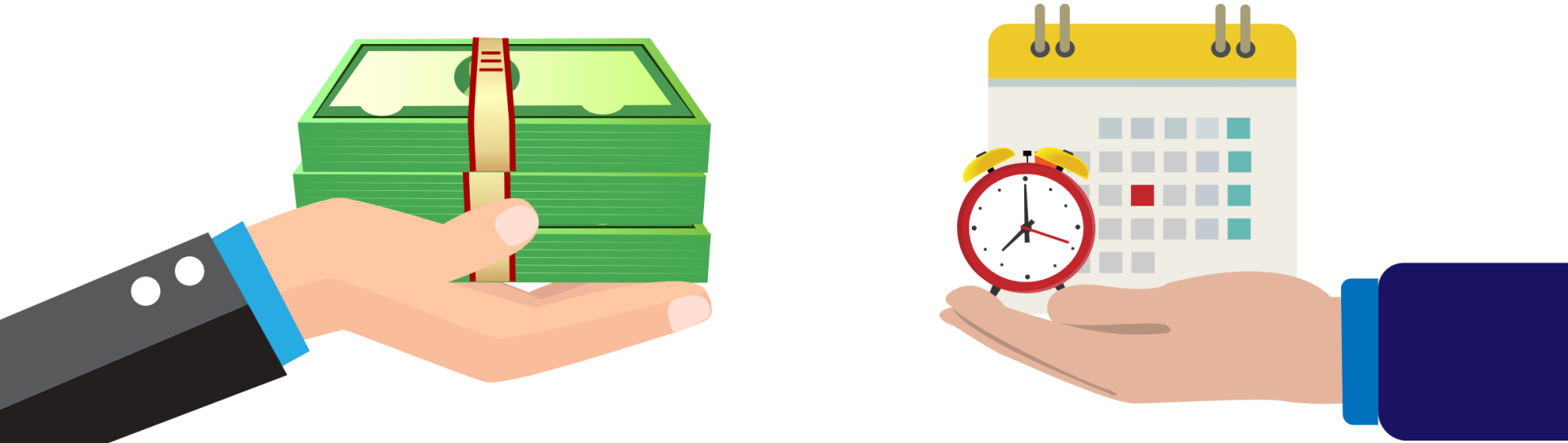


# Systematic Withdrawal Plan



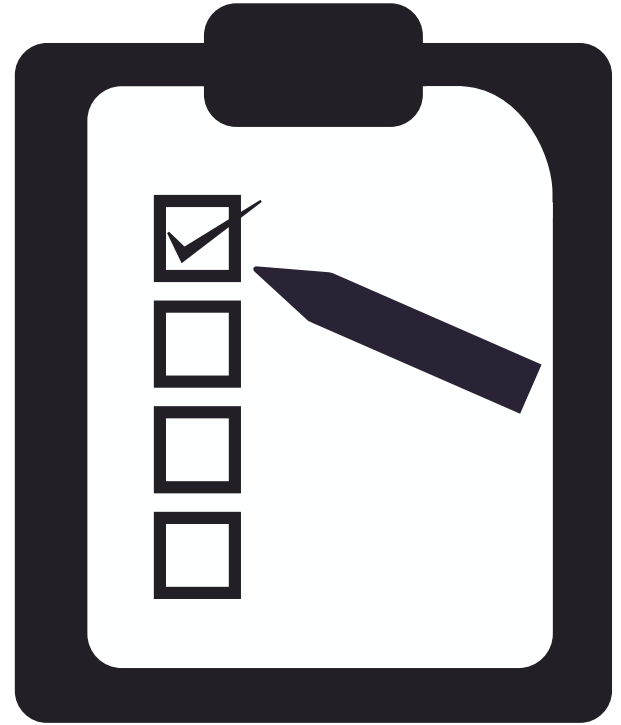
ANITHA

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AMFI Registered Mutual Fund Distributor

