

# 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

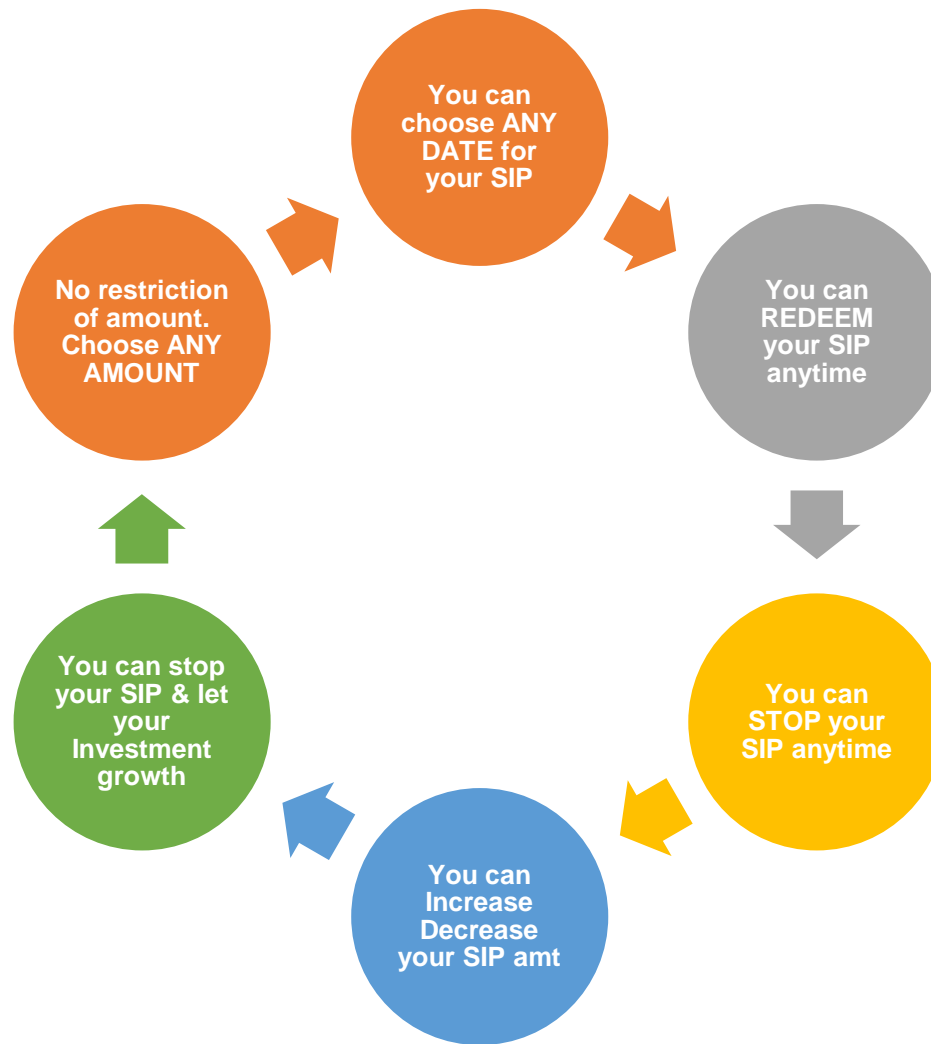
|                             | 1 Year     | 5 Years   | 10 Years  |
|-----------------------------|------------|-----------|-----------|
| Rolling Return Occurrences  | 40         | 35        | 30        |
| Negative Return Occurrences | 13         | 3         | 1         |
| <b>Probability of Loss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



