INVESTMENT Simplified

Financial Freedom

- What does this mean from the Word
  - Self sufficiency – Prov 30:7-9
  - To be a blessing to others.

Financial Freedom

- Pre requisite from the Word
  - Obedience
    - walk in step with God
    - ... seek ye first … Mat. 6:33
    - … to obey is better than sacrifice … 1 Sam 15:22
  - Tithing – be faithful
  - Decide to give – there is joy in giving
    - … you will be made rich in every way so that you can be generous on every occasion … 2 Cor 9:11
    - ... more blessed more to give than receive. Acts 20:35
  - Ask for wisdom
    - Solomon asked for wisdom and wealth followed
    - … in Christ are hidden treasures of wisdom … Col 2:3

Financial Freedom

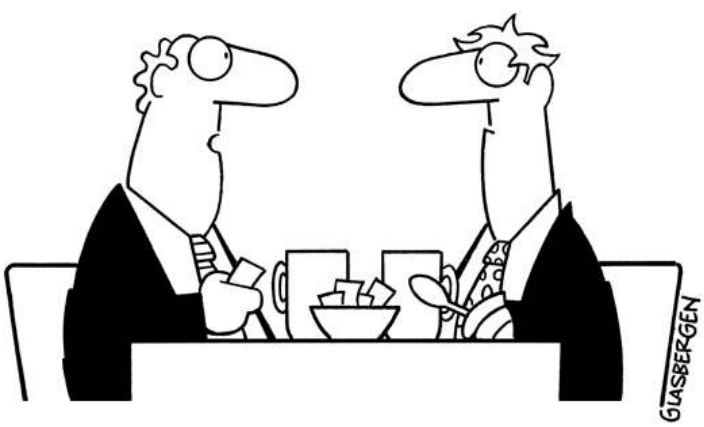
- Is. 45:3

  " I will give you treasures of darkness, riches stored in secret places, so that you may know that I am the Lord, the God of Israel …"

Financial Freedom

"I'm the Bluebird Of Fleeting Happiness.
You've been pre-approved for another credit card!"

Why Invest



"So far I've got $900 saved for my retirement
plus 250,000 little packets of sugar,
ketchup and crackers."

Planning & Setting Goals – akin to a road trip

- where are you going
  - your financial goal
- how long is your trip
  - timeline
- what should you pack
  - type of investment to make
- how much gas should you fill up
  - funds needed to reach your goal
  - how much can you set aside
- will you need to stop on the way
  - short term needs

Basics of investing

- Know yourself
  - your comfort with risk
    - how will you respond when your investment value declines
- Make realistic expectations
  - keep fear and greed in check
  - don't let hype cloud your perspective

Basics of investing

'A' invests 1000/year when 15
for 10 years @ 12%.
Investment of 10,000
becomes 18 lakh at 65 years

'B' invests 10000/year when 40
for 25 years @ 12%.
Investment of 2.5 lakh
becomes 15 lakh at 65 years

Investment Avenues

- Life insurance
- PO schemes
- Deposits
- Bonds Debentures
- Real Estate
- Bullion
- Equities / Mutual Funds

Investment Influencers

- Age
- Risk appetite
- Return frequency
  - regular / capital appreciation
- Time horizon
- Liquidity
- Need to save tax

Asset Allocation

Age (years)	% in Equity
25 – 40	Upto 70%
40 - 55	40 to 60%
55+	10 to 15%

Investment Avenues

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Insurance Schemes

- **Endowment Policy**
  - annual premium
  - insured amount is payable either at the end of term or upon the death
- **Money Back Policy**
  - periodic "survivance payments"; lumpsum on surviving term
  - on death, during the term - full sum assured paid
- **Salary Saving Scheme**
  - payment of premiums from the salary by employer
- **Whole Life Policy**
  - Premiums are paid throughout the life time of life assured
- **With-Profit policy**
  - Policies entitled to bonus; paid at the time of death or maturity
- **Without-Profit policy**
  - These policies are not entitled to participate in bonuses.

