

UTI SWATANTRA  
An investor education initiative

# FIRST STEP

Powered by UTI Swatantra



# Present Scenario

- Transformation to nuclear family
- Increase in life span – longevity
- Absence of social security
- Inflation



**Increases the need for planning your financial goals**

# Myths about Financial Planning

- Financial Planning is all about investing
- Financial Planning is all for rich people
- Not enough money to start investing
- I am too young for financial planning
- Financial Planning is retirement Planning
- Financial Planning is tax planning
- Financial Planning is too complicated.
- Don't know how to go about it.
- Who can I seek advise from.
- Left it to my Parents/CA/Better Half.
- I have a saving account, FD, Insurance, PPF so I have invested well

# Realities...

- Financial planning involves much more than investing
- Professional financial advice is affordable
- Starting early and not just the quantum of investment is the best way to save for retirement
- Diversification, consistency and seeking low expenses are key investing principles
- Life insurance is essential for those with dependents or significant debt

**Financial Planning is as much for you & me as for anyone.....**

# Importance of Investment

- It helps you achieve your financial goals
- It helps you achieve financial independence and security
- It helps you cover yourself from Inflation risks
- Accumulates wealth over time
- It may even help you support those that have supported you
- It helps for post-retirement planning

# Advantages of Mutual Funds

- Professional Management
- Diversification
- Convenient Administration
- Return potential
- Low cost
- Liquidity
- Transparency
- Flexibility
- Choice of schemes
- Well regulated
- Tax benefits