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



# 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

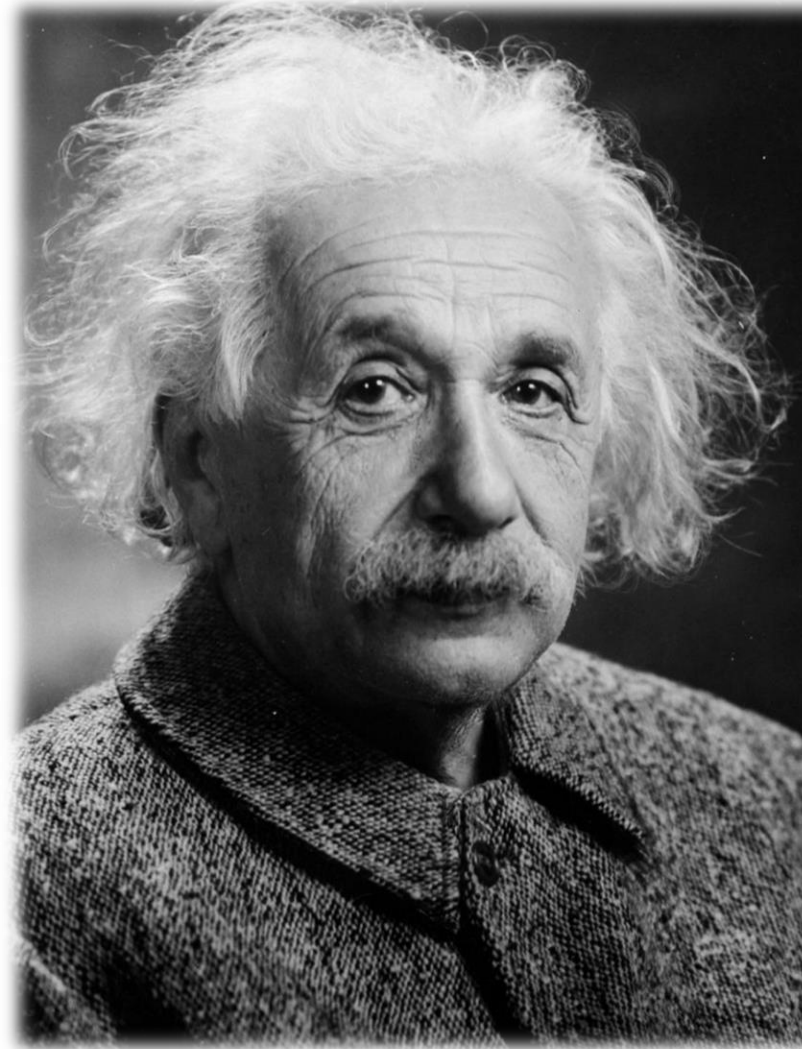


I fear not the man who has practiced  
10,000 kicks once, but I fear the man  
who has practiced one kick 10,000  
times.

