ELSS
More than just tax saving!

Equity Linked Saving Schemes (ELSS) is a type of diversified equity mutual fund which invests in diversified equity and equity-related securities. Investors mainly invest in ELSS to save taxes. However, ELSS offers many other advantages besides tax saving.

Given below are some of the choicest benefits of investing in ELSS:

Tax Benefits: The obvious benefit of ELSS is to aid tax saving. According to the Income Tax Act, a person can invest up to Rs.1.5lakh/annum in ELSS under section 80C to save tax. ELSS comes with a relatively low lock-in period of 3 years, among tax-saving instruments available under section 80C. Further, there is no upper limit of investing in ELSS.

Efficient use of funds: An ELSS has all the features of a diversified equity mutual fund. However, what differentiates it from regular diversified funds is the mandatory 3-year lock-in period. For ELSS funds, a lower proportion of the funds will need to be kept in cash. This allows the fund manager to utilize a higher proportion of funds in potential wealth generating assets.

Lock-in period aids compounding: The lock-in period instils some sense of discipline and prevents the investor from taking spur-of-the-moment decisions without looking at the bigger picture. This forcefully embeds the good habit of staying invested for a longer period. This also helps the investors benefit from the power of compounding over the long term.

Inculcates a saving habit: ELSS allows you to invest through a monthly Systematic Investment Plan (SIP). You can invest as low as Rs.500 per month. This nurtures a continuous habit of investing because there is a lock-in period of 3 years.

Attractive avenue for newly employed novice investors: If you never invested in the stock market directly or through mutual funds, ELSS could very well be your initiation into equities. This is because ELSS offers the option to invest in a diversified mix of equities and is managed by expert fund managers. At the same time, understanding nuances of tax-saving can be overwhelming when you have just begun earning.

ELSS can, thus, provide the dual benefit of easy investing in equity markets as well as saving taxes.

AXIS MUTUAL FUND