ASK MINT MONEY

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Make sure to save regularly and cut costs as much as you can

I am a 35-year-old single mother. I have a 10-year-old daughter and a 5-year-old son. My annual income is ₹6.5 lakh. I have both life and health insurance policies. I have three fixed deposits of ₹2 lakh each. My goals are my children's education and marriage, and my retirement. Considering inflation, how should I invest to meet my goals?

—Soma Das

The most important aspect of your financial plan should be adequate insurance, both life and health. While you have both of them, make sure they are enough to provide for any contingency. As a general principle you should have 5-6 times of your annual income as life cover, around ₹40 lakh. This should be in the form of pure term insurance. Also, your health insurance should cover all three of you and you can consider a good floater policy for the same. With portability available, transfer the policy to another insurer if your existing insurer does not offer adequate cover.

Financial planning

After insurance comes planning and saving for your children. Firstly, plan your expenses and make sure you have enough savings. Maintain the same regularly and cut costs as much as you can. This monthly savings needs to be invested systematically. You can have three baskets of investments—education, marriage and retirement—in which a part of the savings can be invested every month.

You need to create a combination of asset classes including equity, debt and gold. Make sure to have a longer investment horizon and if liquidity is not a concern, consider having more in equity. This will be true for marriage and retirement baskets. You can consider long-term debt such as Public Provident Fund, and equity mutual funds where you can choose between large-cap and diversified funds. ICICI Prudential Focused Blue Chip and HDFC Top 200 in the large-cap stable, and Fidelity Equity and HDFC Equity in the diversified category are good examples. For children's education, you can consider a combination of deposits, hybrid funds and monthly income plans. You already have bank deposits which also act as contingency fund. In the hybrid space, HDFC Balanced and HDFC Prudence are good options.

You can also have gold in the overall kitty but it should not exceed 10% of the total portfolio. Last but most important, make sure you save regularly and as much as you can.

Queries and views at mintmoney@livemint.com