HUM FAUJI
OUR VALUES. YOUR TRUST.
By the Faujis. For the Faujis.

Hum Fauji Initiatives
September 2024

WEALTH INSIGNIA

MONTHLY FINANCIAL NEWSLETTER ‘BY THE FAUJIS. FOR THE FAUJIS.’

Dear Friends

Informative financial planning and investment advice has always been our business philosophy at Hum Fauji Initiatives. Financial literacy is at the core of our mission and that is how we always try to fulfill each opportunity of educating our investors and community at large.

It is my firm belief that mastering personal finances is the key to securing a stable future. For the armed forces community, this knowledge becomes even more crucial when they transition to civilian life, a journey often marked by uncertainty in terms of career and income.

Recently, I had the privilege of engaging with officers nearing retirement during a seminar focused on helping them navigate their financial futures. This session was dedicated to empowering them with the tools to manage their wealth as they approach this significant milestone.

In another workshop I had the opportunity to address officers at the Higher Defence Management Course (HDMC) at the College of Defence Management (CDM), where I emphasized strategic financial planning—a vital skill for upcoming leaders, not only for the benefit of themselves and their own families but also but also for the security of the men that they will commend in times to come and their families.

Financial planning is a shared responsibility, and involving families in these discussions ensures that everyone is prepared for the future. The transition from military to civilian life is a family journey, and their financial security is paramount.

Financial literacy extends beyond understanding investments, estate planning and even insurance policies; it's about crafting a sustainable strategy aligned with personal goals, values, and long-term aspirations for abundance. Whether you're approaching retirement or just beginning your financial journey, our goal is to equip you with the skills and confidence to navigate this landscape.

Through personalized advice, seminars, and consultations, we are committed to ensuring that each officer and their family can step into the future with confidence and clarity. My promise is that Hum Fauji Initiatives will continue to provide the insights and guidance needed by armed forces personnel to turn financial literacy into true life-long financial empowerment.

Warm regards,

Col Sanjeev Govila (retd)
CEO, Hum Fauji Initiatives

FINANCIAL MICRO BYTES FROM TEAM HUM FAUJI INITIATIVES

HOME OWNERS REJOICE

LTCG INDEXATION OF REAL ESTATE RETURNS

The 2024 Union Budget has introduced significant changes in how long-term capital gains (LTCG) from real estate transactions are taxed, bringing a mixed bag of implications for homeowners and investors.

The Key Changes

1 No More Indexation Benefits:

If you buy a property after July 23, 2024, you won't be able to adjust your purchase price for inflation when you sell it. This means when you calculate your gains, the amount might be higher, leading to a bigger tax bill.

2 Lower LTCG Tax Rate:

The good news? The tax rate on these gains has dropped from 20% to 12.5%. This makes things simpler and can lower the tax for many, especially if you've owned your property for a shorter time.

3 Choices for Older Properties:

For all the property owners who acquired their assets before July 23, 2024, they have the option to choose between paying a 20% LTCG tax with indexation or a 12.5% tax without indexation. This allows flexibility for property owners to opt for the more beneficial tax regime depending on their specific circumstances.

What Does This Mean for You?

If you've held onto your property for a long time, the lower tax rate might offset the loss of indexation benefits. But if you're a real estate investor with shorter holding periods, you might see a higher tax bill.

These changes have their pros and cons. So it's important to weigh your options and possibly consult a tax professional to make the best decision for your situation.

Contributed by Abhilash Rana, Relationship Manager, HNI Desk, Hum Fauji Initiatives

FROM TOKYO TO MUMBAI

THE CONSEQUENCES OF JAPAN'S MARKET TURMOIL ON INDIA

Japan, the land of the rising sun, recently saw its stock market take a sharp dip, taking the world's stock markets down with it. What caused this sudden drop? Should Indian investors be worried? Let's break it down.

What happened in Japan?

