MIRAE ASSET
Mutual Fund

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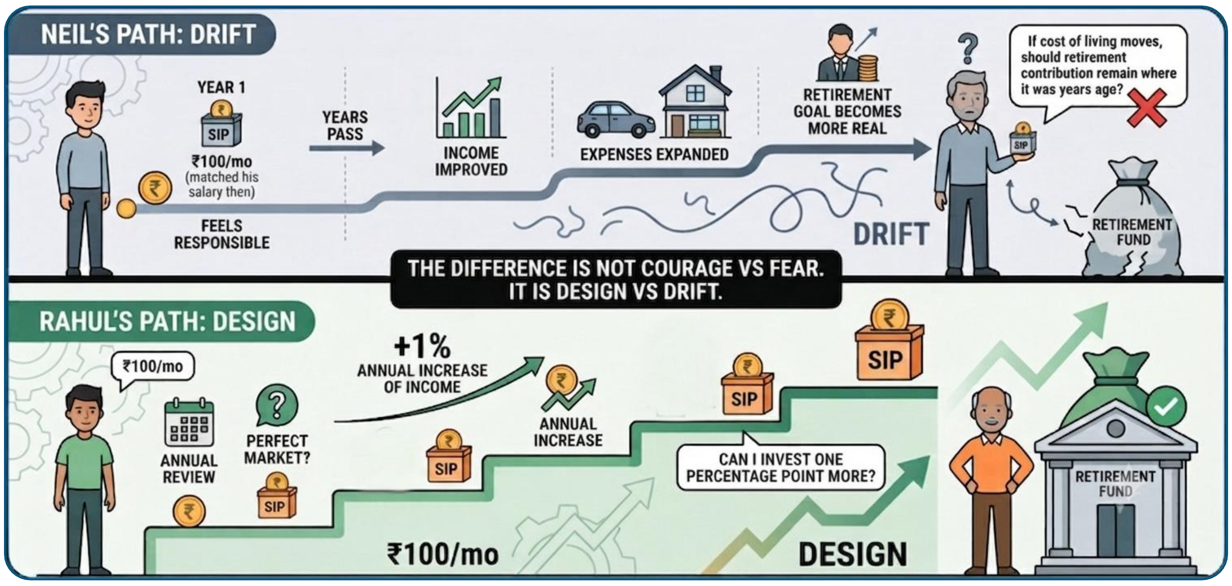
SIP Strategy for Retirement:
THE RULE OF 1% UPGRADE

Neil still remembers the day he set up his first SIP. It felt responsible, almost ceremonial. The amount matched his salary then, his rent then, his lifestyle then. Years passed. His designation changed, his income improved, his expenses expanded, and his retirement goal became more real. But one thing stayed frozen in time: the SIP amount.

That is the quiet gap many investors miss. The first SIP may begin the journey, but it may not be enough to carry the journey all the way if it never grows with income.

Neil is not careless with money. He saves, avoids unnecessary debt, and thinks seriously about the future. Yet every year, the same question returns: if the cost of living keeps moving, should his retirement contribution remain where it was years ago?

Rahul approaches the same problem differently. He does not wait for a perfect market, a perfect salary, or a perfect moment. At every annual review, he asks one practical question: can I invest one percentage point more of my income than I did last year?



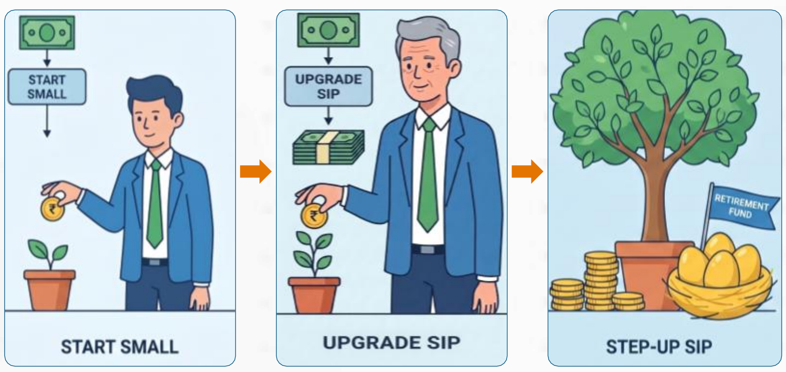
The difference between them is not courage versus fear. It is design versus drift. Neil's SIP remains attached to an older version of his financial life. Rahul's SIP gets a yearly upgrade.

Your First SIP Was Designed for Your First Salary

A first SIP is usually built around a first salary, a first budget, and the financial comfort of that stage. That makes sense at the beginning. The problem begins when the SIP remains unchanged even after the investor's income has moved ahead.

A ₹5,000 monthly SIP can be a disciplined start. But if income doubles over time and the SIP remains ₹5,000, the habit is still alive while the contribution has quietly lost strength as a share of income.

This is why the retirement conversation should not be limited to when an investor starts. It should also include whether the investment keeps pace with the investor's own progress.



Careers rarely remain flat. Salaries may rise, bonuses may arrive, and household budgets may change. Without a simple rule, however, most of the extra income can slip into everyday spending before long-term goals receive their share.

The investor moves forward, but the investment may remain parked at the starting line.

That is where the **Rule of 1% Upgrade** becomes useful.

Think of It This Way

The Rule of 1% Upgrade is not about making a dramatic jump. It is a yearly nudge: increase the share of income directed towards investments by one percentage point, subject to affordability, financial goals, and overall circumstances.

