



MARCH 2017

I-CAN MONTHLY NEWSLETTER

MONTHLY NEWSLETTER – MARCH 2017



Market Update

Sensex : Up 3.9% Nifty : Up 3.7%	
Best performing sector: Realty (9.2%)	Worst performing sector: Auto (-1.5%)
Best performing Global index: Dow Jones (4.8%)	Worst performing Global index: RTS (-5.6%)
Indian Rupee: 1.3%	Gold price: 2.7%

The month of February saw a continuation of the positive momentum seen in the headline indices. The net equity inflows by FII's was Rs 9,902 crore and net debt inflows was Rs 5,960 crore. The biggest event in the month was the Union Budget presented on the 1st of February which turned out to be a very well balanced budget which focused on the right areas to revive the economy. This gave a huge boost to the market sentiment. The government tried to create more disposable income and incentive to pay taxes by reducing existing rate of taxation for individual assesses between income of Rs 2.5 lakhs to 5 lakhs to 5% from the present rate of 10%. Surcharge of 10% of tax will be payable on categories of individuals whose annual taxable income is between Rs 50 lakhs and Rs 1 crore. Small businesses (with a turnover up to Rs 50 crore) have been incentivized with an attractive income tax rate of 25%. The market was buoyed by the fact that the much feared increase in holding period for long term capital gains tax on equity was not introduced. The fiscal budget was limited to 3.2% for FY18. The

government has clearly given the much needed importance to infrastructure spending by allocating Rs 3.97 lakh crore to the sector.

RBI in its last monetary policy left interest rates unchanged – which caused hardening of G-sec yields. The 10-year G-sec yield increased by 46 basis points to 6.87% in the month of February.

On the macroeconomic front, there was a rise in the wholesale price inflation to 5.2% in January from 3.4% in December'16. This was mainly due to rising commodity prices. The retail inflation, however, fell to 3.17% in January from 3.41 % in the previous month. IIP for the month of December'16 was -0.4% because of demonetization which was a sharp fall from 5.7% in November'16. The major contributor to the fall is believed to be demonetization. IMF said the repercussions from India's demonetisation initiative will likely persist through the first quarter of 2017. According to Moody's Investors Service, India will be the fastest growing economy among G-20 countries clocking a 7.1% growth in 2017. India will be the world's fastest growing economy during the next five years, according to a top US intelligence think-tank, National Intelligence Council (NIC).

There has been a surging participation of retail investors in the markets. Equity mutual funds saw an inflow of close to Rs 4,900 crore in January'17. The IPO market also seems to be picking up in the country.

Other reforms:

- SEBI introduced new surveillance measure to check stock price manipulation. Stocks which show an

abnormal price rise not consistent with financial health and fundamentals like Earnings, Book value, Fixed assets, Net worth, P/E multiple, etc of a company will now fall under the Under the new Graded Surveillance Measure (GSM).

- Employees' Provident Fund Organisation (EPFO) will launch a housing scheme next month for its over 4 crore members to enable them to make down payment and pay EMIs from their EPF accounts to buy homes.
- SEBI raised mutual funds additional exposure to home finance companies to 15% from existing 10%.
- The income tax department has decided to waive tax arrears up to Rs 100 for individuals struggling with small dues. The government will forgo Rs 7 crore in tax revenue but will be able to close 1.8 million cases, making up for over 10% of total I-T arrears entries by volume. The move will also ensure smoother tax refunds.
- The Cabinet Committee on Economic Affairs approved reworking of the scheme for development of solar parks and ultra mega solar power projects as well as enhancing the capacity from 20,000 MW to 40,000 MW (or 40 GW) for the projects. The projects will be set up with the Centre's financial support of Rs 8,100 crore.
- Aadhaar Pay will be introduced in the country first with five banks that includes State Bank of India (SBI), Syndicate Bank, IndusInd Bank and IDFC Bank. Bank of Baroda and Punjab National Bank are also in the process of launching it at the earliest.
- Under the 'Operation Clean Money', the I-T department had sent out SMSes and e-mails to about 18 lakh people who deposited over Rs 5 lakh each during the 50-day window from November 10 to December 30, because the deposits did not tally with their income.
- The government hopes to overshoot the Rs 45,500 crore disinvestment target for the current fiscal amid strengthening of equity markets.
- The GST Council approved the draft compensation law to reimburse revenue loss to States.
- SEBI has allowed mutual funds to invest in real estate investment trusts (REITs) and infrastructure investment trusts (InvITs).
- The Finance Bill, 2017, which was tabled in the Lok Sabha on February 1 along with the Union Budget, has proposed to restrict contributions by an exempt trust from its income to another exempt entity or trust with a specific direction that it will become a part of the latter's corpus.
- Government plans to come out with 'Indradhanush 2.0', a comprehensive plan for recapitalisation of public sector lenders, with a view to make sure they remain solvent and fully comply with the global capital adequacy norms, Basel-III.
- From February 20, the limits on cash withdrawals from savings bank accounts would be increased to Rs 50,000 a week, and from March 13, there would be no limits on cash withdrawals.