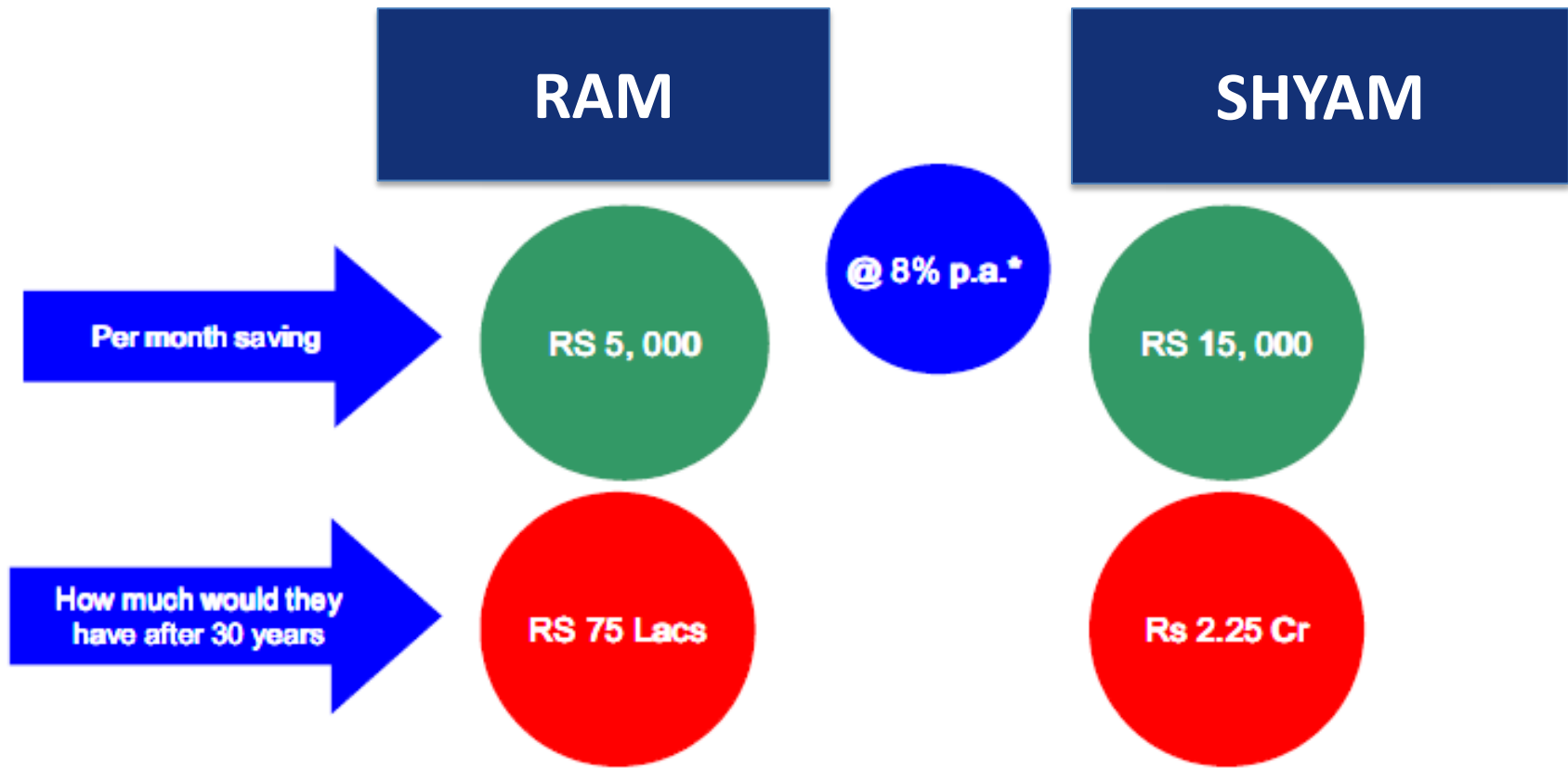
# Myths about Wealth Creation

## **Myth # 1**

**People who earn more are Rich**



# Rule 1: How much you save makes a difference



**The more you save the more your wealth will be!**

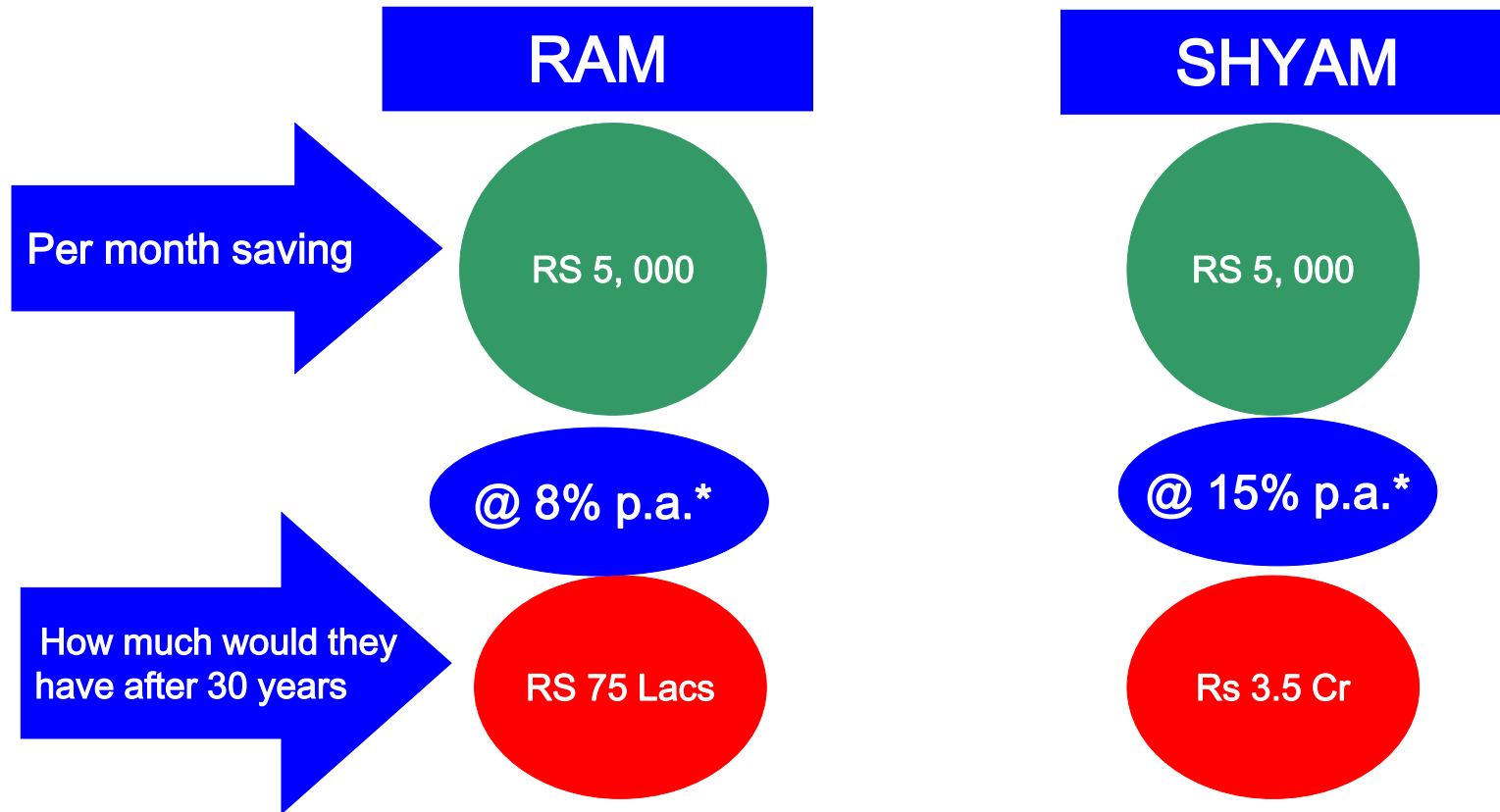
## Rule 2: Make time work for you!

	RAM	SHYAM
Monthly investment	7,500	5,000
Investment period	20 Years	30 Years
Rate of return	8%	8%
Total investment	18.00 Lakh	18.00 Lakh
Value at the end of the invt. term	44 Lakh	75 Lakh

RAM will need to invest Rs 12,700 p.m. to match the early starter

The more you delay your start – the more you have to invest later to catch up

## Rule 3: Boost your savings – Invest Right!



**Earning the right return will help you to create more wealth**

This is for illustration purposes only. .Calculations are based on assumed rate of return and actual return on your investments can be more or less than what has been used in this illustration. \*Compounded monthly, all figures are rounded.

