Road to Wealth: Five Steps to Follow When You Invest In Your 30s

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It is good to start investing as early as possible in life. But if you are in your 30s and still clueless about investing systematically, here are some tips:

1) Set your goals

The first and foremost thing to do is to set your goals. Knowing what you want to achieve will help you work towards attaining those goals in a better way.

"One should have clearly defined goals. As compared to 20s, one can define the needs more clearly in the 30s. This will help in laying out the goals properly," says Vishal Dhawan, founder and chief executive officer of Plan Ahead Wealth Advisor.

Give your goals a timeline. For example, accumulating Rs 10 lakh in two years for making down payment towards purchase of a house.

2) Draw an overall financial picture

This will help you get an idea of where you stand: how much you have already invested, how much more do you need to invest and whether you have sufficient money to invest or you need to cut down some of your expenses. Take account of your monthly expenses and calculate how much you are left with after paying for a home loan EMI/rent and other monthly expenses.

3) Determine the right asset allocation

To create wealth that will help you meet your goals, you will have to use the golden principle of diversification by allocating money to different asset classes such as equity, debt, property and gold. Different asset classes perform differently at various time periods and weigh differently on risk-return parameters. Depending on market conditions, one asset class may perform better than another.

"One needs to determine the right asset-allocation mix, depending on one's risk-taking abilities and proximity to the goal and liquidity requirements," says Surya Bhatia, a certified financial planner. If you are investing for a goal such as retirement - which is a long-term goal - you will make more money by investing in asset categories such as equities which have a potential to deliver higher returns compared to other asset classes such as debt. However, if it is a near-term goal and you need the money in next two to three years, you can't take the risk of investing in equities.

4) Proper tax planning

You can't ignore the tax-planning aspect while investing as you will be investing part of your income in tax-saving instruments. Use instruments that not only help you save tax but also build wealth over the long term. As tax-saving instruments have a lock-in period, you should invest for long-term goals in these instruments.

"One should look at maximising the tax benefits. If you looking for a long-term debt instrument, public provident fund is a more tax-efficient option," says Vishal Dhawan of Plan Ahead Wealth Advisor.

5) Invest regularly

Make investing a regular habit by using tools like ECS (electronic clearance service) bank mandate, which allows you to deduct money automatically from your bank account on a specified date of the month. Remember, if you save after spending, you will never be able to save enough. Instead, try to spend whatever is left after saving. As your income grows, increase your savings.

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