COST WISE ANALYSIS OF INVESTMENTS AN OUTLOOK

"One emergency can destroy years of savings without insurance."

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PREFACE

(For Retail & Middle-Class Families)

Most families invest their hard-earned money to secure a better future—for children's education, marriage, buying a house, or retirement. Common investment options in India include **Stocks, Mutual Funds/SIPs, Gold, and Real Estate**.

However, what many people do not realize is that **every investment comes with costs and taxes**, such as:

- Capital gains tax
- GST and stamp duty
- Brokerage and fund management charges
- Registration and compliance costs

After paying these charges, the **actual return in hand is often much lower** than expected. Also, **market-linked investments can go up and down, especially in the short and medium term**.

More importantly, these investments **do not protect your family** if something unexpected happens.

Why Insurance Is Essential Before Investments

Life is uncertain. A sudden **death, accident, or serious illness** can completely disturb family finances and force people to break investments or take loans. That is why **Insurance is not an investment—it is protection**.

Term Insurance

- Provides **high financial protection at a very low cost**
- Ensures your family's expenses, loans, and future goals are taken care of in your absence
- Offers **guaranteed payout** when it is needed the most

Health Insurance

- Protects savings from rising hospital and medical expenses
- Prevents medical emergencies from wiping out years of investments
- Gives access to quality healthcare without financial stress

Insurance = Foundation of a Strong Financial Plan

A strong financial plan is built in this order:

1. **Health Insurance** – to protect savings
2. **Term Insurance** – to protect family income & goals
3. **Investments** – to grow wealth over time

When protection is in place, investments can be continued peacefully even during difficult times.

Conclusion: While investments help in wealth creation, **insurance ensures wealth protection**. For a **secure, stress-free, and guaranteed financial future**, every family must first secure itself with **adequate health and term insurance**, and then invest for long-term goals. Insurance is not a cost—it is a **responsibility towards your family**.

-GIRISH GAUR

Disclaimer

This article is meant only for general information and awareness. It does not give personal investment, tax, or insurance advice. Tax laws, charges, and rules mentioned here are as per current regulations in India and may change in the future.

Returns from investments like Stocks, Mutual Funds, Gold, or Real Estate depend on market conditions and are not guaranteed. Insurance benefits are subject to policy terms, conditions, and exclusions.

Before taking any investment or insurance decision, readers are advised to consult a licensed financial advisor or insurance advisor to understand suitability as per their needs.

Real-Life Examples for Middle-Class Families

For middle-class families, financial planning is not about high returns—it is about financial security and peace of mind.

Insurance is not optional. It is the foundation of a safe and guaranteed financial future.

Example 1: Working Family with Home Loan

Profile: Age: 35 years

- Monthly income: ₹50,000
- Home loan: ₹30 lakh
- Child: 1 (age 5)

Without Insurance

The family invests regularly in SIPs and FDs. Suddenly, the earning member passes away.

- SIPs are stopped
- Home loan EMI continues
- Family struggles with daily expenses
- House is at risk due to unpaid EMIs

With Term Insurance (₹1 crore cover)

- Home loan is cleared immediately
- Monthly expenses are managed
- Child's education fund remains intact
- Family continues life with dignity

👉 Lesson: **Investments create wealth, but term insurance protects the family's survival.**

Example 2: Medical Emergency in a Middle-Class Household

Profile

- Age: 42 years
- Savings: ₹6 lakh
- No health insurance

Situation : A sudden hospitalization due to heart surgery costs ₹4.5 lakh.

Impact

- Fixed deposits are broken
- Mutual funds are redeemed at the wrong time
- Long-term goals are delayed

With Health Insurance (₹10 lakh cover)

- Hospital bills are paid by insurer
- Savings remain untouched
- Investments continue smoothly

👉 Lesson: Health insurance protects your investments from medical shocks.

Example 3: Market Volatility vs Guaranteed Protection

Profile

- Age: 45 years
- **Regular SIP investor**

During a market crash:

- Mutual fund value drops temporarily
- Returns are uncertain

But if death occurs:

- Market investments may not be enough
- Family needs immediate cash

With Term Insurance

- Full sum assured is paid immediately and guaranteed
- Market conditions do not matter

👉 Lesson: Markets fluctuate, but insurance delivers certainty when it matters most.

Example 4: Retirement Planning Without Protection

Profile

- Age: 50 years
- Retirement savings in mutual funds & real estate

If serious illness occurs:

- Property may need to be sold urgently
- Retirement corpus reduces drastically

With Health & Term Insurance

- Medical costs are covered
- Retirement funds remain intact
- Peaceful post-retirement life continues

👉 Lesson: **Insurance ensures retirement savings are not compromised.**

Simple Takeaway for Every Family

- Investments grow money
- Insurance protects money and people
- Without insurance, one emergency can destroy years of savings

Correct Financial Order

1. Health Insurance
2. Term Insurance
3. Long-term Investments

You pay more taxes than you think:

TAX TYPE	MEANING	WHEN LEVIED	EXAMPLE
INCOME TAX	Tax on Annual Income	Filed annually	Salary is 15 lakh, tax is 797,500 (new regime) 10% extra at 60L
SURCHARGE	Extra tax for high income	Above 50L income	10% extra at 60L
CESS	4% additional tax	After tax surcharge	1L tax 4K cess
CAPITAL GAIN TAX (CGT)	Tax on asset profits	On sale	Selling shares/property
STT	Tax on stock trades	Auto-deducted on buy/sell	Trading on NSE/BSE
GST	Tax on Goods & Services	Every purchase **(Excl.Life & Health) Insurance**	GST on Electronics, Hotels etc
CUSTOM DUTY	Tax on Imports	When Goods enter India	Buying from abroad
EXCISE DUTY	Tax on Fuel & tobacco	Included in price	Petrol & Diesel

TAX TYPE	MEANING	WHEN LEVIED	EXAMPLE
STAMP DUTY	Tax on Property Transaction	At Registration	Buying a residential or Coml. Property
PROPERTY TAX	Municipal Property Tax	Annual	Owning a Flat/House/Apt
ROAD TAX	Tax for vehicle	At purchase for period of 10 years	Buying a car
PROFESSIONAL TAX	State Tax on salery	Monthly *slected States	Salary deduction
TDS	Tax deducted before Maturity	When Interest Income is credited	FD/RD/PPF TDS
TCS	Seller collects Tax-lie ADVANCE TAX adjusted in ITR	On Specified spendings	Foreign Trip, Vehicle Purchase

COST WISE ANALYSIS OF INVESTMENTS IN

STOCK MARKET

BASIC MECHANISMS OF STOCK MARKET

STOCK MARKET (EQUITY SHARES)

Buying shares of a company listed on stock exchanges (NSE / BSE). You become a part-owner of the company.

How it works

- Open Demat + Trading account
- Buy shares at market price
- Hold or sell later at higher price

How you earn

1. **Capital Appreciation** – Share price rises
2. **Dividends:**Company shares profits with shareholders

Risk Level

High (prices fluctuate daily)

Liquidity

Very high – can sell on any trading day

Best for

- **Long-term wealth creation**
- **Investors with high risk appetite**

TAXES & CHARGES- STOCK MARKET

TYPE OF TAX/CHARGE	RATE
Securities Transaction Tax (STT):	0.001-0.1%
Capital Gains Tax (CGT)	**5-15%**
Short-term (less than 1 year)	**15%**
Mid-term (1-3 years)	**10%**
Long-term (more than 3 years):	**5%**
Goods and Services Tax (GST) on brokerage	**18% on brokerage**
Brokerage Charges	Brokerage Charges: 0.01-0.5% say **Brokerage charges: ₹20-50 per trade**
Transaction Charges	**Transaction Charges: ₹1.50-₹6.50 per trade**
Other charges (Demat, trading, etc.)	**₹100-500 p.a**

OTHER CHARGES

1. Brokerage Charges (for buying/selling securities)
2. Interest Expenses (For Borrowings)
3. Operating Expenses (Marketing, Distribution)
4. Compliance Costs

Total Expense Ratio (TER)

The TER represents the total costs associated with investing in Stock & mutual fund. It includes Management Fees, Administrative Charges, Custodian Charges, and other expenses.

