THEWEALTHWISHER
Right Plan...Right Life

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CHAPTER NAME PAGE

Role in Financial Planning for Women to Achieve Freedom

Most male readers will not read further thinking this article addresses only females. And few will start guessing why Madhupam is writing this? Valentine is gone, why is he mixing Mars & Venus. Well, do not go by topic, as this article focuses on **financial planning for women** aspect, but is equally important for male as well.

Reason- **financial planning is a couple thing**. Maybe your spouse is an earning member or not, but when we talk about financial planning it is for all the responsible persons who are involved. A spouse may not be supporting financially but he/she is contributing to making that financial plan work.

Is Financial Planning for Women only?

Financial planning is a family concept – inseparable & dependent outcomes. So maybe I am addressing to the woman of the house, but it is for you both.

I can experience woman's problem of "signing on dotted lines" is reducing as I see many females engaging through our website/blog. I get many new female readers who sign up on our website for information or a query. Hence I am confident of a very good future in field of financial planning for women.

It's time we approach the points that females should ensure in financial planning:

Difficult to discuss but HE better be insured

She must ensure that her husband has bought an adequate **Term Insurance** plan. The word adequate is important. There are calculations which enable the calculation of the cover. It is very important that right insurance is bought at a right age. Also make sure your husband does not divert to non-required, costly insurance policies which have very less cover. These policies reduce your investing capability. They also provide very fewer returns.

Also, as life progresses, do not forget to assess insurance cover when your husband takes a new loan like a home loan or a business loan. Idea is to cover all future liabilities.

She should suggest her husband to buy Life Insurance Policy under Married Women's Property (MWP) Act.

MWP Act: Lot of times it has been seen that after the demise of the husband, the insurance proceeds are taken by relatives or creditors. But if a policy (including term plan) is taken under MWP Act, no one can claim the amount apart from the wife. Even court cannot hand over money to any loan company. This protects wives and kids future.

So even in cases where husband's assets may be claimed by creditors, family disputes, property distribution, bank loans or business loss, but they go to wife & children of the deceased.

Role in Financial Planning for Women to Achieve Freedom

If your husband has made investments or opened accounts before marriage most likely the nomination would be absent or in name of another family member. Check if a correction is required and nominations are re-registered again.

Money YOU bring is equal to money HE brings at home

If you are a working woman you should buy adequate life Insurance for yourself because in that way you can ensure economic support in the case of some uncertainty in future. Many goals depend on both of your regular contributions. The family & husband will continue getting the financial support in case of some mishappening.

Surprise ME but without using YOUR Credit Card

You should ensure that your husband is using his credit card in an efficient manner. He should have maximum one or two cards. You have to ensure that monthly expenses are done by debit card or cash and are not rotated to next month using credit cards. Credit cards are for emergencies or online transactions. Many households after salary, make a big payment to credit card companies and think this normal and urban practice.

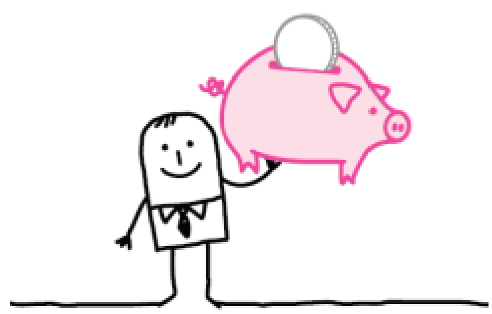
I swear we plan & buy

Apart from bigger loans like house or car, you must think twice before availing smaller loans like loans for appliances, or personal loan for vacations. It is better to plan and accumulate instead of a loan, spend and repay with interest.

You are director of smaller picture

Men often tend to forget small things because of inexperience. For eg, one of my clients had planned a house of Rs 40 Lakh. While discussing plan his wife came up with another small goal of furnishing which was around Rs 4 Lakhs. This is 10% of the original goal. This is the reason we (financial planners) want to include spouse during plan making.

I am the son of my house



A working woman should **invest a certain sum of her money towards her own parent's financial independence**. If parents do not have adequate source of earning, it is time you take charge in consultation with your husband. I don't think any sensible men of today will have an objection. In fact, he can help you using his financial management skills. Financial Planning for Women means no one form family should be in clutches of money scarcity.

Let's set the culture right

Financial independence will set you truly **free**. This should be the culture among you and children. Setting values or educating in money matters is not your husband's job alone. You also have to contribute to passing formal and informal skills to children about earning a living for your family and supporting yourself during the worst events. **Saving & Budgeting** habits can be best taught by practicing them in good spirits.

When I asked Ridham Desai about 100000 Sensex Prediction

Yes, I asked **Ridham Desai, the Head of India Equity Research and India Equity Strategist at Morgan Stanley-** "Will You Hold on to Your ***Sensex Prediction of 100000***?".

He said "Yes".

This was the question:

Madhupam Krishna@madhupam

Will be interesting to hear @rndx1 Ridham Desai and his views for 2018 equity markets. Will you hold your 100K number? #PrincipalMF @MorganStanley

4:03 PM - Jan 8, 2018

See Madhupam Krishna's other Tweets

(Join me on twitter)

Want to check his answer? Just **click the 2 min video link** below and you can see for yourself.

https://www.thewealthwisher.com/wp-content/uploads/2018/02/sensex-prediction-thewealthwisher-4.mp4?_=1

You can hear my name with the question & the answer.

I am not a market forecaster or go by market levels. This, means for me market levels are the second thing as priority is fundamentals & disciplined investing. For us, it is participation which is important because you cannot make money by talking about markets, you need to participate.

And, really I see people not participating in for days & years spending time discussing, fearing & timing.

I came to know that Ridham Desai will be addressing a conference in Mumbai on Jan 08, 2018 at BSE. He is or his organization is behind the famous report '**India's digital leap** – The multi-trillion-dollar opportunity' released in September 2017 end.

This report predicted Sensex to cross 100000 marks in 2028!!!

Amazing way to get media, investors & everyone's eyeballs.

The answer to Sensex Prediction to achieve 100000 mark

As you can listen, he said – Yes.

According to him, there are 2 justifications for it:

- **Growth:** The report is based on how India is growing backed by 3 famous disruptive These are called JAM. Jandhan, Aadhar & Mobile revolution. Based on earnings turnaround and future growth of your country, the number 100000 in 10 years looks a possibility.
- **Simple Mathematics:** As you can watch in the video, he says " if markets were to growth from present level at 12% compounding, it will cross 100000.

Simple statistic of 3 times approximately in 10 years.

Is this Sensex Prediction possible?

It has already happened many times. You will enjoy this even if you don't like maths.

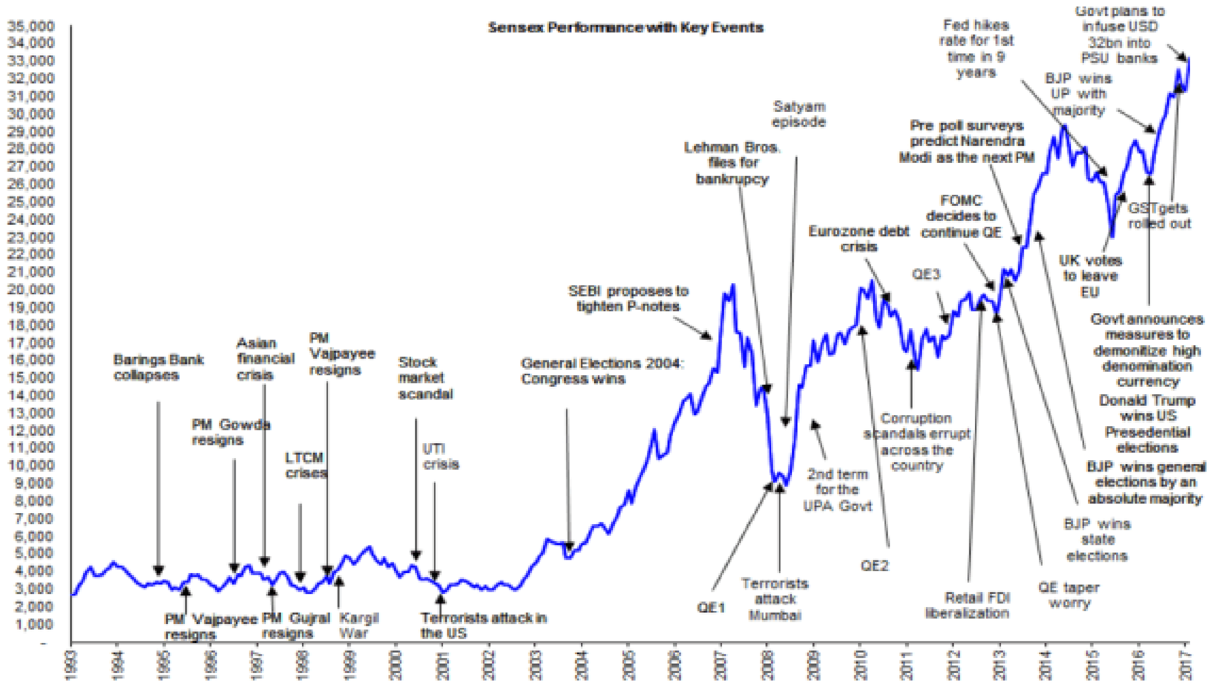
The Sensex has moved from 3,500 in 2002 to 35,000 in 2018.

This means Sensex moved up 10 times in 16 years.

