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40 years ago... And now : Can't retire with a crore any more

Inflation and asset prices have eroded the value of money. A look at what Rs 1 cr meant 40 years ago and what it means now

Tinesh Bhasin

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"When I joined the business around 50 years ago, Rs 1 crore was nearly \$2 million. The rupee was a very strong currency. One crore is \$150,000 now," said Adi Godrej, chairman of the Godrej Group.

To put things in perspective, when Godrej joined Godrej Soaps, it had a turnover of Rs 2.5 crore. In 2001, the company demerged to form Godrej Consumer Products and the original firm was renamed Godrej Industries. The combined net sales of these two entities is Rs 15,520 crore.

Forty years ago, few could even dream of making Rs 1 crore by the time they retired, not least because the highest income tax rate applicable in 1973-74 was 97.50 per cent. Which meant from an annual income of Rs 1 crore, one would have been left with Rs 2.5 lakh.

Today, though the top income tax rate has fallen to around 30 per cent, earning Rs 1

crore a year is no longer considered a fortune. "In 2001, I wished that if I had Rs 45 lakh to Rs 50 lakh in my bank account, I could retire peacefully without having to think about money. A crore was about 80 times my annual income then," said A V Srikanth, founder & chief executive officer at Citadelle Asset Advisors and former CEO of Motilal Oswal Wealth Management.

He says the crore lost its glamour during the bull run that started from 2003 and ended in 2008. In 2003 alone, the Bombay Stock Exchange Sensex went from 3,357 to 5,792. This is a gain of about 72 per cent, without including the dividends. At the 2008 peak, the Sensex touched 21,000 levels. Profits from stocks found their way into the real estate market and property prices doubled every two years during the bull run.

But wealth managers say it is realty prices that caused the crore to lose its charm. "If the property a person wants to buy is valued at Rs 1.5 crore, he has to think at least double that amount as the retirement corpus," said a wealth manager. Srikanth points out that when the hit TV quiz show Kaun Banega Crorepati was launched in 2000-01, the prize money of Rs 1 crore got the entire nation interested. However, when Season 8 was aired in 2014, only 14 years later, the grand price had risen seven times to Rs 7 crore.

As this suggests, the rupee has been consistently losing its value in the past four decades on account of inflation. Between 1974 and 1984, Rs 1 lakh's value dropped to Rs 28,341. Similarly, a crore became Rs 28.34 lakh a decade later. Now, the crore is worth only Rs 2.17 lakh.

Let's look at how your money would have grown if you had invested in different assets in the past 40 years. In 1974-75, banks offered an annual interest rate of 7.25 per cent. If you wanted Rs 1 crore now, the investment required back then would be about Rs 6.09 lakh.

markets gave an annual return of 12 per cent, Rs 1.07 lakh would have done the trick.

If you are wondering how much value Rs 1 crore would hold when you retire, say in 20 years, here's some quick math. At an average annual Consumer Price Index-based inflation rate of seven per cent, Rs 1 crore will be worth only Rs 25.84 lakh. Alternatively, you will need Rs 3.87 crore to buy what one crore can today.

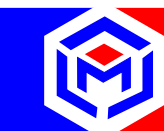
Gold fared better. To achieve Rs 1 crore in the past 40 years, all you had to do was buy Rs 1.03 lakh worth of the metal. Assuming stock

Like being a 'lakhpati' lost its charm decades earlier, being a 'crorepati' has become a commonplace thing. Going by the Indian taxation laws, today a super-rich person is someone who makes Rs 1 crore in just one year.

RUPEE VALUE ADJUSTED FOR INFLATION

Year	Rs. 1 lakh	Rs. 10 lakh	Rs. 50 lakh	Rs. 1 Crore	Rs. 5 Crore
1972-73	Rs. 1 lakh	Rs. 10 lakh	Rs. 50 lakh	Rs. 1 Crore	Rs. 5 Crore
1973-74	Rs. 79,200	Rs. 92 lakh	Rs. 39.6 lakh	Rs. 79.2 lakh	Rs. 3.96 Crore
1983-84	Rs. 28,341	Rs. 83 lakh	Rs. 13.17 lakh	Rs. 28.34 lakh	Rs. 1.42 Crore
1993-94	Rs. 11,210	Rs. 1.12 lakh	Rs. 5.61 lakh	Rs. 11.21 lakh	Rs. 56.05 lakh
2003-04	Rs. 5,448	Rs. 54,484	Rs. 2.72 lakh	Rs. 5.45 lakh	Rs. 27.24 lakh
2013-14	Rs. 2,319	Rs. 23,188	Rs. 1.16 lakh	Rs. 2.32 lakh	Rs. 11.59 lakh

