NSDL
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The Financial Kaleidoscope

Defining the different shapes of investment

March 2017

From The Editor's Desk

Dear Reader,

Financial independence of women has forever been a topical area of interest in the 21st century. Irrespective of whether women are great home-makers or are bread-winners for the family, it is essential for them to be financially independent. To be financially independent, not just means working and earning livelihood; this has to be complemented with financial planning which would ensure that women have money to fall back upon in their times of hardship as well for their leisure.

Financial planning is a process of planning and managing one's money to meet one's life goals. Managing finances for women would mean managing different aspects such as—income, expenses, savings, assets and liabilities. A women's life goals could be varied - higher education, buying a house, planning for retirement, saving for marriage, child's education etc. Proper and timely planning of personal finance is therefore important to achieve financial security and building wealth. Planning of personal finance implies listing out various investment avenues for parking one's savings to yield higher returns or growing one's money.

There are various ways in which women can invest their savings in different kinds of investment avenues ranging from risk-averse products such as the Post Office Savings schemes, National Savings Certificate (NSC), Public Provident Fund (PPF) and deposits with banks to the Capital Market products such as equity, debt, mutual funds, ETFs. While the former provides a defined flow of money or income over the duration of the scheme, the returns that are fetched are not quite much as compared to the returns fetched from latter which require long term investment.

This issue of Kaleidoscope focuses on educating women about investing in securities market avenues which require some better understanding of investment products such as equity, debt, mutual fund.

Best Regards,
NSDL

Money speaks only one language, irrespective of gender or age – you take care of me now, and I will take care of you tomorrow.

Some women have an abundance of passion when it comes to investing and managing money. They also tend to be wealth creators – own their homes and are an example of a growing number of women who are into managing their own money. Undoubtedly there has been a significant shift in this in the last decade or so as far as women and money management is concerned. Women are now increasingly taking charge of their finances but still a lot needs to be done to create the mind-set & make more and more women manage finances on their own.

Changing trends

One of the main reasons for more women taking charge of their finances is the fact that more women are pursuing a career and earning money. With more women entering the workforce, they are automatically looking to be in control of their money. The shift is not only in the case of older women, even fresh executives in their first job are aware that they need to be involved in managing their money for maximum gains.

The simple rule of saving 30-40 per cent of one's salary every month and then deploying the same into different investment avenues is a good way to build wealth. Today, lots of women are opting to stay single or are divorced which by default make them have to seek control of their finances. Even, homemakers want to know what their right is and hence would like to know what the different investment options are.

Even in instances where the husband and the wife both have well-paying jobs; women are taking an equal responsibility in their family finances, whether it be expenses, vacations or paying EMIs. It is not just about saving and investing, it is also buying the right car and at the right price. More women earning also mean that women are taking a lot of more financial decisions like buying a house, car and many other lifestyle decisions such as joining a spa, having a personal trainer for exercises, dietician, beauty consultant and club memberships, all of which comes at a price. And, with the disparity in tax rates between men and women no more existent, women find it more compelling and necessary to handle their money on their own. And with awareness among working women going up on the need to invest wisely, there is an increasing number of womenfolk who are not just managing their money but doing so with ease.

Another significant change that has come about is that women and money have now become a part of mainstream media. There are a lot of discussions going on – in offline and online women forums and in personal finance magazines. Even mainstream women magazines are talking about how women need to take control of their money. These push women in a direction where the message is that one should make more effort to control their money. It pays to keep track on what is happening in the stock market through newspapers, business channels and magazines.

Key principles to Invest Wisely for Higher Returns

Start early

Often one tends to spend all their income in the early years of their working life, thinking that they will start investing at a later stage. It is however important to save a portion of your salary, even it is a very small amount, and harnesses the power of compounding.

Cover your bases

The first step to savings and investing is to ensure that you are covered for your risks. Having a contingency fund to cover at least 3 months of your expenses is a must, so is adequate health cover. For the working woman with dependants, a pure term insurance is crucial.

Control your expenses

Women love to shop but one needs to control excessive impulsive spending. To keep your expenses under check, it is important to have a budget and follow the **'save first spend later'** rule. Many successful women make it a point to plan their monthly expenses at the start of every month. They allocate all their salary into regular monthly expenses and the amount they plan to invest.

Make your money work

Do not let money lie idle in savings accounts that earn a very low of interest. You need to make your money sweat harder by channelizing it into avenues which give you a higher returns.

