

# Systematic Investment Plans & Your Financial Goals

- ✓ 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
Probability of Loss	33%	9%



Long term = less risk

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



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



# SIP - features



# When to buy and when to sell!



**SAMPRADAA**  
INVESTMENTS





# No need to time the market



**SAMPRADAA**  
INVESTMENTS



# 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



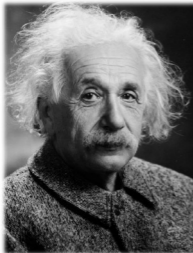
**Discipline is the key**



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



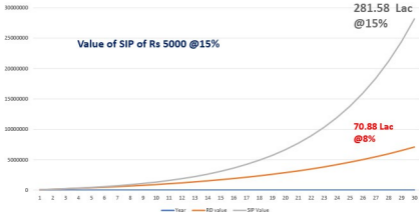
"COMPOUND INTEREST IS THE EIGHTH  
WONDER OF THE WORLD.  
HE WHO UNDERSTANDS IT EARNS IT, HE  
WHO DOESN'T, PAYS IT."

- ALBERT EINSTEIN

FENIUS

# Power of Compounding

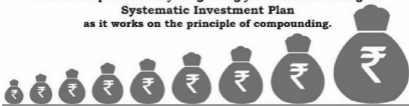
## Future value of an SIP



## 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

Value of Investment  
at Age 55 yrs

₹ 275.6  
Lakhs



Monthly  
Investment  
Rs 10,000

Start at  
Age 30



₹ 132.7  
Lakhs



Monthly  
Investment  
Rs 10,000

Start at  
Age 35



₹ 61.65  
Lakhs



Monthly  
Investment  
Rs 10,000

Start at  
Age 40



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

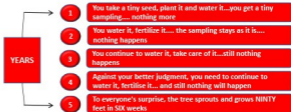


(assuming a 15% p.a. rate of return)

## 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>	699858
CAGR	<b>-2.02%</b>	19.10%

\*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>	699858	1541167
CAGR	<b>-2.02%</b>	19.10%	14.03%

\*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 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>		

## Home Loan Vs SIP Calculator

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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	7,867	4,817	3,464

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



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	6,111	4,902	4,228

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

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	6,111	4,902	4,227
Retirement Planning	29,386	14,355	8,519	5,095	3,627
Marriage Funding	16278	10134	7024	4838	3765
Total SIP Required	55773	32088	21654	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

	SIP	TopUPSip
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>



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



# Thank You