# Areas covered

- What is SWP
- Regular Income
- Bank FD vs MF SWP
- Bank FD vs Balance Fund SWP



# Ideal investment for regular cashflow?

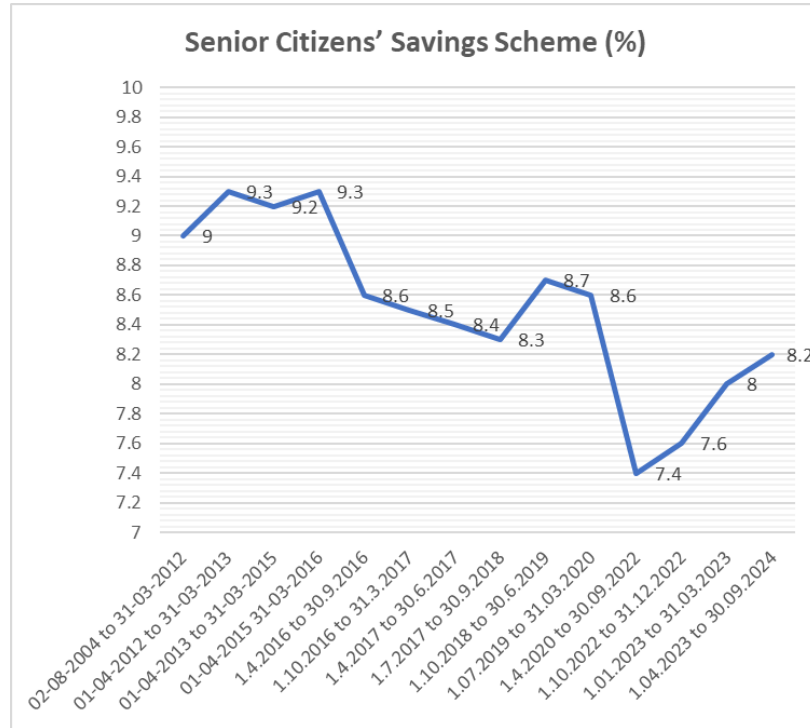


# Post retirement - Inflation



Active income stops post retirement, but expenses keep rising due to inflation

# Post retirement – Interest rates



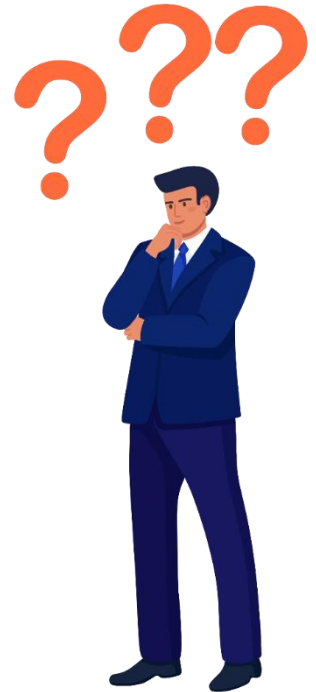
- Depending only on interest income is risky.
- Long term focus on development might result into lower interest rates in a times to come.
- Reinvestment risk is higher in future.
- Investing everything in fixed income instrument might not be ideal.

Source: [https://www.nsiindia.gov.in/\(S\(zw3eem3r3j2m3vuzpe2dniz2\)\)/InternalPage.aspx?Id\\_Pk=181](https://www.nsiindia.gov.in/(S(zw3eem3r3j2m3vuzpe2dniz2))/InternalPage.aspx?Id_Pk=181)

# Rising expenses & reducing income?

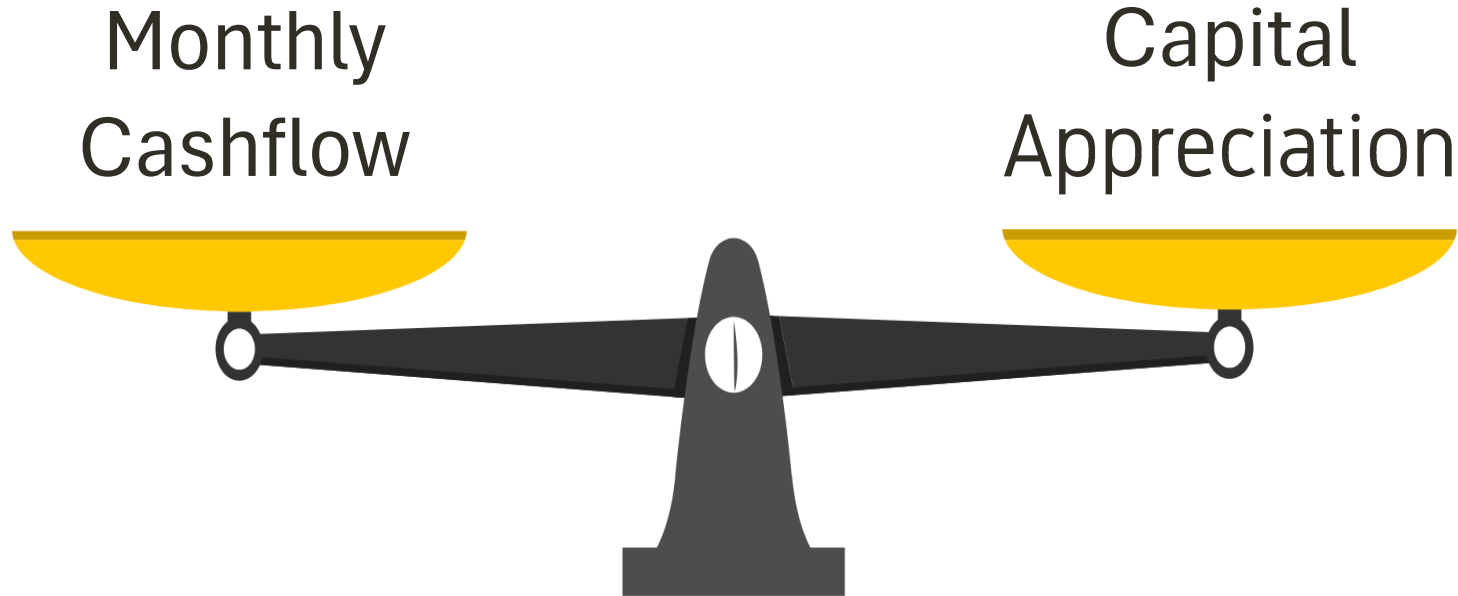
	<u>Today</u>	<u>After 10 years</u>
Expenses	Rs. 50,000	Rs. 98,358*
Interest	Rs. 50,000	???????

