These values are 2020 GDP growth projections from IMF; First one is projection made in January and next one in April. ^Covid impact / million population; **Source:** Worldometer; Data as on 14 April 2020. Compiled by ETIG.

Enough time to reach goals

Pune-based Pendse needs to link his investment to goals and secure his risks for a smooth journey.

by **Riju Mehta**

Yatin Pendse, 35, lives with his homemaker wife and one-year-old child, in his own house, in Pune. He gets a monthly salary of ₹80,000, and his portfolio includes property worth ₹70 lakh, cash of ₹3 lakh, debt worth ₹10.1 lakh in the form of EPF, PPF and fixed deposit, and equity worth ₹10 lakh in the form of mutual funds. He has no loans and after considering his household expenses, contribution to his parents, insurance premium and investment, he is left with a surplus of ₹22,800. His goals include building an emergency corpus, saving for his spouse's business, child's education and wedding, taking a vacation, and retirement.

The financial planning team from Fincart suggests that Pendse build a contingency corpus of ₹2.5 lakh, which is equal to six months' expenses. He can allocate his cash for the same and put it in a liquid fund. Since Pendse's wife wants to start her own business in two years, he wants to save ₹5.6 lakh for the same. For this, he will have to assign his remaining cash and fixed deposit and and start an SIP of ₹19,178 in an equity savings fund.

To fund his child's school admission in three years, Pendse has estimated a need ₹3.3 lakh. For this, he can start an SIP of ₹8,191 in an equity savings fund. For the child's higher education in 17 years, he will need ₹75.8 lakh and can meet this goal by allocating his mutual fund corpus of ₹10 lakh. For the child's wedding, he needs ₹40.4 lakh in 23 years and can start an SIP of ₹2,864 in a diversified equity fund after two years when the business goal is completed. For his retirement in 25 years, he will need ₹3.01 crore. He will have to allocate his EPF and PPF corpuses for this goal, and start an SIP of ₹9,852 in a diversified equity fund. Due to lack of surplus, he can start with ₹8,400 and increase it after two years. He should also put in ₹500 a month in the PPF. He is also advised to put off his vacation goal for now.

For life insurance, Kumar has two term plans of ₹1 crore. Fincart advises him to close both the plans and, instead, buy one term plan of ₹1.5 crore, which will cost him ₹1,417 a month. For health insurance, he has a ₹5 lakh family floater plan provided by his employer. Fincart suggests he also buy an independent family floater plan of ₹5 lakh and a top-up plan of ₹20 lakh with a deductible of ₹5 lakh. The premium for this will amount to ₹1,406 a month.

Portfolio

ASSET	CURRENT VALUE (₹)
Real estate	70 lakh
Cash	3 lakh
Debt	
EPF	6 lakh
PPF	3 lakh
Fixed deposit	10,000
Equity	
Mutual funds	10 lakh
Total	92.1 lakh

LIABILITIES	CURRENT VALUE (₹)
Loans	Nil
Total liability	Nil

Net worth	₹92.1 lakh

Cash flow

	EXISTING (₹)	SUGGESTED (₹)
Income	80,000	80,000
Outflow		
Household expenses	35,833	35,833
Contribution to parents	5,000	5,000
Insurance premium	1,367	2,823
Investment	15,000	36,269
Total outflow	57,200	79,826
Surplus	22,800	74

Financial plan by **FINCART**

YATIN PENDSE, 35 YEARS, SALARIED, PUNE

How to invest for goals

GOAL	FUTURE COST (₹) / TIME TO ACHIEVE	RESOURCES USED	INVESTMENT NEEDED (₹/MONTH)
Emergency fund	2.5 lakh	Cash	-
Spouse's business	5.6 lakh / 2 yrs	Cash, FD	19,178
Child's admission	3.3 lakh / 3 yrs	-	8,191
Child's education	75.8 lakh / 17 yrs	Mutual funds	-
Child's wedding	40.4 lakh / 23 yrs	-	2,864*
Retirement	3.01 crore / 25 yrs	EPF, PPF	8,400**
Investible surplus needed			35,769

* Investment for this goal will begin after two years on completion of business goal.
** Investment needed for this goal is ₹9,852, but due to lack of surplus, he can start with ₹8,400 and increase it after the completion of business goal in two years.
Annual return assumed to be 12% for equity, 8% for hybrid funds. Inflation assumed to be 6%.

Insurance portfolio

INSURANCE	EXISTING COVER (₹)	EXISTING MONTHLY PREMIUM (₹)	SUGGESTIONS	SUGGESTED MONTHLY PREMIUM (₹)
Life insurance				
Term plan (2)	1 crore	1,367	End both. Buy ₹1.5 crore plan	1,417
Traditional plan	-	-	-	-
Ulips	-	-	-	-
TOTAL	1 crore	1,367	₹1.5 crore	1,417
Health insurance				
Employer's	5 lakh	-	-	-
Own	-	-	Buy ₹5 lakh family floater+₹20 lakh top-up	-
TOTAL	5 lakh	-	₹30 lakh	1,406
Critical illness & accident disability	-	-	-	-
TOTAL	-	-	-	-
Insurance cost	-	1,367	-	2,823

Premiums are indicative and could vary for different insurers.

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Looking for a professional to analyse your investment portfolio? Write to us at etwealth@timesgroup.com with 'Family Finances' as the subject. Our experts will study your portfolio and offer objective advice on where and how much you need to invest to reach your goals.

GETTYIMAGES

Art of talent stacking

Here is how you can be the world's best in a short time, says **Devashish Chakravarty**

Talent stacking or skill stacking is the most efficient way to multiply your earning ability. Recognise that the most successful people in the world enjoy rewards disproportionate to the rest. The athlete who wins the Olympic gold by a hair's breadth earns far more fame and fortune than the second guy. Similarly, the world class salesperson earns commissions many times more than his colleague who is merely good. Thus, being the world's best in what you do is the path to wealth. However, not everyone has the time, ability and resources to single-mindedly pursue one skill to perfection while beating hundreds of other equally motivated competitors. There's a faster way to achieve greatness.

What's a skill stack?

