ELSS - A great option to save taxes!

Come January, and people rush to search for tax-saving alternatives. There are several tax-saving instruments, each having their advantages and disadvantages. Here's why equity-linked savings scheme or ELSS should be considered as a tax-saving alternative:

Benefits of ELSS: While the obvious benefit of ELSS investment is saving taxes via deduction of up to Rs.1.5 lakhs in a financial year, there are several other benefits it offers:

- **Low Lock-In Period:** One of the biggest advantages of ELSS is a relatively low lock-in period. While most other tax-saving instruments have a lock-in period of 5 years and more, ELSS has a lock-in period of 3 years. Once you invest in ELSS for three consecutive years, you can redeem your funds.

- **Invest through SIP:** Similar to other mutual funds investments, you can use a staggered investment approach to tax saving and invest in ELSS through SIP. This ensures that you are not burdened during the last few months of the financial year. ELSS SIP inculcates financial discipline and helps in better management of savings and expenses. Further, ELSS SIP offers the advantage of rupee cost averaging. If you are investing in ELSS through SIP, the 3-year lock-in period will apply to each of your SIPs.

- **Build a corpus:** ELSS invests in equities, which have the potential to generate a sizeable corpus. With ELSS, you can continue investing even after its maturity period. You can invest for as long as you wish to. Thus, along with tax savings, you can even build a generous corpus in the long run.

- **Flexibility:** ELSS offer the flexibility to choose between dividend and growth options. In the dividend option, the investor receives the dividend periodically, whereas in the growth option, the dividend gets reinvested into the ELSS scheme. Also, if you feel that your ELSS fund is not delivering, you may choose to switch the fund house.

- **Suitable for people in all tax brackets:** With an ELSS, tax benefit can be availed up to a maximum investment of Rs.1.50 lakh per annum. Thus, ELSS investments is suitable for people in all tax brackets.

For investors who do not mind taking the risk involved in equity investments, ELSS can serve as a great avenue to save taxes with a probability of generating a generous corpus.

AXIS MUTUAL FUND