



Akhil Chugh
Director - Net Brokers

Dear Patrons,

Greetings!

Wishing you a very happy and prosperous Diwali !

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

Retirement Planning - Common mistakes while taking this decision:

It is human nature to care more about immediate issues than something that feels far away, like retirement. Enrich your knowledge on common mistakes one can avoid while taking this decision.



2

Don't rely completely on star ratings:

The investor has online access to view all information on various mutual funds. One of the parameters considered is the star rating system. Let's understand how it works.



3

SIP and Term plan - A good combination:

Everyone wants to be rich and in no time. At the same time you want to protect your hard-earned money. Read on to understand the difference between the two products and how combining the two, will safeguard you from unforeseen circumstances.



4

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



RETIREMENT PLANNING: COMMON MISTAKES WHILE TAKING THIS DECISION

It is human nature to care more about immediate issues than something that feels far away, like retirement. By the time people get around to caring about retirement, they have already wasted precious time.

RE-DEFINING RETIRMENT

Earlier, retirement was perceived as being asked to leave the company due to certain circumstances. But now, retirement has a completely different attached to itself. It could mean working 3 days a week, or few hours a day, or opting for freelance projects. Also, it could be giving up work completely to pursue your hobbies.

There is no particular age. There is no right or wrong. It depends on what you want from life and thus, your retirement plan is based on it.

NO PLAN

Life is fun when you have a plan for yourself - what you want to do, where you want to go, how you want to lead your further years. Having no plan means being lost in your world and will not work when it comes to serious financial decisions.

Had retirement lasted a few years, we could get away with no plan. But what if retirement lasts for more than 10 years. This means we need a clearly marked strategy.

Even surveys reveal that individuals who had a financial plan in place ended up saving more. Having a financial plan and just saving something, however small to start with, can make a big difference to retirement income in the long run.

DECISIONS NOW AFFECT YOUR TOMORROW

Retirement planning doesn't have a specific time and or an age. Our spendings today make our lifestyle for the future. We spend half of our lives in growing up and learning to earn and spend. The second phase of live is when we realise that we have fixed spending habits that cant be changed. Hence, check on your wants and necessities. Check on your spendings and savings. For example, buying a car is a necessity, but choosing a Jaguar or a Maruti car is your discretion.

NO TAB ON INVESTMENTS, EXPENSES AND SAVINGS

You may ask yourself these three questions to understand what your current financial situation is

- How much are you paying for your loans
- How much are you spending on your lifestyle
- How much are you saving for your future

Factoring in inflation and risks of longevity, one may prepare their retirement portfolio, adjusting equity and debt exposure.

DON'T RELY COMPLETELY ON STAR RATINGS

In today's world, the investor has online access to view all information on various mutual funds. One of the parameters considered is the star rating system. An investor goes for five star rated funds as they are highly recommended by the website. The rating system provides measure of a fund's historical risk - adjusted return compared to peers in any particular category.

The distribution of ratings is as follows:

***** Top 10% funds **** Next 22.5% *** Middle 35%
** Next 22.5% * Bottom 10% NR Not rated

DON'T SIMPLY
BUY BASED ON
RATINGS

The easiest way is to identify a five star rated fund and invest in it. This is a common mistake done by lot of investors. You need to check how the fund has performed in different market cycles of bull and bear. Whether the returns are consistent over a long period of time or the fund has delivered exceptional performance in last one or two years.

DON'T INCREASE
THE NUMBER
OF FUNDS

Asset allocation plays an important role in determining whether you will achieve your financial goals or not. Don't increase the number of funds by going for five star ratings. This will spoil the asset allocation. Investments should be aligned with financial goals.

CHECK FUND'S
CATEGORY

An equity fund comes in various categories: Large, Large & mid, mid, thematic, sectoral, hybrid fund, etc. Check whether the category fits in the overall financial plan based on your risk appetite and goals.

DON'T BRUSH
ALL 5 STAR
RATED FUNDS
WITH SAME
PAINT

Even five star funds with same strategy are not equal. For instance, a large cap completing three years will get a star rating on the basis of three year performance. Another large cap completing five years will get a star rating based on five year performance. This means that the latter has more weightage as the fund has been around for more than five years and has performed across different market cycles.

REVIEW

There are incidents where there is a change in the fund manager or the asset management company gets sold out or a change in the strategy of the fund. You will now have to see whether the fund fits into the overall portfolio or not.