Japan's market has been on a wild ride. The Bank of Japan's easy-money policies had inflated their asset prices, creating a bubble. The Yen was also being used for 'carry over' trades wherein yen was being borrowed at a low cost to invest in other currencies and assets offering higher yields. But with the BoJ raising its interest rates, the yen strengthened and the carry over trades (where traders used to pitch Yen against the dollar in complicated trading) collapsed leading to big sell-offs. Japanese companies, especially exporters, felt the heat and the Japanese stock markets went down big time. The ripples echoed across all markets of the world.

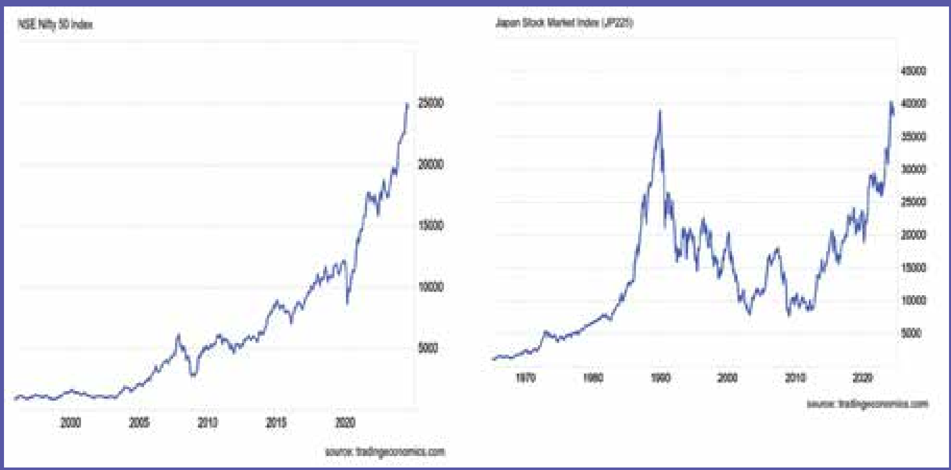
How Does This Impact India?

India, with its strong domestic economy, might not feel the direct impact. Our stock market has been doing well despite global challenges. However, no country is completely insulated from global events. A weaker Japanese economy could affect Indian exports in certain select sectors like automobiles and electronics.

You can clearly see the reflection below as India's market is demonstrating remarkable resilience, continuing its upward trajectory despite Japan's market volatility.

What Should You Do?

Don't panic. Markets go up and down—that's their nature. For long-term investors, these dips can be opportunities to buy good investments at lower prices. It's essential to stay diversified and consult your financial advisor before making big moves.



While Japan faces challenges, India's growth remains strong. Stay informed, stay invested, and focus on your long-term financial goals.

Contributed by Gautam Arora, Relationship Manager, Team Vikrant, Hum Fauji Initiatives

TURNING UNCERTAINTY INTO OPPORTUNITY

HOW GEOPOLITICAL TENSIONS INFLUENCE YOUR INVESTMENTS

Investing is often seen as a balancing act between risk and reward. One factor that can tip this balance is geopolitical tension — conflicts between countries, political instability, or trade wars. While these events can cause market swings, they can also create unique investment opportunities.

Understanding Geopolitical Risks

Geopolitical tensions can lead to sudden and significant shifts in financial markets. For instance, a trade war between major economies might disrupt the flow of goods, affecting prices and currencies. Political instability in a resource-rich country can drive up the cost of oil or minerals, impacting related stocks. Knowing these risks can help you make smarter investment choices.

Impact on Different Sectors

Different parts of the market respond differently to geopolitical events. Defense stocks often rise when tensions are high, as governments increase military spending. Meanwhile, industries like travel and tourism might suffer due to reduced travel and heightened security concerns. Diversifying your investments across various sectors can help manage risks.

Turning Risks into Opportunities

While geopolitical tensions can cause market volatility, they also offer opportunities. Safe-haven assets like gold or government bonds provide stability during uncertain times. Regions or industries benefiting from geopolitical changes can present profitable investment options. For example, a country emerging from political turmoil might see a surge in foreign investment, boosting its stock market.

Stay Informed and Adapt

Staying informed about global events and their potential market impact is crucial. Regularly review your portfolio and be ready to adjust your strategy as needed. Expert advice can help guide your decisions.

