Weekly SIP or Monthly SIP which is better?

When it comes to mutual funds, SIPs or Systematic Investment Plans stand out as a convenient mode of investment. They offer you affordability, flexibility, and a wide array of choices. Through SIPs, you can invest a specific amount at regular intervals, such as once a week or once a month. Both weekly and monthly options provide distinct advantages. However, figuring out which one suits you better can indeed be perplexing. To make an informed decision and shape your financial journey, you must explore the pros and cons of both. This weekly SIP vs monthly SIP blog can help you with the same.

Understanding monthly and weekly SIPs

The monthly SIP is the most prevalent choice among mutual fund investors. This method invests a fixed amount in a mutual fund scheme every month. On the other hand, the weekly SIP invests a fixed sum of money into a mutual fund scheme every week.

This is just a basic distinction between the two options. However, several other things differentiate the two. Let's find out.

Monthly vs Weekly SIP - Differences

1. Liquidity: Weekly SIPs require a higher level of liquidity as they demand more frequent investments throughout the month. This means you need to have a readily available pool of funds to invest weekly. In contrast, monthly SIPs demand an investment once a month and can offer more flexibility in managing your monthly finances.

2. Convenience: Monthly SIPs are often considered more convenient as they require less frequent investments and monitoring. The automated process invests your money once a month without the need for your constant supervision. This convenience is beneficial if you run on a busy schedule and prefer a more hands-off approach to your investments.

3. Suitability: Monthly SIPs are well-suited for individuals with fixed incomes, such as salaried employees. The monthly SIPs can be easily aligned with the monthly salary cycle. On the other hand, weekly SIPs are ideal for business owners or individuals with fluctuating incomes who earn money throughout the month. These professionals often have more substantial funds at their disposal, which makes weekly investments more manageable.

4. Rupee Cost Averaging: Both monthly and weekly SIPs operate on the principle of rupee cost averaging. However, Weekly SIPs offer the potential for improved purchase cost averaging. Rupee cost averaging helps mitigate the impact of market volatility by averaging out the cost of your investment over time. This happens because you get more units when the prices are low and less when the prices are high for the same invested capital. By investing more frequently every week, you can take advantage of market fluctuations on a more regular basis. This can lead to a better average purchase price over time.

Which is better?

In the world of investments, there is no right, wrong, or better. The correct option is always subjective. Instead of looking for a better option, aligning your investment choices with your unique financial circumstances, goals, and comfort levels is more important.

Monthly SIPs offer stability, which makes them a solid choice if you have a predictable income. They also need less management. Meanwhile, Weekly SIPs provide adaptability. Hence, they can allow you to make the most of price fluctuations. However, monthly SIPs may fall behind in cost averaging when compared to weekly SIPs. And weekly SIPs may lose the battle when it comes to convenience.

The beauty of SIPs is that you can use the method for all kinds of mutual funds like equity funds, debt funds, hybrid funds, and even index funds. No matter the frequency, keep in mind to ensure your choice aligns with the type of fund you choose, your income, and your needs. For instance, you may be able to invest weekly if the investment horizon is shorter, as in the case of debt funds. This may not be as hard to monitor and will likely not put a strain on your finances, considering the duration. However, a monthly SIP may be better and more manageable in the long run, as in the case of equity funds. These require a longer investment horizon where monthly SIPs can be more convenient.

To sum it up

Remember, every financial journey is unique. So, your decision should resonate with your aspirations and financial situation. The key lies not in searching for the 'better' option but a 'suitable' one.