If an investor currently invests 10% of annual income, the allocation may move gradually like this:

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Share of Income Invested	10%	11%	12%	13%	14%

The appeal of this rule is its modesty. It does not ask the investor to overhaul the household budget overnight. It simply creates a yearly checkpoint where investing gets a small promotion too.

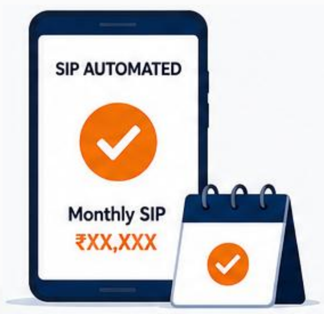
This is different from increasing an existing SIP amount by 1%. If a ₹10,000 SIP rises by 1%, it becomes ₹10,100. But if ₹10,000 represents 10% of a monthly income of ₹1 lakh, increasing the investment allocation from 10% to 11% raises the monthly investment to ₹11,000, assuming income remains unchanged.

The focus is on a factor the investor can influence more directly: not market direction, not the perfect entry point, but the proportion of income that is consistently invested.

Getting the Fundamentals Right

A useful upgrade is one that fits into real life. Essential expenses, emergency savings, insurance needs, and high-cost debt should be reviewed before increasing investments. The rule should support the financial plan, not strain it.

The annual appraisal cycle can make this easier. Before a salary increase blends into regular spending, a portion of it can be assigned to long-term goals. This helps the investor upgrade the future before upgrading every expense.



Once decided, the revised SIP can be automated wherever possible. That turns the rule into a system rather than a monthly negotiation with willpower.

One percentage point may not feel powerful in a single year. Across many working years, however, the habit of upgrading can increase the total amount invested and give compounding a larger base to work with.

How Can a Small Upgrade Affect Retirement Wealth?

Consider two investors who begin with the same monthly SIP of ₹10,000 and remain invested for 25 years. Assume an annual return of 12% only for illustration; actual mutual fund returns are market-linked and are neither fixed nor guaranteed.

With a standard flat SIP	
Monthly SIP	₹10,000
Total Amount Invested	₹30 lakh
Illustrative Retirement Corpus	₹1.70 crore approximately

With an annual 1% increase in the SIP amount	
Starting Monthly SIP	₹10,000
Total Amount Invested	₹33.89 lakh
Illustrative Retirement Corpus	₹1.82 crore approximately

In this illustration, the investor contributes roughly ₹3.89 lakh more over the investment period, while the illustrative corpus is around ₹12.19 lakh higher. The difference does not come from assuming a better-performing fund. Both cases use the same return assumption.

The difference comes from putting additional money to work earlier and allowing those contributions to participate in compounding.

It is important to note that this example shows a **1% Annual Increase in the SIP amount**. The Rule of 1% Upgrade discussed here focuses on increasing the **share of income invested by one percentage point**. The actual outcome will depend on income growth, investment amount, time horizon, and market performance.

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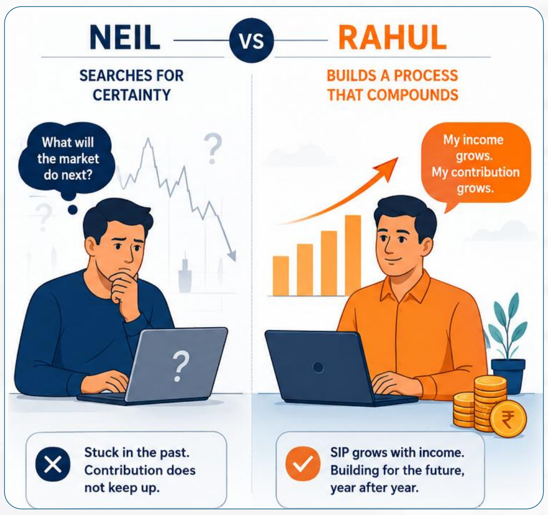
Small Upgrades Can Support Long-Term Discipline

Inflation does not usually announce itself dramatically. It shows up in grocery bills, medical costs, travel budgets, school fees, and the monthly amount needed to maintain a familiar lifestyle. A retirement budget that looks comfortable today may need a much larger corpus in the future.

Increasing investments does not remove market risk or guarantee an inflation-beating outcome. Mutual fund performance depends on the scheme, asset allocation, market conditions, investment horizon, and investor behaviour.

What the Rule of 1% Upgrade can do is reduce the chance that retirement contributions remain anchored to an older income level.



It also changes the investor's focus. Instead of trying to guess the next market move, the investor builds a repeatable habit around something more manageable: increasing the investible surplus gradually.

Rahul's advantage is not that he knows what markets will do. He does not. His advantage is that his SIP is not stuck in the past. As his income grows, his contribution has a mechanism to grow with it.

Neil keeps searching for certainty. Rahul builds a process that can continue even when certainty is unavailable.

Starting Small Doesn't Make It Small

A small SIP can be a strong beginning because it builds the habit of investing. But the first amount should not become the final identity of the plan.

Retirement planning should evolve with salary, responsibilities, goals, and time left to invest. The Rule of **1% Upgrade** gives investors a simple way to make that evolution visible.

It is not a shortcut, a return guarantee, or a replacement for suitable asset allocation. It is a gradual method of allowing investments to grow alongside income, while staying affordable and reviewed periodically.

Retirement wealth is shaped not only by returns but also by the amount that gets invested consistently. A yearly one percentage point upgrade can make the plan feel practical instead of overwhelming.

A SIP can start small. It does not have to stay there.

SIP - Systematic Investment Plan