

— Advisor's Guide —

Tax Planning

January, 07 to March, 07

Life Insurance

Balanced Funds

Debt Funds

Insurance

Income Tax

Mutual Funds

Pension Plan

Equity Funds

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Your Personal Finance Advisor

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Gyaan Darshan

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1 Tax Planning

1.1 Tax Planning for Financial Year 2006-07

1.1.1 Introduction:

Every one tries to plan their taxes. Tax planning is the process of using all the available sections and provisions of the IT Act to optimize one's tax outflow.

Many consider that financial planning and tax planning are two mutually exclusive exercises. What one should realize is that tax planning is an integral part of financial planning exercise. Through proper tax planning, it is possible to minimize his tax outgo. The returns can be channelised to realize his financial goals and wealth creation too!

First lets discuss about the stages of taxability of income

A. Computation of total income:

Income of an individual is taxable under 5 heads of income:

- i. Income under the head 'Salaries'
- ii. Income under the head 'House Property'
- iii. Income under the head 'Business/Profession'
- iv. Income under the head 'Capital gains'
- v. Income under the head 'Other Sources'

Total income represents the summation of income under the above heads.

B. Computation of tax:

After computing the total income, one has to compute the tax using applicable tax rates. There are different slab rates applicable to men, women and senior citizens. Apart from the slab rates, there are special rates of tax which are applicable to special categories of incomes such as capital gains, speculative income, lottery income etc.

On the final tax liability, education cess is also payable at @ 2%. A surcharge of 10% is also payable if the income is more than Rs.10 lacs.

Tax Planning:

Tax planning under the Income Tax Act can be done under the following heads:

1.1.2 Exemptions:

- a. Any income is said to be exempt when it escapes the computation of income tax. In other words, it does not feature in the process of tax calculation.

Few important exemptions under the IT Act, available to individuals are as follows:

- 1) Receipt of any sum under a life insurance policy, either in the form of bonus or on death or on maturity is not taxable under section 10(10D).
- 2) Any income that received in the form of dividends is exempt from tax i.e. dividend income is not taxable under section 10(34).
- 3) Income received in respect of units of mutual funds is also exempt from tax under section 10(35).
- 4) In respect of salary income the following are some important exemptions:

1. Exemption with respect to house rental allowance (HRA):

Exemption is the minimum of the following:

- a. If you are staying in a metro – exemption is 50% of (basic + DA)

If you are staying in a non-metro – exemption is 40% of (basic + DA)

- b. Rent paid in excess of 10% of (basic + DA)
- c. Actual HRA received
- 2. Children education allowance is exempt to the extent of Rs.100 p.m. per child for a maximum of 2 children
- 3. Children hostel allowance is exempt to the extent of Rs.300 p.m. per child for a maximum of 2 children
- 4. Travelling allowance, daily conveyance allowance is exempt to the extent spent for official purposes
- 5. **Leave travel allowance (LTA):**
 - a. It is exempt to the extent of travel expenses against the costs incurred for the family in connection with travel undertaken anywhere in India.
 - b. The travel concession can be availed only on expenditure incurred towards TRAVEL FARES (Bus, Train or Air). No other expenses (viz., boarding and lodging etc.) will qualify for exemption.
- 6 **Death-cum-retirement gratuity:** For tax treatment refer table no. 1.1.
- c. The exemption is admissible only to the shortest possible route taken. If a journey is performed in a circular form touching different places, then exemption will be limited to what is admissible for the journey from the place of origin to the farthest point reached, by the shortest route.
- d. The exemption is available for only 2 journeys performed in a block period of 4 calendar years (Present block is 2006 – 2009).
- e. If an employee has not availed travel concession during the specified block-periods on one of the two permitted occasions or both occasions, exemption can be claimed in the first calendar year of the next block in respect of one journey. This exemption will not be counted for the purposes of claiming the future exemptions allowable in respect of 2 journeys in the subsequent block period.

Table - 1.1

Government employees and employees of a local authority	Employees covered under the Gratuity Act	Any other employee
Gratuity is fully exempt	Gratuity is exempt to the extent of minimum of the following: <ul style="list-style-type: none"> a. Rs.3,50,000 b. 15 days salary for every completed years of service or part thereof exceeding 6 months c. Actual amount received NOTE: Meaning of salary <ul style="list-style-type: none"> (i) Basic salary + DA (ii) Last drawn salary (iii) No. of days in a month to be taken as 26 	Gratuity is exempt to the extent of minimum of the following: <ul style="list-style-type: none"> a. Rs.3,50,000 b. Half months average salary of each completed years of service c. Actual amount received NOTE: Meaning of salary <ul style="list-style-type: none"> (i) Basic salary + DA (ii) Average of last 10 months salary (iii) Only completed year of service is to be taken

Let us understand the above computation with the help of an illustration:

Ramanujan's income details are as follows:

His basic salary for the year 2005-06 is as follows:

- ❖ Rs.15,000 p.m. from April 2006 to August 2006
- ❖ Rs.18,000 p.m. from August 2006 to February 2006

He does not get any DA (Dearness allowance)

He retired in March 2006 after a service of 31 years and 8 months. He has received gratuity to the extent of Rs.6 lacs

Exemption in gratuity will be as follows:

- a. If he is a government employee the entire gratuity of Rs.10 lacs is exempt i.e. tax free
- b. If he is a non-government employee and is covered under the Gratuity Act, gratuity exempt is minimum of the following:

- (i) Rs.3,50,000
- (ii) Rs.6,00,000 (actual amt. received)
- (iii) $15 * (18,000/26)$ (last drawn salary / no. of days in a month) * 32 (completed years of service or part thereof exceeding 6 months) = Rs.3,32,308

Therefore gratuity exempted is Rs.3,21,923.
Therefore taxable gratuity will be (Rs.6,00,000 – Rs.3,21,923) i.e. Rs.2,67,692

- c. If he is a non-government employee and is not covered under the Gratuity Act, gratuity exempt is minimum of the following:

- (i) Rs.3,50,000
- (ii) Rs.6,00,000 (actual amt. received)
- (iii) $(18,000*7 + 15,000*3)/10$ (average of last 10 months salary) * 0.5 * 31 (completed years of service) = Rs.2,65,050

Therefore gratuity exempted is Rs.2,65,050.
Therefore taxable gratuity will be (Rs.6,00,000 – Rs. 2,65,050) i.e. Rs.3,34,950

7. Retrenchment compensation:

Any compensation received by a workman at the time of retrenchment, under the Industrial Disputes Act, is exempt to the extent of minimum of the following:

- (i) Actual amount received
- (ii) 15 days average pay for every completed year of service or part thereof in excess of 6 months
- (iii) Rs.5,00,000

8. Voluntary retirement compensation:

Compensation received under VRS scheme is exempt to the extent of minimum of the following:

- (i) Rs.5,00,000
- (ii) Actual amount received

1.1.3 Deductions:

Deductions refer to certain payments or prescribed investments which will be reduced from your total taxable income of the assessee.

Some of the important deductions are mentioned below.

1. Section 80C: Deductions available for the following

- ❖ Insurance premium, i.e. premium payable on any insurance policy (limited to 20% of the sum assured)
- ❖ Contribution towards public provident fund/ or RPF or any other provident fund. (only up to Rs.70,000)
- ❖ Contribution towards NSC
- ❖ Contribution towards infrastructure bonds
- ❖ Contribution towards ELSS
- ❖ Payments towards ULIPs
- ❖ Principle repayment of home loans
- ❖ Tuition fees for children
- ❖ Certain pension funds- annuity plan of any notified insurer, or pension fund set up by a mutual fund.

The following table compares the investment avenues which offer tax benefit u/s 80C.

Table - 1.2

Instruments	Investment amount	Lock-in period	Indicative returns
PPF	Up to Rs.70,000	15 years	8%
NSC	Up to Rs.1,00,000	6 years	8%*
Bank deposits	Up to Rs.1,00,000	5 years	7.25%*
Infrastructure Bonds	Up to Rs.1,00,000	More than 3 years	6.5%* (average of recent launches)
ELSS	Up to Rs.1,00,000	3 years	Market linked returns
ULIPs	Up to Rs.1,00,000	5 years	Market- linked returns

* Pre-tax returns

- Section 80D:** The premiums paid towards a health insurance plan on the health of self, spouse, dependant parents and dependant children, will be available for a deduction under section 80D up to a maximum of Rs.10,000.
- Section 80E:** It covers deduction with respect to any amount paid towards interest on loan borrowed from any financial institution for the purpose of higher education. This can be availed only up to 8 years from the date of availing the loan
- Section 80GG:** Deduction in respect of rent paid (Not available for individuals who are in receipt of HRA). Quantum of deduction is the minimum of : (i) Rs.2000 p.m. or (ii) 25% of taxable income or (iii) rent paid in excess of 10% of taxable income
- Section 24:** Interest payable on housing loans can be claimed as a deduction under this section. If you are staying in the property, the limit is Rs.1,50,000. In case you have given the property on rent, the entire interest can be deducted.

1.1.4 Rebates:

It is a reduction from tax payable. Currently there is only one rebate you can avail.

Section 88E:

If one has income arising from the business of dealing in securities, one can claim a rebate to the extent of securities transaction tax paid in respect of taxable securities transactions entered into in the course of business.

From above tax saving avenues, our pick would be:

- ❖ Unit linked insurance plan is perhaps the only investment avenue which provides tax benefits, risk cover and market linked returns. Any proceeds from such ULIP would come under the ambit of section 10(10D).
- ❖ ELSS are tax saving schemes of mutual funds. These funds provide a deduction at the time of investment and any accretion in the form of dividends is fully exempt from tax.

1.2 Case Apna Apna

Tax planning will be a much sought after exercise for the next 3 months. All will be looking for making various investments and payments during this time to optimize their tax outflows. However there are many factors to be considered before making any financial decision for tax planning.

Let us understand the nitty-gritty of tax planning with the help of few case studies.

