

# FINANCIAL Insights

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**WILL  
UNION BUDGET  
2020  
IMPACT**

**YOUR INVESTMENTS?**

## Dear Friends



It gives me great pleasure to communicate with you and share many new updates, our service levels and new initiatives.

On 25th January 2020, we had a health camp conducted at our office premises in Arya Gowda Road, West Mambalam which was also a good occasion to meet many of you in person. I do hope that the camp was useful.

With the next financial year 2020-2021 approaching us, it is time to refine our financial goals. It is the best practice for any individual to know certain key aspects of the budget of the country as it is the key framework that governs the financial institutions like post office deposits, banks, insurance companies and private financial institutions.

Budget presented by our Finance Minister has three major themes such as Aspirational India, Economic Development and Caring Society which needs to be effectively supported by Governance and Finance Sector.

Structural Reforms in GST, Digital Governance, Improving Infrastructure, Social Security through pension and Insurance penetration, Increase in Deposit Insurance coverage, Eligibility Limit amendment in NBFC company recoveries, Specified categories of government securities would be opened for non resident investors, Concession on Corporate tax rate, Tax concession for sovereign wealth fund of foreign governments and other foreign investments. Individual's tax rate are also covered in this edition.

With the Corona virus infections growing exponentially, it is our responsibility to stay safe and reduce our mobility, helping the system to control the situation. Let's now look at its impact on our sector.

*C. Ravikumar*

CEO., CRK Financial Solutions

## Market and Pandemic

You must all have been wondering why the market is witnessing the steepest fall, and what one should have done. You might have seen a much steeper fall before this, but now the fear factor has grown exponentially thanks to the fogged news of the media.

COVID-19 has become pandemic from epidemic, hitting not only our Market but also causing a global recession. More than the Corona Viral impact, the fear impact is brutally devastating, creating multifold disruptions in world trade.

Likewise, all the investors, should avoid getting swayed by market movements & sentiments. Just because the portfolio shows lesser value today, it does not mean this will continue forever ultimately wiping out entire money. NEVER EVER. The best way to address this issue is not to constantly watch the portfolio until the market is corona-free. Whenever you are in doubt, always look at the past and examine whether it has happened earlier. If so, investigate if it has recovered or not. In fact, it has happened many a times before, and eventually it bounced back much stronger than when it fell.

I would like to reiterate that, however the fall be, it will recover soon if you look back.

### **Year 1992** —

Sensex down by 54% in a year & up by 127% in next 1.5 yrs.

### **Year 1996** —

40% down in 4 years and 115% in next year

### **Year 2000** —

56% down in my 1.5 years and 138% up next 2.5 years.

### **Year 2008** —

61% down in 1 year and 157% up in next 1.5 years

### **Year 2010** —

28% down in 1 year and 96% up in next 3 years

### **Year 2015** —

22.3% down in 1 Year and 25% up in next 7 months.

Pained by the market rally, if you withdraw now - you are converting your notional loss into real loss and the chances of recovery takes much more time. It is time to show lot of patience and faith. Equity market needs just one good news to take direction.

# Know-How of NEW INCOME TAX REGIME



**Mr. T R Krishnamurthy**  
Chartered Accountant  
catrkauditor@gmail.com

**T**he Government has proposed a new income tax regime that comprises a significant change in the tax slab rates in case of individuals and HUF.

New tax slabs as compared to earlier slab rates are:

Income Tax Slab for FY 2020-21	New Tax Rate	Existing Tax Rate
Upto ₹ 2.5 Lakhs	Exempt	Exempt
₹ 2.5 - 5 Lakhs	5%	5%
₹ 5 - 7.5 Lakhs	10%	20%
₹ 7.5 - 10 Lakhs	15%	20%
₹ 10 - 12.5 Lakhs	20%	30%
₹ 12.5 - 15 Lakhs	25%	30%
Above ₹ 15 Lakhs	30%	30%

One can opt for new regime by foregoing certain prescribed deductions/ exemptions. Most exemptions used by salaried employees on account of Leave Travel Allowance, House Rent Allowance, Housing Loan Repayments, savings instruments such as PPF and LIC as well as standard deduction will cease to be available. But assessee will retain the tax benefits on payouts at the time of retirement such as gratuity, employees' PF and NPS accumulations, employer's contribution to EPFO, the National Pension System or superannuation payments (up to ₹ 7.5 lakhs) and amounts received on VRS (up to ₹ 5 lakhs).

