Stock Market Capital Creation from Defence Officers' Retirement Corpus

Dr. Ashwini. Sonawane [1]

[1] Assistant Professor, Commerce and Management faculty, Vishwakarma University, Pune, Maharashtra, India

Email: [1] ashwini.sonawane@vupune.ac.in

Abstract

Every human desire for financial freedom and strives for it all its life, but few achieve it. Some don't understand it and those who understand it, don't know the means to achieve it. For those who know the means, there is always a "Slip between the cup and the lip". A defence officer gets into a professionally satisfying career which pays him/her adequately and meets most of his/her aspirations. The officers join between age bracket of 19 to 28 yrs.

An officer leaves the service under the following circumstances: -

(a) Short Service Commission. An officer hangs his uniform after completing 5/10 years of reckonable service. He/She is around 30/35 years of age at this point in time.

(b) Premature Retirement. The officer can take premature retirement with pension after 20 years of service. He gets all the benefits entitled to him and also the pension. The officer's age is between 40 to 45 years at this point in time.

(c) Superannuation. The officer superannuates with full pension benefits when he meets the criteria of age of retirement as per his rank. The age is between 54 to 60 years of age depending upon the rank.

The challenge for officers taking premature retirement and on superannuation is to manage the retirement corpus so as to generate sustainable wealth, not with-standing the pension being received. Each officer has different set of liabilities on retirement, depending upon age and familial commitments.

Project Title:

The title of the project is STOCK MARKET CAPITAL CREATION FROM DEFENCE OFFICERS' RETIREMENT CORPUS.

It is being carried out at the behest of **Right Move Advisory Services, Pune.** The project involves study and secondary data analysis of

(a) Investment Strategies

(b) Various financial instruments in stock market.

(c) Identifying and recommending a portfolio suiting the profile of defense officers to invest their retirement corpus with the aim to create wealth.

Purpose of the Project

The endeavor of this project report is to classify the requirement of officers as per their age of retirement and suggest a suitable asset allocation to generate wealth & sustainable income from the retirement corpus.

The officers based on their risk can be classified into three categories: -

(a) Aggressive
(b) Moderate
(c) Conservative

An attempt has been made to analyze each type of categories, identify the liabilities and objectives of each category. The methods of investment are identified. The instruments of investment are explained. Study the historical performance of these instruments of investment.

The aspect of financial literacy and DIY investing is elucidated. Subsequently the model portfolio for each category of investor is suggested. The tax implications for each type of investing are elucidated.

Methodology:

Problem Statement- A defense officer retires with a corpus of @ 1 Cr plus. He faces the dilemma of investing it suitably with the aim of wealth creation as well as support his future expenses over and above the pension.

Right Move Advisors, Pune aims to provide advisory services to officers in managing their retirement corpus. So that they can focus on their second career or enjoy their retired life, with least anxiety about managing the retirement corpus.

Study of Literature and Secondary Data on Investing:

The project studies various strategies of investments: -

(a) Value Investing
(b) Growth Investing It studies the following: -

(a) Instruments of investments like MFs, stocks, CDs, Gold etc that are high return high risk.
(b) The traditional safe instruments which keep capital safe like bank FDs and various Govt and Post office schemes.
(c) Real Estate Investment Trust (REIT) & Infrastructure Investment Trust (InvIT)

Performance Reviews:

Historical performances of the above instruments have been studied and analyzed for risk vs return. Some examples with data have been presented.

Findings and Outcome of Studies:

Based on the profiling certain scenarios have been considered. Portfolio for the scenarios have been worked out and suggested.

Keywords: Stock Market, Capital Creation, Value Investing, Growth Investing, REIT, InvIT.

