



THE SAVING PLUS VIEW

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Invest 15-20% of monthly income in equity funds via SIPs

Mutual Funds

In 2014-15, I have invested around Rs. 50,000 in Quantum Long term Equity Fund, R. 50,000 in Quantum Liquid Fund and Rs. 1.2 lakh in Axis Long Term Equity Fund. When filing my income tax return, for reporting mutual fund investments more than Rs. 2 lakh should I report it according to the amount invested with an asset management company, AMC, (which adds up to less than Rs.2 lakh in a single AMC, i.e. Quantum Asset Management Co. Pvt Ltd.) or the total investment ? - Bharat Sikarwar

Individual investors are not required to report mutual fund investment transactions (high value or otherwise) in their income tax return. There was such a requirement a few years ago, but that has been removed since.

Now, only institutions such as asset management (mutual fund) companies are required to report such transactions (when the value exceeds Rs. 2 lakh) in the form of an Annual Information Return (AIR).

Investors such as yourself will do well to keep records of such transactions (including bank statements, to show where the money came from for these investments) just in case there is an income tax department query at some point. In your case, since your transactions do not exceed Rs. 2 lakh either at the transaction level or at the AMC level, it is unlikely that these transactions will be part of the AIR filed by the mutual fund company.

I am a regular (every month) investor in equity mutual funds; I invest in them heavily via systematic investment plans. I also buy shares whenever the market falls. Should I continue with this approach to investing? - Hari Nambiar.

When it comes to investing and building wealth over the long term, for an overwhelming majority of investors, there is no need to do something innovative and exciting. What you are doing in the form of regular, systematic investing in equity mutual funds should be sufficient for the most part. I do not know what constitutes a 'heavy' amount for you, but as long as it is at least 15-20% of your monthly income, you are doing fine. If you do this in a diligent manner without any let-up or pause, you would be well on your way to building a sizable corpus for your retirement or any other long term need.

You also indicate that you are buying shares whenever the market falls. I would have been more comfortable if you had said that you are making lump sum investments in your systematic investment plan (SIP) mutual funds whenever you perceive a market fall.

Buying shares in individual stocks when there is a fall in the broad market can be perilous. It would be better to stick to well established, large-cap companies for such a strategy to work out in the long term.

Or, as I said before, it would be wise to stick to an index fund or a broadly diversified fund for such investments. - Courtesy by mintmoney

How to save tax and build wealth at the same time

BEST OF BOTH WORLDS

Option	Lock in period	Return Taxability	Return
PPF	15 Years	Interest not taxable	Average; subject to revision every yr
EPF	Until employment or retirement	Interest not taxable	Average; subject to revision every yr
NSC	5 yrs and 10 yrs	Interest is taxable	Average
5 year tax-saving bank deposit	5 years	interest fully taxable	Poorer post-tax returns
Tax-saving funds (ELSS)	3 years	Capital gain fully exempt	Linked to equity market and hence superior returns

Happy Diwali & Prosperous New Year.

The office will remain closed from 11th Nov. to 15th Nov. 2015.

MERCHANT INVESTMENT CONSULTANCY PVT. LTD.

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ACHIEVING is POSSIBLE with SIP Schedule (Systematic Investment Plan)

The Investment we make are ultimately for some objectives such as to buy a **HOUSE**, Our Own **RETIREMENT** Funds, children **EDUCATION, MARRIAGE** & many **LONG** term **GOALS**

And many of them require a **HUGE** one-time **INVESTMENT**. As it would usually not be **POSSIBLE** to raise such **LARGE** amounts at **SHORT** notice, we need to **BUILD** the **CORPUS** over **LONGER** period of **TIME**, through small but regular investments

This is what **SIP (SYSTEMATIC INVESTMENT PLAN)** is all about. **SMALL** investments, over a period of **TIME**, results in **LARGE** wealth & help fulfill our **DREAMS & ASPIRATIONS**.

"A **SIP (SYSTEMATIC INVESTMENT PLAN)** is **SMART** financial planning tool that could help you create **WEALTH** by investing **SMALL** sums of **MONEY** regularly, over a period of **TIME**"

BENEFITS OF SIP

- (1) Affordable (2) Convenience
- (2) Build Savings Habit (4) Allow Rupee Cost Averaging (5) Capitalise Power Of Compounding (6) Prevent Sentiments Driven Investment

POWER OF COMPOUNDING

Albert Einstein Once Said, "Compound Interest is the 8th **WONDER** of the **WORLD**. He who understands it, **EARNs** it... He who **DOESN'T**... Pays it"

The rule of **COMPOUNDING** is **SIMPLE**... the **SOONER** you **START** investing, the **MORE** time your **MONEY** has to **GROW**

HOW DOES IT WORK

A SIP is a flexible & easy investment plan. Your money is auto debited from your bank account & invested in SIP plan of Mutual fund Scheme. You are allotted certain number of units based on the ongoing market price for the day (known as NAV). Every time you invest money, additional units are purchased & allotted to your investment account. Hence, units are bought at different rates & investors benefit from **RUPEE COST AVERAGING & THE POWER OF COMPOUNDING**.

