

NIVESH CHINTAN SAMACHAR



WHAT IS SWP (SYSTEMATIC WITHDRAWAL PLAN)

If investors want regular cash flow from their investments, the automatic choice for many is bank fixed deposits or postal deposits. However, declining interest rates on these schemes have made investors worry about their future income needs. Mutual funds have a solution for this, called SWP. What is SWP in a mutual fund? SWP or systematic withdrawal plan is a mutual fund investment plan through which investors can withdraw fixed amounts at regular intervals, for example – monthly/ quarterly/ yearly, from the investment they have made in any mutual fund scheme.

The investors can choose a day of the month/ quarter/year when withdrawal can be made and the amount credited to the investor's bank account by the AMC. To generate this cash flow, SWP Plan redeems units of the mutual fund scheme at the chosen interval. Investors can continue with SWP if there are balance units in the scheme.

Key Features of SWP

We discussed what is SWP or Systematic Withdrawal Plan. Let us know how SWP plan works –

SWP generates cash flows (income) by redeeming units from the scheme at the specified interval. The number of units redeemed to generate this cash flow depends on SWP amount and the scheme NAV on the withdrawal date.

Example - Investor invests a lump sum of Rs 10.00 lakhs in a mutual fund scheme. The purchase NAV is Rs 20; therefore, 50,000 units are allotted. Let us assume the investor started a monthly SWP of Rs 6,000 after one year from the investment date, to avoid exit loads.

In the 1st month of SWP, let us assume the scheme NAV was Rs 22. To generate Rs6,000, the AMC redeems 272.728 units (Rs 6,000 / 22 NAV). Therefore, the balance units will now be 49,727.272 (50,000 minus 272.728). In the 2nd month, assuming NAV was 22.50, the AMC redeems 266.667 units (Rs 6,000 / 22.50 NAV), therefore, the unit balance reduces to 49,460.605 (49,727.272 minus 266.667). In the 3rd month, assuming the NAV was 23.00, where NAV is falling will require a greater number of units to be redeemed.

Benefits of SWP

1. Flexibility:

In an SWP plan, the investor has the flexibility to choose the amount, frequency and date according to his/her needs. Also, the investor can stop the SWP at any point in time / or can add further investments or even withdraw amounts over and above the fixed SWP withdrawals.

2. Regular Income:

SWP in mutual funds facilitates investors by providing a regular income from their investments. Therefore, this becomes highly



convenient and useful for those who need regular cash flow to meet regular expenses.

3. Capital appreciation:

As we can see in the example above, if the SWP withdrawal rate is lower than the fund return, the investor gets some capital appreciation too in the long term.

4. No TDS

For resident individual investors, there is no TDS on the SWP amount.

Who can use SWP?

1. For those looking for a regular source of secondary income

An investor who knows what the SWP plan is knows very well that it can be a source of creating an additional income stream from their long-term investments. It can help tide over the rising living cost. Therefore, investing for the long term in mutual funds and withdrawing regularly through SWP may be an easy way to create a regular source of secondary income.

2. Those looking for capital protection-

Investors who are risk averse, can invest in moderate or low-risk profile mutual fund schemes and receive only the capital gains as SWP. For example – Suppose, the initial investment is made in an Arbitrage fund and the capital appreciation is received regularly by way of SWP; the initial investment will remain at almost zero risk.

3. Those wanting to create their own pension-

Investors who do not have any pension earnings can create their pension by investing the retirement corpus in schemes suiting their risk profile and earning a regular income at a frequency chosen by them. Therefore, on retirement, the investor can start asap and create their pension.

4. Those who are in the high tax bracket-

Investors in high tax bracket find SWP useful as there is no TDS on the capital gains. Also, the capital gains from equity/equity-oriented funds

are taxed moderately. Gain from debt-oriented funds is also moderate as indexation is allowed on the long-term capital gains.

Tax Efficiency through SWP

When units are redeemed to draw the SWP amount, it attracts capital gain (in case the redemption NAV is higher than the purchase NAV) on the profits made from the sale of units. The capital gain can be defined as short-term or long-term as per the following conditions –

1. Equity /equity-oriented funds –

If redeemed within 12 months from the date of investment, these are treated as short-term gains and taxed at 15%. Gains made after 12 months from the date of investment are treated as long-term and tax-free upto Rs 1 Lakhs in a financial year. Long-term capital gains over Rs 1 Lakh are taxed only at 10%.

2. Non-Equity Funds –

If redeemed within 36 months (treated as a short-term capital gain) from the date of investment, the gains are added to the investor's income and taxed at the rate applicable to him/her. Gains made after three years are treated as long-term and taxed at 20% after allowing indexation benefits.

