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TATA SIP GUIDE

Understanding why Systematic Investment Plan works for you

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



Making regular investment a habit goes a long way in realising our goals in life.

SIP could be your first step to Mutual Fund Investment. There are many advantages of investing through SIP.



In this series let me explain the advantages of SIP using simple stories.

KEY ADVANTAGES OF SIP

1) Virtues of Disciplined Investing

2) Never try to time the market

3) Rupee Cost Averaging

4) Benefits of Investing Early

VIRTUES OF DISCIPLINED INVESTING



Once there were 2 good friends Ram and Shyam.

Both of them were obese.



One day at the park, they saw a pretty girl.

They got attracted to her and started to sing

"Laila tu laila laila, Aisi tu laila ..."

The girl, rather irritated, stared back at them. She angrily removed her sandals gesturing a good thrashing to the boys.





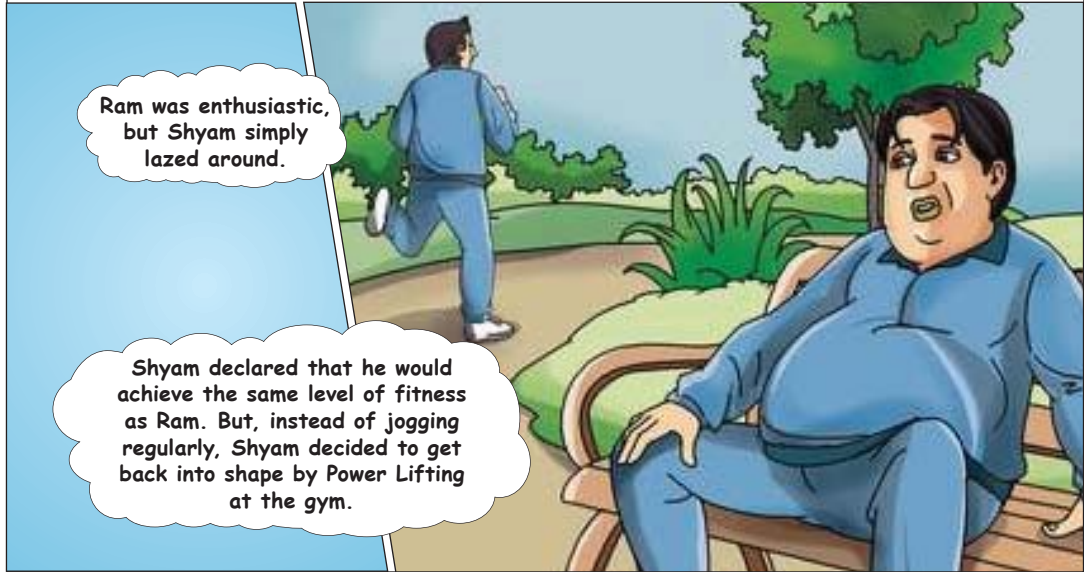
The signal was clear enough for both of them to understand that they had no chance of impressing her. But Ram and Shyam were not the types to give up so easily.

They promised themselves that within three months they would transform themselves, such that the girl herself would fall head over heels for them.



Ram and Shyam declared that they would exercise themselves to fitness.

Next day, Ram and Shyam both went jogging.