SIP AND TERM PLAN: A GOOD COMBINATION

WHAT DOES A TERM PLAN REALLY DO?

A Term Insurance Plan perfectly fills the void. SIP prepares you for the long term while a Term Plan can make you tension free from the moment you buy it.

Term Plan comes with a dual advantage of securing your family's future and saving taxes as well. With high insurance coverage of up to Rs 1 crore at affordable average premium of Rs 12,000 for a 30-year old, a term insurance plan should be the first thing to buy once you have dependants. High insurance money helps your family members meet regular expenses and repay outstanding loans in your absence.

Everyone wants to be rich and in no time. At the same time you want to protect your hard-earned money, but there's one thing that can cause a major blow to your savings: **death**. Saving is a good habit and doing it systematically is the ideal way to plan for the future. But in case of sudden untimed events, the Systematic Investment Plan (SIP) may not be able to help your dear ones.

So how do we fool-proof our investment plan?

If you are investing approximately Rs 5,000-10,000 per month on your mutual fund SIP, you can plan your future better with an additional allocation of 10-20% of your SIP investments. See table below:

VALUE OF FINAL CORPUS UNDER THE PRODUCTS

AGE (30 YEARS)	SIP	TERM PLAN OF RS 1 CRORE
DURATION	30 years	30 years
MONTHLY OUTFLOW	10,000	1000
ANNUAL INVESTMENT	1,20,000	12,000
EXPECTED ANNUAL RETURN	15%	NIL
FINAL CORPUS	Rs 5.63 crore	Rs 1 crore in case of death

OUR ADVICE

Besides protecting your family's dreams, a combination of Term Insurance Plan and SIP investments will help you achieve your long-term goals like children's education and marriage with peace of mind.

Once you buy a term insurance plan, you can be sure that your family will get the required financial backup when you are not around.

IMPORTANT

Evaluate your financial needs and family expenses when you finalise the best insurance plan for you. Remember, the period of coverage should be available till all your liabilities are over. Once you retire, you may not need a term Plan. For your retirement planning, you may choose a mutual fund via the SIP route.

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	798,618	11.4	2,621,641	14.9	N/A	N/A
Axis Bluechip Fund (G)	Large Cap	845,919	13.7	N/A	N/A	N/A	N/A
Kotak Equity Opportunities Fund (G)	Large & Midcap	748,427	8.8	2,288,436	12.4	5,413,747	13.5
Mirae Asset Emerging Bluechip Fund (G)	Large & Midcap	845,475	13.7	N/A	N/A	N/A	N/A
Kotak Standard MulticapFund (G)	Multi Cap	785,700	10.7	2,563,680	14.5	N/A	N/A
SBI M MulticapFund (G)	Multi Cap	775,932	10.2	2,465,558	13.8	N/A	N/A
L&T Mid Cap Fund (G)	Mid Cap	718,026	7.1	2,649,637	15.1	6,283,382	15.2
Franklin India Prima Fund (G)	Mid Cap	717,458	7.1	2,661,175	15.2	6,201,128	15.1
SBI SmallCap Fund (G)	Small Cap	800,056	11.5	3,428,713	19.9	N/A	N/A
Axis SmallCap Fund (G)	Small Cap	815,989	12.3	N/A	N/A	N/A	N/A
SBI Focused Equity Fund (G)	Focused	818,732	12.4	2,757,805	15.9	6,833,698	16.2
Axis Focused 25 Fund (G)	Focused	849,187	13.9	N/A	N/A	N/A	N/A
ICICI Pru Equity & Debt Fund (G)	Hybrid Equity	737,420	8.2	2,336,316	12.8	5,133,658	12.9
SBI Equity Hybrid Fund (G)	Hybrid Equity	774,523	10.2	2,382,306	13.2	N/A	N/A
DSP - Tax Saver Fund (G)	ELSS	787,583	10.8	2,526,606	14.3	N/A	N/A
Axis Long Term Equity Fund (G)	ELSS	823,357	12.6	N/A	N/A	N/A	N/A

PLEASE NOTE: *Returns over 1 Year are compounded annualised



Net Brokers Private Limited;

Registered Office: A-35, Shivalik, New Delhi -110017;

Head Office: 22, New Market, Malviya Nagar, New Delhi 110017 **Telephone:** +91-11-41881002. **Mo-**

bile: +91-9311999924. **Fax:** +91-11-26676419;

E-mail: mail@netbrokers.co.in

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