



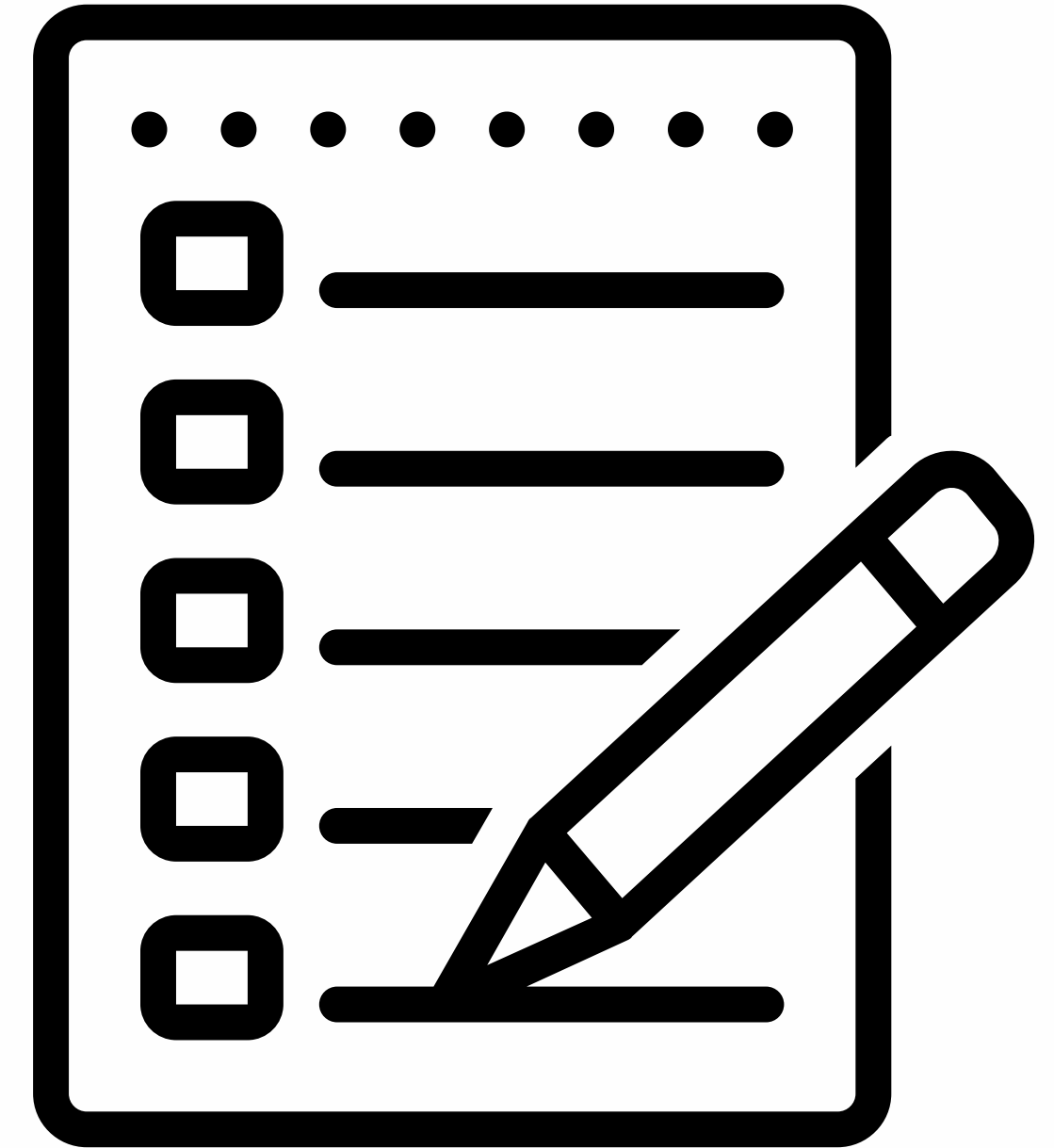
7 Powerful SIP ideas to achieve Financial Independence



Agenda

- The true meaning of independence
- 3 Key Elements for the Success of your SIP
- 7 Powerful SIP Ideas
 - Create a pension worth 3 times your monthly income
 - Interest-FREE Home loan
 - Discount on your child's school Fees

and many more.....





Independence - Definition

You are independent when you work because you want to, not because you have to.






True Independence

True Independence cannot be achieved without Financial Independence





Best way to Independence - SIP??



Easier
said
than
done



3 crucial aspects of SIP

1 Patience



Around the world

Travel
100 metres on
1st day



And double
the distance
every day



Around the world

Day	Meters
1	100 m
2	200 m
3	400 m
4	800 m
5	1.6 Km
6	3.2 Km

How long will it take to go
around the earth?



