

Financial Planning For All Stages in Life...



**MEERA
NAAM
JOKER**

**PEHLA GHANTA
BACHAPAN**

DUSRA JAWANI

TISRA BUDHAPA

AUR USKE BAADD...



PEHLA GHANTA BACHPAN



Financial Planning for all stages in life...

Pehla Ghanta Bachpan

Is financial planning so important in life?

We always say...

- ✓ **My son / daughter is too young. Let he / she concentrate on studies.**

Pehla Ghanta Bachpan

Pehla Ghanta Bachpan

- ✓ **Importance of finance in life.**
- ✓ **Concept of income & expenditure.**
- ✓ **Concept of savings.**
- ✓ **Importance of savings.**
- ✓ **Importance of savings early in life.**
- ✓ **What is Direct Tax – Income Tax.**
- ✓ **What is Indirect Tax – GST.**

Pehla Ghanta Bachpan

Pehla Ghanta Bachpan



DUSRA JAWANI

Dusra Jawani

Is financial planning so important in life?

We always say...

- ✓ I am a businessman / professional.
Finance is the work of my Accountant & CA.

Dusra Jawani

Accounts & Taxation

Accounts & Taxation

Maintenance of proper books of accounts.

- ✓ To be compliant to law.
- ✓ What is my income ?
- ✓ What are my expenses ?
- ✓ Show financial capacity.
- ✓ Are my transactions, assets and liabilities correctly reflected ?

Accounts & Taxation

Claim of expenditure

- ✓ Section 37 of Income Tax Act : Expenditure wholly and exclusively for the purpose of business or profession.

Accounts & Taxation

Payment to relatives

- ✓ Salary.
- ✓ Commission.
- ✓ Interest.
- ✓ Purchase of goods.
- ✓ Payment of fees.
 - At fair market value.
 - For needs of the business.
 - Benefit has been derived.

Accounts & Taxation

Interest bearing funds should not be used to give interest free loan / deposit

- ✓ **Borrowed funds having nexus with interest free loans.**
- ✓ **No specific nexus between borrowed funds & interest free loans.**

Accounts & Taxation

Concept of block of depreciable assets Sec. 32 of the Income Tax Act

15% Block (Motor Car)

Op. Balance	3,76,000/-
Less : Car Sold	5,00,000/-
Add : Car Purchased	12,00,000/-

	10,76,000/-

10% Block (Building)

Op. Balance	22,00,000/-
Less : Building Sold	1,36,00,000/-
Add : New Building	3,00,00,000/-
Constructed	-----
	1,86,00,000/-

10% Block (Building)

Op. Balance	22,00,000/-
Less : Building Sold	1,36,00,000/-

Capital Gain U/s. 50	1,14,00,000/-

Can be invested in Capital gain bonds U/s.
54EC. - Limit 50 Lakh.

Accounts & Taxation

Payment in cash

- ✓ U/s 40 A(3) any expenses in cash above Rs. 20,000/= (From 01-04-2017 Rs. 10,000/=) shall not be allowable.
- ✓ Cash payment of Capital Expenses above Rs. 10,000/= shall be considered as a part of actual cost of asset U/s. 43(1). (From 01-04-2017).

Accounts & Taxation

Payment in cash

- ✓ Payments for purchase of any immovable property cannot be made by cash in excess of Rs. 20,000/= . (Sec. 269T). Provision for 100% Penalty.
- ✓ U/s 269SS & 269T, loan of Rs. 20,000/= and above can be received or repaid only by A/c Payee cheque or ECS.

Accounts having a balance of Rs. 20,000/= or more, no cash receipt / payment allowed.

Accounts & Taxation

Insertion of new section 269ST. Mode of undertaking transactions – From AY 2017 – 18.

✓ 269ST. No person shall receive an amount of two lakh rupees or more—

- in aggregate from a person in a day; or
- in respect of a single transaction; or
- in respect of transactions relating to one event or occasion from a person, otherwise than by an account payee cheque or an account payee bank draft or use of electronic clearing system through a bank account:

Penalty U/s 271 DA equivalent to amount received.

Accounts & Taxation

Tax planning related to Gifts

- ✓ Gifts to the extent of Rs. 50,000/= is exempted.

Gifts from relatives without any upper limit is exempted.

