

Systematic Withdrawal Plan (SWP)

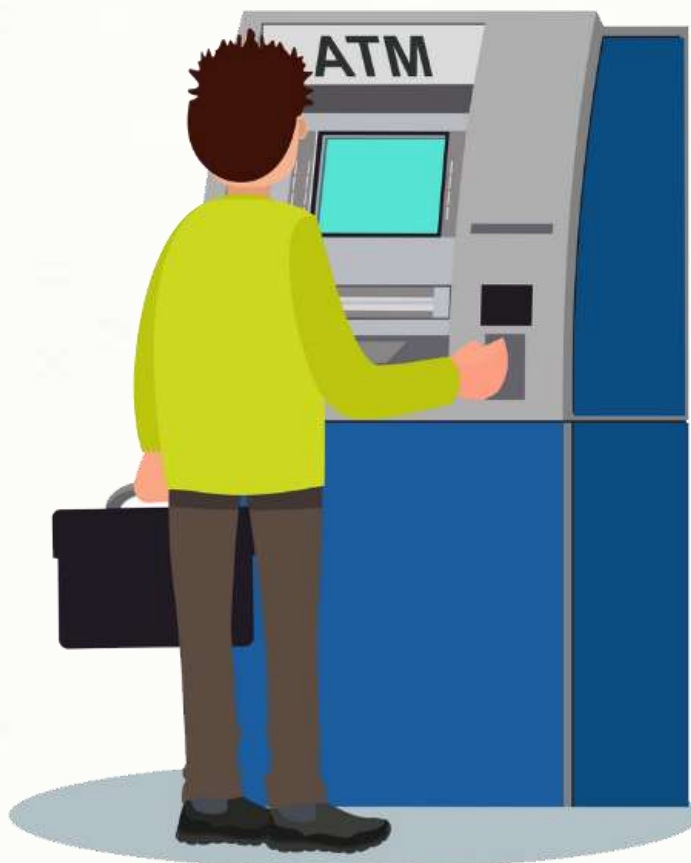
Withdraw your money at a fixed interval.



Introduction to SWP:

SWP is a periodic withdrawal facility offered by mutual funds to investors allowing them to withdraw a fixed amount of money regularly from their investments.

Purpose: To provide investors with a steady stream of cash flow from their investments.



Mechanism of SWP:

- Investors specify the amount they want to withdraw and the frequency (monthly, quarterly, etc.).
- Withdrawals are made by redeeming units of the mutual fund scheme, proportionally to meet the specified amount.
- The redemption proceeds are then transferred to the investor's bank account.
- The remaining units continue to be managed by the mutual fund, potentially generating returns for future withdrawals.

Systematic Withdrawal Plan (SWP)



Advantages and Disadvantages:

ADVANTAGES:

- Provides regular cash flow for investors.
- Can increase investment value if withdrawal rate is less than fund return.
- Offers flexible withdrawal frequency and amount.
- Can be more tax-efficient than other income sources.

DISADVANTAGES:

- Not guaranteed.
- Investment value can fluctuate along with market volatility.
- Poor performance can deplete investment principal.
- Excessive withdrawals can erode capital in the long run.