## Summary...

	RAM	SHYAM
Monthly investment	5,000	15,000
Investment period	20 Years	30 Years
Rate of return	8%*	15%*
Value at the end of the investment term	<b>30 lacs</b>	<b>10.5 crore</b>

**Invest more !**

**Invest long-term !**

**Invest in right products to maximise returns !**

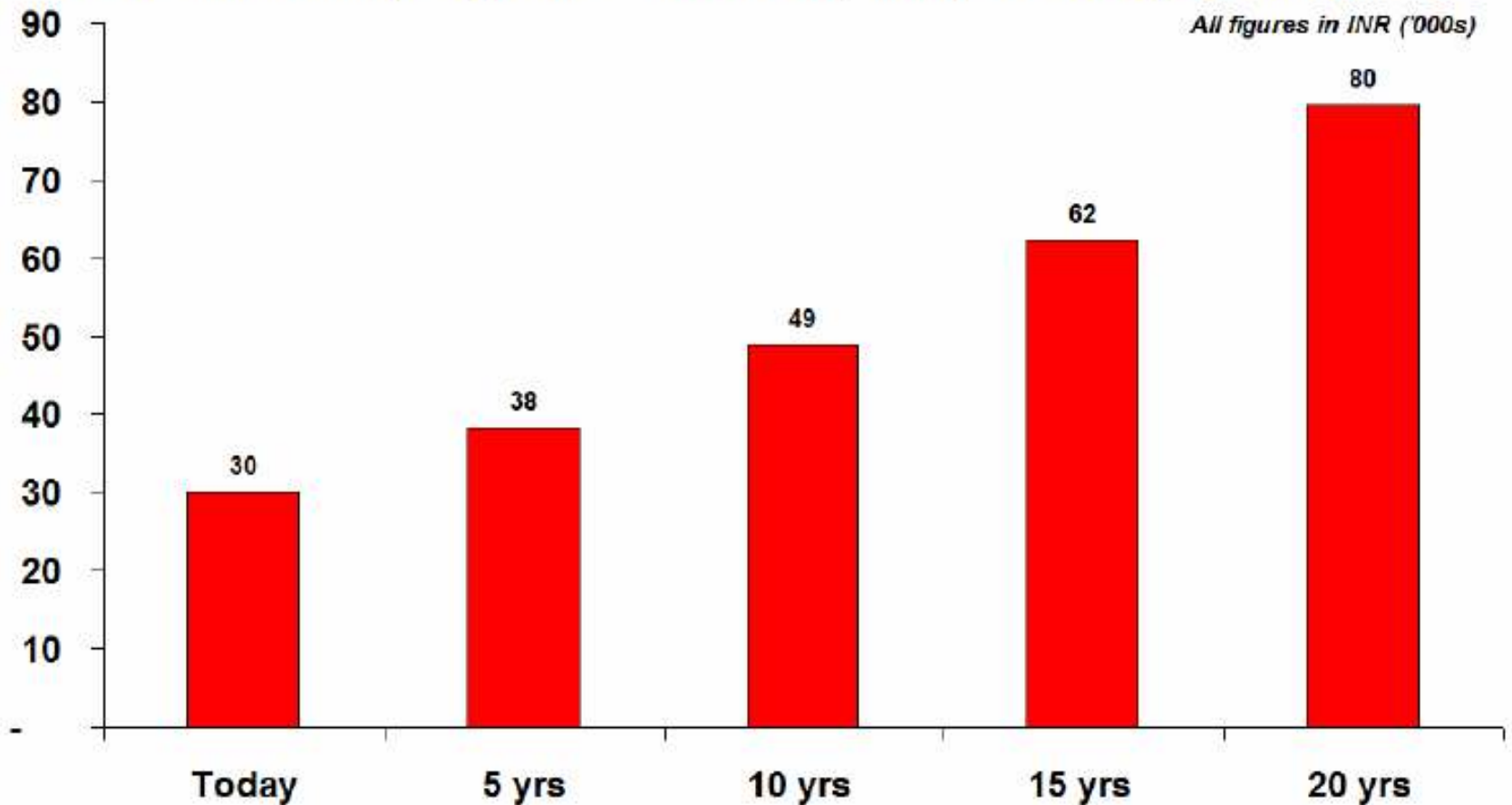
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## **Myth # 2**