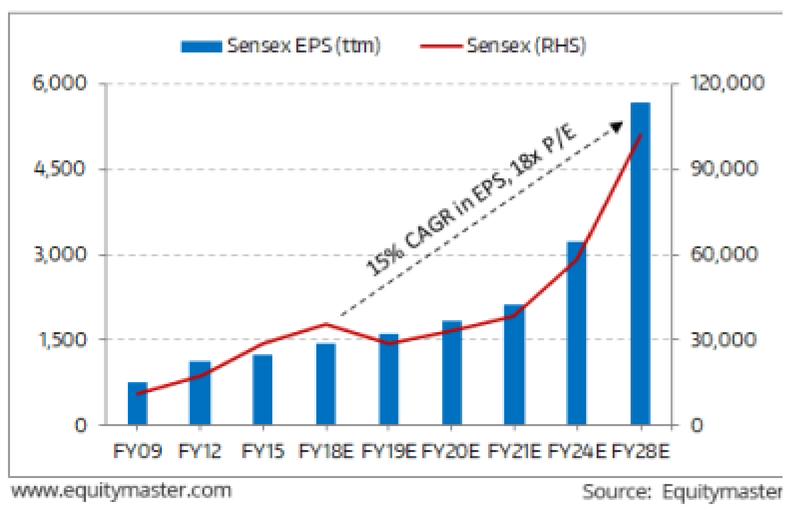
Sensex has moved from 8000 in 2008 to 35,000 in 2018.

Also, the index has moved up approximately 4 times in the last 10 years.

But you remember only the bad days because the ride was bumpy:



But investors who invested in Sensex managed to compound their returns at about 15% per annum.



Questions will remain bothering us like:

Will the earnings growth of Indian companies catch up?

- Can the current valuations sustain?
- Will the earnings rise?
- Will the market's liquidity be same after US interest rates rise?

But as I said, **"These factors WE CANNOT CONTROL"**.

Now, what are the probabilities of 12% returns?

For this, we need to critically examine the past data and combine it with present information.

So here is the history when Sensex made over 15% in a particular calendar year from 1980 to 2017 (37 years).

Markets or equity do not work on “yearly basis”. Means they do not know dates or calendar like debt instruments have. **Equity-only knows cycles**.

So when you talk about 10 years, you know you are talking about perhaps 1-2 cycles and not 1 to 10 year.

So calendar year does not seem like a good estimate. Let’s also take a look at the rolling return of Sensex for different holding periods. The below table shows daily rolling returns calculated for Sensex since its inception i.e 2nd January 1980 until October 2

	1 Year	3 Year	5 Year	7 Year	10 Year
Minimum Return	-56.07	-18.52	-7.91	-7.55	-2.81
Maximum Return	262.70	82.95	55.26	43.58	35.05
Average Return	19.55	16.14	15.95	15.62	15.81
% times positive return	69.95%	86.73%	91.05%	93.42%	98.92%
% times return > 8%	58.64%	60.50%	68.13%	73.97%	82.18%

Source – MFIE

In the past 37 years, we have witnessed many negative as well as positive events which were both global and local.

We have **a tendency to understate the positive and overstate the negative** when it comes to the stock markets. (Look how entire social media is busy cursing PNB scam nowadays)

So I am confident of fact that stock markets are long-term wealth creators.

Essentially time is important and not timing.

Though it was fun asking Ridham Desai about the surety of his *Sensex Prediction*.

Direct Plan Mutual Fund Investors & Advisor’s Alpha

With the markets just skyrocketing in 2017, many investors of Direct Plan Mutual Funds faced a tough time in Feb 2018. Budget 2018 and days after that were and are still mayhem. But if media & my personal experience is to be believed, the direct plan mutual fund investors panicked and are still in shock. They are all alone. FB/Telegram groups, transaction platforms or DIY Gurus are not able to help.

And, above all, they do not know the importance of **Advisor’s Alpha**.

A leading newspaper reported on 15 Feb 2018, that many advisors & planners received calls from direct plan mutual fund investors to inquire about what to do now? Even I have also received a lot of queries from existing investors and some random ones too. Clearly, a situation of fear prevails.

Some have transacted in Direct Plan Mutual Fund through websites, which call them **robo-advisors**, but they only advise before buying.

Many used **Quora or DIY Blogs or FB or Telegram Groups** where so-called DIY (do-it-yourself) gurus, are answering questions without knowing the personal situations.

(This article contains many images from Carl Richards Behavior Gap. A tribute to him)

The problem faced by direct plan mutual fund investors is that at times when you need to consult an expert you have none.

Many direct investors just to save some money or maybe overconfident started investing in equity markets without engaging a professional help. You could be one of them.

Another latest report is from **FinalMile-FIFA** which says "***Direct Plan Mutual Fund investors return to their Distributors/Advisors in long run***". Why? Keep reading for this study in the detail.

DIY means self-sufficient – A myth

Well, it is very difficult to manage your own finances. It is not one or 2 SIPs or just buying a term plan. You actually plan for 0-50 years plus while earning for say 15-20 years. You deal with ever changing situations & host of risky products.

Clearly, if you do not have knowledge or time you can simply outsource to a Financial Advisors.

This is same as outsourcing to an airline when you have to travel. Do you really start reading pilot training manual before flying? Or just pay for the ticket and enjoy the travel?

Outsourcing does not mean dependency.

Why DIY does not work in Financial Planning

Many of these DIY gurus are so overconfident that they have provided "retirement sheets, financial planning formats, portfolio making & valuation sheets etc". There website or blogs are full of manuals & videos to DIY entire financial planning.

At your local chemist you can get mostly all surgical tools. YouTube is full of videos. Now if videos or checklists could have performed surgeries, then why do we need surgeons?

These DIY gurus claim to make “things simple” in the complex world. Reality is “things are already simple”.

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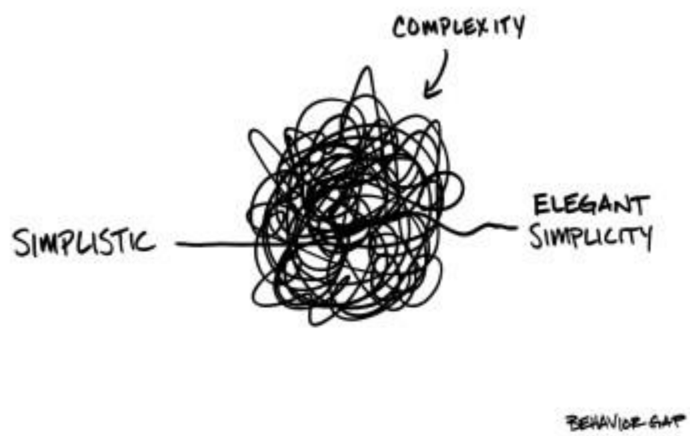
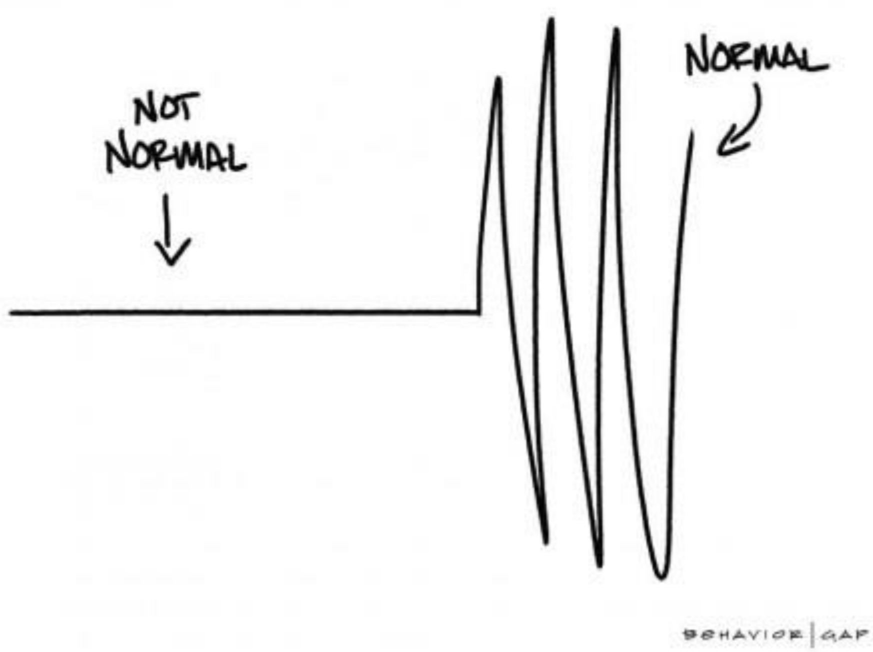


They make these things complex when they make readers over-confident of their abilities, convince them that they can say money by following these robo-templates or advice.

And yes, everyone wants to save money. So they can lure you by telling to save 1% every year and forgo 4%.

Problem is [Financial planning] is long many decade process. It is also not a machine driven process like driving a car. It varies person to person. Also, the markets & situations keep changing.



So after 20 years, it is very easy to say *“sorry, my sheet/calculator was not meant for you” or” “it was general in nature”*.

Markets like these are testing time. Your **real behavior comes out** when you see, your hard earned money losing thousands everyday morning.

- You wonder are you on a right track?
- Do my investments need a turn?
- Were my calculations right?
- Am I in a right asset or investment?

I am alone or one of many? Can somebody guide?

When do you need an advisor?

Majority of you will say- before taking a financial decision or a plan.

Partially right… because you need one after investments are done or plan is implemented.

The prevailing equity markets situation like today is a testimony to why you need a companion. Behavior prudence is one such requirement.

Studies have proved that investors face more than **20 Behavioral Biases**. These are like genes in your cells. These are thoughts wandering in your brain. And these thoughts lead to actions which may destroy your financials.

I was reading on Quora – How this young man followed so-called gurus, lost all his parents money, became suicidal and is now begging money – just because of no guidance or following the guidance of ill-intentioned people. (it's a long, depressing read. So tread cautiously)

Now the Final Mile-FIFA study on Direct Plan Mutual Fund Investors

The study examined the willingness of investors to pay for advisory services.

"In a cold state (when everything is fine) an overwhelming majority of investors preferred to invest directly (cheaper option) rather than invest with their advisor/distributor."

In a hot state, (like the current equity markets) their preferences reversed and an overwhelming majority chose to retain their advisor/distributor and compensate for the services," the study found.

So why not engaging a financial planner or advisor from the initial days?