Assumptions:

Here's an estimated return on investment (ROI) for ₹1 lakh invested in the Indian stock market, considering various taxes and charges:

- ✓ **Investment Horizon:1-5 Years**
- ✓ **Risk Profile**: **MODERATE to AGGRESSIVE**
- ✓ Investment strategy: **Diversified portfolio (Large-Cap, Mid-Cap, Small-Cap)**
- ✓ **Brokerage: ₹20-50 per trade (discount brokerage)**
- ✓ **Tax slab: 10-30% (individual taxpayer)**

EXPECTED RETURNS ON INVESTMENT (ROI)-

	(PRE-TAX)	**(POST-TAX)**
Conservative Estimate	**8-12% p.a. (large-cap oriented)**	**5.5-8.5% p.a.**
Moderate estimate:	**10-15% p.a. (Diversified Portfolio)**	**7-11% p.a**
Aggressive Estimate	**12-18% p.a. (Diversified Portfolio)**	**9-14% p.a.**

Illustrative Example:

Invested Amount : INR 1 LAKH

Investment Duration: 5 Years

YEAR	RETURN (PRE-TAX)	RETURN (POST-TAX)
1	1.10 LAKHS	1.05 LAKHS
2	1.21 LAKHS	1.15 LAKHS
3	1.33 LAKHS	1.25 LAKHS
4	1.46 LAKHS	1.36 LAKHS
5	1.61 LAKHS	1.48 LAKHS

- **EXPECTED ROI of 10% p.a.**
- **10% CGT & 18% GST on brokerage**

Expected ROI varies based on investment strategy, risk profile, and market conditions.

Assumptions:

Here's an estimated return on investment (ROI) for ₹1 lakh invested in the Indian stock market, considering various taxes and charges:

1. **Investment horizon: 1-5 years**
2. **Risk profile: Moderate to aggressive**
3. **Investment strategy: Diversified portfolio (large-cap, mid-cap, small-cap)**
4. **Brokerage: ₹20-50 per trade (discount brokerage**
5. **Tax slab: 10-30% (individual taxpayer)**

COST WISE ANALYSIS OF INVESTMENTS IN

MUTUAL FUNDS

Basic Details about Mutual Funds (MF)

Mutual Funds are investment vehicles that pool money from multiple investors to invest in a diversified portfolio of stocks, bonds, or other securities in:

- Equity
- Debt
- Hybrid
- Gold, etc.

How it works

- You invest in units
- Fund manager invests on your behalf
- NAV (Net Asset Value) changes daily

How you earn

- NAV appreciation
- Occasional dividends (if chosen)

Liquidity

High (1–3 working days redemption)

Best for

- Investors who want market exposure without direct stock selection

Types of Mutual Funds:

	TYPE	INVESTMENT	RISK
1.	**Equity Funds**	Invest **in stocks**	HIGH
2.	**Debt Funds**	Invest in **bonds, debentures**	Low–Moderate
3.	**Hybrid Funds**	**Mix of equity and debt**	**Moderate**
4.	**Liquid Funds**	Short-term, low-risk investments	
5.	**Sectoral Funds**	Invest in specific industries	
6.	**Index Funds**	**Track a specific market index**	**Moderate**
7	**Exchange-Traded Funds**	**ETFs**	

Types of Mutual Funds – Detailed Explanation

1. Equity Funds

Investment Focus:Equity funds invest primarily in shares of listed companies across large-cap, mid-cap, and small-cap segments.

Return Potential: High potential for long-term wealth creation, especially over investment horizons of 7–10 years or more.

Risk Profile:High risk, as returns are directly linked to stock market movements, business cycles, and economic conditions.

Suitable For: Investors with:

- **Long-term goals**
- **High risk tolerance**
- **Ability to stay invested during market volatility**

2. Debt Funds

Investment Focus: Debt funds invest in fixed-income securities such as:

- **Government bonds**
- **Corporate debentures**
- **Treasury bills**
- **Money market instruments**

Return Potential: Moderate and relatively stable returns compared to equity funds.

Risk Profile: Low to Moderate risk, influenced mainly by:

- Interest rate changes
- Credit quality of issuers

Suitable For: Conservative investors seeking:

- Capital preservation
- Predictable income
- Lower volatility than equity

3. Hybrid Funds

Investment Focus:Hybrid funds allocate investments between equity and debt in varying proportions (e.g., balanced, aggressive hybrid, conservative hybrid).

Return Potential: Balanced returns—higher than pure debt but lower than pure equity in most market conditions.

Risk Profile: Moderate risk, as debt portion cushions equity volatility.

Suitable For: Investors looking for:

- Balanced growth and stability
- Medium- to long-term goals
- Moderate risk appetite

4. Liquid Funds

Investment Focus: Liquid funds invest in very short-term instruments such as:

- Treasury bills
- Commercial papers
- Certificates of deposit (typically with maturity up to 91 days)

Return Potential: Lower but stable returns, generally higher than savings accounts.

Risk Profile: Low risk, with minimal interest rate and credit risk.

Suitable For: Investors needing**:**

- **Emergency funds**
- **Parking surplus cash**
- **High liquidity with safety**

5. Sectoral / Thematic Funds

Investment Focus: Invest in a specific sector or theme, such as:

- Banking & Financial Services
- IT
- Pharma
- Infrastructure
- ESG or consumption themes

Return Potential: Very high when the chosen sector performs well.

Risk Profile: High risk, due to lack of diversification and sector concentration.

Suitable For: Experienced investors who:

- Understand sector cycles
- Can tolerate sharp volatility
- Invest tactically, not for core allocation

6. Index Funds

Investment Focus:Index funds replicate the performance of a market index such as:

- Nifty 50
- Sensex
- Nifty Next 50

Return Potential: Market-linked returns, closely aligned with index performance.

Risk Profile: Moderate risk, reflecting overall market risk but with reduced fund manager bias.

Suitable For: Investors seeking:

- Low-cost investing
- Transparent strategy
- Long-term market participation

7. Exchange-Traded Funds (ETFs)

Investment Focus: ETFs are market-traded funds that may track:

- Equity indices
- Gold or commodities
- Bonds
- International markets

Return Potential: Aligned with the underlying asset or index.

Risk Profile: Moderate risk, depending on the underlying asset class.

Suitable For:Investors who:

- Prefer real-time trading
- Have demat & trading accounts
- Want low-cost, transparent exposure

TAXES & CHARGES-MUTUAL FUNDS

TAX/CHARGES	RATE (Approx.)
Dividend Distribution Tax (DDT)	10-25%
Capital Gains Tax (CGT)	10-20%
Securities Transaction Tax (STT)	0.001-0.1%
Goods Services Tax (GST)	18% on management
Exit Load	0.5-2%
Management Fees	0.5-2.5% p.a.
Total Expense Ratio (TER)	1.5-2.5%

1. Dividend Distribution Tax (DDT):Depending on fund type

TAX/CHARGES	RATE (Approx.)
Equity funds	10%
Debt funds:	• 25% for individuals, • 30% for companies
Money Market Funds	25%

2. Capital Gains Tax (CGT)

TAX/CHARGES	RATE (Approx.)
Short-Term Capital Gains (STCG)	• 15% (equity), • Slab Rate (debt)
Long-Term Capital Gains (LTCG)	• 10% (equity) • 20% (debt) with indexation benefit

3. **Securities Transaction Tax (STT):** 0.001% to 0.1% (depending on transaction type)

4. **Goods Services Tax (GST):** 18% on management fees, other expenses

Charges in MUTUAL FUND INVESTMENTS

1. Entry Load: Nil (abolished since 2009)
2. Exit Load: 0.5% to 2% (depending on fund and holding period)
3. Management Fees: 0.5% to 2.5% p.a. (depending on fund type)
4. Administrative Charges: 0.1% to 0.5% p.a.
5. Custodian Charges: 0.01% to 0.05% p.a.
6. Auditors Fee
7. Registrar & Transfer Agent (RTA) Charges
8. Stamp Duty: On Physical Applications

Other Expenses

1. Brokerage Charges (for buying/selling securities)
2. Interest Expenses (for borrowing)
3. Operating Expenses (marketing, distribution, etc.)
4. Compliance Costs

Total Expense Ratio (TER)

The TER represents the total costs associated with investing in a mutual fund. It includes management fees, administrative charges, custodian charges, and other expenses.

