



Planning your **goals?**

An investor's guide to goal planning



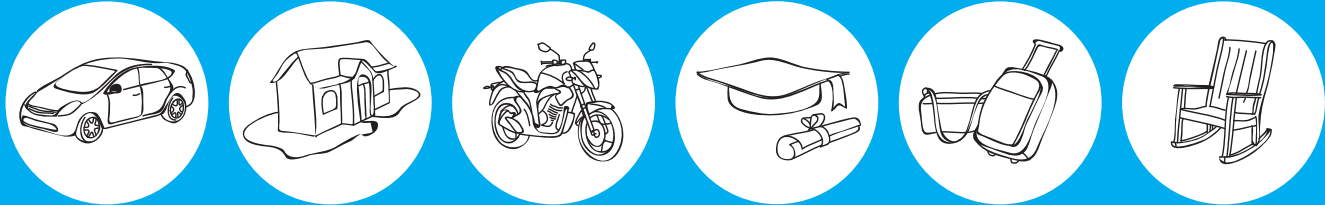
L&T Financial Services
Mutual Fund



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.

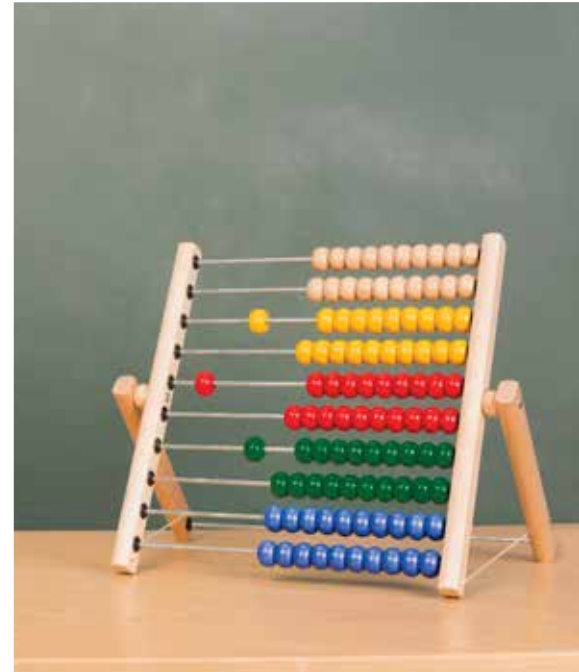


Goals are just planned expenses at different points in our lives. From a new bike or a car to a new home, even a vacation or your child's wedding! We all have different goals at every stage. Here's where planning your investments to meet each specific goal comes in.

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.



Typical Risk Profiles

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.



Three bowls for **your** goals

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.

Short-term (0-1 years)	Medium-term (1-3 years)	Long-term (4 years and more)
 Bike	 New Home	 Retirement
 Car	 Child's Education	 Second Home
 Vacation	 House Renovation	 Child's Higher Education
 Consumer Durables	 Vacation Abroad	 Child's Wedding
		 25th Wedding Anniversary

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)



Newly Married
(30-35 years)



Happy Family
(35-45 years)



Prepared for tomorrow
45-55 years)



Ageing Gracefully
(55 years onwards)

Suggested asset allocation*



Equity funds **80%**
Bond funds **10%**
Liquid funds **10%**



Equity funds **75%**
Bond funds **10%**
Liquid funds **15%**



Equity funds **65%**
Bond funds **20%**
Liquid funds **15%**



Equity funds **50%**
Bond funds **25%**
Liquid funds **25%**



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.

Know your risk profile

Client Name: Date:

Contact No: Occupation: Age:

Take the test and discover the kind of investor you are. Simply tick the box that best describes how you would react in a given situation to get started.

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



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 such that it may safeguard your capital, provide lower volatility and risk with reasonable 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.



Short-term	Medium-term	Long-term
Debt Funds (Ultra short term and short term)	Hybrid Funds	Equity Funds (small/ mid/ large caps, sectoral and thematic funds)
Liquid Funds	Monthly Income Plans	Stocks
FDs	FDs	PPF
		NPS

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

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.

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

Question	Answer Option				
	a	b	c	d	e
1	5	10	15	20	25
2	5	10	15	20	25
3	5	10	15	20	25
4	5	10	15	20	25
5	5	10	15	20	25

Your total
score is

B. Match your score with your risk profile

Your Risk Profile	Min	Max
Very Conservative	01	35
Conservative	36	55
Moderate	56	75
Aggressive	76	100
Very Aggressive	101	125

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.

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