

The Secret Key To Staying On Track

An early investment will gift you a hassle-free journey in the longer horizon

Rupal Dhonkariya and her husband Yatharth Singh Chauhan are a young couple. While Rupal is working as a manager, audit and assurance in one of the big four consulting firms, Yatharth is the managing editor for content management with a premier automobile portal. They both are in their late 20s. It has indeed been a pleasing experience

to note that millennials are undertaking their financial planning at an early stage of their lives and career.

Rupal and Yatharth both had got in touch with financial advisors around two years ago for chalking out a roadmap for attaining their financial goals, and in the process, the financial freedom. They had lots of doubts regarding the

importance of savings, proper financial planning at an early stage and how it could help them sail through their future short-term as well as long-term goals. Just like the list of questions, they had a list of financial aspirations that was also long enough. However, with no other financial commitment and plenty of time at disposal for crucial goals like retirement planning, all that they required was a prudent financial roadmap. The time in hand also allowed them to undo any of their earlier mistakes and simultaneously take the remedial action in their financial plans.

After a long discussion with the couple, various financial goals were quantified along with a revisit to the current investment strategy. I figured out that while they had been staying financially aware and making some investments since the last two to three years, they were not being guided well with a clear strategy. Further, there was also a need to guide them from the traditional investment products towards tax-efficient instruments, so that the returns could be further optimised. Rupal and Yatharth were planning for a new car in the next three years and further, aiming to



Dedicated SIPs were advised as a first step in financial discipline

Disclaimer

Financial Planning of Rupal Dhonkariya and husband Yatharth Singh Chauhan is based on the “personal opinion and experience” of Vidit Bhura and that it should not be considered professional financial investment advice. No one should make any investment decision without first consulting his or her own financial advisor and conducting his or her own research and due diligence.

With Rupal and Yatharth trying to sustain the momentum to fulfill their financial aspirations as desired, here are a few financial lessons one can learn from their financial journey:

- **Link mutual fund investments to financial goals**

This was also the starting point for Rupal and Yatharth. While they had been investing earlier, their savings lacked discipline, with the primary agenda behind such investments being tax savings. However, once they linked their plans and investments to their goals, the entire investing strategy found its purpose. Further, with the emotional connections the couple had towards their financial goals, they found an internal motivation to continue investing in their journeys and achieve the goals.

- **Select schemes as per the financial goals**

Different mutual fund schemes tend to carry different risk-reward trade-offs for the investors. Equity schemes may be volatile over the short term but tend to create wealth over the long term. Similarly, debt schemes may generate reasonable returns but tend to be relatively stable. The investors can align their investments as per their risk appetite and financial goals by maintaining a suitable mix of mutual fund schemes. For example, for long-term goals, one can stay invested in equity schemes, for such schemes have historically created wealth for the investors over the long term. Similarly, for emergency fund corpus, which must stay liquid at all times, one can choose to invest in liquid funds and overnight funds.

- **Instead of watching your portfolio monthly, make an annual portfolio review with your advisor**

A financially aware investor tends to make one common mistake of watching the portfolio movements quite frequently. Even when staying financially aware and updated is good, staying influenced with short-term movements can push one to make emotional decisions. However, just like it is advisable to ignore short-term movements in the portfolio, it is equally important to review the portfolio on a periodic basis, preferably once every year with your financial advisor. Such a review can help the investors gauge the portfolio performance, enabling them to achieve their financial goals in a time-bound manner.

- **It is vital to trust your financial advisor**

Markets can test the patience of the investors with short term volatile movements. Often the investors can get impatient with their mutual fund investments and think of redeeming such investments. This is when the financial advisors can help the investors reinforce their confidence in the markets by guiding them about the market outlook and aligning their investment portfolio suitably. As such, it is profoundly crucial to trust your financial advisor to stay invested in the markets and have a pleasant investing journey.

pursue higher education after five years. Their long-term goals included investing in a house for themselves, as well as planning prudently for their retirement corpus.

The couple also deserved some special appreciation, for they were making a distinction between the necessities and luxuries of life and planning for vacations, out of the annual bonuses. As such, their monthly take-home salary of ₹1 lakh each could be channelised towards savings and investments after making regular expenses. With such cashflows, the financial goals planned by the couple looked practical and achievable. In the course of the discussion, the importance of asset allocation was also explained to Rupal and Yatharth and how they can achieve their short-term and long-term goals with a proper mix of equity and debt instruments. As a first step towards bringing financial discipline into their lives, dedicated SIPs were advised to be registered for different goals.

Further, given the career aspirations to pursue higher education in five years, a need was felt for them not only to start saving towards the goal but also to create a corpus to tide through the days of lower family income during the study period. They were also advised to have adequate life and health insurance covers to mitigate the risk of any future uncertainties.

Starting early in the investment journey helped Rupal and Yatharth plan for their financial goals in a better manner. You must also take your first step right away as it is never too late to start your journey. Happy Investing! 



Vidit Bhura
Partner,
JNV Advisors LLP