- **Equity Fund: 1.5% to 2.5% TER**
- **Debt Fund: 0.5% to 1.5% TER**
- **Index Fund: 0.1% to 0.5% TER**

Taxation Overview

Mutual funds are broadly classified by asset type:

a) **Equity-oriented Mutual Funds** (A scheme with ≥ 65% investment in Indian equities)

- **Short-Term Capital Gains (STCG) • Holding ≤ 12 months: taxed at 20% flat + cess**.
- **Long-Term Capital Gains (LTCG) • Holding > 12 months: taxed at 12.5% on gains above ₹1.25 lakh per FY**.

➢ **The** ₹1.25 lakh LTCG exemption **applies *only* for equity-oriented funds and listed Indian shares.**

b) Debt / Non-Equity Mutual Funds (including hybrid where equity < 65%)

- **STCG & LTCG**: taxed as **per your slab rate**. No special lower long-term rate or exemption.

c) International / Other Specified MF Categories (post April 1, 2025 changes)

- Depending on investment mix, may be taxed as **debt-like funds** (slab rates) whether ST or LT.

Statutory & Other Costs:

- **Dividend payouts**: **taxed in investor's hands at slab rate;**
- **TDS for mutual funds at 10% if > ₹10,000.**
- **Securities Transaction Tax (STT)**: not applicable on mutual funds (only equities/shares).
- **GST (18%)** on fund management fees applies but is paid by the fund (indirect).

₹1 lakh Investment Illustration (Equity MF)

Assume**: ₹1 lakh invested, sold after 14 months for ₹1.2 lakh → gain ₹20,000.**

- **LTCG exempt limit ₹1.25 lakh→ no LTCG tax due**.

Non-equity / Debt / Hybrid / Gold / International funds

Generally taxed at normal slab if short-term or 12.5% if long-term (> 24 months), depending on category and date of purchase.

- SIP note: Each SIP installment is treated as a separate purchase for holding-period

Tax on Dividends (if chosen)

Dividend payouts (if you opt for Dividend plan) are added to income and taxed at your slab rate on redemption.

Transaction & Regulatory Costs

Mutual funds do not attract STT/Stamp Duty like stocks at redemption, **but expense ratio and exit load (if applicable) reduce your return automatically**.

RETURNS ON INVESTMENT (ROI)

Here's a detailed breakdown of expected returns on investment (ROI) for ₹1 lakh in mutual funds after considering taxes and charges in India:

EQUITY MUTUAL FUNDS

Expected Annual Return:8-12%

Taxes & charges

1. **Dividend Distribution Tax (DDT): 10%**
2. **Capital Gains Tax (CGT): 12-20%**
3. **Securities Transaction Tax (STT): 0.001-0.1%**
4. **GST: 18% on management fees**
5. **Exit load: 0.5-2%**
6. **Management fees: 0.5-2.5%**

Net Return: 5.5-8.5%

DEBT MUTUAL FUNDS

-Expected Annual Return: 5-8%

Taxes & charges

1. **DDT: 25% (individuals),**
   30% (companies)
2. **CGT: 20-30%**
3. **GST: 18% on management fees**
4. **Exit load: 0.5-2%**
5. **Management fees: 0.5-2.5%**

Net return: 3.5-6.5%

HYBRID MUTUAL FUNDS

Expected annual return:6-10%

Taxes and charges:

- -DDT: 10-25%
- -CGT: 12-20%
- -GST: 18% on management fees
- -Exit load: 0.5-2%
- -Management fees: 0.5-2.5%

-Net return: 4.5-7.5%

INDEX MUTUAL FUNDS/ETF

Expected Annual Return:7-11%

Taxes and charges:

1. **CGT: 10-20%**
2. **STT : 0.001-0.1%**
3. **GST: 18% on Management Fees**
4. **Management fees: 0.1-0.5%**

-Net Return:6-9.5%

LIQUID MUTUAL FUNDS

Expected Annual Return:4-6%

Taxes and charges:

1.DDT: 25% (individuals), 30% (companies)

2. CGT: 20-30%
3. GST:18% on Management Fees
4. Exit load: 0.5-2%
5. Management fees: 0.5-2.5%

-Net Return: 4.5-7.5%

TAX SAVING FUNDS (ELSS)

Expected Anual Return: 8-12%

Taxes and charges:

1.DDT: 10%

2. CGT: 10-20%

3. GST:18% on Management Fees

4. STT: 0.001-0.1%

4. Exit load: 0.5-2%

5. Management fees: 0.5-2.5%

Net Return: 5.5-8.5%

Why Net ROI (%) is Lower Than Expected ROI (%) in Mutual Funds

Expected ROI in Mutual Funds is a **theoretical, gross return** projected based on:

- Historical market performance
- Fund strategy and asset allocation
- Long-term average assumptions

However, **Net ROI** is what the investor **actually receives**, and it is **always lower** due to multiple unavoidable real-world factors.

<u>Key Reasons (Independent of Market Fluctuations)</u>

1️⃣ Expense Ratio (Direct Reduction Every Year)

- Fund houses deduct **expense ratio annually** (0.5%–2.5%)
- This reduces NAV **daily**, not just at exit
- Even in a rising market, this cost **continuously eats returns**

Example: Expected Market Return = **12%**
Expense Ratio = **1.8%**
➡️ Effective Return becomes **~10.2% before tax**

2️⃣ Taxation on Gains (Inevitable)

Taxes apply **only on actual gains**.

Instrument	Tax Impact
Equity MF	**12.5% LTCG above ₹1.25L**
Debt MF	**Taxed at slab rate**
SIP	**Each instalment taxed separately**

Even a **strong market year** does not escape taxation.

3️⃣ SIP Timing & Rupee Cost Averaging Effect

Expected ROI assumes **lump-sum compounding**, but:

- SIP investments happen at **different NAVs**
- Some instalments perform well, others poorly
- Resulting **IRR is always lower than assumed CAGR**

📌 This happens **even in consistently rising markets**

Cash Drag & Portfolio Rebalancing

- Funds maintain **cash holdings**
- Periodic **rebalancing & churn costs**
- Entry–exit impact cost on large trades

These reduce performance **silently and permanently**

5️⃣ Behavioral Gap (Investor Actions)

Most investors:

- Enter late in bull markets
- Exit early during volatility
- Pause SIPs during corrections

This causes **return leakage**, unrelated to market returns.