Around the world



Equatorial Circumference
40,075 km*

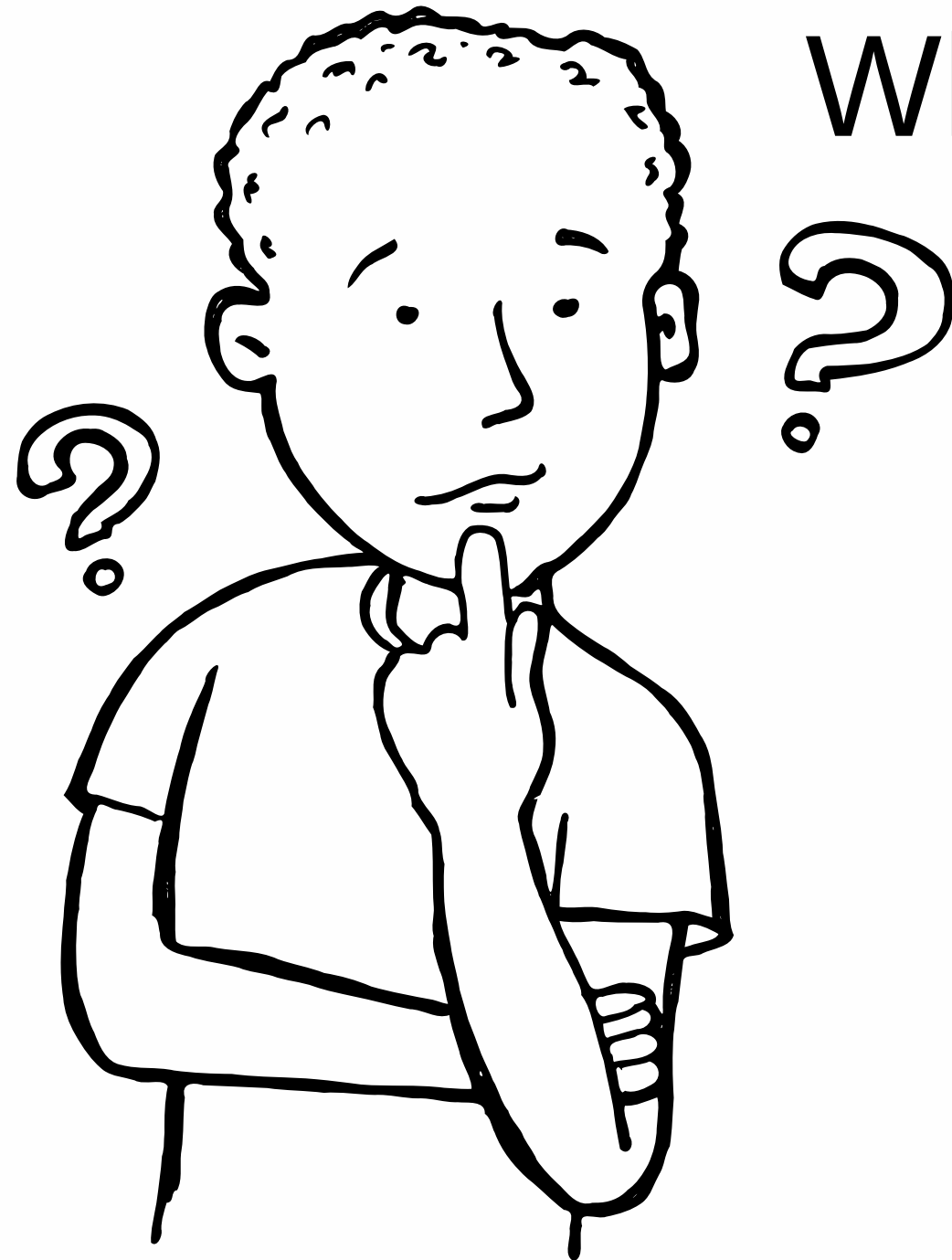
19th Day - 39,321

Ans. - Less than 20 days

Source: <https://www.nationalgeographic.org/>



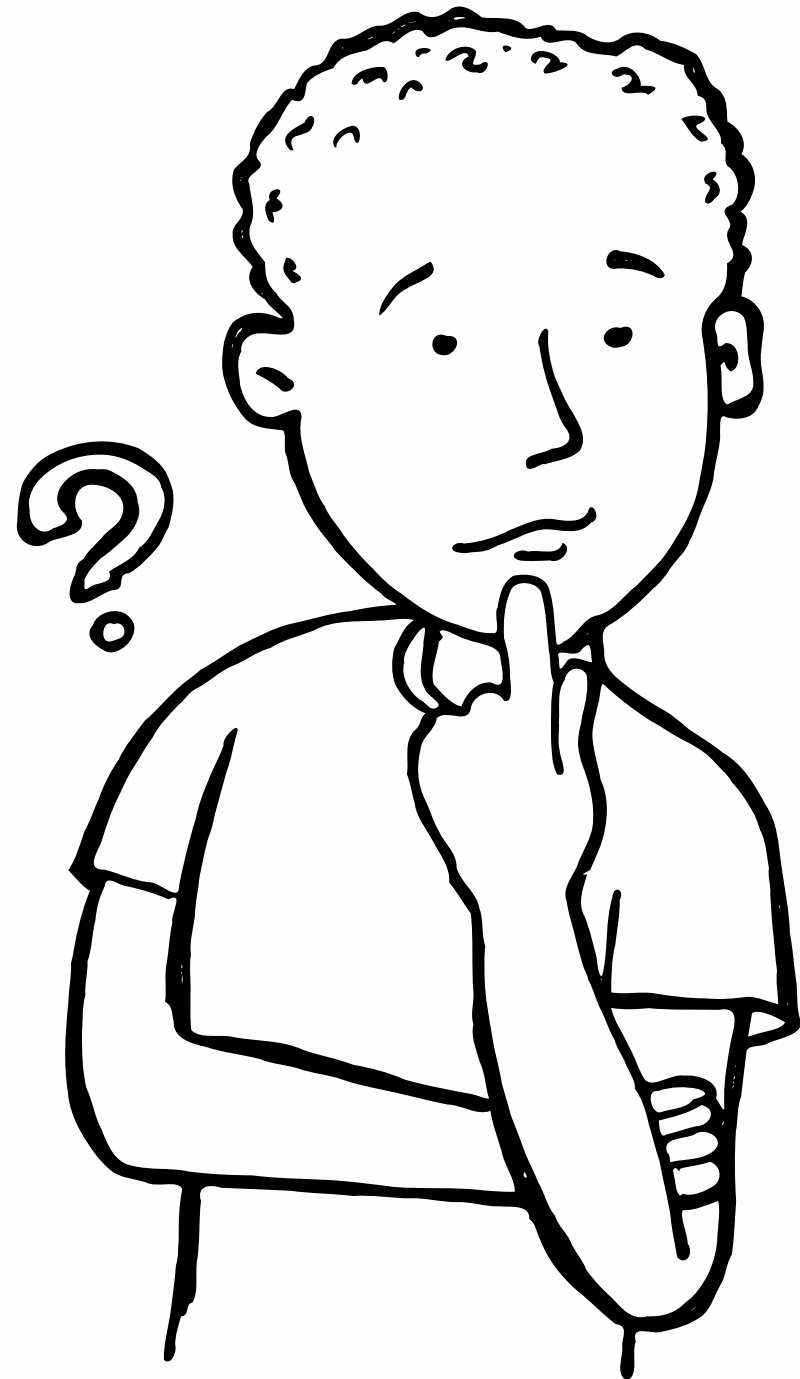
What if....



What if you stop after 10 Days?



What if....



What if you stop after 10 Days?