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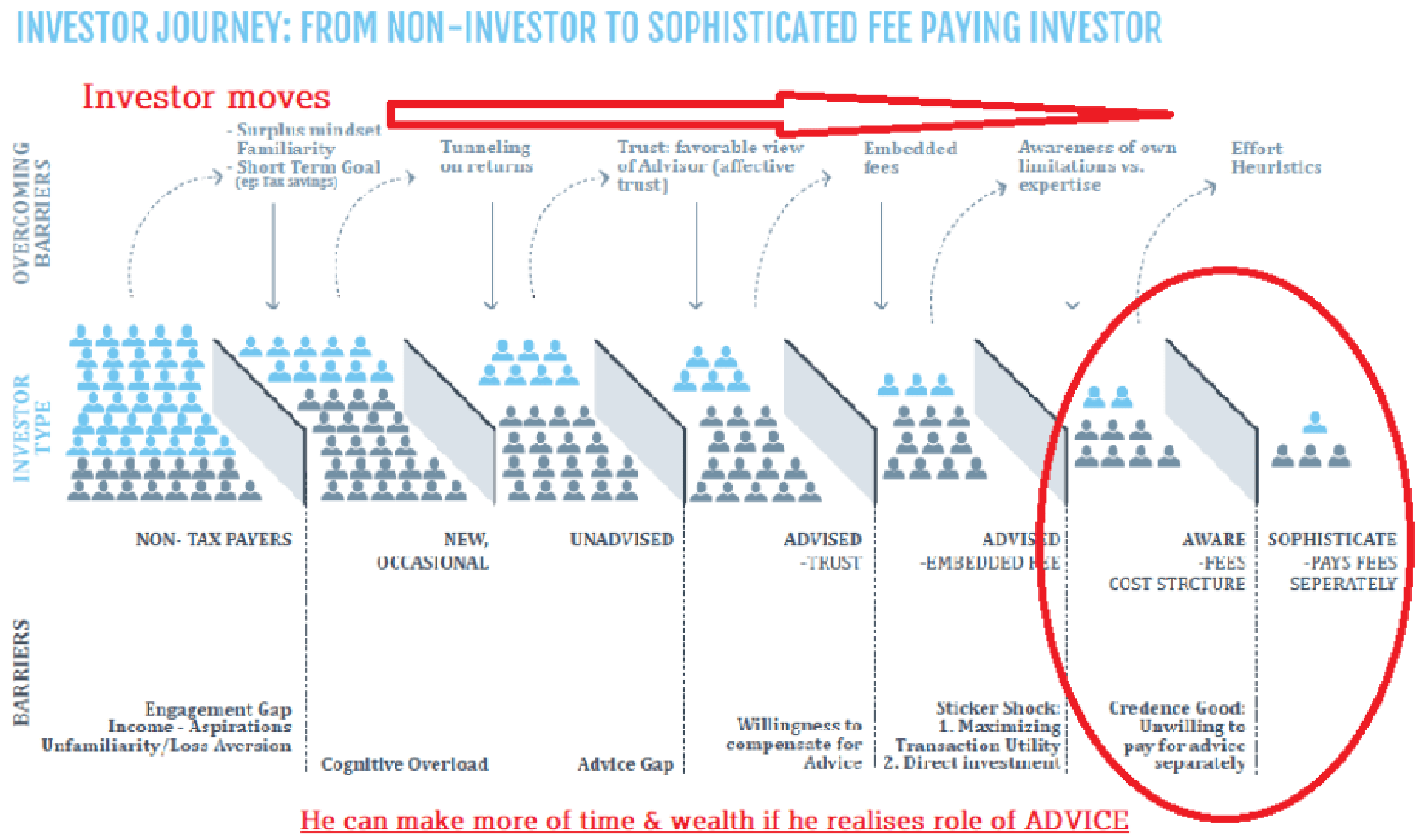


FIGURE 1: INVESTOR JOURNEY

Behavior Gap & Advisor Alpha for Direct Plan Mutual Fund Investors

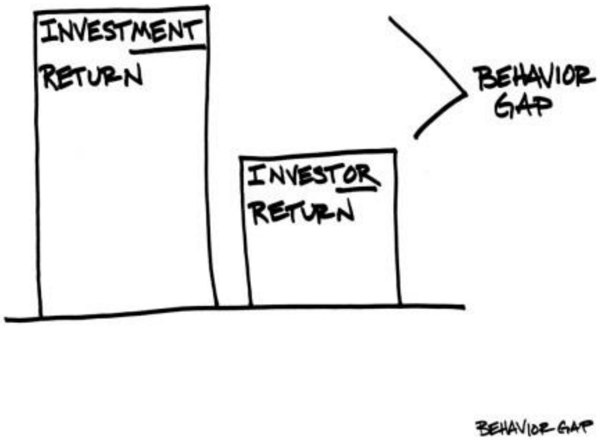
These are 2 terms which you must be aware and understand.

Behavior Gap

Simply investing in Sensex has given 14% approx CAGR since inception. Investments in Large-cap Funds means returns is 16% approx. Definitely investing in a well-made portfolio has given more returns keeping other things constant.

Question is- How many of us have got these returns?

Very few. Because there is a risk in investments. And either we lacked participation or messed up due to the behavioral flaw. There is a GAP what markets have given and what investors have made in real life.



See this graph of US markets for 2017. The graph calculates the gap between market returns and investor returns for different category of products.

In a recent article, Strong Hands - Bridging the Behavior Gap, by Pim van Vliet, PhD, a Managing Director at Robeco Institutional Asset Management, it was noted that,

> "the average mutual fund investor lags a buy-and-hold strategy by -1.9%. This finding is persistent across different styles, varying from -1.3% for value investors to -3.2% for growth investors. Also 'passive' investors in market funds underperform a buy-and-hold strategy by a whopping -2.7%."

Figure 2 | Investor return minus investment return

Source: Robeco Research; fund return gap from Hsu et al (2016) and stock return gap from Dichev (2007).

Advisor's Alpha

Markets & categories of investment run on their own returns track. An advisor can help you gain these by identifying your risk areas and making you invest.

Sources of advisor alpha and their measurement

Sources of advisor alpha, through a typical investment journey are as follows:

Generic sources

1. Strategic asset allocation
2. Behavioural guidance
3. Fund selection
4. Periodic rebalancing

Model specific sources

5. Cost
6. Tactical asset allocation
7. Tax planning

Studies have proved that Advisor's value can be calculated by excess returns he is able to make in a portfolio under his purview. How Much?

MF advisor alpha from strategic asset allocation	4.18%
MF advisor alpha from fund selection	0.64%
MF advisor alpha from periodic rebalancing	0.13%
Value of Good Advice	4.95%
Value of Behavioural Guidance (equity only)	4.67%

Source Wealthforum Study 2017

More than 4% in most cases!

And, **we worry to save 0.5% or 1% that we pay to advisors.** God Bless DIY Gurus who work day & night to rip your Advisor's Alpha- Which is YOUR Gain.

Share your views here and I wait to see what is your take.

Do forward this article to your friend, family and especially to DIY gurus in case you know somebody.

(Any investor or fellow advisor wants to see complete reports mentioned in this article can contact me. I will be happy to provide the reports on email)

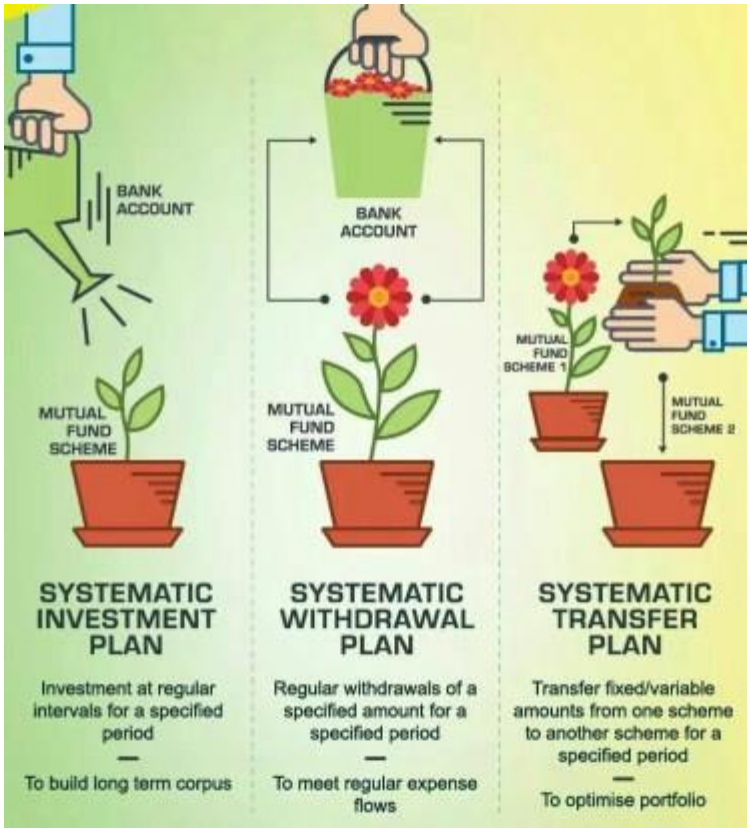
SBI Bandhan – Gift Money in Family Without Tax Worries

We rarely review a product until it has something new. **SBI Bandhan** caught my research eyes as it is a simple product with a great idea. We often get into doubt when someone in the family asks or need money. Because of taxation angle. SBI Bandhan is a product which answers this by making it full-proof in eyes of taxation department. Here is SBI Bandhan Features Details Review for you.

SBI Bandhan is an old concept, which is not very popular in India- Systematic Withdrawal Plan or SWP as it is called by Financial planners/Advisors. SBI Bandhan redefines this concept in hope that many will get benefits of this arrangement.

Before we meet SBI Bandhan Features Details Review, let's first learn or revisit SWP.

What is Systematic Withdrawal Plan or SWP?



If you are aware of SWP, skip this part and start reading below about SBI Bandhan.

SWP is opposite of SIP. In SIP an amount from your account is debited and invested in a scheme of your choice. Similarly, you can make an arrangement with a mutual fund company to debit the scheme and make you a payment on a monthly basis on a specified date.