Relative means :

- In case of an individual

(A) Spouse of the individual.

(B) Brother or Sister of the individual.

(C) Brother or Sister of the spouse of the individual.

(D) Brother or Sister of either of the parents of the individual.

(E) Any lineal ascendant or descendant of the individual.

(F) Any lineal ascendant or descendant of the spouse of an individual.

(G) Spouse of the person referred to in items (B) to (F).

- In case of a Hindu Undivided Family, any member thereof

Accounts & Taxation

Tax planning related to Gifts

- ✓ Provision of Section 68 needs to be kept in mind. Identity, Genuinity, Credit worthiness needs to be proved.
- ✓ Some interesting instances of Tax Planning.

Accounts & Taxation

Are we operating with a right business format?

- ✓ **Proprietorship.**
- ✓ **Partnership.**
- ✓ **LLP.**
- ✓ **Pvt. Ltd.**

Accounts & Taxation

Ideal tax planning for a family

**All the assesses of the family should be
taxed in the same rate.**

Accounts & Taxation

Scrutiny Proceedings by Income Tax

Why is a case selected for scrutiny

- ✓ Computer Aided Scrutiny Selection (CASS) form Data furnished in your return of Income.
- ✓ Annual Information Return (AIR) verification.
For instance : Cash Deposit in Savings / Current Account etc. etc.
- ✓ Search & Survey cases.

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Financing

Financing

- ✓ The need for money can be met by several routes. Select the route which is easy in sanction & cost.
- ✓ The interest paid should be tax deductible from Income Tax.
- ✓ Never to borrow beyond the set norms by giving incorrect information.

Financing

- ✓ We should have a clear plan for repayment of loan.
- ✓ Financial strength should be on paper to bargain best rates of interest & terms of loan.
- ✓ The person on whose shoulder the responsibility to pay the loan lies, should be insured by a term plan.

Financing

- ✓ Never borrow & invest in illiquid asset like real estate.

Never borrow and invest. Investment should be only from savings.

- ✓ Never borrow because the loan is available. You will fall in Debt Trap.

- ✓ Never borrow for unrelated diversification or leisure of assets (holiday home) etc.

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Investing

Investing

Save Regularly

Invest Regularly

Investing

We invest only in our business...

- ✓ **Do you put all eggs in one basket?**
- ✓ **Build a corpus (treasury) beyond the business.**
- ✓ **Insignificant investments will not help.**

Investing

There are only 4 avenues of investment in the world

✓ **Equity**

- Direct Equity
- Equity Mutual Funds
- Foreign Equity
- PMS
- ULIP / Pension

✓ **Debt – Fixed Income Investments**

- Bank FD
- Pvt. Company FD
- Tax Free Bonds
- Debt based Mutual Funds
- ULIP / Pension

✓ **Real Estate**

- Plot or Land
- Residential Property
- Commercial Property
- Rented Property
- Agricultural Land

✓ **Precious Metal**

- Gold
- Silver
- Gold ETF

Investing

Factors to be considered in taking investment decision on asset allocation

- ✓ No asset class is good or bad.
- ✓ What is important is, does it suit me ?
- ✓ Consult a Financial Advisor not an investment or insurance agent but having knowledge of Debt, Equity, Real Estate, Taxation and Financial Laws.

Investing

Comparison between Equity, Fixed Deposits, Real Estate, Gold & Silver.

Asset Class	Value As on 01-04-81	Value As on 31-03-18	CAGR %	Taxation
BSE Sensex	100	32968.68	16.97%	10% above 1 lakh on gain after 01-02-2018
Fixed Deposit	1,00,000	19,60,000	8.38%	0%, 5%, 20% , 30%
Real Estate	1,00,000	1,50,00,000	14.50%	20% after indexation
Gold	1,670 (Per 10 gms)	30,680	8.18%	20% after indexation
Silver	2,715 (Per Kg)	38,355	7.42%	20% after indexation

OUR BELIEF : Real Estate gives the best returns

Investing

OUR BELIEF : Fixed Deposits are the best

Sleep peacefully – Relax – No tensions

What is the real rate of return?

Rate of Return – Rate of Inflation = Real Return

Investing

FD & Bonds with high rates of interest

✓ Pure Finance companies.



