

Invest Regularly to Fulfill Dreams



# NIVESH PATRIKA

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## How EMI and SIP Together Create Wealth



### Maloo Investwise Pvt. Ltd.



**M**aloo Investwise Pvt. Ltd. (erstwhile Maloo Finance & Investment Services) was established in 1992. Our purpose is to help our customers on their journey to fulfill their financial dreams. With more than 32 years of experience, Maloo Investwise is an esteemed and trusted financial service provider in Rajasthan.

We provide investment, mutual fund and diversified financial services through dynamic information management, benchmarking and continuous client reporting.

## Founder and Pioneer



## Award and Achievements



Dr. Ramesh Chand Maloo, founder of Maloo Investwise Pvt. Ltd. is a Certified Financial Planner (CFP) with over 30 years of experience in financial management

Awarded with NSE Market Achievers Award in 2018.



His Ph.D. theses "Analysis of Investment Opportunities- A comparative study of Mutual Funds, Equity, and traditional Investments." highlighted investment opportunities in open market

Awarded with the "Tarakki champion" Award in 2019



He has undergone a short term course on "Family Business: Organization, Strategies, Internationalization and Succession" From the prestigious IIM, Ahmedabad.

Awarded with CNBC TV 18, UTI MF, and ICRA's Best performing MFD Award erstwhile (Individual Financial Advisor Award) for north India cities (tier II)' 2018-19



He has also done short term course on leadership development program from ISB Hyderabad.

Awarded with MFRT Imperial Qualifier Award in Year 2013.



## Company Strategy

## Our Services

### Vision

To build long-term relationship with our clients and provide them real time financial services through use of state-of-the-art technology and innovation.

### Mission Statement

To ensure optimal financial growth for our clients.

### Purpose

To provide active portfolio management and diversified financial services to our clients through dynamic information management, bench marking and continuous client reporting.

### Online Investment

Our website and mobile app (IOS and Android) provide our clients with useful financial tools, calculators and articles for better financial planning and do-it-yourself online investment options.

### Financial Solutions

We offer various financial products to help our clients achieve their financial goals;

### Investment in Mutual Fund

We are Rajasthan's largest retail financial service provider offering a variety of financial products including mutual funds, life insurance, health insurance, postal schemes, bonds (capital gain, infrastructure, government and RBI) etc.

# The Power Pair:

## How EMI and SIP Together Create Wealth

### WHY YOU SHOULD START A SIP ALONG WITH YOUR HOME LOAN EMI

Buying a house is a dream for many. For most of us, this dream comes with a home loan — and the inevitable Equated Monthly Installments (EMIs) that follow for years, sometimes decades.

When the EMI starts, the first instinct is often to put all spare money into prepaying the loan as quickly as possible. After all, interest rates on home loans, even if reasonable, feel like a constant drain.

However, there's a smarter, wealth-building approach: continue paying your EMIs and start a SIP in mutual funds alongside it.

This strategy is not about ignoring debt. It's about balancing wealth creation with debt repayment so that your financial life is not just about becoming debt-free, but also about becoming rich.

#### 1. THE COMMON MINDSET: EMI FIRST, INVESTMENTS LATER

Many borrowers think:

"Let me finish the loan first; I'll invest later."

The problem?

- A home loan is usually for 15–20 years.
- By postponing investments until the loan ends, you lose the most valuable wealth-creation ingredient — time.
- The power of compounding works best over long periods, and delaying SIPs could cost you crores in the long run.



#### 2. WHY SIP AND EMI CAN GO HAND-IN-HAND

##### A. SIPs Start Small, EMIs Are Fixed

Your EMI is fixed by the bank, but a SIP can start with as little as ₹500 per month. You don't need a huge surplus to begin. Even small amounts invested early can snowball into large sums over time.



##### B. Higher Long-Term Returns

While home loans carry an interest rate of 7–9% p.a., equity mutual funds through SIPs historically deliver 12–15% p.a. over the long term.

That 4–6% difference, compounded over 15–20 years, can create significant extra wealth.

##### C. Tax Benefits Continue

- On the home loan: Section 24(b) and Section 80C deductions.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

- On SIPs (Equity Linked Savings Schemes – ELSS): Additional Section 80C benefits up to ₹1.5 lakh.

This means your tax outgo reduces while you're simultaneously creating wealth.