— *Bruce Lee* —

AZ QUOTES

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



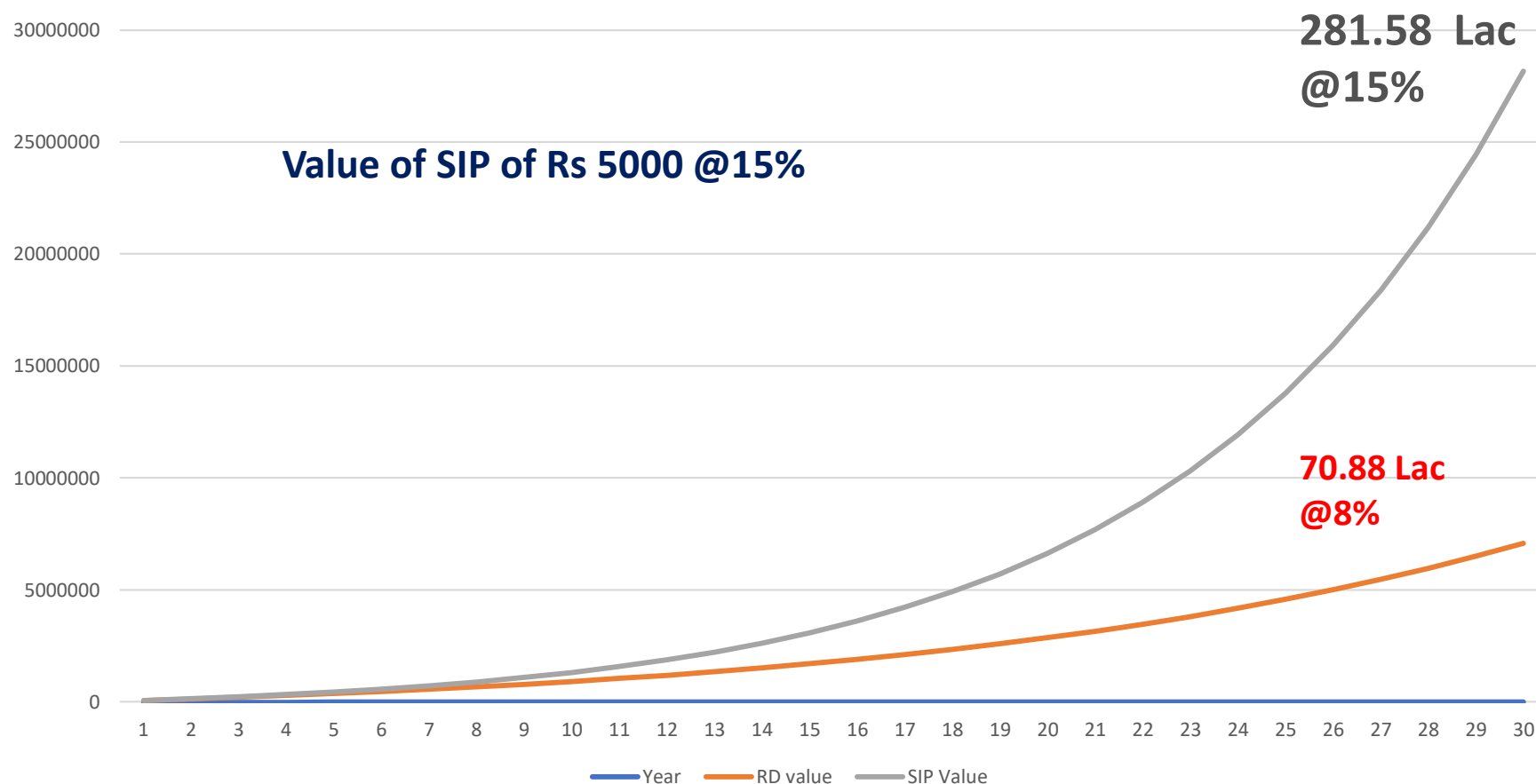
"COMPOUND INTEREST IS THE EIGHTH  
WONDER OF THE WORLD.  
HE WHO UNDERSTANDS IT EARNES IT, HE  
WHO DOESN'T, PAYS IT."

