SYSTEMATIC INVESTMENT PLANS- **ALL YOUR QUESTIONS ANSWERED!**

ARE YOU PLANNING TO INVEST IN MUTUAL FUNDS THROUGH A SYSTEMATIC INVESTMENT PLAN (SIP)?

HERE ARE SOME THINGS YOU MUST KNOW:

WHAT IS A SIP?

A Systematic Investment Plan is a mode of investing in Mutual Fund Schemes periodically. It allows you to invest a predetermined fixed amount at fixed intervals in the Mutual Fund Scheme of your choice. Thus, it helps you invest in a disciplined manner.

IS SIP THE ONLY WAY OF INVESTING IN MUTUAL FUND SCHEMES?

No. SIPs allow you to invest in Mutual Fund Schemes in instalments. The other way of investing is making a one-time payment. This is called lump sum investment. As you read further, you will know why SIPs are a preferred mode of investing.

HOW DO SIPS WORK?

When you start a SIP, you give standing instructions to your bank for auto debiting your SIP payments on your preferred date regularly. Each time your SIP amount gets credited to your Mutual Fund House's bank account, certain Mutual Fund units are allotted to you. This allotment is based on your SIP amount as well as the Fund's Net Asset Value (NAV) on the date of investment.

For Example

SIP date: 15th of every month
SIP amount: ₹1000
NAV on 15th Jan: ₹10
Units allotted for Jan: ₹1000/ ₹10 = 100 units

Since the NAV varies from time to time, you won't get the same number of units every SIP instalment

Note: SEBI has issued certain guidelines for the allotment of units and applicability of the NAV. For instance, if your SIP date falls on a non-business day, units will get allotted to you on the next business day.

WHAT IS NAV?

Much like other products, Mutual Fund units have a price or value that you pay to own them. This price is the Net Asset Value or the NAV. To ascertain the NAV, Fund Houses deduct the total liabilities of the fund from its total assets and divide the outcome by the total number of outstanding units.

$$\text{NAV} = \frac{\text{MARKET OR FAIR VALUE OF SCHEME'S INVESTMENTS + CURRENT ASSETS - CURRENT LIABILITIES AND PROVISION}}{\text{NO. OF UNITS OUTSTANDING UNDER SCHEME ON THE VALUATION DATE}}$$

HOW WOULD INVESTORS BENEFIT FROM SIPS?

SIPs bring ample benefits. Take a look

Lighter on the wallet

You can start a SIP with an amount as low as ₹500/month*.

Financial discipline

You save and invest regularly and, in turn, become financially disciplined.

Rupee cost averaging

It averages out your cost of investment over a period, considering on the basis of capital market fluctuations, so you need not worry about timing the market.

Power of compounding

If you start early, and commit and stay invested longer, your money will get sufficient time to compound and grow.

No need to time the market

Thanks to rupee cost averaging, you need not worry about market highs and lows and thus, you can invest anytime. With SIPs, every day is a good day to invest.

Helps in achieving goals

Be it touring the world or living a comfortable retired life, you can set a targeted goal & amount and systematically save and invest for each goal.

Flexibility

In case of budgetary concerns, you may even pause your SIP instalments. Moreover, you also have the flexibility to restart your SIPs anytime.

*The minimum SIP amount may vary across AMCs or schemes. Please refer to Scheme Information Document of the respective scheme/s.

WHAT IS RUPEE COST AVERAGING?

You know that markets are dynamic in nature. That means you know that sometimes they are up, sometimes they are down. Now, when you invest through SIPs, you invest during different market cycles. SIPs accumulate more units at relatively lower costs in the bearish markets depending on the NAV, and then benefit from the eventual up move in the markets.This is known as rupee cost averaging.

WHAT DOES POWER OF COMPOUNDING MEAN?

Compounding is a phenomenon that ensures your regular investments grow to a substantial amount over a period. It merely means that the interest you earn on your interest fetches you additional interest, which can increase the value of your investment and ensure it keeps growing through the invested years. To benefit from the power of compounding, you need to stay invested in Mutual Funds for an extended period.

