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MUTUAL FUND

FINANCIAL PLANNING AND YOU

Know the basics of money management

IMPORTANCE OF SAVINGS

Why does one need to Save?

- Saving for the financial security of your family
- Saving for your goals and dreams
- Saving for the rainy day

However, it is equally important to make the most of your savings.

So instead of simply saving, makes your money work hard to earn more money by Investing it.

IT IS IMPORTANT TO INVEST

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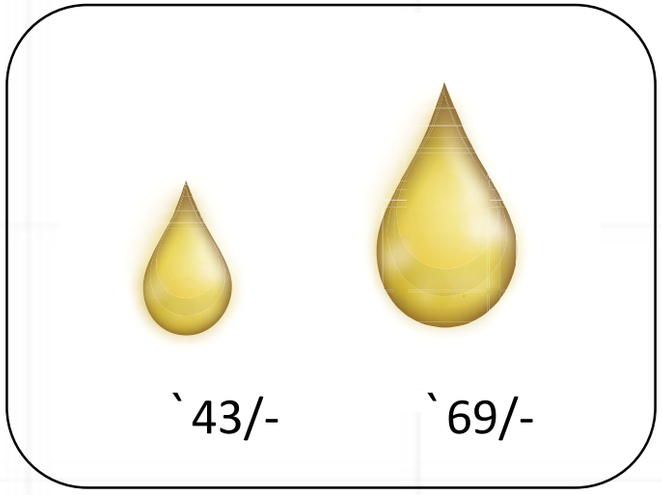
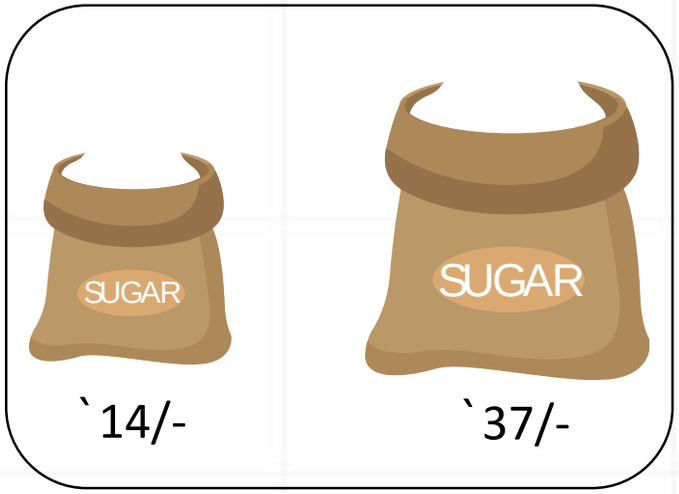
When money is kept idle, inflation eats into our savings and decreases the purchasing capacity of your money. Money saved now may not fetch you the same value 10 years later.

Inflation denotes the increase in prices of goods & services in the economy over a period of time. Let's see how the inflation impacted your daily lives over a decade :



Petrol
(Average price per litre)



Sugar
(Average price per Kg)

Data: Sep 2007 vs Sep 2017

INVESTMENT AVENUES

Different Investment Options

- Different investment options have their own risk-reward ratios.
- Equities tend to perform better over longer term.

IMPORTANCE OF ASSET ALLOCATION

- Different asset classes are known to given different historical returns.
- No asset class has been a winner consistently.
- Different asset classes are generally associated with customers with varying risk appetites.
- Its important to maintain a balance between risk and returns.

