

## ELSS and others tax saving investment avenues

Tax is probably one of the most feared words today. Most of us explore the depth of investment options that are there for tax-saving – Public Provident Fund (PPF), Tax Free Bonds and National Savings Certificate (NSC) being the old horses in the race. There are other options also available such as Equity Linked Saving Schemes (ELSS), Life Insurance etc. which provide tax exemption under Section 80C of the Income Tax Act, 1961.

However, the choice of investment should be guided by several features of the product such as its suitability, the prevailing tax exemption, returns and lock in period of the instruments. The following table helps understand the different tax saving instruments on the same platform.

|                    | PPF       | NSC        | BANK DEPOSITS   | ULIPS              | ELSS          |
|--------------------|-----------|------------|-----------------|--------------------|---------------|
| Lock-in Period     | 15 years# | 5/10 years | 5 years         | 5 years            | 3 years       |
| Returns*           | 7.10%     | 7.70%      | 5% to 7.5%      | Market Linked      | Market Linked |
| Minimum Investment | Rs 500    | Rs 100     | Rs 1,000        | Depends on Premium | Rs 500        |
| Risk Rating        | Low       | Low        | Low to Moderate | Moderate to High   | High          |

*\* This is for illustration purposes only. Your investment decision will depend on your own risk appetite and time horizon. Recipient of this information should understand that statements made herein regarding future prospects may not be realized. Investments in mutual funds and secondary markets inherently involve risks and recipients should consult their legal, tax and financial advisors before investing. Returns for PPF and NSC are approximated for ease and are subject to change basis policy changes if any. The rate of return may vary for each bank.*

*#Premature part withdrawal facility available after 7th financial year*

As is evident, different investment avenues offer different benefits.

While there are instruments like Public Provident Fund, National Savings Certificate and Tax Saving FDs, the returns on these instruments could lose out in the long term against inflation. Equity Linked Saving Schemes on the other side is a mutual fund that offers the dual benefits of tax saving and capital gains. The 3-year lock-in period of ELSS is the one of the least as compared to other investment options and as ELSS invests in the equity market, the investor stands to gain from the growth potential of equities in the long term.

When compared to other options available for tax saving, ELSS could be a good option to save tax as well as grow your investment in the long term.

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