राष्ट्रीय वित्तीय शिक्षा केन्द्र
National Centre for Financial Education

Promoted By :

Financial Education Handbook
For
New Entrants at Workplace

About NCFE (National Centre for Financial Education)

National Centre for Financial Education (NCFE) is a Section 8 (Not for Profit) Company promoted by Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA).

Promoted By :

Vision: "A financially aware and empowered India"

Mission: To undertake massive Financial Education campaign to help people manage money more effectively, to achieve financial well-being by accessing appropriate financial products and services through regulated entities with fair and transparent machinery for consumer protection and grievance redressal.

Indian Financial Sector Regulators:

RBI: The Reserve Bank of India (RBI) is India's central bank, which manages the monetary policy of India and regulates banking and non-banking financial sector in India.
Website: https://www.rbi.org.in

SEBI: Securities and Exchange Board of India (SEBI) is the regulator of securities market in India and is tasked with protecting the interests of investors in securities, promoting the development of, and regulating the securities market.
Website: https://www.sebi.gov.in

IRDAI: The Insurance Regulatory and Development Authority of India (IRDAI) is the regulatory body tasked with regulating and promoting the insurance and re-insurance sector in India.
Website: https://www.irdai.gov.in

PFRDA: The Pension Fund Regulatory and Development Authority (PFRDA) is the regulatory body tasked with promoting the old age income security by establishing, developing and regulating pension sector.
Website: https://www.pfrda.org.in

Disclaimer: This Booklet is presented as a reading and teaching material with a sincere purpose of making the reader financially literate. It is not intended to unduly influence the reader in making a decision in relation to any particular financial product or service. Readers are advised to consult their investment adviser before making any investment.

Printed By: National Centre for Financial Education (NCFE)

First Edition September 2024

Index

1

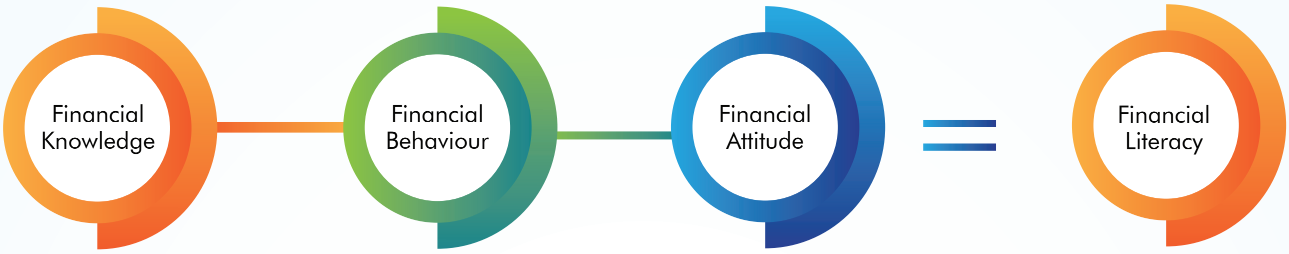
INTRODUCTION

The most important factor that determines the productivity of an organisation is its Human Resource. An organization may have a mixed-bag of employees. Certainly, it is the employees' hard work and dedication that ultimately improves the wellbeing of a company. If the employees are healthy, happy and eager to work, that would induce a positive change in the fortunes in the organization. On the other hand, if they are stressed and anxious, there may be a negative impact. One of the most important reasons for stress among employees is the worry on their personal finance. A majority of the people suffer from money-related problems as their financial management skills are not so sound. It is recommended to introduce financial literacy programmes in the workplace to ensure the employees understand the basics of financial literacy and manage their money better.

Once the employees are financially literate, they would be able to manage their own money much better and hence their stress levels over financial issues would eventually reduce! This would surely lead to healthier and happier individuals who would contribute immensely to the growth of the organisation.

Importance of Financial Literacy

Financial literacy encompasses aspects of knowledge, attitude and behaviour covering the range of context such as money management, planning for short, medium and long term financial goals and awareness and choice of financial products.



Financial Knowledge involves understanding of key financial concepts and ability to evaluate benefit in real life financial situations. The concept of simple interest, compound interest, time value of money, inflation, diversification, division, risk-return and interest paid on loan are tested to determine the financial knowledge of individuals.

Financial Behaviour involves study of day-to-day money management, financial planning, spending, savings, investment, reliance on credit to meet daily requirement and building a safety net for future well-being.

Financial Attitude aims at studying people's response towards savings, prioritization of short-term wants over long-term security, inclination towards risk, etc. for future wellbeing.

Financial literacy is an essential life skill because it equips one with the knowledge and skill to manage money effectively. Without financial literacy, sometimes, the financial decisions one makes or does not make with respect to savings and investments, would lack a solid foundation. Financial literacy helps in understanding financial concepts better and enables one to manage their finances efficiently. Furthermore, it helps in effective money management, making sound financial decisions, and achieving financial stability. Also, it helps one to be debt free by adopting the best personal finance strategies.

We will take you through some important financial literacy topics.

What is the Importance of Learning Basic Financial Literacy Concepts?

We live in a world where instant gratification is the norm. Learning takes time. But if we don't learn the basics of financial education, there is more chance for making mistakes, the cost of which can be very expensive in terms of our financial health.

Below we outline 4 reasons why you should be financially literate.

1 To Be Financially Literate

Literacy and Financial literacy is not the same. India's literacy is 75% but financial literacy is only 27%.With a highest population in the world, it is necessary that our citizens make informed choices regarding financial decisions. For making effective financial decisions by using all financial services like banking, insurance, mutual funds , stocks, pension etc. we need to understand basics of managing money. Hence the right financial education is essential for enabling people to make the right financial choices.

2 To Live Within Your Means – We all have big dreams and work hard to achieve those.

We dream of a big car, a big house, overseas vacations, branded clothes and shoes etc. There is nothing wrong in dreaming about a good and comfortable life. Aspirations maketh a man! The problem starts when we want to ensure all our dreams become reality today and that too within our salary or income.

In a world driven by money, living within your means is important. Every decision must be weighed and its pros and cons should be studied. For the average middle-class family in our country, We should think as to what is affordable. If we do not live within our limits and let our emotions rule, we will be forced to borrow loans which have to be repaid, hence creating a future liability.

As Waren Buffet quotes "If you buy things you do not need, soon you will have to sell things you need."

Once we gain knowledge and understand the basic personal finance concepts we will naturally try to live within our means. Additionally, we will become disciplined since we would understand financial matters much better.

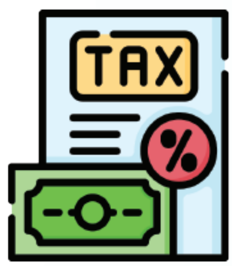
3 **To Save And Invest**

Merely earning money cannot solve problems. Money has to grow and the returns generated on savings or investment has to beat the inflation. Savings and investments are an integral part of our personal finance. They may sound similar but seem to be different concepts. Personal finance knowledge arms you with the skills to save and invest properly as per your financial goals. It gives you ideas about how much should you save, which investment options to consider and look at returns after adjusting for taxes and inflation.

4 **To Understand Taxes**

Most of the us are ignorant about the taxation rules. We are unaware of the dedications and exemptions provided to us under Income Tax Act. Many people do not know the effect of taxes on their investments. As a result, when they have to face tax later, they realize their mistakes. By then, it is often too late. For instance, Section 80C of The Income Tax Act allows every individual the opportunity to lower their taxable income by up to` 1.5 lakh. Under Section 80CCD we can invest Rs. 50000 in NPS and claim income tax deduction. By using such and many other investment opportunities, we can lower our tax bill.

Financial knowledge will empower us with the ability to understand taxes and benefit from various taxation rules. Saving our money from unnecessary taxes will help us grow our wealth faster.



2

BASIC FINANCIAL LITERACY CONCEPTS

Personal Financial Literacy

Income, Expenses and Budgeting

Are you sometimes short of cash at the end of the month? Don't seem to be able to save for the things you really want?

You can learn to balance your income with your expenses and even have some money left over for savings and extras. Let us show you how to manage your incoming and outgoing finances.

Income

Most of us have a source of income through our job, business, farming activities etc. Many may also be receiving interest income from their investments. Whatever be the sources of income, you need to know how to keep track of it and manage it to cover your expenses and save for future.

Expenses

It costs money to live. You need to pay for food, clothing, housing, transportation, communication, and a dozen other necessary expenses. Then there are things like vacations, entertainment, gifts for relatives and so on. If you want to reach your goals, there are two things you must do with your expenses:

1. **Know what your expenses are**
2. **Reduce unnecessary spending**

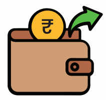
The first step in controlling your spending is to get in the habit of tracking your daily expenses so that you know how much you spend and what are the details of your expenses

You will be surprised to know how much you spent and what you spent it on.

Budgeting

Now that you know your income and expenses, you need to put them together and that is called a budget. There's nothing difficult about a budget. It is simply a comparison of income and expenses.Is the difference between your total income and total expenses a positive or a negative figure?

If it is positive, you have a surplus. Congratulations! With the extra money you must pay off any debt or loan if you have. Otherwise you can increase your monthly savings amount or invest for future.



If it is negative, you have a deficit. You need to either reduce your expenses or increase your income to balance your budget.

Budgeting isn't a one-time thing. To make it work, you need to do it regularly. At first, do this weekly and once you are comfortable you can do it monthly, yearly and so on.

Saving

Savings is the portion of income not spent on current expenditures. Saving is a key step to make sure your future is financially secure. It will help you to meet your financial goals and provide for your own future. It would be a good approach to view Saving in this way:

Saving = Income – Expenditure ✗

Expenditure = Income – Saving ✓

You should set aside a portion of your income before you spend anything.

Why to Save?

It provides you to greater security in your life.
You may feel difficult to put aside a part of your earnings as saving, if you don't have a goal for that money. Most of the people think why to save if you can spend on what you want today. You may not be aware why you are saving the money today, but certainly it will help you to achieve some of your future goals viz, buying a bike, a new home, marriage, child education etc.

You will be ready to face any unexpected events/emergencies
No one can predict an accident or becoming seriously ill even though chances are less. This possibility of unexpected financial emergency may make you to change the way you think about and handle your money. A little planning and saving will make those emergencies and unexpected events much easier to handle when they come your way.

You will be able to take risks to try new things
Most of the time what stop us to take risk and try the things which we really want is our financial capacity. But starting the habit of savings will give a helping hand to try these things in the near future.

How to Save?

Now that you've known why to save, how do you go about it? Keep these tips in mind:

Points to be kept in mind when Saving:

- Make sure that your savings are invested in diversified instruments.
- Some portions should be in liquid asset so that you can withdraw money when needed.
- Do not put your money in instruments that are very Risky/ Unregulated, you may loose all of it !!!

Some general tips for Savings:

- Make a regular contribution towards your savings. To make it easy, set up an automatic monthly transfer to your savings account.
- Make a plan for your saving and spending. Reduce unnecessary expenses and put your savings into a separate account. Spend for things you need, but wisely.

Pay yourself first. Set aside money from your income before you spend on anything else. Use what's left after saving to spend on things. Also, if your income goes up, put some of the increase (most of it, if you can) into your savings. It will be easier to do this before you get used to spending the extra money.

It's usually best to clear up any high-interest debts before starting your savings, because they usually cost more than you can earn with a savings plan. Pay these debts first and then regularly put the money into a savings account.

Make use of tax benefit schemes to maximize your savings. Schemes like, EPF, PPF, NSC, ELSS, SSY, NPS etc are a good way to reduce the taxes you pay on your savings.

Needs and Wants

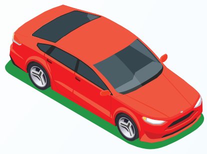
It is very important to know the difference between your needs and your wants. This will help you in setting your priorities so that you know where to spend your money.

Using these definitions, "a roof over my head" is a need. So are clothing, food and medications. "Watching movies in theatre" is a want, and so is buying an expensive saree, jewellery etc.

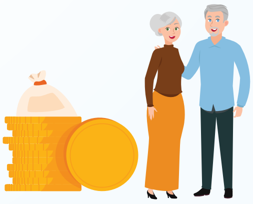
Short, Medium And Long Term Goals

Short-Term Financial Goals
Short-term financial goals are the goals that you can accomplish in 6 months to a year. For example: Rent payments, clearing credit card and debit card bills, wanting to buy a new smart phone etc.

Medium-Term Financial Goals
Medium-term financial goals are the goals that you can accomplish in the next 1 or 7 years. For example: Buying a car, Paying off education loans, Planning a foreign trip for self/family etc.



Long-Term Financial Goals
Long-term financial goals are the goals that you set out to achieve throughout your life generally from 7-25 years or till retirement. These can take many years to fulfil. For example: Retirement planning, Buying a House, Children's Education & Marriage etc.



