



# Systematic Investment Plans & Your Financial Goals

# Areas covered

- ✓ Understanding Risk
- ✓ SIP & its benefits
- ✓ SIP vs recurring deposits
- ✓ SIP & Home loan
- ✓ SIP vs Topup SIP



# Sensex rolling return 1 years



	1 Year
Rolling Return Occurrences	40
Negative Return Occurrences	13
<b>Probability of Loss</b>	<b>33%</b>

# Sensex rolling return 5 years

	1 Year	5 Years
Rolling Return Occurrences	40	35
Negative Return Occurrences	13	3
<b>Probability of Loss</b>	<b>33%</b>	<b>9%</b>



Long term = **less** risk

	1 Year	5 Years	10 Years
Rolling Return Occurrences	40	35	30
Negative Return Occurrences	13	3	1
<b>Probability of Loss</b>	<b>33%</b>	<b>9%</b>	<b>3%</b>



Investing fixed amount every month in  
**Mutual Fund**

**JAN**

**FEB**

**MAR**

**APR**

**MAY**

**JUN**

**JUL**

**AUG**

**SEP**

**OCT**

**NOV**

**DEC**

# SIP - features



# When to buy and when to sell!





# No need to time the market



# Rupee cost averaging

Time (Month)	Amount Invested	NAV (Per Unit Rs)	Units Purchased
1	1,000	23	43.48
2	1,000	21	47.62
3	1,000	22	45.45
4	1,000	19	52.63
5	1,000	16	62.50
6	1,000	17	58.82
7	1,000	17	58.82
8	1,000	20	50.00
9	1,000	21	47.62
10	1,000	19	52.63
11	1,000	25	40.00
12	1,000	24	41.67
<b>Total</b>	<b>12,000</b>		<b>601</b>

Average NAV Per Unit over 12 months =  
 $(23+21+22+19+16+17+17+20+21+19+25+24)/12$   
**Rs 20.33**

Average Cost per unit over 12 months =  
 $12000/601 =$   
**Rs 19.96**

Source: Internal, hypothetical numbers for illustration purpose only

**Average Cost Per Unit Will always be lesser than the Average NAV per Unit, regardless of the market movements.**

# Benefits of SIP

- ✓ It brings financial discipline in life
- ✓ Timing risk is eliminated
- ✓ Works well over long period

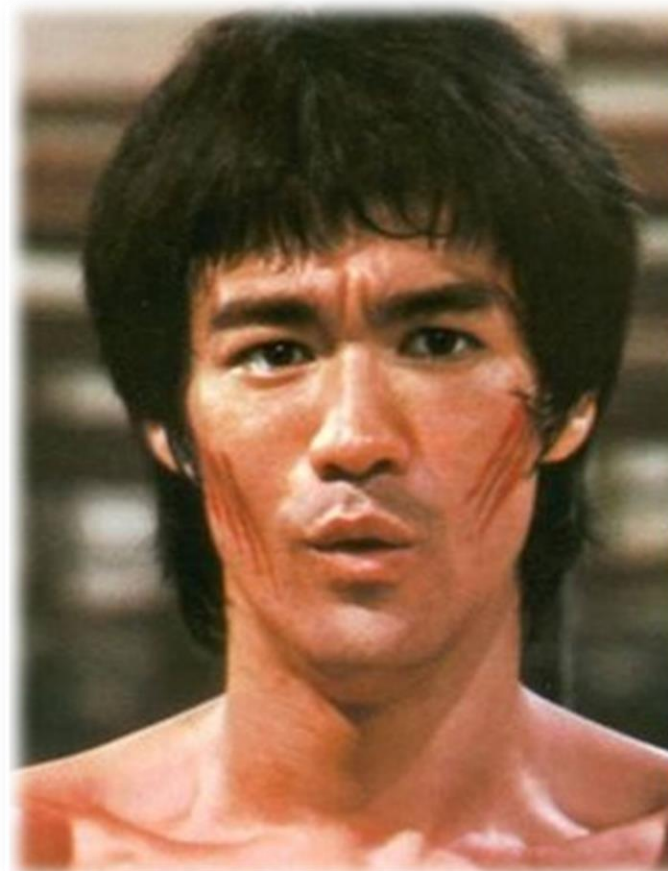


# Benefits of SIP

- ✓ Enjoy the power of compounding
- ✓ No need to wait to accumulate big sums
- ✓ Reach financial goals in a painless manner