It may be noted that Alternate Minimum Tax (AMT) shall not apply to individuals and HUFs having business income, if they opt for new tax regime.

To avail new tax regime Individual and HUFs

(i) with no business income, can exercise this option every year at the time of filing of return under section 139(1).

(ii) with business income, can exercise this option on or before due date of filing the return (option once exercised shall continue for that year and all subsequent years).

Insurance cover on deposits raised to ₹ 5 lakhs.

Dividend Distribution Tax has been discontinued. Instead, the recipients of the dividend will have to pay tax at their applicable slab rates.

**Section 194:** Dividend paid by Indian companies, to a

shareholder, who is resident in India, Tax @ 10% has to be deducted if the dividend amount exceeds 5000 during the financial year.

**Section 194K:** Dividend paid by Mutual Funds to a resident, Tax at 10% will be deducted only if the dividend amount exceeds 5000 during the financial year.

**Under Section 80EEA,** the additional deduction of ₹ 1.5 lakh for interest paid on home loans will now be allowed for the loans sanctioned till 31st of March 2021.

**Under section 194J** - fees for technical services, TDS has been reduced to 2% from 10%.

It is proposed to increase turnover threshold for tax audit for persons carrying on business from 1 crore to 5 crores, provided annual cash receipts and payments do not exceed 5% of the total receipts and payments, respectively. However, no change is proposed in threshold limit for persons carrying on profession. The due date for filing of tax audit report remains 30th September whereas corresponding return filing date has been extended to 31st of October from the 30th of September, resulting in filing of tax audit report one month prior to filing of corresponding income tax return.

## Change in Residential Status

1. An individual, being a citizen of India, shall be deemed to be resident in India in any previous year, if he is not liable to tax in any country and his global income will be taxed.

2. Indian citizens or Person of Indian Origin visiting India will be considered as resident if their stay in India is 120 days (as against earlier limit of 182 days) or more in the current year.

3. Now individual or HUF (whose Manager) would be considered as 'Not Ordinarily Resident' (RNOR) if he has been non-resident in India in seven out of ten previous years.

# Wealth that grows & Lasts Forever

“START EARLY; REACH SAFELY”!

**A**t traffic signal posts and traffic islands you will get to see this board, “Start early; Reach safely.” This to say that if we leave our place even 5 minutes early then we can reach our destination calmly and if we leave even 5 minutes later, then we have to take unnecessary risks of road, like speeding over limits, jumping lanes, overtaking rashly etc to make good the time lost.

The same is true in the area of finance. Starting our savings plan a few years early gives us adequate money to meet our goals and starting the same put us under the strain of looking for high yielding instruments to match up adequacy of the money available then. In the process these high yielding instruments come with varying degree of risk on the capital often resulting in the erosion of capital, the hard earned money.

Let me demonstrate this through an example:

## SCENARIO 01

Mr. Prakash and Mr. Atul are friends working the same company drawing same levels of income. They are identical in their ages and even the family size. Mr. Atul started saving ₹10,000 per month from his age 25 and he kept saving the same amount every month till his age 35 expecting the plan to provide him a retirement fund when he becomes 60 years of age. From age 35 onwards he had family responsibilities and had to spend on their requirements.

Mr. Prakash started saving ₹10,000 from his age 50 once his children had settled down in their lives and his target was to have fund providing him a decent retired life. If both Mr. Atul and Mr. Prakash had invested in a plan which yielded 8% IRR then Mr. Atul will be having ₹1,26,12,000 and Mr. Prakash will be having ₹18,41,000, even though the contribution from both have been the same.

If Mr. Prakash wants to equal the fund available with Mr. Atul then he must contribute ₹68,500 every month from his age 50, against the ₹10,000 every month invested by Mr. Atul.

