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WEALTHWISE®

Inside

Wealthwise

"Wealthwise" is a monthly publication brought to you by Wiseinvest Advisors. Wiseinvest Advisors is a quality investment advisory firm that specializes in mutual funds. Though mutual funds are a simple way to invest money, you can get the best only if you get professional advice. Our CEO, Hemant Rustagi, is a well known personal finance expert. He brings with him an experience of more than 25 years in this field. He regularly writes articles for major national dailies and business magazines as well as appears as a personal finance expert on many investments related TV shows. Besides, our team of advisors has professionals who have spent years in the mutual fund industry. In the last eight years, thousands of our clients have benefitted from our quality advice and have made mutual funds as the mainstay of their portfolio. You can benefit too from our expertise for your existing as well as new investments. All you need to do is to just call up any of the branches or email your requirements at information@wiseinvestadvisors.com and our professional advisors will do the rest.

Dear Investor,

The stock market fell sharply on the last trading day of May 2013 as the GDP growth slid to 4.8 percent in the fourth quarter of the FY 2012-13. The BSE sensitive index, SENSEX, closed at 19760, down by 455 points. The rupee too declined by 12 paisa to end at 11-month low of 56.50 against the US dollar amid worries of current fiscal deficit and GDP Growth. The RBI Governor's comments on several upside risks to inflation as well as widening CAD also added to the already cautious mood.

During the month, while the 30-share Sensex was up by 0.12 percent, the mid-cap and small cap indices of the BSE were down by 0.05 percent and 1.85 percent respectively. With the earning season getting over, the market would await for signs of monsoon and the development in the global markets. Despite the lacklustre performance of the stock market in May 2013, we remain optimistic about the prospects of the stock market as global inflows are likely to continue and interest rates are trending down.

India's headline inflation fell below five percent in April, the lowest since November 2009. The moderation in inflation would give some relief to the policymakers who have been struggling to balance the need for controlling inflationary pressure and stimulate economic growth. The headline inflation was recorded at 5.96 percent in the previous month and 7.28 percent during February.

On the debt side, the current scenario requires investors to tread carefully. No doubt, the steep fall in the headline inflation in April 2013 has improved the outlook for another rate cut in June policy review. However, the yield on the benchmark 10 year bond too is at three years low. It is quite evident that the rate cut expected in June 2013 is already priced in. Therefore, the bond market is likely to trade on a cautious note in the short term. For making fresh investments, a combination of dynamic bond funds as well as short term income funds will be apt.

Another significant factor for the debt portfolio is an increase in Dividend Distribution Tax (DDT) from 12.5 percent to 25 percent (other than liquid and money market funds) w.e.f. 1st June, 2013. It would be advisable to reassess the option, in case the current option is either dividend payout or dividend reinvestment.

Warm regards,

Hemant Rustagi
Editor

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With YOU, in meeting FINANCIAL CHALLENGES

Address to be affixed here

The Stock Market performance during May 2013.

Indices	2nd May 2013	31st May 2013	Change in (%)
Sensex	19,735.77	19,760.30	0.12%
MIDCAP	6,392.67	6,389.47	-0.05%
SMLCAP	6,055.73	5,943.46	-1.85%
BSE-100	6,012.07	5,991.11	-0.35%
BSE-200	2,416.38	2,409.22	-0.30%
BSE-500	7,466.33	7,441.89	-0.33%

Investor-Friendly FOFs Needed

Mutual funds are known for being one of the most versatile investment vehicles as they offer a number of advantages to investors. One of the major advantages is the wide variety of funds they offer, thus providing investors the opportunity to not only achieve multiple goals over different time horizons but also create the right balance between risk and reward.

For instance, someone who wants to invest in equity funds has options like large cap, mid-cap, multi-cap, thematic, sector and opportunities funds. For those who may like to have a hybrid portfolio with higher allocation to equity, there are equity-oriented balanced funds too.

Similarly, on the debt side, there are options like ultra short term, short term, income as well as debt-oriented hybrid funds. In fact, investors also have the option of investing in income funds following different investment strategies. While on the one hand there are funds that dynamically change their allocation and maturity, on the other hand there are funds that follow either accrual or duration strategy.