**My Savings are Safe – no one is stealing out of it**

# Time value of Money

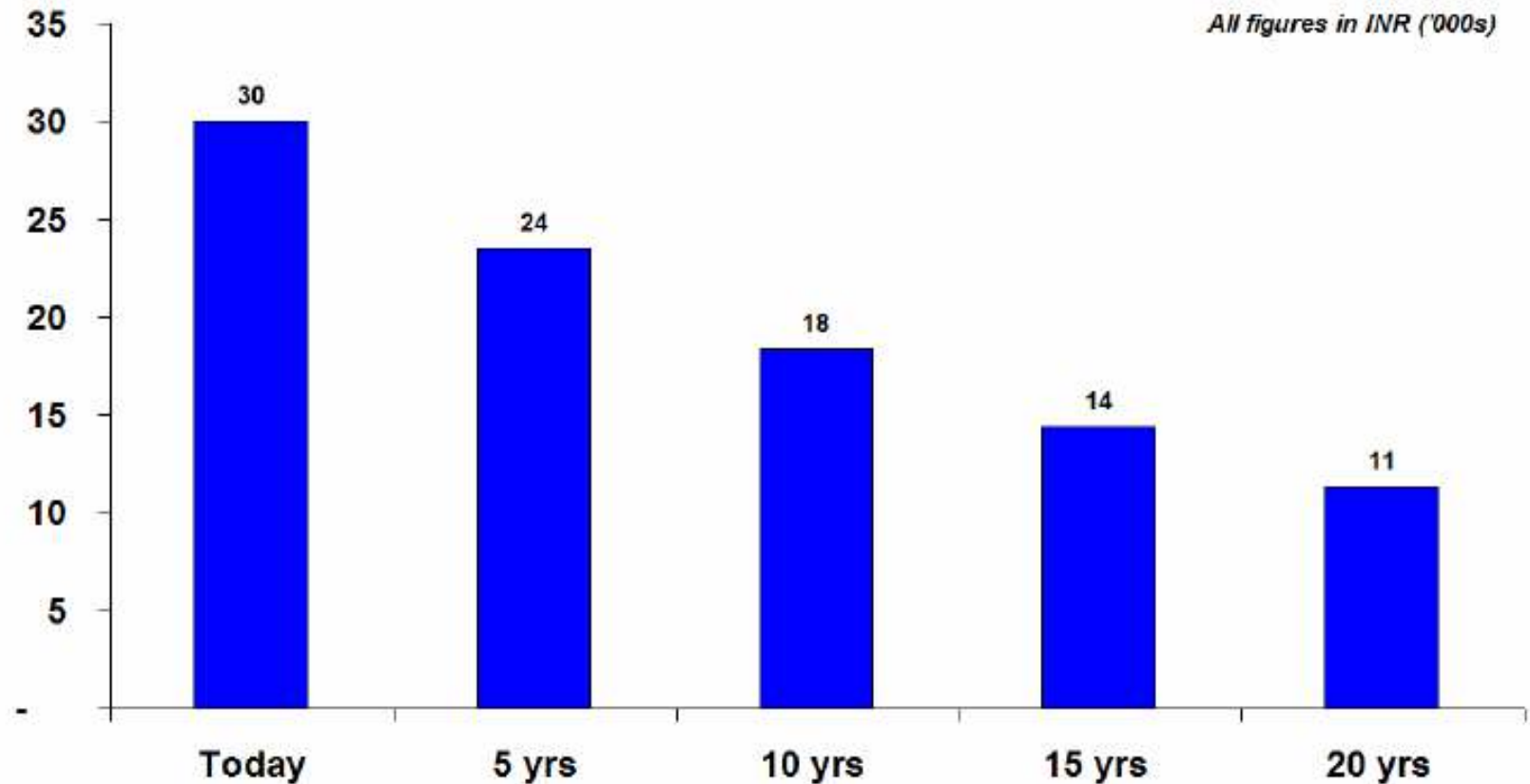
A fixed monthly expense of Rs. 30,000 pm today over time...



