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What Happens If You Increase Your SIP by ₹500 Every Year?

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A SIP allows investors to invest a fixed amount at regular intervals. But what happens when that amount is increased every year? Even a small increase of ₹500 can change the total amount invested over a longer period. This approach is called a step-up SIP. Understanding how it works can help investors decide whether a gradual increase fits their financial plans.

What Is a Step-Up SIP?

A Step-Up **SIP** is the type of SIP where there is a periodic increase in the SIP amount rather than having a constant SIP amount during the entire period of investing.

For instance, an investor makes a SIP amount of ₹5,000 per month. With a fixed increase of ₹500 per annum, the monthly amount becomes ₹5,500 in the second year, ₹6,000 in the third year, and ₹6,500 in the fourth year.

What Happens When You Increase Your SIP by ₹500 Every Year?

The most straightforward impact is that the investment amount increases over the time period. If an SIP of ₹5,000 is done, the SIP amount will remain the same every month for the chosen duration. An increasing SIP of ₹500 each year will have increasing monthly amounts.

For instance, the SIP amount in the first year will be ₹5,000. In the second year, it will be ₹5,500. After the fifth year, the amount will become ₹7,000. The value accumulated will depend on the investment period and gains.

How Does a ₹500 Annual Increase Affect Your Investment?

A small annual increase can add up because every increase continues through the remaining investment period. The effect depends on when the increase is made and how long the investment continues.

Consider an investor who starts with ₹5,000 per month. Increasing the SIP by ₹500 each year means the monthly contribution does not remain at ₹5,000. As the years pass, the investor contributes more towards the financial goal.

A SIP Calculator can estimate how different monthly amounts and periods may affect the projected

corpus. Investors can compare scenarios before deciding on an amount.

Why Can Small SIP Increases Matter Over Time?

The main reason is the longer investment period. An investor who increases the SIP every year can invest more money over the years than someone who keeps the monthly contribution unchanged.

For someone whose income rises, adding ₹500 may be easier than making a large increase at once.

However, the estimated growth of an investment depends on the return assumption used in the calculation. Actual market-linked returns can vary, so calculator results should be treated as estimates rather than guaranteed outcomes.

What If You Start With a Smaller SIP?

Even if a person starts with a lower SIP, it doesn't mean that he cannot increase the amount in the future. The investor can start with an amount which is suitable for his budget at that point and reassess it from time to time.

For instance, a person can start with ₹2,000 and increase it by ₹500 every year. In the second year, it will become ₹2,500 and in the third year, it will become ₹3,000.

Should You Increase Your SIP Every Year?

There is no single increase that suits every investor. The decision depends on income, expenses, goals, investment horizon and ability to continue.

An investor with rising income may choose to increase the SIP periodically. Another investor may prefer keeping the amount unchanged if their budget has limited flexibility.

Investors should check whether the higher contribution can be maintained. A sustainable investment amount may be more practical than choosing an amount that becomes difficult to continue.

What Should You Consider Before Increasing Your SIP?

Investors should review their financial position before making an annual increase. Expenses, savings and existing commitments can affect the amount available for investing.

The goal and timeline should also be considered. A calculator can show how changing the monthly investment or tenure affects the estimated result. Comparing different scenarios can help investors understand the possible impact of a ₹500 increase.

Do You Need a Demat Account to Start a SIP?

Whether a demat account is required depends on the investment product and the method used to invest. A demat account is generally used to hold securities in electronic form.

Investors exploring mutual fund investments should check the account and platform requirements before starting. Those considering [opening a demat account online](#) can review the applicable charges, services and terms.

Conclusion

Increasing a SIP by ₹500 every year can gradually raise the amount invested without requiring a large increase at the beginning. The overall effect depends on the investment amount, duration and returns. Investors can use a SIP Calculator to compare a regular SIP with an increasing SIP and understand different scenarios. Platforms such as 5paisa may also be explored for relevant investment services, subject to their applicable features and terms.

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