Q&A

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 will be retiring in December 2021. My current savings of around ₹40 lakh is invested in mutual funds. My retiral benefits would be ₹60 lakh. How do I invest to earn a monthly return of ₹1 lakh per month from January 2022?

Assuming you want to withdraw a fixed amount each month from your post-retirement corpus, a part of it has to be invested in low-risk fixed income instruments like ultra-short duration debt funds to ensure steady income and capital protection. You can invest the rest in equities to achieve long-term growth and ensure your retirement corpus lasts longer. Prefer monthly withdrawals of ₹80,000 as withdrawing ₹1 lakh will increase the risk of exhausting your retirement corpus within your lifetime. Invest your retirement benefits in low-risk ultra-short duration debt fund(s) and invest your existing savings of ₹40 lakh in large-cap mutual fund(s). Your investment in ultra short debt funds will comfortably last for eight years after making monthly withdrawals of ₹80,000 at an assumed annualised return of 7%. Meanwhile, your investment in large-cap funds will grow to about ₹99 lakh in eight years assuming an annualised return of 12%. Withdraw ₹60 lakh from equity fund corpus at the end of around eight years to replenish your debt fund corpus and make monthly withdrawals ₹80,000 for another eight years. Continue with this cycle as and when you need to replenish your debt corpus. This should almost eliminate the risk of running out of your retirement corpus in your lifetime.

Naveen Kukreja
CEO and Co-Founder, Paisabazaar.com

I have been a regular investor through SIPs, PPF and life insurance since I started working in 2015. I used to invest enough take full advantage of Section 80C benefits. Now I am earning close to ₹10 lakh per annum and my annual investments are ₹1.2 lakh through SIPs, ₹14,000 in life insurance and remaining amount for PPF (after including EPF). Where and how should I invest to grow wealth over the next 12-15 years?

While most begin investing with a tax-saving agenda, one should eventually shift to a goal-oriented strategy and link all investments to different goals. Since you are young enough, you can have a moderately aggressive risk profile. Given your time horizon of 12-15 years, having an allocation of 60-70% in equity and 30-40% in debt can be considered. What you should do is to have two separate goal groups—retirement savings and other goals. The PPF + EPF and equity funds can form part of the retirement portfolio with 60:40 equity-debt allocation. So you can have SIPs in two large-cap index funds and one or two flexi-cap funds. If additional amount is to be invested in debt to ensure adherence to suggested allocation, then try to make extra VPF contributions (or PPF). For the other goals portfolio, keep the equity-debt allocation at 70:30 and invest in one flexi-cap fund and one ultra short debt fund (or a money market fund). Rebalance at least once a year after a few years of accumulation.

Dev Ashish
Founder, StableInvestor and Sebi-registered investment advisor

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I have a PPF account for more than 14 years in SBI. Last year, I opened a PPF account (with HDFC Bank) in my 5-year-old son's name and deposited ₹1.5 lakh in the account besides the ₹1.5 lakh I had already deposited in my own PPF account. I now believe a minor's PPF account gets clubbed with the guardian's. So what happens to the HDFC account? Can I withdraw the money and close the account? Will I get a tax benefit on this ₹1.5 lakh or interest on the amount or both if I continue with the account?

The ceiling for deposits to individual self account and minor account(s) to whom one is guardian, is currently capped at ₹1.5 lakh in a financial year. Accordingly, interest earning and tax benefit is also available on ₹1.5 lakh only. Any transaction over and above this amount should ideally be rejected by the bank. Contact HDFC Bank to get the transaction of additional ₹1.5 lakh reversed to your account. The bank has no liability as you are supposed to declare previous PPF account(s) on the PPF form for opening the minor account(s). It is recommended to close this account. You could open a minor account in the next financial year and ensure a submission of minimum of ₹500 and cumulatively maximum of ₹1.5 lakh in both the accounts.

Raj Khosla
Founder and Managing Director, MyMoneyMantra.com

My uncle and aunt died in 2000 and 2008 respectively. I am their only heir vide a letter of administration from court. Some of their FDs in HDFC Bank and shares of Axis Bank were transferred to IEPF. How can I approach IEPF to get the FDs back and transfer the shares of Axis Bank in my name?

You need to get the LOA registered in a bank. As far as the FDs are concerned, it could not have been transferred to IEPF. If an FD lies inoperative for more than 10 years, it will be transferred to the Deposit Education and Awareness Fund (DEAF). To make a claim, you need to follow procedures specified by the bank. For the shares, write to the Registrar & Transfer Agent of Axis Bank Ltd as LOA holder. The name of the RTA of Axis Bank is KFin Technologies Pvt. Ltd. You have to get the entitlement from the registrar and then file claim with the IEPF Authority.

Vikash Jain, Co-founder, Share Samadhan Pvt Ltd

My 46-year-old relative holds a contractual post in a government organisation but has zero retirement savings. What is the best recourse for him to get a decent retirement income? Is NPS an option?

NPS is a low-cost investment option. It offers two approaches to invest: active choice and auto choice, which pre-define the proportion between different assets as per age. However, on reaching the age of superannuation, at least 40% of the accumulated pension corpus has to be used to purchase an annuity. The remaining funds can be withdrawn as a lump sum. Public Provident Fund (PPF) can also be considered for the debt part of his portfolio. It has a tenure of 15 years, which will broadly coincide with his retirement age. This gives the flexibility to withdraw all the savings after 15 years or extend it further. PPF can be supplemented with equity mutual funds, such as an index fund and a mid-cap fund. He should avoid insurance-linked pension plans. Any loans should be gradually cleared to set aside a bigger sum as savings. He should look at building a contingency fund and buying a health insurance plan.

Prableen Bajpai
Founder FinFix® Research & Analytics

I want to understand tax treatment in hand of buyers for purchase of rural agriculture land for a price less than stamp value. Section 56(2) applies for such cases where difference between purchase price and stamp price should be included as 'Income from other sources' in hand of buyer. However, this section applies only to capital assets and given rural agricultural land is not a capital asset, it should be excluded from any tax liability. Is this understanding correct?

The understanding is correct. Section 56(2(x), which invokes the taxability in the hands of the buyer for purchase of any immovable property at a price less than its stamp duty value refers to Section 56(2)(vii) for the definition of 'property'. The definition of 'property' under that provisions starts with the words ""property" means the following capital asset of the assessee, namely - ..." which gives the inference that the subject asset must qualify as 'capital asset' u/s 2(14) of the Income-tax Act and from which, a rural agricultural land is excluded. Hence, provisions of Section 56(2) shall not apply on a rural agricultural asset.

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Ask our experts
Have a question for the experts?
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