Financial Planning & Wealth Management

Planning your **goals**?

An investor's guide to goal planning

THEWEALTHWISHER

RIGHT PLAN...RIGHT LIFE

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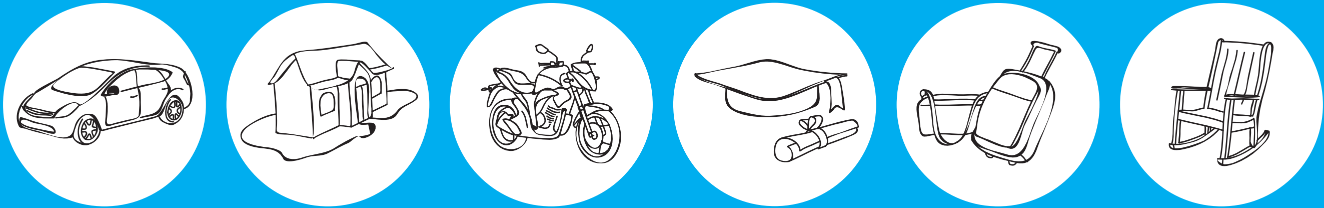

Goals are just planned expenses at different points in our lives. From a new bike or a car to a new home, even a vacation or your child's wedding! We all have different goals at every stage. Here's where planning your investments to meet each specific goal comes in.

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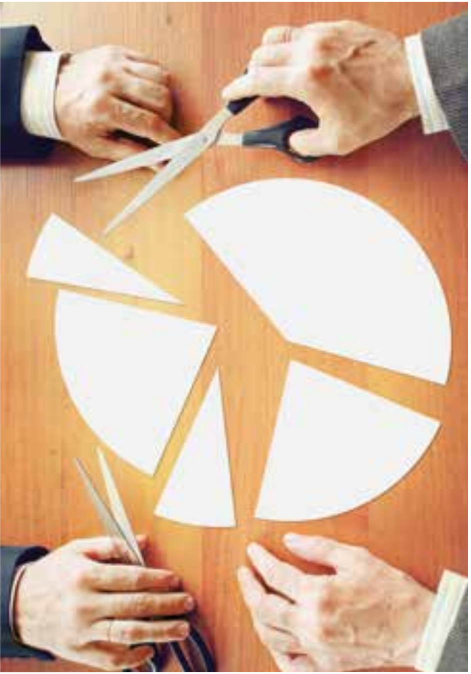

Let’s start with assessing **your risk profile**

A risk profile is an evaluation of an individual's willingness and ability to take risks. It can also refer to the threats to which an organization is exposed. A risk profile is important for determining a proper investment asset allocation for a portfolio.

Your financial advisor can help you take a short and simple risk assessment to help you determine which category you fall under. Based on this, he/she can determine what proportion of your portfolio should be invested in which asset class.

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Typical Risk Profiles

Conservative
Investor's top priority is safety of capital and he/she is willing to accept minimal risks and hence, receive minimum or low returns.

Moderately Conservative
Investor is willing to accept small level of risk in exchange for some potential returns over the medium to long term.

Moderate
Investor can tolerate moderate level of risk in exchange for relatively higher potential returns over the medium to long term.

