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Many people prefer to invest in mutual funds owing to the high returns involved. However, investing in mutual funds does not always guarantee good returns and some people are known to have lost their hard-earned savings. Industry experts maintain that taking care of necessary considerations ensures that we earn maximised returns from systematic investment plans (SIPs) in equity-based mutual funds. These include:

#### Greater payoffs from early investments

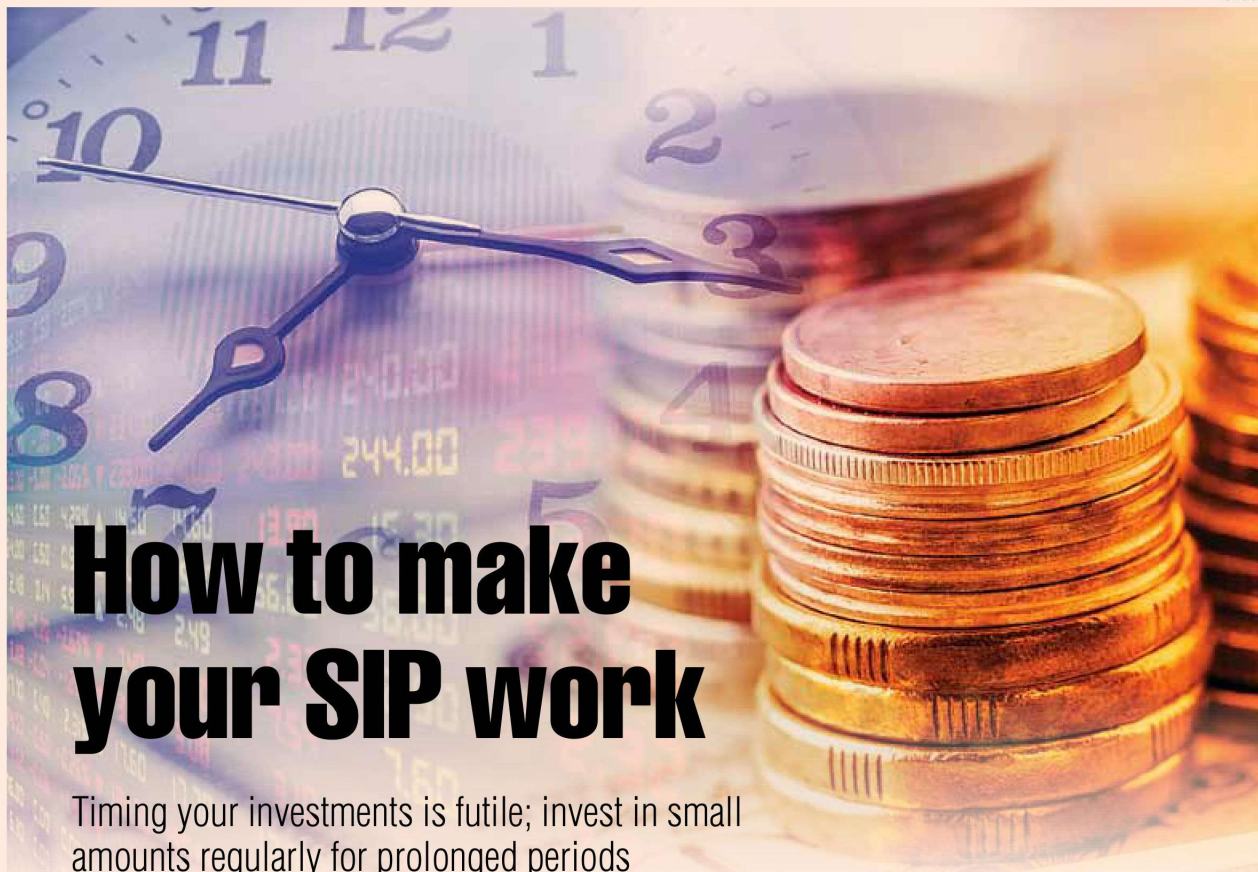
Ever heard of the age-old adage "The early bird catches the worm". This is true for investments too as the money invested early in life ensures better returns in the long run. Explaining how the compounding interest effect on returns, Radhika Gupta, CEO, Edelweiss Asset Management Limited says, "It is no secret that starting early in equity investing provides good dividends of compounding in the long term and ensures that you reach your goals comfortably. Starting early also gives longer time for your investments to grow and thus reduces the uncertainty that may come through in the short term."