1. Introduction

1.1. Background & Present Scenario

Young officers from different strat's of society join the three defence forces, i.e. Army, Navy, Airforce at a young age ranging between 19 to 25 years. The maximum permissible age for certain entries is up to 28 years. The educational qualification of the officers is graduation and above. It is a known fact that our education system, especially and school and junior colleges give negligible exposure to financial literacy. The pre 2000 commissioned officers did not get exposed to benefits of internet. The organisations keep upgrading the professional knowledge of it officers through various courses throughout their career. It is expected that officer will be able to manage his/her own finances. Young officers were told to save more in DSOPF (Defence Service Officers Provident Fund), so as to reap benefits in latter phases of life. In the career span ranging anywhere from 20 to 40 years an officer gets posted to 10 to 20 locations in some cases even more. The locations vary from field tenures, small towns and cities. At the time of retirement when the lumpsum amount of retirement package is made available, the challenge is, how to invest the amount to achieve capital preservation as well and wealth creation.

1.2.**Brief Conceptual Background**

Sizeable number of Defence officers retire every year after an illustrious and eventful career. They receive a substantive retirement corpus based on the years of service and rank at retirement. Every officer desires, that the corpus received post retirement should give good returns. Capital preservation is of paramount importance as it is taken as life time earnings. Short service officers leaving after 10 years get terminal gratuity. This can be range between 10 lacs to 20 lacs depending upon service. Officers taking premature retirement after 20 years of mandatory service get full pension benefits as per the terms of contract. The lumpsum amount is around 80 to 100 lacs. Officers superannuating on reaching the age of retirement, complete more than 30 years of service. The lumpsum benefits they receive ranges between 1 to 1.5 crores. The question that arises is what are the avenues of wealth creation from this corpus. Can stock markets offer a healthy risk reward avenue for wealth appreciation. Can an officer having limited exposure to stock markets and associated financial instrument create wealth from these paper assets? With this as the background the project aims to study various financial instruments available, there suitability as investment avenues. Each officer retires at different age group and would have different financial liabilities and financial goals. From objectivity perspective the investment amount has been considered as 1& 1.5 crore for ease of calculation & understanding. The investing profile of the officers has been categorized as follows: -

1.2.1. **Aggressive** – Officer who retires at around 30-35 years of age to launch a second career.

1.2.2. **Moderate**- Officer who superannuates at 40-45 years of age. They will launch a career outside. However they would have grown up children and certain other liabilities, which would limit their risk taking ability.

1.2.3. **Conservative** – Officers who retire between 54 to 60 years of age and decide to retire in literal sense. These officers would like their investment to be safe and give decent returns so that they can enjoy retired life.

2. Industry & Company Profile

Right Move Advisors is a Pune based RERA registered Estate agency. It has been operating in Pune since 2010. It is authorized channel partner for many reputed builders and developers in Pune. The firm is a member of National Association of Realtors India (NAR INDAI). It is founded by Mr Paras Parekh who has experience of more than a decade in Real Estate and Finance ndustry. The company is a limited liability partnership firm.

The firm envisions to venture into financial investment advisory services to retail clients. The “Financial Services” industry has seen substantial growth in the last few years. The gist of information on ibef.org suggest further growth in this sector.

The rising income has been a main driver for financial services across all income brackets. India is positioned to be one of the largest digital markets with rapid expansion in mobile and internet. There are more than 2100 fin-techs operating in India. Innovation in mobile based financial investment apps has expedited the investments in MF industry. Credit, insurance and investment penetration is rising in rural areas. HNWI have increased their participation in wealth management segment.

The AUM of Indian MF industry has grown from Rs 6.11 trillion as on 31 Dec 2011 to Rs 37.73 trillion as on 31 Dec 2021 a sixfold increase in a span of 10 years. On 31 Dec 2016 it was worth Rs 16.47 trillion. The increase in five years has been twofold. Despite such encouraging figures the lower mutual fund penetration of 5-6% indicates latent growth opportunities and rising interest of retail investors in equities.