NO ASSET CLASS HAS BEEN A WINNER CONSISTENTLY

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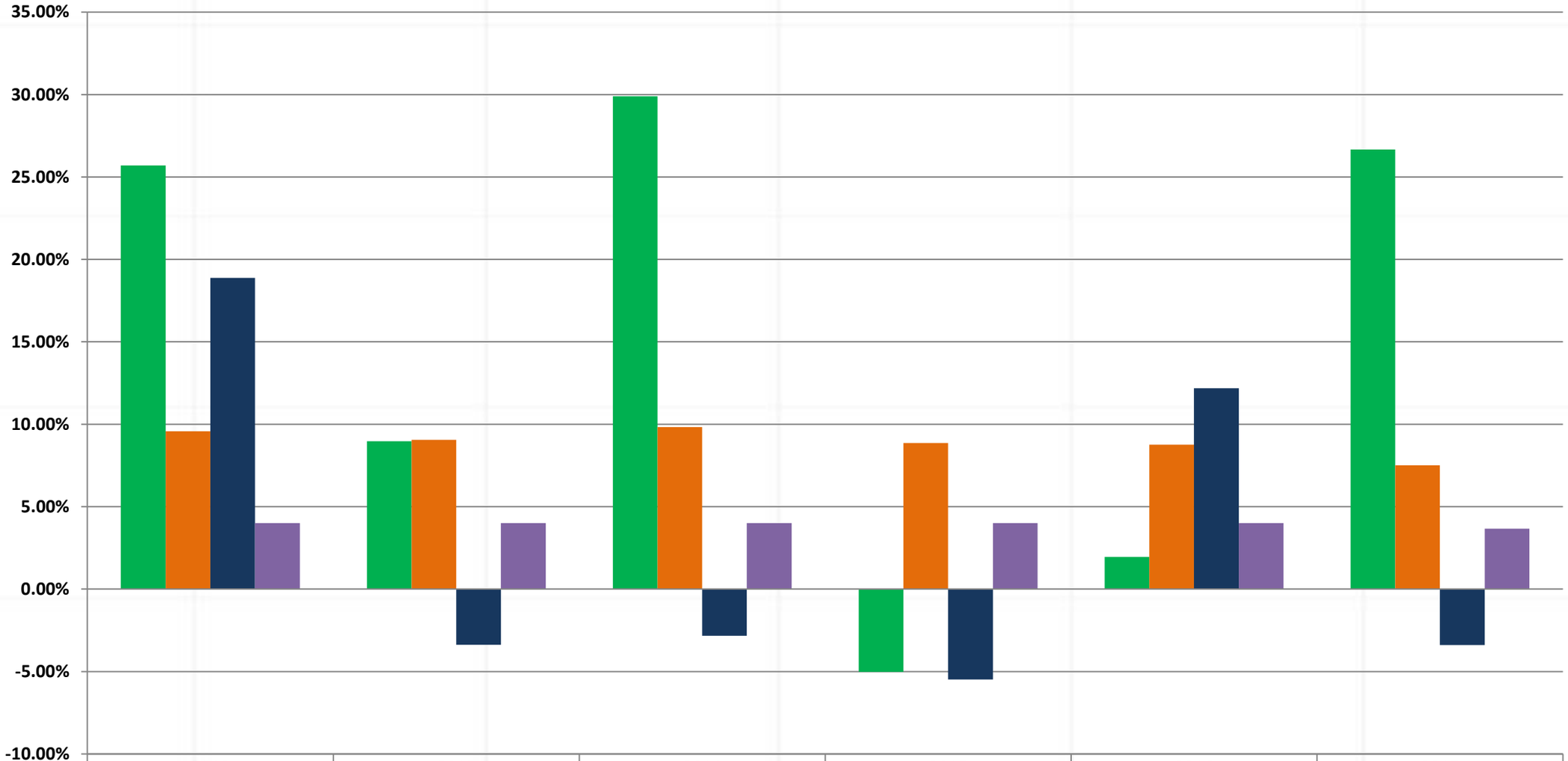


