Securities and Exchange Board of India

INVESTMENT PLANNING
FOR EXECUTIVES

Securities and Exchange Board of India

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1. INTRODUCTION

Just like how a house needs a strong foundation to withstand the elements, you need to have a solid financial foundation. Creating your financial foundation requires that you have the basics covered.

The first step in personal financial planning is controlling your day-to-day financial affairs so that you can do the things that bring you satisfaction and help you reach your goals. This is achieved by planning and following a budget. Controlling spending, saving money, and investing for the future are all important aspects of financial planning, but those things mean nothing if you don't have specific goals that you're trying to reach. In order to gauge your financial success, you need to have goals so that you can measure your success. The second step in personal financial planning is choosing and following a course toward long-term financial goals.

The four steps to setting financial goals:

- Identify and write down your goals
- Break goals down into short-term and long-term goals
- Educate yourself
- Evaluate your progress

Personal finance planning involves many things such as banking, investing, saving, spending, insurance and more. You've worked hard to build wealth and put your finances in order, so don't leave your financial security to chance. Saving, investing, and planning for the future won't mean much if it's all taken away due to an unforeseen emergency. Make sure you have protection where it's needed while not paying more than you have to.

An easy ratio to calculate is your net worth. With net worth you're essentially adding up all of your assets and measuring them against all of your liabilities. A positive number means you have more assets than liabilities while a negative number means you have more liabilities than assets. This number can help you track your financial progress from year to year.

2. BUDGETING

Creating a budget, it is vital to keeping your finances in order. Before budgeting begins, it is important to get all information. Budget means where the money is coming from, where it is spend and how much is being saved and invested.

Gathering information includes getting details of all bank statements, investment accounts, all bills and any information regarding a source of income or expense.

Get information on your monthly income – how much of your salary comes to your credit, what are the deductions, what is the cash left in hand.

Make the list of expenses – monthly and others. Total them to get a fair estimate of your expenses

Next to calculate totals of income and expenses. Once you know income exceeds expenses, it is a good situation. If expenses are higher, they need to be curtailed.

The balance left over can be used for investment and used to earn more income.

Expenses

'Cut your coat according to your cloth', goes an old saying. In real life, however very few of us follow this basic principle of life despite knowing the after effects of living beyond one's means and unmindful spending. Still, whenever confronted with any crisis, we tend to put the blame entirely on our income, as if that alone is responsible for our mess.

Analyzing needs and wants:- Controlling expenses becomes easier if you are able to segregate your 'must have' expenses – like expenses on food, housing, child care, utilities and loan payments – from 'wants'. Remember that it is easy to increase our expenses and spend on living an extravagant lifestyle. Once we get used to such a lifestyle it becomes difficult to curtail it. Always remember that a person has little control over his income and it is far easy to control one's expenses.

Remember that managing your expenses however does not mean that you should stop spending your money. It means cutting out things that are unnecessary, unproductive, unhealthy or relatively unimportant.

The best part about controlling expenses is that it is not rocket science, and all it requires is a bit of planning, self control and lots of discipline.

The first step to control expenses is to have a fair idea what the expenses are in the first place. The ideal way to control would be to budget for your expenses at the start of the month/ quarter and then leave some room for luxuries/ emergency expenses so that one does not feel guilty for splurging as well. At the end of the month the surplus money should be invested – even if its liquid funds – so that the start of the quarter can be reset to zero. It is important to ensure some forced savings by way of systematic investment plans, so that the temptation to spend a big chunk of your salary at the start of the month is reduced.

Inflation Risk

Inflation risk refers to the possibility of a reduction in the value of the income or assets, due to increase in prices leading to a lower purchasing power of the assets. Inflation risk destabilizes and weakens the performance of an investment.

Inflation has the effect of decline in demand of the customers regarding luxury products, owing to erosion of the real income.

Also known as the Purchasing Power Risk, Inflation Risk exerts the following effects on the economic conditions of a country:

Inflation Risk indicates that there are more chances of the inflation to rise than the original expectation, further reducing the purchasing power of money.

