



ASK MINT MONEY

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Increase savings every year as you get a hike in salary

I am 23 years old and earn ₹25,000 per month. I invest ₹2,000 each in HDFC Tax Saver, HDFC Top 200, HDFC Premier Multicap, DSP BlackRock, ICICI Prudential Discovery and IDFC Premier Equity through systematic investment plans (SIPs). I also have a Public Provident Fund account. I don't have any health insurance. I want to purchase a flat in a few years' time.

—*Rekha Rajendran*

You have not mentioned the fund within DSP BlackRock. But overall your fund selection appears more on the mid-cap side with three funds out of six belonging to the mid-cap category. At your age, you can do that provided you have a long-term horizon and risk appetite. Otherwise consider adding diversified funds such as Fidelity Equity and HDFC Equity.

You should also take a health cover. Start with a small cover of ₹1.50-2 lakh.

As far as a house is concerned, you cannot put all your assets in one basket. Hence, first build a corpus to pay 10-20% as

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downpayment and take the balance as loan. Plan to buy a life insurance cover once you have dependants.

I am 23 years old and my annual income is ₹4 lakh. I want to build a corpus of ₹25 lakh in the next seven years. Out of which, I want to use ₹15 lakh for my wedding and keep the remaining as an emergency fund. At present, I have two SIPs—HDFC Top 200 (₹5,000) and Reliance Gold Equity Fund (₹5,000). I am not satisfied with my investments. Please suggest.

—*Sonia Nair*

It is good you have started saving early. Savings can help you achieve your desired goals provided the same is done regularly and consistently. However, the same requires patience and adequate planning.

You need to plan how much monthly saving is to be done for achieving the desired goals. A monthly saving of ₹10,000 done

for seven years will help you accumulate ₹11.38 lakh. The average return assumed is 10%. Now this is way too short of what you need. So you need to increase your savings. Also, you need to increase your savings every year as your salary increases. Assuming a savings growth rate of 7%, you need to increase your savings by 7% every year and save 54% of your salary, which is ₹18,000 per month to achieve the target of ₹25 lakh.

Your fund selection is good. However, you have high exposure in gold, around 50%. You can reduce the same and bring it down to ₹2,000. Additionally, you can start investment in dynamic funds which increase or decrease the exposure to equity, based on the price-earnings multiple of the market. FT India Dynamic PE Ratio FoF is a good option. You can also consider hybrid funds such as HDFC Balanced, HDFC Prudence and Birla Sun Life 95.

*Queries and views at
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