

Financial Freedom



Aalps Wealth India Private Limited
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AMFI Registered Mutual Fund Distributor 181211

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?



Definition?

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

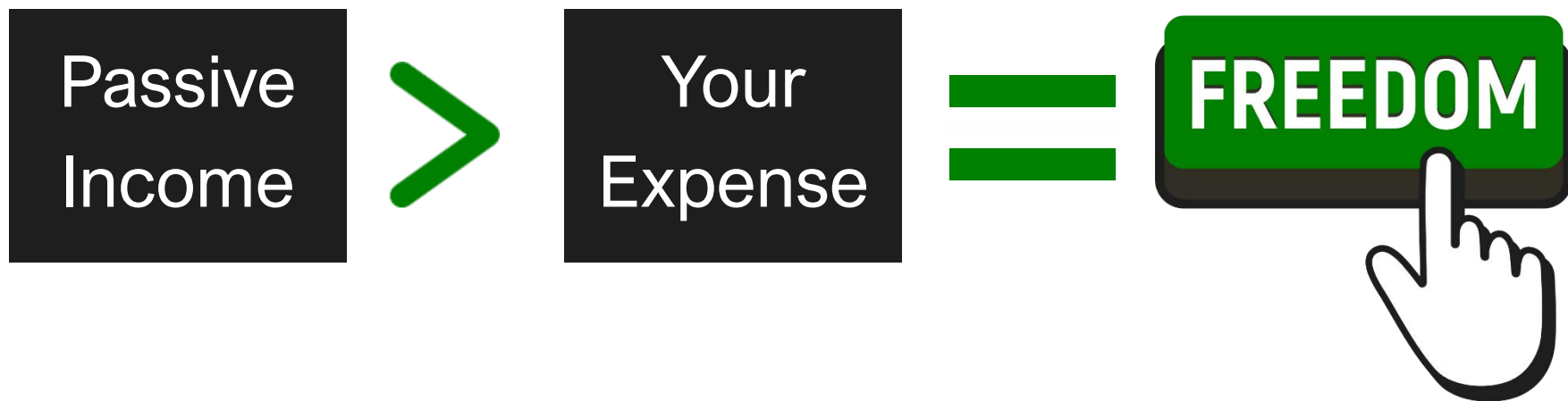


True Definition

“Having enough money to make decisions and choices that YOU want to make, without having to worry about money! To become financial free you need to achieve the stage where your passive income is more than your expenses!”



Formula of financial freedom

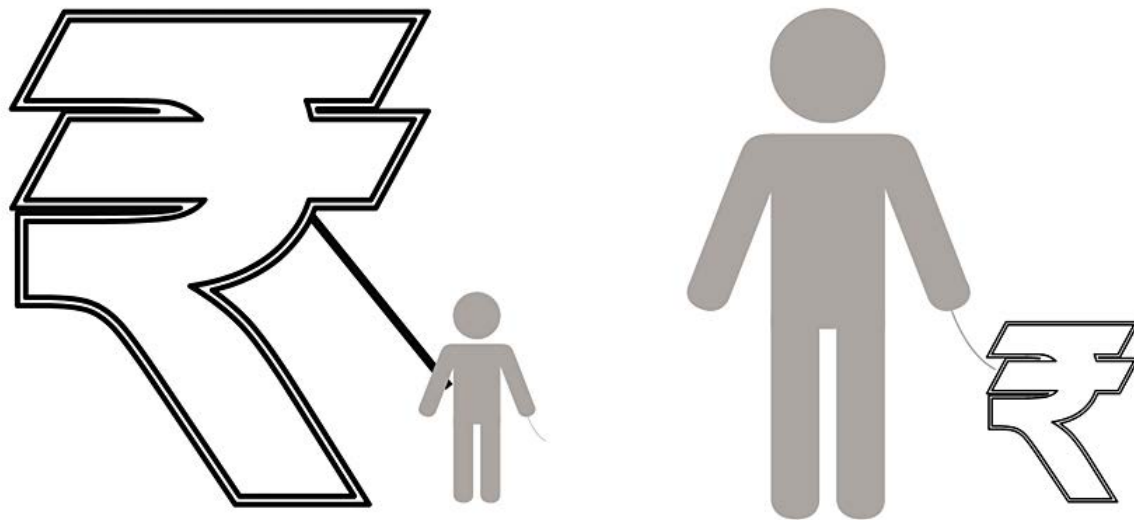


Sources of Passive Income

- **Business** - By building the business which can run without you. (everyone can't do this)
- **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?