Take more risks

Women love to save. But often, being concerned about the safety of their money, they tend to put their money in safe instruments like fixed deposits. They promise guaranteed returns, but while doing so, they fail to beat the inflation that eats into the returns. The way to tame the inflation monster is to invest in instruments which can give you higher returns, though they come with a higher level of risk. For the beginner, investing in mutual funds is the way to go, while later one might invest directly into equities.

Horses for the courses

It helps to be aware of your goals, as it means that you can choose your investments and time horizon accordingly. While short term goals can be met through putting your money in fixed deposits and debt funds, you should look to equity investments either through the mutual fund or the direct route. The period of investment could vary depending on one's investment time frame and the goal they are working for.

Do your own research

Many women tend to blindly depend on male members of the family, like their father or bother for their saving and investment decisions. One needs to draw from experience of others, but it is wise to do your own research and make your own decisions.

Just for her

What does all this mean for the financial services industry? It means financial companies should treat their communication in a manner that women can associate far better with it. Also many of banks/companies are offering more women-oriented products which are giving the working women further choices. Hence you see women-only savings account with offers like zero-balance minor accounts and jewellery insurance covers and credit cards which have special discounts on salon and spa services and also more rewards on shopping.

Equity

Investing in equity implies investing in the shares of a company. This can be done through various modes—Direct Investment, Portfolio Management Services (PMS) or Mutual Funds. Once an individual buys the shares of the company, he becomes a shareholder of that company. The earnings of shareholders for investment in equity would be in two forms—***dividends paid by a company*** (i.e. profits on a proportionate basis as per the holdings of shares) and ***appreciation in the value of shares*** (i.e. buying at a lower price and selling at a higher price).

For investing in Capital Markets i.e. equity, Mutual Funds etc. an individual needs to have three accounts i.e. bank account with a Bank, demat account with a Depository Participant (DP) & trading account with a Broker. Once the aforementioned accounts are opened, an individual can start investing in the Capital Markets. An individual should note that before investing into equity segment, he/she should carry out proper analysis of the company he/she is investing into. For Instance, Investor can look into the nature of the business the company, various ratios like the Price/Earnings Ratio, Earning Per Share (EPS), Debt/Equity ratio etc., Balance sheet of the company & so on. Other than the direct investment and PMS route, the individuals can invest in Mutual Fund schemes which give them the advantage of professional management of the investments made. This can be done through various modes i.e. Equity Linked Savings Scheme (ELSS) or Systematic Investment Planning (SIP).

Mutual Funds

An investor can decide to invest in a mutual fund scheme depending on the investment objective. A mutual fund pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, bonds, debentures and other securities. The income earned through the mutual fund investments and the capital appreciation realised are shared by the mutual fund unit holders in proportion to the number of units owned by them. Mutual fund houses offer several schemes to suit the needs of different types of investors. The objective of the mutual fund scheme is announced at the time of the launch of the scheme. Investors can decide to invest in only schemes that offer them the kind of financial market exposure that they are looking for. There are various types of mutual funds you can invest in such as Open-ended, Close-ended & Interval Mutual Funds.

- **Open-Ended -** This scheme allows investors to buy or sell units at any point in time. This does not have a fixed maturity date.
- **Closed-Ended -** In India, this type of scheme has a stipulated maturity period and investors can invest only during the initial launch period known as the NFO (New Fund Offer) period.
- **Interval -** Operating as a combination of open and closed ended schemes, it allows investors to trade units at pre-defined intervals.

  Mutual Funds can also be held in demat form. NSDL has enabled holding of mutual fund units in dematerialised form. You can use your existing demat accounts for converting your mutual fund units in dematerialised form. For more details, you can log on to **www.nsdl.co.in/mutualfunds.**

National Pension System (NPS)

National Pension System (NPS) was made available by the Central Government to All Citizens of India from May 01, 2009. Pension Fund Regulatory and Development Authority (PFRDA), the regulatory body for NPS, appointed NSDL e–Governance Infrastructure Limited as Central Recordkeeping Agency (CRA) for NPS. CRA issues a Permanent Retirement Account Number (PRAN) to each subscriber and maintains data base of each Permanent Retirement account along with recording transactions relating to each PRAN.