Unlike traditional savings (like FDs, and postal investments), there is no TDS on capital gains in mutual funds for resident individual investors. Apart from TDS, interest income from FD and most post office small savings schemes are taxed as per the income tax rate of the investor.

SWP in mutual funds is better than dividends of mutual funds as the AMC deducts TDS at 10% of the declared dividend. Also, the dividends received in the hands of the investors are taxable.

Conclusion

In summary, if investors can analyse what is systematic withdrawal plan in a mutual fund is, they will find that SWP is a good strategy for having a regular income with some sort of regularity. A1.

Source : <https://www.miraeassetmf.co.in>

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Keval Nivesh Intermediaries LLP, Shop No. 11, Godavari CHS, Ram Nagar, Shiv Mandir Cross Road, Dombivli East, Maharashtra - 421201.

www.kevalnivesh.com

91527 29411 / 91527 29501

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THE UNINSURED: 40 CRORE INDIANS ARE A MEDICAL EMERGENCY AWAY FROM FINANCIAL RUIN

Low government expenditure on health has constrained the capacity and quality of healthcare services in the public sector. It diverts an estimated two-thirds of patients towards costlier private healthcare.

In Short

- 30% of India's population lacks financial protection for health
- High GST on insurance discourages purchases
- India's insurance density is among the lowest globally

An emergency out-of-pocket medical expense today can financially ruin a family. This ugly truth necessitates everyone to invest in health insurance. But at least 30 per cent of India's population, or 40 crore individuals, live devoid of any financial protection for health.

According to Niti Aayog's report titled Health Insurance for India's Missing Middle, affordability is one of the major reasons behind this. Low financial protection leads to high out-of-pocket expenditure, the report added.

Lowering the 18 per cent GST on insurance is a long-made demand. In its 31st and 37th meetings, the GST Council examined requests to reduce GST on health insurance but made no recommendations. In its 47th meeting in June 2022, the council reviewed the matter and declined the proposal once more.

The Confederation of General Insurance Agents' Associations of India has once again appealed to the government to slash the existing GST on individual health insurance policies to five per cent to encourage people to buy them as a measure of social security.

Why is it important for health insurance to get cheaper?

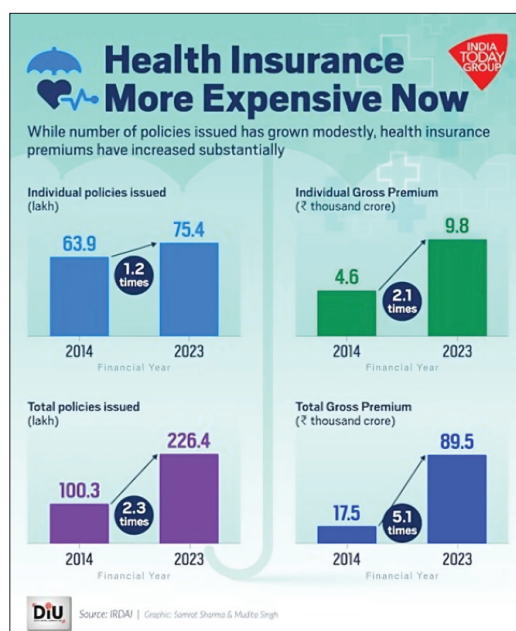
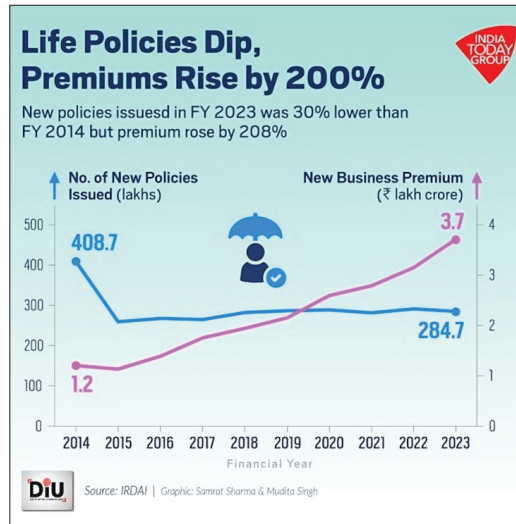
Low government expenditure on health has constrained the capacity and quality of healthcare services in the public sector. It diverts an estimated two-thirds of patients towards costlier private healthcare.

Pre-payment through health insurance emerges as an important tool for risk-pooling and safeguarding against catastrophic expenditure from health shocks and can also improve the efficiency of healthcare provision, the report noted.