- Fund for house hold expenses
- Liabilities
- Present value of financial goals



Step 1 - finding corpus for household exp.

Age – 35 Years

Life Expectancy – 70 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
replay all loans



Step 3 - Other goals

Goal Name	Current Cost	Years to goal	Fund required in future	Lumpsum required today
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 – House-Hold fund	1.41 Cr
Step 2 - Loan repayment fund	26.25 Lac
Step 3 - Other Goals	18.36 Lac

Financial Freedom Fund require 1.86 Cr



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 : 1.86 Cr

Financial Assets : 23 Lacs

Deficit to be built : -1.63 Cr



Key to bridge deficit

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

Year	8%	10%	12%
10	₹ 89,915	₹ 80,910	₹ 72,756
15	₹ 47,972	₹ 40,586	₹ 34,249
20	₹ 28,464	₹ 22,514	₹ 17,720
25	₹ 17,817	₹ 13,112	₹ 9,576

Calculation is only for the illustrative purposes

What do we expect from our investment



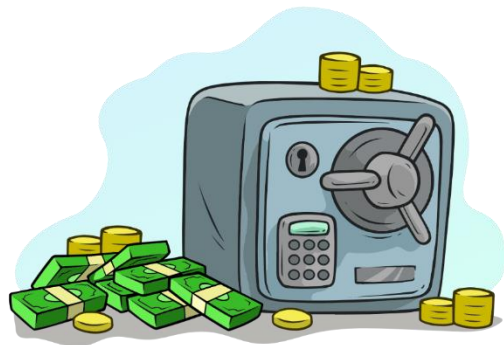
Golden rule – Safety first



“The first rule of an investment is don't lose [money]. And the second rule of an investment is don't forget the first rule.”

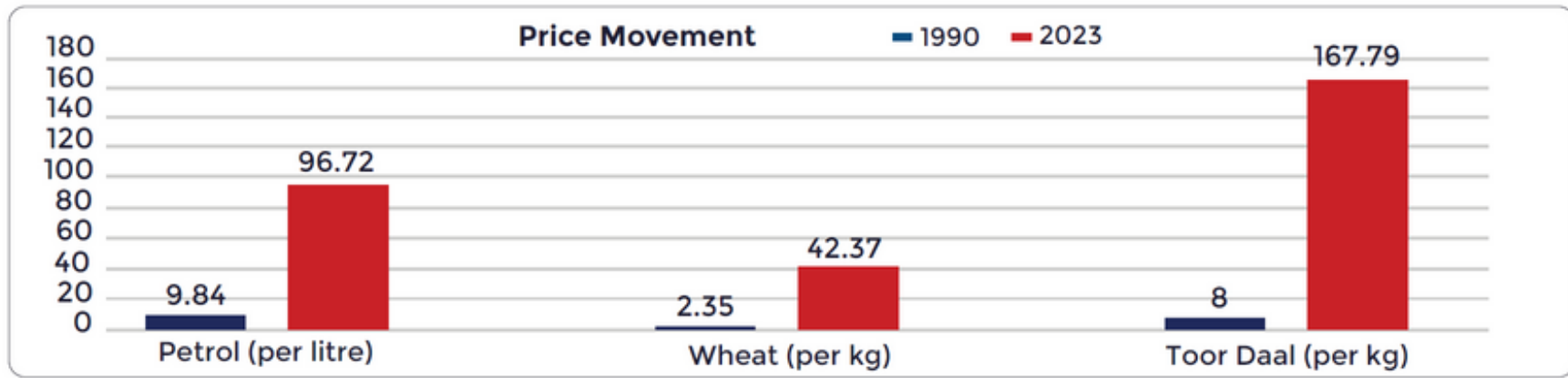
Warren Buffett

Is it safe?