NPS is a voluntary, defined contribution retirement savings scheme designed to enable the subscribers to make optimum decisions regarding their future through systematic savings during their working life. Women seeking for retirement savings can invest in NPS for better retirement life. This product is designed such that the subscribers can make optimum decisions regarding their future through systematic savings during their working tenure in equity or debt or both through Active choice or Auto choice depending on the option the subscriber would select.

Investing in NPS enables women to set aside small amount of their income in a regular fashion for retirement and park in their investments

in equity, corporate bonds and government bonds alongside. This product enables them to get a right product mix of investments with the added advantage of professional management of funds.

Sovereign Gold Bonds

Women have a natural inclination to invest in gold either for themselves or for their children. The new form of gold investment which has recently emerged in India is the Sovereign Gold bonds (SGBs) which can be held in demat form.

SGBs are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank of India (RBI). SGBs can be subscribed in multiples gram(s) of gold with a minimum unit of 1 gram and maximum of 500 grams per person/entity in a fiscal year (i.e. April to March). They are substitute for investment in physical gold. SGBs can be subscribed through authorized receiving offices viz., scheduled commercial banks (excluding RRBs), Stock Holding Corporation of India Limited (SHCIL) offices, designated Post Offices. The bonds are tradable on Exchanges. The bonds are held in the books of the RBI or in demat form eliminating risk of loss of scrip etc.

Insurance

Insurance is an oft-misunderstood financial tool. Insurance is the cheapest and most immediate way for a person to displace risks that are too great to assume individually. I can afford the doctor for an annual check-up, but what if I need an MRI and surgery? By paying a smaller amount up front, I am moving the responsibility from my shoulders to a large organization. When you displace that risk with a large group of others, you are pooling your risk with your neighbor. The insurance company is a large organization charged with administering that group of risks in the unforeseen event that something happens to any individual in that pool. Some risks are less tangible such as getting sick, staying sick, and dying — known as life and health.

Therefore, to protect the interest of and secure fair treatment to policyholders holding various types of policies such as Life Insurance, vehicle Insurance etc., Insurance Regulatory and Development Authority of India (IRDAI) has given an approval to NDML for setting up Insurance Repository termed as 'NSDL Insurance Repository (NIR)'. With NIR coming in place, the policy holders can now hold all types of insurance policies in electronic form in a single e-Insurance Account (eIA) thus eliminating the need of storing the policies in physical form. eIA acts as a single point of contact for the policy holder to update demographic details with all the insurance companies with whom insurance policies are held.

Exchange Traded Funds (ETF)

Women investing in Exchange Traded Funds (ETF) would be a much convenient option for investing and taking exposure in capital market rather than individually picking and monitoring stocks. In simple words, ETFs as an investment vehicle is a basket of stocks traded on a stock exchange as a single stock. Thus, ETFs are basically a group of stocks which are bundled together as a single stock for trading on stock exchanges. Buying ETFs is similar to investing in multiple stocks at one time. For example, Nifty BeES (Benchmark Exchange Traded Scheme) ETFs comprises stocks of top 50 companies in its investment basket. These are stocks such as Reliance, ICICI Bank, ONGC, NTPC, Infosys etc. Therefore, when you buy 1 unit of Nifty BeES ETF, then through a single unit that you have bought, you get an exposure to top 50 stocks. For purchasing and selling ETFs, one requires a demat account which can be opened with any Depository Participant of NSDL. ETFs have an underlying benchmark index which is well researched.

Gold ETFs

An investment avenue which is usually preferred by women is gold. This is purchased in form of gold bars or jewellery. However, now there are new forms of investment of gold—i.e. through Gold ETFs (Exchange Traded Funds) or Gold funds. Gold ETFs and gold funds (mutual funds that invest in gold ETFs) have various advantages over physical gold. It removes the issues of storage and provides assurance of purity (as Gold ETFs invest in 99.5% purity gold). An important advantage that gold ETFs have over physical gold is the divisibility factor. This implies that even one unit of gold ETF can be sold in the market with ease and convenience; however selling smaller value of gold is not very easy. For purchasing and selling Gold ETFs, one requires a demat account which can be opened with any Depository Participant of NSDL.

Understanding Financial lingo

Mutual funds offer systematic approaches to investment i.e. those facilities that help investor to:

- **Invest regularly** through a Systematic Investment Plan (SIP)
- **Withdraw amounts regularly** through a Systematic Withdrawal Plan (SWP)
- **Move money** between different kinds of schemes through a Systematic Transfer Plan (STP).