Why should you opt for Term Insurance?

What is Term Insurance?

Term insurance is a life insurance where the insured pays premium regularly (Quarterly, Bi-Monthly or annually) and the insurer agrees to pay the beneficiary or the nominee the sum assured in the event of premature death of the insured during the policy term. But, if the insured survives during the policy term, term insurance would not provide any survival or maturity benefits.

Benefits of Term Insurance

i. Financial Security

An untimely death is unfortunate and so are the financial liabilities that require to be borne by the family, hence to prevent such a situation one should opt for term insurance in order to protect the financial needs of the family and the loved ones.

ii. Low Premium

The premium for a term insurance is relatively low compared to other insurance plans because there is no investment element in the amount insured. An individual might have to pay one percent of his annual income to get a life cover and since this investment element is not there in the insured amount, the premium for the term insurance is lower compared to the other life insurance policies.

iii. Low Claim Rejection

When one opts to buy a term insurance then the insured should disclose all facts about his health, habits and financial condition, in order to ensure that his family's claim is not rejected in the event of death. The Insurance Regulatory and Development Authority (IRDA) has mandated that no insurance company can reject a claim stating non-disclosure of facts after three years of policy becoming effective.

iv. Flexibility

Flexibility is one of the major advantages of a term plan. One can opt either for an online plan or offline plan for which health checkups are not necessary. One can also change or customize the term plan as and when required. In term policies if you stop paying the premium the risk cover ceases and the policy ends. However, cash value policies only give the full promised survival benefit if they are held for the full

tenure of the policy. If you stop paying premiums mid-term there is financial loss as you cannot recoup your savings portion of the policy without certain deductions.

v. Tax Benefit

The premium paid under the term insurance upto Rs. 1.5 lakh is eligible for tax deduction under Section 80C of the Income Tax Act.

vi. Riders

Riders are the additional benefits that come with term plans to suit the requirement of the policy holder. These come with a nominal fee and should be taken only if required. Some of the riders that can be taken along with term plans are critical illness, death due to accidents, partial or permanent disability etc. You should buy a rider only in the case of genuine need and should carefully go through the offer document for exclusions before buying a rider.

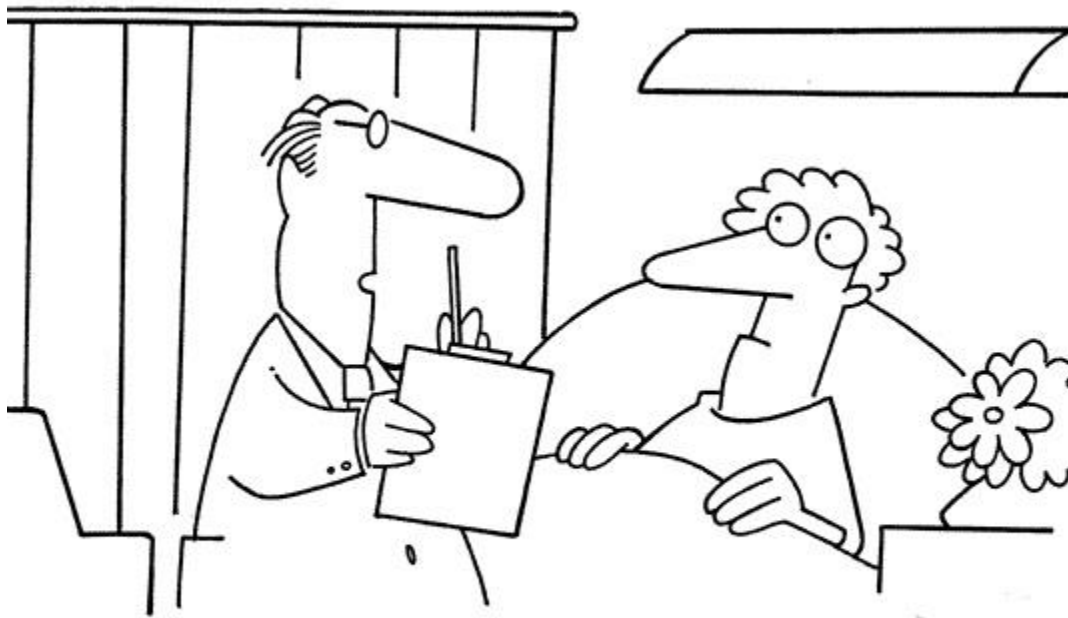
Term insurance is useful for those who do not wish to save through cash value insurance policies. People can buy term insurance for death cover and can also opt invest their savings in other investment avenues such as mutual funds, in order to meet their income and other financial requirements while they are alive. However such an arrangement has to be carefully planned and executed in order to yield desired results.

At the end the investors need to remember that any kind of life insurance is an essential part of a good financial plan.

Did you know?

1.6 billion people live without electricity. That is about 1/4 of humanity.

Cartoon of the Month



“Your insurance only pays 80% of my fee, so I only took out 80% of your appendix.”

Top Personal Finance News – March 2017

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