Outlook
MONEY

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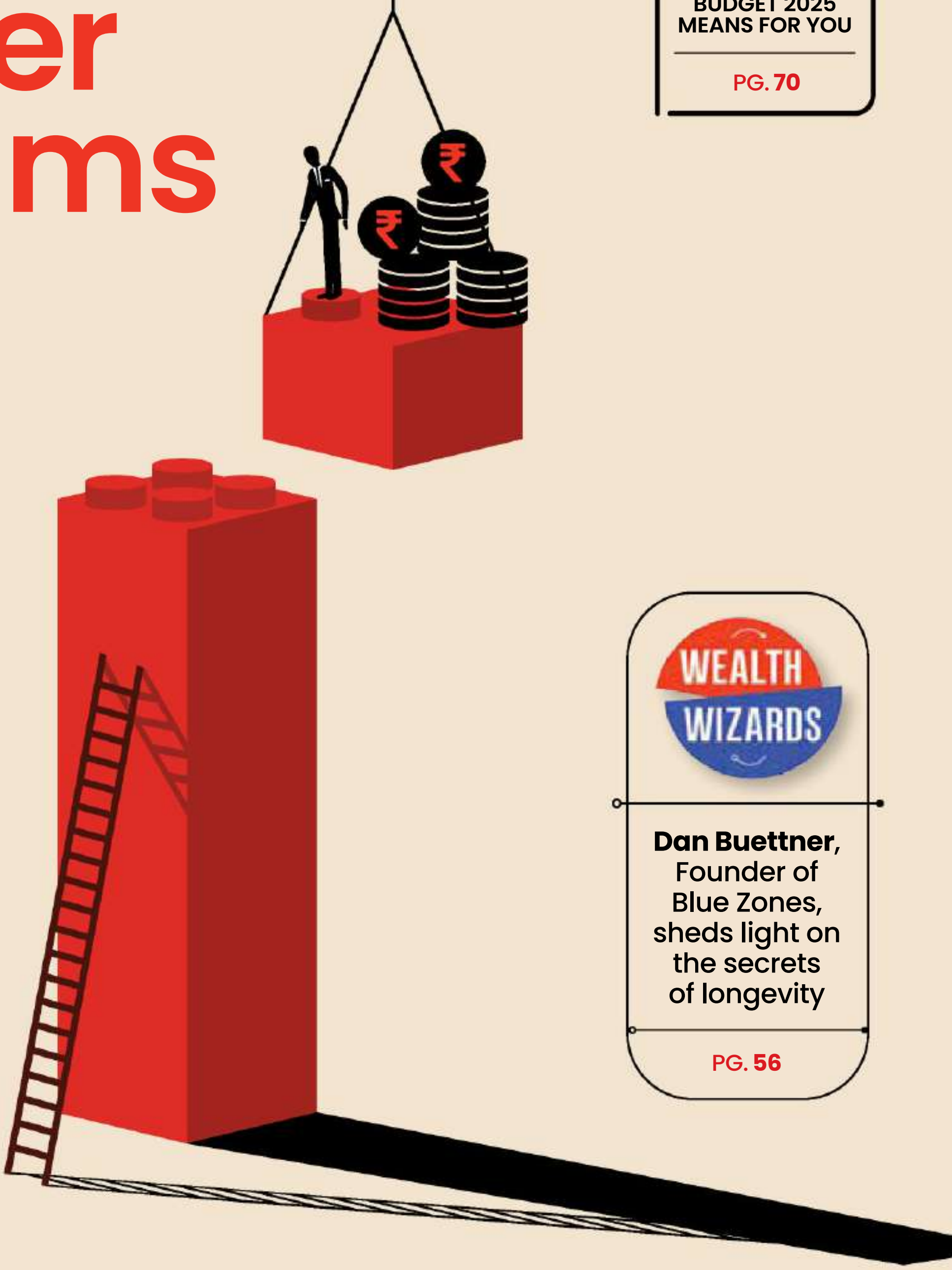
Budget Special

WHAT BUDGET 2025 MEANS FOR YOU

PG. 70

The EPF Transfer Tantrums

Transferring EPF often becomes a long-term exercise or rather an ordeal. We tell you how to resolve a few common issues



SPECIAL STORY

Behind The Mind Games That End In 'Digital Arrest'

WEALTH WIZARDS

Dan Buettner, Founder of Blue Zones, sheds light on the secrets of longevity

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RNI NO. DELENG/2002/08292

WHAT WILL YOU USE THAT TAX SAVING FOR?

The asks from this year's Budget were many but the two big announcements on tax slabs brought big smiles on the faces of middle-class Indians. By now, you would already be aware of the two big changes that will affect taxpayers directly. One, those with incomes up to ₹12 lakh per annum will have no tax to pay, though this income doesn't include capital gains. Two, the 30 per cent tax slab rate will now be applicable to only those with incomes above ₹24 lakh; earlier those with incomes above ₹15 lakh had to pay 30 per cent tax.

Finance Minister Nirmala Sitharaman's focus on senior and super senior citizens was also heartening. Among many other measures for them, the one that stands out: the expansion of the interest limit on deposits made by senior citizens that is not subject to tax deducted at source (TDS). There will be no TDS on interest income up to ₹1 lakh, up from ₹50,000 from FY 26.

A big takeaway is the fact that the new Budget proposals make the old tax regime irrelevant for most people. In FY26, signing up for the new tax regime will be more beneficial for most of you, unless you avail of a host of deductions and pay huge rent to be eligible for a large house rent allowance (HRA) exemption. It's quite clear that the old tax regime is on its last legs.

Going by the announcement made just on the tax relief front, it is a given that a lot more individuals will have more money in their hands for consumption and investments. This in turn could give a boost to the savings rate and the economy.

But there's a catch here. What do you do with that extra money in your hands? Do you want to spend all that to party harder or to complete the shopping cart with items that you couldn't afford earlier, or to just eat out more?

I would say, pause and think hard about that extra money. It could simply go into adding to your investments for various financial goals like children's education and retirement. For those who are not on that road already, it could go into opening a brand new investment account and making a beginning. It may be a silver lining for those burdened with debt. The extra payments towards your principal payment can reduce your loan burden dramatically over a period of time, especially in the case of long-term ones like home loans. You could also look at capital-intensive pending tasks like repair and renovation of your house or replacement of consumer durables that are giving constant trouble.

It's tempting to add to your monthly expenses list, but it would be wise to weigh the scales and carve the extra money out for a purpose that benefits you in the long term. ▸OM

NIDHI SINHA
Editor, Outlook Money
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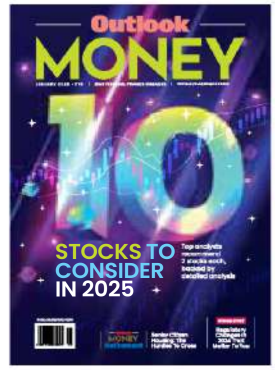
Pause and think hard about that extra money. It could go into adding to your investments for your goals, or to open a brand new investment account if you are not on that road already

Stock Picks

The cover story, *10 Stock Picks For 2025* (January 2025, *Outlook Money*), gave some interesting insights. Most of the stocks recommended are well-known in their sectors. However, two of the stocks that look very promising in my opinion are Bharat Electronic and Gravita India. They are not that well-known to the common man, but belong to growing sectors and are the leaders in their segments, which make them interesting picks for investors.

Karun Nadar, email



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Gold Investing

Use Gold To Optimise Portfolio (January 2025) was very informative. However, with the government not issuing any fresh tranches of Sovereign Gold Bonds (SGBs) in the last year and the likelihood of doing away with SGBs altogether, investors will have one less option for investing in gold.

Romeshwar Dutt, email

Senior Housing

I am a senior citizen and realised the dilemma I would face in my later life when my only child went abroad for work after his graduation (*Senior Citizen Housing: The Hurdles To Cross,* January 2025 issue of *Outlook Money*). Thankfully, both my wife and I were still working then and decided to invest in a small home back in my hometown. We realised it would be difficult for us to manage in Bengaluru, both money-wise and physically, as we get older. Prices were not that prohibitive then and the fact that my relatives and childhood friends were in my hometown made the decision-making process easy.

As a senior citizen I would request every individual to give retirement housing the same importance they give to their other life goals. With property prices rising, buying a new home in retirement could be costly and, maybe, an impossible task.

N. Subramanyan, email

Currency Woes Abroad

How To Beat Currency Exchange Rate Woes (January 2025, *Outlook Money*), suggested the use of multi-currency travel cards. I would like to share my personal experience during my recent travel to the UK. I was carrying a multi-currency prepaid card issued by an Indian bank. While withdrawing money from one of the ATMs in London, the machine swallowed the card instead of dispensing money. The ATM company refused to return the card. The London branch of the Indian bank suggested that I contact the issuing bank in India, which was impractical. The only solution I realised is that one should carry multiple cards and use reputed ATMs for withdrawing cash abroad.

Subhash Rode, email

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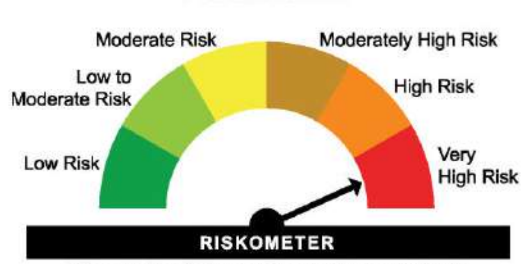
Riskometer#



The risk of the scheme is very high

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world

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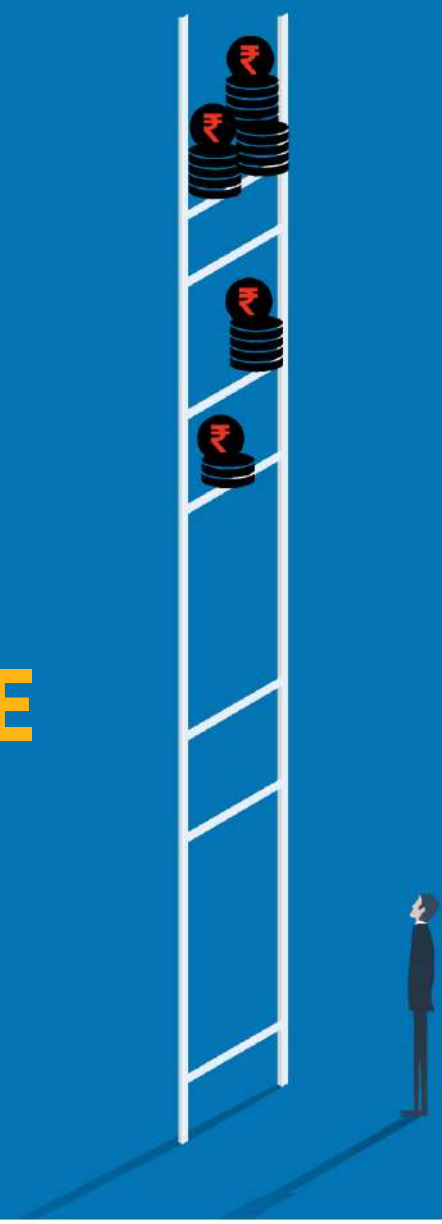

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Scheme Name	This product is suitable for investors who are seeking*:	Riskometer	Benchmark Riskometer (CRISIL-IBX Financial Services 3 to 6 Months Debt Index)
Aditya Birla Sun Life CRISIL-IBX Financial Services 3 to 6 months Debt Index Fund (An open ended Constant Maturity Index Fund tracking the CRISIL-IBX Financial Services 3 to 6 Months Debt Index. A relatively low interest rate risk and relatively low credit risk.)	• Income through exposure over the shorter term maturity on the yield curve • Investment in an open ended Constant Maturity Index Fund that seeks to track CRISIL-IBX Financial Services 3 to 6 Months Debt Index		

PRC Matrix

Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)	A-I		
Moderate (Class II)			
Relatively High (Class III)			

SCAN TO INVEST

*Investors should consult their financial advisors if in doubt whether the product is suitable for them.

Riskometer as on December 31, 2024.
The scheme type and Risk-o-meter(s) specified will be evaluated and updated on a monthly basis. For updated scheme type and Risk-o-meters kindly refer to the latest factsheet.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

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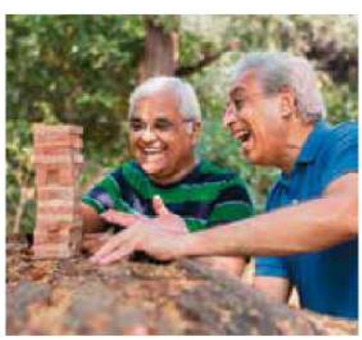
Photo: **Suresh Pandey**



Changed Jobs? Where is Your EPF Money?

For many employees, transfer of EPF becomes a nightmare when changing jobs. We give you the likely problem scenarios and what you should do for a seamless transfer of your EPF upon changing jobs and states

By **Anuradha Mishra**

Imagine spending hours trying to log into a website, navigating between different portals to complete your tasks, such as updating your details or documents, and then being timed out just before hitting the 'Submit' button. That's the Employees' Provident Fund Organisation (EPFO) or the Universal Account Number (UAN) website for you. This seemingly minor inconvenience—a sluggish portal that often crashes at critical moments—is just the tip of the iceberg in a system riddled with complexities.

Says Harsh Roongta, a Securities and Exchange Board of India-registered

Illustration by **Rounak Patra**

investment advisor (Sebi-RIA): "It's not just a technology problem; it's a problem of architecture. EPFO was structured in a completely different era in the 1950s. The system was designed to extract money from employers and keep it for employees to use in old age. Over time, only patchwork solutions like the UAN have been added without addressing the core challenges."

On the face of it, the process looks simple. Says Amey Kanekar, co-founder of FinRight, a platform resolving complex personal finance challenges, "Based on our observation, EPFO usually settles a transfer request within 25 days of it being accepted by the employer. Users can raise a grievance on https://epfigms.gov.in/ or visit the concerned provident fund (PF) office and follow up."

But the PF transfer issue usually hits a roadblock when there are incorrect details that are not resolvable online and the process moves offline. What could be a straightforward process often turns out into a drawn-out ordeal, exposing gaps in the system.

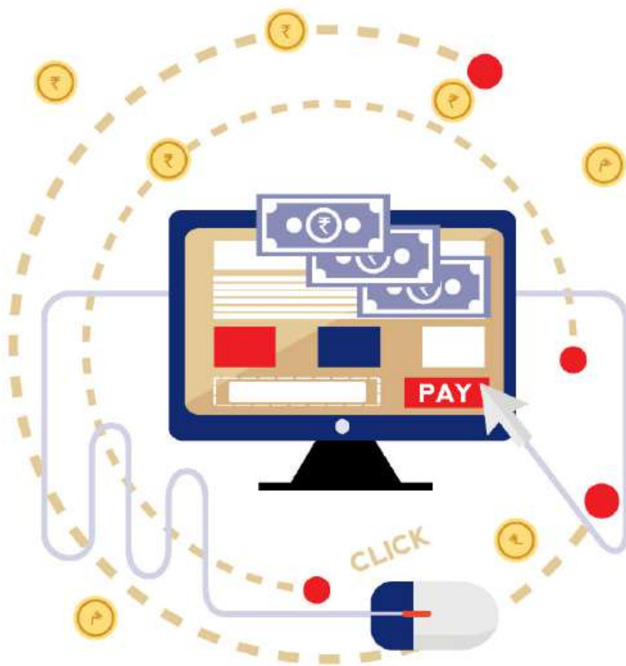
Roongta adds, "The EPFO has done very little to change its focus from being a benefactor to being a service-providing organisation."

For millions of employees across India, navigating the EPFO's labyrinthine bureaucratic processes has turned out to be anything but smooth sailing.

THE RULES

In November 2017, the EPFO introduced automatic transfer facility through its UAN portal, when transitioning between jobs. Previously, employees had to manually request an online transfer of their PF balance to their new employer's account. Under the automatic transfer system, the PF

Procedure To Transfer PF Online



Step 1: Log in to the EPFO website using your Universal Account Number (UAN) and password

Step 2: Under the "Online Services" tab, select "One Member - One EPF Account (Transfer Request)"

Step 3: Check your eligibility to transfer the PF balance to another account

Step 4: Fill in the details of your previous employer, including the employer's name, PF account number, and the state where it is registered

Step 5: Confirm details of your previous employer and PF account number

Step 6: Fill in details of your current employer, including employer's name, PF account number, and the state where it is registered

Step 7: Confirm the details of your current employer and the PF account number

Step 8: Check all the details entered in the form and click the "Get OTP" button

Step 9: Enter the OTP received on your registered mobile number

Step 10: Click on the "Submit" button to initiate the transfer request

Source: 1 Finance

balance is supposed to be credited to the new employer's account without any action required from the employee, after the first month of PF contribution is received from the new employer.

The EPFO has recently moved to further simplify automatic transfers. In a circular issued on January 15, 2025, the EPFO has removed the requirement for employees to submit online transfer claims through the previous or current employer under specified cases to streamline the process, provided the name, date of birth, and gender matches across accounts.

Same UAN, Same Aadhaar: If multiple Employees' Provident Fund (EPF) accounts are linked to the same UAN (created on or after September 1, 2017) and the Aadhaar card is linked to the UAN, transfers between these accounts will be allowed automatically.

Different UANs, Same Aadhaar: Transfers are now allowed between EPF accounts with different UANs, provided they are linked to the same Aadhaar.

Same UAN (issued before September 1, 2017): If the UAN was created before the specified date and is linked with Aadhaar, transfers between accounts linked to the same UAN are allowed.

Different UANs (at least one issued before September 1, 2017): Transfers are also allowed between accounts that have different UANs, but at least one UAN was created before September 1, 2017 and is linked to the same Aadhaar.

MUTHUKANNAN T.

Software Engineer
Age: 42, Tamil Nadu

His EPF account was opened in May 2006 at Hyderabad EPFO. Contributions to this account ceased in March 2011, when he was transferred to an overseas branch of the same employer. After returning to India in 2019 and resuming work at the employer's office in Bengaluru, a new EPF account was opened at Pondicherry EPFO. But his old balance has still not been transferred to his new account

THE PROBLEMS

The problems in transfer could arise due to multiple issues, such as mismatch in details, namely, Aadhaar number, UAN, name, father's name, date of birth, gender; missing details, such as the date of joining (DoJ) and date of exit (DoE) from the previous employer; non-verification of key documents, such as Aadhaar; non-operational account or mobile number; and so on. Multiple UANs and accounts have also been a problem, but hopefully with the implementation of the new circular, issues may get resolved.

Once any of the above happens, employees are pushed back into the manual process, which may involve submitting Form 13, verifying know-your-customer (KYC) documents, and regularly checking the transfer status on the EPFO's unified portal. It is at this stage that things get stuck, as sometimes, employees face rejections or delays without clear explanations, leaving them exasperated and confused about the next course of action.

Take Muthukannan T.'s case, a 42-year-old software engineer. His employer opened his EPF account in May 2006 at the Hyderabad EPFO. Contributions to this account ceased in March 2011, when he was transferred to an overseas branch of the same employer. After returning to India in 2019 and resuming work at the same employer's Bengaluru office, a new EPF account was opened at the Pondicherry EPFO. However, when he tried to transfer his old balance into the new account, he faced roadblocks that persist to this day.

The initial claim to transfer his EPF balance failed with an error message along the lines of "contact your employer". In January 2020, a request from Muthukannan's employer was sent to the Hyderabad EPFO, which asked for a duly signed joint declaration by the employer and the employee. Despite submitting multiple joint declarations and fresh sets of KYC documents—sometimes at the EPFO's request and sometimes pre-emptively—the issue remained unresolved. In 2023, he was asked to visit the branch with original documents, and asked to add his

What Is EPS And Who Is Eligible?

The Employee Pension Scheme (EPS) is managed by the Employees' Provident Fund Organisation (EPFO) to provide pension post retirement

Eligibility Criteria

- Employees joining after **September 1, 2014,** and earning a monthly salary of ₹**15,000** or less at the time of joining EPF are eligible for EPS.
- Employees with a salary above ₹**15,000** are not eligible to join EPS.
- Employees who joined before **September 1, 2014,** continue to retain EPS membership even if the salary is above ₹**15,000.**
- However, if an employee withdraws their EPS account entirely (including a lump sum), they cannot rejoin EPS if their salary exceeds ₹**15,000** at the time of rejoining.

Contribution Details

Employer's Share:

- **8.33%** of the salary (up to a maximum of ₹**15,000** wage) goes to EPS
- The maximum monthly contribution is ₹**1,250**

Employee's Contribution:

- The entire contribution goes to the EPF account

Source: FinRight

father's name in the "C/o" field in his Aadhaar address. Even after doing all that, his request is still stuck.

"It's been close to five years since we (Muthukannan and his employer) submitted the first request to reactivate my EPF account. It's been more than a year since I went to the Hyderabad EPFO physically. But the EPFO staff have done absolutely nothing," says Muthukannan.

We have taken five scenarios in which EPF transfers get stuck. We try to give you the possible reasons and their solutions for these.

SCENARIO 1
DUAL TRANSFER IN TRUST-MANAGED ORGANISATIONS

The challenges of EPF transfer are even more daunting when it comes to trust-managed organisations, where PF contributions are managed by the company's exempted trust while Employees' Pension Scheme (EPS) contributions are overseen by the EPFO.

This dual-management system often creates confusion and complications, as Sanjay Kumar Sharma's story illustrates.

Sanjay, 55, currently employed with one of India's leading telecom operators as assistant vice-president in Bengaluru, has been trying to reconcile his EPF accounts for over a decade after working with multiple employers. His journey began in 2011 when he left a Hyderabad-based trust-managed organisation and applied for EPF transfer to another organisation (unexempted) in Jaipur, which he joined.

While the trust successfully transferred the PF balance, the EPS portion was left behind, a common oversight in such cases.

After three job changes since 2011, Sanjay is trying to consolidate all his accounts under a single UAN. However, his service history with the exempted trust employer (Hyderabad) is not updated in the current EPF and UAN account because of the lack of 'Annexure K' or service history transfer pendency from RPFC Hyderabad to RPFC Jaipur. Unless these offices resolve the issues, Sanjay's problem will not get solved.

Annexure K is a document that mentions your (member) details, PF accumulations with interest, service history, date of joining/date of exit, and employment details including past and present member ID (MID). This document is required by the field office/trust to effect a transfer.

