

# ELSS vs PPF



Wealth creation as well as tax saving has always been a priority to every investor. There are many traditional fixed income products where investment amounts are eligible for deduction U/s 80C of income tax act. On the other hand there is ELSS Mutual Fund Option available where investments goes to the diversified portfolio of equity shares. It's more than two decades now ELSS Mutual has been introduced and historical returns suggest that it has created wealth for long term investors.

Let us compare it with one of the most popular traditional investment options, the Public Provident Fund which will help us choose the most suitable option for us to create wealth and save tax simultaneously.

Parameters	ELSS	Public Provident Fund (PPF)
<b>Component</b>	Diversified Equity Mutual Fund.	Govt of India Backed saving scheme mainly aims to provide retirement security to workers of unorganized sectors.
<b>Return</b>	Market linked. Historical long term performance suggests returns in the range of 10-14%.	Ranges between 7-7.75%. Interest rates are reset every quarter.
<b>Risk</b>	Returns are not guaranteed and Equity market linked.	Guaranteed by Govt of India.
<b>Maximum Investment</b>	No Limit	Up to ₹ 1.5 Lacs in a FY.
<b>Lock In</b>	3 yrs	15 yrs but partial withdrawal can be done after 6yrs.
<b>Taxability</b>	Investment up to ₹1.5 lacs available for tax. income tax deduction u/s 80C. Redemption is tax as LTCG in equity and tax free up to ₹1 lakh in FY. Post 1 lakh you need to pay 10% on gains	Investment up to ₹ 1.5 lacs available for tax income tax deduction u/s 80C. Redemption and interest earned every year is also tax free.
<b>Eligibility</b>	Resident Individuals, HUF & NRIs can invest.	Only Resident Individuals can open in single holding mode or on behalf of minors.

Both ELSS and PPF can be beneficial and one should consider individual risk profile and return expectations before arriving at a conclusion.

Disclaimer: Mutual Fund investments are subject to market risk. Please read the scheme related documents before investing. Above is for illustration purposes only. Report date 10/02/2023.