

## **Investors can save on tax with ELSS, create wealth by using market volatility: Experts**

Come December, the finance department of your company may start pushing you to submit proof for tax-saving investments. But, you need not wait till the last day to invest in a tax-saving instrument. With markets off their highs and many on Dalal Street predicting this as the start of a multi-year bull run, investors may consider buying units of mutual funds' tax-saving product — equity linked saving schemes (ELSS), according to investment advisors.

"It makes sense to capitalise on the current volatility in the market by investing in tax-saving funds to save on tax and create wealth," says Gajendra Kothari, MD & CEO, Etica Wealth Management. "Recent reforms announcements should be a positive trigger for equities in the near term," he says. Investors can put up to Rs150,000 into tax-saving products such as ELSS and Public Provident Fund (PPF) to claim income tax exemption under Section 80C.

Investments in ELSS come with three-year lock-in period. According to Value Research, a mutual fund tracking company, ELSS as a category has given 20.52% average returns in the last three years against the Nifty's 16.52% during the period. Wealth managers say investors should stick to schemes with good track record in the long run. Kothari recommends Reliance Tax Saver Fund, ICICI Prudential Tax Plan and DSP BlackRock Tax Saver Fund.

While the market has done well in the past year, with the CNX Nifty registering 28.91% returns, experts are betting on better times ahead. "Companies are expected to report good earnings growth, with Sensex companies posting 15% CAGR over three years. Taking into account expected earnings growth, there may be further valuation upsides in the market," says Chintan Haria, fund manager, ICICI Prudential AMC.

"The three-year lock-in in tax-saving funds makes investors take at least a three-year view on the equity markets". Mutual fund officials and investment advisors, however, warn against trying to time the market while buying ELSS. Chandresh Nigam, MD & CEO, Axis AMC, says, "It is better to take a staggered approach to reduce timing risk." He advises spreading current year investments in tax-saving funds over the next three to four months.

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