

How to analyse any investment option

Food analogy

- Capital Protection (Nutrition)
- Liquidity (Energy)
- Returns (Taste)
- Tax Efficiency (Price)

A Comparison of Bank FDs with Debt MFs

Year	Amount	Rate	Interest	Tax Rate	Tax	Net of tax	Debt MF	CII Index	Indexed Cost
1	10,00,000	5.50%	55,000	30%	16,500	10,38,500	10,55,000	4%	10,40,000
2	10,38,500	5.50%	57,118	30%	17,135	10,78,482	11,13,025	4%	10,81,600
3	10,78,482	5.50%	59,317	30%	17,795	11,20,004	11,74,241	4%	11,24,864
4	11,20,004	5.50%	61,600	30%	18,480	11,63,124	12,38,825	4%	11,69,859
5	11,63,124	5.50%	63,972	30%	19,192	12,07,904	13,06,960	4%	12,16,653
6	12,07,904	5.50%	66,435	30%	19,930	12,54,409	13,78,843	4%	12,65,319
7	12,54,409	5.50%	68,992	30%	20,698	13,02,703	14,54,679	4%	13,15,932
8	13,02,703	5.50%	71,649	30%	21,495	13,52,857	15,34,687	4%	13,68,569
9	13,52,857	5.50%	74,407	30%	22,322	14,04,942	16,19,094	4%	14,23,312
10	14,04,942	5.50%	77,272	30%	23,182	14,59,033	17,08,144	4%	14,80,244
Value of investment in Debt MF after 10 years							17,08,144		
Indexed Cost							14,80,244		
Long Term Capital Gain Tax							2,27,900		
Tax @ 20%							45,580		
Value net of Tax							16,62,564		
FD Value						14,59,033			
Debt Fund Value						16,62,564	2,03,532	44%	

Current Alternates to Bank FDs

Period	FD Rates		Alternate	YTM	Gap
	Normal	Sr Citizen			
7 -45 days	2.9	3.4	Liquid	4.5	1.60
46-179 days	3.9	4.4	Ultra	5.33	1.43
180/365 days	4.4	4.9	Floater	5.62	1.22
1/2 years	5.1	5.6	MM/LD	5.79	0.69
2/3 years	5.2	5.6	MT/ST	6.97	1.77
3/5 years	5.45	5.8	Corp/G Sec	7.24	1.69
5/10 years	5.5	6.2	PSU/G Sec	7.60	1.64

Current Fixed Income Options (as safe as bank FDs)

	Maturity	Tenure	YTM	FD Rates
Target	Oct-25	3 Years	6.93%	5.45%
Maturity	Apr-26	4 years	7.11%	5.45%
Fund	Apr-27	5 years	7.24%	5.50%
Bharat	Apr-30	8 years	7.63%	5.50%
Bond ETF	Apr-32	10 years	7.66%	5.50%

Period	10 year G Sec Yield	FD Rate	Future Returns in G Sec Fund			
			1 year	3 Years	5 Years	10 Years
Oct-02	7.14%	8.00%	22.00%	8.50%	6.60%	8.20%
Nov-03	5.10%	6.00%	-0.70%	3.00%	4.80%	6.40%
Aug-04	6.16%	5.25%	4.90%	4.00%	7.10%	7.20%
May-05	7.24%	5.70%	3.60%	5.20%	7.40%	8.00%
Aug-06	8.29%	6.50%	5.50%	9.70%	7.70%	9.00%
Aug-08	9.27%	9.00%	21.00%	10.00%	10.00%	8.90%
Jan-09	5.28%	8.50%	-4.90%	2.20%	4.00%	6.60%
Aug-09	7.00%	7.25%	5.40%	8.10%	7.20%	8.40%
May-10	8.06%	6.50%	4.00%	9.90%	8.70%	8.70%
Nov-11	8.95%	9.25%	17.20%	10.40%	10.90%	8.50%