Apart from the simple fixed date, fixed amount SWP variety also is allowed. You can choose multiple dates or a variable amount (percentage of valuation in the scheme). You may also choose to get paid only the appreciation protecting your original investment.

We have written in detail on SWP here.

Problem with SWPs

Until now, **SWP was done in the investor's name** and only he can get the money into his account. MF units can be paid to another person only in case of death.

What if an investor wants to:

- Provide monthly expenses for his son/daughter while he/she is studying in a different city.
- Wants to share funds in EMI with his wife, parents or children which goes from their
- Suppose investor is an NRI wants to support his parents or family in India.
- You brother is setting up his business and he needs financial aid for few months.

In all these cases you have to withdraw and fund the account of your relative. Is it feasible doing every month?

Problem is “MFs do not pay to **“Third Party”.**

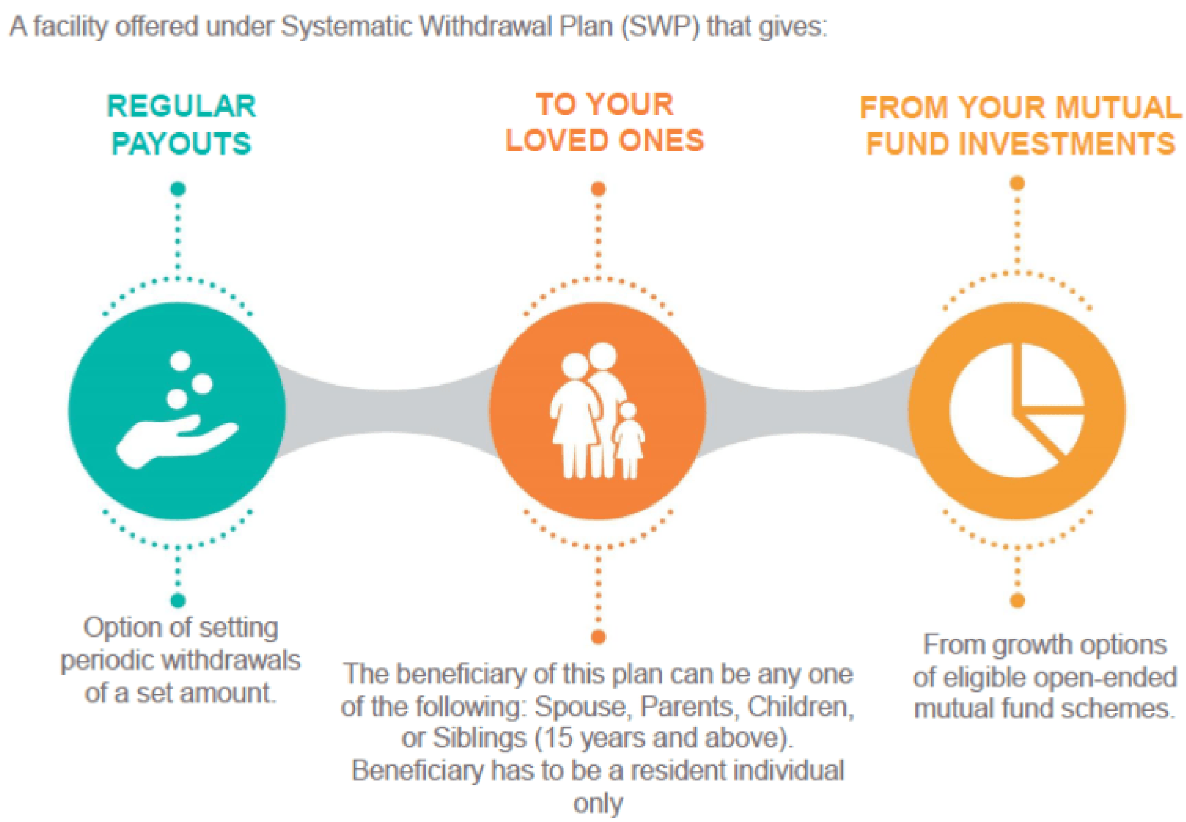
When you withdraw or take an SWP, the amount will be credited in your account only. In case you want to give it to your family member, you need to manually transfer it. Here SBI Bandhan comes into action.

As per Law or Income Tax treatment “Gifting among blood relatives” is not prohibited. So SBI Bandhan tries to follow this concept. Lets move to SBI Bandhan Features Details Review.

What is SBI Bandhan?

SBI Bandhan SWP – A Bandhan which will provide long-term capital appreciation to investor & also provide financial support to their family members.

SBI Mutual Fund is the first fund house to offer this kind of plan in Indian MF industry. I think based on response other fund houses will also start this.



Bandhan SWP is an ideal plan for investors who need to provide financial support to their family. Why? it's…. because every individual has different goals as per their risk appetite & age. It's important to identify appropriate investment avenue to fulfill these goals.

This is how SBI Bandhan works

An investor can invest in Lumpsum in an open-ended scheme with growth option to start the Bandhan SWP.

1 Invest a **lumpsum amount** in growth option of eligible open-ended mutual fund scheme.

2 Fill up the **form for Bandhan SWP** facility, specifying beneficiary details, withdrawal amount, duration and other details.

3 Submit **beneficiary documents** (like Proof of Address and Proof of Identity) confirming relationship and bank account proofs.

4 Inflows come to the **beneficiary's bank account** on respective date.

This plan came up with lots of benefits for an investor. It works as an additional earning hand for your family. Fulfill all financial need in a periodic way. Help your children's when they are growing up. Our expenses increase when our children's starts higher education or when they take admission in a reputed institute for professional courses.

It's an only plan available in MF industry which provides financial help to your siblings also. An investor can add his/her siblings also as a beneficiary.

So, this plan is like a "Kalpavriksha" as depicted in Hindu mythology which has lots branches to support your Parents, Spouse, Children's & Siblings.

This plan provides a range of product & assorted options to fulfill all these needs. Bandhan SWP works in a systematic way.

An investor can invest a lump sum in any scheme, either Equity, Debt, Liquid or Hybrid as per need & risk appetite.

Features of SBI Bandhan

For setting up a transfer the investor should ensure:

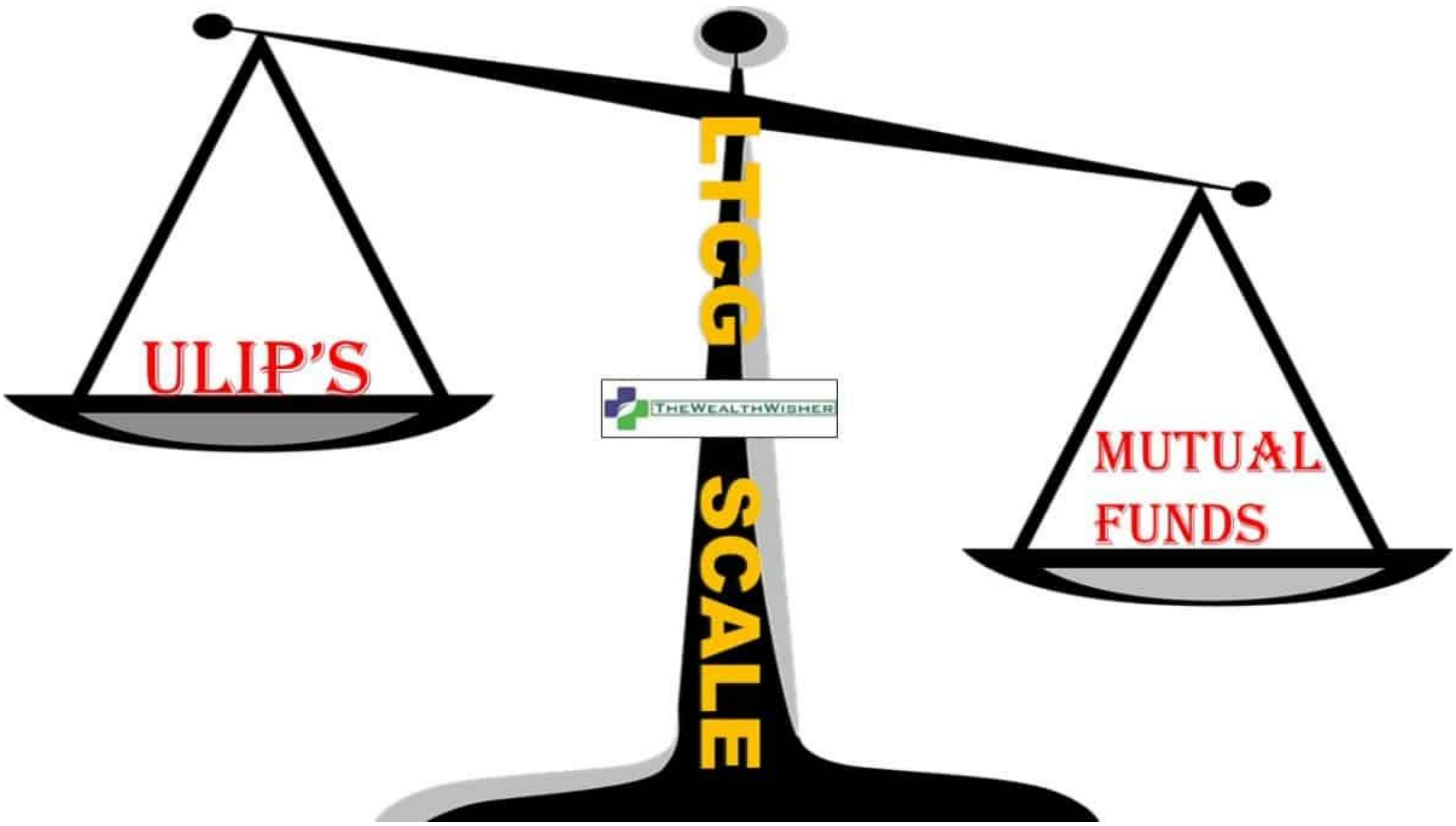
- It gives a set amount to beneficiary & who can be anyone from the following but age above 15 years: Spouse, Parents, Children's & Siblings.
- The beneficiary must be resident individual only. So investor can be NRI but transfer should go to a resident individual of India only.
- The beneficiary will have to provide his KYC details. This means PAN, Address proof, Bank Details, Aadhar number are mandatory to register a beneficiary.
- You have to submit proof of relationship.
- 7 dates are allowed as choice. These are 1, 5, 10, 15, 20, 25, and 30 of the month.
- Bandhan SWP is available only in Growth option of Regular & Direct options.
- Minimum payout to register is Rs 5000/-.
- A minimum number of transfers is 12.

