

Plan for your child's future with mf

Planning for child's future is a major component of one's financial planning.

When it comes to children, parents tend to become emotional and would like to allocate major portion of their savings towards their child's education. With the cost of education increasing in geometric progression, it will not simply suffice to set aside money but also invest it in a manner that the investment grows in tune with the cost of education.

Correct time to plan

Earlier is the better. This dictum is applicable for all – be it for child's education, retirement planning or creating a nest egg. It is better to get into the savings mood immediately on child's birth. The earlier you start you can start with a smaller sum.

Identify the needs

Having decided to invest, it is imperative that you identify the needs of your child. Child's educational needs could be broadly divided under three categories: Primary education when the expenses may not be met from savings unless you have started saving when the child is born- Secondary education until the child goes for higher education and the professional education post school. These needs have to be converted into measurable financial goals. While one calculates the likely cost of education, one has to keep in mind the probable escalation of costs and also the cost of inflation.

Review your portfolio regularly

Creating a portfolio would not only suffice. One should review the portfolio regularly say at least once in six months or a year to find out whether it is shaping up the way you wish it to be – whether your financial goals could be achieved. If need be, you may have to pump in additional money, if your portfolio does not keep pace with your goal.

* Planning for child's future is a part of your financial planning. One will be tempted to dip into child's portfolio to meet other expenses and present consumption. This could dilute your financial goals and you would not have enough money left for your child's education. Hence, ensure that the money earmarked for your child's education is used for the said purpose only.

A minimum one time investment of Rs1000/- and one can invest as low as Rs500/- under SIP. These schemes invest at least 60% in debt instruments and balance in equity. On the other hand, some funds may invest equity with at least 70% to generate moderate returns.

Your choice should depend on your risk profile, the rate of returns you are estimating to achieve your financial goals and the horizon of investment. The lower the age at entry the higher will be the investment horizon. Hence, one can choose the Plan of your choice with all these parameters in mind.

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