

15 January, 2009

Today's Tabbloid

PERSONAL NEWS FOR ranjanvarma@gmail.com

MUTUAL FUNDS

No Load Funds Catching Up?

JAN 15, 2009 07:38A.M.

Following the Securities and Exchange Board of India (Sebi) announcement to waive entry loads for direct mutual fund (MF) applicants, Bajaj Capital Ltd is working with mutual fund players to provide no-load funds to its high-value and self-directed investors. "We are looking to introduce the product in the market in early February," said Rajiv Deep Bajaj, managing director of Bajaj Capital, a New Delhi-based non-banking financial advisory firm. "But we want to keep the scheme structure and asset management companies (AMCs) a surprise for now."

According to the memo issued by Sebi earlier this month, mutual fund investors will be exempted from payment of entry fee on direct applications received through the Internet, directly submitted to asset management companies (AMC), or to investor service centres.

"Loads on mutual funds are important, as they act as remuneration for our advisory services to investors," said Bajaj. "We are working with mutual fund players to provide no-load funds to our investors who need limited or little advice from us."

But, the question remains how the new initiative would be of any help to distributors when they are losing out on upfront commissions.

"Our commissions would be paid through the annual management charges of the mutual funds," said Bajaj. "This could also put pressure on the profit margins of AMCs." Not all distributors consider the arrangement with mutual fund players a long-term fix.

"Although distributors can enter into an arrangements with AMCs, but with hundreds of distributors flourishing in the country, it could be a little difficult to practise. It is also feared that non-retail and informed investors would ask for kickbacks to invest through them," said a Mumbai-based distributor, who did want to be identified. "In the long run, the practice of no-entry load could go against the investor's interest. The whole industry would push close-ended funds that have amortization charges as high as 6%." [μ](#)

INSURANCE

Read Sales Brochures & Policy Documents for Your Insurance

JAN 15, 2009 07:27A.M.

Mint features a Q&A on insurance every Monday.

My brother had taken a unit linked insurance policy (Ulip) two years ago. He recently realized that he can make a partial withdrawal or surrender the policy after a three-year lock-in period. Is the fund value that he receives from the policy taxable?

The fund value received by your brother will be exempted from income tax. Under Section 10 (10d) of the Incometax Act, 1961, premiums qualify for deduction under Section 80c of the Act. That is, benefits-including partial withdrawals, surrenders and maturity proceeds-qualify for deduction.

I am 28 years old, and plan to buy a life insurance policy. How can I add to my insurance against an accident or a fatal mishap?

Most companies will offer riders on the base policy to offer benefits in case of disability arising from accident. Riders are flexible options that add value to the customer's life insurance policy. They allow customization of a life insurance policy to suit specific needs of customers. Thus, you could opt for a personal accident benefit rider that is a low-cost, additional benefit paid to the nominee in case the insured's death is caused by an accident. It is very important to always read sales brochures and policy documents so that you are aware of the plan in its entirety. [μ](#)

MUTUAL FUNDS

Financial Success Habits: Put First Things First

JAN 15, 2009 05:33A.M.

Masteryourcard took the Franklin Covey class, "7 Habits of Highly Effective People," and is currently in the process of explaining how these habits can benefit us financially. Here's the link to the third habit

The third habit, **Put First Things First or The Habit of Integrity and Execution**, talks about learning to separate the urgent matters in life from the important matters. It also deals extensively with the benefits of planning, particularly by planning your week. The planning phase isn't just about finances, though it can help with that. It keeps you organized and on track, which keeps you focused on your goals and helps keep you productive. But, specifically planning your week and focusing on one thing you can do to improve your financial situation, be it save some money, spend less, pay a little more towards a debt, or find a way to reduce a utility bill, will lead you to a more successful financial future. [↵](#)

MUTUAL FUNDS

Mutual Funds Updates Jan,09 Part-1

JAN 14, 2009 06:45A.M.

Mutual funds in India saw net inflows into schemes such as income and gilt funds in December after three months of heavy outflows in most categories managed by them, according to data from the Association of Mutual Funds in India (Amfi), an industry trade body.

Inflows, net of sales, into income funds were Rs4,501 crore in December and Rs988 crore into gilt funds, Amfi data show.

The net asset value (NAV) of these two categories of funds has been steadily rising, whetting investor appetite, after the Reserve Bank of India (RBI) started lowering policy rates. Taking a cue from other central banks, RBI dropped the repo rate, which it uses to inject liquidity into the system, in phases to 5.5% earlier in January from 9% in October.

Income funds invest in a mix of government bonds and corporate debt, while gilt funds invest in government bonds. The prices of these debt instruments moves up as interest rates fall, thus increasing the NAV of the mutual fund scheme that invests in them.

Data provided by Value Research India Pvt. Ltd, a New Delhi-based research service that tracks the performance of mutual fund schemes, shows that in come funds generated one-year average returns of 9.73% and gilt funds 15.91%.

December did not change much for equity schemes, though. Excluding inflows of Rs186 crore into tax-saving schemes, the equity category saw net outflows of Rs538 crore over the month. Average one-year returns for the category have declined 56.63%.

