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UNDERSTAND THE DIFFERENCE BETWEEN SIP AND SWP

SIP vs SWP

The main difference between SIP and SWP is that SIP is a way to invest money regularly, while SWP is a way to withdraw money regularly. SIPs are good for long-term growth, and it's best to start as early as possible. SWPs are good for people who don't have time to manage their investments, or who want to enjoy the fruits of their labor.

The rising popularity of mutual fund investments has prompted investor curiosity about various related terms. SIP and SWP happen to be the two most commonly searched terms. SIPs allow investors to invest a fixed sum of money regularly into MF schemes, while SWPs allow investors to withdraw a fixed sum of money at regular intervals from their investments. In other words, SWPs are the opposite of SIPs.

Understanding the SIP (Systematic Investment Plan) versus SWP (Systematic Withdrawal Plan) debate is crucial for any investor looking to optimise their financial strategies. In this article, we'll explore the fundamentals of SIPs and SWPs, along with their key differences. While SIPs focus on investing a fixed amount regularly to benefit from rupee cost averaging, SWPs allow investors to withdraw a predetermined sum at regular intervals, making them ideal for generating income. Grasping these concepts will empower you to make informed decisions tailored to your financial goals.

What is Systematic Investment Plan (SIP)

SIP is a strategic approach to mutual fund investments where you invest a fixed amount of money into mutual fund schemes of your choice at regular intervals. These regular intervals can be daily, weekly, monthly, or quarterly. SIPs work on the simple principle: you invest in mutual funds with small and regular contributions to build a corpus over time due to the power of compounding and Rupee cost averaging. While perfect for long-term wealth creation, SIPs can also be used to meet short-term goals. Therefore, SIPs provide a streamlined route to goal-based investing. Furthermore, most mutual fund SIPs can be started with a nominal sum of Rs. 500. In other words, SIPs allow investors to gain benefits of market-linked returns with regular and manageable contributions instead of hefty lump-sum deposits, which may not be feasible for all investors.

What is Systematic Withdrawal Plan (SWP)?

To understand the SIP vs. SWP debate, it's essential to understand what an SWP is. A systematic withdrawal plan or SWP is also a mutual fund strategy that allows investors to redeem a fixed amount from their MF investments at regular intervals. Under SWP, you purchase units of a low-risk mutual fund scheme and then provide instructions to redeem fixed amounts at preset intervals. On the set date, the fund sells the units equivalent to your stated amount and transfers the sum to your bank account. Depending on your cash flow requirements, you can select the

withdrawal amount and frequency for the SWP. In fact, you can also choose to withdraw just the capital appreciation. Like SIPs, SWPs can also have weekly, monthly, or quarterly withdrawal frequencies.

Difference between SIP and SWP

Understanding the SIP vs. SWP debate is crucial for investors stepping into the mutual fund arena for the first time. Most beginners prefer a systematic approach – be it in investing or withdrawing. That's why acknowledging the nuances of the SWP vs. SIP debate becomes essential. The primary difference between SIPs and SWPs is that the former focuses on wealth accumulation, while the latter focuses on income generation from existing investments. More nuances of the SWP vs. SIP comparison are explained in detail below to help investors make informed financial choices.

1. Benefits

SIPs require regular contributions, helping investors cultivate disciplined savings and investment habits. SIP investments are spread over a long period to minimise the impact of market volatility. This means you do not have to time the market to make your investments. Additionally, you can enjoy the benefit of Rupee cost averaging, whereby you purchase more MF units when the market is down and fewer units when the market is up, lowering the average cost of each unit. This makes SIPs one of the best investment tools to build long-term wealth.

SWP, on the other hand, offers investors a regular source of income since a part of the investment can be redeemed at regular intervals. A regular flow of income keeps your financial needs covered. Additionally, you have the power to tailor the amount to be withdrawn as well as the frequency of withdrawals to match your requirements.