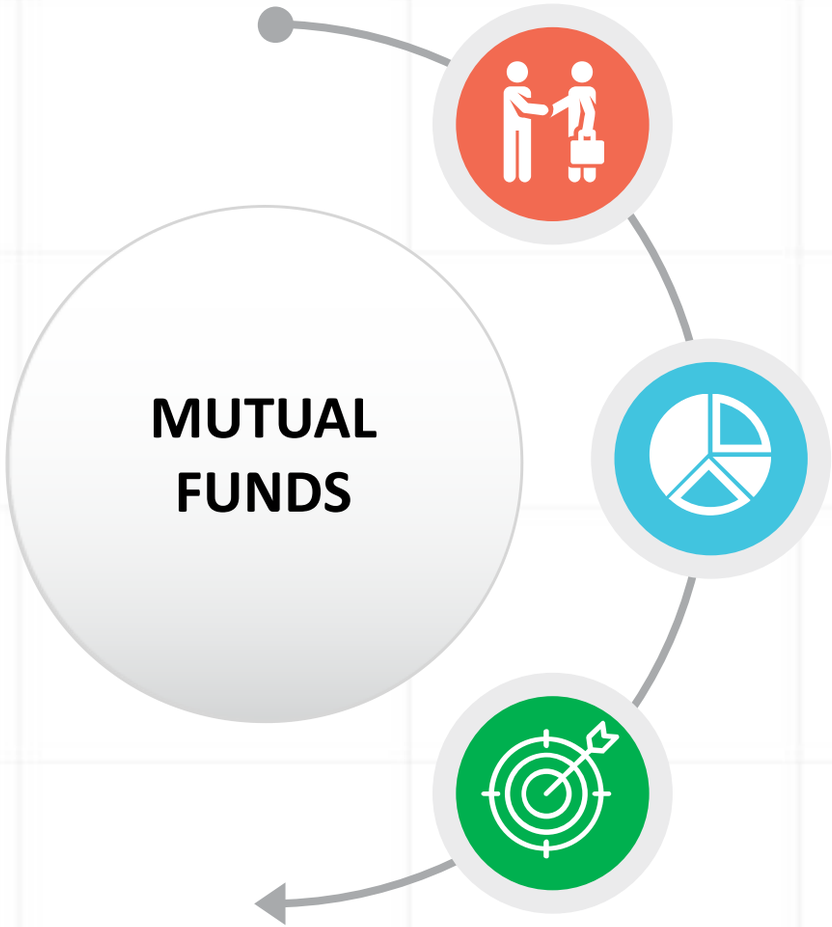
	2012	2013	2014	2015	2016	2017
Equity	25.70%	8.98%	29.89%	-5.03%	1.95%	26.67%
Debt	9.57%	9.05%	9.83%	8.86%	8.76%	7.52%
Gold	18.88%	-3.38%	-2.83%	-5.48%	12.18%	-3.39%
Cash	4.00%	4.00%	4.00%	4.00%	4.00%	3.67%

Source : BSE, MCX, SBI, Investing.com

WHY TO INVEST THROUGH MUTUAL FUNDS?

When you construct your own house, you get it designed from a specialist, the Architect.

Then why investing into markets by your own, entrust your hard earned money to the Professionals. Invest in Mutual Funds!



Investing decisions made by professional fund managers

Money invested in a diversified portfolio

Long term wealth creation for achieving financial goals

BENEFITS OF SYSTEMATIC INVESTMENT PLAN(SIP)

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Consistent Savings

- Help you make periodical and consistent investments.
- Adds financial discipline into your life through regular investing

Rupee Cost Averaging

- Regular investing irrespective of the market trends help you average your investment cost over a period of time.
- You get higher number of units when the markets are falling. Similarly, if the markets are rising, the overall value of the portfolio increases.

Power of Compounding

- It is called the 8th Wonder of the World
- Refers to the phenomenon of making money word harder to earn better.

Ever thought of doubling your money?