Future looking working of Current
Alternates to Bank FDs

Absolute amount working for alternagte to FDs					
Tax Rates					
	0%	10%	20%	30%	42%
3 Years					
FD	11.74	11.55	11.38	11.2	10.99
TMF*	12.22	12.12	12.03	12.03	12.03
Extra	28%	37%	47%	69%	105%
4 Years					
FD	12.39	12.13	11.88	11.63	11.34
TMF*	13.16	13.01	12.86	12.86	12.86
Extra	32%	41%	52%	75%	113%
5 Years					
FD	13.06	12.73	12.4	12.08	11.7
TMF*	14.18	13.98	13.78	13.78	13.78
Extra	37%	46%	58%	82%	122%

Assumptions

- Amount Invested Rs. 10 Lacs

- Amount Rs. In Lacs

- CII indexation assumed at 4%

TMF : Target Maturity Fund

Absolute amount working for alternate to FDs

Tax Rates

	0%	10%	20%	30%	42%
8 Years					
FD	15.35	14.72	14.11	13.53	12.86
BB ETF*	18.01	17.57	17.14	17.14	17.14
Extra	50%	60%	74%	102%	150%
10 Years					
FD	17.08	16.21	15.38	14.59	13.69
BB ETF*	20.91	20.31	19.7	19.7	19.7
Extra	54%	66%	80%	111%	163%

Assumptions

- Amount Invested Rs. 10 Lacs

- CII indexation assumed at 4%

- Amount Rs. In Lacs

*BB ETF : Bharat Bond ETF

Investment Options	Safety	Liquidity	Returns	Tax Efficiency
Equity Arbitrage				
Funds	V High	V High	Moderate	High
NCDs	???	???	Moderate	Low
MLDs	???	???	High	High
P2P	???	???	High	Low
Pvt Lending*	???	???	High	Low to High
Corporate FDs	???	No	Moderate	Low
Debt MF**	High	high	Moderate	High

***Family/Friends/Business Associates/ Community**

****Tax adjustment/ Loss Claims/ Market**

linked/ Nivesh Lakshay

Bank FDs up to Rs 5 Lacs and its planning

3 Months	6 Months	1 Year	2 Year	
1,829	1,829	1,829	1,829	Observations
0	0	0	0	Negative Observations
0%	0%	0%	0%	Negative Returns %
93%	96%	100%	100%	3% Plus
85%	85%	87%	100%	4% Plus
77%	76%	78%	88%	5% Plus

Time Period	Years	USD	
1717 to 1914	200	Flat	
1792 to 1834	42	20	
1834 to 1934	100	20 to 35	
1934 to 1970	36	35	
1970 to 1980	10	35 to 615	18 times
1980 to 2001	21	615 to 271	-56%
2001 to 2012	9	271 to 1668	600%
2012 to 2015	3	1668 to 1160	-30%
2015 to 2021	6	1160 to 1815	56%

Time Period	Years	INR CAGR	
1970 to 2020	50	12%	
1980 to 2020	40	9%	
1990 to 2020	30	10%	
2000 to 2020	20	13%	
2010 to 2020	10	10%	
Decadal Performance	Decades	CAGR	Price Movement INR
1970 to 1980	10	22%	184 to 1330
1980 to 1990	10	9%	1330 to 3200
1990 to 2000	10	3%	3200 to 4400
2000 to 2010	10	15%	4409 to 18500
2010 to 2020	10	10%	18500 to 48000

Gold – Things to remember

- Price movement connected to USD
- Doubled money every 8/9 years. Longest 20 years plus.
- Period with no returns
 - 1946 to 1966 (20 years)
 - 1955 to 1965 (10 years)
 - 1992 to 2001 (9 Years)
 - 1996 to 2003 (7 Years)
 - 2012 to 2018 (6 Years)
- Future –Lindy Effect or structural change ??

Gold Investment - Options

- Jewelry
- Bars and Coins
- Digi Gold
- Sovereign Gold Bond
- Gold ETFs or FOFs

Can Follow me on

Vijai.mantri68@gmail.com

@vijaimantrimf

Vijai Mantri (YouTube)

www.Jeevantika.com