ASK US

VIDYA BALA

Q. Is it a good idea to invest in international stocks?

PURBA KUMARI

A. It is a good idea to consider diversifying your investments outside India. This will especially be useful if you have dollar expenses in future like your child's higher education. Also, given that the rupee has traditionally depreciated against the dollar, it helps hedge your dollar expenses or gain from the rupee's depreciation. You can invest up to $2.50 lakh per year outside India under the Liberalised Remittance Scheme of RBI. There are two options: one, investing directly in stocks through Indian brokers tied up with foreign players, or through a few foreign platforms; two, through mutual funds. Through a brokerage account, you can either buy stocks or ETFs. However, please note that the brokerage charges may be more expensive given that it is in dollar terms.

If you have savings in dollars, looking at some of the U.S. platforms to invest would be a good idea. Otherwise, the second option of investing through mutual funds in India that invest in international markets would be hassle free. Whichever way you choose to invest, remember that international equity will be treated as debt/debt fund for tax purposes.

Q. I want to get income on a regular basis. What options can I look at?

JOSEPH PEREIRA

A. If you are a senior citizen, Post Office Senior Citizens' scheme should be your first option. You can then consider a mix of bank FDs and corporate deposits or bonds of top-rated companies. Please note that a very high interest rate does not come without risk, especially in the case of bonds. Any interest that is more than 50-75 basis points above the average return in the market would make you wary.

Note that interest on bank deposits and post office savings qualifies for deduction up to ₹50,000 per annum under Section 80TTB. If you have other sources of income or are still earning, then you can consider some exposure to low-risk, very short-term debt funds and do a systematic withdrawal plan. This option will be tax-efficient if you are in the high tax bracket since it will provide you with indexation benefits after three years. Also, each withdrawal will have a principal component and the gain; only the gain is taxed. With MFs, do not depend on dividend option for a regular income as MFs are not bound to declare dividends regularly. Systematic withdrawal plan allows you to fix the amount you want to redeem every month.

(Vidya Bala is head, MF research, FundsIndia.com)

Readers can send in queries on personal finance and investing to ***moneywise@thehindu.co.in.*** *Our experts who write on personal finance will answer these queries. Moneywise will not give specific recommendations for investment in a particular mutual fund scheme, share or fixed deposit.*

Last-minute ideas for your 80C investments

Investors have a slew of options to choose... from tax-saving bank deposits to equity-linked savings schemes and even mutual funds

AARATI KRISHNAN

Are you one of those folks who pull all-nighters before exams, file tax returns on the last day and believe that deadlines are meant to be pushed? If so, you've probably left your section 80C investments to this week.

But we're not here to lecture you about the risks of doing things at the last minute. Instead, we look at how you can make the most of your 80C choices, if you decide to invest now.

Right choice

- Stick to one-off investments
- Avoid committing to products that involve multi-year payments
- Pension, endowment and child insurance plans require hefty premium payments for many years

No commitments please

Right now, our e-mail and phone inboxes are being deluged by messages urging us to buy pension, endowment and child insurance plans to claim 80C benefits.

But writing out hasty premium cheques for such plans can cost you more than you think. Once you sign up, you'll be committing to hefty premium payments for many years without doing much homework. Nor do these products offer easy exit as early surrender can mean losing capital. Therefore, the most important rule to follow when making last-minute 80C choices is to stick to one-off investments and avoid committing to products that involve multi-year payments. Here are four possible one-off investments for your 80C.

Tax-saving bank deposits

Most scheduled banks run specially notified tax-saving fixed deposit schemes that qualify for 80C benefits. They usually require a minimum investment of ₹10,000 with a mandatory five-year lock-in period. Unlike plain FDs, these deposits don't offer a loan facility or early withdrawal options. While your initial investments qualify for 80C benefits, the interest you earn is taxable and subject to TDS.

Traditionally, tax-saving FDs have been poor investment choices because banks offer far lower rates on these five-year deposits than on their two to three-year FDs. But this year is an exception. With deposit flows slowing, and a new set of private sector and small finance banks competing with public sector banks for your deposit money, rates on some tax-saver deposits are quite attractive.