As is evident, mutual funds have a lot to offer through an array of market-oriented products. However, considering that there are hundreds of products to choose from, it can be a daunting task for investors to make the right selection. It is, therefore, often said that although mutual funds are a simple investment vehicle, investing in them is not always simple as it can be quite challenging to have the right mix of funds in the portfolio.

In this context, Fund of Funds (FOFs) can be an ideal option as they allow investors to invest in schemes relating to different asset classes thru a single investment. Besides, they can do so by investing a much lower amount than if they were to invest in these schemes directly. Moreover, since many of the FOFs have a pre-decided asset allocation, investors do not have to worry about rebalancing the portfolio, which is the key to investment success in the long run.

The Indian mutual fund industry offers three types of FOFs. First, there are funds that invest in the schemes of the same mutual fund. In this category, the most popular ones are gold funds that invest in the Gold ETFs (GETFs) of the same mutual fund. These funds allow investors to participate in GETFs without having a demat account and also invest thru SIP on a regular basis. Besides, there are funds that follow the asset allocation model through a mix of funds investing in different asset classes. Second, there are FOFs that invest in schemes of different mutual funds. These funds allow investors to benefit from the expertise of different fund houses. Lastly, there are FOFs that invest in international funds, thereby allowing Indian investors to invest abroad and achieve a higher level of diversification. In this category, there are country specific funds and thematic funds focusing on commodities as well as emerging markets.

Considering the benefits of FOFs, as a category, they can be quite useful for investors in different segments. However, despite the fact that FOFs are quite popular globally, they have failed to make an impact on Indian investors. There are a few factors that have contributed to their muted growth here.

First, most FOFs on offer provide investors an option to invest in the funds belonging to the same fund house. In other words, investors have to depend on the expertise of fund managers belonging to the same fund house, thereby limiting their options. Also, an investor in an FOF has to bear the expenses relating to the FOF as well as the underlying funds. However, it is important to note that the SEBI has ensured that the combined expenses for the feeder fund as well as the target fund do not exceed 2.5 percent. Another major drawback of FOFs is their tax treatment. For tax purposes, FOFs are treated as debt funds. Hence, even those funds that have an asset allocation that may otherwise qualify for tax benefits applicable to equity and equity oriented funds are treated as debt funds. Thus, FOFs are liable to pay a dividend distribution tax (DDT) and investors too have to pay long-term capital gains taxed @10 percent. Besides, short term capital gains are taxed at a nominal tax rate of investors.

Considering that most retail investors tend to be passive in nature and also need help in asset allocation, it's time to recognize the benefits of FOFs and amend the tax treatment to make them more attractive. This step alone can go a long way in making them more effective and popular. The availability of more funds investing in schemes of different fund houses can also enhance their popularity.

(This article written by our CEO, Hemant Rustagi, was published in Dalal Street Investment Journal- Issue dated May 6-May 19, 2013).

Here's How To Plan A Dream Retirement

Retirement planning should be one of the key long-term investment goals for any investor which is often ignored by investors. While some of them get overwhelmed by the challenge of building a large corpus to lead a comfortable retired life, others do not even start the process, either thinking that they do not have enough money to begin with or fearing that they might end up making wrong investment choices.

The truth, however, is that a disciplined approach coupled with an appropriate asset allocation can make it easier for investors to achieve this important goal. Moreover, by starting the investment process early, investors can build a large corpus with smaller contributions with the help of power of compounding. Investing in tax efficient and simple investment vehicles like mutual funds can not only help in earning positive real rate of return but also in staying ahead of inflation.

Another challenge before investors is to generate regular income after retirement. Many retirees err by investing their entire retirement corpus in low yielding instruments with a lock-in period. By doing so, they not only compromise on liquidity but also fail to keep pace with the inflation rate. To enhance the overall portfolio return, one must include market linked products such as debt and debt oriented hybrid funds in it.

Besides, a proper strategy can ensure that one doesn't outlive one's money. Retirees must assess their requirement of regular income. For those who receive pension, the monthly requirement needs to be adjusted accordingly. It is also important to factor in increase in monthly expenses over the years due to inflation. Once this amount is ascertained, it will help in deciding the kind of returns one needs to generate from the retirement corpus and the required portfolio mix to achieve these returns.