**You would have traveled
less than 77 KM**



#1 Compounding takes time

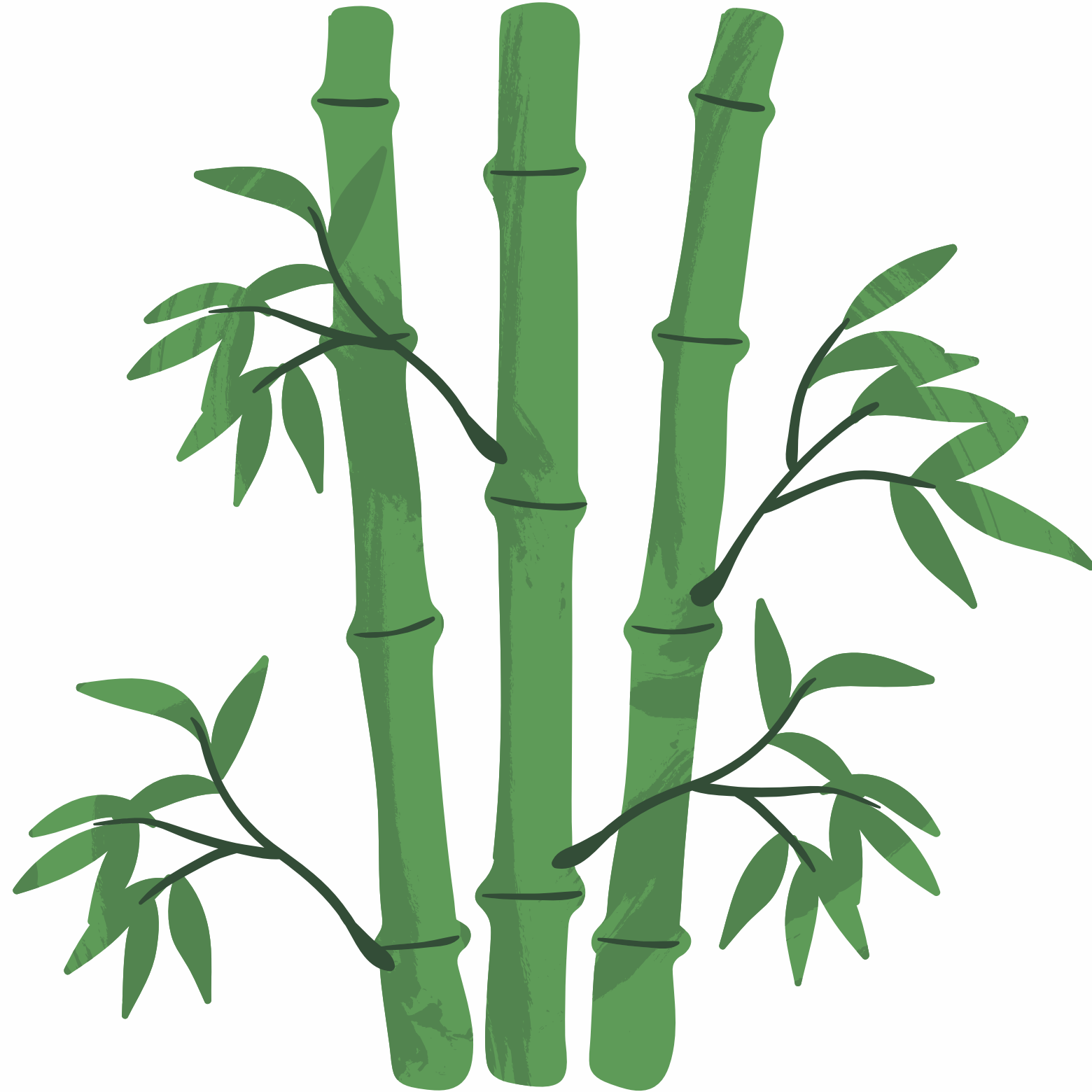
Tenure	Wealth Creation	Investment	Profit
5	₹ 8,11,036	₹ 6,00,000	₹ 2,11,036
10	₹ 22,40,359	₹ 12,00,000	₹ 10,40,359
12.5	₹ 33,22,602	₹ 15,00,000	₹ 18,22,602
20	₹ 91,98,574	₹ 24,00,000	₹ 67,98,574
25	₹ 1,70,22,066	₹ 30,00,000	₹ 1,40,22,066