Taxation & Loads

Investor if opts for ***SBI Bandhan STP*** within one year of the initial lumpsum purchase will have to pay 15% on gain as Short Term Capital Gain Tax. After one year it will be 10% as Long Term Capital Gain Tax. Surcharge & Cess will be extra.

Scheme exit load if applicable will be borne by the investor at all times.

My view is that this is just a starting of a new idea. One can definitely look at these options to plan his finances.



Mutual Funds Vs ULIPS: Are ULIPs Better After LTCG on Equity?

The debate or the war – **ULIP better than Mutual Funds** had a new chapter when Budget 2018 has introduced Long Term Capital Gain Tax for Equity Funds. ULIPS being an insurance product remains tax-free on maturity. Now with this recent change, let's see if the scale has bent towards ULIPS. Let's critically evaluate Mutual Funds Vs ULIPS after Budget 2018.

Evening of 1 Feb 2018, after the budget speech, one of the prominent company in insurance started circulating the one-pager with clear message that ULIPs are better as they are still tax free. I hope very soon you will hear in media more of this pitch, trying to mis-sell innocent investors.

First of all, we need to see what were the reason equity MFs are a better product than ULIP? Then we will see the effect of imposing a 10% capital gain on equity mutual funds.

The reasons which made Equity MFS better than ULIPs were/are:

- Returns Mutual Funds Vs ULIPS

The premiums are charged with mortality. The insurance element has its cost. The company charges you for undertaking the risk of your life. So they charge an annual cost which is part of your premium.

Expenses: The fund management expenses, administrative costs, brokerage (often very heavy and charged more in first few years and then it declines after 3-5 years) all are deducted from the premium you are paying.

This means:

Amount Invested in Fund under ULIP is = Premium that You Pay Minus (Mortality + Expenses)

Now, this amount is huge in first 1-5 years (ranges between 5 to 15%) and then decline to (2-5%) post 5th year.

Whereas in MFs the expense ratio is very much in control. Due to the limitation set by SEBI & competition, the expense ratio rarely goes above 2.75%. Majority funds ration is below 2.5%.

In ULIPs the entire premium is not invested. Although ULIPs invest in similar kind of funds like Large-cap, Midcap Etc since the huge amount is deducted beforehand they fail to compete. The performance gap widens more when time increases.

So the point is if your Rs 100 becomes RS 85 before investments, how will it compete with Rs 97.5, when they are put in same asset class?

- Mutual Funds Vs ULIPS Cost

In MFs the NAV is the clarity of your amount you are making or going to get if you exit. Simply the NAV that you see on websites or newspaper can be multiplied by a number of units you hold and you can know your valuation. If there are exit load, you may deduct that and you can calculate your exit amount.

In ULIPs NAV is not the returns that you are going to get. As discussed earlier, ULIPs have an array of charges. These are policy administration charges, fund management charges & mortality charges. These are charged by UNITs being liquidated on monthly basis. Mortality charges will go up with an increase in age.

Expenses exist in MFs also, but NAV is net of all the expenses.

In ULIP NAV is funded NAV, then the company charges the expenses. So NAV is never a reflection of your returns in a ULIP product.

Can ULIPs make returns like MFs?

One can make returns in ULIP after first 5 years, but a huge gap has already been made by the expenses of first 5 years.

Clearly, first 5 years the company makes good money and that is why there are restrictions that you cannot move out of the products. But when these exit restrictions are lifted this is the time investor can make money. It’s your requirement now, not the insurance company as they have made the bulk of profits in first 5 years.

Why Term Plans?

ULIPS is a costly combination of Insurance & Investments.

That is the reason, pure term plan scale over ULIPs or any other plans like endowments or money back. The important thing is the cost of any insurance.

Term plans give you the benefit of high cover at low cost.

What happens when LTCG is applied on equity MFs?

Now equity mutual funds will face 10% capital gain on profits that you make. With the 4% Cess the returns in hand will further be less.

Suppose you get 15% returns on Rs 1 Lakh Investments, post paying the long-term capital gain the returns work out to be:

Mutual Funds Vs ULIPS @ 15% Returns

Investment Amount	100000
Assumed CAGR	15%
LTCG Tax	10%

No LTCG if it is less than Rs 1 Lakhs per year

If redemmed/Sold at the end of Year	Gross Value of Investment	Gains	Exemption	LTCG	LTCG Tax	Post Tax Value of Investment	Post Tax CAGR
1	115000	15000	100000	0	0	115000	15.00%
2	132250	32250	100000	0	0	132250	15.00%
3	152087.5	52087.5	100000	0	0	152087.5	15.00%
4	174900.625	74900.625	100000	0	0	174900.625	15.00%
5	201135.7188	101135.7188	100000	1135.71875	113.571875	201022.1469	14.99%
6	231306.0766	131306.0766	100000	31306.07656	3130.607656	228175.4689	14.74%
7	266001.988	166001.988	100000	66001.98805	6600.198805	259401.7892	14.59%
8	305902.2863	205902.2863	100000	105902.2863	10590.22863	295312.0576	14.49%
9	351787.6292	251787.6292	100000	151787.6292	15178.76292	336608.8663	14.44%
10	404555.7736	304555.7736	100000	204555.7736	20455.57736	384100.1962	14.40%
11	465239.1396	365239.1396	100000	265239.1396	26523.91396	438715.2256	14.39%
12	535025.0105	435025.0105	100000	335025.0105	33502.50105	501522.5095	14.38%
13	615278.7621	515278.7621	100000	415278.7621	41527.87621	573750.8859	14.38%
14	707570.5764	607570.5764	100000	507570.5764	50757.05764	656813.5188	14.39%
15	813706.1629	713706.1629	100000	613706.1629	61370.61629	752335.5466	14.40%
16	935762.0874	835762.0874	100000	735762.0874	73576.20874	862185.8786	14.41%
17	1076126.4	976126.4005	100000	876126.4005	87612.64005	988513.7604	14.43%
18	1237545.361	1137545.361	100000	1037545.361	103754.5361	1133790.824	14.44%
19	1423177.165	1323177.165	100000	1223177.165	122317.7165	1300859.448	14.46%
20	1636653.739	1536653.739	100000	1436653.739	143665.3739	1492988.365	14.47%

Clearly, the difference between returns is big. ULIPs cannot be accepted as equal if 10 % is paid as tax, that too considering that Capital Gain Tax is to be paid when one make gains over Rs 1 Lakh (per PAN/per Year)

Other Benefits of MFs over ULIPS

- ULIPs have a lock-in of 5 years. MFs (excluding ELSS or close-ended funds) do not have any lock-in period.
- You have the flexibility to change MF company or MF scheme when you feel like your investments are not as per what you envisaged or as per your goals. ULIPs are not that much flexible. You need to exit and buy another product.
- Other than the charges that we discussed above, in case of exit before maturity, one also has to pay surrender charges. These can be in the range of Rs 6000 in the first year to Rs 2000 in the 5th No surrender charges after 5 years
- If a ULIP is surrendered in lock-in period the fund is moved to **"discontinued policy fund"**which earns interest equivalent to savings bank only. You can get your funds only after lock-in period is over.

Buyers do not look or are not made aware of these inflexibilities and charges due to exit.

What about Transparency?

MFs have better disclosures and transparent norms. MFs declare their portfolios every month. Despite SEBI allows the quarterly portfolio to be declared but mostly all MFs do it on monthly basis.

MFs declare daily NAVs too.

ULIPs disclosure norms are governed by IRDA. Many declare portfolio on a quarterly basis and few do not. That is why portfolio, NAVs and fund comparison is difficult to locate.

