

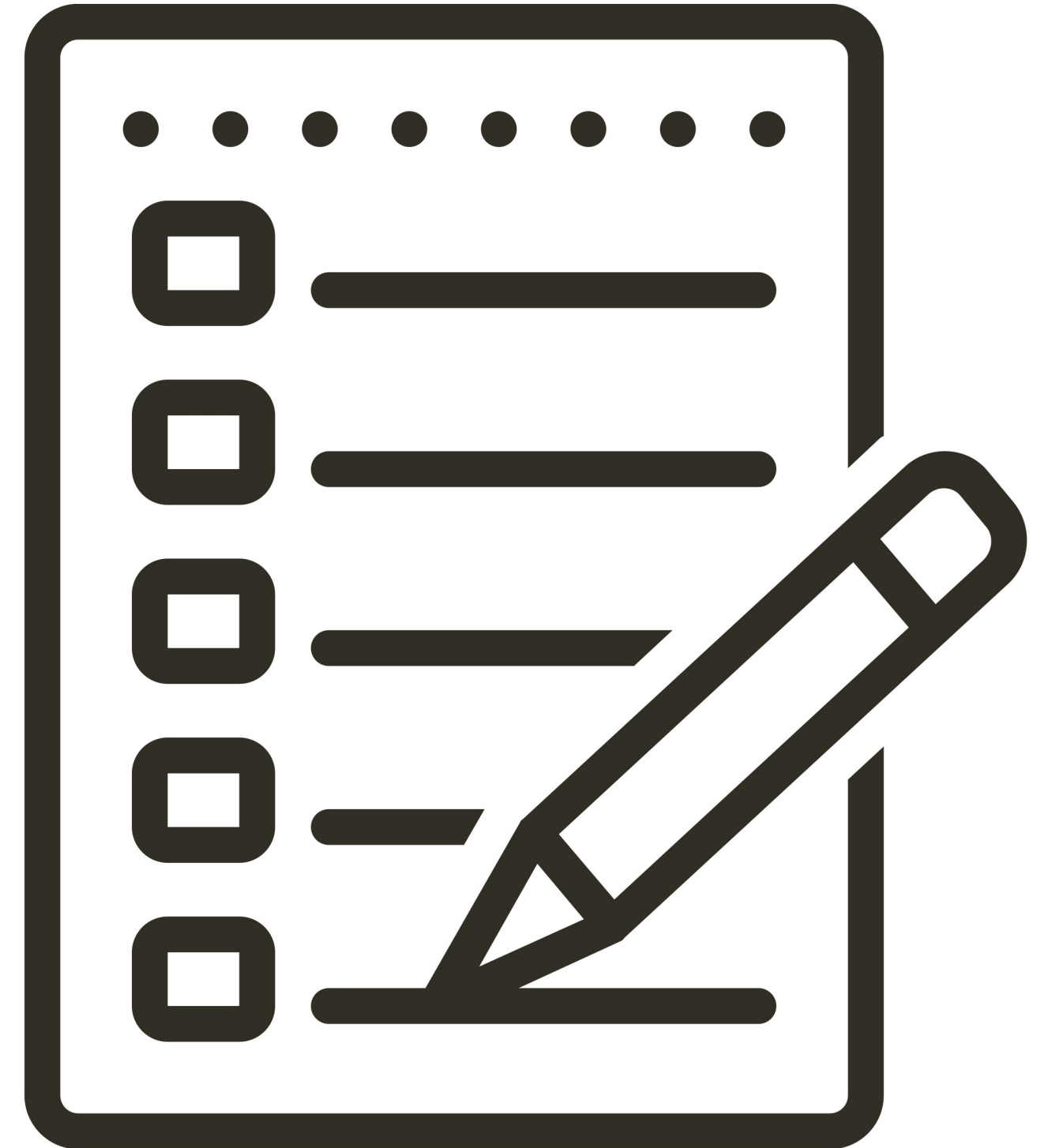
Market risk

Probability of getting the negative return in given period of time is called market risk!



