

How to meet your financial goals with Debt Mutual Funds



To know more, contact your Mutual Funds Distributor.

Good gets *better*



An Investor Education & Awareness Initiative of



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Helpful information for investors

All Mutual Fund investors have to go through a one-time KYC (know your Customer) process. Investors should deal only with registered mutual funds, to be verified on SEBI website under 'Intermediaries/ Market Infrastructure Institutions'. For redressal of your complaints, you may please visit www.scores.gov.in. For more info on KYC, change in various details & redressal of complaints, visit www.mf.nipponindiaim.com/InvestorEducation/what-to-know-when-investing.htm This is an investor education and awareness initiative by Nippon India Mutual Fund.

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Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

PREFACE



The Mutual Fund industry has grown fast to become an important component of the Indian economy, helping channelise household savings into the capital market. Moreover, Mutual Funds investment has become an important way for citizens' private investment and wealth management. In light of this, investor education is an important aspect to keep the investor well informed, as well as protect their legitimate rights and interests, particularly for small and medium investors.

This booklet is a specific exhibition of Nippon India Mutual Fund's efforts to spread awareness and continue building the investors' knowledge. It explains investment related information in simple language and in a lively and vivid manner. I am sure, investors of all kinds will find value in this booklet and be encouraged to use this as a stepping stone towards practicing financial prudence.

All the very best and happy reading.

A handwritten signature in black ink that reads "Sundeep Sikka". The signature is written in a cursive style with a long horizontal line underneath.

Sundeep Sikka
Executive Director & CEO
Nippon Life India Asset Management Limited
(Formerly known as Reliance Nippon Life Asset
Management Limited)

MATCHING SAVINGS WITH FINANCIAL GOALS

Deepak earns a stable salary income. At the end of the month, he has some **money lying idle**.



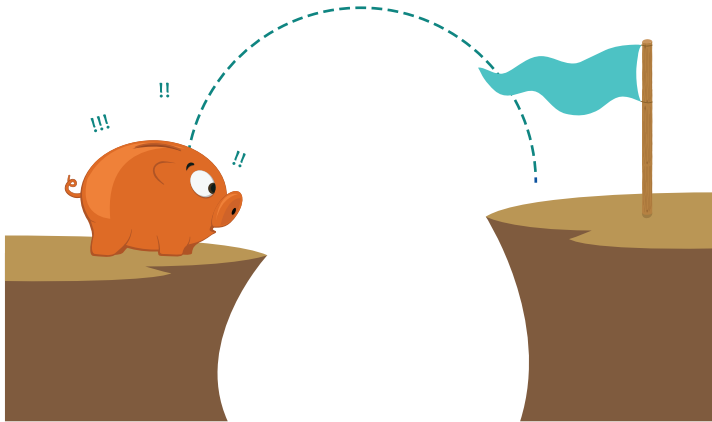
He likes the comfort of knowing that he has put aside some amount for **emergencies** such as loss of job, accident, illness. His father is retired and wants to invest his **retirement proceeds**. He and his wife are saving for an **overseas vacation** in 2 years time. They also want to get some **home repairs** done over the next one year.



Different investment options are required to meet different financial goals.

TRADITIONAL CHOICES

Investors often keep their savings in **bank deposits**. They choose Public Provident Funds and **small savings schemes** for tax advantages. Some invest in **bonds** for the regular interest income. These are traditional fixed income choices.



Are there other alternatives?

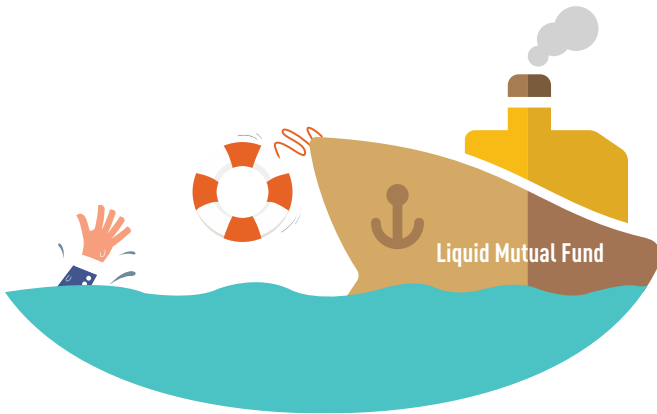


Traditional debt choices may give regular return and some tax advantage, but there are other fixed income options available today that suit your goals in a better way!

