



VALUE PLUS
The Family Office

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FROM THE DESK OF CEO

H P Shah,
CEO, Value Plus Investment Advisors Pvt. Ltd.

Season's greetings to all!
We at Value Plus Investment Advisors Pvt. Ltd. are again coming with Lifeline, a newsletter. I feel privileged to be a part of this medium and share a few words with you.

I hope the content and information will add value to your life. The articles of the bulletin have been developed with the purpose of sharing our views on market, economy, insurance, lifestyle etc. and the way they influence your life. Even a seemingly trivial issue which affects family happiness and well being, to a significant extent may become the subject of interaction. Lifeline, in that sense, will be a unique way of nourishing and building upon our relationship.



Value Plus, the Family Office, has an expert team of CAs, MBAs, CFPs, CFAs and many skilled professionals, all eager and ready to offer services of quality and value. Our successful journey thus far has been the result of consistent hard work and sharing of expertise to evolve a fruitful association with our patrons.

Our three major services - Wealth Management, Insurance and Fund Syndication - revolve around the mission of Growth, Safety and Happiness of HNI and Ultra HNI families. We achieve our goals while being surrounded by the changes and challenges in markets, economy and lifestyle.

Wishing you and your family a Joyous Deepavali and a prosperous and fortunate New Year.

Grow safely and be happy... with Value Plus.

FAMILY OFFICE

A Unique Concept for Ultra -rich Families

As the population of HNI and Ultra-HNI rises, the need for a single entity to help in managing, developing, preserving and passing wealth to the inheritors is felt by many.

The necessity to manage unique requirements of rich families, including wealth management, estate, tax, investment, risk, retirement and legacy planning, business succession strategies, etc. is on the upswing, especially amidst rapid changes in government policies, economy and unpredictable scenario in the markets, along with domestic and international crisis. This emerging need forms the basis of the Family Office concept.

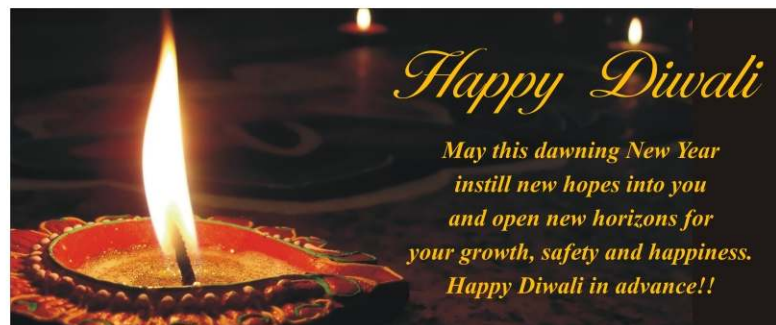
The idea of a "Family Office" is said to date back to nearly 6th century, when a person, designated as majordomo, was given a task to take charge of the royal families' affairs, including wealth.

With explicitly articulated family values and vision in terms of how families and their affairs will advance over time, Family Office aims at providing growth, safety and happiness, by following the ethic of serving above selling.

Family Office concept believes in the tenet – **"Provide safety and happiness to your family members, not as long as you live, but as long as they live.** The only thing by which you will be judged ultimately is the legacy you leave behind for your dear ones."

At Value Plus, managing the portfolios of wealthy families is not only a responsibility; it is our pleasure, duty and commitment.

Wealth, when managed well, provides exceptional flexibility and freedom to enjoy life forever.



Happy Diwali

*May this dawning New Year
instill new hopes into you
and open new horizons for
your growth, safety and happiness.
Happy Diwali in advance!!*

TAX FUNDAS

1) Senior Citizen Privilege :

Question - A Senior Citizen has an investment of Rs 30,00,000/- in FD with a Bank. The annual interest he earns on this investment is Rs 2,70,000/- at 9%. Now, his Pension is Rs. 60,000 per annum and he has invested Rs 1,00,000/- in investments, subject to deduction under Section 80C. In this case, can he file a Declaration in Form 15H in FY 2011-12 and get the benefits of no TDS?

Reply – With reference to the Finance Bill 2011, there were following amendments in the definition of senior citizen.

For a resident senior citizen (who is 60 years or more at any time during the previous year but not more than 80 years on the last day of the previous year, i.e., born during April 1, 1932 and March 31, 1952), exempt income will be Rs 2,50,000/- p.a.

