

# Target Investment Plan FAQ's

## 1) What is Target Investment Plan (TIP)?

A well designed investment plan can help you achieve your financial goals by aligning your investment strategy within the time frame required to reach your goal.

The Target Investment Plan (TIP) offers to create a simple process that helps an investor to achieve a specific medium to long-term financial goal. The plan helps to achieve the target amount of the goal on a given time frame and budget of the customer.

TIP works on an innovative and intelligent investment strategy that is similar to Systematic Investment Plan (SIP) in terms of a regular periodic investment, but differs in the amount invested in each instalment.

## 2) How does TIP work?

Let us take an example to understand the concept.

In TIP you start by setting a target amount and an expected growth rate over the period of achieving the target. The longer the period the better is the opportunity to achieve the desired target amount.

Let's take an example to simplify the understanding:

Suppose you have a child who would study Medical after say seven years and if his fees to be paid would be say around Rs.10 Lacs, you can start with your Target amount as Rs.10 Lacs.

The duration of the investment can be seven years and the expected rate of return can be taken as 12%.

Target Amount	10 Lacs
Expected Return	12%
Duration	84months
<b>Average Investment Amount (Rs.)</b>	<b>7700</b>

TIP Dates	Opening Portfolio	Monthly installment	Closing Portfolio	Remarks
	(Rs.)	(Rs.)	(Rs.)	
7th March 2011	0	7700	7700	This is the first installment
7th April 2011	7000	8400	15400	Portfolio Value went down from Rs.7700 to Rs.7000;Hence the monthly installment amount went up from Rs.7700 to Rs.8400 (Rs.15400-Rs.7000)
7th May 2011	17000	6100	23100	Portfolio Value went up from Rs.15400 to Rs.17000;Hence the monthly installment amount went down from Rs.7700 to Rs.6100(Rs.23100-Rs.17000)
7th June 2011	22000	8800	30800	Portfolio Value went down from Rs.23100 to Rs.22000;Hence the monthly installment amount went up from Rs.7700 to Rs.8800(Rs.30800-Rs.22000)
7th July 2011	32000	6500	38500	Portfolio Value went up from Rs.30800 to Rs.32000;Hence the monthly installment amount went down from Rs.7700 to Rs.6500(Rs.38500-Rs.32000)

**First investment amount:** Your first investment amount would be Rs.7700/- which is equal to the average amount of investment.

### Illustration showing Monthly TIP Installments

Against your total investment of **Rs.35500/-**(Sum of monthly installments in 5 months), your current portfolio stands at **Rs.38500/-**

The plan thus establishes the target portfolio value by periodically calculating the investment amount, and bridging the gap between the target value and the actual portfolio value.

**3) Is there any maximum limit to cap the investment of a particular month?**

Yes, you can cap your maximum amount of instalment amount when you set your TIP. In TIP, if your investments do well, you only need to invest less and if your investments do poorly, you need to contribute more, only to the amount capped by you during the set up.

**4) What factors are considered for monthly TIP?**

The following are considered while computing monthly TIP

- a) Corpus desired (Rs.) = 1 Lac to 10 Lacs
- b) Required Return (%) = 6%, 9%, 12%, 15% and
- c) Investment duration(Months) = 36,48,60,72,84

Presently these are fixed components. Based on the above input, an average amount is Calculated and displayed to the customer. The minimum amount will be the average amount and maximum amount will be 1.2 to 3 times of average amount.

**5) Can I Schedule TIP in any of my existing folio?**

No. To help you achieve and monitor the plan, a New Folio will be created.

**6) How will my subsequent purchase / instalment be executed?**

Subsequent purchase would be calculated on a monthly basis five working days prior to purchase/instalment date.

**7) Will I get intimation on the subsequent purchase/instalment?**

Yes, you will get an email giving you details of amount that would get debited and the date on which the same would be done.

**8) What happens in case the calculated minimum amount is lesser than minimum amount for subsequent purchase?**

The follow-up investment amount will be the calculated investment or the minimum additional purchase amount, whichever is higher.

**9) Can I cancel my TIP subsequent purchase/instalment?**

Yes, you can cancel your TIP subsequent purchase request/instalment, but based on the Target Amount, the subsequent month's amount purchase/instalment amount will be higher. This is to help bring the investments in line with the Target amount and expected rate of return.

### **10) Can I change the details of my existing TIP?**

No, you cannot change the details of a TIP once set up, you may choose to start a new TIP in case of any changes.

### **11) Can I redeem my TIP?**

Yes, you can redeem your TIP but before doing the same you should cancel the TIP. Post redemption, TIP would be discontinued.

You cannot redeem a part of the TIP amount.

Please note that any redemption) offline/online) would cancel your TIP. You may choose to start a new TIP to continue investing.

### **12) Can I switch-in or switch-out from any other scheme to TIP or vice versa?**

No. Switch in and Switch out are not applicable under TIP.

### **13) What are the benefits of Target Investment Plan (TIP)?**

- Disciplined approach as it invests more when markets are low and less when markets are high
- Times the market with varying monthly contributions
- The returns are higher in most cases than normal SIP as the SIP is only based on rupee cost averaging technique
- In most scenarios, TIP achieves lower cost of acquisition as compared to SIP
- The probability of achieving target value for a portfolio through TIP is much higher than a SIP

### **14) What are the differences between TIP and SIP?**

TIP works on the principal of fixed units over a specified period of time. Hence, you decided that you want X units per month. If the market conditions are good, then fewer amounts will be invested. If market conditions are bad, then more amounts will be invested. The advantage is you are sure that after some years, you will have specified units that can be encashed.

SIP works on the principal of fixed amount of investment over a specified period of time. Hence the units you get are not constants and vary based on the NAV of fund. The main disadvantage of SIP is that this gives rise to uncertainty of meeting goals

over a long period of time. In SIP, you not sure whether you will get those Units of MF you want as the market condition keep on changing.

SNo.	Systematic Investment Plan	Target Investment Plan
1	Same amount of money is invested at set intervals, regardless of the price	Investment begins with the end goal in mind and work toward a target period
2	A steady contribution buys more units when prices are low, and fewer units when prices are high	With TIP you're investing more money (vs. just getting more units for your money) when prices are down, and investing less money when prices are up
3	Takes the guess work out of investing, and smooths the average investment price	Forces investors to invest less money when prices are high, and invest more money when prices are low
4	Risk avoidance strategy, and it will prevent you from making the mistake of piling all of your money into the market just before a major decline	Target based investing strategy

**15) Is TIP right for me?**

The whole advantage of the plan is that an investor does not have to think about whether it's the right or wrong time to invest. The investor just has to follow the plan with a secure knowledge that investments will help achieve the target amount over a desired period and rate of return.

**16) Where can I view the details of my TIP purchased through [www.icicidirect.com](http://www.icicidirect.com)?**

To view the details of your TIP purchased online visit the TIP Book of the Mutual Fund section of your ICICIDirect trading account.

**17) Are there any charges for TIP?**

Yes, transaction charges as applicable for SIP transactions would be applicable.

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