Rise in cost of health insurance

In 2013-14, nearly 64 lakh new policies were sold. This number grew 1.2-fold to 75.4 lakh in 2022-23. The gross premium collected from these policies rose 2.1 times from Rs 4.6 thousand crore to Rs 9.8 thousand crore in the same period.

Around 1 crore new health insurance policies, including group insurance, were sold in 2013-14. This rose 2.3 times to 2.26 crore in 2022-23. The gross premium collected surged 5.1 times, according to the data provided by the Insurance Regulatory and Development Authority.



Between 2013-14 and 2022-23, the number of new life insurance policies issued fell by 30 per cent from four crore to 2.8 crore. But the new business premium skyrocketed by 208 per cent from Rs 1.2 lakh crore to Rs 3.7 lakh crore.

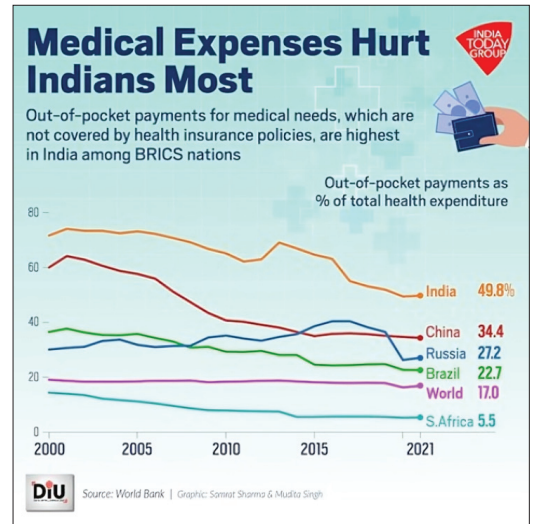
Out-of-pocket medical spending in India

Relatively low health insurance coverage and costlier health services in the private sector drive India's high out-of-pocket expenditure — it stood at 50 per cent of total health expenditure in India in 2021. The global average, in comparison, was 17 per cent. Among BRICS nations, it was 34.4 per cent in China, 27.2 per cent in Russia, 22.7 per cent in Brazil, and 5.5 per cent in South Africa.

Tax on insurance across the world

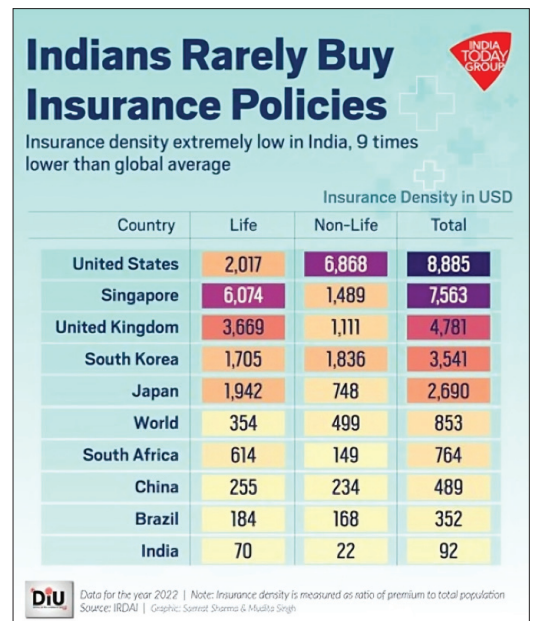
GST on health and life insurance in India is 18 per cent. The same is taxed at six per cent in China. Insurance services are exempt from VAT/GST in Belgium, France, Greece, Germany, Mauritius, Spain, Switzerland, the United Kingdom, Italy, and Japan. Life insurance services are exempted from VAT/GST in Chile, Sri Lanka, and Vietnam, according to Moore Singhi Advisors, an accounting firm.

“Aligning India's GST rates on health insurance with international standards can enhance the global competitiveness of the Indian insurance



sector. Attracting foreign investment into the insurance industry can foster growth and innovation,” Rajat Mohan, the executive director at Moore Singhi, told India Today.

The current 18 per cent GST significantly increases the cost of health insurance premiums, making them less affordable for many individuals. Lowering the GST to five per cent could make health insurance more accessible, encouraging a larger segment of the population to purchase policies, Mohan added. “A well-insured population contributes to economic stability by mitigating the financial impact of medical emergencies.”



Insurance density in India

Insurance density in India is lowest among major countries of the world. Insurance density indicates how much each person in a country spends on insurance in terms of premiums. It is the ratio of insurance premiums (in US dollars) to the total population.

Life insurance density in India was 70, compared to a global average of 354. Non-life insurance density was 22 in India, compared to a global average of 499. The overall insurance density in India was 92 against the global average of 853.

