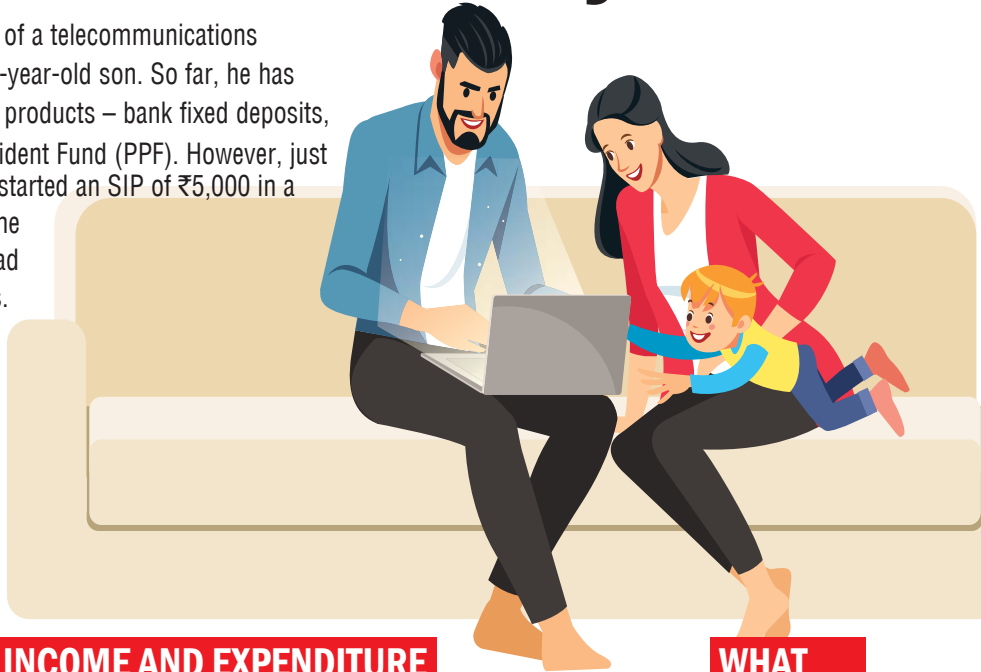


THE PLAN

'Should I continue with my SIP?'

Prashant (32) works in the legal department of a telecommunications company. He is married and has a one-year-old son. So far, he has been mainly saving through traditional products – bank fixed deposits, recurring deposits and the Public Provident Fund (PPF). However, just about six months back, for his retirement, he started an SIP of ₹5,000 in a multi-cap fund on the advice of a friend. But the recent fall in the stock market due to the spread of COVID-19 has made him extremely anxious. Here is what he should do.



DO NOT STOP YOUR SIP



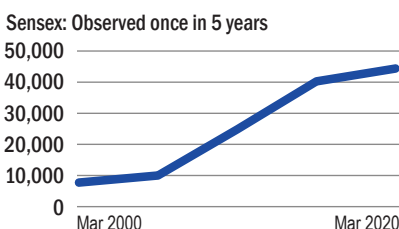
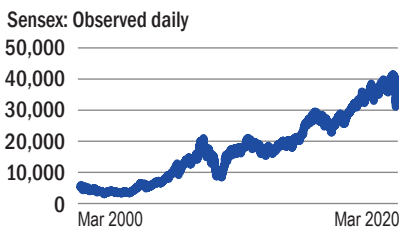
Prashant should not stop his SIPs. This is actually a good time for SIPs as he can invest when the market is cheaper. Later on, when the markets recover, investments made now will boost his overall returns.

UNDERSTAND THAT EQUITIES ARE VOLATILE BY NATURE

Over short periods, equities can sharply move up or down. However, if observed over a long period, their movement has been linearly upwards. (see the chart 'The problem of volatility').

The problem of volatility

When observed daily, the market shows fluctuations but when observed once in five years, the fluctuations are smoothened.



INCOME AND EXPENDITURE

₹60,000 Monthly income



WHAT HE HAS

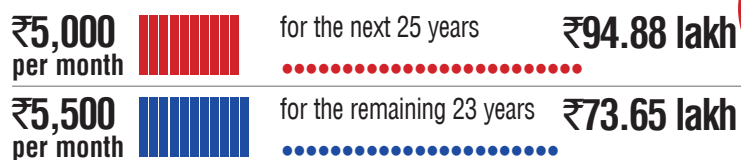
FD/RD/savings account
₹1.7 lakh

PPF
₹1.2 lakh

Equity fund
₹30,000

WHAT IF HE STOPS HIS SIPs?