In FY21, US$ 4.25 billion was raised across 55 initial public offerings (IPOs). In FY21, the number of listed companies on the NSE and BSE were 1,920 and 5,542, respectively. India is expected to have 6.11 lacs HNWI by 2025. NSE was ranked 4th worldwide in cash equities by number of trades as per the statistics maintained by the World Federation of Exchanges (WFE) for CY2020.

3. Literature Review

Need of Literature Review: Internet is bursting with information on investment topics and stock market analysis. A large number of books are available on the topic of investment and stock markets. The review of this literature is important to gain knowledge about the financial instruments available for savings and investment. The returns they offer, the risk that is involved and the method of investing in them. It is also important to understand what should be the approach so that the best possible investment instrument is chosen, in order to meet the objective.

A person who proceeds on a journey refers to a map. It’s good to look at an up-to-date map even if one has been on that journey many times and is confident of the way. Routes may have changed, new roads built and old ones blocked. Entirely new destinations may have become possible. Picking a habitual route and just following it can work most of the time but it’s not the best way to travel. Same goes with investment. It is the safest bet to put one’s entire retirement corpus into FDs or other safe investments and leave on pension. The world of personal finance today offers a number of investment avenues. This can be explored to make the journey better and more rewarding. With the choice of investing options available today it can be a daunting task to choose the right one.

Savings: Saving is surplus of income over expenditure. Income is the money earned from various sources like salary, wages etc. Expenditure is the money spent on various items which include essential and non-essential items.

Investment: Investment is the act of deployment of money out of savings into financial or non-financial products with the expectation of earning higher returns over a period of time. The various products in which investments may be done are financial products viz. fixed deposit in bank, buying shares in stock market, investing in Mutual Funds, etc. and non-financial products viz. purchase of land, gold, silver, etc. The investments are done for short term, medium term or long term. Volatility of returns on investment is normal in a long run.

Principle of SIS: It is prudent to Save, Invest and Spend from one's income rather than going the reverse way.

Savings vs Investment

Parameter	Savings in Bank Account	Investment in financial products
Meaning	A portion of income which is not used for expenses	Putting money in various financial products like FDs, Stocks, MF, Gold etc to make money grow
Purpose	Savings are made to maintain liquidity to meet shortterm or urgent requirements	Investments are made to make money grow by creating assets that generate income in the future/ increase value of assets. In words of author Robert Kiyosaki, author "Rich Dad , Poor Dad" it means money starts working for itself and in turn for the investor.
Risk	Low or negligible	Depends on the asset in which money is invested
Liquidity	Highly Liquid	Comparatively less liquid. However, with digitisation of financial services, liquidity of stocks and mutual funds has improved. Purchase of stocks and MFs through intermediaries and brokers is settled in 3 working days.

Inflation and its effect on Investments: Inflation refers to rise in prices of goods and services. Over a period of time, as the cost of goods and services increases, the ability of a unit of money, say one rupee, to buy goods and services keeps declining. In other words, the Purchasing Power of money, i.e., ability of money to buy anything, decreases. It is important to take into account the effects of inflation on investments during financial planning. In order to beat inflation, invest in instruments whose returns are more than inflation, also called inflation adjusted return.

4. Methodology

Purpose

The purpose of the study is to recommend a suitable portfolio of wealth creation from retirement corpus to defence officers through stock markets. The problem faced by retiring officers is that they receive a lumpsum amount of @ 1 Cr plus. How and where to invest is the challenge. Majority land up investing in FDs, and debt instruments based on recommendations of friends, well wishes or brokers.

About a1000 officers retire from army every year. Considering Navy and Airforce will increase it by another 1000. The challenge they face poses an opportunity to firms who can give customized advisory services so that officers could reach their post retirement goals, children higher education, children marriage, foreign trips and other requirements. It is an opportunity to officers also to learn nuances of financial planning so that they can make informed investment decisions and enjoy the fruits of retirement post an enriching service career.

