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If you're in lowest tax slab, you can consider RD

If you fall in the higher tax slab, you can consider investing in short-term debt funds

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I am 22 years old and I invest a tenth of my savings in stocks. I want to know where can I invest the rest of my savings. Is recurring deposit (RD) a good option or should I consider something else? Fixed deposit (FD) is not an option as I will need the money in another two years. As I won't be working after two years, long-term monthly investment is also not an option.

—Ramachandra

It is heartening to see that you have started to save at such an early stage in life. And even better that you have limited your direct equity exposure to 10% of your savings. The balance 90% can indeed be invested in an RD. RDs are like FDs wherein you deposit a fixed amount every month for a predetermined period. The difference between the two is that in FDs you have to invest a lump sum amount whereas in an RD it can be done on a monthly basis. You can start with an 11 months deposit and again renew for the same period subject to your need of funds in two years. Also, RDs are recommended for investors who have a low marginal rate of tax. You need to check what is your tax rate and based on the same you need to plan your investments. If you fall in the higher tax slab, you can consider investing in short-term debt funds.

I am 33 years old. I earn around `10,000–15,000 per month. At the moment I have zero savings. Could you help me come up with a financial plan?

—Amit Sen

It is indeed good that you want to start saving. And at present with no corpus you should be pushing yourself to ensure you save to the best of your ability. At the start of any financial plan, the first thing to be taken care of is the assurance that the financial plan will live its life, i.e., insurance. Hence you need to be adequately insured for both your life as well as health. Life insurance will depend on whether you have dependants. So, if you do have dependants you need to have a sum assured that is six-eight times of your annual income. This should be visited once in every three years or even earlier based on your change in income levels and financial needs. You should also purchase health insurance for yourself as well as your dependants.

Once you are adequately protected you need to start saving. You need to be consistent and regular. It has been noticed many times, that when the amount of saving becomes small, it either stops or becomes inconsistent. This is the last thing you should do. You should plan to save on a monthly basis and make it a habit. You can start your savings by opening a RD with your bank. After you have created an investment base, let us say after a year, you should also open a Public Provident Fund (PPF) account. But do keep in mind that PPF is a long term product and carries a lock-in period of 15 years.

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