Power of Compounding

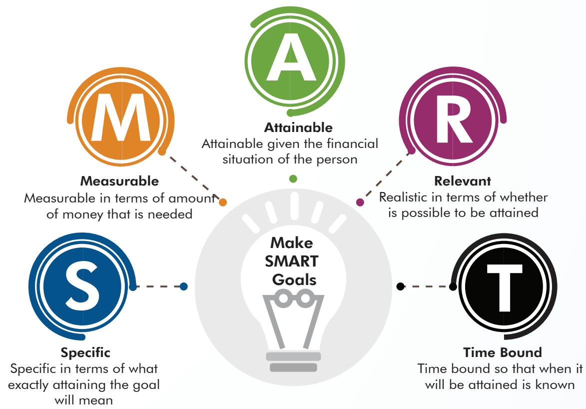
With simple interest, you earn interest only on the principal (i.e., the amount you initially invested); while with compounding, you earn interest on the principal as well as, previously earned interest. An sum of Rs.100/-, invested for 10 years, at 10% rate of interest, you will amount to Rs. 200/- with simple interest and Rs. 260/- (approx) with compound interest.

Setting SMART Goals

If you want to go somewhere, you need to know the road. It's the same with your money. To manage your money well, you need to know where you want to go. It's important to set short, medium and long-term financial goals.

S.M.A.R.T stands for Specific, Measurable, Achievable, Realistic and Time bound.

For an example, a goal such as "saving for a motorbike" is a vague and hard to measure because it doesn't address questions like which bike, what cost, when to buy etc. On the other hand, "saving 50000 rupees for a 100 CC motorbike within 10 months" is SMART. It's specific – you know exactly what you are saving for. It's measurable – you know how much you will need. Its achievable and realistic – you can break the total amount needed into smaller steps (saving 5000 rupees a month) that will be easier to do. And its time bound you've set a deadline of 10 months



Famous Talk

'Do not save what is left after spending, but spend what is left after saving.'
-Warren Buffett

3

BANKING & FINANCE

In earlier topic, we came to know about basic financial literacy concepts. Now, let's understand Banking and its various aspects in detail.
A bank is a financial institution that accepts deposits from public and creates credits. In India the Banking Sector is regulated by The Reserve Bank of India (RBI).

How to Select Right Type of Bank ?

1) **Location of Branch** - It is better to choose a bank which is near to your residence/office location.

2) **ATM** - Banks which have ATMs in your vicinity may be preferred.

3) **Average Balance Requirement** - Individuals need to maintain an average monthly or quarterly balance as mentioned by the bank. A bank which has least minimum balance criteria is suitable.

4) **Online Banking** - The banks should have online banking facility which is safe and secure 24/7/365.

5) **Interest Rates** - Different Banks offer different interest rates on saving account balances. One may choose a bank which offers better interest rates.

6) **Services and Fees** - Banks which charge least for services are preferable.

Now as we have seen as to how to choose a best bank for oneself, let's understand the various types of Bank Deposits in brief:-

Savings Account (Demand Deposit)

Savings accounts are handy for short-term savings. You can deposit money into a savings account at any bank. This will keep your savings safe and pay a nominal interest. You can take your money whenever you need it.

Recurring Deposits (Time Deposit)

Recurring deposits popularly known as RD's are good if you wish to create a fund by periodically saving for any special occasions such as buying a car. These are suitable for people who do not have large amount of savings, but are ready to save a small amount every month. No withdrawals are allowed before maturity.

Fixed Deposits (Time Deposit)

Commonly known as FD, this is where you can deposit a sum for a fixed period. The depositor is given a fixed deposit receipt; which depositor has to produce at the time of maturity. Withdrawals are not allowed, however, in case of need, the depositor can ask for closing the fixed deposit account by paying a penalty.

Do you want to get additional interest In savings bank account?

Auto Sweep Facility

The auto-sweep facility is a combination of savings account and FD or fixed deposit account. It carries with it the advantage of both facilities. With an auto-sweep account, your savings account is linked to a fixed-deposit account and a monetary limit is defined. Whenever the amount in the savings account crosses that defined limit, the excess money is transferred automatically into the fixed deposit. This way, your savings account balance can earn a higher rate of interest than it would have lying in a plain- savings account. You can enquire with the banks to provide this facility.

Deposit Insurance

The Deposit Insurance and Credit Guarantee Corporation (DICGC) insures all deposits such as savings, fixed, current, recurring, etc. Each depositor in a bank is insured up to a maximum of Rs. 5,00,000 for both principal and interest amount held by the depositor.

DO YOU KNOW?

Deposit Insurance and Credit Guarantee Corporation (DICGC) insures all deposits such as savings, fixed, current, recurring, etc. Deposit Insurance and Credit Guarantee Corporation (DICGC) insures all deposits such as savings, fixed, current, recurring, etc. upto maximum of Rs. 5,00,000 for both principal and interest amount held by the depositor.

For more information please visit:
https://www.dicgc.org.in/

Pradhan Mantri Jan-DhanYojana (PMJDY)

PMJDY is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country.

Scheme Details:

a) One basic savings bank account is opened for unbanked person.

b) There is no requirement to maintain any minimum balance in PMJDY accounts.

c) Interest is earned on the deposit in PMJDY accounts.

d) RuPay Debit card is provided to PMJDY account holder.

e) Accident Insurance Cover of Rs.1 lakh (enhanced to Rs. 2 lakh to new PMJDY accounts opened after 28.8.2018) is available with RuPay card issued to the PMJDY account holders.

f) An overdraft (OD) facility up to Rs. 10,000 to eligible account holders is available.

g) PMJDY accounts are eligible for Direct Benefit Transfer (DBT), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Atal Pension Yojana (APY), Micro Units Development & Refinance Agency Bank (MUDRA) scheme.

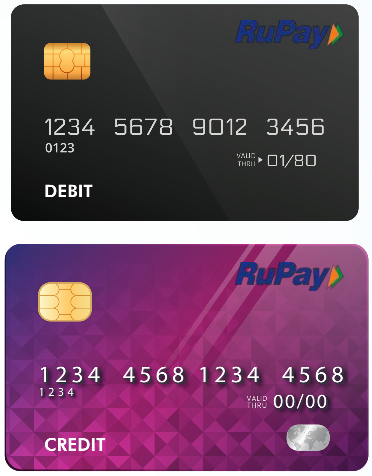
For more information please visit : https://pmjdy.gov.in/

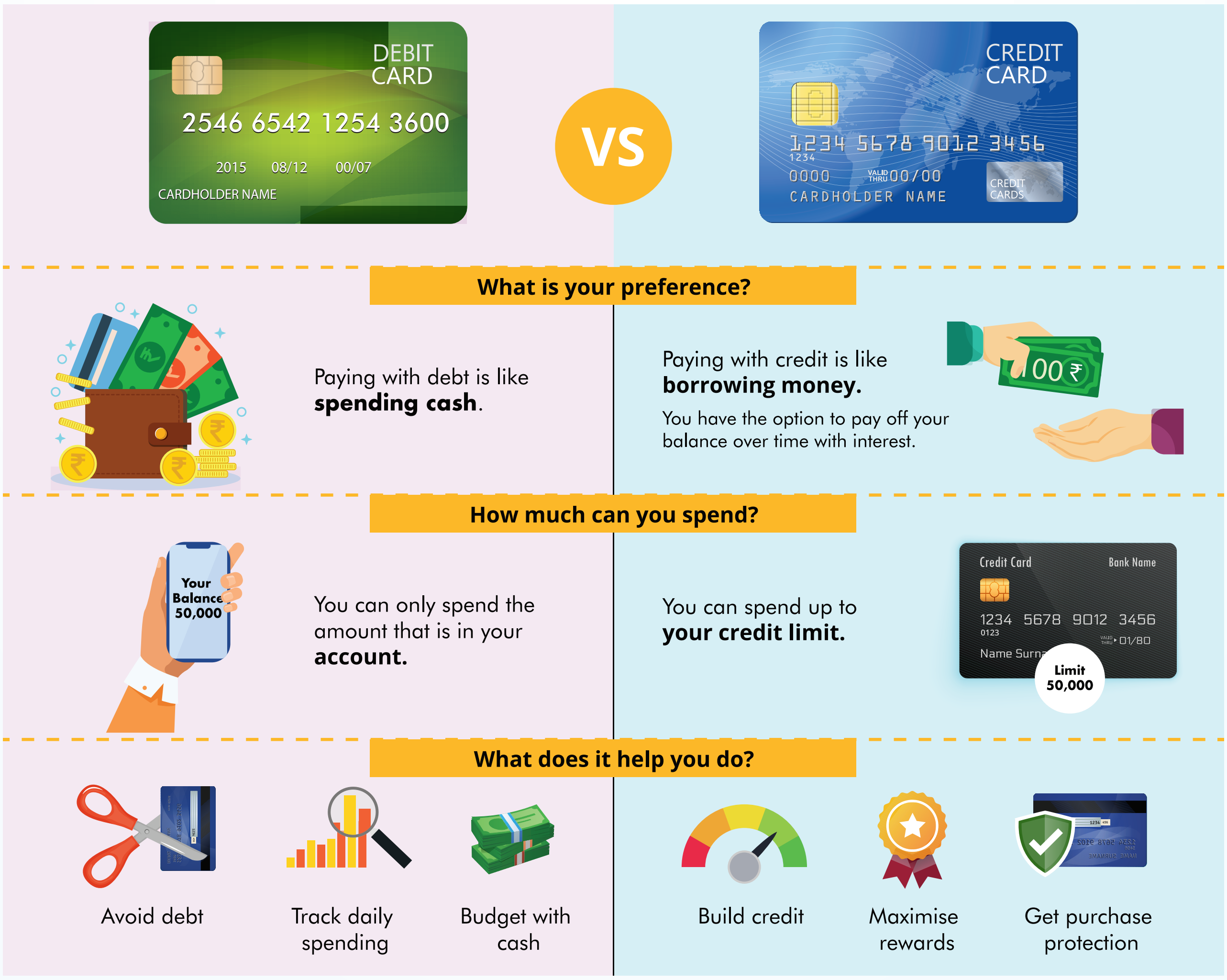
Credit and Debt Management

Many people need to borrow money from banks/financial institutions for buying a house, car or children's education. This is called debt. Financial experts often distinguish between good debt and bad debt. Good debt is an investment in something that creates value or produces more wealth in the long run. Bad debt is debt taken to buy something that immediately goes down in value.

Debit Card Vs Credit Card

Credit cards and debit cards typically look almost identical, with 16-digit card numbers, expiration dates, and magnetic strips and EMV chips.Both can make it easy and convenient to make purchases in stores or online, with one key difference. Debit cards allow you to spend money by debiting instantly the amount in your bank savings account whereas Credit cards allow you to borrow money (credit) from the card issuer company up to a certain limit which can be repaid after a certain duration. In short, a debit card works on "BUY NOW PAY NOW" principle and credit card works on "BUY NOW PAY LATER" principle. You probably have at least one credit card and one debit card in your wallet. The differences between them are summarized below.



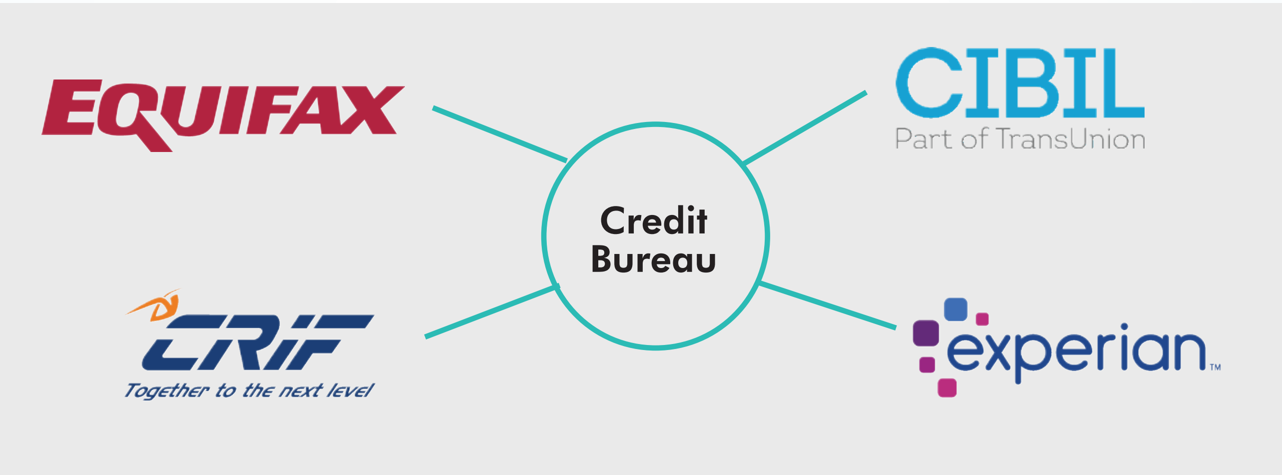


Loans & Advances

A loan is a form of debt incurred by an individual. The lender—usually a bank or a financial institution advances a sum of money to the borrower. In return, the borrower agrees to a certain set of terms including any finance charges, interest, repayment date, and other conditions.

What is a credit score?

Banks /Financial Institutions (FI) give loans based on Credit Score. An individual's credit score plays an important role in determining his/her credit worthiness. A lender, such as a bank or a financial institution, will evaluate the credit score of a potential borrower to determine whether or not to lend to the individual. The credit score also impacts the amount of loan sanctioned and also the interest rate payable on the loan by the borrower. Mostly, if a borrower has a low credit score, the lender may reject the loan application.



