

Can a SIP of ₹5,000 per month fetch you ₹50 lakh in 10 years?

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I am 33 years old and employed at a private firm. I have no exposure to mutual funds (MFs) but I want to start a monthly SIP (systematic investment plan). I can invest around ₹5,000 per month, but I am unable to select the right funds. I want to accumulate ₹50 lakh in the next 10 years. Will I be able to achieve my target through monthly SIP of ₹5,000?

—Name withheld on request

Your decision to start investing in MFs is the right one and it will help you create wealth over the long term.

As you are investing in MFs for the first time, it is always better to start with large cap-oriented equity funds for your 10-year goal.

If we assume a return of 10% per annum on your SIPs, you will be able to accumulate just ₹10 lakh and at 12% per year, you will accumulate a corpus of ₹11 lakh at the end of 10 years. Hence, the monthly SIP of ₹5,000 may not be sufficient to achieve your goal.

You will have to invest approximately ₹22,500 per month to achieve your goal which is much higher than your planned investment. One of the best ways to achieve this is goal is to increase the SIP amount every year.

If you increase the SIP amount annually by 35% you will be able to reach the goal at the end of 10 years.

In such a case, your monthly SIP next year would be ₹6,800, and a year after it would be ₹9,000. Likewise,



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you can increase the SIP amount every year in the future. This strategy will also help you plan your future investments and will be less stressful on your finances.

The funds that you can start investing in through SIP are - UTI Nifty Index Fund, Mirae Asset Large Cap Fund, Canara Robeco Bluechip Fund, Parag Parikh Flexi Cap Fund, and Mirae Emerging Bluechip Fund.

Avoid investing in mid-cap and small-cap funds at this stage as you are just starting your investment journey in equity mutual funds.

You should also avoid sectoral and thematic funds as these carry additional risk.

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Do you have a personal finance query? Send in your queries at mintmoney@livemint.com and get them answered by industry experts.