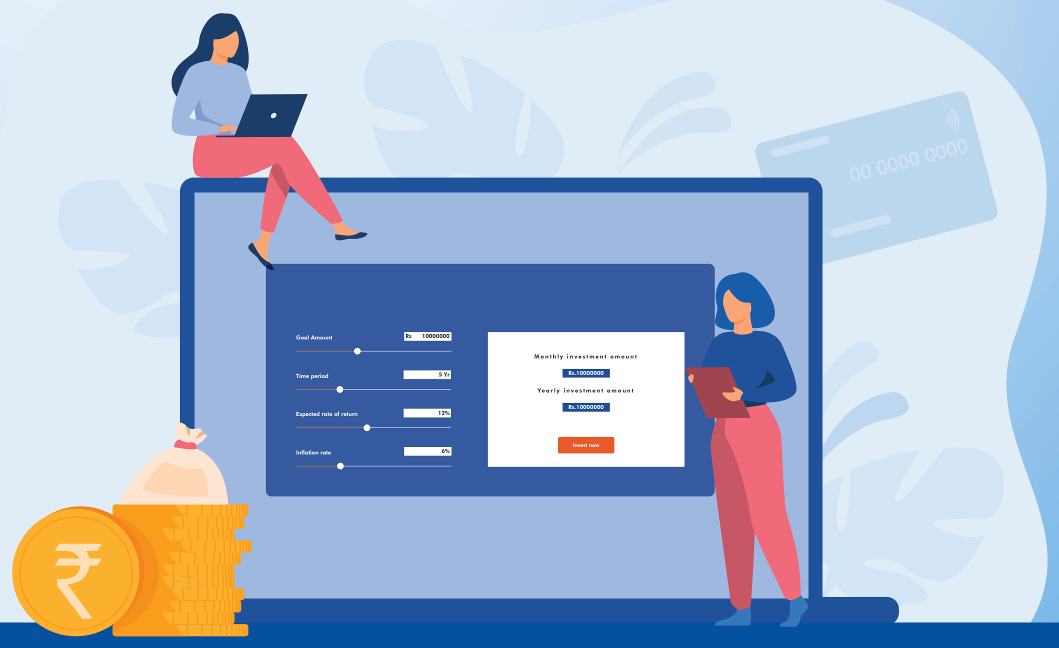
ARE SIPS PREFERRED FOR LONG-TERM GOALS?

Starting a SIP is a smart way of achieving your financial goals. However, if you wish to reap maximum benefits from your investment, you must stay invested for a long time. Investments, especially Equities tend to perform better in the long run. Equities as an asset class have a potential to generate returns, which are over the inflation rate, therefore creating wealth over the medium to long-term. Furthermore, they are tax efficient, if the investment are held for a period of more than a year.

HOW TO ESTIMATE SIP RETURNS?

Thanks to SIP calculators, you can estimate your returns in no time. Different online calculators function differently. However, all of them can help you ascertain your corpus amount. To know how much you will make with your investment, you must enter your monthly SIP amount, investment tenure and assumed interest rate. You will then know your total investment amount as well as your corpus at the end of the tenure.

*Calculation on goal calculator is for illustration purpose only and not an indication of the performance of any schemes.



HOW TO CHOOSE THE RIGHT SIP AMOUNT?

It's a good thing you know that you have to choose the right SIP amount and there is no one 'ideal SIP amount' for all. Before making up your mind, you must carefully assess factors such as your income, expenses, lifestyle, liabilities, goals, etc. Although you can start a SIP with ₹500/-month*, a higher amount may help you build wealth or reach your goal faster

*Varies from AMC to AMC.

DO SIPS HAVE TYPES?

There are five types of SIPs.

Step up or Top up SIP

You can increase your SIP amount by a fixed sum or % at specified intervals. You can opt for this if you expect annual increments. You can also look at step up SIPs if your loan is about to close and you know you will have extra money at your disposal. Simply put, this type of SIP helps you make better use of your savings.

Flexi SIP

You can increase or decrease your SIP amount as per your convenience. An investor could use it to change the amount based on their need or they can choose to invest more or less depending on their investment objective.

Trigger SIP

You can set a trigger event for the Fund House to take actions. For example, you can set a trigger that if your investment makes a profit of ₹2 lakh, the Fund House must exit the scheme. Such SIPs are more suitable for experienced investors who understand market movements better.

Perpetual SIP

Your SIP continues by default. It won't stop unless you decide to do it specifically. This is good because a long-term investment may help you beat volatility and create wealth.

Multi SIP

It allows you to invest in multiple schemes of a fund house through a single application form and is a great way to build a diversified portfolio in an easy manner.

WHAT ARE THE FACTORS TO CONSIDER BEFORE STARTING A SIP?

Before starting a SIP, you must first analyse individual as well as fund specific factors. Individual factors include your financial goals, financial state, risk appetite, investment objective and investment tenure. Fund-specific factors include the past performance of the fund, the Fund Manager's track record, expense ratio, exit, load, tax on redemption, etc.

HOW IS THE EXIT LOAD ON SIPs CALCULATED?

If you redeem your investments before the stipulated exit period specified by the Fund House, you will be charged a certain % of your investment. This expense that you have to bear is the exit load which may vary across schemes. For SIPs, each instalment will be treated as a separate investment. Thus, the holding period will vary accordingly. As a result, some of your instalments may be subject to the exit load, while some others may not.

HOW ARE SIPs TAXED?

The taxation of SIPs will depend on the type of Mutual Fund Scheme and the holding period of your investment,which is nothing but the period you will stay invested for.Short-term Capital Gains and Long-term Capital Gains are taxed differently for Equity Funds.Much like the calculation of exit load, each SIP will be treated as a separate investment for the purpose of taxation too.

SHOULD MUTUAL FUNDS BE REDEEMED DURING VOLATILITY?

