DHANSARTHI'S GUIDE TO FINANCIAL LITERACY

FOR BEGINNERS

Dhan$arthi

guide to financial success

VIDHI MIGLANI

www.dhansarthi.com

OUR PARTNERS

Thank you for your contributions in the publication of this handbook.

ROUNDTABLE
INTERNATIONAL

"Money is power. And women need more of both."

- SUSAN CHIRA

PRELUDE

"Women are now entering higher education and achieving the greatest feats ever possible. The success rate of females who appeared in UPSC 2019 is 14.6% which is more than double than that of males which is 7% . More and more women are climbing the corporate ladder. Recent data shows that women are three percentage points more likely to start a business than men. They are actively seeking political office, challenging the barriers that limit their progress, and striving to attain positions of influence and authority as seldom before.

Why is it then that when our family goes out for dinner, it's usually my dad who is asked to cover the bill and not my mother? Why is it that most financial institutions still assume that men are the primary breadwinners and target them with investment and insurance offers, often overlooking women's financial needs and potential? Why is it that women are often hesitant to negotiate their salaries or ask for promotions? Why is it that the World Economic Forum estimates that it will take 257 years to close the financial gender gap?

And above all: why is it that while daughters are taught about the significance of saving, sons are educated about multiplying their wealth?

All these facts and countless stories only remind me that there is an extremely important area that we have failed to address: money.

This book has been curated to demystify financial concepts in a way that resonates with women and young people. By doing so, the book strives to empower women and young individuals, equipping them with the knowledge and confidence to make informed financial decisions, navigate investment opportunities, and build a secure financial future."

-Vidhi Miglani, Founder of DhanSarthi

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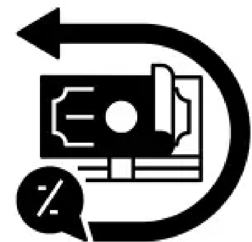
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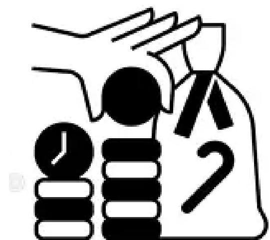
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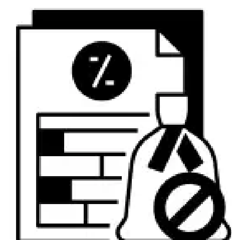

TAX EXEMPTION

DhanSarthi

guide to financial success

CHAPTER ONE

BANK-BACKED INVESTMENTS

You need a bank account because:

- Safe Storage of Money
- Secure Transactions
- Tracking and Budgeting
- Earning Interest
- Access to Financial Services
- Government Benefits and Subsidies

BANK RELATED INVESTMENT OPPORTUNITIES FOR INDIVIDUALS

FIXED DEPOSITS

Fixed Deposits (FDs), also known as term deposits, are financial instruments offered by banks and financial institutions that allow individuals to invest a lump sum amount for a fixed period at a predetermined interest rate. FDs are considered a safe and stable investment option, suitable for both conservative investors and those looking for assured returns. Here are some key features, interest rate factors, and benefits of investing in FDs:

FEATURES

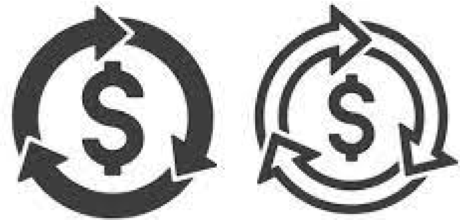
1. **Fixed Tenure:** FDs have a predetermined maturity period, which can vary from a few days to several years. Investors can choose a tenure based on their financial goals and liquidity needs.
2. **Fixed Interest Rate:** The interest rate for FDs is fixed at the time of investment and remains constant throughout the tenure. This provides investors with a clear idea of their returns.
3. **Interest Payouts:** Investors can choose to receive interest payouts at regular intervals (monthly, quarterly, half-yearly, or annually) or opt for cumulative interest where the interest is reinvested and paid at maturity.
4. **Nomination Facility:** FD investors can nominate a beneficiary who will receive the funds in case of the investor's demise.

DOWNSIDES

1. **Low Returns:** FDs generally offer lower returns compared to other investment options like equities or mutual funds. This can be a drawback, especially when inflation is high, as it might erode the purchasing power of the returns over time.
2. **Liquidity Constraints:** Although FDs offer a degree of liquidity, premature withdrawals often come with penalties. This lack of immediate access to your funds might be problematic in case of emergencies or sudden financial needs.
3. **Taxation:** The interest earned on FDs is fully taxable as per your income tax slab. This can significantly impact your post-tax returns, especially for individuals in higher tax brackets.
4. **Missed Investment Opportunities:** Locking your funds in an FD might prevent you from taking advantage of potentially lucrative investment opportunities that arise during the FD tenure.