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DON'T TIME THE MARKET, SAYS EXPERTS

Timing the market is a **BAD IDEA**. Even the best **BRAINS** can't outsmart it

Inflation Eats the Wallet and Savings Day By Day

Link your Savings with Goal Based Investments : Child Education, Child Marriage, your Own Retirement

(A) Little Drop Of **WATER MAKE AN OCEAN**

FOR RETAIL INVESTORS, investing in mutual funds through SIP makes sense. After all, investing a lumpsum amount at the wrong time can severely affect your returns. Instead, investing regularly in a disciplined manner, helps discipline one's investment habits. Contributing small portions to your investment portfolio, on a regular basis, lets you align your investment to your income and financial goals. We all know that little drops of water make an ocean. If you continue to invest regularly, you would be able to build a stable portfolio gradually. So why risk it all by timing the market when optimal gains can be achieved through disciplined investing.

(B) Don't Let **EMOTIONS** cloud your **JUDGEMENT**

MANY GREAT BULL runs have slipped on panic. Investors, who put in their money systematically, hold on to it patiently and don't let emotions cloud their judgement, are the ones who gain in the long run. Remember, **time in the market is more important than timing the market** and SIP's in a way debar emotions from interfering in investment decisions.

(C) Be Patient with **SIP**

When The Market sees a slump, many investors discontinue their Sip fearing they might lose their money. When the market is on a roll, investors either redeem their investments or migrate to low-risk instruments such as fixed income or debt fund. SIP investments are not something that you should compare on a yearly basis. It

(F) **IN PAST 35 YEARS BSE MARKET HAS GIVEN 16.65 % RETURNS**

- INSPITE OF two wars
- INSPITE OF major financial scandals
- INSPITE OF assassination of two prime ministers
- INSPITE OF 10 different governments
- INSPITE OF three recessionary periods
- INSPITE OF an unfair share of natural calamities and disasters
- INSPITE OF global crisis like DotCom Bubble of year 2000
- INSPITE OF Sub prime crisis of year 2008

NO NEGATIVE RETURN IS BEEN OBSERVED IN EQUITY SCHEMS FOR INVESTMENTS PERIOD OF 12 YEARS AND ABOVE

works in the long-run, ideally over 10-15 years, when the market goes through many cycles, which they usually do.

(D) SIP your way to **FINANCIAL WELLNESS**

As An Investor, your focus should be on earning more and not timing the market. So invest in equity through SIP as per your financial goals and not market conditions. Patience and prudence with your investments will help you reach your financial goals early. All you need to do is pick a fund with a good track record and invest in it regularly and gradually through SIP. SIP works best as a long term strategy and does not make your stomach churn when the market is in a fit fall place

(E) How to Start **SIP**

When You Invest through SIP's, you have the flexibility to opt for Electronic Clearing Services (ECS), which gives you the freedom of investing on a monthly or quarterly basis.

All Mutual Funds (MF's) have predetermined dates of any given month on which an investor can make regular investments in SIP's. For Instance, if you receive your salary on the first of every month, you can choose the seventh or tenth of every month as your SIP's date.

But if you get your salary, say by the end of the month, the first of the following month could be an ideal date. All fund houses provide direct debit facility with major banks.

To start your SIP, you need to fill up a common application form along with an ECS mandate form. With the common application form you open an account with the fund house, which is called FOLIO / ACCOUNT number. With the ECS form you give your mandate to your bank to debit your account for the SIP amount you have chosen.

How Simple Is To Make Money In Equity Market

(A) Case 1 : 7 Years Investment Plan

SIP AMOUNT	TOTAL INVST	8%	10%	12%	15%	18%	20%
3000	252000	338582	365875	395936	446904	505995	550587
5000	420000	564303	609791	659894	744840	843326	917646
7000	588000	790025	853708	923852	1042777	1180656	1284705
10000	840000	1128607	1219583	1319789	1489681	1686652	1835293
12500	1050000	1410759	1524479	1649737	1862101	2108315	2294116
15000	1260000	1692910	1829375	2060505	2234522	2529978	2752939
20000	1680000	2257214	2439166	2639579	2979363	3373304	3670586