BOTTOMLINE

Mutual Fund Category	Expected ROI (%)	Net ROI (%) (Post-Cost & Tax)	Why Net ROI is Lower
Equity Funds	8–12%	5.5–8.5%	Expense ratio + LTCG tax + SIP timing
Debt Funds	5–8%	3.5–6.5%	Tax at slab rate + expense ratio
Hybrid Funds	6–10%	4.5–7.5%	Mixed taxation + allocation drag
Index / ETF	7–11%	6–9.5%	Lower cost, but still tax & tracking error
Liquid Funds	4–6%	2.5–4.5%	Low yields + expense + slab tax
ELSS Funds	8–12%	5.5–8.5%	Lock-in + LTCG tax (no guarantee of higher net return)

MF ROI TREND

CONT/YEAR	120000
INVESTMENT TERM	30 YEARS
PROJ AVG ROI	15%
MARKET CRASH 5 YEARS (APPROX)	

YEAR	CONT/YEAR	ACCUMUKATED CORPUS	INVESTMENT RATE	YIELD AMOUNT
1	120,000.00	120,000.00	15%	120,000.00
2	120,000.00	240,000.00	20%	256,000.00
3	120,000.00	360,000.00	25%	429,600.00
4	120,000.00	480,000.00	15%	657,000.00
5	120,000.00	600,000.00	-20%	875,550.00
6	120,000.00	720,000.00	15%	820,440.00
7	120,000.00	840,000.00	20%	1,063,506.00
8	120,000.00	960,000.00	25%	1,396,207.00
9	120,000.00	1,080,000.00	15%	1,865,259.00
10	120,000.00	1,200,000.00	-30%	2,265,048.00
11	120,000.00	1,320,000.00	15%	1,705,533.00
12	120,000.00	1,440,000.00	20%	2,081,364.00
13	120,000.00	1,560,000.00	25%	2,617,636.00
14	120,000.00	1,680,000.00	15%	3,392,045.00
15	120,000.00	1,800,000.00	-15%	4,020,852.00
16	120,000.00	1,920,000.00	15%	3,537,724.00
17	120,000.00	2,040,000.00	20%	4,188,383.00
18	120,000.00	2,160,000.00	25%	5,146,059.00
19	120,000.00	2,280,000.00	20%	6,552,574.00
20	120,000.00	2,400,000.00	-20%	7,983,089.00
21	120,000.00	2,520,000.00	15%	6,505,471.00
22	120,000.00	2,640,000.00	15%	7,602,442.00
23	120,000.00	2,760,000.00	25%	8,862,808.00
24	120,000.00	2,880,000.00	10%	11,198,510.00
25	120,000.00	3,000,000.00	-25%	12,438,362.00
26	120,000.00	3,120,000.00	10%	9,448,771.00
27	120,000.00	3,240,000.00	25%	10,513,648.00
28	120,000.00	3,360,000.00	20%	13,262,060.00
29	120,000.00	3,480,000.00	15%	16,034,472.00
30	120,000.00	3,600,000.00	-20%	18,559,643.00
		YIELD/IRR		**8.06%**
		CLAIMED ROI		**15.00%**

Understanding the MF Trend: ROI vs Market Fluctuations : This illustration assumes a long-term SIP-style investment with the following parameters:

- Annual Investment: ₹1,20,000
- Investment Term: 30 years
- Claimed / Projected Average ROI: 15%
- Periodic Market Crashes: Approx. once every 5 years

At first glance, a 15% projected return appears attractive. However, when we analyze the actual year-wise impact of market fluctuations, a different picture emerges.

Key Observations from the Table

1 Market Returns Are Uneven, Not Linear

- **Positive years show returns of 15%–25%**
- **Crash years show sharp corrections of –15% to –30%**
- **These negative years undo several years of gains**

Markets do not compound smoothly, even if long-term averages look strong.

2 Impact of Market Crashes on Long-Term Returns

Highlighted yellow rows show years with market rashes (–20%, –25%, –30%).

Despite continued investing:

- Corpus growth slows down sharply
- In some years, portfolio value drops even after years of discipline
- Recovery takes multiple years, especially when crashes occur at higher corpus levels

👉 **Losses hurt more than gains help (a 30% fall needs ~43% recovery).**

3 Final Outcome vs Claimed ROI

Particulars	Value
Total Investment	₹36,00,000
Final Corpus (Year 30)	~₹1.86 Crore
Actual IRR (Yield)	**8.06%**
Claimed / Projected ROI	**15%**

Reality:Even after staying invested for 30 years, the actual investor return is almost half of the claimed ROI.

Why Net ROI Is Lower Than Expected ROI

1. **Sequence of Returns Risk**: Losses occurring at higher corpus levels have a disproportionately large impact.
2. **Volatility Drag** : **Average returns ≠ Actual returns (15% average does NOT mean 15% CAGR)**
3. **Psychological & Practical Constraints**
   In real life:
   - Investors panic during crashes
   - SIPs get stopped or reduced
   - Redemptions happen at wrong times
4. **Market Recovery Is Time-Dependent**
   Markets may recover eventually, but time lost cannot be recovered.

Dependability of Mutual Funds During Market Fluctuations

☑ Strengths

- Good for long-term wealth creation
- Beats inflation over long horizons
- SIPs reduce timing risk

⚠ Limitations

- Returns are uncertain
- No guarantee of projected ROI
- Highly dependent on:
  - Market cycles
  - Entry/exit timing
  - Investor discipline

Balanced Conclusion : While equity mutual funds have the potential to deliver strong long-term returns, actual investor outcomes are significantly influenced by market volatility and periodic downturns.

As illustrated, **even with a projected average return of 15%, the effective long-term yield may be much lower due to market corrections and the timing of returns**.

Therefore, mutual funds should be viewed as growth-oriented but non-guaranteed investments, best complemented with stable and predictable instruments for balanced financial planning.

COST WISE ANALYSIS OF INVESTMENTS IN

SYSTEMATIC INVESTMENT PLAN (SIP)

SIP (SYSTEMATIC INVESTMENT PLAN

A method of investing in mutual funds monthly / quarterly. SIP is not a product, it is a discipline

- ### How it works
  - Fixed amount auto-debited
  - Buys more units when market is low,fewer when high
  - Uses Rupee Cost Averaging
- ### Benefits
  - ✓ Market timing not required
  - ✓ Builds long-term discipline
  - ✓ Power of compounding
- ### Risk Level
  Depends on the mutual fund chosen
- ### Best for
  - Salaried individuals
  - First-time investors
  - Long-term goals (retirement, child education)

How SIP Gains Are Taxed

Annual Taxation vs Tax on Redemption (Reality)

SIP gains are NOT taxed annually. Tax is triggered ONLY when units are redeemed (sold).

Each SIP instalment is treated as a **separate investment** with its **own holding period and tax calculation**.

1.NO annual tax on:

- NAV appreciation
- Unrealised gains
- Number of years SIP is running

👉 **As long as you don't redeem units, there is zero capital gains tax**, regardless of profit shown in statements.

2. What Actually Gets Taxed?

Tax is applied **only on redemption**, and **each SIP instalment is taxed separately**, based on:

1. **Asset class** (Equity / Debt / Gold, etc.)
2. **Holding period of that instalment**
3. **Capital Gain Amount**

Equity SIP – Taxation Logic

(FY 2025-26 Rules)* Holding Period Rules

Holding Period	Tax Type	Tax Rate
≤ 12 months	STCG	20%
> 12 months	LTCG	12.5% (only if total LTCG > ₹1.25 lakh in FY)

How Tax Is Calculated

Each SIP instalment has a **different purchase date**, so:

SIP Month	Holding Period	Tax Type
Month 1–6	**> 12 months**	**LTCG**
Month 7–12	**< 12 months**	**STCG**

Example – Equity SIP (₹10,000/month)

SIP Details

- **SIP: ₹10,000 per month**
- **Duration: 12 months**
- Total investment: ₹1,20,000
- **Redeemed after 18 months**
- **Total value on redemption: ₹1,50,000**

  ➞ Total gain = ₹30,000

Assume:

- LTCG portion = ₹18,000
- STCG portion = ₹12,000

Tax Payable

- LTCG ₹18,000 → **No tax** (within ₹1.25 lakh exemption)
- **STCG ₹12,000 × 20% = ₹2,400**
- ✅ **Total tax payable = ₹2,400 only**

What If SIP Runs for Many Years?