A credit score is a 3-digit number that represents the creditworthiness of an individual. It typically ranges between 300 and 900, 900 being the highest score possible. Banks and various regulated lending institutions check your credit score when you apply for a loan. This score is prepared by the four credit bureaus functioning in India (CIBIL, Experian, CRIF High Mark and Equifax).

How to build a good credit score?

There are many ways by which one can build a good credit score. They are:

01 **Pay EMIs on time:** This is one of the most important parameters on which the credit score depends on heavily. Timely payments for the EMIs provides exceptional boost to your credit scores across all the bureaus.

02 **Do not apply for multiple loans at a time:** Requesting for multiple loans which is reflected in the multiple enquiries for the customers is one of the other parameters which indicates credit hungry behaviour and hence is penalized by the credit bureaus.

03 **Review your credit scores periodically:** Have a good control on your credit scores and review them once every 6 months to ensure that you are not shocked by reduction of your credit scores by any of the banks or FIs.

Having said this, the main way to build a good credit score is a disciplined approach towards taking loans and paying them on time. There is nothing that can be a substitute for this.

Different Types of Loans

Let's look at some of the common types of loan available in India:

Personal Loan:

Personal loans are provided to meet the personal needs of the borrower. You can use the money from this type of loan in any way you see fit. You can pay off your previous debts, buy some expensive accessories for yourself, and plan a trip with your family. It's up to you how to use the money. The interest rates for this type of loan are on the higher side compared to the other types of loans as there is no collateral taken by bank/FI to secure this loan.

Home Loan:

Everybody dreams of owning their own house. However, buying a house needs a lot of money and it is not always possible to have that much money at once. Banks/FI offer home loans that can assist you in purchasing a property/house. A home loan can be of different types such as:

01 Loan for constructing a new house.

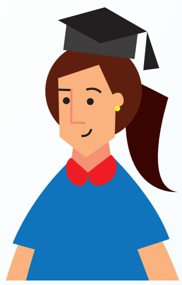
02 Loan for purchasing a land and then building a house.

03 Loan for buying a flat/bungalow /row house etc.

One can avail the benefit of Pradhan Mantri Awas Yojana (PMAY) wherein one can claim subsidy when buying the 1st house. For more information, you can visit: https://pmaymis.gov.in

Education Loan:

Banks also offer education loans to the ones who need it. These loans offer a better support in terms of study opportunities to students are financially weak. Students looking to pursue higher education can avail education loan from any bank in India. Once they secure a job, they need to repay the money from their payment. Vidya Lakshmi is a first of its kind portal for students seeking Education Loan. Students can view, apply and track the education loan applications to banks anytime, anywhere by accessing the portal. For more information, students can visits https://www.vidyalakshmi.co.in/Students/

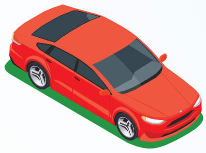


Gold Loan:

This type of loan is given by Banks/FIs by taking gold/gold ornaments as collateral. This type of loan is generally a short term loan and needs to be paid off within specific period. Individuals/people who want quick loan and can deposit gold/gold ornaments as collateral can avail this type of loan easily .

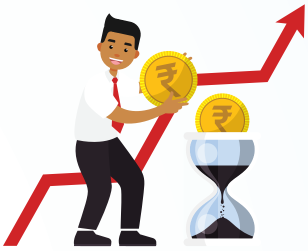
Vehicle Loan:

Vehicle loans help you fulfil your dream of owning a car or bike. Almost all banks provide this type of loan. It a secured loan means if the borrower doesn't pay the instalments in time, the bank has the right to take back the vehicle.



Loan Against Bank FDs:

If you have a fixed deposit in with a bank, you can apply for a loan against the same. Lets say, If the FD is around or more INR 100,000, you can apply for a loan of INR 80,000 (different banks have different conditions). The rate of interest levied on such loan is comparatively higher than that paid by the bank on your FD.



Debt Management

Debt management is a way to get your debt under control through financial planning and budgeting. The goal of a debt management plan is to use the strategies to help you lower your current debt and move toward eliminating it completely. While we have seen that debt can help us build assets, poorly managed debt can get us into a lot of trouble.

Hence, the decision to borrow must be considered after thorough evaluation. Loans are easily available today from many institutions, but loan should be the last option to meet our financial needs. Loans from unregulated entities must be avoided at all cost.

Some tips to help you manage your debt better.

1

Prioritize High-Interest Loans

- List debts by interest rates.
- Focus on Credit Card and Personal Loans.
- Home Loans offer tax benefits and lower rates.

2

Consider Loan Consolidation

- Use property to pay off high-interest loans.
- Simplify payments and reduce burden.

3

Boost EMIs with Raises

- Increase EMIs with salary hikes or bonuses.
- Accelerate debt repayment and save on interest.

4

Explore Loan Switching

- Check for lower rates at other banks.
- Consider switching Home Loans if rates are better.

5

Pay Timely to Preserve Credit

- Avoid late payment fees.
- Maintain a good credit history with on-time payments.

DO YOU KNOW?

Sukanya Samriddhi Yojana is a small deposit scheme of the Government of India meant exclusively for a girl child and is launched as a part of Beti Bachao Beti Padhao Campaign. The scheme is meant to meet the education and marriage expenses of a girl child. You can invest a maximum of Rs.1,50,000 in a financial year and avail tax exemption under Section 80C of Income Tax Act of 1961.

For more information please visit:
https://www.indiapost.gov.in/Financial/Pages/Content/Post-Office-Saving-Schemes.aspx

4

DIGITAL FINANCIAL LITERACY

Digital payments are those payments in which the payer and the payee both use electronic modes to send and receive money.

Advantages of Digital Payments

1

Fast, Easy and Convenient.

2

Economical and less transaction fee.

3

Provides a digital record of transactions that customers can track.
Gives a one stop solution for any type of payments.

Methods

As part of promoting cashless transactions and converting India into cash less society, various modes of digital payments are available.

Banking Cards

Banking cards offer consumers more security, convenience, and control than any other payment method. The wide variety of cards available – including credit, debit and prepaid – offers enormous flexibility, as well. These cards provide 2 factor authentication for secure payments e.g secure PIN and OTP. RuPay, Visa, MasterCard are some of the example of card payment systems. Payment cards give people the power to purchase items in stores, on the Internet, through mail-order catalogues and over the telephone. They save both customers and merchants' time and money, and thus enable them for ease of transaction.

Bank Prepaid Cards

A prepaid card is a card you can use to pay for things. You buy a card with money loaded on it. Then you can use the card to spend up to that amount. A prepaid card is also called a prepaid debit card, or a stored-value card.

Internet Banking

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. Type of transactions are:

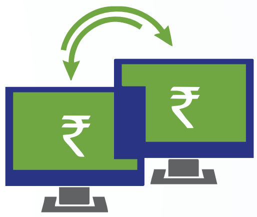
a. National Electronic Fund Transfer (NEFT)

Transfer of funds from one Bank account to a different account of another Bank using Beneficiary's account number and IFSC (Indian Financial System Code). The system is available on all days on 24x7x365 basis.

- Minimum Limit: No limit
- Maximum Limit: No limit

(For More information, please visit Reserve Bank of India -Frequently Asked Questions (https://www.rbi.org.in))

b. Real Time Gross Settlement (RTGS)



Transfer of funds from one Bank account to a different account of another Bank on a real time basis facilitating high value transactions using Beneficiary's account number and IFSC code.
The system is available on all days on 24x7x365 basis.
Minimum Limit: 2,00,000
Maximum Limit: No limit
(For More information, please visit Reserve Bank of India -Frequently Asked Questions (https://www.rbi.org.in))

c. Immediate Payment Service (IMPS)

Transfer of funds from one Bank account to another facilitating instant Fund Transfer. For fund transfer through Mobile, Mobile Money Identifier (MMID) issued by the bank is required. Transaction can also be done using Beneficiary's account number and IFSC code. The system is available on all days on 24x7x365 basis.
Minimum Limit: No limit
Maximum Limit: 5,00,000
((For more information, please visit IMPS (Immediate Payment Service) – Instant fund transfer | NPCI)

Point of Sale

A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase.

Unstructured Supplementary Service Data (USSD)

The innovative payment service *99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking.

Micro ATMs

Micro ATM meant to be a device that is used by the Business Correspondents (BC) to deliver basic banking services. The platform enables Business Correspondents (who could be a local retail shop owner and will act as 'micro ATM') to conduct instant transactions.

Aadhaar Enabled Payment System (AEPS)

AEPS is a bank led model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication.

Mobile Wallet

A mobile wallet is a way to carry cash in digital format. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, Airtel Money, etc. also provide this service.

Unified Payments Interface (UPI)

A system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one place. In this system, transactions can be done through any smart phone using VPA (Virtual Payment Address) facilitating 24 x 7 transfers on a real time basis. One needs to download UPI- enabled bank app and login using bank details.

UPI Benefits To End User :

01 Privacy- Share only Virtual Payment Address and no other sensitive information

02 Multiple Utility – Cash on delivery/ bill split sharing/ merchant payments/ remittances

03 One click 2 FA – Authorise transaction by entering only the PIN

04 Work across various interfaces – Payment request generated on web interface, Authorised on mobile interface(App)

05 For more information, please visit https://www.npci.org.in/what-we-do/upi/product-overview

BHIM

Bharat Interface for Money (BHIM) is an app that lets you make simple, easy and quick payment transactions using Unified Payments Interface (UPI). You can make instant bank-to-bank payments and pay and collect money using just mobile number or Virtual Payment Address (UPI ID).

FOR MORE INFORAMTION PLS VISIT :https://www.bhimupi.org.in/

Digital Financial Records

Digital financial records are financial documents that are available in digital format and can be accessed easily on digital devices like PC, Laptops, Smart phones etc.
Following financial documents can be maintained in physical format and digital format and kept safe by all.

Bank Statements

- Crop Loan Statements
- Credit Card Statements
- Home Loan Statements
- Personal Loan Statements
- Vehicle Loan Statements

Insurance Contracts

- Prospectus
- Proposal Form
- First Premium Receipt Policy Document
- Renewal Premium Receipt
- Duplicate Policy

Investment Statement

- PPF Passbook
- EPF Statements
- NPS Statements
- Mutual Fund Statements
- Stock Broking Statements
- Demat Statements
- Savings Account
- Passbook

Tax Records

- Income Tax
- Property Tax
- Sales Tax

Property Records

- Registration Documents
- Sale Deed
- Property History
- Share Certificate
- NOCs
- Encumbrance Certificate
- Patta-Katha-7/12 whichever is applicable
- Rent Agreements

Vehicle Registration

- RC Book
- Pollution Certificate
- Vehicle Insurance

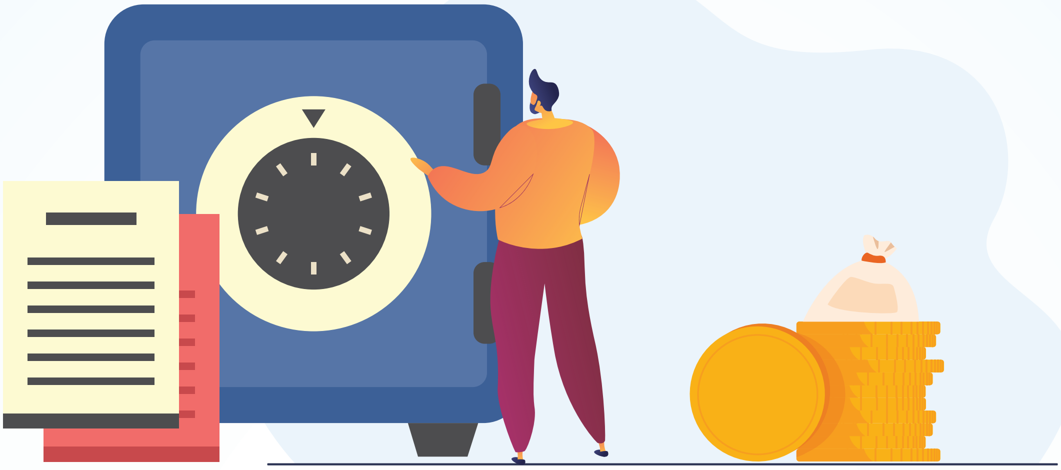
Personal Identity Documents

- Aadhar Card
- PAN Card
- Voter ID Card
- Passport
- Driving License
- Will

All the documents can be stored safely electronically at digilocker service provided by Government of India at https://digilocker.gov.in. Many government bodies have also started issuing e-documents directly through digilocker account .

Digilocker

DigiLocker
Your documents anytime, anywhere



- DigiLocker is a key initiative under Digital India, aimed at transforming India into a digitally empowered society and knowledge economy.
- DigiLocker ties into Digital India's vision areas of providing citizens a shareable private space on a public cloud and making all documents / certificates available on cloud platform.
- All the documents can be stored safely electronically at digilocker service at https://digilocker.gov.in.
- Main benefit of digilocker is citizens can access their digital documents anytime, anywhere and share it online.
- Many government bodies have also started issuing e-documents directly through digilocker account.
- One can make use of this platform to easily store all financial records/documents.

