

The right loan for used car

FOR A SMOOTH RIDE The vehicle you buy should fulfil your needs. Make sure you check the condition and registration date of the car. Talk to a car dealer if need be and negotiate for better interest rates on loans

Ashfaque Ismail
ashfaque.ahmed@htlive.com

MUMBAI: In April, Pune-based Parth Shukla, 30, a mechanical engineer, bought a used Volkswagen Jetta 2012 model for ₹8.5 lakh. A new Volkswagen Jetta costs between ₹14lakh and ₹25lakh. "I wanted to buy a car in the range of ₹8lakh-₹10 lakh. I took a used car loan from ICICI Bank at 10.99% interest rate for a tenure of four years," said Shukla.

Prior to buying the car, Shukla had rented self-drive cars. He believes driving 8-10km is not enough to assess a car's condition. Before zeroing in on Jetta, he shortlisted 8-10 cars, including Mahindra XUV500 and Renault Dexter.

CHECK LIST

If you plan to buy a used car like Dubey, look for one that fulfils your needs. A case in point could be Mumbai-based Mohit Dubey, chief executive officer and founder of Chalo and former CEO of Carwale, who bought a BMW for ₹45lakh, ₹8lakh to ₹10lakh less than the actual price, three years ago. The car had covered 6,000km.

It is important that you check the condition of the car, registration date and miles covered.

Ensure the spare parts are available and it gets after-sales service.

Talking to a car dealer is a good idea. Check the car's dealer service record in service book to get an idea of whether the car is damaged or poorly maintained.

"Buying a car from a reputable or

trusted dealer means you are not buying a car that has been tampered with," said Mumbai-based Imran Khan, 38, who works as supervisor at an oil rig in KG Basin field, and bought a Hyundai i20 Aastha 2013 model that had travelled 46,000km for ₹3 lakh in May. Currently, the cost of the new model is ₹9.5 lakh.

You need to check the colour, under body, breaker bumps, engine rust and condition of the engine bracket.

If there is a difference in the colour, don't buy the car as it means it was damaged.

INTEREST RATE

The interest rate on used car loans is higher than that for new cars. It ranges between 10.50% and 18% an annum, depending on how old the car is. You can use online aggregators to compare used car loans.

Usually, banks lend up to 80-85% of the value of the amount. However, there are financial institutions that offer a higher loan-to-value ratio.

Don't forget to ask about foreclosure charges, part-prepayment charges, stamp duty, processing fee and other administrative costs.

For instance, most banks don't allow you to foreclose a loan within six months.

To allow a foreclosure, the banks charge up to 6% of the outstanding amount, depending on the duration. The processing charges are usually 1-2% of the loan amount or a flat fee.

So don't just look at the interest rate. Factor in other costs as well.

STEP-BY-STEP GUIDE TO TAKE A USED CAR LOAN

STEP 1 CHECK THE INTEREST RATE %

Do your research. Don't opt a loan from a bank just because you have a banking relationship there. Shop around by comparing interest rates across banks and non-banking finance companies.

STEP 2 DO THE MATH ⚙️

Besides the interest rate, calculate your equated monthly instalment and other charges such as processing fee and other administrative costs.

STEP 3 DON'T OVER INDULGE 📊

If you can't afford the loan and think it is going to affect your monthly budget, evaluate your plan.



ILLUSTRATION: SUDHIR SHETTY

How investments change for NRIs



VISHAL DHAWAN

It is important to remember that your status as an NRI is different under the Foreign Exchange Management Act (FEMA) and the Income Tax Act. According to FEMA, you become a non-resident when you plan to move overseas professionally or for an indefinite period.

These are the things you should do before you leave:

BANK ACCOUNTS: Get your existing resident bank accounts redesignated to non-resident ordinary (NRO) bank accounts. While you probably have multiple resident bank accounts, rather than converting all of them to NRO, this is a great time to consolidate accounts. Managing multiple accounts when you are away and ensuring all of them are correctly reported for taxation purposes can be challenging. Decide which account you wish to hold as an NRO account for your India-related incomes such as rent and dividends, and close the rest. Follow the same process with your bank deposits. In addition, open a non-resident external (NRE) account, so you can use that to remit money from overseas for dependant care or investments, without giving up the flexibility of repatriating the money if needed.

