

How different investments behave

By Ameet Patel

Taxes are the price that one pays for living in civilised society. However, one inevitably sees a huge gap between the taxpayer's expectations in return of those heavy taxes, and, what he actually gets.

Financially, it makes good sense to be aware of the tax implications of every investment one gets into. After all, you want to create a balance between being a faithful taxpayer and trying to minimise your outflows on account of taxes.

In this article, I shall look at various investment options available to Indian investors, and shed some light on the taxes imposed on income generated from the same.

Of course, the purpose is certainly not to sway the reader towards a particular investment, but merely to inform about all. The ultimate decision, as always, rests with the investor who should put down his money only after appropriate professional advice.

While investing, the various factors that one generally takes into consideration (or should) are:

How safe is the money?

Will the principal remain intact or is there a possibility of some erosion, etc?

Liquidity

Can the investment be liquidated at short notice, or will this take a long time? Is there a lock-in period?

Capital appreciation

Will the investment appreciate in value, or remain stagnant and only generate regular income, etc?

Rate of return

Does the rate of return/ interest beat inflation, or am I getting negative returns?

Tax benefits

Does the investment vehicle give me any tax benefits, or is my income subject to tax?

These are some of the common concerns, although there may be other factors.

At present, the most common and popular investment avenues that most people are aware of are:

- ~ Public Provident Fund
- ~ National Savings Certificates
- ~ 8% Savings Bonds, 2003 (taxable)
- ~ Post Office Monthly Income Scheme
- ~ Senior Citizen's Bonds
- ~ Life Insurance policies

- ~ Unit Linked Insurance policies
- ~ Shares
- ~ Units of mutual funds
- ~ Bank Fixed Deposits
- ~ Company Fixed Deposits
- ~ Gold, jewellery and other precious stones
- ~ Immovable property
- ~ Paintings/ art

For a detailed analysis of the above investments, click [here](#)