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It's the right time to invest and save TAX!

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An effective financial portfolio is one which offers an adequate financial cover, tax savings benefits and overall protection. With the new financial year around the corner, this seems to be an opportune moment to lay down financial goals for coming years and tick mark all your essential tasks that can assist in tax saving and subsequent benefits. Investments made in the last quarter of the year brings in two advantages, primarily, an individual can evaluate his/her financial kitty and can re-align investments to save their hard earned money from taxes and secondly, this also makes certain money reserves for the upcoming financial year so that one starts saving from very beginning. It won't be wrong to say investment works on a simple thumb rule of the sooner the better.

Habitually, individuals neglect taxes and other financial matters until the last minute or due to some other dependency, which can ultimately lead to cash shortage or last-minute financial crisis to deal with. Such unplanned investment in most of the cases leads to biased buying or bogus investments where a customer is unable to reap the long term benefits. Furthermore a

major reason behind this is also that they have either not planned their financial goals or haven't well aligned tax planning vis-a-vis financial goals. Hence, an individual should take the comprehensive financial planning approach that involves listing down their long and short term financial goals, crafting a financial portfolio and accordingly investing in financial products that offer maximum tax benefits.

While working on this pool, a customer should consider given investment avenues:

- Term Insurance: Term Insurance is generally not an investment tool in the financial portfolio but a tool to provide financial security. Term Insurance offers the benefits of tax savings, a customer can claim tax exemptions on the premium paid towards the pure term insurance plan (including critical illness cover) under section 10(10D) and Section 80C of the Income Tax Act 1961 along with providing financial security to your family members.
- Health Insurance (One Plan, One Family): Health Insurance is important in a financial portfolio to ensure safety in times of need. With the increasing health expenses in current times, an individual needs to have health insurance as an insurer agrees to cover full or part of her health care expenses in exchange for regular payments, known as premiums. This investment plan also offers tax benefits under Section 80D on insurance premiums with a maximum deduction in a financial year if the premium is paid or Rs. 25,000, whichever is lower
- Investing in Endowment and moneyback Insurance Plans: These plans are form of long-term investment plan that not only offers investment opportunity but also acts as protection plans. These plans aim at supporting the individual and their family when they live on, in contrast to protection plans, which are designed to financially secure the individual's family in the event of death. Tax saving benefits are available under Section 80C of the Income Tax Act
- Investing in Pension plans: Pension Plans are an alternate form of long-term investment plan that not only offers financial security post retirement so that you can continue to live the way you were living pre-retirement. According to the Section 80CCC (sub-section under Section 80C) of the Income Tax Act contributions towards pensions are tax free

- Other Investment Options: EEE investments are the most tax-efficient in the market. There are several investment options available under this option such as PPF, ELSS and ULIPs. ULIPs are the investment scheme for long-term investors and risk oriented. ULIPs offer free bonus units to investors who keep investing for more than five or ten straight years. PPF is one of the safest investment options for long-term investors. The return on the PPF account is safe but linked to market rates but combats inflation in a longer run. Apart from this NSC is also a government regulated savings scheme which offers long term savings with fixed rate of interest for the customer. Investment made in mutual funds falling under ELSS category also provides tax benefits, customer here enjoys the flexibility of SIPs or a Lumpsum amount to be paid for certain mutual funds which provides good financial corpus over the years

A wise tax-saving investment should aim to generate income exempted of taxes. It would be a wiser strategy to start investing from first quarter of the fiscal year rather than waiting until the end of the fiscal year and choosing ad hoc tax-saving instruments, giving taxpayers more time to plan their investments and receive the timely benefits. While choosing the best tax-saving investment strategy, factors like the fund's safety, liquidity and size of returns should be duly considered and discussed with the specific agent or seller.

The article has been authored by Tarun Rustagi, Chief Financial Officer, Canara HSBC Life Insurance

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