Systematic Investment Plan

Turn your money into wealth systematically.
Systematic Investment Plan (SIP) as an investment mode is getting a lot of attention from investors. Like most of the investors, you may also have the following queries:

- What is a SIP?
- Why should you invest through SIPs?
- What is the right time to start a SIP?
- How should you select the right scheme for SIP?
- How to start a SIP through ICICIdirect.com?

Let us answer these, one by one.
Systematic Investment Plan

A Systematic Investment Plan (SIP) is an easy and convenient mode of investing fixed amount automatically at regular intervals in a mutual fund scheme of your choice.

Conceptually SIP is similar to Recurring Deposits (RD), though there are certain differences:

- Rate of return is fixed in a RD, while in case of SIP it is market determined.
- Investment in a RD may appear safe, however over the long term investments through SIP have always given higher returns than RD.
Why should you invest through SIPs?

Advantages of investing through a SIP

- Disciplined approach of investing
- Do away with the worry to time the market
- Get benefit of more time spent in market
- Easy on Pockets: Investment through a SIP is possible with amounts as low as Rs 1000 per month.

Let us explain some of the key advantages in details
Why should you invest through SIPs?

**Disciplined approach of investing**

SIP inculcates discipline in your investments – i.e. it makes you invest regularly. Disciplined approach in your investments helps in wealth creation over long term.

For example, a monthly SIP of ₹ 5,000 per month growing at 10% p.a., 15% p.a. and 20% p.a. would grow to:

<table>
<thead>
<tr>
<th>Period (in years)</th>
<th>Principal Invested (₹ lakhs)</th>
<th>Final Amount (₹ lakhs) @ 10% p.a.</th>
<th>Final Amount (₹ lakhs) @ 15% p.a.</th>
<th>Final Amount (₹ lakhs) @ 20% p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>6.00</td>
<td>10.33</td>
<td>13.93</td>
<td>19.12</td>
</tr>
<tr>
<td>15</td>
<td>9.00</td>
<td>20.90</td>
<td>33.84</td>
<td>56.71</td>
</tr>
<tr>
<td>20</td>
<td>12.00</td>
<td>38.28</td>
<td>75.80</td>
<td>158.07</td>
</tr>
<tr>
<td>25</td>
<td>15.00</td>
<td>66.89</td>
<td>164.20</td>
<td>431.34</td>
</tr>
</tbody>
</table>

As shown above, regular and disciplined investments through SIP for long term even with small amounts helps you to create wealth.

Assumed returns for illustration purposes only, Systematic Investment Plan at beginning of the month.
Why should you invest through SIPs?

Do away with the worry to time the market

In a SIP, you receive more units when price of unit (NAV) is lower and less units when price of unit (NAV) is higher. Thus average cost per unit while investing through SIP is kept at a lower level. This makes the need to time the market irrelevant.

Average Cost per Unit through SIP is always at a lower level as you get more units at lower NAV and less units at higher NAV.

As shown above, in a SIP the average cost per unit is kept at a lower level. So, there is no need of looking continuously for the right level of market to start investing.

NAV is assumed for illustration purpose only, NAV = Net Asset Value of a unit, SIP at beginning of the month.
Why should you invest through SIPs?

Get benefit of more time spent in market

With smaller amounts to invest through a SIP, you start investing early thereby giving your investments more time in the market. This increases the final value of your investments.

The longer you stay invested, the more will be final value of your investments.

Final Value = \(~1.5\) times the principal invested

Final Value = \(~2.3\) times the principal invested

Final Value = \(~3.8\) times the principal invested

Final Value = \(~6.3\) times the principal invested

\(₹\) 5,000 invested per month growing at 15% per annum

For illustration purposes only. The returns are assumed returns and SIP is at beginning of the period.
What is the right time to start a SIP?

Right time to start a SIP

There is no time like “NOW” to start investing through SIP.

As shown above the earlier you start investing through SIP, the more will be your final investment value. There is no time like “NOW” to start investing.

Scenario A: ₹5,000 invested monthly from age of 25 till the age of 60 years

- Final Value of Investments: ₹7.43 crores

Additional amount of ₹4.15 crores when you start investing early though the monthly investment when you start investing late was higher.

Scenario B: ₹10,000 invested monthly from age of 35 till the age of 60 years

- Final Value of Investments: ₹3.28 crores

Assumed returns for illustration purposes only, Systematic Investment Plan investment at beginning of month.
How should you select the right scheme for SIP?

Factors to consider before starting a SIP

1. Select the right Mutual Fund scheme
   - You should invest in Equity Mutual Funds as Equity as an asset class generates higher returns in the long term

2. Decide the amount you can afford to invest every month
   - Start investing NOW with your investible surplus

3. Decide the duration of investment period
   - SIP in Equity schemes should be ideally for 5 years or more
Selecting the right scheme on ICICIdirect.com

Research Recommendations:

Easily select scheme(s) for starting SIP from top-rates schemes recommended by our award-winning Research after extensive analysis. These recommendations are available on Mutual Funds Place Order page in the login section.

Choose scheme(s) to start SIP from our recommended “SIP Portfolio” and start your investment journey.

How should you select the right scheme for SIP?
Majority of our investors prefer to invest in our Research recommended schemes for SIP for long term wealth creation.

ICICIdirect Research Recommended Equity Schemes for SIP – Average Returns w.r.t. benchmark. Resultant value from Rs 1,000 invested monthly in Sensex & our recommended equity schemes for SIP

Across time-periods, our Research recommended Equity schemes for SIP have given more returns than Sensex. The longer the period of investment, more is the out-performance by our recommended schemes.

- ~1.2 times the final value of Sensex
- ~1.4 times the final value of Sensex
- ~2.0 times the final value of Sensex
- ~3.7 times the final value of Sensex

Our Recommended schemes for SIP have consistently out-performed their benchmarks. You should also start investing through SIP in our Research recommended schemes for long term wealth creation.

Source: Accord FinTech, ICICIdirect Research, Data as on July 25, 2016
How to start a SIP through ICICIdirect.com?

1. Enter User Id, Password, Date of Birth/PAN, select Mutual Funds to Start in and click on “Login Now”.

2. Click on “Purchase” to select scheme(s) to Invest.

3. Click on Continue to Invest.

4. On Mutual Funds Place Order page select a scheme from our Research recommendations and click on SIP.
How to start a SIP through ICICIdirect.com?

1. **Enter SIP details** – Frequency, SIP Period, Start Date and Installment Amount.
2. **Provide other mandatory details** and click on Submit.
3. **Review the investment details** provided, Accept T&C and click on “Confirm” to set up your SIP.
4. A confirmation message with instructions will be displayed.

What are you waiting for? Start investing through SIP in our recommended schemes now and SIP your way to wealth creation!!
Thank You