

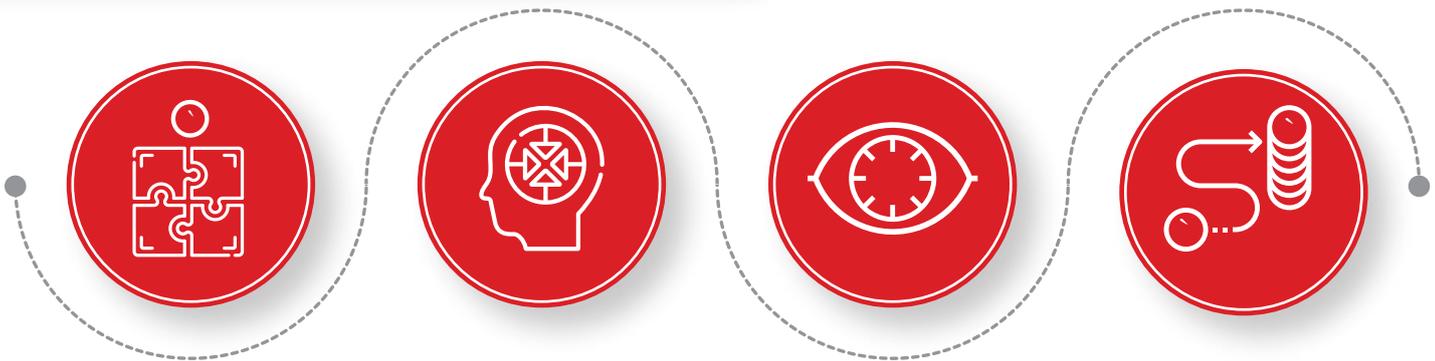
Mutual Fund

Goal-based investing: A prudent strategy for mutual fund investors



Investments that are started with a goal in mind are likely to be more effective than aimless or impulsive investments. Goal-based investing offers a pathway to develop a sound investment strategy to achieve one's life stage goals.

Importance of Goal-based investing



Instils investment discipline

Being committed to your goals will not only help you save and invest regularly but also help improve personal finance management skills.

Gives a sense of purpose

When you have a clear idea about your goals, you will know how much to invest and for how long. It will also help you avoid making an impulsive decision in volatile market conditions.

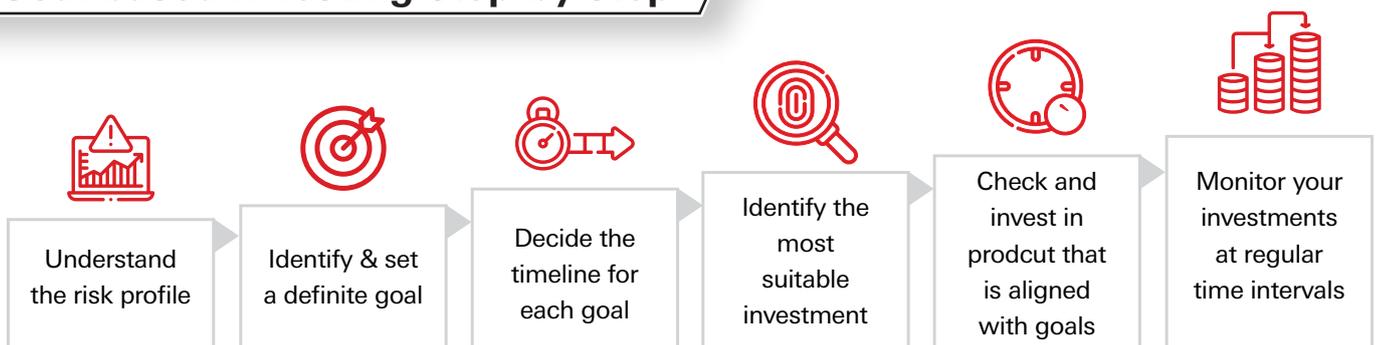
Provides a clear vision

As you realise the importance of your goals and how much they mean to you, you stay committed towards investment until you achieve that goal.

Makes investment easier

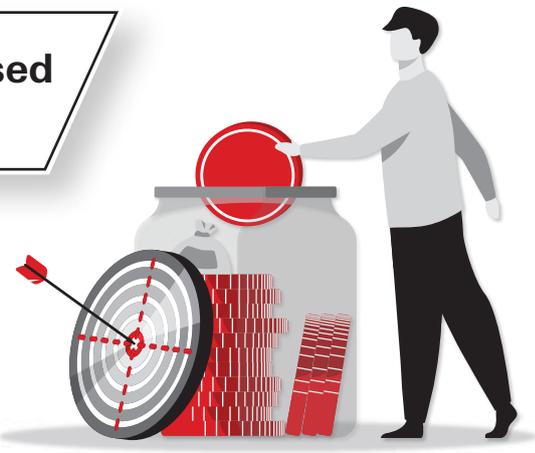
When the objective and timeline of investment is decided, it is easier to shortlist the suitable mutual fund or investment vehicle from multiple options.

Goal-based investing step-by-step



Here's an example of how having a goal-based investing approach ultimately pays off.

Mr. A is a disciplined investor practicing goal-based investment strategy for each of his financial goals. He has a fair appetite to take the market risk for his long-term goals. To build a retirement corpus of **Rs. 1 crore at the age of 50**, he started a **monthly SIP of Rs. 15,000 at the age of 30** in Equity (S&P BSE Sensex).



Goal diary (1 October 2000) **Set a goal**

Risk profile : Moderately High | Goal name: Retirement corpus | Goal timeline: 20 years | Suitable Investment option: Equity (S&P BSE Sensex) | Monthly Systematic Investment Plan of Rs. 15,000

Goal diary (1 April 2003) **Keep Investing**

Goal name	Retirement corpus
Timeline remaining	17 years
Total investment towards goal (as on Apr 2003)	Rs. 4.65 Lakh
Investment value of the goal (as on Apr 2003)	Rs. 4.07 Lakh



Source: BSE | Monthly SIP of Rs.15,000 in S&P BSE Sensex from 1 October 2000 to 1 March 2003 | XIRR (Extended Internal rate of return) calculated as on 1 April 2003. For illustration purpose only. Past performance may or may not sustain, it does not guarantee the future performance.

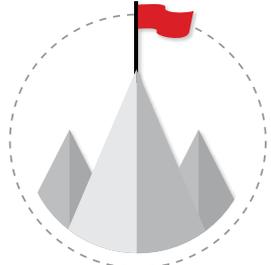


Goal diary (1 June 2010) **Stay focused**

He regularly monitored his investments. When his house needed urgent repairs and renovation, he used the surplus from his 'emergency fund' and kept the investment in 'retirement fund' intact.

Goal diary (30 September 2020) **Goal achieved**

Monthly SIP	Rs. 15,000
Tenure	20 years
XIRR	12.05%
Total investment	Rs. 36,00,000
Investment value	Rs. 1,37,69,638



Source: BSE | Monthly SIP of Rs.15,000 in S&P BSE Sensex from 1 October 2000 to 1 September 2020 | XIRR (Extended Internal rate of return) calculated as on 30 September 2020. For illustration purpose only. Past performance may or may not sustain, it does not guarantee the future performance.

After 20 years of goal-based investment planning, Mr. A was not only able to build adequate retirement corpus but accumulate **Rs.37.69 lakh** more than his goal amount. Meaning, his disciplined and focused approach ultimately paid off!

To realise your dreams within the stipulated time frame, start practising Goal-based investing today!



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