IS SMALL SAVINGS WORTHY?

We often postpone our investment decision, especially in the early stage of life, because of not being in a position to invest a significant amount. There is a myth that we need to invest a large amount to see growth in our investments. Any amount invested in equity mutual funds, if given sufficient time can grow to a bigger sum and can lay the foundation to achieve a large corpus combined with a bigger inflow at a later stage in life.



Let us go through a case study of two people Mr. X & Y. Mr. X started investing with a small amount in the early stage of life and increased the investment amount with parity in income growth. Whereas Mr. Y in his early life was reluctant about investing but as time passes, he realises that he needs to save for his retirement and other basic needs of life and start investing.

Let's analyse their investment and corpus at different life stages.

Age	SIP	Mr. X Investment	Mr. X Corpus	Mr. Y Investment	Mr. Y Corpus
25	₹2,000	₹0	₹0	₹0	₹0
30	₹5,000	₹1,20,000	₹1,62,207	₹0	₹0
35	₹7,000	₹4,20,000	₹6,91,383	₹0	₹0
40	₹20,000	₹8,40,000	₹17,86,178	₹0	₹0
45	₹20,000	₹22,47,984	₹50,18,234	₹14,07,984	₹18,70,379
50	₹20,000	₹43,16,775	₹1,15,92,043	₹34,76,775	₹60,44,447
55	₹20,000	₹73,56,507	₹2,44,67,149	₹65,16,507	₹1,46,90,388
60	₹20,000	₹1,18,22,871	₹4,90,52,634	₹1,09,82,871	₹3,18,22,640

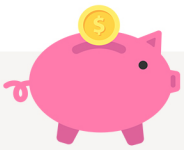
*Assumed Return - 12%

From the above chart, we can witness that Mr. X has invested only 8% more, but his corpus is valued at 54% higher than Mr. Y's.

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Benefits of starting investment with a small amount rather than delaying investment decision:

The habit of savings:



Investing regularly, even with a small amount builds the habit of savings which is needed for long-term financial success.

Learning & gaining experience:



Starting investment familiarises us with the process, different available options, market dynamics, etc. This gives knowledge and confidence for future investment options.

Lower risk exposure:



Investing a small amount limits the exposure to potential losses and one can test different investment strategies and learn from any mistakes without significant financial consequences

Starting early:



Starting early gives us more time to our investments for a better compounding effect. It gives us the potential to accumulate a more significant portfolio down the line.

Potential for long-term growth:



Investing a small amount limits the exposure to potential losses and one can test different investment strategies and learn from any mistakes without significant financial consequences

Start investing early and often, even with small amounts.
The power of compounding will help your money grow over time.

Mutual Fund investments are subject to market risks. Please read the scheme related documents carefully before investing. Returns are not guaranteed. The provided chart is an illustrative tool and real-world circumstances may cause variations from these projected figures.

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