Areas covered

- Safety & Risk
- True financial freedom
- Concept of passive income
- Building financial freedom fund
- Steps to achieve financial freedom
- How to build financial freedom faster?



Financial Freedom



Definition?

- Earning lots of money?
- Having no debt?
- Lavish vacation?
- Bigger bungalow?
- Bigger car?



Definition

Having enough money to make decisions and choices that YOU want to make, without having to worry about money!

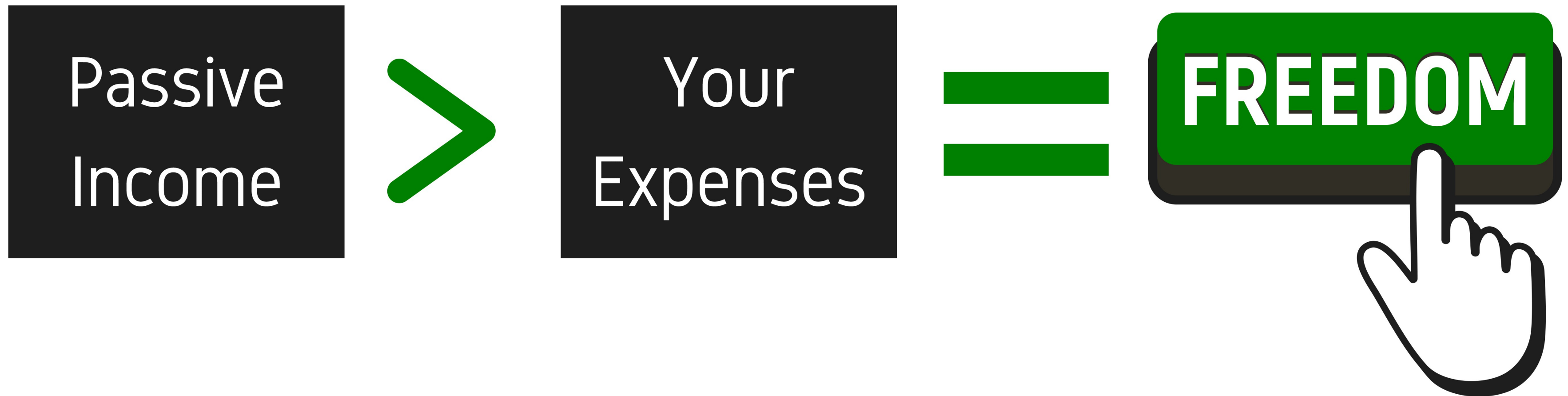


True definition

To become financial free
you need to achieve the
stage where your
passive income is more
than your expenses!



True definition



What is passive income?