Inflation Risk continues to be a common matter of concern for the fixed income investors across the world. This is because inflation makes the currency of a country to lose its value. As a result, any investment involving flow of cash becomes vulnerable and prone to Inflation Risk.

Owing to Inflation Risk, the investor has a low return than his/her estimated expectation. This makes the investor to withdraw some part of a portfolio principal, in case he/she is dependent on it for his/her earnings.

Risk Appetite

Risk appetite is the amount of risk you can take on your investment. It is the point till which, despite losses you are ready to hold on to your investment, as you expect future rewards. Risk appetite also refers to the extent you are willing to risk your money to earn high rewards. Normally risky investments give higher returns and vice versa.

You risk appetite has to be proportional to your expectation. Your current situation also determines your risk appetite , If you are sound financially and can afford to stake your money in risky ventures even at some loss, your risk appetite is higher.

Your past experience with a particular asset is also important for your risk appetite. If you have burnt your fingers in a particular investment earlier on, you will be reluctant to do so again.

Risk appetite is a personal thing. It is subjective and there is no good or bad. You may be happy witn 8% p.a. returns, while your friend would like returns of about 10% p.a. at least.

Generally people choose a product which matches their return expectation and then compromise with the risk. However, the better thing would be to choose some thing which matches your risk-appetite on risk side and then accept that you deserve the returns provided by the product .

The choice of the best investment options will depend on personal circumstances as well as general market conditions. An investment for one objective may not suit the needs of the other. Right investment is a balance of three things: Liquidity, Safety and Return. Liquidity means the ease of converting investments to cash. Some liquid investments are required to meet exingencies. Safety refers to the level of risk of the investment. Some investments may promise high returns while the money may be lost. However, investments which offer good returns also ensure safe return of principal. Inflation is a risk, which reduces the real income of an investment. Return refers to the income generated by the investment. Risky investments offer high or sometimes no returns and safe investments offer steady but lower incomes.

There are several short-term and long-term financial investment options available, some of which are given below. These are covered in brief, however, the details of these are available in the Part A material of the financial education programs.

Setting Smart Goals

An important factor in achieving financial success is setting good goals that you can work towards. Financial goals have to be fairly flexible – if you are just starting the process of planning your finances then you will probably write some goals down, then do some analysis on your finances and see if those goals still make sense. Usually your goals will have to be rewritten several times in order to get them to match reality.

For a goal to be effective, it has to be SMART – i.e.- Specific, Measurable, Achievable, Realistic and Timely.

- **Specific** – A goal should be specific enough so that you can measure and track your progress, and be accountable. For example, instead of saying you want to be "rich", you can state that you want to have Rs 1 crore in 20 years

- **Measurable** – A goal should have concrete measurement. For example, "rich" is not a measurable goal, because you can't measure "richness" but Rs 1 crore is measurable. Remember when it comes to goals, they are either measurable or they aren't really goals at all

- **Achievable** - A goal should be attainable or actionable. Setting goals that even under the best of circumstances are not attainable will just lead to discouragement. This means that you can take practical steps toward achieving your goal — i.e., figure out how to make it come true. For example, to have Rs 1 crore, you'll have to reduce your expenses, save money, invest, and let compounding work for you over time

- **Realistic** – A goal has to be within the realm of possibility. In general, it's better to take 10 smaller steps than one huge leap. For example, Rs 1 crore might not be realistic and you might consider saving Rs 1,00,000 first. Once you reach Rs 1,00,000, you can up the ante to Rs 5,00,000, etc.

- **Time-bound** – A goal should be grounded within a time frame. A goal with out a timeline is a wish. Usually a short-term goal is less than one year, an intermediate-term goal as one to five years, and a long-term goal as greater than five years. Example, saving Rs 1 crore without a time frame attached to it is not a good goal, but saving Rs 1 crore in 20 years is grounded with a time frame and is a better goal

Once your goals are set. Visualize what accomplishing this goal will look like in life. Think about all the positive changes your goal will bring and keep that image in your mind. Eg:- I visualize paying off all my debts. I cannot wait to never have a debt again!

