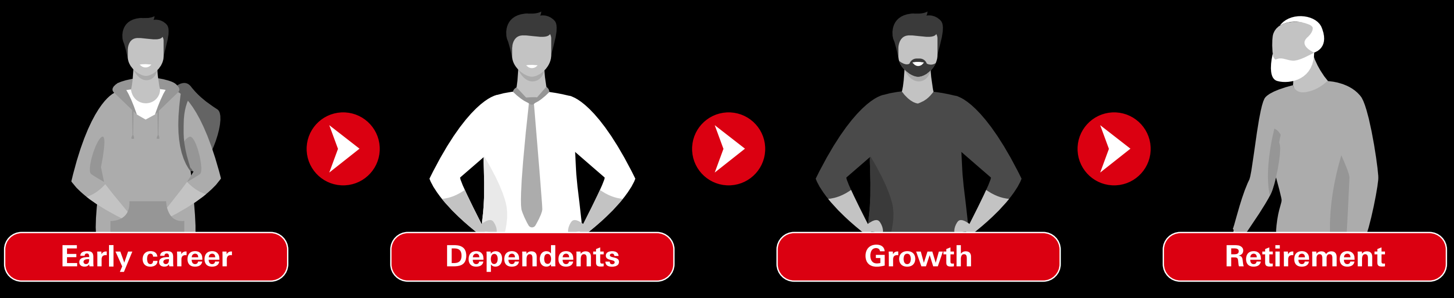
HSBC

## Mutual Fund

# The Blueprint For LIFE STAGE BASED INVESTING

There is no one-shoe-fits-all when it comes to investment planning. Your disposable income, lifestyle, goals and investment avenues change depending on the life stage you are in.

**Typically, most of us go through four basic life stages. Each life stage needs a different investment approach and strategy.**




### Life Stage 1: Early career

At this stage, you have probably just started earning and there is minimal or no financial dependency on you. Student's loan and lifestyle expenses are two of the most common expenses at this stage. It is prudent to track spending habits and build an emergency fund (set aside expenses of 3-6 months) at this point of time.

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|---|---|
| Age | Early 20s |
| Savings target | Up to 60%-70% of the total income |
| Prudent financial step | Budgeting, saving, investing |
| Financial Goals | Wedding, vacation, emergency fund, retirement |
| Ideal investment options | Equity Funds |

### Life Stage 2: Dependents

At this stage, you might have dependent family members. Financial liabilities like house loan, car loan, purchasing insurance and safeguarding loved one's future are priorities at this stage and thus making prudent investment choices becomes imperative.

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| Age | Late 20s- late 30s |
| Savings target | At least 40%-50% of total income |
| Prudent financial step | Goal-based investing , buying insurance |
| Financial Goals | Property purchase, family vacation, family goals, retirement |
| Ideal investment options | Equity Funds, Hybrid Funds |

### Life Stage 3: Growth

Here, your income as well as financial obligations are at its peak. You are likely to meet most of your goals and nearing the second innings of life i.e. retirement. This is the time to review and balance debt allocation in the portfolio.

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|---|---|
| Age | Late 30s –40s |
| Savings target | 40%-50% of total income |
| Prudent financial step | Continuing investment, Reviewing and rebalancing asset allocation |
| Financial Goals | Retirement |
| Ideal investment options | Hybrid Funds, Debt Funds, Equity Funds |

### Life Stage 4: Retirement

At this stage, you are self-dependent and should focus on sustaining your post retirement standard of living. Your risk-profile also changes from medium to low and hence a one should shift from equities to relatively safer instruments at this life stage.

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|---|---|
| Age | 50s |
| Savings target | 20% of total income |
| Prudent financial step | Generating income from existing investments |
| Financial Goals | Retirement, pursuing hobbies |
| Ideal investment options | Hybrid Funds, Debt Funds |

## Common Rules for all Life Stage Goals

- Use the 100 minus your age rule to decide your equity-debt allocation. If you are 30 years old, avoid investing more than 70% in equities.
- The 50-30-20 rule can be used to optimally manage your cashflows. So, if your total in hand income is Rs 1 Lakh, you can spend Rs 50,000 on basic necessities; Rs 30,000 on lifestyle expenses and the balance Rs 20,000 should be earmarked for your financial goals.
- Don't overburden yourself with EMIs and follow the 40% EMI rule. If you earn Rs 1 Lakh, then your EMIs shouldn't exceed Rs 40,000.
- Consider the 6X Emergency rule especially if you are in the dependent & growth stage. If your monthly expenditure is Rs 50,000, then you must set aside Rs 3 lakhs for emergencies.
- Get a head start on your retirement planning with the 25X annual expenses rule. If your annual expenditure is Rs 6 Lakhs, then you need to have a minimum retirement corpus of Rs 1.5 Crores.

**You can achieve all your financial goals if you follow specific investment strategies tailor-made for different life stages. So, give wings to your dreams with the perfect life stage investment strategies.**