Robert Kiyosaki, the author of *Rich Dad, Poor Dad* states that most people are one skill away from great wealth. What he means is that when you acquire additional complementary skills that make you unique in the market, you can earn much more. Scott Adams, the creator of the Dilbert comic strip made the term "talent stacking" popular. He believes that he is neither the best artist, nor the best writer nor a world class businessperson. However, he is unique in the world because he possesses all three complimentary skills to a reasonable degree and his talent stack makes him special enough to amass nearly 150 million daily readers and an estimated personal net worth of $75 million. Similarly, consider the latest crop of Instagram or TikTok influencer millionaires. Their skill stack includes decent but not world class skills in a domain, say beauty products, industry knowledge, online marketing, presentation skills and video making.

Benefits of skill stacking

Instead of expending energy in being the top 0.01% in one skill, when you bring together a stack of supportive skills to deliver immense value you are able to spot and seize opportunities not available to you earlier. You are able to control your time, live without the fear of scarcity of opportunity or money and enjoy tremendous confidence. You are also able to recognise similar value in other people like you while you earn more money than before.

Why does it work?

It is easy to see how a person with a world class single skill can be successful. However, what the world needs is a combination of skills which are hard to find and thus valuable. Study professionals in your domain. All of them have one single skill with varying level of expertise. Most of the super-successful ones are not necessarily the best but have a couple of other skills that others don't have. Consider a good software developer who has decent inter-personal skills to work with his team, great presentation skills to convince clients, a strong professional network to find him opportunities and a story-telling ability to crack interviews. This person is in the sweet spot to bag the best pay and choice jobs.

Quantity over quality

The author Malcolm Gladwell made the 10,000 hour rule famous as a benchmark to achieve world class expertise in a skill through deliberate practice. However, you can adopt the easier contrarian approach of adding multiple skills at a decent level of expertise instead, knowing that each complementary skill will double your odds of success. Consider a great businessman who is successful through a collection of mediocre to decent expertise in product or domain, risk taking, sales, accounts, negotiations, team-building and fund-raising.

Right attitude

To approach skill stacking, first develop the right mental attitude of self-improvement. Your goal is to always and continuously work on yourself and not at a task or job. Firstly, know yourself. To do so, try your hand at everything that comes your way or that you find fascinating. Over time, you will know what you are good at and you like enough to enjoy the process. Secondly, continuously focus on applying your knowledge in all areas of your life to achieve mastery and push yourself through challenges that no one else would think of. To remain motivated, remind yourself of your ultimate goal of being world class.

Master plan

Your master plan for success is built on creating a unique value in the market that meets a need, pays money and is built with skills that are easy for you. Hence first research your domain to analyse which skills are valuable and which of these are rare. Now assess yourself on these skills and identify your competence levels and interest. Shortlist those skills which when put together in a stack will make you immensely valuable while sustaining your interest over a 5-year time frame at least. This will become your talent stack in due course.

Acquire skills like a pro

Study or work or get coaching to learn the next skill. Avoid all conventional wisdom restricting your learning speed. Follow the concept of deliberate practice where you embrace failure and suffering in the initial stages, constantly modify your practice routines, learn under an expert and target concrete milestones. Align your life around your learning routines and recovery time until you reach an advanced level. At this stage, you will enjoy the learning process. Now mix this with your existing skills to deliver extraordinary outcomes. Stick to your plan and learn to set yourself apart.

THE WRITER IS FOUNDER AND CEO AT QUEZX.COM AND HEADHONCHOS.COM.

ANALYSING FAMOUS TALENT STACKS

1 DONALD TRUMP

The US President may have left people nonplussed by his election and apparent success. However, Scott Adams has a different take and attributes his success to the talent stack of good public speaking, great understanding of politics, above average intelligence, world class understanding of branding and an ability to take risks.

2 AKSHAY KUMAR

Akshay Kumar, the only Indian in the Forbes list of world's highest-paid celebrities of 2019, may not be the world's best actor. But he has a complementary talent stack including martial arts expertise before physical fitness became popular, sense for comedy and a risk-taking ability to try new non-competitive genres including patriotism and social causes.

3 KUNAL BAHL

Kunal Bahl, the seemingly indestructible founder of Snapdeal, has resurrected his business multiple times after being written off. His stack includes great story-telling to get investor buy-in, immense risk-taking to pivot multiple times, inspirational communication for employees to push for impossible targets and complete focus in the current task by excluding all distractions.

4 M.S. DHONI

Neither the best wicket-keeper nor the best batsman in the world, Dhoni cemented his place in history with an astounding run as a cricketer and captain. The additional talents that distinguished him from the rest included a great tactical mind on the field, stoicism under pressure, motivational skills and ability to perform under stress.

5 CHETAN BHAGAT

Love him or hate him, you cannot ignore the largest selling Indian author in English writing, Chetan Bhagat. His supporters will not claim that Bhagat has the best literary skills, but he brings to the table a strong understanding of his middle-class audience, language aimed at the 6th grader, business savvy to write Bollywood-worthy books and great marketing.

Choosing a medical plan

A health insurance policy should be flexible and tailored for your specific needs.

Sujoy is a 40-year-old father of two who runs a computing business. He also supports his parents who live with him. He is considering buying a health insurance policy to cover the medical expenses of his family. Fortunately for Sujoy, except for his parents who struggle with heart ailments, his family has enjoyed good health. He believes that at this stage only his parents need health insurance. He recently heard about family floater health plans that can cover his entire family at a low premium. Considering the recent concerns on health, he wants to buy a plan as soon as possible. Has Sujoy taken the right decision?

GETTY IMAGES

Sujoy had to take two decisions. The first was whether his entire family needed insurance or only his elderly parents and the second was the type of health policy to buy. Apart from health insurance for his parents, Sujoy should also cover himself and his family. While they may be enjoying good health now, sudden illness or accident can result in large medical bills that will put a strain on their finances. The current health crisis underscores the need more than ever. Moreover, it is better to start early not only for the cost advantages but also because a record of uninterrupted health cover makes it easier to get insurance when you need it later in life.

The next decision that Sujoy had to take was about the type of policy to opt for. Sujoy has the option of taking a floater policy that will cover his entire family or take individual health policies. While the floater policy will give him the advantage of covering his whole family at a low premium and a larger sum assured, it comes with certain drawbacks. The most important drawback is that the premium will typically depend upon the age of the oldest member of the family being covered, in this case Sujoy's father. Given his age and medical complications, the premium will be higher. Taking a floater family policy has the additional issue of the policy terminating on the demise of the primary insured person. The others will then be without cover and have to take a new policy.