In conclusion, while geopolitical tensions introduce uncertainty, they also create opportunities for the well-prepared investor.manage risks.

Contributed by Ankit Singh, Financial Planner, Team Prithvi, Hum Fauji Initiatives

SELL OR HOLD?
DECODING THE SIGNALS TO EXIT YOUR MUTUAL FUND INVESTMENTS

Investing isn't just about knowing when to buy; knowing when to sell is equally crucial because that is when the profits or gains reach you physically. Emotional reactions can lead to costly mistakes, like premature selling during short-term gains or panic selling during downturns. Here are five valid reasons to consider selling your mutual fund(s):

1 Goal Achievement

If you hit your financial target sooner than expected, like saving for a car in 3 years instead of 5, it's time to cash out and celebrate with that new car. Of course, you always have the option to continue accumulating for a bigger car!

2 Changed Circumstances

Emergencies or changes in financial needs might necessitate selling your fund if other cash reserves are exhausted.

3 Rebalancing Your Portfolio

Market fluctuations can skew your asset allocation. Selling part of your holdings to restore balance between equity and debt can be beneficial.

4 Fund Underperformance

Consistent underperformance compared to peers over three years or more is a red flag. However, avoid decisions based on short-term performance which could be due to many of the temporary phenomenon like portfolio rebalancing on, one odd bet not going right, some investment unexpectedly not performing well, etc

5 Change in the Fund's DNA

If a fund changes its investment mandate and no longer fits your strategy, it's wise to reassess its place in your portfolio.

Be cautious about selling due to a change in fund manager or AMC ownership, or if an investment style falls out of favor. Observe performance post-transition before deciding.

The bottom line is to avoid selling out of fear or impulse. ***Investing is a marathon, not a sprint.*** Make informed decisions and stay focused on long-term goals.

Contributed by MF Alam, Sr. Research Analyst, Hum Fauji Initiatives

THE HIGH-RISK GAME

FUTURES AND OPTIONS BURNING INVESTOR WEALTH

Investing in the stock market can be exciting, especially with the promise of quick profits. However, a recent study by SEBI shows that most individual investors in the equity cash segment faced losses in FY23, with over 70% not making money.

One of the key trends observed is the ***surge in intraday trading***, where people buy and sell stocks within the same day. The number of intraday traders grew by 300% from FY19 to FY23. Alarmingly, many of these traders are young—48% of them were under 30 years old in FY23, up from 18% in FY19. Unfortunately, 76% of these young traders lost money, making them the most affected age group. It is of course not known from SEBI's study the kind of profits others made, who did not lose.

Why do so many intraday traders lose money? One reason is the high frequency of their trades. The more often you trade, the more likely you are to incur losses. Additionally, trading costs significantly impact profits. Loss-making traders spent 57% of their trading losses on costs, compared to 19% for profit-making traders. This shows how frequent trading can quickly eat into any gains.

Investing should be about building steady, sustainable growth – 'Slow and steady wins the race'. Before diving into high-risk trades, consider the substantial risks involved. Taking a more cautious approach could help protect your wealth and lead to better long-term outcomes.

Contributed by Vishakha, Relationship Manager, Team Arjun, Hum Fauji Initiatives

WHY SHOULD YOU PREFER STEP-UP SIPs OVER TRADITIONAL SIPs?

Step-up SIP allows you to boost your SIP contributions by a set amount or percentage at regular intervals. You can schedule these increases quarterly, semi-annually, or annually, based on your financial goals and income, here are some advantages of Step-up SIPs over traditional SIPs:

Encourages Savings

As your income grows, a Step-up SIP automatically increases your investment, promoting financial discipline and future savings.

Adjusts for Income Growth

It matches your increasing income with higher investments, making it a realistic saving approach.

Keeps Up with Inflation

By increasing your investment amount, Step-up SIPs help your money grow with inflation. For example, if inflation is 6% and you increase your SIP by 10%, your investment stays ahead.

Illustration

Rohan starts a regular SIP of Rs 20,000, while Mridul begins a Step-Up SIP with the same amount, increasing it by 10% each year from the second year for 15 years as his salary rises.