\*Assumed inflation is 7% is only for illustrative purposes.



# Need of the Hour

While investing, one should select a product which can give **monthly cashflow** and chances of **capital appreciation**.

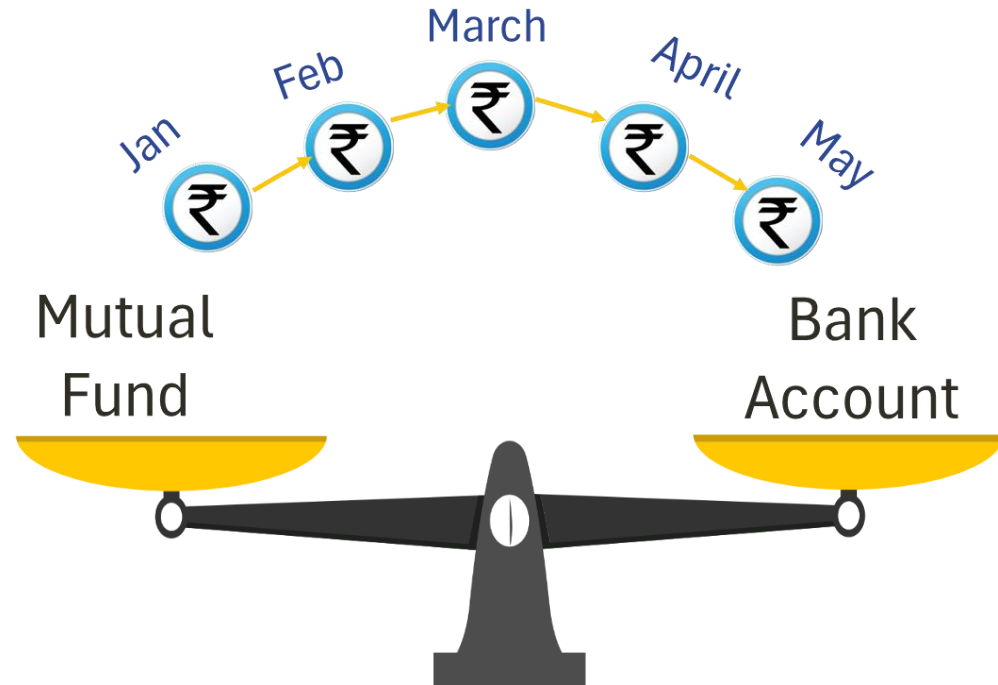


# Systematic Withdrawal Plan



# How does SWP work?

- A Systematic Withdrawal Plan (SWP) is an option provided to investors, enabling them to regularly withdraw a predetermined amount from a mutual fund scheme.
- On the specified date, units from the investor's portfolio are sold, and the proceeds are transferred to their account.



# Features of SWP

- It is a feature that allows for **regular withdrawal** of units.
- You have the flexibility to select the **withdrawal intervals**.
- You can opt to withdraw either a **fixed amount** or just the gains from your capital.



# Ideal for

- Investors looking for regular withdrawal
- Retirees who want to invest to generate regular income



# Illustration

Investment - Rs. 25,00,000

Scheme Returns\* - 10%

SWP - Rs. 14,583^ (Monthly)

\*Return is only for illustration purpose

^SWP amount @7% per annum rate on a monthly basis



# Illustration

Investment - Rs. 25,00,000 | Scheme Returns\* - 10% | SWP - Rs. 14,583^ (Monthly)

## Total Withdrawal (through monthly SWP)

Rs. - 17,49,960

## Expected Fund Value after 10 Years

Rs. 35,69,742

\*Return is only for the illustration purpose

^SWP amount @7% per annum rate on a monthly basis



# Tax Efficient

- The withdrawal made through monthly SWP is considered as redemption
- Based on the SWP amount, units are automatically redeemed and the amount is credited to your bank account
- The Tax liability will be on the gains after redemption and not on the entire withdrawal



