

Start Small With an Eye on Your Financial Goal



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Let's think about new year 2018, and how we should plan our investments? Where to invest? and How to invest?

Decisions make a lot of difference in our lives. While right decisions at right time can chart a good future, wrong ones can screw things up. This holds true for our finances also. Those who intelligently plan their finances always have an edge over those who invest money in a haphazard manner and without any proper planning. But we also can't ignore the fact that everybody learns from mistakes. To err is human, but learning from it and not repeating the mistake is what is expected of a mature investor. Maturity comes over time. To enhance your knowledge, it is important to understand

the weaknesses and shortcomings which could help to rectify them. Let's think about new year 2018, and how we should plan our investments? Where to invest? and How to invest?

Defensive Investor – Only Savings Account

Majority investors in India are from this category. When you say equity, they will look at you as if you were some aliens lecturing on technology. They never invested a single penny in equities. Their answer to equity is – equity is risky so why to take the risk. They are happy with what they are getting but not greatly enthused over returns.

Don't keep idle money in your bank account

By far, the most profitable type of deposit for a bank is what they term "idle deposits". An idle deposit is money that an account holder leaves in their savings & current accounts, earning very little or no interest from them. The majority of that money is used in giving out short-term loans and the bank makes more money from the difference between the interest charged and the interest it pays (or doesn't pay). Our bank account earns the sum of 4% interest on balances.

Many of us leave money lying around in savings & current accounts, getting almost nothing. However, we frequently complain about rising inflation eating up our sav-

Top liquid Funds

No.	Fund Name	Average Maturity	1Yr Return	3 Yr Return	5 Yrs Return
1	Birla Sunlife Cash Plus - G	0.11	6.65%	7.66%	8.29%
2	ICICI Prudential Liquid Fund - G	0.12	6.64%	7.63%	8.25%
3	HDFC Liquid Fund – G	0.11	6.54%	7.58%	8.22%
4	Reliance Liquidity Fund - G	0.11	6.60%	7.59%	8.21%
5	Axis Liquid Fund - G	0.11	6.72%	7.65%	8.24%



ings. For these class of people, my advice would be:

Liquid Funds (Money Market Funds) are ideal as short-term investment options: As the name suggests, liquidity is the primary motto in these financial instruments. These offer slightly higher returns than savings accounts. Returns range from 5.5 to 9% based on the period and risk category. Liquid funds are fairly safe invest-

ments as they invest in fixed income securities of governments and corporates. Liquid funds are one of largest pie of mutual fund industry. If you have surplus money for 1-6 months, then consider investing in a liquid or liquid plus funds. It earns better interest than savings bank account balances. The withdrawal money is usually credited the very next day or maximum in two days.

How much I need to invest every month to achieve retirement goal?

"Indians are great savers" is not the true anymore. Rather, we should say, "Indians were great savers". New generation likes to enjoy the present & have no idea about the future. If you have just started to work & would like to have a very simple lifestyle & retire at the age of 60, you can do it with saving (read investing) 10% of your income. If you are planning for an early retirement, start with 20% savings.

Moderate Investor – Only Safe Investments

They will be the first to read or get information on an investment but will never participate in markets. They talk about personal finance but will not be ready to risk their own money. He is the non-playing captain who will never dare to sweat himself but would be the first one to talk about strategies. Start your investment planning with eq-



50/20/30 Rule

	Category	Participation	Expenses
PRIORITY (+)	Essential Expenses	Not more than 50%	House, Transportation, utilities, Groceries
	Financial Priorities	At least 20%	Retirement Contribution, Savings, Debt payments
PRIORITY (-)	Lifestyle Choices	Not more than 30%	Cable, Phone, Entertainment, Internet, Restaurants, Bars, Childcare, Personal Care
How to get a budget to work for you? 1. Realistic budget, 2. Stick to it, 3. Revisit your budget			

source: www.learnvest.com