Table - 1.3

	Case A	Case B	Case C
Details	Mr. Shekhar	Ms. Girija	Mr. Roopesh
I Personal Profile			
Age	40	25	30
Marital Status	Married	Single	Married
No. of children	2 (aged 8 yrs and 3 yrs)	-	-
Type of employment	Government employee	Private employee	Self employed
Type of accommodation	Own	Rented (receiving HRA) Rent paid p.m. – Rs.5,000	Rented Rent paid p.m. – Rs.8,000
Home loan	Annual principal repaid Rs.18,000 Annual interest payment Rs. 1,00,000 for a loan amount of Rs. 10,00,000	N.A.	N.A.
II Salary / Income Details			
Annual salary / income	4,00,000	2,40,000	5,00,000
Tax rate applicable	30%	20%	30%
Tax payable (before considering impact of housing loan) and EPF	71,400	19,890	1,02,000

Apart from his salary, Shekhar's employer has also given him a health insurance cover for him and his family.

*This is only for illustrative purpose. The actuals will differ from case to case.

Opportunities of tax planning

Case A: Shekhar

Lets consider his taxability, if he would have done some tax planning.

Table - 1.4

Details	Amt. (Rs.)	Total Amt. (Rs.)	Explanation
Salary before tax planning		4,00,000	Salary after considering taxable HRA
Less: Deduction u/s 24	1,00,000	1,00,000	This deduction is available for interest on housing loan
Less: Deductions u/s 80C			
1. Annual EPF contribution	15,000	1,00,000	Employee's contribution to PF can be claimed as a deduction u/s 80C
2. Children's tuition fees	13,000		Earlier there was a limit of Rs.12,000 per child for claiming a deduction, however from assessment year 2006-07, the limit is withdrawn. This deduction is currently available only for the tuition fees paid for upto 2 children
3. Home loan principal amount	18,000		Principal portion of home loan EMIs are eligible for deduction
4. Life insurance premiums			Life insurance premiums are eligible for deduction
a. Traditional Endowment Plan/ Money back plan	25,000		This policy will meet the dual purpose of risk cover along with ensuring a specific amount at the expiry of the term/ during the term. <i>For detail on these plans, refer table 1.10 on page no. 15, table 1.11 on page no. 16.</i>
b. Child plan	10,000		A child plan where life assured is the parent would provide for the future expenses of the children. <i>For details on such plans, refer table 1.13 on page no. 18.</i>
c. Mortgage Redemption Plan	2,000		This plan will insure repayment of outstanding EMIs on home loan in the event of his death. <i>For details on such plan, refer table 1.14 on page no. 19.</i>
5. ELSS	17,000		It is important for Shekhar to have some exposure to equity markets so that his savings multiply at a higher rate. <i>To view recommended ELSS, refer table 1.25 on page no. 31</i>
Less: Deductions u/s 80D			
1. Critical illness plan	10,000	10,000	Medical insurance premiums (towards critical illness and mediclaim) are eligible for deduction u/s 80D. As Shekhar's employer has already given him health insurance cover, he need not opt for mediclaim. As he is aged 40, it is important for him to have critical illness cover. He can also take this cover in his wife's name and claim the deduction. <i>Refer table 1.20 on page no. 27 for more details.</i>
Less: Deduction u/s 80GG		N.A.	Not available as he is not paying any rent for his home
Taxable salary after tax planning		1,90,000	Tax slab rate applicable 10%
Tax payable after tax planning		13,260	
Savings in tax		58,140	Resulting in tax saving of 82%

Case B: Girija
Table - 1.5

Details	Amt. (Rs.)	Total Amt. (Rs.)	Explanation
Salary before tax planning		2,40,000	Salary after considering taxable HRA
Less: Deductions u/s 80C			
1. Annual EPF contribution	9,000	62,000	Employee's contribution to PF can be claimed as a deduction u/s 80C
2. Life insurance premiums			Life insurance premiums are eligible for deduction
a. Term plan	8,000		By opting for term plan, she can cover her parents future expenses at a very low cost. <i>Refer table 1.7 & 1.8 on page no. 12&13 for details.</i>
b. ULIPs	25,000		ULIPs will give her the dual advantage of risk cover along with wealth creation. She should opt for equity option under the ULIP. <i>Refer table 1.15, 1.16, 1.17 & 1.18 on page no. 20-25.</i>
3. ELSS	20,000		Girija having more earning life has the ability to absorb more risk. Therefore, she should allocate higher portion of savings towards wealth creation (ELSS and ULIP). <i>Refer table 1.25 on page no. 31 for details on ELSS.</i>
Less: Deductions u/s 80D (Medical insurance premiums are eligible for deduction)			
1. Mediclaim	3,000	3,000	Though Girija can save higher amount of tax by paying premium upto Rs.10,000 (giving medical insurance cover of app. Rs.10 lakhs), she does not need mediclaim policy of higher cover. If she opts to pay Rs. 7,000 more towards mediclaim she may save taxes of Rs. 1,400 only, while the coverage of Rs. 10 lakh may not prove to be utility for her. <i>Refer table 1.19 on page no. 26.</i>
Less: Deduction u/s 80GG		NA	Not available as she is not paying any rent for her home
Taxable salary after tax planning		1,75,000	Tax slab rate applicable 10%
Tax payable after tax planning		6,630	
Savings in tax		13,260	Resulting in tax saving of 67%

It should be noted that we have not recommended Girija to utilise section 80C and 80D completely. Tax planning does not mean the reducing the tax liability to zero, but in certain cases, it makes sense to make some tax payment instead of buying into tax saving products (which may not have utility for the investor).

Case C: Roopesh

Table - 1.6

Details	Amt. (Rs.)	Total Amt. (Rs.)	Explanation
Income before tax planning		5,00,000	
Less: Deductions u/s 80C			
1. Annual PPF contribution	20,000	1,00,000	As he is self employed, he can invest sums in PPF which can help building retirement corpus. This contribution can be claimed as a deduction u/s 80C
4. Life insurance			Life insurance premiums are eligible for deduction
a. Term plan	20,000		A term plan offers the advantage of a risk cover at a reasonably low cost. <i>Refer table 1.7 & 1.8 on page no. 12&13 for details.</i>
b. ULIPs	20,000		As Roopesh is in a position to take a reasonable amount of risk, it makes a lot of financial sense to opt for a ULIP, which will give him a risk cover along with market linked returns. <i>Refer table 1.15, 1.16, 1.17 & 1.18 on page no. 20-25.</i>
c. Whole life plan	10,000		Roopesh can also claim a deduction on premium paid on a policy covering his wife's life. <i>For more details, refer table 1.9 on page no. 14.</i>
5. ELSS	30,000		ELSS serves an investment option with perfect balance between equity market returns and tax benefits. <i>Refer table 1.25 on page no. 31 to view recommended ELSS.</i>
Less: Deductions u/s 80D (Medical insurance premiums are eligible for deduction)			
1. Mediclaim policy	5,000	5,000	Roopesh can take a mediclaim policy for himself and his spouse. A mediclaim policy is a good option for Roopesh for tax planning beyond Sec.80C, along with providing him with a health cover. <i>Refer table 1.19 on page no. 26 to view more details.</i>
Less: Deduction u/s 80GG (Note)		24,000	Can be availed only if paying rent for home and are not in receipt of HRA
Taxable salary after tax planning		3,66,000	Tax slab rate applicable 30%
Tax payable after tax planning		60,996	
Savings in tax		41,004	Resulting in tax saving of 40%

Note: Computation of deduction u/s 80GG for Roopesh:

In his case deduction for rent paid can be availed to the extent of least of the following:

- Rs.2,000 p.m. = Rs.24,000
- 25% of his taxable income i.e. 25% of 3,90,000 = Rs.97,500
- Rent paid in excess of 10% of taxable income i.e. [Rs.96,000 – (10% of 3,90,000)] = Rs.57,000.

Thus he can claim a deduction of Rs.24,000 u/s 80GG

1.3 Insurance: Risk Cover to Save Tax

Insurance is a risk transfer mechanism, securing an individual against the uncertainties and risks faced by him / her. The insurance policies offer the benefits of risk mitigation as well as wealth creation. More importantly, the premiums paid for the insurance policies and the benefits accruing from these policies qualify for attractive tax benefits.

Insurance as a tool for risk mitigation

Risk mitigation refers to the process of containment of financial loss that could arise due to the happening an uncertain event. An individual faces different types of risks. Some of these being the risk of dying early, risk of living too long, risk of hospitalisation, etc., insurance policies offers an optimal coverage for each of these risks. The term assurance plans and whole life plans come have been classified as risk mitigation tools.

Insurance as a tool for wealth creation

Wealth creation is the process of investing systematically to accumulate wealth over a long period and the

preservation of the same. The wealth corpus so accumulated, can be utilised for fulfillment of various financial goals that an individual may have such as the higher education of children, marriage of daughters, retirement planning, and property acquisition. Insurance products falling under the classification of wealth creation tools also do provide the risk cover for the life assured under the plan. These being endowment assurance plans, money back plans, pension plans, unit linked insurance plans, and child plans. As the insurance subject evolves, some innovative insurance plans that play an important role in covering the person against liabilities, critical illness, are also created. For instance, if a housing loan is covered by a mortgage redemption plan, then in the event of untimely death of life assured (the loan re-payer), the outstanding loan / mortgage is being paid by the insurance company and the family and dependants are protected from this liability. In this advisor's guide, we have carried out a comprehensive research identifying the comparative features of select insurance plans in the industry. The classification provided as from the point of view of tax benefits is as under:

1.3.1 Products eligible under section 80C	
A. Risk Mitigation →	Term Assurance Plan, Whole Life Assurance Plan
B. Wealth Creation →	Traditional Avenues → Endowment Assurance Plan, Money Back Plan, Pension Plan (u/s 80CCC)
	Miscellaneous → Child Plan, Mortgage Redemption Plan
	Market Linked Avenues (Unit Linked Plans) → Endowment Plan, Whole Life Plan, Money Back Plan, Pension Plan
1.3.2 Products eligible under section 80D	
A. Health Insurance Plans →	Hospitalisation Reimbursement (Mediclip) Plan, Critical Illness Plan

A. Risk Mitigation

Term Assurance Plan - Without return of Premium

This plan provides risk cover in form death benefit only, paid to nominee on death of life assured. It is the most economical plan available.

