

Financial Health for Doctors : Navigating Investments, Taxes and Will





Navigating Investments, Taxes and Will – in New Age India

Navigating Investments

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Fixed Income Investments

- ✓ Fixed Deposit Investment is a zero sum game.
Return on a Bank fixed deposit is say 7% less Income Tax @30% the net return is sub 5%. Inflation in India is around 5%.
- ✓ Fixed Income investments can be in the names of Spouse, HUF, Children, Parents etc. Interest free loans can be given from Non-Interest bearing funds.
- ✓ Arbitrage Mutual Funds – Akin to fixed income investment with Equity taxation.
- ✓ Fixed Return Insurance with Rs. 5 lakh premium per year, per PAN.

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Equity – Mutual Funds

- ✓ A well designed portfolio basis investor financial profile, risk appetite and financial goals.
- ✓ Mutual Fund schemes with appropriate distribution across various categories (Large & Mid, Flexicap, Multicap, Midcap, Smallcap, Value, Thematic/Sectoral funds, Foreign Funds, etc.).
- ✓ AMC (Asset Management Company) concentration, quartile performance and benchmark comparison.
- ✓ SWP (Systematic Withdrawal Plans) can be used as on tax efficient way of planning for regular cash flow.

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Equity – PMS (Portfolio Management Services)

- ✓ Investment in a diversified portfolio of Equity Shares.
- ✓ Choice of portfolio strategy as per investor financial profile.
- ✓ Limited regulatory restrictions on fund management as compared to Mutual Funds.
- ✓ PMS portfolio not impacted by inflow & outflow of other investors.
- ✓ Minimum investment size Rs. 50,00,000/-.
- ✓ Self managed portfolio of stocks can be given for PMS to make the portfolio performance effective and accountable.

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Equity – Unlisted stocks and AIF of Unlisted stocks

- ✓ “CATCH THEM YOUNG” - early mover advantage.
- ✓ The returns on such stock would be multi-bagger.
- ✓ When they come for IPO the success story is evident & visible to the world at large.
- ✓ Investment in Unlisted Stocks can be by investing in the stocks of these companies directly and getting credit in our Demat account.
- ✓ Investment in Unlisted Stocks can be through AIF (Alternative Investment Fund) where the minimum investment size is Rs. 1 crore.

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Equity – Foreign Equity

- ✓ Geographical Portfolio diversification.
- ✓ Investment in shares of world leaders like Google, Facebook, Tesla, Apple, Amazon, Microsoft, Pfizer, Johnson & Johnson, Intel and Netflix etc.
- ✓ US \$ denominated exposer.
- ✓ These investments are fully compliant with Indian laws.

Navigating Investments

Precious Metals & Real Estate

- ✓ Gold & Silver ETF are an effective way to investment in Precious Metals.
- ✓ SGB (Sovereign Gold Bonds) can be purchased from the market and can avail advantages of Interest & Tax free Capital gain.
- ✓ Liquidity and Management of Real Estate is a challenge.
- ✓ Next generation is not comfortable managing Real Estate.
- ✓ Current trends is Financial Assets are a better route of Investments, then Real Estate.

Navigating Taxes

Navigating Taxes

Importance of Books of Accounts

- ✓ Books of Accounts and final accounts / Audit Report prepared should be discussed and studied. Does it give appropriate reflection of all kinds Incomes, Expenses, Assets and Liabilities.
- ✓ Proper Books of Accounts can be a great help.
 - For the next generation taking charge.
 - Acting as a MIS (Management Information System).
- ✓ Accounts could be a means of arriving at the value to be ascribed to the profession in case of M & A transaction.

Navigating Taxes

Reforms in Tax Administration

- ✓ Complete change on the Tax compliance front. All filings with the Income Tax Authorities are E-filing.
- ✓ Scrutiny of all Filings, Assessments, Appeals, are faceless.
- ✓ All financial transactions are mapped with Permanent Account Number (PAN).
- ✓ No scope of any personal interaction with / by any Income Tax authorities for any reasons.

Navigating Taxes

Tax Planning Tips

- ✓ Under section 37 of the Income Tax Act, expenditure wholly and exclusively incurred for the purpose of the profession can be allowed as a deduction. Seminar fees and its travelling, restaurant bills, club fees, salary to spouse, etc.
- ✓ Under ideal tax planning, all the entities in the family pay tax at the same rate of tax.
- ✓ Gifts to defined relatives are exempted without any upper limits.
- ✓ Jewellery to the extent of 500 grams for married females and 250 grams for unmarried females and 100 grams for married or unmarried males are considered as explained.

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Taxes – Safeguards

- ✓ Any amount credited in the accounts by way of Loans or Gifts where Identity, Genuineness and Creditworthiness of the person giving such amount cannot be proved AND Unexplained Expenditures are liable to taxation at the rate of 77.25% + penalty.
- ✓ Under Section 40 A(3) Any expenses in cash above Rs.10,000 shall not be allowed as a deduction.
- ✓ Cash payment of capital expenses above Rs. 10,000 shall not be considered as a part of actual cost of asset under Section 43(1).

Navigating Taxes

Taxes – FEMA Regulations for NRI

- ✓ Indian incomes of a NRI are subject to reporting and taxation in their country of residence. Taxes paid in India are available for credit under DTAA.
- ✓ NRI is not supposed to hold resident Indian bank account. NRI should have NRO NRE bank accounts in India.
- ✓ Resident Indian can send US \$ 250,000 per person per year under LRS (Liberalized Remittance Scheme).
- ✓ An NRI can send US \$ 1 million per person per year under the remittance scheme of RBI.