If you SIP for 5–10 years. Redeem **after stopping SIP**

- Most units will qualify as **LTCG**
- **Tax-efficient due to ₹1.25 lakh LTCG exemption every year**

Taxation Criteria

Debt SIP : Debt / Hybrid (Equity < 65%)

Holding Period	Tax
Any duration	**Taxed at slab rate**

There is **NO LTCG benefit**, even if held for many years.

Example: Gain: ₹30,000; Investor in 30% slab;

Tax = ₹9,000 (+ cess)

Gold SIP (Gold ETF / Gold MF)

Holding Period	Tax
≤ 12 months	Slab rate
> 12 months	12.5% LTCG (no exemption)

Dividend Reinvestment SIP – Hidden Tax

If SIP is in **IDCWs / Dividend option**:

- Dividend is taxed **every year**
- Taxed at **your slab rate**
- TDS @ 10% if dividend > ₹10,000

🚫 This breaks compounding

✅ **Growth option is always more tax-efficient**

Scenario	Taxed Annually?	When Taxed
SIP running	❌ No	—
NAV increases	❌ No	—
Dividend payout	✅ Yes	Year of receipt
Partial redemption	✅ Yes	On redeemed units
Full redemption	✅ Yes	On all redeemed units

Key Investor Takeaways

✓ SIP is tax-deferred, not tax-free
✓ Each instalment has its own tax clock
✓ Equity SIPs are extremely tax-efficient if held long
✓ Tax planning via phased redemptions can save lakhs
✓ Growth option > Dividend option

COST WISE ANALYSIS OF INVESTMENTS IN

REAL ESTATE

REAL ESTATE (PROPERTY)

🔹 **What it is:** Investment in **land, residential or commercial property**

🔹 **How it works**

- Buy property
- Hold long-term
- Earn rent and/or capital appreciation

🔹 **How you earn**

1. Rental Income
2. Property price appreciation

🔹 **Risk Level: Moderate to High (Price cycles, legal risks, liquidity issues)**

🔹 **Liquidity: ❌ Low – takes time to sell**

🔹 **Capital Requirement**

💰 High (down payment + loans)

🔹 **Best for:**

- High-net-worth investors
- Long-term wealth & passive income seekers

TAXES & CHARGES- REAL ESTATE

- **- Stamp Duty: 5-10%**
- **- Registration Charges: 1-2%**
- **- Goods and Services Tax (GST): 5-12%**
- **- Capital Gains Tax (CGT): 20-30%**
- **- Property Tax: 0.5-2%**

Taxes & Charges associated INVESTING in REAL ESTATE in India

PURCHASE Related Taxes and Charges

1. **Stamp Duty:** **5% to 10%** (varies by state)
2. **Registration Charges:** **1% to 2%** (varies by state)
3. **Value-Added Tax (VAT):** **1% to 5%** (varies by state)
4. **Goods & Services Tax (GST)**: **5% to 12%** (varies by property type)
5. **Transfer Fees**: ₹5,000 to ₹50,000 (varies by developer)
6. **Society Transfer Fees**: **₹5,000 to ₹50,000** (varies by society)

Taxes & Charges associated INVESTING in REAL ESTATE in India

OWNERSHIP Related Taxes & Charges

1. **Property Tax: 0.5% to 2%** (varies by municipality)
2. **Municipal Taxes: 0.5% to 2%** (varies by municipality)
3. **Water and Electricity Charges**
4. **Maintenance Charges: ₹1 to ₹10 per sq. ft.** (varies by developer/society)
5. **Annual Lease Rent (**For Leasehold properties)

SALES Related Taxes & Charges

1. **Capital Gains Tax (CGT): 20% to 30%** (varies by holding period)
2. **Indexation Benefit (for long-term capital gains)**
3. **TDS (Tax Deducted at Source): 1% to 20%** (varies by transaction type)
4. **Stamp Duty (on sale deed)**
5. **Registration Charges** (on sale deed)

FINANCIAL Related Taxes and Charges

1. **Interest on Home Loan: 7% to 12% p.a.** (varies by lender)
2. **Processing Fees: 0.5% to 2%** (varies by lender)
3. **Prepayment Charges: 1% to 2%** (varies by lender)
4. **Loan Insurance Premiums**

Other Taxes and Charges

1. **GST on construction: 5% to 12%** (varies by property type)
2. **Development Charges: ₹50 to ₹500 per sq. ft.** (varies by developer)
3. **Parking Charges: ₹50,000 to ₹5 lakhs** (varies by developer)
4. Clubhouse and Amenities Charges

TOTAL COST OF INVESTMENT IN REAL ESTATE in India

Example (residential property purchase):

1. **Purchase price: ₹50 lakhs**
2. **Stamp Duty: ₹2.5 lakhs (5%)**
3. **GST: ₹2.5 lakhs (5%)**
4. **Transfer fees: ₹25,000**

Total: ₹55.75 lakh

Dark sides or Drawbacks of investing in Real Estate

1. **Illiquidity: Difficult to sell properties quickly.**
2. **High Transaction Costs: Stamp duty, registration, brokerage fees.**
3. **Market Volatility: Prices fluctuate significantly.**
4. **Regulatory Risks: Changes in laws, zoning regulations.**
5. **Maintenance Costs: Property upkeep, taxes, insurance.**
6. **Scams and Fraud: Fake developers, forged documents.**
7. **Leasing Risks: Tenant disputes, vacancy period**

Challenges in present scenario

1. Oversupply in major cities.
2. Slowdown in demand due to economic uncertainty.
3. Regulatory changes (RERA, GST).
4. Rising interest rates.

Real Estate - Trend

1. **Investment decline: 12% YoY (2020-21)**
2. **Unsold inventory: 1,115 million sq. ft (2022)**
3. **Residential sales decline: 36% YoY (2020-21)**
4. **Commercial office space absorption decline: 30% YoY (2020-21)**
5. **Real estate funding decline: 40% YoY (2020-21) – CARE Ratings**

Investing in Real Estate has seen a decline in India, with various statistics pointing to a slowdown in the market.

Here are some key numbers:

1. **Investment Momentum**: The investment momentum in Indian real estate grew by 41% during Q1 2022 over Q4 2021, but then slowed down due to global geopolitical issues .
2. **Deal Value**: The total deal value in Q1 2022 was $943 million, with 10 deals concluded during the quarter, compared to 16 deals in Q1 2021.
3. **Sector-wise Investment**: The office sector led with a 52% share, followed by retail with 27%, and warehousing with 10% .
4. **REIT Worthy Assets**: India's office market offers around 362 million sq ft of REIT-worthy assets across top 7 cities.
5. **Un**sold Inventory: The unsold inventory in the real estate sector stood at 1,115 million sq ft in 2022.

