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Investment

There are two concepts in the financial industry, on which many transactions take place. They are Savings and Investments. When talked about execution, there is a big difference between both the concepts, though.
Here we are going to discuss the second concept of the financial industry, i.e. Investment before we begin with the concept of Investment let us first know what investment is.

What is Investment?

In the financial context, investment is any money or fund that you spend today to reap financial benefits in future. Any investment made by you is an act to create or buy assets expecting a return in form of capital appreciation, interest earning or dividend. This return is profitable in comparison to the funds invested in the initial stages. You can differentiate almost all the investments from various other types of transactions depending on the intention of spending money. The money you spent on making an investment is basically with the intent to obtain some kind of return in a certain period of time.

Types of Investments

- Short term Investments
- Mutual Funds
- SIP - Systematic Investment Plan
- ULIP - Unit-Linked Insurance Plan
- Pension Plans
- Long term Investments

Short Term Investments

Any investment of a duration of 1 to 5 years is a short-term investment.

Mutual Funds

It is an investment scheme, generally run by an asset management company. This company combines a group of people investing the money in bonds, stocks and other securities.

SIP

It is an investment allowing you to make an investment of a certain amount at regular intervals of time.

Types of Investments

ULIP

ULIP is market-linked product aggregating the best insurance and investment.

Pension Plans

A pension plan is a type of investment plan that helps you to save part of your earnings to store over a term & later provides a steady income for the golden age i.e. after retirement.

Long Term Investments

Any investment made for more than five years is a long-term investment.

Benefits of staying invested in the

Long Term

Benefits of Investment

Investment, being one of the most significant aspects of the financial planning, intends to ensure that the money you earn is put to productive use. It is profitable and a good way to gain extra cash. By making investments in several financial products you can grow financially. One thing is going to happen for sure and that is with each passing day inflation is rising. The reason for this can be explained with an example. Suppose you have Rs. 1000 and this value of money will decrease 5 years down the line as opposed to its value in the present day. Same thing applies to the value of Rs. 100 five years ago in comparison to its value at the present day.

Therefore, it is significant to know that only savings cannot help you achieve your future financial objectives. Any common man or investor needs to make sure that his money also grows along with his expenses. You can define investment as an activity that affects the use of money in such a way that it comes back with profitable returns in the future.

Benefits of Investment

Apart from this, there are several benefits of investments. They are:

If you make investments, you will harvest returns out of it that will help you with emergency expenses like any medical expenditure, accidents etc.

Making investments in different financial avenues makes sure that the money you have invested grows rather languishing in bank accounts.

You can earn income from your accrued wealth by making investments. For instance, you can earn rent from investment in real estate or earn a dividend from investments in stock markets.

One of the chief reasons to make sure that your money grows is fighting inflation. The value of the amount of money diminishes with the rise in inflation. You can tame the effect of inflation rate in depreciating the value of the assets by making investments and producing returns on the corpus built by you.

You can also avail tax minimisation, which is a secondary financial goal, by making investments in investment tools.

Tax Saving Investments

Tax Saving Investments are an integral part of one's life as they offer tax deduction under section 80C or 80CCC. Taking into account, the importance of these investments, people frequently wish to invest.

However, they are not keen enough to invest due to low returns and different risks associated with various investments.

The tax-saving season starts from 1st April for both salaried and non- salaried taxpayers. As a smart investor, one should look for tax saving investments, which not only provides the benefit of tax exemption but also helps to earn tax-free income. There are many smart ways to save taxes and enjoy the maximum savings possible. However, for most of the individuals, tax-planning is a let's do it later affair. A smarter approach is to start investing in the early quarters of the financial year so that one can get time to sensibly plan and can avail the maximum returns on investment from different tax-saving investments.

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Tax Saving Investments

While choosing the right tax-saving investments plans it is important to consider the factors like safety, returns and liquidity. Also, it is important to keep a proper understanding of how the returns will be taxed. If the returns on investment are taxable, then the scope to create wealth over a long-term gets constrained.

