It's better late than never for saving

GET PERSONAL

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IT IS that time of the year again when a lot of people remember their financial planners. With the fiscal year almost over, a lot of people are trying to make up for time lost — and tax planning left for the last moment.

Have you neglected your tax planning? If you have, it's not too late to make amends. While some deductions are lost forever, it is not too late for some others. If the taxman has already taken his cut as TDS, you will have to wait for the refunds here — the price of negligence.

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A look at fine print

Firstly, list out investments that you could have already made, which could qualify as a deduction under Section 80C, up to a maximum of Rs 1 lakh. A number of investors inadvertently invest towards Section 80C, like self contributions made to the Employee Provident Fund (EPF), principal repayment of home loans (either in the form of prepayments or the principal component of the EMIs), school fees, life insurance premiums, pension plans, amongst others.

The bottom line

After deducting the investments already made under Section 80C, investors can look at multiple options to make up the gap including:

- ELSS funds: Since these funds invest 100 per cent of their money in equities, putting a lumpsum at the end of the year has market timing risks. Hence, it is advisable to invest through a SIP route at the beginning of the financial year to get the benefits of rupee cost averaging. However, considering that the flexibility of doing an SIP may not be available at this late stage, it is advisable to invest in a lumpsum and start a SIP for next year simultaneously.
- Pension plans from mutual funds: These products, available only from a couple of mutual fund houses, have a mix of bonds and stocks and are hence less volatile. They also offer the advantage of allowing one time contributions unlike most of the pension plans from insurance companies that require payments regularly.
- Principal prepayment of home loan: This is recommended especially where investors have floating rate loans, which could see rates being reset upwards as RBI continues to battle inflation concerns.
- School fee payments: Certain schools allow fee payment in advance. In case that is possible, use the opportunity to put away your money there and take the tax benefit.
- Public provident fund: With a guaranteed eight per cent tax free return, the PPF continues to be an excellent tax planning tools, especially for investors in the highest tax bracket.

The decision on how much to invest in each of these tools should be taken basis the overall financial plan and asset allocation strategy of the investor.

Section 80D benefits are available for contributions to health insurance plans and critical illness riders. Look at how you can enhance your medical cover, and get a tax benefit at the same time.

Also, compute the interest on your home loan, if any, to take advantage of the Rs 1.5 lakh limit available for tax benefits under Section 24. And last but not the least, start early next year, preferably in April itself for saving your taxes.

(The writer is a financial planner)