SANJAY SHARMA

AVP, Telecom Company
Age: 55, Karnataka

He left a trust-managed company in 2011 and applied for EPF and EPS transfer. His EPS portion was left behind even as his PF was transferred. He is now trying to consolidate all his PF accounts under a single UAN

Despite multiple visits to EPFO offices in Hyderabad and Jaipur, the problem persists.

"In October 2011, I submitted Form 13 at the Jaipur EPFO office, along with all relevant documents. But the EPS portion was never updated," says Sanjay.

Years of follow-ups yielded little progress, with the Hyderabad EPFO claiming they could not process the transfer due to outdated systems and physical documentation requirements.

Despite providing Aadhaar, Permanent Account Number (PAN), bank details, and other information, his case remains unresolved.

"The system is so disjointed that even the EPFO staff seem unsure about how to handle cases like mine," he says.

Sanjay's case highlights the systemic flaws in the EPFO's processes, particularly for employees of trust-managed organisations.

Says Kanekar, "One of the most common mistakes ex-employees of these organisations make is assuming that transferring out their PF balance from the trust to their current organisation is enough. Employees often encounter rejection messages like: 'EPS service not received' while initiating transfers/withdrawals."

HOW TO RESOLVE THIS ISSUE?

To ensure a smooth transfer, employees from trust-managed organisations must initiate two transfers right after a job change:

- For the EPS portion, submit a claim via the EPFO Member Portal.
- For PF balance, download and share Form 13 from EPFO portal and ask the trust to initiate the transfer.

Double-check that both requests have been processed and verified to avoid disruptions during withdrawal or subsequent transfers.

How To Avoid EPS Membership-Related Problems?

Employees should do the following to avoid any issues arising out of EPS membership-related details

1. Check if you are eligible for EPS membership (see *What Is EPS And Who Is Eligible?*).

2. If there are EPS discrepancies (EPS deducted for non-EPS Member/EPS not deducted for EPS Member), ask your employer to submit a revised Form 3A to the relevant PF office to correct the pension records.

3. If you are an EPS member and your pension was deducted on wages above ₹15,000, there is a chance of rejection of transfer if the current company has not received any transfer from the previous company. To avoid this rejection, collect Annexure K of the previous company's transfer.

4. Log in to the Member Home Portal. Under Manage -> Joint Declaration, check if your EPS DoJ and DoE is correctly marked.

Text source: FinRight

SCENARIO 2: EPS DEDUCTION FOR WAGES ABOVE ₹15,000

Some issues related to EPS, which is a part of the EPF, can also create problems during transfers and withdrawals. According to Kanekar, one reason given for rejection frequently is this error: "EPS deducted, but wages above ₹15,000. Please clarify EPS membership."

When Sunny Pandita, a 42-year-old banking professional was looking to withdraw his PF in 2021, his EPS became a problem and it took him over five years to resolve.

According to EPFO rules, EPS contributions are not allowed for employees whose wages exceed ₹15,000 unless they were already members of the EPS scheme in a previous organisation. For such employees, membership under EPS continues, and the current organisation must also deduct EPS contributions (see *What Is EPS And Who Is Eligible?*). The EPFO often rejects EPF transfers when there is no proof of previous EPS membership.

Over the years, Sunny kept track of his PF contributions, but details about the status of his EPS membership went unnoticed.

In 2021, when he decided to withdraw his PF after leaving his third job, trouble surfaced. His withdrawal request was rejected, citing incomplete EPS details. It was then that Sunny learned his EPS records had never been updated when he switched to his second and third jobs. This oversight created a domino effect, making it impossible to consolidate his accounts or process his withdrawal.

It is important to know that before 2014, EPS membership was mandatory for all employees. "I always thought that as long as my PF balance was intact, I'd be able to withdraw it when I needed it. Nobody told me EPS details were just as important," says Sunny.

Multiple Accounts, Endless Confusion: Adding to the complication was Sunny's PF accounts. During his career, Sunny had two separate stints (employer 1 and 3) with the same organisation, (from 2012 to April 2018 and December 2018 to 2021). Despite using the same UAN, the company opened two separate PF accounts during each stint.

He says, "When I started the withdrawal process in 2021, I assumed I could just take out the entire amount. That's when I was told I had multiple PF accounts, and that they had to be merged first."

The requirement to merge accounts wasn't just time-consuming, it also meant reconciling his service history. During this process, Sunny was neither aware nor informed enough to acquire Annexure K. This process was critical for transferring his EPS membership details from Employer 1 to Employer 2 as well as EPF balance from Employer 2 to Employer 3.

The absence of service history for Sunny's EPS membership proved to be the biggest roadblock. Without these records, the authorities (at Employer 2) could not validate his membership, effectively stalling the transfer process from Employer 1.

HOW TO RESOLVE THE PROBLEM?

Employees must furnish valid proof of EPS membership from their previous organisation(s) (for details, see *How To Avoid EPS Membership-Related Problems?*). The following documents are considered acceptable:

Annexure K: A detailed statement provided by EPFO for previously transferred PF accounts.

Scheme Certificate: A certificate issued by EPFO that records the employee's EPS contributions and membership details.

Submit these documents through your employer or directly to EPFO to validate your EPS membership and complete the transfer.

SCENARIO 3: THE MYSTERY OF LOST EPF MONEY

For Dushyant Batham, a 40-year-old lead sales manager, what seemed like a routine task of transferring his EPF balance turned into a bureaucratic nightmare that stretched over three years. His story is an example of labyrinthine processes and communication gaps that plague EPF transfers, leaving employees like him stranded.

DUSHYANT BATHAM

Lead Sales Manager
Age: 40, Uttar Pradesh

His request for EPF transfer was rejected due to lack of communication within the EPFO offices and he was not informed of the same. His EPF money from the first company was not found in the second company's EPF account

Dushyant applied for his EPF balance transfer in 2021 from his first company to his second. Both employers gave their approvals, but when the file landed at the EPFO office in Nagpur, the transfer request was rejected due to internal communication issues within the EPFO offices.

The catch: Dushyant was not informed about the rejection. "I had no idea that my transfer request had been rejected," he recalls. "By then, I was already working with a third company and had no updates about the status of my funds."

He realised much later that something was amiss. His funds, amounting to around ₹3.39 lakh, were nowhere to be found in the second company's EPF account. Confused and alarmed, he began what would become a long and frustrating journey to trace his hard-earned savings.

Dushyant's first stop was the EPFO office in Nagpur, where he filed a grievance to understand what had happened. But the response he received only deepened his frustration. He says: "They told me the transfer was rejected in 2021 due to some internal issue. But beyond that, there was no explanation or clarity. They just advised me to contact the Mumbai EPFO office for further help."

When he reached out to the Mumbai office, he encountered a wall of silence. "For three years, between 2021 and 2024, I got no proper response from the Mumbai office. No one could tell me what had happened to my funds or how I could get them back," he says.

With no resolution in sight and no time to make endless trips to different EPFO offices, Dushyant had to seek a third-party assistance with FinRight.

In a different situation, imagine initiating a transfer where the amount is debited from your source passbook, the claim is marked as "settled", but the money is never credited into your destination passbook. "Unfortunately, this is not uncommon," says Kanekar.

EPFO follows a two-step process for transfers. Once the source PF office approves the transfer, money is debited from the source passbook, and the claim status changes to "settled". But the money is credited to the destination passbook with a condition: "Transfer-in is subject to verification."

"If the destination PF office rejects the transfer, the money is sent back to the source office along with a rejection letter. However, in many cases, the rejection letter is misplaced or lost, leading to a scenario where the money is neither credited back to the source passbook nor added to the destination account," says Kanekar.

HOW TO RESOLVE THIS ISSUE?

Coordinate Between PF Offices: Contact both the source and destination PF offices to track the money trail.

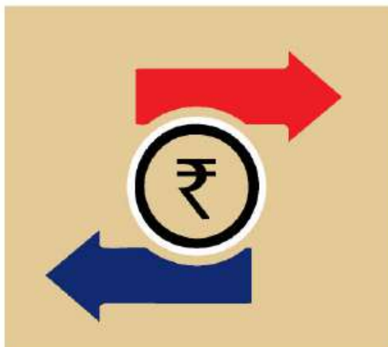
Request Documentation: Obtain a copy of the rejection letter from the destination PF office and share it with the source PF office to expedite the process.

File A Grievance: If the issue remains unresolved, raise a grievance on the EPFO portal with all supporting documents.

This process often requires persistent follow-ups, as the offices involved may be in different states, adding to the logistical challenges.

Why Should You Transfer Your EPF Balance?

Transferring your EPF balance after switching jobs is important because it:



- Maintains the continuity of your contributions, ensuring consistent retirement savings
- Keeps your interest tax-free, protecting your financial growth
- Prevents discrepancies, making sure all your savings are accurately accounted for

Source: 1 Finance

SCENARIO 4
CONSOLIDATING PF BALANCES ACROSS MULTIPLE EMPLOYERS

Shipra (name changed on request) faced the challenge of having her PF balances scattered across three previous employers, amounting to ₹3.50 lakh. Additionally, there was no DoE in the details of previous two companies.

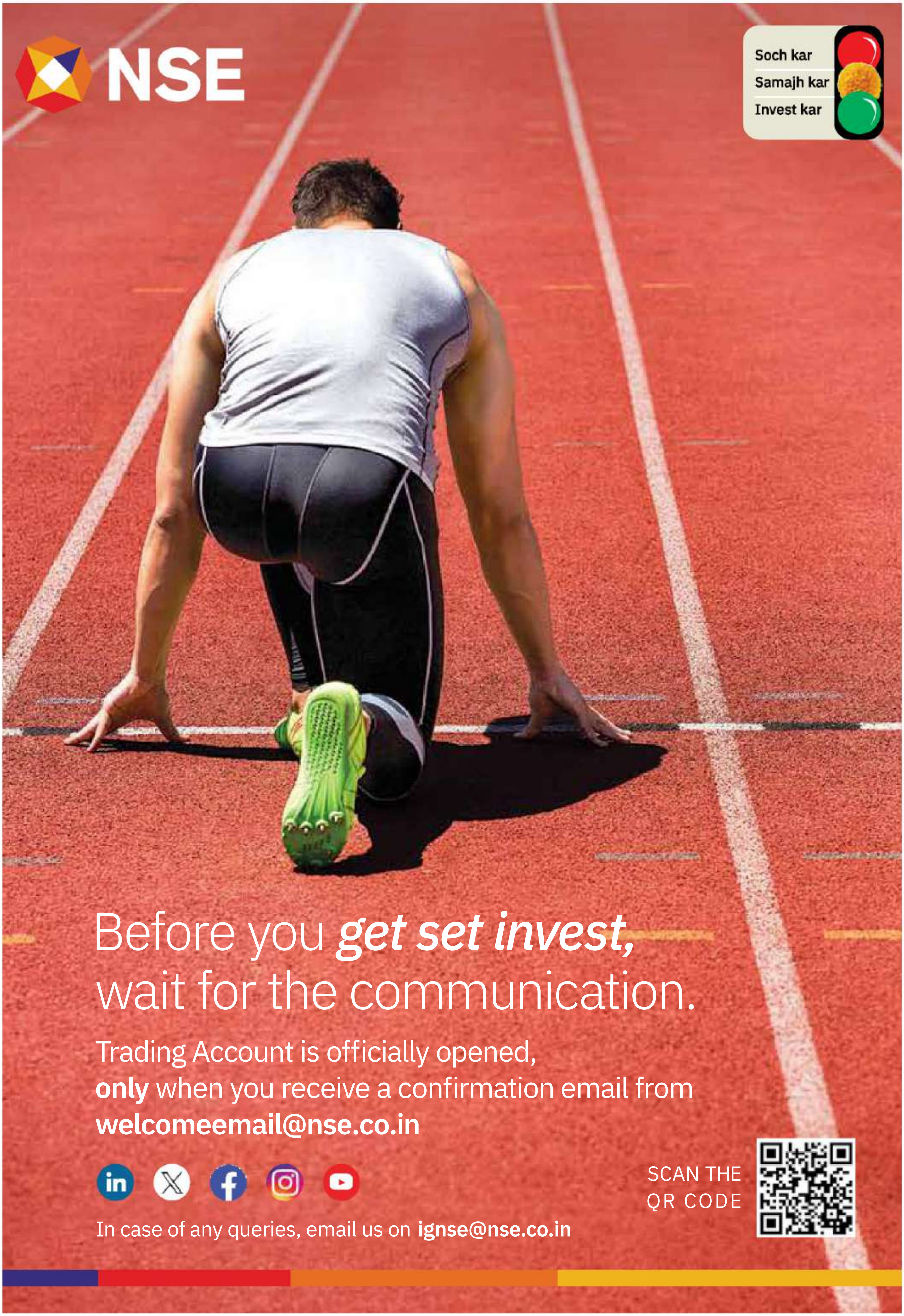
"To resolve this issue, Shipra needed to identify each employer's unique MID and PF numbers after logging into the EPF portal. Further, she needed to identify and update the DoE for both previous employers and then submit a transfer request for each employer by following the process to transfer her PF online," says Bhavika Khandare, executive desk specialist at 1Finance. (see *Procedure To Transfer PF Online*).

Often, employees also face issues with transfers if any of their previous employers shut down. According to Kanekar, "To resolve this issue, the member should initiate a transfer from the Member Home Portal using 'One Member - One EPF Account (Transfer Request)' and get an attestation through the current employer if the last company is linked to their UAN/ Aadhaar."

"However, if the last company is not linked to your Aadhaar, submit a Joint Declaration Form to the previous company's registered PF office to link old records with Aadhaar. Once the company is linked, use the 'UAN Allotment for Existing PF' option, and follow the steps mentioned above to initiate a transfer," says Kanekar.

SCENARIO 5:
INCORRECT DETAILS LEADING TO REJECTION

The case of Shashank, 42, who spoke to us on the condition of anonymity, brings to light yet another frustrating dimension of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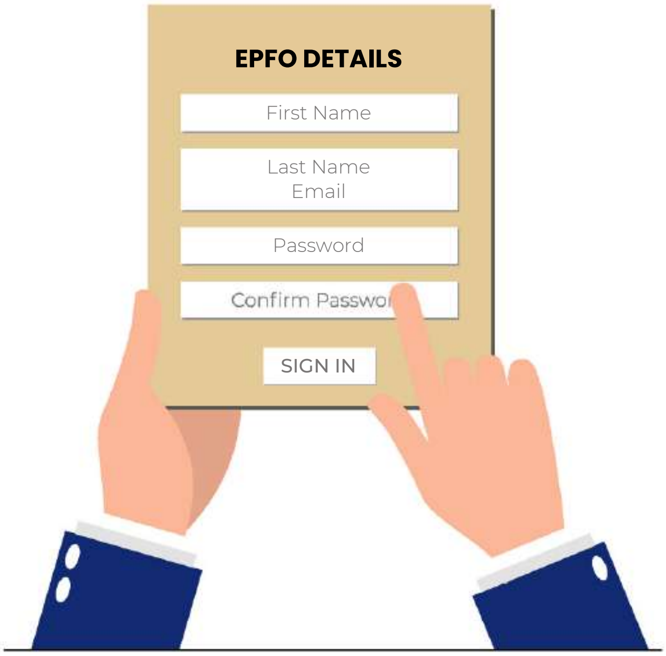
How To Correct Personal Details On EPFO

Online Process:

Step 1: Visit the official EPFO portal and log in using your credentials.

Step 2: Click on the "Manage" tab and select "Joint Declaration" from the options provided.

Step 3: Choose the Member ID of your previous employer from the dropdown menu and click on "Get Details" to retrieve your existing records.



Step 4: Compare the personal details displayed with your correct information. Update them as required. Record any changes in the "Changes Required" section and click on "Submit". For instance, update the father's name/date of birth, etc., if required.

Step 5: Upload 2-3 valid documents as proof of corrections (such as, Aadhaar card, PAN card, or Passport) and click on "Upload".

Step 6: Agree to the terms and conditions; then generate an OTP, which will be sent to your registered mobile number.

Step 7: The request will first be sent to your employer for approval. Once approved, it will be forwarded to the EPFO for final correction. The process can take 15-30 days.

Offline Process:

Step 1: Download the EPF name correction form, which is a joint declaration by the member and the employer.

Step 2: Fill in the details that require correction.

Step 3: List the documents you will submit as proof of the required changes (for example, an Aadhaar card, PAN card, or Birth Certificate).

Step 4: Get the form attested by affixing your name and signature, adding the name and signature of the authorised signatory from your previous organisation, and ensuring the company seal is attached.

Step 5: Submit the completed form along with all the necessary supporting documents to the Office of the Regional PF Commissioner.

Keep In Mind:

- Ensure all details are accurate to avoid delays in processing
- Use clear and valid proof documents for the correction process
- The offline process may take longer due to manual approvals, while the online method is generally faster
- Follow the above steps to correct any discrepancies in your EPF account and ensure the records are right

Source: 1 Finance

Is The Date Of Exit Important?

Yes, the updation of the date of exit of previous job/employment is mandatory to apply for online transfer. DoE can be updated only after two months of leaving a job

- **Pre-requisites To Update DOE:** The facility is based on an Aadhaar-based One Time Password (OTP). Thereafter, it can be updated by those who have activated their UAN and linked their UAN with a verified Aadhaar number and have a mobile number linked to an Aadhaar number for receipt for verification

- Note that DoE can be any date in the month in which the last contribution was made by the previous employer

Source: OLM Research

EPF transfer woes. This involves incorrect and un-updated details, such as date of joining, date of exit, father's name and so on.

It rang a bell for him when he noticed the initiation of a transaction against one of his member IDs. The claim receipt, dated March 8, 2023, showed a Form 13 transaction that is meant to move funds from one PF account to another. While the claim status reflected "approved" on March 15, 2023, the transfer was not reflected in the subsequent EPF account.

Alarmed, Shashank raised his first grievance with Regional Office (RO), Noida.

The response he received left him perplexed: the transfer claim had allegedly been rejected by RO, Bandra, on November 9, 2023, and was supposed to be credited back to his original account at RO, Noida.

However, the rejection letter necessary for this reversal was absent. His repeated queries and grievance claims elicited the

If employees are not EPS members, their records reflect erroneous EPS dates, but the EPFO portal doesn't allow online removal of DoJ/DoE

same robotic reply, "We have sent reminders to RO, Bandra, for the signed rejection letter. Further action will be taken after their confirmation."

Such communications kept coming in for months. Finally, in May 2024, Shashank received the rejection letter, but the ordeal was far from over. RO, Noida said that the letter is not duly signed and they need an updated rejection letter from RO, Bandra.

After repeated grievances, RO, Bandra revealed that the claim had been rejected for two reasons—previous PF and EPS amounts not received and a mismatch in his father's name across office records, bank details, and Aadhaar.

Shashank now faced the task of identifying the root of these discrepancies and rectifying them, a process that required a Joint Declaration Form to correct the father's name mismatch.

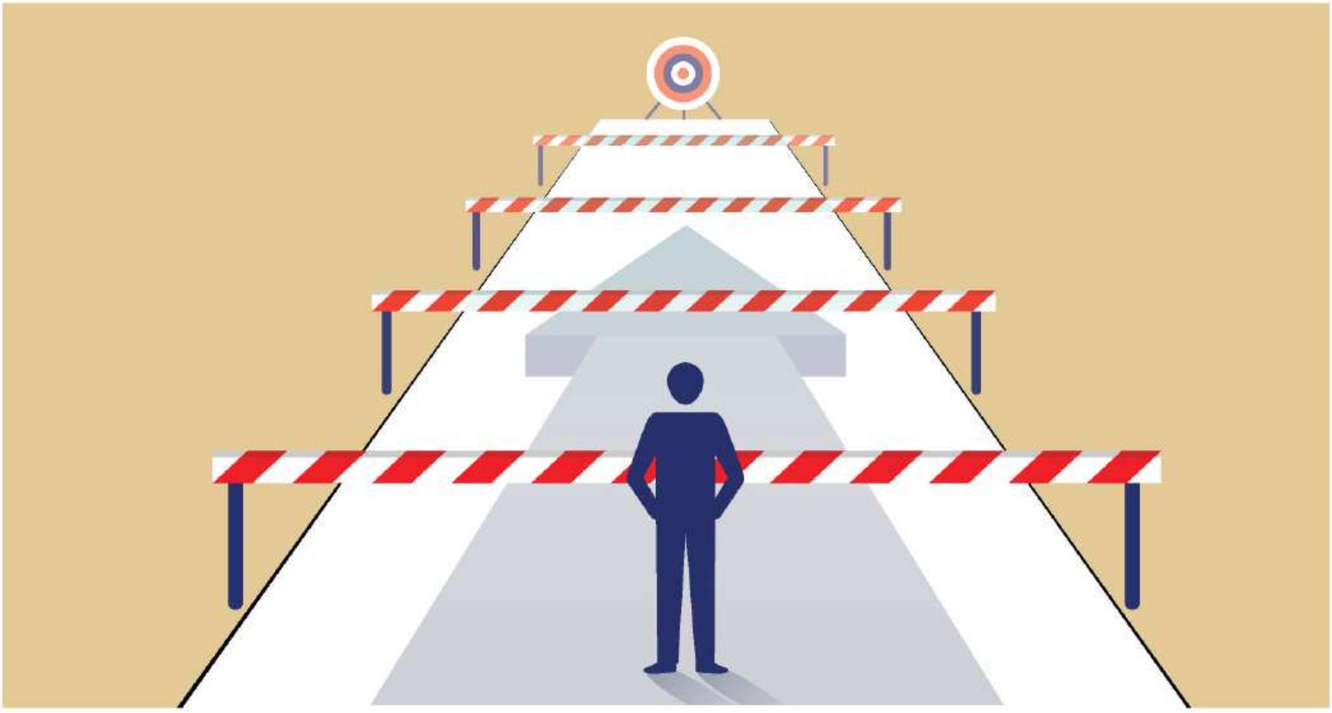
But this raised more questions than it answered. One, which employer's records required correction? (Shashank had already switched many jobs till this point). Two, which office (employer) had failed to transfer the PF and EPS details?

He raised another grievance, but the response was still vague: "Please coordinate with Regional Office, Dadar."

Shashank's case sheds light on a recurring problem within the EPF framework: how inaccurate or un-updated details can spiral into prolonged disputes and financial uncertainty. As he continues to battle the system, his story becomes yet another chapter in the ongoing saga of lost transfers and misplaced trust.

Says Kanekar, "Sometimes, even when employees correctly opt out of EPS due to wages exceeding ₹15,000, transfer requests are rejected with the message: 'Not an EPS member but EPS service updated'."