BANK LOCKERS: Consider giving up your bank locker unless you wish to store valuables and documents in India. It may be an unnecessary annual cost if unused.

DEMAT ACCOUNTS: Just like resident bank accounts, your demat account also needs to be redesignated. You will be in a different geography and may not have the time, information and ability to spend time on your equity portfolio. Liquidating it or seeking ongoing professional advice on it, may be your alternatives. You could also consider setting up a PIS (portfolio investment scheme) account, so you continue to have exposure to equities even after becoming an NRI.

MUTUAL FUNDS: It is critical to do a fresh know your customer (KYC) when you become an NRI to correctly reflect your new residential status. Also, get

your folios changed to non-resident and have your NRO bank account linked to the folio to avoid mismatches. Just like your direct equity portfolio, evaluate the need for professional help, as you may not find it easy to manage your portfolio from a different geography. In certain geographies, like if you are moving to the US, overseas mutual funds are not the most efficient instrument to hold owing to tax considerations. Consider divesting them and using other alternative financial instruments.

REAL ESTATE: Managing real estate can be cumbersome, as high quality property management services are not well developed in India. While you may choose to temporarily rent out your real estate, things such as maintenance bills, utilities and equated monthly instalment may need to be provided for, to avoid future challenges. Think about how you wish to deal with real estate in long term, especially if you are migrating or likely to remain an NRI for a long period.

LIFE INSURANCE POLICIES: Ensure your premiums for life insurance policies are provided for, or set up electronic instructions for their payments. While you should keep your term insurance going, it is good to evaluate which of your policies should be kept or surrendered. Also decide which ones should be converted to paid up—say, stop paying fresh premiums, but keep the policy. While the geography that you are moving to may be more efficient from a premium perspective, you may not be able to get it immediately after you move there, so keep the efficient policies going for now.

HEALTH INSURANCE POLICIES: Avoid giving up your health insurance covers in India immediately, as there could be the need to come back to India at some point for medical treatment and pre-existing illnesses tend to have waiting periods in most parts of the world. It is critical to ensure premiums are paid in time, as these policies can't be revived once they lapse.

TAXES: Ensure your taxes have been paid for and your tax advisor has a good understanding of NRI tax matters. In certain geographies, you may need the help of a cross-border specialist or a tax advisor who will need to work closely with your Indian tax advisor.

Vishal Dhawan, is a certified financial planner and founder and chief executive officer, Plan Ahead Wealth Advisors, a SEBI Registered Investment Advisor.



money basics

Using UPI for mutual funds

BUYING USING UPI

Fund houses such as Aditya Birla Sun Life Asset Management Co. Ltd, Baroda Pioneer Asset Management Co. Ltd and DFC Asset Management Co.

Ltd and distributors such as FundsIndia allow you to invest in mutual funds using unified payments interface (UPI). So along with payment options such as net banking and national electronic funds transfer (NEFT), you can use UPI as well. To use UPI, you need to have a bank account with a UPI-enabled member bank and a registered mobile number linked to your bank account. You need to have a virtual ID that looks similar to your email ID—name@bankname.

THE PROCESS

In case of FundsIndia, download the app on your smartphone.

Create the ID on the app itself, choose the fund and make payments. If you already have a UPI and don't want to create a new ID, after you choose the fund, you can make the payment through your bank app or Bhim app. In case of fund houses, you can pay on their website.

Here, the fund house will send you a notification on your mobile phone. In your bank or Bhim app, you will receive the collect request which you will have to approve using your password.

TRANSACTION DURATION

When you buy mutual funds using net banking or NEFT, the money at times gets processed the next day. As transactions using

UPI are instant, there is a possibility that the process will take place faster when you invest. You also don't need to key in your bank details such as your customer ID, password and one-time-password for your transactions. After enabling UPI, you can use the virtual ID and password. Currently, only select distributors and fund houses provide this facility. You can use this service for lumpsum investment. The standing instruction option is currently not available in UPI.

