

# Wealth Insignia

MONTHLY FINANCIAL NEWSLETTER 'BY THE FAUJIS. FOR THE FAUJIS.'



Financial Micro Bytes



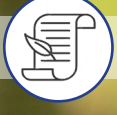
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A 'Fauji' Investor Story



# FINANCIAL MICRO BYTES

From Team Hum Fauji Initiatives



**M**icro-cap funds have been in the spotlight ever since Motilal AMC recently launched its micro-cap index fund, which comprises the top 250 companies beyond the NSE 500 companies. These companies are the 501st to 750th largest companies in the country as per market capitalization.

While these companies may have the potential to generate higher returns, they also come up with much higher risks that cannot be ignored. Here are the following reasons why you should avoid betting on these funds -

## High Risk

Micro-cap companies are far more volatile than even the risky small-cap segment. This is so because they are less established and have fewer financial resources. As a result, they are more likely to fail or experience financial difficulties.

## Illiquidity

Micro-cap stocks are often illiquid, which means that they can be difficult to sell. This can make it difficult to get out of an investment if one needs to. There may be fewer buyers and sellers in the market, especially when the market

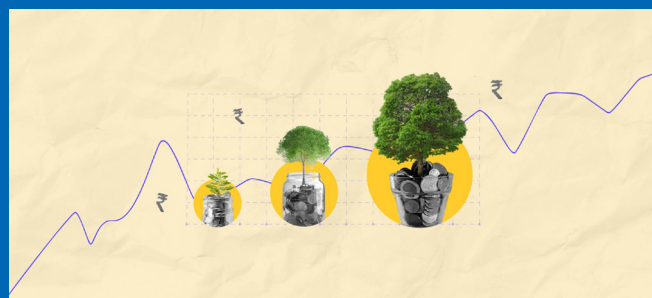
trends downwards. This may impact the fund's performance if the fund manager is looking to exit that stock.

## Reaction to unfavorable situations

Micro-caps have historically seen bigger drawdowns than small-caps and mid-caps amid unfavorable market situations such as COVID-19, Russia-Ukraine War, and so on.

## Shine or Fail

While only some micro-cap stocks will eventually rise to the club of a mid-cap or large-cap, a significant proportion of micro-cap stocks may fail or even exit the market.



Micro-cap funds do open up a new option to invest in for those looking for something fresh in the market. However, it is important to observe the performance of these funds, and how they react to different market cycles, before adding them to your portfolio just for the sake of some thrill.

**Yogesh Gola, Relationship Manager - Team Hum Fauji Initiatives Advisory Section**

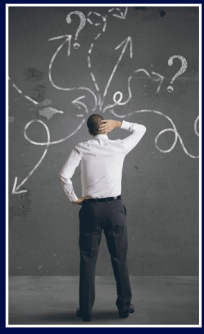


## IT'S TIME FOR INVESTMENTS TO GO AUTOMATIC!

The golden rule to get the best returns is 'buy low and sell high'. But it's not easy to practice this in real life.

### Why?

Because of human emotional biases, inadequate knowledge of how markets work, and the micro-management of investments which may give thrills and nothing much more.



So, wouldn't it be good if, like our automatic daily-use gadgets, our investments could be automated too? Fortunately, there is one category of mutual funds that eliminates the guesswork for investors: Balanced Advantage Funds (BAFs).

BAFs would give you the freedom to invest and relax as it dynamically adjusts the equity and debt allocation according to the market conditions – exactly what we need.

### How BAF works?

These funds invest across equities and debt, and use arbitrage as a strategy, tactically moving between equity to debt based on market conditions.

This means that the fund automatically does the task of asset allocation, rather than manual work and because it is done at the fund level, it turns out to be more tax-efficient for investors.

### So, what do we get from investing in BAFs?

- It dynamically allocates equity depending on the market trend. It doesn't require you to time the markets.
- Aim to grow and give you important downside protection to your investment in bull and bear markets.
- Deals with equity markets and uncertainty without any bias.
- Tax efficiency- rebalancing between equity to debt by the fund manager without having any tax liability on the investor.
- Even after rebalancing, the tax treatment of the fund continues to remain equity-oriented, which is ultimately beneficial for investors, as equity fund investments pay a much lower tax rate as compared to debt funds.