  Such systematic approaches promote an investment discipline, which is useful in the process of creating and protecting long-term wealth.

- **Systematic Investment Plan (SIP)**

  SIP enables the investor to invest constant amounts at regular intervals. One benefit of such an approach, particularly in equity schemes, is that it averages the unit-holder's cost of buying those units. For instance, an investor wants to invest ₹1,000 per month in a mutual fund scheme through an SIP for 6 months. Suppose in the first month, the NAV of the mutual fund scheme is ₹10 then this will result in the investor being allotted ₹1,000/₹10 i.e. 100 units. In the second month, if the NAV is ₹12, then the investor will be allotted less units compared to the first month i.e. he/she will be allotted 83.333 units (₹1,000/₹12) & so on. Thus, the investor does not end up in a disadvantageous position of acquiring all the units when the market is at peak. This is also known as rupee cost averaging.

- **Systematic Withdrawal Plan (SWP)**

  Just like investors do not prefer to purchase all the mutual funds units during the market peak (i.e. when the Net Asset Value of the mutual fund scheme is high); they do not prefer to redeem their units when the market is down (Net Asset value of the mutual fund scheme is low). The systematic withdrawal plan thus enables the investor to sell/redeem his units at an average NAV during a certain stretch of period rather than at one go. This way, the investor does not end up selling all the units in a market trough (when the market is at its low). Mutual funds make it convenient for investors to manage their SWPs by indicating the amount, periodicity and period for their SWP.

- **Systematic Transfer Plan (STP)**

  Systematic Transfer Plan is a variation of SWP. In case of a SWP, constant amount is paid to the investor at the pre-specified frequency while in a STP; the amount which is withdrawn from a scheme is re-invested in some other scheme of the same mutual fund.

Blog

Investment Avenues for Women

By Anurag Garg, CFA,
CEO & Founder,
Providential Advisory Services Private Limited

Women in Indian households subconsciously play pivotal role in financial well-being of the family, without getting much credit for it. They manage expenses of the house, and ensure some amount out of the total expense budget is saved. Various surveys have revealed that women, in general, tend to save more, and are conservative investors as compared to men. I would give credit to women for high savings rate in India. However, due to lack of awareness about the right investment avenues, often women are not able to manage their savings in best possible manner. My endeavour here is to talk about some basic rules for investing and suggest investment avenues that can work for most of our women readers.

Saving is as important as earning in building long term wealth. Similarly, investing the savings judiciously goes a long way in ensuring that one has sufficient money when required. Safety of the amount that you invest should be the most important consideration while looking for investment avenues. As an example, for your requirement of ₹2 lakh after 3 years for a family function, a saving of ₹5,000 every month invested at an average return (dividend, interest or capital gain) of 7 - 8% per annum should be enough. However, if the investment avenue that you have selected is not safe, then you may end up losing your saving itself.

Next, you should consider liquidity of investment, which is your ability to sell the investment when required. Another important factor in selecting investment avenues is the length of time for which you wish to invest. Investments should be in multiple avenues to ensure that even if one of the investments has some problem, you could depend on others. Also, some portion of the saving should be handy, which can help in meeting any urgent requirements, like a medical emergency.

In terms of specific investment avenues, options available for women are bank deposits, post office deposits, equity mutual funds, and gold *(I am sure that caught your interest!).* You could decide to allocate your savings into these options after carefully considering the factors described above, and it would be good to have some portion in each. I will recommend bank deposits for meeting your short term and urgent requirements. Post office deposits (particularly PPF) are good for a long - term nest, which is safe and secure, but the returns are less. Equity mutual funds should be considered for medium to long term requirements. Mutual funds have very good options for regular savers the Systematic Investment Plan (SIP) – where you could invest a fixed amount every month. Equity mutual fund investments can be volatile in short term, but when invested for long term, they tend to generate superior returns over other investment options. Gold is something that every woman wants to possess, and you must. But again, have a reasonable proportion of your saving in gold, and not everything. As a thumb rule, you could consider putting in 20-25% of your savings into each of these options. Investing your saving prudently and judiciously will not only give you peace of mind, but also happiness!

