PRESENTATION
ON
SYSTEMATIC WITHDRAWAL PLAN

BINDUWASINI FINANCIAL ADVISOR

Systematic Withdrawal Plan or SWP refers to this scheme that allows the investor to withdraw from his mutual fund scheme every month on an already set date. This withdrawal could be a fixed or a variable amount and the withdrawal can be either annually, semi-annually, quarterly or even monthly.

With the Systematic Withdrawal Plan, you can customize the cash flow as per your requirement. You can choose to either withdraw just the capital gains on your investment or a fixed amount. This way you will not only have your money still invested in the scheme, but you will also be able to access regular income and returns. The money that you withdraw can be used to reinvest in some other fund or can be retained by you in the form of cash.

DEFINATION
&
EXPLANATION

Need Of Systematic Withdrawal Plan

With this plan, you as an investor can create a flow of income from your investment that is regular. If you seek to have periodic incomes for your travel or other needs, this is a great way to set this provision. It should be created in such a way that when you need cash the most, it is available.

WITHDRAWAL OPTION

Of Mutual Fund

With the fixed withdrawal option you can access a specified amount from your investment on either a monthly or a quarterly basis. With the appreciation withdrawal option, you may withdraw only the appreciated amount on a monthly or a quarterly duration.

HOW DOES WITHDRAWAL PLAN WORK

When you choose a Systematic Withdrawal Plan, it affects your mutual fund account as well. It is important to note that an SWP is not the same as opening a fixed deposit account in a bank where you receive monthly interests. With a fixed deposit, the corpus value is not impacted when you withdraw the interest but in the case of a systematic withdrawal plan in mutual fund schemes, the value of your fund is reduced by the number of units you withdraw.

EXAMPLE

Of Systematic Withdrawal Plan

Any company Mutual Fund

Imagine you have 8,000 units in your mutual fund scheme and you wish to withdraw INR 5000 every month through your systematic withdrawal plan.

Let us assume the Net Asset Value (NAV) of the scheme is INR 10. The withdrawal of INR 5000 from this scheme will mean that 500 units are being sold which is INR5000/INR10. The remaining amount in your mutual fund post this withdrawal will be 7500 units (8000-500).

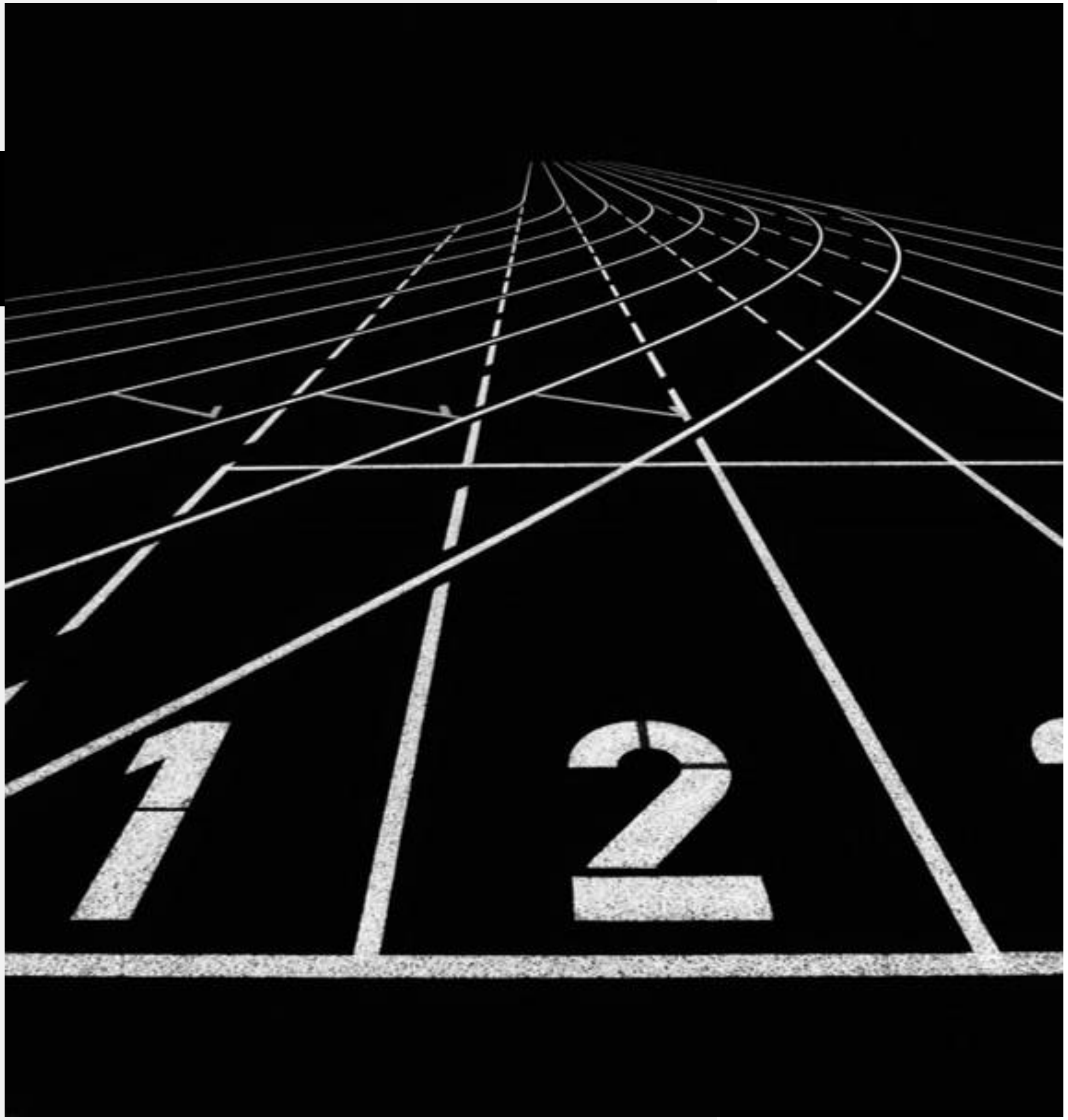
During the start of the next month fi the NAV of your scheme increases to INR 20, then the withdrawal of INR 5000 would mean selling 250 units, which is INR 5000/20. The mutual fund would be left with 7250 units post this withdrawal (7500-250).

This is how with each withdrawal that you make, your mutual fund will see a decline in its units. As the NAV increases, the redemption of the units would get lesser and lesser and as the NAV falls, it would have the opposite effect, requiring the redemption of more units.

An important aspect of benefitting from this plan and making the most of it is by planning the SWP keeping in mind your needs and your end goal. It can have a detrimental effect on the value of your fund if you opt for unrealistic withdrawal amounts, etc.

TAX IMPLICATION

The redemption of systematic withdrawal plan is subject to taxation. If your holding period is less than 36 months, then the amount that you withdraw will form a part of your income and will then be taxed in accordance with your income slab. On the other hand, if the holding period is more than 36 months, then the amount that you withdraw will be subjected to long-term capital gains tax which is 10 percent without indexation and 20 percent with indexation. As an open-ended fund, it gives you the option of redeeming the investment or modifying it at any time.



THANK YOU

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