Passive Income



Active Income

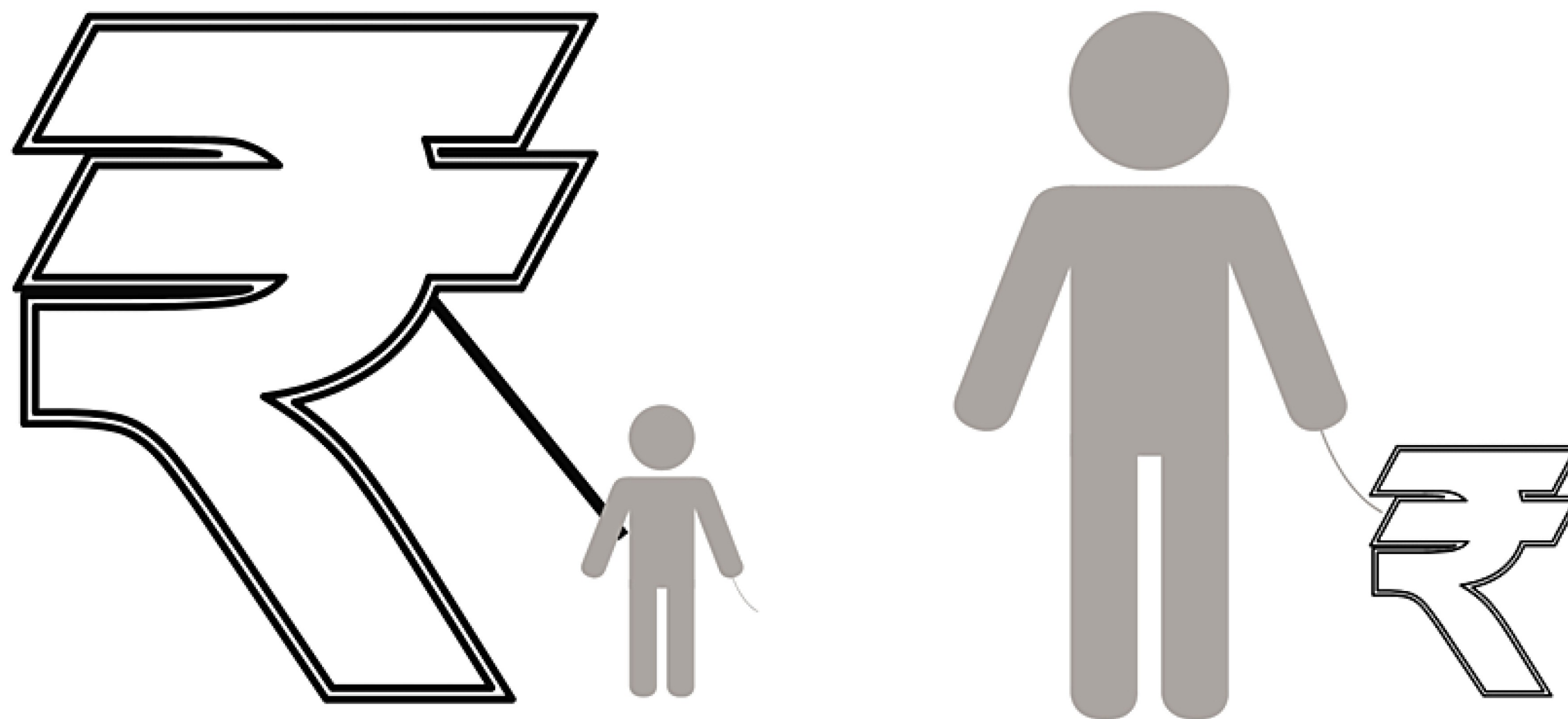


Sources of Passive Income

1. **Business** - By building the business which can run without you. (everyone can't do this)
2. **Investment** - Generating the passive income in form of profit, interest or dividend from your investment portfolio. (everyone can do so by saving regularly and creating a portfolio)



How to build passive income from investment



Building sufficient fund through investing that can fulfil your current as well as future expenses and liabilities.

How much Financial Freedom Fund?

- 1) Fund for house hold expenses
- 2) Liabilities
- 3) Present value of financial goals



Step 1 - finding corpus for household exp.

Age – 35 Years

Life Expectancy – 80 Years

Monthly expenses – Rs 35000

Inflation – 6%

Interest rate – 7.5%



This person requires
Rs 1.41 Cr if he wants to stop
working for money

Step 2 - Add up liabilities

Home Loan - 21 Lacs
Car Loan - 4 Lacs
Personal Loan - 1.25 Lacs



This person requires
Rs 26.25 Lacs if he wants to
repay all loans

Step 3 - Other goals

Goal Name	Current cost	Years to goal	FV of goal	Lumpsum required
Child Education	₹ 15,00,000	15	₹ 47,58,254	₹ 8,69,315
Marriage	₹ 20,00,000	20	₹ 93,21,914	₹ 9,66,373

* Inflation assumed 8%, return on lumpsum assumed 12%

This person requires **Rs 18.36 Lacs** for his kid's education and marriage expense. If he has this amount, he can invest it lumpsum and goals will be achieved.