RECURRING DEPOSITS

A Recurring Deposit (RD) is a type of fixed-term savings account offered by banks and financial institutions in India. RDs allow individuals to make regular, fixed monthly deposits over a predetermined period, usually ranging from 6 months to 10 years. At the end of the RD tenure, the deposited amount along with the accumulated interest is returned to the depositor.



FEATURES

1. **Disciplined Savings:** RDs promote regular savings by requiring you to deposit a fixed amount every month. This instills discipline in your financial habits and helps you achieve your savings goals over time.
2. **Accessibility:** RDs are accessible to individuals with varying income levels. The fixed monthly deposit amount can be chosen based on your financial capacity.
3. **Low Entry Barrier:** RDs usually have a low minimum deposit requirement, making them accessible to a wide range of people. This is especially beneficial for individuals who cannot afford a lump-sum investment.
4. **Steady Returns:** Like Fixed Deposits, RDs also provide a fixed interest rate throughout the tenure. This assures you of a known amount of returns on your investment.

OPPORTUNITY COST

Opportunity cost is the loss of one alternative when the other alternative is chosen. It is like choosing between different things and understanding what you give up when you make a decision. For investors, it's important because every choice means not doing something else. If you put money in one thing, you miss out on what they could have earned from another. So, always consider the opportunity cost of each investment before you end up making it. Always consider what else you could have done with your money before you decide to lock it away in a Fixed Deposit or a Recurring Deposit. And do think the opportunity cost of not investing your money at all and just keeping it in a savings account too.

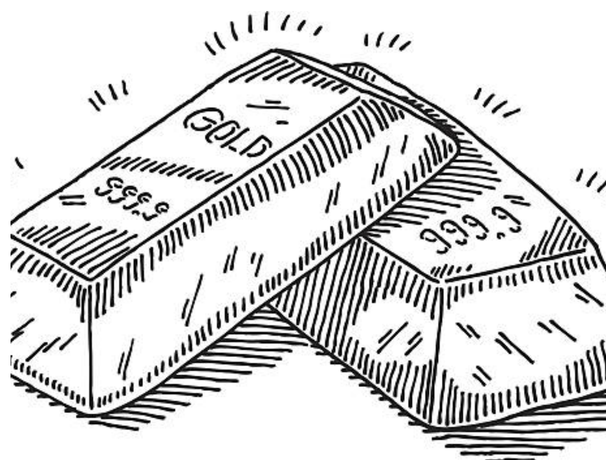
CHAPTER TWO

GOLD INVESTMENT

PHYSICAL GOLD

Physical gold investments are a crucial discussion as they are the most traditional type of investments in India. Gold has always been a symbol of wealth in our nation and almost everyone we know would either have gold or would want to buy it.
The most common of these is buying gold jewelry, but there are some essential factors that we must think about before we fall into the same trap as half of the country:

- When you buy gold in the form of jewelry, you're not just paying for the pure gold; you're also covering "making charges." These charges can typically account for around 10% of the jewelry's price, but they don't add to the value of your investment.
- The government places certain restrictions on the quantity of gold that can be held at home without proper documentation. These limits vary depending on your marital status. For instance, married women can hold up to 500 grams, unmarried women up to 250 grams, and men up to 100 grams without providing supporting documents.
- Gold purity is always a significant consideration.



If you really wish to invest in physical gold though, one alternative is buying gold bars because

- No impurity concerns as digital gold often comes with hallmarks.
- No making charges

However, the safekeeping of gold at home can still be a concern and there will always be government limits you will have to abide by as long as you keep physical gold.

DIGITAL GOLD

If In that case, digital gold can be a sound investment.
Investing in digital gold is a lot easier than buying physical gold. It solves the following problems:

- You don’t have to save for months to invest in it, you can start with an amount as small as INR 100
- You don’t need a trusted jeweler to be sure of its quality
- No government limits

- No storage issues

In digital gold too, there are many options to choose from. Some most popular ones are:

- **Gold ETFS-** Consider gold exchange-traded funds if you want to invest in gold without the physical hassle.
- **Gold Mutual Fund-** These are mutual funds that invest in the stocks of gold mining companies.

Gold Sovereign Bonds- Government securities denominated in grams of gold. Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity. The Bond is issued by the Reserve Bank on behalf of the Government of India. Often considered a top choice, they offer a 2.5% annual dividend, and appreciation is tax-free for investments held for over 5 years.

