Planning your **goals**?

An investor's guide to goal planning
Goals are just planned expenses at different points in our lives. From a new bike or a car to a new home, even a vacation or your child’s wedding! We all have different goals at every stage. Here’s where planning your investments to meet each specific goal comes in.
Let’s start with assessing your risk profile

A risk profile is an evaluation of an individual's willingness and ability to take risks. It can also refer to the threats to which an organization is exposed. A risk profile is important for determining a proper investment asset allocation for a portfolio.

Your financial advisor can help you take a short and simple risk assessment to help you determine which category you fall under. Based on this, he/she can determine what proportion of your portfolio should be invested in which asset class.
Conservative
Investor's top priority is safety of capital and he/she is willing to accept minimal risks and hence, receive minimum or low returns.

Moderately Conservative
Investor is willing to accept small level of risk in exchange for some potential returns over the medium to long term.

Moderate
Investor can tolerate moderate level of risk in exchange for relatively higher potential returns over the medium to long term.

Moderately Aggressive
Investor is keen to accept high risk in order to maximize potential returns over the medium to long term

Aggressive
Investor is willing to accept significant risks to maximize potential returns over the long term and is aware that he/she may lose a significant part of capital.
Allocate, allocate, allocate

Asset Allocation is the process of determining what asset classes and what proportion of those asset classes should your portfolio hold. Few asset classes are: equities, debt, commodities, savings accounts, insurance etc. While making the financial plan, you must determine your asset allocation by first assessing your risk appetite; second, laying down your goals and third, deciding your investment horizon i.e. time period for investment.

At each stage in life, your portfolio allocation would be different based on your goals and risk-taking ability. For example, at a younger age, you can afford to take more risks, hence your allocation in riskier investments like stocks and equity mutual funds could be higher. At retirement, you need a regular income and therefore you need more stability in your portfolio to make up for it. In this case, government bonds, fixed deposits and debt mutual funds would be ideal, with a little equity added for that extra boost to your earnings.
Here’s a broad roadmap of five life stages that could help you determine the required asset allocation for your portfolio.

**Young and Care-free**
(20-30 years)
- Equity funds: 80%
- Bond funds: 10%
- Liquid funds: 10%

**Newly Married**
(30-35 years)
- Equity funds: 75%
- Bond funds: 10%
- Liquid funds: 15%

**Happy Family**
(35-45 years)
- Equity funds: 65%
- Bond funds: 20%
- Liquid funds: 15%

**Prepared for tomorrow**
(45-55 years)
- Equity funds: 50%
- Bond funds: 25%
- Liquid funds: 25%

**Ageing Gracefully**
(55 years onwards)
- Equity funds: 30%
- Bond funds: 40%
- Liquid funds: 30%

*This is for illustration purposes only. Actual asset allocation will depend on the investor’s risk profile.*
Now that you have determined your asset allocation pattern based on your risk profile, it’s time to begin planning your investments, right? Not so fast! It would be a good idea to list down your goals into three bowls short term, medium term and long term goals. It will help you make the right investment decisions.

<table>
<thead>
<tr>
<th>Short-term (0-1 years)</th>
<th>Medium-term (1-3 years)</th>
<th>Long-term (4 years and more)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bike</td>
<td>New Home</td>
<td>Retirement</td>
</tr>
<tr>
<td>Car</td>
<td>Child’s Education</td>
<td>Second Home</td>
</tr>
<tr>
<td>Vacation</td>
<td>House Renovation</td>
<td>Child's Higher Education</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>Vacation Abroad</td>
<td>Child’s Wedding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>25th Wedding Anniversary</td>
</tr>
</tbody>
</table>
Now **plan your investments** according to your goals

Keep in mind that different investment options give you different rates of return. You should also be aware that investments for the short term have been designed to safeguard your capital, provide lower volatility and risk with stable returns. On the other hand, long-term investments are generally designed to give you higher returns albeit they carry a higher risk. Once you have planned your goals, plan your investments to match the time period of your goals so that you can ensure maximum growth potential from them. Here are just a few examples of investments that could work for you.