Financial Freedom fund required

Step 1 - HouseHold fund	141.00 Lacs
Step 2 - Loan repayment fund	26.25 Lacs
Step 3 - Other Goals	18.36 Lacs

Financial Freedom Fund require	186 Lacs
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If this person has 186 Lacs now, he can claim that he is Financially Free

Current investment

Fixed Deposit	8 Lacs
PPF	5 Lacs
Mutual Fund	10 Lacs
<hr/>	
Total Assets	23 Lacs



Required corpus 1.86 Cr Total Assets 23 Lacs

Conclusion - He is not Financially FREE

Financial Freedom fund required

Financial Freedom Fund Required : 186 Lacs
Financial Assets : 23 Lacs

Deficit to be built : 163 Lacs



Key to bridge deficit

Start early - the earlier you start sooner you can achieve the deficit

Monthly Investment	Time to achieve the deficit		
	10%	12%	15%
15000	23.72 years	21.32 Years	18.66 Years
25000	19.07 Years	17.33 Years	15.35 years
50000	13.37 Years	12.37 Years	11.18 years

What we expect from our investment?



Safety



Better
Return



Tax
Benefit



Liquidity

Safety comes first!



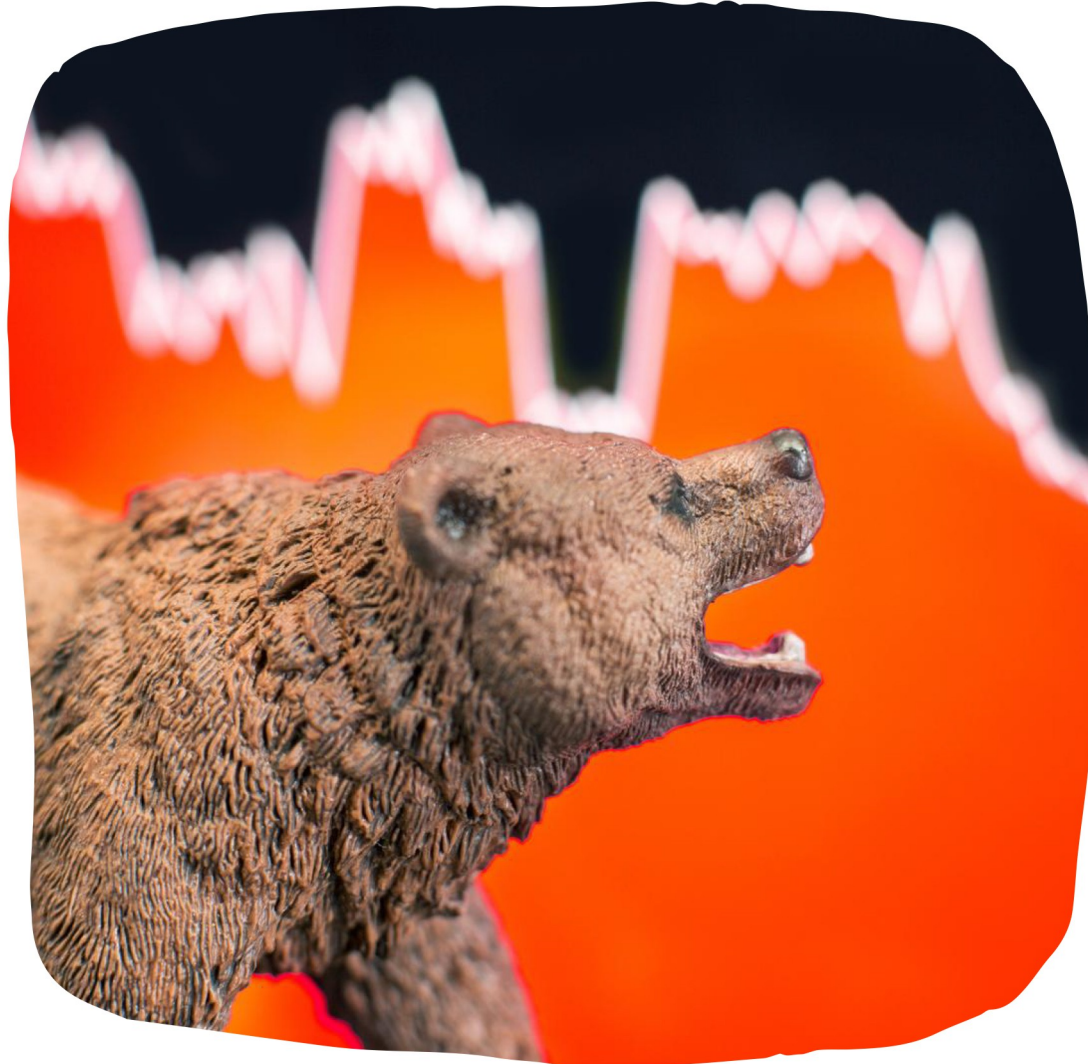
Never forget two rules:

Rule no 1 - Never lose money

Rule no 2 - Never forget rule no 1

Warren Buffett

Understanding risk!



Market Risk



Inflation Risk

What should you focus on?

Safety of Money?

Or

Safety of Value of Money?



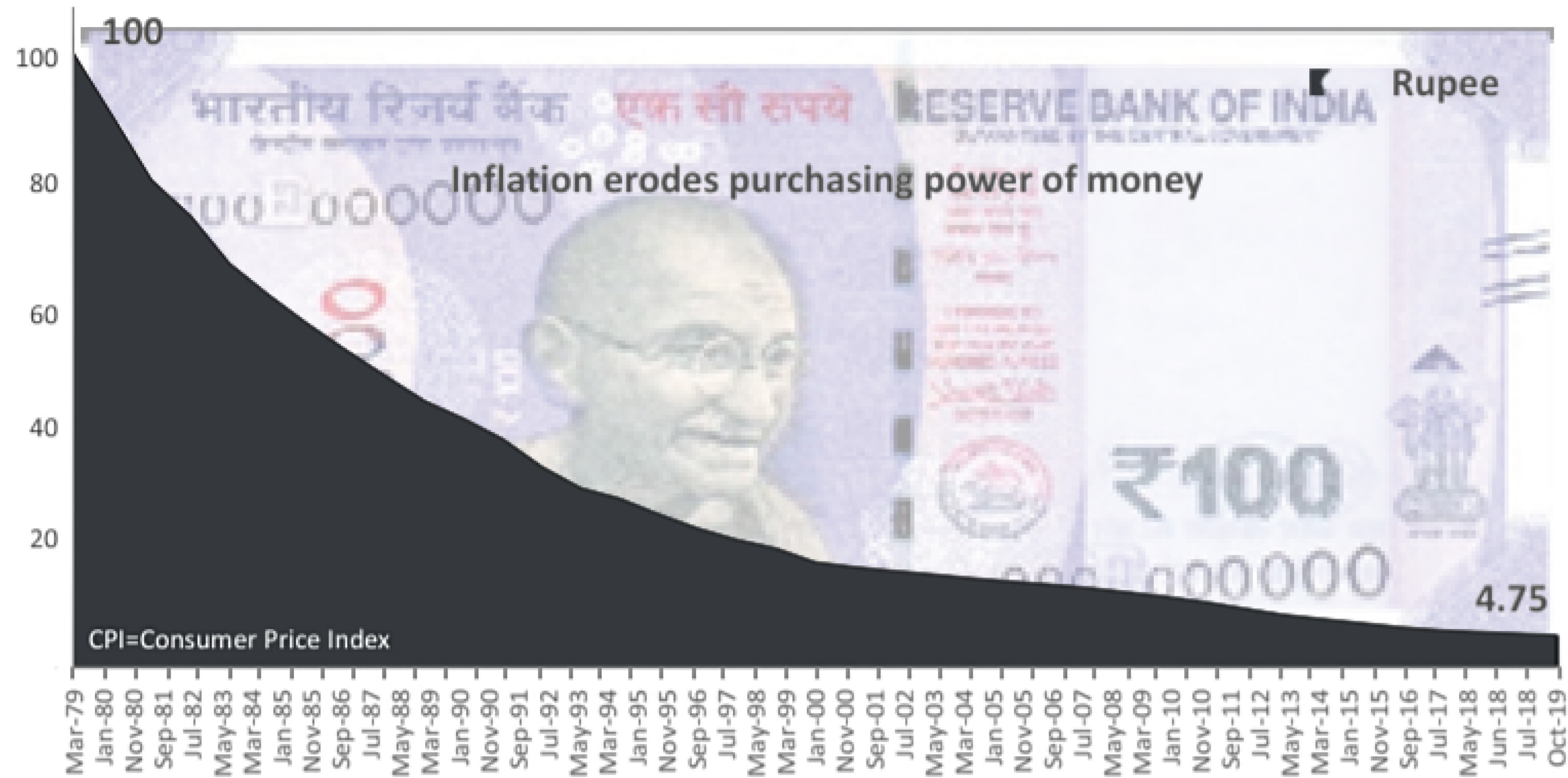
Is your money safe in locker?