HIGHLY RECOMMENDED

MORE ABOUT GOLD RATES

In India, gold rates are typically quoted in "tolla," which represents 10 grams. Pure gold is rated at 24 carats or 100% pure gold. However, because pure gold is quite soft, it's often mixed with copper or silver to make it more durable. For instance, 22-karat gold is known as "916 gold" because it contains 91.67% pure gold.

Calculating the gold price in Indian Rupees involves a few steps:

1. Start with the international gold rate, for example, 1925 USD per Ounce (1 Ounce = 31.1 grams).
2. Consider the USD to INR exchange rate, which let's say is 83.
3. Calculate today's gold rate in INR: 1925 × 83 = 159,775.
4. Find the per-gram rate: 159,775 ÷ 31.1 = 5,137.5.
5. Add 12.5% import duty and 3% GST, i.e. 5,137 + 15.5% = 5,933.8 per 1 gram.
6. For a 10-gram rate: 5,933.8 × 10 = 59,338 per tola.

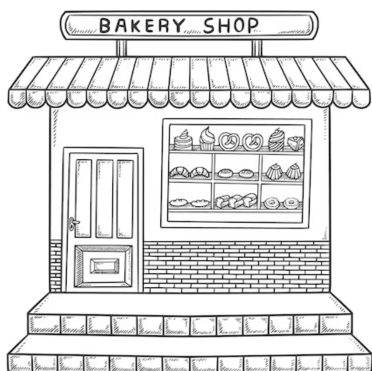
TRY YOURSELF

How much would 80 ounces of gold cost in India if bought from the USA?

CHAPTER THREE

MUTUAL FUNDS

If you want to eat a cake, you can either:



1. Learn how to bake

2. Buy it from a cake shop

Just as one need not be a pastry chef to savor a cake, investing doesn't always require delving into the intricacies of the stock market.

Another cool thing is that you do not always have to buy the entire cake. Let’s say that a chocolate cake costs ₹40. Four friends decide to buy the same, but they have only ₹10 each and the shopkeeper does not sell slices. So the friends then decide to pool in ₹10 each and buy the entire cake. Now based on their contribution, they each receive their respective portions of the cake. This collective ownership, where each friend becomes a unit holder based on their contribution, mirrors the concept of Mutual Funds.

Now, let us delve into the different types of mutual funds one can invest in.

EQUITY MUTUAL FUNDS

Equity funds, also called stock funds, invest the money pooled in from various investors. This pooled money is used to buy shares of many different companies. If these stocks become more valuable, the pots of money grow. But if they become less valuable, the pots of money can shrink. So, these funds' success or failure depends on how the invested shares perform.

DEBT MUTUAL FUNDS

Debt funds primarily invest your money into things like bonds, which are essentially IOUs from companies or governments, as well as other stable things like treasury bills. They use your money to buy different types of fixed-income investments, such as Fixed Maturity Plans (FMPs), Gilt Funds, Liquid Funds, Short-Term Plans, Long-Term Bonds, and Monthly Income Plans. The two essential pros they have are:

- They come with a **fixed interest rate**, which is like the amount of money you'll earn on your investment.
- They have a **maturity date**, which is like a due date for when you'll get your initial investment back.

Note: Equity funds carry the potential for substantial returns but come with higher risk due to market volatility. On the other hand, since debt funds come with a fixed interest rate and maturity date, they can be a great option for passive investors looking for regular income (interest and capital appreciation) with minimal risks. However, they typically provide only as much returns as a Fixed Deposit does.

HYBRID MUTUAL FUNDS

Hybrid Funds, often referred to as Balanced Funds, are a unique blend of both bonds and stocks, making them a bridge between equity funds and debt funds.

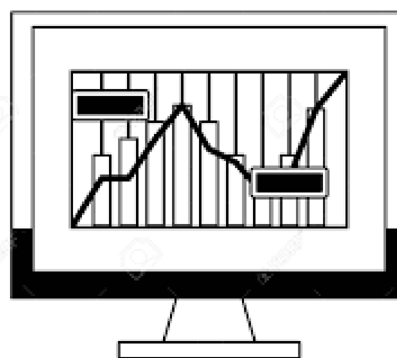
The key feature of hybrid funds is their ability to vary the allocation between stocks and bonds based on market conditions or a predetermined strategy. One such allocation that can be used is age-based asset allocation, which means that you allocate your investments depending on your age. For instance, when you are in your 20s, you typically have a longer investment horizon ahead of you. This means you can afford to take more risks. So, you may choose to allocate a significant portion of your investments to equity-based funds (something like- 80% in equity funds and 20% in debt funds). Your risk-taking abilities decrease with age, so this will change accordingly as you grow older.