Table - 1.7

Plan	Kotak Preferred Term Plan	MET Suraksha	Secure Confident
Provider	Kotak Life Insurance Co. Ltd.	MetLife Insurance Co. Ltd.	Bharti Axa Life Insurance Co. Ltd.
Unique Selling Proposition	Special premium rates for women and non-tobacco users for sum assured of Rs.10 lacs & above	Choice of policy term; with 3 premium paying options namely single, limited (3 year limited pay) and regular pay	Choice of premium payment options with the offer of one of the most competitive product pricing
Policy Benefit	Sum assured payable to nominee in case of death of life assured during the policy term		
Age at Entry (min. & max.)	18 years - 60 years	18 years - 60 years	18 years - 55 years
Maximum Age at Maturity	70 years	65 years	60 years
Term (min. & max.)	10 years - 30 years for regular premium; 5 years - 30 years for single premium	Choice of 5 years, 10 years, 15 years, 20 years, or 25 years	Choice of 5 years, 10 years, 15 years, 20 years, or 25 years
Sum Assured (min. and max.)	Open - subject to minimum annual premium limits	Rs.50 000; maximum SA determined based on medical & financial underwriting of the proposal	Minimum Rs.5 lacs
Annual Premium	Minimum Rs.2,000	Minimum Rs.1,000	Minimum Rs.1,500
Premium payment frequency	Annual, semi-annual, quarterly	Annual, semi-annual, quarterly, monthly, and under salary savings scheme (SSS)	Annual, semi-annual, quarterly, and monthly
Riders Available	Accidental death benefit rider; permanent disability benefit rider; critical illness benefit rider	Accidental death benefit rider; critical illness rider	Critical illness rider; accidental death and disability benefit rider
Premium	Rs.3,143*	Rs.3,300*	Rs.2,940*

* Premium payable for Rs.10 lacs policy for 25 year term; for a 30 year old male

Term Assurance Plan - With return of Premium

This form of term assurance plan returns premiums paid to the policy holder on survival of life assured at end of policy term, apart from the risk cover during policy tenure.

Table - 1.8

Plan	Life Guard	Term Care	Life Plus
Provider	ICICI Prudential Life Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Tata AIG Life Insurance Co. Ltd.
Unique Selling Proposition	Extended cover of 5 years for 50% of SA, after end of policy term	Available as a regular premium and a single premium plan. Flexibility of including combination of riders. High SA rebate	On death of life assured caused due to accident during the policy term, double the SA will be paid to nominee. Premiums are payable for first 15 years only.
Policy Benefit	SA payable to nominee in case of death of life assured during the policy period; Return of the premiums paid at policy maturity		
Age at Entry (min. & max.)	18 years - 55 years	18 years - 50 years	18 years - 60 years
Maximum Age at Maturity	65 years	65 years	N.A.
Term (min. & max.)	10 years - 30 years	5 years - 40 years	20 year fixed term
Sum Assured (min. and max.)	Minimum Rs.5 lacs	Rs.1 lac - Rs.10 lacs	Minimum Rs.1,50,000
Annual Premium	Minimum Rs.2,400	Minimum Rs.1,500	Minimum Rs.4,000
Premium payment frequency	Annual, semi-annual, and monthly	Annual and semi-annual, quarterly, and monthly	Annual, semi-annual, quarterly, and monthly
Riders Available	Accident and disability benefit rider; waiver of premium rider	Accidental death benefit; accidental permanent total / partial disablement benefit; waiver of premium benefit; critical illness benefit; hospital cash benefit	No riders available under this plan
Premium	Rs.9,024*	Rs.11,233*	Rs.19,220 (for 15 years) for a 20-year term policy

* Premium payable for Rs.10 lacs policy for 25 year term; for a 30 year old male

Whole Life Assurance Plan

This plan, known as 'term plan for longest term' provides cover to risk of death of life assured for entire life. Sum assured is paid to nominee on death of life assured whenever the same happens.

Table - 1.9

Plan	MahaLife	Whole Life Insurance Plan	The Whole Life Plan
Provider	Tata AIG Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.	Life Insurance Corporation of India
Unique Selling Proposition	Limited premium payment for first 12 years. Guaranteed Annual coupon of 5% of SA, every year from 12th policy year onwards. Non-guaranteed yearly cash dividends from 6th policy anniversary onwards.	Non-reversionary bonus from 3rd policy year. Cash bonuses can be withdrawn as cash; used for premium payment, for increasing SA, or for purchase of additional term assurance coverage. 50% of SA is paid on life assured being diagnosed of suffering from a terminal illness.	This is essentially a whole life plan with no fixed period of maturity. This policy provides bonus options to the policyholder and he can take back his SA along with bonuses after 40 years from the commencement of the policy (after reaching 80 years). In addition this policy also has a loan facility
Policy Benefit	SA paid either on death of life assured or at age of 100 years.	SA plus bonus paid either on death of life assured or at age of 100 years.	SA plus bonus paid on death of life assured. The policyholder can take SA with bonus anytime after 40 years from start of policy, subject to conditions
Age at Entry (min. & max.)	0 years - 60 years	91 days - 70 years	15 years - 60 years
Maturity Age	100 years	100 years	N.A.
Term (min. & max.)	100 years less entry age	100 years less entry age	100 years less entry age
Sum Assured (min. and max.)	Minimum Rs.50,000	Rs.1 lac - Rs.1 crore	Minimum Rs.50,000
Annual Premium	Minimum Rs.5,000	Subject to underwriting	N.A.
Premium payment frequency	Annual, semi-annual, quarterly, monthly	Annual, semi-annual, quarterly, monthly	Yearly, Half-yearly, Quarterly, Monthly
Riders Available	Disability benefit, accident benefit, term benefit, critical illness benefit riders	Personal accident benefit, guaranteed insurability option, term/term renewable & convertible, waiver of premium, dread disease, spouse insurance	N.A.
Annual premium	Rs.67,500 (payable for first 12 years only)*	Rs.21,590*	Rs.23,705*

*Annual premium payable for Rs.10 lacs policy for a 30 year old male

B. Wealth Creation

Traditional Avenues - Endowment Assurance Plan

This plan provides both the risk cover (death benefit) to life assured during policy period, as well as survival benefits at end of policy term.

Table - 1.10

Plan	Endowment Assurance	Life Gain Endowment	Endowment Assurance
Provider	Life Insurance Corporation of India	Max New York Life Insurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd.
Unique Selling Proposition	Premiums payable for a selected term or until an earlier death. Lump sum maturity benefits used to buy an annuity plan for rest of policy holder's life. Future premiums will be waived for accidental total & permanent disability before 70 years of age.	Bonus declared can be: withdrawn as cash; used for premium payment; or for buying addition insurance cover. 50% of SA (up to max. Rs.5 lacs) paid on diagnosis of terminal illness. On death balance SA & bonus paid to nominee.	SA and premium payable is calculated by taking into account amount of targeted savings and required policy term. Flexible premium payment and benefit options. Choice of 4 benefit riders.
Policy Benefit	SA is paid either to nominee on death of life assured during policy term, or to policy holder at end of policy term.	SA plus bonus paid on death of life assured. SA with guaranteed addition of 10% of SA, bonus is paid as maturity benefit.	SA plus bonus paid either on death of life assured during policy term or at policy maturity.
Age at Entry (min. & max.)	12 years - 65 years	91 days - 65/60/55/50 years for 10/15/20/25 year plan / to age 60 plan respectively	12 year (18 years for basic policy with riders) - 60 years
Maturity Age	Max. 70 years	N.A.	Max. 75 years
Term (min. & max.)	5 years - 55 years	10 / 15 / 20 / 25 years or to age 60 years	10 years - 30 years
Sum Assured (min. and max.)	Rs.50,000 - No Limit	Rs.50,000 - Rs.5 crore	N.A.
Annual Premium	Minimum Rs.1,000	Subject to underwriting	Minimum Rs.1,800
Premium payment frequency	Annual, semi-annual, quarterly, monthly, SSS	Annual, semi-annual, quarterly, monthly	Annual, semi-annual, quarterly
Premium payment period	Max. 75 years	Equal to policy term	Equal to policy term
Riders Available	Accidental death and permanent disability benefit	Dread disease; personal accident benefit; term / term R & C; waiver of premium / payor rider	Critical illness; additional term benefit; accidental death benefit; waiver of premium benefit
Premium	Rs.37,818*	Rs.44,440*	Rs.37,070*

* Premium payable for Rs.10 lacs policy for 25 year term; for a 30 year old male

Traditional Avenues - Money Back Plan

This plan is a form of endowment plan, and provides installment benefit payments as percentage of sum assured, at regular intervals during the policy period, apart from the usual death benefit.