Your Questions Our Answers: Financial Planning for Women

1. **How should women plan their investments?**
   Women can plan their financial investments through a reputed financial advisor. It is always advisable to draw the financial plan through a professional financial advisor as it helps to make these investments flow in the right direction. They should look at how much they earn, how much they can spend and how much can be invested. It's always good to jot down the financial goals before starting investments.
2. **What is Asset Allocation?**
   Asset allocation means dedicating certain percentages of your holdings to broad asset categories like stocks, bonds, real estate and cash as a way to achieve your financial goals while managing risk. This strategy can work because different categories behave differently. Stocks, for instance, offer potential for both growth and income, while bonds typically offer stability and income. The benefits of different categories can be combined into a portfolio with a level of risk you find acceptable.
3. **What Asset allocation suits best for investors?**
   Asset allocation helps investors balance the returns they want with an acceptable level of risk. Your asset allocation should be based on your investment goals, time frame, and risk tolerance. In retirement, you might want to emphasize bonds and cash for income and stability. But don't overlook stocks, because you need to keep up with inflation. If you won't need your money for 25 years, a financial advisor might recommend an asset allocation of 100% stocks. That wouldn't mean investing in only one stock. You'd still want your portfolio to be diversified across a variety of stocks. Generally, a 65-30-5 percent model is adopted with 65% for large caps, 30% for midcaps & 5% or less for small cap stocks. This can change based on factors like goals, liabilities, age etc.

News Articles

Subscription to *SPEED-e*

During February 2017, two more Participants have subscribed to the ***SPEED-e*** facility viz.,

- The Mehsana Urban Co-Operative Bank Limited (DP ID IN304166)
- Narayan Capital Services Private Limited (DP ID IN304174)

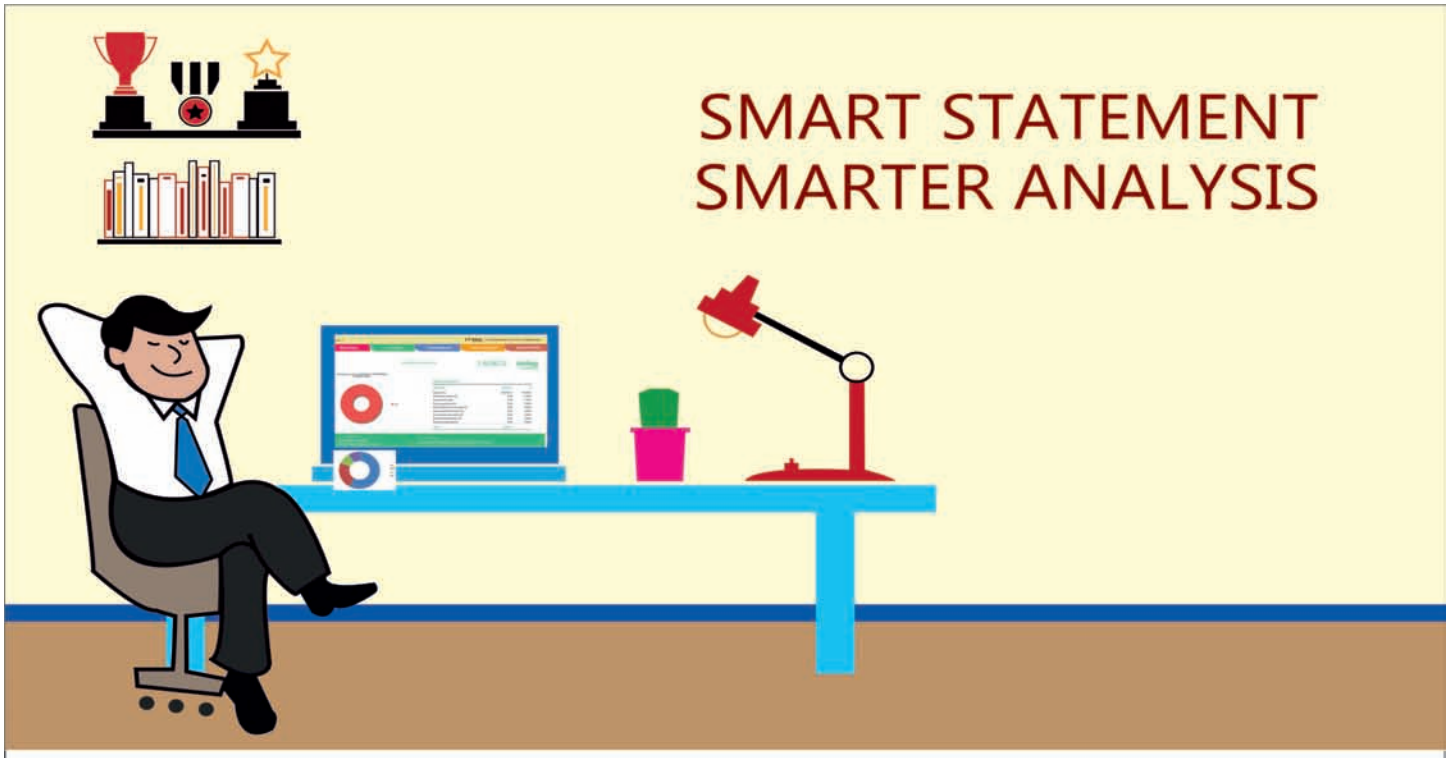
Clients of the above mentioned Participants can now avail the facility of submitting various instructions through ***SPEED-e*** facility.