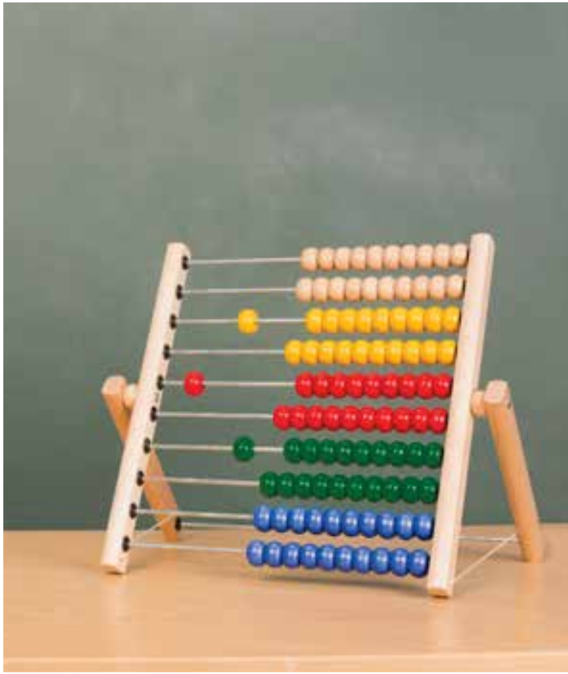
Moderately Aggressive
Investor is keen to accept high risk in order to maximize potential returns over the medium to long term

Aggressive
Investor is willing to accept significant risks to maximize potential returns over the long term and is aware that he/she may lose a significant part of capital.

Allocate, allocate, allocate

Asset Allocation is the process of determining what asset classes and what proportion of those asset classes should your portfolio hold. Few asset classes are: equities, debt, commodities, savings accounts, insurance etc. While making the financial plan, you must determine your asset allocation by first assessing your risk appetite; second, laying down your goals and third, deciding your investment horizon i.e. time period for investment.

At each stage in life, your portfolio allocation would be different based on your goals and risk-taking ability. For example, at a younger age, you can afford to take more risks, hence your allocation in riskier investments like stocks and equity mutual funds could be higher. At retirement, you need a regular income and therefore you need more stability in your portfolio to make up for it. In this case, government bonds, fixed deposits and debt mutual funds would be ideal, with a little equity added for that extra boost to your earnings.



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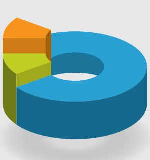
Here's a broad roadmap of five life stages that could help you determine the required asset allocation for your portfolio.

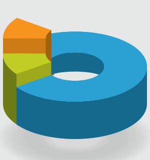
Suggested asset allocation*

Young and Care-free
(20-30 years)



- Equity funds **80%**
- Bond funds **10%**
- Liquid funds **10%**

Newly Married
(30-35 years)



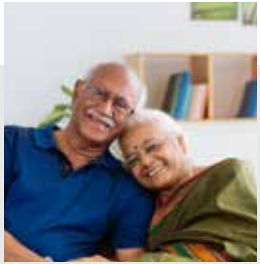
- Equity funds **75%**
- Bond funds **10%**
- Liquid funds **15%**

Happy Family
(35-45 years)

- Equity funds **65%**
- Bond funds **20%**
- Liquid funds **15%**

Prepared for tomorrow
45-55 years)

- Equity funds **50%**
- Bond funds **25%**
- Liquid funds **25%**



Ageing Gracefully
(55 years onwards)

- Equity funds **30%**
- Bond funds **40%**
- Liquid funds **30%**

*This is for illustration purposes only. Actual asset allocation will depend on the investor's risk profile.

Three bowls for **your goals**

Now that you have determined your asset allocation pattern based on your risk profile, it's time to begin planning your investments, right? Not so fast! It would be a good idea to list down your goals into three bowls short term, medium term and long term goals. It will help you make the right investment decisions.

Short-term (0-1 years)	**Medium-term** (1-3 years)	**Long-term** (4 years and more)
Bike	New Home	Retirement
Car	Child's Education	Second Home
Vacation	House Renovation	Child's Higher Education
Consumer Durables	Vacation Abroad	Child's Wedding
		25th Wedding Anniversary

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Now **plan your investments** according to your goals

Keep in mind that different investment options give you different rates of return. You should also be aware that investments for the short term have been designed to safeguard your capital, provide lower volatility and risk with stable returns. On the other hand, long-term investments are generally designed to give you higher returns albeit they carry a higher risk. Once you have planned your goals, plan your investments to match the time period of your goals so that you can ensure maximum growth potential from them. Here are just a few examples of investments that could work for you.