Net inflows in December were Rs90 crore across all categories of funds, sharply lower than the Rs13,790 crore in November. But a majority of November's inflows came from Rs15,143 crore that went into liquid funds, which invest in short-term debt and are used by corporate houses to park surplus money. In December, liquid funds saw net outflows of Rs4,342 crore.

All categories of schemes, including equity funds, balanced funds, liquid funds, income funds and gilt funds, saw net outflows of Rs624 crore in 2008, as opposed to net inflows of Rs1.38 trillion in 2007.

Balanced funds invest in a combination of debt and equity.

Outflows in 2008 were largely on account of about Rs90,000 crore being redeemed by investors from liquid and income funds between September and October, following the liquidity crisis in the aftermath of the collapse of US investment bank Lehman Brothers Holdings Inc.

Random Posts

- [ULIP v/s Mutual Funds](#)
- [What are the different Gold Funds in India?](#)
- [Work the Magic of Compounding](#)
- [Premature Withdrawal of FMPs Not Allowed](#)
- [Priceless Investment advice by Warren Buffett](#)

[Mutual Funds Updates Jan,09 Part-1 - Ranjan Varma](#) [↵](#)

INSURANCE

Insurance News Updates in India (Jan,09-1)

JAN 14, 2009 06:41A.M.

- Star Union Dai-ichi Life Insurance Company Ltd., a joint venture of Bank of India, Union Bank of India and Dai-ichi Life of Japan is all set to begin its operations shortly. The Company filed its application for R1 license in April 2008. SUD Life received R3 approval and license by IRDA on 26th of December 2008. The Company plans to cater to the Indian Life Insurance market through a mix of traditional as well as unit linked products keeping in mind the current trends and requirements of the Indian public

- ICICI Prudential Life Insurance Company Limited has launched Health Saver, a new health insurance product which integrates health and savings.

Launching the product, company vice-president (sales & development) K. Mahesh said the product provides reimbursement-based hospitalisation cover with the benefit of a health-savings fund. It allows claims against outpatient treatment, diagnostics and dental care after three years. The customers will receive guaranteed coverage of up to 75 years, against actual medical expenses incurred due to hospitalisation, Mr. Mahesh said.

Other benefits include coverage against pre-existing illnesses and conditions after two years subject to acceptance by the company, no-claim bonus and a free health check-up every two years. More than 240 hospitals in the State had been approved by the company to offer cash-free services to policy-holders, he said.

Recommended Links

- Mutual funds and life insurance are two distinct products
- Twitter Updates for 2008-08-26
- Group of Ministers Finalises Insurance Reform Proposals
- Why of Insurance v/s Other Savings
- Beware of your Insurance Company

Insurance News Updates in India (Jan,09-1) - Ranjan Varma [μ](#)

INSURANCE

LIC sells Jeevan Astha Online

JAN 13, 2009 11:43A.M.

Life Insurance Corporation of India has tied up with an insurance portal Policy Bazaar.com to sell its policy Jeevan Aastha online. The consumers would now be able to get the details of the policy online and make purchases, a press release said. The policy would be available till January 21. LIC plans to garner Rs 25,000 crore through the sale of this policy.

Recommended Links

- Twitter Updates for 2008-04-03
- Insurers investing in Venture Capital
- What are Exchange Traded Funds
- Twitter Updates for 2008-08-18

- Mutual Funds v/s Direct Stocks Investing

LIC sells Jeevan Astha Online - Ranjan Varma [μ](#)

INSURANCE

Adding Insurance for Accidents & Mishaps

JAN 13, 2009 11:20A.M.

I am 33 and am planning to buy a life insurance plan. How can I add to my insurance against an accident or a fatal mishap?

Rajesh Relan, Managing Director, Metlife says, Most companies will offer riders on your base policy which provide additional protection to the insured in case of an accidental death or disability arising due to accidentrelated mishaps. Riders are flexible options that provide additional protection to a customer which helps him plan his life insurance needs more effectively. They allow customization of a life insurance policy to suit the specific needs of customers.

Thus, you can opt for a personal accident benefit rider that is a low-cost additional benefit that is paid to the nominee in case the insured's death is caused by an accident.

It is very important to always read sales brochures and the policy document so that you are aware of the plan in its entirety.

Recommended Links

- Twitter Updates for 2008-08-13
- Don't confuse insurance with investment
- What is Human Life Value?
- Insurance v/s Fixed Deposits
- Derivative for Dummies: By a Dummy

Adding Insurance for Accidents & Mishaps - Ranjan Varma [μ](#)

INSURANCE

Planning a cover for Children's Education & Marriage

JAN 13, 2009 11:18A.M.

I am a 35-year-old man with a monthly income of about Rs40,000. I have already invested in a term plan and now I intend to make provision for my three-year old child. What is the best option?

Rajesh Relan, Managing Director, MetLife says:

You can opt for specific children insurance plans to save money for children's education and marriage. The benefits under these policies are designed to guarantee targeted savings for the child. So, where conventional forms of savings work only as long as the parent is alive and well, a typical child plan continues the savings plan even in the event of the parent's death or disability. This ensures that you construct a fail-safe plan for your little stars' future and help them shine the brightest.