Sujoy should consider covering his parents separately with individual health policies so that they are adequately covered for their particular requirements. For himself, his wife and children a low cost family floater policy will work just as well since they are young and healthy. The decision on taking a family policy or individual policies should not be based on the cost alone but also the flexibility to tailor the health cover to suit their specific needs.

Content on this page is courtesy Centre for Investment Education and Learning (CIEL).
Contributions by Girija Gadre, Arti Bhargava and Labdhi Mehta.

SMART THINGS TO KNOW

Ways to invest in gold

1 Gold can be bought in the physical form as jewellery. However, this form involves concerns about quality, safety and high costs.

2 Physical gold can also be bought as coins or bars from jewellers, banks and other avenues with hallmark for purity but still have concerns about safety.

3 Exchange Traded Fund is a low-cost way of owning gold on paper that can be bought and sold on the exchange when required and is subject to tax at redemption.

4 Sovereign Gold Bonds are issued by the government and are available for purchase during intervals when they open up every few months and are good for long-term gold investment and are tax-free on redemption.

5 Digital gold is a mode of investing in physical gold through online platforms. This physical gold is safely stored centrally which can be redeemed as physical gold or be can resold to the vendor.

PAPER WORK

Investing in shares

To be able to invest in equity shares traded on the stock exchange, it is important to have the right accounts opened. A demat account, a trading account and a bank account are the three pillars that allow investors the right framework to invest in shares. Banks usually offer a 3 in 1 account that allows investors to open and link all three accounts at one go.

Single form

A single 3 in 1 account opening form can be filled by the investor to open the required accounts. Details of all holders need to be provided in the form. The account opening form has a separate KYC form or captures KYC details of the investors including their name, bank details, PAN, address, Aadhaar, income details, tax status etc. Nomination can also be made at the time of opening the account.

Documents

Self-attested copies of PAN card, address proof (Aadhaar card or driving license or voter ID or passport), a cancelled cheque / a cheque for account opening charges, if any, and a passport size photo is required for the documentation.

In person verification

Once the signed form is submitted at the bank branch, the details are verified and in person verification section of the form is filled and signed. The form and supporting documents are then sent for further verification and account opening process.

Existing demat account

An investor may have an existing demat account with another depository participant. In such a case, the investor can submit a request letter along with a Client Master List (CML) of the new demat account to the original Depository Participant so that investments are transferred to the new account without any charges.

Points to note

- It is important to check the demat account opening and maintenance charges as well as the right brokerage plan for the trading account.
- Many banks offer online account opening facilities wherein the account opening form can be filled online and submitted along with Aadhaar enabled KYC process.

The Economic Times Wealth
April 20-26, 2020

SMART STATS

ET WEALTH TOP 50 STOCKS

Every week we put about 3,000 stocks through four key filters and rate them on a mix of factors. The end result of this is the listing of the top 50 stocks based on the composite rating to help ease your fortune hunt.