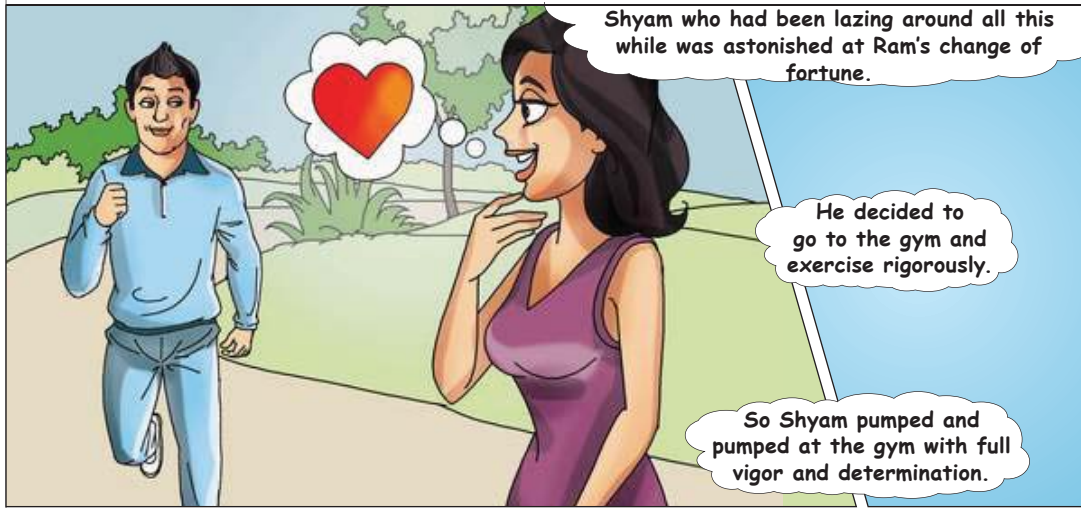


Ram was enthusiastic, but Shyam simply lazed around.

Shyam declared that he would achieve the same level of fitness as Ram. But, instead of jogging regularly, Shyam decided to get back into shape by Power Lifting at the gym.



The days rolled by and slowly Ram started getting into shape and impressing the girl.



Shyam who had been lazing around all this while was astonished at Ram's change of fortune.


He decided to go to the gym and exercise rigorously.

So Shyam pumped and pumped at the gym with full vigor and determination.

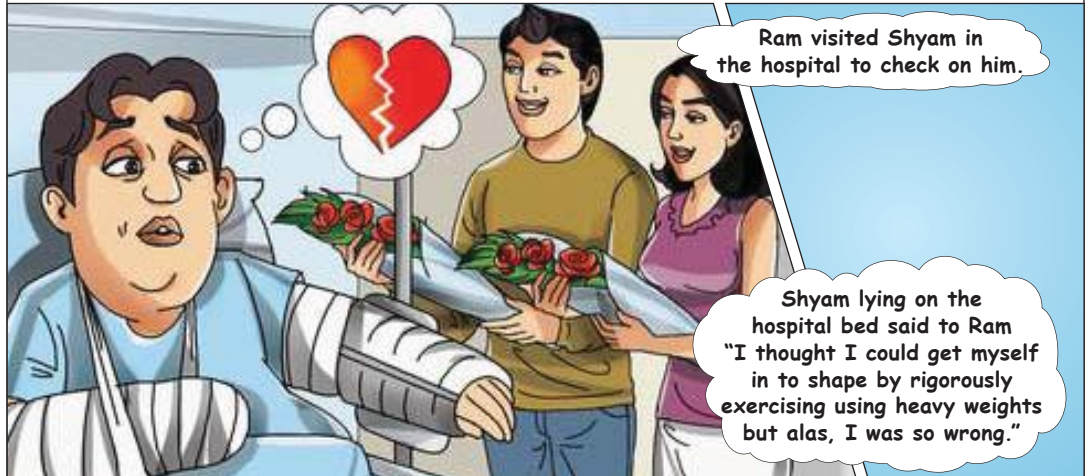


The overdose of exercises took a toll on him.

His muscles were torn apart and his joints got dislocated.



While on the other hand Ram was taking long walks with the girl hand in hand, in the same park where he jogged himself to fitness.




Ram visited Shyam in the hospital to check on him.

Shyam lying on the hospital bed said to Ram "I thought I could get myself in to shape by rigorously exercising using heavy weights but alas, I was so wrong."

Ram with a ready reply said, "The virtues of discipline and regularity are timeless. They never fail you under any circumstances."

MORAL OF THE STORY



SIP is a systematic method of investing that inculcates discipline. Thus besides the discipline, it also calls for patience. Similar to how regular jogging gets you into shape slowly but steadily."

NEVER TRY TO TIME THE MARKET



Swati and Kedar were college friends. After 2 long years of studies and projects, they finally received their MBA degrees. It was a proud moment for them.

Along with their degrees, they also received identical job placements in a reputed company.



Kedar grabbed the opportunity and accepted the offer. He started training immediately. He liked his new job and kept getting better at it, day-by-day.





Swati on the other hand, believed she could find a much better job on her own. She refused the offer and continued to look for a higher paying job at a bigger company.

ONE YEAR LATER

Kedar not only finished his training, but also received a full-time position, and is now in the running for a promotion.



