

6

Sample

Rules of

**Smart
Investors**

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Rule #1

Protect Yourself

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How much Insurance is **good**?

Health Cover

10-20 Lacs cover
for each person

Sample

Life Cover

For earning
member
10-15 times of
annual income

** These are not
recommended
values. Each
situation is different.*

Other Insurances

Critical Illness,
Accident
Insurance, etc. can
be considered.

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Rule #2
**Save &
Invest**

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How much
should you **Save?**

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30-40%* of
your Income

** EMI towards home loan could be considered as savings since you are building an asset.
This is indicative and can differ from person to person.*

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Where to Invest ?

Investment Options

Sample



Property



Fixed Income



Shares & Stocks



Gold

Preferred by
most investors.
Diversification is
suggested.



Currency



Commodities

Invest only if you
understand it.



Art

** There are seven commonly known asset classes.
This is indicative and not restrictive.*

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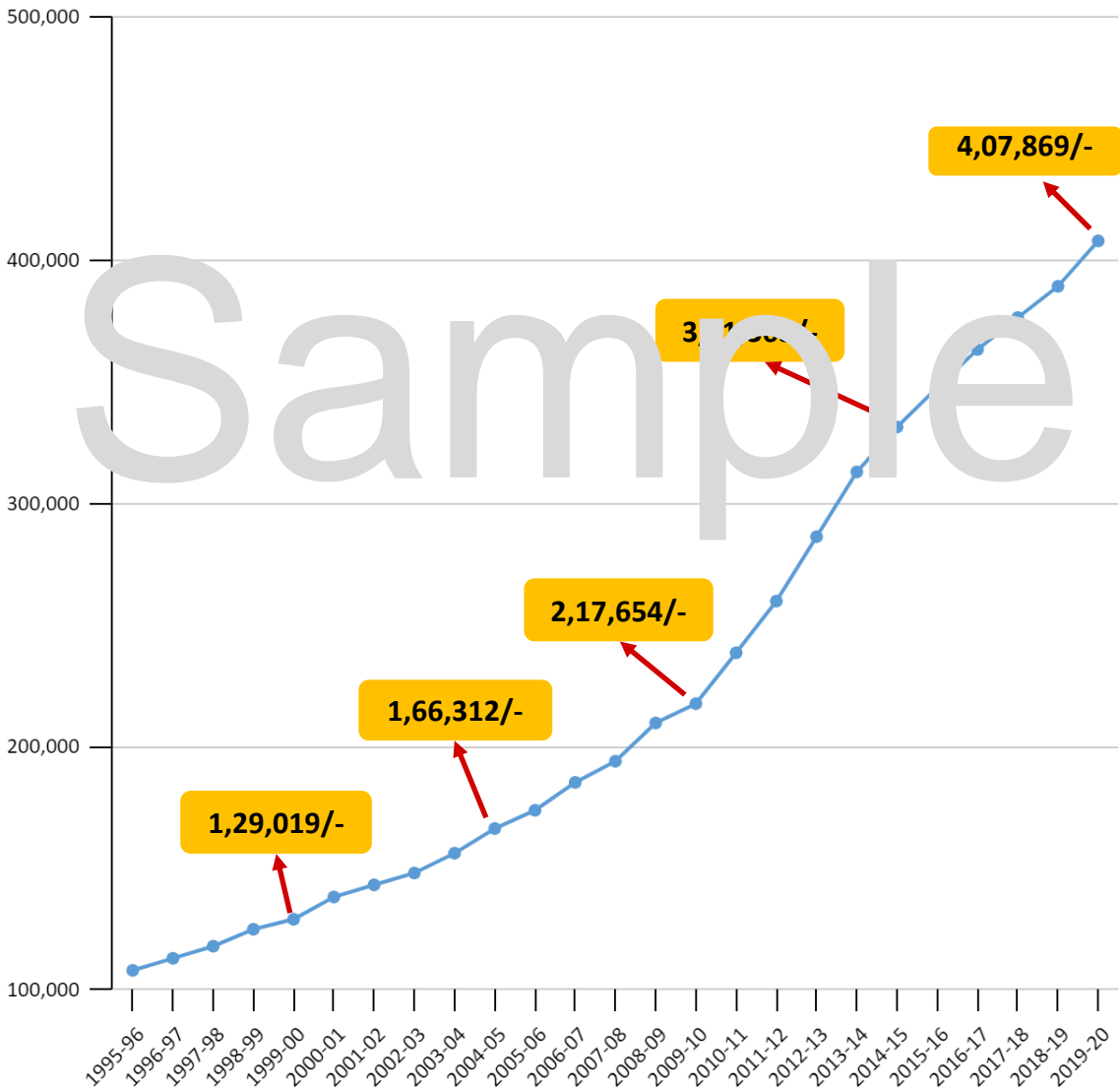
Sample

Rule #3
**Start
Early**

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Rising Cost of Inflation



*Inflation (WPI till 2011-12, CPI since 2012-13. Source: RBI

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Impact of Inflation

How inflation affects your expenses

Today's Cost	Cost - 20 Years Before	Cost - 20 Years Later
50,000	15,816	99,489
100,000	31,632	198,979
500,000	158,162	994,894

* Today's Cost refers to cost as on 31st March' 2020.

* Inflation (WPI till 2011-12, CPI since 2012-13). Source: RBI

* Future inflation assumed @ 3.50%.

* For illustration purpose only.

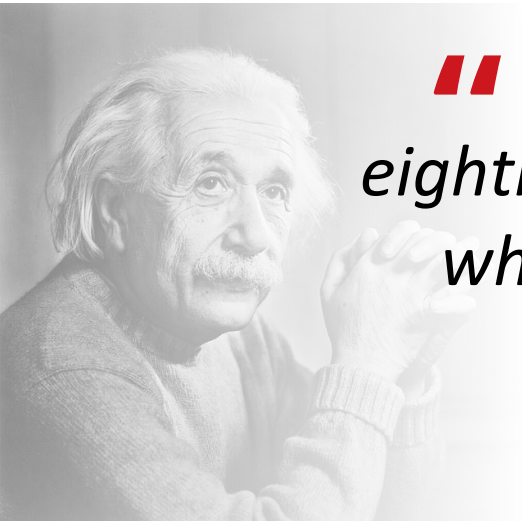
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The Wealth Creation Formula

$$A = P \left(1 + \frac{r}{100} \right)^t$$

What Investors Focus on
What Investors Ignore



“ *Compound interest is the eighth wonder of the world. He who understands it, earns it. He who doesn't pays it.* **”**
Albert Einstein

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Replace

How much
return I will get?

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With

For how long
will I invest?