Insurance Schemes

- Tax benefit from premium payments
- Maturity amount is not taxable

PO Schemes

Why should you invest in PO Schemes

- Offered by the Government of India.
- Risk-free investment
- No Tax Deduction at Source (TDS).
- Attractive rates of interest.

PO Schemes

- Post Office Monthly Income Scheme
- Post Office Time Deposit Scheme
- Post Office Savings Account
- National Savings Certificate
- Kisan Vikas Patra

Govt schemes through PO & Nationalised Banks:

- Public Provident Fund
- Senior Citizen's Savings Scheme

PPF

- Interest at 8% **compounded** annually.
- Min deposit 500/- p.a; max 70k p.a
- Interest is totally tax free
- 15 year scheme; loan, withdrawal allowed
- Account can be opened either in a PO or in a Nationalised Banks.
- Deposit qualifies for 80C rebate
- Excellent option for long term investment.
- No risk

National Savings Certificate (NSC)

- Min investment Rs. 500/- ; Max no limit.
- A tax saving investment under Sec 80C
- Interest 8% compounded half yearly
- No premature encashment.
- Annual interest earned is deemed to be reinvested and qualifies for tax rebate for the first 5 years under section 80C
- Safe medium term investment

Senior Citizen's Saving Scheme

- 9% interest per annum payable quarterly – tax free (?).
- Min deposit: 1000/- max 15 Lakhs.
- 5 year scheme; can be extended for a further period of 3 years.
- Premature closure facility is available after 1 year with nominal penalty.
- Risk free investment.

What is a Mutual Fund

- A Trust that pools the savings of a number of investors who share a common financial goal
- Prof. managers invest these funds to help investors achieve their goals

Advantages of a MF

- Prof expertise / Management
- Diversification
- Liquidity
- Economy of scale
- Transparency
- Choice of schemes
- One stop shop / Convenience

Disadvantages of a MF

- Prof expertise / Management?
- Costs
  - entry / exit load
- Dilution
  - holding across many companies
  - minimal impact from good returns from few companies
- Taxes

Tax efficiency of MF's

- Dividend is tax free in the hands of the investor
- Capital gains tax benefit
- Indexation benefit
- 80C benefit for ELSS

Types of MF's – by objective

- **Growth Schemes**
  - also known as equity schemes
  - to provide capital appreciation over medium to long term
  - invest a major part of their fund in
- **Income Schemes**
  - also known as debt schemes
  - to provide regular and steady income
  - invest in fixed income securities such as bonds and corporate debentures
  - Capital appreciation in such schemes may be limited.
- **Balanced Schemes**
  - to provide both growth and income
  - invest in both shares and fixed income securities

Types of MF's – by objective

- **Money Market Schemes**
  - to provide easy liquidity, preservation of capital and moderate income
  - invest in short-term instruments, such as treasury bills, certificates of deposit, commercial paper
- **Tax Saving Schemes :**
  - offer tax rebates to the investors under tax laws
- **Index Schemes :**
  - attempt to replicate the performance of a particular index
- **Sector Specific Schemes :**
  - invest in the securities of only specific sectors or industries e.g. Pharmaceuticals, Software, FMCG, Petro stocks, etc.
  - returns dependent on the performance of the respective sectors/industries
  - risky compared to diversified funds

Types of MF's – by nature

- **Liquid Funds :**
  - provide easy liquidity and preservation of capital.
  - invest in short-term instruments like Treasury Bills, inter-bank call money market, CPs and CDs
  - meant for short-term cash management; investment horizon of 1day to 3 months
  - rank low on risk-return matrix and are considered to be the safest amongst all categories of mutual funds.
- **Debt fund**
  - invest in debt papers from private companies, banks & fin institutions
  - low risk and provide stable income to the investors
    - Gilt Funds : invest in securities issued by Govt
    - zero default risk but have interest rate risk.

Types of MF's – by nature

- **Equity fund**
  - invest max part of their corpus into equity holdings
    - Mid-Cap Funds
    - Sector Specific Funds
    - Tax Savings Funds (ELSS)
  - meant for a longer time horizon
  - rank high on the risk-return matrix.
- **Balanced funds :**
  - are a mix of both equity and debt funds
  - equity part provides growth and the debt part provides stability in returns.

