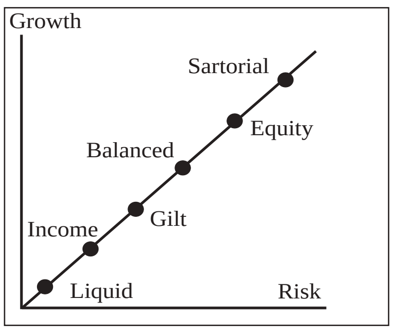
13 Mutual Fund Schemes: At a glance

The Amount invested by the investors through mutual fund is invested for buying shares or debts as per nature of plan, after getting expert opinions from Mutual Fund Co (UTI/SBI/ Reliance / ICICI etc.) on behalf of the investor. Thus burden of selection of right time & right share should lie with Mutual Fund. So it will be better to start with mutual fund for the persons who are either investing in the share market for the first time or are conservative. Investment can be made as per requirement in different schemes as follows:

Liquid Fund	*Least–risk, Low-Growth.* Investments are made in call money and in short-term commercial paper/bond. Same day redemption is possible
Income Fund	*Low–risk, Low-Growth:* Investments are made in debts issued by private & Govt Companies
Gilt Fund	*Low–risk, fair- Growth:* Investments are made in debts issued by Govt Co. Returns are subject to RBI policy of interest rate etc.
Balance Fund	*Medium–risk, Medium-Growth:* Half of the fund is invested in debts & half into the shares
Tax Sa ving Fund	*Medium–risk, Fair- Growth:* Investments are made like balances fund. The only difference is that the invested amount up to a maximum limit of Rs. 1 Lakh can be directly deducted form income u/s 80 C of IT Act
Equity Fund	*High–risk, High- Growth*. Investment in this category is mainly into shares of different sectors like IT, infrastructure, petro, pharma etc.
Sectorial Fund	*Very High–risk, Very High–Growth*. Investments are mainly in shares of specific sector e.g. pharma fund shall be invested in medicine company's shares only.



It is advised that you Plan your investment in mutual fund according to situation the share market. When share market is on a high, investment can be switched to low risk funds like liquid/income/Gift funds, whereas when share market is bottomed out, then one should switch to high risk fund like equity sector fund. This way investment in mutual funds at proper time can yield better results than investment in bank or post office schemes, as it has more liquidity, profitability & tax efficiency. One more plus point of mutual fund scheme is that units of mutual fund can be sold/purchased at any day @ its Net Asset Value (NAV)

Provisions of income tax for sale & purchase of units of mutual fund :

- Dividend received from mutual fund is completely tax-free from Apr 1, 2003 u/s 10(30).
- Long term capital Gain from sale (after 12 moths from purchase date) of units of Equity oriented Mutual Fund, is totally tax free. Short-term capital gain of Equity-oriented Mutual Fund will be taxed at the rate of 15 % (if the units are sold within one year of purchase date)
- Other mutual funds – As per the provisions of *Finance Act 2014,* long-term capital gain arising from sale (after 36 moths from purchase date) of units of other Mutual fund shall be taxed at the rate of 20 % after considering the benefit of indexing; however units sold before July10, 2014 can avail benefit of being taxed as per old provision i.e. taxed @10%.
- A Short-term capital gain (if the units are sold within one year of purchase date) will be taxed according to normal rates of income tax.

How to choose better mutual fund : Generally, every mutual fund scheme has its own benchmark index, so one should compare the performance of the schemes with that index, i.e., NAV of mutual fund should not go down as compared to related index when market is down. Similarly, appreciation should also be better when market is UP as compared to such benchmark index.