Swati is still looking for a job and deeply regrets not grabbing the opportunity when it was available.

MORAL OF THE STORY

"Learn your lessons well. Never wait for the right time to invest in the market, or you will be left repenting lost opportunities that the capital markets present. By investing in SIP regularly, you can avoid falling into the trap of timing the market."



VIRTUES OF RUPEE COST AVERAGING

Once, there was a girl named Sunaina.

She was beautiful and was ranked as one of the top students in her class.

This made her parents very proud of her.

Sunaina's exams had just started.

She had to appear for seven papers in all.

As expected, she had done very well in her first six papers.

But unexpectedly, with only the last paper left, which was Geography, Sunaina suddenly developed a high fever.



Although she appeared for her paper, due to her ill health she was not able to answer the questions well.

This clearly got reflected in her results

A minimum of 40 marks were needed for passing. But she fell short by 20 marks and Sunaina failed in Geography.



However, Sunaina's score in Geography in the previous three examinations in the year were 80, 75 and 90.

Because her school considered average scores for promotion to the next class, Sunaina, despite her poor score in Geography, got promoted.

Therefore, her average score turned out to be = $80+75+90+20/4 = 66.25$

Sunaina	
Maths	90
Science	80
History	70
English	75
Hindi	85
Social Science	77
Geography	20

PASS

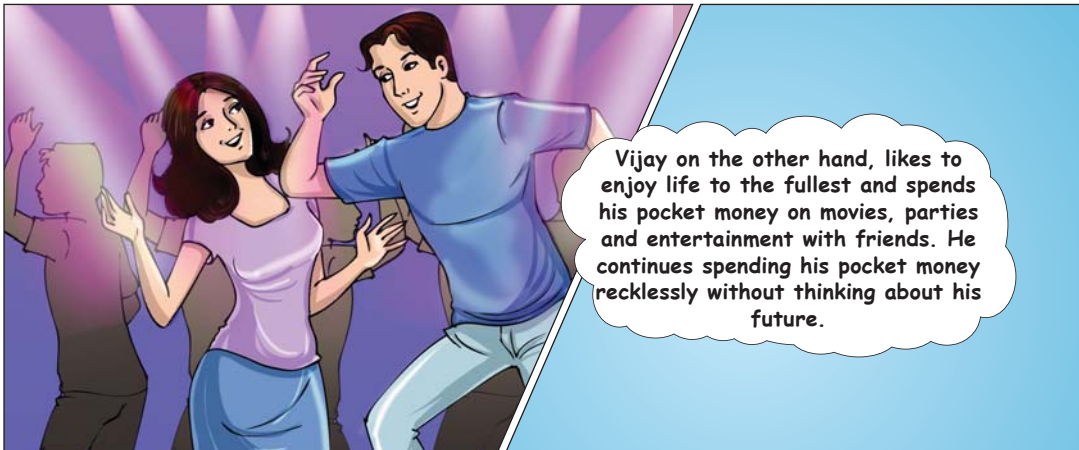
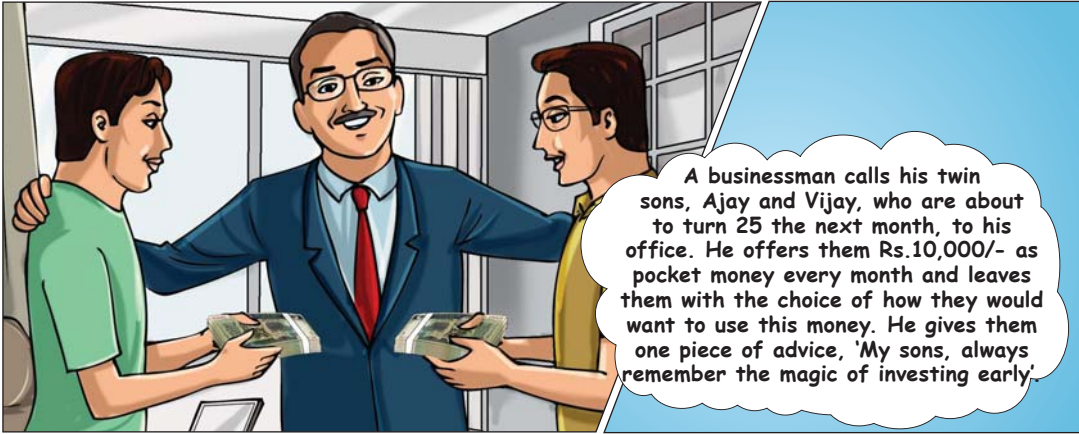
MORAL OF THE STORY

Just as Sunaina benefited from the concept of averaging, even you as an investor can benefit from this concept by hedging yourself against unexpected falls in the market.

