

# Clarity on investment objective, time horizon, risks prerequisites while planning for child's future, Karan Doshi of LIC Mutual Fund says

Investment in equities is always subject to market risk and the short-term returns do get impacted based on when an investor chooses to invest, Karan Doshi, Senior Equity Research Analyst & Fund Manager at LIC Mutual Fund Asset Management.



Investor should have clarity about the investment objective in terms of time horizon, specific financial goals to be met, Doshi says

*Given the fact that children's education nowadays is a costly affair (cost of education is rising exponentially), one needs to start planning their finances as early as possible. This will not only help to secure their child's education in future, but also will have limited impact on their retirement plans. Disciplined investing with power of compounding helps in securing the goal easier and helps in avoiding into any debt traps, Karan Doshi, Senior Equity Research Analyst & Fund Manager at LIC Mutual Fund Asset Management tells Shivendra Kumar. Edited Excerpts:*

**Q) If one has to plan for his/her child's future, what are the key things to remember in pick a MF scheme?**

Investment in equities is always subject to market risk and the short-term returns do get impacted based on when an investor chooses to invest. The key to generating returns is to remain invested for a longer term, as there are enough evidence of equities giving higher return over interest rates and as the effect of compounding kicks in, the wealth generation may be much higher.

**Few factors to consider are:**

- 1) Investment objective (Investor's financial goal),
- 2) Time horizon
- 3) Risk appetite

4) Parents retirement

5) Child's age

**Q) Are there specific MF plans to meet near term, medium terms and long term needs?**

Investor should have clarity about the investment objective in terms of time horizon, specific financial goals to be met. It should be complimented with their risk-taking ability and risk appetite. This will give clarity about how an individual can plan optimal asset allocation.

For example, if investor's time horizon is less than 1 year, one may look at Liquid or Ultra short duration fund. For 3 years, one may invest in Hybrid Funds. For 3 years and above, one may invest into equity funds.

**Q) Child's growth is an ongoing thing, and enough liquidity is needed from time-to-time to meet expenses related to his studies/extra-curricular training programmes which are probably near or immediate term requirements. How can one plan for those?**

When a parent is planning for their child's future, one must make prudent choices. One need to select the right mix of equity and debt instruments to financially secure the child's future. One need to consider parent's age, child's age, income, expense, risk appetite, financial goals and liability (if any).

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**Q) Are there specific MF plans that you would like to suggest for one to meet goals related to his child future planning?**

For a parent, securing their child future is of utmost importance. There are various child plan investments, and the basic purpose is to help investors save money and make it grow to meet specific needs of the future.

Mutual Funds offer solution-oriented funds like Children's Fund. LICMF also has LICMF Children's Gift Fund for investors who wish to plan for their kids.

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**Q) What are specific areas that one must look at while picking a Mutual Fund scheme?**

While choosing up a Mutual fund, investor must identify their investment objective, time horizon and risk appetite. One must consider the investment strategy of the fund. If the investment strategy of the fund is not in line with the investor's investment goal, then a conflict of interest will arise. Each fund house has their own investment framework and fund managing style. What differentiates one from the other is whether you are sticking to your own framework or change your style with market movements. While past performance may not guarantee future returns however investor may look at the long-term historic fund performance. More importantly one may look at the performance of fund manager managing the fund.

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