

निवेश यात्रा

THE JOURNEY TOWARDS FINANCIAL FREEDOM

Between the Long and Short

Mid-term financial goals such as travel or upgrading your car can be difficult to squeeze in unless planned with care and flexibility



Mid-term goals are typically financial goals with a 3-5 year time horizon. These goals could include one's own marriage, down payment for a house or a vacation. Unlike short-term goals and long-term goals, where the clear time frame helps you decide on a strategy to adopt, medium-term goals require a mixed strategy. For medium term goals, you can afford to

ride out some market volatility by taking risks that you can't in case of short-term goals.

In all probability you may have multiple medium-term goals, with very little time difference between them. It would help to prioritise your medium-term goals, so that you are less impacted by any swings in your portfolio returns. For instance, unlike a long-term financial goal, such as

retirement, you have less time to recover from any potential swings in your investment returns. This effectively means you may need to follow a less aggressive equity allocation and have a higher allocation to debt. Remember that you will also want your money to be relatively accessible, and you should be willing to take some risk in exchange for relatively higher return.

Investment choice

You could look for investments that aren't too risky or volatile and where the expected returns are more than that of the traditional instruments of similar tenure. Hybrid mutual funds which invest across equity and debt allocation, medium duration debt funds that invest in debt and money market instruments, dynamic debt funds and even ETFs (Exchange traded funds) are options to consider while investing

for medium term goals. Before investing in these funds, you should check the mutual fund categorisation for the most suitable fund for you. Select a fund that matches your risk taking capacity, but do not side too much to debt instruments at the expense of losing on the potential gains that equity allocation offers.

Like any financial goal, it's essential to know exactly what you would like to accomplish, but most often mid-term plans don't get clearly articulated, which can derail your long-term goals. It can also result in inefficient outcomes with your short-term investment strategy. A combination of mutual funds is suitable to achieve mid-term financial goals because they are expected to provide better returns than a bank account over the same period. The time frame of investments is such that any short-term period of negative returns could grow back over the entire period that you are investing. Moreover, mutual fund investing is flexible and the investment provides liquidity. ●

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