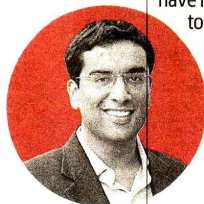




I am 33 years old and want to start investing in mutual funds to build a corpus for my retirement. I can invest ₹10,000 a month. What should be my investment strategy and what schemes should I invest in?

Since you are 33, you are at least 25 years

away from retirement. For investment horizons of five years or more, equity usually outperforms other asset classes and, hence, it is advisable that you invest in equity mutual funds. As you approach your retirement age, say one or two years prior to it, initiate a gradual shift from equity funds to short-term debt funds through systematic transfer plans (STPs) to consolidate the gains and meet post-retirement expenses. You can distribute the ₹10,000 equally between a large-cap and a mid-and-small-cap fund via SIPs. You may invest in any of the following large-cap funds: ICICI Prudential Bluechip, Franklin India Bluechip and Reliance Large Cap. For mid-and-small-cap funds, consider any one of the following: Franklin India Smaller Companies, HDFC Small Cap and DSP BlackRock Midcap. Make sure you invest in the direct plans of your chosen funds as they have lower expense ratios compared to regular plans and, in the long run, will generate significantly higher returns.



Naveen Kukreja
CEO and Co-founder,
Paisabazaar.com

I am moving to a new job after five continuous years of service with one company. I want to withdraw my employees' provident fund. Will the withdrawn sum be taxed?

Yes, you can withdraw the sum and it will

be tax-free. According to income tax rules, any accumulated balance due and payable to an employee who has been in continuous service for a period of five years or more shall be excluded from his total income.



Shubham Agrawal
Senior Taxation Advisor,
TaxFile.in

I donated a part of my liver to my father three years ago. Now I want to purchase health insurance. Do I need to disclose this information? Will it make me ineligible for insurance?

Since the liver donation was done three years ago, you must have completely recovered. The donation does not make a person ineligible for purchasing

health insurance. But it needs to be disclosed in the proposal form since it's a major surgery. Insurers may look at parameters such as donor's weight, BMI, possible diseases such as diabetes, etc. to decide on proposals from people who have donated their liver. If all parameters are within acceptable limits, there should be no problem in getting a health insurance policy.



Yashish Dahiya
Co-Founder and CEO,
Policybazaar.com

Our panel of experts will answer questions related to any aspect of personal finance. If you have a query, mail it to us right away.

QUESTION OF THE WEEK

I am 68 and I pay an annual premium of ₹21,000 for a mediclaim policy. I also pay ₹30,000 for treatment of my wife at home. Can I claim this expense under the enhanced deduction limit of ₹50,000 announced in this year's Budget as this is not covered by our medical insurance?

The government has brought an amendment in the Income-Tax Act to offer greater relief to senior citizens who incur medical expenditure but don't have an insurance policy. Since you have an insurance policy which covers you and your wife, you can claim only the amount paid as premium towards the insurance policy under Section 80D of the Income Tax Act. It is advisable that you opt for a more comprehensive insurance plan. There are porting options available in the market and, while such options with domiciliary treatment may be difficult to get for your wife alone—as she is under treatment currently—you may find options for yourself or floater variants. Though such a plan will cost more, it will offer you greater coverage and allow you to avail of the enhanced tax benefits as well.

I live in Chennai, have two flats and a share in a residential property. This property is now being put up for sale. Where can I invest the sale proceeds from this shared property to save capital gains tax?

If the residential property has been held for less than 24 months, you will be liable to pay short-term capital gains tax at the

income tax slab rate applicable to you. If the residential property has been held for more than 24 months, your entire capital gain will be exempt, if it is utilised for purchasing a house in India within two years from the sale of the shared residential property or for constructing a house in India within three years from the date of sale. Alternatively, you can invest your long-term capital gains in certain bonds—issued by National Highway Authority of India, Rural Electrification Corporation, Indian Railway Finance Corporation and Power Finance Corporation. You can invest a maximum of ₹50 lakh in these bonds and investment should be made within six months from the date of sale. These bonds have a lock-in period of five years. Please note that if only a part of capital gains is utilised either for purchase/construction of house, or for investments into bonds, or both, then you will be liable to pay LTCG on the balance amount.



Ashok Shah
Partner, N.A. Shah Associates

My son wants to invest ₹10,000 per month in mutual funds for 25-30 years. Please suggest large, mid, multi and small-cap funds. Also, should he invest in debt funds too for diversification?

Despite your long investment time frame, some amount of exposure to debt is needed in

order to provide diversification across asset classes. You son can consider investing ₹5,000 in Mirae Asset India Equity, ₹3,000 in Franklin India Prima and ₹2,000 in debt fund Aditya Birla Sun Life Medium Term Plan. He should opt for growth options of the aforementioned funds and add a few more schemes when his savings go up.



C.R. Chandrasekar
Co-Founder and Co-Founder,
FundsIndia.com



Rakesh Jain
ED and CEO, Reliance General Insurance

Ask our experts

Have a question for the experts?
etwealth@timesgroup.com