# Tax calculation - Illustration

Investment - Rs. 25,00,000 | Scheme Returns\* - 10% | SWP - Rs. 14,583 (Monthly)

End of Month	NAV	SWP Amount	Units Sold	Profit on Units (Sale NAV - Buy NAV)
1	₹ 10.08	14583	₹ 1,446.76	115.37
2	₹ 10.16	14583	₹ 1,435.32	229.82
3	₹ 10.24	14583	₹ 1,423.96	343.37
4	₹ 10.32	14583	₹ 1,412.70	456.02
5	₹ 10.41	14583	₹ 1,401.52	567.78
6	₹ 10.49	14583	₹ 1,390.43	678.66
7	₹ 10.57	14583	₹ 1,379.43	788.65
8	₹ 10.66	14583	₹ 1,368.52	897.78
9	₹ 10.74	14583	₹ 1,357.70	1006.05
10	₹ 10.83	14583	₹ 1,346.95	1113.45
11	₹ 10.91	14583	₹ 1,336.30	1220.01
12	₹ 11.00	14583	₹ 1,325.73	1325.73
Total Withdrawals	174996		Total Taxable	8742.69

Out of the amount of Rs. 1,74,996 received through SWP, the taxable value is Rs. 8,743 for the first year

(Taxable amount is subject to capital gains tax)

# Taxability – Mutual Funds

## > 65% in Equity

- STCG – 20% (For units held for less than 12 months)
- LTCG – 12.5% (For units held for 12 Months & above)

## More than 65% in Debt

- All profits as per income tax slab

## >35 Non-Debt <65% Debt

- STCG – Slab rate (for units held for less than 24 Months)
- LTCG – 12.5% (for units held for 24 Months & above)

\*Annual LTCG exemption increased from 1 Lakh to 1.25 Lakhs for equity & equity oriented funds

#Investor should consult their tax consultants before making any investment.

# Taxability – Fund of Funds (FOFs)

## Underlying MFs < 65% Debt

- STCG – Tax Slab (For units held for less than 24 months)
- LTCG – 12.5% (For units held for 24 Months & above)

## Underlying MFs > 65% Debt

- All profits as per income tax slab

## Underlying ETFs >90% Equity

- STCG – 20% (for units held for less than 12 Months)
- LTCG – 12.5% (for units held for 12 Months & above)

\*Annual LTCG exemption increased from 1 Lakh to 1.25 Lakhs for equity & equity oriented funds

#Investor should consult their tax consultants before making any investment.

# SWP from Hybrid category funds

- **Balanced Risk & Reward:** Combines equity growth with debt stability.
- **Steady Income with Growth:** Provides regular income with potential for capital appreciation.
- **Diversification:** Spreads risk across multiple assets, reducing market impact.
- **Tax Efficient:** Favourable tax treatment for long-term capital gains.\*
- **Flexible Withdrawals:** Customize withdrawal amount and frequency.
- **Volatility Cushion:** Debt component stabilizes income during market downturns.



\*Tax treatment may vary for various categories of funds. Please check the tax reckoner slides. Consult your tax consultant before investing.

# Category Avg. Return (CAGR)

Category	1 Yr	2 Yrs	3 Yrs	5 Yrs
Hybrid - Aggressive Hybrid Fund	28.80%	21.17%	15.38%	18.42%
Hybrid - Multi Asset Allocation	24.60%	20.52%	15.66%	19.29%
Hybrid - Balanced Advantage	24.11%	18.28%	14.15%	15.38%
Hybrid - Dynamic Asset Allocation	23.06%	15.14%	11.19%	12.95%
Hybrid - Equity Savings	15.45%	12.60%	9.78%	10.93%
Hybrid - Conservative Hybrid Fund	13.47%	10.92%	9.24%	9.72%
Hybrid - Balanced Hybrid Fund	0%	0%	0%	0%

Source: Accordfintech – Data as on 5<sup>th</sup> August, 2024

This report has been meticulously prepared using the data at our disposal, with utmost care taken to minimize errors and oversights. Nevertheless, we cannot accept any responsibility for actions taken based on the information in this report. We strongly advise users to independently verify the report's contents. Past performance may not sustain in future.

Mutual Fund Investments are subject to market risk, read all scheme related documents carefully.

# Disclaimer

This presentation is only for illustrative purposes and created as part of the conceptual explanation. The scheme names are only for example purposes and not to be treated as investment advice. The selection of scheme depends on various criteria like risk profile and product suitability. We have taken due care in compiling the data and facts, but we are not liable for any error or omission due to any oversight.