5

INVESTMENT

Investing can be a rewarding activity which can help you meet your financial goals; however, investing can be complex and often comes with risks. With appropriate knowledge, you can choose the level of complexity and risk that you are comfortable with.

Key factors

You need to know at least three key factors about every investment, return, risk and liquidity.

01 Returns

Return is the profit that an investor makes on an investment. It can come In two different forms: income or capital.

02 Risk

Risk means uncertainty. You are not sure whether your investments will give high returns or you could also lose your money. Risk and return both go hand-in-hand which means that to get higher return on your investments you will be exposed to more risk.

03 Liquidity

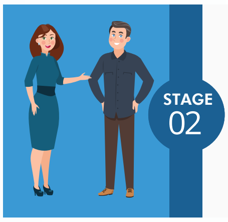
Liquidity is the ability to cash in or sell an investment quickly at or near the current market price. It affects the value of an investment. Listed stocks and goverment bonds are liquid, because you can usually sell them easily.

Investing Goals

Your investment goals depend on which life stage you are in (student, employee, retired, etc.). Your investment goals will be different from those of other people, and the goals will change as you go through your life. Usually, you have a variety of goals at the same time. You may be looking for long-term growth in value and also want a secure and flexible fund for emergencies. Each household will have a variety of objectives, and will need a different investment strategy for each one.

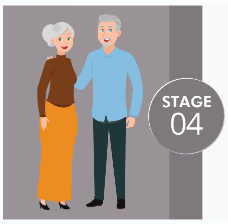
One easy way to see how personal factors affect investment choices is to think about your life stage, the phase of your life that you are in.

If you are young, you may be willing to take more risks because you are planning for the long term. If the value of your investments goes down, you'll have time to recover and your investments can grow over a long period of time.



If you are starting a new family, you want to provide security. You may still be planning for the long term, but you need to keep at least part of your money available to provide for shorter-term savings goals and emergencies, or to make major purchases such as a family home.

If your family is becoming more independent, you may have less need for short-term savings, and be able to save more for your retirement. You may be at the peak of your earning years, with cash available for investments, but unwilling to invest your money in anything risky.



Once you have retired, you may be relying on your investments to provide a regular, reliable income to add to benefits such as your public or private pensions.

Inflation and its effect on Investment

Inflation refers to rise in price of goods and services. Over time, as cost of goods and services increases, the ability of a unit of money, say one rupee or Rs.100, to buy goods and services keeps declining. In other words, purchasing power of money decreases. It is important to take into account the effects of inflation on your investments during financial planning.

How does inflation affect my Investment decision? A Samosa costing Rs.5/- five years ago, now costs Rs.10/-. The increase in the price is not as a result of higher quantity or better quality, but due to inflation impacting the prices of the ingredients.

Time Value of Money: The change of value of money with respect to time brings the concept of time value of money. Money available at the present time is worth more than the same amount in the future due to its potential capacity.

Diversification

It is never a good idea to put all your eggs in one basket. If you put your money into a variety of investments and one or two lose money, the others may gain to balance your investments. This is known as diversification. It is a way to reduce risk when you are making investments.
For Example you may decide to invest a part of your money in Fixed deposits, Gold, Shares, Mutual Funds etc. for diversification.

Investment in Securities Market

Securities can be broadly classified into two types:

A. EQUITIES

B. DEBTS

Securities are sold in the securities market.

FOR BETTER UNDERSTANDING

Primary Market:
When a company publicly issues new stocks and bonds for the first time, it does so in the primary market. In many cases, this takes the form of an initial public offer (IPO).

Secondary Market:
Secondary market is the market where securities are traded after the company has issued the stocks and bonds in the primary market. The shares are listed and traded on the stock exchanges which facilitates the buying and selling of stocks in the secondary market. Major SEBI recognized stock exchanges in India are BSE Ltd. (formerly Bombay Stock Exchange Ltd.) and the National Stock Exchange of India Ltd. (NSE).

Investments in securities market are done through primary market as well as secondary market. The difference between primary market and secondary market is that in the primary market, investors are allotted securities directly by the company, while in the secondary market investors buy securities from the existing investors through their stock brokers.

DO YOU KNOW?

Now, KYC process can be done online through Aadhaar based E-KYC mechanism

Know Your Client (KYC):

SEBI has prescribed KYC (Know Your Client) requirements for all security market investors. SEBI has allowed the use of technological innovations which can facilitate online KYC (e-KYC). The use of technology would facilitate the investors to complete the KYC without the requirement of physically visiting the office of the intermediary.

Equity

Equity is a part of a company, also known as stock or share. When you buy shares of a company, you basically own a part of that company and can expect a share of profit when the company makes profits. For public/listed companies, these shares are traded on stock exchanges which facilitate the buying and selling of stocks, thus providing a marketplace. Investing in equities is riskier and definitely demands more time than other investments.

Debt Securities

Debt Securities are those instruments such as bond, debenture, promissory note etc. with a fixed amount, a maturity date and usually with a specific rate of interest. These are often less risky than equities. When a company or government agency decides to take out a loan, it has two options. The first is to get financing from a bank, the second is to issue debt to investors in the capital markets. This is referred to as a debt issue.

Sovereign Gold Bond (SGB):

These are government securities denominated in grams of gold. They are substitutes for holding physical gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by Reserve Bank on behalf of Government of India.

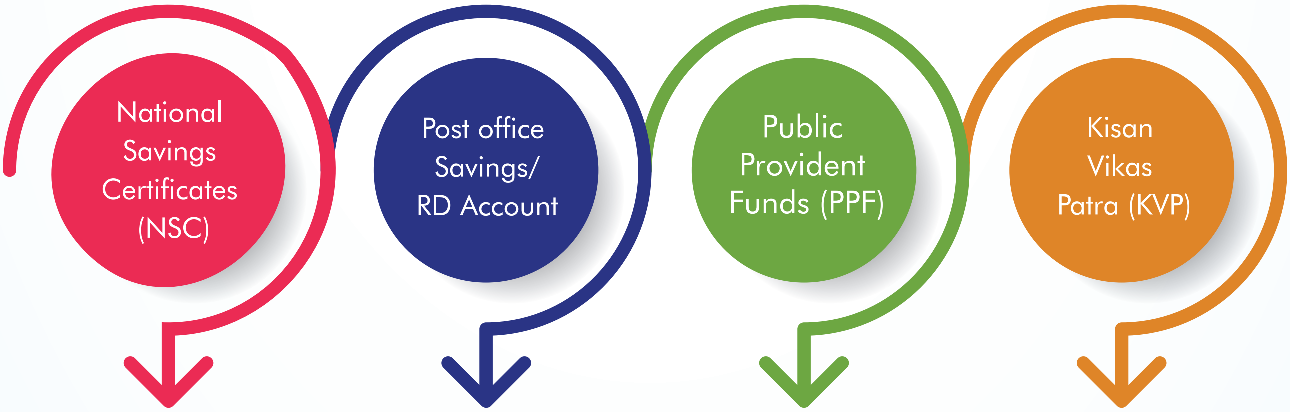
Real Estate Investment Trust (REIT's and INVIT's):

REITs are entities that own properties in the real estate sector and finance their development. This enable the investors to earn dividends from real estate investments—without having to buy, manage, or finance any properties themselves.

REITs and InvITs are Collective Investment Scheme that own properties in the real estate sector and infrastructure sector respectively and finance their development. This enable the investors to earn dividends from real estate and infrastructure investments—without having to buy, manage, or finance any properties themselves.

https://groww.in/p/invits-infrastructure-investment-trust
Real Estate Investment Trust (REIT) and InvITs (Infrastructure Investment Trust)

Investment in Government Schemes



- These schemes are recommended for investors looking for safe and fixed returns.
- The interest rate of these schemes are notified on Quarterly Basis with the approval of the Ministry of Finance.
- The post office schemes carry a sovereign guarantee on the entire amount invested, thus are considered highly safe.
- For further information on these and similar schemes please visit https://www.indiapost.gov.in/Financial/Pages/Content/Post-Office-Saving-Schemes.aspx

Mutual Funds

A mutual fund pools money from many investors and invests in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The combined holdings the mutual fund owns are known as its portfolio. Each unit represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate.

Equity Linked Savings Schemes (ELSS)

These are Mutual Fund investment schemes that help you save income tax (allows taxpayers to invest up to Rs.1.5 lakh in specific securities and claim it as a deduction from their taxable income).

Gold ETF

Gold ETF, or Exchange Traded Fund, is a commodity-based Mutual Fund that invests in assets like gold. These exchange-traded funds perform like individual stocks and are traded similarly on the stock exchange.

Systematic Investment Plan (SIP)

When a fixed amount at a fixed interval of time is invested in a Mutual Fund, it is called SIP, which is now becoming a trending future investment plan.

Advantages of SIP

01 Power of compounding :- Compounding occurs when the returns you earn on your investments start earning returns.

02 Flexibility to choose amount of SIP :- It allows oneself to decide the amount one wishes to invest each month in Mutual funds based on one's financial status.

03 Inculcates the discipline of investing regularly :- As one starts to invest regularly (monthly), a good habit is formed. Also it can be known as Good EMI.

Fore more information on Mutual Funds, its types, returns, etc please visit https://www.mutualfundssahihai.com/hi

Stocks

Investing in stocks means investing in shares of companies listed in stock market. In India, there are mainly 2 stock markets, Bombay National Exchange (BSE) and National Stock Exchange (NSE). Investing in stocks is subjected to market risk. Therefore, they are suitable for investors having adequate fundamental knowledge regarding stocks and stock market.

Because of the liquidity available in the investment, many investors tend to invest in stocks/Equities without adequate knowledge and end up with losses. Hence, for good returns, stocks for investment must be selected after thorough analysis and studies.
However, one needs to open an account called DEMAT account so as to buy stocks/equities.

Taking Investment Decisions

01

IDENTIFY INVESTMENT PURPOSE AND NEEDS

Investment should always be done with keeping goals in future. Many of our goals are almost similar. But the amount we need for the goals will vary depending on our income and lifestyle. Also, these goals must be follow SMART guidelines. Some of the common investment goals can be Emergency Funds, Electronic devices, Children's Education, Children's Marriage, Home, Car, Vacation & Pilgrimage, Financial Freedom and Retirement etc.

02

PRIORITIZE GOAL

All of us want to achieve many goals. But given the fact that financial resources (salary) are limited it may not be possible to achieve all goals together. Prioritizing goals will help us achieve goals faster.

03

ESTIMATE AMOUNT REQUIRED FOR THE GOAL

Most important factor in a Financial Goal is the amount. How much is required for the Goal? Lets say, Mr. X wants to purchase a smart phone of Rs. 50000. So in this case, the estimated amount is of Rs.50000.

04

ESTIMATE THE TIME WHEN THE GOAL WILL BE REALISED

This is the estimate of time as to when the goal will be realized or likely to happen. Lets say Mr. X as in above case, wants to buy the Smartphone within a year from now on. So Assuming Mr. X salary is Rs.15000 per month, he should start investing Rs.4166 per month to achieve the target goal at the year end.

Factors Affecting Investment Returns

We all need to be aware of the factors involved in investment returns. Some of them are :-

RISKS

Which risk to take and how much to allocate?

BEHAVIOURS AND ATTITUDES

- Procrastination
- Loss Aversion
- Herd Mentality
- Lack of Self-Control
- Heuristics and Biases

TRACKING AND MONITORING

Needed to take timely course correction and action.

TAXES

- Taxability of Returns
- Interest Income is Taxable
- LongTerm capital gains on Equity are Tax Free

INVESTING WITHOUT PURPOSE OR GOALS

Leads to wrong allocation of risk and many times assets have to be sold at distress or suboptimal returns

BROKERAGES AND COMISSIONS

Not Transparent and many times hidden.

RISKS

Demat Account Charges, Locker Charges.

TRACKING AND MONITORING

Compound Interest or Simple Interest?

Strategies for Investing

There are some strategies which can maximize our returns and minimize our tax implications.

▶ Take Full Benefit Of Sec 80 C

Section 80 C provides tax benefits upto “Rs. 150000”. Ensure that this tax benefit is taken by investing `150000 in EPF,PPF,NPS, ELSS Mutual Fund Schemes, NSC etc.

▶ Take Full Benefit Of Sec 80CCD (1 B)

In addition to 80C additional `50000 can be invested in NPS under Sec 80CCD(1b). Ensure this benefit is also taken.

▶ Select pay structure and companies which offer 12% contribution to EPF

If you have choice in selecting pay structure, select pay structure which contributes 12% of your basic to EPF. Remember employer must also contribute equal amount. So total contribution becomes 24%

▶ Whenever bonus/ bulk surplus is available either pay off loans or invest in SIPs of Mutual funds

Many a time in our life, there is opportunity to invest in bulk, whenever we get bonus, leave encashment etc., Use this opportunity to pay off some debt/loans or invest in instruments like mutual funds for long term needs.

6

INSURANCE

1. Life is full of uncertainties.

2. We face various risks in our day to day life including risks to our life, health, property, and so on.

3. No one can predict such unforeseen events.

4. The chances of these things happening to us may be very small. But mishaps do happen.

5. It's only when the event occurs, we realize that we should have taken the insurance cover for protection.

Insurance is a means of protection from financial loss and acts as a shield against the risk of a contingent or uncertain loss. Insurance provides security and peace of mind and the effective way of proving that you care for your loved ones.