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Power of Compounding

Delay can be expensive

One Time Investment	Tenure (Years)	Expected Return*	Expected Future Value
10,00,000	20	12%	95 Lacs
30,00,000	10	12%	95 Lacs



You need to **invest 3 times** if you defer your investments by 10 years

*Note : The chart above is approx. and for illustrative purpose only.
Returns are not guaranteed.*

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Power of Compounding

Value of 10 lac in 20 Years

Interest Rate	Value after 20 years
3%	15.00 Lacs
10%	65.00 Lacs
12%	95.00 Lacs
15%	165.00 Lacs

Don't Underestimate Compounding

*Note : The chart above is approx. and for illustrative purpose only.
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Rule #4

Event Based Investing

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Events in Life

Children Education



Children Marriage

Retirement



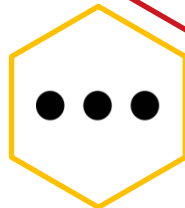
Home / Car



Holidays



Others



Invest keeping in mind life events

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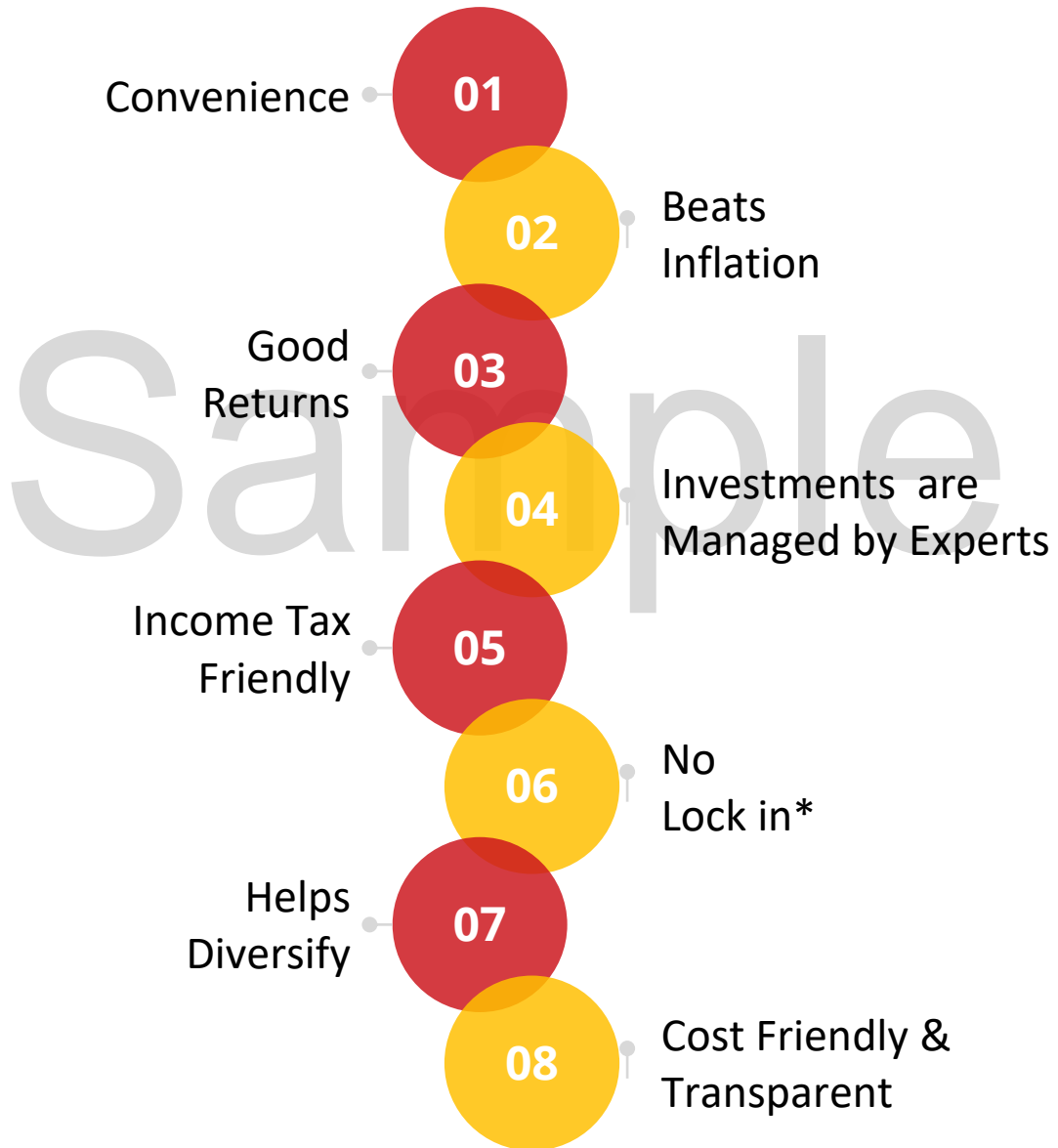
Rule #5