If Mr. Prakash wants to keep the contribution at ₹10,000 level then he has to invest in an instrument that yields 37.5% IRR compounding monthly against the

8% yielding investment that Mr. Atul had done for himself.

## SCENARIO 2

Mr. Atul starts saving ₹10,000 per month at age 25 and continues till his age 60 @8%, he would have got a fund of ₹2,31,00,000 at his age of retirement. Mr. Prakash starts at age 35 the same plan contributing ₹10,000 per month, he will be left with ₹95,00,000.

If he wants to match up with Mr. Atul in the fund size at retirement then he has to contribute ₹24,100 every month instead of ₹10,000 every month. If Mr. Prakash wants to keep the contribution at ₹10,000 level then he has to invest in an instrument that yields 13.2% IRR compounding monthly against the 8% yielding investment that Mr. Atul had done for himself.

## SCENARIO 3

Mr. Prakash starts at age 40 with monthly contribution of ₹10,000 @ 8% he will get ₹59,00,000. If he wants to match Mr. Atul's Fund then he must contribute monthly ₹39,000 instead of ₹10,000 done by Mr. Atul. If Mr. Prakash wants to keep the contribution at ₹10,000 per month then he has to invest in an instrument that yields 18% IRR compounding monthly as against the 8% yielding investment that Mr. Atul had done for himself.



**Mr.R.Gopinath., CEO**  
Gopast Centre for learning Pvt Ltd

## நாளடியார்

செல்வந்தராயம்' சான்று தாக்கு செல்வந்தர் எண்ணாத  
புல்லாநி வாளார் பெருஞ்செல்வம் - எல்லிந்  
கருங்ககாண்டமு வாய்திரந்த மிண்துப் சபாந் சிநாண்டி  
மருங்கநகக் கெடடு வடும்

விளக்கம் :

அவசரத்தில் நிதி செந்நி பார்த்தகாமல் திரட்டிய பணம்  
அகைதவி அவசரமாகக் காணாமற் சபாய் வடு.

The above scenarios are shown in a table for easier understanding.

Mr Atul	Age 25 to 35	Fund at age 60	IRR
	₹10,000 per month	₹ 1,26,12,000	8%
Mr Prakash	Age 50 to 60		
	₹ 10,000 per month	₹ 18,40,000	8%
	₹ 68,500 per month	₹ 1,26,12,000	8%
	₹ 10,000 per month	₹ 1,26,12,000	37.5%
Mr Atul	Age 25 to 60	Fund at age 60	IRR
	₹ 10,000 per month	₹ 2,31,00,000	8%
Mr Prakash	Age 35 to 60	Age 35 to 60	
	₹ 10,000 per month	₹ 95,00,000	8%
	₹ 24,100 per month	₹ 2,31,00,000	8%
	₹ 10,000 per month	₹ 2,31,00,000	13.2%
Mr Prakash	Age 40 to 60		
	₹ 10,000 per month	₹ 59,00,000	8%
	₹ 39,000 per month	₹ 2,31,00,000	8%
	₹ 10,000 per month	₹ 2,31,00,000	18%

There is more to follow on this topic, like the story of 4 people nearing retirement and the proportion of the risk related to the duration of postponement, so stay connected for the next issue.

**தருக்குநர்**

ஆற்றின் அளவறிந்து ஈக அதுபொருள்  
 போற்றி வழங்கும் நெறி.

வளிக்கம் :

சரியான வழியில் பிடுகுக்கு எவ்வளவு கொடுக்க  
 சிவன்குமார அகைத சரியாக கணக்கிட்டு கொடுக்காதவர்  
 வாழ்க்கை இருப்பது போல தோன்றி உண்மையில்  
 இல்லாததாகிவிடும்