Navigating Laws of Succession – Wills

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Law of Succession in India

On death of a person

Testamentary Succession
(when a person decease after making a Will)

✓ **The Indian Succession Act**

✓ **Muslim Shariat Law**

Intestate Succession
(when a person decease without making a Will)

✓ **Hindu Succession Act**
Hindu, Sikhs, Jain & Buddhists

✓ **Muslim Shariat Law**
Muslim

✓ **The Indian Succession Act**
Christian, Parsi

Navigating Laws of Succession – Wills

Nomination and Succession

- ✓ On death of the holder of such assets transmission of assets happens in favour of the nominee.
- ✓ Nominee is not the owner of the assets, he is merely a custodian.
- ✓ The real owner of the asset is the owner under the laws of succession as per the Testamentary Succession (where Will is made) or Intestate Succession (where Will is not made).

Navigating Laws of Succession – Wills

Making of a valid Will

- ✓ Will has to be in writing signed by the testator in presence of two witnesses.
- ✓ Declaration of witnesses is advisable.
- ✓ Dealing with assets of HUF in the Will.
- ✓ Clause for Residual assets in the Will.
- ✓ Providing for different eventualities in the Will.
- ✓ Providing for beneficiary pre deceasing the testator in the Will.
- ✓ Distribution of pool of assets in case of Movable Assets.

Navigating Laws of Succession – Wills

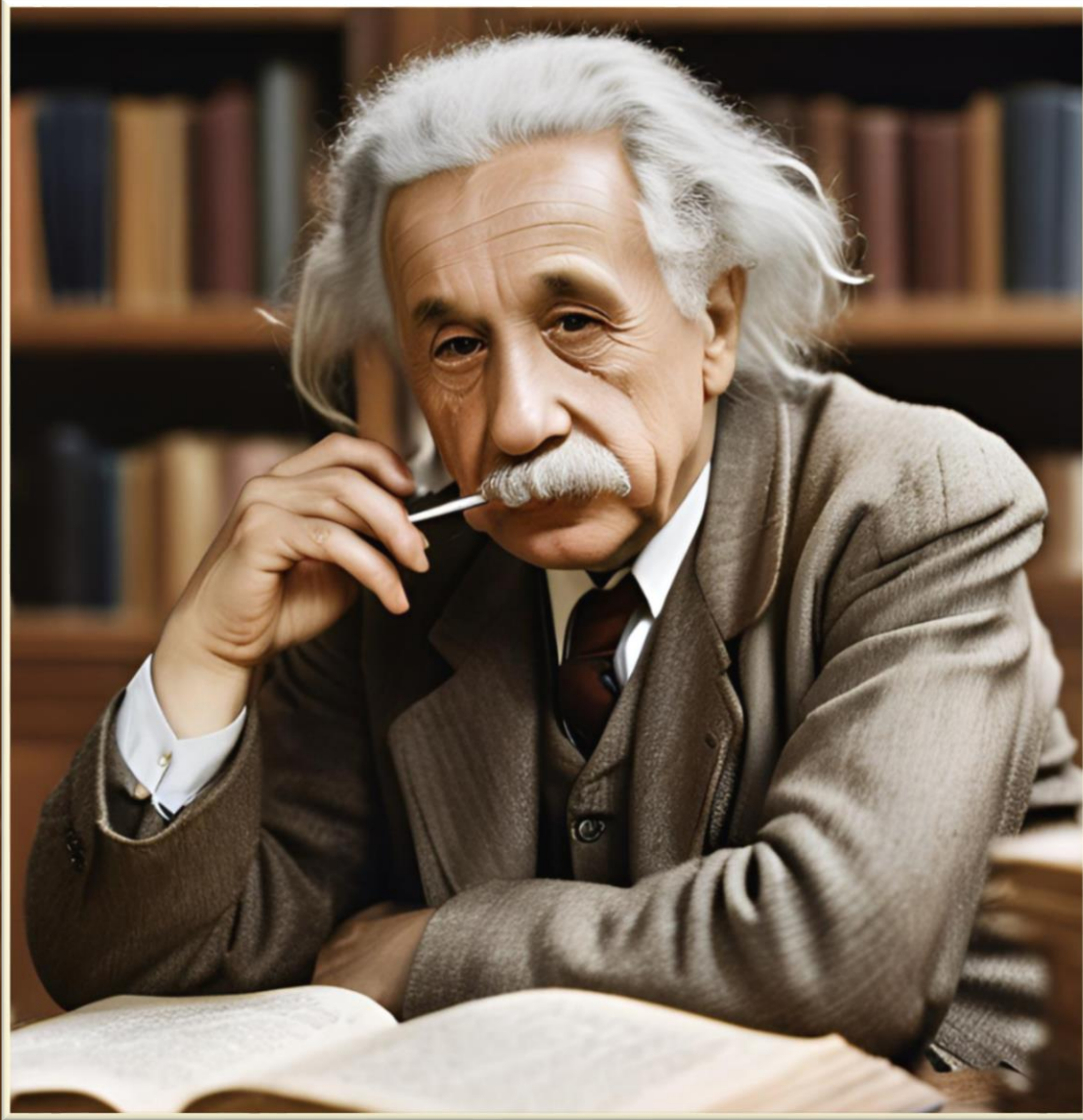
Advantages of Executing a Will

- ✓ Assets can be bequeathed to beneficiaries who are not legal heirs and in desired proportions.
- ✓ Specific assets can be bequeathed each beneficiaries.
- ✓ Tax planning can be done through Will.
- ✓ Family Trust can be created as a part of the Will.

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*“ If you want different results,
you have to try different
approaches”*

- Albert Einstein