#### D. Liquidity and Emergency Fund

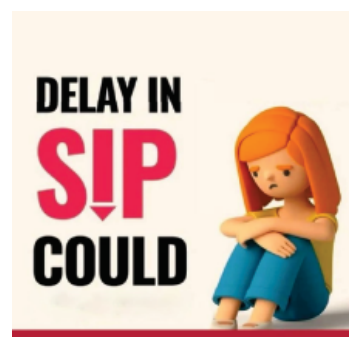
Prepaying a home loan gives you peace of mind, but once the money is paid to the bank, you can't get it back easily.

With SIPs, your money is in your name — you can redeem if needed for emergencies or opportunities.

### 3. PRACTICAL EXAMPLE – THE COST OF DELAYING SIPs

Let's assume:

- Home Loan Amount: ₹40 lakh
- Loan Tenure: 20 years
- EMI: ₹32,200 (Interest rate 8% p.a.)
- Surplus Monthly Income: ₹10,000



#### Case 1: Prepay Only

You use the ₹10,000 surplus to prepay the loan. You finish the loan in ~13 years instead of 20.

Result: You save interest but after 13 years, you start investing. That means your money compounds for only 7 years before the 20-year mark.

#### Case 2: SIP + EMI Together

You keep paying EMI normally and invest ₹10,000/month in an equity mutual fund SIP at 12% p.a. for 20 years.

- SIP Maturity Value after 20 years ≈ ₹91 lakh
- Even if your outstanding loan balance feels high initially, after 20 years you have a big wealth corpus in hand, while your house value has likely appreciated too.

**Difference:** In Case 1, you end with a loan-free house but relatively low liquid wealth.

In Case 2, you end with a loan-free house plus nearly ₹1 crore in investments.

Here's a clear side-by-side comparison table showing the difference between using surplus money for loan prepayment vs. investing in a SIP alongside your home loan EMI.

#### Assumptions

- Home Loan: ₹40 lakh
- Tenure: 20 years
- EMI: ₹32,200 (Interest 8% p.a.)
- Surplus each month: ₹10,000
- SIP return assumption: 12% p.a.



Mutual fund investments are subject to market risks, read all scheme related documents carefully.

Scenario	Loan Closure Year	Interest Saved	SIP Corpus After 20 Years	Total Wealth After 20 Years
<b>Only Prepay Loan</b>	Year 13	-	₹0 (investment starts after loan ends; 7 years at 12% = ₹12.3 lakh)	₹12.3 lakh + House
<b>SIP Along with EMI</b>	Year 20	₹0 saved in interest	₹91 lakh	₹91 lakh + House
<b>50-50 Approach</b> (₹5k SIP + ₹5k prepayment)	Year 16	₹4.5 lakh	₹45 lakh	₹49.5 lakh + House

### Key Takeaways from the Table

- Only Prepay Loan: You save interest but lose out on long-term compounding — wealth growth is slow.
- SIP + EMI: You pay more interest over the years but end up with a much larger liquid corpus.
- 50-50 Split: Balanced approach for those who want some interest savings and good investment growth.

## 4. COMPOUNDING VS. LOAN INTEREST — THE NUMBERS TELL THE STORY

Imagine you have a ₹50 lakh loan at 8% for 20 years.

If you divert ₹10,000/month to SIP instead of prepaying:

- Loan Interest Cost: ₹52 lakh over 20 years (approx.).
- SIP Growth: ₹10,000/month at 12% p.a. for 20 years grows to ₹91 lakh.

Effectively, you out-earn the interest cost by ₹39 lakh while still servicing the loan.



## 5. RISK MANAGEMENT — A BALANCED APPROACH

Some worry about market volatility. But here's why SIPs work even during a loan:

- SIPs average out market ups and downs (rupee-cost averaging).
- Your loan EMI is unaffected by market conditions, ensuring stability.
- Over 10–20 years, equity markets historically recover and grow despite short-term volatility.

## 6. MENTAL COMFORT — NOT ALL DEBT IS BAD DEBT

A home loan is considered good debt because:

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Mutual fund investments are subject to market risks, read all scheme related documents carefully.

- It creates an appreciating asset (real estate).
- Interest rates are relatively low compared to other loans.
- Tax benefits make the effective interest rate even lower.