This usually occurs when the DoJ and DoE for EPS are incorrectly marked in the system. While employees are not EPS members, their records reflect erroneous EPS dates, leading to rejections. Unfortunately, the EPFO Member Portal does not allow for online removal of EPS DoJ/DoE.



HOW TO RESOLVE THIS ISSUE?

In such cases, employees must submit a physical copy of a Joint Declaration Form through their employer to request the removal of incorrect EPS dates. The declaration must state the error and include supporting documents, such as salary slips or EPF statements confirming the absence of EPS contributions. It is time-consuming, but this step ensures that your records are accurate and prevents future rejections.

CONCLUSION

The stories of people like Sanjay, Muthukannan, and countless others trapped in the maze of EPF transfers reveal a grim reality: a system bogged down by outdated processes, mismatched records, and glaring lack of accountability. These are not some isolated incidents, but a mirror of the challenges many employees face—missing funds, unexplained rejection, and years of chasing elusive resolutions.

Says Roongta: "The EPFO is one of the most expensive fund managers globally. Its administrative charges are among the highest (not charged to subscribers), yet the services provided do not justify these costs. Unless they change their approach, it will continue to frustrate its subscribers."

In January, the government announced that EPFO will launch a new system that will improve efficiency and experience for EPFO members

However, the government is not completely deaf to the plight of EPFO subscribers. In January 2025, Union Minister for Labour and Employment, Dr Mansukh Mandaviya told the media that EPFO is set to launch its new software system "EPFO 3.0" by June 2025. This upgraded system is expected to improve efficiency and offer a seamless experience to EPFO members.

The ambitious IT overhaul promises to transform the way EPFO functions, aiming for faster claim settlements and improved transparency. Notable initiatives, such as a proposed ATM-like withdrawal system for EPFO members and a revamped grievance redressal mechanism sound like the future that EPF members have long awaited.

But the question remains: Will these promises translate into tangible change? For the system to truly work, it must address its foundational issues, such as seamless coordination between regional offices, accountability at every step, and most importantly, better ways to help users understand the system for transfers and withdrawals. For now, employees like Muthukannan, Sanjay, and Shashank await a resolution. ▸OM

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WEALTH WIZARDS

‘Govts Are Often Influenced By Private Interests, And Don’t Focus On Health’

Longevity is not about going to the gym or having superfoods, but living in an environment that promotes a healthy lifestyle. **Dan Buettner**, the Blue Zones founder, National Geographic fellow, best-selling author and the producer of the Emmy Award-winning ‘Live to 100: Secrets of the Blue Zone’ series, learnt this during his decades-long research into five blue zones of the world. In an interview with **Nidhi Sinha,** Editor, *Outlook Money,* as part of the Wealth Wizards series, he talks about another kind of wealth, a healthy and fulfilling long life. He also talks about blue zones, and how policy matters when it comes to improving the health, lifestyle and longevity of the population

Could you explain the concept of blue zones (where longevity is higher) to the uninitiated?

Only about 20 per cent of how long we live is dictated by our genes; 80 per cent is something else. So, while working with National Geographic, a team of demographers and I identified five parts of the world (Ikaria in Greece, Loma Linda in California, Nicoya in Costa Rica, Sardinia in Italy and Okinawa in Japan) where people live statistically the longest. Then, we spent three years validating their ages, (through) their birth and death records. We discovered that these places are home to people who live about 10 years longer than the rest of us. Much of my work has been about trying to understand the factors and the characteristics that seem to be accompanying longevity in all five of these places.

What is it that got you interested in blue zones? Is there a personal story behind pursuing these havens of longevity?

I was an explorer, and my speciality was unraveling scientific mysteries. In 2000, I read a World Health Organization (WHO) study that showed that Okinawa was producing the longest disease-free population in the world. And I thought: “Now that’s a good mystery.”

We started with Okinawa. And I reasoned, if there were long-lived people in Asia, there must be long-lived people in Europe and South America and North America, and maybe even Africa. So there began this 25-year-long journey.

What are the factors that support longevity?

You would understand economics, specifically behavioural economics. We are deluded largely by marketers to think that there is some pill or supplement or longevity hack or superfood or exercise program that’s going to make us live longer. Trying

> **We are deluded by marketers to think that some pill or supplement, superfood or exercise program is going to make us live longer. Trying to change your behaviour or your habits fails for almost all people, almost all the time**

Dan Buettner, Blue Zones founder, National Geographic fellow and author

to change your behaviour or your habits fails for almost all people, almost all the time. They're good business plans because every year we can get people signing up for diets and supplements and exercise programs. And every year they fail in about a month.

What works in blue zones is an environment that sets up nudges and defaults that govern people's unconscious decisions. We all know that eating mostly a whole-food, plant-based diet is going to help us live longer.

Kerala in India is very good at that. We all know that moving our body is going to help us live longer. Staying socially connected, having a sense of purpose, avoiding toxins—these are all environmental factors.

So, we should not be spending too many resources and too much time on behaviour modification; we should be spending it on environment modification that produces longevity.

How does this ageing population take care of their finances because they may be out of regular jobs? Is there some kind of social security or pension fund they fall back on?

Counterintuitively, most of the blue zones are the poorest regions of the countries they inhabit. They do benefit from very good public health, and in most cases it is better than what we have in the US. They do have very small pensions, but we've lost what they have—it's the support from families as they almost always live in extended families. They mostly supplement what they need to buy by having a garden. They live in communities that don't require a car, eliminating the enormous expense of owning and maintaining a car.

Most of us are deluded in thinking that the answer to live longer lies wholly in some rich social security system. It lies in paying attention to the rhythms and the traditional mechanisms that got the human race where it was two generations ago. Also, paying attention to the people who are going to care about you when you live in walkable communities. And the cheapest, the most accessible and healthiest foods are peasant foods. It's not tomahawk, steak, or seafood, or some fancy superfood. It's beans, rice, tubers, sweet potatoes, and so on. India does a particularly good job by making use of these wonderful spices, which are healthy and cheap.

It's just shifting the focus away from (the idea that) we got to make more money to how do we shape our surroundings. Beginning at age 20, both social and physical. Then, we'll unconsciously make the right decisions and will hit our 80s and 90s surrounded by supportive friends and family. That's the secret.

Most Indians have physical work embedded in their lifestyle, the sense of community is still strong, and food habits are not so bad, though there is an influx of fast food here too. Yet, we do not have a blue zone. Why do you

think that is so?

Most of the world till about 80 years ago died because of infectious disease, malaria, cholera, pneumonia, dysentery, diarrhea. The blue zones have the benefit of public health. They're not dying from those infectious diseases because of steps their governments have taken, and they don't quite yet die of chronic diseases which is killing most of America. The reasons in America are standard American diet, physical inactivity and loneliness.

India has the foundation for a blue zone. You're very social, you have a phenomenal diet as you know how to make very cheap food taste delicious and better than most countries.

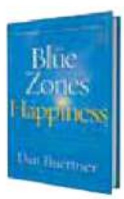
But you have a big infectious disease problem, much bigger than the other blue zones. In other words, people are dying from diseases due to lack of sanitation, and perhaps overcrowding in some cases. So anyway, it's a blue zone in the making. Let's put it that way.

Do you think that a government push will help in moving towards a future like that?

Yes, policy is usually the most cost-effective tool for public health. I don't know intimately but (it would matter) if the government prioritises making people healthy. There's a project called The Global Burden of Disease, which looks at what is shortening the lives of people in India. Once you know that, you can attack specific ailments. I'm guessing, for the most part, it is heart attacks and probably diseases due to lack of sanitation on the infectious side.

So, the policy workers can focus and work at mitigating those problems. However, it's going to be largely an environmental issue, limiting access to cigarettes and junk food, spending more money for clean water sources, and ensuring vaccinations and antibiotics for infectious diseases.

BUETTNER'S BOOKS



Some of the communities you've documented are either living in a mountainous village or have space for activities like gardening, so physical stimulation happens naturally. In India, urban spaces are becoming smaller due to overcrowding. Plus, there's not enough public infrastructure on the policy side. Are gyms the answer for them in terms of staying active?

No gyms are not. It's walkability, it's taxing gasoline, having congestion control schemes where people have to pay tolls. The most effective thing you can do is get people out from behind their steering wheel on to their feet.

The best model of that in the world is Singapore. Believe it or not, Singapore has much higher population density than India has. So, if the Indian government really cared about people's health, it would pay particular attention to Singapore. Singapore currently has the highest health-adjusted life expectancy in the world, and they do it with a heterogeneous population. It's a melting pot—people of several religions live there just like in India. It started out as a very poor place like parts of India, and they have systematically adopted policy that favours human health.

They, of course, pay attention to financial and economic prosperity. But it's a great fallacy that increasing GDP (gross domestic product) is going to fix everything. In fact, I would argue that, for a government, the best investment would be addressing health. That's because if you are healthy, you have healthy children who grow up to be more educated. There's much less of an economic toll on the family. And you get a healthier, more productive workforce.

Governments are often influenced by private interests that take away the focus, which should be getting the population optimally healthy.

You have experimented with certain areas in the US to make them into blue zones. How has that experience been, and how scalable is it?

It's more than an experiment. We've been doing it for 15 years and in 70 cities. In every city we've worked in, we've seen measurable improvement. We measure BMI (body mass index) and life satisfaction.

They're called blue zone or transformation projects, and are funded by insurance companies and hospital systems and supported by local governments. What we do is change the policy to favour the non-smoker over the smoker, the pedestrian over the motorist, healthy foods over junk food and junk food marketing. Then we go for businesses, schools, restaurants and workplaces. We offer blue zone certification if they change their designs and their policies to make people unconsciously move more, eat better and socialise more.

Most of the healthy city projects try to get people doing fun runs and eating their veggies, but they always fail. But when you reshape a city's policies and its streets, and reshape the places that people live in so that they're unconsciously making a better decision, we see BMI go down, life expectancy go up and healthcare (costs go down). That's how we make our money.

Your work is right now focused on the US. Do you plan to expand it to other countries?

Yes, but people misunderstand. The only way you can do this is by having a five-year commitment in a city of a million people. I need 20-25 full-time employees and five years. When people hear about blue zones, they want to be one, but they don't really want to do the work. They just want the label.

You can do the math. How much that would cost. 25 employees. They need an office. They need retirement plans. They need vacation. They need training. It's a big-ticket (expense), but when you compare the cost of keeping people healthy, the cost of caring for them after they're sick, it's a bargain.

We spend $4.4 trillion a year on trying to clean up the mess here in America, but you get about a 20-time return. It's about 20 times cheaper to keep people healthy than it is to pay for them when they're sick.

That's not the way the American healthcare system is set up. So, we're kind of swimming upstream on these things. But we've shown it's successful, and it's infinitely scalable.

If we took one-hundredth of what we spend on pharmaceuticals in this country, I could work in every city in America, and you'd see the obesity rate go down, and trillions of savings in healthcare and related productivity and absenteeism costs.

> **Governments are often influenced by private interests that take away the focus. The focus should be on getting the population optimally healthy. For any government, the best investment would be addressing healthcare**

What will it take to make such an experiment a reality in India?

It's possible. I would have to bring a team there, and I would have to meet all the local leaders there—the religious leaders, the people who are in charge. I'd have to say, we're coming in with this unique approach; we're changing the environment, not trying to change people's behaviour; (ask them) is this something that interests you. I will need a yes and I'd say Mr Politician, you need to help me. I'm going to show you the ordinance and local laws that are going to make a difference. Are you willing to expend your political capital?

The answer to that is, yes, with the head of schools and the big businesses. Then I need to hire probably 30 people, a manager, and a budget for that. I need a lot of money to hire these people for five years, but yes, I could bend the curve, reduce obesity, heart attacks, type 2 diabetes and other diseases. The process is expensive and long, and it requires a different way of thinking.

It's also been reported that the natural blue zones are shrinking. Why is that so?

I think all the blue zones are disappearing, and I've seen it just in the 20 years since I've been visiting them. The (number 1) reason is, they start importing cars, which are big killers as they pollute the air, cause accidents and take physical activity out of people's lives.

Number 2, the standard American food culture with McDonald's, Burger King and others (that serve) ultra processed junk food, that destroys health, and I don't know how to stop that. Then, people are spending more time on their handheld devices; they're not socialising and building relationships.

So, I'm more interested in places in the world that were unhealthy but are starting to change the trend. I'm writing another book right now for National Geographic on these places. There are several places where people live about 12 years longer than people in the US. That's the future—not trying to save the old blue zones but focusing on the new blue zones. ▸OM

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BEHIND THE MIND GAMES THAT END IN 'DIGITAL ARREST'

The new scam of digital arrest employs psychological pressure to dupe vulnerable victims, who go through a phase of trauma and fear. We tell you how it works, whether the government is doing enough to curb the menace, and how you can keep yourself safe

Ayush Khar

New Year's Eve is the time to sit back, relax and enjoy! But for social media influencer Ankush Bahuguna, 31, it turned out to be a nightmare. On January 5, 2025, he shared in detail how he underwent the "digital arrest" ordeal.

The modus operandi typically involves scamsters posing as authority figures who threaten, blackmail or induce fear among victims to extort money. The victims are then put under a "digital arrest" wherein they are psyched into cutting all communication and follow instructions of the scamster.

Ankush claimed he was digitally held hostage by scammers for a gruelling 40 hours. He received a call from an unlisted international number in which an automated voice told him that a courier delivery addressed to him was cancelled. The automated voice urged him to press '0' and he unfortunately complied. Next he was put in touch with a scamster posing as a "customer support representative". The representative claimed the package mentioned on call earlier had been seized, as it contained illegal substances.

He was also told he had just an hour to prove his innocence. The scamster transferred his call to another scamster posing as an official of the Mumbai Police. Ankush was told he was a "prime suspect" in a case involving money laundering and drug trafficking.

"They isolated me completely. I was not allowed to pick up calls, reply to messages, or even let anyone in the house know. They said if I contacted anyone, they would harm my family," Ankush said in his Instagram video.

After spending nearly two days under digital arrest, he managed to read a message warning about "digital arrest" scams. But it was too late.

Ankush was under arrest for nearly 40 hours, and in the interim, the scammers had made him transfer an undisclosed amount of money and also put him under tremendous mental trauma.

Such instances have become quite common. The digital arrest macro data is alarming: Between January and April 2024, Indians lost ₹120.3 crore because of digital arrest scams, according to data by the Indian Cyber Crime Coordination Centre (I4C). I4C is a dedicated wing of the cyber and information security division of the Union Ministry of Home Affairs, Government of India.

Vishal Salvi, chief executive officer, Quick Heal, an IT security and data protection solutions provider, sounds the red alert. "The rapid digitalisation of India has created more opportunities for cybercriminals to exploit unsuspecting individuals. The lack of digital literacy and awareness among many citizens makes them vulnerable to sophisticated scams. Fraudsters have become increasingly adept at using technology, employing tactics, such as deepfake videos, professional-looking documents, and realistic video calls to impersonate law enforcement officials," he says.

According to Sudeshna Guha Roy, partner at Saraf and Partners, a full service law firm, these scams are executed by using sophisticated technology, such as digital forensics, online surveillance, and social media monitoring.

One can only imagine if this can happen with tech-savvy influencers, what fate awaits the not-so-initiated, but-24x7-digitally-logged, which is a huge cohort in itself.

VULNERABLE TARGETS

Influencers apart, there is a clear pattern indicating that scammers are targeting senior retired defence personnel. Not without a reason—the retirement corpus is the temptation.

Consider three recent cases of defence personnel being scammed.

Earlier in August 2024, a 79-year-old retired Major General of the Indian Army, currently residing in Noida, was put under digital arrest for five days. The scamsters posed as law enforcement personnel and alleged that a courier addressed to his name containing five passports, four bank credit cards, clothes, 200 grams of a drug called MDMA, and a laptop had been seized. The scamsters duped him of ₹2 crore, according to media reports, which

How Can Victims Of Digital Arrest Seek Redressal

- Freeze the transaction by calling the bank in a 15-20 minute window
- Preserve evidence related to the scam, such as call recordings, messages, and transaction details
- Contact the national cyber crime helpline by dialing 1930
- File a complaint with the Cyber Crime Cell through the Sanchar Saathi Portal

cited cybercrime investigators.

Later in October 2024, retired Major General Prabodh Chander Puri, 85, was defrauded of ₹83 lakh through a digital arrest scam. Puri, a resident of Sector 20, Panchkula, received a call from an unknown number on October 15, 2024 stating that his mobile phone was being used extensively and would be turned off permanently. After he complied with the instructions given to him to address the matter, he was entrapped by the scamsters and put under digital arrest.

In another instance of the retired being targeted, Lt. Colonel (retd) Parupkar Singh, 81, a resident of Ludhiana, received calls from scammers posing as officers from the Central Bureau of Investigation (CBI) and the police department. Singh was accused of being involved in a money laundering racket, and asked to send ₹35.3 lakh lying in his bank account to the scamsters. The scammers promised to return the money to him once the investigation was complete. However, once they disappeared with the money, Singh promptly informed the cybercrime police who managed to nab the culprits, according to media reports. But not all digital arrest victims are so fortunate. Incidentally, even young and middle-age earners are targets for these scamsters.

How Scamsters Identify Victims: Says Manish Tewari, co-founder of Spydra Technologies, a digital asset tokenisation platform, "Scamsters access sensitive details of their victims in the guise of organisations from sectors such as healthcare, government and finance, which are digitising sensitive information."

From January-April 2024, Indians lost ₹120.3 crore in digital arrest scams, as per data by Indian Cyber Crime Coordination Centre (I4C)

He says that weak IT security policies in smaller companies are also making data easily accessible to scammers. They use this data to identify vulnerable targets to prey on. They bypass traditional security issues like phishing and even zero-day exploits.

"The cross-border nature of these crimes, with many perpetrators operating from countries like Myanmar, Laos, and Cambodia, complicates efforts to track and prosecute them," says Salvi.

ADVISORIES GALORE

In an episode of *Mann Ki Baat* radio programme aired on October 27, 2024, Prime Minister Narendra Modi shed light on the rising cases of "digital arrests".

He shared an advisory on how to respond to such calls. He recommended that recipients of such calls take a three-step approach of, "*Ruko, Socho Aur Action Lo*" (Stop, Think and Take Action). The first step is to stop panicking, remaining calm, and not sharing any personal details or account number. The second step involves thinking and taking cognisance of the fact that legitimate agencies do not conduct investigation over calls. The third step involves taking action and reporting such incidents to the National Cyber Crime Helpline by dialling 1930 or informing family members, and recording evidence.

On December 10, 2024, the Ministry of Home Affairs (MHA said in a release that the Centre has undertaken various measures to curb instances of digital arrests. These include increasing awareness about digital arrest scams through newspaper advertisements, regular announcements in public places, such as Delhi Metro, and a special campaign, such as the one held at

the 'Raahgiri' Function organised in Connaught Place, New Delhi.

The Centre has also published a release alerting authorities against incidents of 'Blackmail' and 'Digital Arrest' by cyber criminals impersonating as State/Union Territory Police, Narcotics Control Bureau (NCB), CBI, Reserve Bank of India (RBI) and others.

Additionally, the I4C has proactively identified and blocked more than 1,700 Skype IDs and 59,000 WhatsApp accounts used for Digital Arrest scams.

The Centre and telecom service providers (TSPs) have also designed a system to identify and block incoming international spoofed calls displaying Indian mobile numbers which appear to be originating within India.

The ministry mentioned in the release that such international spoofed calls have been made by cybercriminals in recent cases of fake digital arrests, and impersonation as government and police officials, etc.

Directions have also been issued to the TSPs for blocking of such incoming international spoofed calls. Over 669,000 SIM cards and 132,000 international mobile equipment identity (IMEI) numbers have been blocked by the government, as on November 15, 2024.

Says Salvi, "To further combat these scams, the government may enhance international cooperation to address cross-border cybercrime, implement stricter regulations for digital platforms, and provide specialised training to law enforcement agencies to improve their ability to investigate and prosecute these cases."

Tewari of Spydra Technologies feels the government should make regular security audits mandatory and encourage adoption of global cybersecurity standards.

Things Not To Do Under Digital Arrest

- Don't panic; try to keep calm when faced with an allegation over call
- Don't dial any number when asked to do so by an unknown number
- Don't isolate yourself even if the caller tells you to do so
- Don't provide any personal information such as your name, location etc
- Don't provide any sensitive information such as your bank details
- Don't make any payments to the caller

WHAT SHOULD YOU DO?

Advisories and warnings abound, but the reality on the ground is that there are no specific legal definitions for criminalising digital arrest.

Says Roy: "Unfortunately, there is no specific legal definition for digital arrest in the prevalent acts or laws in the country. However, the legal framework under Bharatiya Nyaya Sanhita (BNS) and the IT Act facilitates law enforcement agencies to combat such scams."

So, it's best to take appropriate steps yourself. Says Guha: "Avoid providing any personal information or making payments. Scammers rely on panic and quick compliance, so taking a step back can prevent them from succeeding. In the meanwhile, one can verify calls by contacting official agencies directly or verify suspicious calls and credentials using official websites. It is advisable to not rely on regular search engines and unverified sites, as scammers often upload fake numbers online."

Also, note genuine investigations cannot end in payments. Any such demand should raise a red flag.

Salvi urges citizens to keep their bank accounts under check.

"It is crucial to act quickly, especially if money has been transferred, as contacting the bank within 15-20 minutes may help freeze the transaction. Preserve all evidence related to the scam, including call recordings, messages, and transaction details, as these will be vital for the investigation. Victims should also monitor their credit reports for any unauthorised activities and work with credit bureaus to dispute any errors resulting from fraud," he says.

While the government and the law agencies figure out newer methods to curb the menace of digital arrest, the reins ultimately remain in your hands to not fall into such a scam in the first place. ▶OM

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BUDGET & YOU: NEW REGIME BEATS OLD IN FY26

Lower tax slabs and nil tax on incomes up to ₹12 lakh has not only provided relief to middle-class families but also rendered the old tax regime irrelevant for most of them. The government also renewed its focus on senior citizens

Nidhi Sinha

On the morning of February 1, 2025, when Union Minister of Finance Nirmala Sitharaman posed before the gates of Parliament for the customary photographs, it was much less cold in Delhi than the same day last year. While Delhi welcomes early spring this year, the finance minister's (FM's) announcements also marked fresh beginnings for the middle class of India. It managed to make the new tax regime more attractive than the old tax regime for all income groups and provided relief to senior citizens and those stuck in stressed projects, among others.