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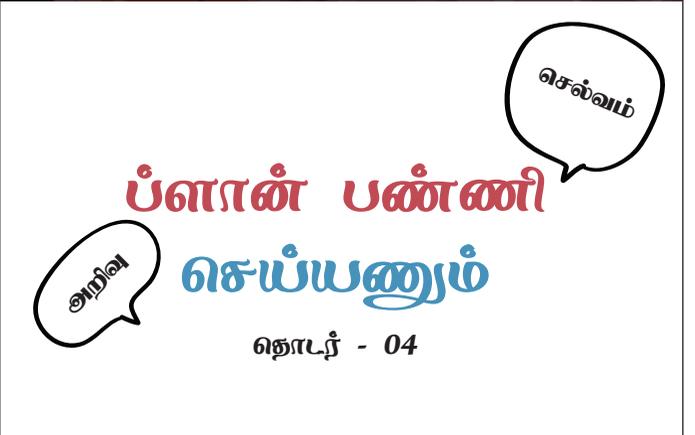
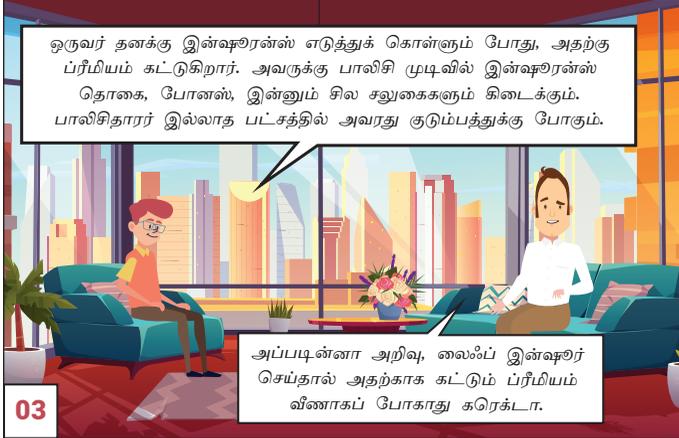
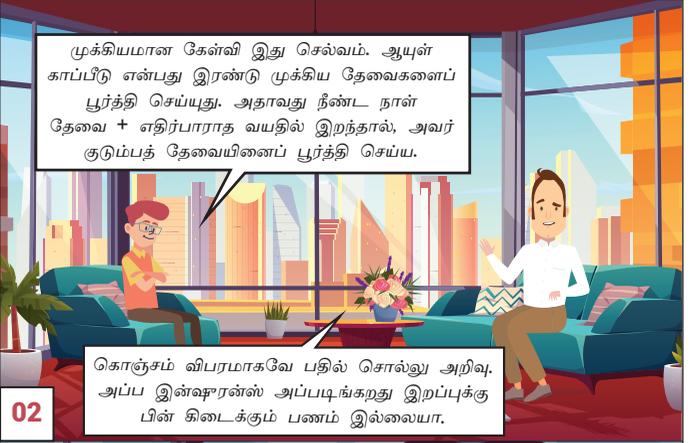
# Start Early, Invest Lesser



Target Corpus  
**₹ 25 Lakhs**



- Age of Child when you start
- Monthly Investment Required
- Investing Horizon





# Financial Trends

## HIGHEST INTEREST RATES ON FIXED DEPOSITS SCHEMES

FD Name	Rating	Interest Rate * (Up to)
Shriram Unnati Deposits	MAA+ by ICRA, FAA+ by CRISIL	8.85%
PNB Housing Ltd	CRISIL FAAA	8.20%
Mahindra & Mahindra Financial Services Ltd	CRISIL FAAA	8.05%
Bajaj Finance Ltd	FAAA by CRISIL, MAAA by ICRA	8.05%
ICICI Home Finance	FAAA by CRISIL, MAAA by ICRA	7.85%
Sundaram BNP Paribas Home Finance Ltd.	ICRA MAA+	7.75%
HDFC Ltd.	FAAA by CRISIL, MAAA by ICRA	7.65%

\* Highest rate including additional interest for Senior citizens, employees etc. wherever applicable.