To get the best rates, though, you need to look beyond established banks, to new private sector or small finance banks. For instance, Suryoday and Deutsche Bank are now offering 8.25% per annum on their tax-saving deposits, IDFC First Bank is offering 7.75%. Some banks offer 0.50% extra if you are a senior citizen. These scheduled banks are RBI-regulated and your deposits are protected by deposit insurance.

Senior Citizens Scheme

If you are a retiree looking for last-minute 80C options, the Senior Citizens Savings Scheme (SCSS) from the small savings fold is a great bet this year. SCSS is open to all retirees who are at least 60 and you can invest any sum upto ₹15 lakh, though only ₹1.5 lakh per financial year is eligible for 80C benefits. The initial deposit of five years is extendible by another three years.

Equity linked schemes

All mutual fund companies offer equity linked savings schemes (ELSS) in which your initial investments qualify for 80C benefits. ELSS allow investments as small as ₹500 with no limits on the maximum investment. They carry a three-year lock-in period. As they are open-ended, you can invest on any working day and get units allotted at the day's NAV.

ELSS do not offer fixed returns and your money is channelled into the stock market.

Your final returns will, therefore, depend on your entry point and the market movement during your holding period.

There is a risk of capital loss if you invest a lump sum at a market high and the market ends up lower at the time of redemption. On this count, this is not an ideal time to invest in these funds. ELSS schemes have delivered big gains in the last five years and stock market valuations are now quite expensive.

Nevertheless, if you are a young investor who can hold your ELSS for the next 7-10 years, you will be able to earn reasonable returns by riding out any dips in the NAV over the next 1-3 years. Choose ELSS funds with the best 10-year track record and which are also outperformers of the last 1 or 3 years.

MF retirement plans

For investors wary of equity risks, mutual funds (MFs) also offer less risky products that qualify for 80C exemptions that are not so well-known – retirement savings funds. They channel your investment into different combinations of bonds and stocks to help you accumulate a retirement kitty. Your money is locked in for five years or until retirement age, whichever is earlier.

Leading fund houses including HDFC, Reliance, Aditya Birla Sun Life, Franklin Templeton and UTI have retirement funds on their menu. They offer plans with varying equity-debt combinations: 90-10 (90% in equity, 10% in debt), 65:35, 40:60, 15:85 and even 10:90.

The big advantage of these funds over ELSS is that their bond component cushions your returns from stock market losses, even in the short run. They also periodically rebalance their portfolios to stick to the fixed equity proportion, thus selling stocks when they are expensive and buying them when they are cheap.

Your choice of retirement plan should depend on your age and risk appetite. If you wish to minimise risk, especially in the current market context, opt for plans with more than 50% debt component. Don't confuse retirement schemes from mutual funds with those from insurance companies which carry annual premium commitments and longer lock-ins.

Weigh your options

	Tax-saving deposit	Senior citizens savings scheme	MFs retirement plans
PLUS	▪ Minimum amount of ₹10,000 only ▪ Absolutely safe as deposit insured ▪ Can be opened online ▪ Good rates on offer now	▪ Rate of interest higher than on bank deposits ▪ Ideal for retirees as maximum deposit allowed is ₹15 lakh/yr ▪ Term of deposit is extendable	▪ Can be tailored to your risk profile ▪ Returns can be maximised if funds are prudently allocated between debt and equity
MINUS	▪ Funds tied in for 5-years ▪ Loan against deposit not allowed ▪ Interest on deposit is taxable	▪ Interest on deposit is taxable ▪ Funds tied in for 5-years ▪ Early withdrawal will take away tax benefit	▪ Funds tied in for 5 years or until retirement, whichever is earlier ▪ Risk of loss if asset allocation is not prudent

COVER NOTE: WHY YOU SHOULD INSURE

First, protect what you have...

Because life is uncertain and insurance is a shock absorber

K NITYA KALYANI

The other day, I overhead an animated discussion between my cook and maid about their respective insurance cards and benefits! One was exhorting the other to update her card because "*they are giving five lakh rupees insurance*" on the new card.

It was a heartening moment, and set me wondering, 'what if all sections of society developed this awareness of the benefits of insurance?'