Take action every day. Never let a day go by without working on your goal. Never give up. You'll experience some setbacks to be sure, but you must persist

3. INVESTMENT OPTIONS AVAILABLE

Investment Options

Banks

The first type of investment option is the deposits and accounts in banks. They offer savings bank accounts, recurring deposit accounts and fixed deposit accounts. The chief feature here is safety but lower return and also offer high liquidity. Saving accounts are highly liquid but carry low interest. These can be used for day-to-day expenses and exingencies. Fixed deposits carry higher interest and can be used for planning for short to medium term goals like education, etc. The recurring deposit schemes are useful for putting away money every month.

Government Schemes

The Government of India has launched Income Tax Saving Schemes including:

- National Savings Certificates (NSC)
- Public Provident Fund (PPF)
- Post Office Scheme (POS)

Besides, ELSS offered by Mutual Funds and Infrastructure Bonds of Financial Institutions / Banks also offer tax benefit.

The incomes from the investments are exempt from Income Tax and the investments in these schemes are deductible subject to certain limits from the taxable income. These are especially useful for tax planning and are also safe investments.

Bonds

A Bond is a loan given by the buyer to the issuer of the instrument, in return for interest. Bonds can be issued by companies, financial institutions, or even the Government. The buyer receives interest income from the seller and the par value of the bond is receivable by the buyer on the maturity date which is specified. Bonds could be Tax Saving Bonds or Regular Income Bonds

Debentures

These are similar to bonds, but are issued by companies. There are different kinds of debentures, which can be offered. They are as follows:

- Non convertible debentures (NCD) – Total amount redeemed by the issuer
- Partially convertible debentures (PCD) – Part is redeemed and part is converted to equity shares with or without the option to the investor
- Fully convertible debentures (FCD) – Whole value is converted into equity. The conversion price is stated when the instrument is issued

Company Fixed Deposits

These are similar to bank fixed deposits, issued by companies to attract small investors. However, they are repayable only on maturity. They offer attractive interest rates, however, they are insecured. Ratings can be guide to their safety.

Mutual Funds

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate.

They are a useful tool of investment for those who are not well-versed with the securities market. They are professionally managed by fund managers who are well trained. The risk is spread out by owning shares in a mutual fund instead of owning shares and bonds.

Various Types of Mutual Funds

Each fund has a predetermined investment objective that tailors the fund's assets, regions of investments and investment strategies. At the fundamental level, there are three varieties of mutual funds:

- Equity funds (stocks)
- Fixed-income funds (bonds)
- Money market funds

Mutual Funds can also be classified as open-ended or closed-end, depending on the maturity date of the fund. Open-ended funds do not have maturity date and their units can be purchased or sold in the market. Closed-end funds have specific maturity date, after which the investment is refunded. They can also be listed on a stock exchanges.

Open-ended Funds

- An open-ended fund does not have a maturity date
- Investors can buy and sell units of an open-ended fund from / or the Asset Management Company (AMC), at the mutual fund offices or their Investor Service Centres (ISCs) or through the stock exchange.
- The prices at which purchase and redemption transactions take place in a mutual fund are based on the net asset value (NAV) of the fund

Closed-end Funds

- Closed-end funds run for a specific period
- On the specified maturity date, all units are redeemed and the scheme comes to a close
- The units shall be listed on a stock exchange to provide liquidity
- Investors buy and sell the units among themselves, at the price prevailing in the stock market

The other types of funds are variants and the investor can choose the type of fund depending on specific needs.

Equity Shares

A stock market is a public market for the trading of company shares at an agreed price; these are securities listed on a stock exchange.

The shares are listed and traded on stock exchanges which facilitate the buying and selling of stocks in the secondary market. The prime stock exchanges in India are The Stock Exchange Mumbai, known as BSE and the National Stock Exchange known as NSE. The purpose of a stock exchange is to facilitate the trading of securities between buyers and sellers.

Investing in equities is riskier than and definitely demands more time than other investments. However, this risk also carries good rewards. In the long run, equities outperform other modes of investment. Stocks are probably the best bet against inflation too.