As a new employee or a new entrant at workplace, you need to cover personal risks through Insurance. When a human life is lost or a person is disabled, there is a big loss not just physically but also financially. There is loss of income to the household. Though no human life can be valued, the loss of household income can be compensated in a little way. This has to be done by giving a monetary sum, either in lump sum or installments.

Lets go into detail of some essential insurance that one needs to buy for his/her protection

NEED FOR INSURANCE

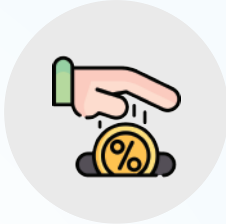
1. To ensure that your immediate family members have some form of financial support in the event of your death or disability to cover atleast the minimum daily expenses.

2. To fulfill and finance your children’s education and other needs.

3. To ensure that your loss of income due to serious illness or accident is compensated.

Auto Sweep Facility:

The auto-sweep facility is a combination of savings account and FD or fixed deposit account. It carries with it the advantage of both facilities. With an auto-sweep account, your savings account is linked to a fixed-deposit account and a monetary limit is defined. Whenever the amount in the savings account crosses that defined limit, the excess money is transferred automatically into the fixed deposit. This way, your savings account balance can earn a higher rate of interest than it would have lying in a plain- savings account. You can enquire with the banks to provide this facility.



Term Insurance:

Term Insurance are the most basic type of life insurance . They provide life insurance cover with no savings or profits component. They are the most affordable form of life insurance. The premium you pay is the cheapest. A fixed sum of money, called the sum assured is paid to the beneficiaries of the policy if the policyholder expires during the policy term. This is called the death benefit. If the policyholder survives, there is no pay out to the beneficiaries.This policy has a unique feature that the premium remains constant from the day of start of this policy to the maximum term of the policy.

Health Insurance:

In the recent times the cost of treatment has increased many folds. A simple visit to a doctor now costs anywhere between Rs. 300 to Rs.3000, depending on where you live. If your treatment requires you to stay in the hospital for a few days, you will end up with a huge medical bill that can severely drain out your savings. To avoid such financial shocks, we must insure ourselves. Every insurance company offers a health insurance plan that either covers costs of hospitalization or provides a fixed sum insured to the insured member on the diagnosis of named critical illnesses. It is important for an individual to understand the medical cover/insurance provided by the employer and the benefits thereon. Mostly all employees will be covered sufficiently under group health insurance plan in their organization. However , if one feels that this insurance cover is also less, then he /she may go for additional health insurance cover by paying some extra amount that too with extra riders and benefits.

DO YOU KNOW?

Insurance Regulatory and Development Authority of India(IRDAI)- the regulator of Insurance industry in India has launched multiple STANDARD PRODUCTS ON LIFE INSURANCE like Arogya Sanjeevani, Corona Kavach etc. For more information, please visit https://irdai.gov.in/standard-products-health-insurance

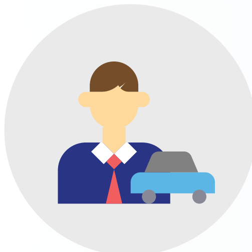
Personal Accident Insurance

General and health insurance companies registered with IRDAI also provide coverage against personal accidents. The personal accident (PA) policies cover the risks of death or permanent or temporary total / partial disability due to accident. PA policies may be purchased by an individual directly from the insurance company or through an agent or insurance intermediary. Again the company where an individual is working may also take group personal accident covering all employees of company.

Vehicle/Motor Insurance

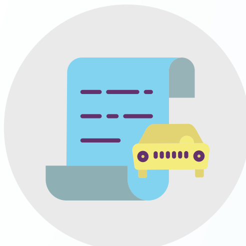
Vehicle Insurance (also known as Motor Insurance/Car Insurance/ Auto Insurance) is an insurance purchased for vehicles plying on the road. Its primary objective is to provide protection to the vehicle owners against the risk of any legal liability and/or accidental damage to the vehicle. The coverage for vehicle insurance is of two types:

Motor Third Party (TP) Liability Insurance



Third Party Insurance is a statutory requirement and every vehicle plying on the road should mandatorily obtain this insurance. The owner of the vehicle is legally liable for any injury or damage to third party life or property caused by or arising out of the use of the vehicle in a public place. Driving a motor vehicle without insurance in a public place is a punishable offence. The insurance policy covers damage to someone else's property or injury or death of other persons resulting from an accident for which the insured is judged legally liable.

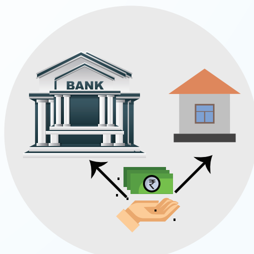
Motor Own Damage (OD) Insurance cover:



It covers accidental damage caused to the insured vehicle. There are policies covering either or both of the above covers. It is important to examine your policy to understand what is covered.

Other Insurances

Home Loan Insurance



Whenever an individual wishes to buy a house, he/she may opt for a home loan insurance cover provided by the banks/FIs from where he/she is taking a loan. This will ensure that the loan EMIs are paid by the insurance company to the bank/FIs in case of unforeseen death of the earning member /loan taking individual.

Home Insurance

Home Insurance provides cover for home building and home contents. IRDAI has introduced 'Bharat Griha Raksha', a new standard product to cover home against wide range of perils such as Fire, Explosion/Implosion, Lightening, Natural Catastrophes (Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Tsunami, Flood, Inundation, Earthquake, Subsidence, Landslide, Rockslide), Forest, Jungle and Bush fires, Impact Damage of any kind, Riot, Strike, Malicious Damages, Acts of terrorism, Bursting and overflowing of water tanks, apparatus and pipes, Leakage from automatic sprinkler installations and Theft within 7 days from the occurrence of any of the aforesaid events.

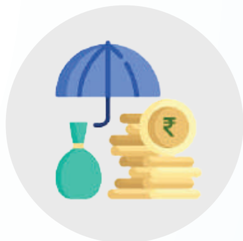
Travel Insurance

Comprehensive Travel Insurance provides emergency medical cover, losses incurred due to unforeseen cancellation or having to cut your trip short, death and disability cover, personnel liability cover, luggage cover etc.

Endowment Policy:

Endowment plans contain life insurance, but they also have a maturity benefit. Unlike term plans which pay out the sum assured only in case of death of the policyholder, an endowment plan pays out the sum assured under both scenarios i.e. death and survival. The premium charged is more expensive than term plans

Unit Linked Insurance Policy:



This is combination of Investment and Protection Plan. The investment risk in portfolio is borne by the Policy holder.

Government Insurance Schemes

Employees at workplace can also avail the following government insurance schemes.

PRADHAN MANTRI SURAKSHA BIMA YOJANA (PMSBY)

- The scheme is a one year cover Personal Accident Insurance Scheme, renewable from year to year, offering protection against death or disability due to accident.
- All individual (single or joint) account holders of participating banks / Post office, in the age group of 18 to 70 years are entitled to join provided they give their consent to /enable auto-debit from their bank account.

- The benefits payable under the scheme on death or disability due to accident are as follows:

a	**Death**	**Rs. 2 Lakh**
b	Total and irrecoverable loss of both eyes or loss of use of both hands or feet or loss of sight of one eye and loss of use of hand or foot	Rs. 2 Lakh
c	Total and irrecoverable loss of sight of one eye or loss of use of one hand or foot	Rs. 2 Lakh

- Premium payable is Rs.20/- per annum per member.
  For More information please visit: https://jansuraksha.gov.in/

PRADHAN MANTRI JAN AROGYA YOJANA (PMJAY)

Ayushman Bharat PM-JAY is a Government of India health assurance scheme which aims at providing a health cover of Rs. 5 lakhs per family per year for secondary and tertiary care hospitalization across public and private empanelled hospitals in India. The benefits of INR 5,00,000 are on a family floater basis which means that it can be used by one or all members of the family.

Key Features

- Provides cashless access to health care services for the beneficiary at the point of service, that is, the hospital.
- Covers up to 3 days of pre-hospitalization and 15 days post-hospitalization expenses such as diagnostics and medicines.
- No restriction on the family size, age or gender.
- All pre–existing conditions are covered from day one.
- Benefits of the scheme are portable across the country i.e. a beneficiary can visit any empanelled public or private hospital in India to avail cashless treatment.

For more information, please visit : https://pmjay.gov.in/

PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA (PMJJBY)

- The scheme is a one-year cover term life insurance scheme, renewable from year to year, offering life insurance cover for death due to any cause.
- All individual (single or joint) account holders of participating banks / Post office, in the age group of 18 to 50 years are entitled to join provided they give their consent to /enable auto-debit from their bank account.
- Rs.2 lakh is payable on a subscriber's death due to any cause.
- The premium payable is Rs.436/- per annum per subscriber.

For More information please visit: https://jansuraksha.gov.in/

General Instructions on Buying Insurance Products

01 Purchase from Registered Insurance companies directly or through

- Registered Corporate Agents or Individual Agents
- Licensed Insurance Brokers
- Licensed Web aggregators
- Registered Common Service Centres (CSC's)
- Registered Insurance Marketing Firms (IMF)

02 Verify genuineness before making payment

- Ask for Identity proof of the person soliciting Insurance
- Ask for Contact details of the person or entity particularly in case of telesales
- Check IRDAI Website
- Check with Insurance
- Companies about Corporate Agents and Individual Agents
- Pay premium cheque only in the name of Insurance companies and never in the name of individual

03 Life Insurance Policy mainly provides risk coverage for life

- Read policy document carefully
- Check the mode of premium
- Payment, term of the policy, maturity benefits, lock in period, surrender value
- Ensure that terms and conditions mentioned in the policy are same as that of proposal
- If terms are not the same policy can be returned within the period of 15 days. You are entitled for refund of premium after deducting proportionate risk premium, expenses incurred for medical examination, stamp charges
- Pay premium regularly
- Inform family members about the purchase of insurance policy and benefits, especially to nominee

04 Ensure the following while purchasing Insurance

- Read the prospectus and proposal carefully
- Fill in the details in the form before signing
- Retain proposal copy for reference
- Insurer has to provide proposal form within 30 days of acceptance of the proposal.
- Collect this document along with policy
- Collect policy document promptly

05 Choose the insurance product suitable for your needs

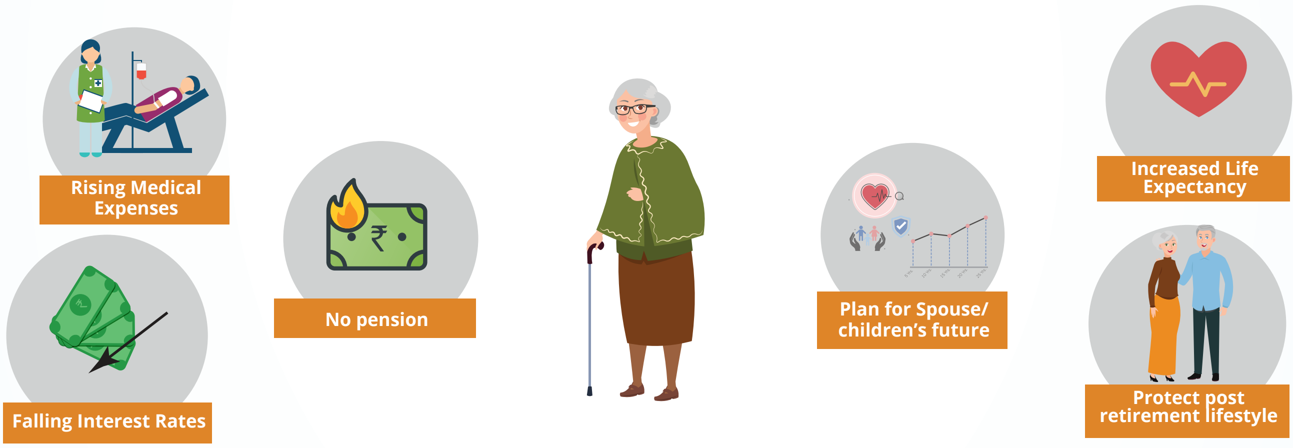
- Life stage, financial position and requirements
- Be clear with purpose of the policy
- Long term savings
- Hospitalization expense
- Cover
- Old age pension
- Statutory requirements
- Benefits offered in terms of adequacy of sum assured
- Tax benefits

7

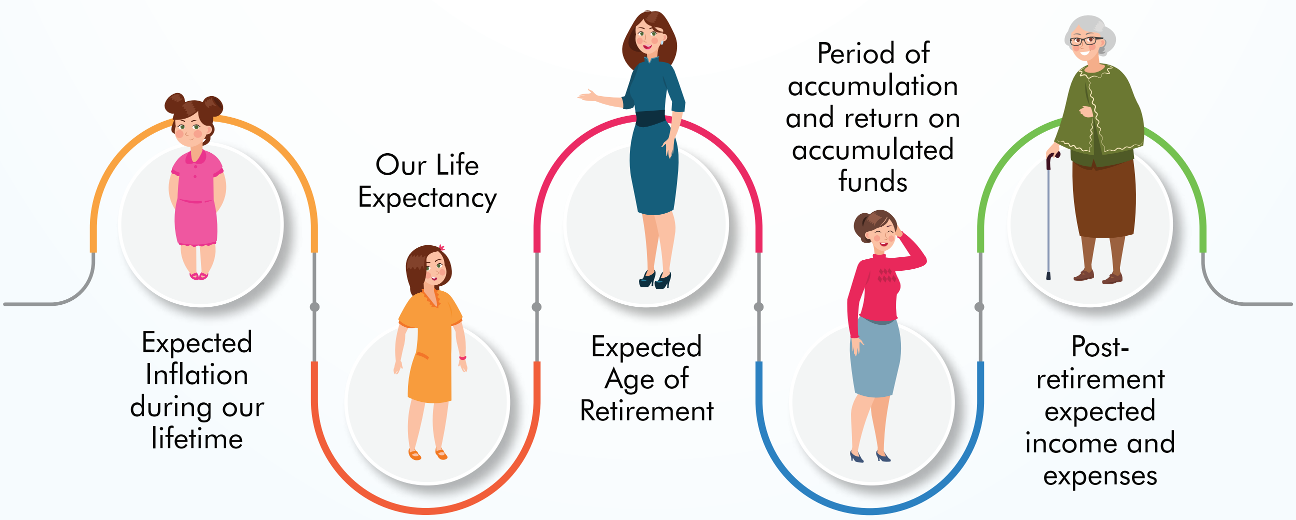
RETIREMENT AND PENSION

After a full and productive working life, we look forward to having a healthy, active and secure retirement. Whether we retire early or work well into our senior years, we want to know whether will we be financially secure in our post retirment life. Will we have enough money after our retirement?