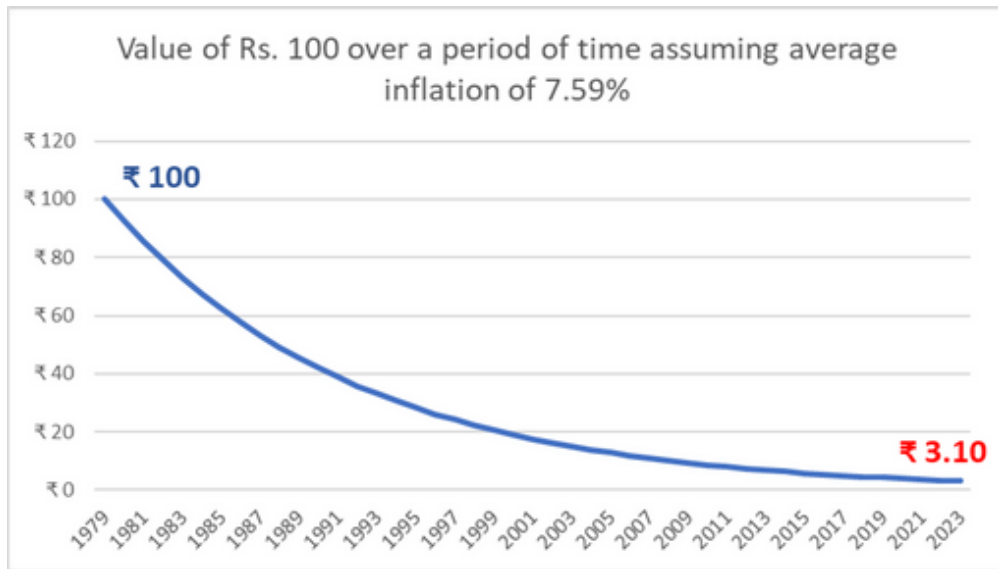
Rs. 100 note Kept in the locker is safe, but the value of the same Rs. 100/- will be very less after 10 Years.

Inflation reduces purchasing power



Source: Petrol costs are as on March 20, 1990 in Delhi (Source: www.in.reuters.com), and on September 30, 2023 in Delhi (Source: Ministry of Petroleum and Natural Gas). The price of wheat grains is as sold as wholesale in Mumbai in April, 1990 (Source: Ministry of Agriculture) and on September 30, 2023 (Source: Ministry of Consumer Affairs, Food & Public Distribution). The prices of toor daal are as sold as retail in Mumbai in April 1990 (Source: Ministry of Agriculture), and on September 30, 2023 (Source: Ministry of Consumer Affairs, Food & Public Distribution).

Inflation Risk



Inflation Risk

Inflation erodes the purchasing power of your money every year.

Source: <https://www.focus-economics.com/country-indicator/india/inflation/> and <https://www.worlddata.info/asia/india/inflation-rates>

Historical Inflation

Year	Inflation	Year	Inflation	Year	Inflation	Year	Inflation
1979	6.28%	1990	8.97%	2001	3.78%	2012	9.31%
1980	11.35%	1991	13.87%	2002	4.30%	2013	11.06%
1981	13.11%	1992	11.79%	2003	3.81%	2014	6.67%
1982	7.89%	1993	6.33%	2004	3.77%	2015	4.91%
1983	11.87%	1994	10.25%	2005	4.25%	2016	4.95%
1984	8.32%	1995	10.22%	2006	5.80%	2017	3.33%
1985	5.56%	1996	8.98%	2007	6.37%	2018	3.94%
1986	8.73%	1997	7.16%	2008	8.35%	2019	3.73%
1987	8.80%	1998	13.23%	2009	10.88%	2020	6.62%
1988	9.38%	1999	4.67%	2010	11.99%	2021	5.13%
1989	7.07%	2000	4.01%	2011	8.86%	2022	6.70%
						2023	5.10%

Historical avg.
Inflation
 (From 1979 till 2023)
7.59%
 Per annum

Source: <https://www.focus-economics.com/country-indicator/india/inflation/> and <https://www.worlddata.info/asia/india/inflation-rates>