✓ Finance company backed with an diversified group.

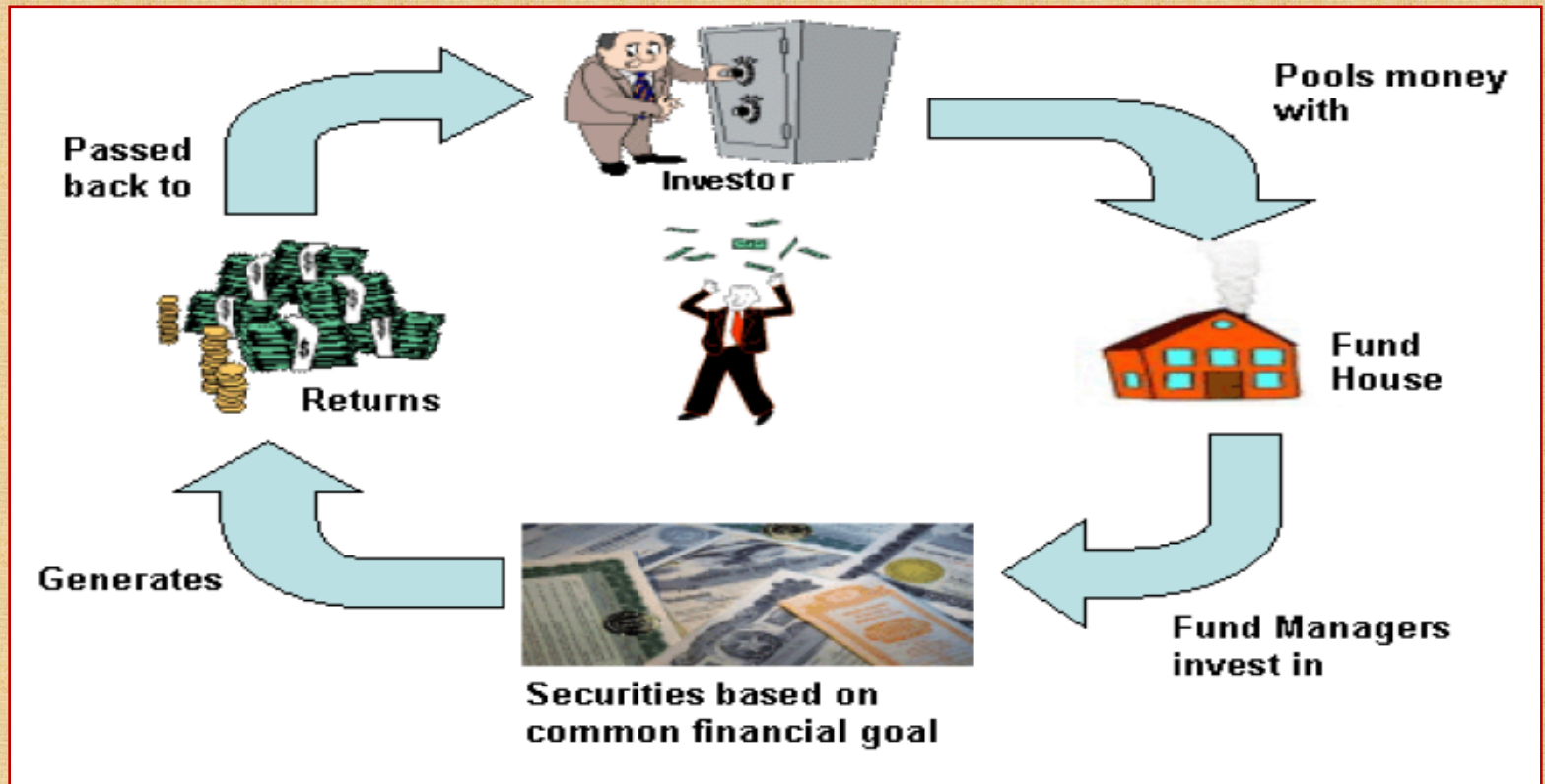


Tax Free Bonds

An attractive option for highest tax bracket investors.

Investing

Mutual Fund – A Vehicle for Investment in Debt, Equity How does it operate?