There are two ways in which investment in equities can be made:

- Through the primary market (by applying for shares that are offered to the public)
- Through the secondary market (by buying shares that are listed on the stock exchanges)

Protection Related Products

Insurance Policies

Insurance, as the name suggests is an insurance against future loss. However, although life insurance is most common, there are other schemes that generate regular income and cover other types of losses.

The products include Life Insurance, Term Life Insurance, Endowment Policies, Money Back Policies,
Annuity/Pension Policies/Funds, New Pension Scheme, 2009, etc.

Health Insurance

Health Insurance policies insure you against several illnesses and guarantee you stay financially secure should you ever require treatment. They safeguard your peace of mind, eliminate all worries about treatment expenses, and allow you to focus your energy on more important things.

There are several health insurance or medical insurance plans in India. These can be divided into the following categories based in the coverage offered:

- Comprehensive health insurance coverage
- Hospitalisation Plan
- Critical Illness Plans
- Specific Conditions Coverage

Borrowing Related Products

With today's heightened cost of living, debts become a usual thing. A number of people apply for personal loans, car loans, mortgage loans, and a whole lot of others. There seems to be a loan for everything. Often, financial troubles begin as a result of too large debt.

Different Types of Loans Available include:
Personal Loans
Housing Loans
Reverse Mortgage
Loan Against Securities
Securities Lending and Borrowing
Credit Card Debt

These are also covered in detail in Part A of the Financial Education Program Material. For further details, kindly refer there.

However, although debt is essential, it is prudent to avoid excessive debt. Executives earning good salaries might find this laughable, however, it is a bitter reality that excessive debt has landed the most successful executive in trouble many a time.

4. RETIREMENT PLANNING

The conversion into retirement is a very unique and dramatic step in life. Yet, the transition into retirement is rarely given the planning or thought it deserves. Everyone wants to lead a comfortable retirement. Without adequate planning it probably won't happen. People are living longer than ever before, which is obviously good news, but that means retirement is becoming more expensive. So it is important to plan ahead and be financially prepared once you reach retirement age.

Retirement planning means setting aside of money or assets for the purpose of deriving some income during old age. This is to be done before reaching retirement age.

Remember, your aim is to make decisions that will be most effective in helping you realize your future financial goals, based on your current personal financial situation

1) Start Early and Retire Peacefully:- For example, if you start saving for retirement at age 25, so that you wish to retire by 60, you have an investment horizon of 35 years. If at the age of 25, you start investing Rs1,000 per month at the rate of 6% compounding then the maturity amount will be Rs 13,80,290. Alternatively if you commence the same investment at the age of 35, then the maturity value at the age of 60 will be Rs 6,79,580.
With a 10 year lag, the retirement savings at 60 years is more than halved.

2) Plan Wisely:- Set aside some money for medical expenditure and emergency needs after retirement. Allocate your resources towards necessary ends like children's education and marriage that you will incur in the course of time.

3) Track and Review your Plan:- The financial plan has to be reviewed at regular intervals to make sure whether the target meets the objectives. Also, understand and get comfortable with the risks, costs and liquidity of your investments.

4) Don't Dip into your Retirement Savings:- Don't touch this pool of savings pre- retirement. If you spend money from your retirement kitty to fulfil your present needs, you will lose out big in the long run. The corpus for your retirement will be much lower.

List down the five ways in which retirement planning was being done 30 years back

1.
2.
3.
4.
5.

What are the 5 things that you need to do for your retirement planning?

1.
2.
3.
4.
5.

How much you should invest to create your retirement fund?

Let suppose Ram at the age of 30 with monthly expenses of Rs 10,000 wants to retire at the age of 60 (Life expectancy of 75). What is the corpus he requires for his retirement assuming that he will require 80% of his present expenses? And how much amount he should save every month to build his retirement corpus?

To find the corpus and monthly investment , first of all we have to find that how much he will be spending every month at the age of his retirement , because his current expenses in money value are going to increase in future because of Inflation.

Step 1: Value of his expenses at the time of retirement with 5% Inflation?