In This Section
MUTUAL FUNDS - P18
LOANS AND DEPOSITS - P20
ALTERNATE INVESTMENTS- P21

	RANK		PRICE ₹	GROWTH%*		VALUATION RATIOS				RISK		RATING	
KEC International	1	1	157.65	27.51	45.85	8.34	1.67	3.88	0.20	2.07	1.24	34	4.76
JK Cement	2	3	970.65	23.81	95.69	26.41	2.78	1.84	0.27	1.59	0.75	30	4.87
Engineers India	3	2	65.10	38.54	34.49	11.13	1.75	6.85	0.27	1.90	0.66	15	4.20
HG Infra Engineering	4	4	160.00	39.61	69.05	8.01	1.54	0.32	0.14	2.35	1.00	16	5.00
Power Grid Corp of India	5	15	164.45	13.27	20.18	6.88	1.46	5.34	0.34	1.38	0.60	27	4.67
Birla Corp	6	5	419.40	11.97	69.28	12.68	0.72	1.83	0.18	2.11	1.03	11	5.00
Larsen & Toubro	7	6	812.80	19.66	25.93	12.77	1.82	3.47	0.50	1.75	1.10	42	4.83
JSW Energy	8	21	42.00	3.68	35.22	9.92	0.58	2.37	0.26	1.69	0.56	17	4.59
UltraTech Cement	9	11	3,367.00	27.92	87.49	37.58	3.22	0.35	0.47	1.64	0.91	45	4.53
Kalpataru Power Trans	10	19	175.85	14.08	25.93	5.78	0.87	3.65	0.25	2.03	1.12	21	4.76
Adani Ports & SEZ	11	7	251.90	29.41	27.07	13.05	2.14	1.36	0.43	1.90	1.13	25	4.76
Century Plyboards	12	9	112.65	11.92	50.47	16.62	2.53	0.94	0.33	1.82	0.74	20	4.60
Emami	13	13	230.25	11.70	79.52	33.92	4.95	3.60	0.38	1.78	0.69	34	4.12
Alkem Laboratories	14	14	2,709.00	27.69	74.09	42.74	5.98	1.12	0.59	1.22	0.42	22	4.36
Redington India	15	22	82.85	24.52	18.93	6.49	0.83	10.50	0.35	2.56	0.88	10	4.70
CCL Products India	16	12	184.75	24.99	31.45	16.11	2.97	3.67	0.48	1.73	0.86	10	4.80
Sobha	17	8	175.35	18.09	10.84	5.61	0.75	4.19	0.65	2.32	0.72	22	4.86
ITC	18	28	185.35	14.23	30.41	17.88	3.82	3.22	0.60	1.69	0.83	38	4.45
Prestige Estates Projects	19	23	181.85	38.52	33.30	16.43	1.61	1.62	0.55	2.97	1.02	18	4.50
Oberoi Realty	20	43	310.35	14.35	29.54	13.38	1.38	0.65	0.45	1.78	0.51	26	4.39
Manappuram Finance	21	18	112.05	0.90	72.34	10.19	2.08	2.04	0.15	2.67	1.54	15	4.53
Transport Corp of India	22	26	172.85	16.94	30.75	9.01	1.47	1.16	0.34	1.93	0.95	10	4.90
VRL Logistics	23	16	161.45	11.74	32.29	15.65	2.23	4.48	0.49	1.81	0.73	15	4.33
Gujarat Gas	24	24	235.15	36.49	142.41	38.65	7.34	0.44	0.25	1.77	0.82	30	4.00
Sun Pharmaceutical	25	29	454.45	22.27	46.49	41.89	2.69	1.32	0.89	1.65	0.69	41	4.07
Mphasis	26	25	675.60	24.15	13.18	12.13	2.41	4.01	0.80	1.46	0.70	33	4.30
Blue Star	27	44	504.60	24.22	39.96	25.66	5.60	4.21	0.66	1.62	0.82	27	4.07
HeidelbergCement India	28	30	153.50	13.11	41.13	15.68	2.96	1.02	0.37	1.95	1.03	18	4.50
Ipca Laboratories	29	33	1,602.75	36.30	79.10	45.64	6.50	0.31	0.58	1.48	0.23	26	4.15
Mahanagar Gas	30	37	898.45	4.79	44.73	16.10	3.67	2.25	0.35	1.86	0.97	30	4.13
Rallis India	31	27	217.35	31.42	52.80	27.30	3.30	1.25	0.53	2.00	1.16	20	3.95
HCL Technologies	32	35	469.05	27.04	13.92	12.80	3.04	1.08	0.79	1.43	0.76	49	4.43
NMDC	33	32	79.75	6.61	4.83	5.20	0.95	7.03	0.37	2.44	0.74	22	4.50
NTPC	34	17	87.10	17.70	8.75	5.69	0.78	0.59	0.67	1.44	0.72	27	4.93
CESC	35	46	468.35	11.49	8.08	5.24	0.69	4.43	0.88	1.67	0.77	18	4.94
Reliance Industries	36	20	1,219.95	7.54	37.42	18.09	1.85	0.55	0.57	1.81	1.01	37	4.49
Aurobindo Pharma	37	10	460.20	27.69	20.25	11.39	1.94	0.68	0.55	2.79	1.17	35	4.43
Apollo Hospitals	38	36	1,279.85	27.08	87.26	75.64	5.36	0.51	0.83	1.85	1.01	23	4.87
Jubilant Life Sciences	39	31	341.35	10.55	25.13	9.26	1.13	2.92	0.39	2.27	1.07	13	4.46
Zee Entertainment	40	47	149.85	14.07	20.16	9.12	1.60	2.44	0.46	3.28	1.00	30	4.00
Ahluwalia Contracts India	41	--	160.90	14.37	20.90	9.04	1.44	0.20	0.30	2.30	1.13	18	4.50
Narayana Hrudayalaya	42	--	285.65	15.53	141.44	96.92	5.31	0.72	0.65	1.90	0.62	12	4.92
Motherson Sumi Systems	43	45	66.05	11.14	18.49	12.32	1.81	5.34	0.60	2.80	1.25	37	4.19
Crompton Greaves	44	38	224.85	13.66	40.50	35.55	13.00	0.95	0.88	1.43	0.63	37	4.68
Ajanta Pharma	45	39	1,408.10	37.45	41.27	31.98	5.51	0.95	0.79	1.61	0.69	13	4.31
Shree Cement	46	--	16,935.30	20.31	87.36	57.77	6.01	0.90	0.70	1.56	0.86	43	3.21
Dilip Buildcon	47	--	216.25	20.47	18.03	5.45	1.06	0.49	0.30	2.70	1.25	16	4.69
Thermax	48	40	710.35	4.43	41.12	24.57	2.81	1.97	0.64	1.35	0.41	32	3.06
Coromandel International	49	--	528.15	7.32	49.41	21.23	4.56	0.68	0.43	1.38	0.69	17	4.35
Ramco Cements	50	34	494.65	17.08	28.53	21.29	2.55	1.19	0.77	1.55	0.85	31	3.64

*REVENUE AND NET PROFIT GROWTH IS BASED ON CONSENSUS ANALYSTS' EXPECTATIONS. NR: NOT IN THE RANKING. DATA AS ON 16 APRIL 2020.

SOURCE: BLOOMBERG

1 Fast growing stocks

Top 5 stocks with the highest expected revenue % growth over the previous year

HG Infra Engineering

Engineers India

Prestige Estates Projects

Ajanta Pharma

Gujarat Gas

2 Least expensive stocks

Top 5 stocks with the lowest price-earnings ratio

NMDC

CESC

Dilip Buildcon

Sobha

NTPC

3 Best PEGs

Top 5 stocks with the least price-earnings to growth ratio

Manappuram Finance

KEC International

HG Infra Engineering

Birla Corp

Kalpataru Power Trans

4 Income generators

Top 5 stocks with the highest dividend yield (%)

Redington India	**10.50**
NMDC	**7.03**
Engineers India	**6.85**
Power Grid Corp of India	**5.34**
Motherson Sumi Systems	**5.34**

5 Least risky

Top 5 stocks with the lowest downside risk

Thermax

Coromandel International

Alkem Laboratories

Power Grid Corp of India

HCL Technologies

SEE DOWNSIDE RISK AND BEAR BETA COLUMNS IN THE ADJACENT TABLE.

