

Issue 5

# SIP/ SWP

*Systematic Investment Plan # Yourstruly*



**#YOURSTRULY KNOWLEDGE  
THURSDAY**

**Just Get Filled**

## **SYSTEMATIC INVESTMENT PLAN**

### **SIP**

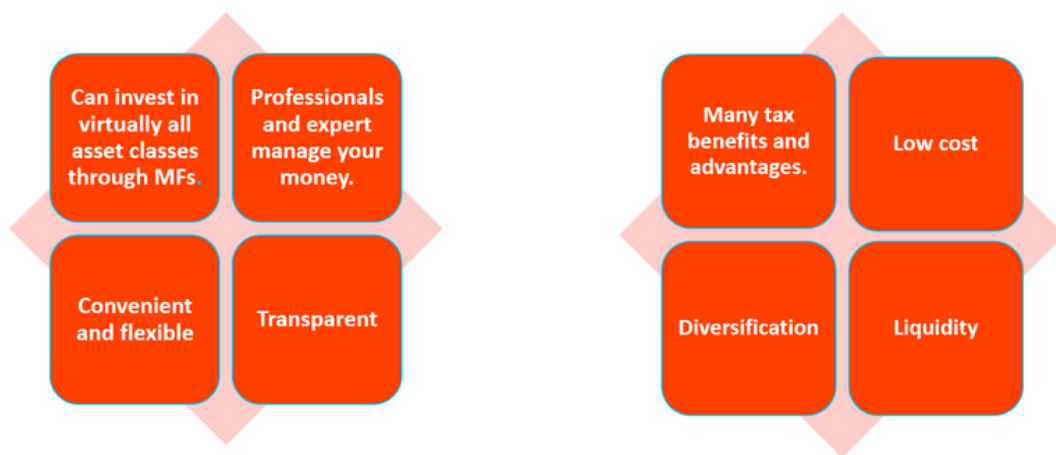
Systematic Investment Plan (SIP) is an investment route offered by Mutual Funds wherein one can invest a fixed amount in a Mutual Fund scheme at regular intervals- say once a month or once a quarter, instead of making a lump-sum investment. The installment amount could be as little as INR 500 a month and is similar to a recurring deposit. It's convenient as you can give your bank standing instructions to debit the amount every month.

---

# ADVANTAGES OF MUTUAL FUNDS

## Understanding SIP

SIP has been gaining popularity among Indian MF investors, as it helps in investing in a disciplined manner without worrying about market volatility and timing the market. Systematic Investment Plans offered by Mutual Funds are easily the best way to enter the world of investments for the long term. It is very important to invest for the long-term, which means that you should start investing early, in order to maximize the end returns. So your mantra should be - Start Early, Invest Regularly to get the best out of your investments



One should never invest in Mutual Funds, but should invest through them.

To elaborate, we invest in various investment avenues based on our requirements, e.g. for capital growth - we invest in equity shares, for safety of capital and regular income - we buy fixed income products.

The concern for most investors is: how to know which instruments are best for them? One may not have enough abilities, time or interest to conduct the research.

To manage investments, one can outsource certain tasks one is unable to do. Anyone can outsource 'managing one's investments' to a professional firm - the Mutual Fund company. Mutual Funds offer various avenues to fulfill different objectives, which investors can choose from based on one's unique situation and objective.

### Mutual Fund SIP Returns

Size	Number of Funds	Yrs	Invested Amt	Maturity	Return %
Large Cap	Category Average 29 funds	5yrs	6,00,000	8,17,089	12.68
	NIFTY 100 TRI		6,00,000	8,55,759	14.64
Large Cap	Category Average 26	10yrs	12,00,000	23,05,071	12.66
	NIFTY 100 TRI		12,00,000	24,14,578	13.6
Large Cap	Category Average 15	15yrs	18,00,000	44,82,523	11.31
	NIFTY 100 TRI		18,00,000	49,12,166	12.48
Large Cap	Category Average 6	20yrs	24,00,000	1,26,74,923	14.22
	NIFTY 100 TRI		22,20,000	96,45,972	14.31
Mid Cap	Category Average 12	15yrs	18,00,000	61,12,003	14.97
	NIFTY 50 TRI		18,00,000	47,40,329	12.06
Small Cap	Category Average- 5	15yrs	18,00,000	60,62,377	14.79
	NIFTY SMALLCAP 250 TRI		18,00,000	50,85,718	12.89

