

Are your investments earning you enough?

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While the rather well known SIPs (systematic investment plans) gave an investor the benefit of rupee-cost averaging, the new kid on the block VIP (value averaging investment plan) claims to go one step ahead. This is another example of the continuous innovation in the investment world, with the basic objective of enhanced returns.

VIP vs. SIP

The VIP is a new entrant in the market and promises to be more 'active' than a SIP; it also endeavours to provide better returns.

Systematic plans average out your cost by buying a stipulated amount at regular intervals (monthly / weekly) by buying more units when the market slumps and lesser

units when the markets are high. However, the amount for which the units are bought does not change.

The VIP uses a slightly different strategy; it varies the amount being ploughed into the fund. If the markets are lying low, it proposes to invest a higher amount (thereby buying more number of units) and when the markets are at peak, it proposes to invest a lower amount (lower number of units are bought).

Investors are familiar with the concept of rupee-cost averaging or SIP of a mutual fund, where one invests a fixed sum at fixed regular intervals.

VIP is a more evolved concept than rupee-cost averaging. Here the investor is expected to adjust the amount to be invested in tandem with the direction of the market -- up or down -- to achieve prescribed value of the fund or targeted returns.

Photographs: Uttam Ghosh

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Anil Rego is the founder and CEO of [Right Horizons](#), an investment advisory and wealth management firm that focuses on providing financial solutions that are specific to customer needs.