ETW FUNDS 100

	Value Research Fund Rating	Net Assets (₹ Cr)	RETURNS (%)					Expense Ratio
			3-Month	6-Month	1-Year	3-Year	5-Year	
HYBRID: EQUITY SAVINGS								
Edelweiss Equity Savings Fund	★★★★	81.26	-3.62	-0.72	1.63	5.7	5.59	1.75
Kotak Equity Savings Fund	★★★★	1,448.79	-9	-5.72	-3.93	3.85	4.97	2.14
Axis Equity Saver Fund	★★★★★	679.59	-10.89	-8.12	-5.54	3.31	–	2.39
ICICI Prudential Equity Savings Fund	★★★★	1,202.05	-12.1	-7.63	-5.35	2.57	4.83	1.35
HYBRID: AGGRESSIVE (EQUITY-ORIENTED)								
SBI Equity Hybrid Fund*	★★★★★	26,924.55	-17.11	-12.14	-9.32	3.59	4.56	1.62
Canara Robeco Equity Hybrid Fund	★★★★	2,621.27	-13.74	-7.93	-6.74	3.58	4.84	2.02
Mirae Asset Hybrid Equity Fund	★★★★★	2,922.67	-19.37	-12.55	-13.87	2.12	–	1.9
DSP Equity & Bond Fund	★★★★	5,118.50	-17.59	-12.4	-9.23	1.08	4.37	1.95
Tata Retirement Savings Fund	★★★★★	938.25	-17.83	-12.68	-12.85	0.62	4.48	2.23
Principal Hybrid Equity Fund	★★★★	1,017.26	-17.88	-12.83	-17.91	0.55	4.45	2.27
HDFC Retirement Savings Fund - Hybrid Equity Plan	★★★★	330.96	-19.62	-14.33	-16.39	0.06	–	2.73
HDFC Children's Gift Fund	★★★★	2,518.65	-20.84	-15.84	-17.15	-0.06	3.08	2.01
ICICI Prudential Equity & Debt Fund	★★★★	16,219.25	-20.72	-14	-16.36	-0.37	3.81	1.82
HYBRID: CONSERVATIVE (DEBT-ORIENTED)								
Baroda Conservative Hybrid Fund*	★★★★	21.24	-0.05	1.61	8.61	6.55	6.46	2.07
ICICI Prudential Regular Savings Fund	★★★★★	1,621.69	-4.43	-1.06	1.98	5.76	7.17	1.91
Tata Retirement Savings Fund - Conservative Plan	★★★★	128.57	-4.52	-2	1	3.98	6.08	2.22
Indiabulls Savings Income Fund - Regular Plan*	★★★★★	24.75	-4.82	-2.15	-0.53	6.35	–	2
DEBT: MEDIUM- TO LONG-TERM								
Nippon India Income Fund	★★★★	295.63	3.38	4.05	12.69	7.74	7.86	1.62
IDFC Bond Fund Income Plan - Regular Plan	★★★★	672.13	3.36	3.84	12.02	7.03	7.72	1.91
SBI Magnum Income Fund*	★★★★	1,295.05	1.76	4.93	11.89	7.33	8.16	1.47
ICICI Prudential Bond Fund	★★★★	3,362.67	1.38	3.53	9.75	6.98	7.69	1.08
DEBT: MEDIUM-TERM								
SBI Magnum Medium Duration Fund*	★★★★★	3,275.74	1.78	4.42	10.74	8.03	8.59	1.13
IDFC Bond Fund Medium Term Plan - Regular Plan	★★★★★	3,005.98	2.1	3.25	9.17	6.99	7.55	1.44
HDFC Medium Term Debt Fund	★★★★	1,373.05	1.2	3.37	8.14	6.73	7.57	1.29
Indiabulls Income Fund - Regular Plan*	★★★★	30.26	2.19	3.2	7.57	7.67	7.55	0.9
DEBT: SHORT-TERM								
L&T Short Term Bond Fund	★★★★	4,777.69	1.8	3.62	8.73	7.34	7.61	0.73
Axis Short Term Fund	★★★★	4,821.27	1.38	3.45	8.67	7.28	7.75	0.95
HDFC Short Term Debt Fund	★★★★★	11,203.95	1.22	3.4	8.61	7.55	7.93	0.39
IDFC Bond Fund Short Term Plan - Regular Plan	★★★★★	11,573.18	1.43	3.37	8.59	7.31	7.63	0.8
Kotak Bond - Short Term Regular Fund	★★★★	9,526.45	1.3	3.18	8.41	7.03	7.59	1.13
Baroda Short Term Bond Fund*	★★★★	279.54	1.32	3.25	8.18	7.41	8.06	1.29
DEBT: DYNAMIC BOND								
SBI Dynamic Bond Fund*	★★★★★	1,342.04	2.33	4.38	13.11	7.67	8.47	1.67
IDFC Dynamic Bond Fund - Regular Plan	★★★★	2,102.16	3.89	4.5	12.88	7.5	8.1	1.8
Edelweiss Dynamic Bond Fund - Regular Plan	★★★★★	45.62	3.13	4.42	11.94	7.98	7.59	1.04
Quantum Dynamic Bond Fund - Regular Plan	★★★★	60.04	2.99	5.06	11.82	7.6	–	0.68
Axis Dynamic Bond Fund	★★★★	488.21	1.44	3.57	10.36	7.16	7.84	0.65
ICICI Prudential All Seasons Bond Fund	★★★★	2,996.88	2.3	4.79	10.26	7.61	8.63	1.34
PGIM India Dynamic Bond Fund	★★★★	46.19	1	2.44	9.5	7.36	7.97	1.75
Kotak Dynamic Bond Fund - Regular Plan	★★★★★	1,016.82	1.12	2.89	9.38	7.97	8.77	1.08
DEBT: CORPORATE BOND								
HDFC Corporate Bond Fund	★★★★	12,828.12	1.66	3.4	9.14	7.72	8.26	0.5
Aditya Birla Sun Life Corporate Bond Fund	★★★★	16,897.27	1.52	3.41	8.69	7.68	8.22	0.45
ICICI Prudential Corporate Bond Fund	★★★★	11,735.52	1.22	3.37	8.5	7.36	7.99	0.56
Kotak Corporate Bond Fund - Standard Plan	★★★★★	4,305.69	1.28	3.21	8.4	7.79	8.08	0.6
Franklin India Corporate Debt Fund	★★★★	1,466.06	0.23	2.95	7.43	7.52	7.89	0.92

All equity funds ranked on 3-year returns. Debt funds ranked on 1-year returns.

3.6%
THE 3-YEAR RETURN OF SBI EQUITY HYBRID FUND IS THE HIGHEST IN ITS CATEGORY.

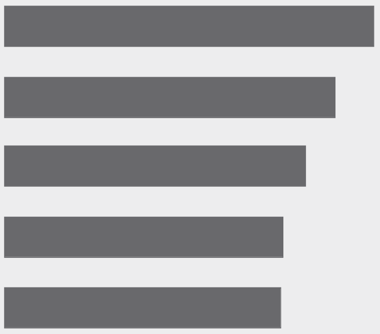
12.7%
THE 1-YEAR RETURN OF NIPPON INDIA INCOME FUND IS THE HIGHEST IN ITS CATEGORY.