If you are looking for a long-term investment that too without taking much effort and avoiding emotional biases, BAFs could be the right choice.

Sweta Kumari, Financial Planner - Team Vikrant

# THE TAX JOURNEY OF SELLING RESIDENTIAL PROPERTY IN INDIA

**R**eal estate holds a special place in the hearts of Indians, being a favored investment avenue alongside the allure of gold. But there can be a time when people decide to sell off their residential property. This decision can be due to various reasons like moving to a better house, relocating to another city, or maybe a financial requirement.

But selling off property is liable to tax in India.

## What are the tax aspects to be considered when selling a property:

- 1. Capital Gains:** Similar to other capital assets, the profits earned from selling properties are treated as capital gains and are subject to capital gains tax.
- 2. Investment Term:** The duration of your investment plays a crucial role. If you sell a property within 24 months of its acquisition, it is considered as short-term; more than this is a long-term investment.
- 3. Taxation on Capital Gains:** Short-term capital gains are added to your income and taxed as per slab rates. Long-term capital gains are taxed at a rate of 20% with 'indexation'.
- 4. Indexed Cost of Acquisition:** To account for inflation and provide relief to taxpayers exists the concept of indexed cost of acquisition. This calculation involves multiplying the cost of

acquisition by the Cost Inflation Index (CII) value of the year of sale and dividing it by the CII value of the year of purchase. CII, published by the Govt every year (it can be googled), helps adjust the purchase price for inflation, reducing the taxable gains.

### For Example:

Ram bought a house in the financial year 2013-14 for Rs 31 lakhs and sold it in 2022-23 for Rs. 50 lakh. It seems that Ram has earned a profit of Rs 19 Lakhs (= 50L - 31L) on which he has to pay a tax. Actually, it is the opposite!

Considering the CII values of 220 and 331 for the respective two years of purchase and sale as per Govt's CII table, the indexed cost of acquisition would be Rs 51,60,423 [= 31,00,000 x (220 ÷ 331)].

Consequently, Ram incurs a long-term capital loss of Rs 1,60,423 (= 50,00,000 - 51,60,423). This loss can be offset against any other long-term capital gains for up to eight consecutive years.

However, if there were gains in this case instead of a loss, Ram would have paid tax at the rate of 20% after indexation plus a 4% cess.



Ujjwal Dubey, Financial Planner Associate Financial Planner - Team Prithvi, Hum Fauji Initiatives

## COMMON MISTAKES TO AVOID WHILE FILING ITR

**I**T return filing can be overwhelming for an average taxpayer. Not surprisingly, mistakes are committed while filing the ITR. Discussed below are some common mistakes that you should avoid during IT return filing.

### Incorrect ITR Form

There are seven ITR forms based on the type of income and taxpayer. If you choose the incorrect form, your return might not be processed.

### Incorrect Personal Information

Personal details in ITR include name, address, email, phone number, date of birth, PAN, etc. Incorrect addresses, email and phone numbers can lead to missed communications between the IT department and the taxpayer.

### Delaying Tax Payments

Irrespective of the fact that you can do your IT return filing by 31st July, the last date of tax payment remains 31st March. Therefore, always calculate your tax liability and pay advance tax

by this due date. Not doing so attracts an interest of 1% per month on the unpaid tax liability.

### Not Reporting all Income

You are salaried but may have earned dividend income, have professional income and may also have some capital gains during the year. Disclose all income earned during the year. PAN is linked to all incomes; so, any unreported income will show up on the return's assessment and may lead to scrutiny.

### Failure to e-verify

IT return filing may seem complete when you submit the return. However, to ensure that the process is fully completed, remember to e-verify the return. Also, remember that IT Dept has reduced the ITR verification time from earlier 120 days to only 30 days now. If you do not **Verify your ITR within 30 days of filing it**, you may have to re-file your ITR and also pay any penalties for filing the ITR late.