Inflation assumed @5%

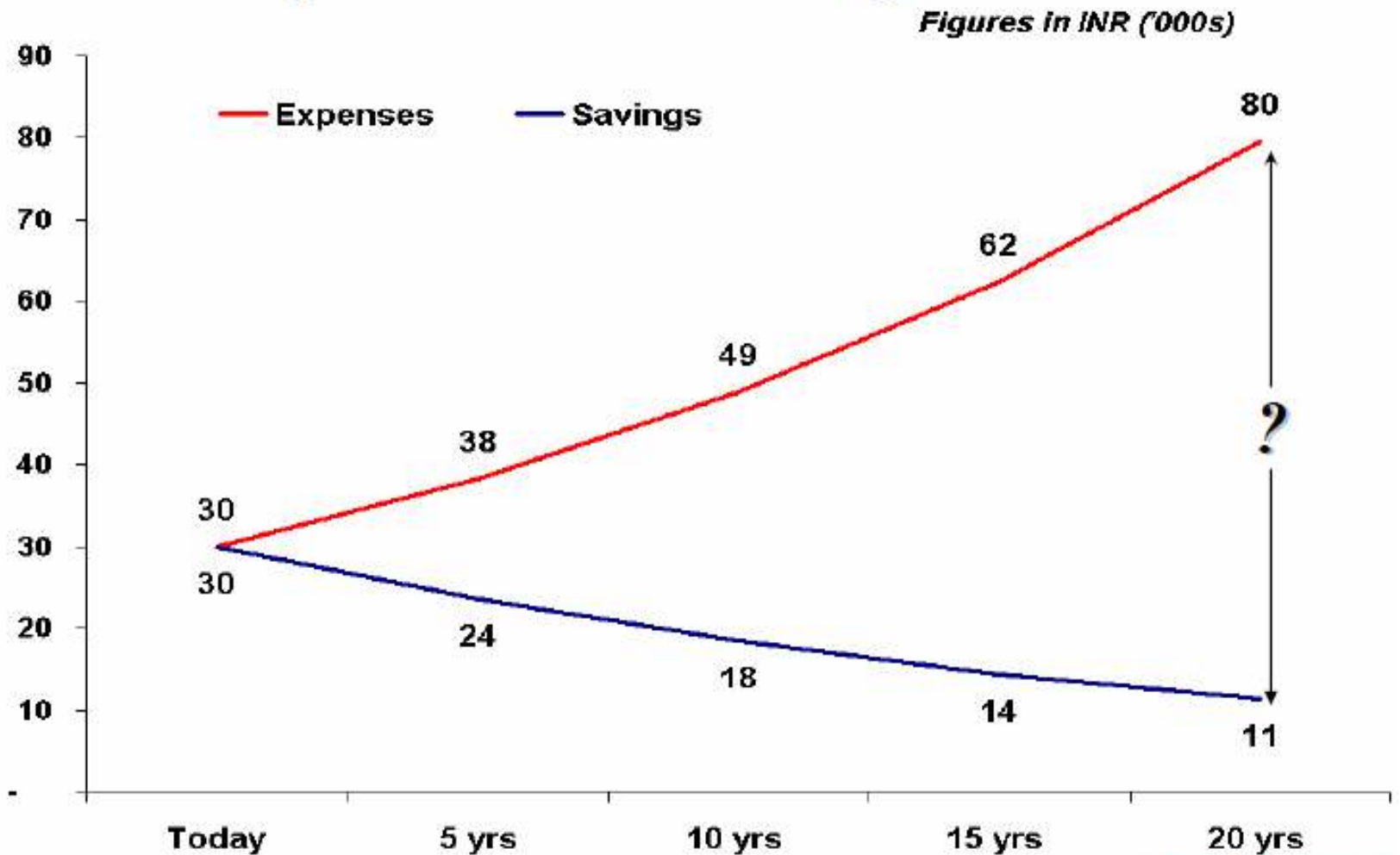
# Time value of Money

While the value of your savings erodes over time, thanks to inflation



Inflation assumed @5%

# The expense – savings mismatch





## Myth # 3

Not enough money to start Investing

# Benefit of SIP - Rupee Cost Averaging

Month	Amount Invested (Rs.)	Purchase Price (Rs.)	units purchased
1	1000	10	100.00
2	1000	9	111.11
3	1000	10	100.00
4	1000	11	90.91
5	1000	12	83.33
6	1000	10	100.00
7	1000	9	111.11
8	1000	8	125.00
9	1000	11	90.91
10	1000	9	111.11
11	1000	10	100.00
12	1000	12	83.33

- ✓ Takes the guesswork out of “timing” the market
- ✓ Involves investing a set amount of money at regular intervals over a long period of time
- ✓ You automatically buy more units when prices are lower and fewer units when prices are higher