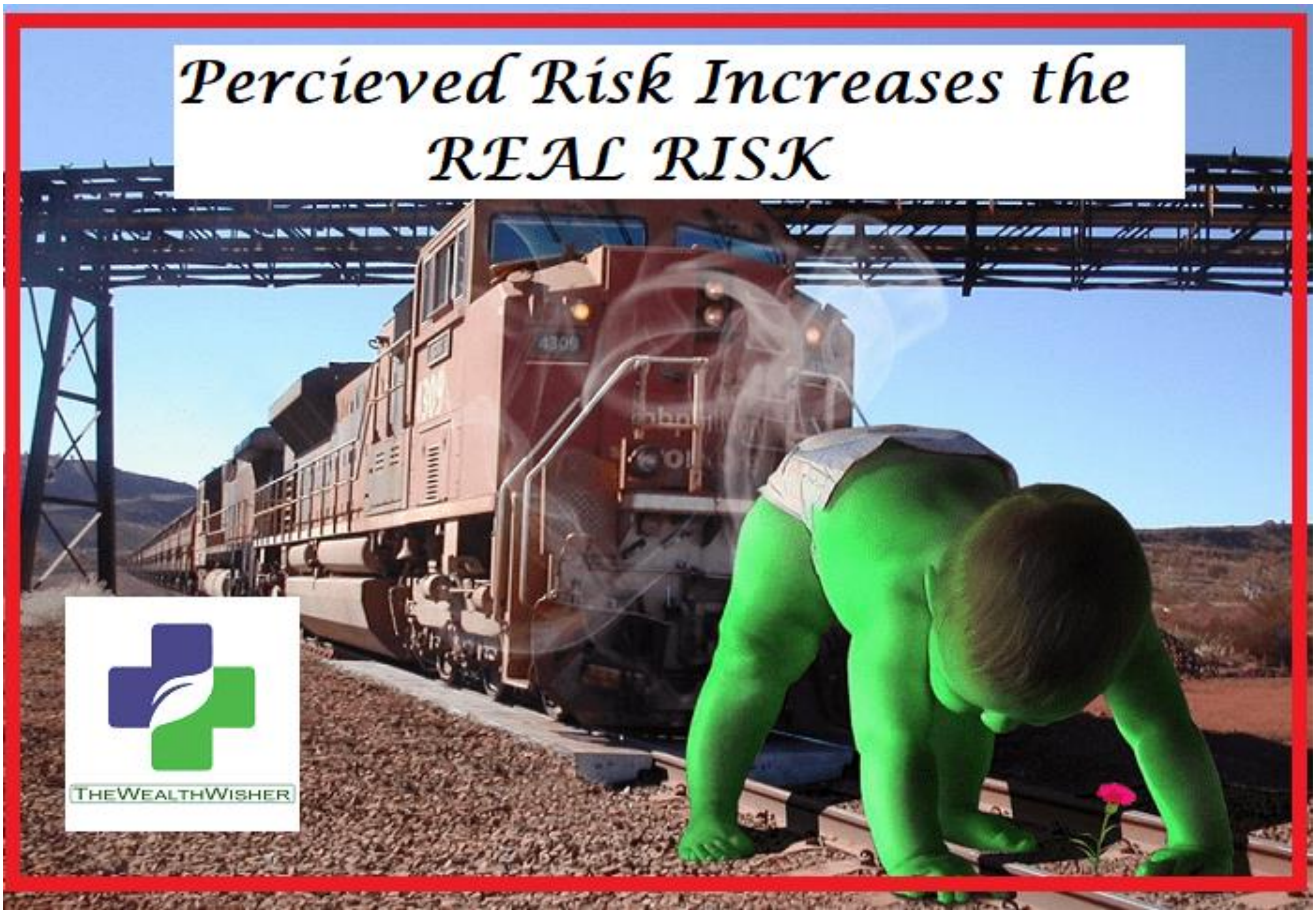
Even though you know the NAV, it is difficult to get a valuation as units keep on changing due to charges. ULIPs are difficult to understand.

Final Words,

Equity MFs still the first choice for accomplishing your long-term goals.

You should take care in future as insurance companies may aggressively use this point to derail you form your financial discipline path.

Hope I have cleared your doubts on the choice of ***Mutual Funds Vs ULIPS***.



Fall in Markets Scare You? Peltzman Effect

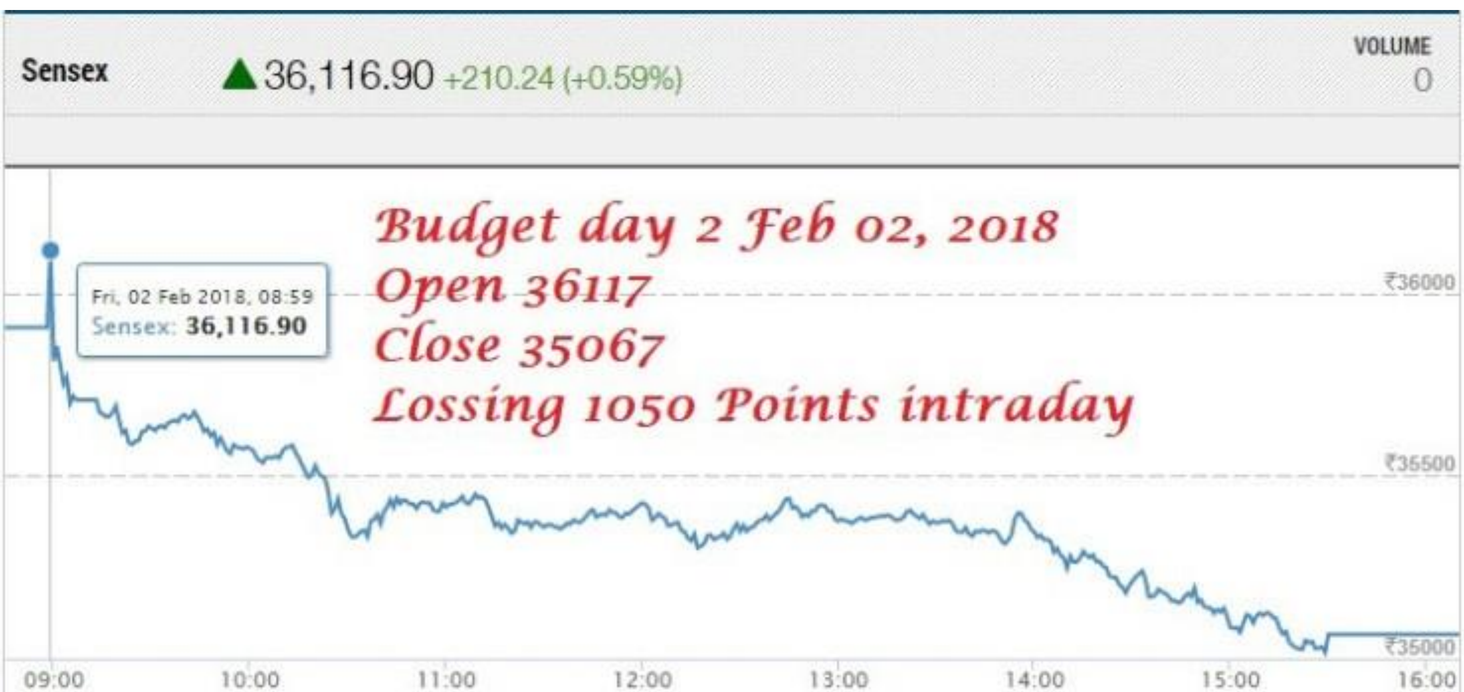
Did the fall after budget day has scared you? Did the market movements since Budget Day is making you rethink Equity Investments? Well… it's not normal because if that so, you were not ready for equity yet. You were suffering the **Peltzman Effect** or the Risk Compensation Theory in finance. *You think, everything was going so good, why the hell budget became a roadblock?*

I was thinking of writing this Peltzman Effect Risk Compensation Theory for quite some time, but budget volatility gave me the chance.

Actually budget or events like these are normal. The abnormality is to think Equity Investmentsare one-way in returns & have no risk. This is due to a classic psychological disorder, called by the name of it originator **– The Peltzman Effect.** Let's see what goes wrong in the brain when markets do what you have not imagined.

The two days have made many investors ask questions about equity.

Take a look at the falls in the market on the budget day & a day after that:



Such a fall, so much bloodbath and I am saying its normal?

Then one of the newspaper scared the morning hell by this headline:

Market Crash Costs Investors ₹4600000000000

Bears On The Prowl

Experts said while LTCG is a concern, the bigger fear is fiscal deficit and the extra spending by the government

SENSEX GAINERS		
Company	Price (₹)	% Change vs Previous Close
TCS	3149.15	0.33
HUL	1372.70	0.10
TOP SENSEX LOSERS		
BAJAJ AUTO	3242.60	-4.90
MARUTI SUZUKI	9000.30	-4.28
AXIS BANK	564.95	-4.28
RELIANCE IND	905.70	-4.07
TATA STEEL	669.70	-3.82
BSE 500 LAGGARDS		
PC JEWELLER	365.60	-34.4
GMR INFRA-STRUCTURE	19.25	-15.38
BOMBAY DYEING	191.60	-13.41
JINDAL SAW	131.19	-13.23
RELIANCE NAVAL AND ENGINEERING	38.54	-12.81

COMPILED BY: ETIG DATABASE

Benchmark indices fall the most in a day since Nov 11, 2016, as LTCG tax, missed fiscal deficit target & global bond selloff let bears loose on D St

Our Bureau

Mumbai: Benchmark indices witnessed the steepest single-day fall in more than a year on Friday as stricter tax rules for stock investments and the easing of fiscal deficit targets unnerved investors. The selloff in developed bond markets — mainly in the US — accentuated the nervous undertone in equities as investors kept a wary eye on firm oil prices, considered one of the biggest risks to the Indian economy.

The Sensex plunged about 840 points, or 2.3%, to close at 35,066.75 while the Nifty declined ... dex fell 4.65% to 17,847.53, the most since November 2016.

Friday's crash wiped off ₹4.6 lakh crore from the market value of listed Indian stocks.

"A combination of global market volatility, imposition of long-term capital gains tax and dividend tax on mutual fund schemes coupled with nervousness caused by sharp rise in bond yields weighted on the market," said Abhay Laijawala, head of research at Deutsche Equities India.

On Friday, foreign portfolio investors bought shares worth ₹950 crore, as per provisional data, while domestic institutional investors sold shares worth ₹508.8 crore.

Each ZERO looks like a black hole…

Well, markets effect because we lack understanding of [equities](). And for many investors, this lack of understanding to comprehend the true character of equity comes from the Peltzman Effect.

Peltzman Effect Risk Compensation Theory

In the USA, in early 1970s seat-belts were made compulsory by law.

Something strange happened. The seat belts were supposed to decrease the accidents, but the accident numbers WENT UP!

Why?

An economist by the name Sam Peltzman studied and came up with a very unconventional explanationThe study showed that now drivers had a mental security in form of seat belts. They perceived that road risk has gone down, so powered with the wrong notion of more security they drove recklessly.

Hence accident incidents increased.

They forgot seat belts were to reduce injury, not the accidents.

Another example?

In the Olympics of 1984, it was decided that boxers can fight without the headgear.

There was a huge outcry by media and public that- this is risking boxers with head injuries and might put them to death risk.

But you know, the incidents of head injuries went down. This means the boxers with headgear due to perception of safety took more risk. The boxer knows that his opponent is safe so he took more risk in hurting head region.

But when both players knew that the perceived risk (the headgear) is no more available, both were careful not to hit each other badly.

How Peltzman Effect impact equity investments?

We all know the figures. A large number of investors have entered mutual funds and direct equity in last 2 years.

After Demonetization, the physical assets (gold & property) are less favored. Financial Assets (Equity) are a new flavor.