For a resident super senior citizen (who is 80 years or more at any time during the previous year, i.e., born before April 1, 1932), exempt income will be Rs 5,00,000/- p.a.

The below solution is based on the definitions of a residential senior citizen and resident super senior citizen after taking into consideration exemption limit.

Particulars	Resident Senior Citizen (Rs.)	Resident Super Senior Citizen (Rs.)
Interest Income from Bank F.D.	2,70,000	2,70,000
Pension	60,000	60,000
Gross Total Income	3,30,000	3,30,000
Deduction under chapter VI-A		
80 C (P.P.F.)	1,00,000	1,00,000
Total Taxable Income	2,30,000	2,30,000
Exemption Limit	2,50,000	5,00,000
Taxable Income	Nil	Nil

Thus, for F.Y 2011-2012, the tax will be nil in both the above cases. He can avail the entire interest without TDS, by filing Form 15H with the bank (assuming he has made investment of Rs. 1 lakh under sec 80C).

2) Build Tax free capital for minors through PPF investment:

Building capital for children's financial requirements with respect to education, marriage etc. is the major concern of each parent. As per the clubbing provisions under Section 64 (1A) of the Income tax Act, any income arising to a minor child is required to be clubbed with the income of either the father or the mother, whosever's total income is greater. Through investment in PPF, LIC, etc the objective of building up tax free capital for minors can be achieved.

Investment in PPF can be usefully resorted to achieve the twin objectives of building up tax free capital as also securing valuable tax saving through deduction under Section 80C. Section 10(11) of the Income-tax Act provides that the interest @ 8% per annum earned on the balance in the PPF Account is totally exempt from Income-tax. Moreover, section 80C of the Income-tax Act provides that any contribution made by an individual even in the account of his children (either minor or major) also qualifies for deduction out of gross total income. As per the current provisions of the PPF Scheme, the maximum contribution that can be made in the PPF account during the financial year is Rs.1,00,000/-.

Even after the introduction of the provisions of Section 56(2)(vii) in relation to treating gifts received exceeding Rs.50,000/- as taxable income in the hands of the recipient, the contribution by an individual to the account of his minor child would fall within the exceptions carved out under the said section and not give rise to any taxability in the hands of the minor child.

The creation of capital in the name of minor can be designed well with the help of Insurance, Mutual Fund and PPF, in consultation with a professional advisor.

Source – Advocate Mukesh Patel

PROFITABLE BORROWING

The credit worthiness of a company is a salient aspect. If the credit rating is poor, a company ends up paying higher interest and also finds difficulty in borrowing. Thus, to save the cost of interest of borrowing, you need to make income smartly and pay tax in a profitable way. For profitable borrowing, there are three major parameters: **Financial risk parameters, Industry risk parameters and Management risk parameters.** Here, we have highlighted the importance of financial risk parameters. Kindly consider some basic ratios which may differ from industry to industry.



Terms	Details	Ratio
Current Ratio	The degree to which the current assets cover existing liabilities.	It should be from 1.30 to 1.40 times.
TOL/TNW	A measure to which a company uses creditor's funds and various other liabilities versus its own investment in order to finance the business.	It should be in the range of 1.50 to 2.00 times.
PAT/Net Sales	It focuses on how much profit an enterprise makes for each Rs. 1 it generates in sales or revenue.	It should be more than 5%.
Interest Service Coverage Ratio	The number of times a company makes the payments of interest on its debt with its earnings before taxes and interest.	It should be in the range of 3 to 4 times.

You can consult your CA to build and maintain these ratios. Or our expert team, at Value Plus, is here to assist you.

POCKET MONEY

God-gifted petals, children get excited when they receive pocket money to fill up their pockets or piggy banks. But, does the term, “pocket money” differ from the term, “pocket full of money”? And if yes, how?

Having witnessed above 3500 parents, along with kids of 7-12 age bracket, a survey stated that majority of the children in Asia receive pocket money. However, parents think their children lack money management skills.

Teens often don't perceive money as something that is earned through hardship. Mobile is considered a right to be attained and insufficient cash for a movie is termed as an emergency. Parents' job is to inculcate financial prudence in their kids at an early age. Kids should realize that while Rs 500 may mean popcorn and tickets for them at a multiplex; it can also mean money for five-days-meal for others.