13.1%
THE 1-YEAR RETURN OF SBI DYNAMIC BOND FUND IS THE HIGHEST IN ITS CATEGORY.

Expense as on 31 March 2020
*Expense as on or before 31 March 2020
Returns as on 15 April 2020
Assets as on 31 March 2020
Rating as on 31 March 2020

1 Top 5 SIPs

Top 5 equity schemes based on 10-year SIP returns



SIP: SYSTEMATIC INVESTMENT PLAN

% ANNUALISED RETURNS AS ON 15 APRIL 2020

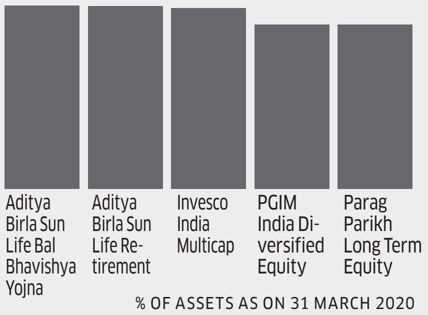
2 Top 5 MIPs

Top 5 MIP schemes based on 3-year SWP returns

SWP: SYSTEMATIC WITHDRAWAL PLAN

% ANNUALISED RETURNS AS ON 15 APRIL 2020

3 Mid & Small Cap exposure of multi cap funds



% OF ASSETS AS ON 31 MARCH 2020

LOANS & DEPOSITS

ET WEALTH collaborates with **ETIG** to provide a comprehensive ready reckoner of loans and fixed-income instruments. Don't miss the information on investments for senior citizens and a simplified EMI calculator.

Top five bank FDs

TENURE: 1 YEAR	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
Ujjivan Small Finance Bank	8.00	**10,824**
IDFC First Bank	7.25	**10,745**
RBL Bank	7.20	**10,740**
Indusind Bank	7.00	**10,719**
DCB Bank	6.75	**10,692**
TENURE: 2 YEARS		
Ujjivan Small Finance Bank	8.00	**11,717**
DCB Bank	7.30	**11,557**
IDFC First Bank	7.25	**11,545**
RBL Bank	7.25	**11,545**
AU Small Finance Bank	7.25	**11,545**
TENURE: 3 YEARS		
DCB Bank	7.60	**12,534**
AU Small Finance Bank	7.53	**12,508**
Ujjivan Small Finance Bank	7.50	**12,497**
IDFC First Bank	7.25	**12,405**
RBL Bank	7.00	**12,314**
TENURE: 5 YEARS		
DCB Bank	7.50	**14,499**
IDFC First Bank	7.25	**14,323**
AU Small Finance Bank	7.25	**14,323**
RBL Bank	7.15	**14,252**
Ujjivan Small Finance Bank	7.00	**14,148**

Top five senior citizen bank FDs

TENURE: 1 YEAR	Interest rate (%) compounded qtrly	What ₹10,000 will grow to
Ujjivan Small Finance Bank	8.50	**10,877**
RBL Bank	7.90	**10,814**
IDFC First Bank	7.75	**10,798**
DCB Bank	7.55	**10,777**
Bandhan Bank	7.50	**10,771**
TENURE: 2 YEARS		
Ujjivan Small Finance Bank	8.50	**11,832**
RBL Bank	7.95	**11,705**
DCB Bank	7.80	**11,671**
IDFC First Bank	7.75	**11,659**
AU Small Finance Bank	7.75	**11,659**
TENURE: 3 YEARS		
DCB Bank	8.10	**12,720**
AU Small Finance Bank	8.03	**12,694**
Ujjivan Small Finance Bank	8.00	**12,682**
IDFC First Bank	7.75	**12,589**
RBL Bank	7.70	**12,571**
TENURE: 5 YEARS		
DCB Bank	8.00	**14,859**
RBL Bank	7.85	**14,751**
IDFC First Bank	7.75	**14,678**
AU Small Finance Bank	7.75	**14,678**
Ujjivan Small Finance Bank	7.50	**14,499**

Top five tax-saving bank FDs

TENURE: 5 YEARS AND ABOVE	Interest rate (%)	What ₹10,000 will grow to
DCB Bank	7.50	**14,499**
IDFC First Bank	7.25	**14,323**
AU Small Finance Bank	7.25	**14,323**
RBL Bank	7.15	**14,252**
Ujjivan Small Finance Bank	7.00	**14,148**

ALL DATA SOURCED FROM ECONOMIC TIMES INTELLIGENCE GROUP (ETIGDB@TIMESGROUP.COM)

HOME LOAN RATES

With effect from 1 October, all banks have made the transition to external benchmarks for pricing new home loans. Most banks have picked the RBI repo rate as the external benchmark.

REPO RATE: 4.40%

BANK		FOR SALARIED		FOR SELF EMPLOYED (%)		
	RLLR (%)	FROM (%)	TO (%)	FROM (%)	TO (%)	WEF
SBI Term Loan	7.05	7.20	7.55	7.35	7.70	1 Apr 2020
Punjab National Bank	7.05	7.20	7.80	7.20	7.80	1 Apr 2020
Bank of India	7.25	7.25	7.55	7.25	8.15	1 Apr 2020
Central Bank of India	7.25	7.25	7.35	7.25	7.35	1 Apr 2020
UCO Bank	7.30	7.30	7.40	7.30	7.40	28 Mar 2020
Canara Bank	7.30	7.35	9.30	7.35	9.30	7 Apr 2020
SBI Max Gain	7.05	7.45	7.80	7.60	7.95	1 Apr 2020
Indian Overseas Bank	7.25	7.45	7.70	7.45	7.70	14 Apr 2020
Indian Bank	7.20	7.55	7.85	7.60	7.90	1 Apr 2020
J & K Bank	7.60	7.70	8.00	7.70	8.00	28 Mar 2020
Union Bank of India	7.20	8.05	8.35	8.05	8.35	1 Apr 2020
ICICI Bank	8.10	8.10	9.10	8.35	9.20	1 Apr 2020
Karur Vysya Bank	7.60	8.20	10.05	8.20	10.05	1 Apr 2020
Bank of Maharashtra	7.45	8.20	9.00	8.45	9.35	7 Apr 2020
Bank of Baroda	7.25	8.25	8.50	8.25	8.50	28 Mar 2020
Axis Bank	8.55	8.55	9.20	8.65	9.40	13 Apr 2020
Kotak Mahindra Bank	8.60	8.20	9.15	8.30	9.25	16 Jan 2020
IDBI Bank	8.25	8.25	8.60	8.45	9.00	16 Jan 2020
Federal Bank	8.55	8.55	8.65	8.60	8.70	16 Dec 2019
South Indian Bank	8.80	8.80	10.05	8.80	10.05	1 Jan 2020
Dhanlaxmi Bank	7.93	8.85	9.95	8.85	9.95	1 Mar 2020