Information Required

The information required to define the problem is: -

- Age brackets of officers retiring
- Financial profile
- Financial liabilities
- Financial goals

To decide on the portfolio in which the money can be invested. Information is required regarding

- Various investment instruments.
- The method to invest in them.
- Tax implications.
- The risks involved and their mitigation
- Past performance.
- Regulatory framework
- Methods and principles to be used to select suitable investment instruments.

Objective of the Study

Primary Objective To recommend a approach and suitable portfolio to Defence officers for wealth creation from retirement corpus through stock market.

Learning Objective To study various aspects of stock market investment, analyze the financial instruments from risk, return, safety and liquidity perspective, understanding fundamental and technical analysis and practically applying them for building portfolios.

Research Framework

Defence service officers with different service bracket were interviewed. A number of them are colleagues. Lessons from past experience were used to define the problem. Websites of Indian army, navy and air force were accessed to understand the terms of engagement of short service offices. 7 CPC pay commission matrix was referred to reach to financial emoluments.

Books and literature on equity and MF investing were studied. Discussions held with mentor at Right Move Advisors and project guide. Webinars on valuation and ratio analysis attended. Articles, research and reports and data on following financial websites were studied.
www.moneycontrol.com, www.icicidirect.com, www.valueresearchonline.com,
www.screener.in, www.nseindia.com, www.bseindia.com, www.amfiindia.com,
www.morningstar.in

The “Five Step Approach” to financial planning was used to come to suitable portfolios for each category of officer profile.

- Determine current financial position
- Identify and set financial goals
    - Short term goals
    - Medium term goals
    - Long term goals

- Identify suitable investment avenue (decide asset allocation)
- Evaluate alternatives & strategize (choose right investments with diversification)
- Create and implement financial action plan (Recommended)
    - ➢ The outcome of the plan was simulated using excel and online financial calculators available on above sites.

5. Data Analysis & Findings

5.1. Aggressive Profile : Financial Plan

The following has been assumed while recommending and financial plan.

- Average Inflation rate - 6%
- Expected growth in salary - 8%
- Cost of Child education goal increases at 10%
- Cost of other goals increases by 6%
- Weighted rate of return for long term goals is 12%. For short term goals its 8%

5.2. Income – Expense Analysis

Source of Income	**Amount**			
	Monthly		**Yearly**	
Salary of self	₹	1,30,000.00	₹	15,60,000.00
Advances (Incl bonus)	₹	50,000.00	₹	6,00,000.00
Total	**₹**	**1,80,000.00**	**₹**	**21,60,000.00**

5.3. Expenses

Expenses Source	**Amount**			
	Monthly		**Yearly**	
Household	₹	40,000.00	₹	4,80,000.00
Entertainment	₹	5,000.00	₹	60,000.00
Medical	₹	10,000.00	₹	1,20,000.00
Traveling expenses	₹	10,000.00	₹	1,20,000.00
Holiday	₹	2,000.00	₹	24,000.00
Vehicle maintenance	₹	2,000.00	₹	24,000.00
Education expenses	₹	10,000.00	₹	1,20,000.00
Vehicle EMI	₹	10,000.00	₹	1,20,000.00
Loan EMI	₹	30,000.00	₹	3,60,000.00
	₹	**1,19,000.00**	**₹**	**14,28,000.00**

5.4. Insurance Investment

Type	**Monthly**		**Year**	
Life Insurance Premium	₹	4,000.00	₹	48,000.00
General Insurance	₹	2,000.00	₹	24,000.00
Total	**₹**	**6,000.00**	**₹**	**72,000.00**

The salary surplus is Rs 180000-125000= Rs 55000/-. The surplus will increase as salary increases. Some part of surplus is to be invested for pension planning and wealth creation.