For example, for a retiree who has a retirement corpus of ₹ 50 lacs and his monthly requirement is ₹ 30,000 i.e. ₹ 3.60 lacs annually, even a return of around 7 percent would suffice. However, considering inflation to be at seven percent, he will require a monthly income of ₹ 60,000 after 10 years and would hence need to generate a return of around 14 percent. If the retiree decides to lock-in his/her investments in instruments offering fixed but lower and tax inefficient returns, he/she is likely to struggle to keep pace with increasing expenses. Therefore, the portfolio needs to be designed in a manner that not only meets the person's regular income needs but also provides an opportunity to earn capital appreciation to take care of inflation over time. Besides, liquidity provided by the investment option has to be given its due.

Some of the options for generating regular income after retirement are:

Post Office Monthly Income Scheme (POMIS) – POMIS currently offers a return of 8.4 percent and the maximum investment limit is ₹ 4.5 lacs in a single account and ₹ 9 lacs in a joint account.

Senior Citizens Savings Scheme (SCSS) – SCSS currently offers 9.2 percent by way of a quarterly interest and a maximum of ₹ 15 lacs can be invested. There is an option of investing ₹ 15 lac each in two separate accounts in the name of husband and wife (provided her age is 60 years).

Bank deposits – Bank FDs offer interest on a monthly basis. However, the interest rates will vary depending on the prevalent interest rates at the time of depositing the money.

MIP of Mutual funds – These are typically debt oriented hybrid funds that invest a major portion of the corpus in the debt instruments and a small proportion in equities. These funds have the potential to offer higher returns than traditional options but the returns can be a little erratic. However, considering that the DDT (effective from June 1, 2013) for individual investors in debt and debt-oriented funds will be 25 percent, the dividend payout option will become unattractive for those who are in lower tax bracket. However, the potential to earn higher returns than traditional options remains intact.

One way to tackle the issue of higher DDT is to opt for a Systematic Withdrawal Plan (SWP) after completing one year as long-term capital gains are taxed at a concessional rate of 10 percent. Through SWP, one can instruct the fund to redeem a particular amount every month on a fixed date and utilize the same as a regular income.

Besides, there are options like NCDs and tax free bonds. Ideally, the portfolio should be a mix of traditional options and market linked instruments to get a regular income as well as capital appreciation.

(This article written by our CEO, Hemant Rustagi, was published in Dalal Street Investment Journal- Issue dated May 20-June 2, 2013).

Performance of Select Funds

Data as on May 31, 2013

EQUITY FUNDS

Diversified

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Axis Equity	Jan-10	1.26	7.87	8.14	30.86	9.39	7.65	—
Birla Sun Life Frontline Equity	Aug-02	-0.07	4.53	2.09	27.17	6.84	7.79	9.41
Canara Robeco Equity Diversified	Sep-03	0.52	3.77	-1.42	18.01	6.17	7.05	10.67
DSPBR Top 100 Equity Reg	Mar-03	-0.11	3.45	-1.8	15.29	3.4	5.91	7.39
Franklin India Flexi Cap	Mar-05	0.1	-0.03	-3.52	18.81	2.17	6.04	7.54
HDFC Equity	Jan-95	-0.19	2.82	-0.98	16.26	0.45	5.35	10.66
HDFC Top 200	Oct-96	-0.58	3.37	-0.47	18.14	2.48	5.95	9.8
ICICI Prudential Dynamic Reg	Oct-02	-1.14	-0.48	-1.9	11.84	2.11	5.36	8.14
ICICI Prudential Focused Bluechip	May-08	0.92	3.98	1.31	21.7	6.6	9.71	13.08
Kotak 50	Dec-98	-0.46	4.02	1.45	22.67	4.76	5.93	4.62
Kotak Opportunities	Sep-04	0.76	4.14	-0.67	20.23	4.08	4.7	4.09
L&T Equity	May-05	1.28	4.29	-1.51	16.57	2.4	5.56	8.28
Reliance Equity Opportunities	Mar-05	-2	0.34	-4.26	16.58	7.79	10.09	13.06
Reliance Regular Savings Equity	Jun-05	0.95	2.14	-6.69	19.7	1.93	3.38	7
Tata Equity PE Plan A	Jun-04	-0.84	-1.53	-7.04	10.86	-0.96	1.91	5.32

