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# Diwali Special: Make those cash gifts get you rich

By [Aakar Rastogi](#), ECONOMICTIMES.COM | Updated: Oct 26, 2016, 04.39 PM IST[Post a Comment](#)[READ MORE ON](#) » [mutual fund](#) | [money](#) | [Kartik Jhaveri](#) | [investment](#) | [Diwali special](#) | [Diwali](#) | [Cash Gifts](#)

Do you get a lot of cash from elders in the family on [Diwali](#)? Do you waste a lot of time searching for how to spend that money?

Well, here is a great idea: for a change, why don't you consider investing the [money](#) in a [mutual fund](#) scheme.

Are you smiling? Are you thinking what difference would a paltry sum of Rs 5,000 or Rs 10,000 would make to your financial life? Here is the scoop: it can make a big difference. Welcome to the world of compounding where money is multiplied beyond your imagination over a period of time.

In a layman's language, compounding is re-investing the interest earned and earning an additional interest on it.



Let us work with an example. Suppose you are investing Rs 5,000 you got from your uncle in an equity mutual fund scheme. Assume that the scheme would offer you a return of 15 per cent per year. Can you guess how much your [investment](#) would be worth after 10 years? Well, you would have Rs 20,228 or more than four times of your initial investment. Are you interested now?

A seasoned large cap equity mutual fund like Birla Sun Life frontline Equity has offered an astounding 22.86 per cent returns since its inception in 2002.

Simply use the future value formula on an excel sheet to see how the compounding makes the money grow. Alternatively, you can use our [Final Worth of Investment calculator](#) on ET.com.



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## How to go about it?

"Park the [cash gifts](#) in a liquid mutual fund, till the time you seek your financial planners advice on how to use the money", says [Kartik Jhaveri](#), Director, Transcend Consulting India. He believes that investing the money temporarily in a liquid fund would help to avoid the trap of mindless spending. You can also put the money in a bank account.

Next, if you have some spare cash lying idle in the savings bank account, you can also add it to make the investment amount more respectable.

Don't worry about income tax effect while depositing the cash in your bank accounts.

"Cash gifts from relatives are exempted from income tax," says Vishal Dhawan, Founder and Chief Financial Planner, Plan Ahead Wealth Advisors.

The definition of a relative by Income Tax Act covers a huge array of kin, including your father, mother, brother, sister, spouse, brother or sister of spouse, among others. Usually, these are the people who are likely to open the purse strings for you on festivals.

Lastly, invest the money with a very long-term financial goal like retirement in mind.

Investing in equity mutual funds is a great way to fund your long-term financial goals like retirement, children's higher education, etc. Equity has the potential to offer superior returns over other asset classes over a long period of time.

All you need to do is to **choose a scheme** with a consistent track record. Stay invested for a long time to make the most of your investments.

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