



# THE SAVING PLUS VIEW

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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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### WESTERN SUBURBS

#### BORIVALI

MALAD / KANDIVALI MOB.: 98203 25220

GOREGAON / ANDHERI TEL.: 2843 2022

MOB.: 99209 03079

JOGESHWAR/ANDHERI TEL.: 98923 43457

SANTACRUZ (EAST/WEST) TEL.: 98923 43457

MOB.: 98338 84576

MAHIM, SHIVAJI PARK, TEL.: 2447 4043

DADAR MOB.: 98209 65319

VASAI/VIRAR/NALASOPARA MOB.: 90046 93334

MOB.: 90969 81475

### CENTRAL SUBURBS

DOMBIVLI, KALYAN MOB.: 98208 20274

BHANDUP / MULUND MOB.: 9819789239

GHATKOPAR TEL.: 98694 20081

MOB.: 98338 84571

THANE TEL.: 2532 9267

MOB.: 98195 98586

THANE TEL.: 98694 20081

MOB.: 98338 84571

CHEMBUR / KURLA TEL.: 2523 3429

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WADALA / DADAR Mob.: 9820553664

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LUCKY MANSION, 1ST FLOOR, OPP. ABYUDAYA CO-OP. BANK LTD., 250/252, BAZAR GATE STREET, FORT, MUMBAI - 400 001.

Office Time Weekdays 10 a.m. to 6 p.m. • Saturday 10 a.m. to 4 p.m.

TEL. : (022) 6634 8150, 6633 6781, 6654 8097  
6654 8098, 6654 8099 • FAX : (022) 2265 4898

E-mail : services@miconline.co.in  
Website : www.miconline.co.in

## DON'T TIME THE MARKET, SAYS EXPERTS

1. Little Drop of WATER every day,Makes an OCEAN
  2. Be Patient With your Investments
  3. Don't Let EMOTIONS ,Rule your Investments Decisions
  4. Always Believe in POWER OF COMPOUNDING
  5. Start Saving for Making SECURE FUTURE
  6. Always do GOAL based Investments,you will never make wrong decisions,as goal are made to complete and have duration base
- (1) For banking customers who are used to saving through recurring deposits (RDs), a systematic investment plan (SIP) is almost its equivalent in the mutual fund space. In an SIP, a pre-fixed amount of money is invested in the selected mutual fund scheme on a particular date every month.
  - (2) If you invest over the long term, you get to enjoy the benefits of rupee-cost averaging. You also get to enjoy the power of compounding. Most of the mutual fund houses have SIP calculators on their websites which you can use to calculate how much your corpus can grow over the years as you invest a fixed amount every month.
  - (3) To enjoy the power of compounding, you should start early and continue with your investments. The earlier you start, bigger the corpus you can build. For example, if you invest Rs 5,000 every month for 20 years and you get an average annual return of 12%, your corpus at the end of the term will be nearly Rs 49.5 lakh. However, if you were five years late, your total corpus will be about half, at about Rs 25 lakh. So start early to reap the benefits of compounding.
  - (4) 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 yur 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 house 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**

## (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

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.**

### ELSS has 3-year lock-in

Like every other tax-saving instrument with lock-ins, the equity-linked saving scheme (ELSS) also comes with a threeyear lock-in -the minimum among all tax-saving instruments. But the lock-in factor brings in an added advantage the fund manager is less concerned about outflows from the fund and can concentrate on investing. In comparison, in regular open-ended funds, the fund manager has to be careful about inflows as well as outflows since investors, at any point of time, can seek redemptions.

ELSS also comes with dividend as well as growth options. Financial planners and advisers say that investors going in for the dividend option mostly do not re-invest their dividend in the same fund as fresh investments and, hence, miss out on a chance to create wealth in the long run. So, opting for the growth option in ELSS is always the better way to invest in these funds, they say .

### Take a SIP of ELSS

One of the best tax-saving instruments is the equity-linked savings schemes (ELSSs) from mutual fund (MF) houses.ELSSs are those MF schemes that are approved by the government for saving taxes. By investing in these schemes, you can claim tax benefits under section 80C of the Income Tax Act. Although you can invest a lump sum in one or more ELSSs to save on taxes, financial planners and top officials at fund houses say the best way is to invest in these schemes through the year. "In every ELSS, one can settle for a systematic investment plan (SIP). Also, for ease of investing, one should opt for the ECS (electronic clearing service) mandate through a bank account so that every month a fixed sum of money is deducted from the account and invested in the plan," a top official at a domestic mutual fund said.

There are some additional advantages of an SIP investment. Such a method will allow you to reap the benefits of rupee-cost averaging. This is a process where you buy more units of the ELSS when its price is low, but less number of units when unitprices are high. In the process, over several months, this process will average out your cost of acquisition. In comparison, if you invest lump sum, you may not get the best price to invest in the scheme

**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 ocured 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 ocured 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.