Money kept in locker is
safe, but value of money is
not safe!

Loss of 100 Rupees due to inflation

Over FY79-19 inflation on an average has been 6%,
eroding purchasing power of ₹ by 95%



Source: Bloomberg, MOAMC internal analysis, Data as on January 31, 2020

Personal inflation is more



Lifestyle inflation is a
silent killer killing the
value of your savings!

Changing lifestyle is increasing the expenses

From

Roti, Kapda aur Makan

To

Zindagi Na Milegi dobara

Learn rule of 72

72



Your personal
Inflation number

Number of years
in which your expenses
gets doubled

What's your inflation number?

14.40%

Can't ignore the possibility

- If your total monthly expense amount gets doubled every 5 years.

12.00%

More Likely

- If, your total monthly expense amount gets doubled every 6 years.

10.23%

Less Likely

- If your total monthly expense amount gets doubled every 7 Years.

Market risk

Probability of getting the negative return in given period of time is called market risk!



Sensex history

Sensex base year date 31st March 1979

Started with 100 points

Completed 41 years as on 31st March 2020

How to keep your money safe?



To save the value of money, You need to
earn at least the Return (Post tax) equal to
Your Personal Inflation

Risk in 1 year - Sensex

Out of 41 Periods of 1 year
14 are negative

14/41



Assuming that the person invests at the beginning of each financial year and sells at the end of one year.

Risk in 3 year - Sensex

Out of 39 Periods of 3 years
7 are negative



7/39

Assuming that the person invests at the beginning of each financial year and sells at after 3 years

Risk in 5 year - Sensex

Out of 37 Periods of 5 year
3 are negative

3/37



Assuming that the person invests at the beginning of each financial year and sells it after 5 years

Risk in 12 year - Sensex

Out of 30 Periods of 12 years
0 is negative

0/30



Assuming that the person invests at the beginning of each financial year and sells after 12 years

Risk in 15 year - Sensex

Out of 27 Periods of 15 years
0 is negative

0/27



Assuming that the person invests at the beginning of each financial year and sells after 15 years

