

Using Mutual Funds to Invest for Goals

Wealth managers believe investors should invest in mutual funds for the long term and use them as a tool judiciously to meet their long-term goals



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HOW ARE LIFE GOALS DEFINED?

Every individual has some life goals. Assuming the person's age is 35, such goals can be a foreign vacation one year down the line, funding children's higher education, buying a house within the next decade or simply planning for retirement which is 25 years away. So, goals which are less than three years away can be termed short-term goals, while those that have a horizon of five years or more are considered long-term goals.

HOW SHOULD FINANCES BE MAPPED TO A GOAL?

The first step is identifying goals for which one needs to start investing. Once that is done, work towards finding the cost of the goal today. To that value, add a reasonable amount of inflation, which will give an idea of the cost in the year you wish to accomplish it. Once this is done, identify an asset class or a mix of asset classes needed to reach the goal. This process can be done individually or with the help of a financial advisor. Now, work backwards and calculate the amount you could save through a systematic investment plan (SIP), lumpsum or a combination of both to reach the goal.



Invesco Mutual Fund

An investor education and awareness initiative

For Know Your Customer (KYC) guidelines along with the documentary requirements and procedure for change of address, phone number, bank details, etc., please visit the Education and Guidance section on www.invescomutualfund.com. Investor should deal with only SEBI registered Mutual Funds, details of which can be verified under "Intermediaries/Market Infrastructure Institutions" on <https://www.sebi.gov.in/index.html>. For any grievance / complaint, please call us on 1800-209-0007 or write to us at mfservices@invesco.com. Alternatively, complaints can be registered on the SEBI SCORES Portal at <https://scores.gov.in>

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

HOW CAN MFs HELP MEET THESE GOALS?

Mutual funds have schemes across asset classes and across time frames in which one can invest to reach goals. For example, if you plan for a foreign holiday two years from now which will cost you ₹5 lakh, you could use a combination of debt funds and equity savings funds to reach that goal. Since it is a near-term goal and the time is less than three years, investment advisors would suggest a very small equity allocation

in an equity savings fund. Once you work out the math, you can decide whether to make a one-time investment or stagger your money. Similarly, for retirement which is 20 years away, you could use a combination of equity mutual fund schemes. For your child aged 5 who needs money for higher education upon turning 18, a monthly SIP of ₹10,000 for 12 years in an equity fund at a 12% return could accumulate ₹32.2 lakh.

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