Prashant may be left with less corpus if he stops his SIPs now and then restarts them after two years.



* Assumed return of 12%

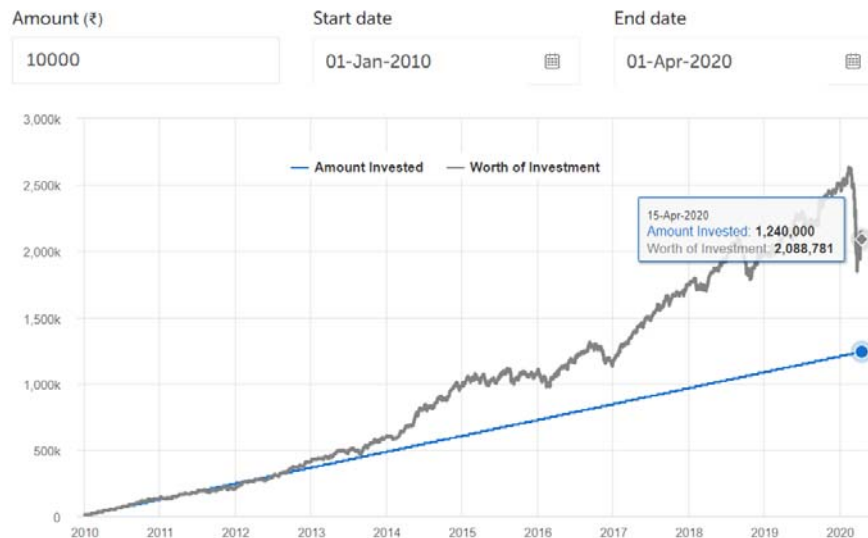
DON'T BE OVEREXCITED EITHER

While this is true that this could be the best time to invest in equity funds, **one should invest only one's long-term money**, which is not required over the next five to seven years.

If you have some extra money to invest for the long term, invest it in parts over the next six to 12 months. **Do not invest a lump sum.** If you invest the entire sum now, a further fall in the market can increase your anxiety.

Here are performances of monthly 10,000/- SIP in two funds

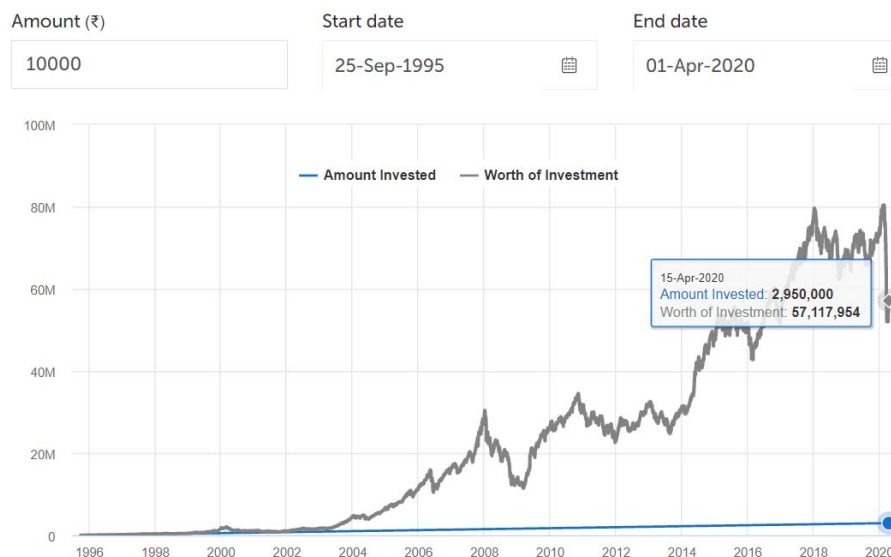
Axis Bluechip Fund – Growth



Graph Source: Value Research

Monthly SIP of INR 10,000/- started in Axis Bluechip Fund - Growth on inception date of 1st January 2010 have delivered INR 20,88,781/- for an invested amount of INR 12,40,000/- even after the recent market fall.

Nippon India Growth Fund – Growth



Graph Source: Value Research

Monthly SIP of INR 10,000/- started in Nippon India Growth Fund - Growth on inception date of 24th September 1995 have delivered INR 5,71,17,954/- (Close to 6 crore) for an invested amount of INR 29,50,000/- even after the recent market fall.

Disclaimer: Mutual fund investments are subject to market risk, read all scheme related documents before investing. Past Performance is not indicative of future returns. Please seek advice from a Financial Advisor