No. of year after which you will retire	5	10	15	20	25	30
Amount for expenses you need every month at the time of Retirement	(12,762.82)	(16,288.95)	(20,789.28)	(26,532.98)	(33,863.55)	(43,219.42)
Amount for expenses you need every month at the time of Retirement (80% of the requirement)	(10,210.82)	(13,031.16)	(16,631.43)	(21,226.38)	(27,090.84)	(34,575.54)

Note: Growth in current expenses after 30 years due to inflation

Why expenses are less at retirement? (80% in above scenario)

1.
2.
3.

Answer: Ram is retiring after 30 years from now, so his monthly expenses would be Rs 43,219 and with 80% it will be Rs 34,575.

Step 2: How much corpus he requires at his retirement to get continuous flow of cash for his monthly expense requirement?

Assumption: Return on Corpus or investment is 7%.

No. of years of retirement	For expenses of Rs 10,210.25	For expenses of Rs 13,031.16	For expenses of Rs 16,631.43	For expenses of Rs 21,226.38	For expenses of Rs 27,090.84	For expenses of Rs 34,575.54
5	585,130.95	746,791.84	953,116.66	1,216,445.22	1,552,526.61	1,981,461.08
10	1,117,707.64	1,426,509.65	1,820,627.96	2,323,633.90	2,965,611.10	3,784,954.77
15	1,602,450.28	2,045,177.75	2,610,222.66	3,331,379.05	4,251,777.66	5,426,465.43
20	2,043,655.17	2,608,279.41	3,328,898.92	4,428,612.31	5,422,425.66	6,920,541.77
25	2,445,232.68	3,120,805.39	3,983,026.38	5,083,463.13	6,487,930.27	8,280,425.78
30	2,810,742.02	3,587,298.21	4,578,402.57	5,843,330.78	7,457,735.34	9,518,170.11

Ram will retire at the age of 60 years and his life expectancy is 75 years that makes his expenses requirement for 15 years (75 years – 60 years).
From the above table we can make out that for 15 years, his required corpus is Rs 54,26,465.

Step 3: Ram would like to open an SIP where he will invest money every month which grows at 10% annualised over 30 years to build his retirement corpus. How much Ram should invest every month for the corpus?

Calculations:
For the calculation purpose we are finding out the corpus for Rs 10 lakhs and after getting the corpus we will multiply it by the required amount:

Interest/ No. Of years	**Monthly Investment require to build corpus of Rs 10 Lac**					
	5	10	15	20	25	30
6%	(14,321.72)	(6,125.04)	(3,468.51)	(2,194.69)	(1,471.50)	(1,021.18)
8%	(13,621.38)	(5,516.23)	(2,943.09)	(1,746.24)	(1,093.09)	(705.41)
10%	(12,958.11)	(4,963.82)	(2,489.91)	(1,381.24)	(804.40)	(480.93)
12%	(12,329.91)	(4,463.57)	(2,101.14)	(1,087.13)	(587.47)	(324.57)
15%	(11,449.24)	(3,802.02)	(1,622.41)	(753.54)	(362.77)	(177.56)

With the above table we can make out that he has to invest Rs 480/month of Rs 10 lakhs. Therefore for Rs 54 lakhs, he has to invest Rs 2,592 every month = (54/10) x 480 = Rs 2,592

Assignment:
Calculate the retirement corpus required by you and the monthly investment required to build that corpus based on the tables given below:

1. Your monthly expenses ( )
(For the calculation purpose monthly expenses are given as Rs 10,000. If your expenses are Rs 20,000 then multiply the corpus by 2)

2. Your monthly expenses requirement at the time of retirement with inflation rate of 5% ___________

No. of year after which you will retire	5	10	15	20	25	30
Amount for expenses you need every month at the time of Retirement	(12,762.82)	(16,288.95)	(20,789.28)	(26,532.98)	(33,863.55)	(43,219.42)
Amount for expenses you need every month at the time of Retirement (80% of the requirement)	(10,210.82)	(13,031.16)	(16,631.43)	(21,226.38)	(27,090.84)	(34,575.54)