Sector, Specialty & Tax Saving

Canara Robeco F.O.R.C.E Regular	Sep-09	1.56	8.42	2.08	30.05	9.35	11.36	—
ICICI Prudential FMCG Reg	Mar-99	4.11	15.10	7.83	33.59	30.21	29.82	19.57
Reliance Banking	May-03	0.76	4.88	-0.93	28.81	6.21	10.41	17.09
Reliance Pharma	Jun-04	2.61	11.22	3.76	26.11	11.06	12.21	24.34
Canara Robeco Equity Tax Saver	Mar-93	0.62	2.96	-1.25	17.56	5.91	6.78	12.03
HDFC Taxsaver	Mar-96	-0.31	0.87	-2.72	11.79	-0.25	3.48	9.12
L&T Tax Advantage	Feb-06	0.69	4.08	-1.65	16.41	2.64	5.80	8.89
Reliance Tax Saver	Sep-05	0.36	3.51	-3.87	13.51	5.21	6.88	9.46

Midcap & Smallcap

Birla Sun Life Dividend Yield Plus	Feb-03	-0.88	-0.22	-4.96	11.03	1.97	5.15	12.77
DSPBR Small and Mid Cap Reg	Nov-06	-0.47	0.57	-9.64	9.28	0.81	3.97	9.80
HDFC Mid-Cap Opportunities	Jun-07	1.54	3.28	-1.01	15.76	6.35	9.88	13.18
ICICI Prudential Discovery Reg	Aug-04	-1.54	0.22	-2.11	14.75	5.05	7.21	14.55
IDFC Premier Equity Regular	Sep-05	1.67	3.28	-1.84	18.40	9.45	11.28	13.04
IDFC Sterling Equity Regular	Mar-08	-0.26	0.11	-4.60	13.52	5.42	6.96	15.73
UTI Dividend Yield	May-05	0.33	2.37	-1.06	14.91	2.36	5.42	10.08

HYBRID

Equity, Debt Oriented & Multi Asset Class

Canara Robeco Balance Regular	Feb-93	0.40	2.35	-1.49	13.61	6.83	7.32	9.95
HDFC Balanced	Sep-00	1.11	2.18	-0.21	10.95	4.87	8.72	12.21
HDFC Prudence	Feb-94	1.24	2.99	-0.24	12.12	4.21	7.06	12.51
ICICI Prudential Balanced Reg	Nov-99	1.24	2.95	3.10	19.30	10.10	11.06	8.37
Kotak Balance	Nov-99	0.94	4.07	4.45	17.96	8.08	7.77	6.74
Reliance Regular Savings Balanced	Jun-05	-0.62	1.40	-2.24	15.63	6.20	6.41	11.98
Canara Robeco MIP Regular	Apr-01	0.25	2.25	1.24	8.02	7.28	7.01	9.28
HDFC MIP Long-term	Dec-03	1.65	3.74	5.15	12.42	8.41	8.17	10.76
L&T MIP	Jul-03	1.18	2.88	3.71	10.19	7.67	6.75	6.01
Reliance MIP	Dec-03	1.98	4.89	5.45	12.91	10.09	8.77	12.75
Axis Triple Advantage	Aug-10	1.36	1.14	-1.59	9.89	8.80	—	—
Canara Robeco InDiGo Regular	Jul-10	0.59	-1.20	-2.82	2.00	7.88	—	—
FT India Dynamic PE Ratio FoF	Oct-03	0.42	2.61	1.87	14.99	6.92	7.52	8.84

GOLD

Fund of Funds

Fund	Launch	1-Month*	3-Month*	6-Month*	1-Year*	2-Year**	3-Year**	5-Year**
Kotak Gold	Mar-11	0.33	-8.33	-15.23	-7.80	7.60	—	—
Reliance Gold Savings	Mar-11	-0.73	-8.38	-15.34	-8.15	7.90	—	—