We are also providing ITR filing services to our clients. For any queries related to ITR filing, we request you to go through the link mentioned below.

<https://mailchi.mp/humfauji/income-tax-return-itr-filing-for-financial-year-2022-23>

Abhilash S Rana, *Financial Planner - HNI Desk*

# MONEY IS AN ASSET BUT CAN BE EVIL TOO

**N**owadays everyone perceives money as a powerful tool that has the potential to bring prosperity and fulfil one's dreams. However, like any tool, its impact depends on how it is used.

How you deal with money at different stages of your life decides the impact the money is going to have on your life.



## CHILDHOOD Laying the Foundation

It is a critical time for shaping our financial habits. During these formative years, we learn about the value of money and how to manage it responsibly. As parents or guardians, we have the opportunity to instil valuable lessons in our children. Teaching them the importance of saving, budgeting, and delaying gratification can help foster a healthy relationship with money. Encouraging them to set financial goals, such as saving for a desired toy, can lay the foundation for a lifetime of financial responsibility.

Money is undoubtedly an asset that can bring immense opportunities, but if not managed properly, it can lead to detrimental consequences.



## YOUTH The Time of Opportunities

It is a period filled with aspirations, dreams, and countless opportunities. It's essential to strike a balance between enjoying the present and planning for the future. This involves managing debt responsibly, building an emergency fund, and creating a budget. By prioritizing saving and investing early on, we can harness the power of compounding interest, which can significantly impact wealth accumulation over time. Being mindful of lifestyle inflation and seeking guidance from financial advisors can help us make informed decisions about our financial future. Investing in self-improvement, such as education or acquiring new skills, can lead to better career opportunities and financial stability.



## OLD AGE Financial Security and Legacy

In old age, financial security becomes paramount. Planning for retirement, managing medical costs, and creating a Will or estate plan are essential steps. Diversifying investments and exploring options such as pension or long-term care insurance can provide a safety net. Additionally, considering philanthropy and leaving a legacy can bring immense fulfillment and make a positive impact on future generations.

**Gautam Arora, Associate Manager Financial Planner - Team Sukhoi, Hum Fauji Initiatives**

# THE POWER OF PATIENCE: TRANSFERRING WEALTH FROM THE HASTY TO THE PATIENT THROUGH SMART INVESTING



In the world of investing, it's easy to get caught up in the hype of quick gains and rapid trades. But the truth is, patience is a great virtue when it comes to investing. Patient investors are more likely to make sound decisions that will lead to long-term success.

**The Virtues of Patience:** Patient investors don't rush into investments. They do their research, understand market cycles, and choose investments that align with their long-term goals. They don't react to short-term volatility, knowing that true wealth creation takes time.

**Smart Investing Strategies:** In addition to patience, many smart investing strategies can help you maximize your returns. These include diversification, long-term investing, and regular portfolio reviews.

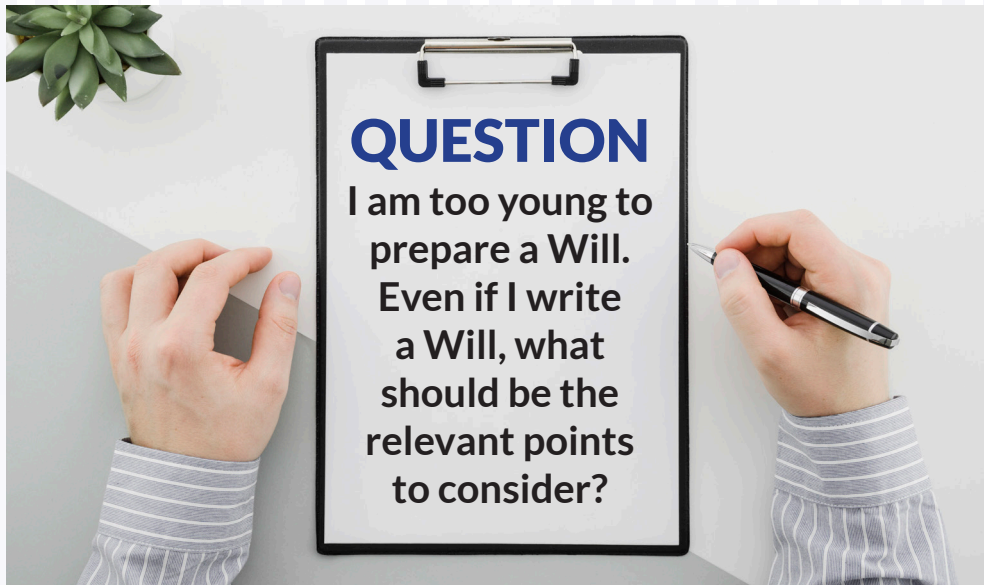
**The Wealth Transfer:** The power of patience is evident in the wealth transfer that takes place between patients and impatient investors. Impatient investors, driven by short-term gains, often panic during market downturns and sell their investments at low prices. Patient investors, on the other hand, stay calm and buy these discounted investments, which can lead to substantial wealth accumulation over time.

