

What are the investment options for an employee on his first job?

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I have just joined my first job and get a salary of ₹ 90,000 per month before tax. I want to start investing now and also save on taxes. What are the various investment options available for me. Also, should I buy an insurance policy now or can this wait for some time?

—Name withheld on request

It is an excellent idea to start saving and investing from your first salary itself, and if you can get some tax savings as a result as well, that is an added benefit.

Under Section 80C, besides your contribution to the Employee Provident Fund that is automatically available as a tax deduction, you can also consider doing investments through Systematic Investment Plans (SIPs) in Equity Linked Saving Schemes (ELSS) of mutual funds. ELSS funds are tax-saving mutual funds that invest in equity with a lock-in period of three years.

You can also consider starting a National Pension System (NPS) account to save towards your retirement and get a deduction under a separate section 80CCD (1B) of ₹ 50,000 per annum. You could consider buying a term insurance policy, but only if you have financial dependents. An independent health coverage for self and parents can also be considered, which also give you additional tax benefits under section 80D.

The first query has been answered by Vishal Dhawan, CFP and founder of Plan Ahead Wealth Advisors.