Short-term	Medium-term	Long-term
Debt Funds (Ultra short term and short term)	Hybrid Funds	Equity Funds (small/ mid/ large caps, sectoral and thematic funds)
Liquid Funds	Monthly Income Plans	Stocks
FDs	FDs	PPF
		NPS

Consult your financial advisor to begin investing and making the right investments to match your goals.

Know your risk profile

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Client Name: .... Date: ....

Contact No: .... Occupation: .... Age: ....

Take the test and discover the kind of investor you are. Simply tick the box that best describes how you would react in a given situation to get started.

Have you invested any money in the past? If yes, what has been your experience so far?

- ☐ prior investment experience
- ☐ b. I invest mainly in fixed deposits, post office savings
- ☐ c. Option b plus debt-based mutual funds, monthly income plans and traditional insurance plans
- ☐ d. Option b & c plus equity-based mutual funds and ULIPs
- ☐ e. Option b, c & d plus a mix of equity shares, real estate and derivatives

What percentage of your monthly income is generally available for investment?

- ☐ a. < 10%
- ☐ b. 11% - 20%
- ☐ c. 21% - 30%
- ☐ 31% - 40%
- ☐ e. > 41%

Which age group do you belong to?

- ☐ a. Over 61 yrs
- ☐ b. 51 to 60 yrs
- ☐ c. 41 to 50 yrs
- ☐ d. 31 to 40 yrs
- ☐ e. 18 to 30 yrs

If you have bought an equity share and its value fell by more than 25%, without any change in the fundamentals of the company. What will you do?

- ☐ a. Sell the entire holding
- ☐ b. Sell part of the holding to prevent large losses
- ☐ c. Maintain current holding and wait and watch further before deciding anything
- ☐ d. Increase holding as fundamentals are still good
- ☐ e. Buy very aggressively, to lower average buying cost

Which statement best describes your approach as an investor?

- ☐ a. I want my investment to be completely safe and I don't mind accepting very low returns for it
- ☐ b. I want to preserve my capital in the long term, but I don't mind taking small risks for little extra returns
- ☐ c. I want investment growth in the long run; I don't mind losing part of my principal in the short term
- ☐ d. I want very high returns, and I am willing to take some amount of risk
- ☐ e. I want my investments to grow substantially and it should earn the highest possible returns

Assessing your risk profile

Based on your answers overleaf, you can calculate your total score, determine your risk profile and match it with an appropriate asset allocation following the three easy steps.

A. Calculate your total score

Question	Answer Option				
	a	b	c	d	e
1	5	10	15	20	25
2	5	10	15	20	25
3	5	10	15	20	25
4	5	10	15	20	25
5	5	10	15	20	25

Your total score is ....

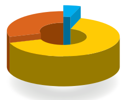
B. Match your score with your risk profile

Your Risk Profile	Min	Max
Very Conservative	01	35
Conservative	36	55
Moderate	56	75
Aggressive	76	100
Very Aggressive	101	125

Your risk profile is ....

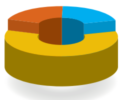
C. Match your risk profile with your suggested asset allocation

Very Conservative



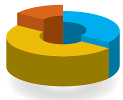
- 5% Equity
- 65% Debt
- 30% Cash

Conservative



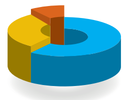
- 20% Equity
- 60% Debt
- 20% Cash

Moderate



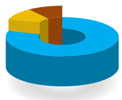
- 35% Equity
- 50% Debt
- 15% Cash

Aggressive



- 60% Equity
- 30% Debt
- 10% Cash

Very Aggressive



- 80% Equity
- 10% Debt
- 10% Cash

Now that we have covered the basics of investment planning according to your goals, take the first step and start investing. The longer you delay in investing, the greater your potential loss could be in the long term.

Finally, remember that your priorities and goals may change over time, so review your investments to keep them up to date with your goals.

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