STOPPED SIP, WHAT IF SIP CONTINUED

Mutual Funds are now a household name across the country as it has consistently generated wealth for investors for the last two and a half decades. Moreover, investing through SIP gives investors various benefits such as rupee cost averaging, flexibility to start with pocket friendly investment amounts, and many more.



Investment in equity mutual fund schemes is suggested through SIP with a long-term investment horizon as the market tends to be volatile in the short term but over the long term, it can help create wealth.
It is observed that often due to loss aversion biases, investors redeem their investments at a loss and eventually stop their SIPs. In the short term, this may look like you have avoided a setback but years later it will feel like a missed opportunity.

Let's consider 2 investors, A & B, after doing their own research and observing the markets in 2017, started a Rs 10000/- monthly SIP in Nifty Index.



After a while, the returns are not at all the same as per their expectation. It got worse at the time of the pandemic in March'20 and eventually,

Investor B redeemed his fund in March amid nervousness. On the other hand,

Investor A continued with his investment. Let us compare their return at the end of 2022.



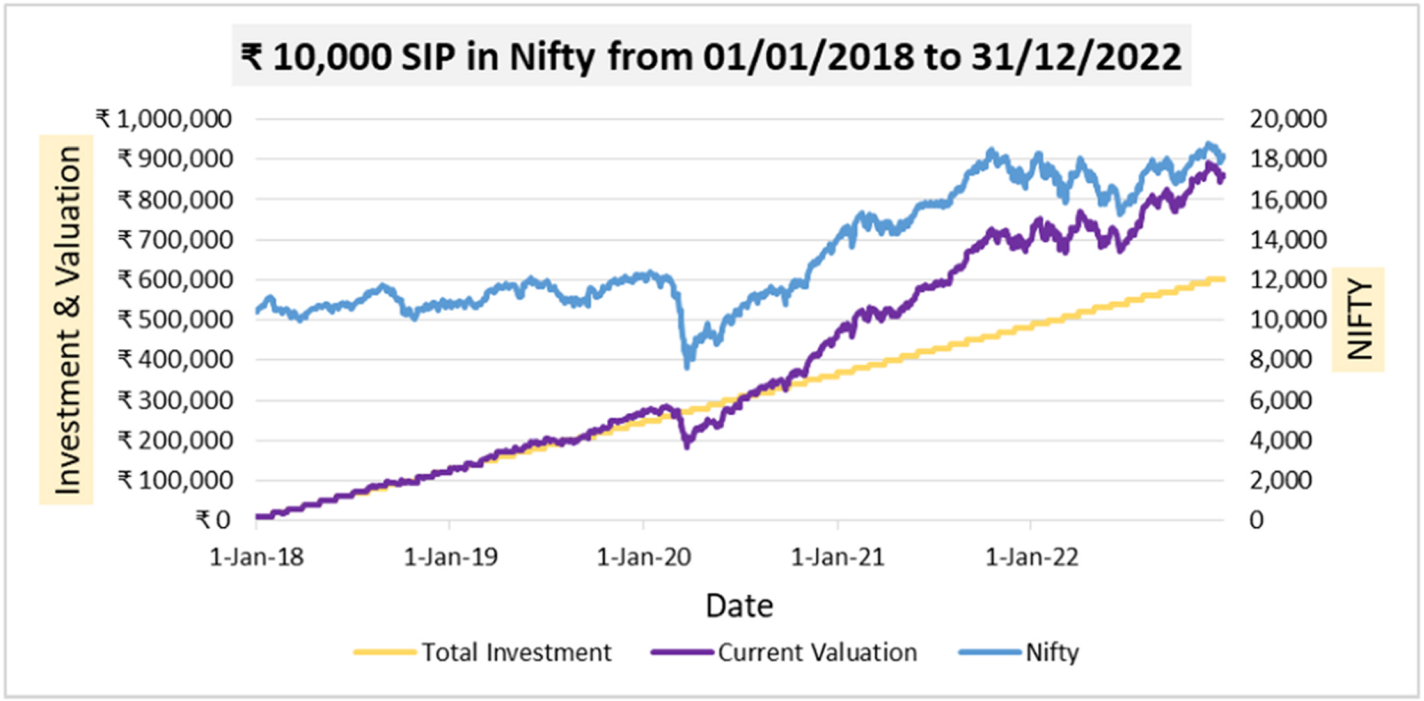
Name	Scheme Name	SIP Start Date	SIP End Date	Redemption Date	Total Investment	Redemption Value	Profit/Loss	XIRR Returns (%)
Investor A	Nifty 50	1/1/2018	1/12/2022	31/03/2022	₹6,00,000	₹8,58,131	₹2,58,131	14.30%
Investor B	Nifty 50	1/1/2018	1/3/2020	27/3/2020	₹2,70,000	₹1,84,492	-₹85,508	-30.02%

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This is not an isolated story. Many investors face a similar situation when negativity prompts them to stop and redeem their investment. One should remember that investment in the equity market doesn't generate wealth overnight and instead of timing the market, one should give time to the investment to potentially generate return from the market.



As in the recent past, many first-time investors; those who started investing in recent years, may be thinking of stopping or redeeming their investment or delaying their investment decisions whereas this might be a good investment opportunity for those who have a long-term view.



Disclaimer: Mutual Fund investments are subject to market risks. Please read the scheme related documents carefully before investing. Returns are not guaranteed. Figures are approximate. The above is for illustration purposes only. Returns over one year are annualised.

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