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Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter "Knowledge Initiative" for May 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.

1

Mutual funds and its power

to create wealth: Mutual fund SIP's have become one of the favourite saving and investment choices for retail investors in India. Let's understand how mutual fund work on the concept of power of compounding and help us grow our money.



2

Essentials of Retirement

Planning: The article talks about what retirement means and how an individual can plan for the golden years of his life, in order to lead a hassle free and relaxed journey post his work period.



3

10 reasons for home loan

rejection: First time home buyers often get a setback when they apply for a home loan and get rejected for some reason. Let's understand some typical situations that can be avoided in such a scenario.



4

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



MUTUAL FUNDS AND ITS POWER TO CREATE WEALTH

Mutual Fund Systematic Investment Plans (SIPs) were introduced for the first time in India in the late nineties. Over the past twenty years or so, mutual fund systematic investment plans have become one of the favourite saving and investment choices for retail investors in India. Let's understand how mutual fund work on the concept of power of compounding and help us grow our money:

TIME

As we know, power of compounding works on the multiplicative terms, and not additive. If we calculate Rs 1,00,000 for 12% p.a for over 20 to 30 years, we would see the money growing 10 to 50 times over the period. Hence, the longer the time horizon, higher is the wealth creation.

POWER OF COMPOUNDING

The concept of compounding is simple. Power of compounding is the interest earned on interest or profits earned on profits. The **power of compounding** over a long horizon, if invested in the right asset, is enormous.

MONEY MUST GROW

Just like we work to earn money, money works to earn money. Unfortunately, while we are working, we forget to make our money work hard for us. If you save and invest more, you will make more money overtime. Therefore, you should put every rupee you save to invest.

SYSTEMATIC INVESTING

The essence of mutual fund investing is a disciplined approach towards saving an amount comfortable to one's pocket and generating returns over a period of time. For example, **Rs 5,00,000 invested for 5 years with an annualised return (assumed) 12% will yield a profit of Rs 3.8 lacs. The same money spread over a tenure of 20 years with a monthly instalment of Rs 2080 will yield a profit of Rs 14 lacs.** Thus, SIP is a great way to accumulate wealth with a systematic way of investing over a long term.

TIMING THE MARKET BECOMES IRRELEVANT

It is impossible for any investor to predict how the market will behave on a daily, monthly or quarterly basis. Hence, we must depend on the experts, that is, fund managers who are constantly reviewing the financials of the companies and their behaviours while investing in the long run. Also, by investing in both, low and high points of the funds, the risk is mitigated by the rupee cost averaging.

ESSENTIALS OF RETIREMENT PLANNING

What is Retirement?

Retirement is a phase in an individual's life, when one stops working and stops earning a regular income. An age of a retired individual is 60 years in India, for a salaried and self employed. Though self employed can work upto the age of 70 years as well.

The question is, what does one do when his income stream dries up? But his expenses don't. Let's understand the essentials of retirement planning now:

POST - RETIREMENT EXPENSES

During our work life phase, we are busy earning and spending on our lifestyle, moral and social responsibilities. But when we sit down to calculate our monthly expenses, we don't consider INFLATION. It is extremely important to consider and incorporate inflation percentage while devising our retirement plan. Hence, it is important to start saving early, so that our retirement corpus doesn't shrink due to non-adjustment of the inflated expenditure.

The most important part of retirement planning is to start and save early. Let's understand this through figures: (retirement age = 60 years)

Ram saved and invested Rs 5000 per month at an early age of 25 years, assuming an annualised return of 12%, he could create a corpus of **Rs 2.76 crore.**
Shyam saved and invested Rs 16200 per month at an age of 35 years, assuming an annualised return of 12%, he could create a corpus of **Rs 2.76 crore.**

STARTING EARLY

SELECTING GOOD MEDICAL INSURANCE

With old age, one must consider the increase in medical expenses, such as medicines, hospitalisation, minor or major falls, specific illness etc. A good health insurance plan will cover major illnesses for you and your family.

Contingencies can come in any form, sickness or sudden travel or outflow required for family. Contingency fund is nothing but an emergency fund that you create while you start planning for your retirement.

