

# THE ARITHMETIC OF INVESTMENTS FOR BRIGHT FUTURE

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As per Einstein's rule of 72, the years required for doubling your investment is  $72/\text{rate of interest}$  (approx)

For 7.2% PA years of doubling will be =  $72/7.2$  = 10 years

For 14.4% PA years of doubling will be =  $72/14.4$  = 5 years

(Mostly investors come under I.T. slab of 33% tax so from interest in banks/post offices they get net after tax 7.2% PA only). (The minimum return from 4/5 star rated mutual funds is not less than 14.4% PA (tax free) as per return of last 10 years **THIS INVESTMENTS WILL APPRECIATE @ 7.2% & 14.4% FOR VARIOUS TIME HORIZONS (YEARS) AS FOLLOWS :**

After years	@ 14.4% PA doubling every 5 years	@7.2% PA doubling every 10 years
5	2 times	-
10	4 times $(2)^2$	2 times
15	8 times	-
20	16 times $(4)^2$	4 times
25	32 times	-
30	64 times $(8)^2$	8 times

It means Rs 1 lac invested for 20 years for child's higher education/marriage in banks becomes 4 lacs but if invested in 4/5 star rated mutual fund it will become 16 lacs.

## **THIS IS CALLED POWER OF EXPONENTIAL GROWTH.**

The interest rate difference in fixed deposit (7.2% net) and 4/5 star rated mutual fund (net 14.4%) is **TWO TIMES** But wealth created is power raised to two it means  $(4)^2 = 16$  times

Similarly employees serve for nearly 36 years if they invest Rs 1 lac in fixed deposits for 30 years wealth created will be 8 lacs where as in mutual fund it will be 64 lacs. This is the best solution to create pension for self. After retirement he may deposit the accumulated amount in bank/monthly income plan of mutual fund and get pension as mentioned below:

@ 7.2% net on 8 lacs = Rs 57600 PA = Rs 4800/month

@ 7.2% net on 64 lacs = Rs 460800 PA = Rs 38400/month

The details of 4/5 star rated mutual funds is available on site of [valueresearch.com](http://valueresearch.com) and [A.M.F.I.com](http://A.M.F.I.com)

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