# Discipline is the key

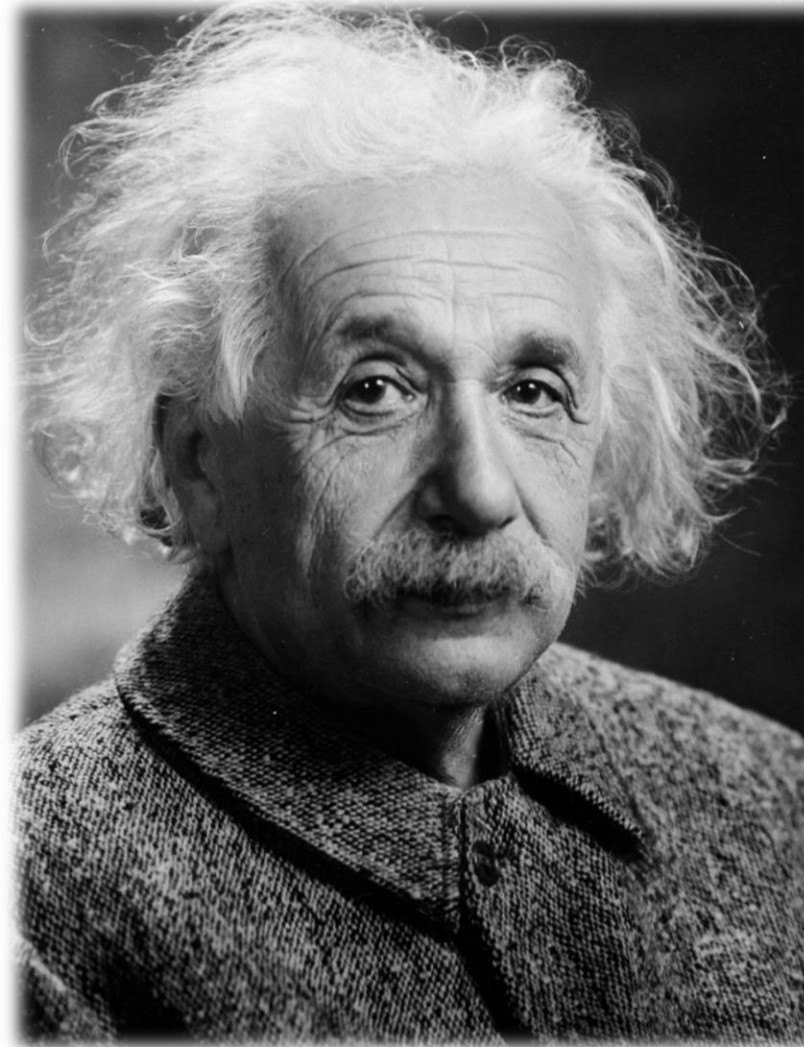


I fear not the man who has practiced  
10,000 kicks once, but I fear the man  
who has practiced one kick 10,000  
times.

— *Bruce Lee* —

AZ QUOTES

# 8<sup>th</sup> Wonder of world



"COMPOUND INTEREST IS THE EIGHTH  
WONDER OF THE WORLD.  
HE WHO UNDERSTANDS IT EARNS IT, HE  
WHO DOESN'T, PAYS IT."