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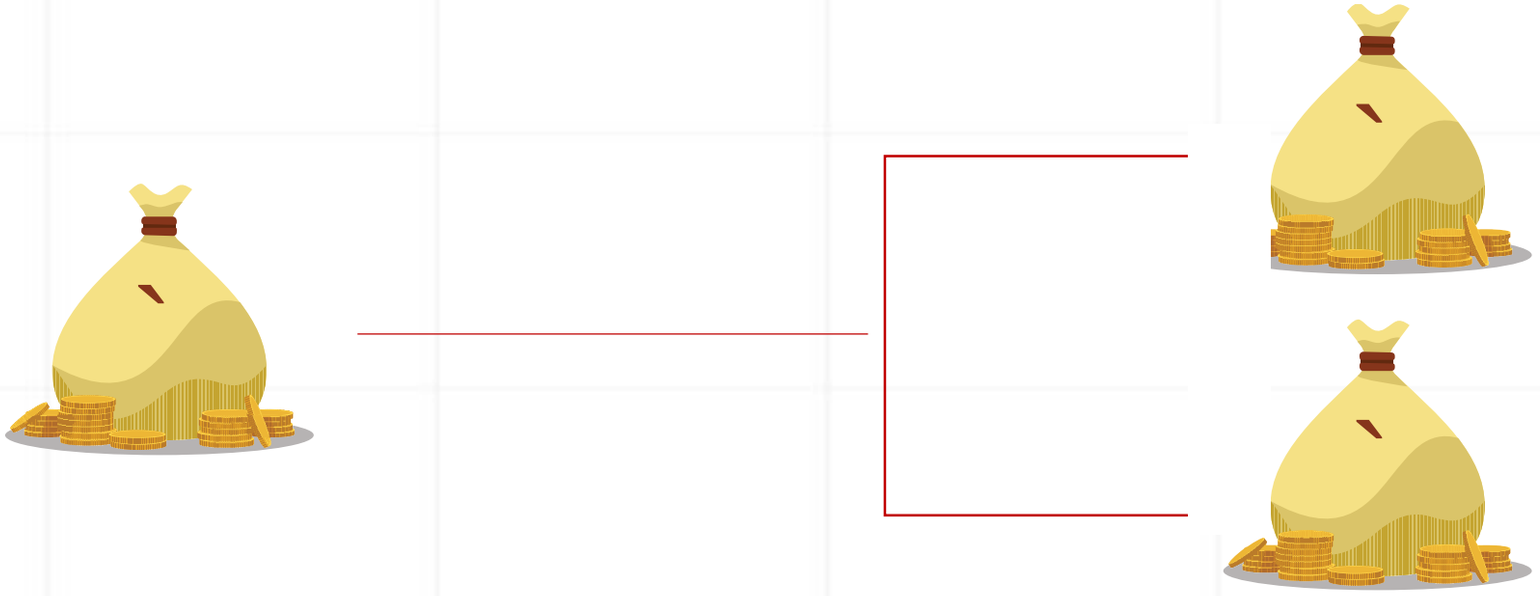
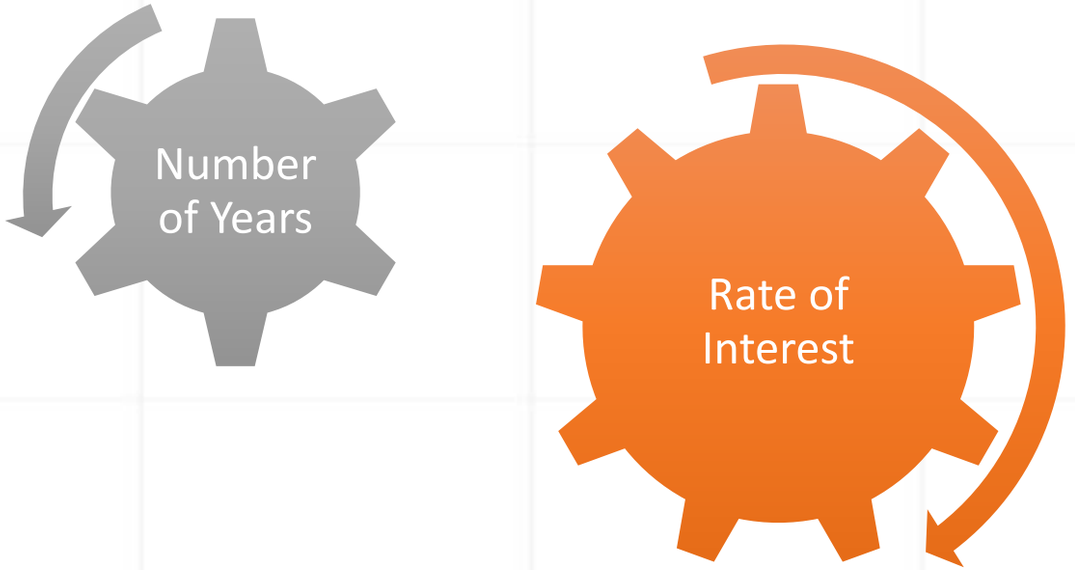
Wondering how long it would take you to double it?



‘The rule of 72’ is quick way to estimate the number of years required to double your money at a given annual rate of return.

THE RULE OF 72

The formula can be used to calculate the rate of return or the number of years required to double the money.



Two variables in the formula – the rate of interest and the number of years. If we know one variable, we can get the other one by just dividing the variable by 72.

For example, at 6% annualised returns, your money takes 72/6 or 12 years to double.

Similarly, if you want to double your money in 6 years, you need to earn 72/6 i.e. 12% returns on annual basis.

This is a generally applied formula and for illustration purpose only.

