MONEY MATTERS

Managing your money can be tricky. Send your queries, and personal finance experts will help you resolve any issue.

Income Tax

Dheeraj Kumar: I work for a public sector undertaking and invest in mutual funds. In the previous financial year, I sold off some units in three MFs and made a profit of about ₹12,000. So, which ITR form should I submit and what kind of information should be given regarding MF investments?

Sandeep Sehgal, Director (Tax & Regulatory) at Ashok Maheshwary & Associates, replies:
While salary and interest incomes are taxed as per applicable rates, you need to pay capital gains tax on MF redemption. Submit ITR-2 to declare these incomes, classify whether these are short-term or long-term gains and mention the same in Schedule CG.

Investment

Mohan Arumugam: I am working in Singapore for the past four years and my monthly salary is ₹1,53,000. Out of that, I have to pay ₹65,790 a month for my credit card, home loan and personal loan. How should I invest the remaining amount while settling my debt, especially my credit card dues and the personal loan, which cost me ₹20,000 per month?

Jason Monteiro, AVP (Mutual Fund Research and Content) at Prabhudas Lilladher, replies:
Ideally, you should be paying off high-interest debts first as high credit costs should not eat into your wealth. Banks/financial institutions usually charge 15 per cent or more (per annum) for credit cards and personal loans as these are unsecured debts. If you have a significant amount of outstanding debt on your credit card, it is best to increase your monthly payments towards the card.

After setting aside the money for debt repayments and necessary expenses, invest the rest in equity and fixed income assets based on your risk profile and investment horizon. For example, if you have high risk tolerance with an investment horizon of five years or more, you may invest 80 per cent in equity and the balance 20 per cent in debt assets. For a shorter period, say, for three years, you may invest 50 per cent in fixed income assets and the rest in equity. To begin with, mutual funds should be an ideal route as you get exposure across asset classes and the convenience of investing via SIP. You can also opt for hybrid mutual funds for tax-efficient returns.

Health Insurance

Rajat Bhaseen: I am planning to buy a family floater plan which will cover my wife and daughter. What should be the ideal amount?

Roopam Asthana, CEO and Whole Time Director at Liberty General Insurance, replies:
Buying a health insurance cover for the entire family is essential. When a member of the family falls ill and hospitalisation is required, it will cost you a lot. However, a family floater plan will help reduce the financial burden and conserve your savings. Also, with medical expenses rising year on year, your concern regarding the right amount is entirely valid. First, evaluate all other benefits a policy offers (both inclusions and exclusions) along with the limits. Next, consider a situation where more than one member of your family may require hospitalisation in the same year. I recommend a family floater plan of ₹10 lakh or more, depending on your location, medical history and current health conditions of the family, their lifestyle, stress levels and other pertinent factors. You may also purchase a basic family floater plan of ₹10 lakh and then buy a top-up/super top-up plan to increase the sum insured, but the premium will be less. BT

Please send your queries to moneytoday@intoday.com