Piggy bank is the first step towards inculcating saving habits in kids. There are some students who themselves operate their bank accounts under parents' supervision. They should be allowed to make investment into different asset classes. As a result, they will grasp a better understanding of budget and risk factors.



- Conditions like “more grades in exam, more pocket money” seems tit-for-tat approach, but can be favorable at later stages.
- Discuss subjects like bank interests, inflation, credit cards, etc with teenagers. This way, plenty of queries will be generated into those young minds, which need to be solved, or sometimes leave them unresolved, giving teens an opportunity to do it.
- A sense of charity, by teaching kids social ethics and responsibilities, also makes them understand what money means to a needy. Tell them to keep aside some cash, out of their pocket money, to give it to an NGO, each year.
- Reading a few magazines helps teens grasp awareness on money management. Children should here be encouraged to share their views after reading.
- Things they need and things they desire, the difference between these two should be realized by kids. They need to adapt a habit of

listing these needs and desires into separate columns every six months, for a better understanding of their own necessities that will continue to be multiplied as they mature. They will also spend money as per priority.

- Diversify pocket-money into four boxes, namely School, Fun, Save for Future and Clothes. Teens will understand how to balance their spending.
- Mathematics, economics, insurance, an insight of all these disciplines needs to be delivered to those belonging to 10-18 age bracket.
- For 7 to 12 age group, coin collection hobby will not only be a fun but also strengthen their saving habits. After a huge amount of collection, reward them.
- Help children learn about different currencies and financial concepts.
- Children tend to buy expensive gifts, regardless of the worth and need of such gifts. Tell them how a hand-made greeting card is superior to an expensive ready-made one.
- Many clubs such as Junior Chambers etc. can help nourish the children.

Giving your children a good lifestyle makes them feel blessed, but making them capable enough to maintain that lifestyle will give them a timeless legacy. Such seemingly petty lessons not only educate kids on money management, but they also make them think about their parents' sacrifices. The sooner kids begin imbibing these smart saving and money usage habits, the better position and stature they are likely to attain as adults.



INVEST SHORT ENJOY LONG

Pay Rs. P.M	Term	Life Insurance	Tax Free Pension P.A.	Till 100 age from..
12, 000	12 Years	25 lacs to 36 lacs	1, 35, 000	42 to 100
12, 000	16 Years	29 lacs to 48 lacs	2, 01, 000	46 to 100
12, 000	21 Years	36 lacs to 78 lacs	3, 51, 000	51 to 100
12, 000	26 Years	43 lacs to 116 lacs	5, 01, 000	56 to 100

This working is for age 30 and will vary at different ages. The above figures are on approximate basis which may differ as per LIC norms. It is 100% safe plan. (Guaranteed by Govt. of India. Terms and Conditions apply.)

LIFELINE



Safety



HEALTH ZONE

Tip : 1

Drink cold drinks through straw. Many cold drinks have acidic properties and drinking directly from bottle will not prevent liquid contact with teeth, resulting into teeth damage.

Tip : 2

Drink at least 8 glasses of water daily. This will keep your skin hydrated and help detoxify your body. Intake of lemon juice will also energize and hydrate your body.

Tip : 3

Chew food slowly until it gets liquefied in mouth. The slower you eat, the less food you need to satiate your hunger. Experts say that it takes nearly 20 minutes for body to signal the brain that it is full.

Tip : 4

Extract juice from basil leaves and mix sugar into it. Consumption of this mixture will provide relief in heat exhaustion, caused by prolonged exposure to a high temperature.

ASK THE EXPERT

Q - I am planning to buy a property, a used house, in Mumbai. I want to know about the documentations verification before finalizing the deal with seller.

Title clearance report, title deed, along with previous deeds of the land, if available, encumbrance certificate (stating that the land has no legal dues and complaints), release certificate (in case of loan taken through pledging the land), surveyor's report, power of attorney (in case of NRI owner), etc. need to be studied properly.

Q - My age is 30. My income is 20 lacs p.a. Shall I insure my 8 years old son for his education and marriage?

When we buy life insurance, we insure the value of losses going to occur because of the death of the bread-earner so that income does not die along with the person's death. Thus, we insure the future income of the main earner to fulfill the dreams of spending money for household expenses, education, marriage and different liabilities. Hence, creating the liability of paying premium as against creating income in the name of child will be very risky if the bread-earner dies.