Says Poorva Prakash, partner, Deloitte India, "At the heart of the Budget proposals, there is a significant easing of tax burden for the middle-class. The Budget proposes to revamp tax slabs and rates across the board, under the new tax regime, while no change has been proposed in the tax slabs and rates under the old tax regime."

Let's look at the main changes that matter to you.

Income Tax Relief

By now, all of you would know that there is no tax applicable on incomes up to ₹12 lakh, other than income such as capital gains on which a special rate is applicable. This will effectively mean a limit of ₹12.75 lakh, including the standard deduction of ₹75,000 for the salaried. The ₹12 lakh limit is up from ₹7 lakh, which was announced in 2023 for the new tax regime.

Says Parveen Kumar, partner – direct tax, Dewan P N Chopra & Co: "According to the earlier tax rate under the new regime, taxpayers having income up to ₹7 lakh were paying nil tax after taking a rebate of ₹25,000 under Section 87A of the Income-tax Act, 1961. Now that rebate has been increased, taxpayers having income up to ₹12 lakh (excluding special rate income) will pay nil tax, thus saving ₹80,000."

There will be no tax applicable on annual incomes up to ₹12 lakh, other than income, such as capital gains. This will effectively mean no tax up to ₹12.75 lakh for the salaried class

The other big relief were the changes in the tax slabs (see *Income Tax Slabs*, Page 72). They have not just been lowered, but directly benefit another chunk of people with an income between ₹15 lakh and ₹24 lakh. Earlier the highest slab rate of 30 per cent was applicable to anyone earning above ₹15 lakh; now this rate is applicable to people earning above ₹24 lakh, reducing the tax burden dramatically for people falling in the range, especially on the lower side.

Even for incomes above ₹24 lakh, it's better. A person earning ₹30 lakh will have to pay a tax of ₹4,75,800 in financial year 2025-26 (FY26) compared to ₹5,90,200 in financial year 2024-25 (FY25), a saving of ₹1,14,400, under the new regime. The tax payable under the old re-

Photo: Suresh Pandey

gime remains the same at ₹5,53,800, assuming you avail of deductions of ₹6 lakh per year (see details of the deductions in *Tax Comparison*). However, apart from common deductions, we have taken a house rent allowance (HRA) exemption of ₹1.25 lakh. Those paying much higher rents may come up with different outcomes.

Says Poorva Prakash, partner, Deloitte India, "Enhancement of rebate, resulting in nil taxation for income up till ₹12 lakh under the new tax regime will result in substantial reduction of taxes for the middle class. This will increase their spending power, resulting in enhanced household consumption, savings and investment."

Another relief for individual taxpayers has been the extension of the timeline for filing 'Updated' tax return. It has been proposed to increase it from 24 to 48 months post the relevant assessment year.

New Regime Beats Old

All the changes the FM announced were to do with the new tax regime and, as expected, the old tax regime did not find a mention at all.

In fact, calculations show that even with deduction of ₹6 lakh under various sections of the Income-tax Act, 1961, you will be better off in the new tax regime. This effectively renders the old tax regime irrelevant from FY26 for most.

That is not the case in the current FY25 under which we will be filing our income returns in the middle of this year. In our calculation, with the same amount of deduction of ₹6 lakh, you would have fared better under the old tax regime in FY25 if your income was ₹10 lakh and above. But largely, the middle class is set to benefit.

Calculations by *Outlook Money*'s Budget partner Deloitte India shows that there is an inflexion point at ₹8.50 lakh of deductions, where the tax payable under the old and new

Income Tax Slabs

New Tax Regime

For FY25

Slab Of Income (₹)	Rate
Up to 3,00,000	Nil
3,00,001 to 7,00,000	5%
7,00,001 to 10,00,000	10%
10,00,001 to 12,00,000	15%
12,00,001 to 15,00,000	20%
Above 15,00,000	30%

Nil tax if total income is ₹**7 lakh** or less

For FY26

Slab Of Income (₹)	Rate
Up to 4,00,000	Nil
4,00,001 to 8,00,000	5%
8,00,001 to 12,00,000	10%
12,00,001 to 16,00,000	15%
16,00,001 to 20,00,000	20%
20,00,001 to 24,00,000	25%
Above 24,00,000	30%

Surcharge (As % Of Basic Income Tax)

Slab Of Income (₹)	Rate
50 lakh to 1 crore	10%
1 crore to 2 crore	15%
Above 2 crore	25%

Nil tax if total income is ₹**12 lakh** or less

Old Tax Regime

Individuals Under 60 Years

Slab Of Income (₹)	Rate
Up to 2,50,000	Nil
2,50,001 to 3,00,000	5%
3,00,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Nil tax if total income is ₹**5 lakh** or less

Senior Citizens (60-79 Years)

Slab Of Income (₹)	Rate
Up to 2,50,000	Nil
2,50,001 to 3,00,000	Nil
3,00,001 to 5,00,000	5%
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Surcharge (For All) (As % Of Basic Income Tax)

Slab Of Income (₹)	Rate
50 lakh to 1 crore	10%
1 crore to 2 crore	15%
2 crore to 5 crore	25%
Above 5 crore	37%

Super Senior Citizens (80 Years And Above)

Slab Of Income (₹)	Rate
Up to 2,50,000	Nil
2,50,001 to 3,00,000	Nil
3,00,001 to 5,00,000	Nil
5,00,001 to 10,00,000	20%
Above 10,00,000	30%

Source for all tables: Deloitte India

Tax Comparison

Income*	Old Tax Regime		New Tax Regime		Old Vs Old	
	Less: Deductions^	Total income	Less: Deductions^^	Total income	Tax payable under old regime in FY25	Tax payable under old regime in FY26
5,00,000	-	5,00,000	(75,000)	4,25,000	-	-
10,00,000	(6,00,000)	4,00,000	(75,000)	9,25,000	-	-
20,00,000	(6,00,000)	14,00,000	(75,000)	19,25,000	2,41,800	2,41,800
30,00,000	(6,00,000)	24,00,000	(75,000)	29,25,000	5,53,800	5,53,800
40,00,000	(6,00,000)	34,00,000	(75,000)	39,25,000	8,65,800	8,65,800
50,00,000	(6,00,000)	44,00,000	(75,000)	49,25,000	11,77,800	11,77,800
60,00,000	(6,00,000)	54,00,000	(75,000)	59,25,000	16,38,780	16,38,780
70,00,000	(6,00,000)	64,00,000	(75,000)	69,25,000	19,81,980	19,81,980
80,00,000	(6,00,000)	74,00,000	(75,000)	79,25,000	23,25,180	23,25,180
90,00,000	(6,00,000)	84,00,000	(75,000)	89,25,000	26,68,380	26,68,380
1,00,00,000	(6,00,000)	94,00,000	(75,000)	99,25,000	30,11,580	30,11,580

tax regimes will be equal, but how many common people will be able to avail that much in deductions and exemptions or have that many opportunities are big questions. Only HNIs paying a rent above ₹3.75 lakh and eligible for that much HRA exemption will gain. For Deloitte's column on the details of this inflexion point, see Page 98.

Deduction List

New Tax Regime (For FY25 And FY26)

- Standard Deduction of ₹75,000 under Section 16
- NPS Contribution By Employer of 14% (Basic + DA) under Section 80CCD(2)

Old Tax Regime (For FY26)

- Deduction Under Section 80CCD (1B) to also include contribution towards NPS Vatsalya account as per Finance Bill 2025

Focus On Senior Citizens

The government has been focusing on senior citizens and retirement savings for some time now. In the last budget, the government announced the NPS Vatsalya scheme, which can be opened in children's names for their retirement savings.

This year, it has taken a step ahead and made NPS Vatsalya deductible under Section 80CCD (IB).

It has also expanded the tax deduction at source (TDS) benefit for seniors. "The limit for TDS on interest for senior citizens is being doubled from ₹50,000 to ₹1 lakh," the Budget document mentioned.

This means that the banks will not deduct TDS from interest earned up to ₹1 lakh from deposits. A large number of senior citizens still prefer to keep their retirement corpus in their savings account.

Says Prakash, "This is a welcome move, particularly for senior citizens having nil tax liability, as enhanced threshold will ease their compliance burden, potentially saving them from the requirement of furnishing Form 15H to the banks/financial institutions or claiming refund of the TDS in their income tax returns."

Another common cash flow source for seniors, rental income, has also got relief from TDS. "The annual limit of ₹2.40 lakh for TDS on rent is being increased to ₹6 lakh. This will reduce the number of transactions liable to TDS, thus benefitting small taxpayers receiving small payments," announced the FM.

Withdrawals from very old accounts of National Savings Scheme (NSS), mostly held by senior and very senior citizens, have been made tax-exempt. "As interest is no longer payable on such accounts, I propose to exempt withdrawals made from NSS by individuals on or after the 29th of August, 2024," the FM an-

All figures in ₹

	New Vs New			New Vs Old	
(Loss)/ Gain	Tax payable under new regime in FY25	Tax payable under new regime in FY26	(Loss)/ Gain	(Loss)/Gain in FY25	(Loss)/ Gain in FY26
-	-	-	-	-	-
-	44,200	-	44,200	(44,200)	-
-	2,78,200	1,92,400	85,800	(36,400)	49,400
-	5,90,200	4,75,800	1,14,400	(36,400)	78,000
-	9,02,200	7,87,800	1,14,400	(36,400)	78,000
-	12,14,200	10,99,800	1,14,400	(36,400)	78,000
-	16,78,820	15,52,980	1,25,840	(40,040)	85,800
-	20,22,020	18,96,180	1,25,840	(40,040)	85,800
-	23,65,220	22,39,380	1,25,840	(40,040)	85,800
-	27,08,420	25,82,580	1,25,840	(40,040)	85,800
-	30,51,620	29,25,780	1,25,840	(40,040)	85,800

*Income implies gross income before standard deduction from salary, HRA exemption, Chapter VI-A deductions, and set-off of loss from house property;

^Deductions under old tax regime: ₹1.5 lakh under Section 80C (life insurance, PPF, tuition fees etc.), ₹50,000 under Section 80CCD(1B) (employee's contribution to NPS), ₹25,000 under Section 80D (health insurance premium); Loss on account of housing loan interest, payable for a house property, which could not be occupied because of employment of the individual in another city, where he is staying in a rented accommodation of ₹2 lakh under Section 24(b); Standard deduction on salary of ₹50,000; House Rent Allowance exemption of ₹1.25 lakh

" ^^Deductions under new tax regime: Standard deduction on salary of ₹75,000.

We have assumed the the individual is a tax resident of India. This table is only for illustration purposes.

Source: Deloitte India

Exemption List

New Exemptions For FY26

- For New Regime: 10(12BA) - Partial withdrawal payment from NPS to parent or guardian of a minor, up to 25% of the amount of contributions.
- For Old Regime: 10(12BA) - Partial withdrawal payment from NPS to parent or guardian of a minor, up to 25% of the amount of contributions.

For New Tax Regime (FY25 & FY26)

- 10(10) for Gratuity
- 10(10AA) for Leave encashment
- 10(10D) for Life insurance maturity proceeds
- 10(11A) for proceeds from Sukanya Samriddhi Yojana
- 10(12) for accumulated balance due and becoming payable from a Recognised Provident Fund
- 10(14)(i) r.w. Rule 2BB(1) for Special allowance/benefit granted to meet expenses incurred in performance of duties such as travel expense on tour/transfer, daily allowance on tour, conveyance allowance for peformance of duties

nounced in her Budget Speech.

Even the move to have no tax for incomes up to ₹12 lakh will benefit many senior citizens who manage with lower cash flow.

Says Anuj Kesarwani, a certified financial planner, chartered trust and estate planner, and founder of Zenith Finserve, "The changes in Budget have brought some much-needed relief to senior citizens. This addresses the safety and post-tax returns concerns from investments. With the proposal of no tax up to an annual income of ₹12 lakh, a senior citizen can invest in government schemes like Senior Citizen Savings Scheme, Post Office Monthly Income Scheme, and bank deposits."

Other Focus Areas

Homeowners: There is relief for those stuck in stressed projects under the affordable scheme, and for owners of two self-occupied or vacant properties.

In November 2019, the government had announced a stress fund called SWAMIH to complete housing

Capital Gains Taxation Unchanged

INSTRUMENTS	FY 2025-26		FY 2025-26	
	STCG		LTCG	
	Holding Period	Tax Rate (%)	Holding Period	Tax Rate (%)
Listed				
Stocks	< or =12 months	20	>12 months	12.5
Equity-Oriented MFs	< or =12 months	20	>12 months	12.5
Debt MFs (acquired after 1 April 2023)	N/A	Slab rate[1]	N/A	Slab rate[1]
Bonds (other than Sovereign Gold Bond)	< or =12 months	Slab rate	>12 months	12.5
Unlisted				
Real Estate (land and/ or building) acquired before July 23, 2024	< or =24 months	Slab rate	>24 months	Lower of two options#
Real Estate (land and/ or building) acquired on or after July 23, 2024	< or =24 months	Slab rate	>24 months	12.5
Gold/Silver (Commodity)	< or =24 months	Slab rate	>24 months	12.5
Cryptos	N/A	Slab Rate	N/A	Slab rate
Stocks	< or =24 months	Slab rate	>24 months	12.5
Bonds (other than Sovereign Gold Bond)	N/A	Slab rate[2]	N/A	Slab rate[2]

#(i) 20% on capital gains with indexation, or (ii) 12.5% on capital gains without indexation;
[1]MFs will qualify as Specified Mutual Fund as per definition under Section 50AA of the Act;
[2]Unlisted bonds are covered under Section 50AA on or after July 23, 2024.
Assumptions: STT is paid on transfer, wherever required, for availing beneficial rate under the Income-tax Act, 1961; Transfer takes place on or after July 23, 2024 in all cases.

projects that are stuck across the nation. "Under the special window for affordable and mid-income housing (SWAMIH)... 40,000 units will be completed in 2025, further helping middle-class families who were paying equated monthly instalments (EMIs) on loans taken for apartments, while also paying rent for their current dwellings," the FM said.

The government also announced a fund of ₹15,000 crore for expeditious completion of another 100,000 units.

There will be no tax liability on owners of two self-occupied houses. Earlier, this was allowed only on one self-occupied house.

But this could pose larger risks. B. Jagannath Rao, general secretary, Credai, an industry body, says: "Although this change aims to stimulate the 'second home' market, it risks exacerbating existing inequalities. Wealthier individuals with the means to purchase multiple properties may benefit disproportionately, potentially leading to speculative buying and driving up property prices. Additionally, this could divert investment away from affordable housing initiatives in tier-II and tier-III cities."

At the same time, the Budget acknowledges diverse housing needs of families and encourages real estate investment. "The move aligns with the broader focus on financial empowerment and ease of living, strengthening the middle class," Rao adds.

Remittance And Education Loans: This Budget has also raised the threshold of foreign remittance under the liberalised remittance scheme (LRS) from ₹7 lakh to ₹10 lakh. This move will bring relief to those who make smaller foreign exchange remittances mainly as expenses for education, travel, medical expenses, and investments.

More importantly, the tax collected at source (TCS) on foreign education loans has been removed when it is from specific financial institutions. This will provide relief to children studying abroad.

"The TDS provisions currently rationalised do provide some easing out on the compliance and administrative burden," says Rohit Garg, partner, Shardul Amarchand Mangaldas and Co.

With the tax burden reduced, people will now have more money in their hands, which is likely to boost consumption and investments, which in turn will benefit the economy. It's a thumbs up from the middle class. ▸OM

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With inputs from Anuradha Mishra, Meghna Maiti, Shivangini Gupta and Versha Jain

Boost To Consumption, But Don't Buy Blindly

With the budget putting more money into the hands of people to boost consumption and increasing foreign direct investment in insurance, certain consumer-oriented sectors, such as FMCG, auto, as well as manufacturing are expected to do well, but think before investing

By Kundan Kishore

The most anticipated event in recent months is now behind us. The stock market has been under pressure due to higher valuations and lower earnings, and economic growth for quite some time now. After the US Presidential election, all eyes were on the Budget announcement; and now that it's out, the reaction has been mixed.

The major indices, Nifty and Sensex closed flat. However, some consumer-oriented, sector indices cheered the Budget announcement.

HEALTHY MACRO INDICATOR

On the key macroeconomic front, the government has outperformed its own estimates. The fiscal deficit for the financial year (FY) 2025 is 4.8 per cent, against the estimated 4.9 per cent. For the coming year, the government has projected it to be around 4.4 per cent.

On the other hand, Union Minister of Finance, Nirmala Sitharaman, announced in her Budget Speech that

taxpayers earning income up to ₹12 lakh will not have to pay any income tax. These twin announcements bodes well for the overall economy.

Says Vishal Kapoor, CEO, Bandhan Mutual Fund: “While maintaining the glide path towards fiscal consolidation, the reduction in income tax puts more disposable income in the hands of taxpayers, stimulating domestic household consumption and ensuring more savings are channeled to productive financial assets that facilitate wealth building, thus helping more savers become investors.”

Other experts also share the same view. “It was critical in today’s global environment that the path for fiscal consolidation be maintained, and that has been delivered. The fiscal deficit is slated to come down to 4.4 per cent of the gross domestic product (GDP), and this reduction is based on credible assumptions regarding expenditure and revenue,” says Ashish Gupta, chief investment officer (CIO), Axis Mutual Fund.

He says that the finance minister has been responsible in addressing two key areas that have been dragging growth. On the consumption side, the tax rate cuts on income will turn the tide.

We give a lowdown of how the key sectors will get the affected by the Budget announcements.

WHO GOT A BOOST?

Insurance: One of the key highlight of this year’s Budget announcement was the government’s move to increase the foreign direct investment (FDI) limit in insurance to 100 per cent from the existing 74 per cent.

This opens the door for foreign players to enter the low-penetrated Indian insurance market. This will, in turn, boost the insurance sector.

Says Sanjay Agarwal, senior director, CareEdge Ratings, a ratings agency: “In pursuit of insurance for all, the enhanced FDI limit in insurance to 100 per cent from 74 per cent would provide necessary growth capital for the industry. It would also encourage more global players to look towards the country. Long-term funding remains a key requirement for the capex, which the insurance sector addresses.”

The major beneficiary of the tax rate cut would be consumer-oriented sectors such as fast-moving consumer goods (FMCG), auto, and real estate, which could see decent interest

This is the third-time when the government liberalised FDI in insurance. The first was in 2015 when the FDI limit was limited to 49 per cent, and the second time in 2021, when it was raised to 74 per cent. So, far the sector has received ₹54,000 crore in FDI.

Incidentally, all the listed insurers closed in the red. The reason is that 100 per cent FDI will pave the way for more foreign insurers to explore the domestic market given India’s huge population and low insurance penetration. This will lead to intense competition among existing players and could dent their business.

On the flip side, with the reduction in tax rate, less number of people will prefer to opt for the old tax regime which allows tax rebate under Section 80C of the Income-tax Act, 1961 for insurance premium and other tax-saving instruments.

Consumption: The major beneficiary of the tax rate cut would be consumer-oriented sectors such as fast-moving consumer goods (FMCG), auto, and real estate. These sectors saw decent buying interest, in response to the relief measures announced in the Budget.

More money in the hands of people bodes well for the FMCG sector which was reeling from lower demand. The auto sector will benefit from the tax rate cut. Higher import duties imposed to promote domestic auto part production bodes well for domestic manufacturers and ancilliaries.

Being consumption-driven, the food and beverages sector is sector is likely to benefit from an increase in people’s savings capacity and consumption habits.

Banking And Financial Services: This is another sector that stands to benefit from the Budget. The Budget increased the tax deduction at source (TDS) limit for senior citizens from ₹50,000 to ₹1 lakh to help deposit mobilisation and support banks’ credit to deposit (C/D) ratio. Senior citizens hold over 38 per cent share of the individual deposits as of March 2024.

OTHER SECTORS

Infrastructure: The response has been neutral, as the Budget made no substantial increase in allocation. However, to promote investment, the Budget extended the date of making investment in Sovereign Wealth Funds and Pension Funds by five more years, to March 31, 2030.

Defence: The allocation decreased from ₹6.22 lakh crore in 2024-25 to ₹4.91 lakh crore in 2025-26.

WHAT SHOULD YOU DO?

Don’t rush to invest blindly. The budget may give boost to some sectors, but you should be careful while choosing stocks. Not all stocks within a sector will help you get rich, but few selected ones might. So, do your due diligence on the company fundamentals and management before making your investment. ▶OM

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By **POORVA PRAKASH**
Partner, Deloitte India

Old-New Break-Even Point Is High

The break-even point for deductions to choose between the old and new tax regimes has increased to ₹8.50 lakh for income of ₹24.75 lakh and above. Normally, deductions and exemptions commonly claimed by salaried individuals do not exceed ₹8.50 lakh

Union Budget 2025 has proposed key reforms in the personal tax landscape, which will provide significant relief to taxpayers. Through a series of strategic reforms, Finance Minister Nirmala Sitharaman has sought to harness the potential of India's rising middle class by enhancing their spending power, while simplifying the tax framework at the same time.

The finance minister revamped tax slabs and rates across the board, under the new tax regime, making it more appealing. Key proposals in this regard are increase in the basic exemption limit from ₹3 lakh to ₹4 lakh and nil tax for resident individuals up to taxable income (excluding certain special incomes) of ₹12 lakh (up from ₹7 lakh). The other two major ones were the fact that 30 per cent tax will now apply on income over ₹24 lakh (up from ₹15 lakh) and tax savings up to a maximum of ₹1.1 lakh (excluding the impact of surcharge and cess).

According to the revamped slab rates under the new tax regime, for a salaried taxpayer, with income of ₹24.75 lakh and above (before standard deduction), the break-even point for income tax deductions to choose between the old tax regime and new tax regime has increased from ₹4,83,333 to ₹8.50 lakh.

Thus, in case aggregate deductions/exemption eligible under old tax regime are higher than ₹8.50 lakh (including standard deduction), then the old tax regime may be more beneficial.

Normally, the aggregate of deductions/exemptions commonly claimed by salaried individuals do not exceed ₹8.50 lakh. Thus, the new tax regime may be more beneficial.

However, there would still be some cases, where aggregate amount of eligible deduction exceeds such break-even point of ₹8.50 lakh. This may include individuals paying high rent amounts, who are eligible for a substantial house rent allowance (HRA) exemption, coupled with other deductions available under the old tax regime.

