



Mirae Asset  
Knowledge Academy

Profit from Knowledge

An Investor Education Initiative

# 3 S of Financial Planning



*Story of Atul*

We, at Mirae Asset, believe in helping our Investors make an 'informed choice'. With the same thought we have started Mirae Asset Knowledge Academy (MAKA). Through MAKA we shall impart investment education to investors using innovative platforms, methods and processes.

The Story of Atul is a story about the goals and aspirations of a common man, just like all of us. In this story, Atul wants to plan for his future so he can achieve various goals during various stages of his life. The story also narrates how a financial advisor (Rakesh in this story) can help provide financial planning for investors (Atul in this story) so they can achieve their goals. This story shows how Mutual Funds and its facilities can play an integral part in helping investors achieve their goals. We are sure many of you have a similar story like Atul and would be able to relate to these examples used for explaining investment concepts.

This short story is our attempt to help you understand Mutual Funds and its various product facilities (SIP, STP and SWP) which will help investors reach their goals. Happy Reading!!!

## Main Characters in the Story



### **Mr. Atul (Investor)**

Age: 27 years  
Married with 1 Kid (Rahul)  
Works in an MNC company



### **Mr. Rakesh (Financial Advisor)**

Age: 30 years  
Is a Financial Advisor who provides financial planning across investment products.

**HI VINEET.**

I'M LOOKING FOR AVENUES TO INVEST AND HENCE WANT ADVICE IN FINANCIAL PLANNING. CAN YOU PLEASE SUGGEST SOMEONE WHO CAN GUIDE ME?

I HAVE BEEN DOING MY FINANCIAL PLANNING WITH A GOOD ADVISOR, **MR. RAKESH.** I'LL SHARE HIS DETAILS WITH YOU.



**AT RAKESH'S OFFICE**

**HELLO MR. ATUL,** PLEASED TO MEET YOU. I WANT TO KNOW MORE ABOUT YOUR INVESTMENT GOALS. CAN YOU PLEASE ELABORATE ON THE SAME?

**RAKESH,** I HAVE MULTIPLE GOALS WHICH I WANT TO FULFILL AT CERTAIN STAGES OF MY LIFE. SOME OF THEM ARE BUYING A HOUSE, A VEHICLE, HIGHER EDUCATION FOR MY CHILD, AND FINALLY RETIREMENT PLANNING IN THAT ORDER.



SEE ATUL, I'D SUGGEST YOU TO INVEST IN MUTUAL FUNDS THROUGH **SYSTEMATIC INVESTMENT PLAN** ALSO CALLED (**SIP**). THIS WILL PAVE WAYS FOR REGULAR INVESTMENT FOR THE GOALS YOU WANT TO ACHIEVE. SIP IS LIKE 'PUTTING IN REGULAR LITTLE DROPS OF WATER TO MAKE A MIGHTY OCEAN'.

THAT SOUNDS LIKE A GOOD PLAN. PLEASE ELABORATE ON IT.



SIP IS NOTHING BLIT SMALL AMOUNT OF MONEY INVESTED ON A PRE-SET DATE EVERY MONTH INTO SPECIFIC MUTUAL FUNDS.

IT IS ONE OF THE BEST WAYS OF ENTERING EQUITY MARKET, AS IT HELPS THE INVESTOR STAY DISCIPLINED.

WHAT ARE THE OTHER ADVANTAGES OF SIP?



THE BIGGEST ADVANTAGE OF SIP IS RUPEE COST AVERAGING.

**AN SIP INVESTOR, WHILE INVESTING EVERY MONTH, WOULD END UP BUYING MORE UNITS WHEN MARKETS GO DOWN AND BUYING LESS UNITS WHEN MARKET GOES UP. THIS IS RUPEE COST AVERAGING.**



SO AS PER YOUR GOALS, I WOULD SUGGEST YOU TO START WITH A **RS. 20000 SIP FOR 10 YEARS FOR YOUR HOME AND RS. 5000 SIP FOR 5 YEARS FOR A NEW CAR.** THIS WOULD BE A GOOD STARTING POINT AND WE WILL KEEP REVISITING YOUR PORTFOLIO AS AND WHEN THE TIME COMES.

THIS IS JUST SO AWESOME. I'LL START SIP IMMEDIATELY.



**AFTER  
15 YEARS**

HEY RAHUL BETA, HOW ARE YOU?  
ARE YOU ENJOYING TENNIS CLASSES?  
ATUL WAS TELLING ME ABOUT IT  
THE OTHER DAY.

INDEED UNCLE,  
I AM LOVING THEM  
EVERY BIT. PLEASE  
EXCUSE ME AS I WILL  
DO A ROUND OF  
JOGGING NOW.