Invest Through Mutual Funds

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All About Mutual Fund

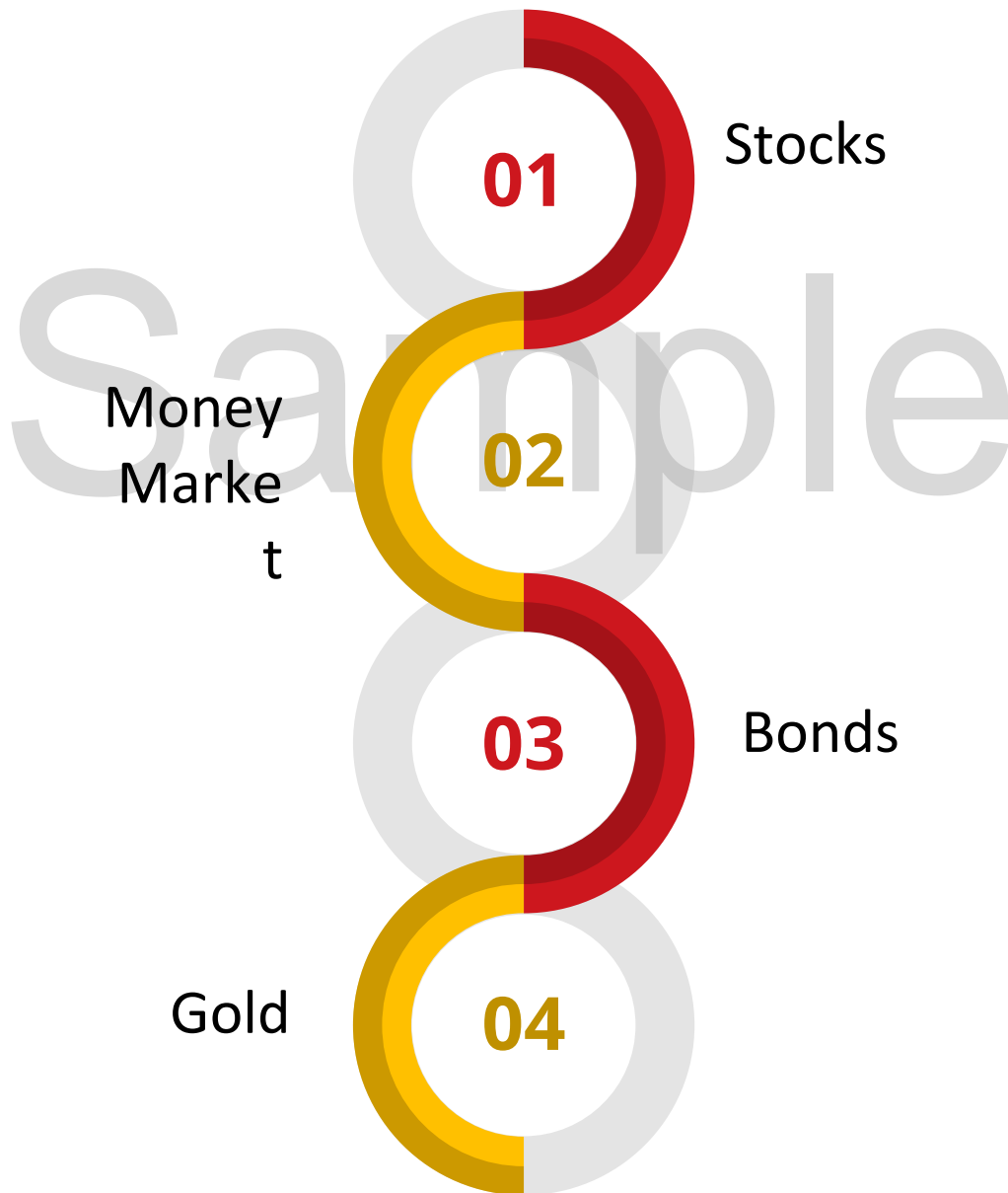


• *Just for illustration. Features can change from scheme to scheme.
Mutual Fund investments are subject to market risks. Please read all scheme related documents carefully.*

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Where Do Mutual Funds Invest?

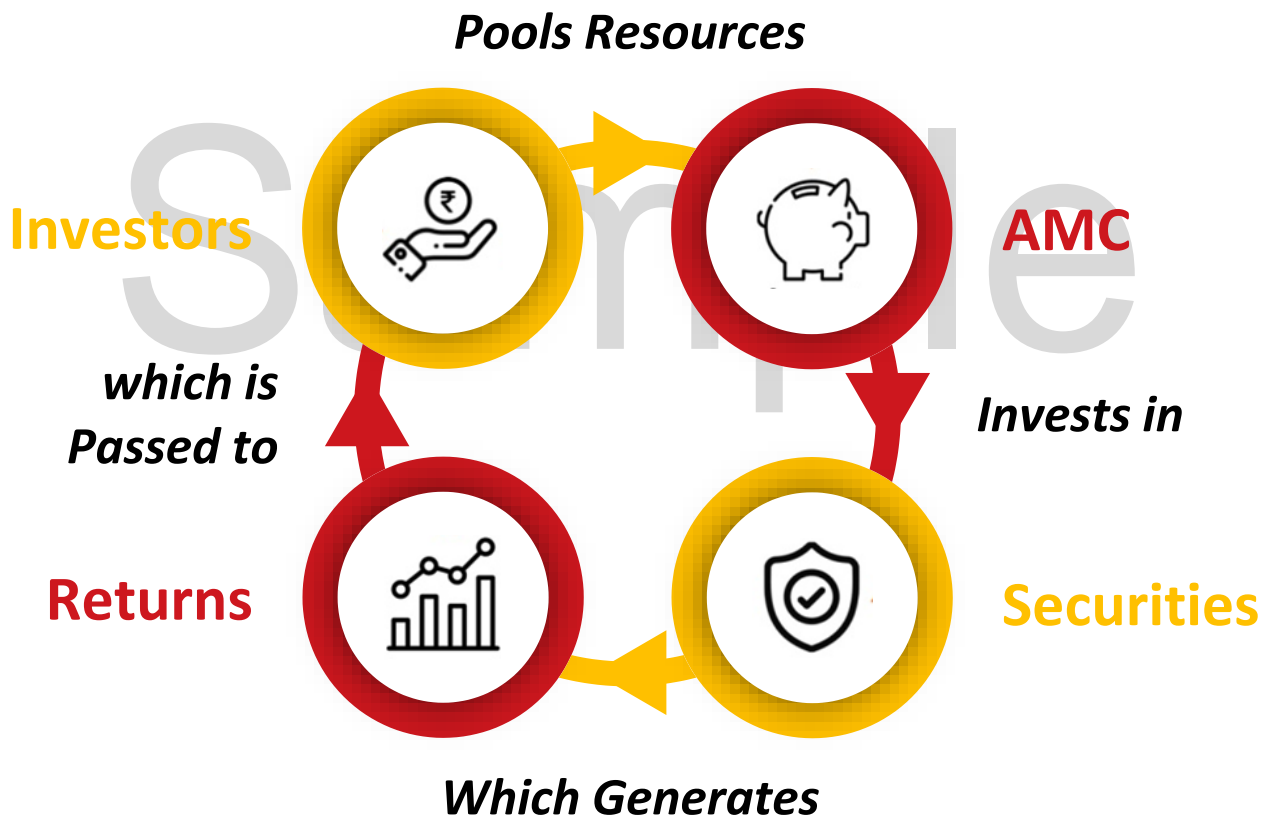


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How Do Mutual Funds **Work?**



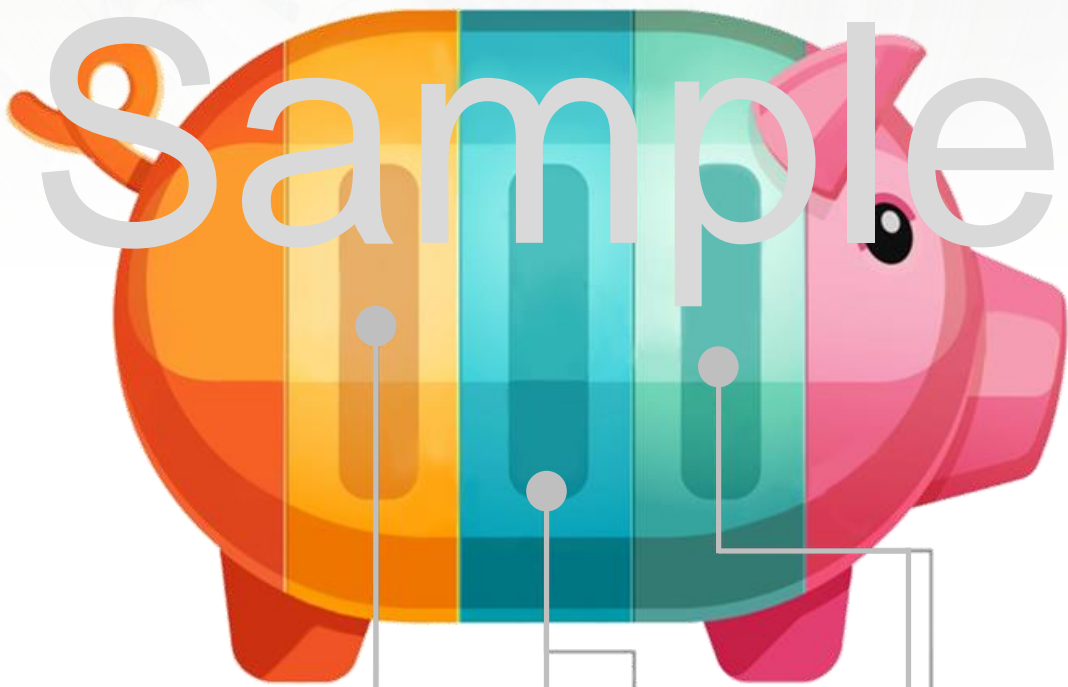
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Who Manages My Money