#### Patience is the key

The idea of earning returns from equity-linked funds does not resonate with short-term investments. Staying invested for a long period sans any interruptions ensures maximum returns owing to the compounding effect for a prolonged tenure. Rupakumar Pradhan, chief financial planner and director, SmartFin Wealth Management says, "Last 39 years, Sensex has delivered average return 16.05% pa. Investing in a diversified mutual fund portfolio will not only keep your savings in the positive but also help you attain your financial goals, in spite of inflation. Equity is one asset class that helps you to beat inflation over a period of time."

#### Do not fear the bearish trend

To fear the market's volatility and give up on investments will only spell loss.



# How to make your SIP work

Timing your investments is futile; invest in small amounts regularly for prolonged periods

Ajit Narasimhan, chief marketing officer, Sundaram Mutual Fund says, "Fundamentally, people invest in mutual funds with the objective of creating wealth. It's not a good idea to stop your SIPs when the market is negative as the old saying goes, "It's never about timing the market, instead it's always about 'Time' in the market". Stay invested always as the best positive days in the market can compensate for the negative days. Wealth creation is about being disciplined with your SIPs."

#### Variable SIP amount helps

Regular SIP investments does not mean resorting to fixed investment options only. Instead of investing a fixed amount at regular intervals, investors must consider increasing the quantum of their SIP investments

in tune with their earnings. Vineet Patawari, co-founder, stock analytic app StockEdge and financial market learning portalElearnmarkets.com says, "Typically our earnings in the form of salary or business income grows year on year. For sound financial planning, even after adjusting inflation and increasing household expenditures, our savings should grow annually with this increase in income. This increased saving should be parked in a disciplined manner through an increase in monthly SIP amount in Mutual Funds. This will give us an opportunity to build long-term wealth by participation in equity markets."

#### Withdraw systematically

The concept of systematic withdrawal plan (SWP) is similar to the SIPs, the difference being that investors

#### GROW YOUR MONEY

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- Lump sum investments are fine as long as the time period for investment is long
- Starting early in equity investing provides good dividends of compounding in the long term

can withdraw a fixed amount regularly instead of taking out the entire invested amount. CS Sudheer, founder and CEO, Suvision Holdings says, "The purpose of investing in mutual funds is to enjoy the power of compounding or return on return. Mutual funds help grow wealth only if you invest every rupee possible, for the long term. Withdrawing dividends deprives you of this opportunity. Also, dividends from equity funds are paid after deducting dividend distribution tax, which

reduces your in-hand returns."

#### Consider lump sum investments too

True that investing through regular SIPs helps. However, investors must also consider making top-up or lump sum investments when the market adopts a bearish trend. Downhill trend of the market indicates a correction in the market at a time when the stocks are available at low prices. Suresh Sadagopan, founder, Ladder7 Financial Advisories says, "When

they get a bonus or incentive payout, they may want to invest that one-shot. Lump sum investments are fine as long as the time period for investment is long. If the lump sum is big, it is better to invest in a debt fund and transfer it to an equity fund in tranches."

#### Investing wisely

It may be difficult to spot good opportunities while investing. Instead of trying to time the market, the idea is to start investing in small amounts at regular intervals. Rajevee Srivastava, head retail broking, Reliance Securities says, "Systematic investment ensures regular savings with an advantage of rupee cost averaging in all seasons of market volatility. An increase in mutual fund investments especially through SIP is the need of time to ensure secured future wealth."