CHAPTER FOUR

SHARE MARKETS

JContrary to what people make it sound like, share markets are interesting and fun to learn about, and anyone can start investing here! It is certainly one of the most important investment vehicles we will be learning about as it promises the fastest and greatest growth but it also requires good knowledge, so let’s begin!

First of all, a share represents a percentage of ownership stakes in a company. In essence, it's a tangible piece of a business that can be bought, sold, and traded in the financial markets. These markets are commonly known as share markets, or more formally, stock exchanges.



The journey in the world of share markets begins when a private company decides to "go public." Going public means that the company aims to raise capital by selling a portion of its ownership to the public. This is usually done through an initial public offering (IPO), where shares are offered to investors for the first time. By doing this, the company raises funds that can be used for growth and expansion. In return, the investors become shareholders, entitled to a portion of the company's profits, which is called a dividend. So, the dividend is the profit that the shareholders receive for investing in the company. This is completely tax-free.

Historically, share markets used to be physical places where traders would gather to buy and sell stocks. Back then, you could find stock brokers called “dalals” sitting under banyan trees on streets. In fact, Dalal street in Bombay has been named after these dalals! However, as technology has evolved, these exchanges have shifted to online platforms, allowing for greater accessibility and convenience for investors. Today, individuals from around the world can participate in the stock market without leaving their homes.

In India, every public limited company has to be registered with at least two stock exchanges. The two primary stock exchanges dominate the landscape: the National Stock Exchange (NSE), based in New Delhi, and the Bombay Stock Exchange (BSE), situated in Mumbai. NSE is the larger of the two. It is well-known for its NIFTY-50 index, which represents the performance of the top 50 companies registered with them. On the other hand, BSE is smaller, with its index known as SENSEX, representing 30 companies. These indices (plural of index) offer insights into

the overall market health.

Both NSE and BSE play very important roles in facilitating the buying and selling of shares in India. They provide a platform for companies to list their stocks and for investors to trade them. Furthermore, these exchanges are regulated and overseen by the Securities and Exchange Board of India (SEBI). SEBI acts as a watchdog, ensuring the fair and transparent operation of these markets, protecting investors' interests, and maintaining market integrity.

Before diving into share markets, you will need to connect with a stock broker and open a Demat (Dematerialized) account. Documents required to open a demat account are a PAN card, Aadhar card, and a canceled cheque from a bank account. The Demat account makes the process of buying, selling, and storing shares safe and convenient. Two central depositories, the National Securities Depository Limited (NSDL) and the Central Depository Services Limited (CDSL), manage these accounts. However, individuals cannot directly approach these depositories; they need to engage a stockbroker to open and manage a Demat account.

When participating in share markets, investors often see two primary approaches: long-term investing and short-term trading.

Long-term investing involves buying shares with the intent of holding onto them for an extended period, typically years or even decades. This strategy aims to make profits from the growth potential of the companies and their ability to generate profits over time. Long-term investors are more focused on fundamentals, such as a company's financial health, management, and growth prospects.

On the other hand, short-term trading involves buying and selling shares within a relatively short time frame, often days, weeks, or months. Traders use technical and fundamental analysis to make quick decisions in pursuit of profit. The goal is to make profits from price fluctuations and market volatility (unpredictable changes in the market). However, short-term trading can be riskier, as it requires constant monitoring and can be influenced by market sentiment and news events.

Investing in stocks is generally considered a safer approach than trading, although it comes with its own set of risks and rewards. Whether you choose to invest for the long term or engage in short-term trading, it's essential to make informed decisions and be mindful of the risks associated with each approach.

Tip: Do not make hasty decisions when investing in share markets! Such investments can serve as both fortune killers and fortune makers. You might receive many “tips” or advice from people about where you should invest, but you should always know better than to believe them blindly. If you lack the knowledge and the time to update your portfolio regularly, it is best to simply invest in mutual funds.

CHAPTER FIVE

REAL ESTATE

Real estate investments are incredibly important to learn about. The most amazing aspect of real estate is its potential for substantial appreciation when wise decisions are made. A property valued at 5 crores today could be worth 20 crores in the future. It's important to note that many millionaires and billionaires have achieved their wealth primarily through investments in both the stock market and real estate. So, let us learn all about real estate in this chapter!