COST WISE ANALYSIS OF INVESTMENTS IN

GOLD

GOLD (PHYSICAL / DIGITAL)

◆ **What it is:A store of value and hedge against inflation.**

◆ **Investment Options**

Type	Remarks
Physical Gold	**Jewellery, coins**
Digital Gold	**Online platforms**
Gold ETFs	**Traded like shares**
Sovereign Gold Bonds (SGB)	**Govt-backed, interest-bearing**

◆ **How you earn**

- Price appreciation
- Interest (only in SGB)

◆ **Risk Level: Low–Moderate**

◆ **Liquidity:** ✓ High for ETFs / Digital
❌ Moderate for physical gold

◆ **Best for**

- Portfolio diversification
- Inflation protection

TAXES & CHARGES- GOLD

- Goods and Services Tax (GST): 3%

- Capital Gains Tax (CGT): 20-30%

- Wealth Tax:1% on net wealth exceeding ₹30 lakh

TAXES & CHARGES associated with investing in GOLD in India

Purchase-Related Taxes and Charges:

1. **GST : 3% on gold jewelry, 0% on gold coins/bars**
2. **Making Charges: 8-25% (varies by jeweller)**
3. **VAT (Value-Added Tax): 1-5% (varies by state)**
4. **Stamp Duty: ₹100-₹500 (varies by state)**
5. **Security Charges: ₹100-₹500** (varies by jeweller)

OWNERSHIP-Related Taxes and Charges:

1. **Wealth Tax: 1% on net wealth exceeding ₹30 lakhs** (not applicable to gold below ₹30 lakhs)
2. **Capital Gains Tax (CGT): 20% to 30%** (varies by holding period)
3. **Indexation Benefit** (for long-term capital gains)

TAXES & CHARGES associated with investing in GOLD in India

SALE-Related Taxes and Charges:

1. **Capital Gains Tax (CGT): 20% to 30%** (varies by holding period)
2. **TDS (Tax Deducted at Source): 1% to 20%** (varies by transaction type)
3. **GST: 3% on gold jewelry, 0% on gold coins/bars**

OTHER Taxes and Charges:

1. **Customs Duty: 10% on imported gold**
2. **Excise Duty: 1% on gold jewelry**
3. **Cess: 0.5% on gold imports**

Investment-Specific Taxes & charges

1. Gold ETFs (Exchange-Traded Funds):

- **Management Fees: 0.5-1.5%**

- Brokerage Charges: 0.1-0.5%

2. Gold Mutual Funds:

- **- Management Fees: 0.5-2.5%**

- - Brokerage Charges: 0.1-0.5%

3. Sovereign Gold Bonds (SGBs):

- - **Interest Rate: 2.5% p.a.**

Here are some current data points indicating a **decline in investment in Gold in India**:

1. **Gold demand decline: 14% YoY (2020-21)**

2. **Gold investment decline: 26% YoY (2020-21)**

3. **Gold imports decline: 47% YoY (2020-21)**

4. **Gold price increase: 25% (2020-21)**

5. **Gold ETF outflow: ₹1,400 crores (2020-21)**

Dark sides or Drawbacks of investing in GOLD

1.**Volatility:** Prices fluctuate rapidly.

2**. Storage and Security Risks**: Theft, damage.

3**. Making Charges**: High costs for jewellry, coins.

4. **Lack of Regular Income**: No dividends or interest.

5. **Market Manipulation**: Prices influenced by global factors.

6**. Taxation**: Capital gains tax, wealth tax.

7**. Limited Liquidity**: Difficult to sell in emergencies.

Challenges in present scenario:

1.Global economic uncertainty.

2. Rising interest rates.

3. Strong US dollar impacting gold prices.

4. Government policies (duty hikes, hallmarking).

COST WISE ANALYSIS OF INVESTMENTS IN

BANKS (FDR/TDR)

FIXED DEPOSITS (FD) – BANKS / NBFCs

- **What it is: Lending money to a bank for fixed tenure at fixed interest rate**

- **How it works**
  - Invest lump sum
  - Earn guaranteed interest
  - Principal + interest returned at maturity

- **Risk Level Very Low**

(DICGC insurance up to ₹5 lakh per bank)

- **Liquidity**

  Moderate (penalty on premature withdrawal)

- **Returns**: Lower than inflation (post tax)

- **Best for**
  - Capital safety
  - Senior citizens
  - Short-term goals

RECURRING DEPOSIT (RD)

- **What it is: Monthly investment in banks for fixed period**
- **How it works**
  - Fixed amount deposited monthly
  - Earns FD-like interest
  - Lump sum received at maturity
- **Risk Level: Very Low**
- **Liquidity : Low (penalties on early withdrawal)**
- **Best for**
  - Small savers
  - Short-term planned expenses

This is an important and emotionally charged issue for millions of Indian savers—especially retirees, middle-class families, and conservative investors who depend on **bank Fixed Deposits (FDs)** as their safest income source.

1. How interest rate cuts directly hurt the common man's hard-earned savings
2. Why **RBI–Government rate policy weakens the "safest avenues" like FDs**
3. Why many people strongly believe **this is a bad policy move for small savers**

How Reduction in Interest Rates harms a Common Man's Hard-Earned Money

(A) Direct Impact on FD Income: When RBI cuts the repo rate, banks immediately reduce FD interest rates.

FD Rate: 8.5%	Rate Cuts: 6.5%	
₹10,00,000		
Annual Income: ₹85,000	6.5%	₹65,000

Loss = ₹20,000 every year for

- **Pensioners**
- **Senior citizens**
- **Widows**
- **Middle-class families**

(B) Real Return Becomes Negative After Inflation

If **FD interest = 6.5% & Inflation = 6–7%:** Then your **real return = 0% or negative,** means your money is growing on paper but **shrinking in real purchasing power.**

Example: You earn ₹65,000 interest. Your household expenses rise by ₹70,000 due to inflation
➡️ **You are poorer despite saving safely**

(C) Tax Makes It Even Worse

FD interest is fully taxable.
If you're in 20% tax slab:

- **₹65,000 interest → tax ≈ ₹13,000**
- **Net return = ₹52,000**
- **Effective return ≈ 5.2%**

If inflation is 6–7%:
➡️ **Net real return = -1% to -2%.** This is a **silent slow destruction of savings**.

TAXES & CHARGES- Fixed Deposits

- Tax Deducted at Source (TDS): 10%
- Interest Tax: slab rate
- Penalty for early withdrawal

NET ROI IN BANK'S FD

- Expected annual return: 4-6%
- Taxes and charges: TDS: 10-20%
- Interest tax: Variable as per RBI

Net return: 3.2-4.8%

Approximate FD Returns vs Inflation (2014–2025)

FD rates vary by bank, tenure (1-yr, 5-yr etc.), senior-citizen benefits, deposit size — and inflation also fluctuates monthly. But based on publicly available historical data, we can build a **rough comparison table for India (2014–2025)** using:

- Broad / typical bank FD interest-rate ranges (for 1–3 year or standard term FDs) as a proxy for "safe-return rate"
- Annual inflation (CPI-based) average for each year from official CPI data

Year	Approx. Typical Bank-FD Rate* (Regular FD)	Inflation Rate (CPI All-India, approx. avg)	FD Rate − Inflation (Real Return, before tax & other costs)
2014	~ 8.0%–9.25%	**~ 6.6%**	~ +1.4% to +2.6%
2015	~ 8.0%–8.75%	**~ 4.9%**	~ +3.1% to +3.8%
2016	~ 7.0%–7.5%	**~ 4.95%**	**~ +2.0% to +2.5%**
2017	~ 6.5%–7.0%	**~ 3.3%**	~ +3.2% to +3.7%
2018	~ 6.25%–6.75%	**~ 3.9%**	~ +2.3% to +2.8%
2019	~ 6.25%–7.5%	**~ 3.7%**	**~ +2.5% to +3.8%**
2020	~ 5.7%–6.2%	**~ 6.6%**	~ −0.4% to −0.9%
2021	~ 4.9%–5.5%	**~ 5.1%**	~ −0.2% to +0.4%
2022	~ 5.0%–5.6%	**~ 6.7%**	~ −1.1% to −1.7%
2023	~ 6.0%–7.25%	**~ 5.7%**	~ +0.3% to +1.5%
2024	(many banks reduced FD rates) roughly **5.0%–6.0%** (approx..interpolation)	**~ 4.9%**	**~ −0.1% to +1.1%**
2025	**(ongoing, after several rate-cuts) rough estimate ~ 4.5%–5.5%**	**CPI inflation dropping (2025 provisional ~ 4.3–4.5% first part of year)**	**~ 0% to +1.0%**

* **"Typical Bank-FD rate" is approximate —** actual rate depends on bank, deposit tenure, senior-citizen bonus, & deposit amount. The ranges come from publicly aggregated historical FD rate data. **† 2025 values are provisional & based on early-year CPI data** and recent trend of declining FD rates.