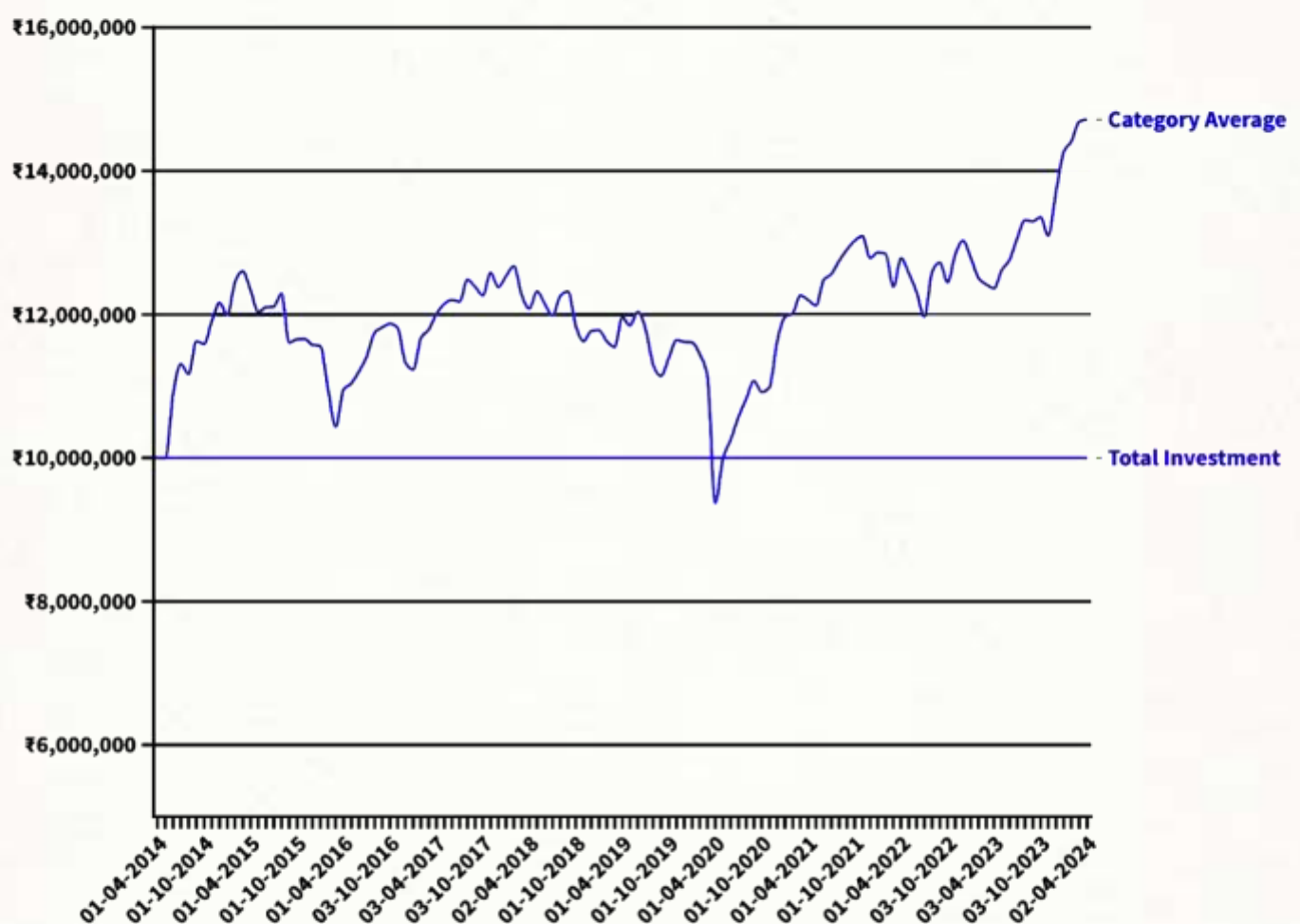
Comparison with traditional investment Products

Aspect	SWP	Traditional Investment Products
Income Generation	Withdrawals from investment principal	Interest or coupon rate is paid to investors at a fixed interval
Investment Vehicle	Mutual funds	Fixed deposits, bonds, annuities, etc.
Flexibility	Offers flexibility in withdrawal frequency and amount	Often lacks flexibility, with fixed terms and conditions
Market Exposure	Exposed to market fluctuations	Generally offers fixed returns or interest rates
Risk	Market risk, Sequence of returns risk, etc.	Typically lower risk, but may still face inflation and interest rate risks
Tax Efficiency	Tax-efficient if structured properly	Taxation depends on the type of investment and applicable laws
Liquidity	Generally liquid, with easy access to funds	May have penalties or restrictions on withdrawals before maturity
Growth Potential	Can potentially continue to grow the remaining investment balance	Lack of capital growth opportunity

Case Study:

Scheme Name	Category Average of Balanced Advantage Fund
Investment Amount	₹ 1,00,00,000
Investment Date	01/04/2014
SWP Start Date	01/05/2014
SWP Period	10 Years
SWP Frequency	Monthly
Each SWP Amount	₹ 75,000
No. of Monthly Instalments	120
Total Withdrawal Amount	₹ 90,00,000
Market Value as of 19-04-2024	₹ 1,47,15,164
XIRR Return	12.21%

The graph below shows how the Investment has performed last 10 years after initiating SWP.



Conclusion:

- SWP can be beneficial for investors if withdrawals are done prudently.
- Contact us for your tailored SWP Plan.

Disclaimer: This information is provided for educational purposes only and should not be construed as financial advice. SWP is not a guaranteed product. Mutual Fund investments are subject to market risks. Please read the scheme-related documents carefully before investing.