The most traditional way of investing in real estate is to buy a property or lease it for a long time and then rent it to tenants. This property can either be residential, meaning that the tenants live in it, or commercial, meaning that the tenants use it for some sort of business activity. Commercial properties typically give a higher return than residential ones, but residential properties offer more stability and a larger pool of tenants. So, it is important to do thorough market research to understand your local real estate dynamics before choosing between the two.

HOW CAN YOU BUY REAL ESTATE IN INDIA?

1. Get a real estate broker. Engaging a real estate broker is a common practice. These brokers typically charge around 1% commission. It's essential to remember that you should never base your decision on the commission rate alone. Instead, focus on ensuring that the deal itself is favorable, regardless of the commission involved.
2. You will now be asked to pay a nominal amount given as a token to confirm the deal called the "key money" or "sai" in more ordinary language.
3. After a day, week, or a predetermined period of time-based on convenience, you pay a certain percentage of the deal amount to the seller called "bayana." It is the money given to the landowner to initiate the sale of the property. It serves as a commitment to buy the property. When you make the bayana payment, you also sign a document, affirming your intention to proceed with the property's registration. It's important to note that if you fail to do so on the promised date, you may be liable to pay double the bayana amount to the seller.

4. Once the bayana is paid and the necessary documentation is in place, you can proceed with the registration process. For the registry, you will have to connect with the respective tehsildar, that is, the land revenue officer. If the property is being bought to be gifted to your immediate family, the document of ownership will be called a release deed or transfer certificate. As this transaction is made out of love and affection between family members, there is no duty or registration cost. In all other cases, it will be called a sale deed and you will have to pay a certain amount for its registration. (In order to promote women's ownership of property, the registration price for women is 2% lower than that of men in Haryana.)
5. After the registration, you will have to do the mutation of the property ("inteqal"), the administrative process that updates the local land or property records about the current owner of the property and their details. It is only after the mutation that you will then be able to sell the property. Both registry and mutation are incredibly important.

CHAPTER SIX

INHERITANCE LAWS

Before we learn about inheritance laws, let's understand what a "will" is. *A **will** is a legal document where a person says what should happen to their properties when they pass away.* These properties can be divided into two types: property they got from their family (**ancestral property**) and property they earned or bought **(self-acquired property).**

*The act of dying without a will is called **intestat**e and the process of distribution of the property is called **devolving**.*

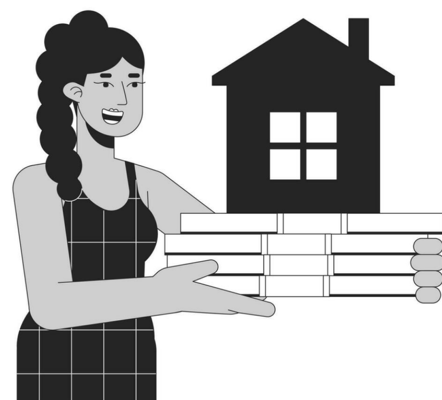
The first significant law that was formed around the same was the Hindu Succession Act, 1956. While this law may have only "Hindu" in its title, it is also applicable to Buddhists, Jains, and Sikhs. This law states that in a Joint Hindu Family, the **coparceners** (persons sharing equal right over ancestral or undivided estate) would always be the male members of the family.

In 2005, however, this succession act was amended. Now, daughters also had an equal share of the ancestral property as the sons, no matter what the will says. Even though this amendment happened on 9th September 2005, it does not matter as to whether the father was alive before this date or not. Women's right to ancestral property is now by birth, meaning that even if their father died back in 1956, they can still claim their rightful share now.

Now that we know about ancestral property, the question that pops up is: what about self-acquired property? The law clarifies that the daughters of male Hindu dying Intestate have the right to acquire their rightful share of self-acquired property of the father along with the ancestral property. If the male has a will, the self-acquired property will be distributed accordingly.

One pressing question that remained unanswered until 2022 was what happened to the property of a Hindu female who died intestate? The Court clarified then that

- If property was inherited from the father or mother: It will go back to the father's other heirs.
- If property was inherited from the husband: It will go back to the husband's heirs.



CHAPTER SEVEN

LIFE INSURANCE

Insurance, in very simple words, is expecting the unexpected and protecting yourself from it: You pay a certain amount of money to the insurance company. In return, the insurance company helps you out financially if something bad occurs, like a car accident, a medical emergency, or your house getting damaged.