Table - 1.11

Plan	Kotak Money Back	Reliance Cash Flow	Life Pay Money Back
Provider	Kotak Life Insurance Co. Ltd.	Reliance Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.
Unique Selling Proposition	Life cover increases by 7% of SA annually. Cash lump sum benefit payments at intervals of 5 years, with guaranteed addition of 20%/30%/40% of SA for 15/20/25 year policy respectively, on maturity	Easy liquidity through lump sum cash payments. Money paid periodically to meet requirements of policy holder. Provision of bonus options facilitate creation of wealth	Lump sum payments at periodic intervals. Bonus & additional guaranteed benefits of 10% of SA paid with last installment benefit
Policy Benefit	On death of life assured during policy term, increased value of SA is paid. Lump sum survival benefits paid every 5th policy year as a percentage of SA, with balance payable at policy term end	Percentage of SA paid on 4th policy anniversary and thereafter every 3rd policy anniversary. Remaining percentage of SA plus bonuses paid on maturity. On earlier death full SA and bonus is paid to nominee	On death of life assured, SA & bonus paid to nominee. For death before age 10, all premiums paid are refunded with interest. Lump sum payments at periodic intervals. 10% of SA & bonus paid with last benefit installment
Age at Entry (min. & max.)	18 years - 60 years	15 years - 63 years	91 days - 55 years for a 16 or 20 year plan and 51 years for a 24 year plan
Maximum Age at Maturity	75 years	70 years	75 years
Term (min. & max.)	15, 20, and 25 years	7 years - 34 years	16 years, 20 years, or 24 years
Sum Assured (min. and max.)	N.A.	Rs.25,000 - Subject to underwriting	Rs.50,000 - Rs.5 Crore
Annual Premium	Min. Rs.4,000	Min. Rs.2,000	Subject to underwriting
Premium payment frequency	Annual, semi-annual, quarterly	Annual, semi-annual, quarterly, monthly (available only as SSS)	Annual, semi-annual, quarterly, monthly
Premium payment period	Equal to policy term	Equal to policy term	Equal to policy term
Riders Available	Term / preferred term; accidental death; permanent disability; critical illness; life guardian/accidental disability.	Critical illness; accidental death and total & permanent disablement benefit	Personal accident, term / term renewable & convertible, dread disease, waiver of premium.
Premium	Rs.57,168*	Rs.56,500*	Rs.58,210 for 24 yr. term

* Premium payable for Rs.10 lacs policy for 25 year term; for a 30 year old male

Traditional Avenues - Pension Plan (u/s 80CCC)

This plan provides for lump sum benefit and / or annuity benefit payments at stipulated retirement age, and thus is an effective means to achieve financial independence in ones "Golden Years". Built-in life insurance cover is usually available as an option. Deduction u/s 80CCC forms part of total deduction of Rs.1 lac. u/s 80C.

Table - 1.12

Plan	Nirvana Plus	Easy Life Retirement	Personal Pension
Provider	Tata AIG Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd.
Unique Selling Proposition	For every 5 years of premium, 10% of SA is added to life cover; up to max. 70% of SA. Double of SA paid for accidental death. No medical exam required for aged 18-45 years.	Bonus used to buy additional policy savings. Min. 55% of premium paid back as surrender value.	Flexibility of choice of retirement date. Bonus declared annually added as guaranteed benefit paid on death/maturity.
Policy Benefit	On chosen retirement age, 1/3rd of savings value paid as lump sum cash; balance used to buy monthly income plan. On earlier death of life assured nominee will get SA + Guaranteed Additions + Bonus.	On chosen retirement date, SA plus additional life cover purchased by bonus is paid. On earlier death of life assured premiums plus bonus is paid.	On chosen retirement age, a lump sum amount including SA and bonus paid. 1/3rd of this can be taken as cash & the remaining used for purchase of an annuity plan. On death: Within 1st policy year, 80% of premium paid; after 1st year, premium paid till date with compounded interest at 8% p.a. paid.
Age at Entry (min. & max.)	18 years - 45 years	20 years - 60 years	18 years - 60 years
Choice of Retirement Age	55, 58 or 60 years	50 years to 70 years	50 years - 70 years
Sum Assured (min. and max.)	Rs.1 lac; Rs.2 lacs; or Rs.4 lacs	Rs.1 lac - Rs.10 crore	N.A.
Annual Premium	N.A.	Subject to underwriting	Rs.2,400 - Rs.50,00,000
Premium payment period	N.A.	10 years - 40 years	Equal to policy term
Premium payment frequency	Annual, semi-annual, quarterly, monthly (through credit card)	Annual, semi-annual, quarterly, monthly	Annual, semi-annual, quarterly, monthly
Annuity options available	A monthly income plan under the policy	Annuity: for life; with return of purchase price; for guaranteed period	Regular annuity plan available under the policy
Premium payable for a 30 year old male	Rs.18,940 for vesting age of 60 years; and sum assured of Rs.4 lacs	Rs.13,508 for a policy term of 25 years and sum assured of Rs.4 lacs	Rs.12,646 for a 25 year policy term and a sum assured of Rs.4 lacs

Miscellaneous - Child Plan

These plans provide for expenses (lump sum/recurring) related to education, marriage etc. of children, or for the benefit of disabled children in the event of death of the parent. Important and popular means of ensuring financial security for a child and his / her future.

Table - 1.13

Plan	Stepping Stones	Young Star	Kotak Child Advantage Plan
Provider	Max New York Life Insurance Co. Ltd.	HDFC Standard Life Insurance Ltd.	Kotak Life Insurance Co. Ltd.
Plan Profile	Money back plan with parent as life assured and child as beneficiary	Unit linked endowment plan with parent as life assured and child as beneficiary	Insurance plan offering systematic investment with child as life assured
Unique Selling Proposition	SA paid at important milestones of child's life, with a guaranteed additional 30% of SA on maturity	Choice of premium and SA, & additional plan benefits. Choice of 6 investment funds. Reversionary bonus when declared becomes a guaranteed benefit.	Under life guardian benefit rider on death of parent (premium payer) all future premiums are waived off and policy continues till maturity
Policy Benefit	On death of parent any time during policy term, 100% of SA paid to nominee, with policy continuing and all future premiums waived off. As a survival and maturity benefit 30%, 35%, 35% + 30% of SA at 5, 2 years before, and on maturity respectively	Fund units redeemable as maturity benefits, as lumpsum or under settlement option. On earlier death of life assured, sum assured paid to child, and policy continues with future premiums waived off.	Higher of SA or savings value paid as maturity benefit. On death of life assured: At 18 years, beneficiary gets higher of SA or savings value; less than 18 years, higher of total of all basic policy premiums paid so far or policy surrender value to be paid
Age at Entry (min. & max.)	21 years - 60 years	18 years - 65 years	0 years - 17 years
Maximum Age at Maturity	75 years	75 years	N.A.
Term (min. & max.)	11 years - 26 years	10 years - 25 years	10 years - 30 years
Sum Assured (min. and max.)	Rs.50,000 - maximum SA subject to underwriting	Min. 5 times and max. 40 times of annual premium, min. Rs.50,000	Maximum Rs.25 lacs
Annual Premium	Subject to underwriting	Minimum Rs.10,000	Rs.2,000
Premium payment frequency	Annual, semi-annual, quarterly, monthly	Annual, semi-annual, quarterly, monthly (under ECS)	Annual, semi-annual, quarterly
Riders Available	Personal accident; term / term R&C; dread disease; waiver of premium	Critical illness as additional plan benefit	Life guardian / accidental disability guardian, waiver of premium
Premium	Rs.43,200*	Subject to underwriting	Rs.32,562 for 25 year term with life assured aged 17 years*

* Premium payable for Rs.10 lacs policy for 25 year term; for a 30 year old (male) parent

Miscellaneous - Mortgage Redemption Plan

This plan provides cover against the liability arising on account of outstanding loan or mortgage in the event of death of life assured (loan re-payer). This is indispensable for all persons who take loans, specially the housing loans.

Table - 1.14

Plan	Met Protector Limited Pay Plan	Mortgage Redemption Assurance Policy	Loan Cover Term Assurance Plan
Provider	Met Life Insurance Co. Ltd.	Life Insurance Corporation of India	HDFC Standard Life Insurance Co. Ltd.
Unique Selling Proposition	Provides protection to dependants of policy holder against liabilities incurred on a housing loan. Insurance cover continues even after premium payment term is over	Insures repayment of all outstanding loans and debts of life assured in the event of his death during policy term	Provides repayment of outstanding loan on death of life assured during policy term. SA decreases as per loan schedule
Policy Benefit	Repayment of outstanding home loan on death of life assured	Repayment of outstanding loans declared at beginning of financial year, of death of life assured	Repayment of outstanding loan on death of life assured during policy term
Age at Entry (min. & max.)	18 years - 60 years	20 years - 50 years	18 years - 55 years
Maximum Age at Maturity	65 years	65 years	65 years
Term (min. & max.)	5 years - 25 years	N.A.	10 years - 30 years
Special Requirement / Condition / Option	N.A.	Policy issued only to male lives. Proponent to bear cost of mandatory medical examination. Insurance cover not to extend beyond 65 years of age of life assured (borrower). Hence, all loans must be liquidated before borrower attains 65 years of age	Accelerated SA benefit is available as an additional option to customise policy as per individual needs, and must be selected at the outset of policy, being subject to product and regulatory restrictions
Sum Assured (min. and max.)	Minimum Rs.50,000	Rs.50,000 - Rs.10 lacs	Subject to underwriting
Annual Premium	Subject to underwriting	N.A.	Rs.1,500
Premium payment frequency	Annual, semi-annual, quarterly	Annual, semi-annual, quarterly, monthly, under SSS	Annual, semi-annual, quarterly
Premium	Rs.2,827 w.r.t. an interest rate of 11% on the home loan*	Premium payment subject to underwriting	Rs.4,630 payable for minimum 16 years*

* Premium payable for Rs.10 lacs policy for 25 year term for 30 year old male

Market Linked Avenues - Unit Linked Endowment Plan

Table - 1.15

Plan	Future Confident Plus	Unit Linked Endowment Suvridha Plus	Invest Assure II
Provider	Bharti Axa Life Insurance Co. Ltd.	HDFC Standard Life Insurance Co. Ltd.	Tata AIG Life Insurance Co. Ltd.
Unique Selling Proposition	Regular special additions throughout policy term, in form of additional units at 1%, 1.5%, and 2.5% of average policy fund value on 7th, 10th, and 15th policy year and every 5 years thereafter. Choice of 4 investment funds to suit individual risk-return profile	Royalty units at end of every policy year added to each of funds at 0.10% of fund value. Choice of 6 funds to suit individual risk-return profile. Wide set of options for premium payment, policy term available	Flexibility of choosing policy term, amount of SA (as a multiple of annual premium). Option to increase sum assured available. Choice of five investment funds.
Policy Benefit	On maturity at age of 70 years, fund value paid to policy holder. Higher of SA or policy fund value paid to nominee on earlier death of life assured	Policy holder paid fund value of balance units at prevailing NAV on maturity. On earlier death of life assured, nominee gets SA and total fund value	On death of life assured during policy period, nominee gets higher of regular premium fund value or SA. Total fund value payable as maturity benefit.
Age at Entry (min. & max.)	0 years - 60 years	18 years - 50 years	30 days - 60 / 55 / 45 years for 15 / 20 / 30 year policy respectively
Maximum Age at Maturity	70 years	65 years	75 years
Term (min. & max.)	70 years less age at entry	10 years - 30 years	15 years, 20 years or 30 years
Sum Assured	Subject to calculation based on choice of premium amount	Rs.1,25,000 - Rs.5,00,000	In multiples of Rs.1,000
Annual Premium	Minimum Rs.10,000	Minimum Rs.10,000	Minimum Rs.12,000
Premium payment frequency	Annual, semi-annual, quarterly, monthly	Annual, semi-annual, quarterly, monthly	Annual, semi-annual, quarterly, monthly
Riders Available	Critical illness; accidental death & disability	Riders are not available under insurance plan	Accident death benefit, accident death and dismemberment, premium waiver, payor benefit, critical illness