Before moving on to the list of best tax-saving investments schemes, it is important to know about the key section of the Online Income Tax Act i.e. section 80C. Most forms of tax-saving investments plan work under the parameters of section 80C of the Income Tax Act. As per this section, the investments made by the investor are eligible for tax exemption up to a maximum limit of Rs. 1, 50,000. Such investments include ELSS (Equity Linked Saving Scheme), Fixed Deposits, Life Insurance, Public Provident Fund, National Savings Scheme and Bonds. There are a very few investment avenues that provide a further tax deduction, over and above this limit. Let's take a look at the best tax-saving investments under section 80C of IT Act.

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Best Tax-Saving Investments Under Section 80C

Although there are various tax-saving investment plans available in the market. People often get confused which plan best suits them. In order to make you choose the best investment plan for you depending on your risk appetite and preferences, we've come up with some of the best tax-saving investments u/s 80C of the Income Tax Act, 1961.

Investment	Returns	Lock-in Period
ELSS Fund	15%-18%	3 years
National Pension Scheme (NPS)	12%-14%	Till Retirement
Unit Linked Insurance Plan (ULIP)	Returns vary from plan to plan	5 years
Public Provident Fund (PPF)	7%-8%	15 years
Sukanya Samriddhi Yojana	8.5%	N/A
National Savings Certificate	7%-8%	5 years
Senior Citizen Saving Scheme	8.7%	5 years
Bank FDs	6%-7%	5 years
Insurance	Returns vary from plan to plan	3 years

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Additional Tax-saving Investments Beyond Section 80C

Apart from tax deduction under section 80C, there is various tax-saving investments, which helps to save on taxes.

One can gain tax benefit on the premium paid towards health insurance and home loan interest.

A person can claim deduction up to Rs.25,000 on the premium paid towards health insurance under section 80D of Income Tax Act.
Under Section 80EE of Income Tax Act, one can claim deduction up to Rs.50,000 on home loan interest.

The home loan also helps in reducing the taxable income as the principal amount of the home loan can be claimed U/S 80C up to Rs.1.5 lakh and the interest amount can be claimed as deduction from income from house property.

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Best Tax Saving Plan

How to Plan the Tax-saving Investments

Even though, most of the taxpayers delay tax planning till the last quarter, which results in hassled decisions. The best time to plan the tax-saving investments is at the beginning of the financial year. If an individual start planning for tax-saving investments at the beginning of the financial year, then the investments made can multiply over a long-term period and can help the individual to fulfill their long-term financial goals. The tax-payers can follow these pointers to plan the tax saving for the year and make a wise decision while investing in tax saving instruments plans.

- Check your tax-saving expenses which pre-exist such as insurance premium, the contribution made towards EPF account, children's tuition fees, home loan repayment, etc.
- If your tax-saving expenses cover the maximum limit of Rs.1.5 lakh then you will not require investing the entire amount.
- Based on the goal and risk profile, choose the tax-saving investments such as PPF, ELSS funds, Bank FDs and NPS.

Payment Applicable for Tax Saving Deduction U/S 80C

Let's take a look at the payments applicable for tax deduction U/S 80C of IT Act.

- **Life Insurance Premium Payments**

This is the most popular tax saving investments schemes. The premium paid towards the life insurance policy up to the maximum limit of Rs.1.5 lakh in a financial year is eligible for tax exemption under section 80C of Income Tax Act. The exemption is applicable only in case the premium is less than 10% of the sum assured.

- **Children's Tuition Fees Payments**

The education fees paid for children up to the maximum limit of Rs.1.5 lakh are also eligible for tax exemption under section 80C of Income Tax Act.

- **Home Loan Repayment**

Tax exemption under section 80C of Income Tax Act is applicable to the amount home loan repayment is taken by the individual to purchase or construct a residential property. This deduction is also applicable on registration fees, stamp duty and transfer expenses.

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