Our panel of experts will answer questions related to any aspect of personal finance. If you have a query, mail it to us right away.

QUESTION OF THE WEEK

Q I want to invest ₹1 crore so that it fetches me 10-12% post-tax returns per year, and helps meet my monthly expenses. I am 58 and fall in the highest tax bracket. Where should I invest?

Returns of 10-12% can only be delivered by equity funds. That too only if you stay invested in equities for the long term. It is advisable that you moderate your return expectations to 7-8%. Given your age, you may invest the lump sum in debt funds such as Axis Regular Saving, Reliance Corporate Bond and ICICI Prudential Corporate Bond. If you have a slightly higher risk appetite, you may invest in balanced funds such as ICICI Prudential Balanced Advantage, Reliance Equity Saving and Aditya Birla Balanced Advantage. Use a systematic transfer plan to invest in the balanced funds. Stay invested in them for at least three years and then opt for the monthly systematic withdrawal plan (SWP). Under the SWP option, a pre-determined sum will be redeemed every month from your funds and credited to your bank account. If you can defer your withdrawals for five years and are willing to take higher risk, you may invest a part of your ₹1-crore corpus—via an STP—in large- and multi-cap equity funds such as SBI Bluechip, ICICI Prudential Value Discovery and Aditya Birla Sun Life Frontline Equity.

Naveen Kukreja
CEO AND CO-FOUNDER,
PAISABAZAAR.COM

Q I will soon be going to the UK on a four-year work assignment. How can I still avail the tax deductions on my home loan?

While your residential status for the purpose of Indian domestic tax law may undergo a change and you may become a non-resident, the availability of income-tax benefits on home loans—deduction for interest payment and repayment of principal amount of home loan—would not be impacted by the status change. This is because the aforesaid tax benefits on home loans are not linked to the residential status of an assessee. Remember, a deduction is available only against taxable income, so you will be able to claim the benefits only against income that's taxable in India.

Bijal Ajinkya
PARTNER,
KHAITAN & CO

Q I am 33 and I want to invest ₹10,000 per month in mutual funds—debt and equity schemes —for 15 years to build a corpus for my child's education and my retirement. Please suggest investment avenues.

You can consider investing ₹4,000 in HDFC Balanced, ₹4,000 in Mirae Asset India Opportunities and ₹2,000 in debt fund, DSP BR Income Opportunities. This will give you a 70:30 equity-debt exposure. Please increase your investments at least once per year, after assessing how much you wish to save towards your goals.

C.R. Chandrasekar
CEO AND CO-FOUNDER,
FUNDSINDIA.COM

Q My wife and I have jointly bought a house. If we give it out on rent, how will the rental income be taxed ? My wife is a homemaker and I work for an MNC.

For co-owned properties, the co-owners need to split and show the rental income in the ratio in which they paid for the house. If only you paid for it, then you should show the entire income in your income tax return. The rental income will be taxed under house property head. There is a 30% standard deduction, which can be availed from rental income. Municipal taxes and interest paid on home loan, if any, can also be deducted. If there is a loss from the property, it can be set off up to ₹2 lakh from your salary income. As an additional benefit, if you bought an under construction property on loan, the interest paid prior to the year in which the property was acquired will be aggregated and will be allowed as a deduction in five successive financial years, starting from the year in which the construction was completed.

Shubham Agrawal
SENIOR TAXATION ADVISOR,
TAXFILE.IN

Q We had a small accident and our car hit a pedestrian who received minor injuries. Will my car insurance policy provide any protection if there are legal consequences?

A third-party liability cover, which is part of a comprehensive motor insurance policy, covers any damage caused to a third party. This could be a physical injury, death, or any other damage to property while driving the vehicle. Thus, it saves you from incurring losses, if you are stuck in a legal quagmire. Please speak to your insurance company to better understand the details of your policy.

Sanjay Datta
CHIEF, UNDERWRITING
CLAIMS AND REINSURANCE,
ICICI LOMBARD

Q I want to help my carpenter get insured. He is the sole bread-winner for his family and has three dependants—two children and his wife. He is 38, owns a house and his monthly income and expenses are ₹30,000 and ₹20,000, respectively. What kind of policy should he opt for?

It is advisable that he first buy a term plan with a cover that is at least 10-times his annual income. He can consider buying a policy either from Max Life or Aegon Life. The premium would be around ₹6,500 annually for Max Life and ₹5,800 annually for Aegon Life. Taking into consideration his work profile, he should also buy an accidental death and disability rider worth ₹10 lakh. This would cost him an additional ₹1,000-1,500 annually.

Yashish Dahiya
CO-FOUNDER AND CEO,
POLICYBAZAAR.COM

Ask our experts

Have a question for the experts? Mail it to *etwealth@timesgroup.com* **with Query as subject.**