What This Table Reveals (and Its Limitations)

✅ **When FDs beat inflation (positive "real return"):**

- In **2015–2019**,FD rates roughly outpaced inflation by **2–4%**. That meant **real returns were positive (before tax).**
- In **2017–2019**, many years looked relatively safe — **real gains were modest but positive.**

⚠️ **When FDs failed to keep up:**

- **2020–2022** stands out: due to **falling FD rates + rising inflation**,real return went **negative** (especially in 2020,2022).
- Even when FD rates looked similar/better in 2023–2024, rising inflation or lower post-tax/net returns often wiped out most gains.
- **In 2025, with FD rates trending lower and inflation still nontrivial, real return is marginal at best.**

📉 **The erosion of "safe return" over time:**

As inflation hovered around 5–7% many years, but FD rates gradually declined (especially after 2019), the buffer for small savers shrank.

Why "Real Return" may be even lower than table shows:

- **FD interest is taxable: tax reduces actual net return.**
- **Many FD rates for small savers in recent years have been on the *lower end* of the range** (not the "max-possible" rates used in table).
- **Inflation can vary monthly; CPI-average smooths fluctuations.**
- **Other costs (like taxes, fees, or premature withdrawal) reduce effective returns.**
- **Key Takeaways (for a Common Man / Small Saver)**

- During much of **2015–2019**, **FDs provided a modest but real return above inflation** — so money saved did not lose purchasing power.
- Since about **2020**, **FD returns have often lagged inflation** → real value of savings has gradually eroded.
- **With falling FD rates + inflation + tax, small savers may find their "safe money"** giving **little or no real benefit**.

Comparative Analysis: Market-Linked vs Guaranteed Investment Products

Assumptions (for uniform comparison)

- Annual Investment: ₹1,20,000
- Investment Horizon: 30 years
- Total Investment: ₹36,00,000
- Investor Profile: Moderate risk, long-term goal
- Tax Slab Assumed: 30% (where applicable)

Equity Mutual Funds (Market-Linked)

PARAMETER	DETAILS
Nature	Market-linked, non-guaranteed
Claimed ROI	~15% p.a. (illustrative)
Actual IRR (as per MF Trend)	**~8.06%**
Final Corpus	**~₹1.86 Cr**
Capital Protection	❌ No
Volatility	HIGH
Liquidity	HIGH
Taxation	LTCG @ 10% above ₹1.25 lakh p.a.

Key Insight: Equity MFs offer growth potential but returns are **highly dependent on market cycles**. Actual realized returns may be significantly lower than projected averages due to volatility and crashes

Bank Fixed Deposit (FD)

PARAMETER	DETAILS
Nature	Guaranteed
Expected CAGR	**~6.5% p.a.**
Final Corpus	**~₹1.10 Cr**
Capital Protection	YES
Volatility	NONE
Liquidity	**MODERATE**
Taxation	Interest fully taxable annually

Key Insight: FDs provide certainty and capital safety, but post-tax returns often barely beat inflation, especially for higher tax brackets.

Senior Citizens Savings Scheme (SCSS)

PARAMETER	DETAILS
Nature	Guaranteed
Expected CAGR	**~7.5–8% p.a.**
Final Corpus	**~₹1.30–1.35 Cr**
Capital Protection	YES
Volatility	NONE
Liquidity	**LIMITED**
Taxation	Interest taxable

Key Insight: SCSS offers one of the highest risk-free returns in India, but is age-restricted and has investment limits.

Guaranteed Insurance Savings / Income Plans (Non-ULIP)

Assumptions:

- Reputed insurer
- Guaranteed maturity + loyalty additions
- Blended IRR: **~6.5%–8.0%**

PARAMETER	DETAILS
Nature	Contractually guaranteed
Expected CAGR	**~7.5–8% p.a.**
Final Corpus	**~₹1.20–1.35 Cr**
Capital Protection	YES
Volatility	NONE
Liquidity	**LOW**
Taxation	**Tax-free maturity** (Sec 10(10D), if compliant)

Key Insight: Insurance plans offer predictability, tax efficiency, and discipline, but require long-term commitment and patience.

KEY TAKEAWAYS: Market-linked investments such as equity mutual funds can generate higher long-term wealth but come with return uncertainty and emotional volatility. Guaranteed products, while offering comparatively lower returns, provide stability, predictability, and peace of mind.

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COST WISE ANALYSIS

OF

INSURANCE SECTOR

Tax Benefits on Life Insurance Premiums

1. **Section 80C: Up to ₹1.5 lakh deduction on life insurance premiums**.
2. **Section 10(10D): Tax-free death benefits and maturity proceeds**.
3. **Section 80D: Additional ₹25,000 deduction for health-related** riders.

Tax Benefits on Riders:

1. **Critical Illness Rider: ₹25,000 deduction under Section 80D.**
2. **Hospital Cash Benefit Rider: ₹25,000 deduction under Sec 80D.**
3. **Waiver of Premium Rider: No tax benefit.**

Tax Implications on Maturity Proceeds:

1.Exempt from tax if policy duration > 5 years
2. Partially taxable if policy duration < 5 years.

Retirement Planning Comparison: 2015 vs 2025 (India)

Parameter	2015 Reality	2025 Reality	What Changed for the Worse
Average Bank FD Rate	**8.5% – 9.5%**	**4.5% – 6%**	Interest income nearly **halved**
Inflation (CPI Avg.)	**~5%**	**~5–6%**	Inflation still high
Medical Inflation	**~7–8%**	**10–15%**	Explosive healthcare cost rise
Post-Tax FD Return (20% slab)	**~7.0–7.5%**	**~4.0–4.5%**	Real income collapse
Real Return on FD (After Inflation)	**+2% to +3% (Positive)**	**–1% to 0% (Negative)**	Guaranteed wealth erosion
Life Expectancy at Retirement	**72–75 years**	**78–85 years**	Savings must last **10+ extra years**
Health Insurance Premium (60+)	**₹18k – ₹30k/year**	**₹40k – ₹90k/year**	Premiums doubled/tripled
Retirement Investment Style	**Mostly FDs, PPF, SCSS**	**Forced into MF, NPS, stocks**	Safety replaced by risk
Ideal Monthly Retirement Expense (Urban)	**₹25k – ₹30k**	**₹45k – ₹70k**	Cost of living doubled
Retirement Corpus Needed for Same Lifestyle	**₹1 crore**	**₹2.5–3 crore**	**Target moved out of reach**

Income Comparison on the Same Retirement Corpus

Example: ₹1 Crore Retirement Corpus

	2015	2025
FD Rate	**9%**	**5.25%**
Annual Income	₹9,00,000	₹5,25,000
Monthly Income	₹75,000	₹43,750
Inflation -Medical Inflation	~5%	8–12%
STATUS	Comfortable, dignified retirement	Struggling for the same lifestyle

<u>**Loss of ₹31,250 per month on the SAME ₹1 crore corpus**</u>

Shock Reality Table (Monthly Income vs Extra Corpus)

Monthly Retirement Income	**Corpus Needed in 2015 (9%)**	**Corpus Needed in 2025 (5.25%)**	**Extra Corpus Required**
₹40,000	₹53 lakh	₹91 lakh	₹38 lakh more
₹50,000	₹67 lakh	₹1.14 cr	₹47 lakh more
₹75,000	₹1.00 cr	₹1.71 cr	₹71 lakh more
₹1,00,000	₹1.33 cr	₹2.29 cr	₹96 lakh more

Now Add Inflation + Medical Costs (The Real Bomb)

1. **Safe post-tax FD return ≈ 4%**
2. **Medical inflation ≈ 12%**
3. **Average living inflation ≈ 6%**

To safely withdraw ₹50,000/month long term: **₹6,00,000÷4%=₹1.5crore**

Year	Corpus Required	Difference
2015	₹67 lakh	0
2025 (Real Safe)	₹1.50 crore	₹83 lakh EXTRA

The same retirement lifestyle now costs nearly ₹80–85 lakh MORE purely because of policy-driven low FD returns + inflation.