5.5.**Networth**

Assets			**Liabilities**	
Asset type	**Amount Rs**	**Percentage %**	**Liablilty type**	**Outstanding Amount**
Fixed Asset	₹ 80,00,000.00	67%	**Home Loan**	₹ 36,00,000.00
Financial Assets	₹ 35,00,000.00	29%	**Personal loan**	₹ -
Other assets	₹ 5,00,000.00	4%	**Vehicle loan**	₹ 8,00,000.00
Total	**₹ 1,20,00,000.00**	100%	**Total**	**₹ 44,00,000.00**
Financial Assets	**Amount Rs**		**Net worth =**	**₹ 76,00,000.00**
Equity	₹ 7,00,000.00			
Debt	₹ 5,00,000.00			
Cash	₹ 23,00,000.00			
	₹ 35,00,000.00			

5.6.**General Goal**

Goal Name	**Present cost**	**Years to Goal**	**Future Cost**
Medical Contingency fund	₹ 5,00,000.00	1	₹ 5,00,000.00
New Car	₹ 10,00,000.00	1	₹ 10,60,000.00
Europe Trip	₹ 10,00,000.00	3	₹ 10,60,000.00
Second House	₹ 1,00,00,000.00	10	₹ 1,79,08,476.97

5.7.**Allocating some of existing Investment to existing goals**

Goal Name	**Investment - 1**	**PV of Investment 1**	**FV of Investments**	**Balance FV to be achieved**
Medical Contingency Fund	Debt Mutual fund	₹ 4,00,000.00	₹ 4,32,000.00	₹ 68,000.00
Buy Car				₹ 10,60,000.00
Europe Trip				₹ 10,60,000.00

5.8.**Children Goals – Amount required for future goals.**

Child Name	**Goal Name**	**Present Cost**	**Years to Goal**	**Future cost**
C	Graduation	₹ 20,00,000.00	13	₹ 69,04,542.43
C	Post Graduation	₹ 30,00,000.00	16	₹ 1,37,84,918.96
C	Marriage	₹ 20,00,000.00	20	₹ 64,14,270.94

5.9.**Allocating some of existing investment for children goals**

Goal Name	Investment	PV of Investment	FV of Investments	Balance fo FV to be achieved
C- Graduation	Equity MF	₹ 15,83,000.00	₹ 69,07,409.60	₹ -2,867.17
C- Post Graduation	Equity MF	₹ 10,00,000.00	₹ 61,30,393.65	₹ 76,54,525.31
C- Marriage				₹ 64,14,270.94

5.10.**Goals- Analysis & Suggestions**

Goal	Years to goal	Years to contribution	Option -1		Option -2
			Monthly regular fixed investment required	Annual regular fixed invetment required	Lumpsum Investment required
Medical Contingency Fund	1	5 months	₹ 13,600.00		₹ 68,000.00
C - Graduation	13	-	-	-	-
C – Post Graduation	16	16	₹ 13,166.00	₹ 1,79,100.00	₹ 12,48,618.00
C- Marriage	20	20	₹ 6,420.00	₹ 89,300.00	₹ 6,64,946.00
Car	1	12 months	₹84,577.00	-	₹ 10,00,000.00
Europe Trip	3	3	₹ 25,976.00	₹ 3,30,000.00	₹ 8,41,462.00
Total			₹ 1,30,139.00	₹ 5,98,400.00	₹ 37,55,026.00

Fixed Investments for 1st Year	Fixed Investments after 1st Year	Fixed Investment after 3 years	Fixed investment after 16 years
₹ 13,600.00			
₹ 13,166.00	₹ 13,166.00	₹ 13,166.00	0
₹ 6,420.00	₹ 6,420.00	₹ 6,420.00	₹ 6,420.00
₹ 25,976.00	₹ 25,976.00	₹ 25,976.00	₹ 25,976.00
₹ 59,162.00	₹ 45,562.00	₹ 45,562.00	₹ 32,396.00

After 3 years ie 2026 continue investing Rs 25976/- amount for Europe trip for corpus for second house. Some part of investible surplus owing to growth in salary to be invested for retirement planning and wealth creation. The fixed investments per month for the goals are summarised below :-