Thus, by investing through good times and bad times, SIP helps your investment to average the cost of purchase. That means, when the prices are high, your SIP buys fewer units and when the prices are low, your SIP tends to buy more units.



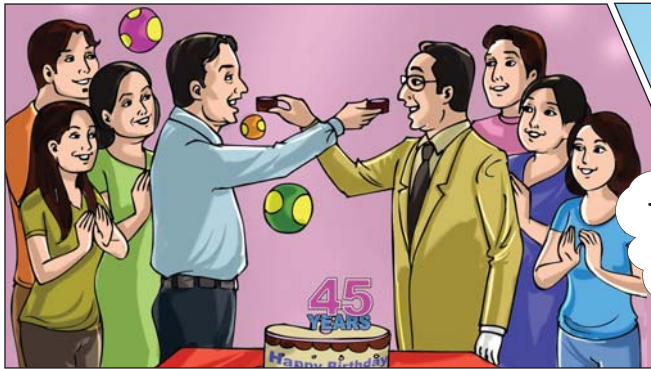
BENEFITS OF INVESTING EARLY





Exactly five years later, their father calls both the sons and asks them what they did with the money. Ajay proudly informs his father how he invested the Rs.10,000/- for the last five years and how he plans to remain invested till he turns 45 years old. Vijay on the other hand is empty-handed and is embarrassed with his casual approach toward his future.

Following his brother's footsteps, Vijay joins the Sales Office of a reputed company and also starts investing Rs.10,000/- at the age of 30.



Ajay and Vijay celebrate their 45th birthday, with a get together party. Their respective families and relatives are also there.

Ajay announces his plan to go on a world tour with his wife. Vijay is zapped. Ajay reiterates, "Remember father's words - the magic of investing early. The sooner you begin investing, the more time your money will have to grow. You delayed your investment by 5 years and that's what made a big difference."





And with time on their side, Ajay and his wife can now enjoy the fruits of patience and a trip to Switzerland too.

See how investing early can make a difference to your investment:

	Ajay	Vijay	
Starts investing at the age of	25 years	30 years	
Invests till the age of	45 years	45 years	
No. of years SIP done	20 years	15 years	
No of Installments (months)	240	180	
Monthly SIP amount	₹ 10,000	₹ 10,000	
SIP Date	1st of every month	1st of every month	
	SIP in BSE SENSEX (20 Years)	SIP in BSE SENSEX (15 Years)	Difference of 5 years delay
Cost of Investment	₹ 24,00,000	₹ 18,00,000	₹ 6,00,000
Scenario 1: SIP Start Date	1 March 1983	1 March 1988	
SIP End Date	1 February 2003	1 February 2003	
Value as on 1 March 2003	₹ 88,29,344	₹ 31,65,198	₹ 56,64,147
Scenario 2: SIP Start Date	1 March 1989	1 March 1994	
SIP End Date	1 February 2009	1 February 2009	
Value as on 1 March 2009	₹ 75,19,971	₹ 34,98,423	₹ 40,21,548
Scenario 3: SIP Start Date	1 March 1992	1 March 1997	
SIP End Date	1 February 2012	1 February 2012	
Value as on 1 March 2012	₹ 88,18,592	₹ 55,16,959	₹ 33,01,633

The above calculation is based on three different scenarios across different time period of SIP done in BSE SENSEX indices. The calculation is for illustration purpose only and is used to explain the benefits of investing early.

MORAL OF THE STORY

The earlier you begin investing, the more time your money will have to grow. If you delay, you may have to invest much more to achieve a similar result.

It's up to you now, whether you would like to act like Ajay or Vijay.



Hope these lessons and stories have succeeded in explaining the many advantages of "Systematic Investment Plan" (SIP). We look forward to your feedback at professor@tataamc.com.

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