> **Some may exceed the break-even point of ₹8.5 lakh. They may include individuals eligible for a substantial HRA exemption, coupled with other deductions under the old regime**

These include ₹1.5 lakh under Section 80C (life insurance, Public Provident Fund (PPF), tuition fees etc.), ₹50,000 under Section 80CCD(1B) (employee's contribution to the National Pension System or NPS), ₹25,000 under Section 80D (health insurance premium), loss on account of housing loan interest, payable for a house property, which could not be occupied because of employment in another city, where he is staying in a rented accommodation of ₹2 lakh under Section 24(b), standard deduction on salary of 50,000, and HRA exemption of ₹1.25 lakh etc.

Overall, the tax proposals presented in the Budget will reduce taxes and provide greater spending power to the majority of taxpayers. This will boost household consumption, savings and investment. ▶OM

By **RAJAN RAJU,** Director, Invespar Pte Ltd

The 'Gap' In Long-Term Returns

There is a significant gap in the nominal and inflation-adjusted returns across asset classes. So, reading long-term trends is important before making investing decisions

History often repeats itself. Those who forget history are doomed to repeat it.' These maxims hold equally true for investing, which is not solely about making quick decisions, but about understanding how various types of investments perform over time.

A study of mine on asset returns in India's financial markets, titled, *Long-Term Asset Returns in India: A Historical Survey (1992-2024)*, published on the *Social Science Research Network*, bit.ly/3PSBArw, throws up some interesting insights on major assets, such as equities, gold, fixed deposits (FDs), bonds, and real estate. The study consolidates data from different sources, enabling readers to explore trends and appreciate the risks and rewards of each asset, and make informed choices.

Findings

Each asset class tells a unique story over the past three decades.

Equities—Long-Term Winner, But Not Without Risk: Equities have historically provided the highest returns over the long term, averaging 16.7 per cent annually in nominal terms. But adjusted for inflation, they decrease to 9.5 per cent.

Equities also face significant drawdowns when their value declines sharply from a previous peak.

Over a rolling five-year horizon, equities have experienced real drawdowns in a quarter of all rolling five-year periods. But over rolling 10-year periods, they have recorded negative returns in one in 10 periods. This highlights the importance of remaining invested through lengthy periods to realise equities' long-term growth.

Gold—A Reliable Safe Haven: Gold's average annual returns of 10.2 per cent (nominal) and 3.2 per cent (real) highlight its role as a hedge against uncertainty. However, gold has also faced real drawdowns over a third of all rolling five-year periods and over a fifth of all rolling 10-year periods, a reminder that even safe-haven assets are not immune to losses over long periods.

Equities have returned negative returns in one in 10-year rolling periods. This highlights the importance of long-term investing

FDs And Bonds—Stability With Drawbacks: FDs and bonds are widespread among investor portfolios because of the stability they offer in value, averaging nominal returns of 7.7 per cent and 7.6 per cent, respectively. Although they preserve capital in nominal terms, their purchasing power significantly diminishes during periods of high inflation, giving real annualised returns of just 1.4 per cent and 1.1 per cent over the study's period. Moreover, they experience inflation-adjusted drawdowns in a quarter and a third of all rolling 10-year periods.

While nominally stable, long-term portfolios that prioritise inflation-adjusted returns, such as retirement portfolios, must deliberate in their allocation to these asset classes.

Real Estate—A Mixed Bag: Real estate is often viewed as a stable investment, yet inflation-adjusted data reveals a different narrative.

Its nominal returns averaged 9.3 per cent, while the real returns were 2.9 per cent, according to data from the Reserve Bank of India's (RBI's) Housing Price Index. Real estate generated negative inflation-adjusted returns over a third of the time across all rolling five-year periods.

Nominal And Real Returns Of Major Asset Classes (1992-2024)

		Nominal Returns			Inflation-Adjusted Returns		
Asset Class	Period	Arithmetic Mean (%)	Standard Deviation	Compounded Return (Geometric Mean) (%)	Arithmetic Mean (%)	Standard Deviation	Compound-ed Return (Geometric Mean) (%)
Equity	Dec 1992-Aug 2024	16.68	29.60	12.98	9.47	28.29	5.84
Gold	Dec 1992-Aug 2024	10.15	14.31	9.25	3.19	13.37	2.35
FD	Sep 1998-Aug 2024	7.67	1.49	7.66	1.45	2.66	1.41
Bonds	Sep 2001-Aug 2024	7.59	4.73	7.49	1.11	5.18	0.98
Realty*	Jun 2010-Jun 2024	9.29	7.39	9.06	2.86	5.94	2.69
Inflation	Dec 1992-Aug 2024	6.78	3.08	6.73	-	-	-

*Data from Housing Price Index

Source: Long-Term Asset Returns in India: A Historical Survey (1992-2024)

Key Takeaways

Inflation Is The Silent Wealth Killer: Inflation erodes the value of money over time. It also has a significant role in India, where the mean annual inflation rate was 6.8 per cent between December 1992 and August 2024. Though FDs seem safe, but their real returns are often close to nil or negative during inflationary periods. Even equities experience inflationary pressure, diminishing their purchasing power.

Retirement portfolios, which are conservative and consequently heavily allocated to FDs and bonds, are particularly vulnerable to inflation.

Drawdowns Show The Risks: A key finding of the study was the potential for extended real drawdowns across all asset classes.

For instance, equities had a 164-month inflation-adjusted drawdown between 2007 and 2021, with a maximum drawdown of 64 per cent. Gold was down for 177 months in real terms between 1993 and 2008, with a 49 per cent maximum drawdown. Bonds had a lower maximum drawdown of 25 per cent, but experienced an even longer 180 months of real drawdowns between 2004 and 2019. These numbers are a stark reminder that there is no place to hide when inflation averages over 6.5 per cent and markets are volatile.

Retirement portfolios, which are conservative and heavily allocated to FDs and bonds are particularly vulnerable to inflation

Long-Term Thinking Mitigates Short-Term Pain: While drawdowns are inevitable, the data shows that staying invested over longer periods significantly improves outcomes. For instance, equities recover and deliver strong real returns over 10- or 15-year horizons.

Compounding Is Not On Arithmetic Average Returns: Compounding is indeed the eighth wonder of the world, and several popular finfluencers take arithmetic averages and use them for compounding. Data from the study shows that just as inflation is a silent drag on returns, volatility is another silent drag on compounded returns.

For instance, equity had nominal mean returns of 16.7 per cent, accompanied by a standard deviation—a measure of volatility of returns—of 29.6. It delivered a compounded return of 13 per cent, which is 3.6 per cent or almost 22 per cent lower than the arithmetic average. Similarly, in inflation-adjusted terms, compounded returns were only 5.8 per cent, or 39 per cent below the arithmetic average of 9.5 per cent. So, one should reduce the arithmetic mean by half the square of the standard deviation to get a better estimate of compounded returns.

An important takeaway is this: if volatility is high, compounded returns will be significantly lower than arithmetic mean returns. This phenomenon is known as volatility drag, and Indian assets tend to exhibit higher volatility than similar assets in developed markets. Investors should pay close attention to volatility when they follow the old adage, "time in the market beats timing the market".

Conclusion

This analysis of India's asset markets shows the importance of understanding long-term trends rather than basing investment decisions on recent three- or five-year histories.

Unlike developed markets, India does not have a century's worth of robust financial data. As the Indian economy evolves, studying these trends will provide more insights into building resilient financial plans. ▸OM

Consistent Returns In Hybrid Space

Kundan Kishore

The Indian equity market is going through rough waters, leaving investors uncertain about whether to choose equity or fixed-income investments. Experts, meanwhile, predict higher volatility and recommend a safer approach.

In this scenario, hybrid funds take centrestage, as they allow investors to benefit from both equity and debt exposure. If you want to ride market volatility, Kotak Equity Hybrid Fund can be a good option. It is one of the oldest schemes in the hybrid equity category with two-and-a-half decade of track record, and has successfully sailed through various market cycles.

Porfolio

The fund follows an aggressive allocation strategy of 75:25 in equity and debt. However, the fund manger ensures adequate diversification across market capitalisation and stocks. As of December 2024, it had 41.81 per cent exposure in large-cap stocks, while mid-cap and small-cap stocks accounted for 34 per cent and 11 per cent, respectively. The fund manager prefers to book profits when he believes a particular sector is overvalued, and other sectors provide better opportunities.

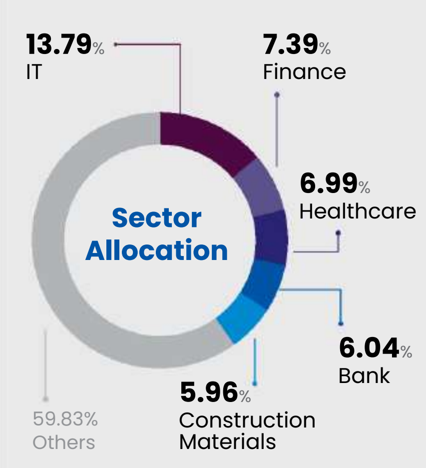
In the past six months, the fund manager has aggressively booked profits from domestic cyclicals, such as capital goods and auto, while increasing exposure to sectors such as technology, chemicals, pharmaceuticals, and healthcare. This rebalancing has worked well in its favour, helping to protect against the downside, while capturing the upside in technology and healthcare sectors.

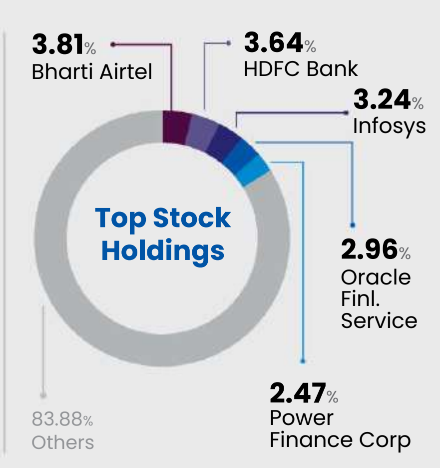
In terms of debt, the fund manager prefers to stick to high-quality instruments, with the majority deployed in government securities and other high-rated papers.

Fund Details

NAV	Kotak Equity Hybrid-Direct
Category	Hybrid-Equity
NAV	₹41.82
Fund Manager	Atul Bhole, Abhishek Bisen

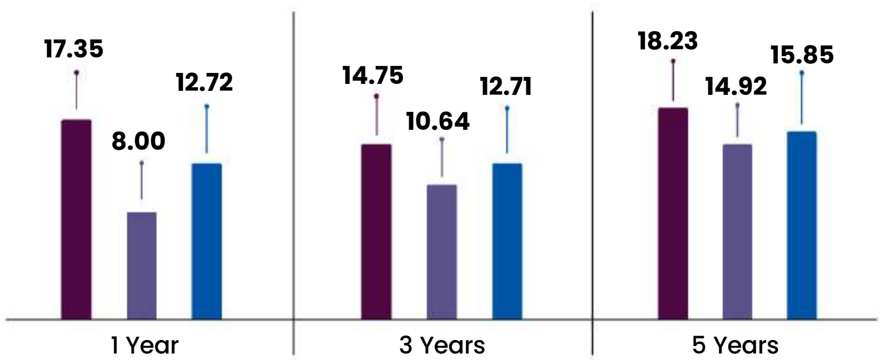
Launch Date	January 1, 2013
Min Investment	₹100
Expense Ratio	0.46
Exit Load	Nil after 1 Year
AUM	₹6,913.47 crore





Performance

Figures in %



Return as on Jan 21, 2025

Source: Fund Factsheet/Accord Fintech

Performance

The fund has been a consistent performer in the equity-oriented hybrid space. With a return of 17.51 per cent, it has secured the 2nd position in the category on a one-year basis. In the long run, it has rewarded investors handsomely. Over the last seven and 10 years, the fund has delivered returns of 13.99 per cent and 13.55 per cent, respectively.

OLM Take

Given its superior track record, the fund could be a decent choice for investors in the hybrid category. ▶OM

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Here's How To Update Details In Aadhaar

Versha Jain

As most of us know, Aadhaar is a unique 12-digit identification number issued to the Indian citizens. It is often used as proof of identity as part of know your customer (KYC) for various purposes.

The Unique Identification Authority of India (UIDAI) has been urging citizens to update their address details for some time, though it is not mandatory. Recently, it extended the deadline for free of cost Aadhaar updation to June 14, 2025, from the previous deadline of December 14, 2024. After this date, updation will incur a fee.

Therefore, it is crucial to update any changes in Aadhaar details, if there are any, to ensure accurate records and avoid discrepancies in transactions and possibilities of misuse.

Steps To Update Aadhaar Details Online

1. Go to the official UIDAI site. Log in with your Aadhaar number and OTP sent to the registered mobile number
2. Click on the 'Document update' option, and verify the details
3. Select the relevant option for the detail that needs to be changed from the drop-down menu
4. Upload copies of the relevant documents in the prescribed format. Click 'Submit'
5. Save or note down the update request number (URN) for future reference
6. The update is, typically, processed within 30 days

When Should You Update Aadhaar Details?

- If 10 years have elapsed after the issue of Aadhaar
- Change in name after marriage or otherwise
- Change in address
- Incorrect information printed on Aadhaar
- Details printed in a language other than the preferred language of the Aadhaar holder
- Biometric details update in the case of children when they turn five years old, and again after 10 years when they are 15 years old
- Any other circumstance leading to biometric update, such as accident and disability

Charges For Updation

- The updation charge can range from ₹50 to ₹100
- The charge is ₹50 for updating demographic information, such as name, gender, date of birth, email address, mobile number, or a combination of these
- It is ₹100 for biometric updation for a person aged 17 years and above

Steps To Update Aadhaar Details Offline

1. Visit a nearby Aadhaar Enrolment Centre and submit the relevant documents for the changes you want to make
2. The documents are verified during the submission process. An acknowledgment receipt will be issued after your request
3. The updates are generally completed within 30 days of the submission. You can track the application online using URN

Recalibrate And Plan Your Retirement For A Meaningful Life

Retirement isn't just a finish line after work; it's about discovering what you want to live for and ensuring you have the finances to make it happen.

BY RAHUL AGARWAL, CFPCM, RLP® Founder, Advent Financial

Traditional retirement planning focuses mostly on financial aspects like estimating the required corpus, selecting the "best" investment strategy, and so on. However, this is a limiting approach since it overlooks emotional and psychological aspects closely entwined with "retirement."

I am not suggesting financial security during retirement is unimportant. In fact, it forms the foundation of a holistic retirement plan. However, the conversation should start within the ambit of the overall life plan because retirement is just another life phase. What distinguishes it are the emotional and psychological aspects, which must be recognised and addressed.

For instance, transitioning from a career-driven life to retirement can be unnerving, especially for those who closely associate identity and self-worth with professional achievements. The sudden loss of this identity can leave a lasting void as individuals navigate life without the proverbial "ladder to climb."

Then there's the psychological aspect. From the security of paychecks, one transitions to depending on cashflows from rent, pension, interest, or withdrawals. While mathematically it may seem like the status quo, concerns about having enough money until the end of life often linger beneath the surface.

When asked what they would do if they had enough time and money, two common client responses are: a) quit their job to follow their passion, and b) travel the world.

Post-COVID, there's been a behavioural and attitudinal shift, emphasising 'Self-Identity,' 'Self-Care,' and 'Self-Worth' alongside fulfilling family roles (Source: PGIM Retirement Readiness Survey 2023). Concepts like YOLO (You Only Live Once) and FIRE (Financial Independence, Retire Early) are redefining retirement—from a phase of leisure to one of living a rich, fulfilling life.

> "THE TRANSITION FROM A CAREER-DRIVEN LIFE TO RETIREMENT CAN BE UNNERVING. THERE IS THE WHOLE PSYCHOLOGICAL ASPECT ONE HAS TO CONSIDER."

Planning for the retirement transition must be done in advance, addressing both financial and psychological aspects. Financial planners can facilitate meaningful conversations to help clients introspect, articulate passions, interests, values, and aspirations, and evaluate the financial feasibility of pursuing them. Once individuals know the trade-offs and have clarity about their finances, they feel empowered to live their unique vision of a purposeful life.

Here's how you can recalibrate your retirement plan to align with your life plan:

Start with Self-Reflection:
Explore your values, passions, and aspirations beyond your career. Redefine success outside the professional domain.

Prioritize Purpose:
Define fulfilment—whether giving back to society, rediscovering hobbies, or strengthening connections.

Embrace Growth:
View retirement as a chance to learn, explore, and grow.

Balance Financial and Psychological Needs:
Secure finances while preparing emotionally and psychologically.

Plan Early for the Transition:
Engage in conversations about goals and identity well before retirement to avoid disorientation.

A retirement plan is a life plan—or as I like to call it, a plan to "live anew." Retirement isn't an abrupt halt but a pit stop to renew, recharge, and start a new chapter filled with possibilities. Remember, regrets often stem from missed opportunities and unfulfilled dreams. Let retirement be a celebration of life's possibilities—a renewal with purpose and meaning—so you can live fully, without regrets.

Multi-Asset Investing: A Smart Guide To Wealth Creation

Multi-asset investing offers a smart way to spread your investment across different asset classes. For growth markets like India, multi-asset portfolios offer the right mix of equity, debt, gold and silver, providing growth, stability and hedge against inflation

LN. CH. MOHAN VAMSI KRISHNA
MCA, CFGP, AFP, LUTCF (BI), MDRT Member
(AMFI Registered Mutual Fund Distributor)

India's stock market has been a beacon of resilience. With the Sensex posting annual gains of over 8% in 2024, it marked a remarkable ninth consecutive year of positive returns. This momentum, however, comes with its share of hiccups. In the past month alone (as of January 10), the Sensex has corrected by 5%, a sharp reminder of the market's inherent unpredictability.

For investors, such volatility can be unsettling. But there's a way to manage these swings without losing sleep: multi-asset investing. By spreading investments across different asset classes, it creates a portfolio that is less vulnerable to market upheavals and better equipped to deliver consistent returns.

What is multi-asset investing

At its heart, multi-asset investing is about striking a balance. Instead of putting all your money in one type of investment, you spread it across various asset classes like equities, bonds, gold ETF, silver ETF, exchange-traded commodity derivatives (ETCDs), REITS and INVITS.

For growth markets like India, multi-asset portfolios often lean on a mix of equity for growth, debt for stability, and gold or silver ETFs as a hedge against inflation. This strategy works because each asset behaves differently during economic cycles. When one stumbles, another often steps up.

Power of diversification

Think of multi-asset investing as building a cricket team. You wouldn't fill the line-up with just batsmen or bowlers. Instead, you'd ensure a mix of players who can handle different challenges—be it aggressive opponents or tricky pitches.

> THINK OF MULTI-ASSET INVESTING AS BUILDING A CRICKET TEAM. YOU WOULDN'T FILL THE LINE-UP WITH JUST BATSMEN OR BOWLERS. INSTEAD, YOU'D ENSURE A MIX OF PLAYERS WHO CAN HANDLE DIFFERENT CHALLENGES—BE IT AGGRESSIVE OPPONENTS OR TRICKY PITCHES.

Similarly, a multi-asset portfolio ensures you're not overly reliant on the performance of a single asset class. Equities might soar during a booming economy but falter during downturns. In contrast, gold often shines when markets are turbulent. Debt instruments provide a steady stream of income regardless of market conditions.

This diversification isn't just a safety net; it's a strategy to achieve smoother, more consistent returns. Over the years, multi-asset investing has shown their mettle by delivering stable performance, even during economic uncertainty. Equities boosted the portfolios in years like 2014, 2017, 2019, 2020, 2021, 2023 but when stocks tank like in 2011 and 2015, debt/fixed income and gold help steady the ship.

How it works

Multi-asset investing isn't about throwing investments together at random. It's a deliberate, well-thought-out process. With careful bets on different asset classes, your portfolio is always present in the right asset class at the right time.

Investment managers typically use two approaches. The first is strategic allocation, where assets are distributed in fixed proportions aligned with long-term goals. The second, tactical allocation, is more dynamic. Here, managers adjust the portfolio to take advantage of short-term market trends.

For instance, if equities are undervalued during a market correction, the portfolio may tilt towards stocks. Conversely, during inflationary periods, gold or debt may take centre stage. The key is to align this strategy with an investor's risk tolerance and goals.

India's economy is a dynamic mix of opportunity and uncertainty. With rapid growth, inflationary pressures, and global linkages, the financial landscape is constantly evolving. Multi-asset investing helps Indian investors navigate this challenge.

For retail investors, multi-asset mutual funds are a boon. They simplify the process, remove tax complexities, and smartly utilise professional management.

Whether you're saving for your child's education, planning for retirement, or just looking to grow wealth, multi-asset portfolios fit seamlessly into your financial goals.

Why SIPs Are A Smart Choice For Your Child's Financial Future

Systematic investment plans offer a disciplined and effective way to accumulate a large corpus for your child's long-term financial goals through small investments

SUKANTA BHATTACHARJEE
Mutual Fund Distributor

If you're a parent in 2025, you probably worry about the impact of artificial intelligence, climate change or war on your child's career and life. While one could endlessly speculate about the future repercussions of these new global realities, you'd agree there's no sure way of knowing. It is famously said that the best way to predict the future is to create it. No matter how the world shapes up in the years to come, you know that your child will be better off with a financial corpus to fall back on. Hence, one should start saving and investing towards this end with priority.

First, one should ascertain their target corpus for higher education and other children's goals taking into account their child's interests and preferences, number of years to the goal and expected rate of inflation with the help of a financial planner.

Next, one should calculate and commit savings specifically for their child related goals instead of one large kitty for all goals. Otherwise, one goal usually suffers as a result of the other. For instance, many parents risk their retirement savings for their child's education. With savings separately allocated for children, one is less likely to divert funds from or to other goals and expenses. Also, having a separate savings kitty for the child can teach them about saving and financial responsibility from an early age.

Since children's higher education and other life goals are years away and costs for the same are rapidly increasing every year, simply saving is not sufficient. Inflation erodes the value of idle savings. Hence, one has to put savings to work through suitable investments. Equities, whose returns are dependent on the growth of underlying businesses, have the potential to generate inflation-beating returns in the long term, making them an ideal choice for long term child related financial goals. In turn, equity-oriented mutual funds can be a smart way to take a research-backed, professionally managed, diversified and efficient exposure to equity markets.

> ONE CAN START AN SIP WITH AN AMOUNT AS SMALL AS RS 500 PER MONTH. SIPS ALSO INDIRECTLY DISCOURAGE INVESTORS FROM TIMING THE EQUITY MARKET. THE PURCHASE COST AVERAGES OUT OVER TIME WHEN THEIR INVESTMENT BUYS MORE MUTUAL FUND UNITS DURING A MARKET DOWNTURN AND LESS WHEN THE MARKET IS IN AN UPSWING.

