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Vcare Investment Services Pvt. Ltd.

We are your MF Distributor... begin your *Journey2Money* with us.

INDIA - A SAFER BET FOR INVESTMENTS AMONG GLOBAL ECONOMIES

There were many reasons for not investing in Equities in the past 32 years -

- Gulf War
- Kuwait invasion by Iraq
- Rajiv Gandhi assassination
- Harshad Mehta scam
- Bombay bombings
- Barings Bank collapses
- Vajpayee Government falls
- PM Deve Gowda resigns
- Asian Financial crisis
- LTCM collapse
- PM Gujral resigns
- Pokhran nuclear test
- Russian Financial crisis-Ruble devaluation
- Ketan Parekh scam
- Terror attack in the US
- Gujarat riots
- US invasion of Iraq
- Madrid bombing
- Global market meltdown
- London subway bombing
- 26/11 Mumbai attack
- US Financial crisis
- Bankruptcy of Lehman Brothers
- Satyam scandal
- European debt crisis

- Trade deficit increase
- QE taper worry
- China Yuan depreciation
- Fed hikes rate 1st time in 9 years
- China's economic slowdown
- Demonetization
- Syria bombing
- IL&FS default
- Saudi Aramco drone strike
- Brexit
- RERA Act
- Introduction of GST
- LTCG tax imposed
- North Korean missile crisis
- RBI hikes rates
- Corona hits
- Nationwide lockdown
- Covid second wave
- India China tension
- Russia Ukraine crisis
- Fed hikes rates by 75 bps, biggest since 1994

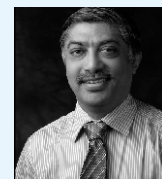
But there was only one reason for investing
Compounding return from Equity!!

This one reason is strong enough to overlook
all the above other reasons to not invest!

Moreover, if you look at recent times, India has an upper hand compared to most other economies of the world. For FIIs, there has always been a consideration between China and India as a destination for money. But with what has happened in China in the last 12 – 18 months, such as Covid and much tighter regulation of parts of the new economy, a lot of foreign investors have shifted their focus from China to India.

There is no doubt that there will be recessionary pressure due to the global turmoil and India will feel the jitters but we will come out victorious because our economy is domestic-driven. The structural drivers such as urbanization and digitalization remain intact, which in turn become key drivers for domestic consumption.

Do not panic, stay focused on your financial goals and stay invested... you will definitely reap the fruits of long-term investing!



Piyush Desai - CEO

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Don't be proud of your salary,
Be proud of your Investments.

-Warren Buffett.

REPAY YOUR HOME LOAN SMARTLY!!

Assume you have taken a home loan of ₹25 lakh at the rate of 7%. The EMI payable for 20 years period would be ₹19,382. However, if you extend the loan period to 30 years, the same EMI would reduce to ₹16,632.

So rather than taking a shorter loan period, opt for 30 year loan period and start an SIP of the differential amount i.e. ₹2,750 in an Equity Mutual Fund scheme of your choice.

Who is smarter at repaying a home loan of ₹25 Lakhs?



Mr. X

Mr. Y

Loan repayment term	20 years	30 years
EMI per month* (in ₹)	19,382 (A)	16,632 (B)
SIP per month (in ₹)	—	2,750 (A-B)
After 17 years		
Total EMI paid (in ₹)	39,54,025	33,93,043
Total SIP investment	NIL	5,60,982
Total Outflow	39,54,025	39,54,025
Principal outstanding (in ₹)	6,27,730	17,00,542
Total SIP Corpus [#] (in ₹)	—	18,36,723
SIP corpus left after paying O/S principal (in ₹)	—	1,36,181

#Assumed rate of return for SIP - 12% CAGR

Mr. X continues to pay his EMI till the end of the loan repayment term (for 3 more years); while Mr. Y repays his loan from his returns from SIP.

TOTAL SAVINGS OF MR. Y		
EMI for remaining 3 years (in ₹) (A)	SIP corpus left after paying O/S principal (in ₹) (B)	Total Savings (in ₹) (A+B)
6,97,769.04 (19,382x36)	1,36,181	8,33,950

^7% is an assumed median floating rate of interest over the tenure of the loan. The actual rate of interest might move up or down throughout the tenure of the loan due to the floating nature of interest rates, and thereby changing the overall calculations.

Alternatively, if you cannot opt for a 30 years home loan due to any reason, you can choose to set aside a marginal amount (0.1% of principal) from your savings to start an SIP with an aim to recover the interest on your loan.