Assumption : SIP - Rs. 10000 per month, Return - 12% CAGR

This calculation is only for illustrative purpose



#2 Equity returns are never linear





5 years and no result

SIP valuation

SIP Amount - Rs. 10000 per month

Period April 2015 to March 2020

Scheme	Amount	Valuation	Return
Aditya Birla Sun Life Frontline Equity Fund	600000	5,15,315	-14.11%
ICICI Prudential Bluechip Fund	600000	5,44,443	-9.26%
SBI BLUE CHIP FUND	600000	5,28,013	-12.00%
HDFC Top 100 Fund	600000	5,17,211	-13.80%



5 years and no result

SIP valuation

SIP Amount - Rs. 10000 per month

Period April 2015 to June 2021

Scheme	Amount	Valuation	Return
Aditya Birla Sun Life Frontline Equity Fund	750000	11,46,895	52.92%
ICICI Prudential Bluechip Fund	750000	11,85,059	58.01%
SBI BLUE CHIP FUND	750000	11,71,893	56.25%
HDFC Top 100 Fund	750000	11,34,531	51.27%



3 crucial aspects of SIP

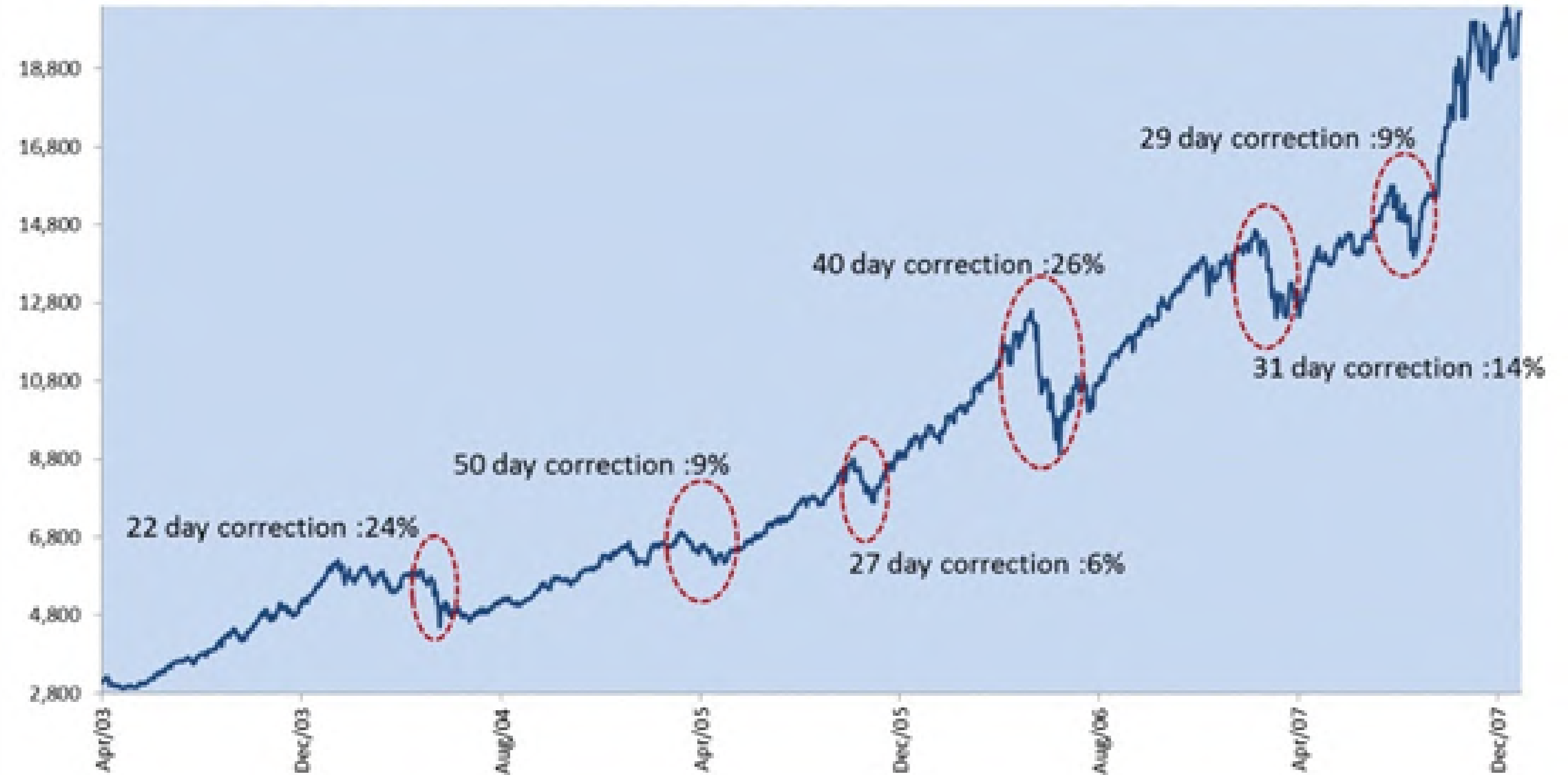
2 Control over Fear

Equity = Roller Coaster





Roller coaster of Sensex



Things you cannot predict

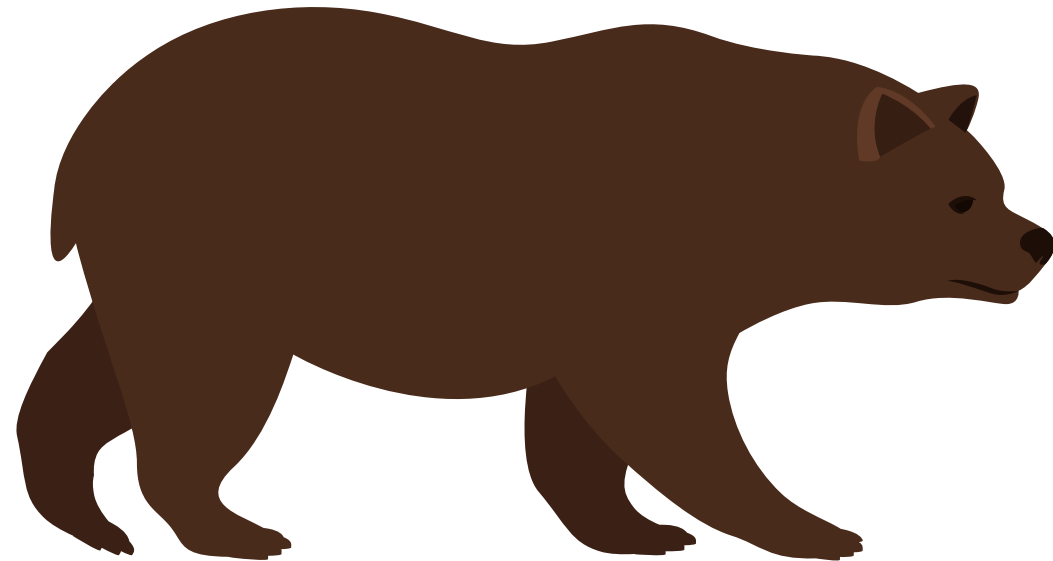
- **When** will the market correct?
- **How much** will market correct?
- **How long** will it take to recover?





But you can predict one thing

Correction
is temporary!



&

Growth
is permanent!





Sensex High		Sensex Low		Correction in %	Events that led to the correction
Date	Value	Date	Value		
15-Feb-01	4438	21-Sep-01	2600	-41.42	Dotcom Bubble, Ketan Parekh Scam
26-Feb-02	3713	28-Oct-02	2834	-23.67	Argentina Default
27-Dec-02	3398	25-Apr-03	2924	-13.95	Iraq War
14-Jan-04	6194	17-May-04	4505	-27.27	Election year, NDA Defeat, SEBI Bans UBS from issuing Promissory Notes
08-Mar-05	6915	19-Apr-05	6135	-11.28	US Housing market correction