Patience is an important virtue for investors. It can help you make sound decisions, avoid market volatility, and maximize your returns. If you're patient, you'll be well on your way to long-term financial success.

Ankit Kumar Singh, Associate Manager Financial Planner - Team Sukhoi, Hum Fauji Initiatives

# WHAT HAVE OUR CLIENTS

asked us in the last 7 days?



**A** common myth is that young adults do not need to draft a Will. That couldn't be further from the truth. You should make a Will as soon as you start earning and have any savings and assets. You don't need to wait till you own lots of assets to transfer or till you retire to create a Will. Remember, good estate planning prevents the addition of financial and legal grief to the emotional grief your loved ones may already be facing in your absence.

**There are certain points that can prove to be worthwhile while preparing a Will:**

**Personal Information:** The person drafting or writing a Will, the 'testator', should ensure to include full name, address, and date of birth. It also includes the names of the immediate family.

**Declaration of Date:** It is highly recommended that the Testator mentions the date on which he is drafting the Will. Also, mention the number of pages the Will contains.

Name an executor, a person who will carry on the tenets of the Will. A trustworthy person should be named as an executor and one must

seek their permission before nominating.

A Will can be handwritten or typed out. No stamp paper is necessary. You can write a Will on a simple A4 size paper, sign and date it with 2 witnesses signing and keep it in a secure location. It is not compulsory for one to register a Will with the Registering Authority; though, in order to avoid fraud and tampering, it is always preferable to do so.

Be precise and clear about your intent so people might not misconstrue your intentions.

It is possible to make changes or minor alterations in a Will, "Codicil" will facilitate the same.

In order to avoid being the reason for agony for your loved ones, you must start planning for your estate. Estate planning is one of the most essential aspects of our lives and should not be put off until it's too late. It is a dynamic process, which needs to be reviewed at regular intervals of time to absorb any changes, which might happen in our lives or in the laws of our country.

Associate Manager - Team Sukhoi, Hum Fauji Initiatives



# HUM FAUJI INITIATIVES

## Media Features



 **HUM FAUJI INITIATIVES**

Next session in the ongoing...  
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### The webinar had specific anticipations, and they were fulfilled

- It wasn't your average Estate Planning talk: It turned out to be a lively and engaging session.
- Attendees got insight into ensuring their family's protection: They learned about the crucial tools that served as safety nets for their loved ones, enabling them to play the role of superheroes.
- The focus was on regular individuals: It was aimed at everyday heroes who valued the future security of their families.
- The sessions were enjoyable, amicable, and informative: They consisted of light-hearted anecdotes and practical tips that made estate planning intriguing and accessible.

# SNEAK PEAK

## into Hum Fauji Initiatives

The 'Nari Sashaktikaran' Motorcycle Rally started in New Delhi, flagged off by the Chief of the Army Staff on July 18. The rally, dedicated to empowered women in the Armed Forces, reached Ambala and Jalandhar with enthusiastic crowds. The spirited youth connected with the riders, highlighting youth's role in nation-building. Interactions with NCC Cadets, Veer Naris, and students from military institutions were meaningful. The rally underscored women's empowerment, felicitating Veer Naris and advocating their societal contribution. Homage was paid at Dhruva War Memorial before proceeding towards Srinagar and the Kargil War Memorial.