Investing

Advantages of Mutual Funds

1. Professional Management
2. Diversification
3. Convenient Administration
4. Return potential
5. Low cost
6. Liquidity
7. **Transparency**
8. Flexibility
9. Choice of schemes
10. **Well regulated**
11. **Tax benefits**



Investing

Mutual Funds outperforms the BSE Sensex

Indices	01/04/2015	28/03/2018	Difference in %
Sensex	28260.14	32968.68	16.66
Mutual Fund Scheme			
Large Cap			
Name of the scheme	NAV (Rs.)	NAV (Rs.)	Difference in %
SBI Bluechip Fund	29.0819	39.0107	34.14
Birla Sun Life Top 100 Fund	43.5587	54.8945	26.02
Franklin India Bluechip Fund	359.231	433.9091	20.79
Mutual Fund Scheme			
Multi / Flexi Cap			
Name of the scheme	NAV (Rs.)	NAV (Rs.)	Difference in %
Birla Sun Life Adv. Fund	37.24	49.74	33.57%
DSP BlackRock Opp. Fund	150.474	211.546	40.59%
Franklin India Prima Plus	447.7477	563.4348	25.84%

Investing

Mutual Funds outperforms the BSE Sensex

Indices	01/04/2015	28/03/2018	Difference in %
Sensex	28260.14	32968.68	16.66
Mutual Fund Scheme			
Mid Cap			
Name of the scheme	NAV (Rs.)	NAV (Rs.)	Difference in %
L & T India Value Fund	24.07	35.953	49.37
DSP BR Small & Midcap Fund	36.502	54.613	49.62
Mutual Fund Scheme			
Small Cap			
Name of the scheme	NAV (Rs.)	NAV (Rs.)	Difference in %
L & T Emerging Business Fund	14.715	26.796	82.10
Birla SL Small & Midcap Fund	24.2264	40.1155	65.59

Investing

Investment in Mutual Funds through SIP

SIP – Systematic Investment Planning

...it is a method of investing a fixed sum, at a regular interval, in a mutual fund.

It is very similar to monthly saving schemes like a recurring monthly deposit / post office deposit

Advantages of Systematic Investment Planning

- Encourages Regular Investments (just like recurring deposit schemes)
- A Convenient way to invest regularly
 - Lower initial investment without cutting into regular expense
- Long term perspective
- **Rupee Cost Averaging Benefit** to counter volatility - it brings down the average cost of your Investments
- No timing the market!!!
- Meet investment objective with investment needs



Investing

Power of Compounding

Year of Investment

Rate of Return

Savings Per Month	Total Amount Saved	For Years	Value of Investment			
			8%	12%	15%	20%
Rs. 10,000	Rs. 6,00,000	5	7,39,675	8,24,864	8,96,817	10,34,554
Rs. 10,000	Rs. 12,00,000	10	18,41,698	23,23,391	27,86,573	38,23,735
Rs. 10,000	Rs. 24,00,000	20	59,29,769	99,91,479	1,51,59,550	3,16,16,708
Rs. 10,000	Rs. 36,00,000	30	1,50,04,175	3,52,99,138	7,00,98,206	23,36,31,069