Example for illustration purpose only

**Total Investment Rs. 12,000, total no. of units purchased 1206.82**

**Average cost per unit 9.94 < 10**

**Lower average cost per unit over time**

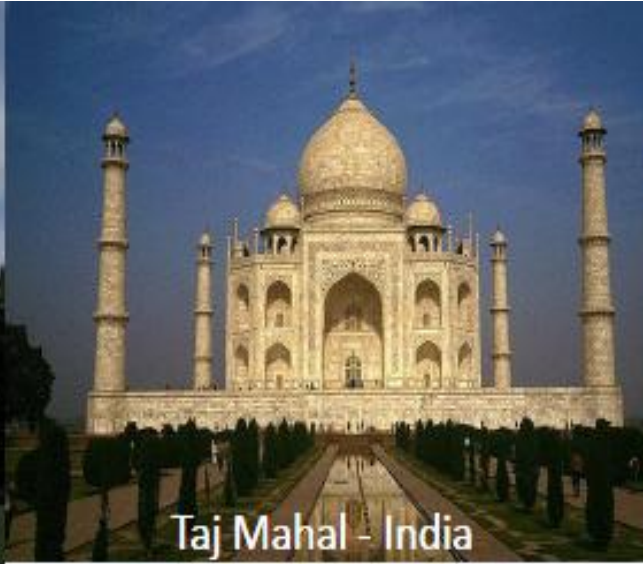
## **Myth # 4**

**We know all wonders of World**

# The 7 Wonders of the World



Colosseum Italy



Taj Mahal - India



Great wall of China



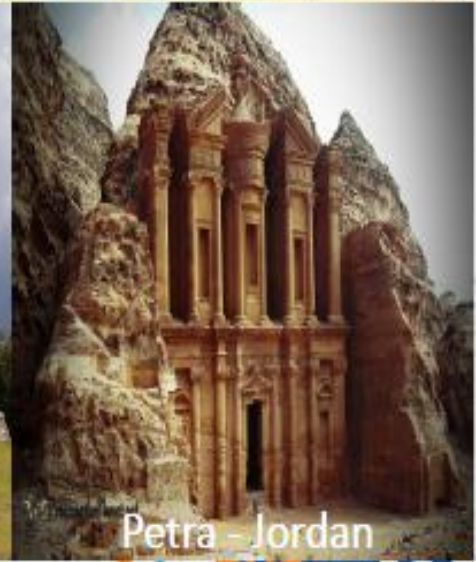
Christ Redeemer Brazil



Machu Picchu Peru



Chichen Itza - Pyramid  
Mexico



Petra - Jordan

# 8<sup>th</sup> wonder of the world – Power of Compounding

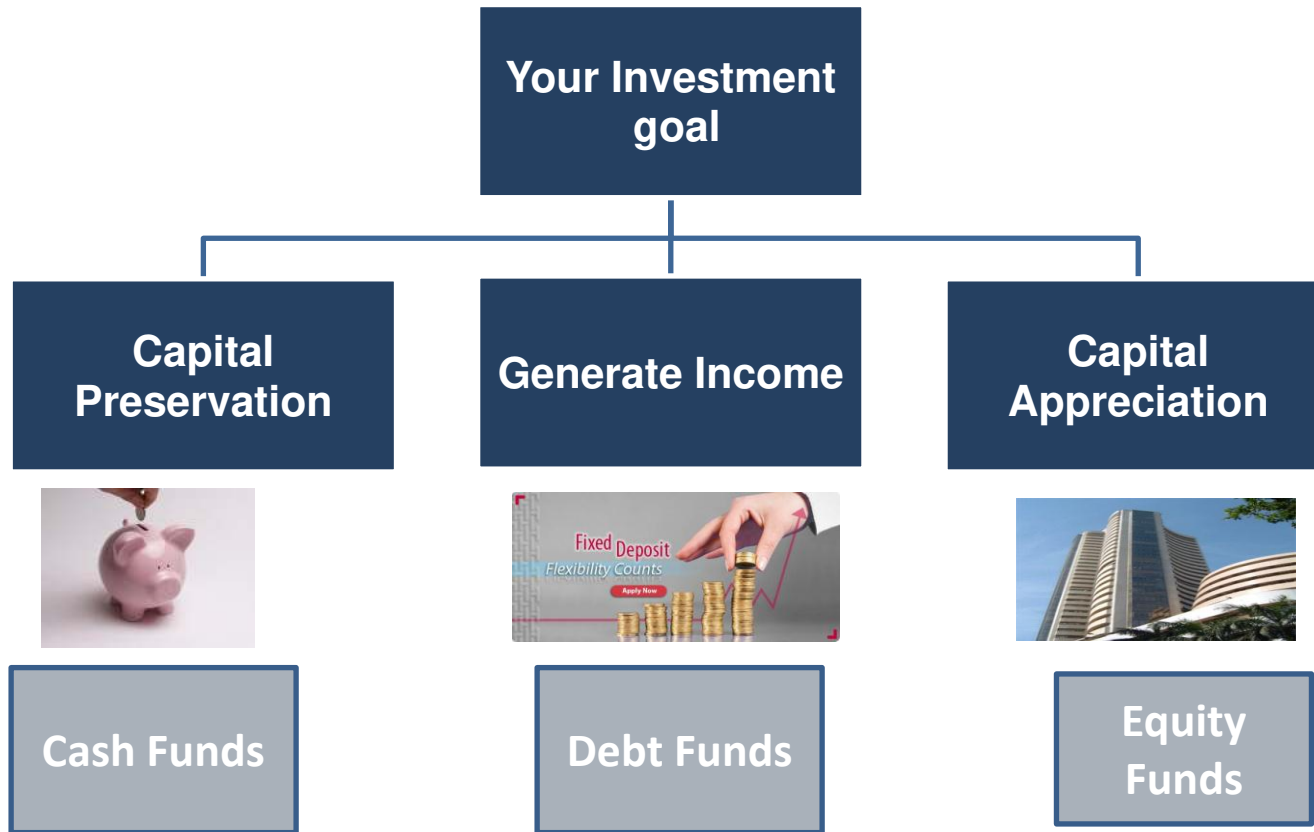
Example : SIP of Rs.1 000/- p.m.

Amount in INR

Expected Return	25 Yrs.	30 Yrs.	35 Yrs.
5%	5,95,510	8,32,259	11,36,092
9%	11,21,122	18,30,743	29,41,784
15%	32,43,530	69,23,280	1,46,77,180
18%	57,37,253	1,41,13,585	3,45,78,806

# Mutual Fund- Which one to buy?

Based on your goals and risk tolerance



Disclaimer:-As the value of securities in the fund increases, the fund's unit price will also increase. You can make a profit by selling the units at a price higher than at which you bought.

Although Mutual Fund does not guarantee the same.

# Tax Savings

JAN – FEB – MARCH  
THE SEASON OF WORRIES FOR TAX PLANNING...



# What you can achieve by investing to save tax?

You can save tax and...

Hybrid

**Unit Linked Insurance Plan (ULIP)**



Protection

Equity

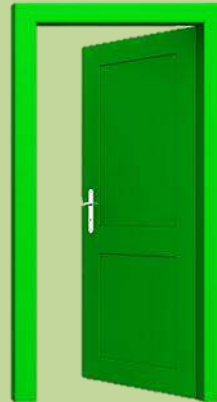
**Equity Linked Savings Schemes (ELSS)**