- ALBERT EINSTEIN

**FENIUS**

# Power of Compounding

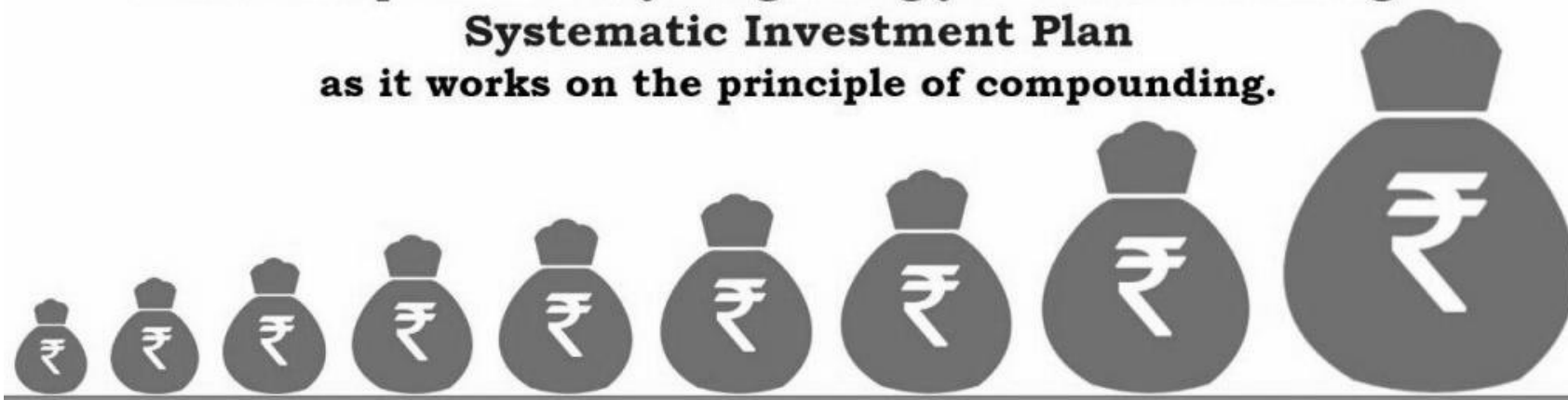
## Future value of an SIP



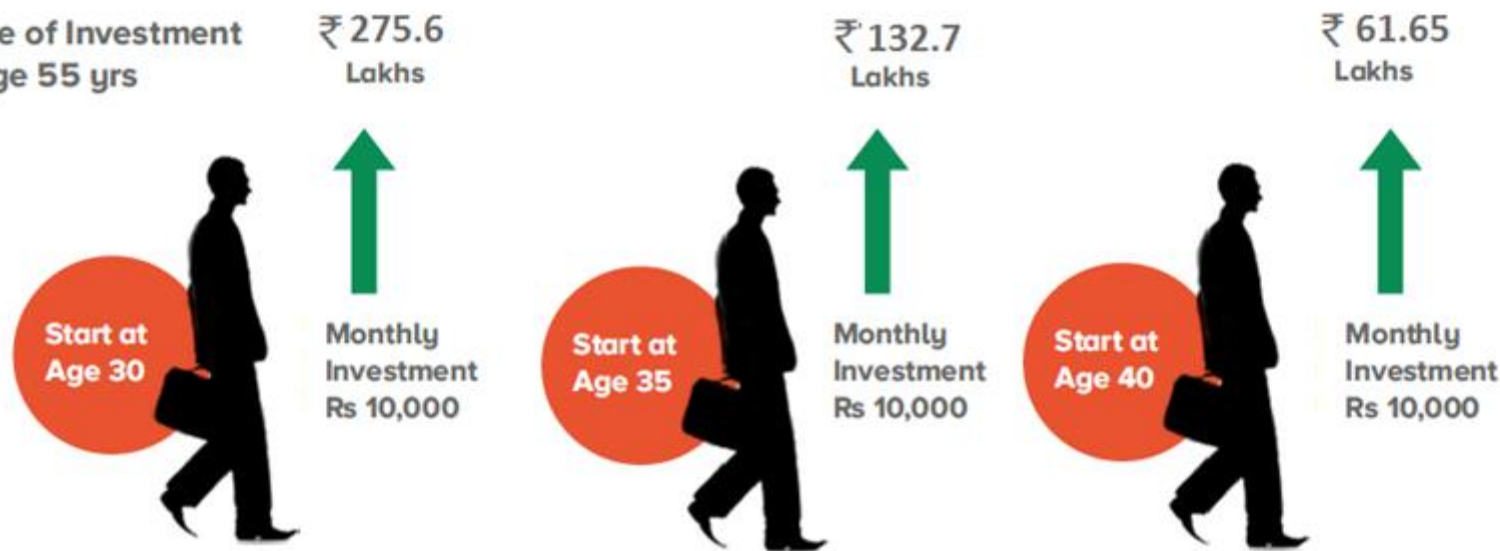