That could well be the end of depletion of life-time savings of families due to depressing illnesses. Children wouldn't have to drop out of school because the breadwinner died. Small businesses will not close down due to a fire, natural calamity or burglary. More relevant to the times, we can have financial security in our old age.

The first step to all this is awareness and information. There is much to be understood and appreciated about insurance in India.

Why buy insurance?

The simple response to this question is, because life is uncertain and insurance is a shock absorber. 'I don't get any return for the premium I pay. Insurance is just money down the drain,' is a common complaint.

Safety first: Some policies give returns, but the core purpose is to cover against that unknown event. •GETTY IMAGES/ISTOCK

Nuanced, like life

- The value you receive for the premium may not be tangible like FD interest or a mutual fund dividend
- A basic hospitalisation policy for ₹3 lakh costs about ₹3,000 a year in your twenties and over ₹4,000 a year in your forties

The value you receive for the premium may not be tangible like a bank fixed deposit interest or dividend from a mutual fund because the role of insurance is different.

Some policies do give returns, but the core purpose is to cover against that unknown event which can strike anybody at any time and affect your property, your health, your earning capacity as a living person, your standard of living after you retire and so on.

Think of it as the lock on your house, the helmet you wear or your seatbelt. It protects. You should not expect it to double in value.

With insurance, you can proceed with your life in peace with the reassuring thought that you, and your loved ones, have the financial support to face any setback.

When to buy

The time to buy insurance is now as no one knows when misfortune will strike. You need a policy in place to claim for today's loss.

Also, once you develop a disease, you may not be able to get coverage easily or at a good rate. If you do, there will be a waiting period for hospitalisation claims due to this pre-existing health condition.

If somebody dies without life insurance, the opportunity to protect the family is lost. This is why 'earlier the better'. For Life, Health and Annuity (Pension) policies, premiums are significantly lower at younger ages and more benefits accrue over a longer period.

For example, a basic hospitalisation policy for ₹3 lakh costs you about ₹3,000 a year when you are in your twenties and over ₹4,000 a year in your forties. That is, if you have not developed any health complications. Similar is the case with any life insurance policy.

Year-end checklist

Income tax time is insurance time! Life and health insurance, and annuity policies have tax benefits, so make sure you have renewed them. If you have plans to buy new policies or top up your coverage, this is a good time.

(The writer is a business journalist specialising in insurance & corporate history)

BLACKBOARD - REIT

Getting a piece of realty on paper

ASHISH RUKHAIYAR

What is a Real Estate Investment Trust (REIT)?

■ A Real Estate Investment Trust or REIT is an investment vehicle that provides an opportunity to invest in various projects by only investing in the units of a sponsor entity that will manage the paperwork and may be, even the hindrances of investing in the real estate market. Look at it like a mutual fund through which you can invest small amounts and own units representing shares of various large companies. REIT will offer you an opportunity to own units of commerical real estate. The sponsor entity launches an REIT that owns the properties and then leases them to earn rental income, which is then distributed among the unit holders.

What are the benefits?

■ The biggest benefit is the ease of investment as investing in REIT is just like investing in direct equity that can be done through a demat account. The other big advantage is getting an opportunity to invest in commercial properties that will earn rental income. This is a significant advantage as commercial properties typically earn more rent than residential properties with built-in clauses of rent hikes at fixed intervals. Moreover, REIT regulations mandate the distribution of 90% of the rental income to unit holders. The remaining 10% can be used for business purposes. Also, since REIT is a publicly listed and traded instrument, liquidity should ideally not be a concern. Apart from the rental income, any increase in the value of units will also add to overall capital appreciation.

Are investors ready to accept REIT as an option?

■ If the response to the first-ever public issue of a REIT is anything to go by, then there surely is a demand for such a product. The initial public offering of Embassy Office Parks REIT, which closed on Wednesday, was subscribed nearly 2.6 times with bids received for 18.35 crore units as against 7.11 crore units on offer in the price band of ₹299 to ₹300.

What are the risks involved in investing in REIT?

■ Every investment has an element of risk and REIT is no exception. A downturn in the real estate sector would impact rental income and also, capital appreciation. Rentals would also be under pressure if the real estate inventory is huge due to lack of demand.