A popular way to invest in equity mutual funds are Systematic investment plans or SIPs. These plans enable one to automate the investment of a fixed amount of money into equity funds at regular intervals. This simple automation ensures you save towards your child's goals in a disciplined and consistent manner instead of putting aside money in a haphazard way, as and when there is a surplus. With SIPs, saving and investing for lofty goals can feel less intimidating as it requires smaller amounts to be put away instead of larger sums. For example, investing Rs 5,000 per month for a year is more achievable than investing Rs 60,000 in one go. SIPs can be started with a small amount as low as Rs 500 per month. SIPs also indirectly discourage investors from timing the equity markets. The purchase cost averages out over time when their investment buys more mutual fund units during a market downturn and less when the market is in an upswing. For instance, Rs 1000 will buy 10 shares of stock A when its price is Rs 100 and 20 shares when its price is Rs 50, averaging out the cost of 30 shares to Rs 67.

As parents, we want our children to be prepared for the future. Systematic investments in equity mutual funds can ensure that.

Outlook
MONEY
Retirement

Retire Right

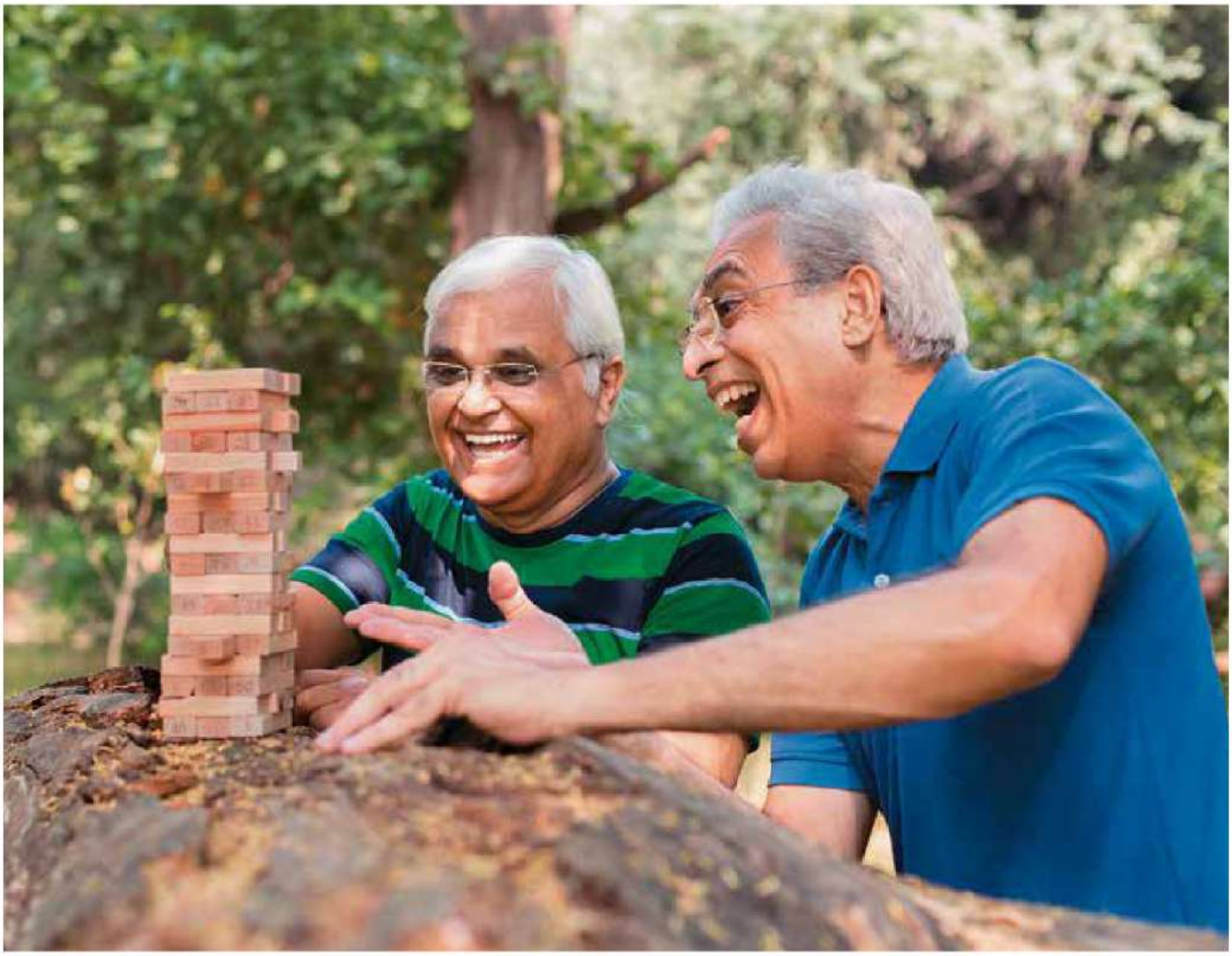
PLAN WISELY, INVEST SMARTLY, SPEND CAREFULLY

CHOOSING THE RIGHT PLAN WILL LEAD YOU TO INVEST IN THE MOST SUITABLE PRODUCTS THAT WILL, ULTIMATELY, ENSURE A SMOOTH POST-RETIREMENT LIFE

WHY YOU SHOULD BE DEBT-FREE IN RETIREMENT

Being debt-free in retirement is the best course of action, and we have strategies for you to make that happen. Nevertheless, if you already find yourself servicing debt in retirement, there are strategies for that too

By **Meghna Maiti**



When the Reserve Bank of India (RBI) raised interest rates by 2.5 percentage points between May 2022 and February 2023, Kolkata-based Sanjay Chatterjee (53) had to make a decision about his home loan. He realised that if he extended his tenure to keep his equated monthly instalments (EMIs) the same, he would be able to repay his home loan only by the time he was 64 years old.

Chatterjee, a government employee, did not want to extend his loan beyond his retirement years and has, therefore, increased his EMI to ensure his home loan gets over by the time he retires. This meant cutting down and compromising on his regular expenses.

In India, living with debt has become a reality with people having various forms of debt, such as home loan, car loan, personal loan, credit card debt and so on. But does continuing your debt payments after you retire make sense or should you aim to be debt-free in retirement?

Says Col. Sanjeev Govila (retd), certified financial planner (CFP) and CEO, Hum Fauji Initiatives, a financial advisory firm, “Being debt-free after retirement allows retirees to focus on their aspirations without worrying about EMIs eating into their limited resources.”

Sanjay says that though he plans to be engaged in some activity post-retirement, he does not want the burden of a home EMI on him after he retires from his job.

WHY RETIREMENT SHOULD BE DEBT-FREE

Your retirement years should be the time to enjoy life without the burden of debt obligations. However, the decision to be debt-free by the time you retire may vary based on individual circumstances, including income sources, lifestyle expectations, and financial goals.

Says Abhishek Kumar, a Securities and Exchange Board of India-registered investment advisor (Sebi RIA), and founder and chief investment advisor of SahajMoney, a financial planning firm: “If one is fit and can find employment to generate active income, then they can consider continuing to pay their debt using income from employment. One can take up a consulting or contractual position so that they can generate active income to pay off their debt and manage their expenses as long as they are fit to manage it.”

While some retirees continue to work, relying on post-retirement income to manage debt can be risky if the money is not adequate.

Says Govila: “Despite extended working years, being debt-free by retirement should remain a core financial goal. Post-retirement income, even from continued work, is typically irregular and lower than in the prime earning years, making debt servicing riskier.”

It is important to consider that the job you take up post-retirement may be temporary due to fewer opportunities, newer technologies, and so on. Your health conditions could also play spoilsport.

In case you lose your earning power due to any reason, the burden to repay would come on your family. Therefore, aiming to be debt-free by retirement is a prudent goal to ensure financial stability and reduce financial stress in later years.

HOW TO SETTLE YOUR DEBT BEFORE RETIREMENT

Ensuring a debt-free retirement is possible, but requires careful planning and disciplined execution.

Says Madhupam Krishna, Sebi RIA and chief planner, WealthWisher Financial Planner and Advisors: “Start by taking stock of all your debts, including home loans, personal loans, credit card debt, and any other personal liabilities. Make a list of outstanding balances, interest rates, and monthly payments.”

You could consider paying off high-interest debt first. Accordingly, develop a comprehensive repayment plan to execute that. “This strategy, known as the avalanche method, helps reduce the overall interest paid. Alternatively, you can use the snowball method, which focuses on paying off smaller debts first to gain momentum,” says Krishna.

Paying smaller debt first can give you a sense of emotional relief of having fewer heads of debt left.

If you find this difficult, cut your expenses like Sanjay did. Once he had taken the home loan, Sanjay ensured that he did not take any other loan. He also made it a point to keep his

5 Benefits Of Settling Debt Before Retirement

Reduced financial stress:

A debt-free life eliminates anxiety and stress, allowing retirees to enjoy their golden years

Increased disposable income:

Without debt to repay, retirees can allocate their income towards travel, hobbies, and other pursuits as planned

Improved financial flexibility:

Retirees can respond to unexpected expenses or financial opportunities without being burdened by debt

Enhanced retirement savings:

Being debt-free allows retirees to preserve their retirement savings, ensuring a steady income stream. Otherwise, a part of it would go towards paying debt

Better health and well-being:

A debt-free life would mean improved mental and physical health. This would enable retirees to enjoy a healthier, happier post-work life credit card spends in check and pay his dues on time. When his EMIs increased, he ensured that he cut down on his discretionary expenses so that the higher EMI would not hurt him and so that he would be able to pay off his home loan before his retirement.

Says Sanjay: "My EMI had increased by almost ₹8,000, so I had to squeeze in that extra amount from my monthly salary. Among other measures, we reduced eating out to twice a month from about five to six times a month."

You could also consider increasing your income by taking up a side hustle. It could be a part-time job, freelancing, or monetising a hobby. You could use the additional income towards repaying your debt and accelerate the repayment process.

You could also use any unexpected windfalls, such as bonuses, tax refunds, or inheritance, to reduce your debt. This can significantly reduce your debt burden and speed up the journey to being debt-free.

If the situation is dire and out of hand, you could consider consulting a financial advisor or debt counsellor to create a personalised debt repayment strategy before the retirement date arrives.

HOW TO SETTLE DEBT POST-RETIREMENT

If you have already retired and have some debt—because you were unable to settle your debt before retirement—there is still a way, but it may be tougher.

Says Renu Maheshwari, Sebi RIA, principal advisor, Finscholarz Wealth Managers, a financial planning firm: "In a dire situation, when the loan still exists at the time of retirement, a careful cost analysis should be done to make the most optimal decision. The cost of loan, tax advantage, return on investments, and earning capability should be the criterion in this analysis."

A ₹50 lakh loan at age 60 with a five-year tenure remaining could mean committing ₹40,000-60,000 per month for the next five years depending on the rate of interest.

Remember that the funding for your expenses will also get hit.

Let's take an example of a home loan of ₹50 lakh, at a rate of interest of 8 per cent per annum and a tenure of 20 years. If someone takes the loan at the age of 45, it would mean one has to pay the EMI five years after retirement. With five years left, it would mean that one would need to pay an EMI of about ₹41,000 every month. That would mean an additional monthly commitment after retirement.

If you have a loan that extends well into your retirement years, it would mean additional monthly commitment towards loan repayment, besides regular expenses

Typically, lenders do not sanction loans with tenures extending into one's retirement period, which means they will reduce your tenure, effectively increasing the outgo.

Says Kumar: "Generally lenders don't provide loan with tenure more than one's retirement years. But they may extend the tenure beyond retirement years in those scenarios when borrowers don't have an option to increase their EMI due to rise in interest rates."

Krishna adds: "Closing a home loan after retirement is possible, but it requires approval from the lender. Normally lenders will consent to it if they see cash flow after retirement. This can be a pension, rent, or any other income from consultancy work, freelancing, gig opportunities, or royalty."

While it may be tempting to use your retirement corpus to pay off the home loan, weigh the pros and cons carefully before using your accumulated corpus to do so.

Being debt-free at retirement but having little savings would spell trouble. Depleting your retirement savings may also affect your financial security and ability to cover future living expenses.

Says Krishna: "Unsecured debt, such as credit card debt and personal loans, can be financially draining due to their high interest rates. Before dipping into your retirement corpus, evaluate the impact on your long-term financial security. Ensure that you still have sufficient funds to cover your retirement expenses and healthcare needs in retirement."

But if you think you have enough and you can still use a part of your retirement corpus, compare the rate of interest on your unsecured debt with the returns on your retirement investments. If the interest you are servicing on your debt is significantly higher, it may make sense to use a portion of your retirement corpus to pay off the debt and save on interest payments.

If you have a significant portion of your home loan remaining, consider negotiating with your lender to extend the loan tenure or reduce the rate of interest. This can lower your monthly payments and make it easier for you to manage the loan after retirement. You could also seek help from family if you are comfortable with that, and your children can also help you out.

Paying off debt after retirement can be difficult, so one should try their best to clear all their loans earlier. ▸OM

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Credit Scores: An Important And Often Overlooked Aspect of Financial Planning

"A strong credit score is the cornerstone of effective debt management, reflecting financial discipline, unlocking access to credit, and favourable interest rates on borrowing. It serves as a critical asset in your journey to financial freedom."

VIKAS SHARMA, CFP[CM]
CEO & Co-founder: Goalchi Capital Services LLP & The Logical Advisor

When it comes to financial planning, investment management often commands all the attention, while the vital role of debt management quietly takes a backseat. However, this oversight can significantly impact your financial journey. It's important to remember that while investments and savings drive the timely achievement of financial goals, effective debt management is essential for safeguarding your financial health and ensuring sustainable wealth creation in the long run.

Holistic financial planning requires a prudent debt management strategy, and credit score is a critical parameter that indirectly reflects the success of that strategy.

What is a Credit Score?

A credit score is a three-digit numerical representation of your past credit behaviour published by Credit Information Bureaus (CIB). In India, the RBI authorises four entities to function as CIBs. TransUnion CIBIL Limited, which publishes CIBIL scores, is one of them and by far the most popular; that is why it is also synonymous with credit scores. The other three are Equifax, Experian and CRIF High Mark.

Each CIB applies its proprietary algorithm to determine your credit score based on factors including your past repayment habits, credit utilisation, and duration of your credit history.

In India, credit scores range from 300 to 900, with higher scores reflecting stronger creditworthiness. A score above 750 is generally considered good, indicating disciplined financial behaviour and improving access to favourable credit terms.

How do credit scores impact our lives?

Credit scores are like 'badges of integrity' for the borrowers; here are ways credit scores impact lives:

- Banks and financial institutions scrutinise credit scores before approving loans and deciding on applicable interest rates. A higher credit score enhances loan approval chances and helps negotiate lower rates.
- A high score opens doors to other beneficial credit products, such as credit cards, where you gain access to premium cards with exclusive offers, higher limits, and rewards.
- A robust credit score reflects reliable financial behaviour that boosts your credibility among lenders and even potential employers.
- It keeps you accountable for your borrowings, securing your financial life.

How can we make this score favourable?

These are routes to improve and sustain a healthy credit score:

- **Pay on Time:** Always ensure your EMIs and credit card payments are on time and in full.
- **Utilise Credit Efficiently:** Don't maximise the use of credit limits; keep it around 30% of the total limit.
- **Avoid frequent and multiple loan applications:** Every loan application is considered a hard enquiry and may lower your score.
- **Examine Your Credit Report:** Periodically check the credit reports provided by CIBs for errors and immediately inform them of any inaccuracies.
- **Build a positive credit history:** Use credit responsibly to create a favourable history.

While advances in fin-tech have eased many processes, they have also opened doors for novel frauds, such as scammers stealing other people's identities to borrow. You may follow prudent debt management, assuming that your actions will result in a high credit score, and they should. Nevertheless, make sure to check your credit report regularly and be assured that there is no identity theft and no loans listed that you didn't take.

A good credit score is a vital and valuable asset to maintain, ensuring seamless access to credit—an indispensable tool for achieving financial goals. More than just a number, a strong credit score serves as the cornerstone of financial freedom and stability. By actively managing and protecting it, you empower yourself to realize your financial aspirations and secure a brighter future.

UNDERSTAND DERIVATIVES FIRST, ONLY THEN TRADE IN OPTIONS

Queries

I invested in an initial public offer (IPO) this year and made huge gains. A friend suggested I explore 'options' trading to capitalise on market upswings. How should I proceed?

IPO investing and options trading is quite different and requires different skillsets of trading. IPO investing has its own set of traders who look at gaining from immediate price appreciation after listing in the secondary markets. In recent times, it has been quite successful due to significant demand from investors.

Elsewhere, option trading requires leverage and derivatives, and is used for both market upswing and downswing. Importantly, the time sensitive nature of derivatives is one aspect one should understand before getting into option trading. Also, derivatives are supposed to be hedging instruments one should use wisely, given its associated leverage.

It's advisable not to enter into derivatives trading without properly understanding the basic concepts, as it could otherwise result in huge financial losses due to its zero-sum nature unlike in the case of equities.

I am 35 years old and usually invest in mutual funds for equity exposure. I currently have ₹2 lakh in surplus funds that I wish to invest in stocks for the long term. Could you suggest some suitable sectors?

Calendar year 2024 was a roller-coaster year for domestic equities, with the market scaling new highs of 26,300 levels in September 2024,

and then giving up half the gains thereafter and closing the year with 10 per cent returns. Notably, mid- and small-caps continued to outperform and were up 25 per cent in CY24.

The volatility in index was largely a function of plethora of events, such as geo-political tensions, elections in major economies, including India, the US, the UK, and Japan, among others. It was also the beginning of the global rate-cut cycle.

As we embark on CY25, volatility looms with inward looking policy expectations from the new Donald Trump government in the US as well as unresolved geo-political issues and muted global growth expectations.

The recent correction in the market offers a good entry point to start accumulation for long-term wealth generation. With expectations of a modest 7 per cent growth in Nifty earnings for financial year 2025 (on a high base), it is expected that the Nifty will resume its double digit earnings growth trajectory with earnings over FY25-27 and continue growing at a compounded annual growth rate (CAGR) of 15 per cent.

Earnings growth enablers would be the pick-up in domestic gross domestic product (GDP) growth rate, decline in interest rates, and continued growth supportive policy framework.

However, the focus going forward should be to invest in companies with a certainty of growth longevity, healthy balance sheets, which are less susceptible to foreign shocks, and have capital efficient business models.

Capital goods and capex-related segments still offer investment opportunities. Banking looks attractive given its lean balance sheet with the majority of bad loan provisioning behind us.

Banks have entered a good credit growth cycle which will lead to business growth as well as provide operating leverage and strong return on assets (ROA) going ahead. Auto is another sector that looks bullish, with the tailwinds from premiumisation play and electric vehicle (EV) adoption at inflexion point, which will drive opportunities for ancillaries in the auto sector.

I hold a few stocks of a public sector undertaking (PSU), which is currently trading at a price below my average buying price. I had purchased 300 shares at an average price of ₹158.80, which has now fallen to ₹148.15 per unit. Should I stay invested or sell the shares to minimise my loss? I don't need the money but want to avoid further loss.

Equity is inherently a volatile asset class and that is why it offers higher returns to compensate for the volatility. Stock prices do not move in a linear fashion and go and down based on changes in forecast, sentiments, micro and macro-economic variables.

You should revisit the thesis on the basis of which you bought the stock in the first place. If that thesis still holds, you may continue to hold the stock, irrespective of the dip in price by ₹10-20.

However, in general, it has been observed that investors just focus on one or two variables before investing in a stock while ignoring (knowingly or unknowingly) many other important variables. An important advice in this case would be to evaluate all possible variables afresh just to ascertain that no variable was missed at the time of initial investment, and then take the decision, instead of just considering the fall in the stock price by ₹10-20.

As far as the outlook is concerned, post reeling under pressure, amid asset quality pains, PSU banks as a sector have regained performance in the post-Covid period. This revival in valuation is attributable to gaining business momentum, improvement in margins and asset quality. Apart from internal parameters which hold impetus, external factors, such as interest rate, systemic liquidity, and economic outlook also remain important factors, while determining valuation, especially in case of lenders. Thus, emphasis needs to be placed on macro variables along with bank-specific performance.

Apart from the financial matrix, investors should also consider valuation at which a particular lender is available, keeping outlook on growth, profitability, and asset quality in perspective.

I am new to the stock market and have been receiving messages asking me to invest in IPOs for quick profits. I am willing to invest ₹50,000 in stocks. Should I start with an IPO or invest in existing stocks?

When a private company sells shares or stocks to the public for the first time, it floats an IPO. When investors purchase stocks after its listing, it is called secondary purchase of shares. IPO investing carries the same risk as secondary market investing.

It is advisable that one doesn't blindly consider the recent gains in most of the IPOs as a benchmark. The variables to consider are the same for both IPO investing or secondary market investing.

One should take financial advice from an expert research analyst who tracks the underlying sector before investing in IPO. Recommendation on social media or from television anchors could be very shallow in nature with no detailed research or analysis. Analysing the investment thesis for any stock (IPO or otherwise) is a complex activity and requires full-time detailed analysis that should not be compromised at any cost.

In general, investors should be careful while investing in IPOs because of the underlying equity market volatility, limited historical data about the company's financial performance, potential for rich valuation or overvaluation, and the uncertainty which in general surrounds the company's future growth.

Also market expectations are high surrounding the IPO period and the same may lead to significant price fluctuations and potential losses if the company fails to meet those expectations.

Answers by: Research Ananlyst at ICICI Securities

By **LARISSA FERNAND,** Behavioural Finance Expert

How Not To Be Financially Vulnerable

We often naïvely assume that our monthly pay cheques will cover whatever life throws our way. But it may not cover all our emergencies, which is why we need to create a safety net

The lady in the salon where I frequent shared her financial situation with me once. She told me how she and her husband bought a tiny home (one room, kitchen) with a home loan. When the pandemic hit and there was no income, she said at least they never had the stress of paying rent because they owned the house.

Her husband developed a nerve condition and can no longer work. For one, she is relieved that at least they have a roof over their head. Now it is her income that runs the household, and her college-going daughter has a small-time job that helps. I liked the phrase she used, “we are each other’s safety net”.

Yes, family is a safety net, but it is not sufficient. You need to provide another buffer. There are few individuals who have never undergone financial stress. In fact, I would say that at any point of time, we are all financially vulnerable to some extent. If for no other reason than a sudden change in circumstances or health condition can hit us hard.

