An Investor Education Initiative

SYSTEMATIC INVESTMENT PLAN (SIP)

SIP is a simple and time honored investment strategy for accumulation of wealth in discipline manner over long term period. The plan aims at a better future for its investor as an SIP investor gets higher returns compared to a one time investor.

WHAT IS SYSTEMATIC INVESTMENT PLAN

- A Specific amount should be invested for a continuous period at regular intervals under this plan.
- SIP is similar to a regular saving scheme like a recurring deposit. It is a method of investing a fixed sum regularly in a mutual fund.
- SIP allows the investor to buy units on a given date every month.
- While the investor's investment remains the same, more number of units can be bought in a declining market and less number of units in a rising market.
- The investor automatically participates in the market swing once the option of SIP is made.

FEATURES

i. Discipline:

The cardinal rule of building your corpus is to stay focused, invest regularly and maintain discipline in your investing pattern. A few hundreds set aside every month will not affect your monthly disposable income. You will also find it easier to part with a few hundreds every month, rather than set aside a large sum for investing in one shot.

ii. Power Of Compounding:

Investment gurus always recommend that one must start investing early in life. One of the main reasons for doing that is the benefit of compounding.

Let's explain this with an example. Person A started investing Rs, 10,000/- per year at the age of 30. Person B started investing the same amount every year at the age of 35. When they attained the age of 60 respectively, A had built a corpus of Rs. 12.23 lakh while person B's corpus was only Rs. 7.89 lakh. For this example, a rate of return of 8% compounded has been assumed.

iii. RUPEE Cost Averaging:

This is especially true for investments in equities. When you invest the same amount in a fund at regular intervals over time, you buy more units when the price is lower and fewer units when the prices are higher. Thus, you would reduce your average cost per share (or per unit) over time.

While making small investments through SIP may not seem appealing at first, it enables investors to get into the habit of saving. Over the years, it really can add up and give you handsome returns. A monthly SIP of Rs. 1000 at the rate of 9% would grow to Rs. 6.69 lakh in 10 years, Rs. 17.83 lakh in 30 years and Rs. 44.20 lakh in 40 years. Even for the cash-rich, SIPs reduces the chance of investing at the wrong time and losing their sleep over a wrong investment decision. However, investing at lower levels derives the true benefit of an SIP.

iv. Convenience:

This is a very convenient way of investing. You have to just submit cheques along with the filled up enrolment form. The mutual fund will deposit the cheques on the requested date and credit the units to one's account and will send the confirmation for the same.

Why Systematic Investment Plan (SIP)?

Systematic Investment Plan is a smart very to create wealth. It doesn't demand lump sum investments. Just a little, every month. What's more? With SIP, you don't need to time the market. Over a long period, your investment averages out the market highs and lows. Hence you buy more units when the market is low and less when the market is high. SIP is truly small on savings and big on benefits. So, develop a good habit of regular savings.

Experts keep saying that the best time to buy is when markets are falling and the right time to sell is when the market is peaking, it's just not possible for a normal investor because when the market is falling it's difficult to buy. But investing through SIPs help one avoid the mistake of buying more when the market peaks and less when the market fall.

Start investing through SIP's on the perpetual basis and create wealth for the future.

DISCLAIMER: MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.