Scheme Name	Term	Invested Amount	Current Value	Return (%)
Best Fund	5 yrs	600000	901225.32	16.81
Worst Fund	5 yrs	600000	750572.28	9.19
<b>Average Fund</b>	<b>5yrs</b>	<b>600000</b>	<b>817088.55</b>	<b>12.68</b>
Best Fund	10yrs	1200000	2708802.54	15.77
Worst Fund	10yrs	1200000	1908702.58	9.12
<b>Average Fund</b>	<b>10yrs</b>	<b>1200000</b>	<b>2305070.73</b>	<b>12.66</b>
Best Fund	15yrs	1800000	5198215	13.14
Worst Fund	15yrs	1800000	3419601.94	8.15
<b>Average Fund</b>	<b>15yrs</b>	<b>1800000</b>	<b>4482522.99</b>	<b>11.31</b>
Best Fund	20yrs	2400000	18732987.29	17.88
Worst Fund	20yrs	2400000	7695874.99	10.58
<b>Average Fund</b>	<b>20yrs</b>	<b>2400000</b>	<b>12674922.85</b>	<b>14.22</b>





<b>SWP</b>										
Returns assumption	8% per annum									
Original Value of Investment	Rs 10,00,000									
Units Allotted	1,00,000 Units									
Original Net Asset Value (NAV)	Rs 10									
<b>SMART ENCASHMENT OPTION (MONTHLY WITHDRAWAL)</b>										
NAV	Opening Unit Balance	Redeemed Amount	Redeemed units	Redemption Split Principal	Gain	Capital Gain Tax (@30%)	Net Amt In Hand	CI Unit Balance	Value of Investment	
A	B	C	D(C/A)	E(D*10)	F(C-E)	G(F*30%)	H(E+F-G)	I(B-D)	J(I*A)	
<b>Yr -1</b>										
July'02	10.0750	1,00,000.000	6667	661.704	6617.04	49.63	14.89	6651.78	99255.580	10,00,000
Aug'02	10.1506	99,255.580	6667	656.808	6568.08	98.92	29.67	6637.33	98516.700	10,00,000
Sept'02	10.2267	98,516.700	6667	651.921	6519.21	147.79	44.34	6622.66	97783.330	10,00,000
Oct'02	10.3034	97,783.330	6667	647.068	6470.68	196.32	58.90	6608.10	97055.410	10,00,000
Nov'02	10.3807	97,055.410	6667	642.250	6422.50	244.50	73.35	6593.65	96332.920	10,00,000
Dec'02	10.4585	96,332.920	6667	637.472	6374.72	292.28	87.68	6579.32	95615.800	10,00,000
Jan'03	10.5262	95,615.800	6667	633.372	6333.72	333.28	99.98	6567.02	94904.020	10,00,000
Feb'03	10.6018	94,904.020	6667	628.855	6288.55	378.45	113.53	6553.47	94197.540	10,00,000
March'03	10.6770	94,197.540	6667	624.426	6244.26	422.74	126.82	6540.18	93496.310	10,00,000
April'03	10.7525	93,496.310	6667	620.042	6200.42	466.58	139.97	6527.03	92800.310	10,00,000
May'03	10.8281	92,800.310	6667	615.713	6157.13	509.87	152.96	6514.04	92109.490	10,00,000
June'03	10.9037	92,109.490	6667	611.444	6114.44	552.56	165.77	6501.23	91423.810	10,00,000
			80004				1107.87	78895.79		
					<b>% of Tax paid</b>		<b>1.40</b>			

Some people invest in Mutual Funds for a regular income, and they usually look at options of getting a dividend. Thus many schemes, especially debt oriented schemes, have monthly or quarterly dividend options. It is important to note that dividends are distributed from the profits or gains made by the scheme and are in no way guaranteed every month. Though the fund house endeavors to give consistent dividends, the distributable surplus is determined by market movements and fund performance.

There is another method to get a monthly income: using the Systematic Withdrawal Plan (SWP). Here, you need to invest in the growth plan of a scheme and specify a certain fixed amount required as a monthly payout. Then on a designated date, units amounting to that fixed amount would be redeemed. For example, an investor could invest Rs. 10 lacs and request that Rs. 10,000 be paid on the 1st of every month. Then, units worth Rs. 10,000 would be redeemed on the 1st of every month.

It is important to note that the tax treatment for both, dividend and SWPs, vary, and investors need to plan accordingly.

\*Monthly Income is not assured and should not be construed as guarantee of future returns.