

FIXED AMOUNT BENEFIT (FAB) PLAN

FREQUENTLY ASKED QUESTIONS (FAQ's)

- **What is FAB Plan?**

FAB Plan or Fixed Amount Benefit Plan is a feature which enables investors to withdraw a regular amount as a fixed percentage of their investment and at a predefined frequency, regardless of the market value of their investment – subject to availability of capital. All the while, their underlying investments would keep growing as the fund grows

- **What are the eligible schemes to avail FAB?**

FAB is available as a feature for the following schemes

Active Funds:

- Motilal Oswal Focused Fund (Formerly known as Motilal Oswal Focused 25 Fund)
- Motilal Oswal Midcap Fund (Formerly known as Motilal Oswal Midcap 30 Fund)
- Motilal Oswal Flexi Cap Fund
- Motilal Oswal Large and Midcap Fund
- Motilal Oswal Balanced Advantage Fund (Formerly known as Motilal Oswal Dynamic Fund)
- Motilal Oswal Equity Hybrid Fund (Default Scheme)

Passive Funds:

- Motilal Oswal Nifty 500 Index Fund (Formerly known as Motilal Oswal Nifty 500 Fund)
- Motilal Oswal Nifty Midcap 150 Index Fund
- Motilal Oswal Nifty Smallcap 250 Index Fund
- Motilal Oswal Asset Allocation Passive Fund of Fund - Aggressive
- Motilal Oswal Asset Allocation Passive Fund of Fund – Conservative

- **What are the withdrawal frequencies available?**

The investor can choose to withdraw funds either monthly, quarterly, or annually.

- **What are the withdrawal rate options available for an investor?**

Withdrawal rates @ 6% p.a. ,@ 8% p.a., @10% p.a. and @12% p.a. of original cost of investment are available as follows:

- FAB Plan @ 6% p.a. of original cost of investment. The payouts for monthly and quarterly frequency would be at the rate of 0.5% and 1.5% respectively
- FAB Plan @ 8% p.a. of original cost of investment. The payouts for monthly and quarterly frequency would be at the rate of 0.67% and 2.0% respectively
- FAB Plan @ 10% p.a. of original cost of investment. The payouts for monthly and quarterly frequency would be at the rate of 0.83% and 2.5% respectively
- FAB Plan @ 12% p.a. of original cost of investment. The payouts for monthly and quarterly frequency would be at the rate of 1.0% and 3.0% respectively

- **What are the specs of the default plan under FAB?**

Default withdrawal option	6% p.a. of original cost of investment
Default frequency	Monthly
Default date	7 th of the month
Default Scheme	Motilal Oswal Equity Hybrid Fund
Default Deferral	1 Year

- **How many days before I can start my FAB Plan?**

Investor can start their FAB plan/withdrawal after 7 business days of registration; however we recommend that withdrawals be deferred by 12 months from the date of registration to allow some growth of your investment

- **Can an investor terminate or cancel his/her registration in this feature?**

Yes, an investor at his/her discretion can cancel their registration anytime. Request for discontinuing FAB shall be carried out and executed in a period of 7 business days.

- **Would any exit load be applicable?**

Yes, exit load would be applicable as per chosen schemes exit load mentioned in the mutual fund factsheet/respective SID

- **Is FAB a good option for steady income?**

Yes, FAB is a good option to earn a steady income. You get to choose the amount (%) and frequency of withdrawals. It is ideal for investors seeking a second/regular source of income from their investments.

- **Is FAB good for retirees?**

While FAB guarantees a steady/alternate source of income for retirees, it also comes with its fair share of risks. As a retiree, you need to understand how the rate of return in a mutual fund works and the withdrawals required to maintain your lifestyle after retirement. Having a combination of other securities/assets along with a FAB option is a good idea for retirees.

- **What is better, income from FAB or mutual fund dividend?**

Typically, income from FAB would be considered better as there is a surety of fixed pay-out whereas payment of mutual fund dividend might not be assured. There is no tax deducted at the source for FAB, but mutual fund dividend shall be taxed in the hands of the investor as per their income tax bracket (example:30% for income above INR 15 L)

- **What are the tax implications of FAB?**

There is no tax deducted at the source for FAB, but capital gains tax will be charged. If you invested in an equity-oriented scheme and held the investment for less than a year, then the capital gains will be charged at 15% (STCG) plus applicable surcharge. If the holding period for an equity-oriented scheme is more than 1 year, then the capital gains will be taxed at 10% (LTCG) if the investors overall capital gains are more than ₹1 lakh for the year plus applicable surcharge

- **What are the tax implications of FAB plan for a hybrid scheme?**

Schemes offered under Motilal Oswal FAB Plan are equity oriented schemes hence the taxation applicable shall be the same as under equity as explained above (LTCG/STCG)

- **When should I use the Fixed Amount Benefit plan?**

FAB can be used at any time, not necessarily at retirement. Any investor who wants a steady/secondary source of income can use FAB Plan.

- **Is there a Pause Option?**

No, there is no pause option available in FAB. The investor can stop their FAB plan at any time and would have to reapply for a new FAB Plan when they wish to restart/modify the same.

- **Can I link my withdrawal to Market Value?**

Yes, there is a provision to switch the withdrawal from a % of original cost of investment to % of current market value. The investor could notify Motilal Oswal AMC to link their FAB Plan to the current market value. With this option, FAB Plan shall be active as a % of the amount under their folio (Current Market Value + Any Additional Investment) . For Example: If current market value is INR 50,00,000 with a monthly withdrawal at 6% selected, investor would receive 25,000 per month till the end of plan. This change in base amount would take 7 business days to be implemented from receipt of the request from the investor.