Historical FD rates

FY Year	Lower range	Higher Range	Average	FY Year	Lower range	Higher Range	Average
1999 - 2000	10.00%	10.50%	10.25%	2011 - 2012	9.00%	9.25%	9.13%
2000 - 2001	9.50%	10.00%	9.75%	2012 - 2013	8.75%	9.00%	8.88%
2001 - 2002	8.00%	8.50%	8.25%	2013 - 2014	8.75%	9.10%	8.93%
2002 - 2003	5.50%	6.25%	5.88%	2014 - 2015	8.50%	8.75%	8.63%
2003 - 2004	5.25%	5.50%	5.38%	2015 - 2016	7.00%	7.50%	7.25%
2004 - 2005	5.75%	6.25%	6.00%	2016 - 2017	6.50%	6.90%	6.70%
2005 - 2006	6.25%	7.00%	6.63%	2017 - 2018	6.25%	6.70%	6.48%
2006 - 2007	7.75%	9.00%	8.38%	2018 - 2019	6.25%	7.25%	6.75%
2007 - 2008	7.50%	9.00%	8.25%	2019 - 2020	5.70%	6.40%	6.05%
2008 - 2009	7.75%	8.50%	8.13%	2020 - 2021	5.25%	5.35%	5.30%
2009 - 2010	6.50%	7.50%	7.00%	2021 - 2022	5.05%	5.35%	5.20%
2010 - 2011	8.25%	8.75%	8.50%	Average FD interest rates			7.70%

Source: <https://www.rbi.org.in/scripts/PublicationsView.aspx?id=12765> & <https://rbi.org.in/scripts/PublicationsView.aspx?id=17207>
& <https://www.rbi.org.in/scripts/PublicationsView.aspx?id=20469>

Real return from Fixed Deposits

Fixed Deposit	7.70%
Inflation	7.59%
Tax In Interest @ 20%	1.54%
Real Return @ Tax 20%	-1.43%
Tax In Interest @ 30%	2.31%
Real Return @ Tax 30%	-2.20%

Source: Considering the average fixed deposit rates from 1999-2000 to 2020-21 and average inflation from 1979 to 2023. (Refer previous slides)



Gold historical return

Year	Price (24 karat per 10 grams)	Year	Price (24 karat per 10 grams)	Year	Price (24 karat per 10 grams)
1979	Rs.937.00	1994	Rs.4,598.00	2010	Rs.18,500.00
1980	Rs.1,330.00	1995	Rs.4,680.00	2011	Rs.26,400.00
1981	Rs.1670.00	1996	Rs.5,160.00	2012	Rs.31,050.00
1982	Rs.1,645.00	1997	Rs.4,725.00	2013	Rs.29,600.00
1983	Rs.1,800.00	1998	Rs.4,045.00	2014	Rs.28,006.50
1984	Rs.1,970.00	1999	Rs.4,234.00	2015	Rs.26,343.50
1985	Rs.2,130.00	2000	Rs.4,400.00	2016	Rs.28,623.50
1986	Rs.2,140.00	2001	Rs.4,300.00	2017	Rs.29,667.50
1987	Rs.2,570.00	2002	Rs.4,990.00	2018	Rs.31,438.00
1988	Rs.3,130.00	2003	Rs.5,600.00	2019	Rs.35,220.00
1989	Rs.3,140.00	2004	Rs.5,850.00	2020	Rs.48,651.00
1990	Rs.3,200.00	2005	Rs.7,000.00	2021	Rs.48,720.00
1991	Rs.3,466.00	2007	Rs.10,800.00	2022	Rs.52,670.00
1992	Rs.4,334.00	2008	Rs.12,500.00	2023	Rs.65,330.00
1993	Rs.4,140.00	2009	Rs.14,500.00	2024 (Till Today)	Rs.76,170.00

Investment
Rs. 1,00,000
(in 1979)
Current Value
Rs. 81,29,135
(81.29 times)
CAGR
10.27%

*2023 rates are till (28th June 2023)

Source: <https://www.bankbazaar.com/gold-rate/gold-rate-trend-in-india.html>

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 the rule of 72

72



Number of years
in which your expenses
gets doubled



Your personal

Inflation number

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.