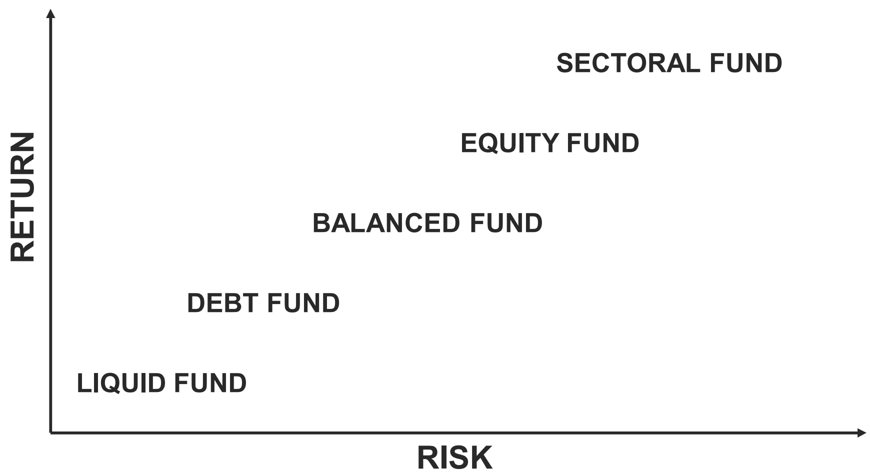
Types of MF's – by nature

- **MIPs :**
  - invests max of corpus in debt instruments; min exposure in equities
  - ranks slightly high on the risk-return matrix when compared with other debt schemes
- **Short Term Plans (STPs):**
  - meant for investment horizon for three to six months; invest primarily in short term papers like Certificate of Deposits (CDs) and Commercial Papers (CPs). Some portion of the corpus is also invested in corporate debentures.
- **Income Funds :**
  - invest a major portion into various debt instruments such as bonds, corporate debentures and Government securities.

ELSS

- Equity Linked Savings Scheme
  - Fund with a lock-in period of 3 years.
  - Investor gets tax benefit (80C)
  - Investment has to be for long term, any expectation of short term gains is not appropriate.
  - Involves a little bit of risk because of equity allocation.

Risk Return profile of MF's

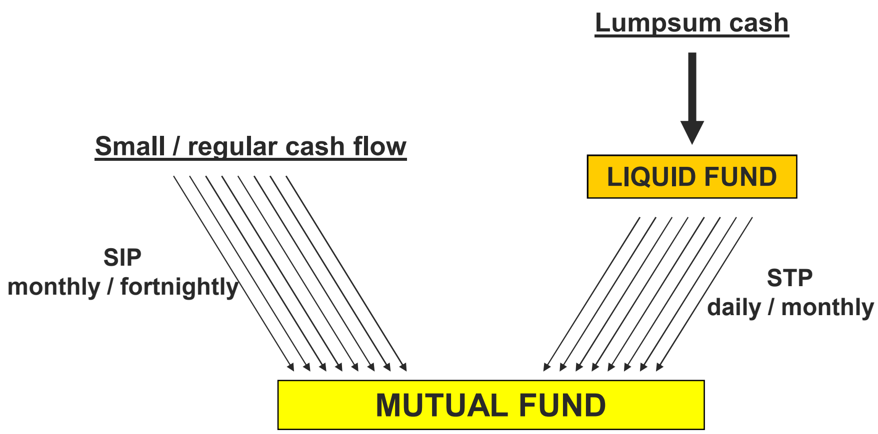


SIP

Disciplined approach to investment in MF

- Systematic Investment Plan
  - process to invest regularly
  - no market timing
  - forced saving
  - rupee coat averaging
  - no entry load

MF - Invest Regularly



Common pitfalls

- Doing nothing
- Investing too little too late
- Investing without a clear plan of action
  - u gamble when u don't understand!
- Meddling with your account too often
- Putting all your eggs in one basket
- Playing it safe; playing it 'scary'
  - 'He who is impulsive exalts folly.' Prov 14:29

Summary

- get out of debt; structure your finances
- identify your financial goals
- make your investment strategy
  - invest with taxable income
  - take advice – Prov 12:15
- monitor your investment
  - money is active
- rebalance your asset allocation as time frame changes
- don't allow money to control you
  - '…Some people eager for money have wandered from the faith … 1Tim 6:10

With God's Word as our map and His Spirit as our compass, we are sure to stay on course.