This takes the total number of Participants who have subscribed to ***SPEED-e*** to 188.

Investor Education initiatives undertaken by NSDL

- **Investor Awareness Programmes:**
  In order to reach out to investors that are spread across the country and to apprise them about the facilities available in NSDL depository system and the awareness on stock markets, NSDL conducts various Investor Awareness Programmes jointly with it's Depository Participants (DPs) & with Institutions like SEBI, NSE etc. NSDL also conducts various training programmes for its Depository Participants (DPs) on Depository related services. During February 2017, NSDL conducted 12 Investor Awareness Programmes with Participants, College Institutions, SEBI, NSE etc. These programmes were attended by more than 1,300 investors, details as mentioned below:

Sr. No.	Particulars	
1	**Joint Awareness Programmes with DPs**	**No. of Programmes**
	Mangal Keshav Securities Limited	2
	Swastika Investmart Limited	2
	Stock Holding Corporation of India Limited	1
	Jhaveri Securities Limited	1
	Total Programmes	**6**
2	**Joint Awareness Programmes with other Institutions**	**No. of Programmes**
	Integrated Enterprises (India) Limited, NSE, Nanayam Vikatan & City Union Bank Limited	3
	Total Programmes	**3**
3	**Training Programmes for Institutions**	**No. of Programmes**
	NKGSB Co-op. Bank Limited	1
	Total Programmes	**1**
4	**Participation at Events**	**No. of Programmes**
	"10th Annual ICC Mutual Fund Summit" organized by the Indian Chamber of Commerce (ICC)	1
	ASSOCHAM's Bond Market Summit organized by ASSOCHAM (The Associated Chambers of Commerce & Industry of India)	1
	Total Programmes	**2**



NSDL-CAS (Consolidated Account Statement):

A single Consolidated Account Statement for all demat account holders to view all their investments in the securities market [viz. equity shares, preference shares, mutual funds, bonds, debentures etc.]. This information rich statement enables effective monitoring of demat portfolio. NSDL has started this service to its demat account holders from February 2015 which is available both in physical and electronic form.

Features of NSDL-CAS:

- **Summary of Portfolio**
- **Asset-Wise Classification**
- **Graphical Representation**
- **Demographic Details**

CAS Helpline No. 1800 222 990

To subscribe to e-CAS, visit https://nsdlcas.nsdl.com

To know more about NSDL-CAS, give us a missed call on 8080944828

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Read and Win!

What are the advantages of investing in Mutual Funds through Systematic Investment Plan (SIP)?

Send your replies providing your contact details (Name, address and contact no.) with the subject 'Knowledge Wins Contest - March 2017' to info@nsdl.co.in

Terms and Conditions

- NSDL shall be solely responsible for the execution and administration of this Contest.
- This Contest is only open to Indian Citizens. (NSDL employees are not allowed to participate in this contest.)
- All personal details submitted must be accurate and complete and are subject to proof upon request by NSDL.
- NSDL reserves the right, at any time, to verify the validity of entries and entrants and to disqualify any entry not submitted in accordance with these Terms or which tampers with the entry process.
- NSDL reserves the right to discontinue the contest at any given point of time without prior intimation.
- All prize drawings will made on a strictly random basis and the decision made by NSDL will be final

Your suggestions for newsletter are valuable to us. Send in your suggestions mentioning your contact details (contact name, address & contact number) with the subject "Suggestions for the newsletter" to info@nsdl.co.in

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