Five small monthly saving schemes for long-term wealth creation

Mimi Partha Sarathy Jan 23 , 2017, JAN 22 2017, 22:47 IST | UPDATED: JAN 23 2017, 00:26 IST

Equity Mutual Fund SIP: Systematic Investment Plan (SIP) in an Equity Mutual Fund which allows one to invest a set amount every month on a particular date selected by the investor.

All of us want our savings to give maximum possible returns with the least possible risk. And to achieve this, we invest in variety of instruments which we think will contribute to our long-term wealth building goals. Like they say you should not keep all your eggs in the same basket, similarly you should diversify your investments so that you get full benefit of all the asset classes available for investment. Let's discuss some investments which you can do on a monthly basis to generate wealth in the long run.

Equity Mutual Fund SIP: Systematic Investment Plan (SIP) in an Equity Mutual Fund which allows one to invest a set amount every month on a particular date selected by the investor. As the money is getting invested on a particular date, it helps in rupee cost averaging i.e. when the market is low, investor will get more units and when the market is high he will get less number of units. SIP also helps in inculcating discipline towards investing. And the minimum investment amount is also rather small i.e. between Rs 500 and Rs 1,000 per month and so everyone can easily start an SIP savings plan.

Public Provident Fund: PPF is scheme under which you can get Tax Rebate as well since it comes under section 80(C). PPF also comes under EEE category i.e. Exempt, Exempt, Exempt which means that there is an exemption on the amount invested, exemption on the interest accrued, and exemption on the total income earned from the investment. There is limit of Rs 1.5 lakh for investment in PPF per annum, which can be easily divided into monthly instalments to get guaranteed sound returns. The current PPF rate is 8% p.a. tax free.

Gold ETF: Everyone knows gold is an investment used for its hedging quality. So, you can have 5–10% allocation of your portfolio towards gold. When it comes to gold as an investment, you should not buy physical gold but should invest into Gold ETF (Exchange Traded Fund) which aims to track domestic physical gold prices and operate like Mutual Funds or E-Gold which is available at the National Spot Exchange (NSEL) in smaller denominations to invest every month.

Whatever method you choose, you need to keep the investment in demat form. If you are looking for a lumpsum investment into this asset class, then you can also look at Sovereign Gold Bonds which are issued by the RBI on behalf of the Government of India and also bear interest rate on the issue price. Equities: If you are planning for a better return in the long run, then you can't miss equities in your portfolio. You can invest monthly some amount towards large-cap stocks.

And if you don't know how to track good stock but still want to invest in the stock market, you can always look at Index ETFs. Index ETFs are nothing but Index Funds that are listed and traded on the Stock Exchange. An Index ETF comprises basket of stocks which reflects the composition of an Index like BSE SENSEX, S&P CNX Nifty, etc. The only difference between Index ETF and Index Fund is that unlike Mutual Fund ETF, it can be traded real-time.

Sukanya Samriddhi Yojna: If you have a girl child under 10 years of age, again this is one of the best triple exempt schemes under section 80(C) where you are allowed to invest up to Rs 1.5 lakh per annum. The two main requirements for success in investing is discipline and asset allocation. A monthly saving habit and discipline is most important to create long-term wealth. And along with asset allocation to different types of investment, one can expect sound returns over a five- to 10-year horizon.

(The writer is MD at Sinhasi Consultants)

DH PICKS

New restrictions in Bengaluru to curb Covid-19 spread...

WHO chief scientist advises against lockdown in India...

Featured Content
Tata Motors adds value with fuel-efficient product range offering...

Punjab imposes night curfew from today till April 30...

What is the Taslima Nasreen-Moeen Ali controversy?

RBI maintains status quo; repo rate unchanged at 4%...

WHAT'S BREWING

Jellyfish-like organisms halt S Korean nuclear reactors