Fund Manager



Experts

Qualified

Track
Record

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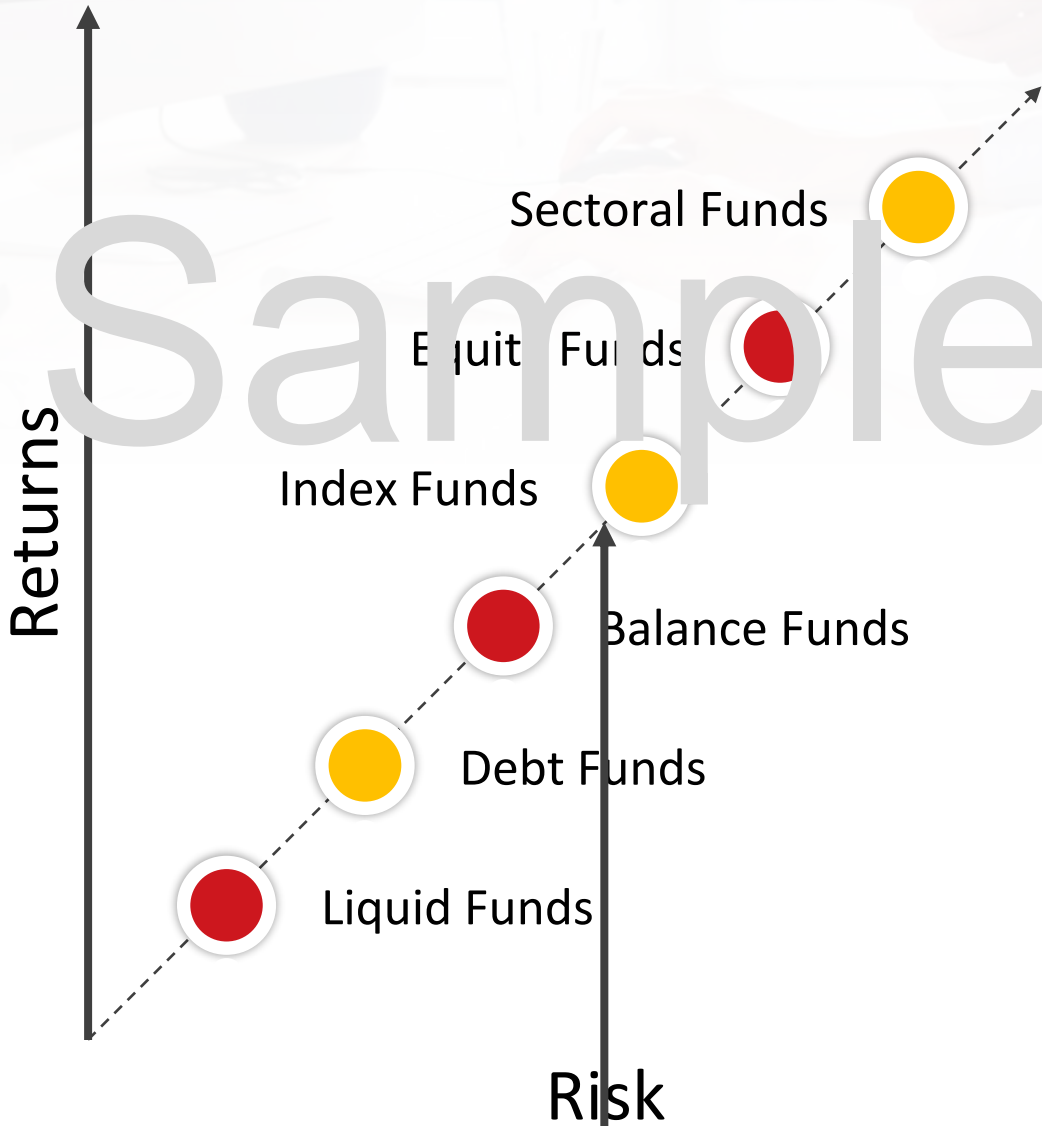


Aren't Mutual Funds Risky Because They Invest In Shares?

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Risk - Return of Different Schemes



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How Long It Takes To Get **My Money** Back



1-3

WORKING DAYS

The Money Gets Credited Directly To Your Bank Account

Note : There are certain restrictions on withdrawal of money from Closed-ended and ELSS funds.

