Three products for long-term savings

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2 min read . Updated: 28 Jan 2016, 03:09 AM IST

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If you are not disciplined enough to stay invested for the long term, these products could be a good choice

Financial planners will tell you that the primary objective of any investment should be the goal; tax benefit is secondary. This becomes even more important if you are planning for long-term needs. To build a suitably large kitty, you need stability and growth. Section 80C has products with both these attributes. You may have exhausted your limit with the Employees' Provident Fund deductions or home loan principal, but there are products in the 80C basket that are worth investing in regardless of the tax benefit. There are three products that can help for long-term corpus building under section 80C, i.e., Public Provident Fund (PPF), equity-linked savings scheme (ELSS) and the National Pension System (NPS). Except NPS, the other two enjoy exempt-exempt-exempt tax status. So, the initial contribution, interest earned and maturity proceeds are all tax-free. NPS is taxable on withdrawal.

Read on to know more about these products.

PPF: This product can form a key part of your debt portfolio. The PPF is a 15-year product, and returns are pegged to the average government securities (G-secs) yield. For this financial year, it is offering 8.7% per annum. Mimi Partha Sarathy, founder and managing director, Sinhasi Consultants Pvt. Ltd, a company that does financial planning for high net worth individuals (HNIs), said the PPF is a good debt tool to have in your portfolio for long-term needs. "Usually, PPF money comes in handy for children's education or even retirement," she said. Moreover, investing in PPF for the long term means the interest on your account has more time to compound. So, if you put 1.5 lakh every year for 15 years, assuming an interest rate of 8.7% per annum, the total amount that you will get at the end of the tenure will be 46.75 lakh.

ELSS: These equity-linked mutual funds come with a three-year lock-in period. These are essentially diversified equity mutual funds. "You can consider this product even if you are not looking for a tax benefit. For those who are not disciplined, it forces you to stay invested for longer," said Surya Bhatia, a Delhi-based financial planner.

Keep your ELSS investments simple by choosing at the most two funds to invest in each year. You could choose from the Mint50 list (Mint's curated list of mutual fund schemes; http://mintne.ws/1Ft7huK).

NPS: NPS can be used to build a retirement corpus. You can contribute to it till 60 years of age. It has three fund options—G-sec fund, fixed income instruments other than G-secs fund, and equity fund. "NPS has a mandate where you can't have equity exposure of more than 50%. Hence, you need to be careful and rebalance your overall portfolio based on the investment that you make here," said Bhatia. NPS also comes with an additional tax deduction of 50,000.

If you are not disciplined enough to stay invested for the long term, these products could be a good choice. Don't let the lock-in periods worry you. These products offer much more than tax benefits.