\* As of March 2020

## FUND PERFORMANCE CHART - OUR FAVORITE EQUITY FUNDS

Fund Name	Category	1 Year	3 Year	5 Year	*NAV
Mirae Asset Emerging Bluechip Reg-G	Large & Mid Cap	-19.93	0.44	7.85	42.24
SBI Small Cap-G	Small Cap	-20.64	-0.02	7.64	40.82
Axis Small Cap Reg-G	Small Cap	-5.72	8.38	6.70	26.28
Axis Focused 25-G	Multi Cap	-10.17	4.68	6.43	23.90
Axis Midcap-G	Mid Cap	-9.02	6.23	5.81	32.32
Axis Bluechip-G	Large Cap	-11.19	1.19	5.37	24.29
Mirae Asset Large Cap Reg-G	Large Cap	-23.09	-0.40	4.12	39.03
Kotak Standard Multicap Reg-G	Multi Cap	-23.15	-1.89	3.69	26.87
Kotak Equity Opportunities Reg-G	Large & Mid Cap	-20.00	-1.94	3.26	94.60
ICICI Prudential Bluechip-G	Large Cap	-24.17	-2.38	1.82	31.72
HDFC Top 100-G	Large Cap	-32.09	-5.28	0.13	340.58

## FUND PERFORMANCE CHART - OUR FAVORITE DEBT & DYNAMIC FUNDS

Fund Name	Category	1 Year	3 Year	5 Year	*NAV
Kotak Low Duration Fund (G)	Debt	10.06	8.52	8.79	1837.74
LIC MF Banking & PSU Debt-G	Debt	6.98	7.03	7.06	25.67
ICICI Prudential Regular Savings-G	Hybrid - Conservative Hybrid Fund	6.20	6.60	7.22	30.95
ICICI Prudential Floating Interest-G	Debt	6.19	6.50	7.08	42.01
HDFC Low Duration-G	Debt	6.15	6.48	7.28	299.60
Axis Equity Saver Reg-G	Debt	0.84	5.70	7.04	43.39
ICICI Prudential Balanced Advantage-G	Hybrid - Dynamic Asset Allocation	-5.67	3.29	0.00	12.07
SBI Savings-G	Debt	-11.31	0.27	4.77	451.65
ICICI Prudential Asset Allocator (FOF)-G	FoFs (Domestic) - Debt Oriented	-13.28	0.43	3.85	30.58
HDFC Equity Savings-G	Hybrid - Equity Savings	-13.85	1.43	4.34	47.41

All Equity funds ranked on 5-year returns. Debt funds ranked on 1-year returns.

\* NAV as of 27.03.2020



# Hello! I am Mr. SIP

For anything and  
everything about SIP

Contact

C Ravikumar  
9941606398

e-mail

crkfswm@gmail.com



MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

## Hear from our Clients



“About 4 years back, When I was looking for a trustworthy and confident wealth advisor, I came across Ravi through my known friend. I was impressed by his professional and systematic approach. So I trusted him and allowed him to handle my portfolio. I can say confidently that even in turbulent times, my wealth has seen a significant growth due to his advice. He is ably supported by a good team who regularly update my portfolio and send monthly reports promptly.”

- **Mr. V. Karthikeyan,**

Dy. Executive Director, Dalmia Bharat Cements



“CRK Financial Solutions is an one stop destination for all our financial needs. But the way they do things are the matter to watch and it is different from other institutions. They are prompt in service, a very good customer care and that too with a good smile always. Any one who comes into this institution will go with the best results with a happy note.”

- **Mrs. Mohana Subramaniam**

IOB Staff (Retired)

## A NOTE TO OUR DEAR READERS

“Financial Insights” is an investor awareness publication by CRK Financial Solutions. It is being sent to some of you on a complimentary basis as part of our humble effort to ensure that more & more investors are made financially aware so that they get the best from their savings & investments. We sincerely hope that you like the contents of Financial Insights and in some way benefit from the same. Moreover, we would be happy to receive your feedback on the contents of this publication, we request you to please let us know by sending us an email on [webmaster@chequeleaf.com](mailto:webmaster@chequeleaf.com). Alternatively, you can even write to us at our office address:

**CRK Financial Solutions, New No 75, Arya Gowda Road, West Mambalam, Chennai 600 033.**