

# Left OUT?

If the current financial crisis is pushing your investment plans to the edge, here are five ideal destinations where you can safely park your money. **Shobhana Chadha** reports



**S**ENSEX and Nifty were sitting on a high wall but when the sub-prime crisis dragged the US economy into recession, they had a great fall! Usually nursery rhymes sound amusing to people. The catch words, however, here are the major indications of the economy and not Humpty and Dumpty. The poem, therefore, may not sound all that enchanting to investors, especially with high exposure to equities. In fact, with investors around the world reeling under the shadow of a financial crisis, **SundayET** brings you five ideal investment destinations where you can safely keep your money.

## TAX SAVING FDs & FMPs

As they say, old is gold. The safest place where you can bet your money in the current financial turmoil is the good old fixed deposit schemes (read tax-saving). The best part about tax-saving FDs is that not only they protect your earnings against inflation but also entitle you to tax rebate under section 80C. The deposits are close-ended, and you need to lock your funds for at least a period of five years to avail of the key benefits. Currently, tax-saving FDs offer more than 11% pa returns.

"To enhance returns, you can also consider fixed deposits offered by high rated housing finance companies. The returns offered are a little higher than bank deposits. It is, however, advised to go for only AAA rated companies," says Mukesh Gupta, director of Wealthcare Securities. Experts say that you should not invest in Post Office schemes such as monthly installment schemes, NSC and others as they still offer lower interest rates.

Fixed maturity plans (FMPs) are another option you can explore. For the uninitiated, FMPs score over bank deposits in terms of tax efficiency. "Currently one-year yields for FMPs stand close to 11% while liquid funds and short-term funds average one-year annualised yield stands close to 9%," says Hitungshu Debnath, executive director, Angel Broking.

**Maneesh Kumar**, head of wealth management solutions, ASK Wealth Advisors, believes that a short-term FMP makes sense now as the yield available for a three-month FMP is around 12%. "When interest rates start to go down, one could switch to income funds with longer dated paper to enjoy superior returns," he feels. In the present market scenario, financial

planners caution that one must only invest in FMPs that have banks and high rated companies in their portfolio. "As much as possible, you should avoid FMPs which have real estate and NBFCs in their portfolio," says Gupta.

- Tax saving FDs and FMPs offer returns in the range of 10.5-11%
- Take ETF route in place of purchase of physical gold if the objective is purely investment based
- Government securities come with twin benefits as they provide safety as well as liquidity
- Take SIP route to invest in the stock markets
- With lucrative returns ranging from 8-10%, rented properties can also be a part of investment portfolio

## Play it SAFE

## GOLD

The yellow metal can never lose its glitter. Wealth managers believe that inflation is likely to stay in the global system as a result of a global liquidity injection and therefore gold will be the flavour of the season. Also, gold is a good hedge against inflation and it has a weak or even negative correlation with equity markets. "Throughout September, 2008 when the Sensex was down, gold ETFs were up by almost 30-40% (one year annualised)," says Kumar. According to Gupta, "Returns from gold may or may not be great but it will act as an insurance if eco-

nomical conditions further deteriorate." Experts, however, say that if gold is bought purely for investment purpose, then gold ETF are a better option.

## SOVEREIGN DEBT

Next on the list are government securities. These instruments are easily exchangeable for cash, and are available both in the primary and secondary market. They can be bought from banks and primary dealers. Wealth managers strongly support debt-based financial instruments in the present scenario. "The best place to invest is sovereign debt. So G-Secs would be a good buy at present which, along with providing 'risk free' return, will benefit from the softening interest rate environment," says Kumar.

## MUTUAL FUNDS & SIPs

Ranked fourth in the list are the heroes that were topping the investments charts six months back — mutual funds and SIPs. Although markets are witnessing a fall since the beginning of the year, there is still a scope of investing here. "Investors with an investment horizon of more than three years should look at investing into equity mutual funds or direct equities. In fact, in the current scenario, SIP in equity mutual funds is a very good option," says Debnath. Experts believe that for long-term investors, investing in large-cap stocks is also a safe idea, as it will result in a good diversification strategy. "The recommendation of large-cap stocks is made because when markets recover, it is the large cap stocks that will recover faster," says Kumar.

## RENTED PROPERTIES

Yes, you read it correctly. Rented properties can also make a good investment proposition in the present scenario. Rental yield is usually higher in commercial properties in comparison to residential properties. At present, rental yield on commercial properties is in the range of 8-10%. "Commercial lease agreements with respect to malls and office space range from three to nine years. Buying a space in a high-quality development and leasing it to a good brand is a wise investment decision," says Gupta.

shobhana.chadha@timesgroup.com