(B) Case 2 : 10 Years Investment Plan

SIP AMOUNT	TOTAL INVST	8%	10%	12%	15%	18%	20%
3000	360000	552497	619656	697017	835971	1008772	1147090
5000	600000	920828	1032760	1161695	1393286	1681287	1911817
7000	840000	1289159	1445864	1626373	1950600	2353802	2676544
10000	1200000	1841656	2065520	2323390	2786572	3362575	3823635
12500	1500000	2302070	2581900	2904238	3483215	4203218	4779544
15000	1800000	2762485	3098280	3485086	4179859	5043862	5735453
20000	2400000	3683313	4131040	4646781	5573145	6725150	8162307

(C) Case 3 : 15 Years Investment Plan

SIP AMOUNT	TOTAL INVST	8%	10%	12%	15%	18%	20%
3000	540000	1045035	1253772	1513727	2030589	2757626	3402884
5000	900000	1741725	2089621	2522879	3384315	4596044	5671474
7000	1260000	2438416	2925469	3532031	4738041	6434462	7940064
10000	1800000	3483451	4179242	5045759	6768630	9192088	11342949
12500	2250000	4354314	5224053	6307199	8460788	11490111	14178686
15000	2700000	5225177	6268863	7568639	10152946	13788133	17014423
20000	3600000	6966902	8358485	10091519	13537261	18384177	22685898

(D) Case 4 : 20 Years Investment Plan

SIP AMOUNT	TOTAL INVST	8%	10%	12%	15%	18%	20%
3000	720000	1778841	2297090	2997443	4547864	7030461	9484438
5000	1200000	2964736	3828484	4995739	7579774	11717435	15807396
7000	1680000	4150630	5359878	6994035	10611684	16404410	22130355
10000	2400000	5929472	7656969	9991479	15159549	23434871	31614793
12500	3000000	7411840	9571211	12489348	18949437	29293589	39518492
15000	3600000	8894208	11485453	14987218	22739324	35152307	47422190
20000	4800000	11858944	15313938	19982958	30319099	46869743	63229587

DO FOLLOW THIS SIMPLE STEPS AND ALWAYS REMEMBER TO HAVE GOAL AGAINST EQUITY INVESTMENTS.

1. Always be discipline investor.
2. Returns from equity investments are tax free.
3. Comparing equity returns with bank FD interest rate of 8%, going upto 20%.
4. Equity earning returns on systematic investment plan (SIP) given from 8% to 20%.
5. Comparing as low as 8% returns earned and increasing every 2% gives a magical compounding figure over long duration of time.
6. Systematic investment plan (SIP) should be goal based or minimum investment duration should be atleast for 10 yrs. plus.
7. Longer duration always beneficial and beats the volatility of the market.
8. Equity market has never given negative return to investor who have invested & stayed invested atleast for 12 yrs. plus.
9. Table A : 7 yrs., Table B : 10 yrs., Table C : 15 yrs., Table D : 20 yrs.
10. Believe in power of compounding and it is seen in each table, small increase in return and small increase in duration of investments have created magical figure on investments.
11. Never forget point 1.

Beware & Be cautious : MR. SUBHASH & MR. RAJU who were working with us, are no more associated with our company from last 2-3 years. This is in public interest of our clients, that we won't be responsible for any such dealing done through them. They were the office runner boys only in our company. For any query on Mutual Fund, FD's, Bonds, Contact on the number mentioned in this newsletter or visit us on our new website : www.miconline.co.in. For all other areas, contact at office numbers.

FROM MANAGEMENT OF MICPL

The above SIP Ready Reckoner is for illustration purpose only. The SIP amount, tenure of SIP, expected rate of return are assumed figures for the purpose of explaining the concept of advantages of SIP investments. The actual result may vary from depicted results depending on scheme selected. It should not be construed to be indicative of scheme performance in any manner.

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Get More from your investment. Smart way to save Tax & Create Wealth with ELSS (Equity Linked Saving Scheme)

1. Rs. 70,000 Invested Every year	2) From March 1996 - March 2014	3) Great News : Now Save UPTo Rs. 46,350/- with ELSS (Equity Linked Saving Scheme) in Mutual Funds	
Total Invst of Rs. 13,30,000 is Worth today.		Tax Exemption Limit u/s 80C of the IT Act Increased from Rs. 1,00,000 to Rs. 1,50,000	
PPF	ELSS	SCHEMES	SENSEX @ NEW HIGH
Rs. 33,17,000 (PPF AVG XIRR Return as on 31/12/2014 @ 8.68%	Rs. 2,17,00,000 (ELSS Avg XIRR Return as on 31/12/2014 @ 8.68%)	<ol style="list-style-type: none"> Axis long term equity BNP Paribas Long Term Equity. Reliance Tax Saver ICICI Prudential Tax Plan 	What investor should Do (1st Timer or Existing one.) <ol style="list-style-type: none"> Do not sell if you do not need money. Take systematic investment Plan (SIP) Take Mutual Fund route to spread risk rather than investing in direct equity TOI 10/2/2015.