Not all ups and downs are scary. You need not fear market fluctuations when you invest through SIPs. Why? Because rupee cost averaging! Your investment will be subject to different market movements. Thus, your cost will get averaged out over time. So, the key here is to ignore volatility, stay focused on your long-term goals and remain invested.

WHEN SHOULD SIPs BE STARTED?

The earlier you start your SIP, the better it is to grow your wealth. This is because you need to give your investments enough time to compound and grow. That said, every day is a good day to start a SIP since you need not time the market. If you still haven't started a SIP, you can do it today within a few clicks.

HOW TO START A SIP?

Here's how to get started with SIPs

Identify your financial goals and investment objective.

Decide on your asset allocation and investment horizon according to your risk-return appetite.

Select the suitable fund category

- Equity Fund
- Debt Fund
- Hybrid Fund

Complete your KYC (Know Your Customer) procedure.

- It is a one-time mandatory exercise to invest in Mutual Fund Schemes.
- The process can be done physically (Offline mode) or digitally (Online mode).
- Complete your KYC digitally by using camera & microphone enabled mobile phone/laptop.
- For Digital KYC, keep the following documents ready:
  - Identity proof: Self-attested PAN copy.
  - Any of the following as address proof: Aadhaar card/Driving License / Voter ID/Passport/Offline Aadhaar (downloaded within 3 days)/ Aadhaar Digilocker.
  - Cancelled cheque copy with the name as per your ID or address proof.
  - Image of your signature on a plain paper.

Once, you're through with the KYC process, choose the suitable Mutual Fund Scheme for your goal from the selected category/fund.

Determine your SIP frequency, date and amount.

Submit the application form after completing the details.

And you are done!

WHAT HAPPENS WHEN YOU DON'T HAVE ENOUGH BALANCE IN YOUR BANK ACCOUNT FOR SIP INSTALMENTS?

If you miss three consecutive SIP instalments, only then your SIP will stand cancelled. However, you must check with your bank if they penalise you for dishonouring the payment even once.

You must also know that if you are unable to continue your SIP, that doesn't necessarily mean you will have to miss your payments or discontinue it. You can simply pause your SIP and avoid penalties or cancellation. Once your finances are better, you can restart the same SIP.

ARE YOU ALLOWED TO HAVE MORE THAN ONE SIP IN YOUR PORTFOLIO?

The good news is that you can have multiple SIPs, whether it is with the same Fund House or others. You can have SIPs in multiple Mutual Fund Schemes too. This will also help you spread investment risks. It is preferred to have different SIPs for different goals. This is because not all goals will need investment in the same Scheme. Mutual Funds offer different Schemes to suit different goals.
For example, you can opt for Overnight and other Debt Funds for emergencies or short-term goals; for long-term goals, you can go for Equity Funds. If you are looking to save tax, you can particularly opt for Equity Linked Savings Schemes (ELSS).

IS IT A GOOD IDEA TO INVEST IN ELSS THROUGH SIPs?

ELSS helps you reduce your taxable income by up to ₹1.5 lakh annually. With SIPs, you can spread this investment amount throughout the year. For example, you can start a monthly SIP of ₹12,500 instead of making a lump sum investment of ₹1.5 lakh. This will not only be lighter on the pocket but will also help you tackle market volatility, thanks to rupee cost averaging.

CAN ONE MAKE A LUMP SUM INVESTMENT IF THEY HAVE AN ONGOING SIP?

SIPs do not stop you from investing otherwise. You can even make a lump sum investment in the same scheme where your SIP is ongoing.

DISCLAIMER

To know about the KYC documentary requirements and procedure for change of address, phone number, bank details, etc. please visit https://www.utimf.com/servicerequest/kyc. Please deal with only registered Mutual funds, details of which can be verified on the SEBI website under "Intermediaries/market Infrastructure Institutions". All complaints regarding UTI Mutual Fund can be directed towards service@uti.co.in and/or visit www.scores.gov.in (SEBI SCORES portal). This material is part of Investor Education and awareness initiative of UTI Mutual Fund.

SIP is a feature offered for disciplined investment of a certain amount on a pre-decided date in a specific mutual fund scheme, regularly over a period of time.

Calculation on goal calculator is for illustration purpose only and not an indication of the performance of any schemes. Calculation is based on assumed rate of return and actual return may vary. Performance may or may not be sustained in future.

Investors should not treat the information on taxation as any advice relating to legal, taxation, investment or any other matter and also in view of the individual nature of the implications, are strongly advised to consult their tax/ legal consultant with respect to the tax implications arising out of their participation in the Schemes or otherwise.

Equity Linked Savings Scheme (ELSS) is an open-ended equity linked saving scheme with a statutory lock in of 3 years and tax benefit. Minimum investment in equity & equity related instruments - 80% of total assets (in accordance with Equity Linked Saving Scheme, 2005 notified by Ministry of Finance). As per the present tax laws, eligible investors (Individual/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. Subject to prevailing tax laws.

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MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.