Income Tax ABC

QUICK LOOK

- Taxes in India are of two types
  - Direct Tax and
  - Indirect Tax
- Direct Tax, like income tax, wealth tax, etc. are those whose burden falls directly on the taxpayer.
- The burden of indirect taxes, like service tax, VAT, etc. can be passed on to a third party.

QUICK LOOK

- **Who is an "Assessee"?**
  - **Assessee** is a person by whom any tax or any other sum of money is payable under the Income Tax Act (the Act).
- **Who should file a "Return of Income"?**
  - Individuals having **total income exceeding the basic taxable limit** are required to file a **return of income** even if the tax payable is nil or a refund of tax is due. Ie. For FY 2008-09 all salaried persons whose total taxable income exceeds Rs 1,50,000/= are required to file a return

QUICK LOOK

- **What is "Assessment year"?**
  - **Assessment year (AY)** is defined as a year in which the income of the previous year is to be assessed. It starts on April 1 and ends on March 31 of the next year. For e.g., for the year April 1, 2008 to March 31, 2009, the assessment year will be the next year i.e. April 1, 2010 to March 31, 2011.
- **What is "Previous year"?**
  - The Financial Year in which the income is earned is known as the **previous year**. The financial year begins from April 1st and ends on the subsequent March 31. The financial year beginning on April 1, 2007 and ending on March 31, 2008 is the previous year for the assessment year 2008-2009.

When should the return be filed?

- **Return of income should be filed before 31st July of the relevant AY**

Where should the return be filed?

- With the Assessing Officer (AO) who assessed the assessee in the previous AY or to whom the file has been transferred
- New assessees should file the return to the AO who has territorial jurisdiction over the residence or principal business of the assessee

Which form to use?

For Individuals, HUF

S.No	For → / Source of Income ↓	Individual	Individual, HUF		
		ITR-1	ITR-2	ITR-3	ITR-4
1	Income from Salary/Pension	•	•	•	•
2	Income from Other Sources (only Interest Income or Family Pension)	•	•	•	•
3	Income/Loss from Other Sources		•	•	•
4	Income/Loss from House Property		•	•	•
5	Capital Gains/Loss on sale of investments/property		•	•	•
6	Partner in a Partnership Firm			•	•
7	Income from Proprietary Business/Profession				•

Four modes of tax payment

- Tax deducted at source
- Advance Tax ***(Use Challan 280)***
  - The Act calls upon the assessees to pay tax in advance during the previous year only if their tax liability for the year is expected to be more than Rs. 5,000/-. An assessee who is liable to pay advance tax is required to estimate his current income and pay advance tax.

Due date of installment	Amount payable
On or before the 15th Sept. of previous year	Upto 30% of the total advance tax payable for the year
On or before the 15th Dec. of previous year	Upto 60% of the total advance tax payable for the year.
On or before the 15th March of previous year.	The balance amount of advance tax payable for the year.

- Self Assessment
- Demand Tax

Scheme of the IT Act

- Under Indian law income or loss is first assessed under a particular head of income in accordance with the mode of computation laid down in the provisions relating to that 'head of income'. The total income assessable under the Income Tax Act is the aggregation of all heads of income, which are:
  - **Salaries**
  - **Income from House Property**
  - **Profits and Gains of Business or Profession**
  - **Capital Gains**
  - **Income from Other Sources.**

Deductions from Income

- **HRA**
  - **The least of the following is exempt from tax**:
    - Amount equal to **50 per cent of salary** where the residential house is situated in Delhi, Mumbai, Calcutta or Madras. For residential house situated at any other place, an amount equal to **40 per cent**
    - HRA actually received by the employee
    - Excess of rent paid over 10 per cent of the salary

The exemption will not be available if the employee lives in his own house, or in a house for which he does not pay any rent or pays rent which does not exceed 10% of salary.

