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Dear Patrons,

Greetings!

We are pleased to share our monthly newsletter **"Knowledge Initiative"** for September 2017.

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.

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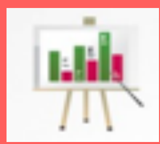
Sip Returns: Check the best performing funds in their respective categories.



Important steps before buying a second home: Here is an in-detail discussion on how investment in a second home can be stress free and worthwhile, if one incorporates the following check points.

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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.

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.

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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, 3 or 5 years for another and 10 years for someone else.

So what is long term in equities?

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.

When should a person make an exit?

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.

Investments should be always backed by goals.

Financial goals

- Retirement plan
- Children education plan
- Children marriage plan

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 % 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.

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

IMPORTANT STEPS BEFORE BUYING YOUR SECOND HOME

Investing in a second home is a big decision that can drastically change your future. Reasons for buying a second home may vary, from recreation and vacation enjoyment to investment and development to retirement planning. Whatever your interests may be, there are certain things you need to look at in order to make this investment stress-free and worthwhile.
Here's a list of steps you can follow to help you purchase your second home and a few tips to qualify for a second home loan.

Decide the finances

One must ask themselves a few important questions before divulging into the property market again.

- What is the purpose of the second home?
- Are other loan payments taken care of with the current income?
- Are there any other family investments to make in the near future?
- Are you and your family's health and loan payments covered under insurance?

Check credit score

In the current technology driven environment, one must strive to keep their repayment track records clean and clear. This will in turn help to avail a property as well as a home loan on the same. It's extremely important to keep all documents and bank statements in order. Also, paying off the already running home loan is a good idea, to get the new home loan approved.

Right move towards your second home

The process of pre-approved home loans is popular in the home loan market. In this, the amount of home loan is sanctioned by the financial institution on the basis of submission of income documents and existing obligations. A pre-approved home loan is valid for 6 months and once an individual finalizes the property, the legal and technical procedures can kick start.

Pre approval

If you have managed to get your second home loan sanction, check some very basic facts about the property:
- **Location is favorable** - in close proximity to office as well as home; has markets in and around the area; there is considerable development happening in the particular area
- **Structure** - whether it is a duplex, apartment , row house etc
- **Locality is good** - if it's safe enough, there are streetlamp, the area is not prone to flooding etc.

Deal finalisation

Once the home loan is sanctioned and other property checks are done, the home buyer can negotiate with the seller on the sale price and sale conditions. Savvy tax planning can make a difference in your return on the property. Tax implications for second homes can vary significantly based on your financial situation and whether or not you plan to rent out the property. Whether you're looking for a home to spend your retirement days or a property investment to diversify your portfolio, make sure you do your homework and work with the right experts.

SIP RETURNS IN TOP MUTUAL FUNDS

INVESTMENT		VALUE (3 Year)		VALUE (5 Year)		VALUE (10 Year)	
Monthly Investment @Rs 10,000		360000		600000		1200000	
SCHEME NAME	**CATEGORY**	**RETURN**	**%**	**RETURN**	**%**	**RETURN**	**%**
SBI Blue Chip Fund (G)	*Large Cap*	449,064	14.9	954,800	18.6	2,729,028	15.7
Mirae Asset India Opportunities Fund (G)	*Large Cap*	472,894	18.5	1,020,045	21.4	NA	NA
BIRLA SL Advantage Fund (G)	*Multi Cap*	515,420	24.7	1,150,550	26.3	3,178,847	18.5
Motilal Oswal Most Focused Multicap 35 Fund (G)	*Multi Cap*	520,194	25.4	NA	NA	NA	NA
Mirae Asset Emerging Bluechip Fund (G)	*Mid Cap*	523,248	25.8	1,312,791	31.9	NA	NA
L&T India Value Fund (G)	*Mid Cap*	495,414	21.9	1,166,651	26.9	NA	NA
Franklin India Smaller Companies Fund (G)	*Small Cap*	479,224	19.5	1,213,455	28.6	4,143,905	23.4
L&T Emerging Businesses Fund (G)	*Small Cap*	555,741	30.3	NA	NA	NA	NA
HDFC Balanced Fund (G)	*Hybrid Equity*	456,069	16.0	971,496	19.3	3,035,043	17.7
L&T India PrudenceFund (G)	*Hybrid Equity*	451,058	15.2	957,461	18.7	NA	NA
TATA India Tax Saving Fund (G)	*ELSS*	475,454	18.9	1,022,866	21.5	2,939,995	17.1
Axis Long Term Equity Fund (G)	*ELSS*	444,566	14.2	1,019,871	21.4	NA	NA

PLEASE NOTE: ***Returns over 1 Year are compounded annualised**

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