10-May-06	12612	14-Jun-06	8929	-29.20	Federal Reserve raises interest rates 5 times by 25 bps each, Home Construction Index is down over 40% in US, Washington based Merit Financial Inc. files for bankruptcy
09-Jan-08	20870	27-Oct-08	8510	-59.22	Subprime Mortgage Crisis, HSBC in \$17bn credit crisis loss, UBS confirms sub-prime \$18.4 billion loss, Lehman Brothers files for bankruptcy
06-Jan-09	10336	09-Mar-09	8160	-21.05	Subprime Mortgage Crisis, G20 agrees on a global stimulus package worth \$5tn
10-Jun-09	15467	13-Jul-09	13400	-13.36	UPA Govt again elected to power. Total of 3.9 Mn foreclosures were filed on 2.8 Mn properties during the year, up 21 percent from 2008. More than 2.21 percent of all households were in some stage of foreclosure during 2009, up from 1.84 percent in 2008.
06-Jan-10	17701	05-Feb-10	15791	-10.79	Eurozone Crisis, Greece is bailed out for a second time, S&P downgrades US sovereign debt
07-Apr-10	17970	25-May-10	16022	-10.84	
03-Jan-11	20561	20-Dec-11	15175	-26.20	
21-Feb-12	18429	23-May-12	15948	-13.46	Rise in oil prices due to threat of military strike against Syria , CAD widens due to higher gold & oil imports, Rupee depreciated considerably
25-Jan-13	20104	21-Aug-13	17906	-10.93	
29-Jan-15	29682	11-Feb-16	22952	-22.67	Chinese Stock Market Crash
08-Sep-16	29045	21-Nov-16	25765	-11.29	Demonetisation, Brexit, Trump's Victory
29-Jan-18	36283	23-Mar-18	32596	-10.16	Higher inflation expectation due to avg. wage rise in US, US 10 yr G-sec yield rose to 4 yr high, Higher stock market valuation across globe, PNB Scam
28-Aug-18	38896	04-Oct-18	35169	-10.60	Higher Crude prices, higher G-sec rates, IL&FS default, Liquidity crisis in Debt market
20-Jan-20	42273	23-Mar-20	25981	-38.54	CoronaVirus, YesBank Crisis, Global Market Selloff