# Invest for **longer** time horizon

| 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

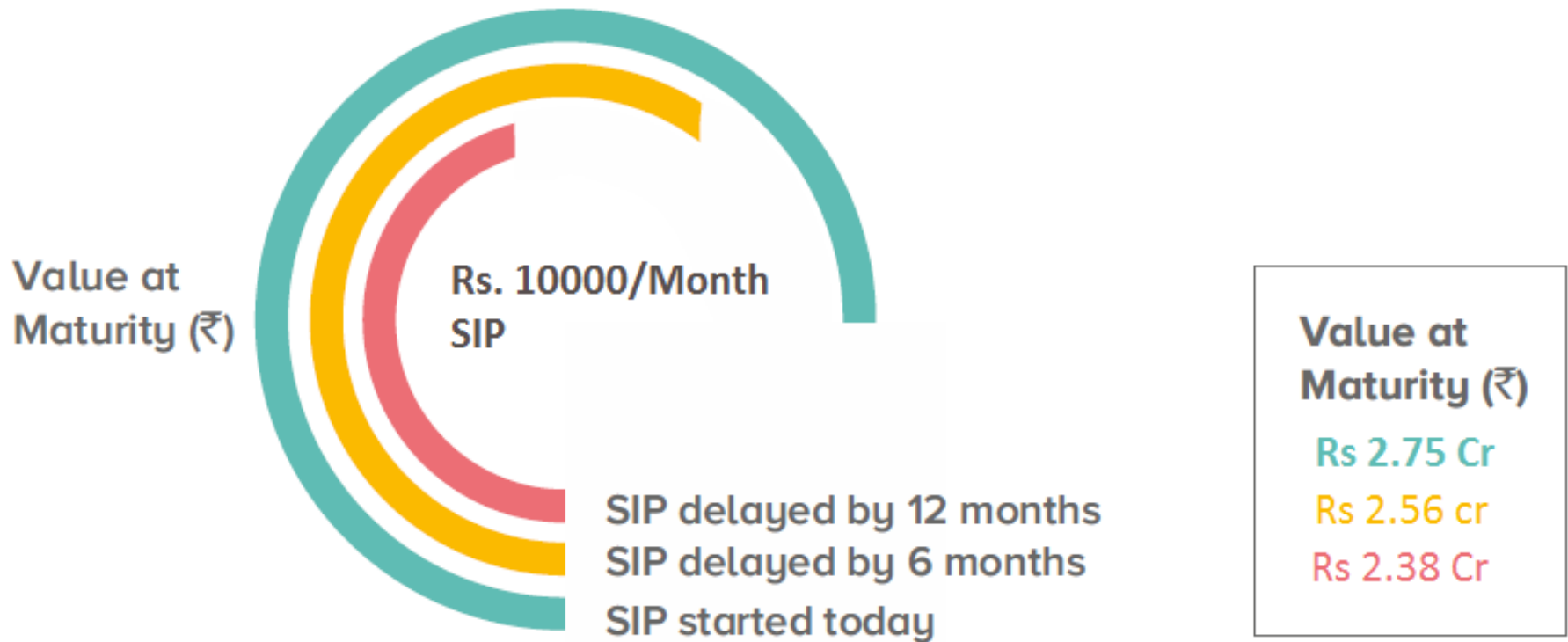


**Power of compounding :**

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)