Q - What is the difference between ELSS scheme and other schemes of mutual funds?

Equity Linked Savings Scheme (ELSS) and Unit Linked Insurance Policy (ULIP) investments, along with other 80C investments, maximum up to Rs100000/- are eligible for deduction under 80C section of Income Tax, whereas investments made in other mutual funds are not eligible for deduction. ELSS has 3 years of lock-in period.

Q - On what basis does a lender determine the loan amount or the interest while lending?

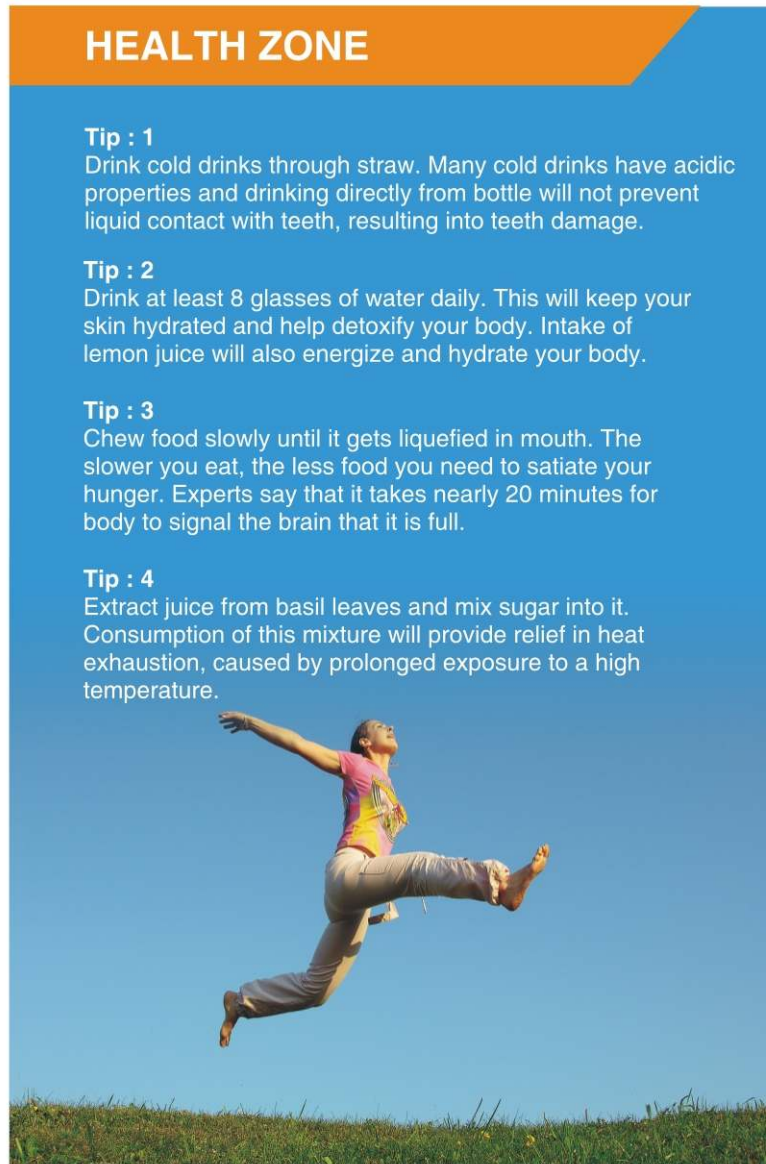
A copy of credit report, having credit score, determined by analyzing repayment record, outstanding debt, income and expenses, credit history, etc. is demanded by the lender to have the payment history of a credit applicant. It is important that you do not ruin your credit score as it is an indication of your financial strength. So, pay all your dues for good ratings.

Q - Does the CIR (Credit Information Report), issued by the CIBIL, India's first credit information bureau, provide any opinion or comment with respect to whether the credit should be granted or denied?

No. The CIBIL, through CIR, gives factual credit history of the credit applicant, it does not provide any kind of indication pertaining to whether the credit should be denied or not.

Q- If I misplace or lose my insurance policy, how should I get a duplicate policy?

A - In this case, you can apply for a duplicate policy from the insurance company. After paying the required fees, you will receive it.



Register to our website

www.valueplusinv.com

for exclusive benefits.



VALUE PLUS
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