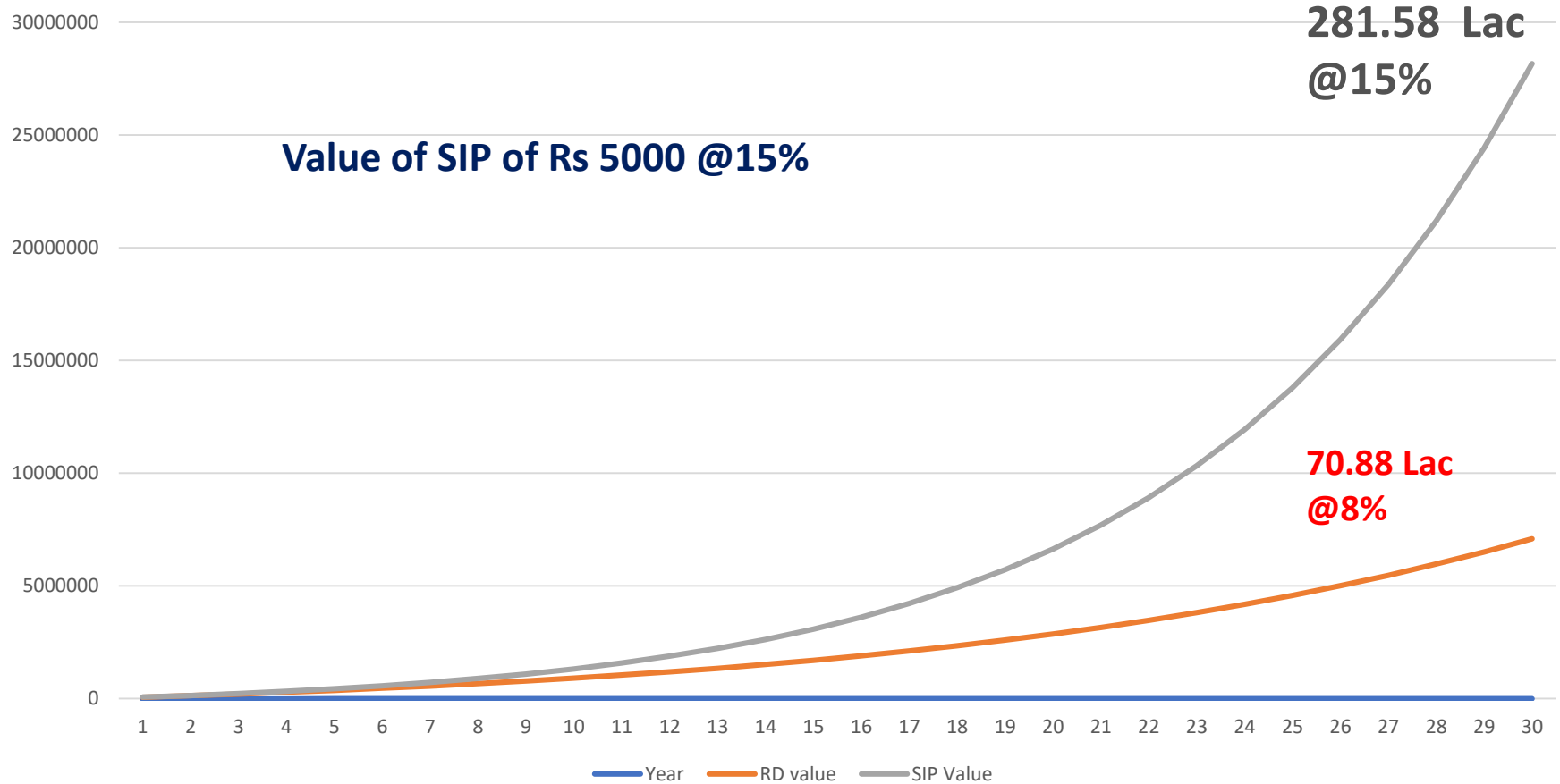
- ALBERT EINSTEIN

FENIUS



# Power of Compounding

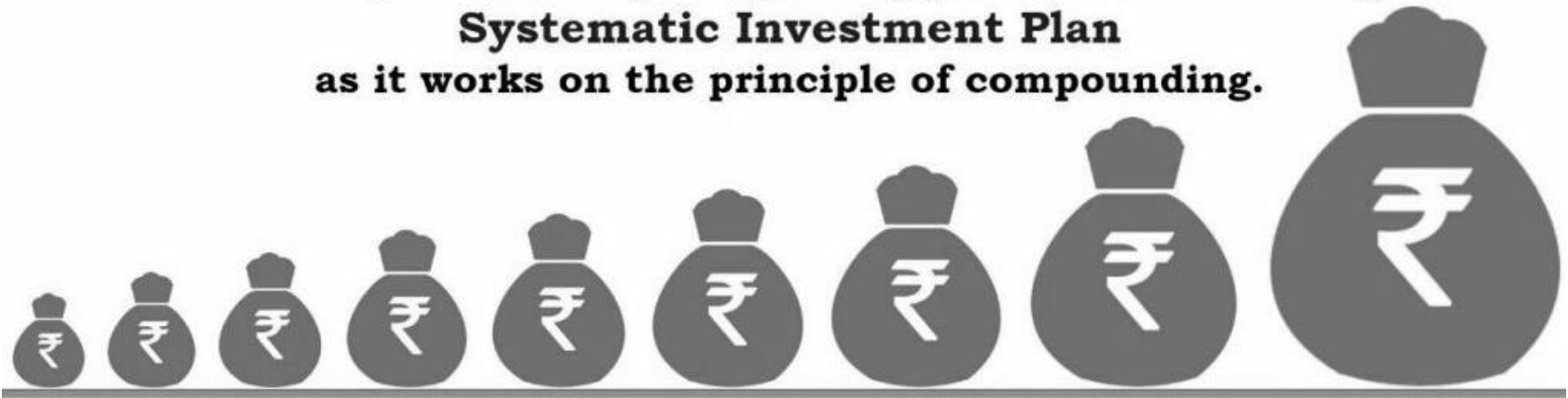
## Future value of an SIP



# Invest for **longer** time horizon

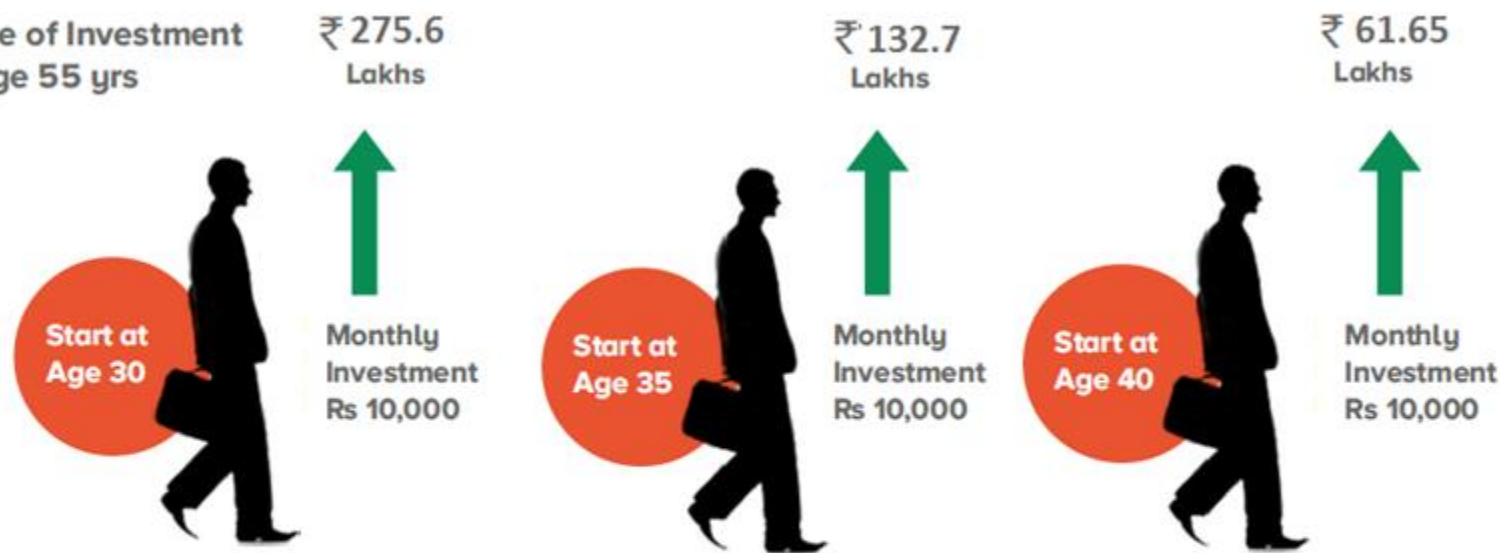
Monthly SIP Amount	Wealth	
	10 Years	25 Years
₹ 5,000	13.15 Lacs	1.37 Cr
₹ 10,000	26.3 Lacs	2.75 Cr
₹ 15,000	39.45 Lacs	4.13 Cr

**One of the preferred ways of growing your wealth is through a Systematic Investment Plan as it works on the principle of compounding.**