Your EMI for a loan of ₹1 lakh

TENURE	5 YEARS	10 YEARS	15 YEARS	20 YEARS	25 YEARS
@ 8%	2,028	1,213	956	836	772
@ 10%	2,125	1,322	1,075	965	909
@ 12%	2,224	1,435	1,200	1,101	1,053
@ 15%	2,379	1,613	1,400	1,317	1,281

FIGURES ARE IN ₹. USE THIS CALCULATOR TO CHECK YOUR LOAN AFFORDABILITY.
FOR EXAMPLE, A ₹5 LAKH LOAN AT 12% FOR 10 YEARS WILL TRANSLATE INTO AN EMI OF ₹1,435 X 5 = ₹7,175

Post office deposits

	Interest (%)	Minimum investment (₹)	Maximum investment (₹)	Features	Tax benefits
Sukanya Samriddhi Yojana	7.60	250	1.50 lakh	One account per girl child	80C
Senior Citizens' Savings Scheme	7.40	1,000	15 lakh	5-year tenure, minimum age 60 yrs	80C
Public Provident Fund	7.10	500	1.50 lakh p.a.	15-year tenure, tax-free returns	80C
Kisan Vikas Patra	6.90	1,000	No limit	Can be encashed after 2.5 years	Nil
5-year NSC VIII Issue	6.80	100	No limit	No TDS	80C
Time deposit	5.50-6.70	200	No limit	Available in 1, 2, 3, 5 year tenures	80C#
Post Office Monthly Income Scheme	6.60	1,500	Single 4.5 lakh	5-year tenure, monthly returns	Nil
			Joint 9 lakh	5-year tenure, monthly returns	Nil
Recurring deposits	5.80	10	No limit	5-year tenure	Nil
Savings account	4.00	20	No limit	₹10,000 interest tax-free	Nil

Data as on 16 April 2020

Benefit available only for 5-year deposit

GETTYIMAGES

PROTECT YOUR PRIVACY ONLINE

Locked indoors, the Internet is now your most significant source of information, entertainment and communication. This increased usage also makes you susceptible to tracking by websites and apps for your data. **Karan Bajaj** tells how you can protect your personal information in a few simple steps.

CHECK IF YOU ARE BEING TRACKED

Do you want to know how many websites are tracking you via your browser? Head to *https://panopticlick.eff.org/* and click on the 'Test Me' button. The site will take a few seconds to scan your browser and then give you a checklist of privacy tests which your browser passed and failed. It will also offer suggestions to improve your protection. Disconnect (*https://disconnect.me*) is another useful tool that gets installed as a browser extension and then tells you what kind of tracking requests a website sends your browser and even lets you block particular requests to safeguard your privacy.

INVEST IN PAID SOFTWARE

Most of us choose to install a free version of antivirus or anti-malware programs available today and feel safe. However, the free version has limited functionality when it comes to protecting your privacy, and this is why its best to go for a premium paid version of a security suite. If you are thinking of how much it costs, then you will be surprised to know that most security suites are available for less than ₹1,000/year. The other software you should invest in is a VPN (Virtual Private Network). A VPN connects you to the Internet via an encrypted connection and that, too, through a different server. This makes it next to impossible for your online activity to be tracked.
We recommend using ExpressVPN or NordVPN.

GET RID OF UNUSED SERVICES

Do you remember how many services, newsletters and websites you have signed up for over the years? There are high chances that you have used the sign-in with Google or sign-in with Facebook button to skip the registration process, thus giving access to your personal data on numerous websites. Go to the 'Manage Your Google Account' section in Gmail > Security > Manage third-party access and remove access to apps/services you don't use anymore. Similarly for Facebook, go to Settings > Apps and websites to view and remove services with access to your account details.

CONTROL SOCIAL MEDIA INFORMATION

Social media websites are where we usually share the majority of our personal information. Our profiles are rich with details about our family, education, work experience, hobbies, photos, etc. and by default, this information is available for everyone to access, and this is a privacy nightmare. As a first step, control who sees your personal information for each social media website by heading to privacy settings and opting to show information to only your friends/followers instead of everyone.

REVIEW APP PERMISSIONS

Similar to how you sign up for services using Google/Facebook and give access to personal information to websites/services, smartphone apps also ask for access to a lot of information. Almost all of us say yes to the permission requested by apps without wondering how it impacts our privacy. Thankfully it's easy to control app permissions, and you should review them for all of your installed apps. Android users can go to Settings > Apps, tap on app name and view as well as control the permissions given to the app. For iOS, go to Settings > Privacy to see a list of installed apps. Tapping on the app name shows the permissions granted to the app along with the option to control them.

Scale down goals or hike monthly SIPs by ₹1 lakh

Raunaq Rajpal invests in equity funds for multiple goals. Here's what the doctor has advised him:

GOALS	1	2	3	4
	MARRIAGE EXPENSES: **3** years	**DOWNPAYMENT FOR HOUSE:** **7** years	**DOWNPAYMENT FOR CAR:** **7** years	**RETIREMENT INCOME: 36** years
	PRESENT COST: ₹**25 lakh**	PRESENT COST: ₹**50 lakh**	PRESENT COST: ₹**5 lakh**	CURRENT NEED: ₹**4 crore** (₹1.6 lakh per month)
	FUTURE COST: ₹**30.6 lakh**	TOTAL COST: ₹**80.2 lakh**	FUTURE COST: ₹**8 lakh**	CORPUS REQUIRED: ₹**45.7 crore**

PORTFOLIO CHECK-UP

- Started working last year and already has impressive corpus.
- Early start, high risk appetite and disciplined approach will prove beneficial.
- Ambitious goals need big jump in SIPs. They also have to be hiked by 15% every year.
- Stock investments are risky. Review portfolio regularly.

