IDBI mutual

An Investor Education & Awareness Initiative

WHY YOU NEED TO INVEST TODAY, NOT TOMORROW?

Daily life today is on the fast lane. A big casualty of such a hectic lifestyle is our financial life. We tend to keep financial decisions away for "another day" which never comes. When you do manage to find time, there is the information overload and complexities to deal with. Procrastination has a huge cost and here is how:

The concept of compounding

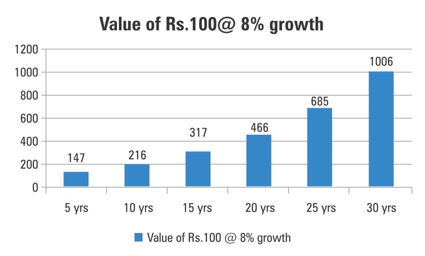
"Compounding" is nothing but the phenomenon of interest earning further interest and so on. The cumulative effort of such "compounding" is that it scores much higher than simple interest over time. For example, if Rs.100 is invested at 8% for 5 years, the difference in maturity amount between simple and compound interest would be:

With simple interest	:	Rs.140
With compound interest	:	Rs.147

The extra Rs.7 is due to the effect of compounding.

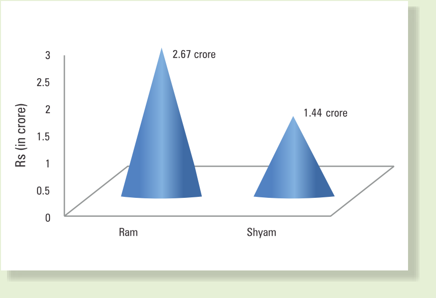
How compounding results magnify with time

The beauty of compounding is that the benefit is not proportionate over time. In other words, the growth in absolute numbers is not uniform throughout the period. A bulk of the gains comes towards the end of the term.



You would observe in the graph aside that the magnitude of capital growth is not uniform over the 30 years but increases with time. While the growth is only Rs.47 in the first five years, it is Rs.321 in the last five years. The graph rises steeper towards the latter half of the term and this is due to compounding.

The loss due to procrastination



Ram and Shyam both are 35 years old and are childhood friends. They decided that they would invest Rs.2 lakhs per annum in a mutual fund for the next 25 years. While Ram was on the job immediately and started putting away Rs.2 lakhs from the very first year, Shyam was a little slow to start off and lost 5 years in this process. So Ram invested Rs.2 lakhs for 25 years from 1990 to 2015; Shyam invested Rs.2 lakhs for 20 years only from 1995 to year 2015. The graph shows their respective achievement at 12% investment returns.

It is shocking to note that Shyam achieved Rs.1.44 crore only against Ram's Rs.2.67 crore. A delay of just five years has slashed Shyam's wealth by half. Well, this is the peculiarity of compounding. Results vary dramatically over time. The earlier you start, the longer compounding works and larger is the amount accumulated.

Impact of delays on your financial goals

It is obvious that delays are costly. A lead start in investing gives you a big advantage. So start your investment today and leave the rest to compounding.

The figures, examples and situations mentioned in this document are hypothetical and for illustrative purposes only. These do not suggest any actual returns to be generated.

Please consult your financial advisor before investing.

IDBI mutual

An Investor Education & Awareness Initiative

IDBI Asset Management Limited (Investment Manager to IDBI Mutual Fund) **CIN:** U65100MH2010PLC199319. **Regd. Off.:** IDBI Tower, WTC Complex, Cuffe Parade, Colaba, Mumbai - 400 005. **Corp. Off.:** 5th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021. **All India Toll Free No.:** 1800-419-4324. **Tel. No.:** (+91 22) 6644 2800. **Fax No.:** (+91 22) 6644 2801. **Email ID:** contactus@idbimutual.co.in. **SMS:** IDBIMF to 09220092200. **Website:** www.idbimutual.co.in