DEBT

Ultra Short Term, Short Term & Income Funds

Funds	Launch	1 Week*	1 Month*	3 Months*	6 Months*	1 Year*	2 year**	3 Year**
Birla Sun Life Dynamic Bond Ret	Sep-04	-0.10	1.76	4.40	6.71	12.25	11.45	9.42
ICICI Prudential Dynamic Bond Reg	Jun-09	-0.37	1.72	4.91	8.46	12.92	10.99	9.55
IDFC Dynamic Bond Plan A	Jun-02	-0.35	1.88	4.54	9.02	14.57	13.37	10.07
Kotak Bond Plan A	Nov-99	-0.46	2.71	5.41	8.59	14.00	13.41	9.46
Kotak Income Opportunities	May-10	-0.19	1.26	3.35	5.45	10.72	10.08	8.40
Reliance Dynamic Bond	Nov-04	-0.39	2.78	5.62	9.33	15.16	13.25	10.82
SBI Magnum Income	Nov-98	-0.44	2.92	5.67	9.74	16.04	13.47	10.49
L&T Income Opportunities Ret	Oct-09	-0.16	0.46	2.10	3.71	8.05	8.78	8.21
BNP Paribas Flexi Debt	Sep-04	-0.41	2.94	5.38	9.09	13.38	11.05	8.46
BNP Paribas Money Plus	Oct-05	0.12	0.69	2.43	4.53	9.41	9.67	8.92
L&T Ultra Short Term Reg	Mar-02	0.12	0.66	2.32	4.12	8.57	9.07	8.37
Kotak Floater LT	Aug-04	0.09	0.80	2.61	4.66	9.55	9.55	8.81
UTI Short-term Income Regular	Jun-03	-0.27	1.07	3.38	6.12	11.76	11.10	9.58

*Absolute ** Annualised. Past performance may or may not be sustained in future.

Dividends declared by equity and equity-oriented funds during the month of May 2013

Scheme name	Date	Dividend declared in ₹ Per unit
Tata Balanced Fund (MD)	03/05/2013	0.35
Religare Invesco Banking - RP (D)	04/05/2013	2.50
Kotak Emerging Equity (D)	06/05/2013	0.50
DSP-BR India TIGER - RP (D)	10/05/2013	1.00
UTI Opportunities Fund (D)	14/05/2013	1.00
Birla SL Advantage Fund (D)	17/05/2013	4.00
ICICI Pru Services Indus. (D)	17/05/2013	1.50
ICICI Pru Target Returns - RP (D)	17/05/2013	1.50
SBI FMCG Fund (D)	17/05/2013	8.00
FT India Balanced Fund (D)	24/05/2013	2.00
Tata Equity P/E Fund (D) (TO-A 5%)	28/05/2013	0.50
IDFC India GDP Growth - Plan A (D)	29/05/2013	1.50
BNP Paribas Dividend Yield (D)	31/05/2013	0.08
BNP Paribas Equity Fund (D)	31/05/2013	1.00
ICICI Pru Eqty-Vol. Adv. DP (MD)	31/05/2013	0.04

Please check whether you have received dividend for the fund/s that you may have in your portfolio out of this list. In case, you do not maintain any portfolio statement, Wiseinvest Advisors can do that for you free of charge. Once we have the details, we would send your updated statement every month. You can contact our corporate office or any of the branches to avail of this free service.

Mutual funds, like securities investments, are subject to market and other risks. As with any investments in securities, the NAV of units can go up or down depending on the factors and forces affecting capital markets.

Pick The Right Fund To Benefit From Falling Interest Rates

It is a well known fact that interest rates and bond prices are inversely related. Simply put, when interest rates begin to fall, the prices of previously issued bonds start increasing. Therefore, investors can benefit from this phenomenon by buying bonds from the secondary market. However, considering a very low level of retail participation in the debt market, not many investors benefit from it. Mutual funds offer a variety of income funds to allow investors to benefit from the opportunities that emanate from a falling interest rates scenario.

Income funds are not only diversified by nature but also provide an opportunity to individual investors to buy into a portfolio that has a mix of government securities, PSU bonds as well as the corporate debt. Moreover, investors have to track only one price that is the net asset value (NAV) rather than individual prices of a number of debt securities. In addition, the tax efficiency of income funds vis-à-vis traditional investment options like fixed deposits, bonds and debentures helps investors in earning higher post-tax returns.

However, it is important to understand that a strategy like this suits only those investors who don't mind taking some amount of risk to earn higher returns. Investors often make the mistake of investing in long duration income funds at the fag-end of the rally in the bond prices and hence not only miss out on an opportunity to make decent returns but also risk a part of their capital.