Rs. 10000 Invested every Month @ 12% through SIP

TENURE	INVESTMENT	VALUE
7 YRS	8,40,000	13,19,789
10 YRS	12,00,000	23,23,390
15 YRS	18,00,000	50,45,759
20 YRS	24,00,000	99,91,479

16.65% IS THE BSE SENSEX RETURN OVER LAST 35 YRS.

Date	Pur Price	Units	Amount
02/03/2014	58.25	17.16	1000
13/04/2014	70.12	14.26	1000
11/05/2014	75.25	13.29	1000
10/06/2014	87.90	11.38	1000
10/07/2014	67.33	14.85	1000
11/08/2014	82.14	12.17	1000
11/09/2014	92.56	10.80	1000

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 won't 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.

KEY TO SUCCESS

START EARLY	INVEST REGULARLY	INVESTMENT LONG TERM
IT IS NOT THE TIMING BUT TIME IN THE MARKET WHICH MATTERS		

COST OF DELAY

TODAYS AGE	25 Years	Check the Articles Page 3
CURRENT COST	10,00,000	
COST WHEN YOU TURN 45 YRS	46,60,957	
YOU START INVESTING	YEAR LEFT TO GOAL	MONEY TO INVEST EVERY MONTH
TODAY, WHEN YOU ARE 25 YRS OLD	20	5,067
WHEN YOU ARE 27 YRS OLD	18	6,549
WHEN YOU ARE 29 YRS OLD	16	8,540
WHEN YOU ARE 31 YRS OLD	14	11,271
WHEN YOU ARE 33 YRS OLD	12	15,128
WHEN YOU ARE 35 YRS OLD	10	20,805

Inflation assumed at 8%, expected Avg return 12%.

Did You Know	
A monthly SIP of Rs. 10,000 per month started from JAN 1995 is worth Rs. 5,32,00,000/-	A onetime investment of Rs. 50,000/- in OCT. 1995 is worth Rs. 18,00,000/-
Inv. : 24,30,000/- Annualized return : 23.13% (28/2/2015)	Annualised Return : 25.49% (2/3/2015)

Note : Always increase the SIP amount every by adding additional 1000-2000 per year from the previous installment what was paid.

Date	Pur Price	Units	Amount
11/10/2014	99.87	10.01	1000
12/11/2014	97.25	10.28	1000
11/12/2014	109.21	9.16	1000
11/01/2015	121.14	8.25	1000
12/02/2015	105.21	9.50	1000
TOTAL	1066.23	141.11	12000

FROM OCTOBER 2015 :
WE WILL BE CLOSE ON 2ND AND 4TH SATURDAY

Ready Reckoner • Systematic Investment Plan (SIP) Returns. SIP Amount Per Month Rs. 5000/-