These plans allow withdrawals which coincide with the requirements of the children at different stages of life, be it education, profession or marriage, among others.

There are options under children insurance plans in the market to insure the life of the parent or that of the child. It is advisable to take the option with the life of the parent insured as it can make the child the beneficiary and hence provide protection during the child's growing years.

A good child plan can be a vehicle to ensure a smooth, guaranteed and risk-free financial future for your little star.

Recommended Links

- [Become a Crorepati in 30 months](#)
- [Twitter Updates for 2008-10-24](#)
- [Do You Have KILB?](#)
- [Twitter Updates for 2008-08-21](#)
- [@codelust Freebase looks aweso...](#)

Planning a cover for Children's Education & Marriage - Ranjan Varma

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MUTUAL FUNDS

Investing in Debt Funds in India

JAN 13, 2009 11:10A.M.

Credit risks have increased manifold in the debt market on account of the financial crisis. Many Indian companies have overstretched themselves and they may now have to resort to high leverage to fund expansions and acquisitions.

In an interview to Vikas Srivastav, Bajaj Allianz Life Insurance chief investment officer Sashi Krishnan says as a debt investor, his company will now exercise extreme caution in the credit market.

Excerpts: | **In the light of the Satyam fiasco, how do you expect the market to react over the next few quarters?**

Market sentiment will take a big hit on account of the fraud. More importantly, this incident raises questions on the level and efficacy of corporate governance in India, specifically the technology sector. Another issue that now comes to the forefront is the role of independent directors on the boards of Indian companies. A lot is going to be written on the Satyam saga over the next few days and months, but one thing is certain — the markets will not forget this very soon.

Equity markets are jittery also on account of expectations of weak GDP growth. While there is little doubt that we will not be able to avoid a slowdown, India will definitely recover ahead of the rest of the world because of a couple of reasons. Our growth is largely a function of domestic consumption, which still remains intact.

Domestic consumption will get a further boost after the interest rate cuts and injection of fresh liquidity into the system. Large spending on the infrastructure front will also cushion the fall in growth.

Mutual fund and insurance companies are investing big money in the debt market. Do you see safe and steady return from the debt market?

Credit risks in the debt market have increased manifold on account of the financial crisis. Many Indian corporates have overstretched themselves and they may now have to resort to high leverage to fund their expansions and acquisitions. As debt investors, we would exercise extreme caution on the credit front. As regards risks, interest rates have fallen significantly, causing yields to fall. This has led existing debt fund investors to see an appreciation in their portfolios. Given that the monetary policy is now biased towards a further drop in interest rates, we can expect yields to soften further. We manage our debt funds with a credit view that is biased towards the ultra conservative and we manage our debt fund portfolio durations after taking an active view on interest rates.

Banks in India are now increasingly focussing on HNI wealth

management. Is Bajaj Allianz also focussing more on HNI wealth?

We strongly believe that we need to be with an investor through his life cycle. With this in mind, we offer products that suit various needs within a life cycle and funds that cater to all kinds of requirements for asset allocation. Asset allocation is the primary determinant of risk and return in a portfolio. Portfolio returns are not determined by market timing or security selection, but by asset allocation decisions. Realising the importance of this, we now offer all our retail and HNI investors an Asset Allocation Fund and a Wheel of Life portfolio strategy. Small investors and HNIs then benefit from strategies that take advantage of movement of asset prices, resulting from changing financial and economic conditions. In the Wheel of Life portfolio strategy, assets of every individual policy holder is reallocated among equity, debt and cash assets in a proportion based on the individual's outstanding years to maturity and the policy term chosen. This ensures that the level of risk that an individual is exposed to is optimised and his return maximised. How have your funds performed last year? Our cash, debt, equity and asset allocation funds have outperformed the benchmarks and have delivered superior performance for our investors.

Your advice to investors for this year?

Long-term investors need to keep a few simple mantras in mind. First, invest for a long haul. An investor who is patient and remains invested over a long period of time will reap the benefits by earning significantly better returns. This will ensure that the power of compounding will help you build your wealth. And last but not the least, **start investing early.**

Random Posts

- Premature Withdrawal of FMPs Not Allowed
- Advantages of ELSS Mutual Funds
- Personal Finance Literacy: Treasure Post
- ELSS Tax Saving Funds V/s Open ended Funds
- Personal Finance Website Update

Investing in Debt Funds in India - Ranjan Varma [μ](#)

BUSINESS AND FINANCE

New Year Resolutions?

JAN 09, 2009 05:20A.M.

I do not really believe in new year resolutions. And as I blog trawl my own posts, there isn't one last year too! (though there was a review of 2007)

I do want to share the following quotes with you all the same.

No one can make you change
No one can stop you from changing
No one really knows how you must change
Not even you.
Not until you start
- David Viscott (Risking)

It's never too late to be
what you might have been
-George Eliot

My Timelines on Twitter

India's first online weekly on Personal Finance

Ranjan Varma on Personal Finance [e](#)

*This issue contains posts from between
Jan 08, 2009 05:00p.m. and Jan 15, 2009 12:00p.m..
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