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Financial Planning – Investing For A Secured Future

In today's world, financial security for individuals of any age is an absolute must. It is likely that at different points in your life you would have sole or partial responsibility to make financial decisions that have the potential to impact your future standard of living later in life. So whether you are single, married or divorced or run a business, a job or have kids, it is important to invest for a secure future. The first step to financial planning would be to identify your goals, where you are now, what you want to achieve and how much each of your goals would cost or need. Setting time frames is essential since the sooner you need money the higher would be the need for safety of capital and liquidity. If in your twenties, short term goals could include a wedding, a car etc whereas in the medium term your goals could be buying a home and financing your children's education, marriage etc. A long term goal could be retirement.

Educating oneself on the key financial concepts and the types of investment options is always beneficial as each type of investment works in a different way. For example, equities offer potential for both growth and income, while bonds would provide stability and income and insurance would provide a life cover. Nevertheless, one can take the help of a financial advisor to understand these and chalk out a suitable investment plan. At any stage, an asset allocation approach is the ideal way to investing as a well constructed and diversified portfolio reduces risks and smoothens returns. For instance, bond funds and cash funds tend to fare better during periods of high market volatility, while growth investments like property, equities and equity mutual funds provide attractive returns when economic conditions are expected to be more favourable. The value of bonds and stocks can often move in opposite directions, but taken together, a portfolio that invests in a range of quality assets should deliver attractive returns with lower risk.

Single individuals in their twenties have the ability to take on higher risk and can allocate a big portion into equity and equity related investments. Moreover, the younger you are when you start, the less you will need to invest given the power of compounding and the length of time until retirement. Systematic monthly investments could help in building up a sizeable corpus over the years. Do not forget to boost your contributions in small, steady increments and time the step-ups to your annual increments and bonus. Also include tax saving strategies in your overall financial plan.

Beginners may find financial planning intimidating and complex. However, investing is not that difficult and can be started with small amounts on a regular basis. Mutual funds offer a wide choice of investments and initial investment amount is very low. Children's education and marriage expenses should also be taken into account. For those who are closer to retirement, invest into less risky and safer investment options such as liquid and debt mutual funds for a steady flow of income at the later stages of lives.

Successful financial planning not only entails investing regularly but also analysing investments every few years as goals could need to be re-prioritised with changing lifestyles and age. Instead of looking at the end goal, take stock of how far you have come and what changes you need to make to your portfolio. If invested in equities and equity related mutual funds do bear in mind that you should not be impacted by short term fluctuations. Remember systematic investing would not only make you financially secure but also prepare you for important or unforeseen events in life.

"START WITH A PRAYER, END WITH HOPE"

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