

# SIP FACILITY



# WHAT THE GREATS SAY ABOUT **INVESTING?**

“ We don’t have to be smarter than the rest. We have to be more disciplined than the rest ” – **Warren Buffett**



“ If investing is entertaining, if you’re having fun, you’re probably not making any money. Good investing is boring ” – **George Soros**



# WHY INVESTORS SHOULD LOOK AT **SIPS?**

- Investors in Mutual Fund in general can look at the benefits achieved through Diversification.
  - diversification across asset class – equity, debt, gold etc..
  - diversification across sector/stocks
  - diversification across geographies
- In addition to above, Systematic Investment Plan (S.I.P) helps investors achieve diversification through Time, by spreading the investment in a staggered manner over a longer period



**Diversification helps to mitigate risk to a large extent, and thus SIP can be a useful tool while investing in relatively riskier asset classes like equities**

# SIPS – WHY TIME IS IMPORTANT



## RAJESH AGE 25

Started Investing in SIP  
at age 25 Rs 10,000 per  
month



## SURESH AGE 35

Started Investing in SIP  
at age 35 Rs 20,000 per  
month

**When they both reached age 50**

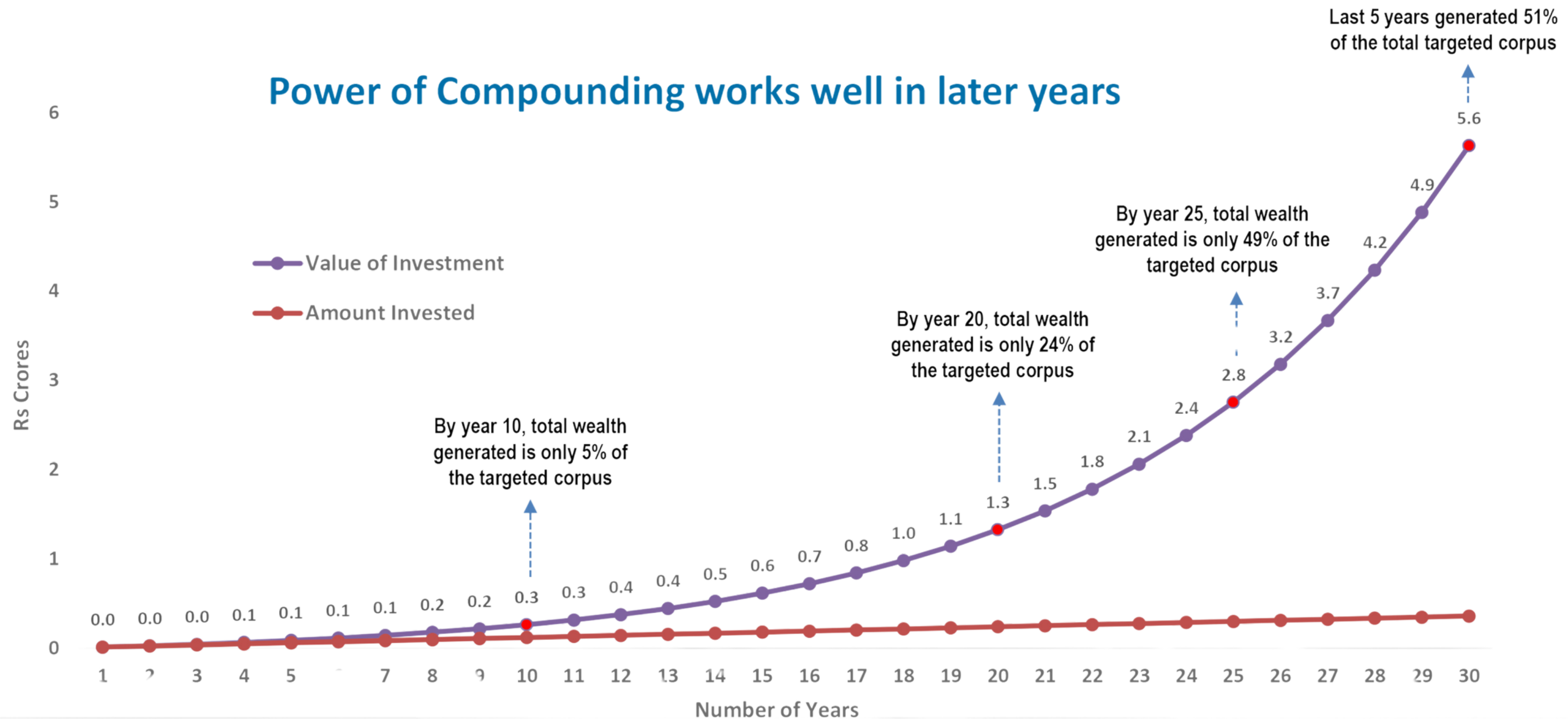
**Assuming 15% returns every year**

**Investment Value : Rs 2.8 crores**  
**Amount Invested: Rs 30 lakhs**  
**Wealth Gain: Rs 2.5 crores**

**Investment Value : Rs 1.2 crores**  
**Amount Invested: Rs 36 lakhs**  
**Wealth Gain: Rs 0.9 crores**

**Given the same rate of return, Mr A has earned around Rs 1.6 crores more than Mr B, just by starting to invest 10 years earlier**

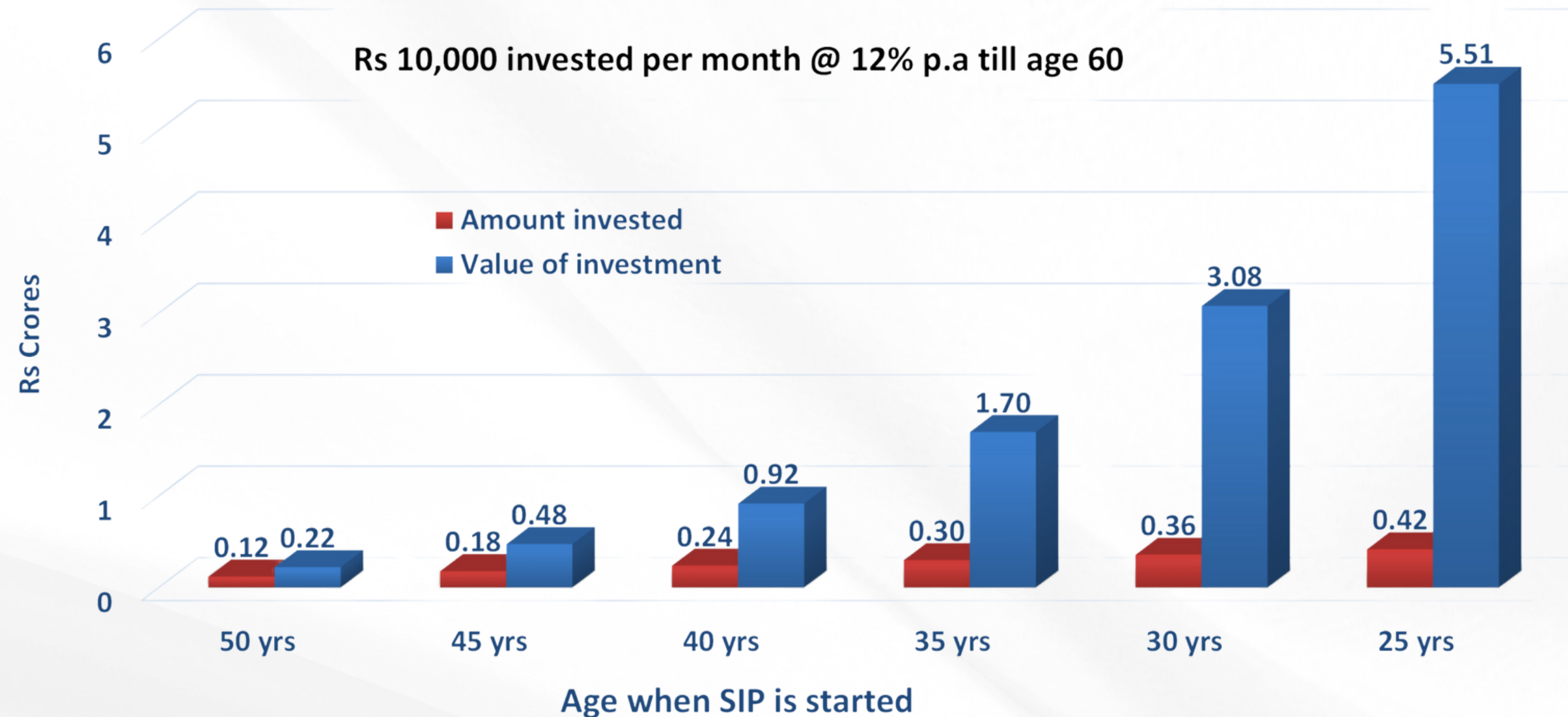
# SIPS – HARNESSING THE POWER OF COMPOUNDING



SIP of Rs 10,000 invested monthly for a period of 30 years, growing at 15% p.a will yield approx. corpus of Rs 5.6 crores

- Compounding effect helps investor earn potential returns both on principal amount and past gains, if any.
- Over a longer period of time, it can help in creating significant wealth.