Note from the doctor

- Don't let money idle in savings account.
- Use debt funds and bank deposits to save for short-term goals.
- Invest in equities only if goal is more than 5-6 years away.

	FUND NAME	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION	NEW SIP (₹)
1	Savings bank balance	5,27,000	0	Put ₹5 lakh in a debt fund or bank FD and start SIP or recurring deposit of ₹60,000 per month.	60,000
2	L&T Midcap	16,250	2,000	Increase SIP amount to ₹8,000 in this stable mid-cap fund. Hike by 15% every year.	8,000
	IDFC Multicap	89,500	0	Don't withdraw. Restart SIPs of ₹8,000 in this stable multi-cap fund. Hike by 15% every year.	8,000
	HDFC Midcap Oppn	7,110	2,000	Fund has underperformed. Consider shifting to Mirae Asset Emerging Bluechip.	0
	Mirae Asset Emerging Bluechip	0	0	Start SIPs of ₹8,000 in this outstanding large and mid-cap fund. Hike amount by 15% every year.	8,000
	Nippon India Small Cap	27,300	5,000	Increase SIP amount to ₹8,000 in this stable small-cap fund. Hike by 15% every year.	8,000
	HDFC Hybrid Equity	15,110	1,000	Fund has underperformed. Consider shifting to Mirae Asset Hybrid Equity. Increase SIP to ₹8,000 and hike by 15% every year.	8,000
3	Kotak Standard Multicap	2,000	2,000	Hike SIP amount to ₹4,000 in this multi-cap fund. Hike amount by 15% every year.	4,000
4	Direct stock investments	70,000	0	Review portfolio regularly. Consider shifting to mutual funds instead of direct stock investments.	0
	Axis Bluechip	0	0	Start SIPs of ₹8,000 in this outstanding large-cap fund. Hike amount by 15% every year.	8,000
	NPS	6,300	3,000	Increase SIP to ₹6,000 and hike by 10% every year. Opt for maximum equity allocation.	6,000
	PPF	15,150	5,000	Keep contributing to this low risk option and hike by 10% every year	5,000
	TOTAL	**₹7,75,720**	**₹20,000**	The goals can be reached using the mutual funds marked in the same colour.	**₹1,23,000**

Early start brings ambitious goals within reach

Niraj Raval is saving for his kids' goals and his retirement. Here's what the doctor has advised:

GOALS	1	2	3	4	5
	FIRST CHILD'S EDUCATION: 19 yrs	**SECOND CHILD'S EDUCATION: 22** yrs	**FIRST CHILD'S MARRIAGE: 26** yrs	**SECOND CHILD'S MARRIAGE: 29** yrs	**RETIREMENT INCOME: 32** yrs
	PRESENT COST: ₹**20 lakh**	PRESENT COST: ₹**20 lakh**	PRESENT COST: ₹**15 lakh**	PRESENT COST: ₹**15 lakh**	CURRENT NEED: ₹**63 lakh** (₹25,000 per month)
	FUTURE COST: ₹**1.22 crore**	FUTURE COST: ₹**1.63 crore**	FUTURE COST: ₹**87 lakh**	FUTURE COST: ₹**1.07 crore**	CORPUS REQUIRED: ₹**5.5 crore**

	FUND NAME	AMOUNT INVESTED (₹)	EXISTING SIP (₹)	RECOMMENDED ACTION
1	Aditya Birla SL Value	34,200	2,000	Hike SIPs to ₹3,500 in this stable value fund and hike by 10% every year.
	HDFC Top 100	14,800	2,000	Fund has underperformed. Switch to Axis Bluechip, increase SIPs to ₹3,500 and hike by 10% every year.
2	Nippon India Small Cap	36,020	2,000	Fund has slipped but holds promise. Increase SIPs to ₹6,000 and hike by 10% every year.
3	SBI Magnum Multicap	25,126	1,000	Increase SIP amount to ₹1,800 in this stable multi-cap fund and hike by 10% every year.
4	Mirae Asset Emerging Bluechip	0	0	Start SIPs of ₹1,500 in this outstanding large and mid-cap fund. Hike amount by 10% every year.
5	Direct stock investments	2,20,000	0	Review stock portfolio regularly and consider investing through mutual funds. Start SIPs of ₹1,500 in an equity fund. Hike amount by 5% every year.
	PPF and fixed deposits	2,26,000	5,000	Keep contributing and hike amount by 5% every year. Do not withdraw before retirement.
	Provident Fund	1,72,000	6,000	
	TOTAL	**₹7,28,146**	**₹18,000**	

PORTFOLIO CHECK-UP

- Investing in equity funds for past 2-3 years.
- Portfolio is a good mix of small-, mid- and large-cap funds.
- Goals are very ambitious and require big increase in monthly investments.
- SIPs will also have to be increased by 10% every year.
- Stock investments are risky and require expertise. Consider mutual funds instead.
- Review investments and rebalance at least once in a year.
- Reduce risk when goal is near so that you don't miss the target.

PORTFOLIO DOCTOR

Not many investors know whether they have invested in the right funds and if their fund portfolio is on track. The Portfolio Doctor assesses the health of the fund portfolio, examines the schemes and their suitability with regard to the goals and, if required, recommends corrective measures. The advice given is based on the performance of the funds, the risk profile of the investor as well as his financial goals.

Assumptions used in the calculations

INFLATION

Education expenses	For all other goals
10%	7%

RETURNS

Equity funds	Debt options
12%	8%

PORTFOLIOS ANALYSED BY

RAJ KHOSLA,
Managing Director and Founder,
MyMoneyMantra

WRITE TO US FOR HELP

If you want your portfolio examined, write to etwealth@timesgroup.com with "Portfolio Doctor" as the subject. Mention the following information:

- Names of the funds you hold.
- Current value of the investment.
- If you have SIPs running in any of them.
- The financial goals for which you invested.
- How much you need for each financial goal.
- How far away is each goal.