Salary for in this instance, means basic pay plus dearness allowance, if any. It also includes commission based on a fixed percentage of turnover achieved by the employee as per the terms of contract of employment, but excludes all other allowances and perquisites.

Deductions from Income

- **Medical reimbursement – upto Rs 15k pa**
- **Transport allowance – upto Rs800/- pm**
- **Professional tax**

Deductions from Income

- **LTA**
  Leave travel allowance received is not considered as part of income if :
  - **it is fully utilized for travel of assessee and his family, on leave, to any place in India**
  - **only two journeys are performed in a block of 4 calendar years – current block is 2006-09 (carry over for one year is allowed)**
  - **proof of journey is provided.**

  The quantum of exemption will be limited to actual expense incurred and subject to limits of economy fare by air; a/c first class by train (shortest route); first class or deluxe fare by any public transport

Deduction - Section 80C Investments

- 1. Contribution to Provident Fund (EPF)
- 2. Contribution to Public Provident Fund
- 3. Payment of life insurance premium
- 4. Investment in pension plans
- 5. Investment in Equity Linked Saving Schemes of mutual funds
- 6. Investment in Infrastructure bonds
- 7. Investment in National Savings Certificate
- 8. Investment in 5 year Special FD's
- 9. Children's school fees
- 10. Housing loan principle repaid

Limited to a maximum investment of Rs 1,00,000/-

Deduction – Other Sections

- 80D – Medical Insurance Premium – 15k for self and 15k for parents
- 80DD – Treatment of a dependent with a disability – 50k
- 80DDB – Medical treatment of specified diseases – 40k
- 80E – Interest paid on loan taken for higher education of self or relative – 100% for 7 years
- 80G – Donations to certain funds, charities

IT Slab

For the Assessment Year 2008-09

Taxable income slab (Rs.)	Rate (%)
Up to 1,50,000 Up to 1,80,000 (for women) Up to 2,25,000 (for resident individual of 65 years or above)	NIL
1,50,001 – 3,00,000	10
3,00,001 – 5,00,000	20
5,00,001 upwards	30*

* A surcharge of 10 per cent of the total tax liability is applicable where the total income exceeds Rs 1,000,000.

Remember

- Ensure that all inflows in your bank accounts are explained. Don’t accept cash or cheques from sources that cannot be explained.
- Don’t mix money:
  - Remember the Income Tax authority treats you and your spouse as separate entities.
  - Don’t deposit your spouse’s salary or any other cheques in your bank account. Keep the two accounts in separate watertight compartments.
- Tax rates in India are very reasonable.

USEFUL RESOURCES

Watch our online Sunday Church service live stream every Sunday at 10:30am (Indian Time, GMT+5:30). Spirit filled, anointed worship, Word and ministry for healing, miracles, and deliverance.
YOUTUBE: https://youtube.com/allpeopleschurchbangalore
WEBSITE: https://apcwo.org/live

Our other websites and free resources:
CHURCH: https://apcwo.org
FREE SERMONS: https://apcwo.org/resources/sermons
FREE BOOKS: https://apcwo.org/books/english
DAILY DEVOTIONALS: https://apcwo.org/resources/daily-devotional
JESUS CHRIST: https://examiningjesus.com
BIBLE COLLEGE: https://apcbiblecollege.org
E-LEARNING: https://apcbiblecollege.org/elearn
WEEKEND SCHOOLS: https://apcwo.org/ministries/weekend-schools
COUNSELING: https://chrysalislife.org
MUSIC: https://apcmusic.org
MINISTERS FELLOWSHIP: https://pamfi.org
CHURCH APP: https://apcwo.org/app
CHURCHES: https://apcwo.org/ministries/churches
WORLD MISSIONS: https://apcworldmissions.org