2. Suitability

In an SIP vs. SWP head-to-head comparison, suitability is an important consideration for investors. SIPs are suitable for those seeking long-term wealth creation with regular and manageable contributions. In other words, if you are willing to save and invest regularly in a market-linked product, SIPs should be your top choice. SIPs are perfect for small investors who find it difficult to invest lump-sum funds at once.

SWPs are tailored for investors seeking a steady and reliable regular income. Investors like retirees can opt for the SWP option when investing in mutual funds to ensure a steady income flow. SWPs can also come in handy for investors who have certain outstanding

monthly payment obligations like EMIs, school or college fees, etc. SWP payouts can be used to cover such expenses every month.

3. How does it work?

If you're wondering which is better between SIP and SWP, you should also consider how each plan operates. SIPs are relatively simple. Investors contribute a fixed sum at regular intervals, regardless of the market conditions. The money contributed is used to buy MF units. The number of units purchased depends on the NAV of the MF units. When the market is low, more units are purchased, and when the market is high, fewer units are purchased.

Under SWPs, the investor initially invests a large corpus into MF schemes. They instruct the fund house to redeem a certain sum of money at regular intervals. The fund house sells MF units from the investor's portfolio at their prevailing NAV to meet the set requirement.

4. Tax implication

The SIP vs SWP debate also offers insights into how each of these systematic schemes is taxed. As such, SIPs are investment avenues and do not attract taxes. Taxes on SIP investments are applicable only when these investments are redeemed. Moreover, investors can even claim tax deductions on their SIP investments. For instance, if you invest in ELSS funds, you can claim a tax deduction of up to Rs. 1.50 lakhs per annum u/s 80C.

SWPs, on the other hand, are strictly withdrawals and therefore attract taxes. While there is no tax deducted at source (TDS) on SWPs, a capital gains tax is applicable as per the scheme type and the holding period of the funds. For equity funds, gains withdrawn in less than a year attract a 20% short-term capital gains tax, while if MF units are sold after a year, gains exceeding Rs. 1 lakh are taxed at 12.5%. For debt funds, both long and short-term gains are taxed as per your applicable income tax slab.

SIP vs SWP – Comparison Table

If you still need clarity on the SWP vs. SIP comparison, here's a comprehensive table that sums up their differences succinctly.

Parameter	SIP	SWP
Purpose	SIPs connote regular investments in mutual fund schemes.	SWPs connote regular withdrawals from mutual fund schemes.
Goal	SIPs are geared towards the goal of wealth accumulation over time.	SWPs are geared towards generating income from existing investments.
Suitability	Suitable for investors of all ages looking to build a wealth corpus with disciplined regular investment.	Suitable for investors like retirees who are seeking regular and stable income flows.
Cash flow movement	Money is debited from your account and is used to purchase MF units.	The fund house sells units from your portfolio and transfers the sum to your bank account.
Taxation	SIPs are taxed on withdrawals. Contributions to certain SIPs are also eligible for tax deductions u/s 80(C).	SWPs are taxed according to the holding period of the units and the type of MF scheme in question.

Source : <https://www.bajajfinserv.in>

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THE IMPACT OF A 1% CHANGE IN MORTGAGE INTEREST RATE

Quick insights

- A 1% increase in mortgage interest rate would raise the monthly payment and total interest paid over the life of a loan.
- Changes in interest rates affect loan affordability across the market because of how the rate impacts repayment. A lower rate generally means more purchasing power, and vice versa.
- When mortgage rates drop by at least 1%, existing homeowners might consider refinancing [Footnote](#)¹[Opens overlay](#) to save money on interest.

Your [interest rate](#) and the [type of mortgage loan](#) can significantly affect financial decisions for homebuyers and existing homeowners alike. Rate changes can impact affordability and refinancing. The rate directly affects homeownership costs—they'll increase with higher rates, while lower rates make homeownership more affordable.