EMERGENCY FUNDING

Deepak believes that ready cash is best for emergencies. But Cash does not earn any returns! He could invest in liquid funds.

Liquid funds invests in money market instruments.



Liquid funds may give a low but less volatile interest income. Deepak may earn market returns for every single day that he stays invested (depending on market conditions). He will be able to withdraw the funds at very short notice.

Mutual Fund may charge upto 0.0070% if Deepak exits before 7 days.

Liquid Funds Offer



High
Liquidity



Potential Interest
Accruals

MAKING IDLE CASH WORK

Deepak uses the traditional fixed income instruments to invest his idle cash. Instead he can invest in an ultra short duration fund, which in turn invests in the money market and debt instruments. A small allocation to longer-term bonds gives it the potential to earn a better return.



An ultra-short duration fund offers all the benefits of traditional savings instrument with potential to earn a return.

LIQUID/ ULTRA SHORT TERM FUNDS

Ultra short duration and liquid funds invest in high quality securities as stipulated by the regulators (RBI & SEBI) like Treasury Bills, Bank CD, CP, Inter-bank Call/notice money etc.

Liquid/Ultra Short Term Funds

Potential Returns

Liquidity

Exit Load*

Volatility Risk

Taxation

Market-linked

Immediate (Next day)

Ultra Short Fund - Varies as per Mutual Funds

Liquid Fund - Day 1: 0.0070%

Day 2: 0.0065%

Day 3: 0.0060%

Day 4: 0.0055%

Day 5: 0.0050%

Day 6: 0.0045%

Day 7 onwards : 0.00%

Low

Before 36 months: As per slab tax rate applicable to investor.

After 36 months: Tax @20% with indexation benefit.

Dividend is taxable as per slab tax rate applicable to investor.

*Please refer to the fact sheet for further details.



Ultra short duration and liquid funds have the potential to provide daily returns, while maintaining liquidity.

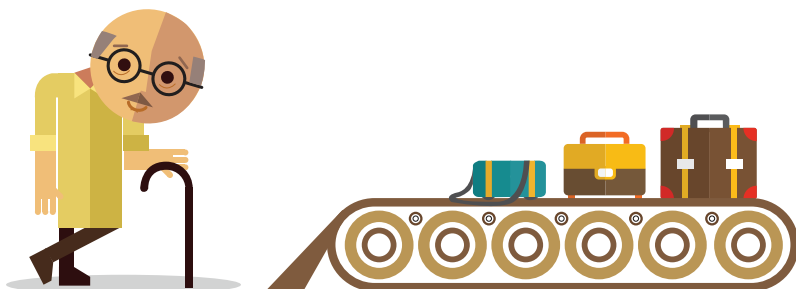
*Returns will be dependent on any exit load charged by Mutual Funds

POST-RETIREMENT INVESTING

Deepak's father would like to earn a regular income from his retirement corpus without taking undue risk. He is considering the traditional saving instruments.

However, he is also worried about impact of inflation on his returns/income. He can look at investing in Conservative Hybrid Funds (CHF) as it also aims to give regular income.

He may opt for a dividend payout or Systematic Withdrawal Plan (SWP).



Due to a small allocation to equity (10-25%), Conservative Hybrid Funds are moderately high risk open ended schemes, with an objective to generate inflation + returns without increasing overall risk.



Conservative Hybrid Funds are moderately high risk open ended schemes, with an objective to generate regular income in order to make regular dividend payments. The secondary objective is growth of capital.

CASH FLOW FROM CONSERVATIVE HYBRID FUND

He wonders - How can an Conservative Hybrid Fund generate regular and steady cash flows for him?

	CHF + SWP*
Regular cash flow	Yes
Ability to beat inflation	Possible due to small allocation to equity
Liquidity	T+2 redemption
Max. Limit on investment	No limit
Taxation	Before 36 months: As per tax slab rate applicable to investor. After 36 months: Tax @20% with indexation benefit.

*Subject to balance in the folio and taxes and exit loads, as applicable.

By opting for Systematic Withdrawal Plan (SWP) with CHF, a certain percentage of the accumulated amount will be withdrawn and paid out to him at a pre-determined frequency.



By opting for dividend pay-out or SWP in CHFs, investors can enjoy the twin benefits cash flows and capital appreciation in tax efficient manner.

MEDIUM-TERM GOALS

In order to meet their medium-term goals such as vacation and home repairs, Deepak and his wife can consider Medium to Long Duration Funds.



This is a debt mutual fund that invests in Debt & Money Market instruments such that the duration of the portfolio is between 4-7 years.

