



Systematic Investment Plan



What is Smart SIP: Know its Features & Benefits

In a world of smart TVs, coffee makers, and security cameras, investments are not far behind. Smart investments are perhaps the most welcomed invention of modern times. They can provide convenience, practicality, and ease into your investment schedule. Let's find out more about a smart SIP (Systematic Investment Plan) and if the hype around it is justified.

What is a smart SIP?

A smart SIP adjusts your investments according to the changes in the market. For example, in case of a market downturn, it will increase the investment amount and invest more in equity to help you make the most of available opportunities and vice versa.

A smart SIP is also known as a flex SIP, as it follows a dynamic investment approach that automatically adjusts the asset allocation based on market trends, price movements, and historical data.

How does a smart SIP work?

Smart SIPs operate on the principle of optimising investment returns by purchasing more units when the market is low and fewer units when the market is high. This strategy helps to balance out the average cost of investment, thereby potentially fetching better returns over the long term. A smart SIP uses algorithms to analyse market trends, historical data, and investor profiles to execute this strategy effectively.

When setting up a smart SIP mutual fund, you are required to provide essential information such as your financial goals, risk tolerance, investment horizon, and other pertinent details. This profile forms the foundation for generating personalised investment recommendations based on your specific needs and objectives.

Smart SIPs adjust allocations based on market trends and ensure that your overall investment portfolio stays aligned with your financial objectives and risk tolerance. Since the market is dynamic, your portfolio's asset allocation may shift from its original allocation. In such a case, smart SIPs automatically purchase or sell mutual fund units to help maintain the desired asset allocation, which is crucial for your long-term investment success.

Features and benefits of a smart SIP

Here are some features and benefits of a smart SIP:

1. **Personalised investment approach:** A smart SIP adopts a personalised investment strategy tailored to your financial goals, risk tolerance, and investment horizon. It helps you adjust your mutual fund portfolio to your exact specifications, even in fluctuating market conditions.
2. **Automatic rebalancing:** The platform automatically monitors the performance of mutual funds in your portfolio. When necessary, it rebalances your portfolio to maintain the desired asset allocation. This automated process ensures that your investments remain in line with your financial objectives without requiring constant manual intervention on your part.
3. **Goal-based investing:** Smart SIPs are designed to help you achieve your financial goals efficiently. By tailoring your investment plan to your specific goals and risk profile, Smart SIPs provide a structured approach to wealth accumulation. This goal-based investing methodology helps you stay focused on your objectives and work towards achieving them systematically.

Difference between SIP and smart SIP

With a traditional SIP, you contribute a fixed amount of money at regular intervals, maintaining consistency in your investment amounts regardless of market fluctuations. Conversely, a smart SIP adopts a dynamic investment strategy and adjusts the investment amount based on prevailing market conditions. Smart SIPs automatically rebalance your portfolio to maintain your desired asset allocations, whereas an SIP requires you to intervene manually.

Conclusion

A smart SIP represents not just the future but the present of investing in mutual funds. This innovative approach streamlines the investment process and enhances efficiency and effectiveness for investors. With its ability to dynamically adjust investments based on market conditions and automate portfolio rebalancing, smart SIPs are a significant technological advancement in the financial industry. Embracing this technology can benefit you with a more adaptive and personalised approach to wealth accumulation. Moreover, utilizing tools like the SIP Calculator can provide further clarity and insight into your investment journey, empowering you to make informed decisions and achieve your financial goals with confidence.

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