Team @humfauji initiatives is thrilled to contribute to such a community initiative that is not only empowering women in the Fauj and Fauji families but also #empoweringfaujis and the entire Fauji community.

Watch the video to find out more.

<https://www.instagram.com/p/CvFEp59x20A/?hl=en>



# A 'FAUJI'

## Investor Story

### An abundant and satisfying Retirement with Hum Fauji Initiatives

- A Case Study

**C**mde Aseem Anand (Retd) retired from the Navy on May 31, 2023, after an illustrious career spanning over 35 years of commissioned service. With a desire to secure a prosperous financial future, Cmde Aseem Anand began exploring investment opportunities. Trusting the reputation and expertise of Hum Fauji Initiatives, he initiated his investment journey with the firm approximately a year ago. During this time, Cmde Aseem Anand joined the Telegram channel run by the firm, gaining valuable insights and knowledge about personal finance and investments.

He eventually invested in a systematic investment plan which was a result of a very convincing conversation on the group itself.

#### Consultation and Planning: Formulating a Comprehensive Investment Plan



Recognizing the significance of meticulous planning for a successful retirement, Cmde



Aseem Anand (Retd) proactively engaged with the Hum Fauji Initiatives team a couple of months before his retirement date. He sought the guidance of Col Sanjeev Govila (Retd), CEO, Hum Fauji Initiatives, to chart out his financial path. Through a series of iterative discussions and a thorough examination of Cmde Aseem Anand's unique goals, liabilities, and financial circumstances, a comprehensive investment plan was meticulously crafted.

#### Retirement Funds Disbursement: Time to Act out the Plan



With the retirement date on May 31, 2023, Cmde Aseem Anand experienced a seamless process as the Naval Pay Office and the National General Insurance Scheme (NGIS) swiftly credited his retirement funds on June 1, 2023. This comprehensive disbursement included commutation, leave encashment, gratuity, NGIS

amount and DSOP, resulting in a significant increase in his bank balance. With so much money suddenly lying in his bank account, there came a sudden urgency to invest this amount gainfully as per the financial plan which had been painstakingly formalised over the past two months.

## Successful Execution: Implementing the Goal-Based Investment Strategy



Taking swift and decisive action, Cmde Aseem Anand executed the investment plan in accordance with the agreement made with Hum Fauji Initiatives by June 2, 2023. Armed with an impressive booty of the large sum, he entrusted the firm to implement the meticulously crafted goal-based investment strategy. This strategy was specifically designed to align his financial assets with his retirement objectives, paving the way for a financially secure and abundant future. With this step, Cmde Aseem Anand set his journey towards realizing his family's retirement aspirations into motion.

## Satisfaction and Insights: Attaining Financial Peace of Mind through Customized Planning



Reflecting on the quick and clarity bound investment journey, Cmde Aseem Anand expressed utmost satisfaction with the plan devised by Hum Fauji Initiatives.

- The goal-based approach implemented by the firm, tailored to his specific requirements and circumstances, proved to be instrumental in achieving financial peace of mind.
- He emphasized the importance of collaborating with a trusted financial advisory firm like Hum Fauji Initiatives to develop a plan that truly aligns with one's aspirations.
- He also expressed the impressive turnaround time exhibited by Hum Fauji Initiatives in crafting a comprehensive retirement investment plan – thus demonstrating their commitment to client satisfaction and financial well-being.

Cmde Aseem Anand's retirement investment success story serves as an inspiring case study for the Hum Fauji Initiatives community. It showcases the importance of early and informed financial planning, engagement with knowledgeable professionals, and a commitment to personalized goal-based strategies.

As Cmde Aseem Anand (Retd) embarks on his post-military journey, he stands as a testament to the effectiveness of Hum Fauji Initiatives' expertise in helping retiring military personnel secure a prosperous financial future through precise and clear Retirement Planning.



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*By the Faujis. For the Faujis.*

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