Mutual Fund Distributor

SOVEREIGN GOLD BOND INVESTMENT: A COMPREHENSIVE OVERVIEW



WHAT IS A SOVEREIGN GOLD BOND?

Sovereign Gold Bonds (SGB) are certificates specified in grams of gold, providing an alternative to physical gold ownership. Issued by the RBI on behalf of the Government of India, these bonds are released in various tranches throughout the year.

SALIENT FEATURES:

- Issued by RBI on behalf of the Government of India.
- Minimum investment equivalent to 1 gram of gold, with multiples allowed after that. Maximum 4 kg for Individuals & HUFs, and 20 kg for trusts and similar entities.
- Guaranteed 2.5% interest per annum on face value, payable semi-annually.
- Tenure of 8 years for maturity.
- Demat holders can sell in the secondary market post-listing, while physical holders can exit after 5 years.
- SGB redemption price is the average of the last three business days' 999 purity gold

TAXATION:

- Capital gains are entirely tax-free if held until maturity. Exiting before maturity incurs capital gains tax, but LTCG qualifies for indexation.
- Periodic interests are taxed according to the investor's income tax slab.

WHO IS ELIGIBLE TO INVEST?

- Resident Indians, HUFs, Trusts, Universities, and Charitable Institutions can invest.
- Minors, NRIs, and non-individuals other than the mentioned entities are not allowed to invest in SGB.

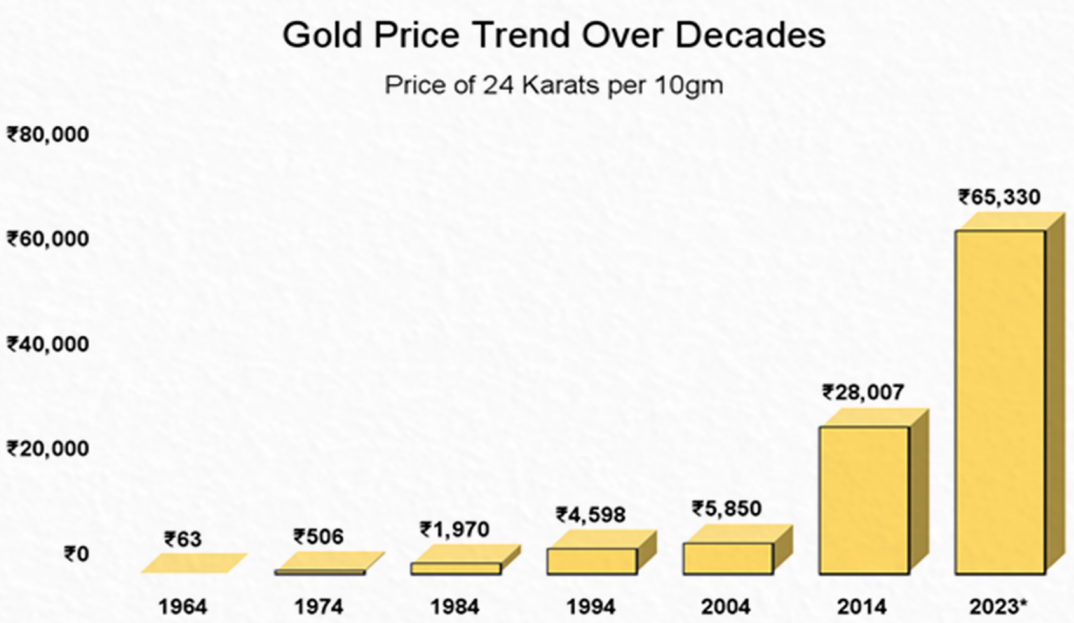
GOLD AS AN ASSET CLASS:

- **Historical Store of Value:** Gold has been a historical store of value, acting as a hedge against inflation and economic uncertainty.
- **Diversification:** Gold in an investment portfolio provides diversification benefits, as its performance is not always correlated with other asset classes.
- **Safe-Haven Asset:** During economic turmoil, gold is often sought as a safe-haven asset for stability and wealth preservation.

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- **Inflation Hedge:** Gold is seen as a hedge against inflation, with its value rising during periods of rising prices and currency devaluation.
- **Limited Supply:** The scarcity of gold due to limited supply contributes to its perceived value.

Historical Price of Gold:



*Source: Bankbazar, *The price for the year 2023 has been documented up to the 12 Dec'23.*

Why Should You Invest in Sovereign Gold Bonds?

- **Government Backing:** Issued by the government, providing a high level of safety and security.
- **Interest Income:** SGBs offer fixed interest income paid semi-annually, distinguishing them from physical gold.
- **Capital Gains Tax Exemption:** Tax exemptions on redemption if held until maturity.
- **No Storage Hassles:** No concerns about storage, advantageous for those worried about the security of physical gold.
- **Liquidity:** Listed on stock exchanges, providing liquidity for selling before maturity in the secondary market.
- **Transparent Pricing:** Pricing is transparent and linked to prevailing market rates, ensuring a fair value.

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- **Long-Term Investment:** With a tenure of 8 years, SGBs align well with long-term financial goals.
- **Easy to Buy and Trade:** SGB can be bought through banks, post offices, and recognized stock exchanges, with a straightforward process.
- **No Making Charges or Wastage:** Eliminates additional costs associated with physical gold.
- **Socially Responsible Investment:** Supports the government's efforts to reduce reliance on imported physical gold, contributing to economic objectives.

Current Issue Details:



** Current Offering of Sovereign Gold Bond -*

- *Tranche - 2023-24 Series III*
- *Date of Subscription - December 18 – 22, 2023*
- *Date of Issuance - 28-Dec-23*
- *Offer Price - ₹6,199*
- *Online Subscription Discount - ₹50*

Investment Risk:



Despite perceived stability, gold investments come with risks, and its value can fluctuate based on market conditions, not always performing well in all economic environments

Conclusion:

Gold, as an asset class, has historically provided significant returns and is a reliable medium to store wealth. While physical gold doesn't yield earnings, Sovereign Gold Bonds offer periodic interest. Considering diversification across asset classes, Sovereign Gold Bonds become an automatic choice for investment.

Disclaimer: The content presented above is for informational purposes only and should not be considered as financial advice. The historical gold prices presented are based on available data and market conditions at the time of recording. Investment decisions should be made after careful consideration of individual financial goals, risk tolerance. The past performance of gold prices is not indicative of future results, and the value of investments can fluctuate

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