Systematic Investment Plan (SIP)

SYSTEMATIC INVESTMENT PLAN

The law of averages has finally caught up with you! You can now invest smart in equity without the fear of market volatility. For we at Way2Wealth, recommend a **Systematic Investment Plan (SIP)** that allows you to invest a fixed amount every month in Mutual Funds. And you can be assured of getting an averaged rate of return forgetting all about the ups and downs of the market.

What this does, is to help you invest in a plan that combats the volatility of the stock market. All you need to do is to systematically start investing through us, and reap the benefits with minimal fear.

Human psychology. It's so mysterious! We buy things in higher quantities when they are available cheap, and try to buy less when prices go up. But, in investments, we do exactly the opposite! We buy shares during a bull phase (when prices are high) and do not buy (or rather sell) during a bear phase (when prices are at their rock bottom). This is a classic example of two strong emotions, namely *greed and fear* working to your disadvantage. At Way2Wealth, we believe that you can apply the same logic to equities as when you purchase products when a discount sale is on. Just keep investing regularly through SIP, and see your wealth growing at a smart pace.

Play smart. Start investing early in life. Starting to invest early, and then continuing to invest regularly can grow into a substantial amount in the long run. Most of us try to postpone our savings for another day. But more the delay, more the damage. Therefore it is necessary that we make savings an integral part of our life. An **SIP** helps you to save regularly in a disciplined yet convenient manner. An **SIP** can be called an **autopilot system of wealth creation.**

What is SIP? SIP is a lot like a recurring deposit scheme. All of us put away that small amount every month to accrue at the end of a specified period. This works at regular rates of interest when it comes to Bank deposits etc. But when it comes to equity one always has an inherent fear of losing the money to market volatility and other environmental factors.

SIP has been created solely to answer this very problem. It is a systematic way of ensuring that the money one puts away does not get eroded due to uncontrollable factors. It ensures that whether the market is up or down, the end result averages out to ensure that the returns are better than the market average.

Got a few minutes? To understand SIP better, please spend a few minutes in understanding the power of small but regular investments. This table here illustrates the benefits of investing regularly over the long term.

Time frame	Monthly Investments	Total Investments	Future Value at various annual growth rates (in Rs.)				
			8%	10%	12%	15%	20%
5 Years	Rs. 1000	Rs. 60000	74046	78074	82486	89682	103574
10 Years	Rs. 1000	Rs. 120000	184583	206504	232339	278657	383357
20 Years	Rs. 1000	Rs. 240000	595923	765297	999148	1515955	3180679
30 Years	Rs. 1000	Rs. 360000	1512584	2277374	3529914	7009821	23592479

Just to pick an example from the above Table, a monthly investment of a mere Rs. 1000 made over a period of 30 years can grow to about Rs. 70 lakhs at an annual growth rate of 15%.

Get the volatility of the market to work in your favour! Invest in SIP's. Having understood the power of small savings, you will now be in a better position to understand the magical powers of a concept that is called **"Rupee Cost Averaging"**. Here is how it works. Financial Markets (Equity Shares as well as Fixed Income Securities) are difficult to predict and are generally volatile. SIP helps you in making the volatility of the market work in your favour.

Our Investment Advisor will first assist you in drawing up your Financial Plan and then tell you as to what is the kind of Investments (monthly, quarterly or one time) that you need to make in order to achieve your financial goals. He will help you in deciding the reputed Mutual Fund Companies with which you can start your **SIP's.** All you need to do is to issue postdated monthly/quarterly cheques to the Mutual Fund Company for a year/half year based on your convenience.The Mutual Fund Company in turn will credit Units to your Account at the prevailing Unit Price when your cheques are encashed. Since, the amount you invest every month/quarter is constant, you end up buying **more units** when the **markets are low**, and **fewer units** when the **markets are high**. Therefore, the average Unit Cost of your investment will always be less than the average sale price per unit irrespective of the market falling, rising or fluctuating. This concept is called "**Rupee Cost Averaging**".

Given below is an illustration of how an SIP can help you, assuming that you invest Rs.1000 per month for one year.

Month	Amount Invested	Falling Market		Rising Market		Fluctuating Market	
		Unit Price (Rs.)	No. of Units Alloted	Unit Price (Rs.)	No. of Units Alloted	Unit Price (Rs.)	No. of Units Alloted
Jan	1000	15.50	64.516	15.50	64.516	15.50	64.516
Feb	1000	14.89	67.159	16.22	61.652	13.33	75.019
Mar	1000	14.66	68.213	16.56	60.386	12.22	81.833
Apr	1000	13.95	71.685	17.52	57.078	14.10	70.922
May	1000	12.00	83.333	17.98	55.617	17.96	55.679
Jun	1000	11.68	85.616	18.99	52.659	19.45	51.414
Jul	1000	11.23	89.047	20.00	50.000	17.30	57.803
Aug	1000	11.02	90.744	20.65	48.426	15.86	63.052
Sep	1000	10.50	95.238	21.11	47.371	14.23	70.274
Oct	1000	10.22	97.847	22.33	44.783	15.22	65.703
Nov	1000	9.30	107.527	24.00	41.667	14.33	69.784
Dec	1000	9.22	108.460	24.90	40.161	16.98	58.893
Totals	12000	**144.17**	**1029.386**	**235.76**	**624.316**	**186.48**	**784.892**

	Falling Market	Rising Market	Fluctuating Market
Average PRICE Per Unit	12.01	19.65	15.54
	(i.e. 144.17/12 Months)	(i.e. 235.76/12 Months)	(i.e. 186.48/12 Months)
Average COST per Unit	11.66	19.22	15.29

On examining the above calculations, you will notice that you automatically gain without having to monitor the markets or predict the market. The average COST of your units is always lower than the average PRICE per unit in all kinds of markets.