# Start as early as possible

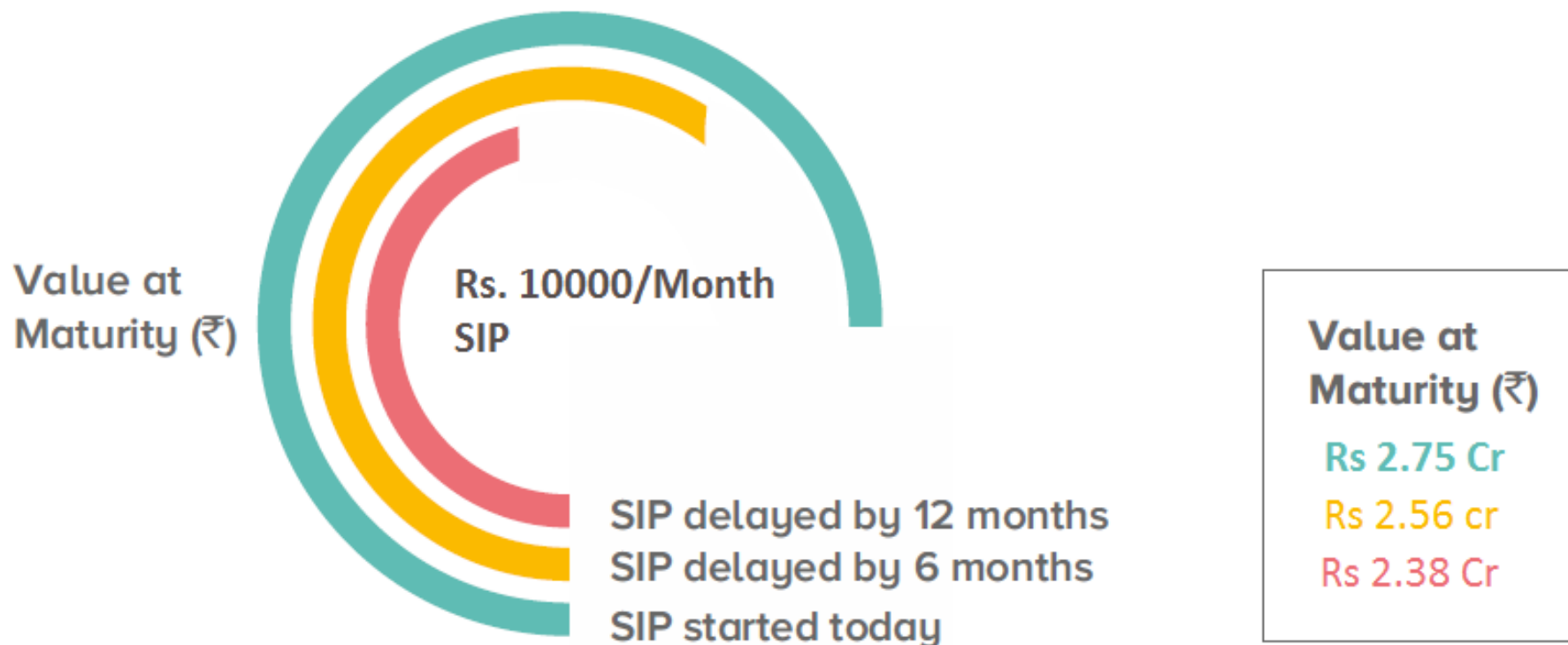


Power of compounding :

Earnings of the current year contribute to the earnings of the following year and so forth...

Assumption: 15% pa return

# Cost of Delay

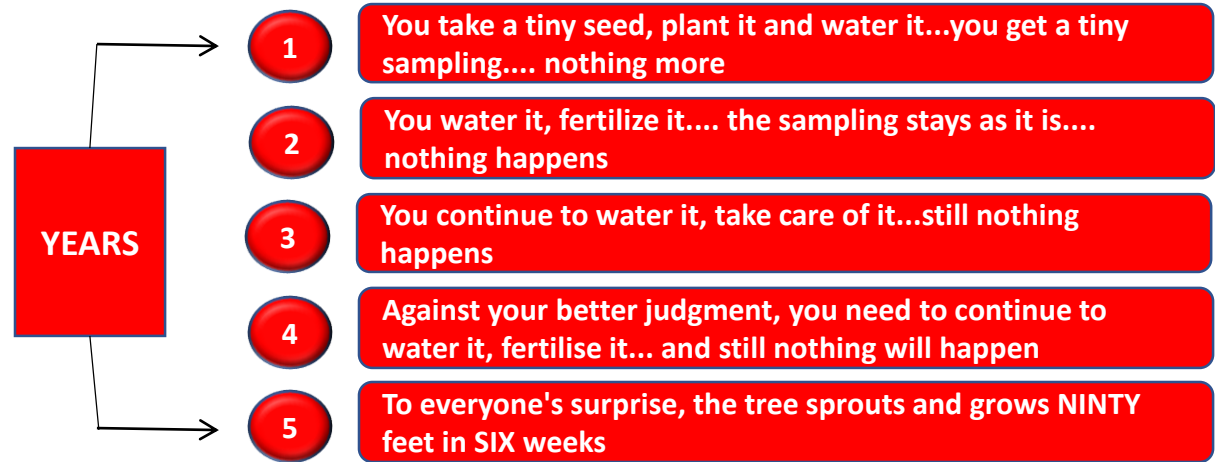


(assuming a 15% p.a. rate of return)