A monetary issue is not just a game of numbers. It has instant emotional repercussions. Financial strain increases stress levels exponentially. Being financially vulnerable is also being psychologically vulnerable. You cannot blindly hope or assume that all will be well.

Here are three extremely practical ways to reduce financial and psychological vulnerability.

Build An Adequate Emergency Fund

We often make the naïve mistake of assuming that our monthly pay cheque will cover whatever life throws our way. Your salary may cover some emergencies or contingencies, or may not.

Life has a way of surprising us pleasantly, as well as nastily. The pandemic was the most recent massive jolt that people all over the world got. It gave the concept of ‘Emergency Fund’ a fresh perspective. But other issues may crop up, too, like urgent dental treatment, travel in case of death or illness, sudden home repairs, the need to buy an air conditioner, or replace the refrigerator in peak summer.

Monetary issue is not just a numbers game. It has instant emotional repercussions. Financial strain increases stress levels exponentially

On the extreme side is the loss of job. Till you get another job, you still have to make the EMI payments, pay the electricity bill, pay for your child’s education, insurance premiums, and put food on the table.

Crises cause emotional and financial stress. By having an emergency fund, at least the financial blow can be absorbed. That is why an emergency fund is not optional. You will always need a safety net, because emergencies occur even in the best of times.

Let’s approach this from another angle. Imagine not having an emergency fund. You have to look at alternative sources of funds. A personal loan or the use of your credit card is convenient, but carry a stiff rate of interest. Taking a loan against your house is not cheap either. Alternatively, borrowing from family or friends comes at nil interest, but it has its own share of the sense of humiliation and obligation. Eventually, all these loans will have to be squared off. Getting into debt because of an emergency is very stressful.

Tapping your own assets is invariably a better way to scrape up cash than borrowing. If you decide to sell your equity funds, then what happens if the stock market is abysmally low? You could be selling at a significant loss. Moreover, you would be drawing these funds from your retirement savings plan or child's education plan. What will happen to those financial goals if you are going to deplete the money earmarked for them? You can say that you will eventually replace the money, but withdrawing cash means paying

capital gains tax and compromising with the compounding benefit from these investments.

An emergency fund doesn't put you in a vulnerable spot. It enables you to tide over a crisis without incurring debt, while simultaneously keeping your financial house stable.

If you decide that you need ₹10 lakh as an emergency fund, don't get disheartened. Don't panic if you do not have the money right away. Build it over time and ensure that others can also tap into this fund. If you meet with an accident and they cannot withdraw the money, the purpose is defeated.

Get Adequate Life Insurance Cover

If you have dependents, a term insurance plan is a non-negotiable.

When one brings up the subject of death, it is either viewed as a bad omen, or the individual is asked as to why they are being so pessimistic. There is nothing pessimistic about it, but realistic and practical. In fact, to assume that absolutely nothing will change in your circumstances is also being extremely naïve. Life can throw anything at your way. Instead of fretting about it, just hedge your bets where you can.

Imagine the plight of a family where both spouses are working, and one of them passes away. Besides the emotional devastation, the tragedy would be compounded as one income has stopped and there is no life insurance as a safety net. This safety net, through the sum assured, would have helped building your spouse's retirement kitty, provided for your child's education, and even cleared up any outstanding debt.

If you are the primary source of support for even one other individual, get your term insurance sorted out as a priority, and keep revising this limit as the number of dependents increase. You may take out a cover for your dependent parents. You then get married, your wife gets pregnant, and after the child is born, she takes a break from work. You now have four dependents. Changed circumstances require a re-evaluation.

Protect yourself and your family against a misfortune, for your peace of mind and hedge against the uncertainty of life

Get Adequate Medical Insurance Cover

The same applies to having adequate health cover. Do not depend solely on your job for a medical cover. You will have no cover during job loss or in between jobs. If the limit on the cover is low, it may not suffice for every dependent. Get a personal medical cover for the entire family.

There is a line that keeps doing the rounds, "A middle class family is just one medical bill away from bankruptcy." If that is too extreme, then let me tone it down a bit; just one illness of a family member can cause a major dent in your savings. Medical inflation in India is pegged at 14-15 per cent. That is a significant number. Talk to an insurance planner to get an objective take when deciding the cover you need. You can ask a couple of them for an estimate to ensure that you are making the right decision.

Remember This: You never buy medical insurance because you hope to submit a claim someday. You never buy term insurance because you hope your loved ones can submit a claim someday. You never start an emergency fund because you hope for misfortune. You opt for all of them to protect yourself and your family against a misfortune, for your peace of mind and hedge against the uncertainty of life. ►OM

Check Land Title, Legal Facts Before Buying Plot

Queries

KISHORE GUPTA, Email

I am considering purchasing a plot on the outskirts of Pune along the Mumbai-Pune Highway for investment purposes. What legal aspects should I be aware of, and how does it compare to other real estate investment options?

Investing in a plot of land along the Mumbai-Pune Highway can be promising, but addressing the legal aspects is crucial.

To start with, verify the seller's clear title and ownership history, and ensure there are no disputes or encumbrances. Check zoning compliance and permitted land use. Also confirm the plot's suitability for residential, commercial, or agricultural purposes.

For plots in larger projects, ensure the developer has layout sanctions, non-agricultural conversion certificates, and Real Estate (Regulation And Development) Act, 2016 registration. Accordingly, obtain an encumbrance certificate to confirm the plot is free from liabilities.

Plots along this highway have strong appreciation potential due to infrastructure development and rising demand. However, they lack immediate rental income, making them better suited for long-term investors focused on capital appreciation. For steady cash flow, consider apartments or commercial properties. Assess your financial goals, risk appetite, and investment horizon before proceeding, and consult legal and real estate experts for secure investment decisions.

ANUP MITTAL, Email

I am planning to buy an apartment in an under-construction project, but the developer and/or agent is withholding the Real Estate Regulatory Authority (Rera) registration details. How can I verify Rera registration, and the risks if the project is unregistered?

To verify Rera registration, visit your state's official Rera website, where you can search for the project and developer details. If you are unable to find the information online, consider contacting Rera directly, or, contact a real estate consultant for assistance.

Buying an unregistered project may expose you to significant issues, such as lack of regulatory protection and limited recourse in case of disputes. Moreover, there's a risk of financial loss if the project fails, as unregistered developers may lack secure backing. So, it is crucial to ensure that the project is Rera-registered before you decide to go ahead with the purchase.

Sunil Dewali,
Co- CEO, Andromeda Sales & Distribution

AKHIL ANAND, Email

I am 30 years old and recently changed my employer. My previous employer had provided me a health cover with a sum insured of ₹10 lakh, but my new employer is offering me a health insurance policy with a sum insured of only ₹2 lakh. Should I purchase a separate health insurance policy, and what should be the ideal sum insured?

Yes, purchasing a separate health cover is advisable, as your existing employer-provided policy of ₹2 lakh may not be sufficient for medical emergencies or hospitalisation costs.

At 30, a sum assured of ₹10-15 lakh is generally recommended, depending on your lifestyle, health, and family medical history. A personal health insurance provides continuity, which is essential during job changes.

You should go for a comprehensive individual or family floater plan with benefits of cashless hospitalisation, critical illness cover, and maternity benefits, if required. You can also consider a top-up or super top-up policy to enhance your existing cover. These policies activate once the base cover is exhausted. An adequate cover will ensure financial protection.

Niharika Singh,
ED-Marketing, IFFCO Tokio General Insurance Company

LIFE is GOOD to LIFE is GREAT

As India aims for a prosperous future, individuals can draw inspiration from the concept of 'Life is Good' to methodically build a secure financial future for the next two-three decades

India's ambitious vision to become a developed nation by 2047 offers a compelling metaphor for personal financial growth. Just as the country envisions transforming its economy and infrastructure, individuals can also aspire to achieve transformative financial independence. By adopting the principles embodied in "LIFE is GOOD," you can methodically build a secure financial future over the next two to three decades.

LIFE IS GOOD: A FRAMEWORK FOR FINANCIAL EMPOWERMENT

The journey to financial empowerment begins with the acronym LIFE—Living In Financial Empowerment. It serves as a compass for personal financial planning and growth. Life is full of possibilities, and financial empowerment turns aspirations into reality. Starting your career with the mindset of "LIFE is GOOD" lays a strong foundation for long-term success.

G – Goals

Clear and achievable financial goals are the cornerstone of progress. Whether it's owning a home, funding education, or planning for early retirement, defining what financial success looks like is the first step towards realising it.

O – Optimally Invested

Strategic investments are crucial for long-term growth. By diversifying your portfolio and understanding where your money is allocated, you can minimise risks and harness returns. Much like a nation's strategic investments drive development, optimised financial plans ensure consistent capital appreciation over time.

O – Optimised Risk

K S RAO, Executive Vice President & Head – Investor Education & Distribution Development Aditya Birla Sunlife AMC Ltd

Risk management is essential for financial stability. By understanding and addressing potential setbacks, you can build resilience and safeguard your goals—much like a nation overcoming economic challenges with careful planning.

D – Diversified Portfolio

A diversified portfolio is your financial safety net. Spreading investments across asset classes shields against market volatility and ensures steady growth. Just as a nation strengthens its economy through diversification, individuals can maximise opportunities and minimise risks by doing the same.

TRANSITIONING TO LIFE IS GREAT: LIVING IN FREEDOM & ENQUIRY

As your career progresses and you near retirement, the focus shifts from empowerment to freedom. "LIFE is GREAT" reflects this transition—where your accumulated wealth supports a life of passion and purpose, free from financial constraints.

G – Growing Corpus in Retirement

A robust retirement corpus ensures security during your golden years. Your wealth, representing years of hard work, should be carefully managed to sustain you, just as a nation plans for long-term prosperity.

R – Regular Income

Establishing a steady income stream is essential to maintain your lifestyle without depleting your savings. Like a nation ensuring consistent economic growth, you must plan for reliable returns in retirement.

E – Estate Planning

Thoughtful estate planning ensures your wealth benefits future generations. It's about securing a legacy—much like a nation preserving its heritage for posterity.

A – Asset Allocation

Reassess and adjust your investments as priorities evolve. Shifting towards conservative options helps preserve wealth while managing risks, much like how a nation updates its policies for relevance.

T – Tax-Efficient Portfolio

Maximise your returns by adopting tax-efficient strategies. Preserving more of your wealth through tax efficiency mirrors a country's fiscal discipline to ensure sustainable growth.

Embracing a Financial Journey

As India charts its path to a prosperous future, its journey offers inspiration for personal financial planning. By adopting the "LIFE is GOOD" framework, you can build a secure foundation and transition seamlessly to "LIFE is GREAT," achieving true financial freedom. A well-planned life leads to immeasurable growth and satisfaction, much like a well-planned nation thrives. □

Checkmate Volatility: Master The Game of Multi-Asset Investing

A robust multi-asset strategy enables investors to align their assets with evolving market realities, ensuring resilience and growth even in unpredictable market environments

India's recent chess triumphs, with double gold at the Chess Olympiad and rising stars like Gukesh, Vaishali, and Praggnanandhaa, highlight strategic brilliance. What if this same mindset applied to investing? Like chess, multi-asset investing demands constant strategy, adaptation, and fighting through challenges. Balancing equities, debt, gold ETFs, silver ETFs, and REITs & InVITs creates a robust, all-weather portfolio, ready to seize opportunities and mitigate risks.

Chessboard of multi-asset investing

Just as a chess player must navigate unpredictable moves from their opponent, a well-balanced multi-asset portfolio helps fight volatility by leveraging the strengths of each asset class to weather market fluctuations.

- **Equities: The Queen**
  The queen dominates the chessboard, just as equities drive portfolio growth. They offer high returns, as seen in the robust performance of India's benchmark indices (10-year CAGR of 11%). However, with recent bouts of correction, equities remind us of their volatility.
- **Debt: The King**
  Stability is the king's hallmark, much like debt instruments that anchor a portfolio during turbulent times. Government bonds and fixed-income securities provide steady, predictable returns, balancing the risks of equities
- **Gold ETFs: The Rook**
  Gold ETFs are the defenders, protecting your portfolio during economic uncertainty. Indians have always valued gold. Today, Gold ETFs make it easier and low-cost to invest in this trusted inflation hedge without worrying about storage.

PAWAN MEHAR
MD & CEO, Unicorn Investment Managers (SEBI Registered Portfolio Manager), and Founder – Fundvaliz (A wealth Management Firm)

- **Silver ETFs: The Bishop**
  Like bishops with their diagonal moves, silver offers a unique perspective in the portfolio. Silver ETFs benefit from both industrial demand and its role as a precious metal. In recent years, silver has gained popularity as an affordable complement to gold in households.
- **REITs & InVITs: The Knight**
  Knights add an element of surprise with their unconventional L-shaped moves, akin to REITs and InVITs. REITs, focussing on real estate, and InVITs, specialising in infrastructure assets, offer unique investment avenues with potential for uncorrelated returns and diversification benefits

Playing the multi-asset game

In an era marked by heightened market volatility and increasingly short business cycles, multi-asset investing has become a cornerstone of effective portfolio management. As seen above, each asset class reacts differently to varying business cycles and market conditions, underscoring the need for a diversified approach that adapts dynamically to these shifts.

A robust multi-asset strategy that combines both fundamental and technical approaches to portfolio allocation is pivotal for achieving long-term compounding and portfolio stability. It enables investors to align their assets with evolving market realities, ensuring resilience and growth even in unpredictable environments.

The analogy of the boiling frog is particularly apt in today's market conditions. Business cycles are becoming shorter and more unpredictable, and failing to adapt can lead to gradual portfolio erosion. Multi-asset mutual funds, with their dynamic switching model, ensures proactive reallocation into the right asset class at the right time, shielding portfolios from adverse market trends while capturing growth opportunities.

In the endgame, chess players secure victory with the right moves by carefully safeguarding their position. Similarly, multi-asset investing prioritizes wealth preservation and consistent income generation as investors approach financial milestones. By strategically balancing equities, debt, gold, silver, and other assets, this approach provides stability and sustainable growth across all market conditions.

With the rise of multi-asset mutual funds, Indian retail investors can now easily access diversified portfolios without needing extensive expertise. This offers a convenient way to balance risk and returns.

The 123s of Guaranteed Income Plans for First-Time Buyers

Every journey begins with a first step, and financial independence is no different. The right choices today can shape a future of stability and confidence.

The new age generation is young, ambitious and eager to be independent by stepping into the world of finances. However, for many, entering this field for the first time may feel like learning to ride a bicycle – exciting yet overwhelming, balancing the desire to fulfil their aspirations, secure their loved ones financially and avoid financial missteps. At this critical juncture, finding the right starting point is essential. While there are many financial instruments, the most important one is having adequate life insurance coverage which serves as a stable launchpad, much like training wheels on a bicycle.

To start with, a guaranteed income life insurance plan may be an ideal choice of product in your financial planning, as it provides both life insurance and savings, which guarantees reliable income for a chosen period and builds a solid foundation for stability, offering the liberty to pursue your dreams and aspirations with confidence.

Under these plans an individual can choose a premium amount & frequency, premium payment term, policy term, pay-out period & income frequency and guaranteed income options. Through these flexibilities, they receive life insurance coverage during the policy term along with the guaranteed benefits for their family.

KEY BENEFITS:

- **I – Income:**
  Guaranteed Income Insurance Plans provide reliable income, ideal for those concerned about market swings or outliving their savings. These products provide two options: Level Guaranteed Income, which offers fixed pay-outs, and Increasing Guaranteed Income, which grows by a fixed percentage, such as 5% simple interest annually. It gives individuals the confidence that their income can grow each year and counter the rising cost of inflation.

M ANAND, President & Chief Distribution Officer, SBI Life Insurance

> GUARANTEED INCOME LIFE INSURANCE PLANS PROVIDE BOTH LIFE INSURANCE AND SAVINGS, GUARANTEEING RELIABLE INCOME FOR A CHOSEN PERIOD.

- **N- Need-based:**
  Life changes, and so does the need for a plan that adapts to those changes. Through such plans, one can pick the pay-out period and income frequency and can change it if the situation changes. They also get to choose pay-out period for a long term (such as ranging from 15, 20, 25 or 30 years) based on their future needs. The guaranteed income can be yearly, half-yearly, quarterly, or monthly.

- **C – Clear Tax Advantages:**
  As per prevailing norms under Income Tax Act, 1961 which are subject to change from time to time

- **O – Officially Safe:** Insurers are regulated by insurance authority to ensure they have reserves to meet their promises.

- **M – Maturity Benefits:** During the pay-out period, an individual is entitled to get income in part payments, plus returns on premiums paid, which gives them peace of mind that their future is secure. Some plans offer returns of up to 110% of premiums paid at the end of the pay-out period.

- **E – Ensuring Your Loved Ones' Future:**
  It is a life insurance plan that helps in protecting the financial future of loved ones and provide a safety net in case of any unfortunate life event. Some plans come with add-on benefits, like an accident benefit rider, which is an optional feature that offers extra financial support in case of demise or disability due to an accident.

Buying such plans is easy, which starts from assessing one's finances and savings, followed by setting income goals and timelines. It is important to also review the policy details carefully to ensure it provides optimal coverage and addresses insurance needs. In conclusion, a Guaranteed income life insurance plan offers a stable foundation, blending life insurance with guaranteed returns, ensuring both protection and growth for a secure future.

Business Cycle Investing: A Strategic Approach To Wealth Creation

Business cycle funds can help investors tap into opportunities arising from macroeconomic trends. They provide an effective way for investors to align their portfolios with the ongoing business cycle, ensuring their investments remain relevant to current economic conditions

AJAY MENON & PANKAJ KUMAR
Partner, Ethical Financial Services

Business growth is rarely a straight line; instead, it fluctuates through various phases such as growth, slump, recovery, and expansion. These cycles are essential components of any business's long-term performance, offering numerous opportunities for investors. Understanding and effectively utilizing these cycles can significantly enhance wealth creation.

What is Business Cycle-Based Investing?

The business cycle affects different sectors in unique ways. Not all businesses respond to the same economic conditions in identical manners. Due to the diverse nature of industries and their varying stages in the cycle, businesses may react at different speeds and to different degrees. This variance presents a wealth creation opportunity for investors who understand how to capitalize on these cycles. Business cycle investing involves making investment decisions based on the phases of the business cycle, with the goal of leveraging economic fluctuations to maximize returns.

How to Identify a Business Cycle

Several indicators can help determine the current phase of a business cycle for a company or sector. For example, signs like consumer spending cuts, job losses, stagnant salaries, and low confidence are typical markers of a slowdown. Conversely, rising consumer confidence, increased spending, full factory capacity, expanding job markets and growing salaries indicate a growth phase. By identifying these trends ahead of time, investors can adjust their portfolios to align with the expected direction of the cycle, ultimately enhancing wealth creation potential.

Investment Strategy in Business Cycle Investing

Business cycle investing follows a top-down approach, where macroeconomic factors drive decisions. Investment managers use these broader economic conditions to identify sector-specific growth opportunities. This approach does not necessarily focus on value investing or contrarian calls but seeks to capitalize on the growth potential driven by the current cycle.

Moreover, business cycle investing does not limit itself to any specific market capitalization. Depending on prevailing economic themes, fund managers may choose stocks from any sector or market cap. This dynamic investment style offers flexibility, aiming to exploit opportunities regardless of the cycle phase or sector.

Is Now the Right Time for Business Cycle Investing?

Business cycles are perpetual, making this strategy particularly relevant at various times. In the current economic environment, many of the world's largest economies are grappling with inflation rates above their comfort zones. Central banks are tightening monetary and fiscal policies to combat rising inflation, which could signal an impending shift in the business cycle.

Interestingly, India's economy, poised to become the third-largest globally, is performing relatively well. With rapid reforms and policy execution, India's economy appears more resilient and growth-oriented, positioning it as an attractive destination for business cycle investing.

How Can Investors Benefit from Business Cycle Investing?

Many investors struggle to understand macroeconomic conditions/indicators due to their complexity. For those who find these factors difficult to navigate, professionally managed investment vehicles like mutual funds offer a solution.

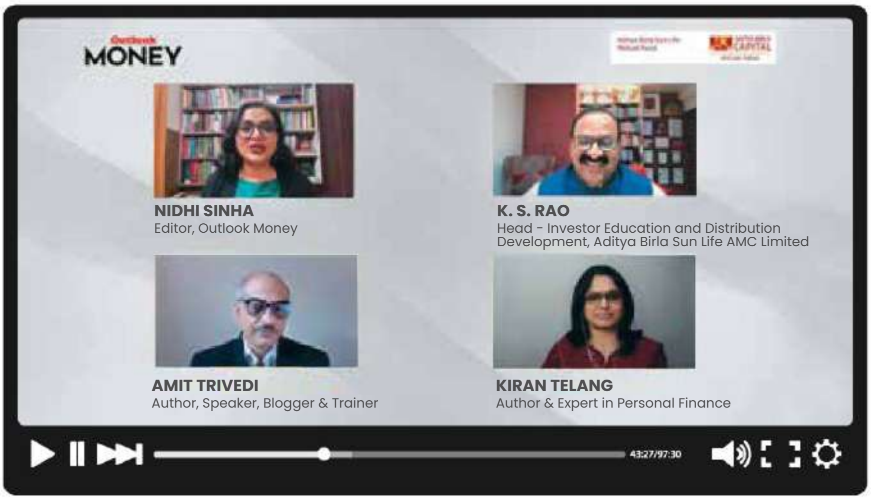
Mutual funds that specialize in business cycle investing, known as Business Cycle Funds, are designed to help investors tap into the opportunities arising from macroeconomic trends. These funds can be a convenient and effective way for investors to align their portfolios with the ongoing business cycle, ensuring their investments remain relevant to current economic conditions.

By leveraging the insights from business cycle investing, individuals can benefit from the cyclical nature of economies and make informed, strategic decisions to enhance their wealth-building journey.

Outlook MONEY WEBINAR SERIES

Make This Year Count with Smart Financial Resolutions

Resolutions are easy to make but hard to sustain. The key isn't just intent—it's execution. Smart financial decisions today shape a secure and worry-free tomorrow.



As we step into 2025, financial resolutions take centre stage in shaping long-term security. To guide investors, Aditya Birla Sun Life Mutual Fund, in collaboration with Outlook Money, hosted a webinar featuring K.S. Rao, Head – Investor Education & Distribution Development, Aditya Birla Sun Life AMC Ltd.; Amit Trivedi, Author & Financial Educator; and Kiran Telang, Certified Financial Planner and Author, moderated by Nidhi Sinha, Editor, Outlook Money. The discussion provided practical strategies for setting and sustaining financial resolutions.