Age	SIP Instal	No. of Years	Investmet Amount	12%	15%	18%	20%
25	420	35	21,00,000	32,476,345.33	74,303,224.58	175,487,438.37	315,417,390.73
26	408	34	20,40,000	28,764,269.36	63,956,778.00	146,720,130.56	258,613,073.65
27	396	33	19,80,000	25,469,990.42	55,043,225.28	122,659,516.15	212,028,907.36
28	384	32	19,20,000	22,546,485.12	47,364,122.96	102,535,520.90	173,826,097.06
29	372	31	18,60,000	19,952,022.61	40,748,510.26	85,704,064.39	142,496,681.28
30	360	30	18,00,000	17,649,568.87	35,049,103.03	71,626,445.87	116,804,008.79
31	348	29	17,40,000	15,606,258.08	30,139,014.68	59,852,102.81	95,733,924.87
32	336	28	16,80,000	13,792,923.50	25,908,931.34	50,004,190.38	78,454,740.05
33	324	27	16,20,000	12,183,681.13	22,264,678.16	41,767,520.28	64,284,401.24
34	312	26	15,60,000	10,755,560.24	19,125,122.70	34,878,473.02	52,663,569.34
35	300	25	15,00,000	9,488,175.46	16,420,368.68	29,116,560.54	43,133,540.76
36	288	24	14,40,000	8,363,435.82	14,090,199.82	24,297,369.42	35,318,141.17
37	276	23	13,80,000	7,365,286.50	12,082,739.31	20,266,658.58	28,908,877.00
38	264	22	13,20,000	6,479,479.66	10,353,294.82	16,895,422.73	23,652,758.40
39	252	21	12,60,000	5,693,371.06	8,863,363.51	14,075,763.47	19,342,313.07
40	240	20	12,00,000	4,995,739.60	7,579,774.87	11,717,435.93	15,807,396.84
41	228	19	11,40,000	4,376,627.09	6,473,952.23	9,744,960.44	12,908,477.65
42	216	18	10,80,000	3,827,196.18	5,521,276.51	8,095,206.75	10,531,127.81
43	204	17	10,20,000	3,339,604.14	4,700,538.18	6,715,373.51	8,581,507.33
44	192	16	9,60,000	2,906,890.97	3,993,465.05	5,561,298.35	6,982,659.75
45	180	15	9,00,000	2,522,880.00	3,384,315.47	4,596,044.40	5,671,474.52
46	168	14	8,40,000	2,182,089.76	2,859,527.87	3,788,718.14	4,596,195.85
47	156	13	7,80,000	1,879,655.72	2,407,418.83	3,113,480.61	3,714,379.76
48	144	12	7,20,000	1,611,260.87	2,017,923.01	2,548,720.43	2,991,218.75
49	132	11	6,60,000	1,373,074.07	1,682,369.01	2,076,362.12	2,398,167.83
50	120	10	6,00,000	1,161,695.38	1,393,286.36	1,681,287.57	1,911,817.77
51	108	9	5,40,000	974,107.53	1,144,239.16	1,350,852.19	1,512,971.12
52	96	8	4,80,000	807,632.83	929,682.86	1,074,480.19	1,185,884.38
53	84	7	4,20,000	659,894.99	744,840.77	843,326.13	917,646.61
54	72	6	3,60,000	528,785.15	585,597.71	649,991.78	697,669.80
55	60	5	3,00,000	412,431.83	448,408.45	488,289.36	517,270.89
56	48	4	2,40,000	309,174.17	330,218.72	353,043.49	369,329.10
57	36	3	1,80,000	217,538.24	228,397.25	239,925.54	248,004.78
58	24	2	1,20,000	136,216.00	140,677.18	145,315.12	148,508.96
59	12	1	60,000	64,046.64	65,105.58	66,184.15	66,914.28

Disclaimer : The above investment simulation, based on assumed rate or return is for illustration purpose only and should not be construed as a promise on minimum returns and safeguard of capital.

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.

GURU SPEAK

Equity MFs are the perfect solution for people who want to own stocks without doing their own research.

- Peter Lynch, one of the most successful equity fund managers of all time.

Rules of Compounding

- Start early, let time be on your side.
- Higher the rate of return, the larger the corpus.
- Longer the time horizon, stronger is the effect of compounding on principal.

COST OF DELAY

In the Side Table example: instead of 35 years, you delay your SIP by 10 years and your SIP goes on for 25 years.

Your total corpus at the end of 25 years will be nearly Rs 1,64,20,369 Crores, that is almost less than 5 times of what you will have if you had started 10 years earlier. Of this Rs 1,64,20,369 Crores, your principal is Rs 15,00,000 lakh while you earn Rs 1,49,20,369 Crores, you earn less than 4.65 times because you were just 10 years late

THE CAPITAL INVESTED FOR 25 YRS : 1500000 , VALUATION : 1,64,20,369

THE CAPITAL INVESTED FOR 35 YRS : 210,00,00 , VALUATION : 7,43,03,225

THE DIFFERENCE IS MORE THAN 4.65 TIMES WITH JUST NOMINAL 6,00,000 OF INVESTMENTS

Example

You invest Rs 5,000 every month in an Equity mutual fund SIP for 35 years (420 months). The scheme gives an average annual return of 15% over 35 years. At the end of the period, your total corpus will be nearly Rs 7,43,03,225 CRORES, of which your actual investment (principal) is Rs 21,00,000 lakh

AMOUNT INVESTED: 21,00,000

VALUATION : 7,43,03,225

AVG BSE SENSEX RETURN IS 16.65% OF OVER 35 YRS

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

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Patience, discipline key to long term wealth creation - Courtesy by TOI

CASE STUDY.

I intend to gift an SIP and need advice. The target is Rs 50 lakh after 15 years and I can take medium level of risks. My preferred distribution in schemes for SIP are 30% in blue chips, 30% in balanced equity funds and 40% in balanced debt funds.

- Ravi Jain, Dehradun

Gajendra Kothari replies:

For a corpus of Rs 50 lakh after 15 years, you need to invest Rs 10,000 per month assuming an average annual return of 12%. Your choice of asset allocation seems to be diversified and has medium level of risk. You can select from some of the best from these types of funds.

One should be a pure diversified equity fund which has a long term track record, say over a 5,7,10 and 15 year time periods and has beaten its benchmark consistently over longer time period. You should expect an average annual return of 12-14% from such funds over your time horizon.