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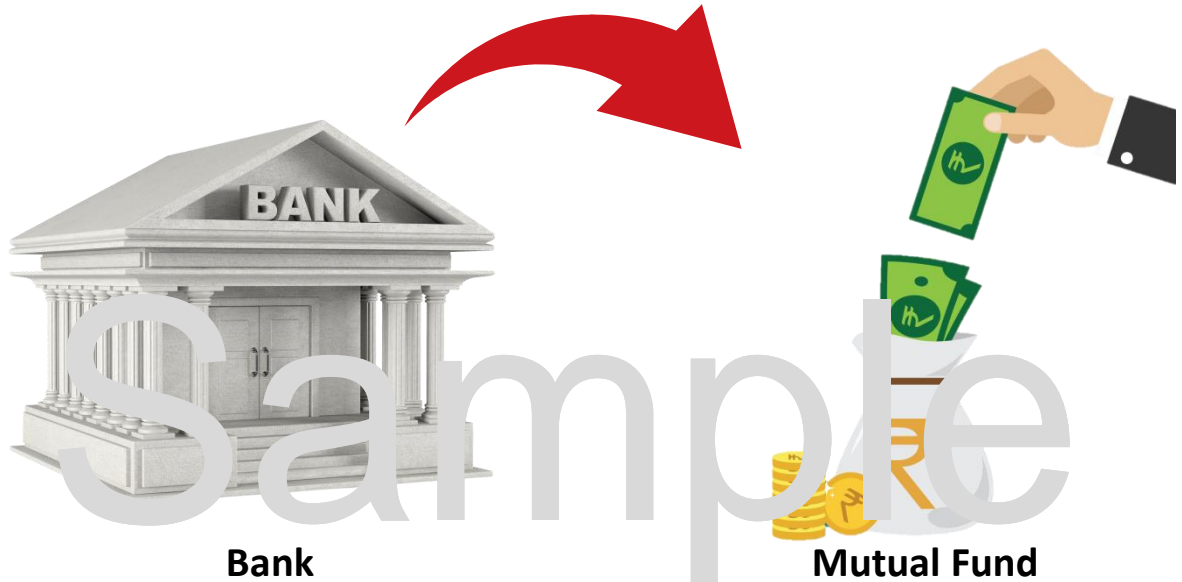
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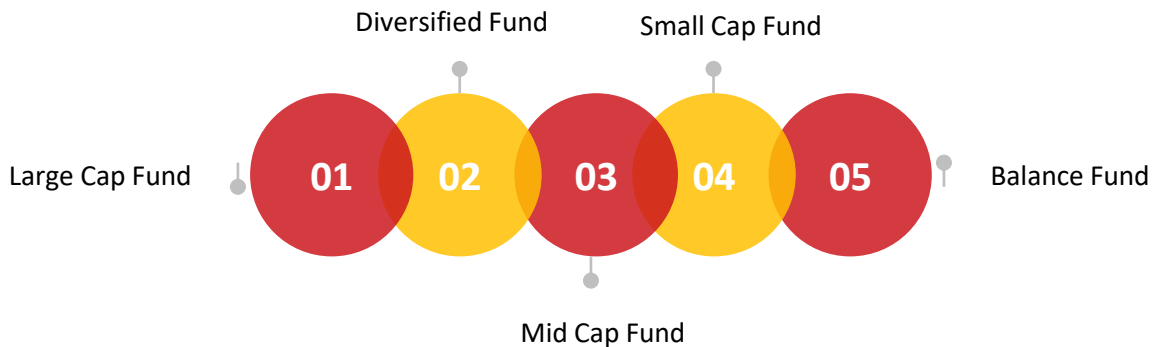
What Is SIP

(Systematic Investment Plan)