How a 1% rate change would impact your mortgage

The interest rate on a mortgage loan impacts the following:

- **Your monthly payment:** Your rate is used to calculate the interest charged on your loan balance. Each month, your mortgage payment consists of some [principal](#) and some interest (and maybe a few other costs).
- **Total interest paid:** The interest portion of each monthly mortgage payment you make essentially adds up to the total interest you'll pay over the life of the loan. The higher the interest rate, the higher that total is, and vice versa.

How interest is used in your mortgage payment

A mortgage payment (the principal plus interest portion) is typically calculated with this formula:

$$M = P[r(I+r)^n] / [(I+r)^n - 1]$$

- P represents the loan principal.
- r is the monthly interest rate (annual rate divided by 12 months).
- n is the number of payments (loan term in years multiplied by 12).

Common costs like [property taxes](#), [home insurance](#) and [private mortgage insurance](#) can increase your monthly mortgage costs. Some of these can be included in the payment due to your lender. However, we won't include them in the calculations below.

Example calculations

We can apply the formula above to an example mortgage:

- **Interest rate:** 6%
- **Rate structure:** Fixed



- **Loan term:** 30 years
- **Loan amount (Price minus down payment):** \$320,000

Approximate costs

- Monthly payment: \$1,919
- Total interest paid: \$370,682
- Total of mortgage payments: \$690,682

Impact of a 1% increase

- **Monthly payment:** \$2,129
- **Total interest paid:** \$446,428
- **Total of mortgage payments:** \$766,428

Increasing mortgage interest by 1% would directly impact your monthly payment. You'd pay more in interest not only every month, but also over the entire loan term. The total interest paid could increase substantially with a 1% rate increase.

Impact of a 1% decrease

- **Monthly payment:** \$1,718
- **Total interest paid:** \$298,419
- **Total of mortgage payments:** \$618,419

Just as an increase would have a corresponding impact on your mortgage payment and total interest paid, a decrease would lower those values.

How the market could be affected by a 1% change in mortgage interest rates

Higher interest rates mean higher monthly payments, which can limit [how much a buyer can afford](#). For the same monthly budget, the increase in rates reduces the maximum loan amount a borrower can qualify for. For instance, if a borrower can afford \$1,500 per month, the loan amount they qualify for at 4% would be less than it would at 3%. This might push potential buyers out of the market or require them to look for less expensive homes.

Additional interest rate considerations for homebuyers and homeowners

Calculating the impact of your interest rate on a cost of a home is straightforward, depending on the loan. However, here are some common situations in which the rate will be a deciding factor:

- **Adjustable-rate mortgages (ARMs):** [ARM loans](#) have an interest rate that basically fluctuates with the market after a fixed-rate period. Details of when and by how much will vary. However, any change, including a 1% rate increase, would impact your mortgage costs.
- **Fixed-rate mortgages:** The interest rate is set when you close, and it may even be locked before that. Timing either of these aspects in your home purchase is important. The [rate will remain fixed](#), as will your monthly payment, for the life of the loan unless you recast or refinance.
- **Refinancing:** This can lead to savings on your monthly payments and overall interest costs if rates drop by a certain amount. To take advantage of a lower rate market, [refinancing options](#) include switching from an ARM to a fixed-rate mortgage (or the opposite). Meanwhile, tapping into your [home equity](#) might be useful depending on your goals.

In conclusion

A 1% increase in mortgage interest can raise your monthly payments. You might also end up paying more in interest over the life of the loan, increasing the total cost of buying a home. A decrease would have the opposite effects: lower monthly payment and fewer interest charges. Calculations can show how even a small change in interest rates have a big impact on finances, both monthly and over the life of your loan.

Source <https://www.chase.com>

CONSERVATIVE HYBRID FUNDS VS. FIXED DEPOSITS? KNOW THE PROS AND CONS

For conservative investors, who generally prefer stability over volatility, this often means exploring instruments that offer a balance of caution and potential. One such option is Conservative Hybrid Funds.

When the stock market is volatile, many investors especially those with a low-risk appetite-start looking for safer investment options. For conservative investors, who generally prefer stability over volatility, this often means exploring instruments that offer a balance of caution and potential. One such option is Conservative Hybrid Funds.