## 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

#### SIMPLE STEPS, TO SECURE YOUR FUTURE

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 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](http://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.

**FOR DETAILS CONTACT : Mr.Anoll Merchant / Mr.Uday Merchant +91-22 -66548097-98-99 |6634 8150 |6633 6781**

## SIP + SWP.. WONDER OF SYSTEMATIC INVESTMENT PLAN + SYSTEMATIC WITHDRAWAL PLAN

### Calculation @ 15%

	Monthly SIP Amount	Tenure in Year	Your Investment	Approx. Maturity	After maturity start monthly SWP for throughout Life
A	1000	6	72,000	1,10,000	1,000
	2000	6	1,44,000	2,35,000	2,000
	3000	6	2,16,000	3,50,000	3,000
	4000	6	2,88,000	4,70,000	4,000
B	5000	6	3,60,000	5,00,000	5,000
	1000	10	1,20,000	2,75,000	2,000
	2000	10	2,40,000	5,50,000	4,500
	3000	10	3,60,000	8,35,000	7,000
C	4000	10	4,80,000	11,15,000	9,000
	5000	10	6,00,000	13,00,000	10,000
	1000	15	1,80,000	5,75,000	5,500
	2000	15	3,60,000	13,50,000	11,000
D	3000	15	5,40,000	20,30,000	17,000
	4000	15	7,20,000	27,00,000	22,500
	5000	15	9,00,000	33,00,000	25,000
	1000	20	2,40,000	15,15,000	12,500
E	2000	20	4,80,000	30,30,000	25,000
	3000	20	7,20,000	45,50,000	40,000
	4000	20	9,60,000	60,60,000	50,000
	5000	20	12,00,000	75,00,000	60,000
F	1000	25	3,00,000	33,00,000	2,75,000
	2000	25	6,00,000	65,00,000	55,000
	3000	25	9,00,000	98,50,000	80,000
	4000	25	12,00,000	1,30,00,000	1,00,000
	5000	25	15,00,000	1,65,00,000	1,40,000
	1000	30	3,60,000	70,00,000	60,000
	2000	30	7,20,000	1,40,00,000	1,15,000
	3000	30	10,80,000	2,10,00,000	1,75,000
4000	30	14,40,000	2,80,00,000	2,30,000	
5000	30	18,00,000	3,50,00,000	3,00,000	

- 1) The Table shown clearly indicates the investment done for long tenure. i.e. 10 yrs. - 20 yrs. and above, makes clear distinction in wealth creation.
- 2) Long Investment duration, Risk of losing money in equities no longer exists.
- 3) Invest in small amount like EMI in ESIP (Easy monthly installment in Equity Systematic Investment Plan) for period of 10 yrs. - 15 yrs. - 20 yrs.
- 4) The magical figure will appear, known as "Power of Compounding over 7-10 yrs plus of investment."
- 5) On retirement use this wealth creation, for regular monthly income (Tax Free) v/s pension (Taxable)
- 6) Start now : Call us for more details.

## List of Fixed Deposit for the Month of June 2015

Company Name	Interest Rate in (%)				Senior Citizen	Minimum Investment	Interest Mode Available
	12 M	24 M	36 M	48 M			
Mahindra & Mahindra Financial Services Ltd	9.00	9.25	9.25	9.25	0.25	10,000	HQ
Bajaj Finance	9.10	9.25	9.25	9.25	0.25	1,50,000	MO/HY
Bajaj Finance	9.20 (18M)					1,50,000	MO/HY
DHFL - Aashray Deposit Plus	9.50	9.75	9.75	9.60	0.40	10,000	MO/HY
DHFL - Swayam Sidha Deposit	9.80 (500 Days)				0.40	10,000	MO/HY
DHFL - Aashray Deposit Single	9.75 (14M)					10,000	MO/HY
DHFL - Aashray Deposit Trust	9.75 (13M)					10,000	MO/HY
DHFL - Aashray Deposit	9.85 (40M)				0.40	10,000	MO/HY
Shriram Unnati Deposit	9.00	9.25	9.50	9.50		25,000	Q/HY
Shriram City Union Finance Ltd	9.00	9.25	9.50	9.50		25,000	MO/HY
PNB Housing Finance Ltd	9.15	9.15	9.15		0.25	20,000	C
LIC Housing Finance Ltd	8.60	8.70	8.75			10,000	H
Gruh Finance Ltd	8.75	8.75	8.50	8.50	0.25	10,000	MO/Y
HDFC Ltd. Regular Deposits	8.65	8.70	8.80	9.00	0.25	20,000	M/Q/H/Y
HDFC Premium Deposits	15 months 9.10		22 *months 9.15				M/Q/H/Y
	30 months 9.10		44 months 9.15				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			

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From : MERCHANT INVESTMENT CONSULTANCY PVT. LTD.  
250/252, BAZAR GATE STREET, 1ST FLOOR, LUCKY MANSION,  
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