Chinese Bamboo tree tests your patience

## Curious case of Chinese Bamboo



### What was going on in first Few Years?

- ✓ The tiny sampling was actually developing its root system underground to sustain its impending over the ground growth fifth year onwards.
- ✓ If you had uprooted the sampling to see why it was not growing, it would die.
- ✓ But if you were patient and had faith, you would witness the miraculous growth later on

SIP – SIMILAR GAME OF PATIENTS

# SIP stopped due to short term panic

43 LC funds	3 Years
Investment	360000
Value	<b>348896</b>
CAGR	<b>-2.02%</b>



**Should I stop my SIPs?**

\*Average Return of all Large cap funds of Rs 10000 of SIP started on 1<sup>st</sup> September 2010.

# SIP continued

43 LC funds	3 Years	4 Years
Investment	360000	480000
Value	<b>348896</b>	<b>699858</b>
CAGR	<b>-2.02%</b>	<b>19.10%</b>

\*Average Return of all Large cap funds of Rs 10000 of SIP started on 1<sup>st</sup> September 2010.

# Staying invested is the key

43 LC funds	3 Years	4 Years	Till Feb 2018
Investment	360000	480000	900000
Value	<b>348896</b>	<b>699858</b>	<b>1541167</b>
CAGR	<b>-2.02%</b>	<b>19.10%</b>	<b>14.03%</b>

\*Average Return of all Large cap funds of Rs 10000 of SIP started on 1<sup>st</sup> September 2010.

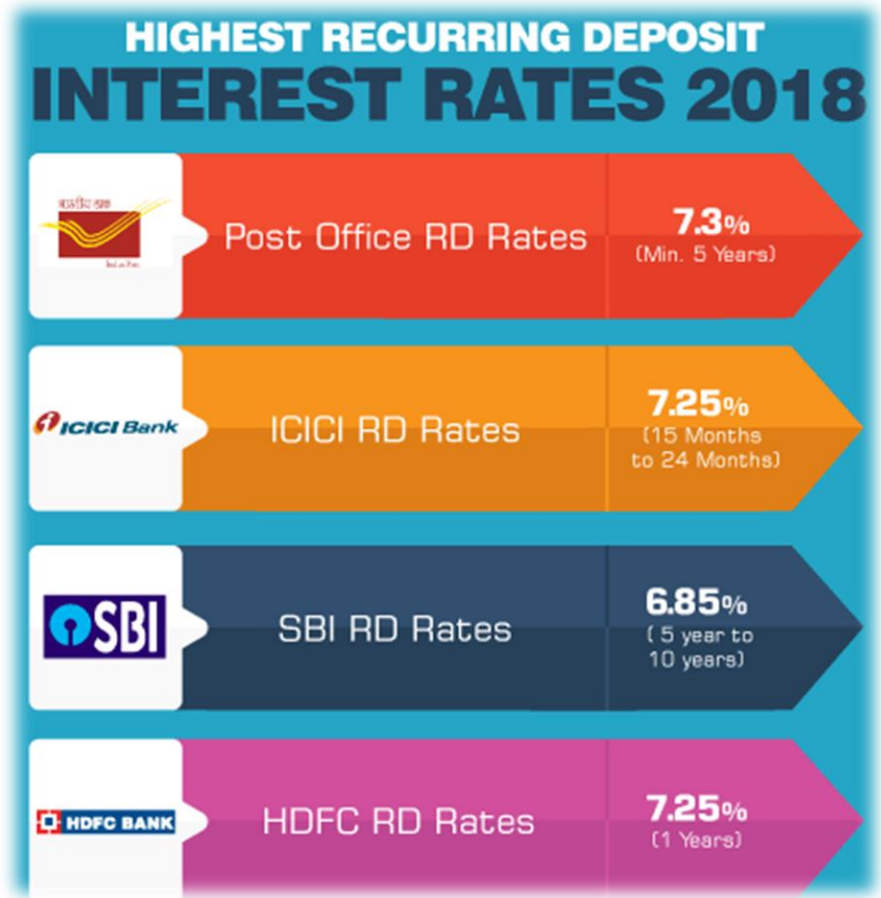
# Long term track record

Particulars	15 Years	20 Years
Total no. of schemes	67	29
Highest Return (%)	22.96	24.21
Lowest Return (%)	10.13	12.53
Average Return (%)	16.19	18.63
Schemes with 20% + CAGR	4	10
Schemes with 15% + CAGR	48	24
Schemes with 12% + CAGR	63	29
Schemes with 8% + CAGR	67	29