3. Retirement corpus you require getting regular cash flow ____________

No. of years of retirement	For expenses of Rs 10,210.25	For expenses of Rs 13,031.16	For expenses of Rs 16,631.43	For expenses of Rs 21,226.38	For expenses of Rs 27,090.84	For expenses of Rs 34,575.54
5	585,130.95	746,791.84	953,116.66	1,216,445.22	1,552,526.61	1,981,461.08
10	1,117,707.64	1,426,509.65	1,820,627.96	2,323,633.90	2,965,611.10	3,784,954.77
15	1,602,450.28	2,045,177.75	2,610,222.66	3,331,379.05	4,251,777.66	5,426,465.43
20	2,043,655.17	2,608,279.41	3,328,898.92	4,428,612.31	5,422,425.66	6,920,541.77
25	2,445,232.68	3,120,805.39	3,983,026.38	5,083,463.13	6,487,930.27	8,280,425.78
30	2,810,742.02	3,587,298.21	4,578,402.57	5,843,330.78	7,457,735.34	9,518,170.11

4. Monthly investment you require to build your corpus___________
Assumption: You can take interest rate as per your risk profile.

Assumption: You can take interest rate as per your risk profile.

For calculation purpose, you have to invest regularly to build the corpus of Rs10 lakhs. If your requirement is Rs 20 lakhs, then multiply the monthly investment amount by 2.

Interest/ No. Of years	Monthly Investment require to build corpus of Rs 10 Lac					
	5	10	15	20	25	30
6%	(14,321.72)	(6,125.04)	(3,468.51)	(2,194.69)	(1,471.50)	(1,021.18)
8%	(13,621.38)	(5,516.23)	(2,943.09)	(1,746.24)	(1,093.09)	(705.41)
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15%	(11,449.24)	(3,802.02)	(1,622.41)	(753.54)	(362.77)	(177.56)

5. PLANNING OF FINANCES TO BECOME AN ENTREPRENEUR

Preparation is critical to become an entrepreneur and launch a business. Financial considerations are crucial in ensuring that you have the capability to pay all of your bills and expenses associated with a business launch, throughout the start-up period

Some of the essential steps include:-

1. Assess your financial needs, personally and for your new business venture. Prepare a business plan with realistic projections of income and expenses for the first three to five years of operation
2. Save money while working as an employee in a regular job before you become an entrepreneur. Put aside a small amount from each salary into an account that you will not access prior to launching your business
3. Approach friends and relatives as investors. Write a formal agreement to repay the money, with interest if necessary, and present a business proposal to your friends and family
4. Begin freelance work on the side, while still employed. Being careful not to go after clients or do any work that would be considered a conflict of interest. Begin making connections and working on projects that will enable you to show experience once you become a full-time entrepreneur.
5. Apply for loans from public sector banks which are the major source of financial assistance to entrepreneurs. They extend credit support to firms in the form of loans, advances, discounting bills, project financing, term loans, export finance, etc. Further the Central Government has established schemes like Small Industries Development Organization (SIDO) and National Small Industries Corporation Ltd (NSIC) for providing credit facilities, technology support services and marketing assistance.

Some Tips and Warnings

1. You should have enough money, either in savings or obtained through loans, to be able to pay your bills for the first two years of your entrepreneurial venture, in case you are not able to secure paying clients right away
2. When borrowing from friends and families, make clear the terms of the loan or investment and put everything in writing.

6. UNDERSTANDING PONZI SCHEMES

A Ponzi scheme is a fraudulent investment operation that promises high rates at little risk to investors. The scheme generates returns for older investors from their own money or money paid by subsequent investors, rather than any actual profit earned. The perpetuation of the returns that a Ponzi scheme advertises and pays requires an ever-increasing flow of money from investors to keep the scheme going.

The system is destined to collapse because the earnings, if any, are less than the payments to investors. Usually, the scheme is interrupted by legal authorities before it collapses because a Ponzi scheme is suspected or because the promoter is selling unregistered securities. As more investors become involved, the likelihood of the scheme coming to the attention of authorities increases.

How to Spot one?

The Ponzi scheme usually entices new investors by offering returns other investments cannot guarantee, in the form of short-term returns that are either abnormally high or unusually consistent. In other words it seems too good to be true.