Wealth Creation

Others

**Insurance Premiums, Pension Premiums, National Pension Scheme etc.**



Protection

Fixed Income

**PPF/EPF/VPF/NSC Tax Saving Bank FDs, Post Office Time Deposits, Senior Citizen Savings Scheme**



Income Generation



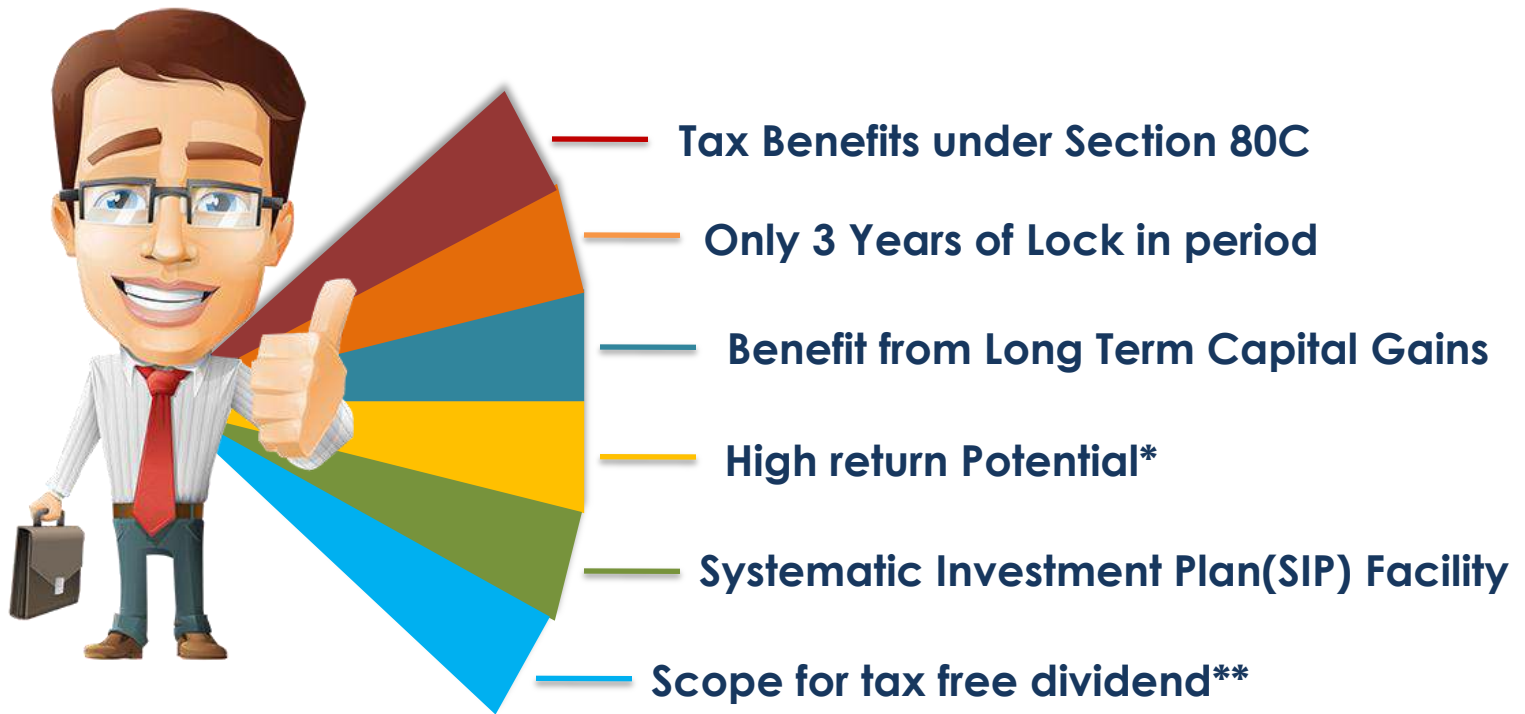
**CHOOSE THE CORRECT OPTION**

\*As per the prevailing tax laws for Financial year 2016, eligible investors (Individual/ Hindu Undivided family(HUF)) are entitled to deduction from their gross total income, of the amount invested in equity linked saving scheme (ELSS) upto 1,50,000/- (along with other prescribed investments) under Section 80C of the Income Tax Act, 1961. Tax benefits are subject to the provisions of the Income Tax Act, 1961 and are subject to amendments, from time to time.

PPF= Public provident fund, EPF= Employee provident Fund, VPF= Voluntary Provident Fund, NSC= National saving certificate, FDs= Fixed Deposits



# What makes ELSS right tool for you ??



\* Subject to market risk.

\*\*Tax free dividends as per the prevailing tax laws, pursuant to payment of dividend, the NAV of the respective options of the Schemes would fall to the extent of payout and statutory levy (if applicable)

ELSS – Equity Linked Saving Scheme, SIP – Systematic Investment Plan

Tax benefits u/s 80C under the Income Tax Act, 1961, exemptions are subject to prevailing tax laws

# ELSS v/s other investment options

Tax Saving options	Minimum Investment Amount (Rs.)	Tenure / Lock in period	Interest / Return	SIP Facility	Maturity Amount Taxability
Equity Linked Savings Scheme (ELSS)	500/-	3 Years	Market linked *	Yes	Dividends & Long Term Capital gains are tax free, subject to STT
Public Provident Fund (PPF)	500/-	15 Years**	Fixed#	Not available	Interest accrued is Tax-free
Tax-Saving Term Deposit with Scheduled Banks	100/-	5 Years	Fixed	Not available	Interest is added to income and Taxed accordingly
Infrastructure Bonds	5000/-	3-10 Years	Fixed	Not available	Interest is added to income and Taxed accordingly
National Savings Certificate (NSC)	100/-	5 Years	Fixed#	Not available	Interest is added to income and Taxed accordingly###

\* Market linked – Returns are subject to market risk.

\*\* Premature withdrawal under PPF is available from 6th financial year. However, the full amount can be withdrawn after 15 years.

# Reviewed periodically. ## The interest portion reinvested is also eligible for tax rebate u/s 80C of IT Act, 1961. Tax benefits are subject to the provisions of the Income Tax Act, 1961 and are subject to amendments, from time to time. For more information on the tax provisions, please refer to prevailing IT laws.

SIP – Systematic Investment Plan, STT- Securities Transaction Tax

## Do I have enough money right now to invest



**If Yes, Invest Now!**



Choose the lump-sum option to Invest in ELSS, up to Rs. 1.50 lakhs to avail the tax exemption u/s 80C of IT Act, 1961



**If No, Plan SIP!**

Invest small amounts at regular intervals rather than investing lump sum amount at one time.

# Liquid funds

Liquid fund is a category of mutual fund which invests primarily in money market instruments like certificate of deposits, treasury bills, commercial papers and term deposits. Lower maturity period of these underlying assets helps a fund manager in meeting the redemption demand from investors.