All diversified equity funds which has completed 15 years and 20 years respectively as on 30<sup>th</sup> April, 2018

# Recurring deposits

**Recurring Deposit**  
is one of the most  
favourite instrument  
of saving among  
Indians.





# SIP vs recurring deposits

Investment Period	Monthly Investment of Rs 5000			
	Total Investment	Post Office	SIP @15%	Difference
5 Years	300000	₹ 3,59,791	₹ 4,36,710	₹ 76,919
10 Years	600000	₹ 8,69,150	₹ 13,15,091	₹ 4,45,941
15 Years	900000	₹ 15,90,255	₹ 30,81,828	₹ 14,91,573
20 Years	1200000	₹ 26,11,129	₹ 66,35,367	₹ 40,24,238

Choose Wisely

Would you like to get back all EMS paid for  
**Home Loan?**



# SIP & home loan EMI

- Start an SIP along with home loan
- Home loan tenure is normally longer in nature.
- By Starting a small SIP you can recover entire amount you paid to bank.



# Case study – EMI calculation

## Home Loan Vs SIP Calculator

Loan Amount	2500000	SIP Amount	₹ 2,500
Tenure	25	Tenure	25
Loan Interest	8.60%	Expected Return	0.00%
EMI	₹ 20,299		
EMI	₹ 60,89,829	<b>You Receive (SIP FV)</b>	
SIP	₹ 7,50,000		
<b>You Pay</b>	<b>₹ 68,39,829</b>		

# Future value of an SIP

## Home Loan Vs SIP Calculator

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Tenure	25	Tenure	25
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EMI	₹ 20,299		
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SIP	₹ 7,50,000		
<b>You Pay</b>	<b>₹ 68,39,829</b>		

## We All Need To Save For

- ❖ Retirement
- ❖ Child's Education
- ❖ Child's Marriage
- ❖ Buying a House
- ❖ Buying a Car
- ❖ Saving for Vacation



## Name Raj Sharma - Age 30

• Retirement age	55Years
• Life expectancy	75 Years
• Current monthly expense	25000
• Inflation	6%
• Post retirement risk free rate of return	8%
• <b>Monthly Expense at retirement</b>	<b>1,07,297</b>
• <b>Corpus Required for the Retirement</b>	<b>2,16,86,910</b>

# Monthly savings required for retirement

**Years to Save – 25**

**Retirement Corpus needed 2.17 Cr.**

Expected Return	8%	12%	15%	18%	20%
Monthly Investment required	23,706	12,740	<b>7,867</b>	4,817	3,464

Power of compounding is the 8<sup>th</sup> wonder of world.



# Higher education for your kids

**Parent: Anil Kumar / Child Name: Samir**

- Child age 5 Years
- Higher education age 18 Years
- Current education expense 10,00,000 Rs.
- Inflation 8%
- **Expected education cost(after 13 years) 27,19,623 Rs.**



# Monthly saving required

Years to Save – 20

Child Education Fund Required 27.29 Lacs

Expected Return	8%	12%	15%	18%	20%
Monthly Investment required (Rs)	10,111	7,600	<b>6,111</b>	4,902	4,228

Power of compounding is the 8<sup>th</sup> wonder of world.

# Marriage funding for your kids

**Parent : Anil Kumar / Child Name : Samir**

• Child Age	5 Years
• Marriage Age	25 Years
• Current Marriage expense	20,00,000
• Inflation	8%
• <b>Expected Marriage cost after 20 years</b>	<b>9,321,914</b>



# Monthly Investment Required

Years to Save – 20

Child's Marriage Fund Required 93.21 Lacs

Expected Return	8%	12%	15%	18%	20%
Monthly Investment required (Rs)	16,278	10,134	<b>7,024</b>	4,838	3,765

Power of compounding is the 8<sup>th</sup> wonder of world.

