‘Stick to goals, and don’t worry about volatility’

The Kanes are confident of achieving their financial goals over time

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S KUMAR/MINT

Navi Mumbai residents Meghmala, a state government employee, and Nitin Kane, a sales and marketing professional, focused on buying real estate between 2005 and 2014—the period after they started working and got married. The elders in the Kane family had a bad experience with market investments in the 2008 market crisis, and the family’s view that these investments come with high risk had become quite firm.

By 2014, they thought they had sufficient real estate investments, and it was the right time to seek “unbiased and professional advice” to help them manage their finances. “I started investing since my first salary in 2005. I first bought a life insurance policy. After many years, the policy still showed negative returns. I decided to not rely on random advice of family and friends or people trying to sell a particular product,” said Nitin.

When they met their planner Prakash Praharaj, founder

Asset allocation

Excludes real estate investments

monthly SIP amounts significantly over the years. However, the journey so far has also seen some panicky situations. “There were times when the market would fall and I would panic. At one such instance, I thought of stopping my SIPs, but then I was explained that when the market falls I would get a higher number of units in my

repaid the loan he took for one of the properties he bought in 2012 quickly using salary incentives and other savings in fixed deposits. However, in order to optimise taxes, in 2014, he was advised to continue with a home loan he had taken early in his career as it was a fixed rate loan at a lower interest rate. After the home loan repayment ended, Nitin decided to go for an executive MBA course from an IIM for which he had to take an educa-

MISTAKES
I won’t repeat

1. Mixing insurance and investments
2. Overexposure to real-estate

ACHIEVING GOALS

The Kane family has listed

ner, Prakash Praharaj, founder of MaxSecure Financial Planners, he told them they needed to diversify into assets other than real estate. "The family, due to previous experiences in 2008 was a firm believer in physical assets. My first suggestion to them was that even though the assets they had or the ones they planned to add were good, they needed to diversify," said Praharaj.

COURSE CORRECTION

The biggest change for the Kane family was to start investing in the equity market through mutual funds. Their financial investments till 2014 were either in investment-linked insurance policies or in fixed deposits.

They started with investing small amounts, but gradually increased their higher number of units in my mutual fund investments in the subsequent SIP," Nitin said.

The Kanes also had to set some basics right. They had very little medical cover which they were asked to enhance. The planner also told Nitin and Meghmala to get term life insurance.

The Kanes do not have high levels of debt though they took home loans earlier. Nitin has when he had to take an education loan.

At present, the family is also planning to consolidate their real estate holdings by selling two properties to buy one near their existing home. "I am not saying that real estate is a bad investment. Just that the market has changed. It is not like the early 2000 anymore that you will get huge returns. I am trying to sell one of my properties for the past six months but I have not been able to find a suitable buyer. Even when I sell it, the capital gains cannot be used immediately," he said.

Now that Nitin has realised how illiquid the real estate asset is, he wants to focus more on other instruments, as suggested by the planner, to achieve the family's financial goals.

The Kane family has listed down six goals. The long-term goals are retirement, higher education of their children Sarvesh, 10, and Shiv, 5, and then their marriage. A short-term and periodic goal is to have vacations, domestic as well as international.

For now, Nitin is satisfied with his savings as well as the returns from his investments. "Now I am not worried when the markets are volatile. Instead, I stick to my goals. I am sure I could not have saved the money that I did over the past five years, had it not been for mutual fund SIPs. I now understand that even though it (accumulation) happens slowly, financial goals can be achieved," he said.

However, the family's financial planner has maintained relatively low risk in their portfolio vis-a-vis their age. "Despite them being young, we have kept a debt-equity allocation of 40-60 for them based on their risk profile," Praharaj said.