- No of folios increase is 100% plus burst.
- Demat opened 100% plus at growth rate.
- SIP amount increased from 1800 Cr in 2012 to 6200 Cr in Dec 2017.

And guess what they faced… (happy things of course)

30% return on XYZ fund or 50% rise in ABC share in 2 months.

Hmmm, that looks yummy and **PERMANENT.** *(That's the starting of Peltzman Effect)*

The year 2016 & special mention to the year 2017, has been insane as far as value investors are concerned. We are happy with returns which are normal.

30%- or 70% returns are abnormal. They do not exist for long. They are bubbles.

But the irony is when a person is born (financial journey) in this industry at these insane levels, he thinks its normal. He missed some good years.

SO HE RISKS MORE…

Yes, many people have started taken risk due to 2017 returns or by looking at past performance. They are eating more than they can chew.

I know many investors who had balanced expectations like 12% from equity. But their parameters changed just by looking at there equity portfolios in 2017:

- Few "smart" investors took money out of DEBT and invested in equity.
- Balanced funds have become 5 times of what they use be. FD money is going into this category.
- They refuse to re-balance.
- They no more follow asset allocation.
- Many investors have started taking heavy bets in equity.
- They have increased allocation to mid & small caps as they have yielded more.
- They constantly follow returns.

Clear indications that they have perceived RISK LOW due to SHORT TERM EUPHORIC PERFORMANCE.

The Peltzman Effect Risk Compensation Theory in action…

What this volatility teaches us?

The extraordinary returns have created a false image of equity being RISK-FREE.

Date	Open	High	Low	Close	up/dw
24-Aug-15	26730.4	26730.4	25624.72	25741.56	-1624.5
21-Jan-08	18919.57	18919.57	16951.5	17605.35	-1408.4
24-Oct-08	9535.41	9570.71	8566.82	8701.07	-1070.6
17-Mar-08	15326.93	15326.93	14738.27	14809.49	-951.03
3-Mar-08	17227.56	17227.56	16634.63	16677.88	-900.84
22-Jan-08	16884.09	17068.57	15332.42	16729.94	-875.41
6-Jul-09	14962.12	15097.87	13959.44	14043.4	-869.65
6-Jan-15	27694.23	27698.93	26937.06	26987.46	-854.86
2-Feb-18	35707.6	35738.13	35006.41	35066.75	-839.91
11-Feb-08	17427.34	17427.34	16457.74	16630.91	-833.98
11-Feb-16	23758.46	23758.46	22909.12	22951.83	-807.07
10-Oct-08	10632.27	10904.13	10239.76	10527.85	-800.51
13-Mar-08	15873.28	15873.28	15228.99	15357.35	-770.63
17-Dec-07	20032.67	20032.67	19177.19	19261.35	-769.48
16-Aug-13	19297.11	19310.95	18559.65	18598.18	-769.41
7-Jan-09	10424.96	10469.72	9510.15	9586.88	-749.05
31-Mar-08	16226.66	16226.66	15563.15	15644.44	-726.85
6-Oct-08	12284.49	12284.49	11732.97	11801.7	-724.62
6-May-15	27473.36	27501.15	26677.64	26717.37	-722.77
18-Oct-07	18827.46	19198.66	17771.16	17998.39	-717.43
22-Sep-11	16827.85	16833.61	16316.03	16361.15	-704
11-Nov-16	27344.85	27344.85	26777.18	26818.82	-698.86
11-Nov-08	10405.39	10405.39	9799.45	9839.69	-696.47
18-Jan-08	19579.61	19715.78	18930.42	19013.7	-687.12
21-Nov-07	19197.57	19218.88	18515.3	18602.62	-678.18
15-Oct-08	11245.27	11257.15	10760.33	10809.12	-674.28
2-Jun-15	27890.73	27902.53	27146.68	27188.38	-660.61
15-Jul-08	13067.08	13067.08	12605	12676.19	-654.32
26-Mar-15	27937.62	27997.14	27384.87	27457.58	-654.25

SENSEX

Equity is what it is and use to be.

Don't be surprised. Friday 02 Feb 2018 fall was the 9th of the highest one-day falls.

Don't be so surprised… its normal for equity markets to move any side based on the information it receives.

The biggest fall ever was in 2015. Equity markets and investors made returns after that too.

Markets are electric shocks to

1. Who believe equity will be linear earning investments. It never goes down.
2. Ones who do not diversify – asset wise.
3. Investors who do not take stock of their holdings.
4. Who do not have patience or time to spend with a volatile friend.

"I'm accustomed to hanging around with a stock when the price is going nowhere. Most of the money I make is in the third or fourth year that I've owned something." – Peter Lynch

Finally,

Are you suffering from Petzman Effect… these last 2 days and coming few weeks will tell.

Important is not to lose sight of your goals.

Understand risk and appreciate the risk mitigation process.

One who talks about risk is not always a passive, docile or conservative advisor.

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Budget 2018 – Impact on Income & Investments

The Government which is known for dropping **BOMBS**… today submitted their last budget before going for general elections in early 2019. Budget 2018 details have started emerging and yes the budget in full of impact. Budget 2018 will be known for Taxing the Equity Market gains. Here are the details.

Budget 2018 key highlights are here: Budget in Points

We have covered all points, all sectors & allocations above. But this article will focus on **Investment & Personal Finance** changes due to Budget 2018. Also below you can read my views on Budget 2018.

Budget 2018 is an extension of GST and other measures we have already seen. The government will get full marks on the front of dolling out money on social & infrastructure projects. But about these key questions?

The key questions before Budget 2018

- Will you favor agriculture or rural too much to garner votes in 2018 state elections & 2019 general elections?
- You already brought GDP from 7.5 to 6.3 by GST & Demonetization. What next?

- Will fiscal deficit targets meet? What will happen to country's rating?
- Will you lock horns with the stock market bulls by touching LTCG or STT?
- Will AAM AADMI get some easy life? Becuase you said "Less Government & More Governance"… But Government has intensified its presence in last 3.5 years.

Discussions have entered bedrooms and dining tables.

The Answers

FM started his speech with a promise that government is committed to providing **Ease of Living**… but he cited examples of all previous achievements like Ujjwala, Subhagya & doing away with notary cost for students. So the struggle will continue. Better adapt to it by embracing technology.

FM launched the Indian version of Obamacare- **MODICARE** for 10 Cr Families – This is Medical Reimbursement of RS 5 Lakh /Per year. **Huge health insurance plan could cost govt around Rs 50,000 crore annually.**

The budget was balancing act between VOTES & Fiscal Prudence. It gives on one hand and takes another hand.

For Eg: Due to above scheme the Health & Education Cess has been increased to 4% from 3%.

Impact on Your Income & Investments

No change in Tax Rate or Section 80C limits

All persons including individuals, HUF, Firms, and Companies to pay same tax rates and the previous slabs. I also feel that Slabs Rates once announced should remain for a long time. No need to change them every year just to please few.

However, Education cess is being increased from 3 to 4 % to be known as Education and Health cess.

Long-Term Capital Gain Introduced – Effective Immediately

The impact will be on Shares, Equity MFs, Balanced Category Funds, Arbitrage Funds & Equity Savings Funds.

Long-Term Gain Tax was ZERO. Now it is 10% without any indexation benefits. So LT gains over 1 Lakh will be taxed now. However, capital gain up to 31.1.2018 shall not be taxed as a cost of acquisition will be taken as Fair Market Value as on 31.1.2018. **This is called Grandfathering.**

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Grandfathering

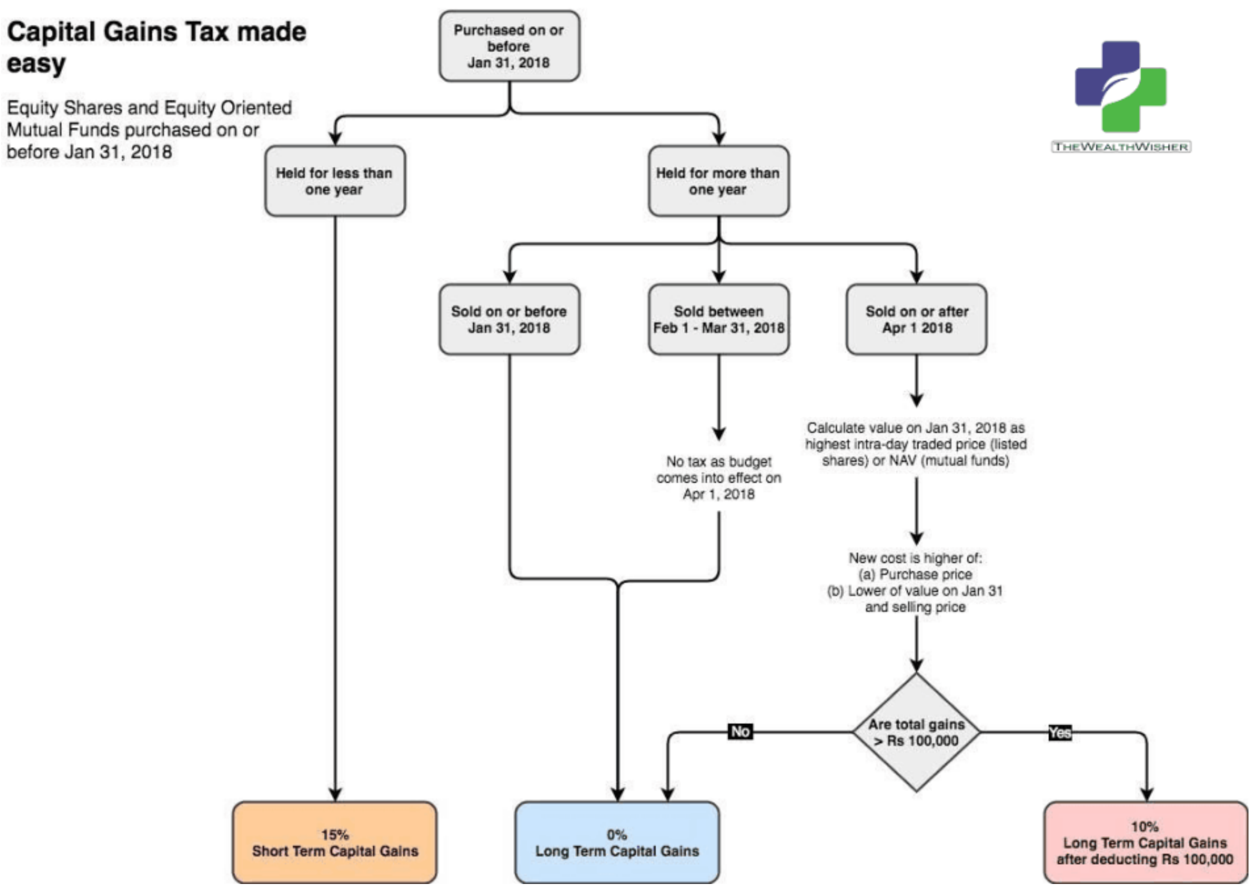
If you bought any share/Equity MFs last year (and not completed 1 year) – your revised cost will be yesterday high price and not the actual price. So LTCG will be applicable at the price what you sell from now on compared with revised cost on 31st Jan 2018. The value of 31.01.2018 become the cost price.

