

NIVESH CHINTAN SAMACHAR



Volume :1

Issue :1

THANE

JANUARY 2023

4 Pages

₹ 4.00

NOMINATION: A MUST-DO

While SEBI has provided fund investors an option to nominate or opt-out of nomination, having a nominee is highly desirable. SEBI has recently come out with a circular providing mutual fund investors with a choice to either provide nomination under their investments or opt-out of nomination altogether by signing a declaration form. While this will apply to investors subscribing to mutual funds from August this year, SEBI has given time till March 31, 2023 to AMCs to get the nomination details or the 'no-nominee' declaration from their existing investors as well. So, the rules will even apply retrospectively. Further, investments either without any nominees or without a 'no-nominee' declaration will be frozen. Nomination, in our opinion, is a very useful facility, so much so that one should consider it almost as a mandatory process. Not having nominations can push your beneficiaries in a loop of legal formalities before they can even claim the money in your absence. Thus, having a nominee greatly eases transmission. We highly recommend you to make use of this facility and put your nominations in place if they aren't already and do it prospectively as well.

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In case you don't have nominations in your existing investments or you are unsure of



whether your investments already have a nominee tagged or not, then it is likely that the AMCs will reach out to you.

Remember, it is extremely important that your hard-earned money reach the rightful claimants just in case something happens to you. So, don't think of nomination as a trivial thing, rather you must act on it.

Source : Value Research Learning

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Did you know #NiveshChintan

Investors who have not updated PAN/PEKRN (PAN exempt KYC reference number) in their folios have to update the same latest by March 31, 2023.

In this regard, please note:

A

No investments (Systematic transactions, lumpsum, redemption) shall be permitted in such folios wherein PAN / PEKRN details are not available.

B

Such non-compliant Non-PAN and Non-PEKRN folios will be liable to be frozen from April 01, 2023.

C

Non-investor-initiated transactions such as dividend pay-out, if any, declared by the Mutual Fund schemes shall also be disallowed.

D

Unitholders whose folio(s) has/have been frozen due to the above requirement shall be able to (permitted to) lodge grievance or avail service request only after furnishing the above details.

7 REASONS

WHY HEALTH INSURANCE IS IMPORTANT FOR THE ELDERLY

Be it a youngster or an old person, securing oneself with a good health insurance plan is a must for all. However, it is also true that the older you get, the more medical attention you might need as the elderly are more vulnerable to illnesses. Therefore, it is always good to safeguard yourself by opting for health plan as early as you can. Here's why senior citizens must purchase **health insurance** as early as possible:

- **Senior citizen health plans can be expensive**

Age matters a lot when it comes to premiums. Health insurance for senior citizens costs more than a health plan for a younger person. Therefore, it is advised that you purchase the health plan at an early age to save on the premium amount.

- **Facing critical conditions**

Treatment for some illnesses can get out of hand and drain your savings. Most old people suffer from critical conditions that need extra medical attention and expensive treatment. To get such diseases treated without affecting your finances, you need to purchase a **critical illness insurance** plan. However, these plans are subject to pre-existing diseases. Hence, it is imperative to go through the terms and conditions thoroughly before buying a plan like this.

- **Ever-increasing diseases**

People assume that if they're residing in urban areas, they won't have to battle diseases that people staying in rural areas might face. However, people living in cities often fall sick due to a poor lifestyle as well as pollution. This does not mean that the people in rural or semi-urban regions are spared. The chances of people contracting diseases are more today than ever before. Buying **health insurance for**



senior citizens secures the finances of a family, especially if its elderly suffer from any medical issues.

- **Comprehensive health insurance plans**

Certain companies / organizations provide their employees with group health insurance policies. Some employee group plans might also have provisions to include the employees' parents. However, this coverage isn't enough. As such, people go for family floater plans but tend to get disappointed later when they don't receive customized individual coverage. Therefore, it is usually advised to opt for a dedicated coverage. If you purchase a comprehensive policy, it will cover various medical issues that could affect senior citizens. Higher coverage can mean a higher premium, but it is worth it because otherwise, you might incur exorbitant medical expenses while getting your elderly treated.

- **Rise in medical inflation**

There has been an increase in the type and number of diseases afflicting people over the years, but along with this, we

have also witnessed advancements in the medical industry, which has provided a cure for almost every disease. However, these treatments can eat up all your savings too as medical inflation has also increased. Therefore, buying health insurance is necessary for senior citizens to be able to battle medical inflation and have financial security during health emergencies. Today, you need not get hassled to purchase health insurance for senior citizens. This can easily be done online. You do not have to fill any kind of lengthy form, like the old times. You can even customize the plan as per your needs before buying the policy and the whole process can be completed in an extremely simple manner. If you still have any doubts regarding your policy, you're free to contact the insurance company's executives anytime. An additional benefit of purchasing health insurance is the tax benefit that is associated with buying the policy. Under Section 80D of the Income Tax Act, 1961, you receive tax benefits on health insurance premium. So make the most of it today!

