Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter “Knowledge Initiative” for August 2019.

We thank you for reading and acknowledging our newsletter every month. Knowledge Initiative Team is committed to bring to you more educative and informative articles.

Akhil Chugh
Director - Net Brokers

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What is long term in equities?: Listed are different perceptions to long term in equities, keeping the focal point as a goal oriented investment plan. Enrich your knowledge on this.

2

Five money habits impacting your child’s financial future: The biggest disconnect between parents and kids is that that they themselves may have wrong money habits. Enlighten yourself on how one should maintain good money habits for their children to carry forward.

3

Cost of delay in investing: The article talks about how investing early plays an important role in building the desired corpus in the long run.

4

Sip Returns: Check the best performing funds in their respective categories.

WHAT IS LONG TERM IN EQUITIES?

We often hear from our friends or colleagues , that one must invest in equities for long term to gain better returns. Long term may have different meanings for different people. It can be 1 year for some individuals, 3 / 5 years for another individual and 10 years for someone else.

This is the biggest question in the mind of the investors. The answer to this depends upon your financial goal. If you have a goal, you know exactly how much you have to save on monthly or annual basis and what will be investment tenor required to achieve that goal.

For example, if you are 30 years old and want to have a retirement corpus of Rs 1 Cr at 60 years, you need to invest Rs 2833 per month in an equity mutual fund assuming returns are 12% CAGR. When you are 3 – 4 years away from your goal, you should gradually start shifting equity investment to safer instruments like debt mutual funds to safeguard the retirement corpus. In this way, you get to know when you have to exit from equities.

WHAT IS THE SOLUTION?

Investments should always be backed by GOALS….FINANCIAL GOALS

- Retirement plan
- Children education plan
- Children marriage plan

This encourages you to have a long term horizon. In this way, you don't panic during short term volatility in stock markets. Based on your goal, asset allocation is decided.

A person who has a goal to buy a home in 3 years will be advised to invest in 100% fixed income products and zero percent in equities as fluctuations in stock markets may spoil his chances due to a shorter investment horizon. On the other hand, a person saving for his 3 year old child's higher education has 15 years and can have a larger allocation to equities and rest into debt products to create a good corpus in the long run. In equities, longer the horizon; better are the returns and lesser is the risk.

If you want to know the answer of what is long term in equities, have a financial goal to know how long you need to stay invested and what is the right time to exit.

Five money habits impacting your child's financial future

The biggest disconnect between parents and kids is that they themselves may have some wrong money habits. This is the reason you need to go through the following points and understand which habits of yours can make or mend your children's financial future.

TALKING ABOUT MONEY

When parents communicate with each other about household finances, spending, saving, investing, and planning for the future, it gradually and subconsciously becomes a financial template for the child to work with as an adult. "It is very important because otherwise, it will leave children ill-equipped to earn, maintain and multiply money. This could result in their overspending and under-saving. It is important for parents to discuss and plan their finances regularly.

SAVING AND INVESTING FOR GOALS

If the parents have saved and invested systematically throughout their lives for all their goals, including children's education and wedding, the kid is most likely to do the same for his family once grown up. "Planning is the only way to reach goals and it is important to choose the right tools for the right goals. You cannot keep your money in a fixed deposit for 15 years and expect it to work for you. The more important thing to do is to involve children in the process so that they also get a firsthand experience of risks, wins and losses. As they turn 16, they should be involved in discussions about funding their higher education.

BEING ORGANISED

Do you maintain a budget, compare your inflow and outflow periodically, do not miss deadlines for paying bills or premiums, and make investments and check them regularly? Your ability to keep your finances under a firm check and manage these in an orderly manner lends financial stability and security to the household. Since you will know exactly how much money is available for saving and spending, you can impose financial discipline on your kids and not give in to their random demands for toys, gadgets and clothes.

HEALTHY RISK APPETITE

It's almost a given that children are influenced by the type of investments their parents make. So if equity and stock markets have been seen as a risk, the children are unlikely to explore these. The older generation saw the markets as a gamble and stayed away from it. They only considered debt options like fixed deposits, gold and property as safe. This is the reason why current generation is very conservative in their approach towards investment. Now the changed government policies have rendered these options very unattractive and they are moving towards equity through mutual funds.