Nothing to panic on LONG TERM GAINS…

Grandfathering actually helps the market. NO, SELL OFF due to guys invested already if they want to remain invested in equities!

If you have bought a share @Rs 100 a year back & its 250 on 31st 2018. Now when u sell it at Rs 300.

LTGC tax will only applicable on Rs 250-300 = 50, so the tax will be Rs 5 only.



Tax on Short-Term Capital Gains to remain unchanged 15%.

This will not impact speculation or short-term investments in equity, in fact, will increase. You invest for 11 months or 13 Months, the tax difference is just 5%. Strange…

Dividend Distribution Tax 10% introduced on Equity Schemes

Will impact All Equity Funds, Shares with Dividend Yield, Balanced Funds, Arbitrage Funds & Equity Savings Funds.

Dividends will remain tax-free in hands of the investor, but MFs will deduct 10% plus surcharge before distributing. And there is no way to claim it back even if you are in 5% or nil tax bracket.

FINANCE BILL, 2018
TAX RATE CHANGES ON MUTUAL FUNDS

Fund Type	Long term after	Long term gains taxed at	Short term gains taxed at	Dividends taxed at
Equity funds (incl ELSS)	1 year	10% no indexation *	15%	10% #
Debt funds	3 years	20% after indexation	your personal tax rate	25%
Liquid/ Money Market funds	3 years	20% after indexation	your personal tax rate	25%
Arbitrage funds	1 year	10% no indexation *	15%	10% #
Hybrid funds				
- Aggressive (Balanced)	1 year	10% no indexation *	15%	10% #
- Conservative (MIP)	3 years	20% after indexation	your personal tax rate	25%

* cost is calculated as closing price on Jan 31, 2018. Earlier rate was 0%
# Earlier rate was 0%

Standard Deduction of Rs 40,000 for salaried employees

However, the benefit of transport allowance of Rs 19,200 and Medical Reimbursement of Rs 15,000 under Section 17(2) are being withdrawn. Thus net benefit to salaries class only Rs 5,800 only.

Capital Gain Bonds for only Real Estate Transactions

54EC benefit of investment in Bonds to be restricted to Capital gain on land and building only. A further period of holding being increased from 3 years to 5 years.

PAN for all If income exceeds 2.5 lakhs in a year

PAN to be obtained by all entities including HUF other than individuals in case aggregate of financial transaction in a year is Rs 2,50,000 or more. All directors, partners, members of such entities also to obtain PAN.

Provision for Filling Income Tax

No adjustment under section 143(1) while processing on account of a mismatch with 26AS and 16A.

The penalty for nonfiling financial return as required under section 285BA being increased to Rs 500 per day.

Interest Income deduction of Rs 50000 for the Senior citizen.

Exemption of interest income on deposits with banks and post offices to be increased from Rs. 10,000 to Rs. 50,000.

TDS not required to be deducted under section 194A. Benefit also available for interest from all fixed deposit schemes and recurring deposit schemes.

Proposed to extend Pradhan Mantri Vaya Vandana Yojana up to March, 2020. Current investment limit proposed to be increased to Rs. 15 lakh from the existing limit of Rs. 7.5 lakh per senior citizen.

Increase in deduction limit for medical expenditure for certain critical illness from Rs. 60,000 (in case of senior citizens) and from Rs. 80,000 (in case of very senior citizens) to Rs. 1 lakh for all senior citizens, under section 80DDB.

Senior Citizen Mediclaim, Preventive Health Checkup & Medical Expenditure Deduction increased to RS 50000 from earlier Rs 30000.

Deduction u/s 80D for medical premiums to be allowed proportionately in cases where premiums for more than 1 year are paid in advance.

40% withdrawal will be tax free for all NPS subscribers. This was previously only for employees. Now available for all subscribers

My Views

I am very positive about the Budget 2018. The government does what it should do. We expected it to populist budget and it is.

I believe wealth management should be fundamental driven and in no way, the government can take away fundamentals. They just have the power to make or destroy the climate.

My disappointment is towards clarity. I am still not sure Aadhar's way forward.

Many people are asking about LTCG. My question is will you not invest in equity because you need to pay 10% as tax?

Will you not take a promotion simply because your tax bracket may increase from 5% to 20%?

So investments in equity will continue. They will be disturbed in coming 10-15 days, but not forever.

Enjoy what you got… Speed past what was never meant for you.

Please let us know regarding your views. Also contcat us to [avail our services](#).

Get in touch with us through other social media's also-

FB page

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Google+

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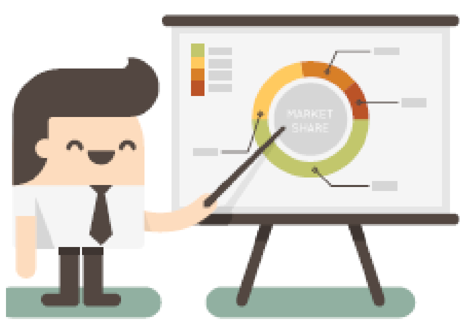

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Wealth Management Service from TheWealthWisher (TW2)

We seek to manage & implement your plan through our **Wealth Management Service (WMS) -**We have now known you a bit and we would like to associate on a long-term basis.

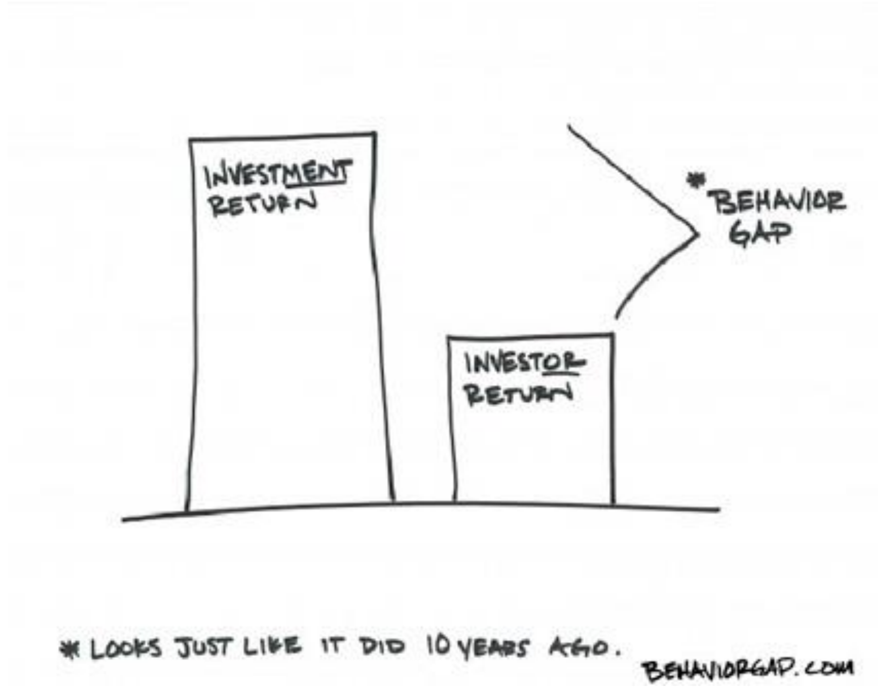
<u>To Summarize- What We Do in Wealth Management Services?</u>

1) Construction of Portfolio: This is done with keeping on all Determinants like Risk Score, Asset Allocation, Category of funds by market cap & Style of management, Liquidity Requirements & Taxation.

2) We carry out all the transactions that are required to **bring you to the model portfolio**. This include:
   - Shifting/Redeeming & Reinvesting the investments in the desired schemes.
   - Looking & ascertaining the Taxation while exiting an old investment.
   - Exiting out of schemes/investments which are bad and not required.
   - Getting the C-KYC & other formalities registration.
   - Subscribing to new schemes/SIPs as recommended in the plan.
   - Helping to create corpus as advised like Emergency Fund etc.

3) Once the portfolio is constructed, our **day-to-day research keeps you updated** on what is going on in the investment scenario. We keep interacting you with new opportunities, your requirements.

4) We contact and carry out the **Half Yearly Review**. Not much change happens during 6 months but it gives you idea and reasoning that your portfolio is headed in right direction.



5) **Behavioral Coaching**: There is a **GAP** between what market gives and what investor earns. Investor loses his focus very quickly when he gets information on good or bad events. And, this is bound to happen when investments are for long 15-20 or more years. We constantly coach you to **BRIDGE this gap** with regular inputs, regular corrections in views & do not let you drift away from your actual goals.

6) **Taxation/Mandatory requirement**: We provide all reports/information regarding your investment. We liaise with your CA in case it is required. We can also help in filing returns.

7) **Year-end Review & Portfolio Rebalancing:** Your asset allocation is 90% plus responsible for your goal fulfillment and reducing risk. We make sure that we do it constantly, at the right time without emotional bias.

What we do is a 365X7X24 work … So that you HAVE A LIFE !!!

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