Power of compounding is the 8th Wonder of the World - Albert Einstein

Investing

Returns of PPF Vs. ELSS

Period	Amount Deposited Every Year	Total Investments	PPF Investments		HDFC Tax Saver Fund		Sensex
			Rate of Interest	Valuation in PPF	NAV	Valuation	
29-Mar-1996	1,00,000.00	1,00,000.00		1,00,000.00	10.00	1,00,000.00	3,367
31-Mar-1997	1,00,000.00	2,00,000.00	12.00%	2,12,000.00	9.04	1,90,400.00	3,361
31-Mar-1998	1,00,000.00	3,00,000.00	12.00%	3,37,440.00	12.40	3,61,168.14	3,893
31-Mar-1999	1,00,000.00	4,00,000.00	12.00%	4,77,932.80	19.84	7,74,260.86	3,740
31-Mar-2000	1,00,000.00	5,00,000.00	11.00%	6,30,505.41	41.56	22,95,333.78	5,001
30-Mar-2001	1,00,000.00	6,00,000.00	9.50%	7,90,403.42	15.72	18,54,130.77	3,604
28-Mar-2002	1,00,000.00	7,00,000.00	9.00%	9,61,539.73	19.86	24,42,432.38	3,469
31-Mar-2003	1,00,000.00	8,00,000.00	8.00%	11,38,462.91	18.64	23,92,393.74	3,049
31-Mar-2004	1,00,000.00	9,00,000.00	8.00%	13,29,539.94	40.12	52,49,678.86	5,591
31-Mar-2005	1,00,000.00	10,00,000.00	8.00%	15,35,903.14	67.56	89,39,002.69	6,493
31-Mar-2006	1,00,000.00	11,00,000.00	8.00%	17,58,775.39	131.22	174,63,413.32	11,280
30-Mar-2007	1,00,000.00	12,00,000.00	8.00%	19,99,477.42	133.88	179,17,278.23	13,072
31-Mar-2008	1,00,000.00	13,00,000.00	8.00%	22,59,435.61	152.02	204,44,666.48	15,644
31-Mar-2009	1,00,000.00	14,00,000.00	8.00%	25,40,190.46	97.06	131,53,681.50	9,901
31-Mar-2010	1,00,000.00	15,00,000.00	8.00%	28,43,405.70	205.68	279,72,990.30	17,692
31-Mar-2011	1,00,000.00	16,00,000.00	8.00%	31,70,878.15	232.90	317,75,131.84	19,445
30-Mar-2012	1,00,000.00	17,00,000.00	8.60%	35,43,573.67	223.70	306,19,952.74	17,478
28-Mar-2013	1,00,000.00	18,00,000.00	8.80%	39,55,408.16	225.33	309,43,066.39	18,865
31-Mar-2014	1,00,000.00	19,00,000.00	8.70%	43,99,528.67	276.79	381,10,274.34	22,386
31-Mar-2015	1,00,000.00	20,00,000.00	8.70%	48,82,287.66	404.76	558,29,774.07	28,504
31-Mar-2016	1,00,000.00	21,00,000.00	8.70%	54,07,046.69	354.03	489,31,259.11	25,270
31-Mar-2017	1,00,000.00	22,00,000.00	8.10%	59,45,017.47	472.69	654,31,748.36	29,910
Valuation as 31/03/2017		22,00,000.00	8.10%	59,45,017.47	472.69	654,31,748.36	29,910.22

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Protecting

Protecting

Life Insurance

Traditional Plans



Term Plans

(older versions which were expensive)



Term Plans

(newer versions which are cost efficient)

Protecting

Health Insurance

- ✓ Availability of medical treatment.
- ✓ High cost of medical treatment.
- ✓ Liquidity at the time of health issues.
- ✓ Unavailability of person in charge to organise funds.
- ✓ Assurance of medical treatment.

Protecting

Asset Insurance

- ✓ Take interest in what is insured and at what value.
- ✓ What is the type of insurance – Present Market value or Reinstatement.
- ✓ Are all my assets insured ?



TISRA BUDHAPA

Tisra Budhapa

Is financial planning so important in life?

We always say...

- ✓ **I am a retired person, now I need not know finance. Life is slow, steady & simple.**