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

TERM INSURANCE

The Insurance Regulatory Development Authority of India's (IRDAI) December 2019 annual report reveals a meagre 2.74% life insurance penetration in India.

Indians are underinsured because of limited awareness about life insurance policy benefits and how such plans work. But if your loved ones' livelihood depends upon your income, you must safeguard their financial security in your absence. And term life insurance is one of the best instruments to ensure your family never lacks financial resources.

Hence, you need to understand what is meant by term insurance and how it works.

What is term insurance?

Term insurance is a pure protection life insurance policy. It provides coverage for a defined period in exchange for a specified premium amount.

In case of an unfortunate event during this time-frame, the insurer provides a guaranteed payout. It compensates your nominee for the loss of your income.

Affordability is a characteristic feature of term plans. Such plans do not include any investment component. The entire premium covers the mortality risk. Hence, term insurance provides sizable coverage at pocket-friendly rates. Thus, regardless of your budget, term insurance can cover your dependents' financial necessities after an eventuality.

What is a term life insurance policy?

Your policy is the contract between you and the insurance provider in which you pledge to pay the required premium, and the insurer provides the benefits in case of a valid life claim from your beneficiary.

What is the policy term?

The policy term is the duration of your life cover. If an untoward incident occurs within this period, your insurer pays the policy benefit to your nominee. You can choose your term plan's policy tenure as per your insurance needs.

How does a Term Life Insurance Policy Work?

1. The agreement

A life insurance policy, including a term life insurance plan, is a legal agreement between you and the insurance company.



You, the person who pays for the coverage, are the policyholder. You can buy the coverage for yourself or another family member. The person whose life is insured is the life assured.

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As the owner, you have to pay the insurer a pre-decided premium. In addition, the insurer pays a fixed death benefit to your nominee if a contingency occurs while the policy is in force.

2. Filling out the proposal form

You need to disclose the following information in the term plan application form:

- medical history
- current health conditions
- lifestyle habits
- hobbies
- age
- annual income
- nature of your profession

Based on such data, the insurer assesses the probability of your family raising a life claim. Factors that can elevate the premium amount include:

- A higher age
- Unhealthy habits like smoking
- Risk-prone hobbies like skydiving
- Hazardous professions
- Chronic health problems

3. Assessing your requirements

- Decide your life cover: Your coverage should be enough to meet your dependents' current living expenses and future needs. Children's college fees, marriage, spouses' old-age needs, and pending liabilities are some of the factors to consider.

- Choose your policy term: Work out the duration for which your loved ones will need financial support. It can be the time left until your children complete college or your retirement.

- Pick a premium payment mode: Term plans insurance permit one-time payment of the entire premium. Or you can go for regular payments throughout the policy period or for a limited time-frame.

- Select the payout option: With a lump-sum payout, after repaying outstanding debts, your family can invest the rest. The returns can fund their living costs. However, if your family lacks financial know-how, you can opt for a combination of a lump-sum and a staggered payout. It ensures your loved ones never run out of funds.

- Look into riders: You can increase your base coverage with riders for a negligible rise in the premium. Such add-ons provide extra payouts, covering contingencies, such as deaths due to accidents.

4. Reviewing the premium quote

Based on your details, the insurer provides a premium quotation. Then, when you make the policy payment, you get coverage.

5. Covering increased insurance needs

Increasing term plans enhance your coverage at defined intervals, overcoming inflation. Some term plans also allow you to add to your life cover at your life's milestones when your obligations increase.

6. Assigning a nominee

You need to name the person who will receive your term plan's monetary benefits. It should be an immediate family member who will take care of your dependents.

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

FIXED DEPOSIT INTEREST RATES BACK TO 2019-20 LEVEL?

Check if the time is right to park your money

A fixed deposit refers to an investment scheme that banks and non-banking financing companies provide. FDs offer greater returns on the principal invested when compared to the returns generated from a regular savings account.

The Reserve Bank of India (RBI) has increased the repo rate—the rate at which banks borrow from the central bank since May 2022 in their last four monetary policy, and it is expected to further hike policy rates before halting at a sustainable higher rate. Against this backdrop, fixed deposit (FD) rates have gone up slightly. In the past few months, several lenders have raised their FD interest rates like HDFC Ltd, Bajaj Finance PNB Housing Finance.

Consequently, FD rates are currently hovering around 5.5 percent to 6 percent, which indicates that they are significantly lower than the rate of inflation. It is expected that the inflation rate in India, which reached a high of 7.4 percent in September, has peaked.