# THE URGENT NEED TO START A SIP NOW



- The cost of delaying investment decision can be severe
- Mr. A who started SIPs at age 30 can generate corpus of approx. Rs 3 crs at retirement. In comparison Mr. B who started SIPs at age 40 can garner approx. Rs 0.9 core at retirement – a difference of approx. Rs 2.1 crores

# FINANCIAL PLANNING THROUGH SIP

- SIP can help in goal-based financial planning and help in potential long term wealth creation.
  - Flexibility to choose investment amount
  - Flexibility to choose tenure
  - Flexibility to choose asset class
- Financial goals such as retirement, education, marriage etc. can be conveniently planned for, through a SIP program, as it can help to:
  - Choose risk-reward profile by selecting appropriate schemes
  - Plan for cash flows, based on assumptions like inflation, income etc.
  - Make adjustments as per change in requirement, market conditions etc.



# FINANCIAL PLANNING THROUGH SIP –



## CASE STUDY 1

### Retirement Planning

Mr. A who is 30 years old, wants to invest for retirement and is thinking of starting a SIP to take care of his financial goal.

#### Assumptions:

- monthly expenses – Rs 50,000
- Inflation – 7%
- Retirement age – Age 58
- Life expectancy – Age 90
- Rate of return on corpus, post retirement – 8%
- Current savings earmarked for retirement corpus – 5 lakhs
- Approx. Retirement corpus required at Age 58 – Rs 11.04 crores
- Monthly SIP amount required to accumulate the above retirement corpus, at different rates of return:

Assumed rate of return	Monthly SIP amount required
10%	60,806
12%	40,429
15%	20,139
18%	7,911

In this case study, an investor can probably invest in higher equity allocation, to earn potential 15% annualized return, which would mean a slightly lower monthly outflows, if he is comfortable with the additional risk



# FINANCIAL PLANNING THROUGH SIP –

## CASE STUDY 2



### Child's Education Planning

Mr. A who is 30 years old, wants to invest for his child's higher education in a foreign university and is thinking of starting a SIP to take care of his financial goal.

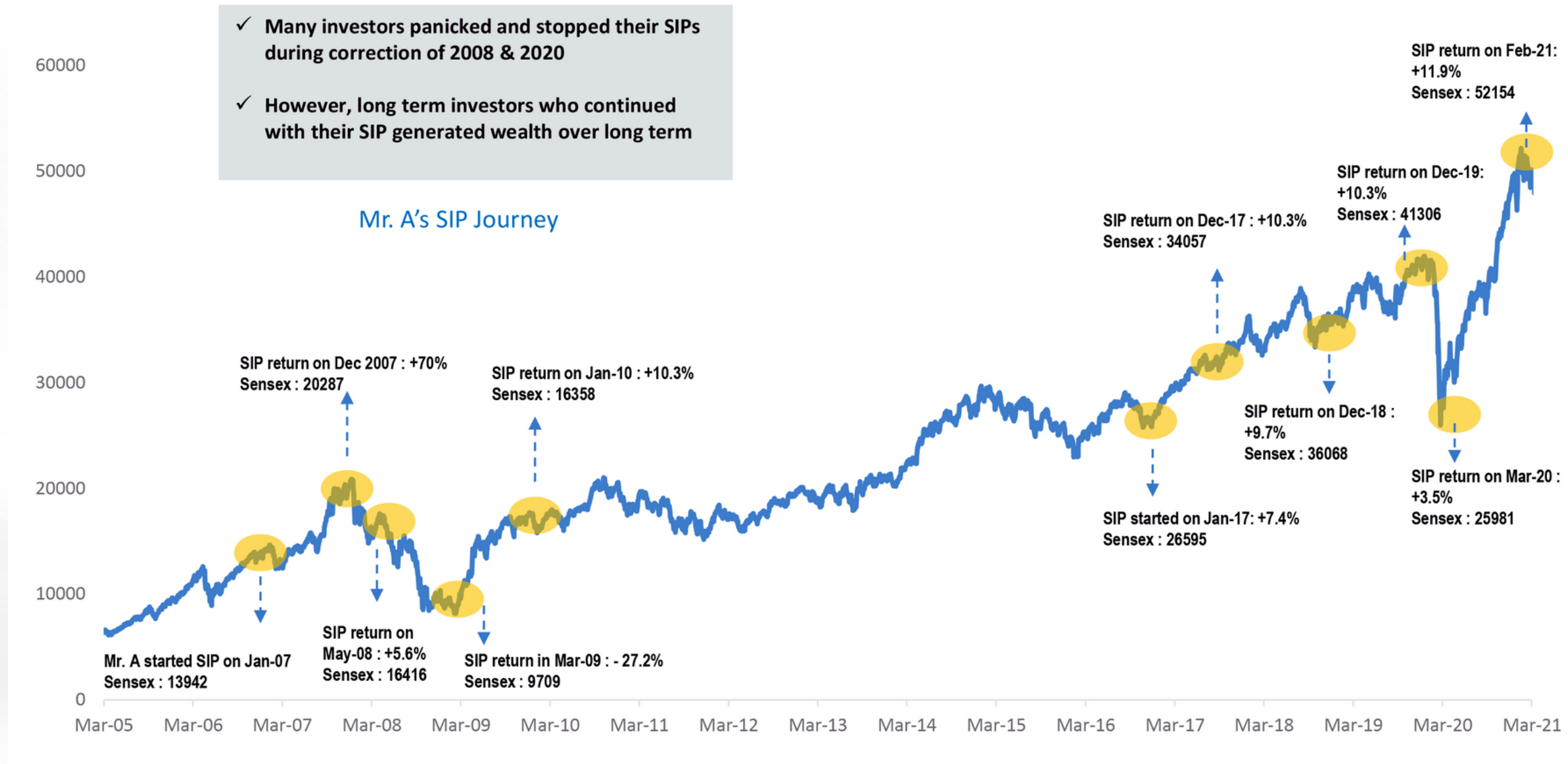
#### Assumptions:

- Present cost of education – Rs 20 lakhs
- Inflation – 7%
- Child's age right now – Age 12
- Money required at – Age 22
- Current savings earmarked for education – 2 lakhs
  
- Approx. Education corpus required at Age 22 – Rs 39 lakhs
- Monthly SIP amount required to accumulate the education corpus, at different rates of return:

Assumed rate of return	Monthly SIP amount required
10%	16,954
12%	14,788
15%	11,882
18%	9,342

In this case study, an investor can probably invest in higher equity allocation, in early stages, and shift to a conservative allocation as the child grows up

# WHY INVESTORS SHOULD NOT STOP SIPS DURING CORRECTIONS – 2007-09 & 2019-20 EXPERIENCE



- A correction in market allows the investor to accumulate units at a cheaper rate, thereby lowering acquisition cost
- If fundamental factors like outlook about the economy, markets, government, corporate profitability etc continue to be robust, investor can continue their SIPs for long term

## KEY ADVANTAGES OF INVESTING VIA **SIP ROUTE**

- **Rupee Cost Averaging** Buy fewer units when markets go up, and more units when markets correct. This results in averaging the cost of acquisition
- **Disciplined approach** Towards investment and financial planning
- **Avoid market timing** Avoid the difficult task of market timing
- **Easy and Flexible** Easy on wallet and flexibility to design cash flows as per changing needs Potential Long term wealth creation in a convenient manner



# SIP TOP-UP – A POWERFUL TOOL



**MR UMESH**

Normal SIP : Rs 5000



**MR SANJAY**

SIP Top-up: Rs 5000 with 10% Top-up

Year 1 (instalment per month)	Rs 5000	Rs 5000
Year 2 (instalment per month)	Rs 5000	Rs 5500
Year 25 (instalment per month)	Rs 5000	Rs 49,249
Rate of Return	9%	9%
Number of Years	25 Years	25 Years
Total investment	Rs 15 lakhs	Rs 59 lakhs
<b>Final Corpus after 25 years</b>	<b>Rs 0.53 crores</b>	<b>Rs 1.4 crores</b>

- Salaried Individuals can use any annual income increase to top-up their SIP installment amount
- The final difference in corpus is significant

# IN SUMMARY...

Investors can optimize their SIP Program by doing 4 right things

	Actions	Mr. A	Mr. B
1. Save More	Contribute more for your monthly SIP amount	Rs 5,000	Rs 10,000
2. Link SIPs with change in lifestyle / needs	Start annual SIP top-up, as income increases	--	10% increase every year
3. Long-term Investment	Increase the tenure of your SIP	10 years	25 years
4. Potential expected returns	invest more in equity-oriented funds, as per risk appetite	10%	15%
	Total amount invested	Rs 0.06 crores	Rs 1.2 crores
	<b>Approx. Corpus at the end of the SIP Program</b>	<b>Rs 0.10 crores</b>	<b>Rs 5.4 crores</b>

SIPs - a Smarter Way of Investing

# THANK YOU

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## VISIT US

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