3 Beware of the devil

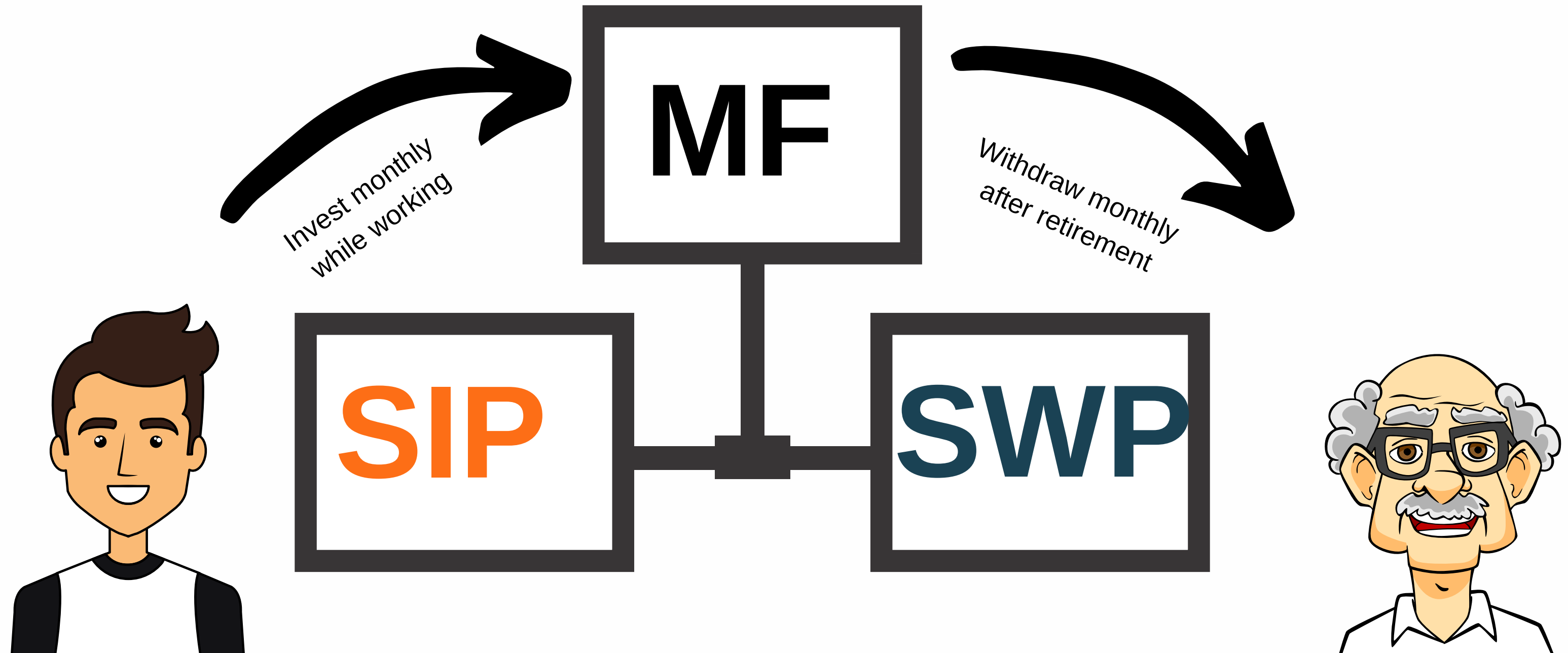




Powerful SIP Ideas



Two step process





Case study

- Name - Mr. Prashant Sharma
- Age - 28 Years
- **Monthly SIP amount - Rs 10000/-**
- Retirement age - 55
- Assumed return - 12%*



*Assumed return - 12% is only for illustrative purpose



Retirement corpus - SIP

- Name - Mr. Prashant Sharma
- Age - 28 Years
- **Monthly SIP amount - Rs 10,000/-**
- Retirement age - 55
- Assumed return - 12%*

Retirement corpus

Rs. 2,16,23,129

*Assumed return - 12% is only for illustrative purpose





Monthly withdrawal - SWP

- Retirement Corpus - Rs. 2,16,23,129
- Return expected from debt MF - 6%*

Monthly withdrawal
Rs. 1,08,116
(Consider this as a pension)