CORE PRINCIPLE (Very Important):In 2025, no single "safe product" can protect retirement alone. Survival now requires a *combination of safety + income + limited growth*.

₹1.5 Crore Retirement Corpus (Safe Allocation)

Segment	**Amount**	Monthly Support
Safety Income (50%)	₹75 lakh	₹30k–35k
Inflation Protection (25%)	₹37.5 lakh	Future protection
Medical & Longevity (25%)	₹37.5 lakh	Emergency cushion

Why Retirement Became Harder in 2025

1. **Interest income collapsed**
2. **Medical costs exploded**
3. **People are living longer without pensions**
4. **Tax eats up whatever little interest remains**
5. **Risk is being pushed at the wrong age**
6. **No universal government pension**
7. **FD is safe but financially weak**

In 2015, ₹1 crore meant peace of mind. In 2025, even ₹2 crore no longer guarantees a stress-free retirement.

What This Means for Today's Middle-Class Worker (30–50 yrs)

If someone plans retirement today using old 2015 assumptions, that person will face:

1. Corpus shortfall of **₹1–1.5 crore**
2. Lower monthly income
3. Forced dependence on children
4. High medical vulnerability

Medical Shock Comparison

Medical Event	**2015 Cost**	**2025 Cost**
Normal Hospitalization	₹80,000 – ₹1.5L	₹3–5L
Heart Surgery	₹2.5–3.5L	₹6–10L
Cancer Treatment (1 yr)	₹6–10L	₹15–35L+
Inflation -Medical Inflation	~5%	8–12%

THE RATE OF MEDICAL INFLATION IN INDIA as on today: Here are the key recent data points:

Several industry reports **estimate medical inflation in India to be in the 10 % to 15 % per annum range. A specific figure says medical inflation "currently around 13.2%" in India. compared to general inflation of 4-6%.**

Why is medical inflation higher than general inflation : Here are the main drivers:

- Increase in non-communicable diseases (diabetes, hypertension, cardiovascular) → more treatments, more recurring costs.

- Rising cost of advanced medical technology, imported devices, diagnostics, newer therapies.

- Supply constraints: fewer beds, skilled professionals, infrastructure costs, which push up costs.

- **Out-of-pocket burden: Many treatments are paid by households directly, which makes inflation felt more immediately.**

Impacts a middle-class family over next 5 years: In case of middle-class families—Let's pick a baseline cost today and then project for 5 years using medical inflation.

Example scenario: Suppose a middle-class family currently has **average annual medical/healthcare cost (including hospitalisation + diagnostics + medicines) of ₹1,00,000 /-.**

Assume **medical inflation at 12% per year (within the 10-15% range).** - **Over 5 years, cost will grow by factor = (1 + 12%)^5 ≈ 1.12^5≈ 1.762 (i.e. ~76% higher).** - **So in 5 years, annual cost would be ~ ₹1,76,000** (from ₹1,00,000).

- **If inflation is at 14% then factor is 1.14^5 ≈ 1.925 → cost ~₹1,92,500. What it means: What you're paying today (₹1 lakh) may nearly double (or at least increase significantly) in 5 years.**

For a middle family this means the "healthcare budget" has to grow, or else you will find yourself under-budgeting / underinsured.

If incomes are growing at say 6-8% per year for many middleclass households, they will grow by maybe ~1.06^5 ≈ 1.34 (i.e.34% growth) over 5 years. But healthcare cost could grow by ~76-90%. So healthcare cost growth > income growth →increasing burden. This has implications for savings, insurance planning, health cover adequacy, emergency funds, etc. **Additional risk features: Hospitalisation or major treatment costs: These get magnified**. For instance, **cost of some treatments has doubled in 5 years.** Even if you have insurance, premium hikes and co-payments may increase. Coverage that looks adequate today may become insufficient in 5 years.

Out-of-pocket expenses remain significant in India. So unless you plan ahead, you may face "bill shock".Simply inflation-adjusting with general inflation (say 6%) is insufficient; the healthcare inflation is much higher. So if we assumed cost doubling in 12 years (at 6%) we are underestimating.

India's medical inflation is currently **estimated at 10-15% per year**, among the highest in Asia. This projection shows how healthcare costs for a typical middle class family may rise over the next 5 years. Such inflation highlights the importance of reviewing your health insurance cover regularly to keep up with the rising cost of treatment and hospitalization.

Enclosed Table showing projected medical costs over 5 years for different starting value:

BASE ANNUAL COST (as TODAY): INR 50,000/-

MEDICAL INFLATION	YEAR	PROJECTED ANNUAL COST
10%	1	55,000
	2	60,500
	3	66,550
	4	73,205
	5	**80,526**
12%	1	56,000
	2	62,720
	3	70,246
	4	78,676
	5	**88,117**
14%	1	57,000
	2	64,980
	3	74,077
	4	84,448
	5	**96,271**

BASE ANNUAL COST (as TODAY): INR 1.00,000/-

MEDICAL INFLATION	YEAR	PROJECTED ANNUAL COST
10%	1	1,10,000
	2	1,21,000
	3	1,33,100
	4	1,46,410
	5	**1,61,051**
12%	1	1,12,000
	2	1,25,440
	3	1,40,493
	4	1,57,352
	5	**1,76,234**
14%	1	1,14,000
	2	1,29,960
	3	1,48,154
	4	1.68.896
	5	**1,92,541**

Summary Table — Taxes on Major Investments (FY 2025-26 / AY 2026-27)

Investment Type	STCG Rate	LTCG Rate	Exemption	Other Taxes
Equity Shares	20%	12.5% (above ₹1.25L)	₹1.25 L LTCG exemption	**STT, GST on brokerage**
Equity MFs	20%	12.5% (above ₹1.25L)	₹1.25 L LTCG exemption	**TDS on dividends**
Debt / Other MFs	Slab rate	Slab rate	--	**TDS on dividends**
Gold/Silver	Slab rate	12.5%		**GST (purchase)**
Real Estate	Slab rate	12.5%	**Sec 54/54F** *if reinvested*	**Stamp duty/registration**
Bank Deposits	Slab rate on interest			**TDS per Sec 194A**

BOTTOMLINE:ROI %

INVESTMENT INSTRUMENT	EXPECTED ROI (p.a.)	TAXES & CHARGES	NET ROI (p.a.)
MUTUAL FUNDS	8-12%	• DDT: 10-25% • CGT: 10-20% • GST on management fees: 18% • Exit load: 0.5-2% • Management fees: 0.5-2.5%	5.5-8.5%
STOCKS (EQUITY)	8-12%	• STT: 0.001-0.1% • CGT: 10-20% • GST on brokerage: 18% • Brokerage: 0.01-0.5%	6.5-9.5%
REAL ESTATE	5-8%	• Stamp duty: 5-10% • Registration charges: 1-2% • GST: 5-12% • CGT: 20-30%	2.5-5.5%
GOLD	4-6%	• GST: 3% • CGT: 20-30% • Wealth tax: 1% on net wealth exceeding ₹30 lakhs	2.5-4.5%
BANK (FD/RD)	4-7%	• TDS: 10-20% • Interest Rate: Fluctuating as per RBI	3.2-4.8%
INSURANCE	6-8%+	• GST: 0%	6 - 8%+

GST-GOODS SERVICE TAX;
CGT- CAPITAL GAIN TAX;
STT-SECURITIES TRANSACTION TAX;
DDT- DIVIDEND DISTRIBUTION TAX

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Other Sources:

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