Why is retirement planning required?



Points to keep in mind for Retirement Planning



BEWARE !!!!

Never Fall prey to fictitious offers made by spurious callers promising high returns or unreasonable gains involving sale or redemption.

Never fall prey to calls made in the name of IRDAI offering bonus or profits on Investment. IRDAI neither declares bonus nor involves in sale of any king of Insurance or Financial Products.

If any unlicensed intermediaries or unregistered insurers solicit insurance, file FIR with police and intimate IRDAI.

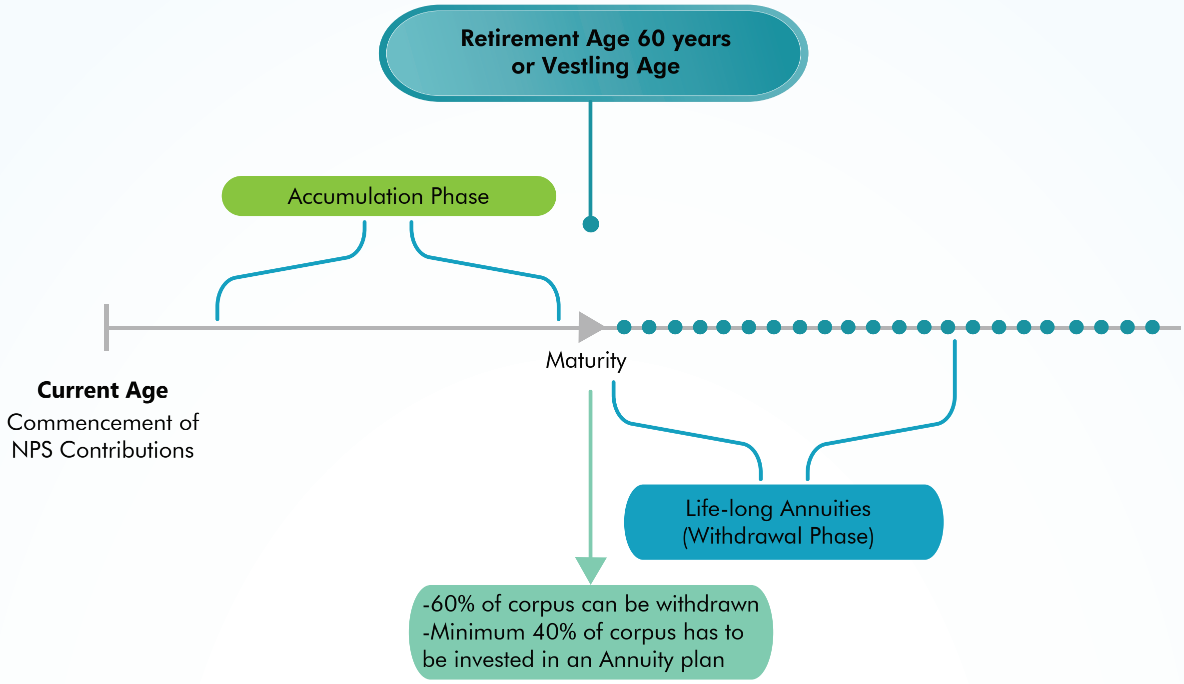
Inflation is the rising cost of consumer goods and services. It affects retirement needs in two ways. First the cost of goods that we buy increases which means for buying the same amount of good we need to pay more. Second, due to inflation our retirement savings also lose value. The risk of living longer (increasing life expectancy) needs to be taken into account. The life expectancy at 60 is increasing and hence requires higher provisioning to take care of after retirement life and also to maintain the same standard of living. All these must be taken into account when you are creating your retirement fund.

Some of the government schemes for retirement planning are mentioned below :-

NATIONAL PENSION SYSTEM (NPS)

NPS is a defined contribution retirement scheme introduced by Government of India and regulated by PFRDA to provide financial security and stability during old age when people do not have a regular source of income. Scheme is voluntary and open to all citizens of the country who are between the age of 18 and 70 years. By subscribing NPS one will be able to save and invest systematically during his/her working life. A minimum -investment of Rupees 500 per year is required to subscribe the scheme. When one retires, normally after age 60, one will get a part of the money as a lump-sum and the remaining gets invested in any annuity scheme of his/her choice for providing pension on monthly basis. Investments in NPS, up to a certain limit, are also income-tax exempted. (Current limit as on 1st September 2021 is Rs.2,00,000/year).

HOW NPS WORKS?



NPS provides combination of various asset classes i.e. equity, corporate debt, government securities and alternative investment class. Thus, helps investors to diversify their investments. Further, subscribers who are having limited knowledge and understanding of investments and asset allocation, may opt for any of the three life cycle funds (conservative, moderate and aggressive) which provides for automatic diversification by distributing the assets across asset classes in pre-defined manner, on the basis of the age of the subscribers.
Exit from NPS is permitted on following 3 conditions:

1. Conditional partial withdrawals are allowed upto 25% of the contributions made by the subscriber, after 3 years of joining NPS.
2. Exit before 60 years of age or superannuation age: Premature exit with 80% Annuity purchase & 20% lump-sum.
3. Exit at 60 years of age or superannuation age: Min. 40% Annuity purchase & Max. 60% lump-sum.

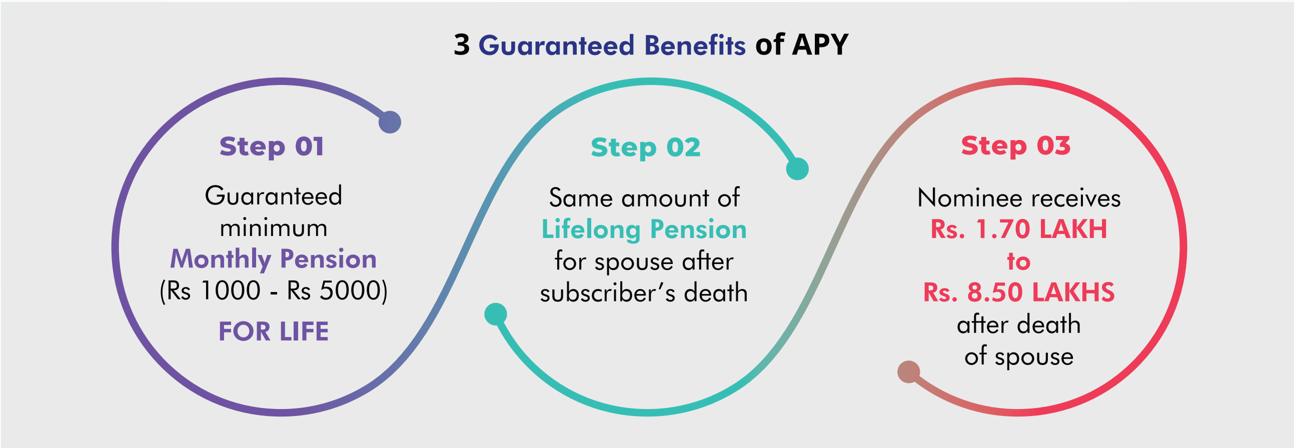
Benefits of NPS

- Flexible
- Simple and Tax efficient
- Portable
- Regulated and Transparent
- Dual benefit of Low Cost and Power of Compounding
- Online Access

For more information visit :https://www.pfrda.org.in

Also one can calculate the pension one can receive after retirement by using pension calculator http://www.npstrust.org.in/content/pension-calculator

ATAL PENSION YOJANA (APY)



The Government of India is concerned about the old age income of the working class especially in the unorganized sector and is focused on encouraging and enabling them to save for their retirement. Any citizen of India who is between 18 and 40 years can join APY for receiving a guaranteed minimum pension of 1000 to 5000 rupees per month after the age of 60 years. To join APY you need to have a savings bank account. Contribution to this scheme is as low as Rs.42 at the age of 18 for getting the pension of Rs. 1000. Since the contribution increases with the age, it is always beneficial to join the scheme at early age.

When you join the APY, you are making sure that when old age comes, you are prepared for it as this scheme provides Triple Benefits on attaining the age of 60 years.

Benefits of NPS

- Guaranteed Pension
- Choice of Minimum Pension Slabs
- Auto Debt of contribution
- Guaranteed Pension to the spouse
- Return of pension wealth to the nominee

The monthly pension would be available to the subscriber for his/her lifetime, and after demise of the subscriber, same amount of pension will be given to spouse of subscriber and after death of both subscriber and spouse, the pension corpus, as accumulated at age 60 of the subscriber, would be returned to the nominee of the subscriber. In case of premature death of subscriber (death before 60 years of age), spouse of the subscriber can continue contribution to APY account of the subscriber or can withdraw fund accumulated in APY account. For more information visit https://www.pfrda.org.in

Also one can calculate the tentative pension amount that the APY subscriber may expect on maturity or 60 years of age at https://npstrust.org.in/apy-calculator

EMPLOYEE PROVIDENT FUND SCHEME

The Employee Provident Fund (EPF) is a retirement benefits scheme in which employees of an organisation contribute a small portion of their basic pay monthly. In the same line, the employer also contributes a similar amount on their behalf towards the scheme. It is a social security scheme provided by EPFO, which makes provisions for pensions for the employees in the organized sector after the retirement at the age of 58 years. For more information, one can visit https://www.epfindia.gov.in/

OTHER PENSION PLANS

In India, apart from the Government promoted pension schemes, there are pension plans offered by some public sector and private sector entities as well. These pension plans along with the retirement planning, provide investment opportunities and other additional benefits. Some of these pension plans are as under:

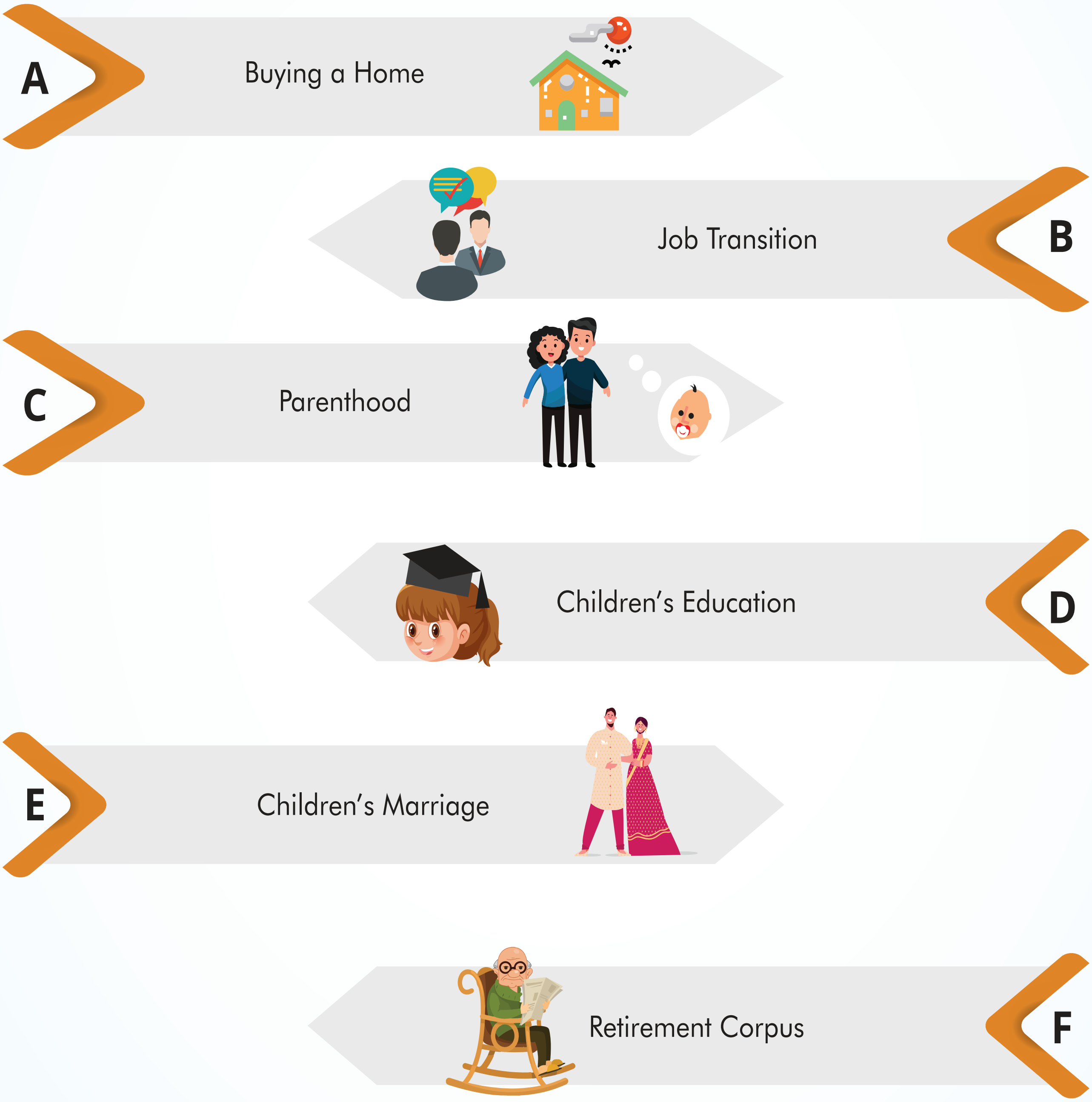
- i) Pension Plans with Life Insurance Cover like the ULIP (unit Linked Insurance Plan) are a combination of life insurance and pension.
- ii) Pension Fund Oriented Hybrid Mutual Funds
- iii) Immediate Annuity Plans provide annuity payment of a stated amount through out the life time immediately after depositing the amount towards the annuity fund

Retirement Planning

Retirement planning is the process of planning and managing your short and long-term finances to help achieve your financial dreams both during your working years and retired life. It involves analysing your financial objectives, current financial position and expected future cash flow to develop a comprehensive retirement roadmap.

What are the benefits of Retirement Planning?

Retirement planning helps you maintain your desired lifestyle during old age. It helps you plan for key life stage events leading upto retirement. It provides financial security to you and your dependents by enabling you to make prudent investments during your working years. It also enables you to make the best use of your hard-earned money post retirement. One of the key benefits of effective retirement planning is to cover for any contingencies arising from uncertain events which can compromise your ability to meet your financial goals.
There are various kinds of needs and life-events, some of which are listed below:

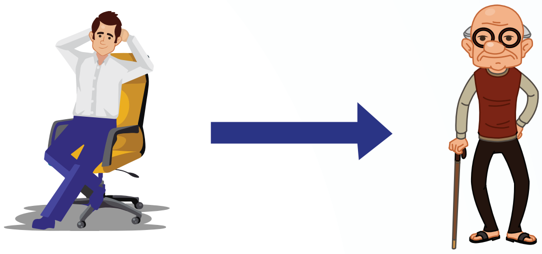


Sample Retirement Planning Example:-
Planning for retirement should be one of the most important financial goal, since no other goal needs as much money as post retirement expenses for most of us. We may have to make certain assumptions while estimating the corpus required for our retirement.

Retirement Planning assumptions :-

- Expected inflation during our life time
- Our Life Expectancy
- Expected rate of return on our investment post retirement
- Expected age of retirement
- Estimated annual expenses of retired couple for the current year

In general, most of us do start our working career at the age of 25 and continue till 60 years and whereas average post retirement life is from 60 to 80 years.



Retirement Planning and estimating corpus required for managing post retirement expenses can be done in three steps and is explained using an example below with assumptions.

01

Step 1: Calculating expected annual expenses during first the year of retirement
For e.g. if we assume
Present age of Individual :- 30 years
Present annual expenses of individual : Rs.3.6 Lakh
Present Inflation : 7%
Expected age of retirement : 60 (or number of years left for retirement is 30 years)
Expected annual expenses during the first year of retirement would be = Present annual expenses of individual * (1+inflation)^number of years left for retirement
360000*(1+0.7)^30 = Rs.27,40,412

02

Step 2: Calculating Real Investment return post retirement
If we assume that the present inflation of 7% p.a is likely to continue and expected return on post retirement as 8% p.a, the real return on investment after adjusting for inflation is

$$\text{Real Return} = \frac{\text{Nominal Return- Inflation}}{1+ \text{Inflation}}$$

Real Return = (8% - 7%)/ 1 + 0.07= 1/1.07 = 0.93%.

03 Estimating the corpus required for managing post retirement years

The final step is to estimate the corpus required for managing post retirement expenses. The corpus estimated should be available on the day of retirement, so that the post retirement expenses can be managed. In order to estimate the corpus, we need to make assumptions on life expectancy.

For e.g. if we assume life expectancy to be 80 years, then number of years of post retirement will be 20 years.

The estimated annual expenses of Rs.27,40,412 growing at 7% p.a will be required every year for 20 years during post retirement years.

Since in this case we are expecting a real rate of return of 0.93%, the total retirement corpus required can be calculated using the time value of money equation as follows

2740412 + {2740412/(1+real return)} + {2740412/(1+real return)^2} +...... + {2740412/(1+real return)^19}
= Rs.4,98,02,540

So an individual having current annual expenses of Rs.360000 and presently aged 30 years will have to have a corpus of Rs. 4,98,02,540 at the end of 60 years to maintain the same lifestyle as of today after 30 years.

7

CONSUMER PROTECTION AND GRIEVANCE REDRESSAL

Financial fraud or scam is a growing problem in today's world. Every year we hear new stories about people losing all their money by investing in illegal schemes. But this has not stopped others from falling prey to these schemes. This is because criminals are very creative and they keep changing their tactics to find new victims. You can keep your money safe by being aware of these risks. Do you know someone who is a victim?

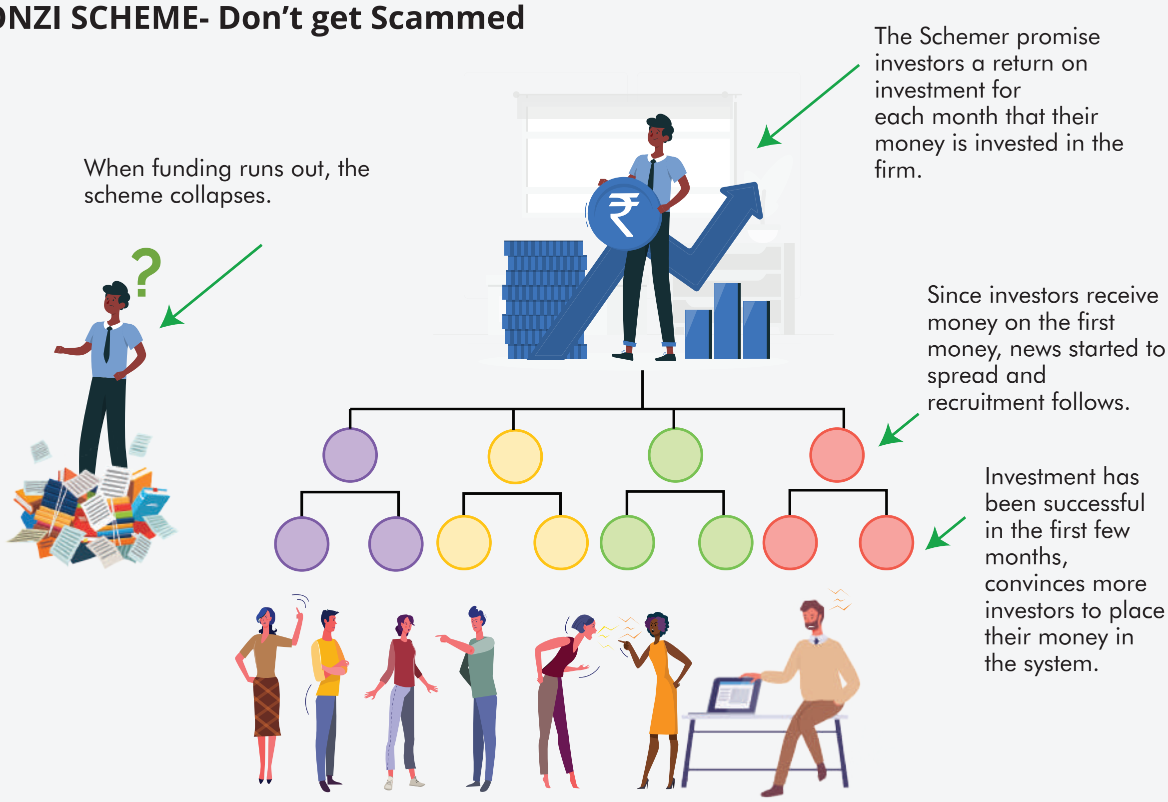
The first step in protecting yourself against fraud or scam is knowing what it is and how to recognize various types of fraud or scam

Types of Fraud or Scam

Fraudsters and scamsters target people in a variety of ways: through email and on the telephone, when victims are making investments or by stealing personal information

BEWARE:

PONZI SCHEME- Don't get Scammed



MASS MARKETING FRAUD

You receive a fraudulent email that looks like it comes from a legitimate company, asking you to click on a link that brings you to a fake website. To be safe, never invest, donate or make purchases on the phone unless you can validate the company's existence.

INVESTMENT FRAUD

Someone recruits you to invest in a business or to buy merchandise to sell. You are expected to recruit new members. After a while, new people stop joining. That's when the promoters vanish, taking your money with them.

LOTTERY SCAM

"Congratulations! You've won the lottery/ sweepstakes/ big prize! All you have to do to claim your prize is send a small fee or tax payment." Legitimate contests don't charge fees for you to collect your prize.

CREDIT AND DEBIT CARD FRAUD

Credit card and debit card fraud happen when someone uses your card, card information or personal identification number (PIN) without your permission. Never share your PIN with anyone.

AFFINITY FRAUD

Fraudsters can win your trust more easily if you're part of a group of people who share a common cause, such as a religious or social organization. Scammers may ask investors to keep the matter quiet.

Caveat Emptor

There have been so many incidents across the world, depositors and investors have been shocked to hear news of their financial institution closing down and going onto bankruptcy. Also, incidents such as higher interest or charges on loans have also occurred causing distress to customers.

Caveat Emptor means "let the buyer beware". This means that the seller of the product can be held responsible for failures only if he gives a warranty or guarantee. Since most financial products do not carry any guarantee, the term "Caveat Emptor" becomes applicable to financial products. As consumer protection rules becomes stronger, "Caveat Emptor" will lose importance. However, this will only happen if buyers become more aware and vigilant and demand enough details before they buy a financial product. Fine Print: There is hardly any financial product communication that does not carry the symbol "*".

Whether it is fixed deposit, car loan, personal loan, home loan, attractive high interest on savings account/fixed deposits compared to normal rates offered by most competitors of the institution, product comparisons, product benefits etc., always look for "*" in the communication.

“EARN HIGH INTEREST RATE* ON SAVINGS ACCOUNT”

Banks offering higher interest on savings bank account may impose conditions “*” like higher minimum balance maintenance to receive higher interest. This condition will be available as fine print in small letters at the bottom of the communication.

DOUBLE YOUR MONEY IN TEN YEARS WITH 10%* RETURN

Some communication may show very high interest on fixed deposit, but “*” may reveal that what is offered is “Simple Interest” or “Yield”

Data Security

Phishing: The fraudulent practice of sending emails purporting to be from reputable companies in order to induce individuals to reveal personal information, such as passwords and credit card numbers, online.

Hacking: Breaking into computer systems and networks using bugs and other techniques.

Scamming: Creating a fraudulent scheme to dupe innocent people - have become very common and every day we hear more stories of and people like around us getting duped of lakhs of rupees.

NOTE:

No Bank/any financial organization requests for the detailed personal information through e-mail. No Bank/any financial organization sends e-mail requesting your PIN numbers, passwords or similar access information for credit cards and bank accounts.

If you receive an e-mail from someone claiming to be the authorized by bank or any financial organization or any department or directing, you to the website of the bank or financial organization or any department: It is advised to follow the below instructions compulsorily.

- Do not reply
- Do not open any attachments. Attachments may contain malicious code that will infect your computer.
- Do not click on any links. If you clicked on links in a suspicious e-mail or phishing website then do not enter confidential information like bank account, credit card details.
- Do not cut and paste the link from the message into your browsers, phishers can make link look like real, but it actually send you to different websites.
- Use anti-virus software, anti-spyware, and a firewall and keep them updated.

