

Publication: CNBC TV18	Page No: NA
Edition: National	Date: 02-07-2022



How to plan wisely for your child's future

The birth of a child is always the fondest memory in a parent's life. However, these moments of joy come with a bigger responsibility — to secure the future of the child. Apart from planning for the day-to-day expenses of the child, one also needs to start planning for his/her education/higher studies/wedding and more.

With families going nuclear day-by-day and education becoming expensive, one must start planning early and take necessary actions to ensure that their child has a secure, stable, financial future.

In many cases, parents tend to use their savings or overspend to meet the financial needs, thereby putting their finances at risk. However, with a focused and driven financial planning, one can comfortably meet all these expenses without any compromises. A few important aspects of well thought through planning include:

- Beginning saving at an early stage
- Investing wisely and efficiently with understanding
- Saving tax and creating wealth steadily
- Saving enough to meet the child's future goals

It's easy to start putting your financial plan in place. Here is a step-by-step approach to how you can start planning for your child's future:

1. Define your goals

Investment without a plan will never yield the desired results. Always ask yourself a question: "What am I saving for?" It is also imperative to have specific goals. For example, if you want to save for your child's higher education, ask yourself:

- What investment tenure should I go for? I should be open to invest for at least 15-20 years to fund my child's higher education degree, for example, an MBA or MD.
- What is the amount am I looking at towards the end of the investment tenure? Is Rs 50 lakh or Rs 1 crore sufficient based on the expected inflation in education costs, or should I plan for more?

2. Evaluate Your Risk Appetite

Like one plan doesn't fit all, similarly, not all parents have the same risk appetite. As a parent, you must examine your own investment risk appetite and go in for avenues accordingly. Also examine your monthly income and expenses and calculate the amount you can set aside every month for your child's future.

When evaluating your income and expense statement, you must ensure to cut out unnecessary expenditure and see if that amount can later be diverted to your savings or investments.

If your risk appetite is low, you can start by investing small amounts every month or over a period of time in lower risk products or funds to ensure that your overall financial health isn't adversely affected due to market fluctuations.

3. Shortlist Investment Avenues

Once you are done with the above steps, the next and most important step is to begin investing in avenues of your choice which suit your goals and risk appetite.

You may take the help of a financial adviser, or you may also begin investing on your own by referring to credible sources available. Some instruments offer multiple benefits such as healthy returns, income generation and tax exemption. You may even consider these to meet your goals:

• Unit Linked Insurance Plans (ULIPs)

ULIPs are diversified investment options with the safety of life insurance. They invest in a healthy mix of equity and debt funds and use strategies to change your asset portfolio as per the market health and performance. Some plans also continue benefit your child even in the event of your untimely demise. You will also be allowed to withdraw a partial amount after 5 years of continuous investment and will also be able to claim tax benefits.

• Guaranteed Savings Plans

These plans offer guaranteed benefits upon maturity or even in the case of your death. It is one of the perfect instruments to achieve your long-term investment goals by offering the security of an insurance cover and offering a guaranteed return on your savings. Along with this, they also offer tax benefits.

4. Track and Monitor

Even though you may have followed all the above steps diligently, it is fundamental financial discipline to continue to track and monitor your investments so as to align them with the current market situation. Many individuals tend to forget the amount they have invested and only remember to have a look at the time of tax computation.

Create a schedule during the month which you can use to examine your investments and check the performance. At times, you may be required to course correct to ensure the security of your investment.

Long-term financial planning ensures prioritisation of your expenditures. Goals may keep changing, and newer ones tend to get added to the list. Efficient planning of your finances

coupled with regular tracking will be imperative for you to meet your investment goal for your loved ones. If done well, you will never need to feel the pressure of monetary burdens on your finances ever again.

— *The author, Rishi Mathur, is Chief Digital and Strategy Officer, Canara HSBC Life Insurance. Views expressed here are personal.*

Link: <https://www.cnbctv18.com/views/view-how-to-plan-wisely-for-your-childs-future-14012832.html>