*Assumed return - 12% is only for illustrative purpose





Cost of delay

Retirement Planning with SIP+SWP					
ASSUMPTION					
SIP Amount	10,000	* The returns earned on the retirement corpus is assumed to be systematically withdrawn as annuity. Hence, the principal of the retirement corpus will remain intact and the annuity will be perpetual in nature.			
Lumpsum	0				
Retirement Age	55				
SIP START AGE	Period (Yrs)	No. of Installments	Amount Deposited	Returns During Accumulation	Returns During Distribution
				12%	6%
				Retirement Corpus (SIP)	Monthly Pension Amount (SWP)
28	27	324	32,40,000	21623129	1,08,116
29	26	312	31,20,000	19192379	95,962
30	25	300	30,00,000	17022066	85,110
31	24	288	28,80,000	15084286	75,421
32	23	276	27,60,000	13354126	66,771

*Assumed return - 12% for SIP and 6% for SWP are only for illustrative purpose





2

New Interest FREE Loan



Home loan

- Loan amount - Rs. 50 Lacs
- Tenure - 25 Years
- Interest - 6.75%





Home loan EMI

- Loan amount - Rs. 50,00,000
- Tenure - 25 Years
- Interest - 6.75%

- **EMI - Rs. 34,546**
- **Total repayment - Rs. 1,03,63,673**
- **Interest - Rs. 53,63,673**





Start an SIP

- Start an SIP of Rs. 7,000
- Tenure - 25 Years
- **Total SIP Amount - Rs. 21,00,000**





Total outflow

- Start an SIP of Rs. 7,000
- Tenure - 25 Years

- **Total SIP amount - Rs. 21,00,000**
- **Total EMI - Rs. 1,03,63,673**
- **Total payment - ₹ 1,24,63,673**





Start an SIP

- Start an SIP of Rs. 7,000
 - Tenure - 25 Years
 - Assumed return - 12% CAGR*
-
- **Total SIP Amount - Rs. 21,00,000**
 - **Total EMI - Rs. 1,03,63,673**
 - **Total Payment - ₹ 1,24,63,673**
 - **Total Future Value of SIP - ₹ 1,19,15,446**

*Assumed return - 12% is only for illustrative purpose





3

Existing Home Loan & Wealth Creation



Existing loan

Original Loan Amount	50,00,000	
Interest on Loan	7.00%	
Original Loan Tenure (In Years)	20	(A)
Original EMI	38,765	
No. of Months EMI Paid so far	24	(B)
Principal O/S after 24 Month(s)	47,53,506	





Increase tenure

New Loan Tenure (In Years)	30
Balance Tenure	28 Yrs
Modified EMI	32,305
Saving on EMI/SIP amount	6,460
SIP Tenure $(A*12 - B)$	18 Yrs
Expected return from SIP	12.00%

*Assumed return - 12% is only for illustrative purpose





Scenario analysis

If Loan tenure is not increased	
At the end of 20 Years	
Total Outgo	93,03,587
Principal Outstanding	-1
Wealth Created	0

If Loan tenure is increased	
At the end of 20 Years	
Total Outgo	93,03,587
Principal Outstanding	27,82,332
Wealth created	45,97,560
Net wealth after 20 Years	18,15,227

*Assumed return - 12% is only for illustrative purpose





Top-up SIP





Topup SIP example

SIP Amount	Rs. 10,000
Tenure	20 Years
SIP TopUp	10%
MODE	CAGR @ 12 %
SIP (Without Step Up)	Rs. 91,98,574



*Assumed return - 12% is only for illustrative purpose



Topup SIP example

SIP Amount	Rs. 10,000
Tenure	20 Years
SIP TopUp	10%
MODE	CAGR @ 12 %
SIP (Without Step Up)	Rs. 91,98,574
SIP (With Step Up)	Rs. 1,86,31,387

