

SIP TODAY, SWP TOMORROW

Build your wealth with SIP. Draw your monthly income with SWP.

MUTHUKRISHNAN L
AMFI-REGISTERED MUTUAL FUND DISTRIBUTOR | ARN-10460 | EUIN E036112
Mobile: 80564 88175 | Tirunelveli | www.wealthadvisor.in

SIP Today, SWP Tomorrow: Your Complete Retirement Plan

Most of us spend our working life earning a monthly salary. But what happens when the salary stops? Our expenses do not retire with us. Food, medicines, electricity, travel and family needs continue every month, and with inflation they only grow.

The good news is that mutual funds offer two simple tools that can work together for your whole life: **SIP** to build wealth while you earn, and **SWP** to receive a regular monthly income after you retire.

What Is SIP?

A **Systematic Investment Plan (SIP)** lets you invest a fixed amount in a mutual fund scheme every month. You do not need a big sum to begin. Many schemes accept SIPs from a few hundred rupees.

Three simple rules make SIP powerful:

- **Start early.** The earlier you begin, the longer compounding works for you.
- **Save regularly.** Invest on the same date every month, in good markets and bad.
- **Stay for the long term.** Wealth is built over 15, 20 or 25 years, not in a few months.

One Goal, One SIP

Instead of one general investment, start **separate SIPs for separate goals**. Each goal has a different amount and a different time frame:

- **Children's education:** typically 10 to 15 years away.
- **Children's marriage expenses:** typically 15 to 20 years away.
- **Your RETIREMENT expenses:** the most important goal of all.

Children can take an education loan, but **nobody gives a loan for retirement**. That is why your retirement SIP should never be stopped or diverted.

Why Small Caps for the Long Run?

Small cap funds invest in smaller companies that have room to grow into tomorrow's mid and large companies. Over long periods, this category has the potential to deliver higher growth than many other categories. However, it also falls sharply in market corrections and can stay down for months or even years.

So, for long-term goals, **small cap funds can be a better choice**, depending on your **surplus funds, investment term and risk appetite**. Invest only money you will not need for at least 7 to 10 years, and balance it with other categories suited to your profile.

See How a Long-Term SIP Can Grow

Particulars	Amount
Monthly SIP	₹10,000
Investment period	25 years
Total amount invested	₹30,00,000
Illustrative annual return	12%
Potential value at the end	**About ₹1.70 crore**

Illustration only, not a prediction or guarantee. Assumes a constant 12% annualised return; actual returns fluctuate and may be much lower or higher.

Goal Reached? Now Start Your SWP

Once your retirement corpus is built, you can start a **Systematic Withdrawal Plan (SWP)**. Under an SWP, a fixed amount is redeemed from your mutual fund investment every month and credited to your bank account, just like a salary.

Compare this with a bank or other term deposit. There, the interest rate may be modest, and when you draw the interest every month, **your original deposit does not grow**. Over time, inflation quietly reduces the value of that fixed income.

With an SWP, you can **fix a monthly percentage** to withdraw, say about 0.5% a month (around 6% a year). The balance remains invested and continues to earn market-linked returns.

The Surplus Advantage

When your fund earns more than you withdraw, the **surplus returns stay added to your investment**. This brings three benefits:

1. **Your corpus can keep growing** even while you receive a monthly income.
2. **Your SWP amount can be increased later**, whenever there is surplus, to keep pace with rising expenses.
3. **Emergencies are covered.** For needs such as medical expenses, you can redeem from the surplus **without disturbing your regular SWP amount**.

Illustration: SWP in Action

Particulars	Amount
Retirement corpus	₹50,00,000
Monthly SWP (about 6% a year)	₹25,000
Total withdrawn in 10 years	₹30,00,000
Illustrative annual return	10%
Potential corpus after 10 years	**About ₹79.7 lakh**

Illustration only. Assumes a constant 10% annualised return. Real markets are volatile; in a weak period the corpus can fall, and withdrawals during a fall reduce it further. Each SWP instalment is a redemption and may attract capital gains tax.

Points to Remember

- **Choose the SWP rate carefully.** Withdrawing too much can exhaust your corpus.
- **Keep a safety layer.** Many retirees hold a few years' SWP needs in lower-volatility funds and the rest for growth.
- **Review once a year** with your distributor, and increase your SWP only from genuine surplus.

Conclusion: Start Your Journey Today

SIP and SWP are two halves of one plan. **SIP builds the mountain; SWP lets you enjoy the view**, one month at a time.

If you have not started yet, **start your investment journey today**. Even a small SIP started now can mean a more comfortable, independent retirement tomorrow.

Start early. Save regularly. Stay invested. Retire happy.



Talk to the Author

MUTHUKRISHNAN L
AMFI-REGISTERED MUTUAL FUND DISTRIBUTOR
ARN-10460 | EUIN: E036112
A, 57, Third Main Road, Maharaja Nagar, Tirunelveli, Tamil Nadu – 627011
Mobile: 80564 88175 | 70105 63836
Office: 0462 2575715 | 0462 3590510
Email: wealthadvisorindia@gmail.com | Web: www.wealthadvisor.in
26 years of experience | Serving resident and NRI investors.

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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Past performance may or may not be sustained in future and is not a guarantee of future returns. The figures in this article are illustrations based on assumed constant returns and are not projections or promises of returns.

Small cap funds carry very high risk and can be highly volatile. SWP withdrawals are redemptions; capital gains tax and exit load, if any, apply as per prevailing rules. SWP does not guarantee a fixed income or protect capital.

This article is for investor education and awareness only and is not a recommendation to buy, sell or hold any scheme. Please assess your goals, risk appetite and investment horizon, and consult your financial and tax advisors before investing.

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