Fixed Amount Monthly Transfer



Different Types of Equity Funds

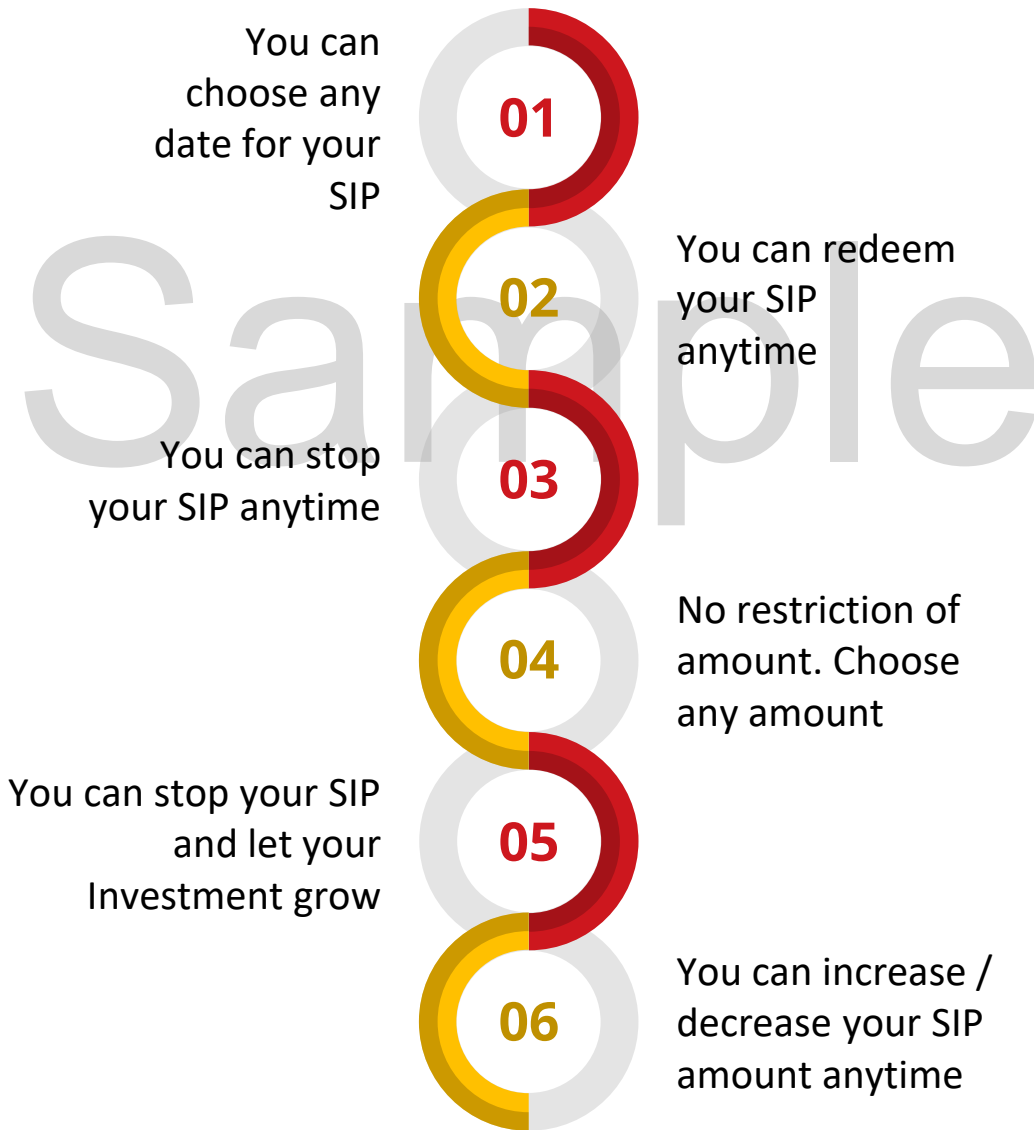


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Features Of SIP



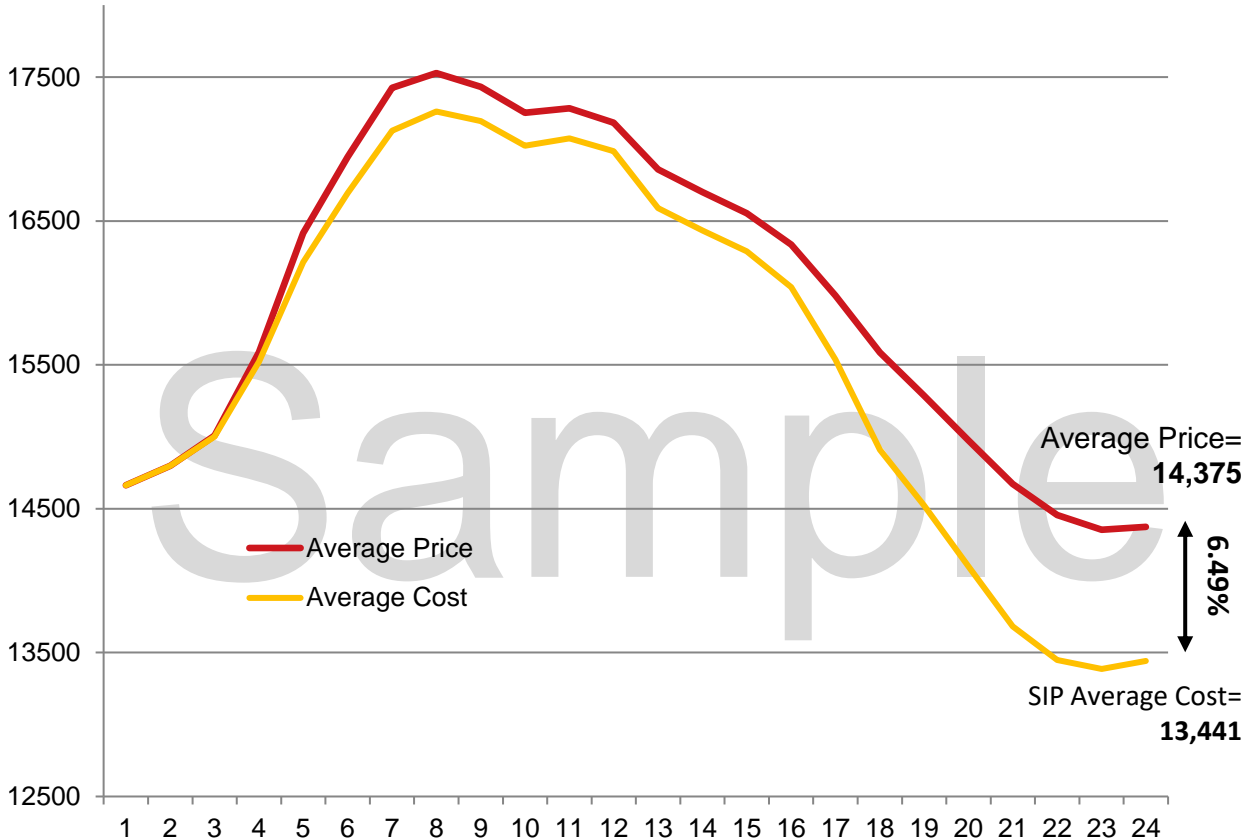
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Advantage Of SIP

Rupee Cost Averaging



SIP Start Date: July'2007 (BSE Sensex @14,664)

Average Price / Unit: 14.375

SIP End Date: June'2009 (BSE Sensex @14,841)

Average Cost / Unit: 13.441

% Difference: 6.49%

• For illustration purpose only..

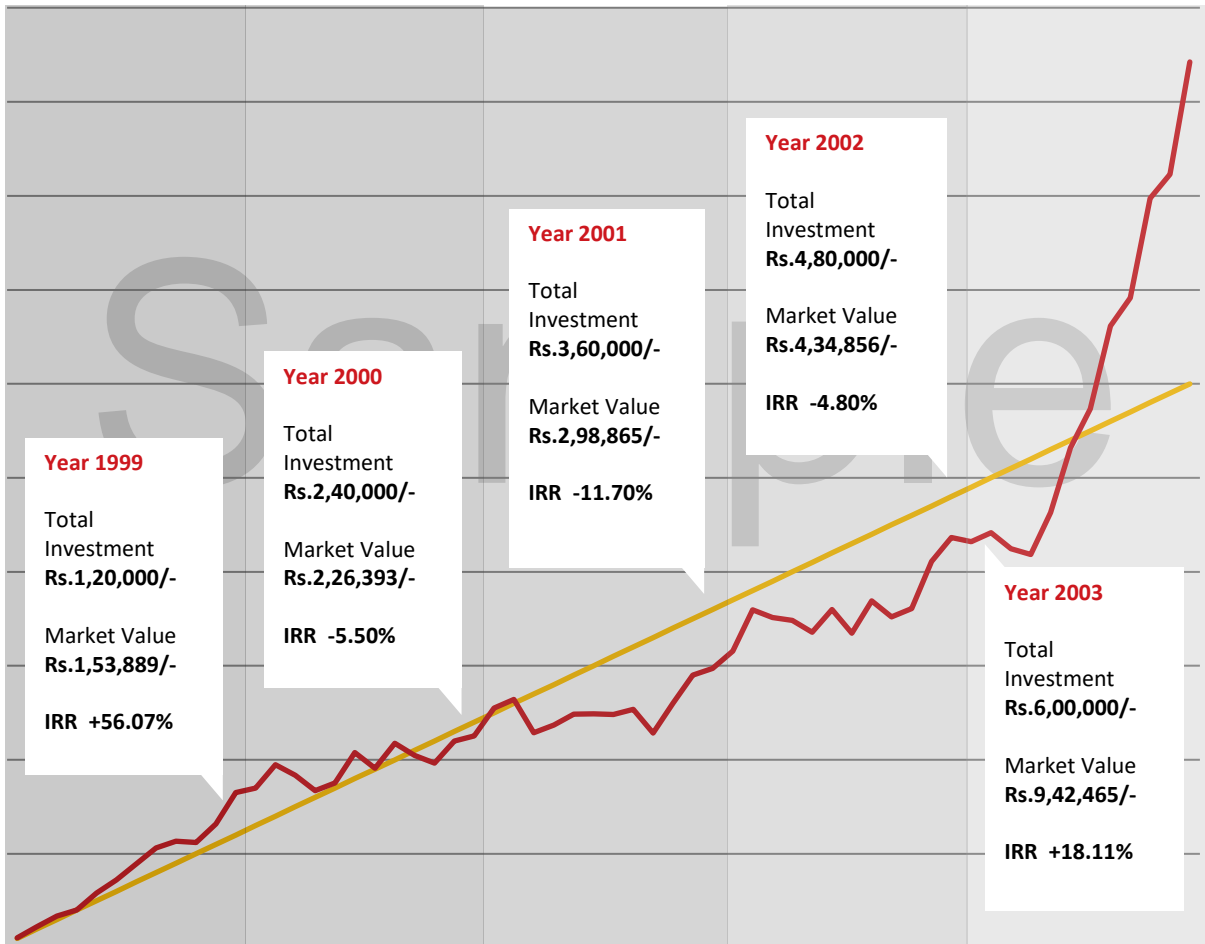
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SIP:

Patience Is The Key



SIP started in a bull market. 1st year returns were 56% pa. Then it fell to -5.50% pa. in the 2nd year. Markets were down in the 3rd and 4th year also with CAGR returns in negative territory. However, when markets went up in the 5th year, CAGR returns for 5 year period went up to 18% pa.