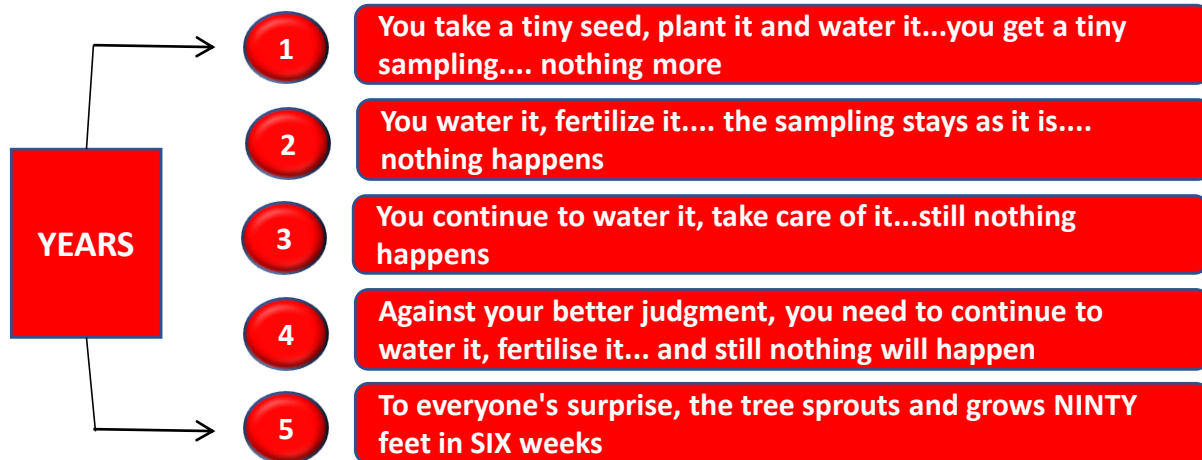


# Patience is the key

## Curious case of Chinese Bamboo



Chinese Bamboo tree  
tests your patience



### 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 PATIENCE

# 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.

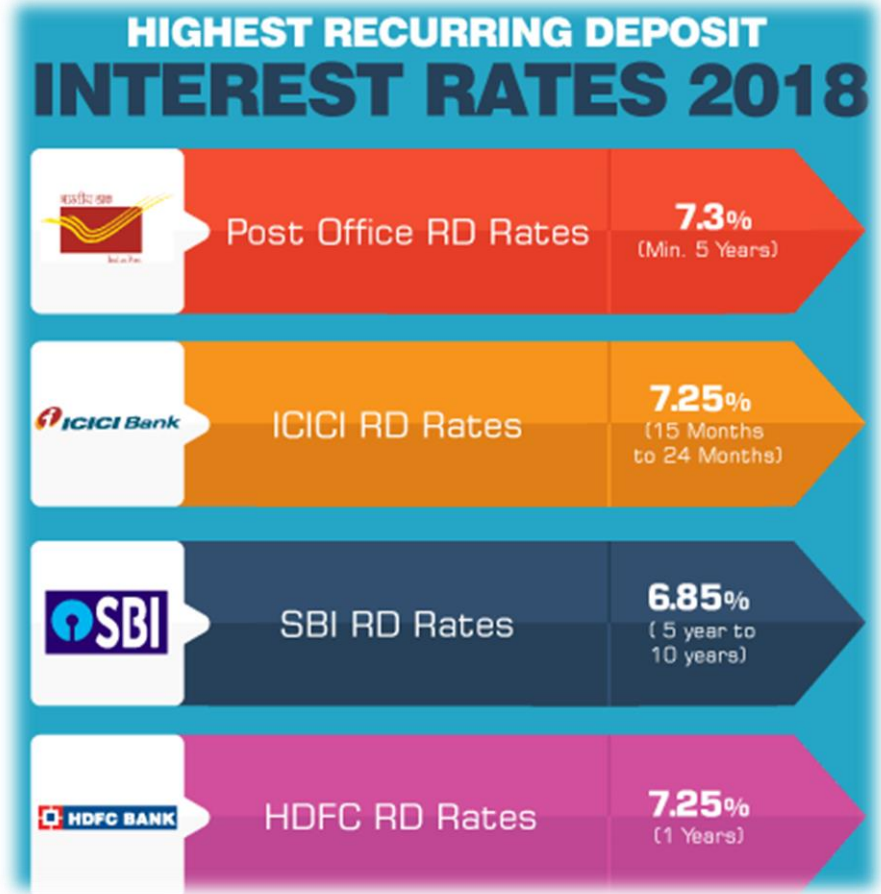
# Long term track record

| 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

|                |                    |                             |                    |
|----------------|--------------------|-----------------------------|--------------------|
|                |                    |                             |                    |
| Loan Amount    | 2500000            | SIP Amount                  | ₹ 2,500            |
| Tenure         | 25                 | Tenure                      | 25                 |
| Loan Interest  | 8.60%              | Expected Return             | 15.00%             |
| EMI            | ₹ 20,299           |                             |                    |
|                |                    |                             |                    |
| EMI            | ₹ 60,89,829        | <b>You Receive (SIP FV)</b> | <b>₹ 68,91,402</b> |
| 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%        |
| • Expected Marriage cost after 20 years | 9,321,914 |