THE IMPORTANCE OF LONG TERM INVESTING

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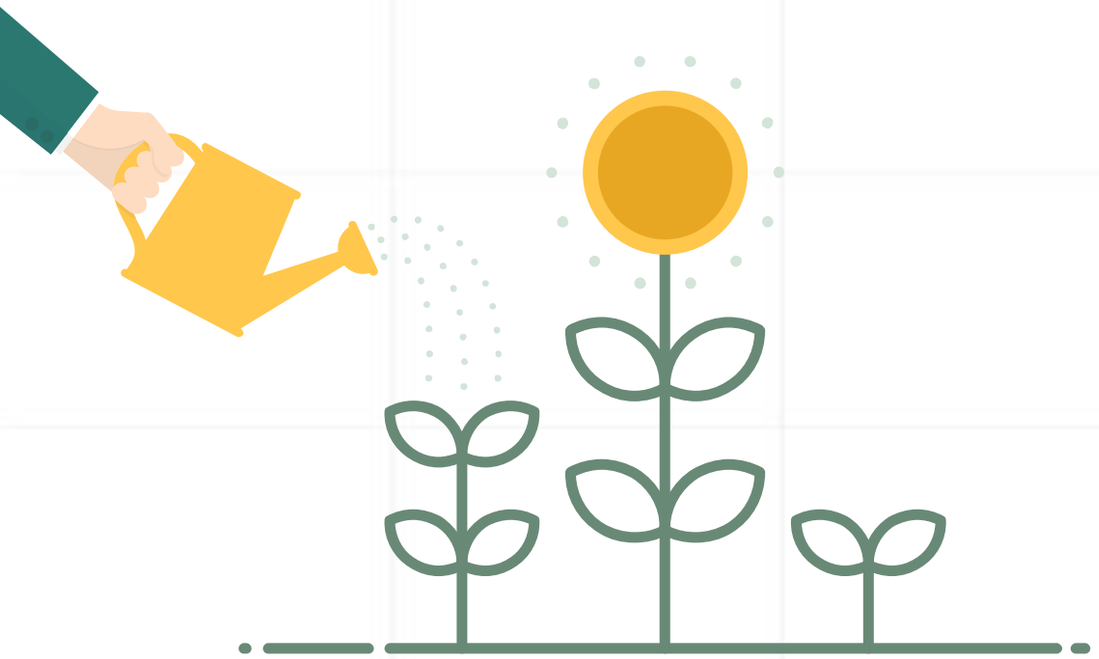
Here is how investing for long term helps :

- It helps you accumulate wealth over a period of time through regular investing.
- Investing regulaly helps to reap the benefits of power of compounding
- It makes you eligible for tax benefits for long term gains and effectively increasing your post-tax returns.
- Generally, equities tend to perform well over long term.



GOAL PLANNING

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This is how you need to plan for your goals to make sure you achieve them too :

TAKE A STEP TOWARDS YOUR GOALS !

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GOALS

- Regular investing helps you achieve your goals, howsoever far they might seem at inception.
- You just need to be consistent and disciplined in your approach.
- Don't stop your SIPs in case the market is falling.

SYSTEMATIC INVESTMENT PLAN (SIP) HELPS YOU ACHIEVE YOUR GOALS

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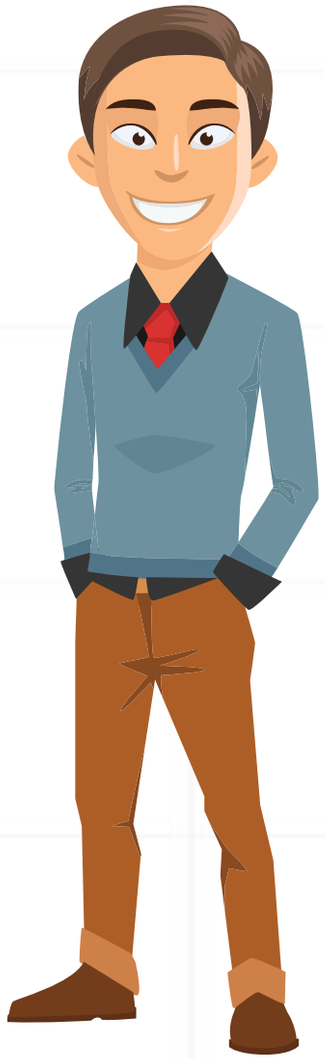
Rajesh, an accountant, wants to get his son admitted into a reputed B-School and it is estimated that he will need Rs. 20 lakhs after 15 years.



Goal	Time
Rs.20 lakhs	180 months (15 years)

AMOUNT HE NEEDS TO SAVE PER MONTH

`11,111	If he keeps all savings in cash
`8,464	If he keeps the monthly savings in bank account earning 3.50% p.a.
`4,003	If he starts a monthly SIP in a Mutual Fund, assuming returns of 12% p.a.

The above is for illustration purpose only

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Take a step towards Wealth Creation

#WisewithEdelweiss
An investor education initiative

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Mutual Funds are subject to market risks, read all scheme related information carefully.