If your investments can beat the cost of this “good debt,” you’re leveraging debt smartly.

## 7. REAL-LIFE ILLUSTRATION – RAMESH VS. SURESH

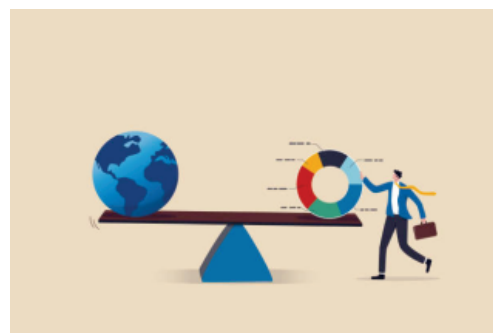
Ramesh (Prepay Only):

- Loan: ₹30 lakh for 20 years at 8%
- Pays extra ₹5,000/month into loan prepayment
- Loan closes in 15 years
- Starts investing ₹20,000/month after that for 5 years at 12% p.a.
- Corpus at Year 20: ₹16 lakh

Suresh (SIP + EMI):

- Same loan, no prepayment
- Invests ₹5,000/month in SIP at 12% p.a. for 20 years
- Corpus at Year 20: ₹45 lakh
- Both have a fully paid-off house, but Suresh also has

₹33 lakh extra in investments.



## 8. FLEXIBILITY OF SIPS VS. PREPAYMENT

- SIPs are flexible: You can increase, decrease, pause, or stop based on cash flow.
- Loan prepayment is one-way: Once paid, money is locked in the asset.
- In uncertain times (job loss, medical emergencies), having liquid investments alongside your EMI gives financial breathing space.

## 9. INFLATION AND ASSET DIVERSIFICATION

By only paying EMI, your entire wealth is tied up in one asset — your house. Real estate prices don’t always grow fast, and they can be illiquid. SIPs, especially in equity mutual funds, diversify your wealth and help beat inflation more effectively.

## 10. STEP-BY-STEP PLAN TO IMPLEMENT SIP + EMI STRATEGY

1. Assess EMI Affordability: Ensure your EMI is within 30–40% of your income.
2. Start Small: Even ₹2,000–₹5,000/month SIP alongside EMI is good.
3. Automate: Set SIP date soon after salary credit.
4. Increase Annually: Raise SIP amount by 10–15% every year as income grows.
5. Stay Invested: Avoid stopping SIPs during market downturns — that’s when units are cheaper.
6. Review Annually: Check progress and adjust allocation if needed.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

## 11. FINAL THOUGHTS

Paying off your home loan early feels great emotionally, but financially, starting SIPs alongside your EMI is often the smarter move.

With SIP + EMI, you:

- Keep the loan on track
- Build liquid, diversified investments
- Leverage the power of compounding over decades
- End up with both — a debt-free home and substantial wealth



In personal finance, the goal is not just to be debt-free, but to be financially free. A house alone doesn't give you financial freedom — a house plus a strong investment corpus does.

Practical Tip: If you're unsure about the balance between prepayment and SIP, consider a 50-50 approach — use half your surplus to prepay and half for SIP. This gives peace of mind while still creating wealth.

## REPAY YOUR HOME LOAN SMARTLY WITH SIP

Home Loan Amount	₹ 20 Lakhs
Tenure	20 years
Rate of Interest	9%
Interest Payable	₹ 23.18 Lakhs
Total Payment (Interest+Principal)	₹ 43.18 Lakhs
EMI Per Month	₹ 17,995



## Recover the interest amount by investing in mutual funds

SIP Amount ( 20,00,000 *0.10% )	2000
Tenure	20 years
Total Invested Amount (in 20 years)	₹ 4.80 Lakhs
Total Corpus accumulated (assumed r	₹ 29.94 Lakhs



**If you start a monthly SIP of ₹ 2,000 (0.10% of the loan principal amount), your investments at a 15% average annual return will grow to a total of ₹ 29.94 lakhs in 20 years.**



**Call us to invest now**  
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Mutual fund investments are subject to market risks, read all scheme related documents carefully. The calculations shown are for illustration purposes only and are not indicative of future returns. The actual returns may vary depending on market conditions.



## WEALTH QUOTES



**“Invest for the long haul.  
Don’t get too greedy and  
don’t get too scared.”**

**– Shelby M.C. Davis**



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