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Source : <https://www.indiatoday.in>

WHAT IS THE RIGHT AMOUNT OF LIFE INSURANCE COVER FOR ME?

Uncertainties in life can make us think more about the financial security of our loved ones. Life insurance is the first thing that comes to mind to fulfil such needs. The need for buying a suitable life insurance policy has grown further amidst the current COVID-19 pandemic.

While buying a life insurance policy, the selection of adequate life cover is a must. However, many people feel confused about it. You might have heard individuals asking – ‘How much insurance do I need?’

The lack of knowledge about sum assured selection can cause financial hassles in the long run. Hence it is crucial to understand the parameters on which this decision should be based.

Parameters to Consider Before Selecting Life Insurance Cover

1. Life Goals

Most of the big goals in life – yours and that of your loved ones require adequate financial assistance. For instance, you might have thought of preparing your child to receive higher education abroad. This would require an ample amount to pay for the related educational expenses. In case something happens to you, your children would have to compromise on their educational goals because of financial crunch.

The purpose of buying a suitable life insurance policy is to provide much-needed financial backup to your family in case of your unexpected demise. The coverage will help them maintain their lifestyle the way they usually do.

Having a list of major life goals handy will give you a better idea of the amount your family would need to fulfil their goals. By factoring in these goals, you can make an informed decision to choose a life insurance coverage amount.

If you want to get survival benefits with term insurance, you might also want to know – ‘How much term insurance do I need with the return of premium option?’

Since you will get a survival benefit this way, you can select the life insurance maximum amount based on your life goals. Also, you can get an idea of the premium payable using the term plan calculator.

2. Age

Wondering – ‘How much insurance do I need when I’m young?’ Most life insurance buyers do this while pondering over the life insurance maximum amount. The truth is – your age at the time of buying life insurance is a significant parameter that determines sum assured selection.

At different life stages, financial needs change. You might not have many financial liabilities if you are in your 20s. But as your family grows, these liabilities are most likely to grow as well. For example, you might have planned to buy a new home or car shortly. A suitable life insurance coverage amount for your family would be the one with which they can maintain their lifestyle as it is.

Another angle to look at the age factor is its impact on the premium for life insurance maximum amount. At a young age, you are eligible to buy an adequate sum assured at low premiums. It is because of the lesser risk of health diseases or similar eventualities. You also get the facility to choose an extended policy period to spread the

HOW MUCH INSURANCE COVER DO I NEED



premium payable, making it affordable to your pocket.

By considering the age aspect carefully, you will better understand how much life insurance do you need.

3. Current Financial Liabilities

Ever wondered why bank officials ask for a nominee when you borrow a loan? They do this to contact the nominee for loan repayment in case something unexpected happens to you.

Now, think of all the assets that you have purchased through loans. Your family would end up bearing the burden of these debts if you won’t be around, which is the last thing you would want to happen.

Even the simplest term insurance can help your family deal with such financial stress. To calculate an adequate life insurance coverage amount, you need to chart out such liabilities. Make a list of all the loans you have borrowed – organised or through money lenders, if any. Then look for different term insurance plans that can provide sufficient coverage at an affordable premium.

All such considerations at the time of buying life insurance can make you live happily, knowing that your loved ones are covered with a backup, and they can fulfil their dreams without any financial barrier.

4. Regular Income

Whether you are self-employed or salaried, you know how difficult it is to sometimes deal with sudden expenses. For many people, their regular income is just enough to sustain their livelihood, let alone achieve big dreams. Irrespective of how much you earn, you want the best to happen to your family always, which is why buying life insurance is important.

To the question – ‘How much insurance do I need for my family?’, the simplest answer is to check your income. Next to buying life insurance, you need to pay the premiums on time to keep the policy in force. Your income should support this expense to allow your family to receive life insurance amount in case of an eventuality.

A better way to look at the right life cover selection is to balance the premium and coverage. The life insurance coverage amount should be enough to support your family financially after you, while its premium fits well into your regular expenses.

It is recommended to have a life cover of at least ten times the annual income. While it is a good reference to pick, you should check what suits your profile the most.

5. Estimated Working Years

Given the work you do; you might have made plans for your retirement. You want to enjoy life

after retirement with your spouse, not worrying about the work-related mundane. A crucial aspect of retirement planning is to get done with major financial responsibilities during the working years. The life insurance coverage amount you choose should correspond to a premium that you can easily handle during these years of your life.

By having a fair idea of when you would like to retire, you will have a duration in mind within which you need to plan to pay for various obligations. Life insurance premium payment, which also becomes a responsibility, can be handled within your work life. You can select a limited pay option with your life insurance plan and finish paying the premiums early on while the policy continues till a later age. Similarly, you can plan to get a monthly income and life cover under different life insurance plans.