PLEASE DO NOT

- Click on unknown / unverified links and immediately delete such SMS / email sent by unknown sender to avoid accessing them by mistake in future.
- Enter your UPI PIN / password anywhere to receive money. If UPI or any other app requires you to enter PIN to complete a transaction, it means you will be sending money instead of receiving it.
- Download an application from any unverified / unknown sources or on being asked/ guided by an unknown person
- Write the ATM PIN on your ATM card and enter the PIN in the presence of any other / unknown person standing close to you. Also do not give your ATM card to anyone for withdrawal of cash.
- Share any identity credentials pertaining to your SIM card.
- Call the numbers directly displayed on the search engine results page as these are often camouflaged by fraudsters.
- Scan any QR code to receive money. Transactions involving receipt of money do not require scanning barcodes / QR codes or entering mobile banking PIN (m-PIN), passwords, etc.
- Respond to messages offering / promising prize money, government aid and Know Your Customer (KYC) updation to receive prize money from banks, institutions etc.
- Make payments on unknown job search websites. Always remember that a genuine company offering a job will never ask for money for offering the job.
- Respond to emails asking for your bank account details. Do not get carried away by attractive offers / commissions and give consent to receive unauthorised money and to transfer them to others or withdraw cash and give it out for a handsome fee.

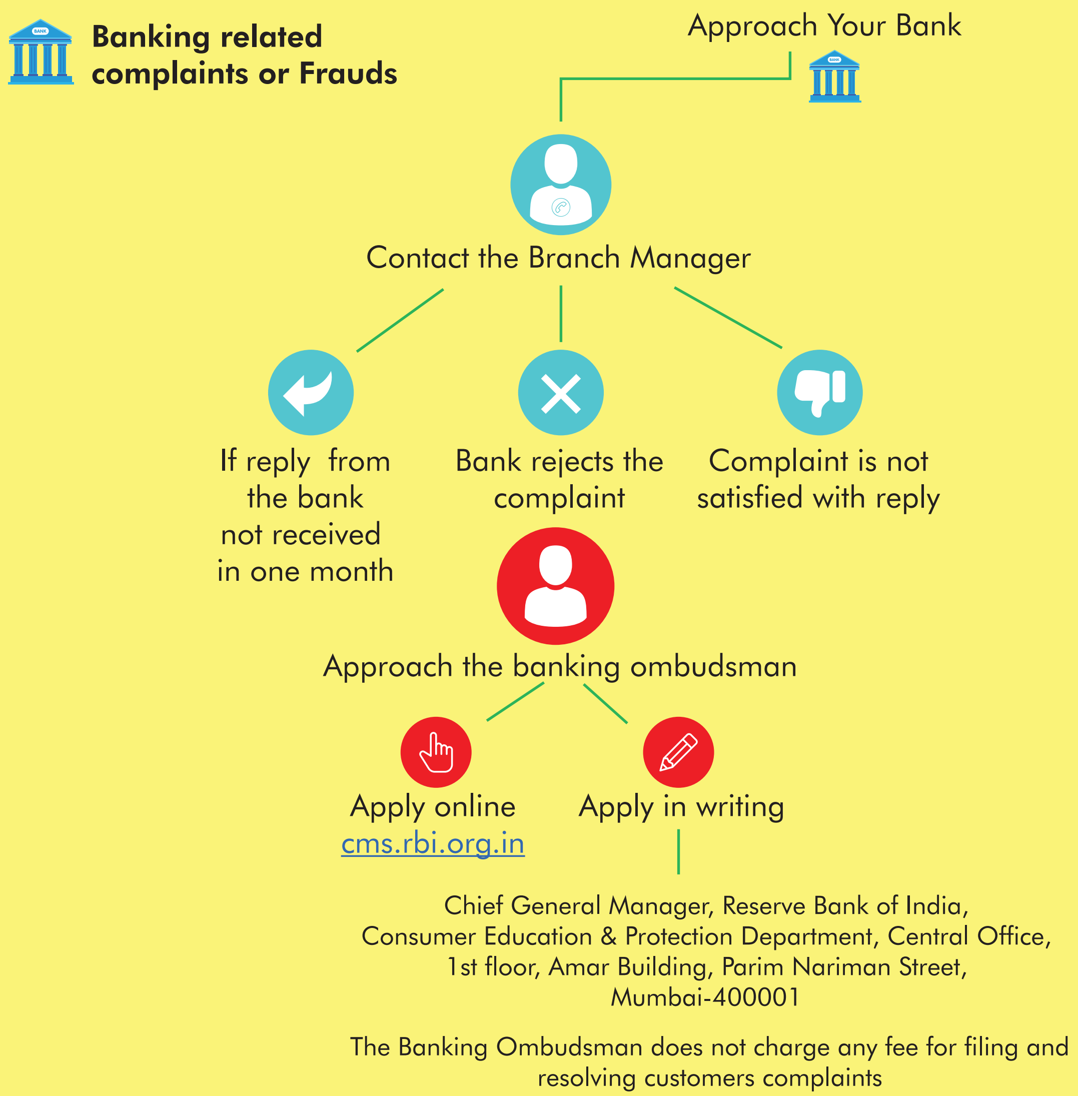
To learn more about modus operandi adopted by fraudsters and the the precautions to be taken while carrying out financial transactions please read the book

https://rbidocs.rbi.org.in/rdocs/content/pdfs/BEAWARE07032022.pdf

Please Call National Cyber Crime Reporting Portal
Helpline Number -1930 (Working 24x7) For Immediate Reporting Of Financial Frauds

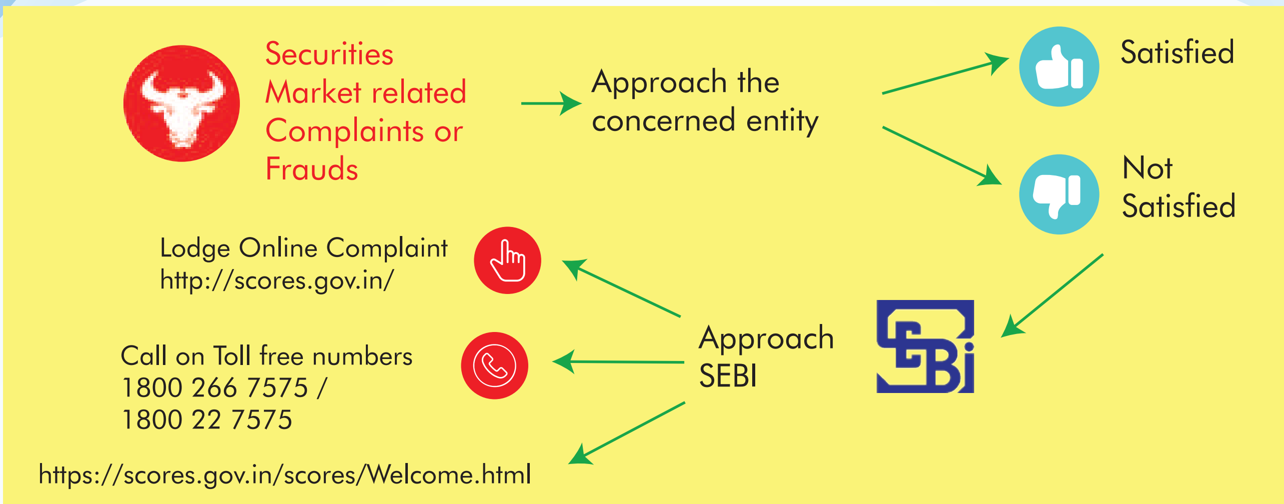
Grievance Redressal – Banking, Investment, Insurance and Pension

1. Banking-RBI



CMS: Complaint Management System

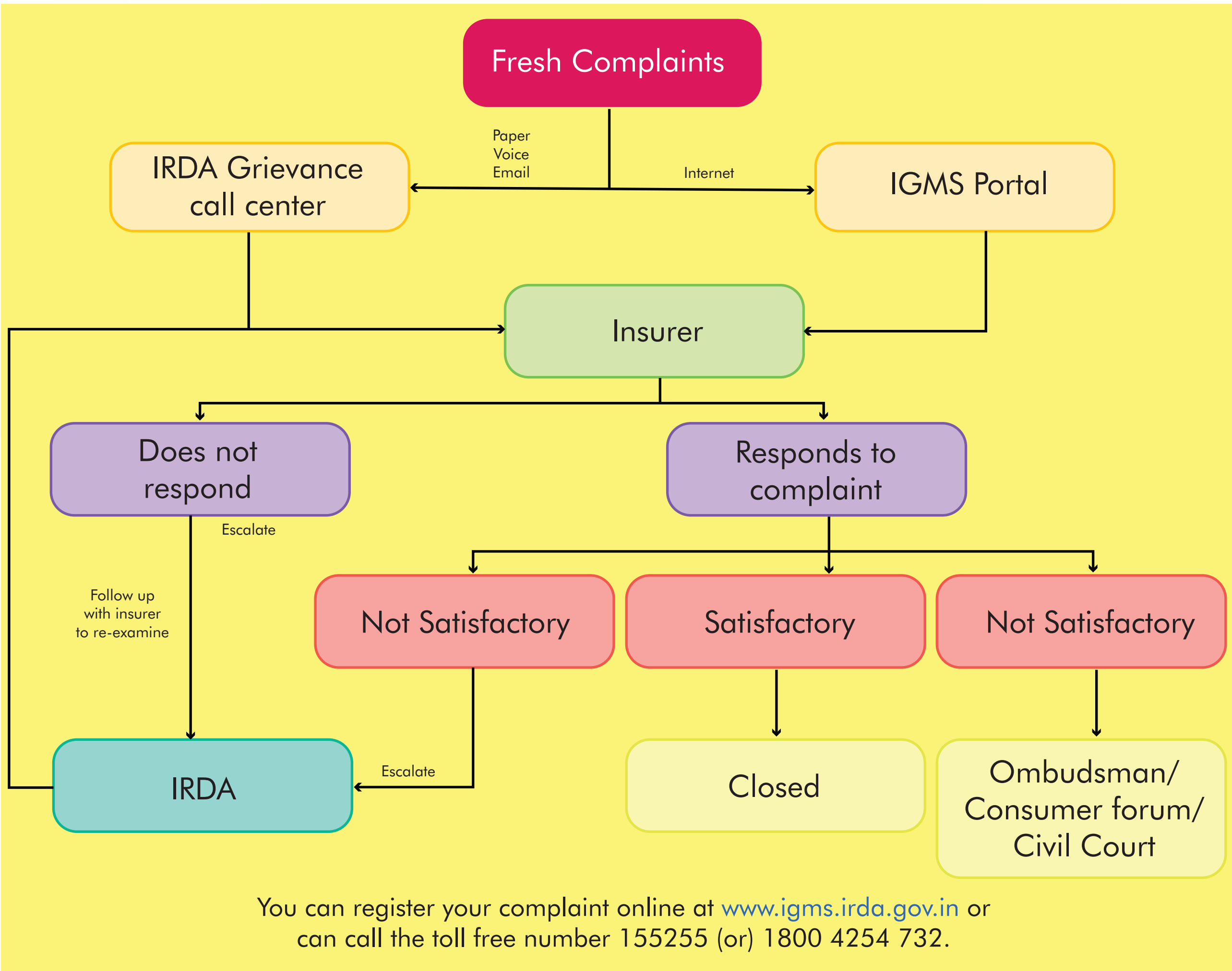
2. Investment-SEBI



SCORES-SEBI Complaints Redress System

- -

3. Insurance – IRDAI



IGMS-Integrated Grievance Management System

- -

Subscriber

01 Web based interface of CRA

02 Call centre/ Interactive Voice Response System (IVR) of CRAs through the use of T-pin allotted to raise the grievance

03 Physical form submission to concerned POP-SP

Central Grievance Management System (CGMS)
Flow of grievance-CGMS Central

Concerned Intermediary
Timeline: 30 days*
Mode : CGMS/ Email/ Written Application

NPS Trust
Timeline: 30 days*
Mode : CGMS/ Email/ Written Application

Ombudsman
Timeline: 90 days*
Mode : Written Application

Designated Member of PFRDA
Timeline: 60 days*
Mode : Written Application

Securities Appellate Tribunal (SAT)

NOTES

LIST OF IMPORTANT WEBSITES FOR REFERENCE

1	NCFE	https://ncfe.org.in/
2	RBI	https://www.rbi.org.in/
3	SEBI	https://www.sebi.gov.in/
4	PFRDA	https://www.pfrda.org.in/
5	IRDAI	https://www.irdai.gov.in/
6	Ministry of Finance	https://finmin.nic.in/

Ministry of MSME https://msme.gov.in/

Ministry of Corporate Affairs
https://www.mca.gov.in/content/mca/global/en/home.html

Ministry of Commerce https://commerce.gov.in/

Small Industries Development Bank of India (SIDBI)
https://www.sidbi.in/en

The Institute of Chartered Accountants of India
https://www.icai.org/

The Institute of Cost Accountants of India
https://icmai.in/icmai/Webint-CAT.php

The Institute of Company Secretaries of India
https://www.icsi.edu/home/

Industry Ministry of Heavy Industries https://dhi.nic.in/

Follow us on / ncfeindia

022 68265115 www.ncfe.org.in info@ncfe.org.in

6th floor, NISM Bhavan, Plot No. 82, Sector-17, Vashi, Navi Mumbai - 400 703