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 am 44 with a good appetite for risk. I can spare ₹40,000 a month to invest in equity mutual funds for eight to 10 years. Please suggest some good mutual funds keeping diversification in mind. Does it make more sense to invest in lump sums on days the market falls substantially?

Given your high risk appetite and time horizon, you can begin with three or four equity funds from amongst HDFC Nifty50 Index, ICICI Pru Nifty Next 50 Index, Parag Parikh Flexicap (Long Term Equity) Fund and Mirae Asset Emerging Bluechip. As the years progress, reduce equity exposure and gradually switch to debt as you get closer to your goal in 8-10 years. With regards to automating SIP vs investing manually on days of large falls, it sounds appealing and theoretically, it makes sense. The idea of buying low (on market falls) is intuitive. But the problem might be in its practical implementation. Imagine yourself waiting for the big falls for several months while markets continue to move up strongly. You will then miss out on buying at comparatively lower prices in months in between. So unless convinced of getting the approach perfectly right, opting for SIPs is more realistic from a logistical and implementation standpoint. Its also important to highlight that one should not forget the existing corpus and whether its asset allocation is proper.

Dev Ashish
Founder, StableInvestor and Sebi-registered investment adviser

I have been paying interest on a home loan since June 2016. Construction of the flat was completed in 2018 but possession was taken only in 2020. Can I take tax benefit u/s 24b for interest paid on home loan? Principal amount payment started in 2020.

As per explanation to Sec 24(b) of the Income Tax Act, 1961, if a property has been acquired with borrowed capital, the interest payable on such capital borrowed for the period prior to the previous year in which the property has been acquired, minus any deduction, shall be deducted under this clause in equal instalments for the said previous year and for each of the four immediately succeeding previous years. In the present case the assessee can claim the pre-construction interest paid on home loan in five equal instalments.

Raj Lakhotia
Managing and Founder
Partner, LABH & Associates

I am a 20-year-old student of finance. I have been investing in equity and fixed assets for about a year. I want to explore other asset classes as well. Should I consider cryptocurrency? If yes, then how do I go about it? What would you suggest I do to create wealth for the long term?

It's good to know that you are on the road to wealth creation from a young age. While cryptocurrency has proved to be one of the means to amass wealth in the recent past, there are at least two points you should remember before adding it to your portfolio:

- The price volatility inherent in the leading names far eclipses those of other mainstream asset classes. Do you have the stomach and financial strength to ride such cycles?
- Indian regulators have been displaying some ambivalence on whether to permit Indians to actively trade / hold such currencies. Though it has seemingly been 'resolved' for now, any adverse future developments may result in you getting saddled with an illiquid asset. At the risk of sounding old-fashioned, I suggest you continue to stick to a judicious mix of equities and fixed income for the foreseeable future.

Jayant R. Pai
CFP and Head - Products, PPFAS Mutual Fund

I am 26. Though monthly SIPs, I invest in the following funds. ₹5,000 in SBI Small Cap, ₹10,000 in Tata Digital India, ₹10,000 in IDFC Nifty, ₹2,500 in Mirae Asset Emerging Bluechip and ₹5,000 in ICICI Commodities. Do I need to realign my portfolio?

Your portfolio looks fine in terms of the quality of funds. However, you have 70% of your SIPs in high risk small-cap, aggressive or thematic funds. Such a portfolio can suffer steep losses in a market correction. You will do well to add some flexi-cap funds and reduce exposure to small-cap and thematic fuunds. Also, if you do not hold other fixed income options, consider at least traditional options like PPF, besides some short duration debt funds from the banking and PSU space.

Vidya Bala, Co-Founder, PrimeInvestor.in

I am 38 and my wife is 36. We are both working. I have around ₹15 lakh in savings including my PF and FDs. We have a family floater health insurance plan in place and I have a life insurance policy. Our monthly household expenses at present is ₹40,000. How big a corpus will I need by the time I retire at 60 to sustain for next 20 years? Also how much should I start investing right now to create that corpus and where? I am open to investing in mutual funds or stocks and my risk-taking ability is moderate.

Considering a 6% inflation rate, you will require approximately ₹1 lakh per month after retirement to maintain an appropriate lifestyle. With a long-term horizon of 22 years, it is recommended to continue investing in debt and equity investment options and keep evaluating new investment scenarios depending upon the market. Utilise the maximum limit of PPF each year and target a ₹60 lakh corpus from FDs and PPF. Start SIPs of ₹25,000 in diversified equity options with ₹12,000 in large-cap, ₹6,500 in mid-cap and ₹6,500 in small-cap funds. At a modest 8% rate of return, you will be able to build a corpus of ₹1.8 crore. Start a Systematic Withdrawal Plan according to your cash flow requirements and shift corpus into debt funds two years before retirement. This will reduce risk.

Raj Khosla, Founder and Managing Director, MyMoneyMantra.com

I bought a house in 2012 and sold it in 2017 at a loss of ₹11 lakh. I have been carrying forward this loss in my IT returns every year. This year in February, I sold some unlisted stocks, which were acquired between 2015 and 2017 and made capital gains of ₹3 lakh. Can these capital gains from sale of stocks be set off against capital loss from house property?

As per the provisions of the Income Tax Act, the brought forward loss from house property can be set off only against income from house property in the subsequent years. Thus, in the given scenario, the house property loss of ₹11 lakh for the year 2017 can be set-off only against income from house property, until the year 2025 as the maximum time period allowed to set-off the brought forward house property loss is only eight years. Hence, the capital gains arising on sale of unlisted shares shall not be offset against the brought forward house property loss and the long term capital gains of ₹3 lakh shall be charged to tax at the rate of 20% + surcharge + cess after providing the benefit of indexation.

Divakar Vijayasarathy
Founder and Managing Partner, DVS Advisors LLP

Ask our experts

Have a question for the experts?
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