Why Financial Resolutions Matter

Rao compared financial resolutions to a GPS, helping individuals stay on track. "Resolutions help us reflect, renew, and recalibrate financial goals," he said. As this was one of his final official webinars before retirement, he also reflected on his journey of educating investors over the years.

Personal Financial Resolutions from Experts

Each panellist shared their resolutions for the new year. Amit stressed the importance of reviewing past resolutions before making new ones. "Many start strong in January but lose focus. My resolution is to audit my past five years of resolutions and improve." His personal goals include reading 30 books and re-evaluating finances.

Kiran highlighted the significance of continuous learning, particularly in behavioural finance. "I plan to deepen my understanding, as it plays a crucial role in guiding clients."

Rao introduced his **HBR framework—Health, Books, and Review**—as his focus areas. "I am prioritising health, transitioning from reading to writing books, and ensuring regular financial reviews," he said, underscoring the importance of retirement planning, debt management, and estate planning.

AGE-SPECIFIC FINANCIAL RESOLUTIONS

- **For Young Professionals:** Amit advised budgeting wisely, cautioning that first salaries often lead to impulsive spending. "The smartest resolution? Choose where your money goes."
- **For the Sandwich Generation:** Kiran urged middle-aged individuals to reassess finances, balancing responsibilities for children and ageing parents. "This phase brings high financial demands—education, healthcare, and retirement planning."
- **For Seniors & Retirees:** Rao stressed the need for financial security. "Retirement isn't about stopping; it's about ensuring financial stability." He recommended maximising retirement income and managing healthcare costs.

Beyond Financial Resolutions

Both Kiran and Amit advocated looking beyond finances. "Financial security is important, but so is personal growth and kindness," said Kiran. Amit added, "No financial goal is meaningful without a balanced mindset and personal happiness."

Rao summarised the discussion with his 5G framework:

Guide – Seek financial mentors.
Goals – Set clear objectives.
Governance – Track progress consistently.
Gratitude – Appreciate what you have.
Go Ahead – Take action and commit.

Final Thoughts

As the session concluded, Rao reinforced that financial resolutions must be actionable, regularly reviewed, and aligned with life's evolving needs. Whether you are a young professional, middle-aged, or retired, staying committed to financial goals is the key to long-term success.

Here's to a financially secure and well-planned 2025!

To view the entire webinar, please visit: www.outlookmoney.com

Get A Slice Of India's Financial Sector With ABSL Crisil-IBX Debt Index Fund

The fund is India's first debt passive scheme dedicated exclusively to securities in the financial services sector, including public and private sector banks, NBFCs, housing finance companies, and financial institutions

Indian investors have traditionally used open-ended debt fund offerings for generating stable returns while having the flexibility to withdraw. Within debt, the largest segment by AUM is 'under a year to maturity,' with these funds collectively holding over ₹8 lakh crore in AUM as of December 2024 [Source: AMFI]. Meeting this strong demand, there is a healthy supply of instruments from top-rated issuers, which creates a balanced ecosystem catering to a range of differentiated offerings.

A pioneering new scheme has entered this category with the launch of **'ABSL CRISIL-IBX Financial Services 3 to 6 Months Debt Index Fund,'** which has the potential to generate category-leading returns while maintaining AAA credit quality.

VIKAS AGRAWAL,
Deputy Managing Director,
B&K Securities

WHAT ARE THE KEY FEATURES IN TERMS OF SECURITY SELECTION?

The scheme balances both credit and duration risk while focusing on the financial services sector. The ratings in the sector have shown stability with healthy growth in credit demand and good return on assets as NPA figures are lower than the long-term average.

- **Investment Universe:** The fund invests in issuers having a long-term rating of AAA within the financial services sector. The securities include Commercial Papers (CP), Certificate of Deposits (CD) and bonds issued by financial institutions.
- **Duration Play:** Focusing on securities with sub-6-months maturity ensures low-duration exposure, which helps mitigate interest rate risk. As the securities extend beyond the 3-month horizon, there is a term premium compared to classic liquid and overnight funds.
- **Liquidity Focus:** Issuers with a minimum ₹1,500 crore outstanding and securities with a minimum outstanding amount of over ₹100 crore are considered eligible, with up to 20 issuers ranked and selected based on liquidity.

SALIENT FEATURES OF THE ABSL CRISIL-IBX FINANCIAL SERVICES 3 TO 6 MONTHS DEBT INDEX

- **Roll-Down Strategy with a Twist:** As the scheme name suggests, unlike Target Maturity Funds, the scheme runs in perpetuity with quarterly rebalancing. On rebalancing, fresh securities with under 6 months to maturity are chosen, and old securities with under 3 months to maturity are sold. This offers an opportunity to monetise the kink in the yield curve driven by the structural demand for 3-month securities.
- **Rating Criteria:** The index has a clear approach to excluding any securities where the issuer's rating falls below AAA within the next 5 working days.
- **Diversification:** On rebalancing, the securities are targeted to have equal weights, and the index caps exposure to issuers at 15% and group companies at 25% to limit concentration risk.

WHY INVEST IN ABSL CRISIL-IBX FINANCIAL SERVICES 3 TO 6 MONTHS DEBT INDEX FUND?

- **Transparent Management:** The scheme will follow passive fund guidelines and track the benchmark, subject to tracking errors. The investments will adhere to the risk profile of the index, which allows transparency in evaluating security selection logic, performance and portfolio disclosures.
- **Seamless:** This open-ended scheme is not subject to entry or exit load and comes with no minimum holding period.
- **First-of-its-Kind Fund:** This fund is India's first debt passive scheme dedicated exclusively to securities within the financial services sector – Public and Private sector banks, NBFCs, Housing Finance companies and financial institutions. With focused sectoral exposure, the yield is higher relative to funds with G-Sec blends and other traditional saving instruments.

Wealth Creation Through Mutual Funds: A Smart Strategy for Financial Growth

Mutual funds provide a smart strategy for wealth creation by way of strategic planning, diversification, affordability, flexibility, good returns, tax benefits, and hedge against inflation, among others

In today's fast-paced world, financial independence and long-term wealth creation are essential goals. Achieving them requires strategic planning, disciplined investing, and a willingness to take calculated risks. Mutual funds are among the most accessible and efficient vehicles for wealth creation. They allow individuals to pool their money and invest in a diversified portfolio of assets, including stocks, bonds, gold, silver, and other instruments. Mutual funds have gained popularity due to their growth potential, ease of access, and professional management. Let's explore how mutual funds can help in wealth creation.

How Mutual Funds Contribute to Wealth Creation

- **Diversification**
  Diversification is a key benefit of mutual funds, as they invest in a wide range of assets across different industries, regions and asset classes. This helps reduce the impact of poor performance in any single asset, as losses can be offset by gains in others. By spreading risk, mutual funds offer a less volatile investment option compared to individual securities.
- **Professional Management**
  Mutual funds are managed by professional fund managers who conduct research, analyse trends and make informed investment decisions to align with the fund's goals while managing risk. This allows investors to benefit from expert management, making mutual funds ideal for those who lack the time or expertise to manage their own portfolios.

PRAVEEN KUMAR
CEO & Founder,
Growide Finserv Pvt LTD

- **Compounding Returns**
  Mutual funds allow the reinvestment of dividends and capital gains, leading to compound growth over time. The longer you stay invested, the more your investment grows, as returns generate additional returns, making compounding a powerful tool for long-term wealth creation. This is why mutual funds are an excellent tool for long-term wealth creation, especially when invested in consistently over time.
- **Accessibility**
  Mutual funds are accessible to both small and large investors, making them ideal for those without the time or expertise to manage investments. They allow for low initial investments (as low as Rs 500 per month), with the option to gradually increase your investment over time.
- **Liquidity & Flexibility**
  Most mutual funds offer liquidity, allowing investors to easily redeem investments whenever needed, based on the fund's net asset value (NAV).
- **Wide Range of Investment Options**
  Mutual funds offer a broad spectrum of investment options to suit different risk appetites and financial goals. Equity funds offer high returns with higher risk by investing in growth stocks, while bond funds are lower risk and focus on steady income through interest payments. Index funds track market indices like the S&P 500 or Nifty50, offering low costs and passive management for broad market exposure. With these options, mutual funds can be tailored to an investor's risk tolerance, horizons and goals, whether for aggressive growth, income or capital preservation.
- **Systematic Investment Plans (SIPs)**
  Mutual funds offer SIPs, which allow you to invest small amounts regularly. This disciplined approach promotes consistent investing, helps manage market fluctuations and benefits from rupee cost averaging, potentially lowering the average cost of investment over time.
- **Tax Benefits**
  Certain types of mutual funds, such as Equity-Linked Saving Schemes (ELSS), offer tax benefits under Section 80C of the Income Tax Act in India. This provides an added incentive for long-term investing while reducing tax liability.
- **Inflation Hedge**
  Over the long term, equity-based mutual funds generally tend to outperform inflation, ensuring your wealth grows at a rate that keeps pace with rising costs of living.

Mutual Funds: Your Gateway to Compounding Success

Mutual funds help investors compound and grow wealth as they invest in the right investments, potentially augmenting the compounding of returns. They also enable investors to get exposure to a larger range of securities with lower capital, effectively reducing risk

Most of us start striving for success and wealth very early on. We study diligently to get good grades, enroll into prestigious schools, opt for lucrative careers and work hard at our jobs. As you do everything to make it in this big bad world, you don't want to miss out an underrated and potent tool to create long term wealth - the power of compounding.

The power of compounding works when you not only earn income on the principal amount but also on the income that has already been earned. This is done by reinvesting the earned income instead of withdrawing it.

For example, if you earn 20% return on a principal of Rs 100, at the end of 1 year you would make Rs 20. If you choose to withdraw this Rs 20, only the original Rs 100 will be invested for the second year, earning Rs 20 again. Over a period of 10 years, this process of withdrawing gains and only letting the initial capital grow would create Rs 200 for you, bringing your total wealth to Rs 300, including the Rs 100 originally invested.

Instead, if you let the Rs 20 stay invested along with the principal of Rs 100, next year you stand to earn Rs 24 as the 20% return will now be generated on Rs 120 instead of just Rs 100. Over a period of 10 years, this process of reinvesting gains would create Rs 519 for you, bringing your total wealth to Rs 619, including the Rs 100 originally invested.

PRATEEK MITTAL CFP,
Mutual Fund Distributor

> **THE POWER OF COMPOUNDING WORKS WHEN YOU NOT ONLY EARN INCOME ON THE PRINCIPAL AMOUNT, BUT ALSO ON THE INCOME THAT HAS ALREADY BEEN EARNED. THIS IS DONE BY REINVESTING THE EARNED INCOME INSTEAD OF WITHDRAWING IT.**

Power of compounding thus lets your money make more money. To benefit from compounding, you don't need to have a big bank balance or be an investment expert. One of the most simple and convenient ways for a layman to take advantage of this financial phenomenon is through mutual funds. Mutual funds are investment vehicles which enable investors to outsource their capital market investments to professional fund managers for a small fee. The assets and securities to invest in are selected by the fund managers after rigorous research. These assets generate returns in the form of interest, dividends or capital gains. If reinvested, these can be used by the mutual fund to buy more of the underlying securities, allowing you to make money on the original sum invested as well as the subsequent earnings.

Instead of waiting to accumulate a lumpsum amount, investors can also opt for Systematic Investments Plans or SIPS which let you invest fixed amounts of money in mutual funds at regular intervals. These too can be used to benefit from compounding. Earlier instalments of SIP enjoy an extended investment horizon letting that money compound for longer. SIPs also ensure the investor regularly contributes to the principal amount, increasing it and amplifying the compounding process.

Mutual funds are a preferred way to compound and grow wealth as they have transparent processes and are well regulated. Being research-backed and professionally managed, mutual funds can help investors invest in the right investments, potentially augmenting the compounding of returns. Mutual funds enable one to get exposure to a larger range of securities with lower capital, effectively reducing risk. They are also very easily and quickly liquidated. To maximise compounding in mutual funds, it is important to start early and stay invested for the long term.

Ensure Your Investment Aligns With Financial Goals?

PRIYAM DAS, Email

Q I have accumulated a few bars of silver over time. I want to gift them to my nephew as his wedding gift this coming summer. The bills are all in my name. Do I need to write a Will as well while transferring the bars to him along with the bills?

A There are no liabilities on gifts received from an immediate member as covered by Section 56 of the Income-tax Act, 1961. A gift of more than ₹50,000 is to be reported by your nephew to the authority for income tax. Your transfer must also be attached with a gift deed in your name, with bills.

UMA S CHANDER
CFP® Handholding Financials

RADHEY SINGH, Email

Q **I want to start investing in mutual funds. Should I consider debt or equity mutual funds? Which will give a higher return? What all factors should I consider while choosing a fund?**

A Choose debt and equity funds according to your time horizon, risk appetite, and financial goals. Equity funds offer more returns in the long term, 5-7 years, or more. It does have some volatility in the short term and, hence, is best suited for your retirement planning or children education plans. Debt funds work better with short-term plans (less than 3 years). You must ensure that investment decisions match with the goals for which it has been made. In case of a bigger portfolio you may take professional advice from a certified financial planner.

MUKESH SAINI, Email

Q **What is a term plan with return of premium benefit? Is it financially prudent to buy a plain vanilla term plan that provides only death benefit or one with a return of premium benefit?**

A A term plan with return of premium provides life coverage and refunds the premiums if the policyholder survives the term. However, it is more expensive than a plain term plan. Instead of paying higher premiums, you can invest the saved amount in mutual funds for better long-term returns.

This type of plain term plan may be complemented by a critical illness rider and a personal accident policy. This will provide full cover on death, critical illness, or accidents that might temporarily or completely stop the earning potential.

SUHEL CHANDER
CFP® Handholding Financials

SWETA KAPOOR, Email

Q **I want to invest in mutual funds. Should I go for a systematic investment plan (SIP) or a flexible investment plan, where I can make a regular investment at a frequency of my choice?**

A SIP is a good investment option for monthly mutual fund investments since it uses rupee-cost averaging to buy units at different market prices, which may eventually help in lowering the average cost. This encourages financial discipline since investing in an SIP happens automatically, and there is less likelihood of skipping payments, unless you are redeeming the whole amount. It smoothens out market volatility, and historically, returns tend to be positive. On the other hand, flexi investment plan may give you freedom to invest at your will, but you may end up missing payments. Therefore an SIP is always preferred investment tool for steady and disciplined investing.

VARSHA TIWARI, Email

Q **How important is it to consider expense ratio while investing in mutual funds?**

A When investing in mutual funds, it is not only the investment goals and horizon that one should consider, the expense ratio should also be looked at. Returns for short-term goals (1-3 years) are likely to vary between 6 and 8 per cent per annum, while the target period of 4 to 8 years may lead to returns of 8 to 10 per cent per year, and investments of above 8 years may range over 12 per cent. Although the expense ratio directly impacts your net returns, a higher ratio may be justified if the fund performs well. It is essential to equate the expense ratio of the fund with its performance to meet your financial objective. It is always advisable to consult a professional financial planner who can help tailor the right approach for you according to your needs.

HINA SHAH
CFP® LUHEM3. Financial Coach & Mutual Fund Distributor

Liquid ETFs For Balancing Volatility And Return

Balancing volatility and returns is the ultimate goal of an investment. Liquid ETFs have the liquidity benefit and the risk of interest rate fluctuation. Still, they make for an attractive option for the short term

Investment Made Easy: Understanding Liquid ETFs

Outlook Money, in collaboration with ICICI Prudential AMC, hosted a webinar as part of the 'Investment Made Easy' series to discuss liquid ETFs and their potential as a flexible financial instrument. Moderated by Versha Jain, the session brought together Shradha Thakker, Lead Strategic Product Development at ICICI Prudential AMC, and Kaushik Ramachandran, Founder and CEO of Dyota Solutions Private Limited, to provide an in-depth understanding of liquid ETFs. Here are the takeaways.

A Flexible Tool For Investors

Thakker highlighted that liquid ETFs act as a link between traditional savings and higher-yield investment options. She explained that these funds invest in highly liquid instruments such as treasury bills and tri-party repos with maturities of less than 91 days. "Their low-risk nature and ability to provide same-day liquidity make them a prudent choice for managing surplus funds," she stated.

Ramachandran highlighted the ease of investing in liquid ETFs, likening the process to trading stocks. " A demat account and broker association are all you need. Transactions are settled on a T+1 basis, offering both convenience and efficiency," he said.

Balancing Risks And Returns

While liquid ETFs boast numerous benefits, Thakker underscored the importance of understanding the risks. She explains that interest rate fluctuations and potential liquidity constraints can impact returns. However, the underlying debt instruments in these ETFs help mitigate volatility and provide stability for short-term investments.

Thakker also explained tax implications and said that liquid ETFs are taxed at the investor's income slab rate, in contrast to equity ETFs, which enjoy favourable long-term capital gains tax rates. Investors were urged to factor in these differences when exploring their options.

Maximising Financial Efficiency

Ramachandran discussed liquid ETFs' strategic advantages for high-networth individuals and frequent traders. "These ETFs are particularly beneficial for those seeking to optimise idle cash or use them as margin funding for equity trades," he remarked. The low expense ratios and efficient structure make these ETFs cost-effective for managing short-term cash flows while earning competitive returns.

Thakker added that choosing the right liquid ETF requires careful evaluation of the fund's expense ratio and the reputation of the asset management company. "These factors ensure lower tracking errors and better liquidity on exchanges, making transactions seamless for investors," she said.

Why Liquid ETFs?

These ETFs fill the gap between savings accounts and traditional mutual funds by providing a flexible option to manage short-term capital. Kaushik Ramachandran concluded, "For durations under a month, liquid ETFs offer unparalleled convenience and efficiency in today's financial landscape." For investors looking to diversify their portfolio or park surplus funds, liquid ETFs present a promising option.

The webinar underscored that with careful planning and informed decisions, investors could utilise liquid ETFs to unlock greater value from their idle cash.

For more insights and expert opinions, stay tuned to Outlook Money as we continue to bring actionable financial wisdom to our readers.

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Outlook RESPONSIBLE TOURISM

Every year, the Indian Responsible Tourism Awards celebrate and empower extraordinary people and organisations, from across the country, working to future-proof travel by embracing sustainable and climate-friendly practices, both enriching our journeys and making them gentle on our blue planet. This year, the Awards will be held in the Rann of Kutch, Gujarat's luminous white salt desert, alongside the Rann Utsav.

Come, explore the Rann with us. Come, reimagine what travel can be.

TRAVEL next

Venue: **Rann Utsav, Tent City, Dhordo Village, Kutch, Gujarat**
Date: **22nd February**
Time: **10:00 am** to **7:30 pm**

STATE PARTNER: Meghalaya Tourism

DESTINATION PARTNER: TURESPAÑA España

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Gujarat Chapter

22nd February

2025

INDIAN RESPONSIBLE TOURISM STATE AWARDS

Rann Utsav, Tent City, Dhordo Village
Kutch, Gujarat

This February, we invite you to the inaugural edition of the Indian Responsible Tourism State Summit & Awards in Gujarat — one of the first states in India to promote sustainability in tourism. The Awards will be held in the luminous Rann of Kutch, where we will celebrate the remarkable ambassadors of Responsible Tourism in Gujarat and tell their incredible stories to India and the world.

Come, explore Gujarat with us.
Come, reimagine what travel can be.

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Bhuj House

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Bhuj House

Aditi Chanchani
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India Working Group
Global Sustainable Tourism Council

Chirag Munjani
Founder
Rural Pleasure Journeys

Rushina Munshaw Ghildiyal
Author
Culinary Consultant
Culinary Chronicler

Dr R K Nair
Green Hero Of India Gujarat state awardee 2023

Prof. Rabindra J Vasavada
Architect FIIA FRAS - Architecture Conservation and Historic Building Restoration.

Dr M K Ranjitsinh Jhala
Author
Wildlife & Nature Conservationist

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Pre-Existing Diseases In Insurance

By **Meghna Maiti**

Understanding pre-existing diseases (PEDs) in health insurance is crucial because they can affect your coverage and premiums. Pre-existing conditions, such as diabetes or heart disease, are health issues you may already have and know of before purchasing insurance. Many policies impose waiting periods before these conditions are covered or may come with higher premiums due to increased risk.

Knowing the limitations, exclusions of your policy, and how your insurance company handles pre-existing conditions will help you make informed decisions, avoid surprises, and ensure you have the necessary coverage when needed or seek an additional coverage if required.

THE COVERAGE

- The Insurance Regulatory and Development Authority of India (Irdai) has recently revised health insurance guidelines, reducing the waiting period for PEDs from four to three years. This has made coverage for PEDs more accessible. There is no coverage for PEDs during the waiting period.
- After three years of continuous policy renewal, policyholders can generally file claims for treatment related to pre-existing conditions, provided these conditions were fully and accurately disclosed during the application process.
- Coverage for PEDs begins once the waiting period is over, but certain conditions or experimental treatments may still be excluded based on the specific terms and conditions of the policy.

SPECIALISED COVERAGE

- There are riders, which can be added to the base health insurance policy, to provide coverage for PEDs.
- PED reduction riders reduce the waiting period for pre-existing conditions, typically shortening it from three to four years to around a year. Also in some cases, the coverage starts after a 30-day waiting period, depending on the policy.
- However, in case of diabetes related ailments, some policy riders provide the coverage from day one.
- Premiums for policies that cover PEDs are usually higher than that of standard health insurance policies due to the higher risk involved, although the exact amount can vary based on several factors.

PROPER DISCLOSURE IS ESSENTIAL

- Policyholders must disclose any known pre-existing conditions, including diagnosed conditions, symptoms, or relevant health history at the time of filling the form to buy health insurance.
- Failure to disclose all the known medical details or ailments may result in denial of coverage or rejection of claims.
- The underwriter will evaluate the information to determine how pre-existing conditions affect coverage or claims.
- Some policies may have waiting periods before coverage for pre-existing conditions begins, which could impact the policyholder's ability to claim benefits if something were to happen during that period. A full understanding of these terms is extremely crucial

An Investor Education and Awareness Initiative by Mirae Asset Mutual Fund.

All Mutual Fund investors have to go through a one-time KYC (Know Your Customer) process. Investors should deal only with Registered Mutual Funds (RMF). For further information on KYC, RMFs and procedure to lodge a complaint in case of any grievance, you may refer the Knowledge Center section available on the website of Mirae Asset Mutual Fund.

You may consult your Financial Advisor or Mutual Fund Distributor before taking decisions.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.