Principal (in ₹)	25,00,000
EMI (in ₹)	19,382*
Total EMI to be paid over 20 years (in ₹)	46,51,794
Hence, total interest to be paid (in ₹)	21,51,794

START AN SIP WHICH IS 0.15% OF LOAN AMOUNT

Return on SIP	12%
Minimum SIP required to match return on SIP with interest on loan	3,750 (monthly SIP as a % of Loan Principal)
Total SIPs over 20 years (in ₹)	9,00,000
Final value of SIP after 20 years (in ₹)	37,09,708 [#]
Capital Appreciation (in ₹) (greater than the interest component of home loan)	28,09,708
Difference (SIP Appreciation-interest on Loan)	6,57,914

Effects of taxation have not been considered in the above illustration.

*Calculation - <https://www.hdfc.com/home-loan-emi-calculator>

#Assumed rate of return on the SIP - 12% p.a. Calculations are for illustrative purposes only.

Mutual fund investments are subject to market risks and returns are not guaranteed or assured.

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SWP - A TAX EFFICIENT OPTION!

Guidelines for an investor at Pre-Retirement stage*

Consider moving your investments into low risk asset class like Debt and opt for Systematic Withdrawal Plan that can provide you with monthly cash flows post retirement in a tax efficient manner. Consider keeping some investments in equities as it may provide a hedge against longevity risk.

SWP vs IDCW (Income Distribution cum Capital Withdrawal)

The below table shows the difference between withdrawing money regularly through SWP and receiving IDCW.

Systematic Withdrawal Plan	IDCW
Withdrawals through SWP is subject to capital gains tax	IDCW are taxed at marginal income tax rate
Tax is paid only when there is a gain	Dividend is paid irrespective of market movements, and taxed accordingly
Exemption of ₹1 lakh available for LTCG	No exemption
Monthly cash flow under SWP is assured	Cash flow is subject to availability of distributable surplus in the scheme

SWP IN YOUR EQUITY MUTUAL FUNDS

SWP IN THE FIRST YEAR OF INVESTMENT

Short term capital gains tax at 15% only on the gains made.

SWP AFTER THE FIRST YEAR OF INVESTMENT

LTCG tax @10% only on the gains made, subject to exemption of ₹1 lakh for the financial year.

SWP IN THE FIRST 3 YEARS OF INVESTMENT

Short term capital gains tax at applicable tax slab of the investor (only on the gains made).

SWP IN DEBT MUTUAL FUNDS

SWP AFTER 3 YEARS OF INVESTMENT

Long term capital gains tax @ 20% (only on the gains made), with indexation benefit.

ILLUSTRATION OF SWP RETIREMENT PLAN

Illustration	SIP of 'X' amount for 10 years & SWP of '2X' for the next 20 years	SIP of 'X' amount or 15 years & SWP of '4X' for the next 20 years	SIP of 'X' amount or 20 years & SWP of '9X' for the next 20 years	SIP of 'X' amount or 25 years & SWP of '18X' for the next 20 years
Monthly SIP amount	₹5,000	₹5,000	₹5,000	₹5,000
SIP tenure in years	10	15	20	25
Assumed annual rate of return	12%	12%	12%	12%
Total amount invested through SIP	₹6,00,000	₹9,00,000	₹12,00,000	₹15,00,000
Value at the end of SIP	₹11,61,695	₹25,22,880	₹49,95,740	₹94,88,175

SWP starts after the completion of SIP investment




Monthly SWP amount	₹10,000	₹20,000	₹45,000	₹90,000
SWP tenure in years	20	20	20	20
Total SWP Amount (A)	₹24,00,000	₹48,00,000	₹1,08,00,000	₹2,16,00,000
Value at the end of SWP years (B)	₹27,61,276	₹76,95,498	₹98,99,870	₹1,43,17,477
Total amount received by investor by the end of SIP and SWP (A+B)	₹51,61,276	₹1,24,95,498	₹2,06,99,870	₹3,59,17,477

Exit load and tax consequences have not been considered in the above illustration.

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

SMALL SACRIFICES CAN MAKE A HUGE DIFFERENCE!

- ❖ Can you give up 1 cigarette per day?
- ❖ Can you drink one pint of beer less over the weekend?
- ❖ Can you spend less on movies/ dinner?

			
A small sacrifice	Skip 1 cigarette per day i.e., 365 cigarettes in a year	Skip 1 beer over weekend i.e., 52 beers over a year	Spend less on movies / dinner
Cost	Cost of 1 cigarette - ₹15	Cost of 1 pint - ₹200	Spend ₹1500 less on movies / dinner every month
Amount Saved per year (in ₹)	5,475	10,400	18,000
Invest the amount saved annually for next 35 years			
Assumed Rate of Return (%)	12%	12%	12 %
Accumulated amount at the end of 35 years (in ₹)	26,46,961	50,28,016	87,02,336

Returns are assumed only to show the power of compounding and neither guaranteed nor indicative of any mutual fund scheme / other asset class.

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

SAVING

INVESTING



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MONEY TO REST

IS PUTTING YOUR
MONEY TO WORK

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