- **Can I change the withdrawal %?**

Yes, there is a provision to change your withdrawal percentage. Investor would have to notify Motilal Oswal AMC for the same. It would take 7 working days for the withdrawal % to change after investor notifies the AMC of their requirement.

- **What if the market falls as soon as I start the FAB Plan?**

Investments in Mutual Funds have an inherent market risk. We recommend a min. 1 year deferral from date of investment to the date of withdrawal to allow your investments time to grow before FAB kicks in. A longer deferral would provide the potential for a larger cushion of profits to withdraw out of.

As per back tested data even if an investor would opted for FAB during the phase of Indian Equity markets worst crash – Jan-08 and chosen a 1 year deferral as per recommendation – 1cr invested in Jan-08 would be worth 1.09cr in Dec-22 and withdrawals till Dec-22 would be 0.84cr (NIFTY 500 TRI data used for back testing along with 6% withdrawal a month option)

- **What is the benefit FAB offers over an SWP?**

SWP is more of a Do-It-Yourself feature whereas FAB is pre-packaged in such a way as to make the lives of investors simpler by offering a default option and showcasing the various combinations of withdrawal rates and deferral periods and how those will impact the end results. FAB allows the investor to make a more informed decision about their withdrawals while keeping their expected returns in mind

- **Will Normal SWP Feature Option be available in MO MF Schemes?**

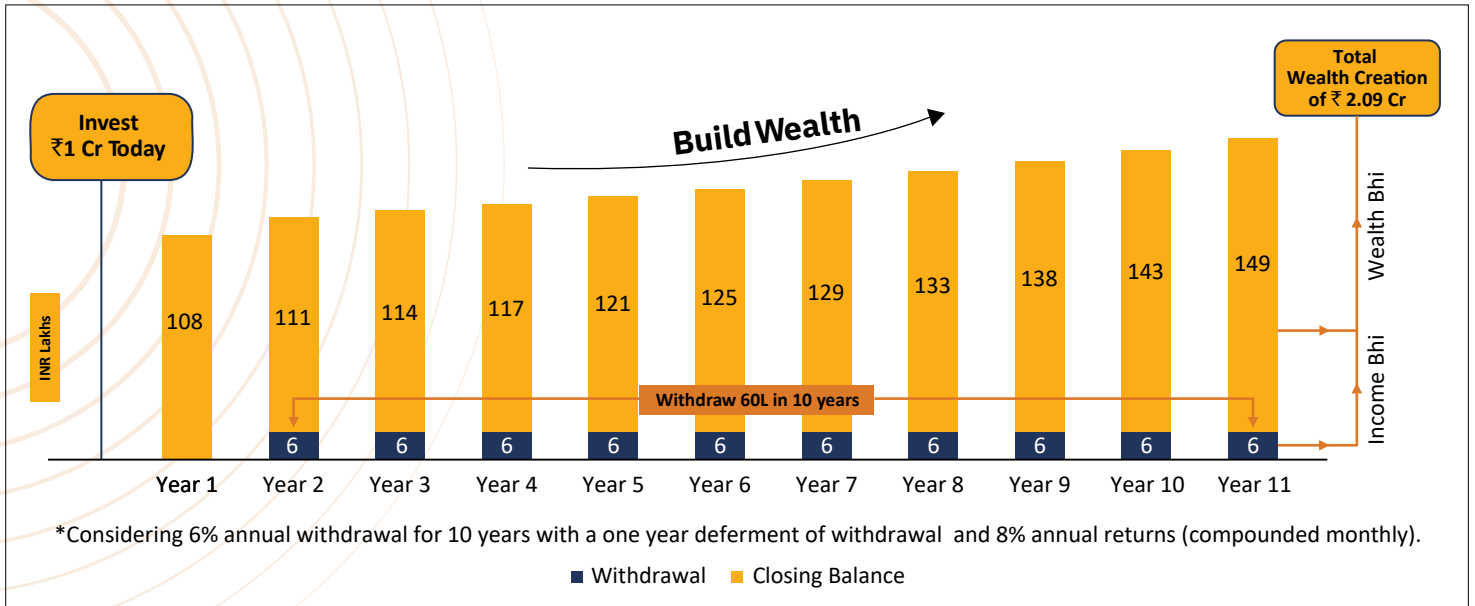
Normal SWP Feature is available for investors to opt for on their Mutual Fund investments in MOAMC schemes. The normal SWP Feature is a separate offering from FAB and is available for all eligible active/passive mutual fund schemes

- **Will I be allowed to change the scheme from which I will be getting my fixed amount, mid-way through the plan?**

No, you will not be allowed to change the scheme mid-way. You can however close your existing FAB plan from scheme X and start a new FAB plan from scheme Y at any time, subject to you having sufficient funds in scheme Y. In effect, FAB Plan is correspondent to a particular folio, so if you have investments in only one scheme, the funds would have to be transferred to the other scheme while opting for FAB Plan in the latter

● **How does FAB work?**

Please refer the following illustration.



Assuming 1 year of deferment to the start of FAB withdrawals; monthly withdrawal as per SID. Returns are compounded monthly. The above graph is for illustration purpose only. The amount, rate of return, etc. are assumed figures and used for explaining the concept. It should not be construed to be an indicator of scheme performance in any manner. Cashflow/Fixed Amount Benefit may be from your return on investment or return of capital. MOAMC does not guarantee or assure returns. Mutual Fund investments are subject to market risks, read all scheme related documents carefully.



Formerly known as Motilal Oswal Cash Flow Plan

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