Traditionally, Fixed deposits (FDs) have long been a preferred choice for such investors. They offer fixed returns, carry minimal risk, and are easy to understand. But with changing interest rate trends, inflation concerns, and evolving tax structures, some investors are now considering whether Conservative Hybrid Funds can play a similar role in their portfolios. Let's find out!

What Are Conservative Hybrid Funds?

Conservative Hybrid Funds primarily in debt instruments, such as government securities or corporate bonds, along with a smaller portion in equities. As per SEBI regulations, these funds allocate around 75-90% of their portfolio to fixed income instruments and the remaining 10-25% to equities. Some funds may have the provision to invest up to 10% in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) as well.

The idea behind this structure is to give investors a product that offers relative stability through the debt portion, while the limited equity exposure helps in generating some growth over the long term. This mix makes Conservative Hybrid Funds a middle ground-relatively less volatile than Equity Funds, but potentially more rewarding than pure Debt Funds.

How are Fixed Deposits Different?

Fixed deposits are savings instruments offered by banks and Non-Banking Financial Companies (NBFCs). They allow investors

to park their money for a fixed period at a predetermined interest rate. FDs are simple, come with minimal risk, and offer predictable outcomes. Deposits of up to Rs 5 lakh in scheduled banks are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC), which adds an extra layer of security.

FD interest is taxable as per the investor's income tax slab and may be subject to tax deduction at source (TDS) if the interest earned exceeds a threshold.

Comparing the Two Options

Feature	Fixed Deposits	Conservative Hybrid Funds
Returns	Fixed, declared at the time of deposit	Market-linked, can vary over time
Risk	Very low; principal protected	Moderately high risk; linked to market performance
Liquidity	Premature withdrawal possible with penalty	Redeemable in ~2 working days, subject to exit load, if any
Taxation	At the individual tax slab rate	At the individual tax slab rate
Cost/fees	No annual fees	Expense ratio (capped at 2% annually, depending of fund's AUM)
Insurance	Up to ₹5 lakh insured by DICGC	No insurance; subject to fund performance

An important aspect to note with regards to taxation is that investors don't have to pay any tax until they redeem from Conservative Hybrid Funds. Thus, as the holding period increases in Conservative Hybrid Funds, you potentially gain from compounding benefits as the gains remain reinvested in the scheme, if you opt for growth option. Thus, the tax payment is deferred till the year of redemption.

On the other hand, if you opt for a one year fixed deposit, the gains from maturity become taxable at your slab rate. In case of fixed deposits, the bank charges Tax Deducted at Source (TDS) if annual interest income exceeds Rs.40,000 (less than 60 years of age) and Rs.50,000 for senior citizens.

While fixed deposits are more straightforward and secure, Conservative Hybrid funds offer a slightly wider range of outcomes-both in terms of risk and potential return. The equity portion in hybrid funds introduces some level of fluctuation, but it also offers an opportunity for better inflation adjustment over the long term.

What Should Investors Keep in Mind?

1. Assess their time horizon: Conservative Hybrid Funds may require a longer holding period (at least three years) to smooth out short-term fluctuations.

2. Understand the product: It's important to review the fund's asset mix, risk profile, and expense ratio.
3. Be realistic about expectations: Returns in Conservative Hybrid Funds are not fixed and can vary across market cycles.

While Conservative Hybrid Funds are not a direct replacement for fixed deposits, they can play a complementary role in a conservative investor's portfolio. While FDs continue to offer safety and simplicity, Conservative Hybrid Funds provide a way to participate in market-linked growth with a relatively measured risk profile.

Even at a lower volatility, Conservative Hybrid Funds score over Fixed Deposits. Over a five year period, the category average return of Conservative Hybrid Funds stood at 9.05% (as of August 7, 2025) while the average FD return stood at 5.99% during the same period.