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

Market risk

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

Equity – long term wealth creator

Year	Sensex	Investment Value
31 st March 1979	100	Rs. 1,00,000
20 th Nov. 2024	77,580.31	Rs. 7,75,80,310

Sensex has delivered a **15.70%** return in the past 45.62 Years

*As on 20th Nov., 2024 - Source: www.bseindia.com

Let's understand Market Risk

Details	Rolling Returns starts from 1 st Day of Financial Year					
	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
Total Observations	45	43	41	36	31	26
Positive Observation	31	36	38	35	31	26
Probability of Positive Return	69%	84%	93%	97%	100%	100%
Probability of Negative Return	31%	16%	7%	3%	0%	0%

From 31st March 1979 to 31st March 2024.

Source: www.baseindia.com and internal research

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.

Invest through Equity

Invest Rightly – Investing in right asset class can help you to achieve the financial freedom earlier

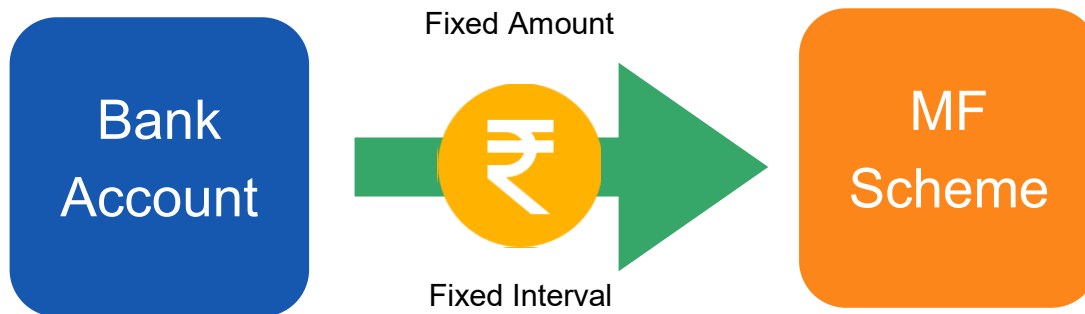
Monthly Investment	Time to achieve the deficit		
	8%	10%	12%
15000	26.93 Years	23.73 Years	21.33 Years
25000	21.34 Years	19.07 Years	17.33 Years
50000	14.63 Years	13.38 Years	12.37 Years

Calculation is only for the illustrative purposes

Where to invest?

Start investing in
Equity Mutual Fund through
Systematic Investment Plan

What is SIP?



- Systematic Investment Plan (SIP) is a smart and hassle-free way to invest in mutual funds with a predetermined amount at regular intervals (e.g., quarterly).
- It helps investors to regularly invest and accumulate wealth in a disciplined manner over the long term.
- SIP is a smart financial tool that helps build wealth gradually over time.

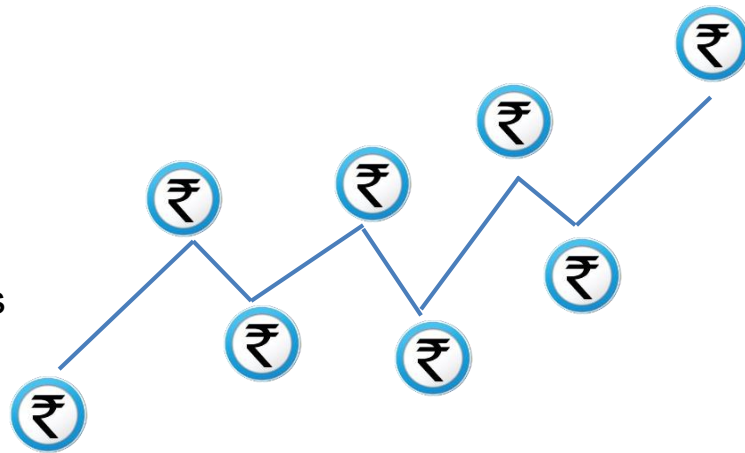
Systematic Investment Plan

- The Benefits of Long-Term Equity Investment
 - Equities can provide superior returns compared to other asset classes over the long term.
- The Benefits of Systematic Monthly Investment
 - Eliminates the risk of market timing.
 - Leverages rupee cost averaging and the power of compounding.



Rupee cost averaging

- No need to worry about when or how much to invest; systematic investing significantly reduces risks from daily market movements.
- Eliminates the need to time your equity investments.
- Smooths out market fluctuations, reducing risks in volatile markets.
- Buys more units when prices are low and fewer units when prices are high, navigating market volatility risks.