Also, real estate has been a preferred personal investment avenue for Indian investors for many years so most people would already have an exposure to the sector and increasing the exposure through REIT might not serve any purpose.

Also, REIT in India is at a nascent stage and as the segment evolves, the regulatory environment could be tightened.

How are REITs taxed?

■ It is mandatory for a REIT to distribute 90% of its rental income among its unit holders.

This income will be added to the overall income of the investor and will be taxed at the applicable rates.

REIT also involves a tax deducted at source component that is 10% for resident investors and 40% for non-resident investors. Further, if a unit holder sells his/her REIT units on the stock exchange platform then capital gains tax would also be applicable based on the period of holding. The post-tax returns and capital appreciation will be the big factors in ascertaining whether REITs are here to stay.

Bank Fixed Deposit Rates (%)

Bank Name	Interest Rates: Highest slab	1-year tenure	3-year tenure	5-year tenure
SMALL FINANCE BANKS				
Suryoday Small Finance Bank	9.00	8.50	8.75	8.25
Equitas Small Finance Bank	8.80	8.50	8.80	7.00
ESAF Small Finance Bank	8.75	8.75	7.30	7.30
Jana Small Finance Bank	9.00	8.50	9.00	8.50
Fincare Small Finance Bank	9.00	8.00	9.00	8.00
Utkarsh Small Finance Bank	9.00	8.50	7.00	8.00
Ujjivan Small Finance Bank	8.60	8.30	7.50	7.00
North East Small Finance Bank	8.50	8.50	7.25	6.75
AU Small Finance Bank	8.50	7.00	8.50	8.00
Capital Small Finance Bank	8.00	7.80	7.80	7.65
PUBLIC SECTOR BANKS				
Indian Bank	6.90	6.75	6.75	6.90
Vijaya Bank	6.80	6.80	6.80	6.80
Syndicate Bank	7.15	6.60	7.15	6.50
Bank of Maharashta	6.60	6.50	6.60	6.50
State Bank of India	6.85	6.80	6.80	6.85
Andhra Bank	6.80	6.80	6.75	6.75
Canara Bank	7.10	7.00	6.20	6.20
Bank of India	6.70	6.65	6.50	6.50
Union Bank of India	6.75	6.75	6.60	6.70
Indian Overseas Bank	6.80	6.60	6.80	6.80
Corporation Bank	7.00	6.80	6.50	6.50
Allahabad Bank	6.75	6.75	6.50	6.50
IDBI Bank	7.80	7.25	6.85	6.85
United Bank of India	6.50	6.50	6.25	6.00
Bank of Baroda	7.00	6.70	6.70	6.70
Punjab National Bank	7.10	6.75	6.75	6.25
Punjab & Sind Bank	7.10	7.00	6.55	6.55
PRIVATE SECTOR BANKS				
Karnataka Bank	7.75	7.50	7.00	7.00
South Indian Bank	7.60	6.90	7.60	7.00
Federal Bank	7.50	7.30	7.25	7.25
Axis Bank	7.50	7.30	7.25	7.2 5
Karur Vysya Bank	7.25	7.25	7.00	7.00
City Union Bank	7.75	7.35	7.35	7.35
Catholic Syrian Bank	7.00	7.00	6.50	6.50
Yes Bank	7.85	7.25	7.25	7.25
ICICI Bank	7.50	6.90	7.50	7.25
HDFC Bank	7.40	7.30	7.40	7.25
Kotak Mahindra Bank	7.30	7.30	7.10	6.50
IDFC First Bank	8.25	7.75	7.50	7.50
DCB Bank	8.05	7.00	8.05	7.75
RBL Bank	8.05	8.00	7.60	7.60
Bandhan Bank	7.65	7.35	7.50	7.50
Dhanlaxmi Bank	7.25	7.00	6.50	6.50
IndusInd Bank	8.00	8.00	7.50	7.50
Tamilnad Mercantile Bank	7.40	7.40	6.90	6.90
FOREIGN BANKS				
CitiBank	7.00	6.00	6.50	6.00
Standard Chartered Bank	7.50	7.40	6.50	6.50
Deutsche Bank	8.25	6.50	7.50	8.25
HSBC Bank	7.00	5.00	5.00	N.A.
DBS Bank	7.50	7.50	7.00	7.50