Hence, an investor in the highest tax category (30%) would earn a post-tax return of 6.33% in Conservative Hybrid Funds while 4.19% in fixed deposit. (Excluding health and education cess.) As you can see, Conservative Hybrid Funds have delivered an alpha of 2.14 percentage point over this period.

With a thoughtful allocation, investors can manage risk while also aiming for more efficient outcomes over time. Seeking guidance from a financial advisor can help in making informed choices that align with one's financial goals and comfort with risk.

To sum up, Conservative Hybrid Funds score over traditional FDs in terms of liquidity, diversification benefits, no lock-in period and potentially higher returns.

Source : <https://www.pgimindia.com/mutual-funds/>

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WHY HAVING AN ADEQUATE LIFE INSURANCE COVERAGE IS ESSENTIAL?

Know the importance of having adequate life insurance coverage for financial security.

Life insurance is one of the most essential tools for securing your family's financial future. However, simply having a policy is not enough—it is crucial to ensure that your life insurance coverage is adequate to meet your family's needs in any unfortunate event. Adequate coverage ensures that your loved ones can continue to live comfortably, repay debts, and fulfil long-term financial goals. By choosing the right life insurance cover, you can provide lasting protection and peace of mind for your family.

What is the importance of having an adequate life insurance coverage?

Having an adequate life insurance cover means your policy provides sufficient financial support for your loved ones at the time of need. Without sufficient coverage, your family might struggle with everyday expenses, debts, and future financial goals.

- **Financial security for dependents:** Adequate coverage ensures your family can maintain their standard of living and cover daily expenses even in your absence.
- **Debt repayment:** A suitable life insurance policy will help pay off outstanding debts like mortgages, loans, or credit card bills, preventing your family from bearing the financial burden.
- **Children's education:** With adequate cover, you can ensure that your children's educational aspirations are met, even after you're gone.

- **Retirement planning for your spouse:** An appropriate life insurance policy can help secure your spouse's retirement needs, ensuring they live comfortably without financial stress.

- **Estate planning and taxes:** Sufficient coverage can help cover estate taxes or other final expenses, preventing your loved ones from liquidating assets to pay these costs.

Key factors to consider for choosing adequate life insurance coverage

When determining how much life insurance cover you need, it's important to assess several key factors. These factors ensure your policy provides enough protection for your family's future.

- **Income replacement:** Consider how much income your family would need to cover living expenses if you're no longer around. Multiply your annual income by the number of years your family would rely on it.
- **Debt obligations:** Evaluate your outstanding loans, including home, car, and personal loans, to ensure your coverage can fully repay these liabilities.
- **Future financial goals:** Account for major expenses like your children's education, weddings, or other long-term goals, and include them in your life insurance coverage.
- **Existing savings and assets:** Factor in your savings, investments, and other assets that could offset the amount of coverage you need, helping you avoid over-insuring.
- **Inflation:** Consider future cost increases due

to inflation when choosing your coverage amount. This ensures the policy's value remains relevant even years from now.

Conclusion

Having adequate life insurance coverage is vital for ensuring your family's financial well-being after you are gone. It provides a safety net that covers living expenses, debts, and future financial goals like children's education and retirement, while also helping your loved ones maintain their standard of living

Source : <https://www.bajajfinserv.in/insurance>

Dear Patrons,

With heartfelt gratitude, we present to you the final physical edition of **Nivesh Chintan Samachar**. Your support, engagement, and encouragement over the years have helped make this publication a meaningful and trusted companion in your financial journey.

As we move ahead, we are excited to transition to a **fully digital format**. This shift will allow us to share updates faster, reach you more conveniently, and contribute to a more eco-friendly approach.

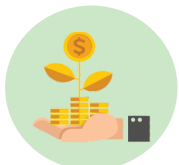
The digital edition will now be **uploaded on our website**, and we will also share the link on **WhatsApp** for your easy access.

Thank you for being a valued part of this journey—and for joining us as we take this step into a modern, seamless way of staying connected.

Warm regards,
Team Keval Nivesh

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