Rating of the schemes by Value Research

Large Cap	Mid Cap	ELSS Tax Saving	Diversified	M/Q Dividend Schemes
Axis Equity (5 Star)	Axis Midcap (4 Star)	Axis Long Term Equity (5 Star)	BNP Paribas Dividend Yield Fund	BNP Paribas Dividend Yield (M) (5 Star)
BNP Paribas Equity (4 Star)	BNP Paribas Midcap (5 Star)	BNP Paribas Long Term Equity (Q) (5 Star)	Birla Sun Life Top 100	ICICI Prudential Balanced Advantage (M) (4 Star)
ICICI Prudential (5 Star) Focussed Bluechip	ICICI Prudential Value Discovery (5 Star)	ICICI Prudential Tax Plan (5 Star)	Kotak Select (4 Star) Focus	SBI Balanced Fund (Q) (4 Star)
Birla Sun Life Frontline Equity (4 Star)	Birla Sun Life (4 Star) Pure Value Fund	Reliance Tax Saver (Q) (5 Star)	ICICI Prudential Dynamic Fund (4 Star)	Kotak Balance (Q) (4 Star)
	UTI Midcap (4 Star)	IDFC Tax Advantage (5 Star)	IDFC Sterling Equity (3 Star)	Note : Q/M indicates dividend pattern.

List of Fixed Deposit for the Month of April 2015

Company Name	Interest Rate in (%)				Senior Citizen	Minimum Investment	Interest Mode Available
	12M	24M	36M	48M			
Mahindra & Mahindra Financial Services Ltd	9.00	9.25	9.25	9.25	0.25	10000	HQ
Bajaj Finance	9.25	9.40	9.65	9.25	0.25	10000	M/Q/H/Y
Bajaj Finance	9.75 (15M)					10000	M/Q/H/Y
DHFL - Aashray Deposit Plus	9.50	9.75	9.75	9.60	0.40	10000	M/Q/H/Y
DHFL - Swayam Sidha Deposit	9.80 (500 Days)				0.40	10000	M/Q/H/Y
DHFL - Aashray Deposit Single	9.75 (14M)					10000	M/Q/H/Y
DHFL - Aashray Deposit Trust	9.75 (13M)					10000	M/Q/H/Y
DHFL - Aashray Deposit	9.85 (40M)				0.40	10000	M/Q/H/Y
Shriram Unnati Deposit	9.00	9.50	9.75	9.75	0.25	25000	Q/H/Y
Shriram City Union Finance Ltd	9.00	9.50	9.75	9.75	0.25	25000	M/Q/H/Y
PNB Housing Finance Ltd	9.25	9.25	9.25		0.25	20000	H
LIC Housing Finance Ltd	8.90	9.00	9.20			10000	H
Gruh Finance Ltd	8.75	8.75	8.75	8.50	0.25	1000	M/Q/Y
HDFC Ltd. Regular Deposits	9.25	9.25	9.30	9.30	0.25	20000	M/Q/H/Y
HDFC Premium Deposits	15 months 9.25 22 *months 9.30						M/Q/H/Y
	30 months 9.25 44 months 9.30						M/Q/H/Y
	Capital Gain Bonds V/s 54 EC Tax Saving						
R. E. C. Ltd.- 54 EC Bonds				6.00			
NHA of India - 54 EC Bonds				6.00			

DISCLAIMER : 1) Investment done in Mutual Funds, Company Fixed Deposits, Bonds etc. are subject to Market Risk. Investors are required to read the offer documents and application forms carefully before investing. 2. We act as the distributor between the company and the investor, we wont be responsible for any market losses occurred in investments in mutual funds & company fixed deposits. 3) Please confirm interest rates before applying, we don't take any responsibility for change in interest rates & loss occurred due to same. 4) Company FD investments are unsecured in nature. 5) We don't promote or recommend any schemes, investors need to clarify & understand the details of every investments done by them.

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