In this chapter, you will learn about life insurance. Life insurance doesn't provide moral support, like a hug or a kind word, but it's like a big, warm financial hug. When you pass away, the insurance company gives your family money. Some policies also offer to give your family a yearly benefit instead of a lump sum amount at once. This money can help them pay for things like your funeral, the house, and even your children's education. So, in short, it relieves your family from financial stress on your passing away and you will have the assurance that your liabilities as well as obligations are well taken care of.

Before we begin this topic, let us learn about some basic terms:

1. A person whose life is covered by the insurance policy is called an **insured person.**
2. The insured person chooses an individual who receives a payout of the death of the policyholder and this individual is called the **beneficiary**.
3. The money paid by the policyholder on a regular basis is called the **premium**. This premium can be monthly, quarterly, or even annually.
4. The sum of money received by the beneficiary on the death of the insured person is called the **death benefit**.
5. An insurance company will not count on your passing away because that would mean that they would have to pay your beneficiary the death benefit. Hence, they evaluate this based on your **mortality rate**. So, *the younger you get insured*, *the cheaper premium you pay*. Along with this, they also examine your health through a medical test. *Chronic illness*, *consumption of alcohol*, *and smoking can all lead to a pricier premium.*

The last point also indicates that getting life insurance early is extremely important. It is best to start investing in the same by your 20s. Not only do you pay a cheaper premium to reach the same goal but you also have the emotional security that your liabilities of knowing are fully taken care of by the time you enter your 40s.

CHAPTER EIGHT

TWO MOST IMPORTANT TYPES OF LIFE INSURANCE

While there are many insurance policies and numerous options to choose from, we will be discussing the two most bought insurance policies: Term Insurance and Unit Linked Insurance Plan (ULIP).

TERM INSURANCE

A term means a fixed period of time. With term insurance, you pay a premium for a defined period, and your coverage is also limited to that same period. This means that if you have term insurance until your 60s and you happen to outlive that period, you don't receive any payout. It’s a bit like car insurance: you pay for the possibility of damage, but you only receive the benefit if the damage actually happens. One important thing to note is that term insurance is very cheap as compared to other insurance plans. The most simple term insurance may only require you to pay 500 rupees per month, but ultimately, your beneficiary will still be able to get a very large sum as the death benefit.

UNIT LINKED INSURANCE PLAN

ULIPs are combinations of both things—life insurance as well as investments. This means that a part of your money is for keeping your loved ones safe (insurance) and the rest is like seeds that can grow into more money (investments). Some ULIP policies return you the money you invested even if you do outlive the period you specified. However, it is important to consider that ULIP is very expensive. So, one must choose accordingly.

TIP: When you're trying to decide between Term Insurance and ULIP, it's crucial to think about your financial responsibilities carefully. The main purpose of life insurance is to make sure your family won't face financial difficulties if you pass away. Even if your term insurance only pays out when you're 65 years old, it might not feel like a significant loss to you if your loved ones are financially secure by then. In such cases, term insurance is the better choice because you'll pay less for it.

Additionally, it's important to consider whether the ULIP policy you're considering offers returns that are equal to or better than regular mutual funds. If not, it's often wiser to choose term insurance and invest in mutual funds separately. This way, you can get the best of both worlds: protection for your family and potentially higher returns on your investments. It's about making your money work smarter and safer for your future.

RETIREMENT PLANNING

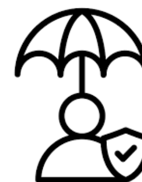
Retirement may sound like a fancy word that only wealthy people get to do, but the truth is, that everyone should be planning their retirement. Even if you truly love to work, planning your retirement is incredibly important because we never know what life holds for us ahead, and regardless of what happens in the future, be it illness or the loss of a loved one, we will wish to be able to take care of ourselves financially. The two primary goals of this are:

- To be financially independent, no matter what.
- To continue to sustain the lifestyle you have right now even at adversities.

So, here is a very simple plan that you can follow in order to take your first step toward retirement planning:

1. Get health insurance. You have learned so far that insurance is "expecting the unexpected." By getting health insurance, you proactively shield yourself from unpredictable and costly medical emergencies. One alternative for health insurance is the critical illness rider in life insurance policy, which is an optional add-on that provides coverage for specific critical illnesses or medical conditions. You can choose which one works better for you depending on your needs.

Aspect	Critical Illness Rider in Life Insurance	Health Insurance
Purpose	Provides a lump-sum payment upon diagnosis of specific critical illnesses during the policy term	Covers a range of medical expenses, including doctor visits, hospitalization, medication, and preventive care
Types of Conditions Covered	Limited to a predefined set of critical illnesses (e.g., cancer, heart attack, stroke)	Provides coverage for a wide spectrum of illnesses, accidents, and medical treatments
Premium Cost	Typically increases the cost of life insurance premiums	Premiums are paid specifically for health coverage



2. Get **life insurance**. We have discussed the need for life insurance in this handbook already, but do remember that this may turn out to be incredibly important for your family.