RAHUL IS GROWING UP FAST. A DECENT CORPUS  
IS READY FOR HIS HIGHER EDUCATION. IT IS JUST LIKE  
YESTERDAY WHEN I MET YOU AND IT IS STARTED  
MY FINANCIAL PLANNING. SUCH A GOOD FEELING  
TO HAVE MY OWN HOME AND CAR.

THE JOURNEY WAS  
ALWAYS STARTED BY YOU  
AS YOU TOOK THE RIGHT  
FIRST STEPS. I JUST HELPED  
YOU ALONG.

DON'T BE MODEST RAKESH,  
YOU HAVE BEEN OF REAL HELP.  
THANK YOU SO MUCH. THE OTHER  
DAY YOU WERE TELLING ME  
ABOUT MOVING TO **SYSTEMATIC  
TRANSFER PLAN (STP)** FOR  
PROPER ASSET ALLOCATION OF  
THE PORTFOLIO. CAN YOU  
PLEASE ELABORATE.

THE IDEA OF STP WORKS WHEN  
YOU WANT TO CHANGE YOUR ASSET ALLOCATION.

SEE RAKESH,  
TILL NOW YOU HAVE MAINLY INVESTED IN EQUITY FUNDS  
AND KEPT LITTLE EXPOSURE TO DEBT FUNDS. HOWEVER,  
AS YOU START AGEING AND YOUR RISK APPETITE  
DECREASES, OR YOUR GOAL APPROACHES, THERE IS  
A NEED TO SHIFT YOUR ALLOCATION MORE  
TOWARDS LESS RISKY DEBT FUNDS.

I AM ALL EARS AS ALWAYS.  
PLEASE GO ON.

IN STP A FIXED SUM OF MONEY IS TRANSFERRED  
FROM THE SOURCE MUTUAL FUND (WHERE THE  
AMOUNT IS ALREADY INVESTED UPFRONT) TO THE  
TARGET MUTUAL FUND AT PREDEFINED FREQUENCY  
ON A SPECIFIED DATE. THIS HELPS IN SHIFTING  
YOUR PORTFOLIO TO DIFFERENT KINDS OF FUNDS.

SOUNDS GOOD.  
SO, THIS IS THE  
OTHER 'S' IN  
WHAT YOU CALL...  
THE '3S OF FINANCIAL  
PLANNING'!

EXACTLY. INVESTMENTS DONE  
IN EQUITY MUTUAL FUNDS SHOULD BE  
TRANSFERRED SYSTEMATICALLY INTO DEBT  
MUTUAL FUNDS WHEN RISK APPETITE  
DECREASES OR ANY GOAL APPROACHES.  
I BELIEVE THE TIME IS APPROPRIATE  
FOR YOU TO DO SO.

THAT IS GREAT.  
I WILL DO THE FORMALITIES  
IN A FEW DAYS SO THAT  
STP CAN BE INITIATED.

**AFTER  
15 YEARS**

**RAKESH:** LIFE OUT HERE IS SO PEACEFUL. I LIKE SITTING HERE AND WATCHING THOSE KIDS PLAY. FEW MORE YEARS FOR MY RETIREMENT AND EVERYDAY WOULD BE LIKE THE SAME. BE LIKE THIS.

**ATUL:** INDEED, ATUL. WE PLANNED IT WELL AND I AM REALLY HAPPY THAT NOW YOU ARE LOOKING FORWARD TO RELAXED DAYS OF RETIREMENT.

**HELLO UNCLE. GOOD THAT I MET YOU HERE, I WAS PLANNING TO VISIT YOU. I HAVE BEEN PROMOTED AND WANT TO INCREASE MY SIP AMOUNT.**

**CONGRATULATIONS SON. YOU CAN COME IN ANYTIME. NOW WE HAVE SIP TOP-UP FACILITY. IT IS A FACILITY WHEREIN AN INVESTOR WHO HAS ENROLLED FOR SIP, HAS AN OPTION TO INCREASE THE AMOUNT OF THE SIP INSTALLMENT BY A FIXED AMOUNT AT PRE-DEFINED INTERVALS.**

**RAHUL EXCUSES HIMSELF AS RAKESH AND ATUL CONTINUED THEIR CONVERSATION.**

LIFE HAS TAKEN A GOOD COURSE. THINGS ARE ALL GOOD. THE RETIREMENT CORPUS IS NOW BIG ENOUGH FOR THE COMING DAYS. THE OTHER DAY YOU WERE TALKING ABOUT **SYSTEMATIC WITHDRAWAL PLAN (SWP)**. CAN YOU PLEASE ELABORATE?