Policy Charges			
Plan	Future Confident Plus	Unit Linked Endowment Suvidha Plus	Invest Assure II
Premium allocation charge	38% to 50% for the first year; 15% for 2nd & 3rd year; 7.5% for 4th & 5th year; 3% for 6th to 10th year; 1.5% from 11th year onwards	60% for the first year, 1% from the 2nd year onwards	17.5% to 50% for 1st year, 12.5% to 25% for 2nd year, and 1% for 3rd year and onwards
Policy Administration charge	Rs.60 / month, levied by cancellation of units on a monthly basis	Rs.20 / month, levied by proportionate cancellation of units	Rs.38 / month subject to max. increase of 5% p.a.
Mortality Charge	Depends upon age at entry and levied by cancellation of units on a monthly basis		
Switching Charge	Rs.100 / switch after 4 'free-of-charge' switches every policy year	Rs.100 / switch after 24 'free-of-charge' switches every policy year	Rs.250 / switch after 4 'free-of-charge' switches every policy year
Partial withdrawal Charge	N.A.	Rs.250 / withdrawal request after 6 'free-of-charge' withdrawals every policy year	Calculated as a percentage of fund value withdrawn
Revival Charge	N.A.	Rs.250 / policy service request after 6 'free-of-charge' policy servicing requests	N.A.
Miscellaneous Charge	N.A.	Charge levied for any alteration within the insurance contract	N.A.
Fund Management Charge	1% to 1.5% depending on the choice of investment funds	0.80% p.a. of fund value	0.90% to 1.75% p.a. depending on investment fund choice
Top-up Charge	1.5% of the top up premium	N.A.	1.5% of top up premium
Rider Premium Charge	N.A.	N.A.	N.A.

Market Linked Avenues - Unit Linked Pension Plan

Table - 1.16

Plan	Unit Linked Pension Plus	Pension Plus	Life Maker Pension Plan
Provider	HDFC Standard Life Insurance Co. Ltd.	Aviva Life Insurance Co. Ltd.	Max New York Life Insurance Co. Ltd.
Unique Selling Proposition	Loyalty units at end of every policy year added to fund value at 0.10% of units, providing an incentive to policyholder to continue with plan as compounding effect of these regular additions will boost final vesting benefits	Attractive maturity and death benefits. Value of top up premiums is paid in addition to the policy fund. This policy also pays bonuses in case of with profits policy	Choice of amount of premium payable. Flexibility of investing in more than one fund with premium redirection facility. Choice of alteration of retirement age
Policy Benefit	On vesting, policy holder will get the value of the units. 1/3 of the lump sum can be commuted and the remaining can be used for purchasing an annuity plan. In case of death before the end of the policy term the nominee will receive the unit fund value	On maturity the fund value will be paid. 1/3 can be commuted and the remaining can be used for the purchase of annuities. In case of death the nominee will receive 90% of the fund value if death occurs within the 1st policy year and 100% of the fund value if death occurs after the first policy year. Value of the top up premiums are paid in addition to the above and a final bonus (if any) is also payable in case of a with profits policy	On death of life assured, fund value is payable to nominee. On policy maturity, the fund unit value can be commuted to 1/3rd of amount with remaining amount used for purchasing an annuity plan
Age at Entry (min. & max.)	18 years - 65 years	18 years and 65 years	18 years - 65 years
Age at vesting (min & max)	50 years - 75 years	40 years and 70 years	50 years - 70 years
Term (min. & max.)	10 years - 40 years	5 years and max. is up to vesting age chosen	2 years - 52 years (subject to min. vesting age)
Sum Assured	N.A.	N.A.	N.A.
Annual Premium	Minimum Rs.10,000	Minimum Rs.6,000	Minimum Rs.10,000
Premium payment frequency	Annually, semi-annually, quarterly and monthly	Annually, semi-annually, quarterly and monthly	Annual, semi-annual, monthly

Policy Charges			
Plan	Unit Linked Pension Plus	Pension Plus	Life Maker Pension Plan
Policy Administration charge	Rs.20 / month, levied by proportionate cancellation of units	Rs.47 per month for the 1st which will increase by 5% per annum and is deducted monthly by cancellation of units	Rs.50 / month increasing at 5% p.a. and deducted monthly by cancellation of units
Fund Management Charge	Daily NAV reflects FMC of 0.8% p.a.	Ranging between 1% p.a. and 1.5% p.a. depending upon the choice of the investment funds	Ranging between 0.90% p.a. to 1.25% p.a. depending on choice of investment funds
Switching Charge	Rs.100 / switch after 24 'free-of-charge' switches every policy year	Rs.500 / switch after 2 'free-of-charge' switches every policy year	Rs.500 / switch after 2 'free-of-charge' switches every policy year
Partial withdrawal Charge	Rs.250 / withdrawal request after 6 'free-of-charge' withdrawals every policy year	NA	N.A
Revival Charge	Rs.250	NA	N.A
Miscellaneous Charge	Charge levied for any alteration within the insurance contract	Fee of up to Rs.200 for a request of surrender and reinstatement.	N.A
Surrender Charge	50% of the difference between the regular premiums expected and those paid in the first year of the policy	Surrender charge will be as per the formula prescribed	N.A
Initial Management Charge	N.A.	7% of the initial units during 2/3rd of the policy term subject to minimum of 5 years and maximum of 10 years	N.A

Market Linked Avenues - Unit Linked Whole life plan

Table - 1.17

Plan	Flexi Life Line Plus	Met Smart Plus
Provider	Birla Sun Life Insurance Co. Ltd.	Met Life Insurance Co. Ltd.
Unique Selling Proposition	Life long insurance cover till 100 years of age. Guaranteed returns of 3% p.a. net of policy charges. Choice of 3 investment funds. Option for tax free partial withdrawal.	Life Insurance coverage upto age of 100 years. Choice of 6 investment funds.
Policy Benefit	Higher of fund value or guaranteed fund value (based on 3% net returns)	On death: before 7 years age, 100% of fund value; on / after 7 years age, higher of 100% of fund value or SA; paid to nominee.
Age at Entry (min. & max.)	30 days - 65 years (59 years for 10 pay)	0 years - 70 years
Maximum Age at Maturity	100 years (70 years for minors / for 10 year pay)	100 years
Term (min. and max.)	Applicable maturity age less age at entry	100 less age at entry
Sum Assured (min. and max.)	Minimum Rs.2 lacs	SA = Annual Premium X Premium Multiple (based on age band)
Annual Premium	Subject to underwriting	Minimum Rs.12,000
Premium payment frequency	Annual, semi-annual, quarterly, monthly (through ECS only)	Annual, semi-annual, quarterly, monthly
Riders Available	Accidental death & dismemberment benefit; term rider; critical illness rider; waiver of premium rider	N.A.
Premium payable for Rs.10 lacs for a 30 year old male	Rs.36,450 with premium payment for 25 years	Rs.40,000 as per SA calculations

Policy Charges		
Premium allocation charge	54.6% / 65% for 1st year; 7.5% for 2nd & 3rd year; 5% from 4th year onwards	5% p.a. for first 10 years, 2% to 2.5% p.a. 11th year onwards
Policy Administration charge	Ranging between Rs.2.88 to Rs.17.88 / 1,000 SA, depending on the SA and policy year	Rs.200/month for 1st year. Rs.75/month from 2nd year onwards
Mortality Charge	Depends upon age at entry and levied by cancellation of units on a monthly basis	
Switching Charge	Rs.100 / switch after 2 'free-of-charge' switches in a policy year	4 'free-of-charge' switches in a policy year
Partial withdrawal Charge	Rs.100 / partial withdrawal after 2 'free-of-charge' partial withdrawals in a policy year	2 'free-of-charge' partial withdrawals in a policy year
Fund Management Charge	Ranging between 1% to 1.5% depending on choice of investment fund	Ranging from 1.25% to 1.75% p.a. depending on investment fund choice
Top-up Charge	2% of top-up premium	N.A.