At the end of the investment term, Rohan's total corpus will be Rs 1.09 Crore, significantly less than the Rs 1.73 Crore accumulated by Mohan (refer to table).

Rohan (Ordinary SIP)	
SIPs Amount	₹ 20,000
SIP Tenure	15
Rate of Return	12%
Accumulated Corpus	₹ 1,00,91,520

Mridul (Step Up SIP with 10% Annually)	
SIPs Amount	₹ 20,000
SIP Tenure	15
Rate of Return	12%
Accumulated Corpus	₹ 1,73,67,699

A Step-up SIP is an excellent method to grow your wealth by regularly increasing your investment. It benefits from compounding, handles inflation, encourages savings, and is easy to manage.

If you want to achieve your financial goals and boost your investment, it's time to start a Step-up SIP.

Contributed by Anjeeta, Financial Planner Team Arjun, Hum Fauji Initiatives

TOP CLIENT QUERIES OF THE MONTH

WHAT DID OUR CLIENTS ASK US IN THE LAST 7 DAYS?

QUESTION

Why should I choose your suggested debt m fund when my FD with a XYZ small finance offers higher returns and seems safer?

OUR REPLY

Both debt mutual funds and fixed deposits (FDs) are good options, but they offer different benefits. An FD is like a locked savings account: you know exactly how much you'll earn, but you can't access the money without paying a penalty. Debt mutual funds, on the other hand, are more flexible, allowing you to withdraw your money anytime, usually within 1-3 business days, without penalties.

A key advantage of debt mutual funds is diversification. Instead of putting all your money in one place (like an FD in a single bank), a debt fund spreads your investment across multiple securities. This is 'not all eggs in one basket' working for you especially when you refer to the FDs in a 'small finance' bank which is typically considered more risky than a large scheduled bank.

It's also important to note that while FDs in small finance banks are insured by the government for only up to ₹5 lakh under the ***DICGC (Deposit Insurance and Credit Guarantee Corporation) Scheme,*** anything above this amount isn't covered. Debt mutual funds reduce risk by diversifying across various instruments.

Taxes differ too. With FDs, you pay taxes on interest annually, but with debt funds, taxes are only due when you redeem your investment, allowing more potential growth due to compounding applying on the entire amount which otherwise gets taken out to pay annual taxes.

FDs guarantee returns, but if you want more flexibility and possibly better post-tax returns, a debt mutual fund could be a smarter choice. For more details, connect with us!

Contributed by Ankit Singh, Financial Planner, Team Prithvi, Hum Fauji Initiatives

QUESTION

With the recent tax changes, how will my mutual fund investments be affected?

OUR REPLY

With the recent Budget 2024, several tax law changes have been introduced that could significantly impact your mutual fund investments.

1 Equity Mutual Funds (more than 65% equity holdings)

- **Short-term Capital Gains (STCG):** Tax rate has increased from 15% to 20%. If you sell your units within a year, you'll pay more tax on profits.
- **Long-term Capital Gains (LTCG):** Tax rate has increased from 10% to 12.5% for investments held over a year. The tax-free limit on LTCG has been raised from Rs. 1 Lakh to Rs. 1.25 Lakhs.

2 Debt Mutual Funds (more than 65% in debt securities)

- Now taxed as per your income tax slab rate, with no difference between short-term and long-term investments.
- **Removal of Indexation Benefit:** Last year, the indexation ben fit, which allowed investors to adjust the purchase price of an asset for inflation, was available for purchases made until April 1, 2023. However, following this year's budget, this benefit has been completely eliminated.

3 Other Categories (e.g., gold index funds, gold ETFs, equity funds of funds, international funds, conservative or hybrid funds)

- **Short-term Taxation:** Taxed as per your income tax slab rate if redeemed before 2 years.
- **Long-term Taxation:** A flat tax rate of 12.5% applies to invest ments held for over two years.