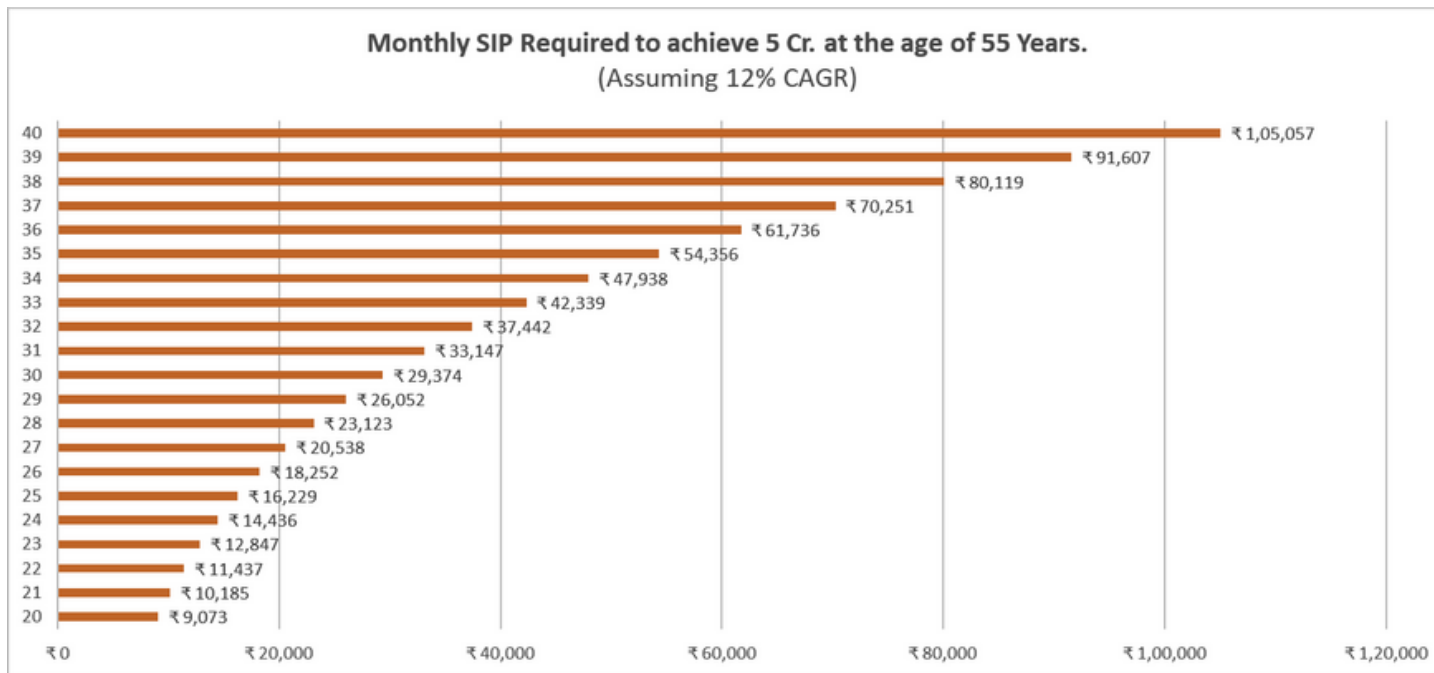


Time (Month)	SIP Amount	NAV	Units Purchased
1	₹ 5,000	23	217.39
2	₹ 5,000	21	238.10
3	₹ 5,000	22	227.27
4	₹ 5,000	19	263.16
5	₹ 5,000	16	312.50
6	₹ 5,000	17	294.12
7	₹ 5,000	17	294.12
8	₹ 5,000	20	250.00
9	₹ 5,000	21	238.10
10	₹ 5,000	19	263.16
11	₹ 5,000	25	200.00
12	₹ 5,000	24	208.33
Total Investment	₹ 60,000	Total Units	3006.24

Average NAV per Unit over 12 months =
 $(23+21+22+19+16+17+17+20+21+19+25+24)/12$ or Rs. 20.34

Average Cost per Unit over 12 months =
 $60,000/3006$ or Rs. 19.96

Key is to start early



*Assumed rate of return @ 12% is only for illustrative purposes. The calculation is only for the illustrative purposes