Market Linked Avenues - Unit Linked Money Back Plan

Table - 1.18

Plan	Flexi Cash flow Plan
Provider	Birla Sun Life Insurance Co. Ltd.
Unique Selling Proposition	A minimum guaranteed of 3% per annum net of policy charges on the fund value. This policy also offers a choice of 3 investment funds. There is a flexibility to make additional lumpsum investments to increase the savings portion of the policy
Policy Benefit	On policy maturity higher of the fund value or guaranteed fund (based on 3% returns) is payable. On death of the life assured, higher of the fund value or guaranteed fund or sum assured is payable to the nominee
Age at Entry (min. & max.)	30 days to 65 years
Maximum Age at Maturity	75 years
Term (min. and max.)	10, 15, 20 or 25 years
Premium payment frequency	Annual, semi annual, quarterly, monthly
Riders Available	Accidental death and dismemberment rider, term rider, critical illness rider, waiver of premium
Premium allocation charge	54.6% or 65% in 1 year. 7.5% in 2nd and 3rd year and 5% from the 4th year onwards
Policy Administration charge	Rs.2 per month till 10th policy year. Increasing @ 3% per annum from 11th policy year onwards

Policy Charges	
Premium allocation charge	54.6% or 65% in 1 year. 7.5% in 2nd and 3rd year and 5% from the 4th year onwards
Policy Administration charge	Rs.2 per month till 10th policy year. Increasing @ 3% per annum from 11th policy year onwards
Mortality Charge	Depends upon age at entry and levied by cancellation of units on a monthly basis
Switching Charge	Rs.100 per switch after 2 free of charge switches in a policy year
Partial withdrawal Charge	Rs.100 per withdrawal after 2 free of charge withdrawal in a policy year
Fund Management Charge	Ranging between 1% to 1.5% per annum depending upon the choice of investment fund

1.3.2 Health Insurance

Hospitalisation Reimbursement (Mediclaim) Plan

Table - 1.19

Plan	Cholamandalam Health Insurance Policy	Reliance Mediclaim Plan	Royal Sundaram Healthshield Guard Plan
Provider	Cholamandalam General Insurance Co. Ltd.	Reliance General Insurance Co. Ltd.	Royal Sundaram General Insurance Co. Ltd.
Unique Selling Proposition	24 hours emergency assistance. General health and eye examination cover	Increased sum insured on 'non-claim' renewal.	24 hour helpline and ambulance referral facility.
Age at Entry (min. & max.)	Maximum 55 years for proposer and 69 years for dependant parents	5 years - 75 years (children aged 3 months to 5 years to be insured if parent(s) are insured)	3 months - 75 years
Sum Assured	Subject to underwriting	Rs.15,000 - Rs.5,00,000	Rs.75,000 - Rs.5,00,000
Requirement of pre-insurance medical test	N.A.	Above 45 years	60 years onwards
Cashless hospitalisation facility	Available in a network of 1400 + hospitals	By use of Reliance health card in a network of over 3000 + hospitals	Available at network of hospitals tied-up with the insurance company
Pre and post hospitalisation expenses reimbursed for	60 days prior to and 90 days post hospitalisation	30 days prior to and 60 days post hospitalisation	30 days prior to and 60 days post hospitalisation
Day care procedure expenses reimbursed for	130 minor surgeries requiring less than 24 hours of hospitalisation	Treatment requiring less than 24 hours of hospitalisation	Available
Health check up or renewal benefits	Available under value added services for an additional premium	SA increases by 5% for every claim free year, upto max. of 50% of SA	SA increases by 5% for every claim free year, upto max. of 60% of SA
Ambulance expenses reimbursed	Only on use of ambulance in an emergency and to the nearest hospital where Emergency health facilities are available	N.A.	Ambulance reference service available at no additional cost
Premium	Rs.6,368 for the basic health cover plan*	Subject to underwriting	Subject to underwriting

* Premium payable for Rs.10 lacs policy for a 30 year old male

Critical Illness Plan

Table - 1.20

Plan	Diabetes Care	Health Care	Criticare
Provider	ICICI Prudential Life Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Tata AIG General Insurance Co. Ltd.
Unique Selling Proposition	1st critical illness insurance plan for type 2 and type 3 diabetes patients. 3 free diagnostic checks and one consultation, every year. Reduced premium on maintenance of good health	3 year plan providing comprehensive health (critical) insurance cover with life insurance cover.	Lump sum benefits on diagnosis of critical illnesses covered. Free of cost second opinion facilitation on first diagnosis of critical illness. No medical examination required for ages 18 years to 60 years
Policy benefits	Lump sum amount paid on diagnosis of any one of 6 critical illness	Reimbursement of hospitalisation and post hospitalisation expenses. Lump sum amount paid on diagnosis of one of critical illnesses covered	Lump sum cash benefits on diagnosis of one of defined critical illnesses
Age at Entry (min. & max.)	25 years - 60 years	18 years - 57 years	18 years - 64 years
Sum Assured (min. and max.)	Rs. 3 lacs; Rs.5 lacs or Rs.10 lacs	Minimum critical illness cover - Rs.50,000; Minimum Life insurance cover - Rs.10,000	Rs.2.5 lacs - Rs.15 lacs
Policy term	5 years fixed term	3 year plan	Annually renewable policy
Critical illnesses covered	Heart attack; coronary artery bypass graft; cancer; stroke; kidney failure; major organ transplant for recipient	1st heart attack; coronary artery disease requiring surgery; kidney failure; major organ transplant; multiple sclerosis; aorta graft surgery; primary pulmonary arterial hypertension; alzheimer's disease; paralysis.	1st heart attack; stroke; cancer (including skin cancer); kidney failure; major organ transplant; coma; major burns; multiple sclerosis; kidney failure with total blindness
Premium payment frequency	Annual, semi-annual	Annual, monthly (through SSS and ECS)	Annual
Rider Available	Additional payout of 10% of SA in case of: 1. LASER treatment for diabetic retinopathy 2. Limb Amputation	In- built accidental permanent total/partial disability rider	N.A.
Premium	Rs.17,177 for 5 year term*	Subject to underwriting	Rs.7,817*

* Premium payable for Rs.10 lacs policy for a 30 year old male

1.4 ELSS - Tax Saviour Creating Riches

1.4.1 What is ELSS?

An ELSS (Equity Linked Savings Scheme) is an equity fund that invests in equity and equity-related securities and which:

- ❖ Offers tax benefit- a deduction of up to Rs.1 lakh* under Section 80C of the Income Tax Act, 1961
- ❖ Holds a lock-in period of 3 years

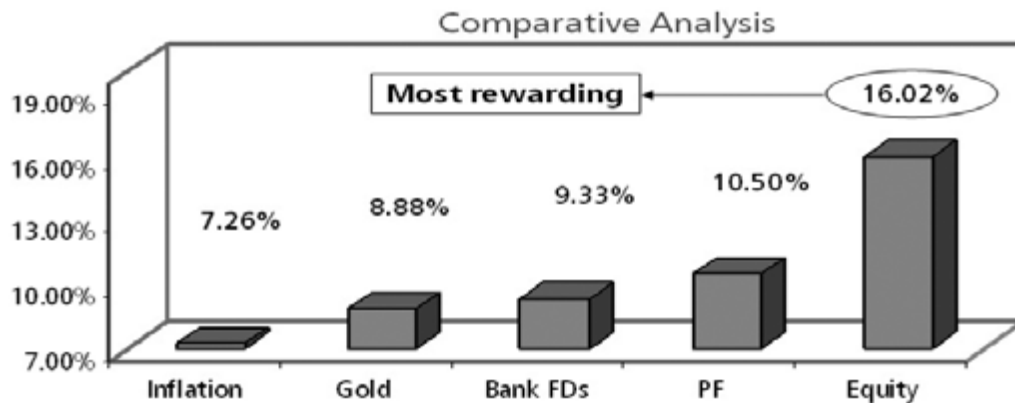
* Along with other eligible contributions as per Finance Act 2006-07

Equity-linked Saving Scheme is a distinctive tax saving tool that offers wealth creation. Its benefits are discussed hereunder:

1.4.2 Wealth Creation using ELSS

Equities can help the wealth multiply at a faster rate:

Studies on historical performances show that over long-term, equities have outperformed other asset classes. The chart below gives a comparative analysis of performances of different asset classes over a 20 year period.



Notes:

1. Time period: 1986-2006
2. Assumed rate of inflation for the year 2005-06 is 4.5%
3. CAGR for gold and equities, average returns on others, Sensex used to indicate returns on equities

The following table lists the average performance of ELSS funds.

Table - 1.21

Returns (%)	1-year (ann.)	3-year (ann.)	5-year (ann.)
ELSS category average	30.02	37.52	41.68
S&P Nifty	39.81	30.79	29.41
BSE Sensex	47.89	36.03	32.71

* As on Dec 18, 06

Source: Bloomberg

Returns on safer-tax saving avenues not enough:

Interest rates on small savings schemes have exhibited a declining trend (rates on PPF and NSC have declined from 12% and 11.5% respectively in 1999 to 8% in 2006). With rising inflation, real returns (returns over inflation) on these safe avenues are very marginal. This is illustrated in the table below.

Table - 1.22

Year	Interest on NSC growing @ 8%	Realized value after tax @30%	Needs growing to (inflation @5%)	Gains
0	10,000	-	10,000	-
1	10,816	10,571	10,500	71
2	11,699	11,189	11,025	164
3	12,653	11,857	11,576	281
4	13,686	12,580	12,155	425
5	14,802	13,361	12,763	598
6	16,010	14,207	13,401	806
7	17,317	15,122	14,071	1,051
8	18,730	16,111	14,775	1,336
9	20,258	17,181	15,514	1,667

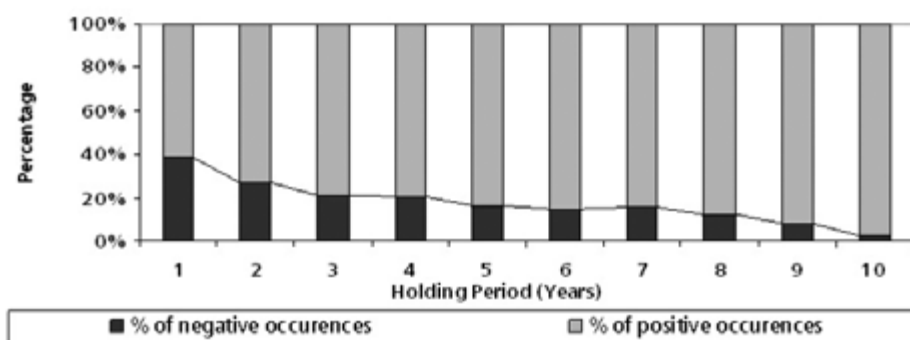
Gains are very small

Safe avenues can only meet the objective of wealth preservation. If the objective is wealth creation, the rate of return needs to be higher. Hence, for investment objective of capital appreciation, some amount of ELSS exposure along with investments in other safer avenues could be availed.

The 3-year lock-in period works in favour of the investor:

The 3-year lock-in period works in favour of the investor in the following two ways.

1. Due to the lock-in period, the redemption pressure on the fund is low when markets are volatile. Also, unlike other equity diversified funds, ELSS funds do not face the pressure of heavy inflows in rising market scenario. This is due to the small value of the upper limit of Rs.1,00,000 on such investments. As a result, the fund manager has the flexibility in managing the funds without having to be bothered about frequent inflows and outflows from the fund corpus.
2. It is a known fact that equities are riskier than debt products like bonds. However, investing in equities for a longer time smoothens out the short term fluctuations of the markets. The chart overleaf shows that the percentages of negative occurrences reduce as the period of investment lengthens. Hence, in a way, the lock-in period of 3 years works in the favour of investors. Investors are bound to stay invested for the lock-in period and hence end up realizing better risk-adjusted returns.



