

## May SIP take care of your interest!

Did you know that your SIP investments may balance your Home Loan interest burden. Check this illustration to know more.

Here in the 10-years tenure example (H1), the home loan of Rs.1Cr having EMI of about Rs.1.3 lakhs has taken away interest amount of about Rs.58.5 lakhs. Two more such examples are shown in this illustration with different rate and tenure to show how much interest you end up paying in each Loan.

Home Loan calculation			
	H1	H2	H3
Home Loan Value (Rs.)	1,00,00,000	50,00,000	1,00,00,000
Loan tenure (years)	10	15	20
Interest rate	10%	9%	8.5%
EMI (Rs.)	1,32,151	50,713	86,782
Principal (Rs.)	1,00,00,000	50,00,000	1,00,00,000
Total (Principal + Interest) (Rs.)	1,58,58,088	91,28,399	2,08,27,758
<b>Total interest on loan (Rs.)</b>	<b>58,58,088</b>	<b>41,28,399</b>	<b>1,08,27,758</b>



## SIP

Now let's see how SIP investments may endeavor to balance Home Loan interest burden for each period. Here in this SIP investment case (e.g.S1), 10-years investment in Sensex of Rs.48,500 p.m. has given an additional inflow of about Rs.58.8 lakhs returns, which is more than the home loan interest outflow in first example (e.g.H1). Two more such SIP examples are given below with different tenure to show how SIP returns generated in each period have balanced home loan interest amount.

SIP Calculation			
	S1	S2	S3
SIP investment in Sensex p.m.(Rs.)	48,500	12,000	13,000
SIP Tenure (years)	10	15	20
Investment amount (Rs.)	58,20,000	21,60,000	31,20,000
Returns <sup>^</sup>	12.64%	12.64%	12.64%
Total Investment Value (Rs.)	1,17,07,842	64,39,461	1,41,72,762
<b>Profit in (Rs.)</b>	<b>58,87,842</b>	<b>42,79,461</b>	<b>1,10,52,762</b>



Source - HSBC MF, AMFI, BSE, SBI, SIP Calculation - <sup>^</sup> Mean CAGR returns of Sensex considered for illustration is 12.64%. Returns calculated by taking mean of 10-year rolling returns between 1 June 2013 and 30 May 2023 of Sensex. For SIP returns, Rs.48,500/- (S1), 12,000 (S2) and 13,000 (S3) are invested on the 1st day of every month has been considered. For S1, S2 and S3 examples SIP tenure of 1 June 2013 to 30 May 2023, 1 June 2008 to 30 May 2023 and 1 June 2003 to 30 May 2023 has been considered respectively. The above illustration is provided as per AMFI Best Practice Guidelines 109 to explain the concept of power of compounding.

Past performance may or may not be sustained in the future and is not a guarantee of any future returns. Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

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SIP may help achieve your important financial goals and SIP may also help take care of your home loan interest burden.

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