

# Loan Against Mutual Funds - The Smarter Alternative to Breaking Your SIP.

When cash gets tight, most investors make a costly mistake. There is a better way one that keeps your wealth growing while solving the problem right now.

*Ramesh had been investing ₹15,000 a month in mutual funds for six years. Then his business hit a rough patch. He needed ₹5 lakhs fast. His first instinct? Redeem his mutual funds. His advisor stopped him just in time. "There is another way," she said. "And it will cost you far less."*

Ramesh's story is more common than you think. Life throws curveballs a medical emergency, a business cash-flow gap, a home repair that can't wait, a child's school admission. And when it does, most investors reach for the one thing they can see clearly: their mutual fund portfolio.

But redeeming your mutual funds in a moment of pressure is one of the most expensive financial decisions you can make. Not because the money isn't yours it is. But because **the true cost is not just what you withdraw. It's everything that money would have become.**

## What is a Loan Against Mutual Funds (LAMF)?

A Loan Against Mutual Funds lets you borrow money by pledging your mutual fund units as collateral without selling them. Your investments stay exactly where they are, continuing to grow and compound. You get the cash you need. The bank or lender gets security. Everyone wins especially your future self.

Think of it like this: you are not selling your house to pay the electricity bill. You are using it as security to get a temporary loan. That is exactly the level of smartness LAMF brings to your mutual fund portfolio.



## How it works — step by step

## 1. You pledge your mutual fund units

Your units stay in your demat/folio — they are not sold or transferred. A lien is marked on them by the lender. You remain the owner.

**No redemption. No exit load. No tax.**

## 2. Lender calculates your eligible amount

Up to 50% of equity fund value, up to 80% of debt/liquid fund value. The lender determines this based on current NAV of your holdings.

**Quick digital valuation**

## 3. You get an overdraft or lump sum

Most lenders offer this as an overdraft facility — you draw only what you need, and pay interest only on the amount used. Not on the entire limit.

**Pay interest only on what you use**

## 4. You repay at your own pace

Repay the loan and the lien is removed. Your units are fully free again — still invested, still compounding, no damage done.

**No prepayment penalty in most cases**

## 5. Your SIPs keep running throughout

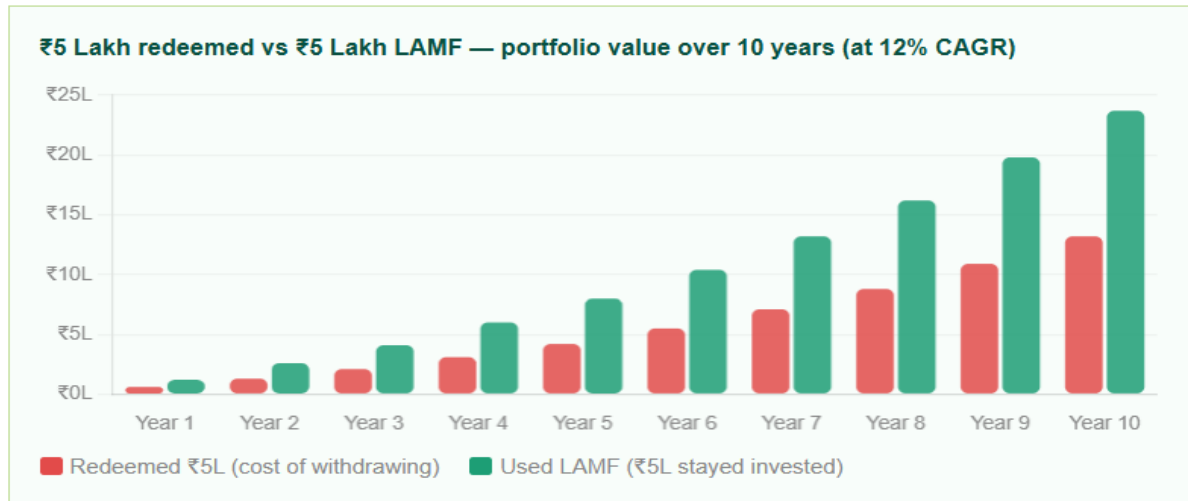
This is the most important part. Your monthly SIP continues uninterrupted. Compounding never stops. The financial crisis is solved without breaking the financial plan.

**Compounding never stop**

### The real cost of breaking your SIP vs taking a LAMF

BREAKING / REDEEMING YOUR MF	VS	LOAN AGAINST MUTUAL FUNDS
Pay exit load (0.5–1% if under 1 year)		No redemption — zero exit load, zero tax
Trigger capital gains tax (STCG or LTCG)		Units stay invested, NAV keeps growing
Lose future compounding on redeemed units		Pay interest only on what you borrow and use
SIP interrupted — habit broken		SIP continues uninterrupted every month
Re-entering market later often means buying at higher prices		Full portfolio intact once loan is repaid

### The number that changes everything



₹5 lakhs kept invested at 12% CAGR grows to approximately **₹15.5 lakhs in 10 years**. That is the true cost of redemption — not the ₹5 lakhs you withdrew, but the ₹10.5 lakhs in growth you gave up.

### Key numbers to know

#### Up to 50%

of equity mutual fund portfolio eligible as loan amount

Debt funds: up to 80% eligible

#### 10–12% p.a.

typical interest rate — much lower than personal loans (14–24%)

Only on amount drawn, not total limit

#### ₹0 tax

no capital gains tax triggered since no units are sold

No STCG, no LTCG, no exit load

#### Same day

most lenders process and disburse within hours digitally

Available through most major banks & NBFCs

**A message from us:** You have built your portfolio patiently, month by month, SIP by SIP. The last thing we want is for a temporary cash crunch to undo years of disciplined investing. **Talk to your advisor before you ever consider redeeming your mutual funds for an emergency.** A Loan Against Mutual Funds might be the only conversation you need — and it could save your wealth journey.

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