<table>
<thead>
<tr>
<th>Short-term</th>
<th>Medium-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Funds (Ultra short term and short term)</td>
<td>Hybrid Funds</td>
<td>Equity Funds (small/ mid/ large caps, sectoral and thematic funds)</td>
</tr>
<tr>
<td>Liquid Funds</td>
<td>Monthly Income Plans</td>
<td>Stocks</td>
</tr>
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<td>FDs</td>
<td>FDs</td>
<td>PPF</td>
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<td>NPS</td>
</tr>
</tbody>
</table>

Consult your financial advisor to begin investing and making the right investments to match your goals.
Know your risk profile

Have you invested any money in the past? If yes, what has been your experience so far?
- a. I have just started investing and do not have any prior investment experience
- b. I invest mainly in fixed deposits, post office savings
- c. Option b plus debt-based mutual funds, monthly income plans and traditional insurance plans
- d. Option b & c plus equity-based mutual funds and ULIPs
- e. Option b, c & d plus a mix of equity shares, real estate and derivatives

What percentage of your monthly income is generally available for investment?
- a. < 10%
- b. 11% - 20%
- c. 21% - 30%
- d. 31% - 40%
- e. > 41%

Which age group do you belong to?
- a. Over 61 yrs
- b. 51 to 60 yrs
- c. 41 to 50 yrs
- d. 31 to 40 yrs
- e. 18 to 30 yrs

If you have bought an equity share and its value fell by more than 25%, without any change in the fundamentals of the company. What will you do?
- a. Sell the entire holding
- b. Sell part of the holding to prevent large losses
- c. Maintain current holding and wait and watch further before deciding anything
- d. Increase holding as fundamentals are still good
- e. Buy very aggressively, to lower average buying cost

Which statement best describes your approach as an investor?
- a. I want my investment to be completely safe and I don’t mind accepting very low returns for it
- b. I want to preserve my capital in the long term, but I don’t mind taking small risks for little extra returns
- c. I want investment growth in the long run; I don’t mind losing part of my principal in the short term
- d. I want very high returns, and I am willing to take some amount of risk
- e. I want my investments to grow substantially and it should earn the highest possible returns
Assessing your risk profile

Based on your answers overleaf, you can calculate your total score, determine your risk profile and match it with an appropriate asset allocation following the three easy steps.

A. Calculate your total score

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer Option</th>
<th>a</th>
<th>b</th>
<th>c</th>
<th>d</th>
<th>e</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>5</td>
<td>10</td>
<td>15</td>
<td>20</td>
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</tr>
</tbody>
</table>

Your total score is

B. Match your score with your risk profile

<table>
<thead>
<tr>
<th>Your Risk Profile</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Conservative</td>
<td>01</td>
<td>35</td>
</tr>
<tr>
<td>Conservative</td>
<td>36</td>
<td>55</td>
</tr>
<tr>
<td>Moderate</td>
<td>56</td>
<td>75</td>
</tr>
<tr>
<td>Aggressive</td>
<td>76</td>
<td>100</td>
</tr>
<tr>
<td>Very Aggressive</td>
<td>101</td>
<td>125</td>
</tr>
</tbody>
</table>

Your risk profile is

C. Match your risk profile with your suggested asset allocation

- **Very Conservative**
  - 5% Equity
  - 65% Debt
  - 30% Cash

- **Conservative**
  - 20% Equity
  - 60% Debt
  - 20% Cash

- **Moderate**
  - 35% Equity
  - 50% Debt
  - 15% Cash

- **Aggressive**
  - 60% Equity
  - 30% Debt
  - 10% Cash

- **Very Aggressive**
  - 80% Equity
  - 10% Debt
  - 10% Cash

Risk Profiler is a tool intended for general use and educational purpose only. This tool may help you in planning your future financial requirements but the tool should not be construed as providing any kind of investment advice or as a substitute for any kind of financial planning. The results of the calculations generated by the tool may not be accurate. The tool intends to provide you only guidance and you should not act upon or rely on the tool while making decisions pertaining to your investment and/or financial planning. The asset allocation models used by the tool are designed based on the general market practice and they do not indicate or suggest any specific asset allocation for you. The projections or any other information generated by the tool do not reflect the actual outcome of any investment made and are also not guarantee of any future outcome. The tool is not intended to project or predict the present or future value of actual investments or actual holdings in your portfolio or actual lifetime income. The various taxes, fees, expenses and/or any charges could reduce the returns you may get on your actual investments and these are not considered in the results generated by the tool. The results generated by the tool are based on the data provided/assumptions made by you based on your personal circumstances and needs and L&T Investment Management Limited, the asset management company of L&T Mutual Fund or any of its associates or affiliates (collectively referred to as “L&T Mutual Fund”) neither endorses nor subscribes to the same. You are advised to consult your financial and/or tax advisor before taking any decision based on the results generated by the tool. L&T Mutual Fund will not accept any liability whatsoever nor will it accept any responsibility for any financial or non-financial consequences arising from the use of the tool by any person/entity.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.
Now that we have covered the basics of investment planning according to your goals, take the first step and start investing. The longer you delay in investing, the greater your potential loss could be in the long term.

Finally, remember that your priorities and goals may change over time, so review your investments to keep them up to date with your goals.
Have you planned for your child's education yet?

To use our calculator visit
www.ltfs.com/educationcalculator

An investor education initiative.

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