The current scenario requires investors to tread carefully while making investment decisions. No doubt, the steep fall in the headline inflation in April 2013 has improved the outlook for another rate cut in June policy review. However, the yield on the benchmark 10 year bond too is at three years low. It is quite evident that the rate cut expected in June 2013 is already priced in. Therefore, the bond market is likely to trade on a cautious note in the short term. Besides, India's widening current account deficit remains a challenge.

However, the declining gold and oil prices are likely to provide some respite in the coming months. Moreover, India's headline inflation is expected to remain on a down trend. Therefore, it would be realistic to expect more rate cuts by the RBI in future. Hence, the opportunity for investors to earn healthy returns from income funds remains.

Of course, making appropriate scheme selection as well as having the right time horizon would be the key to investment success. It is important for investors to know that the major differentiator between different types of income funds is the maturity duration of their portfolios. For investors who have a time horizon of say 18-24 months, medium and long-term income funds can be a good choice. However, it may not be wise to invest aggressively in income funds having a portfolio of longer duration instruments. While it can be quite tempting to rely on the past performance while making investment decisions, it may not be the right thing to do. Therefore, the emphasis should always be on earning healthy returns through a portfolio that doesn't take an investor beyond his defined risk taking capacity.

Dynamic bond funds, however, fit the bill in the current scenario. That's because if the rate cuts do not happen in the manner being envisaged by the market, investors will have to encounter increased volatility as well as the risk of lower returns. Keeping these risks in mind, it would be prudent to opt for dynamic bond funds. Dynamic bond funds are those funds where the fund manager manages the duration of the portfolio actively, depending on the interest rate movements. It will apt to say that the flexibility of realigning the portfolio provides a dynamic bond fund an edge over a typical long-term income fund.

Similarly, for investors who have a limited risk appetite and have a time horizon of a year or so, short term income funds would be an ideal option. In a short term income fund, the fund manager focuses on the short end of the yield curve by maintaining a low average maturity profile.

Then there are ultra short term income funds. These funds are ideally suited for those who may be looking to park funds for 6 months or more. These funds mainly invest in short term debt instruments such as Commercial papers (CPs), Certificate of deposits (CDs) and T-bills. Ultra short-term income funds have the potential to provide better returns than savings bank and short term fixed deposits. Although the hike in Dividend Distribution Tax (DDT) to 25 percent, effective June 1, 2013 will take some sheen out of these funds for investors in 30 percent tax bracket, their potential to earn healthy returns remains undiminished.

(This article written by our CEO, Hemant Rustagi, was published on moneycontrol.com on May 22, 2013).

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Buying a life insurance policy? Here are mistakes to avoid

Life insurance is an integral part of risk management process for any investor and having adequate insurance ensures that if something were to happen to any earning member of the family or the sole earning member of the family, the dependents will not face any financial hardship. Unfortunately, many investors do not focus on this important aspect of their financial planning process and even those who buy life insurance do not do it the right way. Therefore, they face the risk of either being under-insured or not been able to achieve some of their goals.

As for the mistakes, there are investors who do not feel the need to buy life insurance. While they happily pay insurance premium on their vehicles, they do not consider it necessary to buy life insurance. It is important to understand that for anyone having a dependent likely to be financially affected after his untimely death, life insurance becomes a necessity. In fact, buying it at the earliest makes a lot of sense because that makes a huge difference to the premium that one has to pay.

There are investors who buy only traditional plans like endowment plan, whole life plan or money back plan. This happens typically because they either do not assess their insurance requirement properly or focus more on investment than on insurance. The problem with traditional plans is that they neither provide the kind of risk cover one may require nor the kind of return with which one can hope to beat inflation overtime. Therefore, it is very important for everyone to understand that life insurance should be treated as a risk management tool. Hence, one must focus on products like a term plan that offers a higher risk cover and that too at a much lower premium.

Then there are investors who end up having a large number of policies in their portfolio, which makes their insurance portfolio unwieldy. This usually happens because they still consider life insurance as a tax saving instrument. They must know that tax benefits are incidental and it is not the number of policies but the quantum of insurance cover that provides protection to their family.

Last but not the least, there are investors who make the mistake of buying insurance once at some point of time and continue holding it despite there income growing many fold over the years. It is very important to review one's insurance needs to keep it in line with the changing family composition, changing lifestyle as well as increase or decrease in the assets and liabilities.

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