



SIP<sup>#</sup> is like a "Good EMI" an Investment, not an installment



"Loan EMI" is an installment to repay a liability

As you begin an EMI driven liability, simultaneously build a future asset with the "Good EMI" a.k.a. "SIP"



### Good EMI

- You "invest today" to fulfill your "goals of tomorrow"
- No stress in ability to pay as it is lighter on your wallet
- Flexibility across installment amount & period of investment
- Potential to beat inflation and create wealth in the long run



### Loan EMI

- EMI you "pay today" for the "lifestyle and goals of today"
- Heavier Outflow, paying off an "existing liability"
- Little flexibility
- Constant stress to maintain ability to pay
- At times loan is being serviced, but related asset is not ready

## AN EXAMPLE



Mr. A

Mr. A and Mr. B are ready to purchase their respective dream houses.

While both Mr. A and Mr. B take identical loans for their homes, Mr. B simultaneously invests in an Equity Mutual Fund via SIP



Mr. B

## VITAL STATS<sup>^</sup>

Mr. A and Mr. B (Loan EMI)		Only Mr. B (Good EMI)	
Loan Amount (Principal)	INR 30 LAC	Monthly SIP Installment	INR 2800
Tenure of Loan	30 Years	Tenure of SIP	30 Years
Monthly EMI Amount	INR 23,600	Assumed Rate of Return	12% p.a.
Total Interest Paid*	INR 55 LAC	Total Investment (Principal)	INR 10 LAC
Total Amount Paid	INR 85 LAC	Total Corpus Created	INR 86.3 LAC

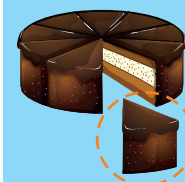
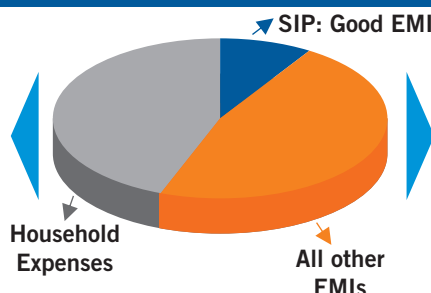
\*Assuming an interest rate of 8.75% p.a.

**TOTAL LOAN REPAID CAN BE POTENTIALLY RECOVERED BY THE CORPUS CREATED WITH THE SIP INVESTMENT**

## How is Mr. B's salary spent?

Mr. B's monthly SIP amount is a meagre "12%" of the Loan EMI

Even with this small investment, Mr. B can create wealth which has the potential to EXCEED his home loan cash flows



"Good EMI" The smallest but sweetest piece of the salary cake

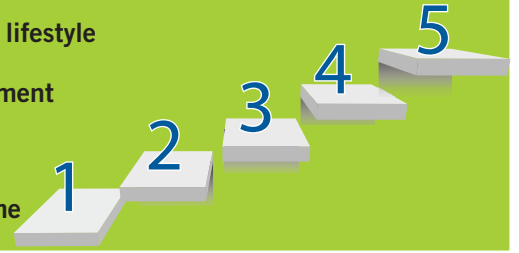
## HOW TO STEP UP YOUR “GOOD EMI”

As Mr. B's income rises, he can step-up his Good EMI to keep pace with his lifestyle

By applying for a step-up SIP, Mr. B can start with a LOWER initial investment

AND

Gradually increase the investment in line with the increase in his income



## VITAL STATS^ FOR MR. B'S “GOOD EMI” WITH “STEP-UP”

Features	30 years Step-up SIP*
Monthly SIP Installment	INR 1100
Assumed Rate of Return	12% p.a.
Total Investment (Principal)	INR 21.7 LAC
Total Corpus Created	<b>INR 88 LAC</b>

\*Assuming that the installment is stepped up at a rate of 10% per annum. Please note that you may be paying a higher principal in the step-up route, to get the benefit of a lower initial amount of Rs.1100 vis-à-vis Rs.2800 in a normal SIP.

## KEY TAKEAWAYS



Always add a sprinkle of “Good EMI” to your salary basket



Good EMI helps to create wealth, which can be used for various life goals



Unlike a loan EMI, Good EMI provides flexibility in amount, time period and helps beat inflation



Good EMI requires a much smaller investment (10-12% of your Loan EMI) to create a large corpus



It is advisable to continue the Good EMI even beyond your loan tenure, to benefit from the power of compounding



Step-Up your Good EMI in line with your salary hike/promotion to meet lifestyle changes

# SIP : Systematic Investment Plan

^ The table is only for illustrative purposes and shall not be construed as an example for returns. Actual results may vary.

Returns in mutual funds are market linked. The illustration is neither an invitation to invest nor shall be construed as an investment advice or recommendation. Investors shall be solely responsible for their own investment actions. Investors may consult their financial advisers before taking any financial decisions.

Further, the home loan interest rate is only for illustrative purposes. Actual rates may vary.

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