Notes:

1. Time period: 1986-2006
2. Monthly rolling returns are computed
3. Study has been done on Sensex values

1.4.3 Benefits Vis-à-Vis Secure Tax-Saving Tools:

Lowest lock-in period:

ELSS funds have the lowest lock-in period of 3 years among all tax saving instruments (refer tax saving table below). Hence, they offer higher liquidity as compared to other tax-saving tools.

Investment avenues under section 80C

Table - 1.23

Instruments	Lock-in period
PPF	15 years
NSC	6 years
Bank deposits	5 years
Infrastructure Bonds	More than 3 years
ELSS	3 years
ULIPs	5 years

Tax-free income:

Dividends and capital gains (on sale of units) arising out of income from ELSS are fully tax-free. At the same time, other secure tax-saving instruments (except PPF) offer taxable income.

Table - 1.24

Instruments	Taxation of income
PPF (up to a maximum of Rs.70,000)	Tax-free
NSC	Taxable
Infrastructure Bonds	Taxable
Bank deposits	Taxable
ELSS	Dividends and capital gains are tax-free*
ULIPs	Tax-free

Note: *Capital gains will be tax-free as they will be treated as long-term gains due to the lock-in period of 3 years

1.4.4 Other Benefits

- ❖ **Professional management:** Investors purchase funds because they do not have time or expertise to manage their own portfolio. A mutual fund is relatively an inexpensive way for a small investor to get a full-time manager to create and monitor his portfolio.
- ❖ **Convenient and time saving:** The investor need not go through the tedious task of research and stock selection and need not track the market to manage the portfolio. It frees one from spending his precious time to track his portfolio everyday and also from the complexity involved in equity and debt markets.
- ❖ **Transparency:** The transparency levels are very high in this industry. Investors can view his fund's NAV on a daily basis. Also, majority of the funds disclose their portfolio holdings on a monthly basis.

1.4.5 Recommended ELSS

Table - 1.25

Scheme Name	Crisil Ranking #	Returns (%) *				Risk		Entry / Exit load
		3-months	6-months	1-year	3-year	Downside probability	Sortino	
Most Aggressive								
Pru ICICI Taxplan	2	0.61	19.72	22.96	42.80	0.16	1.94	2.25% / Nil
Reliance Tax Saver	N.A.	15.86	30.42	32.35	N.A.	0.50	1.22	2.25% / Nil
Sund. BNP Paribas Tax Saver	3	16.52	30.52	32.55	14.65	0.44	0.93	2.25% / Nil
Moderately Aggressive								
HDFC Tax saver	2	10.45	25.09	31.12	51.88	0.10	2.19	2.25% / Nil
Principal Tax Savings	2	18.68	32.09	42.00	42.95	0.14	2.01	2.25% / Nil
SBI Magnum Taxgain	1	15.81	33.09	4.52	28.86	0.21	1.37	2.25% / Nil
Least Aggressive								
Fidelity Tax Advantage	N.A.	9.60	29.54	N.A.	N.A.	0.04	2.09	2.25% / Nil
Franklin India Taxshield	3	4.84	20.04	24.28	35.96	0.16	1.94	2.00% / Nil

Notes:

Risk analysis is computed on daily 6-months rolling return for the period of the last 3-years as on Dec. 22, 2006.

*Returns as on December 22, 2006. 3-months and 6-months returns are absolute, rest are annualised.

CRISIL rankings for quarter ending September, 2006

The fund selection approach

ELSS are classified into most aggressive, moderately aggressive and least aggressive categories on the basis of focus on market-capitalisation, schemes' portfolio concentration (historical and current) and consistency in returns. Funds have been selected based on their historical performance and qualitative factor such as portfolios held, fund managers performance, etc.

2 Performance Review of Recommended Schemes

2.1 Equity Funds

Table - 2.1

Aggressive Schemes

Scheme Name	Crisil Ranking #	Returns (%) *				Risk		Load Structure		Preferred Investment Duration
		3- months	6- months	1-year	3-year	Downside probability	Sortino	Entry load	Exit load	
DSP Merrill Lynch Small and Midcap Fund	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	2.25%	Nil	3-5 years	
DSP ML Opportunities Fund	1	11.56	29.31	40.81	42.10	0.11	2.05	2.25%	Nil	More than 1 year
Franklin India Opportunity Fund	3	13.59	39.78	49.42	42.24	0.10	2.08			More than 1 year
JM Hi Fi Fund	N.A.	12.26	28.39	N.A.	N.A.	0.28	1.59	2.25%	Nil	5 years
Reliance Diversified Power Fund	N.A.	21.61	46.99	53.87	N.A.	0.09	2.24	2.25%	Nil	3-5 years
Reliance Growth Fund	1	13.37	30.05	39.20	50.59	0.07	2.51	2.25%	Nil	3 years
Sundaram BNP Paribas Rural India Fund	N.A.	8.24	18.60	N.A.	N.A.	0.06	2.47	2.25%	3% if redeemed within 6 months	5 years
Sundaram BNP Paribas Select Midcap Fund	1	10.86	21.38	58.26	51.69	0.00	12.52	2.25%	Nil	3-5 years
Tata Infrastructure Fund	N.A.	14.50	32.95	57.33	N.A.	0.05	2.48	2.25%	0.5% if redeemed within 3 months	More than 3 years

Revision of portfolio

	Rationale
Dropped schemes	<p>Kotak Life Style Fund Dropped due to its inconsistent performance during last 6 months</p> <p>Sundaram BNP Paribas Capex Opportunities Fund Dropped since this theme is repeated more than once</p>
Newly added schemes	<p>Franklin India Opportunities Fund It remained in the top quartile more than 5 times in the last one year</p>

Aggressive Funds: These funds are considered as high risk-high return equity funds. Funds focusing on one specific sector, theme or having mid and small cap orientation fall under this category. Also, funds which invest in a limited number of sectors depending upon the fund manager's outlook like opportunities fund fall under this category.

Table - 2.2

Moderate Schemes

Scheme Name	Crisil Ranking #	Returns (%) *				Risk		Load Structure		Preferred Investment Duration
		3-months	6-months	1-year	3-year	Downside probability	Sortino	Entry load	Exit load	
DSP ML Equity Fund	2	13.60	32.74	43.62	43.61	0.13	1.93	2.25%	Nil	2-3 years
Fidelity Equity Fund	N.A.	11.90	34.41	39.83	N.A.	0.06	2.04	2.25%	1% if redeemed within 6 months	2-3 years
Fidelity India Special Situations Fund	N.A.	13.07	36.16	N.A.	N.A.	0.00	7.26	2.25%	1% if redeemed within 6 months	2-3 years
Franklin India Flexi Cap Fund	N.A.	7.91	28.04	38.52	N.A.	0.01	2.28	2.25%	Nil	2-3 years
HDFC Top 200 Fund	2	7.74	28.05	35.33	40.43	0.09	2.06	2.25%	1% if redeemed within 12 months	2-3 years
Prudential ICICI Dynamic Plan	N.A.	15.75	35.53	54.49	42.79	0.12	1.77	2.25%	Nil	More than 1 year
Reliance Equity Fund	N.A.	8.21	23.20	N.A.	N.A.	0.10	2.06	2.25%	Nil	More than 1 year
Reliance Vision Fund	3	11.05	30.90	41.42	39.33	0.00	2.45	2.25%	Nil	2-3 years

SBI Magnum Contra Fund	1	10.67	25.67	45.39	62.90	0.03	2.67	2.25%	1% if redeemed within 6 months and 0.5% if redeemed between 6-12 months	2-3 years
SBI Magnum Multi Cap Fund	N.A.	11.27	27.27	38.74	N.A.	0.10	2.03	2.25%	1% if redeemed within 6 months and 0.5% if redeemed between 6-12 months	2-3 years

Revision of portfolio

		Rationale	
Dropped schemes	HDFC Capital Builder Fund	Dropped due to its inconsistent performance during last 6 months	
	HDFC Core & Satellite Fund	Dropped due to its inconsistent performance during last 6 months	
	Birla Sunlife Equity Fund	Dropped due to its inconsistent performance during last 6 months	
Newly added schemes	Pru ICICI Dynamic Plan	Included due to its good quartile performance during the last one year	

Moderate Funds: These funds are considered as moderate risk-moderate return equity funds. Funds which invest across all market segments such as multi-cap funds and contra funds fall under this category. Further a fund may also fall under this category due to its structuring, investment strategy and stock universe such as large-cap oriented derivative fund.

Table - 2.3

Conservative Schemes

Scheme Name	Crisil Ranking #	Returns (%) *				Risk			Load Structure		Preferred Investment Duration
		3-months	6-months	1-year	3-year	Downside probability	Sortino	Entry load	Exit load		
DSP ML Top 100 Equity Fund	3	11.38	31.75	44.08	39.05	0.12	1.97	2.25%	Nil	More than 1 year	
Franklin India BluechipFund	3	9.68	30.09	41.92	38.01	0.12	2.00	2.25%	Nil	More than 1 year	
Sundaram Paribas India Leadership Fund	2	12.11	27.40	36.83	N.A.	0.14	2.07	2.25%	Nil	More than 1 year	
Templeton India Equity Income Fund	N.A.	11.43	23.67	N.A.	N.A.	0.00	6.20	2.25%	0.5% if redeemed within 6 months	2-3 years	
Principal Large Cap Fund	N.A.	10.41	30.16	45.38	N.A.	0.01	2.65	2.25%	Nil	More than 1 year	

Revision of portfolio

		Rationale
Dropped schemes	SBI Magnum Bluechip Fund	Dropped due to its poor quartile performance against its peers
Newly added schemes	Principal Large Cap Fund	Included due to its good quartile performance over last one year

Conservative Funds: *These equity funds offer low return with low risk. Selection of these funds mainly depends on the defensive strategy taken by mutual funds. Like large cap funds are exposed to large companies which generally offers a low return and the risk involved in these funds are low.*

Notes:

1. Entry and exit load have been mentioned for the amount less than Rs.2 crores. The amount restriction for the load structure may vary according to the AMC.
2. Risk analysis is computed on daily 6-months rolling return for the period of the last 3-years as on December 22, 2006.