3. Buy **more assets** and keep them diversified. Ensure you have stable sources of income like real estate properties, stock dividends, and bonds that you don't work for and that still give you regular returns.

4. **Map out your liabilities** and make investment decisions accordingly. For instance, you may have to pay for your children's education until your 50s or plan for their wedding expenses. Creating a clear understanding of your financial obligations and long-term goals allows you to tailor your investment strategies and savings to meet these specific needs, ensuring that you're financially prepared for important life events and obligations.

5. Start investing in SIP now! It is never too early to start investing for your future. A **Systematic Investment Plan** (SIP) in mutual funds is a structured approach to investing. Through this, we can regularly invest a fixed or variable amount of money in a mutual fund scheme of their choice. Usually, these investments are made on a monthly basis. SIP follows a rupee-cost-averaging strategy, which means that when the mutual fund's price is lower, you buy more units, and when the price is higher, you buy fewer units. It's a straightforward and disciplined way for individuals to build wealth gradually.

6. Research about **pension funds**. These are financial vehicles designed to help individuals save for their retirement. In India, there are two main types of pension funds: the Employees' Provident Fund (EPF) and the National Pension System (NPS).

- **Employees' Provident Fund** (EPF): The EPF is a government-backed retirement savings scheme that requires both employees and employers to contribute a portion of the employee's salary to a provident fund account. These contributions grow over time and provide a lump-sum amount upon retirement. The EPF is mandatory for many employees in India. So, if you don’t have one yet, you should consider talking to your employer about it.
- **National Pension System** (NPS): The NPS is a voluntary and market-linked retirement savings scheme. Under the NPS, subscribers can choose between equity, debt, and government bond investments, similar to mutual funds. Upon retirement, subscribers can withdraw a portion of their money as a lump sum, and the rest is used to purchase regular pension payments which are paid to them on an annual basis.

If you are working in the unorganized sector, which is the sector that is not established with the government and does not have consistent employment, there are some government-backed schemes such as **Atal Pension Yojna, PM-SYM scheme**, etc, where you can start with saving even 100 INR per month.

CHAPTER NINE

INCOME TAX

Taxes can be divided into two types:

- Direct Taxes: These are taxes you pay straight to the government, like income tax and property tax.
- Indirect Taxes: These are taxes you pay through a middleman, such as a shopkeeper, who then passes the money on to the government. The most common examples are the Goods and Services Tax (GST) and the Value Added Tax (VAT).

This clears the first thing we must know about income tax: it is paid by individuals directly.

The second key point is that you always pay taxes on the income of the previous year during the current year. In income tax jargon, the current year is known as the "assessment year." In India, the financial year runs from 1st April to 31st March. So, to simplify, in April 2023, you will pay tax on the income you earned from 1st April 2022 to 31st March 2023.

Moving further, the income earned in each financial year is then divided into five categories called the “income tax heads.” They are as follows:

1. **Income from Salary:** This includes the money you earn from your job or employment. To categorize an income as salary, an assessment of the employer-employee relationship is crucial. If this relationship doesn't exist, the income falls under another applicable head.
2. **Income from House Property**: This refers to the money you earn from owning a house or property, typically through rental payments received from tenants.
3. **Income from Profits and Gains from Business and Profession**: This refers to the money you earn through running a business or practicing a profession. The difference between business and profession is that business typically involves commercial activities aimed at generating profit while a profession usually involves specialized knowledge and skills that require formal education or training (like law, medicine, etc).
4. **Income from Capital Gains**: Capital gains are profits earned from the sale of capital assets like real estate, stocks, bonds, or other investments. They are classified into short-term and long-term capital gains based on the holding period of the asset.

Short Term Capital Gains (STCG)	Long Term Capital Gains (LTCG)
STCG applies to gains arising from the sale of assets held for a short duration.	LTCG applies to gains arising from the sale of assets that are held for a specified minimum period.
For equity-oriented assets, an asset is considered short-term if it's held for one year or less. For other assets, the holding period for classification as STCG is two years or less.	For equity-oriented assets like stocks and equity mutual funds, an asset is considered long-term if it's held for more than one year. For other assets like real estate and debt-oriented mutual funds, the holding period for classification as LTCG is more than two years.
Tax levied on STCG is greater.	Tax levied on LTCG is less.