5.11. **Retirement planning**

(a) Post retirement Planning

Particulars	Self	Spouse
Planned Retirement Age	60	-
Life Expectancy (age)	85	85

(b) Regular Expenses during Post- retirement

Post Retirement in today's Cost	Amount (Rs)	FV
Household expenses	₹ 40,000.0	₹ 2,73,939.0
Entertainment	₹ 5,000.0	₹ 34,242.4
Medical	₹ 10,000.0	₹ 68,484.8
Traveling expenses	₹ 10,000.0	₹ 68,484.8
Holidaky	₹ 20,000.0	₹ 1,36,969.5
Vehicle maintenance	₹ 10,000.0	₹ 68,484.8
Insurance premiums	₹ 6,000.0	₹ 41,090.9
Other expenses	₹ 5,000.0	₹ 34,242.4
Total expenses required after 60		**₹ 7,25,938.4**

6. Conclusion

6.1. Defence officers leave forces under three conditions: -

6.1.1. Short Service Commission officers after completing 10/14 years at around 30 to 35 years of age.

6.1.2. Premature retirement after completing 20 years of service at 40 to 45 years of age

6.1.3. On superannuation after reaching the age of retirement, at 54 to 60 years of age.

Except in case of Short Service Commission officers, the other two categories of officers receive pension. They also receive a retirement corpus between 1 to 1.5 crores.

Investing the retirement corpus for wealth creation and generating sustained income is challenge. Not all officers are financially literate. Stock markets offer and opportunity to invest the money and generate inflating beating returns. There are various instruments in the stock market. The past data indicates inflation beating returns from the stock markets. There is a need to stay invested for long durations of 5 years and beyond. The various instruments available in stock market include stocks, MFs, corporate bonds, company deposits. Stock markets provide ample opportunities to invest and earn returns over long run.

Stock markets are well regulated by Securities & Exchange Board of India (SEBI). MF industry in India is Rs 37.92 trillion. The AUM has grown from 16.46 trillion in December 2016 to 37.73 trillion Rs on 31 Dec 2021.

The risk profile of defence officers falls into three categories Aggressive, Moderate & Conservative. On studying the different financial instruments and their historic performance, it can be concluded that the retirement corpus can be invested in a basket of MFs. Periodic review and churning of portfolio will deliver expected results.

Financial plans for each profile has been worked out and with assumed returns of 8% on short term investment and 12 % on long term investment the stock markets help create wealth and generate sustained income. The financial objectives of officers can be achieved through stock market investments.

Investment is also a psychological process. The investor goes through emotions based on the fluctuations in the market. The fear of losing out (FOLO) and Fear of Missing Out on a profit making opportunity (FOMO) leads to investors trying to time the market. Markets reward those who are patient and disciplined. These qualities are ingrained in Defence officers. More over having a analytical mindset makes them suitable to learn about markets. Information is readily available on the net at reasonable subscription. These qualities and the nature of market make stock markets a very suitable avenue for Defence officers to invest their retirement / pension corpus for wealth creation.

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Annexure 1

Classification of Mutual Funds & Tax Implications

Fund Classification

Equity Funds	Debt Funds	Hybrid Funds
Large-Cap: Funds investing at least 80% in large caps	**Long duration:** Funds investing in debt instruments with Macaulay duration greater than 7 years	**Aggressive hybrid:** Funds investing 65-80% in equity and the rest in debt
Large & mid cap: Funds investing at least 35% each in large and mid caps	**Medium to long duration:** Funds investing in debt instruments with Macaulay duration between 4 and 7 years; under anticipated adverse situation, 1 year to 7 years	**Balanced hybrid:** Funds investing at least 40-60% in equity and the rest in debt
Multi Cap: Funds investing at least 25% each in large, mid and small caps		