CONTINGENCY FUND

THE RIGHT RETIREMENT PLAN

A good retirement plan is the first thing we should choose. There are various options in the market, and it is advisable that you take help of a professional such as a financial advisor. He could help you to devise a plan according to requirement and revise the plan as when required.

10 REASONS FOR HOME LOAN REJECTION

First time home buyers often get a setback when they apply for a home loan and get rejected for some reason. Let's understand some typical situations that can be avoided to have a smooth HOME LOAN SANCTION from any financial institution:

RESIDENTIAL ADDRESS ON DEFAULTER'S LIST

Living under the same roof as someone who has slipped up on a loan payment or credit card dues, can get you to be in the defaulters list as well.

FILING INCOME - TAX REGULARLY

3 year income tax returns are mandatory documents for home loan sanction; In case of non-availability, the lending institution has a right to reject your application.

DUES UNPAID

Accumulating credit card dues, late EMI payments, huge pending debts, form a major reason for rejection.

POOR CIBIL SCORE

Cibil score forms a very important part in sanctioning your home loan, hence make sure your credit card and loan payments are made on time.

JOB HOPPER

You're changing of job frequency is more than 2-3 a year; this is an alarming sign for any financial institution concerning an individual's stability.

OTHER LIABILITIES

You are already running with many other loans, then your income less loan payments will be considered as real income.

LOAN APPLICATION REJECTED BEFORE

If for any reason, your previous home loan application with another financial institution was rejected, this gets recorded in the cibil report. The lending institution can ask you a detailed explanation for the same.

LOAN GUARANTOR TO A DEFAULTER

You are a guarantor to someone who has not been paying loan EMI's – this will hamper your situation in the eyes of the institution.

PROPERTY BEING PURCHASED FALLING UNDER POLICY GUIDELINES

Choose an established and trusted builder who has all the necessary documents for easy sanction of your loan. If there is a problem with the title, layout etc., your loan application could get rejected.

AGE: A CONCERN

You are nearing your retirement age, gets an individual in a situation of having a smaller tenure & high EMI option. Hence, financial institutions refrain from accepting such applications.

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	CATEGORY	RETURN	%	RETURN	%	RETURN	%
Mirae Asset Large Cap Fund (G)	Large Cap	435,788	12.8	839,570	13.4	2,798,017	16.2
Axis Bluechip Fund (G)	Large Cap	456,145	16.0	839,939	13.3	N/A	N/A
Kotak Equity Opportunities Fund (G)	Large & Midcap	412,003	9.0	787,272	10.8	2,407,117	13.3
Mirae Asset Emerging Bluechip Fund (G)	Large & Midcap	432,203	12.3	895,596	16.0	N/A	N/A
HDFC Equity Fund (G)	Multi Cap	431,443	12.1	798,796	11.4	2,404,045	13.3
Kotak Standard Multicap Fund (G)	Multi Cap	431,438	12.1	834,596	13.2	N/A	N/A
Kotak Emerging Equity Fund (G)	Mid Cap	389,918	5.3	779,288	10.4	2,835,637	16.4
Axis Midcap Fund (G)	Mid Cap	856,214	11.6	1,591,841	11.3	N/A	N/A
Franklin India Smaller Companies Fund (G)	Small Cap	366,895	1.2	727,340	7.6	3,001,302	17.5
HDFC Smallcap Fund (G)	Small Cap	413,179	9.2	828,855	12.9	2,659,491	15.2
Franklin India Focused Equity Fund (G)	Focused	421,860	10.6	795,403	11.2	2,813,974	16.3
Axis Focused 25 Fund (G)	Focused	437,338	13.1	843,306	13.6	N/A	N/A
ICICI Pru Equity & Debt Fund (G)	Hybrid Equity	412,370	9.0	781,944	10.5	2,512,181	14.1
Principal Hybrid Equity Fund (G)	Hybrid Equity	414,531	9.4	795,426	11.2	2,317,940	12.6
Axis Long Term Equity Fund (G)	ELSS	433,037	12.4	816,401	12.3	N/A	N/A
Mirae Asset Tax Saver Fund (G)	ELSS	441,864	13.8	N/A	N/A	N/A	N/A

PLEASE NOTE: *Returns over 1 Year are compounded annualised



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