5. **Income from other sources:** Income that cannot be classified into the other four heads is classified under this one. This may include income earned from miscellaneous sources such as lottery, speculation, betting of any sort, horse races, card games, gambling, etc.

Among all these sources of income, certain incomes may not be taxable at all. So, they are removed while our taxable income is calculated; this income is called our exempted income. Some examples of exempted incomes include:

- Agricultural income
- Shares dividend income up to a limit
- Scholarship money, which covers education expenses like school tuition fees
- Receipts of Hindu Undivided family

After deducting these exempted incomes, we arrive at the Gross Total Income (GTI). Subsequently, individuals can claim various government-offered tax deductions, reducing their tax liability. The resultant amount is the Net Taxable Income (NTI), on which income tax is imposed. Tax brackets specify varying amounts for individuals across different income groups. Additionally, a mandatory 4% health and education cess applies to everyone, irrespective of their income bracket.

CHAPTER TEN

CYBER CRIME

Cybercrime is a growing concern in today's digital age, and it's crucial to be cautious when navigating the vast space of the internet. Here are some key points to keep in mind to protect yourself from cybercrimes:

1. **Secure Passwords:** Your passwords should not be easy to guess. To create strong passwords use a combination of upper and lower case letters, numbers, and special characters, and avoid using easily guessable information like your name, birthdate, or common words. You can even try using a memorable phrase.

   Password- priyagupta1234 ✕
   Password- PriyaGupta@29472 ✓
   Password- #KabhiKhushiKabhiGam2024 ✓

2. **Avoid Clicking on Unknown Links:** Be cautious of unsolicited emails, messages, or advertisements promising prizes or lottery winnings. These are often phishing attempts. Never click on links in suspicious or unsolicited emails.

3. **Use HTTPS for Online Transactions:** When making online transactions or providing sensitive information, ensure the website's URL begins with "https://" instead of "http://." Look for a padlock icon in the browser's address bar, which indicates a secure connection.

4. **Beware of AI-Generated Video Calls:** Be cautious when receiving video calls, especially from unknown numbers or contacts on messaging apps. Cybercriminals can use AI to impersonate others, even your loved ones, to trick you into revealing personal information. If you receive an unexpected call, decline it and verify the caller's identity through other means.

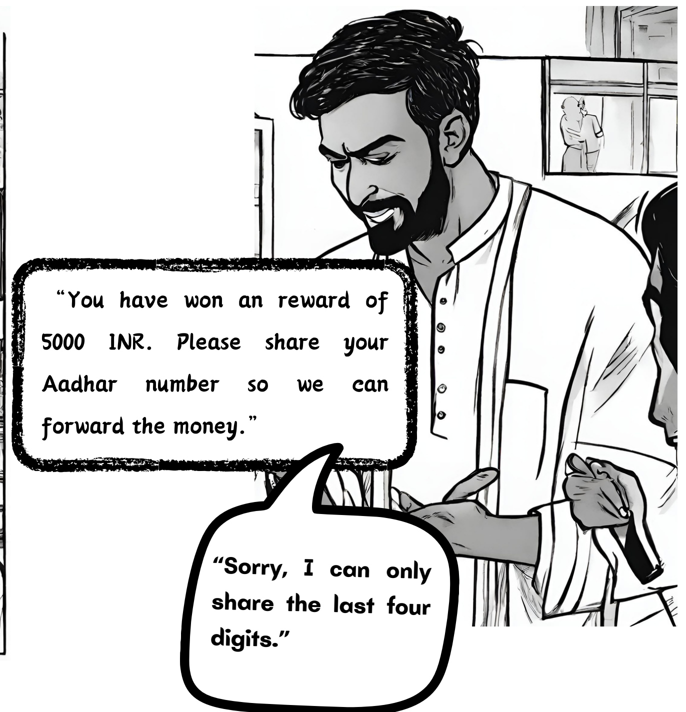
5. **Beware of AI-Generated Video Calls**: Be cautious when receiving video calls, especially from unknown numbers or contacts on messaging apps. Cybercriminals can use AI to impersonate others, even your loved ones, to trick you into revealing personal information. If you receive an unexpected call, decline it and verify the caller's identity through other means.

CHAPTER TEN

HOW CAN YOU REACT IN CASE OF SUCH CALLS?

If someone claims to be calling you from a bank and asks for details, pretend that you know the bank manager to scare them away!

Only share the last four digits of your Aadhar number and bank account number.



If you receive a call from an unknown number claiming to be a loved one, decline the call and call them on their personal number.

If someone asks for your OTP, always refuse!

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With heartfelt appreciation,
Vidhi Miglani

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