

## Creating Tax-Efficient Regular Income Through SWP in Equity Hybrid Funds

By: Rajesh Bansal, Managing Director, Midas FinServe Pvt. Ltd.

In a world where financial goals and life stages evolve continuously, investors increasingly seek options that offer **Stability, Flexibility and Tax Efficiency**—without compromising Growth. One such smart investment strategy that checks all the right boxes is the **Systematic Withdrawal Plan (SWP)** through **Equity Hybrid Funds**.

### What Are Equity Hybrid Funds?

**Equity Hybrid Funds**, earlier known as Balanced Funds, typically invest around **65% in equities** and the remaining **35% in debt instruments**. This blend offers the perfect mix of **Capital Appreciation** from Equities and **Stability** from Debt—making it ideal for conservative and growth-focused investors alike.

More importantly, these funds **Dynamically manage market movements**—increasing Equity exposure during market dips (buying low) and trimming it during market highs (selling high). This disciplined mechanism automatically imbibes the golden rule of **Equity Investing: Buy low, Sell high**.

### The SWP Advantage: Regular Income, Smart Taxation

An **SWP or Systematic Withdrawal Plan** allows you to withdraw a fixed amount regularly from your Mutual Fund investments — Monthly, Quarterly or Half Yearly.

Unlike Interest income from traditional products like **Fixed Deposits (FDs)** (which is fully taxed at your slab rate—potentially **31.2%**), withdrawals from **Equity Hybrid Funds via SWP are far more tax-efficient**. Here's why:

- ☒ When you withdraw, a portion of the amount is treated as **capital return** (not taxed), and the rest as **capital gain**.
- ☒ Long Term Capital Gains (from Equity Fund) up to ₹1.25 lakh per year are tax-free.
- ☒ Long Term Capital Gains (from Equity Fund) beyond Rs. 1.25 lakhs are taxed at only **12.5%** under the latest LTCG rules.

### Let's Compare:

Assume an investor withdraws ₹9 lakhs annually from a ₹1 crore investment:

- **FDs:** Entire ₹9L is taxed at marginal rate = **~₹2.80L Tax**
- **SWP via Equity Hybrid Fund:** Tax on only a portion of ₹9 L, with most falling under exempt or low LTCG bracket = **Significantly lower tax outgo**

### Who Should Consider SWP?

SWP plans are ideal for a wide range of investors:

- **Retirees** seeking monthly/quarterly income with better tax outcomes
- **Young professionals** looking to create a second income stream
- **Parents** who need regular funds for a child's higher education
- **Families** wanting to generate steady income for homemakers or senior members or special child

## Flexibility: On Your Terms

One of SWP's biggest benefits is **flexibility unmatched by traditional instruments** like insurance plans or FDs:

- **Switch On/Off Anytime:** Start when income is needed, pause when it's not.
- **No lock-ins** or penalties on withdrawals.
- Customize the frequency and amount of income as per your life goals.

## Real-World Performance:

An investor who placed **₹1 crore** in an Equity Hybrid Fund (like HDFC Hybrid Equity Fund) in **Jan 2017** and started withdrawing **₹2.25 lakhs quarterly from Jan 2018** would have received **₹65.25 lakhs** as income and still have a fund value of **₹1.61 crores** as of April 2025—an **impressive 12.9% CAGR** while generating consistent payouts. This real example beautifully showcases the dual power of **Growth + Regular Income**.

## Conclusion:

Whether you are planning for Retirement, Supplementing your income or Aligning investments with a life goal, **SWP in Equity Hybrid Funds is a powerful tool**. It combines the **market-linked growth** of equities, **stability** of debt, **efficient taxation** and **unmatched flexibility** — All in one package.

*Talk to your advisor today to see how an SWP can work for your portfolio!*

## Mutual Fund SWP Calculator HDFC Hybrid Equity Fund

Lumpsum Amount: 1,00,00,000			Lumpsum Amount Investment Date: 02-01-2017	
Withdrawal Amount (Per Quarter) 2,25,000			SWP Start Date 10-01-2018	
Withdrawal Period	No of Monthly Installments	Total Withdrawal Amount	Current Value as on 10-01-2025	Return (%)
01-01-2018 to 07-04-2025	29	65,25,000	1,61,86,631	12.90