# Liquid Funds V/S bank accounts

- These mutual funds have no lock-in period.
- Withdrawals from liquid funds are processed within 24 hours on business days.
- Liquid funds have the lowest interest rate risk among debt funds as they primarily invest in fixed income securities with short maturity.
- Liquid funds have no entry load and exit loads.

# Equity Funds

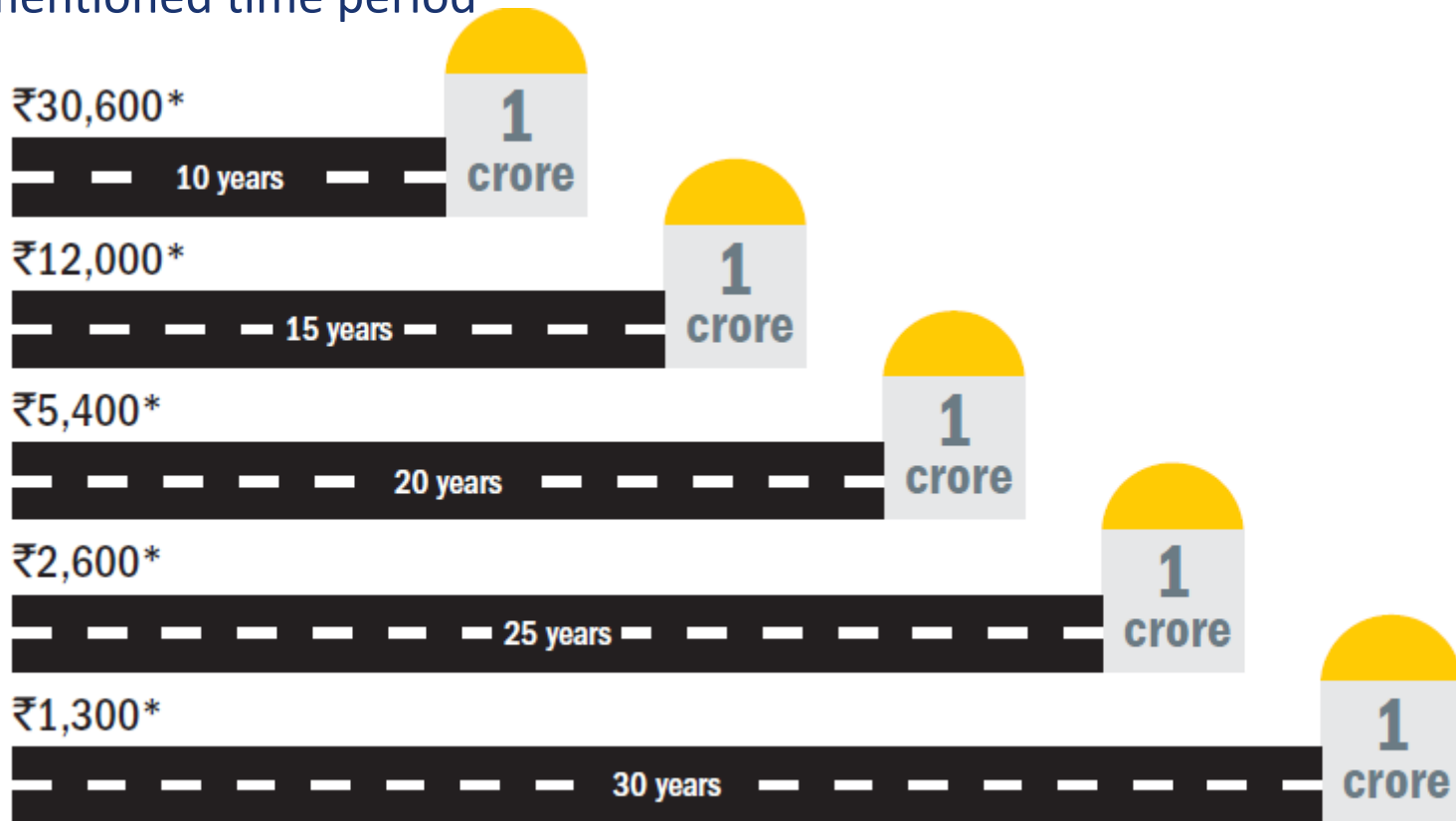
# Why should one invest in Equity funds?

- **Diversified Portfolio**
- **Capital Appreciation**
- **Dividend**
- **Liquidity**
- **No brokerage or commissions**
- **Professional management**

Equity may look risky over short periods, but over ten, twenty or thirty years, it's the only way to earn enough for a comfortable future.

# Become a Crorepati

Here's what you need to invest per month to achieve your goal in the mentioned time period



\*Increase investment amount by 10% per year

Calculations assume compounded annual return of 12%

**An apple a day keeps the doctor away. `1,300 a month is your apple for achieving financial health. Couple that with spinach, and milk - higher savings invested regularly every month, and you improve your financial health dramatically.**



# How to grow your small savings to Rs.1 crore?

A simple step guide to bring 1cr dream to life.

1. Pick 3 good funds
2. Create a monthly SIP
3. Review annually
4. Don't get swayed – Stay on court

If you follow these simple steps, becoming a crorepati will surely call for a celebration.

# Thank You



**KEEP  
CALM  
AND  
LET YOUR  
MONEY  
WORK FOR YOU**

**Sushil Alewa**

**ISFM, Stock Market School**

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