**The above is for illustration purpose only. Past performance may or may not sustain in future. Mutual Fund investments are subject to market risks. Please read all scheme related documents carefully.*

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SIP:

Suitable Way To Create Corpus

Monthly SIP Amount (Rs.)	Tenure (Years)	Total Investment	If Returns are	Future Corpus
5,000	20	12.00 Lacs	9%	33.17 Lacs
5,000	25	15.00 Lacs	12%	45.00 Lacs
5,000	25	15.00 Lacs	9%	53.26 Lacs
5,000	25	15.00 Lacs	12%	85.11 Lacs
5,000	30	18.00 Lacs	9%	85.72 Lacs
5,000	30	18.00 Lacs	12%	154.05 Lacs

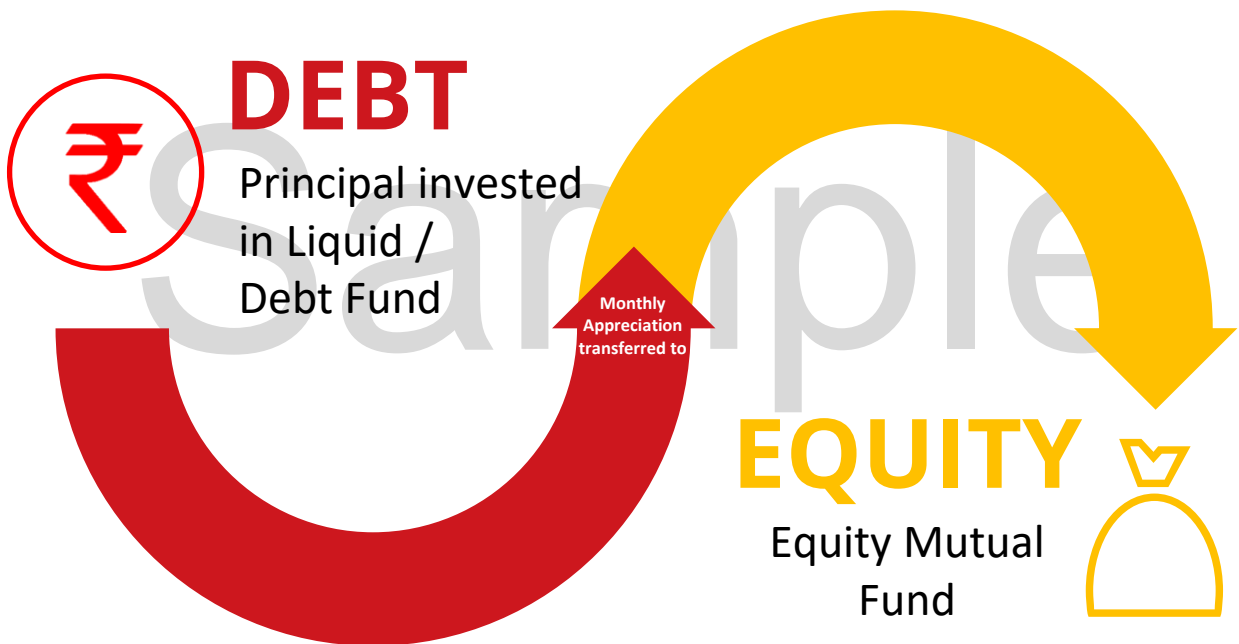
**Figures are approximate. For illustration purpose only. Returns are not guaranteed. Mutual Fund investments are subject to market risks. Please read all scheme related documents carefully.*

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Systematic Transfer Plan

A Unique Investment Idea



This plan is suitable for investors looking for high safety of capital with potential of higher returns in the long term.

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STP Vs Fixed Deposit

Systematic Transfer Plan [STP]		Fixed Deposit
High Safety	Safety of Principal	High Safety
Invested in Equity	Safety of Interest	High Safety
Yes	Tax Benefit	No
Within 1-3 days	Liquidity	Within 1 day
No	Entry Cost	No
No*	Exit Cost	No

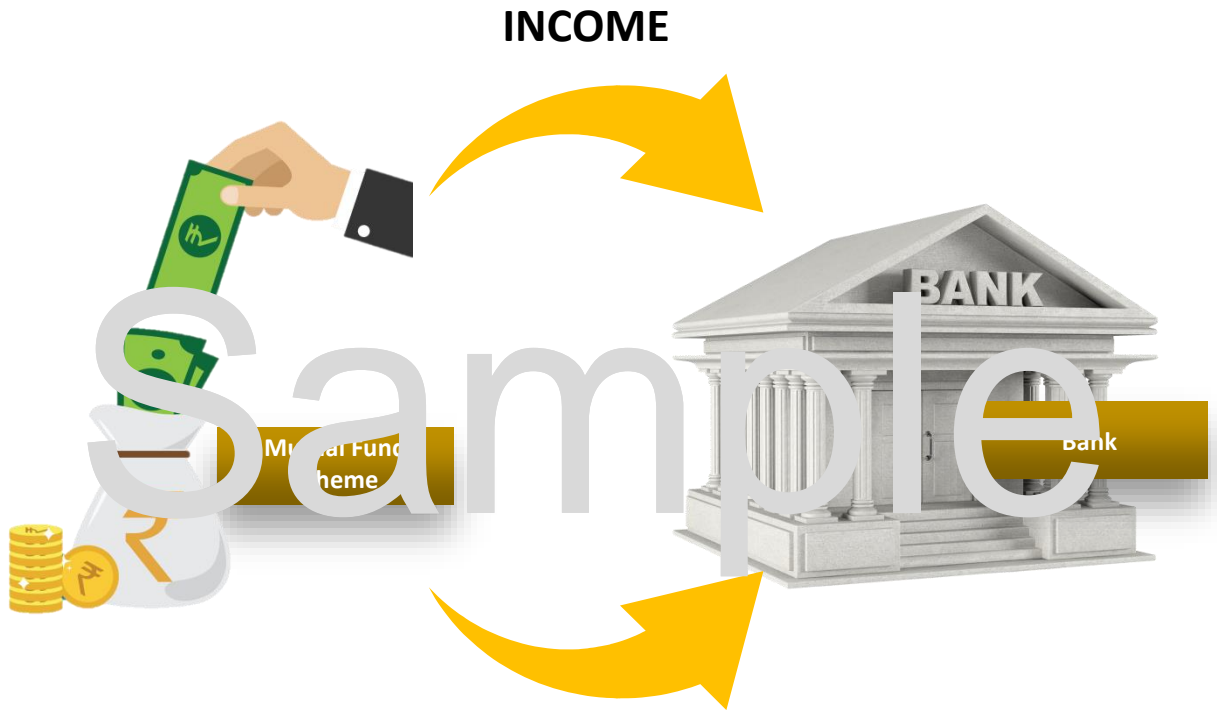
Principal amount in STP can be invested in a debt fund which has low risk on capital. It is assumed to transfer only capital appreciation part every month to equity funds. Investment in debt Funds qualify for LTCG tax benefit after 3 years. Investment in equity funds qualify for LTCG tax benefits after 1 year. There can be Exit Load of around 0.50—1.00% in debt / equity funds if redeemed before 12 months.