The ultimate unravelling of a Ponzi scheme

- As more investors become involved, the likelihood of the scheme coming to the attention of authorities increases
- The promoter will vanish, taking all the remaining investment money

- The scheme will collapse under its own weight as investment slows and the promoter starts having problems paying out the promised returns
- External market forces, such as sharp decline in the economy will cause many investors to withdraw part or all of their funds not due to loss of confidence in the investment, but simply due to underlying market fundamentals

7. TAX SAVING OPTIONS

Deduction under Section 80C

This is the most popular tax saving scheme among individuals. If one has income in the taxable bracket he can use this section to reduce his taxable income by Rs.1 Lakh. This deduction can be availed if one has invested money in Life insurance, Provident fund, ELSS schemes of mutual fund, Special bank deposits of 5 years, National Savings Certificate, on the principal part of the housing loan etc. The maximum tax deduction limit is Rs.1, 00,000.

Deduction under section 80D

Under this section health and medical insurance for oneself, spouse, dependent parents and dependent children is eligible for deduction upto Rs.15,000/- per annum. The limit for senior citizens is Rs.20,000.

Deduction under section 80G

Donations to National Children Foundation, University or educational institution of national importance, Prime Minister's Relief Fund, charitable institutions etc are deductible from the taxable income. Income tax deduction for 50% of the donated amount is eligible for other donations.

Section 24

Under this section the interest paid on a housing loan is eligible for deduction. The interest is allowed as a deduction on accrual basis. i.e on due basis even if not actually paid in cash during the year. The interest should be payable on borrowed capital and not on notional capital. The money should have been borrowed for the purposes of acquisition of property, construction of property, or repair of property. Interest paid on a fresh loan taken to repay another existing loan is also allowed.

The maximum amount of deduction eligible is Rs.1.5 lakhs. The money should have been borrowed on or after April 1, 1999 for the acquisition or construction. Such acquisition or construction should have been completed within three years from the end of the financial year in which the capital was borrowed.

8. PURCHASE OF FINANCIAL PRODUCTS

Where to purchase financial products? (Sellers, Intermediaries and brokers)

- Intermediaries/ Distributors – In IPOs, subscription can me made through brokers and forms can be obtained from brokers and distributors for the same
- Brokers – Brokers offer several services like purchase/sale of equity, debt and derivative products, Mutual fund units, IPO subscription, etc.
- Internet – Mutual Funds and Banks that are in mutual funds business facilitate online buying of mutual funds and exchange traded funds
- Stock Exchanges – Closed end mutual funds are traded on stock exchanges and can be brought through brokers
- Mutual Fund companies – Open end funds can be bought at the NAV from mutual fund company

How to Select a Broker?

- The broker must be registered with SEBI.
- The stock exchanges have now given details of actions/cases against brokers and the reasons for the same. The action taken against the broker and any pending cases are also given. An investor can peruse this list before making his choice.

Steps to Becoming a Securities Markets Investor

- The first criteria is to obtain a PAN Card. This is mandatory for all investors.
- The next step is to open a bank account and a demat account. The demat account is normally linked to a bank account in order to facilitate paying in and out of funds and securities.
- Once these are obtained, the next step is to select a broker and fill a KYC form and enter into a broker-client agreement.
- The broker then allocates a unique client ID, which acts as his identification. However, the PAN Number acts as identification across the markets and exchanges as a single investor identity.

Now, you are ready to begin investing in the stock markets!

Securities and Exchange Board of India

For future financial education programs on any of the following modules;
1. School Children
2. College Students
3. Middle Income groups
4. Executives
5. Retirement Planning
6. Home Makers
7. Self Help groups

OR

Any of the following topics on securities markets namely;
1. How to read an offer document
2. How to invest in the primary market through stock exchanges.
3. How to trade in securities/guide to investors.
4. D-mat account and depositories.
5. Mutual funds-do's and Dont's
6. Collective investment schemes- Do's and dont's
7. Buy back of shares, delisting of securities,
8. Takeover regulations
9. Investor grievances-how to resolve it

Please write to SEBI at: feprogram@sebi.gov.in

Or

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