*Assumed return - 12% is only for illustrative purpose





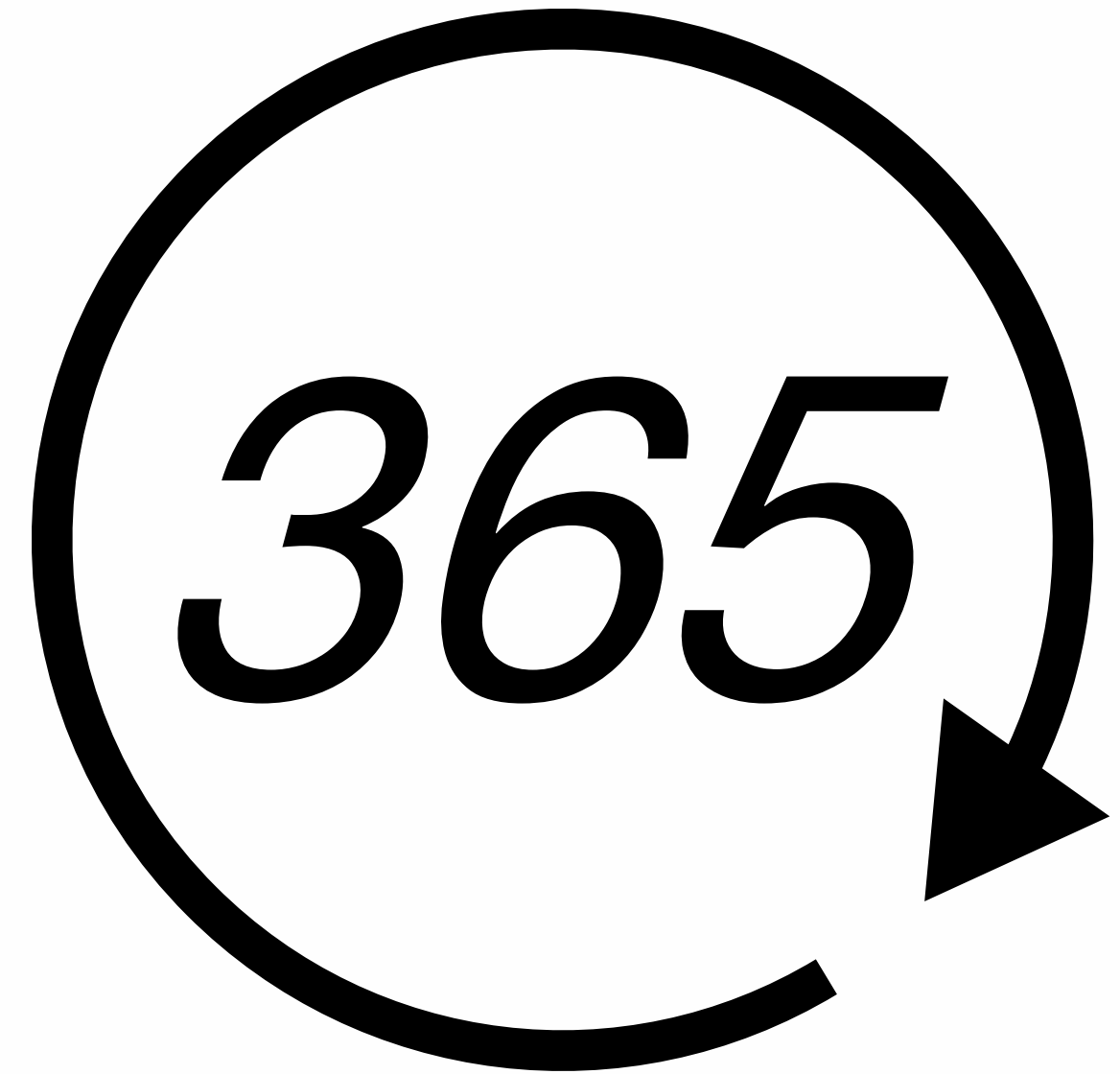
5

Discount on Annual Expenses



Fixed annual expenses

- School fees
- Life insurance premium
- Travelling (holiday)





Fixed annual expenses

School Fees	Rs. 1,20,000	If Paid Annually
	Rs. 32,000	If Paid Quarterly

Convert in SIP

Liquid fund or Ultra short term fund



FV of SIP

- SIP - Rs. 10,000
- Return - 5%*
- Tenure - 12 months

- **FV - Rs. 1,23,226**



*Assumed return - 5% is only for illustrative purpose



Earned return = discount

- SIP - Rs. 10,000
- Return - 5%
- Tenure - 12 months
- **FV - Rs. 1,23,226**

			Net Cost
School Fees	Rs. 1,20,000	Annually	Rs. 1,20,000
	Rs. 32,000	Quarterly	Rs. 1,28,000
	Rs. 10,000	SIP/Monthly	Rs. 1,16,774



*Assumed return - 5% is only for illustrative purpose



6

Tax Saving SIP



PPF v/s ELSS

Return of 15 years (Rs 1,50,000 invested every year on 1st April starting from 2006)
valuation as on 29th Jan 2021

Product	Current value
PPF	Rs. 44,65,908
Best ELSS	Rs. 80,47,345
Average ELSS	Rs. 63,43,067
Worst ELSS	Rs. 55,46,699

Past performance may or may not sustain. It is only for illustrative and educative purpose.



Kids' Future



2 Crucial goals

- Daughter - Jinu
- Age - 2 years

Goal	Goal Age	Current Cost
Higher Education	17	2000000
Marriage	25	1500000



Subject to inflation

- Daughter - Jinu
- Age - 2 years
- Inflation - 5%

Goal	Goal Age	Current Cost	FV Value
Higher Education	17	2000000	₹ 41,57,856
Marriage	25	1500000	₹ 46,07,286



Let's find out SIP amount

- Daughter - Jinu
- Age - 2 years
- Inflation - 5%
- Return - 12% CAGR*

Goal	Goal Age	Current Cost	FV Value
Higher Education	17	2000000	₹ 41,57,856
Marriage	25	1500000	₹ 46,07,286

*Assumed return - 12% is only for illustrative purpose



Let's find out SIP amount

- Daughter - Jinu
- Age - 2 years
- Inflation - 5%
- Return - 12% CAGR*

Goal	Goal Age	Current Cost	FV Value	SIP
Higher Education	17	2000000	₹ 41,57,856	₹ 8,736
Marriage	25	1500000	₹ 46,07,286	₹ 3,450
Total				₹ 12,186

*Assumed return - 12% is only for illustrative purpose



Summary

3 Elements

- Patience
- Discipline
- Beware of delay





Summary

- Pension with SIP+SWP
- New interest-FREE home loan
- Existing home loan & wealth creation
- Top-up SIP
- Discount on annual expenses
- Tax saving SIP
- SIP for child's future





Mutual Fund investments are subject to market risks. Read all scheme related documents carefully before investing.