MONEY MATTERS

Financing kids is not a child's play

Vivina Vishwanathan
vivina.v@htlive.com

MUMBAI: Have you planned for your finances to meet your child's needs, including day-to-day expenses, education and marriage? If not, here is what you should do:

SECURE YOUR CHILD

Ideally, start thinking about investing for your child's needs when you start thinking about having a baby. The idea is to build a financial plan that acts as a ladder for your child's needs. As your child is dependent on you, it is your responsibility to take care of him/her even if you are not around. Begin with an insurance policy. Opt for a term plan with a sum assured of at least 10-15 times your monthly income. This will act as security in case something unforeseen happens.

A traditional insurance plan will not work—the returns on endowment and money back plan ranges between 4% and 6% and don't beat inflation. Once you have life insurance, take a closer look at the medical insurance cover.

Go for a family floater health insurance policy and include your child in it.

FACTOR IN ALL EXPENSES

A child will have both short- and long-term expenses. Know that you will need money to take care of your child for the next 20-25 years. For long-term needs such as higher education and marriage, invest in equity through mutual funds. If you are comfortable with direct equities, go for it. For a long-term goal of say over 10 years, look for an asset allocation with at least 70-80% in equity, depending on your risk appetite. Besides equity, look to invest in risk-free lock-in products. For instance, opt for public provident fund. While you plan for the long-term goal, you will also be paying towards short-term needs such as school fees, coaching classes or other activities. For short-term needs, look at invest-



YOUR CHILD'S FINANCIAL NEEDS ARE ONLY ONE OF THE MANY FINANCIAL GOALS YOU HAVE IN YOUR LIFE

ing in products such as debt funds or fixed deposits (FDs). If you are in the lower tax bracket, FD can work for you. You can use these funds for your child's annual educational expenses.

DON'T IGNORE YOUR GOALS Your child's financial needs are only one of the many financial goals you have in your life. Don't ignore your financial needs. For instance, many parents don't plan for their retirement and end up spending all the money on their child.

If you fall short of money for your child, don't dip into your retirement kitty.

Make sure you always have sufficient money for your future needs while you work on your child's plans.

quickguide

5 THINGS TO AVOID WHILE INVESTING IN EQUITY



Don't invest on tips: Don't blindly invest in equity based on tips. You need to understand the fundamentals of the underlying company before investing.

Don't try to time the market: It is almost impossible to time the market unless you are an expert at interpreting technical indicators.

Don't take a loan to invest in equity: When markets are having a good run, some get excited and take loans to invest in equity to get more gains. Never borrow money to invest in assets that are volatile.

Equity is not for quick money: Don't get tempted to sell your funds when you see gains. By doing this, you may not actually benefit from it.

Don't stop SIP when markets go down: When markets go down, many investors stop their systematic investment plan (SIP). You need to look at equity from a long-term perspective.

TERM OF THE DAY

CASH FLOW MANAGEMENT

WHAT IS IT? Cash flow management is the process to keep track of your income and expense. You need to collect all details of your income and your regular as well as irregular expense.

WHY IS IT IMPORTANT? Tracking your cash flow is as important as investing your money in the right products. Only after mapping your expenses can you plug unnecessary spends and get a fair idea of how much you can save. Once you know your income and expense, you will be able to allocate money towards savings and investment.

FIXED DEPOSIT RATES

Top banks fixed deposits rates

- 1 State Bank of India **6.65%**
- 2 Punjab National Bank **6.60%**
- 3 Bank of Baroda **6.45%**
- 4 Bank of India **6.60%**
- 5 Canara Bank **6.50%**
- 6 Axis Bank **7.10%**
- 7 ICICI Bank **6.60%**
- 8 Kotak Mahindra Bank **7.25%**
- 9 HDFC Bank **6.85%**
- 10 Yes Bank **7.10%**

Note: FD rate for 1-year tenure for up to ₹1 crore
Source: Bank websites

IS BANGKOK ON YOUR TRAVEL LIST?

To get the best flight deals to Bangkok, book at least four weeks before departure.

₹13,753 Cheapest return price from Mumbai to Bangkok

4 weeks in advance Is when you should book for a cheap flight

July

Cheapest month to fly

May

Most popular month to fly

2% More is to be paid on morning departure than evening

Good deal
₹21,618
OR LESS

Source: Kayak