*Returns as on December 22, 2006. 3-months and 6-months returns are absolute, rest are annualised.

CRISIL rankings for quarter ending September, 2006

The fund selection approach

We have followed the top-down approach for fund selection.

1. First step includes short listing of funds based on the outlook with reference to specific sectors, industries and market segment (large, mid and small capitalisation). This step generates a list of funds whose portfolio looks attractive and is likely to be among the top performers in its category.
2. Further, we have classified these funds into three categories based on the risk associated with them. The criterion for assessing the risk associated includes portfolio concentration, sectoral focus, exposure to various market capitalisations and investment philosophy (growth and value).
3. Under each category, funds have been further filtered based on their performance and consistency in returns.
4. Some new funds which could not be assessed based on their historical performance have also been included as we remain bullish on their portfolio holdings.

2.2 Balanced Funds

Table - 2.4

Scheme Name	Crisil Ranking #	Asset Allocation (% of corpus) @			Returns (%) *				Load Structure		Preferred Investment Duration
		Equity	Debt	Others	3-months	6-months	1-year	3-year	Entry load	Exit load	
DSP Merrill Lynch Balanced Fund	3	70.99%	22.73%	6.28%	7.77	21.36	31.136	28.595	1%	1% if redeemed before 12 months	2-3 years
FT India Balanced Fund	3	68.70%	25.32%	5.98%	7.53	23.95	29.99	26.17	2.25%	Nil	2-3 years
HDFC Prudence Fund	1	74.40%	8.86%	16.74%	10.51	25.25	31.543	35.276	2.25%	1% if redeemed before 12 months	2-3 years
SBI Magnum Balanced Fund	1	68.75%	14.42%	16.83%	10.90	21.51	32.185	40.149	2.25%	1% if redeemed before 6 months	2-3 years

Revision of portfolio

	Rationale
Dropped schemes	JM Balanced Fund Dropped due to its inconsistent performance over last 6 months
Newly added schemes	FT India Balanced Fund It has been offering better risk adjusted returns

Notes:

* Returns as on December 22, 2006. 3-months and 6-months returns are absolute, rest are annualised.

CRISIL rankings for quarter ending September, 2006

@ As on Nov 30, 2006

1. Entry and exit load have been mentioned for amount less than Rs.2 crores. The amount restriction for the load structure may vary according to the AMC.
2. Any debt-oriented balanced scheme has not been listed. When the portfolio requires more than 50% exposure to debt, we recommend investing separately in equity and debt funds to achieve a desired debt-oriented asset allocation than investing in such balanced fund. This will result in a more tax efficient portfolio. For equity-oriented schemes, average monthly exposure to equities should be more than 65% of the net assets.

The fund selection approach: Balanced funds

Asset allocation and risk adjusted performance are primary factors for the selection of balanced funds.

2.3 Debt Funds: For long-term (more than 1 year)

Table - 2.5

Category	Scheme Name	Crisil Ranking #	Asset Allocation (% of corpus) @		Returns (%) *				Expense ratio (%) @	Average maturity (years) @	Load Structure		Preferred Investment Duration	
			Equity	Debt	Others	1-month	3-months	6-months			1-year	Entry load		Exit load
	DSP ML Savings Plus - Moderate	3	15.41	68.13	16.46	0.16	2.51	6.45	10.10	2.01	0.12	Nil	0.6% if redeemed within 30 days; 0.5% if redeemed between 31-60 days; 0.4% if redeemed between 61-90 days; 0.3% if redeemed between 91-120 days; 0.2% if redeemed between 121-150 days; 0.1% if redeemed between 151-180 days	1-2 years
MIP	HDFC MIP - Long Term Plan	1	23.45	39.45	37.10	-0.08	2.99	8.13	12.07	1.83	1.08	Nil	1% if redeemed before 12 months	1-2 years
	Prudential ICICI MIP	N.A.	15.17	61.25	23.58	0.36	3.37	7.12	12.26	1.93	3.13	Nil	0.5% if redeemed before 6 months	1-2 years
	Reliance MIP	3	16.09	49.31	34.60	0.49	3.81	8.69	13.94	2.00	1.32	Nil	0.75% if redeemed before 3 months; 0.6% if redeemed between 3-6 months; 0.5% if redeemed between 6-9 months; 0.25% if redeemed between 9-12 months	1-2 years
Arbitrage	JM Arbitrage Advantage Fund	N.A.	70.05	25.26	4.69	0.83	1.96	N.A.	N.A.	1.17	0.28	Nil	1% if redeemed before 3 months	More than 1 year
	Prudential ICICI Blended Plan- Option B	N.A.	38.35	17.15	44.50	0.65	1.77	3.21	7.23	1.50	0.85	Nil	0.5% if redeemed before 30 days	More than 1 year
Income-LT	Birla Sunlife Income Fund	2	0.00	57.01	42.99	0.34	3.08	5.25	7.70	1.64	6.69	Nil	0.6% for redemption between 0 - 180 days	More than 1 year
	Prudential ICICI- LT Fund	N.A.	0.00	95.90	4.10	0.42	1.60	3.48	6.52	0.75	0.58	Nil	Nil	More than 1 year
	Reliance Income Fund	3	0.00	55.05	44.95	0.38	2.07	4.35	5.96	1.50	4.39	Nil	0.5% for redemption between 0 - 180 days	More than 1 year

The fund selection approach

MIPs: Asset allocation and performance analysis are the main criteria for fund selection. Further, funds having low exit load and low CDSC period have been preferred.

Arbitrage Funds: Suggested asset allocation and performance of the funds have been factored in while suggesting arbitrage funds. While the limit for exposure to equities and derivatives for JM Arbitrage Advantage Fund is 80% of the portfolio, it is 49% in case of Pru ICICI Blended Plan B.

Debt Funds: For medium-term (4 months to 1 year)
Table - 2.6

Category	Scheme Name	Crisil Ranking #	Corpus Size in Rs. Cr. @	Returns (%) *				Expense ratio (%) @	Average maturity (years)@	Load Structure		Preferred Investment Duration
				1-month	3-months	6-months	1-year			Entry load	Exit load	
Floaters-LT	Birla Floating Rate- LT	N.A.	76.61	0.56	1.66	3.29	5.94	0.65	0.18	Nil	0.5% if redeemed before 90 days	Close to 1 year
	Kotak Floating Rate- LT	2	202.48	0.60	1.81	3.61	6.58	0.60	0.54	Nil	0.5% if redeemed before 6 months	Close to 1 year
	Principal Floating Rate Flexible Maturity	1	215.21	0.61	1.84	3.63	6.75	0.74	0.39	Nil	0.25% if redeemed before 3 months	Close to 1 year
Income-ST	Birla Bond Plus Retail	2	796.48	0.43	1.69	3.53	6.96	0.72	1.32	Nil	0.25% if redeemed before 1 month	upto 6 months
	Reliance Short-term	1	785.46	0.63	1.93	3.83	6.95	0.65	1.32	Nil	Nil	upto 6 months
	UTI Liquid ST Regular	1	45.66	0.35	1.51	3.29	6.74	0.75	1.13	Nil	Nil	upto 6 months
Floaters-ST	JM Floaters- ST	3	314.36	0.58	1.75	3.43	6.58	0.45	0.40	Nil	Nil	upto 6 months
	Reliance Floating Rate	N.A.	819.04	0.60	1.81	3.53	6.64	0.55	0.83	Nil	Nil	upto 6 months
	Templeton Floating Rate- ST	4	1038.29	0.57	1.73	3.37	6.18	0.75	0.49	Nil	Nil	upto 6 months

Revision of portfolio

		Rationale
Dropped schemes	HDFC Floating Rate- LT	Dropped due to unsatisfactory performance
	Grindlays SSI- ST	Dropped due to unsatisfactory performance
	DSP ML Floating Rate- ST	Dropped due to unsatisfactory performance
	Grindlays Floating Rate- ST	Dropped due to unsatisfactory performance

The fund selection approach

Income funds and floaters: Historical returns, average maturity of the portfolio held and expenses ratios have been considered for the selection of funds. The weight assigned to each parameter differs for different categories. While expense ratio has been assigned more weight in short-term funds, average maturity has been assigned more weight in case of long-term income funds.

Debt Funds: For short-term (upto 3 months)

Table - 2.7

Category	Scheme Name	Crisil Ranking #	Corpus Size@	Returns (%) *				Expense ratio (%) @	Average maturity (years) @	Load Structure		Preferred Investment Duration
				1-month	3-months	6-months	1-year			Entry load	Exit load	
Liquid Funds	Canliquid Retail	N.A.	1085.13	0.58	1.73	3.40	6.75	0.45	0.21	Nil	Nil	upto 3 month
	HDFC Cash Management-Savings	1	4807.75	0.59	1.79	3.50	6.68	0.34	0.32	Nil	Nil	upto 3 month
	LIC MF Liquid	2	11537.56	0.64	1.88	3.63	7.03	0.50	0.34	Nil	Nil	upto 3 month

Revision of portfolio

	Rationale
Dropped schemes	Birla Cash Plus- Retail Dropped due to unsatisfactory performance DSP ML Liquidity Dropped due to unsatisfactory performance
Newly added schemes	LIC MF Liquid Chosen because of its consistent quality performance

Notes:

- Others include cash and money market instruments
- Entry and exit load have been mentioned for the amount less than Rs. 2 crores. The amount restriction for the load structure may vary according to the AMC.

*Absolute returns as on December 22, 2006

CRISIL rankings for quarter ending September, 2006

@ As on Nov 30, 2006

The fund selection approach

Liquid funds: Performance, expenses ratios and corpus size of the fund are the main parameters for the selection of the funds.



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