Nav Date	Nav	Units	Cumulative Units	Cash Flow	Net Amount	Capital Gain/Loss	No. of Days (Invested)	Current Value
01-01-2017	41.4724	2,41,124	2,41,124	1,00,00,000	1,00,00,000	-	0	1,00,00,000
10-01-2018	53.2475	4,226	2,36,899	(2,25,000)	97,75,000	49,756	374	1,26,14,262
10-04-2018	52.0885	4,320	2,32,579	(2,25,000)	95,50,000	45,857	464	1,21,14,696
10-07-2018	51.0850	4,404	2,28,175	(2,25,000)	93,25,000	42,338	555	1,16,56,303
10-10-2018	48.9130	4,600	2,23,575	(2,25,000)	91,00,000	34,227	647	1,09,35,708
10-01-2019	51.4940	4,369	2,19,205	(2,25,000)	88,75,000	43,789	739	1,12,87,754
10-04-2019	54.0600	4,162	2,15,043	(2,25,000)	86,50,000	52,390	829	1,16,25,235
10-07-2019	54.0740	4,161	2,10,882	(2,25,000)	84,25,000	52,435	920	1,14,03,245
10-10-2019	52.2400	4,307	2,06,575	(2,25,000)	82,00,000	46,377	1012	1,07,91,487
10-01-2020	55.6280	4,045	2,02,530	(2,25,000)	79,75,000	57,256	1104	1,12,66,364
13-04-2020	43.6130	5,159	1,97,371	(2,25,000)	77,50,000	11,043	1198	86,07,960
10-07-2020	50.5020	4,455	1,92,916	(2,25,000)	75,25,000	40,229	1286	97,42,652
12-10-2020	54.2130	4,150	1,88,766	(2,25,000)	73,00,000	52,877	1380	1,02,33,564
11-01-2021	64.6100	3,482	1,85,283	(2,25,000)	70,75,000	80,575	1471	1,19,71,163
12-04-2021	65.3500	3,443	1,81,840	(2,25,000)	68,50,000	82,211	1562	1,18,83,273
12-07-2021	73.7020	3,053	1,78,788	(2,25,000)	66,25,000	98,392	1653	1,31,77,004
11-10-2021	79.9640	2,814	1,75,974	(2,25,000)	64,00,000	1,08,306	1744	1,40,71,572
10-01-2022	81.0170	2,777	1,73,197	(2,25,000)	61,75,000	1,09,823	1835	1,40,31,873
11-04-2022	81.1280	2,773	1,70,423	(2,25,000)	59,50,000	1,09,981	1926	1,38,26,097

11-07-2022	76.7250	2,933	1,67,491	(2,25,000)	57,25,000	1,03,380	2017	1,28,50,724
10-10-2022	81.6040	2,757	1,64,733	(2,25,000)	55,00,000	1,10,652	2108	1,34,42,911
10-01-2023	85.4310	2,634	1,62,100	(2,25,000)	52,75,000	1,15,774	2200	1,38,48,346
10-04-2023	85.6640	2,627	1,59,473	(2,25,000)	50,50,000	1,16,071	2290	1,36,61,115
10-07-2023	92.9060	2,422	1,57,051	(2,25,000)	48,25,000	1,24,562	2381	1,45,91,020
10-10-2023	95.2060	2,363	1,54,688	(2,25,000)	46,00,000	1,26,988	2473	1,47,27,239
10-01-2024	101.0470	2,227	1,52,461	(2,25,000)	43,75,000	1,32,654	2565	1,54,05,772
10-04-2024	106.0270	2,122	1,50,339	(2,25,000)	41,50,000	1,36,991	2656	1,59,40,030
10-07-2024	114.0740	1,972	1,48,367	(2,25,000)	39,25,000	1,43,200	2747	1,69,24,811
10-10-2024	115.2560	1,952	1,46,415	(2,25,000)	37,00,000	1,44,039	2839	1,68,75,181
10-01-2025	112.0900	2,007	1,44,407	(2,25,000)	34,75,000	1,41,752	2931	1,61,86,631

**Long Term Capital Gains from Equity upto Rs. 1.25 lakhs in a Financial Year is exempt w.e.f. Apr 01, 2024.**

Financial Year	LTCG	Exemption	Taxable LTCG	LTCG Tax @10%
FY 2018-2019	1,66,211	1,00,000	66,211	6,621
FY 2019-2020	2,08,457	1,00,000	1,08,457	10,846
FY 2020-2021	1,84,725	1,00,000	84,725	8,473
FY 2021-2022	3,98,732	1,00,000	2,98,732	29,873
FY 2022-2023	4,39,786	1,00,000	3,39,786	33,979
FY 2023-2024	5,00,275	1,00,000	4,00,275	40,028
FY 2024-2025	5,65,981	1,25,000	4,40,981	55,123

**Note: As per New changes Long Term Capital Gains from Equity upto Rs. 1.25 lakh in a Financial Year is exempt and LTCG Tax has become 12.5%**