Source: Paisabazaar.com

Home Loan Interest Rates (%)

Name of Lender	Loan Amount (Rs.): Upto 30 lakh	Above 30 lakh & & upto 75 lakh	Above 75 lakh
PUBLIC SECTOR BANKS			
Andhra Bank	8.8-8.85	8.8-8.85	8.9-8.95
Vijaya Bank	8.75	8.75	8.75
Canara Bank	8.7-8.75	8.8-8.85	8.85-8.9
State Bank of India	8.7-9.1	8.9-9.35	9-9.5
Syndicate Bank	8.65	8.65	8.65
Bank of Baroda	8.65-9.9	8.65-9.9	8.65-9.9
UCO Bank	8.7	8.7-8.8	8.85-8.95
Indian Overseas Bank	8.7	8.8	8.95
Oriental Bank	8.75-8.85	8.75-8.85	8.75
United Bank of India	8.55-8.65	8.55-8.65	8.55-8.65
Union Bank of India	8.7-9.05	8.7-9.05	8.75-9.35
Punjab & Sind Bank	8.85	8.85	9.1
Bank Of India	8.7-9.6	8.7-9.6	8.7-9.6
Corporation Bank	8.6-9	8.6-9	8.6-9.25
Punjab National Bank	8.65-8.85	8.65-8.85	8.7-8.9
Allahabad Bank	8.75-9.05	8.75-9.05	8.8-9.65
PRIVATE SECTOR BANKS			
South Indian Bank	9.05-9.45	9.05-9.45	9.05-9.45
Karnataka Bank	8.9	8.9	9.25-9.6
Axis Bank	8.9-10.6	9.05-9.55	9.1-9.55
Bandhan Bank	12.41-13.74	12.41-13.74	12.41-13.74
Yes Bank	9.85-12	9.85-12	9.85-12
ICICI Bank	9.1-9.15	9.1-9.25	9.25-9.3
Indusind Bank	9.9-15	9.9-15	9.9-15
Karur Vysya Bank	8.9-11.65	8.9-11.65	8.9-11.65
Kotak Mahindra Bank	8.85-9.2	8.85-9.2	8.85-9.2
IDBI Bank	8.8-9.8	8.8-10.05	9.05-10.3
City Union Bank	10.45-13.05	10.45-13.05	10.45-13.05
Ujjivan Small Finance	12.75- 15.75	12.75- 15.75	12.75- 15.75
HSBC Bank	8.85-8.95	8.85-8.95	8.85-8.95
Standard Chartered	>=9.41	>=9.41	>=9.41
IDFC First Bank	<=12	<=12	<=12
Lakshmi Vilas Bank	10	10	10
CitiBank	9.6-10.6	9.6-10.6	9.6-10.6
DBS Bank	9.65-9.8	9.65-9.8	9.65-9.8
Jammu & Kashmir	8.8-8.9	8.8-8.9	8.8-9.2
RBL Bank	10.3-12.15	11.65-12.15	11.65-12.15
Capital Small Finance	10.45-10.7	10.45-10.7	10.45-10.7
HOUSING FINANCE COMPANIES (HFCs)			
HDFC Ltd.	8.8-9.35	8.95-9.5	9-9.55
PNB Housing	9.1-12.5	9.1-12.5	9.2-12.5
Indiabulls Housing	8.8-12	8.8-12	8.8-12
LIC Housing Finance	8.8-9.05	8.8-9.15	9.05-9.15
Piramal Capital	>=8.8	>=8.8	>=8.8
IIFL	>=9.5	>=9.5	>=9.5
DHFL	>=9.75	>=9.75	>=9.75
Reliance home finance	9.75-11	9.75-11	9.75-11
Aditya Birla Capital Ltd.	9-12.5	9-12.5	9-12.5
Bajaj Finserv	9.05-11.15	9.05-11.15	9.05-11.15
GIC Housing Finance	>=9.2	>=9.2	>=9.2
Tata Capital Housing	9.25-9.35	9.35-9.6	9.35-9.6

Source: Paisabazaar.com

LOOSE CHANGE

"It's easy to understand! A lot of digits means it's the account number; Very few digits, it's our money!"