Tisra Budhapa

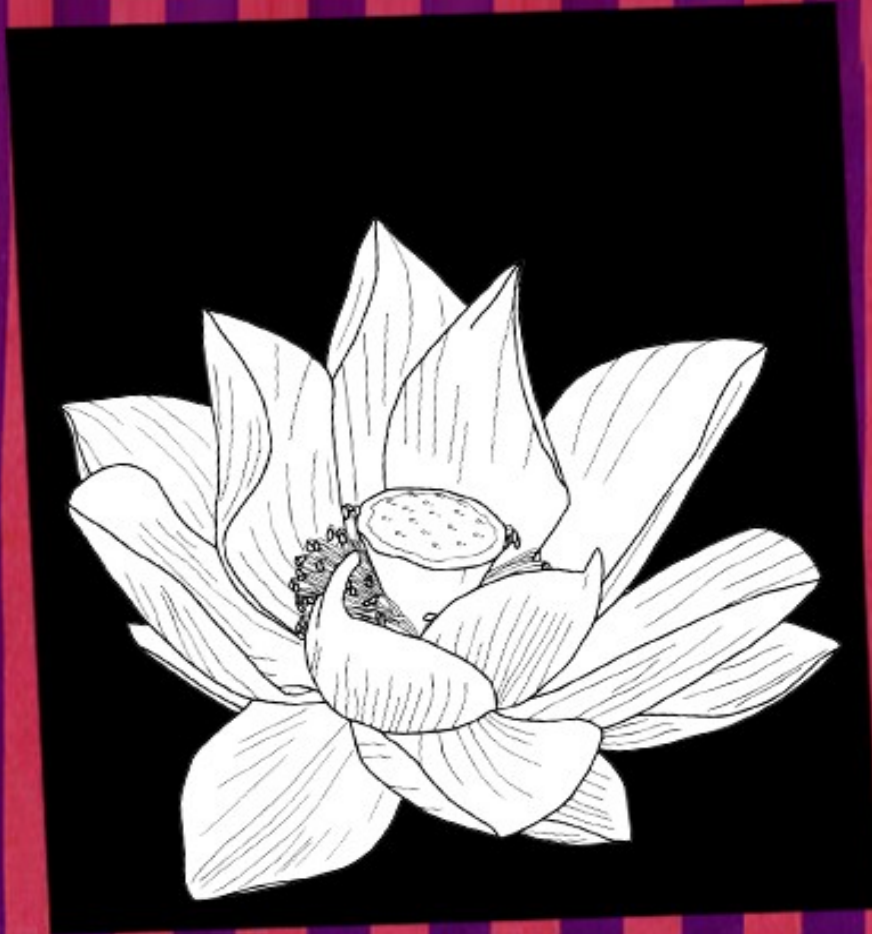
- ✓ Age to spend money on avenues which are close to your heart rather than savings.
- ✓ Should continue to give equal attention to accounts & taxation.
- ✓ Adequate cover for all kinds of insurances like health & assets insurance but no need for life insurance.

Tisra Budhapa

- ✓ Investments concentration on Fixed Income investments only if he / she is dependent on income from those investments.
- ✓ Do not avoid equity oriented assets for any excess funds that you may have. Equity based savings are important tool to fight inflation in a long term.
- ✓ Systematic Withdrawal Plan (SWP) from Equity or Debt Mutual Funds can work as a tax efficient tool to generate regular cash flow.

Tisra Budhapa

- ✓ Refrain from borrowing on assets which can impact your quality of life.
- ✓ Keep money in Liquid Mutual Funds for emergency needs of funds rather than savings bank account.
- ✓ Keep your investment & assets in your name & control. Do not compromise ownership for taxation considerations.



**AUUR
USKE
BAaDd...**

Aur Uske Baadd...

Is financial planning so important in life?

We always say...

- ✓ I need not plan for life after death. Let my heirs sort out the affairs.**

Law of succession for Hindus

Possibility – I

A Hindu dies without executing a WILL

- ✓ **Hindu Male : Class I heirs**
Mother, Widow, Daughters, Sons, Heirs of the deceased son / daughter. (father not included).
- ✓ **Hindu Female : Class I heirs**
Sons, daughters, Children of predeceased son/daughter and the husband. (Father, mother, Father-in-law, Mother-in-law not included).
- ✓ **What happens in case of :**
 - Immovable Assets • Assets in which nominees provided
 - Movable Assets • HUF Property

Law of succession for Hindus

Possibility – II

A Hindu dies after executing a WILL

- ✓ His / Her WILL expressed in the WILL shall be the basis for the distribution of the assets.
- ✓ What happens in case of :
 - Immovable Assets
 - Assets in which nominees provided
 - Movable Assets
 - HUF Property

Law of succession for Hindus

Procedure on death (immovable assets)

In case a Hindu dies intestate
(without executing a Will)

Heirship Certificate.



Property bequeathed to all or any
of the legal heirs.

In case a Hindu dies after
executing a Will

Letter of Administration with Will
(Probate).



Property bequeathed to the
beneficiaries of the Will.

Law of succession for Hindus

Points which we should not miss at the time of drafting of a Will

- ✓ Does the Will take care of all possible eventualities?
- ✓ Does the Will leave any room for conflict?
 - Will should be explicit about making certain provisions.
 - Property bequeathed jointly.
 - Loose ends in distributions of assets.



THANK YOU...



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