Mid Cap: Funds investing at least 65% in mid caps **Small Cap:** Funds investing at least 65% in small caps **Flexi cap:** Funds investing at least 65% in equity with no particular cap on large, mid or small **Value-oriented:** Funds following the value strategy **ELSS:** Funds with a lock-in of 3 years and tax benefit under Section 80C **International:** Funds investing predominantly in foreign equities Sector Funds **Banking:** Funds investing at least 80% in a particular sector or theme **FMCG:** Funds investing at least 80% in a particular sector or theme **Infrastructure:** Funds investing at least 80% in a	**Medium duration:** Funds investing in debt instruments with Macaulay duration between 3 and 4 years; under anticipated adverse situation, 1 year to 4 years **Short duration:** Funds investing in debt instruments with Macaulay duration between 1 year and 3 years **Money market:** Funds investing in money-market instruments having maturity up to 1 year **Low duration:** Funds investing in debt instruments with Macaulay duration between 6 and 12 months **Ultra-short duration:** Funds investing in debt instruments with Macaulay duration between 3 and 6 months **Liquid:** Funds investing in debt and money-market securities with maturity of up to 91 days **Overnight:** Funds investing in securities having maturity of 1 day **Dynamic bond:** Debt funds	**Conservative hybrid:** Funds investing 10–25% in equity and the rest in debt **Equity savings:** Funds investing at least 65% in equity and at least 10% in debt **Arbitrage:** Funds investing in arbitrage opportunities **Dynamic asset allocation:** Funds which dynamically manage the asset allocation between equity and debt **Multi-asset allocation:** Funds investing in 3 different asset classes, with a minimum 10% in all three **Gold:** Funds investing in gold
Equity Funds	**Debt Funds**	**Hybrid Funds**
particular sector or theme **Pharma:** Funds investing at least 80% in a particular sector or theme **Technology:** Funds investing at least 80% in a particular sector or theme **Thematic:** Funds investing at least 80% in a particular sector or theme **Dividend Yield:** Funds investing at least 80% in a particular sector or theme **MNC:** Funds investing at least 80% in a particular sector or theme	investing across durations **Corporate bond:** Funds investing at least 80% in AA+ and above-rated corporate bonds **Credit risk:** Funds investing at least 65% in AA and below-rated corporate bonds **Banking and PSU:** Debt funds investing at least 80% in the debt instruments of banks, PSUs, public financial institutions and municipal bonds **Floater Debt:** funds investing at least 65% in floating-rate instruments (including fixed-rate ones converted to floating rate)	

Energy: Funds investing at least 80% in a particular sector or theme	**Gilt:** Funds investing at least 80% in government securities
PSU: Funds investing at least 80% in a particular sector or theme	**Gilt with 10-year:** Funds investing at least 80% in government bonds such that the Macaulay duration of the portfolio is 10 years
Consumption: Funds investing at least 80% in a particular sector or theme	**FMP:** Fixed maturity plans of pre-defined term

Solution-oriented Schemes	Other Schemes
Retirement Fund: Scheme having a lock-in for at least 5 years or till retirement age whichever is earlier	**Index Funds/ ETFs:** Minimum investment in securities of a particular index (which is being replicated/ tracked)- 95% of total assets
Children's Fund: Scheme having a lock-in for at least 5 years or till the child attains age of majority whichever is earlier	**FoFs (Overseas/ Domestic):** Minimum investment in the underlying fund- 95% of total assets

Tax implications on Dividend received by Unitholders

	Individual/HUF	Domestic company	NRI
Dividend			
Equity-oriented schemes*	Applicable tax-slab rate	30% / 25%^^	Applicable tax-slab rate
Debt-oriented schemes	Applicable tax-slab rate	30% / 25%^^	Applicable tax-slab rate
Tax Deducted at Source on dividend received	10% on dividend income in excess of ₹5,000	10%	20%

*Securities transaction tax (STT) will be deducted on equity funds at the time of redemption/switch to other schemes/sale of units.

^^If total turnover or gross receipts does not exceed ₹400 crore during the FY 2019-20