Source: https://www.sebi.gov.in/legal/circulars/oct-2017/categorization-and-rationalization-of-mutual-fund-schemes_36199.html



Medium Term Funds offer the opportunity to earn capital appreciation and interest income from the debt market.

FIXED INCOME INVESTING FOR NRIs

Please check your eligibility to invest as an NRI.

Deepak's NRI brother wants to invest in an Indian fixed-income instrument. He could invest in traditional fixed income instruments except certain small saving schemes wherein the NRIs are not allowed to invest. However, Deepak informs him that he could also consider debt mutual funds for investments.

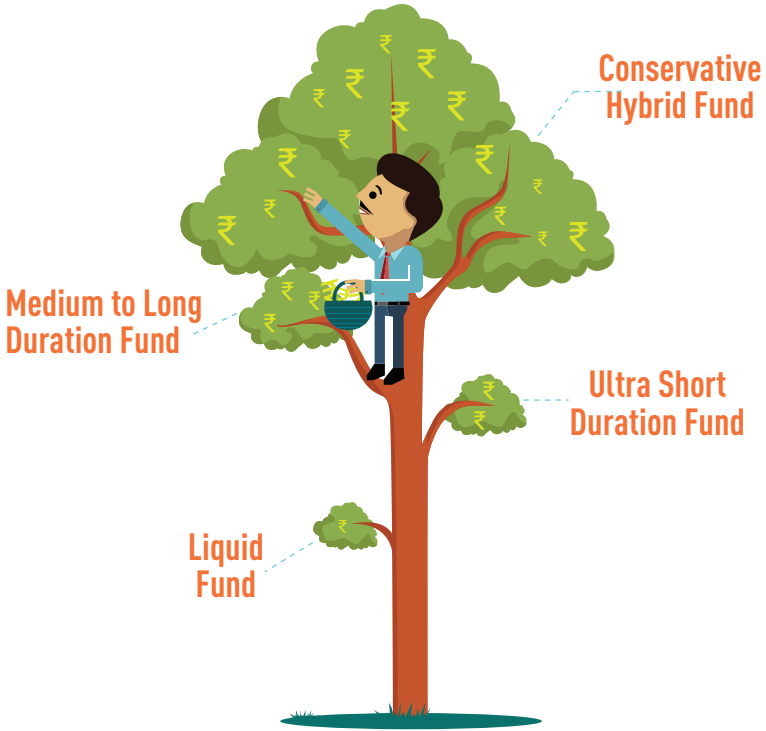


NRIs looking for fixed income investing in India may do so using various types of debt mutual funds available basis their needs & objectives.



DEBT PRODUCT MATRIX

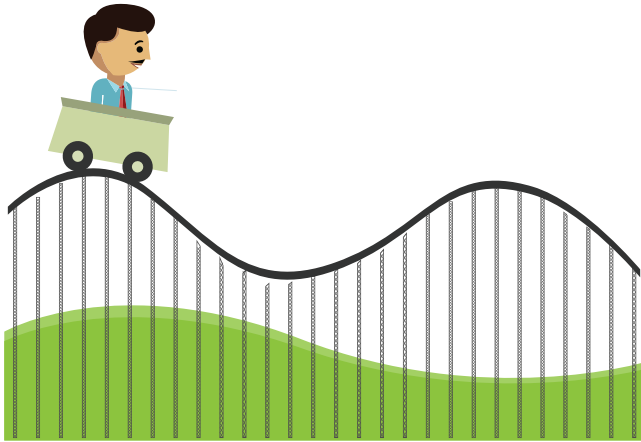
Debt mutual funds that have the potential to yield higher returns are also more risky.



Higher the return potential, higher the risk associated with a debt mutual fund.

THINGS TO LOOK OUT FOR..

Mutual funds that invest in very short term securities, such as liquid funds, carry low risk of volatility in returns. Deepak's return might vary depending upon the interest rates prevailing in the debt market.



The bonds issued by corporates are rated by credit rating agencies as “good” and “bad” quality, depending upon their ability to repay. Mutual funds typically invest in good quality bonds, in an endeavour to safeguard the investors' interest.

Debt mutual funds must be selected on the basis of three parameters:



Investment
time horizon



Risk



Return



**HAVE A GOAL?
FIND A DEBT FUND TO MATCH IT!**

SMS 'EDU' to '561617'

Visit <https://mf.nipponindiaim.com/InvestorEducation/home.htm>

SMS charges apply.