Second, you could choose from an equity oriented hybrid fund with more than 65% exposure to equity and the remaining in debt. The fund should have mostly large cap companies in its portfolio and hence will carry medium risks. The fund you select should have a track record of consistent performance over a long period of time. You can expect average annual returns of 10-12% over the 15 year period.

The third fund should be a conservative scheme among all the three and hence you can expect average annual return of around 8-10% over the 15-year period. This fund should have higher debt exposure, say around 50-60%, and the remaining can be in equity or a mix of equity and gold.

On an average from the above portfolio, you can expect 12% compounded annual growth rate over the 15 year period. Also, this way your portfolio will be a well diversified one across different strategies.

Long Term Investing is Not Risky

Investors perceive investing in stocks is risky. But if you are willing to stay for the long haul, the probability of loss comes down. The table below is the average annual return (%) from sensx over 1,5,10,12 and 15 year(s). If you remained invested for 12 years or more, your chance of a loss becomes zero. Risks could be even lower if you take the mutual fund route.

Yr.	Date	Sensex	1 Year	5 Year	10 Year	12Year	15 Year
1	3-4-79	124					
2	3-4-80	129	3.92				
3	3-4-81	173	34.47				
4	3-4-82	221	27.34				
5	3-4-83	213	-3.76				
6	3-4-84	247	16.06	14.73			
7	3-4-85	353	43.05	22.3			
8	3-4-86	582	64.91	27.4			
9	3-4-87	524	-9.92	18.87			
10	3-4-88	398	-24.03	13.38			
11	3-4-89	724	81.71	24.01	19.28		
12	3-4-90	783	8.16	17.27	19.76		
13	3-4-91	1203	53.63	15.62	21.37	20.83	
14	3-4-92	4238	252.34	51.88	34.37	33.78	
15	3-4-93	2311	-45.46	42.14	26.95	24.08	
20	3-4-98	4072	14.46	11.99	26.17	17.6	21.75
25	3-4-03	3151	-9	-5	3.15	8.36	14.78
30	3-4-08	15833	25.41	38.11	14.54	13.63	13.69
35	3-4-13	18802	6.84	3.5	19.56	14.76	10.74
36	3-4-14	22509	19.72	16.81	14.55	16.88	12.82
37	3-4-15	28351	25.95	9.89	15.68	20.09	12.18
Ave. Return (%)			26.85	20.77	20.83	20.63	17.81
Probability of Loss			11/36	4/32	1/27	0/23	0/20
Probability of Loss (%)			30.5	12.5	0.3	0.0	0.0

Of course, please note, mutual fund investments are subject to market risks and the value of the fund can go up or down. You should review your portfolio once a year and ensure that it is in line with your expectations. The key though lies in patience and discipline and if you can practice both you will be suitably rewarded.

Intention : To gift an SIP.

Target : Rs. 50 lakh.

Time to achieve goal : 15 years.

Investment distribution :
Blue chips : 30%, Balanced equity fund : 30%, Balanced debt funds : 40%.

Solution : Monthly SIP of Rs. 10,000 distributed among a pure diversified equity fund, an equity oriented hybrid fund (having > 65% equity exposure) and a conservative debt-oriented scheme. Expected average annual returns for the portfolio over 15 years is 12%.

List of Fixed Deposit for the 2015

Company Name	Interest Rate in (%)				Senior Citizen	Minimum Investment	Interest Mode Available
	12M	24M	36M	48M			
Mahindra & Mahindra Financial Services Ltd	8.45	8.45	8.45	9.25	0.25	10,000	HQ
Bajaj Finance	8.80	8.95	8.95	8.95	0.25	1,50,000	MQ/HY
DHFL - Aashray Deposit Plus	9.25	9.60	9.50	9.50	0.25	10,000	MQ/HY
DHFL - Aashray Deposit Single	9.50 (14M)					10,000	MQ/HY
DHFL - Aashray Deposit	9.60 (40M)				0.25	10,000	MQ/HY
Shriram Unnati Deposit	9.00	9.25	9.50	9.50		25,000	QH/Y
Shriram City Union Finance Ltd	9.00	9.25	9.50	9.50		25,000	MQ/HY
PNB Housing Finance Ltd	8.25	8.25	8.25	8.25	0.25	20,000	C
LIC Housing Finance Ltd	8.60	8.70	8.75			10,000	H
Gruh Finance Ltd	8.25	8.50	8.50	8.50	0.25	10,000	MQ/Y
HDFC Ltd. Regular Deposits	7.95	8.00	8.10	8.15	0.25	20,000	M/Q/H/Y
HDFC Premium Deposits	15 months		8.35 22 months 8.40				M/Q/H/Y
	30 months		8.35 44 months 8.40				M/Q/H/Y
Capital Gain Bonds V/s 54 EC Bond							
R. E. C. Ltd. - 54 EC Bonds				6.00			
NHA of India - 54 EC Bonds				6.00			

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