Time to reach your dream target

SIP Amount /Target Amt	Number of Years It will take to reach your Dream targetted amount with SIPs (Assumed rate of return - 12% CAGR)							
	₹ 10,00,000	₹ 25,00,000	₹ 50,00,000	₹ 1,00,00,000	₹ 2,00,00,000	₹ 5,00,00,000	₹ 7,50,00,000	₹ 10,00,00,000
₹ 5,000	9.33	15.36	20.66	26.34	32.24	40.18	43.73	46.25
₹ 10,000	5.85	10.67	15.36	20.66	26.34	34.16	37.67	40.18
₹ 15,000	4.29	8.32	12.52	17.50	22.99	30.67	34.16	36.65
₹ 20,000	3.40	6.86	10.67	15.36	20.66	28.22	31.68	34.16
₹ 25,000	2.82	5.85	9.33	13.77	18.90	26.34	29.77	32.24
₹ 30,000	2.41	5.10	8.32	12.52	17.50	24.82	28.22	30.67
₹ 35,000	2.10	4.53	7.51	11.51	16.34	23.55	26.92	29.36
₹ 40,000	1.86	4.08	6.86	10.67	15.36	22.46	25.81	28.22

*Assumed rate of return @ 12% is only for illustrative purposes. The calculation is only for the illustrative purposes

3 Golden rules for all investors

Starting to invest early is crucial. It gives your investments more time to grow, harnessing the power of compounding. This process accumulates both the principal and the interest or dividends earned, increasing your income year after year.



Particular	Scenario 1	Scenario 2	Scenario 3
Start Age	25	35	40
SIP amount	₹ 10,000	₹ 10,000	₹ 10,000
SIP till age	60	60	60
FV of SIP	₹ 5,51,08,311	₹ 1,70,22,066	₹ 91,98,574

Assuming CAGR of 12% for the entire period Source: Internal Analysis. The statements contained herein may include statements of future expectations and other forward-looking statements that are based on external current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Past performance - 5 Years

Category	Large Cap	Mid Cap	Small Cap	Large & Mid Cap	Flexi Cap	ELSS
Highest Return	24.21%	39.66%	41.59%	31%	29.65%	29.99%
Average Return	18.30%	27.92%	31.45%	23.43%	20.89%	21.48%
Lowest Return	13.37%	22.20%	25.43%	16.60%	14.88%	14.56%
No Of Funds	25	22	19	25	23	36
Scheme With 15%+ CAGR	23	22	19	25	22	35
Scheme With 12%+ CAGR	25	22	19	25	23	36
Scheme With 10%+ CAGR	25	22	19	25	23	36



As of 19th Nov. 2024. Past performance may or may not sustain in the future. Source: Internal Research

Past performance - 10 Years

Category	Large Cap	Mid Cap	Small Cap	Large & Mid Cap	Flexi Cap	ELSS
Highest Return	17.11%	24.41%	27.02%	19.57%	22.50%	23.40%
Average Return	14.38%	19.80%	21.41%	17.27%	16.42%	16.25%
Lowest Return	11.72%	17.01%	16.26%	13.19%	12.56%	11.64%
No Of Funds	23	19	13	19	17	26
Scheme With 15%+ CAGR	6	19	13	17	12	19
Scheme With 12%+ CAGR	22	19	13	19	17	25
Scheme With 10%+ CAGR	23	19	13	19	17	26



As of 19th Nov. 2024. Past performance may or may not sustain in the future. Source: Internal Research

Past performance - 15 Years

Category	Large Cap	Mid Cap	Small Cap	Large & Mid Cap	Flexi Cap	ELSS
Highest Return	16.09%	21.45%	22.94%	19.45%	18.80%	20.06%
Average Return	13.65%	18.99%	19.72%	16.04%	15.33%	15.61%
Lowest Return	11.36%	16.51%	16.34%	13.74%	11.64%	12.95%
No Of Funds	19	16	9	18	14	21
Scheme With 15%+ CAGR	3	16	9	13	8	14
Scheme With 12%+ CAGR	17	16	9	18	13	21
Scheme With 10%+ CAGR	19	16	9	18	14	21



As of 19th Nov. 2024. Past performance may or may not sustain in the future. Source: Internal Research

Start your journey towards Freedom with Systematic Investment Plan



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

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