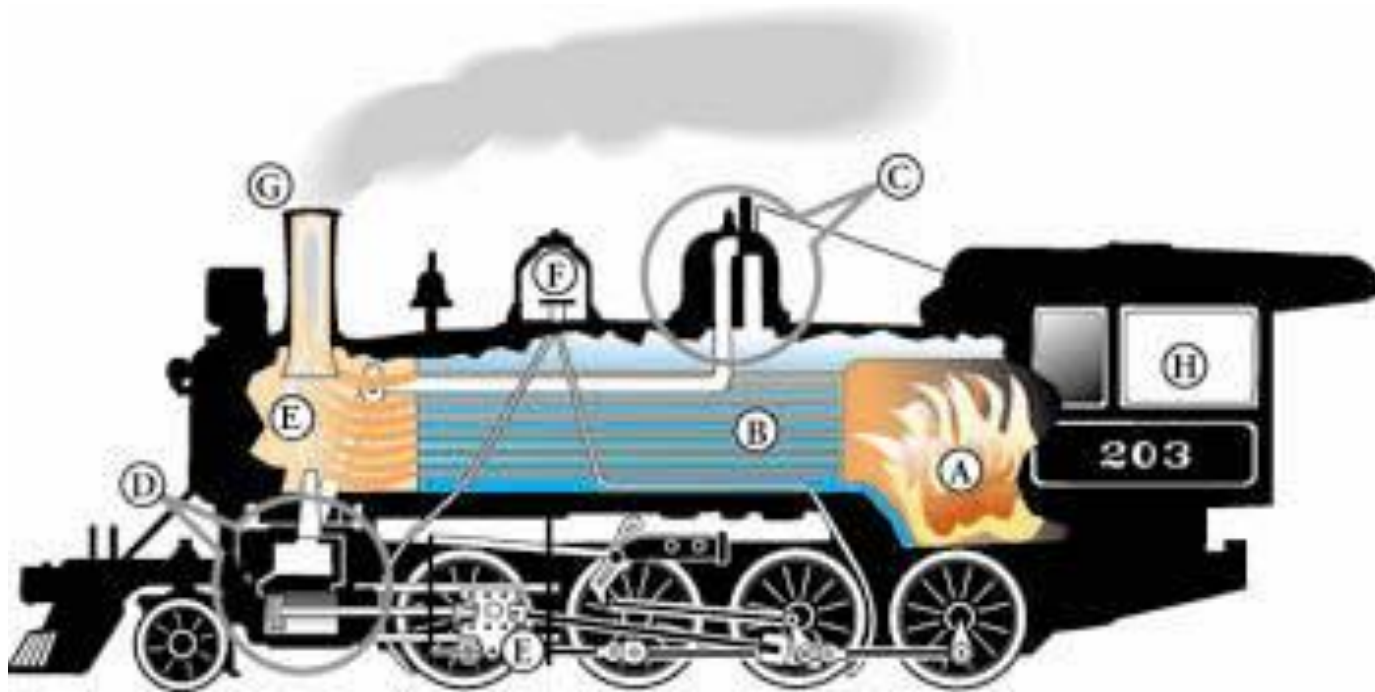
# Goal based investing - SIP

Expected Return	8%	12%	15%	18%	20%
Higher Education	10,109	7,599	<b>6,111</b>	4,902	4,227
Retirement Planning	29,386	14,355	<b>8,519</b>	5,095	3,627
Marriage Funding	16278	10134	<b>7024</b>	4838	3765
Total SIP Required	55773	32088	<b>21654</b>	14835	11619



# Power of one degree more

At 99 Degree Celsius water is hot



At 100 degree Celsius water boils  
and it can pull the engine

# Adding one more degree – **Topup SIP**

- With Top-Up SIP you can increase your SIP amount periodically in auto mode.
- TopUp can be done in % or Absolute term.
- SIP Amount will increase automatically

## **Example,**

SIP Amount – Rs 5000/-    TopUP Amount – Rs 500/-    Frequency – Yearly

- ✓ 1<sup>st</sup> Year SIP Amount – Rs 5000/-
- ✓ 2<sup>nd</sup> Year SIP Amount – Rs 5500/-
- ✓ 3<sup>rd</sup> Year SIP Amount – Rs 6000/-

# Normal SIP vs topup SIP

	<b>SIP</b>	<b>TopUPSip</b>
SIP Amount	10000	10000
Top UP Aount	NA	1000
Return	15%	15%
Tenure	20	20
<b>Future Value</b>	<b>₹ 61,63,656</b>	<b>₹ 89,64,387</b>



# Summary

- ✓ Set goals
- ✓ Invest for long term
- ✓ Start early
- ✓ Invest regularly



# Thank You