Conclusion

Market risk is **High** when you
invest for **Short Term**,

Market risk is **Low** when you
Invest for **Long Term**

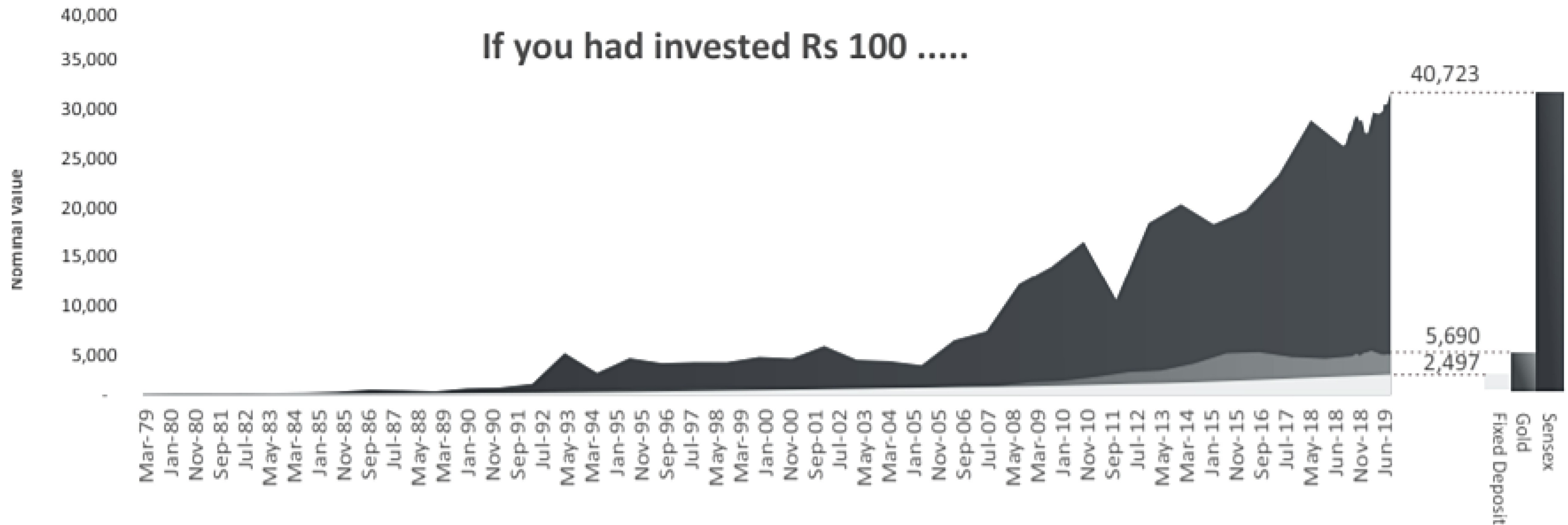


Conclusion

	Short term	Long term
Inflation Risk	Less	High
Market Risk	High	Less

While investing select the right product based on your investment horizon helps you to keep it safe.

Equity has outperformed in long term



Source: Bloomberg, MOAMC internal analysis, Data as on January 31, 2020

Invest through Equity

Start early - the earlier you start sooner you can achieve the deficit

Monthly Investment	Time to achieve the deficit		
	10%	12%	15%
15000	23.72 years	21.32 Years	18.66 Years
25000	19.07 Years	17.33 Years	15.35 years
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Where to invest?

Start investing in Equity Mutual
Fund through
Systematic Investment Plan



Discipline is the key to create Freedom




I fear not the man who has practiced
10,000 kicks once, but I fear the man
who has practiced one kick 10,000
times.

— Bruce Lee —

AZ QUOTES

SIP performance

Years 	10 Years	15 Years	20 Years
Total Number of schemes	80	80	45
Highest Return	16.2	16.93	21.1
Lowest Return	6.14	7.21	10.42
Average	11.49	12.23	16.06
Schemes with 15%+ CAGR	5	9	32
Schemes with 12%+ CAGR	36	41	40
Schemes with 10%+ CAGR	61	69	45

*as on 31st January 2020

Let's plan
your
Freedom...