Mutual Fund Category	Holding period (to qualify for LTCG)	STCG Tax	LTCG Tax
Pure Equity Funds, Hybrid Aggressive, DAAF, Equity Savings, Arbitrage funds, Multi Asset (>=65% domestic equity)			
Investment redeemed on or after 23rd July 2024	>12 months	20%	12.50%
Debt Mutual Funds & Conservative Hybrid (>= 65% debt instruments)			
Investments before 1st April 2023 - Redeemed on or after 23rd July 2024	>24 Months	Slab rate	12.50%
Investment after 1st April 2023 – Redeemed any time	Not Applicable	Slab rate	Slab rate
Other MFs – Gold & Silver ETFs/FoFs, Domestic FoFs with >35% Equity funds, International Funds/FoFs, Multi-Asset Allocation Funds with Domestic Equity between 35-65%			
Investment before 1st April 2023 – Redeemed on or after 23rd July 2024	>24 Months	Slab rate	12.50%
Investment after 1st April 2023 – redeemed between 23rd July 2024 to 31st March 2025	Not Applicable	Slab rate	Slab rate
Investment after 1st April 2023 – redeemed on or after 1st April 2025	>24 Months	Slab rate	12.50%
Hybrid Mutual Funds (>35% and <65% Domestic Equity)			
Investment redeemed on or after 23rd July 2024	>24 Months	Slab rate	12.50%

Note - Above rules applicable to Residents and Non-residents

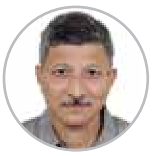
In summary, the recent changes are beneficial for long-term investors, particularly those investing in other categories of mutual funds. Instead of being taxed according to their individual tax slab rate, long-term investors will now pay a flat 12.5% tax on capital gains.

Contributed by Team Prithvi, Hum Fauji Initiatives

HAPPY CLIENTS SPEAK

Voices of Trust :
Where client satisfaction speaks volumes

Hum Fauji Initiatives has been great for me over last 7 years or so. Somehow trustworthy, so prompt in advising & planning & doing everything, hope this carries on gets better too –



Col Ramanand Kamat

Bangalore

Professional financial institutions are difficult to find. Market is flooded with brokers and sub brokers trying to palm of a financial product which gives them a big cut. HFI keeps client's interest in top and offers customised advice based on individuals risk taking ability. Trustworthy 100%.

Gp Capt Anurag Kumar

Delhi

REVOLUTIONIZING DEFENCE

FINANCIAL LITERACY LECTURES FOR THE MONTH OF AUGUST 2024

We have successfully conducted 26 lectures across various locations, including **Gwalior, Pulwama, Ganderbal, and Secunderabad,** among others. This month alone, **2,909** jawans have benefited from these sessions, bringing the total number of educated jawans to an impressive **64,486.**

SNEAK PEAK
INTO HUM FAUJI INITIATIVES

Hum Fauji Initiatives proudly celebrates the winners of the Children SIP Competition, 'Giving Wings to Young Dreams'

*In a fantastic display of passion and teamwork, Team Sukhoi 2 soared to victory, with **Rishabh (RM), Riya, and Anchal,** guided by **AM Priyanshu,** claiming the 1st prize.*

*Hot on their heels, **Team Prithvi 1** with **Mausam (RM), Anjali, and Shubham,** along with **AM Manish,** secured the 2nd prize. Rounding off this exciting competition,*

Team Vikrant 1** took the 3rd spot, with **Aman (RM), Prerna, and Tapesh** under the mentorship of **AM Mansi.

Their drive, dedication, and ambition have been nothing short of inspiring. Keep soaring, young dreamers—the sky is just the beginning!

HUM FAUJI INITIATIVES
MEDIA FEATURES

Sanjeev Govila
Certified Financial Planner (CM), CEO, Hum Fauji Initiatives.

How important is financial planning for soldiers? How can our protectors of the border craft their investment strategies? What should soldiers include in their investment portfolios? What steps should they take if they are investing through SIPs?

Watch the special episode of Money9's show 'Meri SIP Mera Sawaal,' celebrating the spirit of Independence. Our CEO, Col. Sanjeev Govila (Retd.), has answered questions related to the investments of our soldiers, offering expert guidance on managing finances for a secure future.

Watch the video now https://www.youtube.com/live/Uj8KHLZbBfI

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