Historically, fixed deposit rates in India have recorded higher levels during 1994-1999. During 2012-2013, it was 8.75-9 percent. The rates averaged 5.7-6.4 percent in 2019-2020 and stood between 5.25 percent and 5.35 percent in 2020-21. In 2018-19, rates were somewhere between 6.25 percent and 7.25 percent, according to Bajaj FinServ.

Given that, we can say that fixed deposit rates are somewhat back to the 2019-2020 level.

Will FD rates rise further?

Although the Inflation rate is higher than the current Fixed deposit rate, it will take some more time for these two to reach at the same level.

Here's a chart showing FD rates in India in last 10 years:

Year	Average Fixed Deposit Interest Rate
2012 - 2013	8.75 - 9.00%
2013 - 2014	8.75 - 9.10%
2014 - 2015	8.50 - 8.75%
2015 - 2016	7.00 - 7.50%
2016 - 2017	6.50 - 6.90%
2017 - 2018	6.25 - 6.70%
2018 - 2019	6.25 - 7.25%
2019 - 2020	5.70 - 6.40%
2020 - 2021	5.25 - 5.35%
2021 - 2022	5.50 - 6.00%

(Source: Bajaj Finserv)

Looking at the Global inflation scenario and the current Russia-Ukraine Conflict it seems that the inflation is here to stay which has resulted in supply side restrictions. If this conflict continuous then there is strong chance of yet another interest rate hike in December and expectation is that the market liquidity would remain tight over the next few months and hence there are chances of Fix deposit rates Increasing from here.

So, are FDs worth investing now?

The objective or purpose of any investment should be to at least beat the inflation and fulfil the future needs. Most people consider bank fixed deposits to be risk-free investment. However, is it truly risk-free?

If banks have increased the interest rates on fixed deposits, neither the pre-tax nor the post-tax returns are sufficient to keep up with the current pace of inflation. And therefore an Investor whose risk capacity

Here are the latest FD rates provided by banks:

Name of Bank	For General Citizens (p.a.)
SBI	3.00% to 6.10%
HDFC Bank	3.00% to 6.25%
ICICI Bank	3.00% to 6.35%
IDBI Bank	3.00% to 6.25%
Kotak Mahindra Bank	2.75% to 6.50%
RBL Bank	3.25% to 7.25%
Punjab National Bank	3.50% to 7.00%
Canara Bank FD	3.25% to 7.00%
Axis Bank	3.50% to 6.50%
Bank of Baroda	3.00% to 5.65%

(Source: Bankbazaar)

is somewhere between moderate and high might not like Bank Fix deposit as long term investment product.

Lets Assume one who does not fall in tax bracket and if the Bank Fd rate is 6.50 % and Inflation is 7 % then the net earning less than the inflation where in the inflation adjusted return id -0.47 percent per year.

So, we feel that fixed deposits are a good option only for investors with relatively low risk tolerance levels and who want to start saving for goals that are fewer than three years away. Which would ensure the capital is safe, however if the time horizon is minimum five years or more one can think of investing in Equity Investments.

For a person who is 30 years old earning a handsome income and is planning to retire at the age of 60 can actually allocate 90% or more of his portfolio in Equity and vice-versa.

Tenure in Months	PNB Housing				HDFC				Bajaj Finance				Shriram Transport			
	Monthly	Quarterly	Half Yearly	Annual	Monthly	Quarterly	Half Yearly	Annual	Monthly	Quarterly	Half Yearly	Annual	Monthly	Quarterly	Half Yearly	Annual
12	6.78%	6.82%	6.88%	7.00%	6.40%	6.45%	6.50%	6.60%	6.60%	6.63%	6.69%	6.80%	6.78%	6.82%	7.00%	7.00%
24	6.57%	6.63%	6.69%	6.80%	6.60%	6.65%	6.70%	6.80%	7.02%	7.06%	7.12%	7.25%	7.25%	7.30%	7.50%	7.50%
36	7.30%	7.34%	7.41%	7.55%	6.65%	6.70%	6.75%	6.85%	7.25%	7.30%	7.36%	7.50%	7.76%	7.82%	8.05%	8.05%
48	7.16%	7.20%	7.26%	7.40%	6.65%	6.70%	6.75%	6.85%	7.25%	7.30%	7.36%	7.50%	7.90%	7.96%	8.20%	8.20%
60	7.16%	7.20%	7.26%	7.40%	6.70%	6.75%	6.80%	7.05%	7.25%	7.30%	7.36%	7.50%	8.00%	8.06%	8.14%	8.30%
Extra 0.25%* pa for Senior Citizens												Extra 0.50%* pa for Senior Citizens				

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