SECURING RISKS

Your finances can never be secure if you do not buy adequate insurance or have a contingency fund, as well as a will, to ensure that your legacy passes on safely to the heirs. Not having these can expose your loved ones to undue hardships. Make sure you have a good contingency fund in place, an adequate term insurance cover and a registered will.

Cost of delay in investing

India is progressing and young professionals are getting handsome packages. People today are financially independent at a younger age. As a result, most of them become confident about their long-term finances. While everyone is aware of their financial needs and aspirations, only a few assess their ability to meet critical long term goals - saving for retirement and saving for child's education, to name two key ones. Postponement in planning can result in a higher financial burden in the later stages of life, and one may not be able to save enough for long term goals.

Let's understand the cost of delay in investing with the help of an example.

SHIKHA	AJAY	VIJAY
25 years	**30 years**	**35 years**

They start investing Rs. 10,000 per month in equity diversified mutual funds till the age of 60 years for their retirement.

Investors	Starts investing the age	Monthly savings	Returns (assumed)	All invest till the age of	Total investment	Wealth accumulated at 60
Shikha	25 years	10,000	12% CAGR	60 years	42 lacs	5.51 crore
Ajay	30 years	10,000	12% CAGR	60 years	36 lacs	3.08 crore
Vijay	35 years	10,000	12% CAGR	60 years	30 lacs	1.70 crore

Note: SIPs in Top Equity Mutual Funds have delivered returns more than 20% CAGR in last 20 Years .

While the winner is obvious, the difference in retirement corpus is the clincher. Shikha ends with a higher corpus because she started early and benefitted from the power of compounding.

The biggest tool you have in your journey to become rich is Time. If you have time on your side, even small amounts can become huge. Start planning for future financial needs without any further delay. Judicious and proactive financial planning will make sure that you have enough resources with you in the future, to fulfil your child's aspirations and take care of your retirement needs.

Remember, while the key to successful planning is to start early, at the same time, it is never too late to get started.

SIP RETURNS IN TOP MUTUAL FUNDS

Returns as on date 24th August 2019

PLEASE NOTE: *Returns over 1 Year are compounded annualised

INVESTMENT		VALUE (5 Year)		VALUE (10 Year)		VALUE (15 Year)	
Monthly Investment @Rs 10,000		600000		1200000		1800000	
SCHEME NAME	***CATEGORY***	***RETURN***	***%***	**RETURN**	**%**	**RETURN**	**%**
Mirae Asset Large Cap Fund (G)	***Large Cap***	760,389	9.4	2,511,236	14.1	N/A	N/A
Axis Bluechip Fund (G)	***Large Cap***	793,241	11.1	N/A	N/A	N/A	N/A
Kotak Equity Opportunities Fund (G)	***Large & Midcap***	715,141	7.0	2,189,083	11.6	N/A	N/A
Mirae Asset Emerging Bluechip Fund (G)	***Large & Midcap***	810,910	12.0	N/A	N/A	N/A	N/A
SBI M Multicap Fund (G)	***Multi Cap***	732,205	7.9	2,319,322	12.7	N/A	N/A
Kotak Standard MulticapFund (G)	***Multi Cap***	745,075	8.6	2,431,398	13.5	N/A	N/A
L&T Mid Cap Fund (G)	***Mid Cap***	672,941	4.5	2,487,675	14.0	5,957,924	14.6
Franklin- India Prima Fund (G)	***Mid Cap***	676,310	4.7	2,524,724	14.2	5,923,327	14.5
Axis SmallCap Fund (G)	***Small Cap***	756,162	9.2	N/A	N/A	N/A	N/A
SBI SmallCap Fund (G)	***Small Cap***	754,641	9.1	N/A	N/A	N/A	N/A
SBI Focused Equity Fund (G)	***Focused***	755,108	9.2	2,571,995	14.6	N/A	N/A
Axis Focused 25 Fund (G)	***Focused***	781,284	10.5	N/A	N/A	N/A	N/A
ICICI Pru Equity & Debt Fund (G)	***Hybrid Equity***	712,098	6.8	2,270,692	12.3	5,012,245	12.6
SBI Equity Hybrid Fund (G)	***Hybrid Equity***	738,538	8.3	2,272,986	12.3	N/A	N/A
Axis Long Term Equity Fund (G)	***ELSS***	754,101	9.1	785,267	10.7	N/A	N/A
DSP - Tax Saver Fund (G)	***ELSS***	732,504	7.9	2,357,626	13.0	N/A	N/A

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