Tips to Choose Life Insurance Coverage

Life insurance cover selection is a crucial decision in life. It will have a direct impact on the life of your loved ones. However, it is not the only thing you need to understand while choosing life insurance. Given below are certain tips for selecting the right life insurance coverage

1. Add riders to your policy

You can further make the coverage more comprehensive by including riders. Various riders like Max Life Critical Illness & Disability Rider, Max Life Waiver of Premium Plus Rider (WOP), or Max Life Accidental Death and Dismemberment Rider are available to add benefits under specified situations. Make sure you check the rider terms before including them in your policy.

Max Life Critical Illness & Disability Rider (UIN: 104B033V01; Non-Linked Non-Participating Individual Pure Risk Premium Health Insurance Rider)

Max Life Waiver of Premium Plus Rider (UIN: 104B029V04; A Non-Linked Non-Participating Individual Pure Risk Premium Health Insurance Rider)

Max Life Accidental Death and Dismemberment Rider (UIN: 104B027V04; A Non-Linked Non-Participating Individual Pure Risk Premium Health Insurance Rider)

2. Use Life Insurance Calculators

Before you buy any life insurance plan, use online calculators to estimate the premium payable for a specific life cover. It is quite easy to use them, and you can check how the premium varies with different sum assured, policy periods, payment modes, and payment terms.

Source: <https://www.maxlifeinsurance.com>

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Navaratri, a Hindu festival that celebrates the triumph of good over evil, has a significant cultural, spiritual, and even symbolic link to wealth creation, though not directly connected in scientific terms. However, there are ways in which the practices, timing, and energy of Navaratri align with principles of personal growth and wealth creation.

Here's a breakdown of the connection:

1. Seasonal Shift and Energy Alignment

Navaratri occurs during two key seasonal shifts in India—spring (Chaitra Navaratri) and autumn (Sharad Navaratri). From a scientific perspective, these transitions represent a natural recalibration of the body and mind, where detoxification and resetting can occur. This can be likened to the idea of clearing out old energy or habits that no longer serve you to make space for growth, new opportunities, and wealth creation.

- **Health and Focus:** Fasting and discipline during Navaratri help detoxify the body, improve concentration, and sharpen focus. This physical and mental clarity can lead to better decision-making, which is crucial for financial planning and business growth.

2. Goddess Worship and Symbolism of Wealth

Navaratri involves the worship of different forms of the Goddess (Durga, Lakshmi, Saraswati), each representing strength, wealth, and knowledge. Lakshmi, in particular, is the goddess of wealth and prosperity, worshipped on the last days of Navaratri, emphasizing abundance and material success.

- **Mindset for Abundance:** The rituals reinforce a mindset of abundance. Many believe that by honouring Lakshmi, they are aligning themselves with the energy of prosperity, wealth creation, and financial stability.

3. Discipline and Focus

The fasting, prayer, and discipline observed during Navaratri parallel the discipline needed in wealth creation. Just as self-control in fasting can lead to physical and mental purity, financial discipline, such as budgeting, saving, and investing, can lead to wealth accumulation over time.

- **Psychological Discipline:** Observing fasts or staying disciplined in prayers could mirror the psychological habits needed for financial success, like delayed gratification, risk management, and consistency.

4. Positive Energy and Collective Consciousness

Navaratri is a time of heightened spiritual energy, with communities coming together for prayers, rituals, and celebrations. From a psychological and collective consciousness perspective, being part of such vibrant, positive energy can enhance motivation, optimism, and a growth mindset.

- **Networking and Opportunities:** Social gatherings and communal prayers often serve as networking opportunities, where ideas can be exchanged, collaborations initiated, and business opportunities explored.

5. Wealth Creation During Festival Season

Navaratri marks the beginning of the festive season in India, which traditionally leads to



increased consumer spending, economic activity, and wealth circulation. Businesses and individuals often see this time as an opportunity to launch new ventures, make investments, or participate in markets (especially the stock market) with renewed optimism.

- **Market Cycles and Festivities:** There is a noticeable uptick in business activities during and after Navaratri due to festivals like Diwali that follow. This period is generally favourable for retail, real estate, and financial markets.

Conclusion

While the connection between Navaratri and wealth creation may not have a direct scientific foundation, the festival embodies principles—discipline, focus, energy, and community—that are integral to wealth-building. The spiritual significance of worshipping Lakshmi and other goddesses aligns with the abundance mindset, while the energy shifts during seasonal transitions foster clarity and renewal, which can lead to financial growth.

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