

HDFC MF

Weekend Bytes

A weekly series from HDFC Mutual Fund

Why SIP+EMI could be better than just an EMI!



Buying a house is one of the biggest financial goals in a person's life. For many, this could mean opting for a home loan and spending the next 15-20 years repaying it. But what if there was a smarter way? What if you could build wealth while repaying your home loan or even before you take one?

The key lies in starting a **Systematic Investment Plan (SIP)** early and using time and compounding to your advantage.

Let's look at how starting an SIP could change the way you approach your home loan or even help you prepare for it well in advance.



▶ REPAY YOUR HOME LOAN SMARTLY!!

Assume you have taken a home loan of ₹50 lakh in 2005 at the rate of 8.45% p.a. The EMI payable for 15-year period would be ₹ 49,091. However, if you extend the loan period to 20 years, the same EMI would reduce to ₹ 43,233. So rather than opting for a shorter loan tenure, you could consider choosing a 20-year loan period so that you could start an SIP with the differential amount i.e. ₹5,857 in an Equity Mutual Fund scheme of your choice#.

An Illustration:

Who is smarter at repaying a home loan of Rs 50 Lakhs?



	Mr X	Mr Y
Loan repayment term	15-year Loan	20-year Loan
EMI per month started in 2005 (in ₹)	49,091 (A)	43,233 (B)
SIP per month in Nifty 50 TRI in 2005 (in ₹)		5,857 (A-B)
After 15 years		
Total EMI Paid (in ₹)	8,836,298	7,781,951
Total SIP Investment (in ₹)	NIL	1,054,347
Principal outstanding (in ₹)	NIL	2,109,708
Total SIP Corpus (in ₹)		3,285,042
SIP corpus left over after paying OS principal (in ₹)		1,175,334
Rate of Return* (XIRR) of Nifty 50 TRI (p.a)		13.91%

*Returns: Actual SIP returns of Nifty 50 TRI for 15-year period as on 30th June, 2025, assuming SIP start date on 1st July, 2010. **#Past performance may or may not be sustained in future and is not a guarantee of any future returns.** #HDFC AMC / HDFC Mutual Fund is not guaranteeing / offering / communicating any indicative yield on investments made in the scheme(s).

An SIP alongside your home loan could help you offset interest cost or even build surplus wealth!



A home loan doesn't have to be a financial burden. With the right planning, An SIP could go a long way by helping you offset interest, reduce EMI pressure, or even build long-term wealth alongside your loan.

Whether you're just beginning to plan or already repaying a loan, combining it with a disciplined SIP could ensure that you're not just repaying a loan, you're aiming to create wealth.

So, start your SIP today. Because the key to your dream home might just lie in the habit of disciplined investing!



**MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS,
READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.**

Mission: To be the wealth creator for every Indian

Vision: To be the most respected asset manager in the world