**ON YES I REMEMBER THAT CONVERSATION. YOU WERE TALKING ABOUT SHIFTING THE CORPUS TO SAVINGS BANK ACCOUNT AND WITHDRAWING IT ON A MONTHLY BASIS. INSTEAD YOU COULD DO AN SWP. AN SWP IS SIMPLY THE REVERSE OF SIP. YOU INSTRUCT THE AMC TO REDEEM UNITS AT A FIXED DATE AND CREDIT A FIXED SUM INTO YOUR BANK ACCOUNT.**

AN INVESTOR CAN CUSTOMIZE THE CASH FLOWS AS DESIRED; HE CAN EITHER WITHDRAW A FIXED AMOUNT OR JUST THE CAPITAL GAINS ON HIS INVESTMENTS. SWP PROVIDES THE INVESTOR WITH A REGULAR INCOME AND RETURNS ON THE MONEY THAT IS STILL INVESTED IN THE SCHEME.

THIS MUST BE THE FINAL'S' IN WHAT YOU CALL THE '3S OF FINANCIAL PLANNING'.

IT IS JUST LIKE YESTERDAY WHEN I MET YOU AT YOUR OFFICE AND STARTED THIS JOURNEY LET'S START SWP SOON.

IT IS ALWAYS GOOD TO SEE CLIENTS OH, SORRY FRIENDS HAPPY. IT HAS BEEN A GOOD JOURNEY TOGETHER AND IT FEELS GOOD TO PLAY SOME PART IN IT. I DID WHAT MY PROFESSION REQUIRED ME TO DO.

## SIP for Wealth Creation

Assumed Rate of Return 10%					
No. of Years	3 Years	5 Years	10 Years	15 Years	20 Years
Monthly SIP Amount	Total Investment Value (in ₹)				
1,000	42,130	78,082	2,06,552	4,17,924	7,65,697
2,500	1,05,325	1,95,206	5,16,380	10,44,811	19,14,242
5,000	2,10,650	3,90,412	10,32,760	20,89,621	38,28,485
10,000	4,21,300	7,80,824	20,65,520	41,79,243	76,56,969
20,000	8,42,600	15,61,648	4,131,040	83,58,485	1,53,13,938

Assumed Rate of Return 12%					
No. of Years	3 Years	5 Years	10 Years	15 Years	20 Years
Monthly SIP Amount	Total Investment Value (in ₹)				
1,000	43,508	82,486	2,32,339	5,04,576	9,99,148
2,500	1,08,769	2,06,216	5,80,848	12,61,440	24,97,870
5,000	2,17,538	4,12,432	11,61,695	25,22,880	49,95,740
10,000	4,35,076	8,24,864	23,23,391	50,45,760	99,91,479
20,000	8,70,153	16,49,727	46,46,782	1,00,91,520	1,99,82,958

Assumed Rate of Return 15%					
No. of Years	3 Years	5 Years	10 Years	15 Years	20 Years
Monthly SIP Amount	Total Investment Value (in ₹)				
1,000	45,679	89,682	2,78,657	6,76,863	15,15,955
2,500	1,14,199	2,24,204	6,96,643	16,92,158	37,89,887
5,000	2,28,397	4,48,408	13,93,286	33,84,315	75,79,775
10,000	4,56,794	8,96,817	27,86,573	67,68,631	1,51,59,550
20,000	9,13,589	17,93,634	55,73,145	1,35,37,262	3,03,19,099

The above said table are for illustration purpose only. The SIP investment is at the start of every month. The SIP returns are calculated by XIRR approach.

## Mutual Fund Scheme Features

	Systematic Investment Plan (SIP)	Systematic Transfer Plan (STP)	Systematic Withdrawal Plan (SWP)
What is	It is a periodical investment of fixed amount in a particular MF Scheme	It is transfer of funds from one MF scheme to another on instructions of investor	It is a fixed periodical redemption of MF Scheme as per investors instruction
How	Money gets debited from bank account to buy MF units	Fund house sells MF units of one scheme and buy units of another scheme	Fund house sells MF units and credits the money back into bank account
When	SIP is ideal for investments across various market cycles & should be used to achieve certain goals	STP is ideal when you are few years away from your goal or during market volatility	SWP is ideal for retirement or while using the money to fund goals
Tax	Tax is not applicable on equity schemes, if it is redeemed after 1 year of every installment as per current tax laws	It may attract Short Term or Long Term Capital Gains Tax depending on the MF you sell and investment time horizon as per current tax laws	

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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**



# Achieving is POSSIBLE with SIP

Mirae Asset\* was one of the pioneers of the concept of Regular Savings Plan (RSP) in Korea which is equivalent to Systematic Investment Plan (SIP) and has been the undisputed market leader in RSPs. \*refers to Mirae Asset Global Investments Co Ltd., Korea.

SIP is a simple process of investing in mutual funds similar to a recurring deposit in a bank. It is designed to help investors save regularly and in small amounts and thus accumulate wealth in a disciplined manner over the long-term, thereby endeavoring to provide a better future for them and their family.

We are keen to help you potentially benefit from our expertise in Systematic Investment Plan investments so that you can achieve your financial goals.

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully**

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