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Systematic Withdrawal Plan



Convert Mutual Fund Units to Bank Balance
In a phased manner



Regular
Income



Tax
Benefit



Avoid Market
Fluctuation

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Rule #6

Review Regularly

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How Risky Is Investing In Equity?

Risk is relative to your risk appetite

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If You Know Swimming

It Is Easy

If You Don't

It Is Tough

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The Thing Is

If you understand the behavior of Equity...



It Is A Good Investment

If You Don't... It Is Risky

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**Don't
Invest in
Equity**

Sample

**Can
invest in
Equity**



*Equity related investments should be considered only if time horizon is longer.
Returns are not guaranteed. Past performance may not indicate future performance.*

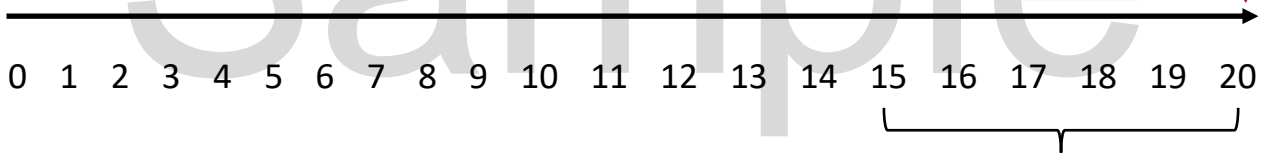
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What If The Equity Markets Go Down In The Year In Which I Need Money



You Need
Money
Here



You Should review
here.

You can switch
to Liquid / Debt
Fund if returns
are decent.

You can
continue for
sometime if the
Equity markets
are down.

You can
book part
profits.

Investment Thoughts for Retirees / Near Retirees

Long Life



Continue Your
Medical Insurance



Interest Rates
may go down



Invest a part for
long term



Use SWP for
monthly expenses



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How Much SIP Should I Do?

As much as you can.

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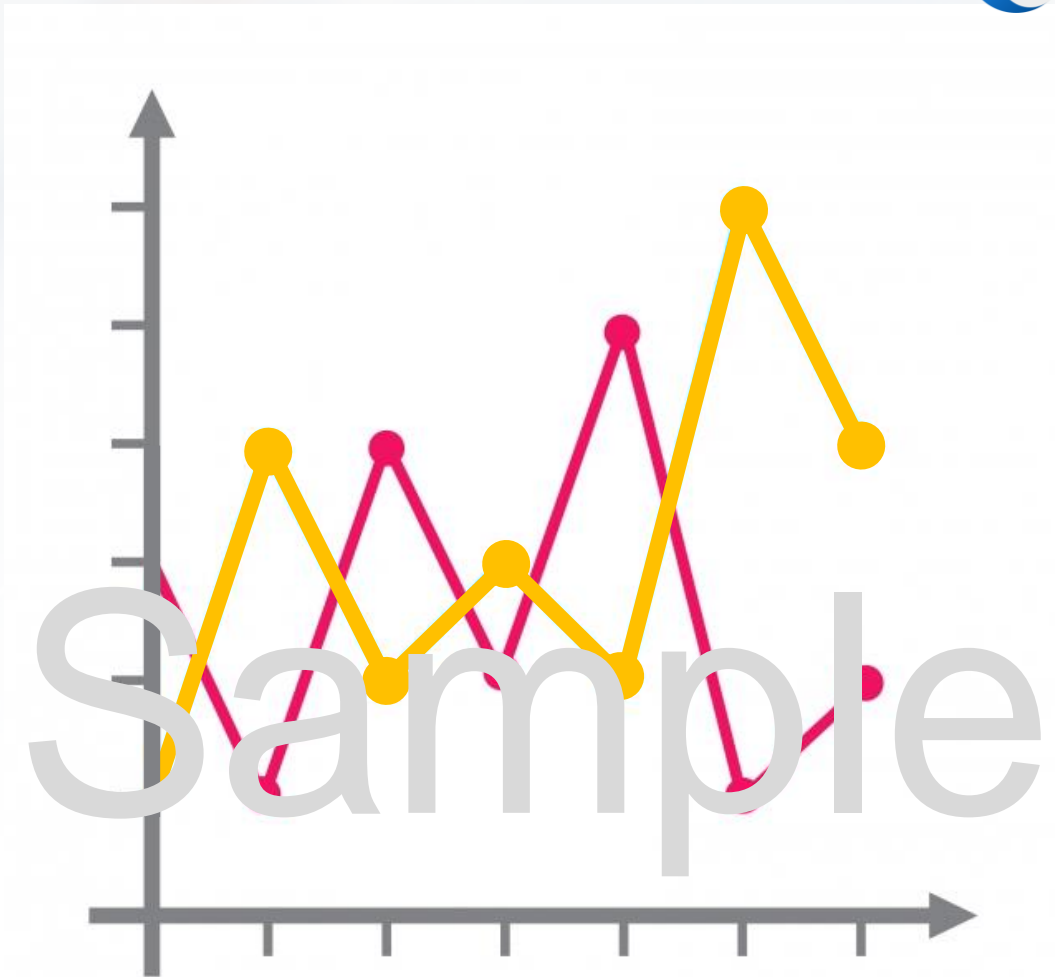
When Should I Redeem Or Book Profits?

When there is
emergency.

When your
goal is near.

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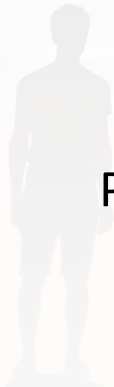
Should I Sell When Markets Are High?
I Will Buy Again When Markets Go Down.

This is difficult.

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Summary



Rule #1
Protection



Rule #2
Save &
Invest

Rule #3
Start Early



Rule #4
Event Based
Investing

Rule #5
Invest through
Mutual Funds



Rule #6
Review Regularly

Way Forward

Identify
your needs



Review health and
life insurance



Start /
Increase SIPs



Start
STPs



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6 Thank You

Rules of
Smart
Investors