# 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.



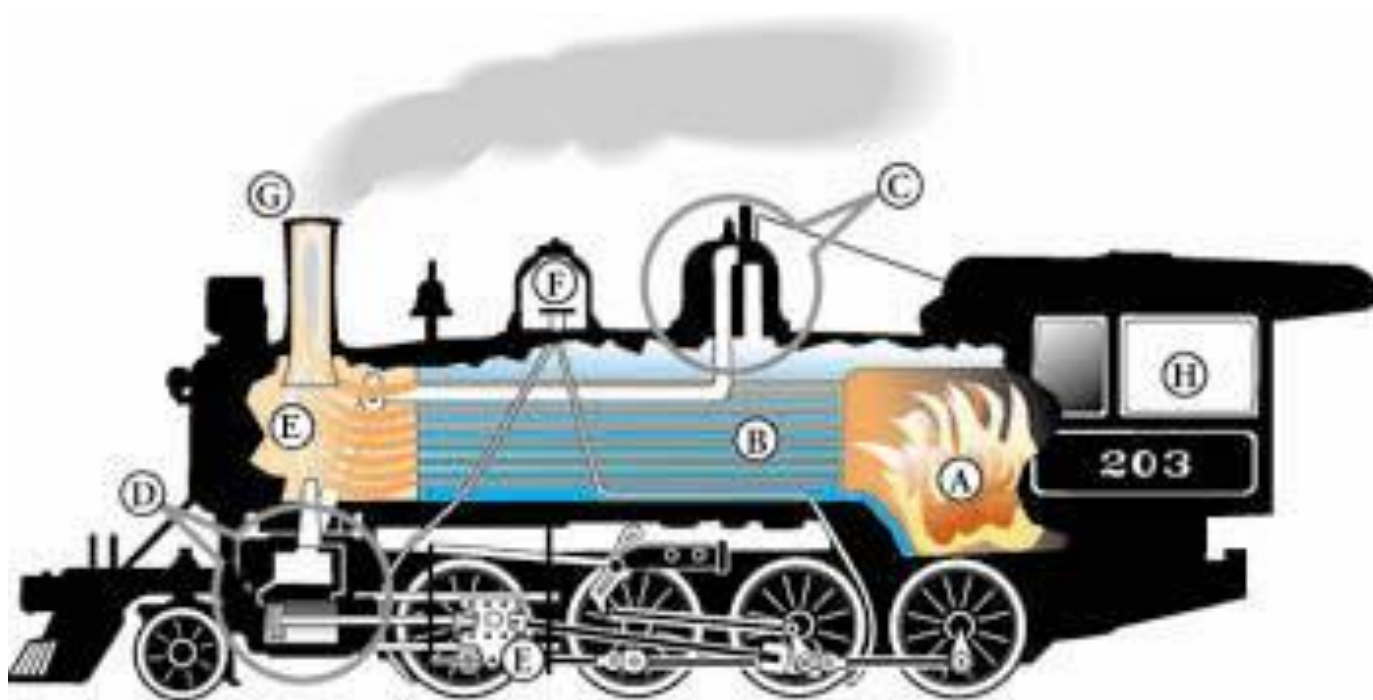
# Goal based investing - SIP

| 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>    |
|---------------------|--------------------|--------------------|
| <b>SIP Amount</b>   | 10000              | 10000              |
| <b>Top UP Aount</b> | NA                 | 1000               |
| <b>Return</b>       | 15%                | 15%                |
| <b>Tenure</b>       | 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